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Mechanically Separated Poultry Tariffs Reduced

Report Categories:

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Approved By:

Ryan Bedford

Prepared By:

Pia A. Ang

Report Highlights:

On June 13, 2019, President Duterte issued Executive Order No. 82 (EO 82), reverting tariff rates for Mechanically Deboned or Mechanically Separated Poultry (MDM/MSP) to five percent for chicken and 20 percent for frozen whole turkey. These rates had previously jumped to 40 percent as a result of the recent passage of the Rice Tariffication Law, but will now remain at the lower tariff until December 31, 2020. Executive Order No. 20, issued in 2017, prescribes the Most Favored Nation (MFN) Tariff Schedule until December 31, 2020. A new MFN tariff schedule, which will include MDM/MSP, is expected to be released before the end of 2020, setting tariff rates for all products.

General Information:

On June 13, 2019, President Duterte issued Executive Order No. 82 (EO 82), reverting tariff rates for Mechanically Deboned or Mechanically Separated Poultry (MDM/MSP) to five percent for chicken and 20 percent for frozen whole turkeyⁱ. These rates had previously jumped to 40 percent as a result of the recent passage of the Rice Tariffication Law, but will now remain at the lower tariff until December 31, 2020. Executive Order No. 20, issued in 2017, prescribes the Most Favored Nation (MFN) Tariff Schedule until December 31, 2020.ⁱⁱ A new MFN tariff schedule, which will include MDM/MSP, is expected to be released before the end of 2020, setting tariff rates for all products.

While EO 82 states that “the NEDA Board recommends the maintenance of the tariff rates under EO No. 23 for mechanically deboned meat of chicken and turkey,” there are differing interpretations whether MDM imported during the period between the passage of the Rice Tariffication Law and the issuance of EO 82 is subject to the higher tariff. MDM is the main raw material used in processed meat products; higher MDM tariffs would result in increased prices of the finished products.

HDG NO.	AHTN Code 2017	Description	Rate of Duty (%)	
			2019	2020
02.07	0207.14.91	Meat and edible offal, of poultry of heading 01.05, fresh, chilled or frozen - Of fowls of the species Gallus domesticus --- Mechanically deboned or separated meat	5	5
	0207.25.00	- Of turkeys		
	0207.25.00A	-- Not cut in pieces, frozen:	20	20
	0207.25.00B	--- In Quota	20	20
	0207.27	--- Out-Quota		
		-- Cuts and Offal, frozen:		
	0207.27.91	---Other		
		---- Mechanically deboned or separated meat:		
	0207.27.91A	----- In-Quota	5	5
	0207.27.91B	----- Out-Quota	5	5
	0207.27.99	----Other:		
0207.27.99A	----- In-Quota	20	20	
0207.27.99B	----- Out-Quota	20	20	

Background

The Philippines, upon its accession to the World Trade Organization (WTO) in 1995, was allowed to implement a rice Quantitative Restriction (QR) for 10 years. A QR is an import quota, or an absolute

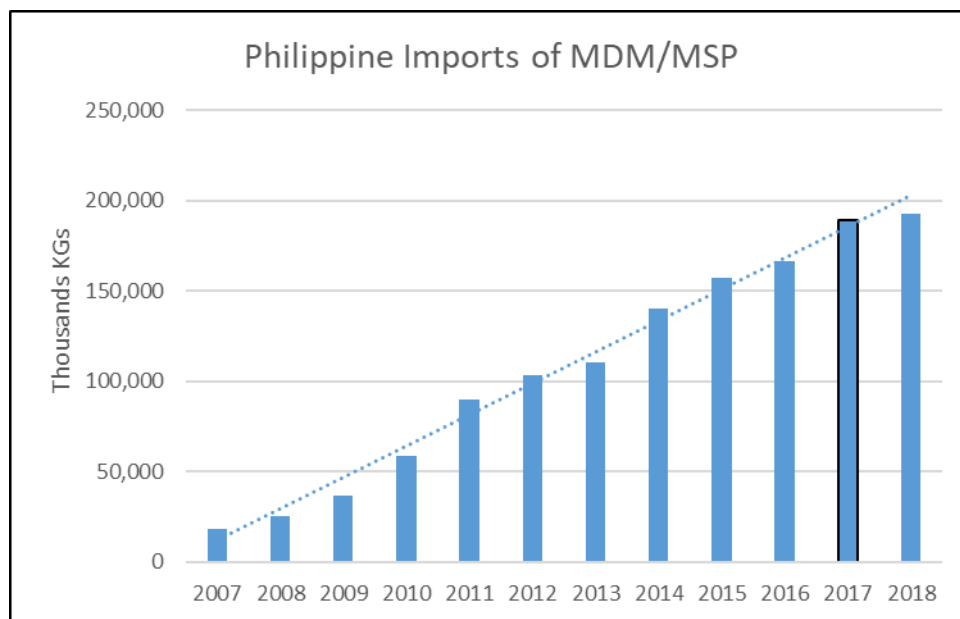
limit imposed on the volume of goods imported by a country, and is generally prohibited by the WTO. In 2004, the Philippines applied for a seven-year extension of the QR, lasting until 2012. In December 2006, the WTO approved the request, subject to certain tariff concessions on agricultural products for certain member countries. Among those concessions was a reduction in tariffs for mechanically deboned meat or mechanically separated poultry (MDM/MSP), from 40 percent to 5 percent.

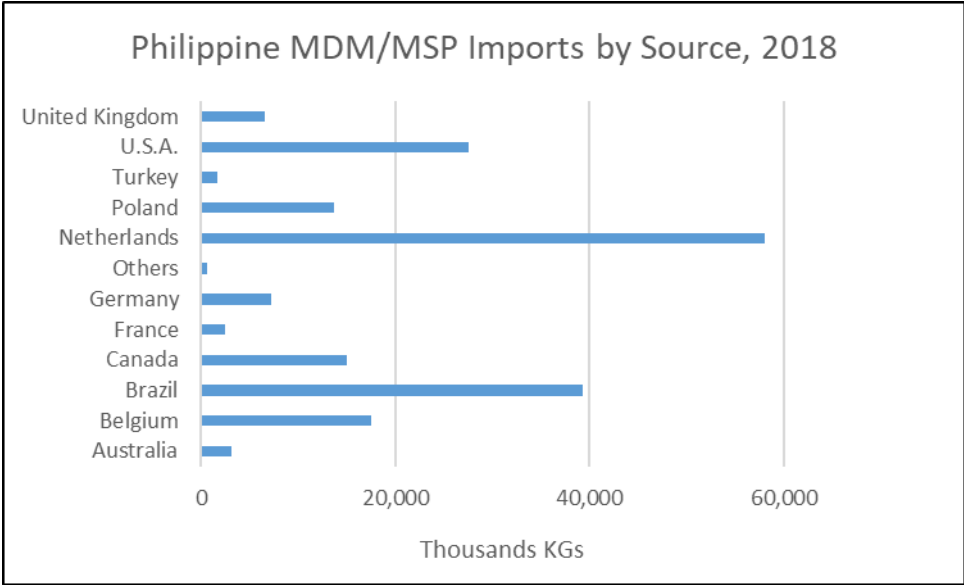
In June 2007, the Philippines issued Executive Order No. 627 (EO 627) to implement the terms of the extension and officially lower the tariff for MDM/MSP. Note that new tariff lines – HS 0207.1490A for chicken and HS 0207.2790A for turkey – were created.

The Philippines issued Executive Order 23 (EO 23) in 2017, extending the concessionary rates on certain agricultural products, including MDM/MSP, beyond July 1, 2017ⁱⁱⁱ. These concessions were to remain in place until December 31, 2020 or until an amendment to the Agricultural Tariffication Act was enacted.

President Duterte signed the Rice Tariffication Act into law on February 14, 2019. As a result, the tariff concessions previously granted for butter, buttermilk, grated cheese, and frozen French fries returned to their original levels^{iv}. The tariff rate for butter increased from 5 percent to 7 percent; buttermilk from 1 percent to 3 percent; grated cheese from 1 percent to 3 percent; frozen French fries from 0 percent to 10 percent; and rapeseed meal from 1 percent to 3 percent. The tariff rate for MDM/MSP snapped back to 40 percent after passage of the Rice Tariffication Act's Implementing Rules and Regulations (IRR), but now returns to 5 percent due to EO 82. See FAS Manila's GAIN reports on the [Rice Tariffication Act](#) and the [corresponding IRR](#) for more details.

The Philippines imported nearly 200,000 MT of MDM/MSP in 2018, the majority of which came from the Netherlands, Brazil, and the United States.





ⁱ <https://www.officialgazette.gov.ph/downloads/2019/06jun/20190613-EO-82-RRD.pdf>

ⁱⁱ <https://tariffcommission.gov.ph/executive-order-20>

ⁱⁱⁱ <http://www.officialgazette.gov.ph/downloads/2017/04apr/20170427-EO-23-RRD.pdf>

^{iv} <http://finder.tariffcommission.gov.ph/>