Exporter Guide

FOOD & BEVERAGE IN THE PHILIPPINES

Market Profile
January 2012

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1 MARKET STRUCTURE

1.1 Market Overview

The Philippines is New Zealand's 7th largest food and beverage export destination, with exports totalling US$436 million in 2010.[i] Food accounts for nearly half of an average Filipino family's expenses and Filipino consumers generally eat five times a day.

The economy in the Philippines has recovered from the 2009 recession due to government stimulus packages and a renewed trust in the government. In the fourth quarter of 2010, personal consumption expenditure (PCE), the primary driver of the Philippines economy, jumped to 7 percent. This was the highest since the 8.4 percent growth recorded in the third quarter of 1988.[ii] The country's GDP grew by 4.5 percent in 2011, which resulted in a per capita income of US$2,012.[iii]

1.1.1 Market by product category

Packaged food[iv]

In 2011, packaged food sales totalled US$9.1 billion. Dairy products reported the highest market share of 17 percent, followed by bakery (14 percent), oils and fats (11 percent), sweet and savoury snacks (8 percent) and dried processed food (8 percent).

During the period 2006-2011, the highest compound annual growth rate (CAGR) was in frozen processed food (10 percent), followed by meal solutions (7 percent), canned / preserved food (7 percent) and chilled processed food (7 percent).

Impulse and indulgence products are to witness 5 percent current value sales growth in 2011. During the period 2006-2011, the highest CAGR in impulse and indulgence products was reported in biscuits (over 5 percent), followed by sweet and savoury snacks (5 percent) and confectionary (2 percent). While all impulse and indulgence products showed a positive growth, snack bars fell by a CAGR of 1 percent during the same period.

Supermarkets and hypermarkets dominate the distribution of packaged food, accounting for 48 percent of packaged food sales, followed by other grocery retailers (35 percent), and small grocery retailers (13 percent).

The Philippines: Packaged food sales in USD million						
Categories	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Packaged Food	**5,804**	**7,078**	**7,980**	**7,824**	**8,783**	**9,091**
Dairy	970	1,172	1,293	1,268	1,487	1,563
Bakery	811	986	1,109	1,082	1,203	1,233
Oils and Fats	599	729	835	829	928	966
Sweet and Savoury Snacks	480	586	668	669	739	766
Dried Processed Food	464	559	632	624	708	746
Baby Food	461	574	667	639	702	713
Confectionery	494	601	660	631	688	696
Canned / Preserved Food	397	492	566	564	639	670
Frozen Processed Food	370	454	518	513	575	594
Sauces, Dressings and Condiments	316	381	430	423	471	485
Noodles	312	377	417	405	456	477
Chilled Processed Food	224	282	311	301	334	344
Ice Cream	135	161	178	172	190	193
Pasta	76	92	112	121	144	158
Spreads	61	74	82	77	83	82
Ready Meals*	39	49	55	54	61	64
Meal Replacement**	20	27	32	32	37	39
Soup	18	22	25	26	29	31
Snack Bars	0	0	0	0	0	0

*Source: Euromonitor International (NB: year on year exchange rates; * individually packaged meals; ** aggregation of slimming products and convalescence products; sum of sectors not equal total packaged food because of double counting e.g. canned soup is included in soups and canned foods)*

Wine[v]

The wine industry in the Philippines is still in its infancy, in comparison to other alcoholic drinks such as beer and spirits. In 2011, wine sales in the Philippines totalled US$107 million, or 9 million litres. In value terms, still light grape wine dominates the market, with a 94 percent market share, followed by sparkling wine (5 percent). Retail wine sales contributed over 51 percent of total wine sales in 2011.

During the period 2005-2010, wine volume sales grew at a CAGR of 8.3 percent, reaching almost 13 million litres in 2010, and value sales by a CAGR of 11.4 percent. The highest growth was in still light grape wines, with a CAGR of 9 percent in volume terms and over 12 percent CAGR in value terms. Red still wines in particular, saw a boost in consumption as companies took advantage of the perceived health benefits of red wines. Volume sales of fortified wines and vermouth grew by a CAGR of 6 percent, followed by sparkling wines (5 percent). Value sales of sparkling wines grew by a CAGR of over 8 percent, followed by fortified wines and vermouth (8 percent).

Wine Volume Sales in litres million						
	2006	**2007**	**2008**	**2009**	**2010**	**2011**
Wine (Total)	6.1	6.6	7.1	7.6	8.2	8.8
Still Light Grape Wine	5.9	6.4	6.9	7.4	8.0	8.6
Sparkling Wine	0.2	0.2	0.2	0.2	0.2	0.2
Fortified Wine and Vermouth	0.0	0.0	0.0	0.0	0.0	0.0
Non-Grape Wine	-	-	-	-	-	-

Source: Euromonitor International

Wine Value Sales in USD million						
	2006	**2007**	**2008**	**2009**	**2010**	**2011**
Wine (Total)	56.6	70.1	80.0	82.8	97.4	106.6
Still Light Grape Wine	52.9	65.6	75.0	77.8	91.8	100.7
Sparkling Wine	3.5	4.2	4.7	4.6	5.2	5.5
Fortified Wine and Vermouth	0.2	0.3	0.3	0.3	0.3	0.4
Non-Grape Wine	-	-	-	-	-	-

Source: Euromonitor International (NB: year on year exchange rates)

1.1.2 Market by distribution channel

Mass grocery retail[vi]

In the Philippines, grocery retail sales totalled US$32 billion in 2010. Other grocery retailers had the largest market share of 67 percent, followed by supermarkets (19 percent), small grocery retailers (6 percent), food / drink / tobacco specialists (5 percent) and hypermarkets (2 percent). Independent small grocers contributed 85 percent of total small grocery retail sales, followed by convenience stores (14 percent) and forecourt retailers (2 percent).

Small independent stores such as sari-sari stores remain the largest grocery channel both in terms of outlet numbers and total sales. In 2010, the Philippines had an estimated 770,000 sari-sari stores, accounting for more than 87 percent of outlets and 71 percent of retailer's geographical proximity to its customers.

Spending on grocery products rose among middle and high income consumers in urban locations. During the period 2005-2010, grocery retail sales grew by 24 percent. Hypermarkets had the highest CAGR of over 30 percent during the same period, followed by supermarkets (7 percent), food / drink / tobacco specialists (5 percent), other grocery retailers (3 percent) and small grocery retailers (2 percent). Hypermarkets are in a stage of rapid growth and the number of outlets increased by 33 percent in 2010.

Value Sales in Grocery Retailing in USD million						
	2006	**2007**	**2008**	**2009**	**2010**	***2011f***
Grocery Retailers (Total)	**27,511**	**28,773**	**29,854**	**30,774**	**31,921**	***32,109***
Other Grocery Retailers	19,495	20,177	20,579	21,198	21,622	*21,514*
Supermarkets	4,587	4,903	5,318	5,515	5,973	*6,181*
Small Grocery Retailers	1,718	1,746	1,789	1,815	1,856	*1,837*
Food/Drink/Tobacco Specialists	1,400	1,495	1,607	1,629	1,707	*1,720*
Hypermarkets	314	454	558	614	764	*857*

Source: Euromonitor International (NB: fixed exchange rate: 46.221; forecasts 2011)

Foodservice[vii]

Foodservice sales totalled US$8.2 billion in 2010. The number of foodservice outlets totalled 79,400, of which 79.5 percent were independent. Delivery and takeaway sales contributed 28 percent of total consumer foodservice value sales.

Stand alone foodservice establishments have 43 percent market share, followed by foodservice in retail locations (41 percent), travel (7 percent), leisure (6 percent) and lodging (4 percent).

Consumer foodservice sales rebounded in 2010 after marginally slowing in 2009 as the Philippines' economy bounced back. During the period 2005-2010, the number of foodservice outlets grew by a 2.7 percent CAGR, reaching 79,400. The number of foodservice transactions grew by a 2.9 percent CAGR, reaching 3.43 billion transactions. Brands which offered lower priced menus and value meals became more attractive as consumers remained wary about their expenditure.

Delivery and takeaway sales grew by 8 percent in 2010. This growth was driven by amusing television advertisements, 24 hour delivery / online ordering service and waived minimum order amounts.

Consumer foodservice market share by type						
	2005	**2006**	**2007**	**2008**	**2009**	**2010**
Total	**100**	**100**	**100**	**100**	**100**	**100**
Independent Consumer Foodservice	65.3	64.7	64.3	63.6	62.7	61.3
Chained Consumer Foodservice	34.7	35.3	35.7	36.4	37.3	38.7
Fast Food	23.7	23.8	24.0	24.7	25.4	26.3
Full-Service Restaurants	28.4	28.0	27.6	27.3	26.7	26.2
Cafés / Bars	26.6	26.1	25.6	25.0	24.2	23.5
Street Stalls / Kiosks	18.8	19.6	20.2	20.3	20.7	20.7
Pizza Consumer Foodservice	4.5	4.5	4.5	4.4	4.5	4.6
100% Home Delivery / Takeaway	2.6	2.6	2.6	2.6	3.0	3.2

Source: Euromonitor International (NB: fixed 2010 exchange rate)

Food Processing Sector

Food manufacturing, including food and beverage processing, remains the Philippines' most dominant primary industry and accounts for 40 percent of total manufacturing output. The industry contributes to 20 percent of GDP.

The industry represents a gross added value of more than US$2 billion and the Philippines Bureau of Food and Drugs' Statistical Report lists approximately 12,000 food processing establishments. Food processing has been identified by the government as the priority sector to attract foreign investment.[viii]

The food processing industry is comprised of fruit and vegetable; fish and marine products; meat and poultry products; flour and bakery products; beverage and confectionery; dairy foods; food condiments and seasonings; food supplements; bottled water; snack foods; and fats and oils.

Most of the companies are owned by a single proprietor and this is common in small industries. There are a few large multi-product firms, some of which operate in partnership or as a subsidiary of foreign or multinational companies. Examples of these include Nestlé, Unilever, Kraft and Monde Nissin.

The Philippines is fast becoming a regional staging area for foreign food manufacturers that are seeking to penetrate the lucrative East and South East Asian markets. The Philippines has been identified for its ability to manufacture high quality products using both domestic and duty-free imported raw materials.[ix]

1.2 Market Drivers

The Philippines' population has been growing by approximately 2 percent annually, currently reaching nearly 100 million.[x] This has had a compounding effect on the demand for food and beverage products. Other factors influencing and shaping the country's demand for food and beverage products include:

- The Filipino's "food-oriented culture" that emphasises frequent snacking.
- The youth oriented food market (i.e. trendy products, attractive packaging and sweetened foods and beverages). Approximately 35 percent of the population is under 15 years old.[ix]
- High workforce participation by women, increasing the demand for convenience food and foodservice sales. The number of dual income households has been increasing, which has driven greater demand for food that is easier to prepare and offers shortcuts to meal preparations.
- Large volume of young workers in the 24-hour business process outsourcing (BPO) and call centre industry, spurring 24 / 7 demand for quick-service restaurants (fast-food), packaged convenience food and alcoholic beverage products.

- The western influence on the food and beverage market. Filipinos have a high regard for western food products such as hamburgers, sausages, pizza, cheese, dairy, ice cream and breakfast cereals.
- Growing food safety concerns and awareness of health benefits. More consumers have higher consumer standards.
- Improved distribution channels resulted in higher household penetration.

1.3 Market Potential

1.3.1 Market by product category

Packaged food[iv]

More Filipinos are expected to move to urban areas due to better work opportunities. This will increase demand for packaged food products that ease meal preparation. During the period 2011-2016, growth is expected in frozen processed food (4.7 percent CAGR), soup (4.7 percent), canned / preserved food (4.5 percent), meal solutions (4 percent) and sauces, dressings and condiments (2.7 percent). Despite the predicted increase in consumption of convenience food, affordability will remain an important factor due to the limited disposable income of most households.

The majority of meal solutions are traditional Filipino dishes. However, there are opportunities for other Asian and Western cuisine as the market slowly evolves due to globalisation. Consumers are becoming more health conscious and grocery retailers are starting to increase the range of their organic products. There are opportunities for healthier packaged food products such as vegetarian, seafood-based, all natural and organic products.

Wine[v]

Wine has been popular among Filipinos living in urban areas (i.e. Metro Manila) but it is expected that the trend will spread to other regions. During the period 2010-2015, volume sales of wine are expected to grow by a CAGR of 8.3 percent and value sales by a CAGR of 7.8 percent. The highest growth is expected in still light grape wine, with a 8.6 percent CAGR in both volume and value terms. In volume terms, sparkling wine is forecast to grow by a 4.4 percent CAGR, followed by fortified wine and vermouth (4 percent). In value terms, sparkling wine is expected to grow by a CAGR of 4.7 percent, followed by fortified wine and vermouth (3.3 percent).

Despite the excise tax increase in 2011, foodservice and retail outlet prices are expected to decline at a marginal rate as companies offer price promotions to remain competitive. However, during the period 2010-2015, supply shortages are a potential threat to growth and these may lead to an increase in prices. Retailers are expected to produce a better volume sale performance with a 9 percent CAGR as wine continue to be given as gifts and consumed more at home. Wine consumption through foodservice is also projected to demonstrate a 8 percent CAGR, due to the increasing number of foodservice establishments offering wine.

1.3.2 Market by distribution channel

Mass grocery retail[vi]

Food retailing in the Philippines is rapidly modernising and expanding. Upscale supermarket chains are attracting customers by opening large and modern stores, which are increasingly replacing the traditional small-scale retail outlets. Sales in independent small grocers and other grocery retailers are expected to decline by a 1.5 percent and 0.3 percent CAGR respectively during the same period. While focused primarily on urban markets in Metro Manila, Cebu and Davao, in recent years the national chains have expanded into smaller regional markets.

The modern chains offer improved cold chain / distribution systems and a wider variety of imported products. The growth in modernised retailing presents new opportunities for New Zealand food and beverage products. The customer base for modern supermarkets is generally more upscale and demanding. Imported products tend to be priced higher than local products as most imported items offer superior quality, variety and reliability. Modern chains have better infrastructure, growth prospects and customer demographic reach and therefore these outlets represent a better platform to promote imported high-value food and beverage products in the Philippines.

Modern convenience stores are also on the rise, led by 7-11, Mini-Stop, Shell Select, and Caltex Star Mart. The range and quality of imported products sold by convenience stores are better than those sold by traditional, small independent 'sari-sari' stores. They also have good potential for growth, particularly in snacks, beverages and microwaveable / ready-to-eat meals.[ix]

During the period 2010-2015, grocery retail sales are expected to grow by 3.7 percent. The highest growth is expected in hypermarkets, with a CAGR of 10 percent, followed by forecourt retailers (6.7 percent), convenience stores (6 percent) and supermarkets (3.2 percent).

Foodservice Sector[vii]

During the period 2010-2015, consumer foodservice constant value sales are expected to grow by a CAGR of 1 percent as the Philippines foodservice market continues to expand.

Upscale restaurants and cafes (known locally as the 'casual dining' market) in Metro Manila present a wide range of opportunities for New Zealand products. Restaurants located in five-star hotels and upscale malls generally use imported ingredients, including meat, wine, seafood, dairy products, sauces, and fresh produce.

While restaurant managers are generally price-sensitive when considering new ingredients, this is balanced with a need to present new menu items to attract the upscale Filipino consumers and the sophisticated expatriate market.[ix]

The market segment that is still underserved, is the growing 'halal' meat market that consists mainly of beef, lamb and goat meat. Ethnic Muslims account for approximately 5 percent of the total Philippine population.[ii] In addition, the growing expatriate community in the Philippines encourages the growth of Indian and Middle Eastern 'halal' restaurants.[xi]

1.4 Import Trends

Food and beverage imports into the Philippines totalled US$5.9 billion in 2010. Approximately 40 percent of food and beverage imports are cereal, followed by dairy products (13 percent) and other food preparation products (9 percent).

The Philippines rely mostly on imports for the supply of its dairy products. In 2010, the country sourced 47 percent of its dairy imports from New Zealand, totalling 236.5 million kilograms valued at US$729 million.[xii]

The major suppliers of imported meat in 2011 include, India with 42 percent market share, Australia (23 percent), New Zealand (14 percent), Brazil (11 percent), North America (10 percent), and Europe (3 percent; mainly Netherlands and the United Kingdom).

Beef imports reached 73,400 tonnes in the first nine months of 2011, down by 10 percent compared to 2010. Australia, New Zealand, the United States, Canada, and Europe supplies the table grade meat consumed mainly by the foodservice industry including hotels and fast-food restaurants. The top suppliers of table grade beef are Australia and the United States.[xiii]

India supplies low-grade buffalo meat used by the meat processing industry. Low-price canned meat products such as corned beef are very popular in the Philippines. Brazil supply both manufacturing grade meat and frozen meat.

Imports of fruit and vegetable continue to grow. Major fruit imports include oranges, grapes, apples and pears from the United States, Canada, China, Australia and Taiwan. Top vegetable imports include potatoes, tomatoes, green peas, and sweet corn.

The Philippines: Top 10 food and beverage import origin in USD million		
	2010	**Market Share**
Total	**5,878**	**100%**
Vietnam	1,321	22%
United States of America	805	14%
Thailand	687	12%
New Zealand	375	6%
China	315	5%
Malaysia	262	4%
Australia	252	4%
Indonesia	243	4%
Pakistan	156	3%
Canada	154	3%

Source: Trade Map

Wine[xiv]

The United States is the leading wine supplier, with a share of 32.4 percent by volume. Most of the imported United States wines are Californian sparkling wines, the equivalent of Champagne in France.

In 2010, New Zealand wines contributed less than 1 percent of total imports. The Philippines imported a total of 87,700 litres or approximately 9,700 cases in standard 9-litre denomination (12 x 750ml) from New Zealand. Despite its small market share, New Zealand's wine imports into the Philippines increased by 28.5 percent in volume and 64.3 percent in value terms compared to 2009. It is estimated that the size of the Philippines wine market is 16 million litres, valued at US$18.7 million.[xiv]

Popular wines are low-priced Californian sparkling wines from the United States and red wines from Chile, Australia, Spain, France, and Argentina.

While Filipino consumers generally drink red wine, New Zealand is known as a producer of high quality white wine and enjoys a niche market. Recently, new wine labels from three of New Zealand's top four wine growing regions were introduced in the Philippines market. This is a testament of the growing appreciation and popularity of New Zealand wines in the market.

1.5 Key Players in the Market

According to NZTE Manila, top local food players include San Miguel-Pure Foods, RFM Corporation, Universal Robina Corporation, CDO and Century Tuna.

Packaged food[iv]

San Miguel Pure Foods is the leading player in packaged food and has a well-diversified product range, a team of food experts that continuously focuses on product innovation, an extensive distribution network with satellite offices and strong alliances with various foodservice establishments.

The top brands in meal solutions include Purefoods, with 20 percent market share, CDO (7 percent), Ajinomoto (4 percent), 555 (4 percent) and Argentina (4 percent). These brands are owned by Purefoods-Hormel Co Inc, CDO Foodsphere, Ajinomoto Philippines Corp, Century Canning Corp and Pacific Meat Co Inc, respectively.

Wine

Emperador Distillers Inc maintained its leading position, accounting for an 18 percent share of total volume sales in 2010. Its popularity can be attributed to its affordable pricing and extensive distribution network.

Brand Shares of Still Light Grape Wine - volume					
Brand	**Company**	**2007**	**2008**	**2009**	**2010**
Carlo Rossi (E & J Gallo Winery)	Andresons Group Inc	18.5	19.0	19.6	20.0
Novellino	Bel Mondo Italia Corp	13.0	14.0	14.5	15.5
Franzia (Wine Group Inc, The)	Fly Ace Corp	5.8	6.3	6.8	7.0
Sol de España	PhilippineWineMerchants Inc	3.2	3.2	3.3	3.3
Don Quixote	Conrad & Co Inc	3.5	3.4	3.4	3.2
Gato Negro Cabernet Sauvignon (Cía Cervecerías Unidas SA)	ESRQ Traders Inc	1.2	1.3	1.4	1.5
Doña Elena (Overseas Wine Co)	Fly Ace Corp	1.2	1.2	1.3	1.3
Mompo Mass Wine (Pernod Ricard Groupe)	Pernod Ricard Philippines Inc	1.3	1.1	1.0	0.9
Others		52.3	50.5	48.7	47.3

Source: Euromonitor International

Brand Shares of Other Sparkling Wine - volume					
	Company	**2007**	**2008**	**2009**	**2010**
Martini Asti (Bacardi & Co Ltd)	Future Trade International Inc	23.5	24	24.5	24.8
Blue Nun Gold Edition (Sichel Söhne GmbH)	Philippine Wine Merchants Inc	4.0	4.2	4.4	4.4
Others		72.5	71.8	71.1	70.8

Source: Euromonitor International

Mass grocery retail

SM Investments Corp retained its lead in grocery retailing in 2010 with a 6 percent market share. While independent retailers dominate grocery retailing, SM Investments Corp benefited from having the largest number of outlets in supermarkets and hypermarkets.

SM Investments Corp owns a number of top brands, including SM supermarket, with 2.3 percent market share, SM Hypermarket (2 percent) and Save More Supermarket (1.3 percent).

Foodservice Sector

Jollibee Foods Corp has the largest market share in the Philippines of 42 percent, followed by McDonald’s Corp (10 percent), Yum! Brands Inc (5 percent) and Duskin Co Ltd (3 percent).

The top 5 brands by number of establishments are Mister Donut, with 1,680 outlets, followed by Chooks to Go (1,050), Dunkin’ Donuts (854), Burger Machine (804) and 7-Eleven (554).

Top 10 Chained Consumer Foodservice Brand percentage share

Brand	Global Brand Owner	2007	2008	2009	2010
Jollibee	Various franchisees	14.2	14.3	14	14.3
Jollibee	Jollibee Foods Corp	12.2	12.4	12.5	12.8
McDonald's	Golden Arches Dev Corp	6.5	6.8	6.2	6.2
Chowking	Various franchisees	5.1	5.2	4.9	4.5
McDonald's	Various franchisees	2.6	2.8	3.3	3.7
Mang Inasal	Mang Inasal Phils Inc	0.5	1.1	1.9	2.8
KFC	Ramcar Inc	2.5	2.5	2.7	2.6
Mister Donut	Ramcar Inc	2.3	2.7	2.6	2.6
Chowking	Fresh 'N' Famous Foods Inc	3.1	2.9	2.7	2.5
Starbucks	Rustan Coffee Corp	1.9	2.3	2.4	2.4

Source: Euromonitor International

Dairy and Cheese[xv]

New Zealand is well positioned in the Philippine market for imported cheese and dairy products supplying nearly 50 percent of imported dairy products each year. New Zealand supplies a wide range of dairy products including, liquid milk , milk powder, cheese curds, dairy-based bakery and food ingredients. Other countries that supply dairy products to the Philippines are Australia, the United States, Denmark and France.

Fruit and Vegetables[xvi]

Recently, there have been reports that vegetables such as, onions, potato and garlic from China and Taiwan are being smuggled into the Philippines. Smuggling has been rampant due to the high tariff rates (25-40 percent) imposed on vegetables. The high tariff rates have been introduced by the government to protect local farmers from foreign competition. New Zealand is a supplier of onions and potatoes for crisping to the Philippines.

1.6 Regulatory

Information provided in this section is for reference only. When negotiating supply contracts and before beginning actual export, companies are advised to consult closely with their importer or distributor.

Duties and Tariffs

The Philippines is a member of the World Trade Organisation (WTO), Asia-Pacific Economic Cooperation (APEC), United Nations (UN), Pacific Economic Cooperation Council (PECC) and implements international and regional accords and policies from these bodies. The majority of the Philippines' import requirements are co-ordinated with WTO regulations, while others are specific to the region. The Philippines has several import regulations which New Zealand exporters must be aware of before entering the market.

The ASEAN-Australia New Zealand Free Trade Agreement (AANZFTA) was signed on 27 February 2009 and entered into force on 1 January 2010.

Under AANZFTA, New Zealand exporters can take advantage of reduced tariffs, particularly on agriculture products (i.e. zero rated tariffs on wheat and flour grains). Tariffs on beef, meat and livestock are scheduled to be eliminated by 2012 and tariffs on horticulture including juice by 2013. Approximately 95 percent of tariff lines are scheduled to be eliminated by 2020.

At present under the two-tier tariff policy in the Philippines, sensitive agricultural products such as sugar, potatoes, onions, garlic and coffee are subject to a tariff-rate quotas (TRQ). Imports which exceed the minimum access volume (MAV) will be taxed at a higher out-of-quota rate. Imported products that do not compete with domestically produced goods face lower tariffs.

All imports are subject to value added tax (VAT) of 12 percent. This is similar to the New Zealand GST which is computed based on the landed cost of the product.

For more information on the ASEAN-Australia-New Zealand Free Trade Agreement, please visit the official website at: www.asean.fta.govt.nz.

Further tariff information can be found at, the Philippines' Tariff Commission at www.tariffcommission.gov.ph.

Licensing and registration requirements

All food imports must be registered with the Philippines Bureau of Food and Drugs (BFAD). All unregistered imported food and pharmaceutical products offered for sale can be confiscated by the BFAD.

Generally, food regulations are based on guidelines of the Codex Alimentarius Commission. Local importers / agents / distributors are responsible for the product registration process.

Importers of fresh / chilled / frozen fish and fishery / aquatic products must obtain quarantine permits and these products can only enter the country when the certification issued by the Secretary of Agriculture is provided.

All imported fishery / aquatic products intended for distribution and further processing must be accompanied by an International Health Certificate issued by the authorised / competent regulatory agency from the country of origin and must be presented as part of the documentation requirements upon arrival.

All food imports must satisfy the Hazard Analysis and Critical Control Point (HACCP) standards.

For more information on food regulations, visit the Codex Alimentarius Commission at www.codexalimentarius.net.

For more information on the registration process, visit the Republic of the Philippines Department of Health at www.doh.gov.ph.

Import Restrictions

At present, agricultural products considered sensitive (such as poultry, pork, potatoes and coffee) are exempt from free trade and have minimum access volumes (MAV) with significantly higher tariff rates applied to them.

Agriculture quarantine restricts the entry of animals, fish and plants or their by-products (such as meat, eggs, birds and fruits).Transport of endangered species and their by-products is also restricted / prohibited by the regulation set by Convention on International Trade in Endangered Species (CITES) and Department of Environment and Natural Resources (DENR). Failure to obtain a prior import permit from the Philippine Department of Agriculture together with the corresponding health sanitary or phytosanitary certificate from the country of origin may result in fines and / or penalties.

Labelling requirements

All food and beverage products must have the following information on its label:

- name of the food
- list of ingredients used in the product (in decreasing order of proportion), including additives, flavourings and preservatives used
- net contents and drained weight
- name and address of manufacturer/packer or distributor, including country of origin for imported products

- name and the address of Philippine importer/distributor
- lot identification

Some products, like bottled water and pre-packaged processed meats, have specific labelling requirements. For more information on food labelling, visit the Bureau of Food and Drug at www.bfad.gov.ph.

1.7 Sustainability

In the Philippines, there is an increasing awareness of environmental issues, causing a shift towards green packaging. Carbon footprint regulation is expected to be stricter in the near future. In response to the continuous clamour for the use of environmentally friendly materials, industry experts foresee that biodegradable plastics will be coming to the Philippines over the next 5 to 10 years.

Whilst there are a growing number of Filipino consumers looking for sustainable packaging, there are fewer consumers willing to pay for it. Therefore, manufacturers are continually looking for ways to find the most cost-efficient means of producing alternative sustainable packaging. Packaging materials that can be reused and recycled are outperforming the traditional packaging materials such as plastic bottles. Manufacturers are increasingly using aluminium / plastic pouches as they aim to use fewer materials. This trend is becoming popular as pouches are 95 percent lighter and save at least 90 percent of shelf space compared to rigid plastics.[xvii]

2 MARKET ENTRY AND DEVELOPMENT

2.1 Market Entry Strategies

To successfully enter the market in the Philippines, New Zealand exporters are encouraged to establish relationships with local importers / distributors. Importers / distributors in the Philippines can assist penetration into the market, provide valuable market advice, and help best position products to meet local tastes and regulations.

It is important to promote products using marketing tools to establish a brand. It is critical for foreign suppliers to provide advertising and promotion support, in order for the brand to perform well in the market. It is recommended that New Zealand exporters provide adequate support to local importers / distributors for product sampling.

The following are some nuances in the Philippines market that New Zealand exporters need to be aware of:

- Filipino businesses value interpersonal relationships and New Zealand exporters should work to develop and maintain close contact and, if able, make regular visits to their clients.
- While there is an increasing trend to import directly, especially by large multi-products companies, the majority still rely on traders or agents.
- New Zealand products are generally highly regarded for their high quality and product consistency and this is New Zealand's competitive advantage. However, to meet the demands of price sensitive Filipino consumers, retailers can switch to other suppliers if they perceive that the market is not likely to adapt to price increases.
- Suppliers must have a willingness to adapt to the changing requirements of the market. For example, suppliers may be required to adjust formulations, package size and design to meet changing consumer trends.
- Suppliers should be willing to work with one or several importers as distribution is highly fragmented in the country.
- Exclusive distributorship agreements are difficult to enforce in the Philippines and parallel imports are common.

2.2 Points of Differentiation

New Zealand food and beverage products are known for their high and consistent quality and New Zealand has been one of the leading suppliers of imported dairy and cheese products.

New Zealand is known for cattle farming due to its temperate climate and has earned a reputation as one of the producers of 'natural' meat. This differentiates New Zealand meat from ‘industrial meat’, which damaged the reputation of the European meat producers’ several years ago with the outbreak of the mad cow disease. New Zealand meat is known in the market for its quality as well as its value for money.

With the growing consciousness towards healthy and organic foods, New Zealand’s food product reputation is well secured in this market. Seafood products are also popular due to the strict food safety and sustainability practices that New Zealand is known for.

In the beverage segment, New Zealand wines are gaining popularity and have established a niche market in the Philippines. New Zealand wines are typically positioned in the mid-range to the premium end of the market. New Zealand Sauvignon Blanc is popular and almost stands as the standard in New Zealand wine.

While agriculture products are generally considered as commodities, branding will create a point of differentiation. New Zealand exporters may adopt a branding strategy similar to beef branded as “Kobe”, “Wagyu”, “Black Angus” and other “Protected Designation of Origin” beef brands in Europe.

2.3 Long Term Strategic Issues for Exporters to Consider

The Philippine market is not without its challenges. Consumers are generally price driven and package sizes tend to be smaller to attract these consumers. It is recommended that exporters provide a reliable and consistent supply of food and beverage products due to the growing population and dependence on imported food.

The Philippines will continue to rely heavily on imported food products. Therefore, a number of food safety measures are being implemented by the government.

New Zealand exporters may consider the market not just as a ‘consumer market’ but as a joint venture (JV) partner as Prime Foods New Zealand recently formed.

Exporters should take advantage of the Australia-New Zealand-ASEAN Free Trade Agreement. The free trade agreement aims to further reduce and eliminate tariffs in the next 12 years. For more information on AANZFTA, visit the free trade agreement guide at asean.nzte.govt.nz.

The country’s consumer spending is fuelled by two major groups, the Overseas Filipino Workers (OFWs) and the Business Process Outsourcing (BPO) sector. OFW remittances in 2011 are expected to reach US$23 billion while BPO earnings are projected to reach US$11 billion. These trends will result in the need for sustained food programmes.

2.4 Distribution Channels

Distribution of food and beverage products is generally done in two ways in the market.

1) Foreign food and beverage manufacturers generally appoint local importers / distributors. These local companies handle food importation and maintain a

distribution force that coordinates the warehousing, cold storage and physical distribution of the product to the various food retailers and foodservice outlets.

2) Another option is to deal with a trading firm that works with their own distribution arm. Trading firms normally deal directly with food manufacturers.

For New Zealand products, working with a New Zealand based export consolidator can be advantageous. An export consolidator can source and supply a variety and range of products for smaller volume requirements.

A number of food service operators are now dealing with New Zealand export consolidators who source and arrange a mixture of meat, fruit and vegetables, packaged food and dairy products on their behalf. Local companies claim that they find it easier to talk to one company that can facilitate and source a variety of products into the Philippines from New Zealand.

2.5 Pricing

The market is primarily price driven and competition from both local and foreign suppliers is driving prices down. Price and value for money are the main drivers in the market. New Zealand suppliers are encouraged to evaluate the current pricing structure of competitors and sell their products at competitive prices. Market and product positioning influence pricing structures and should be a key consideration for most New Zealand exporters.

However, there is an opportunity for 'multi-tiered' pricing to cater for consumers ranging from the mass market to the upscale "gourmet" class. Retail pricing, importers' margins and retail mark-ups vary from product to product. It is recommended that New Zealand exporters discuss mark ups and margins with local food and beverage importers and distributors.

3 MARKET RESOURCES AND CONTACTS

ASSOCIATIONS	
ORGANISATION	**WEBLINK**
Bureau of Food and Drugs (BFAD) Philippines	www.bfad.gov.ph
Bureau of Plant Industry (BPI)	bpi.da.gov.ph
Hotel and Restaurant Association of the Philippines (HRAP)	www.hrap.org.ph
Bureau of Animal Industry (BAI)	webgroup@da.gov.ph
Bureau of Fisheries and Aquatic Resources (BFAR)	www.bfar.da.gov.ph
Philippine Food Processors and Exporters Organization, Inc. (PHILFOODEX)	www.philfoodex.org.ph
Philippine Association of Meat Processors, Inc. (PAMPI)	www.pampi.org
Meat Importers and Traders Association, Inc. Philippines (MITA)	www.ldc.da.gov.ph/mita.
BIAP – Beverage Association of the Philippines	www.sourcephilfood.com
Integrated Food Manufacturers Association of the Philippines	infomapp-org.tripod.com
TRADE EVENTS	**WEBLINK**
FROM FARM TO FORK: The Philippine Food Expo 2012 February 23-26, 2012 World Trade Center Metro Manila	www.philippinefoodexpo.com
Philippine International Food & Beverage Expo Date: 01-Mar-2012 to 04-Mar-2012 Venue: World Trade Center Metro Manila, Manila, Philippines	www.foodreference.com
IFEX Philippines Event Date: 12 May 2011 - 14 May 2011 Venue: SMX Convention City: Pasay City Country: Philippines Tel: (632) 831-1282 / 831-2201 Fax: (632) 832-3965 / 834-0177	www.ifexphilippines.com
Asia Food Expo 2012 Office: S-324 Secretariat Bldg., PICC, CCP Complex, Roxas Blvd., Pasay City, Phils. Tel. Nos. (632) 834-0085 to 86 - 551-7920 loc. 7420 Fax No.: (632) 831-3828	www.afex.com.ph
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