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**Report Highlights:**

The Philippines ranks as the seventh largest market for U.S. agricultural exports and the largest destination for U.S. consumer-oriented products in Southeast Asia. Still the largest single-country supplier of agricultural products, U.S. agricultural and consumer-oriented exports are currently on pace to grow 16 percent and 19 percent, respectively, in 2022, but likely for a slight pull back in 2023. Best product prospects include dairy, pork, poultry, beef, and potato products....

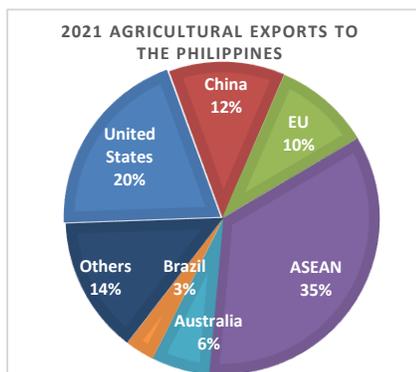
## MARKET FACT SHEET: PHILIPPINES MARKET OUTLOOK

The Philippines is a top emerging market one-third the size of the United States by population but equivalent to Arizona by area. With increased mobility and sustained domestic consumption, GDP growth is expected to reach seven percent in 2023 despite global headwinds and inflationary pressures that have exacerbated some of the already highest food prices in the region.

## AGRICULTURAL EXPORTS TO THE PHILIPPINES

The Philippines rose to become the 7<sup>th</sup> largest export market for U.S. agricultural products in 2021, reaching a record \$3.56 billion.

While the United States remained the largest single-country supplier of agricultural products in 2021, its market share slipped to 20 percent. Through the first 10 months of 2022, U.S. agricultural exports are up 16 percent.



Source: Trade Data Monitor

## FOOD PROCESSING SECTOR

Food manufacturers increased production in 2022, with capacity utilization now over 70 percent. Meanwhile, increasing raw material costs narrowed margins and resulted in higher prices.

## RETAIL FOOD SECTOR

Sales improved for supermarkets, hypermarkets, warehouse clubs, and convenience stores in 2022 with easier access to brick-and-mortar formats.

## FOOD SERVICE SECTOR

Online deliveries and drive-throughs remain in use to provide consumers access and convenience but have yielded sales to dine-in restaurants and catering events as COVID-19 restrictions were lifted, allowing

consumers to release pent up demand. Meanwhile, the sector has not yet fully bounced back and remains challenged by higher costs of operation.

### Philippines: Quick Facts CY 2022

#### Demographics

- 113 million population (Jan 2022 est.)
- 1.63% population annual growth (Dec 2021 est.)
- 52% under 24 years old & a median age of 24 years old
- 48% urbanization rate
- 12% reside in Metro Manila (capital city)
- 76% speak English & 98% literacy rate

#### Gross Domestic Product (GDP)

- GDP: \$422 billion (est)
- GDP per capita: \$3,797 (est)
- GDP growth rate: 8% (est)
- GDP PPP: \$1trillion (est)

#### Global Agricultural & Related Trade (2021)

Exports to P.H.: \$15.71 billion P.H. Exports: \$6.8 billion

#### Top Consumer-Oriented Agricultural Products:

- Pork, beef, poultry
- Dairy products
- Food preparations
- Sauces and condiments
- Fruits and vegetables
- Biscuits and baked products

#### Top Quick Service Restaurants

[Jollibee](#), [Mc Donald's](#), [Chowking](#), [Shakey's](#), and [KFC](#)

#### Top Supermarkets

[SM](#), [Robinson's](#), [Puregold Price Club](#), [Metro](#), [Gaisano](#), and [Landmark](#)

#### Top Convenience Stores

[7-Eleven](#), [Alfamart](#), [Ministop](#), [Familymart](#), [All Day](#), and [Lawson](#)

#### Top Warehouse Clubs

[S&R](#) and [Landers](#)

Sources: [Euromonitor](#), [Global Agricultural Trade System](#), [International Monetary Fund](#), [The World Factbook](#), [Trade Data Monitor](#), [The Economist](#), [World Bank](#), [Philippine Statistics Office](#), [Department of Trade and Industry](#), and FAS Manila research

Strengths	Weaknesses
Strong preference for U.S. ingredients and perceived higher standard and quality	Less competitive shipping costs and tariffs than ASEAN, China, and AU-NZ
Opportunities	Challenges
A service-based economy with a young, tech-savvy, working-age population, and resilient domestic demand	Tightening consumer purchasing power as a result of higher inflation with little room in the household budget to transfer additional outlays to food and beverages

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## SECTION I. MARKET OVERVIEW

### Population and key demographic trends.

The Philippines has a young, growing, working-age population, with the fifth largest English-speaking population in the world at 64 million. Half of its 113 million people are connected to the internet, and its users spend some of the longest hours online in the world.

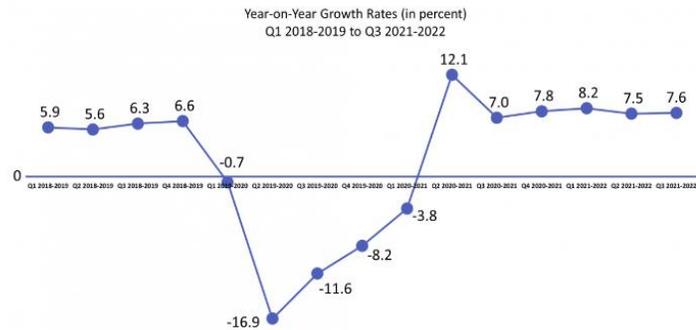
The Philippines and its people can generally be divided into three geographic regions: Luzon in the north, Visayas in the center, and Mindanao in the south. The archipelago also creates diversity in food and culture as well as poses logistical challenges. Thus, while the National Capital Region surrounding Manila accounts for nearly one in five Filipinos, Cebu in the Visayas and Davao in Mindanao serve as important regional centers.

**Size of economy, purchasing power & consumer behavior.** As reported by [World Bank](#), Philippine GDP PPP had returned to pre-COVID-19 levels in 2021. Following the reopening of business, the Philippines' economy has so far remained resilient, overshadowing the impact and rising concern of soaring inflation. In October 2022, Philippine unemployment had declined to 4.5 percent, compared to 7.4 percent year-over-year. The Philippines' [National Economic and Development Authority](#) currently projects the country will reach upper middle income status by 2025. Relative to its neighbors Indonesia, Vietnam, Malaysia, and Thailand, the Philippines has the highest Gini-coefficient and lowest per capita GDP PPP.

Average family income in 2018 was \$6,260, with a little over 40 percent of families reporting annual incomes of at least \$5,000.

[Household Final Consumption Expenditures](#) (HFCE) have expanded for six straight quarters, with food and non-alcoholic beverages growing in the third quarter by 3.9 percent and accounting for 39 percent of the total – still among the highest in the region, and providing little room to redirect additional resources to food purchases.

**Figure 1. Gross Domestic Product Q1 2018 - Q3 2022**



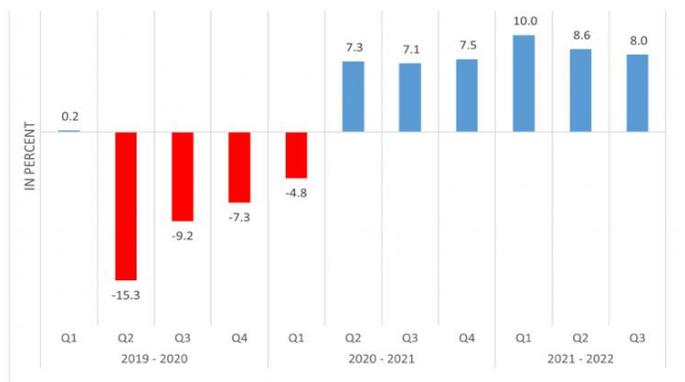
Source: [Philippine Statistics Authority](#)

**Figure 2. Distribution of Families by Income Class, Monthly (Number of families in thousands)**



Source: [Philippine Statistics Authority](#)

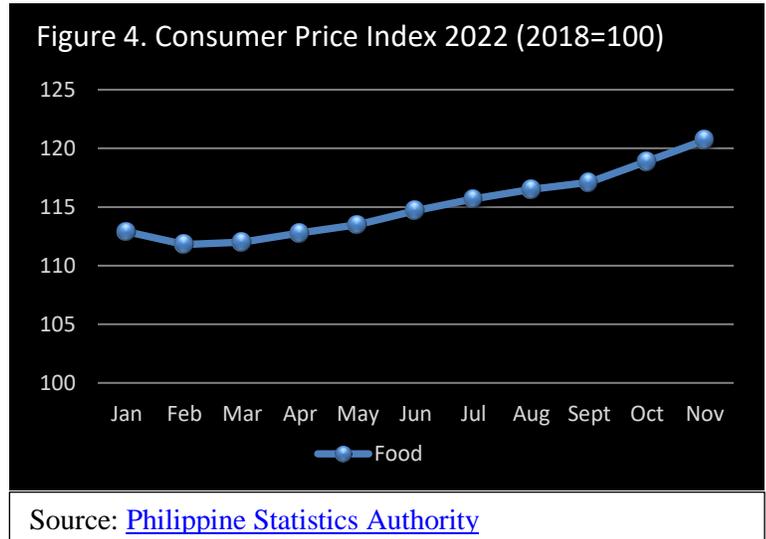
**Figure 3. Household Final Consumption Expenditure (At Constant 2018 Prices)**



Source: [Philippine Statistics Authority](#)

While middle- and upper-income families contribute most to food and beverage expenditures, middle and lower-class families have increasingly engaged in thriftier spending patterns, including shifting to lower-quality and cutting out meals altogether to manage rising food prices. In its latest October survey, [Social Weather Stations](#) reported self-rated food-poor families at 34 percent and hunger incidence of families at 11.3 percent.

According to the [Philippine Statistics Authority](#), total inflation reached eight percent in November, the highest since October 2018. Vegetables, meat, fish, and sugar were among the leading contributors to food inflation. Meanwhile, prices of non-alcoholic beverages stand at roughly two-and-a-half times the reference period of 2018.



In response to rampant food inflation and depleted consumer purchasing power, the government has so far continued to lean on expanding unenforceable price controls, and recently advised the public to limit consumption of goods in short supply rather than enacting measures that would allow imports to generate immediate supply responses and blunt food's contribution to headline inflation. The government approved an extension to lower tariffs on key staples including rice, corn, and pork through December 31, 2023 via an [Executive Order](#) signed on December 29, 2022 and published on January 3, 2023. No similar action has yet been taken to extend lower tariffs on mechanically deboned meat, a key ingredient and source of protein in canned meat products relied upon by low-income families. The current government has now twice directed and backtracked decisions to allow sugar imports in order to alleviate rising sugar prices.

**Overall business climate.** While acknowledging the benefits that come from operating within an English-speaking environment and efforts in recent years to enact key reforms, including the establishment of the Anti-Red Tape Authority, the Philippines remains among one of the most difficult places in the region to do business. In its final Doing Business 2020 report, [World Bank](#) ranked the Philippines 95<sup>th</sup>, behind Malaysia (12<sup>th</sup>), Thailand (21<sup>st</sup>), Vietnam (70<sup>th</sup>), and Indonesia (73<sup>rd</sup>). Within the agriculture and food trading landscape, a large bureaucracy of overlapping regulators with a culture of employing non-deliberative rule-making processes has routinely led to new trade barriers and market disruptions. The Department of Agriculture's sanitary-phytosanitary import permits – known locally as SPS Import Clearances – are regularly used to control trade flows and prop up local prices. The Food and Drug Administration's product registration system stymies the ability of businesses to bring new, innovative, or niche products or product packaging to market. High costs of doing business, including in trade, contribute to an environment favorable to smugglers and fixers, which in turn, puts U.S. businesses at a disadvantage. Customs and local government units are often also accused of overreach. The costs and hurdles to operate as an importer, distributor, processor, or retailer of imported products in the local climate has ultimately reduced the number of legitimate market participants and number of qualified buyers, with whom U.S. exporters have to partner. Reduced competition and high costs of doing business result in significant mark-ups between wholesale and retail and ultimately limits consumer sales.

### Recent trends.

- While online and drive-through platforms remain, pre-COVID consumption habits currently in demand.
- Mass consumer shifting spending habits by buying smaller packages and cheaper substitutes.
- Upper class remains interested in new products, higher quality food options, and premiumization.

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## SECTION II. EXPORTER BUSINESS TIPS

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**Importer.** Exporters should contact major importers, large manufacturers, or key processors with offices usually found in major cities such as Manila, Cebu, and Davao. Exporters should tap central purchasing offices of conglomerates, restaurants/cafe chains, groups of restaurants, or retail supermarket chains.

**Payment.** U.S. exporters should arrange payment for products via a letter of credit through their preferred banks and ship full-container loads to obtain lower freight costs. U.S. exporters should use Freight on Board (FOB) to assign insurance to the importer or Cost Insurance and Freight (CIF), which includes insurance until landed cost. Access [Incoterms](#) for more shipment options and guidelines.

**Agreement.** Exporters should build long-term relationships with importers, provide trade support, participate in events, and frequently visit the market. Before the first shipment, secure an importer agreement to set expectations, delineate roles and responsibilities, prevent losses, and avoid legal conflicts.

**Port.** As an archipelago, the Philippines offers multiple ports for shipments: Manila, Cebu, Davao, Subic, Batangas, Cagayan de Oro, and others. [Manila's ports handle 85 percent of the country's](#)

[foreign trade volume](#). The [International Container Terminal Services, Inc.](#) operates the Manila International Container Terminal and other ports in twenty different countries, including the United States. Ports are usually heavily congested during the fourth quarter of the year. For reduced shipping time, exporters may use [nonstop shipping vessels to the U.S. West Coast](#). Access the Bureau of Customs for [port updates](#).

**Packaging.** Smaller packaging sizes are commonly found in stores for individual consumption, while the food service sector and large households use industrial sizes.

**E-commerce.** With the Philippines topping the [global rankings for social media and internet usage](#), Exports should use e-commerce to increase online sales and brand awareness of products.

**Associations.** USDA-FAS Manila works with [U.S. trade associations](#), [State and Regional Trade Groups](#), and [State Departments of Agriculture](#) to facilitate trade, provide industry updates, and promote U.S. products through marketing programs.

**Exhibitions.** Exporters should participate in key trade exhibitions to promote and sell U.S. products. Access sectoral reports for events in [retail food](#), [food processing ingredients](#), and [food service](#)

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## SECTION III. IMPORT FOOD STANDARDS & REGULATIONS AND IMPORT PROCEDURES

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Please refer to the [Philippines: FAIRS Annual Country Report](#) for detailed import food standards, regulations, and import procedures along with the [Philippines Country Commercial Guide](#) for general guidance.

Most U.S. exporters transact with an agents, distributors, or importers in key cities. To facilitate large export volumes and build long-term relationships, exporters should directly contact the central purchasing offices of manufacturers, retail stores, restaurants, and hotels. Exporters should provide support through [sampling](#), trade incentives, consumer promotions, and trade servicing.

The [Philippine Economic Zone Authority \(PEZA\)](#) provides duty-free incentives for agricultural raw materials and ingredients used to manufacture products destined for re-export in Special Economic Zones.

## SECTION IV. MARKET SECTOR STRUCTURE AND TRENDS

### FOOD PROCESSING

Boosted by increased production and consumer mobility, Post sees the food and beverage manufacturing sector reaching eight percent growth in 2023.

With capacity utilization now over 70 percent, food manufacturers yield higher value and production volume in manufacturing. Beverage manufacturers' capacity utilization improved last year, however, it declined in 2022 due to sugar supply disruptions, especially in soft drinks. Disruptions are likely to continue into 2023 under current policy constraints.

Although supply chain disruptions, rising inflation, and logistical challenges drive up manufacturers' raw material costs, household food and beverage consumption remains strong.

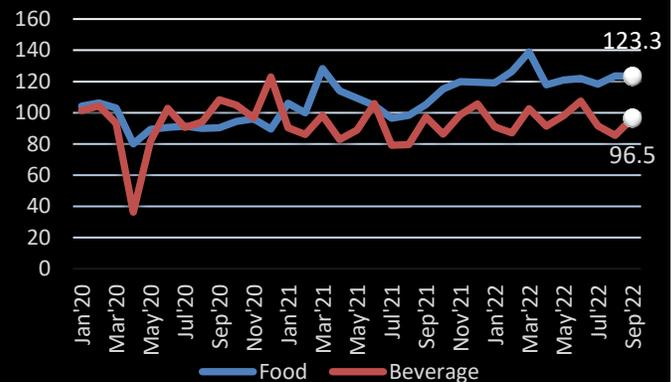
The government maintains [Suggested Retail Prices](#) for necessities and prime commodities and provides subsidies for the sectors most affected by higher fuel prices.

See the [Food Processing Ingredients](#) report for details.

### Market Opportunities

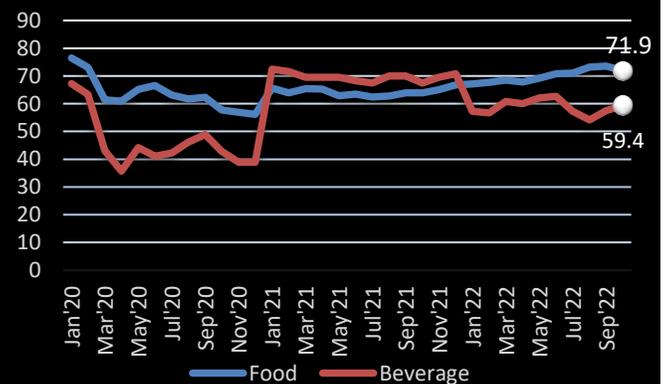
- Philippine manufacturers prefer U.S. agricultural products; however, the tightening of margins has forced manufacturers to look at their options.
- U.S. food processing ingredients and products are generally perceived to be of a higher standard and quality.
- Exporters can introduce new ingredients with perceived health benefits (i.e., plant-based ingredients).
- Some food and beverage manufacturers are entering the retail space such as online selling on the company's websites.

**Figure 4. Food and Beverage Manufacturing Sector Value of Production Index (2018=100)**



Source: [Philippine Statistics Authority](#)

**Figure 5. Food Manufacturing Average Capacity Utilization Rate (in percentage rate)**



Source: [Philippine Statistics Authority](#)

### Key Issues

- Rising fuel prices have further increased already high shipping and transport costs making local costs much higher.
- The Philippines lacks sufficient infrastructure to transport products.

## **FOOD RETAIL**

Post estimates nine percent growth in 2023 as retail sales improve in convenience stores, grocery stores, hypermarkets, warehouse clubs, mom-and-pop stores, and wet markets. Key retail companies remain confident about growing the market through increased consumer mobility and further spending.

Consumers return to in person buying at brick-and-mortar stores with the ease of pandemic mobility restrictions. On the other hand, consumers who became accustomed to pantry-loading during the pandemic continue but less frequent. Though a small portion of the market, online delivery platforms and community selling groups will remain a post-pandemic option, providing convenience consumers.

Food retailers continue expanding to new coverage areas while extending services and e-payment channels. Post expects food and beverage e-commerce sales to continue growth by 20 percent in 2023.

For further details, see the latest [Food Retail](#) report.

### **Market Opportunities**

- Warehouse clubs opening new stores and increasing product assortment, while including the highest concentration of U.S. products.
- Some retailers offer imported ingredients to provide higher quality options produced under strict sanitation safety standards.
- Retailers continue to leverage e-commerce to sell imported products through websites and mobile applications (i.e., Lazada, Shopee, GrabMart, and Metromart) and community sellers via chat applications (i.e., Viber, Messenger, and Telegram).
- Pantry loading continues to provide opportunities for industrial packaging and products sold in large packs.
- Retailers offer [frozen ready-to-eat](#) and grab-and-go meals to provide convenience.

**Figure 5. Sales of Food and Beverage Retailers vis-a-vis Total Retailers (in billion dollars)**



Source: [Euromonitor International](#)

### **Key Issues**

- Soaring operational costs affect the selling retail price of imported products.
- Supply chain is improving but has not recovered to pre-pandemic reliability.
- Although [local port](#) operations have improved, shipping experts estimate [global congested ports](#) and elevated freight rates to last through early 2023.

## **FOOD SERVICE**

Post projects consumer food service sales to increase by 15 percent in 2023, still far below pre-pandemic levels.

The easing of COVID-19 restrictions earlier in the year and increased consumer mobility and continued to steer the sector toward a partial rebound in 2022. Renewed consumer confidence in dining led to restaurants and hotels resuming full-capacity operations. As a result, full-service restaurants outperformed limited-service restaurants, cafes, bars, street stalls, and kiosks as more consumers want to enjoy the experience of dining in. Moving ahead, beverage sales in bars are expected to increase due to greater on-premises consumption.

Improved local and international tourism and the easing of restrictions supported the resumption of frequent event bookings in hotels. Hotels and restaurants occasionally feature imported ingredients on the menu to attract consumers. Online deliveries, drive-throughs, and curbside pickups persist as some consumers prioritize safety and convenience.

Restaurant sales have already improved and are starting to return to profit while some companies have brought on new shareholders to help through the recovery.

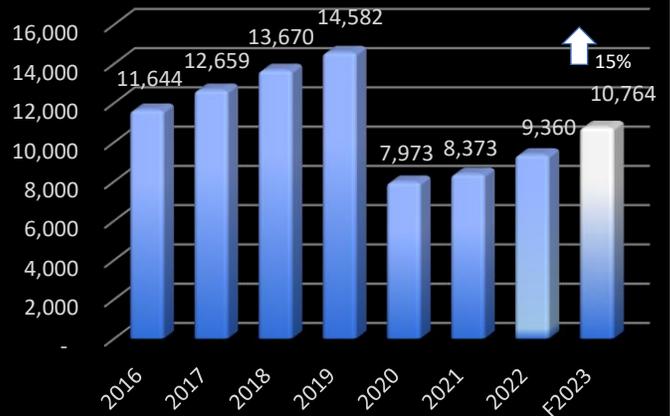
Restaurant chains remain strong and are fast-tracking expansion plans by opening more stores in 2023. Key restaurant groups including [The Bistro Group](#), [Moment Group of Restaurants](#), [Jollibee Foods Corp.](#), [Max's Group Inc.](#), [Shakey's International Inc.](#), and [Yum! Brands Inc.](#)

Access the latest [Food Service](#) report for further details.

### **Market Opportunities**

- Restaurants resume full capacity in dining in services while home-cooking in households decline.
- Restaurants highlight imported ingredients in menus (i.e., USDA-graded beef and U.S. pork) and benefit from premiumization trends.
- High-end restaurants and hotels trust U.S. food sanitation standards and quality, especially for red meat, poultry, and seafood.
- Though most restaurants have small volume requirements, some restaurant chains directly import from the United States.
- Restaurants and hotels feature particular ingredients during U.S. holidays (i.e., steak for Independence Day and turkey for Thanksgiving)

**Figure 6. CONSUMER FOOD SERVICE SALES**  
(in million dollars)



Source: [Euromonitor International](#) and FAS Research

### **Key Issues**

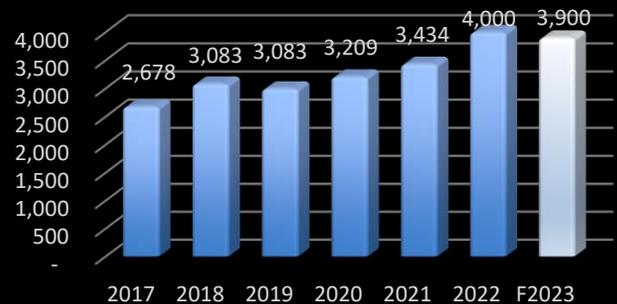
- Fast food chains and restaurants experienced delay supply chains affecting some ingredients on the menu (i.e., frozen fries, prime beef cuts, and onion rings).
- Stores experience challenges such as escalating food costs caused by elevated inflation, higher operational costs, and difficulty hiring employees.

## SECTION V. AGRICULTURAL AND FOOD IMPORTS

The Philippines is the 7th largest market for U.S. agricultural exports and 9th largest market for consumer-oriented exports. In both cases, it is the largest market in Southeast Asia. However, while holding a strong affinity for U.S. quality and consistency, U.S. market share continues to be tested by regional competitors with preferential trade agreements and a result of both supply chain disruptions and increasing price-sensitivity among buyers looking to control raw material costs. Meanwhile, local market inefficiencies that continue to support high food prices combined with a still relatively fast-growing economy increasingly create market opportunities for imports, especially value-added and finished goods.

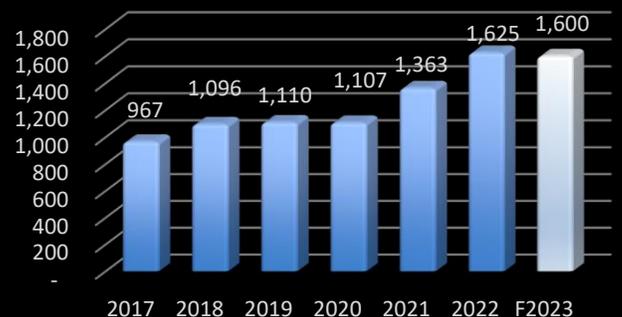
Post estimates U.S. agricultural exports to the Philippines to reach a record \$4.0 billion in 2022, including \$1.625 billion of consumer-oriented goods. Post forecasts values receding in 2023 to \$3.9 billion and \$1.6 billion, respectively, as commodity prices ease in line with the [USDA quarterly forecast](#). According to [GATS](#), through October 2022, U.S. agricultural exports and consumer-oriented agricultural products are up 17 percent and 19 percent, respectively, year-over-year. Milling wheat and soybean meal continue to be the largest contributors to U.S. agricultural exports to the Philippines with top consumer-oriented goods including dairy, poultry, pork, beef, and processed potato products.

**Figure 7. U.S. AGRICULTURAL EXPORTS TO THE PHILIPPINES (in million dollars)**



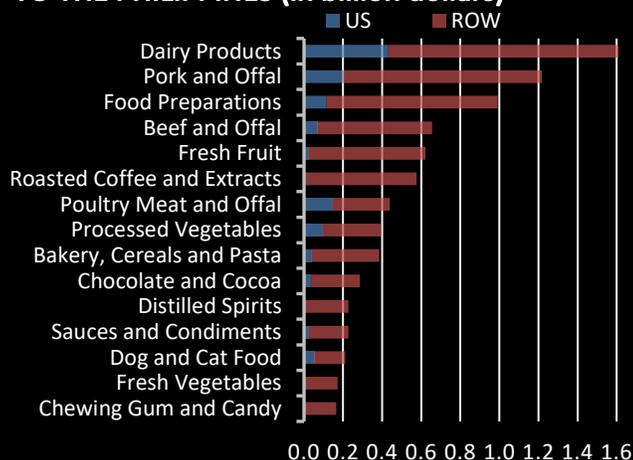
Source: [Trade Data Monitor](#) and FAS Research

**Figure 8. U.S. CONSUMER-ORIENTED EXPORTS TO THE PHILIPPINES (in million dollars)**



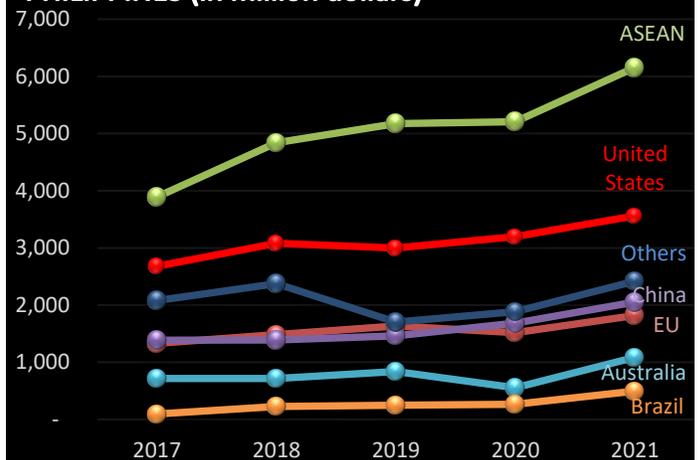
Source: [Trade Data Monitor](#) and FAS Research

**Figure 9. TOP CONSUMER-ORIENTED EXPORTS TO THE PHILIPPINES (in billion dollars)**



Source: [Trade Data Monitor](#)

**Figure 10. AGRICULTURAL EXPORTS TO THE PHILIPPINES (in million dollars)**



Source: [Trade Data Monitor](#)

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## SECTION VI. KEY CONTACTS AND FURTHER INFORMATION

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USDA Manila is ready to assist U.S. exporters facilitate and promote trade in the Philippines. If you have questions or run into problems, consider reaching out to us as well as other key local contacts:

<a href="mailto:AgManila@usda.gov">USDA/FAS AgManila@usda.gov</a>	<a href="mailto:IS.Manila.Philippines@usda.gov">USDA/APHIS IS.Manila.Philippines@usda.gov</a>	<a href="mailto:businessphilippines@trade.gov">Foreign Commercial Service businessphilippines@trade.gov</a>
<a href="#">Philippines Department of Trade and Industry</a>	<a href="#">Philippines Department of Agriculture</a>	<a href="#">Philippines Food and Drug Administration</a>
<a href="#">Tradeline Philippines</a>	<a href="#">Philippine Chamber of Commerce</a>	<a href="#">American Chamber of Commerce of the Philippines</a>
<a href="#">Anti-Red Tape Authority</a>	<a href="#">Philippine Exporters Confederation, Inc.</a>	<a href="#">Philippine Food Processors and Exporters Organization Inc.</a>
<a href="#">Center for International Trade Expositions and Missions</a>	<a href="#">Philippine Chamber of Food Manufacturers Inc.</a>	<a href="#">Philippine Food Processors and Exporters Organization Inc.</a>
<a href="#">Hotel and Restaurant Association of the Philippines</a>	<a href="#">Food Caterers Association of the Philippines</a>	<a href="#">Association of Purchasing Managers of Hotels and Restaurants of the Philippines</a>
<a href="#">Federation of Philippine Industries</a>	<a href="#">Philippine Retailers Association</a>	<a href="#">Filipino-Chinese Bakery Association, Inc.</a>

### Attachments:

No Attachments