



# **Philippine Trade Policies and Agriculture Domestic Support**

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## Structure of Agriculture in 2005

Item	Area /a/	Quantity	Value	% distribution		
				Area	Quantity	Value
Agricultural Crops	12,034	73,726	409,507			
<b>A. Cereals</b>	<b>6,512</b>	<b>19,856</b>	<b>195,960</b>			
Palay	4,070	14,603	155,668	33.8	19.8	38.0
Corn	2,442	5,253	40,292	20.3	7.1	9.8
<b>B. Major Crops</b>	<b>4,401</b>	<b>46,964</b>	<b>151,758</b>			
Coconut	3,243	14,825	52,776	27.0	20.1	12.9
Sugarcane	369	22,918	22,689	3.1	31.1	5.5
Banana	418	6,298	43,521	3.5	8.5	10.6
Pineapple	49	1,788	9,335	0.4	2.4	2.3
Coffee	128	106	4,667	1.1	0.1	1.1
Mango	164	984	16,675	1.4	1.3	4.1
Tobacco	30	45	2,098	0.2	0.1	0.5
<b>C. Other Crops</b>	<b>1,121</b>	<b>6,906</b>	<b>61,789</b>	<b>9.3</b>	<b>9.4</b>	<b>15.1</b>

/a/ Area in '000 hectares; quantity in '000 metric tons; value in million pesos

# Philippine Trade Policies

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- **1949 – early 1980s**
  - **Import substitution, biased against agriculture**
  
- **Early 1980s – Present**
  - **Trade Reform**
    - **Tariff reduction**
    - **Tariffication of QR, except rice**
  - **Protection shifted to agriculture, including food manufacturing**
    - **High tariff protection**
    - **Domestic support**

# Recent Agriculture Policies

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- **Main Policy Objectives – food self-sufficiency, poverty reduction, affordable food prices**
- **Agriculture and Fisheries Modernization Act (AFMA) – implemented in 2001 (rice, corn, coconut, sugar, high value crops, livestock, fisheries)**
- **Hybrid Rice Commercialization Program – implemented in 2001 (increase adoption of hybrid rice seeds)**
  - **Develop hybrid seed production (guaranteed price of seeds)**
  - **Government sells seeds to farmers at half price; large price discounts for chemical farm inputs**

# MFN Tariff Rates, %

	1990-94	1995-99	2000	2001	2002	2003	2004	2005
<b>SECTORAL WEIGHTED AVERAGES</b>	28.8	21.3	17.4	14.1	12.6	11.8	10.8	14.4
<b>Agriculture, Fishery and Forestry</b>	<b>23.6</b>	<b>19.5</b>	<b>16.6</b>	<b>15.7</b>	<b>15.1</b>	<b>14.9</b>	<b>14.5</b>	<b>14.4</b>
Agriculture	26.3	24.9	22.1	21.5	20.8	20.6	20.1	19.8
Fishery	20.1	10.1	6.2	4.3	3.9	3.6	3.4	4.3
Forestry	13.0	5.3	3.2	2.8	2.8	2.9	2.9	1.5
Mining	1.4	0.7	-0.2	0.4	0.3	0.4	0.4	0.4
<b>Manufacturing</b>	<b>32.3</b>	<b>23.2</b>	<b>18.7</b>	<b>14.3</b>	<b>12.4</b>	<b>11.3</b>	<b>9.9</b>	<b>15.2</b>
Food Processing	46.2	40.4	35.1	27.0	24.6	23.1	21.5	31.6
Beverages and Tobacco	50.0	27.3	17.8	7.8	3.8	2.9	0.6	8.7
Textile, Garments and Footwear	23.7	10.5	5.2	8.4	6.2	4.2	2.6	3.4
Wood and Wood Products	23.0	17.1	12.0	10.0	6.2	3.5	2.8	7.0
Furniture and Fixtures	21.1	13.1	11.0	12.1	9.0	5.4	1.4	9.3
Paper, Rubber, Leather and Plastic Products	29.0	17.4	13.1	8.6	6.6	5.6	3.9	7.0
Chemicals and Chemical Products	19.2	9.8	6.9	5.3	4.2	4.0	3.5	5.5
Non-metallic Mineral Products	14.2	6.7	4.9	3.3	3.2	3.1	3.1	3.1
Basic Metals and Metal Products	20.5	12.3	8.5	6.6	5.0	4.0	3.6	4.7
Machinery	21.3	10.1	7.9	6.2	5.2	4.5	2.2	4.7
Miscellaneous Manufactures	17.8	8.9	6.5	3.5	2.7	2.3	2.2	3.0
<b>Ratio, %: Agriculture Tariff ÷ Manufacturing Tariff</b>	<b>0.7</b>	<b>0.8</b>	<b>0.9</b>	<b>1.1</b>	<b>1.2</b>	<b>1.3</b>	<b>1.5</b>	<b>0.9</b>

# Nominal Rate of Protection

## Wholesale less border prices, %

	Rice	Corn	Sugar	Coconut		Chicken	Beef	Pork
				Copra	Coconut oil			
1960-64	6	19	18	-12	-3	-	60	-30
1965-69	-1	38	121	-20	-18	67	-16	14
1970-74	-10	14	-12	-25	-21	29	-47	3
1975-79	-18	24	2	-17	-8	28	-18	-6
1980-84	-16	20	60	-27	-17	38	-2	36
1986	28	70	107	-36	-24	40	16	32
1987	14	104	128	-28	-14	44	-22	43
1988	-8	51	77	-25	-6	43	-15	65
1989	3	61	37	-21	-6	37	4	56
1990	21	56	30	-28	-11	34	35	25
1991	12	30	55	-26	-6	39	93	24
1992	30	96	80	-29	-7	84	-5	16
1993	58	95	52	-26	-7	68	9	24
1994	7	104	40	-22	-5	57	-1	36
1995	64	103	92	-21	-11	50	3	-2
1996	90	54	94	-17	-13	37	14	31
1997	82	92	67	-32	-16	39	24	53
1998	34	73	102	-18	-16	25	30	-2
1999	66	109	182	-11	-5	60	4	23
2000	87	85	82	-33	-17	66	7	6
2001	83	79	73	-33	-21	51	-15	0
2002	63	52	111	-18	-13	55	-24	-7
2003	49	31	147	-20	21	49	-26	-22
2004	21	40	130	-23	-10	40	-25	-19
2005	15	51	83	-29	-16	31	-31	-10

# Nominal Rate of Protection – Inputs

## Wholesale less Border Prices, %

	1960-4	1965-69	1970-74	1975-79	1980-84	1985-89	1990-94	1995-99	2000-04
Fertilizer									
Urea	49	55	-13	28	21	11	5	3.4	3
Ammophos	17	32	-9	54	19	15	12	3	3
Pesticide	24	24	29	35	35	20	16	7.2	3
Tractors									
2-wheel	24	20	21	24	24	12	10	10	3
4-wheel	24	20	21	24	24	12	10	10	3
Treshers	24	24	24	24	24	30	22	10	3
Water pumps	46	46	46	46	46	30	24	10	3

## Distribution of Appropriations for DA (AFMA program), by commodities groups, %

	2000	2001	2002	2003	2004	2005
Rice	39.1	53.8	59.0	53.2	56.6	58.0
Non-Rice	11.5	12.6	8.3	7.5	9.6	8.7
Livestock	6.5	8.2	5.7	4.4	5.3	4.2
Fisheries	9.2	12.3	14.0	16.6	13.7	8.5
Other Commodities	33.7	13.1	13.0	18.2	14.9	20.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

## Breakdown of AFMA, million pesos

	2001	2002	2003	2004	2005	2006
Production support	1,190	1,053	2,660	2,213	2,084	2,889
Market Development Services	130	59	59	51	48	66
Credit Facilitation Services	145	5	61	120	91	115
Irrigation Development Services	5,024	5,848	4,283	3,433	3,867	4,796
Other infrastructure/Post Harvest Facilities	1,504	592	327	475	1,016	751
Extension Support, Education and Training Services	1,226	1,140	969	757	1,091	1,162
Research and development	945	553	412	458	495	569
Regulatory services	228	1,124	601	479	315	581
Information Support Services	56	47	62	44	101	85
Policy Formulation, Planning and Advocacy Services	888	537	326	295	474	452
<b>Total</b>	<b>11,337</b>	<b>10,958</b>	<b>9,760</b>	<b>8,326</b>	<b>9,581</b>	<b>11,466</b>

## Budgetary Outlays for Hybrid Rice Program, 2001-2005 (billion pesos)

Source	Budget
DA GMA Rice Program	6.47
Local Government Units	
Personnel	1.20
Procurement/distribution	0.75
PDAF (Congressional pork barrel)	1.00
DAR	0.50
Total	9.92

DA = Department of Agriculture

GMA = Ginintuang Masaganang Ani (Golden and Bountiful Harvest)

PDAF = Priority Development Assistance Funds (Congressional pork barrel)

DAR = Department of Agrarian Reform

Source: David (2006)

# WTO Notification – Philippines

## million pesos

Policy Category	1995	1996	1997	1998	1999	2000	2001
<b>Green Box</b>							
<b>Total</b>	<b>3,504</b>	<b>7,398</b>	<b>15,179</b>	<b>7,625</b>	<b>9,219</b>	<b>12,960</b>	<b>12,960</b>
General Services	2,454	6,396	13,290	6,121	7,971	11,581	11,581
Public stocking for food security purposes	1,000	924	1,500	1,449	1,193	1,242	1,242
Payments for relief from natural disasters	50	79	390	55	55	138	138
<b>Special and Differential Treatment</b>							
<b>Total</b>	<b>6,264</b>	<b>1,394</b>	<b>2,107</b>	<b>1,932</b>	<b>1,584</b>	<b>3,276</b>	<b>3,917</b>
Investment sub. available to the agriculture sector	5,138	909	-	1,002	1,203	1,692	2,323
Input sub. available to low-income, resource-poor producers	1,126	485	181	388	276	1,535	1,571
Funds for agricultural investment	-	-	1,927	542	106	49	24
<b>Product-Specific Support</b>							
Market Price Support							
Rice	257	768	617	347	3,683	4,337	3,102
Corn	-	35	148	779	-	30	-
<b>10% of value of production</b>							
<b>Rice</b>	<b>10,312</b>	<b>11,603</b>	<b>11,148</b>	<b>8,775</b>	<b>12,067</b>	<b>12,812</b>	<b>13,465</b>
Corn	3,055	3,201	3,306	3,181	3,883	4,150	4,267
<b>SDT+MPS(rice)</b>	<b>6,521</b>	<b>2,162</b>	<b>2,725</b>	<b>2,279</b>	<b>5,268</b>	<b>7,614</b>	<b>7,019</b>

## WTO Notification – MPS Rice

	Ext. Ref.	Admin.	NFA	MPS P mil.	Value of Production, P mil	
	Price p/kg	Price p/kg	Procurement 000 mt		Total	10% of Total
1995	4.56	14.00	27	257	103,121	10,312
1996	4.56	14.00	93	877	116,025	11,603
1997	4.56	14.00	65	617	111,484	11,148
1998	4.56	13.20	40	347	87,747	8,775
1999	4.56	14.67	364	3,683	120,665	12,067
2000	4.56	14.62	431	4,337	128,125	12,812
2001	4.56	14.62	310	3,122	134,647	13,465

## Price Comparison - Rice (P/kg)

	Farmgate Palay Price	Administered			Rice Border Price	WTO Not. Admin. Price	(Farmgate Palay Price) / 0.65 (a)	(Palay Support Price) / 0.65 (a)
		Palay Support Price	Rice Ceiling Price	Rice Wholesale Price				
1995	7.24	6.00	10.25	14.06	8.58	14.00	11.14	9.23
1996	8.13	7.83	13.69	15.84	8.32	14.00	12.51	12.05
1997	7.92	8.00	14.00	15.22	8.36	14.00	12.18	12.31
1998	8.30	8.00	14.00	15.78	11.74	13.20	12.77	12.31
1999	7.87	9.83	14.00	15.75	9.46	14.67	12.11	15.13
2000	8.53	10.00	14.00	15.91	8.49	14.62	13.12	15.38
2001	8.45	10.00	14.00	15.99	8.74	14.62	13.00	15.38

(a) 0.65 is palay recovery ratio

## Quantity Comparison – Rice ('000 mt)

WTO Not. NFA Procurement	Palay Production	Palay Converted Into Rice /1/	NFA				Total
			Palay Procurement	Rice			
				Palay Converted Into Rice	Rice Procurement		
1995	27	11,284	7,334	8	7	22	29
1996	93	11,269	7,325	124	107	1	108
1997	65	11,269	7,325	101	87	-	87
1998	40	8,555	5,561	62	53	-	53
1999	364	11,787	7,661	561	482	-	482
2000	431	12,389	8,053	663	570	-	570
2001	310	12,955	8,421	474	408	-	408

/1/ using 0.65 recovery ratio

# Rice MPS, Alternative Methods

## million pesos

	10% of Rice Value Production	WTO: MPS-1 (Adm-Ext. Ref. Pr.) x NFA Vol	MPS-2 (Adm-Ext. Ref. Pr.) x tot. Vol	MPS-3 (Whl.-Bor. Pr.) x NFA Vol	MPS-4 (Whl.-Bor. Pr.) x tot Vol	Gov. Def/ GDP, %	NFA Deficit mil pesos
Ave. 1986-88	1,955	225	2,848	120	1,513	-3.5	
1989	2,912	181	5,193	30	872	-2.1	
1990	5,269	1,308	22,113	538	9,095	-3.5	
1991	5,044	1,685	27,715	319	5,247	-2.1	
1992	5,464	1,274	28,642	566	12,717	-1.2	
1993	6,863	471	31,994	371	25,196	-1.5	
1994	7,722	184	32,001	29	5,031	1.0	
1995	10,312	127	34,257	149	40,222	0.6	
1996	11,603	610	54,872	612	55,076	0.3	
1997	11,148	507	56,751	448	50,216	0.1	
1998	8,775	311	43,082	162	22,450	-1.9	
1999	12,067	3,850	80,966	2,291	48,171	-3.8	
2000	12,812	4,667	87,172	3,201	59,781	-4.0	-1,897
2001	13,465	3,337	91,151	2,234	61,025	-4.0	-2,274
2002	14,250	2,109	93,373	1,248	55,228	-5.3	-8,086
2003	14,487	2,083	94,985	1,041	47,464	-4.6	-3,689
2004	16,302	1,461	101,999	401	28,021	-3.8	-1,836
2005	18,168	538	102,747	127	24,243	-2.7	-9,978
2006	19,417	514	107,839	163	34,273	-1.1	-16,430

# Price and Quantity Comparison - Corn

	Farmgate Price P/kg	Ext. Ref. Price P/kg	Admin. Price P/kg	wholesale Price P/kg	border Price P/kg	NFA Procure. 000 mt	Volume of Prod. 000 mt
Ave. 1986-88	2.80	2.26	2.90	3.7	2.1	61	4,266
1989	4.06	2.26	3.15	4.5	2.8	0	4,522
1990	4.25	2.26	4.12	4.8	3.1	320	4,854
1991	3.74	2.26	4.50	4.4	3.4	99	4,655
1992	4.78	2.26	4.50	6.0	3.1	6	4,619
1993	4.63	2.26	4.50	5.6	2.9	9	4,798
1994	5.13	2.26	4.50	6.2	3.0	7	4,519
1995	6.38	2.26	4.50	7.4	3.7	0	4,129
1996	6.47	2.26	6.00	7.7	5.0	12	4,151
1997	6.07	2.26	6.00	7.6	4.0	40	4,332
1998	5.64	2.26	6.00	8.3	4.8	208	3,823
1999	5.86	2.26	6.00	8.5	4.1	0	4,585
2000	6.64	2.26	6.00	9.2	5.0	8	4,511
2001	6.67	2.26	6.00	9.4	5.3	0	4,525
2002	6.73	2.26	6.00	8.9	5.9	0	4,319
2003	6.78	2.26	6.00	8.6	6.5	0	4,616
2004	8.81	2.26	6.08	10.1	7.2	0	5,413
2005	7.98	2.26	7.13	9.5	6.3	3	5,253
2006	9.07	2.26	8.50	10.9	7.2	0	6,082

# Corn MPS, Alternative Methods

## million pesos

	Value of Prod. P mil		WTO: MPS-1	MPS-2	MPS-3	MPS-4
	Total	10% of Total	(Adm-Ext. Ref. Pr.) x NFA Vol	(Adm-Ext. Ref. Pr.) x tot. Vol	(Whl.-Bor. Pr.) x NFA Vol	(Whl.-Bor. Pr.) x tot Vol
	Ave. 1986-88	15,741	1,574	39	2,730	94
1989	20,250	2,025	0	4,025	0	7,702
1990	23,299	2,330	594	9,012	552	8,371
1991	20,482	2,048	221	10,427	100	4,717
1992	27,667	2,767	14	10,346	18	13,546
1993	26,821	2,682	19	10,747	23	13,054
1994	28,019	2,802	16	10,123	22	14,290
1995	30,551	3,055	0	9,248	0	15,473
1996	32,007	3,201	44	15,526	32	11,256
1997	33,057	3,306	148	16,203	145	15,863
1998	31,809	3,181	779	14,299	734	13,470
1999	38,831	3,883	0	17,146	0	20,242
2000	41,502	4,150	30	16,872	34	19,036
2001	42,671	4,267	0	16,924	0	18,790
2002	38,485	3,848	0	16,154	0	13,110
2003	39,510	3,951	0	17,262	0	9,302
2004	54,892	5,489	0	20,697	0	15,818
2005	49,800	4,980	16	25,557	10	16,852
2006	65,991	6,599	0	37,952	0	22,157

# Tentative Conclusions

- **MPS (rice and corn) is way below its 10% of value of production**
- **MPS (rice) + AFMA budget (rice) + Hybrid rice program < 10% value of production (VOP)**
  - **2006**
    - **10% of VOP → P19.4 B**
    - **MPS (rice) → P0.5 B**
    - **AFMA (rice) → P11.5B x 0.60 = P6.9 B**
    - **Hybrid (rice) → P2 B**
      - » **Total support (rice) = P9.4 B**
- **There is still room for government to increase domestic support without violating WTO – the constraint is fiscal**