MARKET SNAPSHOT | BEEF & SHEEPMEAT

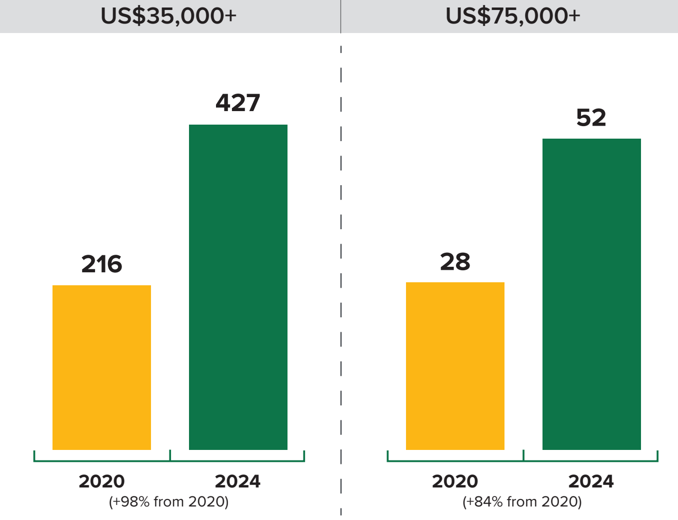
MEAT & LIVESTOCK AUSTRALIA

Philippines

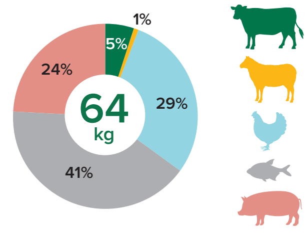
The Philippines is poised to become a growth market for Australian red meat exports, underpinned by strong fundamentals including a fast-growing economy, a youthful, digitally-connected and aspirational population with increasingly disposable incomes and the rapidly expanding modern retail, foodservice, tourism and food manufacturing sectors.

Population[1]

Household number by disposable income[2] (thousands)



Meat consumption per capita[3]

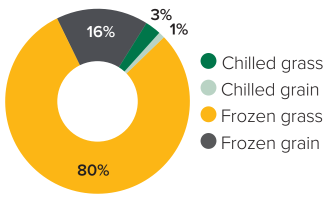


Grocery spend[4]

A$ 742 per person

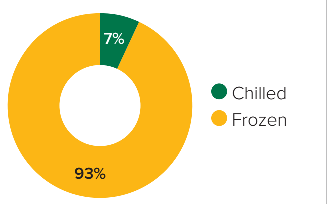
Australian beef exports

Australian beef exports – volume[5]



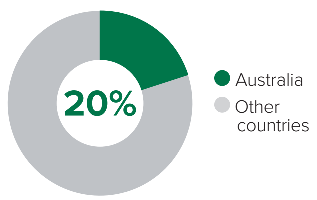
Total 24,810 tonnes swt

Australian beef exports – value[6]

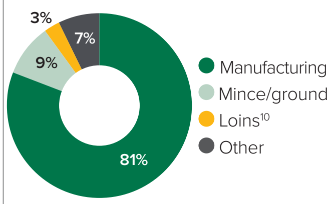


Total A$194.5 million

Australia's share of beef imports[7]

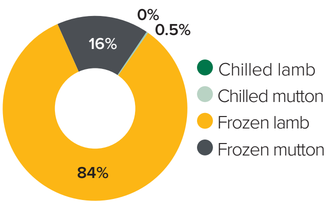


Australian beef export by cut[8]



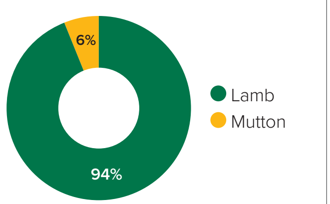
Australian sheepmeat exports

Australian sheepmeat exports – volume[5]



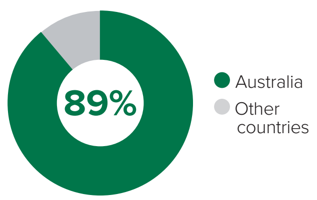
Total 669 tonnes swt

Australian sheepmeat exports – value[6]

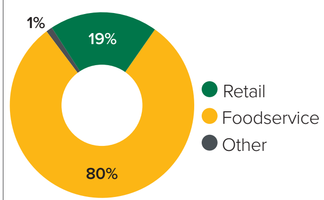


Total A$5.9 million

Australia's share of sheepmeat imports[7]



Key distribution channels of Australian sheepmeat[9]



Data source for charts: [1,2] Fitch Solutions, [3] GIRA 2020, [4] IGD 2019 (defined as the total annual grocery retail market turnover in a given year, divided by the population for the same year), [5] DAWE (FY 2019–20), [6] ABS/IHS Markit (FY 2019–20), [7] IHS Markit (FY 2019–20), [8] DAWE (FY 2019–20), [9] MLA market intelligence, [10] Loins include striploin, cube roll/rib eye roll, tenderloin and loin.

Beef

CONSUMERS

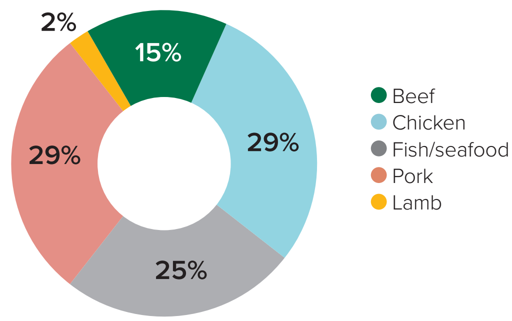
- Beef is a relatively popular protein in the Philippine diet despite a modest per capita consumption level. *Bulalo* (soup made with beef shank), *kaldareta* (beef stew with veggies), *beef pares* (braised beef), *sinigang* (soup made with beef ribs) and *salpicao* (beef dish originating in Spain) are among popular beef dishes. Beef is also the typical protein choice for Sunday family lunches in the Philippines.
- Wealthy consumers tend to eat beef more frequently than those with lower incomes. Spanish beef dishes are commonly cooked for daily meals, while steak is a popular dish for family gatherings. Imported beef products, including Australian and US, are widely used by this consumer segment in their home cooking repertoire.
- Beef is regarded as the most superior meat with great taste. Consumers have indicated they are willing to pay more for it compared to other proteins. This trend is particularly strong among wealthy consumers *(Source: MLA Global Consumer Tracker Philippines 2016).*
- Chicken and seafood remain the most frequently consumed and most favoured proteins among the majority of Philippine consumers.

Important attributes when Philippine consumers select between meats	Philippine consumers' beef associations
My/my family's favourite meat	The most superior meat
Versatility	Willing to pay a bit more for it
Easy and convenient to prepare	The animal is well-cared for
An essential part of a healthy diet for growing children	Delicious taste
Freshness	Consistent quality standards

Source: MLA Global Consumer Tracker Philippines, 2016

- The Philippines is seeing an increased demand for high quality, imported gourmet, natural and organic foods, driven by a growing number of health-conscious wealthy consumers, both locals and expatriates.
- Demand for convenience is also growing as a result of changing lifestyles and increasing female participation in the labour market.
- The Philippines has a relatively youthful population among South-East Asian countries, with those aged between 15 and 39 accounting for around 42% of the population, roughly 45.5 million. In line with regional trends, younger consumers are aspirational, digitally and socially connected and enthusiastic about dining experiences.

Proportion of average serves in the last seven days

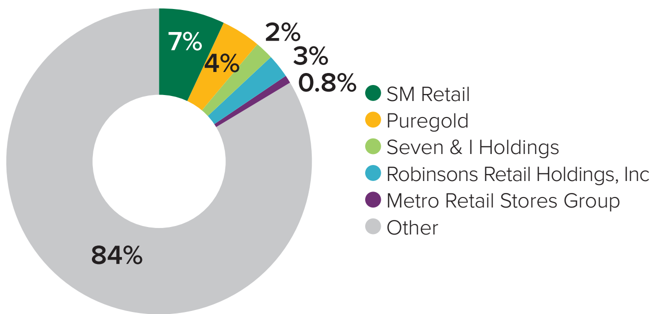


Source: MLA Global Consumer Tracker Philippines, 2016

RETAIL

- With a market share of approximately 78%, traditional channels are still dominant in the Philippines' grocery retail sector. However, modern retail is expanding at a rapid rate, underpinned by urban expansion and evolving consumer shopping habits.
- In large cities such as Manila, consumers mainly purchase beef from supermarkets and hypermarkets, with a small proportion purchasing from wet markets. Australian beef is generally sold in higher-end modern retail outlets such as Rustan's and The Marketplace.
- The market is seeing a rapidly expanding number of wealthy local and expatriate consumers in Metro Manila. Upmarket retail outlets continue to expand across the region to capture this growing and lucrative consumer segment.
- The health-promoting food category, including organics and products with natural claims, is emerging in response to growing demand from wealthy and health-conscious consumers.

Market share by major retailers



Source: IGD, 2020 Estimate
**Other includes traditional outlets*

Top five important attributes Philippine consumers look for when buying beef in modern retail outlets

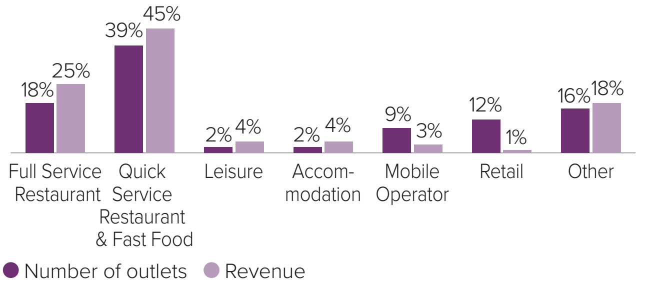
1	100% natural
2	Freshness
3	Colour of the meat
4	Date packed
5	Animal welfare credentials

Source: MLA Global Consumer Tracker Philippines, 2016

FOODSERVICE

- Although the foodservice sector remains highly fragmented and is still dominated by small, local independent restaurants, the Philippines has a relatively well-established modern, chained foodservice sector. Jollibee Foods Corporation and Max's Group are among leading conglomerates operating under a diverse portfolio of brands. Fast food chain, Jollibee in particular is a global brand, with over 1,200 restaurants worldwide.

Philippines foodservice sector by proportion of outlet and value shares



Source: GlobalData, 2020 estimate

- The Philippine foodservice sector is growing at a robust rate, driven by the young, aspirational population with rising disposable incomes, rapid urbanisation and the continuous expansion of shopping malls and modern, contemporary food hubs in major cities across the country.
- The Philippines' food culture is diverse, with strong influences from Spain and the US. Western-style menus are often featured in modern restaurants.
- Tourism is also an important component driving growth in the foodservice sector. The Philippines' tourism sector is smaller than those of neighbouring countries such as Indonesia and Vietnam, but has been growing steadily in recent years. In 2019, the Philippines attracted approximately 8.2 million international tourists, a 15% increase on the previous year *(Source: Philippines Department of Tourism)*.

Philippine hotel chains ranked by number of rooms

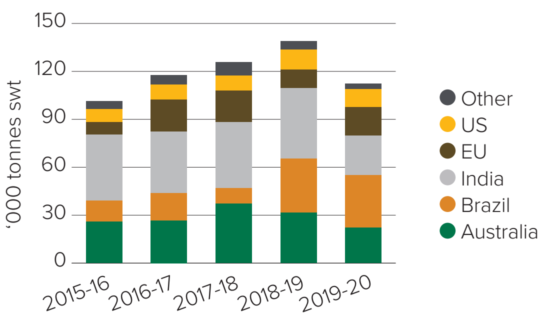
International chain groups		Domestic chain groups	
Shangri-La H&R	2,961	Hotel Sogo	3,161
Red Planet Hotels	2,037	Robinsons H&R	2,720
IHG	1,608	Henann Group of Resorts	1,773
Accor	1,585	Seda Hotels	1,409
Wyndham	1,512	GV Hotels Philippines	1,360
Ascott	1,172	Crown Regency H&R	1,069
Rosewood Hotels	956	Eurotel	839
Wharf Hotels	890	Crimson H&R	827
Marriott International	869	City Garden Hotels	729
Radisson Hotel Group	752	Icon Hotels	646

Source: Horwath HLT, Asia Pacific Hotels & Chains Report 2018

COMPETITIVE LANDSCAPE

- The Philippine beef market is highly competitive, with over twenty countries competing to fulfil demand of around 350–380 thousand tonnes per year on average *(Source: GIRA)*.
- Australia, Brazil, India, the EU, the US and New Zealand are all major suppliers. Brazil's exports have grown dramatically recently, overtaking India to be the largest beef supplier to the Philippines.
- Most imported beef is sold through modern retail. Australian, US and New Zealand products are predominantly utilised in higher end foodservice and retail.
- The growing foodservice sector and increasing beef consumption on the back of population expansion and the recent African Swine Fever outbreak have resulted in a healthy growth of beef imports. However, the COVID-19 pandemic has affected this growth, with total volumes in the first half of 2020 contracting 22% year-on-year. The decline was mainly caused by reduced foodservice demand, weakening consumer purchasing power and COVID-19-induced disruptions to the supply chain and logistics.

Philippine beef imports by major supplier



Source: IHS Markit , Australian Fiscal Year

FOOD MANUFACTURING

- The Philippines has a relatively large food processing sector, with food accounting for approximately half of the country's total manufacturing output *(Source: Flanders Investment & Trade)*.
- Demand for processed beef food products such as mince, patties, sausages and canned beef is high and expected to remain robust, underpinned by the expanding fast food chain sector and the growing consumer need for convenience, highlighted by the popularity of processed food in daily diets.
- The Philippines also exports processed beef products, especially canned beef, which are primarily targeting the growing number of Filipinos overseas.
- The bulk of beef imports are utilised in the food manufacturing sector, including Australian manufacturing beef products.

Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN-Australia New Zealand Free Trade Agreement **(AANZFTA)**	0%	**Brazil, US, Canada:** No FTA, 10% **India:** ASEAN-India FTA: 5% for most of products, 0% for frozen boneless product **EU:** FTA under ratification, tariff 10% **New Zealand:** Same conditions as Australia	Zero	No major hurdles

Best access — Major challenges

Source: Trade agreements, DFAT, WTO, Philippines Department of Trade and Investment

Australian beef exports to the Philippines – summary table

Volume – in tonnes swt

		2019–20	% of total	2018–19	% of total	five-year average (2014–15 to 2018–19)	% of total	change 2019–20 vs five-year average %	change 2019–20 vs five-year average in tonnes swt
Total		**24,810**		**31,786**		**31,349**		**-21**	**-6,539**
Storage	Chilled	1,013	4	793	2	803	3	26	210
	Frozen	23,798	96	30,993	98	30,547	97	-22	-6,749
Meat type	Grassfed	20,504	83	25,705	81	24,645	79	-17	-4,141
	Grainfed	4,306	17	6,081	19	6,704	21	-36	-2,398
Storage/meat type	Chilled grassfed	737	3	618	2	683	2	8	54
	Chilled grainfed	276	1	175	1	120	0	131	156
	Frozen grassfed	19,767	80	25,087	79	23,962	76	-18	-4,195
	Frozen grainfed	4,031	16	5,906	19	6,585	21	-39	-2,554

Source: DAWE

Value – in A$ 000

		2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in A$ 000
Total		**194,493**		**164,487**		**151,036**		**29**	**43,456**
Storage	Chilled	12,849	7	9,465	6	9,576	6	34	3,273
	Frozen	181,644	93	155,022	94	141,460	94	28	40,184

Source: ABS/IHS Markit

Volume – by major cut (in tonnes swt)

	2019–20	% of total	2018–19	% of total	five-year average	% of total	%	in tonnes swt
Manufacturing	20,133	81	26,146	82	26,520	85	-24	-6,387
Minced/ground	2,254	9	2,277	7	1,796	6	25	458
Carcase	402	2	801	3	327	1	23	75
Striploin	394	2	220	1	142	0	177	252
Cube Roll/Rib Eye Roll	342	1	289	1	222	1	54	120
Other	1,286	5	2,052	6	2,342	7	-45	-1,056
Total	**24,810**		**31,786**		**31,349**		**-21**	**-6,539**

Source: DAWE

Sheepmeat

CONSUMERS

- Sheepmeat is a niche protein in the Philippine diet. It is typically consumed on special occasions at foodservice venues rather than at home.
- Consumer awareness and associations with lamb are relatively low compared to other meat proteins. Although lamb is an unfamiliar and less favoured meat, it is seen as superior, with some consumers indicating they are willing to pay a bit more for it *(Source: MLA Global Consumer Tracker Philippines, 2016).*
- Lack of knowledge of how to cook sheepmeat and unfamiliarity with the protein remain key challenges for its consumption at home.
- The younger consumer groups tend to be more open to eating lamb.
- Some consumers (40%) believe that lamb is becoming more popular *(Source: MLA Global Consumer Tracker Philippines, 2016).*

FOODSERVICE

- Foodservice remains the key channel to grow sheepmeat consumption, leveraging young, affluent consumers' appetites for novel dining experiences, as well as the growing tourism sector.
- Australian sheepmeat exported to the Philippines is mostly utilised in high-end hotels and restaurants.

Australian lamb served in a high-end restaurant in Manila

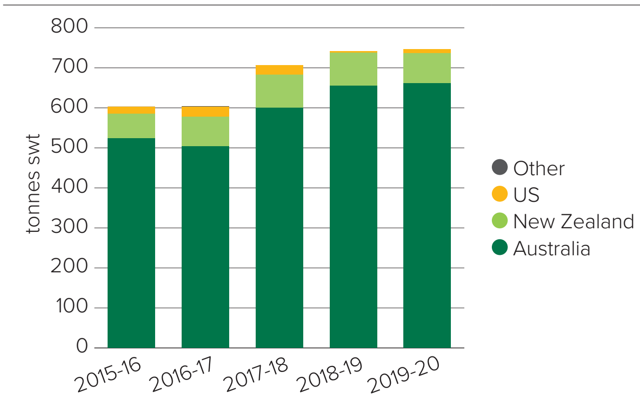
RETAIL

- Imported sheepmeat is typically sold in supermarkets, hypermarkets and upmarket butcher shops.
- Consumer education remains the key to growing sheepmeat consumption in the Philippines. Inspired cooking ideas, preparation tips and ready to cook options are among the immediate methods enticing Philippine consumers into trying cooking sheepmeat at home.

COMPETITIVE LANDSCAPE

- The Philippine sheepmeat market is predominantly supplied by local production (mostly goatmeat). Imports account for less than 5% of total sheepmeat consumption, with Australia, New Zealand and the US being leading suppliers.

Philippine sheepmeat imports



Source: IHS Markit , Australian Fiscal Year

Market access overview

Trade agreements	Import tariffs	Competitors	Volume restrictions	Technical access
ASEAN-Australia New Zealand Free Trade Agreement **(AANZFTA)**	Under AANZFTA: 0% for all product lines	**New Zealand:** Same conditions as Australia	Zero	No major hurdles

Best access ... Major challenges

Source: Trade agreements, DFAT

Australian sheepmeat exports to the Philippines – summary table

Volume – in tonnes swt

		2019–20	% out of total	2018–19	% out of total	five-year average (2014–15 to 2018–19)	% out of total	change 2019–20 vs five-year average %	change 2019–20 vs five-year average in tonnes swt
	Total	**669**		**715**		**634**		**5**	**35**
Storage	Chilled	3	1	7	1	8	1	-59	-5
	Frozen	665	99	708	99	626	99	6	40
Meat type	Lamb	565	84	645	90	599	95	-6	-35
	Mutton	104	16	70	10	35	5	200	70
Storage/ meat type	Chilled lamb	3	1	7	1	8	1	-59	-5
	Chilled mutton	-	0	-	0	-	0	-	0
	Frozen lamb	561	84	637	89	591	93	-5	-30
	Frozen mutton	104	16	70	10	35	5	200	70

Source: DAWE, figures are rounded

Value – in A$ 000

		2019–20	% out of total	2018–19	% out of total	five-year average	% out of total	%	in A$ 000
	Total	**5,948**		**5,436**		**4,543**		**31**	**1,405**
Storage	Lamb	5,581	94	5,399	99	4,384	96	27	1,197
	Mutton	367	6	37	1	159	4	131	208

Source: ABS/IHS Markit

Volume - by major cut (in tonnes swt)

		2019–20	% out of total	2018–19	% out of total	five-year average	% out of total	%	in tonnes swt
Lamb	Leg	212	38	285	44	207	34	3	6
	Shoulder	181	32	187	29	222	37	-18	-40
	Rack	124	22	96	15	78	13	59	46
	Other	47	8	77	12	93	15	-50	-46
	Total	**565**		**645**		**599**		**-6**	**-35**
Mutton	Leg	38	37	19	27	9	25	345	30
	Shoulder	35	33	15	21	11	32	208	23
	Rack	24	23	20	28	10	29	132	13
	Other	8	7	17	24	5	14	63	3
	Total	**104**		**70**		**35**		**200**	**70**

Source: DAWE