

# AUSSEN WIRTSCHAFT BRANCHENREPORT PHILIPPINEN

FOOD & BEVERAGE

FOOD & BEVERAGE INDUSTRIES IN THE PHILIPPINES  
AUSTRIAN-PHILIPPINE TRADE  
IMPORTANT SECTORS OF THE FOOD PRODUCTION/PROCESSING INDUSTRY  
MARKET ENTRY AND MARKET TRENDS  
MARKET OPPORTUNITIES FOR AUSTRIAN COMPANIES  
RESOURCES, CONTACTS, FAIRS

AUSSENWIRTSCHAFTSCENTER MANILA  
MÄRZ 2021

*go international*  
Bundesministerium  
Digitalisierung und  
Wirtschaftsstandort **WKO**   
AUSSENWIRTSCHAFT AUSTRIA



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## 1 INTRODUCTION

The Philippines is one of the fastest growing consumer-driven economies in the world. With a population of about 110 million and a young demographic divide, the country exhibits continuous growth in retail, food services and food manufacturing industries. Together with a growing young population and its increased spending capabilities also the positive perception for foreign products are drivers in this development. Due to the low supply from within the country itself of products such as meat, dairy, bakery confectionery, food processing ingredients and food processing machineries, the Philippines relies to a substantial part on imports. It is, therefore, an interesting market for exporting companies from Austria.

Over the past years, we have seen Austrian products gaining market shares in the local market. The energy drink **Red Bull** has been consistently the number one energy drink in the country in spite of the presence of many other imported and locally manufactured energy drinks. **Red Bull** was able to position its product to cater to the middle- and upper-class bracket of Filipino consumers. Aside from being an energy drink connected to extreme sports, it became popular as a party drink mixer for cocktails which are attractive for the young and vibrant millennial consumers. As in other countries around the world, the success of Red Bull was the result of continuous active marketing strategies and promotion of the brand.

Other successful Austrian products which boast a strong presence in the country are the **Happy Day** fruit juices and **Nativa** green teas from **Rauch** and juices from **Hermann Pfanner**. Consumers can now find Rauch and Pfanner juices on the shelves of all the supermarkets, convenience and grocery stores all over the country. through product promotions and presence at various events, Rauch and Pfanner were able to tame the sweet taste of Filipinos for juices and to embrace the healthy attributes of these brands.

**Adolf Darbo AG** is another success story in the Philippines with their D'Arbo honey, jams and marmelades. Due to the availability of D'Arbo products in different packaging sizes and volumes, it caters not only to the retail consumers but also to hotels, restaurants and confectionery product manufacturers. So, for example, the small, portioned items are served at all Starbucks outlets in the country and in many other hotels, coffee-shops and restaurants. **Darbo** also delivers its products in big tubs to business clients such as cake shops and confectionery manufacturers.

Since food manufacturing is one of the key drivers in the food and beverage industry, **Laska** machineries is another Austrian company which is gaining a foothold in this sector.

But Austria is also present on the savory side of taste in the Philippines. In 2016, our country received an accreditation for six meat establishments to export frozen pork, beef and processed meat products to the Philippines. Although Austria is not yet among the top-exporters of meat products, the export volume from Austria is poised to continuously increase over the years to come.

In the second semester of 2019, the Philippine hog industry was hit by African Swine Fever (ASF). While the demand for meat products particularly pork and chicken is continuously going up in spite of the COVID-19 pandemic, the slow recovery from ASF resulted in dwindling supply. In view of this, the Philippine government took initiatives to make sure that the demand is met through importation. This April 2021, President Rodrigo Duterte issued Executive Order 128 which temporarily lowers the tariff on importation of pork and chicken and at the same time increased the Minimum Access Volume (MAV) for the importation of said products.

At the moment of writing this report, the meat producing and processing industry of Austria is scheduled to be audited by the Philippine Department of Agriculture Inspection Mission as soon as post-pandemic travels are possible again. This Inspection Mission is set for the renewal of the current accreditation and at the same time constitutes an application for a system-wide accreditation of the Austrian meat industry.

Apart from the abovementioned industry trends, the COVID-19 pandemic substantially changed many aspects of the food & beverage sector in the Philippines: Since families must stay at home, home cooking and take-out deliveries became prevalent. E-Commerce moved on a faster pace as consumers shifted to on-line shopping and on-line food deliveries. Bigger companies made a quick adaptation and created their own on-line platforms while many others offered their products on existing platforms like Lazada and Shopee.

COVID-19 put an immense focus on healthy nutrition. Consequently, the demand for healthier food and beverage products increased. Functional food and organic products have become prominent “allies” for Philippine consumers in their quest to survive the current pandemic.

## 2 EXECUTIVE SUMMARY

This industry report aims to provide an overview of the Philippines' food and beverage industry as well as identify possible business opportunities for Austrian suppliers. The report contains current statistics on the key sectors of the Philippine food industry and insights on the import-export process in the Philippines.

The Food and Beverage industry is one of the largest sub-sectors of the Philippine manufacturing sector, contributing about 23-24% of the country's GDP, and is one of the biggest food producers in Asia with its food processing sector valuing at over EUR 24 billion. Retail sales from processed foods in the country have also grown throughout the years and are estimated to amount to USD 12.3 billion in 2019 posting a growth rate of 28.7% since 2015. Food retail in the country has also expanded with the increase of different modern retail formats such as supermarkets, hypermarkets, mini marts, and convenience stores not only in the urban areas but also increasingly in rural areas.

In terms of agricultural products, the Philippines main exports are edible fruit and nuts, and peel of citrus fruits or melons which amounted to USD 2.63 billion or 39.4% of the total agricultural exports while the top commodity for import is cereals posting a 21.8% (USD 3.174 million) share of the total agricultural imports in 2019. The country is a net importer of meat, wheat, and dairy due to the limited local production for the said commodities.

While the CoVID-19 pandemic has indeed affected the overall growth and disrupted day-to-day operations of the companies in the sector, the Philippine food and beverage sector remains to be competitive and brimming with market opportunities for foreign investors.

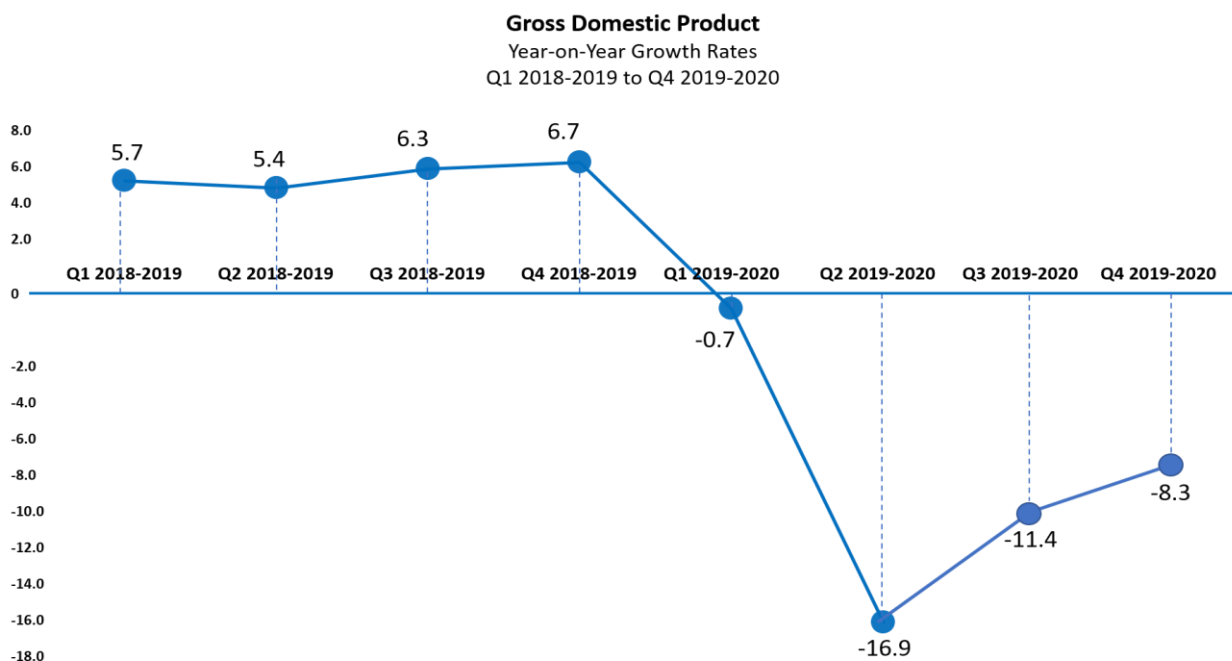
### 3 FOOD & BEVERAGE INDUSTRIES IN THE PHILIPPINES

#### 3.1 Key Figures on Country and Population

Situated in Southeast Asia, between the Philippine Sea and the South China Sea, the Philippines is an archipelago made up of over 7,100 islands divided into three main geographical areas namely, Luzon, Visayas, and Mindanao. As of the latest population census by the Philippine Statistics Authority in 2015, the country has a population of 100,981,437, which is 8.64 million higher than the recorded population of 92.34 million in 2010. Out of the reported population, the top three contributors are Region IV-A (CALABARZON) with a population of 14.41 million, National Capital Region (NCR) with a population of 12.88 million, and Region III (Central Luzon) with a population of 11.22 million. More recently, the World Bank has reported that as of 2019 the Philippines now has a total population of 108,116,615.

The Philippines, like other countries, has been greatly affected by the CoVID-19 pandemic. In 2019, prior to the virus outbreak, the Philippines enjoyed an overall increasing GDP (+ 5.9%) which was in line with many years of continuous economic expansion. with the last quarter of the year posting a growth rate of 6.7% year-on-year (YoY). However, at the onslaught of the CoVID-19 pandemic and several disruptions such as the Taal Volcano eruption, the Philippines GDP posted a significant drop from 6.7% to -0.7% in the first quarter of 2020 alone. At the end of 2020, the Philippines had to mark the strongest decline in GDP since 1947 at -9.5%.

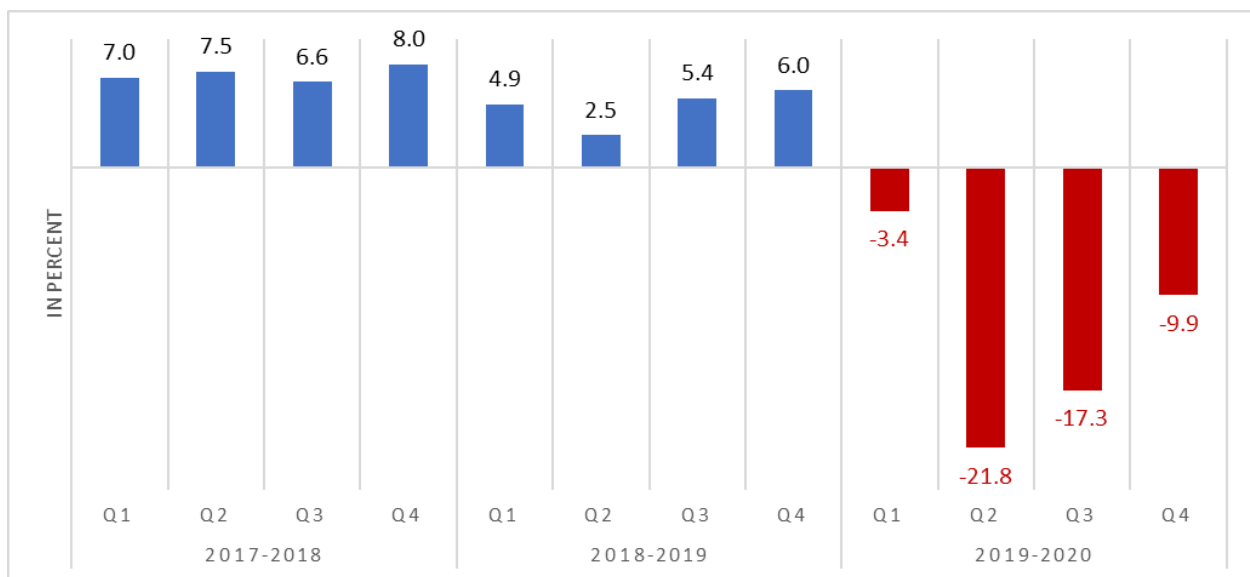
Table 1: Gross Domestic Product Year-on-Year Growth Rates:



Source: Philippine Statistics Authority

Industry growth in the country shrank by 9.9% in Q4 2020 but is a slight improvement from the recorded industry growth rate of 17.2% in Q3 2020, accounting for 30.6% of the country's GDP in 2020. This is a slight decrease from its 31.1% share in the previous year. Overall, the industry posted a decrease of 13.1% on an annual basis. The construction sector, which has a share of 22.1% to total industry, had the biggest impact on industry growth as it contracted by 25.3% during the fourth quarter of the year. Manufacturing also declined by 4.3% due to the decline in the production of coke and refined petroleum's, beverages, and other non-metallic mineral products among others.

Table 2: Industry, Q1 2018 to Q3 2020 Growth Rates, at constant 2018 prices



Source: Philippine Statistics Authority

In addition to the already difficult economic situation for most of the population, inflation rate in the country is also seen to be at an upward trend with the headline inflation reaching 3.5% in December 2020 from the reported headline inflation rate of 3.3% and 2.5% in November and October 2020 respectively. Overall, in 2020, the Philippines reported a slight increase in its annual inflation rate at 2.5% in 2019 to 2.6%. In 2021 the government expected the inflation to range between 2% and 4%. However, already in March 2021, the government adjusted their inflation-projection to 4.2% for the entire year.

According to the PSA, the record-high increase in inflation rate was attributed to (1) usual surge in prices due to holiday festivities, (2) increase in transportation costs due to the pandemic, and (3) limited supply of goods, especially vegetables and pork, as an after effect of the strong typhoons that the country experienced in 2020 and the continuing presence of African Swine Fever in the country.

The items that posted a higher price index are vegetables at 19.7% and meat at 10%. On the other hand, alcoholic beverages and tobacco posted a slower annual average rate of 12.2% compared to the 18.4% annual increase last December 2019.

A spike in the country's unemployment rate was also observed as numerous establishments were forced to close due to various state-wide and local lockdowns imposed by the government throughout the duration of the pandemic. A sharp increase in unemployment was reported in April 2020 posting an unemployment rate of 17.7% that accounts to 7.3 million unemployed persons in the labor force while the employment rate declined from 94.7% or 41.8 million employed persons in January 2020 to 82.3% or 33.8 million employed persons in April 2020. As of Q3 2020, the employment situation in the Philippines is slowly recovering with the employment rate increasing from 82.4% in April to 91.3% in October.

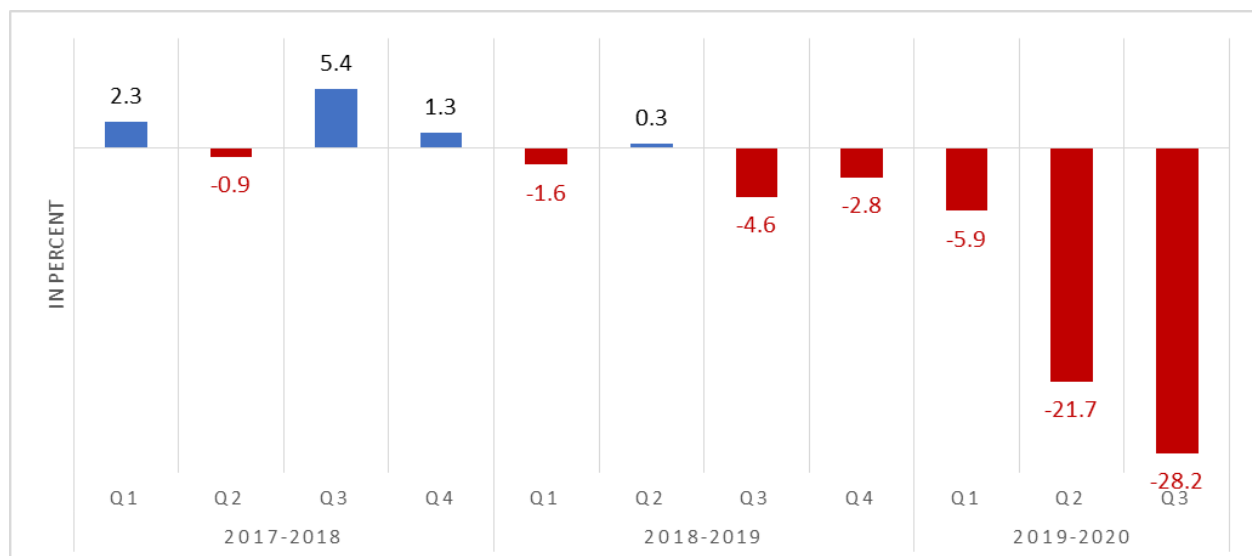


Table 3: Results from the October 2020 Labor Force Survey (LFS)

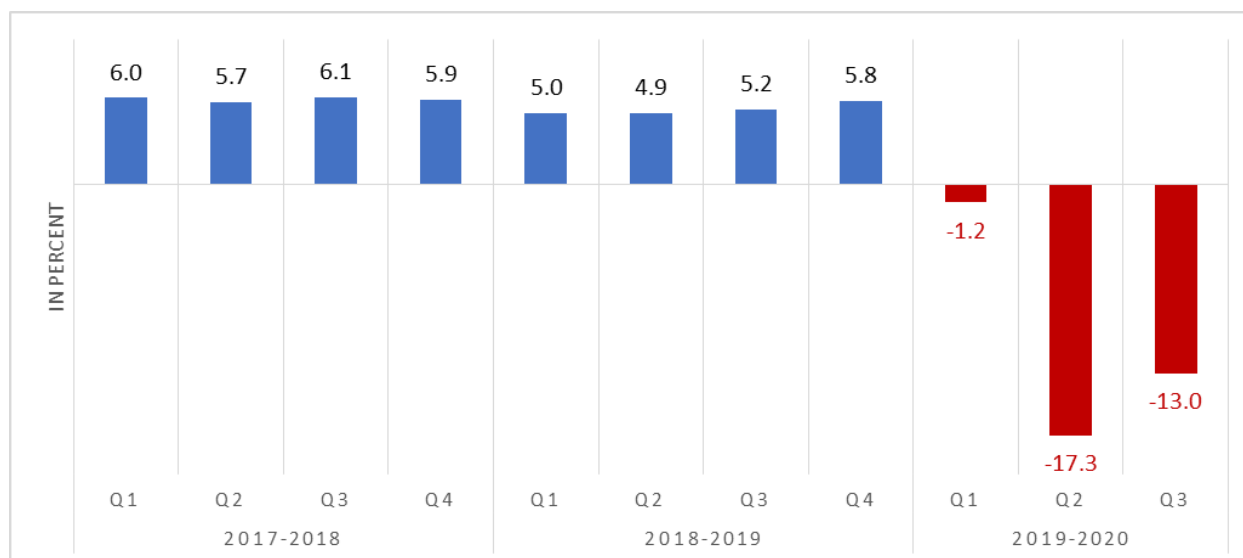
Results from the October 2020 Labor Force Survey (LFS)				
	October 2020	July 2020	April 2020	October 2019
Population 15 years old and over (in 000)	74,307	74,061	73,722	72,603
Labor Force Participation Rate (%)	58.7	61.9	55.7	61.4
Employment Rate (%)	91.3	90.0	82.4	95.4
Underemployment Rate (%)	14.4	17.3	18.9	12.8
Unemployment Rate (%)	8.7	10.0	17.6	4.6

Source: Philippine Statistics Authority

Meanwhile, a downward trend was observed in the country's Net Primary Income (NPI) and Gross National Income (GNI). According to the PSA, the NPI contracted by 28.2% in Q3 2020 leading to the GNI to record a decline of 13.0%.

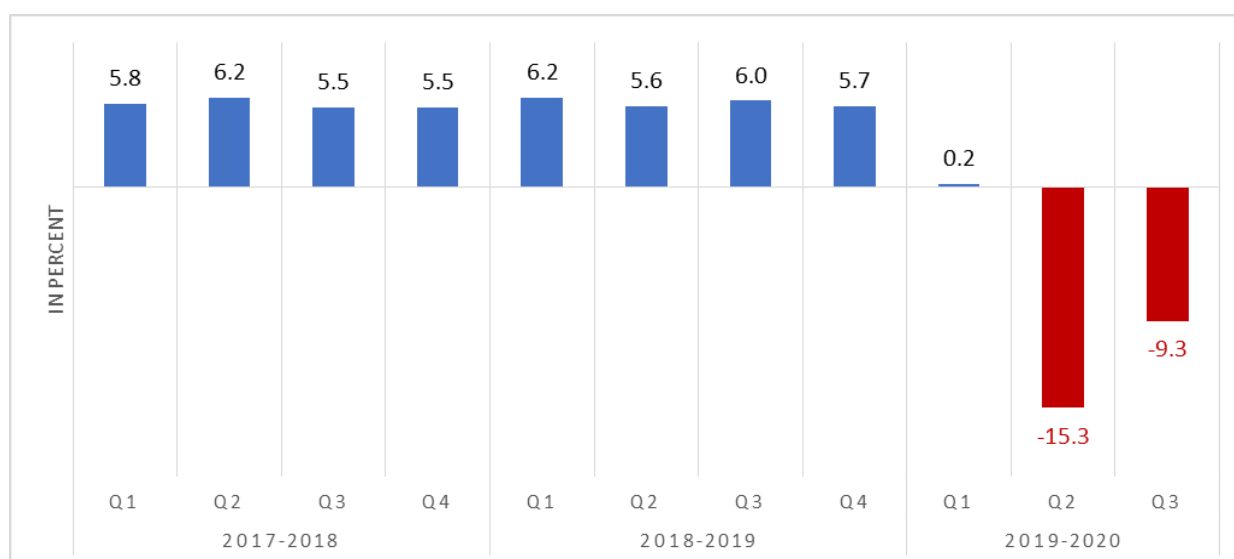
Table 4: **Net Primary Income**, Q1 2018 to Q3 2020 Growth Rates, at constant 2018 prices

Source: Philippine Statistics Authority

Table 5 and 6: **Gross National Income**, Q1 2018 to Q3 2020 Growth Rates, at constant 2018 prices

Source: Philippine Statistics Authority

On expenditure, household consumption in Q3 2020 posted a negative growth rate of 9.3% which is a slight improvement from the previous quarter wherein household consumption fell from 0.2% in Q1 2020 to -15.3% in the said period. The steep dip is mostly owed to the adverse impact of the CoVID-19 pandemic on the country's employment rate which bolsters household consumption.



Source: Philippine Statistics Authority

Food and non-alcoholic beverages remain to have the largest share in the domestic consumption accounting to 37.7% of the domestic consumption and posted a growth rate of 4.6%. Other items that recorded growth rates are housing, water, electricity, gas and other fuels (6.7%) and communication (5.7%). Meanwhile, recreation and culture posted the – obvious – highest decline (-59.3%) in all 12 items due to the travel restrictions imposed by the government to combat the COVID-19 pandemic. Other items that were adversely affected by the pandemic resulting in a decline in growth rate are restaurants and hotels; transportation; education; alcoholic beverages and tobacco.

Table 7: Household Final Consumption Expenditure, by Purpose, at Constant 2018 Prices (growth rate in %)

Household Final Consumption Expenditure, by Purpose			
Growth Rates (%), at Constant 2018 Prices			
	2019 - 2020		
Purpose	Q1	Q2	Q3
Food and non-alcoholic beverages	4.7	4.6	4.6
Alcoholic beverages, tobacco	-17.5	-42.0	-25.5
Clothing and footwear	0.1	-40.2	-13.9
Housing, water, electricity, gas and other fuels	2.4	7.6	6.7
Furnishings, household equipment and routine household maintenance	-9.4	-27.0	-9.1
Health	9.1	-12.0	-2.3
Transport	-7.4	-60.1	-33.4
Communication	5.2	8.0	5.7
Recreation and culture	-5.7	-66.3	-59.3
Education	0.6	-15.7	-20.8
Restaurants and hotels	-14.3	-65.8	-49.9
Miscellaneous goods and services	8.2	-0.9	2.2

Source: Philippine Statistics Authority

### 3.2 Average Household Expenditure on Food and Beverage

Based on the final 2018 Family Income and Expenditure Survey (FIES) released last June 2020, the average annual family income in the Philippines amounted to PHP 313,348. Out of this amount, a significant share goes to food expenditure, which remains to be the biggest expenditure of a household. In fact, food expenditure accounts for 42.6% of the total expenditure by all families in the Philippines. This is an increase from the reported 41.8% share of food expenditure in the average annual family expenditure indicated in the 2015 (FIES). Meanwhile, alcoholic beverages accounted for 0.5% of the total family expenditure.

It has been observed that families at the upper 70% of the income group have a lower share in the food expenditure at 39.5% while families belonging to the lower 30% of the income group spent a higher amount on food accounting for 58.2% of the food expenditure. Bread and cereals had the largest share among the items in food expenditure, accounting for 11.0%, followed by meat at 5.7%, and fish and seafood at 5.0% as shown in table below.

**Table 9 Total Annual Family Expenditure, by Major Expenditure Group, by Income Class and by Region: 2018**

Region Major Expenditure Group	All Income Classes	Income Class					
		Less than 40,000	40,000 - 59,999	60,000 - 99,999	100,000 - 249,999	250,000 - 499,999	500,000 and over
Philippines	5,905,688	4,371	22,227	163,353	1,677,691	1,956,335	2,081,711
Total family expenditure (In millions)							
Percent to the total expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Food Expenditure	42.6	58.3	58.9	58.3	52.8	44.1	31.4
Food Consumed at Home	33.6	50.1	52.2	52.9	44.6	34.0	22.6
Bread and Cereals	11.0	21.9	22.2	22.2	16.7	10.5	5.8
Meat	5.7	3.5	4.7	5.4	6.3	6.4	4.7
Fish and Seafood	5.0	7.9	8.3	8.4	6.8	5.0	3.4
Milk, Cheese and Eggs	3.0	2.9	3.0	3.2	3.4	3.1	2.5
Oils and Fats	0.7	0.8	0.9	0.9	0.8	0.7	0.5
Fruit	1.3	2.2	2.1	2.0	1.6	1.3	1.1
Vegetables	2.5	4.9	4.9	4.6	3.4	2.5	1.6
Sugar, Jam, Honey, Chocolate and Confectionery	0.8	1.4	1.3	1.3	1.1	0.8	0.6
Food Products Not Elsewhere Classified	0.9	1.6	1.6	1.6	1.3	0.9	0.6
Coffee, Tea and Cocoa	1.4	2.3	2.2	2.2	1.9	1.5	0.9
Mineral Water, Softdrinks, Fruit and Vegetable Juices	1.2	0.7	0.9	1.2	1.4	1.3	1.0
Food Regularly Consumed Outside	9.0	8.1	6.6	5.4	8.2	10.1	8.8
Alcoholic Beverages	0.6	0.5	0.8	0.8	0.7	0.6	0.4

### 3.3 Food & Beverage Sales in Wholesale and Retail

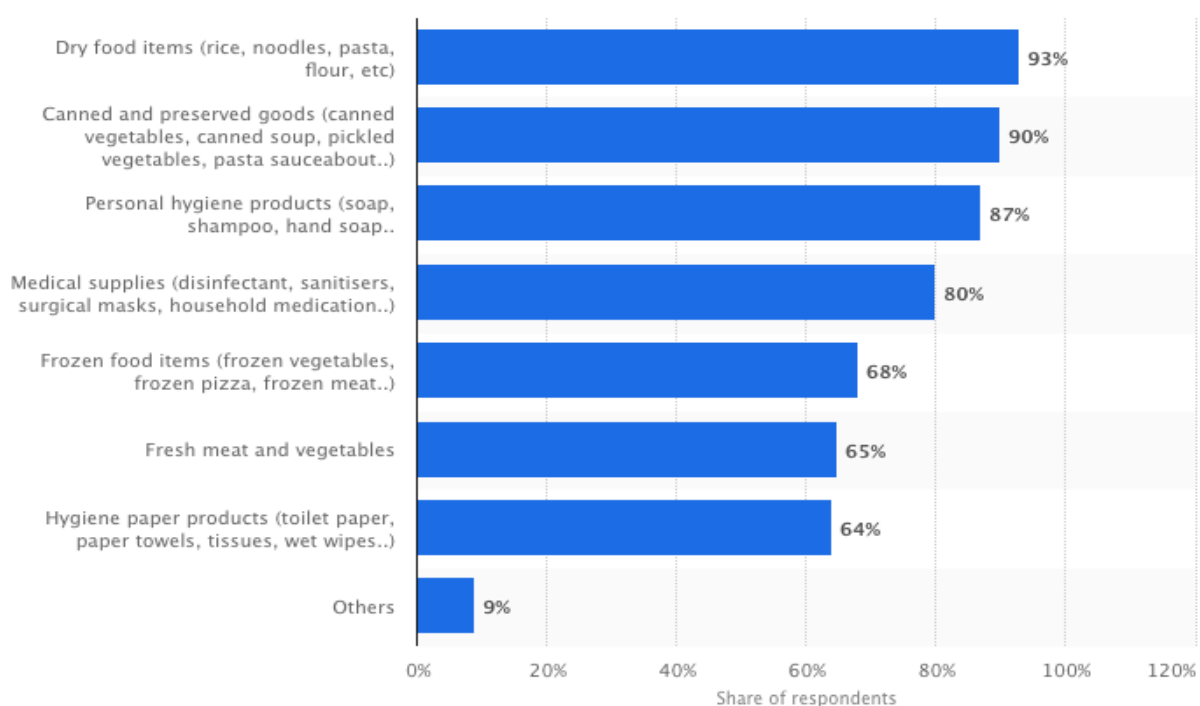
Food retail sales in the Philippines amounted to USD 50 billion in 2019 and was projected to increase in 2020 as the population opts to cook and dine in the comfort of their houses due to the outbreak of the pandemic. Processed seafood and meat have the largest revenue out of packaged foods in the Philippines in terms of retail sales at an estimate of USD 2.1 billion, posting an increase from USD 1.96 billion in the previous year. This is followed by packaged dairy amounting to USD 2.4 billion, and savory snacks at USD 2.06 billion.

Item	Retail Sales Value (in billion USD)
Processed Meat and Seafood	2.64
Dairy	2.44
Savory Snacks	2.06
Rice, pasta and noodles	1.31
Edible oils	1.29
Baked goods	1.25
Baby Food	1.1
Confectionery	1.04

Sauces, dressings, and condiments	0.86
Sweet biscuits, snack bars and fruit snacks	0.69
Ice cream and frozen desserts	0.38
Processed fruits and vegetables	0.32
Breakfast Cereals	0.16
Sweet Spreads	0.11
Ready Meals	0.09
Soup	0.05

Source: Statista

As of April 2020, top items that were bought in bulk were packaged rice, noodles, and pasta amounting to USD 1 billion and canned goods as indicated in the survey conducted by Insights Rakuten.



### 3.4 Import and Export of Food & Beverage

Throughout the years, the Philippines has strived to improve agricultural and food market access within the country. One example of this initiative is the country's commitment to Free Trade Agreements (FTA) like that of the Philippines-European Free Trade Agreement (EFTA)<sup>1</sup> FTA and the ASEAN Free Trade Area (AFTA).

<sup>1</sup> The European Free Trade Association is a regional trade organization and free trade area consisting of four European states: Iceland, Liechtenstein, Norway, and Switzerland.

In 2018, processed food and beverage was listed in the top ten leading exports of the Philippines amounting to USD 68.42 million which accounted for 1.4% of the total export and posting a growth rate of 61.8%. Meanwhile, total-agro based products had a share of USD 381.21 million or 8.1% of the total export. On imports, other food and live animals ranked seventh in the top ten imports amounting to USD 247.50 million or 2.9% of the total exports while cereals and cereal preparations ranked eight amounting to USD 217.48 million or 2.6% of the total export.

In 2017, processed foods and beverages exports amounted to USD 1.62 billion. Prepared/preserved pineapple had the largest share accounting for 17% of the total processed foods export, which amounted to USD1.7 billion. This was followed by desiccated coconut at 16%; centrifugal sugar at 9%; coconut water and banana chips/crackers both at 5%; pineapple juice at 4%; malt extract and dried mango both at 3%; and other cereal preparations and banana catsup both at 2%. The USA was the largest market of the mentioned food exports accounting for 52% of the total export, followed by Japan and Canada, each accounted for 3% of the total export. On beverages, the top 5 exports are lemonade, brandy, beer, spirits/liquors, and sparkling mineral/aerated water.

Meanwhile, on agriculture products, export revenue was reported to have declined in Q3 2020 from USD 1.67 billion to USD 1.52 billion accounting for 8.7% of the country's total exports. Top 5 commodities are edible fruits and nuts (96.6%) amounting to USD 545.60 million; animal or vegetable oils amounting to USD 227.15 million.

## 4 AUSTRIAN-PHILIPPINE FOREIGN TRADE IN AGRICULTURAL PRODUCTS AND FOOD

### 4.1 Imports from Austria

Bilateral economic relations between Austria and the Philippines goes way back to the 1970s wherein development aids were granted by Austria to help develop the Philippines' energy sector. Since then, trade between the two countries has continuously developed throughout the years.

In terms of agricultural products, the Philippines' main import from Austria for the period of Jan-Dec 2020 is preparations of cereals, flour, starch, milk; bakery products at EUR 2.875.148. This is followed by beverages, alcoholic liquids, vinegar at EUR 1.394.430, and various edible preparations at EUR 861.634. Meanwhile, imports of living animals, which were valued at EUR 98.323 in 2019 contracted by 100% during the said period.

Label	2018 (E)	2019 (E)	Change. in %	2020/Jan.-Dec. (V)	Change. in %
Living animals	13.095	98.323	650.8	0	-100
Meat, offal, slaughterhouse waste	640.717	1.193.356	86.3	504.115	-57.8
Fish, crustaceans, and mollusks	0	0	-	0	-
Milk, dairy products, bird eggs, honey	320.030	421.086	31.6	323.258	-23.2
Other products of animal origin	0	0	-	0	-
Live trees, plants, cut flowers	0	0	-	0	-
Vegetables, edible plants, roots, tubers	0	0	-	1.797	-
Edible fruits, citrus peel, melons	2.959	0	-100	10	-
Coffee, tea, mate and spices	5.601	14.179	153.2	23.683	67.0
Grain/Corn/Cereal	131	0	-100	0	-
Milling products, malt, starch and the like	14.255	7.950	-44.2	0	-100
Oil seeds, oleaginous fruits, grains, seeds, fruits	482	263	-45.4	1.212	360.8
Shellac, gums, resins; Plant juices	0	0	-	0	-
Plaiting materials, other goods of vegetable origin	0	0	-	0	-
Animal and vegetable fats and oils	0	1.416.915	-	0	-100
Preparations of meat, fish and shellfish	74.740	3.450	-95.4	0	-100
Sugar and confectionery	137.143	19.592	-85.7	786	-96.0
Cocoa and cocoa preparations	0	24	-	17.074	71041.7
Preparations of cereals, flour, starch, milk; Bakery products	2.181.653	3.038.196	39.3	2.875.148	-5.4
Preparations of vegetables, fruits and other plants	731.954	657.488	-10.2	624.856	-5.0
Various edible preparations	493.056	402.339	-18.4	861.634	114.2
Beverages, alcoholic liquids, vinegar	2.363.091	2.818.796	19.3	1.394.430	-50.5

Source: Foreign Trade Statistics/Austria Statistics

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## 4.2 Exports to Austria

In terms of exports, the Philippines top agricultural product for the period of Jan-Dec 2020 was preparations of vegetables, fruits and other plants amounting to EUR 3.219.255 followed by preparations of meat, fish and shellfish and beverages, alcoholic liquids, vinegar valued at EUR 1.674.959 and EUR 747.895 respectively. Meanwhile, exports of vegetables, edible plants, roots, tubers and milling products, malt, starch and the like contracted by 100% and 66.9% respectively.

Label	2018 (E)	2019 (E)	Change in %	2020/Jan.-Dec. (V)	Change. in %
Living animals	0	0	-	0	-
Meat, offal, slaughterhouse waste	145	0	-100	0	-
Fish, crustaceans, and mollusks	64.796	72.196	11.4	51.401	-28.8
Milk, dairy products, bird eggs, honey	0	0	-	105	-
Other products of animal origin	16.442	50.537	207.4	8.876	-82.4
Live trees, plants, cut flowers	16.326	29.434	80.3	50.752	72.4
Vegetables, edible plants, roots, tubers	5.609	360	-93.6	0	-100
Edible fruits, citrus peel, melons	639.663	359.358	-43.8	873.509	143.1
Coffee, tea, mate and spices	10.662	1.603	-85	964	-39.9
Grain/Corn/Cereal	0	16	-	35	118.8
Milling products, malt, starch and the like	13.976	4.317	-69.1	1.428	-66.9
Oil seeds, oleaginous fruits, grains, seeds, fruits	2.060	47	-97.7	0	-100
Shellac, gums, resins; Plant juices	427.178	796.201	86.4	503.755	-36.7
Plaiting materials, other goods of vegetable origin	585	25	-95.7	67	168
Animal and vegetable fats and oils	352.192	349.162	-0.9	514.822	47.4
Preparations of meat, fish and shellfish	1.916.005	1.625.186	-15.2	1.674.959	3.1
Sugar and confectionery	53.899	39.893	-26	49.750	24.7
Cocoa and cocoa preparations	1.064	1.855	74.3	14.633	688.8
Preparations of cereals, flour, starch, milk; Bakery products	45.762	49.668	8.5	75.299	51.6
Preparations of vegetables, fruits and other plants	2.551.062	2.736.210	7.3	3.219.255	17.7
Various edible preparations	46.534	38.666	-16.9	179.600	364.5
Beverages, alcoholic liquids, vinegar	404.515	670.640	65.8	747.895	11.5

Source: Foreign Trade Statistics/Austria Statistics



## 5 THE MOST IMPORTANT SECTORS OF THE FOOD PRODUCTION/PROCESSING INDUSTRY

### 5.1 Structure of Agricultural Land

Despite the initial plan to transform the country into an industrialized economy in 2000, the Philippines primarily remains an agricultural country with 41.7% of its land being used for agriculture-related activities. The Philippines is one of the biggest archipelago nations in the world and has physical features of mountainous terrains, plains, dense forests, and coastal areas.<sup>2</sup> Based on the decennial publication of the PSA Census of Agriculture and Fisheries in 2012, there is a total of 5.56 million farms/holdings stretching to 7.19 million hectares in the country. This translates to an average area of 1.29 hectares per farm/holding. Region VI-Western Visayas posted the highest number of farms at 518,000 farms/holdings or a total area of 460.45 thousand hectares. Meanwhile, on average area per farm/holding, Region XIII-CARAGA, Region IX-Zamboanga Peninsula, and Region XI-Davao, Region IVB-MIMAROPA, Region XII-SOCCSKSARGEN, and Region V-Bicol had more than 1.5 hectare per farm/holding.

Based on the same data, approximately 99% of the total farms/holdings were run by households or individuals covering over 6.78 million hectares or an average area of 1.23 hectares per farm/holding. Meanwhile, a small percentage of farms/holdings is run by partnerships, corporations, government institutions, private institutions, etc. On ownership, it was reported that 3 of 5 or 3.45 million farms/holdings are under full ownership or in an owner-like possession while an estimate of 15% were tenanted and 3% were rented. About one-third of the total farms/holdings covering 1.8 million hectares are connected to an irrigation structure. Out of the regions, Region II - Ilocos, Region II - Central Luzon, and Cordillera Administrative Region reported that more than 50% of the total number of farms/holdings were provided with water through the use of irrigation structures.

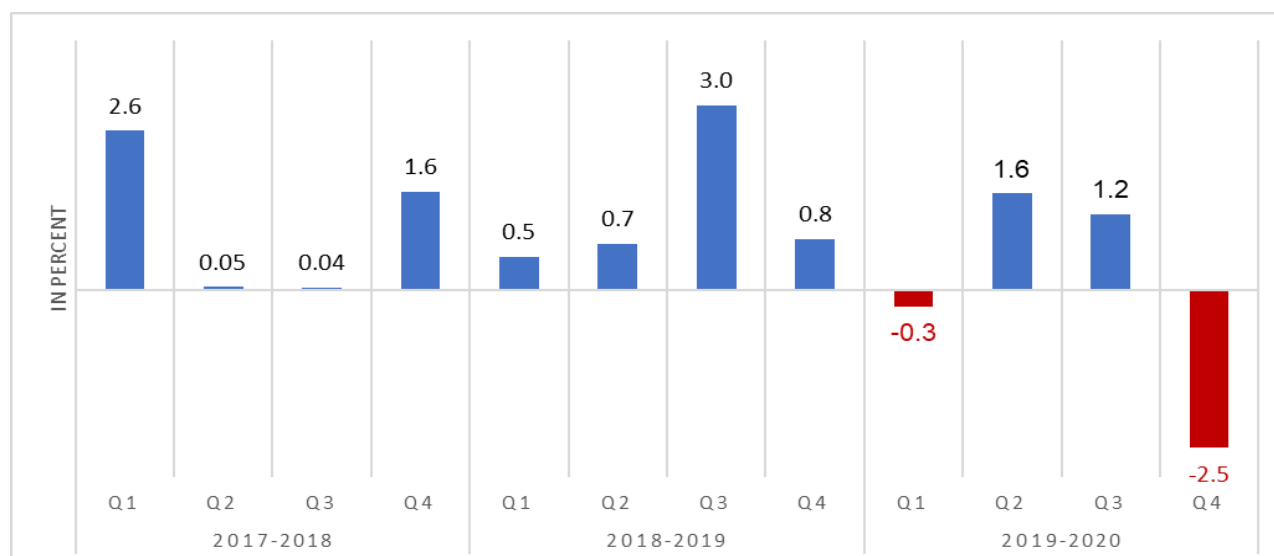
The country's agricultural sector is classified into four sub-sectors namely, livestock, fisheries, forestry, and farming with crop cultivation being the main agricultural enterprise in the country. The main crops of the country are rice, corn, coconut, sugarcane, banana, cassava, pineapple, and vegetables. In the third quarter of 2020, the sector accounted for 10.8% of the country's GDP which is an increase from the 10.1% share in comparison from the same period in 2019. On the other hand, the growth rate of the sector contracted by 2.5% leading to a 0.2% decline for 2020. Some of the sub-industries that contributed to the decline are livestock, fishing and aquaculture, and poultry and egg production. Meanwhile, some of the sub-industries that posted growth rates during the quarter are supporting activities to agriculture, forestry, and fishing, sugarcane production, banana, rubber, and pineapple.<sup>3</sup>

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<sup>2</sup> <https://www.ph.undp.org/content/philippines/en/home/countryinfo.html>

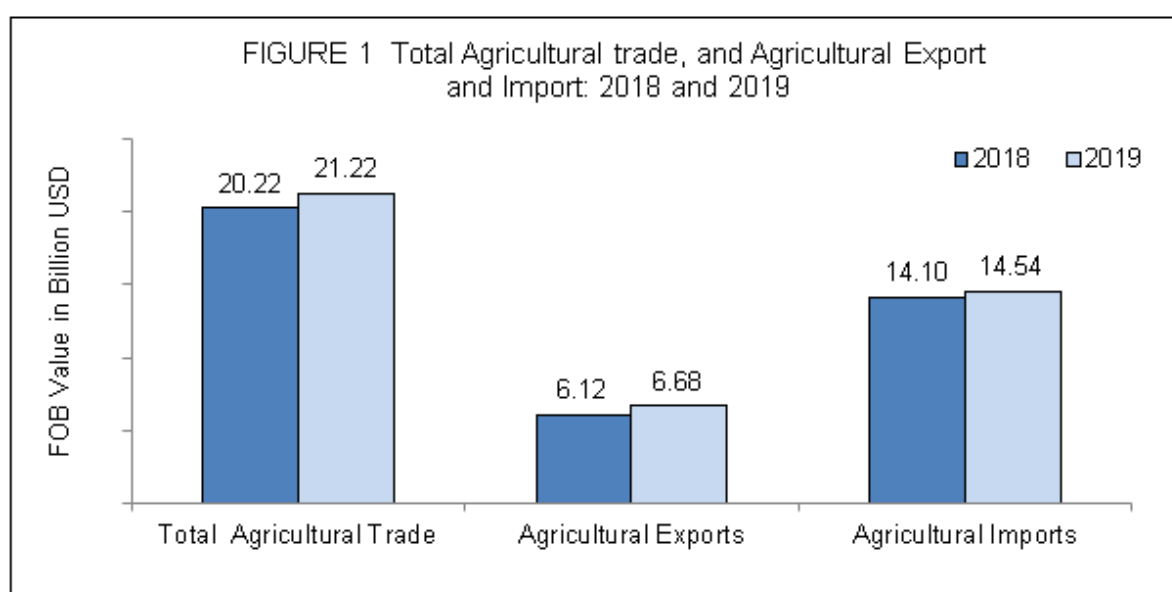
<sup>3</sup> <https://psa.gov.ph/national-accounts/sector/Agriculture,%20Forestry%20and%20Fishing>

### Agriculture, forestry and fishing, Q1 2018 to Q4 2020 Growth Rates, At constant 2018 prices



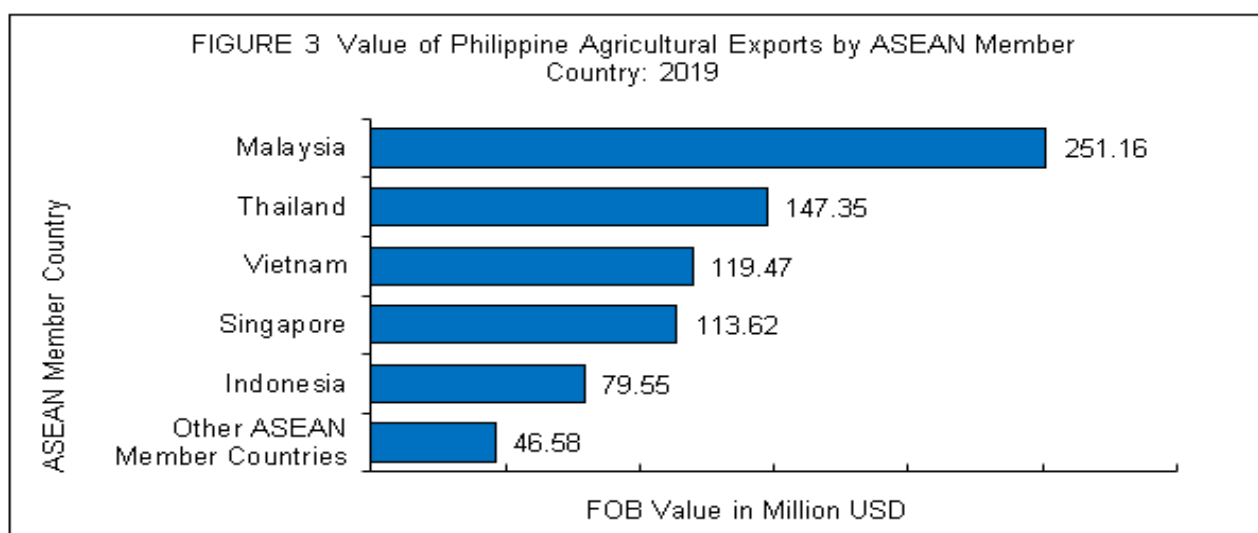
Source: Philippine Statistics Authority

Agricultural commodities form part of the major commodities in the country's external trade. In 2019, the Philippines agricultural trade totaled to USD2 1.22 billion accounting for 11.6% of the country's total trade thereby posting a 5% increase in comparison with the figure in 2018 which amounted to USD 20.22 billion. Out of this figure, 31.5% or USD 6.68 billion were from agricultural exports while 68.5% or USD 14.64 billion came from agricultural imports.



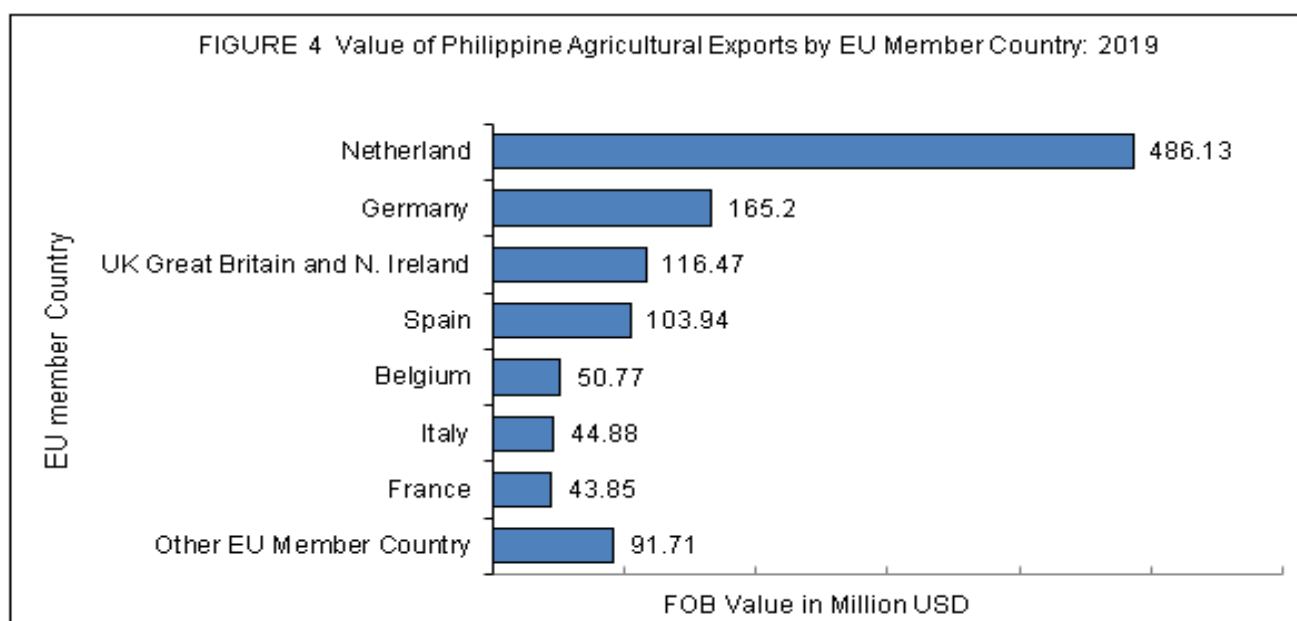
Source: Philippine Statistics Authority

The country's top agricultural exports are edible fruit and nuts, and peel of citrus fruits or melons which amounted to USD 2.63 billion or 39.4% of the total agricultural exports. Agricultural exports in 2019 recorded an annual growth rate of 10.8% from the previous year which amounted to USD 5.77 billion. Among the ASEAN, Malaysia had the largest share in exports at USD 251.16 million accounting for 33.1% of the total agricultural exports to the ASEAN which came to USD 757.73 million making up 7% of the total exports to ASEAN. This is followed by Thailand at USD 147.35 million and Vietnam at USD 119.47. The top agricultural exports to ASEAN are tobacco and manufactured tobacco substitutes (USD 277.36 million), animal or vegetable fats and oils (USD 117 million), and preparations of cereals, flour, starch or milk (USD 78.29).



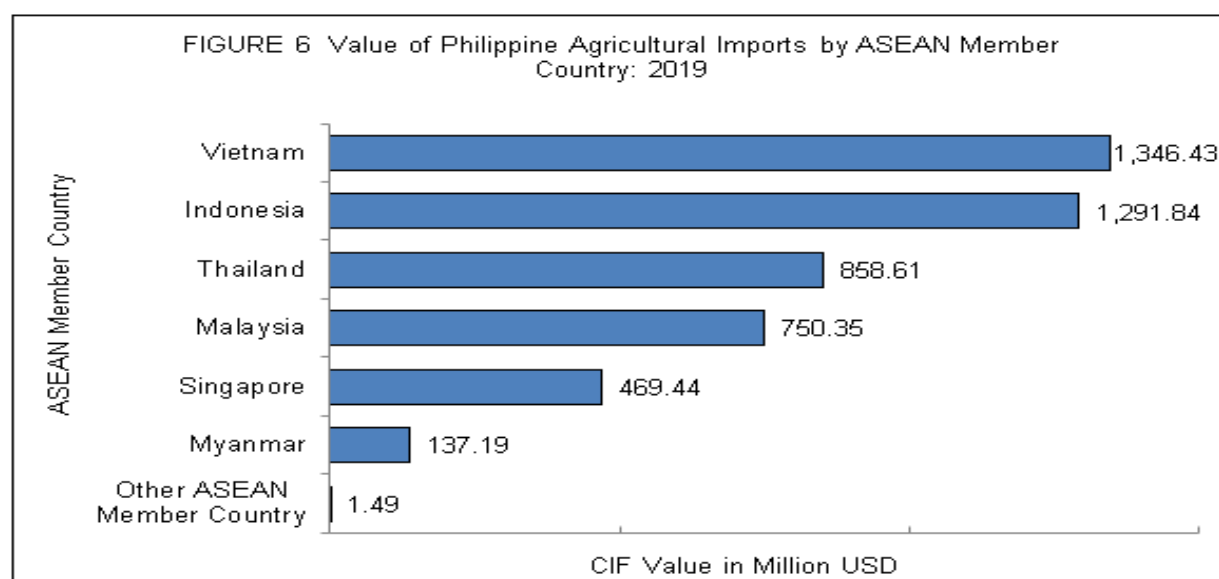
Source: Philippine Statistics Authority

Meanwhile, in the European Union, the Netherlands recorded the largest share in agricultural commodities exports in 2019 amounting to USD 486.13 million or 44.1% of the USD 1,102.45 million worth of agricultural commodities exports to the bloc. Top agricultural exports to the EU are animal or vegetable fats and oils and their cleavage products (USD 431.56 million); preparations of meat, fish, and crustaceans (USD 252.71 million); and preparation of vegetables, fruits, nuts, or other parts of plants (USD 122.25 million).



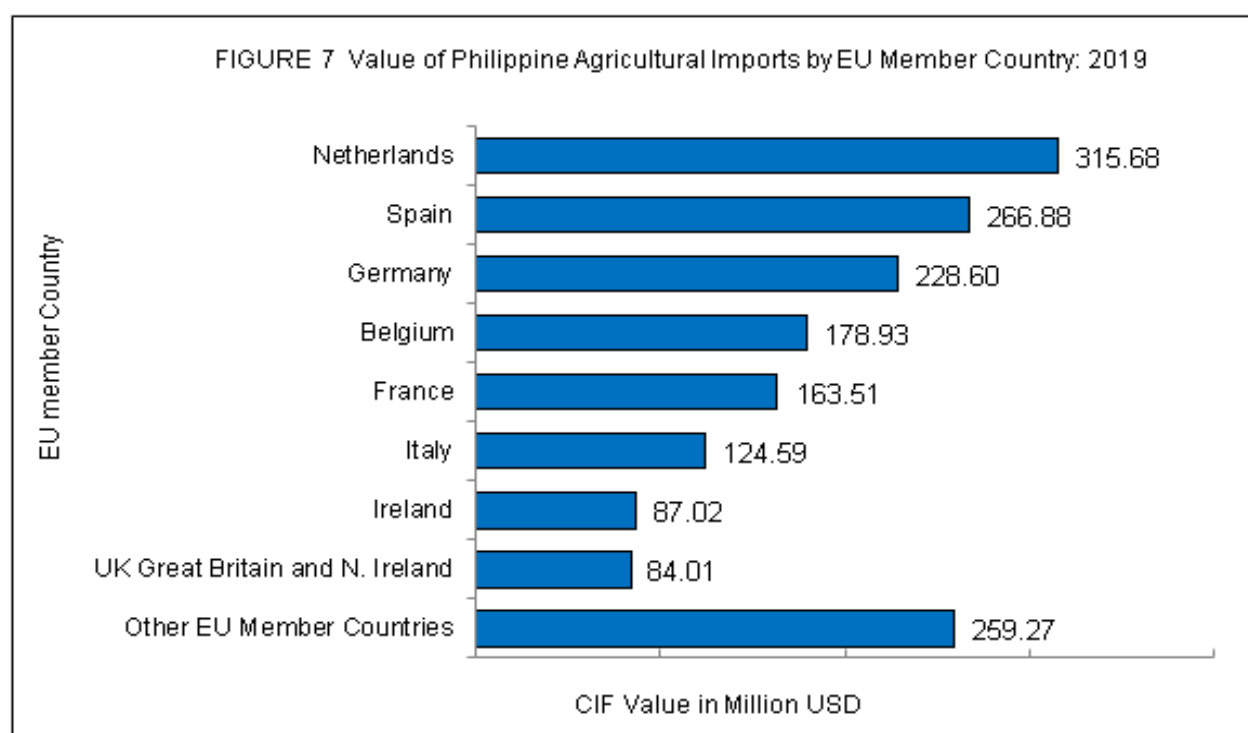
Source: Philippine Statistics Authority

On agricultural imports, the top commodity is cereals posting a 21.8% (USD 3,174.28 million) share of the total agricultural imports in 2019. Following this are residues and waste from food industries, prepared animal fodder (USD 1,817.13 million), and miscellaneous edible preparations (USD 1,792.39 million). The country's top market for import in ASEAN is Vietnam with agricultural imports valued at USD 1,346.43 million or 27.7% of the total agricultural imports from ASEAN amounting to USD 4,855.36. The top imports from ASEAN are edible preparations (USD 1,210.97 million), cereals (USD 1,135.22 million), and animal or vegetable fats and oils and their cleavage products (USD 790.72 million) during the same period.



Source: Philippine Statistics Authority

Meanwhile, in the European Union, the Netherlands also had the largest share in the country's agricultural imports in 2019. Agricultural imports from the EU registered an amount of USD 1,708.48 million. Out of this figure, the Netherlands contributed 18.5 % or USD 315.68 million worth of agricultural commodities. The top three agricultural commodities from the EU are meat and edible meat offal (USD 523.97 million); dairy products and edible products of animal origin (USD 285.38 million); and residues and waste from the food industries (USD 189.75 million).



Source: Philippine Statistics Authority

## 5.2 Structure of the Food and Beverage Processing Industry

The Food and Beverage sector is the biggest sub-sector of the country's manufacturing industry accounting for 51.2% of its nominal gross value added (GVA) and 10% of the Philippines' GDP as reported by the PSA in 2017<sup>4</sup>. In the latest edition of the Annual Survey of the Philippine Business and Industry - Manufacturing Sector in the same year<sup>5</sup>, food manufacturing accounted for 32.6% (7,880 establishments) of the total number of manufacturing establishments in the country. Similarly, in 2018<sup>6</sup>, food manufacturing remained to have the largest number of establishments in the manufacturing industry with an increased number of 9,084 establishments or 31.4% of the total 28,968 establishments engaged in the industry from the previous year. Similarly, establishments engaged in beverage manufacturing also saw an increase at 3,986 establishments or 13.8% of the total establishments engaged in the manufacturing industry.

On the employment side, food manufacturing had the highest number of workers employed in 2018 with 151,514 or 12% of the 1,260,512 employees in the manufacturing industry. This is higher than the recorded number of over 146,000 employees accounting for 11.5% of the total workforce in the manufacturing sector of 1.3 million workers in the previous year. In terms of volume production, the food industry had a yearly increase of 5.38% and from the period of 2012-2017.

Top companies in the food and beverage manufacturing industries in 2019 are Nestlé Philippines, San Miguel Brewery, Universal Robina Corporation, and Coca-Cola Beverages Philippines. Nestlé, as the leading food and beverage manufacturers in the country, earned an estimated amount of USD 2.4 billion in the same year.<sup>7</sup> In terms of consumption, the majority of the processed food products are consumed domestically, with household staples such as canned goods, frozen processed foods, snack foods, etc. were reported to have an increase in sales during the implementation of the country-wide community quarantine in 2020.<sup>8</sup>

Despite the high number of manufacturing companies active, it is important to note the following: One of the major bottlenecks that food processing companies encounter in their activities is the delay in the processing and acquisition of the required permits or clearances from government agencies leading to opportunity and revenue losses. Furthermore, due to the number of permits that are needed to be acquired, compliance costs in the Philippines are also quite high in comparison to other countries. Aside from these, the sector also faces challenges brought about by the pandemic which requires manufacturers to incorporate costly safety measures against the virus in their day-to-day operations.

## 5.3 Meat Processing Industry

Throughout the years, the Philippine processed meat industry has exhibited a stable growth due to the increase of demand and improvements in the economy leading to increased purchasing power. It has six product categories such as cured meat, pre-cooked products, dried meat, fresh processed meat products, raw fermented sausages, and raw-cooked products. There are a total of 175 meat processors in the Philippines, most of which can be found in the National Capital Region, Region III, and Region IV-A.

<sup>4</sup> <https://www.businesswire.com/news/home/20180412005810/en/Philippines-Food-and-Beverage-Market-Analysis-Forecast-2018-2019---ResearchAndMarkets.com>

<sup>5</sup> <https://psa.gov.ph/manufacturing/aspbi-id/160272>

<sup>6</sup> <https://psa.gov.ph/manufacturing/cpbi-id/163605>

<sup>7</sup> <https://www.statista.com/statistics/1179099/philippines-leading-food-beverage-processing-companies/#:~:text=In%202019%2C%20the%20leading%20food,Brewery%20and%20Universal%20Robina%20Corporation.>

<sup>8</sup> [https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Food%20Service%20-%20Hotel%20Restaurant%20Institutional\\_Manila\\_Philippines\\_09-30-2020](https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Food%20Service%20-%20Hotel%20Restaurant%20Institutional_Manila_Philippines_09-30-2020)

According to the Department of Trade and Industry - Bureau of Investment (DTI-BOI), the country is generally considered as a net exporter of processed meat. In fact, from the period of 2010 to 2015, exports of processed meat posted an annual growth rate of 13.8% with UAE, Qatar, Japan, Saudi Arabia, USA, Kuwait, ASEAN countries, Canada, Guam, and Taiwan as its major export markets. Meanwhile most of its raw materials (about 85 %) are imported due to the following reasons: (1) mismatch in the quality needed by the meat processors and local produce; (2) international meat products are relatively cheaper than locally produced meat especially for the production of hotdogs, sausages, and corned beef; and (3) quality of support facilities like that of refrigeration requirements that are not met by local meat producers.

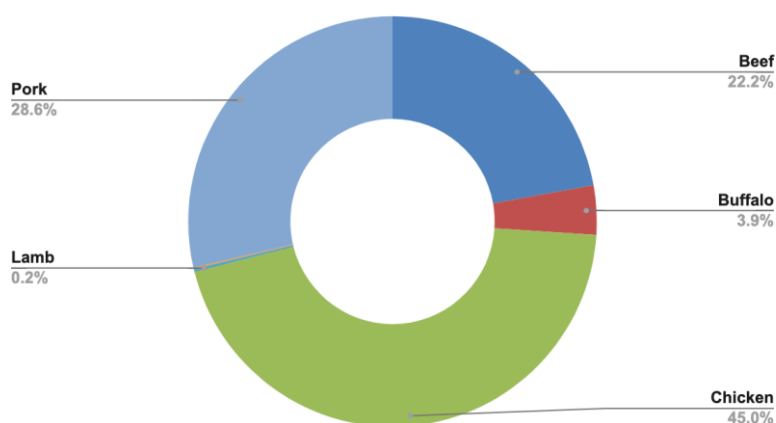
In 2020, the Philippines reached a new record in terms of meat imports at 895,000,000 kilograms which is 6% higher than the 844.971 million kg in 2019 and the previous record-high import value at 848.647 million kg in 2018. Out of the meat imports, chicken had the largest share accounting for 45 % of the total volume at 402.7 million kg. Out of this volume, an estimate of 68% consisted of mechanically deboned meat which is a commonly used raw material for processed meat products that is not available in the local market. This is followed by pork at 256 million kg with offal having the largest share of the total pork imports, and beef at 198.385 million kg with beef cuts stipulating the largest proportion at 115.962 million kg.

### MEAT AND MEAT PRODUCTS IMPORTATION CY 2020

Meat	Sum of Net Weight(kgs)
Beef	198,385,327
Buffalo	34,606,228
Chicken	402,700,069
Duck	97,421
Lamb	1,912,058
Turkey	979,968
Pork	256,017,459
<b>Grand Total</b>	<b>894,698,528</b>

Source: Bureau of Animal Industry

Meat and Meat Products Importation CY 2020



The United States of America, the Netherlands, and Brazil are the top three sources of meat products at 160.052 million kg, 157.779 million kg, and 131.717 million kg respectively. Both the USA and the Netherlands have chicken as its top meat import at 99.822 million kg and 124.274 million kg respectively. Meanwhile, for Brazil, its main meat import is Turkey at 135 million kg.

Origin	Beef	Buffalo	Chicken	Duck	Lamb	Turkey	Pork	Grand Total
Argentina	458,873							458,873
Australia	87,291,541		1,174,550	16,408	1,644,487		3,966,773	94,093,760
Austria	638,654						549,757	1,188,411
Belgium	1,666,156		35,423,798					37,089,954
Brazil	44,928,478		78,417,147			135,000	8,236,420	131,717,045
Canada	1,574,493		22,903,706			526,000	45,282,945	70,287,144
Denmark	385,988		165,000				6,527,867	7,078,856
France	720,497		8,871,459	19,733		2,400	29,799,472	39,413,561
India		34,606,228						34,606,228
Ireland	26,908,398						4,388,850	31,297,248
Italy							870,466	870,466
Japan	183,223							183,223
Netherlands	8,496,403		124,274,434				25,008,175	157,779,011
New Zealand	5,713,534		28,438	20,000	258,000			6,019,972
Poland			1,589,000					1,589,000
Spain							77,423,506	77,423,506
Turkey			14,233,457					14,233,457
Sweden							595,500	595,500
United Kingdom	4,115,829		15,796,458				8,808,328	28,720,615
United States	15,303,259		99,822,623	41,280	9,571	316,568	44,559,399	160,052,699
<b>Grand Total</b>	<b>198,385,327</b>	<b>34,606,228</b>	<b>402,700,069</b>	<b>97,421</b>	<b>1,912,058</b>	<b>979,968</b>	<b>256,017,459</b>	<b>894,698,528</b>

Source: Bureau of Animal Industry

As of 23 December 2020, the Department of Agriculture has listed 14 countries that are accredited to export meat into the Philippines. The list includes Australia, Belgium, Canada, Denmark, France, Germany, Ireland, Japan, Netherlands, New Zealand, Spain, Sweden, United Kingdom, and the United States of America. In terms of individual accreditation for meat establishments, Brazil has the greatest number of accredited establishments at 54. Austria has currently only six establishments with the necessary accreditation. However, a request for a new inspection visit by the Philippine Department of Agriculture has already been filed.

On the other hand, the Philippines has imposed temporary restrictions on the importation of certain meat products from 8 countries including Germany, Australia, Belgium, France, Netherlands, United Kingdom, United States of America, and Poland. Especially with the European Union, discussions about the regionalization of such import restrictions are being conducted.

**List of Countries with Temporary Bans on the Importation of Meat**  
(as of 23 December 2020)

Country	Commodity	Area Coverage
Germany	Pork	Countrywide
	Poultry	Countrywide
Australia	Poultry	Regionalized (Lethebridge, Victoria, Australia)
Belgium	Poultry	Regionalized (Menen, West-Vlaanderen, Belgium)
France	Poultry	Regionalized (Lucciana, Haute-Corse, France)
Netherlands	Poultry	Regionalized (Gelderland and Groningen, Netherlands)
United Kingdom	Poultry	Regionalized (England, United Kingdom)
United States of America	Poultry	Regionalized (Chesterfield County, South Carolina, USA)
Poland	Poultry	Countrywide

In a joint report published by the United Nations' Food and Agriculture Organization (FAO) and the Organization for Economic Cooperation and Development (OECD), it was forecasted that local production for meat products will fall short to the population's demand leading to a further increase in meat imports to cater to the demand by 2028. All this despite the projected annual increase of 1.85% in the production of meat in the Philippines. Furthermore, according to the report, meat consumption in the country is expected to increase by 28.67% or 5.197 MMT by 2028. A Filipino is estimated to have an annual consumption of at least 34.6 kg of meat, which is higher than the reported per capita consumption of an average of 31.2 kg from 2015 to 2017.

Meanwhile, production of pork is still at a downward trend due to the spread of the African Swine Fever (ASF) in the country beginning in 2019. According to the PSA, swine inventory as of 01 January 2021 is estimated at 9.72 million heads, which is a decline from the 12.80 million heads tallied in 2019. On a positive note, the Philippine Department of Agriculture has reported that the spread of ASF is tapering down and that they have a positive outlook for swine production in 2021. Meanwhile, local production for chicken in 2020 reported a slight increase at 179.78 million, which is 0.9 % higher than the recorded 178.26 million birds in 2019.



## 5.4 Milk and Milk Processing Industry

The Philippines is known to be a big importer of dairy products due to the insufficient local production to meet the demand of about 3.0 MMT liquid milk equivalent (LME) annually. However, for the year 2020, a decrease in the country's dairy imports was recorded at 2,163.08 thousand MT-in LME or an equivalent of USD 805.32 million, which is lower than the reported, number in 2019 at 2,969.83 thousand MT-in LME or USD 1,129.32 million. Its top dairy imports for the same year are milk and cream products (1,847.17 thousand MT-in LME) such as skim milk powder (1,051.73 thousand MT-in LME), and whey products (265.34 thousand MT-in LME). The top sources of the country's dairy supplies for the period of January-September 2020 are New Zealand (32.63%), United States of America (30.44%), Australia (5.45%), the Netherlands (5.05%), and Germany (3.45%).

**Volume of Milk & Milk Products Imports**  
(‘000 MT or mil. liters, in LME)

Products	2016	2017	2018	2019	2020 (Jan-Sep)
1. Milk and Cream					
Skim Milk Powder	1,435.85	1,121.44	1,276.15	1,336.99	1,051.73
Whole Milk Powder	166.17	150.51	168.52	228.52	153.75
Evaporated Milk	0.60	6.73	1.35	0.02	-
Buttermilk/ Buttermilk Powder	237.18	241.44	291.04	287.32	238.11
Whey Powder	403.93	422.34	441.14	432.41	265.34
Liquid (RTD Milk)	65.60	61.49	79.39	87.20	67.76
Cream	28.84	3.78	195.68	135.10	46.21
Condensed Milk	16.70	19.63	23.01	5.40	1.96
<b>Total Milk and Cream</b>	<b>1,409.49</b>	<b>2,086.36</b>	<b>2,503.44</b>	<b>2,546.19</b>	<b>1,847.17</b>
2. Butter/ Butterfat	232.21	247.65	259.80	262.24	190.43
3. Cheese	127.32	108.20	125.40	121.29	89.81
4. Curd	3.55	44.00	50.96	40.11	35.67
5. Others	54.62	59.00	27.16	33.23	22.37
<b>Total</b>	<b>2,772.57</b>	<b>2,486.29</b>	<b>2,939.60</b>	<b>2,969.83</b>	<b>2,163.08</b>

Source: National Dairy Authority

On local production, data from the Philippines Statistics Authority shows that production has increased in the last year of about 9.5 % from 24.38 million liters in 2019 to 26.71 million liters in 2020. Main sources of local milk production is from cow's milk accounting for 65 %, followed by carabao's milk at 31%, and goat's milk at 4% as reported by the National Dairy Authority. The increase is mainly attributed to the increase in the number of dairy animals in the milk line.

According to the inventory of the PSA, the total inventory for cattle from the period of October to December 2020 increased by 1.7% at 2.59 million heads from the 2.54 million heads reported in the same period in 2019. Similarly, both inventories for carabaos and goats increased by 1 % from 2.87 million heads in October-December in 2019 to 2.92 million heads in the same period last year for carabaos, and by 2.5% from the 3.81 million heads in 2019 to 3.91 million heads in the same period last year for goats. The increase in the cattle inventory is brought about by the importation of new dairy breeds as part of the NDA's Herd Build-Up Program with the objective of increasing the dairy production in the country via the importation of equipment, dairy animals, among others, as well as the conduct of breeding programs to upgrade the local animals to dairy breeds.

The Philippines has four main types of dairy farms. These are individual smallholder producers, smallholder cooperatives, commercial farms, and government farms. In terms of goat production, Central Visayas was reported as the top producer of goat for the period of October-December 2020 at 3.07 thousand MT, liveweight followed by Central Luzon at 2.32 thousand MT, liveweight and Ilocos Region at 2.21 thousand MT, liveweight accounting for 37% of the total goat production. Meanwhile, Ilocos Region, Central Visayas, and CALABARZON are the top regions for cattle production contributing 35% of the total cattle inventory. Lastly, for carabao production, Bicol Region, Western Visayas, and Central Luzon comprised 29 % of the total carabao inventory in the Philippines.

Milk's average farm-gate price increased from PHP 42.06 per liter in 2019 to PHP 44.24 per liter in 2020. Meanwhile, the average milk production per animal remains quite low at 8 liters per day in comparison to other countries such as the United Kingdom which has an average daily milk yield of 20 liters per day and the United States of America which has around 30 liters per day. This is most likely due to some challenges that companies/farms face in terms of milk production such as high production costs, inadequate dairy infrastructure and limited quality of feed. Despite these, the Philippines continues to implement initiatives to increase local supply of milk, particularly of fresh milk in the country. Some of these initiatives include the already mentioned Herd Build-Up Program.

In terms of ready-to-drink milk products, Swiss multinational company Nestlé Philippines Inc. remains to be the most successful company in 2020. Among the company's top selling products are chocolate milk Chuckie and Milo, and Nestlé fresh milk. The company has launched additional RTD products at the start of 2020, which includes RTD format of Bear Brand Fortified and Adult Plus. Consumption of RTD milk products saw an increase in the same year as the local population became more interested in their wellbeing. Other known brands of RTD milk products are Alaska Milk Corporation, Fonterra Philippines, and RFM Corporation.

Recently bought by Dutch national Royal FrieslandCampina, Alaska Milk Corporation has been operating in the Philippines for more than 45 years. Some of its ready-to-drink products that are available in the market are Alaska Fresh Milk, Alaska Fortified Milk Drink, Alaska Choco Milk Drink, and Alaska Yogurt Drink. Fonterra Philippines is owned by a co-op of farmers from New Zealand. Its top selling products in the Philippines are Anlene (adult milk), Anmum (best for pregnant women), and Anchor Milk. Lastly, RFM Corporation is known as one of the biggest food and beverage companies in the country. First established in 1958 as a flour-milling company, RFM has now grown to include manufacturing of several food and beverage products including pasta, milk, ice cream, etc. Selecta Dairy Philippines, Inc. is the corporation's subsidiary for dairy products. Among its top products are, Selecta Fortified Milk and Moo (chocolate milk drink).

## **5.5 Grain, Bread and Bakery Industry**

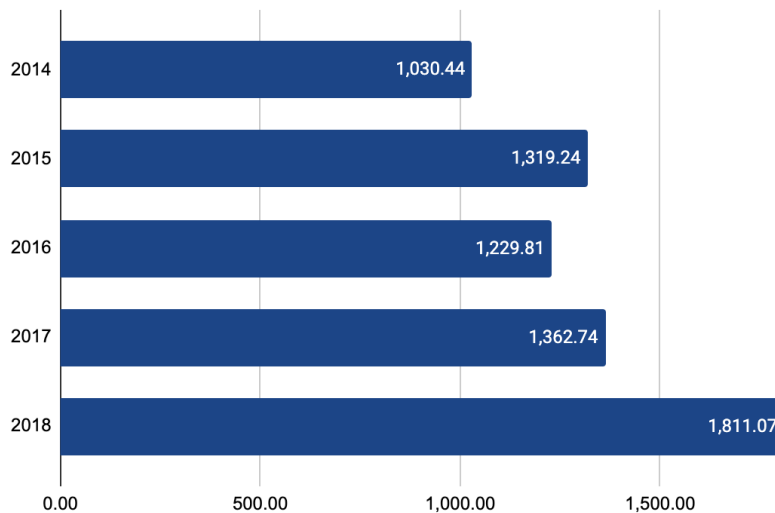
The Philippines is a major importer of grains, as the country does not have a local production of wheat or small grains (rye, barley, and oats) due to its tropical climate. In 2019, imports for wheat (including spelt and meslin) amounted to USD 7.5 million, an increase from the reported figure in 2018 amounting to USD 7.1 million as reported by the PSA. For the year 2020/21, however, importation of wheat is projected to decline due to lower demand for hog feed as a result of the African Swine Fever.

### Value of Wheat (including Spelt) and Meslin

\*in million USD

Year	*Value
2014	3,095.30
2015	4,770.39
2016	5,243.11
2017	5,827.94
2018	7,141.34

Source: PSA



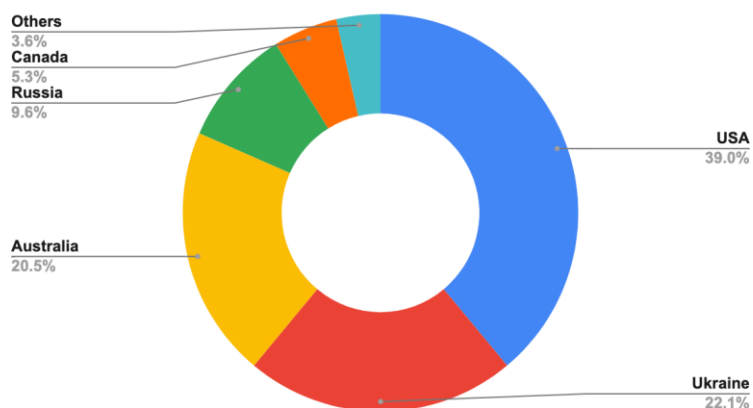
The country's top supplier of wheat is the United States of America with imports amounting to USD 705.44 million accounting for 39% of the total imports for wheat in 2018, and USD 708 million in 2019. The Philippines is the USA's second largest market for wheat exports. Following the USA, is Ukraine at USD 399.83 million contributing 22% of the total wheat imports, and Australia at USD 371.67 million or 22%.

### Wheat (including Spelt) and Meslin Imports Major Country of Origin, 2018

\*in million USD

Country	Volume	Value*
USA	2,574.97	705.44
Ukraine	1,730.26	399.83
Australia	1,515.93	371.67
Russia	760.98	173.29
Canada	321.98	95.41
Others	237.23	65.43

#### % Share



In terms of consumption, the Philippines is an increasing consumer country of wheat-based products including bread, flour, noodles, etc. According to the recent report of the Foreign Agricultural Service - United States Department of Agriculture in March 2020, consumption of wheat-based products have posted an annual growth of 4-7% over the last ten years. About 70 % of the overall milling wheat consumption consists of bakery products such as *pan desal*, buns and rolls, loaf bread, and other pastries while the remaining 30% consists of noodles, pasta, and cookies and crackers. The country is the only Southeast Asian country that has more consumption of bread than rice.

The Philippine milling and grain processing industry continues to flourish as local demands for wheat-based products continue to grow. As of writing, there are 22 companies in the country that engage in flour production producing over 83 million bags of flour every year. As of December 2019, the country's aggregate milling capacity reached 6.2 million tons posting a growth rate of 46% from 4.2 million tons in 2014.

## 5.6 Fruit and Vegetable Industry

As an overall agricultural country, the Philippines fruit and vegetable production is highly competitive. The country has four major fruit crops, which are banana, calamansi, mango and pineapple. In the quarterly report of the PSA, banana production for October-December 2020 was estimated at 2.40 million metric tons with cavendish variety having the largest share in production at 1.21 million metric tons or 50.4% of the total production followed by saba variety at 28.5 %. Most of the produce came from Davao Region accounting for 35.3% or 846.23 thousand metric tons.

For calamansi, local production was recorded at 25.39 thousand metric tons, posting a decrease of 3.2 % from the total number of productions in the same period in 2019 at 26.24 thousand metric tons. The top source of calamansi production is Caraga Administrative Region with 4.01 thousand metric tons accounting for 15.8 % of the total production for the said period. Similarly, mango production also posted a decrease by 0.9 % at 27.53 thousand metric tons in comparison to the 27.78 thousand metric tons produced in the same quarter in 2019.

Caraga was also reported to have the largest share of mango production at 24.8% or 6.84 thousand metric tons. Lastly, for pineapple production, it had a 0.1% growth rate at 712.64 thousand metric tons from the same quarter in 2019 at 711.94 thousand metric tons. The top supplier of pineapple is Northern Mindanao contributing to about 462.32 thousand metric tons to the total production.

For vegetable production, the major produce is mung bean, potato, cabbage, eggplant, tomato, jambalaya, onion, sweet potato, and cassava. Mung Bean production for the last quarter of 2020 posted a 0.4% growth rate at 3.13 thousand metric tons from 3.12 thousand metric tons in the same quarter in 2019. The Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) contributed the most with more than half of the total output coming from the region.

Banana remained to have the largest share in agricultural exports in 2019 at 29% with a volume of 4.40 million metric tons posting a 4 1% growth rate than the reported figure in 2018. Exports for pineapple and mango both recorded an increase in its export volume at 631,486 metric tons and 14,212 metric tons respectively. Similarly, an increase in the Philippine export of onion, calamansi, mango, and potato was also reported in the same year.

### Volume, value, and percentage of fruits and vegetables in the total agricultural exports 2018-2019

Commodity	2018			2019		
	Volume (in MT)	Value		Volume (in MT)	Value	
		PhP ('000)	% Share		PhP ('000)	% Share
Banana	3,126,203.3	72,779,319.4	22.591	4,403,496.3	101,177,609.3	29.262
Coconut	1,309.3	35,738.8	0.011	1,380.9	36,919.7	0.011
Mango	13,562.2	990,941.7	0.308	14,211.8	1,017,482.3	0.294
Sugarcane	0.5	13.5	0.000	1.6	47.4	0.000
Pineapple	391,982.1	8,651,209.1	2.685	631,486.2	16,824,913.1	4.866
Cassava	905.9	44,438.6	0.014	808.6	47,425.5	0.014

Sweet Potato	29.8	2,366.5	0.001	732.7	57,221.4	0.017
Onion	121.0	7,769.5	0.002	379.2	23,662.9	0.007
Eggplant	-	-	-	0.3	40.3	0.000
Coffee	17.1	6,623.9	0.002	14.2	6,838.1	0.002
Tomato	-	-	-	-	-	-
Potato	0.9	71.1	0.000	6.6	763.5	0.000
Ampalaya	-	-	-	-	-	-
Cabbage	0.4	35.1	0.000	-	-	-
Calamansi	59.5	3,468.6	0.001	99.7	7,085.0	0.002
Mongo	2.3	269.0	0.000	385.1	7,321.5	0.002
Cacao	2,732.6	359,807.7	0.112	3,048.8	406,970.7	0.118

Source: Philippine Statistics Authority

Processed fruits and vegetables are still quite limited in the country, especially for processed vegetables. One of the most known processed fruit products from the Philippines is the dried mango, which is mostly sourced from Cebu. According to the DTI, more than or 85 % half of the country's dried mango products are exported.

## 5.7 Beverage Industry

The Philippine beverage industry continues to grow throughout the years. In 2017, manufacture of beverages posted the second largest number of the manufacturing establishments in the country at 2,407 or 9.9% of the total number generating a total employment of 28,098. In the following year, the number of establishments engaged in beverage manufacturing increased to 3,986 accounting or 13.8% of the total number generating a revenue of PHP 405.5 billion or 7% of the total revenue generated by the manufacturing industry. Out of the industry groups, beverage manufacturing posted the highest value added at PHP 249.2 billion or 13.2% of the PHP 1.9 trillion value added of the manufacturing sector.

Production of beverages is mainly divided into two categories, the alcoholic beverages (wine, beer, etc.) and the non-alcoholic beverages (soft drinks, juices, mineral water, etc.). Owing to the large number of young adults in the country and increase in the population's spending power, the Philippines is one of the fastest growing alcohol markets in the world. The most popular drink remains to be beer with a total consumption of 2,158 kiloliters in 2018 posting a year-on-year increase of 8.8%.

The country's top producer of beer is San Miguel Brewery Inc. accounting for at least three-quarters of the total sales of alcoholic beverages in 2019. Most of the craft beer breweries are located in Metro Manila along Manila, Quezon City, Makati, Pasig, Taguig, Las Pinas, and Paranaque.

Aside from beer, the Philippines is also being increasingly known to be the top market for gin with a total consumption of 22 million cases or 46% of the total gin production in the whole world. Gin is the leading spirit in terms of consumption in the country right next to rum and brandy. The most popular gin product in the country is Ginebra San Miguel which is also the oldest gin product in the country. Wines in the Philippines are made quite differently from wines produced in other countries, especially European countries, as grapes are not commonly grown in the Philippines. As such, most wines are made with other fruits like mangosteen, guava, black plum, and bignay (Philippine wild berry) among others.

In terms of foreign brands, Heineken Philippines Inc. is the only strong contender of local brand San Miguel in terms of beer production and sales. The company has expanded its presence in the country over the years and has switched to local production to be able to have a more competitive price. Despite this, however, San Miguel remains to have the biggest market share of beer sales in the country. On non-alcoholic beverages, Austrian brand Red Bull and American brand Monster Energy Drink are the most known energy drinks in the country and are most popular among blue-collar workers including construction workers and employees involved in the industrial manufacturing sector. In 2020, however, energy drinks struggled to gain momentum in terms of sales as the pandemic reduced opportunities for consumption due to the government's implementation of a nationwide lockdown leading to an economic pause.

Furthermore, while it is true that the beverage industry in the Philippines has exhibited growth, there are still some challenges or issues that the industry faces. One of which is the government's decision to impose an increased excise tax on alcoholic beverages effective 1 January 2020 through the enactment of Republic Act No. 11467. Based on the said law, distilled spirits shall have an ad valorem tax amounting to 22% of the net retail price while specific tax is valued at PHP 42.00 per proof liter. The excise tax shall continue to increase every year following the schedule below.

<b>Distilled Spirits</b>						
	2019	2020	2021	2022	2023	2024
Ad Valorem Tax	20% of net retail price	22 % of net retail price	No Change	No Change	No Change	No Change
Specific Tax <sup>9</sup>	PHP 23.40 per proof liter	PHP 43.00 per proof liter	PHP 47.00 per proof liter	PHP 52.00 per proof liter	PHP 59.00 per proof liter	PHP 66.00 per proof liter

For wine, the law changes the levied excise tax to a standard of PHP 50.00 per liter for all types of wine from the previous imposed tax structure, which differ per wine type. The levied PHP 50.00 per liter shall also have a scheduled increase of PHP 50.00 per liter starting in January 2021, and every year thereafter.

Wines		
	2019	2020
Sparkling wine/champagne regardless of proof: <ul style="list-style-type: none"><li>• PHP 500 or less</li><li>• More than PHP 500</li></ul>	PHP 316 per 740 ml PHP 885 per 750 ml	PHP 50.00 per liter
Still wine containing 14 % alcohol by volume or less	PHP 38.00 per liter	
Still wine containing more than 14% but less than 25% alcohol by volume	PHP 76.00 per liter	
Fortified wine (more than 25 % alcohol by volume)	Taxed as distilled spirits	

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<sup>9</sup> The specific tax is scheduled to have a 6% increase starting 1 January 2025, and every year thereafter  
Ein Service der AUSSENWIRTSCHAFT AUSTRIA

Lastly, for fermented liquor, the excise tax increased from PHP 25.42 in 2019 to PHP 30.00 in 2020, and is set to have an increment of PHP 2.00 per year until 2024 when it amounts to PHP 43.00. The specific tax shall then increase by 6% starting 2025 and every succeeding year after.

<b>Fermented Liquor</b>							
	2019	2020	2021	2022	2023	2024	2025
Specific Tax	PHP 25.42	PHP 35.00	PHP 37.00	PHP 39.00	PHP 41.00	PHP 43.00	Shall increase by 6% every succeeding year after

## 5.8 Sales Channels

The Philippine food retail sector is mostly composed of supermarkets, hypermarkets, convenience stores, warehouse clubs, sari-sari stores, and wet markets. Below are the different sales channels in the country:

- **Supermarkets** are defined as establishments that have an area of 400 square meters to 2,500 square meters. More than half of the store's products are devoted to food and everyday goods. These stores are usually found inside of malls or in a commercial complex. SM Supermarkets remain to be the largest supermarket chains in the country followed by Robinsons Supermarket.
- **Hypermarkets** are a mixture of a supermarket and a department store which offers non-food products including clothes, furniture, and appliances. It typically has an area of at least 2,500 square meters with 35 % of the area allotted for non-food products.
- **Convenience stores** have a sales area of 150-300 square meters usually located near condominium buildings, intersections or corner streets, and beside gasoline stations. These type stores typically have longer operating hours and offer ready-to-eat meals with limited selection of food and non-food products.
- **Warehouse Clubs/Stores** are typically known for sales of bulk products at relatively discounted prices. Most of these stores offer membership shopping.
- **Sari-Sari Stores (Mom and Pop)** are the oldest form of retail outlet in the Philippines. It is a small store, smaller than a convenience store, located in a neighborhood and is typically run by a household.
- **Wet Markets** mostly offer local produce of fresh fruits, vegetables, and meat. Similar to the sari-sari store, wet markets are also one of the older forms of retailing in the Philippines.

In recent years, modern retail outlets have expanded both in the urban and rural areas although the pandemic has put a strain on the expansions. On the other hand, the pandemic has helped other modern formats of retailing such as online grocery retailing to flourish as more and more grocery retailers launch their own platforms for grocery sales.

## 5.9 Retail Chains and Current Development Trends

The Philippine food retail sector is mostly dominated by five major retailers operating across the country. These are SM Markets, Robinsons Supermarket, Puregold Price Club Inc., METRO Retail Stores Group Inc., and Landers Superstore.

Despite the strong competition in the food retail sector, SM Markets still leads the Philippines in modern retailing with over 1,000 stores present in the country. SM Markets is part of the SM Retail Inc., which is a subsidiary of the conglomerate group SM Investment Corporation. This includes different retail outlets such as SM Supermarket located inside SM malls, Hypermarkets, SaveMore, Waltermart, and Alfamart which is a mini-mart format joint venture with an Indonesian partner. Nationwide expansions were also pursued by the company as more stores opened outside of metro manila in 2019.

In June 2020, SM Retail earned a gross revenue of PHP 81 billion which includes revenues from the retail of food and non-food products. In order to adapt to the new normal, SM has also enhanced its electronic platform to provide efficient and hassle-free online shopping/grocery delivery through the launching of a one stop shop e-commerce site featuring options home delivery or pick up at any of 21 designated SM Markets branches in Metro Manila.

#### SM Retail: Footprint Expansion as of FY2019

Type of Outlet	Number of Stores	GSA (sqm)	Average
SM Supermarket	58	361,285	6,229
SM Hypermarket	52	336,867	6,478
Savemore	206	543,815	2,706
WalterMart	60	164,361	2,739
Alfamart	846	135,586	180

Source: SM Investments Corporation

Another major player in the Philippines retail sector is the Robinsons Supermarket which is the second largest supermarket chain in the Philippines. Starting in 1985, Robinsons ventured into the food retail sector and now consists of Robinsons Supermarket, Robinsons Selections, Robinsons Easymart, Jaynith's Supermarket (cash and carry) and Ministop.

As of 2020, the conglomerate has over 700 stores engaged in the food retailing business throughout the country. 212 supermarkets are in Luzon, 111 of which are in Metro Manila, 36 in Visayas, and 16 in Mindanao. Meanwhile, 450 Robinsons convenience stores are in Luzon, of which 298 are in Metro Manila while 22 are in Visayas. The conglomerate earned a total of PHP 94,080 million from the supermarket segment and PHP 6,361 million from the convenience store segment.

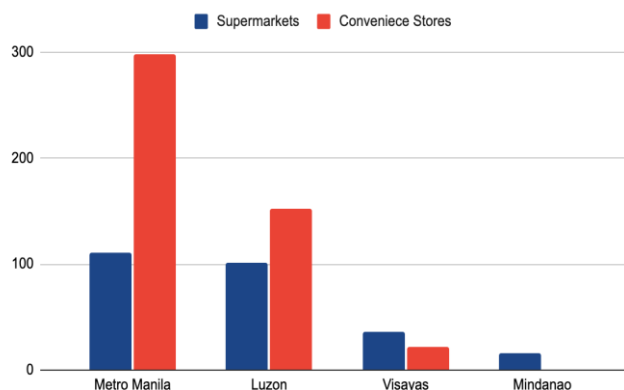
Robinsons is also vamping up its e-commerce platform to deliver hassle-free online shopping/grocery to the consumers. As of 2020, Robinsons reported an increase in its e-commerce sales posting a growth rate of 3 % year-on-year, with the inclusion of the sale of a third-party platform

#### Robinsons' Food Retail Outlets Network as of 2020

Outlet	No. of Stores
Robinsons Supermarket	143
Shopwise	16
Robinsons Easymart	70
The Marketplace	35
Convenience Store	472

Source: Robinsons Retail Holdings, Inc.

Robinsons Supermarkets and Convenience Stores





Puregold Price Club Inc. (PPCI) was first established in 1998 and has now grown into one of the largest retail chains with over 400 stores (537,965-meter square net selling area of outlets) established countrywide including Puregold Jr. Supermarket and Puregold Extra. PPCI also manages the first ever US-based chain to operate in the Philippines, which is the S&R Membership Shopping and S&R Quick Service Restaurant since its acquisition in 2011.

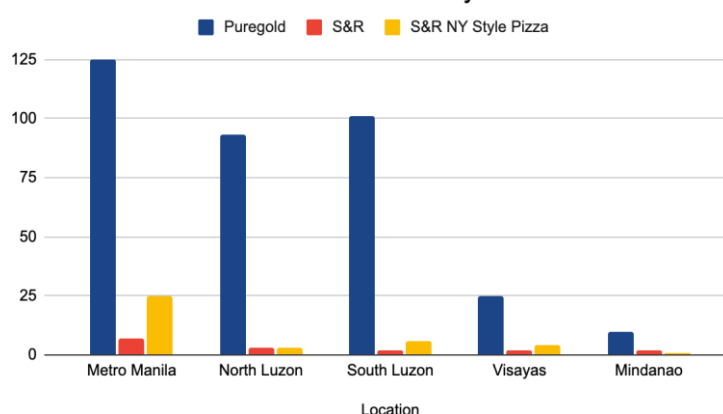
As of 2018, Puregold has expanded its operations in Luzon through the opening of 39 new stores comprising 30 Puregold Stores, 2 S&R's, and 7 S&R Quick Service Restaurant. Overall, for the year 2018, there are a total of 365 stores in Luzon, 31 in Visayas, and 13 in Mindanao reporting total net sales of PHP 140.92 billion in the same period.

### Puregold & S&R Food Retail Outlets Network as of 2018

Store Formats	No. of Stores
Hypermarkets	208
Supermarkets	104
Extras	42
S&R QSR	39
Hypermarkets	208

Source: Puregold Price Club Inc.

Distribution of Stores Across the Country



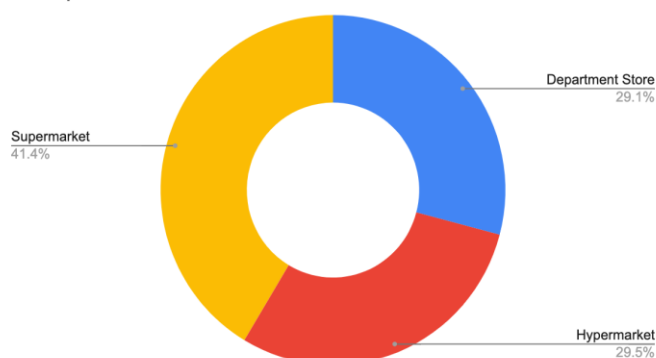
First established in the 1940s, the Metro Retail Stores Group Inc. or most known as Metro Gaisano has over 50 stores nationwide. The company first started in Cebu and now has 28 supermarkets and 13 Hypermarkets located in Luzon and Visayas as of 2018. MRS GI reported a net sale of PHP 33,050 million, 41.4 % of which coming from Supermarket as the top revenue generating establishment followed by Hypermarket at 29.5% and Department Store at 29.2%.

The group's supermarket venture known as "Metro Supermarket" is divided into two brand names such as "Metro Fresh N Buy" which is for smaller stores of supermarket format while the "Super Metro" follows a hypermarket format having a combination of department store and supermarket.

Store Formats and Distribution as of 2018			
Supermarket		Hypermarket	
NCR	7	NCR	-
Luzon	4	Luzon	4
Visayas	17	Visayas	9

Source: Metro Retail Stores Group Inc.

Composition of Net Sales



Landers Superstore opened its first outlet in the Philippines in mid-2016 and is relatively new to the Philippine market with only 5 years of experience. As of 2018, the company has established five stores in Manila and Cebu.

## 6 MARKET ENTRY AND MARKET TRENDS

### 6.1 Market Development

Generally, starting a business in the Philippines usually involves the following steps:

- a. Identifying the activities that the foreign investor will undertake in the country;
- b. Verifying if the identified activities are subject to foreign equity restrictions and special licensing or registration requirements;
- c. Registering the appropriate corporal vehicle in the Philippines with the Philippine Securities and Exchange Commission (SEC), and being subjected to the applicable foreign equity restrictions for the proposed business activities in the Philippines;
- d. Complying with the basic and mandatory post-SEC registration requirements with various government agencies, such as the local government unit with jurisdiction over the place of business, the Philippine Bureau of Internal Revenue (BIR), and employee welfare agencies; and
- e. Obtaining the applicable special permits from various government agencies.

The best way to enter the market for exporting companies is to locate and work with a local distributor who will be responsible for customer liaison and importing. Companies are advised to pay a visit to their local distributors and agents if possible, to further strengthen their relationship as well as to have a firsthand assessment on the local partner's abilities. Before coming into the country, companies are also advised to conduct a market survey/research to have a detailed understanding of the background of the sector and the target market. Doing so would help companies to have a well-informed and more strategic business plan which will benefit them in the long run.

Companies should also invest in developing a strong customer-focused marketing strategy. Most local distributors rely on the foreign company to provide marketing support as this is traditionally practiced by most foreign manufacturers of food and beverage products.

### 6.2 Market Entry

In terms of government facilitation of market entry, the Philippine Food and Drug Administration is the leading agency responsible to ensure the safety of the public by monitoring and regulating food, drugs, cosmetics, and other related products available to the public. In order to register a product, a company must first obtain a License To Operate (LTO). Food and beverage products including alcoholic beverages, prior to importation of the local company – “importer” – must comply with the licensing and product registration requirements with the **Food and Drug Administration**. The FDA is divided into specialized centres and the food and beverages including alcoholic beverages is under the Center for Food Regulation and Research (CFRR)

The License to Operate (LTO) is the license issued by the FDA for a company or establishment prior to engaging in importation. This license lists the names of foreign suppliers or sources of the products being registered. For this process, the importer will need any of the following documents from the exporter or supplier:

- a) Any one of the following:
  - Foreign Agency Agreement
  - Certificate of Distributorship
  - Appointment Letter
  - Proforma Invoice
- b) Any one of the following documents for the status of Manufacturer issued by the Regulatory/ Health Authority from the country of origin:
  - Certificate of Registration of Manufacturer and its conformity with GMP from Regulatory/ Health Authority or its equivalent;
  - Phytosanitary Certificate;
  - Certificate of Free Sale;

- HACCP Plan/Certificate as applicable;

In the absence of a Regulatory/ Health Authority from the country of origin, a confirmation by a recognized association could be used which should be duly authenticated by the Philippine Consulate. Once granted, an initial LTO license shall be valid for 2 years and a renewed license shall be valid for a period of five years.

After obtaining a License to Operate (LTO), the importer/distributor can now proceed with the application for Certificate of Product Registration (CPR). The CPR is the approval or authority covering a particular product which gives the registrant an authority to market, sell or distribute the said product in connection with the activities permitted in the LTO. Only products with a valid Certificate of Product Registration (CPR) will be allowed for retail sale in the Philippines. A first-time approved CPR is valid for a minimum of 2 years to a maximum of five years and another 5 years for renewal.

Food products are classified into three categories depending on the microbiological risk by the FDA. These categories are low risk food products, medium risk food products, and high-risk food products. Low risk food products include pasta, cereals, coffee, alcoholic beverages, etc. while medium risk food products include tomato products, vegetable preserve, milk powder, preserved meat and poultry, etc. Lastly, high risk food products include cheese, frozen processed meat, milk and dairy based drinks, etc. This category is classified as products containing pathogenic micro-organisms and may contain harmful chemicals.

Meat products except for processed meat requires an accreditation and permit from the Department of Agriculture (DA) – Bureau of Animal Industry (BAI) and for fruits and vegetable products and accreditation and permit from the Bureau of Plant Industry.

Aside from the FDA and DA accreditation, individuals and/or companies who are to engage in importation must also be accredited by the **Bureau of Customs (BoC)**. For the detailed requirements, please refer to the link: <http://customs.gov.ph/accreditation/amo-requirements/>.

### 6.3 General Guidelines for the registration of food products

- I. Requirements for registration are based on the requirements indicated in Administrative Order 2014-0029 and FDA Circular 2016-014:
  - A. Proof of payment or fees as prescribed by current FDA regulations;
  - B. Clear and complete loose labels or artworks, as applicable, of all packaging size, or equivalents as defined by FDA regulations except of bulk raw materials, ingredients and food additives intended for further processing or for distribution to establishments/manufacturers for further processing;
  - C. Pictures of the product in all angles and in different packaging sizes, and from at least two different perspectives allowing visual recognition of a product as the same with the one being registered, as applicable;
  - D. For food supplement, a sample in actual commercial presentation shall be submitted; and
  - E. For food products with label claims: as applicable, documents to substantiate claims, such as technical, nutritional or health studies or reports, market research studies, Certificate of Analysis, quantitative analysis and computations, scientific report or studies published in peer-reviewed scientific journals, certificates or certification to support use of logo/seal on Sangkap Pinoy, halal, Organic, or Kosher food and in compliance with current labelling regulations.
- II. All food additives must conform with the Updated List of Food Additives and/or latest General Standard for Food Additives based on Bureau Circular 2006-016 and Administrative Order 2014-0029. Food flavours must be listed in Flavors and Extracts Manufacturers Association (FEMA) or International Organization of the Flavor Industry (IOFI) Generally Recognized As Safe Lists based on B.C. 2006-016 or latest FDA Regulation on Food Additives.

- III. Based on FDA Circular 2016-007 additional requirements **for imported products** Include ANY of the following scanned copy of the original documents:
- A. (1) Foreign Agency Agreement OR (2) Certificate of Distributorship OR (3) Appointment letter OR (4) Proforma Invoice OR (5) Memorandum of Agreement from the supplier; and
  - B. ANY of the following documents issued by the Regulatory/Health Authority/Internationally Recognized Certifying Body:
    1. Certificate of Registration with GMP Compliance or its equivalent
    2. Valid Sanitary Phyto-Sanitary Certificate
    3. Health Certificate
    4. ISO 22000 Certificate
    5. FSSC Certificate
    6. HACCP Certificate
    7. Certificate of Free Sale issued to the Manufacturer\*

\*In case, the Certificate of Free Sale is issued by the Chamber of Commerce or trade association, this should be duly authenticated by the Philippine Consulate from the country of origin.

- IV. Processed food products containing food additives with restricted levels (e.g. nitrite in meat products) should not exceed the maximum levels allowed in the Updated List of Food Additives (B. C. 2006-016) or FDA latest Regulation on Food Additives. A Certificate of Analysis on the level of such restricted food additive in the finished product must be submitted.
- V. Thermally processed food products packed in hermetically sealed containers (e.g. can, bottle) should submit Tests Results for Commercial Sterility.
- VI. Labels of food products applying for registration should conform to the current labelling guidelines based on Administrative Order 2014-0030. Refer to Annex D (Rules and Regulations Governing the Labeling of Prepackaged Food Products).

The mandatory labelling requirements are:

- Brand name
- Product name
- List of ingredients including common name and function of food additives
- Net weight
- Complete name of manufacturer, packer, distributor, trader, or importer. For imported products, country of origin should be declared
- Nutrition labelling (nutrition facts)
- Expiration date/use by date/consume by date
- Lot identification code
- Allergen information as applicable
- Storage instruction/instruction for use as applicable
- % alcohol for alcoholic beverages only
- Country of origin (for imported products only)
- English translation if Foreign language is used
- Additional labelling requirements for food supplements: Mandatory declaration of "Food Supplement" and NO APPROVED THERAPEUTIC CLAIMS based on Bureau Circular 2 s. 1999 (bold, Arial, font size 14 and all capital letters)

- VII. Food products for export should conform with the labelling requirements of the importing country:
  - A. Additional labelling requirements apply to specific products with standards of identity or Philippine National Standards;
  - B. Additional precaution/caution statements are declared on the label. If labels of processed food products bear any health and nutrition claims, these should comply with the Guidelines for Health and Nutrition Claims based on the Codex Guidelines on Health and Nutrition Claims for Use in Food as adopted thru Bureau Circular 2007-002 (Annex F).

- VIII. The following high risk food products should conform with the corresponding Coda Standards:
- A. Infant Formula: Codex Standard for Formula for Special Medical Purposes Intended for Infants and Infant Formula (Codex STAN 72-1981 Rev. 2006)
  - B. Follow up Formula or Milk Supplement: Codex Standard for Follow
  - C. Up Formula (Codex STAN 156-1987)
  - D. Cereal-based Foods for Older Infants and Young Children: Codex Standard for Processed Cereal-based Foods for Older Infants and Young Children (Codex STAN 074-1981 Revised 2006)
  - E. Formulated Complementary Foods for Infants and Young Children (Codex GL -9-1991 Revised 2013)
  - F. Canned Baby Foods: Codex Standard for Canned Baby Foods (Codex STAN 73-1981)
  - G. Foods for Special Medical Purposes: Codex Guidelines for the Labeling and Claims of Foods for Special Medical Purposes (Codex STAN 180-1991)
  - H. Foods for Special Dietary Uses: Codex Standard for the Labeling of Prepack-aged Foods for Special Dietary Uses (Codex STAN 146-1985 )
  - I. Formula Foods for Weight Control Diets: Codex Standard for Formula Foods for Weight Control Diets)

Due to a complex import process, it is highly recommended for exporter/seller to work together with a local partner, who is already an importer with a valid Licence to Operate (LTO) issued by the Food and Drug Administration (FDA). It is the local partner who takes care of the process to follow the import rules and regulations in the Philippines.

Other factors to consider when planning to enter the Philippine market:

- Find an exclusive partner with nationwide distribution channel
- Market is price- sensitive, price is the key selling point
- Marketing support is expected by distributors. This is a common practice by most foreign suppliers
- Understand the Philippine trade-related laws and business practices
- Contract manufacturing and packing is also of interest to some importers
- Consider attending trade shows to meet new trade contacts and to gauge the market and interest of the consumers
- Adopt a strong focused marketing strategy and do a significant market research

#### 6.4 Terms of Delivery and Payment

There are several payment methods in the Philippines for export-import transactions depending on the rapport of the importer and the exporter and of course, on the terms and conditions that the two parties have agreed on for the sale. The following are the different payment methods available in the Philippines:

- **Cash in Advance method** is usually used by buyers that have existing foreign currency accounts wherein, as the name suggests, the payment is remitted to the seller prior to the shipping of the goods. If you are an exporter (seller), this payment method is ideal for custom-made goods (i.e. specialized equipment).
- **A Letter of credit** serves as the buyer's "promise to pay", supported by the chosen bank that the buyer chose to set up credit with. The bank shall then have the responsibility to ensure that the payment is issued to the seller once he/she has completed the transaction or within the agreed time frame that both parties have agreed on. It is commonly used for first-time transactions wherein trust confidence between the two parties are yet to be established.
- **Documents Against Acceptance (D/A)** is a payment method wherein the seller provides the necessary documents such as the shipping documents and title to a collecting bank. The goods will only be released to the buyer once he/she has presented a time draft or a bill of exchange. The collecting bank shall then collect the payment from the buyer's bank depending on the time agreed on by the two parties.

- **Documents Against Payment (D/P)**, on the other hand, entails that the title of goods only be released to the buyer once payment has been acquired by the collecting bank.
- **Open Account (O/A)** is commonly used between two parties that have already established a good rapport or a high level of trust as title to the goods are directly provided to the buyer without any safe measures in place to guarantee payment. This method is usually used by subsidiaries of multinational companies in the Philippines.

In unfortunate cases of delinquent accounts or non-payment, exporters (sellers) can make use of collection agencies to help seek payment. A number of collection agencies are operating in the Philippines, some only offer collection services while some offer assistance in suing buyers that are unable to comply with the demand letter which is also issued by the collection agencies prior to moving for filing a case in court. The service fees of these agencies typically range from 20-40 % of the total amount collected.

## 6.5 Customs and Foreign Trade Regulations

The Philippines follows the 2012 version of the AHTN (ASEAN Harmonized Tariff Nomenclature) wherein rates of customs duty depend on the tariff classification of the goods and may range from 0% to as much as 50%. For Austria, the Most Favoured Nation (MFN) tariff rate applies. You can view the different import duties at the [Philippine Tariff Book](#). Changes in tariff rates and tariff classification might have changes as per result of Trade Agreements entered by the Philippines.

Duties are usually calculated ad valorem and specified in the Philippines Customs Code. For the calculation of import duties, the Philippines currently use the system of value based on the price of domestic consumption. The Bureau of Customs already developed a system of electronic filing and payment to facilitate the transmission of information and the speed of transactions.

In view of the signing of the Philippines-European Free Trade Association (EFTA) Free Trade Agreement customs duties for industrial products will be gradually lowered or abolished. Several tariff concessions on basic and agricultural products for the EFTA Member States will also be facilitated as per the agreement.

The Philippine foreign trade is governed by Republic Act No. 10863 or the Customs Modernization and Tariff Act (CMTA). Generally, the Philippine importation and exportation has four classification which are (1) free importation and exportation referring to goods that can be freely traded to and from the Philippines without any need for permits and clearances or licenses; (2) regulated importation and exportation referring to goods that may only be traded upon acquisition of necessary permits, clearances, and other requirements; (3) restricted importation and exportation refers to goods that are not allowed to be traded unless otherwise provided by law or regulation; and (4) prohibited importation and exportation.

To import products, an entry form must be lodged at the Customs Office 30 days following the unloading of the last package. Failure to do so is equivalent to abandonment of goods and *ipso facto* confiscation of the cargo. The status of importation of any commodity can be determined with the Bureau of Customs and the Bureau of Import Services of the DTI. Meanwhile, the Department of Agriculture can check the importation status of agricultural products and on whether a Minimum Access Volume Import Certificate for imports of chicken, swine, etc. is required.

For food products, the main national laws are the Food Safety Act of 2013, Food, Drug and Cosmetics Act, and the Agriculture and Fisheries Modernization Act. The DA is the main agency responsible for agricultural and fisheries products while the Center for Food Regulations and Research of the FDA is the main agency concerned with the safety of processed foods.

## 7 MARKET OPPORTUNITIES FOR AUSTRIAN COMPANIES

### 7.1 Deliveries of Food and Beverage

Consumer-oriented food and beverage products have the best prospects for future export growth furthermore that the Filipinos prefer imported goods.

The expansion of the food retail industry, including convenience stores opening in urban and rural neighborhoods and launching of e-commerce platforms, also provides opportunities for processed food and beverage through the help of their wide market base. Demand for wine is also rapidly increasing despite the fact that the Philippines is not traditionally a wine country, there is a growing interest and appreciation for wine in the country thanks to the country's growing young and highly urbanized population.

Most of the dairy products in the country are imported to meet the local demand as local production remains to be insufficient. While chicken and pork remain to be the most consumed meats in the Philippines, beef consumption is expected to grow. However, since production of beef and lamb is limited in the country, this would be a good opportunity for Austrian companies engaged in production of the said protein.

In light of the pandemic, more and more Filipinos are now paying attention to their health and are in search of healthier food alternatives leading to the rise of healthy snacking and plant-based food markets in the Philippines. This provides lucrative opportunities for European companies since the market is relatively new compared to other countries and has a lesser number of competitors.

### 7.2 Technology Cluster Smart Factory

To support and facilitate the expanding production of the food and beverage sector, usage of technology is a prerequisite to be able to increase the sector's competitiveness and to meet the national and international standards. Some areas of opportunities that Austrian companies can offer are as follows:

- **Cold Chain Innovation:** Cold storage infrastructures for post-harvest in the country's livestock/poultry, fishery, and agriculture are still quite lacking in the Philippines. In recognition of this, the Philippine government has launched several initiatives like that of the Philippine Cold Chain Industry Roadmap to promote the growth of the cold chain infrastructures in the country.
- **Food packaging solutions:** With the shift towards sustainability, Filipino consumers are now concerned about the implications of food packaging which typically use single-use plastics to the environment. As such, most companies in the Philippines are now looking for alternative packaging solutions to meet the local demand.

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## 8.1 Further Information and Links

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Rustan's Supermarket	Tel No.: (+632) 899-1915 Email: <a href="mailto:rcsimarketing@gmail.com">rcsimarketing@gmail.com</a>
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## 8.2 List of Annual Fairs for Food & Beverages in the Philippines

MAFBEX – Manila Food & Beverage Expo

Venue: World Trade Center Manila

Organizer: MAFBEX Events Management

<http://www.worldbex.com/Event/Mafbex>

WOFEX – World Food Expo & WOFEX Marketplace

Venue: SMX Convention Center & World Trade Center

Organizer: PEP Group Events

<https://wofex.com/wofex-manila>

Food & Drinks Asia

Venue: World Trade Center Manila

Organizer: LNA Management Group Corp.

<https://www.facebook.com/foodanddrinksasiaofficial/>

Asia Food Expo (AFEX)

Venue: World Trade Center Manila

Organizer: LNA Management Group Corp.

<https://www.afex.com.ph/>

## AUSSENWIRTSCHAFT AUSTRIA

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