

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 10/11/2017

GAIN Report Number:

Philippines

FOOD PROCESSING SECTOR

Prospects for US Ingredients in Burgeoning Philippine Food Processing Industry

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Report Highlights:

The Philippines' rapidly expanding production of processed foods and beverages presents robust opportunities for U.S. exporters of agricultural raw materials and high-value ingredients. In 2016, the industry's gross value-added output increased 10 percent over the previous year to \$28.9 billion. Roughly 90 percent of the industry's output is consumed domestically; as quality and efficiency continue to improve, the Philippines will be in a position to exploit export opportunities in the region due to its strategic location and membership in various free trade agreements, such as the Association of Southeast Asia Nations Free Trade Agreement (AFTA) and the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA).

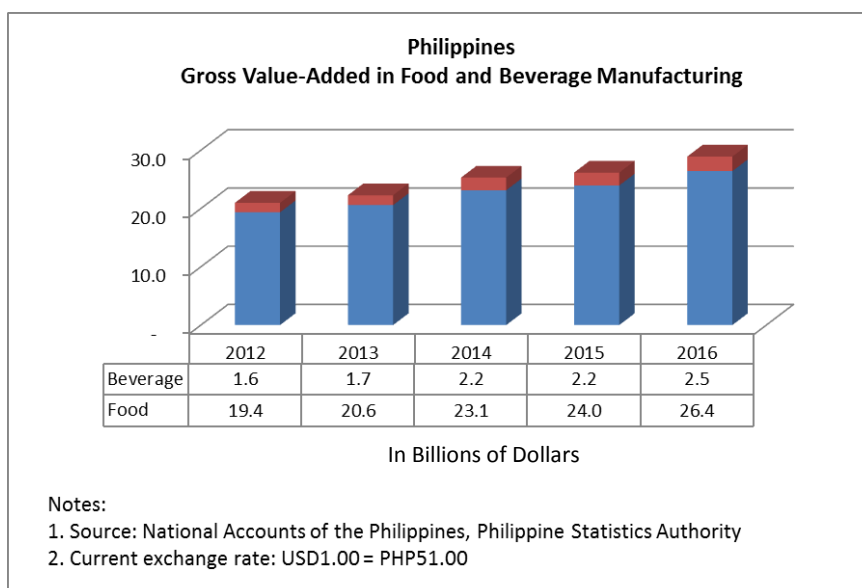
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Manila

I. PHILIPPINE FOOD & BEVERAGE PROCESING INDUTRY

In 2016, the Philippine food and beverage (F&B) processing industry's gross value-added output increased 10 percent over the previous year to \$28.9 billion, and grew 38 percent¹ over the past five years (2012-2016).

While most of the roughly 500 F&B processors registered under the Philippine Food and Drug Administration are micro to medium-sized businesses, food processors are also among the largest corporations in the country².



Top 20 Food and Beverage Processors in the Philippines Based on Gross Revenue (in Millions of Dollars)			
Rank	Company	Gross Revenue	Main Products
5	Nestlé Philippines, Inc.	2,364	food products, not elsewhere categorized
10	San Miguel Foods, Inc.	1,950	meat and meat products
16	Universal Robina Corp.	1,450	snack products such as curls, wheat crunchies and similar products
18	San Miguel Brewery	1,368	malt liquors and malt
22	Coca-Cola FEMSA Philippines, Inc.	1,103	softdrinks except drinks flavored with fruit juices, syrups or other materials
41	Dole Philipines, Inc.	752	fruits and fruit juices
46	Monde Nissin Corp.	709	macaroni, noodles, couscous and similar farinaceous products
58	Emperador Distillers, Inc.	590	spirits
67	Pepsi-Cola Products Philippines, Inc.	530	softdrinks except drinks flavored with fruit juices, syrups or other materials
77	Del Monte Philippines, Inc.	457	fruits and fruit juices
86	Alaska Milk Corp.	417	powdered milk (except for infants) and condensed or evaporated milk (filled, combined or reconstituted)
128	Purefoods-Hormel Company, Inc.	314	meat and meat products
132	Pilmico Foods Corp.	310	flour (except cassava flour)
134	Ginebra San Miguel, Inc.	304	spirits
150	Mondelez Philippines, Inc.	275	butter, cheese and curd
206	General Milling Corp.	216	flour (except cassava flour)
221	San Miguel Mills, Inc.	200	flour (except cassava flour)
254	RFM Corp.	170	food products, not elsewhere categorized
269	Magnolia, Inc.	163	butter, cheese and curd
275	Monde M.Y. San Corp.	158	biscuits, cookies, crackers, pretzels and similar dry bakery products

Notes:
 1. Ranking based on BusinessWorld's Top 1000 Corporations in the Philippines, 2015 edition
 2. Current Exchange Rate: \$1 = PhP48

¹ National Accounts of the Philippines, Philippine Statistics Authority. "Table 32A – Gross Value Added in Manufacturing by Industry Group."

² BusinessWorld's Top 1000 Corporations in the Philippines, 2015 edition (most recent data available).

II. MARKET OVERVIEW

Philippine Market

The Philippine market has a strong and growing consumer base. While annual GDP per capita is about \$3,000, two-tenths of the population earn an average annual income of \$12,510³. Consumption growth in the coming years is underscored by the country's robust economy and a young, fast-growing, highly-urbanized population with increasingly sophisticated tastes and ever-growing access to supermarkets.

Fast Facts⁴:

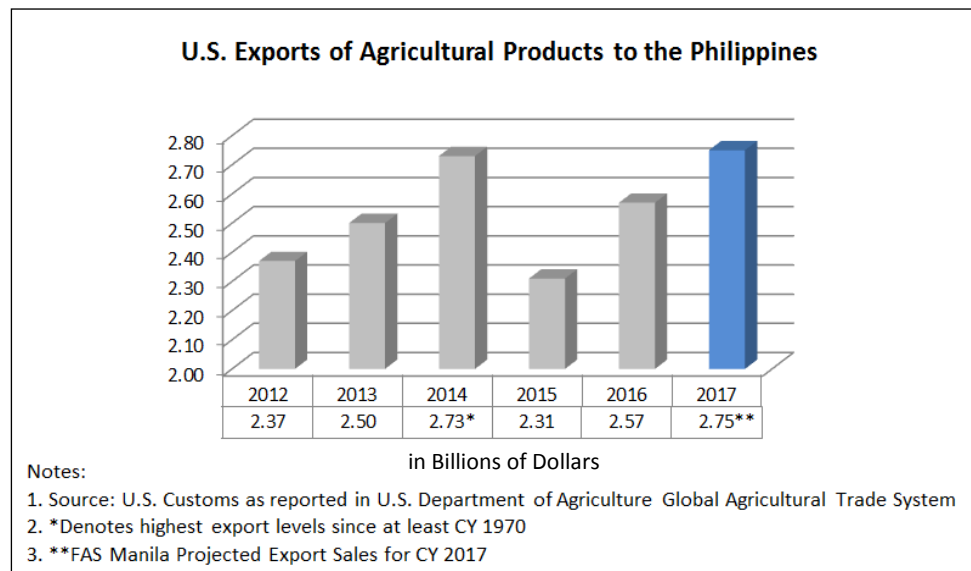
- Population: 104 million (July 2017 est.); annual growth rate of 1.6%
- 53% below 24 years old
- 44% living in urban areas
- High literacy: 96% of the 69 million Filipinos that are 15 years old and above can read and write
- High awareness of and preference for U.S. F&B products
- Growing demand for “healthy,” organic, gourmet and convenience foods
- Steady growth in retail, foodservice and food processing industries

Potential Customers: At least 20 million people with an average annual income of \$12,510

Agricultural Trade Environment

The U.S. continues to be the Philippines' largest supplier of agricultural products, and the Philippines is its 11th largest global market. U.S. agricultural exports to the Philippines increased 11 percent to \$2.5 billion in 2016, driven by a robust economy and strong consumer spending. Traders forecast export sales in 2017 will increase seven percent to \$2.75 billion.

About 65 percent of U.S. agricultural exports to the Philippines flow through the F&B processing industry. While wheat, dairy, meat, and poultry comprise the bulk of sales, other items such as tree nuts, and processed fruit and vegetables play a vital and increasingly important role.



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³ Philippine Statistics Authority. 2015 Family Income and Expenditure Survey.

⁴ CIA World Factbook (July 2017 est.).

Overall, there is widespread acceptance of U.S. products which Philippine F&B processors exploit by highlighting U.S. ingredients on product labels.

East and Southeast Asian Markets

As the quality and competitiveness of Philippine processed F&B products improve, exports are expected to rise. While exports to major trading partners such as the United States should continue to grow, prospects for the lucrative East and Southeast Asian markets are especially strong because of the country's strategic location. The nation's capital, Manila, is situated within a four-hour trip by air to major port in the region (six days cargo vessels). The short transit time makes it an ideal staging area, especially for frozen and chilled products.

Free Trade Agreements

Bilateral and regional free trade agreements in recent years have intensified competition from ASEAN, Australia, New Zealand China. As a party to the Association of Southeast Asia Nations Free Trade Agreement

(AFTA), Philippine exports to the region benefit from the lower common effective tariff applicable to products of ASEAN members. Tariff rates on all products (with exemptions for a few sensitive products such as rice) in the ASEAN region fell to between zero and five percent under the framework of the ASEAN Trade in Goods Agreement (ATIGA). The ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) provides products from Australia and New Zealand with the same lower tariffs as ASEAN-origin products.

While several U.S. agricultural exports to the Philippines face higher tariffs than competing products imported from ASEAN-member countries and/or ASEAN-FTA member countries such as Australia, New Zealand, China and India, the Philippines' participation in free trade agreements provides a valuable path for U.S. agricultural raw materials and ingredients to grow in tandem with Philippine exports and penetrate markets throughout the region.


In 2016, the major markets in East Asia—China (including Hong Kong and Macau), Japan, South Korea and Taiwan—had a combined population of about 1.6 billion people, while Southeast Asia's 11 countries— Brunei, Burma, Cambodia, East Timor, Indonesia, Laos, Malaysia, Philippines,



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Singapore, Thailand and Vietnam—have a combined population of 641.7 million people.⁵ The average GDP per capita of East Asia was \$33,875, and Southeast Asia (including Singapore and Brunei) was \$22,881.⁶ When compared to East Asian economies, the GDP per capita of Southeast Asia ranked No. 4.

Southeast Asia 2016 Nominal GDP Per Capita in Dollars		
Rank		
1	Singapore	53,053
2	Brunei	24,713
3	Malaysia	9,546
4	Thailand	5,662
5	Indonesia	3,636
6	Philippines	2,991
7	Vietnam	2,164
8	East Timor	2,104
9	Laos	1,921
10	Myanmar	1,307
11	Cambodia	1,228



East and Southeast Asia 2016 Nominal GDP Per Capita in Dollars		
Rank		
1	Japan	37,304
2	South Korea	27,633
3	Taiwan	22,044
4	SEA Average	9,848
5	China	8,261

Aside from trade liberalization, future trade of processed F&B products in the region will be driven by: 1) strong economic growth and rising incomes, 2) increasing urbanization, 3) demand for greater product variety, quality, convenience and safety, and 4) the proliferation of bigger and more sophisticated retail and foodservice formats.

Special Economic Zones

U.S. exporters of agricultural raw materials and ingredients can reach out to F&B processors that operate within the Philippine special economic zones or “ecozones” regulated by the Philippine Economic Zone Authority (PEZA). Ecozone operators receive incentives including duty-free entry of agricultural raw materials and ingredients used for re-export. More information on the Philippine special economic zones is posted on the PEZA website: <http://www.peza.gov.ph/>.

III. MARKET STRUCTURE AND ENTRY STRATEGY

A majority of the large F&B processors in the Philippines import full-container loads of agricultural raw materials and ingredients directly, while smaller companies including “mom-and-pop” processors purchase from importers and distributors. Most of the importers are based in Metro Manila and manage

⁵ [United Nations Department of Economic and Social Affairs](#), Population Division. "[World Population Prospects: The 2017 Revision](#)"

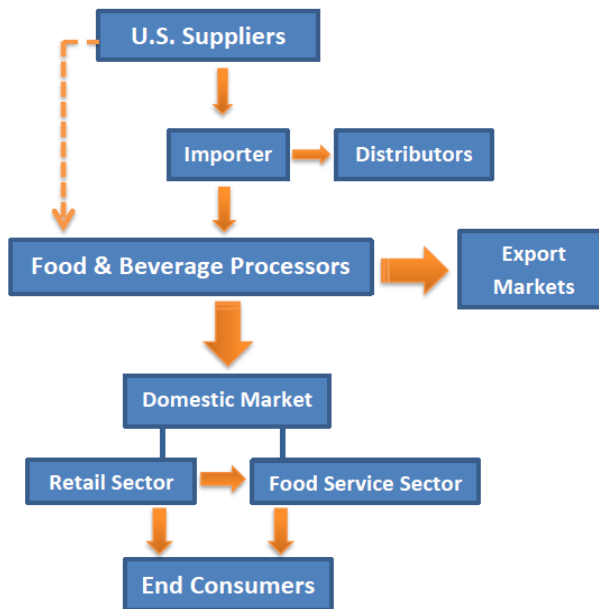
⁶ CIA World Factbook

their own distribution, while others appoint independent distributors to cover the country’s key provincial areas. The most common entry strategy for new-to-market U.S. exporters is to offer products to large processors and importers.

IV. TOP U.S. PRODUCT PROSPECTS

Below are the top growth prospects for U.S. agricultural raw materials and ingredients based on interviews with Philippine F&B processors:

TOP PRODUCT PROSPECTS
poultry cuts including chicken feet
mechanically de-boned meat
trimmings and beef offals
milk and whey powder
cheeses and other dairy products
fresh fruits and vegetables
frozen and concentrated fruit and vegetable juices
dried and dehydrated fruits, vegetables & nuts
grape must
specialty flours (e.g. soy, pea, and potato)
condiments, pastes & sauces
seafood products (e.g. salmon heads and bellies, squid, crab claws)
sweeteners and beverage bases
grains and cereals
protein isolates and concentrates
fats and edible oils



Imported agricultural raw materials can be combined with locally-available products such as tropical fruits and vegetables, cacao, sugarcane and seafood to come up with innovative product offerings.

The wide acceptance food processors and consumers have of U.S. raw materials and ingredients are a tremendous advantage for U.S. exporters seeking to develop a market in the Philippines.

V. TECHNICAL ASSISTANCE AS A MARKETING

TOOL

Some exporters have been able to successfully penetrate the Philippine market by providing technical assistance to Philippine F&B processors on the applications of raw materials and ingredients. This is especially true for more “advanced” ingredients such as protein isolates, and less familiar ingredients such as dehydrated potatoes and pea flour. Other areas for knowledge transfer include product development and innovation, automation of the production process, product preservation, and packaging.

VI. RELEVANT REPORTS

The following detailed reports are available through the FAS homepage at www.fas.usda.gov:

- Exporter Guide
- Food and Agricultural Import Regulations and Standards
- Philippines: Retail Foods
- Philippines: Food Service – Hotel, Restaurant & Institutional

USDA-FAS website: www.fas.usda.gov. Choose “Data & Analysis” then “Global Agricultural Information Network.” To access data on U.S. agricultural exports, choose “Data & Analysis” then “Global Agricultural Trade System.”

VII. FURTHER INFORMATION AND ASSISTANCE

USDA-FAS at the U.S. Embassy in the Philippines is ready to help exporters of U.S. agricultural products achieve their objectives in the Philippines. For further information or assistance, please contact:

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