

PHILIPPINES

Market Overview

The Philippines continues to be the 7th largest market for U.S. agricultural exports and the largest destination for U.S. consumer-oriented products in Southeast Asia. The USDA's Office of Agricultural Affairs (OAA), hereinafter referred to as "Post," estimates that growth for these two sectors to be 16% and 19% in 2022. The latest figures showed that the U.S. exported a record US\$4 billion of agricultural products to the Philippines in 2022.

Despite the devastation of COVID-19 and the inflationary effects of the Ukraine war, the Philippines economy proved resilient with an expected gross domestic product (GDP) growth of 7% in 2023. The steady reopening of the economy with factory operations going back to pre-COVID norms, and food and beverage outlets restarting, have resulted in increased purchases of food and beverage ingredients. With inflation at 6%, increased energy prices, exchange rate weakness, and logistical challenges, food prices continue to increase. Internally, food staples such as pork also continue to be battered by the spread of the African Swine Fever (ASF).

In 2022, the U.S. exported over US\$1.6 billion of consumer-ready food products to the Philippines, an increase of 23% over the US\$1.3 billion exported in 2021. This was the same rate of increase as in 2021. The Philippines continues to rank as the largest market for U.S. exports of consumer-ready products in the region and remains 9th overall in the world. While the strong affinity the Philippines has for U.S. product quality and consistency continues to hold, this is being challenged by new trade agreements and lower prices from regional competitors. American consumer-oriented food and beverage products remain the best prospects for future export growth. These include dairy, poultry, pork, beef, and processed potato products.

Market Opportunities and Challenges for U.S. Exporters in Philippines

Opportunities:

- Filipinos show a preference for U.S. agricultural products, highlighted by continuous sales growth.
- U.S. food processing ingredients and products are generally perceived to be of higher standard and quality.
- As consumer and corporate behaviors shift towards sustainable and climate-friendly ingredients, U.S. suppliers lead in this area.
- Pent-up demand for on-premises dining experience calls for new ingredients and concepts.

Challenges:

- Higher cost of shipping freight compared to Asian countries.
- Unfavorable tariff vis-a-vis other exporting competitors such as China, Australia, and Europe.
- Lack of infrastructure for transporting products and inadequate processing storage and facilities.

Retail Sector

For 2023, Post estimates a 9% growth in retail sales due to increased consumer mobility, increased economic activities, and employment. This is up from the 6% estimated for 2022. The U.S. was the largest exporter of food and beverages to the Philippines in 2022. Strong opportunities remain for milk, cheese, meat, poultry, baked products, fruits, vegetables, wine, and pet food.

Food and beverage (F&B) retail sales are increasing as consumers shifted back to pre-COVID purchasing behavior, with a marked preference for in-person shopping. Retailers have responded by adding stores, especially in rural and provincial areas. Key retail channels that are expanding include supermarket chains and discount chains.

As with 2022, consumer-oriented F&B products remain the best prospects for future export growth fueled by consumer confidence in the quality of American products and the steady expansion of the country's retail, foodservice, and food processing sectors.

Top product prospects include food preparations, cheese, buttermilk, milk and cream, meat and poultry, coffee and tea, fresh and dried fruits and vegetables, sauces and condiments, confectionery, dog and cat food, chocolate and other cocoa preps, pasta, yogurt, and ice cream.

Foodservice Sector

Post forecasted sales for consumer foodservice to increase by 15% in 2023, at a level still far below pre-COVID levels. With renewed consumer confidence and demand as pandemic restrictions are lifted, and the return of international tourism, the sector has seen a promising rebound. Many local and international F&B chains have reported increased sales and plan to open more stores in 2023. However, there have been challenges in the sector, especially when sourcing key ingredients that are in-demand in the U.S., including frozen fries, prime beef cuts, and onion rings.

Top product prospects include food preparations, beef, pork and poultry, potatoes, bread, pastry, cakes and biscuits, apples, grapes, and sauces.

Food Processing Sector

The food processing/manufacturing sector has increased its capacity utilization in 2022 to over 70%, with an estimated growth of 8% in 2023. Household consumption is expected to remain strong and support growth despite supply chain disruption, logistics challenges, and rising inflation.

Top product prospects include plant-based ingredients, functional ingredients, high-protein ingredients, premium ingredients, dairy ingredients, and beautifying ingredients.