

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Philippines

Grain and Feed Update

Philippine Grain and Feed Situation and Outlook

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Report Highlights:

Responding to inflationary pressures, the Philippine government is set to liberalize rice imports by converting Quantitative Restrictions to tariffs. Both the House of Representatives and the Senate have passed legislation to this effect, with a reconciled bill approved by a Bicameral Conference Committee on November 28, 2018. President Duterte is expected to sign the appropriate Republic Act into law before the end of 2018, according to press reports. No immediate changes to rice imports are expected, as ample shipments have already been booked. Post concurs with the official USDA wheat and rice estimates. For corn, area harvested in MY 2017/2018 was lowered modestly to reflect the most recent official estimates.

Post: Commodities:

Manila Wheat

Corn

Rice, Milled

Inflation slowed to 6 percent in November 2018 from 6.7 percent the previous month, but still higher than the 3 percent rate recorded in November 2017. According to the Philippine Statistics Authority (PSA), it was the first month inflation eased this year, and the slowest in four months. Average inflation for the January to November 2018 period now stands at 5.2 percent, considerably higher than the 2.9 percent average in 2017. This is mainly due to food supply issues, increasing petroleum prices, as well as a weaker Philippine peso, among other factors. Philippine government economic planners had originally set a 2-4 percent inflation target for 2018.

Wheat

Wheat	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	1191	1191	1491	1491	1723	1723
Production	0	0	0	0	0	0
MY Imports	5704	5704	5987	5987	5800	5800
TY Imports	5704	5704	5987	5987	5800	5800
TY Imp. from U.S.	2550	2550	2440	2440	0	0
Total Supply	6895	6895	7478	7478	7523	7523
MY Exports	79	79	55	55	60	60
TY Exports	79	79	55	55	60	60
Feed and Residual	2450	2450	2500	2500	2400	2400
FSI Consumption	2875	2875	3200	3200	3600	3600
Total Consumption	5325	5325	5700	5700	6000	6000
Ending Stocks	1491	1491	1723	1723	1463	1463
Total Distribution	6895	6895	7478	7478	7523	7523
Yield	0	0	0	0	0	0

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

Post concurs with the official USDA wheat estimates. Encouraged by the inflation slowdown in November 2018, prices of some bakery items are expected to decline slightly leading to the Christmas holidays, according to the Philippine Department of Trade and Industry.

Corn

Corn Market Begin Year	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2685	2685	2595	2570	2600	2600
Beginning Stocks	252	252	448	448	378	378
Production	8087	8087	7980	7980	8200	8200
MY Imports	609	609	650	650	700	700
TY Imports	606	606	700	700	700	700
TY Imp. from U.S.	23	23	0	0	0	0
Total Supply	8948	8948	9078	9078	9278	9278
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	6300	6300	6500	6500	6600	6600
FSI Consumption	2200	2200	2200	2200	2200	2200
Total Consumption	8500	8500	8700	8700	8800	8800
Ending Stocks	448	448	378	378	478	478
Total Distribution	8948	8948	9078	9078	9278	9278
Yield	3.0119	3.0119	3.0751	3.1051	3.1538	3.1538

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

Corn area harvested in MY 2017/2018 was lowered modestly to reflect the latest estimates from the PSA. Yields during the same period were higher than expected, resulting in no change in production.

Rice

Rice, Milled Market Begin Year	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4723	4723	4844	4844	4805	4805
Beginning Stocks	2117	2117	2003	2003	2288	2288
Milled Production	11686	11686	12235	12235	12150	12150
Rough Production	18549	18549	19421	19421	19286	19286
Milling Rate (.9999)	6300	6300	6300	6300	6300	6300
MY Imports	1100	1100	1300	1300	1800	1800
TY Imports	1200	1200	1900	1900	1800	1800
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	14903	14903	15538	15538	16238	16238
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	12900	12900	13250	13250	13500	13500
Ending Stocks	2003	2003	2288	2288	2738	2738
Total Distribution	14903	14903	15538	15538	16238	16238
Yield (Rough)	3.9274	3.9274	4.0093	4.0093	4.0137	4.0137

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

Post concurs with the official USDA milled rice estimates.

Increasing food prices, particularly rice, have been identified as a major contributor to inflation. The arrival of considerable rice imports has resulted in the slowing of inflation in November 2018 (from 6.7 percent in October to 6 percent). Philippine economic managers had pushed to liberalize rice imports as it would help reduce inflation and lower rice prices by P2 to P7 per kilo.

On July 2018, President Rodrigo Duterte declared as urgent legislation converting rice quantitative restrictions to tariffs. The current rice import tariffs rates are 35 percent for in-quota volumes while out-of-quota tariffs are 50 percent. In response, the Philippine House of Representatives passed House Bill No. 7735, the “Revised Agricultural Tariffication Act”, on August 14, 2018. The Philippine Senate passed its version, Senate Bill No. 1998 on November 14, 2018.

A Bicameral Conference Committee (Bicam) reconciled the differing provisions of the two bills on November 28, 2018. According to press reports, President Duterte is expected to approve the Bicam report and sign into law the consolidated bill (i.e., the attached Republic Act or RA) before the end of 2018.

Highlights of the of the consolidated bill are as follows:

- The Minimum Access Volume (MAV) will revert to its 2012 level of 350,000 tons from the current 805,200 tons.
- In-quota Most Favored Nation (MFN) rates will remain at 35 percent.
- For out-quota imports, the MFN tariff is raised from 50 to 180 percent.
- In- and out-quota imports from ASEAN countries will be levied a uniform 35 percent duty.
- A Rice Competitiveness Enhancement Fund will be created consisting of an annual P10 billion (\$192.3 million) appropriation through the next six years.
- A special rice safeguard duty shall be imposed for the industry’s protection from extreme or sudden price fluctuations.
- The NFA’s role is confined to local paddy procurement and buffer-stocks management.
- To implement provisions of this RA, Implementing Rules and Regulations (IRRs) will be issued within 45 days after its effectivity.

No immediate changes to MY 2018/2019 imports are expected if, and when, the rice tariffication bill is enacted into law, as ample shipments have already been booked. It is, however, expected to encourage more imports from ASEAN countries, and less from non-ASEAN sources. The potential for import growth in the medium- to long-term will depend mainly on the performance of Philippine domestic production.