Philippines

Grain and Feed Update

Philippine Grain and Feed Situation and Outlook

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Report Highlights:
Responding to inflationary pressures, the Philippine government is set to liberalize rice imports by converting Quantitative Restrictions to tariffs. Both the House of Representatives and the Senate have passed legislation to this effect, with a reconciled bill approved by a Bicameral Conference Committee on November 28, 2018. President Duterte is expected to sign the appropriate Republic Act into law before the end of 2018, according to press reports. No immediate changes to rice imports are expected, as ample shipments have already been booked. Post concurs with the official USDA wheat and rice estimates. For corn, area harvested in MY 2017/2018 was lowered modestly to reflect the most recent official estimates.
Inflation slowed to 6 percent in November 2018 from 6.7 percent the previous month, but still higher than the 3 percent rate recorded in November 2017. According to the Philippine Statistics Authority (PSA), it was the first month inflation eased this year, and the slowest in four months. Average inflation for the January to November 2018 period now stands at 5.2 percent, considerably higher than the 2.9 percent average in 2017. This is mainly due to food supply issues, increasing petroleum prices, as well as a weaker Philippine peso, among other factors. Philippine government economic planners had originally set a 2-4 percent inflation target for 2018.

Post concurs with the official USDA wheat estimates. Encouraged by the inflation slowdown in November 2018, prices of some bakery items are expected to decline slightly leading to the Christmas holidays, according to the Philippine Department of Trade and Industry.
Corn area harvested in MY 2017/2018 was lowered modestly to reflect the latest estimates from the PSA. Yields during the same period were higher than expected, resulting in no change in production.

Rice

Post concurs with the official USDA milled rice estimates.

Increasing food prices, particularly rice, have been identified as a major contributor to inflation. The arrival of considerable rice imports has resulted in the slowing of inflation in November 2018 (from 6.7 percent in October to 6 percent). Philippine economic managers had pushed to liberalize rice imports as it would help reduce inflation and lower rice prices by P2 to P7 per kilo.
On July 2018, President Rodrigo Duterte declared as urgent legislation converting rice quantitative restrictions to tariffs. The current rice import tariffs rates are 35 percent for in-quota volumes while out-of-quota tariffs are 50 percent. In response, the Philippine House of Representatives passed House Bill No. 7735, the “Revised Agricultural Tariffication Act”, on August 14, 2018. The Philippine Senate passed its version, Senate Bill No. 1998 on November 14, 2018.

A Bicameral Conference Committee (Bicam) reconciled the differing provisions of the two bills on November 28, 2018. According to press reports, President Duterte is expected to approve the Bicam report and sign into law the consolidated bill (i.e., the attached Republic Act or RA) before the end of 2018.

Highlights of the of the consolidated bill are as follows:

- The Minimum Access Volume (MAV) will revert to its 2012 level of 350,000 tons from the current 805,200 tons.
- In-quota Most Favored Nation (MFN) rates will remain at 35 percent.
- For out-quota imports, the MFN tariff is raised from 50 to 180 percent.
- In- and out-quota imports from ASEAN countries will be levied a uniform 35 percent duty.
- A Rice Competitiveness Enhancement Fund will be created consisting of an annual P10 billion ($192.3 million) appropriation through the next six years.
- A special rice safeguard duty shall be imposed for the industry’s protection from extreme or sudden price fluctuations.
- The NFA’s role is confined to local paddy procurement and buffer-stocks management.
- To implement provisions of this RA, Implementing Rules and Regulations (IRRs) will be issued within 45 days after its effectivity.

No immediate changes to MY 2018/2019 imports are expected if, and when, the rice tariffication bill is enacted into law, as ample shipments have already been booked. It is, however, expected to encourage more imports from ASEAN countries, and less from non-ASEAN sources. The potential for import growth in the medium- to long-term will depend mainly on the performance of Philippine domestic production.