

**Required Report:** Required - Public Distribution

**Date:** September 18,2020

**Report Number:** RP2020-0066

## **Report Name:** Grain and Feed Update

**Country:** Philippines

**Post:** Manila

**Report Category:** Grain and Feed

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### **Report Highlights:**

The dual crises of the COVID-19 pandemic and African Swine Fever have impacted the Philippine hog and chicken sectors, traditionally the strongest performers in the agricultural economy. Post lowers MY2020/2021 wheat imports to 6.85 million MT, two percent below the current forecast, due to reduced hog demand for feed wheat and slower growth in the milling sector. Corn imports in MY2020/2021 are also lowered to 375,000 MT from the current forecast of 600,000 MT, reflecting reduced demand from broilers. Meanwhile, rice production during the same period is raised over six percent on account of a projected strong first quarter of the marketing year. Rice imports on the other hand are lowered to 2.6 million MT, 13 percent below the current forecast of 3.0 million MT. Domestic production is expected to meet a larger share of consumption, while higher Vietnamese prices will likely result in less rice from the Philippines' largest supplier.

## Wheat

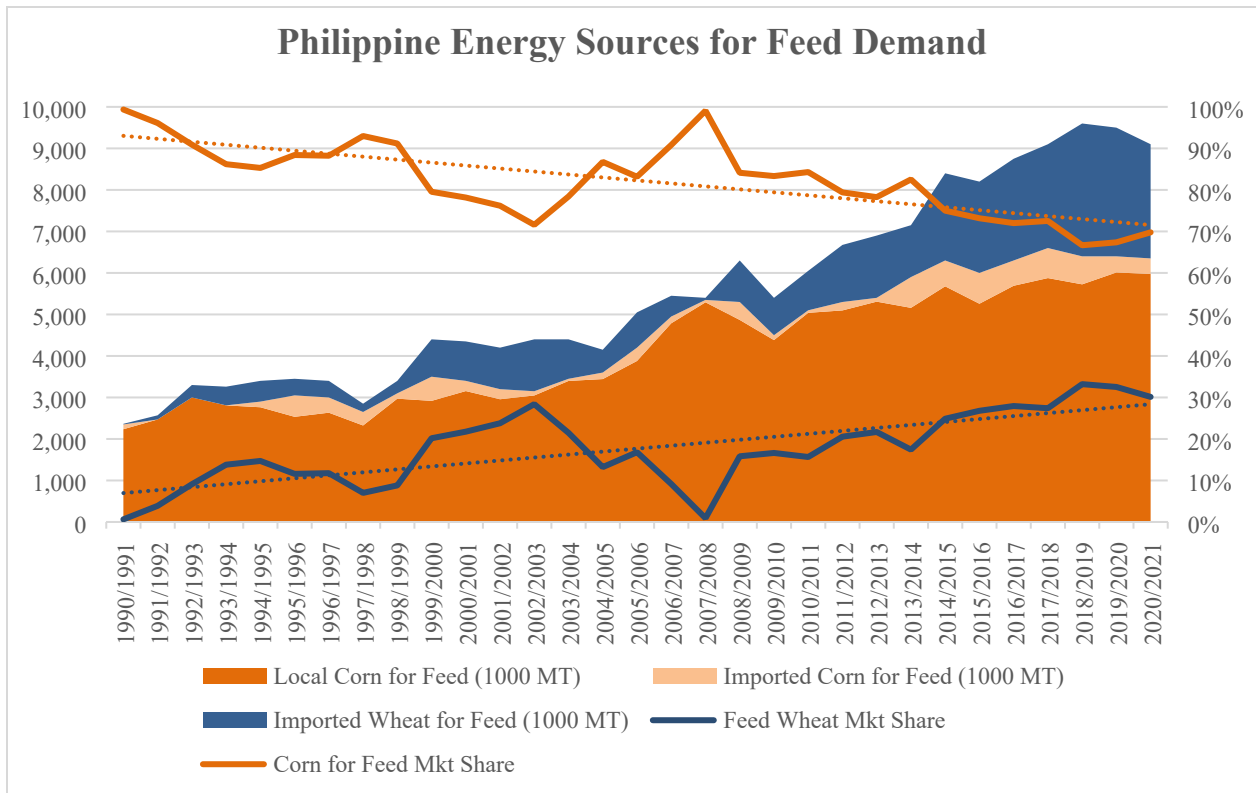
### Production, Supply, and Distribution (PSD)

| Wheat<br>Market Year Begins<br>Philippines | 2018/2019     |          | 2019/2020     |          | 2020/2021     |          |
|--|---------------|----------|---------------|----------|---------------|----------|
|  | Jul 2018      |          | Jul 2019      |          | Jul 2020      |          |
|  | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested (1000 HA)                   | 0             | 0        | 0             | 0        | 0             | 0        |
| Beginning Stocks (1000 MT)                 | 1801          | 1801     | 2276          | 2300     | 2235          | 2257     |
| Production (1000 MT)                       | 0             | 0        | 0             | 0        | 0             | 0        |
| MY Imports (1000 MT)                       | 7546          | 7570     | 7034          | 7032     | 7000          | 6850     |
| TY Imports (1000 MT)                       | 7546          | 7570     | 7034          | 7032     | 7000          | 6850     |
| TY Imp. from U.S. (1000 MT)                | 2870          | 2870     | 3229          | 3229     | 0             | 0        |
| Total Supply (1000 MT)                     | 9347          | 9371     | 9310          | 9332     | 9235          | 9107     |
| MY Exports (1000 MT)                       | 71            | 71       | 75            | 75       | 65            | 65       |
| TY Exports (1000 MT)                       | 71            | 71       | 75            | 75       | 65            | 65       |
| Feed and Residual (1000 MT)                | 3200          | 3200     | 3100          | 3100     | 2800          | 2750     |
| FSI Consumption (1000 MT)                  | 3800          | 3800     | 3900          | 3900     | 4100          | 4050     |
| Total Consumption (1000 MT)                | 7000          | 7000     | 7000          | 7000     | 6900          | 6800     |
| Ending Stocks (1000 MT)                    | 2276          | 2300     | 2235          | 2257     | 2270          | 2242     |
| Total Distribution (1000 MT)               | 9347          | 9371     | 9310          | 9332     | 9235          | 9107     |
| Yield (MT/HA)                              | 0             | 0        | 0             | 0        | 0             | 0        |

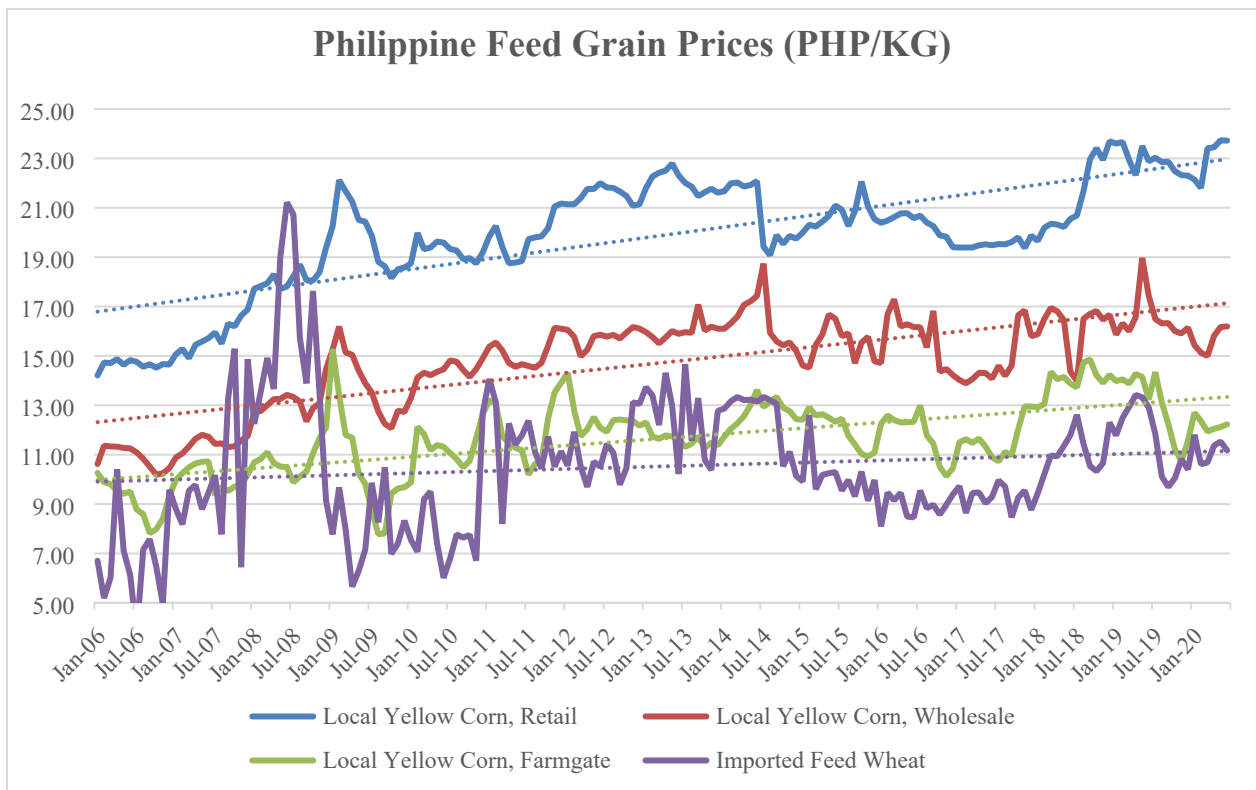
(1000 HA), (1000 MT), (MT/HA)  
 MY = Marketing Year, begins with the month listed at the top of each column  
 TY = Trade Year, which for Wheat begins in July for all countries. TY 2020/2021 = July 2020 - June 2021

FAS Manila has updated Philippine wheat imports with final data for MY2019/20 and revised data for MY 2018/19. In MY2019/20 Philippine wheat imports declined seven percent after a record 2018/19, driven by the reduced demand for hog feed. The continued spread of African Swine Fever in major pork-producing areas dampened the demand for feed wheat, which was only partially offset by the sustained growth of the feed milling industry. MY 2019/20 also saw a record-high level of U.S. wheat imports, as the flour produced by Philippine millers has proved particularly resilient to the challenges of the COVID-19 pandemic. Industry contacts report that consumption of wheat-based foods, particularly bread, remains stable, despite initial issues with logistics and the economic downturn.

Overall imports in MY2020/21 are forecast to decline over six percent due to lower demand for feed wheat in the hog sector. Post sees Philippine pork production declining 20 percent in 2020, followed by the beginning of a gradual recovery from ASF in 2021 with six percent growth. Please see the September 2020 Livestock and Poultry quarterly report for more information. In contrast to feed wheat, milling wheat is expected to continue its steady upward trajectory by growing nearly four percent in MY2020/21. The pandemic may result in some consolidation in the industry, while the larger millers are better equipped than the smaller players to handle the COVID-19 situation.



Source: USDA-FAS Production, Supply and Distribution; Post estimates



Source: Philippine Statistics Authority ([farm-gate](#); [wholesale](#); [retail](#)); Trade Data Monitor

## Corn

### Production, Supply, and Distribution (PSD)

| Corn<br>Market Year Begins<br>Philippines   | 2018/2019     |          | 2019/2020     |          | 2020/2021     |          |
|---|---------------|----------|---------------|----------|---------------|----------|
|   | Jul 2018      |          | Jul 2019      |          | Jul 2020      |          |
|   | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Harvested (1000 HA)  | 2480          | 2480     | 2508          | 2508     | 2600          | 2600     |
| Beginning Stocks (1000 MT)  | 456           | 456      | 339           | 339      | 358           | 358      |
| Production (1000 MT)  | 7608          | 7608     | 8030          | 8030     | 8200          | 8200     |
| MY Imports (1000 MT)  | 675           | 675      | 389           | 389      | 600           | 375      |
| TY Imports (1000 MT)  | 600           | 600      | 450           | 450      | 600           | 375      |
| TY Imp. from U.S. (1000 MT)   | 95            | 95       | 0             | 0        | 0             | 0        |
| Total Supply (1000 MT)  | 8739          | 8739     | 8758          | 8758     | 9158          | 8933     |
| MY Exports (1000 MT)  | 0             | 0        | 0             | 0        | 0             | 0        |
| TY Exports (1000 MT)  | 0             | 0        | 0             | 0        | 0             | 0        |
| Feed and Residual (1000 MT)   | 6400          | 6400     | 6400          | 6400     | 6700          | 6350     |
| FSI Consumption (1000 MT)   | 2000          | 2000     | 2000          | 2000     | 2100          | 2100     |
| Total Consumption (1000 MT)   | 8400          | 8400     | 8400          | 8400     | 8800          | 8450     |
| Ending Stocks (1000 MT)   | 339           | 339      | 358           | 358      | 358           | 483      |
| Total Distribution (1000 MT)  | 8739          | 8739     | 8758          | 8758     | 9158          | 8933     |
| Yield (MT/HA)   | 3.0677        | 3.0677   | 3.2018        | 3.2018   | 3.1538        | 3.1538   |
| (1000 HA), (1000 MT), (MT/HA)   |               |          |               |          |               |          |
| MY = Marketing Year, begins with the month listed at the top of each column                                       |               |          |               |          |               |          |
| TY = Trade Year, which for Corn begins in October for all countries. TY 2020/2021 = October 2020 - September 2021 |               |          |               |          |               |          |

According to the Philippine Statistics Authority (PSA), total corn area harvested from January to June of 2020 declined by about one percent compared to 2019, primarily from reduced area in white corn.

Meanwhile, total corn production in the first half of 2020 reached 3.65 million MT, up 1.4 percent from the previous year. Yellow corn, which is used for animal feed, grew 2.6 percent during the same period. Better than usual weather may have contributed to corn's higher output, including a relatively quiet 2020 typhoon season so far. The Philippines normally sees twenty typhoons each year, with the potential to cause significant damage to the corn and rice crop.

In MY 2020/21, Post maintains its current forecast area harvested and corn production, in line with PSA's September 10 [Updates on the July-September 2020 Palay and Corn Estimates](#). The Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) [recently reported](#) an over 70 percent chance of La Niña developing in the coming months. La Niña typically means increased rainfall in the Philippines, including flooding and landslides, and could impact the fall harvest.

Imports are expected to decline nearly four percent to 375,000 MT in MY2020/21 compared to the previous year due to reduced poultry feed demand. Post sees chicken meat production in 2020 declining 15 percent, with a partial recovery in 2021. On the other hand, industry contacts see the layer sector growing between five and 10 percent in 2020 and continuing in 2021, as eggs

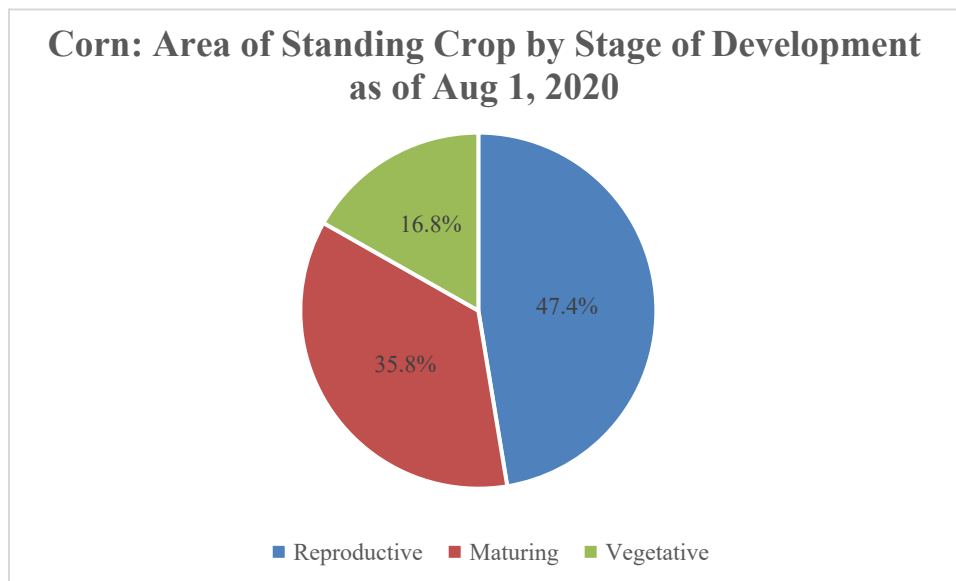
are an affordable source of protein for consumers during the economic downturn. Increased layer production is likely to offset some of the lost demand from the broiler sector.

**Philippine Corn Imports  
MY 2014/15 – 2019/20**

| Partner       | July-June Series (Unit: Metric Ton) |                |                |                |                |                |
|---------------|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
|               | 07/14-06/15                         | 07/15-06/16    | 07/16-06/17    | 07/17-06/18    | 07/18-06/19    | 07/19-06/20    |
| <b>Total</b>  | <b>713,135</b>                      | <b>706,187</b> | <b>619,764</b> | <b>664,807</b> | <b>675,304</b> | <b>389,009</b> |
| Myanmar       | 3,344                               | 0              | 6,804          | 12,836         | 78,189         | 212,986        |
| Vietnam       | 34,298                              | 25,462         | 2,142          | 1,704          | 147,298        | 68,628         |
| Brazil        | 46                                  | 34,294         | 41,000         | 33,059         | 1,793          | 50,112         |
| Indonesia     | 143,925                             | 169,533        | 6,502          | 160,600        | 66,272         | 25,100         |
| Argentina     | 133,708                             | 78,704         | 48,498         | 75,089         | 60,337         | 16,890         |
| United States | 39,069                              | 58,833         | 11,010         | 129,601        | 150,380        | 13,774         |
| Thailand      | 330,532                             | 235,773        | 489,780        | 176,629        | 134,221        | 109            |
| Other         | 28,214                              | 103,586        | 14,027         | 75,287         | 36,814         | 1,408          |

Source: Philippines Statistics Authority

Corn imports are predominantly sourced via ASEAN member countries due to the lower tariff (5 percent) compared to the 35 percent in-quota tariff for Most Favored Nation countries, primarily the United States and Argentina. Sources report that the in-quota rates remain cost prohibitive, resulting in the 216,940 MT tariff rate quota, known locally as Minimum Access Volume (MAV), being underutilized.



Source: PSA Monthly Palay and Corn Situation Reporting System

## Rice

### Production, Supply, and Distribution (PSD)

| Rice, Milled<br>Market Year Begins | 2018/2019        |          | 2019/2020        |          | 2020/2021        |          |
|------------------------------------|------------------|----------|------------------|----------|------------------|----------|
|                                    | Jul 2018         |          | Jul 2019         |          | Jul 2020         |          |
| Philippines                        | USDA<br>Official | New Post | USDA<br>Official | New Post | USDA<br>Official | New Post |
| Area Harvested (1000 HA)           | 4741             | 4741     | 4637             | 4637     | 4450             | 4550     |
| Beginning Stocks (1000 MT)         | 2288             | 2288     | 3520             | 3520     | 3597             | 3597     |
| Milled Production (1000 MT)        | 11732            | 11732    | 11927            | 11927    | 11000            | 11700    |
| Rough Production (1000 MT)         | 18622            | 18622    | 18932            | 18932    | 17460            | 18571    |
| Milling Rate (.9999) (1000 MT)     | 6300             | 6300     | 6300             | 6300     | 6300             | 6300     |
| MY Imports (1000 MT)               | 3600             | 3600     | 2450             | 2450     | 3000             | 2600     |
| TY Imports (1000 MT)               | 2900             | 2900     | 2600             | 2600     | 3000             | 2600     |
| TY Imp. from U.S. (1000 MT)        | 0                | 0        | 0                | 0        | 0                | 0        |
| Total Supply (1000 MT)             | 17620            | 17620    | 17897            | 17897    | 17597            | 17897    |
| MY Exports (1000 MT)               | 0                | 0        | 0                | 0        | 0                | 0        |
| TY Exports (1000 MT)               | 0                | 0        | 0                | 0        | 0                | 0        |
| Consumption and Residual (1000 MT) | 14100            | 14100    | 14300            | 14300    | 14400            | 14700    |
| Ending Stocks (1000 MT)            | 3520             | 3520     | 3597             | 3597     | 3197             | 3197     |
| Total Distribution (1000 MT)       | 17620            | 17620    | 17897            | 17897    | 17597            | 17897    |
| Yield (Rough) (MT/HA)              | 3.9279           | 3.9279   | 4.0828           | 4.0828   | 3.9236           | 4.0815   |

(1000 HA) ,(1000 MT) ,(MT/HA)  
 MY = Marketing Year, begins with the month listed at the top of each column  
 TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2020/2021 = January 2021 - December 2021

Following a similar trend to corn, Philippine production of rice increased and area harvested declined during the second half of MY19/20 as noted by PSA's updated statistics on [Open Stat](#). Palay (unhusked) production grew 1.4 percent from January to June of 2020 compared to 2019, reaching 8.386 million MT. Area harvested was down 0.7 percent during the same period, reaching 2.05 million HA in the first half of 2020.

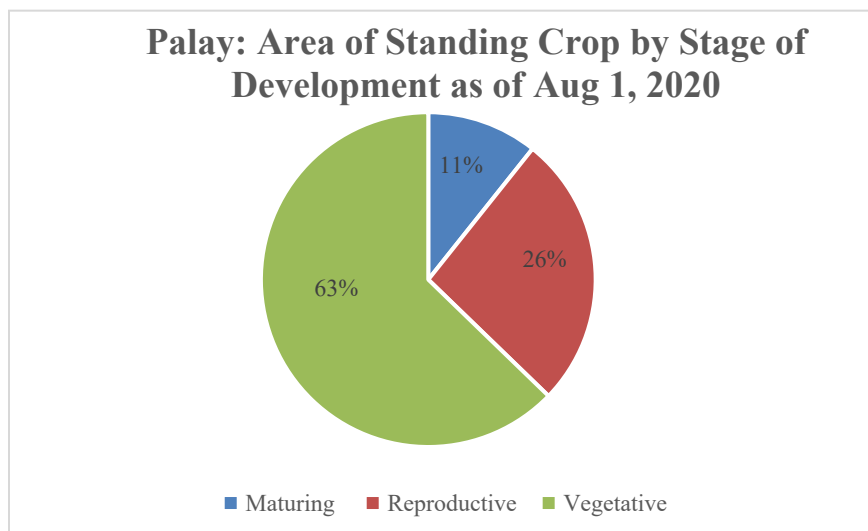
Post raises its forecast for MY20/21 harvested area to 4.55 million HA, 2.2 percent higher than the USDA official statistics, and milled production up 6.3 percent to 11.7 million MT, reflecting the strong Q1 reported by PSA's [Updates on the July-September 2020 Palay and Corn Estimates](#). PSA raised its estimates of palay production for the period to 3.551 million MT (2.23 million MT milled equivalent) and harvested area to 859,620 HA. This would mark an increase of 16.4 and 15.7 percent from Q1 MY19/20, respectively, if realized. The revised forecast will still mark a decline in area and production compared to MY19/20, as some farmers take advantage of crop diversification programs to grow high-value crops. Land conversion of rice farms to non-agricultural uses is also expected to continue. Meanwhile, through the Department of Agriculture's rice resiliency project of the "Plant, Plant, Plant" program, farmers are to receive seeds, fertilizers, and technical assistance in order to boost rice yields and production.

From January to August 2020, the Bureau of Plant Industry issued Sanitary and Phytosanitary (SPS) Import Clearances for rice shipments totaling 3.737 million MT, 43 percent higher than the 2.613 million MT issued in the same period last year. Rice imports for 2020, however, have

slowed compared to 2019, as only 44 percent of issued SPSICs (1.64 million MT) have led to actual imports. Exports must be shipped within 60 days of issuance of the SPSIC and no changes to consignee or destination are permitted. Refer to the following link for updates on SPSIC issuances, import arrivals, and more details as reported by BPI:  
<http://bpi.da.gov.ph/bpi/index.php/reports-documentation/spsic-for-rice>

Post lowers its forecast for MY20/21 rice imports by 13.3 percent (compared to USDA Official) to 2.6 million MT, as increased domestic production will meet a larger share of consumption. Sources note that higher prices for rice from Vietnam, the Philippines' largest supplier, will likely bring down overall imports.

The previously planned government-to-government rice importation by the Philippine International Trading Corp., an attached agency of the Department of Trade and Industry, was cancelled in late June. India, Vietnam, Thailand, and Myanmar had submitted bids for the 300,000 MT, and shipments were expected to arrive between July and August of 2020. A prominent farmer's organization had challenged the auction, particularly as the Rice Tariffication Law ended the Philippine government's direct involvement in importing rice.



Source: PSA Monthly Palay and Corn Situation Reporting System

**Attachments:**

No Attachments