

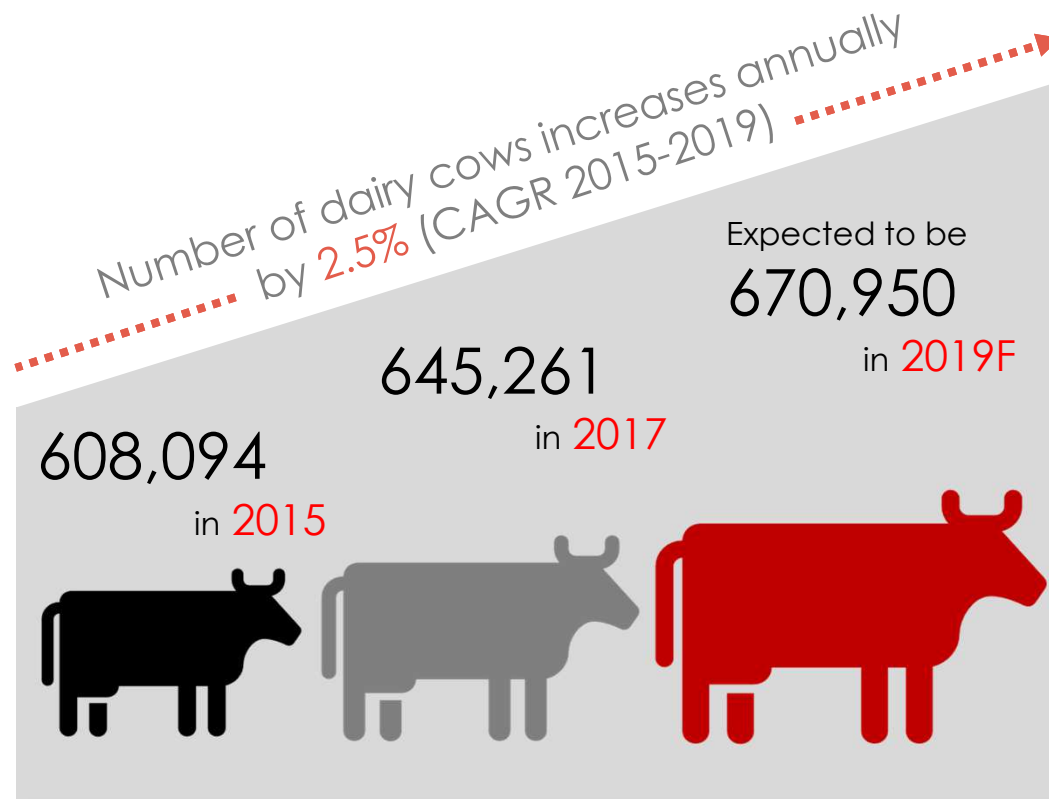
Dairy Products in Thailand

Content

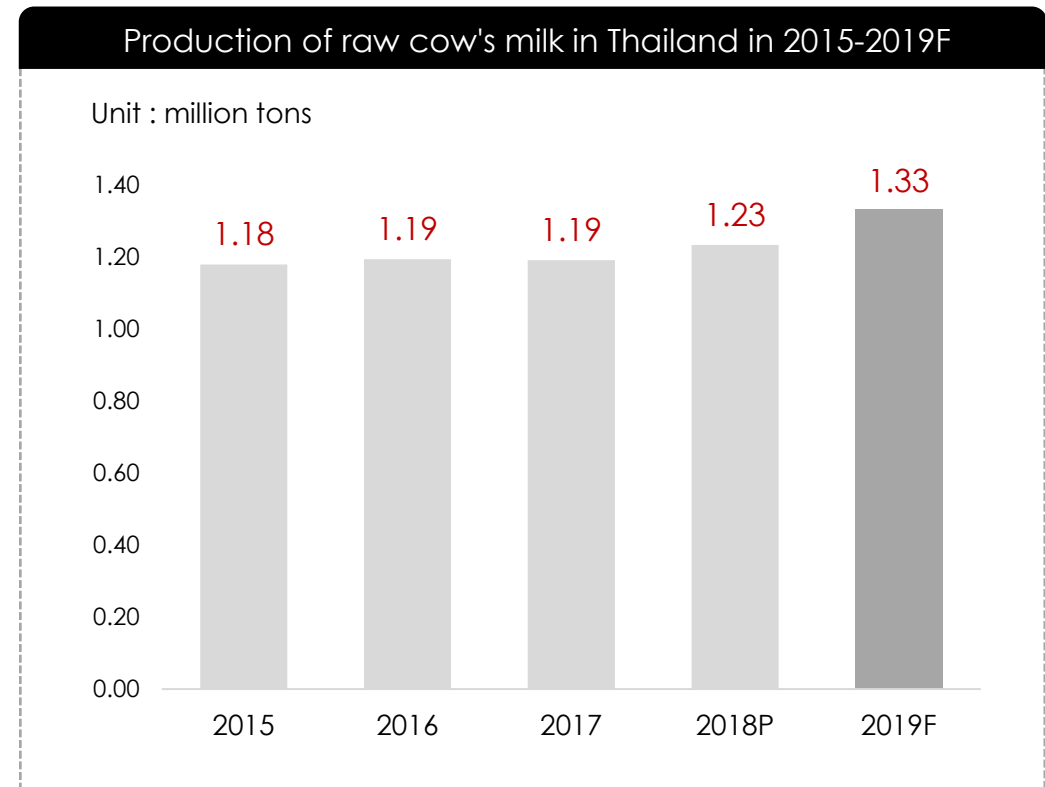
- Dairy Industry Situation in Thailand
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Dairy Industry Situation in Thailand - Production

- Thailand's dairy industry is the biggest in the ASEAN region with a raw milk production capacity of over 1 million tons per year; the majority of which are produced from dairy cows.
- The amount of raw milk production has been gradually increasing as the Thai government has provided policies to support milk productivity improvements and focus on the appropriate nutrition for dairy cows. Due to increases in the market price of raw milk; dairy farmers have been improving production efficiency to increase production yields. According to the Office of Agricultural Economics, production grew from 1.18 million tons in 2015 to 1.23 million tons in 2018 and is expected to reach 1.33 million tons in 2019, up by 8% from 2018.



Note: The number of dairy cows on 1st January, 2015-2019



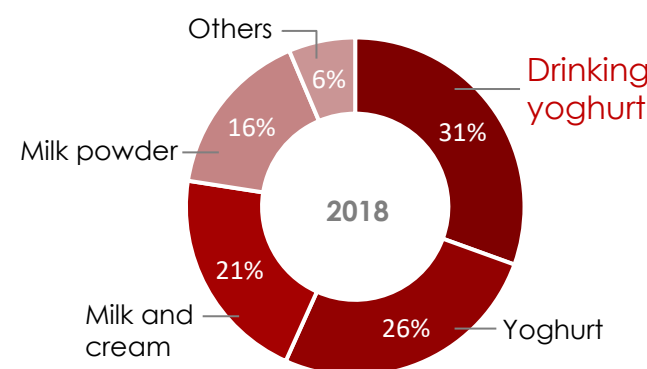
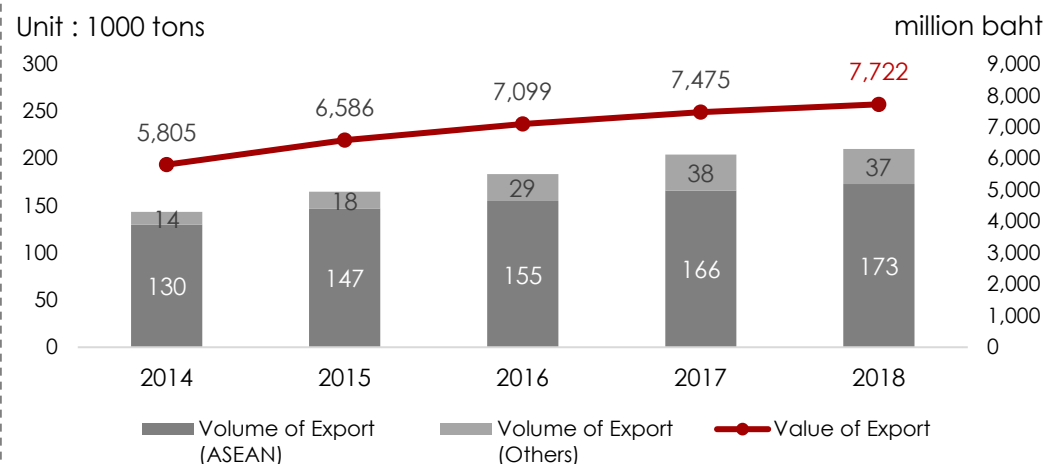
Note: P = preliminary, F = forecast

Source: Office of Agricultural Economics, 2018

Dairy Industry Situation in Thailand - Export

- Thailand is not only the largest milk producer but is also a major milk and dairy products exporter in ASEAN.
- Since the implementation of the FTA in 1992, the export of milk and dairy products has expanded considerably with a CAGR of 13% between 1992-2018. ASEAN accounted for more than 80% of total export volume in 2018. Top importers are Cambodia, the Philippines, and Singapore.

Thailand's export of milk and dairy products

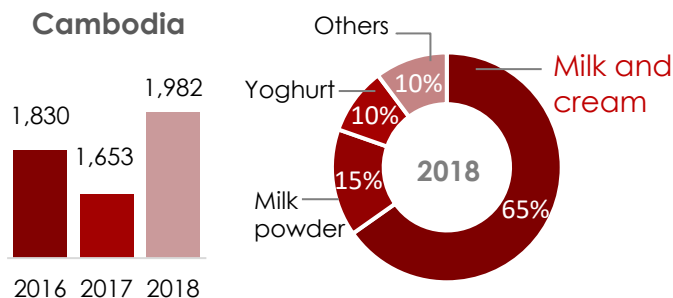


Export value by major products in 2018

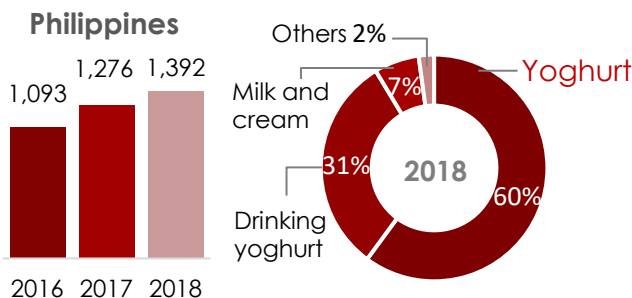
Export value of milk and dairy products of major export destinations, 2016-2018

Unit : million baht

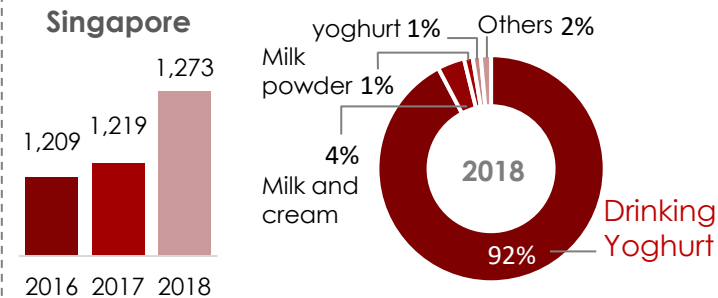
Cambodia



Philippines



Singapore



Source: Ministry of Commerce

Note: The export of milk and dairy products in the charts include only products under HS code 0401-0406.

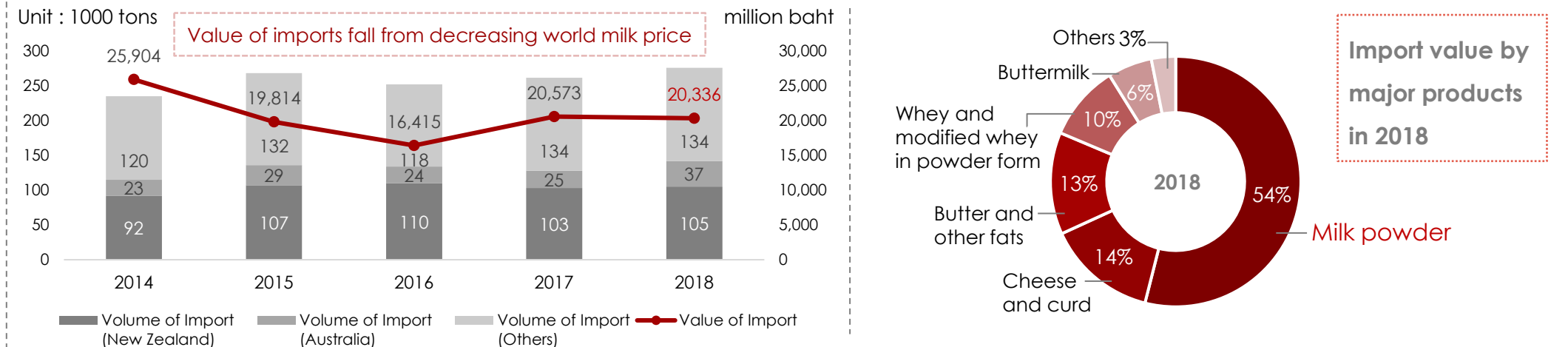
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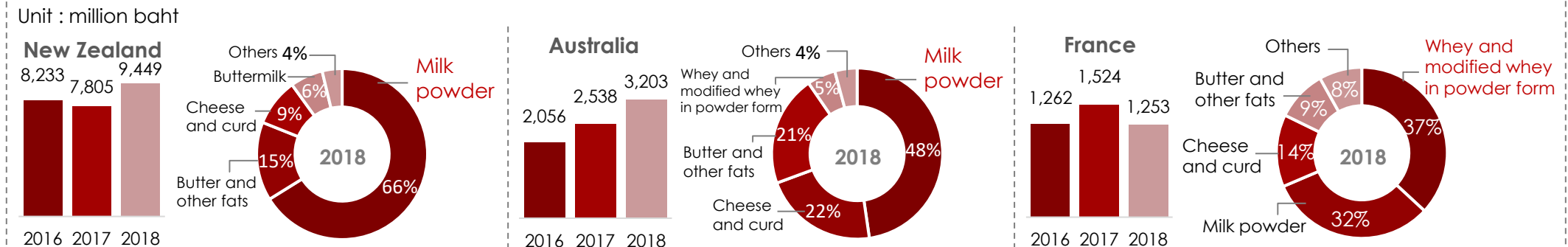
Dairy Industry Situation in Thailand - Import

- Thailand imports a lot of milk and dairy products every year, especially skimmed milk powder and whole milk powder, due to insufficient local production and rising domestic demand from dairy, bakery, and food processors.
- In 2018, Thailand's imported milk and dairy products valued at around 20.3 billion baht. New Zealand and Australia are the major import origins, with a market share of more than 60% of total imported milk and dairy products to Thailand.

Thailand's import of milk and dairy products



Import value of milk and dairy products of major import origins, 2016-2018



Source: Ministry of Commerce

Note: The import of milk and dairy products in the charts include only products under HS code 0401-0406.

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Market & Trends of Thailand's Dairy Products

- In Thailand, most raw milk is processed into drinking milk products. The remaining milk is transformed into milk powder, yoghurt and drinking yoghurt, condensed milk, cheese, butter and dairy cream.

Understanding Dairy Products in Thailand

Drinking Milk

- U.H.T Milk
- Pasteurized Milk
- Sterilized Milk



Milk Powder

- Baby Milk Powder
- Adult Milk Powder



Yoghurt and Drinking Yoghurt

- Yoghurt
- Drinking Yoghurt



Condensed Milk

- Sweetened Condensed Milk
- Unsweetened Condensed Milk



Cheese and Butter

- Cheese
- Butter



Dairy Cream

- Single Cream
- Half Cream
- Whipping Cream
- Heavy Cream



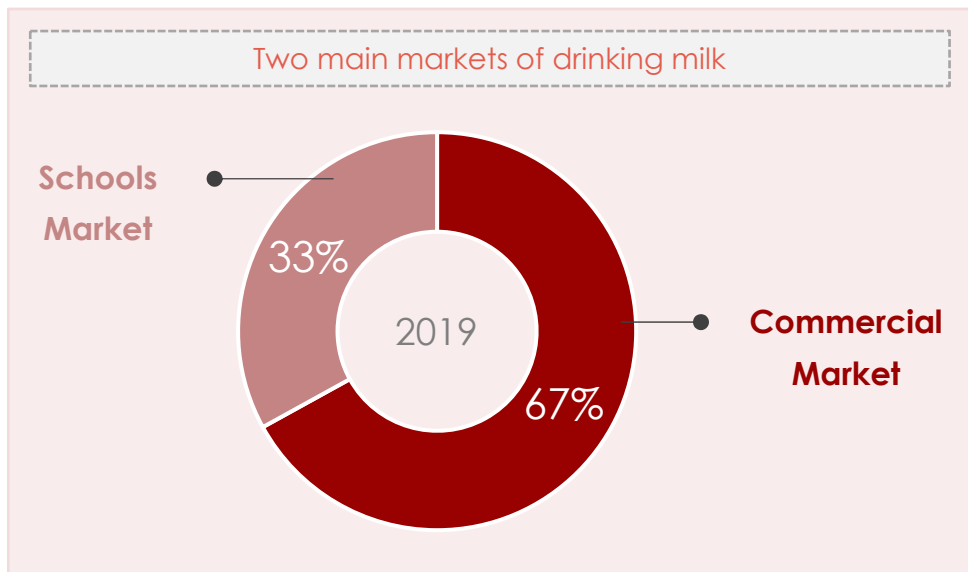
Source: Disclosed Information

Market & Trends of Thailand's Dairy Products - Drinking Milk (1)

- Drinking milk products are considered as the biggest segment of dairy products market in Thailand, with a total market value of around 40 billion baht in 2018, increasing from 2017 only by 1%. U.H.T milk has the largest share in this market, around 48% valuing at 16 billion baht in 2018, followed by pasteurized milk and sterilized milk. According to The Dairy Farming Promotion Organization of Thailand (DPO).
- Drinking milk in Thailand is classified into two markets; the commercial market and the school market. Commercial market accounts for around 67% of Thailand's drinking milk industry. The rest is the market of the school milk program, which was initiated by the government to support dairy farmers and the Thai dairy industry as well as to promote milk consumption.
- Thai-Denmark and Foremost are the leading brands in UHT Milk, Meanwhile, CP-Meiji and Dutch Mill are the leaders in the pasteurized milk industry with regards to product innovation.

Thailand's drinking milk market

(Total market)



Major brands in drinking milk market

(only retail market)



Source: The Dairy Farming Promotion Organization of Thailand (DPO) and Public news

Market & Trends of Thailand's Dairy Products - Drinking Milk (2)

Drinking milk market trends

Changes in consumer behavior



- Pasteurized milk is gaining more popularity amongst Thai customers as it is considered to contain higher nutritional value than UHT.
- Plant-based milk products, such as soy milk, almond milk, and cereal milk continues to surge in popularity, which have impacted the demand for dairy milk. Therefore, dairy milk producers have launched new products, such as lactose-free milk, to cater to customers' needs.

Low consumption of drinking milk



According to the Dairy & Foods Industry Association (DFIA), Thais only drink 18 liters of milk per year, equivalent to only two glasses per week, which is 6 times lower than the global average. This attract investors to join the market and boost Thai consumption, indicating a huge potential for growth in this industry.

Thai Consumption



Global Consumption



6 times lower

Source: World Health Organization (WHO)

Increasing export to ASEAN

Because of business opportunities in ASEAN, producers are expanding production capacity outside Thailand and increasing exports of dairy products to Asian countries especially Cambodia, the Philippines and Singapore.

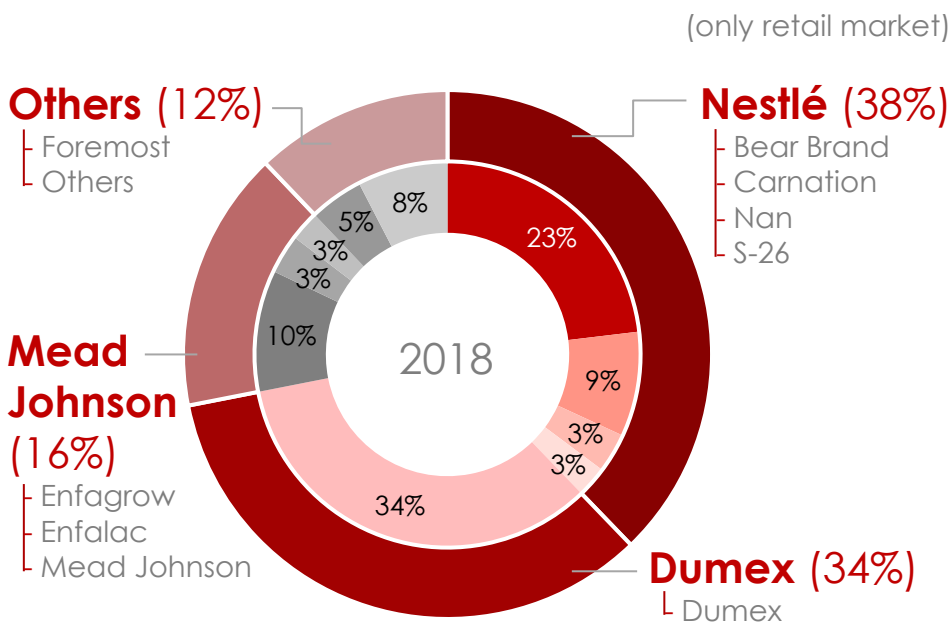
Popularity of restaurants, cafés and coffee shops

The rise in popularity of restaurants, cafés, and coffee shops is one of the important factors which boosts the demand for pasteurized milk.

Market & Trends of Thailand's Dairy Products - Milk Powder

- The Thai milk powder segment can be classified into baby milk powder and adult milk powder. The baby milk powder market holds a majority with a total retail value estimated at 30.2 billion baht in 2018, up from 29.4 billion baht in 2017.
- Leading brands in the baby milk powder market are Dumex (34%) and Bear Brand from Nestlé (23%). However, in terms of companies, Nestlé is the leader with several brands in its products portfolio.
- In terms of adult milk powder market in Thailand, Anlene is the leader and other major brands are enfamama, Dumex, Annum and S-26.

Major brands in the baby milk powder market



Source: National Food Institute of Thailand (NFI)

Major brands in the milk powder market are the players who gain large market shares as they have large budgets for R&D and marketing, which influences customer loyalty.

Market trends of milk powder

Premium products effect the growth of baby milk powder



The demand for baby milk powder is decreasing in Thailand due to the constant decline in fertility, governmental promotion of breast milk and the regulated marketing of milk products for children from newborns up to the age of 3. However, the market value of baby milk powder is increasing from the rising demand for premium products, with more than 50% of total baby milk powder market share in Thailand.

Focus on individual needs of parents

Players in the market are currently focusing on the individual needs of parents for a child, with healthier products such as probiotic-added, lactose-free and products with high nutritional values.

Low consumption of adult milk powder

Milk powder is not popular among adults in Thailand due to the convenience factor of ready-to-drink products. Popular examples are Anlene adult UHT milk and Bear Brand sterilized milk.

Market & Trends of Thailand's Dairy Products - Yoghurt and Drinking Yoghurt (1)

- Euromonitor estimated that the value of yoghurt and drinking yoghurt in 2018 stood at 30.5 billion baht and will achieve 31.3 billion baht in 2019, growing by 3% in retail value and 2% in volume. Main players in this market are Dutch Mill, Yakult and CP-Meiji.
- Drinking yoghurt has a majority share in total yoghurt and drinking yoghurt marketplace. The types of drinking yoghurt are categorized into culture drinking yoghurt* (major players are Yakult and Betagen) and UHT/pasteurized drinking yoghurt (major player is Dutch Mill with a share of 97%).
- According to CP-Meiji, the market value of yoghurt has shrunk consistently for the past few years from 4.7 billion baht in 2015 to 4.26 billion baht in 2018. The leader in the yoghurt market is Dutchie brand of Dutch Mill with a 70% share of total retail market value.

Thailand's yoghurt and drinking yoghurt market

Drinking Yoghurt Market

Major players in culture drinking yoghurt market

Yakult | **Betagen**

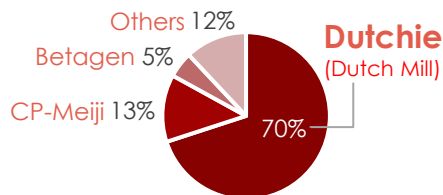
Major players in UHT/pasteurized drinking yoghurt market

Dutch Mill

Yoghurt Market

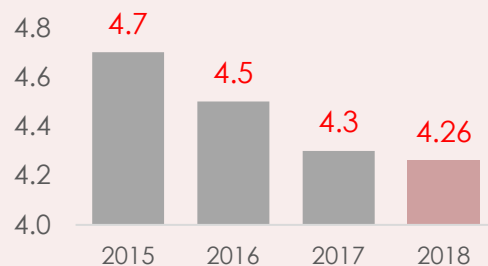
Product value:
4.26 Billion THB in 2018

Major players of yoghurt, 2018



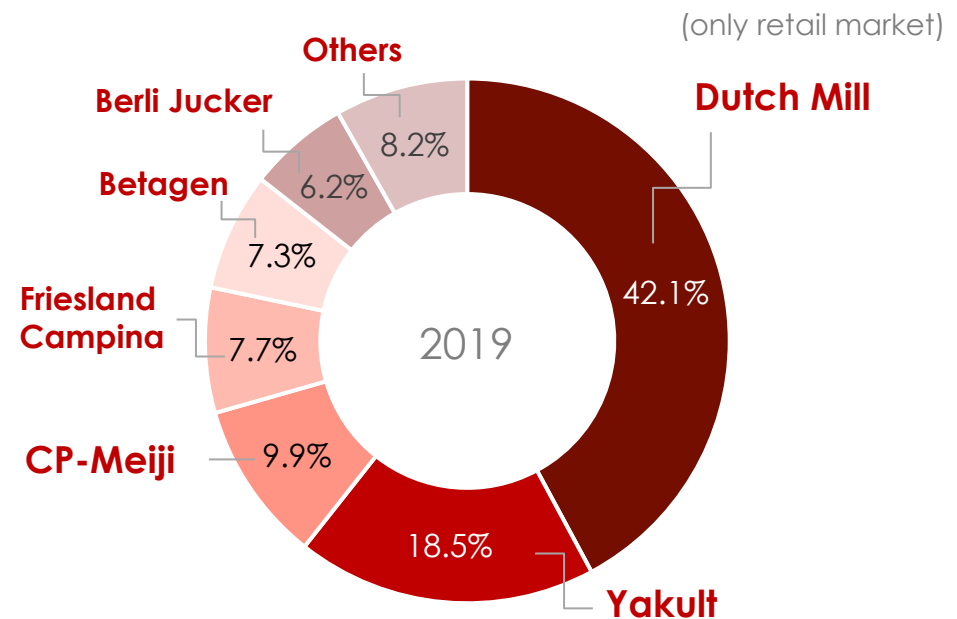
Yoghurt market value

Unit: million baht



Source: CP-Meiji

Major companies in yoghurt and drinking yoghurt market



Source: Euromonitor International and Public news

Note: *Culture drinking yoghurt produced using yoghurt bacteria (culture of probiotic bacteria)

Market & Trends of Thailand's Dairy Products - Yoghurt and Drinking Yoghurt (2)

Market trends of yoghurt and drinking yoghurt

Growth in the yoghurt and drinking yoghurt market



The total yoghurt and drinking yoghurt retail market value has grown continuously from 28 billion baht in 2016 to 31.3 billion baht in 2019, up by 11.8%; mainly from growth in the drinking yoghurt market as a result of brand engagement with customers through modern trade and traditional trade (Direct Sale), such as Yakult, a first mover in the direct sale market which influences customer loyalty. Euromonitor forecasts that market size of this market overall will show consistent growth.

Positive view of growth in cup yoghurt

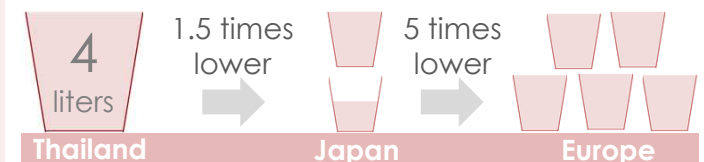


Although the overall yoghurt and drinking yoghurt market have shown continued growth, the cup yoghurt market has been down for the past few years due to the economic crisis and lower consumption. Thais consume less yoghurt because they consider yoghurt as a snack. They also think that yoghurts have high levels of sugar. Additionally, the snack market has many products for consumers to choose from. Thus, it leads to lower consumption and growth of yoghurt. However, producers still have a positive view of growth, which can be seen with the launches of new products and increasing awareness of the benefits of yoghurt to encourage more cup yoghurt consumption.

Low consumption of yoghurt



According to CP-Meiji, Thais' average consumption of yoghurt is only 4 liters per person per year, which is a lot lower than other countries. Therefore, there is still more room for growth.



Source: Euromonitor International

The government's sugar tax



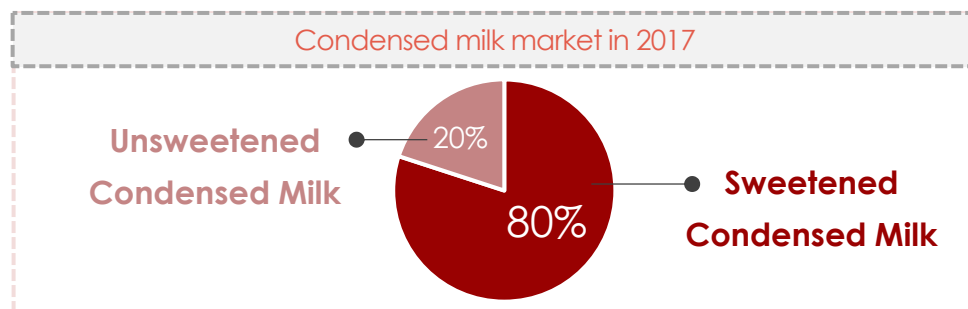
The main players have been preparing for the government's tax on sugary drinks (enforced on Oct 1, 2019) and exploring business opportunities in healthier product sectors to keep up sales growth.

Example of healthier products: Betagen Light, Yakult Light, Dutchie life, and Delight low sugar

Market & Trends of Thailand's Dairy Products - Condensed Milk

- According to Daily Foods Co., the maker of "Palace" brand, Thailand's sweetened and unsweetened condensed milk market is projected to be around 10 – 12 billion baht in 2019, up from 8-10 billion baht of previous years. The leader of this market is MALI, with a 50% share of the entire condensed milk retail market. The remainder are F&N, Palace, and Foremost, respectively.
- The market is divided into sweetened and unsweetened condensed milk. For the sweetened condensed milk market, MALI is also the leader (60-70% market share in 2018) and in terms of unsweetened condensed milk that Thais commonly use as cooking ingredient, Carnation brand of F&N has the largest market share.

Thailand's condensed milk market (only retail market)



Major brands in condensed milk market

Leader in sweetened condensed milk market	Leader in unsweetened condensed milk market
<p>Leader is Mali 60-70% market share</p> <p>Other brands</p> <ul style="list-style-type: none"> - Teapot brand of F&N - Palace 	<p>Leader is Carnation brand of F&N</p> <p>Other brands</p> <ul style="list-style-type: none"> - Mali - Falcon brand of Foremost

Source: Public news

Market trends of condensed milk

Condensed milk market to grow



Decline in the condensed milk market over the past several years was due to the economic crisis and very stiff competition. However, the trend is for growth as major players are launching new products with various marketing strategies in response to the health-conscious trend and urban lifestyles.

Condensed milk demand from

- hotels
- restaurants
- coffee shops
- cafés

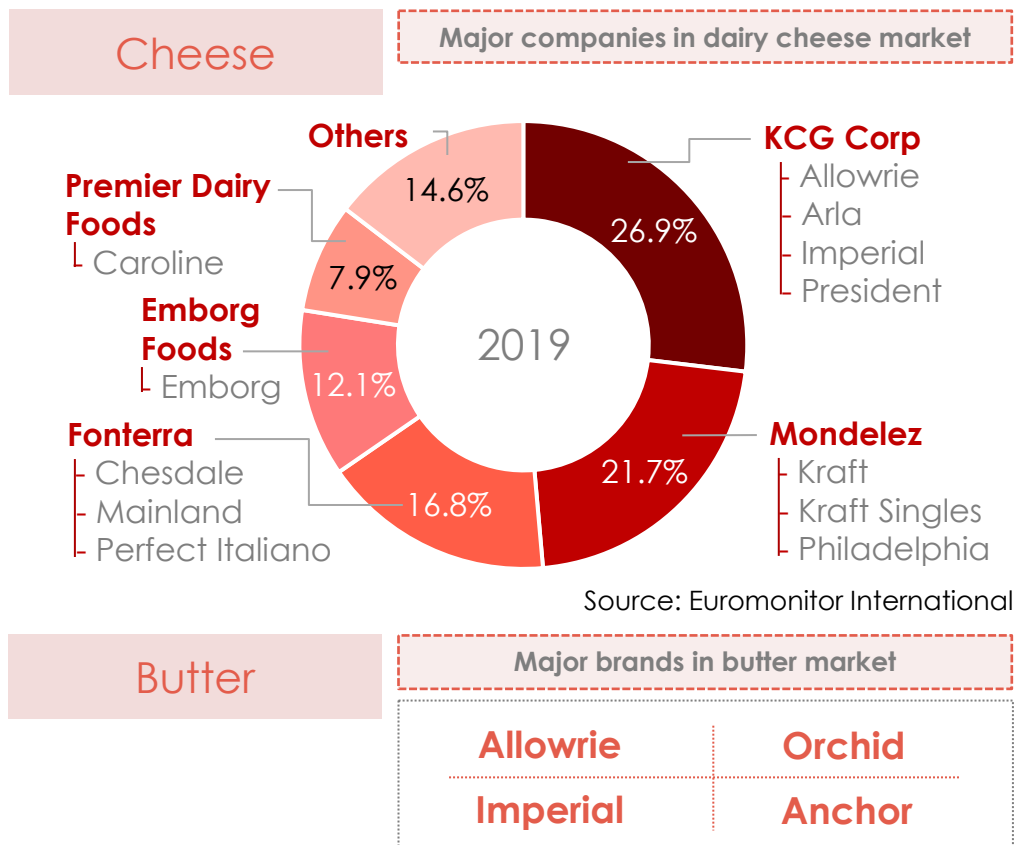


The rising number of hotels, restaurants, coffee shops, and cafés is driving up the demand for condensed milk. This product is mostly used as an ingredient in foods, desserts, and drinks, which means that most condensed milk products are sold to the business sector rather than the retail sector.

Market & Trends of Thailand's Dairy Products - Cheese and Butter

- The value of Thailand's cheese retail market in 2019, as predicted by Euromonitor, is around 2.1 billion baht, having grown from 1.7 billion baht in 2016. The leaders in the cheese market are KCG Corp, Mondelez and Fonterra, respectively. These top 3 companies have shares of more than 50% of the total cheese market. For butter, major brands are Allowrie, Orchid, Imperial and Anchor.
- A report published by Nielsen in 2018 revealed that Allowrie brand of KCG Corp has the highest share in the overall cheese and butter market in Thailand.

Thailand's cheese and butter market (only retail market)



Market trends of cheese and butter

Focus on more affordable products



The majority of cheese and butter in Thailand are expensive imported brands. Therefore, there is still a chance to set up a local manufacturing base and introduce much more affordable products to customers. Meanwhile, local players are also focused on more economical products such as classic cheese varieties introduced by local company: Premier Dairy Foods.

Thailand's bakery market is growing



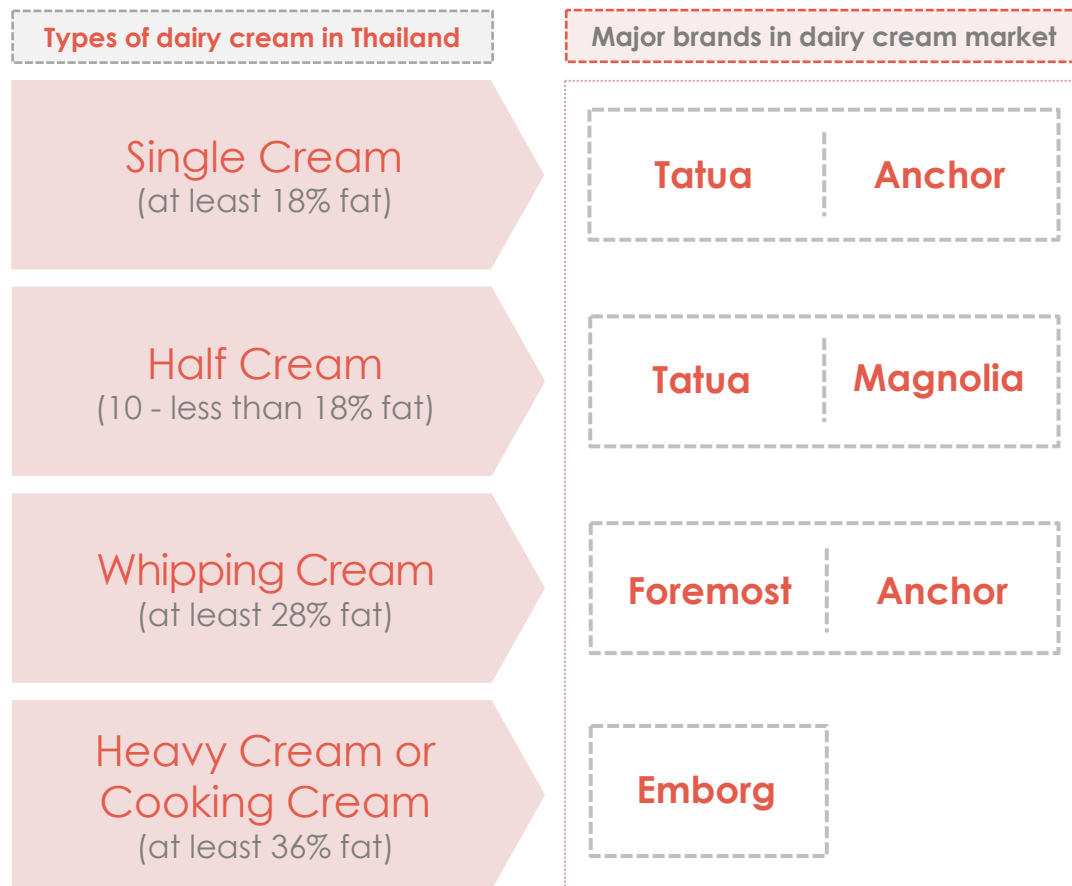
The growth of the bread and bakery market in Thailand has been affecting the demand for cheese and butter, which is a main ingredient in baked goods.

Market & Trends of Thailand's Dairy Products - Dairy Cream

- According to the National Food Institute of Thailand (NFI), the total retail market value of dairy cream is estimated at 260 million baht in 2016. This number is the lowest value in the overall dairy products market as dairy cream is unpopular amongst Thais, with customers mainly from the business sector. Currently foreign brands, namely Anchor, Tatua, Magnolia, Foremost, and Emborg hold the largest share in Thailand's dairy cream market.

Thailand's dairy cream market

(only retail market)



Market trends of dairy cream

Healthy lifestyle
amongst Thais



At present, a healthy lifestyle amongst Thais is driving the demand for dairy cream, as non-dairy cream mostly contains trans fats, which comes with negative health effects.

Expansion of
coffee shops
and bakeries



The dairy cream market has been growing steadily from the expansion of coffee shops and bakeries, which use cream as an ingredient or to add value to their products.

Major Players in the Dairy Products Industry in Thailand

- Top ranking of key players in the dairy product market by total revenue in 2018 and product category.

Company name	Total Revenue* 2018 (THB)	Dairy Products							
		Drinking Milk	Milk Powder	Yoghurt	Drinking Yoghurt	Condensed Milk	Cheese	Butter	Dairy Cream
Nestle (Thai) Ltd.	48,872	-	✓	-	-	-	-	-	-
F&N Dairies (Thailand) Ltd.	14,112	✓	-	-	-	✓	-	-	✓
Dairy Plus Co., Ltd.	13,910	✓	-	-	✓	-	-	-	-
Friesland Campina (Thailand) Public Co., Ltd.	12,675**	✓	-	✓	✓	✓	✓	-	✓
Dutch Mill Co., Ltd.	10,386	✓	-	✓	✓	-	-	-	-
Mead Johnson Nutrition (Thailand) Ltd.	9,423	✓	✓	-	-	-	-	-	-
Dairy Farming Promotion Organization of Thailand (DPO)	9,640	✓	-	✓	✓	-	-	-	-
Dumex Ltd.	8,007	✓	✓	-	-	-	-	-	-
CP-Meiji Co., Ltd.	8,578	✓	-	✓	✓	-	-	-	✓
KCG Corporation Co., Ltd.	5,524	-	-	✓	-	-	✓	✓	✓
Betagen Co., Ltd.	3,774	-	-	✓	✓	-	-	-	-
The Thai Dairy Industry Co., Ltd.	2,952**	✓	-	-	-	✓	-	✓	-
Yakult (Thailand) Co., Ltd.	2,409	-	-	-	✓	-	-	-	-

Source: Disclosed Information

Note: *Total revenue may include the revenue from non-dairy business

**2017 figures are the latest

Foreign Investment in Thailand's Dairy Products Market

Example of foreign investment in the dairy products market in Thailand

The Dairy Council for Northern Ireland



Activity	<ul style="list-style-type: none"> The Dairy Council for Northern Ireland sees great potential in Thailand and plans to promote the consumption of British dairy products within 2020 via the business-to-business (B2B) channel.
Partner	<ul style="list-style-type: none"> Partner with Siam Food Services, the importer and distributor of frozen and chilled products, as a distributor to promote 5 products namely cheese, milk powder, butter, cream and yoghurt in Thailand.

Dubai-based TGI Group



Activity	<ul style="list-style-type: none"> TGI Group set up Nutrider Ltd., a dairy products manufacturer, in Thailand and launched a drinking yoghurt product under brand Abevia in 2017.
Partner	<ul style="list-style-type: none"> Partner with Loxley Trading, the leading distributor of fast-moving consumer goods, for distribution.

Vietnam Dairy Products JSC (Vinamilk)



Activity	<ul style="list-style-type: none"> Vietnam's national dairy company launched Vinamilk yoghurt, SuSu yoghurt, Vinamilk UHT milk and Star condensed milk in the Thai market in 2016.
Partner	<ul style="list-style-type: none"> Partnered with Saha Pathanapibul PLC, a local production and distribution company, to distribute its dairy products in Thailand until 2018. Currently, Vinamilk changed to partner with Wise Choice (Thailand), a company handling retail sale of food products, for distribution in 2020.

Australian company Bega Cheese



Activity	<ul style="list-style-type: none"> Bega Cheese Ltd. Has been launching cheese products in Thailand since 2018 and is expanding its presence in convenience stores, especially the popular 7-Eleven chain.
Partner	<ul style="list-style-type: none"> Partner with East West Trading & Agencies (EWTA), importer and distributor of dairy & delicatessen products, to import and distribute products in Thailand.

Conclusion

- Thailand's milk and dairy products market is dominated by local manufacturers with a strong presence of multinational brands in some specific products.
- The Thai market is growing strongly with several positive drivers, namely the milk-consumption promotion policy, health-conscious lifestyle trends, growing middle-income consumers, growing bakery and coffee market, and insufficient local production of some products. These are creating opportunities across all product categories and market segments.
- With the advantage of being the largest milk producer in ASEAN, Thailand has been used as the manufacturing base and the initial market before expanding to the huge and growing ASEAN's dairy market.
- The high potential for growth of the milk and dairy products market in Thailand and ASEAN is encouraging influx of foreign investment in recent years. Partnerships with a local partner is recommended for new market entries. As there are several manufactures and distributors in the industry, therefore the characteristics of different partners need to be clarified in order to find the most appropriate partner for successful market penetration.

