

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 3/30/2017

GAIN Report Number: RP 1704

Philippines

Oilseeds and Products Annual

Philippine Oilseeds and Products Situation and Outlook

Approved By:

Jeff Albanese

Prepared By:

Perfecto Corpuz

Report Highlights:

The Philippines is the 2nd largest market for U.S. soybean meal (SBM), next to Mexico, and the world's largest coconut oil (CNO) exporter. Driven by strong feed demand from the domestic hog and poultry industries, alongside significant investments in feed grain storage and distribution infrastructure, SBM imports are forecast to reach 2.65 million tons in market year (MY) 16/17, increasing to 2.8 million tons in MY 17/18. U.S. SBM sales are projected to account for roughly 60 percent of overall imports through MY 17/18. For CNO, from 757,000 tons in MY 15/16, exports are forecast up 8 percent to 820,000 tons in MY 16/17, and should increase a further 7 percent to 880,000 tons in MY 17/18 as copra production rises as a result of the return to 'normal' weather conditions in the second half of 2016 after a prolonged period of drought.

Executive Summary:

Philippine soybean production is minimal and the negligible amount of imports is purchased largely by one crusher. Copra production in MY 16/17 is forecast at 2.2 million tons (which approximates industry's production forecast for CY 2017), up 5 percent from 2.1 million tons in MY 15/16 as coconut trees begin to recover from drier-than-normal conditions that resulted from El Nino weather patterns through the first half of CY 2016. Output is expected to slightly increase to 2.3 million tons in MY 17/18 as precipitation improved during the latter part of CY 2016.

SBM imports in MY 16/17 are expected to reach 2.65 million tons due to the expanding livestock and poultry industries and investments in feed grain storage and distribution infrastructure. Post estimates that MY 17/18 SBM imports could reach 2.8 million tons, driven by the continued expansion of domestic feed-consuming industries.

Copra meal exports in MY 16/17 were pared down 100,000 tons to 350,000 tons, based on industry's export projection for CY 2017 that factors less than expected copra crush during the period and a replenishment of stocks. Exports in MY 17/18 are forecast to modestly increase 25,000 tons to 375,000 tons as copra production further improves as a result of more favorable weather conditions.

Local soybean oil (SBO) production and trade are insignificant due to the local preference for CNO or palm oil (depending on price). Overall domestic CNO consumption is expected to decline in MY 16/17 and remain at this level in MY 17/18 as a result of substitution for more competitively priced palm oil.

CNO is the top Philippine agricultural export. Post estimates MY 16/17 CNO production at 1.42 million tons and projects MY 17/18 production at 1.48 million tons due to a mild recovery in copra output. From 600,000 tons in MY 15/16, overall CNO consumption is expected to decline to 580,000 tons in MY 16/17, and projected to remain flat in MY 17/18 mainly due to substitution for more competitively priced palm oil. Substantial imports of palm oil are expected to displace some CNO food use through MY 17/18 while industrial CNO consumption is expected to remain flat. CNO exports were revised downwards 20,000 tons to 820,000 tons in MY 16/17 due to less than expected copra output, but are still expected to increase 8 percent from the previous year's level. CNO exports are projected to reach 880,000 tons in MY 17/18 due to the expected increase in copra production after a prolonged period of drought.

Commodities:

Oilseed, Soybean

Oilseed, Copra

Production:

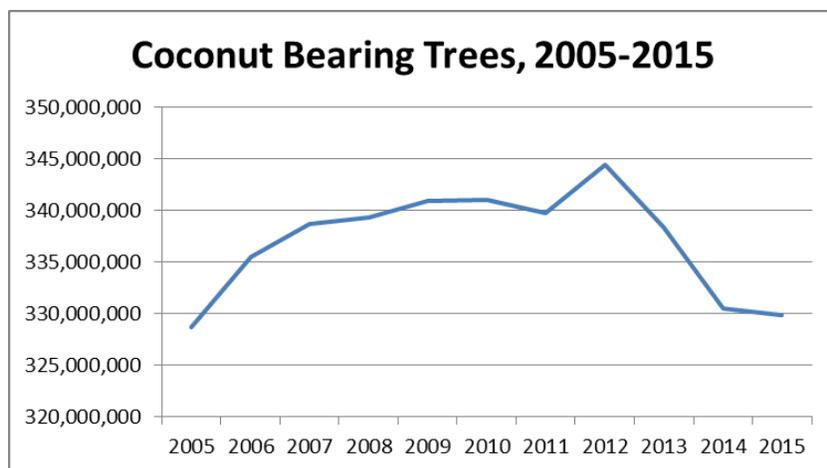
Local soybean production remains minimal and no significant change is expected through MY 17/18.

According to the Philippine Statistics Authority (PSA), coconuts may be found in 68 of the country's 81 provinces, and cover 26 percent of overall agricultural lands. There are roughly 330 million nut-bearing trees planted in over 3.5 million hectares spread across the archipelago.

Visited by roughly 20 typhoons or tropical storms annually, the majority of which occur in the second half of each year, the performance of Philippine agricultural is largely a function of weather. The recurrence of the El Nino weather disturbance, which has noticeably become more frequent and regular, underscores this observation. While dry conditions through the first half of CY 2016 are expected to dampen copra production during most of CY 2017, above-normal rainfall in the second half of CY 2016 is projected to result in improved production starting late CY 2017.

Philippine coconut production in CY 2017 is expected to reach 2.2 million tons (in copra terms), slightly up from the 2.1 million output estimate for CY 2016, according to projections by the United Coconut Association of the Philippines (UCAP). Post concurs with UCAP's copra production forecast for 2017, and expects copra output in MY 16/17 to reach 2.2 million tons. Hence, copra production in MY 16/17 was pared down slightly, but is still expected to increase from the previous year's level. Increasing copra production is projected to extend to MY 17/18 and reach 2.3 million tons due to the end of a prolonged period of drought and adequate rainfall in MY 16/17.

On a long-term basis, significant increases in copra output are constrained by predominantly old and senile coconut palms or trees which constitute an estimated 20 percent of overall Philippine coconut trees. According to the PSA (following Table), in 2012 there were an estimated 344 million coconut bearing trees. The number of coconut bearing trees since then has declined to 330 million trees in 2015 (most recent data available). In response to low productivity and the declining number of coconut trees, the Philippine Coconut Authority (PCA) is pursuing a coconut tree fertilization and replanting program but both have had limited success. Exacerbating the situation has been the perennial visit of devastating typhoons. In late 2013 alone, an estimated 40 million trees were seriously affected when Typhoon Haiyan passed through the Visayas group of islands. No dramatic increase is expected in the number of coconut trees in the next 3-5 years.



Source: Philippine Statistics Authority

The coconut is called the "tree of life" and the industry provides livelihood for roughly one-third of the country's population, according to the PCA. Despite its substantial contribution to the Philippine economy, an estimated 60 percent of Filipino coconut farmers remain poor and live below the poverty line. For decades traders at several layers have dominated the industry which has consistently received very low investments levels. As a result, local farmers continue to be saddled with inadequate and inferior postharvest facilities and antiquated transport and distribution systems. Major industry development programs utilizing funds from a coconut levy collected since the 1980s have been hampered by legal issues (see POLICY).

The Philippine Government (GPH) has been promoting palm oil production with modest success. According to the most recent data available from the PSA, area planted to palm oil continued to increase in 2015. From 53,800 hectares planted in 2013, palm oil area grew to over 55,000 hectares in 2014, and increased anew to 66,000 hectares in 2015. According to academe, the return on investment from palm oil production is more promising compared to coconut production. However, palm oil is a plantation crop and promotional efforts have been hampered by resistance from farmer groups and environmental activist groups.

Consumption:

Soybean crush is largely a function of bean imports. There is a lone soybean crusher in the country with limited capacity which imports a small volume of soybeans each year.

Copra is the dried meat of the coconut which is pressed to extract CNO. Copra crush was revised downwards 115,000 tons to 2.255 million tons in MY 16/17 consistent with downward adjustments made to copra production during the year, which were based on updated data from UCAP. Copra crush, however, is still expected to increase 2 percent from the previous year's level. For MY 17/18, copra crush is expected to increase to 2.38 million tons reflecting the expected rise in coconut production during the year, resulting from the end of a prolonged period of drought.

Post uses a marginally lower extraction rate for CNO compared to industry's standard 63 percent rate to reflect the aging status of existing oil mills. Copra recovery rates are also marginally lower after drought-like conditions or periods of water supply tightness, according to industry.

Trade:

Overall soybean imports in MY 17/18 are projected to increase 20,000 tons to 160,000 tons compared to the previous year's level, with virtually all coming from the United States. U.S. beans, however, may face stiffer competition from Latin American sources in 2017 due to high inventories and improved production that have made them more price-competitive.

Copra imports in MY 17/18 are likely to increase 10,000 tons to 80,000 tons to support increased crush demand for expanding CNO exports during the period. No copra exports are expected through MY 17/18.

Stocks:

With only one crush facility, soybean ending stocks through MY 17/18 are likely to remain minimal.

Copra inventories are largely held by the private sector (e.g., on-farm, traders, and processors). Copra ending stocks are likely to remain flat at 40,000 tons in MY 17/18.

Policy:

Executive Order No. 61 (EO 61), signed October 2011, took effect in January 2012 and set Most Favored Nation (MFN) tariff rates on a range of agricultural products. Soybean (HS Code 12.01) and copra (HS Code 12.03) duties are at 1 percent and 10 percent, respectively, in 2017. Soybean imports, however, can enter duty-free under the Agricultural and Fisheries Modernization Act (AFMA) if they are inspected and certified by the Philippine Bureau of Plant Industry (BPI) and the Bureau of Customs (BOC).

Soybean and copra imports originating from countries of the Association of South East Asian Nations (ASEAN) are duty-free in 2017. They are also duty-free if originating from non-ASEAN countries with existing regional FTAs (i.e., Australia, New Zealand, China, and Korea) except for India and Japan. Soybean and copra imports under the ASEAN-India Comprehensive Economic Cooperative Agreement (AICECA) are subject to a 1 percent and 10 percent duty, respectively. On the other hand, copra imports from Japan under the ASEAN-Japan Comprehensive Economic Partnership have a 1 percent duty, while soybeans are duty free.

A long entrenched policy issue concerning the development of the Philippine coconut industry involves a controversial levy fund collected from an estimated 3.5 million coconut farmers from 1973 to 1982. The fund is currently estimated at roughly P75 billion (\$1.5 billion). The following is a link which provides a background of the Philippine coconut industry, and the roots of the coconut levy fund.

<http://pca.da.gov.ph/index.php/2015-10-26-03-15-57/2015-10-26-03-19-51>

After decades of legal wrangling, the PCA is confident that legal impediments may be settled soon, and the release of the fund could happen during the first half of 2017, according to local press articles. The

release of the coconut levy fund to local farmers was a campaign promise of the current president, Rodrigo Duterte, who was elected in May 2016.

In late December 2016, President Duterte signed Republic Act No. 10924 (RA 10924) which approves the P3.35 trillion (\$67 billion) budget for 2017, 12 percent higher than the previous year's budget, the biggest ever. The GPH plans to increase infrastructure spending from 5.1 percent of gross domestic product (GDP) in 2016 to at least 5.4 percent in 2017. By 2022, or when the Duterte administration steps down, infrastructure spending is projected to reach 7.1 percent of GDP. Furthermore, massive investment pledges from Chinese firms, as a result of the strengthening of the country's economic ties with China, will be directed at infrastructure development. This is consistent with the December 2016 adoption by the Philippine Senate of a resolution concurring to the ratification of the Article of Agreements of the Asian Infrastructure Investment Bank.

Production, Supply and Demand Data Statistics:

Oilseed, Soybean Market Begin Year Philippines	2015/2016		2016/2017		2017/2018	
	Jan 2016		Jan 2017		Jan 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	1	0	1	1	0	0
Beginning Stocks	24	24	35	35	0	25
Production	1	1	1	1	0	1
MY Imports	272	272	140	140	0	160
MY Imp. from U.S.	130	130	140	140	0	155
MY Imp. from EU	0	0	0	0	0	0
Total Supply	297	297	176	176	0	186
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Crush	212	212	110	110	0	110
Food Use Dom. Cons.	25	25	21	21	0	25
Feed Waste Dom. Cons.	25	25	20	20	0	25
Total Dom. Cons.	262	262	151	151	0	160
Ending Stocks	35	35	25	25	0	26
Total Distribution	297	297	176	176	0	186
(1000 HA) ,(1000 MT)						

Oilseed, Copra Market Begin Year Philippines	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	3500	0	3500

Area Harvested	3500	3500	3500	3500	0	3500
Trees	0	331000	0	331000	0	331000
Beginning Stocks	32	32	25	25	0	40
Production	2100	2100	2300	2200	0	2300
MY Imports	103	103	70	70	0	80
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	2235	2235	2395	2295	0	2420
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Crush	2210	2210	2370	2255	0	2380
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	2210	2210	2370	2255	0	2380
Ending Stocks	25	25	25	40	0	40
Total Distribution	2235	2235	2395	2295	0	2420
(1000 HA) ,(1000 TREES) ,(1000 MT)						

Commodities:

Meal, Soybean
Meal, Copra

Production:

Local SBM production remains insignificant relative to overall supply and the industry is dependent on imports. No change in SBM output is expected in MY 17/18.

Copra meal is a by-product of the CNO extraction process. Copra meal output was revised downwards 34,000 tons to 741,000 tons in MY 16/17 consistent with similar adjustments made to copra output for the year that were based on industry projections. This output was less than expected for MY 16/17, but production is still expected to increase 21,000 tons from the previous year's level. Copra meal output is forecast to modestly increase 29,000 tons to 770,000 tons in MY 17/18 as copra crush increases to meet the growing export demand for CNO.

Consumption:

According to the Philippine Socioeconomic Planning Secretary (PSPS), GDP growth for the entire CY 2016 reached 6.8 percent. The full-year GDP expansion was at the high-end of the GPH growth target of 6-7 percent for the year. The 6.8-percent growth was the country's strongest in three years, and made the Philippines the fastest-growing economy in Asia in 2016, according to the PSPS.

For 2017, the PSPS is confident that GDP will grow from 6.5-7.5 percent, increasing to 7-8 percent for the medium-term, thereafter. Risks identified include extreme weather disturbances, greater volatility in capital flow, and possible changes in U.S. policy. The full statement may be viewed at:

<http://www.neda.gov.ph/2017/01/26/statement-of-secretary-ernesto-m-pernias-on-the-performance-of-the-philippine-economy-for-the-fourth-quarter-and-full-year-2016/>

The Bangko Sentral ng Pilipinas or BSP (Philippine Central Bank) recently reported that inflation accelerated to 1.8 percent in 2016, faster than the 1.4 percent rate in 2015, but within official government projections. Inflation is expected to increase to around 3.5 percent in 2017, up from an earlier forecast of 3.3 percent. For 2018, the BSP forecasts inflation at 3.1 percent, up from an earlier 3.0 percent estimate.

With an estimated 102 million Filipinos in 2016, the country is the 12th largest nation globally. It is also growing close to 2 percent annually, one of the fastest in the region. With a median age of about 23 years, coupled with considerable overseas remittances (estimated at \$25 billion annually), some analysts describe the Philippines as in a consumption ‘sweet spot’. This is manifest in the diversification of the Filipino diet, the flourishing food retail industry, and the increasing consumption of livestock and poultry products.

The average Filipino’s consumption of meat and meat products is comparatively low compared to its regional neighbors. The livestock and poultry industries have consistently grown in recent years and are the bright spots of Philippine agriculture. Last year (CY 2016) they expanded 4.6 and 1.4 percent, respectively. Free from Avian flu and declared Foot and Mouth Disease free, the domestic livestock and poultry industries also have competitive advantage. Servicing the needs of both industries is an expanding animal feed sector.

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. 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. The growth of the feed industry is mirrored by the entry of foreign manufacturers in local feed operations (i.e., Thailand’s Charoen Pokphand and China’s New Hope) as well as the expansion of large local poultry integrators and commercial swine farms.

According to industry, there are currently 545 registered feed mills in the country, 85 percent of which are considered commercial. More than 74 percent of the feed plants are located on the main island of Luzon, 15 percent in Mindanao and 11 percent in the Visayas. The industry’s structure is comprised of (1) commercial producers, who are solely engaged in the feed manufacturing business, (2) integrated farm feed millers, who are engaged in livestock production and at the same time sell feeds commercially, and (3) on-farm feed millers, who produce feeds for their own farms. Large-scale feed mills heavily favor U.S. soybean meal over other origins for its consistency in both quality and availability.

SBM demand is expected to continue increasing through MY 17/18 as local livestock and poultry raisers capitalize on the growing local demand for meat and meat products. From 2.55 million tons in MY 15/16, SBM consumption is projected to increase to 2.75 million tons in MY16/17, expanding further to 2.875 million tons in MY 17/18.

As mentioned in previous annual reports, copra meal is not a protein substitute for SBM and is used primarily as feed ‘filler’. Because of this, it is not commonly used by serious commercial hog raisers. Inadequate storage and handling facilities also result in quality issues such as aflatoxin contamination as well as considerable copra meal spoilage losses. Copra meal consumption (inclusive of losses) in MY

17/18 is likely to increase to 400,000 tons from 380,000 tons in MY 16/17 as copra meal production increases during the period (which is the result of expanding CNO exports).

On the other hand, distillers dried grains with solubles (DDGS) are mainly used in integrated hog and poultry operations. According to industry, DDGS inclusion levels are typically 3 to 8 percent for broiler feed, 5 to 15 percent for layer feed and 3 to 10 percent for swine feed. Total maximum DDGS demand in the Philippines is estimated at 530,000 tons at the maximum inclusion levels.

Trade:

There are no trade disruptions to date on U.S. SBM sales to the Philippines as a result of a court ruling on products derived from genetic engineering (GE) including soybeans (see POLICY, Oilmeals section). Philippine SBM imports from the U.S. reached \$729 million in CY 2016, the highest ever, making the country the 2nd largest buyer of U.S. SBM. Overall SBM imports in MY16/17 are projected to increase 4 percent to 2.65 million tons, compared to the previous year's level, and rise 6 percent to 2.8 million tons in MY 17/18. Facilitating increasing SBM imports is the implementation of a local law which allows foreign ships to transport import/export cargo directly to and from any local port (see POLICY).

Copra meal exports in MY 16/17 were pared down 100,000 tons to 350,000 tons (but are expected to surpass the previous year's level) consistent with industry's expectations of exports in CY 2017 and in line with updated UCAP data. Copra meal exports in MY 17/18 are likely to increase 25,000 tons from the previous year to 375,000 tons as copra output again modestly increases as a result of expanding CNO exports. Korea and Vietnam are expected to be the top destinations for Philippine copra meal exports through MY 16/17.

For DDGS, from 107,000 tons in CY 2015, Philippine imports increased 64 percent to 175,000 tons in CY 2016, according to Philippine customs data. DDGS from the United States dominated imports (95 percent) during the period. DDGS from Taiwan had the 2nd largest share (4 percent).

Stocks:

SBM inventories are expected to modestly increase from 338,000 tons in MY 16/17 to 350,000 tons in MY 17/18 due to increasing imports during the period. SBM stocks are mainly held in storage by the private sector (e.g., traders and feed millers).

Copra meal stocks were revised upwards 66,000 tons to 159,000 tons in MY 16/17 due to improved copra supply compared to the previous year's level. Copra meal stocks are relatively flat in MY 17/18. Like SBM, copra meal inventories are largely private sector held.

Policy:

Imports of copra meal (HS Code 2306.50.00) will continue to be levied a 10 percent MFN tariff for 2017. On the other hand, imported SBM (HS Code 23.04) and DDGS (HS Code 230330) both carry a 1 percent MFN duty. However, they can be brought in duty-free under the AFMA if they are inspected and certified by the BPI and the BOC. Copra meal, SBM, and DDGS imports are duty-free in the ASEAN Free Trade Area (AFTA), except those brought in under the AICECA, which has a 1 percent tariff.

As mentioned in previous biotechnology reports, the Philippines Supreme Court (SC) in December 2015 enjoined ongoing biotechnology trials and struck down existing GE regulations so that a new set of rules could be promulgated. An inter-departmental working group drafted new GE regulations that were approved on March 2016. In a July 26, 2016 press briefing, and subsequently in its August 18, 2016 final decision issuance, the SC reversed course and lifted restrictions to commercialize ongoing GE trials, but upheld that the new GE regulations superseded the existing GE rules. The shift in biotechnology regulations has resulted in delays in the processing of biosafety permits, although there have been no reported SBM trade disruptions to date.

On July 21, 2015, amendments to the Cabotage Law embodied in Republic Act 10668 (RA 10668) were approved by then President Benigno Aquino III. RA 10668 or *"An Act Allowing Foreign Vessels to Transport and Co-Load Foreign Cargoes for Domestic Transshipment and for Other Purposes"* allows foreign ships to transport import or export cargo directly to and from any local port other than the Port of Manila. The implementing rules and regulations (or IRRs) of RA 10668 as contained in Joint Department Administrative Order No. 001-2016 were published in May 2016, and took effect 15 days later. RA 10668 is expected to result in lower costs of importing products to the Philippines.

Production, Supply and Demand Data Statistics:

Meal, Soybean Market Begin Year Philippines	2015/2016		2016/2017		2017/2018	
	Jan 2016		Jan 2017		Jan 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	212	212	110	110	0	110
Extr. Rate, 999,9999	0.7877	0.7877	0.7909	0.7909	0	0.7909
Beginning Stocks	185	185	351	351	0	338
Production	167	167	87	87	0	87
MY Imports	2549	2549	2650	2650	0	2800
MY Imp. from U.S.	1500	1500	1500	1570	0	1715
MY Imp. from EU	0	0	0	0	0	0
Total Supply	2901	2901	3088	3088	0	3225
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2550	2550	2750	2750	0	2875
Total Dom. Cons.	2550	2550	2750	2750	0	2875
Ending Stocks	351	351	338	338	0	350
Total Distribution	2901	2901	3088	3088	0	3225

(1000 MT) ,(PERCENT)

Meal, Copra Market Begin Year Philippines	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	2210	2210	2370	2255	0	2380
Extr. Rate, 999,9999	0.3258	0.3258	0.327	0.3286	0	0.3235
Beginning Stocks	103	103	148	148	0	159
Production	720	720	775	741	0	770
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	823	823	923	889	0	929

MY Exports	315	315	450	350	0	375
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	360	360	380	380	0	400
Total Dom. Cons.	360	360	380	380	0	400
Ending Stocks	148	148	93	159	0	154
Total Distribution	823	823	923	889	0	929
(1000 MT) ,(PERCENT)						

Commodities:

Oil, Soybean

Oil, Coconut

Production:

Philippine SBO production continues to be insignificant relative to overall Philippine vegetable oil production, and is supported largely by imported beans. SBO output in MY 16/17 is estimated at 20,000 tons.

CNO output in MY 16/17 is projected to increase to 1.42 million tons from 1.386 million tons in MY 15/16 to reflect improved copra production during the year. For MY 17/18, CNO output is expected to expand further to 1.48 million tons consistent with the projected increase in copra production as a result of the return to more “normal” weather conditions during the year, and additional export demand.

Consumption:

SBO is mainly used for mayonnaise and salad dressings, and the local industry does not consider it to be a complete CNO substitute. SBO food consumption is projected to reach 70,000 tons in MY 17/18 mainly due to flourishing retail food outlets, while industrial demand will likely remain flat at 4,000 tons during the same period.

Industrial CNO consumption is mainly composed of coconut methyl ester (CME) and other oleochemical production. Implemented in 2007, the Philippines has a Biofuels Law that mandates the blending of biodiesel in all-petroleum diesel sold in the country. CME is used in Philippine biodiesel production. According to industry, the current blend is at 2 percent and at this level, requires roughly 130,000-140,000 tons of CNO. No change in biodiesel blend is expected through MY 17/18. Oleochemicals are also used in the production of laundry detergents and other personal care items such as toothpaste, soap bars, shower cream, and shampoo.

MY 16/17 CNO food use, on the other hand, was pared down 65,000 tons to 190,000 tons consistent with industry’s expectation of a reduction in CNO use by more competitively priced imported palm oil. As reported in the previous annual report, the shifting away from CNO to palm oil has intensified in recent years. The same trend is expected to extend to MY 17/18.

To summarize, over all CNO consumption was revised downwards 65,000 tons to 580,000 tons in MY 16/17 due to a reduction in CNO use for edible purposes. No significant change in CNO demand is projected through MY 17/18.

Trade:

SBO imports are expected to increase 10,000 tons from the previous market year to 55,000 tons in MY 17/18 primarily due to increasing demand from an expanding food retail sector.

CNO exports in MY 16/17 were pared down slightly due to less than expected production during the year, as well as high prices, but still surpassed the MY 15/16 level, and are projected to expand further in MY 17/18. Industry notes that average CNO export prices in CY 2016 were \$1,405 per ton FOB or 25 percent higher than the previous year’s average price of \$1,123 per ton FOB. Industry analysts forecast high CNO prices to persist up to the first half of CY 2017.

For MY 17/18, CNO exports are anticipated to increase 60,000 tons from the previous market year to 880,000 tons as copra supply further improves, the export market continues to expand, and increased supply hopefully eases prices. Substantial imports of palm oil are expected to enable CNO exports. Industry cites data from Oil World which indicate that Philippine imports of palm oil in CY 2016 likely reached 931,000 tons, mainly coming from Malaysia and Indonesia, which is a substantial increase from 782,000 tons in CY 2015. The price premium of Philippine CNO over palm oil was estimated at \$760 per ton for most of 2016, which encouraged increased palm oil imports during the year, according to industry. The average CNO price in 2016 was around \$1,405 per ton.

Stocks:

SBO inventories are negligible and no significant change in SBO stock levels are projected through MY 17/18. SBO stocks are private sector held.

For CNO, stocks are likely to increase modestly through MY 17/18 primarily due to increasing copra production during the year. The majority of CNO stocks are with private processors and traders.

Policy:

EO 61 raised tariffs for crude CNO (HS Code 15.13.1100) from 3 percent to 10 percent through 2015, and is still in effect in CY 2017. However, imports of CNO are duty-free in the AFTA. Imports of SBO (HS Code 15.07) are subject to a 7 percent MFN duty through 2017 but may also be imported free of duty in the AFTA (except those coming from Japan).

Palm oil imports (HS Code 15.11) are levied a 15 percent MFN tariff under EO 61, but are duty-free in the AFTA, except for India which has a 12.86 percent duty, and those from Japan which are levied a 1 percent tariff, effective April 1, 2017. If brought in during the January to March 2017 period, palm oil imports from Japan are subject to a 3 percent duty.

Production, Supply and Demand Data Statistics:

Oil, Soybean Market Begin Year Philippines	2015/2016		2016/2017		2017/2018	
	Jan 2016		Jan 2017		Jan 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Crush	212	212	110	110	0	110
Extr. Rate, 999.9999	0.1887	0.1887	0.1818	0.1818	0	0.1818
Beginning Stocks	5	5	9	9	0	9
Production	40	40	20	20	0	20
MY Imports	43	43	45	45	0	55
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	88	88	74	74	0	84
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	4	4	4	4	0	4
Food Use Dom. Cons.	75	75	61	61	0	70
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	79	79	65	65	0	74
Ending Stocks	9	9	9	9	0	10
Total Distribution	88	88	74	74	0	84
(1000 MT) ,(PERCENT)						

Oil, Coconut Market Begin Year	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Philippines						
Crush	2210	2210	2370	2255	0	2380
Extr. Rate, 999.9999	0.6271	0.6271	0.6249	0.6297	0	0.6218
Beginning Stocks	112	112	141	141	0	161
Production	1386	1386	1481	1420	0	1480
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	1498	1498	1622	1561	0	1641
MY Exports	757	757	840	820	0	880
MY Exp. to EU	375	375	375	375	0	400
Industrial Dom. Cons.	380	380	380	380	0	380
Food Use Dom. Cons.	210	210	255	190	0	190
Feed Waste Dom. Cons.	10	10	10	10	0	10
Total Dom. Cons.	600	600	645	580	0	580
Ending Stocks	141	141	137	161	0	181
Total Distribution	1498	1498	1622	1561	0	1641
(1000 MT) ,(PERCENT)						