

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

The Singapore economy made a remarkable turnaround in 2010, with a 14.5 percent jump in growth rate, a sharp contrast to the 2 percent decline in 2009. The significant improvement in the overall economy was widespread with several sectors showing double digit growth. Global trade, manufacturing, wholesale and retail trade all experienced remarkable growth rates.

Post:
Singapore

Commodities:

Executive Summary:
Section I. MARKET OVERVIEW

Economic Situation

Following the upward trend which started in the beginning of 2010, the Singapore economy rallied strongly for the rest of the calendar year. All major economic sectors, especially manufacturing and financial services, showed extremely buoyant growth in 2010. The uptrend was also clearly evident in the global trade.

Singapore's total trade increased 20.7 percent from US\$548.1 billion in 2009 to US\$661.6 billion in 2010. In the same calendar year, exports increased 22.4% to US\$351 billion while imports increased 18.8% to US\$310 billion.

The wholesale and retail trade experienced a 15.1% percent jump for the entire calendar year of 2010. Similarly, the manufacturing sector showed an extraordinary increase of 29.7 percent, while financial services also experienced sharp gains of 12.2% for 2010. Net job creation for the whole year was recorded at 112,000. As a result, the full year unemployment rate in 2010 fell to 2.2 percent down from 3.0 percent in 2009.

Singapore's global imports of agricultural, fish and forestry products increased 24 percent to US\$9.7 billion in 2010, reflecting the significantly improved economic performances in the individual economies of Singapore's major trading partners.

The Singapore economy is not expected to continue the strong growth performance it experienced in 2010. The Singapore government has provided preliminary forecasts that the Singapore economy will grow at a lower rate of 5 per cent for the entire year of 2011.

With one of the highest per capita incomes in Asia, Singapore is the most developed economy within the ASEAN region. The fact that Singapore strategically lies on the cross-roads of major air and sea routes within the Asia Pacific region enhances its traditional role as a major transshipment center for much of the Southeast Asian region and the Indian subcontinent. The above factors also contribute to Singapore's position as a regional food showcase and headquarters for international food and agricultural related companies.

The Market for Consumer Oriented Foods

As the Singapore population of 5 million is almost entirely dependent on imported foods, it is not surprising that the total value of imported consumer oriented foods exceeded US\$4.9 billion in 2010. An additional US\$909 million of fish and seafood products were imported in 2010.

Not all the imported foods are consumed locally. It is estimated that routinely, about 75% of food imports are re-exported mostly to neighboring countries. Major product categories include dairy products, frozen poultry and poultry parts, fresh fruit and vegetables, red meats, alcoholic and non-alcoholic beverages, snack foods and other consumer-oriented products. Growth rate for the consumer oriented foods category averaged about 10 percent per annum over the calendar period 2008-2010, declined temporarily by 12 percent in 2009 but recovered again by 22% in 2010 in line with the improved global economic situation. The U.S. market share of the consumer oriented foods category in the 2008-2010 period averaged between 8-9 percent.

Demography and Socio-economic impact

Like most developed and highly urbanized economies, Singapore's indigenous population growth rates have been falling rapidly in the last decade as a result of the decreasing number of births by Singapore citizens. However, due to the growing influx in the number of foreigners, the number of Singapore residents increased at the annual rate of 1.8 percent in 2010. This factor alone augmented the slow natural growth (estimated at less than one percent per annum) in the number of Singapore citizens. The total population of 5.07 million comprised of 3.77 million citizens and permanent residents and just over 1.30 million foreign workers (and their dependents) on employment passes, work permits or long term social visit passes.

The proportion of elderly residents has increased rapidly over the last ten years. Residents aged 65 years and above comprised about 9 percent of Singapore's resident population. This proportion is expected to increase to over 20 percent by 2050. On the flipside, the youth population (aged 14 years and below) as a percentage of the population declined from 23 percent in 1990 to 17 percent in 2010. On the positive side, the mean years of schooling among resident non students aged 25-39 is 10.1 years. Ninety one percent of the population in this same group has Secondary or Higher Qualification. The number of singles has also risen in the country with the fall in the number of persons getting married over the last ten years. The age at which both grooms and brides get married has also risen.

Summary of socio-economic impact of the changing demographic structure.

- 1) Slower growth rates in domestic demand.
- 2) Growing personal disposal income due to better-educated workforce.
- 3) Smaller household sizes due to falling marriage and birth rates.
- 4) Demand for food products for the mature age groups growing.
- 5) Growth and diversity in consumer tastes with the greater increase in the number of highly educated and more traveled Singaporeans. The rising numbers of visitor arrivals and foreign workers in the country have also contributed to the wider variety of consumer tastes.
- 6) With the rise in the number of working women and newly arrived single executives, there is a corresponding growth in demand for convenience foods and ready to cook prepared meals.

Advantages and Challenges for U.S. Suppliers

Advantages	Challenges
Fast growing incomes and highly educated population	High costs of entry into major supermarket chains

Increasing preference for higher quality products	Lower prices of competing products from other countries
Proliferation of western family-style restaurants and fast food chains	Inadequate knowledge on use of U.S. products
Large numbers of resident expatriate population familiar with western type foods	High promotional and advertising costs for introducing new products

SECTION II. EXPORTER BUSINESS TIPS

Local Business Practices and Custom

In the arena of international trade, Singapore business practices tend to follow those in the more developed and highly urbanized economies. The country's laws are patterned after the British legal system. There is considerable reliance on international trading practices and contracts. Letters of credit are normally used for first time transactions and only after a long history of business relationship is established, the terms of payment may be mutually adjusted to an open trading account with payment terms of up to two months. It is not uncommon for buyers to request samples from first time suppliers. In some cases, U.S. exporters may request that buyers pay for airfreight charges and handling costs of samples if they become prohibitive.

U.S. exporters who are exporting for the first time to the Singapore market would be advised to consider making use of local distributors or at least a local representative to help them guide through the requirements of the Singapore Food regulations and local trading practices.

However, financial and credit arrangements in the domestic economy are very different. With few exceptions, supermarket chains, restaurants and other retail customers expect suppliers to provide credit terms of up to ninety days. There is also an implicit understanding to accept the return of damaged and unsold goods. On the other hand, some small retailers like Mom and Pop stores pay cash on delivery, as their order sizes are very small. Hence, if U.S. exporters decide to carry out their own local distribution, they would have to expect to meet the usual credit terms demanded by local supermarket chains.

General Consumer Tastes and Preferences

With rising consumer incomes, Singaporeans are prepared to pay for higher quality food products or products that will provide savings in labor and time. Hence, on the supermarket shelves we tend to see an increasing number of prepared and convenience foods. Diced vegetables and seasoned portion-control meats and poultry are in increasing demand as both spouses work.

As almost all Singapore households are of Asian origin, imported foods that are to be used in local cooking have to be able to lend themselves to Asian cuisines. Asian dishes tend to be stir fried, prepared in curries or marinated in chili sauces.

Food Standards and Regulations

Singapore food laws are delineated in the Food Act and all packaged foods sold in retail outlets have to comply with the allowable ingredients and preservatives listed in the abovementioned Act (see the latest FAIRS Report in the USDA website, www.fas.usda.gov).

Singapore has a very open import regime and all foods, with the exception of alcoholic beverages and tobacco products are imported duty free. There are practically no non-tariff restrictions since there is very little local production and the current government policy is to source food products from all over the world. Customs clearance of imported food products is carried out electronically and the process is completed in less than 48 hours.

Import and Inspection Procedures

Export health certification is required for the import of meat, poultry products and shellfish products. In most import cases, random inspection and laboratory analysis of meat and poultry products are carried out.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Consumer-oriented Foods and Beverages & Edible Fishery Products

Singapore, which has the second highest per capita income in Asia, is one of the most open economies in the world with no tariffs on all food products except on alcoholic beverages. As a result, a wide range of food products from all over the world can be found on supermarket shelves in this compact island nation of 4.9 million people.

The major suppliers of fresh temperate climatic fruit to Singapore are the United States, Australia, New Zealand, European Union, China, South Africa, Argentina and Chile. Suppliers of tropical fruit are neighboring countries of Malaysia, Indonesia and Thailand. Singapore households buy mostly fresh leafy green vegetables from Malaysia, Indonesia, Thailand and China. On the other hand, most of the imported temperate vegetables originating from Australia, New Zealand, European Union and the United States are supplied to restaurants and larger supermarket stores.

Singapore imports all the meats and poultry it consumes from all over the world. Poultry and pork are the main meat items consumed in Singapore. Freshly slaughtered chicken is obtained mostly by importing live poultry from Malaysia for slaughter in local abattoirs. About half of the chicken requirements are fulfilled through the imports of frozen chicken and chicken parts from Brazil, United States, China and the European Union.

Since April 1999, when all local pig farms ceased production, the only source of imported live pigs (about 250,000 head annually) for slaughter comes from Indonesia. Most of Singapore's pork requirements are fulfilled through the import of chilled pork from Australia and frozen pork from European Union and the United States. Beef, while not as widely consumed as chicken, is sold principally in the supermarkets. Major suppliers of beef include Australia, New Zealand, Argentina and China. The United States is allowed to supply only boneless beef from cattle less than 30 months of age because of BSE concerns.

In the seafood category, Singaporeans consume mostly fresh and frozen finfish caught and sold by neighboring countries, i.e. Malaysia, Indonesia and Burma. Other major suppliers include Taiwan and Japan, India, Australia, Vietnam and China. In 2010, a total value of US\$909 million of seafood was imported from worldwide sources.

Singaporeans are very fond of fresh seafood; especially fin fish, crabs, lobsters and clams. While most of the finfish are purchased in the wet markets for home consumption, Singapore consumers generally go to restaurants for the consumption of crabs and lobsters.

Food Retail Sector

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. Generally, importers who represent foreign brands will be responsible for the market development of the brands, advertising and promotion and increasing distribution reach to all retailers.

However, in recent years, some of the large supermarket chains and several up market retailers import western-type products directly for their own outlets. Products directly imported would include frozen prepared meals, juices, jams, confectionery, biscuits, salad dressings, pre-packed deli meats and fresh temperate fruit. Products procured from local importers would include products from the Asian region, dry groceries, tropical fruit, frozen chicken and chicken parts, frozen beef, local sauces and ethnic foods.

Two major supermarket chains dominate the Singapore retail industry, 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.

The largest supermarket chain in terms of number of supermarket retail stores is the Dairy Farm Group with 104 supermarket stores, comprising of 39 Cold Storage supermarket retail stores, 59 Shop & Save Stores, 6 premier Market Place stores. In addition, the group operates 8 Giant Hyper mart stores. A large percentage of products on their shelves comprised mostly western-type products procured from E.U., Australia, New Zealand and the United States. Eight of their outlets are located in upper middle-income residential areas and customers to these outlets are principally expatriates and upper middle-income residents. In addition, the Dairy Farm Group operates the 7-Eleven Convenience Chain of 530 stores and 128 Guardian Pharmacy outlets.

The NTUC Fairprice supermarket chain which is the second largest supermarket chain in terms of number of supermarket outlets, has 92 Fairprice supermarkets, 8 Fairprice Finest stores. In addition, it operates 4 Fairprice Hyper marts. In addition, the group has 120 Cheers Convenience Stores and 20 Fairprice Convenience Stores some of which are located in Esso-Mobil Stations. NTUC Fairprice's target audience is principally the middle and lower income groups. Competitive pricing is one of the main factors determining whether a new product should be procured for the Fairprice stores. The Fairprice chain is the most extensive in terms of consumer reach, geographically and across all income segments. Fair price stores are located in almost every large residential population concentration. Importers who require their products to be distributed island-wide and with the focus on the mass market prefer to work with NTUC Fairprice.

NTUC Fairprice supermarket chain procures most of their food products from local importers. However, in recent years, NTUC Fairprice has embarked on extensive house branding of basic essentials like rice, bread, cooking oil, toilet paper, box tissue, and sugar, dish washing liquid and canned fruit.

Besides Cold Storage and NTUC Fairprice supermarkets, there are several independently managed supermarkets like Isetan, Meidi-Ya, Mustafa's, Prime Supermarket, and Sheng Siong. The most recently established supermarket chain, Sheng Siong, which has 22 small and medium sized stores and Prime Supermarket which has 17 outlets are family owned business entities which originated from small single grocery outlets to their current sizes today. Both Sheng Siong and Prime are very price competitive as they procure most of their products from China and other neighboring low cost Asian supplier countries. Customers of both supermarket chains come mostly from the lower middle-income groups. The rest of the above mentioned supermarkets are independently operated supermarket stores with only one outlet each. Isetan and Meidi-Ya target principally the upper middle-income groups and the Japanese community in Singapore.

Outside the supermarket category, there are more than 23,000 mini-marts, convenience stores and traditional provision shops located in all residential housing estates all over the island. As these shops tend to be very small and, in most cases, no more than 600 square feet in retailing area, products tend to be limited to the very basic household items and to a small number of confectionery items and snack foods. Few of the shops in this category sell frozen meats and prepared meals nor is fresh produce retailed in this category.

Food Service Sector

It is estimated that Singaporeans spend about US\$3.3 billion annually eating out. Restaurants as a group account for 38 percent, while fast food outlets account for 12 percent of the total revenue in the food & beverage services industry. Food caterers take up a 13 percent share of the food and beverage industry. Since eating out in the numerous cooked food stalls located round every corner of major housing residential estates is relatively inexpensive, most Singaporeans eat out at least once a day. As most households have working wives, Singapore families find it more convenient and, in most cases, less expensive to eat out. It is not uncommon each evening to see families walk to the nearest neighborhood cooked-food stall to have their dinner.

According to government statistics, there are more than 5,500 cooked food stalls in the whole island. Besides these cooked-

food stalls, fast food chains like McDonalds, Kentucky Fried Chicken, Burger King, Pizza Hut are located in large shopping complexes all over the island.

The food service industry continued to show improvement in 2010. Restaurant sales reported an increase of 10 percent for 2010 due to the greater influx of tourists and business arrivals to Singapore. 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.

Food service companies in Singapore are widening their distribution network to other countries in the Asian region to achieve economies of scale in operation. As individual restaurant requirements are small, Singapore food service companies provide an alternative supply chain to customers who have small but frequent procurement needs for U.S. or western-type products.

It is thus not uncommon to see a number of well-known U.S. brands being transshipped or distributed from Singapore. Traders here are able to provide credit terms to their counterparts in the region or to carry out specific handling, packaging or documentation requirements. Generally products which have a longer shelf life and which do not need refrigeration are more easily transshipped.

Meat and poultry products, which require halal certification for Muslim consumers in the region, are generally shipped direct to the country of destination. Again, some Singapore traders may be involved in the ordering process as well as in the provision of short-term credit to the local importer in the destination country.

Food Processing Sector

Singapore's food processing sector is very limited and the major food manufacturers are those in beer, non-alcoholic beverages, snack foods, fish processing and ethnic food activities. As Singapore has no crop or livestock production, practically all food ingredients are imported from a wide range of countries worldwide.

According to the Singapore government statistics, there are more than 300 companies making up Singapore's food processing sector most of which are small-scale operations with output barely sufficient for the local market. These firms manufacture food products ranging from beverages and snack foods to dairy and confectionery goods. With the exception of the beer and soft drinks plants, the scale of production tends to be small and the number of employees for each food-manufacturing establishment tends to be less than 100 each.

The total output of the locally manufactured food, beverage and tobacco sector was valued at around US\$4.8 billion in 2010, out of which it was estimated that over half was re-exported. Products, which are exported, include beer, soft drinks, edible oils, chocolates, processed seafood, milk powder, condensed milk, sauces and spices.

The source of competition varies depending on the nature of the product manufactured. For example, Australia supplies most of the milk products and dairy ingredients while China supplies most of the corn and soybean products. Malaysia supplied nearly 20 percent of the food ingredient market and is the major supplier of live animals for slaughter, edible oils, tropical fruit and vegetables. The U.S. has significant market share in juices, juice concentrates, frozen poultry parts, fresh temperate fruit, nuts, flavorings, spices and leaf tobacco.

SECTION IV. BEST HIGH –VALUE PRODUCT PROSPECTS

Product Category	2010 Total Imports US\$ Million	2008-2010 Ave Annual Growth (%)	Key Constraints over Market Development	Market Attractiveness for USA
			Intense Competition	Availability of wide

Snack Foods	287	6	from lower cost suppliers from neighboring ASEAN region, China, EU and Australia	variety of flavors. Quality of U.S. products and packaging.
Fruits & Vegetable Juices	53	1	Lower priced fruit & vegetables juices from Australia, New Zealand & E.U.	Quality and instant brand recognition of leading U.S. brands
Fresh Fruit	360	8	Intense competition from China, South Africa, Australia and New Zealand	U.S. has reputation of being a supplier of quality fresh fruits
Tree Nuts	93	2	Competition from low priced peanuts from China and pistachios from Iran	Quality of products from U.S. are consistently maintained
Fresh Vegetables	327	7	Strong competition from China, Indonesia , Thailand, Australia, New Zealand and EU	U.S. has a reputation for quality products and instant brand recognition
Pet Foods	24	1	The market for pet foods is keenly contested. Australian brands are well established and have a closely geographical advantage	U.S. brands are well established and there is a natural reluctance to carry out brand switching for marginal price differences

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

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APPENDIX I. STATISTICS

A. Key Trade & Demographic Information

	2010	
Agricultural Imports From All Countries (\$Mil) /U.S. Market Share (%)	8244	7%
Consumer Food Imports From All Countries (\$Mil) /U.S. Market Share (%)	4964	9%
Edible Fishery Imports From All Countries (\$Mil) /U.S. Market Share (%)	909	2%
Total Population (Millions) /Annual Growth Rate (%)	5.07	1.8
Urban Population (Millions) / Annual Growth Rate (%)	NA.	N.A.

Number of Major Metropolitan Areas	1	
Size of the Middle Class (Millions) /Growth Rate (%)	N.A.	N.A.
Per Capita Gross Domestic Product (U.S. Dollars) / Increase over previous year	43,867	23
Unemployment Rate (%)	2.2	
Per Household Food Expenditure (U.S. Dollars) Per Annum	8352	
Exchange Rate in 2010 (US\$1 = S\$1.3635)		

TABLE B. CONSUMER FOOD & EDIBLE FISHERY PRODUCTS IMPORTS

Singapore Imports (In Millions of Dollars)	Imports from the World			Imports from U.S.			U.S. Market Share (%)		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
CONSUMER-ORIENTED AG TOTAL	4628	4072	4964	393	347	452	8	9	9
Snack Foods (Excluding Nuts)	254	243	287	24	26	34	9	11	12
Breakfast Cereals, Pancake Mix	24	26	28	5	5	7	21	19	25
Red Meats, Fresh/Chilled/Frozen	370	258	435	29	19	34	8	7	8
Red Meats, Prepared & Preserved	115	117	137	13	12	14	11	10	10
Poultry Meat	234	178	215	48	32	42	21	18	20
Dairy Products (Excluding Cheese)	817	558	796	36	16	30	4	3	4
Cheese	63	54	64	4	3	4	6	6	6
Eggs & Products	96	94	106	1	1	1	1	1	1
Fresh Fruit	318	313	360	58	59	71	18	19	20
Fresh Vegetables	262	269	327	15	13	16	6	5	5
Processed Fruit & Vegetable	249	224	270	48	42	51	19	19	19
Fruit & Vegetable Juice	58	48	53	22	12	11	38	25	21
Tree Nuts	76	78	93	6	7	10	8	9	11
Wine & Beer	524	384	478	11	7	9	2	2	2
Nursery Products & Cut Flowers	66	63	77	1	1	1	2	2	1
Pet Foods (dogs & Cat Food)	21	21	24	10	8	9	48	38	38
Other Consumer-Oriented Products	1080	1045	1214	101	109	132	9	10	11
FISH & SEAFOOD PRODUCTS	853	767	909	15	13	21	2	2	2
Salmon	32	30	45	0	0	0	0	0	0
Surimi	0	0	0	0	0	0	0	0	0
Crustaceans	244	225	269	6	4	7	2	2	3
Ground fish & Flatfish	37	36	32	0	0	1	0	0	3
Molluscs	88	80	95	4	3	5	5	4	5
Other Fishery Products	452	395	468	5	4	8	1	1	2
AGRICULTURAL PRODUCTS TOTAL	7970	6589	8244	569	506	594	7	8	7
AGRICULTURAL, FISH & FORESTRY TOTAL	9117	7810	9717	649	534	639	7	7	7

Sources: Global Trade Atlas

TABLE C. TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

Consumer Oriented Agricultural Imports (In US\$ Million)

Rank	Partner Country	United States Dollars		
		2008	2009	2010
1	Malaysia	755	723	880
2	Australia	552	477	557
3	United States	433	374	478
4	China	401	357	427
5	New Zealand	340	255	382
6	France	382	264	350
7	Brazil	328	268	295
8	Thailand	250	235	245
9	Indonesia	194	186	221
10	Netherlands	118	96	119
11	Japan	65	75	94
12	Germany	76	63	81
13	India	71	58	73
14	Italy	53	52	65
15	South Africa	44	41	50
	Others	564	547	647
	TOTAL	4,628	4,072	4,964

Imports of Fish & Seafood Products (in US\$ Million)

Rank	Partner Country	United States Dollars		
		2008	2009	2010
1	Malaysia	116	116	129
2	Indonesia	113	111	113
3	Vietnam	66	60	76
4	Thailand	64	56	61
5	China	47	46	55
6	Australia	58	41	53
7	Taiwan	51	48	52
8	Japan	42	42	52
9	Norway	44	31	46
10	India	27	27	32
11	New Zealand	15	16	25
12	Hong Kong	19	16	22
13	United States	15	13	21
14	Chile	30	16	19
15	France	7	10	16
	Others	139	118	136
	TOTAL	853	767	909

Source: GTIS

END OF REPORT