Required Report: Required - Public Distribution

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Report Name: Retail Foods

Country: Philippines

Post: Manila

Report Category: Retail Foods

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Report Highlights:

The Philippine food retail sector has grown 25 percent over the past five years, reaching approximately $50 billion in 2019. Since the start of the COVID-19 outbreak, consumers have been increasingly cooking food at home, driving a surge in purchases of local and imported food and beverage products from supermarkets and online portals. This unprecedented shift from food service to food retail has created opportunities for more U.S. food and beverage grocery products to enter the market. FAS Manila forecasts food retail sales in 2020 will reach $60 billion, up 20 percent from the previous year.

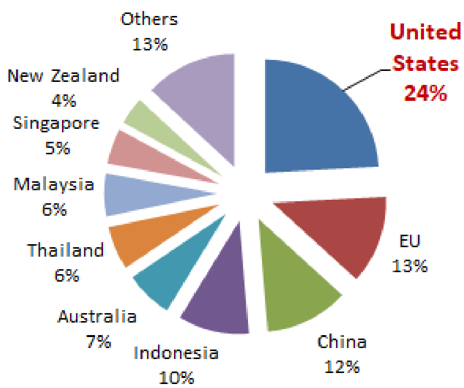
Market Fact Sheet: Philippines

Executive Summary

The Philippines is an emerging market with a service-based economy backed by what economists describe as a demographic sweet spot, and was set to become an upper-middle economy in 2020 prior to the COVID-19 outbreak. With a population of 109 million in a combined landmass the size of Arizona, opportunities for imported foods and beverages are already significant and continue to offer strong potential for growth into the future.

Imports of Agricultural Products

The United States is the Philippines' largest supplier of agricultural products with a 24 percent market share. In 2019, the Philippines ranked as the ninth largest market in the world for U.S. agricultural products with export sales amounting to $2.89 billion, almost the same level as the previous year. 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 Retail Sector

Sales of the Philippine food retail sector in 2019 amounted to about $50 billion, with modern retail accounting for half the total. Retailers with strong digital presence are likely to fare better in 2020 as consumers move towards E-commerce since the start of the COVID-19 outbreak.

Food Service Sector

Primarily driven by the expansion of shopping malls and commercial centers nationwide, Philippine food service sector sales rose to $15 billion in 2019. Western-style chains have deep penetration across the urban areas of the Philippines. Dining out is an important aspect of Filipino family bonding and celebrations, but heavily affected by COVID-19. With consumers shifting away from restaurants to cooking food at home, traders estimate about 70 percent of the food service sales ($10 billion) will go to the food retail sector by the end of 2020.

Philippines: Quick Facts CY 2019

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 (GDP)

GDP: $356 billion — GDP per capita: $3,104
GDP growth rate: 5.9% — GDP per capita PPP: $9,470

Agricultural & Related Trade

Exports: $7.4 billion — Imports: $13.5 billion

Imports of Consumer-Oriented Products: $6.4 billion

- Food preparations
- Beef
- Dairy products
- Coffee
- Pork
- Candy & confectionery
- Apples
- Poultry
- Sauces, condiments & seasonings
- Frozen potatoes

Top Fast Food Chains

- Jollibee
- McDonald's
- Mang Inasal
- Chowking
- Shakey's
- KFC

Top 5 Supermarkets

- SM Markets
- Puregold Price Club
- Robinsons Supermarket
- Rustan's Supermarket
- Metro Supermarket

Top 5 Convenience Stores

- 7-Eleven
- Mercury Drug
- Ministop
- Alfamart
- All Day

Traditional Retail: more than 42,000 public markets and 1.3 million micro retail stores nationwide

Sources: Euromonitor, Global Agricultural Trade System, International Monetary Fund, The World Factbook, Trade Data Monitor, FAS Manila research

Strengths	Weaknesses
Consumers are familiar with U.S. brands and regard U.S. food and beverage products 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 (21 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.

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I. MARKET SUMMARY

Since the start of the COVID-19 outbreak, a growing number of middle- to upper-income consumers has been shifting to home delivery of grocery items. Modern retailers are ramping up efforts to strengthen their digital presence and take advantage of this growing trend. To lessen the movement of people, local governments have deployed farm-to-market rolling stores in middle and upper income areas. Lower-income consumers still opt to buy from mom and pop stores that sell low-priced packaged food products and other cooking ingredients, and from traditional wet markets that sell meat, poultry, seafood, fruits, and vegetables at ambient temperature. For an overview of the COVID-19 situation in the Philippines, see the June 2020 Grain and Feed report.

See the Philippines Country Commercial Guide for additional information on the country's political and economic environment.

Types of Retailers in the Philippines

Type	Definition
Supermarket	A selling area between 400 square meters and 2,500 square meters with about 70% devoted to food and everyday goods that is usually located inside shopping malls, department stores, or within a commercial complex.
Hyper Markets	A department store and supermarket hybrid with a selling area of at least 2,500 square meters, 65% of which is allocated for food products; non-food items offered include furniture, appliances, clothing, etc.
Convenience stores (including gas marts)	A small store with an area of 150–300 square meters that operates longer hours; mostly found in condominiums, beside gasoline stations, near corner streets, or near a business process outsourcing (BPO) office that operates around the clock; offers ready-to-eat meals and has limited lines of foods, beverages, and personal care items.
Warehouse Clubs	A supermarket and warehouse hybrid that sells goods in bulk to small businesses and consumers, usually exclusive to members that pay a one-time joining fee.
Sari-Sari Stores (Mom & Pop)	Small neighborhood stores that sell basic goods, such as rice, instant noodles, cooking oil, salt, sugar, etc. Usually built in front of or beside the owner's house.
Wet Markets	Sells basic goods, meat, poultry, fish, vegetables, and fruits kept in ambient temperature.

Key Players

Three supermarket chains dominate the Philippines food retail scene, but account for only 20 percent of total sales due to most purchases continuing to occur at traditional retail establishments. SM Markets is the market leader, followed by PureGold, and Robinsons. Other supermarket chains include Metro Retail, Super8, WalterMart, AllDay Supermarket, and warehouse clubs such as S&R Membership Shopping and Landers Superstore. FAS Manila this year commissioned a report on the Philippine chicken sector, which includes an in-depth section on the major food retailers. Read the full report here for more information.

Store Name / Company	No. of Outlets	Locations	Website
Landers Superstore (hypermarkets)	5	Manila & Cebu	https://www.landers.ph/
Phil. Seven Corp/ 7-Eleven	2,700	Nationwide	www.7-eleven.com.ph
Puregold (warehouse-type, hypermarkets & supermarkets)	380	Nationwide	https://www.puregold.com.ph
Robinsons Supermarket (supermarkets, express stores, and convenience stores)	500+	Nationwide	www.robinsonssupermarket.com.ph
Rustan's Supercenters (supermarkets, express stores, and neighborhood stores) *Recently acquired by Robinsons Retail Holdings	75	Nationwide	https://rustansfresh.com
S&R Membership (warehouse-type)	20	Nationwide	http://www.snrshopping.com/
SM Markets composed of SM, WalterMart, Alfamart, and Savemore (hypermarkets, supermarkets & convenience stores)	1189	Nationwide	https://smmarkets.ph

Growing Online Landscape

While online grocery stores and delivery platforms have been around for a while, only recently did Filipinos consumers embrace its features to cope with COVID-19 social distancing measures. Based on interviews with the key players, 25 to 30 percent of their shoppers have shifted to online platforms and they foresee more will move in the coming months as user interfaces are improved, out of stock situations are addressed, and delivery times are shortened. Below are links to the key players' online presence:

Landers offers same-day delivery service exclusive to its members. The delivery fee is waived when a minimum order amount is reached.

LazMart and **Shopee Mart** are the online grocery stores of Lazada and Shopee, the top e-commerce platforms in the region. Orders are fulfilled and shipped directly from their respective warehouses. There is an S&R Official Online Store in Lazada's LazMall where consumers can buy groceries and exclusive products online even without an S&R membership.

MetroMart has a comprehensive list of partner stores, including Deli Quality Gourmet, Family Mart, Pet Express, Robinsons Supermarket, Rustan's Supermarket, S&R, and Ralph's Wines and Spirits. Consumers can order from multiple stores and state their preferred delivery time. The platform received a 300 to 400 percent increase in demand during the height of Metro Manila's COVID-19 community quarantine where only one person per household was allowed to go out to buy food and basic necessities[1].

Puregold mobile app allows consumers to click-and-collect from ten branches.

SM Markets Online and **WalterMart Delivery** are the online portals of SM Supermarket and WalterMart Supermarket. Consumers can choose to have groceries delivered, or bagged and ready for pick up at the nearest branch.

Advantages and Challenges

The following summarizes U.S. "Advantages" (supplier strengths and Philippine market opportunities) and "Challenges" (supplier weaknesses and competitive threats):

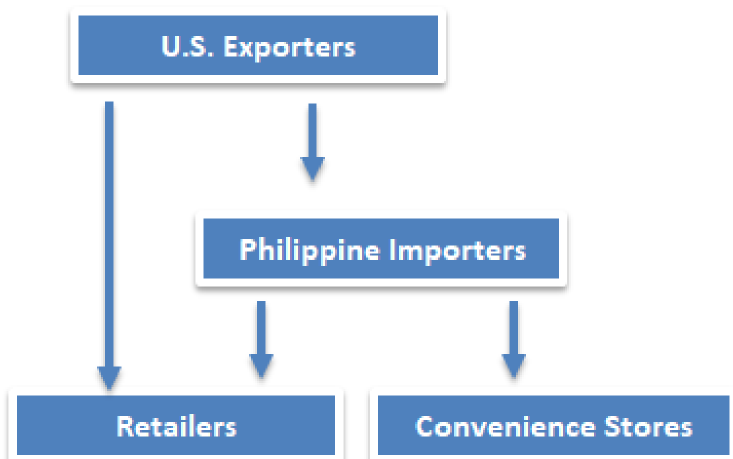
Advantages	Challenges
The Philippines is a mature and growing market for high value U.S. food and beverage products with export sales of US$1.1 billion in 2019.	Traditional outlets continue to dominate the majority of food retail sales with only limited opportunities for imported food and beverages within them.
Consumers have a strong preference for U.S. culture, including food and beverage products.	Fifty-three percent of the population[2] or 58 million people still live in rural areas with very

[1] CNN Philippines. (2020, April 13). MetroMart Philippines CEO and co-founder @Stefanofazzini: We receive around 300 to 400 percent increase in demand, with items ranging from beverages, alcohol, baby products, other basic necessities [Twitter post]. Retrieved from https://twitter.com/cnnphilippines/status/1249464727572377600
[2] CIA World Factbook (July 2019 estimate).

They perceive U.S. brands to be safe and of high quality.	limited access to imported food and beverage products.
Growing demand for "healthy," organic, gourmet, and convenience foods.	Stiff competition with other countries including New Zealand, China, and Australia.
The Philippine applied MFN tariffs are among the lowest in the region and often close to the preferential rates offered to U.S. competitors.	U.S. products are not always price-competitive compared to other countries especially ASEAN.
Real steps being taken to improve the regulatory environment, including through the Ease of Doing Business Act.	Consumers look for value-for-money and prefer to buy smaller retail packs for affordability.

II. ROAD MAP FOR MARKET ENTRY

A common entry strategy for new-to-market U.S. exporters is to work with Philippine importers. Most of the importers are based in Metro Manila and manage their own distribution, while others appoint independent distributors to cover the country's key provincial areas. The importers are typically well-versed on the import requirements. While some supermarket chains have the capacity to import directly, they demand exclusivity on the brands they import which eventually limits the brand's potential to grow in the market. Convenience stores do not import directly; likewise, selling through an importer is the key entry strategy for this channel.



Please see Section II – Exporter Business Tips of the Exporter Guide. For guidance on customs clearance, required documents, labeling requirements, etc., please consult the most recent FAIRS report. The reports can be found at https://www.fas.usda.gov/regions/philippines and https://gain.fas.usda.gov/

Trade Shows

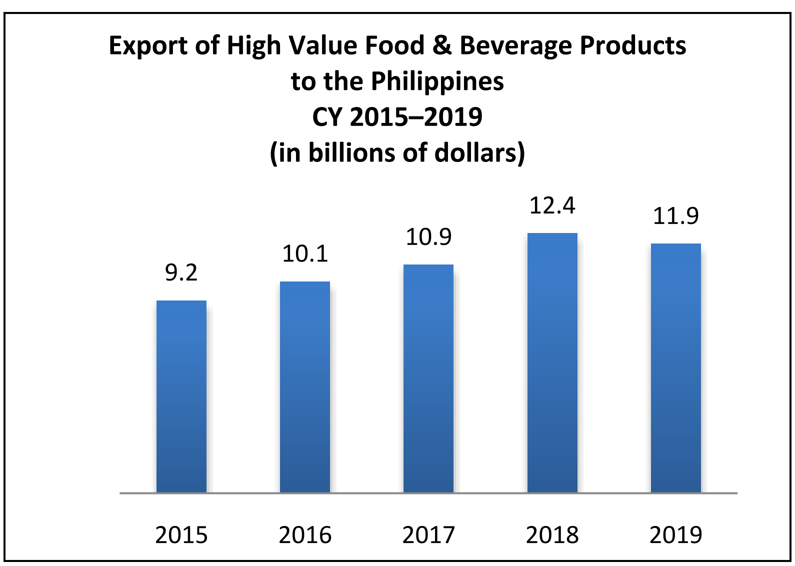
U.S. exporters are advised to participate in major trade shows. While all physical trade shows scheduled in 2020 have been canceled, a list is provided below for planning purposes.

Trade Show	Description	Location
International Food Expo usually held in May http://www.ifexphilippines.com/en/	Ethnic, specialty, natural, organic, and healthy food products	Manila
Manila Foods and Beverage Expo usually held in June http://www.worldbex.com	Trade and consumer show for food, beverage, and ingredient products	Manila
World Food Expo usually held in August http://www.wofex.com/	Trade and consumer show for food and beverage products, and food processing equipment	Manila
Food and Drinks Asia usually held in September http://www.foodanddrinksasia.com.ph	Specialty food, delicatessen, confectionery, beverages, beers, wines, and spirits	Manila
Asia Food Expo usually held in September http://www.afex.com.ph/	Food processing equipment and technology	Manila

U.S. exporters are advised to contact their respective Regional Associations & Trade Groups to obtain additional support.

III. COMPETITION

The United States is the largest supplier of high value food and beverage products to the Philippines with a twenty-four percent share of the market, followed by the EU (13 percent), China (12 percent), Indonesia (10 percent), and Australia (7 percent). While domestically produced items account for about 80 percent of the total food supply, traders remain optimistic that sales of imported products will continue to grow because they offer variety and consumers view U.S. products in particular as superior in quality.



IV. BEST PRODUCT PROSPECTS

Top Products	
From the World	**From the United States**
Breads, cakes, pastries, waffles, and wafers	Apples, strawberries, and table grapes
Candies and confectionary	Baking pre-mixes
Coffee and creamer	Baked goods and snack foods
Condiments, sauces, and seasonings	Cheese
Garlic	Craft beer and wine
Frozen meat products	Dog food
Frozen seafood products	Dried fruits and nuts
Processed fruit and vegetable juices	Frozen meat and poultry products
Mandarins	Frozen fruits and vegetables
Milk and cream	Tomato paste and sauces

Products with Good Sales Potential
Beverages: fruit and vegetable juices, craft beer, spirits, wine
Condiments and sauces
Dairy: gourmet cheese products, yoghurt, ice cream
Dried and processed fruits: cranberries, raisins, prunes, wild berries
Fresh fruit and vegetables: apples, blueberries, grapefruit, pears, potatoes, strawberries, table grapes
Frozen meat and poultry: cuts and processed products
Frozen seafood: Crab, salmon, scallops, shrimps, tuna, and other seafood products
Frozen fruits and vegetables
Nuts: Almonds, peanuts, pecans, pistachios, walnuts
Other processed products: baked goods, canned meat, canned seafood, health food, snack foods

V. FURTHER INFORMATION AND 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 us at AgManila@usda.gov

FAS Manila publishes other market and commodity reports available through the Global Agricultural Information Network (GAIN) at https://gain.fas.usda.gov/.

Attachments:

No Attachments