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# GAIN Report

Global Agricultural Information Network

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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 reach 3.95 million tons in MY14/15 (up 13 percent from the previous year) and to slightly over 4 million tons in MY15/16 due to strong demand as a result of shifting diets of the expanding Philippine middle class. Post estimates corn production will reach a record of nearly 8 million tons in MY14/15 (up 6 percent from the previous year) and approximately 8.3 million tons in MY15/16 due to expanded planting of biotech seed varieties and the Philippine government's (GPH) continued investment in postharvest infrastructure. Despite a series of devastating typhoons in CY2014, rice production is expected to increase modestly in MY14/15 and again in MY15/16, enhanced by the GPH's budget spending on agricultural infrastructure and drive for self-sufficiency. Post forecasts rice imports in MY15/16 down 18 percent from the previous year to roughly 1.3 million

tons (inclusive of an estimated 500,000 tons of undocumented imports) due to the anticipated significant carryover stocks from MY14/15 and steady growth in production.

**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 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 strengthening Philippine economy, local industry contacts anticipate demand for milling wheat and feed-grade wheat to steadily grow through MY15/16. Post notes that the local milling industry’s expectations for growth are reflected in the commissioning of two new mills in CY2013 and the current construction of an additional two mills, which would bring the total in the country to 17 with an aggregate capacity of well over four million tons. Post also notes that the continued consolidation of the hog sector, where small raisers are in the decline and large, technically sophisticated operations are expanding, supports increasing feed-wheat demand (provided it remains price competitive with corn).

According to GPH data, Philippine paddy rice production increased roughly three percent from 18.4 million tons in CY2013 to a record 19 million tons in CY2014, while corn output increased five percent from 7.4 million tons in in CY2013 to a record 7.8 million tons in CY2014. On a MY basis, rice and corn output are forecast to continue to modestly increase through MY15/16, enhanced by continued GPH agricultural sector investment and utilization of higher quality seed varieties (including biotech seed varieties for corn). The Philippine Department of Agriculture recently pushed back its ambitious goal of reaching national rice self-sufficiency to CY2016 from the original timeline of CY2013.

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 CY2015. The World Trade Organization’s (WTO) Most Favored Nation (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 CY2015. 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. The increased quota is in effect but the tariff rate change has yet to be implemented pending the issuance of the appropriate Executive Order.

Despite strong demand from the consolidating hog industry and the growing broiler and layer operations, corn imports are forecast to significantly decline in MY15/16 due to rising local production and the expected adequate carryover stocks from MY14/15. Similarly for rice, MY15/16 imports are forecast to decline from the previous year due to continued improvement in local production and the expected significant carryover stocks from MY14/15.

**Commodities:**

Wheat

Corn

## Rice, Milled

### **Production:**

According to the Philippine Statistical Authority (PSA), the value of local farm output in CY2014 expanded just 1.8 percent, well below the Philippine Department of Agriculture (DA) target of 3-5 percent. Crop production accounted for 52 percent of overall farm output, and grew modestly (3.3 percent) from the previous year's level. Rice had the largest share (20 percent) of total farm output, followed by hog production (13 percent), chicken broilers (11 percent), and corn (7 percent).

According to press reports, the DA expects that a return to more normal weather patterns combined with increased infrastructure investments will result in farm output growing 3–5 percent in CY2015. Some local industry analysts, on the other hand, expect overall CY2015 farm output growth at a much slower 1.5-2.5 percent.

### **Wheat**

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

### **Corn**

According to the PSA, corn output in CY2014 reached 7.77 million tons, up 5.3 percent from the 7.38 million tons of output in CY2013. Area harvested in CY2014 increased 1.9 percent to 2.61 million hectares from 2.56 million hectares in CY2013 while yields improved slightly from 2.88 tons per hectare in CY2013 to 2.98 tons per hectare in CY2014. Major corn producing areas in CY2014 included the Cagayan Valley, Western Visayas, the Davao Region, Northern Mindanao, and the Autonomous Region of Muslim Mindanao. Good production in most of these areas was attributed to increased use of better quality seeds. According to a DA contact, roughly 20 percent of overall CY2014 corn areas were planted with traditional (home-saved) seeds, 35 percent to open pollinated varieties, and the balance (45 percent) planted with hybrid and genetically-modified seeds. The PSA notes harvests slightly shifted from the third quarter to the fourth quarter due to delayed plantings, particularly in the northern part of Luzon.

For the first semester of CY2015, the PSA projects corn output will increase 6 percent to 3.7 million tons compared to the 3.5 million tons during the first semester of the previous year. The PSA attributes the increase to a wider area harvested, as well as better yields. Corn output and area harvested in MY14/15 were raised as a result, and Post expects this trend to continue in MY15/16

Yellow and white corn farm gate prices through CY2014 are provided below. In CY2014, the average ex-farm price of yellow corn was P12.77 (\$0.28) per kilo, slightly higher than the CY2013 and CY2012 average prices of P11.62 and P12.43 per kilo, respectively. The average ex-farm price of white corn was P13.95 (\$0.31) per kilo in CY2014, three percent higher than the P13.81 price in CY2013.

	2012	2013	2014	% Change	
Farm Gate				13/12	14/13
January	14.31	12.31	11.93	-13.98	-3.09

February	12.79	11.73	12.21	-8.29	4.09
March	11.75	11.64	12.28	-0.94	5.50
April	12.03	11.78	12.56	-2.08	6.62
May	12.52	11.74	13.01	-6.23	10.82
June	12.09	11.64	13.62	-3.72	17.01
July	11.93	11.31	12.93	-5.20	14.32
August	12.40	11.45	13.14	-7.66	14.76
September	12.42	11.73	13.34	-5.56	13.73
October	12.39	11.27	12.95	-9.04	14.91
November	12.37	11.49	12.81	-7.11	11.49
December	12.17	11.38	12.42	-6.49	9.14
Average	<u>12.43</u>	<u>11.62</u>	<u>12.77</u>	-6.50	9.84

Source: Philippine Statistics Authority

White Corn: Average Prevailing Prices (P/Kg)					
	2012	2013	2014	% Change	
Farm Gate				13/12	14/13
January	14.06	14.19	14.22	0.92	0.21
February	14.31	14.12	14.14	-1.33	0.14
March	13.70	14.60	14.27	6.57	-2.26
April	13.23	14.40	15.40	8.84	6.94
May	13.01	14.46	15.75	11.15	8.92
June	11.95	14.22	15.35	19.00	7.95
July	13.14	13.60	15.00	3.50	10.29
August	12.43	12.88	13.29	3.62	3.18
September	12.52	12.88	12.76	2.88	-0.93
October	13.13	13.04	12.69	-0.69	-2.68
November	14.11	13.71	12.49	-2.83	-8.90
December	14.62	13.66	12.02	-6.57	-12.01
Average	<u>13.35</u>	<u>13.81</u>	<u>13.95</u>	3.46	0.98

Source: Philippine Statistics Authority

## **Rice**

According to the PSA, paddy rice (palay) production in CY2014 reached a record 19 million tons, up 2.87 percent from the CY2013 level (18.4 million tons) despite a marginally lower area harvested. Area harvested declined to 2.64 million hectares in CY2014 from 2.70 million hectares in CY2013. Yields, however, improved to 4.01 tons per hectare from 3.86 tons per hectare during the same period, according to PSA data. Major rice producing areas include the Cagayan Valley, Central Luzon, the MIMAROPA region (composed of Mindoro, Marinduque, Romblon and Palawan provinces), the Bicol Region, and the Davao region.

For the January-June 2015 period, the PSA projects paddy rice output at 8.55 million tons, up two percent from 8.38 million tons for the same time period the previous year. The PSA attributes the increase to favorable weather conditions, wider area harvested, and better yields compared to the previous year's levels. Based on PSA data from the second half of CY2014 (which showed slightly less than expected performance) and the CY2015 first half forecast, Philippine rice production and area harvested in MY14/15 were pared down slightly.

High production costs, coupled with postharvest and market inefficiencies result in high prices and make Philippine rice uncompetitive compared to its regional neighbors. Preliminary data from the PSA shows that the average farm gate price of paddy rice in CY2014 was P20.08 (\$0.45) per kilo, 19 percent higher than the P16.93 (\$0.38) per kilo average price in CY2013.

Paddy Rice: Monthly Average Prevailing Prices (P/Kg)					
	2012	2013	2014	% Change	
Farm Gate				13/12	14/13
January	16.23	15.92	18.44	-1.91	15.83
February	16.29	15.68	19.28	-3.74	22.96
March	16.23	15.93	20.16	-1.85	26.55
April	16.32	15.95	20.38	-2.27	27.77
May	16.49	16.3	20.58	-1.15	26.26
June	17.01	17.06	21.87	0.29	28.19
July	16.51	17.47	21.28	5.81	21.81
August	16.11	18.14	20.66	12.60	13.89
September	15.34	17.00	19.60	10.82	15.29
October	15.88	17.14	19.60	7.93	14.35
November	15.94	17.97	19.73	12.74	9.79
December	16.30	18.57	19.36	13.93	4.25
Average	<u>16.22</u>	<u>16.93</u>	<u>20.08</u>	4.36	18.61

Source: Philippine Statistics Authority

Rice production is likely to continue increasing through MY15/16 as the Philippine government vigorously pursues self-sufficiency before the end of the current Aquino government in CY2016 (see POLICY).

### Consumption:

The Philippine economy grew by 6.1 percent in CY2014. Although Philippine Gross Domestic Product (GDP) expanded less than the government's target of 6.5- 7.5 percent, it is still one of the most robust economies in the region. Services accounted for over half of the economy (57 percent) in CY2014, while industry accounted for 33 percent of GDP. Agriculture accounted for a 10 percent share. Inflation in CY2014 averaged 4.1 percent and marked the sixth consecutive year inflation remained within the official target range, according to the Philippine Central Bank (PCB). The PCB has an inflation target of 2-4 percent for the period CY2015-2016.

Economic planners expect GDP growth to accelerate in CY2015 citing an expected increase in government spending and private consumption. CY2016 is an election year and campaign-related spending is expected to result in a consumption spike in the second half of CY2015.

**Wheat**

According to a trade contact, the Philippine flour milling industry is undergoing its most substantial growth in more than two decades. Two new mills were commissioned in CY2013 representing the first significant capacity investment since 1998, and the first new entrants to the commercial flour market since 1990. There are currently 15 mills that compose the Philippine flour milling industry with an aggregate capacity estimated at over 4.1 million tons. In addition, two more mills are under construction and several existing mills are in the process of upgrading their facilities. The local baking industry is likewise undergoing adjustments according to industry contacts. Large volume bakeries have expanded their market share at the expense of smaller operations. Growing demand for mass produced, high-quality baked products is now a trend local industry contacts expect to see for the foreseeable future.

These recent developments indicate increasing and long-term wheat flour demand in the future. Food wheat consumption was raised in MY14/15 and is expected to modestly grow through MY15/16 as the new mills start operating commercially.

Also undergoing consolidation ahead of the full implementation of the ATIGA is the local feed consuming sectors. According to industry, small hog raisers have been declining while large operations, which use more sophisticated raising methods (e.g. modern animal health and nutrition technology, genetics and quality feed rations), have been expanding. The local broiler and layer industries have long been dominated by large, modern and fairly integrated commercial operations. The moderate growth of both these industries has driven the local feed industry’s expansion in recent years.

The local hog industry accounts for an estimated 60-65 percent of the country’s feed requirements, poultry with a 25-30 percent share and the balance divided by the local fishery subsector and other animal farms. Feedwheat demand by these industries is mainly price determined, i.e., more feedwheat is used if corn is more expensive and vice-versa.

The average domestic feedwheat price in CY2014 was P15.33/kilo (\$0.34/kilo), three percent cheaper than the previous year’s level, according to local industry associations. The average feedwheat price in CY2014 was technically equivalent to the average yellow corn wholesale price of P15.37 (\$0.34).

Feedwheat: Average Prevailing Prices (P/Kg)					
	2012	2013	2014	% Change	
PHILIPPINES				13/12	14/13
January	15.40	16.00	14.00	3.90	-12.50
February	14.45	15.24	14.10	5.47	-7.48
March	13.70	15.10	14.90	10.22	-1.32
April	13.50	15.40	15.80	14.07	2.60
May	13.84	16.08	15.80	16.18	-1.74

June	13.70	17.06	15.90	24.53	-6.80
July	14.36	16.70	16.00	16.30	-4.19
August	15.90	16.70	16.20	5.03	-2.99
September	16.50	16.55	15.75	0.30	-4.83
October	16.00	15.70	15.05	-1.88	-4.14
November	16.00	15.10	15.10	-5.63	0.00
December	16.13	14.60	15.30	-9.49	4.79
Average	<u>14.96</u>	<u>15.85</u>	<u>15.33</u>	5.99	-3.33

Source: Philippine Association of Feedmillers

Feedwheat demand was pared down in MY14/15 as some shifting to yellow corn likely happened as a result of increased local production. Feedwheat demand is expected to remain firm and increase modestly in MY15/16 due to the anticipated high global supplies and continued price competitiveness with corn.

### **Corn**

The following are monthly average wholesale prices of yellow corn for the period CY2011-2014. According to preliminary PSA data, the average yellow corn retail price in CY2014 was at P15.37 (\$0.34) per kilo, slightly lower than the P15.93 (\$0.35) per kilo average price in CY2013.

	2012	2013	2014	% Change	
Wholesale				13/12	14/13
January	16.06	15.96	16.13	-0.62	1.07
February	15.77	15.76	16.32	-0.06	3.55
March	15.05	15.69	16.59	4.25	5.74
April	15.24	15.75	17.07	3.35	8.38
May	15.80	16.01	17.21	1.33	7.50
June	15.86	15.89	17.43	0.19	9.69
July	15.78	15.96	14.56	1.14	-8.77
August	15.85	15.94	13.79	0.57	-13.49
September	15.71	15.79	13.49	0.51	-14.57
October	15.94	16.03	13.86	0.56	-13.54
November	16.17	16.18	14.11	0.06	-12.79
December	16.11	16.15	13.93	0.25	-13.75
Average	<u>15.78</u>	<u>15.93</u>	<u>15.37</u>	0.93	-3.46

Source: Philippine Statistics Authority

According to industry, corn is the preferred feedgrain by local end-users. However, only an estimated 15 percent of the domestic corn harvest is dried appropriately for feed use. Local industry contacts report that, as a result, Philippine feed millers prefer imported corn grain to avoid aflatoxin contamination issues.

Feedcorn consumption was raised in MY14/15 due to strong demand by the domestic livestock and poultry industries and is predicted to continue increasing through MY15/16. Also, election-related spending leading to the May 2016 Presidential elections is likely to result in a spike in feed consumption in the next two years.

White corn is a staple in some parts of the Visayas region and Mindanao, and is consumed as grits mixed with rice. The average CY2014 retail price of local white corn was P21.82 (\$0.48) per kilo, slightly higher compared to the P18.97 (\$0.42) per kilo average price in CY2013 (refer to the following table). Food corn consumption was raised in MY14/15 due to the increasing needs of the growing population and is expected to continue growing in MY15/16.

White Corn: Average Prevailing Prices (P/Kg)					
	2012	2013	2014	% Change	
Retail				13/12	14/13
January	19.45	19.83	19.37	1.95	-2.32
February	19.85	19.67	20.08	-0.91	2.08
March	19.60	19.77	22.06	0.87	11.58
April	19.60	20.00	22.24	2.04	11.20
May	19.80	19.58	21.51	-1.11	9.86
June	19.68	18.63	22.96	-5.34	23.24
July	19.67	18.02	23.73	-8.39	31.69
August	19.53	18.18	21.49	-6.91	18.21
September	20.05	18.40	22.89	-8.23	24.40
October	19.60	18.74	22.90	-4.39	22.20
November	20.00	18.33	21.59	-8.35	17.79
December	19.77	18.52	21.06	-6.32	13.71
Average	<u>19.72</u>	<u>18.97</u>	<u>21.82</u>	-3.77	15.03

Source: Philippine Statistics Authority

### **Rice**

Rice is the main staple of the Philippine population, currently estimated at over 100 million and expanding by 2 percent annually. Food security is often equated with the availability of adequate and affordable rice.

Commercial rice retail prices increased in CY2014. According to rice milling contacts, as a general rule, retail prices are twice the price of paddy. Monthly average retail prices of milled rice from CY2012 to 2014, based on PSA preliminary data, are provided in the following table.

Regular Milled Rice: Average Prevailing Prices (P/Kg)					
	2012	2013	2014	% Change	
Retail				13/12	14/13

January	31.69	32.01	36.51	1.01	14.06
February	31.77	32.04	36.85	0.85	15.01
March	31.87	31.97	37.80	0.31	18.24
April	31.99	31.96	38.35	-0.09	19.99
May	32.04	32.04	38.92	0.00	21.47
June	32.17	32.37	39.42	0.62	21.78
July	32.31	33.44	40.02	3.50	19.68
August	32.54	34.82	40.75	7.01	17.03
September	32.41	36.07	40.36	11.29	11.89
October	32.10	35.66	39.84	11.09	11.72
November	32.01	35.78	39.56	11.78	10.56
December	32.05	36.26	39.08	13.14	7.78
Average	<u>32.08</u>	<u>33.70</u>	<u>38.96</u>	5.06	15.59

Source: Philippine Statistics Authority

The average retail price of commercial regular milled rice in CY2014 was P38.96 (\$0.87) per kilo, 16 percent higher than the P33.7 (\$0.75) per kilo average price in CY2013. According to industry contacts, the higher CY2014 prices are likely the result of the decline in smuggled rice imports, which some analysts believe have become an integral component of the nation's rice supply.

Retail prices started to ebb in the last quarter of CY2014, coinciding with the main rice harvest season, as well as the arrival of considerable official rice imports. Rice consumption through MY15/16 is expected to grow modestly as the population increases.

### **Trade:**

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 ASEAN Trade in Goods Agreement (ATIGA).

A review of tariffs on goods traded outside preferential agreements was completed in 2011. Executive Order 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.

### **Wheat**

The Philippines was the 4<sup>th</sup> largest U.S. wheat market globally in CY2014 with sales up 11 percent from the previous year reaching \$698 million. Wheat was the top U.S. agricultural export to the Philippines in CY2014.

According to GTA data, in terms of volume, wheat imports in CY2014 declined marginally (1.2 percent) to 3.11 million tons from 3.15 million tons in CY2013. U.S. wheat imports, however, increased 20 percent from 1.96 million tons in CY2013 to 2.36 million tons in CY2014. U.S. wheat comprised 76 percent of overall wheat imports in CY2014, an improvement from the 63 percent share in CY2013. Australia came in second with a 17 percent share in CY2014.

<b>Reporting Countries Export Statistics (Partner Country: Philippines)</b>				
<b>UDG: Wheat, Group 60 (2012)</b>				
Annual Series: 2009 - 2014				
Reporting Country	Unit	Quantity		
		2012	2013	2014
Reporting Total	T	3735633	3145468	3109180
United States (Consumption/Domestic)	T	1864119	1962062	2361084
Australia	T	1665330	346881	541547
Brazil	T	0	0	115204
Canada	T	109873	235871	91341
New Zealand	T	0	0	4
Romania	T	0	47662	0
Russia	T	0	127007	0
Taiwan	T	2	1	0
Thailand	T	0	0	0
Ukraine	T	0	236274	0
United Kingdom	T	0	0	0
Denmark	T	0	0	0
India	T	96308	189709	0
Belgium	T	0	0	0

Source: Global Trade Atlas

The following are wheat flour imports for the period CY2012-2014. Flour imports declined 26 percent from over 200,511 tons in CY2013 to 149,033 tons in CY2014. Turkish flour continued to dominate wheat flour imports with a 93 percent share in CY2014. Wheat flour imports represented roughly 6 percent of total wheat imports in CY2014, slightly down from the 8 percent share in CY2013.

<b>Reporting Countries Export Statistics (Partner Country: Philippines)</b>				
<b>UDG: Wheat Flour, Group 44 (2012)</b>				
Annual Series: 2009 - 2014				
Reporting Country	Unit	Quantity		
		2012	2013	2014
Reporting Total	T	211646	200511	149033
Turkey	T	177800	155424	139035
Australia	T	10039	8053	8380
China	T	3285	0	979
South Korea	T	190	163	213
Japan	T	31	80	203
United States (Consumption/Domestic)	T	38	2488	139
Thailand	T	1	0	78

Hong Kong	T	58	146	6
Canada	T	0	0	0
Ukraine	T	480	1344	
Others	T	19724	32813	0

Source: Global Trade Atlas

Overall wheat imports in MY14/15 were raised in view of the shifting diets of the expanding middle class, the increased domestic milling capacity and the anticipated spike in consumption as a result of increased campaign spending leading to Presidential elections in May 2016. For MY15/16, imports are likely to modestly grow from the previous year due to increased milling capacity and the growing feed demand by the local livestock and poultry industries.

Executive Order No. 61 (EO 61), signed in October 2011, adjusted Most Favored Nation (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, both milling and feed wheat imports to the Philippines from member countries are duty-free.

### **Corn**

According to GTA data, corn imports in CY2014 grew 87 percent from 392,419 tons in CY2013 to 732,471 tons in CY2014, the majority (65 percent) originating from Thailand. Argentine corn comprised 38 percent of CY2014 imports and was the second largest source followed by the U.S. which accounted for 9 percent.

<b>Reporting Countries Export Statistics (Partner Country: Philippines)</b>				
<b>UDG: Coarse Grains, Group 59 (2012)</b>				
Annual Series: 2009 - 2014				
Reporting Country	Unit	Quantity		
		2012	2013	2014
Reporting Total	T	178526	392419	732471
Thailand	T	90055	321245	475338
Argentina	T	5066	2704	180776
United States (Consumption/Domestic)	T	24260	19950	68990
Australia	T	10946	12462	7150
China	T	1336	1844	186
South Korea	T	10	17	20
New Zealand	T	5	1	11
Canada	T	52	238	0
Ukraine	T	396	1920	
Others	T	46402	32035	0

Source: Global Trade Atlas

On a market year basis, corn imports in MY and TY14/15 were raised based on extrapolated GTA data from the July-December 2014 period. Corn imports are likely to decline from 735,000 tons in MY14/15 to 450,000 tons in MY15/16 as a result of ample stocks.

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 CY2015, the in-quota or Minimum Access Volume (MAV) for corn is 217,000 tons, unchanged from the CY2014 level. Corn imports originating from member countries of ASEAN are charged a much lower 5 percent duty through CY2015 under the ATIGA.

Forecasted corn exports were removed in MY14/15 as approval from the GPH for local corn farmers to export is not expected to happen (see POLICY).

**Rice**

The WTO in July 2014 granted the Philippine request to extend quantitative restrictions on rice imports through July 2017. In exchange, the rice tariff quota or Minimum Access Volume (MAV) will be raised to 805,200 MT (from 350,000 MT) and in-quota tariffs will be reduced from 40 percent to 35 percent. Out-of-quota tariffs are to remain at 50 percent through July 1, 2017. The increased quota is now effective but the tariff changes have yet to be implemented pending the issuance of the appropriate Executive Order. The following is a breakdown of the new MAV.

	Old	New
<b>MAV</b>	350,000	805,200
Omnibus	187,000	50,000
Country Specific Quota:	163,000	755,000
1. Thailand	98,000	293,000
2. China	25,000	50,000
3. India	25,000	50,000
4. Australia	15,000	15,000
5. Vietnam	-	293,000
6. Pakistan	-	50,000
7. El Salvador	-	4,000

Source: National Food Authority

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

Rice imports (through October 2014) are provided in the following table. Philippine import statistics are used as reports from Vietnam rice exporters are not provided in the GTA. Rice imports from January to October 2014 (most recent available) reached 870,246 tons, according to GTA data.

Philippines Import Statistics					
Commodity: Rice, Group 58 (2012)					
Annual Series: 2008 - 2013					
Partner Country	Unit	Quantity			
		2011	2012	2013	2014*

World	T	709798	1022800	404699	870246
Vietnam	T	581880	822940	216686	765867
Thailand	T	118385	20563	165008	100048
India	T	2147	102154	13645	3091
China	T	1527	1891	4897	1206
Singapore	T	1514	1173	4263	31
Taiwan	T	0	1062	200	2
Others	T	4345	73017	0	1

\*January to October, most recent data available

Source: Global Trade Atlas

For the same period of available data for CY2014 (January to October 2014), the GPH indicates imports were at roughly 1.4 million tons, and estimates imports for the entire CY2014 at 1.8 million tons.

Post forecasts overall imports in MY15/16 will modestly decline from the previous year's level mainly due to increasing production. MY15/16 imports are predicted to comprise of 805,000 tons of legitimate imports (representing the revised MAV) and 500,000 tons of undocumented imports.

## **Stocks:**

### **Wheat**

Wheat inventories are expected to increase modestly through MY15/16 as new mills start to operate commercially in the next two years. Wheat stocks are largely private sector-held.

### **Corn**

Corns stocks in MY14/15 were raised due to upward adjustments made to production and imports, and are likely to stay at this level in MY15/16. The majority of corn stocks are with private traders and large feedmillers.

### **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 rice stocks should be in the GPH's possession. Additionally, at any given time, the GPH should have a stock level good for 15 days.

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

Ending rice stocks in MY14/15 were pared down due to the downward revision made to production, but are expected to modestly increase through MY15/16. Stocks are estimated to be sufficient for 61 days (at a daily requirement of 35,000 tons) in MY14/15 and 74 days in MY15/16.

## **Policy:**

## Wheat

The Philippine Department of Agriculture (DA) formally ordered the imposition of anti-dumping duties on Turkish wheat flour imports by virtue of Department Order No. 10 dated November 17, 2014. The Department Order was based on the results of a formal investigation conducted by the Philippine Tariff Commission (PTC), which issued its report on November 11, 2014. The PTC found the imposition of anti-dumping duties in order after “having established that the threat of material injury to the domestic industry of such imports is imminent.”

Antidumping duties (ranging from zero percent to 16.19 percent) were imposed on at least 17 Turkish companies that shipped wheat flour to the Philippines. The local industry has filed a motion to increase the antidumping duties with the DA, but the petition was denied in early CY2015.

## Corn

Next to rice, corn is the second most important crop in the Philippines. As mentioned in the previous annual, local corn farmers have been petitioning the GPH to allow them to export corn. Corn exportation is allowed only when the GPH declares there is a surplus. To date, there has been no declaration, and industry contacts do not expect it will materialize in the near term.

## Rice

After failing to reach rice self-sufficiency status in CY2013, the Food Staples Self Sufficiency Program 2011-2016 was revised, and the self-sufficiency target was pushed back to 2016. Under the revised Food Staples Self Sufficiency Program 2014-2016, the GPH hopes to produce an estimated 20.08 million tons of paddy in CY2015, and 20.52 million in CY2016.

In May 2014, President Aquino appointed former Senator Francisco Pangilinan as Presidential Assistant for Food Security and Agricultural Modernization (PAFSAM), a newly created Cabinet-level position. Shortly after, the following agencies were moved from the DA to the office of the PAFSAM:

1. National Food Authority (NFA)
2. National Irrigation Authority (NIA)
3. Philippine Coconut Authority (PCA)
4. Fertilizer and Pesticide Authority (FPA)

## **Production, Supply and Demand Data Statistics:**

Wheat Market Begin Year Philippines	2013/2014		2014/2015		2015/2016	
	Jul 0		Jul 0		Jul 0	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	876	876	788	788	0	950
Production	0	0	0	0	0	0
MY Imports	3,482	3,482	3,800	3,950	0	4,050
TY Imports	3,482	3,482	3,800	3,950	0	4,050
TY Imp. from U.S.	2,081	2,081	0	0	0	0
Total Supply	4,358	4,358	4,588	4,738	0	5,000
MY Exports	25	25	25	13	0	15
TY Exports	25	25	25	13	0	15
Feed and Residual	1,250	1,250	1,400	1,300	0	1,325
FSI Consumption	2,295	2,295	2,350	2,475	0	2,525

<b>Total Consumption</b>	3,545	3,545	3,750	3,775	0	3,850
<b>Ending Stocks</b>	788	788	813	950	0	1,135
<b>Total Distribution</b>	4,358	4,358	4,588	4,738	0	5,000
1000 HA, 1000 MT, MT/HA						

Corn Market Begin Year Philippines	2013/2014		2014/2015		2015/2016	
	Jul 0		Jul 0		Jul 0	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
<b>Area Harvested</b>	2,584	2,584	2,625	2,639	0	2,725
<b>Beginning Stocks</b>	576	576	833	833	0	949
<b>Production</b>	7,532	7,532	7,900	7,981	0	8,275
<b>MY Imports</b>	725	725	600	735	0	450
<b>TY Imports</b>	750	750	600	660	0	500
<b>TY Imp. from U.S.</b>	56	56	0	0	0	0
<b>Total Supply</b>	8,833	8,833	9,333	9,549	0	9,674
<b>MY Exports</b>	0	0	100	0	0	0
<b>TY Exports</b>	0	0	100	0	0	0
<b>Feed and Residual</b>	5,900	5,900	6,200	6,350	0	6,450
<b>FSI Consumption</b>	2,100	2,100	2,200	2,250	0	2,275
<b>Total Consumption</b>	8,000	8,000	8,400	8,600	0	8,725
<b>Ending Stocks</b>	833	833	833	949	0	949
<b>Total Distribution</b>	8,833	8,833	9,333	9,549	0	9,674
1000 HA, 1000 MT, MT/HA						

Rice, Milled Market Begin Year Philippines	2013/2014		2014/2015		2015/2016	
	Jul 0		Jul 0		Jul 0	
	USDA Official	New post	USDA Official	New post	USDA Official	New post
<b>Area Harvested</b>	4,800	4,800	4,890	4,740	0	4,825
<b>Beginning Stocks</b>	1,487	1,487	1,695	1,695	0	2,152
<b>Milled Production</b>	11,858	11,858	12,200	12,057	0	12,400
<b>Rough Production</b>	18,822	18,822	19,365	19,138	0	19,683
<b>Milling Rate (.9999)</b>	6,300	6,300	6,300	6,300	0	6,300
<b>MY Imports</b>	1,200	1,200	1,600	1,600	0	1,305
<b>TY Imports</b>	1,700	1,700	1,700	1,700	0	1,400
<b>TY Imp. from U.S.</b>	0	0	0	0	0	0
<b>Total Supply</b>	14,545	14,545	15,495	15,352	0	15,857
<b>MY Exports</b>	0	0	0	0	0	0
<b>TY Exports</b>	0	0	0	0	0	0
<b>Consumption and Residual</b>	12,850	12,850	13,200	13,200	0	13,250
<b>Ending Stocks</b>	1,695	1,695	2,295	2,152	0	2,607
<b>Total Distribution</b>	14,545	14,545	15,495	15,352	0	15,857
1000 HA, 1000 MT, MT/HA						

