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**Report Name:** Food Processing Ingredients

**Country:** Philippines

**Post:** Manila

**Report Category:** Food Processing Ingredients

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**Report Highlights:**

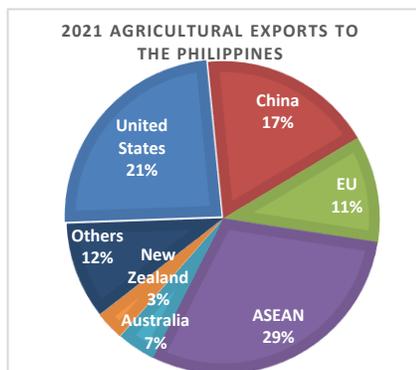
Philippine demand for imported high-quality food and beverage ingredients remains strong, despite supply chain disruptions, rising inflation, and logistical challenges. As the country approaches pre-pandemic levels in 2022, the food and beverage manufacturing sector is expected to grow by 3 percent, boosted by increased consumer mobility and broader economic reopening.

## MARKET FACT SHEET: PHILIPPINES MARKET OUTLOOK

The Philippines is on track to achieve upper-middle-income country status in 2022, as the economy is poised to reach pre-pandemic levels. Post forecasts 6 percent GDP growth this year, driven by improving economic conditions and reduced government restrictions.

## AGRICULTURAL EXPORTS TO THE PHILIPPINES

The Philippines ranked as the seventh largest U.S. agricultural export market in 2021, reaching a record \$3.55 billion. Post forecasts an additional 4 percent growth in 2022, with the United States remaining the largest single-country exporter to the Philippines.



Source: Trade Data Monitor

## FOOD PROCESSING SECTOR

With boosted capacity and production of food and beverage manufacturers, FAS Manila forecasts 3 percent growth for the food processing sector in 2022. Continued household spending and purchasing by manufacturers will further propel the industry this year.

## RETAIL FOOD SECTOR

Post estimates improved retail sales in convenience stores, groceries, hypermarkets, and warehouse clubs in 2022 through increased consumer mobility, spending, and higher employment rates. Enhanced online services and continued pantry-loading are expected to boost retail sales.

## FOOD SERVICE SECTOR

After dramatic declines in food service sales due to COVID-related policies, Post expects the sector to

partially rebound in 2022 together with the easing of restrictions. Headwinds remain from the shift to home-cooking, operational and supply chain disruptions, and other issues.

### Philippines: Quick Facts C.Y. 2022

#### Demographics

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

#### Gross Domestic Product (GDP)

- GDP: \$428 billion (est)
- GDP per capita: \$3,859 (est)
- GDP growth rate: 6% (est)
- GDP PPP: \$1,110 billion (est)

#### Agricultural & Related Trade (2021)

Exports to PH: \$12.9 billion PH Exports: \$7.8 billion

#### Consumer-Oriented Agricultural Products:

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

#### Top Fast Food Chains

[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](#), [National Economic and Development Authority](#), and FAS Manila research

Strengths	Weaknesses
Strong preference for U.S. ingredients and perceived higher standard and quality	High cost of shipping freight and higher tariffs compared to Asian countries
Opportunities	Challenges
A newly industrialized country with a young, tech-savvy, working-age population and robust domestic demand	Inflation and escalation of logistical costs

Contact: USDA-FAS Manila, U.S. Embassy, Philippines

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## SECTION I. MARKET SUMMARY

With improved employment rates and ongoing government efforts to address the pandemic challenges, Post forecasts 3 percent growth in the Philippine food manufacturing sector in 2022.

Based on research and interviews, Post sees the food and beverage manufacturing sector's production capacity continuously improving. Food and beverage consumption for households remains strong, although inflation will result in cautious spending by some consumers.

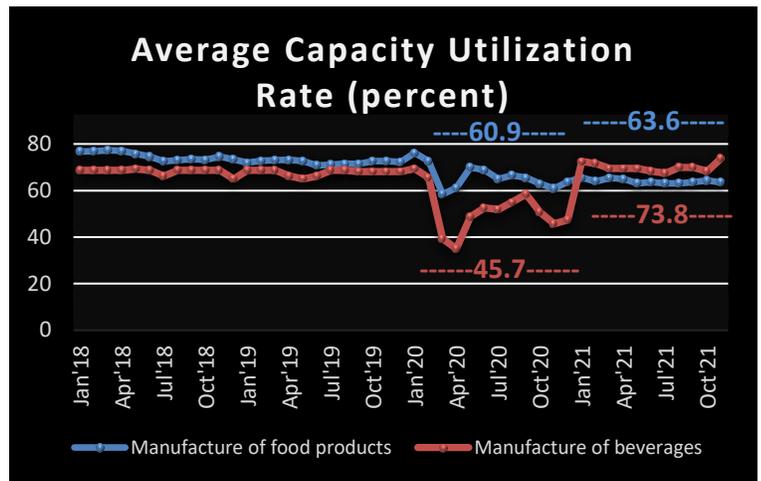
As the Philippine food manufacturing grows, the sector will provide robust opportunities for U.S. ingredients.

## MARKET DYNAMICS

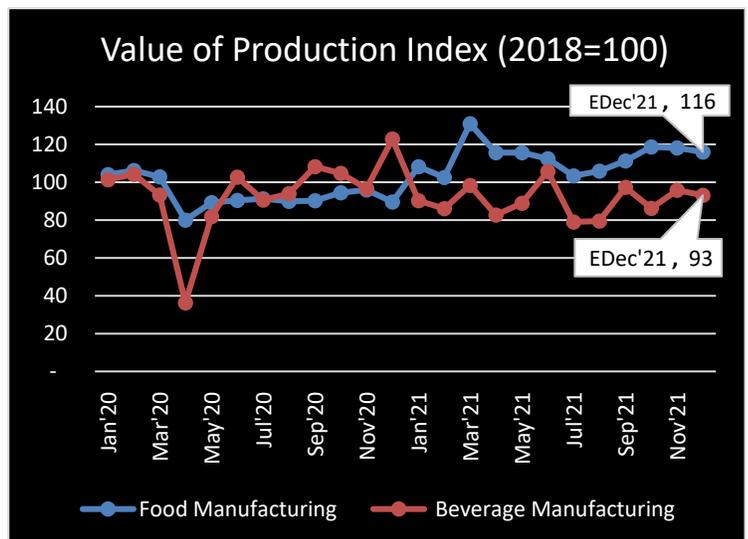
As the country moves past the pandemic challenges, the National Economic and Development Authority (NEDA) [forecasts an early 2023 recovery](#) for the Philippine economy. Continued government efforts on broader vaccine coverage contribute to the re-opening of the economy. Increased government spending, heightened by national elections, will also add to economic activity.

Minimal mobility restrictions, the reopening of more businesses, and resumption of face-to-face classes are expected to boost employment growth and consumer spending on food and beverages. With such improving economic conditions, the Department of Trade and Industry (DTI) sees the country in 2022 [reaching pre-pandemic unemployment rates and lower underemployment rates](#).

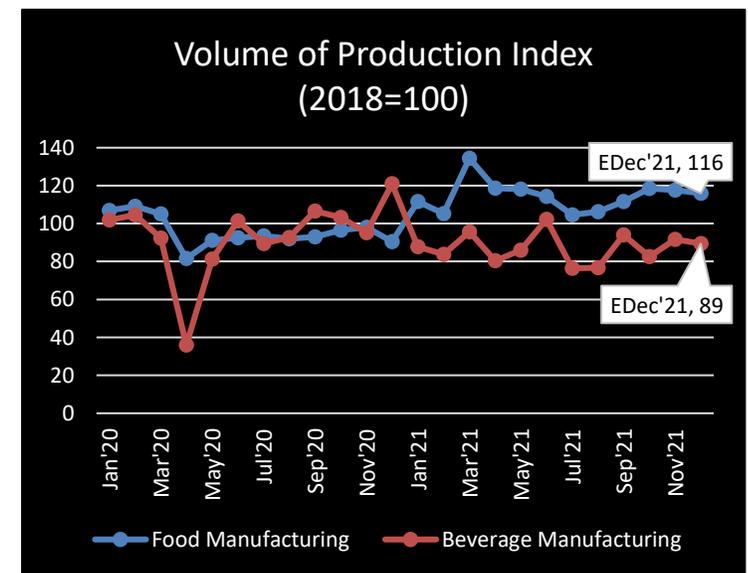
Post forecasts improved capacity utilization rates in 2022, yielding higher value and volume of production for food manufacturing. Meanwhile, beverage manufacturing production are expected to



Source: [Philippine Statistics Authority](#)



Source: [Philippine Statistics Authority](#)



Source: [Philippine Statistics Authority](#)

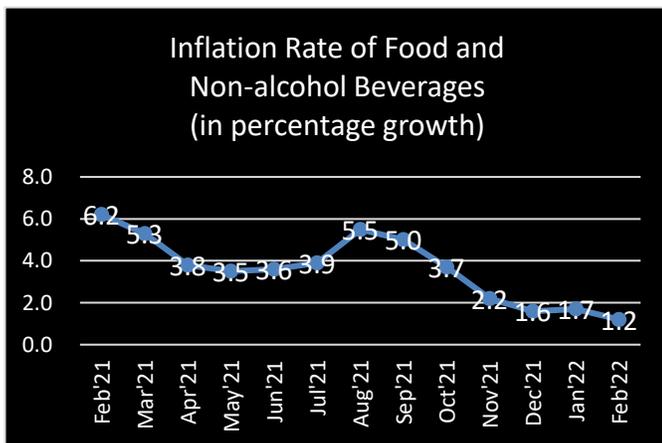
increase due to greater on-premises consumption and fewer alcohol restrictions this year.

With rising inflation, consumers are likely to continue prioritizing essentials, particularly food. Food and non-alcoholic beverages represent the largest share of household expenditures and Post expects such spending to grow further this year.

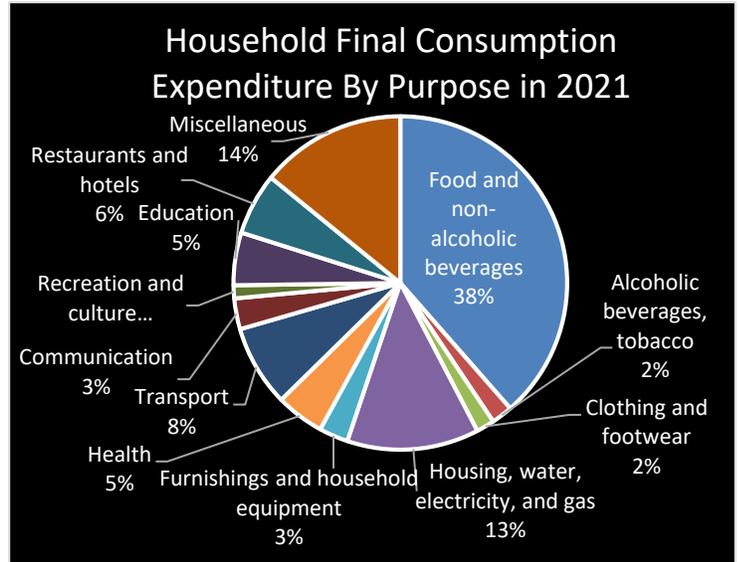
With no contractions since August 2021, Post projects an annual expansion of the Purchasing Managers Index (PMI) in 2022.

Post expects food and beverage E-commerce sales to continue their double-digit growth in 2022 as the Department of Trade and Industry implements the [Roadmap](#) to expand E-commerce sales. Online marketing efforts and mobile app delivery platforms (Grab, Lalamove, and others) will support greater online food and beverage sales, following the 130 percent growth last year.

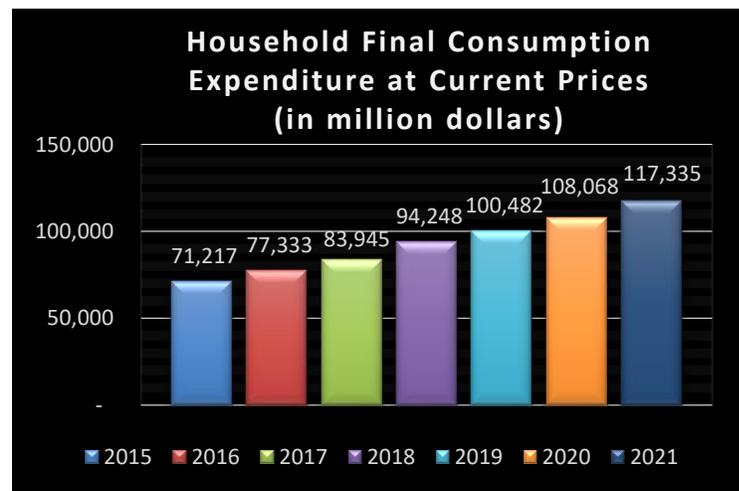
With the global impact of inflation on the Philippine economy, price-sensitive consumers will shift to lower-cost products, cheaper substitutes, or reduce food consumption. Driven by higher fuel prices, the government is providing subsidies for the most affected sectors while raising the [Suggested Retail Prices](#) for basic necessities and prime commodities. Despite rising prices, the [Bangko Sentral ng Pilipinas](#) (Central Bank) expects the 2022 inflation rate to be between 2 and 4 percent.



Source: [Philippine Statistics Authority](#)



Source: [Philippine Statistics Authority](#)



Source: [Philippine Statistics Authority](#)



Source: [Bangko Sentral ng Pilipinas](#)

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## ADVANTAGES AND CHALLENGES

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### ADVANTAGES

- Philippine food and beverage manufacturers rank the United States as the top source for quality and higher value imported ingredients. Premiumization and healthier trends provide opportunities for U.S. ingredients.
- U.S. trade associations, state regional trade groups, and the State Departments of Agriculture extend support to U.S. exporters and Philippine importers.
- Conglomerates dominate the market and provide business continuity and centralized purchasing.
- Families spend 38 percent of their income on food and beverages such as bread, cereals, meat, fish, seafood, milk, cheese, and eggs despite the ongoing supply chain disruptions.
- After government-mandated [sustainability reports to publicly listed companies](#), sustainable and climate-friendly ingredients became popular while consumers kept buying more eco-friendly products.
- E-commerce sales show growth due to the young, growing, and tech-savvy population that are among the top internet users globally.

### CHALLENGES

- Global supply chain disruptions, intensified by packaging, container, and truck shortages, impede some U.S. shipments of agricultural exports.
- Oil price hikes caused by the Ukraine conflict and rising inflation rates increase operational costs.
- The Philippines has free trade agreements with many food exporting countries, which will be increased further by joining the [Regional Comprehensive Economic Partnership](#), putting U.S. products at a tariff disadvantage.
- Proposed legislation seeking to prohibit the import of particular products, e.g., high in trans-fatty acids or single-use plastics.
- U.S. goods face competition from Asian countries offering more affordable prices and shorter delivery lead times.

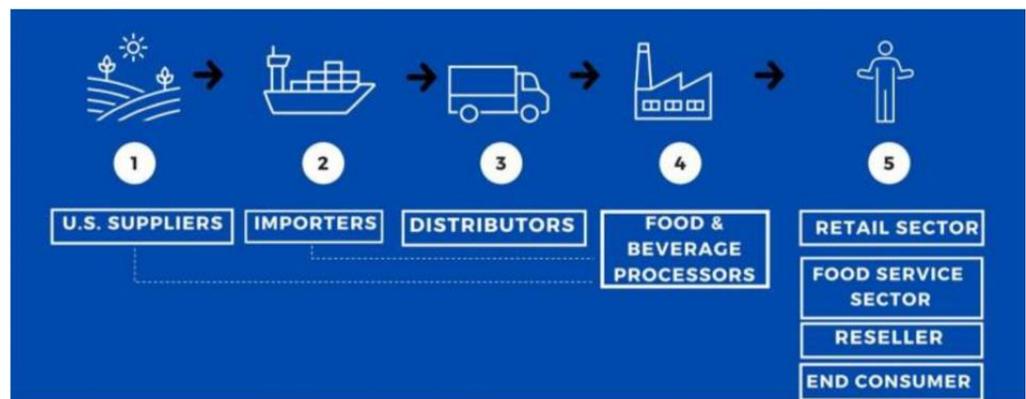
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## SECTION II. ROAD MAP FOR MARKET ENTRY

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### ENTRY STRATEGY AND DISTRIBUTION CHANNELS

U.S. exporters typically transact with agents, distributors, or importers based in key cities in the country. However, some centralized purchasing units procure ingredients for all their plants. Thus, exporters can directly reach out to purchasing managers of food and beverage manufacturers or conglomerates for larger export volumes.



Food and beverage corporations also cite hybrid trade shows for business matching opportunities. Exporters may attract Philippine manufacturers by offering technical research and product development assistance, longer payment terms, product sampling, and strong imported brands.

## IMPORT PROCEDURES

Most U.S. exporters transact with an agent, distributor, or importer in key cities like Manila. For larger export volumes, however, exporters should directly communicate with purchasing managers of manufacturers. Centralized purchasing units buy for all manufacturing plants across the Philippines. Importers give longer payment terms and sampling products as an incentive to penetrate the establishments.

Read the following reports for further information on the import procedures:

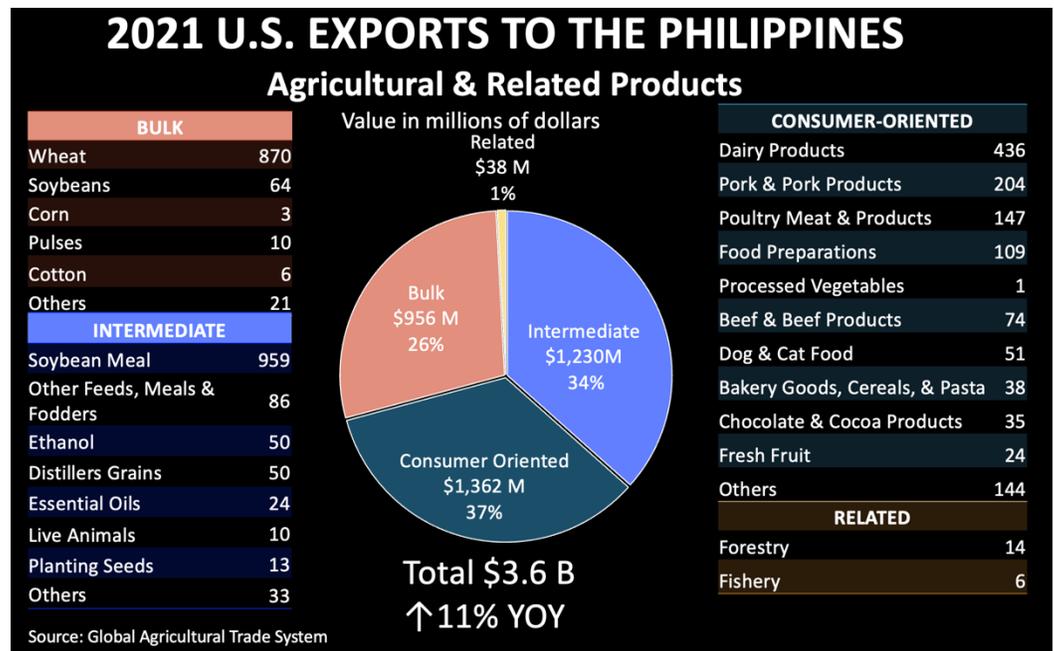
- [Philippines: FAIRS Annual Country Report](#)
- [Philippines Country Commercial Guide: Market Entry Strategy](#)
- [Customs Regulations](#)
- [Import Requirements and Documentation](#)
- [Labeling/Marking Requirements](#)
- [Tariffs and Foreign Trade Agreements](#)
- [Protecting Intellectual Property](#)

Access the [Philippine Economic Zone Authority \(PEZA\)](#) for Special Economic Zones that provide incentives, including duty-free entry, for agricultural raw materials and ingredients used to manufacture products primarily destined for re-export.

## MARKET STRUCTURE

*Dairy* represents the largest portion of U.S. consumer-oriented exports to the Philippines, with U.S. dairy exports to the Philippines in 2021 equaling the volume of U.S. pork, poultry, and beef combined. U.S. exporters may tap into dairy products such as skim milk powder, butter milk, whey, and cheese curd if they want high-volume exports to the country.

*Poultry, pork, and beef* exports all grew from 2020 to 2021. U.S. pork exports rose over 50 percent in volume in 2021. With African Swine Fever disrupting local production, the Philippines temporarily [lowered pork tariffs and increased the Minimum](#)



[Access Volume](#). Demand for pork offal and rind skin continue to attract food manufacturers. U.S. poultry showed a robust 130 percent increase, as the recovering Quick Service Restaurants (QSRs) sourced U.S. chicken leg quarters amid reduced exportable supplies from Europe due to Highly Pathogenic Avian Influenza cases. Mechanically deboned chicken meat continues to serve as a key input for many meat processors.

**Processed vegetables** grew 32 percent in 2021. Frozen potatoes accounted for most of the category's growth, following growing demand from QSRs. Improved consumer mobility buoyed sales of potato snack businesses by 51 percent.

**Wine and related products** recorded 144 percent annual growth in 2021, particularly grape wine, attributable to increased consumption at home. Similarly, **distilled spirits** fully rebounded in 2021 with 328 percent growth, boosted by larger whiskey sales from reduced or eliminated COVID-related restrictions on alcohol.

## TOP COMPANIES AND THEIR PRODUCTS

Top Food and Beverages Manufacturers in 2020					
Rank	Corporation	Gross Revenue (Million Dollars)	Rank	Corporation	Gross Revenue (Million Dollars)
7	<a href="#">Nestle Philippines Inc.</a> – dairy and non-alcoholic beverages	2,828	111	<a href="#">Alaska Milk Corporation</a> - dairy	426
16	<a href="#">San Miguel Brewery, Inc.</a> – beer	2,127	118	<a href="#">Modelez Philippines, Inc.</a> -dairy	412
17	<a href="#">Universal Robina Corp</a> - snack products, noodles, and beverages	1,985	125	<a href="#">Nutri-Asia, Inc.</a> - condiments	399
22	<a href="#">Coca-Cola Beverages Philippines, Inc.</a> – non-alcoholic beverages	1,722	172	<a href="#">Bounty Fresh Food, Inc.</a> – meat and eggs	284
32	<a href="#">Monde Nissin Corporation – snack products and noodles</a>	1,129	187	<a href="#">Oleo-fats, Inc.</a> - specialty fats, oils, and ingredients	266
37	<a href="#">Zenith Foods Corporation</a> – meat, potato fries, and others	1,023	215	<a href="#">RFM Corp.</a> – flour, milk, juice drinks, and ice cream	231
49	<a href="#">Century Pacific Food, Inc.</a> – meat and fish, dairy, and other processed foods	847	226	<a href="#">San Miguel Mills, Inc.</a> - flour	233
57	<a href="#">Ginebra San Miguel, Inc.</a> – brandy, rum, vodka, and gin		229	<a href="#">Philippine Foremost Milling</a> -flour	222
71	<a href="#">Pepsi-Cola Products Philippines, Inc.</a> – non-alcoholic beverages	641	262	<a href="#">Monde M.Y. San Corp</a> – snacks	210
81	<a href="#">Purefoods-Hormel Co., Inc.</a>	563	245	<a href="#">Unilever RFM Ice Cream, Inc.</a> - ice cream	209
87	<a href="#">Cargill Philippines, Inc.</a> - oils and fats	530	246	<a href="#">San Miguel Food and Beverage, Inc.</a> - meat, dairy, and coffee	209
98	<a href="#">Foodsphere, Inc.</a> - meat, and fish	473	263	<a href="#">Liwayway Marketing Corp.</a> - snacks	193
107	<a href="#">Pilmico Foods Corporation</a> - flour	434	267	<a href="#">ARC Refreshments Corp.</a> – beverages	185

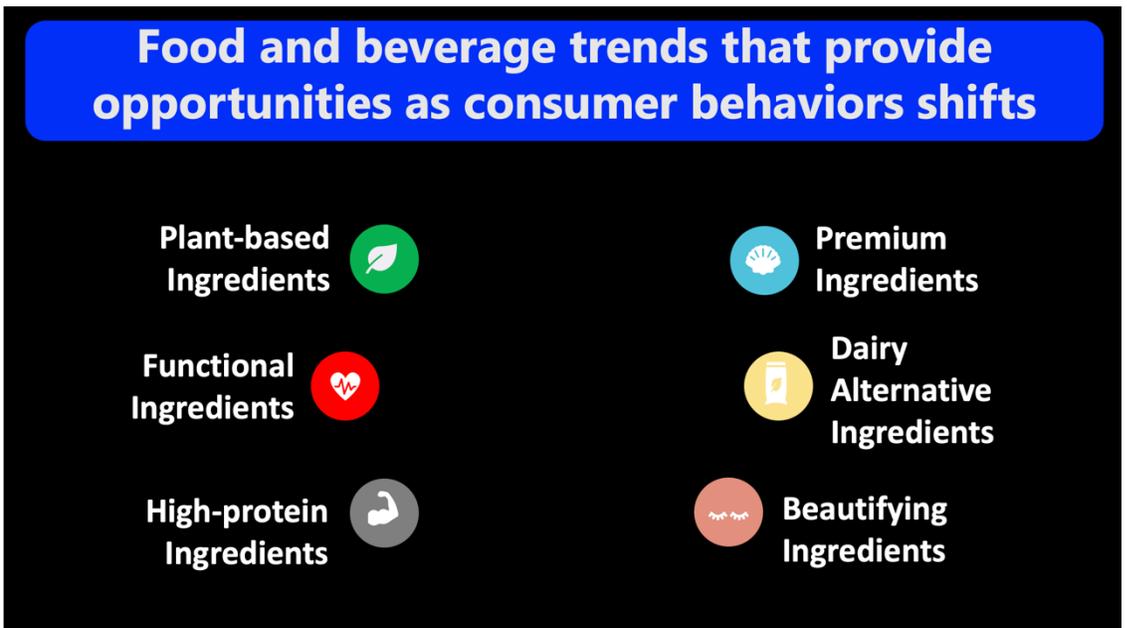
Source: BusinessWorld Top 1000 Corporations in the Philippines 2021

## SECTOR TRENDS

Given improved economic conditions, Post forecasts 3 percent growth in U.S. consumer-oriented exports to the Philippines in 2022.

Food and beverage manufacturers continue to offer premium ingredients in the market and dietary choices such

as plant-based products for health-conscious consumers. Shifting consumer preferences demand products with functional, high-protein, and beautifying ingredients. Moreover, increasing interest in dairy alternatives, e.g., soy milk, almond milk, and oat milk, shows U.S. export opportunities. Meanwhile, food and beverage manufacturers continue adding large packaging to address increased family home consumption and operations in food service establishments.



## SECTION III. COMPETITION

Although more than 70 percent of the Philippines' total food is produced locally, imports play an important role in the country's food security. Food establishments import food and beverages to provide variety, quality, and healthy options.

ASEAN, China, India, New Zealand, and Australia benefit from preferential market access and proximity to the Philippines. Recent developments such as RCEP will further increase competition for U.S. products. Canada and Europe compete for premium products but face similar constraints as the United States.

The government of the United States provides services, training, and technical support through the following:

- [USDA Foreign Agricultural Service](#) (with Philippines-based office)
- Over 70 [U.S. trade associations](#) (some with offices in the Philippines or Southeast Asia)
- [State Regional Trade Groups](#)
- 50 State Departments of Agriculture

Access the following for trade data:

[USDA Global Agricultural Trade System](#)

[Philippine Statistics Authority](#)

## SECTION IV. BEST PRODUCT PROSPECTS CATEGORIES

<p><b>PRODUCTS PRESENT IN THE MARKET WHICH HAVE GOOD SALES POTENTIAL</b></p> <ul style="list-style-type: none"> <li>• potatoes</li> <li>• non-alcoholic beverages</li> <li>• waffles and wafers</li> <li>• prepared pasta</li> <li>• bread, pastry, cakes, and biscuits</li> <li>• cheese</li> <li>• fresh or chilled garlic</li> <li>• fresh or chilled onions and shallots</li> </ul>	<p><b>CONSUMER-ORIENTED PRODUCTS IMPORTED FROM THE WORLD</b></p> <ul style="list-style-type: none"> <li>• food preparations</li> <li>• meat of bovine animals and swine</li> <li>• chicken cuts</li> <li>• coffee</li> <li>• sauces and preparations</li> <li>• sugar confectionary</li> <li>• apples and grapes</li> </ul>	<p><b>CONSUMER-ORIENTED PRODUCTS IMPORTED FROM THE UNITED STATES</b></p> <ul style="list-style-type: none"> <li>• food preparations</li> <li>• chicken cuts</li> <li>• meat of bovine animals</li> <li>• meat of swine</li> <li>• potatoes</li> <li>• bread, pastry, cakes, and biscuits</li> <li>• apples and grapes</li> <li>• sauces and preparations</li> </ul>
<p><b>PRODUCTS NOT PRESENT IN SIGNIFICANT QUANTITIES BUT WHICH HAVE GOOD SALES POTENTIAL</b></p> <ul style="list-style-type: none"> <li>• carcasses of lamb and sheep</li> <li>• meat of goats</li> <li>• turkey cuts</li> <li>• olives</li> <li>• hazelnuts</li> <li>• mandarins</li> </ul>	<p><b>PRODUCTS NOT PRESENT BECAUSE THEY FACE SIGNIFICANT BARRIERS</b></p> <ul style="list-style-type: none"> <li>• whole chicken birds</li> <li>• fresh or chilled tomatoes</li> <li>• fish</li> </ul> <p><small>*Note: Not all U.S. crucifers were allowed in the past, as SPS Import Clearances were not being issued. Only recently were "all U.S. crucifers" added to the list of allowable imported fresh vegetables.</small></p>	

## SECTION VI. KEY CONTACTS AND FURTHER INFORMATION

Access the U.S. Department of Commerce's [Country Commercial Guide](#) for more information on the Philippines' economic and political environment. Please see links of key contacts and events below:

<p><a href="#">USDA FAS Manila</a> <a href="mailto:AgManila@usda.gov">AgManila@usda.gov</a> Tel: (632) 5301-2000</p>	<p><a href="#">Foreign Commercial Service</a> <a href="mailto:businessphilippines@trade.gov">businessphilippines@trade.gov</a> Tel: (632) 5301-4249</p>	<p><a href="#">USDA APHIS IS Manila</a> <a href="mailto:IS.Manila.Philippines@usda.gov">IS.Manila.Philippines@usda.gov</a> Tel: (632) 5301-2000</p>
<p><a href="#">Department of Trade and Industry (DTI)</a></p>	<p><a href="#">Philippine Chamber of Commerce (PCCI)</a></p>	<p><a href="#">American Chamber of Commerce of the Philippines (AMCHAM)</a></p>
<p><a href="#">Philippine Chamber of Food Manufacturers Inc. (PCFMI)</a></p>	<p><a href="#">Philippine Food Processors and Exporters</a></p>	<p><a href="#">Filipino-Chinese Bakery Association, Inc.</a></p>
<p><a href="#">Federation of Philippine Industries</a></p>	<p><a href="#">Philfoodex</a></p>	
<p><a href="#">World Food Expo (WOFEX)</a> SM Trade Hall, SM Megamall, Mandaluyong City</p>	<p><a href="#">Thaifex Anuga Asia</a> Bangkok, Thailand</p>	<p><a href="#">HOFEX</a> Hong Kong Convention &amp; Event Center, Hong Kong</p>
<p><a href="#">Manila Food and Beverage Expo</a> Virtual Exhibition</p>	<p><a href="#">Cold Chain Philippines</a> SMX Convention Center, Manila</p>	<p><a href="#">International Food Exhibition (IFEX) Philippines Next Food Asia</a></p>
<p><a href="#">Food and Drinks Asia</a> World Trade Center, Manila</p>		

**Attachments:**

No Attachments