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Philippines

Food Processing Ingredients

Prospects for U.S. Ingredients in Flourishing Philippine Food Processing Industry

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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.

In 2014, the f&b processing industry's gross value added output increased 13 percent over the previous year and reached \$28.4 billion¹. 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.

Post:

Manila

I. Philippine Food & Beverage Processing Industry

In 2014, the Philippine f&b processing industry's gross value added output increased 13 percent over the previous year, and grew 45 percentⁱⁱ over the past five years (2010-2014).

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 country.ⁱⁱⁱ



Top 20 Food and Beverage Processors in the Philippines Based on Gross Revenue (in Millions of Dollars)			
Rank	Company	Gross Revenue	Main Products
5	Nestlé Philippines, Inc.	2354	food products, not elsewhere categorized
18	San Miguel Brewery	1373	malt liquors and malt
20	Universal Robina Corp.	1337	snck products such as curls, wheat crunchies and similar products
25	Coca-Cola Bottlers Philippines, Inc.	1167	softdrinks except drinks flavored with fruit juices, syrups or other materials
46	Monde Nissin Corp.	709	macaroni, noodles, couscous and similar farinaceous products
55	Emperador Distillers, Inc.	634	spirits
66	Pepsi-Cola Products Philippines, Inc.	498	softdrinks except drinks flavored with fruit juices, syrups or other materials
73	Del Monte Philippines, Inc.	463	fruits and fruit juices
112	Alaska Milk Corp.	343	powdered milk (except for infants) and condensed or evaporated milk (filled, combined or reconstituted)
117	Purefoods-Hormel Company, Inc.	331	meat and meat products
128	Pilmoco Foods Corp.	310	flour (except cassava flour)
129	Mondelez Philippines, Inc.	309	butter, cheese and curd
130	Ginebra San Miguel, Inc.	308	spirits
171	Mead Johnson Nutrition (Philippines), Inc.	242	infants' powdered milk
184	Tanduay Distillers, Inc.	232	spirits
186	Philippine Foremost Milling Corp.	231	flour (except cassava flour)
189	General Milling Corp.	229	flour (except cassava flour)
207	Nutri-Asia, Inc.	213	fruit and vegetable sauces (e.g., tomato sauce and paste)
210	San Miguel Mills, Inc.	207	flour (except cassava flour)
218	Foodsphere, Inc.	192	meat and meat products

Notes:
1. Ranking based on BusinessWorld's Top 1000 Corporations in the Philippines, 2014 edition
2. Exchange Rate: 1 USD = 45.28 PhP

II. Market Overview

Philippine Market

The Philippine market has a strong consumer base. While GDP per capita in 2014 is estimated at \$2,765, the 10-15 million population in and around the capital of Manila has a per capita income of about \$8,300, three times^{iv} 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 young, fast-growing and highly urbanized population with increasingly sophisticated tastes and ever-growing access to supermarkets.

The Philippines continues to be a top ten export market in the world for U.S. agricultural & related products with record sales of \$2.9 billion in 2014, up 9.5 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. 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.

Philippine Market Profile

Population:

- 107 Million (July 2014 est.); annual growth rate of 1.81%
- 40% below 20 years old
- 52% living in urban areas

Source: CIA World Fact Book

Potential Customers: 10-15 million and growing

East and Southeast Asian Markets



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.

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 in 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 about 1.7 billion people^v and an average GDP (nominal) per capita of \$23,655^{vi}. Southeast Asia's 11 countries—Brunei, Burma, Cambodia, East Timor, Indonesia, Laos, Malaysia, Philippines,

Singapore, Thailand and Vietnam—have a combined population of 621 million people^{vii} and an average GDP (nominal) per capita of \$11,387^{viii}.

Southeast Asia 2014 GDP (Nominal) Per Capita in U.S. Dollars		
Rank		
1	Singapore	56,319
2	Brunei	36,607
3	Malaysia	10,804
4	Thailand	5,445
5	East Timor	3,638
6	Indonesia	3,534
7	Philippines	2,865
8	Vietnam	2,053
9	Laos	1,693
10	Cambodia	1,081
11	Burma	1,221
	SEA Average	11,387

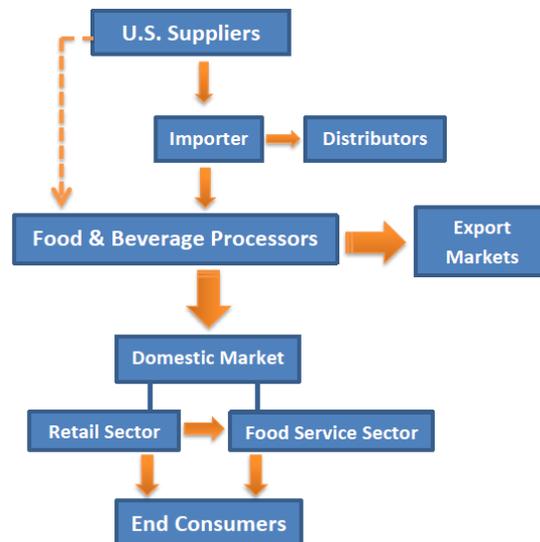


East and Southeast Asia 2014 GDP (Nominal) Per Capita in U.S. Dollars		
Rank		
1	Japan	36,332
2	South Korea	28,101
3	Taiwan	22,598
4	SEA Average	11,387
5	China	7,589

East Asia’s imports of processed f&b products reached \$87 billion in 2014, up 40 percent over the past five years, while Southeast Asia’s reached 32 million in 2014, up 37 percent over the past five years.^{ix} 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 based in Metro Manila and manage their own distribution, while others appoint independent distributors to cover the country’s key provincial. The most common entry strategy for new-to-market U.S. exporters is to offer products to processors and importers.



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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

[i] Philippine Statistics Authority-National Statistical Coordination Body.

[ii] **Ibid.**

[iii] **BusinessWorld's Top 1000 Corporations in the Philippines, 2014 edition.**

[iv] **Philippine Statistics Authority-National Statistical Coordination Body.**

[v] **United Nations Department of Economic and Social Affairs. World Population Prospects Estimate. The U.N. medium-fertility variant was used to estimate 2014 population.**

[vi] **International Monetary Fund's World Economic Outlook Database, 2014 edition.**

[vii] **United Nations Department of Economic and Social Affairs. World Population Prospects. The U.N. medium-fertility variant was used to estimate 2014 population.**

[viii] **International Monetary Fund's World Economic Outlook Database, 2014 edition.**

[ix] **Global Trade Atlas.**