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Report Name: Food Service - Hotel Restaurant Institutional

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Prepared By: Ramona Singian

Approved By: Morgan Haas

Report Highlights:

While the Philippine food service sector was set to grow eight-plus percent in 2020 to \$16 billion, COVID-19 related measures have reduced prospects to less than \$7 billion. Food establishments that have attempted to re-open have been forced to adapt to changes in regulatory requirements and consumer preferences while importers have been forced to create new sales channels to offset lost sales. Meanwhile, despite increasing competition and an expectedly less brilliant peak consumption outlook this 2020 holiday season, U.S. consumer-oriented agricultural exports to the Philippines remain on track to set a new record, \$1.15 billion, by the year-end.

Market Fact Sheet: Philippines

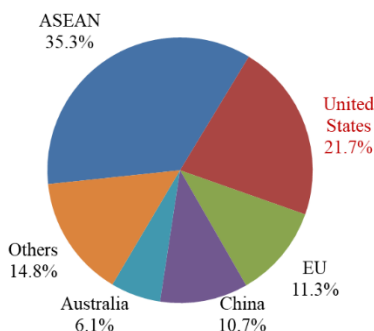
Sales of the Philippine food retail sector in 2019 amounted

Executive Summary

The Philippines is an emerging market with a service-based economy backed by what economists describe as being in a demographic sweet spot, and was set to become an upper-middle economy prior to the COVID-19 outbreak. With a population of 109 million in a combined landmass the size of Arizona, opportunities for imported food and beverage products remain significant and continue to offer strong potential for growth into the future.

Agricultural Exports to the Philippines, 2019

In 2019, global exports of agricultural products to the Philippines amounted to \$13.3 billion, down by less than one percent year over year. The top three suppliers were ASEAN (35.3%), United States (21.7%), and EU (11.3%).



Meanwhile, the Philippines was the 9th largest market for U.S. agricultural exports, with sales amounting to \$2.9 billion, down two percent from 2018. Despite stiff competition, traders report strong preference for U.S. products.

Food Processing Sector

The Philippine food processing sector's gross value-added output reached 35.8 billion in 2019, up 39 percent over the past five years. Roughly 90 percent of the country's processed food products are consumed domestically. Food processors are reporting brisk sales in household staples, such as baked goods and premixes, canned goods, cooking oils, frozen prepared foods, fruit juices, and snack foods amidst the COVID-19 community quarantine.

Food Service Sector

Driven by the increasingly hectic lifestyle of urban consumers, sales of the Philippine food service sector rose to an estimated \$14.9 billion in 2019. Dining out was an important aspect of Filipino family bonding and celebrations, but since the start of the COVID-19 outbreak, consumers have shifted away from dining out and prefer to cook food at home.

Food Retail Sector

Philippines (PH): Quick Facts

Population Highlights

- Population: 109 M (July 2020 est.), 1.6% annual growth
- Urban population: 2% annual growth, set to overtake rural population in 2028 (currently 47% urbanized)
- 96% literacy rate; 76% speak English

Gross Domestic Product

2019 Nominal GDP: \$357 B; \$3,104 per capita
 '19 Growth: 6% / '20 Growth: -7.3% / '21 Growth: 6.5%

2019 Ag & Related Trade

PH Exports: \$6.9 B PH Imports: \$15.1 B

2019 Cons-Oriented Ag Prod Exp to PH: \$6.8 B

- Beef -Food preparations
- Pork -Dairy products
- Poultry -Confectionary
- Apples -Frozen potatoes
- Coffee -Sauces, condiments & seasoning

Top Food Service Chains

- Jollibee -McDonald's
- KFC -Max's Group
- 7-Eleven -Starbucks
- Chooks-to-Go -Shakey's
- Goldilock's -Dunkin'

Sources: [Asian Development Bank](#), [Euromonitor](#), [Global Agricultural Trade System](#), [International Monetary Fund](#), [The World Factbook](#), [Trade Data Monitor](#), FAS Manila research

to roughly \$50 billion, with modern retail accounting for half the total. Retailers with strong digital presence are likely to fare better in 2020 as consumers lean towards e-commerce.

Strengths	Weaknesses
Consumers are familiar with U.S. brands and regard U.S. foods and beverages as safe, reliable, and of good quality.	The relatively high cost of shipping from the west coast of the United States to Manila or Cebu compared to regional competitors.
Opportunities	Challenges
Twenty percent of the population (22 million people) have sufficient income to purchase imported food and beverage products regularly and are open to new products.	Competitors that are party to bilateral and regional FTAs (ASEAN, New Zealand, Australia, China, Japan, etc.) have also been promoting their food and beverage products to trade customers and end consumers.

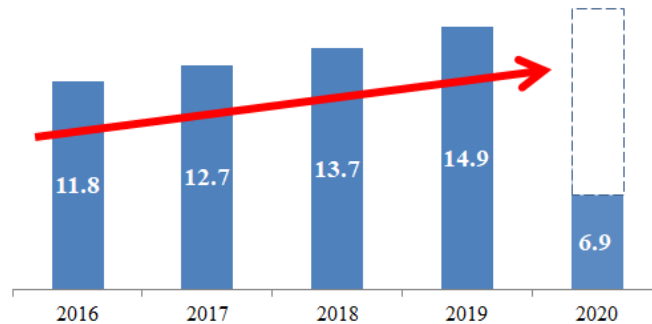
Contact: USDA-FAS Manila, U.S. Embassy, Philippines
 Email: AgManila@usda.gov

I. MARKET SUMMARY

Through 2019, the Philippines was the 10th largest market in the world and the top market in Southeast Asia for U.S. high-value, consumer-oriented food and beverage products with export sales reaching US\$1.1 billion in 2019. At the same time, FAS Manila estimates 35 percent of U.S. consumer-oriented food and beverage products are directed to the food service sector.

Also through 2019, total food service sales in the Philippines were estimated at \$14.9 billion, driven by increasing urbanization (currently at 47 percent with two percent annual growth), nationwide expansion of shopping malls and commercial centers that host a plethora of food service establishments, and a growing need for convenience amongst consumers with rising disposable income and an increasingly hectic lifestyle. Along with urbanization is the proliferation of residential condominiums with small dwelling spaces, prompting families to become less reliant on stay-in domestic workers who cook for the household, and gravitate towards dining out and food delivery.

Philippine Food Service Sector
CY 2016–2019 Estimated Sales and 2020 Sales Forecast
(in billions of dollars)



Sources:

1. CY 2016–2019 figures based on research and interviews conducted by Euromonitor International
2. CY 2020 estimate based on trade interviews conducted by FAS Manila

In 2020, following an initial growth estimate of 8-10 percent, the onset of COVID-19 brought about strict community quarantine measures that have generally remained in place since mid-March and pushed sales down 70 percent during that time span, year-over-year. As a result, FAS Manila forecasts food service sector sales in 2020 will drop to \$6.9 billion.

Shortly following the arrival of COVID-19, importers faced high inventory levels due to food service establishments suspending or limiting operations to take-out, delivery, and drive-thru services only. In turn, businesses began to increasingly leverage the Philippines' leading worldwide usage of social media. This also gave rise to a new food service distribution channel—to meet the minimum order requirement, community resellers have organized group buys among housewives and home-based entrepreneurs who sell prepared foods within their communities. As a result, a wide range of imported food service products quickly became accessible and more affordable to consumers. Importers are hopeful this direct link with dedicated community resellers and home-based entrepreneurs will continue long after the COVID-19 outbreak tapers.

Industry analysts say it will take at least six months for the Philippine dine-in scene to bounce back once the COVID-19 outbreak tapers. In the meantime, the establishments that have remained in business are enrolling in food delivery platforms such as FoodPanda and GrabFood, adapting to other consumer preferences, including curbside pick-up and cashless payment platforms such as GCash and PayMaya, while also continuing to explore niche markets and trends, including higher demand for plant-based food.

Market Highlights

- In 2019, there were 95,708 food service establishments, including cafes, bars, hotels and restaurants, street stalls, and kiosks nationwide. While independent operators accounted for 67 percent of establishments, the market share of chained establishments has been increasing one-two percent annually. Chains, especially those that offer franchises, typically attract investments and aggressively open new stores to leverage economies of scale and boost profits, though expansion plans in 2020 have since been put on hold.

Number of Food Service Establishments in 2019				
Type	Independent Operators (<10 est.)	Chains (≥10 est.)	Total	Market Share
Cafés and Bars	14,806	1,329	16,135	17%
Full-Service Restaurants	17,164	2,293	19,457	20%
Limited-Service Restaurants	1,041	17,866	18,907	20%
Street Stalls and Kiosks	31,123	10,086	41,209	43%
Total	64,134	31,574	95,708	100%
Market Share	67%	33%	100%	

Source: Euromonitor International from official statistics and trade interviews

- Operated in the Philippines by Rustan Coffee Corp, Starbucks remains the leader in the cafés and bars category with over 300 stores nationwide selling coffee, tea, fruit juices, and a wide range of baked goods, salads, sandwiches, and hot dishes. Sales and operations within this category remain significantly suppressed during the pandemic.
- Dining out was an important aspect of Filipino family bonding and celebrations. Among the limited-service restaurant chains, local operator [Jollibee Foods Corporation](#) leads with over 1,000 stores nationwide. The company also operates more than 260 overseas Jollibee stores and a portfolio of brands, namely [Chowking](#), [Greenwich Pizza](#), [Red Ribbon Bakeshop](#), [Mang Inasal](#), and [Burger King](#). The other key players in the restaurant category are [Golden Arches](#) (McDonald's), Yum! Brands ([Pizza Hut](#) and [KFC](#)), [Shakey's](#), and [Max's Group](#) (the largest casual dining restaurant conglomerate in the Philippines with 13 brands).
- Prior to the COVID-19 outbreak, convenience stores such as 7-Eleven, with about 2,700 stores nationwide, expanded their dining space and offered more ready-to-eat meals prepared by independent food commissaries. This opened up opportunities for low-priced, consistent quality food service products, such as utility meat and poultry products.

- A growing number of upscale hotel properties had also ventured into the market. In 2019, Philippine tourism marked a new milestone with 8.2 million visitor arrivals and \$9.3 billion in international visitor receipts, up 20 percent and 15 percent respectively from 2018¹, and in 2020, 14 hotels/spas made it to [Forbes Travel Guide Star Awards](#), besting 2019’s number by two. While such establishments typically require high quality food and beverage products for their bars, cafes, restaurants, in-room dining service, and banquet offerings, in recent months, hotels have been used as quarantine facilities for repatriated Filipinos and visitors, and serving low-cost packed meals. In the first seven months of 2020, visitor arrivals had dropped 73 percent with zero arrivals recorded since April to July – the latest available data.
- As is currently under discussion, if the Retail Trade Liberalization Act of 2000 is amended, there should be an influx of foreign investors, and with it, increased opportunity to provide a wider variety of imported food and beverage products for the market, some of which could be utilized by the food service sector. Consequently, importers that cater to the food service sector will gravitate towards suppliers that offer product exclusivity and focus on food service-only products (i.e., institutional sizes, specialty cuts, products that save on preparation time, etc.).

Advantages and Challenges

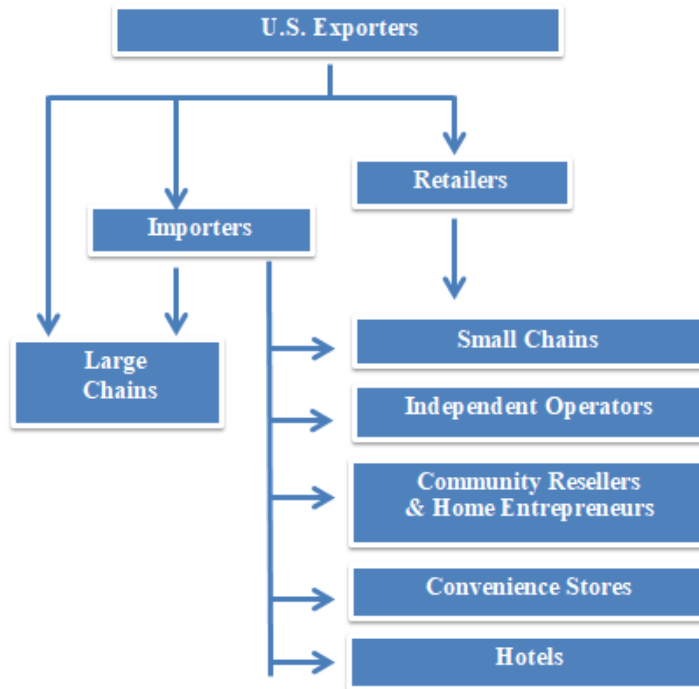
The table below summarizes the other market “Advantages” and “Challenges.”

Advantages	Challenges
The Philippine applied MFN tariffs are among the lowest in the region and often close to the preferential rates offered to U.S. competitors.	Regional competitors have preferential access to the Philippine market, including ASEAN, China, New Zealand, and Australia.
The Philippines has a large base of experienced importers that cater to the food service sector.	The market is fragmented; only a few importers are able to distribute nationwide.
Food service professionals are familiar with the availability, quality, and applications of U.S. food and beverage products.	Inter-island shipping is expensive and cold-chain can be limited.
Consumers have a strong affinity for U.S. culture, including food and beverage products. They perceive U.S. products to be safe and of high quality.	Revival of the dine-in scene. Food service operators who wish to operate have been required to retrofit their establishments in order to comply with health and safety measures, invest in e-commerce, public relations efforts, and social media promotions.

¹ Philippine Department of Tourism, “International visitor receipts hit USD 9.31B in 2019,” Accessed September 15, 2020, http://www.tourism.gov.ph/news_features/VisitorReceipts.aspx.

II. ROAD MAP FOR MARKET ENTRY

The large chains import some of their product requirements directly, while the rest of the players—small chains, independent operators, convenience stores, community resellers, and home entrepreneurs—rely solely on importers for their imported food and beverage requirements. Importers have in-depth knowledge of the importing requirements and regulations. They also handle customs clearance, warehousing, sales, and distribution.



Purchasing Patterns and Mark Ups

Independent operators, community resellers, and home entrepreneurs purchase food service products from several importers, typically on a weekly or bi-monthly basis and in small volumes. In some cases, independent operators purchase products from retailers that import directly, such as [Landers Superstore](#), [Metro Supermarket](#), [Puregold Price Club](#), [S&R Membership Shopping](#), and [The Marketplace](#) (formerly Rustan’s Supermarket) when the price is better or 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. On the other hand, chains, commissaries of convenience stores, and hotels maintain centralized purchasing systems, bid out their food and beverage product requirements typically on a bi-annual basis, and require accredited importers to maintain a three-months rolling inventory and deliver on a weekly basis. Mark-ups vary by market segment (see table below).

Market Players	Purchasing Pattern	Importers’ Mark Ups
Independent operators, community resellers, and home entrepreneurs	weekly or bi-monthly basis, small volumes	35%–45%
Chains and convenience stores	centralized purchasing, bi-annual	15%–30%
Hotels	bidding, large volumes	10%–30%

Importers typically build their regular product mix on the requirements of independent operators, and intermittently request product samples from foreign suppliers in time for the bidding process of chains, convenience stores, and hotels.

Trade Shows

U.S. exporters are advised to participate in major trade shows in the Philippines. However, all trade shows scheduled in 2020 have been canceled with no virtual alternatives to replace them.

Trade Shows in the Philippines	Description
WORLDBEX March 17–21, 2021, Manila http://www.worldbex.com	Trade and consumer show for food & beverage products
IFEX Philippines - NXTFOOD ASIA May 2021 TBC, Manila http://www.ifexphilippines.com/en/	Trade show for natural, organic, healthy, ethnic, and specialty food & beverage products
World Food Expo August 2021 TBC, Manila http://www.wofex.com/	Trade and consumer show for food & beverage products, and food processing equipment
Food and Drinks Asia September 2021 TBC, Manila http://www.foodanddrinksasia.com.ph	Trade and consumer show for specialty foods, delicatessen, confectionery, beverages, beers, wines, and spirits
Asia Food Expo September 2021 TBC, Manila http://www.afex.com.ph/	Trade and consumer show for food & beverage products, food processing equipment and technology, and food packaging

Below is a list of regional trade shows that are frequented by Philippine importers:

Trade Shows in the Region	Description
FHA Food & Beverage and ProWine Asia March 2–5, 2021, Singapore https://www.foodnhotelasia.com/	Trade show for food & beverage products, food ingredients, wines, and spirits
FHA HoReCa March 10–13, 2022, Singapore https://www.foodnhotelasia.com/	Trade show focused on products for hotels, restaurants, and cafés including baked goods, pastry, gelato, specialty coffee, and tea
Foodex Japan March 9–12, 2021, Japan https://www.jma.or.jp/foodex/en/	Trade show for food & beverage products
HOFEX May 12–14, 2021, Hong Kong https://hofex.com/en/	Trade show for food & beverage products
Thaifex-Anuga Asia September 2021 TBC, Thailand https://thaifex-anuga.com/en/	Trade show for food & beverage products

III. COMPETITION

Philippine free trade agreements continue to erode U.S. market share. Before the [ASEAN Trade in Goods Agreement](#) (ATIGA) came into force in 2010, the United States was the Philippines' leading supplier with a 19 percent market share, followed by ASEAN (16%) and China (15%).

Global Exports to the Philippines Consumer Oriented Agricultural Products

Countries	Value in millions of dollars						
	Calendar Year				January–July		
	2009	Market Share	2019	Market Share	2019	2020	%Δ 2020/19
ASEAN	366	16%	2,086	31%	1,128	1,113*	-1%
United States	428	19%	1,090	16%	571	604	6%
China	347	15%	1,048	16%	488	591	21%
EU	294	13%	1,048	16%	631	541	-14%
New Zealand	300	13%	466	7%	296	280	-5%
Australia	169	8%	269	4%	156	183	17%
Others	350	16%	750	11%	261	-	-
Total	2,254	100%	6,757	100%	3,531	-	-

Source: Data provided by exporting countries and compiled by Trade Data Monitor / *FAS Manila estimate

Despite the slowdown in global trade due to the COVID-19 outbreak, U.S. exports of high-value food and beverage products to the Philippines through July 2020 increased six percent (mostly dairy, and meat and poultry products including offal) year-over-year. China gained by a large margin of twenty one percent (mainly fresh fruits such as apples, citruses, grapes, and pears, garlic, and sauces and condiments), and Australia by 17 percent (mostly beef, cheeses, and table grapes).

Looking ahead, while domestically produced items account for about 70 percent of the total food supply with the balance being imported, traders remain optimistic that sales of imported food and beverage products will continue to grow as consumers are always, even now, on the lookout for variety, and particularly U.S. products, which consumers perceive as superior in quality.

While the months leading into the holiday season, typically the peak consumption period, are expected to be significantly more subdued than past years, FAS Manila estimates sales of high-value, consumer-oriented U.S. agricultural products to the Philippines by year-end should still reach a record \$1.15 billion.

IV. BEST PRODUCT PROSPECTS

Top Products	
From the World	From the United States
Chocolates and other baking products	Baking pre-mixes
Coffee and creamer	Cheese and other dairy products
Condiments, sauces, and seasonings	Dried fruits and nuts
Garlic	Frozen meat and poultry products
Frozen meat products	Frozen fruits
Frozen seafood products	Frozen potatoes and other vegetables
Processed fruit and vegetable juices	Tomato paste and sauces
Milk and cream	Wines

Products with Good Sales Potential	
Baking ingredients and premixes	Fresh fruit and vegetables: apples, blueberries, grapefruit, pears, potatoes, strawberries, table grapes
Beverages: fruit and vegetable juices, craft beer, spirits, and wines	Frozen fruits and vegetables
Oils, condiments, and sauces	Frozen meat and poultry: prime cuts, utility grade, offal, processed products
Dairy: gourmet cheese products, yoghurt	Frozen seafood: Crab, salmon, scallops, shrimps, tuna, and other seafood products
Dried and processed fruits: cranberries, raisins, prunes, wild berries	Nuts: Almonds, peanuts, pecans, pistachios, walnuts
Flavors and syrups	Other processed products: baked goods, canned seafood, plant-based foods, prepared foods

V. FURTHER INFORMATION AND ASSISTANCE

For further information or assistance, please consult FAS Manila's other reports via the [Global Agricultural Information Network \(GAIN\)](#). For exporter business tips and guidance on the required documents, please refer to Section II of the Exporter Guide and the Food and Agricultural Import Regulations and Standards (FAIRS) report. US exporters can also contact us at AgManila@usda.gov.

Through the Market Access Program (MAP), USDA-FAS partners with U.S. agricultural trade associations, cooperatives, regional associations and trade groups, and small businesses to share the costs of overseas marketing and promotional activities that help build commercial export markets for U.S. agricultural products and commodities. For more information and to access a directory of program participants, please visit: <https://www.fas.usda.gov/programs/market-access-program-map>. U.S. exporters are advised to contact their respective [Regional Associations & Trade Groups](#) to obtain support and participate in virtual business-to-business activities.

For additional information on the country's political and economic environment, please also see [Philippines: Country Commercial Guide](#)

Attachments:

No Attachments