



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 3/6/2009

GAIN Report Number: RP9005

Philippines

Livestock and Products

Philippine Hog Industry Update

2009

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Report Highlights:

To partially offset the slight decline in Philippine hog production in 2008, total pork imports increased by 38 percent from the previous year, mostly pork fats and skins for further processing. In October 2008, the Ebola Reston Virus in local pigs was initially reported in two commercial farms in the Philippines. The Philippine government announced plans to immediately depopulate the affected hog farm to prevent the further spread of the virus. San Miguel Corporation, the largest food and beverage conglomerate in the Philippines, announced plans for a \$100 million expansion of their hog operation.

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

Production

In 2008, Philippine hog production was valued at nearly P150 billion¹ (\$3 billion), 11.29 percent higher than the previous year despite the contraction of 1.60 percent in the volume of production. The detection of the Ebola Reston Virus (ERV) in two commercial farms in Luzon and outbreak of other swine diseases, as well as the continued increase in production and feed costs is expected to affect the growth of the pig industry this year.

Production ('000 MT) Liveweight	2006	2007	2008	06/07	07/08
Hogs	1,836.14	1,886.01	1,855.74	2.72	-1.60

Source: Bureau of Agricultural Statistics

The local hog industry accounts for about 83 percent of the total livestock production and is equivalent to almost 15 percent of the total value of agricultural production. As of January 2009, the total number of pigs is about 13.6 million heard, of which 71 percent are from backyard farms and 29 percent are being raised by commercial farms. The higher number of pigs can be found in the province of Bulacan with about 1.2 million heads, followed by the province of Batangas (0.8 million) and Leyte (0.66 million).

Consumption

Total pork supply in 2007 reached almost 1.7 million metric tons, of which 97 percent are produced locally and the remaining 3 percent are imported. Demand is mostly for domestic food consumption which is about 98 percent, and the balance is processed into canned or processed meat. The derived consumption of pork (excluding offal and processed meats) in 2007 was 15.07 kilograms.

Per Capita Consumption of Pork 2005-07 (kgs/year)			
	2005	2006	2007
Carcass	13.69	14.80	15.07
Offal	3.08	3.38	3.55

Source: Bureau of Agricultural Statistics

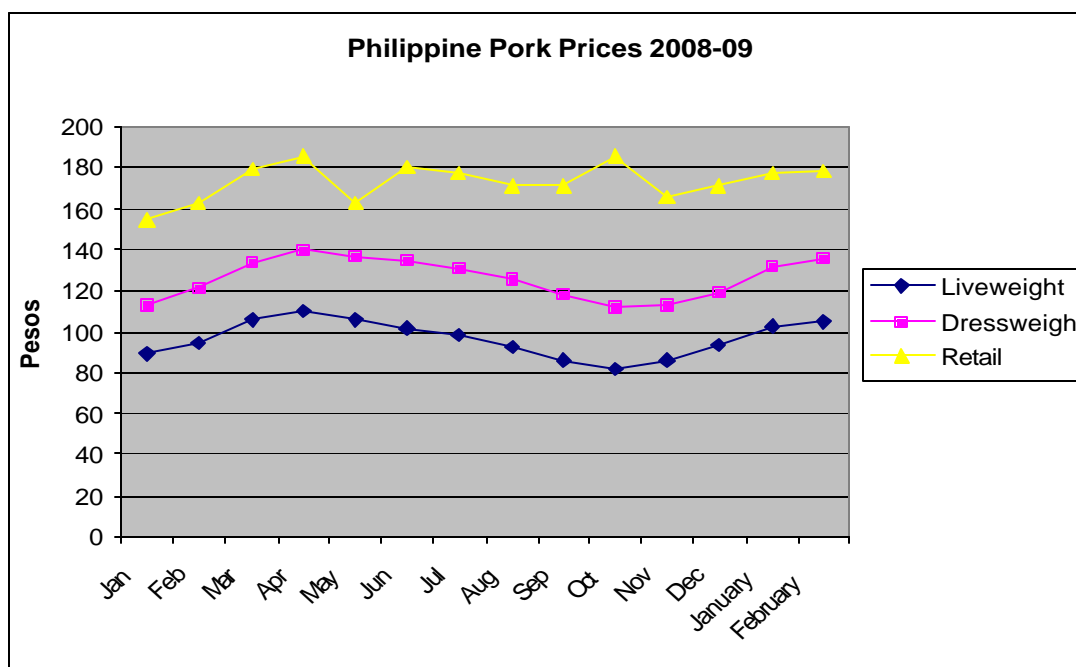
Prices

Average livestock prices were up by an average of 12.17 percent, with hog prices realizing the largest gain at 13.11 percent. This was mainly due to the drop in hog production and an increase in production costs, specifically feed and fuel costs.

Farmgate Prices (Pesos/kg)	2006	2007	2008	06/07	07/08
Hogs	69.23	71.27	80.61	2.95	13.11

Source: Bureau of Agricultural Statistics

¹ Current Prices; US\$1=49.06 as of March 3, 2009



Source: Marketing Development Division, Bureau of Animal Industry

Trade

To partially offset the decline in local hog production, total pork imports increase by 38 percent in 2008 compared to the previous year. While imports were mostly pork fats and rind for processing, there were also large increases in the importation of various pork cuts (i.e., hams and shoulders) and pork bellies. Main country sources for pork were Canada, 29 percent and the United States, 27 percent. Imports from the United States nearly tripled from 10,351 MT in 2007 to 29,575 MT in 2008.

Pork Imports 2006-08 (in kg)					
	2006	2007	2008	2006/07	2007/08
Bellies	1,156,829	4,862,313	7,782,402	320%	60%
Deboned	603,847	978,944	475,281	62%	-51%
Fats	22,190,574	26,678,213	29,776,918	20%	12%
Offal	16,365,271	23,461,429	27,986,040	43%	19%
Pork Cuts	4,183,916	8,585,852	29,106,498	105%	239%
Rind/Skin	11,031,716	14,813,840	14,238,866	34%	-4%
Total	55,532,153	79,380,591	109,366,006	43%	38%

Source: National Veterinary Quarantine Service, Bureau of Animal Industry

Country Sources 2006-08 (in kg)						
	2008	Share	2007	Share	2006	Share
Australia	1,478,008	1%	1,735,721	3%	1,717,212	3%
Belgium	5,072,749	5%	5,559,677	7%	4,001,700	7%
Canada	31,724,893	29%	25,392,161	36%	19,727,400	36%

Denmark	3,186,977	3%	2,030,839	4%	2,017,178	4%
Netherlands	2,081,088	2%	1,656,548	1%	643,055	1%
USA	29,575,267	27%	10,351,018	11%	5,947,729	11%
Germany	13,728,165	13%	12,558,795	17%	9,306,042	17%
New Zealand	24,500	0%	51,498	0%	35,582	0%
France	9,359,284	9%	9,356,952	7%	4,024,294	7%
Spain	5,773,637	5%	-	0%	-	0%
Ireland	803,384	1%	981,871	1%	597,097	1%
Korea	6,558,053	6%	5,954,520	10%	5,529,560	10%
Spain	-	0%	3,454,060	3%	1,885,104	3%
United Kingdom	-	0%	296,930	0%	100,000	0%
Total	109,366,006		79,380,591		55,531,952	

Source: National Veterinary Quarantine Service, Bureau of Animal Industry

Policy

Foot and Mouth Disease (FMD): After having failed to secure FMD-free certification from the World Organization for Animal Health (OIE) in 2008 due to administrative issues, the Philippine Department of Agriculture (DA) has reapplied for FMD-free, with vaccination status with the OIE (see GAIN RP8012). The DA recently submitted to world animal health authorities all documents required to have Luzon certified as free of the Foot-and-Mouth Disease and pave the way for the declaration of the Philippines as an FMD-free country. The islands of Visayas and Mindanao have already been declared free of FMD.

Ebola Reston Virus: Ebola Reston Virus (ERV) in pigs was initially reported in October 2008 in two (2) commercial farms in Pangasinan and Bulacan, in the main island of Luzon. An increase in pig mortality on swine farms in Luzon in 2007 and 2008 prompted the Philippine government to initiate laboratory investigations. Samples taken were sent to international reference laboratories which confirmed in October last year that the pigs were infected with a highly virulent strain of porcine reproductive and respiratory syndrome (PRRS) as well as the ERV. ERV was first isolated in Reston, Virginia in 1989, in a quarantine research facility with cynomolgus monkeys imported from the Philippines.

Immediately after, the Philippine DA and the Department of Health (DOH) formed a joint task force and imposed quarantine on the two farms and a voluntary ban on the export of pork. Test results done by the DOH and the U.S. Centers for Disease Control and Prevention (CDC) suggests that there is an on-going viral transmission from an unknown source in the pig farm in Bulacan and that there was past infection of ERV with recovery in Pangasinan. As a result, the Philippine government has decided to lift the quarantine in Pangasinan and immediately depopulate the Bulacan farm, which is necessary to prevent the further spread of the ERV within and outside the farm or enter the food chain. The government also announced plans to increase surveillance and monitoring of pig farms and to expand testing of ERV to other areas where there are reports of sickness in pigs.

Moreover, the Department of Health (DOH) of the Philippines has reported that six (6) workers from the said farms and slaughterhouses were found to be positive with ERV antigens and antibodies. To date, all close contacts of humans positive for ERV have been tested and remained free from infection. According to experts, ERV poses a low risk to human health at this time.

Minimum Access Volumes: Minimum Access Volumes (MAV) for pork and all other commodities subject to MAV or Tariff Rate Quotas (TRQ) have not increased since 2005, when the Philippines reach its 10th/last year commitment under the WTO Uruguay Round. According to the DA, it would not initiate any reforms to the MAV system in the meantime. Data from the Minimum Access Volume (MAV) Management Committee of the Philippine Department of Agriculture (DA) shows that in 2008, utilization rates of tariff-rate-quotas (TRQ) or MAV for pork increased from 19 percent in 2007 to 58 percent in 2008, indicating more imports of higher-value pork cuts, such as bellies and other cuts.

MAV UTILIZATION RATE 2006-08							
HS	Description	2006	%	2007	%	2008	%
Code		MAV (MT)	Used	MAV (MT)	Used	MAV (MT)	Used
0203	Fresh/Chilled/Frozen Pork	54,210	5	54,210	19	54,210	58

Source: MAV Secretariat

In the past, 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 increased significantly last year due in part to the strength of the Philippine peso vis-à-vis the U.S. dollar. The Philippine peso appreciated by as much as 13 percent in 2008 from the previous rate.

Tariff Rates: In-quota and out-of-quota tariff rates for MAV commodities have not changed since 2005. AFTA-CEPT tariff rates for frozen and chilled pork are expected to drop to 5 percent while AFTA-CEPT tariffs for processed pork products are expected to be eliminated by 2010. Tariff rates for pork are as follow:

Pork - Fresh, Chilled or Frozen, Dried or Smoked				2009	
H.S. Code	Description	MFN		AFTA-CEPT ²	
		In-quota	Out-quota	In-quota	Out-quota
0203.11.00	Carcasses and half-carcasses, of swine, fresh or chilled	30	40	20	20
0203.12.00	Hams, shoulders and cuts thereof with bone in, of swine, fresh or chilled	30	40	20	20
0203.19.00	Other meat of swine fresh or chilled	30	40	20	20
0203.21.00	Carcasses and half-carcasses of swine, frozen	30	40	20	20
0203.22.00	Hams, shoulders and cuts thereof with bone in, of swine, frozen	30	40	20	20
0203.29.00	Other meat of swine, frozen	30	40	20	20

Source: Tariff Commission; Executive Order (EO) Nos. 574 and 703

² ASEAN Free Trade Agreement-Common Effective Preferential Tariff

HS Code	Description	2009	
		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	0
0206.49.00	Other edible offal of swine, frozen	10	0
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; Executive Order (EO) Nos. 574 and 703

China Ban: On February 22, 2009, the DA temporarily banned the importation of cattle and other animals susceptible to the foot-and-mouth disease (FMD) from China. The Department stopped the entry of cattle and other animals susceptible to FMD after the Office International des Epizooties (OIE) or World Animal Health Organization confirmed outbreaks of the disease in the Chinese provinces of Hubei and Xinjiang. The ban includes the immediate suspension of the processing, evaluation of the application and issuance of Veterinary Quarantine Clearance (VQC) to import these animals from China. DA veterinary quarantine officers and inspectors were also ordered to stop and confiscate all such commodities and by-products into the country originating from China.

MARKETING

SMC Expansion: In February 2009, San Miguel Corporation (SMC), the largest food and beverage conglomerate in the Philippines announced that it has earmarked nearly P10 billion (\$200 million) for the expansion of its food group program in the next few years. San Miguel Corporation enumerated the key components of this expansion plan as follows: P4.89 billion (\$100 million) for the expansion of the Monterey Hog Farm; P3.37 billion (\$68 million) for the expansion of the Magnolia Poultry Farm; P840 million (\$16.8 million) for the B-Meg Animal Feeds Program; P231 million (\$4.6 million) for the Purefoods-Hormel Corporation Nuggets line; and P215 million (\$4.3 million) for the new Magnolia Ice Cream Plant.