

**Required Report:** Required - Public Distribution

**Date:** April 01,2020

**Report Number:** RP2020-0033

## **Report Name:** Oilseeds and Products Annual

**Country:** Philippines

**Post:** Manila

**Report Category:** Oilseeds and Products

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### **Report Highlights:**

The Philippines is the largest market for U.S. soybean meal and the world's top coconut oil (CNO) exporter. The African Swine Fever outbreak in August 2019, coupled with effects of the novel coronavirus disease (COVID-19) pandemic will result in flat overall meat demand and consequently feed consumption in MY 19/20. COVID-19 quarantine restrictions imposed on the main island of Luzon are set to be lifted on April 13, 2020. Assuming the pandemic abates and overall economic conditions improve in late 2020, feed demand is expected to increase as consumer spending and meat consumption recover in MY 20/21. For CNO, industrial consumption will increase considerably in the next two years due to an increase in the mandated biodiesel blend from two to three percent in MY 19/20, and from three to four percent in MY 20/21.

## **Executive Summary:**

Philippine soybean production is negligible and the small volume of imports is purchased largely by a sole crusher. Bean crush in MY 18/19 was less than expected as full-year data showed a decline in full fat soybean imports. Copra production will decline through MY 20/21 as coconut trees take a biological rest period after consecutive years of heavy nut bearing in MY 17/18 and 18/19.

Soybean meal and copra meal combined account for roughly 99 percent of all protein meal consumed, estimated at nearly 2.9 million tons in soybean meal equivalent (SME) terms in 2020. Despite ASF's spread and reduced hog output, greater poultry production is offsetting the decline, as consumers shift away from pork to poultry meat in MY 19/20. Feed demand during the year, however, is expected to remain flat compared to MY 18/19 due to dampening effects of the current "enhanced community quarantine" (ECQ) throughout the main island of Luzon on overall meat consumption.

The ECQ is the Philippine government's (GPH) main response to the novel coronavirus disease (COVID-19), which has brought the country to the brink of an economic recession, according to local economic planners. GPH economists in early March 2020 projected GDP growth to be between -6 and 4.3 percent in 2020, depending on how long the COVID-19 episode lasts. The ECQ is set to expire on April 13, 2020 but may be extended. Based on this set date, and consistent with the International Monetary Fund's (IMF) forecast of a 2021 economic recovery, overall feed demand will recover and increase in MY 20/21 as overall meat consumption picks up. During this time, hog farms are expected to commercialize and implement stricter biosecurity measures while poultry growers maintain vigilance over detection of a Highly Pathogenic Avian Influenza case in Nueva Ecija in March 2020.

Soybean meal (SBM) imports are expected to increase modestly in MY 19/20 to replenish inventories ahead of an expected recovery in feed demand in MY 20/21, as market conditions stabilize and the economy grows. Copra meal exports will decline through MY 20/21, reflecting the expected decline in copra output over the following year.

Local soybean oil production and trade are insignificant due to the local preference for coconut oil (CNO) or palm oil, depending on price. CNO is the top Philippine agricultural export. Consistent with the downward trend in copra production, CNO production will decline through MY 20/21. CNO exports will likewise mirror this trend amidst a current oversupply in global vegetable oils. A likely increase in the mandated biodiesel blend from two percent (B2) to B3 in 2020, and from B3 to B4 in 2021 will increase industrial and overall CNO consumption in MY 19/20 and MY 20/21, respectively.

**Commodities:**  
**Oilseed, Soybean**  
**Oilseed, Copra**

**Production:**

The Philippines is the world's second largest coconut producer. Peanuts and soya are the oilseeds grown in the Philippines. Both local peanut and soybean production remain minimal and no significant changes are expected through MY 20/21.

Philippine copra production will decline consistently through MY 20/21, reflecting the downward trend that the United Coconut Association of the Philippines (UCAP) expects through calendar year 2020. UCAP notes that after two consecutive years of heavy nut-bearing, coconut trees take a biological rest. UCAP also expects damages brought about by Typhoons Kammuri and Phanfone, which struck the Philippines in December 2019, to be more pronounced starting in late 2020.

UCAP, citing a Philippine Coconut Authority (PCA) report, estimates that Typhoon Kammuri heavily damaged over 9 million coconut trees and will take approximately three years to recover. Moreover, the typhoon completely destroyed 1.5 million trees. Damages due to Typhoon Phanfone were less severe.

The number of nut-bearing trees in the PSD is based on 2018 estimates (most recent data available) from the Philippine Statistics Authority (PSA). The number of trees through 2021 will likely stay at the 2018 level as replanting efforts of the Philippine Coconut Authority (PCA) are expected to replace trees destroyed by the typhoons.

Coconuts may be found in close to 70 of the country's over 80 provinces, and cover around a quarter of overall agricultural lands, according to the PSA. Copra productivity in the long term, however, is constrained by predominantly old and unproductive coconut palms or trees which constitute an estimated 20 percent of overall Philippine coconut trees. Coconut trees, which have an 80-90 year lifespan, may start to bear nuts after six-ten years but take around 15-20 years to reach their peak.

In addition to old trees and low productivity, the industry is challenged by low levels of investments, inadequate infrastructure support, a poor farm to market road system, and an unorganized supply chain.

The Philippine Government (GPH) has been promoting palm oil production with modest success. According to the most recent data available from the PSA, palm oil area planted was around 63,000 hectares in 2018, five percent higher than the 60,000 hectares in 2017. After peaking at 565,000 tons (in fresh fruit bunch) in 2010, local palm oil production has consistently decreased to roughly 440,000 tons in 2016, before growing to 475,000 tons in 2017 and reaching 500,000 tons in 2018. According to academe, while the returns from palm oil production are more attractive compared to coconut production, promotional efforts have been opposed by some farmer groups and environmental activists.

## **Consumption:**

Soybean crush is largely a function of bean imports. There is a lone soybean crusher in the country with limited capacity that imports a small volume of soybeans each year, mainly for its soybean oil (SBO) requirements. Soybean feed demand is mainly for full fat soybeans (FFSB) for extrusion while food consumption is for food processors of tofu, soy sauce, soy curd, soymilk, textured vegetable protein, etc.

Soybean crush will decline from the MY 18/19 level due to the less than expected bean imports during the year. Soybean feed demand will reflect this decline due to reduced demand for full FFSBs, which are fed mainly to young piglets by large hog farms. The African Swine Fever (ASF) outbreak that started in August 2019 in Rizal and Bulacan has spread through the major islands of Luzon and parts of Mindanao, resulting in considerable piglet mortality. More information on ASF is provided in the OILMEALS, Consumption Section.

For MY 19/20, no dramatic change is expected in soybean feed demand as a result of quarantine restrictions imposed by the Philippine government (GPH) in response to the novel coronavirus disease (COVID-19) outbreak. Soybean crush and feed demand will likely recover and increase in MY 20/21 as some degree of normalcy returns. More information on COVID-19 is provided in the OILMEALS, Policy Section.

Copra is the dried meat of the coconut which is pressed to extract coconut oil. Copra production is largely for crush consumption. Crush demand in MY 20/21 is expected to decline modestly from the previous year's level reflecting the decline in copra output during the year.

According to PCA data, Copra farm gate prices and mill prices continued to decline from P20.34 (\$0.40) and P26.07 (\$0.51) per kilo in July 2018 to P13.73 (\$0.27) and P18.72 (\$0.37) per kilo, respectively, in June 2019. Prices improved as of January 30, 2020 when the average ex-farm price was P21.04 (\$0.42) per kilo while the copra mill price was P26.64 (\$0.52) per kilo. Prices are expected to further strengthen in MY 20/21 due to a hike in the country's biodiesel blend mandate (refer to OILS, Policy).

## **Trade:**

Executive Order No. 61 (EO 61), signed October 2011, took effect in January 2012 and set Most Favored Nation (MFN) tariff rates on a range of agricultural products. Soybean (HS Code 12.01) and copra (HS Code 12.03) duties will remain at 1 percent and 10 percent through 2020, respectively. Soybean imports, however, can enter duty-free if certified for use as a feed ingredient by the Philippine Bureau of Animal Industry/Plant Industry (BAI/BPI) and the Bureau of Customs (BOC).

Soybean and copra imports originating from countries of the Association of South East Asian Nations (ASEAN) are duty-free in 2020. They are also duty-free if originating from non-ASEAN countries with existing regional Free Trade Agreements (FTAs), such as Australia, New Zealand, China, Korea, and Japan. Soybean and copra imports under the ASEAN-India FTA (AIFTA) are subject to a 1 percent and 10 percent duty, respectively.

Considerable downward adjustments were made to soybean imports in MY 18/19 based on year-end data as reported in Trade Data Monitor. Bean imports from the United States remained firm, capturing over 90 percent of total imports. Imports are projected to modestly increase in MY 19/20 in preparation for an expected recovery from the COVID-19 episode in MY 20/21.

Copra imports in MY 20/21 are likely to increase modestly and surpass the MY 19/20 level to supplement the expected local production decline during the period. The estimate approximates UCAP's import projection for CY 2020.

In late May 2019, in a bilateral meeting between visiting officials from the BPI and USDA, it was announced that the United States was ready to open its market to Philippine exports of young green coconuts. To date, however, no exports have been reported. Moreover, an over 30-year old Philippine ban on mature coconut exports remains in place.

**Stocks:**

Soybean ending inventories were pared down in MY 18/19 due to downwards revisions made to imports. Stocks will increase through MY 20/21 as the market recovers from the COVID-19 pandemic. Soybean inventories are largely held by the private sector (e.g., traders and processors).

No major change in copra ending stocks is likely in the next two years. Copra stocks are mainly on-farm inventories and/or held by traders and processors.

**Policy:**

On January 7, 2020, Philippine President Rodrigo Duterte signed into law the 2020 General Appropriations Act (GAA), which appropriates P4.1 trillion (\$80 billion) for the national government's operations. The 2020 GAA is 12 percent larger than the 2019 budget and provides the social services sector 37 percent, the largest share of this year's budget. The Department of Agriculture (DA) has a P64.7 billion (\$1.3 billion) budget, up from the previous year's P53.3 billion (\$105 million) appropriation.

### Production, Supply, and Distribution Data:

Oilseed, Soybean	2018/2019		2019/2020		2020/2021	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1	1	1	1		1
Beginning Stocks	30	30	26	6		12
Production	1	1	1	1		1
Imports	240	150	260	180		240
Total Supply	271	181	287	187		253
Exports	0	0	0	0		0
Crush	120	110	125	110		120
Food Use Dom. Cons.	25	25	25	25		30
Feed Waste Dom. Cons.	100	40	105	40		80
Domestic Consumption	245	175	255	175		230
Ending Stocks	26	6	32	12		23
Total Distribution	271	181	287	187		253
(1000 HA), (1000 MT)						

Oilseed, Copra	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct 2018		Oct 2019		Oct 2020	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3500	3500	3500	3500		3500
Beginning Stocks	27	27	16	16		16
Production	2630	2630	2500	2500		2400
Imports	59	59	65	65		110
Total Supply	2716	2716	2581	2581		2526
Exports	0	0	0	0		0
Crush	2700	2700	2565	2565		2510
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	0	0	0	0		0
Domestic Consumption	2700	2700	2565	2565		2510
Ending Stocks	16	16	16	16		16
Total Distribution	2716	2716	2581	2581		2526
(1000 HA), (1000 TREES), (1000 MT)						

**Commodities:**  
**Meal, Soybean**  
**Meal, Copra**

**Production:**

Local soybean meal (SBM) production remains insignificant, so the industry is reliant on imports. SBM output in MY 18/19 was pared down slightly due to downward adjustment made to soybean crush during the year. Production in MY 19/20 will likely be flat compared to the previous year's level due to the dampening effects of the Covid-19 outbreak. A modest recovery is predicted by MY 20/21 as the situation likely returns to more 'normal' conditions.

Copra meal output is expected to decline in MY 20/21 as a result of the declining copra output as coconut trees take their 'biological' rest period consistent with industry's expectation in 2020.

**Consumption:**

According to PSA, Philippine gross domestic product (GDP) growth in 2019 reached 5.9 percent, missing the government's 6 to 6.5 percent goal. This broke a seven-year streak of growth over 6 percent. For 2020, the inter-agency Development Budget Coordination Committee (DBCC) had projected GDP growth at 6.5 to 7.5 percent.

The country's economic projections, however, will be downgraded in view of the novel coronavirus disease 2019 (COVID-19) outbreak early this year (refer to Policy Section). The National Economic Development Authority (NEDA) projects Philippine GDP could contract 0.6 percent or grow up to 4.3 percent in 2020, depending on how long the Luzon-wide quarantine would last. NEDA noted that the higher-end forecast is possible only "if we are able to stem the impact of COVID-19 and the enhanced community quarantine (ECQ) to the rest of the economy." NEDA added that "(If) the ECQ is extended beyond one month, or if the spread of COVID-19 is unabated even after the ECQ, then even the low-end of the estimate is still too high." The estimate was made around the time Philippine President Duterte declared the island of Luzon under ECQ in early March 2020. The International Monetary Fund (IMF) on March 27, 2020 acknowledged the global economy has entered a recession but forecasts a strong recovery in 2021 if affected nations can limit the pandemic.

The domestic livestock and poultry industries continue to be the bright spots of Philippine agriculture primarily due to the performance of the hog and chicken industries. Next to rice, which accounted for 24 percent of total agricultural output, hog and chicken (including chicken eggs) production contributed the most to Philippine agricultural output in 2019, with shares of 12 and 14 percent, respectively. Both industries continue to consolidate and modernize but are currently facing challenges.

The contribution from the hog sector last year would have been greater had it not been for the ASF outbreak confirmed in early September 2019. In addition, the Philippines confirmed a positive case of H5N6 Highly Pathogenic Avian Influenza (HPAI) on a quail farm on March 16, 2020. The Philippine industry does not expect this HPAI case to have a significant impact on the broiler sector (mainly due to previous experiences dealing with similar outbreaks). The local hog sector, on the other hand, is having difficulty with the spread of ASF, which is deadly to pigs

but poses no risk to human health. Post, in its [March 17, 2020 Livestock and Poultry Update](#) noted an expected 10 percent reduction in pork production in 2020 to be compensated by a commensurate 10 percent expansion in poultry output. The report, however, mentioned that delayed shipments and supply disruptions are expected effects from the Luzon-wide quarantine.

The Luzon ECQ has slowed down overall commercial activity and movement considerably of its estimated 57 million inhabitants, affecting more than half the country's population. Policy enforcement has so far been generally tolerant and accommodating. How strict the quarantine is implemented largely depends on the Local Government Units (LGU). A curfew has been imposed and initial panic buying has somewhat subsided, although buying groceries requires careful planning to ensure compliance with evolving policies and restrictions. Supplies of basic food items have so far been adequate (enough for two months, according to the DA) but stocks at major supermarkets have to be replaced on a daily basis. While the GPH has imposed a price freeze on basic food items, there are reports of food being sold at unreasonably higher prices.

Food service outlets may remain open for delivery and take out, but many have closed due to movement restrictions and sharply reduced demand. A large food and beverage company expects that because people stay home, household consumption will increase. For a considerable portion of the working class, however, or those employed under a 'no work, no pay' arrangement, this is not the case. Some LGUs have started to ration food supplies to the urban poor in certain communities.

In a March 30, 2020 televised press release, President Duterte announced a P200 billion (nearly \$4 billion) package to help low-income households affected by the implementation of the ECQ. The GPH is reportedly also considering a stimulus aid package in addition to other additional emergency subsidies should the outbreak persist.

The Luzon quarantine expires on April 13, 2020 but may be extended. Even if lifted in MY 19/20, meat demand is not expected to recover as low income earners are expected to be financially distressed. A return to more normal conditions is expected in MY 20/21 as the COVID-19 outbreak wanes and the economy starts to recover, consistent with the IMF's projection.

SBM consumption in MY 18/19 was short of expectation due to dampened imports and lower than expected production as a result of reduced bean supply for crush. This continued with the September 2019 confirmation of an ASF outbreak, when many importers cancelled or postponed their orders to 2020 as they adopted a wait-and-see stance, according to industry contacts. SBM demand is expected to remain fairly flat during the year as the poultry sector compensates for the drop in hog output due to ASF concerns.

Enhanced by the strong performance by the poultry sector, overall SBM consumption will likely surge in MY 20/21 as the market recovers from the COVID-19 effects and consumer demand picks up as the economy grows. Concerns over ASF are likely to abate as more farms commercialize and practice stricter biosafety measures as noted in the March livestock and poultry update.

Other feed ingredients used in the Philippines include corn, rice bran, copra meal, coconut oil, salt, and assorted vitamins and minerals. SBM and copra meal are the main oil meals used in local feed rations. Very small amounts of palm kernel meal and fish meal relative to total oil meal consumption are imported (26,000 tons and 6,000 tons, respectively, in 2019) and used for specialty feeds. Both are not locally produced.

Copra meal is not a protein substitute for SBM and is used primarily as a feed ‘filler’. Because of this, it is not commonly used in large amounts by serious commercial hog raisers. Postharvest handling facilities also report quality issues such as aflatoxin contamination and considerable copra meal spoilage losses. Copra meal consumption in MY 19/20 is projected to increase despite a decline in production to accommodate spoilage losses. Likewise in MY 20/21, copra meal consumption will increase, although a significant portion is expected to be spoilage losses.

On the other hand, distillers dried grains with solubles (DDGS) as an energy source is mainly used by integrated hog and poultry operations. According to industry, DDGS inclusion levels are typically 3 to 8 percent for broiler feed, 5 to 15 percent for layer feed, and 3 to 10 percent for swine feed. Total maximum DDGS demand in the Philippines is estimated at 530,000 tons at the maximum inclusion levels. Consistency and color are concerns raised by local contacts in the use of DDGS.

The industry’s structure is composed of:

- (1) Commercial producers, who are solely engaged in the feed manufacturing business;
- (2) Integrated farm feed millers, who are engaged in livestock production and at the same time sell feeds commercially, and
- (3) On-farm feed millers, who produce feed for their own farms.

The domestic feed milling industry continues to consolidate and modernize, servicing the feed needs of the growing livestock and poultry industries. What used to be an industry led by on-farm feed mixers in the early 1980s is now one of the fastest growing agricultural enterprises, dominated by large commercial players.

#### **Trade:**

Imports of copra meal (HS Code 2306.50.00) will continue to be levied a 10 percent MFN tariff in 2020. On the other hand, imported SBM (HS Code 23.04) and DDGS (HS Code 230330) both carry a 0 percent and 1 percent MFN duty, respectively. They can also be brought in duty-free if inspected and certified by BAI/BPI and the BOC. Moreover, copra meal, SBM, and DDGS imports are duty-free if coming from ASEAN-member countries.

According to U.S. Customs data, Philippine SBM imports from the United States reached \$788 million in 2019. Although 11 percent lower than the previous year, it retained its status as the largest market in the world for U.S. SBM and the Philippines’ largest agricultural import from the United States. Overall SBM imports reached 2.5 million tons in MY18/19 with the United States accounting for 87 percent of total imports followed by Argentina with a 13 percent share. The United States is expected to maintain its dominance over SBM imports in MY 19/20, which are expected to increase modestly from the MY 18/19 level in preparation for a likely surge in

meat demand in MY 20/21 as the economy recovers and overall market conditions return to more normal conditions.

Copra meal exports are expected to decline through MY 20/21 reflecting the downward trend in copra production and crush. South Korea and Vietnam are likely to remain as the top destinations for Philippine copra meal exports during the period.

For DDGS, Philippine imports increased 9 percent to 265,000 tons in 2019, according to preliminary TDM-exporter data. DDGS from the United States dominated imports during the period. The use of DDGS as an energy source is gaining local popularity and is expected to translate into increased imports in MY 20/21.

#### **Stocks:**

As a result of downward revisions made to SBM production in MY 18/19, SBM inventories will decline during the year. SBM stocks are expected to go down further in MY 19/20 before increasing in MY 20/21 as local demand picks up. SBM stocks are mainly held in storage by the private sector (e.g., traders and feed millers).

Copra meal stocks were revised downwards in MY 19/20 to reflect higher consumption feed (including wastage losses) during the year. No significant changes in copra meal inventories stocks are expected in MY 20/21. Like SBM, copra meal inventories are largely private sector held.

#### **Policy:**

On February 21, 2020, President Rodrigo Duterte signed [Executive Order No. 105](#) (EO 105) creating a national task force to manage animal-borne diseases such as African Swine Fever (ASF). EO 105 mandates the national task force to “oversee and implement effective and coordinated policies and strategies to manage, contain, and control the spread of such diseases.” The task force will be chaired by the DA Secretary and vice-chaired by the Health Secretary.

On March 8, 2020 President Duterte formally declared a State of Public Health Emergency in the Philippines as a result of the COVID-19 pandemic. The president suspended all classes in Metro Manila as part of a community quarantine from March 10-14, 2020. An initial price freeze on basic necessities was imposed shortly after the declaration.

Subsequently on March 16, 2020, President Duterte, through a Memorandum to the Executive Secretary, announced the entire island of Luzon including its associated islands on "[enhanced community quarantine](#)" effectively placing it on lockdown. The order restricts the movement of people (with some exceptions) as mass transportation facilities were suspended. The Luzon quarantine includes setting up of checkpoints, banning of public events, and closure of commercial businesses, schools, and universities, among others, until April 13, 2020. Private establishments involved in food processing, preparation, and distribution and others providing basic necessities may remain open and maintain a ‘skeletal workforce.’ The same day, the president signed [Proclamation No. 929](#) placing the entire Philippines under a State of Calamity on account of COVID-19.

Parallel to the Presidential declaration and directives, the Departments of Trade and Industry (DTI), Agriculture (DA), and Health (DOH) issued Joint Memorandum Circular (JMC) No. 2020-01 reinforcing the price freeze on goods. The prices of basic necessities were frozen from March 16 to May 15, 2020 consistent with the Price Act, or Republic Act No. 7581. The goods covered include rice, corn, cooking oil, fresh, dried, and other marine products, fresh eggs, fresh pork, beef, and poultry meat, fresh milk, fresh vegetables, root crops, sugar, and fresh fruits.

In addition to the price freeze, the DA issued [Memorandum Circular No. 6](#) (MC No. 6), which outlined guidelines for the delivery of food and other agricultural commodities to, from, and passing through the National Capital Region (Metro Manila) during the 30-day quarantine. MC No. 6 establishes “Food Lane” delivery guidelines and distribution centers in close coordination with the concerned Local Government Units (LGUs).

On March 21, 2020, the DA, in a letter to the Executive Secretary, requested for a supplemental budget of at least P1 billion to support its programs in ensuring food availability and price stabilization for the next two months. “While the DA support systems are already in place to ensure food supply availability, we need additional funds to sustain their implementation, especially in areas where the enhanced community quarantine is strictly enforced,” according to the DA letter.

Finally on March 23, 2020, both Houses of Congress passed [Republic Act No. 11469](#) (RA 11469) aka “Bayanihan to Heal as One Act” declaring a national emergency and giving President Rodrigo 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 authorizes the president to provide emergency subsidy to 18 million low income families and facilitate prompt testing of suspected cases. RA 11469 also empowers the president to direct banks and government-run social funds to give a moratorium on loan payments, among others. RA 11469 will be in effect for three months unless extended by Congress.

**Production, Supply, and Distribution Data:**

Meal, Soybean	2018/2019		2019/2020		2020/2021	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	120	110	125	110		120
Extr. Rate, 999.9999	0.78	0.7727	0.78	0.7727		0.7917
Beginning Stocks	157	157	251	107		92
Production	94	85	98	85		95
Imports	2900	2465	2850	2500		2900
Total Supply	3151	2707	3199	2692		3087
Exports	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	2900	2600	3000	2600		2900
Domestic Consumption	2900	2600	3000	2600		2900
Ending Stocks	251	107	199	92		187
Total Distribution	3151	2707	3199	2692		3087
(1000 MT), (PERCENT)						

Meal, Copra	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct 2018		Oct 2019		Oct 2020	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	2700	2700	2565	2565		2510
Extr. Rate, 999.9999	0.33	0.33	0.33	0.33		0.33
Beginning Stocks	100	100	100	100		95
Production	888	888	845	845		830
Imports	0	0	0	0		0
Total Supply	988	988	945	945		925
Exports	368	368	320	300		250
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	520	520	525	550		580
Domestic Consumption	520	520	525	550		580
Ending Stocks	100	100	100	95		95
Total Distribution	988	988	945	945		925
(1000 MT), (PERCENT)						

**Commodities:**  
**Oilseed, Soybean**  
**Oil, Coconut**

**Production:**

Philippine soybean oil (SBO) production continues to be insignificant relative to overall Philippine vegetable oil production, and is supported largely by imported beans. SBO output was pared down marginally in MY 19/20 to reflect similar adjustment made to bean crush during the period, and is expected to remain flat compared to the previous year's level. SBO production is expected to increase marginally in MY 20/21 due to the slight increase in bean crush during the year.

The Philippines is the world's top CNO producer. CNO output in MY 20/21 is expected to decline consistent with the expected reduction in copra harvests and crush over the next two years.

**Consumption:**

SBO is mainly used for mayonnaise and salad dressings, and the local industry does not consider it to be a complete CNO substitute. Food use of SBO is minimal relative to overall edible oil usage. No significant change in SBO consumption is expected in MY 19/20, while it is forecast to increase marginally in MY 20/21 as the economic situation improves.

CNO is the preferred oil, as long as prices remain stable. It is used as a raw material in making margarine, shortening, and milk fat substitutes and in biscuit and cracker production. CNO food use consumption in MY 20/21 is expected to increase modestly from the previous year's level. This will be enhanced by increased competitiveness of CNO food use over palm oil as their price differential continues to narrow. According to UCAP, the price advantage of CNO over Palm oil on a per ton CIF basis was \$888 in 2017, declining to \$395 in 2018 and to \$166 in 2019.

Industrial CNO consumption is composed mainly of coconut methyl ester (CME) and other oleochemical production. Oleochemicals are used in the production of laundry detergents and other personal care items such as toothpaste, soap bars, shower cream, and shampoo. Implemented in 2007, the Philippines also has a Biofuels Law that mandates the blending of biodiesel in all petroleum diesel sold in the country. CME is used as feedstock in Philippine biodiesel production. The current blend mandate is two percent (B2) and at this level, requires roughly 130,000-140,000 tons of CNO.

Although no executive order has been issued to comply with the mandated biodiesel blend rates (refer to OILS, Policy Section), industry expects a gradual increase from the current B2 blend. In its forecast for 2020, UCAP projected a B3 blend by the second quarter of 2020 but this did not happen due to the COVID-19 outbreak. The B3 blend will likely be implemented in the later part of MY 19/20. A B4 blend is expected to be implemented by MY 20/21 and would raise CNO industrial consumption further.

**Trade:**

EO 61 raised tariffs for crude CNO (HS Code 15.13.1100) from 3 to 10 percent, which are still in effect in 2020. However, imports of CNO are duty-free in the AFTA. Imports of SBO (HS Code 15.07) are subject to a 7 percent MFN duty through 2020 but may be imported free of duty if originating from ASEAN member countries and countries with ASEAN-FTAs (except India which levies a 7 percent duty). For palm oil (HS Code 15.11), imports are levied a 15 percent MFN tariff under EO 61, but are duty-free under the AFTA.

CNO is the largest Philippine agricultural export and its top markets are the EU and the United States. CNO exports in MY 19/20 will decline from the previous year's level due to a global glut in vegetable oils. UCAP forecasts CNO exports in 2020 at roughly 810,000 tons, the lowest in three years with half expected to be loaded in the first half of 2020, based on commitments made in late 2019. Post estimates CNO exports to be modestly higher on a market year basis or on MY 19/20. For MY 20/21, CNO exports are likely to decline from the MY 19/20 level due to the expected decline in copra crush as coconut trees continue their biological rest period.

<b>Philippine Coconut Oil Exports, Metric Tons</b>					
<b>Annual Series: January, 2015 - December, 2019</b>					
<b>Country</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Total</b>	926,757	882,563	932,191	1,113,379	1,196,348
<b>EU 28</b>	407,851	381,543	386,343	462,541	503,407
<b>United States</b>	341,568	299,543	282,831	350,292	307,850
<b>New Zealand</b>	89,363	108,324	136,199	163,966	143,093
<b>Other</b>	69,197	60,807	67,674	69,496	121,976
<b>Malaysia</b>	12,979	21,593	21,530	28,427	69,939
<b>China</b>	5,799	10,753	37,614	38,657	50,083

Source: Trade Data Monitor LLC; data reported by importing countries

**Stocks:**

SBO inventories are negligible and no significant change in SBO stock levels are projected through MY 20/21. SBO stocks are private sector held.

For CNO, stocks are likely to decline through MY 20/21, consistent with the decline in copra production and crush during the period. The majority of CNO stocks are with private processors and traders.

**Policy:**

In a Cabinet meeting held February 4, 2020, President Rodrigo Duterte approved the crafting of an executive order to ensure the country's compliance with the Philippine Biofuels Law mandating the inclusion of coco methyl ester (CME) in all petroleum diesel sold in the country. The current rate is two percent and may be raised by the National Biofuels Board (NBB) chaired by the Department of Energy per the Philippine Biofuels Act of 2006. The move is expected to help prop up falling copra prices.

**Production, Supply, and Distribution Data:**

Oil, Soybean	2018/2019		2019/2020		2020/2021	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	120	110	125	110		120
Extr. Rate, 999.9999	0.175	0.175	0.175	0.175		0.175
Beginning Stocks	5	5	5	5		5
Production	21	21	22	21		23
Imports	47	47	48	47		47
Total Supply	73	73	75	73		75
Exports	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	68	68	70	68		70
Feed Waste Dom. Cons.	0	0	0	0		0
Domestic Consumption	68	68	70	68		70
Ending Stocks	5	5	5	5		5
Total Distribution	73	73	75	73		75
(1000 MT), (PERCENT)						

Oil, Coconut	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct 2018		Oct 2019		Oct 2020	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	2700	2700	2565	2565		2510
Beginning Stocks	227	227	243	243		253
Production	1700	1700	1615	1615		1560
Imports	1	1	0	0		0
Total Supply	1928	1928	1858	1858		1813
Exports	1010	1010	1025	850		810
Industrial Dom. Cons.	450	450	450	520		590
Food Use Dom. Cons.	215	215	225	225		235
Feed Waste Dom. Cons.	10	10	10	10		10
Domestic Consumption	675	675	685	755		835
Ending Stocks	243	243	148	253		168
Total Distribution	1928	1928	1858	1858		1813
(1000 MT), (PERCENT)						

**Soybean Meal Equivalent Consumption**

	2020/2021	2020/2021	2020/2021
Commodity	New Post	New Post	New Post
Soybean	40	40	80
x SME factor	0.8	0.8	0.8
Soybean SME	32	32	64
SBM	2600	2600	2900
Copra Meal	520	550	580
x SME factor	0.4515	0.4515	0.4515
Copra Meal SME	234.78	248.33	261.87
Palm Kernel Meal	25.81	26.00	26.00
x SME factor	0.36	0.36	0.36
Palm Kernel Meal SME	9.18	9.25	9.25
<b>Total SME</b>	<b>2875.96</b>	<b>2889.57</b>	<b>3235.12</b>
(1000 MT)			

**Web links for recent policies:**

Memorandum Circular No. 06 Series of 2020 – Implementing Guidelines for the Delivery of Food and Other Agricultural Commodities to, from, and Passing through the National Capital Region during the Thirty Day Community Quarantine: [http://www.da.gov.ph/wp-content/uploads/2020/03/mc06\\_s2020.pdf](http://www.da.gov.ph/wp-content/uploads/2020/03/mc06_s2020.pdf)

Republic Act No. 11469 – An Act Declaring the Existence of a National Emergency Arising from the Coronavirus Disease 2019 (COVID-19) Situation:  
<https://www.officialgazette.gov.ph/2020/03/24/republic-act-no-11469/>

March 16, 2020 Memorandum from the Executive Secretary – Community Quarantine over the Entire Luzon and Further Guidelines for the Management of the COVID-19 Situation  
<https://www.officialgazette.gov.ph/downloads/2020/03mar/20200316-MEMORANDUM-FROM-ES-RRD.pdf>

Presidential Proclamation No. 929 – Declaring a State of Calamity throughout the Philippines Due to Coronavirus Disease 2019  
<https://www.officialgazette.gov.ph/downloads/2020/03mar/20200316-PROC-929-RRD.pdf>

Executive Order No. 105 – Creating a National Task Force to Prevent the Entry of Animal-Born Diseases, Contain and Control the Transmission Thereof, and Address Relating Thereto  
<https://www.officialgazette.gov.ph/2020/02/21/executive-order-no-105-s-2020/>

**Attachments:**

No Attachments