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Philippines

Grain and Feed Annual

Philippine Grain and Feed Situation and Outlook

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Report Highlights:

Wheat imports are forecast to decline to 4.3 million tons in market year (MY) 15/16 (down 16 percent from the previous year) due to ample stocks, but will rebound to around 4.8 million tons in MY 16/17 due to an expanding population, continued economic growth, and low prices. Post estimates corn production will decline to 7.5 million tons in MY 15/16 (down 2 percent from the previous year) due to weather extremes but will reach approximately 7.9 million tons in MY 16/17 on the expected return to more 'normal' weather. Corn imports are predicted to remain flat in MY 16/17 compared to the previous year due to competitive prices. Like corn, rice production is expected to decline modestly in MY 15/16, but recover and increase in MY 16/17. Post forecasts rice imports in MY 16/17 down 25 percent from the previous year to roughly 1.5 million to due to steady growth in production and anticipated significant carryover stocks from MY 15/16.

Executive Summary:

There continues to be no commercial production of wheat or “small grains” (barley, oats, etc.) in the Philippines. As a result, the country is a major importer of milling-quality wheat and the United States is its largest supplier. Milling wheat imports are exempt from Most Favored Nation (MFN) tariffs, while feed-wheat imports are levied a seven percent duty. Milling wheat imports over the past several years have remained in the range of 2.1 – 2.3 million tons per year, with the balance of total wheat imports consisting of feed-grade wheat. With incomes rising as a result of the strong performance of the Philippine economy, local industry contacts anticipate demand for milling and feed-grade wheat to steadily grow. Increased food consumption as a result of campaign spending leading to the May 2016 elections, however, was less than expected. As a result, downward revisions were made to overall wheat consumption in MY 15/16, although milling and feed-wheat demand are still expected to slightly grow from the previous year’s level. MY 15/16 wheat imports are expected to decline from the MY 14/15 level due to ample beginning stocks. Current expansion of the flour milling industry, as well as the continued consolidation and modernization of the local hog and poultry industries, are expected to result in increased overall imports in MY 16/17 (enhanced by record global wheat production and low prices).

Dry conditions and tightness in water supply in major grain producing areas adversely affected grain production in CY2015. According to Philippine Government (GPH) data, paddy rice production contracted 4.3 percent from 18.97 million tons in CY2014 to 18.15 million tons in CY2015, while corn output declined 3.2 percent from 7.77 million tons in CY2014 to 7.52 million tons in CY2015. On a MY basis, rice and corn output are forecast to modestly increase through MY 16/17 due to the expected return to more ‘normal’ weather conditions.

Under the Association of South East Asian Nations (ASEAN) Trade in Goods Agreement (ATIGA), corn imports have a five percent duty while rice tariffs are at 35 percent through 2015. The World Trade Organization’s (WTO) MFN tariff rate for corn is 35 percent for the in-quota limit of 217,000 tons, while the out-of-quota rate is 50 percent, through 2016. For rice, in July 2014 the WTO granted the Philippines request to extend quantitative restrictions on rice imports through July 2017. In exchange, the in-quota limit was raised to 805,200 MT (from 350,000 MT) and the in-quota tariff was reduced from 40 percent to 35 percent (the out-of-quota tariff remained at 50 percent), through July 1, 2017. On November 5, 2015, Philippine President Aquino III signed Executive Order No. 190 (EO 190) which put in effect the rice quota tariff and MFN tariff changes.

Despite strong demand from the consolidating hog industry and the growing broiler and layer operations, corn imports are expected to decline in MY 15/16 due to adequate carryover stocks from MY 14/15, as well as increased use of cassava (tapioca) as a substitute. No significant change in corn imports are forecast through MY 16/17 as a result of increased feed-wheat consumption and comparatively high prices. For rice, the Philippines’ main staple, MY 16/17 imports are forecast to decline from the previous year due to the expected improvement in local production.

Commodities:

Wheat

Corn

Rice, Milled

Production:

Philippine agricultural output is largely a function of weather. The country is visited by roughly 20 typhoons or tropical storms annually, the majority of which occur in the second half of the year.

Drier-than-normal conditions as a result of the El Nino weather pattern, as well as several tropical typhoons seriously affected farm output in CY2015. The local crops subsector contracted 2.0 percent and accounted for roughly half (52 percent) of overall agricultural output during the year. Likewise declining was the domestic fisheries subsector (2.0 percent) which has a 16 percent share. The domestic livestock and poultry industries, however, continued to show resilience in CY2015, expanding 3.8 percent and 5.7 percent, respectively. Both industries accounted for a combined 32 percent (17 percent and 15 percent, respectively) of overall Philippine farm output.

Local weather forecasters expect the El Nino weather phenomenon to weaken in the 2nd quarter of CY2016. Expected to be most affected are rice and corn production in Northern Mindanao and Eastern Luzon.

Wheat

There is no commercial wheat and “small grain” (e.g., barley, oats, and rye) production in the Philippines.

Corn

According to the Philippine Statistics Authority (PSA), corn output in calendar year (CY) 2015 reached 7.52 million tons, down 3.2 percent from the 7.77 million tons in CY2014 mainly due insufficient water supply and dry conditions, as well as the adverse effects of several typhoons. Area harvested in CY2015 contracted to 2.56 million hectares from 2.61 million hectares in CY2014, while yields declined from 2.98 tons per hectare in CY2014 to 2.93 tons per hectare in CY2015. The major corn producing areas in 2015 included the Cagayan Valley, Northern Mindanao, and the SOCSARGEN region in Central Mindanao. Good production in most of these areas was attributed to the increased use of better quality seeds and adequate water supply.

For the first semester of CY2016, the PSA projects corn output to decline 0.2 percent from 3.38 million tons in the first half of CY2015 to 3.37 million tons. Area harvested is expected to decline slightly (209 hectares) to 1,044.8 thousand hectares from 1,045.04 thousand hectares during the same period. Yields are likely to go down from 3.24 tons per hectare in the first six months of 2015 to 3.23 tons during the same period in 2016.

On a market year (MY) basis, MY 15/16 corn output and area harvested were adjusted downwards and are likely to decline from the previous year’s level due to lingering dryness and tightness in water supply. Some farmers reportedly have decided to forego planting due to inadequate water supply, while others have shifted to cassava production which is known to require less capital and water. According

to the PSA data, in CY2015 cassava production increased 7 percent to 2.7 million tons from 2.5 million tons in CY2014. Major cassava-producing provinces include Isabela, Cagayan, Quirino, Bukidnon and Misamis Oriental.

Extreme weather conditions (dryness and excessive rainfall) in CY2015, affected quality and consequently domestic corn farm-gate prices. After increasing in CY2014, the following tables show CY2015 farm-gate prices of yellow and white corn declining 5.5 percent and 5.7 percent, respectively.

Yellow Corn: Monthly Average Prevailing Prices (P/Kg)					
	2013	2014	2015	% Change	
Farm-gate				14/13	15/14
January	12.31	11.73	12.41	-4.71	5.80
February	11.73	12.05	12.92	2.73	7.22
March	11.64	12.27	12.59	5.41	2.61
April	11.78	12.56	12.64	6.62	0.64
May	11.74	13.01	12.50	10.82	-3.92
June	11.64	13.62	12.33	17.01	-9.47
July	11.31	12.93	12.46	14.32	-3.63
August	11.45	13.14	11.77	14.76	-10.43
September	11.73	13.34	11.41	13.73	-14.47
October	11.27	12.90	11.03	14.46	-14.50
November	11.49	12.76	10.93	11.05	-14.34
December	11.38	12.44	10.95	9.31	-11.98
Average	11.62	12.73	12.00	9.63	-5.54

Source: Philippine Statistics Authority

White Corn: Monthly Average Prevailing Prices (P/Kg)					
	2013	2014	2015	% Change	
Farm-gate				14/13	15/14
January	14.19	14.07	11.35	-0.85	-19.33
February	14.12	14.00	11.76	-0.85	-16.00
March	14.60	14.23	13.22	-2.53	-7.10
April	14.40	15.40	13.48	6.94	-12.47
May	14.46	15.75	14.28	8.92	-9.33
June	14.22	15.35	15.16	7.95	-1.24
July	13.60	15.00	14.88	10.29	-0.80
August	12.88	13.29	13.12	3.18	-1.28
September	12.88	12.76	12.66	-0.93	-0.78
October	13.04	12.61	12.18	-3.30	-3.41
November	13.71	12.40	12.44	-9.56	0.32
December	13.66	11.95	12.32	-12.52	3.10

Average	13.81	13.90	13.07	0.56	-5.69
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Source: Philippine Statistics Authority

MY 16/17 corn production is likely to increase from the MY 15/16 level due to the expected return to more 'normal' weather conditions. The MY 16/17 scenario does not take into account industry concerns about a possible La Nina episode (associated with excessive rainfall in the Philippines) following the El Nino weather pattern on local corn output. The 3rd quarter corn harvest season is the dominant corn crop accounting for 30-35 percent of overall annual corn production.

Rice

Like corn, the rice crop was negatively affected by extreme weather conditions in CY2015. Paddy rice output during the year reached 18.15 million tons, down 4.3 percent from the CY2014 level of 18.97 million tons, according to the PSA. Area harvested declined 1.8 percent to 4.66 million hectares in CY2015 from 4.74 million hectares in CY2014, while yields dropped from 4.0 tons per hectare 3.9 tons per hectare during the same period. Major rice-producing areas in CY2015 include the Central Luzon, Cagayan Valley, Western Visayas, the Ilocos Region, the SOCSARGEN and Bicol regions. Roughly 40 percent of overall rice production is harvested in the fourth quarter of each year.

For the January-June CY2016 period, the PSA projects paddy rice output at 8.20 million tons, down 1.5 percent from 8.32 million tons for the same time period in CY2015. The PSA attributes the increase to an expected smaller area harvested and lower yields. Based on PSA data for July-December CY2015 (which showed less than expected performance) and the January-June CY2016 forecast, Philippine rice production and area harvested in MY 15/16 were pared down and are likely to decline from the previous year's level.

Preliminary data from the PSA shows the average farm gate price of paddy rice in CY2015 was P17.34 (\$0.38) per kilo, 13 percent lower than the P20.07 (\$0.44) per kilo average price in CY2014. The decline in average rice farm-gate prices was due to adequate stocks, as well as low grain-quality as a result of weather-related concerns, according to the PSA.

	2013	2014	2015	% Change	
Farm-gate				14/13	15/14
January	15.92	18.44	17.70	15.83	-4.01
February	15.68	19.31	17.25	23.15	-10.67
March	15.93	20.16	17.37	26.55	-13.84
April	15.95	20.38	16.88	27.77	-17.17
May	16.30	20.58	17.35	26.26	-15.69
June	17.06	21.87	17.96	28.19	-17.88
July	17.47	21.28	17.95	21.81	-15.65
August	18.14	20.66	17.82	13.89	-13.75
September	17.00	19.60	17.47	15.29	-10.87
October	17.14	19.59	16.57	14.29	-15.42
November	17.97	19.69	16.62	9.57	-15.59

December	18.57	19.31	17.13	3.98	-11.29
Average	16.93	20.07	17.34	18.88	-13.49

Source: Philippine Statistics Authority

For MY 16/17, rice production is likely to increase from the MY 15/16 due to the expected return to more normal weather conditions. A wider area harvested and higher yields are expected as a result.

Consumption:

According to the PSA, after growing by a healthy 6.1 percent in CY2014, Philippine Gross Domestic Product (GDP) slowed to 5.8 percent in CY2015. The services sector was the main growth driver expanding 6.7 percent, followed by industry at 6 percent, and agriculture (including fish and forestry) at 0.2 percent. According to the Bangko Sentral ng Pilipinas (BSP), average inflation in CY2015 was 1.4 percent. The GPH projects GDP growth at 6.8-7.8 percent in CY2016. The International Monetary Fund and the World Bank, on the other hand, projects a slower 6.0 percent and 6.4 percent growth in CY2015, respectively. Inflation is expected to remain in the 2-4 percent range through at least CY2017, according to the BSP.

Philippine presidential and vice presidential elections are part of the May 2016 political exercise where elections to the Senate, House of Representatives and local governments (including the Autonomous Region in Muslim Mindanao) will be held. Traditionally, election-related spending results in increased consumption leading to the elections.

Wheat

Although expanding, the local flour industry is operating at roughly half of its capacity. There are currently 15 mills with an aggregate capacity of over 4.1 million tons, with two new mills expected to operate in CY2016. Increased food consumption as a result of campaign spending leading to the May 2016 elections, however, was less than expected. Hence, MY 15/16 milling wheat demand was pared down but is still expected to slightly grow compared to the previous year's level. For MY 16/17, demand for milling wheat is likely to continue increasing modestly in MY 16/17 as a result of the growing food needs of an expanding Philippine population.

Free from Avian flu and declared Foot and Mouth Disease (FMD) free, the domestic hog and poultry industries are the bright spots of Philippine agriculture. As a result, the local feed-milling industry has consistently grown in recent years. According to contacts, there are hundreds of registered commercial feed mills in the country, but only 20-30 large operations dominate the industry. MY 15/16 feed-wheat demand was revised downwards but will still likely grow from the previous year's level. For MY 16/17, feed-wheat consumption is also expected to modestly increase due to firm animal feed demand and competitive prices.

To summarize, despite the downward adjustment to MY 15/16 milling and feed-wheat demand, overall wheat consumption is still expected to increase through MY 16/17 due to the growing Philippine population and increasing feed demand by the Philippine feed-consuming sectors.

The average domestic price of feed-wheat in CY2015 was P13.71/kilo (\$0.30/kilo), 11 percent cheaper than the previous year's level, and lower than the average yellow corn retail price of P15.55 (\$0.34) per kilo.

Feed-wheat: Monthly Average Prevailing Prices (P/Kg)					
	2013	2014	2015	% Change	
Wholesale				14/13	15/14
January	16.00	14.00	15.05	-12.50	7.50
February	15.24	14.10	14.80	-7.48	4.96
March	15.10	14.90	14.35	-1.32	-3.69
April	15.40	15.80	14.30	2.60	-9.49
May	16.08	15.80	14.65	-1.74	-7.28
June	17.06	15.90	14.20	-6.80	-10.69
July	16.70	16.00	13.45	-4.19	-15.94
August	16.70	16.20	13.10	-2.99	-19.14
September	16.55	15.75	13.10	-4.83	-16.83
October	15.70	15.05	12.65	-4.14	-15.95
November	15.10	15.10	12.40	0.00	-17.88
December	14.60	15.30	12.50	4.79	-18.30
Average	15.85	15.33	13.71	-3.22	-10.23

Source: Philippine Association of Feed-millers

According to industry, record global wheat production and declining wheat prices coupled with ample supplies have resulted in a shift in the buying behavior of local mills. Usually, when wheat prices are high, local flour millers purchase aggressively as prices may go higher. Conversely, local flour millers are hesitant to buy as current low wheat prices may further drop. There is currently no incentive for industry to stock, and most millers have resorted to 'hand-to-mouth' buying. Hesitation to aggressively purchase wheat is likely happening to the feed-milling industry as well.

Corn

According to industry, corn is the preferred feed-grain by local end-users. Quality issues are commonly associated with locally produced corn, and most feed-mills prefer imported corn for its reliability and uniformity in quality. However, to ensure adequate feed-grain supply, large feed-mills enter into supply agreements with local corn producers in exchange for assured prices and technical assistance.

Like feed-wheat, cassava is utilized to substitute for a certain percentage of yellow corn in animal feed production. Likewise, small cassava farmers are recipients of marketing and technical assistance from a major agribusiness company into feed-milling operations. Post expects increased use of cassava in feed production in MY 15/16 due to competitive prices and the drop in local corn production.

Corn prices are provided in the following table. According to preliminary PSA data, the average yellow corn retail price in CY2015 was at P15.55 (\$0.34) per kilo, higher than the P15.46 (\$0.33) per kilo average price in CY2014.

Yellow Corn: Monthly Average Prevailing Prices (P/Kg)					
	2013	2014	2015	% Change	
Wholesale				14/13	15/14
January	15.96	16.13	15.31	1.07	-5.08
February	15.76	16.32	14.53	3.55	-10.97
March	15.69	16.59	15.12	5.74	-8.86
April	15.75	17.07	16.34	8.38	-4.28
May	16.01	17.21	16.74	7.50	-2.73
June	15.89	17.43	16.68	9.69	-4.30
July	15.96	14.56	15.71	-8.77	7.90
August	15.94	13.79	15.99	-13.49	15.95
September	15.79	13.49	14.02	-14.57	3.93
October	16.03	13.86	15.46	-13.54	11.54
November	16.18	14.11	15.59	-12.79	10.49
December	16.15	14.97	15.11	-7.31	0.94
Average	15.93	15.46	15.55	-2.88	1.21

Source: Philippine Statistics Authority

White corn is a staple in some parts of the Visayas region and Mindanao, and is consumed as grits mixed with rice. The average CY2015 retail price of local white corn was P23.20 (\$0.51) per kilo, higher compared to the 21.82 (\$0.48) per kilo average price in CY2014.

White Corn: Monthly Average Prevailing Prices (P/Kg)					
	2013	2014	2015	% Change	
Retail				14/13	15/14
January	19.83	19.37	22.34	-2.32	15.33
February	19.67	20.08	23.00	2.08	14.54
March	19.77	22.06	23.90	11.58	8.34
April	20.00	22.24	23.86	11.20	7.28
May	19.58	21.51	23.78	9.86	10.55
June	18.63	22.96	23.96	23.24	4.36
July	18.02	23.73	24.54	31.69	3.41
August	18.18	21.49	22.68	18.21	5.54
September	18.40	22.89	23.18	24.40	1.27
October	18.74	22.90	23.43	22.20	2.31
November	18.33	22.02	21.30	20.13	-3.27
December	18.52	21.28	22.42	14.90	5.36

Average	18.97	21.88	23.20	15.60	6.25

Source: Philippine Statistics Authority

Food and feed-corn consumption were pared down in MY 15/16 due to the decline in corn production during the year. Yellow corn consumption through MY 16/17 will likely stay flat compared to the MY 14/15 level due to high prices and quality issues. Food-corn demand in MY 15/16, on the other hand, is expected to decline modestly to 2.1 million tons, and predicted to remain at this level in MY 16/17 as milling wheat and rice consumption increase during the year.

Rice

Rice is the main staple of the Philippine population, currently estimated at over 100 million people and expanding by 2 percent annually. Rice provides an estimated 45 percent of the average Filipino's calorie intake and its production is considered the main source of livelihood in rural areas. Average rice-consumption spending accounts for about 20 percent of a household's budget. This may go higher by as much as 30 percent for the bottom 30 percent of Filipino families, according to industry.

In general terms, average commercial rice retail prices declined in CY2015 compared to the previous year, as a result of adequate inventories strengthened by the timely arrival of imported stocks. Monthly average retail prices of milled rice from CY2013 to CY2015, based on PSA preliminary data, are provided in the following table.

Regular Milled Rice: Monthly Average Prevailing Prices (P/Kg)					
	2013	2014	2015	% Change	
Retail				14/13	15/14
January	32.01	36.51	38.81	14.06	6.30
February	32.04	36.85	38.30	15.01	3.93
March	31.97	37.80	37.72	18.24	-0.21
April	31.96	38.35	37.16	19.99	-3.10
May	32.04	38.92	36.85	21.47	-5.32
June	32.37	39.42	36.45	21.78	-7.53
July	33.44	40.15	36.46	20.07	-9.19
August	34.82	40.35	36.49	15.88	-9.57
September	36.07	40.36	37.01	11.89	-8.30
October	35.66	39.84	36.33	11.72	-8.81
November	35.78	39.56	36.56	10.56	-7.58
December	36.26	39.11	36.50	7.86	-6.67
Average	33.70	38.94	37.05	15.71	-4.67

Source: Philippine Statistics Authority

Rice consumption is expected to marginally grow in MY 16/17 due to the growing food needs of an expanding Philippine population.

Trade:

On July 21, 2015, amendments to the Cabotage Law embodied in Republic Act 10668 (RA 10668) was approved by President Benigno Aquino III. RA 10668 or "An Act Allowing Foreign Vessels to Transport and Co-Load Foreign Cargoes for Domestic Transshipment and for Other Purposes" allows foreign ships to transport import or export cargo directly to and from any local port other than the Port of Manila. RA 10668 is expected to result in lower cost of importing products to the Philippines, and will facilitate imports from all countries. It is also expected to help decongest the main port in Manila which experienced serious congestion problems and disrupted trade flows in 2014.

The implementing rules and regulations (IRRs) of RA 10668 have yet to be approved, however. In the Philippines, the IRRs spell out how laws are to be operationalized.

Wheat

The Philippines was the 3rd largest U.S. wheat market globally in CY2015 with sales reaching \$522 million. Wheat was the second largest U.S. agricultural export to the Philippines in CY2015 next to soybean meal.

According to preliminary customs data, in terms of volume, wheat imports in CY2015 modestly increased (7 percent) to 3.87 million tons from 3.61 million tons in CY2014. U.S. wheat imports, however, declined 13 percent from 2.35 million tons in CY2014 to 2.05 million tons in CY2015. U.S. wheat comprised 53 percent of overall wheat imports in CY2015. Australia and Canada came in second and third with a similar 17 percent market share.

Reporting Countries Export Statistics (Partner Country: Philippines)				
UDG: Wheat, Group 60 (2012)				
Annual Series: 2010 – 2015				
Reporting Country	Unit	Quantity		
		2013	2014	2015
Reporting Total	T	3145468	3614080	3873932
United States (Consumption/Domestic)	T	1962062	2350577	2048492
Australia	T	346881	541547	663314
Canada	T	235871	91341	662925
Brazil	T	0	115204	311676
France	T	0	0	132750
United Kingdom	T	0	0	52675
Argentina	T	0	0	2100
South Korea	T	0	0	0
Taiwan	T	1	0	0
Thailand	T	0	0	0
Ukraine	T	236274	278474	0
Denmark	T	0	0	0

Belgium	T	0	0	0
India	T	189709	81781	0
New Zealand	T	0	4	0
Romania	T	47662	103387	0
Russia	T	127007	51765	0

Source: Global Trade Atlas

Likely driving overall wheat imports in CY2015 are feed-wheat imports. According to industry data, feed-wheat imports in CY2015 reached 1.9 million tons, inclusive of over 200,000 tons from the U.S. Other feed-wheat sources during the year were Australia (455,000 tons), the EU and Brazil (415,000 tons each), India (165,000 tons) and Black Sea sources (185,000 tons). Around 900,000 tons arrived during the July-December CY2015 period.

Partial MY 15/16 customs data indicate a substantial decline in overall wheat imports compared to the MY 14/15 level. Downward adjustments were made to MY 15/16 imports, as a result, and the lowered imports are likely due to ample MY 14/15 carryover stocks, as well as speculation on whether wheat prices will further decline.

Imports are likely to rebound and increase substantially in MY 16/17 as stocks will not likely be drawn down further and food and feed consumption should remain flat. Additionally, feed-wheat imports are likely to drive the increase in overall wheat imports in MY 16/17 as the domestic hog and poultry industries expand and take advantage of export opportunities provided by the ASEAN Trade in Goods Agreement or ATIGA (see POLICY section).

Corn

According to preliminary customs, corn imports in CY2015 declined 66 percent from 787,643 267,201 tons in CY2014, the majority (27 percent) originating from Thailand. Brazilian corn comprised 25 percent while Argentinian corn accounted for 17 percent of overall imports in CY2015.

Reporting Countries Export Statistics (Partner Country: Philippines)				
UDG: Coarse Grains, Group 59 (2012)				
Annual Series: 2010 – 2015				
Reporting Country	Unit	Quantity		
		2013	2014	2015
Reporting Total	T	392419	787643	267201
Thailand	T	321245	475338	71346
United States (Consumption/Domestic)	T	19950	68990	70729
Brazil	T	10635	0	66923
Argentina	T	2704	180776	46510
Australia	T	12462	8408	9827
France	T	906	586	962

Canada	T	238	0	726
China	T	1844	186	110
Others	T	22432	52259	68

Source: Global Trade Atlas

Despite record global corn production, corn imports are likely to decline to 500,000 tons in MY 15/16 from the previous year's level as a result of ample stocks and lower prices for both feed-wheat and cassava that are used to substitute yellow corn. Corn imports in MY and TY16/17 are likely to remain at the MY 15/16 level due to increasing feed-wheat consumption.

A recent Philippine Supreme Court ruling on genetically engineered (GE) crops and related products, including GE corn, is not expected to disrupt corn trade in MY 15/16 (see POLICY section).

Rice

Rice imports (through November 2015) are provided in the following table. Looking at Philippine import statistics using customs data, rice imports reached close to a million tons in CY2015 with Vietnam and Thailand accounting for 53 percent and 5 percent, respectively.

Philippines Import Statistics				
Commodity: Rice, Group 58 (2012)				
Annual Series: 2009 – 2014				
Partner Country	Unit	2013	2014	2015*
World	T	404702	1079470	988172
Vietnam	T	216686	855833	528328
Thailand	T	165008	200519	445148
India	T	13645	20990	6431
China	T	4897	2042	4138
Pakistan	T	0	53	0
Others	T	4466	0	4127

*January to November, most recent data available

Source: Global Trade Atlas

According to National Food Authority (NFA) data, in CY2015, actual arrivals of rice imports reached 1.9 million tons, with roughly 65 percent contracted by the NFA through government-to-government arrangements. Around 640,000 tons representing roughly 35 percent of overall imports in CY2015 were under the Minimum Access Volume (MAV), which are private sector imports. Undocumented rice imports continued to flow in the Philippines in MY 15/16, albeit in lesser amounts compared to previous years, primarily due to considerable documented imports during the year.

Post forecasts overall imports in MY 16/17 at 1.5 million tons for a decline from the previous year's level due to increasing production as a result to a return to more 'normal' weather conditions and adequate stocks entering the year.

Stocks:

Wheat

Wheat stocks are largely private sector-held. Overall wheat demand in MY 15/16 is expected to draw substantially from stocks to account for lower imports during the year. No further drawdown in stocks is anticipated in MY 16/17 so imports are expected to rebound.

Corn

The majority of corn stocks are with private traders and large feed-millers. Like wheat, overall corn consumption in MY 15/16 is expected to lower stocks as a result of the decline in local production. Increased local production in MY 16/17 is expected to strengthen ending stocks during the year.

Rice

Philippine rice inventory is comprised of those stocks held by the GPH, the commercial sector, and households. As a matter of GPH policy, a 90-day national rice buffer stock entering the third quarter of each year should be maintained. Of this desired stock level, a 30-day supply of stocks should be in the GPH's possession. Additionally, at any given time, the GPH should have inventories good for 15 days.

Ending rice stocks in MY 15/16 were reduced due to the downward revision made to production, but is expected to modestly increase through MY 16/17. Stocks are estimated to be sufficient for 72 days (at a daily requirement of 32,000 tons) in MY 15/16 and 78 days in MY 16/17.

The Philippines has also committed to maintain 12,000 tons of rice at any given time for other ASEAN-member countries in times of emergencies under the ASEAN plus Three Emergency Rice Reserve ASEAN Food Security Reserve.

Policy:

Republic Act No. 10667 (RA 10667) or The Philippine Competition Act, was signed by the President Aquino III on July 21, 2015, and seeks to promote free and fair competition in trade, industry and all commercial economic activities. RA 10667 penalizes anti-competitive business behaviors, abuses in dominant positions and anti-competitive mergers and acquisitions. RA 10667 also will create a Philippine Competition Commission under the Office of the President.

As a party to the Association of Southeast Asia Nations Free Trade Agreement (AFTA), Philippine exports to the region benefit from the lower common effective tariff applicable to products of ASEAN-members. All tariff rates on all products (with exemptions for a few sensitive products such as rice) in the ASEAN region fell to between zero and 5 percent in 2011 under the framework of the ATIGA. A review of tariffs on goods traded outside preferential agreements was completed in 2011. Executive Order No. 61 (EO 61) was then issued on October 17, 2011 (and took effect in January 2012), providing the updated tariff structure for the period 2011-2015. Tariffs beyond 2015 are likely to be retained pending the issuance of an Order superseding EO 61.

Several U.S. agricultural exports (including grains) to the Philippines face higher tariffs than competing products imported from ASEAN-member countries and/or ASEAN-FTA member countries such as Australia, New Zealand, China and India. On the domestic side, local industries have been bracing for increased competition from imports, as well as positioning themselves for export opportunities in the region.

Wheat

Milling wheat imports are exempt from MFN tariffs, but are subject to a 12 percent Value Added Tax (VAT) on the subsequent flour sales, payable at the time the wheat is imported. Feed wheat imports, on the other hand, are subject to a 7 percent MFN duty and are not subject to VAT. Wheat flour imports are also subject to a 7 percent MFN tariff.

Under the ASEAN-Australia-New Zealand Free Trade Agreement, both milling and feed wheat imports to the Philippines from member countries are duty-free.

Corn

Corn imports into the Philippines have a two-tiered MFN tariff structure: 35 percent in-quota duty and a 50 percent out-of-quota rate. For CY2016, the in-quota or MAV for corn is 217,000 tons, unchanged from the CY2015 level. Corn imports originating from member countries of ASEAN are charged a much lower 5 percent duty through CY2015 under the ATIGA.

On December 8, 2016, the Philippine Supreme Court (SC) permanently enjoined the field testing of Bt eggplant, the first locally-developed GE crop nearing commercialization. The ruling also declared null and void existing GE regulations (as embodied in DA Administrative Order no. 8 (AO 8) and temporarily enjoined the processing of applications for GE research, propagation, as well as importation of GE products (including GE corn) until new regulations are promulgated.

Local stakeholders, end-users, the research and academic community immediately filed their respective legal remedies citing the impracticality of the decision in relation to food security, academic freedom, and enforceability, among others. Pressured by the affected sectors, a working group composed of the Departments of Agriculture, Science and Technology, Environment, Health and Interior and Local Government, immediately crafted a replacement joint department circular (JDC) which was subjected to several public consultations. After undergoing several revisions, the JDC was signed and approved March 2016.

Rice

The WTO in July 2014 granted the Philippine request to extend quantitative restrictions on rice imports through July 2017. In exchange, the rice MAV was raised to 805,200 tons (from 350,000 tons) and in-quota tariffs reduced from 40 percent to 35 percent. Out-of-quota tariffs are to remain at 50 percent through July 1, 2017. On November 5, 2015, Philippine President Aquino III signed Executive Order No. 190 (EO 190) which put in effect the 805,000 MAV and the corresponding MFN tariff changes.

Under the ATIGA, rice imports from ASEAN-member countries are levied a 35 percent duty. There are no quotas.

Senate Bill 2923, or An Act Declaring Large-scale Agricultural Smugglings as Economic Sabotage, Prescribing Penalties Therefor and for other Purposes, passed through both Houses of Congress in February 2016. Once signed into law, the bill would make rice smuggling worth P10 million (\$200,000) or more and an offense without bail. Violators could face life imprisonment and a fine of twice the fair value of the smuggled rice, and the aggregate amount of the taxes, duties and other charges avoided.

Production, Supply and Demand Data Statistics:

Wheat Market Begin Year Philippines	2014/2015		2015/2016		2016/2017	
	Jul 2014		Jul 2015		May 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	781	781	1256	1256	0	911
Production	0	0	0	0	0	0
MY Imports	5099	5099	4800	4300	0	4800
TY Imports	5099	5099	4800	4300	0	4800
TY Imp. from U.S.	2269	2269	0	0	0	0
Total Supply	5880	5880	6056	5556	0	5711
MY Exports	49	49	45	45	0	15
TY Exports	49	49	45	45	0	15
Feed and Residual	2100	2100	2300	2125	0	2175
FSI Consumption	2475	2475	2600	2525	0	2550
Total Consumption	4575	4575	4900	4600	0	4725
Ending Stocks	1256	1256	1111	911	0	971
Total Distribution	5880	5880	6056	5556	0	5711

(1000 HA) ,(1000 MT)

Corn Market Begin Year Philippines	2014/2015		2015/2016		2016/2017	
	Jul 2014		Jul 2015		May 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2561	2561	2600	2560	0	2700
Beginning Stocks	849	849	681	681	0	291
Production	7671	7671	7800	7510	0	7900
MY Imports	661	661	500	500	0	500
TY Imports	671	671	500	500	0	500
TY Imp. from U.S.	68	0	0	0	0	0
Total Supply	9181	9181	8981	8691	0	8691
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	6300	6300	6400	6300	0	6300
FSI Consumption	2200	2200	2200	2100	0	2100
Total Consumption	8500	8500	8600	8400	0	8400
Ending Stocks	681	681	381	291	0	291
Total Distribution	9181	9181	8981	8691	0	8791

(1000 HA) ,(1000 MT)

Rice, Milled Market Begin Year Philippines	2014/2015		2015/2016		2016/2017	
	Jul 2014		Jul 2015		May 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4705	4705	4650	4615	0	4750
Beginning Stocks	1695	1695	2210	2210	0	2316
Milled Production	11915	11915	11500	11356	0	11970
Rough Production	18913	18913	18254	18025	0	19000
Milling Rate (.9999)	6300	6300	6300	6300	0	6300
MY Imports	1800	1800	2000	2000	0	1500
TY Imports	1850	1800	2000	2000	0	1500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	15410	15410	15710	15566	0	15786
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	13200	13200	13250	13250	0	13275
Ending Stocks	2210	2210	2460	2316	0	2511
Total Distribution	15410	15410	15710	15566	0	15786
(1000 HA) ,(1000 MT)						