

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:

High rice prices due to tight supplies, rising fuel prices, and market distribution inefficiencies will force the Philippine government to import more rice to stabilize prices and contain inflation, which is at a nine-year high. As a result, MY 18/19 rice imports are raised 300,000 tons to 1.5 million tons.

Philippine corn and rice production in MY 17/18 are lowered based on the latest government estimates.

Post: Commodities:

Manila Wheat

Corn

Rice, Milled

General Information:

Inflation reached 6.4 percent in August 2018, the highest in nine years and the eighth consecutive month of continued rise. Average inflation from January to August 2018 was 4.8 percent, higher than the Philippine Central Bank's 2-4 percent target range for the year. In response, Philippine economic planners have recommended the easing of food import procedures to stabilize prices. Inflation is expected to stabilize in the fourth quarter of 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	1722	1722
Production	0	0	0	0	0	0
MY Imports	5704	5704	5986	5986	5800	5800
TY Imports	5704	5704	5986	5986	5800	5800
TY Imp. from U.S.	2550	2545	2440	0	0	0
Total Supply	6895	6895	7477	7477	7522	7522
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	1722	1722	1462	1462
Total Distribution	6895	6895	7477	7477	7522	7522
Yield	0	0	0	0	0	0

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

Post concurs with the official USDA wheat estimates. Although pressured by rising sugar prices, local bakeries have assured the Philippine Department of Trade and Industry that they would hold on to current bread prices for three months in time for the holiday season.

Corn

Corn	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	2685	2685	2570	2595	2640	2640
Beginning Stocks	252	252	448	448	328	328
Production	8087	8087	7980	7980	8300	8300
MY Imports	609	609	700	700	700	700
TY Imports	606	606	700	700	700	700
TY Imp. from U.S.	23	0	0	0	0	0
Total Supply	8948	8948	9128	9128	9328	9328
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	6300	6300	6600	6600	6700	6700
FSI Consumption	2200	2200	2200	2200	2200	2200
Total Consumption	8500	8500	8800	8800	8900	8900
Ending Stocks	448	448	328	328	428	428
Total Distribution	8948	8948	9128	9128	9328	9328
Yield	3.0119	3.0119	3.1051	3.0751	3.1439	3.1439

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

Corn production and area planted in MY 17/18 are lowered to 7.98 million tons and 2.595 million

hectares based on the latest Rice and Corn Situation and Outlook report by the Philippine Statistics Authority (PSA). Output during the April-June 2018 period declined from the previous year's level as area planted and yields dropped 2.3 percent and 1.1 percent, respectively. This was primarily due to early plantings in Cagayan Valley in the second half of 2017. Likewise, based on the standing crop, corn harvests in July-September 2018 are likely to be lower than the MY 16/17 level due to an expected decline in area harvested and yields.

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	4845	4868	4855
Beginning Stocks	2117	2117	2003	2003	2388	2338
Milled Production	11686	11686	12235	12235	12300	12350
Rough Production	18549	18549	19421	19421	19524	19603
Milling Rate (.9999)	6300	6300	6300	6300	6300	6300
MY Imports	1100	1100	1300	1300	1200	1500
TY Imports	1200	1100	1400	1400	1200	1500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	14903	14903	15538	15538	15888	16188
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	12900	12900	13150	13200	13350	13400
Ending Stocks	2003	2003	2388	2338	2538	2788
Total Distribution	14903	14903	15538	15538	15888	16188
Yield (Rough)	3.9274	3.9274	4.0093	4.0085	4.0107	4.0377

MY 17/18 production is revised downwards to 19.4 million tons (paddy) based on the latest estimates from the PSA. Like corn, rice production in the second quarter of 2018 declined 1.4 percent from the previous year's level as area harvested and yields were lower by 1.5 percent and 0.1 percent, respectively, due to early plantings in some areas. Output during the July-September 2018 period will again likely decline 2.0 percent compared to the previous year's level as area harvested and yields are estimated to drop by 2.8 percent and 0.9 percent, respectively.

Rice consumption in MY 17/18 is slightly raised (50,000 tons) to account for spoilage due to a series of recent tropical weather disturbances that resulted in excessive rainfall and flooding. In addition, rising food prices are forcing less affluent Filipinos to consume more rice and less meat and vegetables.

Policy Update

Increasing rice prices are forcing the Philippine government to import more to augment supply and stabilize prices in MY 18/19. Based on PSA data, during the last week of August 2018 average retail prices of well-milled and regular-milled rice increased 11.3 percent and 15.2 percent year-on-year, respectively. On a weekly basis, the average retail price of well-milled rice (P47.12 per kilo or \$0.88 per kilo) was higher by 2.3 percent compared to the previous week's level. The average retail price of regular-milled rice went up by 3.0 percent from the previous week's level of P42.85 per kilo (\$0.80 per kilo) to P43.86 per kilo (\$0.82 per kilo).

The inter-agency National Food Authority (NFA) Council recently approved the importation of 250,000 tons of rice for expedited arrival. The NFA importation is in addition to the 134,000 tons approved

under the 2017-2018 minimum access volume (MAV) by the private sector. A portion of the 2017-2018 MAV (33,400 tons) will specifically address high rice prices in certain southern islands in the Philippines.

The 2017-2018 MAV is to arrive in two phases: Phase 1 – arrival from July 28, 2018 to September 30, 2018 and Phase 2 – arrival from December 20, 2018 to February 28, 2019. Rice imports in MY and TY 18/19 are raised 300,000 tons to 1.5 million tons to strengthen buffer stocks ahead of the midterm elections scheduled in May 2019.

On August 14, 2018, the Philippine House of Representatives approved the attached House Bill (HB) 7735, or the proposed “Revised Agricultural Tariffication Act”. According to HB 7735, rice imports are levied a 40 percent Most Favored Nation bound tariff within the MAV and a 180 percent duty outside the quota. The rice MAV would revert to its 2012 level of 35,000 tons, from the current 805,000 tons. Imports from ASEAN countries have no quotas and are levied a uniform 35 percent tariff. For more information, refer to the recent GAIN report [here](#).

Currently being deliberated upon is the Philippine Senate version of the rice tariffication bill which President Duterte has certified as urgent. According to press reports, Senate approval may happen in September 2018.