Southeast Asia Dairy Market Report
Overview and Opportunities

Although dairy consumption in Southeast Asia has always been considerably lower than other regions internationally, it is an industry which is scaling up at a fast pace leading to increased opportunities.

Dairy intake in Asia is less than 20kg per capita each year compared to 300kg in neighbouring countries such as Australia. However, Asia is an important region for the dairy industry as the growth rate of consumption is increasing rapidly. According to global agribusiness researcher Rabobank, dairy consumption in Southeast Asia is expected to grow by 3% every year until 2020.

With this predicted growth across the region, let’s focus on markets in Indonesia, Thailand, and Vietnam to take a look at some of the key factors influencing consumers in the region, and what opportunities these create for players in the dairy industry.

Functional Dairy

Across Asia there is growing consumer demand for functional products, particularly when it comes to digestive health. Leading the way in this segment is functional dairy beverages. With one in every two functional dairy beverage launches relating to digestive health in 2018 in China, and a growing association of yoghurt with digestive health, this is a trend that is set to continue across Asia.

Snacking and Convenience

As daily life continues to become busier with people spending more time out of the home, convenience food and snacking are becoming increasingly important. According to a 2017 GlobalData customer survey, Asia has emerged as a key region for dairy snacks, generating opportunities for dairy producers to create products designed for out-of-home consumption.

Audience Segmentation

Dairy products have become popular across Asia, however, different age groups are attracted to dairy for different reasons. Targeting and marketing to different demographics is key. Functional dairy beverages for example are successful when promoted as healthy aging beverages to children and the elderly. On the other hand, the millennial generation are seeking sustainable, ethically sourced products.
INDONESIA

Demand for Milk
Traditionally, milk consumption in Indonesia has been low as the country is not well suited to dairy farming. This has led to people using powdered milk with Indonesians consuming just 12 litres of milk per year. However, due to the health benefits of milk and increasing interest in natural products, milk is in higher demand.

Concentrated in Java, domestic milk production is not able to keep up with this growing demand, meaning 74% of Indonesia’s milk is imported. To meet consumer demand, creative solutions need to be found domestically, but most likely importing will remain the most important method of supplying milk to the Indonesian population.

Changing Tastes
Due to a rise in the Indonesian middle class who have more disposable income, there is a demand for higher quality products. Consumers are looking for full-fat and reduced-fat products, particularly when it comes to dairy products such as milk and butter, as they want food and beverages that are as close to their natural state as possible with less processing and intervention.

Looking to expand their presence in Southeast Asia, American company Yogurtland, a self-serve yoghurt chain, have announced plans to open 10 locations across Indonesia. Acknowledging the desire amongst the Indonesian population for variety and healthy options, Yoghurtland is catering to changing tastes with sugar-free and gluten-free options and over 250 flavours.

Key Claims
Environmental sustainability and products that align with dietary requirements and preferences are important to Indonesian consumers. The top three beverage claims in the past year were Halal-certified products, eco-friendly packaging, and functional ingredients. These claims all apply to consumer needs when it comes to dairy products, particularly as dairy beverages make up a key proportion of beverage product launches in Indonesia.
THAILAND

Health Benefits

Thailand have recognised and advocated for the health benefits of dairy products for decades. In 1992 a campaign was launched in Bangkok to encourage milk consumption in schools. As one of the first to promote the benefits of milk and dairy products to both children and the elderly, Thailand has become home to one of the most advanced dairy industries in the Southeast Asian region.

Although Thailand operate a relatively large dairy industry, milk consumption has been faltering. According to a behaviour survey conducted by Suan Dusit in 2019, 50% of Thai youth aged 13 to 20 consume less milk, while a quarter of people over the age of 60 do not drink any dairy. Popular alternatives such as soy contribute to low rates of consumption, as does a lack of understanding of quality and benefits of dairy milk. To combat this the Thai Health Promotion Foundation have invested in a campaign “Good Milk for All Ages: Drink Daily”. For companies looking to operate in Thailand, clear messaging of health benefits to align with these campaigns is key.

Expat Influence

As dairy is a non-traditional element of the Thai diet, expats who have relocated to Thailand are significant in promoting dairy products. Little Goat Farm founded by Thai native Rachanikorn Srikong produces soft goats cheese which is very uncommon in Thailand. Mainly selling to expats, Little Goat Farm is expanding to sell at farmer’s markets in Bangkok to offer something different to Thai people seeking new dairy textures and products.

Also producing soft cheeses such as French brie and camembert, Heaven on Cheese is a Thai company run by an Australian expat couple. Missing cheeses available at home and in Europe, Heaven on Cheese created products not readily available in Thailand. A steadily growing company, Heaven on Cheese provide products to high-end hotels and western-style restaurants throughout Thailand.

Lifestyle Needs

As the daily lives of Thai consumers become busier and more stressful, mental health and wellbeing is growing in importance. Thai consumers are increasingly seeking out natural products with 67% of Thai consumers describing healthy food as products made with all-natural ingredients. This opens up opportunities for brands to leverage the wholesome, natural aspect of dairy products.

As a relatively new trend, dairy products need to be clear on health benefits, while alluding to how they can contribute to an improved lifestyle. For example, manufacturers of functional dairy drinks in the Thai market are mainly focusing their functional claims on the digestive system and bone health.
VIETNAM

Popularity of Milk
In the Southeast Asia region Vietnam is predicted to see the fastest pace of growth of the dairy industry at a rate of 4.5%. This is due to the rapid development of the economy based on a young and fast growing population.

Although dairy products are not historically common in the Vietnamese diet, milk has become hugely popular due to the influence of Western tastes and preferences. Accounting for about a third of children’s home drink consumption and over a tenth of women’s drink consumption, milk is becoming a staple product in many homes. Companies like Vinamilk, the largest Vietnamese dairy company, capitalised on this trend earning a huge USD 1.7 billion in sales during the first 9 months of 2017 alone.

Product Launches
Spotting opportunities in the growing dairy market in Vietnam, several companies are launching products with key messaging to appeal to consumers. In April 2019 beverage giant Coca-Cola and New Zealand dairy producer Fonterra partnered in what is considered a strategic alliance in Southeast Asia. Under the existing Nutriboost brand, they launched new products in Vietnam as it is the third largest dairy market in the region. Catering to the preferences of Vietnamese consumers, the milk products are segmented into Nutriboost Kids, To-Go, and Beauty which are aimed at children and adults respectively responding to consumer needs and desires.

Trade Agreements
A new free trade agreement, Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), between 11 countries including Vietnam is expected to have a significant impact on the dairy industry in Vietnam. Under CPTPP dairy products from Japan, Singapore, and New Zealand will not be subject to import tariffs. Currently Vietnam produces 20% of its milk, however, local production will be threatened by this new agreement. Although the local dairy industry will face challenges, this agreement presents opportunities to innovate and respond to local consumer needs, while easily importing goods to meet the growing demand.