



Executive Summary

Title: DESIGN FOR EXPORTS FOR FOOD PHILIPPINES (DEFood)

Date: January 2016 – December 2019

Program Type: Multi-level development program for Philippine food exports

Program Description:

The DEFood Program is an integrated multi-disciplinary strategy on the development and promotion of premium Philippine food products and companies. The program anchors itself in working with the country's food manufacturers in order to develop premium quality Philippine food products that cater to global demand. It aims to nurture and promote Philippine food manufacturers and aid them in end-to-end development, focused on packaging and process enhancement and market compliance alignment in order to make them fit for the international premium market. This will entail product, process, and packaging development, compliance certification, and marketing and promotion through a series of consultations, trainings/seminars, mentorship sessions and factory audits. Developed products will then be showcased in an institutional special setting in the Philippine pavilion of international shows that CITEM, as lead agency, will organize participation.

The Design for Exports Program fortifies Food Philippines' brand positioning of *Food Philippines*, as it aspires to showcase the country's edge in developing innovative food products and address exporting Philippine food and its growth by increasing and improving food exports. The program shall have the theme "*Food Philippines: Premium 7*". The Premium 7 are the Philippine commodity products that are the strongest performers in the Philippines' export market. These products are natural, healthy, artisanal, and distinctively Filipino. The Premium 7 are: Coconut, Mango, Pineapple, Banana, Tuna, Coffee, and Cacao.

The Program classify the participating companies into 3 tiers:

- Tier 1 (Developmental): These companies are HACCP aligned (certification to follow); program's approach will be purely developmental
- Tier 2 (Premium): These companies are Hazard analysis and Critical Control Points (HACCP) certified; Tier Two's program approach will be developmental and promotional.
- Tier 3 (Established Brands and Food Franchises) These companies are market-ready and are compliant to international standards. Tier three's approach shall be promotional and branding.

Anchored from CITEM's Partner Province and Partner City/Region Program, DEFood is the next level step in developing the Food Philippines brand. This program will particularly focus on a *Food Philippines* brand and is envisioned to later develop Food Philippines' own definition of '*premium food*', which is certified compliant to market requirements.



Program Components:

1 SCANNING OF RESOURCES

1.1 **Hiring of the DEFood Consultants** – procure the services of three food industry consultants which are the *Product Development*, *Developmental*, and *Branding* Consultants. The *Product Development* consultant should specialize in food technology and safety. The *Developmental* consultant should specialize in market requirements and certifications. The *Branding* consultant should specialize in merchandising, packaging, and marketing. The DEFood consultants shall be in-charge of the development of the Master Intervention/Business Plans, their implementation, and monitoring, based on the level of intervention they are undertaking. The consultants should have the following attributes:

- 1.1.1 Must have a thorough knowledge of the Philippine food industry, with demonstrated experience in undertaking capacity building programs in the food sector that address the aspects of processing, packaging and labeling, and marketing;
- 1.1.2 Must be a specialist in the food industry with background in product development, manufacturing, and exporting and with relevant expertise in food safety, market requirements, packaging and labeling, merchandising, and marketing;
- 1.1.3 Must have a strong background in the international food market;
- 1.1.4 Must have a working knowledge food safety standards and global certifications such as Good Manufacturing Practices (GMP), Hazard Analysis Critical Control Points (HACCP), British Retail Consortium (BRC), International Organization for Standardization (ISO), Kosher, Halal, European Union (EU) Accreditation, Japanese Agricultural Standard (JAS) Mark, Fair Trade, and for organic certification;
- 1.1.5 Must have strong ties with local government institutions and its regional offices (DTI, DA, BFAR, LGUs, DOST, Certifying Agencies, etc.) as well as industry organizations; and
- 1.1.6 Should have willingness to work within the given budget and time for the project.

1.2 **Development of the Inter-agency DEFood Team** – form the inter-agency composite team which includes, but is not limited to: CITEM, FTSC, PTTC, PITC, DA, DOST, and the private sector. Regular meetings shall be held every quarter to inform the team of the program's progress and to discuss points for improvement to ensure that the program remains dynamic and adaptable to the needs of its stakeholders.

1.3 **Finalization of the Program Participants** – selection of the participants based on Product Quality and Market Potential, Company Capability, and Business Attitude.

- 1.3.1 Evaluation of pre-identified companies and products based on proponent suggestions and performance
- 1.3.2 Implementation of a Needs Assessment Survey to identify gaps and improvements
- 1.3.3 Synthesis of a relevant training program based on the Needs Assessment Survey
- 1.3.4 Conduct DEFood Orientation for a program overview and expectation setting for the finalized list of participants and the signing of the Conformance of Commitment by the participants.



2 INTEGRATED INTERVENTION AND MONITORING

2.1 Development of the Master Intervention Plans – The MIP will be a strategy map, which will summarize the interventions identified per company. The MIP shows a timetable that is individualized per company, the specific schedules being anchored on a per-need-basis. The intervention activity may evolve into a core group approach when similar needs are identified and prioritized. The plans would be subject to review, revision, or re-direction, as applicable in the course of implementation of the plan, with the goal of enhancing the fulfillment of DEFood's objective. The MIP covers three main areas, namely:

- 2.1.1 Alignment to Market standards – Help Tier 1 companies to attain internationally recognized certifications or alignment to these certifications by aiding them in following operation guidelines of such; this will involve:
 - A. GAP Analysis – verification of the companies' level of compliance through facility audits
 - B. Coaching and Mentoring for process alignment to HACCP
 - C. Guidance to audit-ready status for HACCP certification.
- 2.1.2 Market competitiveness (for tier 1 and 2) – introduction of the aspect of business planning, making companies aware of trends and enabling them to compete in the market; this will involve:
 - A. Business Plan and Product Development
 - B. Compliance to market-specific requirements (Halal, Kosher, Organic, USFDA, BRC, JAS, etc.)
 - C. International Trend appreciation and application
- 2.1.3 Brand Development (for tier 3) – assist in the development of the company brands through strategic brand development interventions which include the development of superior marketing collaterals, packaging improvement, and branding consultation with international experts. This sub-component is subject to the availability of funds through funding agencies
 - A. Development of superior marketing collaterals (i.e. website, etc.)
 - B. Branding and packaging development, which entails using packaging as a marketing tool, and may involve packaging design or re-design according to current market trends and development of competitive transport packaging
 - C. Brand consultation with international experts (i.e. Edouard Malbois, etc.)

3 TARGETED EXPORT PROMOTIONS

3.1 Regular International Exhibition Participation – Strategic participation in targeted international trade exhibitions in strategic locations. This initial list of trade shows may change depending on CITEM's strategy and in the event of unforeseeable circumstances.

- 3.1.1 Middle East – Gulfood
- 3.1.2 EU – ANUGA and SIAL
- 3.1.3 USA – Winter Fancy Food Show
- 3.1.4 Japan – Foodex
- 3.1.5 Philippines – IFEX Philippines



3.2 Special DEDeod Settings – collaboration between the SMEs and PITC, showcasing the products developed throughout the program in CITEM-organized trade exhibition participation with PITC as the consolidator.

3.3 Showcase of Developmental Companies – CITEM shall allocate space for developmental companies (tier 1) in CITEM-organized trade exhibition participation, particularly in IFEX, to provide international exposure for these SMEs,

3.4 Franchising (for tier 3) – Companies that are eligible and are planning to undertake franchising shall be promoted in international trade exhibitions with franchising as its focus such as the Dubai International Brand Licensing Fair. This sub-component is subject to the availability of funds from funding entities.

Yearly Success Indicators:

	2016	2017	2018	2019
No. of companies assisted	20	20	20	20
No. of companies achieving compliance	-	80% Accomplished HACCP Requirement Training Course	60% aligned	60% full compliance 40% aligned
No. of buyers/inquiries per show	300	300	300	300
Export sales generated	Dependent on the Project Target			
Publicity Mileage:	Print = 3 articles for local and international publication Online = 5 articles			
Return on Subsidy	Cost Recovery Ratio (50% local; 28% overseas)	Cost Recovery Ratio (50% local; 28% overseas)	Cost Recovery Ratio (50% local; 28% overseas)	Cost Recovery Ratio (50% local; 28% overseas)
Other Deliverables	Development of Master Intervention Plans + Annual Assessment and Report + Submitted project proposal to funding entities	Annual Assessment and Report	Annual Assessment and Report	Annual Assessment and Report

*Annual targets and assessments are based on the Master Intervention Plan and Business Plan developed

Estimated Program Cost:

The total program cost is estimated to be SEVENTEEN MILLION FIFTY THOUSAND PESOS (PHP 17,050,000.00) – excluding possible additional resources from funding agencies and participation fees of private sector companies.



PROGRAM / PROJECT PLAN

I. PROJECT DETAILS

Title: DESIGN FOR EXPORTS FOR FOOD PHILIPPINES (DEFood)

Date: January 2016 – December 2019

Project Type: Multi-level development program for Philippine food exports

Project Description:

The DEFood Program is an integrated multi-disciplinary strategy on the development and promotion of premium Philippine food products and companies. The program anchors itself in working with the country's food manufacturers in order to develop premium quality Philippine food products that cater to global demand. It aims to nurture and promote Philippine food manufacturers and aid them in end-to-end development, focused on packaging and process enhancement and market compliance alignment in order to make them fit for the international premium market. This will entail product, process, and packaging development, compliance certification, and marketing and promotion through a series of consultations, trainings/seminars, mentorship sessions and factory audits. Developed products will then be showcased in an institutional special setting in the Philippine pavilion of international shows that CITEM, as lead agency, will organize participation.

With the implementation of this program, participation in international food fairs will be four-pronged, which will include the (1) regular participation, (2) premium special setting, (3) products of developmental companies, and (4) franchising. This is anchored in the program's tiers:

1. Tier 1 (Developmental): These companies are HACCP aligned (certification to follow); Tier one's program approach will be mostly developmental and participation in IFEX Philippines.
2. Tier 2 (Premium): These companies are Hazard analysis and Critical Control Points (HACCP) certified; Tier Two's program approach will be developmental and promotional.
3. Tier 3 (Established Brands and Food Franchises) These companies are market-ready and are compliant to international standards. Tier three's approach shall be promotional and branding.

Rationale:

The Design for Exports Program fortifies Food Philippines' brand positioning of *Food Philippines*, as it aspires to showcase the country's edge in developing innovative food products and address exporting Philippine food and its growth by increasing and improving food exports.

Anchored from CITEM's Partner Province and Partner City/Region Program, DEFood is the next level step in developing the Food Philippines brand. This program will particularly focus on a *Food Philippines* brand and is envisioned to later develop



Food Philippines' own definition of '*premium food*', which is certified compliant to market requirements.

II. BACKGROUND

A. Industry Situationer

Global Market for Premium Foods

Key trends in the global food and beverage industry have been geared towards new product developments in health, convenience, naturalness, and sustainability, according to Plant and Food Research.¹ Premium food consumers have sought new production of foods based on fruits and vegetables. Food and ingredients from this source have been gaining demand in the global marketplace due to the so-called "health halo" of natural produce.

The National Association for Specialty Food Trade of the United States has defined specialty or gourmet products as food, beverages, and confections of the highest grade, style, and quality in their category.² They are categorized as 'specialty' due to their unusually high quality, which may be accompanied by uniqueness, exotic origin, design, limited supply, or extraordinary packaging. Being produced with the highest quality ingredients, specialty food products are being positioned as premium brands. These products are contained in packaging with high quality labeling.

Since the early 2000s, crossovers from the natural and organic markets towards the specialty or gourmet market have been taking place, as natural food consumers are being less compromising of taste for the health benefits of food products. A 2013 Global Food Ingredients Market Report by Research and Markets revealed that the global specialty food market has been driven by factors like growing world population, urbanization, and rising health awareness. In 2012, it was reported that flavors represent the largest segment in the overall specialty food ingredients market due to changing social habits and economic growth, especially in emerging markets. There was a reported growing trend by food producers to reduce or replace artificial ingredients with natural ingredients, as the former has been increasingly viewed by consumers as unhealthy. Innova Market insights also reported in 2011 that new food products with a premium positioning are on the rise, in spite of poor economic situation.³ It was found that 14.2% of new products tracked during the first quarter of 2011 had a premium positioning, compared to 10.5% in 2010 and up from 8.4% in 2008, particularly in the United States. These data show that consumers are willing to spend for premium food products, regardless of economic situation. Another driving force for premium foods in the market is the demand for ethnic food. Worldwide specialty food sales have been increasing as demand for ethnic foods from immigrant consumers in Europe and U.S. is growing. Ethnic food sales are growing at 14% a year in Europe and 5% in the U.S., according to Datamonitor.⁴

However, most available information on supply and demand for premium food products is concentrated in EU and the Americas. In Europe, demand and supply for

¹ Plant and Food Research (n.d.). From: <http://www.plantandfood.co.nz/growingfutures/food>

² Appalachian Center for Economic Networks (2000). From: http://wrdc.usu.edu/files/publications/publication/pub_7453731.pdf

³ IFT (2011). From: <http://www.ift.org/food-technology/daily-news/2011/june/08/premium-ethical-positioning-draws-consumers.aspx>

⁴ First Research, Inc. (2013). From: <http://www.marketresearch.com/First-Research-Inc-v3470/Specialty-Food-Stores-7555079/>

specialty food and ingredients are high as their specialty food ingredients industry represents around US \$ 45.7 billion of the global food ingredients market. In Ireland, the production of specialty food accounts for approximately US \$ 654 million from a base of 300 producers.⁵ Meanwhile, in the UK, the number of artisan food producers has grown over the past decade. British consumers who have been cutting back on luxury purchases such as holidays and cars are trading up for smaller luxuries such as artisanal condiments and cordials. Artisanal foods have been sold as a lifestyle in the UK. Additionally, the market for artisanal British food products offers a promising profit abroad such as their luxury handmade chocolate brand Chokolit makes 25% of its sales from foreign markets including Hungary, Mexico and 12 states in the U.S.⁶ In North America, the U.S. holds the largest specialty food market, with over US \$ 70 billion annual sales.⁷ Total U.S. specialty food sales grew by 19.1% between years 2009 and 2011. According to the National Association for the Specialty Food Trade, Inc. of U.S.A., their total specialty food sales in 2012 topped US \$ 85.87 billion. Average annual sales for their specialty food manufacturers are at US \$ 1.7 million and 95% recorded sales increases in 2012. In the same way, it was reported that the specialty food industry in Canada is growing faster than overall retail in 2009. The country's specialty store sales increased 35% from 2004 to 2009. Canada's market is driven by consumer trends for premium food products, such healthy, allergen-free, and unique food products. Additionally, ethnic diversity for food products is also increasing in demand as North America's ethnic food market is growing at an annual rate of roughly 5%.⁸ These give opportunities for the specialty food market in the region.

As for the Asian perspective, limited information has been found. However, Hong Kong's mature and sophisticated market poses a growing demand for gourmet foods. Hong Kong shoppers are price conscious consumers looking for "value for money" products. The continuous influx of tourists and capital contributed to the economic growth in Hong Kong. As a result, the demand for food imports continued to grow in 2012, and demand is increasing most rapidly for "healthy" and gourmet foods according to USDA Foreign Agricultural Service.⁹

Consumption of premium or artisanal food products has been reported to appeal as a lifestyle. Trends in the premium market include use of fruit as vehicle for food and beverage advances, according to a market report by the Center for Culinary Development and Packaged Facts. The report noted craft cider and fruit preserves as increasingly appealing to health conscious consumers. Another trend reported was the use of sugar from fruit, such as monk fruit and coconut, for their low calorie property and health benefits when transformed as sweeteners. There was also a 'mango-craze trend' observed, as its tropical flavor has gained broad appeal to "multicultural consumers, flavor lovers, and health-seekers". Rise of active and involved consumers were said to be one of the reasons for the rise in demand for premium foods, as consumers today are focused on quality and variety. Research

⁵ Teagasc: Agriculture and Food Development Authority (n.d.) From: http://www.teagasc.ie/ruraldev/artisan_food/artisan_food_in_ireland.asp

⁶ The Independent (2012). From: <http://www.independent.co.uk/life-style/food-and-drink/features/gourmet-gamble-could-you-make-it-as-a-food-entrepreneur-7678856.html>

⁷ USAID (2012). From: http://www.competeafrica.org/Files/US_Specialty_Food_Analysis_FINAL_12_July_2012.pdf

⁸ Agriculture and Agri-food Canada (2012). From: <http://www.ats-sea.agr.gc.ca/info/pdf/6116-eng.pdf>

⁹ Global Agricultural Information Network (2013). From: http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Hong%20Kong_Hong%20Kong_5-1-2013.pdf



has also been aligning cocoa with green tea and wine, as the food product – particularly cocoa powder – is gaining recognition for its health benefits.¹⁰

Philippine Premium Foods

According to Philippine Food Processors and Exporters Organization, Inc. (Philfoodex), the Philippines is indeed a yearlong source of high-quality food products. It reported that in 2011, over 11, 000 food and beverage companies were estimated to be producing a variety of innovative specialty food and beverages. This includes mixes and sauces, special delicacies, desserts, and other food ingredients. Philfoodex reported a growing acceptance and demand for these products worldwide. In 2010, the top five processed food exports were desiccated coconuts, other milk and cream products in powder form, pineapples preparation or preserve, other fruits and nuts, and banana chips.¹¹ These products could be developed and marketed as premium foods. Other potential export for the specialty market include muscovado sugar, virgin coconut oil, mango products, coffee, Philippine cacao, and herbal tea, as these were recognized Philippine certified natural product exports.

A growing recognition for artisanal food products can also be observed in the local scene. Artisanal ice cream, breads, cheeses, and even salt have been strung with endless handmade and homemade goods in food markets and bazaars in the country. The demand and recognition for these foods is developing along with the growing popularity of food markets. This shows the Filipino's development of taste for "fine crafted food" that contains fewer preservatives than mass produced ones.¹² Also stemming from the popularity of food markets is the Filipino's familiarity with specialty and gourmet food trucks, which is originally a staple in the American food scene.¹³

In 2008, Philippine specialty food products was recognized by an Australia-based company as interest were expressed towards Philippine specialty products such as coconut vinegar, hot sauce, vinegar with spice and garlic, papaya pickles, crab paste, marmalades – particularly calamansi, and tropical fruit juices like mango nectar.¹⁴

Investment on promotion of Philippine premium food products foster for the country's mark on export products that are of premium quality and premium taste. Delving into the premium food market is a particularly small niche, but it will help market the Philippines as source of high quality food products.

B. Market Situationer

DEFood has distinguished four major markets for the program, consistent with the Philippine Export Development Plan's (PEDP) identified top markets of the Philippine food sector. This includes:

1. Middle East

¹⁰ Food Product Design (2013). From: <http://www.foodproductdesign.com/news/2013/06/cocoa-may-help-obese-people-ward-off-diabetes.aspx>

¹¹ Asian Food Regulation Information Service (2011). From: <http://www.slideshare.net/Adrienna/aec-2015-philippines-industry-perspective>

¹² GMA News Online (2012). From: <http://www.gmanetwork.com/news/story/287396/lifestyle/food/the-year-in-yum-2012-filipino-cuisine-foodgram-and-artisanal-mania>

¹³ ABS-CBNNEWS.com (2012). From: <http://www.abs-cbnnews.com/lifestyle/11/27/12/food-shorts-food-truck-cheese-veggie-juice>

¹⁴ PhilStar.com (2008). From: <http://www.philstar.com/business/43020/rp-sees-hike-specialty-food-exports-australia>



An emerging market potential for Philippine food products in the Middle East has been recognized due to the region's growing population, increasing per capita income, high concentration of OFWs and expatriates, and changing consumer lifestyles. Additionally, the global Halal market is observed to be increasing and is now estimated to be worth US \$632 billion a year. Growing global health issues, escalating obesity rates and diabetes in the region brought about an increase in awareness and drive for healthy living. Thus, a demand for health foods that are high on energy and nutrition is anticipated.

Major Philippine food exports in the Middle East include Halal Products (e.g., canned meat), canned fruits and vegetables, desiccated coconut, cereals and biscuits, noodles, condiments, and fresh fruits. Entry of Philippine foods in this region is subject to regulations such as GCC Harmonized Guidelines on Food Imports and Labeling and Saudi Arabia Standards Organization (SASO). Regulatory compliance requirements on food imports to the Middle East also include Gulf Standards Organization and Halal Standards. Biotechnology, Labeling, and Additives Guidelines are also included. Aside from these, buyers in this market look for Halal certifications, along with labeling requirements.

2. EU

The European market is the second largest importer of goods and services, including food ingredients. Being one of the world's top food importers, the region's food and drink industry is considered to be one of the most important and dynamic sectors and has been reported to be continuously increasing its importation. In 2010, Philippine food exports to Europe was valued at US \$319.32 million, with marine and aquaculture accounting for 35.10%; processed food at 25.65%; fresh food at 4.03%; and beverages at 0.25%. The Philippines' agricultural exports to EU were up by 13% during that period, as the country was expanding on exports of coconut oil and fruits. Moreover, the Philippines was the single largest source of coconut oil imports of the EU, accounting for more than 60%. Trends in food imports by the EU include a demand for ingredients in convenience foods or ready-to-eat meals. An increasing demand for wellness and organic products were also identified as market opportunities for foreign food manufacturers. A growing demand for Asian food and ingredients was noted, as the large ethnic group has been residing both temporarily and permanently in EU economies.

Major Philippine food exports in this market include tropical dried fruits, fruit juices, snack foods, fresh fruits, and processed coconut products (Halal/Kosher). Entry of Philippine food in the European Union is regulated by EU Directives and Country-Specific Guidelines. In particular, regulatory compliance requirements of this region include Regulation EC 178/2002 - General Principles and Requirements of Food Law, Directives per member country (e.g., directive on permissible pesticide and minimum residue level), and EU accreditation for fishery products. Specifically, EU buyers look for EU/BFAR conduct of actual inspection for accreditation of fishery facility; third party audit initiated by the buyer (Food Supplier Approval Program); certifications such as ISO, SQF, GFSI-BRC, Deutsche HACCP; Fair Trade, Kosher, and Organic foods.



3. USA

Characterized by its diverse population, the consumer market of USA includes the Mexican and Canadian markets, paving way for greater business opportunities in the food sector. Trends in the region's food industry are driven by the growing consumer demand for healthy, allergen-free, and unique food products. The North American Halal food market was also observed to be rapidly increasing and was estimated to account for 20% of world food trade. Additionally, the U.S. specialty food market has been open to emerging cuisines from around the world, as tens of thousands of new specialty food products are being imported into the United States from all over the world. This rise in demand in the region for imported gourmet products was attributed to the emerging ethnic diversity and wealth among U.S. consumers.

The Bureau of Export Trade Promotion (BETP) reported that major Philippine food exported in the region are ethnic foods, snack foods, tropical fruits (dried and juices), and value-added marine products (Kosher). Food exports to the U.S. are governed by the USFDA Food Safety Modernization Act. Buyers in this market require FDA actual inspection for Food Supplier Approval Program; third party audit initiated by the buyer; and certifications such as ISO, SQF, and GFSI, which are actually certifications common in suppliers that serve both U.S. and EU markets. U.S. buyers also seek Kosher and Organic certifications.

4. Japan

Japan's import market is distinguished by its lucrative and trend-setting nature, as it is among the largest economies in the world. Consumers who are willing to pay more for quality and convenient food products also characterize Japan's food spending. Reported to be the largest net importer of food, approximately 60% of Japan's food each year are from its imports. The nation's per capita spending on food is considered highest in the world at 23%, and its food and agriculture market is valued at US \$745 billion. Japan is considered a major driver of the Philippines' economic growth, as it is its top trading partner with total trade exceeding US \$13 billion in 2012. The Philippines is particularly dominant in Japan's tropical fruit imports, as the former accounts for 45.1% of the latter's total fruit import value. Of Japan's total fruit imports, 59% are bananas, wherein 93% come from the Philippines. Additionally, 99.3% of Japan's total pineapple import volume is from the Philippines. While only 27.3% of Japan's total mango imports are from the Philippines, the latter is still its second largest source of mangoes (next to Mexico).

Fresh tropical fruits, rice and cereal based products, value added chicken (Yakitori), tropical fruits (dried and juices), and fresh/frozen and value-added marine products are the major Philippine food exports to Japan. Food exports to this region are regulated by Japan Food Sanitation Act or Law and Japan Quarantine Law. The Food Sanitation Act or Law includes Import Notification, Allergy Labeling, Japan Agricultural Standards, and Organic JAS. Meanwhile, the Quarantine Law involves Positive List for Agricultural Chemicals. Japanese buyers require buyer audit, certification of all ingredients, and Organic Certification from food suppliers.



Business growth is attainable and exporting food products could be successful in these four markets if suppliers are considered reliable and ready for such global market opportunities. Food exports to these regions face external pressures such as the abovementioned buyer and market requirements. Buyers in all these markets require a Food Supplier Approval Program, along with various certifications. The Food Supplier Approval Program is part of a quality assurance system to ensure that ingredients and packaging materials are safe to use and fit for the purpose intended. This also supports the Hazard Analysis & Critical Control Points (HACCP) philosophy that prevention is the key to food safety. This program requires documentation as proof of reliability to supply safe, quality food at all times. The components of the Food Supplier Approval Program that should be audited by the supplier are Food Safety Policy; Implementable HACCP Plan; Documented GMP and SSOP; Risk Assessment; Pest Control Program; Allergen Policy; Testing and Calibration; Training Records; Traceability; Food defense and security; and Customer Complaints.

Premium Foods in DEFood's Four Major Target Markets

The global trend for health and wellness drives a shift in lifestyle for food consumers in the Middle East. Food products that are emphasized to be beneficial to the health, convenient, and of great quality are increasing in demand in the region. Tropical fruits such as mango, banana, and pineapple, coconut and coconut by-products (water, sugar, desiccated coconut, powder, cream), and muscovado sugar are deemed to have strong potential in the Middle East's premium food market.

Meanwhile, premium foods had developed into a niche market in Europe. Estimated to be at US \$45.34 billion, premium foods account for 4.6% of the total European food market. Consumer affluence was reported as the market driver for growth of premium food consumption in the region, together with the interest of food manufacturers in increasing profit margins in developed western markets. It was further reported that 10% of the population in United Kingdom alone is currently considered affluent. This population segment is anticipated to increase to 30%, which will expand the market for premium foods in the nation.

In the U.S., consumers were observed to be shopping more frequently, as interest in fresh and perishable items has been growing. This interest is accompanied by purchase of premium food products that are considered natural and organic. These are due to the rise in health and weight control issues from food shoppers. Rise in demand for artisanal foods are also enforced by the population's demand for food products that are tailored to meet consumer's dietary requirements, including food ingredient allergies and intolerances.

On the other hand, the Japanese market's preference for good taste over the quantity of food was considered as the market driver of premium foods in the country. The market has been distinguished by Japanese consumers' ability and willingness to pay more for better quality and taste of food. In addition, these consumers value aesthetics of food products, including its packaging and presentation, which is a distinct characteristic of premium food products.



III. OBJECTIVES AND STRATEGIES OF THE PROJECT

A. Objectives

1. General:

To create and promote a distinct *Philippines* brand of premium foods through the development of small and medium scale food producers that will cater to the premium market, resulting in the recognition of the Philippines as a source of high quality, premium-grade food products.

2. Specific:

- a. To enhance capabilities of food SMEs by providing integrated intervention on product and packaging system development, alignment to market standards, and marketing and promotions;
- b. To develop a core group of 20 food manufacturers that are either fully certified or audit-ready, who will be active participants and competitive players in the export market
- c. To showcase core products of the program in a special setting at the Philippine pavilion in CITEM-organized participation in identified markets.

B. Strategies

1. Identify and form seven Philippine commodity products that meet the following criteria:

- a. Product Versatility – have various product applications in its raw state;
- b. Quick Wins – products with the Philippines' capability to produce while possessing a global demand; and
- c. Philippines' Super Strength – food export products that the country is already known for.

2. Strategic alliances and partnerships with the Philippine Trade Training Center (PTTC) for seminars and training modules and materials, the Department of Science and Technology – Packaging Technology Division (DOST-PTD) for product development, packaging design, and packaging technology, and Philippine International Trading Corporation (PITC) for marketing and promotion of the products.

3. Hire expert consultants, either local or international, as the case warrants, for each the three levels of intervention to effectively implement identified interventions to achieve the goals of the program.

IV. PROJECT PLANS

A. Team Composition

1. CITEM – program overall implementing body and secretariat

- a. Project Director
- b. Project Coordinator/s



2. DEFood Consultants/Industry Development Advisors
 - a. Product Development Consultant – food safety and product development
 - b. Developmental Consultant – alignment to international standards
 - c. Branding and Marketing – improved marketing and promotions
3. Partner Agencies
 - a. Philippine Trade Training Center (PTTC)
 - b. Department of Science and Technology – Packaging Technology Division (DOST-PTD)
 - c. Philippine International Trading Corporation (PITC) – Marketing and Promotions Consultant and Implementor
 - d. Foreign Trade Service Corps (FTSC)

INTER-AGENCY PARTICIPATION

CITEM

- Set directions for the implementation of the program, in coordination with the rest of the DEFood Team
- Implement and manage the program, including promotion, marketing, and impact assessment
- Provide funding support to the program (prototype production; short-run production of packaging; marketing)
- Assign staff who will oversee the smooth implementation of the program
- Provide or assist the project proponents in the sourcing of counterpart funding
- Send/assign a coordinator who will monitor the implementation of the project and provide logistical support
- Invite participants during meetings and seminars/training
- Arrange meetings with proponents, including factory visits/plant audit to proponents' manufacturing facilities
- Coordinate activities between the DEFood Team and the project proponents in their respective areas
- Assist in processing for FSSC, BRC, and CERES certifications and provide subsidy for auditor's travel expenses
- Facilitate bidding and construction of the special setting
- Approve all program requirements and outputs, including but not limited to package design and collaborative support

FOREIGN TRADE SERVICE CORPS (FTSC)

- Provide strategic communications support to CITEM in the promotion of the special setting in identified international fairs of the program
- Identify and invite key buyers through telemarketing and direct mailing

PHILIPPINE TRADE TRAINING CENTER (PTTC)

- Assess packaging and labeling compliance of the DEFood proponents



- Recommend companies and products to be included in the DEFood program
- Assess the training needs and design training module for the identified proponents
- Act as consultant and/or resource person in training and seminars
- Coordinate with other consultants who may be tapped as resource persons for the seminar
- Prepare materials for training/seminars
- Recommend appropriate product and labeling guidelines
- Provide seminar/training venue & equipment

DOST – PACKAGING TECHNOLOGY DIVISION

- Assess compliance with packaging enhancement/label development among the identified products of DEFood proponents
- Recommend companies and products to be included in the food packaging development or enhancement activity
- Recommend appropriate packaging system for each identified product for food packaging development or enhancement
- Design and prepare short-run prints of packaging and labels for products to be displayed in the setting
- Be tapped for funding for the production of prototypes
- Participate in the progress assessment of DEFood proponents and provide inputs in food packaging enhancement/development activity

DEFood CONSULTANTS / INDUSTRY DEVELOPMENT ADVISORS

- Develop a Master Intervention Plan (MIP)
- Implement the program, including promotion, marketing, and impact assessment based on CITEM directives in coordination with the CITEM Project Director
- Recommend companies and products to be included in the program
- Conduct Needs Assessment Survey and synthesize results to be used as basis for development of a relevant training program
- Identify, assess, and screen companies and products through factory audits, interviews, and product testing and conceptualize interventions based on the results of factory audits and product evaluation.
- Provide all necessary technical capabilities according to the level of intervention, such as, but not limited to:
 - Developmental Consultant
 - Assessment and recommendation of necessary food certifications and identification of the certifiers, in coordination with CITEM Project Director
 - Recommendation of design and lay-out of processing facilities according to scale of operations specifications in conformance with Good manufacturing Practices (GMP) and Hazards Analyses and Critical Control Points (HACCP)
 - Product Development Consultant
 - Recommendation of appropriate labeling guidelines for products



- Assessment of packaging and labeling compliance of the DEFood proponents
 - Recommendation on integration of developed technologies in processing of the DEFood products
 - Development of new packaging and labeling systems for products identified for the program
 - Attend trade fairs included in this program when necessary to benchmark the products and assess position of Food Philippines by checking out the competition (i.e., similar products available, pricing, packaging, trends) which will be submitted in a report not more than 10 working days after each participation
- Branding and Marketing Consultant
- Recommendation of market-specific labeling guidelines for products
 - Assessment of packaging and labeling compliance of the DEFood proponents
 - Conduct of trainings, seminars, and one-on-one consultations on labeling guidelines, packaging, pricing, market compliances, and business development
 - Development of new packaging and labeling systems for products identified for the program
 - Conduct further coaching of program proponents on product positioning, pricing, branding, and packaging based on benchmarking observations
 - Conduct of an echo-seminar to CITEM implementing team regarding activities for benchmarking and trend spotting

PHILIPPINE INTERNATIONAL TRADING CORPORATION

- Assist in the implementation and management of the program, including promotion, marketing, and impact assessment, in coordination with the CITEM Project Director and the DEFood consultants
- Take part in recommending companies and products, assessing training needs, and recommending appropriate labeling in line with the imaging and branding for Food Philippines
- Participate in the progress assessment of DEFood proponents and provide inputs in marketing, promotions, and food packaging enhancement/development activity
- Recommend best practices in maximizing product marketing and promotion (e.g., in a special setting, developing tag lines, etc.)
- Act as resource person in one-on-one consultations and seminars/training on marketing and business development
- Provide inputs for discussion with CITEM and the rest of the DEFood Team on the execution of on-site marketing, including assistance on the conceptualization of visuals and marketing stories for the special setting
- Act as consolidator for the proponents in the special setting (i.e., promote the products in the special setting; address buyers' comments, inquiries, and requests for business meetings; negotiate in behalf of companies)



and provide inputs with regard to buyer's comments on products and competition when necessary

- Submit accomplishment reports not more than 10 working days after each participation, as support for the evaluation of the participation and recommend areas for improvements in preparation for next participations, together with the rest of the DEFood Team
- Submit a Final Terminal Report as conclusion for all the participations of Food Philippines

PRIVATE SECTOR PROPONENTS

- Commit to full participation in the implementation of the program
- Actively participate in all DEFood preparatory activities
- Provide products for product development and packaging system development/enhancement
- Prepare a product prototype
- Provide products for display and sampling at the special setting
- Provide props for the special setting, if required
- Submit properly documented and monitored compliance to a food safety system
- Shoulder application, inspection, and certification costs for necessary certifications

B. Company Product Mix

1. *Product Focus and Rationale* – the program will focus on multi-level development of seven P (i.e., products produced in the Philippines using raw materials sourced within the country). Priority will be given to commodity products identified as having potential in the international premium market and are considered as 'quick wins', versatile, and one of the country's super strengths, such as:

a. Philippine Cacao

- The Philippines currently produces an average of 25,000 metric tons of cacao, with more than 70% of the production coming from Davao Region.¹⁵ The region alone has over 13,000 hectares planted to cacao.¹⁶ Since cacao trees can be planted along with other trees, the country's over two million hectares of coconut plantation are being utilized for inter-cropping cacao.
- Cacao is economically significant to the Philippine agricultural sector with the rising worldwide demand for cocoa and cocoa-based products.
- Development of cacao is market driven. The Philippines has local manufacturers with acceptable quality chocolates that may approximate or even surpass taste of imported chocolates, but appropriate and attractive packaging is lacking.¹⁷

¹⁵ Colina IV, A. (2013). *National council for cacao sought*. Retrieved 22 August 2013 from <http://www.sunstar.com.ph/davao/business/2013/06/19/national-council-cacao-sought-288219>.

¹⁶ Quiros, J. (2013). *Shortage of cacao both a threat and an opportunity*. Retrieved 22 August 2013 from <http://business.inquirer.net/127335/shortage-of-cacao-both-a-threat-and-an-opportunity>.

¹⁷ Manila Bulletin (2013). Editorial: *Bright prospects for cacao industry*. Retrieved 22 August 2013 from <http://ph.news.yahoo.com/editorial-bright-prospects-cacao-industry-162425323.html>.

- Cacao is being marketed as excellent for good health. Aside from cacao beans, processed Philippine cacao is a viable industry. *Tablea*, which is Philippine cacao processed into blocks, has been selling at a higher market price since it has a higher value added.¹⁸ *Tablea* has been used for drinks, but is now also being used like chocolates for cakes and pastries. In other countries, artisanal creations have been revolutionizing cacao through processing of chocolate soap, candles, teas, and pastes.¹⁹

b. Philippine Coffee

- According to the Philippine Coffee Board, the Philippines is one of the few countries that produces the four varieties of commercially viable coffee: Arabica, Liberica (*Barako*), Excelsa, and Robusta. Climatic and soil conditions in the Philippines make the country suitable for all four varieties. Robusta is the main ingredient of instant coffee products and makes up around 90% of the Philippines' total coffee production. On the other hand, Arabica, Excelsa, and Liberica make up the remaining 10% of total output and have reportedly had a rise in demand both domestically and globally because of their special taste and aroma.²⁰ Coffee drinkers around the world have been drinking more specialty or gourmet coffee, making prospects brighter for special coffee varieties.²¹
- The country's coffee production has remained steady at 30,000 metric tons, wherein 6,500 metric tons (about 10%) are consumed by the specialty coffee industry. Philippine coffee products are exported to countries in the Middle East, as well as Japan and Korea.²²
- The global coffee sector is actively looking out for new varieties of coffee to offer consumers.²³ Philippine coffee can be sold as fresh or dried green beans, or as packaged processed coffee. Flavored coffees, such as chocolate or cinnamon flavored, is a fast growing market.²⁴ Instant coffee is also playing an increasing role in the industry, with the rise of flavored specialties like cappuccino, espresso, vanilla, chocolate or Amaretto.²⁵
- Philippine coffee may be used as a versatile kitchen ingredient, such as spicing up and seasoning a range of sweet and savory recipes. It has been reported to help bring out the flavor of meat, give an earthy taste to soups, sauces, and marinades, and is used to flavor cake, liquor chocolates, and ice cream.²⁶

¹⁸ Manila Bulletin (2013). *Davao exports cacao to Europe*. Retrieved 22 August 2013 from <http://ph.news.yahoo.com/davao-exports-cacao-europe-000500618.html>.

¹⁹ Colón, R. (2011). *The versatility of chocolate*. Retrieved 22 August 2013 from http://www.slowfood.com/international/slow-stories/120635/the-versatility-of-chocolate/q=F4746C?-session=query_session:42F9428911d983628CXJA398D730.

²⁰ Philippine Coffee Board (n.d.). *Our coffee heritage: Coffee's rich history in the Philippines*. Retrieved 22 August 2013 from http://philcoffeeboard.com/?page_id=17.

²¹ PCARRD (n.d.). *Special coffee to go*. Retrieved 22 August 2013 from http://www.mfi.org.ph/contenteditor/uploads/files/special_coffee.pdf.

²² Philippine Information Agency (2013). *Coffee bean production has vast market potentials*. Retrieved 20 August 2013 from <http://www.pia.gov.ph/news/index.php?article=191369896609>.

²³ Arceo-Dumlao, T. (2013). *Long way for PH coffee brew to go global*. Retrieved 22 August 2013 from <http://business.inquirer.net/119019/long-way-for-ph-coffee-brew-to-go-global>.

²⁴ International Coffee Organization (n.d.). *Roasting/Making coffee*. Retrieved 22 August 2013 from http://www.ico.org/making_coffee.asp.

²⁵ GEA Westfalia Separator Group (n.d.). *Coffee extract, ready-to-drink coffee products, coffee substitutes and cereal drinks*. Retrieved 22 August 2013 from <http://www.westfalia-separator.com/applications/beverage-technology/coffee-extract-ready-to-drink-coffee-products-coffee-substitutes-cereal-drinks.html#>.

²⁶ The Journal (2012). *Wake up to the versatility of coffee*. Retrieved 22 August 2013 from <http://www.thejournal.co.uk/culture/restaurants-bars/wake-up-versatility-coffee-4401699>.

c. Philippine Coconut

- The Philippine coconut's "inherent sweetness and processing adaptability" remain to be the envy of most coconut producers.²⁷ Over 340 million coconut trees occupy 3.56 million hectares of arable Philippine land, yielding over 15 billion nuts annually.
- Exports of Philippine coconut products reportedly rose in the first quarter of 2013 in terms of volume and value, following slightly higher nut production during the period and increased demand for coconut oil in key markets.²⁸ Coconut oil and desiccated coconut are part of the top ten farm exports in the Philippines in the said period.²⁹
- Consumption of coconut water has been growing in popularity due to its health benefits and the 'Western Coco Craze' has played a role in the Philippines' position as the world's biggest exporter of coconut products. At present, coconut water in the US is not only consumed as pure coconut water but is sometimes used as water for coffee and mixer for alcoholic chasers. Other Western nations and the health-conscious Japan are prospects for export of Philippine coconut as well.³⁰
- The Philippine coconut has been manufactured in various forms. It has primarily been exported as desiccated, processed, and value added (i.e., Creamed Coconut; Coconut Concentrate; Coconut Beverage Base). Big Philippine mills have processed desiccated coconut meat, which has been turned into powder for baking biscuits, snack bars, cakes, and pastries and coconut flesh is turned into vegetable oil used for cooking.³¹ Coconut flour is recognized as a healthy substitute for wheat flour. Philippine-made coco flour is free from gluten and supplies great dietary fiber to produce a lot of recipe-based food for desserts, drinks, and pastries and is even used as a thickening agent for sauces and gravies.³²

d. Philippine Mango

- The Philippines is among the world's top ten mango exporters. Its export variety, the carabao mango, is considered as one of the best in the world.³³ Available all year round in the country, the Philippine mango is considered to be among the world's sweetest and is the country's national fruit. It is notable for its bright yellow exterior when ripe or green exterior when unripe.³⁴
- Being one of the four main fruit crops grown in the country, mango is a major economic commodity and is among the top three fruit exports of the Philippines. Foreign markets for Philippine mangoes include Japan,

²⁷ De Guzman, S. (2013). *A clear and present danger in the Philippine coconut industry*. Retrieved 22 August 2013 from <http://www.philstar.com/opinion/2013/06/17/954845/clear-and-present-danger-philippine-coconut-industry>.

²⁸ Valencia, C. (2013). *Exports of coconut products up in 1st qtr*. Retrieved 22 August 2013 from <http://www.philstar.com/business/2013/06/14/953618/exports-coconut-products-1st-qtr>.

²⁹ Domingo, R. (2013). *PH coconut exports jumped 55% in H1*. Retrieved 22 August 2013 from <http://business.inquirer.net/136583/ph-coconut-exports-jumped-55-in-h1>.

³⁰ Dejaresco III, Z. (2013). *Coconut is more than just copra*. Retrieved 22 August 2013 from <http://www.businessmirror.com.ph/index.php/en/business/banking-finance/16288-coconut-is-more-than-just-copra>.

³¹ Inquirer Business (2013). *Philippine farmers hope for coconut craze windfall*. Retrieved 22 August 2013 from <http://business.inquirer.net/105965/philippine-farmers-hope-for-coconut-craze-windfall>.

³² Dejaresco III, Z. (2013). *Coconut is more than just copra*. Retrieved 22 August 2013 from <http://www.businessmirror.com.ph/index.php/en/business/banking-finance/16288-coconut-is-more-than-just-copra>.

³³ IFEX Philippines 2013 (n.d.). *Agri-aqua hall*. Retrieved 22 August 2013 from <http://www.ifexphilippines.com/ifex2013/agri-aqua-hall.htm>.

³⁴ Asian Tatler Dining (n.d.). *The Philippine mango*. Retrieved 22 August 2013 from <http://www.asiatatlerdining.com/philippines/the-philippine-mango>.

Singapore, Hong Kong, Korea, United States of America, Australia, New Zealand, Canada, United Kingdom, and Switzerland.³⁵

- A global trend mapping with fruit has observed a 'Mango Mania', describing the fruit as "expanding among menu categories" and "appealing to multicultural consumers, flavor lovers, and health-seekers, whether in sweet or savory applications."³⁶ In the Philippines, mango is commonly eaten raw but is also associated with a variety of cooked dishes and desserts, including: (a) mango tart, which features caramelized mango slices within a baked puff pastry and is a classic Philippine confectionery; (b) mango strips served with suman, a glutinous rice cake cooked in coconut milk, sprinkled with sugar, and steamed in banana leaves; (c) enseladang mangga, which is composed of tomatoes, onions, unripe green mangoes and rock salt and is a popular appetizer in the country; and (d) hilaw na mangga't bagoong, which are unripe green mangoes served with shrimp paste.³⁷ Philippine mangoes are also being preserved as jams or dried as a snack.
- Exports of dried mango continue to grow both in quantity and value.³⁸ However, despite of the Philippine dried mango's excellent quality, it has been lagging behind Thailand's due to lack of a more attractive packaging.³⁹

e. Philippine Pineapple

- The Philippines is a major producer of pineapples and the fruit is one of the country's top agricultural exports in terms of volume and value.⁴⁰
- Areas in the country are being increasingly devoted to production of tropical crops to further boost the industry. More lands are made available for pineapple production in 2013, as the Philippine government has announced a 44,000-hectare increase in land availability and development for production of the fruit.⁴¹
- As the international market for pineapples has been increasing due to awareness of the fruit's high nutritional value, the Philippines has been a dominant player in the export market of pineapples.⁴² Being the world's third top pineapple exporter, the country exports Philippine pineapple to various destinations such as Japan, South Korea, and Singapore.⁴³

³⁵ Manila Bulletin (2013). *Information: Mangoes among top Philippine exports*. Retrieved 22 August 2013 from <http://ph.news.yahoo.com/information-mangoes-among-top-philippine-exports-222147404.html>.

³⁶ Watson, E. (2013). *How mango hit the mainstream... trend mapping with fruit*. Retrieved 22 August 2013 from <http://www.foodnavigator-usa.com/Markets/How-mango-hit-the-mainstream-Trend-mapping-with-fruit>.

³⁷ Asian Tatler Dining (n.d.). *The Philippine mango*. Retrieved 22 August 2013 from <http://www.asiatatlerdining.com/philippines/the-philippine-mango>.

³⁸ Rivera, D. (2013). *Resilient mango weathers storms, costs and prices*. Retrieved 22 August 2013 from <http://www.gmanetwork.com/news/story/309300/economy/business/resilient-mango-weather-storms-costs-and-prices>.

³⁹ Reyes, A. (2013). *Dried mangoes industry beset by problems; prospects bright*. Retrieved 22 August 2013 from <http://www.malaya.com.ph/index.php/business/business-news/35093-dried-mangoes-industry-beset-by-problems-prospects-bright>.

⁴⁰ BOI Philippines (2011). *Fresh tropical fruits*. Retrieved 22 August 2013 from <http://www.boi.gov.ph/pdf/industryprofiles/Agri%20Business/Fresh%20Tropical%20Fruits.pdf>.

⁴¹ FreshPlaza (2012). *Philippines: More land made available for pineapple production*. Retrieved 22 August 2013 from http://www.freshplaza.com/news_detail.asp?id=104207.

⁴² Projecting Indonesia (2012). *Pineapples and its world's largest exporter*. Retrieved 22 August 2013 from <http://projectingindonesia.com/economy-2/companies/the-worlds-largest-pineapple-exporter/>.

⁴³ IFEX Philippines 2013 (n.d.). *Agri-aqua hall*. Retrieved 22 August 2013 from http://www.ifexphilippines.com/ifex2013/agri-aqua_hall.htm.



- Exports of Philippine canned pineapple increased by 12% in 2012, as overall exports reached a six-year high last year to 249,944 tons.⁴⁴ In the recent years, there has also been a growing demand for pineapple as a beverage. With the development of the processing industry, Philippine pineapple is prepared and consumed in various forms such as chunks, slices, juices, syrups, and jams and production wastes are further processed into sugar, wines, and vinegar.⁴⁵

f. Philippine Banana

- Being the world's third largest exporter of bananas, the Philippines produces bananas as its second-largest agricultural export product.⁴⁶ Banana is one of the leading fruits grown in the Philippines and the Cavendish variety of Davao City is considered one of the best in the world.⁴⁷ It is the country's leading foreign export of bananas, alongside banana chips.
- In 2012, total exports of Philippine banana increased due to growing demand from the country's premium markets. Philippine Cavendish bananas increased shipments to 3.8 million metric tons in the said year.
- Increasing demand from traditional markets for Cavendish bananas as well as the opening of new export markets contributed to the stronger performance of the Philippine banana sector. Japan and Korea were reported to be the top two destinations of Philippine Cavendish bananas, as the country was also able to ship to new destinations like Indonesia, Pakistan, Jordan, and other Middle East countries.⁴⁸
- Aside from being eaten fresh, Philippine banana can be processed into jams, candies, and purees. On the other hand, unripe ones may be processed into starch and chips. Philippine banana extracts can also be processed into wine, catsup and vinegar.⁴⁹

g. Philippine Tuna

- Tuna is among the approximately 200 species of fish found in the Philippines that have high commercial value.⁵⁰ The country is ranked seventh among the top tuna producers in the world, both in terms of fresh/frozen and canned tuna. As the Philippines is the world's eighth largest fish producer, its tuna industry accounts for 12% of total fish production in the country.⁵¹

⁴⁴ Agra-net (2013). *Philippine pineapple exports up again*. Retrieved 22 August 2013 from <http://www.agra-net.com/portal2/home.jsp?template=newsarticle&artid=20018031267&pubid=ag038>.

⁴⁵ Bureau of Agricultural Research (n.d.). *Pineapple*. Retrieved 22 August 2013 from <http://www.bar.gov.ph/agfishtech-home/crops/205-fruit-crops/1267-pineapple>.

⁴⁶ FreshPlaza (2012). *Philippines: More land made available for pineapple production*. Retrieved 22 August 2013 from http://www.freshplaza.com/news_detail.asp?id=104207.

⁴⁷ Battad, D. (2011). *Fruit basket of the Philippines*. Retrieved 22 August 2013 from <http://davaocitybybattad.blogspot.com/2011/07/davao-fruit-basket-of-philippines.html>.

⁴⁸ Rappler (2013). *PH banana exports grow 111% in 2012 despite China issue*. Retrieved 22 August 2013 from <http://www.rappler.com/business/20345-ph-banana-exports-grow-111-in-2012-despite-china-issue>.

⁴⁹ Lejano, D. (2009). *The future brightens for Philippine bananas*. Retrieved 22 August 2013 from <http://www.bar.gov.ph/digest-home/digest-archives/129-2009-1st-quarter/1413-janmar09-bananas-15>.

⁵⁰ Tongco, E. (2013). *Philippine tuna industry still catching the vulnerable 'Big Eye'*. Retrieved 22 August 2013 from <http://www.demotix.com/news/1775298/philippine-tuna-industry-still-catching-vulnerable-big-eye#media-1775236>.

⁵¹ IFEX Philippines 2013 (n.d.). *Agri-aqua hall*. Retrieved 22 August 2013 from http://www.ifexphilippines.com/ifex2013/agri-aqua_hall.htm.



- The United States is the top export market of Philippine tuna, receiving 53% of the exports in 2012. Other export markets of Philippine tuna include Japan, North America, Middle East, Europe, other Asian countries, Africa, South America, and Australia.⁵²
 - A rapid rise in the popularity of sushi restaurants around the world is one of the several factors in the global demand for tuna. Increasing demand for high-end food products in countries with growing middle classes like China and India also contribute to the demand for tuna, as urbanization and spread of supermarkets are prompting higher fish consumption in emerging markets.⁵³ The best Philippine yellow fin tuna stocks go mostly to the United States and Japan, where they are served in fancy sashimi or sushi restaurants.⁵⁴
 - Philippine tuna is exported as fresh/frozen and canned. Canned tuna variations has also been innovated, such as tuna flakes and corned tuna. Popular Filipino dishes have been incorporated into canned tuna like the adobo, afritada, and mechado varieties.
2. *Product Strategy/Unique Selling Proposition (USP)* – Filipino commodity products identified to be catering to the international premium food market will be the USP of this program
 3. *Target Participants* – the products to be included in this program must be manufactured by companies who shall be required to have, at the very least, an updated FDA License to Operate and a Certificate of Product Registration (updated or in process). Companies who are already known for their capacity to supply and have existing food safety system certifications will be prioritized

C. Brief

1. *Theme* – “Food Philippines: Premium 7”
2. *Marketing Plan*
 - a. *Media Mileage Utilization* – to ensure that the line of products to be developed will be introduced in the market through extensive print and online exposure
 - b. *Partnership with Foreign Trade Service Corps (FTSC)* – for identification and invitation of key buyers through telemarketing and direct mailing and to provide strategic communications support in the promotion of the special setting in the identified international fairs; FTSCs shall be requested to invite target buyers and match them with the proponents
 - c. *Marketing connected with the Food Philippines branding* – Philippine food defined as ‘premium’, which are made of quality ingredients, provide unique experience and taste, are profitable, and exhibit capability to grow

⁵² Tempo (2012). *Prospect of Philippine tuna industry*. Retrieved 22 August 2013 from <http://www.tempo.com.ph/blog/2012/10/27/prospect-of-philippine-tuna-industry/#.UhlQpdJHlsd>.

⁵³ Investvine (2013). *Philippines tuna industry makes waves*. Retrieved 22 August 2013 from <http://investvine.com/philippines-tuna-industry-makes-waves/>.

⁵⁴ Sarmiento, B. (2013). *Production of export-quality tuna down*. Retrieved 22 August 2013 from <http://www.sunstar.com.ph/davao/business/2013/05/09/production-export-quality-tuna-down-281594>.



from niche (artisanal; community-level) to commercial and scaled-up market

- d. Highlighting stories behind products – production of promo collaterals (i.e., catalogue of all the products included in the program and menu cards), in line with a publicity and promotions plan highlighting stories behind the products, focusing on the premium branding. All official event directories of the mentioned international shows shall include a chapter about the program and the product proponents. Press kits containing articles about the program and product stories will be distributed.
3. *Exhibit Plan* – design strategies towards the theme “Food Philippines: Premium 7” will be carried over and reflected on the special setting design and all marketing collateral, consistent with the reflection of Food Philippines brand identity in all exhibition elements

D. Project Components/ Activities

The program will be divided into three components:

Component 1 – Scanning of Resources

In order to execute Component 1, the services of three food industry consultants shall be procured - they are the *Developmental*, *Product Development*, and *Branding* Consultants. The *Product Development* consultant should specialize in food technology and safety. The *Developmental* consultant should specialize in market requirements and certifications. The *Branding* consultant should specialize in merchandising, packaging, and marketing. The DEFood consultants shall be in-charge of the development of the Master Intervention/Business Plans, their implementation, and monitoring, based on the level of intervention they are undertaking. The consultants should have the following attributes:

1. Must have a thorough knowledge of the Philippine food industry, with demonstrated experience in undertaking capacity building programs in the food sector that address the aspects of processing, packaging and labeling, and marketing;
2. Must be a specialist in the food industry with background in product development, manufacturing, and exporting and with relevant expertise in food safety, market requirements, packaging and labeling, merchandising, and marketing;
3. Must have a strong background in the international food market;
4. Must have a working knowledge on government-regulation for compliance to: Good Manufacturing Practices (GMP), Hazard Analysis Critical Control Points (HACCP), British Retail Consortium (BRC), International Organization for Standardization (ISO), Kosher, Halal, European Union (EU) Accreditation, Japanese Agricultural Standard (JAS) Mark, Fair Trade, and for organic certification;
5. Must have strong ties with local government institutions and its regional offices (DTI, DA, BFAR, LGUs, DOST, Certifying Agencies, etc.) as well as industry organizations; and
6. Should have willingness to work within the given budget and time for the project.

The Terms of Reference will then be finalized in a meeting between the DEFood consultant, PITC representative, DOST, PTTC, and CITEM representatives headed by the Project Director.

Upon hiring of the DEFood consultants, scanning of resources will proceed. A survey of food manufacturing companies, through the updated database of DTI, DTI-CITEM, DA, RODG, BETP, and current CITEM partners will be undertaken

After the identification of an initial list of products and companies, screening, evaluation, and selection will be accomplished. The DEFood Team, composed of representatives from DOST Packaging Technology Division, Philippine Trade Training Center (PTTC), Philippine International Trading Corporation (PITC), along with the Consultant and Industry Development Advisor and CITEM, will conduct series of visits to the identified private sector proponents to conduct selection and evaluation process, with the following considerations:

Criteria	<ul style="list-style-type: none"> a. Product Quality and Market Potential b. Company Capability c. Entrepreneurial/Business Attitude
Product Clusters	<ul style="list-style-type: none"> a. Banana b. Cacao c. Coffee d. Coconut e. Mango f. Pineapple g. Tuna h. Natural, Functional, Healthy

Upon identification of an initial list of products and companies, the following process will proceed:

1. Evaluation of the pre-identified products and companies through:
 - a. Product assessment:
 - Packaging/labeling
 - Market-driven attributes
 - USP assessment
 - b. Company background and capability assessment:
 - Credibility and readiness of the companies to supply to the international market
 - Evaluation/validation of regional directors
 - Facility audit to check food safety compliance
 - Compliance to highest standards of food production and safety (may include certification of HACCP, BRC, Fair Trade, and ISO)
 - c. Business plan and entrepreneurial vision assessment:
 - Entrepreneurial assessment involving one-on-one interviews in order to see willingness of company for business growth



- Commitment towards a business plan aligned with the thrust of the program
- 2. Visiting of manufacturing facilities, as necessary, to provide relevant technical advice.
- 3. Assessment of needs of private sector proponents through a Needs Assessment Survey and synthesis of results as basis for development of a relevant training program.
- 4. Selection from the recommended list of companies of a core group of products to undergo the food packaging development or enhancement activity of the program.
- 5. Development of a training program based on the results of the Needs Assessment Survey.
- 6. Initial conduct of DEFood orientation, one-on-one interviews, and factory visits by CITEM with the DEFood Team to the private sector proponents.

Component 2 – Integrated Intervention and Monitoring

This program will implement product and marketing interventions. The selected companies will be classified into groups, according to DEFood Program's objectives and plan of intervention. The company groupings will be as follows:

1. Tier 1 (Developmental): These companies are HACCP aligned (certification to follow); program's approach will be purely developmental
2. Tier 2 (Premium): These companies are Hazard analysis and Critical Control Points (HACCP) certified; Tier Two's program approach will be developmental and promotional.
3. Tier 3 (Developed Brands and Food Franchises) These companies are market-ready and are compliant to international standards. Tier three's approach shall be promotional and branding.

To signify commitment towards fulfillment of the DEFood Program objectives as proponents of this CITEM-initiated program, a Conforme of Commitment is drawn up and signed by an official representative of the company proponent and CITEM's Executive Director.

A Master Intervention Plan (MIP) will then be developed by the DEFood consultant, based on information gathered from the above-mentioned criteria and as appropriate for each company grouping. The MIP will be a strategy map, which will summarize the interventions identified per company. Companies who will be participating in international trade fairs as part of the DEFood special setting will also be identified. This would be subject to review, revision, or re-direction, as applicable in the course of implementation of the plan, with the goal of enhancing the fulfillment of DEFood's objective. The MIP shows a timetable that is individualized per company, the specific schedules being anchored on a per-need-basis. The intervention activity may evolve into a core group approach when similar needs are identified and prioritized. The MIP covers the following areas:



1. Alignment to Market standards – basic requirement would be a license to operate, bringing Tier 1 companies to either internationally recognized certifications or alignment to these certifications by aiding them in following operation guidelines of such; this will involve:
 - a. Gap Analysis, through factory visits for facility audits, which will serve as means of verification of the company's level of compliance to standards
 - b. Coaching and mentoring for product and process alignment to HACCP, which is a universally recognized evidence of food safety and basis of all market recognized standards, or a market-dictated standard
 - c. Provision of guidance to achieve audit-ready status for eventual certification, which would be company-initiated, being the best entity to determine the certifier, audit schedule, and type of standard for certification, to be able to achieve compliance with their buyer-prescribed requirements for export; these information are provided by the company to the DEFood team to maximize the guidance intervention
2. Market competitiveness intervention (Tier 1 and 2) – introduce, both formally and informally, the aspect of business planning, making companies aware of trends and enabling them to compete in the market; this will involve:
 - a. Business plan development
 - b. Compliance to market-specific requirements (Halal, Kosher, Organic, USDA, BRC, JAS, etc.)
 - c. International trends' appreciation and application
3. Brand Development (Tier 3) – assist in the development of the company brands through strategic brand development interventions which include the development of superior marketing collaterals, packaging improvement, and branding consultation with international experts. This sub-component is subject to the availability of funds through funding agencies.
 - a. Development of superior marketing collaterals (i.e. website, etc.)
 - b. Branding and packaging development, which entails using packaging as a marketing tool, and may involve packaging design or re-design according to current market trends and development of competitive transport packaging
 - c. Brand consultation with international experts (i.e. Edouard Malbois, etc.)

Regular and scheduled monitoring of progress of individual companies is conducted to assess the level of compliance achieved with regards to the program's targets and objectives. This will be done through interviews and factory visits by CITEM with the DEFood Team to the private sector proponents every quarter or every semester until



end of the program. Details of accomplishment per company will be documented as food safety documentation will be submitted by the proponents for processing of certifications.

The food safety documentation required of the proponents in the monitoring aspect of the program is for the alignment of their safety procedures with HACCP. The program will assist proponents in aligning and processing for food certifications that are deemed necessary for specific markets. CITEM, the DEFood Consultant, and the rest of the DEFood Team will identify the certifiers for necessary certifications. The food safety compliance certification process will be undertaken by auditors of identified food safety certifying bodies, with guidance and coordination from the CITEM Project Director, the DEFood Consultant, and the rest of the DEFood Team. Processing for FSSC (good for 3 years), BRC (requires annual renewal), and CERES certifications will be pursued. CITEM's assistance for these certifications will include subsidizing for the costs on top of the application, inspection, and certification fees, such as travel and accommodation expenses of the auditors from their country of origin to Manila, including necessary regional travels within the Philippines. The proponents will take care of the application, inspection, and certification costs necessary. Companies who will fail to pass the said certifications will no longer be subsidized for reapplication.

Component 3 – Targeted Export Promotions

The DEFood products will be showcased in CITEM-organized country participation in targeted foreign markets. The product introduction or promotion will be staged in an institutional setting within the Philippine pavilion in each show, highlighting the product clusters with their unique selling propositions.

Participation in the shows is designed to create awareness and stir interest of target foreign buyers on Philippine food products that are potentially marketable, meet some significant degree of compliance, and are made by reliable Philippine manufacturers. Each participation generates substantial first-hand information on market and consumption trends relevant to the continuing MIP, thereby enhancing further the ongoing intervention activities being done. The period of DEFood program implementation from 2016 to 2019 leads to a roster of premium Philippine food products – standards-aligned, audit-ready and certified, having unique product attributes and differentiation, and identifiable with current global market trends and consumer preferences.

The products, with the developed or enhanced food packaging, will be launched in an institutional product showcase themed "*Food Philippines*" as special setting of the Philippine pavilion. Other DEFood products will be continually developed and improved for the other identified international food fair participations. The program will assess performance of the products in different markets through participation in the said fairs. This allows for exposure of the products not only to different markets, but to different promotional tools as well.

Collaboration with PITC will be pursued for marketing of the products. During international shows, the products will be showcased in the special setting with PITC representing the companies as consolidator, which will also include on-site marketing and addressing of buyer inquiries. CITEM will assist PITC during ingress and egress periods of the show, but PITC will take charge of manning the special setting during all participation in the international shows identified. PITC will also coordinate with



the companies upon request of buyers for business meetings and CITEM will ensure PITC's submission of completely accomplished documents and reports, including post event business results, needs analysis, and documentation of market leads and business opportunities.

The special setting will be conceptualized by CITEM and the DEFood consultant, with inputs from PITC. CITEM will arrange for the funding of the special setting and will facilitate its bidding and on-site construction. A mock-up will be arranged prior to shipment of goods and CITEM will conduct a briefing for the proponents and for PITC before the participation in each international fair. The proponents shall provide solicited special setting props and product samples as necessary and facilitate timely shipping of products for the special setting to CITEM.

Tier 3 companies that are eligible and are planning to undertake franchising shall be promoted in international trade exhibitions with franchising as its focus such as the Dubai International Brand Licensing Fair. This sub-component is subject to the availability of funds from funding entities.

Benchmarking with competing products on pricing and quality, trend spotting (i.e., product formulation, packaging, labeling), and recording of buyer feedbacks will be done by the DEFood consultant in the international participations of Food Philippines. The consultant will then conduct an echo-seminar in order to transfer the knowledge of screening activities to be done for benchmarking and trend spotting to the CITEM implementing team for the remaining international food fairs included in this program.

CITEM and/or the DEFood consultant, through attendance and observations during trade fairs included in this program, will determine areas of improvement for succeeding participations of Food Philippines and identify follow-up activities to sustain marketing and product development leads gathered from the launch of the developed products. Debriefing of PITC and the DEFood consultant will be conducted by CITEM and information regarding the participation will be coordinated to the proponents by PITC.

E. Timeline

TASKS/ACTIVITIES	DATE
Craft procedure and criteria in the selection of products for DEFood program	January 2016
Assess and Identify the core group for the DEFood Program	January 2016
Factory Audit: Gap Analysis Food Safety System vis-a-vis Documentation	January – June 2016
Identify intervention based on the results of the factory audits and product evaluation	January – June 2016
Submit report on the result of Factory Audit/Visit of the Team	February – July 2016
Conduct of trainings, seminars, and one-on-one consultations in the regions visited / Development of Master Intervention Plans	February – July 2016
Conduct echo seminar and training by DEFood consultant for members of the food team	June-July 2016
Submit Terminal Report on DEFood Consultancy Program and conduct of echo-seminar by DEFood consultant to CITEM implementing team	July 2016
Participation in International Exhibitions and Other Program Activities* and Implementation of the Master Intervention Plan	2016 - 2019
Conduct annual program assessment and accomplishment report	November – December 2016-2019



*All other activities for the timeline shall be determined by the schedule of CITEM projects and established schedule from the Master Intervention Plans per company. These activities are, but not limited to: pre and post departure meeting for OTFs, product benchmarking, HACCP alignment seminars, etc.

V. YEARLY SUCCESS INDICATORS (TARGETS)

	2016	2017	2018	2019
No. of companies assisted	10 – Tier 1 5 – Tier 2 5 – Tier 3	10 – Tier 1 5 – Tier 2 5 – Tier 3	10 – Tier 1 5 – Tier 2 5 – Tier 3	10 – Tier 1 5 – Tier 2 5 – Tier 3
No. of companies achieving compliance	-	80% Accomplished HACCP Requirement Training Course	60% aligned	60% full compliance 40% aligned
No. of buyers/inquiries per show	300	300	300	300
Export sales generated	Dependent on the Project Target			
Publicity Mileage:	Print = 3 articles for local and international publication Online = 5 articles			
Return on Subsidy	Cost Recovery Ratio (50% local; 28% overseas)	Cost Recovery Ratio (50% local; 28% overseas)	Cost Recovery Ratio (50% local; 28% overseas)	Cost Recovery Ratio (50% local; 28% overseas)
Other Deliverables	Development of Master Intervention Plans + Annual Assessment and Report + Submitted project proposal to funding entities	Annual Assessment and Report	Annual Assessment and Report	Annual Assessment and Report

*Annual assessment is based on the Master Intervention Plan developed

- PARTICIPATION REQUIREMENTS**
- Application Contract to Participate
 - FDA Certificate
 - Other Necessary Food Safety Certifications

VI. ESTIMATED PROJECT COST

	CITEM Share (Php)				Proponents' Share	
Particulars	2016	2017	2018	2019		Total (Php)
Developmental Consultant (Compliance)						
Professional Fee	900,000	900,000	900,000	900,000		3,600,000
Travel Expenses	600,000	600,000	600,000	600,000		2,400,000
Product Development Consultant						
Professional Fee	900,000	900,000	900,000	900,000		3,630,000



Travel Expenses	82,500	82,500	82,500	82,500		330,000
Branding and Marketing Consultant	Budget for this component is subject to the availability of funds from funding entities and development partners. Estimated total component cost: USD 215,000 for a maximum of 50 companies					
Project Coordinators						
Local Travel Expenses	240,000	240,000	240,000	240,000		960,000
Meeting Expenses (Representation)	84,000	84,000	84,000	84,000		336,000
Inland Transportation	50,000	50,000	50,000	50,000		200,000
Food Certifications						
Auditor's Travel Expenses to the Philippines:						
• Plane fare		172,000	172,000	172,000	Certification fees	516,000
• Hotel		160,000	160,000	160,000		480,000
• Per Diem		135,000	135,000	135,000	(specifics to be determined by certifiers upon application and evaluation)	405,000
• Inland Transportation		120,000	120,000	120,000		360,000
Duration of stay: 15 days/trip Max of 2 trips/Tier						
Factory Audits						
Expenses of Auditor and 1 Consultant to 9 regions		400,000	400,000	400,000		1,200,000
Photography	500,000					500,000
Product Development	400,000				Product	400,000



(Inclusive of shelf-life analysis and development)	(10,000 per product)				samples	
Packaging Design Development	600,000 (15,000 per product)					600,000
Nutrition labeling evaluation (exclusive of additional fees for analysis – as per quotation of laboratory)	120,000 (3,000 per product)					120,000
Short Run Production of Tertiary Packaging	100,000	100,000	50,000	200,000		450,000
Admin Expenses	35,750	35,750	35,750	35,750		143,000
Shipment of goods from Manila to identified international shows	225,000	225,000	225,000	225,000		900,000
Shipment of goods from the region to Manila					Specifics will depend on identified products in Component 1 of this program	
Total						17,050,000

PREPARED BY:

NOTED BY:

APPROVED BY:


CORPLAN
ROMLEAH JULIET P. OCAMPO
DM, Project Management
ROSVI C. GAETOS
Executive Director 12/15