Required Report: Required - Public Distribution

Date: April 06, 2021

Report Number: RP2021-0012

Report Name: Food Processing Ingredients

Country: Philippines

Post: Manila

Report Category: Food Processing Ingredients

Prepared By:

Approved By: Morgan Haas

Report Highlights:

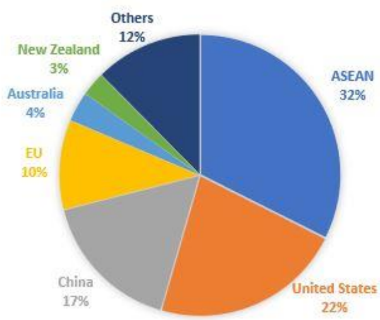
Following two years of contraction, the Philippine food manufacturing sector is expected to expand 1 percent in 2021. Household consumption expenditures of food and non-alcoholic beverages remain relatively strong, up 5.3 percent year-over-year in the fourth quarter of 2020. Philippine food manufacturing continues to offer excellent opportunities for a number of U.S. products, including but not limited to dairy, milling wheat, and raw materials for processed meat products.

Market Fact Sheet: Philippines

Market Outlook

The Philippines is an emerging market with a young, growing working-age population. GDP is expected to grow 5.5 percent in 2021.

Agricultural Exports to the Philippines



The Philippines is the ninth largest export market of U.S. agricultural products. The United States remains the largest single-country supplier of agricultural products with a 22 percent market share. U.S. agricultural exports remained resilient in 2020, reaching a record $3.2 billion.

Food Processing Sector

Following a second year of contraction in 2020, the food manufacturing sector is expected to remain relatively stagnant with upside potential in 2021, growing 0-3 percent. Around 90 percent of food production is consumed domestically.

Retail Food Sector

Retail was positively affected by COVID-19 and expected to further increase 10 percent in 2021 over 2020 levels. Convenience stores, supermarkets, and hypermarkets made headway during COVID with online shopping. An increase in purchasing power boosted warehouse clubs and awareness of imported products and have at times faced shortages due to COVID-related supply and demand shocks.

Food Service Sector

COVID-19 related measures greatly hurt the foodservice sector, which declined -34 percent in 2020, and there is no current prospect of recovery in 2021. Food service providers that still remain in operation have generally shifted to online delivery platforms and curbside pickups.

Philippines: Quick Facts CY 2020

Demographics
110 million population (July 2021 est.)
1.49% population annual growth (July 2021 est.)
52% under 24 years old & median age of 24 years old
47% urbanization rate
13% resides in Metro Manila (capital city)
76% speaks English & 98% literacy rate

Gross Domestic Product (GDP)
GDP: $370 billion — GDP per capita: $3,330
GDP growth rate: -9.5% — GDP PPP: $1,025 billion

Agricultural & Related Trade
Exports to PH: $12.9 billion — PH Exports: $6.8 billion

Consumer-Oriented Agricultural Products:

- Pork
- Beef
- Poultry
- Dairy
- Beverages
- Confectionary
- Fruits & vegetables
- Food preparations

Top Quick Service Restaurants: Jollibee, Mc Donald's, Mang Inasal, Chowking, Shakey's, KFC and Burger King

Top Supermarkets: SM, Robinson's, Puregold Price Club, Metro, Gaisano, and Landmark

Top Convenience Stores: 7-Eleven, Mercury Drug, Ministop, Alfamart, and All Day

Top Warehouse Clubs: S&R and Landers

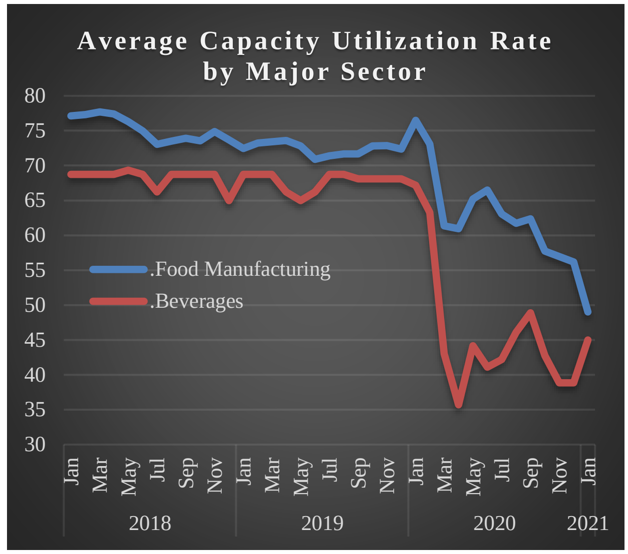
Sources: Euromonitor, Global Agricultural Trade System, International Monetary Fund, The World Factbook, Trade Data Monitor, The Economist, World Bank Philippine Statistics Office, Department of Trade and Industry, FAS Manila research

Strengths	Weaknesses
Strong preference for U.S. ingredients. Continued patronization due to perceived higher standard and quality	High cost of shipping freight compared to Asian countries
Opportunities	**Challenges**
A strong growing economy and a young and growing working-age population ensures an increase in purchasing power from on-line shopping and food delivery applications	Effects of COVID 19 in the economy and government regulations impose restrictions on transportation and logistical concerns

Contact: FAS/Manila <agmanila@usda.gov>

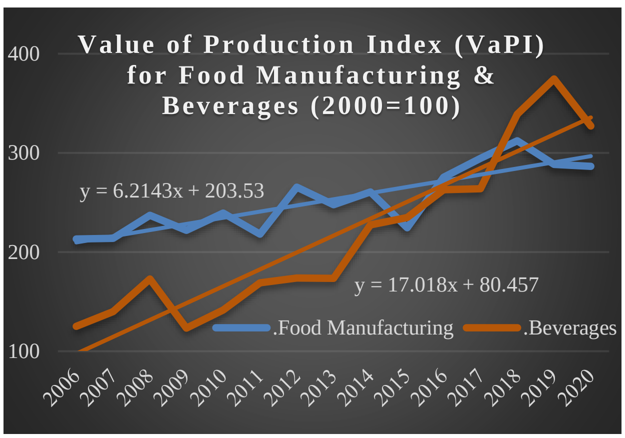
I. MARKET SUMMARY

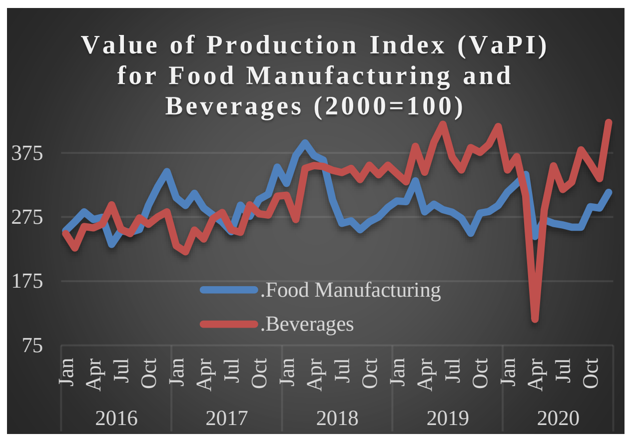
According to industry sources, the outlook for 2021 food manufacturing performance remains relatively stagnant at 0-3 percent growth, which while below the long-term 6 percent average would be an improvement over the previous two down years.



Following supply disruptions in March-April 2020 and designation as an essential industry, capacity utilization rates continue to fall. Value of production in January 2021 dropped 18 percent year-over-year.

Meanwhile, the sector remains buoyed by household consumption expenditures of food and non-alcoholic beverages, which were up 5.3 percent in fourth-quarter 2020 over 2019[1].





Source: Philippine Statistics Authority

<u>Advantages and Challenges of U.S. Supplier in the Philippines</u>:

Advantages	Challenges
Philippine food manufacturers have demonstrated a willingness to pay a premium for U.S. raw materials and ingredients.	Competition from alternative suppliers to the Philippines with preferential market access agreements.
Higher patronization to warehouse clubs has increased familiarity with imported products, including ingredients, often sold in bulk/family size.	Competition from more efficient regional manufacturers for U.S. supplies.

[1] National Accounts of the Philippines, Philippine Statistics Authority. https://psa.gov.ph/national-accounts/sector/Household%20Final%20Consumption

II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

Trade events, all of which remain virtual, still present good platforms to meet Philippine food manufacturers.

Date	Event
June 16-19, 20201	Manila Food and Beverages Expo
August 4-7, 2021	World Food Expo Autumn

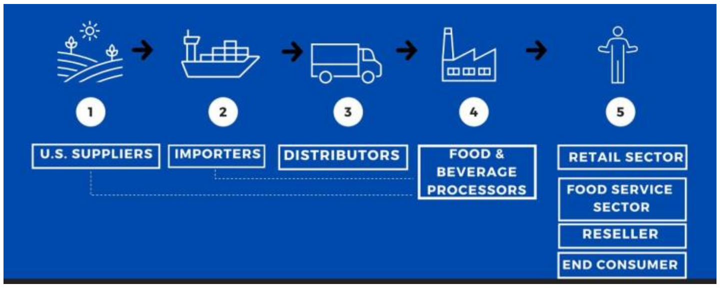
Import Procedure

For information on the import procedure, please consult the following reports:

- Philippines: FAIRS Annual Country Report
- Exporter Guide

Distribution Channels

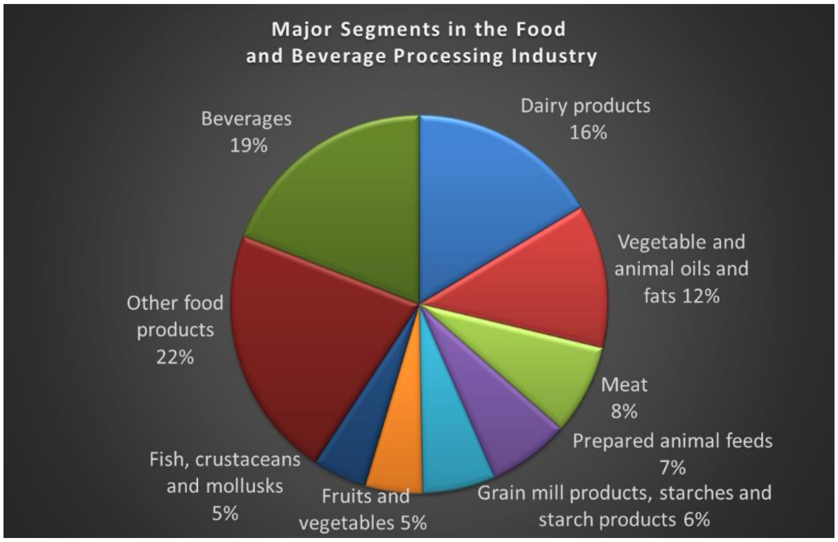
As an archipelago the Philippines has several ports, though chief among them are Manila for the island of Luzon in the north, Cebu for the Visayas in the center, and Davao for Mindanao in the south.



Special Economic Zones

The Philippine Economic Zone Authority (PEZA) provides incentives, including duty-free entry, for agricultural raw materials and ingredients used for the manufacture of products primarily destined for re-export. For detailed information on the Philippine special economic zones, access the PEZA website.

Market Structure



Dairy is the Philippines' leading food manufacturing sector, and given the Philippines is an insignificant producer, this has presented strong opportunities for a variety of imported dairy ingredients, particularly as incomes have risen.

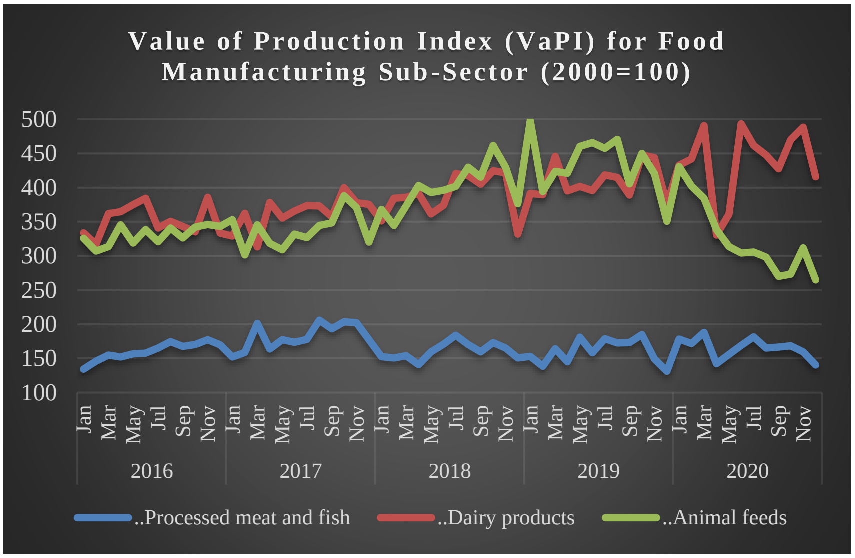
Declining *animal feed* production reflects the Philippines ongoing battle with African Swine Fever, which has greatly reduced swine inventories and local pork production. It has also directly impacted opportunities within the *processed meat* industry, which has grown increasingly reliant on imported raw materials, including mechanically-deboned meat.

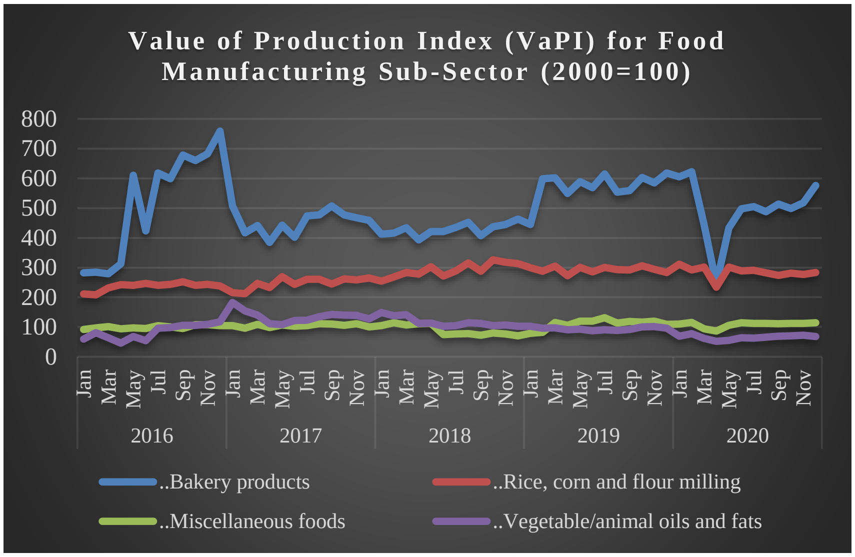
The Philippines has adopted a wheat-based food culture as shown by the relative growth of the *bakery* industry in recent decades. Wheat-based products, such as noodles, also represent a near majority of *miscellaneous foods*. As such, the majority of the local *milling* industry is built for wheat (as opposed to rice) and has demonstrated strong preference for U.S. quality.

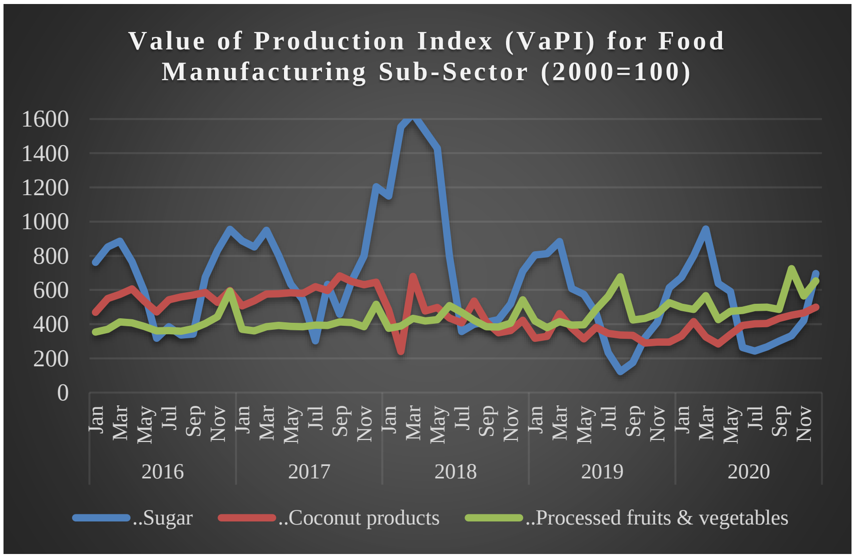
Processed fruits and vegetables generally reflect the processing of local produce and has presented only niche opportunities for imported raw materials to-date.

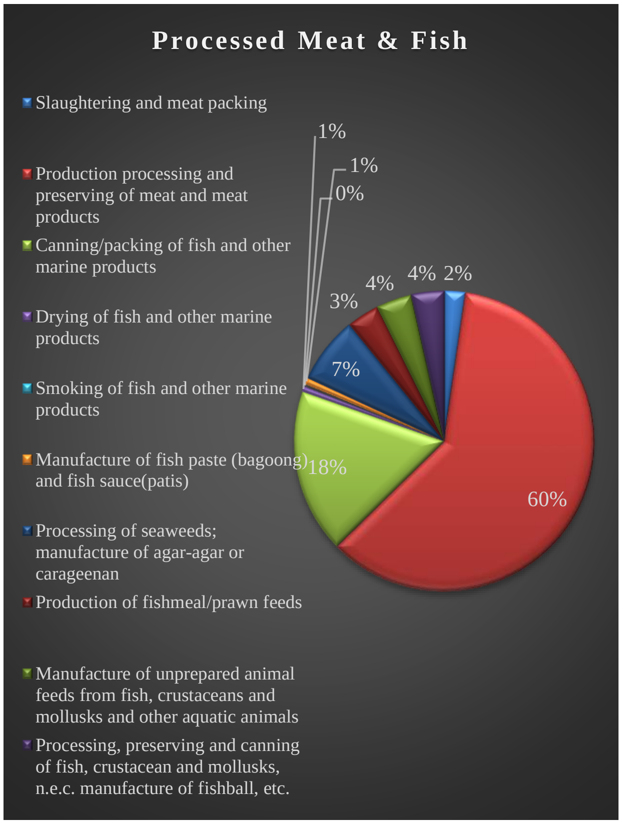
Local production of coconut oil and high competition of *vegetable oils* within the region have present little opportunity for the United States.

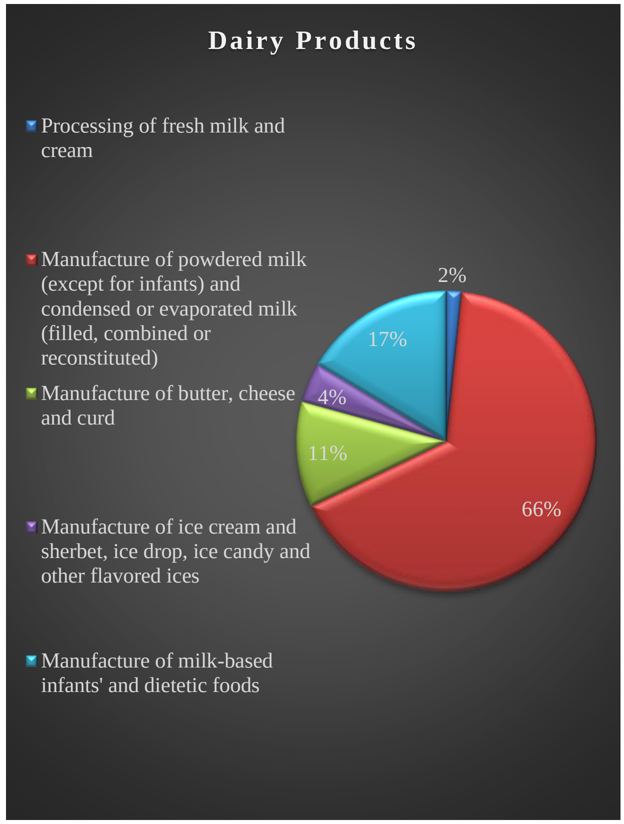
A break-down of the key sub-sectors follows below.

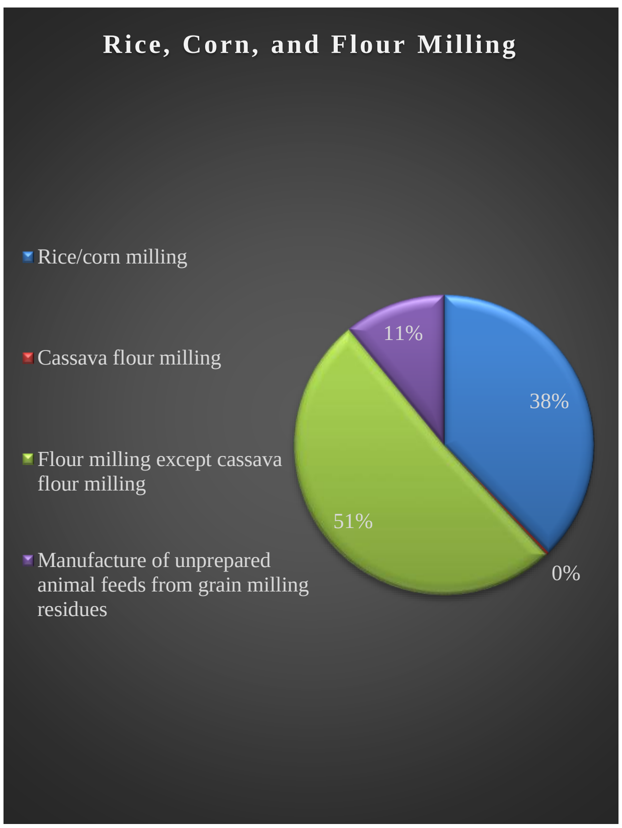


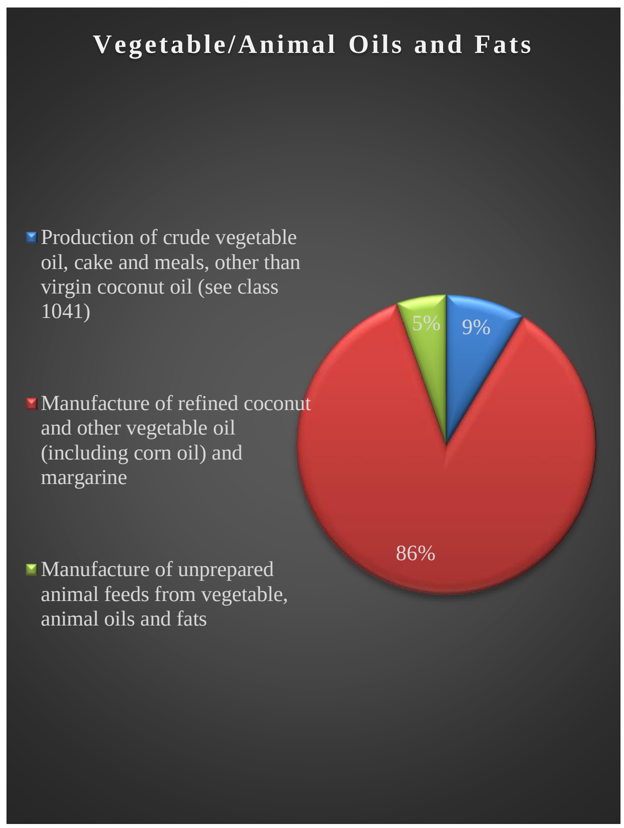


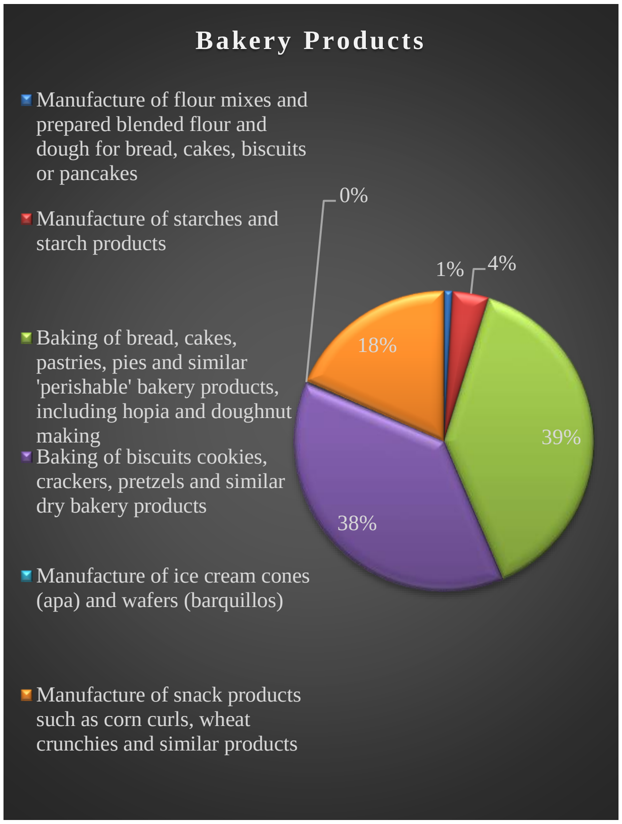


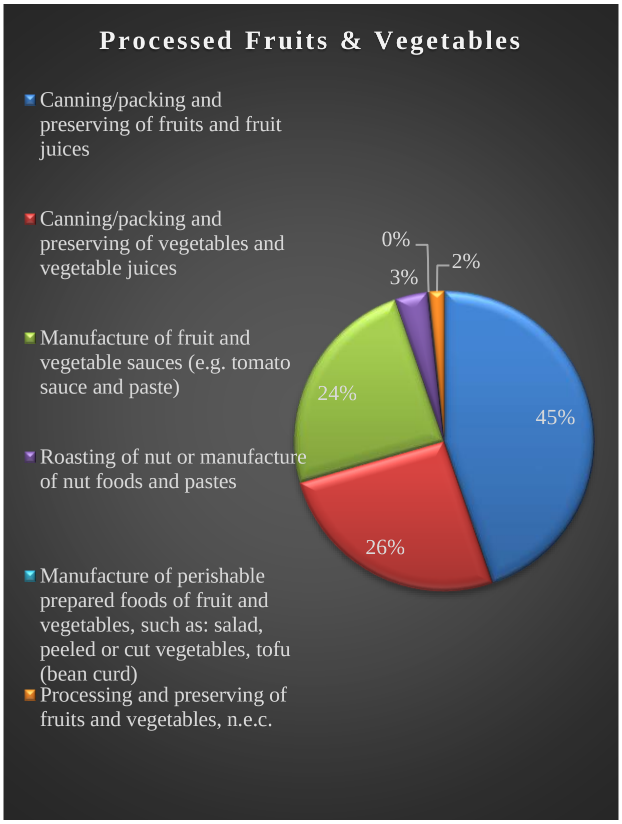

Processed Meat & Fish
Slaughtering and meat packing
Production processing and preserving of meat and meat products
Canning/packing of fish and other marine products
Drying of fish and other marine products
Smoking of fish and other marine products
Manufacture of fish paste (bagoong) and fish sauce(patis)
Processing of seaweeds; manufacture of agar-agar or carageenan
Production of fishmeal/prawn feeds
Manufacture of unprepared animal feeds from fish, crustaceans and mollusks and other aquatic animals
Processing, preserving and canning of fish, crustacean and mollusks, n.e.c. manufacture of fishball, etc.
1%
1%
0%
3%
4%
4%
2%
7%
18%
60%

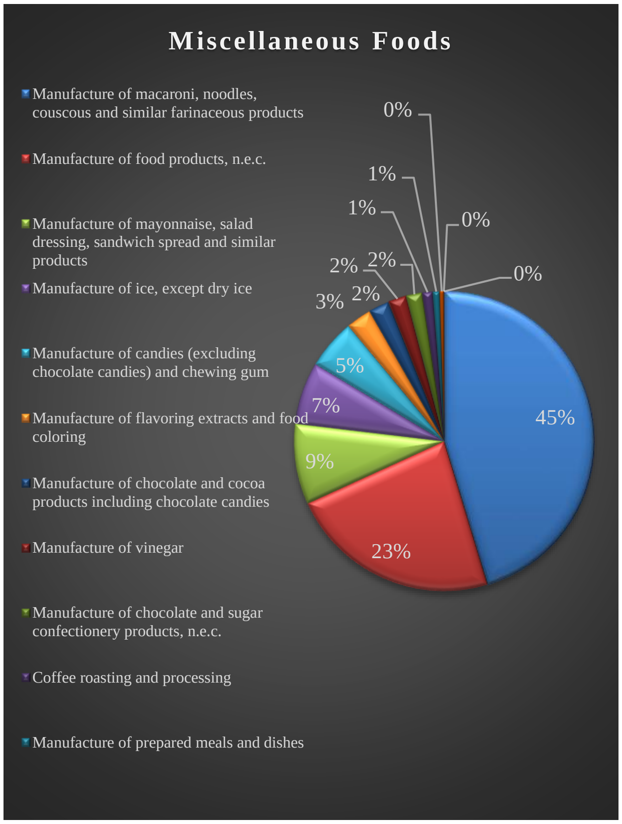

Dairy Products
Processing of fresh milk and cream
Manufacture of powdered milk (except for infants) and condensed or evaporated milk (filled, combined or reconstituted)
Manufacture of butter, cheese and curd
Manufacture of ice cream and sherbet, ice drop, ice candy and other flavored ices
Manufacture of milk-based infants' and dietetic foods
2%
17%
4%
11%
66%

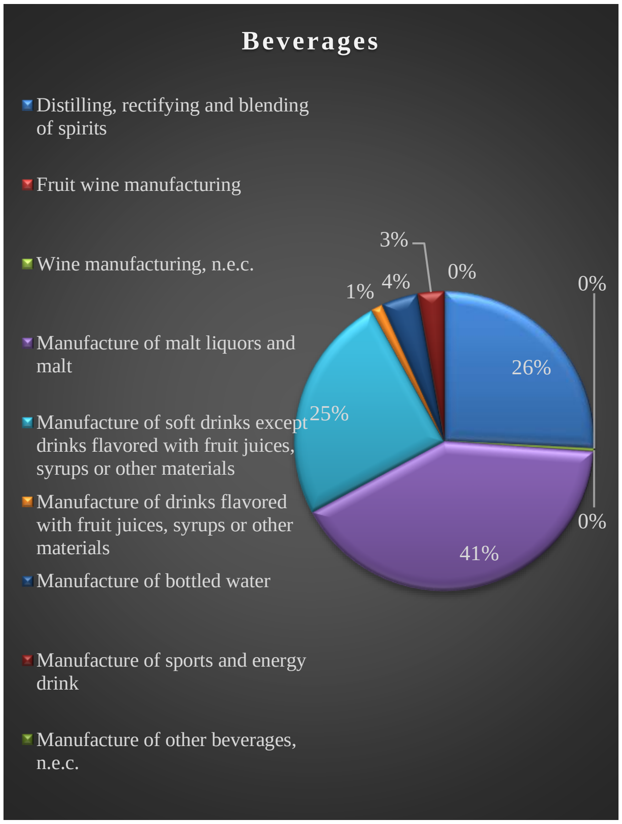

Rice, Corn, and Flour Milling
Rice/corn milling
Cassava flour milling
Flour milling except cassava flour milling
Manufacture of unprepared animal feeds from grain milling residues
11%
38%
51%
0%


Vegetable/Animal Oils and Fats
Production of crude vegetable oil, cake and meals, other than virgin coconut oil (see class 1041)
Manufacture of refined coconut and other vegetable oil (including corn oil) and margarine
Manufacture of unprepared animal feeds from vegetable, animal oils and fats
5%
9%
86%


Bakery Products
Manufacture of flour mixes and prepared blended flour and dough for bread, cakes, biscuits or pancakes
Manufacture of starches and starch products
Baking of bread, cakes, pastries, pies and similar 'perishable' bakery products, including hopia and doughnut making
Baking of biscuits cookies, crackers, pretzels and similar dry bakery products
Manufacture of ice cream cones (apa) and wafers (barquillos)
Manufacture of snack products such as corn curls, wheat crunchies and similar products
0%
1%
4%
18%
39%
38%


Processed Fruits & Vegetables
Canning/packing and preserving of fruits and fruit juices
Canning/packing and preserving of vegetables and vegetable juices
Manufacture of fruit and vegetable sauces (e.g. tomato sauce and paste)
Roasting of nut or manufacture of nut foods and pastes
Manufacture of perishable prepared foods of fruit and vegetables, such as: salad, peeled or cut vegetables, tofu (bean curd)
Processing and preserving of fruits and vegetables, n.e.c.
0%
2%
3%
24%
45%
26%


Miscellaneous Foods
Manufacture of macaroni, noodles, couscous and similar farinaceous products
Manufacture of food products, n.e.c.
Manufacture of mayonnaise, salad dressing, sandwich spread and similar products
Manufacture of ice, except dry ice
Manufacture of candies (excluding chocolate candies) and chewing gum
Manufacture of flavoring extracts and food coloring
Manufacture of chocolate and cocoa products including chocolate candies
Manufacture of vinegar
Manufacture of chocolate and sugar confectionery products, n.e.c.
Coffee roasting and processing
Manufacture of prepared meals and dishes
0%
1%
1%
0%
2%
2%
0%
3%
2%
5%
7%
45%
9%
23%


Beverages
Distilling, rectifying and blending of spirits
Fruit wine manufacturing
Wine manufacturing, n.e.c.
Manufacture of malt liquors and malt
Manufacture of soft drinks except drinks flavored with fruit juices, syrups or other materials
Manufacture of drinks flavored with fruit juices, syrups or other materials
Manufacture of bottled water
Manufacture of sports and energy drink
Manufacture of other beverages, n.e.c.
3%
1%
4%
0%
0%
26%
25%
0%
41%

Leading Philippine Food Manufacturers

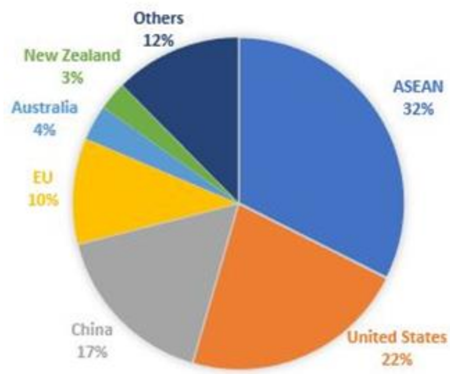
- San Miguel Food and Beverage Inc (meat, dairy, coffee, margarine)
- Nestle Philippines Inc (dairy, non-alcoholic beverages)
- Universal Robina Corp. (snack products, noodles, beverages, and coffee and cream)
- Coca-Cola Beverages Philippines, Inc. (non-alcoholic beverages)
- Monde Nissin Corporation (snack products, and noodles)
- Pepsi-Cola Products Philippines, Inc. (non-alcoholic beverages)
- Century Pacific Food, Inc. (meat and fish, dairy, other processed foods)
- Pilmico Foods Corporation (flour)
- Alaska Milk Corporation (dairy)
- Foodsphere, Inc. (meat and fish)
- Modelez Philippines, Inc. (dairy)
- Cargill Oil Mills Philippines, Inc. (oils and fats)
- Zenith Foods Corporation (food products)
- Philippine Foremost Milling Corporation (flour)
- Unilever RFM Ice Cream, Inc. (dairy)
- RFM Corp. (ice cream, beverages, and pasta)
- Mead Johnson Nutrition, Inc. (powdered milk)
- New Zealand Creamery, Inc. (dairy)
- General Milling Corp. (flour and bakery products)
- Mega Fishing Corp. (fish)
- Gardenia Bakeries, Inc. (breads)
- Monde M.Y. San Corp. (crackers and biscuits)
- Red Ribbon Bakeshop, Inc. (cakes and pastries)
- Goldilocks Bakeshop, Inc. (cakes and pastries)
- Liwayway Marketing Corp. (snack products)
- Frabelle Corp (meat products)
- Ram Food Products (pasta, noodles, peas, garbanzos, canned fruits)
- Oleo-Fats, Inc. (oil and fats)

Trends

- Local food manufacturers have started online selling direct to consumers, through volumes remain limited.
- Rise of resellers, small and medium enterprises, including some featuring food ingredients
- Stay-at-home orders continue to keep many workers and children at home, which (1) has fueled demand for pantry items, including baked goods and mixes, canned goods, cooking oils, milk, and snack foods as well as products, larger package sizes, and products with extended shelf-life (e.g., dehydrated and frozen products) as well as (2) allowed consumers to redirect their discretionary spending on purchasing premium products.
- Increased interest in larger or commercial packages being sold to end-consumers
- Local manufacturers are investing in plant-based meat alternatives for snacks and meals as well as those advertising health properties

III. COMPETITION

Competition remains particularly fierce with ASEAN, China, Australia, and New Zealand as each benefit from preferential market access and favorable proximity to the Philippines. Europe competes for select products but faces similar constraints as the United States.



For trade data:
[(USDA) Global Agricultural Trade System]
[Philippine Statistics Authority]
[UN Comtrade | International Trade Statistics Database]

IV. BEST PRODUCT PROSPECTS CATEGORIES

Products Present in the Market which have Good Sales Potential

- Milling wheat
- Dairy
- Meat & poultry
- Pulses
- Bases & seasoning
- Processed fruits & vegetables

Products Not Present in the Market but which have Good Sales Potential

- Ingredients for plant-based food manufacturers

Products Not Present Because They Face Significant Barriers

- Rice (tariffs)
- Corn (tariffs)

VI. KEY CONTACTS AND FURTHER INFORMATION

- USDA Manila
- Philippine Food Processors and Exporters
- Philippine Association of Food Technologists, Inc
- Philippine Federation of Baker's Association
- Philippine Chamber of Food Manufacturers Inc
- Federation of Philippine Industries

Attachments:

No Attachments