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Philippine Food Retail-A Growing Opportunity for U.S. F and B

Report Categories:
Retail Foods

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Report Highlights:
Food retail continues to grow, as retail chains spread across the country. This expansion is being driven by continued strong economic growth, which has led to a boom in consumer spending. Markets continue to be dominated by national chains, due to investment regulations that limit ownership by foreign investors. Rapid growth in retail sales are creating new opportunities for imported food and beverage products, with many U.S. brands already widely recognized by Philippine consumers.

General Information:

I. Overview of the Philippine Market

The Philippines is the largest market in Southeast Asia for U.S. consumer-oriented food and beverage (f&b) products and one of the fastest growing markets in the world, importing $ 1 billion in U.S. f&b products in 2013.

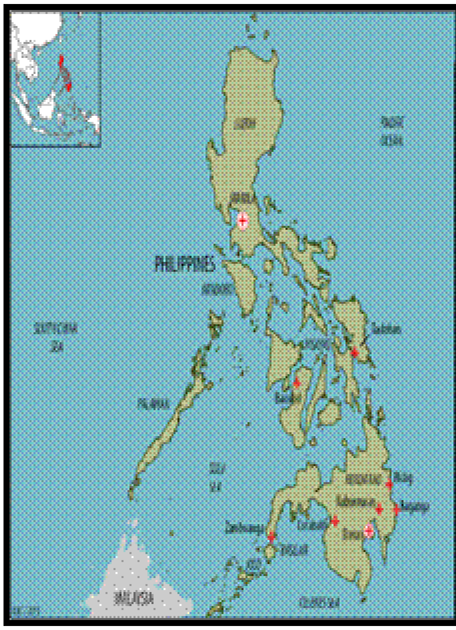


Table 1 – Philippine Market
Population: • 105 Million (2013 est.), annual growth rate of 1.84% • 40% below 20 years old • 52% living in urban areas **Land Area:** 298,170 sq. km. **2013 GDP Growth:** 7.2 % **GDP Per Capita:** $ 4,700 (2013 est.) Source: CIA World Fact Book

A mature market with increasing demand for U.S. consumer-oriented products, the United States remains the Philippines' largest supplier for food, beverage and ingredient products.

Ranked as the 10th largest export market for U.S. high-value, consumer-oriented products, the Philippines imported $872 million, a 19 percent increase from January through September 2014. Based on the chart below, the United States remains the largest supplier with 19 percent (19%) market share, followed by New Zealand (14%), and China (10%). Total imports of consumer-oriented food grew annually by an average of 15% while imports of U.S. food products increased by an average of 15 to 20 percent annually.

The Philippines has a strong preference for U.S. brands and is always looking for new American products to taste and enjoy. As incomes grow, more American brands are likely to find a market here.

Post expects demand for U.S. consumer-oriented products will continue to grow for following reasons:

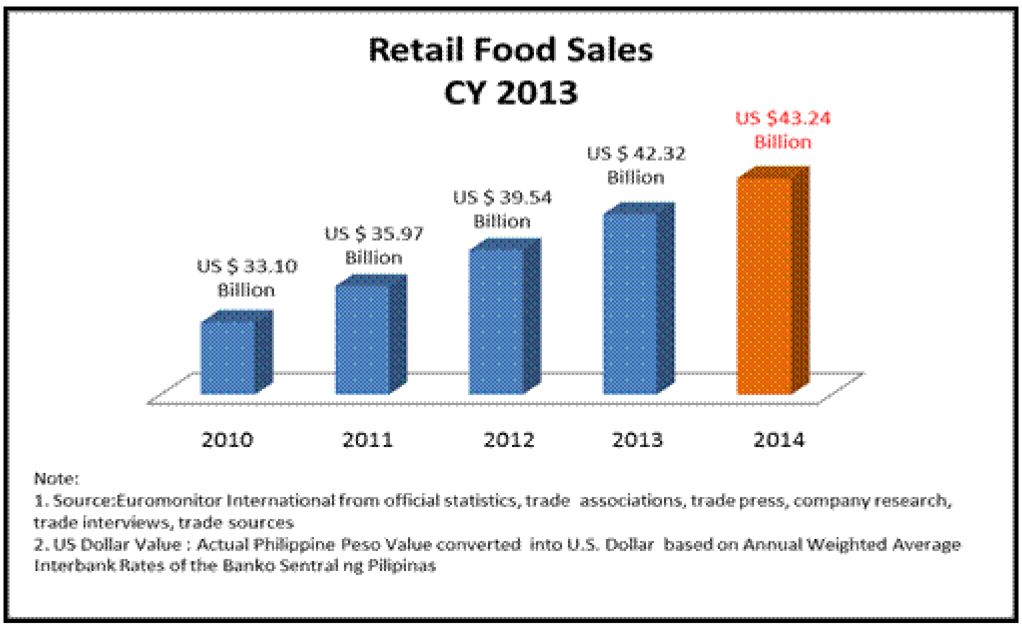
- Increasing urbanization of the local population (almost 105 million)
- Growing upper and middle class (18-20 million)
- Rising number of supermarkets, hypermarkets and convenience stores
- Strong interest in western brands among Philippine consumers
- Growing awareness of the quality and health benefits of U.S. food, beverage and ingredient

products

II. Overview of the Philippine Retail Food Market

The retail food sector in the Philippines is well-established. Consumer expenditure on food and non-alcoholic beverages in the Philippines accounts for 43 percent of the total household consumption expenditure. In 2013 it reached US$ 89.9 billion which is a 7.9 percent increase from 2012, according to the Philippine Statistics Authority. Findings state that almost 70% of retail sales can be attributed to the traditional markets (i.e. wet markets, sari-sari/mom & pop stores), but the market share of hypermarkets, supermarkets and convenience stores (which accounts for roughly 30% of retail food sales) is increasing. The rapid increase in food and beverage sales of about 20 percent in a 10-year span led retail food industry operators to increase their consumer base and geographic reach by expanding further into urban areas and key provincial cities. This expansion will hasten the decline in market share for traditional wet markets, particularly for packaged goods.

Chart 2 – Retail Food Sales in the Philippines (in US $ billion)



The Philippines' more robust economic performance in 2013 has boosted the performance of the local retail food market. Population growth, rising middle income earners, increasing number of dual-income families, higher disposable incomes, and fast changing lifestyle and higher awareness of food quality and safety has contributed to the continuing growth of the food retail sector.

Modern retail markets such as supermarkets, hypermarkets and convenience stores have become more essential especially to those living in Metro Manila and other large cities as customers demand more convenience and flexibility. These modern markets have gone up both in urban and rural areas. This is because modern retail markets are usually cleaner, more comfortable, spacious and well-maintained. Moreover, supermarkets offer a wider range of choices for the consumers, including both perishable and non-perishable goods. Wet markets retain an advantage in fresh product, including meat and seafood, but especially fresh fruit and vegetables.

Table 2 – Sales by Channels in the Philippines (in US $ million)*

Outlet/ Channel	2010	2011	2012	2013	Growth (12 vs 13)	% Share
Supermarkets	6,121	6,834	7,883	8,777	10%	21%
Hypermarkets	1,266	1,507	1,852	2,099	12%	5%
Convenience stores	319	381	462	506	9%	1%
Other Specialty Retailers (inc. food/drink/tobacco specialist)	3,225	3,480	3,791	3,955	4%	9%
'Mom & Pop'	22,155	23,770	25,548	26,985	5%	64%
Total	33,086	35,973	39,536	42,322	7%	100%

Source: Euromonitor International from official statistics, trade associations, trade press, company research, trade interviews, trade sources
*Note: US Dollar Value converted from Actual Philippine Peso Amount based on the Annual Weighted Average Interbank Rates of the Banko Sentral ng Pilipinas

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Table 3 – Type of Channels by Definition

Type	Definition
Supermarket	Mostly located inside shopping malls, department stores or within a commercial complex. Range from large state-of-the-art to small.
Hyper Markets/ Warehouse Stores	Large supermarket stores (in terms of area or space occupied), self-service. Usually arrange items in a warehouse-type setting (up to the ceiling racks/shelves). Offer a wide variety of food and non-food items. Non-food items offered include: furniture, appliances, clothes, etc.
Convenience	Longer operating hours (usually on a 24 hr. basis) that serve for impulse purchases. Mostly found in a condominium building, beside gasoline stations,

stores (including gas marts)	near intersections or corner streets or near a BPO office. Offers ready-to-eat meals and have limited line of f&b and non-food/household items.
"Mom & Pop"/Sari-Sari Stores	Neighborhood stores owned and managed by a household in the community, selling a variety of essential items such as rice, cooking oil, sugar, etc. Much smaller than convenience stores, they are usually built within or beside operator/owner's own house.
Wet Markets	Usually sell "fresh" meat, fish, vegetables, fruits and other domestically-produced items. Mostly local products but some imported items, especially fresh fruits.

A. **Modern Retailers**

Passage of the retail trade liberalization law in the early 2000 caused local supermarket chains to undergo several changes to modernize, expand, consolidate, stream-line operations, and broaden their line of imported brands, often via direct importation. The legislation, which allows foreign retailers to operate independently in the Philippines, has fostered growth in large-scale modern stores that offer a wider range of imported foods and purchase directly, eliminating the 20-40 percent mark-up charged by importers/distributors.

Supermarkets share the second biggest sales next to mom & pop stores. In 2013, supermarkets sales of $ 9.3 billion contributed 21% of total sales. Most supermarkets in the Philippines are independent and often serve one city or municipality. The more aggressive entry of chain stores in the provincial areas have intensified competition, with some small independents closing down. Supermarkets mostly serve middle-income buyers who can afford to buy a week or month's worth of grocery supplies.

Hypermarkets continue to join the ranks of the highest performing food retailers. Hypermarket sales grew by 12 percent with sales of almost $ 2.2 billion in 2013. Chain hypermarkets in the Philippines are emerging to be an important source of non-grocery products like apparel, small appliances, and furniture but food products still account for the bulk of consumer purchases. As hypermarkets move to provincial areas and customers are becoming value conscious, these stores are able to provide buyers low priced non-grocery product alternatives.

Filipino consumers increasingly prefer to purchase groceries from modern retail outlets, which provide a convenient format for one-stop shopping. This preference has led to the growth of supermarket and hypermarket.

Below is the summary profile of major food retail outlets:

- Super Value Inc. or SM Supermarket, the food retail arm of SM Investments, is the dominant player in the food retail industry in the Philippines. Having established its first store in 1985, SM Supermarket operates 39 branches across the Philippines. SM Supermarkets are primarily located inside SM Malls.

SaveMore Market is a chain of neighborhood grocery stores under the SM Food Retail Group (other food retail formats under SM are SM Supermarket and SM Hypermarket). SaveMore stores are located outside an SM mall in either stand-alone outlets or as an anchor tenant of a commercial center/commercial building or non-SM mall.

SM Hypermarket is a superstore combining a supermarket and a department store, offering more than 150,000 brands of merchandise or SKUs with the aim to allow customers to satisfy all their routine shopping needs in one trip. SM Hypermarket is usually located within a mall and has 42 branches nationwide.

- Rustan Supercenters Inc. (RSI) is the retail arm of Rustan Commercial Corporation, the premier chain of upscale department stores, operating in the Philippines for almost 50 years. RSI is a pioneer in modern grocery retailing and is the operator of Rustan's Supermarkets, the Shopwise chain of hypermarkets and Wellcome convenience stores. Rustan Supercenters Inc. is now a member of the Dairy Farm International Group -- a multinational company that brought Mannings, Giant, Jason's Guardian, Ikea, Cold Storage, and many more retail superstores to the world. At present, Rustan's Supermarket is continuously expanding with 16 branches in Metro Manila, 2 in Cebu, and 1 in Cagayan De Oro.

- Puregold Price Club Inc. (PPCI) is a chain of supermarkets that was established in 1998 when the one-stop shopping philosophy was an emerging idea. PPCI has three store formats: Puregold Price Club (a hypermarket), Puregold Jr. (a neighborhood store), and Puregold Extra (discounter supermarket). Ranked as number two in food retail, Puregold Price Club Inc. has grown into a giant retail chain with more than 225 stores nationwide.

Puregold Price Club Inc. also owns S&R Membership Shopping which used to be PriceSmart- the first U.S.-based chain to enter the Philippines in 2001 after the passage of the 2000 Philippine Retail Trade

Liberalization Law. S&R Membership Shopping opened in 2006 and now has 10 stores nationwide.

- Robinsons Supermarket, the second largest supermarket chains in the Philippines, is a subsidiary of Robinsons Retail Holdings Inc. Established in 1985, Robinson Supermarket now has 106 branches all over the country. Robinsons Supermarkets which are usually located inside Robinsons Malls have also established stand-alone neighborhood stores in Metro Manila and other provinces.

- Metro (Gaisano), formerly White Gold Department Store with supermarket business was a family-owned business way back in 1949 in Cebu. Incorporated and established in 1981, the first Metro department store and supermarket outlet opened in 1982. Through the years, Metro (both a department store and supermarket) expanded from Cebu to Manila and other nearby provinces in the region of Visayas and Mindanao.

- Walter Mart Supermarket is the only member supermarket of International Grocers Alliance (IGA) in the Philippines. It is located in strategic places scattered all over Luzon (Metro Manila, Laguna, Cavite, and Pampanga). It is one of the youngest and fastest growing supermarket chains with 22 branches.

- Super8 Grocery Warehouse is a subsidiary of Super8 Retail Systems, Inc. that operates a chain of big grocery warehouses all over Manila, and parts of Central, Northern and Southern Luzon. Known for its wide range of grocery products for wholesale, Super8 Grocery Warehouse is a member of the Suy Sing Commercial Corporation, a diversified conglomerate, and the Philippine's leading wholesale distribution company.

Convenience stores continue to expand due at least to the bullish Business Process Outsourcing (BPO – call centers) sector and the increasing number of outlets opening in the provinces. These stores expand to cover the business centers and BPO hubs and operate on a 24- hour basis, making them an ideal place for midnight shifters to grab food to eat during break time.

Aside from well-stocked shelves of packaged food, beverages, and other basic household necessities, convenience stores also offer other services such as bill payment and mobile phone reloading transactions. Convenience Stores and Gas Marts which are mainly location-oriented are thus able to sell products at a premium in exchange for convenience.

The number of convenience stores and gas marts are percieved to increase in number especially that 7-Eleven expands its retail network by partnering with Total Philippines Inc. and Chevron Philippines Inc. where 7-Eleven will lease store spaces within Total and Chevron gas stations.

Below is the summary profile of key convenience stores:

- Seven-Eleven is the the country's biggest convenience store chain in the Philippines with more than 1,200 stores nationwide. Acquired by Philippine Seven Corporation in 1982 and established in 1998, 7-Eleven is the first franchisor in the convenience retailing. Aside from grocery /food retailing, 7-Eleven also offers telecom, bills payment and banking kiosk services.

- Ministop Philippines is a subsidiary of Robinsons Retail Holdings, Inc. that operates as a grocery and fast food diner combined. Established in 2000, Ministop now has more than 400 stores in Metro Manila and nearby provinces in Luzon and continuous to increase through franchsing.

- FamilyMart was launched in the Philippines in 2013 in partnership with the Ayala and Rustan's Group. Currently with 55 stores in Metro Manila, FamilyMart aims to increase its presence by opening more though franchising.

- Mercury Drug Corporation is the leading chains of drugstores in the Philippines which was established in 1945 which eventually evolved into a combination of a drugstore and a conveniennce store. Now with more than 900 branches nationwide, Mercury Drug serves as a one-stop shop for customers who want to buy medicines and convenience food at the same time. Mercury Drug stores are commonly seen near a hospital, a commercial building or inside a mall.

In 2013, convenience store sales recorded to almost 9 percent growth, while gas retail shops revenues improved by 10%.

Table 4 - Key Food Retailers in the Philippines (as of October 2013)

Store Name / Company	No. of Outlets	Locations	Sources
Supermarket:			
Robinsons	106	Nationwide	Indentors Importers
SM Supermarket	39	Nationwide	Importers
Rustan's Supermarket	19	Nationwide	Exporters Indentors lmporters
Shop Wise (by Rustan's)	10	Metro Manila, Laguna and Cebu	Exporters lmporters
South Supermarket	10	Metro Manila and Luzon	Importers
CVC Supermarket Inc.	7	Central Luzon and Metro Manila	Importers
Walter Mart	22	Metro Manila and Luzon	Indentors Importers
Puregold Extra	28	Nationwide	Exporters Importers
Metro (Gaisano) Supermarkets/Market! Market!	16	Cebu, Metro Manila and Angeles City	Exporters lmporters
Landmark	2	Metro Manila	Importers
Makati Supermart (Unimart and Cash n' Carry)	3	Manila	Importers
Neighborhood Supermarket:			
Pure Gold Jr.	53	Nationwide	Exporters Importers
SM Save More (by SM Supermarket)	89	Nationwide	Importers
Wellcome Supermarket (by Rustan's)	13	Manila	Exporters Indentors lmporters
Hypermarket/ Warehouse:			
Puregold Price Club	107	Nationwide	Exporters Indentors lmporters
SM Hypermarket	42	Nationwide	Importers
Super8 Grocery Warehouse	26	Metro Manila and Luzon	Importers
S&R Membership Shopping	8	Nationwide	Exporters Indentors

			lmporters
Convenience Stores			
Phil. Seven Corp (7-Eleven)	1,208	Nationwide	Importers
Mini Stop (by Robinsons)	400++	Metro Manila and Luzon	Importers
Mercury Drug Corporation	900+	Nationwide	Importers
Family Mart (by Rustan's)	55	Metro Manila	Exporters Indentors lmporters.
Mightee Mart (convenience store)	22	Metro Manila	Importers
San Miguel Food Avenue (by San Miguel Foods Inc.)	58	Nationwide	Importers

B. Traditional Retailers

In the Philippines, "sari-sari" stores (a.k.a. "mom & pop" stores) dominate the retail market. "Sari-sari" which means "variety", indicates the wide variety of basic food and grocery products that are essential to the household. Sari-sari stores are usually constructed as an extension of the owners' house. The absence of chained supermarkets and convenience stores in some provincial areas highlights the importance of mom & pop stores which are the primary source of packaged food products, home care, and beauty and personal care. Their dominance in rural areas is due to geographical convenience, intimate customer service and payment flexibility that allows short-term credit to regular neighborhood patrons.

Mom & pop stores are important in serving the needs of lower and middle-income consumers. With a huge proportion of buyers who are still living on or below the minimum wage, mom & pop stores are the most convenient for customers with seasonal or daily income to buy in small quantities and purchase on credit.

In 2013, sales of sari-sari stores are estimated to reach more than $26 billion, accounting for 64 percent of total food retailers in the country.

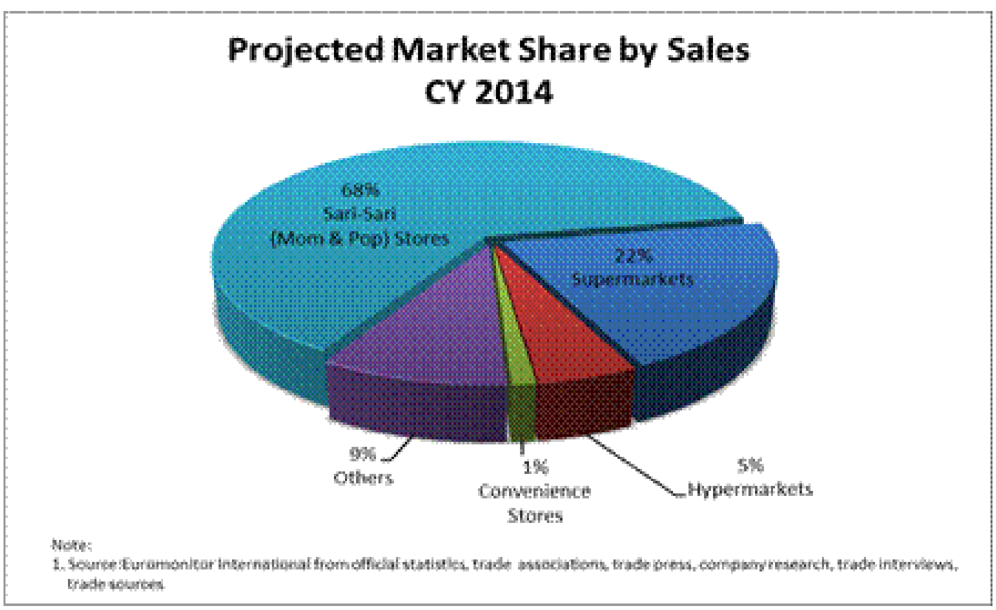
Another type of a traditional food retailer is the wet market. Wet markets are located in every town or municipality. Items offered in wet markets are grains, fresh produce such as meat, fish, chicken, fruits and vegetables which are comparatively lower in price than those in supermarkets or groceries.

While many Filipino consumers still shop at wet markets for fresh vegetables and meat, many are shifting to supermarkets because of convenience, cleanliness and food safety factors.

C. Other Retailers

Other retailers include shops which specialize in selling drinks and tobacco. These specialty retailers are very few and often cater to upscale patrons. Low-priced and mid-priced drinks and tobacco are often sold in sari-sari stores, supermarkets and hypermarkets.

Chart 3 - Philippine Food Retail Market Shares by Channel



Food retail in the Philippines is expected to increase by five to seven percent in 2014 as more and more outlets are emerging according to the Philippine Association of Supermarkets, Inc.

Trends in Distribution Channels

Importer/distributors are in direct contact with big supermarkets, hyper-marts and wholesale clubs. Smaller stores, such as "mom and pop" or sari-sari stores are handled by agents or middle men. It may also be noted that there are big distributors which employ sub-distributors particularly for the rural areas or provinces. While this practice reduces the distributor's mark-up, it increases their sales volume.

Although infrastructure has improved, there is a long way to go for improvement. Traffic in urban areas, particularly in Metro Manila increases distribution cost. Communication between supplier and retailer has also improved. Major retail supermarket chains have already computerized their operations from front to back-end operations.

Trends in Services Offered by Food Retailers

Retailers are now responding to the increasing awareness of health and nutrition among consumers. Robinsons Supermarket, for instance seeks to educate and empower its customers on their choice of foods and products to promote healthy living and proper nutrition through their “Eat Well Spend Less” campaign. Its “Health and Wellness” section, groups foods and products according to their health benefits. It also conducts health-related activities like Fit and Wellness Buddy Run and Wellness and Nutrition Festival.

Neighborhood convenience stores have incorporated fast-food services where customers can enjoy the convenience of eating freshly prepared fast food in the store’s dine-in area. Robinson’s Retail Group introduced this combo-store format concept when they opened Mini-Stop. SM, Rustan’s and Pure Gold ventured into the neighborhood convenience store arena which is a scaled down version of its supermarket (SM Save More, Wellcome Supermarket, and Puregold Extra) but still offers a complete line of grocery products.

Online grocery shopping remains non-existent in the Philippines. Filipinos prefer to personally buy groceries on weekends with the family or during weekdays after work.

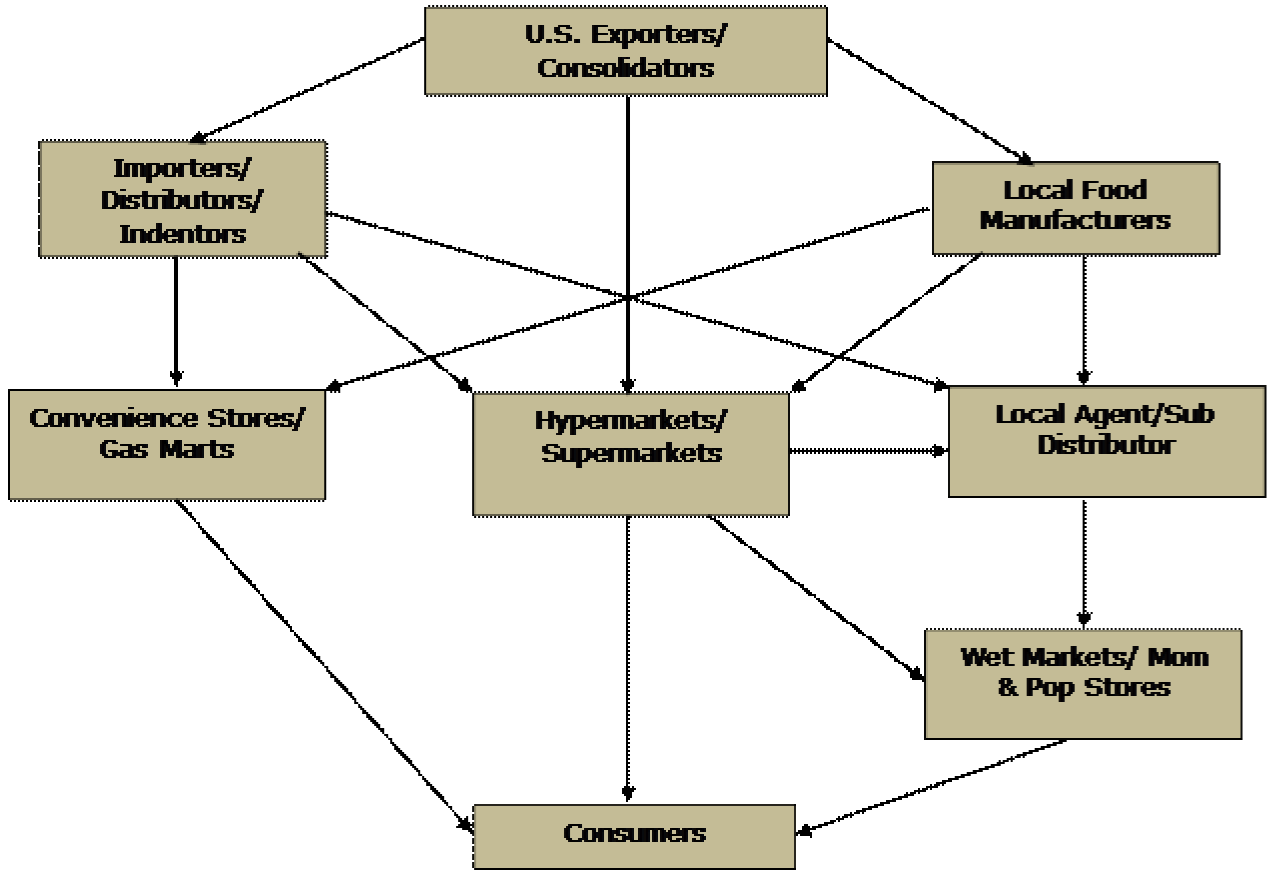
Promo sales are usually offered during payday and special holidays like Christmas. Mailers that contain information on product promotions and new products are also promoted among the consumers. Other promotions and services include the "buy one take one promo", free gift items for purchase of particular products and accumulating points and earning gifts and rewards for purchases.

Table 5 - Advantages & Challenges of the Retail Food Sector

Advantages (Sector Strengths)	Challenges
The Philippines is a mature and growing market for U.S. food, beverage and ingredient products with export sales of $ 1 billion in 2013.	Stiff competition with other countries including New Zealand, China and Australia
Filipinos have strong preference on U.S. food, beverage and ingredients products.	U.S. products are not always price-competitive as compared to imports from other countries especially those products from ASEAN countries.
Philippine consumers perceive U.S. brands to be safe and of high quality.	Delivery/Availability of products requires large inventories
Proliferation of malls encourages further expansion of food retail establishments leading to more demand of imported food items	Food retail markets demand high slotting fees per SKU of products and year-round marketing support which place a big burden for the new-to-market U.S. exporter.
Opening of modern retail markets provides customers with more alternatives of local and imported products	Local markets prefer smaller retail packs due to affordability
Modern retail markets are expanding allowing more Philippine consumers to have access to new imported products.	Availability of most imported products are concentrated in Metro Manila and major key cities only.
Growing middle class means more disposable income spent on high-value products	Value-for-money remains the most significant influence of Filipino's purchase decisions.
Demand for healthy and gourmet foods is increasing.	Gourmet and healthy foods are more expensive.
Fast pace of modern living leads to more demand of convenience foods	Food and beverage products at convenience stores are sold at a premium price, 10-20% higher than those sold in the supermarkets

III. Road Map for Market Entry

A. Market Structure



B. Entry Strategy

1. Supermarkets, Hypermarkets and Warehouse Stores

U.S. exporters who wish to supply food products to local food retailers may prefer to have an exclusive importer/distributor or engage the services of a trading firm in order to enter the market instead of putting up a local company in the Philippines. These importers or trading firms usually have their own distributors and sometimes act as distributors themselves. This strategy will eliminate the inconvenience of having to register a local company and hire personnel which could be expensive in the long run. Importer/Distributors are also typically well-versed on local customs and import paperwork issues, freeing the exporter from having to deal with these.

Large retail stores usually have many suppliers which include local manufacturing companies or their distributors, trading firms or importer/distributors. There are, however, retailers who direct import some products themselves, although sourcing from importers/distributors is the most common and preferred practice in the industry. These retailers normally have a central receiving, warehousing and distribution center.

1. Convenience Stores and Gas Stores

Convenience stores in the Philippines are usually a chain of stores operated by one parent company. Exporters who would like to supply to convenience stores are advised to appoint an importer/distributor. Importers/distributors who distribute to big retailer stores also distribute to convenience stores or gas marts. However, the products for distribution in convenience stores and gas marts are basic necessities to consumers; otherwise, fast turnover of the product is not guaranteed.

Distributors must contact the head offices of the convenience stores and offer to be a supplier. These distributors may be distributors of Importers/Distributors or distributors of big manufacturing firms.

2. Traditional Retail Markets (i.e. Mom & Pop" and Wet Markets)

Exporters have difficulty entering the "Mom & Pop" stores since these markets mainly concentrate on selling small packaged food items and essential household items on low margins. "Mom & Pop" stores usually source their products from Supermarkets, Hypermarkets or Warehouse Stores. Distributors of local food manufacturers also supply to "Mom and Pop" stores.

Similar with the "Mom and Pop stores", penetrating the wet market would be challenging for exporters since most imported products available in wet markets only include fresh fruits such as apples, table grapes and oranges that are sourced from local wholesalers and distributors. Limited varieties of imported canned fruits and vegetables are occasionally available, like during Christmas and Chinese New Year. It is to be noted that retailers in wet markets occupy stalls that average to 4-6 square meters. Wet market retailers are not expected to become a significant retailer of imported food products, other than for fresh fruits and vegetables. Traditionally, wet markets are the main source of fresh produce and meat purchases.

C. Regulatory Systems and Import Requirements

For detailed information regarding standards and regulations for importing food and agricultural products into the Philippines, please refer to the report entitled **"Philippines: Food and Agricultural Import Regulations and Standards – Narrative"** also available on-line through the FAS homepage at www.fas.usda.gov .

D. Exporter Business Tips

- Filipino businessmen value trust and personal relations. U.S. exporters are encouraged to maintain close contact with their Philippine importers. Regular market visits are favored by Philippine importers and regarded as a show of support.

- Some Philippine importers maintain buying offices in the United States and consolidate their shipments through third-party consolidators on the West Coast.

- Exclusive distributorship agreements are preferred by Philippine importers. U.S. exporters can work with one or several importers provided the market coverage of each importer is properly identified.

- Only a few retail supermarkets have the capacity to import directly.

- Philippine food regulations and standards generally follow the U.S. Food and Drug Administration. All food products must be registered with the Philippine Food and Drug Administration. Imported products may be registered only by a Filipino entity (importers). Products from the United States do not require special labeling and may be sold in the Philippines in the same commercial packaging.

- U.S. exporters are advised to require payment of goods via letter of credit, especially for initial transactions. Credit terms may be extended to the importer after conducting a thorough background and credit investigation, and after payment habits have been established.

- There are no distribution hubs. It is key to identify importers that can distribute to the three major cities (Manila, Cebu and Davao). Most importers distribute while some appoint distributors.

- General Pricing Structure

From Landed Cost (CIF + Duties & Taxes)

- Add 30 percent to arrive at the wholesale price for food service customers
- Add 20-40 percent to arrive at the price for retail supermarkets
- Supermarkets add a 6-15 percent mark-up to arrive at the price sold to end-consumers

- Credit Terms

  - For retail, products are mostly on a consignment basis. Importers collect payment after 30 days. For products purchased on an outright basis, retailers demand 60-90 days credit terms from importers.
  - The foodservice industry, hotels and restaurants request for 30-60 days credit.
  - The food manufacturing industry requests 30 days credit.

  - Retailers demand high slotting fees (about $120 per stock keeping unit or SKU) + year-round marketing support ($1,000-$2,000 per annum). U.S. exporters should, as much as possible, support marketing and promotional efforts.

  - Filipino consumers generally prefer smaller packaging sizes.

  - Due to insufficient cold chain infrastructure in the Philippines, products should be packed to withstand extreme heat and humidity.

  - The high cost of inter-island shipping makes imported products more expensive in areas outside Manila.

  - The release of imported goods from Philippine Customs sometimes poses a challenge.

IV. Retail Food Sector Best F&B Prospects

Domestically produced items account for about 80 percent of the total food supply with the balance being imported. According to interviewed retailers, an advantage of local food products is their availability. They have encountered problems with imported items in terms of delivery schedules, stock availability and pricing. However, they are still very optimistic with regards to the competitiveness of imported products. Some imported items even cost less than locally-produced ones. U.S. products are very popular and have great appeal to Philippine consumers. They are perceived to be of better quality compared to imports from other Asian countries.

U.S. remains as the top supplier of high-value consumer-oriented products in 2013 where fourteen out of 21 high-value products reached the highest export levels in 2013. These products include: dairy, pork, poultry, prepared food, fresh fruit, processed vegetables, beef & beef products, snack foods, chocolate and cocoa products, condiments and sauces, processed fruit, wine & beer, meat products, and egg & egg products.

Export of fresh potatoes is expected to increase as the Philippine government has allowed entry of U.S. fresh table-stock potatoes in 2013. Fresh potatoes are sold in supermarkets, hypermarkets, and wet markets.

Table 6 – U.S. Consumer Oriented F&B Exports to the Philippines

U.S. Consumer Oriented Food and Beverage Exports to the Philippines
CY 2009-2013 and Year-to-Date Comparisons
Value in Thousands of Dollars

Product	2009	2010	2011	2012	2013	Jan - Sep 2013	Jan - Sep 2014	Period/Period % Change (Value)
Consumer Oriented Total	**428,242**	**621,020**	**772,568**	**866,233**	**999,198**	**733,527**	**872,312**	**19**
Dairy Products	78,096	185,467	280,470	317,512	363,957	276,963	349,797	26
Pork & Pork Products	76,531	103,409	92,940	88,172	112,254	90,069	86,596	-4
Poultry Meat & Prods. (e.g. eggs)	43,443	55,118	73,227	89,231	83,056	59,352	69,879	18
Prepared Food	38,419	38,124	43,549	58,521	69,303	55,186	67,222	22
Fresh Fruit	32,787	31,254	41,868	50,859	60,566	27,204	33,512	23
Processed Vegetables	26,391	42,554	43,848	48,131	57,504	36,799	52,444	43
Beef & Beef Products	21,554	29,186	38,030	44,923	54,480	42,255	45,064	7
Snack Foods NESOI	23,692	26,193	33,993	38,186	43,703	32,029	39,739	24
Chocolate & Cocoa Products	24,833	25,544	31,524	34,765	40,014	29,286	33,437	14
Dog & Cat Food	12,704	15,009	19,056	22,370	25,691	19,715	21,454	9
Condiments & Sauces	10,326	10,185	13,571	14,182	17,284	13,206	15,417	17
Non-Alcoholic Bev. (e.g. juices)	6,012	18,296	14,737	13,174	15,628	11,379	10,993	-3
Processed Fruit	8,004	9,012	9,919	12,010	13,287	9,667	9,681	
Fruit & Vegetable Juices	6,719	7,756	7,949	8,313	9,650	6,806	9,050	33
Wine & Beer	7,423	8,068	8,116	7,970	9,537	7,542	7,686	2
Meat Products NESOI	4,459	4,781	5,272	5,621	9,459	5,706	7,778	36
Fresh Vegetables	1,565	4,364	5,873	3,377	5,416	4,369	4,896	12
Tree Nuts	2,670	4,532	4,922	5,490	5,028	3,696	4,770	29
Eggs & Products	1,619	825	2,064	2,197	2,248	1,546	1,502	-3
Breakfast Cereals	702	1,034	1,095	581	626	431	728	69
Other Consumer Oriented	294	310	546	648	507	321	668	108

Legend:
1. Orange Highlight: Denotes highest export levels since at least CY 1970
2. Red Outline: Denotes export sales in 2013 that has at least doubled since 2009
3. Blue Highlight: Expected to set new record level

Notes:
1. Source: U.S. Customs as reported in U.S. Department of Agricultural Trade System
2. Product Group : BICO-HS10

According to U.S. Customs statistics, the top 10 f&b product categories by value through September 2014 were: dairy products, pork & pork products, poultry meat & products, prepared food, fresh fruit, processed vegetables, beef & beef products, , snack foods, chocolate & cocoa products and condiments & sauces. Trade projects that same product categories will remain until the end of 2014. The top 10 f&b products that led the growth through September 2014 were summarized on the table below:

Table 7 – U.S. Consumer Oriented Top 10 F&B Exports to the Philippines

Top 10 Products by GROWTH in 2014 (in Thousands of Dollars)				
Rank	Products	Jan - Sep 2013	Jan - Sep 2014	% Growth
# 1	Breakfast Cereals	431	728	69
# 2	Processed Vegetables	36,799	52,444	43
# 3	Meat Products NESOI	5,706	7,778	36
# 4	Fruit & Vegetable Juices	6,806	9,050	33
# 5	Eggs & Products	3,696	4,770	29
# 6	Dairy Products	276,963	349,797	26
# 7	Snack Foods NESOI	32,029	39,739	24
# 8	Fresh Fruit	27,204	33,512	23
# 9	Prepared Food	55,186	67,222	22
# 10	Poultry Meat & Products (ex. Eggs)	59,352	69,879	18
Source: U.S. Customs as reported in U.S. Department of Agriculture Global Agricultural Trade System				

Trade projects continued growth in U.S. f&b exports in 2014 and beyond, with excellent potential for "gourmet", "healthy" and "convenience" products. Based on interviews with Philippine food retailers, the top growth prospects for U.S. high-value, consumer-oriented products are:

TOP PRODUCT PROSPECTS
Healthy, Natural & Organic Products
Gourmet Products
Beef
Lamb
Deli Meats and Cheeses
Snack Foods
Dips and Spreads
Tree Nuts
Wine
Instant or "Convenience Foods
Breakfast Cereals
Coffee Flavoring & Syrups
Preserved Fruits & Pie Fillings
IQF Fruits & Vegetables
Dried Fruits & Vegetables
Potatoes (Frozen, Dehy & Fresh)
Dairy Products

Notes:

1. “Gourmet”, “healthy” and “convenience” products are experiencing excellent growth and prospects, but are not defined by U.S. Customs.
2. The selection of top prospects is based on discussions with chefs, retailers and food processors.

V. Further Information & Assistance

FAS Manila is ready to help exporters of U.S. food and beverage products achieve their objectives in the Philippines. For further information or assistance in exporting U.S. agricultural products, 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) 301-2000
Email: AgManila@fas.usda.gov

References:

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4. Banko Sentral ng Pilipinas
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6. CIA World Fact Book
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8. CIA World Fact Book
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10. Global Trade Atlas