

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Philippines

Food Service - Hotel Restaurant Institutional

2014 HRI Food Service Sector

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Report Highlights:


The Philippines' food service industry continues to grow, driven by the strong economic performance and high consumer confidence in 2013. The proliferation of retail shopping centers and opening of hotels have resulted in increased food service sales as dining out continues to become an important aspect of Filipinos' family bonding, relaxation, and celebration.

Post:
Manila

Author Defined:

1. Overview of the Philippine Market

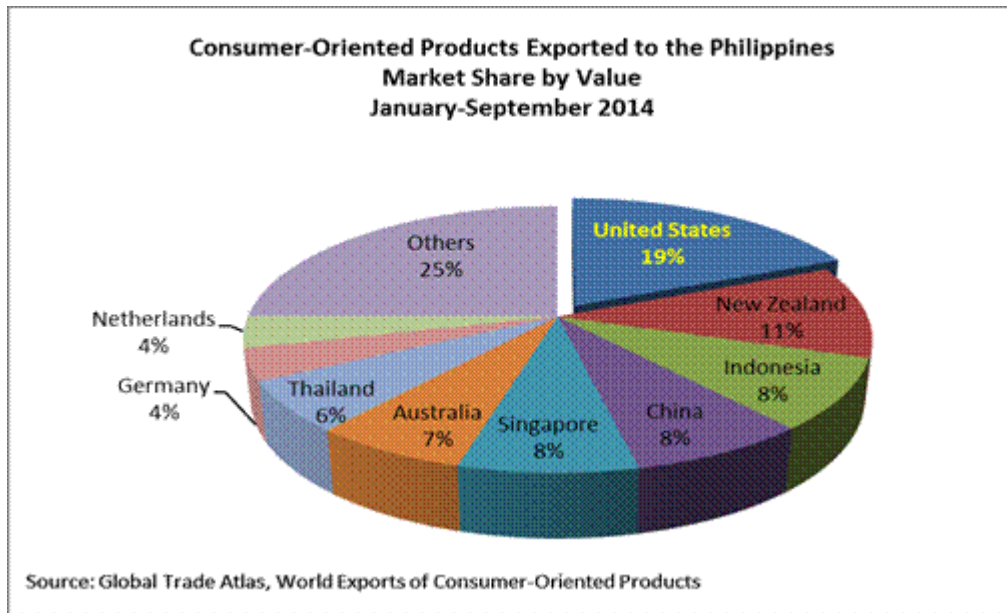
The Philippines is the largest market in Southeast Asia for U.S. consumer-oriented food and beverage (f&b) products and one of the fastest growing markets in the world, importing \$ 1 billion in U.S. f&b products in 2013.

	Table 1 - Philippine Market
	<p>Population:</p> <ul style="list-style-type: none">• 105 Million (2013 est.), annual growth rate of 1.84%• 40% below 20 years old• 52% living in urban areas <p>Land Area: 298,170 sq. km.</p> <p>2013 GDP Growth: 7.2 %</p> <p>GDP Per Capita: \$ 4,700 (2013 est.)</p> <p>Source: CIA World Fact Book</p>

A mature market with increasing demand for 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 \$872 million, a 19 percent increase from January through September 2014. Based on the chart below, the United States remains the largest supplier with 19 percent market share, followed by New Zealand (11%), and Indonesia (8%). 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.

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.

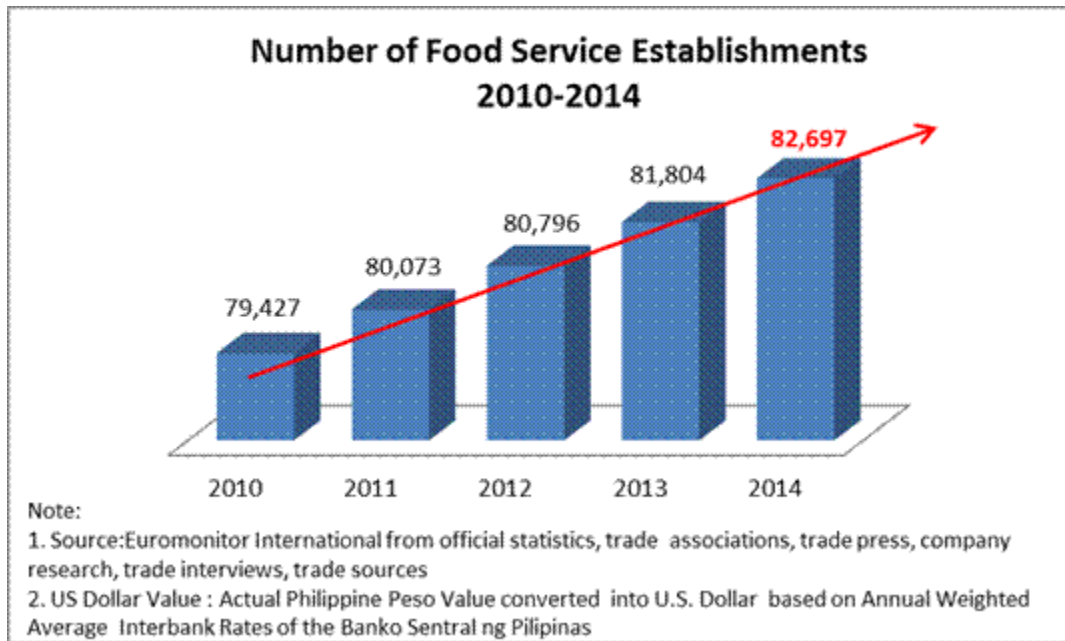
Post expects demand for U.S. consumer-oriented products will continue to grow for following reasons:

- Increasing urbanization (almost 105 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

Supported by strong economic performance in 2013, foodservice establishments and sales in the Philippines continue to grow. Total foodservice establishments increased by 1.2 percent while foodservice sales increased by 2 percent. The opening of more establishments, driven by chain outlets, boosts sales. Newly-opened establishments allowed players to gain access to a wider consumer base, especially dining customers in key cities outside Metro Manila. Filipinos continue to consider eating out as a means to bond with their family, socialize with friends and relax after a long day or week of work. The increasing average disposable income in the country, coupled with the rise of value-oriented dining, helped to encourage customers to spend more money and eat out more often.

Chart 2 – Number of Food Service Establishments in the Philippines (2010-2014)



The foodservice industry in the Philippines is dominated by independent players, most of which have outlets in standalone 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) and Philippine Seven Corp (7-Eleven). All of these brands operate in various locations mostly retail, travel (hotel& resorts) and standalone. Retail channels or those located inside the mall (i.e. SM Malls, Robinsons, Ayala Malls, etc.) are mostly preferred by operators as these give relatively high sales and transactions per outlet for their brands due to the high foot traffic. Travel channels or those located inside hotels and resorts are expected to increase since new hotels have opened in 2013 and more will be opening in the coming years (refer to table 4).

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

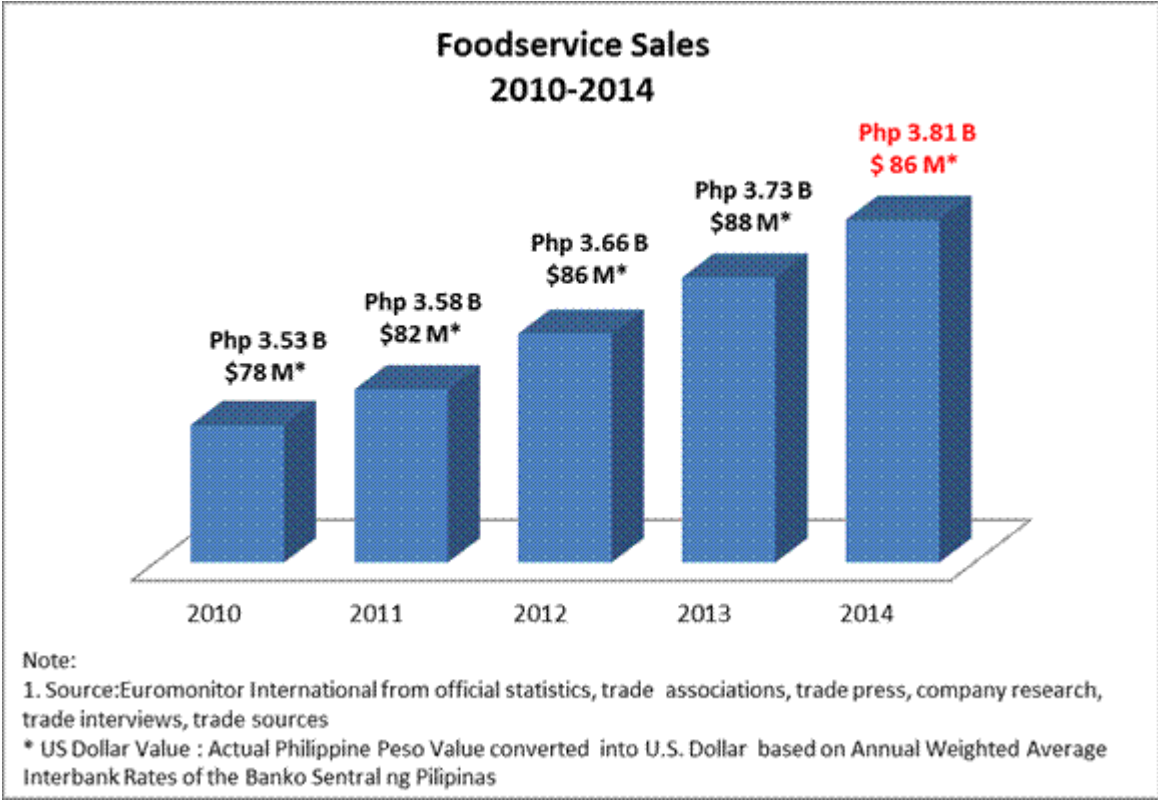
	and resorts.
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Source: Types of Restaurants: Entrepreneur, October 2013

Table 3 - Foodservice by Location

Location	Description
Standalone	Food service establishments located in a commercial area, near a mall, school, or hospital. Usually, street-stall/ kiosks, food chains, or quick service restaurants.
Retail (Malls)	Restaurants located inside a commercial mall. Usually fast-food chains, quick-service and fast casual restaurants.
Travel (Hotels & Resorts)	In-house outlets, and exclusive fine dining restaurants located in a high-end hotel or resort.

Chart 3 – Philippine Food Service Sales (2010-2014)



The Philippine food service industry has witnessed the entry of more international brands into the local dining scene in 2013 and 2014. Global operators have seen the strong potential of serving wealthy dining customers in urban areas. Increasing international travels have exposed more Filipinos to high-end dining options from international brands, enabling them to experience authentic cuisine, making them more discerning and more adventurous in trying foreign cuisines. Generally, Filipinos have a strong appreciation for restaurants that serve food that offers authentic flavors.

Operators carrying Japanese, Korean, Chinese, and North American food are the most popular among those which are present in the Philippines' foodservice industry. Ramen represents a strong trend, supported by the entry of Japanese brands such as Ramen Nagi (Noodlerama Group Inc.) and Ramen Santouka (Hokkaido Ramen Phils. Inc.), among others. Other notable Japanese brands that entered the local dining scene include Family Mart (Rustan Group of Cos) in convenience store fast food and Magosaburo (Inshock Philippines Inc), which offers diners authentic wagyu beef. Korean brand Chef Noodles entered the Philippines together with Thailand's Chinese restaurant Coca (Mother Spice Food Corp). Taking advantage of the all-day-breakfast trend in Metro Manila, North American brands IHOP (InterDine Corp) and Slappy Cakes (Mother Spice Food Corp) launched outlets in the Philippines.

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

Name of Hotel	Location	Rooms	Opening
Solaire Resort & Casino	Aseana/1 Solaire Boulevard, Bay City	488	2013
Holiday Inn & Suites Makati	Palm Drive, Ayala Center , Makati	348	April 2013
Marco Polo Ortigas Hotel	Ortigas Center , Pasig	316	2013
Worldhotel and Residences Makati	Makati Avenue, Makati	324	2013
Crimson Hotel	Filinvest City , Alabang	345	2013
Radisson Blu Global City	Bonifacio Global City, Taguig	NA	2014
Discovery Primea	6749 Ayala Avenue, Makati	NA	2014
Hilton Manila	Newport Boulevard, Newport City, Pasay	350	2014
Hyatt Hotel Manila	City of Dreams Manila, Entertainment City, Parañaque	NA	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
Shangri-La at the Fort	West Superblock, Bonifacio Global City, Taguig	577	2015
Grand Hyatt Manila	8th Avenue, Veritown Fort, Bonifacio Global City, Taguig	438	2015
Mercure Manila Ermita	Roxas Boulevard, Ermita	500	2015
Mercure Manila Ortigas	San Miguel Avenue, Ortigas Center, Pasig	150	2015
Conrad Hotel Manila	SM Mall of Asia Complex, Bay City, Pasay	350	mid-2015
Novotel Manila Araneta Center	Araneta Center, Quezon City	415	2015
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
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	NA	2018

	City, Parañaque		
The Westin Manila Bayshore	Resorts World Bayshore, Entertainment City, Parañaque	600	2018

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

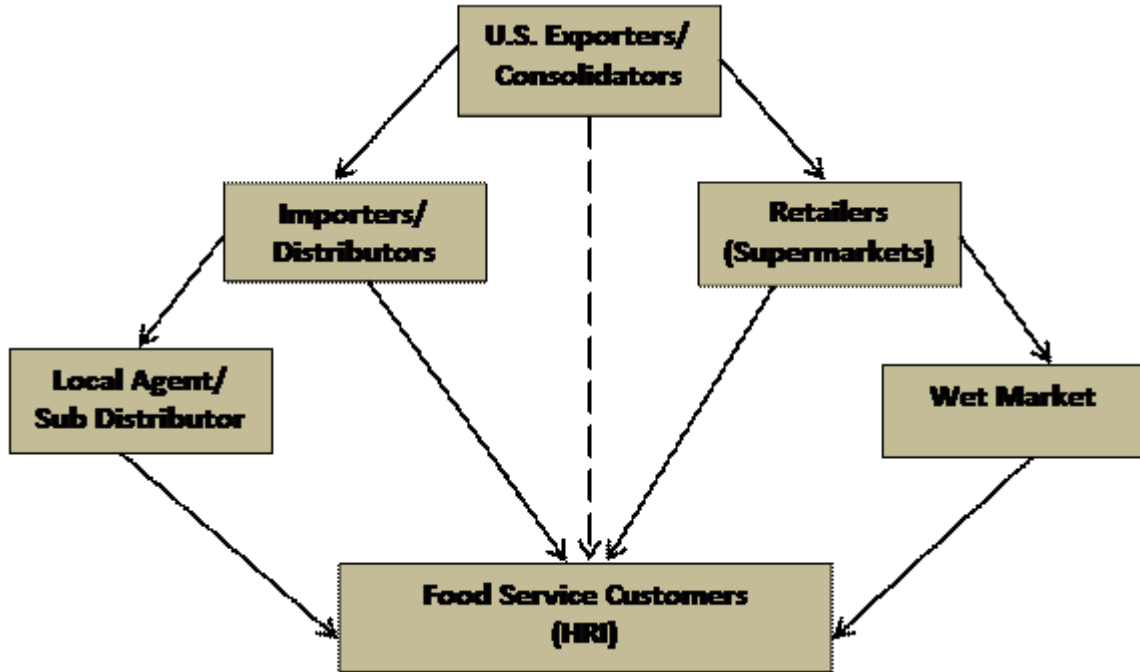
- U.S. exporters are encouraged to participate in local/regional trade shows and buying missions to meet potential importers and introduce your products.
- Exclusive distributorship agreements are preferred by Philippine importers. U.S. exporters can work with one or several importers provided the market 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 2014 (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. Consumer Oriented Food and Beverage Exports to the Philippines								
CY 2009-2013 and Year-to-Date Comparisons								
Value in Thousands of Dollars								
Product	2009	2010	2011	2012	2013	Jan - Sep 2013	Jan - Sep 2014	Period/Period % Change (Value)
Consumer Oriented Total	428,242	621,020	772,568	866,233	999,198	733,527	872,312	19
Dairy Products	78,096	185,467	280,470	317,512	363,957	276,963	349,797	26
Pork & Pork Products	76,531	103,409	92,940	88,172	112,254	90,069	86,596	-4
Poultry Meat & Prods. (e.g. eggs)	43,443	55,118	73,227	89,231	83,056	59,352	69,879	18
Prepared Food	38,419	38,124	43,549	58,521	69,303	55,186	67,222	22
Fresh Fruit	32,787	31,254	41,868	50,859	60,566	27,204	33,512	23
Processed Vegetables	26,391	42,554	43,848	48,131	57,504	36,799	52,444	43
Beef & Beef Products	21,554	29,186	38,030	44,923	54,480	42,255	45,064	7
Snack Foods NESOI	23,692	26,193	33,993	38,186	43,703	32,029	39,739	24
Chocolate & Cocoa Products	24,833	25,544	31,524	34,765	40,014	29,286	33,437	14
Dog & Cat Food	12,704	15,009	19,056	22,370	25,691	19,715	21,454	9
Condiments & Sauces	10,326	10,185	13,571	14,182	17,284	13,206	15,417	17
Non-Alcoholic Bev. (e.g. juices)	6,012	18,296	14,737	13,174	15,628	11,379	10,993	-3
Processed Fruit	8,004	9,012	9,919	12,010	13,287	9,667	9,681	
Fruit & Vegetable Juices	6,719	7,756	7,949	8,313	9,650	6,806	9,050	33
Wine & Beer	7,423	8,068	8,116	7,970	9,537	7,542	7,686	2
Meat Products NESOI	4,459	4,781	5,272	5,621	9,459	5,706	7,778	36
Fresh Vegetables	1,565	4,364	5,873	3,377	5,416	4,369	4,896	12
Tree Nuts	2,670	4,532	4,922	5,490	5,028	3,696	4,770	29
Eggs & Products	1,619	825	2,064	2,197	2,248	1,546	1,502	-3
Breakfast Cereals	702	1,034	1,095	581	626	431	728	69
Other Consumer Oriented	294	310	546	648	507	321	668	108

Legend:

1. Orange Highlight: Denotes highest export levels since at least CY 1970
2. Red Outline: Denotes export sales in 2013 that has at least doubled since 2009
3. Blue Highlight: Expected to set new record level

Notes:

1. Source: U.S. Customs as reported in U.S. Department of Agricultural Trade System
2. Product Group : BICO-HS10

According to U.S. Customs statistics, the top 10 f&b product categories by value through September 2014 were: dairy products, pork & pork products, poultry meat & products, prepared food, fresh fruit, processed vegetables, beef & beef products, , snack foods, chocolate & cocoa products and condiments & sauces. Trade sources project that same product categories will remain until the end of 2014. The top 10 f&b products that led the growth through September 2014 were summarized on the table below:

Table 6 – U.S. Consumer Oriented Top 10 F&B Exports to the Philippines

Top 10 Products by GROWTH in 2014 (in Thousands of Dollars)				
Rank	Products	Jan - Sep 2013	Jan - Sep 2014	% Growth
# 1	Breakfast Cereals	431	728	69
# 2	Processed Vegetables	36,799	52,444	43
# 3	Meat Products NESOI	5,706	7,778	36
# 4	Fruit & Vegetable Juices	6,806	9,050	33
# 5	Eggs & Products	3,696	4,770	29
# 6	Dairy Products	276,963	349,797	26
# 7	Snack Foods NESOI	32,029	39,739	24
# 8	Fresh Fruit	27,204	33,512	23
# 9	Prepared Food	55,186	67,222	22
# 10	Poultry Meat & Products (ex. Eggs)	59,352	69,879	18

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

Trade projects continued growth in U.S. f&b exports in 2014 and beyond, with excellent potential for “gourmet”, “healthy” and “convenience” products. Based on interviews with chefs, restaurateurs, the top growth prospects for U.S. high-value, consumer-oriented products are:

GOOD PRODUCT PROSPECTS for 2014		
Deli Meats and Cheeses	Wines	Preserved Fruits & Pie Fillings
Beef	Craft Beers	IQF Fruits & Vegetables
Lamb	Tree Nuts	Fruit & Vegetable Juices
Chicken and Turkey	Dips and Spreads	Potatoes (Frozen, Dehy & Fresh)
Gourmet Products	Breakfast Cereals	Dairy Products
Healthy, Natural & Organic Products	Fresh Fruits and Vegetables	Coffee Flavorings and Syrups

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 in exporting U.S. agricultural products, please contact:

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