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Report Name: Food Service - Hotel Restaurant Institutional

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Post: Manila

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Report Highlights:

The Philippine food service sector will continue its steady growth over the next three to five years, propelled by consumers' stronger purchasing power, a larger middle class, higher urbanization, and increasing dining options. FAS Manila projects food service sales will rise 8.6 percent in 2019 to nearly \$15 billion, and reach a record \$16.1 billion in 2020. Strong demand in the hotel, restaurant, and institutional (HRI) sector will provide greater opportunities for U.S. exports of food and beverage products to the Philippines.

Market Fact Sheet: Philippines

With a population of 106 million and decreasing farmlands, food imports play a prominent role in the Philippines. In 2018, Philippine imports of high-value food products from the United States totaled \$1.09 billion, making the United States the largest supplier to the Philippines of products sold in the hotel, restaurant, and institutional (HRI) sector. Post expects this trend to continue, with U.S. exports projected to grow 10 percent to \$1.2 billion in 2019 and reach a record \$1.3 billion in 2020.

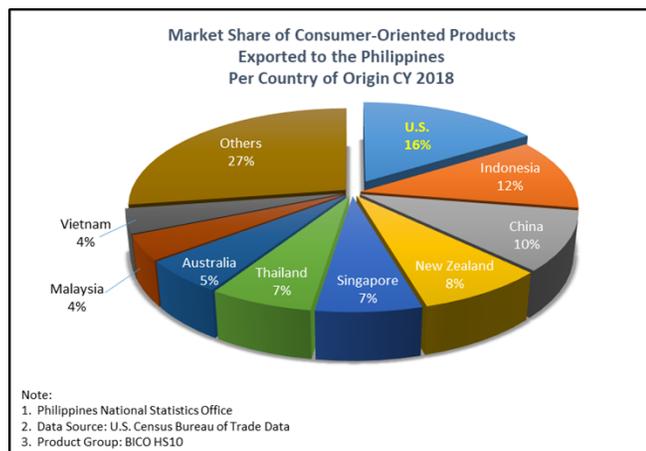
The Philippines continues to be one of the fastest-growing economies in Asia. With a growing middle class and a large, young population, the Philippine economy is rooted in strong consumer demand, boosted by rising incomes and overseas remittances.

Imports of Consumer-Oriented Products:

The Philippines is the largest market in Southeast Asia and the eleventh largest export market in the world for U.S. high-value, consumer-oriented food and beverage products. The top U.S. exports in 2018 were dairy (\$246 million), pork (\$116 million), poultry (\$110 million), prepared food (\$104 million), and beef (\$87 million).

Food Service Sector:

The Philippine food service industry comprises 92,011 establishments and includes restaurants, fast food chains, kiosks and counters, cafeterias, and food service in hotels, bars, cafés, and catering services. Sales in the HRI sector increased steadily over the last 10 years, with sales in 2018 growing of eight percent to \$13.73 billion.



Quick Facts CY 2018

Imports of Consumer-Oriented Products US\$964.3 million

Top 10 U.S. Consumer-Oriented Products in the Philippines

- | | |
|--------------------------|----------------------------|
| 1) Eggs & Products | 6) Fresh Vegetables |
| 2) Meat Products | 7) Tree Nuts |
| 3) Processed Fruit | 8) Poultry Meat & Products |
| 4) Condiments and Sauces | 9) Pork & Pork Products |
| 5) Beef & Beef Products | 10) Prepared Food |

Food Industry by Channels in 2018

Food Exports – Agricultural Total	US\$4.9 Million
Food Imports – Agricultural Total	US\$11.9 Billion
Food Retail Sales	US\$47.4 Billion
Food Service Sales	US\$13.73 Billion

Top 5 Food Retailers

- 1) Supervalve Inc. (SM)
- 2) Puregold Price Club
- 3) Robinsons Supermarket
- 4) Rustan Supercenters Inc.
- 5) Metro Supermarket

Top 5 Convenience Stores

- 6) 7-Eleven
- 7) Mercury Drug Corp.
- 8) Ministop
- 9) Alfamart
- 10) All Day Convenience Store

Top 5 Restaurants/Fast Food Outlets in the Philippines

- 1) Jollibee Foods Corp.
- 2) McDonald's Corp.
- 3) Yum! Brands
- 4) Max's Group Inc.
- 5) Starbucks Corp.

Philippine Market Profile

Population:

- 105.9 Million (July 2018 est.), annual growth rate of 1.55% (2018 est.)
- 12.8 Million living in Manila
- 46.9% living in urban areas
- 19.16% 15-24 years old

Land Area: 298,170 sq.km.

GDP Growth: 6.7% (2018 est.)

GDP Per Capita: \$9,538 (2019 est.)

Ave. expenditure per household: \$9,703 (2017)

Sources: GATS, GTIS, Company websites, and CIA World Fact Book

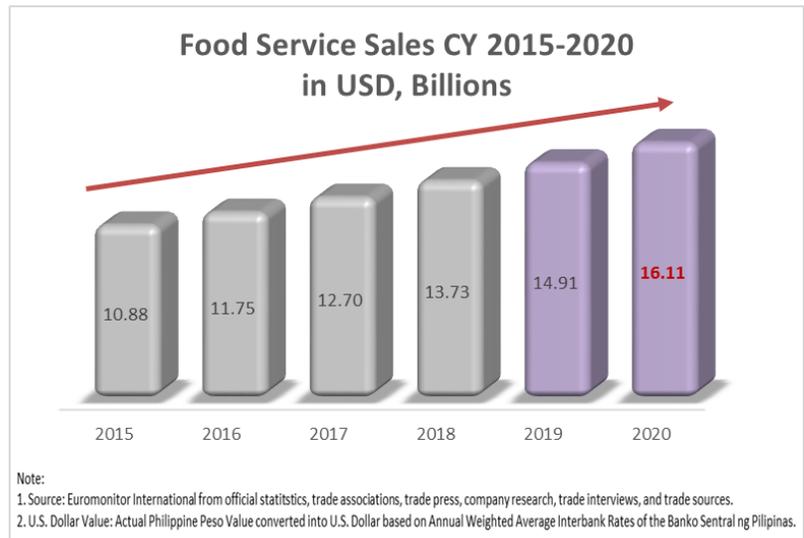
SWOT Analysis

Strength	Weakness
A consumption-driven economy with a strong preference for U.S. food, beverage, and ingredient products.	Philippine consumers can be highly price sensitive.
Opportunity	Threat
A steadily growing middle-class means more disposable income spent on high-value products.	Tariff-free competition from countries including New Zealand, China, and Australia.

I. Market Summary

FAS Manila projects that the Philippine food service industry will grow 8.5 percent in 2019 to nearly \$15 billion in total sales, and expects an additional 8 percent growth in 2020. Improved purchasing power, a growing middle class, and rising urbanization have led to an increasing preference of Filipinos to dine out, contributing to the sustained growth of the food service industry.

The number of shopping malls built every year is also a factor for this steady growth. Shopping malls in the Philippines are all-in-one destinations that not only provide shopping and entertainment but in particular numerous dining options. Metro Manila alone has more than 150 medium- to large-sized shopping malls, with more malls currently under construction. In cities throughout the provinces, shopping malls are also being built in response to strong demand.



The Philippine millennial generation (those born from 1982 to 1996) comprises one-third of the country's population and are known to be the biggest spenders, contributing to the growing food service sector. Millennials are willing to spend more money eating out as long as their dining experience is convenient, fun, exciting, has high quality food and service, and is yet affordable.

Another development is the growing number of gas stations that venture into non-fuel-related businesses, taking advantage of the growing demand for convenience in dining for the traveling public. With changing customer behavior, food service is not only limited to retail spaces. Moreover, the worsening traffic situation in Manila and other major cities is a major constraint on people's time and energy, leading consumers to purchase cooked meals or dine out, rather than preparing food at home.

There are 92,011 food service establishments in the country, including restaurants, fast food chains, kiosks and counters, cafeterias, hotels, bars, cafés, and catering services. Most of these establishments are dominated by independent players, some of which have outlets in stand-alone locations. Among chain players, local operator Jollibee Foods Corporation leads with its wide portfolio of fast food brands. Other important players include Golden Arches Dev Corp (with the McDonald's brand), Yum! Brands, (Pizza Hut and KFC), Max's Group, and Shakey's.

Types of Food Service

Location	Description
Stand-alone (independent restaurants, cafés, kiosks)	Food service establishments located in a commercial area, near a mall, school, or hospital. E.g., street-stall/ kiosks, food chains, quick service restaurants, and cafés.
Retail	Restaurants located inside a commercial mall. E.g., fast food chains, quick service and casual dining restaurants, and cafés.
Travel	Food service establishments located in airport terminals, bus stations, and gasoline service areas alongside motorways and expressways. E.g., fast food chains, quick-service restaurants, cafés, and street-stall/ kiosks.
Leisure	Food service establishments in tourist spots, parks, and other recreation areas.
Lodging	In-house food service outlets, exclusive fine dining restaurants located in high-end hotels.

Source: Euromonitor

Philippine Food Service Data - 2018

Food Service by Location	No. of Outlets	Sales in USD, Billions	Share
Stand-Alone	49,705	4.68	38%
Retail	29,793	6.75	45%
Leisure	4,075	0.86	6%
Travel	6,730	1.20	8%
Lodging	1,708	0.49	3%
Total	92,011	14.91	100%

Source: Euromonitor

Advantages and Challenges of Philippine Food Service Market

Advantages	Challenges
The Philippines has a large base of experienced importers that cater to the HRI sector.	Few importers have a nation-wide distribution network. The high cost of inter-island shipping makes imported products more expensive in areas outside Manila.
The food service sector is familiar with the availability, quality, and applications of U.S. food and beverage products.	Stiff competition from European and Asian food and beverage products in the market.

The popularity of U.S. holidays and culture lead to Americana-themed promotional events by Philippine restaurants and hotels throughout the year.	
Philippine consumers are open to various international cuisines, providing opportunities for a broad range of U.S. food and beverage products.	HRI companies do not import products on their own, but rather utilize specialized wholesalers (importers/distributors).
The Philippines is the 10 th largest market for U.S. high-value, consumer products and is the top market in the region.	U.S. food and beverage products are still generally more expensive than regionally imported products, while Philippine consumers are price sensitive.
The rapid urbanization of provincial cities presents opportunities for U.S. food and beverage products.	Insufficient cold chain infrastructure is a constraint across the Philippines' 7,000 islands.

II. Road Map for Market Entry

A. Market Structure

Food service companies rarely import food and beverage products directly, except for a few fast-food chains. They rely on importers and distributors for their food and beverage requirements. Generally, these importers have specialized in certain products or product groups, with some also focusing on food from a specific country of origin. Importers therefore have an in-depth knowledge of importing requirements, such as product certification, labeling, and packaging. They also handle shipping, customs clearance, warehousing, and distribution of products within the country.

Importers and distributors for the HRI sector have dry and cold storage facilities with refrigerated/frozen trucks for deliveries. The importers buy directly from foreign exporters; hotels and restaurants usually get their food and beverage requirements from the importers or through the importers' distributors. Since the Philippines is an archipelago of over 7,000 islands, importers usually have their own distribution arm throughout the country to cover the entire Philippine food service market.

In some cases, food service companies buy from retailers due to situations such as stocks running out before the next delivery, difficulty obtaining credit, and inability to meet the minimum order required for products to be delivered.

B. Entry Strategy

The Philippine market offers good opportunities for U.S. exporters of consumer-oriented agricultural products. Philippine consumers have a strong preference for U.S. brands and are always looking for new products to taste and enjoy. Post expects demand for U.S. consumer-oriented products will continue to grow for the following reasons:

- Increasing urbanization of the local population (105.9 million)
- Growing upper and middle class (18-20 million)
- Rising number of supermarkets, hypermarkets, and convenience stores

- Strong interest in western brands among Philippine consumers
- Increasing sophistication of consumers
- Growing awareness of the quality and health benefits of U.S. food, beverage, and ingredient products

There are several considerations U.S. exporters should note before exporting to the Philippine market. Success in introducing food products depends mainly on knowledge of the market and personal contacts. The U.S. supplier should analyze the Philippine food law, packaging and labeling requirements, business practices, trade-related laws and tariffs, potential importers, and the distribution system. FAS offers guidelines on business practices and import regulations; information on accessing this information is below.

Once U.S. companies have acquired the necessary background information, they may consider attending or visiting one of the Philippines’ major local trade shows. These shows serve as a springboard into the market, helping U.S. companies meet and establish new trade contacts and at the same time gauge Philippine consumer interests. Although the Philippines has small shows compared to other Southeast Asian countries, FAS Manila recommends that an aspiring supplier consider attending the following shows:

Food & Drink Related Trade Shows in the Philippines

Trade Show	Description	Location
International Food Expo May 22-24, 2020 http://www.ifexphilippines.com/en/	Ethnic and specialty food, natural, organic, and healthy food products	Manila
Manila Foods and Beverage Expo June 10-14, 2020 http://www.worldbex.com	Trade and consumer show for food, beverage, ingredient products	Manila
World Food Expo August 5-8, 2020 http://www.wofex.com/	Trade and consumer show for food, beverage, and food processing equipment	Manila
Food and Drinks Asia September 3-6, 2020 http://www.foodanddrinksasia.com.ph	Specialty food, delicatessen, confectionery, beverages, beers, wines and spirits	Manila
Asia Food Expo September 9-12, 2020 http://www.afex.com.ph/	Food processing, packaging and handling machinery, equipment and technology	Manila

C. Contact FAS Manila

Market entry to the Philippines requires substantial work on the part of the U.S. exporter. For detailed information regarding standards and regulations for importing food and agricultural products into the

Philippines, please refer to the reports entitled “**Philippines: Food and Agricultural Import Regulations and Standards – Narrative**” and “**Philippines: Exporter Guide**” which can be found through the FAS homepage at www.fas.usda.gov, under “Data and Analysis” (<https://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>).

Contact the USDA Foreign Agricultural Service (FAS) Office in Manila for clarification on specific questions. FAS Manila contact information is provided at the end of this report.

U.S. exporters can also contact their respective U.S. State Regional Trade Groups (SRTG), their Commodity Cooperator Group, and their state Department of Agriculture to obtain additional support.

State Regional Trade Groups (SRTG) are non-profit trade development organizations that help U.S. food producers and processors to enter overseas markets. They are a private-public partnership funded by FAS and private industry. SRTGs carry out promotional activities to increase exports of U.S. high-value food and agricultural products. For more information, contact the State Regional Trade Group responsible for your state: <https://www.fas.a.gov/state-regional-trade-groups>

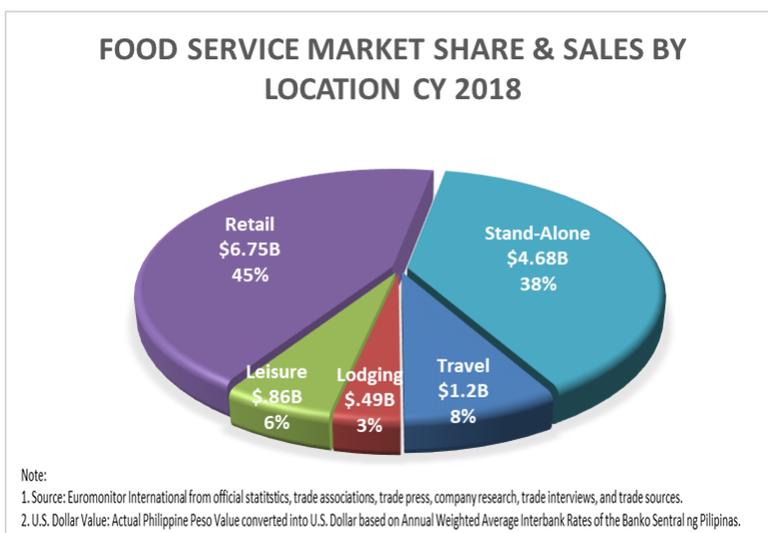
D. Distribution and Subsector Profiles

Consumer food service sales have steadily increased during the last ten years. Food service located in shopping malls (retail) have the largest market share in 2018, 45 percent, with total sales of \$6.75 billion. Second is the stand-alone food service with 38 percent market share and sales of \$4.68 billion. Stand-alone establishments are usually located in a commercial area, near a mall, school, community residence, or hospital.

The number of foreign brands continues to grow in the Philippine food service industry through franchising or joint ventures. Local food service companies prefer to bring in a foreign brand rather than create their own local restaurant. This strategy seems to provide better prospects for success, since less effort is required to build an established foreign brand restaurant.

This approach in the food service industry works as Filipinos in general

have a high regard for imported brands, which they become familiar with either through their travels abroad or through social media. Some of the popular U.S. and international brands that have opened or are about to open in 2020 are Red Lobster, Shake Shack, Popeye’s, Honolulu HK Café, Mos Burger, Panda Express, Gram Café and Pancakes, and Elephant Grounds.



III. Competition

The United States is the largest supplier to the Philippines of high-value consumer oriented products, with sixteen percent market share, followed by Indonesia (12 percent), China (10 percent), New Zealand (8 percent), Thailand and Singapore (7 percent) and Australia (5 percent). Total imports of consumer-oriented food grew annually by an average of 10-15 percent over the last five years.

Bilateral and regional free trade agreements in recent years have intensified competition from ASEAN, Australia, New Zealand and China. As a party to the Association of Southeast Asia Nations Free Trade Agreement (AFTA), Philippine exports to the region benefit from the lower tariff applicable to products of ASEAN members. Tariff rates on all products (with exemptions for a few sensitive products such as rice) in the ASEAN region fell to between zero and five percent under the framework of the ASEAN Trade in Goods Agreement (ATIGA). The ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) provides products from Australia and New Zealand with the same lower tariffs as ASEAN-origin products.

The potential for greater exports of U.S. consumer-oriented food products to the Philippine HRI sector is high for a wide range of products, including beef, pork, poultry, seafood, processed vegetables, fresh and processed fruits, nuts, dairy products, juices, alcoholic beverages, condiments, and sauces.

While domestically produced items account for about 80 percent of the total food supply, food service companies remain very optimistic about the competitiveness of imported products. Although most imported items cost more than locally produced ones, U.S. products remain very popular and have great appeal to Philippine consumers. U.S. products are perceived to have superior quality compared to imports from other countries.

IV. Best Product Prospects

Trends in Imports from the United States of Consumer-Orientated Foods

Based on industry interviews, roughly 25 percent of all food and beverage imports flow through the HRI sector. With most analysts projecting sustained growth in the Philippine economy and the HRI sector, FAS Manila anticipates continued growth in food and beverage import demand through 2020 (and beyond) across a wide spectrum of products, with some of the fastest growth potential in convenience, gourmet, and “healthy, natural, and organic” categories.

Products in the market that have good sales potential

- Processed products: health food, mainstream grocery, snack foods etc.
- Dried and Processed Fruit: Cranberries, raisins, prunes, wild berries
- Nuts: Almonds, peanuts, pecans, pistachios, walnuts
- Fish and Seafood: Cod, pollack, salmon, scallops, and other fish products
- Fresh Fruit and Vegetables: Apples, grapefruit, pears, potatoes, table grapes
- Meat: Special cuts of beef and pork products
- Drinks: Craft beer, spirits, wine
- Food Ingredients

Please refer to the [2019 Philippines Food Retail Sectoral Report](#), page 9 for a table showing the top 20 U.S. consumer-oriented products with best prospects in the Philippines.

V. Further Information & Assistance

USDA-FAS in Manila is ready to help exporters of U.S. food and beverage products achieve their objectives in the Philippines. For further information or assistance, please contact:

U.S. Department of Agriculture

Foreign Agricultural Service

Embassy of the United States of America

1201 Roxas Boulevard

Manila, Philippines

Trunk Line: (632) 5301-2000

Email: AgManila@fas.usda.gov

FAS Manila publishes other market and commodity reports available through the Global Agricultural Information Network (GAIN) at <https://www.fas.a.gov/data/search>.

Attachments:

No Attachments