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Philippines

Livestock and Products

Philippine Pork Market

2008

Approved by:

Emiko Purdy
U.S. Embassy

Prepared by:

Pia Abuel-Ang

Report Highlights:

Imports of pork and pork products increased by 43 percent in 2007, mostly made up of pork skin or rinds and fats, for use in meat processing. Majority of pork imports were sourced from Canada (32 percent), Germany (16 percent) and the United States (13 percent). Minimum Access Volume (MAV) utilization for pork increased from 5 percent to 19 percent last year, indicating an increase in importation of more premium pork cuts. In October 2007, the Philippine Department of Agriculture announced that it would be reviewing its MAV regulations, which is expected to be completed within the first quarter of 2008.

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

Tariff Rate Quota: Data from the Minimum Access Volume (MAV) Management Committee of the Philippine Department of Agriculture (DA) shows that in 2007, utilization rates of tariff-rate-quotas (TRQ) or MAV for pork increased from 5 percent in 2006 to 19 percent in 2007, indicating more imports of higher-value pork cuts, such as bellies and other unspecified prime cuts.

MAV UTILIZATION RATE 2005-07							
HS	Description	2005	%	2006	%	2007	%
Code		MAV (MT)	Used	MAV (MT)	Used	MAV (MT)	Used
0203	Fresh/Chilled/Frozen Pork	54,210	10	54,210	5	54,210	19

Source: MAV Secretariat

MAV usage for pork has been relatively low, due in part to the entry of large quantities of buffalo meat with a low tariff rate of 10 percent and illegally imported pork in the market. Buffalo meat, from India, has been traditionally used in the Philippines as a substitute for pork by the local meat processing industry. MAV utilization is expected to remain low due to the high in-quota duties for pork as well as high pork prices in the world market relative to the price of local pork. Majority of the pork imported in the Philippines is pork rind and pork fat.

WTO Commitments: Since 2005, the DA has continued to maintain 10th or final-year MAV levels under its Uruguay Round commitments. For pork HS 0203, the final-year MAV was 54,210 MT. The DA previously stated that it will continue to do so until such time as a new WTO agreement is reached. In October 2007, the DA announced that it would defer the distribution of 2008 MAV licenses, while it undertakes a review of MAV distribution guidelines. According to the DA, the review is being undertaken in order to allow new entrants and more entities to participate in the MAV system. On January 17, 2008, the DA released the MAV allocations for 2008, pending completion of the review, which temporarily disrupted trade for about 3 months. The review is expected to be completed in the first quarter of 2008.

Tariff Rates: In-quota and out-of-quota tariff rates for MAV commodities have not changed since 2005. Tariff rates for pork are as follow:

Pork - Fresh, Chilled or Frozen, Dried or Smoked				2008	
H.S. Code	Description	MFN		AFTA-CEPT ¹	
		In-quota	Out-quota	In-quota	Out-quota
0203.11.00	Carcasses and half-carcasses, of swine, fresh or chilled	30	40	30	40
0203.12.00	Hams, shoulders and cuts thereof with bone in, of swine, fresh or chilled	30	40	30	40
0203.19.00	Other meat of swine fresh or chilled	30	40	30	40
0203.21.00	Carcasses and half-carcasses of swine, frozen	30	40	30	40
0203.22.00	Hams, shoulders and cuts thereof with bone in, of swine, frozen	30	40	30	40
0203.29.00	Other meat of swine, frozen	30	40	30	40

¹ ASEAN Free Trade Agreement-Common Effective Preferential Tariff

HS Code	Description	2008	
		MFN	CEPT
Pork Edible Offal & Edible Fat			
0210.11.00	Hams, shoulders and cuts thereof, with bone in, of swine, salted, in brine, dried or smoked	40	5
0210.12.00	Bellies (streaky) and cuts thereof of swine, salted in brine, dried or smoked	40	5
0210.19.00	Other meat and edible meat offal of swine, salted, in brine, dried or smoked	40	5
0206.30.00	Edible offal of swine, fresh or chilled	7	5
0206.41.00	Livers of swine, frozen	5	3
0206.49.00	Other edible offal of swine, frozen	10	5
0209.00.00	Pig fat free of lean meat and poultry fat (not rendered), fresh, chilled, frozen, salted, in brine, dried or smoked	5	0
Pork Processed			
1601.10.00	Sausages of all kinds, whether or not in airtight containers	40	5
1602.41.10	Hams and cuts thereof of swine, prepared or preserved, in airtight containers	40	5
1602.41.90	Hams and cuts thereof of swine, prepared or preserved, other than in airtight containers	40	5
1602.42.00	Shoulders and cuts thereof, of swine, prepared or preserved	40	5
1602.49.00	Other prepared or preserved meat and offal of swine, including mixtures	40	5
1602.50.90	Meat and meat offal of bovine animals, prepared or preserved, other than in airtight containers	40	5

Source: Tariff Commission

Imports: Last year, according to data from the Philippine Bureau of Animal Industry (BAI), total pork imports increased by 43 percent, mostly composed of pork rinds or skin and pork fats used by the meat processing industry. The Philippines imported about 32 percent of its pork requirement from Canada and about 16 percent from Germany. The United States supplied a little over 13 percent (10,351 MT), mostly pork offals, fats and other unspecified pork cuts.

PORK IMPORTATION (in kg)					
	2005	2006	2007	2005/06	2006/07
Bellies	2,330,530	1,156,829	4,862,313	-50%	320%
Deboned	383,100	603,847	978,944	58%	62%
Fats	18,989,487	22,190,574	26,678,213	17%	20%
Offals	13,706,967	16,365,271	23,461,429	19%	43%
Pork Cuts	4,016,490	4,183,916	8,585,852	4%	105%
Rind/Skin	10,929,436	11,031,716	14,813,840	1%	34%
Total	50,356,010	55,532,153	79,380,591	10%	43%

Source: Bureau of Animal Industry, National Veterinary Quarantine Service

Production: Live hog production grew by 2.72 percent in 2007 and 3.66 percent in 2006. Hog production is expected to expand in 2008, albeit only marginally, due to increasing cost of feeds. In 2007, the Philippines imported 273 head of swine for breeding from the United States, an increase of 174 percent from the previous year (USDA/ERS FATUS Reports). Already in January 2008, local hog associations reported the arrival of 230 live hogs imported from the United States (see GAIN RP8003).

Hog Production 2005-07 (live weight, '000 MT)					
	2005	2006	2007	2006/05	2007/06
Hog	1771.28	1836.14	1886.01	3.66%	2.72%

Source: Bureau of Agricultural Statistics

Consumption: Philippine population is roughly 90 million and growing at a rate of 2.36 percent per year. According to the Bureau of Agricultural Statistics, annual per capita consumption of pork at 13.88 kg, grew by 1.39 percent in 2006, while consumption of pork offal grew by 3.57 percent.

Consumption of Pork and Pork Offals, 2004-06 (Per Capita)					
	2004	2005	2006	2005/04	2006/05
Carcass (kg/yr)	13.67	13.69	13.88	0.15%	1.39%
Offals (kg/yr)	3.06	3.08	3.19	0.65%	3.57%

Source: Bureau of Agricultural Statistics

Processed Meat: Demand for processed meat products is expected to remain strong. Canned food is very popular among Filipino households. Though canned meat/meat products had been losing popularity in recent years due to increasing awareness of healthy lifestyles, demand for such products is being awakened by more aggressive campaigns by suppliers. Due to low Philippine per capita income, demand for frozen food will remain extremely price-sensitive. Hotdogs, hams, sausages, salami and meat patties for burgers are favorite chilled processed meats among consumers.

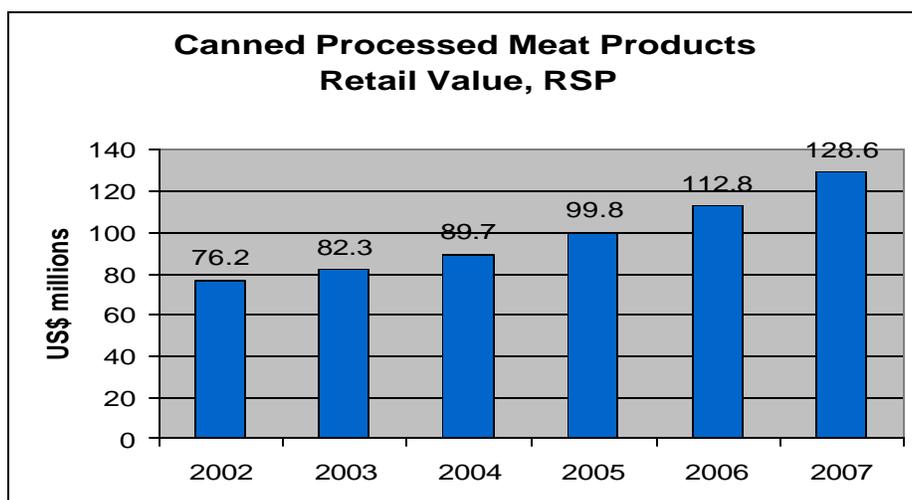
Demand for imported processed food products will remain relatively strong given the following factors: the growing interest and preference for western style cuisine, an increasing number of dual-income families and the increasing popularity of branded processed products. Additionally, a growing segment of young consumers is demanding imported products as a growing urbanization of the Philippine population spurs this growth.

According to the Philippine Association of Meat Processors Inc. (PAMPI), the domestic meat processing industry is forecast to continue to grow. The growing demand for processed meat products, which is estimated to be about 60 percent of the domestic meat market, is expected to drive this growth. Canned goods, in particular, have a strong growth potential due to wide distribution prospects in both traditional retail outlets such as supermarkets and groceries as well as remote neighborhood convenience stores or "sari-sari" stores in rural areas.

PAMPI is looking to expand into the international market. With the recognition of the Office International des Epizooties (OIE) that most parts of the country are free from foot-and-mouth disease, PAMPI is reportedly optimistic about the country's potential to export more products and to become the regional production hub for processed meat products.

Philippines, Frozen processed red meat (in US\$ '000,000, retail value, RSP)				
	2004	2005	2006	2007
Bacon	32.7	35.5	40.8	43.2
Hamburgers	14.7	13.7	14.3	18.2
Hot dogs	94.9	107.4	121.3	136.4
Pork sausages	11.5	15.5	18.4	20.5
Salami	-	-	2	3.4
Others	9.8	10	7.1	5.7
Total	163.7	182.1	203.9	227.4

Source: Packaged Food: Euromonitor from trade sources/national statistics



Source: Packaged Food: Euromonitor from trade sources/national statistics

However, the industry's growth and export potential are constrained by lack of new investment, an increasing global trend towards more stringent sanitary and phytosanitary (SPS) requirements for food products, and a limited source of raw materials, particularly beef, a base ingredient for most canned meat products. Because of the relatively small domestic cattle industry, local meat processors must source most of their meat requirements from outside the country such as India, and South America as well as Australia, Europe and the United States.

Foot-and-Mouth Disease: On January 4, 2008, the Philippine DA filed an application for Foot-and-Mouth Disease (FMD) free certification from the Office International des Epizooties (OIE), after having an absence of FMD outbreaks since the start of 2006. Under OIE rules, a country seeking FMD-free zone certification must have had no cases of FMD for at least 24 months before the time of application. According to the DA, an international scientific committee from the OIE will convene in March to evaluate the Philippine application, along with that of other countries. Should the Philippines' application be favorably received by the committee, the DA expects to receive the FMD-free certification, but with vaccination, from the OIE by May 2008. After one year of attaining FMD-free status, the Philippines may once again apply for a more stringent FMD-free status, with no vaccination if no outbreaks occur. The Visayas and Mindanao islands have already been certified by the OIE as FMD-free in 2002.

The Philippines is hopeful that this certification from the OIE would pave the way for more Philippine meat exports to other countries. The DA is looking at prospective markets in Singapore and China for Philippine pork products. The Philippines is hopeful that the upcoming inspections of Philippine meat facilities by the Singapore government would result in eventual market access for local products.

Currently, the DA's Bureau of Animal Industry restricts the movement of animals and uncooked/unprocessed meat products, including imported meat products from FMD infected countries, from Luzon to other OIE declared FMD-free zones such as Visayas or Mindanao. Imported meat products from FMD countries are only allowed to enter Luzon, provided that certain measures are in place (i.e., boneless, deglanded meat, with proper maturation and appropriate quarantine protocols, etc.). Moreover, imported meat products from FMD countries may only be imported for use by the meat processing industry and cannot be sold in the retail markets. The BAI is currently implementing a "biosecurity" program, which emphasizes the proper handling of livestock to prevent diseases, instead of vaccinating infected swine.

The Philippine DA will not likely change any policy on the movement of livestock and unprocessed animal products, even after receiving FMD-free, with vaccination certification. However, should the Philippines eventually attain FMD-free status, with NO vaccination (expected by May 2009 at the earliest) the current restrictions on the movement of live animals and uncooked meat products may be reviewed, to be made consistent with policies currently implemented in Visayas and Mindanao. These possible changes may have implications on the movement of imported and domestic live animals within the country, as well as importation of meat products from FMD-countries. How these issues are eventually resolved will directly impact U.S. exports of both meat products and livestock.