



FOOD AND BEVERAGE MARKET

In Singapore

Prepared by:

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Main Economic Indicators

KEY MACROECONOMIC INDICATORS		
GDP at current market price	2014	\$388 billion
	2015	\$402 billion
Real GDP (y-o-y growth)	2014	+3.3%
	2015	+2.0%
Per Capita GNI	2014	\$67,462
	2015	\$69,283
Inflation (y-o-y growth)	2014	+1.0%
	2015	-0.5%
Unemployment rate	2014	2.0%
	2015	1.9%
Balance of Payments	2014	\$8.6 billion
	2015	\$1.5 billion
Currency	SGD 1 : NIS 2.80 (as of 15 May '16)	
STRUCTURE OF ECONOMY		
	100.0%	Real Growth (%)
Goods producing industries (Manufacturing, construction, etc)	26.4%	-3.4%
Services producing industries (Trade, Information & Communications, Finance, etc)	69.2%	3.4%
Other	4.3%	5.0%

Singapore, located in the heart of Southeast Asia and right between India and China, is one of the smallest countries in Asia, with a population of about 5.5 million¹. Yet it is one of Asia's largest importers of food products. In 2015, Singapore imported S\$10.9 billion worth of agricultural products, processed food and drinks².

With little farming land and limited fishing grounds, Singapore imports over 90% of the food consumed in the country³. The food at the local markets mainly comes from overseas. Our local farms produce only a small amount of food that we eat in Singapore:

- 8% of all the vegetables
- 8% of all the fish
- 26% of all the eggs

¹ SingStat, May 2016

<http://www.singstat.gov.sg/statistics/latest-data#16>

² Annex A, Merchandise Imports by Commodity, International Enterprise (IE), May 2016

³ The Food We Eat, AVA

<http://www.ava.gov.sg/explore-by-sections/food/singapore-food-supply/the-food-we-eat>



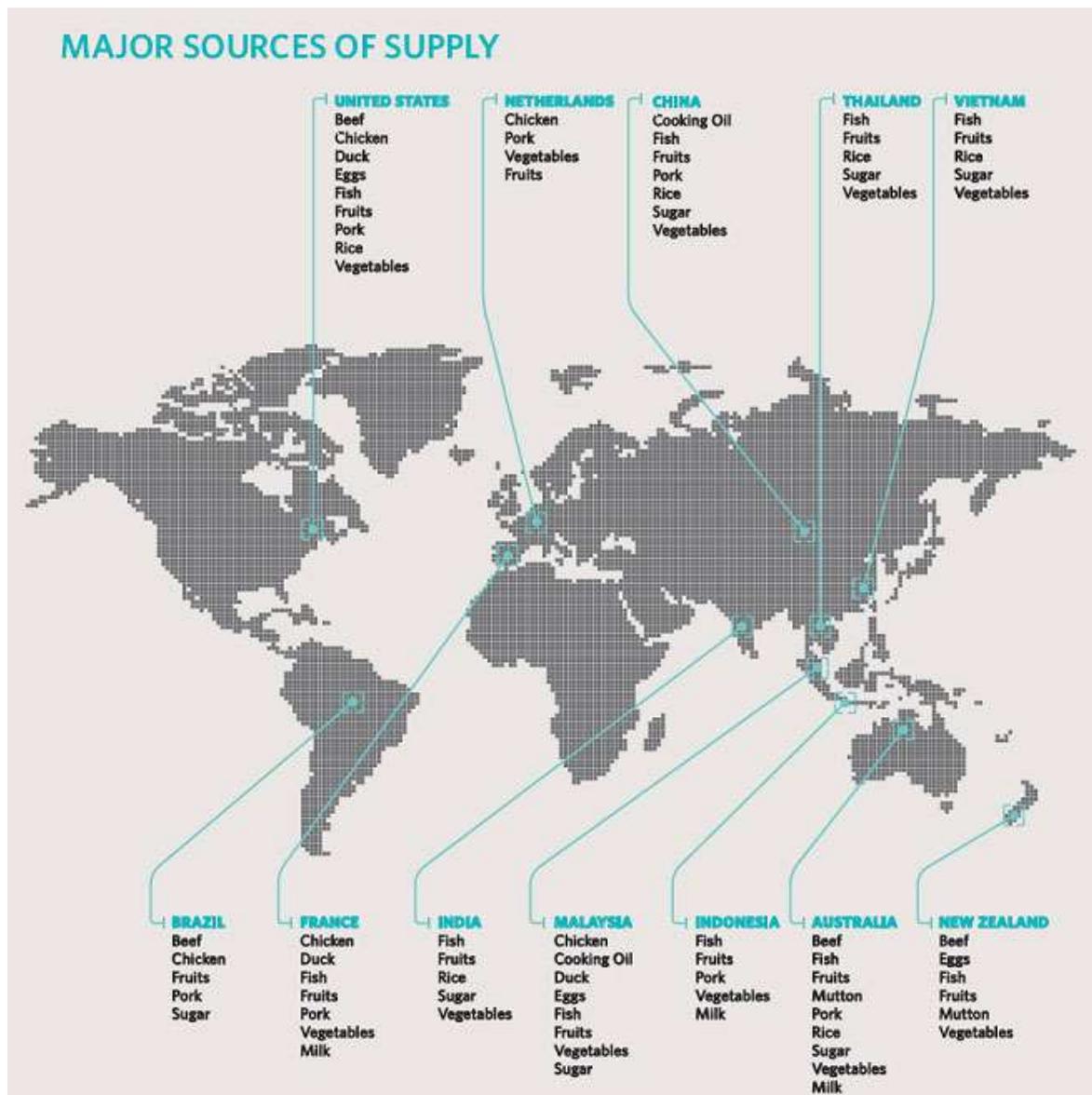
Sources of Import

Top overseas sources of **vegetables**:

1. Malaysia
2. China
3. Australia

Top overseas sources of **fruits**:

1. Malaysia
2. China
3. US





Retail Sector

Consumer Trends

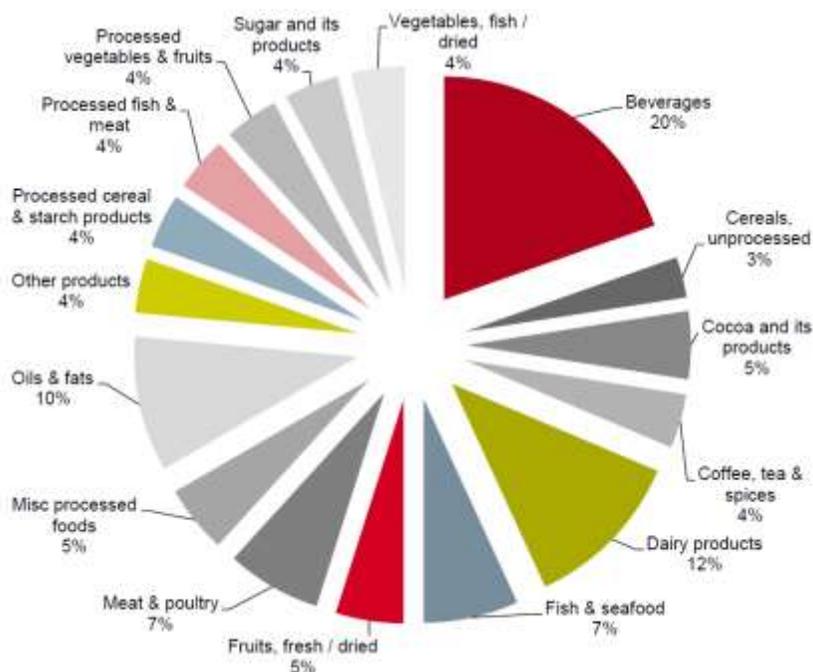
Singapore is the richest economy within the Association of Southeast Asian Nations (ASEAN), and the 3rd richest country in the world. The bulk of the population is regarded as middle income consumers who lead a comfortable lifestyle and have aspirations for fine living. They are the largest pool of active consumers and will continue to drive increased consumption of imported food. Major retailers are increasingly setting aside shelf space for premium food and beverage products, and more world-renowned chefs are setting up fine dining restaurants in Singapore to take advantage of this growing consumer class.

In addition, since the language of business here is English, hence there is not much need to change labeling of products if they are already in that language. The Agri-Veterinary Authority of Singapore (AVA), the regulatory authority controlling the imports of food and beverage products into Singapore, does not impose onerous import requirements, although there have been concerns expressed by foreign exporters about the difficulty of meeting Singapore's microbiological standards for meat exports.

Singapore's food and beverage industry is expected to continue growing in the near future, albeit at a much slower rate. Food retail in particular, which represents 40% of total retail spending in Singapore, is expected to increase as a result of higher incomes and rising visitor arrivals.

Singaporean consumers are increasingly leading hectic lifestyles, and often do not have sufficient time to prepare freshly cooked meals. As such, this group either tends to eat out quite a bit, or they purchase processed and packaged foods which require limited preparation.

Carbohydrates are a staple item in Singapore cuisine; as a result, bread and cereal products were the most purchased food items in 2010, making up 21% of total food spending. Meat and seafood each comprised 17% of total food spending, while vegetables made up 13% and dairy products accounted for 11% of total food expenditure.





Challenges

Given the attraction and openness of the Singapore market, competition is very stiff. On one hand, other foreign exporters globally are looking at opportunities in Asia as their own local markets slow down due to the global economic crisis, but the competition also comes from regional suppliers in Asia. This includes multinationals like Nestle which have their own manufacturing bases in countries like Thailand.

Furthermore, as purchasing of food and beverage products becomes concentrated within supermarkets and hypermarkets, these players have very strong purchasing power, and dictate terms to exporters and distributors like listing fees and promotions.

Distributors are also now more particular about the type of exporters they work with. They expect suppliers to support them in terms of advertising and promotion, and will only really prefer working with suppliers which take a long term view of the market and are prepared to put in the necessary financial and resource commitment to support their distributors.

Commodity food and beverage products that are poorly differentiated or are not well supported by marketing activities in retail channels are facing challenges. Under current weak economic conditions, the market for staples is also weak and mature. For new product launches, marketing and distribution costs are extremely high. There are also high costs involved when companies strive to maintain their market shares and positions.

Global changes in commodity and freight prices directly impact retail food sales, and this is a concern for Singapore as it imports most of its food products and Singaporeans are generally price-sensitive.

Regulation



The Agri-Food & Veterinary Authority of Singapore (AVA) is the main government agency that ensures food safety and health standards, which governs all food products imported into Singapore. It is a statutory board established in the year 2000 as a result of the restructuring of the country's Primary Production Department. Some of AVA's key functions are to ensure food safety, resilience of food supply, the safeguarding of animal and plant health and promoting agro-technology.

AVA adopts a stringent science-based risk analysis and management approach based on international standards to evaluate and ensure food safety. Swiss exporters are required to meet AVA approval before exporting their products to Singapore. Some of the key regulations they should be aware of include:

1. Certifications

In addition to looking for AVA approval, exporters should also have HACCP certification or ISO 22000.

HACCP, which stands for "Hazard analysis and critical control points", is referred as the prevention of hazards instead of finished product inspection. It is defined as a "systematic prevention approach to food safety and pharmaceutical safety that identifies physical, allergenic, chemical and biological hazards in production processes that can cause the finished product to be unsafe, and designs measurements to reduce these risks to a safe level." HACCP is thus a certification to demonstrate high levels of safety processes and standards.



ISO 22000 deals with food safety and is developed by International Organization for Standardization. ISO 22000 international standard specifies the requirements for a food safety management system that involves interactive communication, system management, prerequisite programs and HACCP principles.

2. Labeling

Labels are required on imported food and must specify the country of origin.

A food label should contain core information such as the prescribed food name, list of ingredients, mandatory warning, advisory statements or allergens declarations, net weight or volume, date mark, nutritional information panel, instructions for use or storage, country of origin, the name and address of the business and manufacturer and importer. Repackaged foods must be labeled to show (in English) the appropriate designation of food content printed in capital letters at least 1/16 inch high; whether foods are compounded, mixed or blended; the minimum quantity stated in metric net weight or measure; the name and address of the manufacturer or seller; and the country of origin. Illustrations must accurately describe the true nature or origin of the food. Foods having defined standards must be labeled to conform to those standards and be free from added foreign substances. Packages of food described as “enriched”, “fortified”, “vitaminized” or in any other way that implies that the article contains added vitamins or minerals must show the quantity of vitamins or minerals added per metric unit.

For more details on labelling, please refer to the Guidelines⁴.

3. Import Procedures

Companies must make an inward declaration for all goods imported into Singapore. All imports require an import permit although this is largely a statistical requirement for most goods.

Every imported shipment of meat and poultry is tested by AVA. AVA does not accept raw and uncooked poultry and meat products that contain salmonella bacteria that exceed AVA’s microbiological standards. There have been some complaints that AVA’s standards are unrealistically stringent; in fact, the US Government has indicated on one of their official websites that some of their meat exporters are unable to comply with AVA’s requirements and have highlighted this issue as a potential trade barrier.

4. Tariffs

Singapore is generally a free port and an open economy. More than 99% of all imports into Singapore enter the country duty-free. For social and/or environmental reasons, Singapore levies high excise taxes on beer, wine and liquor, tobacco products, motor vehicles and petroleum products.

Singapore levies a 7% Goods and Services Tax (GST). For dutiable goods, the taxable value for GST is calculated based on the CIF (Cost, Insurance and Freight) value plus all duties and other charges. In the case of non-dutiable foods, GST will be based on the CIF value plus any commission and other incidental charges whether or not shown on the invoice. If the goods are dutiable, the GST will be collected simultaneously with the duties. Special provisions pertain to goods stored in licensed warehouses and free trade zones.

⁴ A Guide to Food Labelling and Advertisements, AVA, March 2016
<http://www.ava.gov.sg/docs/default-source/tools-and-resources/resources-for-businesses/aguidetofoodlabellingandadvertisementsversionjuly2>



For customs clearance, importers are required to obtain an IN Permit through Trade Net[®], an electronic trade platform, and to pay 7% Goods and Services Tax before goods are imported into Singapore. The process is usually completed in less than 48 hours.

In Singapore, valuation for customs purposes is based on the Customs Valuation Code (CVC). The primary basis for Customs value is the transaction value of the imported goods when sold for export to Singapore. Where goods are dutiable, ad valorem or specific rates may be applied. An ad valorem rate, which is most commonly applied, is a percentage of the Customs value of the imported goods. A specific rate is a specified amount per unit of weight of other quantity.

Cost, insurance, freight, handling charges and all other charges incidental to the sale and delivery of the goods are taken into account when the duty is assessed. Exporters are required to ensure that the declared values of goods have not been undervalued or the Customs and Excise Department will increase the values declared. Severe penalties may be imposed on traders attempting to evade duty.

Market Structure

There are 4 major groups of food retailers in Singapore comprising large retailers, convenience stores, petrol stations and traditional stores.

Supermarket chains and hypermarkets hold 80% of the market share, with convenience stores and traditional stores holding about 19% of the market share. In Singapore, there are three major groups that operate these supermarkets and hypermarkets. They are:

- i. Dairy Farm Group
- ii. FairPrice Group
- iii. Sheng Siong

Traditional stores hold only 3% of market share but comprise of 70% coverage of total food retailers in Singapore. In this category, wet markets, provision shops and sundry shops are included. Wet markets sells fresh meat and produce, provision shops are traditional convenience stores located within public housing neighborhoods, and sundry shops sells traditional Asian cooking ingredients such as preserved goods and spices.

Singapore also has a highly fragmented wholesale industry in the food sector, where its 3,400 firms generated total sales of about US\$7.1 billion in 2010. Many are family owned businesses involved in re-exports of products from Singapore. Some of these companies are responsible for multinationals' regional marketing operations.

Conclusion

A key challenge in Singapore is that it is a highly competitive market. The major supermarket and hypermarket operators control the whole retail market by actively segmenting it around different store concepts (and store brands/banners) and merchandising strategies that target the low income group through to the high income groups and expatriates. As a result, retailers control access to shoppers and have very strong bargaining power over suppliers of all forms of food and drinks, fresh, frozen and shelf stable retail packed. Marketing and distribution costs are extremely high for new product launches and also high for the on-going maintenance of market shares and positions.



This situation is further compounded by the fact that retailers are very profit margin driven because of their very high overheads, especially store rentals.

Another challenge is that local products now include market leading ASEAN-made products imported from Malaysia, Indonesia, Philippines, Vietnam and Thailand. This supply scenario now includes food and drink produced by multinationals that now have factories in the ASEAN region, negating the need for them to import from their home countries where these products were originally imported from. This trend can be clearly seen in products such as ice cream, tea, sugar confectionery, chocolate, cookies, breakfast cereals, snacks of various types, soups and soft drinks.

In view of these challenges, importers and distributors now are much more focused and demanding of their suppliers that they want to work with. They expect their suppliers to be fully committed to develop their markets in Singapore, in terms of willingness to:

- deal with local demands for promotional campaigns
- develop products and packages that fit local demand requirements
- have a product and brand that is unique enough to break into the market
- be flexible in terms of returns and profit goals
- adopt a medium-to-long term strategy and action plan to build their market in Singapore

This situation exists because suppliers in Singapore have very little power to deal with the demands of retailers when it comes to accessing retail space for their products. Trade sources comment that everything now revolves around the cost of accessing such space, maintaining a listing (avoid delisting) and so the ability to consistently access shoppers.