

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Philippines

Retail Foods

2018 Retail Foods Sectoral Report

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Report Highlights:

The continuous expansion of food retail industry in the Philippines creates robust opportunities for U.S. exporters of U.S. high-value, consumer-oriented food and beverage products. Due to increased consumer spending backed by sustained-strong economy, the food retail sector reached six percent growth with \$46.3billion sales in 2017.

Post:
Manila

Author Defined:
Market Fact Sheet: Philippines

Quick Facts CY 2017	
<u>Imports of Consumer-Oriented Products</u> US\$964.3 million	
<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\$15.9Million
Food Retail Sales	US\$46.31Billion
<u>Top 5 Food Retailers</u>	<u>Top 5 Convenience Stores</u>
1) Supervalu Inc. (SM)	6) 7-Eleven
2) Puregold Price Club	7) Mercury Drug Corp.
3) Robinsons Supermarket	8) Ministop
4) Rustan Supercenters Inc.	9) Alfamart
5) Metro Supermarket	10) All Day Convenience Store
<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	
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)	
Executive Summary: Sources: GATS, GTIS, Company websites, and CIA World Fact Book	

The Philippines is one of the fastest-growing economies in Asia. With increasing urbanization, a growing middle class, and a large, 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.

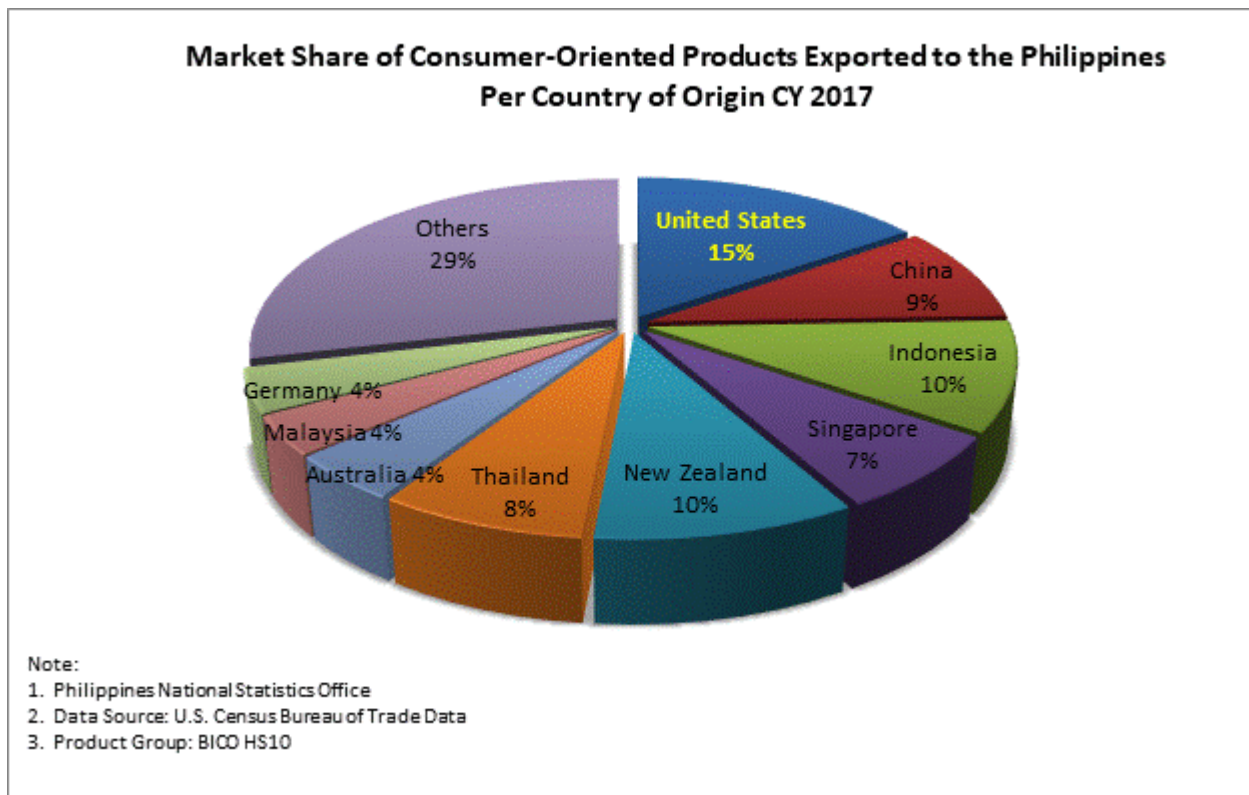
Imports of Consumer-Oriented Products:

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

Food Retail Sector:

The Philippines’ traditional food retailer “sari-sari” stores (a.k.a. “mom & pop” stores) still dominate the food retail market, which accounts for 58 percent of the market. Despite aggressive expansion of modern food retailers in the Philippines, the retail market is still far from saturated. Markets in the provinces remain both a challenge and a lucrative opportunity for modern food retailing companies.

2017 was a good year for food retailers in the Philippines as key players increased store numbers and expanded locations. Sales in food retail posted an increase of six percent in 2017 with \$46.31 billion in value.



SWOT

Strength	Weakness
The Philippines is a consumption-driven economy with strong preference and demand in U.S. food,	Philippine consumers are highly price sensitive

beverage, and ingredient products	
Opportunity	Threat
Continuous growing middle-class means more disposable income spent on	U.S. exporters face competition from tariff-free products from countries including New Zealand, China and Australia.

I. Market Summary

The Philippines' robust economic performance boosted the growth of the food retail market. Population growth, rising incomes, increasing numbers of dual-income families, fast changing lifestyles, and higher awareness of food quality and safety have all contributed to the continuing growth of the food retail sector.

Modern food retail markets such as supermarkets, hypermarkets, and convenience stores (including minimarts) have become more essential especially to those living in urban areas as customers demand convenience and flexibility. These modern markets are growing both in urban and rural areas, close to residential and commercial communities. Modern retail markets are usually cleaner, more comfortable, spacious, and well-maintained. Moreover, supermarkets offer a wider range of choices including both perishable and non-perishable goods. Wet markets retain an advantage in fresh products, including meat and seafood, but especially fresh fruits and vegetables.

Trends in the Food Retail Market

Grocery retailers, particularly smaller formats such as convenience stores, continue to drive overall growth in retailing. The shift towards urban lifestyles has expanded the demand for convenience stores, especially those with 24-hour service. To address this increasing demand, a number of new players (i.e. Alfamart, All Day, and Shopwise Express) have entered the convenience store market.

However, sari-sari stores still dominate the retail space in smaller towns and communities. Sari-sari stores are available in every neighborhood and are preferred for convenience despite their decline in urban areas.

Types of Channels by Definition

Type	Definition
Supermarket	A selling area of between 400 square meters and 2,500 square meters, at least 70% of which is devoted to food and everyday goods. Mostly located inside shopping malls, department stores or within a commercial complex.
Hyper Markets/ Warehouse Stores	A hybrid of a department store and supermarket with a sales area of at least 2,500 square meters, 35% of which is allocated for non-food products. Non-food items offered include: furniture, appliances, clothes, etc.
'Mini-marts' (new category)	A new retail format in-between the convenience store and the supermarket. It is a type of neighborhood grocery store that offers basic goods, fresh meat, poultry, and vegetables, as well as food-to-go products.
Convenience stores (including gas marts)	A store with sales area of 150- 300 square meters and operates for longer hours (usually on a 24 hr. basis) that serve for impulse purchases. Mostly found in a condominium building, beside gasoline stations, near intersections or corner streets or near a BPO office. Offers ready-to-eat meals and have limited line of f&b and non-food/household items.

Sari-Sari Stores (Mom and Pop)	Small neighborhood stores owned and managed by a household in the community, selling a variety of essential items such as rice, cooking oil, sugar, etc. Much smaller than convenience stores, they are usually built within or beside operator/owner's own house.
Wet Markets	Usually sell "fresh" meat, fish, vegetables, fruits, and other domestically-produced items. Mostly local products but offer some imported items, especially fresh fruits.

Trends in Services Offered by Food Retailers

Retailers are now responding to the demands of busy consumers. Some supermarkets offer food-to-go counters and salad bars, while others integrate a pharmacy inside their store, making it a one-stop shop.

Some convenience stores have incorporated fast-food services where customers can enjoy the convenience of eating freshly prepared food in the store's dine-in area. This was introduced by Robinson's Retail Group when they opened Mini-Stop. Now, 7-Eleven, Family Mart, and Lawson provide dine-in facilities as part of their services.

Online retailing of grocery is still unpopular in the Philippines. While some consumers have started to explore online alternatives due to lack of time and poor traffic conditions, especially in Manila, the majority of consumers still prefer doing their own grocery shopping at physical stores to ensure the quality and affordability of the products they purchase.

The Philippines has a strong preference for U.S. brands and is always looking for new American products to taste and enjoy. As incomes grow, more American brands will be marketable. 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

Advantages (Sector Strengths)	Challenges
The Philippines is a mature and growing market for U.S. food, beverage and ingredient products with export sales of \$964.3 million in 2017.	Stiff competition with other countries including New Zealand, China, and Australia.
Filipinos have a strong preference for U.S. food, beverage and ingredients products.	U.S. products are not always price-competitive compared to other countries especially ASEAN.
Philippine consumers perceive U.S. brands to be safe and of high quality.	Delivery/availability of products require large inventories.
Proliferation of malls encourages further expansion of food retail establishments leading to more demand of imported food	Food retailers demand high slotting fees and year-round marketing support placing a big burden on new-to-market exporters.

items.	
Opening of modern retail markets provides customers with more alternatives of local and imported products.	Local markets prefer smaller retail packs due to affordability.
Modern retail markets are expanding allowing more Philippine consumers to have access to new imported products.	Availability of most imported products are concentrated in Metro Manila and major key cities only.
Growing middle class means more disposable income spent on high-value products	Value-for-money remains the most significant influence of Filipino's purchase decisions.
Demand for healthy and gourmet food is increasing.	Gourmet and healthy foods are more expensive.
Fast pace of modern living leads to more demand of convenience foods.	Food and beverage products at convenience stores are sold at a premium price, 10-20% higher than those sold in the supermarkets

II. Road Map for Market Entry

A. Entry Strategy

1. Supermarkets, Hypermarkets and Warehouse Stores

U.S. exporters who wish to supply food products to local food retailers may prefer to have an exclusive importer/distributor or engage the services of a trading firm in order to enter the market, instead of putting up a local office in the Philippines. These importers or trading firms usually have their own distributors and sometimes act as distributors themselves. This strategy eliminates the inconvenience of having to register a local company and hire personnel. Importer/Distributors are also typically well-versed on local customs and import paperwork issues, freeing the exporter from having to deal with these issues. Large retail stores usually have many suppliers which include local manufacturing companies or their distributors, trading firms, or importer/distributors. There are, however, retailers who direct import some products themselves, although sourcing from importers/distributors is the most common and preferred practice in the industry. These retailers normally have a central receiving, warehousing and distribution center.

2. Convenience Stores

Convenience stores in the Philippines are usually a chain of stores operated by one parent company. Exporters who would like to supply to convenience stores are advised to appoint an importer/distributor. Importers/distributors who distribute to big retail stores also distribute to convenience stores or gas marts. However, products for distribution in convenience stores and gas marts are basic necessities to consumers; otherwise, fast turnover of the product is not guaranteed. Distributors must contact the head offices of the convenience stores and offer to be a supplier. These distributors may be distributors of Importers/Distributors or distributors of big manufacturing firms.

3. Traditional Retail Markets (i.e. Mom & Pop and Wet Markets)

Exporters have difficulty entering the "Mom & Pop" (also called sari-sari) stores since these markets mainly concentrate on selling small packaged food items and essential household items on low margins. "Mom & Pop" stores usually source their products from Supermarkets, Hypermarkets, or Warehouse Stores. Distributors of local food manufacturers also supply to "Mom and Pop" stores.

Similar with the "mom and pop stores", wet markets are challenging for exporters since most imported products available in wet markets only include fresh fruits such as apples, table grapes,

and oranges that are sourced from local wholesalers and distributors. Limited varieties of imported canned fruits and vegetables are occasionally available, as during Christmas and Chinese New Year. Retailers in wet markets occupy stalls that average to 4-6 square meters. Wet markets are not expected to become a significant retailer of imported food, other than fresh fruits and vegetables. Traditionally, wet markets are the main source of fresh produce and meat.

B. 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.usda.gov, under “Data and Analysis” (<https://gain.fas.usda.gov/Lists/Advanced%20Search/AllItems.aspx>).

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

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 have small shows compared with other Southeast Asian countries, we strongly suggest that an aspiring supplier must 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 http://www.foodanddrinksasia.com.ph	Specialty food, delicatessen, confectionery, beverages, beers, wines & spirits	Manila
Asia Food Expo September 11-14, 2019 http://www.afex.com.ph/	Food processing, packaging and handling machinery, equipment and technology	Manila

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 USDA/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.usda.gov/state-regional-trade-groups>

C. Market Structure

The Philippines' food retail market in 2017 was valued at \$46.31 billion, a six percent increase from 2016. Filipino households spend more than half of their expenditure on essentials including food. Expenditures for food and non-alcoholic beverages comprised of 38.7 percent of the total household final consumption expenditure, which posted a 5.6 percent growth in 2017, which is a contributing factor to 2017 food retail business growth.

Most modern food retailers are located in Metro Manila and key cities where most of the middle-income earners reside. There are more than 50,000 modern food retailers in the Philippines.

Key Food Retailers in the Philippines (as of 2017)

Store Name / Company	No. of Outlets	Locations	Website
Supervalu Inc. (SM) (Hypermarkets, Supermarkets & Convenience stores)	645	Nationwide	https://smmarkets.ph
Puregold (Warehouse, Hypermarkets, Supermarkets & Convenience/Neighborhood stores)	289	Nationwide	https://www.puregold.com.ph
Robinsons Supermarket (Supermarket, Express and Convenience stores)	555	Nationwide	www.robinsonssupermarket.com.ph
Rustans Supermarket (Supermarket, Express and Neighborhood stores)	70	Nationwide	https://rustansfresh.com
Phil. Seven Corp (7-Eleven)	2,387	Nationwide	www.7-eleven.com.ph
Mercury Drug Corporation	1,100	Nationwide	https://www.mercurydrug.com

Three supermarket chains dominate the Philippines' food retailing, accounting for 20 percent of the market. Supervalu (SM) is the market leader followed by PureGold and Robinsons. Other Supermarket chains include Rustans, Metro Retail, Super8, WalterMart, AllDay Supermarket, and the newest player Landers Superstore.

Slow Growth of Online Grocery Retailing:

Online grocery retailing in the Philippines is emerging, but is still at a very early stage. Some retailers are testing customers' response by establishing online grocery websites, such as Waltermart Supermarket and Unitop Supermarket. Some are partnering with established platforms, such as the online and delivery service Honestbee, launched in Metro Manila in 2016. These services offer both products and convenience to customers. However, they have not disrupted supermarkets as retailers have observed that online grocery retailing is only occasionally a preferred choice. On a daily basis grocery shopping in stores is still preferred. Therefore, online grocery retailing is not expected to become significant in the near future. Retailers with grocery services have reported shares of less than 1% of their total sales come from online sales.

Launch of Smaller Supermarkets:

As convenience stores proved to be successful in recent years, supermarket chains began exploring smaller supermarket formats. SM Retail's Save More Supermarket is the fastest growing of its retail brands. Save More is bigger than an average convenience store. The advantage is that it targets locations outside shopping centers, closer to communities. SM Retail is putting more focus on expanding this format, as its SM Supermarket chain is dependent on the opening of SM shopping centers. Shopwise has also developed a small format supermarket, Shopwise Express. Its

first stores opened in 2017 serving as neighborhood supermarkets.

Outlet Improvements to Attract Customers:

Supermarkets have high growth potential, as Filipinos have rising purchasing power. The Philippine market has seen the entry of new players and major overhauls from existing ones. All Value Holdings plans to open more AllDay Supermarket outlets. This brand aims to stand out with its better store design and layout, guaranteed fresh products, organic section, and a unique “paluto” section, where customers can have the food items purchased prepared and cooked for them while they complete their shopping. Some old supermarkets that have been around for over 50 years have started renovating their stores to adapt to customers’ changing behavior and lifestyles.

III. Competition

The United States is the largest supplier at sixteen percent (16%) market share, followed by Indonesia (11%), China and New Zealand (9%), Thailand and Singapore (7%), and Australia (5%). Total imports of consumer-oriented food grew annually by an average of 10-15%.

The potential for greater imports of U.S. consumer-oriented food and beverage products to the Philippine retail sector is high for a wide diversity of products, including beef, pork, poultry, seafood, processed vegetables, fresh and processed fruits, nuts, dairy products, juices, alcoholic beverages, condiments and sauces, processed organic foods, bakery goods, snacks, and confectioneries.

While domestically produced items only account for about 80 percent of the total food supply with the balance being imported, food retailers remain very optimistic with regards to the competitiveness of imported products. Though most of the 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.

IV. Best Product Prospects

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

Product Category	Growth 2012 –2017 (%)	U.S. Exports to the Philippines
Dairy Products	11%	2.43
Pork & Pork Products	-23%	97.50
Prepared Food	11%	91.58*
Poultry Meat & Prods. (ex. eggs)	56%	91.41
Processed Vegetables	2%	79.31*
Beef & Beef Products	65%	61.14
Snack Foods NESOI	36%	54.24
Fresh Fruit	42%	53.88
Chocolate & Cocoa Products	6%	47.86*
Dog & Cat Food	38%	31.50*
Condiments & Sauces	41%	26.43
Non-Alcoholic Bev. (ex. juices)	86%	16.48
Processed Fruit	25%	14.69
Wine & Beer	22%	14.37*
Fruit & Vegetable Juices	80%	12.23
Meat Products NESOI	47%	9.25
Tree Nuts	65%	7.50
Fresh Vegetables	37%	4.50
Eggs & Products	33%	3.25
Breakfast Cereals	48%	2.94*
Other Consumer Oriented	406%	1.00

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 & 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

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

*Denotes Highest Export Levels Since at Least CY1970.

V. Further Information & Assistance

USDA-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
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