

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Philippines

Food Service - Hotel Restaurant Institutional

2018 HRI Food Service

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Report Highlights:

The stronger purchasing power of Philippine consumers, growing middle class, and increasing urbanization drove a higher frequency of dining out. FAS Manila projects eight percent growth in the HRI sector with sales of US\$14.08 billion in 2018. This growth in the food service industry will provide greater opportunities for exports of U.S. food and beverage products to the Philippines.

Market Fact Sheet: Philippines

Executive Summary:

The Philippines is one of the fastest-growing economies in Asia. With increasing urbanization, a large, growing middle class, and a young population, the Philippines' economic dynamism is rooted in consumer demand supported by rising incomes and robust remittances from overseas. Per capita gross income and consumer expenditures saw strong gains from 2012 to 2017.

Imports of Consumer-Oriented Products:

The Philippines is the largest market in Southeast Asia and the largest export market in the world for U.S. consumer-oriented food and beverage (f&b) products, importing a total of US\$ 964.3 million in 2017. The United States remains the Philippines' 12th largest supplier for food, beverage and ingredient products.

Food Service Sector:

The Philippine food service industry is made up of 86,812 establishments and includes restaurants, fast food chains, kiosks and counters, cafeterias, hotels, bars, cafés, and catering services. Sales in the HRI sector increased steadily over the last 10 years. In 2017, sales in HRI posted an increase of eight percent with \$13.04 billion in value.

Quick Facts CY 2017	
Land Area: 298,170 sq.km.	
2017 GDP Growth: 6.6%	
GDP Per Capita: \$8,200 (2017 est.)	
Ave. expenditure per household: \$9,703 (2017)	
<u>Imports of Consumer-Oriented Products US\$964.3 million</u>	
<u>Top 10 U.S. Consumer-Oriented Products in the Philippines</u>	
1) Pork & Pork Products	6) Processed Vegetables
2) Dog & Cat Food	7) Dairy Products
3) Poultry Meat & Products	8) Processed Fruit
4) Beef & Beef Products	9) Fruit & Vegetable Juices
5) Breakfast Cereals	10) Wine & Beer
<u>Food Industry by Channels in 2017</u>	
Food Exports – Agricultural Total US\$4.6Billion	
Food Imports – Agricultural Total US\$9.9Billion	
Food Service Sales	US\$13Billion
<u>Top 5 Food Service Companies</u>	
1) Jollibee Food Corp.	1) Starbucks
2) McDonald's Corp.	2) Coffee Bean & Tea Leaf
3) Yum! Brands Inc.	3) Mc Cafe
4) Max's Group Inc.	4) Figaro Coffee (local)
5) Shakey's Pizza	5) Coffee Project (local)
<u>Philippine Market Profile</u>	
Population:	
-104.2 Million (July 2017 est.), annual growth rate of 1.57%	
- 12.95 Million living in Manila	
- 46.9% living in urban areas	
- 19.16% 15-24 years old	
- US\$ 9,703 is the average expenditure per household in 2017	
Sources: GATS, GTIS, Company websites, and CIA World Fact Book	

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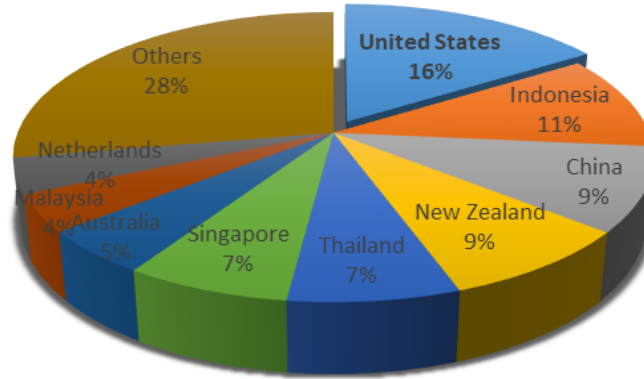
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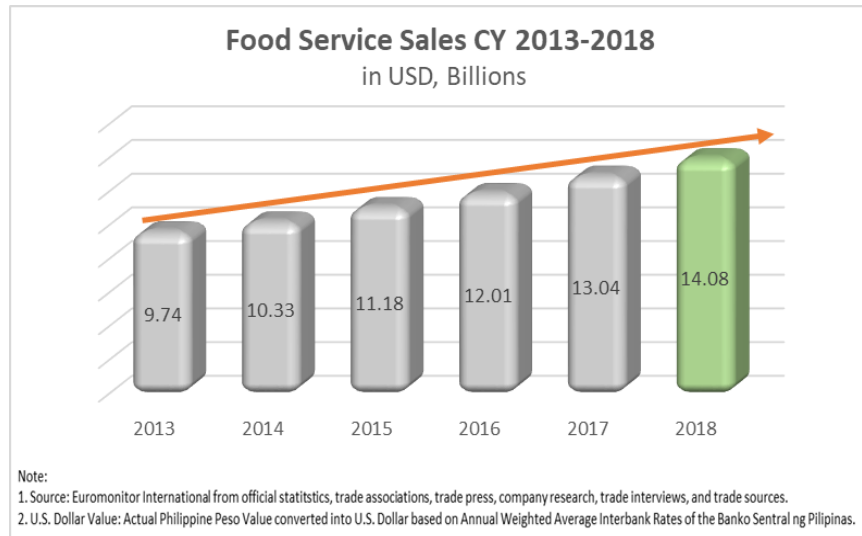
**Market Share of Consumer-Oriented Products Exported to the Philippines
Per Country of Origin CY 2017**



Note:

1. Philippines National Statistics Office
2. Data Source: U.S. Census Bureau of Trade Data
3. Product Group: BICO HS10

SWOT	
<i>Strength</i>	<i>Weakness</i>
The Philippines is a consumption-driven economy with strong preference and demand in U.S. food, beverage, and ingredient products.	Philippine consumers are highly price sensitive.
<i>Opportunity</i>	<i>Threat</i>
Steadily growing middle-class means more disposable income spent on high-value food and beverage products.	U.S. exporters face competition from tariff-free products from countries including New Zealand, China and Australia.



I. Market Summary

FAS Manila projects a growth of eight percent on the Philippine food service industry in 2018 with \$14.08 billion from \$13.04 billion on 2017. Improved purchasing power, increasing middle class, and growing urbanization, have led to an increasing preference of Filipinos to dine out, thus contributing to the growth of the food service industry.

Another factor that contributed to the increase of the food service sector is the millennial generation, those born in 1982 to 1996 (22-37 years old). This group already comprises one-third of the country's population and they are known to be the biggest spenders. They are willing to spend more money eating out as long as their dining experience is convenient, fun, exciting, has high quality food and service, and is yet affordable.

Likewise, the worsening traffic and transport situation (in Manila and other major cities), increasing time and energy constraints, and prevailing health and fitness trends have encouraged consumers to purchase cooked meals or dine out, instead of preparing food at home.

There are 86,812 food service establishments in the country, including restaurants, fast food chains, kiosks and counters, cafeterias, hotels, bars, cafés, and catering services. Most of these establishments are dominated by independent players, some of which have outlets in stand-alone locations. Among chain players, local operator Jollibee Foods Corporation leads with its wide portfolio of leading fast food brands. Other important players include Golden Arches Dev Corp (with the McDonald's brand), Yum! Brands, (Pizza Hut and KFC), Max's Group, and Shakey's.

Types of Food Service

Location	Description
Stand-alone (Independent restaurants, cafés, kiosks)	Food service establishments located in a commercial area, near a mall, school, or hospital. Usually, street-stall/ kiosks, food chains, quick service restaurants, and cafés.
Retail	Restaurants located inside a commercial mall. Usually fast-food chains, quick-service and casual dining restaurants, and cafés.
Travel	Food service establishments located in airport terminals, bus stations, and service areas alongside motorways and expressways. Usually fast-food chains, quick-service restaurants, cafés, and street-stall/ kiosks.
Leisure	Food service establishments in tourist spots, parks, and other recreation areas.
Lodging	In-house food service outlets, exclusive fine dining restaurants located in high-end

	hotels.
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Source: Euromonitor

Philippine Food Service Data - 2017

Food Service by Location	No. of Outlets	Sales in USD, Billions	Shares
Stand-Alone	46,751	4.99	38%
Retail	28,157	5.82	45%
Leisure	3,882	0.76	6%
Travel	6,398	1.05	8%
Lodging	1,624	0.43	3%
Total	86,812	13.04	100%

Source: Euromonitor 2018

Advantages and Challenges of Philippine Food Service Market

Advantages	Challenges
The Philippines has a large base of experienced importers that cater to the HRI sector.	Few importers have a nation-wide distribution network. The high cost of inter-island shipping makes imported products more expensive in areas outside Manila.
The food service sector is familiar with the availability, quality and applications of U.S. food and beverage products.	Stiff competition from European and Asian food and beverage products in the market.
The popularity of American holidays and culture lead to Americana-themed promotional events by Philippine restaurants and hotels throughout the year.	
Philippine consumers are open to various international cuisines, providing opportunities for a broad range of U.S. food and beverage products.	HRI companies do not import products on their own, but rather utilize specialized wholesalers (importers/distributors).
The Philippines is the 12 th largest market for U.S. high-value, consumer products and is the top market in the region.	Prices of U.S. food and beverage products are still generally higher than regionally imported products while Philippine consumers are price-sensitive.
The rapid urbanization of provincial cities presents opportunities for U.S. food and beverage products.	Insufficient cold chain infrastructure.

II. Road Map for Market Entry

A. Market Structure

HRI customers rarely import food and beverage products directly, except for a few fast-food chains. They rely on importers and distributors for their food and beverage requirements. Generally, these importers have specialized in products or product groups. Some are even experts in food products from a specific country of origin. Thus, specialized importers have an in-depth knowledge of importing requirements, such as product certification, labeling, and packaging. They also handle shipping, customs clearance, warehousing, and distribution of products within the country.

Importers and distributors to the HRI sector have dry and cold storage facilities with refrigerated/frozen trucks for deliveries. The importers buy directly from foreign exporters. Hotels and restaurants usually get their food and beverage requirements from the importers or through the importers' distributors. Since the Philippines is an archipelago, importers usually have their own distribution arm throughout the country to cover the entire Philippine food service market.

In some cases, HRI customers buy from retailers due to situations such as stocks running out before the next delivery, difficulty obtaining credit, and inability to meet the minimum order required for products to be delivered.

B. Entry Strategy

The Philippine market offers good opportunities for U.S. exporters of consumer-oriented agricultural products. Philippine consumers have a strong preference for U.S. brands and are always looking for new American products to taste and enjoy. Post expects demand for U.S. consumer-oriented products will continue to grow for the following reasons:

- Increasing urbanization of the local population (104.2 million)
- Growing upper and middle class (18-20 million)
- Rising number of supermarkets, hypermarkets, and convenience stores
- Strong interest in western brands among Philippine consumers
- Increasing sophistication of consumers
- Growing awareness of the quality and health benefits of U.S. food, beverage, and ingredient products

However, there are a number of challenges U.S. exporters must meet before exporting to the Philippine market. Success in introducing food products depends mainly on knowledge of the market and personal contacts. The U.S. supplier should analyze the Philippine food law, packaging and labeling requirements, business practices, trade-related laws and tariffs, potential importers, and the distribution system. FAS offers guidelines on business practices and import regulations.

Once U.S. companies have acquired the necessary background information, they may consider attending or visiting one of the Philippines' major local trade shows. These shows serve as a springboard into the market, helping U.S. companies to meet and establish new trade contacts and at the same time gauge the Philippine consumers' product interests. Although the Philippines has small shows compared to other Southeast Asian countries, we strongly suggest that an aspiring supplier consider attending the following shows:

Food & Drink Related Trade Shows in the Philippines

Trade Show	Description	Location
International Food Expo May 24-26, 2019 http://www.ifexphilippines.com/en/	Ethnic and specialty food, natural, organic, and healthy food products	Manila
Manila Foods and Beverage Expo June 12-16, 2019 http://www.worldbex.com	Trade and consumer show for food, beverage, ingredient products	Manila
World Food Expo July 31 to August 3, 2019 http://www.wofex.com/	Trade and consumer show for food, beverage, and food processing equipment	Manila
Food and Drinks Asia September 5-8, 2019	Specialty food, delicatessen, confectionery, beverages, beers, wines & spirits	Manila

http://www.foodanddrinksasia.com.ph		
Asia Food Expo September 11-14, 2019 http://www.afex.com.ph/	Food processing, packaging and handling machinery, equipment and technology	Manila

C. Contact FAS Manila

Market entry to the Philippines requires substantial work on the part of the U.S. exporter. For detailed information regarding standards and regulations for importing food and agricultural products into the Philippines, please refer to the reports entitled “**Philippines: Food and Agricultural Import Regulations and Standards – Narrative**” and “**Philippines: Exporter Guide**” which can be found through the FAS homepage at www.fas.a.gov, under “Data and Analysis” (<https://gain.fas.a.gov/Lists/Advanced%20Search/AllItems.aspx>).

Contact the Foreign Agricultural Service (FAS) Office in Manila for clarification on specific questions. FAS Manila contact information is provided at the end of this report.

U.S. exporters can also contact their respective U.S. State Regional Trade Groups (SRTG), their Commodity Cooperator Group, and their state Department of Agriculture to obtain additional support.

State Regional Trade Groups (SRTG) are non-profit trade development organizations that help U.S. food producers and processors to enter overseas markets. They are funded by FAS and private industry. They carry out promotional activities to increase exports of U.S. high-value food and agricultural products. For more information, contact the state regional trade group responsible for your state: <https://www.fas.a.gov/state-regional-trade-groups>

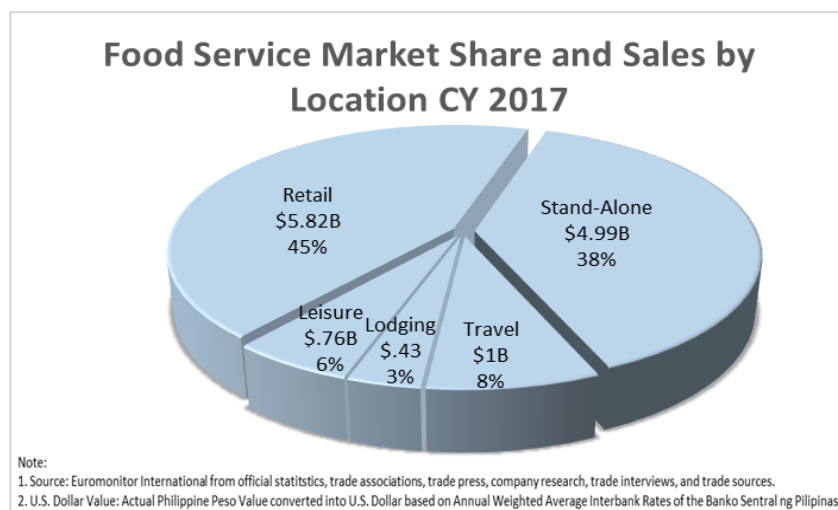
D. Distribution and Subsector Profiles

Consumer food service sales are steadily increasing across all sectors for the last ten years. Food service located in malls (retail) have the biggest market share of 45 percent in 2017, with total sales of \$5.82 billion. Second is the stand-alone food service with 38 percent market share and sales of \$4.99 billion. Stand-alone establishments are usually located in a commercial area, near a mall, school, or hospital.

The number of foreign brands continues to grow in the Philippine food service industry through franchising or joint ventures. Local food service companies prefer to bring in a foreign brand rather than create their own local restaurant. This strategy seems to provide better prospects for success, since less effort is required to build an established foreign brand restaurant. This approach in the food service industry works as Filipinos in general have a high regard for imported brands, which they become familiar with either through their travels abroad or through social media. Some of the popular U.S. brands in the industry that will open in 2018-2019 are Popeyes®, Shake Shack, Red Lobster, Bruxie, and Hard Rock Café.

III. Competition

The United States is the largest supplier for consumer-oriented products at sixteen percent (16%) market share, followed Indonesia (11%), China and Zealand (both 9%), Thailand Singapore (both 7%), and Australia (5%). Total imports of consumer-oriented food grew annually by an average of 10-



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15%.

Bilateral and regional free trade agreements in recent years have intensified competition from ASEAN, Australia, New Zealand and China. As a party to the Association of Southeast Asia Nations Free Trade Agreement (AFTA), Philippine exports to the region benefit from the lower tariff applicable to products of ASEAN members. Tariff rates on all products (with exemptions for a few sensitive products 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.

While several U.S. agricultural exports to the Philippines face higher tariffs than competing products imported from ASEAN-member countries and/or ASEAN-FTA member countries such as Australia, New Zealand, China and India, the Philippines' participation in free trade agreements provides a valuable path for U.S. agricultural food products to grow in tandem with Philippine exports and penetrate markets throughout the region.

The potential for greater exports of U.S. consumer-oriented food products to the Philippine HRI sector is high for a wide range of products, including beef, pork, poultry, seafood, processed vegetables, fresh and processed fruits, nuts, dairy products, juices, alcoholic beverages, condiments, and sauces.

While domestically produced items account for about 80 percent of the total food supply, food service companies remain very optimistic about the competitiveness of imported products. Though most imported items cost more than locally-produced ones, U.S. products still remain very popular and have great appeal to Philippine consumers. U.S. products are perceived to have superior quality compared to imports from other countries.

Product Category	Growth 2012-2017 (%)	U.S. Exports to the Philippines from 2012-2017 (in USD, Millions)
Dairy Products	-23%	242.9
Pork & Pork Products	11%	97.5
Poultry Meat & Prods. (ex. eggs)	3%	91.7
Prepared Food	56%	91.5*

Processed Vegetables	65%	79.3*
Beef & Beef Products	37%	61.5
Snack Foods NESOI	42%	54.1
Fresh Fruit	6%	53.9
Chocolate & Cocoa Products	38%	47.9*
Dog & Cat Food	41%	31.5*
Condiments & Sauces	86%	26.4
Non-Alcoholic Bev. (ex. juices)	25%	16.5
Processed Fruit	22%	14.7
Wine & Beer	75%	13.9*
Fruit & Vegetable Juices	46%	12.2
Meat Products NESOI	65%	9.3
Tree Nuts	36%	7.5
Fresh Vegetables	33%	4.5
Eggs & Products	48%	3.3
Breakfast Cereals	406%	2.9*
Other Consumer Oriented	35%	0.9

Source: BICO Report/U.S. Bureau of the Census Trade Data

*Denotes Highest Export Levels Since at Least CY1970.

IV. Best Product Prospects

Trends in Imports from the United States of Consumer-Orientated Foods

Based on industry interviews, roughly 25 percent of all food and beverage imports flow through the HRI sector. With most analysts projecting sustained growth in the Philippine economy and the HRI sector, Post anticipates continued growth in food and beverage import demand through 2018 (and beyond) across a wide spectrum of products, with some of the fastest growth potential in convenience, gourmet, and “healthy, natural, and organic” categories.

Products in the market that have good sales potential

- Processed products: health food, mainstream grocery, snack foods etc.
- Dried and Processed Fruit: Cranberries, raisins, prunes, wild berries
- Nuts: Almonds, peanuts, pecans, pistachios, walnuts
- Fish and Seafood: Cod, pollack, salmon, scallops and other fish products
- Fresh Fruit and Vegetables: Apples, grapefruit, pears, potatoes, table grapes
- Meat: Special cuts of beef and pork products
- Drinks: Craft beer, spirits, wine
- Food Ingredients

V. Further Information & Assistance

A-FAS in Manila is ready to help exporters of U.S. food and beverage 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

Email: AgManila@fas.a.gov

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