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Grain and Feed Annual

Grain and Feed Situation and Outlook

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Report Highlights: The Philippines is one of the world's largest rice importers, a top five market for U.S. wheat and a minor importer of corn. Total rice imports are expected to increase from 1.3 million tons in MY10/11(July-June) to 1.5 million tons in MY11/12, inclusive of unregistered imports. Imports are projected to remain flat at 1.5 million tons in MY12/13 due to a predicted production increase, constrained demand among the poor as a result of increasing prices, and the Philippine government's cap on rice imports. Due to increased commodity prices and U.S. market share of imports in CY2011, U.S. wheat sales to the Philippines reached a record \$705 million, compared with the previous year's level of \$407 million. Total wheat imports are expected to marginally decline from 3.24 million tons in MY 10/11 to 3.20 million tons in MY11/12 due to dampened food demand, but recover in MY12/13 to 3.30 million tons as the Philippine economy improves. Further economic growth and the expanding

middle class are likely to result in increasing sales of higher-value U.S. wheat through MY12/13. Corn imports are likely to stay at the MY11/12 level (50,000 tons) in MY12/13 due to a predicted increase in local production and a shift away from yellow corn to feed wheat use.

Executive Summary:

Rice production in MY11/12 is expected to increase from the previous year's level of 16.7 million tons to 16.9 million tons despite the strong typhoons in 2011 as a result of steady rainfall in early 2012. Corn output in MY11/12, however, will likely decline from 7.27 million tons in the previous year to 7.14 million tons due to the same severe weather patterns. Barring any major natural calamity or prolonged weather disturbance, local rice and corn production is expected to increase to 17.14 million tons and 7.2 million tons, respectively, in MY12/13 due to the considerable boost in the Philippine Department of Agriculture's (DA) budget for improving irrigation systems, farm to market roads and post harvest facilities. There continues to be no commercial wheat production in the Philippines.

Rice and white corn consumption will likely contract in MY11/12 as a result of the typhoons in 2011 which reduced the incomes of the already impoverished population. In response, the Philippine government (GPH) will expand a cash transfer program for the poor in 2012, which is expected to result in a slight increase in rice consumption in MY12/13. White corn consumption in MY12/13, on the other hand, is expected to remain at the MY11/12 level due to increasing food and fuel prices. For wheat, demand is expected to stay flat in MY11/12 due to the slowdown of the Philippine economy in 2011 as well as high wheat prices. In CY2011, U.S. wheat imports reached 1.93 MMT (an increase of 210,000 MT over the previous year's level) with sales reaching a record-level of \$705 million (compared with the previous year's level of \$407 million). Overall wheat imports, including those from the U.S., are predicted to increase slightly in MY12/13 as economic growth accelerates and wheat prices stabilize at lower levels.

Feed demand is expected to remain firm through MY12/13 due to the improved economic outlook in 2012. Economic improvement is expected to enhance changing dietary preferences of a growing middle class for more protein sources. In addition, meat export opportunities as a result of the 2011 declaration by the Office International des Epizooties (OIE) that the Philippines is Foot-and-Mouth Disease (FMD) free, and the shift from backyard operations to more large-scale, commercial operations will likely cause increased feed demand in the country. Feed wheat imports are expected to grow through MY12/13 due to high yellow corn prices, quality issues of locally produced feed corn, and increased availability of low-grade wheat from Australia. Imports of yellow corn will likely decline in MY11/12 due to an expected shift to feed wheat, and stay at this level in MY12/13 due to increased local production.

The GPH is maintaining its rice self-sufficiency target by 2013 although imports will still be needed for buffer stock purposes. Imports significantly declined in CY2011, due to the cap on imports of 860,000 MT imposed by the National Food Authority (NFA). According to industry contacts however, unregistered imports continued to enter the country at a rate of 400,000 – 600,000 MT/year, spurred by domestic rice prices above international markets. Total rice imports, including unregistered trade, are expected to increase from 1.3 million tons in MY10/11(July-June) to 1.5 million tons in MY11/12. Imports are projected to remain flat at 1.5 million tons in MY12/13 due to the predicted production increase, constrained demand among the poor as a result of increasing prices, and the Philippine

government's continued cap on rice imports.

Commodities:

Rice, Milled

Corn

Wheat

Production:

According to a report from the Bureau of Agricultural Statistics (BAS) of the DA, the value of local farm output in 2011 expanded 2.3 percent, up from the 0.3 percent contraction in 2010 but below the DA's growth target of 3 to 3.5 percent. The DA had originally expected farm growth at 5 percent but pared down its target due to significant losses as a result of the strong typhoons in 2011. Overall crop production accounted for 49.6 percent of total Philippine agricultural output in 2011, and expanded 4.8 percent from the previous year's level, according to the BAS report.

Rice

Rice in the Philippines is grown year-round, with harvests split into quarters. The main rice crop is harvested in the 4 quarter of each year and accounts for 35-45 percent of overall annual production. The 1st quarter crop accounts for 20-25 percent, the 2nd quarter another 20-25 percent, and the balance is harvested during the July-Sep period (15-20%). In 2011, area harvested and rice yields grew from the previous year's levels.

Production of paddy rice (palay) in 2011 reached 16.7 million MT, up by 5.8 percent from the 2010 level, according to the BAS. Significant production gains (14.4 percent) in the first half of 2011 helped offset output losses (one percent) as a result of successive typhoons in major grain producing areas during the second semester of the year. According to the Philippine Atmospheric Geophysical and Astronomical Services Administration (PAGASA), 19 cyclones entered the country in 2011, mostly during the July-December period.

The BAS also reports that farm gate paddy prices in 2011 were fairly stable with the average price at P15.66 (\$0.37) per kilo, 2.4 percent higher than the average price of P15.27 (\$0.36) per kilo in 2010. The GPH, through the NFA, continues to buy paddy rice at P17 (\$0.40) per kilo although it was willing to buy paddy damaged by recent typhoons at P11 (\$0.26) per kilo. In 2011, the NFA bought more than 282,000 MT of paddy (approximately 2 percent of overall annual production), 45 percent lower than the volume it bought in 2010.

	2009	2010	2011	% Change	
Farm gate				10/09	11/10
Jan	14.09	15.23	15.14	8.09	-0.59
Feb	15.49	15.77	15.55	1.81	-1.40

Mar	16.03	16.19	15.61	1.00	-3.58
Apr	15.94	15.51	15.57	-2.70	0.39
May	15.92	15.34	15.83	-3.64	3.19
Jun	15.63	15.50	15.72	-0.83	1.42
Jul	15.33	15.59	16.04	1.70	2.89
Aug	14.71	15.67	15.99	6.53	2.04
Sep	14.15	15.28	15.75	7.99	3.08
Oct	14.08	14.59	15.25	3.62	4.52
Nov	14.43	14.18	15.54	-1.73	9.59
Dec	14.56	14.40	15.91	-1.10	10.49
Ave	15.03	15.27	15.66	1.60	2.54

Source of Basic Data: Bureau of Agricultural Statistics

Rice production in the first half of 2012 is projected to reach 7.8 million MT for a 2.7 percent increase from the same period in 2011, according to the BAS. The expected increase is premised on a wet 2012 summer as a result of the La Nina Phenomenon as predicted by the PAGASA. Hence, on a July to June market year basis, MY11/12 production was raised and is estimated to be modestly higher (one percent) than the previous year's level. Area harvested was pared down slightly based on BAS data.

For MY12/13, rice output and area harvested are predicted to increase from the previous year's level, enhanced by increasing commercial rice prices as well as the considerable increase in the DA's budget (see POLICY).

Corn

Corn output in 2011 reached 6.97 million MT, 9.3 percent higher than the 6.38 million MT output in 2010. Like rice, the significant gain (37 percent) in corn output in the first half of 2011 more than compensated for the typhoon-related losses (7.6 percent) during the second semester. The main corn crop is grown in the third quarter of each year and accounts for 30-40 percent of total annual output. This period, however, traditionally coincides with the monsoon rains and the typhoon season. In 2011, area harvested and corn yields increased from their 2010 level due to adequate rainfall. Roughly a third of overall corn output is white corn.

The BAS projects corn production in the first semester of 2012 at 3.5 million MT for a 5.1 percent increase from the 3.3 million MT output in 2011. MY11/12 area harvested and corn output was raised according to the BAS data, but is still expected to contract (both by 2 percent) from the previous year's level. The production increase in the first half of 2012 did not compensate for the losses as a result of the typhoons during the second semester of 2011.

In 2011, average ex-farm price of yellow was P11.94 (\$0.28), 8 percent higher than the P11.03 (\$0.26) average price per kilo in 2010. On the other hand, average ex-farm price of white corn was P13.93 (\$0.33) per kilo, 16 percent higher than the P12.02 (\$0.28) average price per kilo in 2010. The NFA buys yellow and white corn at P10 and P13 per kilo, respectively. Yellow and white corn farm gate prices through 2011 follow:

Yellow Corn: Monthly average prevailing prices by market level (P/Kg)					
	2009	2010	2011	% Change	
Farm gate				10/09	11/10
Jan	12.91	10.13	12.55	-21.53	23.89
Feb	13.55	10.82	12.85	-20.15	18.76
Mar	12.38	11.40	12.59	-7.92	10.44
Apr	12.07	11.30	11.74	-6.38	3.89
May	11.51	11.02	11.66	-4.26	5.81
Jun	10.35	11.40	11.55	10.14	1.32
Jul	10.05	11.31	11.32	12.54	0.09
Aug	8.99	10.96	10.89	21.91	-0.64
Sep	8.49	10.38	10.73	22.26	3.37
Oct	8.68	10.55	11.65	21.54	10.43
Nov	9.49	11.19	12.69	17.91	13.40
Dec	9.71	11.92	13.01	22.76	9.14
Ave	10.68	11.03	11.94	3.28	8.20

Source of Basic Data: Bureau of Agricultural Statistics

White Corn: Monthly average prevailing prices by market level (P/Kg)					
	2009	2010	2011	% Change	
Farm gate				10/09	11/10
Jan	14.51	13.70	12.39	-5.58	-9.56
Feb	16.06	13.46	13.41	-16.19	-0.37
Mar	16.66	13.71	14.04	-17.71	2.41
Apr	16.38	13.41	14.49	-18.13	8.05
May	14.58	12.70	14.70	-12.89	15.75
Jun	13.44	12.62	14.56	-6.10	15.37
Jul	13.24	12.07	14.78	-8.84	22.45
Aug	11.06	10.53	13.30	-4.79	26.31
Sep	10.74	9.95	13.04	-7.36	31.06
Oct	11.65	9.94	13.67	-14.68	37.53
Nov	12.22	10.75	14.58	-12.03	35.63
Dec	12.16	11.43	14.23	-6.00	24.50
Ave	13.56	12.02	13.93	-11.33	15.89

Source of Basic Data: Bureau of Agricultural Statistics

For MY12/13 corn production is predicted to increase modestly from the previous year's level as a result of increased use of high-quality planting seeds, including GM corn seeds. The increased corn output in MY12/13 is expected to be enhanced by the DA's increased budget for 2012.

Wheat

There is no commercial wheat production in the Philippines.

Consumption:

According to the National Statistical Coordination Board, Philippine GDP in 2011 grew 3.7 percent, slower than the 7.6 GDP growth in 2010 and below the revised 4.5 to 5.5 percent GPH forecast. Agriculture, fisheries and forestry expanded by 2.6 percent in 2011, up from the 0.2 percent contraction in 2010. Industry grew by 1.9 percent in 2011 from 11.6 percent in 2010 while the services sector expanded by 5 percent from the 7.2 percent growth in 2010. The economic slowdown in 2011 was attributed by economists to under spending by the GPH in infrastructure, the weak performance of the farm sector, and the crisis in the U.S. and Europe which affected export performance. Government expenditure shrank by 0.7 percent while exports declined by 3.8 percent in 2011.

Inflation in 2011 averaged at 4.8 percent, well within the government's target range of between 3 and 5 percent for the full year, according to the National Economic and Development Authority. Private analysts see Philippine inflation improving to 4 percent by the second semester of 2012, and average at this level throughout 2012.

The continued growth of remittances from Overseas Filipino Workers and the growing business process outsourcing industry (with estimated 2011 GDP contributions of P20 billion and P11 billion, respectively), are expected to enhance increasing personal consumption in 2012. GPH economic planners remain optimistic about economic prospects for 2012 with a 5-6 percent GDP growth target.

Despite the economic growth in previous years, the annual population growth rate of 2 percent of the more than 95 million Filipinos in 2011 has meant that the Philippines has fallen behind most of its Asian neighbors in terms of per capita income. Roughly half of the population is considered poor and high income disparity persists. The richest 30 percent of families earn nearly two-thirds of total income, while the poorest 30 percent share roughly nine (9) percent.

At the same time there are growing middle and upper classes whose primary focus is on quality. Eating out for this market segment is gaining popularity as indicated by the flourishing food retail industry. In addition, the millions of Filipinos in this category are consuming less grain and more protein.

Rice

Downward revisions were made to rice consumption in MY10/11 consistent with similar adjustments made by the BAS for CY2010. According to a BAS report (released in December 2011), per capita rice consumption declined to 112.75 kilos in 2010, from 119.08 kilos in 2009. Contacts from academe attribute the decline to four (4) possible reasons, namely: increasing commercial rice prices which likely caused some shifting to other carbohydrate sources; increasing urban incomes and more frequent eating out; an improvement in BAS reporting; and the increased entry of unregistered imports.

In addition, the strong typhoons in recent years (Ketsana and Parma of 2009, Megi of 2010, Nanmado, Nesat and Washi of 2011, among others) reduced incomes of affected families (estimated to be at least in the millions). Grain consumption of these families, in particular, are likely to decline in MY11/12. As a result, rice demand in MY11/12 was pared down and will likely contract from the previous year's level. This is consistent with the 4th quarter 2011 results of a survey by the Social Weather Stations (SWS) which show that the hunger rate during the October to December 2011 period was one (1) percent higher than the 25.1 percent (est. 4.1 million families) rate during the previous quarter. On an

annual basis, the SWS data shows that the average poverty rate in 2011 is 49 percent, up from the 48 percent average in 2010.

Commercial rice prices also continue to increase in the Philippines. Although cheaper NFA rice (P25-28/kilo or \$0.59-0.66/kilo) is being sold, it is not as accessible as commercial rice. The monthly average retail price of commercial milled rice for the 2009-2011 period is provided in the following table. Commercial rice prices are likely to increase further in 2012 (see TRADE).

Rice: Monthly average prevailing prices by market level (P/Kg)					
	2009	2010	2011	% Change	
Retail				10/09	11/10
Jan	32.89	34.20	34.34	3.98	0.41
Feb	34.33	34.46	34.58	0.38	0.35
Mar	34.62	34.59	34.57	-0.09	-0.06
Apr	34.53	34.40	34.57	-0.38	0.49
May	34.51	34.09	34.71	-1.22	1.82
Jun	34.55	34.40	34.74	-0.43	0.99
Jul	34.44	34.46	34.78	0.06	0.93
Aug	34.25	34.47	34.88	0.64	1.19
Sep	33.83	34.40	34.88	1.68	1.40
Oct	33.63	34.19	34.81	1.67	1.81
Nov	33.89	34.09	34.89	0.59	2.35
Dec	33.99	34.11	34.97	0.35	2.52
Ave	34.12	34.32	34.73	0.59	1.18

Rice Source of Basic Data: Bureau of Agricultural Statistics

Despite the expected increase in commercial rice prices, rice consumption is expected to grow slightly in MY12/13 due to the rapidly expanding Philippine population and an expanded anti-poverty program (see MARKETING).

Corn

Following are monthly average retail prices of yellow corn for the period 2009-2011. According to BAS data, the average yellow corn retail price last year was at P19.73 (\$0.46) per kilo, 2.47 percent higher than the 2010 average price of P19.26 (\$0.45). Prices have been increasing starting April 2011 onwards.

Yellow Corn: Monthly average prevailing prices by market level (P/Kg)					
	2009	2010	2011	% Change	
Retail				10/09	11/10
Jan	20.24	18.74	19.84	-7.41	5.87
Feb	22.12	19.98	19.91	-9.67	-0.35
Mar	21.67	19.32	19.41	-10.84	0.47
Apr	21.25	19.39	18.75	-8.75	-3.30
May	20.50	19.63	18.78	-4.24	-4.33
Jun	20.44	19.59	18.84	-4.16	-3.83

Jul	19.87	19.33	19.19	-2.72	-0.72
Aug	18.81	19.27	19.80	2.45	2.75
Sep	18.63	18.92	19.87	1.56	5.02
Oct	18.16	18.96	20.17	4.41	6.38
Nov	18.51	18.75	21.05	1.30	12.27
Dec	18.58	19.19	21.17	3.28	10.32
Ave	19.90	19.26	19.73	-3.23	2.47

Source of Basic Data: Bureau of Agricultural Statistics

For white corn, the average 2011 retail price was recorded at P19.08 (\$0.45) per kilo, lower than the P19.55 (\$0.46) average price in 2010 (refer to following Table). Current retail prices for white corn grits are not readily available although they are expected to be modestly higher than white corn grain. White corn grits are usually consumed mixed with milled rice.

White Corn: Monthly average prevailing prices by market level (P/Kg)					
	2009	2010	2011	% Change	
Retail				10/09	11/10
Jan	22.50	22.67	18.99	0.76	-16.23
Feb	22.49	22.73	19.04	1.07	-16.23
Mar	23.35	21.93	18.71	-6.08	-14.68
Apr	23.79	20.14	18.42	-15.34	-8.54
May	20.08	20.13	18.12	0.25	-9.99
Jun	20.16	19.54	18.44	-3.08	-5.63
Jul	19.98	17.72	19.16	-11.31	8.13
Aug	19.19	18.22	19.80	-5.05	8.67
Sep	20.44	17.74	19.81	-13.21	11.67
Oct	20.63	17.87	19.53	-13.38	9.29
Nov	20.54	17.85	19.48	-13.10	9.13
Dec	21.32	18.06	19.40	-15.29	7.42
Ave	21.21	19.55	19.08	-7.81	-2.43

Source of Basic Data: Bureau of Agricultural Statistics

Feed demand would have been higher had it not been for increasing prices of feed ingredients and overall production costs, according to industry contacts. As a result, interest by raisers in the use of DDGS in feed rations is growing. The same source reports that some small backyard hog farmers are having a hard time operating as a result of increasing production costs. The domestic hog-raising industry accounts for an estimated 65 percent of the country's feed requirements, followed by poultry with 25 percent and the balance divided by the local fishery sector and other animal farms. According to BAS data, in 2011, hog and poultry production were 2.2 and 4.3 percent higher, respectively, compared to the previous year's level. Aquaculture gained 2.4 percent in 2011.

Feed demand is expected to remain firm through MY12/13 due to the improved economic outlook in 2012. Economic improvement is expected to enhance changing dietary preferences of a growing middle class for more protein sources. In addition, meat export opportunities as a result of the 2011 declaration by the Office International des Epizooties (OIE) that the Philippines is Foot-and-Mouth

Disease (FMD) free, and the shift from backyard operations to more large-scale, commercial operations will likely cause increased feed demand in the country.

Yellow corn consumption is expected to grow in the next two (2) years. Some shifting away from yellow corn to feed wheat use, however, is expected due to rising corn prices and the availability of low-grade wheat from Australia, as well as quality issues associated with locally grown corn due to the inadequate postharvest infrastructure.

White corn consumption, on the other hand, was pared down in MY11/12, and is expected to contract from the previous year's level due to the increasing hunger rate as reported by the SWS. White corn use is expected to stay flat in MY12/13.

To summarize, overall corn demand in MY11/12 will likely remain at the previous year's level due to increasing prices, but expected to increase slightly in MY12/13 as corn prices stabilize.

Wheat

For wheat, overall demand is expected to grow through MY12/13, driven by increasing feed demand. Feed wheat demand was raised in MY11/12, and is expected to increase through MY12/13 as a result of continued growth of the domestic livestock and poultry industries. No significant change in milling wheat consumption is expected in MY11/12 due to the weak purchasing power of the poor which make up roughly half of the Philippine population.

In general terms, the Philippine market is known to be price-sensitive. According to the U.S. Wheat Associates office in Manila (USWA-Manila), there is a growing perception among Filipinos that bakery products are luxury goods and inaccessible for the poorest sectors of society. However, milling wheat demand is predicted to increase slightly in MY12/13 due to the expanding middle class and positive economic growth prospects in 2012.

Total milling capacity is estimated at 4 million MT. Local millers, however, have been operating under-capacity (roughly 50 percent) due to weak demand for wheat-based products. This has been the case for about a decade.

In a 2011 study funded by local millers associations, findings indicated that the main drivers of demand consumption of flour-based products (in order of priority) were cost, sense that food is filling and 'energizing', healthfulness, and convenience. Survey respondents reported that rice is preferable to wheat on the first two factors. There were also indications that respondents were becoming more conscious of healthy foods, especially the higher-income consumer segments. USWA-Manila continues to work with the industry to promote consumption of healthy products.

There are at least 25,000 bakeries operating in the Philippines, according to estimates from the Philippine Bakers Association. Around 55 percent of overall wheat flour is consumed by small and medium-size bakers. This segment of bakers is very price sensitive as high operating costs, volatility in ingredient prices, and relatively slow demand growth for wheat-based products have put them under financial stress. In response, small bakers are forced to reformulate recipes using lower quality imported flour, inferior ingredients and shrinking product sizes, according to industry contacts. Small and medium-size bakers are the common users of cheap imported flour.

Contacts from the milling industry have expressed concern over the entry of wheat flour from Turkey and Indonesia. These are sold at 10 percent to 15 percent lower than locally produced flour. Indonesia is of special concern to the industry due to its proximity. Indonesia has a larger milling capacity (compared to the Philippines), and sources its milling wheat from Australia, according to industry contacts. Australian wheat, however, has a lower protein content compared to U.S. wheat. Wheat with higher protein content is desired by local bakers as it makes the dough rise higher for a fluffier “pandesal” (a popular local baked product).

Trade:

Rice

Rice imports through 2010 are provided in the following table. In 2011, the NFA placed an 860,000 MT cap on rice imports. Trade sources, however, report that unregistered imports of rice into the country have accelerated. Unregistered imports in CY2011 are estimated between 400,000 MT to 600,000 MT, according to industry contacts. Despite their entry in 2011, imports in MY10/11 (and TY10/11) were pared down modestly due to the significant drop in registered imports.

Philippines Import Statistics				
Commodity: Rice, Group 58 (2007)				
Annual Series: 2008 - 2010				
Partner Country	Unit	Quantity		
		2008	2009	2010
World	T	2438932	1762921	2386217
Vietnam	T	1662219	1673864	1775095
Thailand	T	584177	54189	444867
United States	T	117002	0	10660
Pakistan	T	69292	10595	151256
Others	T	6242	24272	4338

Source of Basic Data: Global Trade Atlas

Note: GTA trade data not yet available for 2011.

For 2012, the NFA has initially authorized the importation of 500,000 MT pending survey results of the 2011 typhoon damages. The private sector will be authorized to import the entire volume. Prices are likely to increase in 2012, as a result. The NFA will finalize its 2012 import plans in the first quarter of 2012, according to media reports. Total imports, including unregistered trade, in MY11/12 are likely to increase from the previous year’s level and stay at this level in MY12/13.

Rice imports into the Philippines carry a 40 percent Most Favored Nation (MFN) in-quota tariff. Imports beyond the quota are levied a 50 percent duty. In late 2011, the GPH formally informed the World Trade Organization (WTO) its intention to start talks on extending its quantitative restriction (QR) on rice imports to 2015 as part of its self-sufficiency efforts (see POLICY).

Corn

Full year coarse grain imports through CY2011 are provided in the following table:

Reporting Countries Export Statistics (Partner Country: Philippines)				
UDG: Coarse Grains, Group 59 (2007)				
Annual Series: 2009 – 2011				
Reporting Country	Unit	Quantity		
		2009	2010	2011
Reporting Total	T	362500	149565	75864
Argentina	T	46700	16722	3458
Australia	T	12095	9183	6515
Brazil	T	186263	25	0
India	T	4644	6005	7350
Indonesia	T	38191	23212	2225
Thailand	T	45032	80713	44952
United States	T	28507	11123	7724
Others	T	1068	2582	3640

Source of Basic Data: Global Trade Atlas

Corn imports in MY11/12 are likely to decline from the previous year's level due to increased production and a shift to feed wheat use. In October 2011, local feed millers requested the DA for the duty-free importation of 100,000 MT of yellow corn but this was turned down. The feed millers cited high corn prices as well as quality issues of local yellow corn as reasons for the request. Corn imports carry a two-tiered MFN tariff structure: 35 percent in-quota duty and a 50 percent out-of-quota rate. Corn imports originating from member countries of the Association of South East Asian Nations (ASEAN) are charged a much lower 5 percent duty under the ASEAN Free Trade Agreement.

No dramatic change in corn imports is predicted for MY12/13 due to increasing local production as well as the expected entry of considerable feed wheat imports.

Wheat

Wheat imports through CY2011 are provided in the table below. Wheat imports since 2009 have remained fairly flat at slightly over 3 million MT. U.S. market share, however, has been increasing (42 percent in 2009, 58 percent in 2010 and 63 percent in 2011). In CY2011, U.S. wheat imports reached 1.93 MMT (an increase of 210,000 MT over the previous year's level) with sales reaching a record-level of \$705 million (compared with the previous year's level of \$407 million)

Reporting Countries Export Statistics (Partner Country: Philippines)				
UDG: Wheat, Group 60 (2007)				
Annual Series: 2009 - 2011				
Reporting Country	Unit	Quantity		
		2009	2010	2011
Reporting Total	T	3073377	3010664	3079627
Australia	T	215204	160845	1023575

Belgium	T	3190	0	0
Brazil	T	0	229377	0
Canada	T	396456	352195	127684
Denmark	T	0	71493	0
Romania	T	0	270314	0
Russia	T	179741	22750	0
Ukraine	T	1016952	131929	0
United Kingdom	T	0	49500	0
United States	T	1261834	1722257	1928366
Others	T	0	2	2

Source of Basic Data: Global Trade Atlas

Total wheat imports in MY11/12 will likely marginally decline from the previous year's level due to adequate ending stocks and the continued flat demand for milling wheat. Feed wheat imports, however, are likely to increase as some shifting away from feed corn is expected due to high corn prices. Milling wheat imports from the U.S. are likely to increase in MY11/12 due to a reported decline in protein content of Australian and Canadian wheat, according to a trade source.

Executive Order No. 61 (EO 61), signed in October 2011, took effect in January 2012 and adjusted MFN tariff rates on a range of agricultural products, including wheat. Milling wheat duties were removed by EO 61 but are still 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 (AANZFTA), both milling and feed wheat imports to the Philippines from Australia are duty-free. Australian feed wheat is expected to dominate feed wheat imports through MY12/13. Overall wheat imports in MY12/13 will likely increase slightly from the previous year's level. The US does not sell any feed wheat to the Philippines due to its non-certification of grain as feed quality.

Stocks:

Rice

Rice inventories are expected to decline through MY12/13 as the GPH pursues its efforts of rice self-sufficiency, and continues to limit rice imports.

Corn

Corns stocks are expected to decline marginally in MY11/12 from the previous year's level and stay flat in MY12/13 due to no dramatic change in consumption. Corn inventory levels through MY12/13 are expected to remain adequate.

Wheat

As mentioned in the previous annual report, aggressive importation strengthened wheat inventories entering MY10/11. Adequate stock levels are expected to gradually decline through MY12/13. Wheat stocks are largely private sector-held.

Policy:

Despite significant paddy rice losses due to the typhoons in 2011, the DA is maintaining its rice self-sufficiency target by 2013. The DA, however, recently acknowledged there will still be a need to import rice in 2013 for buffer stock purposes.

The GPH is seeking an extension of its QR on rice to 2015. The current quota of 350,000 MT (approved in 2006 by the WTO) will expire on June 2012. According to an unconfirmed news report, the GPH will offer a tariff reduction to 35 percent on rice imports as a concession to other rice producing countries including the U.S.

Supporting its drive for self-sufficiency is the increased budget of the DA for 2012. Under the 2012 General Appropriations Act (2012-GAA), the DA has been allotted a P48.7 billion (\$1.1 billion) budget, 61 percent higher than the P30.4 billion (\$0.71 billion) allotment in 2011. The majority of the 2012 budget will be used for improving rural infrastructure including irrigation, farm-to-market roads, and post-harvest facilities.

Marketing:

As mentioned in the previous annual report, the GPH response to the growing poverty is the implementation in 2011 of a P21 billion (\$488 million) conditional cash transfer program (CCT). From an estimated 800,000 beneficiaries when the Aquino government assumed office in June 2011, the CCT now covers 2.23 million Filipinos as of September 2011, according to media reports.

For 2012, the CCT has been appropriated at P39 billion (\$907 million) under the 2012-GAA, roughly 85 percent higher than the previous year's budget. Administered by the Philippine Department of Social Welfare and Development, the CCT will provide P1,400 (\$32.56) per month to poor households subject to certain conditions.

Production, Supply and Demand Data Statistics:

Rice, Milled Philippines	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4,528	4,528	4,600	4,563		4,580
Beginning Stocks	3,520	3,520	2,434	2,459		1,798
Milled Production	10,539	10,539	10,500	10,639		10,800
Rough Production	16,729	16,729	16,667	16,887		17,143
Milling Rate (.9999)	6,300	6,300	6,300	6,300		6,300
MY Imports	1,500	1,300	1,500	1,500		1,500
TY Imports	1,500	1,200	1,500	1,500		1,500
TY Imp. from U.S.	0	0	0	0		0
Total Supply	15,559	15,359	14,434	14,598		14,098
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Consumption and Residual	13,125	12,900	13,000	12,800		12,850
Ending Stocks	2,434	2,459	1,434	1,798		1,248
Total Distribution	15,559	15,359	14,434	14,598		14,098

1000 HA, 1000 MT, MT/HA

Corn Philippines	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,633	2,633	2,560	2,585		2,585
Beginning Stocks	559	559	680	695		684
Production	7,271	7,271	7,000	7,139		7,200
MY Imports	50	65	150	50		50
TY Imports	50	54	150	50		50
TY Imp. from U.S.	2	15	0	10		10
Total Supply	7,880	7,895	7,830	7,884		7,934
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	5,100	5,100	5,200	5,200		5,250
FSI Consumption	2,100	2,100	2,100	2,000		2,000
Total Consumption	7,200	7,200	7,300	7,200		7,250
Ending Stocks	680	695	530	684		684
Total Distribution	7,880	7,895	7,830	7,884		7,934
1000 HA, 1000 MT, MT/HA						

Wheat Philippines	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0		0
Beginning Stocks	645	645	689	689		589
Production	0	0	0	0		0
MY Imports	3,235	3,235	3,200	3,200		3,300
TY Imports	3,235	3,235	3,200	3,200		3,300
TY Imp. from U.S.	1,742	1,742	0	1,775		1,790
Total Supply	3,880	3,880	3,889	3,889		3,889
MY Exports	41	41	50	50		50
TY Exports	41	41	50	50		50
Feed and Residual	900	900	900	1,000		1,100
FSI Consumption	2,250	2,250	2,250	2,250		2,300
Total Consumption	3,150	3,150	3,150	3,250		3,400
Ending Stocks	689	689	689	589		439
Total Distribution	3,880	3,880	3,889	3,889		3,889
1000 HA, 1000 MT, MT/HA						

