

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 3/12/2019

GAIN Report Number: RP1903

Philippines

Food Processing Ingredients

Robust Opportunities in Philippine Food and Beverage Processing Industry

Approved By:

Ryan Bedford

Prepared By:

Maria Ramona C. Singian

Report Highlights:

The Philippines' rapidly expanding production of processed foods and beverages presents robust opportunities for U.S. exporters of agricultural raw materials and high-value ingredients. The industry's gross value-added output amounted to \$32.5 billion in 2018, seven percent higher than the previous year. Although roughly 90 percent of industry output is consumed domestically, as quality and efficiency continue to improve the Philippines will be in a position to export to the region due to its strategic location and membership in various free trade agreements.

Post: Manila

Market Fact Sheet: Philippines

Executive Summary

Philippine food manufacturing is supported by a strong and growing consumer base; although annual GDP per capita is only \$3,000, 20 percent of the population (20 million people) earn an average of \$12,500¹ annually. The population is young (over 50 percent under the age of 24) and highly urbanized, with increasingly sophisticated tastes and growing access to modern supermarkets. This, plus a resilient economy will underpin consumption growth in the coming years.

Agricultural Trade Environment

The United States remains the Philippines' largest supplier of agricultural products, and the Philippines constitutes the eleventh largest global export market for U.S. agriculture. The top U.S. agricultural exports to the Philippines in 2018 were soybeans and soybean meal (\$957 million), wheat (\$628 million), dairy products (\$248 million), red meats (\$219 million), and poultry (\$110 million). Sales increased 14 percent over the previous year to a record \$2.9 billion. Traders are optimistic that export sales in 2019 will increase ten percent to \$3.2 billion.



increasingly important role. There is a generally favorable view of U.S. products, which Philippine food and beverage processors exploit by highlighting U.S. ingredients on product labels.

Fast Facts

Philippine Market

- Young and growing population: 105 million, annual growth rate of 1.6 percent, 52 percent below 24 years old
- Urbanized: 47 percent live in urban areas
- High literacy: 96 percent of the 70 million Filipinos that are 15 years old and above can read and write
- Strong preference for U.S. food and beverage products
- Growing demand for “healthy,” organic, gourmet and convenience foods
- Steady growth in retail, food service and food processing sectors

Potential Customers: At least 20 million people earn \$12,500 annually

Source: CIA World Factbook and Philippine Statistics Authority

Robust Opportunities for U.S. Ingredients

The Philippines' rapidly expanding food and beverage processing industry presents robust opportunities for U.S. exporters of agricultural raw materials and high-value ingredients. About 65 percent of total U.S. agricultural exports to the Philippines flow through the food and beverage processing industry. While wheat, dairy products, meat, and poultry comprise the bulk of sales, other items such as tree nuts and processed fruit and vegetables play an

¹ Philippine Statistics Authority, 2015 Family Income and Expenditure Survey (most recent data available).

I. Philippine Food and Beverage Processing Industry

In 2018, the Philippine food and beverage processing industry's gross value-added output increased seven percent over the previous year to \$32.5 billion, and grew 31 percent² over the past five years (2014–2018).

While most of the roughly 500 food and beverage processors registered under the Philippine Food and Drug Administration are micro to medium-sized businesses, food and beverage processors are also among the largest corporations in the country³.



Top 20 Food and Beverage Processors in the Philippines Based on Gross Revenue in Millions of Dollars			
2017 Rank	Company	Gross Revenue	Main Products
10	Nestlé Philippines, Inc.	2,422	food products, not elsewhere categorized
14	San Miguel Brewery, Inc.	1,957	malt liquors and malt
19	Universal Robina Corp.	1,608	snck products such as curls, wheat crunchies and similar products
29	Coca-Cola FEMSA Philippines, Inc.	1,170	softdrinks except drinks flavored with fruit juices, syrups or other materials
42	Monde Nisin corp.	851	macaroni and noodles
79	Pepsi-Cola Products Philippines, Inc.	583	softdrinks except drinks flavored with fruit juices, syrups or other materials
94	Century Pacific Food, Inc.	494	fish and other marine products
121	Ginebra San Miguel, Inc.	400	spirits
68	Emperador Distillers, Inc.	484	spirits
130	Purefoods-Hormel Co., Inc.	361	meat and meat products
132	Alaska Milk Corp.	358	powdered milk (except for infants) and condensed or evaporated milk
135	Foodsphere, Inc.	356	meat and meat products
152	Pilmico Foods Corp.	321	flour (except cassava flour)
156	Oleo-Fats, Inc.	308	vegetable and animal oil and fats
163	Nutri-Asia, Inc.	298	fruit and vegetable sauces
172	Mondelez Philippines, Inc.	285	butter, cheese and curd
175	Tanduay Distillers, Inc.	281	spirits
177	Cargill Oil Mills Philippines, Inc.	276	refined coconut and other vegetable oil (including corn oil) and margarine
226	Zenith Foods Corp.	216	food products, not elsewhere categorized
236	Philippine Foremost Milling Corp.	209	flour (except cassava flour)

Notes:
1. BusinessWorld's Top 1000 Corporations in the Philippines, 2018 edition
2. Current exchange rate: USD1.00 = PHP52.00

Prospects in East and Southeast Asian Markets

Exports are expected to rise as the quality and competitiveness of Philippine processed food and beverage products continue to improve. 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 four-hour trip by air to any major port in the region (six days for cargo vessels). The short transit time makes it an ideal staging area, especially for frozen and chilled products.

Free Trade Agreements

Bilateral and regional free trade agreements in recent years have

² National Accounts of the Philippines, Philippine Statistics Authority. "Table 32A – Gross Value Added in Manufacturing by Industry Group.

³ BusinessWorld's Top 1000 Corporations in the Philippines, 2018 edition.



intensified competition from ASEAN, Australia, China and New Zealand. As a party to the Association of Southeast Asia Nations Free Trade Agreement (AFTA), Philippine exports benefit from the lower common effective tariff applicable to products of ASEAN members. Tariff rates on all products (with exemptions for a few sensitive commodities such as rice) in the ASEAN region fell to between zero and five percent under the framework of the ASEAN Trade in Goods Agreement (ATIGA). The ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) provides products from Australia and New Zealand with the same lower tariffs as ASEAN-origin products.

Some U.S. high-value agricultural exports to the Philippines face higher tariffs than competing products imported from ASEAN-member countries and ASEAN-FTA member countries, such as Australia, New Zealand, China and India. However, the Philippines’ participation in free trade agreements also provides a valuable path for U.S. agricultural raw materials and ingredients to grow in tandem with Philippine exports and penetrate markets 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

Southeast Asia 2017 Nominal GDP Per Capita in U.S. Dollars		
Rank		
1	Singapore	57,713
2	Brunei	29,712
3	Malaysia	9,813
4	Thailand	6,591
5	Indonesia	3,604
6	Philippines	2,953
7	Laos	2,542
8	Vietnam	2,354
9	East Timor	2,080
10	Cambodia	1,390
11	Myanmar	1,264
	SEA Average	10,911



East and Southeast Asia 2017 Nominal GDP Per Capita in U.S. Dollars		
Rank		
1	Japan	38,440
2	South Korea	29,891
3	Taiwan	24,577
4	SEA Average	10,911
5	China	8,643

Vietnam—have a combined population of about 655.6 million people.⁴ The average GDP per capita of East Asia in 2017 was \$24,893, and Southeast Asia (including Singapore and Brunei) was \$10,911.⁵ When compared to East Asian economies, the GDP per capita of Southeast Asia ranked No. 4. Aside from trade liberalization, future trade of processed food and beverage 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.

⁴ United Nations Department of Economic and Social Affairs, Population Division (most recent data available).

⁵ CIA World Factbook (most recent data available).

Special Economic Zones

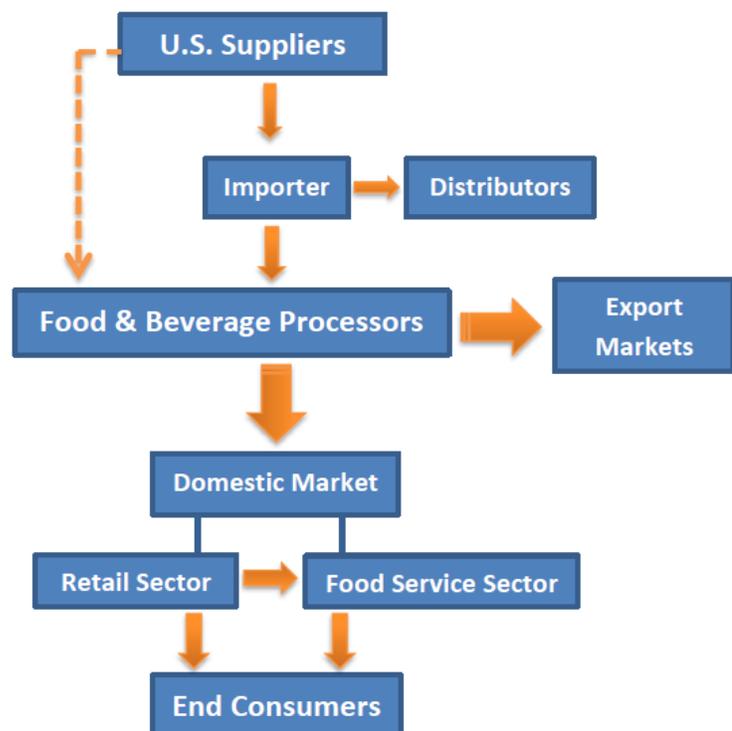
U.S. exporters of agricultural raw materials and ingredients can reach out to food and beverage processors that operate within the Philippine special economic zones or “ecozones” regulated by the Philippine Economic Zone Authority (PEZA). Ecozone operators receive incentives including duty-free entry 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/>.

II. Market Structure and Entry Strategy

A majority of the large food and beverage 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 are based in Metro Manila and manage their own distribution, while others appoint independent distributors to cover the country’s key provincial areas. The most common entry strategy for new-to-market U.S. exporters is to offer products to large processors and importers.

Technical Assistance as a Marketing Tool

Some exporters have been able to successfully penetrate the Philippine market by providing Philippine food and beverage processors technical assistance 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.



III. Top U.S. Product Prospects

Based on interviews with Philippine food and beverage processors, the top prospects for U.S. agricultural raw materials and ingredients include poultry cuts, mechanically deboned meat, trimmings and beef offal, milk and whey powder, and cheese and other dairy products. Imported agricultural raw materials can be combined with locally available products such as tropical fruits and vegetables, cacao, sugar, and seafood to come up with innovative product offerings. The wide acceptance food processors and consumers have for U.S. raw materials and ingredients is a tremendous advantage for U.S. exporters seeking to develop a market in the Philippines.

TOP PRODUCT PROSPECTS
poultry cuts including chicken feet
mechanically deboned meat
trimmings and beef offal
milk and whey powder
cheese and other dairy products
fresh fruits and vegetables
frozen and concentrated fruit and vegetable juices
dried and dehydrated fruits, vegetables and nuts
grape must
specialty flours (e.g., soy, pea and potato)
condiments, pastes and sauces
seafood products (e.g., salmon heads and bellies, squid and crab claws)
sweeteners and beverage bases
grains and cereals
protein isolates and concentrates
fats and edible oils

IV. Relevant Reports

The following detailed reports are available through the USDA-FAS website at www.fas.usda.gov:

- Exporter Guide
- Food and Agricultural Import Regulations and Standards
- Philippines: Retail Foods
- Philippines: Food Service – Hotel, Restaurant & Institutional

To access current data on U.S. agricultural exports, choose “Data & Analysis.”

V. Further Information and Assistance

USDA-FAS at the U.S. Embassy in the Philippines is ready to help exporters of U.S. agricultural products 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
Website: www.fas.usda.gov
Email: AgManila@fas.usda.gov