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

**Country:** Philippines

**Post:** Manila

**Report Category:** Grain and Feed

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### **Report Highlights:**

Philippine economic planners expect the gross domestic product to contract by 2.0 to 3.4 percent in 2020 due to the strict quarantine conditions in response to the coronavirus disease 2019 (COVID-19) pandemic. While some parts of the country are slowly lifting restrictions, a 13 percent contraction in feed wheat demand as a result of the continued African Swine Fever outbreak will bring down overall MY 20/21 wheat imports from 7.2 million to 7.0 million tons. Corn imports, however, will increase from 500,000 to 600,000 tons due to firm feed demand from a steadily expanding broiler industry and increasing industrial food applications (i.e., starch for sweeteners). A government-to-government auction for 300,000 tons of rice was held on June 8, 2020 with bids coming from India, Vietnam, Thailand, and Myanmar, but the winning bids have yet to be awarded. Post concurs with the official USDA grain estimates.

## **Overview of COVID-19 Situation in the Philippines**

Responding to the coronavirus disease 2019 (COVID-19) pandemic, President Rodrigo Duterte on March 16, 2020 placed the island of Luzon under "[enhanced community quarantine](#)," (ECQ) effectively imposing lockdown conditions. The order restricted the movement of people (with some exceptions) and suspended mass transportation. The Luzon quarantine included the setting up of checkpoints, banning of public events, closure of commercial businesses, schools and universities, among others. Private establishments involved in food processing, preparation, and distribution plus others providing basic necessities could remain open but only with a skeletal workforce.

On March 23, 2020, Congress passed Republic Act No. 11469 (RA 11469) or "Bayanihan to Heal as One Act," declaring a national emergency. It gave President Duterte the power to realign the P4.1 trillion (\$80.4 billion) 2020 budget and direct operations of hospitals and medical facilities to address the health crisis. RA 11469 also authorized the president to provide emergency subsidies to 18 million low income families and facilitate prompt testing of suspected cases. The act also empowered the president to direct banks and government-run social funds to give a moratorium on loan payments. RA 11469 will be in effect for three months and can be extended by Congress.

Set through April 12, the ECQ was extended to April 30. On May 1, it was extended anew to May 15, 2020 on selected places considered as high-risk areas. Low- to moderate-risk areas were placed under the less strict general community quarantine (GCQ). On May 12, 2020 the government announced that Metro Manila and Laguna province would be under a modified ECQ (MECQ) from May 16-31, 2020, with reduced restrictions from the two-month lockdown. Then on May 28, 2020 President Duterte lowered the quarantine level of Metro Manila and selected urban centers to GCQ effective June 1, 2020.

Under the various quarantine levels, the elderly and the youth (above 60 years old or below 21 years old) must stay at home, with a few exceptions. People may go out (with a face mask) to buy essential goods and services, or for work in selected industries and offices (i.e., health care, pharmacies, veterinary clinics, food manufacturing, and groceries). Social distancing is enforced and under the GCQ, a maximum of 10 persons are allowed to assemble.

Starting June 1, 2020 private shuttles and transport network vehicle services were permitted, although provincial buses remained prohibited from entering Metro Manila. Public buses were allowed to operate at 50 percent capacity in Metro Manila as well as trains plying major service routes. Public utility jeepneys (a commonly used locally assembled motor vehicle) remain banned, however, limiting overall movement throughout the capital region. Starting June 15, dine-in services of restaurants could re-open at 30 percent capacity, provided the appropriate

health protocols are observed (i.e. frequent disinfection, wearing of face masks, and social distancing).

Metro Manila is home to roughly half of the Philippine population and accounts for around a third of the Philippine gross domestic product (GDP). The strict lockdown measures placed on the capital therefore had a significant impact on the country's overall economy. GDP in the first three months of 2020 contracted by 0.2 percent, per the Philippine Statistics Authority (PSA), its first decline since 1998 (during an El Niño episode and the Asian financial crisis). Household consumption significantly slowed (0.2 percent) as almost all items posted weak growth. Household spending on health was an exception, however, growing by 11.5 percent.

Expansion in the services sector moderated to 1.4 percent, as the industrial sector declined by 3 percent. Manufacturing and construction dropped, while mining and quarrying continued to slow. Agriculture contracted 0.4 percent with declines in paddy production and aquaculture. With the severe restrictions on movement, businesses related to tourism such as hotels, restaurants, and transportation were among the most adversely affected.

Philippine government (GPH) economic planners project an immediate rebound or a V-shaped recovery as a result of the timely implementation of a recovery program (social amelioration for 18 million poor families and wage subsidy for 3.4 million small business employees), alongside strong private sector support. The inter-agency Development Budget Coordination Committee expects GDP to contract by 2.0 to 3.4 percent in 2020, followed by robust recovery of 7.1 to 8.1 percent growth in 2021.

Average inflation for the first quarter of 2020 settled at 2.7 percent year-on-year, higher than the 1.6 percent in the previous quarter but lower than the 3.8 percent recorded during the same period in 2019. Inflation further eased to 2.1 percent in May 2020 from 2.2 percent the previous month, according to the Philippine Central Bank. Year-to-date inflation stood at 2.5 percent in May 2020, well within the official target of 2 to 4 percent for the year.

## **Wheat**

Lockdown conditions paralyzed most supply chains at the start of the ECQ. Starting late March, however, difficulties in product movement in and outside Metro Manila eased and deliveries have been generally unhampered. Staffing issues and other bottlenecks have been identified and resolved. Around the same time, local industry assured the public that the inventory of flour for bread and noodles was sufficient amid the stay-at-home regulations on Luzon Island, which includes Manila. Movement has noticeably increased under the GCQ though still less than normal.

On top of donations for front line medical personnel, a large flour miller supported quarantine-affected bakeries by ensuring the smooth distribution of their bread products. Some bakeries were even paid in flour, equivalent to the cost of bread produced and acquired for the donations. Posts projects a decline in overall wheat demand in MY 20/21 due to a 13 percent contraction in feed consumption. Used mainly in hog feed production, the decline in feed wheat demand reflects the expected drop in hog numbers as a result of the African Swine Fever (ASF) outbreak that started August 2019. Although the spread has slowed and remains limited to Luzon and parts of Mindanao, the Philippines continues to note new cases of the disease, which is fatal to hogs but poses no risk to human health.

Wheat	2018/2019			2019/2020			2020/2021		
Market Begin Year	Jul 2018			Jul 2019			Jul 2020		
Philippines	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Harvested	0	0	0	0	0	0	0	0	0
Beginning Stocks	1801	1801	1801	2276	2276	2276	2301	0	2301
Production	0	0	0	0	0	0	0	0	0
MY Imports	7546	7546	7546	7200	7300	7200	7000	0	7000
TY Imports	7546	7546	7546	7200	7300	7200	7000	0	7000
TY Imp. from U.S.	2845	2845	2845	0	0	0	0	0	0
Total Supply	9347	9347	9347	9476	9576	9476	9301	0	9301
MY Exports	71	71	71	75	65	75	65	0	65
TY Exports	71	71	71	75	65	75	65	0	65
Feed and Residual	3200	3200	3200	3200	3200	3200	2800	0	2800
FSI Consumption	3800	3800	3800	3900	4000	3900	4100	0	4100
Total Consumption	7000	7000	7000	7100	7200	7100	6900	0	6900
Ending Stocks	2276	2276	2276	2301	2311	2301	2336	0	2336
Total Distribution	9347	9347	9347	9476	9576	9476	9301	0	9301

## **Corn**

Based on the updated March 1, 2020 standing crop, PSA reports that corn production during the first three months of 2020 may reach 2.4 million tons, 1.1 percent lower than the initial estimate of 2.43 million tons made on January 1. Harvested area during the same period is expected to decline 1 percent to 699,000 hectares, from 706,000 hectares in 2019. Yields are likely to stay flat at 3.44 tons per hectare.

Working with the Department of Agriculture (DA), a leading food and beverage conglomerate has been buying corn harvests directly from farmers. The same company has also assured adequate food supply for at least six months beyond the ECQ. It can reportedly provide close to 2,000 tons of fresh pork, beef, and poultry meat, 524 tons of processed meats, and over 2,000 tons of flour and baked goods daily.

The DA is working on consolidating small individual corn farms into larger production units (i.e. cluster farms) by offering incentives and technical assistance. According to the DA, the incentives will include farm machinery such as tractors, harvesters, mechanical dryers, processing equipment, and related infrastructure. A PSA survey from 2012 (latest data available) notes that of the country's 5.6 million farms covering about 7.2 million hectares, roughly 40 percent were half a hectare and below, while one third ranged from one to three hectares.

Feed corn demand will increase in tandem with the projected three percent expansion in poultry output in MY 20/21. The local poultry industry was projected for stronger growth, but the closure of the food service sector during the pandemic significantly limited demand.

Corn	2018/2019			2019/2020			2020/2021		
Market Begin Year	Jul 2018			Jul 2019			Jul 2020		
Philippines	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Harvested	2480	2480	2480	2550	2510	2550	2600	0	2600
Beginning Stocks	456	456	456	339	339	339	339	0	339
Production	7608	7608	7608	8100	8100	8100	8200	0	8200
MY Imports	675	675	675	500	700	500	600	0	600
TY Imports	600	600	600	500	700	500	600	0	600
TY Imp. from U.S.	95	0	95	0	0	0	0	0	0
<b>Total Supply</b>	<b>8739</b>	<b>8739</b>	<b>8739</b>	<b>8939</b>	<b>9139</b>	<b>8939</b>	<b>9139</b>	<b>0</b>	<b>9139</b>
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed and Residual	6400	6400	6400	6600	6700	6600	6700	0	6700
FSI Consumption	2000	2000	2000	2000	2100	2000	2100	0	2100
<b>Total Consumption</b>	<b>8400</b>	<b>8400</b>	<b>8400</b>	<b>8600</b>	<b>8800</b>	<b>8600</b>	<b>8800</b>	<b>0</b>	<b>8800</b>
Ending Stocks	339	339	339	339	339	339	339	0	339
<b>Total Distribution</b>	<b>8739</b>	<b>8739</b>	<b>8739</b>	<b>8939</b>	<b>9139</b>	<b>8939</b>	<b>9139</b>	<b>0</b>	<b>9139</b>

## **Rice**

The PSA reports that paddy production for the January – March 2020 period may decrease to 4.25 million tons from the initial 4.28 million tons estimate. This represents a 3.8 percent decline from the previous year’s output of 4.42 million tons. Harvested area is expected to decrease by 4.8 percent, from 1.153 million hectares in the first quarter of 2019 to 1.098 million hectares during the same period this year. Yield per hectare may rise slightly to 3.87 metric tons, from 3.83 metric tons in the previous year.

In April 2020, the DA announced it will be distributing P5,000 (\$100) cash subsidies to each rice farmer tilling one hectare or less in 24 provinces, as part of the GPH’s social amelioration program during the COVID-19 pandemic. Called the Financial Subsidy to Rice Farmers, the subsidy is part of DA’s initiatives to assist small rice farmers not covered under the Rice Farmers Financial Assistance (RFFA) program. The RFFA is a similar cash transfer program designed to help small farmers cope with declining paddy prices. Funding for both programs will reach P6 billion (\$120 million) and will involve an estimated 1.2 million farmers.

The Philippine International Trading Corp. (PITC) held a government-to-government (G2G) online auction for the importation of 300,000 tons of rice on June 8, 2020. The PITC received bids from India, Vietnam, Thailand, and Myanmar. The winning suppliers shall deliver the first half of the volume of their secured lots no later than July 14, 2020, while the remaining half must enter the country no later than August 14, 2020. Per the PITC’s June 8, 2020 bid ranking report, only 105,000 tons had qualified bids. The awarding of winning bids “will be held in abeyance pending the release of the budget” according to a June 11, 2020 PITC advisory.

The rice importation has been opposed by a prominent farmer’s organization, which claims that the GPH must first declare a rice shortage before it can directly import rice, and that no such shortage has been declared. The last G2G importation initiated by the Philippines was in 2018.

Rice, Milled	2018/2019			2019/2020			2020/2021		
Market Begin Year	Jul 2018			Jul 2019			Jul 2020		
Philippines	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Harvested	4741	0	4741	4650	0	4650	4450	0	4450
Beginning Stocks	2288	0	2288	3520	0	3520	3170	0	3170
Milled Production	11732	0	11732	11400	0	11400	11000	0	11000
Rough Production	18622	0	18622	18095	0	18095	17460	0	17460
Milling Rate (.9999)	6300	0	6300	6300	0	6300	6300	0	6300
MY Imports	3600	0	3600	2450	0	2450	3000	0	3000
TY Imports	2900	0	2900	2500	0	2500	3300	0	3300
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	17620	0	17620	17370	0	17370	17170	0	17170
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Consumption and Residual	14100	0	14100	14200	0	14200	14300	0	14300
Ending Stocks	3520	0	3520	3170	0	3170	2870	0	2870
Total Distribution	17620	0	17620	17370	0	17370	17170	0	17170

**Attachments:**

No Attachments