PROCESSED MEAT INDUSTRY

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Industry Coverage

- **Meat Product** - any product capable of use as human food which is made wholly or in part from any meat or other portion of the carcass of any food animals, excepting products which contain meat or other portions of such carcasses only in a relatively small proportion (Definition from NMIS)

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

  Typical examples: hotdogs, sausages, luncheon meat, corned beef, tocino, longganiza, etc.

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 registered with 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	processed and prepackaged foods, foods locally produced or imported
LGUs	food businesses such as, but not limited to, activities in slaughterhouses, dressing plants, wet markets, supermarkets, school canteens, restaurants and catering establishments. 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

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

- 175 NMIS-registered local Meat Processing Plants

Region	No. of Meat Processing Establishments
NCR	59
Region 1	5
Region 2	1
Region 3	38
Region 4-A	30
Region 4-B	1
Region 5	3
Region 6	11
Region 7	10
Region 8	-
Region 9	-
Region 10	4
Region 11	7
Region 12	-
Region 13	2
CAR	4
ARMM	-
Total:	**175**

NCR, Regions 3 and IV-A home to almost 73% of total meat processing plants.

Region 1	
Enterprise	Location
Cela's Meat Products "Mangaldan's Best"	Pangasinan
Mercedes Tita Calica	Urdaneta City
PGMA-Multiline Food Processing Plant	Santa, Ilocos Sur
Sterling Quality Foods International, Inc.	Bauang, La Union
St. Isidore Meat Processing Plant	Pangasinan

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

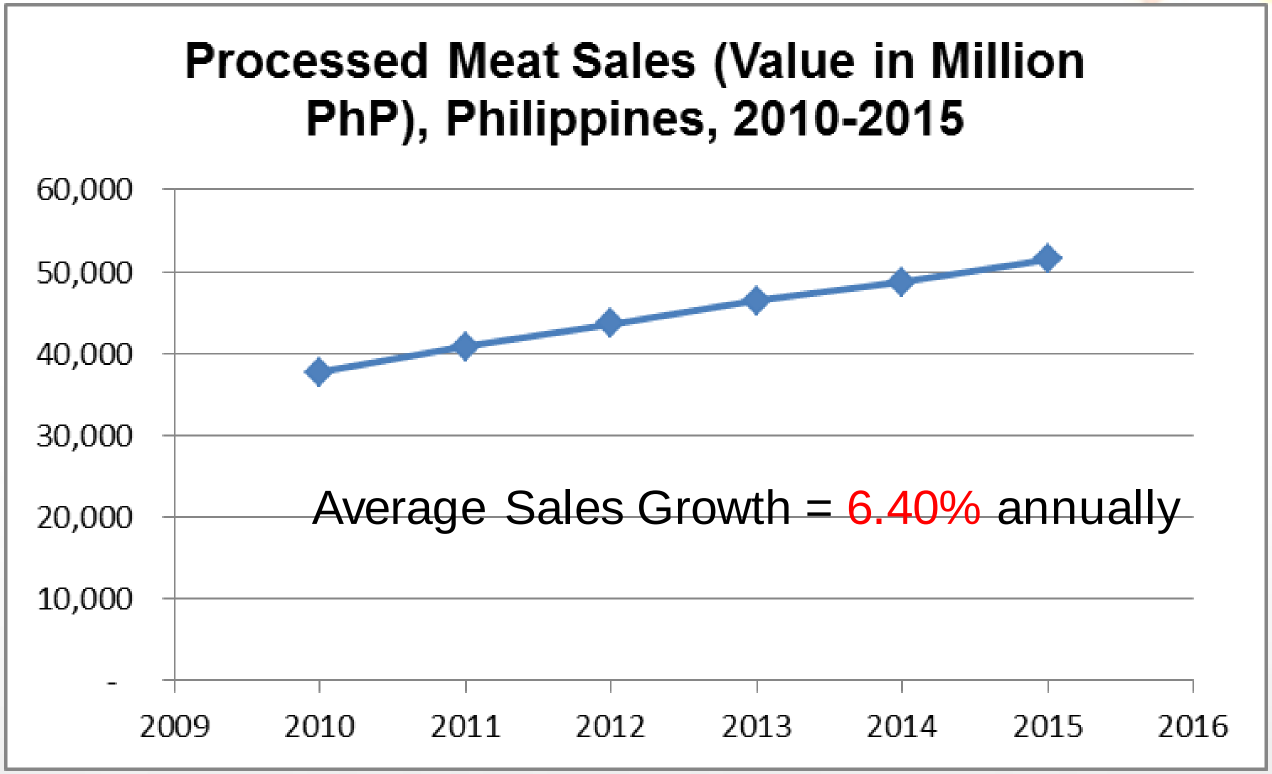
- 6 industry players included in Business World's Top 1,000 Corporations in the Philippines in 2013, namely: Purefoods Hormel Company, Inc., CDO Foodsphere, Inc., RFM Corporation, Pacific Meat Co. Inc., Meatworld and Pampanga's Best.
- Top six (6) industry players based on company share to processed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

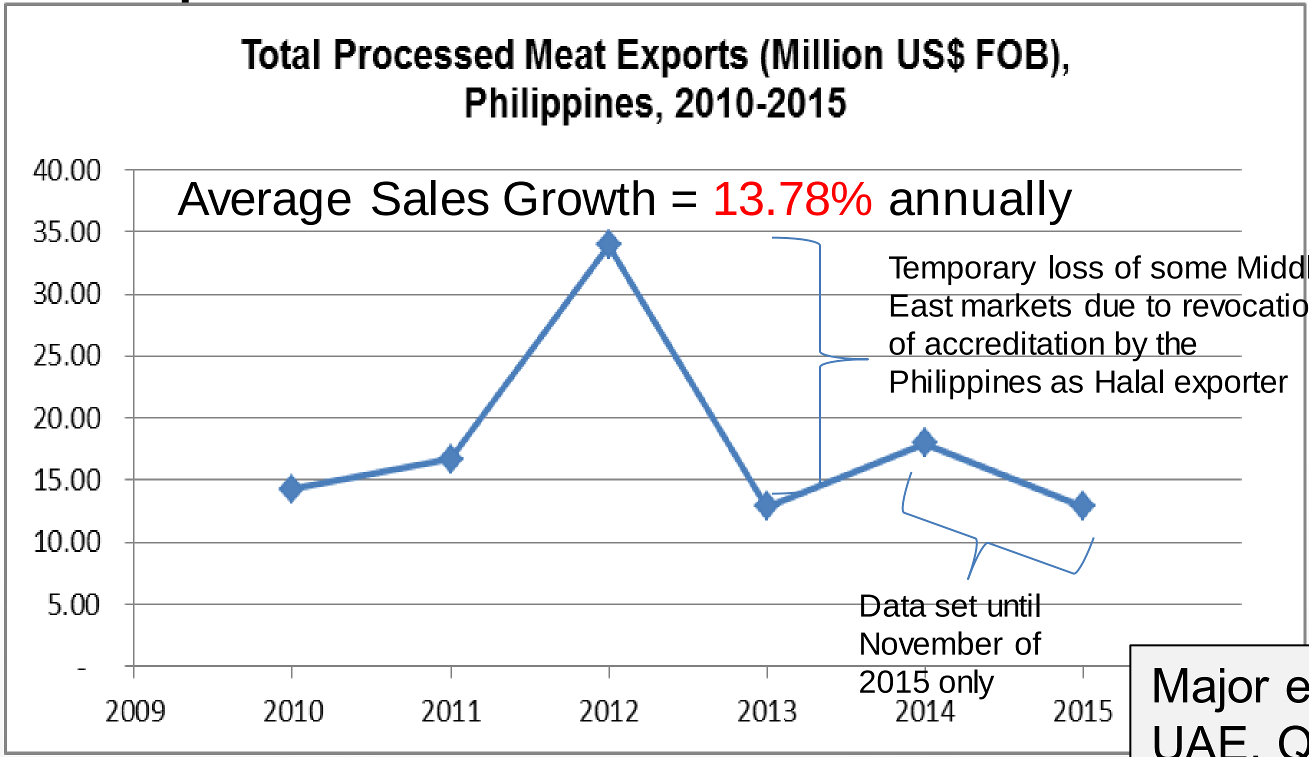
- Sales



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*

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Net Trade

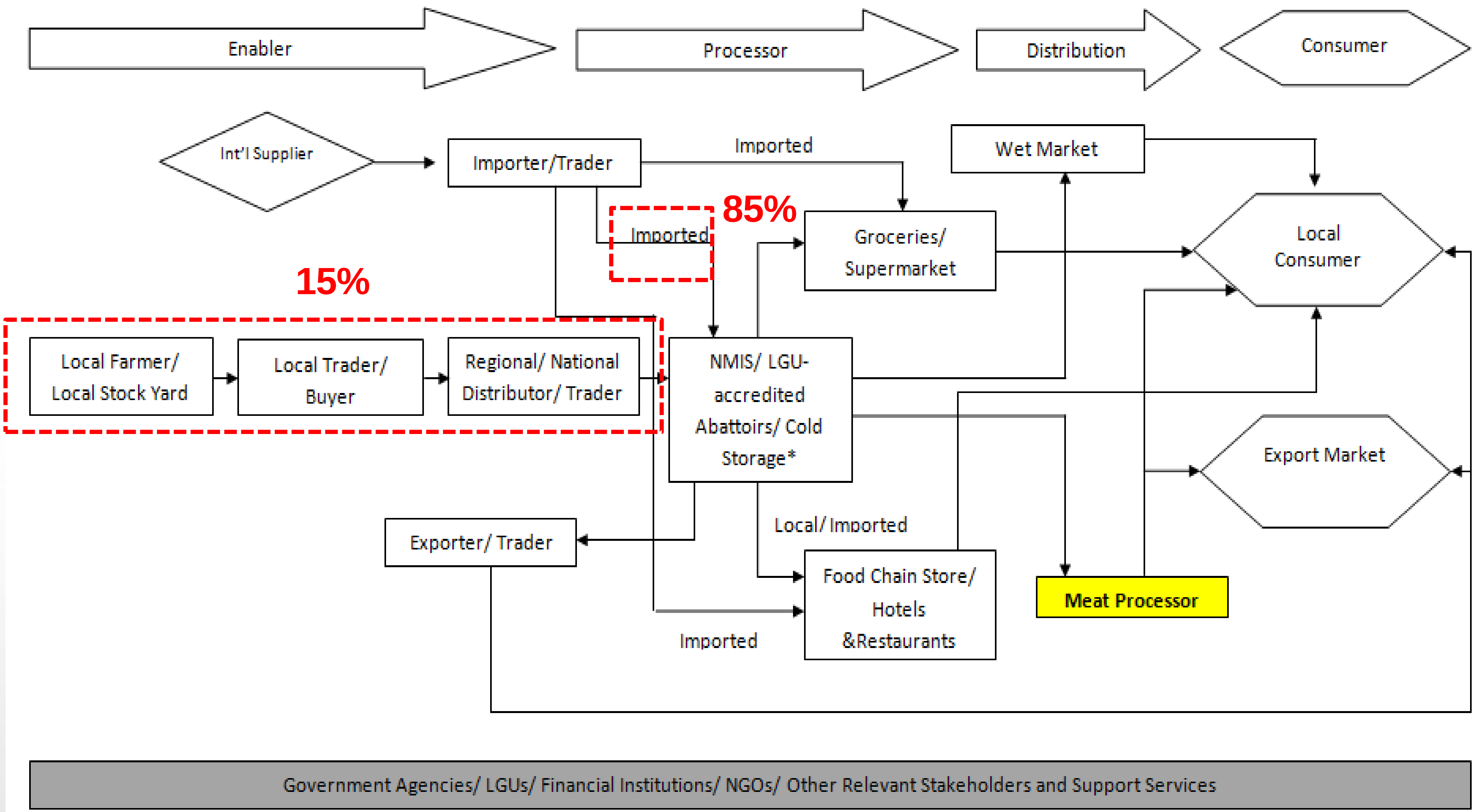
	Processed Meat Exports (Million US$ FOB)	Processed Meat Imports (Million US$ CIF)	Net Exports (Million US$)
2006	4.64	5.06	(0.42)
2007	8.19	3.76	4.43
2008	9.65	8.32	1.33
2009	10.26	15.25	(4.99)
2010	14.29	16.62	(2.33)
2011	16.71	5.25	11.46
2012	33.91	4.44	29.46
2013	12.88	4.59	8.29
2014	17.98	6.53	11.46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



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

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.

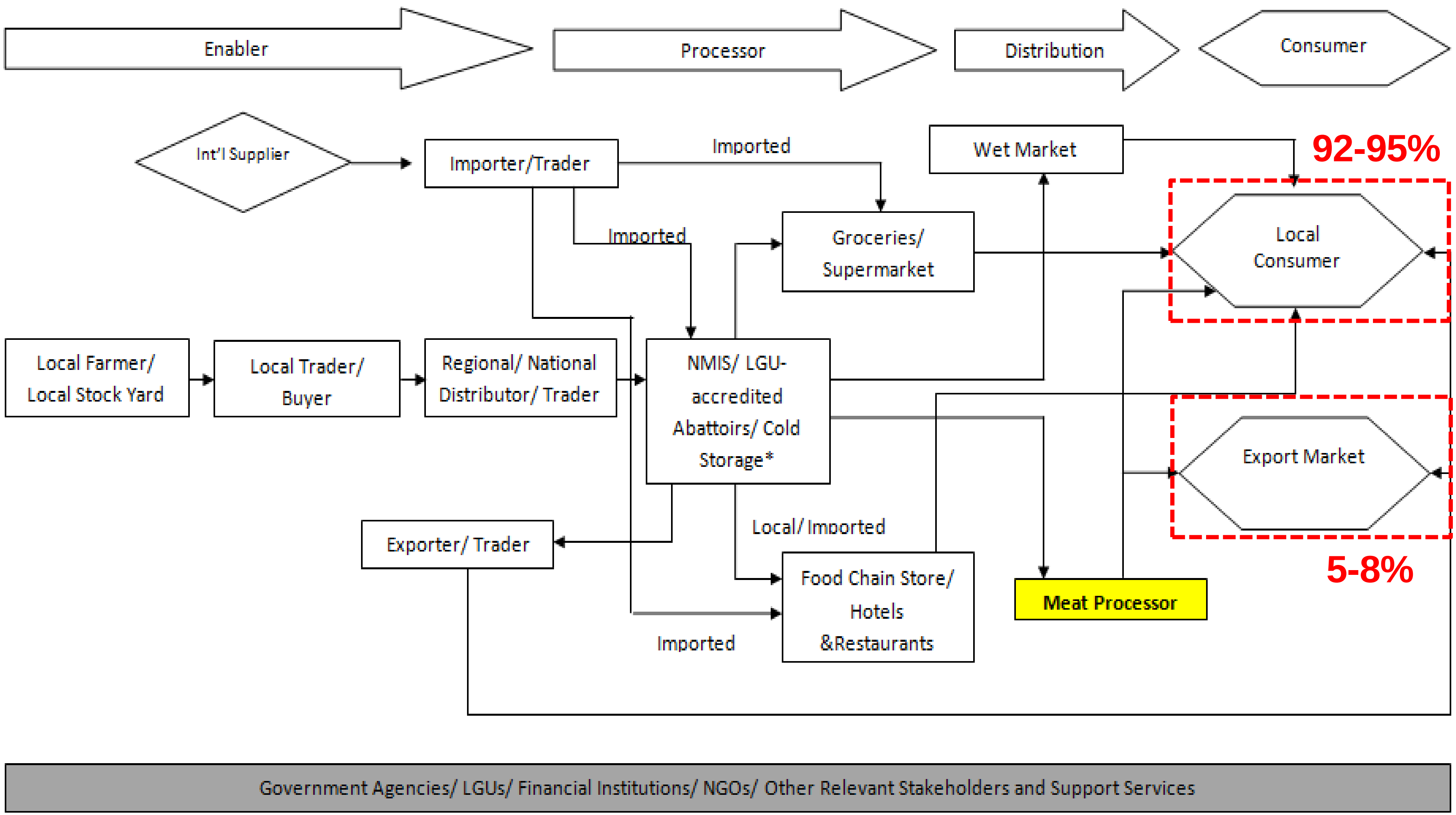
The behavior of importation of the meat processing industry heavily affects total meat importation of the country.

- 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. In general, developing countries will be the growth centers as developed countries are now moving towards consumption of unprocessed (or resembles fresh) foods.
- Growth of food service sectors will push growth of processed meat industry.
- *Processed meat using organically-grown livestock/poultry products as product differentiation strategy? How about exporting Vigan Longaniza to the world?*
- The Philippine Meat Processing Industry in the Era of Food Safety – *strict compliance of the country to Food Safety Regulations as branding strategy*

AEC

AEC presents both an opportunity and challenge

- **Opportunities**:
- Expanded market (600 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?*

Taking Advantage of AEC

- Region 1 Population (2010) – 4.75 million (big enough market?)
- RM Production
  - Region1 # 9 in hog production in 2014 (81,609 MT)
  - **Region1 # 2 in cattle production in 2014 (27,704 MT)**
  - Region 1 # 6 in chicken production in 2014 (82,462 MT)
- Vigan's Longaniza Festival (every January)

Taking Advantage of AEC

- 1 DA-accredited Cold Storage Warehouse
  - Jentec Storage Inc. (Rosario, La Union)
- 4 DA-accredited Poultry Dressing Plants (only 1 AAA) and 3 DA-accredited Slaughter Houses in La Union (no AAA)
- Gap – No accredited meat cutting plants
- Support Facilities
  - Ports (San Fernando, Currimao and Salomague seaports; Laoag International Airport (exports in China, Taiwan, HK, etc.) and San Fernando Airport (to Manila)
  - The region has a fairly developed intra and inter-regional road network (links Region I to the other parts of Luzon)
  - Approx 99% of municipalities or 96% of all baranggays have access to electricity
  - Telecom lines available
- HR – > 100 higher education institutions in Region1 (27 SCUs)
- National product registration, import regulation and facility establishment registration/ accreditation procedures are already in place (also at ASEAN level)

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Existing Government Support Programs

- DTI
  - RODG: Shared Services Facility (up to P 3M for projects on product improvement, price competitiveness and conformity to standards)
  - BOI: IPP and Incentives (If qualified)
  - 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.

Some interventions needed:

- Establishment of additional/new support facilities (AAA slaughterhouse, dressing plant, meat cutting plant and cold storage warehouses)
  - e.g., La Union: Meat cutting plants
- Predictable and transparent import regulations (RMs)
- Competitive livestock and poultry industries (DA)
- Country-specific market promotion approach
- Identification of competent national authority (EU) coupled w/ appropriate capacity building.

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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!!!

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