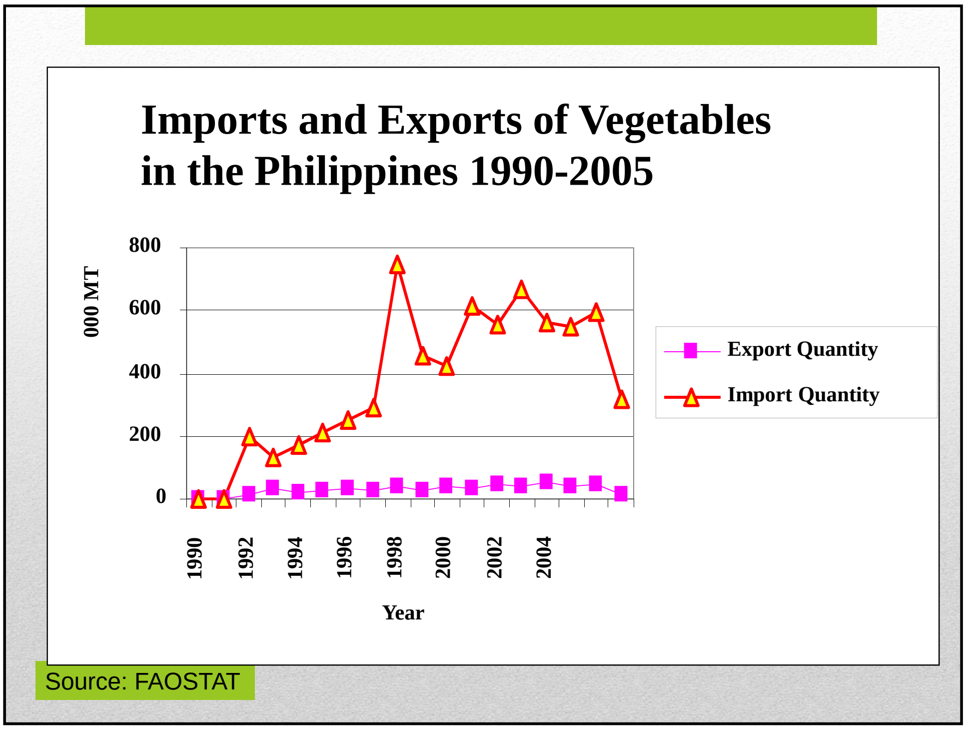
Institutional markets for fresh vegetables

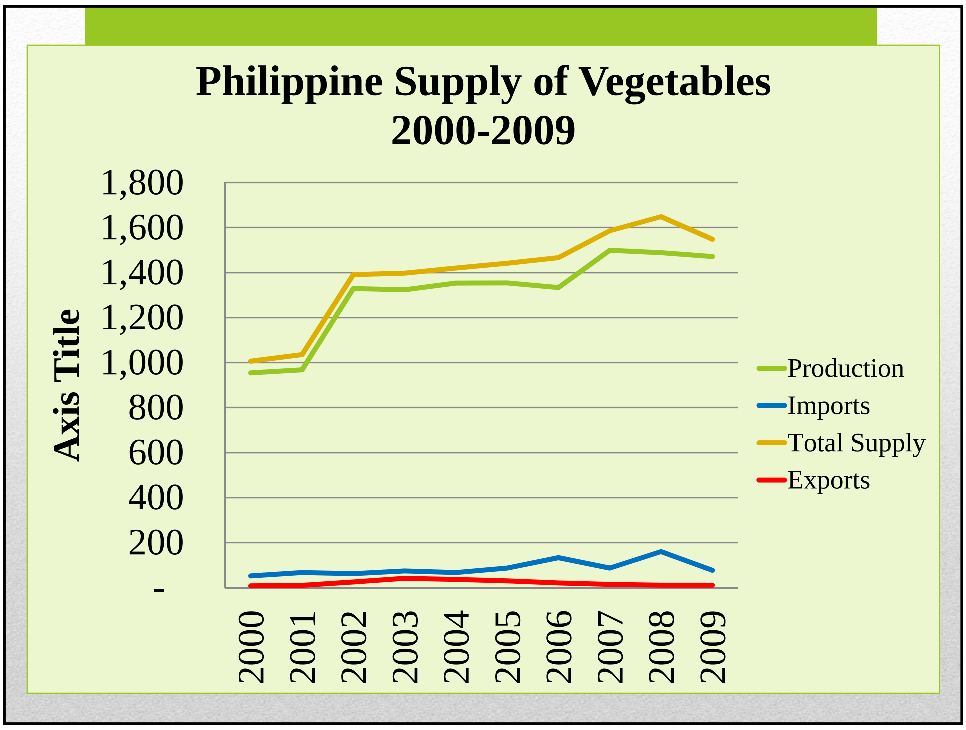
S.B. Concepcion

SEARCA Professorial Chair

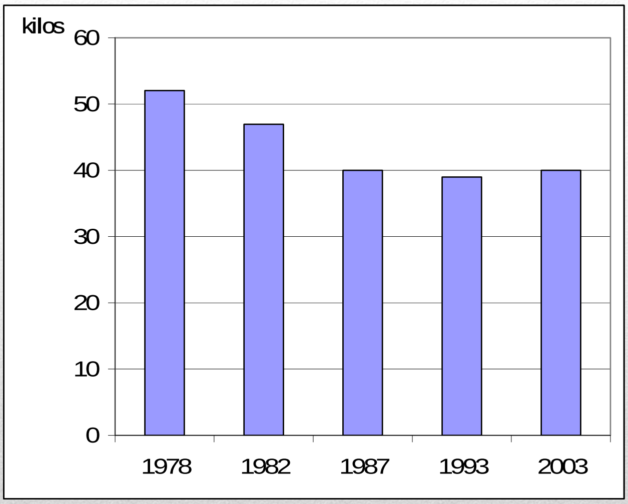
Consumption Trends



Imports and Exports of Vegetables in the Philippines 1990-2005
000 MT
800
600
400
200
0
1990
1992
1994
1996
1998
2000
2002
2004
Year
Export Quantity
Import Quantity
Source: FAOSTAT



Philippine Supply of Vegetables 2000-2009
Axis Title
1,800
1,600
1,400
1,200
1,000
800
600
400
200
-
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
Production
Imports
Total Supply
Exports



Per capita consumption of vegetables, Philippines
Source: FNRI 2003

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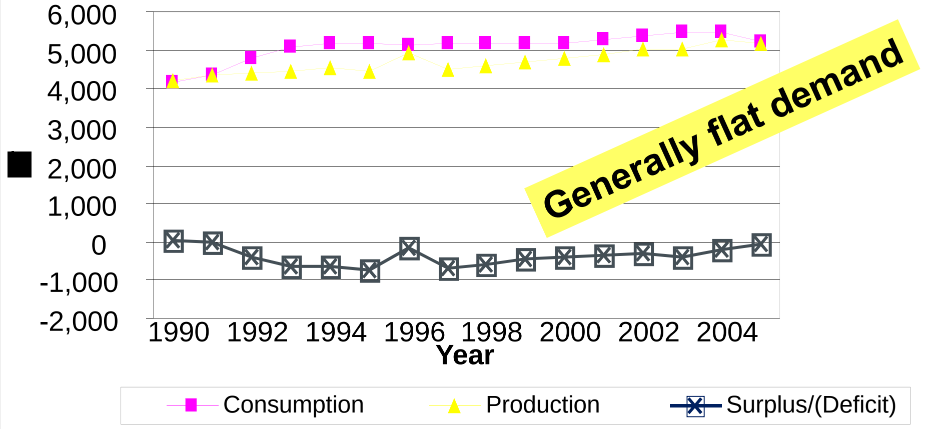
Vegetable Consumption and Production in the Philippines (1990-2005)



Source: FAOSTAT

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Per capita consumption of vegetables in the Philippines is low

Retail Trends

Retail Market Indicators, Philippines, 2004-2006

Retail market indicators	Year			Growth rates (%)	
	2004	2005	2006	2004-05	2005-06
Retail sales (USD mn)	38,319	43,718	50,103	14	15
Retail sales / capita (USD)	444	498	560	12	12
Grocery retail sales (USD mn)	24,172	27,284	30,948	13	13
Grocery retail sales / capita (USD)	280	311	346	11	11
Modern grocery distribution, total sales (USD mn)	8,946	9,813	11,520	10	17
Modern grocery distribution, total sales /capita (USD)	104	112	129	8	15
Modern grocery distribution, Grocery sales (USD mn)	7,552	8,382	10,198	11	22
Modern grocery distribution, Grocery sales/capita(USD)	88	95	114	8	20

Source: Planet Retail

Top 5 grocery retailers 2005

Company	No. of Stores	Sales Area (sq.m)	Average Sales Area (sqm)	Retail Banner Sales 2005 (USD mn)	Market Share (%)
SM Group	181	438,250	2,421	1,163	11.9
Mercury Drug	510	153,000	300	879	9
Robinsons	224	287,600	1,284	562	5.7
Rustan	183	214,348	1,171	449	4.6
SHV Makro	16	134,400	8,400	332	3.4
Sub Total	1,114	1,227,598		3,385	34.5
Other				6,428	65.5
Total				9,813	100

Source: Planet Retail

Increased purchases from supermarkets rather than wet markets is likely

- To identify the different institutional market segments for vegetables in southern Philippines
- To determine the needs and characteristics of these market segment
- To find opportunities for smallholder farmers

Objective

- Key informant interviews
  - Fast food industry buyers
  - Executive chefs
  - Food service operators
  - Wholesalers and consolidators
  - Retailers
- Major urban centers in Metro Manila, Visayas & Mindanao

Methodology

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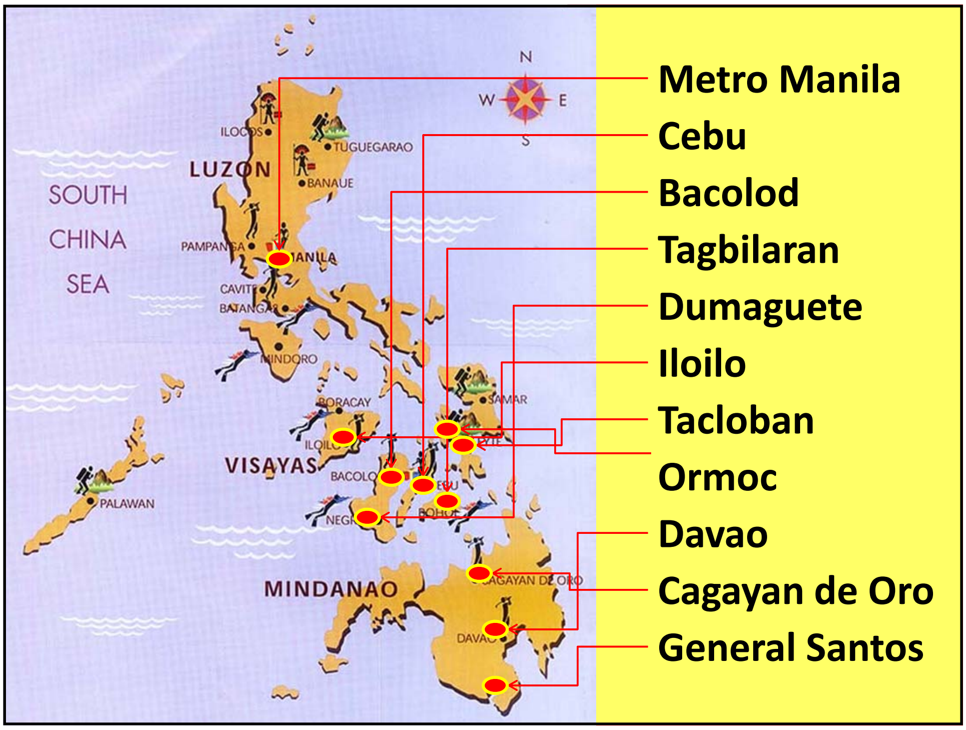

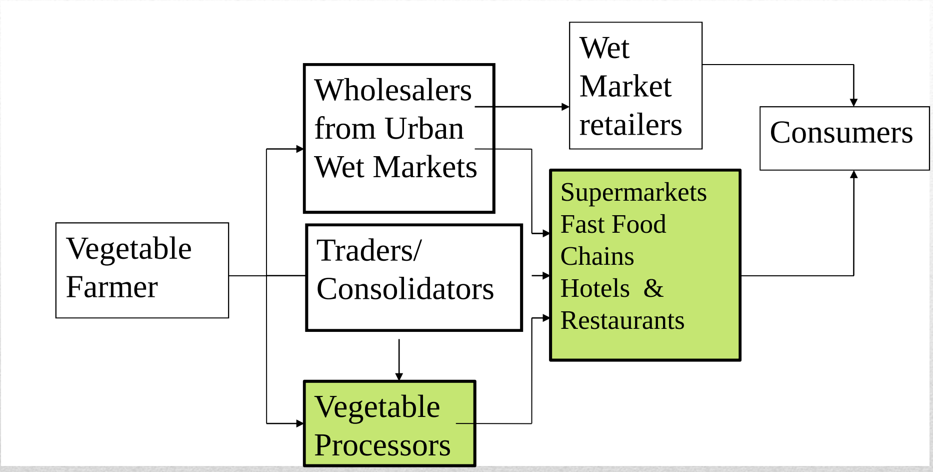

The Philippine Vegetable Supply Chain

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Segmentation

Dividing the market into distinct groups of buyers with different needs, characteristics, or behavior who might require separate products or marketing mixes

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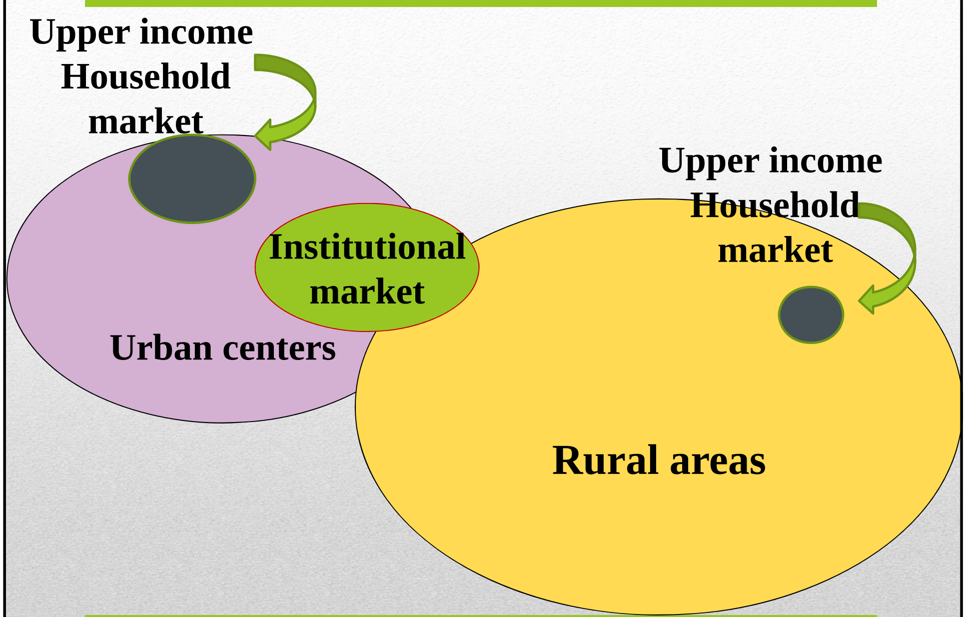
Market Segment

a group of customers and consumers who respond in a similar way to the given set of marketing



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- AB has high consumption of almost all types of vegetables
- While the C and D have higher consumption than AB in stringbeans, eggplant, ampalaya, camote tops and pechay
- E have lowest per capita consumption of all kinds of vegetables
- (CountryStat)

Consumer segments

- Role in the chain
- Where they are
- Who they serve
- What products they require
- What volume and quality

Segmentation variables

SEGMENT 1: Upscale hotels, resorts, restaurants, supermarkets

- Foreign tourist
- Upper income consumers

- **Plush Market – Pleasure, leisure and work in upscale style**

Segment 1

- Product Needs
  - Requires the widest range, including salad vegetables, temperate vegetables (chopsuey) and tropical vegetables (pakbet), and spices and herbs (lamas)
  - specialty vegetables like baby carrots, mushrooms, leeks, different kinds of salad vegetables
  - Requires vegetables to be washed, free of soil, trimmed and rid of all packaging
  - May require onion, garlic and ginger to be peeled

Segment 1: Plush Market

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- Mostly quality discerning
- Some have formal product descriptions
- Some require suppliers to have food safety program
- Some require that sources practice sustainable agriculture
- Some institutions fix prices weekly

Segment 1: Plush Market

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- Accounts for 5% of the Metro Manila and Metro Cebu market
  - Metro Manila
    - 586,500 individuals
    - or 451 tons per week
  - Metro Cebu
    - 40,800 individuals
    - or 31 tons per week

Segment 1: Plush Market

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- Understands the concept of organic and safe vegetables
- Willing to pay a 10% premium for organic vegetables
- Implications
  - Producers must move toward the production of safe, low chemical and/or organic vegetables
  - If only 10% of the segment 1 market will actually buy organic, this is still a sizeable demand of 45 tons a week

Segment 1: Plush Market

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- **Implications:**
  - **Producers must be able to grow all kinds of vegetables throughout the year .**
  - **Therefore, they will need protected cropping or rain shelters.**
  - **But, Mindanao also has a window of opportunity during the monsoon months of Luzon**

Segment 1: Plush Market

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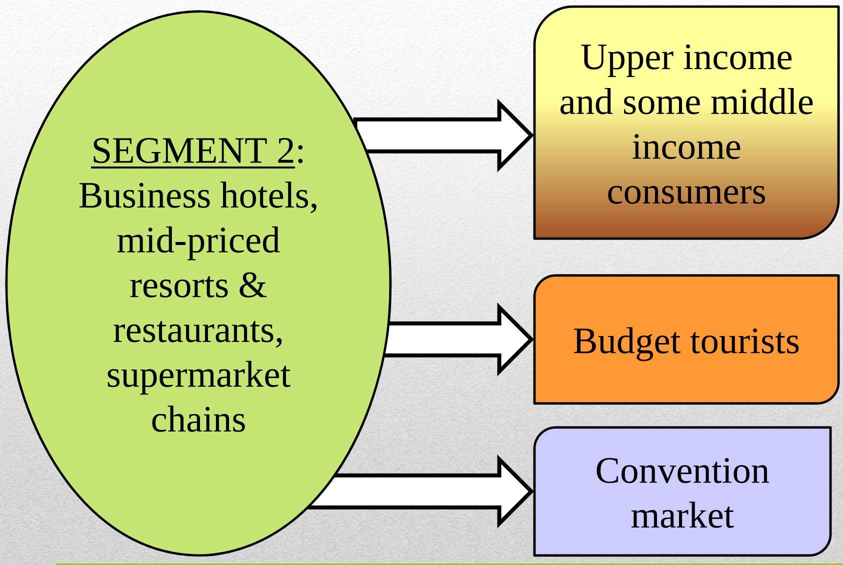

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One of the many brands now visible in supermarket chains

Segment 2: Bus & Bud

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- More price conscious than segment 1
- Practiced flexibility in the products they offer so that the unavailability of one type of vegetable will not affect operations
- Seldom has salad vegetables, mostly temperate (chopsuey) and tropical vegetables (pakbet)

Segment 2: Bus & Bud

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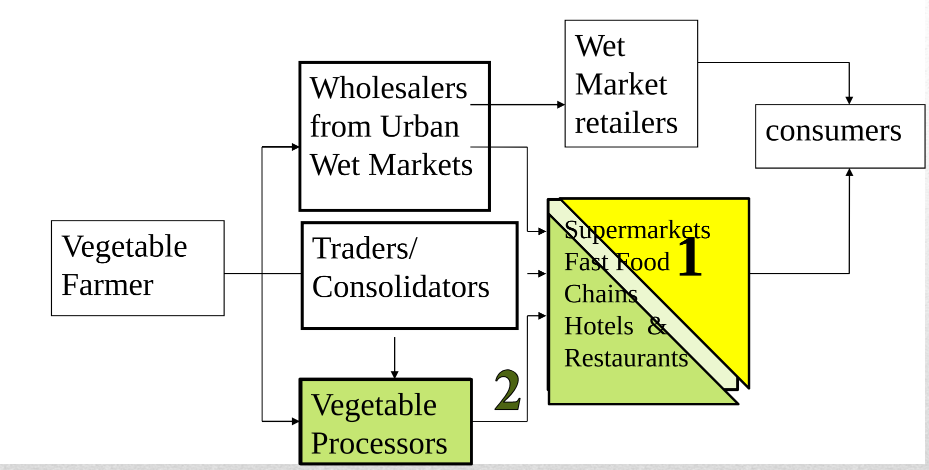

The Philippine Vegetable Supply Chain 35

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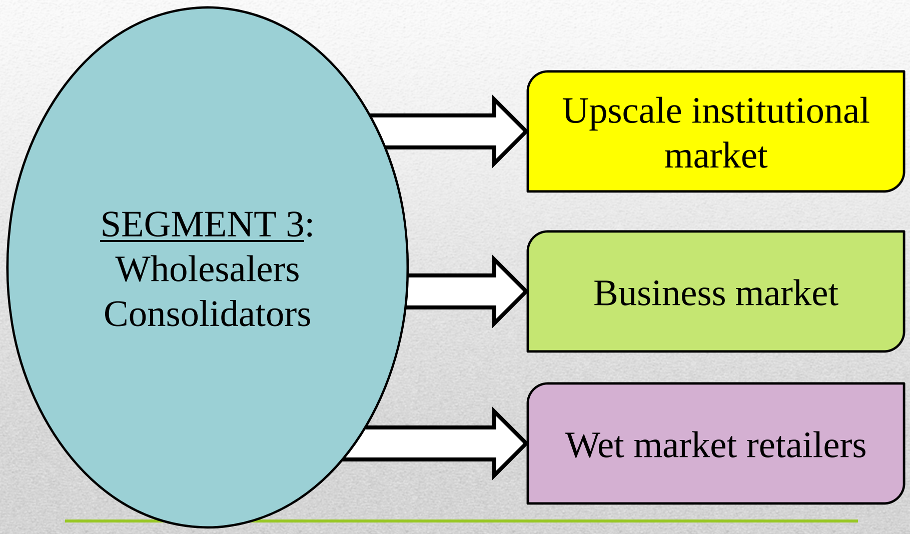

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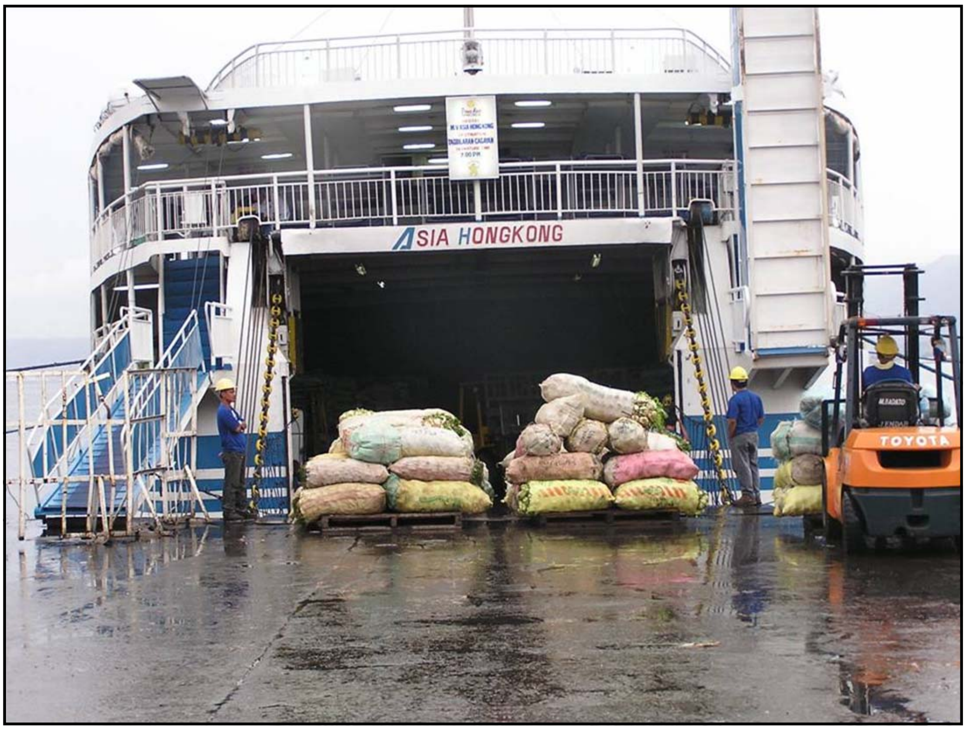
- The traditional middle
- Wholesalers
- Consolidators
- Traders

Segment 3: the Trad Mid

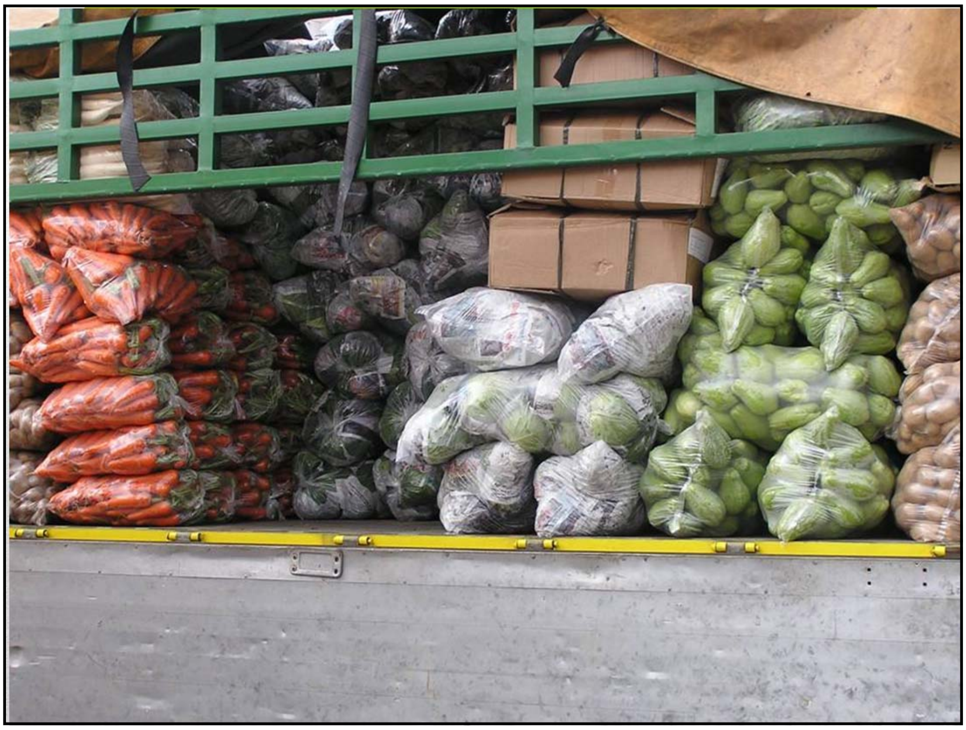

Load
ISUZU


TOYOTA
57
OROPORT


ASIA HONGKONG
TOYOTA


320


TOYA
RCW·830
TOYA
STOP
STOP
FIRST LOVE NEVER DIE
DISTANCE
AMIGO



- Require the widest range of fresh vegetables
- Accounts for the largest volume of vegetables traded on wholesale market
- Use the better quality vegetables to supply segment 1, and the lower quality to service other markets
- Use multiple sources
- Has the capacity to import if their local suppliers cannot meet their demand.

Segment 3: The Trad Mid

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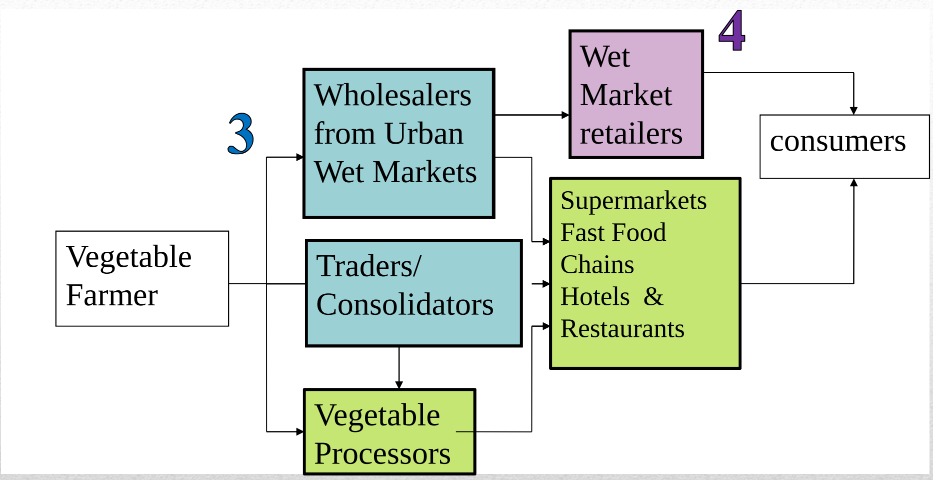
Tomato wholesaler in Iloilo



The Philippine Vegetable Supply Chain

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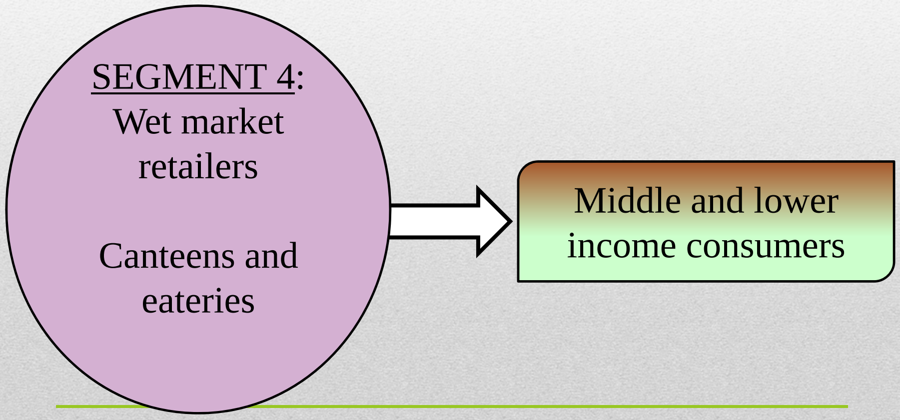

Segment 4: the Wets

- Accounts for 75-80% of retail sales of fresh vegetables in the Philippines
- Quality requirements not very strict
- Very price conscious
- Mostly tropical vegetables
- Generally no shortage of supply
- Products that begin to deteriorate are cut and made into ready to cook vegetable mixes.


Ormoc
Bacolod
Iloilo
Tacloban

- Small Producers must choose to serve market segments that are within their capacity to supply
- Collaborative marketing groups are imperative
- Market development for specific market niches can help expand the market of small producers for their products, however chain coordination becomes an essential ingredient for success.

Implications for smallholder producers

- Legal identities and documents
- Need for short term credit facilities
- Need for technical information, esp for specialty vegetables
- Need to commit to the market and establish long term relationships

Challenges for small producers

- ACIAR
- Curtin University, Western Australia
- UPSTREAM

Acknowledgment

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