

Required Report: Required - Public Distribution

Date: December 16,2019

Report Number: RP2019-0031

Report Name: Grain and Feed Update

Country: Philippines

Post: Manila

Report Category: Grain and Feed

Prepared By: Perfecto Corpuz

Approved By: Ryan Bedford

Report Highlights:

The effects of African Swine Fever (ASF) on feed demand may not be as severe as initially forecast, as the Philippine government's measures on the movement of hogs, pork products, and feed ingredients slow ASF's spread. Post therefore lowers its MY 2019/2020 feed wheat consumption estimate from a decline of 300,000 MT to 100,000 MT. Rice production in the same year is revised downward due to damages from Typhoon Kammuri, while the corn supply remains firm. Rice imports during the year, on the other hand, will increase 200,000 MT as a result of lower production, enhanced by some shifting away from rice cultivation due to low paddy prices.

Wheat Market Begin Year Philippines	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	1502	1502	1801	1801	2276	2276
Production	0	0	0	0	0	0
MY Imports	6059	6059	7546	7546	7400	7300
TY Imports	6059	6059	7546	7546	7400	7300
TY Imp. from U.S.	2501	2501	2845	2845	0	0
Total Supply	7561	7561	9347	9347	9676	9576
MY Exports	60	60	71	71	65	65
TY Exports	60	60	71	71	65	65
Feed and Residual	2500	2500	3200	3200	3300	3200
FSI Consumption	3200	3200	3800	3800	4000	4000
Total Consumption	5700	5700	7000	7000	7300	7200
Ending Stocks	1801	1801	2276	2276	2311	2311
Total Distribution	7561	7561	9347	9347	9676	9576
Yield	0	0	0	0	0	0
(1000 HA) ,(1000 MT) ,(MT/HA)						

Post lowers 2019/2020 feed wheat consumption by 100,000 MT, dropping 3 percent from the USDA Official estimate. This is revised from Post's forecast from the previous quarter, which estimated a 300,000 MT drop in feed wheat consumption due to African Swine Fever's impact on hog feed demand. The Philippines has been successful in limiting the disease's spread to the island of Luzon, although key production areas remain affected and contacts report downward pressure on feed and pork demand.

African Swine Fever Update

Press reports on the development of African Swine Fever (ASF) have waned in recent weeks, but data from the Philippine Statistics Authority through September 2019 show that hog inventories are down nearly one percent year over year. The Philippine Department of Agriculture (DA) has identified the provinces of Rizal, Pangasinan, Bulacan, Nueva Ecija, Pampanga, Cavite, and Quezon City in Metro Manila as areas with ASF.

The two regions affected by ASF, Central Luzon and CALABARZON, represent over one third of total pork production and nearly 30 percent of the hog inventory. This year Central Luzon has produced 1.5 percent less pork July-September, compared to the same period last year. CALABARZON, on the other hand, saw production rise 8.4 percent, likely boosted by increased slaughter as farmers tried to get ahead of ASF's spread. As of October 1, 2019, these areas have seen 3.9 and 1.2 percent declines in their hog inventories, respectively, year over year. Industry contracts report farmers not replenishing their herds in the face of lower pork demand, compounded by provincial restrictions on the movement of hogs/feed and some consumption moving from pork to chicken due to health concerns (note: ASF is not harmful to human health, although it is fatal to pigs).

With the drop in pork consumption, Post has heard from some contacts that larger farms are managing that decline by lowering their inventories and not replacing sows. The effect on feed wheat consumption is likely to be lower than Post's previous update, however, due to several factors. One industry contact noted that the decrease in hog feed demand will be partially offset by the switching of backyard hog farmers from swill to commercial feeding. Another contact expects stronger feed demand

from hog raisers in the Visayas and Mindanao group of islands, as they ramp up production to serve the pork needs of Luzon. While still another expects a smaller decrease in hog feed consumption, citing the relatively small number of affected hogs. Refer to the GAIN Report "[African Swine Fever \(ASF\) Confirmed in the Philippines](#)," for more information.

Philippine Swine Inventory, Total As of October 1, 2017-2019							
	Number of Head				Percent change		Percent Share (2019)
	2017	2018	2019	Difference 2019-2018	2018-2017	2019-2018	
Total	13,013,912	13,127,670	13,010,644	-117,026	0.9%	-0.9%	100%
Regions with ASF	3,891,664	3,890,417	3,780,856	-109,561	0.0%	-2.8%	29.06%
Central Luzon	2,285,420	2,296,872	2,206,809	-90,063	0.5%	-3.9%	16.96%
CALABARZON	1,606,244	1,593,545	1,574,047	-19,498	-0.8%	-1.2%	12.10%
Regions without ASF	9,122,248	9,237,253	9,229,788	-7,465	1.3%	-0.1%	70.94%

Source: Philippine Statistics Authority

Corn Market Begin Year Philippines	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2604	2604	2480	2480	2550	2510
Beginning Stocks	448	448	456	456	339	339
Production	8084	8084	7608	7608	8100	8100
MY Imports	724	724	675	675	700	700
TY Imports	806	806	600	600	700	700
TY Imp. from U.S.	199	194	95	0	0	0
Total Supply	9256	9256	8739	8739	9139	9139
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	6600	6600	6400	6400	6700	6700
FSI Consumption	2200	2200	2000	2000	2100	2100
Total Consumption	8800	8800	8400	8400	8800	8800
Ending Stocks	456	456	339	339	339	339
Total Distribution	9256	9256	8739	8739	9139	9139
Yield	3.1045	3.1045	3.0677	3.0677	3.1765	3.2271

(1000 HA) ,(1000 MT) ,(MT/HA)

According to PSA statistics, corn production in the third quarter of 2019 increased 23.5 percent year-on-year, keeping pace with Post's previous forecast of approximately 8.1 million MT. Wider harvested areas were noted in Cagayan Valley, as corn farmers recovered from the September 2019 damages brought by Typhoon Mangkhut. There was also shifting from sugarcane and cassava to corn production in the region. In Central Luzon and Northern Mindanao, increased use of quality planting seeds resulted in better yields.

Typhoon Kammuri, the strongest storm to hit the country this year, caused an estimated

P3.7 billion (\$74 million) in damages to the farm sector when it passed through seven regions in December 2019, according to a report from the DA. Kammuri's impact on corn was minor, however, with only around 6,000 MT of corn in 41,000 hectares damaged. Post lowered corn harvested area for MY 2019/2020 moderately as a result.

According to the latest PSA data, the average farmgate price of yellow corn in September 2019 was P12.27 (\$0.25) per kilo, 6 percent lower than the P13.12 (\$0.26) average ex-farm price in August and 3 percent lower than the P14.86 (\$0.30) per kilo average price a year ago. The poor quality of grains and low buying price offered by traders reportedly pulled down the price of corn.

Total corn stocks as of October 2019 stood at 1.09 million tons, up 42 percent from last year's volume of 769,000 tons. Roughly 28 percent of total corn stocks were in households and the remaining 72 percent in commercial warehouses.

The government did not approve the proposed 300,000 MT of duty free-corn imports petitioned by local feed millers earlier this year (please refer to [Philippines: Grain and Feed Update, Oct. 15, 2019](#)). Nevertheless, given the fundamentals of growing animal feed demand vis-à-vis feed wheat and increased dependence on poultry and egg production, prospects for a new, revised proposal in 2020 remain.

Rice, Milled Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4844	4844	4741	4741	4700	4620
Beginning Stocks	2003	2003	2288	2288	3490	3490
Milled Production	12235	12235	11732	11732	12000	11520
Rough Production	19421	19421	18622	18622	19048	18286
Milling Rate (.9999)	6300	6300	6300	6300	6300	6300
MY Imports	1300	1300	3570	3570	2500	2700
TY Imports	2500	2500	3000	3000	2500	2700
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	15538	15538	17590	17590	17990	17710
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Consumption and Residual	13250	13250	14100	14100	14200	14200
Ending Stocks	2288	2288	3490	3490	3790	3510
Total Distribution	15538	15538	17590	17590	17990	17710
Yield (Rough)	4.0093	4.0093	3.9279	3.9279	4.0528	3.958
(1000 HA) ,(1000 MT) ,(MT/HA)						

According to the PSA, the country's paddy rice (palay) output in the first nine months of 2019 declined 5 percent from 11.9 million MT to 11.3 million MT during the same period last year. The decline was due to a reduction in harvested area and insufficient water supply in the rice growing areas of the Western Visayas and SOCCSARGEN (formerly Central Mindanao) regions. For the entire 2019, the DA expects total paddy output to reach 18.48 million metric tons, 3 percent lower than last year's 19.06 million tons output.

Rice production and area harvested were pared down in MY 2019/2002 due to damages caused by Typhoon Kammuri. An estimated 105,000 MT of paddy in 78,000 hectares of rice were affected due to the typhoon. The downward revisions are steeper as a result of the continued decline in paddy prices,

which will force some farmers to shift away from rice cultivation in MY 2019/2020. According to a rice miller, farmers will wait for one or two more rice crops before deciding to shift to other crops or pursue another livelihood.

The PSA also reports that from July to September 2019, the average farmgate price of palay was P16.11 (\$0.32) per kilo, 27 percent lower than the P21.92 (\$0.44) per kilo average price during the same period in 2018. For the month of September alone, paddy rice prices were at P14.76 (\$0.30) per kilo, down 9 percent from P16.2 per kilo the previous month, and 16 percent lower than P17.5 per kilo in March when the Rice Tarrification Law (RTL) was implemented. Paddy prices are expected to remain subdued as the main harvest is underway.

On the other hand, commercial retail prices of regular milled rice in September 2019 were at P36.97 per kilo, slightly lower than the P37.27 retail price the previous month and 18 percent lower than the P45.18 retail price recorded in September 2018. Retail prices were at P36.80 in October 2019, slightly down from the September level, according to preliminary PSA data. The National Food Authority (NFA), on the other hand, sells rice to accredited retailers at P23 per kilo, and at P27 per kilo to individual consumers.

Despite numerous press articles against the Rice Tariffication Law, the Philippine government continues to resist calls for its suspension and/or repeal. Government officials have asked the public for patience and more time for policy adjustments to dampen the ill effects of declining paddy prices. Instead of pursuing the imposition of safeguard measures, the DA on Nov. 11, 2019 approved the attached Memorandum Order No. 28 (MO 28) “Supplementary provisions to DA Department Circular No. 4, series of 2016, entitled ‘Guidelines on the Importation of Plants, Planting Materials and Plant Products for Commercial Purposes.’” MO 28 emphasizes, among others, the need to strengthen registration procedure for importers of plants, planting materials and plant products.

In addition to an earlier announcement by the DA regarding an initial P3 billion (\$60 million) subsidy for affected rice farmers, another P3 billion (\$60 million) unconditional cash transfer (UCT) package will be made available to farmers in 2020. The Philippine Department of Finance in November 2019 had reported that rice tariff import collections had exceeded P10 billion (\$200 million), and that the excess would be used for the added UCT.

Likewise, the DA directed the NFA to increase its buffer stock volume to 30 days from 15 days. The NFA buys paddy at P19/per kilo at designated buying centers (usually at the NFA warehouse in the area). The latest PSA data showed that total rice stocks as of October stood at 2.28 million MT, up 43.4 percent from last year’s volume of 1.59 million tons. Roughly 46 percent of total stocks were in households; 37 percent in commercial stocks and 17 percent with the NFA. The current inventory is sufficient for 71 days (at a daily consumption rate of 32,000 MT of rice).

According to the latest report from the Philippine Central Bank’s (PCB), headline inflation in November 2019 increased to 1.3 percent year-on-year from 0.8 percent in the previous month, bringing year-to-date average inflation to 2.5 percent. This was within the PCB’s 2 to 4 percent target range and well below the 5.2 percent inflation rate for the entire 2018. An official of the National Economic and Development Authority (NEDA), meanwhile, considers the impact of Typhoon Kammuri and ASF as upside risks to

inflation and underscores the need to ensure adequate supply of key food items in anticipation of heightened demand this holiday season.

Mainly due to the expected decline in local rice production, rice imports were raised 200,000 MT to 2.9 million MT in MY 2019/2020. Imports during the year, however, are likely to ease from the previous year's level due to the stricter enforcement of MO 28 and the other GPH interventions.

Appendix

Volume of Philippine Pork Production Jul - Sep 2017-2019							
	Production (MT, carcass weight)				Percent change		Share of production (2019)
	2017	2018	2019	Difference 2019-2018	2018-2017	2019-2018	
Total	369,321	378,724	386,131	7,407	2.55%	1.96%	100%
Regions with ASF	131,867	135,606	139,764	4,158	2.84%	3.07%	36.18%
Central Luzon	69,727	73,124	72,043	-1,081	4.87%	-1.48%	18.65%
CALABARZON	62,140	62,482	67,721	5,239	0.55%	8.38%	17.53%
Regions without ASF	237,455	243,118	246,367	3,249	2.38%	1.34%	63.82%

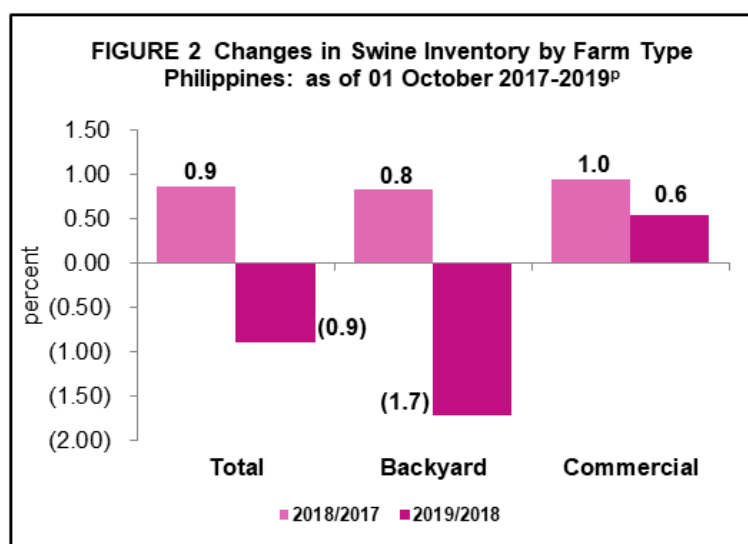
Source: Philippine Statistics Authority

Philippine Swine Inventory, Commercial As of October 1, 2017-2019							
	Number of Head				Percent change		Percent Share (2019)
	2017	2018	2019	Difference 2019-2018	2018-2017	2019-2018	
Total	4,739,356	4,784,549	4,810,874	26,325	1.0%	0.6%	100%
Regions with ASF	2,940,213	2,952,192	2,913,408	-38,784	0.4%	-1.3%	60.56%
Central Luzon	1,733,209	1,761,803	1,734,568	-27,235	1.6%	-1.5%	36.06%
CALABARZON	1,207,004	1,190,389	1,178,840	-11,549	-1.4%	-1.0%	24.50%
Regions without ASF	1,799,143	1,832,357	1,897,466	65,109	1.8%	3.6%	39.44%

Source: Philippine Statistics Authority

Philippine Swine Inventory, Backyard As of October 1, 2017-2019							
	Number of Head				Percent change		Percent Share (2019)
	2017	2018	2019	Difference 2019-2018	2018-2017	2019-2018	
Total	8,274,556	8,343,121	8,199,770	-143,351	0.8%	-1.7%	100%
Regions with ASF	951,451	938,225	867,448	-70,777	-1.4%	-7.5%	10.58%
Central Luzon	552,211	535,069	472,241	-62,828	-3.1%	-11.7%	5.76%
CALABARZON	399,240	403,156	395,207	-7,949	1.0%	-2.0%	4.82%
Regions without ASF	7,323,105	7,404,896	7,332,322	-72,574	1.1%	-1.0%	89.42%

Source: Philippine Statistics Authority



Source: Philippine Statistics Authority

**TABLE 3 Monthly Average Farmgate Prices of Hogs Upgraded for Slaughter
Philippines: July to September 2017-2019^P**

Month	2017	2018	2019	Difference level	Percent Change	
				2019-2018	2018/2017	2019/2018
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Average	108.91	115.40	103.66	(11.74)	6.0	(10.2)
July	110.94	117.20	106.02	(11.18)	5.6	(9.5)
August	108.72	115.13	104.16	(10.97)	5.9	(9.5)
September	107.08	113.88	100.80	(13.08)	6.4	(11.5)

^P - Preliminary

Source: Philippine Statistics Authority

For more information, read the November 21, 2019 Swine Situation Report at [https://psa.gov.ph/sites/default/files/Swine%20Special%20Release JulytoSep2019 final 0.pdf](https://psa.gov.ph/sites/default/files/Swine%20Special%20Release%20JulytoSep2019%20final%200.pdf)

Attachments:

[DA MO 28.pdf](#)