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Report Name: Retail Foods

Country: Philippines

Post: Manila

Report Category: Retail Foods

Prepared By: Marie Christine Del Castillo

Approved By: Mark Hanzel

Report Highlights:

The easing of pandemic mobility restrictions and the recent national elections boosted food and beverage retail sales. Though the sector failed to sustain growth last year, key retail companies remain confident about growing the market in 2022. Post estimates the retail food sector will achieve six percent growth this year. Despite shipping challenges, the United States remains the largest exporter of food and beverages. Post forecasts U.S. food and beverage exports to grow eight percent in 2022 with strong opportunities for milk, cheese, meat, poultry, baked products, fruits, vegetables, wine, and pet food.

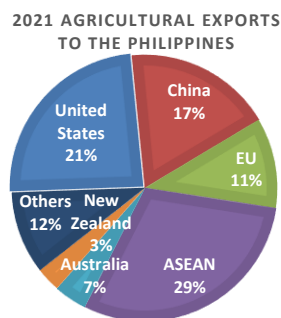
MARKET FACT SHEET: PHILIPPINES

MARKET OUTLOOK

The Philippines is on track to re-emerge as an upper-middle-income country in 2022, as the economy is poised to reach pre-pandemic levels. Post forecasts a six percent GDP growth this year driven by improving economic conditions and reduced government COVID-related restrictions.

AGRICULTURAL EXPORTS TO THE PHILIPPINES

The Philippines ranked as the seventh-largest U.S. agricultural export market in 2021, reaching a record \$3.55 billion. Post estimates an additional eight percent growth in 2022, with the United States remaining the largest single-country exporter to the Philippines.



Source: Trade Data Monitor

FOOD PROCESSING SECTOR

With boosted capacity and production of food and beverage manufacturers, FAS Philippines forecasts growth for the food processing sector in 2022. Continued household spending and purchasing by manufacturers will further propel the industry this year.

RETAIL FOOD SECTOR

Post estimates retail sales to improve in convenience stores, grocery stores, hypermarkets, and warehouse clubs in 2022 through increased consumer mobility, spending, and higher employment rates. Easing of mobility restrictions, enhanced online services and continued pantry-loading will also boost retail sales.

FOOD SERVICE SECTOR

After drastic declines in food service sales due to COVID-related policies, Post expects the sector to partially rebound in 2022, together with the easing of restrictions. Challenges remain from hiring employees, operational and supply chain disruptions, and other issues.

Philippines: Quick Facts CY 2022

Demographics

113 million population (Jan 2022 est.)
 1.63% population annual growth (Dec 2021 est.)
 52% under 24 years old & median age of 24 years old
 48% urbanization rate
 12% resides in Metro Manila - capital city
 76% speaks English & 98% literacy rate

Gross Domestic Product (GDP)

GDP: \$428 billion (est.) GDP per capita: \$3,859 (est.)
 GDP growth rate: 6% (est.) GDP PPP: \$1,110 billion (est.)

Agricultural & Related Trade (2020)

Exports to PH: \$12.9 billion PH Exports: \$7.8 billion

Consumer-Oriented Agricultural Products:

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

Key Fast Food Chains

[Jollibee](#), [Mc Donald's](#), [Chowking](#), [Shakey's](#), and [KFC](#)

Key Supermarkets

[SM Supermarket](#), [Robinson's Supermarket](#), [Puregold Price Club](#), [Metro](#), [Gaisano](#), and [Landmark](#)

Key Convenience Stores

[7-Eleven](#), [Alfamart](#), [Ministop](#), [Familymart](#), [All Day](#), and [Lawson](#)

Key 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](#), and FAS Manila research

Strengths	Weaknesses
Strong preference for U.S. ingredients and perceived higher standard and quality	High cost of shipping freight and higher tariffs compared to Asian countries
Opportunities	Challenges
A newly industrialized country with a young, tech-savvy, working-age population, and robust domestic demand	Inflation and escalation of logistical costs

SECTION I. MARKET SUMMARY

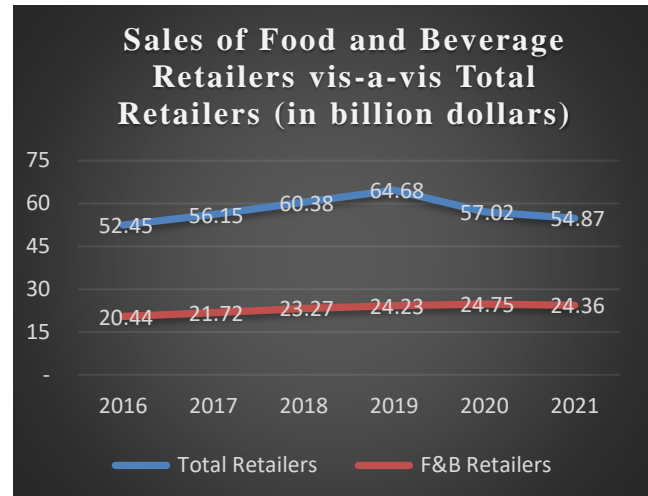
With loosened quarantine protocols and the economy boosted by the recent national elections, FAS Philippines estimates a six percent sales growth in the food and beverage industry for 2022. Despite global supply and logistical challenges, demand for U.S. food and beverages remains strong. With improved market access, Post forecasts eight percent growth for U.S. food and beverage exports this year.

Given the pandemic challenges, food and beverage retail stores failed to sustain growth in 2021. While striving to ensure safety and prevent a surge in COVID-19 cases, the government has slowly reopened the economy to allow operations and businesses to recover through easing of mobility restrictions.

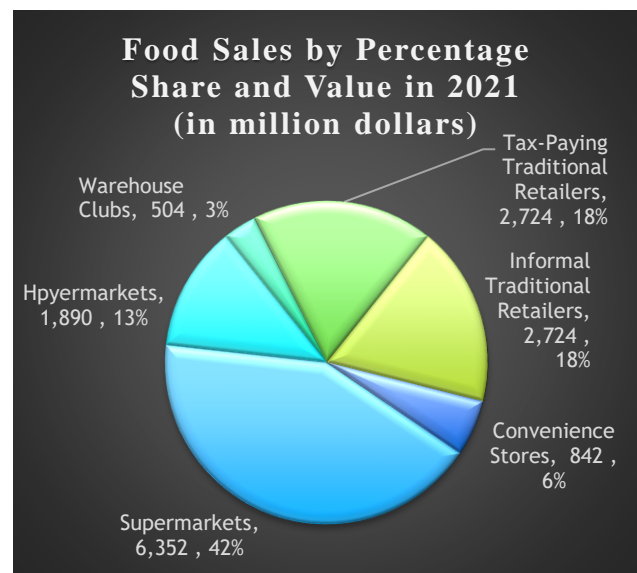
Improved employment rates and wages coupled with the resumption of face-to-face school classes and on-site work contribute to the increase in purchases of food and beverages. Some consumers have slowly shifted to buying from brick-and-mortar food retail stores. Other retail stores supplying restaurants have gained sales as more consumers resume dining in restaurants in the city and traveling out of town.

Household Final Consumption Expenditure grew ten percent in the first quarter of 2022 versus the last quarter of 2021. The upper-class and the growing middle-income consumers largely contributed to the food and beverages expenditure. The majority of the population, however, engaged in thriftier spending, sometimes resorting to low-cost products.

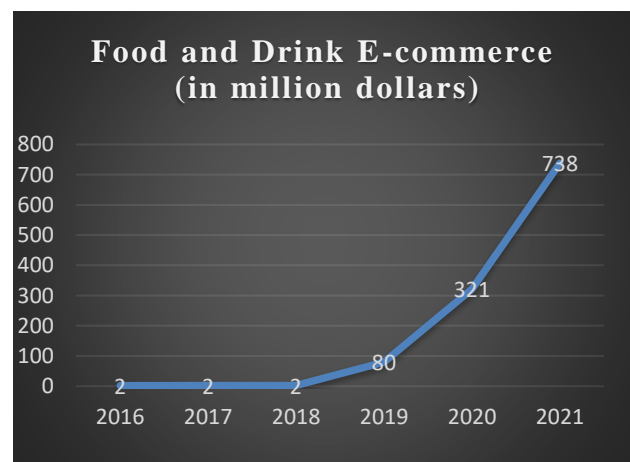
Prices of products continue to rise due to elevated input costs, an effect of higher inflation.



Source: [Euromonitor International](#) and FAS Research



Source: [Euromonitor International](#) and FAS Research



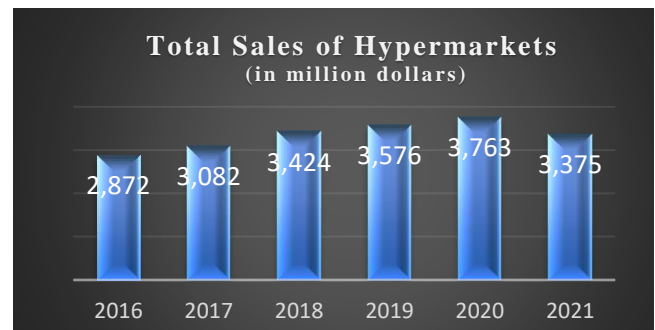
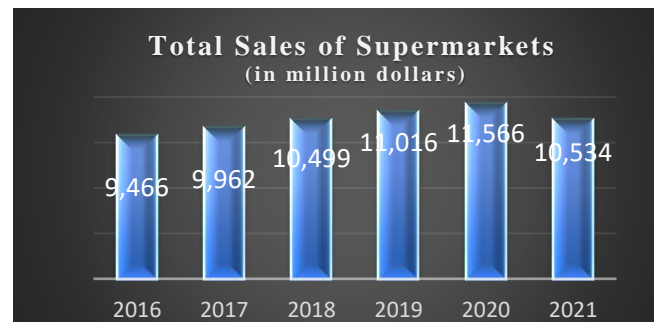
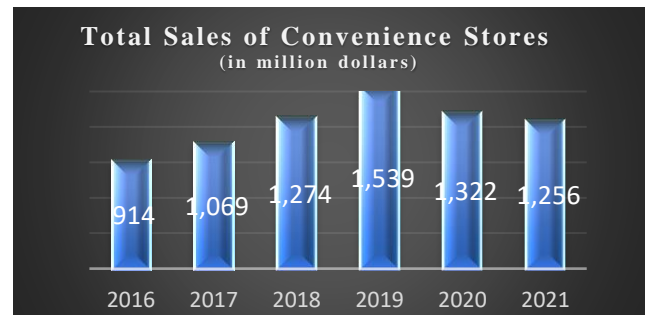
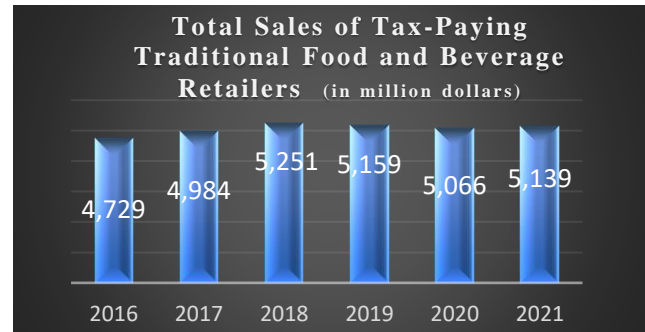
Source: [Euromonitor International](#) and FAS Research

According to the [National Economic and Development Authority](#), food and non-alcoholic beverages registered 4.9 percent inflation in May, a 22 percent increase from April, and a 2.8 percent year to date increase. To counter the rising cost of food products, the Department of Trade and Industry releases [suggested retail prices](#) to help consumers check prices.

Despite tougher competition among retail chains, key players exhibit growth through providing good service, cleanliness, and product variety to address new buying behaviors. Conversely, small-scale businesses struggle with low foot traffic, skeletal workforce, shorter operating hours, leasing fee contracts, inadequate cash flow, and supply issues. Several small-scale online resellers and entrepreneurs have closed their businesses.

Community stores, such as convenience stores and deli shops, continue gaining sales and customers by providing safety and convenience. [AllDay](#) offers significant discounts and 24/7 deliveries to nearby villages, while [Santi's Delicatessen](#) provides dedicated mobile numbers per store for ordering and pick-up arrangements.

More consumers shifted from traditional retailers to modern retailers offering more dependable supply and convenience through e-commerce. The robust growth in e-commerce sales persists as retail stores continuously enhance online services. Modern retail stores tap households through improved digital marketing presence. More stores use third-party platforms such as Lazada, Shopee, GrabMart, and Metromart while transitioning consumers to their platform, i.e., [S&R](#).



Source: [Euromonitor International](#)

IMPORT REGULATIONS

Please access the [Philippines: FAIRS Annual Country Report](#) for information on importation procedures.

ADVANTAGES AND CHALLENGES

ADVANTAGES

CHALLENGES

- The recent national elections boosted the economy, improving consumer confidence and household spending.	- Global shipping issues such as congested ports and limited availability of containers contribute to rising retail prices and supply chain delays.
- Food and beverage retailers continue to expand in residential areas and provinces.	- The Russia-Ukraine war disrupted the supply of wheat and oil products, with near record-high prices, affecting grocery items, e.g., bread, noodles, pasta, biscuits, pastries, and snack foods.
- Premiumization trends continue. Imported food brands offering more product value and healthier options remain in demand for the upper-class and the growing middle-class consumers.	- With Russia as a significant supplier of coal, oil, and gas, global shipping and other transportation costs escalate. Heightened inflation and increased transportation costs contribute to higher retail prices of food and beverages.
- Government efforts to boost e-commerce, coupled with 75 percent of households having access to mobile internet make the Philippines a fast-growing retail e-commerce market.	- Low foot traffic continues to limit growth for food and beverage retailers near schools and offices.

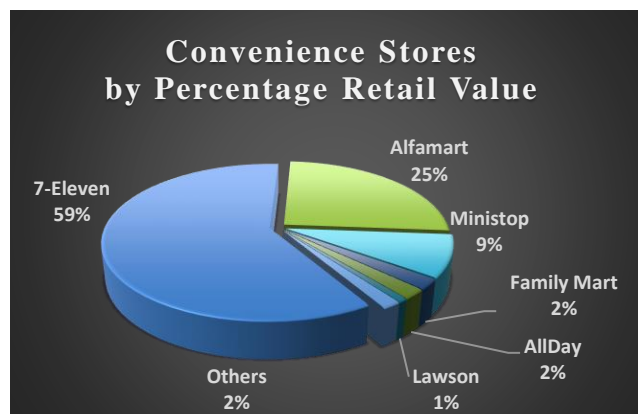
SECTION II. ROAD MAP FOR MARKET ENTRY

ENTRY STRATEGY AND MARKET STRUCTURE

The [Exporter Guide](#) and the [Philippines Country Commercial Guide](#) provide market entry strategies and information on the country's economic and political environment. Exporters will benefit from participating in upcoming face-to-face trade events outlined in Section V.

CONVENIENCE STORES

Some convenience stores directly import products in significant volumes. Headquarters offices in Manila purchase for stores across the country. Food sales from two-thirds of total sales are estimated to reach one billion dollars in 2021. While 7-Eleven leads market sales, other stores such as Alfamart gained share through expansion in rural areas.



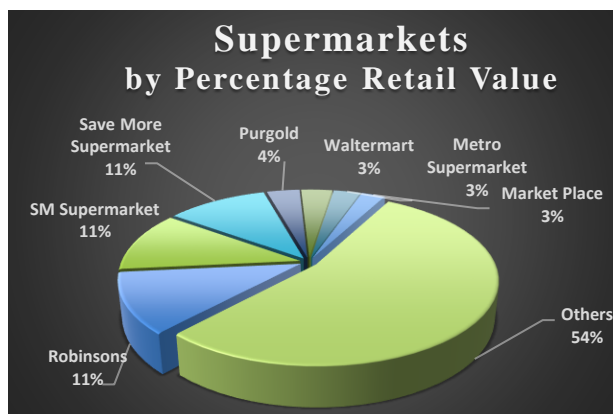
Key Convenience Stores (by Sales)	Sales in Million Dollars*	Number of Stores
1 7-Eleven	717	3,024
2 Alfamart	306	1,140
3 Ministop	105	516
4 Family Mart	25	77
5 AllDay	24	72
6 Lawson	10	71

Source: [Euromonitor International](#)

*Note: Sales are derived from the percentage of brand share. Forex rate \$1=P50

SUPERMARKETS

Supermarket chains led by SM and Robinsons Retail import directly and with exclusivity on some products. SM Supermarket and Save More gained market share while others declined. Leading supermarkets expanded stores, especially in the provinces. Food sales contribute approximately 60 percent of total sales, totaling an estimated ten billion dollars in 2021.



Key Supermarkets (by Sales)	Sales in Million Dollars*	Number of Stores
1 Robinsons Supermarket	1,164	151
2 SM Supermarket	1,163	63
3 Save More Supermarket	1,082	217
4 Puregold	354	100
5 Waltermart Supermarket	334	77
6 Metro Supermarket	292	45
7 Marketplace	253	40

Source: [Euromonitor International](#)

WAREHOUSE CLUBS

Warehouse clubs sell mostly imported brands representing 70 percent of the stores' total sales. Some consumers prefer warehouse clubs offering American brands, various imported selections, bulk purchases, and discounts. Stores can directly import products, requiring sampling and exclusivity from exporters. S&R opened new stores along with recently providing an in-house online platform. Warehouse club sales totaled an estimated one billion dollars in 2021, with half attributed to food and beverages sales.



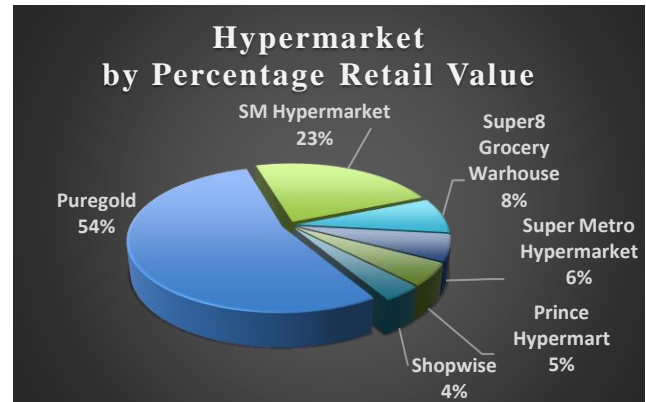
Key Warehouses (by Sales)	Sales in Million Dollars*	Number of Stores
1 S&R	779	22
2 Landers	169	5

Source: [Euromonitor International](#)

*Note: Sales are derived from the percentage of brand share. Forex rate \$1=P50

HYPERMARKETS

While pantry-loading declined, the recovery of sari-sari stores (traditional small neighborhood stores) contributed to hypermarket chains gaining sales. The company's head offices directly arrange purchases of import products. Puregold aggressively expanded operations opening 24 new stores. Food and beverages represent 50 percent of total sales, reaching more than three billion dollars in 2021.



Key Hypermarkets (by Sales)	Sales in Million Dollars*	Number of Stores
1 Puregold	1,746	268
2 SM Hypermarket	755	52
3 Super8 Grocery Warehouse	256	75
4 Super Metro Supermarket	191	13
5 Prince Hypermart	165	52
6 Shopwise	123	16

Source: [Euromonitor International](#)

TRADITIONAL FOOD AND BEVERAGE RETAILERS

Opportunities for imported products in traditional food and beverage retailers remain. Improved foot traffic led to wet markets gradually recovering sales of fresh fruits, vegetables, meat, poultry, and fish. As sari-sari stores recuperate, warehouse clubs and hypermarkets benefit from increased purchases of fast-moving consumer goods. Traditional retailers offer proximity to wet markets found in each municipality and to sari-sari stores located in neighborhoods, especially in the provinces. During the pandemic, most stores struggle with sanitation and health protocols. Per Post's understanding that roughly half of the traditional retailers operate informally, traditional retailing is a five-billion-dollar market with an estimated 50 percent belonging to food.

SECTION III. COMPETITION

As the seventh-largest market for U.S. agricultural exports, there is a high growth potential for the Philippines, especially for consumer-oriented products.

U.S. agricultural exports to the Philippines ranked the highest in Southeast Asia for consumer-oriented products (1.4 billion dollars) despite preferential market access and trade agreements from neighboring countries.

Given the global shipping problem, ASEAN, China, Australia, and New Zealand further benefit from proximity to the Philippines. The European Union and the United States compete for premium products but experience logistics, pricing, and market access challenges.



Source: [TDM](#)

Food retailers continuously import U.S. food products to provide variety, quality, and healthier options despite local food production totaling more than 70 percent of the market.

SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

U.S. CONSUMER-ORIENTED PRODUCTS	TOP CONSUMER-ORIENTED PRODUCTS	POTENTIAL CONSUMER-ORIENTED PRODUCTS
<ul style="list-style-type: none"> • cheese, milk, and cream • meat and poultry • sausages and hams • food preparations • sauces and condiments • fresh and dried fruits • fresh and dried vegetables • biscuits, cookies, and baked products • mixes and doughs • peanuts and nuts • chocolate and other cocoa preparations • non-alcoholic beverages and other beverages • dog and cat food 	<ul style="list-style-type: none"> • food preparations • cheese, buttermilk, milk, and cream • meat and poultry • coffee and tea • apples, grapes, pears, and oranges • soups, broths, sauces and preparations • mixes and doughs • sugar confectionary • dog and cat food • chocolate and cocoa preparations • waffles and wafers • pasta • bread, pastry, biscuits, and cookies • peanuts and nuts • yogurt and ice cream 	<ul style="list-style-type: none"> • confectionary • snacks • prepared food • pasta • fresh or chilled onions and shallots • waffles and wafers • cherries • eggs

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

PHILIPPINE EVENTS

National Food Fair Megatrade Hall Mandaluyong City June 1-5, 2022	Manila Food and Beverage Expo World Trade Center, Manila June 15-19, 2022	World Food Expo SMX Convention Center, Manila World Trade Center, Manila August 3-6, 2022
National Retail Conference and Stores Asia Expo Hybrid Exhibition August 11-12, 2022	International Food Exhibition (IFEX) Philippines Next Food Asia World Trade Center, Manila September 22-24, 2022	Cold Chain Philippines 2022 SMX Convention Center, Manila November 30-December 2, 2022

REGIONAL EVENTS

FHA-HoReCa Singapore Expo, Singapore October 25-28, 2022	Asia Fruit Logistica Queen Sirikit National Convention Center, Bangkok November 2-4, 2022	FOODEX JAPAN Tokyo Big Sight, Japan March 7-10, 2023
THAIFEX–Anuga Asia 2022 Impact Muang Thong Thani Bangkok, Thailand May 23-27, 2023		

KEY CONTACTS AND INFORMATION

USDA Manila E-mail: AgManila@usda.gov Tel: (632) 5301-2000	American Chamber of Commerce of the Philippines (AMCHAM)	Philippine Exporters Confederation, Inc. (PHILEXPORT)
Department of Trade and Industry (DTI)	Philippine Chamber of Commerce (PCCI)	Philippine Retailers Association (PRA)
Center for International Trade Expositions and Missions (CITEM)		

Attachments:

No Attachments