



**Country Profile**  
**Market Opportunities Report**  
Foreign Agricultural Service  
Horticultural and Tropical Products Division

# Singapore



**Figure 2** Singapore's financial district serves all of Southeast Asia's economic needs.

Singapore, with a population of over 3 million, is one of the most affluent nations in Asia with a GDP per-capita of about US\$27,500. Twenty-three percent of the population are aged 15 years and below, which represents a sizeable pool of future consumers who will be an important driver for increased consumption of imported food and beverages in future. More than 76 percent of its population make up the middle to upper income group of consumers, all of whom lead an urban lifestyle and represent the bulk of the market for imported food and beverages.

Singapore's economy is based mainly on its strong export manufacturing and financial and business service sectors. Until recently, its economy has been growing in excess of 8% per annum. In 1998, Singapore reported annual GDP growth of about 1.5%, after growth contracted in the second half of that year as a result of the impact of the recent Asian economic downturn. On a positive note, the economy to grow by 3 % in 1999, and the government forecasts economic growth for 2000 to be between 4.5% to 6.5%.

## Trade

US exports of horticultural products in 1999 reached \$94.8 million, up 4 percent from 1998, but still well below the \$117.6 million registered in 1997. Much of the increase in 1999 was the result of increased exports of prunes and raisins, as well as almonds and pistachios. US fresh fruit exports declined slightly, especially oranges, which fell 55 percent from a record high of \$11.2 million 1998 to \$5.1 million in 1999. However, this was due primarily to supply problems from the US. Apple exports fell 11 percent from 1998 to 1999, hitting \$3.9 million and grape exports fell 21 percent.

Much of this decline is due to a general flatness in the fruit market as a whole. However, US exports recovered slightly in the first six months of 2000, up 8 percent over the same period in 1999. Key product recoveries include oranges, grapes, potato products, and wine.

### **Singapore's importance as a regional distribution hub**

Singapore is generally recognised as Southeast Asia's main distribution hub. The facilities offered by its airport and seaport have encouraged a large number of businesses, including food manufacturers and ingredient suppliers, to base their operations in Singapore.



**Figure 3 Singapore boasts the busiest port in the world in terms of shipping tonnage**

In 1998, US\$ 1.41 billion of food and beverages were re-exported from Singapore to various countries in the world. Of this, around 30% were shipped to ASEAN countries, with Malaysia being the main destination. A large proportion of imported fresh fruit is re-exported to as many as 14 different countries worldwide. Re-export to neighbouring ASEAN form significant proportions, as much as 100 % for some product segments, of the re-export trade out of Singapore. Singapore's market for fresh fruits is supplied solely by imports. It imports fresh fruits for its own consumption and for re-export to other countries in Asia and the Pacific islands.

### **Market size**

In 1999, the total fresh fruit import market in Singapore is valued at around US\$ 270 million in imports of fresh fruits, made up of fresh tropical fruits and fresh temperate fruits. Fresh temperate fruit imports form around 60% of total import value. The re-export market of fresh fruits amounts to around US\$100 million, of which 40 % was for fresh temperate fruits.

**Imports** - The top 3 major supply countries in 1999 are shown by the table below:

<b>Major Supply Countries and Their Import Market Shares (1999)</b>	
Oranges, excl. Mandarins	USA (38%), Australia (32%), South Africa (14%)
Grapefruits (excludes pomelo)	Israel (39%), USA (33%), South Africa (12%)
Apples	China (28%), New Zealand (25%), USA (16%)
Grapes	USA (46%), Australia (40%), Chile (5%)
Pears (Non-Asian variety)	Australia (57%), South Africa (12%), USA (7%)
Stone fruits	Australia (43%), USA (42%), China (8%)
Berries	USA (57%), Australia (19%), New Zealand (17%)
Source: Singapore Department of Statistics	

As can be seen by the table above, the US is a major supplier of many fresh temperate fruits to Singapore. However, the strong dollar and keener competition from third country suppliers are putting pressure on US exports. The US share of the apple market slipped from 19% in 1998 to 16% in 1999 as a result of increased Chinese shipments. Similarly, the US share of the orange market fell significantly from 50% of non-Mandarin oranges to 38% due to short supply from the US and the strength of the US dollar versus the Australian dollar. Australia held a 32% share of the market in 1999, up from 27% in 1998.

### **Re-exports**

Singapore re-exports fresh temperate fruits to 14 different countries, however about 90% of all fresh fruit go to other ASEAN countries. The major fresh temperate fruits which are re-exported include apples, pears, oranges, mandarins and tangerines. The main re-export destinations for these fruits are Malaysia, Brunei and Thailand.

The recent regional economic downturn has had a significant impact on the re-export trade for fruits and vegetables and is expected to continue its downward trend. The main re-export country affected was Malaysia which successfully launched a “Buy Malaysia” campaign in 1998 to minimise the impact of the economic recession on its consumers, thus reducing the country’s imports. Furthermore, well targeted infrastructure improvements in Malaysia, such as the recently completed Port of Tanjung Pelepas (PTP) provides a modern deep water facility in Johore Baru, the Southern most state on the Malay peninsula. Maersk Sealand, the largest shipping company in Singapore, will be moving to PTP in December 2000, bringing with it an estimated 2 million twenty foot equivalents in 2001. Also, the newly developed high tech Westport at Port Klang, the primary entry point for Kuala Lumpur, has further enhanced Malaysia as a shipping destination. These improvements in Malaysia, which is Singapore’s primary re-export point may reduce Singapore’s role as trans-shipment point.

Trade sources comment that no real opportunities exist for re-export of fresh temperate fruits from Singapore to other ASEAN countries, such as Indonesia, due to the added freight charges. However, given the uncertainty of some ASEAN economies, traders are increasingly using Singapore as banking center while arranging for direct shipment to the intended destination.

### **Growth Prospects - Domestic Market**

Trade sources comment that the fresh temperate fruits market has been doing very well in the past five years and is likely to grow by between 5% and 10% over the next three years. However, in the near term, they expect the market for fruits and vegetables to be flat due to the slowdown in consumer consumption. When the Asian crisis began to affect the Singapore economy, the government reduced the mandatory company contribution to employee retirement funds from 20 to 10 percent. However, many Singaporeans use their retirement funds to finance home loans. When the company contribution was lessened, individuals had to dip into their take home pay to service the loans, causing consumption rates to slow.

They also comment that, to be successful in the market for the long term, the most important factors are price and quality. The US supplier has to compete with suppliers from countries such as Australia and New Zealand which also supply very high quality fresh temperate fruits. These countries are nearer to Singapore and so are able to offer the benefits of shorter shipping time and lower freight charges.

Fresh temperate fruits have been gaining popularity among Singaporeans. Per capita consumption per annum of fresh temperate fruits has grown from 52 kilograms in 1994 to 58 kilograms in 1998. Consumption reached as high as 65 kilograms per capita in 1996 when Singapore was still at the height of its economic growth. Opportunities exist for the following fruits:

Oranges, mandarins and tangerines especially for the festive seasons such as Chinese New Year celebrations when very large quantities are demanded. In some years, there were actual shortages of mandarins and tangerines for short periods of the high demand seasons. Major retailers are always scouting for new sources each year, well in advance of Chinese New Year, to avoid potential short supply situations. Other citrus such as lemon and limes are generally not consumed in the same manner as the other fruits but are used to make fruit juices or used in local food recipes. They are mostly sold to the food service sector although they are available by retail.

Apples. Varieties such as Fuji and Royal Gala continue to be popular and opportunities exist to supply the demand for such apples. However, US suppliers have to meet consumer demand for quality, taste and price. Red apples such as Royal Gala, Fuji and Red Delicious are popular varieties because of their taste, texture, juiciness, colour and size although the Red Delicious variety is not favoured as much as the other two varieties. The Royal Gala and the Fuji are considered of better quality as they taste sweeter, handle better and show less damage on the fruits. The Pink Lady, Golden Delicious, Granny Smith and Braeburn varieties are not very popular except with expatriate shoppers.

Pears. The Packham variety remains the most popular European pear variety. However, it can only meet demand for part of the year due to its growing season. Chinese pears are still the preferred pears in Singapore as these are traditional fruits which have a different taste, texture and colour to the European variety. They are preferred because of the crunchy and juicy characteristics of these pears, and command as much as 75% of the pear market.

High quality fresh stone fruits, grapefruits and berries targeted at the high end restaurants and hotels. Such establishments are always on the lookout for new and exotic fresh fruits to offer their patrons and niche demands exist in this sector of the market. Niche demand opportunities also exist in supermarkets.

Fresh tropical fruits form as much as 55 % of the total quantities of fresh fruits consumed by Singaporeans. Such fruits form part of local food culture and are well understood by all local consumers. In addition, they are readily available and are lower priced compared to fresh temperate fruits.

### **Distribution patterns**

The bulk of fresh fruits are imported by local importers. Most fresh temperate fruits are air-flown to Singapore to maintain the freshness demanded by the consumers. The fresh fruits are then distributed via wholesalers and distributors to retail outlets throughout Singapore. Most retail outlets and food service outlets source their fresh fruit needs from wholesalers although the larger retailers have started to source for fresh fruits directly from the overseas growers to cut out the middlemen's costs and pass on the cost savings to their customers.

NTUC Fairprice, the island's leading retailer with about 55% of total supermarket sales is constructing a new cold storage facility that will service all its stores and enable the retailer to import directly.

While the Asian crisis was painful, it served to reduce the number importers in the market, eliminating some of the weaker players. Some companies have managed to hang on but most trade sources implied that many will succumb to market forces.

Most fresh fruits are still sold through wet markets which are found within every housing development. However, as more Singaporean women enter the work place, many traders believe that supermarkets will gain in importance with regard to the fruit trade.

### **Challenges:**

- Handling: The hot climate which can rapidly reduce the product quality. Fresh temperate fruits have to be stored and distributed under cool conditions to prevent any deterioration in the quality. While Singapore has one of the most modern port facilities in the world, and the supermarkets are of a high standard, much of the wholesale distribution systems are not fully refrigerated. Many transport trucks are not equipped with cooling either.

The poor handling by retail staff which can result in damage to the product quality. Fresh fruits of all varieties are still handled poorly in most supermarkets. It is not unusual to find that fresh temperate fruits being poured out of the original packaging box by retail store staff without due care and attention to whether the fruits will become bruised or damaged from the rough handling.

Poor understanding of temperate fruits by both the retailers and the consumers. Temperate fruits that are not in optimum condition for consumption can often be displayed for sale, to the detriment of future sales of such fruits. The consequence is that consumers often complain about the poor taste of such fruits and ignore them in future. For example, market opportunities for a newly introduced variety of apples can be minimised if this occurs, particularly if the displayed apples are not at their optimum ripeness/sweetness stage.

- Third Country Competition:

Although the above countries grow temperate fruits in different seasons, new technology has allowed fresh fruits from both the North and South Hemisphere to interact on a competitive basis at certain times of the year. Hence, USA, China, Australia, New Zealand and France frequently have fresh temperate fruits in the market at the same time, e.g. from October to December of each year, apples from all these countries appear in the supermarkets. Singaporeans do not understand the difference between the old season and new season fruits so there is no preference shown by consumers for older or newer season fruits. This is exacerbated by the strong dollar in relation to all competitor currencies.

China is becoming a major player, shipping Fuji apples and various pear varieties. Quality is expected to be good, and improving, especially as China develops its controlled atmosphere capabilities.

Many non-profit trade associations use FAS' Market Access Program (MAP) to generically promote US horticultural products in Singapore. Furthermore, FAS works with State Regional Groups to allocate branded MAP funds for Singapore and other countries. To learn more about MAP, please visit: <http://www.fas.usda.gov/mos/programs/mapprog.html> . If you are a producer or exporter and want to participate, contact a trade association that represents your specific product. If no trade association exists, contact one of the four State regional trade groups:

- Eastern US Ag & Food Export Cncl (EUSAFEC), website: <http://www.foodexportusa.org>
- Mid-America International Agri-Trade Council (MIATCO), website: <http://www.miatco.org>
- Southern US Trade Association (SUSTA), website: <http://www.susta.org>
- Western US Agricultural Trade Association (WUSATA), website: <http://www.wusata.org>.

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