



# Philippines in focus

Freelance correspondent Sunder Singh identifies the main players in the Philippines glass manufacturing industry and reviews recent trends.

An anomaly in the Asia-Pacific region, the Philippines glass industry lags behind its contemporaries in other countries of the region such as Indonesia, Malaysia and Thailand, due primarily to the continued performance of its national economy. From its position as one of Asia's wealthiest countries after the Second World War, the Philippines is now one of the region's poorest.

Since the relative prosperity of the 1970s, the Philippines has failed to achieve a sustained period of rapid economic growth and has suffered from recurring economic crises. This persistent underperformance has occurred in spite of the Philippines' rich natural and human resources. Served by five primary producers across the hollow and flat glass markets, the country could do with a few more competitive players.

Latterly, the country's economy has registered a 7.6% GDP growth rate (a 34 year high), after slowing to 3.8% growth during 2008 and spluttering to 1.1% in 2009. Although 2011 growth (at 4.6%) was muted, the economy is showing healthy signs. The glass industry has also registered improvements in recent times. There may not have been investments from new entrants but existing players have undertaken extensive modernisation programmes to meet growing demand from the construction, food and beverage industries.

The Philippines is the twelfth most populous country in the world, with 94 million inhabitants. Serving their needs in 880 of the 7000 islands in the Philippine archipelago is a major challenge in terms of distribution and effective points of sale. The major population concentration is in the national capital Metro Manila with 11.5 million people (21 million in Greater Manila) on the northern island of Luzon, with 1.36 million in Davao City on Mindanao island and a further 800,00 in Cebu City in the Visayas islands.

## CONTAINER INDUSTRY STRUCTURE

The local glass container industry is controlled by two major and another two smaller businesses. The country imports a sizeable amount of packaging from its neighbours, notably Indonesia and China. San Miguel and Asia Brewery, the two leading producers supply approximately 59% and 25% of production respectively, while Arcya Glass and Anglo Watsons Glass satisfy about 8% and 7% of local needs. The two bigger companies have business interests in beer, liquor, soft drinks and foods and a substantial part of their production goes to meet captive glass demand.

## GROWTH POTENTIAL

Based on recent alcoholic and non-alcoholic beverage consumption trends, the Philippines glass container industry, which recorded a CAGR of 5.5% in the last four years, is expected to register a healthy growth rate of 6%+ in the immediate future. However, Michael G Tan, Chief Operating Officer of Asia Brewery Inc, is unconvinced by this projection. "The total beverage market is not expected to change drastically" he suggests "but it presents a lot of opportunities to upgrade the quality and features of existing

products or provide new and better alternatives."

Generally, Filipinos prefer to drink in their own homes with friends and until as recently as five years ago, the choice of drink was driven simply by economics. Beer was invariably the preferred option for special occasions or when financial conditions were good and hard liquor for regular consumption or when times were difficult. Subsequently, however, aggressive competition has fragmented all beverage sectors.

While growth in the local beer sector has been particularly important, other glass container consumers such as soft drinks are also contributing to increasing glass demand. PepsiCo Philippines, for example, set aside \$75 million in 2012 to set up bottling units, improve its distribution channels and expand markets. To date, the organisation has spent approximately \$12 million on improvements, bringing in automated palletising and depalletising machinery, for automation, soft packing and the de-casing of glass bottles at its Cagayan de Oro facility, which has the capacity to produce both carbonated and non-carbonated beverages. The Cagayan de Oro facility started production in 1967. It serves the provinces of Misamis Oriental, Misamis Occidental, Camiguin, Bukidnon, the two Lanaos, Zamboanga del Sur, Agusan provinces, the two Surigaos on the eastern seaboard and Dinagat.

## SAN MIGUEL YAMAMURA GLASS

The country's leading glass container producer, San Miguel Yamamura Packaging Corp (SMYPC) is a joint venture conceived in 1992 between South East Asia's largest food, beverage and packaging company, San Miguel Corp (SMC) and Nihon Yamamura Glass Co Ltd of Japan. Having started with one glass plant as a support business for parent company San Miguel Corp in 1938, today SMYPC has expanded its operations to provide not only glass packaging but other forms such as metal, paper, composites and PET to serve the packaging requirements of a wide variety of industries.

Nihon Yamamura Glass is a long-time joint venture partner of San Miguel in the Philippines. Together, the companies own and operate the country's largest glass plant and San Miguel Yamamura Fuso Molds Corp, as well as a glass plant in Vietnam. NYG also has a presence in China and Taiwan.

San Miguel Corp is the largest publicly listed food, beverage and packaging company in the country with over 100 facilities in the Philippines, South East Asia, China and Australia, including five breweries and four glass plants. Founded in 1890 as a brewery, San Miguel makes nine out of every 10 bottles of beer, 87% of soft drinks, 60% of processed meat and 40% of all poultry sold in the Philippines. >

There are 21 million inhabitants in Greater Manila.





Its dominance of local business can be understood from the fact that in 2011, the group accounted for about 4.18% of the country's gross national income and 5.50% of gross domestic product. San Miguel Beer, the largest consumer of glass containers in the country, holds a market share of 92% in the domestic beer industry. The company sold 224 million cases in 2011, three million cases more than the previous year.

San Miguel Yamamura Glass has two glass manufacturing facilities in the Philippines and a moulds production plant serving the requirements of the beverage, spirits, food, pharmaceutical, chemical, personal care and health care industries. The bulk of glass bottles produced are for the alcobev and beverage industries. The company reports that its glass container facility is rated as the country's most technologically advanced glass manufacturing facility. San Miguel Yamamura Glass has a domestic share of about 60% in the Philippines glass container industry. Approximately 20% of output is destined for export markets such as Australia, Saudi Arabia, Hong Kong and Indonesia.

SMYG's sister concern, SMC Yamamura-Fuso Molds Corp has its manufacturing plant in Cavite. It maintains business links with Japan's Nihon Yamamura Glass Co Ltd and Fuso Machine and Mold Manufacturing Co Ltd.

In 2011, SMYG registered P8272 million in sales. This was 9% above 2010 levels, which was a major turnaround year for the company, marking its successful commercial delivery of the first flint and antique green wine bottles to customers in Australia. Sales revenues of SMYG reached P7615 million in 2010, due mostly to volume sales to the Coca-Cola Bottlers Group (CCBG) and Ginebra San Miguel Inc (GSMI). Other

customers contributing to revenue were SMB, pharmaceutical company United Laboratories and Cospak.

Apart from supplying the in-house requirements of the San Miguel Group, the company also supplies major Philippines-based multi-national corporations such as Nestle Philippines Inc, Unilever Philippines Inc, Kraft Foods Phils Inc, Diageo Philippines, Inc, Del Monte Philippines Inc, Coca-Cola Bottlers Philippines Inc and Pepsi-Cola Products Philippines Inc.

The SMYG Mandaue glass plant is located at Mandaue City, Cebu. This fully integrated facility produces 100 million bottles annually from three lines and employs more than 250 people. A major revamp in early 2010 saw the company replace an existing single loop control, instrumentation and control system with a modern process automation package from Siemens, covering the furnace, working end, forehearth, annealing lehrs and production counters. Other major suppliers for the modernisation included Asahi Glass Ceramics Co Ltd, E W Bowman, Schaefer Group and Land Instruments.

Between 2005 and 2007, the company had already spent more than P3 billion on upgrading and expanding the Cavite facility, enabling the company to keep up with the rising demand for glass packaging. During this project, a second furnace was added, increasing total glass packaging production to 80,000 tonnes.

### ASIA BREWERY

Founded in 1982 in Makati city, Asia Brewery is one of two breweries in the Philippines. The business is owned by Lucio Tan, listed by *Forbes Magazine* as the second richest Filipino, with assets worth \$2.8 billion.

The Asia Brewery glass plant is located on the company's main brewery complex, a 320 hectare property some 45km south of Manila. Although the company is almost 30 years old, the glass operations came into being during the late 1990s, supplying in-house needs for beer and beverage packaging.

Asia Brewery boasts a fully automated glass plant, capable of turning out 10 different bottle types at any given time. Equipped with technology from such leading technology suppliers as Emhart, Bowman, MSC & SGCC and Land Instruments, the Cabuyao glass plant

is considered one of the most modern fully integrated plants in South East Asia. In 2010, the company migrated its batch plants from S5 Programmable Logic Controllers (PLC) to Siemens' SIMATIC PCS 7.

### ANGLO WATSONS GLASS

Established in 1994, Anglo Watsons Glass Inc is engaged in the manufacture of flint glass bottles for local and export markets, primarily for the food and beverages sectors. The company is a wholly-owned subsidiary of Alliance Global Group Inc, a publicly listed company, with extensive and diversified business interests in the Philippines.

Its 57,938m<sup>2</sup> glass manufacturing plant is situated on the Canlubang Industrial Estate in Canlubang Laguna, a major industrial hub in the south of Metro Manila. The company's clients are based mainly in Manila and include leading producers of wines, liquors, juices, soft drinks, food preserves, sauces and flavouring products. An extensive refurbishment and expansion project was last undertaken in 2006.

### ARCYA GLASS

Located at Calamba, Laguna, about 50km south of Manila, Arcya Glass Corp is a mid-sized producer of glass containers for the food and beverage industry. Owned by Don Antonio Roxas Chua, the company employs around 500 people to produce an estimated 110 tonnes/day.

The bulk of the company's output goes to some of the most established food and beverage producers in the country. Equipped with modern technology from Emhart, Shamvik Glasstech and Lubisol Engineering, the company is looking to expand its installed capacity in the future.

### FLAT GLASS SPECIALIST

As the sole manufacturer of clear and tinted float glass in the Philippines, AGC Flat Glass Philippines is a 60%-40% joint venture company between Republic Glass Holdings Corp (formerly Republic Glass Corp) of the Philippines and Asahi Company Ltd of Japan.

Incorporated in 1988, the company started commercial operations in 1991, with a further upgrade in 2006 and an investment of P1.8 billion.

The company's float glass facility has an installed capacity of 520 tonnes/day and is located in Pasig City. Float glass production is complemented by a patterned glass furnace with a capacity of 110 tonnes/day. AGPH produces two types of figured glass, figured and high value solar glass, from its convertible F6 furnace. Clear float glass accounts for almost 70% of sales. In 2011, sales grew by 14.8% to P4.5 billion on the back of robust building construction in the country.

The company has also diversified into the production of special processed glass, fabricated glass for automotive applications, mirrors, toughened and laminated materials etc. One of its most successful creations is a patterned glass called Mistvue, a hybrid of float and figured glass in terms of quality and characteristics. Only one side of Mistvue is patterned, the other side being smooth, thus creating an obscure or misty effect on either side. ■



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