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Philippines

Food Processing Ingredients

US Ingredients Flourish in Philippine Food Processing Industry

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Report Highlights:

The Philippines' rapidly expanding production of processed food and beverage (F&B) presents robust opportunities for U.S. exporters of agricultural raw materials and high-value ingredients. In 2015, the F&B processing industry's gross value-added output increased three percent over the previous year and reached \$27.8 billion. 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, such as the ASEAN Free Trade Area and the EFTA-Philippines Free Trade.

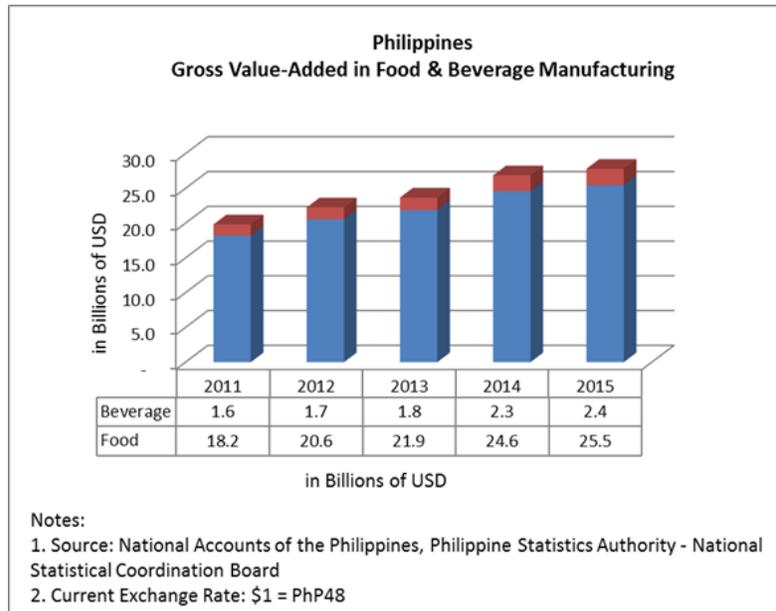
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Manila

I. Philippine F&B Processing Industry

In 2015, the Philippine F&B processing industry's gross value-added output increased three percent over the previous year to \$27.8 billion, and grew 40 percent¹ over the past five years (2011-2015).

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 country².



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.	2,364	food products, not elsewhere categorized
10	San Miguel Foods, Inc.	1,950	meat and meat products
16	Universal Robina Corp.	1,450	snack products such as curls, wheat crunchies and similar products
18	San Miguel Brewery	1,368	malt liquors and malt
22	Coca-Cola FEMSA Philippines, Inc.	1,103	softdrinks except drinks flavored with fruit juices, syrups or other materials
41	Dole Philippines, Inc.	752	fruits and fruit juices
46	Monde Nissin Corp.	709	macaroni, noodles, couscous and similar farinaceous products
58	Emperador Distillers, Inc.	590	spirits
67	Pepsi-Cola Products Philippines, Inc.	530	softdrinks except drinks flavored with fruit juices, syrups or other materials
77	Del Monte Philippines, Inc.	457	fruits and fruit juices
86	Alaska Milk Corp.	417	powdered milk (except for infants) and condensed or evaporated milk (filled, combined or reconstituted)
128	Purefoods-Hormel Company, Inc.	314	meat and meat products
132	Pilmico Foods Corp.	310	flour (except cassava flour)
134	Ginebra San Miguel, Inc.	304	spirits
150	Mondelez Philippines, Inc.	275	butter, cheese and curd
206	General Milling Corp.	216	flour (except cassava flour)
221	San Miguel Mills, Inc.	200	flour (except cassava flour)
254	RFM Corp.	170	food products, not elsewhere categorized
269	Magnolia, Inc.	163	butter, cheese and curd
275	Monde M.Y. San Corp.	158	biscuits, cookies, crackers, pretzels and similar dry bakery products

Notes:

- Ranking based on BusinessWorld's Top 1000 Corporations in the Philippines, 2015 edition
- Current Exchange Rate: \$1 = PhP48

¹ Philippine Statistics Authority.

² BusinessWorld's Top 1000 Corporations in the Philippines, 2015 edition.

II. Market Overview

Philippine Market

The Philippine market has a strong consumer base. annual GDP per capita is estimated at \$3,042³, two-of the population has an average annual income of \$12,510⁴. Traders estimate about 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, highly-urbanized population with increasingly sophisticated and ever-growing access to supermarkets.

The Philippines continues to be a top ten global export market for U.S. agricultural products with of \$2.3 billion in 2015. 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 acceptance of U.S. products which Philippine F&B processors exploit by highlighting U.S. ingredients on product labels.

Philippine Market Profile	
Population:	While tenths
• 102 Million (July 2016 est.); annual growth rate of 1.59%	
• 53% below 24 years old	
• 44% living in urban areas	
Source: CIA World Factbook	tastes
Potential Customers: At least 20 million people with an average annual income of \$12,510	sales

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 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



³ Philippine Statistics Authority.

⁴ Philippine Statistics Authority, 2015 Family Income and Expenditure Survey.

Philippines' membership in regional free trade agreements, such as the [ASEAN Free Trade Area](#) and the EFTA-Philippines Free Trade, further enhances 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 products to grow in tandem with Philippine exports and potentially 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 1.6 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 642 million people.⁵ In 2015, the average GDP per capita of East Asia was \$33,875, and Southeast Asia (including Singapore and Brunei) was \$22,881.⁶ When compared to East Asian economies, the GDP per capita of Southeast Asia ranked No. 4.

Southeast Asia 2015 GDP Per Capita and Population			
	Country	GDP Per Capita (in USD)	Population
1	Singapore	85,300	5,781,728
2	Brunei	79,700	436,620
3	Malaysia	26,300	30,949,962
4	Thailand	16,100	68,200,824
5	Indonesia	11,100	258,316,051
6	Philippines	7,300	102,624,209
7	Vietnam	6,000	95,261,021
8	East Timor	5,600	1,261,072
9	Burma	5,500	56,890,418
10	Laos	5,300	7,019,073
11	Cambodia	3,500	15,957,223
	SEA Average	22,881	34,906,219



East and Southeast Asia 2015 GDP Per Capita			
	Country	GDP Per Capita (in USD)	Population
1	Taiwan	46,800	23,464,787
2	Japan	38,100	126,702,133
3	South Korea	36,500	50,924,172
4	SEA Average	22,881	34,906,219
5	China	14,100	1,373,541,278

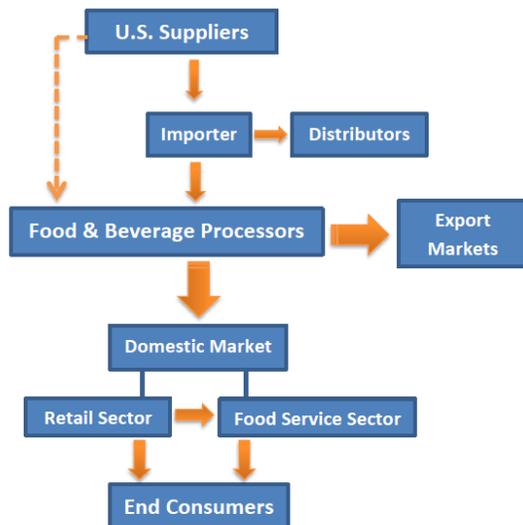
Aside from trade liberalization, future trade of processed F&B products in the region will be driven by: 1) strong economic growth and rising incomes, 2) increasing urbanization, 3) demand for greater product variety, quality, convenience and safety, and 4) the proliferation of bigger and more sophisticated retail and foodservice formats.

⁵ United Nations, Department of Economic and Social Affairs, Population Division, October 2016 est.

⁶ CIA World Factbook. 2015 GDP per capita (PPP) compares GDP on a purchasing power parity basis divided by population as of 1 July for the same year.

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, 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, others appoint independent distributors to cover country’s key provincial areas. The most common strategy for new-to-market U.S. exporters is to products to large processors and importers.



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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:

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 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.

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: China, Japan, Korea; other neighboring countries such as Australia, New Zealand, and India; and the European Free Trade Association (EFTA) composed of Iceland, Liechtenstein, Norway, and Switzerland. 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 used 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

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.”

VIII. USDA-FAS Assistance

USDA-FAS at the U.S. Embassy in the Philippines is ready to help U.S. exporters of agricultural raw materials and ingredients achieve their objectives. For further information or assistance please contact:

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Foreign Agricultural Service
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