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Philippines

Grain and Feed Annual

Philippine Grain and Feed Situation and Outlook

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Report Highlights:

On February 14, 2019, President Rodrigo Duterte signed Republic Act (RA) No. 11203, converting quantitative restrictions on rice imports into tariffs. The corresponding implementing guidelines are expected soon, although the law's effects likely will be more apparent in two to three years. In MY 19/20, no significant changes to grain imports are expected due to ample inventories from the previous year. Wheat imports surged to seven million tons in MY 18/19 as local grain production declined, and increased food and feed milling capacity entered commercial production. During the same period, corn imports declined 24,000 tons to 700,000 tons due to strong feed-wheat imports, while rice imports increased by a million tons to 2.3 million tons to contain rising inflation ahead of the Philippine mid-term elections in May 2019.

Executive Summary:

With no commercial production of wheat or “small grains” (e.g. barley, oats, and rye) in the Philippines, the country is a major importer of milling-quality wheat and the United States is its largest supplier. Rising incomes and a rapidly growing population have resulted in changing diets towards more wheat and protein. Wheat imports were raised significantly to seven million tons in MY 18/19 to meet the food and feed needs of the growing Philippine population, as local corn and rice production declined from the previous year’s level. Imports are likely to remain at this level in MY 19/20 due to adequate stocks.

Following a damaging typhoon season, corn production will likely decline 80,000 tons to 7.9 million tons in MY 18/19, but is expected to rebound to 8.1 million tons in MY 19/20 supported by high prices. Food and feed-corn consumption were revised downwards in MY 18/19 to reflect high prices. Feed demand will increase in MY 19/20 while food-corn consumption will likely decline to two million tons in MY 19/20 as Filipino consumers shift to cheaper rice and wheat. Corn imports will decline 20,000 tons to 700,000 tons in MY 18/19 due to massive feed-wheat imports.

GDP growth averaging nearly six percent over the last decade has resulted in increased purchasing power and a dietary shift from rice to wheat and protein. Rice remains the main staple, however, and its consumption will in fact increase through MY 19/20 when factoring in the considerable losses from postharvest handling and natural calamities.

Despite the enactment of Republic Act (RA) No. 11203 that converts quantitative restrictions on rice imports to tariffs, Post expects an increase in rice production in 19/20. The rice tariffication law includes a P10 billion (\$192.3 million) Rice Competitiveness Enhancement Fund (RCEF) to make the local industry more competitive. The RCEF is on top of the initial P5 billion (\$94 million) budget already released and another P7 billion (\$132 million) of regular Department of Agriculture (DA) funding programmed for the rice program. The issuance of the Implementing Rules and Regulations of RA No. 11203 will outline specific guidelines and procedures in enforcing the law and is expected soon.

Rice imports are projected at 2.3 million tons in MY 19/20, flat compared to the previous year’s level, which follows a near doubling in imports in 18/19. The effects of RA No. 11203 are expected to be more pronounced in the next two to three years, and will largely depend on how effectively the interventions are implemented and how efficiently the bureaucracy transitions to liberalized rice trade. Actual rice consumption is expected to increase modestly in two to three years as effects of the liberalization of rice imports (i.e. increased imports resulting in falling rice prices) become more apparent. Rice imports from Association of Southeast Asian Nations member countries will increase as a result of rice tariffication, benefiting from geographic proximity and lower tariffs.

Commodities:

Wheat

Corn

Rice, Milled

Production:

Philippine agricultural output is largely a function of weather. Philippine climate is either tropical or subtropical (in higher-altitude areas) characterized by high temperature, oppressive humidity, and plenty of rainfall. The Philippines has a wet and a dry season, with the latter starting in late November and ending in May, while the rainy season is June through October. The country experiences around 20 typhoons annually, most occurring in the second half of each year coinciding with the main rice and corn harvests.

Typhoon Mangkhut, the strongest typhoon of 2018, significantly reduced grain output and resulted in a weak 0.56 percent farm growth, lower than the Philippine Department of Agriculture's (DA) 2.5 percent target and substantially below the 4 percent expansion in 2017. According to data from the Philippine Statistics Authority (PSA), crop production, which accounts for roughly half of overall farm output, contracted 0.98 percent in 2018 as a result.

An El Niño dry spell could develop in the first quarter of 2019, according to the Philippine Atmospheric, Geophysical and Astronomical Services Administration. The production numbers in the PSD Table assume 'normal weather' conditions with minimal effects from weather-related disturbance. Post has heard of some instances of water shortage from El Niño, and will include any available data in the following quarterly report.

Wheat

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

Corn

Corn production in MY 19/20 will likely increase by 200,000 tons, reaching 8.1 million tons due to high prices. In 2018, the Philippines produced 7.8 million tons of corn, down two percent from 7.9 million tons in 2017, according to data from the Philippine Statistics Authority (PSA). Area harvested declined 6.5 percent to 2.5 million hectares from 2.6 million hectares in 2017, while yields marginally improved to 3.09 tons per hectare from 3.07 tons per hectare. Traditionally, the July to September crop is the main corn crop but in 2018, the top producing period was the first quarter (January to March). Yellow corn accounts for 70-75 percent of total corn output. The major corn producing areas in 2018 include the Cagayan Valley, Northern Mindanao, and Central Mindanao.

Corn production in MY 18/19 was pared down 300,000 tons to 7.9 million tons and will decline from the previous year's level due to typhoon losses, particularly from Typhoon Mangkhut. Area harvested was also revised downwards to 2.5 million hectares and will decline from the MY 17/18 level.

Land conversion of farms for non-agricultural purposes is rampant. Areas for expansion are increasingly becoming limited to upland areas, which are usually unirrigated and not as accessible. Currently, there is no legislated land use policy in the Philippines. As mentioned in previous reports, recent gains in corn production are largely attributed to the increased use of quality planting seeds, including genetically engineered (GE) seeds.

Average farm gate prices of yellow corn in 2018 rose a significant 22 percent from P11.52 (\$0.22) per kilo in 2017 to P14.01 (\$0.26) per kilo the previous year reflecting the considerable decline in production.

Yellow Corn: Monthly Average Prevailing Prices (P/Kg)					
	2016	2017	2018	% Change	
Farmgate				17/16	18/17
January	11.67	11.25	12.56	-3.60	11.64
February	12.25	11.45	13.30	-6.53	16.16
March	12.60	11.41	14.15	-9.44	24.01
April	12.51	11.41	14.26	-8.79	24.98
May	12.87	11.53	13.91	-10.41	20.64
June	13.00	11.33	13.94	-12.85	23.04
July	12.98	11.20	14.36	-13.71	28.21
August	12.48	11.21	14.24	-10.18	27.03
September	11.54	11.43	14.74	-0.95	28.96
October	10.96	11.58	14.39	5.66	24.27
November	10.86	12.07	14.17	11.14	17.40
December	10.96	12.35	14.13	12.68	14.41
Average	12.06	11.52	14.01	-4.47	21.65

Source: Palay and Corn Quarterly Bulletin, Philippine Statistics Authority

For 2019, the Department of Agriculture (DA) is targeting sorghum cultivation in 100,000 hectares in ancestral domain areas. The program aims to support small village-level rural hog and poultry raisers and involves the establishment of small feed mills by organized hog and poultry raisers.

Rice

For MY 19/20, rice production is forecast at 19.4 million tons or roughly two percent higher than the previous year, boosted by government investments to make the local industry more competitive. Rice is cultivated by an estimated three million farm families with the main crop (accounting for roughly 40 percent of total farm output) harvested in the 4th quarter. During this period in 2018, 10 tropical cyclones passed through the Philippines, according to the PSA. Substantial losses were noted in Cagayan Valley and the Ilocos Region.

Paddy production declined one percent from 19.3 million tons in 2017 to 19.0 million tons in 2018. Area harvested was marginally lower at 4.8 million hectares in 2018 from 4.81 million hectares in 2017. Yields slightly declined to 3.87 tons per hectare from 3.93 tons per hectare during the same period. About 75 percent of overall rice harvests in 2018 came from irrigated farms. On a market year basis (July to June), paddy rice (palay) output in MY 18/19 was modestly pared down (150,000 tons) to 12 million tons due to weather-related disturbances.

The average farm gate price of paddy rice in 2018 was P20.87 (\$0.39) per kilo, 10 percent higher than the P18.90 (\$0.36) per kilo average price in 2017. In 2018, the National Food Authority’s (NFA) buying price was P17.70 (\$0.33) per kilo, inclusive of drying and delivery incentives from organized farming groups and P17.40 (\$0.32) per kilo if from individual farmers. NFA buying prices are likely to be adjusted in view of the enactment of Republic Act (RA) No. 11203 which liberalizes rice imports, and will likely result in a decline in prices (see POLICY, Rice).

	2016	2017	2018	% Change	
Farm gate				17/16	18/17
January	17.54	17.96	19.12	2.39	6.46
February	17.77	18.29	19.75	2.93	7.98
March	18.15	18.56	20.41	2.26	9.97
April	17.96	18.83	20.66	4.84	9.71
May	18.23	19.29	21.02	5.81	8.97
June	18.49	19.31	21.31	4.43	10.36
July	18.71	19.44	21.63	3.90	11.27
August	18.90	19.57	22.39	3.54	14.41
September	18.62	19.44	22.88	4.40	17.70
October	17.55	18.70	21.10	6.55	12.83
November	17.28	18.51	20.11	7.12	8.64
December	17.79	18.86	20.09	6.01	6.52
Average	18.08	18.90	20.87	4.50	10.46

Source: Palay and Corn Quarterly Bulletin, Philippine Statistics Authority

Despite the enactment of Republic Act (RA) No. 11203 that converts quantitative restrictions on rice imports to tariffs, Post expects an increase in rice production in 19/20. The rice tariffication law includes a P10 billion (\$192.3 million) Rice Competitiveness Enhancement Fund (RCEF) to make the local industry more competitive. The RCEF is on top of the initial P5 billion (\$94 million) budget already released and another P7 billion (\$132 million) of regular Department of Agriculture (DA) funding programmed for the rice program. The DA intends to expand and improve irrigation services, increase the use of quality planting seeds, and raise farm mechanization to make the local industry competitive. For 2019, the DA projects rice production to increase to 20 million tons.

According to scientists from the International Rice Research Institute (IRRI), although rice hybrids have a 10-15 percent yield advantage compared to inbred seeds, only roughly 10 percent of rice is planted with hybrid seeds.

On Nov. 16, 2018, DA Secretary Emmanuel Piñol and Papua New Guinea (PNG) Agriculture and Livestock Minister Benny Allan signed a five-year Memorandum of Agreement for greater cooperation on agriculture, including on rice production. Both countries already have an existing 25-hectare Rice Demonstration Farm envisioned to become a model seed farm for PNG farmers.

Consumption:

According to PSA data, the Philippine economy expanded 6.1 percent in the last quarter of 2018, which was slower than expected. Full-year GDP growth reached 6.2 percent in 2018, slightly below the 6.5-6.9 percent Philippine government (GPH) growth target, and the weakest in three years. Still, this marked the seventh straight year that the Philippine economy grew by at least 6 percent, one of the highest in Asia. According to GPH economic planners, public spending was a strong driver of the economy last year.

GDP growth would have been faster in 2018 had it not been for increasing fuel and food prices. GPH planners had originally set a 2-4 percent inflation target for 2018 but food and fuel prices have been increasing since the start of 2018. Inflation peaked at 6.7 percent in September and October 2018, the highest in almost a decade, before easing to 6 percent in November due to improved food supply as well as weakening of oil prices. Inflation further slowed to 5.1 percent in December, and 4.4 percent in January 2019. Average inflation for 2018 settled at 5.2 percent, higher than the 2.9 percent in 2017. The Bangko Sentral ng Pilipinas (Philippine Central Bank) recently lowered its 2019 inflation forecast from 3.2 percent to 3.1 percent. GPH expects GDP growth at 7-8 percent in 2019.

Local economists expect household consumption to be the leading growth driver in 2019 projecting subdued oil and rice prices. Rice prices are likely to ease due to the enactment of RA No. 11203 (see POLICY). Campaign-related spending leading to the May 2019 mid-term elections may also enhance increased food and feed-grain consumption.

Wheat

The Philippines remains the third largest customer for US wheat and the largest market for both U.S. soft white and hard red spring classes. Through MY 19/20, both milling and feed-wheat demand will increase, as the economy continues to grow and diets shift toward wheat-based food, which is viewed as more convenient and accessible than rice.

Bakery products comprise roughly 50 percent of overall milling wheat consumption. This includes pan de sal and its derivatives (local salt bread consumed as a breakfast muffin), loaf bread, buns and rolls, cakes and pastries, and Chinese steamed buns. The other half of milling wheat demand is for producing noodles, cookies and crackers, and pasta.

Low flour and bread prices, high rice prices, and shifting diets among the burgeoning middle class have kept per capita demand growing at an extraordinary rate. Euromonitor population data indicate a growth in per capita wheat foods from 23.1 kg in 2014 to 33.7 kg in 2019, a 45 percent increase.

The domestic flour milling industry is increasingly becoming more competitive with a new mill commissioned in MY 18/19. Diversification and customization have been recent industry trends. There are currently 21 flour mills with an aggregate milling capacity of over 5 million tons. In 2018, industry reports capacity utilization at over 50 percent. Industry projects that by the 2020s, total milling capacity will reach a total 5.85 million tons. Milling wheat demand is poised to increase modestly in MY 19/20 due to continued economic growth and the increasing Philippine population.

Indonesia, Vietnam, the Philippines, and Thailand account for 93 percent of Southeast Asia's feed production, according to the 2019 Alltech Global Feed Survey. The region's feed output represents over 20 percent of the Asia-Pacific region's feed production. The same survey in 2018 estimates the

number of Philippine feed mills at around 3,000 and feed production at around 17 million tons. Find more on the domestic feed industry in the Corn Section.

The domestic hog and chicken industries remain the bright spots of Philippine agriculture, and feed-wheat plays a large role. Next to rice (which accounts for over a quarter of total agricultural output), hog and chicken production traditionally contributes the most to Philippine farm output. Investments into both industries remain firm as they continue to modernize and consolidate.

Feed-wheat consumption was raised 300,000 tons in MY 18/19 due to the decline in local corn output while milling wheat demand was raised 100,000 tons as a result of high food-corn and rice prices. As mentioned in previous reports, an industry contact considers feed-wheat as an integral ingredient in feed rations and no longer a corn substitute.

Average domestic prices of feed-wheat in 2018 are not readily available. Industry estimates feed-wheat prices in February 2019 were around P16.50 per kilo (\$0.32 per kilo).

Corn

In MY 19/20, feed-corn demand will increase to 6.7 million tons as prices abate, while food consumption will decline to two million tons. The common feed ingredients used in the Philippines include corn, rice bran, copra meal, feed-wheat, cassava, soybean meal, fishmeal, coconut oil, salt, and assorted vitamins and minerals. The industry's structure is comprised of (1) commercial producers, who are solely engaged in the feed manufacturing business, (2) integrated farm feed millers, who are engaged in livestock production and at the same time sell feeds commercially, and (3) on-farm feed millers, who produce feeds for their own farms. The domestic feed milling industry continues to consolidate and modernize, servicing the feed needs of the growing livestock, poultry, and aquaculture industries. What used to be an industry led by on-farm feed mixers in the early 1980s is now one of the fastest growing agricultural enterprise dominated by large commercial players.

Corn is the preferred feed-grain by local end-users. However, quality issues (i.e., aflatoxin) are commonly associated with locally produced corn, and as a result, most feed-mills prefer imported corn for its reliability and uniformity. Traders dominate the marketing and distribution of local corn. To discourage corn price surges, major feed producers and big farm operations import feed-wheat as a yellow corn substitute. Large feed mills also enter into supply agreements with local corn and cassava producers in exchange for assured prices and technical assistance. Contracted farmers receive marketing and technical assistance from major agribusiness companies to encourage production. Although the U.S.-China trade dispute has resulted in some interest in low priced sorghum from local poultry raisers, awareness of its use remains low.

Hog feeds account for an estimated 60 percent of overall feed production; poultry feeds are roughly 25 percent; and the remaining 15 percent are aquaculture and other animal feeds. The domestic hog industry is currently concerned with African Swine Fever, which has reached Southeast Asia, and industry is pushing for stricter quarantine and import inspection procedures.

Yellow corn prices continuously increased in 2018. According to preliminary PSA data, the average yellow corn wholesale price in 2018 was P20.15 (\$0.38) per kilo, 12 percent higher than the P17.99 (\$0.34) per kilo average price in 2017.

Yellow Corn: Monthly Average Prevailing Prices (P/Kg)					
	2016	2017	2018	% Change	
Wholesale				17/16	18/17
January	16.97	16.91	18.83	-0.35	11.35
February	17.34	17.32	19.16	-0.12	10.62
March	17.74	17.83	19.90	0.51	11.61
April	17.72	17.94	20.11	1.24	12.10
May	18.38	17.99	20.10	-2.12	11.73
June	18.63	17.97	20.10	-3.54	11.85
July	18.37	17.99	20.08	-2.07	11.62
August	18.22	18.02	20.53	-1.10	13.93
September	17.72	18.05	20.93	1.86	15.96
October	17.02	18.43	20.83	8.28	13.02
November	17.35	18.65	20.65	7.49	10.72
December	16.99	18.72	20.61	10.18	10.10
Average	17.70	17.99	20.15	1.59	12.05

Source: Palay and Corn Quarterly Bulletin, Philippine Statistics Authority

Downward adjustments (100,000 tons) were made to food and feed-corn consumption in MY 18/19 due to similar revisions made to corn production during the year. Food demand will decline from the previous year's level, while feed consumption will increase from the MY 17/18 levels due to the shifting diet of the Filipino consumer.

Rice

Rice is the main staple of the Philippine population, currently estimated at 109 million people and growing roughly 1.7 percent annually. Rice provides an estimated 45 percent of the average Filipino's calorie intake and its production is the main source of livelihood in rural areas. Average rice consumption 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. High rice prices are a major contributor to inflation.

Philippine economic managers had pushed to liberalize rice imports, claiming it could help reduce rice prices by P2 to P7 per kilo (\$0.04-0.13 per kilo). This was manifest in the slowing of inflation to 6 percent in November 2018 from 6.7 percent the previous month after the successive arrivals of imported rice.

Monthly average retail prices of commercial milled rice from 2016 to 2018 are provided in the following table. Retail prices were generally higher in 2018 compared to their 2017 levels causing inflation to increase. Cheaper NFA rice was scarce during the second half of 2018.

Milled Rice: Monthly Average Prevailing Prices (P/Kg)					
	2016	2017	2018	% Change	
Retail				17/16	18/17
January	41.18	41.51	42.43	0.80	2.22
February	41.10	41.62	42.98	1.27	3.27
March	41.10	41.51	43.44	1.00	4.65

April	41.16	41.45	43.76	0.70	5.57
May	36.87	41.70	43.94	13.10	5.37
June	41.49	41.80	44.29	0.75	5.96
July	41.68	41.88	44.96	0.48	7.35
August	41.88	42.17	46.37	0.69	9.96
September	41.82	42.28	49.09	1.10	16.11
October	41.56	42.18	48.50	1.49	14.98
November	41.39	42.18	46.78	1.91	10.91
December	41.46	42.27	45.59	1.95	7.85
Average	41.06	41.88	45.18	2.00	7.88

Source: Palay and Corn Quarterly Bulletin, Philippine Statistics Authority

Continued economic growth has resulted in a growing middle class and shifts in food consumption patterns toward wheat and protein. This is evident through the rapidly expanding food retail sector and fast food industry. Actual rice consumption has been flat in recent years, although demand is expected to increase modestly in two-three years as the effects of rice import liberalization become more apparent. (i.e., increased imports resulting in lower rice prices) That being said, Post forecasts growing rice consumption through MY 19/20, as this also takes into account the substantial rice losses due to natural calamities and postharvest spoilage.

Trade:

In response to increasing inflation, President Rodrigo Duterte signed on September 21, 2018, the attached Administrative Order No. 13 (AO 13) “Removing Non-Tariff Barriers and Streamlining Administrative Procedures on the Importation of Agricultural Products”. This signaled the administration’s renewed urgency to address tight stocks by moving towards facilitating imports.

The Association of South East Asian Nations (ASEAN) Trade in Goods and Services Agreement (ATIGA) was signed February 26, 2009 and consolidated all relevant AFTA-CEPT provisions with ASEAN economic agreements. In 2011, 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 under the ATIGA framework. Several U.S. agricultural exports (including grains) to the Philippines face higher tariffs than competing products imported from ASEAN-member countries and/or ASEAN-Free Trade Agreement (FTA) member countries such as Australia, New Zealand, China, and India, among others.

High in-quota tariffs for agricultural products under the Philippines’ tariff-rate quota program, titled the Minimum Access Volume (MAV) system, also inhibit U.S. agricultural exports to the Philippines. Under the MAV system, the Philippines imposes a tariff-rate quota on several agricultural products including rice and corn.

Philippine tariff rates under the various trade agreements may be found in:

<http://tariffcommission.gov.ph/finder/>

Wheat

Overall wheat imports are expected to level off in MY 19/20, following a strong 18/19 that resulted in larger stocks. MY 18/19 imports were adjusted upwards by 1.2 million tons to seven million tons, boosted by the decline in local grain production.

Milling wheat imports in 2019 are exempt from 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 Most Favored Nation (MFN) duty and are not subject to VAT. Likewise, wheat flour imports are levied a 7 percent MFN tariff.

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

According to U.S. Customs data, in 2018 the Philippines was the third largest U.S. wheat market, with sales reaching nearly \$630 million. During the same year, wheat was the second largest U.S. agricultural export to the Philippines after soybean meal. U.S. wheat supplies were very competitive against Canadian spring wheat in 2018, limiting Canadian participation from 10 percent in MY 17/18 to 2 percent in MY 18/19, according to trade contacts. U.S. wheat imports increased six percent from 2.4 million tons in 2017 to 2.6 million tons in 2018. U.S. wheat comprised 36 percent of overall wheat imports in 2017, down from 43 percent share the previous year.

Based on international customs data from Global Trade Atlas (GTA), wheat imports rose dramatically (26 percent) from 5.7 million tons in 2017 to 7.1 million tons in 2018 driven mainly by a surge in feed-wheat demand.

Reporting Countries Export Statistics (Partner Country: Philippines)				
UDG: Wheat, (2017)				
Annual Series: 2013 - 2018				
Reporting Country	Unit	Quantity		
		2016	2017	2018
Reporting Total	T	5298398	5665156	7137500
United States (Consumption/Domestic)	T	2679306	2447963	2583359
Ukraine	T	944522	876761	1754936
Australia	T	1021873	1938957	1448619
Russia	T	16500	155650	1023376
Canada	T	37257	245825	217417
Brazil	T	224747	0	109792
Singapore	T	2	0	1
Others	T	374191	0	0

Source: Global Trade Atlas

Corn

Corn imports are expected to be flat in MY 19/20 due to improved grain production and adequate feed-grain stocks.

The Philippines has a two-tiered MFN tariff structure for corn imports: a 35 percent in-quota duty and a 50 percent out-of-quota rate. For 2018, the MAV for corn is 217,000 tons, unchanged from the previous year. Corn imports originating from member countries of ASEAN are levied a much lower 5 percent duty under the ATIGA.

According to exporter data from the GTA, corn imports increased considerably (39 percent) from 522,000 tons in 2017 to 724,000 tons last year. Indonesian corn comprised the majority (37 percent) of imports in 2018, followed by Thai corn with a 29 percent share. U.S. corn accounted for 24 percent of total imports in 2018.

Reporting Countries Export Statistics (Partner Country: Philippines)				
UDG: Corn, (2017)				
Annual Series: 2013 - 2018				
Reporting Country	Unit	Quantity		
		2016	2017	2018
Reporting Total	T	717658	522374	723922
Indonesia	T	0	0	270750
Thailand	T	551637	308798	207444
United States (Consumption/Domestic)	T	81743	60321	172163
Argentina	T	41404	118205	55348
India	T	488	0	16718
France	T	1026	420	926
China	T	0	1138	300
Australia	T	309	480	273
Brazil	T	41050	33000	0
Others	T	1	12	0

Source: Global Trade Atlas

Rice

TY 17/18 rice imports were raised to 2.5 million tons based on estimates from FAS/Washington. Post concurs with the official USDA estimates for MY 17/18 and MY 18/19, which now show that the Philippines is the world's second largest rice importer after China. For MY 19/20, rice imports are expected to stay flat, stabilizing at a higher level of imports reached the previous year.

Under the ATIGA, rice imports from ASEAN-member countries are levied a 35 percent duty.

The Philippines previously was the only country to have Quantitative Restrictions (QRs) on rice imports. In July 2014, the World Trade Organization (WTO) granted the Philippine request to extend the QRs through July 2017, its third extension. In exchange, the rice MAV was raised to 805,200 tons (from 350,000 tons). In-quota tariffs were also reduced from 40 percent to 35 percent while out-of-quota tariffs remained at 50 percent through June 30, 2017.

For 2019, the tariff structure for rice will soon change due to the recent enactment of Republic Act (RA) No 11203 (see POLICY, Rice). The MAV will revert to its 2012 level of 350,000 tons from the previous 805,200 tons. In-quota Most Favored Nation (MFN) rates will remain at 35 percent while out-quota imports is raised to 180 percent. In- and out-quota imports from ASEAN countries will be levied a uniform 35 percent duty.

Provided in the following table are Philippine rice imports, based on Philippine Customs data as reported to the Global Trade Atlas.

Philippines Import Statistics				
Commodity: Rice, (2017)				
Annual Series: 2016 - 2018				
Partner Country	Unit	Quantity		
		2016	2017	2018
World	T	450498	687351	1783783
Thailand	T	175398	229588	852602
Vietnam	T	259296	367754	680054
India	T	5564	8670	73870
Myanmar	T	0	18	62554
China	T	6166	4520	58311
Pakistan	T	21	76552	56369
Others	T	4053	250	24

Source: Global Trade Atlas

The NFA recently released a list of 180 firms that have already applied for the out-quota importation of 1.2 million tons originating from Vietnam, Thailand, Pakistan, India, Myanmar and China. The balance is expected to include 350,000 tons in-quota imports as well as grey trade volumes. The impact of rice import liberalization as a result of RA No. 11203 (see POLICY, Rice) will likely be more pronounced in

two to three years. Imports during this time will largely depend on the performance of domestic rice production.

Stocks:

Large grain silos and bulk handling facilities are not common in the Philippines. Holding bins are small and feed ingredients are usually stacked in sacks.

Wheat

Wheat stocks are largely private sector-held. Wheat stocks are expected to dramatically increase in MY 18/19 compared to the previous year's level as new food and feed milling facilities get into commercial production. The growth in wheat stocks is likely to slow down in MY 19/20, with inventories continuing to increase.

Corn

The majority of corn stocks are with private traders and large integrated operations. Corn stocks were pared down 100,000 tons to 352,000 tons in MY 18/19, and are likely rebound to 452,000 tons in MY 19/20 due to increased production and steady imports.

Rice

As noted in the POLICY Section, the NFA's new role will focus on buffer stock management and procurement from local farmers.

For MY 19/20, inventories are expected to swell to 3.6 million tons from 2.9 million tons the previous year due to increasing production and intensified efforts from the DA towards rice self-sufficiency.

Policy:

In late January 2019, the Philippine Senate passed the P3.757 trillion (\$70.9 billion) national budget for 2019, marginally lower than the P3.767 trillion (\$71.1 billion) budget in 2018. The 2019 budget has two major priorities: investment in infrastructure and education. The DA has a proposed 2019 budget of P49 billion (\$0.92 billion), lower than the P56 billion (\$1.06 billion) allocation during the previous year. Despite this, the DA allocation for its rice programs is expected to be much higher compared to previous years.

A bicameral conference committee is expected to finalize the 2019 national budget in the middle of 2019. The GPH has been operating under a reenacted budget since the start of 2019. In the Philippines, the government is allowed to operate on a reenacted budget until Congress passes the appropriation for the current year.

Wheat

Anti-dumping duties on Turkish wheat flour imports are set to expire on January 8, 2020, according to the attached February 20, 2019 notice from the Philippine Tariff Commission. The duties took effect on January 9, 2015. The export of a product at a price lower than its domestic selling price in the country of origin constitutes dumping, according to World Trade Organization rules. The anti-dumping duties on Turkish flour were imposed consistent with the RA No. 8752 or the Anti-Dumping Act of 1999.

Rice

On February 14, 2019 President Duterte signed into law RA No 11203 which replaces quantitative restrictions on rice imports with tariffs (refer to GAIN report). Implementing Rules and Regulations (IRRs) that will outline specific procedures and roles of the concerned agencies are still being finalized and are expected to be issued soon. In the Philippines, the IRRs usually define the mechanics of implementing domestic laws. RA No. 11203 will result in increased rice imports from Association of Southeast Asian Nations member countries, particularly Thailand and Vietnam. Resistance and legal challenges to the rice tariffication law are expected.

Production, Supply and Demand Data Statistics:

Wheat	2017/2018		2018/2019		2019/2020	
Market Begin Year	Jul 2017		Jul 2018		Jul 2019	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	1491	1491	1723	1723	0	2263
Production	0	0	0	0	0	0
MY Imports	5987	5987	5800	7000	0	7000
TY Imports	5987	5987	5800	7000	0	7000
TY Imp. from U.S.	2440	2440	0	0	0	0
Total Supply	7478	7478	7523	8723	0	9263
MY Exports	55	55	60	60	0	60
TY Exports	55	55	60	60	0	60
Feed and Residual	2500	2500	2400	2700	0	2900
FSI Consumption	3200	3200	3600	3700	0	3800
Total Consumption	5700	5700	6000	6400	0	6700
Ending Stocks	1723	1723	1463	2263	0	2503
Total Distribution	7478	7478	7523	8723	0	9263
Yield	0	0	0	0	0	0

(1000 HA) ,(1000 MT) ,(MT/HA)

Corn	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2595	2570	2600	2500	0	2550
Beginning Stocks	448	448	452	452	0	352
Production	7980	7980	8200	7900	0	8100
MY Imports	724	724	700	700	0	700
TY Imports	806	806	700	700	0	700
TY Imp. from U.S.	194	194	0	0	0	0
Total Supply	9152	9152	9352	9052	0	9152
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	6500	6500	6700	6600	0	6700
FSI Consumption	2200	2200	2200	2100	0	2000
Total Consumption	8700	8700	8900	8700	0	8700
Ending Stocks	452	452	452	352	0	452
Total Distribution	9152	9152	9352	9052	0	9152
Yield	3.0751	3.1051	3.1538	3.16	0	3.1765

(1000 HA) ,(1000 MT) ,(MT/HA)

Rice, Milled	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4844	4844	4805	4805	0	4850
Beginning Stocks	2003	2003	2288	2288	0	2938
Milled Production	12235	12235	12150	12000	0	12200
Rough Production	19421	19421	19286	19048	0	19365
Milling Rate (.9999)	6300	6300	6300	6300	0	6300
MY Imports	1300	1300	2300	2300	0	2300
TY Imports	2300	2500	2300	2300	0	2300
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	15538	15538	16738	16588	0	17438
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	13250	13250	13650	13650	0	13800
Ending Stocks	2288	2288	3088	2938	0	3638
Total Distribution	15538	15538	16738	16588	0	17438
Yield (Rough)	4.0093	4.0093	4.0137	3.9642	0	3.9928

(1000 HA) ,(1000 MT) ,(MT/HA)

