



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Voluntary Report - public distribution

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GAIN Report #RP9052

## Philippines

### Grain and Feed

### Corn PSD Revision

1999

Prepared by:

**Charles T. Alexander**

**U.S. Embassy**

Drafted by:

Perfecto G. Corpuz

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#### **Report Highlights:**

**Corn production surged 39 percent in MY98/99 compared to the previous year's level due to favorable weather conditions. Area planted increased and there were higher yields. Storage problems and continuous rains, however, also resulted in higher spoilage. Production in MY99/00 will decline and imports are expected to increase from their year-ago level due to renewed demand by the live stock and poultry industries compounded by supply-demand gaps resulting from inefficient storage and distribution systems. Imports are expected to continue beyond MY99/00 because of this inefficiency.**

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Includes PSD changes: Yes

Includes Trade Matrix: No

Unscheduled Report

Manila [RP I], RP

|                       |             |         |        |         |                    |         |
|-----------------------|-------------|---------|--------|---------|--------------------|---------|
| PSD Table             |             |         |        |         |                    |         |
| Country               | Philippines |         |        |         |                    |         |
| Commodity             | Corn        |         |        |         | (1000 HA)(1000 MT) |         |
|                       | Revised     | 1997    | Prelim | 1998    | Forecast           | 1999    |
|                       | Old         | New     | Old    | New     | Old                | New     |
| Market Year Begin     |             | 07/1997 |        | 07/1998 |                    | 07/1999 |
| Area Harvested        | 2366        | 2366    | 2775   | 2766    | 2600               | 2714    |
| Beginning Stocks      | 117         | 117     | 120    | 128     | 385                | 286     |
| Production            | 3528        | 3528    | 4800   | 4894    | 4200               | 4335    |
| TOTAL Mt. Yr. Imports | 325         | 506     | 100    | 189     | 150                | 200     |
| Oct-Sep Imports       | 455         | 488     | 100    | 74      | 175                | 200     |
| Oct-Sep Import U.S.   | 282         | 247     | 0      | 20      | 0                  | 75      |
| TOTAL SUPPLY          | 3970        | 4151    | 5020   | 5211    | 4735               | 4821    |
| TOTAL Mt. Yr. Exports | 0           | 0       | 0      | 0       | 0                  | 0       |
| Oct-Sep Exports       | 0           | 0       | 0      | 0       | 0                  | 0       |
| Feed Dom Consumption  | 2650        | 2950    | 3050   | 3000    | 3050               | 3150    |
| TOTAL Dom Consum      | 3850        | 4023    | 4635   | 4925    | 4610               | 4700    |
| Ending Stocks         | 120         | 128     | 385    | 286     | 125                | 121     |
| TOTAL DISTRIBUTION    | 3970        | 4151    | 5020   | 5211    | 4735               | 4821    |

This update is being submitted to reconcile Post with FAS/W PSD data.

Production and import numbers for both MY97/98 and MY98/99 were adjusted based on official GOP estimates. MY97/98 coincided with the peak of the El Nino drought resulting in a 16 percent production decline from the previous year's level. Feed and overall corn consumption were raised due to better-than-expected supply.

Production surged in MY98/99 due to more favorable weather conditions which made possible increased area planted and better yields. Both wet and dry season crops surged with the latter more than doubling its previous year's level. Despite very good production, however, imports were more than expected due to production and consumption peculiarities of the domestic corn industry. More than 60 percent of total corn production is concentrated in the southern island of Mindanao while around 80 percent of total feed mill capacity is located in Luzon island in the northern part of the country. Luzon corn production comprises only about 30 percent of total corn production.

Inefficient marketing and distribution systems drive up the landed price of Mindanao corn transported to Luzon. Wholesale price of yellow corn in MY98/99 averaged Pesos 7.63 per kilo (Pesos 40/\$1) posted in Metro Manila. Even at the 80 percent out-quota tariff rate, feed millers still found it cheaper to import corn. Corn consumption in MY98/99 was adjusted upwards due to better-than-expected supply. The consumption figure during the year is up to account for spoilage losses resulting from storage problems and heavy rains in the first half of 1999.

Production is expected to decline in MY99/00 as the weather returns to more "normal" conditions. Feed consumption during the year is projected to increase due to expected recovery of the poultry sector in the last quarter of 1999 and a recent ban on duty-free meat imports which will favor local meat production. Despite the high corn inventory coming into the year, imports are expected to

increase slightly from the previous year's level due to the decline in production as well as geographic constraints mentioned earlier. Imports are also enhanced by another round of tariff reductions in MY99/00. Out-quota tariffs are down to 65 percent in MY99/00 from 80 percent in MY98/99.

The incongruity of corn supply and demand as a result of geographical constraints is gradually forcing shifts in the structure of the industry. Some big feed mills, livestock and poultry farms are expanding and bringing their operations closer to the corn growing areas in Mindanao island. Parallel to this trend are efforts in the establishment of grain transport, storage and handling facilities in Luzon island. Both developments infer that corn production in Luzon island may have reached its limit and existing feed mills in the island will rely on imports to fill the gap.