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Hog Industry Updates

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Report Highlights:

Philippine hog production, valued at P161 billion ($3.5 billion), increased by 1.16 percent in 2009. Consumption of pork, estimated at 1.357 million metric tons last year, continued to decline on a per capita basis. Imports of pork, on the other hand, rose by 5 percent in 2009, comprised mostly of pork fats, rind and assorted pork cuts and offal, mainly from Canada (37 percent) and the United States (32 percent). Tariff rates of pork imports from the ASEAN region were lowered to 0-5 percent beginning January 1, 2010. In May 2010, Zones 1 and 3 in the Luzon area were recognized by the Office International des Epizooties as FMD-free without vaccination.

General Information:

Production:

In 2009, Philippine hog production was valued at over P161 billion [1] ($3.5 billion), increased by 1.16 percent in liveweight basis from the previous year or 1.357 million metric tons (MMT) in carcass weight equivalent (CWE).

Production ('000 MT) Liveweight	2007	2008	2009	07/08	08/09
Hogs	1,886.01	1,855.74	1,877.34	-1.60	1.16

Source: Bureau of Agricultural Statistics

The local hog industry accounts for about 83 percent of the total livestock production and is equivalent to almost 15 percent of total value of agricultural production. As of January 2010, the total number of pigs is about 13.4 million head, of which 71 percent are from backyard farms and 29 percent are being raised by commercial farms. The highest number of pigs can be found in the CALABARZON Cavite-Laguna-Batangas (1.76 million), followed by Western Visayas (1.65 million) and Central Luzon (1.43 million).

From January to March 2010, hog production inched up by 0.35 percent. This slowdown was manifested in the lower stocks of fatteners and tight supply of piglets as observed in Cagayan Valley, Central Luzon and CALABARZON, according to the Bureau of Agricultural Statistics (BAS).

[1] Current Prices; US$1=P46.36 as of July 8, 2010

Consumption:

Total demand for pork in 2009 reached almost 1.357 million metric tons (CWE), of which 97 percent was produced locally and the remaining 3 percent was imported. Pork supply is mostly for domestic food consumption which is about 98 percent, and the balance is manufactured into canned or processed meat. The derived consumption of pork (excluding offal and processed meats) in 2009 was 14.87 kilograms, lower that the previous two years.

Per Capita Consumption of Pork 2007-09 (Kgs/year)			
	2007	2008	2009
Carcass	15.07	14.88	14.87
Offal	3.55	3.58	3.53

Source: Bureau of Agricultural Statistics

According to BAS, higher prices offered by traders pushed farmgate hog prices up by 4.70 percent in

2009.

Farmgate Prices (Pesos/kg)	2007	2008	2009	07/08	08/09
Hogs	71.27	81.99	85.84	15.04	4.70

Source: Bureau of Agricultural Statistics

Retail prices of lean pork in 2009 increased by 4.7 percent from the previous year.

PORK PRICES, 2009 (in Pesos)				
Month/ Quarter	**Farmgate**	**Wholesale**	**Retail_lean**	**Retail_liempo**
Jan	85.29	130.75	160.83	147.10
Feb	86.32	138.00	162.93	148.59
Mar	85.92	127.00	163.83	149.86
Q1	**85.84**	**131.92**	**162.53**	**148.52**
Apr	82.53	119.00	163.72	148.98
May	81.38	118.00	162.90	148.45
Jun	85.68	116.50	162.33	148.41
Q2	**83.20**	**117.83**	**162.98**	**148.61**
Jul	82.99	113.00	161.84	147.73
Aug	84.23	115.00	161.06	147.35
Sep	85.55	123.80	161.55	147.95
Q3	**84.26**	**117.27**	**161.48**	**147.68**
Oct	86.65	130.00	163.66	149.80
Nov	89.72	134.00	166.80	152.80
Dec	92.82	141.00	170.30	156.07
Q4	**89.73**	**135.00**	**166.92**	**152.89**
AVE	**85.76**	**125.50**	**163.48**	**149.42**

Source: Bureau of Agricultural Statistics

Trade:

Pork imports increased by 5 percent in 2009, comprised mostly of pork fats and rind for processing, as well as various pork cuts (i.e., hams and shoulders) and offal. Main country sources for pork were Canada, 37 percent and the United States, 32 percent. Imports from the United States nearly tripled from 10,351 MT in 2007 to 36,809 MT last year.

Pork Imports 2007-09 (in kg)					
	2007	**2008**	**2009**	**2007/08**	**2009/08**
Bellies	4,862,313	7,782,402	8,587,212	60%	10%
Deboned	978,944	475,281	27,000	-51%	-94%

Fats	26,678,213	29,776,918	26,399,038	12%	-11%
Offal	23,461,429	27,986,040	28,959,277	19%	3%
Pork Cuts	8,585,852	29,106,498	34,196,306	239%	17%
Rind/Skin	14,813,840	14,238,866	16,196,325	-4%	14%
Total	79,380,591	109,366,006	114,365,159	38%	5%

Source: National Veterinary Quarantine Service, Bureau of Animal Industry

Country Sources 2007-09 (in kg)						
	2007	**Share**	**2008**	**Share**	**2009**	**Share**
Australia	1,735,721	3%	1,478,008	1%	1,928,722	2%
Belgium	5,559,677	7%	5,072,749	5%	3,463,604	3%
Canada	25,392,161	36%	31,724,893	29%	42,617,357	37%
Denmark	2,030,839	4%	3,186,977	3%	1,238,065	1%
Netherlands	1,656,548	1%	2,081,088	2%	1,368,210	1%
USA	10,351,018	11%	29,575,267	27%	36,809,444	32%
Germany	12,558,795	17%	13,728,165	13%	8,788,603	8%
New Zealand	51,498	0%	24,500	0%	58,062	0%
France	9,356,952	7%	9,359,284	9%	6,517,601	6%
Spain	3,454,060	3%	5,773,637	5%	2,385,594	2%
Ireland	981,871	1%	803,384	1%	449,277	0%
Korea	5,954,520	10%	6,558,053	6%	8,735,630	8%
United Kingdom	296,930	0%	-	0%	4,991	0%
Total	79,380,591		109,366,006		114,365,159	2%

Source: National Veterinary Quarantine Service, Bureau of Animal Industry

Policy:

Foot and Mouth Disease (FMD): In May 2010, the Philippine Department of Agriculture (DA) secured a certification from Paris-based Office International des Epizooties (OIE) recognizing two of the three zones (Zones 1 and 3) in Luzon as FMD-free without vaccination. The DA announced that the provinces in North and South Luzon have been recognized by the OIE as “free from foot and mouth disease where vaccination is not practiced.” The application for an FMD-free declaration without vaccination for Luzon’s Zone 2 is now pending with the OIE.

Mindanao and Visayas along with the island provinces of Palawan and Masbate were already declared by the OIE as FMD-free without vaccination in 2001 and 2002 respectively. To facilitate the Philippines’ application for a FMD-free declaration by the OIE, the DA had subdivided Luzon into three areas. Zone 1 or North Luzon comprises the Cordillera Administrative Region, Region II, and the province of Aurora in Region III, Ilocos Norte, Ilocos Sur and La Union in Region I; Zone 2 or Mid-Luzon covers Region III except the province of Aurora, Region IVA, National Capital Region and the province of Pangasinan in Region I; and Zone 3 or South Luzon includes Region IV-B and Region V.

Minimum Access Volumes: Minimum Access Volumes (MAV) for pork and all other commodities subject to MAV or Tariff Rate Quotas (TRQ) have not increased since 2005, when the Philippines reach its 10th/last year commitment under the WTO Uruguay Round. In February 2009, after extensive and spirited consultations with local stakeholders and main trading partners, then Philippine Agriculture Secretary Arthur C. Yap announced that the current MAV system would remain in place and that no changes would be initiated under his watch. A new Secretary of Agriculture has been appointed in July 2010.

Data from the MAV Management Committee of the DA shows that in 2009, utilization rates of tariff-rate-quotas (TRQ) or MAV for pork increased from 58 percent in 2008 to 69 percent in 2009, indicating more imports of higher-value pork cuts, such as bellies and other cuts.

MAV UTILIZATION RATE 2007-09							
HS Code	Description	2007	%	2008	%	2009	%
		MAV (MT)	Used	MAV (MT)	Used	MAV (MT)	Used
0203	Fresh/Chilled/Frozen Pork	54,210	19	54,210	58	54,210	69

Source: MAV Secretariat

In the past, MAV usage for pork has been relatively low, due in part to the entry of large quantities of buffalo meat with a low tariff rate of 10 percent. Buffalo meat, from India, has been traditionally used in the Philippines as a substitute for pork by the local meat processing industry. MAV utilization increased significantly since 2008 due in part to the strength of the Philippine peso vis-à-vis the U.S. dollar.

Tariff Rates: In-quota and out-of-quota tariff rates for MAV commodities have not changed since 2005. AFTA-CEPT tariff rates for frozen and chilled pork have been lowered to 5 percent while AFTA-CEPT tariffs for processed pork products were eliminated starting January 2010 in full compliance with the AFTA. Tariff rates for pork are as follow:

Pork - Fresh, Chilled or Frozen, Dried or Smoked				2010	
		MFN		AFTA-CEPT [1]	
H.S. Code	**Description**	**In-quota**	**Out-quota**	**In-quota**	**Out-quota**
0203.11.00	Carcasses and half-carcasses, of swine, fresh or chilled	30	40	5	5
0203.12.00	Hams, shoulders and cuts thereof with bone in, of swine, fresh or chilled	30	40	5	5
0203.19.00	Other meat of swine fresh or chilled	30	40	5	5
0203.21.00	Carcasses and half-carcasses of swine, frozen	30	40	5	5
0203.22.00	Hams, shoulders and cuts thereof with bone in, of swine, frozen	30	40	5	5
0203.29.00	Other meat of swine, frozen	30	40	5	5

HS Code	**Description**	**2010**

		MFN	CEPT
Pork Edible Offal & Edible Fat			
0210.11.00	Hams, shoulders and cuts thereof, with bone in, of swine, salted, in brine, dried or smoked	40	0
0210.12.00	Bellies (streaky) and cuts thereof of swine, salted in brine, dried or smoked	40	0
0210.19.00	Other meat and edible meat offal of swine, salted, in brine, dried or smoked	40	0
0206.30.00	Edible offal of swine, fresh or chilled	7	0
0206.41.00	Livers of swine, frozen	5	0
0206.49.00	Other edible offal of swine, frozen	10	0
0209.00.00	Pig fat free of lean meat and poultry fat (not rendered), fresh, chilled, frozen, salted, in brine, dried or smoked	5	0
Pork Processed			
1601.10.00	Sausages of all kinds, whether or not in airtight containers	40	0
1602.41.10	Hams and cuts thereof of swine, prepared or preserved, in airtight containers	40	0
1602.41.90	Hams and cuts thereof of swine, prepared or preserved, other than in airtight containers	40	0
1602.42.00	Shoulders and cuts thereof, of swine, prepared or preserved	40	0
1602.49.00	Other prepared or preserved meat and offal of swine, including mixtures	40	0
1602.50.90	Meat and meat offal of bovine animals, prepared or preserved, other than in airtight containers	40	0

Executive Order No. 574 (2007)/ EO No. 850 (2009)

[1] ASEAN Free Trade Agreement-Common Effective Preferential Tariff

Marketing:

San Miguel Corporation: On May 31, 2010, San Miguel Corporation (SMC) shareholders approved the sale of 51 percent of its stakes in various core businesses, which include its poultry, livestock, feeds and packaging businesses for as much as $1 billion reportedly. During the shareholders meeting, SMC announced plans to further cut down the revenue share from its traditional food and beverage businesses and create a “more even” distribution with its power, infrastructure and energy portfolio. According its Chairman, SMC is still in talks with several buyers for the 49 percent stake in food subsidiary San Miguel Pure Foods.