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Top Growth and Top Sales Market for U.S. Foods and Beverages

Report Categories:

Market Development Reports

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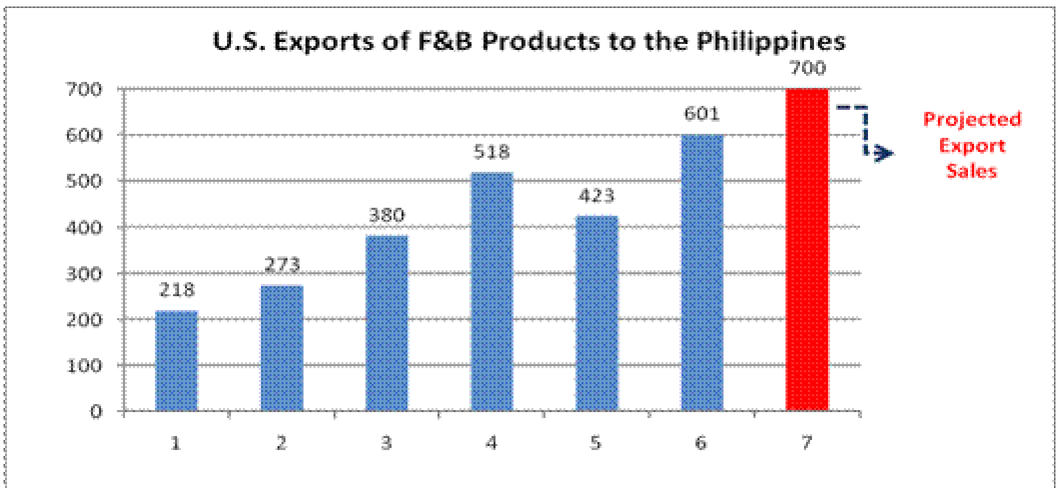
Report Highlights:

U.S. food and beverage (f&b) exports to the Philippines soared 42 percent in 2010, making it one of the largest and fastest growing markets in the world for this high value, job generating sector. Driven by a strong peso and the fastest economic growth in 24 years, the record $601 million in sales made the Philippines the largest U.S. market in Southeast Asia. Most products that comprise the f&b category achieved record sales. Top U.S. exports were dairy products, meat and poultry, processed fruits and vegetables, and snack foods. While sales for these products are expected to remain strong, prospects are excellent for a wide variety of f&b categories, particularly those that can be classified as “healthy,” “gourmet,” and “convenient.” FAS Manila expects the U.S. will remain the Philippines’ top supplier of f&b products, and forecasts export sales will grow to $700 million in 2011.

General Information:

Overview

U.S. food and beverage (f&b) exports to the Philippines in 2010 increased by 42 percent to a record $601 million, making it the second fastest growing among the top 15 markets in the world for this labor intensive, value-added category. Most products that comprise the sector enjoyed strong growth, with exceptional sales increases in fresh vegetables, dairy products, tree nuts, breakfast cereals, and processed fruits and vegetables (see charts on pages 9-11). Traders also report rapid sales of "healthy" foods, though U.S. Customs does not track these items as a separate subsector. The fastest GDP growth in 24 years, a strengthening peso, and an increasing demand for "gourmet", "healthy" and "convenience" products lead FAS Manila to predict that total U.S. f&b exports to the Philippines is likely to reach a record of $700 million in 2011.



This remarkable growth extends a steady trend of impressive export achievement that has carried through most of the decade. U.S. f&b sales increased from $218 million in 2005 to a record $518 million in 2008. Since 2005, U.S. sales to the Philippines set records in four out of five years. As of the end of 2010, the Philippines was the largest U.S. export market in Southeast Asia and the 13th largest export market in the world for U.S. f&b products.

While official Philippine f&b import statistics for 2010 had not been posted as of March 2011, post estimates this figure at $2.2billion, an increase of 37 percent over 2009. The U.S. is expected to surpass New Zealand as the top exporter to the Philippines with sales estimated at $370 million in 2010. In 2009, the U.S. and New Zealand each held a 15 percent share of the market. Roughly 70 percent of New Zealand's f&b exports are comprised of milk powder. The other top exporters and their respective market shares in 2009 are: Thailand (9%), Australia (7%) and China (7%).

	Philippines Import Statistics							
	Partner Country	United States Dollars						
		2006	2007	2008	2009	Market Share (2009)	Jan-Nov 2010	2010 (est.)
Rank	World	1,258,985,137	1,611,999,223	1,966,457,222	1,641,305,637	100.00%	1,960,688,161	2,200,000,000
1	United States	177,602,149	250,925,238	322,108,976	246,020,644	15.00%	336,448,489	370,000,000
2	New Zealand	223,405,932	303,894,190	352,106,194	252,995,431	15.40%	327,971,592	360,000,000
3	Thailand	111,213,935	133,627,090	173,122,563	157,622,939	9.60%	179,559,710	---
4	Australia	118,775,966	118,394,670	146,596,638	129,581,669	7.90%	138,426,640	---
5	China	89,045,123	106,499,313	137,631,482	129,365,944	7.90%	129,804,974	---
6	India	79,290,746	91,535,685	146,875,562	91,715,947	5.60%	107,462,100	---
7	Ireland	47,655,648	94,201,038	118,288,474	71,851,321	4.40%	104,821,762	---
8	Malaysia	40,535,357	51,193,407	69,288,689	68,565,269	4.20%	99,103,246	---
9	Netherlands	33,639,573	56,137,271	57,984,808	61,318,083	3.70%	59,459,655	---
10	Indonesia	47,901,898	58,810,959	49,880,105	57,149,527	3.50%	58,622,054	---

Source: Global Trade Atlas

Note: Philippine Government statistics for this category vary widely from US Customs statistics. This may be due to a number of factors including differences in valuation, products that comprise the category, etc.

The remarkable upward trend is driven by a bullish peso and an economy that expanded by 7.3 percent in 2010, the fastest growth in 24 years. The key factors that contributed to this growth are:

- Rapid growth in the industrial and services sectors, particularly the outsourcing of business processes (e.g., call center and medical/ legal transcription services)
- Rebounding export sector due to the upturn in global economy
- Increased consumer spending
- Increased money sent home by Filipinos working overseas
- General sense of optimism in the business sector

Macroeconomic Situation

After slow growth of one percent in 2009, Philippine GDP expanded by 7.3 percent in 2010, the highest since 1986. Economic growth in the Philippines averaged 4.5 percent per year since 2001 until the onset of the global economic crisis in late 2008.

<u>Robust Growth of Industrial, Services and Export Sectors</u>

According to the National Statistical Coordination Board (NSCB), the industrial sector grew by 12.1 percent, while the services sector grew by 7.1 percent. At the same time, the agricultural sector declined by 0.5percent.

A large contributor to the growth in the services sector is the bullish business processes outsourcing industry (BPO) that grew by 25 percent in 2010 generating $9 billion, equivalent to 5 percent of GDP. According to the Commission on Information and Communications Technology under the Office of the Philippine President, the BPO industry is expected to generate $11 billion in 2011 and in the process create an additional 84,000 jobs, bringing the total number of BPO workers to 610,000 by the end of the year.

While full year figures are not yet available, aggregate merchandise exports from January to November 2010 amounted to $47.22 billion, an increase of 34.5 percent over the previous year, surpassing the Philippine government target of $46 billion.

Remittances from Overseas Filipino Workers

The Philippine economy has the largest service sector in Southeast Asia and private consumption comprises 75 percent of the economy. Filipinos currently working overseas sent back a record $18.76 billion in "remittances" from their wages to their families in 2010. This accounted for a tenth of GDP and is eight percent over the previous year's total.
The Central Bank of the Philippines projects another eight percent growth this year. It is one of the country's most important sources of foreign currency and a central pillar of domestic consumption.

Philippine Market Sector Trends

Retail Sector

The vast improvements in Philippine food retailing over the past decade stem from the passage of the Retail Trade Liberalization Law in 2000. This legislation allowed foreign retailers to operate independently in the Philippines. The threat posed by competition from foreign retail giants forced local supermarkets to modernize their stores and expand their product range. The changes set the stage for more U.S. products to come in. Today, local retailers continue to keep abreast of global retail trends to stream-line their operations and broaden their line of imported brands. While direct importation is on the rise, distributors, wholesalers and agents still handle most imports for the retail grocery stores and supermarkets. Warehouse space is limited even among many of the major retailers, requiring the services of an independent distributor or trader.

While exclusive distributorship agreements are preferred by Philippine importers, exporters can work with one or more importers to cover different geographical areas and sectors (i.e., retail vs. foodservice). There is no prohibition on parallel imports and there are cases where importers have accessed "exclusive" products directly through the local US market.

There are an estimated 15 to 20 million consumers in Manila and key provincial cities such as Cebu and Davao who have sufficient income to regularly purchase imported food items. There is a strong interest in American culture and trends due to the long history of close relations between the Philippines and the United States, bolstered by a large Filipino-American community in the U.S. that maintains ties with the Philippines. This results in a natural preference for U.S. products, which are highly regarded for their quality and variety. There is a growing demand for gourmet and healthier food and beverage products. The typical Filipino consumer is also receptive to trying new products.

Food Service Sector

The rapidly expanding foodservice sector is also boosting demand for f&b products. Filipinos are known to eat about five times a day and have a propensity for snacking between meals. There is a growing demand for convenience which is evident in the continued growth of fast-food restaurants. Upscale restaurants and cafes in Manila and other cities present a wide

range of sales opportunities for U.S. f&b products. Restaurants located in
five-star hotels and upscale malls are important outlets along with popular western-style chains. All use imported ingredients, including meats, seafood, wine, dairy products, sauces, and fresh produce. While restaurant managers are price-sensitive when considering new ingredients, this is balanced with a need to present new menu items to attract consumers, and an expanding number of high-end dining options.

Top Ranking and Best Product Prospects

Record sales were achieved in 11 of the 16 categories that comprise the f&b category. See chart on page 6.

The top five f&b products in export value in 2010 were: dairy ($181.8 million), red meats ($110.6 million), processed fruits and vegetables ($57.2 million), snack food ($50.4 million) and poultry meat ($50.7 million).

The top five food and beverage products that showed the highest increase in sales were: fresh vegetables (178%), dairy products excluding cheese (137%), cheese (107%), tree nuts (74%), breakfast cereals (64%) and processed fruits and vegetables (55%).

Pet food reached record sales in 2010 with $16.1 million, and up by 17 percent over the previous year.

U.S. Exports of Agriculture, Fish & Forestry Products To *Philippines*
CY 2005 - 2009
(In Thousands Of Dollars)

	2005	2006	2007	2008	2009	2010	% Change
Consumer Oriented Total	218,248	273,321	380,510	518,837*	423,168	601,546*	42.2
Snack Foods	34,714	35,629	41,306	50,464*	47,863	50,442	5.4
Breakfast Cereals	1,796	1,499	2,719	3,121*	2,223	3,658*	64.5
Red Meats,	7,373	10,742	21,528	64,840	83,442*	110,675*	32.6
Red Meats, Prep/ Pres	5,480	8,041	10,010	11,897	16,610*	23,019*	38.6
Poultry Meat	11,267	14,298	19,978	19,841	39,860*	50,752*	27.3
Dairy Products	63,498	95,631	151,984	210,226*	76,575	181,802*	137.4
Eggs & Products	620	580	506	1,107	1,619*	825	-49.0
Fresh Fruit	13,492	16,159	18,179	23,154	32,787	31,302	-4.5
Fresh Vegetables	640	346	1,301	2,070	1,565	4,634*	178.8
Processed Fruit & Vegetables	30,667	41,571	51,621	54876*	36,867	57,223*	55.2
Fruit & Vegetable Juices	5,476	6,223	14,152*	10,496	6,719	7,655	13.9
Tree Nuts	1,884	2,787	2,910	3,723*	2,553	4,447*	74.2
Wine and Beer	6,205	4,247	4,614	7,772*	7,423	8,068*	8.7
Nursery Products	69	49	89	19	36	36	0.7
Pet Foods	10,193	8,462	10,651	13,487	13,743*	16,129*	17.4
Other Consumer Oriented	24,874	27,056	28,964	41,745	53,283*	51,147	-4.0

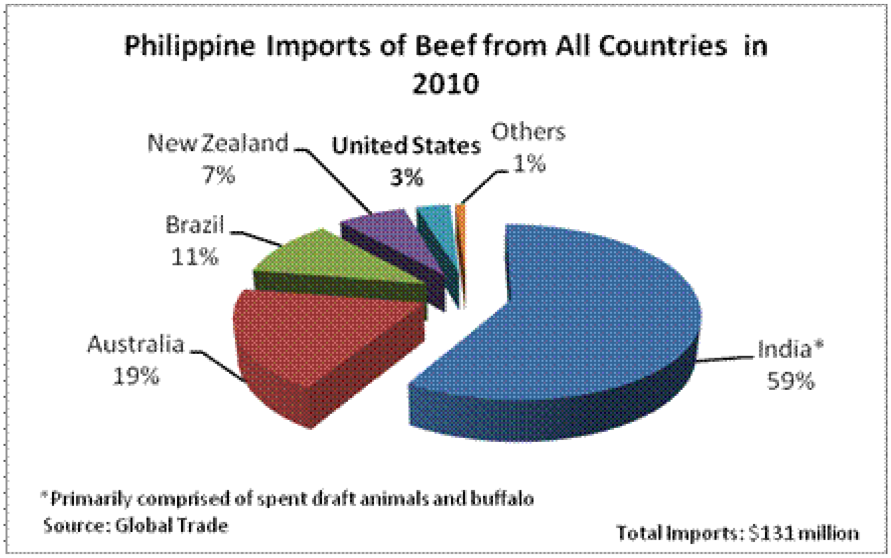
Fast Facts

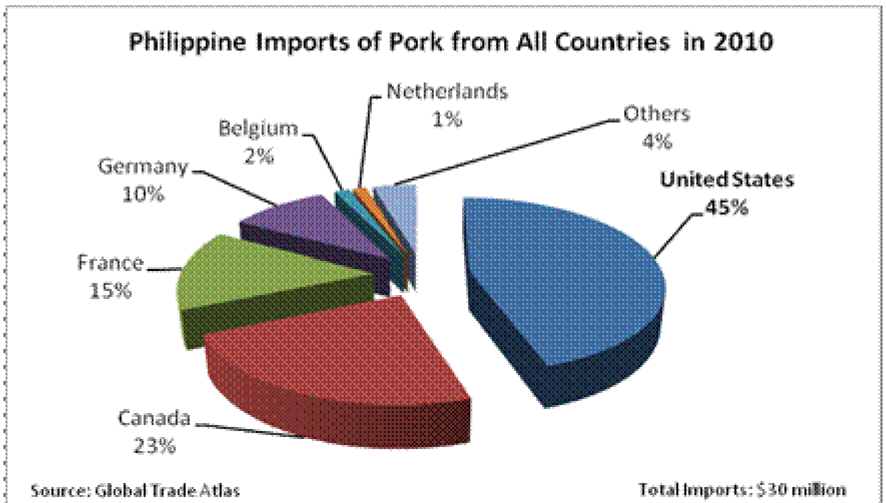
- **Beef:** The Philippines was the first market in Asia to allow complete market access for U.S. beef and beef products of all ages. As a result, exports reached record sales of $20.3 million in 2010. U.S. prime rib and other high-value cuts are fast becoming a standard menu offering among restaurants in town.

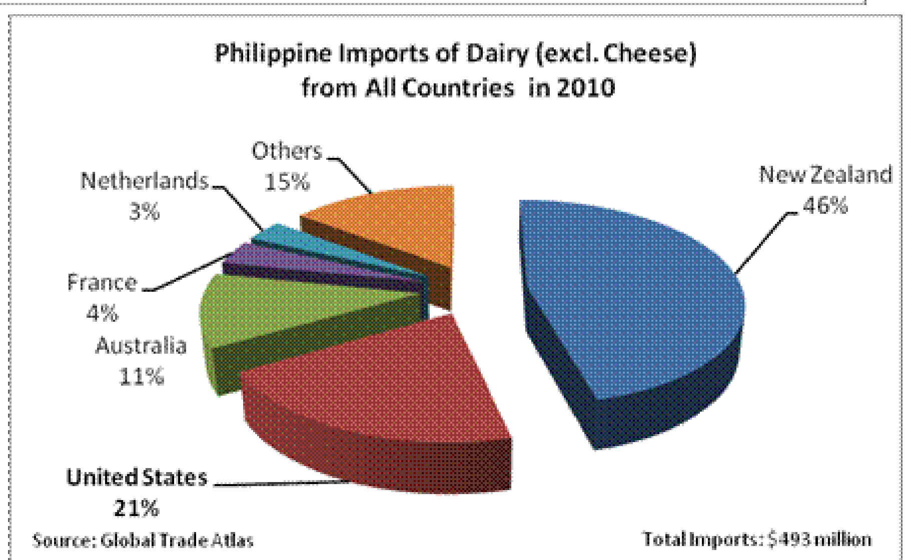
- **Pork:** The Philippines is the 8th largest market in the world and the largest market in Southeast Asia for pork with export sales of $71 million in 2010
- **Poultry:** The increase in export volume is primarily due to an additional allocation on the minimum access volume (MAV) amounting to 8,000 MT which entered in early 2010. The export of mechanically deboned meat grew by 285 percent in the first half of 2010 as prices of buffalo meat went up.
- **Cheese:** The Philippines is the largest market in Southeast Asia and the 9th largest in the world for cheese with export sales of $12 million in 2010.
- **Potatoes:** With a booming food service industry in the Philippines, the U.S. frozen and dehydrated potato market has taken off. In 2010, exports doubled over the previous year with sales reaching $20.3 million. The Philippines now ranks as the largest frozen and dehydrated potato market in SE Asia and the 8th largest in the world. French-fries and mashed potatoes are an all-time Filipino favorite.
- **Tree Nuts**: Exports of tree nuts have doubled in the past five years and are growing steadily. In 2010,export sales reached 5.3 million, a 55 percent increase over the previous year.
- **Table Grapes:** The Philippines is the 6th largest market in the world for table grapes with export sales of $21.5million in 2010.
- **Wine**: The Philippines is the largest market in Southeast Asia with export sales of $7.9 million in 2010 representing an eight percent increase over the previous year. Since 2000, the U.S. overtook France as the largest exporter of wines to the Philippines.
- **Gourmet, Organic and 'Healthy' Foods:** Growth in this category has been especially rapid in 2010, and the prospects for continued growth are excellent.
- **Pet Food:** The Philippines ranked as the 10th largest market of U.S. pet food in the world and is the largest importer in Southeast Asia with export sales of $16.1 million in 2010, a 17 percent increase over the previous year.

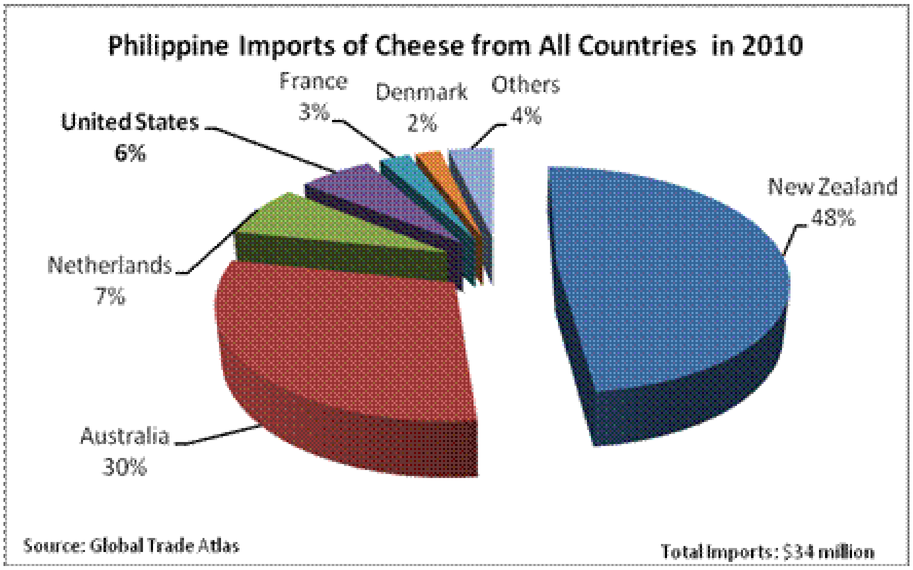
Best Product Prospects and U.S. Market Shares

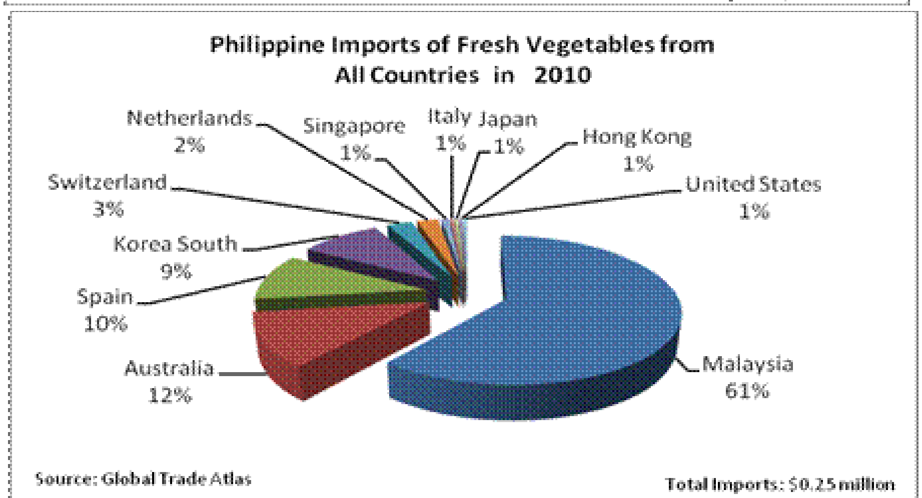
The best prospects for U.S. food and beverage products are: beef, pork, dairy and cheese products, processed fruits and vegetables, fresh fruits and vegetables, wines and snack foods. Products that can be marketed as organic or "healthy" may also enjoy an advantage. Below are charts of the U.S. market share for each product vs. other countries exporting to the Philippines:

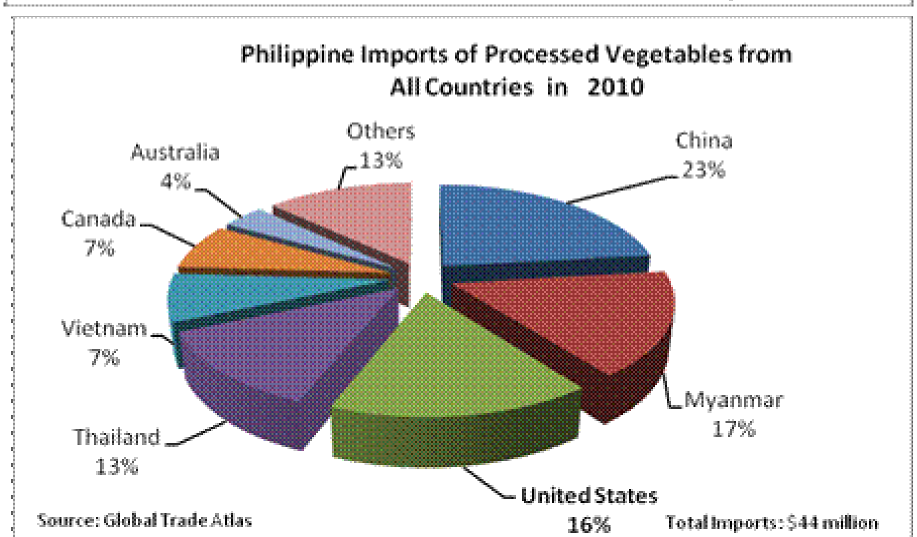

Philippine Imports of Beef from All Countries in 2010
New Zealand 7%
United States 3%
Others 1%
Brazil 11%
Australia 19%
India* 59%
*Primarily comprised of spent draft animals and buffalo
Source: Global Trade
Total Imports: $131 million

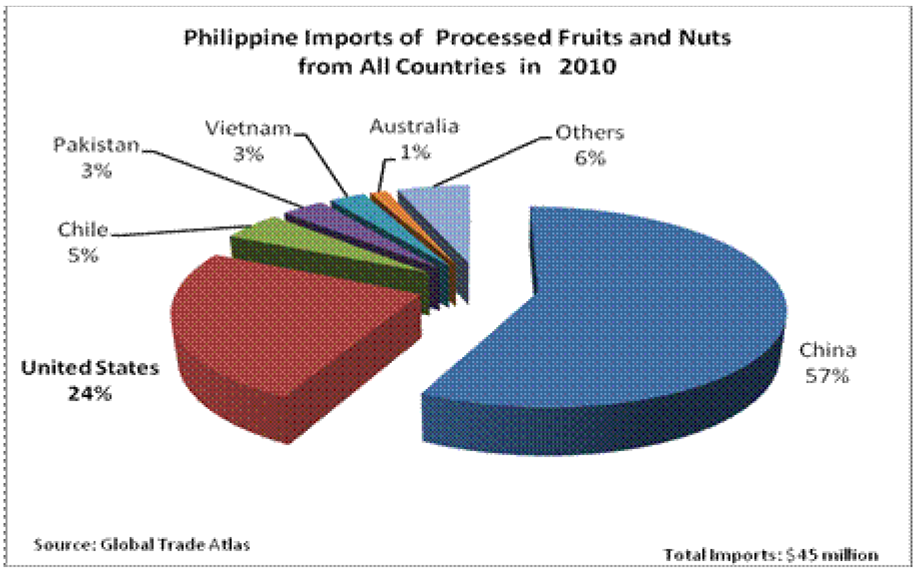

Philippine Imports of Pork from All Countries in 2010
Netherlands 1%
Others 4%
Belgium 2%
Germany 10%
United States 45%
France 15%
Canada 23%
Source: Global Trade Atlas
Total Imports: $30 million


Philippine Imports of Dairy (excl. Cheese) from All Countries in 2010
Others 15%
Netherlands 3%
New Zealand 46%
France 4%
Australia 11%
United States 21%
Source: Global Trade Atlas
Total Imports: $493 million


Philippine Imports of Cheese from All Countries in 2010
France 3%
Denmark 2%
Others 4%
United States 6%
New Zealand 48%
Netherlands 7%
Australia 30%
Source: Global Trade Atlas
Total Imports: $34 million


Philippine Imports of Fresh Vegetables from All Countries in 2010
Netherlands 2%
Singapore 1%
Italy 1%
Japan 1%
Hong Kong 1%
Switzerland 3%
United States 1%
Korea South 9%
Spain 10%
Australia 12%
Malaysia 61%
Source: Global Trade Atlas
Total Imports: $0.25 million


Philippine Imports of Processed Vegetables from All Countries in 2010
Others 13%
China 23%
Australia 4%
Canada 7%
Vietnam 7%
Myanmar 17%
Thailand 13%
United States 16%
Source: Global Trade Atlas
Total Imports: $44 million



Key Contact and Further Information

Please contact the following for questions, further information or for assistance in exporting US food & beverage products.

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