

Voluntary - Public

Clearance Office: All - FAS

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Philippines

Post: Manila

Corn PSD Update

Report Categories:

Grain and Feed

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Report Highlights:

Philippine corn production will decline in MY08/09 compared to the previous year's level due to unfavorable weather conditions and will likely stay at this level in MY09/10 due to rising production costs and increased competition from corn imports originating from the ASEAN Region.

General Information:

Corn Philippines	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
		Data			Data			Data	
Area Harvested	2,736	2,736	2,736	2,750	2,750	2,655	2,750	2,750	2,655
Beginning Stocks	542	542	542	727	826	826	775	792	782
Production	7,277	7,277	7,277	6,900	6,900	6,846	6,900	6,900	6,846
MY Imports	58	157	157	350	216	310	400	400	400

TY Imports	36	22	22	400	216	310	400	400	400
TY Imp. from U.S.	1	2	2	0	0	100	0	0	0
Total Supply	7,877	7,976	7,976	7,977	7,942	7,982	8,075	8,092	8,028
MY Exports	0	0	0	2	0	0	0	0	0
TY Exports	2	0	2	0	0	0	0	0	0
Feed Consumption	5,350	5,350	5,350	5,200	5,150	5,200	5,400	5,350	5,400
FSI Consumption	1,800	1,800	1,800	2,000	2,000	2,000	2,000	2,000	2,000
Total Consumption	7,150	7,150	7,150	7,200	7,150	7,200	7,400	7,350	7,400
Ending Stocks	727	826	826	775	792	782	675	742	628
Total Distribution	7,877	7,976	7,976	7,977	7,942	7,982	8,075	8,092	8,028
Yield	3.	3.	2.6597	3.	3.	2.5785	3.	3.	2.5785
TS=TD			0			0			0

Downward adjustments were made to corn area harvested and corn production in MY08/09 consistent with official data from the Bureau of Statistics (BAS) of the Philippine Department of Agriculture (DA). Increasing production costs, excessive rainfall as well as abnormally cold weather during the year resulted delays in the usual local corn planting season. Too much rainfall also encouraged farmers to shift away from corn to rice production resulting in reduced corn area harvested compared to the previous year's level. Increasing corn prices because of tightness in supply during the period forced the Philippine government (GRP) to allow the duty-free importation of wheat (including feed wheat) for a period of six (6) months starting December 2008 (refer to GAIN 8066). This resulted in the decline in local yellow corn prices in recent months.

As a corrective measure, the GRP recently raised the local yellow corn buying price to P13 (\$0.27) per kilo from P11.50 (\$0.24) per kilo for this year's main corn harvest season in August and also very recently restored duties on feed wheat imports. This is not expected to raise production, however, due to increasing production costs as well as persistent and heavy rainfall during the early part of MY09/10. While the rains may abate later during the year, increased competition from imported corn originating from the region is expected to deter any production increase during the period. Corn production in MY09/10 will likely stay flat compared to the previous years level.

Corn imports in MY07/08 are based on data from the World Trade Atlas (WTA). For MY08/09, corn imports are likely to increase from the previous year's level and were based on estimates from feed industry contacts. Imports during the year are broken down as follows: Brazil 150,000 MT, U.S. 100,000 MT, Thailand 43,000 MT, Indonesia 12,000 MT and 5,000 MT from other countries. Corn imports the following year or in MY09/10 are again expected to increase from the previous year's level and will be characterized by increased competition from the region.

Under the Comprehensive Effective Preferential Treatment scheme of the ASEAN Free Trade Agreement (CEPT-AFTA), corn from ASEAN-member countries currently have a 30 percent tariff,

lower than the current 35-50 percent MFN tariff rate. The difference will widen next year upon full implementation of the AFTA. CEPT-AFTA corn tariffs by then would go down to 5 percent.