



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.08

Scheduled Report - Public distribution

Date: 10/12/2007

GAIN Report Number: SN7011

Singapore

Exporter Guide

Singapore's Exporter Guide

2007

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Report Highlights:

Singapore's strong economic growth in 2006 was broad based and was reflected in the major sectors of the economy. In line with the healthy growth rates in the economies of Singapore's major trading partners both external and domestic demand showed robust growth rates of 10 percent and 6.6 percent respectively in 2006. Imports of consumer oriented products increased by 11 percent in 2006.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
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SECTION I. MARKET OVERVIEW

Economic Situation

The Singapore economy continues to grow at a robust rate of 7.9 percent in Calendar Year (CY) 2006 an improvement over the 6.6 percent annual increment in CY2005. Economic growth momentum continued its upward trend reflecting the robust growth throughout the entire economy. The manufacturing sector increased by a strong 11.5 percent in 2006, the wholesale & retail trade improved by 10.3 percent and the financial services sector by 9.2 percent.

Singapore external demand continued to show strong growth registering a 10 percent growth in 2006. Similarly, Singapore's global imports of agricultural products showed a 10 percent increase to US\$ 5.3 billion in 2006 reflecting the full recovery of the domestic economy and the re-export trade to the markets in the Asia Pacific region.

With one of the highest per capita incomes in Asia, Singapore is the most developed economy within the ASEAN region. The fact that Singapore strategically lies on the cross roads of major air and sea routes within the Asia Pacific region supports its traditional role of a major transshipment center for much of the Southeast Asian region and the Indian subcontinent. The above factors also contribute to Singapore's position as a regional food showcase and headquarters for international food and agricultural related companies. About 25 percent of ASEAN's \$24 billion imports of food and agricultural products move into or through Singapore.

Food Imports

As the Singapore population of 4.6 million is almost entirely dependent on imported foods, it is not surprising that the total value of imported consumer oriented foods exceeded US\$ 3.4 billion in CY2006. Major product categories include dairy products, bakery and bakery related products, fresh fruit and vegetables, red meats, alcoholic and non-alcoholic beverages, snack foods and other consumer-oriented products. Growth rate for the consumer oriented foods category averaged about 13 percent over the last three years. The U.S. market share of the consumer oriented foods category in the same period averaged about 7 percent. Fish and seafood products imported into Singapore for CY2006 were valued at US\$ 678 million.

Demography and Socio-economic impact

Like most developed and highly urbanized economies, Singapore's population growth rates have been falling rapidly in the last decade. The Singapore population increased at the rate of 4.4 percent in 2006 primarily due to the increased number of foreigners being granted permanent residence in recent years. This factor alone augmented the slow population growth rate of less than 1 percent among the Singapore citizens. The total population of 4.6 million comprised of 3.55 million citizens and permanent residents and just over 1 million foreign workers (and their dependents) on employment passes, work permits or long term social visit passes.

The proportion of elderly residents has increased rapidly over the last ten years. Residents aged 65 years and above comprised about 8.8 percent of Singapore's resident population. This proportion is expected to increase to over 20 percent by 2050. On the flipside, the youth population (aged 15-29 years) as a percentage of the population declined from 25 percent in 1993 to 19 percent in 2006. On the positive side, the educational level of the

youth population grew from an average of 10 years of schooling in 1993 to 12 years of schooling in 2006. Due to better education there was a growing proportion of youths holding professional, managerial or technical jobs. This proportion grew from 25 percent in 1993 to 37 percent in 2006.

The number of singles has also risen in the country with the fall in the number of persons getting married over the last ten years. The age at which both grooms and brides get married have also risen.

Summary of socio-economic impact of the changing demographic structure.

- 1) Slower growth rates in domestic demand.
- 2) Growing personal disposal income due to better-educated workforce.
- 3) Smaller household sizes due to falling marriage and birth rates.
- 4) Demand for food products for the mature age groups growing.
- 5) Growth in international consumer tastes with increase in the number of more educated and more traveled population. The rising numbers of visitor arrivals and foreign workers in the country have also contributed to the wider variety of consumer tastes.
- 6) With the rise in the number of working women, there is a corresponding growth in demand for convenience foods and ready to cook prepared meals.

Advantages and Challenges for U.S. Suppliers

Advantages	Challenges
Fast growing incomes and highly educated population	High costs of entry into major supermarket chains
Increasing preference for higher quality products	Lower prices of competing products from other countries
Proliferation of western family-style restaurants and fast food chains	Inadequate knowledge on use of U.S. products
High consumer regard for U.S. brands	High promotional and advertising costs for introducing new products

SECTION II. EXPORTER BUSINESS TIPS

Local Business Practices and Custom

In the arena of international trade, Singapore business practices tend to follow those in the more developed and highly urbanized economies. The country's laws are patterned after the British legal system. There is considerable reliance on international trading practices and contracts. Letters of credit are normally used for first time transactions and only after a long history of business relationship is established, the terms of payment may then change to an open trading account. It is not uncommon for buyers to request for samples from first time suppliers. In some cases, U.S. exporters may request that buyers pay for airfreight charges and handling costs of samples if they become prohibitive.

U.S. exporters who are exporting for the first time to the Singapore market would be advised to consider making use of local distributors or at least a local representative to help them guide through the requirements of the Singapore Food regulations and local trading practices.

However, the financial and credit arrangements in the domestic economy are very different. With few exceptions, supermarket chains, restaurants and other retail customers expect suppliers to give 60 days credit. There is also an implicit understanding to accept return of damaged and unsold goods. On the other hand, some small retailers like Mom and Pop stores pay cash on delivery, as their order sizes are very small. Hence, if U.S. exporters decide to carry out their own distribution, they would have to expect to meet the usual credit terms demanded by local supermarket chains.

General Consumer Tastes and Preferences

With rising consumer incomes, Singaporeans are prepared to pay for higher quality food products or products that will provide savings in labor and time. Hence, on the supermarket shelves we tend to see an increasing number of prepared and convenience foods. Diced vegetables and seasoned portion-control meats and poultry are in increasing demand as both spouses work.

As almost all Singapore households are of Asian origin, imported foods that are to be used in local cooking have to be able to lend themselves to Asian cuisines. Asian dishes tend to be stir fried, prepared in curries or marinated in chili sauces.

Food Standards and Regulations

Singapore food laws are delineated in the Food Act and all packaged foods sold in retail outlets have to comply with the allowable ingredients and preservatives listed in the abovementioned Act (see the latest FAIRS Report in the USDA website, www.fas.usda.gov).

Singapore has a very open import regime and all foods, with the exception of alcoholic beverages and tobacco products are imported duty free. There are practically no non-tariff restrictions since there is very little local production and the current government policy is to source food products from all over the world. Customs clearance of imported food products is carried out electronically and the process is completed in less than 48 hours.

Import and Inspection Procedures

Export health certification is required for the import of meat, poultry products and shellfish products. In most import cases, random inspection and laboratory analysis of meat and poultry products are carried out.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Consumer-oriented Foods and Beverages & Edible Fishery Products

Singapore, which has the second highest per capita income in Asia, is one of the most open economies in the world with no tariffs on all food products except on alcoholic beverages. As a result, a wide range of food products from all over the world can be found on supermarket shelves in this island nation of 4.6 million people.

The major suppliers of fresh temperate climatic fruit to Singapore are the United States, Australia, New Zealand, European Union, China, South Africa, Brazil and Chile. Suppliers of tropical fruit are neighboring countries of Malaysia, Indonesia and Thailand. Singapore households buy mostly fresh leafy green vegetables from Malaysia, Indonesia, Thailand and China. On the other hand, most of the imported temperate vegetables originating from Australia, New Zealand, European Union and the United States are supplied to restaurants and selected upmarket supermarkets.

Singapore imports all the meats and poultry it consumes from all over the world. Poultry and pork are the main meat items consumed in Singapore. Freshly slaughtered chicken is obtained by importing live poultry from Malaysia for slaughter in local abattoirs. About half of the chicken requirements are fulfilled through the imports of frozen chicken and chicken parts from United States, Brazil, China and the European Union.

Since April 1999, the only source of imported live pigs (about 250,000 head annually) for slaughter comes from Indonesia. Most of Singapore's pork requirements are fulfilled through the import of chilled pork from Australia and frozen pork from European Union and the United States. Beef, while not as widely consumed as chicken, is sold principally in the supermarkets. Major suppliers of beef include Australia, New Zealand, Argentina and China. The United States is allowed to supply only boneless beef from cattle under 30 months of age because of BSE concerns.

In the seafood category, Singaporeans consume mostly fresh and frozen finfish caught and sold by neighboring countries, i.e. Malaysia, Indonesia and Burma. Other major suppliers include Taiwan and Japan, India, Australia, Vietnam and China. In 2006, a total value of US\$678 million was imported from worldwide sources.

Singaporeans are very fond of fresh seafood; especially fin fish, crabs, lobsters and clams. While most of the finfish are purchased in the wet markets for home consumption, Singapore consumers generally go to restaurants for the consumption of crabs and lobsters.

Food Retail Sector

It is estimated that about 60 percent of the food retail sales of US\$4 billion take place in supermarkets, hyper marts and modern mini marts, while the rest are sold in convenience shops, traditional provision stores (Mom & Pop stores), petrol stations and wet market stalls.

Traditionally Singaporeans shop for their fresh produce, meats and fish in wet market stalls. Over the last decade however, more and more household are turning to supermarkets for their fresh produce, meats and fish requirements. Generally, importers who represent foreign brands will be responsible for the market development of the brands, advertising and promotion and increasing distribution reach to all retailers.

However, in recent years, some of the large supermarket chains and several up market retailers import western-type products directly for their own outlets. Products directly imported would include frozen prepared meals, juices, jams, confectionery, biscuits, salad dressings, pre-packed deli meats and fresh temperate fruit. Products procured from local importers would include products from the Asian region, dry groceries, tropical fruit, frozen chicken and chicken parts, frozen beef, local sauces and ethnic foods.

Two major supermarket chains dominate the Singapore retail industry, Dairy Farm and NTUC Fairprice supermarket chains. The former targets principally the middle and higher income groups while the latter caters to the mass-market group.

The largest supermarket chain in terms of number of supermarket retail stores is the Dairy Farm Group with 90 supermarket stores, comprising of 30 Cold Storage supermarket retail stores, 48 Shop & Save Stores, 5 premier Market Place stores and 7 Giant Hypermart stores. A large percentage of products on their shelves comprised mostly western-type products procured from E.U., Australia, New Zealand and the United States. Eight of their outlets are located in upper middle-income residential areas and customers to these outlets are principally expatriates and upper middle-income residents. In addition, the Dairy Farm Group operates the 7-Eleven Convenience Chain of 295 stores and 125 Guardian Pharmacy outlets

The NTUC Fairprice supermarket chain which is the second largest supermarket chain, has 76 Fairprice supermarkets and one Fairprice Hypermart, 113 Cheers Convenience Stores and 14 Fairprice Convenience Stores (located in Esso-Mobil Stations). NTUC Fairprice's target audience is principally the middle and lower income groups. Competitive pricing is one of the main factors determining whether a new product should be procured for the Fairprice stores. The retail distribution reach of the Fairprice stores is very extensive as they are located in almost every large residential population concentration. Importers who require their products to be distributed island-wide and with the focus on the mass market prefer to work with NTUC Fairprice.

NTUC Fairprice supermarket chain procures almost all their food products from local importers. However, in recent years, NTUC Fairprice has embarked on extensive house branding of basic essentials like rice, bread, cooking oil, toilet paper, box tissue, sugar, dish washing liquid and canned fruit.

Besides Cold Storage and NTUC Fairprice supermarkets, there are several independently managed supermarkets like Isetan, Meidi-Ya, Mustafa's, Prime Supermarket, and Sheng Siong. The most recent supermarket chain, Sheng Siong, which has 20 small and medium sized stores and Prime Supermarket which has 21 outlets are family owned business entities which originated from small single grocery outlets to their current sizes today. Both Sheng Siong and Prime are very price competitive as they procure most of their products from China and other neighboring low cost Asian supplier countries. Customers of both supermarket chains come mostly from the lower middle-income groups. The rest of the above mentioned supermarkets are independently operated supermarket stores with only one outlet each. Isetan and Meidi-Ya target principally the upper middle-income groups and the Japanese community in Singapore.

Outside the supermarket category, there are more than 23,000 mini-marts, convenience stores and traditional provision shops located in all residential housing estates all over the island. As these shops tend to be very small and, in most cases, no more than 600 square feet in retailing area, products tend to be limited to the very basic household items and to a small number of confectionery items and snack foods. Few of the shops in this category do not sell frozen meats and prepared meals nor is fresh produce retailed in this category.

Food Service Sector

It is estimated that Singaporeans spend about US\$2.24 billion annually on cooked food. Since eating out in the numerous cooked food stalls located round every corner of major housing residential estates is relatively inexpensive, most Singaporeans eat out at least once a day. As most households have working wives, Singapore families find it more convenient and, in most cases, less expensive to eat out. It is not uncommon each evening to see families walk to the nearest neighborhood cooked-food stall to have their dinner.

According to government statistics, there are more than 5,500 cooked food stalls in the whole island. Besides these cooked-food stalls, fast food chains like McDonalds, Kentucky Fried Chicken, Burger King, Pizza Hut are located in large shopping complexes all over the island.

The food service industry continued to show improvement in 2006. Restaurant sales reported an increase of 6% for 2006 due to the greater influx of tourists and business arrivals to the republic nation. It is reported that the food service industry is reverting back to better quality but higher priced foods as customers resume their original preference for quality food ingredients.

Food service companies in Singapore are widening their distribution network to other countries in the Asian region to achieve economies of scale in operation. As individual restaurant requirements are small, Singapore food service companies provide an alternative supply chain to customers who have small but frequent procurement needs for U.S. or western-type products.

It is thus not uncommon to see a number of well-known U.S. brands being transshipped or distributed from Singapore. Traders here are able to provide credit terms to their counterparts in the region or to carry out specific handling, packaging or documentation requirements. Generally products which have a longer shelf life and which do not need refrigeration are more easily transshipped.

Meat and poultry products, which require halal certification for Muslim consumers in the region, are generally shipped direct to the country of destination. Again, some Singapore traders may be involved in the ordering process as well as in the provision of short-term credit to the local importer in the destination country.

Food Processing Sector

Singapore's food processing sector is very limited and the major food manufacturers are those in beer, non-alcoholic beverages, snack foods, fish processing and ethnic food activities. As Singapore has no crop or livestock production, practically all food ingredients are imported from a wide range of countries worldwide.

According to the Singapore government statistics, there are more than 300 companies making up Singapore's food processing sector most of which are small-scale operations with output barely sufficient for the local market. These firms manufacture food products ranging

from beverages and snack foods to dairy and confectionery goods. With the exception of the beer and soft drinks plants, the scale of production tends to be small and the number of employees for each food-manufacturing establishment tends to be less than 100 each.

The total output of the locally manufactured food, beverage and tobacco sector was US\$2.23 billion in 2005, out of which it was estimated that about 45 percent was re-exported.

Products, which are exported, include beer, soft drinks, edible oils, chocolates, processed seafood, milk powder, condensed milk, sauces and spices.

The source of competition varies depending on the nature of the product manufactured. For example, Australia supplies most of the milk products and dairy ingredients while China supplies most of the corn and soybean products. Malaysia supplied nearly 20 % of the food ingredient market and is the major supplier of live animals for slaughter, edible oils, tropical fruit and vegetables. The U.S. has significant market share in juices, juice concentrates, frozen poultry parts, fresh temperate fruit, nuts, flavorings, spices and leaf tobacco.

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

Product Category	2006 Total Imports US\$Million	2004-2006 Ave Annual Growth	Key Constraints over Market Development	Market Attractiveness for USA
Snack Foods	280	13	Intense Competition from lower cost suppliers	Availability of wide variety of flavors. Quality of U.S. products and packaging
Dairy Products	493	13	Lower priced dairy products from Australia and New Zealand	Quality and instant brand recognition of leading U.S. brands
Fresh Fruit	228	5	Intense competition from China, South Africa, Australia and New Zealand	U.S. has reputation of being a supplier of quality fresh fruit
Tree Nuts	28	8	Competition from low priced peanuts from China and pistachios from Iran	Quality of products from U.S. are consistently maintained
Processed Fruit & Vegetables	165	3	Strong competition from Australia, New Zealand and EU	U.S. has a reputation for quality products and instant brand recognition
Pet Foods	16	7	The market for pet foods is keenly contested. Australian brands are well established and have a close geographical advantage	U.S. brands are well established and there is a natural reluctance to carry out brand switching for marginal price differences.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

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APPENDIX I. STATISTICS

A. Key Trade & Demographic Information

	2006	
Agricultural Imports From All Countries (\$Mil) / U.S. Market Share (%)	5,261	6%
Consumer Food Imports From All Countries (\$Mil) / U.S. Market Share (%)	3,427	6%
Edible Fishery Imports From All Countries (\$Mil) / U.S. Market Share (%)	678	1%
Total Population (Millions) / Annual Growth Rate (%)	4.6	1.3%
Urban Population (Millions) / Annual Growth Rate (%)	N.A.	N.A.
Number of Major Metropolitan Areas	1	
Size of the Middle Class (Millions) / Growth Rate (%)	N.A.	N.A.
Per Capita Gross Domestic Product (U.S. Dollars)	29,491	
Unemployment Rate (%)		2.9%
Per Household Food Expenditures (U.S. Dollars) Per Annum	7,547	
Exchange Rate (US\$1 = S\$1.58)		

TABLE B. CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

Singapore Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S. Market Share		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
CONSUMER-ORIENTED AGRICULTURAL TOTAL	2687	3087	3427	206	216	232	8	7	6
Snack Foods (Excl. Nuts)	222	236	280	21	22	25	10	9	9
Breakfast Cereals & Pancake Mix	16	18	18	3	4	4	19	22	22
Red Meats, Fresh/Chilled/Frozen	231	236	284	1	3	6	0	1	2
Red Meats, Prepared/Preserved	65	71	79	1	2	2	2	3	3
Poultry Meat	113	133	122	14	18	16	12	14	13
Dairy Products (Excluding Cheese)	386	477	493	14	16	16	4	3	4
Cheese	21	34	41	2	2	2	10	6	5
Eggs & Products	51	59	56	1	1	1	2	2	2
Fresh Fruit	208	210	228	41	43	46	20	20	20
Fresh Vegetables	174	197	211	10	10	11	6	5	5
Processed Fruit & Vegetables	157	161	165	39	31	28	24	19	17
Fruit & Vegetable Juices	36	32	33	7	7	8	19	22	24
Tree Nuts	24	28	28	6	8	7	25	28	25
Wine & Beer	271	362	383	5	5	6	3	2	2
Nursery Products & Cut Flowers	40	45	50	1	1	1	3	2	2
Pet Foods (Dog & Cat Food)	14	15	16	7	7	8	50	46	50
Other Consumer-Oriented Products	658	764	940	33	36	43	5	5	5
FISH & SEAFOOD PRODUCTS	673	671	679	8	11	10	1	2	1
Salmon	14	16	19	0	0	0	0	0	0
Surimi	0	0	0	0	0	0	0	0	0
Crustaceans	187	133	144	1	1	2	1	1	1
Groundfish & Flatfish	54	48	54	2	2	2	4	4	4
Molluscs	126	269	124	5	5	4	4	2	3
Other Fishery Products	292	205	338	0	3	2	0	1	1
AGRICULTURAL PRODUCTS TOTAL	4376	4772	5261	300	325	326	6	7	6
AGRICULTURAL, FISH & FORESTRY TOTAL	5406	5791	6327	313	340	342	6	6	6

Source: World Trade Atlas.

TABLE C. TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS**Consumer Oriented
Agricultural Imports**

(In \$million)

	Rank	2004	2005	2006
Malaysia	1	604	662	750
France	2	455	570	664
Australia	3	400	438	516
China	4	286	305	354
Indonesia	5	309	312	342
United States	6	255	277	282
United Kingdom	7	137	170	231
Thailand	8	214	203	218
Brazil	9	167	198	210
New Zealand	10	159	195	197
Netherlands	11	82	98	91
Taiwan	12	65	110	86
Japan	13	57	76	75
Vietnam	14	95	55	70
India	15	49	55	57

Imports of Fish & Seafood Products

(in \$million)

Country	Rank	2004	2005	2006
Indonesia	1	104	99	109
Malaysia	2	76	76	80
Taiwan	3	38	87	62
Vietnam	4	78	31	41
Thailand	5	38	33	31
China	6	28	26	27
Japan	7	17	22	24
Norway	8	15	15	22
Myanmar	9	15	20	22
India	10	21	20	20
Australia	11	12	15	20
Chile	12	5	10	12
Hong Kong	13	9	8	10
United States	14	8	9	9
Yemen	15	10	7	7
World	-	587	573	575

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