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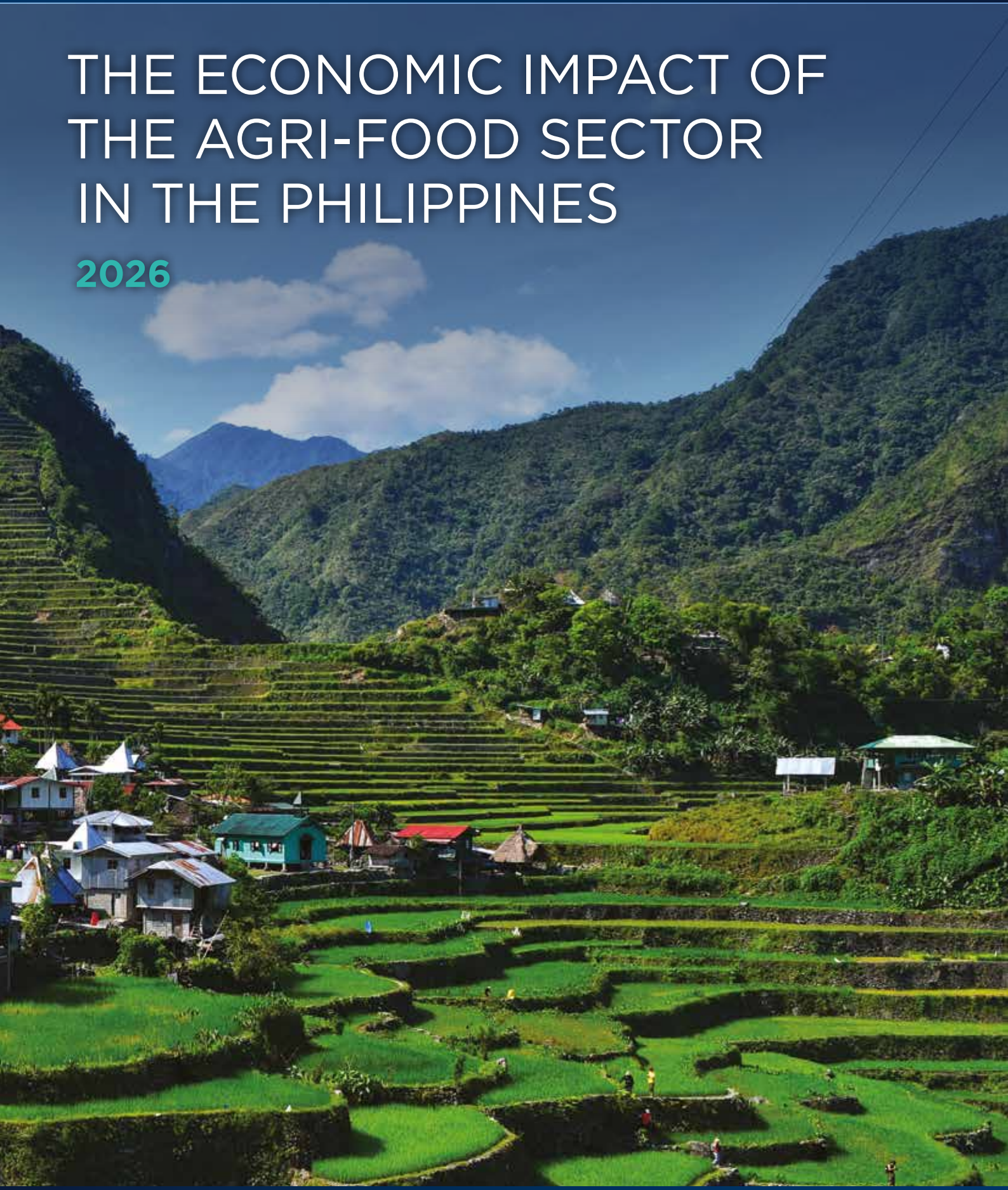
AFBA ASEAN FOOD AND BEVERAGE ALLIANCE

FIA FOOD INDUSTRY ASIA

FEBRUARY 2026

THE ECONOMIC IMPACT OF THE AGRI-FOOD SECTOR IN THE PHILIPPINES

2026



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The ASEAN Food and Beverage Alliance (AFBA) is a group of national industry associations that supports manufacturing, distribution, and the sale of a wide range of food and beverage products. By bringing together the collective expertise of leading industry representatives in the region, AFBA serves as a trusted intermediary between the private sector and policymakers in ASEAN. This alliance works to promote regulatory harmonisation and provides guidance and input on policies and standards that impact the food and beverage industry across the region, thereby supporting the sector's continued growth.

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CONTENTS

Results presented here are based on information provided by third parties, upon which Oxford Economics has relied in producing its report in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.

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FEBRUARY 2026

EXECUTIVE SUMMARY

The Philippines agri-food sector serves as a bedrock of the national economy. It underpins food security, supports livelihoods, and serves as a critical engine for the micro-, small- and medium-sized businesses that dominate the national enterprise landscape. From farms and fisheries to processing plants, retailers, and restaurants, its footprint spans urban and rural communities nationwide, making it central to the government's goal of inclusive economic growth.

The sector is operating in an increasingly complex global environment. Climate change, shifting trade patterns, and rising protectionism are intensifying pressures at home and abroad, forcing businesses across the value chain to rethink strategies and invest in greater resilience and innovation.

This moment of recalibration also brings opportunity. With the right mix of coordinated policy and industry action, the agri-food sector is uniquely positioned to drive inclusive economic growth. The scale of its contribution to the Philippines economy makes this a national imperative.

Oxford Economics was commissioned by ASEAN Food and Beverage Alliance (AFBA) and Food Industry Asia (FIA) to provide an analysis of the Philippines agri-food sector's economic contribution in 2025. Our report also explores the broader macroeconomic outlook and identifies key policy priorities that will shape the sector's future in an evolving global context.

THE AGRI-FOOD SECTORS' ECONOMIC IMPACT

In this analysis, we define the agri-food sector as comprising three core components: agricultural production, food and beverage (F&B) manufacturing, and F&B distribution, which includes wholesale, retail and hospitality services.

The sector contributed USD 164.6 billion to national GDP in 2025—equivalent to one third of the Philippines economy that year—and **supported 18.8 million jobs,** roughly 38% of total employment. It also **generated USD 20.7 billion in tax revenues.**

- **Agricultural production** contributed USD 55.4 billion to GDP and supported 9.9 million jobs.
- **F&B manufacturing** contributed USD 71.3 billion to GDP and supported 3.7 million jobs, underlining the higher productivity of the sector, relative to agriculture.
- **F&B distribution** contributed USD 37.9 billion in GDP and supported 5.2 million jobs, mainly through catering and retail services.

MACROECONOMIC OUTLOOK AND POLICY IMPLICATIONS

The global economic landscape is undergoing profound changes amid rising trade tensions and policy fragmentations. The tariffs imposed on Philippine goods by the United States (US)—the Philippines' largest agri-food trading partner, both as a key export destination and import source—highlights the potential scale of disruption.
As a net food importer, the Philippines is also vulnerable to fluctuations in global commodity prices, which can heighten inflationary pressures and undermine national food security. Oxford Economics estimates that under "worst case scenario" conditions, escalating tariffs could reduce global GDP to 2.3% below baseline projections over the next five years, intensifying demand-side pressures and supply-side uncertainty.

Despite these challenges, opportunities remain to cushion the impact of tariffs and strengthen long-term competitiveness. An open trade environment enables the Philippines to absorb redirected food supplies from exporters seeking alternatives to the US market, easing domestic price pressures. At the same time, sustained investment in logistics, cold-chain, and energy efficiency is essential to lower input costs and enhance the competitiveness of local producers.

Short-term priorities (export readiness and controlling food inflation):

- Provide smaller producers with better access to finance, certification, and reliable distribution networks to meet international market requirements.
- Ensure clear and transparent import policies, and efficient customs procedures for cost advantages to be passed on to local agribusinesses.
- Ensure regulatory predictability.

Long-term priorities (competitiveness and investment):

- Invest in agri-food infrastructure, in line with the Philippine Food Chain Logistics Masterplan 2023-2033, to boost export competitiveness.
- Improve grid efficiency and accelerate investment in renewables to lower energy costs for F&B processing and manufacturing.
- Strengthen investor confidence via ease-of-doing-business reforms, such as streamlined approvals and appropriate level of screening requirements, to generate business dynamism.
- Enhance trade facilitation policies, like custom single window and electronic exchange of Sanitary and Phytosanitary (SPS) certificates, to improve efficiency in export processes, particularly for SMEs.

Successfully advancing this agenda will require policy consistency and strong institutional coordination. With sustained commitment to implementation, the Philippines can use these priority actions to strengthen its position in regional and global value chains, while simultaneously enhancing food security and driving inclusive growth across the country.

THE AGRI-FOOD SECTOR: A CORNERSTONE OF THE PHILIPPINES' ECONOMY

Total Economic Impact in 2025

A total contribution to GDP worth **$164.6 billion,** equivalent to **33%** of the national economy.

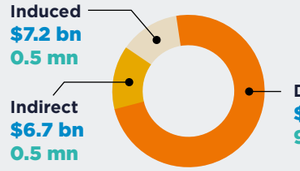
A total employment footprint of **18.8 million,** equivalent to **38%** of national employment.

From farm to table, the impact of the sector is wide-ranging

Agricultural production

Total GDP Contribution: **$55.4 bn**

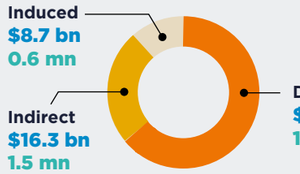
Total Employment Supported: **9.9 mn**



F&B manufacturing

Total GDP Contribution: **$71.3 bn**

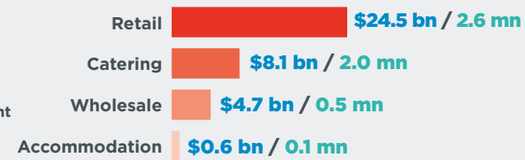
Total Employment Supported: **3.7 mn**



F&B distribution

Total GDP Contribution: **$37.9 bn**

Total Employment Supported: **5.2 mn**



BUILDING RESILIENCE AND COMPETITIVENESS

Trade tensions and shifting demands have created a more uncertain environment. Strengthening the sector's domestic foundations is key.

The strategic opportunity

Short-term needs

Enhance export readiness and control food inflation:

- Transparent import policies
- Streamline border processes
- Targeted fiscal and certification support

Long-term goals

Enhance competitiveness in external markets:

- Invest in agri-food infrastructure
- Strengthen infrastructure and standards systems
- Enhance trade facilitation policies

Stronger coordination between government, industry, and international partners:

- Regional trade agreements
- Facilitation of cross-border investments
- Engagement with international associations and trade bodies

All $ figures in USD 2025 prices. Totals may not sum due to rounding.

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1. INTRODUCTION

The Philippines agri-food sector sits at the heart of the nation's economy and society. From plantations in the island of Mindanao to food vendors and small sundry food stores in Metro Manila, the value chain that produces, processes, and delivers food sustains tens of millions of livelihoods and contributes in a fundamental way to the Philippines economic dynamism. Its reach extends far beyond the farm gate, through manufacturing plants, logistics networks, and retail and hospitality businesses that connect rural producers with urban consumers.

The rise in food consumption from a rapidly growing population in the Philippines will increase net agricultural imports in the years ahead, particularly as climate risks place additional stress on domestic production systems.[1] Against this backdrop, advancements in domestic agricultural production remain central to the economy, crucial for not just sustaining livelihoods for much of the rural population but also safeguarding national food security. Yet the Philippines agri-food story is not only about primary production.

Food and beverage (F&B) production, which transforms raw agricultural goods into processed food and beverages, drives one of the country's largest and most vibrant manufacturing clusters. Further along the value chain, distribution and hospitality services connect this vast system to consumers, supporting urban employment and expanding opportunities in logistics, retail, and tourism. This segment also promotes entrepreneurship and female economic participation, contributing to household incomes and improved local welfare across the archipelago.

Together, these interlinked activities form an economic ecosystem that is deeply woven into the Philippines economic model. The sector's scale and complexity mean that its performance has wide-reaching implications for economic stability, inclusion, and resilience.

This report assesses the full economic contribution of the Philippines agri-food sector and the challenges it now faces in an increasingly uncertain global environment.

- **Chapter 2** quantifies the economic footprint of the Philippines agri-food sector, highlighting its scale across agricultural production, manufacturing and distribution.
- **Chapter 3** examines the macroeconomic outlook and the external pressures now testing the sector, exploring how the Philippines can strengthen its resilience and competitiveness in response.
- **Chapter 4** sets out the key policy priorities and practical actions needed to sustain growth in a more uncertain global economy.
- **Chapter 5** concludes with the study's key takeaways.

1 Manilla Bulletin, Philippines seen importing more agricultural goods amid growing economy, population (2025)

2. THE ECONOMIC FOOTPRINT OF THE PHILIPPINES AGRI-FOOD SECTOR

The Philippines agri-food sector is one of the country's most powerful engines of economic activity. Its reach extends across every province and through almost every major industry. This chapter quantifies that reach using Oxford Economics' input–output modelling framework, measuring the sector's contribution to gross domestic product (GDP), employment, and tax revenues in 2025, and mapping how those impacts flow through the Philippines wider economy.

2.1 DEFINING AND MEASURING THE SECTOR

2.1.1 Scope of the agri-food system

For the purposes of this study, the agri-food sector encompasses the full chain of activity involved in producing, processing, distributing, and serving food and beverages in the Philippines. It therefore includes:

- **Agricultural production:** farming and fishing;
- **Food and beverage manufacturing:** processing and packaging of raw commodities into higher-value products; and
- **Food and beverage distribution:** wholesale and retail trade, and hospitality services (e.g., restaurants, catering, and accommodation) that bring food and beverages to consumers.

This integrated definition captures the whole value chain, from the rural foundations of food production to the service-oriented activities that take the product to market.

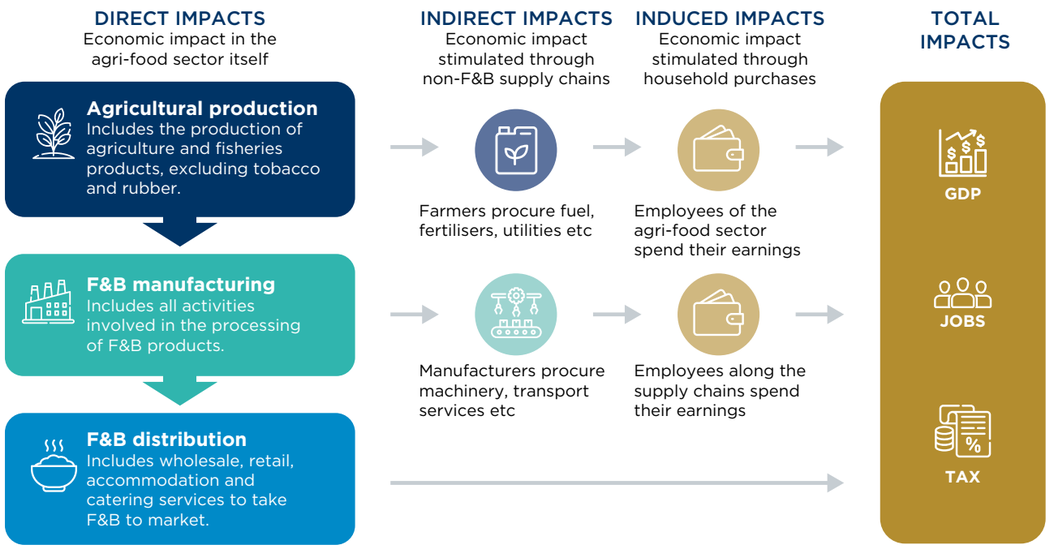
2.1.2 Modelling framework

Oxford Economics estimated the sector's economic footprint using an input-output modelling framework, which quantifies inter-industry linkages across the economy. The model traces three channels of impact (Fig. 1):

- **Direct impacts:** the value added, employment, and tax revenues generated within the agri-food industries themselves;
- **Indirect impacts:** demand for intermediate goods and services from suppliers such as transport, packaging, energy, and finance; and
- **Induced impacts:** household spending by workers employed directly or indirectly by the sector.

Results are expressed in 2025 prices and correspond to the most recent data on the structural relationships between sectors available in the official national accounts. To inform our modelling, we draw on data from the Philippine Statistics Authority, the OECD, UNIDO, official statistics from business surveys, and Oxford Economics' proprietary databanks.

Fig. 1 The contribution the agri-food sector makes to the Philippines economy



2.2 THE SECTOR'S TOTAL CONTRIBUTION TO THE ECONOMY

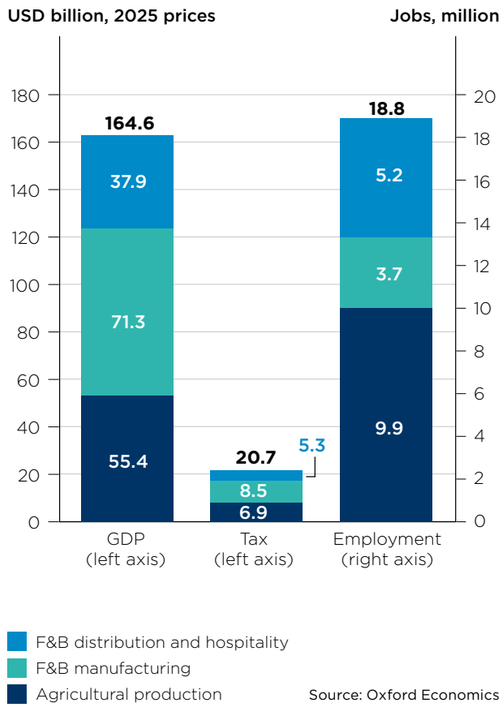
2.2.1 Headline results

In 2025, the economic impact of the Philippines agri-food sector was equivalent to one-third of national GDP and 38% of total employment when the three channels of impact are considered. The sector also generates substantial fiscal benefits through a mix of corporate and labour taxes, net taxes on production, and other taxes businesses paid on their inputs.

This equates to an estimated USD 164.6 billion contribution to national GDP, approximately USD 20.7 billion in tax revenues, and 18.8 million jobs (Fig. 2). Agricultural production accounts for a larger share of employment than GDP, reflecting its labour-intensive nature in the Philippines. F&B manufacturing is the opposite—as a more capital-intensive industry, it generates relatively more economic value per worker.

Unlike other Southeast Asian countries like Indonesia in which agricultural production traditionally plays a larger role in the GDP footprint, the Philippines agri-food GDP impact is heavily driven by the F&B manufacturing component. This highlights the important role of this midstream value chain compared to its regional peers.

Fig. 2 Economic contribution of the agri-food sector in the Philippines, by components, 2025



Source: Oxford Economics

2.3 ECONOMIC LINKAGES ALONG THE VALUE CHAIN

2.3.1 Agricultural production

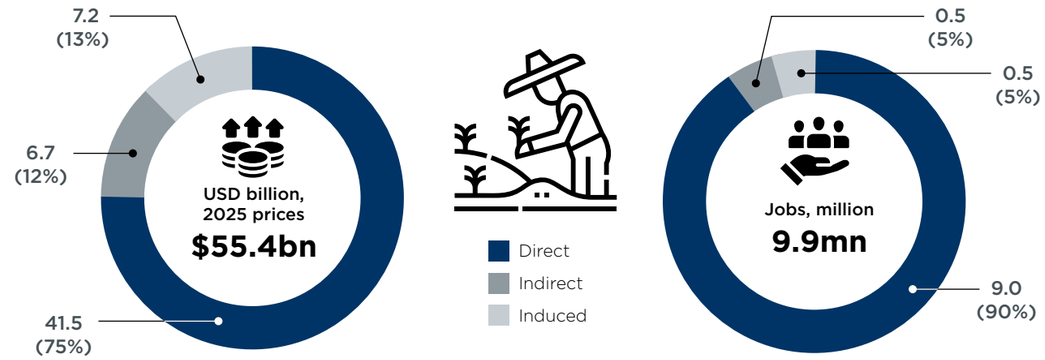
Agriculture is the foundation of the Philippines agri-food economy. It supplies the raw materials that feed domestic food processors, retailers and exporters, while providing income to millions of rural households.

In 2025, the agricultural base directly employed 9.0 million people and contributed around USD 41.5 billion to GDP. Indirectly, the sector's contribution to the economy extends beyond farm incomes: it supports local services, transportation, and small-scale trade through its supply chain (Fig. 3).

The Philippines agricultural sector, long characterised by smallholder farming and limited technological uptake, remains the least productive segment of the agri-food system and continues to trail behind its regional peers.[2] The Philippine Development Plan 2023–2028 outlines a range of transformative strategies aimed at reversing these trends. It focuses on improving efficiency

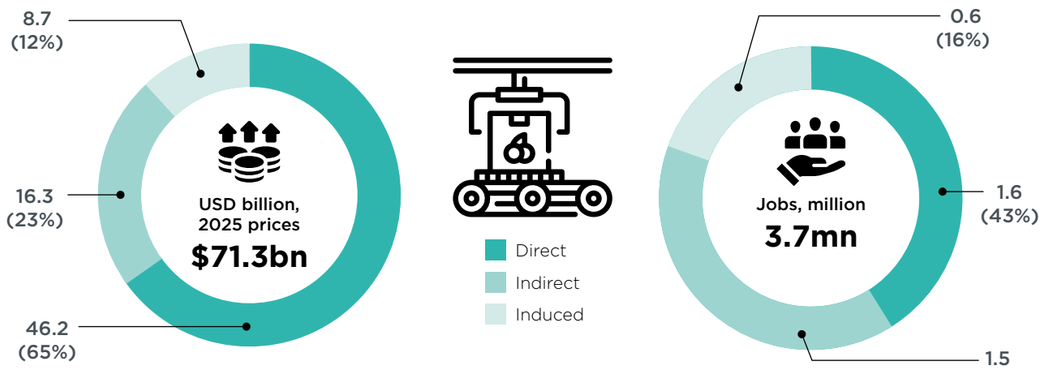
2 FFTC Agricultural Policy Platform, Supporting the sustainability of agricultural innovation systems (2022)

Fig. 3 Economic contribution of agricultural production in the Philippines, by channels of impact, 2025



Source: Oxford Economics
Totals may not sum due to rounding

Fig. 4 Economic contribution of F&B manufacturing in the Philippines, by channels of impact, 2025



Source: Oxford Economics
Totals may not sum due to rounding

through modern technologies and quality inputs, expanding market access via increased private investment and development of the blue economy, which encompasses fisheries, coastal tourism, and other ocean-based industries, and strengthening resilience through disaster-resilient tools and innovative insurance schemes[3] Together, these efforts aim to lay the groundwork for a more competitive agricultural sector.

2.3.2 Food and beverage manufacturing

Food processing represents an important source of value creation within the agri-food sector, transforming raw commodities into higher-value products. The Philippines food and beverage industries contribute around USD 46.2 billion to GDP directly, and an additional USD 16.3 billion through its extensive supply-chain spending in packaging, machinery, logistics, and services. Around 1.6 million jobs are supported directly in the F&B manufacturing operations, with another 1.5 million jobs supported through the upstream linkages (Fig. 4).

With over 40% of all manufacturing establishments in the Philippines engaged in F&B

3 GOVPH, Philippine Development Plan 2023-2028: Chapter 5, Modernise Agriculture and Agribusiness (2025)

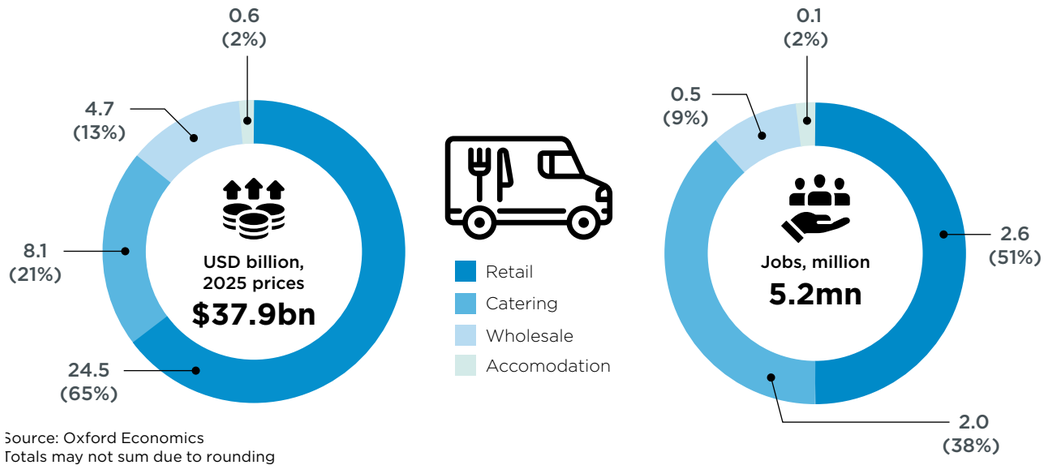
processing, this segment's scale and economic significance positions it as an anchor of the country's broader industrial landscape.[4]

2.3.3 Distribution, retail and hospitality

Downstream distribution and hospitality functions connect producers with consumers, sustaining millions of service-sector jobs across the country. F&B retail make up the largest share of the total employment impact, supporting 2.6 million jobs, while restaurants and catering further supported another 2.0 million (Fig. 5).

The distribution and hospitality sectors in the Philippines support a vibrant ecosystem of micro-, small-, and medium enterprises (MSMEs) and serve as a vital platform for entrepreneurship and female economic empowerment. Nearly half of all MSMEs in the Philippines operate within the wholesale and retail trade sector—making it the largest domain for small business activity—closely followed by accommodations and F&B services.[5] Notably, a significant share of MSMEs in the Philippines are led by women.[6]

Fig. 5 Economic contribution of F&B distribution in the Philippines, by sub-components, 2025



Source: Oxford Economics
Totals may not sum due to rounding

2.4 IMPLICATIONS FOR THE PHILIPPINES ECONOMY

The Philippines agri-food sector is a stabilising force for employment, fiscal revenues, and regional investments. The extensive value chain linkages characterised by the sector mean that policies affecting agriculture, manufacturing, and services are deeply connected. The evidence presented in this chapter underscores the sector's central role in the Philippines growth model—and why global economic shifts, the costs of trade, and global investment conditions have far-reaching consequences for its performance.

The next chapter explores these external and domestic forces in more detail, assessing how evolving trade patterns, policy choices and market conditions are set to test the sector's resilience, and influence its prospects in the years ahead.

4 PSA, 2022 Annual survey of Philippine Business and Industry (ASPBI) – Manufacturing sector: preliminary results (2024)
5 Department of Trade and Industry, 2024 Philippine MSME Statistics (2024)
6 Asian Development Bank, Measuring Progress on Women's Financial Inclusion and Entrepreneurship in the Philippines: Results from a Micro, Small, and Medium-Sized Enterprise Survey (2023)

3. OUTLOOK FOR THE PHILIPPINES AGRI-FOOD SECTOR

3.1 SHIFTING CONDITIONS IN GLOBAL TRADE AND INVESTMENT

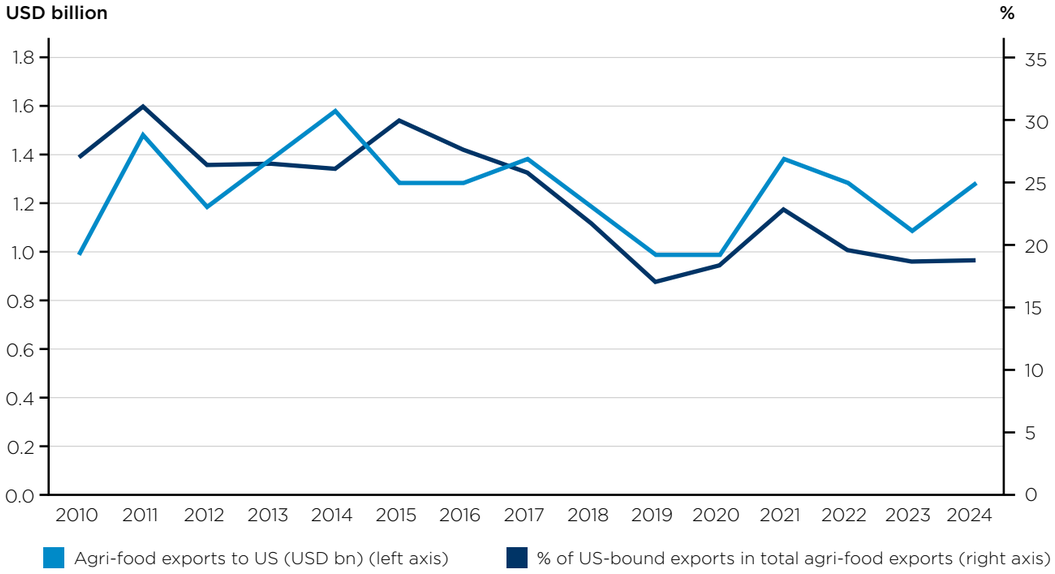
The global trading landscape has become increasingly more protectionist in recent years. In President Trump's second term, a succession of sweeping tariff increases has been introduced across multiple partners and product categories. These unilateral actions potentially pushed the US' effective average tariff rate to the highest level since the 1930s—signalling a clear shift toward a more fragmented and protectionist world trading system.

Given the Philippines' export dependency and deep trade ties with the US, these shifts present both challenges and opportunities for its economy and the agri-food sector. The US is the Philippines' largest trading partner in agri-food. It is both the largest export destination—accounting for roughly 20% of total agri-food exports in 2024 (Fig. 6)—and the largest import source, providing about 14% of total agri-food imports. The Philippines remains a net food importer, relying heavily on external sources to meet domestic consumption needs.

First and foremost, the tariffs highlight an increasingly protectionist global trading environment. Prior to 2025, the global trade regime had already seen an increasing trend of non-tariff barriers across countries, with the number of harmful interventions introduced in 2024 about 50 times higher than in 2019.[7] In this context, the new US tariffs reinforce the impression that rules-based multilateralism is being squeezed out in favour of a more mercantilist norm.[8]

The Philippines agri-food sector is exposed to external demand shocks from this protectionist

Fig. 6 Philippines' agriculture exports to the US, 2010 to 2024



Source: Oxford Economics, International Trade Center (ITC)

7 Global Trade Alert (n.d.)
8 Project Syndicate, The US Is now an Extractive Superpower (2025)

Fig. 7 Top five most impacted agri-food products under hypothetical US tariff scenario

Agri-food products	US imports 2023 (USD mil)	Trade destruction (USD mil)	% of impact on US imports
All products	1,148.2	-281.5	-24.5
Crude coconut oil	157.0	-43.3	-27.6
Desiccated coconuts	59.4	-41.8	-70.3
Coconut oil and its fractions	223.7	-41.5	-18.5
Crab	65.6	-37.2	-56.7
Fruit/Vegetable juice	92.6	-16.0	-17.2
Top 5 total	598.3	-179.7	-30.0

Source: Oxford Economics, UN TINA

shift. UN TINA's tariff simulations estimate that hypothetically, an additional 19% tariff could reduce US agri-food imports from the Philippines by around 25% (Fig. 7). The results underscore the sector's vulnerability to tariff shocks, with coconut oil, bananas, and processed fruit juices among the most affected export products.

Furthermore, global trade policies will continue to pose risks for the industry. The exact application of tariff levels and the list of sectoral carve-outs remain highly uncertain and ever-changing due to shifting priorities and the risks of tariff litigation in the US Supreme Court. For example, under the bilateral agreement between the US and the Philippines in July 2025, all Philippines goods entering the US faced a tariff of 19%. However, the US later removed tariffs from a list of agriculture products globally in November 2025. The list included some of the Philippines' key exports to the US, such as tropical fruits, fruit juices, coconuts and more, which are estimated to be worth over USD 1 billion in bilateral trade revenues, annually.[9]

Beyond the direct trade effects, the broader wave of tariff escalation is likely to dampen global growth, disrupt supply chains, and amplify price volatility for agri-food inputs—all of which will test the resilience of Filipino producers and exporters. The sector's ability to adjust to this new environment will be crucial in shaping its medium-term growth and food-security prospects.

3.2 BRACING FOR TOMORROW'S TRADE SHOCKS

The risks in the global trade environment in 2026 remain elevated. Firstly, geopolitical competition between the US and China will continue to manifest in an increasingly hostile and unpredictable trade policy environment. Secondly, country-level and sector-specific tariff details are still highly vulnerable to further unilateral changes by the US, leaving businesses uncertain about final duty levels and timing. Thirdly, enforcement measures are also highly uncertain, particularly regarding how authorities will address transshipment, origin verification, and circumvention through third countries.

Economic modelling from Oxford Economics suggests that worsening trade condition could put further pressure on the global and the Philippines' economy. Oxford Economics' baseline forecasts suggest that the world's GDP will grow by a compound annual rate of 2.7% in the next five years, compared to 5.8.% in the Philippines. However, given the elevated uncertainties around tariff development, Oxford Economics has developed a worst-case trade war scenario to estimate the impact of tariff escalation post-2025 (see Box 1 for a summary of the scenario). Under the scenario, significantly higher tariff

9 Nikkei Asia, US removes 'reciprocal' tariffs on $1bn of Philippine agricultural products (2025)

BOX 1: "WORST-CASE TRADE WAR" SCENARIO

In Oxford Economics' worst-case trade war scenario, trade negotiations turn far more acrimonious and disruptive than the current development. The US reverts to much higher tariff hikes on China that mimic the Liberation Day announcements on 2 April 2025, including a 120% tariff on Chinese imports. Key tariff exemptions, such as pharmaceuticals and agriculture products are also removed, while the expected USMCA renegotiation fails to materialise. Overall, this brings US overall effective tariff rate to 31% in Q4 2025, more than double the level in the baseline. Additionally, affected trading partners hit back with corresponding tariffs on US exports.

An escalation in the trade war impacts the global economy through two key channels—a drag in investment confidence and disruption in global trade flows. Heightened US trade policy uncertainty causes businesses and consumers to delay or even cancel investment decisions and spending on durable goods, thereby acting as a drag US domestic demand. This effect will spill over globally by depressing export revenues and disrupting supply chains, which raises costs and reduces efficiency.

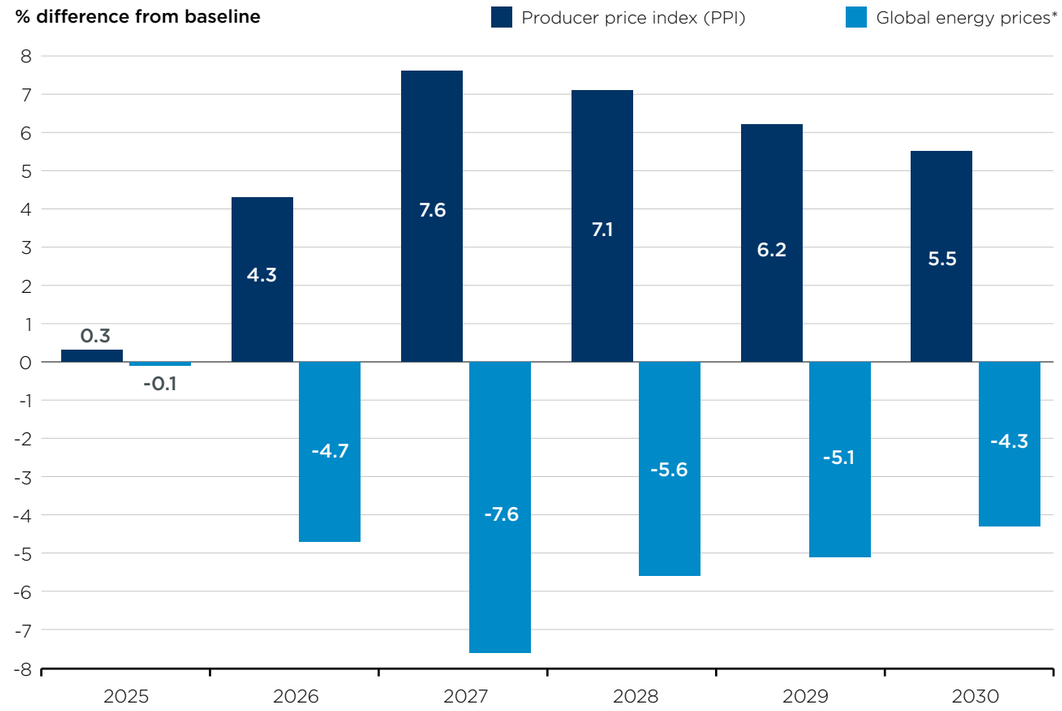
levels without sectoral carve-outs lead to a more severe hit to global investor confidence and disruption to international trade flows, and would slash both global and Philippines GDP by 2.3% and 0.5%, respectively from our current baseline forecasts over the next five years.

Food price inflation is a key risk from heightened trade tension for the Philippines. The rise of trade barriers and the fragmentation of international production networks could disrupt supply chains and raise input costs for producers, domestically and globally. Under the worst-case scenario, global producer prices could rise by up to 8% above baseline levels (Fig. 8). For a net food importer like the Philippines, the pass-through from import prices to local production costs and food inflation is high. The Food and Agriculture Organization of the United Nations (FAO) estimates that one-third of the Philippines population faced moderate to severe food insecurity between 2022 and 2024.[10] Elevated food input prices would further complicate the government's efforts to mitigate the food-security challenge targeted under the Philippine Development Plan (PDP) 2023–2028.

The tariff shock comes on top of an even deeper structural challenge: the accelerating impact of climate change on food security. Among five large agri-food economies studied (Indonesia, Malaysia, Thailand, Vietnam, and the Philippines), research by Oxford Economics, Food Industry Asia (FIA), and the ASEAN Food and Beverage Alliance (AFBA) suggests the Philippines is the most vulnerable to temperature change and extreme-weather disruptions. This is because of both its exposure to typhoons, floods, and heat stress, as well as its weaker capacity to buffer shocks in domestic production. The study estimates that climate change alone was responsible for about a 6% increase in Philippines food prices over the past decade. Looking ahead, climate-driven weather extremes and energy transition costs could push food prices in Southeast Asia up by as much as 59% in coming years if left unmanaged, threatening affordability forlow-income households and intensifying political pressure around food security. [11]

10 Food and Agriculture Organization of the United Nations, The State of Food Security and Nutrition in the World 2025 (2025)
11 Oxford Economics, FIA, AFBA, Climate Change and Food Prices in Southeast Asia: 2024 Update (2024)

Fig. 8 "Worst-case" trade war impact on prices, 2025 to 2030



Source: Oxford Economics

*This is an index of oil, gas and coal prices.

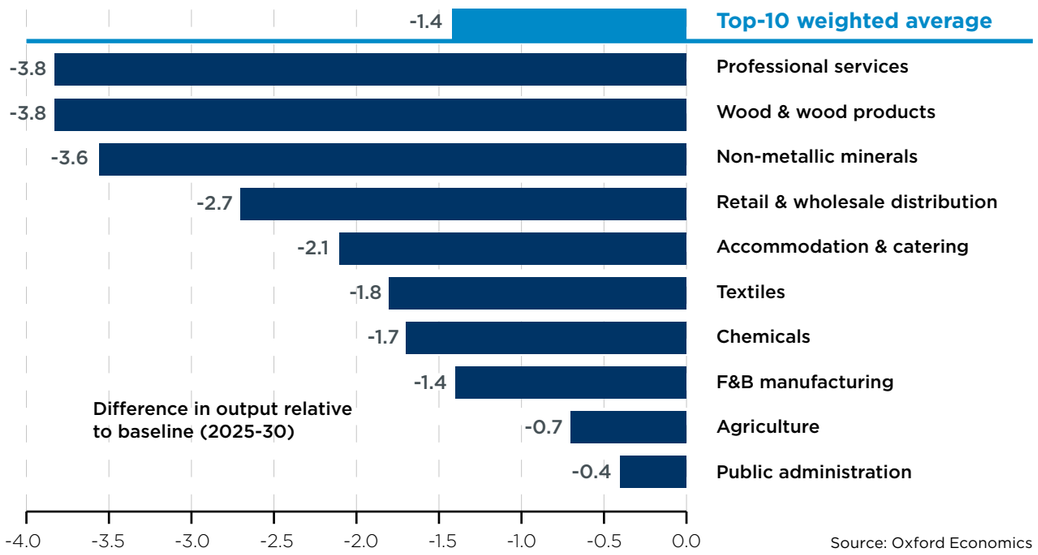
On the demand side, a broad-based global growth slowdown would dampen demand in Philippines' other key export markets as well. Over the past decade, Asia has grown in importance for the Philippines' agri-food exports, with the region's share rising from 40% in 2010 to 52% in 2024. China alone now absorbs around 12% of the Philippines total agri-food exports, up from just 5% in 2010. Yet, Asia is also the region most vulnerable to trade-war escalation. Under a worst-case scenario, GDP in China could fall by 2.7% below baseline expectation, and in the rest of Asia-Pacific by 1.4%, compared a decline of 2.3% globally, compounding headwinds for Philippines' exporters in the medium term.

Across sectors, the slowdown in overall economic activities would dampen downstream demand for the Philippines agri-food outputs. In addition to final consumers' demand for agri-food products, the sector also depends on demands for raw materials and intermediates from other downstream sectors such as food and beverage manufacturing, agriculture, and accommodation and catering services. Yet, these downstream sectors are also negatively affected by trade tensions. Oxford Economics' modelling of the worst-case trade war suggests that the top ten downstream market segments for the Philippines' agri-food sector could shrink by 1.4% relative to baseline level between 2025 and 2030.

Professional services and wood manufacturing sectors will be the most severely hit, with their output slashed by nearly 4% (Fig. 9).

The sector's exposure to global trade and climatic shocks makes resilience and competitiveness the central policy priorities for the decade ahead. The following chapter sets out how the Philippines can achieve these goals through targeted reforms, investment, and innovation across the agri-food value chain.

Fig. 9 "Worst-case" trade war impact on Philippines' top 10 agri-food downstream demand sectors, 2025 to 2030



Source: Oxford Economics

4. BUILDING RESILIENCE AND COMPETITIVENESS

4.1 TRADE DIVERSION COULD OFFER SHORT-TERM OPPORTUNITIES

A worst-case scenario, in which agriculture products continue to face steep US tariffs, the Philippines would still stand to benefit from new demand opportunities through trade diversion. Using the July reciprocal tariff schedule as a reference point, the Philippines agri-food exports to the US were subject to a 19% tariff. Among competitors selling into the US, only Ecuador (15%) and Mexico (nil) enjoyed a lower rate, and the Philippines had a significantly lower rate than China (34%) (Fig. 10). This puts the Philippines agri-food exporters in a relatively more competitive position to benefit from trade diversion and capture redirected US demand. Realising this potential, however, depends on firms' ability to scale production and overcome any dominance of established players in the respective product space in the US market.

However, there will be obstacles to overcome in realising those gains. Many local agri-food firms face capacity, infrastructure, and compliance constraints that hinder their ability to pivot quickly towards new markets. The Philippine Food Chain Logistics Masterplan (2023–2033) highlights persistent weaknesses in cold-chain coverage, inter-island shipping, port efficiency, and food safety systems, all of which add cost and complexity for exporters. Differences in product standards, rules of origin, and logistics costs further erode the potential gains. Smaller producers and cooperatives often lack financing, certification facilities, and reliable distribution networks. Without targeted support to upgrade export infrastructure and compliance capacity, much of the short-term benefit will accrue to large agribusinesses already equipped with scale and market access.

Fig. 10 July reciprocal tariff of the Philippines' competitors to US markets

Competitor	Products	US reciprocal tariff (country-level)
China	Mucilages and thickeners (vegetable gums)	34%
Sri Lanka	Desiccated coconuts	20%
Vietnam	Condiments and seasonings	20%
Indonesia	Coconut oil	19%
Indonesia	Crude coconut oil	19%
Costa Rica	Pineapple	15%
Thailand	Fruit or vegetable juice	19%
Indonesia	Crab	19%
Ecuador	Prepared or preserved tunas	15%
Mexico	Bread, pastry and cakes	-

Source: Oxford Economics based on analysis of latest trade data and tariff announcement from Trump 2.0 tariff tracker (accessed October 14, 2025). Products are limited to the Philippines' top 10 leading exports to the US.

Open trade can also help the Philippines' food import bill as major exporters divert output from the US to alternative markets at discounted prices. Exporters in economies like China, and Brazil may redirect surplus commodities—including wheat, animal feed inputs, edible oils, and processed food ingredients—towards other destinations, with the Philippines's existing partners likely to play an important role. For net food importers, this offers a short-term cushion: cheaper diverted imports can reduce input costs for domestic food processors, easing cost pressures in packaged food and livestock supply chains, and helping to contain inflation.

Soybeans provide a case in point. The ongoing trade conflict between the US and China has placed soybean trade between both countries in the crosshairs. Despite the trade truce in November 2025, selected US exports (such as soybeans) continue to face high barriers and uncertainties to access the Chinese market. Ongoing uncertainties and barriers would likely incentivise US exporters to redirect competitively priced excess soybean supply to other destinations—including the Philippines, where soybeans and soybean meal are critical feed inputs. Given that domestic production covers less than 3% of total demand, and about 80% of imports already originating from the US, lower import prices directly support poultry and livestock producers and stabilise downstream costs.

Tapping into these opportunities to reduce import bills requires an open and predictable trade regime. Avoiding protectionist import restrictions would allow food manufacturers and other downstream producers to benefit from cheaper global supply and mitigate food inflation pressures. Transparent import policies and efficient customs procedures can help domestic producers and consumers benefit from trade-diversion dynamics, strengthening short-term food security amid global market volatility.

4.2 BUILDING LONG-TERM COMPETITIVENESS AND RESILIENCE TO TRADE DISRUPTIONS

4.2.1 Boost competitiveness through sectoral and infrastructure investments

The Philippine Development Plan (PDP) 2023–2028 identifies the agri-food sector as a foundation for inclusive growth, emphasising productivity gains, value-chain integration, and food security. It promotes these goals through investments in farm modernisation, infrastructure, and logistics, alongside programmes that strengthen agribusiness, foster innovation, and enhance market access for farmers and food processors. To support the PDP, the Asian Development Bank (ADB) produced the Philippine Food Chain Logistics Masterplan (PFCLM) 2023–2033, which outlined ten strategic interventions spanning production, logistics, cold chain, and distribution for the agri-food sector.

Improving national transport and logistic networks is central to offsetting higher costs and uncertainty from rising global protectionism. Lower logistics costs can both stabilise food import bills and boost competitiveness. The Philippines' Logistics Performance Index (LPI) score rose from 2.9 in 2018 to 3.3 in 2023, lifting its global rank from 60th to 43rd, yet the country still trails key ASEAN peers in infrastructure quality. Persistent gaps in port capacity, inter-island shipping, road connectivity, and cold-chain facilities continue to inflate costs, especially for perishable goods. Addressing these bottlenecks through expanded port upgrades, farm-to-market roads, and integrated logistics hubs will be critical to reducing trade costs, stabilising food prices, and strengthening the country's competitiveness in regional and global value chains.

High and unreliable energy costs are another major constraint. Electricity tariffs remain among the highest in Southeast Asia, driven by dependence on imported fuels and limited capacity in generation and grid infrastructure. Frequent supply disruptions and price volatility raise production costs and undermine cold-chain reliability, particularly for energy-intensive industries such as food processing, packaging, and cold storage. Expanding renewable generation, improving grid efficiency, and accelerating investment in energy infrastructure and storage solutions are essential to secure affordable, stable energy that supports industrial competitiveness and food-system resilience.

4.2.2 Generating dynamism through strengthening the doing business environment

In a volatile and uncertain global trade environment, adaptability and business dynamism are essential for sustaining competitiveness. Rapid shifts in supply-chains, trade regulations, and market demand require enterprises to remain responsive and forward-looking. The Department of Trade and Industry's (DTI) MSME Development Council Plan 2023–2028 supports this goal by fostering an enabling ecosystem for innovation, digital transformation, and continuous capability upgrading.[12] By expanding access to finance, technology, and markets, and strengthening linkages across domestic and global value chains, the plan aims to build a more agile, resilient, and competitive MSME sector capable of navigating global uncertainty and capturing emerging opportunities.

A sustained commitment to business-friendly reforms will be key to generating this dynamism. Despite the government's ambition to place the Philippines among the top 20% of countries in the World Bank's Business Readiness rankings (WBBR), the 2024 B-READY report still positions the country in the bottom 40% for operational efficiency (one of three main pillars of the report). The report highlighted the need for reforms in business entry, insolvency, and market competition to improve the "doing business" environment in the Philippines.

Ongoing discussions over health-related regulations, another key feature of the agri-food policy landscape, also shape the operating environment for businesses and influence long-term business decisions. Regulatory certainty is essential, particularly for MSMEs, as it enables investment planning, upfront capacity building, and effective management of compliance costs. Clear regulatory goals, evidence-based impact assessments, and cross-ministerial coordination can deliver health outcomes while creating a predictable investment climate that supports competitiveness, job creation, and innovation.

The government has made some progress in pushing for business-friendly reforms, such as the landmark passage of the 2022 amendments to the Public Service Act, Retail Trade Liberalisation Act, and Foreign Investments

12 The Philippines Department of Trade and Industry, Micro, Small and Medium Enterprise (MSME) Development Plan 2023-2028 (n.d.)

Act. These amendments are intended to attract more foreign capital, promote competition in key sectors such as telecommunications, transport and retail, and create a more transparent and open investment environment. However, their full impact has yet to be seen, as regulatory implementation and complementary institutional measures are still underway.

Meanwhile, foreign direct investments (FDI) from multinational enterprises (MNEs) can also be a powerful driver of transformation in the agri-food sector. MNE investment brings productivity gains, technology transfer, and market access, while integrating local suppliers into global value chains. For the Philippines, attracting such investment is vital to upgrade processing capabilities, strengthen export competitiveness, and generate rural employment.

However, investor confidence has weakened. Data from the Financial Times' fDi Markets show that annual capex by greenfield FDI projects in the sector have contracted by almost half (49%) between 2017-2019 and 2022-2024, This trend underscores the urgent need for targeted reforms to rebuild investor confidence, improve regulatory efficiency, and position the Philippines as a competitive destination for regional agri-food investment.

The OECD's FDI Regulatory Restrictiveness Index consistently ranks the Philippines among the most closed to foreign equity participation across more than the 80 to 100 economies assessed. Restrictions are concentrated in sensitive sectors—including primary agriculture, fisheries, and parts of food-related processing and distribution—where foreign ownership caps, screening requirements, and other operational limits continue to discourage large-scale MNE entry. This matters directly for the agri-food sector, raising the cost of attracting the FDI that is needed for modernisation and overseas market access.

4.2.3 Maintaining an open, rules-based trade regime

An open, rules-based trade regime is vital to keeping food affordable and supply chains stable in the Philippines. As a net-food importer, the country depends on reliable access to global markets helps prevent sharp increases in food prices for consumers and to keep input costs manageable for farmers and processors. Openness also ensures continued access for Philippines exporters—particularly in coconut, fruit, and processed food products—to major markets such as the US and Asia.

In an era of rising global protectionism, reaffirming the Philippines' commitment to a transparent, rules-based system is essential to maintaining investor confidence and attracting multinational agri-food firms. Open trade also reduces vulnerability to climate and weather shocks by diversifying import sources. With increasing risks from typhoons, droughts, and other extreme events, a diversified network of trading partners helps stabilise food supply and prices, strengthening the resilience of the national food system.

Regional trade frameworks could serve to reinforce this openness. For example, the Philippines' participation in the Regional Comprehensive Economic Partnership (RCEP), which took effect in June 2023, may expand access to regional markets and simplify trade rules that could help reduce costs for exporters and importers. Econometric simulations by the Economic Institute for ASEAN and East Asia (ERIA) estimate that RCEP could raise Philippines export volumes by 5.1% and GDP by 3.4% in 2035.[13] Likewise, its application to accede to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in November 2025 signals an intention to deepen engagement with high-standard economies and diversify trading relationships. If effectively implemented, these initiatives could strengthen the Philippines' integration into regional and global value chains and enhance its attractiveness to investors over time.

Policy consistency is equally critical. Abrupt interventions—such as sudden import or export bans or domestic market obligations—can erode trust among both local producers and foreign investors. A clear, consultative, and evidence-based approach to trade policymaking will demonstrate reliability to trading partners and signal long-term stability to investors.

Recent improvements in the Philippines' trade facilitation score in the UN Global Survey Digital and Sustainable Trade Facilitation (UNTF) survey reflects encouraging progress. Between 2023 and 2025, advances were recorded in agricultural trade facilitation (including e-application of SPS certifications) and cross-border paperless trade (e.g. legal frameworks digital authentication). However, implementation gaps remain. Trade facilitation for SMEs—such as access to Authorised Economic Operator (AEO) and single customs windows—are still limited, while full electronic exchange of SPS certificates and origin certificates is yet to be fully implemented.

Closing these gaps would not only enhance export efficiency but also build the Philippines' reputation as a dependable connected player in global agri-food value chains.

4.3 IMPLICATIONS FOR THE PHILIPPINES TRADE AND INDUSTRIAL POLICY

Resilience will depend on linking trade openness with competitiveness reforms. The Philippines can capitalise on regional frameworks and trade deals if it addresses domestic bottlenecks in logistics, standards, and investment regulation.

Key priorities include streamlining trade facilitation, modernising infrastructure, liberalising FDI rules, and ensuring policy coherence across agencies. A transparent, predictable regulatory environment—anchored in digitalisation and clear inter-agency coordination—will attract high-value investment and sustain confidence among exporters and investors.

By coupling openness with competitiveness, the Philippines can turn global trade turbulence into a catalyst for upgrading industry, strengthening rural livelihoods, and building a more resilient agri-food economy.

13 ERIA, Impact of the Regional Comprehensive Economic Partnership (RCEP): A Global Computable General Equilibrium (CGE) Simulation (2022)

5. KEY TAKEAWAYS

A bedrock of the Philippines economy:
The agri-food sector's economic footprint is equivalent to a third of national GDP, supports 38% of total employment, and anchors regional and enterprise development.

Exposure to global volatility:
As a net food importer, the nation faces heightened uncertainty from trade tensions, further exacerbated by the long-term challenges of climate change. These pressures undermine both food security and the competitiveness of local producers and exporters.

The strategic opportunity:
Through continued emphasis on trade openness, infrastructure investment, and institutional capacity, the Philippines agri-food sector can maintain its resilience and reinforce its role as a catalyst for inclusive economic growth.

Short-term resilience measures matter:
Streamlining border procedures, enhancing logistics, and offering better access to finance and certification can support firms from external shocks and sustain export momentum. An open trade regime also strengthens the absorptive capacity of redirected food supplies, mitigating the risks of food inflation.

Long-term competitiveness requires reform:
Attracting quality investment, strengthening infrastructure and standards systems, and lowering input costs through energy efficiency will position the Philippines to capture higher-value opportunities in regional and global markets.

Policy consistency builds confidence:
Transparent, predictable trade and investment policies, and regulatory measures relating to food, that avoid abrupt shifts are essential to maintaining investor trust and integration in global value chains.

Collaboration is key:
Stronger coordination between government, industry, and international partners can turn policy goals into action through regional trade agreements, facilitation of cross-border investments, and engagement with international associations and trade bodies to better harmonise standards and share best practices.

The Economic Impact of the Agri-food sector in the Philippines

6. TECHNICAL ANNEX

The methodology for estimating the economic impact of the agri-food sector in this study is consistent with our previous report with Food Industry Asia, *The Economic Impact of the Agri-Food Sector in Southeast Asia 2022.* We elaborate on the definitions and methodological steps taken in the sections below.

6.1 DEFINING THE AGRI-FOOD SECTOR

The agri-food sector contains three main components:

Component 1: Agricultural production: This includes the production of goods that are either exclusively or primary used for food. Rubber and tobacco products, as well as forestry, are excluded.

Component 2: Food and beverage manufacturing: Adjustments are made to exclude tobacco manufacturing. As a variation to previous studies, the production of alcoholic beverages is included in the estimation.

Component 3: Food and beverage distribution: This includes wholesale and retail activities, as well as hospitality which covers catering and accommodation. To estimate the proportion of activity in this sector that is F&B-related, we draw on a range of data sources, including official national accounts and business surveys conducted by government agencies that detail the activities of service providers.[14] Data gaps are addressed using modelling assumptions about the structure of the industry, based on international benchmarks.

6.2 ECONOMIC IMPACT METHODOLOGY

6.2.1 Metrics presented

We present the impact in three ways:

- **Gross value added (GVA) contribution to Gross Domestic Product (GDP): t**he value of the output produced by a firm minus its expenditure on inputs that are used in production. When aggregated across all economic operators in the economy, this sums to GDP (plus production taxes and subsidies).
- **Employment:** measured on a headcount basis to facilitate comparisons with national statistical agencies' employment data. It therefore includes anyone who is paid wages regardless of the length of their working week or whether they work all year round.
- **Tax receipts:** an estimate of all corporate profit taxes, personal income taxes, and net taxes on production and products, generated by firms and employees that form part of the economic footprint.

Our results are presented on a gross basis. They do not consider what those resources currently used by the agri-food sector, or by their suppliers, could product in the absence of the sector's activity.

14 This includes national accounts data from Statistics Indonesia and the Philippine Statistics Authority, business surveys conducted by the national statistical agencies such as the Annual Survey of Philippine Business and Industry (ASPBI) and benchmarks from Thailand's Business Trade and Services Survey when data for Indonesia are unavailable.

6.2.2 Direct contribution of agricultural production and F&B manufacturing

Our analysis begins with an estimation of the direct contributions of agricultural production and F&B manufacturing.

Agricultural production. Data was collected data the whole of the agriculture, forestry, and fisheries industry from the national accounts for 2024, which was the latest year available.[15] This was forecasted to 2025 using the sectoral growth rates informed by Oxford Economics' proprietary forecasts. We removed the share of sectors that are outside the scope of this study using detailed product-level data sourced from the national Input-Output (IO) tables published by the respective national statistical agencies.

Employment in agricultural production was calculated by forecasting the latest 2024 employment figures from the respective national labour force surveys for the overall agricultural, forestry, and fisheries sector to 2025, before scaling to the size of the sector that is considered in scope.

Food and beverage manufacturing. National accounts data from the statistics agency were used as the basis for estimating direct GDP contribution. This was forecasted to 2025 using sectoral growth rates informed by Oxford Economics' proprietary forecasts.

National statistics only provide employment data for the whole manufacturing sector. To estimate employment only for F&B-manufacturing, we used relative productivities—or GVA per worker—of the sub-sector relative to the whole of manufacturing. This was sourced from the United Nations Industrial Development Organisation (UNIDO) INDSTAT database.

6.2.3 Indirect and induced impacts

Our model utilises national input-output (I-O) tables to model the supply chains that sustain activity in the indirect and induced impact. An I-O table is a detailed representation of an economy, showing the major interactions and spending flows between different industries, households, government, and the external sector.

For the **indirect impact,** we estimated the structure of intermediate purchases of goods and services across the entire supply chain that flowed from our direct impacts. We focused only on the non-F&B supply chains to avoid double counting the activities that are already captured in the direct impact.

The **induced impact** considers the value accrued in the economy as wage earners spend the wages they derive via the direct and indirect impacts. Employee wage spending was adjusted to account for the value of household spending as a share of total earnings, to consider taxes and savings. The value of this spending was distributed across sectors based on the structure of household spending in each country, and we traced the impact that this had across the economy. We excluded household expenditure on agricultural production and F&B manufacturing to avoid double counting these activities.

6.2.4 Estimating the economic impact of F&B distribution

We consider four distribution channels within our model—wholesale, retail, catering, and accommodation.

Wholesale and retail. Statistics on the overall contribution of the wholesale and retail sector to national GDP were available from the national accounts of both countries. We extrapolated the latest 2024 published data to 2025 levels using the sectoral growth rates informed by Oxford Economics' propriety forecasts. To estimate the share that could be attributed to agri-food, we accessed consumer spending data from Oxford Economics' databanks, as well as detailed official statistics from business services surveys for the Philippines. [16] For Indonesia, as granular information was not available, this share was estimated based on official Thai business services survey data.[17]

For employment, we similarly obtained latest 2024 figures for the overall wholesale and retail trade sector from the national labour force surveys and forecasted this to 2025 values. To estimate the employment only for F&B-related segments, we leveraged the relative productivity of the agri-food segments within the broader retail and wholesale industry derived from the detailed business services surveys datasets mentioned above.

Accommodation and catering. GDP and employment estimates of both accommodations and F&B services for 2024, sourced from the national statistics agencies, were similarly forecasted to 2025 levels. Only a portion of the hospitality industry was considered part of the agri-food sector. We leveraged the same proportions used in the previous iteration of this study, which were decided via an analysis of detailed product-level input-output data, as well as consultation with FIA and their members.

6.2.5 Tax model

Our model captured four categories of taxes—corporate profit taxes, labour taxes, and taxes on products (e.g., import duty and value added tax) and production (i.e., other business taxes).

These are modelled based on tax ratios, which are the amount of tax generated relative to a suitable denominator, such as the compensation of employees, gross operating surplus, or GVA. To estimate these ratios, we draw on Oxford Economics' macroeconomic databases and tax revenues from the OECD. These ratios were applied to the relevant results for each component of the agri-food sector to estimate the tax impacts.

15 National accounts data for 2024 taken from Statistics Indonesia and the Philippine Statistics Authority,

16 Data taken from the Annual Survey of Philippine Business and Industry (ASPBI) published by the Philippine Statistics Authority.

17 Data taken from the Business Trade and Services Survey published by National Statistical Office Thailand.

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