Required Report - public distribution

Date: 2/7/2013

GAIN Report Number:

Philippines

Food Service - Hotel Restaurant Institutional

2012 HRI Food Service Sector

Approved By:
William G. Verzani
Prepared By:
Joycelyn G. Claridades

Report Highlights:
Sales in the Philippine Hotel, Restaurant and Institutional (HRI) food service sector have grown by 99 percent over the past five years to an estimated $4.25 billion in 2012. A booming economy, the proliferation of malls and shopping centers throughout the country, and a growing influx of tourists have all contributed to this strong growth. Based on industry interviews, roughly 25 percent of all consumer-oriented food and beverage (f&b) product imports flow through this sector. As the Philippines remains the largest market in SE Asia and one of the fastest growing markets in the world for U.S. f&b products (with 2012 export sales estimated up 12 percent over the previous year to a record $850 million), U.S. suppliers are well positioned to compete in multiple product categories.

Post:
Manila

I. Market Summary:

Macroeconomic Situation and Trends

According to the Philippine National Statistical Coordination Board (NSCB), after growing 7.6 percent in 2010 (the highest in over 20 years), Philippine GDP growth slowed to 3.7 percent in 2011. In 2012, the strong upward trend GDP returned with an impressive 6.6 percent growth. The Philippine economy is dominated by industry, services and agriculture. NSCB data indicates that the industry sector is forecast to expand by 6.5 percent in 2012 from 1.9 percent in 2011; the services sector is forecast to expand by 7.4 percent in 2012 from 5 percent in 2011; and that the agriculture sector is forecast to expand by 2.7 percent from 2.6 percent in 2011.

The Philippine Peso strengthened in 2011with an average exchange rate of P43.31/US$, up 4 percent in appreciation from the P45.11 average rate in 2010. In 2012, the Peso strengthened further with an average rate of P42.23/US$. According to the Central Bank of the Philippines, the country's foreign exchange reserves hit an all-time high of $84.25 billion at the close of 2012, up by about 12 percent from $75.30 billion the previous year.

Agricultural Trade

The Philippines is a key market in Southeast Asia and the 9th largest globally for U.S. agricultural exports. In 2012, total U.S. agricultural export sales to the Philippines are expected to increase by 14 percent to a record $2.4 billion (latest available data is through November). The top U.S. exports in 2012 were wheat (estimated at $650 million) and soybean meal (estimated at a record $580 million). All indications are for continued strong growth in U.S. agricultural sales to the Philippines in 2013, currently forecast to reach $2.5 billion.

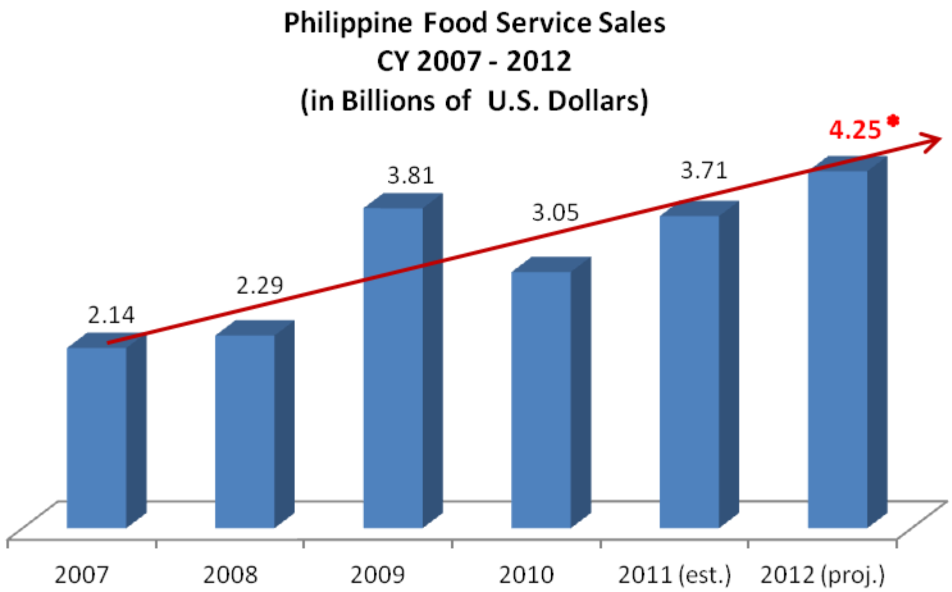
U.S. consumer oriented f&b exports (a subsector of total U.S. agricultural exports) to the Philippines have increased an estimated 12 percent in 2012 to a record $850 million and have doubled since 2009. The Philippines remains the largest U.S. f&b market in SE Asia, and one of the fastest growing in the world. The most recent U.S. Customs data (please see the chart below) indicates that at least 10 of the 16 f&b categories will have achieved record sales in 2012 (latest available data is through November). Top f&b exports were dairy products, red meats, poultry meat, snack foods, processed fruits & vegetables, and fresh fruits.

U.S. Consumer Oriented Food and Beverage Exports to the Philippines

CY 2006-2011 And Year-To-Date Comparisons Value in Thousands of Dollars									
	Calendar Years (Jan-Dec)						January - November 2012* Comparison		
	2006	2007	2008	2009	2010	2011	2011	2012	% Change
Consumer Oriented Total	273,321	380,510	518,837	423,168	601,057	761,189	699,355	793,887	13.50
Fresh Vegetables	346	1,301	2,070	1,565	4,364	5,953	5,418	3,191	-41.10
Red Meats,FR/CH/FR	10,742	21,528	64,840	83,442	110,687	103,114	95,003	96,662	1.75
Poultry Meat	14,298	19,978	19,841	39,860	50,326	70,037	64,403	79,639	23.66
Red Meats, Prep/ Pres	8,041	10,010	11,897	16,610	23,019	28,987	26,674	29,600	10.97
Eggs & Products	580	506	1,107	1,619	825	1,919	2,032	2,137	5.13
Dairy Products	95,631	151,984	210,226	76,575	181,533	281,025	257,919	292,403	13.37
Fresh Fruit	16,159	18,179	23,154	32,787	31,274	41,894	38,757	48,727	25.73
Breakfast Cereals	1,499	2,719	3,121	2,223	3,658	3,849	3,404	3,420	0.49
Pet Foods	8,462	10,651	13,487	13,743	16,152	20,024	18,090	20,490	13.27
Other Consumer Oriented	27,056	28,964	41,745	53,283	51,269	57,255	52,228	66,750	27.81
Wine and Beer	4,247	4,614	7,772	7,423	8,068	8,110	7,656	7,532	-1.63
Snack Foods	35,629	41,306	50,464	47,863	50,494	64,745	59,562	65,676	10.26
Nursery Products	49	89	19	36	36	84	84	176	110.26
Tree Nuts	2,787	2,910	3,723	2,553	4,447	4,538	4,075	5,022	23.23
Processed Fruit & Vegetables	41,571	51,621	54,876	36,867		61,692	57,092	64,784	13.47
Fruit & Vegetable Juices	6,223	14,152	10,496	6,719	7,679	7,963	6,959	7,678	10.33
Source: US Customs as reported in U.S. Department of Agriculture Global Agricultural Trade System Note: Highlighted Figures Denote Highest Export Levels Since at Least CY 1970 * Latest Available Data as of January 28, 2013									

II. Foodservice Sector Overview and Trends

Sales in the Philippines HRI sector have grown by 99 percent over the past five years to an estimated $4.25 billion in 2012. A booming economy, the proliferation of malls and shopping centers throughout the country, and a growing influx of tourists have all contributed to this strong growth.



Notes:
1. Source: Census of Philippine Business and Industry (Annual Survey of Philippine Business and Industry, 2007-2011), Philippine Business Profiles 2010-2011
2. * FAS Manila Estimates

III. Advantages and Challenges for U.S. Exporters

Advantages	Challenges
The Philippines has a large base of experienced importers that cater to the HRI sector.	Few importers have a nation-wide distribution network. The high cost of inter-island shipping makes imported products more expensive in areas outside Manila.
The foodservice sector is familiar with the availability, quality and applications of U.S. f&b products. The popularity of American holidays and culture lead to Americana-themed promotional events by Philippine restaurants and hotels throughout the year.	Stiff competition from European and Asian f&b products in the market.
Philippine consumers are open to various international cuisines, providing opportunities for a broad range of U.S. f&b products.	Consumers are price-sensitive.
The recent depreciation of the U.S. dollar compared to the Philippine Peso makes U.S. f&b products more affordable and price-competitive.	Prices of U.S. f&b products are still generally higher than regionally imported products.

The rapid urbanization of provincial cities presents opportunities for U.S. f&b products.	Insufficient cold chain infrastructure.

Author Defined:

IV. Roadmap for Market Entry

- U.S. exporters are encouraged to participate in local/regional trade shows and buying missions to meet potential importers and introduce your products.

- Exclusive distributorship agreements are preferred by Philippine importers. U.S. exporters can work with one or several importers provided the market coverage of each importer is properly identified.

- Some Philippine importers maintain buying offices in the U.S. and consolidate their shipments on the West Coast. Others consolidate shipments through third-party U.S. consolidators.

- U.S. exporters are encouraged to maintain close contact with their Philippine importers and support efforts to introducing the products to foodservice customers by participating in technical seminars, product demonstrations, and local trade shows. Regular market visits are also highly valued by Philippine importers and regarded as a show of support.

- U.S. exporters are advised to require payment of goods via a letter of credit, especially for initial transactions. Credit terms may be extended to the importer after conducting a thorough background and credit investigation, and after payment habits have been established. Importers request for ample credit terms since HRI customers demand 30-60 days credit.

- Releasing goods from Philippine Customs sometimes poses a challenge, especially for inexperienced importers.

- General pricing structure: Importers add about 30% to the landed cost (CIF + Duties & Taxes) to arrive at the wholesale price for HRI customers.

- HRI customers rarely import f&b products directly, except for a few fastfood chains. The importation is done mostly by importers and a few retailers.

- Importers distribute directly to HRI customers or appoint sub-distributors.

- A number of importers distribute to the wet market. Wet markets carry lower value cuts of pork and beef, and other products such as: poultry, fruits and vegetables, dried peas, lentils and other ingredients.

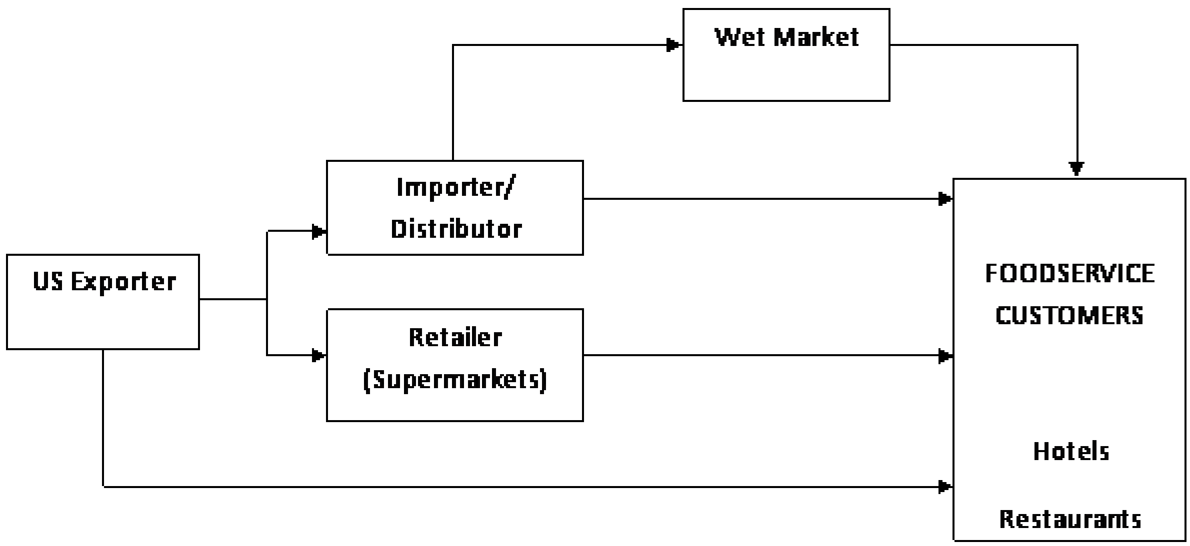
- A select number of importers distribute to retailers. There are some HRI customers that buy from retailers due to situations such as stocks running out before the next delivery, difficulty obtaining credit and difficulties meeting the minimum order required for products to be delivered.

- For perishable and temperature-sensitive products, it is important to select an importer that has the capacity to maintain cold-chain storage and transportation. If possible, products should be packed to withstand extreme heat and humidity.

- Expect higher volume of orders from September to December as importers stock-up for the Christmas season (which is marked by higher consumer spending).

- Small to medium size exporters should work with the appropriate U.S. State Regional Trade Group (SRTG) to take advantage of the SRTG's resources for marketing and promotional support in major export markets. The four SRTGs are non-profit trade development organizations that help U.S. food producers, processors and exporters sell their products overseas. They are jointly funded by USDA's Foreign Agricultural Service (FAS), the individual state departments of agriculture and private industry. The SRTGs provide export assistance to companies located in their geographic region through a variety of export programs and integrated marketing services. To learn more services available from the SRTGs, find the SRTG for your geographic region in the list below and visit the website.
    - Western U.S. Agricultural Trade Association (http://www.wusata.org/)
    - Southern U.S. Trade Association (http://www.susta.org/)
    - Food Export-Midwest (previously named MIATCO) (http://www.foodexport.org/)
    - Food Export-Northeast (Previously named Food Export USA) (http://www.foodexport.org/)

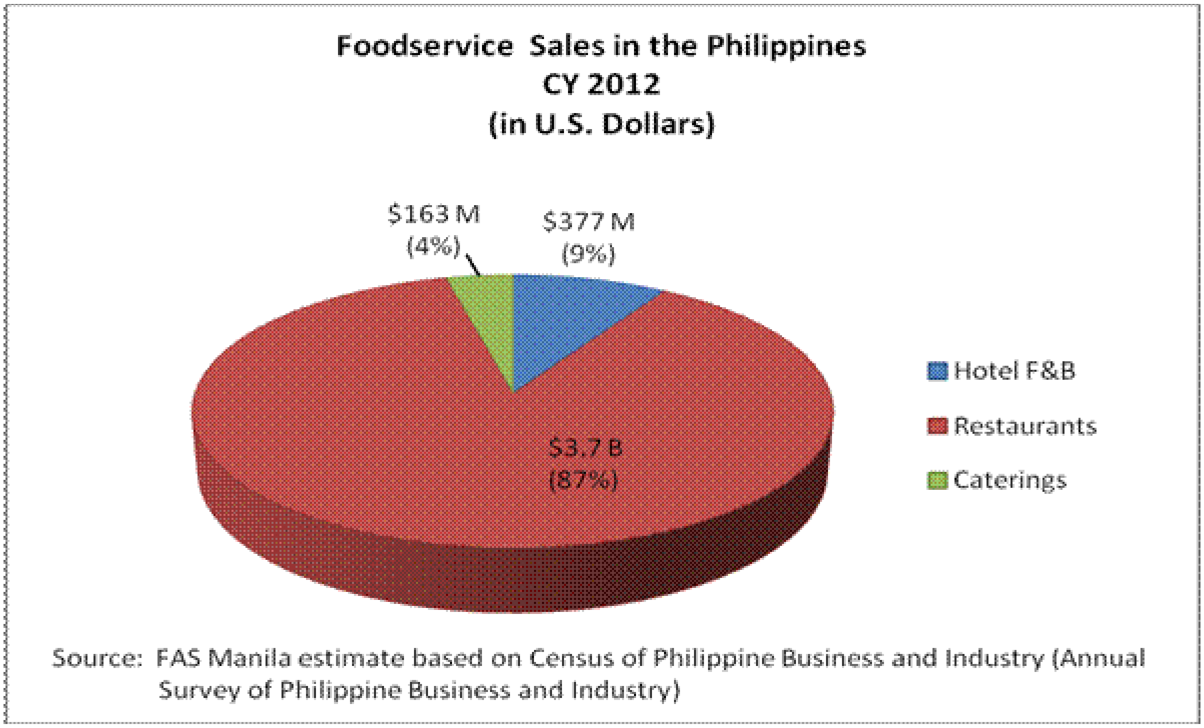
Philippine HRI Distribution Channel Flow Diagram



Major Food Shows in the Philippines	Websites	Dates
International Food Exhibition Philippines (IFEX) Note: FAS Manila will organize a USA Pavilion at IFEX Philippines in 2013	http://www.ifexphilippines.com	May 16-19, 2013
Manila Food and Beverage Expo (MAFBEX)	http://www.worldbex.com	June 2013
World Food Expo, Manila (WOFEX) Note: FAS Manila will endorse this show in 2013	http://filsites.com/wofex	August 7-10, 2013
Food and Drinks Asia	http://www.foodanddrinksasia.com.ph	September 2013
Asia Food Expo (AFEX)	http://www.afex.com.ph	September 2013
Philippine Food Expo (PhilFoodEx)	http://www.philippinefoodexpo.com/	February 2014

V. Foodservice Sub-Sector Profiles

The Philippine HRI sector sales were estimated at $4.25 billion in 2012. Restaurants were the top contributors with $3.7 billion (87%), hotels and resorts with $377 million (9%), and catering and other food service institutions with $163 million (4%) in estimated gross sales.



Hotels and Resorts

There are approximately 4,500 hotels and resorts throughout the Philippines that cater to local and international tourists. Approximately 4.5 million foreign tourists visited the Philippines in 2012, a 15 percent increase over the previous year. Since 2009, the number of foreign tourists visiting the country on an annual basis has increased by 83 percent. As roughly 30 percent of all Philippine hotel and resort transactions are accounted for by food and beverage sales, the strong growth in tourism has had a significant impact on the HRI food service industry.

Major Hotels and Resorts in the Philippines	2011 Estimated f&b Sales in US$ (millions)	Location
Shangri-la Hotels and Resorts	51M	Boracay EDSA, Manila Makati City Mactan, Cebu
Sofitel Hotel	10.8 M	Pasay, Manila
Manila Peninsula	8.7 M	Makati City
Waterfront Hotels (Waterfront Cebu City Hotel and Casino, Waterfront Manila Pavilion, Waterfront Airport & Casino, Waterfront Insular Hotel, G Hotel)	6.9 M	Cebu City, Davao City, Mactan, Cebu Manila
Manila Mandarin Hotel	6.6 M	Makati City
Waterfront Hotels	6.5 M	Mactan, Cebu Cebu City Davao City
Dusit Thani Hotel	6.3 M	Makati City
Crown Regency Hotels & Resorts	6 M	Makati Cebu Davao

		Boracay
Intercontinental Hotels Group (Manila Intercontinental Hotel, Holiday Inn Resorts and Hotels, Crowne Plaza Hotels and Resorts)	5.55 M	Makati City Mandaluyong City Clarkfield, Pampanga Cebu City

Source: FAS Manila Analysis based on Philippine Business Profiles 2010-2011
A more extensive list of hotels and resort in Metro Manila and key provincial cities are available at: http://www.philsite.net/manila-hotels.htm *and* http://www.asiahotels.com/.

Restaurants

According to the 2011 Annual Survey of Philippine Business and Industry on Hotels and Restaurants, the number of restaurants (including fast-food chains, casual dining outlets, cafes and bars) grew from 72,200 outlets in 2007 to 80,000 outlets in 2011, an increase of 11 percent. It is anticipated that the number of restaurants will continue to grow by two to five percent annually as the Philippine economy continues to strengthen and major shopping malls throughout the country continue to flourish.

Major Restaurants and Fast Food Chains in the Philippines	**2011 Estimated Sales in US $**	**Outlets Name, Type, & No. of Outlets**
Jollibee Foods Corporation	1 Billion	Jollibee -752 Greenwich - 204 Chowking - 381 Red Ribbon - 207 Mang Inasal - 436 Burger King - 24
Golden Arches Development Corp. (McDonald's)	251 Million	293
Philippine Pizza, Inc. (Pizza Hut)	92 Million	Pizza Hut – 156 Taco Bell – 3 Dairy Queen - 36
International Family Food Services, Inc. (Shakey's)	47 Million	131
Pancake House, Group	22 Million	Pancake House -51 Dencio's – 16 Sizzling Pepper Steak- 8 Singkit – 7 Le Coeur De France – 9 Kabisera - 3

Gerry's Grill	23 Million	49
Max's Fried Chicken	24 Million	126
Yellow Cab Food Corp.	23 Million	87
Teriyaki Boy Group	15 Million	36
Bistro Italiano Corp.	11 Million	Italianis – 16 T.G.I. Friday's – 15 Fish & Co. - 4

Source: Company Websites, Top 10,000 Corporations 2010-2011

Institutions

Institutions include food caterers for private and corporate functions, food operators (in schools, offices and hospitals) and airline food catering companies. A list of major food operators and catering service companies can be accessed through this site: http://www.fcap.com.ph/directory.html

Major Airline Catering Companies in the Philippines	2011 Estimated Sales in US$ (millions)	Capacity (meals/day)	Website:	No. of Airline Customers
MacroAsia Catering Services	17 M	10,000	www.macroasiacatering.com	20
Miascor Aviation Group	9 M	7,000	www.miascor.com	35
Cebu Pacific Catering Services	2 M	2,000	www.macroasiacorp.com/cpcs/	5

Source: Company Websites

VI. Product Prospects for Food Service Market

Based on industry interviews, roughly 25 percent of all f&b imports flow through the HRI sector. With most analysts projecting sustained growth in the Philippine economy and the HRI sector, Post anticipates continued growth in f&b import demand through 2013 (and beyond) across a wide spectrum of products, with some of the fastest growth potential in convenience, gourmet, and "healthy, natural, and organic" categories.

GOOD PRODUCT PROSPECTS for 2013		
Beef	Wines	Preserved Fruits & Pie Fillings
Pork	Craft Beers	IQF Fruits & Vegetables
Lamb	Tree Nuts	Fruit & Vegetable Juices
Chicken and Turkey	Cheeses and Dairy Products	Frozen Potatoes (new cuts)
Gourmet Products	Fresh Fruits and Vegetables	Dehydrated Potatoes

VII. Further Information and Assistance

FAS Manila is ready to help exporters of U.S. food and beverage products achieve their objectives in the Philippines. For questions, further information or for assistance in exporting U.S. food & beverage products, please contact:

Foreign Agricultural Service
U.S. Department of Agriculture
Embassy of the United States of America
25/F Ayala Life-FGU Building
6811 Ayala Avenue
Makati City 1203
Tel: (632) 894-5363 or 894-5379
Fax: (632) 812-5430
Email: agmanila@usda.gov