

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Philippines

Exporter Guide

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Report Highlights:

The United States continues to be the Philippines' largest supplier of agricultural products, and the Philippines is its tenth largest global market. Despite inflation, a weak Philippine peso and trade restrictions, strong consumer spending kept sales of U.S. agricultural exports to the Philippines close to \$2.6 billion in 2017, the same level as the previous year. The top U.S. exports in 2017 were soybeans and soybean meal, wheat, dairy products, red meats, and poultry. Sales are up 13 percent from January to July 2018, and forecast to reach a record \$2.9 billion by year-end. Consumer-oriented food and beverage products remain the best prospects for future export growth.

Post: Manila

Market Fact Sheet: Philippines

Executive Summary

The Philippine market has a strong and growing consumer base. While annual GDP per capita is about \$3,000, 20 percent of the population (20 million people) earn an average annual income of \$12,500¹. The country's resilient economy and a young, fast-growing, highly-urbanized population with increasingly sophisticated tastes and ever-growing access to modern supermarkets will support consumption growth in the coming years.

U.S. Exports of Agricultural Products

Opportunities for Raw Materials and Ingredients

Roughly 90 percent of the country's processed food products are consumed domestically; as quality and efficiency continue to improve, the Philippines will be in a position to exploit export opportunities in the region due to its strategic location and membership in various trade agreements. Wide acceptance by food processors and end consumers of U.S. raw materials and ingredients are a tremendous advantage for U.S. exporters seeking to develop a market in the Philippines.

Strong Demand for Consumer-Oriented Food & Beverage Products

The Philippines continues to be the largest market in Southeast Asia for U.S. consumer-oriented food and beverage products with export sales of \$964 million in 2017, up four percent from the previous year. Traders expect sales of U.S. food and beverage products to the Philippines will surpass the \$1 billion mark by the

end of 2018, as it did in 2014. The top 10 consumer-oriented food and beverage product prospects are beef, pork, cheese and cheese products, frozen and powdered eggs, fresh vegetables, apples, infant food preparations, frozen potatoes, wines, and pet food.

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Fast Facts

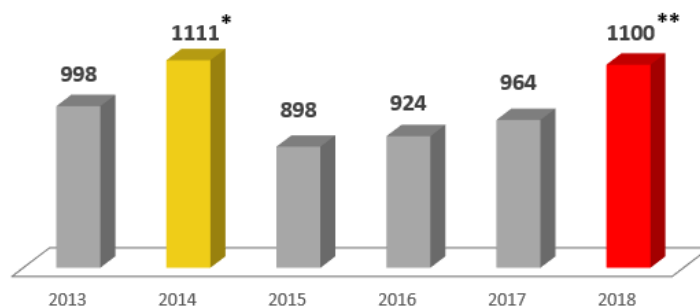
Philippine Market

- Young and growing population: 104 million, annual growth rate of 1.6 percent, 53 percent below 24 years old
- Urbanized: 44 percent live in urban areas
- High literacy: 96 percent of the 69 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 of Data: CIA World Factbook and Philippine Statistics Authority

U.S. Exports of Consumer-Oriented Food & Beverage Products to the Philippines
CY 2013 - 2018
in Millions of Dollars



Notes:

1. Source: U.S. Customs as reported in U.S. Department of Agriculture Global Agricultural Trade System
2. *Denotes highest export levels since at least CY 1970
3. **FAS Manila Projected Export Sales for CY 2018

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

I. Market Overview

The bilateral relationship between the United States and the Philippines is unique because of the depth of historical and human ties and a shared commitment to upholding democracy. Around four million Filipino-Americans² constitute a major immigrant group in the United States, while more than 250,000 U.S. citizens reside in the Philippines. The U.S. Embassy in Manila is one of the largest overseas posts in the world reflecting the significance of this relationship.

Political & Macroeconomic Situation

The current president, Rodrigo Roa Duterte was elected in May 2016 on a platform of change and won a clear mandate to impose law and order, but his unconventional leadership style has forced investors to adjust to significant policy uncertainty thru his second year in office. Statistics from the Philippine National Police reveal crime rate dropped 21 percent from July 2016 to June 2018 compared to the preceding period. There is, however, widespread belief that his anti-crime campaign has resulted in human rights abuses and extra-judicial killings. President Duterte's approval rating in recent months declined amidst various controversies and growing discontent as inflation surged 6.4 percent in August 2018, the highest in nine years. National elections are held every six years and the president is allowed only one term.

Significant infrastructure challenges persist in the Philippines including high power costs (among the highest in the world), inadequate post-harvest facilities, and inefficient distribution systems (it is cheaper to ship goods from the United States to Manila than from Manila to nearby islands).

The more than 7,000 islands that comprise the Philippines are classified under three major island groups: Luzon, Visayas and Mindanao. The land area of the combined islands of the Philippines is about the same size as the state of Arizona. The country is the thirteenth largest nation globally with 104 million³ inhabitants. Population growth is close to two percent annually, one of the fastest in the region, and with a median age of about 23 years, some analysts describe the Philippines as a consumption 'sweet spot' despite broad income disparity.

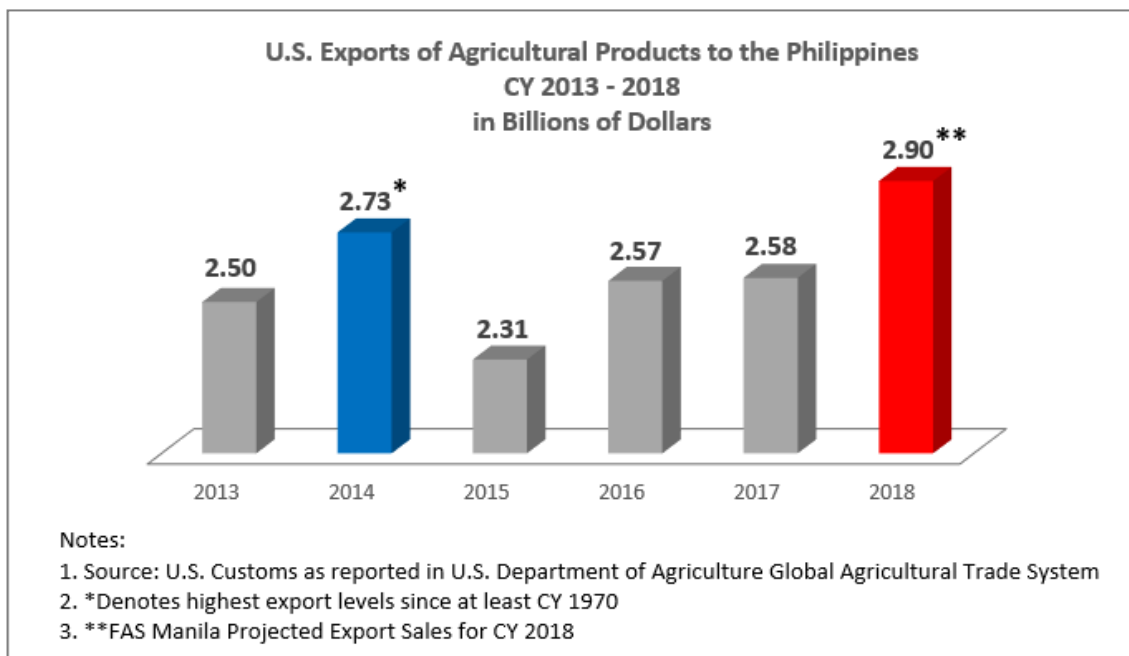
Philippine gross domestic product (GDP) grew 6.7 percent in 2017, slightly below the 6.9 percent expansion recorded in 2016. According to Philippine government statisticians, the growth is among the fastest in Asia after China (6.9 percent) and Vietnam (6.8 percent). The Philippine economy has the largest service sector in Southeast Asia. Cash remittances of overseas Filipino workers (OFWs) and revenues from the business process outsourcing (BPO) industry boost domestic consumption and account for 20 percent of GDP. According to the Philippine central bank, OFW remittances hit \$28.1 billion, while the booming BPO industry generated \$23 billion in 2017. The country's economic planners are confident that GDP will grow 7–8 percent in the medium term (2018-2022) supported by the Philippine government's \$180 billion infrastructure program to "Build, Build, Build." The program boasts of 75 flagship projects including six airports, nine railways, three bus rapid transit systems, 32 roads and bridges, and four seaports to improve the movement of goods and people, encourage investment, create more jobs and improve rural income.

II. Agricultural Trade Environment

² U.S. Census Bureau, 2017 American Community Survey 1-Year Estimates.

³ CIA World Factbook (July 2017 estimate).

The U.S. continues to be the Philippines’ largest supplier of agricultural products, and the Philippines is its tenth largest global market. Despite inflation, a weak Philippine peso and trade restrictions, strong consumer spending kept sales of U.S. agricultural exports to the Philippines close to \$2.6 billion in 2017, the same level as the previous year.



The top U.S. exports of agricultural products to the Philippine in 2017 were soybeans and soybean meal (\$840 million), wheat (\$555 million), dairy products (\$243 million), red meats (\$168 million), and poultry (\$92 million). Sales are up 13 percent from January to July 2018 and forecast to reach a record \$2.9 billion by the end of the year as traders stock up goods for the holiday season.

Top Product Prospects

Consumer-oriented food and beverage products remain the best prospects for future export growth fueled by consumer confidence in the quality of American products and the steady expansion of the country’s retail, foodservice and food processing sectors. Based on interviews with traders, The top 10 consumer-oriented food and beverage product prospects are beef, pork, cheese and cheese products, frozen and powdered eggs, fresh vegetables, apples, infant food preparations, frozen potatoes, wines, and pet food. See chart on the next page for more information on value of imports, U.S. and competitors market shares, and suggested strategies to increase market share.

H.S. Code &	Imports from the U.S.	U.S. &	Strategies to Increase
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Description	(in Millions of Dollars)	Competitors Market Share ⁴	Market Share
020230 Meat of Bovine Animals, Frozen	48.4	India – 32% Australia – 32% U.S. – 13% Others – 23%	Increase efforts to promote availability, quality and applications
020329 Meat of Swine, Frozen	36.9	Germany – 28% Canada – 20% Spain – 17% U.S. – 13% France – 13% Others – 9%	
0406 Cheese and Cheese Products	28	New Zealand – 37% U.S. – 19% Australia – 16% Others – 28%	Increase efforts to promote availability, quality and applications
0408 Eggs, Dried or Frozen	2.2	U.S. – 56% India – 17% Spain – 13% Others – 14%	Grow the market; introduce the availability, food safety aspects and applications
07041000 Cruciferous Vegetables 0705 Lettuce 07094000 Celery	>1.0	Australia – 71% China – 27% U.S. – 2%	Increase efforts to promote availability, variety and quality; the United States is the only country with full market access for cruciferous vegetables (i.e., broccoli and cauliflower), lettuce and celery which are in limited supply domestically
080810 Apples	6.9	China – 95% U.S. – 4% Others – 1%	Conduct research on consumer preferences and buying habits; introduce new varieties; intensify retail promotions; link distributors with food service customers
190110 Food Preparations for Infants	>1.0	Singapore – 46% Malaysia – 21% Netherlands – 13% U.S. – 1% Others – 19%	Build awareness of the availability, variety and quality
200410 Potatoes, Frozen	62.6	U.S. – 46% Belgium – 22% Netherlands – 14% Others – 4%	Conduct in-depth competitive analysis
220421 Wines	11.6	U.S. – 23% Australia – 18% France – 16% Spain – 9% Others – 34%	Increase efforts to promote availability, variety and quality
230910 Pet Food	31.5	U.S. – 43% Thailand 26% Australia – 13% Others – 18%	Conduct in-depth competitive analysis; promote availability, variety and quality

⁴ Based on statistics provided by the exporting countries for CY 2017 as reported in Global Trade Atlas

Advantages		Challenges	
Twenty percent of the population (20 million people) have sufficient income to purchase imported food and beverage products and are open to new products.		The peso continues to weaken amidst a widening trade deficit. The current exchange rate is \$1=PhP54.	
Cash remittances of overseas Filipino workers (OFWs) and revenues from the business process outsourcing (BPO) industry boost disposable income.		Shipping from Western United States to Manila or Cebu can take 21 days, risking the shelf life of perishable goods.	
Filipinos spend their disposable income mostly on food.		The cost of inter-island shipping is high.	
Expansion of modern supermarket chains and fast-food franchises in key provincial cities create new opportunities for U.S. food and beverage products.		Consumers are very price-sensitive; some U.S. perishable food products are not price competitive.	
There is a growing consumer demand for "healthy," "gourmet" and "convenient" food and beverage products.		Distribution of fresh and frozen products remain a challenge due to insufficient cold-chain facilities throughout the archipelago.	
Trade customers and end consumers are familiar with U.S. brands and regard U.S. food and beverage products as safe, reliable and of good quality.		Forty six percent of the population (46 million people) live in rural areas and have limited access to imported food and beverage products.	
Most U.S. products have long shelf life and sturdy packaging that can withstand poor distribution methods.		Rampant smuggling of agricultural products from unapproved sources displace legitimate U.S. export sales.	
The Philippines is strategically located in the region and has trade agreements with regional partners. Special Economic Zones allow duty-free imports of raw materials for further processing and re-export.		Competitors that are party to bilateral and regional FTAs (ASEAN, New Zealand, Australia, South Korea, China, India and Japan) have been promoting their food and agricultural products aggressively.	
The Philippines is gaining popularity as a gaming and entertainment tourist destination.		Most Philippine food processors lack the capacity to comply with the import requirements of regional markets.	
Natural calamities and changing weather patterns exacerbate general inefficiencies in Philippine agricultural production, increasing the country's reliance on imports.		Working level regulatory officials' protectionist-stance and limited knowledge of science-based and WTO-compliant regulations have resulted in periodic adoption of unjustified trade barriers.	
The Philippine applied MFN tariffs are among the lowest in the region.		Current applied MFN tariffs are not at bound rates, allowing the Philippine government to raise tariffs on politically sensitive products.	

III. Exporter Business Tips

- Filipinos value trust and personal relations. U.S. exporters are encouraged to maintain close contact with their importers in the Philippines; regular market visits are favored and regarded as a strong show of support.
- Some Philippine importers maintain buying offices in the U.S. and consolidate their shipments through third-party consolidators on the West Coast.
- Philippine importers prefer exclusive distributorship agreements. U.S. exporters can work with one or several importers provided the market coverage of each importer is properly identified.
- Some retail supermarket chains have the capacity to import directly.
- There are no distribution hubs. It is key to identify importers that can distribute to the three major cities (Manila, Cebu and Davao). Most importers distribute on their own, while some appoint distributors.
- U.S. exporters are advised to require payment of goods via letter of credit especially for initial transactions. Credit terms may be extended to the importer after conducting a thorough background and credit investigation, and after payment habits have been established.
- The release of imported goods from the port sometimes poses a challenge.

- General Pricing Structure
 - From Landed Cost (CIF + Duties & Taxes)
 - Importers add roughly 30 percent to arrive at the wholesale price for food service customers
 - Importers add 20–40 percent to arrive at the price for retail supermarkets
 - Food service customers add 100–300 percent to arrive at the menu price
 - Retail supermarkets add 6–15 percent to arrive at the price sold to end consumers
 - For food processing, importers usually act as indentors and earn a 2–5 percent commission from the exporter or on top of the landed cost

- Credit Terms Extended by Importers
 - Retail
 - Most products are sold on consignment basis; importers can collect payment 30 days after a product is sold
 - For products purchased outright by the retailer, importers are asked to extend a 60–90 day credit term
 - Hotels and restaurants request for 30–60 days credit
 - Food processors request for 30 days credit

- Retailers demand high slotting fees (\$100–\$120 per SKU or stock keeping unit) and year-round marketing support (\$1,000–\$2,000 per annum). U.S. exporters should, as much as possible, support marketing and promotional efforts.
- Filipino consumers generally prefer smaller packaging sizes.
- Due to insufficient cold chain infrastructure in the Philippines, products must be packed to withstand extreme heat and humidity.

- The high cost of inter-island shipping makes imported products more expensive in areas outside Metro Manila.

Philippines 2019 Trade Show Calendar		
Show	Venue	Date
Bakery Fair	World Trade Center Manila	February 15–17, 2019
IFEX Philippines	World Trade Center Manila	May 24–26, 2019
SIAL ASEAN	World Trade Center Manila	June 2019
Aquaculture Philippines & Feeds Expo Philippines	World Trade Center Manila	June 26–28, 2019
World Food Expo (WOFEX)	World Trade Center Manila/ SMX Exhibition & Convention Center	August 7–10, 2019

IV. Food Import Standards & Regulations

The Philippines generally follows the U.S. Food and Drug Administration’s import standards and regulations. Only Filipino entities can apply for the registration of imported food and agricultural products, and the process can take 4–6 months. Products from the United States do not require special labeling and may be sold in the Philippines in the same commercial packaging. The expiration date must be printed in the following order: Day-Month-Year. The day and year must be numerical, while the month must be in words to avoid confusion (e.g., Expiry date: 01 January 2012 or 01Jan12).

For detailed information regarding standards and regulations for importing food and agricultural products into the Philippines, please refer to a report entitled, “Philippines: Food and Agricultural Import Regulations and Standards – Narrative” available through the USDA-FAS website: www.fas.usda.gov.

V. Trade Agreements & Tariff Rates

The Philippines is a party to bilateral and multilateral trade agreements. Several U.S. food and agricultural exports to the Philippines face higher tariffs than competing products imported from ASEAN member countries and ASEAN-FTA partners such as Australia, China, India, Japan, New Zealand and South Korea. For more information on Philippine trade agreements, visit the Philippine Department of Trade and Industry website: <https://www.dti.gov.ph/>. Tariffs on goods traded outside preferential agreements are posted on the Philippine Tariff Commission website and can be accessed thru: <http://tariffcommission.gov.ph/executive-order-20>.

VI. Market Sector Structure and Trends

Food Retail Sector

The expansion of the Philippine food retail sector creates robust opportunities for U.S. high-value, consumer-oriented food and beverage products. Led by strong consumer spending, the food retail sector posted six percent growth and sales of \$46.3 billion in 2017. National chains have been opening Western-style stores nationwide and dominate the market due to investment regulations that limit foreign ownership. The proliferation of modern convenience stores such as 7-Eleven, Family Mart, Lawson, and Mini Stop are partly due to the bullish business process outsourcing (BPO) industry that operates around the clock. U.S. brands are widely recognized by Philippine consumers. Products that can be classified as “convenient,” sweet and savory snack food products, meal-replacements, and ready-to-drink beverages are in strong demand.

Food Service Sector

The continued growth in the Philippine food service sector is driven by the steady influx of tourists, expansion of shopping centers and hotel chains, and increase in the number of women joining the workforce. Dining out continues to be an important aspect of Filipino family bonding and celebrations. In 2017, the sector posted an increase of eight percent with \$13.04 billion in sales. Restaurants in five-star hotels and upscale malls, Western-style diners and cafes, and fast-food chains require high-quality food and beverage products such as meats, poultry, seafood products, dairy products, processed fruits and vegetables, fruit juices, dried fruits, nuts, wines, and craft beers. Restaurant operators are keen on introducing new and exciting menu offerings to attract customers.

Food Processing Sector

The Philippines’ rapidly expanding foods processing sector presents robust opportunities for U.S. exporters of agricultural raw materials and high-value ingredients. The sector’s gross value-added output amounted to \$28.9 billion in 2016 (most recent data available), and grew 38 percent⁵ over the past five years (2012–2016). Roughly 90 percent of the industry’s output is consumed domestically; as quality and efficiency continue to improve, the Philippines will be in a position to exploit export opportunities in the region due to its strategic location and membership in various free trade agreements.

Trade capacity building opportunities abound (e.g., cold chain facilities, food safety standards, and distribution systems) and are crucial in strengthening the ability of Philippine food processors to take part in increased trade.

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

⁵ National Accounts of the Philippines, Philippine Statistics Authority. “Table 32A – Gross Value Added in Manufacturing by Industry Group, 2014–2016,” (most recent data available).

- Philippines: Retail Foods
- Philippines: Food Service – Hotel, Restaurant & Institutional
- Philippines: Food Processing Ingredients

VII. Further Information and Assistance

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

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