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Philippines

Grain and Feed Annual

Philippine Grain and Feed Situation and Outlook

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Report Highlights:

Implemented in January 2018, a Philippine tax reform program that cuts personal income taxes should increase disposable incomes and raise food and feed consumption in MY18/19 onwards. Wheat imports are expected to increase 550,000 tons to 5.75 million tons in MY 18/19, driven mainly by growing feed demand. Also on feed demand, MY 18/19 corn imports are expected to increase 200,000 tons to 700,000 tons. Rice imports are likely to decline 300,000 tons to 1.0 million tons due to increasing production and shifting dietary preferences towards wheat and protein.

Executive Summary:

With no commercial production of wheat or “small grains” (e.g. barley, oats, and rye) in the Philippines, the country is a major importer of milling-quality wheat and the United States is its largest supplier. Milling and feedwheat demand are expected to increase in MY18/19 compared to the MY 17/18 level due to considerable investments into the local flour milling and feedmilling industries. Among the food-use of the grains covered in this report only wheat food consumption is expected to increase through MY 18/19.

After significant imports (5.7 million tons) in MY 16/17, wheat imports are expected to decline to 5.2 million tons in MY 17/18 due to adequate stocks. Imports are likely to recover and increase to 5.75 million tons in MY 18/19 to replenish inventories and meet the growing food and feed needs of the country.

Corn production will likely decline 91,000 tons to 8.04 million tons in MY17/18 due to low prices, but is expected to recover and increase to 8.15 million tons in MY18/19 as prices stabilize. GDP growth of nearly six percent over the last decade has resulted in increased purchasing power and shifting dietary preferences of the Filipino consumer. Demand for rice, the main staple, will likely be flat through MY 18/19 as more wheat and protein are incorporated in the diet. Likewise, no significant change in foodcorn consumption is expected in the next two years. Feed demand is expected to drive increasing corn imports in MY18/19.

Rice production is expected to increase 980,000 tons to just over 19.5 million tons (paddy) in MY 17/18 before reaching 19.6 million tons in MY18/19. The Philippine Department of Agriculture (DA), equipped with a higher 2018 budget, is expected to aggressively pursue rice-self-sufficiency in the next two years. A rice tariffication bill is currently for deliberation at the Philippine House of Representatives while a Senate version is also expected to be passed soon. Rice imports are likely to decline to 1.0 million tons in MY 18/19 from 1.3 million tons in MY 17/18 due to increasing production and shifting dietary patterns.

Commodities:

Wheat

Corn

Rice, Milled

Production:

Philippine agricultural output is largely a function of weather. The country is visited by 20 typhoons (tropical cyclone) annually mostly occurring in the second half of each year which coincides with the main rice and corn harvests. These typhoons affect the thousands of farming microclimates in the Philippines.

In 2017, 22 typhoons passed through the Philippines but they were generally not as intense compared to previous years. On the contrary, the typhoons brought adequate rains which enhanced crop production.

Philippine agriculture grew 2.20 percent in the fourth quarter of 2017. Production gains were noted in the crops, livestock and poultry subsectors. Crop production contributed over 51 percent of total farm output and grew 6.69 percent from the 2016 level. This brought full-year farm expansion to 3.95 percent from the 1.40 percent contraction in 2016.

Wheat

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

Corn

Corn production in calendar year 2017 reached 7.9 million tons, up 10 percent from 7.2 million tons in 2016, according to data from the Philippine Statistics Authority (PSA). Area harvested increased to 2.55 million hectares from 2.48 million hectares in 2016, while yields improved 7 percent to 3.1 tons per hectare from 2.91 tons per hectare. The major corn producing areas in 2017 include the Cagayan Valley, Northern Mindanao, and Central Mindanao regions. Roughly 35 percent of overall corn harvests occur during the July to September period. Yellow corn accounts for 70-75 percent of total corn output.

According to the PSA, corn production in the second half of 2017 declined 4 percent from 4.39 million tons to 4.22 million tons during the same period in 2016. For the January to June 2018 period, while the PSA expects output to increase in the first quarter based on the standing crop, hesitancy by farmers to plant during the second quarter as a result of unpredictable weather, limited seeds and fertilizer scarcity, are likely to negate the earlier production gains.

Based on the PSA’s projections, corn production in MY17/18 was adjusted downwards to 8.04 million tons and is expected to slightly decline from 8.131 million tons in MY 16/17 due to low prices. Area harvested in MY 17/18 was also pared down on prices.

Average farmgate prices of yellow corn have been declining from P12.01 (\$0.24) per kilo in 2015, to P11.79 (\$0.23) per kilo in 2016, and P11.62 (\$0.23) per kilo in 2017. Industry attributes the decline to feedwheat and corn imports. (P50 = \$1.00)

Yellow Corn: Monthly Average Prevailing Prices (P/Kg)					
	2015	2016	2017	%	Change
Farmgate				16/15	17/16
January	12.41	12.25	11.50	-1.29	-6.12
February	12.92	12.59	11.63	-2.55	-7.63
March	12.59	12.40	11.48	-1.51	-7.42
April	12.64	12.31	11.65	-2.61	-5.36
May	12.50	12.31	11.33	-1.52	-7.96
June	12.33	12.33	10.90	0.00	-11.60
July	12.46	12.99	10.73	4.25	-17.40
August	11.77	11.78	11.11	0.08	-5.69
September	11.41	11.45	10.97	0.35	-4.19
October	11.03	10.51	12.11	-7.89	15.22
November	10.93	10.13	13.06	-8.16	28.92
December	11.08	10.45	12.97	-4.39	24.11
Average	12.01	11.79	11.62	-1.83	-1.44

Source: Philippine Statistics Authority

Preliminary reports from the PSA indicate that corn prices have stabilized and have been on the rise in early 2018.

Contrary to expectations, liberalization of the rice market and the shift away from rice to corn production did not happen in MY 17/18 (refer to 2017 Annual Report). For MY18/19, output will likely recover from 8.04 million tons in MY 17/18 level and increase to 8.15 million tons due to a slight increase in area planted. Land conversion of farms for non-agricultural purposes is rampant. Areas for expansion are often limited to upland areas which are usually unirrigated and not as accessible. Currently, there is no legislated land use policy in the Philippines.

As mentioned in previous reports, recent gains in corn production are largely attributed to the increased use of quality planting seeds including genetically engineered (GE) seeds.

Rice

The main rice crop (accounting for roughly 40 percent of total production) is harvested in the fourth quarter. Despite the typhoons during the October to December 2017 period, rice production more than doubled (116 percent) reaching 7.3 million tons compared to the previous quarter.

According to the PSA, paddy production reached a record 19.3 million tons in calendar year 2017, up 10 percent from 17.6 million tons in 2016. Area harvested rose 4 percent to 4.8 million hectares in 2017 from 4.6 million hectares in 2016 while yields improved to 4.0 tons per hectare from 3.9 tons per hectare. About 76 percent of overall rice harvests in 2017 came from irrigated farms. Production gains were noted in Cagayan Valley, Central Luzon, the Bicol Region and Central Visayas. Double-cropping is possible only on irrigated farms.

The PSA projects paddy output from the January-March 2018 crop at 4.7 million tons, up 7 percent from the previous year's 4.4 million tons output based on the standing crop. The PSA attributes the increase to a wider area harvested, and improved yields in all regions except the Cordillera Autonomous Region, Ilocos Region, Central Luzon and Eastern Visayas. Based on farmer's intentions for the April to June 2018 planting season, sufficient water supply, generally favorable weather conditions and sustained distribution of good quality seeds by the Government of the Philippines (GPH) are likely to encourage farmers to continue planting rice.

Based on the PSA's projections, MY 17/18 paddy production is projected to increase 5 percent to 19.5 million tons compared to the 18.5 million tons output in MY 16/17.

The average farm gate price of paddy rice in 2017 was P18.22 (\$0.36) per kilo, slightly higher than the P17.43 (\$0.35) per kilo average price in 2016. This compares to the National Food Authority's (NFA) buying price for paddy at P17.70 (\$0.35) per kilo, inclusive of drying and delivery incentives (P50 = \$1) from organized farming groups. The same rice is bought at P17.40 (\$3.48) per kilo if from individual farmers.

Paddy Rice: Monthly Average Prevailing Prices (P/Kg)					
	2015	2016	2017	%	Change
Farmgate				16/15	17/16
January	17.7	17.04	17.89	-3.73	4.99
February	17.25	17.23	17.91	-0.12	3.95
March	17.37	17.32	17.97	-0.29	3.75
April	16.88	16.81	18.33	-0.41	9.04
May	17.35	17.22	18.16	-0.75	5.46
June	17.96	17.45	18.3	-2.84	4.87
July	17.95	19.15	18.94	6.69	-1.10
August	17.82	18.63	18.76	4.55	0.70
September	17.47	17.62	18.13	0.86	2.89
October	16.57	16.08	17.52	-2.96	8.96
November	16.62	16.72	18.09	0.60	8.19
December	16.99	17.86	18.58	5.12	4.03
Average	17.33	17.43	18.22	0.58	4.52

Source: Philippine Statistics Authority

Encouraged by last year's record output coupled with an increased budget for 2018, the DA is expected to intensify efforts towards rice self-sufficiency. Production in MY18/19 will likely grow slightly (less than 1 percent) to 19.6 million tons paddy, as a result. The DA's rice-self-sufficiency programs are geared towards expanding and improving irrigation services as well as increasing the use of quality planting seeds including hybrids.

Consumption:

After growing 6.6 percent in the last quarter of 2017, Philippine GDP growth for the entire year reached 6.7 percent, within the 6.5-7.5 percent GPH target, but slower than the 6.9 percent expansion in 2016.

The 4th quarter expansion was supported by increased public spending and the recovery of the agricultural sector which grew 2.4 percent from the 1.3 percent contraction the previous year. According to the GPH, the full 2017 growth is among the fastest in Asia after China (6.9 percent) and Vietnam (6.8 percent). GPH planners are confident that GDP will grow 7-8 percent in the medium term (2018-2022) supported mainly by the GPH's P8-trillion (\$160 billion) infrastructure program called "Build, Build, Build". The program is to be partly funded by the recently enacted Tax Reform for Acceleration and Inclusion Act (TRAIN) or Republic Act No. 10963 (RA 10963).

Signed by President Duterte on December 19, 2017, the TRAIN took effect January 1, 2018 and is the first of up to five planned tax reform packages. RA 10963 cuts personal income tax, estate and donors tax rates, while increasing and/or imposing new taxes on fuel, automobiles, electricity, sugar-sweetened beverages, among others. As much as P90 billion (\$1.8 billion) in additional revenues this year are expected, increasing to P785 billion (\$15.7 billion) by 2022 as a result of the tax reform program, according to press articles. Around 70 percent of the incremental revenues will be channeled to the GPH's infrastructure program (see POLICY).

The GPH asserts that with the income tax cuts, more disposable income will be available for around 99 percent of Filipino taxpayers (e.g., minimum wage earners are free of income tax under the TRAIN). Critics of the TRAIN, however, point to increasing prices and higher inflation as a result of higher fuel prices as a deterrent to increased consumption. The GPH is expected to closely monitor inflationary movements, as a result.

The Bangko Sentral ng Pilipinas or BSP (Philippine Central Bank) has set an inflation target of 2-4 percent between 2018 and 2020. The BSP expects inflation picking up to 3.4 percent this year due to effects of the TRAIN before easing to 3.2 percent in 2019. Inflation reached 3.2 percent in 2017 from 1.8 percent in 2016 primarily due to a rebound in oil prices. Inflation reached 4 percent in January 2018.

Wheat

According to industry contacts, there are currently 20 flour mills with an aggregate milling capacity of over 5 million tons. Bakery products comprise roughly 50 percent of overall milling wheat consumption. It includes pan de sal and its derivatives (local salt bread consumed as a breakfast muffin), loaf bread, buns and rolls, cakes and pastries, and Chinese steamed buns. The other half of milling wheat is consumed as noodles, cookies and crackers, and pasta. Milling wheat demand is poised to increase modestly in MY18/19 due to continued economic growth and the increasing Philippine population.

As of December 2016 (latest data available), there were roughly 486 feed mills registered with the Philippine Bureau of Animal Industry (BAI) with a total capacity over 27,000 metric tons (per eight-hour shift). More than 70 percent of the feed plants were located on the main island of Luzon, with the balance shared between the Visayas group of islands and Mindanao.

Approximately 60 percent of registered feedmills in 2016 were classified as small-scale producers (less than 25 tons capacity per 8-hour shift); around 13 percent classified as medium (25-50 tons capacity per 8-hour shift); 12 percent large-scale (25-100 tons capacity per 8-hour shift); and around 15 percent with more than a 100 ton per 8-hour shift capacity. Philippine annual feed production is comprised of

the following: hog feeds, 56 percent; poultry feeds, 28 percent; aquaculture feeds, 10 percent; and others, 6 percent.

Industry estimates overall feed production to have reached roughly 11.75 million tons in 2016, up 3 percent from the 11.38 million tons in 2015. Post, however, expects overall capacity and output to be well over industry and the BAI estimates. Post concurs with the 2018 Alltech Global Feed Survey which estimates the number of Philippine feedmills at around 3,000 and feed production at over 17 million tons.

The domestic livestock and poultry industries continue to be the bright spots of Philippine agriculture primarily due to the performance of the hog and chicken industries. Next to rice (which accounts for over a fourth of total agricultural output), hog and chicken production are the top contributors to Philippine farm output with shares of 14.8 and 12.0 percent, respectively.

Although there was an avian flu outbreak in August 2017, timely response by the Philippine DA arrested the spread and contained the damage of the disease. Poultry’s output grew 4.6 percent in 2017 compared to the previous year’s level with chicken production gaining 4.3 percent. During the same period, the livestock sector gained 1.1 percent last year compare to the 2016 level with hog production expanding 1.5 percent.

The average domestic price of feedwheat in 2017 was P13.36/kilo (\$0.27/kilo), 2 percent higher compared to the previous year’s level. It is used mainly in hog feeds production.

Feedwheat: Monthly Average Prevailing Prices (P/Kg)					
	2015	2016	2017	% Change	
Wholesale				16/15	17/16
January	15.05	12.40	13.97	-17.61	12.66
February	14.80	12.90	13.65	-12.84	5.81
March	14.35	13.25	13.00	-7.67	-1.89
April	14.30	12.50	12.65	-12.59	1.20
May	14.65	13.60	12.50	-7.17	-8.09
June	14.20	13.70	12.20	-3.52	-10.95
July	13.45	13.40	13.15	-0.37	-1.87
August	13.10	13.00	13.55	-0.76	4.23
September	13.10	13.00	13.40	-0.76	3.08
October	12.65	13.40	13.60	5.93	1.49
November	12.40	13.70	14.25	10.48	4.01
December	12.50	13.10	14.40	4.80	9.92
Average	13.71	13.16	13.36	-4.01	1.50

Source: Philippine Association of Feed-millers

Feedwheat consumption is expected to increase to 2.5 million tons in MY 18/19 due to firm animal feed demand from an expanding livestock sector and a lower price relative to feedcorn.

Corn

Corn is the preferred feed-grain by local end-users. However, quality issues (i.e., aflatoxin) are commonly associated with locally produced corn, and as a result most feed-mills prefer imported corn for its reliability and uniformity. Domestic corn marketing and distribution is largely controlled by local traders. To discourage corn price surges, major feed producers, and big farm operations import feedwheat as a yellow corn substitute.

To ensure adequate feedgrain supply, large feedmills also enter into supply agreements with local corn producers in exchange for assured prices and technical assistance. Cassava is also utilized as a corn-substitute and contracted farmers receive marketing and technical assistance from major agribusiness companies to encourage production.

According to preliminary PSA data, the average yellow corn wholesale price in 2017 was at P15.29 (\$.31) marginally lower compared to the 2016 P15.63 (\$.31) per kilo average price, but 14 percent more expensive the average feedwheat price of P13.36/kilo (\$.27/kilo). The NFA also buys dried yellow corn at a lower price of P12.70 (\$.25) per kilo (at P50 = \$1).

Yellow Corn: Monthly Average Prevailing Prices (P/Kg)					
	2015	2016	2017	%	Change
Wholesale				16/15	17/16
January	15.31	14.9	13.92	-2.68	-6.58
February	14.53	16.47	13.82	13.35	-16.09
March	15.12	17.19	14.05	13.69	-18.27
April	16.34	15.98	14.44	-2.20	-9.64
May	16.74	16.26	14.46	-2.87	-11.07
June	16.68	16.2	14.2	-2.88	-12.35
July	15.71	16.39	14.8	4.33	-9.70
August	15.99	15.51	14.41	-3.00	-7.09
September	14.02	15.51	14.77	10.63	-4.77
October	15.46	14.26	17.15	-7.76	20.27
November	15.99	14.19	21.12	-11.26	48.84
December	15.11	14.66	16.31	-2.98	11.26
Average	<u>15.52</u>	<u>15.63</u>	<u>15.29</u>	0.71	-2.19

Source: Philippine Statistics Authority

Corn feed consumption is expected to increase modestly through MY 18/19 mainly due to the strong feed demand of the expanding livestock and poultry industries.

White corn is a staple in some parts of the Visayas region and Mindanao, and is consumed as grits mixed with rice. No significant change in food corn consumption is expected through MY18/19 due to the changing Filipino diet towards wheat and protein brought about by the improving economy.

Rice

Rice is the main staple of the Philippine population, currently estimated at over 105 million people and expanding by around 2 percent annually. Rice provides an estimated 45 percent of the average Filipino's calorie intake and its production the main source of livelihood in rural areas. Average rice-

consumption accounts for about 20 percent of a household’s budget. This may go higher by as much as 30 percent for the bottom 30 percent of Filipino families, according to industry.

Monthly average retail prices of commercial milled rice from 2015 to 2017 are provided in the following table. Retail prices were lower in 2016 compared to their 2015 levels, according to PSA data. Prices, however, rebounded to their 2015 levels in 2017 (through November, the latest data available).

Regular Milled Rice: Monthly Average Prevailing Prices (P/Kg)					
	2015	2016	2017	%	Change
Retail				16/15	17/16
January	38.81	36.77	36.76	-5.26	-0.03
February	38.30	36.54	36.75	-4.60	0.57
March	37.72	36.35	36.68	-3.63	0.91
April	37.16	36.28	36.62	-2.37	0.94
May	36.85	36.57	36.94	-0.76	1.01
June	36.45	36.83	37.05	1.04	0.60
July	36.46	36.62	37.07	0.44	1.23
August	36.49	36.90	37.16	1.12	0.70
September	37.01	36.98	37.55	-0.08	1.54
October	36.33	36.88	37.47	1.51	1.60
November	36.56	36.74	37.41	0.49	1.82
December	36.50	36.60	-	-	-
Average	37.05	36.67	37.04	-1.03	1.01

Source: Philippine Statistics Authority

According to industry, rice prices further increased through early 2018 as NFA rice supply continued to dwindle (see STOCKS). NFA rice is patronized by an estimated 10 million Filipinos, with local well milled rice at selling P24-28 (\$0.48-0.56) per kilo and regular milled rice at P23-27 (\$0.46-0.54) per kilo. The NFA also sells imported rice (25 percent brokens) at P25-27 (\$0.50-0.54) per kilo and P32 (\$0.64) per kilo for the other types of imported rice (e.g., 15 percent brokens and remilled rice).

Continued economic growth has resulted in a growing middle class and shifts in food consumption patterns. This is evident through the rapidly expanding food retail sector and fast food industry. PSA data show that from 2012 to 2016 (latest data available) per capita rice consumption has been decreasing in favor of wheat and protein. No significant change in rice consumption is expected through MY 18/19.

Trade:

The Association of Southeast Asian Nations (ASEAN) is composed of Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam. In 1992, leaders of the ASEAN member-countries agreed to establish the ASEAN Free Trade Area (AFTA) with the Common Effective Preferential Tariff (CEPT) Scheme as the implementing mechanism. The ASEAN

Trade in Goods and Services Agreement (ATIGA) was signed February 26, 2009 which consolidates all relevant AFTA-CEPT provisions with ASEAN economic agreements.

In 2011, 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 under the ASEAN Trade in Goods Agreement (ATIGA) framework. Several U.S. agricultural exports (including grains) to the Philippines face higher tariffs than competing products imported from ASEAN-member countries and/or ASEAN-Free Trade Agreement (FTA) member countries such as Australia, New Zealand, China, and India, among others.

High in-quota tariffs for agricultural products under the Philippines’ tariff-rate quota program, titled the Minimum Access Volume (MAV) system, also inhibit U.S. agricultural exports to the Philippines. Under the MAV system, the Philippines imposes a tariff-rate quota on several agricultural products including rice and corn. The GPH government increases in-quota volumes of affected MAV commodities in times of shortages.

Philippine tariff rates under the various trade agreements may be found in:

<http://tariffcommission.gov.ph/finder/>

Wheat

Milling wheat imports in 2018 have a zero percent tariff, but are subject to a 12 percent Value Added Tax (VAT) on the subsequent flour sales, payable at the time the wheat is imported. Feedwheat imports, on the other hand, are subject to a 7 percent Most Favored Nation (MFN) duty and are not subject to VAT. Likewise, wheat flour imports are levied a 7 percent MFN tariff.

Under the ASEAN-Australia-New Zealand FTA, both milling and feedwheat imports to the Philippines from member countries are duty-free.

According to U.S. Customs data, the Philippines was the 3rd largest U.S. wheat market globally with sales reaching \$565 million in 2017. During the same year, wheat was the second largest U.S. agricultural export to the Philippines, after soybean meal. Based on international customs data from Global Trade Atlas (GTA), wheat imports declined (11percent) from 5.3 million tons in 2016 to 4.7 million tons in 2017. U.S. wheat imports declined 7 percent from 2.7 million tons in 2016 to 2.7 million tons in 2017. U.S. wheat comprised 53 percent of overall wheat imports in 2017, down from 62 percent share the previous year.

Reporting Countries Export Statistics (Partner Country: Philippines)				
UDG: Wheat, (2017)				
Annual Series: 2015 - 2017				
Reporting Country	Unit	Quantity		
		2015	2016	2017
Reporting Total	T	4497994	5298398	4678373
United States (Consumption/Domestic)	T	2021012	2679306	2490437
Australia	T	663314	1021873	1942237
Canada	T	662934	37257	245699

Thailand	T	0	0	0
Ukraine	T	643685	944522	
United Kingdom	T	52675	0	0
Brazil	T	311676	224747	0
Argentina	T	2100	298470	0
Others	T	140598	92223	0

Source: Global Trade Atlas

Wheat imports in MY17/18 were revised downward 400,000 tons to 5.2 million tons and are expected to decline 504,000 tons from the previous year's level as stocks are being drawn down. Imports are expected to rise in MY 18/19 to 5.75 million tons to keep pace with increasing consumption. U.S. market share during the same period will likely remain flat due to increased competition from Black Sea and Latin American wheat sources.

Corn

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 2018, the MAV for corn is 217,000 tons, unchanged from the previous year. Corn imports originating from member countries of ASEAN are levied a much lower 5 percent duty under the ATIGA.

According to exporter data from GTA, corn imports declined 27 percent from 718,000 tons in 2016 to 523,000 tons last year. Thai corn comprised the majority (59 percent) of imports in 2017. Argentinian corn came in second accounting for 23 percent of total imports. U.S. corn accounted for 12 percent of total imports in 2017.

Reporting Countries Export Statistics (Partner Country: Philippines)				
UDG: Corn, (2017)				
Annual Series: 2015 – 2017				
Reporting Country	Unit			
		2015	2016	2017
Reporting Total	T	492510	717658	522595
Thailand	T	71052	551637	308798
Argentina	T	46510	41404	118205

United States (Consumption/Domestic)	T	66183	81743	60542
Brazil	T	66923	41050	33000
Others		241842	1824	2050

Source: Global Trade Atlas

Corn imports are expected to increase 200,000 tons from the previous year's level to 700,000 tons in MY 18/19 due to increasing feed demand from an expanding livestock and poultry sector.

Rice

Under the ATIGA, rice imports from ASEAN-member countries are levied a 35 percent duty.

The Philippines is the only country that has Quantitative Restrictions (QRs) on rice imports. In July 2014, the World Trade Organization (WTO) granted the Philippine request to extend the QRs through July 2017, its third extension. In exchange, the rice MAV was raised to 805,200 tons (from 350,000 tons). In-quota tariffs were also reduced from 40 percent to 35 percent while out-of-quota tariffs remained at 50 percent through June 30, 2017. Although expired, the QR system effectively remains in place. For 2018, tariffs are unchanged at 35 percent and 50 percent, in-quota and out-quota rates, respectively. Tariffs replacing the rice quota are expected to be established sometime in 2018, the timeline for which is unknown (see POLICY).

Provided in the following table are rice imports (through November 2017), based on Philippine Customs data. Import estimates in the PSD table include estimates of undocumented imports.

Philippines Import Statistics				
Commodity: Rice, (2017)				
Annual Series: 2015 - 2017				
Partner Country	Unit	Quantity		
		2015	2016	2017*
World	T	1100067	450498	680420
Vietnam	T	580951	259296	367252
Thailand	T	503629	175398	223378
China	T	4478	6166	4520
India	T	6881	5564	8452

Singapore	T	250	4003	
United States	T	0	47	
Pakistan	T	0	21	76552
Others	T	3877	3	266

*January to November, most recent data available

Source: Philippine Statistics Authority-Global Trade Atlas

A petition by the NFA to import 250,000 tons of rice was approved on February 9, 2018 after its inventories were almost depleted (see STOCKS). President Duterte ordered its importation in response to increasing commercial prices and scarcity of cheaper NFA rice. Around 500,000 tons of rice imports representing the MAV balance are likely to arrive from February to August 2018. In addition, although not as widely reported compared to the previous years, undocumented imports are still thought to enter the country.

Rice imports in MY 18/19 are forecast at 1 million tons, down 300,000 tons from the previous year's level due to increasing production and a shift in dietary patterns to wheat and protein.

Stocks:

Wheat

Wheat stocks are largely private sector-held. Stocks were revised downward 400,000 tons to 1.091 million in MY 17/18 and should remain relatively flat through MY 18/19. This was due to a drawdown in inventories.

Corn

The majority of corn stocks are with private traders and large integrated operations. Corn inventories were revised downward 160,000 tons to 236,000 tons in MY 17/18, and should remain at this level in MY18/19 due to strong feed demand in the near-term.

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 (the lean months of production) should be maintained. Of this desired stock level, a 30-day supply of stocks should be in the GPH's possession. Additionally, at any given time, the GPH should have inventories good for 15 days. Ending MY 17/18 rice stocks are estimated to be good for roughly 80 days consumption. The majority of rice socks are likely with the commercial sector.

Early this year, the NFA announced its stocks were almost depleted after a petition in late 2017 to import 250,000 tons was not acted upon. Because local purchases have been minimal, the normal distribution of NFA rice was disrupted and commercial prices have risen.

For MY 18/19, inventories are expected to swell to 3.15 million tons from 2.7 million tons the previous year due to increasing production and intensified efforts by the DA towards rice self-sufficiency.

Policy:

On December 19, 2017, President Duterte signed the P3.8 trillion (\$74.8 billion) national budget for 2018, which is 12.4 percent higher than the previous year. This year's budget is roughly 25 percent of

the projected 2018 GDP and gives priority to infrastructure, education, and the interior affairs sectors. Roughly P1.0 trillion (\$20 billion) will be used for the government's "Build, Build, Build" infrastructure program. The GPH plans to ramp up infrastructure spending to at least 5.4 percent of the GDP through 2022. These projects are long gestating and are not expected to affect agricultural production and marketing efficiency in 3 -5 years. More information on the infrastructure program is provided in:

<http://www.build.gov.ph/>

For agriculture, the DA was allocated a P53.3 billion (\$1.07 billion) budget for 2018, 18 percent higher than the 2017 appropriation.

Rice

Rice is a politically-sensitive commodity in the Philippines and since 1995 has been protected from imports by QRs. The QR is an import quota, or an absolute limit imposed on the volume of goods imported by a country, and is generally prohibited by the WTO. The Philippines obtained a seven-year extension of the QR in 2004, followed by another five-year extension in 2012. The third and final QR expired in July 2017 and legislators are in the process of amending an existing local law (i.e., Republic Act No. 8178 or RA 8178) to replace the quota with tariffs. Philippine midterm elections are scheduled in May 2019 and political considerations are likely to influence the process.

Before its expiration on May 22, 2017, Executive Order No. 23 (EO 23) was issued which extended the tariff concessions negotiated in 2012 in exchange for maintaining the rice QR. With EO 23, these concessions will remain in place until December 31, 2020 or until an amendment to RA 8178 is passed by Congress. Tariffs collected from rice imports are slated to fund programs that could help farmers increase output and profitability.

A consolidated rice tariffication bill is currently pending in the House of Representatives. In the Senate, an initial public hearing was held in January 2018. Passage of both the House and Senate Bills are targeted by end-March 2018, according to press reports. Once passed, the respective versions of the rice tariffication bill will be transmitted to a bicameral conference committee for consolidation. The final bill is then transmitted to the President for signing into law. Philippine laws usually take effect 15 days after its publication in the Official Gazette or in a national newspaper unless otherwise specified. Approval of the rice tariffs can either be by Congressional or Executive action.

Production, Supply and Demand Data Statistics:

Wheat 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	0	0	0	0	0	0
Beginning Stocks	1191	1191	1491	1491	0	1091
Production	0	0	0	0	0	0
MY Imports	5704	5704	5600	5200	0	5750
TY Imports	5704	5704	5600	5200	0	5750
TY Imp. from U.S.	2545	2545	0	2400	0	2400
Total Supply	6895	6895	7091	6691	0	6841
MY Exports	79	79	50	50	0	50
TY Exports	79	79	50	50	0	50
Feed and Residual	2450	2450	2450	2450	0	2500

FSI Consumption	2875	2875	3100	3100	0	3250
Total Consumption	5325	5325	5550	5550	0	5750
Ending Stocks	1491	1491	1491	1091	0	1041
Total Distribution	6895	6895	7091	6691	0	6841
Yield	0	0	0	0	0	0
(1000 HA) ,(1000 MT) ,(MT/HA)						

Corn Market Begin Year Philippines	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2685	2685	2650	2605	0	2640
Beginning Stocks	256	256	496	496	0	236
Production	8131	8131	8200	8040	0	8150
MY Imports	609	609	500	500	0	700
TY Imports	606	606	500	500	0	700
TY Imp. from U.S.	23	0	0	0	0	0
Total Supply	8996	8996	9196	9036	0	9086
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	6300	6300	6600	6600	0	6650
FSI Consumption	2200	2200	2200	2200	0	2200
Total Consumption	8500	8500	8800	8800	0	8850
Ending Stocks	496	496	396	236	0	236
Total Distribution	8996	8996	9196	9036	0	9086
Yield	3.0283	3.0283	3.0943	3.0864	0	3.0871
(1000 HA) ,(1000 MT) ,(MT/HA)						

Rice, Milled Market Begin Year Philippines	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4723	4723	4800	4855	0	4900
Beginning Stocks	2110	2110	1996	1996	0	2699
Milled Production	11686	11686	11970	12303	0	12350
Rough Production	18549	18549	19000	19529	0	19603
Milling Rate (.9999)	6300	6300	6300	6300	0	6300
MY Imports	1100	1100	1300	1300	0	1000
TY Imports	1100	1100	1300	1300	0	1000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	14896	14896	15266	15599	0	16049
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	12900	12900	12900	12900	0	12900
Ending Stocks	1996	1996	2366	2699	0	3149
Total Distribution	14896	14896	15266	15599	0	16049
Yield (Rough)	3.9274	3.9274	3.9583	4.0225	0	4.0006

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