Australian Government
Australian Trade Commission

Food and beverage to Singapore.

Trends and opportunities

The market

Singapore's total trade in food and beverages has been registering a steady growth of two per cent over the past five years. In 2004, the **total trade in food and beverage was S$11.9 billion**. Japan, USA, Hong Kong and Malaysia have consistently been Singapore's largest export market.

The food industry in Singapore can be divided into three broad segments:

- **Retail**
  Wet markets still represent the bulk of sales of products such as vegetables, seafood, rice, eggs, chicken and pork; however, supermarkets are gaining market share in all retail food products. NTUC Fairprice and the Dairy Farm Group are the two largest supermarket retail players for imported food and beverages. Cold Storage and Shop N Save supermarket chains are subsidiaries of the Dairy Farm Group.

- **Food service**
  Singapore is the tourist and transportation hub of South East Asia and has a very large food service industry with many hotels, restaurants, airline caterers, ship handlers, hospitals, and clubs. In 2004, eight million tourists and business visitors came to Singapore and over 60 airlines stopped over at Changi Airport. For certain product categories such as gourmet meats and smoked salmon, the food service sector is far more significant than the retail sector. Fine dining restaurants tend to feature these items on their menu.

- **Domestic manufacturing**
  Singapore has a significant domestic industry manufacturing a range of foods and beverages, but virtually all raw materials are imported, as there is almost no local agricultural production.

Singapore's multi-racial society and the presence of a large expatriate population have led to a diverse and rich variety of food types being available to consumers. The **diversity in consumer taste and preference** arises from:

- traditional culture
- religion
- urbanisation
- access to international media
- available local foodstuffs and ingredients
- the scope of advertising and promotion
- government policy and campaigns on food and health issues
- social status of consumers and purchase decision-makers

All of these factors influence the foods that are eaten, the eating habits and patterns of consumers and their buying habits and patterns.

Singapore's classic Asian food culture has been rapidly diffusing to the West over the years. The level of **processed food consumption** in Singapore is low when compared to more affluent countries. There are a number of reasons why the consumption of processed foods is low, such as:

- Fresh foods are traditionally preferred over processed foods.
- Frozen and chilled foods are generally looked upon with suspicion because the cold chain system in the past had been inadequate. All frozen and chilled meat products are now transported in chilled trucks and follow the proper cold chain system.
- Processed foods are often more expensive than fresh foods.
- The tastes of many processed foods do not match local tastes.
- Supplies of imported processed foods can be irregular and therefore are unable to build loyalty among local consumers.

Dairy

There is a **strong demand for dairy products from Australia** due to its reputation as a 'clean and green' country, the competitive prices and the relatively short shipping times. In 2004, 62 per cent of milk and cream, 31 per cent of butter, 55 per cent of yogurt, and 43 per cent of processed cheese were sourced from Australia.

Singapore's cheese market can be broadly divided into three different segments: processed cheese, bulk natural cheese and gourmet cheese.

Over nine per cent of all cheese consumed in Singapore today falls into the category of bulk natural cheese such as Edam, Gouda, Cheddar and other cheeses (primarily of English origin, eg. Double Gloucester and Wensleydale).

These are popular because they are perceived to be more closely associated with the popular processed cheese brands. The Singaporean palate has not developed to the level of sophistication in terms of acquiring the taste for brie, blue cheese and other soft cheese.

Singapore's cheese sector has some unique characteristics:

- Mild, young natural cheeses are generally preferred over more mature, stronger flavoured cheeses.
- Singaporeans don' usually buy large packs of cheese. The optimum retail size appears to be 200 grams.
- Singaporeans do not usually eat large quantities of cheese in a single sitting. Cheese is also rarely eaten after dinner.
- Singaporeans are gradually moving away from processed cheese to explore different tastes and variety. This may be due to a growing sophistication of the market as processed cheese is largely seen as a snack and also commonly consumed in sandwiches by children.
- Price, taste and smell are all very important to the average Singaporean's cheese-buying decision.
- Singaporeans generally have poor knowledge of cheese and need to be educated. They are not familiar with different types of cheese or how they might be eaten.
- Brand loyalty is weak, even in the processed cheese segment.

Seafood

More than 90 per cent of all fish and fish products consumed in Singapore are imported, mainly from Malaysia, Thailand, Indonesia, Burma and Vietnam. There are 17 licensed fish processing plants which manufacture fish products for the domestic and export markets, around 80 floating fish farms, 120 fish exporters and some 2000 fish importers, licensed by the Agri Food and Veterinary Authority (AVA).

As Singapore's home waters are tropical and sub-tropical, all coldwater fish and seafood products are imported live, fresh/chilled, frozen or in processed forms. Some processed and frozen products are re-exported to neighbouring countries such as Malaysia, Brunei Darussalam and Hong Kong.

Australia and New Zealand are often scouted by local importers for abalones, oysters, yabbies, lobsters and scallops.

Singapore's retail and institutional markets for fish and seafood have very different demand characteristics. The **major source of demand comes from the hospitality trade,** especially from major hotels that cater to business travellers and affluent tourists, and major restaurant chains and single restaurants (both Asian and Western), that cater to the middle to higher income group.

The following general market characteristics also need to be considered:

- **Consumers have a better understanding of tropical and sub-tropical products**
  Traditionally, warm water fish and seafood products are preferred over their coldwater equivalents. This buying trait arises because local consumers are more familiar with products from local waters in terms of their preparation, cooking and methods of consumption. In addition, both retail and institutional buyers are easily able to identify the freshness of such fish based on appearance.
- **Price and quality sensitivity**
  While Singaporean retail consumers generally accept that imported foods will be more expensive than local foods; they are still price and quality-conscious. Consumers expect the imported product to be of a higher quality than local products and still be value-for-money.
- **Traditional shopping habits**
  The majority of daily shoppers are usually older housewives who prefer to shop at neighbourhood wet markets. It is important to note that frozen fish and seafood, whether coldwater or warm water, are currently not favoured by local consumers who are accustomed to purchasing fresh/chilled products from the wet markets. Singapore's local population also don't consume large volumes of different types of fish and seafood, unless the product is part of their food culture, eg. canned abalone.
- **Poor consumer knowledge**
  Singaporeans are not familiar with Western techniques in cooking coldwater fish and seafood and will usually try to cook it in the same manner as an Asian dish. Unfortunately, coldwater fish is usually not suitable and does not cook as well using Asian recipes.
- **Consumer reaction to prepacked fresh fish and seafood**
  Singaporean retail buyers tend to compare packs of similar types of fish and seafood to look for consistency in the product quality. If inconsistencies are noted the buyer will assume that the products were yesterday's stock that has been re-displayed with new stock. As a result, the products will probably be rejected and ignored by the consumer.

- **Buyer sensitivity towards product quality**
  Fresh/chilled and frozen fish and seafood deteriorate rapidly if the product comes into direct contact with Singapore's hot and humid climate. As a result, buyers are always looking out for signs of product deterioration.

Opportunities

Opportunities for Australians exporting food and beverage products to Singapore will arise from the following factors:

- Consumers seeking convenience
- More working women (but also more domestic servants)
- Health issues (in particular, artificial additives)
- Greater affluence relative to the rest of South East Asia
- Greater 'Westernisation' than in neighbouring countries, especially among the younger population
- Higher levels of education, changing perceptions and therefore demand
- Singapore's ageing population
- Government policies on social, health and educational issues
- Enhanced local or traditional food sector
- Rising average income levels among the whole population

Dairy products

Australian dairy suppliers should **focus on gourmet cheese** (includes blue cheese, smoked cheese, spiced cheese and other flavoured cheese). This market has existed for many years with demand from Singapore's sizeable European expatriate community and hotel and other Western food restaurants.

Seafood

In Singapore, virtually all of the seafood imported from the traditional supply countries such as Malaysia, Thailand, Indonesia, Burma and Vietnam are tropical and sub-tropical fish. At the mass-market level, these products are extremely price sensitive. Taking these into consideration, Australian suppliers should focus on the following products:

- shellfish
- oysters
- lobsters
- crabs
- coral trout
- salmon

Australia's strengths include:

- Strong presence based on proximity to Singapore.
- Strong national player in seven out of nine food and beverage sectors.
- Most products are very price competitive when compared to major competitors.
- Packaging is generally well suited to Singapore's distribution environment. Australian product pack sizes are well received compared to larger packs from USA.
- Positive foreign exchange rate against the Singapore dollar.

Competitive environment

Competition is driven by:

- The abilities of importers to target a niche sector and meet the needs and demands of customers in the hospitality trade
- Promotion to the hospitality trade, particularly in convincing chefs to use the products
- Quality, appearance/colour and freshness
- Price, with business costs and the cost of living rising, this factor is becoming increasingly important to Singapore's buyers, whether retail or institutional

Malaysia is the main source of meat, fresh fruit and vegetables, with Australia also a significant supplier of these products along with dairy products and sugar.

The European Union, Australia and New Zealand are major suppliers of virtually all dairy products. As Singapore consumers are particularly brand-conscious, it is difficult to displace existing established European and Australian brands in the Singaporean dairy industry.

There are two major local manufacturers of dairy products: F&N Food Pte Ltd and Malaysian Dairy Industries. Both manufacturers are large importers of powdered, fresh and frozen milk.

Australia is also a major player in Singapore's seafood industry and its main competitors are USA, Norway and New Zealand.

More information

For further information please contact Austrade on 13 28 78 or email info@austrade.gov.au

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