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Report Highlights:

Philippine imports of processed vegetables grew 35 percent year on year, reaching $460 million in 2022. Imports increased 40 percent as of August 2023, coinciding with a five percent rise in GDP during the first half of the year. The United States held a 20 percent market share in 2022, and with sales up 22 percent through August 2023, it is expected to overtake ASEAN and become the second-largest supplier of processed vegetables to the Philippines. The best product prospects include frozen potatoes, broccoli, and cauliflower; dehydrated potatoes and other vegetables; freeze-dried vegetables; tomato sauce and paste; pickled vegetables; a variety of vegetable juices; and plant-based infant foods.

Philippine Market Brief

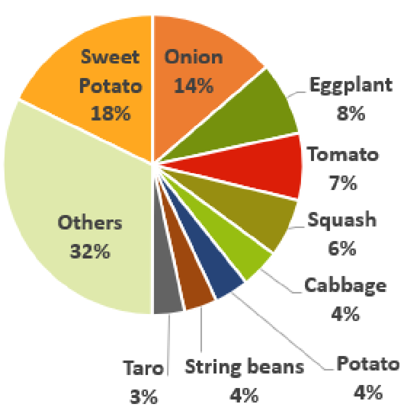
Processed Vegetables

The growing population and demand for vegetables in the Philippines, coupled with market access restrictions limiting the entry of fresh vegetables, underscore a significant opportunity for the U.S. processed vegetable industry to increase its exports to the country.

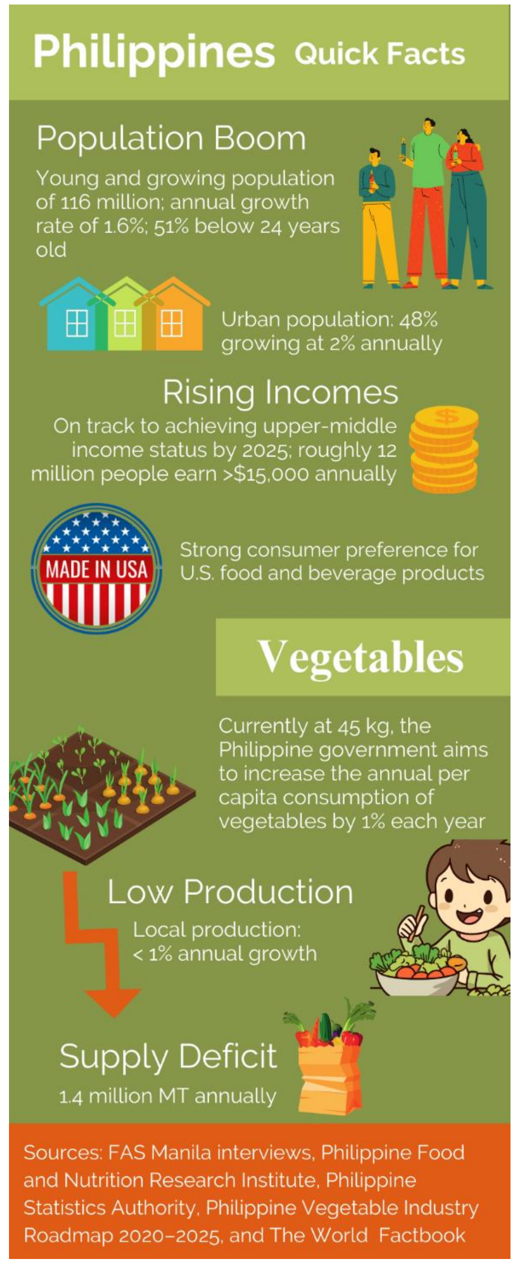
The Philippines, an archipelagic country consisting of approximately 2,000 inhabited islands, is home to a young and growing population of 116 million. The country's annual per capita consumption of vegetables is estimated to be 45 kilograms[1], which is less than one-third of the Food and Agriculture Organization's recommended intake. The Philippine government aims to improve per capita vegetable consumption by one percent each year[2].

The Philippines commercially cultivates over 50 different vegetables, with sweet potatoes, onions, eggplant, tomatoes, and squash among the top vegetable crops.

Figure 1. Local Vegetables by Volume in 2022



Source: Philippine Statistics Authority



[1] 2018-2019 Expanded National Nutrition Survey of the Philippine Department of Science and Technology – Food and Nutrition Research Institute.

[2] Philippine Department of Agriculture. Philippine Vegetable Industry Roadmap 2020–2025. Retrieved November 20, 2023, from https://www.da.gov.ph/foundation/philippine-vegetable-industry-roadmap/.

According to the Philippine Statistics Authority, local vegetable production over the past five years has grown at a compound annual growth rate of 1.5 percent. This slow growth can be attributed to inadequate post-harvest facilities and the diminishing availability of farmland. Additionally, the country faces the challenge of approximately 20 typhoons annually, which pose a significant threat to the supply of vegetables. The impact of this threat was evident earlier this year when onions became more expensive than meat due to a shortage caused by a typhoon. Meanwhile, the country's population has been expanding at a rate of 1.6 percent annually and is projected to reach 150 million by 2040. In 2022, the Philippines produced 3.1 million MT of vegetables, accounting for just 60 percent of the demand based on estimated per capita consumption.

Addressing the Supply Shortfall

In 2022, the Philippines imported 160,000 MT of fresh vegetables and 405,000 MT of processed vegetables. The importation of fresh and processed vegetables has experienced strong annual growth rates of 17 percent and 6 percent, respectively, over the past decade. However, even if this growth were to be sustained, it would still be inadequate to meet the demand of a rapidly growing population and the government's goal of promoting greater vegetable consumption. Traders estimate an annual vegetable supply deficit of 1.4 million metric tons (wet weight) through at least 2030.

There are market access limitations that impose restrictions on the entry of fresh vegetables into the Philippines. Only specific produce, such as broccoli, carrots, cabbage, cauliflower, collard, celery, garlic, fennel, kale, lettuce, leeks, onions, potatoes, rutabaga, and turnips from the United States and seven other countries, are allowed. The list can be found online at https://npqsd.bpi-npqsd.com.ph/. Moreover, congestion at transshipment ports in Asia contributes to delays in shipments, impacting the availability of fresh produce. To exacerbate the situation, the clearance process for containers in the Philippines, including customs and associated inspection procedures, takes a significant amount of time, totaling an estimated 120 hours. This duration is considerably longer when compared to neighboring countries such as Malaysia, Thailand, and Vietnam, where the process takes half the time or less.[3]

To address the vegetable supply shortfall, boosting the importation of processed vegetables presents a viable solution. However, stakeholders must focus on reducing the cost of inter-island shipping and enhancing cold chain facilities. These measures will ensure efficient transportation and proper storage of intermediate and prepared processed vegetable products across the Philippine islands.

Importation of Processed Vegetables

In 2022, the Philippines imported 512,000 MT of processed vegetables worth $460 million. The United States, as the third-largest supplier, accounted for 20 percent of the market and is set to become the second-largest supplier in 2023, with exports increasing by 22 percent through August.

[3] Philippines' Customs Procedures to be Modernized with World Bank Support. (n.d.). World Bank. Retrieved November 20, 2023, from https://www.worldbank.org/en/news/press-release/2020/10/27/philippines-customs-procedures-to-be-modernized-with-world-bank-support.

The top U.S. exports of processed vegetables to the Philippines in 2022 were frozen potatoes and potato chips, which accounted for 35 percent and 52 percent of the market, respectively. Other top products included onion powder, garlic powder, canned pulses, peppers, pickled vegetables, tomato paste, diced tomatoes, and prepared mixed vegetables.

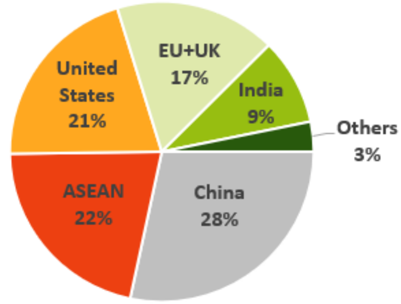
Prospects for U.S. Processed Vegetables

According to Euromonitor, all three food sectors in the Philippines, namely food service, food retail, and food processing, show growth, which underscores the potential for increased exports of a variety of U.S. processed vegetables.

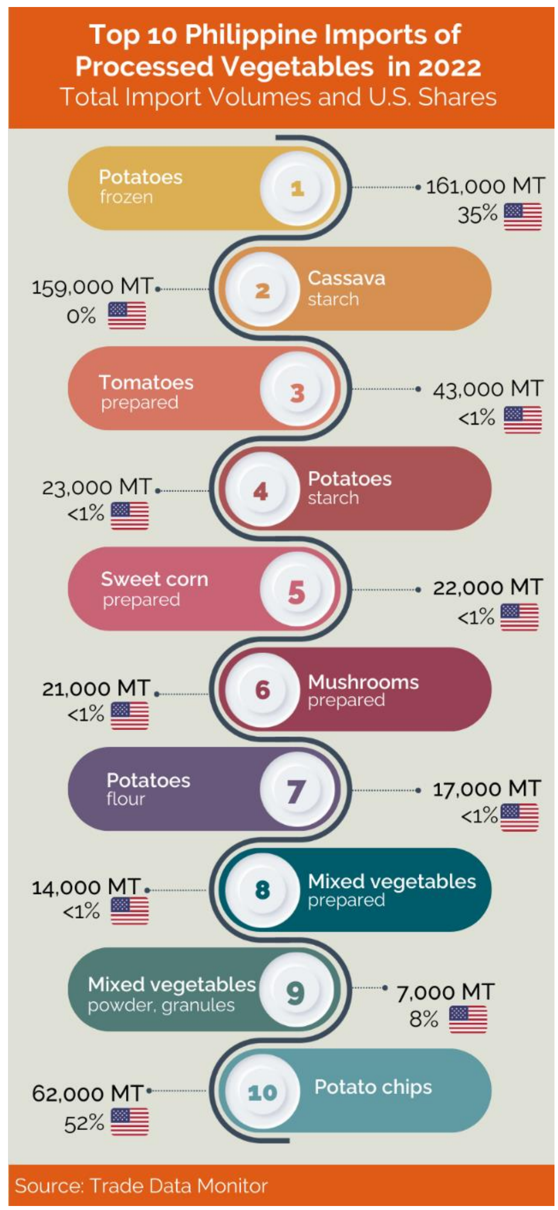
Food Service: The Philippines boasts a thriving food service sector, which encompasses a diverse range of establishments, including upscale restaurants, local and international quick-service restaurants (QSRs), cafes, and kiosks. Most establishments utilize imported processed vegetables, including potatoes and tomatoes, for their convenience, labor-saving benefits, and consistent supply. In 2022, the sector generated $13 billion in revenue, and projections indicate an annual growth rate of eight to ten percent over the next five years. Notably, QSRs accounted for over half of the total revenue share.

Food Retail: The food retailing landscape in the Philippines is dynamic, encompassing a diverse mix of traditional retailers and modern grocery channels. With the opening of more stores in rural areas, the surge in grocery delivery services, and the increasing adoption of e-commerce, the sales value of food retailing in the country reached $33 billion in 2022 and is expected to maintain steady annual growth of six to seven percent over the next five years. Mid- to high-income consumers seek a wide variety of vegetables to meet their dietary needs and enhance their culinary options; however, garlic and onion are the two staple aromatics without which almost every Filipino dish would be incomplete.

Figure 2. Sources of Imported Processed Vegetables in 2022



Source: Trade Data Monitor



Food Processing: The gross value added generated from processing food products in the Philippines reached $32 billion in 2022. This sector is projected to expand at a rate of five to six percent annually over the next five years, driven by rising incomes. To meet the growing demand, processors are constantly seeking reliable sources of vegetable ingredients to develop new product lines that cater to consumer demands, including recent trends such as immunity boosters and plant-based foods.

Best Product Prospects

The U.S. processed vegetables that have the best prospects are the vegetables varieties that are not extensively produced locally. Additionally, cooking staples like garlic and onions, which are susceptible to price shocks, and those that offer convenience and wellness present excellent opportunities.

Marketing Efforts

Effective marketing efforts are crucial in promoting the advantages of processed vegetables. These efforts should highlight the extended shelf life, convenience, consistency, cost savings, improved food safety, ability to overcome seasonal limitations, and year-round availability of processed vegetables.

Import Regulations and Requirements

1. Importer's Accreditation

   Only importers that are accredited by Philippine government regulatory agencies may import food and agricultural products into the Philippines. For semi-processed plant products, whether dry, flour, chilled, or frozen, accreditation is obtained from the Philippine Bureau of Plant Industry (P/BPI).

Note: In practice, if a semi-processed plant product will be offered for retail sale without undergoing further processing, the importer is required to obtain additional accreditation from P/FDA. For all processed and prepared plant products, accreditation is obtained solely from P/FDA.

No documents are required from the U.S. exporter.

2. Import Clearance and/or Certificate of Product Registration

Semi-processed Plant Products: An importer must obtain a Sanitary and Phytosanitary Import Clearance (SPSIC) from P/BPI prior to each and every importation of a semi-processed plant product. Note: In practice, if a semi-processed plant product will be offered for retail sale without undergoing further processing, the importer is also required to obtain a Certificate of Product Registration (CPR) from P/FDA.

Processed and Prepared Products: For processed products, an importer must obtain a CPR prior to the initial importation. The importer must present the CPR at the port of entry when the product arrives. Based on Administrative Order No. 2014-0029, initial CPRs are valid for a minimum of two years and a maximum of five years, and renewals are valid for five years.

U.S. Exporter Documentary Requirements

- For semi-processed plant products, a phytosanitary certificate issued by the U.S. competent authority must accompany all shipments entering the Philippines.
- For processed products, the importer will need to obtain one of the following documents from the U.S. supplier when applying for a CPR:
  - Foreign Agency Agreement/Certificate of Distributorship/Appointment Letter
  - Proforma Invoice
  - Memorandum of Agreement

  One of the following documents is also required:
  - Manufacturer's Certificate of Registration with Good Manufacturing Practices compliance or its equivalent
  - ISO 22000 Certification or HACCP Certificate
  - Health Certificate or Certificate of Free Sale issued by a U.S. government regulatory agency or health authority stating that the product is freely sold in the United States and/or fit for human consumption.

Notes:

1. The import clearance will state if there are pre-entry requirements that need to be fulfilled before the products are shipped out. If the pre-entry requirements are unreasonable, U.S. suppliers may contact USDA-FAS Manila for assistance.
2. For more information, see the USDA GAIN report entitled "Philippines: Food and Agricultural Import Regulations and Standards (FAIRS) Report."

Tariff and Value Added Tax

Tariff Rates

The United States faces strong competition due to a tariff disadvantage, as the Philippines applies a Most Favored Nation (MFN) tariff rate on imported products that are not sourced from any of the country's free trade agreement partners. The MFN tariff rates range from three to 15 percent. For specific tariff rates, please refer to the Philippine Tariff Finder at https://finder.tariffcommission.gov.ph/. However, despite the higher prices resulting from this disadvantage, Filipinos generally prefer U.S. processed vegetables due to their superior quality and assurance of food safety.

Import Value Added Tax

The Philippines has a Value Added Tax (VAT) system that applies to both local and imported processed food products. The standard VAT rate is 12 percent. For imported goods, VAT is calculated based on the total value of the imported product, customs duties, and other applicable taxes and fees. The importer is responsible for paying VAT to the Bureau of Internal Revenue.

Assistance and Further Information

USDA-FAS Manila can assist U.S. exporters in identifying potential importers in the Philippines.

Contact: USDA Foreign Agricultural Service
U.S. Embassy in Manila, Philippines
Phone: +632 5301-2000
Email: AgManila@usda.gov

Access the following GAIN reports through USDA-FAS Manila's webpage:

- Philippines: Exporter Guide
- Philippines: Food Processing Ingredients
- Philippines: Food Service - Hotel Restaurant Institutional
- Philippines: Retail Foods

Attachments:

No Attachments.