Netherlands Enterprise Agency

# Philippine Agri-Food Sector Study

*Commissioned by the ministry Foreign Affairs*

*>> Duurzaam, Agrarisch, Innovatief en Internationaal Ondernemen*

# Philippine Agri-Food Sector Study

Prepared by: Larive – Argosy
Date: 3 November 2017

# Today's speakers

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# 40+ years experience developing business in high growth markets

Our vast experiences enable us to avoid pitfalls and create solutions for all possible barriers in the undertakings of entering high growth markets. Backed-up with local by local business intelligence, Larive is able to deliver add value in supporting your market entry strategy and implementation.

## Local presence

We are rooted in over 20 countries and have the local expertise and resources to support clients all the way from business intelligence through market entry strategy development into successful local implementation. Larive offers local presence in high growth markets, combined with a dedicated contact in your home market.

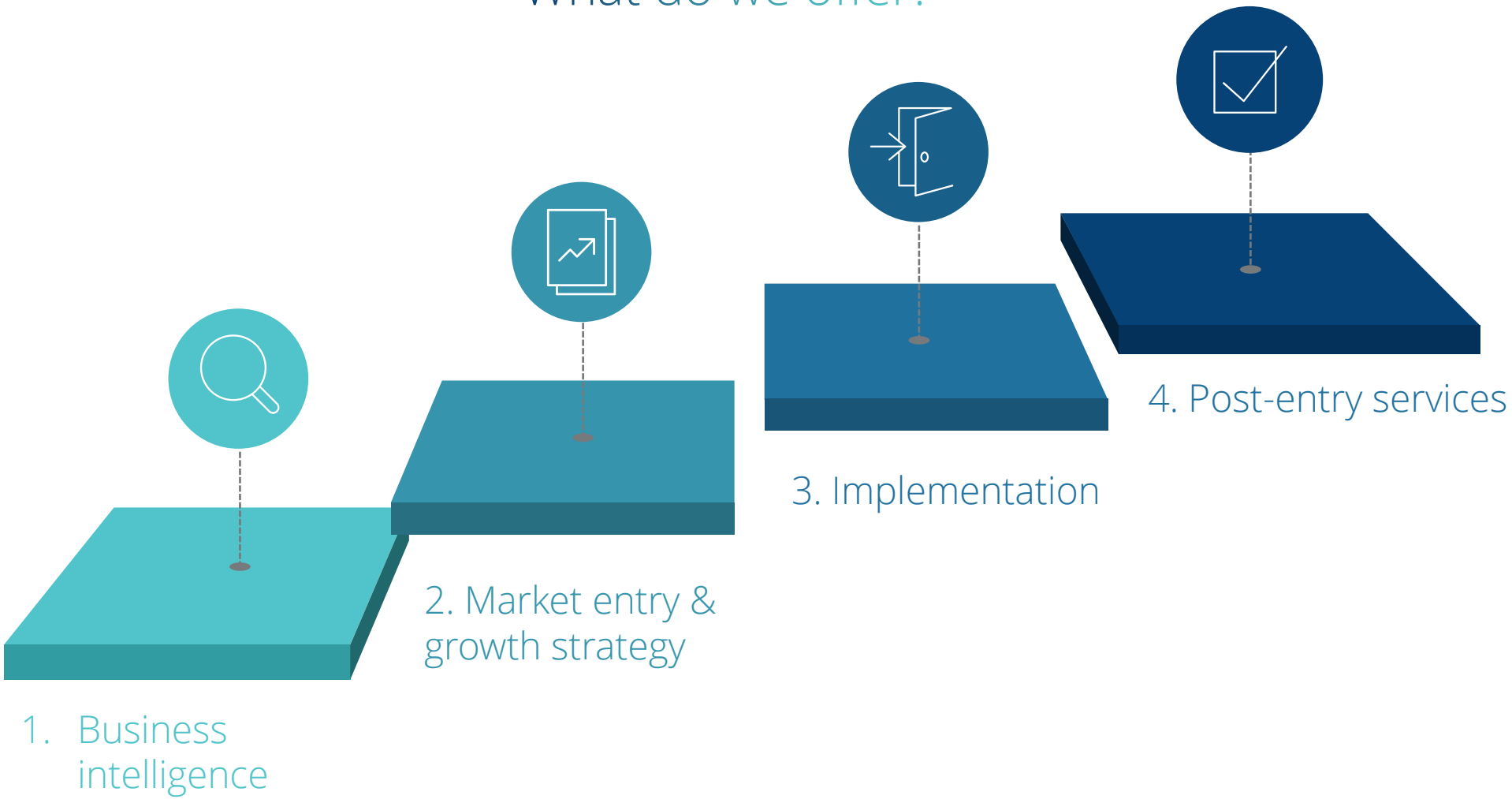
## Make it happen

We are proud to be able to go above and beyond understanding high growth markets and clarify what really happens on the ground. Larive has the resources to transform client' ambitions into tangible results using our can do mentality. Thanks to our implementation capabilities, we directly add value to your company's bottom line.

## High growth market specialist

We focus exclusively on doing business in high growth markets. This makes us the specialist for business development in Africa, Asia and Central and Eastern Europe. Find your way in new markets with the help of a single trusted advisor, making your foreign investment a success. Larive is your partner in high growth markets.

# What do we offer?



# Services

## Business intelligence
- Market & sector research
- Investment preparation & feasibility studies
- Risk assessments

## Market entry & growth strategy
- Country & market entry strategy
- Business & financial plans
- Legal option assessment

## Implementation
- Representation, agency/distribution, franchise/licencing
- Localisation (greenfield/brownfield)
- Partnerships & transactions
- Incorporation of a legal entity

## Post-entry services
- Recruitment of key-personnel
- Tax & legal compliance
- Strategic sound boarding

## Private Public Partnerships
- Identify opportunities
- Formation of PPP's
- Implementation of PPP's

## Subsidy & finance
- Grants, (export) financing & debt financing
- Equity financing

# Local offices

**Asia:** China, India, Indonesia, Korea, Malaysia, Myanmar, Philippines, Thailand & Vietnam.

**Africa:** Kenya, Nigeria.

**Central & Eastern Europe:** Russia, Ukraine, Georgia, Romania, Slovakia, Slovenia, Croatia and Turkey.

# Larive Group Philippines affiliate

Larive's local partner in the Philippines is Argosy Advisors, having its office in Manilla. Argosy Advisors has been active in the Philippines since 1999.

Argosy Advisors is an independent business development advisory firm focussed on creating new business to fill market gaps. Argosy Advisors has the ability to identify attractive businesses with high growth potential and long-term competitive advantage and mobilizes specialist functional expertise and corporate relationships to add value to investee companies.

*Paul Cang*

*Nonoy Colayco*

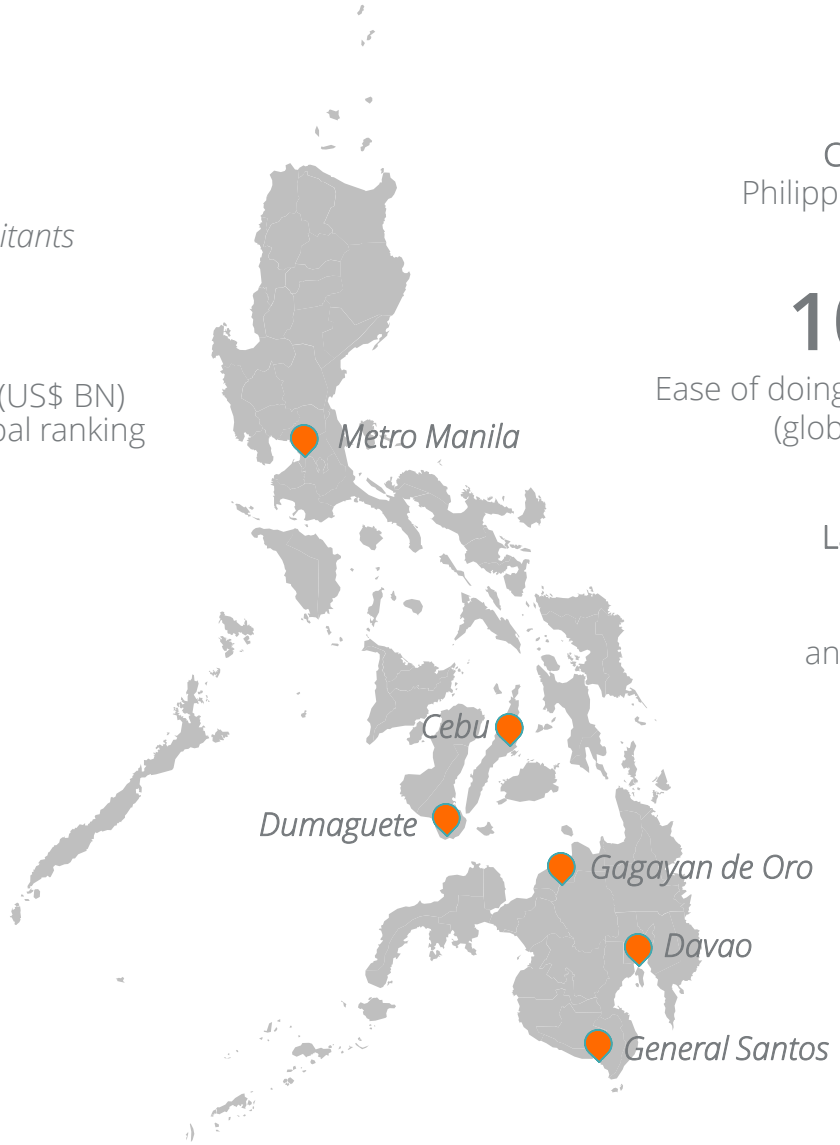
# The Philippines – Facts & figures

**103**
Population (MN)

Capital:
Manila
*12.8 MN inhabitants*

**2,899**
Nominal GDP per head (US$)
123th place

**305**
Nominal GDP (US$ BN)
33th place global ranking




Currency:
Philippine Peso

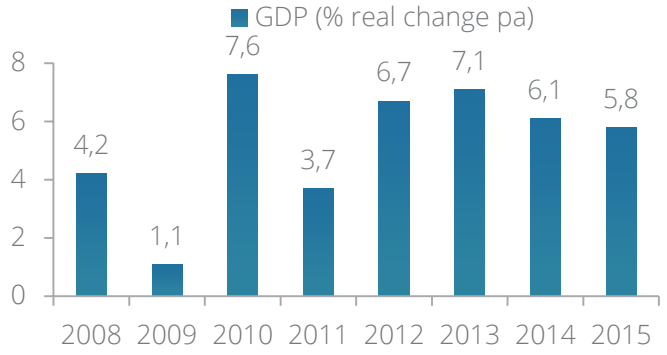
**5.7**
Foreign Direct Investment (US$ BN)

**103 th**
Ease of doing business (global ranking)

**47th**
Competitiveness (global ranking)

Language:
Talalog (Filipino) and English

63%
Freedom of corruption
70th place (global ranking)




Source: ADB, Economist Intelligence Unit (2016)

# The Philippines – Facts & figures

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## Socio-economic trends & developments

- Strong GDP growth rate (6-7% y-o-y).
- 103 MN inhabitants, growing at a rate of 1.59%/year (!).
- 13th most populated country in the world. Median age is just 23.4 years, lower than its ASEAN peers.
- Expanding middle class with increasing disposable income, resulting in more demand for higher quality, convenient and value added food and household products.
- Filipino consumers are becoming more health conscious. Shift towards lesser preservatives and additives (organic) products.

## Agri-food trade

- The Philippines is a large importer of agri-food products and imports are growing strongly from US 8.2 BN in 2012 to US$ 12.5 BN in 2016. Top-5 product groups include:
  - Wheat (including spelt and meslin).
  - Soya bean oil/cake meal.
  - Milk and cream products.
  - Coffee.
  - Frozen meat.
- Export value reached US$ 5.3 BN in 2016. Main agri-food export products include coconut oil (of which 40% to the Netherlands), bananas, pineapples, coconut products and tuna.
- The Netherlands is an important trading partners of the Philippines in terms of agri-food products. In 2016:
  - US$ 524 MN imports from the Philippines to the Netherlands (51% of total EU value).
  - US$ 239 MN exports from the Netherlands to the Philippines (18% of total EU value).

# The Philippines – Facts & figures

## Retail

- 70% of retail sales can be attributed to the traditional markets.
- Market share of hypermarkets, supermarkets and convenience stores which accounts for roughly 30% of retail food sales and is increasing rapidly.
  - 2011: 3,500 outlets (US$ 7.5 BN)
  - 2016: 6,100 outlets (US$ 12.2 BN)
  - F2021: 9,600 outlets (US$ 16.9 BN)

## Distribution

- The Philippine market is fragmented and Dutch companies might require different distribution routes, meaning multiple distribution partners, in many cases. This needs to be carefully addressed before selecting agents or importers.

## Brand awareness

- The Netherlands is known for their advanced technology and knowledge, however only few Philippine players in the agri-food industry are familiar with or have heard of Dutch equipment suppliers.

## Top-3 retailers

SM INVESTMENTS CORPORATION

- US$ 6.1 BN turnover.
- 44 hypermarkets, 48 supermarkets, >200 convenient stores

PUREGOLD

- US$ 2.0 BN turnover
- 147 hypermarkets, 100 supermarkets

ROBINSONS RETAIL HOLDINGS, INC.

- US$ 1.8 BN turnover.
- 140 supermarkets, >500 convenient stores

## Top-3 distributors

SUY SING Bringing Success To Grocers

- Distribute products of >300 FMGC companies to >15,000 independent supermarkets, mini-marts, groceries, drug stores, and bakeshops throughout the country.

TAO GROUP

- Offers marketing and logistical support to FMCG producers with country-wide channels.

S&R Membership Shopping

- Distributes food and non-food products, including fresh food, personal care, household products, and electrical appliances, as well as specialty services, such as deli and foodservice automotive services.

# Recently announced investments

San Miguel Pure Foods' will invest US$ 930 MN over the next three years. The investment program will finance the construction of **six feed mills, grain terminals, poultry processing plants, processed meat plant, and chicken processing facilities**. The plan is to focus on increasing the value-added of products such as hotdogs and corned beef instead of selling them like commodities. Beyond the projects covered by the P56 billion, SMPFC said the company is planning to build around **10 more feed mills and up to six more poultry-processing plants**.

URC said in a report to the Philippine Stock Exchange (PSE) that for 2017, it earmarked a total of US$ 95 MN to expand capacities as well as improve handling, distribution, and operational efficiencies of its branded food businesses. The Gokongwei-led food manufacturer said it will construct a factory building in Malaysia, a candy plant in Thailand, a biscuit line in Indonesia, bottle-making equipment in Vietnam, and a mega warehouse in the Philippines. Aside from these, URC said it will spend about US$ 30 MN for **flourmill construction**, sugar business expansion, as well as maintenance capital expenditures.

Nestlé Philippines, Inc. is planning to establish a **coffee processing plant** in Iloilo province and has started working with the provincial government to development nearby farms to supply the plant. The provincial government has allotted an initial P10-million supplemental budget for the expansion or development of new coffee and cacao farms. Iloilo, a mainly agricultural province, currently has the largest area planted to coffee in the Western Visayas Region with 2,116 hectares. Coffee farmers, however, have previously called for assistance for new crops to replace aging and unproductive plants as well as the setting up of more modern post-harvest facilities.

SL Agritech Corporation (SLAC) is expanding their **seed processing** area in Davao del Sur by another 500 to 600 hectares. This expansion is in line with the Department of Agriculture's target of planting hybrid rice on an additional 1 million hectares by 2019 as part of its rice self-sufficiency program. They are also modernizing all our rice production facilities / technologies and packaging

Del Monte Philippines earmarking US$ 70 MN in capital expenditures for its fiscal year 2018 starting May, as it expands in the Chinese market to increase footprint in Asia. The next fiscal year's capex will finance new product offerings and expansion projects in Asia and United States (US).

Dole Philippines plans to expand its plantation area in the country to meet the growing demand for its products. In an interview, Dole Philippines general manager for ASEAN cluster Noel Casanova said the company aims to further grow its 17,000 hectare plantation facility in South Cotabato to about 25,000 hectares. The expansion will allow the company to cater to the rising demand for fruits globally

# Executive summary: SWOT - Dutch business vs Philippine agri-food sector

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SWOT

1. High level of innovation and ability to create added value.
2. High standards applied in home market in terms of food quality, product safety and efficiency.
3. Strong international brand name and credibility (both of consumer products as well as for production equipment and services).
4. Internationally competitive in terms price of dairy, poultry and pork products, animal feed and high end ingredients (additives, enzymes) and vegetables for export markets.

1. Positioning in the high end segment results in relatively high investments (CAPEX) of equipment and production technologies compared to Asian competitors (though lower Total Cost of Ownership).
2. Relatively high labour costs and expensive in terms of services.
3. Philippines is both physically as well as cognitively far located from the Netherlands. As such, the Philippines is often not earmarked as a priority market for Dutch companies.
4. Transport costs of consumer products from the Netherlands is relatively high compared to more closer located export countries (China, Japan, Thailand, Australia).

1. Vast growth of population, disposable income, changing consumption patterns and rise of modern retail, drives demand for high quality (safety, traceable) and value added food products.
2. Increasing wages and lesser availability of relatively low skilled labour, result in an increasing demand for efficient production systems (advanced and automated equipment, turnkey solutions).
3. Untapped potential of Dutch capabilities (e.g. Philippine clients are not yet fully aware of the products and services Dutch companies and knowledge institutes have to offer).
4. Focus and support of the Philippine government on the sector, amongst other increasing supportive policies and the introduction and increased enforcement of legislation.

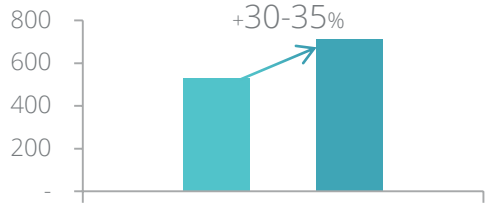
1. Funding for local investors remains difficult and at high cost.
2. Increasing competition from Asian equipment and services suppliers, which are developing their capabilities rapidly.
3. Philippines' international image.
4. Political interference, corruption and local regulatory burden.

# The Philippine agri-food sector: Opportunities for Dutch companies

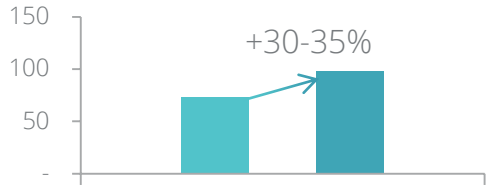
- Philippine government ambition to revitalize the domestic agri-food value chains. Improve productivity and sustainability of the industries, become globally more competitive and self-sufficient within next 5 years.
- Opportunities for Dutch companies and knowledge institutions in virtually all segments. Priority value chains:
  1. Dairy
  2. Poultry and livestock
  3. Fisheries and aquaculture
  4. Horticulture.

# Dairy

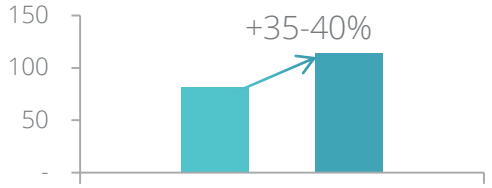
Consumption USD MN 2015 2025



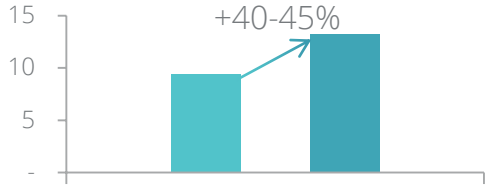

Milk and Cream




Cheese




Butter

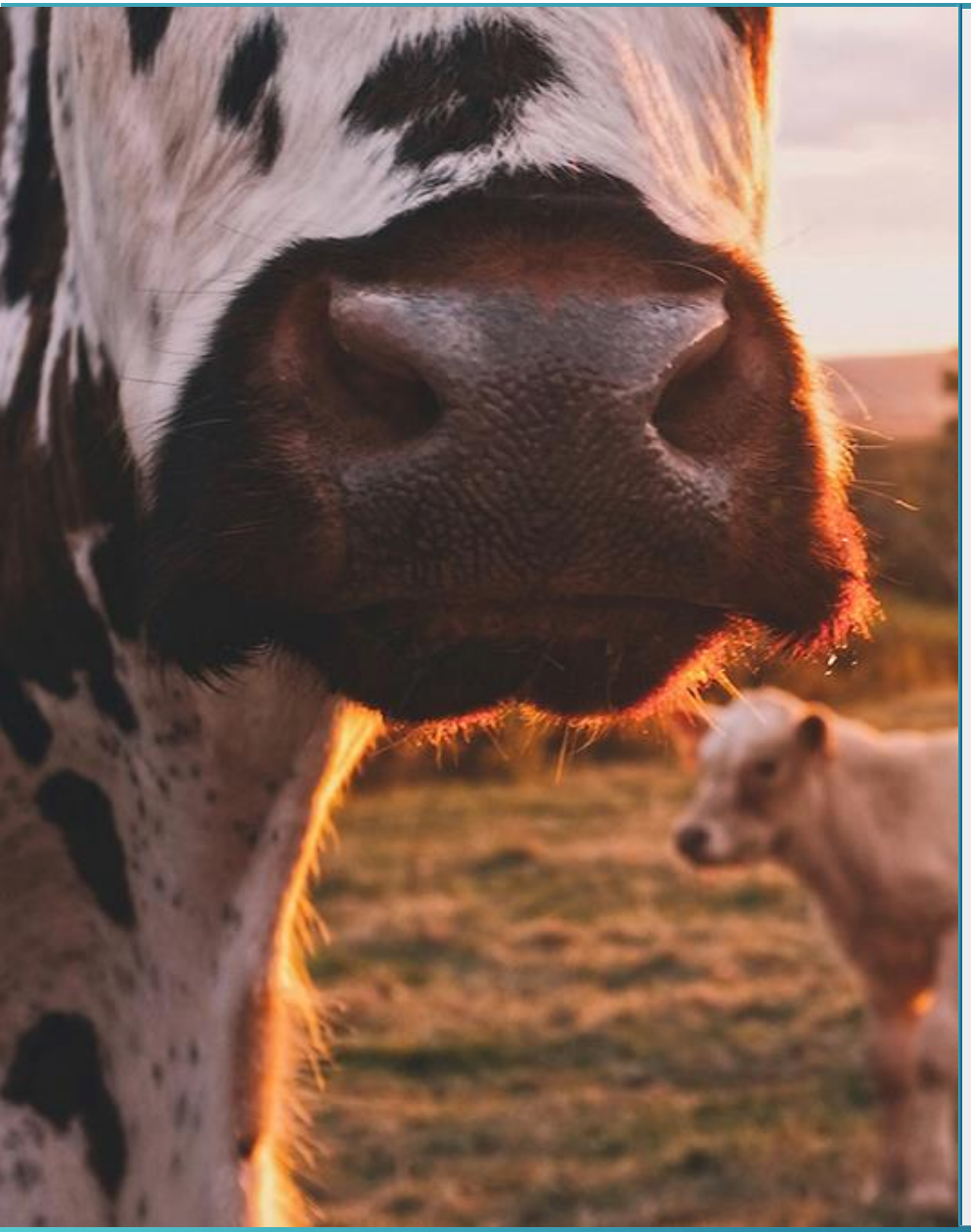



Curd

## Trends & developments

- Filipino's are increasingly getting acquinted with dairy products, amongst others due to the development of modern retail and travelling abroad.
- At current, Filipino's consume approximately 1.8 MMT of dairy products per year, which is about 15.2 kg/head/year. About **99% of all dairy products in the Philippines is being imported** with a total value of US$ 700 MN:
  - Milk and cream: US$ 530 MN (1.5 MMT)
  - Butter: US$ 82 MN (0.15 MMT)
  - Cheese: US$ 73 MN (95,000 MT)
  - Curd: US$ 10 MN (9,000 MT)
- Main suppliers are New Zealand, the USA, Australia and Germany.
- A **strong increase in the consumption of dairy products** in the coming years is foreseen. In 2025, Filipino consumers will consume an estimated 17.4 kg/head/year, reaching a total consumption volume of approximately 2.5 MMT (almost 35% growth in 10 years time).
- Strongest growth is foreseen in the consumption of milk and milk-based drinks (+US$ 200 MN), butter and butter products (+US$ 40 MN), hard and soft cheese (+30 MN), yoghurt and yoghurt-based drinks and infant and medical nutrition. Consumption of other dairy products such as coffee creamers and condensed milk are expected to remain constant in terms of growth.

# Dairy



## Business opportunities for Dutch companies

Opportunities for export of consumer products :

- Milk and milk-based drinks;
- Butter and butter products;
- Hard and soft cheese;
- Yoghurt and yoghurt-based drinks.

The Philippines dairy industry is at current a small-holder based sector. The Philippine Department of Agriculture has the ambition to develop the domestic dairy production with 10%/year (reducing the country's reliance on imports).

It is however highly unlikely that domestic production increase is able to meet the growing local demand. The Netherlands has a global leading position in the dairy sector and could add significant value in developing the domestic dairy sector.

Opportunities for export & investments related to local production capacity:

- Suppliers of dairy cattle (breeds which have proven high production in tropical climates).
- Local production of high quality and cost competitive cattle feed (since feed represents approximately 60% of production costs).
- Introduction of cattle feed with less antibiotics and beneficial additives, in order to strengthen the health resistance and improve food safety.
- Animal health monitoring and disease control services.
- Suppliers of herd farming systems (feeding, milking, manure/waste processing) and processing equipment, such as cooling tanks and cold chain solutions for remote areas.
- Cold chain distribution services.
- Consultancy and training.

# Dairy

## Leading players present in the Philippines

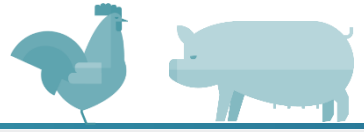
Nestle Philippines Inc dominates the drinking **milk** product category for 2016 with a **market value share of 50%**. It continues to maintain its strong position in this category due to the various flavored milk, drinks, power milk and shelf stable milk products it offers. It also ensures high quality products, sustained marketing campaigns, various pack sizes for affordability, and extensive distribution system. Nestle Philippines Inc is also the dominant player for the fruit yogurt category.

Yakult Philippines Inc remained the leading player in yogurt and sour milk products. The success of Yakult can be attributed to its effective market campaign for Yakult's benefits for digestive health.

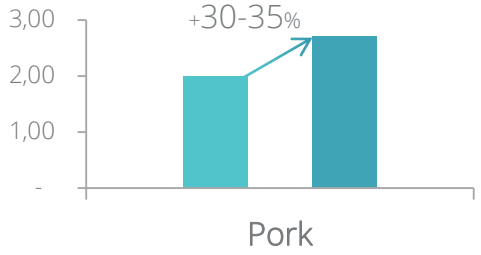
Kraft Foods (Philippines) Inc. dominates the **cheese** category for 2016 with a **market value share of 60%.** The company's strong position is due to its wide brand portfolio, specifically its processed cheese which are packed in different sizes depending on the need of the consumer.

Alaska Milk Corp remained the dominant player in other dairy products with a **market value share of 70%.** Products under this category include **cream, plain condensed milk** and coffee whiteners.

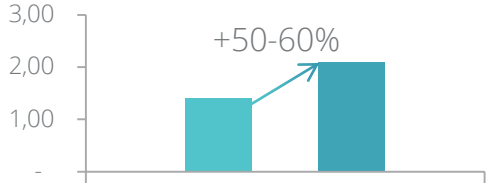
# Poultry & livestock



Consumption MMT 2015 2025




Pork




Chicken

## Trends & developments

- The Philippines is among the **fastest growing meat consuming nations in the world**, thanks to increasing purchasing power of the Filipinos, the growing share of modern retail and presence of quick serving restaurant chains and the increasing number of tourists. Dominant products (2015) are:

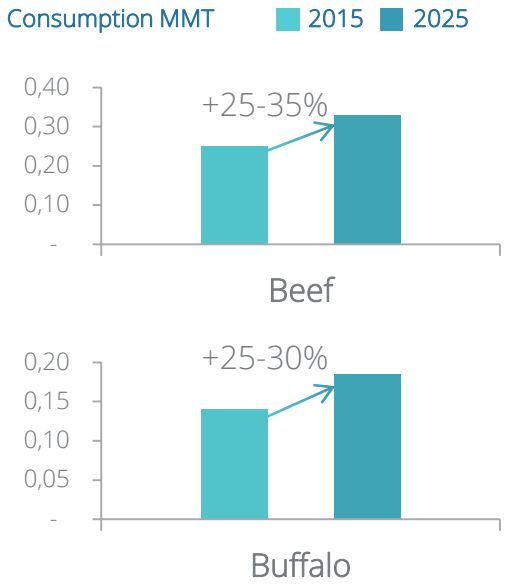
  - Pork: 19.4 kg/head/year (total consumption: 2.0 MMT);
  - Poultry: 13.6 kg/head/year (total consumption: 1.4 MMT);
  - Beef: 2.5 kg/head/year (total consumption: 250,000 MT);
  - Buffalo: 1.4 kg/head/year (Total consumption: 140,000 MT).

- The expectation is that this upward trend will continue within the coming years, resulting in an estimated increase of consumption of pork meat of 35-40% (to 2.7 MMT), **50-60% increase in consumption of poultry meat** (to 2.1 MMT) and a 30-35% growth of beef and buffalo meat (to 330,000 and 185,000 MT respectively) till 2025.

- The country's domestic meat production sector is already not able to meet the demand of meat processors and strongly depends on **imports (30-50%).** Most of the imports are sourced from the United States, Germany and the Netherlands (poultry 24%, pork 5%). As a consequence, the Philippines requires vast capacity expansion in terms of domestic feed mill production, hatcheries, poultry and livestock housing and slaughterhouse. Another expected response within the domestic sector is **consolidation**, especially among small and mid-sized companies.

- Pork and poultry farming: In 2015, the Philippines had an inventory of 22 MN pork and 180 MN broilers. The pork industry is dominated by small and medium-sized farmers (~800,000). However, the **poultry industry is more consolidated**; 80% of the chicken meat and eggs are supplied by larger integrated commercial farms, belonging to the integrated groups.

# Poultry & livestock




## Trends & developments (continued)

- Feed milling: There are approximately 545 feed mills operational in the Philippines, a large part being smaller 'home milling farmers'. Total domestic feed production in 2015 was 12.4 MT (representing US$ 2.4 BN). 67 feed mills had a capacity of > 100 MT per day (8hr shift), producing >60% of all animal feed in the Philippines. Wheat and soybean for the production of animal feed are imported mostly from overseas, representing 10% and 8% of all agriculture imports in the Philippines.

- The top-5 feed millers produced 74% of the market: Sunjin Philippines, CJ Philippines, Bounty Agri-Ventures, Premium Feeds and Green Era Biotech (formerly Chiu Nichi). The new entrants include: CP, New Hope, Nutec and InVivo.

- Slaughterhouses and further processing: There are 75 accredited slaughterhouses, of which only 4 have 'AAA' status. Changing consumer preferences will trigger new investments by both domestic and foreign companies, notably in the (further) processing segment, as margins are attractive.

- The top-6 meat processors account for 71% of the processed meat market: Purefoods-Hormel (29.8%), CDO Foodsphere. (14.2%), Century Pacific Food. (12.1%), Pacific Meat. (8.7%), A Tung Chinco Trading (4.3%) and King Sue Ham and Sausage (1.9%). These parties import 85% of their total raw material requirements from overseas.

- Leading domestic players include San Miguel, Universal Robina, Bountry Fresh, Foster Foods, Cargil Philippines, Pilmico, Foremost and La Filipina Uy Congo. Various Dutch companies already hold contacts and have been doing business with these parties in recent years, which have the financial means and interest to invest in Western products and services.

# Poultry & livestock


## Business opportunities for Dutch companies

The Netherlands has a strong position in the international egg and poultry meat trade, being the world's largest exporter of eggs for consumption and egg products and the third largest exporter of chicken meat.

Opportunities for export of consumer products :

- Poultry, pork and beef meat (frozen, fresh and further processed).
- Eggs and egg products.

The Netherlands is internationally renowned for responsible production of meat products, innovation and creating added value. Policies and processes applied in the Netherlands regarding food quality, product safety and hygiene are considered as the highest international standards. The Dutch livestock and poultry sector can add significant value to develop the Philippine production capacity and capabilities.

Opportunities for export & investments related to local production capacity:

- Supply of hatching eggs and day-old-chicks.
- Supply of piglets.
- Breeding and hatchery equipment and technologies.
- Technologies for formulation of low-cost feeds that can lead to reduction in feed costs (given that 70% of the total production costs for the livestock and poultry industry are feeds).
- Solutions for antibiotics reduction in feed and water.
- Housing equipment (ventilation, closed water and monitoring equipment) and automation solutions.
- Slaughterhouse solutions (notably for lower volumes).
- Further processing equipment.
- Cold storage solutions.
- Consultancy and training.

# Poultry & livestock sector

## Leading players present in the Philippines

San Miguel Pure Foods' products span across the entire value chain - from animal feeds and fresh meat to processed meats. The company operates a vertically-integrated business model in its meats business ranging from plantations, breeding, and contract growing to processing and marketing of chicken and hogs.

Universal Robina Corporation's Agro-Industrial and Commodity Food Groups ("URC AIG") is engaged in a wide range of industries including the production and distribution of animal feeds, hogs and poultry farming, production and distribution of animal health products, as well as flour and sugar milling and distribution.

Bounty Fresh Group of Companies is a fully-integrated poultry company that has continuously invested in company-owned facilities – Grand Parent farm, Parent Stock farm, Hatcheries, Dressing Plants, Feed Mills, and Cool-cell Broiler Complexes. The Company operates more than a dozen hatcheries across the archipelago, four broiler complexes, and ten feed mills serving the fast growing requirements of its broilers, layers, and pigs. The company is the largest roasted chicken chain through its brands Reyal Litson Manok, Chooks to Go, and Uling Roaster.

Cargill has been in the Philippines since 1947, when it started its vegetable oil business. Operations include grain and oilseed originating and processing, commercial feeds manufacturing, texturizing and sweeteners solutions for food and beverage applications. Cargill has partnered with Jollibee Foods Corporation to build the country's biggest poultry processing facility in Batangas. Construction started last October 2016 and the facility is expected to process 45 million chickens per year.

Pilmico Foods Corporation is the food subsidiary of Aboitiz Equity Ventures and has interests in flour milling, feeds, and hog farming. As of 2014, Pilmico Farms has four farms and at 8,360 sow level in Capas, Tarlac (Central Luzon).

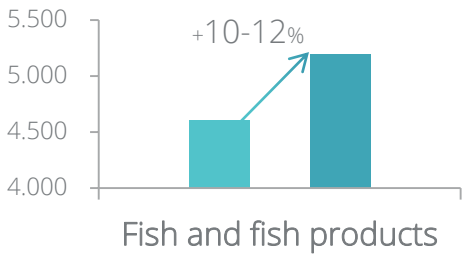
Foremost Farms, Inc. has a 146-hectare facility in Tanay, Rizal (CALABARZON) with an average daily production of over 50 metric tons of hogs for the domestic market. It also has a feed mill in Pasig City with a rated capacity of over 30 tons per hour.

La Filipina Uy Gongco Corporation is a diversified business, with interests in hog, feeds, flour, fertilizers, sugar, corn, and consumer brands in meat and pasta. The Company's Amigo Agro Industrial Development Corporation's ("AAIDC") livestock business is located in Bulacan, and has a hog population of 24,000 heads. AAIDC sells live hogs to various wholesalers and distributors.

AAIDC is supported by Philippine Foremost Milling Corporation ("PFMC"), also a subsidiary of the group, for its feeds. PFMC manufactures feeds for its own farm use and for sale commercially under the brands Excel, Amigo, and Lechon Feeds. They have a meat canning facility, and markets canned pork (luncheon meat and flavored corned pork) under the 'La Filipina' brand.

# Fisheries & aquaculture

Consumption (US$ MN) 2015 2025




## Trends & developments

- The Philippines is the world's second largest archipelagic State (>7,100 islands), with a vast Exclusive Economic Zone of 2,200,000 km2. Thanks to its location in the coral triangle with some of the most productive fishing grounds in the world, the Philippines is **among the major fish producing countries** in the world.
- The total production of fishery and fish products reached almost 4.7 MT in 2015, of which almost half (nearly 2.3 MMT) was landed by the fishery sector and 2.35 MMT by the aquaculture sector. However, with a production volume of 1.5 MMT, seaweed represents the majority of the countries aquaculture output. As such, the **aquaculture production of fish species is still relatively small and underdeveloped** compared to the industries in other countries in Asia-Pacific such as in China, Vietnam, Indonesia and Thailand.
- The Philippines is a considerable exporter with **tuna** and **seaweeds**. In 2015, exports of fishery and fish products generated > US$ 900 MN.
- Filipinos eat on average **40.3 kg/head/year** of fish and fish products, which is among the highest in Asia-Pacific. Fish and fish products consumption represent about 50% of the animal protein intake. **Sardines, Mackeral and milkfish** are among the most commonly consumed species.
- The shrimp farming sector was hit significantly in recent years due to disease outbreaks (white spot disease, early mortality syndrom). However, production is increasing again. Export of shrimp is dominated by a handful of large Filipino owned companies that farm, process and export their produce themselves. By controlling the supply chain, these companies are able ensure traceability and quality standards needed to export to the EU.
- Leading domestic players include Century Pacific Food, Ligo, A. Tung Chingo, Mega Global and Frabelle Fishing.

## Business opportunities for Dutch companies

Opportunities for imports of consumer products :

- Exports from the Philippines to the EU have been relatively low compared to other countries such as from Indonesia and Thailand. Recently the Philippines has gained GSP+ status, which makes the country's export products more competitive. Most interesting products for Dutch importers are **tuna, shrimp/prawns and seaweed**.

The Philippine government has the ambition to further develop its aquaculture sector, as the country faces depleting fishery resources, degrading fishery habitats and post-harvest losses. Notably the revival of the tilapia culture is among the top priorities, next to milkfish and shrimp. As the government does not allow the construction of new fishponds in coastal mangrove areas (thereby the limiting growth of the pond-based aquaculture sector), the sector requires more improved, efficient and sustainable production systems. This results in opportunities for Dutch companies which can leverage their expertise and best practices proven in other emerging countries with tropical climate conditions.

Opportunities for export & investments related to local production capacity

- Introduce modern fish farming systems (efficient water and feed usage, such as **recirculation systems** - RAS), especially to supply the urban areas.
- Local production of high quality and cost competitive **fish feed** and premixes.
- Modern breeding, hatchery and nursery technologies.
- Solutions to prevent/reduce fish disease pressure at farm level (increased bio-security).
- Processing equipment: Growth of the local **export-oriented processing sector** (canneries) offer opportunities for suppliers of fish processing, packaging and cold storage equipment suppliers.
- Consultancy and training.

# Fisheries & aquaculture

## Leading players present in the Philippines

Century Pacific Food, Inc. (CNPF) is primarily engaged in the business of buying and selling, processing, canning and packaging and manufacturing all kinds of food and food products. CNPF is a wholly-owned subsidiary of Century Pacific Group, Inc. (formerly Century Canning Corporation). The Company's current main business segments are canned and processed fish segment, which produces tuna, sardine and other fish and seafood-based products. It's tuna export segment produces private label canned, pouched and frozen tuna products for export. Among the recognizable brands under these segments include Century Tuna, 555, Blue Bay, Fresca, Argentina, Swift, Wow, Lucky Seven, Angel, Home Pride and Birch Tree.

Ligo is a market leader in the Philippine canned fish industry, particularly in the sardines category. Ligo Sardines is well-known for its excellent taste worldwide. It comes in different flavors and variants to suit the diverse palette of the market. Ligo Sardines use imported fish from Morocco, Japan and Venezuela, packed with thick and rich sauce to ensure savory nutrition. Ligo products gained prominence in the Philippine market because of its excellent quality and good taste

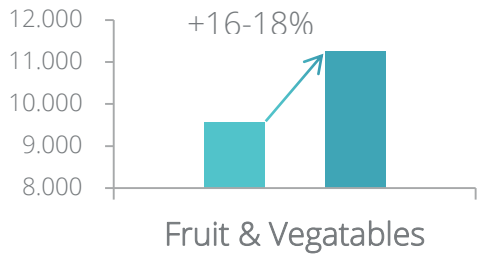
A. Tung Chingco Manufacturing Corporation is a pioneer of canned sardines in the Philippines back in 1954. True to the vision of making LIGO (Liberty Gold Fruit Co., Inc. of California U.S.A) the No. 1 choice and household name, Ligo is a market leader in the Philippines canned fish industry. Ligo Sardines is well-known for its excellent taste worldwide. It comes in different flavors and variants to suit the diverse palette of the market. Ligo Sardines use imported fish from Morocco, Japan and Venezuela, packed with thick and rich sauce to ensure savory nutrition. Ligo products gained prominence in the Philippine market because of its excellent quality and good taste

Mega Global Corporation is a leading manufacturer and distributor of canned goods. It is the company behind Mega Sardines and other innovative, high-quality and value-for-money products namely, Mega Creation Premium Sardines, Mega Tuna and Mega Prime Canned Vegetables. The company has two entities namely, Mega Fishing Corporation (MFC), and Ayala Seafoods Corporation (ASC).

The Frabelle Fishing Corporation, Philippines entered the fishing business in 1964 as co-founder of the defunct, Diamond Fishing Corporation. In 1966, the present management of Frabelle decided to use their copra trading company, Palfin Trading Corporation, to engage also in deep- sea fishing on their own. Frabelle is considered the largest commercial deep- sea fishing company in the Philippines. With more than 100 fishing boats of different sizes in operation. Frabelle also has the largest fleet based on the number of fishing boats owned by a single company in the Philippines and in Asia. They own the Ocean Fresh and Seaglow brand.

# Horticulture

Consumption (US$ MN) 2015 2025




## Trends & developments

- The Philippines has a significant horticulture sector with >13 M hectares planted, 80% was allocated to rice, corn and coconut farming. Major export crops include **coconut, sugar, banana, pineapple and mango**. Although being the staple food in the Philippines, the country remains a net importer of various crops such as rice, corn, wheat and soy.

- In terms of fruits & vegetables, Filipino consumers are strongly **influenced by the US consumption patterns**. The total consumption volume of fruits and vegetables is expected to grow with 18% till 2025, in line with population growth. Consumption per capita is however expected to remain constant.

- The Philippines imports various fruits and vegetables products with a total volume of 1 MMT. Apples represent 27% (> US$ 300 MN), grapes 6% (>US$ 130 MN) and pears 4% (US$ >50 MN) of the volumes. Furthermore, the Philippines imports a sizable volume of onions (36,000 MT). Major suppliers include China, the USA and New Zealand.

- The increasing share of trade via modern retail sets increasingly higher standards to suppliers of fresh fruits and vegetables. As such, suppliers need to lower the usage of agrochemicals, improve packaging and cold storage and transport.

- The Philippine Department of Agriculture has the ambition to develop domestic vegetable production:
  - Low land crops: eggplant, squash, tomato
  - High land crops: carrots, cabbage, bell pepper, cauliflower, broccoli
  - The Department encourages imports of onions, potatoes and mung bean.

- Leading domestic players include SL Agritec, Lamsan, Fresh Fruits Ingredients, Profood Int., Del Monte Philippines, Dole Philippines and TADECO.

# Horticulture

## Business opportunities for Dutch companies

Opportunities for export of consumer products :

- Apple
- Pears
- Onions
- High-end vegetables (bell peppers, tomatoes, zuchini)

The Netherlands is a strong player in the horticulture industry, especially with regards to vegetables farmed under protected conditions (greenhouse farming, high quality seeds, crop protection, climate control, cold storage & packaging). The Dutch private sector can add much value in the Philippine horticulture sector.

Opportunities for export & investments related to local production capacity

- Vegetable seeds and crop protection.
- Efficient and innovative cultivation systems (efficient water and fertilizer usage, such as applied in greenhouses and hydroponics).
- Alternative (biological) solutions for pollination and crop protection.
- Equipment and solutions related to climate control.
- Consultancy and training.

# Horticulture

## Leading players present in the Philippines

SL Agritech Corporation (SLAC) is a private company engaged in the research, development, production and distribution of hybrid rice seed and premium quality rice. The company has proven its competitive edge in both the local and international market. It is an ISO-certified rice company and also the largest local hybrid rice seed company in the Philippines and tropical Asia . SLAC is the first local company to export high quality milled rice in the country.

Lamsan Inc. is one of the well-known corn wet milling company in the Philippines. Its products include cornstarch, corn gluten feed, corn gluten meal and corn germ. It has been in the business since 1971 and has steadily grown to become the industry leader today. Its main product is cornstarch which is used in a variety of ways in the food industry (e.g. for noodles, candies, marshmallows, processed food, alcohol and also in non-food industries). The by-products are then used for the animal feed industry and the corn oil industry.

Fresh Fruit Ingredients, Inc. is an affiliate of Fiesta Brands Inc. These two companies are the pioneers in the production and processing of some of the world's finest coconut products from fresh coconuts harvested in the Philippines. Its products include desiccated coconut, coconut milk powder, coconut cream, coconut water, creamed coconut and reduced-fat coconut. Majority of these are exported to the major continents of the world.

Profood International Corporation is the largest Philippine based dried fruit producer and the standard bearer of world class processed fruit products from the Philippine Islands. It started as a company that only catered to the domestic market but has grown to be the leading producer of various dried fruit, preserves, purees, concentrates, and juices. Its products are available all over the Philippines and exported to many countries in Asia, the Middle East, Europe, North, Central, and South America, the Caribbean, and Oceania. Its main headquarters are located in Cebu which makes it strategically accessible to source mangoes year round from throughout the country.

Del Monte Philippines is engaged in the processing of pineapple solids, aseptic juices, pineapple crush, and concentrates. It also offers various tomato products and low-acid bean products. The company has earned a reputation with regard to providing the best wholesome vegetables, fruits, and tomatoes for the market. In fact, the Del Monte® name has been synonymous with premium foods since its debut in 1886.

Dole Philippines is the world's largest producer of high-quality fresh fruits, fresh vegetables and fresh cut flowers with a growing line of quality packaged foods. Its product lines range from canned pineapple solids, canned mixed fruits, canned beverages, packaged fruit snacks to tomato and spaghetti sauces. It has introduced premium quality and healthy food products in fresh and packaged foods. Its continues to focus on health and nutrition as it expands its wide array of food products.

# Netherlands programs and initiatives

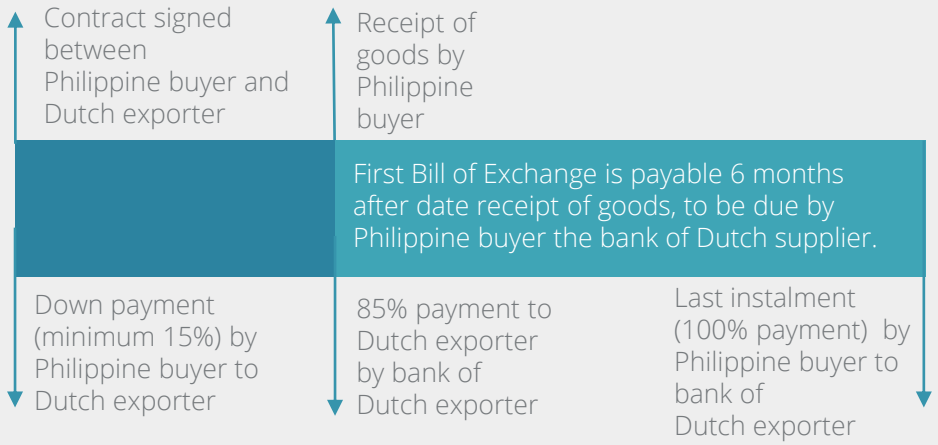
# Netherlands programs and initiatives

## Identifying funding opportunities

Via Dutch private & (semi-) government institutions, funding instruments have been made available in order to stimulate international business development activities. Dutch companies with the ambition to do business in high-growth countries such as the Philippines are able to apply for different types of credit providers.

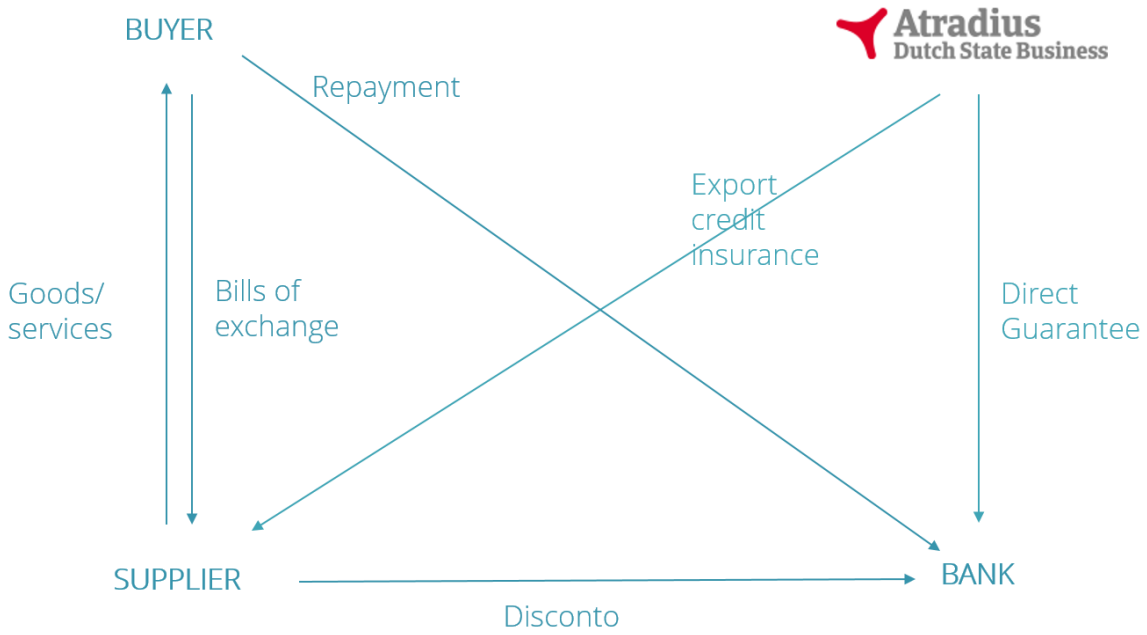
- Atradius: Insurance applications (project finance and export)
- DGGF: Export credit insurance as finance via Atradius)

# Netherlands programs and initiatives: Atradius Suppliers Credit

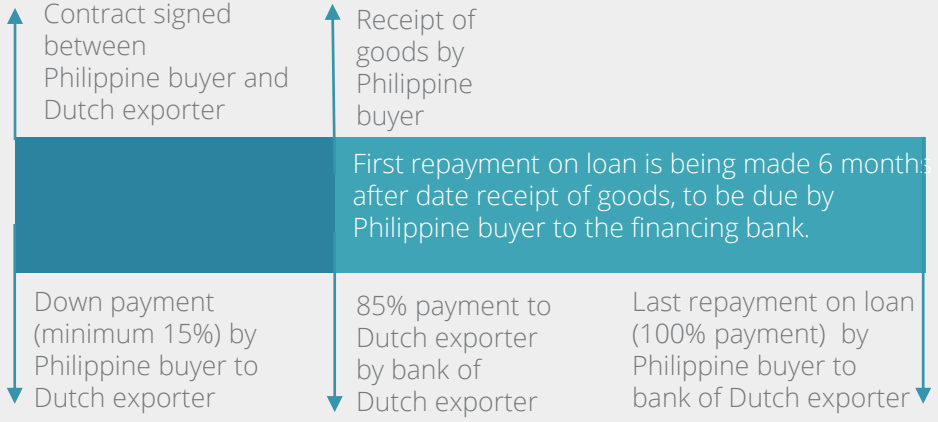



*Process: The bank of Dutch supplier discounts BoE drawn by the Dutch exporter on the Philippine buyer and collects Atradius covered payments from the Philippine buyer*

1. Dutch supplier and Philippine buyer conclude a commercial contract;
2. Dutch supplier and its Dutch bank together apply for Supplier Credit with Atradius;
3. Dutch supplier provides BoE's to Buyer, reflecting payment obligations;
4. BoE's are signed and handed over by the Philippine buyer to Dutch bank;
5. Capital goods are delivered by Dutch supplier;
6. BoE's are released to Dutch supplier by bank of Dutch supplier upon confirmation of receipt of goods by Philippine buyer;
7. Atradius provides a Direct Guarantee to cover the bank of Dutch supplier against risk of non-payment;
8. Dutch supplier endorses the BoE's to its bank and the bank of the Dutch supplier pays the discounted value of the BoE's to the Dutch supplier;
9. BoE's are settled by the Philippine buyer to the Dutch bank of the Dutch supplier.
10. First BoE is payable 6 months after the final acceptance of receipt of goods by Philippine buyer.

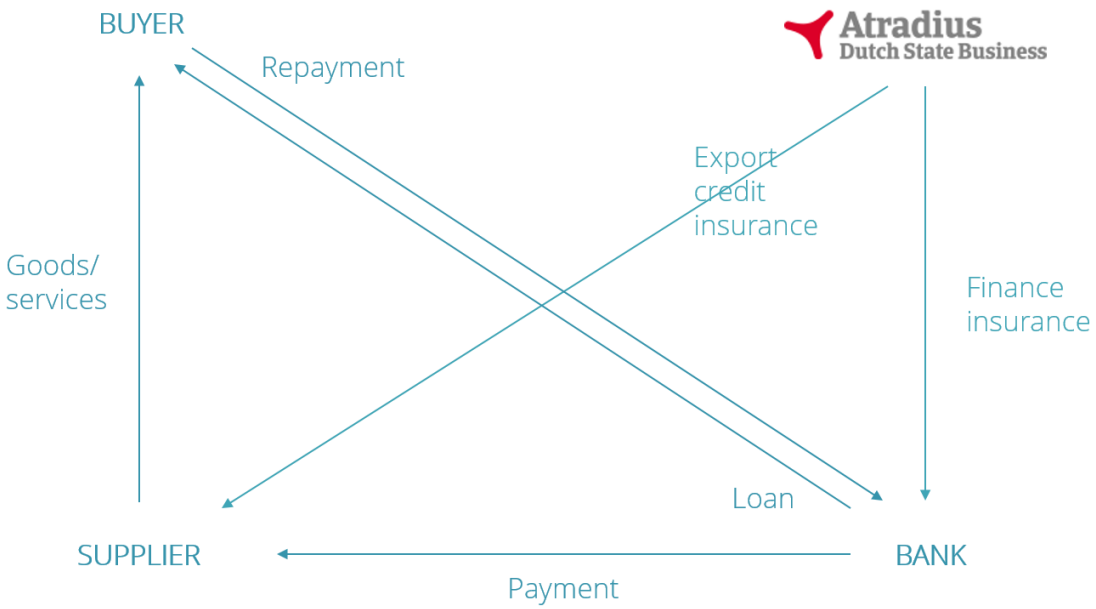


# Netherlands programs and initiatives: Atradius Buyers Credit




*Process: The bank of Dutch supplier provides an Atradius covered credit facility to the Philippine buyer (or its local bank) to finance the purchase of goods of the Dutch supplier.*

1. Dutch supplier and Philippine buyer conclude a commercial contract;
2. Dutch supplier and its Dutch bank together apply for Buyers Credit with Atradius;
3. Bank of Dutch supplier (or local bank of Philippine buyer) and Philippine buyer enter into a loan agreement;
4. Goods are delivered by Dutch supplier to Philippine buyer;
5. Dutch supplier presents documents of delivery to the financing bank;
6. Atradius provides a Finance insurance to financing bank against the risk of non-payment;
7. Upon correct presentation of the required documents and/or the draw down request of Philippine buyer, the financing bank pays Dutch supplier on behalf of Philippine buyer;
8. Payment to Dutch supplier results in draw down under the loan agreement;
9. After final acceptance of goods by Philippine buyer, loan will be repayment in equal instalments.
10. First instalment is payable 6 months after the final acceptance of receipt of goods by Philippine buyer.



# Netherlands programs and initiatives: DGGF/ DTIF programs

DGGF is focused on stimulating **development relevant export** to *selected* **low and middle income countries** (Philippines among) by **Dutch SME's**. It involves risky transactions in which banks are not able or willing to provide financing without export credit insurance (ECI).

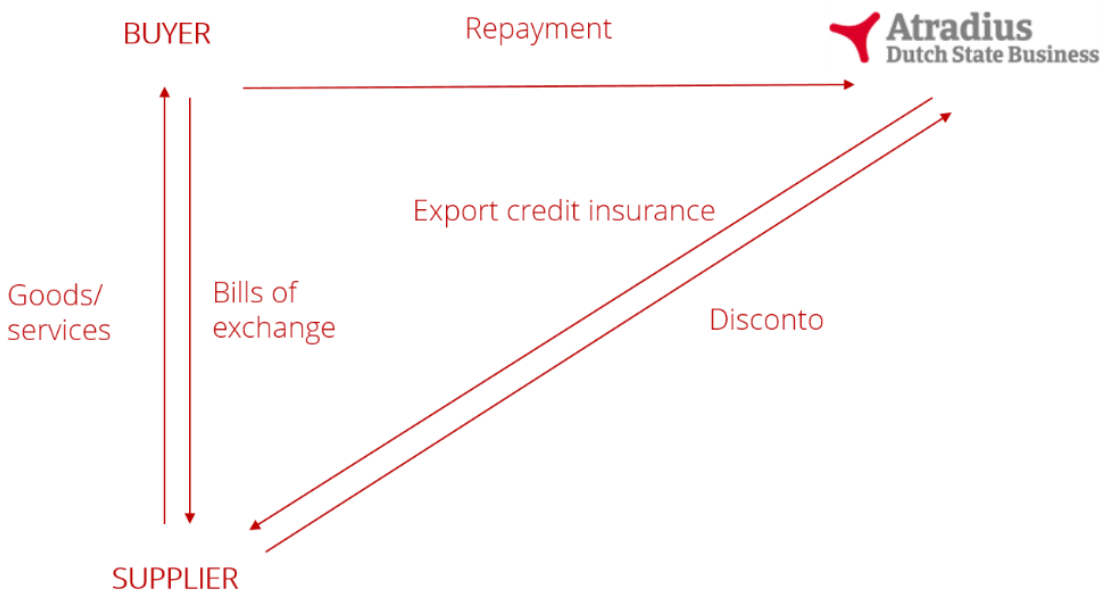
Under the DGGF program, Atradius could co finance export transactions without intervention of a bank, that are currently not supported by the market or regular governmental ECI facilities due to the geographical position, term, or nature or scope of the transaction.

Apart from the requirements set, Atradius could finance export credit, if

- Export contract value is < EUR 15 MN
- Direct financing is < EUR 5 MN
- A project has Development Impact

DTIF offers loans, guarantees and export finance that is available to all countries, with the exception of those which are eligible for DGGF finance and countries under sanction by the United Nations Security Council or the European Union. Potential applications will be assessed with extra scrutiny. The sanctions policy of the Security Council and/or European Union will be maintained in all cases.

Under the DTIF program, Atradius could co finance export transactions under the same conditions as with the DGGF program.



# Netherlands programs and initiatives

The Netherlands Government has several support programs and initiatives in order to support business development activities abroad for Dutch companies.

## DHI

The DHI scheme supports Dutch SME"s that have the intention to invest or execute a project in emerging/developing markets (including the Philippines) with grant funding up to EUR 200,000. The Netherlands Ministry of Foreign Affairs wants to increase and strengthen the number of Dutch companies successfully operating in emerging/developing and make a positive contribution towards sustainable local improvements in these countries.

The DHI scheme consists of 3 modules:

- Demonstration projects: presentation of a technology, capital goods or service in one of the DHI countries.
- Feasibility studies: assessment of the profitability of a foreign investment in a product or service.
- Investment preparation studies: assessment of the technical and commercial profitability of an investment in a company in one of the DHI countries.

## Partners for International Business (PIB)

To launch and promote clusters in top sectors on complex and emerging markets (long term positioning strategy), reduction of trade barriers. Target group are groups of companies and knowledge institutes (clusters), often more experienced companies, (SME and larger companies)

Terms & conditions: Minimum of 5companies / knowledge institutes. Tailor made covenants with 2-3 year action plans, public-private cooperation

Modules include:

- Promotion tools (trade fairs, trade missions, seminars)
- Knowledge transfer and networking (Government-to-Government, Knowledge-to-Knowledge projects)
- Economic diplomacy (liaison, cooperation, international organizations)

Budget: Max EUR 350.000 government contribution to finance implementation of modules

50% co-financing by cluster

# Q&A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This publication was commissioned by the ministry of Foreign Affairs


Publication number: RVO-172-1701/BR-INT

NL Enterprise Agency is a department of the Dutch ministry of Economic Affairs and Climate Policy that implements government policy for Agricultural, sustainability, innovation, and international business and cooperation. NL Enterprise Agency is the contact point for businesses, educational institutions and government bodies for information and advice, financing, networking and regulatory matters.

Netherlands Enterprise Agency is part of the ministry of Economic Affairs and Climate Policy.