



FOOD AND BEVERAGES SECTOR BRIEF

SINGAPORE



Country Overview



Singapore is a sovereign city-state, the largest of its kind in the world, located at the southernmost extremity of Eurasia and only about 130 kilometres north of the equator. Singapore's population is 5.6 million and its economy is extremely open, with trade and services providing jobs and income to most of its companies and inhabitants.





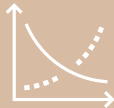


The last quarter of 2019 showed a robust growth, thanks to the services and construction sectors. The long-suffering manufacturing sector was on the rise in January, but was immediately hit by the coronavirus outbreak.

Activity contracted sharply in the second quarter, plunging the economy into recession following the first quarter's mild downturn. Circuit breaker policies enacted in early April to stem the spread of the viral outbreak impacted production, with the services industry suffering from curtailed domestic demand—retail sales plummeted in April and May—and drastically reduced visitor numbers.

Singapore is the second busiest container port in the world, with more than 37 million TEUs per year, thanks to its fortunate geographical location, and logistics and international trade are key sectors of the island-state's economy.



MOST IMPORTANT ECONOMIC FIGURES FROM THE LAST FEW YEARS:

Indicator	 Population (million)	 GDP per capita (USD)	 Economic growth (GDP annual variation, %)	 Inflation rate (%)	 Trade balance (billion USD)	 Exports (billion USD)	 Imports (billion USD)
2016	5.6	55,615	3.0	-0.5	92.5	396	304
2017	5.6	56,788	3.2	-0.5	90.8	374	283
2018	5.6	60,722	4.3	0.6	97.0	413	316
2019	5.7	65,953	3.4	0.4	104	459	355

Sector Overview



Food manufacturing

In 2017, food manufacturing contributed SGD 4.3 billion to the GDP, equivalent to 1.1%, and employed up to 48,000 workers. The food manufacturing landscape features a robust eco-system of inter-connected players including a core base of approximately 1,000 food manufacturers covering more than ten sub sectors of food, including proteins, staples, beverages, snacks, and sauces. These companies are supported by a vibrant flavours and ingredient industry as well as a pool of Research & Development players with expertise in novel ingredients, product development, nutrition, and process engineering. There is also a growing pool of accelerator partners and agri-food tech start-ups that are introducing more disruptive and novel solutions into market. Today, more than half of the industry's output is exported. This is a testament to Singapore's brand name and the strong association with quality.

In 2016, the government launched the Food Manufacturing Industry Transformation Map, which can be found [here](#). This serves as a blueprint for the sector, and aims to assist companies to transform their businesses through various initiatives, including smart manufacturing and automation, talent development and internationalisation. In particular, innovation is a critical pillar. The government launched FoodInnovate, a multi-agency initiative, spearheaded by Enterprise Singapore as the key post-harvest platform to assist companies in the journey to create and commercialise novel and innovative food products in line with evolving consumer trends and supply needs

Food services

Often seen as a gateway city to South East Asia for foreign brands, Singapore is the vibrant food capital of the region and recognised for its culinary excellence, with 44 establishments awarded Michelin Stars and 58 establishments awarded Bib Gourmand in 2019. Local and foreign entrants have injected novelty and creativity in the local food services scene, resulting in a wide variety of dining formats at different price points.

The food service industry plays a significant role in the city-state's economy, having contributed 1.1% to the national GDP in 2018 and accounting for 9% of tourism receipts in 2019.

Competition continues to be intense amongst global food and beverages industries, including Singapore. In Singapore, the turnover of restaurants, cafés, food courts and fast-food outlets increased between 3.9% and 7.98% in 2019, while sales dipped by 0.8-2.9%. To remain competitive, it is necessary for F&B companies to digitalise, transform and innovate to diversify to new revenue streams.

Transforming with digitalisation

Enterprise Singapore launched the Food Services Industry Transformation Map in 2016, with the objective of helping food services companies transform through adoption of more digitally enabled and manpower lean formats, and to expand beyond the domestic market.

COVID-19 has accelerated the need for food services companies to tap into digitalisation to operate more efficiently and effectively. Digitalisation will also boost resilience and help companies adapt to post-COVID-19 norms. With guidance from the Food Services Industry Digital Plan, food and beverages businesses have received step-by-step advice on growing relevant digital capabilities that are best suited for their business needs.

In the 2019 annual survey by Infocomm Media Development Authority (IMDA) on Singapore's Food Services SMEs' digital adoption levels, the adoption of food services specific digital solutions had improved significantly from 74% of the samples between January and April 2019, to 90% of the samples between October and December 2019 having adopted at least one digital solution within accounting, human resource management systems (HRMS) and payroll, digital marketing, digital transactions, cybersecurity and digital collaboration. Digital transactions and online food ordering / collaboration solutions had the highest take-up rates of 84% and 68% respectively.

In addition to digitalisation, businesses are recognising the role that data, e.g., customer and business data, plays in guiding strategic business decisions. With multiple data sources across different digital systems, companies are exploring the extraction and integration of data to assist them in determining business goals and improving operational processes. On the consumer front, data also serves to support customer engagement, where targeted digital marketing can help companies maintain a strong digital presence and build mindshare in a saturated food and beverages landscape.

Driving new revenue streams through innovation

The increasing need for differentiation and shifts in consumer behaviour driven by COVID-19 create opportunities for food and beverages businesses to capture new demand through innovation.

Food services companies are embarking on product innovation to derive alternative revenue streams and strengthen brand engagement. More companies are encouraged to grow capabilities in the development of Ready to Eat (RTE) and Ready to Cook (RTC) products, as more consumers turn to working from home. In addition, food delivery services have emerged as an alternate channel for businesses to generate revenue. Many businesses have transformed their menu offerings from predominantly dine-in concepts, to suit food delivery and takeaways. With support from Enterprise Singapore, companies are also exploring the development of virtual brands, synergistic with their core brand, to leverage their existing brick-and-mortar operations. This would allow businesses to pilot new concepts and menus and attract new customer segments.

More information on the local Food Services industry can be found at <https://www.enterprisesg.gov.sg/industries/type/food-services/industry-profile>.

More comprehensive data on the local food and beverages industry can be found at the website of the Department of Statistics Singapore (www.singstat.gov.sg), where a monthly food and beverages summary is published.

Regulations



Singapore is heavily dependent on imported food, so the two main considerations on national sourcing strategy include:

- Import source diversification
- Food security and safety

Not only the COVID-19 pandemic, but recently the global animal-health problems, including bird flu, and swine fever highlighted these issues, and the newly reorganised Singapore Food Agency is always considering security and safety questions while licensing new products or businesses.

In April 2019, the Singapore Agri-Food and Veterinary Authority restructured to form the Singapore Food Agency (SFA) and the Singapore Animal and Veterinary Service (AVS). SFA is under the Ministry of the Environment and Water Resources and oversees all food-related matters including food safety and security. AVS is under the National Parks Board (NParks) and oversees all non-food related animal, plant, and wildlife management matters. Singapore food safety regulations serves as a role model for many other national agencies, and widely considered to be the strictest, yet transparent institution in the world. As Singapore is highly import dependent, food security is an ever-present issue; the aim of the country's regulation is ensuring continued foreign supply of high-quality and healthy food.

All agri-food products are subject to inspection and sampling, and SFA can impose trade restrictions: as it happened lately with the countries affected by the African swine fever and the avian flu. Information on food imports can be found on the SFA website.

Tariffs

Singapore is located at the heart of South East Asia, well placed to serve the fast-growing markets of the Asia-Pacific region and by extension to the world. Singapore offers a high level of connectivity as the primary transshipment hub in the region, and also as a major global maritime hub.

Singapore's commitment to liberalise trade is evident from its list of 25 Free Trade Agreements (FTAs) in force with 64 trading partners, as of September 2020. Amongst the list of regional agreements with ASEAN, the ASEAN Trade in Goods Agreement eliminates tariffs for all product lines. Singapore imposes a 7% goods and services tax (GST) on all goods imported. There are various trade facilitation schemes for goods stored in licensed or Customs approved warehouses and free trade zones which allow the suspension of GST and tariffs payable.

For the import of alcoholic beverages, excise duty will apply. For example, S\$60.00 per litre of alcohol will be applicable for imports of beer, and an excise duty of S\$88.00 per litre of alcohol will be applicable for imports of medicated samsu, and samsu.



Non-tariff measures (NTM)

Singapore actively supports ASEAN free trade, and focuses on streamlining trade-related regulations without compromising domestic consumer protection or product performance and safety standards. This is the reason why the number of coded non-tariff measures increased by 4% from 2015 to 2018, and now counts for around 610 measures. A survey by the World Bank showed that in 2018 10,365 products legally traded in Singapore, were affected by at least one NTM.

Concerning agrifood products, a significant increase in the number of NTMs is expected, especially on the field of nutritional labelling, including allergens, halal certification, pre-market product registration and import-export certifications.

The most often used NTMs are the following types:

- Sanitary and phytosanitary measures (136 different NTMs)
- Technical barriers to trade (302), mostly product identity requirements, labelling requirements, and product safety, quality or performance requirements
- Non-automatic licencing, quotas, prohibitions, and quantity control measures (55)
- Price control measures (45)
- Import licence fee and other additional charges (38).

The most convenient way of finding more information on certain NTMs is using the TRAINS database, the UNCTAD's online tool: <https://trains.unctad.org/Default.aspx>.

Market Entry



Promotion and business networking

As the food and beverages sector is an important element of the Singaporean identity, country promotion efforts always include elements of the local cuisine, tastes and food products. Enterprise Singapore is the key agency after a recent reorganisation among the government's business development bodies. It is responsible for assisting Singaporean SMEs in internationalisation, market development and exports.

Singaporean entrepreneurs have several options when it comes to networking, and creating new connections with local and foreign partners. Singapore Business Federation is an apex association, with the largest number of business members, and frequent seminars, workshops, and business delegations to and from many countries, although COVID-19 has affected how these are carried out in practice.

There are also other chamber-type institutions in Singapore, including the Singapore Chinese Chamber of Commerce and Industry, and their Indian, as well as Malay counterparts.

Foreign companies residing in Singapore have founded their chambers, Eurocham being the largest, but other groups of countries have also formed their own networking structures, including the recently formed Central and Eastern European Chamber of Commerce for companies from 11 different European countries.

In the food and beverages sector, entrepreneurs may find very relevant information and networking possibilities in the usually smaller business associations, like the Meat Traders' Association or the Seafood Industries Association Singapore. These are organised by segments of the food market.

Trade promotion traditionally operates as a whole industry in Singapore, traders from different countries of Asia used to convene in the city-state regularly, and every week they are likely to have found a trade fair or food product show. COVID-19 has resulted in many events being delayed, or even cancelled, although many events have been held virtually instead. The sector's largest trade fair, the bi-annual Food and Hotel Asia, has been delayed until 2022.

Sales channels

Agrifood product sales in Singapore are conducted across varying levels of sophistication. Today, only a small proportion of sales are conducted via traditional importers based in key wholesale centres such as Pasir Panjang Wholesale centre, Victoria Wholesale Centre, Jurong Fishery Port. These importers typically sell their products to wet markets, hawkers and smaller food and beverages companies, which then either use them in their cooked products, or sell them on to consumers.

The majority of sales are conducted by larger distributors who typically have their own cold room, warehousing and processing capabilities in their premises. These distributors will typically import agri-food products from all over the world, and supply to food manufacturers, retailers and HORECA players. Some of these players are also engaged in value adding activities such as break bulking, processing and packing the products according to their customers' requirements.

Large grocery retailers tend to also import agrifood products directly from foreign exporters and consolidators. This is especially so for products that are branded under the retailers' own house brands.

Online sales opportunities

There is an increasing use of online sales channels for agrifood products through Business-to-Consumer (B2C) e-commerce. Distributors and retailers with brick-and-mortar premises are tapping into existing online platforms such as Redmart, Fairprice online, Qoo10, and Amazon Prime to expand their reach out to consumers, or they are creating their own platforms. There is also a growing presence of online Business-to-Business (B2B) e-commerce with emergence of platforms such as SeafoodXchange, Octorocket, EzyProcure, which are digitalising the procurement and selling processes between businesses.

A number of boutique grocery stores, such as Ryan's Grocery and Sasha's Fine Foods, have emerged over the last few years targeting a niche, but loyal group of customers that are conscious about sustainable food production.

Entering the market by using these online channels may be cost-efficient, but still requires proper planning of logistics and operations, and some time to establish a steady sales pace. There are several agents going around Singapore to catch newcomers on the market, but all the larger stores require massive promotion investment from the exporters' side.

Recommendations and Trends



Policy recommendations

Singaporean government should put emphasis on import source diversification and further strengthen its food safety infrastructure to keep its global leading position.

Recommendations for SMEs:

- Doing business in Singapore has its benefits. There is a business saying that “If your product can pass through the Singapore food safety authorities, it can do it anywhere else in the world”. Possessing an SFA permit creates a high level of credit in other countries’ agencies.
- In many proven cases, logistics routes that go through Singapore, are cheaper than freight directly to the final destination. Often a Singaporean buyer can re-export goods to another ASEAN country with lowers costs and a higher success rate.
- Singapore is supporting start-ups registered in the city-state quite generously. Innovative food and beverage companies could choose to start their business in Singapore, and then seek potential partners and growth opportunities around South-East Asia.