

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Chicken and Pork Quarterly Update

**Country:** Philippines

**Post:** Manila

**Report Category:** Livestock and Products, Poultry and Products, Livestock and Products

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**Report Highlights:**

Due to low farm gate prices in the second quarter of 2020 as a result of the challenges of COVID-19, Post has lowered chicken meat production to three percent growth over the 2019 level. Imports have also been adjusted down to reflect the drop in overall demand. Post forecasts a larger drop in pork production of 15 percent (compared to its previous forecast of a nine percent decline) in 2020, as African Swine Fever policies continue to limit the movement of pork and live animals, and commercial farms remain cautious about their restocking programs. Pork imports plunged 40 percent from January to May 2020 compared to the previous year, but Post expects a recovery in the second half of the year to augment local supply..

**Chicken:**

Post adjusted chicken meat production down slightly but still showing an increase of three percent from the 2019 level. Due to record low farm gate prices in Q2 caused by the COVID-19 quarantine restrictions and temporary closure of food outlets, chicken production is still seen to grow this year but at a slower pace. Imports have also been adjusted downward to reflect the drop in overall demand. For more information on the restrictions implemented by the Philippine government to limit the spread of COVID-19, please see FAS Manila’s June 2020 Grain and Feed Report.

Chicken meat imports from January to May 2020 increased 50 percent from the previous year. About 65-70 percent is composed of mechanically deboned meat (MDM) of chicken used for meat processing and is not locally produced. There are 175 meat processors in the country, which together produce annually about 600,000 MT of meat products worth around P90 billion (\$1.8 billion). The meat processing industry, which has been growing by an average of 10 to 15 percent per year, sources about 85 percent of its raw materials from abroad.

<b>Meat, Chicken</b>	<b>2018</b>		<b>2019</b>		<b>2020</b>	
	<b>Jan 2018</b>		<b>Jan 2019</b>		<b>Jan 2020</b>	
	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>	<b>USDA Official</b>	<b>New Post</b>
<b>Market Year Begins</b>						
<b>Philippines</b>						
<b>Beginning Stocks (1000 MT)</b>	0	0	0	0	0	0
<b>Production (1000 MT)</b>	1380	1380	1450	1450	1520	1500
<b>Total Imports (1000 MT)</b>	321	321	366	366	370	350
<b>Total Supply (1000 MT)</b>	1701	1701	1816	1816	1890	1850
<b>Total Exports (1000 MT)</b>	0	0	0	0	0	0
<b>Human Consumption (1000 MT)</b>	1701	1701	1816	1816	1890	1850
<b>Other Use, Losses (1000 MT)</b>	0	0	0	0	0	0
<b>Total Dom. Consumption (1000 MT)</b>	1701	1701	1816	1816	1890	1850
<b>Total Use (1000 MT)</b>	1701	1701	1816	1816	1890	1850
<b>Ending Stocks (1000 MT)</b>	0	0	0	0	0	0
<b>Total Distribution (1000 MT)</b>	1701	1701	1816	1816	1890	1850
(1000 MT)						

Imports of chicken leg quarters and others chicken cuts (i.e., wings) grew significantly in the early months of 2020 due to robust demand from the hotel, restaurant, and institutional (HRI) sector for these products. Industry sources have likewise indicated that the bump in imports during the first three months the year was partly caused by delayed arrivals of shipments due to global shipping problems in late 2019.

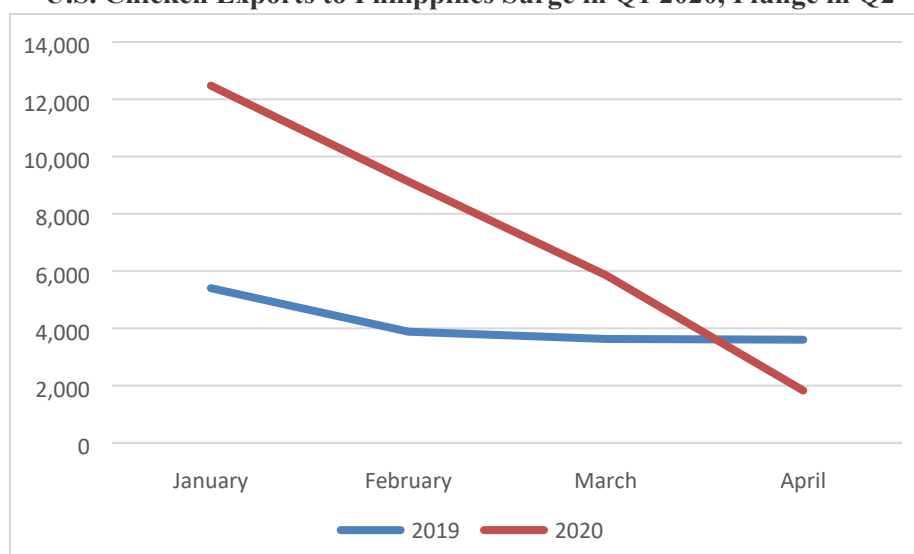
Chicken leg quarters and other cuts (comprising about a third of imports or approximately eight percent of total chicken supply) used primarily by the HRI food service outlets have since dropped significantly in Q2 due to low demand, port congestion problems, and a lack of cold storage space. Experts estimate that HRI makes up about 30 percent of total chicken consumption in the country. The closure of most restaurants during the strict months of lockdown across Luzon Island, which includes Metro Manila, had a significant impact on chicken demand. More information on the overall poultry sector is available on the USDA [Philippine Broiler Market Trends and Prospects](#) report.

### Philippine Chicken Imports, Jan-May 2019 and 2020

CHICKEN (MT)	2020						2019					
	Jan	Feb	Mar	Apr	May	Total	Jan	Feb	Mar	Apr	May	Total
Deboned	24,948	19,921	18,567	21,416	23,577	108,429	15,980	12,319	18,621	13,517	14,233	74,670
Chicken Leg Quarters	12,146	13,955	7,945	4,352	5,047	43,446	11,745	7,664	6,236	2,353	2,953	30,951
Chicken Cuts (i.e., wings)	4,471	4,483	4,946	4,768	4,274	22,941	2,026	2,572	1,947	1,259	1,733	9,536
Fats	428	81	276	270	459	1,513	265	292	440	398	320	1,713
Offals	293	284	200	138	146	1,061	56	191	298	94	160	798
Rind/Skin	184	82	83		51	398	172	79	164	27	391	833
Whole Chicken	176	229	140			545	44	0	24	47	0	116
<b>Total Chicken Imports</b>	<b>42,646</b>	<b>39,035</b>	<b>32,156</b>	<b>30,944</b>	<b>33,554</b>	<b>178,334</b>	<b>30,288</b>	<b>23,116</b>	<b>27,730</b>	<b>17,695</b>	<b>19,789</b>	<b>118,617</b>

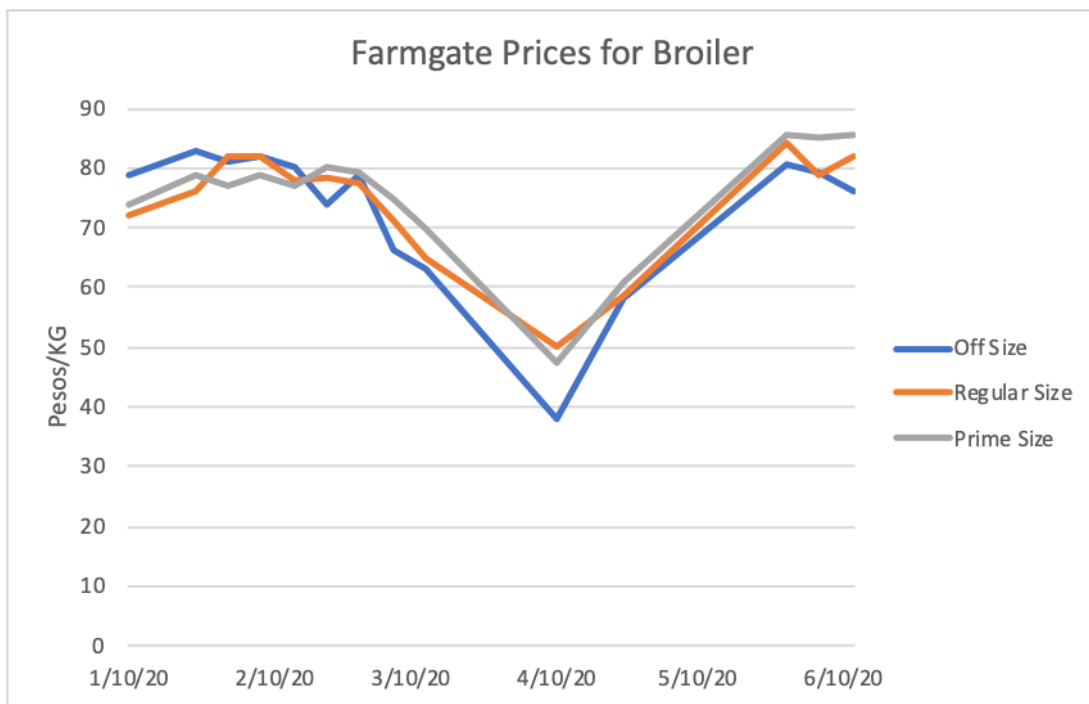
Source: Bureau of Animal Industry (BAI)

### U.S. Chicken Exports to Philippines Surge in Q1 2020, Plunge in Q2



Source: USDA/FAS Global Agricultural Trade System

Farm gate prices temporarily dipped from mid-March to April 2020 as the Philippines began its Enhanced Community Quarantine lockdown in response to the global pandemic, but prices have since steadily increased. With the Philippine economy beginning to open up, including restaurants now allowing partial dine-in services, chicken prices have recovered and in fact surpassed pre-COVID-19 levels. Day-old-chick prices, which dropped to P6 to 15 (\$0.12 to \$0.30) in April 2020 have also started to increase (currently at P24 to 26 or \$0.48 to \$0.52), indicating that broiler operations may have temporarily delayed their growing cycles. (Note: as of June 17, 2020 US\$1.00 = P50.04)



Source: United Broiler Raisers Association (UBRA)

As [reported by the National Meat Inspection Service \(NMIS\)](#), stocks of both imported and domestic chicken meat in cold storage warehouses have also started to come down as the economy starts to reopen and more food outlets begin to operate. From 97,828 MT on May 18 (Week 21), inventory of frozen dressed chicken in accredited cold storage warehouses dropped to 89,601 MT on May 25, 2020 (Week 22).

In early June, the Philippines notified the World Trade Organization of [Administrative Order No. 24](#), Additional Guidelines on the Approval of Sanitary and Phytosanitary Import Clearance for Meat Commodities. If implemented, this measure would require importers to obtain from NMIS a certificate of availability of cold storage space and a meat importation usage report prior to issuance of an import clearance. AO24 faces opposition from the domestic meat processing sector, which is the primary user of imported mechanically deboned chicken meat.

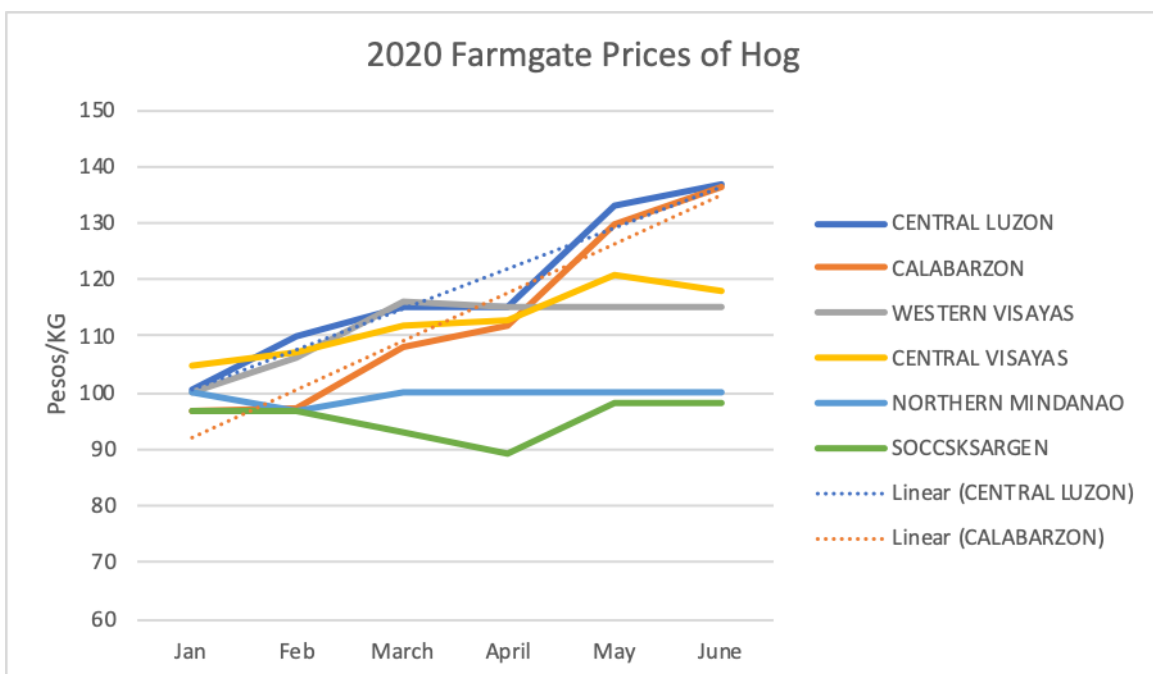
**Swine:**

African Swine Fever (ASF) continues to be an issue in the Philippines, but has not spread significantly beyond Central Luzon and parts of Mindanao. Post expects pork production to decline 15 percent in 2020, compared to its previous forecast of a nine percent drop. ASF zoning restrictions continue to limit the movement of pork and live hogs, while commercial farms remain cautious about the restocking of breeding animals. Tight hog supplies particularly in Luzon have resulted in a sharp increase in farm gate prices. To address this shortage, the Philippine Department of Agriculture (DA) has allocated P400 million (\$8 million) for the restocking of hog farms in Region III (Central Luzon) and Region IV-A (Southern Tagalog). In addition, the DA has weakened the 1-7-10 protocol by no longer requiring the culling of all hogs within a 1 km radius of a confirmed case.

Meat, Swine Market Year Begins  Philippines	2018		2019		2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference) (1000 HEAD)	0	0	0	0	0	0
Beginning Stocks (1000 MT CWE)	0	0	0	0	0	0
Production (1000 MT CWE)	1601	1601	1585	1585	1450	1350
Total Imports (1000 MT CWE)	283	283	222	222	280	250
Total Supply (1000 MT CWE)	1884	1884	1807	1807	1730	1600
Total Exports (1000 MT CWE)	1	1	1	1	1	1
Human Dom. Consumption (1000 MT CWE)	1883	1883	1806	1806	1729	1599
Other Use, Losses (1000 MT CWE)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT CWE)	1883	1883	1806	1806	1729	1599
Ending Stocks (1000 MT CWE)	0	0	0	0	0	0
Total Distribution (1000 MT CWE)	1884	1884	1807	1807	1730	1600
(1000 HEAD), (1000 MT CWE)						

Note: USDA pork data in PSD only include muscle cuts, not variety meat and offals

Farm gate prices have increased sharply from P100/kg (\$2.00) at the start of the year to about P135-140/kg (\$2.70 - \$2.80) in June due to a lack of available slaughter-ready hogs in the Central Luzon and Calabarzon Regions. These two regions comprise over one third of total Philippine hog production and its provinces have had a large share of the country's ASF cases. High prices in Luzon could encourage more slaughter of hogs, including breeding animals, which would further contribute to tight pork supplies in the second half of the year.



Source: Pork Producers Federation of the Philippines

2020 Farm Gate Hog Prices by Region							
Pesos/ KG							
	Jan	Feb	Mar	Apr	May	Jun	Jan-Jun % change
CENTRAL LUZON	101	110	115	115	133	137	35.64
CALABARZON	97	97	108	112	130	136	40.20
WESTERN VISAYAS	100	106	116	115	115	115	15.00
CENTRAL VISAYAS	105	107	112	113	121	118	12.38
NORTHERN MINDANAO	100	97	100	100	100	100	-
SOCCSKSARGEN	97	97	93	89	98	98	1.03

Source: Pork Producers Federation of the Philippines

Based on DA Department Circular No. 1 (2020), the DA has set the Suggested Retail Price (SRP) at P190/kg (\$3.80) for lean pork and P225 (\$4.50) for pork belly in Metro Manila markets. Under the Price Act, the DA is directed to issue an SRP for basic necessities and prime commodities for the information and guidance of producers, retailers, and consumers. Several food items are covered, including whole dressed chicken at P130/kg. (\$2.60) However, pork producers have complained that they may not be able to recoup their losses because of the price controls and that the current SRP leaves no room for hog raisers to make a profit. If the DA

insists that the SRP for pork remains at P190, the producers argue that they would have no choice but to shut down their operations. As of June 11, the current retail prices for a kilogram of lean pork are between P210 and P250 (\$4.20 and \$5.00), while pork belly sells for P240 to P280. (\$480 to \$5.60)

Although culling due to ASF has been limited to 297,300 head (2.4 percent of total hog inventory) according to official government reports, Post expects a larger drop in inventory numbers in Q3 and Q4 of 2020. Q2 inventory showed a slight contraction and is now at the same level as Jan 1, 2019. There is a shift from backyard (under 20 head) to commercial operations, as backyard inventory declines while commercial farms expand. Commercial hog farms benefit from stronger biosecurity systems, economies of scale, and better access to compound feed.

**Swine Inventory by Quarter, 2019-2020P**

		2019				2020	
		January 1	April 1	July 1	October 1	January 1	April 1
<b>Swine</b>	<b>TOTAL</b>	12,709,248	12,732,213	12,699,991	13,010,644	12,795,721	12,709,328
	<b>Backyard</b>	8,167,864	8,060,102	8,018,171	8,199,770	7,971,400	7,917,561
	<b>Commercial</b>	4,541,384	4,672,111	4,681,820	4,810,874	4,824,321	4,791,767

Source: Philippine Statistics Authority (PSA)

Pork imports from January to May 2020 dropped 40 percent due to a combination of high global pork prices, congestion at the Port of Manila, lack of cold storage space, and plummeting demand from the HRI sector during the COVID-19 pandemic. Due to the anticipated pork shortage, however, Post expects imports to pick up in the second half of the year to supplement local supply. Consumption of pork is also seen to firm up as the economy begins to reopen and lockdown restrictions are gradually lifted.

## Philippine Pork Imports, Jan-May 2019 and 2020

PORK IMPORTS (MT)	2020						2019					
	Jan	Feb	Mar	Apr	May	Total	Jan	Feb	Mar	Apr	May	Total
Offals	7,313	5,645	6,552	8,803	10,736	39,049	13,917	13,540	16,643	13,468	14,826	72,394
Pork Cuts	2,832	2,049	1,340	2,403	4,104	12,728	4,181	3,074	3,843	2,868	4,009	17,976
Bellies	1,777	1,280	1,442	2,414	3,323	10,235	4,148	2,442	3,294	3,050	3,568	16,501
Whole Pork											500	500
Sub-Total	11,921	8,974	9,334	13,620	18,163	62,012	22,247	19,056	23,780	19,386	22,903	107,372
Fats	3,608	2,480	2,484	3,016	4,233	15,822	6,056	4,481	5,653	6,246	5,422	27,858
Rind/Skin	2,294	1,432	1,516	1,980	2,464	9,685	1,900	1,637	3,799	1,916	2,317	11,568
<b>Total Pork Imports</b>	<b>17,823</b>	<b>12,886</b>	<b>13,334</b>	<b>18,616</b>	<b>24,861</b>	<b>87,520</b>	<b>30,202</b>	<b>25,174</b>	<b>33,232</b>	<b>27,548</b>	<b>30,641</b>	<b>146,797</b>

Source: Bureau of Animal Industry (BAI)

Industry contacts say that about half of pork imports goes to meat processing, 30 percent to food retail, and about 20 percent to food service. Many products used by meat processors, such as fats, rind/skins, certain offals, and variety meats are not readily available from local producers, as current industry practice is to sell live hogs to traders who slaughter and sell the whole carcass to the retail markets. The lack of accredited cutting plants and cold storage facilities with proper meat hygiene and sanitary requirements, as well as high feed costs contribute to making local pork uncompetitive.

Stocks of imported and local frozen pork (49,265 MT) in cold storages as of May 25 are up 20 percent from the previous month (41,909 MT) and have doubled from the previous year (25,209 MT), indicating that cold storage is near full capacity, especially in Luzon.

[https://www.nmis.gov.ph/images/pdf/2020\\_inventory/052520-Inventory.pdf](https://www.nmis.gov.ph/images/pdf/2020_inventory/052520-Inventory.pdf). Due to the lack of cold warehouse space, some traders have resorted to using plugged in refrigerated containers as temporary storage until demand returns with the loosening of COVID-19 restrictions.

### Attachments:

No Attachments.