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## **Report Name:** Exporter Guide

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### **Report Highlights:**

The Philippines is the ninth largest export market for U.S. agricultural products and its largest market for consumer-oriented products in Southeast Asia. Meanwhile, the United States maintains strong market share within the Philippines, second only to ASEAN. Top U.S. exports include soybean meal, wheat, dairy products, prepared food, and processed vegetables. Despite COVID-19 disruptions to trade flows, business operations, and consumer welfare, U.S. agricultural exports to the Philippines are up 12 percent through September 2020, while FAS Manila forecasts year-end sales will reach a record \$3.1 billion, topping 2019 by seven percent. High-value, consumer-oriented food and beverage products with the best prospects for future export growth include fresh fruits and vegetables, poultry, prepared food, processed fruit and vegetables, and red meat.

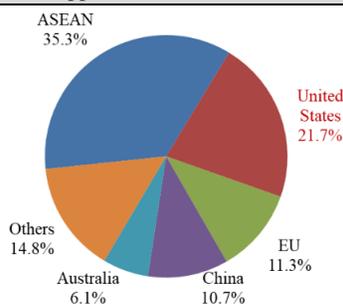
# Market Fact Sheet: Philippines

## Executive Summary

The Philippines is an emerging market with a service-based economy backed by what economists describe as being in a demographic sweet spot and was set to become an upper-middle economy prior to the COVID-19 outbreak. With a population of 109 million in a combined landmass the size of Arizona, opportunities for imported food and beverage products remain significant and continue to offer strong potential for growth into the future.

## Agricultural Exports to the Philippines, 2019

In 2019, global exports of agricultural products to the Philippines amounted to \$13.3 billion, down less than one percent year-over-year. The top suppliers were ASEAN (35.3%), United States (21.7%), and EU (11.3%) with traders reporting strong preference for U.S. products despite not having a free trade agreement to compete against regional suppliers. While U.S. agricultural exports amounted to \$2.9 billion, down two percent from 2018, the Philippines grew to become the 9<sup>th</sup> largest U.S. export market.



## Food Processing Sector

The Philippines food processing sector's gross value-added output is on track to reach \$38 billion in 2020, up five percent from the previous year. Roughly 90 percent of the country's processed food products are consumed domestically. Food processors are reporting brisk sales in household staples, such as baked goods and premixes, canned goods, cooking oils, frozen prepared foods, fruit juices, and snack foods amidst the COVID-19 pandemic.

## Food Service Sector

The Philippine food service sector was set to grow eight-plus percent in 2020 to \$16 billion. Dining out was an important aspect of Filipino family bonding and celebrations, but since the start of the COVID-19 outbreak, consumers have shifted towards cooking food at home reducing the sector's prospects to less than \$7 billion.

## Food Retail Sector

Sales of the Philippine food retail sector are set to reach \$60 billion in 2020, up 20 percent from the previous year with modern retail accounting for half the total. Retailers with strong digital presence are likely to fare better in 2020 as consumers lean towards e-commerce.

## Philippines (PH): Quick Facts

### Population Highlights

- Population: 109 M (July 2020 est.), 1.6% annual growth
- Urban population: 2% annual growth, set to overtake rural population in 2028 (currently 47% urbanized)
- 96% literacy rate; 76% speak English

### Gross Domestic Product

2019 Nominal GDP: \$357 B; \$3,104 per capita  
 '19 Growth: 6% / '20 Growth: -6% / '21 Growth: 6.5%–7.5%

### 2019 Ag & Related Trade

PH Exports: \$6.9 B

Exports to PH: \$15.1 B

### 2019 Cons-Oriented Ag Prod Exp to PH: \$6.8 B

- Beef
- Pork
- Poultry
- Apples
- Coffee
- Food preparations
- Dairy products
- Confectionary
- Frozen potatoes
- Sauces, condiments & seasoning

### Top Food Service Chains

- Jollibee
- KFC
- 7-Eleven
- Chooks-to-Go
- Goldilock's
- McDonald's
- Max's Group
- Starbucks
- Shakey's
- Dunkin'

Strengths	Weaknesses
Consumers are familiar with U.S. brands and regard U.S. foods and beverages as safe, reliable, and of good quality.	The high cost of shipping from the United States to Manila or Cebu compared to regional competitors.
Opportunities	Challenges
Twenty percent of the population (22 million people) have sufficient income to purchase imported food and beverage products regularly and are open to new products.	U.S. competitors often benefit from preferential tariffs, with regional integration deepening via the Regional Comprehensive Economic Partnership.

Sources: [Asian Development Bank](#), [Euromonitor](#), [Global Agricultural Trade System](#), [International Monetary Fund](#), [Philippine Statistics Authority](#), [The World Factbook](#), [Trade Data Monitor](#), FAS Manila research

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## I. Market Overview

The Philippines is the twelfth most populated nation in the world with an estimated 109 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 125 million by 2030.

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.

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 twenty percent of the population (roughly 22 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.

In 2019, the Philippines ranked third fastest growing economy in Asia trailing Vietnam and China. The country’s GDP growth rate averaged 3.7 percent from 1982 to 2020, reaching an all-time high of 12 percent in the fourth quarter of 1988 and a low of -16 percent in the second quarter of 2020, as the Philippines joined the rest of the world in plunging into recession. Economic managers forecast full-year GDP will shrink six percent amid damp consumer confidence and private investments, while expecting a base rebound of 6.5 to 7.5 percent by 2021 and in 2022 with the reopening of the industry and services sectors, the enactment of economic reform measures, and strong infrastructure spending. Significant infrastructure challenges still persist in the Philippines including high power costs (still the second highest in Asia), inadequate post-harvest facilities, and inefficient distribution systems.

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<sup>1</sup> CIA The World Factbook, July 2020 estimates accessed on November 6, 2020, <https://www.cia.gov/library/publications/the-world-factbook/fields/335rank.html>

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

<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

<p style="text-align: center;"><b>Advantages</b></p> <p style="text-align: center;">(U.S. supplier strengths and Philippines market opportunities)</p>	<p style="text-align: center;"><b>Challenges</b></p> <p style="text-align: center;">(U.S. supplier weaknesses and competitive threats)</p>
<p>Outside of COVID, the economy had and is expected to resume growing faster than agricultural productivity, which in turn, will sustain increasing demand for imported foods and beverages. The Philippines' import dependency ratio<sup>5</sup> grew from 22.51% in 2016 to 29.16% in 2018.</p>	<p>Fifty-three percent of the population<sup>6</sup> (58 million people) still live in rural areas with very limited access to imported food and beverage products.</p>
<p>Modern supermarket chains and quick service restaurant (QSR) franchises are expected to resume expansion in key provincial cities and bring increased access to imported foods and beverages while food and beverage sales have begun to enter e-commerce sales channels.</p>	<p>The market is fragmented; only a few importers are able to distribute nationwide. Inter-island shipping is expensive and cold-chain can be limited.</p>
<p>Consumers have a strong affinity for U.S. culture, including food and beverage products, they perceive U.S. products to be safe and of high quality, and there is a growing demand for “healthy,” organic, gourmet, and convenience foods.</p>	<p>Traditional establishments continue to dominate the majority of retail and food service sales with only limited opportunities for imported food and beverages within them.</p>
<p>Real steps being taken to improve the regulatory environment, including through the Ease of Doing Business Act.</p>	<p>Protectionist measures continue to persist for sensitive agricultural products, including corn, meat, and poultry, where both tariffs and non-tariff barriers are used to restrict import volumes. Such measures continue to encourage smuggling displace legitimate sales.</p>
<p>The peso is strengthening vs. the U.S. dollar while the Philippines generally maintains low applied MFN tariffs, often close to the preferential rates offered to U.S. competitors.</p>	<p>Regional competitors have preferential access to the Philippine market, including ASEAN, China, New Zealand, and Australia, while RCEP will further deepen these commercial business opportunities.</p>

<sup>5</sup> [PSA Food Balance Sheets, 2016-2018](#)

<sup>6</sup> CIA World Factbook (July 2018 estimate).

## 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.
- 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.
- 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.
- Supermarkets demand a one-time slotting fee (\$100–\$120 for each SKU or stock keeping unit) on a per store basis and year-round marketing support (\$1,000–\$2,000 per annum). E-grocery platforms, whether independent or owned by a supermarket, likewise charge fees, typically a combination of annual participation fees (about \$1,000–\$1,500) and sales commissions (ranging from 10 to 35 percent). U.S. exporters are often asked to subsidize the various fees mentioned.
- Philippine importers and distributors need to improve their social media engagement to maximize reach, especially given the rise of e-commerce post COVID-19.
- Filipino consumers generally prefer smaller packaging sizes.
- September-December is peak consumption season as well as often coincides with heavy port congestion.

## Trade Shows

U.S. exporters are advised to participate in major trade shows in the Philippines. To date, however, the Philippines has not replaced trade shows cancelled by COVID with virtual alternatives.

<b>Trade Shows in the Philippines</b>	<b>Description</b>
<b>WORLDBEX</b> March 17–21, 2021, Manila <a href="http://www.worldbex.com">http://www.worldbex.com</a>	Trade and consumer show for food & beverage products
<b>IFEX Philippines - NXTFOOD ASIA</b> May 2021 TBC, Manila <a href="http://www.ifexphilippines.com/en/">http://www.ifexphilippines.com/en/</a>	Trade show for natural, organic, healthy, ethnic, and specialty food & beverage products
<b>World Food Expo</b> August 2021 TBC, Manila <a href="http://www.wofex.com/">http://www.wofex.com/</a>	Trade and consumer show for food & beverage products and food processing equipment
<b>Food and Drinks Asia</b> September 2021 TBC, Manila <a href="http://www.foodanddrinksasia.com.ph">http://www.foodanddrinksasia.com.ph</a>	Trade and consumer show for specialty foods, delicatessen, confectionery, beverages, beers, wines, and spirits
<b>Asia Food Expo</b> September 2021 TBC, Manila <a href="http://www.afex.com.ph/">http://www.afex.com.ph/</a>	Trade and consumer show for food & beverage products, food processing equipment and technology, and food packaging

Below is a list of regional trade shows that are frequented by Philippine importers:

<b>Trade Shows in the Region</b>	<b>Description</b>
<b>FHA Food &amp; Beverage and ProWine Asia</b> March 2021 TBC, Singapore <a href="https://www.foodnhotelasia.com/">https://www.foodnhotelasia.com/</a>	Trade show for food & beverage products, food ingredients, wines, and spirits
<b>FHA HoReCa</b> March 10–13, 2022, Singapore <a href="https://www.foodnhotelasia.com/">https://www.foodnhotelasia.com/</a>	Trade show focused on products for hotels, restaurants, and cafés including bakery items, ice cream, coffee, and tea
<b>Foodex Japan</b> March 9–12, 2021, Japan <a href="https://www.jma.or.jp/foodex/en/">https://www.jma.or.jp/foodex/en/</a>	Trade show for food & beverage products
<b>HOFEX</b> May 12–14, 2021, Hong Kong <a href="https://hofex.com/en/">https://hofex.com/en/</a>	Trade show for food & beverage products
<b>Thaifex-Anuga Asia</b> May 25–29, 2021, Thailand <a href="https://thaifex-anuga.com/en/">https://thaifex-anuga.com/en/</a>	Trade show for food & beverage products
<b>Asia Fruit Logistica</b> November 2021 TBC <a href="https://www.asiafruitlogistica.com/">https://www.asiafruitlogistica.com/</a>	Trade show for fruit and vegetables

### III. Food Import Standards & Regulations

For guidance on customs clearance, required documents, labeling requirements, etc., please consult the most recent FAIRS report. The reports can be accessed through the following links:

- 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. In November 2020, the Philippines further signed the Regional Comprehensive Economic Partnership (RCEP). 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

The most significant and lasting market trend taking shape is Filipinos long-last embrace of online stores and delivery platforms, specifically in reaction to the COVID-19 pandemic. Based on interviews with the key players handling imported foods and beverages, 25-30 percent of their shoppers have shifted to online platforms. Post-pandemic, this trend is expected to continue to grow as user interfaces and distribution systems improve.

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 Philippines' food processing sector's gross value-added output is on track to increase five percent in 2020 to \$38 billion as food processors report brisk sales in household staples, such as baked goods and premixes, canned goods, cooking oils, frozen prepared foods, fruit juices, and snack foods amidst the COVID-19 community quarantine measures. 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. As quality and efficiency continue to improve, Philippine processors may also be in a position to export more products within the region to allow U.S. ingredient sales to grow in tandem.

### Food Retail Sector

FAS Manila forecasts food retail sales in 2020 will reach \$60 billion, up 20 percent from the previous year. Since the start of the COVID-19 outbreak, consumers have been increasingly cooking food at home, driving a surge in purchases of local and imported food and beverage grocery products. This unprecedented shift from food service to food retail has created opportunities for more U.S. food and beverage grocery products to enter the market. Meanwhile, 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>7</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>8</sup> tiny neighborhood sundry stores known as *sari-sari* stores across the country, or one store for every 20 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 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

While the Philippine food service sector was set to grow eight-plus percent in 2020 to \$16 billion, COVID-19 related measures have reduced prospects to less than \$7 billion. Food establishments that have attempted to re-open have been forced to adapt to changes in regulatory requirements and consumer preferences, while importers and food service providers have been forced to create new sales channels to offset lost sales. Industry analysts say it will take at least six months for the Philippine dine-in scene to bounce back once the COVID-19 outbreak tapers. In the meantime, the establishments that have remained in business are enrolling in food delivery platforms such as FoodPanda and GrabFood, adapting to other consumer preferences, including curbside pick-up and cashless payment platforms such as GCash and PayMaya. The food service sector is also continuing to explore niche markets and trends, including higher demand for plant-based food, which should it grab hold, open similarly increasing opportunities in retail and food processing.

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<sup>7</sup> Philippine Statistics Authority. Philippine Standard Geographic Codes as of March 2019.

<sup>8</sup> Philippine Association of Stores and Carinderia Owners' estimate.

## V. Agricultural and Food Imports

Despite the disruptions to trade due to the COVID-19 outbreak, total agricultural exports to the Philippines are on track to reach \$13.5 billion, up two percent from 2019. FAS Manila estimates sales of U.S. agricultural products to the Philippines by year-end will reach a record \$3.1 billion, up already 12 percent through September 2020. Top U.S. exports are wheat, soybean meal, and milk powder. Meanwhile, China's continues to gain market share while presenting notable competition for high-value products, including apples, table grapes, potatoes, citrus, and food preparations. Agricultural exports from the EU and ASEAN are steady to slightly down with Australia more so. Trade data of U.S. agricultural and related products is available at <https://apps.fas.usda.gov/gats/default.aspx>.

Through 2019, the Philippines was the 10<sup>th</sup> largest market in the world and the top market in Southeast Asia for U.S. high-value, consumer-oriented food and beverage products with export sales set to reach a record \$1.15 billion in 2020, up five percent year-over-year. While the months leading into the holiday season, typically the peak consumption period, are expected to be significantly more subdued than past years, traders report brisk sales and strong preference for U.S. products. Below are the top high-value, consumer-oriented food and beverage products with best prospects for future export growth.

<b>Top Products</b>	
<b>From the World</b>	<b>From the United States</b>
Chocolates and other baking products	Baking pre-mixes
Coffee and creamer	Cheese and other dairy products
Condiments, sauces, and seasonings	Dried fruits and nuts
Garlic	Frozen meat and poultry products
Frozen meat and poultry products	Frozen fruits
Frozen seafood products	Frozen potatoes and other vegetables
Processed fruit and vegetable juices	Sauces and condiments, incl. tomato
Milk and cream	Wines

<b>Products with Good Sales Potential</b>	
Baking ingredients and premixes	Fresh fruit and vegetables: apples, blueberries, grapefruit, pears, potatoes, strawberries, table grapes
Beverages: fruit and vegetable juices, craft beer, spirits, and wines	Frozen fruits and vegetables
Oils, condiments, and sauces	Frozen meat and poultry: prime cuts, utility grade, offal, processed products
Dairy: gourmet cheese products, yoghurt	Frozen seafood: Crab, salmon, scallops, shrimps, tuna, and other seafood products
Dried and processed fruits: cranberries, raisins, prunes, wild berries	Nuts: Almonds, peanuts, pecans, pistachios, walnuts
Flavors and syrups	Processed products: baked goods, canned seafood, plant-based foods, prepared foods

## **V. Further Information and Assistance**

For further information or assistance, please consult FAS Manila's other reports via the [Global Agricultural Information Network \(GAIN\)](#). For guidance on import requirements and procedures required documents, please refer to Section II of the Exporter Guide and the Food and Agricultural Import Regulations and Standards (FAIRS) report. US exporters can also contact us at [AgManila@usda.gov](mailto:AgManila@usda.gov).

Through the Market Access Program (MAP), USDA-FAS partners with U.S. agricultural trade associations, cooperatives, regional associations and trade groups, and small businesses to share the costs of overseas marketing and promotional activities that help build commercial export markets for U.S. agricultural products and commodities. For more information and to access a directory of program participants, please visit: <https://www.fas.usda.gov/programs/market-access-program-map>. U.S. exporters are advised to contact their respective [Regional Associations & Trade Groups](#) to obtain support and participate in virtual business-to-business activities.

For additional information on the country's political and economic environment, please also see [Philippines: Country Commercial Guide](#).

### **Attachments:**

No Attachments