

Six growth drivers for U.S. dairy in Southeast Asia

The U.S. Dairy Export Council (USDEC) sees strong sales potential fuelled by powerful trends

"Southeast Asia is probably one of the most dynamic dairy markets in the world," said Singapore-based Tony Emms, regional director of USDEC's Southeast Asia office. "This region does not produce much milk and needs imports." The 10-member Association of Southeast Asian Nations (ASEAN) is the second-largest market for U.S. dairy exports, trailing only Mexico. In the last five years, sales have more than tripled in value to US\$ 1.3 billion. USDEC has identified at least six factors driving increasing demand for U.S. dairy exports to Southeast Asia. By Mark O'Keefe

1. **Booming population:** As a whole, Southeast Asia's population topped 620 million in 2014, a little less than twice the size of the United States. That includes Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam, plus Brunei Darussalam, Burma, Cambodia, Laos and Timor-Leste. At the same time, Southeast Asia's population is growing 1.3% per year vs. only 0.4% for the United States. By 2050, more than 830 million people will be living there vs less than 400 million in the United States.
2. **Steady economies:** The International Monetary Fund (IMF) projects strong and steady growth of 5-6% annually through 2019 for the six main target markets, higher if you factor in their less developed neighbours. By comparison, the IMF forecasts GDP growth of 3.4% for the world as a whole. Unemployment rates should remain at 3% or lower for Malaysia, Singapore and Thailand through 2019, IMF forecasts. Vietnamese unemployment is steady at 4% and the Philippines and Indonesia are 6-7% but declining. Economic conditions are fuelling middle class expansion and dietary shifts.
3. **Thriving food manufacturing industry:** The reduction in trade barriers through ASEAN coupled with rising demand has proven extremely attractive to food and beverage firms. Local as well as multi-national companies are investing in countries like Indonesia, Malaysia and Singapore to build capacity and product development capabilities to not only service national demand but to export to the broader region and even to places like China, the Middle East and Africa. It has created a significant market for high-value dairy ingredients made to tight specifications.
4. **Foodservice expansion:** Cheese imports from the six major Southeast Asian dairy buyers have grown for eight consecutive years, topping 80,000 tonnes in 2014. Foodservice users, either buying directly from the supplier or buying processed cheese from a domestic manufacturer who bought from the supplier, are driving consumption. And they are well poised for further growth. Although chain restaurant penetration varies by nation, as a whole, the region is not nearly saturated. Vietnam got its first McDonald's and Starbucks just last year. The outlets were an immediate hit. In a nation of 90 million, that is a lot of room for milk and cream for coffee and cheese for burgers.
5. **Youthful demographics:** These nations are growing more urbanised; lifestyles are becoming faster-paced. Time pressures and changing social habits have increased the number of consumers looking for convenient foods that fit modern lifestyles. Populations skew young compared to Europe and the United States. Sixty per cent of the Vietnamese population is under 35 - a young and dynamic segment that is driving demand for new products, including processed foods and fast-food. In highly urbanised and developed areas like Singapore that boast five-star hotels and upscale dining, there is a growing opportunity for high-end cheese.
6. **Healthier lifestyles:** Southeast Asian consumers, often backed by government initiatives, have grown much more knowledgeable about dairy's role in health and nutrition. Vietnam's National Nutrition Program, for example, encourages calcium consumption for bone strength, milk for infant health, and overall dairy as part of a healthy diet to raise average height levels. It is set to run through 2020. Trust in dairy is driving people to incorporate milk, cheese and dairy containing products into their traditional diets. Functional foods are becoming more prevalent.

Challenges exist, such as an uneven playing field with some competitors due to trade agreements, but taken as a whole the outlook for U.S. dairy in Southeast Asia is bright

The U.S. Dairy Export Council is primarily supported by Dairy Management Inc. through the dairy farmer checkoff that builds on collaborative industry partnerships with processors, trading companies and others to build global demand for U.S. dairy products. www.usdec.org