

Southeast Asia

Southeast Asia is a significant and attractive market for growth. Rapid economic development in the region is fueling growth among the middle class whose consumption levels will continue to increase. The forecasted growth is expected to outpace the global average.

In addition to having a growing consumer market, Southeast Asia increased its exports. Fresh fruit exports averaged annual increases of 30% 2010-2013. Trade is focused within Asia, with China being a key trade partner.



Credit: McKinsey Global Institute

Summary

Southeast Asia is the geographic region south of China and east of India consisting of 11 countries. The major economic centers include Indonesia, Malaysia, the Philippines, Brunei, Singapore, Vietnam, and Thailand.

Ten of the Southeast Asian countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) formed the Association of South East Asian Nations (ASEAN) in 1992, which helped exports from the region grow by 567% in real terms between 1992 and 2012. Presently, this group is aiming to create an EU-style economic community by 2015, to create a single market and production base.

Southeast Asia is a significant market:

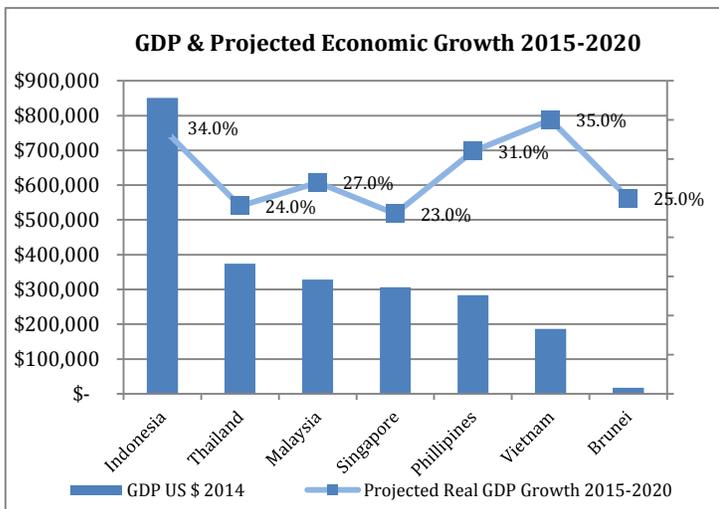
- Combined population of over 615 million consumers
- Total GDP of US\$2.4 trillion in 2013
- Approximate GDP growth of 50% 2008-2013, averaging 9% annually
- Combined consumer expenditure estimated to reach more than US\$1.5 trillion in 2015

Indonesia, Malaysia, and the Philippines are among the most attractive countries in the region, given the size and growth rates of their economies (Exhibit 1).

- Indonesia is Southeast Asia’s largest country in terms of population and GDP.
- Malaysia is one of the wealthier and more urbanized countries in Southeast Asia (74% urban population). The annual income per capita is approximately US\$ 8,000 and growing. The government’s goal is for Malaysia to become a first world country by 2020.
- The Philippines is one of the fastest growing economies, with real GDP growth reaching 7.2% in 2013.

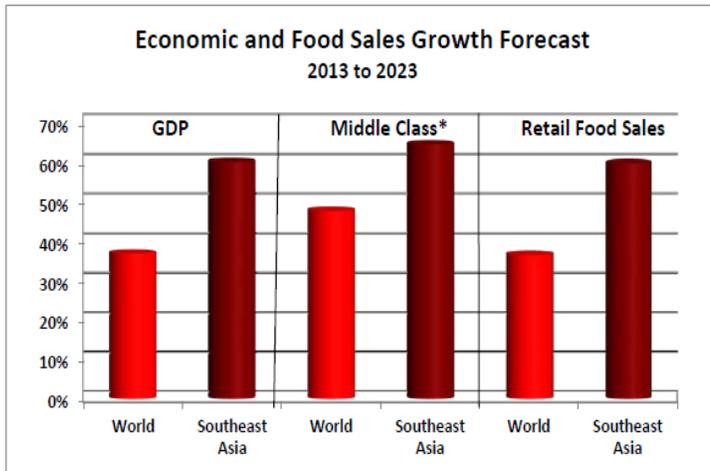
Continued growth is projected for Southeast Asia (exhibit 2) – GDP is forecasted to increase 60% 2013-2023.

Exhibit 1



Source: Euromonitor

Exhibit 2



Data Source: Global Insight *Millions of Households with incomes between \$20,000 and \$150,000 (Constant 2005 US PPP\$)

Source: USDA FAS

Consumers & Income

Southeast Asia's combined population accounts for approximately 10% of global population – double the size of the U.S. Indonesia alone is the 4th most populous nation globally.

The share of urban population varies for each country (74% of Malaysia's population is urban, compared to 33% in Vietnam), but is growing. According to a McKinsey Global Institute report, as of 2014, just over one-third of the region's population lives in cities that account for two-thirds of the region's GDP. By 2030, McKinsey expects that these cities will attract more than an additional 90 million people and bring the urban share to almost 45 percent of the population and 76 percent of GDP. The continued growth of cities could add \$520 billion to \$930 billion to the region's GDP.

McKinsey reports, "as millions move to the cities of Southeast Asia for better job opportunities, the region is gaining a new wave of consumers with considerable spending power. Already some 81 million households in ASEAN states are part of the *consuming class* (approximately 13% of the total), with incomes exceeding the level at which they can begin to make significant discretionary purchases. As the region continues to urbanize and a greater share of the population shifts from farming to manufacturing or service jobs with higher wages, that number could double to 163 million households by 2030."

	Population ('000s)	%Middle Class Households	Per Capita Consumer Expenditure US\$
Indonesia	249,564	27%	\$ 2,042
Philippines	100,097	24%	\$ 2,052
Vietnam	91,563	25%	\$ 1,285
Thailand	68,521	26%	\$ 3,366
Malaysia	30,088	24%	\$ 5,891
Singapore	5,587	25%	\$ 20,976
China	1,360,547	25%	\$ 2,797

Source: Euromonitor - Data as of 2014

Southeast Asia Retail

Indonesia, Thailand, Malaysia, Singapore and the Philippines still have a larger share of traditional (wet markets, kiosks, food stalls) or independent grocery retailers, but modern retail is growing in these markets. The total modern grocery retail market (including supermarkets, hypermarkets, and convenience stores) reached sales of over US\$344 billion for these countries in 2010. Malaysia has the most developed modern market – modern retailers account for 44% of total grocery retail sales. Convenience stores are a top format in many countries in Southeast Asia.

Infrastructure

Overall, there is an infrastructure deficit in Southeast Asia. Transport and energy are two key areas underdeveloped. Singapore and Malaysia are the two countries in this region more developed than others. Based on the World Economic Forum's Global Competitiveness Report, infrastructure is insufficient in the others.

	GCI Rank (out of 148)	GCI Score	% Paved Roads (2005)	Air Transport, Freight (million tons per KM)	Excerpts from World Economic Forum Global Competitiveness Report 2013-2014
Singapore	2	5.61	100%	7571	Singapore possesses world-class infrastructure, with excellent roads, ports, and air transport facilities
Malaysia	24	5.03	81%	2577	Behind Singapore in terms of good infrastructure in the region
Thailand	37	4.54	98%	2106	Only a quarter of the population accesses the Internet on a regular basis
Indonesia	38	4.53	58%	440	After years of neglect, Indonesia has been boosting infrastructure spending to upgrade
Philippines	59	4.29	22%	319	infrastructure has improved but remains in a dire state, especially with respect to airport and seaport facilities
Vietnam	70	4.18	25%	216	Improvements made to the quality of transport and energy infrastructures, albeit from a very low base

GCI = Global Competitive Index, World Economic Forum Report 2013-2014, Score: 1 = poorly developed & inefficient, 7 = among the best in the world
World Bank - source for Transport Indicators, 2005 data

Sea transport is essential for much of Southeastern Asia as many countries consist of a collection islands.

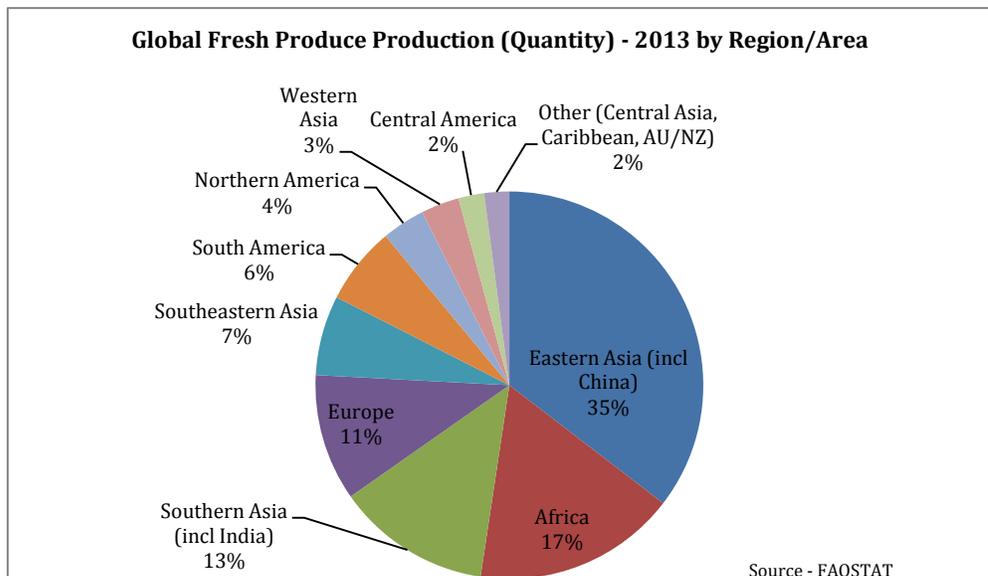
Governments are looking to invest in their infrastructure development – programs have been planned as of 2014. As a whole, Southeast Asia plans to spend an estimated US\$7 trillion over the next 15 years upgrading infrastructure (South China Morning Post, 2015). Urbanization growth is contributing to the need for infrastructure investments.

Overall Agriculture

Agriculture is the dominant economic sector of every country in Southeast Asia, except for Brunei and Singapore, and employs the largest share of the workforce (30% or more in Indonesia and the Philippines). However, other industries are growing and countries are trying to diversify their economic sectors. Rice and palm oil are the key agricultural exports, but the region produces a significant share of fresh produce – specifically fruits.

Fresh Produce Trade

Southeast Asia produces approximately 7% share of global fresh produce quantity and production has grown 3% over the 3-year period of 2011-2013. Indonesia, the Philippines and Thailand are the key fresh fruit producers in this region. In addition to its production, the region is a net fresh produce importer.



Exports

The region primarily exports fresh fruit - accounting for 4% share of global fresh fruit export value. The Philippines, Thailand, and Vietnam are the leading exporters in the region.

Exports are increasing. Southeastern Asia's fresh fruit exports averaged annual increases of more than 30% 2010-2013, outpacing the global fresh fruit export growth rate averaging 20%.

EXPORTS (data as of 2011)			
Country	Share of SE Asia Fresh Produce Exports	Top Fresh Produce Exports	Key Fresh Produce Export Markets (volume share)
The Philippines	40%	bananas, pineapples, coconuts	Japan (65%), China (12%), Korea (7%)
Thailand	27%	tropical fruit, mangos	China (35%), Vietnam (27%)
Vietnam	16%	Other fresh fruit, watermelons, coconut	China, Cambodia (share n/a)

Imports

Southeast Asia is a net fresh produce importer, and accounts for 4% share of global fresh produce imports. Fruit imports are growing – on average 20% annually in the last 3 years. Apples, other fresh fruits, citrus and grapes are the top fresh fruits imported. Apple, grape and mango imports are driving growth.

Indonesia, Philippines, and Vietnam are among leading growth markets for fresh food globally, posting double digit consumption growth 2010-2015. For fresh produce specifically, Malaysia, Indonesia, Thailand and Singapore are the key import markets in Southeastern Asia.

IMPORTS (data as of 2011)			
Country	Share of SE Asia Fresh Produce Imports (Qty)	Top Fresh Produce Imports	Key Fresh Produce Supplying Markets
Malaysia	27%	onions, potatoes, apples	China, India, South Africa, Thailand
Indonesia	26%	garlic, apples, citrus, onions	China
Thailand	15%	apples, coconuts	China
Singapore	15%	other fresh vegetables	Malaysia, China

Trade

ASEAN currently has six key Free Trade Agreements (FTA) with Australia, China, India, Japan, New Zealand, and South Korea. And there is talk of creating a single FTA between these six countries and ASEAN, a more interconnected trade deal within a trade deal (Euromonitor). In addition, ASEAN is currently negotiating a free trade agreement with the EU.

ASEAN members including Brunei, Malaysia, Singapore and Vietnam are also currently part of negotiations for the Trans Pacific Partnership (TPP), the largest trade deal to be negotiated to date and will liberalize trade among economies of in the Asia Pacific and Americas regions.

Opportunities & Challenges for Fresh Produce in Southeast Asia

Southeast Asia's strong economic performance and forecasted growth will continue to drive development in the region. Increased urbanization and a youthful population with increasing purchasing power will fuel this growth.

Although much of its current trade is concentrated in the Asia Pacific region (China, Japan, etc.), Southeast Asia is positioned to diversify its trade base with the impending Trans Pacific Partnership (TPP) Trade Agreement which could broaden trade in the Pacific Rim with the Americas. The TPP will create first-time trade deals among many of the countries involved in the negotiations. Malaysia and Vietnam have had no prior trade deals with the U.S., Mexico or Peru. Reduced or eliminated tariffs are expected for the trade of agricultural products.

Additionally, through the ASEAN integration, the goal of creating a single market of over 600 million consumers will be realized along with their manufacturing and services industries streamline trade flowing to and from the region.

Insufficient infrastructure, higher unemployment among the youth, and known corruption affecting many of the countries in the region could hinder foreign investment and development. Additionally, the region is prone to floods which could impact infrastructure development and agricultural production