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# Philippines

# Dairy and Products Annual

# Annual

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**Report Highlights:**
The Philippines produces less than one percent of its total annual dairy requirement and imports the balance. In 2009, milk production grew 3.3 percent to 14,270 metric tons and is projected to continue growing due to the large demand for fresh milk. Estimated total domestic dairy requirements are 2.767 MMT and growing at 2-3 percent yearly. Dairy products are the country's second largest agricultural import after wheat. In 2009, imports of milk and milk products increased by 11 percent in liquid milk equivalent.

**Commodities:**
Dairy, Milk, Fluid
Dairy, Dry Whole Milk Powder
Dairy, Dry Whole Milk Powder
Dairy, Cheese

**Production:**
Data from the Philippine National Dairy Authority (NDA) shows that domestic milk production grew 3.30 percent from 13,810 metric tons in 2008 to 14,270 metric tons last year. Value of dairy production in 2009 amounted to P461 million ($10.72 million at current exchange rate). Local milk production is projected to continue to increase due to the growing demand for fresh milk. Dairy production in 2010 is expected to reach 16,200 metric tons or a projected increase of 13.53%. The country produces less than one percent of its total annual dairy requirement and imports the balance.

As of January 1, 2010, there were an estimated 32,007 dairy animals, an increase of about 8.16 percent from the previous year, comprised of dairy cattle (16,949), water buffalo (13,857) and dairy goats (1,201). Dairy cattle numbers, in particular, increased by nearly 12.44 percent due mainly to the on going herd build-up programs of the NDA. Dairy animal numbers are expected to continue increasing by 500-1,000 annually, due to this government program.

| DAIRY ANIMAL NUMBERS (as of January 1, 2010) | | | |
|---|---|---|---|
| | **2008** | **2009** | **2010** |
| Cattle | 13,864 | 15,073 | 16,949 |
| Carabao | 13,416 | 13,594 | 13,857 |
| Goats | 911 | 924 | 1,201 |
| TOTAL | 28,191 | 29,593 | 32,007 |

Source: Bureau of Agricultural Statistics

Female breeders or dams accounted for about 47 percent of total cattle and carabao (water buffalo) population. The rest were bulls, heifers, yearling and calves. On the other hand, goat female breeders comprised 53 percent of total dairy goat inventory, and the rest classified under kids and bucks.

Despite an increase in the number of dairy animals, the average milking capacity per animal remains low due mainly to inadequate feeding and poor animal management practices. Milk production of NDA-assisted dairy projects in 2009 was estimated at 10,224 MT or 72 percent of national milk production.

In 2009, the average farmgate price of raw cow and carabao's milk remained the same at P20/liter ($0.46/li) and P46/liter ($1.06/li), respectively. The price of raw goat’s milk also did not change at P36/liter ($0.83/li) last year.

According to trade sources, retail prices of local fresh milk increased by about 4.4 percent per year from P45/liter [2] ($0.87/li) in 2002 to P55/liter ($1.19/li) in 2007. Retail prices of UHT milk on the other hand grew by as much as 10.3 percent per year from P39/liter ($0.76/li) in 2002 to P63/liter ($1.36/li) in 2007.

Basically, there are four farm types in the Philippine producing raw milk: unorganized smallholder producers, cooperative smallholder producers; government and commercial farms. Both smallholder and cooperative producers allocate for home consumption and home-based processing. Milk from smallholder producers and are members of cooperatives is usually consolidated in a collection center and then delivered to a processing plant. There are about 13 dairy processors in the country. The bulk of raw milk produced in government farms are processed in government-owned processing facilities and are sold to rural consumers.

Fresh milk from commercial farms is sold to commercial processors for processing. Among the major suppliers to the coffee shops are milk processors from Batangas and Laguna. Other milk suppliers are importers of UHT and or milk powder milk, mostly coming from Australia, the United States and New Zealand. Large dairy companies have milk processing facilities but do toll packaging of their UHT milk from New Zealand. These companies use their known milk brands in the local market but use imported milk powder (Food and Agribusiness Monitor, University of Asia and the Pacific).

[1] US$1=P43.37, as of November 9, 2010;
[2] US$1=51.60 in 2002

**Consumption:**
The Philippines, with an estimated population of 89 million (National Census, 2007), growing annually at 2.04 percent, is a large market for milk and milk products. Dairy products are the country's second largest agricultural import after wheat. The country's dairy industry, which sources 99 percent of its inputs from abroad, is estimated to generate sales of up to $1 billion annually. The Philippines is now the 3rd largest market for U.S. dairy products, after Mexico and Canada. Total dairy exports from January to July 2010 are up162 percent ($105 million) from the same period in 2009 and will surely be more than double 2009 exports levels. The top U.S. dairy exports to the Philippines are nonfat dry milk powder (73 percent), whey (8 percent) and cheese (5 percent).

In 2009, NDA estimated total domestic dairy requirements to be about 2.767 MMT, growing at about 2 percent yearly. According to the latest Food and Nutrition Research Institute (FNRI) survey, per capita milk consumption increased from 16 kg/year in 2002 to 19 kg/year in 2003.

Over the last few years, numerous dairy cooperatives have sprung up in various regions of the country. About half of local milk production, according to NDA, is absorbed in the local communities where it is produced. The other half goes to school and community milk feeding programs co-funded by local government units. With dairy production in the country being more community-based, maintaining the quality of fresh milk becomes a major concern due to the lack of dairy processing facilities and milk delivery vehicles.

**Trade:**

Dairy products are the country's second largest agricultural import after wheat. In 2009, imports of milk and milk products increased by 11 percent in liquid milk equivalent (LME), from 1,619 TMT in 2008 to 1,790 TMT last year. While the value of total milk exports dropped significantly last year, nearly 35 percent. The major country suppliers by volume were New Zealand with 52 percent share of the total imports; followed by the United States with 16 percent and Australia at 9 percent.

Non Fat Dry Milk (NFDM) and Whole Milk Powder (WMP) imports comprise about 54 percent of total milk imports. NFDM imports increased by 11 percent while WMP imports declined by about 24 percent in 2009. Liquid milk imports, on the other hand, increased by about 6.5 percent by volume in 2009 as a result of increasing domestic demand for fresh milk and liquid milk particularly by specialty coffee shops. Imports of butter and other dairy spread also increased by about 43 percent while imports of cheese increased by nearly 25 percent last year. Imports of dairy products in the first half of 2010 have risen by as 54 percent and are expected to continue to increase until the end of the year.

| **VOLUME OF DAIRY IMPORTS 2008-10** ***('000 MT, in LME) [1]*** | | | | |
|---|---|---|---|---|
| 1. Milk and Cream | **2008** | **2009** | **Jan-June 2010** | **% Change 2008/09** |
| • Skimmilk Powder | 626.87 | 697.64 | 431.96 | 11 |
| • Wholemilk Powder | 345.13 | 262.72 | 147.86 | -24 |
| • Buttermilk Powder | 132.90 | 139.13 | 86.87 | 5 |
| • Whey Powder | 253.10 | 304.31 | 150.86 | 20 |
| • Liquid (RTD) Milk | 36.63 | 39 | 24.11 | 6 |
| • Evaporated Milk | 136 | 103 | 0.29 | -24 |
| • Others | 59.60 | 103.45 | 66.59 | 74 |
| **Total Milk and Cream** | 1,455.64 | 1,577.28 | 908.54 | 8 |
| 2. Butter, Butterfat & Dairy Spreads | 101.56 | 145.88 | 77.17 | 44 |
| 3. Cheese | 47.86 | 59.81 | 24.83 | 25 |
| 4. Curd | 13.65 | 6.68 | 7.99 | -51 |
| **Total Imports** | **1,613.71** | **1,789.65** | **1,013.53** | **11** |

Source: National Dairy Authority and National Statistics Office

Total dairy exports declined by a third in 2009 with exports of whole milk powder dropping by 34 percent which comprised about 97 percent of the total volume. Exports of cheese on the other hand, increased by 52 percent. The main countries of destination were Malaysia (26 percent); Indonesia (23 percent) and Thailand (20 percent) other export markets include Bangladesh and South Africa.

| **VOLUME OF PHILIPPINE DAIRY EXPORTS (In MT, LME)** | | | |
|---|---|---|---|
| | **2008** | **2009** | **% Change** |
| Milk and Cream | 294,701.79 | 194,010.87 | -34 |

| | | | |
|---|---|---|---|
| Butter/Butterfat | 439.32 | 143.86 | -67 |
| Cheese | 3,711.88 | 5,636.36 | 52 |
| **TOTAL EXPORTS** | **298,852.99** | **199,791.09** | **-33** |

Source: National Dairy Authority and National Statistics Office

Exports of dairy products from January to June 2010 grew by 30 percent by volume and as much as 42 percent in value. The re-export of dairy products to other Asian countries is expected to remain strong.

[1] To get the LME, NDA uses a conversion factor of 8.02 liters per 1 kg of whole and non-fat dry milk powder and 5.51 liters per kg of cheese

**Policy:**

The Philippine DA continues to prioritize the development of the Philippine dairy industry, recognizing the growing demand for fresh milk by the specialty coffee shops, hotels and restaurants as well as by the local government units for their milk feeding programs. While the DA accepts that Philippines cannot compete in the powdered milk market, it believes that it can focus on supplying fresh milk to the market.

The National Dairy Authority, an attached agency of the Philippine Department of Agriculture, is mandated to ensure the accelerated development of the Philippine dairy industry through policy and program implementation. The NDA aims to accelerate dairy herd build-up and milk production, enhance dairy business through the delivery of technical services at farm and enterprise levels, increase the coverage of milk feeding programs to reduce malnutrition and mobilize broad support for local milk consumption. The NDA implements the following four main programs:

- Dairy Business Enhancement – inculcates enterprise orientation along the supply chain from farm to market. Includes training programs to establish effective business models to assist participants to think business and profits and not merely productivity

- Herd Build-up Program – increase local dairy stocks and ensure good animal performance. Supervises animal infusion from importation, compliance with quarantine procedures, distribution and provision of technical services, as well as strengthening of the animal loan program of Quedancor.

- Milk Feeding Program – the NDA Milk Feeding Program (MFP) provides a steady flow of income to local dairy farmers and cooperatives as well as used to address the problem of malnutrition in children. In cooperation with dairy cooperatives, partner-donors such as local government units and other entities, the NDA undertakes milk feeding projects to raise the nutritional level of malnourished children. Improvement rates are monitored accordingly.

- Milk Quality – In 2005, the NDA's Central Milk Testing Laboratory was accredited the Bureau of Food and Drug (BFAD) to conduct testing for milk quality and animal health. Following accreditation, the NDA began charging fees for its laboratory services and milk quality assistance and milk formulation standardization for milk feeding programs. The NDA Quality Assurance department was also created to disseminate quality standards and closely monitor quality procedures at the milk collection centers, milk plants and distribution points.

**Tariffs:** The 2010 MFN tariff rates for dairy and dairy products remain unchanged from previous year.

| **TARIFF SCHEDULE 2010** | | |
|---|---|---|
| **H.S. Code** | **Description** | **Rate of Duty MFN** |
| **0401** | **Milk and cream, not concentrated nor containing added sugar or other sweetening matter** | |
| 0401.10.00 | Of a fat content, by weight, not exceeding 1 percent | 3 |
| 0401.20.00 | Of a fat content, by weight, exceeding 1 percent but not exceeding 6 percent | 3 |
| 0401.30.00 | Of a fat content, by weight, exceeding 6 percent | 3 |
| **0402** | **Milk and cream, concentrated or containing added sugar or other sweetening matter** | |
| 0402.10.00 | In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5 percent | 1 |
| 0402.21.00 | In powder, granules or other solid forms, of a fat content, by weight, exceeding 1.5 percent | |
| | Not containing added sugar or other sweetening matter | 1 |
| 0402.29.00 | Other | 1 |
| 0402.91.00 | Other | |
| | Not containing added sugar or other sweetening matter | 5 |
| 0402.99.00 | Other | 5 |
| **0403** | **Buttermilk, curdled milk and cream, yogurt, kefir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavored or containing added fruit, nuts or cocoa** | |
| 0403.10 | Yogurt | |
| 0403.10.10 | Containing fruits, nuts, cocoa or flavoring matter; liquid yogurt | 7 |
| 0403.10.10 | Other | 7 |
| 0403.90 | Other | |
| 0403.90.10 | Buttermilk | 3 |
| 0403.90.90 | Other | 7 |
| **0404** | **Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included** | |

| | | |
|---|---|---|
| 0404.10.00 | Whey or modified whey, whether or not concentrated or containing added sugar or other sweetening matter | 1 |
| 0404.90.00 | Other | 3 |
| 0405 | Butter or other fats and oils derived from milk; dairy spreads | |
| 0405.10.00 | Butter | 7 |
| 0405.20.00 | Dairy spreads | 7 |
| 0405.90.00 | Other | 1 |
| **0406** | **Cheese or curd** | |
| 0406.10.00 | Fresh (unripened or uncured) cheese, including whey cheese, and curd | 3 |
| 0406.20 | Grated or powdered cheese, of all kinds: | |
| 0406.20.10 | In containers of gross weight exceeding 20 kgs. | 3 |
| 0406.20.90 | Others | 7 |
| 0406.30.00 | Processed cheese, not grated or powdered | 7 |
| 0406.40.00 | Blue-veined cheese | 3 |
| 0406.90.00 | Other cheese | 7 |

Source: Tariff and Customs Code 2009

**ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA):** In 2009, the Philippines signed the AANZFTA. Parties to the AANZFTA comprise the ten ASEAN members, together with Australia and New Zealand. Some U.S. food and agricultural exports to the Philippines which are likely to be at a disadvantage as a result of future scheduled tariff changes. Starting 2010; milk powder, cheese, whey and buttermilk from Australia and New Zealand will be able to enter the Philippines duty free; U.S. milk powder and whey will have a MFN duty of 1 percent; cheese 3-7 percent and buttermilk 3 percent.

The Philippine tariff commitments under the AANZFTA may be viewed at the following link: http://www.dfat.gov.au/trade/fta/asean/aanzfta/annexes/aanzfta_annex1_philippines_tariffschedule.pdf

**Marketing:**

Metro Manila remains as the major market for fresh milk classified into business and consumer markets. The business markets include the institutional markets and the retail sector such as coffee shops, hotels, restaurants, supermarkets and small retailers. Meanwhile, the consumer markets include households and schools through the milk feeding program of the government.

The main target of local milk processors are the institutional buyers like coffee shops. Specialty coffee shops are good markets because of the continuing trend towards coffee consumption as a lifestyle in the country. Local suppliers are enjoying this market as most coffee shops demand local fresh milk for their coffee concoctions because of its superior taste and ability to promote foaming compared to UHT milk.

The specialty coffee shop industry is seen to sustain its growth of 20 percent for the next five years. Players attribute this to the growing awareness of specialty coffee among consumer and the improving image of coffee in general.  (Food and Agribusiness Monitor, University of Asia and the Pacific)

## Production, Supply and Demand Data Statistics:

| Dairy, Milk, Nonfat Dry Philippines | 2009 | | 2010 | | 2011 | |
|---|---|---|---|---|---|---|
| | Market Year Begin: Jan 2009 | | Market Year Begin: Jan 2010 | | Market Year Begin: Jan 2011 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Beginning Stocks** | 2 | 2 | 10 | 10 | | 8 |
| **Production** | 0 | 0 | 0 | 0 | | 0 |
| **Other Imports** | 105 | 105 | 95 | 95 | | 100 |
| **Total Imports** | 105 | 105 | 95 | 95 | | 100 |
| **Total Supply** | 107 | 107 | 105 | 105 | | 108 |
| **Other Exports** | 15 | 15 | 15 | 15 | | 15 |
| **Total Exports** | 15 | 15 | 15 | 15 | | 15 |
| **Human Dom. Consumption** | 82 | 82 | 82 | 82 | | 84 |
| **Other Use, Losses** | 0 | 0 | 0 | 0 | | 0 |
| **Total Dom. Consumption** | 82 | 82 | 82 | 82 | | 84 |
| **Total Use** | 97 | 97 | 97 | 97 | | 99 |
| **Ending Stocks** | 10 | 10 | 8 | 8 | | 9 |
| **Total Distribution** | 107 | 107 | 105 | 105 | | 108 |
| | | | | | | |
| 1000 MT | | | | | | |

| Dairy, Dry Whole Milk Powder Philippines | 2009 | | 2010 | | 2011 | |
|---|---|---|---|---|---|---|
| | Market Year Begin: Jan 2009 | | Market Year Begin: Jan 2010 | | Market Year Begin: Jan 2011 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Beginning Stocks** | 0 | 0 | 0 | 0 | | 0 |
| **Production** | 0 | 0 | 0 | 0 | | 0 |
| **Other Imports** | 36 | 36 | 40 | 40 | | 42 |
| **Total Imports** | 36 | 36 | 40 | 40 | | 42 |
| **Total Supply** | 36 | 36 | 40 | 40 | | 42 |
| **Other Exports** | 27 | 27 | 30 | 30 | | 30 |
| **Total Exports** | 27 | 27 | 30 | 30 | | 30 |
| **Human Dom. Consumption** | 9 | 9 | 10 | 10 | | 12 |
| **Other Use, Losses** | 0 | 0 | 0 | 0 | | 0 |
| **Total Dom. Consumption** | 9 | 9 | 10 | 10 | | 12 |
| **Total Use** | 36 | 36 | 40 | 40 | | 42 |
| **Ending Stocks** | 0 | 0 | 0 | 0 | | 0 |
| **Total Distribution** | 36 | 36 | 40 | 40 | | 42 |
| | | | | | | |
| 1000 MT | | | | | | |

| Dairy, Dry Whole Milk Powder Philippines | 2009 | | 2010 | | 2011 | |
|---|---|---|---|---|---|---|
| | Market Year Begin: Jan 2009 | | Market Year Begin: Jan 2010 | | Market Year Begin: Jan 2011 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Beginning Stocks** | 0 | 0 | 0 | 0 | | 0 |
| **Production** | 0 | 0 | 0 | 0 | | 0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Other Imports** | 36 | 36 | 40 | 40 | | 42 |
| **Total Imports** | 36 | 36 | 40 | 40 | | 42 |
| **Total Supply** | 36 | 36 | 40 | 40 | | 42 |
| **Other Exports** | 27 | 27 | 30 | 30 | | 30 |
| **Total Exports** | 27 | 27 | 30 | 30 | | 30 |
| **Human Dom. Consumption** | 9 | 9 | 10 | 10 | | 12 |
| **Other Use, Losses** | 0 | 0 | 0 | 0 | | 0 |
| **Total Dom. Consumption** | 9 | 9 | 10 | 10 | | 12 |
| **Total Use** | 36 | 36 | 40 | 40 | | 42 |
| **Ending Stocks** | 0 | 0 | 0 | 0 | | 0 |
| **Total Distribution** | 36 | 36 | 40 | 40 | | 42 |
| | | | | | | |
| 1000 MT | | | | | | |

| Dairy, Milk, Fluid Philippines | 2009 | | 2010 | | 2011 | |
|---|---|---|---|---|---|---|
| | Market Year Begin: Jan 2009 | | Market Year Begin: Jan 2010 | | Market Year Begin: Jan 2011 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| **Cows In Milk** | 14 | 14 | 14 | 14 | | 14 |
| **Cows Milk Production** | 15 | 15 | 16 | 16 | | 17 |
| **Other Milk Production** | 3 | 3 | 3 | 3 | | 3 |
| **Total Production** | 18 | 18 | 19 | 19 | | 20 |
| **Other Imports** | 45 | 45 | 46 | 48 | | 50 |
| **Total Imports** | 45 | 45 | 45 | 48 | | 50 |
| **Total Supply** | 63 | 63 | 65 | 67 | | 70 |
| **Other Exports** | 0 | 0 | 0 | 0 | | 0 |
| **Total Exports** | 0 | 0 | 0 | 0 | | 0 |
| **Fluid Use Dom. Consum.** | 58 | 58 | 59 | 61 | | 63 |
| **Factory Use Consum.** | 5 | 5 | 6 | 6 | | 7 |
| **Feed Use Dom. Consum.** | 0 | 0 | 0 | 0 | | 0 |
| **Total Dom. Consumption** | 63 | 63 | 65 | 67 | | 70 |
| **Total Distribution** | 63 | 63 | 65 | 67 | | 70 |
| | | | | | | |
| 1000 HEAD, 1000 MT | | | | | | |