

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Philippines

Food Service - Hotel Restaurant Institutional

2015 HRI Food Service

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Report Highlights:

The growing number of new hotels, opening of shopping malls, and influx of foreign-branded restaurants throughout the country coupled with the growing affluence of Filipino consumers contributed to the growth of the foodservice industry in 2014. The continuous growth of the foodservice industry provides greater opportunities for exports of U.S. food and beverage products to the Philippines.

Post:
Manila

1. Overview of the Philippine Market

The Philippines is the largest market in Southeast Asia for U.S. consumer-oriented food and beverage (f&b) products and one of the fastest growing markets in the world, importing \$ 1.1 billion in U.S. f&b products in 2014.

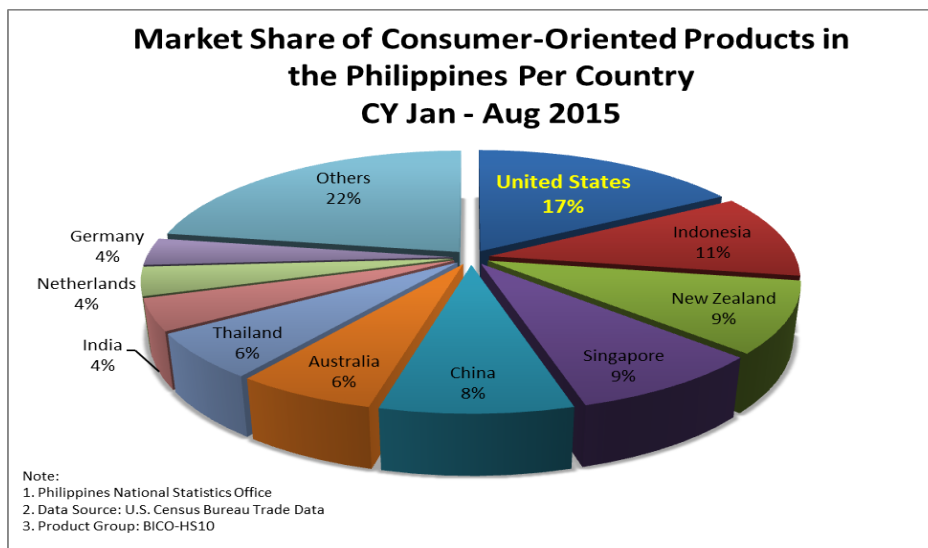
A mature market with increasingly growing demand U.S. consumer-oriented products, the United States remains the Philippines' largest supplier for food, beverage and ingredient products.

Ranked as the 10th largest export market for U.S. high-value, consumer-oriented products, the Philippines imported \$594 million from January through August 2015. Based on the chart below, the United States remains the largest supplier with seventeen percent (17%) market share, followed by Indonesia (11%), and New Zealand (9%) and China (9%). Total imports of consumer-oriented food grew annually by an average of 15% while imports of U.S. food products increased by an average of 15 to 20 percent annually.

Table 1 – Philippine Market Profile
Population: <ul style="list-style-type: none">• 107 Million (July 2014 est.), annual growth rate of 1.84%• 40% below 20 years old• 52% living in urban areas
Land Area: 298,170 sq.km.
2014 GDP Growth: 6.1%
GDP Per Capita: \$7,000 (2014 est.)
Source: CIA World Fact Book

for

Chart 1 – Philippine Imports of Consumer-Oriented Products



The Philippines has a strong preference for U.S. brands and is always looking for new American products to taste and enjoy. As incomes grow, more American brands are likely to find a market here.

Post expects demand for U.S. consumer-oriented products will continue to grow for following reasons:

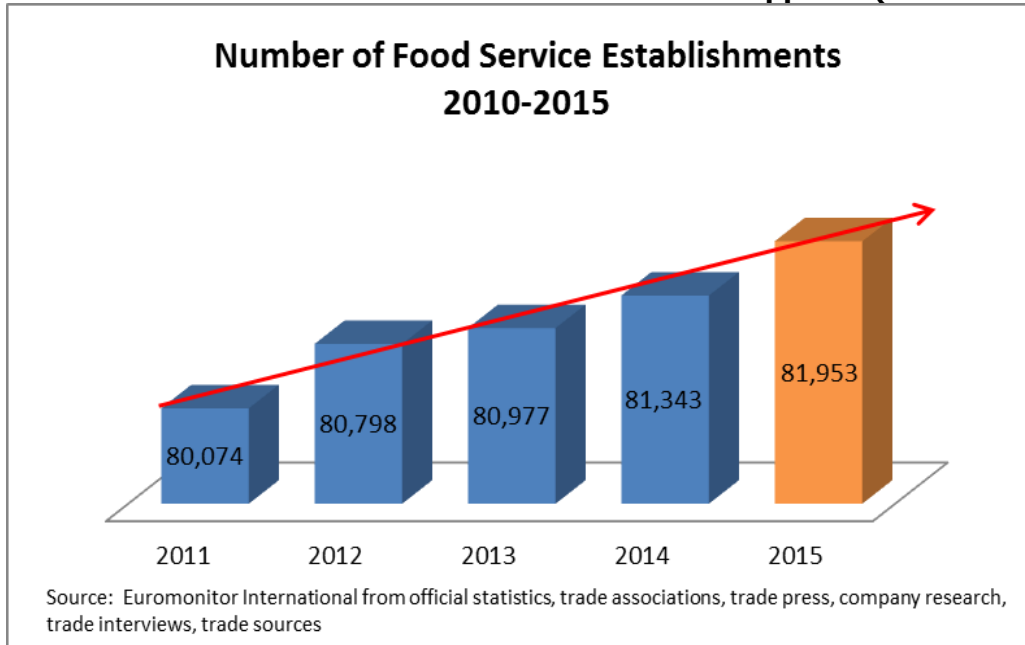
Increasing urbanization (almost 107 million in population)

- Growing upper and middle class (18-20 million)
- Rising number of supermarkets, hypermarkets and convenience stores
- Strong interest in western brands among Philippine consumers
- Growing awareness of the quality and health benefits of U.S. food, beverage and ingredient products

II. Overview of the Philippine Foodservice Industry

With continued strong economic performance in 2014, foodservice establishments and sales in the Philippines continue to increase. Foodservice establishments and sales in the foodservice grew slightly from 2013 due to sustained frequency of eating out brought by the growing affluence, increasingly busy lifestyles, the desire for convenience and the entry of several international brands in the foodservice industry.

Chart 2 – Number of Food Service Establishments in the Philippines (2011-2015)



The foodservice industry in the Philippines is dominated by independent players, most of which have outlets in stand-alone locations. Among chain players, local operator Jollibee Foods Corporation leads through its wide portfolio of leading fast food brands. Other important players include Golden Arches Dev Corp (with the McDonald's brand), Ramcar Inc. (Mister Donut and KFC), Pizza Hut, and Shakeys.

Table 2 - Foodservice by Type

Types of Foodservice	Description
Independent	One-branch restaurant concept that's often homegrown and starts with limited staff and marketing efforts.
Chain	An independent restaurant with one or more branches. The owner has full control of the operations of each branch in one holding company.
Franchise	A mother company (international or local) that shares branding, marketing efforts, operational systems, and supplies with multiple independent business owners in exchange for royalties and monthly commissions. Can be a street stall/kiosk or fast food outlets.
Quick Service	Known for quick food production, serving food in about 10 minutes, these restaurants pre-cook food that can be heated and served quickly when ordered.
Fast Casual/Fast Food	More creative in menu items, boasting of signature food and specialties, and a relaxed ambiance.
Fine Dining	Leisure dining with pricier cuisine and longer service, usually patronized for special occasions and business functions. Usually located in high-end hotels and resorts.

Source: Types of Restaurants: Entrepreneur, October 2013

Table 3 - Foodservice by Location

Location	Description
Stand-alone (Independent restaurants, cafes, kiosks)	Food service establishments located in a commercial area, near a mall, school, or hospital. Usually, street-stall/ kiosks, food chains, quick service restaurants and cafes.
Retail (Malls and supermarkets)	Restaurants located inside a commercial mall. Usually fast-food chains, quick-service and fast casual restaurants, and cafes.
Travel (Transportation terminals, stations incl. gas stations)	Food service establishments located in airport terminals, bus stations, and service areas alongside motorways and expressways. Usually fast-food chains, quick-service restaurants, cafes and street-stall/ kiosks.
Leisure (Hotels & Resorts)	Restaurants in nearby hotels and resorts.
Lodging (Hotel restaurants)	In-house outlets, exclusive fine dining restaurants located in high-end hotels.

Foodservice through stand-alone accounted for the highest proportion of consumer foodservice in the Philippines in 2014, with 58%. This is accounted for the growing number of foodservice establishments that are generally more flexible about establishing their own opening and closing policies. Stand-alone outlets are also the best option of chained brands wishing to expand their presence in areas outside of Metro Manila, which tend to have a fewer retail locations available. Some independent players also operate initially through stand-alone units in order to minimize their business risk.

Food service through retail follows with 32%. This strong position is the result of the common practice among Filipinos to head to shopping centers during weekends or after work. As such, foodservice outlets located in retail establishments benefit from high foot traffic and are able to

serve the requirements of mall-goers after they shop or watch a movie. This, in turn, is driving the consistent expansion of chained shopping malls such as SM and Robinsons, especially those outside Metro Manila. Foodservice through travel, meanwhile, generated the most vibrant growth in 2014 as it expanded by 7% in current value terms. This growth was supported by the availability of low airfares from budget airlines and promotions by the Department of Tourism to expand in both domestic and inbound tourism. It is common for consumer foodservice brands located in airport terminals, bus stations and that service areas alongside motorways and expressways to charge slightly higher prices, which contributed to the strong value growth recorded in foodservice through travel in 2014.

Chart 3 – Philippine Foodservice Market Share by Location

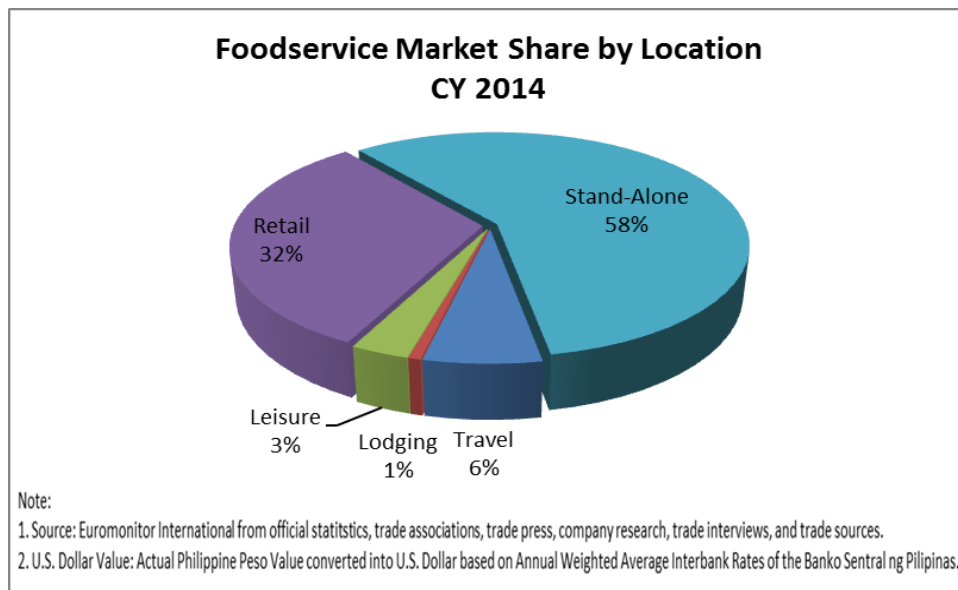
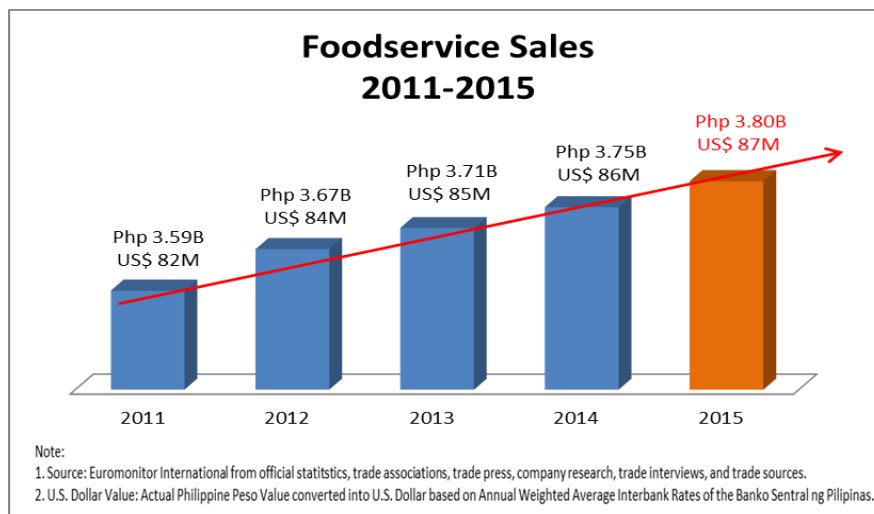


Chart 4 – Philippine Foodservice Sales (2011-2015)



The number of foreign brands continuous to grow in the foodservice industry in the Philippines

through franchising or joint venture. Local foodservice companies prefer to bring in a foreign brand rather than create their own local restaurant. This strategy seems to provide better prospects for success since less effort is required to build an established foreign brand restaurant. This approach in the food service industry seems to work as Filipinos in general have high regard for imported brands, which they become familiar with either through their travels abroad or through social media.

The range of foreign brands present in the country are diverse and are not limited to full-service restaurants, it also include fast food, cafes and street stalls/kiosks. Some of the prominent new brands in the industry include Tim Ho Wan, Kyochon, as Hakata Ippudo, Ramen Iroha, Ramen Sora, Cali Burger, Teddy’s Bigger Burgers, St Marc Café, Costa Coffee, Todd English Food Hall, Nobu Manila and Baskin-Robbins.

Table 4 – List of Recently-Opened Hotels & Proposed Hotels

Name of Hotel	Location	Rooms	Opening
Discovery Primea	6749 Ayala Avenue, Makati	NA	2014
Hyatt Hotel Manila	City of Dreams Manila, Entertainment City, Parañaque	362	Dec. 2014
Crown Towers Manila	City of Dreams Manila, Entertainment City, Parañaque	260	Dec. 2014
Nobu Hotel Manila	City of Dreams Manila, Entertainment City, Parañaque	321	Dec. 2014
Belmont Luxury Hotel Newport	Newport City, Pasay	480	2015
Grand Hyatt Manila	8th Avenue, Veritown Fort, Bonifacio Global City, Taguig	438	2015
Conrad Hotel Manila	SM Mall of Asia Complex, Bay City, Pasay	350	2015
Novotel Manila Araneta Center	Araneta Center, Quezon City	401	2015
Shangri-La at the Fort	West Superblock, Bonifacio Global City, Taguig	577	2016
Mövenpick Hotel Manila	Picar Place, Kalayaan Avenue, Makati	324	2016
Savoy Hotel	Newport City, Pasay	610	2016
Novotel Manila Emerald Suites	Emerald Avenue, Ortigas Center, Pasig	150	2017
Sheraton Manila	Newport City, Pasay	350	2017
Hilton Manila	Newport Boulevard, Newport City, Pasay	350	2017
Crockfords Tower Manila	Resorts World Bayshore, Entertainment City, Parañaque	NA	2018
Genting Grand Manila	Resorts World Bayshore, Entertainment City, Parañaque	NA	2018
Hotel Okura Manila	Resorts World Bayshore, Entertainment City, Parañaque	NA	2018
The Westin Manila	Resorts World Bayshore, Entertainment	600	2018

Bayshore	City, Parañaque		
Mercure Manila Ermita	Roxas Boulevard, Ermita	500	2018
Mercure Manila Ortigas	San Miguel Avenue, Ortigas Center, Pasig	150	2018
Novotel Suites Manila	Mandaluyong, Pasig City	310	2019
The Westin Manila Sonata Place	Ortigas Center, Pasig City	NA	2019
Radisson Blu Global City	Bonifacio Global City, Taguig	NA	TBA

III. Advantages and Challenges for U.S. Exporters

Advantages	Challenges
The Philippines has a large base of experienced importers that cater to the HRI sector.	Few importers have a nation-wide distribution network. The high cost of inter-island shipping makes imported products more expensive in areas outside Manila.
The foodservice sector is familiar with the availability, quality and applications of U.S. f&b products. The popularity of American holidays and culture lead to Americana-themed promotional events by Philippine restaurants and hotels throughout the year.	Stiff competition from European and Asian f&b products in the market.
Philippine consumers are open to various international cuisines, providing opportunities for a broad range of U.S. f&b products.	Consumers are price-sensitive.
The recent depreciation of the U.S. dollar compared to the Philippine Peso makes U.S. f&b products more affordable and price-competitive.	Prices of U.S. f&b products are still generally higher than regionally imported products.
The rapid urbanization of provincial cities presents opportunities for U.S. f&b products.	Insufficient cold chain infrastructure.

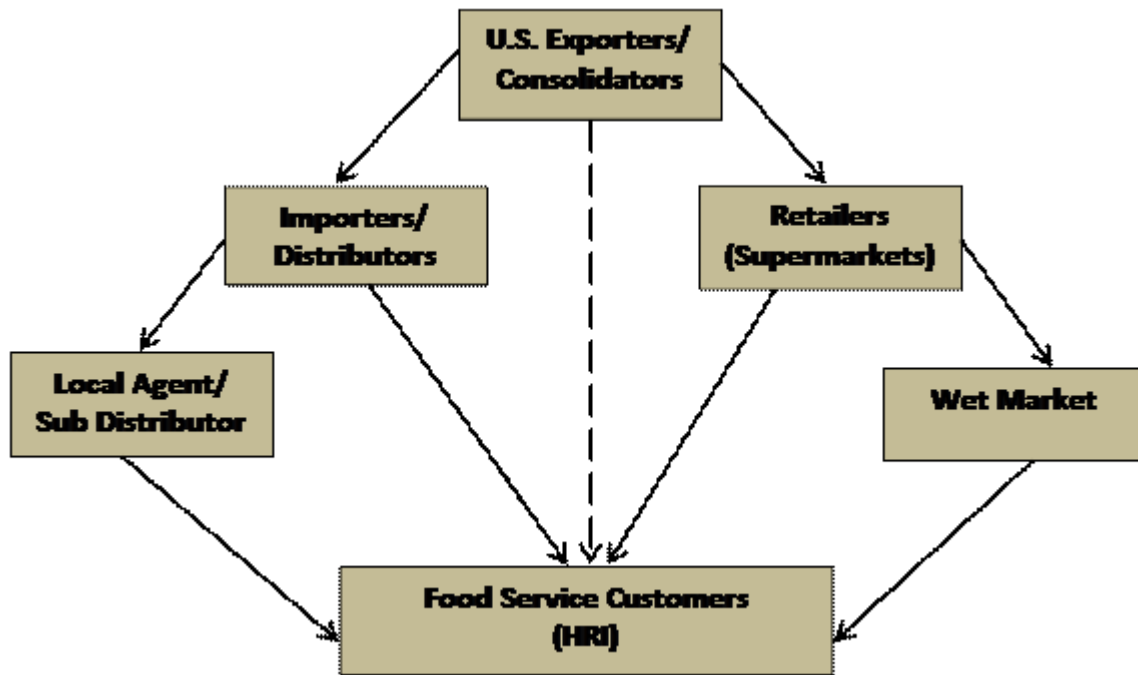
IV. Roadmap for Market Entry

- U.S. exporters are encouraged to participate in local/regional trade shows and buying missions to meet potential importers and introduce your products.
- Exclusive distributorship agreements are preferred by Philippine importers. U.S. exporters can work with one or several importers provided the market coverage of each importer is properly identified.

- Some Philippine importers maintain buying offices in the U.S. and consolidate their shipments on the West Coast. Others consolidate shipments through third-party U.S. consolidators.
- U.S. exporters are encouraged to maintain close contact with their Philippine importers and support efforts to introducing the products to foodservice customers by participating in technical seminars, product demonstrations, and local trade shows. Regular market visits are also highly valued by Philippine importers and regarded as a show of support.
- U.S. exporters are advised to require payment of goods via a letter of credit, especially for initial transactions. Credit terms may be extended to the importer after conducting a thorough background and credit investigation, and after payment habits have been established. Importers request for ample credit terms since HRI customers demand 30-60 days credit.
- Releasing goods from Philippine Customs sometimes poses a challenge, especially for inexperienced importers.
- General pricing structure: Importers add about 30% to the landed cost (CIF + Duties & Taxes) to arrive at the wholesale price for HRI customers.
- HRI customers rarely import f&b products directly, except for a few fastfood chains. The importation is done mostly by importers and a few retailers.
- Importers distribute directly to HRI customers or appoint sub-distributors.
- A number of importers distribute to the wet market. Wet markets carry lower value cuts of pork and beef, and other products such as: poultry, fruits and vegetables, dried peas, lentils and other ingredients.
- A select number of importers distribute to retailers. There are some HRI customers that buy from retailers due to situations such as stocks running out before the next delivery, difficulty obtaining credit and difficulties meeting the minimum order required for products to be delivered.
- For perishable and temperature-sensitive products, it is important to select an importer that has the capacity to maintain cold-chain storage and transportation. If possible, products should be packed to withstand extreme heat and humidity.
- Expect higher volume of orders from September to December as importers stock-up for the Christmas season (which is marked by higher consumer spending).
- Small to medium size exporters should work with the appropriate U.S. State Regional Trade Group (SRTG) to take advantage of the SRTG's resources for marketing and promotional support in major export markets. The four SRTGs are non-profit trade development organizations that help U.S. food producers, processors and exporters sell their products overseas. They are jointly funded by USDA's Foreign Agricultural Service (FAS), the individual state departments of agriculture and private industry. The SRTGs provide export assistance to companies located in their geographic region through a variety of export programs and integrated marketing services. To learn more services available from the SRTGs, find the SRTG for your geographic region in the list below and visit the website.

- Western U.S. Agricultural Trade Association (<http://www.wusata.org/>)
- Southern U.S. Trade Association (<http://www.susta.org/>)
- Food Export-Midwest (previously named MIATCO) (<http://www.foodexport.org/>)
- Food Export-Northeast (Previously named Food Export USA) (<http://www.foodexport.org/>)

Philippine HRI Distribution Channel Flow Diagram



VI. Product Prospects for Food Service Market

Based on industry interviews, roughly 25 percent of all f&b imports flow through the HRI sector. With most analysts projecting sustained growth in the Philippine economy and the HRI sector, Post anticipates continued growth in f&b import demand through 2015 (and beyond) across a wide spectrum of products, with some of the fastest growth potential in convenience, gourmet, and “healthy, natural, and organic” categories.

Table 5 – U.S. Consumer Oriented F&B Exports to the Philippines

U.S. Food & Beverage Exports to the Philippines CY 2009-2014 (in Millions of Dollars)							
	Calendar Years (Jan-Dec)						% Change 2009-2012
	2009	2010	2011	2012	2013	2014	
Food & Beverage Total	428.2	621.0	772.6	866.2	999.2	1110.8*	159
Beef & Beef Products	21.6	29.2	38.0	44.9	54.5	59.5*	175
Pork & Pork Products	76.5	103.4	92.9	88.2	112.3	103.7	36
Poultry Meat & Prods. (ex. eggs)	24.0	43.4	55.1	73.2	89.2	93.0*	288
Meat Products NESOI	4.5	4.8	5.3	5.6	9.5	9.4	109
Egg & Products	1.6	0.8	2.1	2.2	2.2	2.3*	44
Dairy Products	78.1	185.5	280.5	317.5	364.0	422.9*	441
Fresh Fruit	32.8	31.3	41.9	50.9	60.6	62.5*	91
Processed Fruit	8.0	9.0	9.9	12.0	13.3	13.0	63
Fresh Vegetables	1.6	4.4	5.9*	3.4	5.4	5.6	250
Processed Vegetables	26.4	42.6	43.8	48.1	57.5	68.4*	159
Fruit & Vegetable Juices	6.7	7.8	7.9	8.3	9.6	11.6	73
Tree Nuts	2.7	4.5	4.9	5.5	5.0	7.1*	163
Chocolate & Cocoa Products	24.8	25.5	31.5	34.8	40.0	40.8*	65
Snack Foods NESOI	23.7	26.2	34.0	38.2	43.7	51.3*	116
Breakfast Cereals	0.7	1.0	1.1*	0.6	0.6	1.0	43
Condiments & Sauces	10.3	10.2	13.6	14.2	17.3	20.5*	99
Prepared Food	38.4	38.1	43.5	58.5	69.3	88.6*	131
Wine & Beer	7.4	8.1	8.1	8.0	9.5*	9.0	22
Non-Alcoholic Bev. (ex. juices)	6.0	18.3*	14.7	13.2	15.6	13.6	127
Dog & Cat Food	12.7	15.0	19.1	22.4	25.7	26.1*	106
Other Consumer Oriented	0.3	0.3	0.5	0.6	0.5	0.8*	167

Notes:
1. * Denote highest export levels since at least CY 1970
2. Source: U.S. Customs as reported in U.S. Department of Agriculture Global Agricultural Trade System
3. Product Group: BICO-HS10

Table 6 – Top Ranking Products in 2014 and Top Prospects in 2015

TOP 5 PRODUCTS by VALUE in 2014 (in Millions of Dollars)			TOP 5 PRODUCTS by GROWTH in 2014 (in Millions of Dollars)				
				2013	2014	% Growth	
#1	Dairy Products	422.9	#1	Breakfast Cereals	0.6	1.0	66.7
#2	Meat & Poultry Products	265.6	#2	Tree Nuts	5.0	7.1	42.0
#3	Prepared Food	88.6	#3	Prepared Food	69.3	88.6	27.8
#4	Processed Vegetables	68.4	#4	Fruit & Vegetable Juices	9.6	11.6	20.8
#5	Fresh Fruit	62.5	#5	Processed Vegetables	57.5	68.4	19.0

Source: U.S. Customs as reported in U.S. Department of Agriculture Global Agricultural Trade System

"BEST" PROSPECTS for 2015	
Healthy, Natural & Organic Products	Instant or "Convenience" Foods
Gourmet Products	Breakfast Cereals
Beef	Other Dairy Products
Lamb	Preserved Fruits & Pie Fillings
Deli Meats and Cheeses	IQF Fruits & Vegetables
Snack Foods, Dips and Spreads	Fruit & Vegetable Juices
Dried Fruits & Vegetables	Fresh Vegetables
Tree Nuts	Frozen Potatoes (new cuts)
Wine & Craft Beer	Dehydrated Potatoes

Top Prospects: Fast Facts & Trends

Healthy, Natural & Organic Products

Although U.S. Customs does not track these products as a separate category, retail stores have been increasing shelf-space to accommodate the growing number of new-to-market healthy, natural & organic products because of the rise in disposable income, and the strong consumer trend towards health, wellness and beauty.

Gourmet Products

Most retailers maintain a gourmet section including products such as meats, seafood, fruits & vegetables, specialty cheeses, sauces & condiments, herbs & spices, wines, craft beers and other beverages, dried fruits & nuts, specialty biscuits, snack foods, and chocolate & confectionery. There are several independent operators of gourmet shops within high-end neighborhoods.

Instant or "Convenience" Foods

Because of the country's bullish business process outsourcing (BPO) industry that operates around the clock and the rise in the number of women joining the workforce, traders report strong demand in products that can be classified as "convenient" including snack foods, meal-replacements and ready-to-drink beverages. The Philippines is the 8th largest market in the world and the largest market in Southeast Asia for U.S. snack foods, consisting mainly of corn chips, chocolates, potato chips, sweet biscuits, popcorn and confectionery.

“Double” Products

In addition to being consumed directly, many U.S. f&b products (e.g. dairy, meat, poultry, dried fruits and tree nuts) are being used by the Philippines’ booming food processing industry.

Dairy Products

The Philippines is the 4th largest export market in the world for U.S. dairy products. Exports more than quintupled since 2009 and achieved record sales in 2014. The largest U.S. dairy product export to the Philippines is non-fat dry milk (NFD). Consumers and the Philippine food processing industry are the major purchasers of NFD. The Philippines is a key market in Southeast Asia for standard and gourmet U.S. cheese products. Traders are optimistic about the growing market potential of gourmet cheese products due to the booming Philippine economy. Standard cheeses dominate total sales, but gourmet cheeses are gaining popularity and command very high prices (e.g \$20-30/lb).

The U.S. is the second largest over-all dairy supplier to the Philippines, following New Zealand. While New Zealand and Australia enjoy tariff advantages of 1-7 percent on milk powder, cheese, whey and buttermilk as a result of the ASEAN-Australia-New Zealand Free Trade Agreement, currency fluctuations play a significant role in the competitiveness of U.S. products.

Red Meats

U.S. beef exports have been robust as U.S. prime rib and other high-value cuts have become standard menu offerings. The growth is expected to continue as incomes rise, and the number of finer dining options proliferate throughout the country. Strong growth in exports of high-value pork cuts and prepared/preserved pork products to supermarkets, hotels and restaurants are expected to continue.

Poultry Meat

The Philippines remains the largest market in Southeast Asia for U.S. poultry. While a growing market for nearly all categories, the trade estimates mechanically deboned meat (MDM) for use in the food processing industry comprise 75 percent of U.S. poultry exports in 2014.

Prepared Food

Traders report growth in sales of baking ingredients such as cocoa products, pre-mixes, jams and jellies, and flavorings due to the proliferation of small bakeshops that sell premium-quality artisanal baked goods.

Processed Vegetables

The Philippines is the 7th largest export market in the world for U.S. frozen potatoes. There are excellent opportunities for multiple products in this category.

Fresh Fruits

The Philippines is the 5th largest export market in the world and the largest market in Southeast Asia for California table grapes, and a key market for other U.S. fresh fruits such as apples, oranges, lemons, pears and cherries. There is a growing demand for melons, pears, berries and stone fruits.

Fresh Vegetables

The Philippines formally opened its market to U.S. fresh celery, lettuce, and cruciferous vegetables (e.g. broccoli and cauliflower). As the only country with official access to the entire Philippine market for these temperate climate vegetables (which are in limited supply domestically), U.S. exporters are poised to take advantage of opportunities in the booming Philippine food service and retail sectors.

Further, the Philippines allowed the importation of U.S. fresh table stock potatoes for consumption. In the past, U.S. fresh potatoes entering the Philippine market were restricted to chipping and processing purposes.

V. Further Information & Assistance

FAS Manila is ready to help exporters of U.S. food and beverage products achieve their objectives in the Philippines. For further information or assistance please contact:

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