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Report Highlights:
Economic turnaround in CY99 contributed to improved retail and restaurant sales. Improvement in re-exports to neighboring countries to replenish reduced stock levels. Open market economy and high per capita income responsible for a wide range of imported quality products. Half of retail food sales take place in supermarkets. Singaporeans eat out frequently and as a result, US$2.1billion spent annually on cooked food. Singapore food processing industry is small scale in terms of output and number of employees.

Includes PSD changes: No
Includes Trade Matrix: No
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SECTION I. MARKET OVERVIEW

The Singapore economy slipped into a minor recession in the second half of 1998 due to a combination of the following factors. First, the decrease in Singapore's external demand due to a fall in the volume of exports to surrounding Asian markets. Second, Singapore's electronic exports which is its largest manufacturing sector experienced a drastic decline due to the global overcapacity. Third, Singapore's cost competitiveness fell in relation to its neighboring Asian competitors all of whom experienced a sharp decline in the value of their respective currencies against the U.S. dollar.

By the first nine months of 1999 however the Singapore economy recovered and it is projected that growth for the full year of CY99 will be just more than 5 percent. All sectors, manufacturing, commerce, finance and retail all showed marked improvement and in the case of manufacturing more than 12 percent.

The retail industry which experienced a retraction in turnover in 1998 showed a turnaround as major department stores experiencing stronger sales in the first half of 1999. Restaurants showed an improvement in their sales tabs as consumer confidence grew. In the re-export sector, Singapore food trade reported an improvement in re-exports as neighboring countries stepped up their purchasing requirements to replenish their dwindling stocks.

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

Singapore business practices are in a transitional stage. Many of the older Singapore businessmen rely on personal relations and trust to conduct regular business transactions. In the past, new business is initiated only after a face to face meeting with the new trading partner. The younger businessmen on the other hand are prepared to start new business relationships with foreign companies without the benefit of a personal meeting. However commitment for the younger business generation to an existing business relationship is less solid than in the case of the older generation.

In larger business organizations, business relationships tend to be more impersonal. Suppliers compete fiercely for business and low margins and competitive pricing appear to be the typical setting.

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 supermarkets 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 households rely on both spouses to work.

As almost all Singapore households are of Asian origin, imported foods have to be able to lend themselves to Asian cuisines. Asian dishes tend to be stir fried, prepared in curries or marinated in chilli 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 FAIRS Report).

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 and poultry products. In some cases, random inspection and laboratory analysis of meat and poultry products are carried out. Imports of all newly imported alcoholic beverages are subjected to laboratory analysis for alcohol content.

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 economy 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 3.6 million people.

The major suppliers of fresh temperate climatic fruit to Singapore are U.S., Australia, New Zealand, E.U., 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, E.U. 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. Until the recent outbreak of the Japanese encephalitis in Malaysia, annual imports of live pigs for slaughter number about 1.2 million per year. Since April 1999 however only a smaller amount of live pigs numbering about 250,000 are imported from Indonesia. The remaining pork requirements are fulfilled through the import of chilled pork from Australia and frozen pork from E.U. and U.S.

About half of the chicken requirements are fulfilled through the imports of frozen chicken and chicken parts from U.S., Brazil, China and the E.U.. Beef, while not as widely consumed as chicken, is sold principally in the supermarkets. Major suppliers of beef include Australia, New Zealand, Argentina, China and USA.

In the seafood category, Singaporeans consume mostly fresh and frozen fin fish caught from neighboring countries. Malaysia, Indonesia and Burma. Other major suppliers include Taiwan and Japan, India, Australia, Vietnam and China. In 1998, a total value of US$416 million was imported from worldwide sources.

In the crustacean subcategory, a total value of US$130 million was imported in 1998 from primarily Burma, Thailand, India, Malaysia and Australia. Singaporeans are very fond of fresh seafood especially fin fish, crabs, lobsters and clams. While most of the fin fish 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 almost half of the food retail sales of US$2.7 billion take place in supermarkets, the rest in convenience shops and wet market stalls. Traditionally Singaporeans shop for their fresh produce, meats and fish in wet market stalls. However, in recent years, more and more household turn to supermarkets for their fresh produce, meats and fish requirements. Traditionally 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 upmarket retailers import western type products directly for their own outlets. Products directly imported would include frozen prepared meals, juices, jams, confectionery, biscuits, salad dressings, prepacked 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.

Four major supermarket chains dominate the Singapore retail industry. The largest, NTUC Fairprice, supermarket chain has 62 outlets, almost all of them located in major residential estates. 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. NTUC Fairprice also imports directly some fresh produce and fish from Myanmar, and Indonesia.

In December 1998, NTUC Fairprice established an all-American store, Liberty Supermarket. The target group of this store is the American, Japanese and the European residents in Singapore. It is intended to have at least two thirds of the store stocked with American products. Liberty imports most their products directly from the U.S. although a significant percentage of the products retailed are procured from local importers.

The second largest in terms of number of outlets and sales turnover is the Cold Storage group with 21 outlets. Cold Storage supermarkets target the middle and upper middle income groups. A large percentage of products on their shelves are either western type products or 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.

The procurement focus of Cold Storage supermarkets is on quality and freshness. Besides procuring most of their products from local importers, Cold Storage also imports significant volumes of fresh temperate fruit and frozen foods from the United States, Australia and the EU. Packaged and canned products manufactured in the Southeast Asian region and in China and which are consumed by the local residents are procured locally from Singapore importers.

The two other large supermarket chains are TOPS and Shop N Save with 13 and 19 outlets respectively. TOPS is owned and managed by the Royal Ahold group. Two of the TOPS outlets are located in prime residential districts. Customers to their stores are primarily expatriate residents and who prefer western type products. The other 11 outlets are in outlying residential estates and cater to the middle and lower income Singaporeans. TOPS procure a significant percentage of their western type products directly from overseas suppliers.

Shop N Save outlets are located in major housing estates and its customers are primarily those in the middle and lower middle income groups. The majority of their products are purchased from local importers. Shop N Save is part of the Singapore listed QAF group. One of the associated companies, Ben Foods is a distributor for a range of dairy and frozen foods from Australia, New Zealand and the United States. Shop N Save generally would cooperate with Ben Foods by merchandising the foods the latter represent in all their outlets.

Besides the major supermarket chains, there are more than 23,000 minimarts, convenience stores and grocery shops in located in all residential housing estates all over the island. As these shops tend to be very small (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 sell frozen meats and prepared meals nor are fresh produce retailed in this category.

Food Service Sector

It is estimated that Singaporeans spend about US$2.1 billion annually on cooked food. Since eating out in the numerous cooked food stalls located in almost every corner of major housing residential estates is relatively inexpensive, most Singaporeans eat out at least once a day. As most of households having 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 5500 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 has been very badly affected by the economic downturn in 1998 and as a result a number of better known restaurants like TGI Friday’s ceased operations. Other restaurant chains closed unprofitable outlets and consolidated their operations by cutting costs and trimming their labor force.

During the recession in 1998, Singapore customers turn away from the more expensive full service restaurants and frequented the quick service restaurants (QSR), including the fast food joints and full service family establishments like Denny's, Tony Roma's and Sizzlers. Some consumers go further downscale, from QSR outlets to the low priced cooked food market stalls. Some supermarket managers also reported an increase in purchase of uncooked foods especially those in the lower priced categories as more consumers resort to home cooking to save on eating out expenses. Additionally, some office workers bring in box lunches from home to cut down the cost of eating out.

CY99 showed a marked improvement in restaurant turnover as the Singapore economy improved in the first nine months of this year. However cash flow remained rather tight as payments from restaurants to suppliers were dragged out to as long as six months in some cases. During the economic crunch in 1998, restaurants switched to lower cost food ingredients to save costs. However, with the upswing in 1999, the food service industry is turning 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 two cigarette manufacturers, the number of employees for each establishment tends to be less than 100 each.

The total sales turnover of all food manufacturers in 1997 was US$2.54 billion out of which about 45 percent were re-exported. Products which are exported include cigarettes, edible oils chocolates, 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 was the major supplier of live animals for slaughter, edible oils, tropical fruit and vegetables in 1997. The U.S. has significant market share in juices, juice concentrates, fresh temperate fruit, flavorings, spices and leaf tobacco.

OVERVIEW OF SINGAPORE'S FOOD PROCESSING SECTOR		
Food Processing Industry Sub-Sector	No. of Firms	1997 Sales (US$ million)
Prepared Fruit & Vegetables, Oilseed Products	6	15.0
Dairy	8	194.5
Beverages	12	195.7
Baked Goods/Confectionery	59	144.0
Meats	26	144.0
Snack Foods	11	29.9
Edible Oils	13	319.6
Chocolate and Chocolate Products	5	132.1
Fish and Other Seafood	30	122.0
Other*	153	1245
TOTAL	323	2542
Notes: * Include production of sauces, spices, rice noodles and other ethnic foods.		

SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS

- Snack Foods
- Breakfast cereals & Pancake Mix
- Red meats
- Dairy products
- Fresh Fruit
- Processed Fruit & Vegetables
- Fruit & Vegetables
- Tree Nuts
- Pet Foods

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

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APPENDIX I. STATISTICS

A. Key Trade & Demographic Information

	1998	
Agricultural Imports From All Countries ($Mil) /U.S. Market Share (%)	3956	9%
Consumer Food Imports From All Countries ($Mil) / U.S. Market Share (%)	1893	13%
Edible Fishery Imports From All Countries (S$Mil) / U.S. Market Share (%)	416	1%
Total Population (Millions) / Annual Growth Rate (%)	3.86	1.9%
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)	22,112	
Unemployment Rate (%)		3.2%
Per Capita Food Expenditures (U.S. Dollars)	1416	
Exchange Rate (US$1 = S$1.6736)		

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		
	1996	1997	1998	1996	1997	1998	1996 %	1997 %	1998 %
CONSUMER-ORIENTED AGRICULTURAL TOTAL	2,605	2,491	1,893	335	333	246	13	13	13
Snack Foods (Excl. Nuts)	142	145	92	12	13	10	8	9	10
Breakfast Cereals & Pancake Mix	19	17	15	5	3	3	24	19	19
Red Meats, Fresh/Chilled/Frozen	98	101	73	12	12	8	12	12	11
Red Meats, Prepared/Preserved	66	63	54	19	19	13	29	30	23
Poultry Meat	131	117	92	40	32	19	31	27	21
Dairy Products (Excl. Cheese)	266	272	207	11	12	8	4	4	4
Cheese	24	25	21	2	2	2	10	10	8
Eggs & Products	56	54	44	1	1	1	1	2	2
Fresh Fruit	315	308	243	64	63	52	20	20	21
Fresh Vegetables	187	164	141	11	11	9	6	7	6
Processed Fruit & Vegetables	265	246	158	54	58	42	20	24	27
Fruit & Vegetable Juices	36	36	26	6	6	5	16	18	18
Tree Nuts	52	44	28	8	7	3	16	16	12
Wine & Beer	281	166	128	5	7	5	2	4	4
Nursery Products & Cut Flowers	49	52	40	1	1	1	1	1	0
Pet Foods (Dog & Cat Food)	8	8	7	3	4	3	38	45	37
Other Consumer-Oriented Products	608	672	522	80	82	64	13	12	12
FISH & SEAFOOD PRODUCTS	640	648	416	13	16	5	2	2	1
Salmon	11	12	10	1	1	1	2	2	1
Surimi	5	7	4	1	2	1	10	21	4
Crustaceans	198	199	130	3	3	1	1	1	1
Groundfish & Flatfish	49	56	43	2	2	1	3	3	2
Molluscs	95	83	49	2	6	2	3	7	5
Other Fishery Products	281	291	181	5	4	1	2	1	1
AGRICULTURAL PRODUCTS TOTAL	4,525	4,320	3,260	432	415	330	10	10	10
AGRICULTURAL, FISH & FORESTRY TOTAL	5,673	5,465	3,956	462	451	347	8	8	9

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

Reporting Country: Singapore - Top 15 Ranking

CONSUMER-ORIENTED AGRICULTURAL TOTAL - 400

IMPORTS	1996	1997	1998
Market Share Value (%)			
United States	13	13	13
Malaysia	19	21	22
Australia	11	12	12
China (Peoples	12	11	10
France	10	5	5
Thailand	4	4	5
New Zealand	4	4	4
Netherlands	3	3	3
Vietnam	2	2	3
Japan	2	3	2
Brazil	2	2	2
India	2	2	2
Hong Kong	2	2	2
United Kingdom	2	2	1
Belgium	1	1	1
Other	12	13	12
World	100	100	100

FISH & SEAFOOD PRODUCTS - 700

IMPORTS	1996	1997	1998
Market Share Value (%)			
United States	NA	NA	NA
Malaysia	11	10	12
Taiwan (Estima	12	12	10
Burma	9	8	9
Japan	6	5	6
India	6	5	5
Australia	5	5	4
Vietnam	4	4	4
China (Peoples	3	4	3
New Zealand	4	4	3
Norway	2	2	3
Hong Kong	3	4	3
Korea, Republi	2	3	2
Oceania NES	1	1	2
Chile	3	3	2
Other	16	18	16
World	100	100	100

NA - Data not available (not reported).
Data: Harmonized Tariff Schedule (HS 6 Digit)

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

END OF REPORT