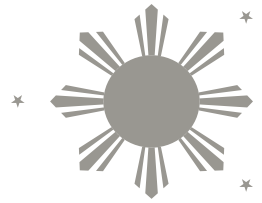




# FOOD & BEVERAGE



## I. MARKET OVERVIEW

The Philippine market enjoys a strong and young consumer base and increasing investments in the food and beverages (F&B) sector. In 2015, food consumption reached a 4,9% growth while alcohol drink sales achieved a 5,8% growth.

Soft drink sales obtained an increase of 8,6%; however, this market is expected to slow down over the forecast period with a total volume slightly lower comparing to the previous years because it has supposedly already reached its maturity point.

Energy drinks are expected to witness the most important growth induced by the increasing participation of consumers in various sports and fitness activities.

Mass grocery retail sales have reached a 6,6% growth in 2015.

The increasing available salary of Filipinos will lead to higher amounts of grocery purchases. Furthermore, the fact that Filipinos are nowadays more exposed to media sources such as TV and digital advertisements are also going to positively influence the consumption of foreign goods.

The Philippine F&B industry involves the following major

sub-sectors: fruits and vegetables, meat and poultry, dairy, seafood products, coffee and cacao, condiments and seasonings, fats and oils, bakery products, sugar and confectionery, and beverages.

Food manufacturing topped the manufacturing industry sector during the first quarter of 2015 with a gross value added, at current prices, of about €5,78 billion and grew by 5,5%. The beverage industry grew by 32% in the same period and generated about more than €405 million.

The Philippine dairy industry has been experiencing modest domestic consumption growth in the past few years. From an aggregate milk consumption amount of 1,718 million kilograms in 2008, it has increased to 1,852 million kilograms in 2013. Presently, several challenges, including shortage of local dairy produce, are being faced by the local industry. In 2014, the Department of Agriculture has set an annual milk requirement of 1,886 million metric tons (MMT). In order to meet the demand, 1,8 MMT of the total requirement was imported from the following countries: New Zealand (39%), United States (28%), and Australia (9%). Major dairy importers in the Philippines include Unilever RFM, Mondelez, Mead Johnson, Nestlé, Alaska, and Yakult, among others.



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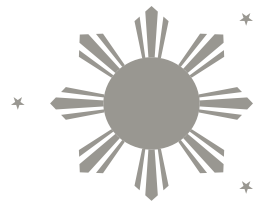


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## II. MAIN LEGISLATIVE AND REGULATORY FRAMEWORK

The state enacted Republic Act No. 10611 or the Food Safety Act of 2013 to help further develop a national food safety regulatory system that ensures a high level of food safety, promotes fair trade, and advances the global competitiveness of Philippine F&B products.

The Food and Drug Administration (FDA) acts as the key food regulatory authority tasked to establish safety or efficacy standards and quality measures for food products. The FDA enforces the legal provisions of food-related legislation including R.A. 10611, R.A. 7394 (Consumer Act of the Philippines), R.A. 8976 (Food Fortification Law), Executive Order No. 51 (Milk Code of the Philippines), and Presidential Decree No. 856 (Code of Sanitation of the Philippines), among others.

The FDA also handles product registrations for imported food and beverages. One important development that will streamline the entry of goods from the EU is the adoption of FDA Administrative Order No. 2014-0029. This new policy seeks to simplify the FDA product registration process by reducing the list of documentary requirements and to apply a risk-based categorisation of food products, including alcoholic beverages.

## III. MAJOR OPPORTUNITIES FOR EU BUSINESSES

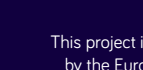
Boosted by a growing consumer preference for imported goods, the Philippine F&B industry is estimated to grow by 5 to 10% in the coming years. F&B companies from the EU can tap into this growth by responding to local F&B demand:

- ★ Canned food products offer Filipino consumers convenience and alternatives for fresh food products and remain a staple in local households.

- ★ The growth value of chocolate confectionary increased by 4% in 2014 due to the choice of well-off consumers for premium brands.
- ★ Frozen processed food enjoys the benefit of being viewed as a healthier option rather than packaged food products such as canned/preserved food.
- ★ Iced carbonated drinks and fruit juices are preferred by Filipinos due to the country's hot and humid climate.
- ★ Powdered and artificially powdered-fruit juices and coffee are also widely purchased by Filipinos due to their cheaper price.
- ★ Filipinos are large consumers of beers, brandies, and spirits. While the consumption of wine remains relatively low, demand for wine products is likely to go up as more and more Filipinos search for varied drink options.



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