



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 8/19/2004

GAIN Report Number: RP4039

Philippines

Product Brief

Fresh Fruits and Vegetables

2004

Approved by:

Dennis Voboril
FAS Manila

Prepared by:

Paulo Campos III

Report Highlights:

The Philippines imported 134,000 metric tons of fresh fruit at a value of \$55 million in 2003. It is one of the top twenty export markets for U.S. grapes, apples, oranges, cherries, mandarins, and lemons and limes. Fresh vegetable imports have skyrocketed in recent years, due to increased demand from the fast food and HRI food service sector. Prior to 2004, most imported vegetables were brought in from Australia, as the Philippine government did not issue import licenses for U.S. vegetables. In January 2004, however, the government began allowing the importation of U.S. vegetables, and this means that demand for U.S. vegetables will increase tremendously in the near future. The growth of the urban middle class, proliferation of US-style supermarkets, the trend towards health consciousness, and the exorbitant growth of the fast food and HRI food service sector all signal that there will be increased demand for fresh fruits and vegetables in the coming years.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Manila [RP1]
[RP]

Overview of the Market

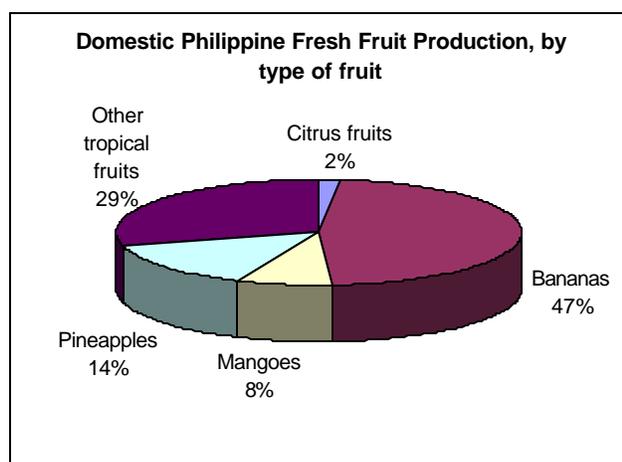
Fresh Fruits

The Philippines produced 12 million metric tons of fresh fruits in 2003, primarily concentrated in bananas (5.5 million metric tons), pineapples (1.6 million metric tons), and mangoes (850,000 metric tons) for export. Despite the abundance of tropical fruits that can be found in the Philippines, there is still a substantial niche market for citrus, deciduous and other fruits such as grapes and strawberries. In fact, imported fresh fruits such as apples, table grapes and oranges are often lower priced than many domestic fruits. This is in large part because of strong export demand for Philippine fruit in Japan and other Asian countries, as well as the seasonality of tropical fruits (March to May). There will always be year-round demand for imported fresh fruit, but demand for imported fruit peaks from November to February.

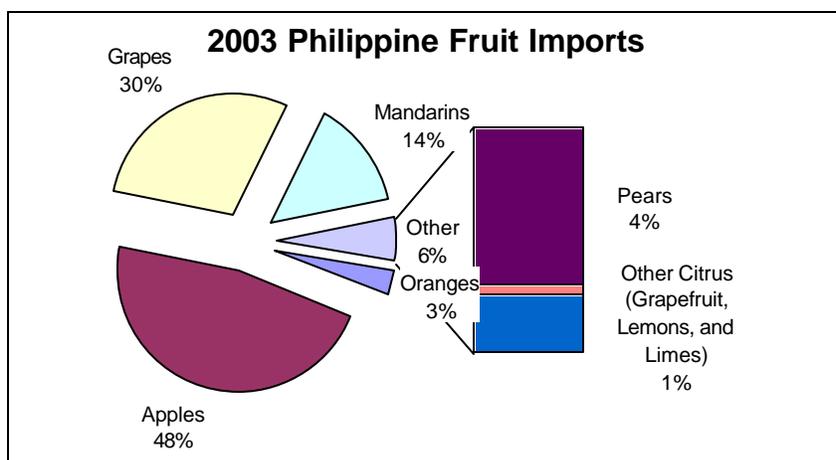
The Philippines imported 134,411 metric tons of fresh fruits in 2003, totaling \$55 million. The two main fruits imported in 2003 were grapes (\$16 million worth) and apples (\$25 million worth). China and the United States were the two primary sources of fresh fruit imports. The U.S. exported 20,000 metric tons of fresh fruits to the Philippines in 2003, worth roughly \$17.4 million. The Philippines has long been a major importer of fruits from the U.S. In terms of 2003 U.S. fruit exports, the Philippines was the:

- 7th largest export market for U.S. grapes
- 11th largest export market for U.S. lemons and limes
- 12th largest export market for U.S. oranges
- 14th largest export market for U.S. mandarins
- 16th largest export market for U.S. apples
- 18th largest export market for U.S. cherries.

In recent years, however, fresh fruit imported from China has been steadily changing the face of the Philippine fruit market. China is now the primary source of fresh fruit imports to the Philippines, having exported 103,000 metric tons (\$32 million in value) to the country in 2003. China's main fruit exports in 2003 were apples (\$23.5 million in value) and mandarins (\$5.7 million in value). The success of Chinese fruit imports can be primarily attributed to the price-competitiveness of Chinese fruits, but improvements in quality in recent years have also helped to challenge imports from other countries such as the U.S.



<i>Import Sources for Selected Fruits, 2003.</i>	
Fruit	Principal Import Source (% of total value)
Oranges	USA: 91%
Apples	China: 90%; USA: 8%
Grapes	USA: 79%; Chile: 14%
Mandarins	China: 73%; Argentina: 19%
Pears	China: 90%
Plums	USA: 83%
Cherries	USA: 97%
Strawberries	USA: 100%
Grapefruit	USA: 53%; China: 47%
Lemons and Limes	USA: 75%; Argentina: 12%



The Philippine Imported Fruit Industry at a Glance:

- Total value of all imports in 2003: **\$55 million**
- Volume of all imports in 2003: **134,411 m. tons**
- Total value of U.S. fruit exports to the Philippines in 2003: **\$17,369,268**
- Total volume of U.S. fruit exports to the Philippines in 2003: **20,151 m.t.**

Fresh Vegetables

Filipinos consume roughly 5 million metric tons of fresh vegetables annually. Most of the vegetable produce consumed is produced locally, with only 77,000 metric tons imported from abroad in 2003. However, vegetable imports have seen extraordinary growth rates since trade liberalization in the mid-1990s, with the amount of fresh vegetables imported having grown ten-fold from 1996 to 2003. Traders import and supply the Philippines’ fast food chains, hotels and restaurants, and some supermarkets that require a wide variety of high quality fresh vegetables and consistent supply. Prior to January 2004, the government did not issue import licenses for US vegetables. However, the government is now allowing the importation of US vegetables, and thus demand for US vegetables will skyrocket in the near future. In 2003, the U.S. exported \$62,000 worth of fresh vegetables to the Philippines. Currently, Australia is the primary supplier of imported vegetables, capturing the bulk of the market share. In terms of lettuce, head lettuce, celery, mushroom, cauliflower, broccoli, and truffle imports, Australia provides close to 100% of these imported vegetables, at a total value of \$2.2 million. China exported \$14.8 million worth of fresh garlic and \$2 million worth of onions and shallots in 2003, and is also the primary import source for carrots.

The Philippines also grows limited quantities of temperate climate vegetables such as broccoli, cauliflower, celery and lettuce in elevated areas. Domestic supply and quality of fresh vegetables is not consistent and subject to the weather and other external factors. This provides good opportunities for the U.S. to supply to major players for which consistency and quality are critical. In particular the wet season and lack of quality farm-to-market infrastructure has hindered local producers’ ability to supply quality product consistently. The demand for these imported vegetables lies primarily with the booming HRI food service sector.

The fresh vegetable market in the Philippines is a highly politicized one, with local growers having a vocal and energetic lobby that calls for protection from vegetable imports. Tariff levels remain high, although Australia’s success in exporting vegetables to the Philippines shows that the demand undoubtedly exists and there is potential for U.S. vegetable exports to expand in the future.

Vegetable	Principal Import Source (% of total value)
Lettuce	Australia: 100%
Head Lettuce	Australia: 100%
Celery	Australia: 100%
Mushrooms	Australia: 97%
Cauliflower and Headed Broccoli	Australia: 100%
Carrots	China: 97%; Australia: 3%
Garlic	China: 99%; USA: 1%
Onions	China: 81%; Netherlands: 12%
Potatoes	Australia: 71%

II. Philippine Fruit and Vegetable Market: The Consumer Side

Nearly half of a Filipino's daily expenditure goes to food consumption. Fruit and vegetables reportedly account for 11 percent of this food expenditure. Most Filipinos have traditionally done fruit and vegetable buying at wet markets, along with their meats, fish, and other "fresh" items. Even at these wet markets, imported fruit such as apples, grapes, mandarins, and oranges have long been, and continue to be, a staple at all fruit vendor stalls. Fruit imports generally peak in the months of November to February where Filipinos buy fresh, colorful fruit for Christmas, New Year, and Chinese New Year celebrations. Vegetables feature prominently in most Filipino dishes, along with rice and meat or fish. The market for imported vegetables, however, is primarily in the upscale supermarkets and the HRI food service sector, where urban dwellers demand consistent quality and a varied array of different kinds of vegetables. Manila, with a population of around 12 million, is the center of all import activity and is where most of the demand for imported produce is concentrated.

Proliferation of supermarkets will lead to increased demand for imported produce

Consumer demand for imported fruits and vegetables will undoubtedly increase in the years to come due to the proliferation of "modern" supermarkets in major urban centers such as Manila, Cebu, and Davao. According to industry data, the number of modern, large-scale supermarket outlets has grown by around 30 percent in the past five years. A recent survey about the industry done by international marketing research company ACNielsen found that many consumers now prefer shopping in modern stores (hypermarket, supermarket, department stores, convenience stores, online shopping) as compared to traditional outlets – wet markets, fish/butcher shops, sari-sari stores. The survey, done between September and October 2003, showed more Filipino consumers prefer to shop in so-called modern establishments. A total of 67% of survey respondents said they spend over half of their grocery purchases in any one modern store. A smaller 27% prefer to shop in traditional outlets while 6% do mixed shopping, meaning they shop at both types of modern or traditional outlets.

"A shift in buying fresh produce from wet markets to supermarkets."

Nelda L. Alario, director for retail services of ACNielsen Philippines, noted year-on-year comparisons indicate "a shift in buying fresh produce from wet markets to supermarkets." Ms. Alario said many supermarkets are now aware that developing their fresh produce section is key to attracting more customers. Hence, some stores now offer a wider selection of fresh produce at competitive prices, and have rearranged the store interiors to highlight the fresh produce section. One supermarket manager estimates that around 30 percent of supermarket sales come from fresh foods (fruit, vegetables, meat, and seafood).

Retail Outlet	Description
Super center/Hypermarket/ Warehouse store/Wholesale club	Products usually arranged in a warehouse setting, offering "one-stop" shopping.
Supermarket/Grocery store	Mostly inside shopping malls, department stores or within a commercial complex. Store size varies.
Convenience store/ Gas mart/Kiosk	Longer operating hours and often co-located with gasoline stations near intersections. Limited food line, usually with fast-food services.
Mom-'n'-pop/Sari-sari store	Owned by community member, selling a variety of essential food items.
Wet market	Usually sells "fresh" items-meats, fish, vegetables and fruits. Only fresh fruits are sometimes imported.

- Filipinos spend nearly half of their daily expenditure on food
- 11% of Filipinos food expenditure goes to fruits and vegetables
- In a recent survey, 67% of respondents reported doing more than half their food shopping at "modern" establishments

Astronomical growth in fast food sector and HRI food service sector will lead to increased demand for imported vegetables.

The success of Australian vegetable imports can be attributed to the growth in HRI demand for a varied array of consistently high quality vegetables such as broccoli, cauliflower, and romaine lettuce, as well as the increased exposure given to fresh produce generally in supermarkets. In fact, a number of large hotels and supermarkets have begun to import fresh vegetables directly in order to ensure a reliable supply of quality vegetables. The demand for fresh vegetables is expected to increase due to the growth of the fast food industry and increasing health consciousness among consumers. Vegetables imported from Australia are mainly supplied by airfreight, thus U.S. exporters would have an opportunity to ensure quality vegetables by doing the same.

Increasing health consciousness of the urban middle class

Another trend that will lead to increased demand for fresh imported produce of high quality is the increasing health consciousness of urban dwellers and especially among the growing middle and upper classes who do nearly all their shopping at supermarkets.

Opportunities and constraints for U.S. fruit and vegetable exports to the Philippines

<i>Opportunities</i>	<i>Constraints</i>
Size of imported fruit market: \$55 million in 2003; constant, year-round demand for imported fruits	Size of imported vegetable market: \$20 million of which \$16.5 million is concentrated in garlic, onions and shallots
The Philippine government began issuing import licenses US vegetables in Jan. 2004	Challenge of cheap Chinese fruit imports whose quality is steadily improving
Quality of U.S. Produce; Seasonality of local fruits and inconsistent quality of locally grown vegetables	Challenge of Australian vegetable imports: near 100% market share for most key imported vegetables
Growth of urban middle class and associated changes in consumer preferences for quality and varied tastes	Domestic vegetable growers are lobbying government for hike in vegetable tariffs
Ever-increasing popularity of Western-style supermarkets where fresh produce is featured at the front of store	Need for import licenses: can be a politicized process
Increasing demand for imported produce at fast food outlets, hotels, restaurants as urban dwellers dine out more often	Demand concentrated in major cities: mainly Metro Manila (population: 12 million) and other major cities (Cebu, Davao)
Food regulations are a familiar sight to U.S. exporters. U.S. FDA and EPA regulations serve as the main reference for fresh produce	
Cultural affinity for anything American: there will always be demand for fruits such as Washington Apples and California grapes	

III. The Fresh Produce Distribution System in the Philippines

a. How Produce moves in the Philippines: "Importers are the Gatekeepers"

- Fresh fruits and vegetables are brought in by importers/traders for distribution either to wholesalers or direct to retail and institutional outlets such as supermarkets, hotels, restaurants and fruit stalls throughout the country. Currently, only a few retailers, hotels, and fast food chains import fresh fruits and vegetables directly, although this is an increasing trend.
- Most imported fruit arrives at one of the two major ports in Manila and is distributed by around a dozen key importers throughout the Philippines.
- Mandy Saracho, the Managing Director of the marketing firm that is the Philippine representative of the Washington Apple Commission and the California Table Grape Commission, describes this select group of key importers as the "gatekeepers" to the imported fruit and vegetable market. These importers absorb all the risk and have the government connections and established relationships with wholesalers and retailers.
- It is these key importers who determine what is imported, as they supply the major supermarkets, wet markets, and wholesalers who then supply the HRI food service or fast food sectors.
- Philippine retailers and food service companies rarely buy direct from overseas companies due to the lengthy paperwork associated with importing.
- There is a lack of a sufficient cold-storage system and distribution of both local and imported fruits and vegetables are often done in non-refrigerated containers.

In short, U.S. fruit and vegetable exporters looking to enter the Philippine market should contact one of the major importers (see Contact List in the Appendix), as they will take care of the necessary paperwork, government requirements, and distribution to retailers, wholesalers, fast food outlets, and the HRI food service sector.

b. Costs and Prices

Market Prices

The following is a guide to the market prices of fresh fruits and vegetables as sold in supermarkets. Prices were taken in July of 2004. The conversion rate used was 55 Pesos to 1 US dollar. The prices of mangoes and bananas have been included as well to serve as a point of comparison.

Imported Fruits	<i>Supermarket Prices</i>
Oranges	\$1.60/kg
Apples	\$1.60/kg
Grapes	\$2.80/kg
Cherries	\$17/kg
Plums	\$3.25/kg
Lemons	\$.90/kg
Mandarins	\$1.75/kg
Grapefruit	\$2.05/kg
Strawberries	\$2.75/8 pieces
Kiwis	\$4.15/kg

Pears	\$.76/kg
Nectarine	\$3.00/kg

Local Fruits

Mangoes	\$1.25/kg
Bananas	\$.60/kg

Vegetables	Supermarket Prices
Iceberg lettuce	\$3.00/kg
Head lettuce	\$2.10/kg
Romaine lettuce (pre-packaged)	\$4.50/kg
Celery	\$2.00/kg
Mushrooms	Button: \$3.60/kg Shitake: \$5.50/kg Oyster: \$3.00/kg
Cauliflower	\$1.60/kg
Broccoli	Local: \$2.50/kg Australia: \$8/kg
Carrots	\$1.20/kg
Onions	\$.75/kg
Tomatoes	\$1.80/kg

Price/Cost Schedule and Mark-ups

In terms of the price/cost schedule, importers all say that there is no fixed mark-up percentage at each stage of the importation process. The mark-ups that importers will add on to the CIF price will vary tremendously depending on the demand for imported fruits and vegetables and the timeframe in which they seek to clear their inventories.

Applied Tariff Schedule for 2004-2005

Tariffs on Imported Fresh Fruits, 2004-2005				
<i>H.S. Code</i>	<i>Description</i>	<i>2004</i>	<i>2005</i>	
0803.00 00	Bananas, including plantains	15	15	
0804.	Dates, figs, pineapples, avocados, guavas, mangoes and mangosteens, fresh or dried.			
0804.10 00	Dates	3	3	
0804.20 00	Figs	3	3	
0804.30 00	Pineapples	10	10	
0804.40 00	Avocados	15	15	
0804.50 00	Guavas, mangoes, and mangosteens	15	15	
0805	Citrus fruit, fresh or dried			
0805.10 00	Oranges	10	10	

0805.20 00	Mandarins (including tangerines)	10	10	
0805.40 00	Grapefruit	7	7	
0805.50 00	Lemons and limes	10	10	
0805.90 00	Other	10	10	
0806.10 00	Grapes, fresh	7	7	
0806.20 00	Grapes, dried	3	3	
08.07	Melons (including watermelons) and papaws (papayas), Fresh			
0807.11 00	Watermelons	15	15	
0807.19 00	Other	15	15	
0807.20 00	Papaws (papayas)	15	15	
	Apples, pears, and quinces, fresh.			
0808.10 00	Apples	7	7	
0808.20 00	Pears and quinces	7	7	
	Apricots, cherries, peaches (including nectarines), plums, and sloes, fresh.			
0809.10 00	Apricots	7	7	
0809.20 00	Cherries	7	7	
0809.30 00	Peaches, including nectarines	7	7	
0809.40 00	Plums and sloes	7	7	

Tariffs on Imported Fresh Vegetables, 2004- 2005				
<i>H.S. Code</i>	<i>Description</i>	<i>2004</i>	<i>2005</i>	
	Potatoes, fresh or chilled			
0701.10 00	Seeds	1	1	
0701.90	Other			
0701.90 10	In-Quota	40	40	
0701.90 20	Out-Quota	40	40	
0702.00 00	Tomatoes, fresh or chilled	10	10	
	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled			
0703.10	Onions and shallots	40	40	
0703.20	Garlic	40	40	
0703.90 00	Leeks and other alliaceous vegetables	20	20	
	Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled			
0704.10 00	Cauliflowers and headed broccoli	25	25	
0704.20 00	Brussels sprouts	3	3	
0704.90	Other			
0704.90 10	Cabbages	40	40	
0704.90 90	Other	7	7	
	Lettuce and chicory, fresh or chilled			
	Lettuce			
0705.11 00	Cabbage lettuce	25	25	
0705.19 00	Other	25	25	
	Chicory			

0705.21 00	Witloof chicory	20	20	
0705.29 00	Other	20	20	
	Carrots, turnips, salad beetroot, salsify, celeriac, radishes, and similar edible roots, fresh or chilled			
0706.10 00	Carrots	40	40	
0706.20 00	Turnips	20	20	
0706.90 00	Other	20	20	
0707.00 00	Cucumbers and gherkins, fresh or chilled	20	20	
	Leguminous vegetables, shelled or unshelled, fresh or chilled			
0708.10 00	Peas	20	20	
0708.20 00	Beans	20	20	
0708.90 00	Other leguminous vegetables	10	10	
	Other vegetables, fresh or chilled			
0709.10 00	Globe artichokes	3	3	
0709.20 00	Asparagus	10	10	
0709.30 00	Aubergines	15	15	
0709.40 00	Celery other than celeriac	20	20	
	Mushrooms and truffles			
0709.51 00	Mushrooms	10	10	
0709.52 00	Truffles	3	3	
0709.60 00	Fruits of the genus Capsicum or of the genus Pimenta	20	20	
0709.70 00	Spinach, New Zealand spinach and orache spinach	20	20	
0709.90	Other			
0709.90.10	Maize (sweet corn)	15	15	
0709.90.90	Other	15	15	

Source: www.tariffcommission.gov.ph

IV. Exporting Fresh Produce to the Philippines

a. Issues for Exporters

Fruits:

Price is primary determinant in terms of market success, but proliferation of supermarkets is creating demand for high quality produce.

The first observation that all importers, wholesalers, and retailers interviewed make about the Philippine imported fruit market is that it is price-sensitive: importers all say that their decision-making process surrounding what fruits to import and in what quantities revolve solely around the price foreign exporters can offer them. Importers themselves will choose not to import the premium-grade Class A quality fruits in favor of Class B quality produce in order to simply expand the market and make the price of imported fruits as accessible as possible to their consumers. This is changing with the growth of supermarkets, as their upper-middle and upper class clientele demands quality and are willing to pay a higher price for it.

What exporters should know:

“Everything depends on price. Whoever gives the cheapest price gets the business.”

–Fruit importer

The proliferation of supermarkets and the growth of the middle, upper-middle, and upper classes in recent years have also created new market possibilities for new products such as stone fruit. Many of the more innovative importers are taking chances with small quantities of stone fruit, for example, and this presents an excellent opportunity for U.S. exporters to make further in-roads in the Philippine fruit market. A letter from the Director of the Philippine Bureau of Plant and Industry dated 16 June 2004 reaffirmed the fact that the Philippines is now allowing the importation of fresh cherries from the United States.

Competition from Chinese fruit exports is eroding market share of U.S. fruits.

A telling example of how price-sensitive the fruit market is in the Philippines is how competition from cheap Chinese apple exports have eaten into the market share of Washington Red apples in recent years. Importers say that Chinese Fuji apples are 40-50% cheaper than U.S. apples, and even though these Chinese apples may not be as good in terms of quality and attractiveness, this cheaper price has resulted in a marked increase in apple imports from China. 1.5 million cartons of Washington Red apples were imported to the Philippines in 1997. Only 300,000 cartons were imported in 2003. Importers say that improvements in the quality of Chinese apples and the fact that they can now be bought all-year round has also been part of the success of Chinese apples in the Philippine market. The lesson is clear: price is the major determining factor as to the success of fruit imports. Importers caution that the situation for grapes today is much akin to that with apples five years ago: U.S. grapes still dominate the market currently, but Chinese grapes are 30-50% cheaper and the quality is steadily improving. Chinese fruit exports also dominate the fresh fruit markets in Indonesia, Malaysia, Singapore, and Thailand.

Seasonality of Key Fruit Imports, according to a major importer.

<i>Apples</i>	<i>Grapes</i>	<i>Oranges</i>	<i>Mandarins</i>
US: all-year	US: July-January	US: December-May	China: October-February
China: all-year	Chile: March-August	Australia: June-December	Pakistan: December-May
	Australia: January-May		
	China: August-October		

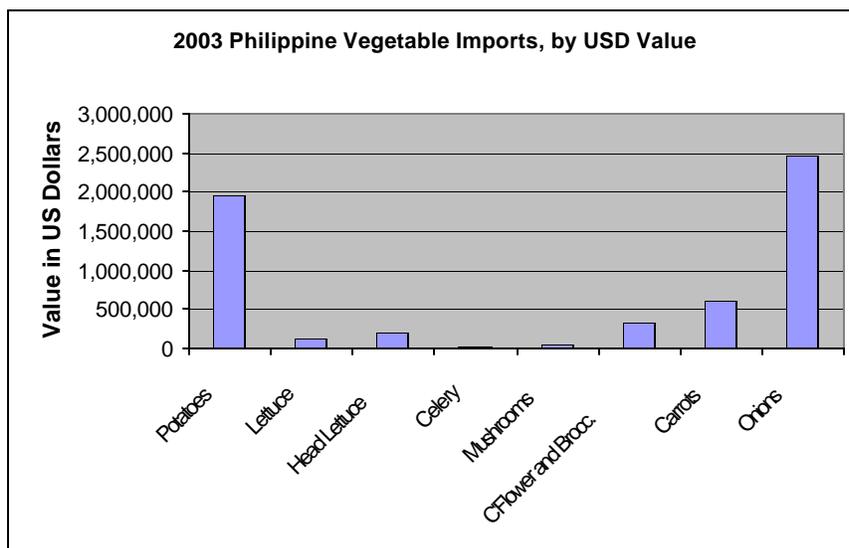
Vegetables:

The Philippine Government began issuing import permits for US vegetables in January 2004

A major development in 2004 was the Philippine government's issuance of import permits for US vegetables for the first time: prior to January 2004, the government did not issue regular import permits for US vegetables. The Director of the Philippine Bureau of Plant and Industry reaffirmed that US vegetables would be allowed into the country in a letter dated 16 June 2004 to the USDA office in Manila: "In the case of permit issuance for US vegetables...we will still allow importation of selected vegetables (Broccoli, Lettuce, Cauliflower, Celery, and Carrots) from the US as the case in the past, subject to the government's importation requirements." The government has issued import permits for Australian vegetables since trade liberalization in the mid-1990s, and thus Australian vegetables have captured the bulk of the market share. However, all major vegetable importers are looking to the US now that the government is issuing import licenses, and thus demand for US vegetables will skyrocket in the near future. Nearly all vegetable importers interviewed said that they were in the process of calculating the costs and benefits of switching their imports from Australian vegetables to US vegetables, and the general feeling seems to be that most vegetable importers will in fact soon source a significant portion of their imports from the US rather than Australia. The Philippines currently imports more than 30 kinds of fresh or chilled vegetables.

USDA's Supplier Credit Guarantee Program is providing incentive for importers to source fresh vegetables from the US

One importer interviewed said that one of the reasons importers do not necessarily experiment with new import sources is that the established relationships with Australian or US produce exporters allows them to have some sort of credit system whereby they receive the produce first and are allowed to pay later. In response to these kinds of concerns, the U.S. Department of Agriculture has been offering its Supplier Credit Guarantee Program (SCGP) since 1997 to help ensure that credit is available to finance commercial exports of U.S. agricultural products, while providing competitive credit terms to buyers. The Supplier Credit Guarantee Program helps exporters offer direct, short-term credit to foreign buyers of U.S. food and agricultural products. Under this program, USDA's Commodity Credit Corporation (CCC) reduces the financial risk to exporters by guaranteeing a large portion of the payments due from importers under financing arrangements of up to 180 days. The direct credit extended by the exporter to the importer for the purchase of U.S. agricultural products must be secured by a promissory note signed by the importer. USDA's Foreign Agricultural Service (FAS) administers this program on behalf of the CCC, which issues the credit guarantee. The exporter or the exporter's bank provides the financing. The exporter negotiates the terms of the export credit sale with the importer. Once a firm sale exists, the qualified U.S. exporter must apply for a payment guarantee before the date of export.



Vegetables imported from Australia are brought in via airfreight

Importers bring in imported vegetables via airfreight, as this allows them to work with smaller volumes and translates into longer shelf life for the vegetables they import. Also, demand is not yet at the point wherein importing vegetables in 40-foot containers via sea freight is economical. This is in part because importers, the government, and local vegetables growers have an understanding that imported vegetables will not enter the wet markets in order to not affect the prices of locally grown vegetables. In this sense, demand for imported vegetables lies squarely with the HRI food service sector, the airline catering industry, the fast food sector, and the upscale supermarkets.

Quality of local vegetables is steadily improving: price is ultra-competitive

A future trend that some importers are highlighting is that, thanks to international development assistance focused in Mindanao, the quality of locally grown vegetables is steadily improving. With local vegetables costing only one-third the price of imported vegetables, if quality continues to improve and local growers experiment with a more varied array of vegetables, locally grown vegetables could very well displace some of the demand for imported vegetables.

b. Marketing Strategy for U.S. Produce to the Philippines

Fruits – Focus on quality of US produce

The advantage of U.S. produce relative to cheaper Chinese fruit imports or locally grown vegetables is that U.S. produce has a reputation for being of consistently high quality, both in terms of taste as well as attractiveness on display. A visual comparison of the different produce available at a supermarket or wet market will yield the same conclusion: U.S. produce *looks* like it is of higher quality and is much more visually appealing than any locally grown vegetables or Chinese fruit imports. Synergy Asia, Philippine representative of the Washington Apple Commission and California Table Grape Commission, has taken this approach to marketing Washington Red apples and California grapes. The promotional strategy for U.S. apples and grapes is focused on highlighting the quality of the product, outlining the origin of the fruits (i.e. the “birthplace”), building on the Philippines’ strong ties with the US, and emphasizing the underlining health and nutritional benefits. Synergy Asia believes that this promotional strategy will ring well with the upper-middle and upper class consumers who are increasingly health conscious and who do all their shopping in supermarkets. Focusing on the quality of U.S. produce will also make U.S. produce attractive to the food service sector: Washington Red apples are still the ingredient of choice for the Philippines’ apple pie producers.

Vegetables – Quality is important for imported vegetables

With the majority of demand for imported vegetables concentrated in hotels, restaurants, airlines, and upscale supermarkets, quality is of great importance. Philippine importers are in the process of seeking US vegetable exporters now that the government is allowing for the importation of US vegetables. They will be looking for good quality vegetables at a price that is competitive vis-à-vis Australian vegetables, even after all transportation costs are figured in. As Australia currently has the bulk of the market share, US exporters are competing primarily with Australian vegetable exporters, and price and quality will be viewed in light of this.

c. Specialized Niches for Imported Specialty Produce

Organic Fresh Produce

The Philippine organic industry is relatively small and in its infancy stage. Although it is interesting to note that domestic production is growing between 10-20 percent, locally grown products are limited in variety. It is estimated that demand for organic products, chemical-free, pesticide-free and “natural” products will outpace local production. The domestic organic industry is about \$2 million and imports of processed organic food products are estimated at another \$3 million. There is generally a lack of awareness and limited distribution for organic products, and distinct price sensitivity for the greater mass of Filipino consumers. However, the niche market, comprised mostly of Filipinos who have traveled or have been influenced into the “healthy lifestyle” and for the expatriate community does exist and will continue to expand in the future.

d. Food Laws and Regulations

Import Regulations for Fresh Produce

In response to pressure from domestic vegetable producers to limit imports as well as to crack down on illegal importation of fruits and vegetables into the Philippines, the Department of Agriculture has further tightened its import permit application procedures. In March 2003 through Memorandum No. 18 (MO 18), the Bureau of Plant and Industry (BPI)

imposed additional requirements for all import permit applications covering fresh fruits and vegetables. The implementation of these additional checks and authentication processes, oftentimes result in delays of imports of the affected products.

BPI regulates imports of fresh fruits and vegetables. All imports of fresh produce require phytosanitary clearances from BPI, which also serve as import licenses. The Philippine importer applies for these permits for each shipment. Shipments of fresh fruits and vegetables must be accompanied by a USDA Phytosanitary Certificate (PC) issued at the port of origin. Import permits for fruits and vegetables need to be secured prior to exportation from the United States. The date of shipment should not be earlier than the import permit.

In short, the requirements are:

1. **USDA Phytosanitary Certificate** accompanying shipment
2. The **Container Seal Number** must also be stated in the USDA Phytosanitary Certificate
3. The Bureau of Plant Industry **Import Permit Number** to be indicated in the additional declaration of the accompanying Phytosanitary Certificate.

For a comprehensive guide to Philippine import requirements for agricultural products see the GAIN Report RP 4017 entitled "Food and Agricultural Import Regulations and Standards" published 5 April 2004: <http://www.fas.usda.gov/GainFiles/200404/146105898.pdf>.

References:

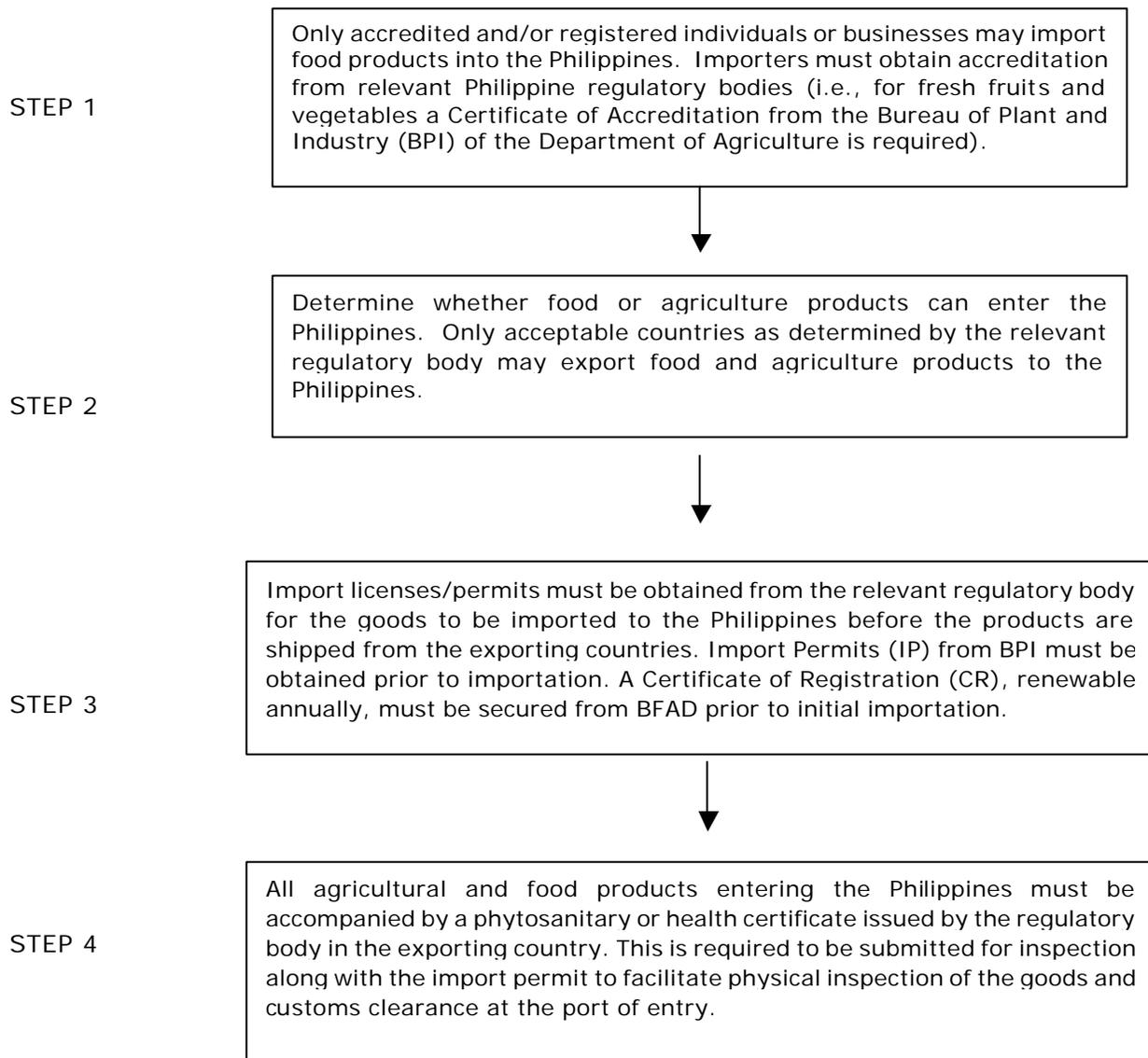
GAIN Report RP2053: Philippines Exporter Guide, 2003:
<http://www.fas.usda.gov/GainFiles/200003/25637328.pdf>

FAS AgExporter Magazine: <http://www.fas.usda.gov/scriptsw/AgxMag/AgxMagazine.asp>

USDA's Supplier Credit Guarantee Program: <http://www.fas.usda.gov/excredits/scgp.html>

Import Procedures

The basic procedures for the importation of food and agricultural products are as follows:



Source: GAIN Report RP4017: "Food and Agricultural Import Regulations and Standards"

V. Appendices**a. Contact List****Appendix I: U.S. Foreign Agricultural Service Offices and relevant Philippine Government Agencies**

Agricultural Affairs Office (AAO)/USDA
U.S. Embassy Manila
25/F Ayala Life-FGU Bldg.
6811 Ayala Avenue, Makati City
Tel: (+632) 887 1137/53
Fax: (+632) 887 1268
Email: agmanila@usda.gov

Agricultural Trade Office (ATO)/USDA
U.S. Embassy Manila
25/F Ayala Life-FGU Bldg.
6811 Ayala Avenue, Makati City
Tel: (+632) 894 5381
Fax: (+632) 812 5430
Email: atomanila@usda.gov

Animal and Plant Health Inspection Service (APHIS)
U.S. Embassy Manila
25/F Ayala Life-FGU Bldg.
6811 Ayala Avenue, Makati City
Tel: (+632) 840 3276
Fax: (+632) 830 2376
Email: Rosario.B.Bedana@aphis.usda.gov

Bureau of Plant Industry
Department of Agriculture
692 San Andres Street
Malate, Manila
Philippines 1004
Tel : (+632) 524 2812
Fax : (+632) 521 7650
Website : <http://bpi.da.gov.ph/Services.html>

Bureau of Customs
Department of Finance
Valuation & Classification Department
New Customs Building
Port Area, Manila
Philippines 1018
Tel : (+632) 526 6355
Fax : (+632) 527 4573
Website : <http://www.customs.gov.ph/html/cover.htm>

Bureau of Import Services
Department of Trade & Industry
3/F Oppen Building
349 Sen. Gil Puyat Avenue
Makati City, Philippines
Tel : (+632) 896 4430
Fax : (+632) 895 7466
Website : <http://www.dti.gov.ph>

Bureau of International Trade Relations
Department of Trade & Industry
5/F, New Solid Building
357 Sen. Gil Puyat Avenue
Makati City, Metro Manila, Philippines 1200
Tel : (+632) 890 5148/ 897 8290
Fax : (+632) 890 4812
Website : <http://www.dti.gov.ph>

Bureau of Trade Regulation & Consumer Protection
Department of Trade & Industry
2/F, Trade & Industry Building
361 Sen. Gil Puyat Avenue
Makati City, Metro Manila
Philippines 1200
Tel : (+632) 896 5785
Fax : (+632) 890 4949
Website : <http://www.dti.gov.ph>
National Food Authority
101 E. Rodriguez Sr. Ave.
Quezon City
Philippines 1102
Tel : (+632) 712 1719/ 712 1705
Fax : (+632) 712 1110
Website : <http://www.nfa.gov.ph>

Appendix II: Cooperators and Associations

Synergy Asia Marketing Services, Inc.
(Philippine representative of Washington Apple Commission and the California Table Grape Commission)
Unit 602-C, Summit Office Tower
530 Shaw Boulevard
Mandaluyong City 1501
Metro Manila
Tel: (632) 534-8534; 534-8221; 534-8223
Fax: (632) 534-8234
Contact: Mr. Mandy Saracho, Managing Director
Email: mandys@synergyasia.com

Lieu Marketing Associates Pte Ltd
(ASEAN Representative of California Pistachio Commission, California Tree Fruit Agreement, Florida Department of Citrus, Pear Bureau Northwest, Raisin Administrative Committee, United States Potato Board, Wine Institute of California, Western United States Agricultural Trade Association, Mid-America International Agri-Trade Council, Food Export USA-Northeast and the Southern United States Trade Association)
Block 3 Alexandra Distripark
Unit 08-22, Pasir Panjang Road
Singapore 118483
Tel: (65) 6278-3832
Fax: (65) 6278-4372
Contact: Richard Lieu
Email: richellieu@lieumktg.com.sg

Philippine Association of Supermarkets, Inc.
Rm 311, Mariwasa Building
Aurora Boulevard, Cubao
Quezon City, Philippines
Tel: (632) 363-4563
Fax: (632) 456-3855
Contact: Mr. Jose Albert, President

Hotel and Restaurant Association of the Philippines
Suite 200 Hotel Intramuros de Manila
Plaza San Luis Complex corner
Cabildo Urdaneta St . Intramuros
Manila, Philippines
Tel: (632) 527-5113
Fax: (632) 527-9927
Contact: Mr. Larry J. Cruz

Philippine Food Processors and Exporters Organization
Room 304, JS Contractor Building
423 Magallanes St., Intramuros
Manila, Philippines
Tel: (632) 527-5810 to 11
Contact: Mr. Jesus T. Tanchangco, Sr., President

Appendix III: The Private Sector

Fruit Importers:

Beauchamp Food Corp. a.k.a. Joint Freight (importer, wholesaler)
391 P. Guevarra cor. Argonne St.
San Juan, Philippines
Tel: (632) 727-1517
Fax: (632) 721-0726
Contact: Mr. Philip Cea, President
Email: bfc@thenet.com.ph

Dizon Farms a.k.a. Jed Marketing (wholesaler, retailer)
Bldg 5., Unit 522, Sirloin Road, FTI Complex
Taguig, Philippines
Tel: (632) 838-9433
Fax: (632) 838-4435

Contact: Ms. Catherine Posas
Email: jedmktg@i-manila.com

Deka Commercial a.k.a. Elite Fruit Marketing (importer, wholesaler)
687 Sto. Cristo Street.
Binondo, Manila
Tel: (632) 242-5279
Fax: (632) 242-5282
Contact: Ms. Alice Chan
E-mail: deka@compass.com.ph

Sun Moon Fruits a.k.a. Del Gro, J&G Commercial (importer, wholesaler)
676 Sto. Cristo Street
Binondo, Manila
Tel: (632) 242-8406
Fax: (632) 242-8396
Contact: Mr. Jimmy Go
Email: smfruits@tri-isys.com

UBM (importer, wholesaler, retailer)
312 Shaw Boulevard
Mandaluyong City
Tel: (632) 533-6354
Fax: (632) 531-7838
Contact: Fred Uysipuo
Email: freduysipuo@yahoo.com

Supermarkets/Hypermarkets that import fresh produce directly:

MAKRO Philippines
Km. 21 East Service Road
South Superhighway, Sucat
Muntinlupa City
Tel: (632) 876-3134
Fax: (632) 876-3140
Contact: Ms. Cecille Tan-Gatue
Email: bf06@makro.com.ph

PriceSmart
32nd St. corner 5th Ave., Fort Bonifacio
Globaly City, Taguig, Metro Manila
Tel: (632) 888-0433
Fax: (632) 888-0689
Contact: Mr. Edward Gonda

Vegetable Importers:

Leysam Commercial Inc. (importer, distributor, food service)
1547 Leon Guinto St.
Ermita, Manila
Tel: +632 525-3966
Fax: +632 521-8587
Contact: Ms. Cynthia Ramos Li, Import Manager
Email: leysamci@info.com.ph

Tuckerbag Inc. (importer, distributor)
110 Carlos Palanaca St.
Legaspi Village, Makati City
Tel: +632 817-9786
Cel: +63-917-898-6278
Contact: Martin J. Garcia
Email: mjgarcia@info.com.ph

Blue Dairy Corp.
Sumulong Highway
Marikina City
Tel: +632 646-9709 to 10
Fax: +632 646-6509
Contact: Ped Miguel, Vice President and General Manager

Choice Harvest Marketing Inc. (supplier)
68 Don Pepe St., Sto. Domingo
Quezon City
Tel: +632 732-5021
Fax: +632 783-7391
Contact: Rosa Tan Sy, General Manager

Major Fast Food Chains that import fresh vegetables:

Wenphil Corporation (Wendy's)
2nd Floor, Unit 2-A, Uni Oil Building
Acasia St., Madrigal Business Park
Ayala Alabang, Muntinlupa City
Tel: +632 809-5506
Fax: +632 807-2394
Contact: Mr. Jose T. Pardo

Jollibee Foods Corporation
6th Floor Jollibee Center
San Miguel Avenue
Pasig City
Tel: +632 634-1111 ext. 1169
Fax: +632 634-1190
Contact: Samuel M. Dalisay, Purchasing Manager