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Date: 3/16/2018

GAIN Report Number:

Philippines

Food Processing Ingredients

Prospects for US Ingredients in Flourishing Philippine Food Processing Industry

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Report Highlights:

The Philippines' rapidly expanding processed food and beverage industry presents robust opportunities for U.S. exporters of agricultural raw materials and high-value ingredients. The industry's gross value-added output amounted to \$28.9 billion in 2016. 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).

Post: Manila

I. 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 \$12,510¹. Future consumption growth is indicated by the country's robust economy and a young, fast-growing, highly-urbanized population with increasingly sophisticated tastes and ever-growing access to supermarkets.

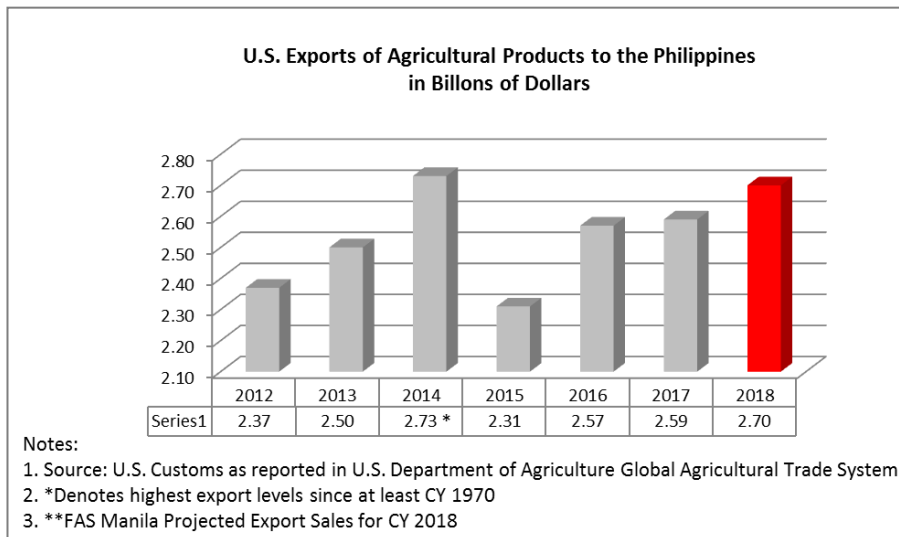
Fast Facts¹:

- 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 10th largest global market. U.S. agricultural exports to the Philippines reached \$2.59 billion in 2017. Due to steady growth in the economy and strong consumer spending, traders are optimistic that export sales in 2018 will increase by 1.6 percent to \$2.7 billion.



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**PHILIPPINE FOOD
BEVERAGE**

¹ Philippine Statistics Authority. 2015 Family Income and Expenditure Survey.

PROCESING INDUSTRY

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.

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 (most recent data available), and grew 38 percent² over the past five years (2012-2016).

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



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 country³.

² National Accounts of the Philippines, Philippine Statistics Authority. "Table 32A – Gross Value Added in Manufacturing by Industry Group, 2014-2016," (most recent data available).

³ BusinessWorld's Top 1000 Corporations in the Philippines, 2017 edition (most recent data available).

The Philippines is

Top 20 Food and Beverage Processors in the Philippines
Based on Gross Revenue (in Millions of Dollars)

2016 Rank	Company	Gross Revenue	Main Products
6	Nestlé Philippines, Inc.	2,460	food products, not elsewhere categorized
17	San Miguel Brewery	1,689	malt liquors and malt
18	Universal Robina Corp.	1,599	snck products such as curls, wheat crunchies and similar products
22	Coca-Cola FEMSA Philippines, Inc.	1,190	softdrinks except drinks flavored with fruit juices, syrups or other materials
53	Dole Philippines	642	fruits and fruit juices
59	Pepsi-Cola Products Philippines, Inc.	595	softdrinks except drinks flavored with fruit juices, syrups or other materials
66	Del Monte Philippines, Inc.	533	fruits and fruit juices
68	Emperador Distillers, Inc.	528	spirits
84	Century Pacific Food, Inc.	459	fish and other marine products
110	Alaska Milk Corp.	385	powdered milk (except for infants) and condensed or evaporated milk (filled, combined or reconstituted)
116	Ginebra San Miguel, Inc.	359	spirits
134	Foodsphere, Inc.	313	meat and meat products
147	Pilmico Foods Corp.	295	flour (except cassava flour)
149	Mondelez Philippines, Inc.	290	butter, cheese and curd
173	Tanduay Distillers, Inc.	243	spirits
180	Oleo-Fats, Inc.	236	vegetable and animal oil and fats
196	Philippine Foremost Milling Corp.	218	flour (except cassava flour)
210	Cargill Oil Mills Philippines, Inc.	204	refined coconut and other vegetable oil (including corn oil) and margarine
216	Mead Johnson Nutrition (Philippines), Inc.	201	infants' powdered milk
226	General Milling Corp.	187	flour (except cassava flour)

Notes:

1. BusinessWorld's Top 1000 Corporations in the Philippines, 2017 edition
2. Exchange Rate: 1 USD = 51 PhP

Prospects in 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 any major port in the region (six days for 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 and China. As a party to the Association of Southeast Asia Nations Free Trade Agreement (AFTA), Philippine exports to the region benefit from the lower 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.

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, Singapore, Thailand and Vietnam—have a combined population of 641.7 million people.⁴ The average GDP per capita of East Asia was \$33,875, and Southeast Asia (including Singapore and Brunei) was \$22,881.⁵ 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

⁴ [United Nations Department of Economic and Social Affairs](#), Population Division. "[World Population Prospects: The 2017 Revision](#)"

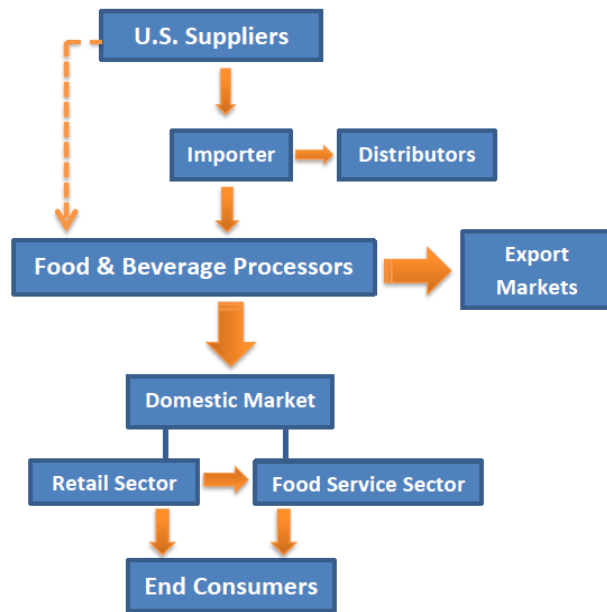
⁵ CIA World Factbook

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 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:

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.

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

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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