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Poultry and Products

Annual

2000

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Report Highlights:
Philippine poultry meat production in 2000 will increase from last year's level while administrative and policy changes will impact the issuance of Veterinary Quarantine Certificates (VQC's) for livestock and poultry meat and meat products. Imports will decline during the year but are expected to recover and increase in 2001 as import guidelines are further refined and become clearer. Poultry meat production will still grow in 2001 but at a slower rate.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Manila [RP1], RP

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Executive Summary

Philippine poultry production will rebound and increase this year compared to its 1999 level due to the increased local meat demand including poultry meat as a result of the general improvement of the Philippine economy. Due to unilateral import policy and administrative changes initiated by the Department of Agriculture (DA) early this year, imports for 2000, however, will decline from the previous year's level. These changes were implemented abruptly without prior consultation and therefore came as a surprise disrupting normal trade. An Administrative Order No. 16 (AO No. 16) was issued which the trade found to be overly restrictive and Post has expressed its concern over the new AO. Succeeding consultations/representations have been made together with the private sector. The DA will likely relax some of the more prohibitive provisions of the controversial AO in the near future.

Another policy which will affect imports is the newly enacted Safeguards Law which is designed to curb import surges. Republic Act No. 8800 (RA No. 8800) is expected to favor local production. While its Implementing Rules and Regulations (IRR) are currently under review and refinement, it likewise has caused a certain degree of uncertainty which has also disrupted normal trade.

Less restrictive policies in relation to meat imports will likely be in place before 2001 wherein imports are expected to rebound and exceed last years level. Local production is likewise predicted to grow but at a slower pace than its 1999 rate.

Production

Philippine poultry production grew modestly (4 percent) in 1999 after contracting the year before mainly due to a recovery in demand as a result of the improvement of the Philippine economy and the return to more "normal" weather conditions. The production estimate in the table was increased as better than expected production was realized particularly in the production of meat from ducks, turkeys, pigeons, etc. Philippine poultry production, however, continues to be dominated by chicken meat production which account for more than 95 percent of all poultry meat produced. Chicken population increased according to preliminary estimates from the Bureau of Agricultural Statistics (BAS) to reach 118 million birds as of Jan.1, 2000 from last year's level of 116 million birds. Native/improved chicken types dominate the local chicken population at 71 million birds (60 percent) followed by broilers which numbered 30 million birds (26 percent) and layers at 16 million birds (14 percent).

Live broiler stocks are concentrated in Central Luzon, Southern Tagalog, Northern Mindanao, Southern Mindanao and the Western Visayas Regions. These regions combined account for around 82 percent of all broiler stocks in the country. Broiler prices in 1999 (wholesale, live weight) as posted in Metro Manila, according to the BAS, averaged P52.27 per kilo ($1.19 at P44/$) or slightly lower than the P54.61 ($1.24) average price per kilo in 1998. Rounding off may lead to variances in the computation of annual price averages. The decline in prices is attributed to the rise in imported chicken imports in 1999.

Prices Table			
Country	Philippines		
Commodity	Broiler, Wholesale (live weight)		
Prices in	Pesos	per uom	Kilo
Year	1999	2000	% Change

Jan	69.33	52.59	-24.15%
Feb	64.92	45.67	-29.65%
Mar	57.55	41.43	-28.01%
Apr	49.10	43.75	-10.90%
May	54.79	54.33	-0.84%
Jun	54.41	55.64	2.26%
Jul	46.85		
Aug	45.63		
Sep	46.89		
Oct	50.33		
Nov	49.47		
Dec	49.73		
Exchange Rate	44.305	Local currency/US $	

Source: Bureau of Agricultural Statistics

Imports of cheaper chicken meat, to a large degree kept prices low during the first quarter of 2000. Prices jumped abruptly in the month of May, however, as a result of import policy changes the DA imposed which hampered chicken meat imports (refer to POLICY). For the first half of the year, broiler wholesale live weight prices averaged P48.90 ($1.11) per kilo or 6 percent higher than the 1999 average.

Poultry production in 2000 is predicted to increase from the previous year's level primarily due to emerging policies which tend to favor local poultry production. Demand remains strong as the Philippine population expands and the fast food chain industry flourishes. This growth scenario is supported by the number of imported day-old chick numbers below. Commercially raised chicken rely heavily on imported day-old chicks (DOC's). The increase in Grand Parent (GP) and Parent Stocks (PS) for commercial broiler production and the considerable 121 percent increase in DOC imports in 1999, as compared to the 1998 levels, indicates that broiler production in 2000 will surpass the previous year's production level substantially. Poultry production in 2001, however, is likely to slow down compared to the previous year's growth as local production is expected to face more competition from poultry meat imports.

Number of Imported Day-Old Chick (DOC) Breeders, by type, 1997-1999					
				Percent Change	
Type	1997	1998	1999	1999/98	1998/97
BROILER	949,309	840,005	1,859,748	121.40	-11.51
Grand Parent Stocks	152,884	130,412	202,847	55.54	-14.70
Parent Stocks	796,425	709,593	1,656,901	133.50	-10.90

Source: Animal Health Division, Bureau of Animal Industry

Though the local poultry industry is fairly developed and well established, they are disadvantaged by shortages of domestic corn and resulting high costs. They are also prevented from taking advantage of the cheaper world price of corn by a Minimum Access Volume (MAV) limit and the excessive out-quota tariffs. In addition, they also suffer from high costs of energy, transportation and distribution.

Consumption

After declining in 1998, overall meat consumption of the average Filipino in 1999 increased as effects of the Asian financial crisis abated. Consumption of pork, beef, and chicken meat all increased during the period. Meat consumption is expected to continue increasing till 2001 due to the expected improvement of the Philippine economy and the rapidly growing Philippine population. The flourishing meat processing industry is expected to considerably enhance the increase in meat consumption in the next 2-3 years.

ANNUAL PER CAPITA CONSUMPTION				
OF SELECTED MEATS (Kg/Year)				
YEAR	CHICKEN	PORK	BEEF	TOTAL
1991	4.56	11.03	2.19	17.78
1992	5.55	10.79	2.29	18.63
1993	5.57	11.04	2.42	19.03
1994	5.49	11.02	2.68	19.19
1995	5.83	11.61	2.89	20.33
1996	6.51	12.21	3.13	21.85
1997	6.96	12.54	3.46	22.96
1998	6.75	12.70	3.25	22.70
1999	7.03	13.10	3.59	23.72

Source of Basic Data: Bureau of Agricultural Statistics

Retail dressed prices of broilers in 1999 averaged P82.83 ($1.88) per kilo, marginally higher than the previous year's average. For the first five months of this year, the average price declined 8 percent to P76.23 ($1.73) per kilo. Monthly prices were noticeably lower than their year-ago levels with the lowest price recorded in March 2000. The decline is again attributed to the entry of cheaper chicken meat imports particularly chicken parts such as leg quarters for which Filipinos have the greatest preference.

Prices Table			
Country	Philippines		
Commodity	Broiler, Retail (Dressed)		
Prices in	Pesos	per uom	Kilo
Year	1999	2000	% Change
Jan	97.28	80.06	-17.70%
Feb	93.87	75.31	-19.77%

Mar	88.60	73.16	-17.43%
Apr	82.59	73.67	-10.80%
May	83.04	78.97	-4.90%
Jun	81.59		
Jul	78.37		
Aug	76.63		
Sep	77.39		
Oct	79.66		
Nov	71.28		
Dec	78.95		
Exchange Rate	44.305	Local currency/US $	

Source: Bureau of Agricultural Statistics

Due to the restrictive meat import policies, prices have began to increase starting May. Although official GOP prices are not yet available, media reports that current dressed chicken prices at the supermarkets have reached P80 ($1.82) per kilo while wet market retailers have priced their chicken even higher at P90 ($2.05) per kilo.

Trade

In dollar terms1999 poultry meat imports from the U.S. (U.S. data) jumped 647 percent to $20.5 million from $2.7 million in 1998. This makes the Philippines our 13th largest market. In volume terms the increase was even more dramatic, up 1,009 percent from 3,046 MT to 33,764 MT. According to official GOP estimates, total poultry meat imports in 1999 were valued at $20.3 million. The data provided below was also obtained from official GOP sources.

Import Trade Matrix			
Country	Philippines		
Commodity	Poultry, Meat, Total		
Time period	Jan-Dec	Units:	Tons
Imports for:	1999		2000*
U.S.	24,254	U.S.	6,226
Others		Others	
Canada	4,398	Canada	4,648
Australia	941	Australia	302
Taiwan	714	PROC	99
PROC	282	Taiwan	49
Netherlands	177	Netherlands	36
Singapore	104	Brazil	26
Hongkong	39		

Total for Others	6,655		5,160
Others not Listed	104		24
Grand Total	31,013		11,410

* Through April

Source: National Statistics Office

The U.S. dominated poultry meat imports with a 78-percent share of the market followed by Canada with a 14-percent share. Philippine poultry meat imports in 1999 consisted of chicken meat (95 percent), turkey meat (4 percent) and duck meat (1 percent). Of the total imported chicken meat, whole chicken imports comprised 38 percent while cut chickens accounted for about 62 percent.

Poultry meat imports this year should have significantly surpassed the previous year's level had it not been for certain administrative and policy changes the DA unilaterally implemented. Because of these changes, imports in 2000 will decline from its 1999 level. Imports are predicted to rebound the following year or in 2001 as meat import policies are adjusted to become more liberal.

Tariffs

Tariffs for 2000 remain unchanged from the previous report (Refer to RP9041). Duties beyond the year have yet to be established and will require an Executive Order (EO). Should an EO not be issued by the end of the year, the current duties will apply for 2001.

Poultry imports are covered under an agreement that details the MAV for this as well as other products and the methodology for allocating the import rights to the MAV product. The in-quota duty under the MAV is 45 percent and in 2000 the quantity is 18,790 MT. To date licenses have been issued to support imports of 4,912 MT of poultry (as of April 10, 2000). Registrations for the first quarter are 4,675 MT this year compared to 2,260 MT last year. Outside the MAV the duty ranges from 50 percent (for leg quarters) to 60 percent.
A summary of MAVIC's issued by quarter, from 1998 to the first half of 2000 is provided below:

Heading No./	CY	MAV	**MAVIC'S Issued (MT)**					Utilization Rate (%)
Description		(MT)	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL	
HS02.07-Fresh, Chilled, Frozen Poultry	1998	16,701	242.00	558.90	836.30	1,072.40	2,709.60	16.22
	1999	17,746	2,260.14	4,179.29	4,359.26	5,326.96	16,125.65	90.87
	2000	18,790	4,675.80	2,464.48	N/A	N/A	7,140.28	38.00

Source: Philippine Department of Agriculture

A breakdown of the issuance of the poultry MAV for the first six months of his year is provided below. Chicken meat comprised around 87 percent of all MAVIC issued during the period followed by turkey meat with a 13 percent share.

2000 MONTHLY MAVIC ISSUED (MT)							
	Jan	Feb	Mar	Apr	May	Jun	TOTAL
HS02.07	1,662.61	1,426.36	1,586.83	743.99	1,054.44	666.05	7,140.28
Chicken	1,499.06	1,207.12	1,521.01	588.86	838.28	538.27	6,192.59
Turkey	143.49	219.24	65.53	145.15	195.25	127.39	896.05
Geese	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Duck	20.06	0.00	0.29	9.97	20.91	0.40	51.64
Pigeon	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: Philippine Department of Agriculture

Policy

Last September 1999, responding to the recommendation of DA Secretary Edgardo Angara, President Estrada approved the ban on the duty-free importation of chicken meat, pork, and beef by Duty-Free Shops. Despite the ban, however, and the predicted rebound of local chicken production, imports continued to surge early this year. The local chicken raisers have admitted they can not compete with the much cheaper imports specifically of chicken parts and have lobbied for more protection.

An issue predicted to arise as we approach November is what will be the status for poultry meat MAV certificate holders who did not have the opportunity to use their allocations because of the DA's choice not to process VQC's. In the provisions of the pork and poultry MOU, there is supposed to be penalties to reduce allocations prior to the subsequent year for any unutilized portions in the previous year of each applicants allocation.

The broiler integrator industries, along with other protectionist-motivated agricultural interests launched and continue an active media campaign against imports. Media reports in support of the local poultry industry have accused the U.S. of dumping chicken in the Philippine market. Some raisers have also accused U.S. chicken as being unsafe.

All meat and live animal imports require a VQC issued by the DA's Bureau of Animal Industry (BAI) before they can be imported. This procedure had been in place and is simple and straightforward and normally took only a few days. The DA, however, instituted unilaterally changes in this procedure early this year which has resulted in administrative delays and slower processing. The DA's excuse is that many importers were improperly applying for VQC's after already contracting meat shipments. The delay in the issuance of VQC's without justification may be considered a *de facto* ban which the DA denies. Furthermore, it is considered inconsistent with the Philippines WTO obligations to honor the TRQ quantities under the MAV. Due to the withholding of the required Veterinary Quarantine Certificate (VQC) a considerable amount of containers either in transit or at the port were seriously affected.

Last June 30 a demarche to Secretary Angara was delivered by the Ambassador and AgCounselor expressing concern over the market access problems facing U.S. chicken exports to the Philippines. A similar letter was delivered to Mr. Angara from the USTR and Secretary Dan Glickman.

The continued withholding of VQC's resulted in a food trading group suing Mr. Angara lat July for 'illegally' withholding VQC's. In this lawsuit with the Philippine Federation of Food Industry Inc. (PFFI), Angara wants the courts to allow the local poultry producers to be allowed as interested parties in a counter-suit against PFFI members. Once again the issue will not be centered around any sanitary issues but rather the volume of imports damaging the livelihood of the local producers. Mr. Angara is amenable to allowing imports of whole chickens but chicken parts. It is also presumed that the *de facto* ban has made smuggling more lucrative which is an issue the GOP does not wish to tackle.

Last April, the DA issued Administrative Order No. 18 (AO No.18) which prohibits the importation of all agricultural products unless accompanied by an SPS certificate. A few days later, the DA issued Administartive Order No.16 (AO No.16) which consolidates all DA regulations covering meat imports. It establishes some new regulations, standards and procedures on the importation of meat and meat products including chicken meat (refer to RP0045). AO No.16 imposes strict, and in some cases, new requirements on all imports of fresh, chilled, and frozen meat but its implementation has been suspended following complaints from the U.S., Canada, and Australia.

Parallel to AO No. 16 is a safeguards bill which was approved last June by the conference committee of the Lower House and the Philippine Senate. The legislation provides for general safeguards as well as special agricultural safeguard remedies and was subsequently ratified last month. It was signed by President Estrada late July 19 and is known as "The Safeguard Measures Act" or Republic Act No. 8800 (RA No. 8800). RA No.8800 is a consolidation of House Bill No. 7613 and Senate Bill No. 2033. The Implementing Rules and Regulations of RA No.8800 is currently undergoing consultation and discussion. DA officials have made clear that they will immediately initiate safeguards action against imports of U.S. poultry and onions. Post believes that in part, it will give legal cover to the existing *de-facto* ban on U.S. poultry imports.

Marketing

Smuggling, reportedly controlled by persons with connections, may be the most serious problem the local industry faces. Reportedly the smuggling of poultry is continuing at a heavy pace. In 1999 U.S. export statistics reported 32,796 MT of chicken meat exports to the Philippines while Philippine import statistics show only 24,882 MT. This is a difference of 7,914 MT or 32 percent of listed imports. Even taking into account the lags in this data and the normal variations this indicates that smuggling was very high.

In response, in the July 24 State of the Nation Address (SONA) by President Estrada, the President said that duty-free shops should no longer be allowed to sell grocery items including chicken and other meat products to curb smuggling. Media reports have indicated that an Executive Order (EO) to this effect is already being drafted. A signed EO in place, however, is expected not to eliminate smuggling as increasing prices have made the practice more profitable.

PSD Table						
Country	Philippines					
Commodity	Poultry, Meat, Total				(1000 MT)(MIL HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New

Market Year Begin		01/1999		01/2000		01/2001
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	1	1	5	2	0	3
Production	495	500	520	520	0	530
Whole, Imports	9	12	5	8	0	12
Parts, Imports	13	19	5	16	0	22
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	22	31	10	24	0	34
TOTAL SUPPLY	518	532	535	546	0	567
Whole, Exports	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Consumption	510	527	525	540	0	555
Other Use, Losses	3	3	3	3	0	5
Total Dom. Consumption	513	530	528	543	0	560
TOTAL Use	513	530	528	543	0	560
Ending Stocks	5	2	7	3	0	7
TOTAL DISTRIBUTION	518	532	535	546	0	567
Calendar Yr. Imp. from U.S.	20	24	8	15	0	25