The Food & Beverage Market Sector in Singapore

Sector Overview

Singapore continues to be one of the most developed food markets in Southeast Asia. With high disposable incomes, the average monthly per capita food expenditure is C$220, based on the Singapore Statistics Household Expenditure Survey. This amount comprises an average monthly per capita expenditure of C$100 and C$120 on non-cooked and cooked food respectively. Due to the dearth of agricultural land on the island, Singaporeans are more dependent on imported food and beverage, resulting in higher expenditure on food products compared to neighbouring countries. Recognised as a trendsetter and an important gateway to the region, Singapore tends to be a strategic entry point for key exporters who are looking to tap into the vast regional markets. Singapore experienced a substantial population growth of 17.8% from 2006 to 2011, reaching a total of more than 5 million people (Statistics Singapore, 2012). However, this population growth was mainly driven by immigration as Singapore has a higher proportion of foreign residents than neighboring Asian countries. This diverse demographic profile influences the local culinary culture by integrating a variety of regional and international cuisines, which can be found everywhere across the country.

Singapore’s food and beverage (F&B) services industry contributed approximately C$9.81bn or 3.5% to the country’s total GDP in 2012. On a per capita basis, Singapore has the highest food consumption levels in Southeast Asia, accounting for 3% of GDP. Due to limited domestic agricultural production and rapid urbanization, the country imports more than 90% of its food products, particularly from other Asian countries. Imports of F&B account for over 8% of GDP in 2012.

Trends in consumption indicate a relative balance across various food groups, including fruits, vegetables, fresh meat and processed meat. Interestingly, per capita volume consumption of fish and seafood declined over the 2006-2011 period, while total value sales increased. This indicates an increased demand for more expensive fish and seafood products.

Expenditure on F&B has grown steadily in Singapore, with market value expanding from around C$7.38bn in 2007 to C$9.83bn in 2012. The rise in the number of working women, growing middle class population and the surge in disposable income were the main drivers of this growth.

Going forward, the country’s F&B industry is expected to witness robust growth thanks to highly promising per capita consumption growth. Food retail, which currently represents 40% of the total retail spending in Singapore, is expected to increase due to higher incomes and rising visitor arrivals.

In 2011, Singapore’s total consumer expenditure on goods and services reached US$97 billion, marking a 10.4% growth from the previous year. Despite a sluggish economy during the 2008-2009 period, total consumer expenditure grew at a Compound Annual Growth Rate (CAGR) of 7.1% from 2006 to 2011. It is expected to grow at a CAGR of 5% over the 2011-2016 period.

Total consumer expenditure on food and beverages, including alcoholic drinks, recorded retail sales of US$7.8 billion in 2011. The proportion of consumer expenditure on food and beverages has remained at approximately 8% of total consumer expenditure since 2006.

Retail Sector
Singapore’s food and drink retailing sector comprises about 3,000 supermarkets, hypermarkets, department stores, convenience stores and provisions shops that sell agri-food, processed food and drinks. In addition to this, Singapore also has another 1,300 specialty food and drinks outlets.

It is estimated that about 60 percent of the food retail sales of US$4.84 billion take place in supermarkets, hyper marts and modern mini marts, while the rest are sold in convenience shops, traditional provision stores (Mom & Pop stores), petrol stations and wet market stalls. Traditionally Singaporeans shop for their fresh produce, meats and fish in wet market stalls. Over the last decade however, more and more household are turning to supermarkets for their fresh produce, meats and fish requirements.

Two major supermarket chains dominate the Singapore retail industry, Cold Storage (Dairy Farm) and NTUC Fairprice supermarket chains. The former targets principally the middle and higher income groups while the latter caters to the mass-market group, although there are different store concepts within each retailer that caters to specific consumer segments.

Foodservice Sector

Singapore’s consumer foodservice industry recorded US$7.5 billion in total retail sales in 2011, a 3.3% growth from the previous year. The substantial growth of the industry in recent years was supported by the opening of two prominent integrated resorts and shopping malls, which provided opportunities for new players to enter the market, and for existing players to expand. However, future growth in outlet numbers will likely remain slow at a Compound Annual Growth Rate (CAGR) of 0.7% for 2011 to 2016.

Singaporeans spend about US$5 billion annually eating out. Restaurants as a group account for 37%, while fast food outlets account for 13% of the total revenue in the food & beverage services industry. Food caterers take up a 12% share of the food and beverage industry. The Others Category consisting of cafes, coffee houses, food courts, coffee shops and eating houses take up 38% of the total. The food service industry continued to show improvement in 2011. Restaurant sales reported an increase of 7% for 2011 due to the greater influx of tourists and business arrivals to the republic nation. It is reported that the food service industry is reverting back to better quality but higher priced foods as customers resume their original preference for quality food ingredients.

Sector Strengths & Challenges

Sector Strengths and Opportunities

- Singapore is highly dependent on agri-food imports and has an insatiable appetite for a diverse range of food and beverage products.
- With one of the highest disposable incomes in Asia, Singaporean consumers are well travelled and well educated, and are discerning and receptive to western concept quality food and beverages.
- Much of the recent population explosion is due to immigration policies, resulting in a high number of well-heeled expatriates and foreigners working in Singapore, creating a demand for diverse food products.
- As Singapore is a top convention city with exponential tourism growth potential, the hotel, restaurant and institutional sector has a huge appetite for higher value food products.
- Western developed economies like the US, Canada are generally perceived as having quality,
safe food products that are responsibly produced and harvested.

- Singapore has one of the most open economies with virtually no tariffs on most agri-food products except for alcoholic beverages and tobacco. The pro-business environment and ease of doing business has also contributed significantly to the boom in trade activity in the city state.

**Sector Challenges and Threats**

- The retail market in Singapore is maturing rapidly and there is less room for growth. The physical size of the market also limits the expansion of retailers who have to deal with increasing product variety but shrinking shelf space in their stores.
- High market entry cost. The retail and foodservice market is highly competitive and not easy to penetrate. Poorly differentiated products that are not well supported with marketing activities face challenges in gaining market presence.
- Singapore is cutting back on its immigration policies due to political and domestic pressure, but at the same time, it has to grapple with a rapidly ageing population with shrinking purchasing power.
- The rapid pace of development and progress has also dramatically increased the cost of living and doing business in Singapore, and many food retailers and food establishments are in survival mode. As a result, consumers are now much more price sensitive when making food purchase decisions.
- Singapore has a strict and conservative regulatory environment which may pose barriers to entry for food products with no scientific basis to be denied market access.
- Many agri-food exporters have logistical challenges in exporting to a smaller market like Singapore and often need to consolidate their shipments to achieve economies of scale and to gradually build a critical mass of products to be commercially viable.

**Sub Sector Identification**

**Fresh & Processed Meat**

There is virtually no livestock industry in Singapore except for a lone government supervised hog slaughtering facility (to cater for live pigs from Indonesia) that provides the only source of fresh pork for the market. Singapore is a major consumer of fresh and processed meat products, importing over US$1.3 billion in 2012, which is 40% more than what was imported in 2009. Brazil is the largest exporter with over 30% market share, followed by Australia, US and New Zealand. Meat consumption takes up 16.5% of total food expenditure of a typical household, and consumption by volume is the largest for chicken, followed by pork, beef and mutton. Import volumes have also shown steady growth over the last 5 years across all meat categories.

The frozen processed red meat market is expected to remain stable, with the largest value in the chilled processed meat market. The frozen processed poultry market shows promise, and is expected to grow faster than the other categories due to the steady demand for chicken and poultry products.

**Fresh & Processed Seafood**

Singapore enjoys one of the highest per capita consumption of fish and seafood, at over 27 kg in
2012. Total expenditure on seafood for a typical household takes up about 17%, with growth prospects in processed seafood to increase by at least 5% per year. Live seafood is expected to remain stable. Total imports of fresh and processed fish and seafood total about US$800 million last year, mainly from regional countries like Indonesia, Malaysia and Vietnam.

A large variety of seafood consumed here are mainly of the tropical variety found in the South China Sea. Although there is an appetite for temperate seafood species from Australia, New Zealand and North America, it does not constitute the mainstream Asian diet and the higher prices tend to narrow the market appeal for such seafood products. The cold water species of seafood find their way primarily to the food service establishments. There is also widespread preference for consumption of live/fresh seafood. However, the varieties of live seafood are mainly those that originate from the region, like mud crabs, shrimps, sea bass and other farmed fish. The exception is imported cold water live seafood like Atlantic salmon, snow crab, Pacific oysters and lobster that do appeal to local consumers.

Confectionery

The Singapore confectionery market shows promising potential, with a steady growth rate of 20% over the last 5 years. The US$210 million market is dominated primarily by sugar and chocolate confectionery (53% and 46% respectively) imported from the EU, Australia, North Asia and the US. In analyzing the total food and beverage expenditure for Singapore, confectionery consumption scored the highest percentage increase with a Compound Annual Growth Rate (CAGR) of 12.4% during the period from 2006-2011.

Although there are good prospects for confectionery, the emphasis appears to be moving towards healthy, functional varieties that have less sugars and more natural ingredients. As consumers become more aware of the benefits of snacking healthily and in moderation, manufacturers are tweaking their confectionery offerings to meet the trend.

Broad Food Industry Trends

With Singapore’s extremely competitive landscape and market entry challenges, continuous innovation is a necessity to anticipate consumer tastes and demands in order to be one step ahead. Some of the current industry trends are highlighted below:

Innovative Products

As consumers become more health conscious, unprocessed and functional food has been increasing in popularity. Businesses are integrating nutrition in their products while ensuring value-for-money and quality.

Sustainable & Green

Savvy and sophisticated consumers are becoming extremely conscious of environmental issues when making their purchasing choices. Eco-friendly is the buzz word, with consumers now willing to pay a premium for products made from good farming practices and ethically treated livestock meat. Retailers have not missed the cue, and have stepped up efforts to meet this growing trend. Examples include banning the sale of shark fins in all their supermarkets to working with the World Wildlife Fund (WWF) to endorse sustainable seafood products. Organic and natural products have also gained
popularity in higher end supermarkets and specialty stores.

Pricing strategies

On the food service side, more establishments are engaging in aggressive lower cost pricing, with gourmet cuisines from Italy, France and America going at affordable prices to remain relevant and accessible to the masses. A growing number of local entrepreneurs have attempted to lower the cost of gourmet food by processing it locally where applicable and creating fusion recipes to showcase a mix of east and west in their menus.

Conclusion

Canadian food products, because of their lower market profile and niche qualities, require consistent promotion and exposure to remind consumers of their inherent safety, quality and market relevance. Although it does help that Canada projects a clean and pristine image, many Singaporeans are not aware of Canada’s global leadership in processed food, meats and food ingredients.

The outlook remains positive but requires a strategic approach in harnessing the opportunities that lie ahead. This includes the identification of specific target segments and distribution channels for products, the selection of suitable local partner(s) and the delivery of an effective marketing program. The key is to show a commitment to the market, and to consider investing in building a sustainable brand presence in the longer term.

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Useful Internet Sites

- Agri-Food & Veterinary Authority of Singapore
- International Enterprise Singapore
- Singapore Food Manufacturers’ Association
- Agri-Food Trade Service (Agriculture & Agri-Food Canada)