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Philippines

Oilseeds and Products

Oilseeds Annual - 2006

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Report Highlights:

Shifting food consumption patterns of the Filipino consumer due to reduced purchasing power will result in dampened meat demand, and consequently flat feed consumption in the next two years. Hence no dramatic change in bean, soybean meal and soybean oil production and trade is expected during the period. Copra and copra products demand and trade, on the other hand will continue to reflect copra production, which is expected to increase in MY05/06 compared to the previous year's level, and then decline in MY06/07. While overall coconut oil demand is likely to remain flat during the period, a shift from edible oil use to industrial purposes, particularly for oleochemicals including those for biofuel production is expected to be more evident.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Manila [RP1]
[RP]

EXECUTIVE SUMMARY

Despite record-level remittances from overseas Filipinos last year, rising consumer prices and new taxes will constrain increased consumer spending through CY2007. Decreased consumer purchasing power will cause shifts in food consumption patterns, i.e., dietary protein sources, edible oil usage, etc. Compounding the situation is the continued rise in world oil prices that is expected to compel the GRP to develop and expand the use of alternative fuels.

Philippine copra production in MY05/06 will increase from the previous year's level but is expected to decline in MY06/07 after two consecutive years of good production. Due to firm coconut oil (CNO) local and export demand, a major industry group will make available considerable funding to support a significant coconut tree rehabilitation and fertilization program. Parallel to this, the GRP is expected to continue to aggressively promote the development and expansion of palm oil production in order to make more CNO available for domestic use and for the export market. Production gains from these programs, however, are expected only after 2-3 years of serious implementation. An ongoing rationalization of the Philippine Department of Agriculture's (DA) mandate and structure, on the other hand, will likely delay implementation of the DA's soybean-growing program. As a result, flat soybean production is expected through CY2007. A marginal increase in soybean imports is expected this year, mainly to support the requirements of local crushers but it is expected to remain flat in CY2007. No copra imports are predicted in MY05/06 due to good local production but are likely the following year as copra output declines.

Higher copra output and consequently higher copra crush in MY05/06 will result in increased copra meal and coconut oil (CNO) production compared to the previous year's level. Marginal increases in soybean meal (SBM) and soybean oil (SBO) production, on the other hand, is expected through 2007 as a result of flat animal feed demand. Fish meal production, on the other hand, will likely stay flat during the two-year period although consumption is expected to register marginal increases due to the continued expansion of the domestic aquaculture industry. Overall feed demand will remain flat through CY2007, however, and SBM consumption in the next two years will mirror this trend. As a result, no dramatic change in SBM imports are expected during the period while imports of fishmeal are likely to register marginal increases through CY2007 on account of the continued growth of the local aquaculture industry. Increased copra meal consumption in MY05/06 will mainly be driven by increased wastage losses but is expected to decline the following year as copra crush subsides. Copra meal exports are expected to increase in MY05/06, mainly bound for Korea, but are likely to decline in MY06/07 due to lower copra supply during the period.

While CNO production is dependent on copra supply, strong industrial CNO demand in both local and export markets, particularly for oleochemical production, will drive CNO consumption and exports in the immediate future. The expected approval of pending legislation mandating the use of biofuels in MY05/06 will strengthen local CNO industrial demand during the year, although a sharp shift away from edible CNO use to palm oil will likely negate any significant increase in overall CNO consumption during the same period. Overall CNO consumption, therefore, will likely remain flat through MY06/07. The shift in edible oil utilization is expected to free up more CNO for local industrial use and for export. Increased CNO exports is reinforced by the duty-free privilege afforded CNO exports under the China Early Harvest Program (EHP) and the Generalized System of Preferences (GSP) of the United States. Enhanced by increased copra production, CNO exports in MY05/06 will increase from the previous year's level. Exports of CNO the following year, however, will decline as a result of decreased copra output.

PRODUCTION, Oilseed

Philippine copra production in MY04/05 was raised based on upward revisions made by the United Coconut Associations of the Philippines, Inc. (UCAP) on coconut production estimates for CY2005. Although there was a decline in coconut harvests in some areas that experienced lower-than-normal rainfall, the UCAP noted that production in the other areas was underestimated. While UCAP estimates CY2005 coconut production at 2.552 MMT, Post assumes a slightly lower copra output for MY04/05 to give allowance for coconuts that are not converted into copra and/or are spoiled.

For CY2006, the copra production is expected to increase again to 2.663 MMT, according to UCAP data, a reversal from the earlier decline Post had predicted in MY05/06. The UCAP expects the rise in coconut production to be more pronounced in the second semester of CY2006 due to higher-than-normal rainfall in some areas of Mindanao Island.

After two consecutive years of good production, overall copra production in MY06/07 will likely decline from the MY05/06 level. The absence of a sustained replanting and fertilization program is likely to constrain increased copra production beyond MY06/07 (see OILSEEDS, Policy). Also threatening copra production is the spread of the coconut hispine beetle, *Brontispa longissima* Gentro, a serious pest of concern to most palms. The beetle has recently been detected in some coconut areas in Luzon Island and reportedly was introduced into the country in 2004 through imported ornamental palms. The pest reportedly is endemic to Indonesia and Papua New Guinea.

Local soybean production is expected to remain flat through 2007. No dramatic change in domestic soybean production is expected during the period due to frequent changes in key personnel in the Philippine Department of Agriculture's (DA) relative to the soybean- growing program referred to in GAIN RP 4021.

CONSUMPTION, Oilseed

The GRP announced that GDP grew 5.1 percent in CY2005, slower than the official projected target of 5.3 to 6.3 percent last year, due to weak farm output and slow export demand. Philippine GNP, however, rose by 5.7 percent buoyed by record-level remittances from overseas Filipino workers, although still slower than the 6.2 percent GNP growth in CY2004. Surprisingly, the significant increase in overseas remittances, which have fueled personal consumption in recent years, did not boost personal consumption to expected levels. Many attribute the weak growth in consumption spending to rising consumer and oil prices as well as the imposition of new and additional taxes to arrest the problematic fiscal deficit (refer to RP5020 and RP6005). This observation is reinforced by findings of the December 2005 hunger and poverty survey of the Social Weather Stations. Results of the survey reportedly show that over 49 percent of the Philippine population rated themselves as impoverished while close to 17 percent reported hunger, compared to 48 percent and 12 percent, respectively, the year before. This seems to indicate that the benefits of the positive growth in the country have not been widely shared.

Average inflation was in the 7.7 to 7.9 percent range in CY2005 and is projected at 8.0 to 8.5 percent this year. This year's revised GDP growth target is between 5.5-6.2 percent, lower than the previous growth estimate of 5.7-6.3 percent. The downward revision was made in response to the continued rising world oil prices.

The Asian Development Bank (ADB) and the World Bank, however, predict an even lower GDP rate this year. The ADB estimates CY2006 GDP at 5.0 percent, while the latter projects

GDP growth at 5.3 percent. Both financial institutions have expressed concern over uncertainty of agriculture production and the low output of the industry sector.

Despite the observation, upward revisions were made to copra crush in MY04/05 and MY05/06 in accordance with the revisions made by the UCAP on copra output CY2005, as well as its optimistic forecast for copra production in CY2006. Overall oilseed crush is mainly a function of oilseed supply and adequate copra supplies in MY05/06 will enable higher copra crush compared to the previous year.

Copra crush in MY06/07 will decline from the previous year's level due to the predicted contraction in copra production during the year. The copra crush level during the three year-period takes into account the copra crushed to extract virgin coconut oil (VCNO). While the copra volume for VCNO extraction remains miniscule relative to overall copra crush. However, the quantities are expected to increase gradually in the medium term.

Soybean crush in CY2005, On the other hand, was revised downwards due to lower-than-expected bean supply. Political uncertainty likely dampened industrial demand and bean imports during the period. Industrial demand is predicted to recover slightly and post modest increases through CY2007, as the strengthening of the Peso relative to the US\$ is expected to partially offset the increase in crude oil prices. Soybeans used for food purposes, however, are expected to register flat growth in the next two years.

TRADE, Oilseed

There are no copra exports expected in the next two years, as local crush demand is likely to remain firm through CY2007. No copra imports are also predicted in MY05/06 due to good local production. Imports, however, are likely to be resorted to the following year, as copra production is likely to decline in MY06/07. Copra imports during the year are likely to originate from Indonesia.

Higher copra output through MY05/06 reportedly also enabled the Philippines to export coco fiber products to China. Coconet, a geotextile made from waste coconut husk used to arrest desertification and soil erosion, won first prize in the First World Challenge contest, an environmental grassroots project contest sponsored by BBC World television in London, November 2005. Coconet, the Philippines' entry to the 2005 World Exposition in Aichi, Japan, also won the Global 100 Eco-Tech Award last year. Export of coconut-based geotextiles are likely to increase in succeeding years as environmental concerns increase, copra supply permitting.

Overall soybean imports, and those from the United States, were revised downwards in CY2005 based on data from the World Trade Atlas (WTA). Enhanced by the strengthening Peso, however, bean imports this year are likely to increase slightly from the CY2005 level as increasing crude oil prices are partially offset. Bean imports are predicted to stay flat in CY2007 due to weak overall consumer demand with overall soybean imports expected to originate from Brazil.

Copra tariffs this year remain unchanged from the CY2005 level at 10 percent MFN tariff. Soybean duties likewise remain at one percent, the same tariffs as last year (refer to RP5013).

STOCKS, Oilseeds

Copra stocks are expected to be comparatively higher than previous years owing to good coconut production and will likely remain fairly flat through MY06/07. Copra-drying

problems are expected to remain in the next 2-3 years resulting in poor copra quality and copra inventories in the table include allowances for spoilage. Like copra inventories, no dramatic movement in soybean stocks is expected through MY06/07.

POLICY, Oilseed

The Coconut Industry Investment Fund group of companies (CIIF), a major private industry group, will be investing P1 billion (\$19.4 million) yearly to finance a coconut-replanting program to reportedly double by CY2010 its CNO exports to 2.2 MMT. CIIF member-companies will be contributing a portion of their earnings for the coconut replanting effort. The program reportedly will involve the replanting of about 450,000 hectares with senile palms with high-yielding and early maturing palms, and the fertilization of approximately 720,000 hectares of coconut lands.

Earlier, the Philippine Coconut Authority (PCA) had claimed that annual national copra production could reach 4 MMT annually - almost double the traditional copra output, if an adequate and sustained fertilization program is pursued.

Complementing the replanting efforts are stiffer regulations directed at the illegal cutting of coconut trees. In January 2006, the PCA implemented the revised Implementing Rules and Regulations (IRR) of the Coconut Preservation Act embodied under Administrative Order 02 series of 2005. A fine of P50,000 to P500,000 (\$971 to 9,709) is imposed on people who cut coconut trees illegally with possible imprisonment from one to six years, according to the revised rules. To prevent dismissal of criminal cases due to legal technicalities, coconut trees have also been redefined to include newly planted and unproductive ones. The "illegal cutting of coconut trees" likewise now includes the uprooting and poisoning of coconut palms, under the revised IRR.

While the GRP pursues coconut replanting and fertilization efforts, it is also continuing the promotion of palm oil production areas and crushing mills. The UCAP reportedly announced late last year that Malaysian and local investors were considering investing a total of about P16.7 billion (\$32.43 million) in three palm oil projects in Western Mindanao. The investors were interested in putting up plantations that would cover 130,000 hectares of oil palm plantations, according to media reports (see Oils POLICY).

PSD Table						
Country	Philippines					
Commodity	Oilseed, Copra					
			(1000 HA)(1000 TREES)(1000 MT)			
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2004		10/2005		10/2006
Area Planted	0	3150	0	3150	0	3150
Area Harvested	0	2900	0	2900	0	2900
Trees	283500	283500	0	283500	0	283500
Beginning Stocks	63	60	63	70	55	70
Production	2250	2450	2200	2600	0	2000
MY Imports	60	60	28	0	0	60
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	2373	2570	2291	2670	55	2130
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	2310	2500	2236	2600	0	2060
Food Use	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cn.	0	0	0	0	0	0
Total Dom. Consumption	2310	2500	2236	2600	0	2060
Ending Stocks	63	70	55	70	0	70
TOTAL DISTRIBUTION	2373	2570	2291	2670	0	2130
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Philippines					
Commodity	Oilseed, Soybean				(1000 HA)(1000 MT)	
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2005		01/2006		01/2007
Area Planted	0	0	0	0	0	0
Area Harvested	1	1	1	1	0	1
Beginning Stocks	11	11	14	15	0	17
Production	1	1	1	1	0	1
MY Imports	230	146	220	150	0	150
MY Imp. from U.S.	180	107	160	110	0	110
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	242	158	235	166	0	168
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	200	120	190	125	0	130
Food Use Dom. Consump.	25	20	28	20	0	20
Feed,Seed,Waste Dm.Cn.	3	3	3	4	0	4
TOTAL Dom. Consumption	228	143	221	149	0	154
Ending Stocks	14	15	14	17	0	14
TOTAL DISTRIBUTION	242	158	235	166	0	168
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PRODUCTION, Oilmeals

Copra meal production in MY04/05 and MY05/06 was adjusted upwards as a result of higher copra output and consequently copra crush during both years. Copra meal production will be increasing during the period, but is expected to decline in MY06/07 due to lower copra production.

SBM production in CY2005 was pared down due to downward adjustments made to soybean imports and consequently overall soybean supply during the year. Slight increases in SBM production is predicted through CY2007 reflecting similar increases in overall soybean supply during the period.

Fishmeal production was pared down slightly in CY2006 and is expected to remain flat in the next two years compared to the previous year's level. There continues to be no known major investment in the industry although fish demand is expected to remain firm through CY2007.

CONSUMPTION, Oilmeals

Despite a mild El Nino that persisted in the first quarter of CY2005, and the occurrence of strong typhoons in the third quarter, the Philippine farm sector still managed to grow 2.24 percent to surpass its previous year's performance. Positive output growths were recorded in all subsectors. Fishery production registered the highest growth rate (6.47 percent) with domestic aquaculture expanding the fastest at 10.41 percent. The livestock subsector grew 2.04 percent last year while the local poultry industries gained 1.41 percent compared to the previous year's level. For this year, GRP planners are projecting agriculture to grow 3.5-4.0 percent. No dramatic increase in feed demand, however, is expected in CY2006.

While copra meal consumption estimates were raised in MY04/05 and MY05/06, the increase was mostly due to upward revisions made to copra crush and not in increased animal feed demand. In MY06/07, however, it will decline from the previous year's level due to lower copra crush as a result of the decline in copra production. As mentioned in the CONSUMPTION, Oilseeds Section, weak consumer spending will likely result in weak demand for meat. The local hog industry has already decreased production this year as a result of this and although the Philippines so far has remained free of the avian flu, fears of a possible outbreak have constrained expansion of the domestic poultry industry. Copra meal consumption during the period, therefore, will be driven more by spoilage losses, rather than actual feed demand.

SBM crush in CY2005 and CY2006 was adjusted downwards due to lower-than-expected soybean supply during the period, but is expected to continue increasing through CY2007. The adjustments likewise necessitated downward revisions to SBM consumption, which will likely remain flat through CY2007 reflective of the projected overall weakness in animal feed demand in the next two years.

Fishmeal demand, however, will remain strong as indicated by the continued growth of the local aquaculture industry. Fish demand for food is expected to increase relative to overall protein sources as shifts in the food consumption pattern of the average Filipino consumer become more apparent. In general terms, consumers are shifting to the cheaper food items as a result of reduced purchasing power. Because of this, marginal but consistent incremental growth in fishmeal consumption is predicted through CY2007.

TRADE, Oilmeals

In general terms, weak demand for livestock and poultry meat depressed overall oilmeal demand and consequently resulted in the decline of oilmeal prices last year. According to the UCAP, prices are likely to further decline in CY2006 as oilseed demand continues to increase for biofuel production.

The UCAP projects CY2006 copra meal imports to reach 400,000 MT, up from the previous year's level as copra meal prices decline. On a market year basis, MY05/06 copra meal exports are expected to increase from the previous year's level despite the drop in copra meal exports to Europe. Copra meal exports to the EU dropped likely as a result of the EU's reduction in the maximum limit of aflatoxin content in copra meal (see POLICY, Oilmeals). The majority of Philippine copra meal exports during the period are likely to be bound for Korea. MY06/07 copra meal exports, however, are predicted to decline from the MY05/06 owing to depressed copra crush.

For SBM, downward adjustments were made to imports in CY2005 while those from the U.S. sharply raised consistent with WTA data. Overall SBM imports in 2006 are expected to remain at this level due to weak meat demand. SBM imports from the U.S. during the period are likely to decline slightly from the previous year's level as a result of stiff competition from SBM from Argentina. A slight increase in overall SBM imports is likely to occur in CY2007 to replenish relatively low ending stock levels.

Fishmeal imports, on the other hand, are expected to increase slightly through CY2006 due to the expected continued strong performance of the local aquaculture industry. The U.S. is predicted to maintain its dominance of the Philippine fishmeal import market although competition from Latin American sources is expected.

The completion of the ongoing construction of a large bulk handling grain facility in the southern portion of Luzon island in the middle of this year is expected to facilitate grain trade including oilmeals in the near future. Nation Granary, Inc. (NGI) of the Nations Group of Companies (involved in the petroleum business) is currently building a new port facility with the appropriate infrastructure that will be able to handle the loading and unloading requirements, as well as storage needs of Cape-size grain shipments. NGI intends to provide storage capacity to hold roughly 700,000 MT of grains to make it the largest grain storage facility in the country. Although construction is still ongoing, initial shipments of SBM have already been received early this year. Silos reportedly with storing capacity of 150,000 MT are already completed and operational. The NGI facility, the biggest of three such terminals in the country, is planning to serve not only Philippine grain requirements, but will also act as a regional transshipment point in the future.

Copra meal and soybean meal MFN tariffs are at 3 percent this year, while fishmeal MFN duties are at 1 percent (refer to RP GAIN 5013).

STOCKS, Oilmeals

Copra meal ending stocks were raised in MY04/05 and MY05/06 as a result of increased copra crush during the period. A significant portion of ending inventories, however, will likely spoil the following market year. Ending copra meal stocks in MY06/07 are likely to be lower compared to the MY05/06 level due to lower copra crush.

Downward adjustments were made to CY2005 and CY2006 SBM ending stocks as a result of similar revisions made to soybean crush during the period. CY2006 ending SBM inventories are likely to decline slightly from the CY2005 level but increase marginally the following year.

For fishmeal, stocks are likely to remain flat through CY2007 compared to the CY2005 ending stock level.

POLICY, Oilmeals

In response to the significant drop in Philippine copra meal exports to Europe starting MY04/05, the Philippine Department of Trade and Industry (DTI) reportedly will upgrade some features of its investment and trade regulations to conform to EU requirements as part of the country's implementation of its EU-RP Trade Related Technical Assistance (TRTA) program. The TRTA is a P223 million (\$4.33 million) two-year project funded and being implemented in collaboration with the EU.

PSD Table						
Country	Philippines					
Commodity	Meal, Copra					
			(1000 MT)(PERCENT)			
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2004		10/2005		10/2006
Crush	2310	2500	2236	2600	0	2060
Extr. Rate, 999.9999	0.32684	0.32	0.323792	0.323077	0	0.320388
Beginning Stocks	80	80	86	98	0	108
Production	755	800	724	840	0	660
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	835	880	810	938	0	768
MY Exports	372	372	400	400	0	350
MY Exp. to the EC	190	12	180	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	377	410	350	430	0	335
TOTAL Dom. Consumption	377	410	350	430	0	335
Ending Stocks	86	98	60	108	0	83
TOTAL DISTRIBUTION	835	880	810	938	0	768
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Philippines					
Commodity	Meal, Soybean					
			(1000 MT)(PERCENT)			
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2005		01/2006		01/2007
Crush	200	120	190	125	0	130
Extr. Rate, 999.9999	0.795	0.791667	0.794737	0.792	0	0.792308
Beginning Stocks	78	78	95	68	0	62
Production	159	95	151	99	0	103
MY Imports	1430	1425	1500	1425	0	1430
MY Imp. from U.S.	371	838	350	750	0	750
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1667	1598	1746	1592	0	1595
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	1572	1530	1676	1530	0	1530
TOTAL Dom. Consumption	1572	1530	1676	1530	0	1530
Ending Stocks	95	68	70	62	0	65
TOTAL DISTRIBUTION	1667	1598	1746	1592	0	1595
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Philippines					
Commodity	Meal, Fish					
				(1000 MT)(PERCENT)		
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2005		01/2006		01/2007
Catch For Reduction	0	0	0	0	0	0
Extr. Rate, 999.9999	0	0	0	0	0	0
Beginning Stocks	1	1	1	1	0	1
Production	11	11	12	11	0	11
MY Imports	44	44	48	45	0	46
MY Imp. from U.S.	0	22	0	23	0	23
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	56	56	61	57	0	58
MY Exports	0	0	0	0	0	0
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	0	0	0	0	0	0
Food Use Dom. Consump.	0	0	0	0	0	0
Feed Waste Dom. Consum	55	55	60	56	0	57
TOTAL Dom. Consumption	55	55	60	56	0	57
Ending Stocks	1	1	1	1	0	1
TOTAL DISTRIBUTION	56	56	61	57	0	58
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PRODUCTION, Oils

CNO production in MY04/05 and MY05/06 was raised as a result of upward revisions made to copra production during both years. Like in previous years, CNO production is expected to mirror copra supply trends and is therefore expected to increase in MY05/06 from the previous year's level, before sharply declining in MY06/07 when copra supply is predicted to decline.

SBO production in CY2005, on the other hand, was pared down due to lower-than-expected bean supply during the year. Marginal increases in SBO output, however, are predicted through CY2007 to reflect the slight increases in bean crush during the period.

CONSUMPTION, Oils

Despite the weakness of the Philippine industrial sector, CNO industrial consumption was raised considerably in MY04/05 due to strong industrial CNO demand. The adjusted and higher demand for CNO during the year took into account increased CNO consumption for coconut methyl ester (CME) production, and other oleochemicals including coco fatty acids, coco alcohol, and glycerine used for industrial purposes. It likewise took into account the increasing CNO and VCNO used in assorted toiletries, dietary supplements and cosmetic products. Demand for oleochemicals surged in MY04/05 as a result of the restoration of the duty-free privilege afforded exports of coco fatty acids to the U.S. (see TRADE, Oils) as well as the mandated use of coco diesel (see POLICY, Oils).

Facilitating higher CNO industrial use was shifts in edible oil use during the period. Edible oil use of CNO in MY04/05 was pared down to indicate the shift away from CNO to cheaper palm oil. Decreased purchasing power has made consumers more price-sensitive. Institutional buyers, including local fast-food retail giant Jollibee Foods Corp., have already switched to palm oil use to make their products more affordable to the ordinary consumer. Some local vegetable oil millers and refiners started to sell more of the cheaper imported palm oil in order to free more CNO for local and for export purposes (see TRADE, Oils).

Feed and waste domestic consumption of CNO, on the other hand, were raised in MY04/05 mainly due to spoilage losses as a result of more crushing activity although no dramatic movement in feed and spoilage losses is expected through MY06/07.

Similarly, overall CNO domestic consumption in the next two years will likely stay flat compared to the MY04/05 level, while shifts in CNO consumption will likely be more pronounced in MY05/06. This is mainly due to the anticipated passage of a pending bill on biofuels (see OILS, Policy) as well as the continued growth of the Philippine population that will require larger volumes of soaps, detergents and general toiletry items. The local edible oil market may have reached saturation point already, and the decline in CNO edible consumption as a result of shifting to cheaper edible oils will likely slowdown in MY06/07 after declining sharply the previous year.

For SBO, downward adjustments were made to overall consumption in CY2005 and CY2006 on account of the less-than-expected SBO output during the period. Both industrial and food use consumption during both years were pared down slightly. Overall SBO demand, however, is expected to increase through 2007, albeit in marginal increments due to slight increases in food use consumption of the growing Philippine population. Industrial demand for SBO will likely remain at the CY2005 level.

TRADE, Oils

During the visit of Chinese Prime Minister Hu Jintao to Manila late April last year, China and the Philippines signed a memorandum of understanding (MOU) covering the Early Harvest Program (EHP) under the Framework Agreement on Comprehensive Economic Cooperation between China and ASEAN. Under the EHP, both China and the Philippines committed to eliminate tariffs on more than 210 agricultural commodities starting January 1, 2006 (refer to RP5016).

The EHP makes certain Philippine agricultural products including CNO and VCNO exports to China duty-free. Before the EHP, CNO exports to China were levied a tariff of 10 percent as opposed to Indonesian CNO with a 5 percent duty. With the EHP, both Philippine and Indonesian CNO exports may enter China duty-free. The Philippines, however, enjoys a geographical advantage being nearer to China, and will likely take the opportunity to capture a significant market share in the coming years.

The United States also last year waived the volume limit on Philippines exports of coco fatty acids or industrial monocarboxylic under the GSP. Under the GSP, the zero-duty privilege of a product may be removed once the competitive need limit (CNL) is reached. While the country's exports of coco fatty acids to the U.S. have been increasing, however, the US market for this product reportedly has also expanded. Hence, the U.S. did not invoke the CNL limit, effectively restoring the duty-free treatment provided to Philippine coco fatty acids exports starting July last year with no volume ceilings imposed. The country tried to obtain GSP duty-free privilege for coco fatty acids in July 2003 but was unable to. MFN Tariffs on CNO imports to the Philippines, on the other hand, are at 10 percent this year, unchanged from the CY2005 duty, and higher than the 7 percent MFN duty for SBO imports this year.

Enhanced by the expected increase in CNO production, CNO exports in MY05/06 are expected to increase from the previous year's level as a result of China's EHP and the inclusion of CNO to the GSP. While CNO exports are predicted to decline in MY06/07 as copra output drops during the period, both trade developments are expected to enhance CNO exports significantly provided adequate copra supply is available.

Efforts to free up more CNO available for the export market is underscored by the considerable increase in palm oil imports starting CY2004 as well as the GRP's push for more palm oil plantations and mills. Palm oil imports more than doubled from roughly 100,000 MT in CY2004 to over 210,000 MT in CY2005.

No dramatic change in SBO imports is expected through CY2007 although marginal fluctuations are predicted for SBO exports during the period

STOCKS, Oils

CNO stocks were raised in MY04/05 due to increased copra crush during the period. CNO stocks increased during the year as oleochemical producers position themselves accordingly with the opening of new and non-traditional CNO markets such as China as well as positive prospects for expanded exports to the U.S. Domestic market opportunities for increased oleochemical sales also rationalized the increased stock levels by producers. Ending stocks are expected to remain at the MY04/05 level through MY06/07. For SBO, stocks are likely to remain flat compared to the CY2005 level through CY2007.

POLICY, Oils

Promoting the use of cheaper palm oil for edible oil use will enable the Philippines to export more CNO, which commands a better world market price. This seems to be the rationale behind the GRP's efforts in promoting the expansion of existing and new palm oil production

areas as well as crushing mills, particularly in Mindanao Island. Substituting CNO for palm oil use will likewise free up more CNO for local oleochemical production and use as well as for the export market.

All GRP motor vehicles are mandated to use CME as a blend in petroleum diesel fuel as a result of MC 55 (refer to RP4019). Currently, cocodiesel is being sold at gas pumps of selected gasoline stations almost nationwide at the same cost as petroleum diesel. Local CME producers likewise have plans to export CME to Japan, Europe and other Asian countries. Crude oil prices, however, have continued to increase and this will likely force the GRP to expand the coverage of MC 55 as well as higher use of alternative energy sources including biofuels. The Philippines practically imports all of its fuel requirements.

Currently, the DOE is working closely with the Philippine Congress for the passage of the Biofuels Act of 2005, which seeks to mandate the use of biodiesel and bioethanol as fuel additives to diesel and gasoline, respectively. The proposed bill reportedly provides for the compulsory blending of at least 5 percent and 10 percent ethanol fuel into all gasoline distributed, sold and used as motor fuel in the country. Likewise, the draft proposal mandates the blending of at least 1-percent to 5-percent biodiesel in all gasoline distributed, sold and used as motor fuel, according to media reports. The Biofuels bill is currently pending in the Senate while its counterpart in the Lower House, HB 4629, was passed in November last year. Both bills are under consolidation, according to an industry contact.

PSD Table						
Country	Philippines					
Commodity	Oil, Coconut			(1000 MT)(PERCENT)		
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2004		10/2005		10/2006
Crush	2310	2500	2236	2600	0	2060
Extr. Rate, 999.9999	0.62987	0.612	0.629696	0.626923	0	0.621359
Beginning Stocks	40	40	78	104	0	104
Production	1455	1530	1408	1630	0	1280
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	1495	1570	1486	1734	0	1384
MY Exports	996	996	1000	1160	0	810
MY Exp. to the EC	300	300	300	350	0	250
Industrial Dom. Consum	130	200	135	250	0	270
Food Use Dom. Consump.	275	250	285	200	0	180
Feed Waste Dom. Consum	16	20	15	20	0	20
TOTAL Dom. Consumption	421	470	435	470	0	470
Ending Stocks	78	104	51	104	0	104
TOTAL DISTRIBUTION	1495	1570	1486	1734	0	1384
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Philippines					
Commodity	Oil, Soybean					
			(1000 MT)(PERCENT)			
	2004	Revised	2005	Estimate	2006	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2005		01/2006		01/2007
Crush	200	120	190	125	0	130
Extr. Rate, 999.9999	0.175	0.175	0.178947	0.176	0	0.176923
Beginning Stocks	4	4	4	2	0	2
Production	35	21	34	22	0	23
MY Imports	13	13	15	13	0	14
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	52	38	53	37	0	39
MY Exports	4	4	0	2	0	3
MY Exp. to the EC	0	0	0	0	0	0
Industrial Dom. Consum	5	4	8	4	0	4
Food Use Dom. Consump.	39	28	41	29	0	30
Feed Waste Dom. Consum	0	0	0	0	0	0
TOTAL Dom. Consumption	44	32	49	33	0	34
Ending Stocks	4	2	4	2	0	2
TOTAL DISTRIBUTION	52	38	53	37	0	39
Calendar Year Imports	0	0	0	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	0	0	0	0	0	0
Calndr Yr Exp. to U.S.	0	0	0	0	0	0