



Eucolait statement on EU trade negotiations with Thailand

Eucolait warmly welcomed the announcement of the relaunch of talks between Thailand and the EU in 2023 after a hiatus of almost a decade. As a major country in South East Asia with growing demand for high quality dairy and an increasing awareness of its benefits, the talks present the perfect opportunity to consolidate the position of EU dairy on the Thai market.

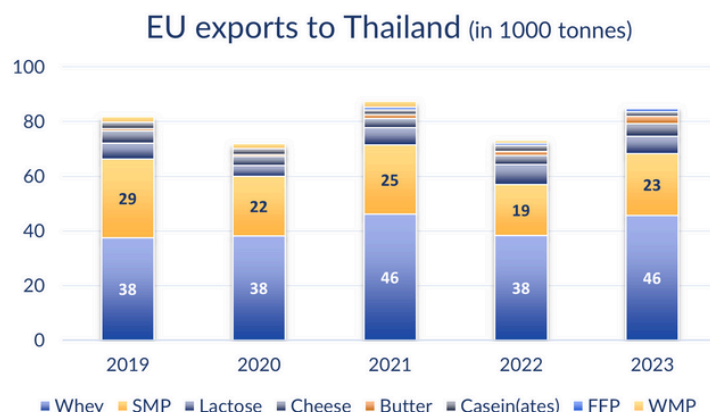
Dairy in Thailand

The total dairy market in Thailand (domestic production + imports) is valued at over €3 billion annually. The Thai government has targeted the development of their domestic industry since the 1960s and milk production continues to increase, albeit at a slower rate than in the late 2010s, where domestic growth was +10% year over year.

Drinking milk is the biggest segment and represents most consumers' first encounter with dairy, due to school milk schemes which have been rolled out since the 1990s. Demand for other products is also buoyant. Cheese consumption is becoming more mainstream, although most cheese is still consumed in processed products or in food service applications. Demand for butter is driven by affluent consumers and expats/tourists. Total dairy consumption is around 30kg milk equivalent per person annually, which is about 10 times lower than the per capita consumption of an average European country.

Current trade situation /picture

Thailand is a net importer of dairy with a self-sufficiency rate slightly above 50%. Most imports are powders (WMP, SMP, whey powder and lactose), followed by cheese and butter/butteroil. EU shipments to Thailand in 2023 were valued at approximately €215 million. While the largest product category in volume terms is whey powder, in value terms the top product is SMP (approximately €61 million in 2023).

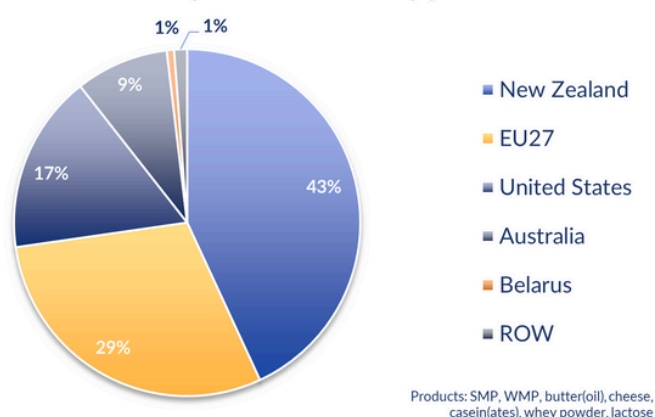


Tariffs

Currently the EU is at a tariff disadvantage vis à vis both New Zealand and Australia, which will both have complete duty-free access for their products from 2025 in the context of the ASEAN-Australia-New Zealand FTA.

Thailand's MFN tariffs on dairy, which of course also apply to EU products, range between 5% on milk and whey powders and 40% on milk and cream. Among the EU's key export categories, cheese and butter are facing the highest duties at 30%. It is therefore vital that a substantial and effective deal is concluded in order to bring the EU's access in line with its competitors on the Thai market.

Thailand imports - main suppliers



Non-Tariff barriers

A modern agreement should be equipped with sufficient provisions to address any eventual SPS issues or technical barriers to trade. We look forward to seeing the inclusion of robust guarantees which will facilitate trade and allow EU operators to fully reap the benefits of an ambitious accord. We also anticipate that there will be strong provisions on trade and sustainability, in line with other FTAs recently concluded with the EU and third country partners.

The ongoing discussions present a valuable opportunity for the EU to expand its presence in Thailand's rapidly growing dairy market. We urge swift progress in the negotiations and advocate for comprehensive duty- and quota-free access to all dairy products in the final agreement.