

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Corn TRQ Administration

**Country:** Philippines

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**Prepared By:** Pia Ang

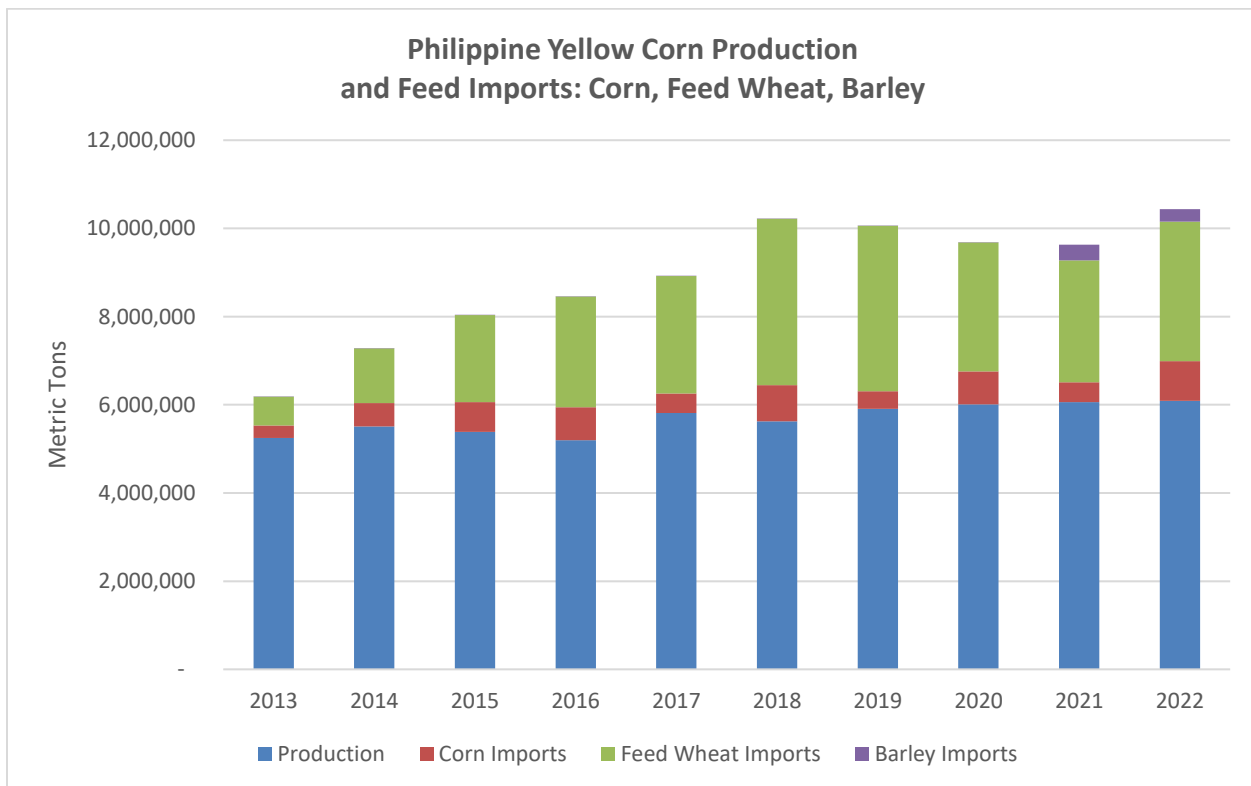
**Approved By:** Morgan Haas

**Report Highlights:**

The Philippines maintains a Tariff Rate Quota (TRQ) for corn (H.S. 1005). Following the reduction of tariffs in 2022 and their extension in 2023, significant interest in how to access the in-quota tariff ensued, and in turn, so followed widespread concern among local stakeholders for the process being anti-competitive, outdated, and potentially inconsistent with the Philippines' commitments with trading partners. This report aims to examine how TRQ administration has worked for corn and identify the root causes of the problems. Until further reforms are made, the government's policy objective to provide relief from elevated prices via the temporarily lowered tariffs are likely to remain muted.

## Background

The supply shortfall of corn has grown over the years due to the outpacing growth of the livestock and poultry industry, save for the last few years when African Swine Fever greatly impacted swine inventories. As a result, the Philippines has become increasingly reliant on imported corn – but more often – corn substitutes. Until recently, imported corn was sourced almost exclusively from ASEAN given the much higher most-favored nation (MFN) tariff rates that made the MFN tariff-rate quota less attractive. MFN corn tariff rates were also unattractive when compared to imported corn substitutes, such as feed wheat and barley, which enter duty-free from select trade partners like Australia. However, as the government began to face mounting inflationary pressures in 2022, caused in part by an over-reliance on Black Sea supplies, they acted to lower the MFN corn tariff rates to assist local feed manufacturers, livestock and poultry producers, and ultimately consumers of locally produced meat and poultry. This action generated substantial interest among feed manufacturers and importers who began looking to source MFN corn and make use of the tariff-rate quota, or as it is called locally, the Minimum Access Volume (MAV). However, in this attempt, several concerns with the administration of the tariff-rate quota came to light.



Source: Philippine Statistics Authority, Trade Data Monitor, BOC Imports for 2022

## Tariff Rates and the Minimum Access Volume (MAV)

Pursuant to Republic Act No. 8178 or the Agricultural Tariffication Act of 1996, the Department of Agriculture implemented a MAV mechanism taking into account the country's commitments under the World Trade Organization. The MAV mechanism allocates the Minimum Access Volume or tariff-rate quota. For corn (HS-1005), the Philippines' bound commitment was 216,940 MT with an in-quota tariff of 35 percent and over-quota tariff of 50 percent. For years, the Philippines has only applied MAV on corn other than seed (1005.10.00) and popcorn (1005.90.10).

In May 2022, President Rodrigo Duterte issued [Executive Order 171](#), lowering Most Favored Nation (MFN) in- and out-quota tariff rates on corn from 35 to 5 percent and 50 to 15 percent, respectively, through December 31, 2022. This brought MFN corn tariffs rates closer to the ASEAN tariff – a flat 5 percent – as well as encouraged competition with imported feed wheat and barley, most of which currently enters duty-free from Australia. During this time, the Philippines also split the applicable MAV line 1005.90.90 into 1005.90.91 and 1005.90.99 to differentiate corn imported for food versus feed or industrial purposes. On December 29, 2022, President Ferdinand Marcos, Jr. signed [Executive Order 10](#), extending the reduced tariff rates through December 31, 2023.

		MFN	AANZFTA	ACFTA	AIFTA	AJCEPA	AKFTA	ATIGA	PJEPA	PH-EFTA (NOR)	PH-EFTA (CHE/LIE)	PH-EFTA (ISL)	AHKFTA
<b>1001.99.99</b>	Feed Wheat	7	0	7	0	0	0	0	7	0	7	0	0
<b>1003.90.90</b>	Barley	7	0	0	0	0	7	0	0	7	7	7	0
<b>1005</b>	Corn												
<b>1005.10.00</b>	- Seed	0	0	0	0.75	0	0	0	0	0	0	0	0
<b>1005.90</b>	- Other:												
<b>1005.90.10</b>	-- Popcorn	7	0	7	7	0	7	0	0	7	7	7	0
	-- Other:												
<b>1005.90.91</b>	--- Fit for human consumption:												
<b>1005.90.91.100</b>	---- In-Quota	(5) 35	28	(5) 35	(5) 35	5	28	5	0	(5) 35	(5) 35	(5) 35	(5) 35
<b>1005.90.91.200</b>	---- Out-Quota	(15) 50	40	(15) 50	(15) 50	5	40	5	0	(15) 50	(15) 50	(15) 50	(15) 50
<b>1005.90.99</b>	--- Other:												
<b>1005.90.99.100</b>	---- In-Quota	(5) 35	28	(5) 35	(5) 35	5	28	5	0	(5) 35	(5) 35	(5) 35	(5) 35
<b>1005.90.99.200</b>	---- Out-Quota	(15) 50	40	(15) 50	(15) 50	5	40	5	0	(15) 50	(15) 50	(15) 50	(15) 50
	MFN	MFN applied duty rates											
	AANZFTA	ASEAN-Australia-New Zealand free trade area duty rates											
	ACFTA	ASEAN-China free trade area duty rates											
	AHKFTA	ASEAN-Hong Kong, China free trade area duty rates											
	AIFTA	ASEAN-India free trade area duty rates											
	AJCEPA	ASEAN-Japan free trade area duty rates (ASEAN-Japan Economic Partnership Agreement (AJCEPA))											
	AKFTA	ASEAN-Republic of Korea free trade area duty rates											
	ATIGA	ASEAN free trade area duty rates (ASEAN Trade in Goods Agreement)											
	PJEPA	Philippines-Japan free trade area duty rates (Japan-Philippines Economic Partnership Agreement (JPEPA))											
	PH-EFTA (ISL)	Philippines-Iceland under Philippines-EFTA agreement rates											
	PH-EFTA (NOR)	Philippines-Norway under Philippines-EFTA agreement rates											
	PH-EFTA (CHE/LIE)	Philippines-Switzerland and Liechtenstein under Philippines-EFTA agreement rates											

Source: [Tariff Finder](#)

## MAV Rules and Regulations

Administrative Order (A.O.) 9 of 1996, as amended by A.O. 8 of 1997 and A.O. 1 of 1998, established rules for implementing TRQs and allocating import licenses, locally referred to as MAV Import Clearances (MAVIC). See also GAIN Report [TRQ Administration Rules and Regulations](#). Following a swell of interest in 2022 and 2023, stakeholders have raised three primary concerns:

1. A.O. 52 (2000) provided amendments to the Rules and Regulations for the Implementation of the Agricultural MAV and perhaps unanticipated consequences. It cancelled penalties for underutilization if the MAV licensee purchased local supply. This provision effectively allows existing MAV license holders to keep their full allocation for next year without ever having to import.
2. According to Article 20 of the ASEAN Trade in Goods Agreement, ASEAN corn should not be subject to the tariff-rate quota or MAV mechanism. However, Philippine officials have not yet fully implemented this measure. This enables importers to declare corn sourced from ASEAN as counting toward their MAV allocation. MAV license holders, including importers that do not buy local corn, are then able to keep their MAV allocations if they buy ASEAN corn, all of which should enter out-quota at 5 percent as opposed to in-quota at 5 percent.
3. Annex II of A.O. 1 (1998) set the economic lot size for corn at 25 MT. WTO rules on TRQ administration, including “economic quantities” were later agreed in 2013 at the [Bali Ministerial](#). Given the [smallest commercial vessel](#) for corn is 30,000 MT, the outdated regulation has allowed allocations to be made in quantities that are not commercially viable.

As a result, small shareholders and new entrants have been effectively boxed out. They are either forced to import MFN corn at over-quota tariff rates or work with other license holders to facilitate group purchases. At present, nearly two-thirds of MAV licenses are held by a single company, while no other license holder was allocated a commercially viable quantity of at least 30,000 MT. These factors have regularly contributed to the Philippines underfilling its tariff-rate quota and curbed competitive market forces. Consequently, the MAV has also been limited in its effectiveness in delivering the intended policy objective, which has been to pass on cost-savings to downstream industries and consumers.

MAV UTILIZATION FOR CORN					
CY 2018-2022, Net Mass, MT (Gross Mass, MT)					
	2018	2019	2020	2021	2022
<b>MAV</b>	216,940	216,940	216,940	216,940	216,940
<b>Total In-Quota Imports</b>	619,512 (619,513)	220,314 (220,362)	396,528 (396,592)	157,202 (157,213)	391,787 (391,817)
<b>MFN In-Quota Imports</b>	267,979 (267,980)	130,779 (130,792)	122,143 (122,143)	844 (844)	190,947 (190,947)
<b>Effective Utilization Rate</b>	124%	60%	56%	0.4%	88%

Source: [BOC Import Entries](#)

Detailed in- and over-quota corn imports by calendar year, country, and applied tariff preference are provided in the following pages. Note: Post cannot explain how Customs recorded more in-quota imports in 2018 than there were available MAV licenses. Looking at MAV year (February-January) import data yields a similar result.

Corn Importation January-December (Gross Mass, in kilograms)

	2018			2019			2020			2021		
	In-Quota	Out-Quota	Total	In-Quota	Out-Quota	Total	In-Quota	Out-Quota	Total	In-Quota	Out-Quota	Total
<b>ATIGA</b>	<b>351,533,327</b>	<b>274,387,299</b>	<b>625,920,626</b>	<b>89,569,439</b>	<b>198,895,359</b>	<b>288,464,797</b>	<b>274,449,176</b>	<b>268,425,983</b>	<b>542,875,160</b>	<b>156,369,546</b>	<b>259,891,601</b>	<b>416,261,147</b>
Burma	2,373,891	15,665,657	18,039,548	27,534,041	141,376,651	168,910,691	47,425,676	103,829,941	151,255,618	24,471,356	187,237,481	211,708,837
India					336,672	336,672						
Indonesia	167,350,000	116,600,000	283,650,000				19,000,000	43,500,000	62,500,000			
Thailand	127,816,336	106,950,000	283,950,000	5,800,000	4,500,000	10,300,000	208,023,500	121,096,042	329,119,542	33,000,000	25,300,000	58,300,000
Vietnam	53,993,100	35,171,642	89,164,742	56,235,398	53,018,708	109,254,106				98,898,190	47,354,120	146,252,310
<b>MFN</b>	<b>267,979,559</b>	<b>1,473,555</b>	<b>269,453,114</b>	<b>130,792,236</b>	<b>1,658,435</b>	<b>132,450,671</b>	<b>122,142,865</b>	<b>1,783,453</b>	<b>123,926,318</b>	<b>843,775</b>	<b>1,983,093</b>	<b>2,826,868</b>
Argentina	91,534,000		91,534,000	11,480,000		11,480,000						
Australia		200,000	200,000					460,000	460,000		720,000	720,000
Brazil				47,250,000		47,250,000	45,000,000		45,000,000			
France		803,851	803,851		1,211,520	1,211,520		761,308	761,308			
India					300,600	300,600					24,050	24,050
Japan					143	143						
Peru											133	133
Thailand								8	8			
Turkey											1,238,910	1,238,910
UK										123,025		123,025
United States	176,445,559	469,704	176,915,263	72,062,236	146,172	72,208,408	77,142,865	562,137	77,705,002	720,750		720,750
<b>Grand Total</b>	<b>619,512,886</b>	<b>275,860,854</b>	<b>895,373,740</b>	<b>220,361,675</b>	<b>200,553,794</b>	<b>420,915,468</b>	<b>396,592,041</b>	<b>270,209,436</b>	<b>666,801,478</b>	<b>157,213,321</b>	<b>261,874,694</b>	<b>419,088,015</b>

Corn Importation January-December (Net Mass, in kilograms)

	2018			2019			2020			2021		
	In-Quota	Out-Quota	Total	In-Quota	Out-Quota	Total	In-Quota	Out-Quota	Total	In-Quota	Out-Quota	Total
<b>ATIGA</b>	<b>351,532,433</b>	<b>274,369,778</b>	<b>625,902,211</b>	<b>89,534,635</b>	<b>198,742,730</b>	<b>288,277,365</b>	<b>274,384,916</b>	<b>268,308,542</b>	<b>542,693,458</b>	<b>156,357,978</b>	<b>259,393,816</b>	<b>415,751,794</b>
Burma	2,372,997	15,648,136	18,021,133	27,499,237	141,224,022	168,723,259	47,361,416	103,712,800	151,074,216	33,000,000	25,300,000	58,300,000
Indonesia	167,350,000	116,600,000	283,950,000				19,000,000	43,500,000	62,500,000	24,459,788	186,739,696	211,199,484
Thailand	127,816,336	106,950,000	234,766,336	5,800,000	4,500,000	10,300,000				98,898,190	47,354,120	146,252,310
Vietnam	53,993,100	35,171,642	89,164,742	56,235,398	53,018,708	109,254,106	208,023,500	121,095,742	329,119,242			
<b>MFN</b>	<b>267,979,479</b>	<b>1,459,343</b>	<b>269,438,822</b>	<b>130,779,196</b>	<b>1,637,186</b>	<b>132,416,382</b>	<b>122,142,865</b>	<b>1,769,991</b>	<b>123,912,856</b>	<b>843,775</b>	<b>1,964,520</b>	<b>2,808,295</b>
Argentina	91,534,000		91,534,000	11,480,000		11,480,000						
Australia		200,000	200,000					460,000	460,000		720,000	720,000
Brazil				47,250,000		47,250,000	45,000,000		45,000,000			
France		789,639	789,639		1,190,889	1,190,889		747,847	747,847			
Thailand								7	7			
India					300,000	300,000					24,000	24,000
Japan					125	125						
Peru											120	120
Turkey											1,220,400	1,220,400
UK										123,025		123,025
United States	176,445,479	469,704	176,915,183	72,049,196	146,172	72,195,368	77,142,865	562,137	77,705,002	843,775		843,775
<b>Grand Total</b>	<b>619,511,912</b>	<b>275,829,121</b>	<b>895,341,033</b>	<b>220,313,831</b>	<b>200,379,916</b>	<b>420,693,747</b>	<b>396,527,781</b>	<b>270,078,533</b>	<b>666,606,314</b>	<b>157,201,753</b>	<b>261,358,336</b>	<b>418,560,089</b>

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Corn Imports Jan-Dec 2022 (Gross Mass, in KG)									
	In-Quota			Sub-Total	Out-Quota			Sub-Total	Total
	10059090100	10059091100	10059099100		10059090200	10059091200	10059099200		
<b>ATIGA</b>	<b>102,752,738</b>	<b>9,330,624</b>	<b>88,785,881</b>	<b>200,869,243</b>	<b>178,802,656</b>	<b>432,691</b>	<b>204,185,014</b>	<b>383,420,361</b>	<b>584,289,604</b>
Indonesia			26,025,000	26,025,000			77,725,000	77,725,000	103,750,000
Burma	51,653,408	9,330,624	41,863,541	102,847,573	178,802,656	432,691	113,261,884	292,497,231	395,344,804
Vietnam	51,099,330		20,897,340	71,996,670			13,198,130	13,198,130	85,194,800
<b>MFN</b>	<b>6,870,095</b>	<b>304,264</b>	<b>183,773,137</b>	<b>190,947,496</b>	<b>557,682</b>	<b>680,000</b>	<b>122,046,768</b>	<b>123,284,450</b>	<b>314,231,946</b>
Argentina			68,669,000	68,669,000				-	68,669,000
Australia				-	200,000	680,000		880,000	880,000
Brazil			115,104,137	115,104,137			122,021,718	122,021,718	237,125,855
India				-			25,050	25,050	25,050
Turkey				-	316,680			316,680	316,680
United States	960,965	304,264		1,265,229	41,002			41,002	1,306,231
Vietnam	5,909,130			5,909,130				-	5,909,130
<b>Grand Total</b>	<b>109,622,833</b>	<b>9,634,888</b>	<b>272,559,018</b>	<b>391,816,739</b>	<b>179,360,338</b>	<b>1,112,691</b>	<b>326,231,782</b>	<b>506,704,811</b>	<b>898,521,550</b>

Corn Imports Jan-Dec 2022 (Net Mass, in kilograms)									
	In-Quota			Sub-Total	Out-Quota			Sub-Total	Total
	10059090100	10059091100	10059099100		10059090200	10059091200	10059099200		
<b>ATIGA</b>	<b>102,743,330</b>	<b>9,312,000</b>	<b>88,784,340</b>	<b>200,839,670</b>	<b>178,759,500</b>	<b>432,000</b>	<b>204,102,130</b>	<b>383,293,630</b>	<b>584,133,300</b>
Indonesia			26,025,000	26,025,000			77,725,000	77,725,000	103,750,000
Burma	51,644,000	9,312,000	41,862,000	102,818,000	178,759,500	432,000	113,179,000	292,370,500	394,698,500
Vietnam	51,099,330		20,897,340	71,996,670			13,198,130	13,198,130	85,194,800
<b>MFN</b>	<b>6,870,045</b>	<b>304,264</b>	<b>183,773,137</b>	<b>190,947,446</b>	<b>544,804</b>	<b>680,000</b>	<b>122,046,718</b>	<b>123,271,522</b>	<b>314,218,968</b>
Argentina			68,669,000	68,669,000				-	68,669,000
Australia				-	200,000	680,000		880,000	880,000
Brazil			115,104,137	115,104,137			122,021,718	122,021,718	237,125,855
India				-			25,000	25,000	25,000
Turkey				-	312,000			312,000	312,000
United States	960,915	304,264		1,265,179	32,804			32,804	1,297,983
Vietnam	5,909,130			5,909,130				-	5,909,130
<b>Grand Total</b>	<b>109,613,375</b>	<b>9,616,264</b>	<b>272,557,477</b>	<b>391,787,116</b>	<b>179,304,304</b>	<b>1,112,000</b>	<b>326,148,848</b>	<b>506,565,152</b>	<b>898,352,268</b>

Source: [BOC Import Entries](#)

## MAV Allocation

The following table for 2021 demonstrates how MAV allocations are calculated from one year to the next, including how penalties are assessed (orange), exemptions for local purchases are made (red), as well as how redistributions are performed (yellow).

CORN = HS CODE 1005 (2021 MAV = 216,940 MT)												
	LICENSEES	2021	BYP	2021	TOTAL	PERCENT UTILIZED (%)	LOCAL PURCHASE	PENALTY 2021	TENTATIVE	2022	2022	
		BYP/ SDP	2021 ALLOCATION	SURRENDERED VOLUME	MAVIC ISSUED				BALANCE	ALLOCATION	BYP SDP	BYP ALLOCATION
										2022		
	<b>NEW ENTRANT</b>											
1	GREAT HARVEST Ent.										11,643.33	11,643.33
	<b>TOTAL:</b> CEBU AGRIBUSINESS, INC		4,106.81					4,106.81				
2	SIMON AGRIBUSINESS CORP		1,898.27				4,501.27		1,898.27		11,643.33	13,541.60
3	UNAHCO, INC		1,034.89			221.79	221,792.07		1,034.89		11,643.33	12,678.22
4	UNIVERSAL ROBINA CORPORATION	2,747.25	5,958.33		893.7	15	8,142.93		5,958.33		11,643.33	17,601.66
5	SAN MIGUEL FOODS INC	2,747.25	126,185.90				398,490.90		126,185.90		11,643.33	137,829.23
6	CAGAYAN CORN PRODUCTS	2,747.25	65,753.18	65.73				65,753.18			11,643.33	23,645.60
7	GENERAL MILLING CORP	2,747.25	12,002.27				12,126.08		12,002.27		11,643.33	23,645.60
	<b>TOTAL:</b>	<b>10,989.35</b>	<b>216,940</b>		<b>893.7</b>	<b>0.41</b>		<b>69,859.99</b>	<b>147,079.66</b>		<b>69,859.98</b>	<b>216,940.00</b>

The table on the right for 2023 demonstrates how nine out of ten license holders were not provided commercially viable allocations. This has generated calls by industry and government officials alike to (1) immediately expand the MAV to provide more equitable access to the in-quota tariff or (2) move to a uniform in- and out-quota tariff structure like poultry, which would further reduce administrative costs of administering the MAV.

Note:

BYP – Beginning Year Pool

SDP – Systematic Distribution Procedure

BYP 2023 ALLOCATION				
CORN = HS CODE 1005 (2022 MAV = 216,940 MT)				
AS OF DECEMBER 15, 2022				
LICENSEES	Acct #	2023 TENTATIVE ALLOCATION	2023 BYP/SDP	2023 ALLOCATION
<b>NEW ENTRANT</b>				
8 ARCHER DANIELS MIDLAND PHILS.			150	150
7 CAGAYAN CORN			150	150
9 NEOVIA PHILS			150	150
10 VITATICH CORP			139.33	139.33
<b>TOTAL:</b>			<b>589.33</b>	<b>589.33</b>
1 GREAT HARVEST Ent.		10,479	0	10,479
2 SIMON AGRIBUSINESS CORP	1057	13,541.60	150	13,692
3 UNAHCO, INC	425	12,678.22	150	12,828
4 UNIVERSAL ROBINA CORPORATION	113	17,601.66	150	17,752
5 SAN MIGUEL FOODS INC	54	137,829.23	0	137,829
6 GENERAL MILLING CORP	23	23,645.60	125	23,771
<b>TOTAL:</b>		<b>215,775.31</b>	<b>1,163</b>	<b>216,938</b>

Source: [DA Website](#)

**Attachments:**

[1998 AO 01 MAV Rules and Regulations \(002\).pdf](#)

[2000 AO 52 MAV Ammendment.pdf](#)