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## **Report Name:** Exporter Guide

**Country:** Philippines

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### **Report Highlights:**

The United States is the Philippines' largest supplier of agricultural products with a 28 percent market share. In 2018, the Philippines ranked as the eleventh largest global market for U.S. agricultural exports, with soybean meal, wheat, dairy products, pork and pork products, and poultry as the top five products. Buoyed by strong consumer spending, the Philippine economy is forecast to grow six percent amidst global market uncertainty. Despite slowdown in the first three quarters, FAS Manila is optimistic that sales of U.S. agricultural products to the Philippines will reach a record \$3 billion by year-end as shipments arrive in time for the holiday season, surpassing the previous year by 1.5 percent. High-value consumer-oriented food and beverage products are the best prospects for future export growth, including pork, cheese and cheese products, frozen and powdered eggs, fresh fruits and vegetables, and processed fruits and vegetables.

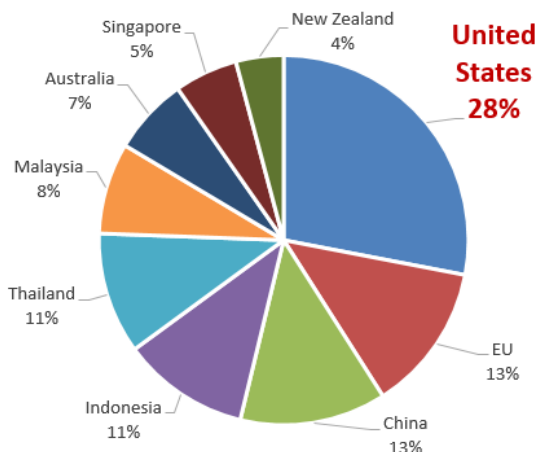
# Market Fact Sheet: Philippines

## Executive Summary

The Philippines is an emerging market with a service-based economy set to become an upper-middle economy in 2020, backed by what economists describe as being in a demographic sweet spot. With a population of already 106 million in a combined landmass the size of Arizona, opportunities for imported foods and beverages are already significant and continue to offer strong potential for growth into the future.

## Imports of Agricultural Products

The United States is the Philippines' largest supplier of agricultural products. In 2018, the Philippines ranked as the eleventh largest export market for U.S. agricultural products, achieving a record \$2.9 billion. Despite high prices and stiff competition, traders report strong preference for U.S. products.



## Food Processing Sector

The Philippine food processing sector's gross value-added output amounted to \$32 billion in 2018, seven percent higher than the previous year. Roughly 90 percent of the country's processed food products are consumed domestically.

## Food Retail Sector

The Philippine food retail sector posted six percent growth and sales of \$47 billion in 2018 with modern retail accounting for roughly half the total. The proliferation of modern convenience stores are supported by the business process outsourcing (BPO) industry that operates around the clock.

## Food Service Sector

The 8-10 percent growth in the Philippine food service sector with sales in 2018 estimated at \$14 billion is primarily driven by the expansion of shopping malls and commercial centers nationwide. Western and western-style chains have deep penetration across the urban areas of the Philippines. Dining out continues to be an important aspect of Filipino family bonding and celebrations.

## Philippines: Quick Facts CY 2018

### Population Highlights

- Population: 106 million, growing 1.6% per year
- Urban population growing 2% per year, set to overtake rural population in 2028 (currently 47% urbanized).
- 96% literacy rate; 76% speak English

### Gross Domestic Product (GDP)

GDP: \$330 billion      GDP per capita: \$3,104  
 GDP growth rate: ≈6%      GDP per capita PPP: \$8,935

### Agricultural & Related Trade

Exports: \$6.5 billion      Imports: \$14.3 billion

### Imports of Consumer-Oriented Products: \$6 billion

- Food preparations
- Beef
- Dairy products
- Coffee
- Pork
- Candy & confectionery
- Apples
- Poultry
- Sauces, condiments & seasonings
- Frozen potatoes

### Top Fast Food Chains

- [Jollibee](#)
- [McDonald's](#)
- [Mang Inasal](#)
- [Chowking](#)
- [Shakey's](#)
- [KFC](#)

### Top 5 Supermarkets

- [SM Markets](#)
- [Puregold Price Club](#)
- [Robinsons Supermarket](#)
- [Rustan's Supermarket](#)
- [Metro Supermarket](#)

### Top 5 Convenience Stores

- [7-Eleven](#)
- [Mercury Drug](#)
- [Ministop](#)
- [Alfamart](#)
- [All Day](#)

**Traditional Retail:** more than 42,000 public markets and 1.3 million micro retail stores nationwide

**Sources:** [Trade Data Monitor](#), [Global Agricultural Trade System](#), [Euromonitor](#), [The World Factbook](#), FAS Manila research

Strengths	Weaknesses
Consumers are familiar with U.S. brands and regard U.S. food and beverage products as safe, reliable, and of good quality.	The relatively high cost of shipping from the west coast of the United States to Manila or Cebu compared to regional competitors.
Opportunities	Challenges
Twenty percent of the population (21 million people) have sufficient income to purchase imported food and beverage products regularly and are open to new products.	Competitors that are party to bilateral and regional FTAs (ASEAN, New Zealand, Australia, China, Japan, etc.) have also been promoting their food and beverage products to trade customers.

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## I. Market Overview

The more than 7,000 islands that comprise the Philippine archipelago are classified under three major island groups: Luzon (north), Visayas (central), and Mindanao (south). The combined land area of the Philippines is approximately the same size as the state of Arizona.

The Philippines is the thirteenth most populated nation in the world with close to 106 million<sup>1</sup> inhabitants and – supported by a median age of 24 years and a population growth of 1.6 percent – on pace to reach 110 million by 2020 and 125 million by 2030.

American culture and trends continue to have strong influence on Filipinos, supported by our shared history and people-to-people exchanges. About four million Filipino-Americans<sup>2</sup> constitute a major immigrant group in the United States, while around 350,000 U.S. citizens<sup>3</sup> are present in the Philippines at any given time.

Described by economists as in its demographic “sweet spot,” the Philippines is aggressively pursuing and has already had marked success in building a predominant middle class society while lowering poverty rates. The roughly twenty percent of the population (21 million people) whom earn an average income of \$13,400 annually<sup>4</sup> have the ability to purchase high-value food and beverage products on a regular basis. Moreover, Filipinos love to eat out, with food being integral to social and family life.

Business chambers and associations have been upbeat about the economy and doing business, hailing the Duterte administration’s efforts to improve the business environment. 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.

The Philippines is a fast growing economy, growing at a stable six percent per year, third fastest among Asia’s emerging economies following Vietnam and China. Compared to 2019, the Philippines’ economic managers foresee slightly accelerated growth rates in 2020 and 2021 at 6.1 and 6.2 percent, respectively. The economy is service-based, contributing 58 percent to GDP – the highest in Southeast Asia.

See [Philippines Country Commercial Guide](#) for additional information on the country’s political and economic environment.

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<sup>1</sup> CIA World Factbook, July 2018 estimate.

<sup>2</sup> U.S. Census Bureau, 2018 American Community Survey 1-Year Estimates.

<sup>3</sup> U.S. Embassy in the Philippines, U.S. Citizen Services.

<sup>4</sup> Philippine Statistics Authority, 2018 Family Income and Expenditure Survey (most recent).

## Advantages and Challenges

The table below summarizes the other market “Advantages” (U.S. supplier strengths and Philippines market opportunities) and “Challenges” (U.S. supplier weaknesses and competitive threats).

Advantages	Challenges
Consumers have a strong preference for U.S. culture, including food and beverage products.	The peso continues to weaken amidst a widening trade deficit. The current exchange rate is \$1=PhP51.
Growing demand for “healthy,” organic, gourmet, and convenience foods.	Distribution of perishable products still limited by insufficient cold-chain facilities throughout the archipelago.
Rapid expansion of modern supermarket chains and quick service restaurant (QSR) franchises in key provincial cities brings increased access to imported foods and beverages.	Traditional outlets continue to dominate the majority of retail and food service sales with only limited opportunities for imported food and beverages within them.
The economy as a whole is growing faster than agricultural productivity, creating increased demand for imported foods and beverages.	Fifty-three percent of the population <sup>5</sup> (56 million people) still live in rural areas with very limited access to imported food and beverage products.
The Philippine applied MFN tariffs are among the lowest in the region and often close to the preferential rates offered to U.S. competitors.	Smuggling of agricultural products remains prevalent and displaces legitimate sales, particularly for commodities with higher tariffs.
Real steps being taken to improve the regulatory environment, including through the Ease of Doing Business Act.	Protectionist measures continue to persist for sensitive products, including corn, meat and poultry, which have also continued to encourage the adoption of non-science based trade barriers.

## II. 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 importers maintain buying offices in the U.S. and consolidate their shipments through third-party consolidators on the West Coast.
- 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.
- There are some importers that cater to the retail and food service sectors.
- Some retail supermarket chains have the capacity to import directly.
- It is key to identify importers that can distribute to the three major cities (Manila, Cebu, and Davao) as most importers distribute on their own.

<sup>5</sup> CIA World Factbook (July 2018 estimate).

- 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 20–40 percent to arrive at the price for retail supermarkets; retail supermarkets add 6–15 percent to arrive at the price sold to end consumers.
  - Importers add about 30 percent to arrive at the wholesale price for food service establishments; food service establishments add 100–300 percent to arrive at the menu price.
  - Importers add a 2–5 percent fee for facilitating the importation requirements of food processing companies.
- General credit terms extended by importers to customers
  - 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.
  - Food service establishments request 30–60 days credit.
  - Food processors request 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 be prepared to support marketing and promotional efforts.
- Filipino consumers generally prefer smaller packaging sizes.
- September-December is peak consumption season as well as often coincides with heavy port congestion.

Philippines 2020 Food & Beverage Trade Show Calendar		
Show	Venue	Date
<a href="#">World Food Expo (WOFEX) Bicol</a>	Legazpi Convention Center	February 28–March 1, 2020
<a href="#">WOFEX Visayas</a>	Cebu Trade Hall, SM City Cebu City	April 3–5, 2020
<a href="#">Philippine Food Expo</a>	SMX Convention Center Manila	April 17–19, 2020
<a href="#">WOFEX Mindanao</a>	SMX Davao, SM Lanang Premier Mall, Davao City	June 19–21, 2020
<a href="#">WOFEX Manila</a>	World Trade Center Manila and SMX Convention Center Manila	August 5–8, 2020
<a href="#">Food &amp; Drinks Asia</a>	World Trade Center Manila	September 3-6, 2020
<a href="#">AsiaFood Expo</a>	World Trade Center Manila	September 9–12, 2020

### III. Food Import Standards & Regulations

For guidance on customs clearance, required documents, labeling requirements, trademarks, etc., please consult the most recent FAIRS reports at <https://gain.fas.usda.gov/>, otherwise available below:

- Philippines: [FAIRS Narrative](#)
- Philippines: [FAIRS Export Certificate](#)

## Tariffs and FTAs

The Philippines provides preferential access to its market through a number of bilateral and regional trade agreements, including those with ASEAN member countries, the European Free Trade Association, Australia, China, India, Japan, New Zealand, and South Korea. While U.S. products often face some disadvantages, the Philippines also generally maintains applied MFN rates applicable below its WTO bound rates. For more information on Philippine trade agreements, visit the Philippine Department of Trade and Industry website: <https://www.dti.gov.ph/>. The tariff rates on specific goods are posted on the Philippine Tariff Commission's website and can be accessed via <http://finder.tariffcommission.gov.ph/>.

## IV. Market Sector Structure and Trends

Philippine market sector reports and product briefs are available at <https://gain.fas.usda.gov/>, including:

- [Philippines: Food Processing Sector](#)
- [Philippines: Retail Sector](#)
- [Philippines: Food Service Sector](#)

### Food Processing Sector

The wide acceptance of U.S. raw materials and ingredients by food processors and end consumers are a tremendous advantage for U.S. exporters seeking to develop a market in the Philippines. The Philippines' food processing sector's gross value-added output amounted to \$32 billion in 2018, seven percent higher than the previous year. About 65 percent of total U.S. agricultural exports to the Philippines flow through the food and beverage processing industry, one of which is wheat. The United States supplies about 90 percent of the country's milling wheat requirements with half of local flour production flowing to bakeries. While wheat and other products such as meat, dairy, and poultry products comprise the bulk of sales, functional ingredients such as protein isolates, powdered eggs, processed fruit and vegetables, and tree nuts play an important role. Roughly 90 percent of the country's processed food products are consumed domestically.

### Food Retail Sector

The rapid growth of the Philippine food retail sector creates ample opportunities for U.S. high-value, consumer-oriented food and beverage products. Led by strong consumer spending, the sector posted six percent growth and sales of \$47 billion in 2018. 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, Mercury Drug, Ministop, Alfamart, and All Day are mainly due to the bullish BPO industry that operates around the clock. Sweet and savory snack foods, products that can be classified as "convenient," meal-replacements, ready-to-drink non-alcoholic beverages, and craft beers are in strong demand. Overall, modern grocery retailers still have a long way to go to saturate the market and replace traditional retail formats. There are more than 42,000 *barangays*<sup>6</sup> or inner city neighborhoods, each having at least one public market composed of 20 or more stalls selling basic commodities, meat, poultry, seafood, fresh fruits and vegetables, and locally-produced packaged food products. Only select imported products, including apples and table grapes, have had success penetrating these market formats. In addition, there are 1.3 million<sup>7</sup> tiny neighborhood sundry stores known as *sari-sari* stores across the country, or one store for every 20

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<sup>6</sup> Philippine Statistics Authority. Philippine Standard Geographic Codes as of March 2019.

<sup>7</sup> Philippine Association of Stores and Carinderia Owners' estimate.

households. As part of its “all-inclusive economic growth” campaign, the government assured *sari-sari* store owners of its continued commitment to their welfare. Large multi-national consumer good companies as well as local yet dominant retail distribution centers such as Puregold and Suy Sing have ramped up efforts to target them, and as a result, *sari-sari* stores could provide future opportunities for select imported products.

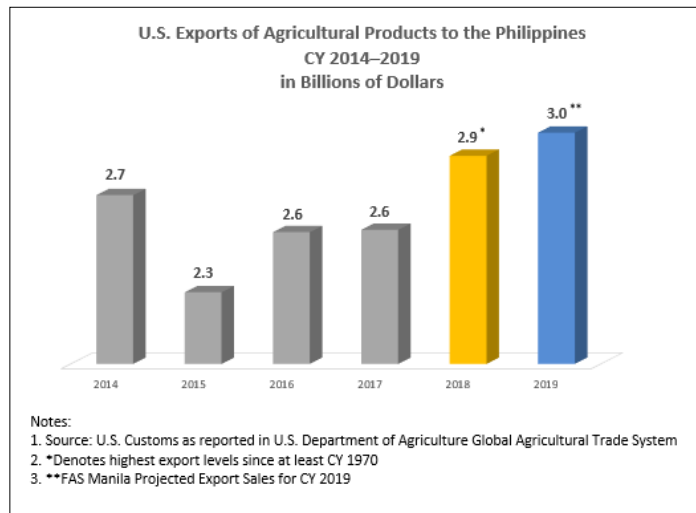
**Food Service Sector**

Dining out continues to be an important aspect of Filipino family bonding and social life. The 8-10 percent annual growth of the Philippine food service sector with sales estimated at \$14 billion in 2018 is driven by the expansion of shopping malls and commercial centers, an increase in the number of women joining the workforce, the steady influx of tourists, and the surge of gaming operators from China. QSR chains, upscale restaurants, five-star hotels, and Western-style diners and cafes require high-quality food and beverage products such as red meats, poultry, seafood products, cheese and other dairy products, frozen eggs, frozen fruits and vegetables, fruit juices, dried fruits, nuts, and wines.

**V. Agricultural and Food Imports**

U.S. agricultural exports to the Philippines reached a record \$2.9 billion in 2018. The top exports products were soybean meal (\$884 million), wheat (\$642 million), dairy (\$246 million), pork (\$116 million), and poultry (\$110 million). While sales are down four percent from January to October 2019 year-on-year, FAS/Manila still expects exports to reach a record \$3 billion as shipments pick up ahead of the holiday season.

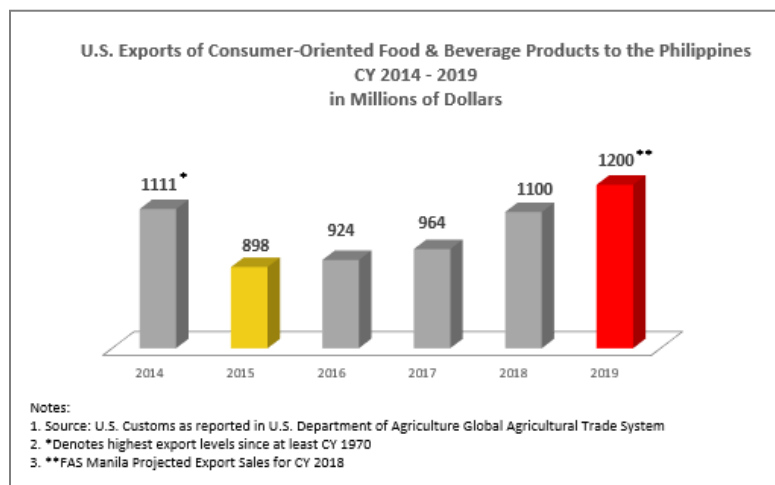
Trade data of U.S. agricultural and related products is available at <https://apps.fas.usda.gov/gats/default.aspx>.



**Best Prospects for Consumer-Oriented Food & Beverage Products**

The Philippines is the largest market in Southeast Asia for U.S. consumer-oriented food and beverage products. Despite high prices and stiff competition from other sources, traders report brisk sales and strong preference for U.S. products. FAS Manila forecasts exports of U.S. food and beverage products to the Philippines will reach a record \$1.2 billion by the end of 2019, equivalent to roughly 29,300 container trucks.

The top ten high-value consumer-oriented food and beverage products with best prospects for future export growth include pork, cheese and cheese products, frozen and powdered eggs, fresh fruits and vegetables, processed fruits and vegetables,



prepared food, wines, craft beer, seafood products, and dog and cat food.

## **VI. Key Contacts and Further Information**

Several USDA Cooperators maintain an active presence in the Philippine market such as the Alaska Seafood Marketing Institute, California Milk Advisory Board, California Table Grape Commission, Cotton Council International, National Renderers Association, Northwest Cherry Growers, Pet Food Institute of America, Raisin Administrative Committee, The Popcorn Board, USA Dry Pea & Lentil Council, USA Poultry and Egg Export Council, U.S. Dairy Export Council, U.S. Dry Bean Council, U.S. Grains Council, U.S. Meat Export Federation, U.S. Potato Board, U.S. Soybean Export Council, U.S. Wheat Associates, Wine Institute of California, as well as the four State Regional Trade Groups, namely Food Export-Midwest, Food Export-Northeast, Southern United States Trade Association, and the Western United States Agricultural Trade Association. See [FAIRS Narrative](#) for their contact information.

FAS/Manila's contact information is as follows:

U.S. Department of Agriculture  
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1201 Roxas Boulevard  
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Phone: (63) 2 5301-2000  
Email: [AgManila@usda.gov](mailto:AgManila@usda.gov)  
Website: [www.fas.usda.gov](http://www.fas.usda.gov)

### **Attachments:**

No Attachments