

5.3 Dairy

5.3.1 SWOT analysis

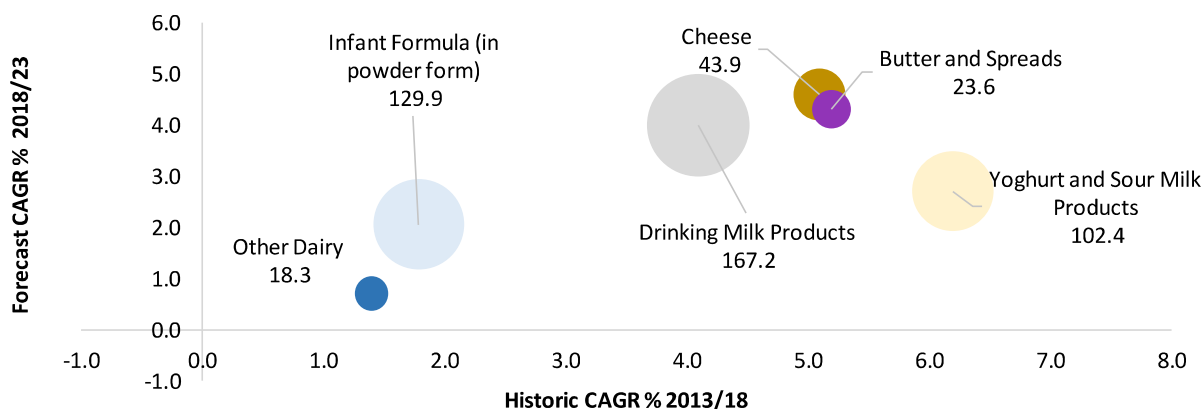
STRENGTHS (+)	WEAKNESSES (-)
<ul style="list-style-type: none"> ▪ Market growing strongly (4-6% per year for the main product categories). ▪ Comparatively simple market access requirements for dairy products compared to some other countries in the region. 	<ul style="list-style-type: none"> ▪ Limited tradition of some dairy products in Singapore. ▪ Population which can consume dairy limited by lactose intolerance. ▪ Cheese and butter markets quite small.
OPPORTUNITIES (+)	THREATS (-)
<ul style="list-style-type: none"> ▪ Growing butter and cheese markets. Unprocessed hard cheese in particular popular of late. Openness to new cheese products. ▪ Drinking yoghurt popular and widely consumed as lactose intolerance less of an issue. ▪ Niche for plant based dairy products. 	<ul style="list-style-type: none"> ▪ Strong competition from local dairy processors and Australia / New Zealand. ▪ Long shipping times may pose challenges for some products.

5.3.2 Consumption

5.3.2.1 Evolution of consumption

Drinking milk is the largest dairy segment in Singapore by value; it accounted for EUR 167m in 2018, having grown at 4.1% per year over the period 2013-18. Infant formula is the second largest segment (EUR 130m), followed by yoghurt and sour milk products (EUR 102m). At 6.2% per year, the latter has grown particularly quickly over the period 2013-18, though growth is expected to moderate going forwards. At just over 5% per year, the growth of the cheese and butter/spreads segments has outstripped that of most other dairy segments and is expected to continue to do so going forwards. The segments are, however, smaller in size; the cheese market was worth EUR 44m in 2018, and the butter segment approximately EUR 24m (Figure 5-10).

Figure 5-10: Evolution and forecast of dairy market (retail value, EUR millions) in Singapore, 2013-2023



Source: Euromonitor International: Packaged Food, 2020.

5.3.2.2 Consumer profile and purchase criteria

Consumers

Consumption and consumers of dairy in Singapore is constrained by its limited traditional use in the country and levels of lactose intolerance in the population. It is estimated that some 90% of Singaporean Chinese (who make up around $\frac{3}{4}$ of the population) are lactose intolerant⁶⁴. Against this background, the main consumers of dairy are those who do not suffer from strong lactose intolerance and/or those who come from cultures with a stronger historical use of milk (e.g. Indian and white Caucasian ethnicities)⁶⁵. Against the background of lactose intolerance set out above, it should be noted that there is a niche market for plant based dairy products in Singapore, which can of course be consumed by a wider range of consumers. It should, however be noted that this market, while in existence, is small; for example it accounts for under 10% of drinking milk consumed in volume terms.

Further specificities of consumers, where they stand out, are presented on a product by product basis below:

- **Milk** is not part of the traditional Singaporean culture/diet, and hence only roughly half of the population consumes it. As with dairy more broadly, high consumption is more associated with western diets and this is reflected among the consumers who drink it in larger volumes.
- **Cheese**: there is not a strong tradition of cheese use, other than the use of processed cheese on burgers and in sandwiches; indeed processed cheese accounts for around 60% of the total cheese market. Unprocessed cheese accounts for the remaining +/- 40%, and as it is primarily used in western cuisine, consumers of this cuisine – generally wealthier consumers, those which are well travelled or those with western origins - are an important consumer group for unprocessed cheese. Among unprocessed cheese, hard cheeses are slightly more popular than soft ones.

⁶⁴ <https://skinshare.sg/milk-intolerance-remedy/>

⁶⁵ <https://www.magnolia.com.sg/tips/the-surprising-story-of-milk-in-singapore/>

- **Yoghurt:** the consumer group is broader, as the fermentation process in drinking yoghurt digests most of the lactose; making the product consumable by a broader consumer base (and hence explaining its popularity in Singapore).
- **Butter:** the product accounts for roughly 2/3 of the butter and spreads segment, with margarine accounting for the remainder. Food service is important for butter consumption (indeed it is often seen as an indulgence product); and this determines to a large extent the consumers of butter.

Drivers and method of consumption

Milk is most commonly consumed alone. In some cases, it is consumed with cereal. While it is used with hot drinks such as coffee and tea, its usage in this context is not as high as in western cultures. Milk is most commonly consumed at home.

As noted above, western cuisine is a key driver for unprocessed **cheese** use, with mozzarella, parmesan and cheddar particularly popular. Sandwich and burger consumption are an important driver for processed cheese consumption. Food service is important for cheese consumption as a whole, with many new cheeses – Italian in particular - gaining a following through their use in high end specialised food service outlets. Cream cheese has recently been used in cheese tea (a trend which has emerged as Chinese bubble tea outlets enter the Singaporean market).

Yoghurt is most commonly consumed as a beverage, as reflected by the large market for drinking yoghurt products in Singapore, which indeed represent around ¾ of all yoghurt consumed.

While **butter** has been traditionally consumed mainly through food service channels and/or as a spread, it is increasingly being used inside the home for a variety of purposes including e.g. baking.

In terms of other dairy products, condensed milk is most commonly used in food service, namely dessert stalls and cafes. There is not a tradition of cream usage, though once again there is some demand for cream from food service outlets⁶⁶.

Purchase criteria

Singaporean consumers have been shown to be more open to trying new food products or brands in recent years, and one segment where this stands out in particular is dairy; meaning that brand loyalty is less of a consideration than it previously was. Looking at specific segments:

Milk: consumers increasingly favour fresh milk over shelf stable/UHT; and whole milk over skimmed or low fat. The market for powdered milk is rapidly shrinking as a result of these preferences. That said, health consciousness is an important criterion which reflects both in the increased preference of fresh over shelf stable and the avoidance of high sugar content in flavoured milk products (a category which account for around 1/5 of all milk consumption).

⁶⁶

https://www.eco-business.com/media/uploads/magazine/milk_perceptions_-_a_study_of_milk_consumption_patterns_in_singapore.pdf ; Euromonitor International: Packaged Food, 2020

Cheese: for the more affluent consumer, who is a key consumer for premium unprocessed cheese, quality and unusual varieties are important criterion they take into account. Mass consumers, who are unlikely to purchase premium unprocessed cheese, price is a key consideration.

Yoghurt: there is a group of consumers that are health conscious, and hence actively look for high protein/low carbohydrate products.

Butter: brand loyalty is important for producers given the challenges in differentiating products, and this has historically led to brand being a consideration in the cases consumers purchase butter in retail outlets; though as with wider dairy this is now changing. However, the importance of the food service channel for distribution, which effectively bypasses consumer purchase criteria, should be borne in mind.⁶⁷

Dairy products on retailers' shelves in Singapore

Indicative price ranges for cheeses are as follow:

- **Economy cheese** such as sliced cheddar may retail at SGD 2 – 4 / 100g.
- **Mid-range cheese** – often used in cooking – such as mid-range mozzarella and parmesan tend to retail in the range SGD 4 – 6 / 100g.
- **Premium cheese** such as brie, camembert, raclette and various types of blue cheese tend to retail in the range SGD 6 – 10 / 100g.

Packaging inevitably varies by type of dairy product. For unprocessed cheese, the cheese type and expiry date tend to be quite prominent on packaging as they are looked for by consumers. Premium cheeses may make the brand and country of origin prominent. Cheese is most commonly sold prepacked in weights of between 100g and 250g (see images below).

⁶⁷ <https://www.businesstimes.com.sg/consumer/brand-disloyalty-the-new-normal-for-singapore-consumers-nielsen-survey> ; Euromonitor International: Packaged Food, 2020



Processed cheese typically comes pre sliced with each slice individually packaged to ensure freshness. Among other categories, thin wall plastic containers are most common for yoghurt, while gable top cartons dominate for milk. Claims and statuses such as fat-free and organic are often clearly displayed. For butter, mid-range butter tends to retail at under SGD 3 per 100g, and premium butter over this. Butter is typically sold in packs of 250g.



Pictures: © Agra CEAS / Euromonitor International, 2020.

5.3.2.3 Recent market trends

Milk is forecast to grow steadily at around 4% per year. Milk alternatives, though less than 10% of the milk market by volume, are expected to grow quickly in coming years, boosted by consumers who are concerned about health and wellness or who want to follow a plant based diet. Within this category, soy based products have been losing out of late at the expense of alternative such as almond, coconut and sweet potato based products.

Cheese is forecast to grow strongly going forwards. A few different trends can be observed in the market at present:

- Consumers are increasingly experimenting with various different types of cheese, whether by themselves or paired with bread/crackers; and the range of cheeses available, including notably unprocessed ones, is increasing as a result.
- Cheese mongers such as *The Cheese Ark* are utilising this curiosity to offer consumers the chance to taste different types of artisanal cheese, including types of cheese which have traditionally struggled more in Singapore such as goats cheese and blue cheese.
- As noted in drivers above, the use of fairly novel types of cheese in specialised restaurants (e.g. higher end Italian) is also a notable recent trend which serves to promote the consumption of these cheeses.

- Cheese tea, as noted above, is a new product on the market which is expected to continue to gain traction.

Yoghurt is forecast to grow more slowly going forwards. One of the reasons for this is concerns over a proposed sugar tax, which could impact the dominant segment of drinking yoghurt. Greek style yoghurt is gaining in popularity among consumers that (1) can digest its lactose content and (2) are more focused on healthiness and hence appreciate it for its nutritional characteristics.

The outlook for **butter** is more positive than the outlook for the combined butter and spreads category (which includes margarine). While prices have been volatile in recent years due to supply and demand mismatches, they stabilised in 2019. Additionally, as noted above, consumers are adapting butter for a wider range of uses; and furthermore, some positive aspects of butter in health terms are being recognised by consumers (though it should be noted that consumers acknowledge its high fat content). This latter factor in particular is leading to some demand for higher quality butter as a sort of indulgence / luxury product. Furthermore, some different flavours of butter such as garlic and herb have been introduced to the market recently.

Finally, a general recent trend which acts as a tailwind for a variety of dairy products is the trend of home cooking and baking. Consumers are increasingly interested in recreating inside the home foods that they have tried outside. This for example is leading to them buying different cheeses for home-made pizzas, or butter for baking; with the awareness of the use of cheese or butter in the recipe coming from having tried the food outside the home.

5.3.3 Offer

5.3.3.1 Domestic production

Actual production of fresh milk is, unsurprisingly, very limited in Singapore given the shortage of land. There are a handful of dairy farms in the country such as Dairyfolks. However, there are a variety of dairy processing companies which produce dairy products locally. Notable ones include: Malaysia Dairy Industries Pte Ltd which, contrary to its name, is actually a locally owned company which has been operating in Singapore since 1963 and is responsible for brands such as Marigold and Vitagen; and F&N Foods, a Singaporean-Malaysian company active in various food segments including dairy.

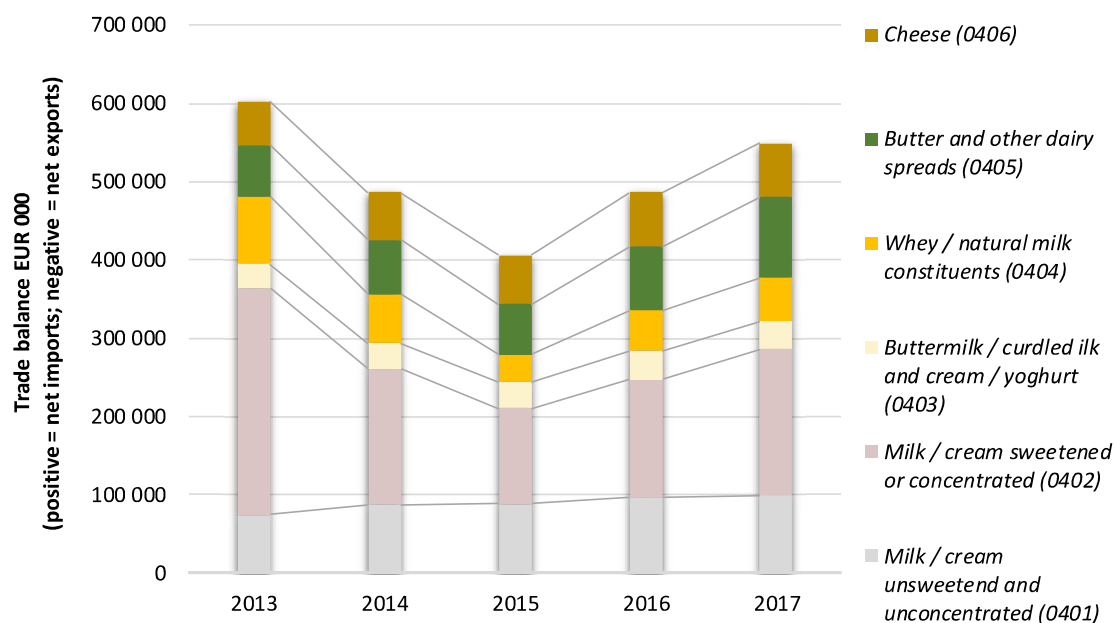
In addition to the above current major players, the company SMC Food 21 has announced its intention to establish its regional hub for the dairy industry in Singapore in order to fulfil increasing demand for products such as infant milk powder, chocolate, yoghurt and ice cream in the region. The company was one of the first outside China to receive the China HACCP (Hazard Analysis and Critical Control Points) certificate, clearly demonstrating its regional intentions. It should, nonetheless, be noted that the use of Singapore as a regional hub could be tricky due to tough domestic competition in some markets (e.g. Vinamilk in Vietnam) and varying standards in the different countries.

Against the background of the strong and further developing dairy processing industry but limited fresh milk production, it is unsurprising that there is the need to import raw ingredients for dairy processing.

5.3.3.2 Imports and exports

Singapore is unsurprisingly a heavy net importer of all dairy products. Milk/cream, both unsweetened and sweetened account for the majority of net imports, with some of this being used for the domestic dairy processing industries (Figure 5-11).

Figure 5-11: Trade balance (imports and exports) of dairy in Singapore, 2014-18; EUR 000

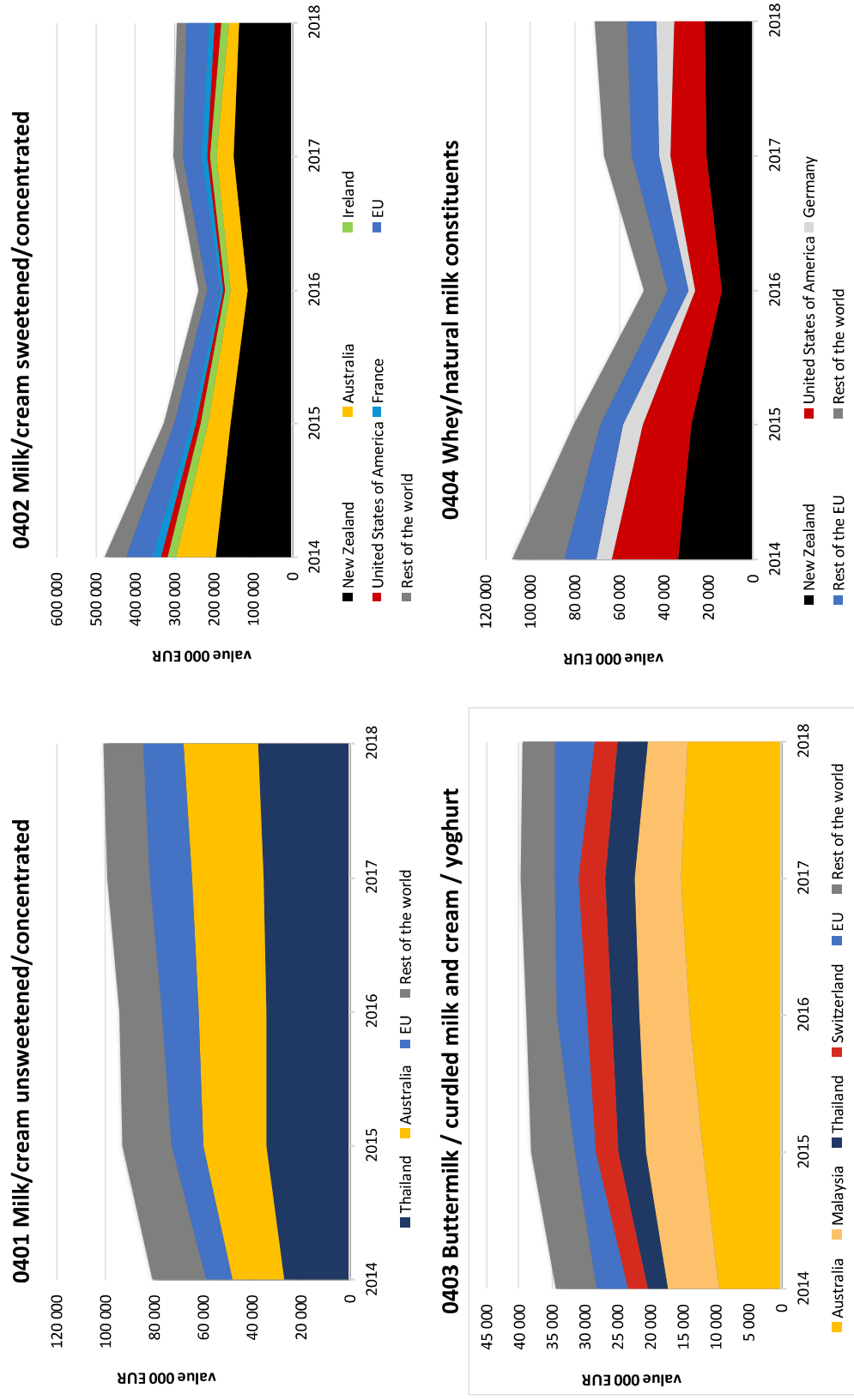


Source: Trade Map, International Trade Centre - <https://www.trademap.org/>
CN codes in brackets.

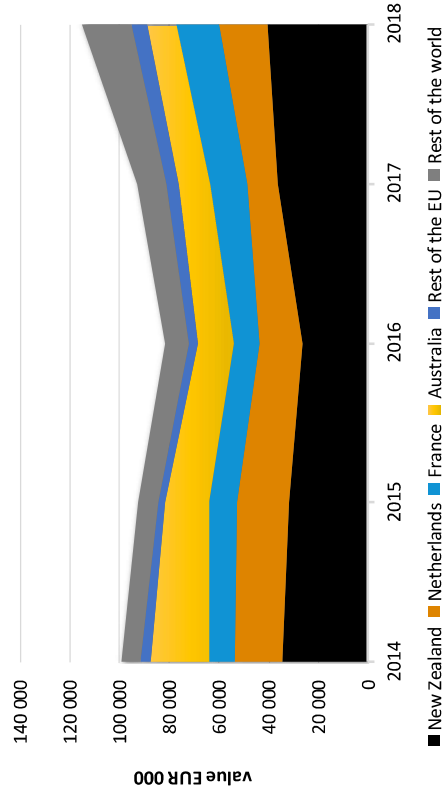
Origins of dairy imports do vary by product to some extent, though Australia and New Zealand are important origins for all dairy products to some extent. Most notably, New Zealand dominates sweetened/concentrated milk and butter imports; while Australia has leading positions in buttermilk and cheese imports. Aided by its geographical proximity, Thailand is the number one source of unsweetened/unconcentrated milk imports. Despite the strong competition, EU countries hold strong positions in multiple dairy markets, most notably the cheese market where EU countries combine account for around 30% of imports. The Netherlands and France also hold strong positions among butter/dairy spread imports (Figure 5-12).

As noted in section 5.3.3.1, the use of Singapore as a regional hub for dairy does pose challenges. Against this background, the large scale re-export of dairy products imported into Singapore has not been identified. However, as identified in the same section, raw dairy materials are imported and processed into consumer products, some of which are exported; and with the intention of SMC Food to open its regional hub in Singapore, the extent to which this occurs is likely to increase going forwards.

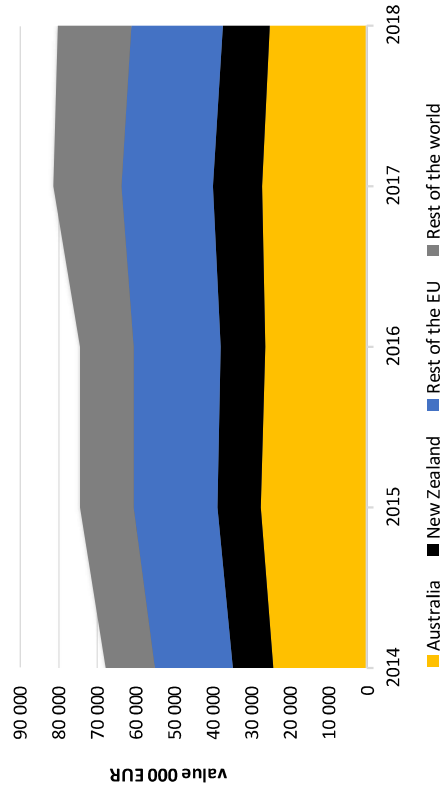
Figure 5-12: Singaporean imports of different dairy categories by country, 2014-18; EUR 000



0405 Butter/dairy spreads/



0406 Cheese



Source: Trade Map, International Trade Centre - <https://www.trademap.org/>

CN codes in brackets.

5.3.3.3 EU GI products

Various EU GIs for dairy products (cheeses) were listed for protection under the EUSFTA, though not all of these have currently completed registration. GIs which have completed registration at the time of writing include:

- Danablu (Denmark)
- Queso Manchego (Spain)
- Camembert de Normandie, Brie de Meaux, Reblochon, Roquefort (France)
- Asiago, Fontina, Gorgonzola, Grana Padano (Italy)
- Queijo S. Jorge (Portugal)

This list is non-exhaustive; section 9 can be consulted for a full list.

5.3.3.4 Main competitors

While there is very limited production of fresh milk in Singapore, there is significant processing for dairy products. The main competitors therefore include both local dairy processors, and foreign companies. The importance of the different players does vary by product. Most notably:

- **Drinking milk:** local processors Malaysia Dairies and F&N Foods account for over 40% of the market, though Japanese company Meji also has a significant share, and there are strong imports from New Zealand as witnessed by the presence of Fonterra.
- **Yoghurt:** though Yakult is the largest player in the market, local company Malaysia Dairies also has a strong position.
- **Cheese:** New Zealand and Australia hold strong positions, and indeed Fonterra account for about ¼ of all cheese sold in Singapore, with Kraft foods accounting for another ¼. The remaining 50% of the market is quite fragmented, with only Lactalis (France) standing out as holding a notable share; and indeed this is reflected by the fact that imports are sourced from various places.
- **Butter:** though New Zealand has an important position among importers, large local companies – manufacturing and branding companies Auric Pacific Group and Goodman Fielder hold around half of the market. Most of the remainder is distributed between various well known international producers such as Ballantyne Foods, Fonterra, Unilever, Arla and Lactalis.

5.3.4 Specific market entry requirements

Market Access and Entry

As set out in section 4.2, dairy products in Singapore fall into the category of processed foods; and as such must comply with the Sale of food act.

A licence (valid 1 year) and import permit (per shipment) are required for import, and both of these are free.

In terms of tariffs, currently European dairy products do not face tariffs.

Detailed information on import duties and Rules of Origin can be consulted on the European Commission website by entering the corresponding CN code:

e.g. cheese: <https://madb.europa.eu/madb/atDutyOverviewPubli.htm?countries=SG&hscod=0406>

Customs procedures

The customs procedures for importing foodstuffs are set out in 4.2.1. As noted in this section customs account with a Unique Identity number (UEN) are required for entities engaging in the import of goods into and export of goods out of Singapore. A full list of the general requirements for export set out in Table 4-1. A list specifically for the main dairy products can be found on the websites indicated in the box below. Most notably, a veterinary health certificate for animal products is required.

Any other up to date information on appropriate documents concerning customs procedures can be consulted on European Commission website by entering the corresponding CN code:

e.g. cheese: <https://madb.europa.eu/madb/datasetPreviewIFpubli.htm?hscod=0406&countries=SG>

Standards, SPS measures

Sanitary and Phytosanitary measures concerning the import of dairy products into Singapore are in line with international standards.

Up to date information on appropriate documents concerning SPS measures:

<https://madb.europa.eu/madb/viewPageIFPubli.htm?doc=overview&hscod=0401&countryid=SG#h15>

Labelling

Prepacked dairy products must comply with generic labelling requirements set out in the Food Regulations, which were described in section 4.2.3. These Food Regulations contain definitions of various dairy products (e.g. *Ultra-heat treated milk* or *U.H.T. milk shall be milk which has been subjected to heat treatment by being retained at a temperature of not less than 135°C for a minimum of two seconds and immediately aseptically packed in sterile containers*) and these can be consulted to confirm products adhere to these definitions. Most fresh dairy products require date marking (as also set out in section 4.2.3); and the font size requirements for the labelling specifically of milk are greater than for other products (generally minimum 3mm-6mm height).

5.3.5 Distribution

Dairy products as a whole are predominantly (85%) distributed through modern grocery retailers. Supermarkets (64%) are particularly popular. Traditional retailers account for under 10% of distribution. At 6%, non-store retailing – led by direct selling - is increasing in popularity (Figure 5-13).

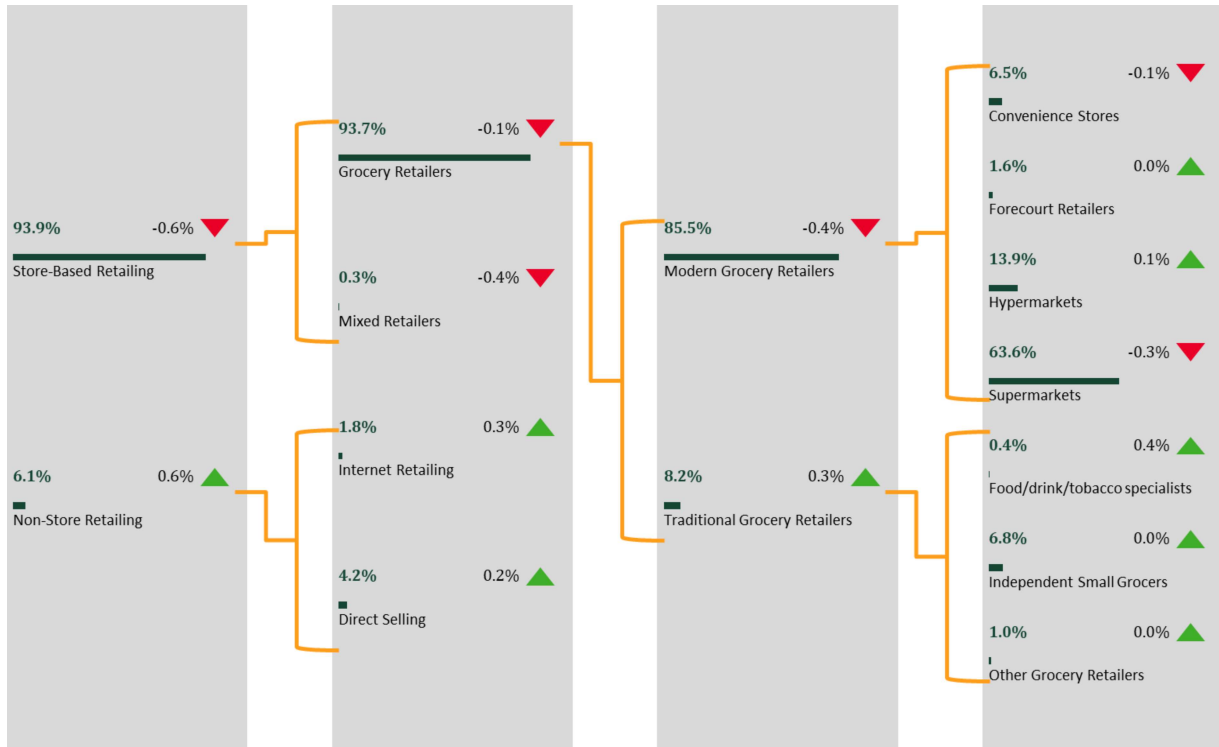
Nonetheless there are some specificities by dairy product:

- **Cheese, butter** - supermarkets are even more important (73% and 74% respectively). The importance of non-store retailing is minimal (just over 1%). Increasingly, dedicated cheese

mongers such as The Cheese Ark and restaurant/gourmet store crossovers such as So France are playing an important role in the distribution of more specialist cheeses.

- **Milk** – modern retail channels account for almost all distribution (93%).
- **Yoghurt** – non store retailing is important with a 17% share of sales. Most notably, direct selling accounts for almost 15% of sales.

Figure 5-13: Distribution channel overview of dairy in Singapore (2018); all dairy products; retail value



Source: Euromonitor International: Packaged Food, 2020.

5.3.6 Challenges for EU products

While there is minimal fresh milk production, there is considerable dairy processing in the country providing domestic competition. Australia and New Zealand are well established exporters to Singapore in many categories, providing further competition. Drinking milk and yoghurt/sour milk are the most popular dairy categories in Singapore; it may be difficult for EU producers to compete in these categories given the long shipping times to the country.

Market Takeaway: Dairy

Consumption: drinking milk and yoghurt/sour milk most popular, though cheese and butter growing strongly.

Competition: varies a bit by product, but in general popular local dairy processors and imports from Australia and New Zealand.

Distribution: modern retail dominates overall, though there are nuances by product type. Non store retailing popular for yoghurt. Food service important for cheese.

Challenges: strong competition, including growing domestic production, and distance to Singapore may pose challenges for fresh products.

Opportunities: the growing cheese (most notably hard unprocessed) and butter markets.