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Philippines

Food Processing Ingredients

Booming Philippine Food Processing Industry Provides Opportunities for U.S. Ingredients

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Report Highlights:

The Philippines' rapidly expanding production of processed foods and beverages (f&b) presents robust opportunities for U.S. exporters of agricultural raw materials and high value ingredients. Quadrupling in recent years to over \$27 billion, f&b processing comprised 50 percent of the Philippines' total manufactured output in 2013. Roughly 90 percent of the Philippine f&b processing industry's output is consumed domestically, with excellent growth prospects stemming from the country's resilient economy and strong consumer base. In addition, as quality and efficiency continue to improve, the Philippines will be in a position to exploit export opportunities due to its strategic location and membership in various free trade agreements. The Philippine f&b processing industry's growing use of U.S. agricultural ingredients provides a valuable path for U.S. and Philippine exports to grow in tandem. The Philippines continues to be a top ten market in the world for total U.S. agricultural exports with record sales of \$2.7 billion in 2013, up 11 percent from the previous year. About 65 percent of U.S. agricultural exports to the Philippines flow through the f&b processing industry. Wheat, dairy, meat, and poultry comprise the bulk of sales, but other items such as dried fruits and nuts play a vital and increasingly important role.

Post: Manila

I. Philippine Food and Beverage Processing Industry

Food and beverage (f&b) processing is a booming industry in the Philippines. Quadrupling to \$27.1 billion in five years (2009-2013), the food processing industry contributes 50 percent to the country's total manufacturing output¹. While most of the roughly 500 f&b processors registered under the Philippine Food and Drug Administration are micro or medium-sized businesses, food processors are also among the largest corporations in the country².

Top 20 Food and Beverage Manufacturers in the Philippines Based on Gross Revenues (in Millions of Dollars)			
Rank	Company	Gross Revenue	Main Products
8	Nestle Philippines	2,404	powdered, condensed, evaporated milk
19	San Miguel Brewers	1,418	malt and malt liquors
23	Coca-Cola Bottlers Philippines, Inc.	1,224	softdrinks
24	Universal Robina	1,178	snack products (corn, curls, wheat crunchies, etc.)
46	Dole Philippines, Inc.	694	fruits and fruit juices
48	Monde Nissin Corp.	690	macaroni, noodles and other farinaceous products
91	Del Monte Philippines, Inc.	415	fruits and fruit juices
92	Pepsi-Cola Products Philippines, Inc.	409	softdrinks
93	Emperador Distillers, Inc.	405	spirits and other alcoholic beverages
119	Ginebra San Miguel	340	spirits and other alcoholic beverages
139	Tanduay Distillers, Inc.	299	spirits and other alcoholic beverages
143	Pilmico Foods Corp.	291	flour except cassava flour
144	Purefoods-Hormel Company, Inc.	289	meat and meat products
147	Alaska Milk Corporation	283	powdered, condensed, evaporated milk
161	Kraft Foods (Philippines), Inc.	263	butter, cheese and curd
178	General Milling Corp.	237	flour except cassava flour
181	Philippine Foremost Milling	236	flour except cassava flour
198	San Miguel Mills, Inc.	215	flour except cassava flour
202	Nutri-Asia, Inc.	208	fruit and vegetable sauces and paste
203	Asia Brewery, Inc.	208	malt and malt liquors

Note: Ranking based on BusinessWorld's Top 1000 Corporations in the Philippines, 2012 edition

The Philippine f&b processing industry is comprised of the following major sectors: beverages, coffee and cacao, condiments and seasonings, dairy products, fats and oils, flour and bakery products, fruits and vegetables, meat and poultry products, seafood products, snack foods, and sugar and confectionery. Since the Philippines is highly dependent on imported agricultural raw materials and ingredients, opportunities abound for U.S. exporters.

II. Market Overview

Philippine Market

The Philippine market has a strong consumer base. While overall per capita income is \$2,792³, the 10 million population in and around the capital of Manila has a per capita income of \$8,300⁴ or three times the national average. Roughly 90 percent of the Philippine f&b processing industry's output is consumed locally. Consumption growth in the coming years is underscored by the country's robust economy and a fast-growing, highly urbanized population with increasingly sophisticated tastes and ever-growing access to supermarkets.

Philippine Market Profile

Population:

- 105 Million (2013 est.), annual growth rate of 1.84%
- 40% below 20 years old
- 52% living in urban areas

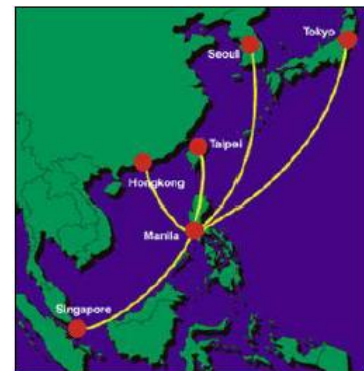
Source: CIA World Fact Book

The Philippines continues to be a top ten market in the world for total U.S. agricultural exports with sales setting a new record of \$2.7 billion⁵ in 2013, up 11 percent from the previous year. About 65 percent of U.S. agricultural exports to the Philippines flow through the f&b processing industry. Overall, there is widespread trust and 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 U.S. 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 six-day trip by sea or a four-hour trip by air to any major port within the region. The short transit time makes it an ideal staging area, especially for frozen and chilled products. The Philippines' membership in regional free trade agreements further augments the industry's export prospects. Exemplifying a classic win-win trade scenario, the Philippine f&b processing industry's growing use of U.S. agricultural ingredients provides a valuable path for these U.S. products to grow in tandem with Philippine exports and expand market share throughout the region.

The major markets in East Asia—China (including Hong Kong and Macau), Japan, South Korea and Taiwan—have a combined population of 1.6 billion people⁶ or about one fifth of the world's population, and an average per capita income of \$22,608⁷. Southeast Asia's 11 countries— Brunei, Burma, Cambodia, East Timor, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam—have a combined population of 610 million people⁸ and an average per capita income of \$11,527⁹.



The Philippines is strategically located as a gateway to the East and Southeast Asian markets, and well-poised to be a staging area for local food and beverage processors that seek to penetrate the lucrative markets in the region. The nation's capital, Manila, is located within either a six-day trip by sea or a four-hour trip by air to any major city in the region.

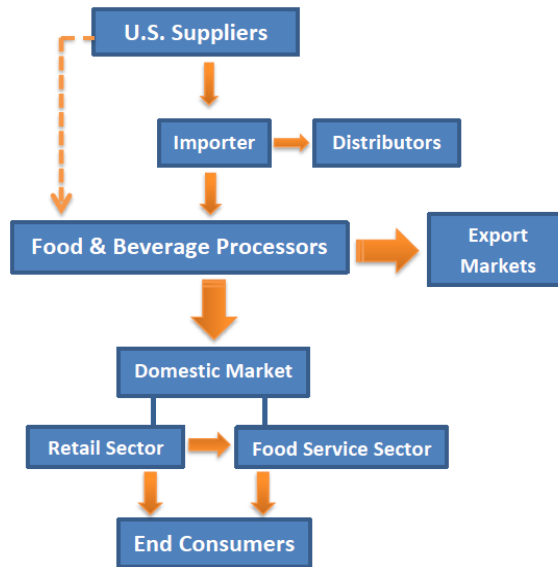
Southeast Asia 2013 Per Capita Income		
Rank		
1	Singapore	\$ 52,918
2	Brunei	\$ 40,804
3	Malaysia	\$ 10,429
4	Thailand	\$ 5,879
5	East Timor	\$ 5,162
6	Indonesia	\$ 3,499
7	Philippines	\$ 2,792
8	Vietnam	\$ 1,896
9	Laos	\$ 1,490
10	Cambodia	\$ 1,015
11	Burma	\$ 915
	Southeast Asia Average	\$ 11,527



East and Southeast Asia 2013 Per Capita Income		
Rank		
1	Japan	\$ 39,321
2	South Korea	\$ 23,838
3	Taiwan	\$ 20,706
4	Southeast Asia Average	\$ 11,527
5	China	\$ 6,569

East Asia’s imports of processed f&b products are expected to reach \$97 billion in 2013, up 85 percent over the past five years, while Southeast Asia’s imports will double to \$40 billion.¹⁰ The top processed f&b products imported by East and Southeast Asia are: cheeses and other dairy products; prepared or preserved meat; chocolate and other cocoa preparations; cakes, breads and biscuits; noodles; fruits, vegetables, nuts and other edible parts of plants; and wines and other alcoholic beverages. Aside from trade liberalization, future trade of processed f&b products in the region will be driven by strong economic growth and rising incomes, increasing urbanization, the growing demand for greater product variety, quality, convenience and safety, and the proliferation of bigger and more sophisticated retail and foodservice formats.

III. Market Structure and Entry Strategy for U.S. Ingredients Exporters



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

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

Based on interviews with Philippine f&b processors, the top growth prospects for U.S. agricultural raw materials and ingredients for further processing are:

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 products to come up with innovative product offerings.

The almost universal acceptance and trust consumers and food processors have in 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. Other Information

Free Trade Agreements

As a party to the Association of Southeast Asia Nations Free Trade Agreement (AFTA), Philippine exports of processed f&b products within the region benefit from favorable tariff rates. The Philippines has also entered into a series of regional or bilateral free trade agreements with China, Japan, Korea, and other neighboring countries such as Australia, New Zealand and India. Detailed information on the various free trade agreements is posted on the Philippine Department of Trade and Industry website: <http://www.dti.gov.ph>

Special Economic Zones

U.S. exporters of agricultural raw materials and ingredients can also 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 for re-export. More information on the Philippine special economic zones is posted on the PEZA website: <http://www.peza.gov.ph/>.

VII. Relevant Reports and Export Data

The following reports on the Philippine market are available on the USDA-FAS website:

- Exporter Guide
- Food and Agricultural Import Regulations and Standards (FAIRS)
- Market Development Report: “U.S. Food and Beverage Exports to the Philippines to Reach New Record”

USDA-FAS website: www.fas.usda.gov. Choose “Data & Analysis” then “Global Agricultural Information Network (GAIN).”

To access data on U.S. agricultural exports, choose “Data & Analysis” then “Global Agricultural Trade System (GATS).”

VIII. USDA-FAS Assistance

USDA-FAS at the U.S. Embassy in Manila is ready to help U.S. exporters of agricultural raw materials and ingredients achieve their objectives in the Philippines. For further information or assistance 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:

1. Philippine National Statistical Coordination Board
2. BusinessWorld's Top 1000 Corporations in the Philippines, 2012 edition
3. International Monetary Fund's World Economic Outlook, October 2013 edition
4. Philippine National Statistics Office official data, October 2013 est.
5. U.S. Customs Data as reported in U.S. Department of Agriculture Global Agricultural Trade System
6. CIA World Fact Book
7. International Monetary Fund's World Economic Outlook database, October 2013 edition
8. CIA World Fact Book
9. International Monetary Fund's World Economic Outlook database, October 2013 edition
10. Global Trade Atlas