PROCESSED MEAT INDUSTRY

Francis M Peñaflor

Resource-based Industries Service

DTI – Board of Investments

12 May 2016

Hotel Roma, Tuguegarao, Cagayan

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Industry Coverage

Processed meat - includes all methods of manufacture and preservation but does not include prepackaged fresh, chilled or frozen meat (Definition from NMIS)

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Economic Contribution

Employment (2012)	22,320 people	
Value of Output (2012)	P 51.136 Billion	
Value Added (2012)	P 7.792 Billion	
Exports	2013	US$ 12.88 Million (FOB)
	2014	US$ 18.19 Million (FOB)
	Jan-Nov 2015	US$ 12.85 Million (FOB)
	Average Growth (2010-2015)	13.78% annually

Sources of basic data: PSA, EMB

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Pertinent Laws

- RA 9296 s. 2004 (**The National Meat Inspection Code of the Philippines**) and its IRR, as amended by RA 10536 s. 2012
  - ✓ NMIS as the national authority to ensure safety and quality of meat and meat products for human food (meat inspection system)
  - ✓ Regulation of the meat establishments (e.g., meat processing plants) - registration, licensing, accreditation
    - Meat processors are required to have their plant accredited by NMIS

Pertinent Laws

- RA 10611 s. 2013 (**Food Safety Act**) – spelled out responsibilities of not only food operators but also concerned government agencies, as follows:

DA	shall be responsible for food safety in the **primary production and post harvest stages** of food supply chain and foods locally produced or imported in this category
DOH	shall be responsible for food safety of **processed and prepackaged foods**, foods locally-produced or imported
LGUs	food businesses such as, but not limited to, activities in slaughterhouses, dressing plants, fish ports, wet markets, supermarkets, school canteens, restaurants, catering establishments and water refilling stations. The LGU shall also be responsible for street food sale, including ambulant vending
DILG	Supervise enforcement of food safety and sanitary rules and regulations within its territorial jurisdiction

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Pertinent Laws

- UPDATE: Due to enactment of RA 10611, Joint DOH-FDA and DA-NMIS Circular No. 01 series of 2016 was issued.
  - FDA is responsible for the assurance of safety of processed and pre-packaged food products, whether locally or imported, including meat products (currently under NMIS's mandate)
  - The official transfer of mandate from NMIS to DOH-FDA shall be on **01 July 2016**.

Industry Structure

- **193** NMIS-accredited Meat Processing Plants

Region	No. of Meat Processing Plants
NCR	61
CAR	5
Region I	6
Region II	2
Region III	41
Region IV-A	32
Region IV-B	2
Region V	2
Region VI	9
Region VII	11
Region VIII	1
Region IX	0
Region X	10
Region XI	10
Region XII	1
Total:	193

Source: NMIS

- 53% of these MPPs are found in NCR and Regions 3.

	Location
Lighthouse Cooperative-Ybanag Food Products (AA)	Larion Bajo, Tuguegarao City
Babes H.A Food Products (AA)	Purok 3 Lucas Subdivision, San Fermin Cauayan City, Isabela

Industry Structure

- 1 national umbrella industry association

The **Philippine Association of Meat Processors, Inc. (PAMPI)** is composed of **51** member companies involved in meat processing, trading, retail, input suppliers and logistics service providers. Meat processing plants of PAMPI members are spread all over the country. Some of its prominent members include Purefoods Hormel Company, CDO Foodsphere, Inc., Pacific Meat Co. Inc., Frabelle Corporation and Pampanga's Best.

Major Industry Players

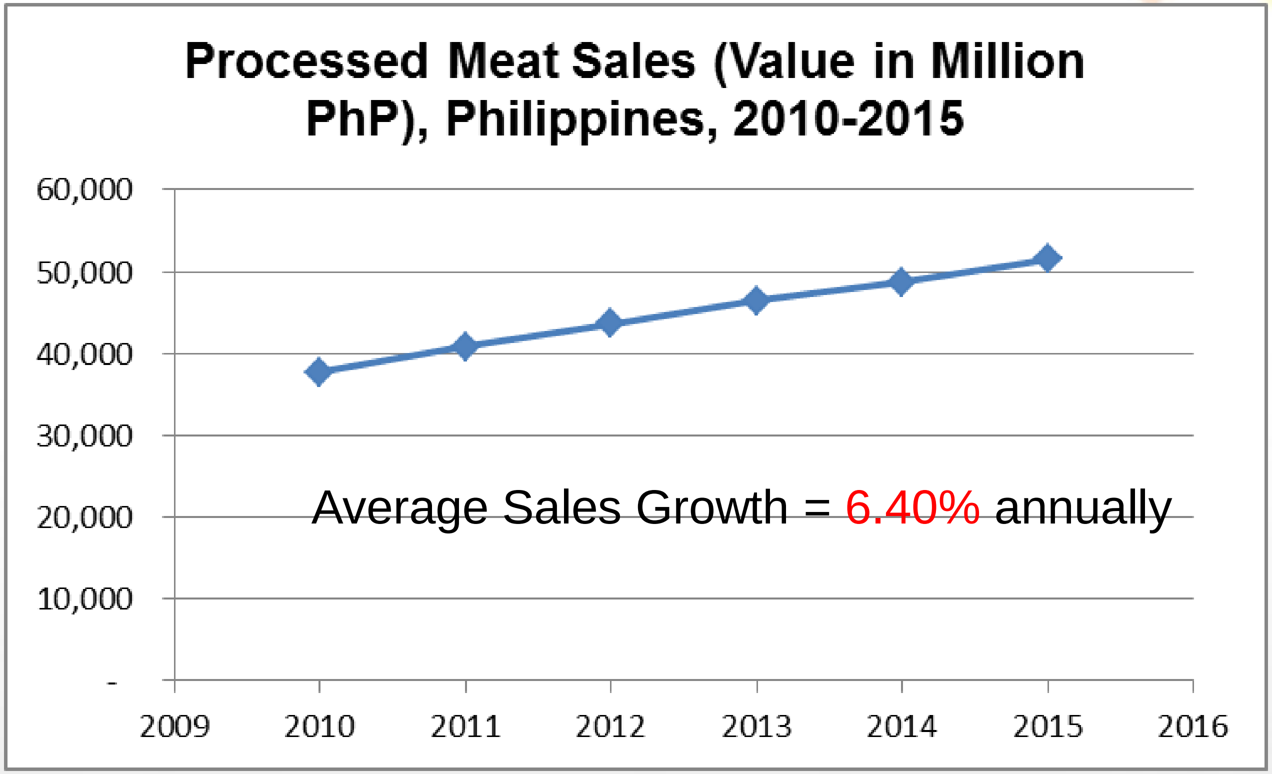
- 6 industry players included in Business World's Top 1,000 Corporations in the Philippines in 2013, namely: Purefoods Hormel Company, Inc., CDO Foodsphere, Inc., RFM Corporation, Pacific Meat Co. Inc., Meatworld and Pampanga's Best.
- Top six (6) industry players based on company share to processed meat sales values in 2015 were as follows:

Company	Sales Share (%)
1. Purefoods-Hormel Co. Inc.	29.82
2. CDO Foodsphere Inc.	14.20
3. Century Pacific Food Inc.	12.14
4. Pacific Meat Co. Inc.	8.69
5. A Tung Chinco Trading	4.26
6. King Sue Ham and Sausage Co. Inc.	1.92

Source: EuroMonitor

Industry Performance

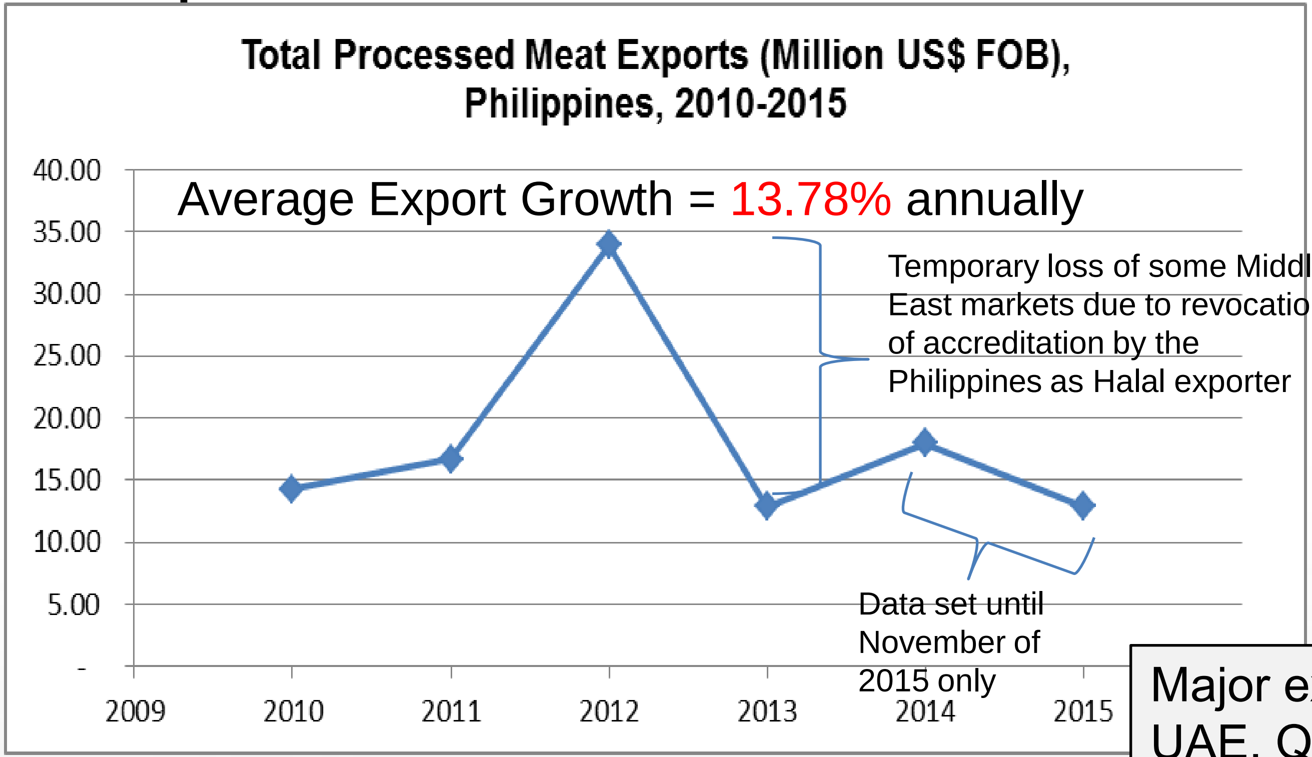
- Sales



Source of basic data: EuroMonitor

Industry Performance

- Exports



Source of basic data: DTI-EMB

Major export markets: UAE, Qatar, Japan, Saudi Arabia, USA, Kuwait, ASEAN countries, Canada, Guam and Taiwan

Net Trade

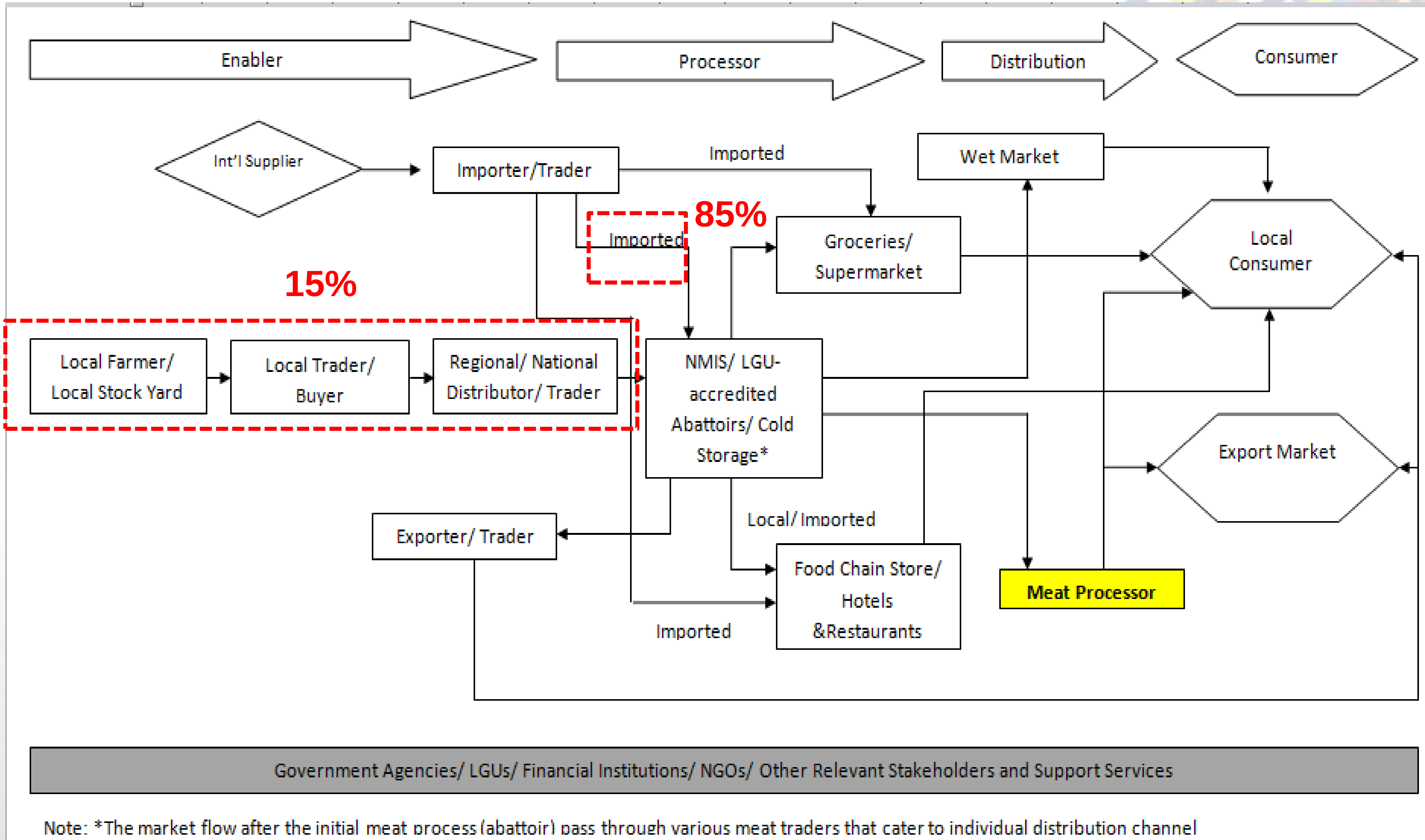
	Processed Meat Exports (Million US$ FOB)	Processed Meat Imports (Million US$ CIF)	Net Exports (Million US$)
2006	4.64	5.06	(0.42)
2007	8.19	3.76	4.43
2008	9.65	8.32	1.33
2009	10.26	15.25	(4.99)
2010	14.29	16.62	(2.33)
2011	16.71	5.25	11.46
2012	33.91	4.44	29.46
2013	12.88	4.59	8.29
2014	17.98	6.53	11.46
2015	12.85	31.23	(18.39)

Source of basic data: DTI-EMB

Generally, the Philippines is a net exporter of processed meat products

Industry Supply Chain

RM Sourcing



Sourcing of Raw Materials

Only a small portion (15%) of total RM requirements of the local meat processing industry is supplied by local livestock and poultry raisers. Reasons are:

- Technical mismatch (processors require “industrial grade meat”; local livestock/poultry raisers are primarily selling their produce to wet markets as “table meat”)
- Cost consideration: mechanically-separated or deboned meat (for hotdogs, sausages) and Indian buffalo meat (for corned beef) is relatively cheap compared to locally-available meat products.
- Support facilities: refrigeration requirement of processors not met by local livestock/poultry producers

Sourcing of Raw Materials

85% of the total RM requirements of the meat processing industry is imported.

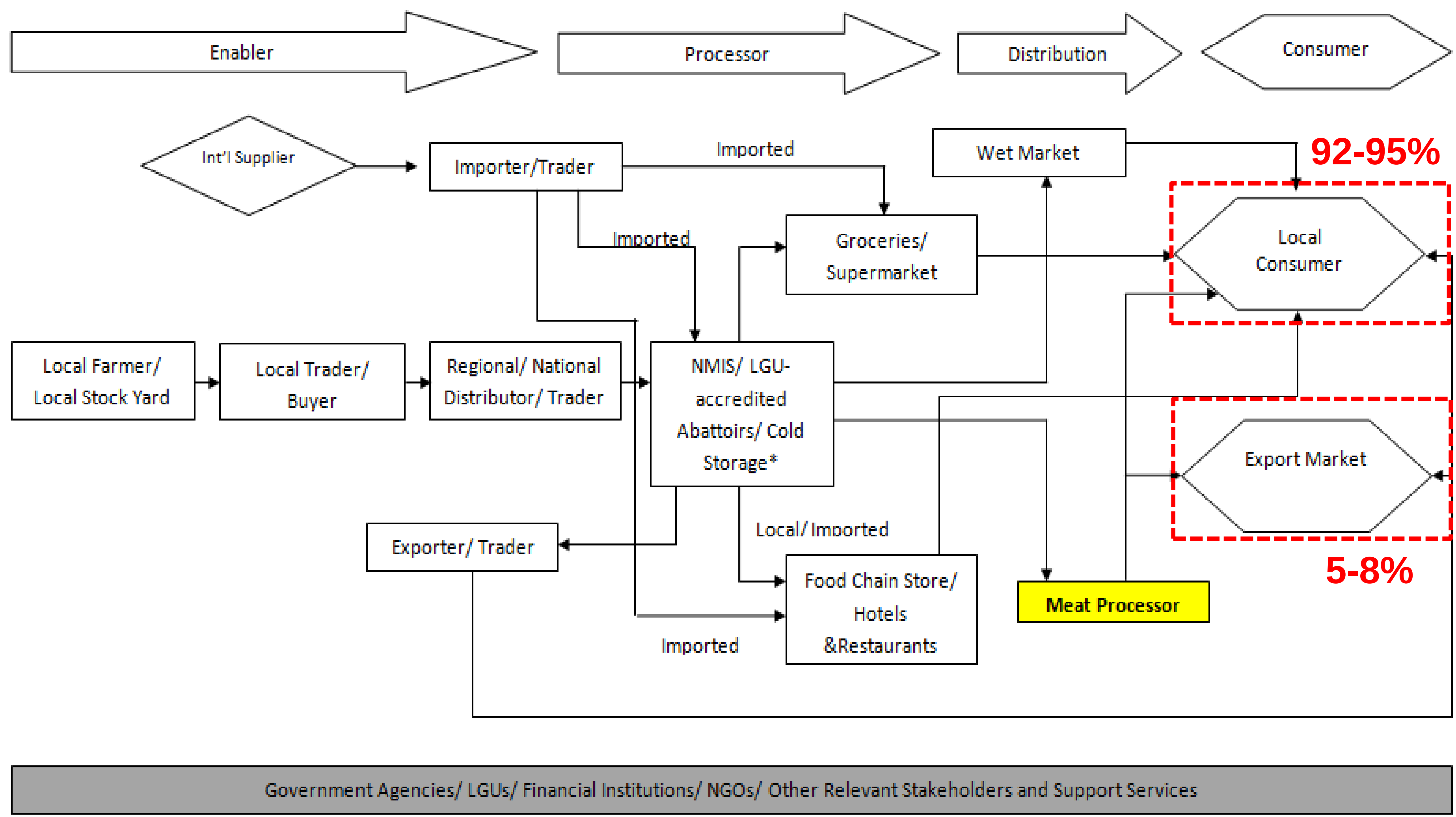
The behavior of importation of the meat processing industry heavily affects total meat importation of the country.

- In 2015, 79% of total chicken imported are MDMs.
- For the same year, 82% of total pork importation consisted of bellies, MDMs, fats, rind/skin and offals which are heavily used by the meat processing industry.

Source of basic data: DA-BAI

Industry Supply Chain

Finished Products Market



Note: *The market flow after the initial meat process (abattoir) pass through various meat traders that cater to individual distribution channel

Export Marketing of Processed Meat

- Only 5-8% of total processed meat production are exported.
- In 2013, several Middle East markets temporarily suspend accreditation of the Philippines as exporter of Halal meat products. This was restored in 2014 after some clarifications made on the processes of national Halal certification by the Philippines and the Islamic Da'wah Council of the Philippines.
- Notwithstanding RA 9296 s. 2004 (**The National Meat Inspection Code of the Philippines**), exports of meat products is only limited to those countries with which the Philippines has an existing accreditation.
- NMIS is still in the process of consultation to finalize the **Guidelines on Export of Meat and Meat Products.** Last consultation was conducted by NMIS on 22 February 2016.

Opportunities

- By 2020, EuroMonitor projected that local sales of processed meat will reach PhP 58.93 Billion from the 2015 sales record of PhP 51.49 Billion (2.74% CAGR for 2015-2020).
- Exports will continue to grow as OFW communities are also growing.
- Developing countries will be the growth centers as developed countries are now moving towards consumption of unprocessed (or those resembling fresh) foods.
- Urbanization = growth of food service sectors
- *Processed meat using organically-grown livestock/poultry products as product differentiation strategy?*
- *Branding (Differentiation) - Vigan Longanisa, Tuguegarao Longanisa*
- The Philippine Meat Processing Industry in the Era of Food Safety – *strict compliance of the country to Food Safety Regulations as a brand*

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Developing Processed Meat Industry in R2

- Region 2 Population (2010) – 3.229 Million (big enough market?)

- Poultry/Livestock Production
  - Region 2 comprised **4%** of total chicken production in 2015 (5,000 MT)
  - **3%** of total hogs production (69,000 MT)
  - **5%** of total cattle production (14,000 MT)

Developing Processed Meat Industry in R2

- Meat Handling Facilities
  - 4 NMIS-accredited Poultry Dressing Plants (1-AAA)
  - 2 NMIS-accredited Slaughterhouses (both AA)
  - 1 NMIS-accredited Cold Storage Warehouse
  - GAPS: Inadequate PDP, SH, CSW and no MCP
- Support Facilities
  - Availability of ports
  - Fairly developed road networks
  - Electrification – BATANELCO, CAGELCO, ISELCO, NUVELCO, QUIELO
  - Telecom lines available
- HR – Cagayan State University, Isabela State University, Nueva Vizcaya State University, Quirino State College and other higher education institutions
- National product registration, import regulation and facility establishment registration/ accreditation procedures are already in place (also at ASEAN level)

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ceza.gov.ph/agro-industrial/

Sta. Ana Regional Agro-industrial Growth Center (SARAIGC)

Based on the area's existing endowments, agro-industrial enhancement is seen as the take-off point for the immediate development of the area, hence, the development of the Sta. Ana Regional Agro-Industrial Growth Center of SARAIGC – one of the indentified proposed industrial centers in the country. The area covered by the Center is 800 hectares to be allocated as follows: industrial zone, residential zone, recreational zone, and the communication zone and expansion area.

Possible areas for investment in the SARAIGC:

- Agriculture and Development Centers
- Fertilizer Production
- Feed Milling
- Food Processing
- High Value Crops Production
- Research and Development Facilities for the Poultry, Livestock & Marine Sectors
- Livestock and Poultry Raising
- Meat Processing
- Fish Production and Aquaculture
- Processing of Fish and other Marine Products
- Seaweeds and Carageenan Production and Processing

Developing Processed Meat Industry in R2

Existing Government Interventions:

- DTI
  - ROG: Shared Services Facility
  - BOI: IPP and Incentives
  - EMB: Export market promotions
- DOST: Small Enterprise Technological Upgrading Program (SET-UP)
- DA: Small farmers accreditation & training, strengthening inspection and audit systems, improvement of lab services, creation of the Agricultural Trade Competitiveness Committee, etc.
- Others

AEC

AEC is both an opportunity and a challenge

•**Opportunities**:

-Expanded market (610 million people, US$ 2.4 Trillion aggregated GDP in 2013)

-Source of cheap raw materials for local meat processors

			ATIGA Rate of Duty
02.03		Meat of swine, fresh chilled and frozen	5%
02.07		Meat and edible offal, of the poultry of heading 01.05, fresh chilled or frozen	5%
	0207.14.91	----Mechanically deboned or separated meat	5%

- **Challenges**:

- Tariff for finished product = 0%
- *Are we competitive vis-à-vis ASEAN counterparts?*
- *Should we address the current fragmentation of the local livestock/poultry industry and meat processing industry to eliminate inefficiencies in the supply chain and compete with ASEAN neighbors?*

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Some interventions needed:

- Establishment of additional/new support facilities (AA and AAA meat handling facilities, specifically CSW and MCP)
- Science-based import regulations (RMs)
- Competitive livestock and poultry industries (DA)
- Country-specific market promotion approach (DA, DTI)
- Market recognition of competent national authority for meat/meat products coupled w/ appropriate capacity building (e.g., BFAR for fisheries, as recognized by EU)

Closing Notes/Way Forward

- Roadmap already competed in July 2015, pending the acceptance of PAMPI
- Roadmap areas for enhancement:
  - Comprehensive value/supply chain analysis
  - Benchmark (Comparative) Study [goal: optimize the country's position in the regional/global value chain and facilitate the country's integration into the international and regional trading and investment system]
  - Investment opportunity studies within or related to the industry
- Implementation of the national Processed Meat roadmap after PAMPI acceptance
- Formulation of regional roadmaps in support/consistent with national roadmap

THANK YOU!!!

Francis M. Peñaflor

E-mail: FMPenaflor@boi.gov.ph

Director Nestor P. Arcansalin

E-mail: NPArcansalin@boi.gov

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