USDA United States Department of Agriculture
Foreign Agricultural Service

GAIN Global Agricultural Information Network

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Report Name: Food Processing Ingredients

Country: Philippines

Post: Manila

Report Category: Food Processing Ingredients

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Report Highlights:

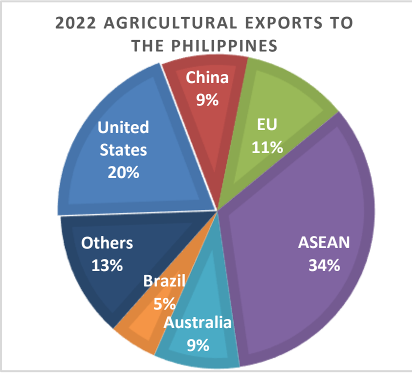
As factories have effectively returned to pre-COVID operations, food and beverage manufacturers have purchased more food and beverage ingredients to address domestic consumption. However, elevated inflation of near six percent remains the primary driver of food and beverage spending. Although U.S. exporters continue to face challenges of higher logistical costs and tariffs vis-à-vis regional competitors, the Philippines remains the 7th largest market for U.S. agricultural products. The top opportunities for food ingredients include wheat, dairy, beef, pork, chicken, fish, vegetable, fruit, soy, and starch products.

MARKET FACT SHEET: PHILIPPINES MARKET OUTLOOK

A stronger-than-expected Philippine economy in 2022 is expected slow to six percent this year, roughly equivalent to expected inflation.

AG EXPORTS TO THE PHILIPPINES

The Philippines ranked as the seventh largest U.S. agricultural export market in 2022, reaching a record [$4 billion](). U.S. exports increased market share from 20 to 22 percent in 2022 and remains the largest single-country exporter to the Philippines.



Source: Trade Data Monitor

FOOD PROCESSING SECTOR

Food manufacturers have been increasing production with capacity utilization of over 70 percent. Growth, however, for the food and beverage processing sector is driven by inflationary pressures from higher raw material costs.

RETAIL FOOD SECTOR

Post estimates an increase in sales in convenience stores, groceries, hypermarkets, and warehouse clubs in 2023 as people resume pre-COVID consumer behavior. Higher sales are also driven by inflationary pressures throughout the economy.

FOODSERVICE SECTOR

With increased foot traffic in restaurants and hotels in 2022, Post sees the sector continuing to rise as dine-in restaurants and catered events resume to near pre-pandemic levels.

Philippines: Quick Facts C.Y. 2023

Demographics

113 million population (Jan 2022 est.)
1.57 % population annual growth
52% under 24 years old & median age of 24 years old
48% urbanization rate
12% reside in Metro Manila (capital city)
76% speak English & 98% literacy rate

Household Income Classification

Low-Income Household (0-25k PP US$) 72%
Middle-Income Household (25-100k PPP US$) 22%
High-Income Household (100k+ PPP US$) 6%

Gross Domestic Product (GDP)

GDP: $422 billion (est) GDP per capita: $3,797 (est)
GDP growth rate: 6% (est) GDP PPP: $1trillion (est)

Agricultural & Related Trade (2022)

Exports to PH: $19.88 billion PH Exports: $8.9 billion

Consumer-Oriented Agricultural Products:

- Pork, beef, poultry
- Dairy products
- Food preparations
- Sauces and condiments
- Fruits and vegetables
- Biscuits and baked products

Top Fast Food Chains

Jollibee, Mc Donald's, Chowking, Shakey's, and KFC

Top Supermarkets

SM, Robinson's, Puregold Price Club, Metro, Gaisano, and Landmark

Top Convenience Stores

7-Eleven, Alfamart, Ministop, Familymart, All Day, and Lawson

Top Warehouse Clubs

S&R and Landers

Sources: Euromonitor, Global Agricultural Trade System, International Monetary Fund, The World Factbook, Trade Data Monitor, The Economist, World Bank, Philippine Statistics Office, Department of Trade and Industry, National Economic and Development Authority, S&P Global-IHS Markit, and FAS Manila research

Strengths	Weaknesses
Strong preference for U.S. ingredients and perceived higher standards and quality	Less competitive shipping costs and tariffs than ASEAN, China, and AU-NZ
Opportunities	**Challenges**
A service-based economy with a young, tech-savvy, working-age population, and resilient domestic demand	Tightening consumer purchasing power because of higher inflation with little room in the household budget to transfer additional outlays to food and beverages

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SECTION I. MARKET SUMMARY

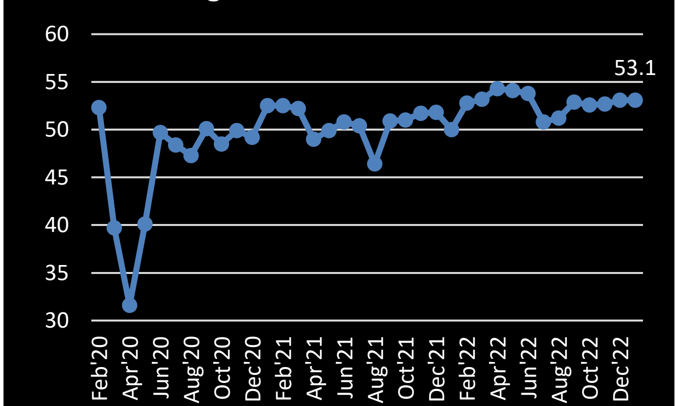
As the economy resumed to near normalcy near the end of 2022, Post sees food and beverage manufacturing sales and production continuing to expand in 2023 at six percent, roughly equivalent to expected inflation, driven by higher costs of raw materials.

With a year-and-a-half expansion of the Purchasing Managers Index (PMI), food and beverages value of production in January 2023 increased by 25 and 37 percent year-over-year, respectively, as capacity utilization improved. Margins of manufacturers, however, continue to diminish given the steep cost of raw materials, utilities, and labor.

Core inflation reached a 14-year high in January and is estimated to average at six percent in 2023, with essentials contributing 80 percent. Food and non-alcoholic beverages inflation registered a 10.8 percent in February 2023.

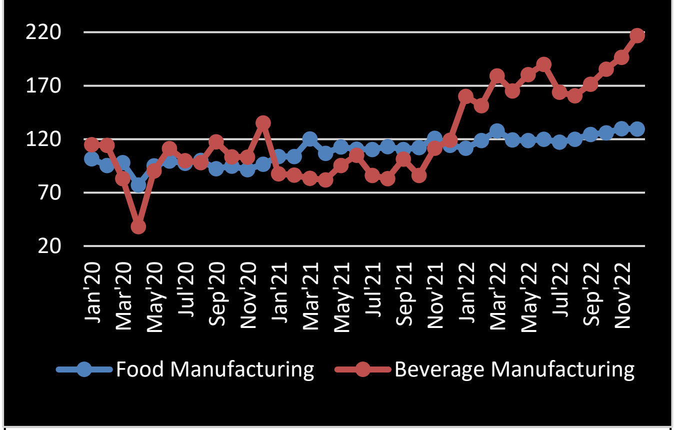
With food and non-alcoholic beverages forming 38 percent of household consumption, increased consumer spending caused by inflation continues to erode household savings. As a result, price-sensitive consumers have shifted to smaller packaging, lower-cost substitutes, and/or cut back on consumption altogether.

Figure 1. Purchasing Manager's Index Manufacturing Sector



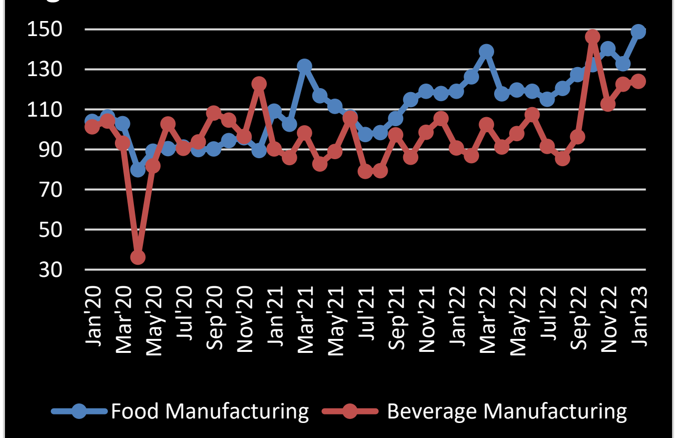
Source: S&P Global-IHS Markit

Figure 2. Value of Net Sales Index (2018=100)



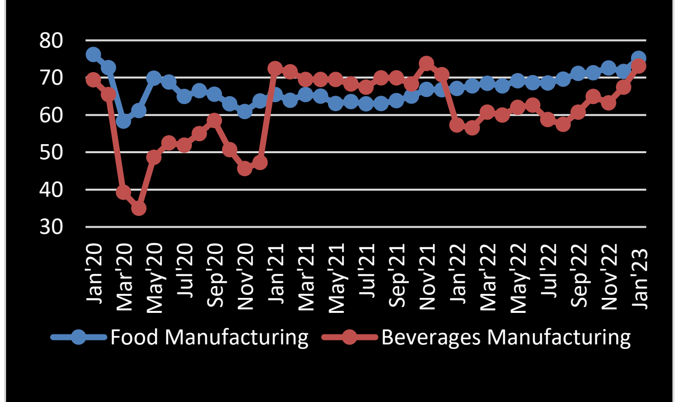
Source: Philippine Statistics Authority

Figure 3. Value of Production Index



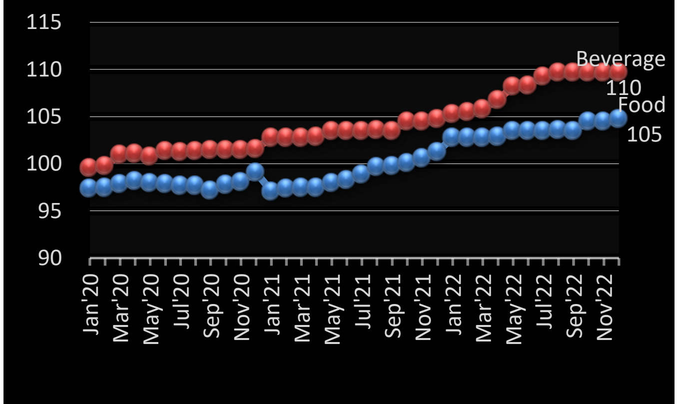
Source: Philippine Statistics Authority

Figure 4. Average Capacity Utilization Rate (in percent)



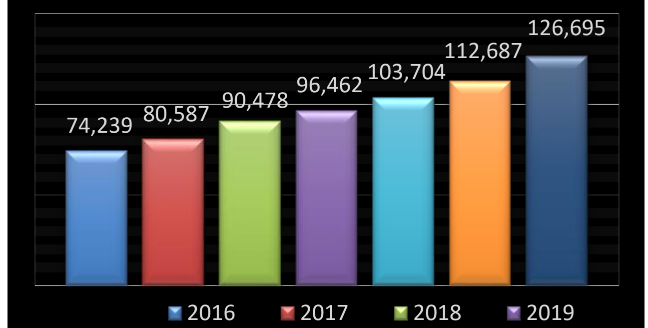
Source: Philippine Statistics Authority

Figure 5. Producer Price Index (2018=100)



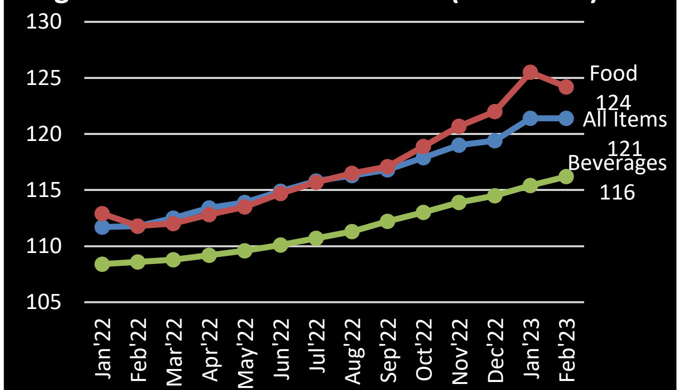
Source: [Philippine Statistics Authority]

Figure 7. Household Final Consumption Expenditure on Food and Non-alcoholic Beverages (in million dollars - current prices)



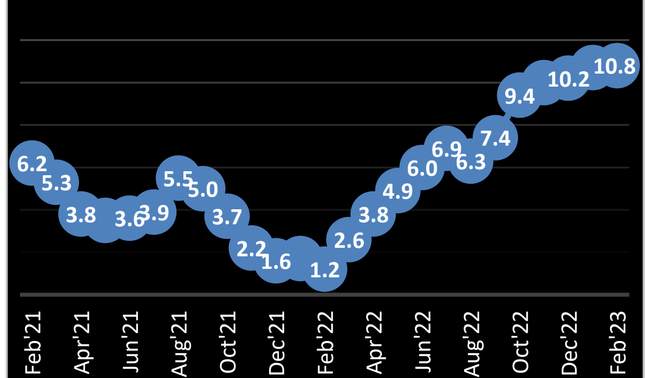
Source: [Philippine Statistics Authority]

Figure 6. Consumer Price Index (2018=100)



Source: [Philippine Statistics Authority]

Figure 8. Food and Non-Alcoholic



Source: [Philippine Statistics Authority]

ADVANTAGES	CHALLENGES
- Philippine food and beverage manufacturers prefer U.S. ingredients given their quality and value for money.	- While costs, logistics, and shipping times have improved from last year, U.S. exporters remain in a competitive disadvantage vis-à-vis Asia.
- U.S. trade associations, State Regional Trade Groups, State Departments of Agriculture, and USDA Foreign Agricultural Service provide marketing programs and support to U.S. exporters.	- Higher MFN tariffs than Asian countries.
- Regular shortages in the local supply of meat, poultry, dairy, seafood, vegetables, sugar, and other products provide opportunities for U.S. ingredients to support Philippine food security.	- High local production costs make the Philippines a less attractive market for food manufacturing compared to other ASEAN members.
- Premiumization and healthier trends provide opportunities for U.S. exporters.	- Europe and Australia increasingly active promoting their products.

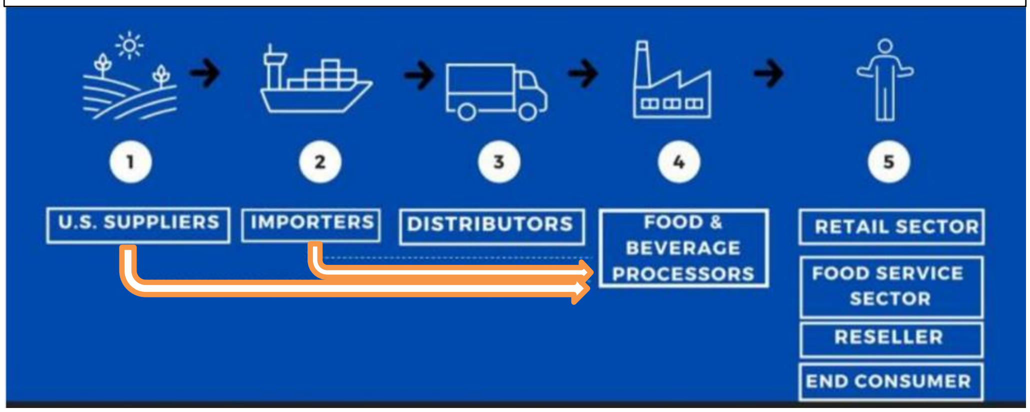
SECTION II. ROAD MAP FOR MARKET ENTRY

ENTRY STRATEGY, DISTRIBUTION CHANNELS AND MARKET STRUCTURE

U.S. exporters typically transact with agents, distributors, or importers based in key cities. For larger volumes, some exporters directly reach out to central purchasing managers of conglomerates supplying to all plants locally and abroad, procuring ingredients for all their plants, locally and in the region.

To meet large food and beverage manufacturers, U.S. companies should personally meet the purchasers to determine their import requirements, including specifications of the ingredient. Pricing is crucial as most purchase orders undergo bidding. To add value to the offer, exporters may provide technical research and product development assistance.

Figure 9. Market Entry Channels



Lastly, exporters should coordinate with U.S. trade organizations, State Departments of Agriculture, and USDA-FAS to access market development and capacity building programs.

IMPORT PROCEDURES

For details on import regulations, please read the following reports for further information:

- Philippines: FAIRS Annual Country Report
- Philippines Country Commercial Guide: Market Entry Strategy
- Customs Regulations, Import Requirements and Documentation
- Labeling/Marking Requirements and Protecting Intellectual Property
- Tariffs and Foreign Trade Agreements

Special economic zones, such as Philippine Economic Zone Authority (PEZA), provide incentives for re-export products. Opportunities, however, for U.S. ingredients remain limited. PEZA-based food and beverage companies manufacture processed food (i.e., meat, seafood, dairy, vegetable, fruits), chocolate, nuts, and oil.

Table 1. Top Manufacturing Companies by Ingredient

Rank	Company	2021 Gross Rev Mill $	% Change	Red Meat	Poultry Ing	Seafood	Dairy Ing	Fruit Ing	Veg Ing	Wheat/Flour	Starch Prod	Potato Ing	Corn Prod	Soy Prod	Sauce/Season	Cocoa	Pulses	Nuts	Oils	Sweeteners	Bev Ing
10	Nestle Philippines, Inc.	2,397	-1		x		x	x		x	x		x	x	x	x			x	x	x
16	San Miguel Brewery, Inc.	1,913	5					x	x				x							x	x
17	Universal Robina Corp.	1,907	12	x		x	x	x		x		x	x	x	x	x	x		x	x	x
25	Coca-Cola Beverages Phil., Inc.	1,558	6					x								x				x	x
40	Zenith Foods Corp.	1,051	20	x	x	x	x	x	x	x	x	x		x	x	x				x	x
46	Monde Nissin Corp.	967	1			x				x				x	x	x			x	x	
56	Century Pacific Food, Inc.	817	13	x	x	x	x		x					x	x	x	x		x	x	
59	Ginebra San Miguel, Inc.	771	19					x			x				x					x	
86	Pepsi-cola Products Phil., Inc.	587	7					x												x	x
96	Purefoods-Hormel Co., Inc.	520	9	x	x	x			x					x	x					x	
102	Emperador Distillers, Inc.	496	0																	x	x
125	Pilmico Foods Corp.	411	10	x	x					x	x		x	x			x			x	
142	Nutri-Asia, Inc.	377	10	x		x		x	x		x				x		x		x	x	
152	Oleo-Fats, Inc.	349	51	x			x	x			x		x	x	x	x			x	x	x
157	Alaska Milk, Inc.	336	-8				x				x		x		x	x			x	x	
168	Mondelez International, Inc.	319	-10		x		x				x				x	x		x	x	x	x
232	RFM Corp.	224	13				x	x	x	x					x					x	
233	San Miguel Mills, Inc.	224	17							x										x	
234	Magnolia, Inc.	222	-3		x		x	x	x		x			x	x	x			x	x	
266	Liwayway Marketing Corp.	202	2	x		x	x	x		x		x	x		x	x	x	x	x	x	x
275	Unilever RFM Ice Cream, Inc.	198	11				x	x			x					x			x	x	
281	Monde M.Y. San Corp.	189	5			x	x			x	x			x	x	x			x	x	
293	Ajinomoto Philippines Corp.	175	6		x	x			x	x	x			x	x					x	
294	Phil. Foremost Milling Corp.	175	-8							x										x	
298	Mead Johnson Nutrition (Ph)Inc.	172	-8				x									x				x	
334	General Tuna Corp.	157	29			x								x	x				x	x	
338	Republic Biscuit Corp.	155	8			x	x	x		x	x	x	x	x	x	x	x	x	x	x	x
344	General Milling Corp.	152	8							x			x							x	
357	First PGMC Enterprise, Inc.	147	5							x				x	x					x	
367	Gardenia Bakeries (Phil), Inc.	145	-3				x	x		x						x				x	
375	Nissin - Universal Robina Corp.	141	7			x			x	x				x	x				x	x	
415	Asia Brewery, Inc.	128	9					x									x			x	x
450	Goldilocks Bakeshop, Inc.	118	3	x	x		x	x	x	x	x					x	x			x	x
457	Phil. Best Canning Corp.	116	-13			x								x	x				x	x	
537	Frabelle Corp.	94	27	x	x	x			x	x				x						x	
571	Zest-O Corp.	89	7	x			x	x							x					x	x
633	Doxo Ingredients, Inc.	79	18				x	x			x	x		x	x	x	x		x	x	x
653	Suncrest Foods, Inc.	75	16				x		x	x		x	x			x				x	

Source: BusinessWorld Top 1000 Corporations in the Philippines Volume 36

SECTOR TRENDS

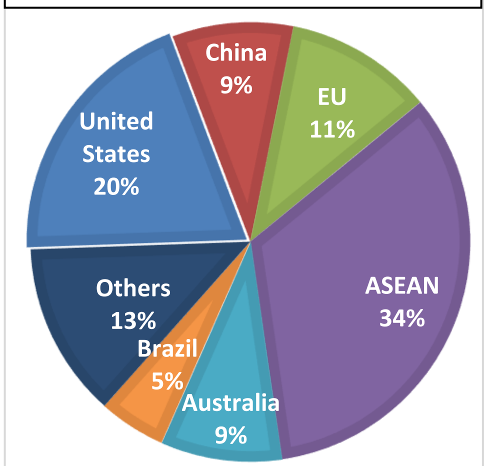
With challenges presented by higher production costs, some food and beverage manufacturers are producing more value-for-money options and smaller packaging to cater to the low-income households, which still account for more than 70 percent of the population.

Meanwhile, to address the still growing number of middle- to high-income households, manufacturers continue to explore premium ingredients to innovate new product lines. Recent trends include immunity boosters and foods to address popular dietary choices, i.e., plant-based, non-dairy products, to capture an increasing number of health-conscious consumers. However, this consciousness has not extended to marketing products as whole grain, gluten-free, low-sugar, low-sodium, or low-fat.

SECTION III. COMPETITION

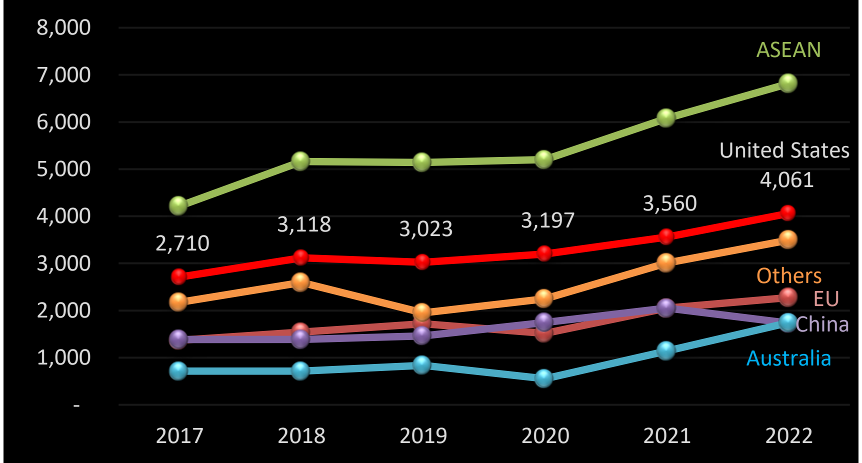
With 60 percent of the Philippines' food produced locally, the country imports to secure supply and provide variety of products. ASEAN, China, India, New Zealand, and Australia benefit from preferential market access and proximity to the Philippines. Canada and Europe compete for premium products but face similar constraints as the United States.

Figure 10. Agricultural Exports to the Philippines



Source: Trade Data Monitor

Figure 11. Agricultural Exports to the Philippines (in million dollars)



Source: Trade Data Monitor

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

Table 2. Best Products Categories

PRODUCTS PRESENT IN THE MARKET WHICH HAVE GOOD SALES POTENTIAL	PRODUCTS NOT PRESENT IN SIGNIFICANT QUANTITIES BUT WHICH HAVE GOOD SALES POTENTIAL	PRODUCTS NOT PRESENT BECAUSE THEY FACE SIGNIFICANT BARRIERS
- wheat products - dairy products - beef and pork products - chicken mechanically deboned meat - processed vegetables - soy products - sauces, condiments and seasonings	- pulses - processed fruits - vegetable- and fruit-based ingredients - cocoa products - nuts - sugar substitutes and preprations with high sugar content	- fish - onions

Source: Trade Data Monitor, Global Agricultural Trade System, and USDA-FAS Research

SECTION VI. KEY CONTACTS AND FURTHER INFORMATION

Access the U.S. Department of Commerce's Country Commercial Guide for more information on the Philippines' economic and political environment. Please see the links of key contacts and events below:

KEY CONTACTS

USDA FAS Manila AgManila@usda.gov Tel: (632) 5301-2000	Foreign Commercial Service businessphilippines@trade.gov Tel: (632) 5301-4249	USDA APHIS IS Manila IS.Manila.Philippines@usda.gov Tel: (632) 5301-2000
Department of Trade and Industry (DTI)	Philippine Chamber of Commerce (PCCI)	American Chamber of Commerce of the Philippines (AMCHAM)
Philippine Chamber of Food Manufacturers Inc. (PCFMI)	Philippine Food Processors and Exporters	Filipino-Chinese Bakery Association, Inc.
Federation of Philippine Industries	Philippine Food Expo	Cold Chain Philippines

EVENTS

Philippine Food Expo April 28, 2023	HOFEX May 10, 2023	Thaifex Anuga Asia May 23, 2023
International Food Exhibition Philippines Next Food Asia May 26, 2023	Manila Food and Beverage Expo June 14, 2023	Cold Chain Philippines July 12, 2023
World Food Expo August 2, 2023	Seafood Asia September 11, 2023	

Attachments:

No Attachments