P. S. Res. Nos. 676 and 684

Republic of the Philippines
Congress of the Philippines
Senate
Pasay City

Eighteenth Congress

Second Regular Session

RESOLUTION NO. 97

RESOLUTION URGING THE PRESIDENT TO DECLARE A STATE OF NATIONAL CALAMITY DUE TO THE SEVERE IMPACT OF THE AFRICAN SWINE FEVER (ASF) AND OPPOSING THE PROPOSED REDUCTION OF THE TARIFF RATES AND THE INCREASE IN THE MINIMUM ACCESS VOLUME (MAV) OF IMPORTED PORK PRODUCTS

WHEREAS, the African Swine Fever (ASF), a highly contagious disease affecting pigs and wild boar with up to 100% case fatality rate, was first reported in the Philippines in August 2019, spreading to 12 regions, 40 provinces, 463 municipalities, and 2,402 barangays nationwide and has devastated the livelihood of over 68,382 farmers;

WHEREAS, according to the Department of Agriculture (DA), the total number of hogs culled as part of ASF containment procedures has reached 442,014. Private industry hog raisers estimate that around 4.7 million hogs are affected by ASF, equivalent to over a third of the country's pig stocks;

WHEREAS, in December 2020, the DA said the ASF outbreak has already cost the swine industry some P56 billion, with the estimated value based on more than 400,000 pigs culled and the decision of several farms to cut down on production. The industry is worth around P248 billion;

WHEREAS, according to the Philippine Statistics Authority (PSA), the total swine inventory as of January 2021 was estimated at 9.72 million heads, a 24.1 percent decline from the previous year's level of 12.8 million heads. Population in backyard and commercial farms contracted by 13.3 percent and 41.8 percent respectively;

WHEREAS, the ASF outbreak has significantly affected the country's pork supply resulting in retail prices of pork to go as high as P450 per kilogram in January 2021. To address this, the President issued Executive Order No. 124, series of 2021 imposing a price ceiling on selected pork and chicken products in the National Capital Region;

WHEREAS, as ASF continues to devastate hog farms, with hundreds of thousands of hogs being culled in order to curb the spread of disease, thus, resulting in shortages of pork supply in many areas of the country, the government believes that the increase of Minimum Access Volume (MAV) for pork will help address the deficit of pork as well as rising food prices and potential inflation crisis;

WHEREAS, imported pork products within the current MAV ceiling of 54,000 metric tons (MT) are presently charged with 30 percent tariff while identical products beyond the MAV quota pay a 40 percent tariff;

WHEREAS, the DA, as a measure to address the increasing prices of pork and the estimated deficit of supply of about 388,491 MT, proposes to increase the MAV from

54,000 MT to almost eightfold or 404,000 MT and simultaneously lower the quota tariff rate by as much as 83 percent, from 30 percent to 5 percent if within the quota, and from 40 percent to 15 percent if beyond the quota;

WHEREAS, the DA has submitted to the President, through the Cabinet-level Committee on Tariff and Related Matters (CTRM), its proposal to increase the MAV of and to lower tariff rates on imported pork;

WHEREAS, according to the DA, both the MAV Management Council and the Tariff Commission approved the twin proposal of the department to increase the MAV to 400,000 MT and to lower the tariff to 5 percent if within the MAV and 15 percent if outside the MAV quota;

WHEREAS, pork importers, even without an increase in the MAV and the lowering of tariff, are already profiting by a significant margin. The Bureau of Customs reported that the cost-insurance-and-freight (CIF) as of 07 January 2021 per kilo of pork belly is around P93.82. After the imposition of 30 and 40 percent tariff, cost of storage, approximate importer mark-up of P40, and retail margin, pork should retail at P206.36 at 30 percent tariff and P217.62 at 40 percent tariff in the market. Pork, however, still retails at P340 for *kasim* and P380 for *liempo*, or more than P100 additional profit per kilo of pork sold;

WHEREAS, even factoring-in the "fear" of DA of more expensive pork in the international market at an estimate of US$3 per kilo of pork, importers are still at an advantage. After applying tariff rates of 30 percent and 40 percent, cost of cold storage facility, importer mark-up, and retail margin, imported pork will still retail within an acceptable amount of P284.64 and P301.92, respectively;

WHEREAS, among the many lessons we are learning from the ongoing COVID-19 pandemic, food security ranks among the highest if not the most important. Increasing the MAV and decreasing tariff, proposed ironically by the DA itself, would further derail the recovery of the hog industry, if not kill the local industry altogether;

WHEREAS, local hog producers claim that the estimated recovery time for them to return to pre-ASF production would take about two to three years, and should the government proceed with the proposed measure of increasing the MAV and decreasing the tariff, the industry foresees that this recovery period will be prolonged to five to seven years, if they would be able to recover at all;

WHEREAS, the President of Pork Producers Federation of the Philippines, in a letter to the Senate Committee on Agriculture Chairperson, Senator Cynthia A. Villar, based on his firsthand experience of importing pork upon the prodding of his customers, revealed that an importer of pork carcass outside of the MAV and with a tariff rate of 40 percent stands to earn an annual 120 percent return-on-investment (ROI) with a conservative monthly turnover. He further said that this turnover can be done every few days. Assuming a weekly turnover, the annual ROI is projected at 520 percent;

WHEREAS, to justify the request for MAV increase at 404,200 MT, DA estimates that local production of pork in 2021 is 1,229,565 MT, meanwhile, demand is expected to be at 1,618,355 MT, estimating a deficit of 388,790 MT. The local hog industry however projects a lower import volume. Even if we accept the 388,790 MT figure, 70 percent of that are offal which have already a tariff of 5 to 10 percent, and 30 percent are MAV with a tariff of 30 to 40 percent. There is no need to increase MAV. The pork importer will still make money at 30 to 40 percent tariff;

WHEREAS, while the proposal of DA is aimed at reducing the retail prices of pork in the market, our experience has taught us that such tariff rate reduction does not automatically translate to lower retail prices and does not automatically redound to the benefit of the consuming public, and might only give an additional windfall profit to the pork importers;

WHEREAS, the threat of flooding the local market with imported pork at reduced tariff would not only discourage domestic hog production, but also consequently impact corn producers and feed millers as demand for the feed material could be dampened because of the downsizing of business of local hog producers, or the closure of their businesses due to losses. This does not even consider the number of farm workers who might lose their jobs in the event that local hog producers fold their businesses;

WHEREAS, there are concerns from the local hog producers that, as a consequence of the government's move, the local market will be flooded with cheaper imported pork products as compared to locally produced meat, thus causing further economic devastation to the farmers amidst ASF and the COVID-19 pandemic;

WHEREAS, this institution has received reports that on top of this burden to our local hog industry, unscrupolous individuals have found a way to illegally profit from this scheme through the imposition of *"tong-pats"* (variation of *"patong"* or padded cost) amounting to Five pesos (P5.00) to Seven pesos (P7.00) per kilo of imported pork at present rate, which would significantly increase upon the approval of the proposed tariff reduction from thirty percent (30%) to five percent (5%) for in-quota and forty percent (40%) to fifteen (15%) out-quota or off-quota, and the MAV allocation is increased under the proposition;

WHEREAS, at present the local pork industry needs the support of the government to repopulate the hog industry, as they already reported sizeable damage and losses. With food security remaining a priority of the government, especially with the challenges brought by the ongoing COVID-19 pandemic, now more than ever, our government needs to champion the agricultural sector and the local industry;

WHEREAS, to combat the ASF's massive damage to the swine industry and institute biosecurity and disease control measures as well as calibrated repopulation and enhancement of the local industry to revive the sector, the DA launched the Integrated National Swine Production Initiatives for Recovery and Expansion (INSPIRE) and the Bantay ASF sa Barangay or BABAy ASF Program;

WHEREAS, the INSPIRE program will be implemented from 2021 to 2023 with an estimated P61.33 billion required budget. For 2021, the DA would need P8.6 billion to fund the direct interventions under INSPIRE, of which, P2.6 billion in funds are available;

WHEREAS, Republic Act No. 10121, or the "Philippine Disaster Reduction and Management Act of 2010" created the (a) National Disaster Risk Reduction and Management Fund (NDRRM Fund) that can be used "for relief recovery, reconstruction and other work or services in connection with natural or human induced calamities"; and (b) Quick Response Fund or "a stand-by fund for relief and recovery programs in order that situation and living conditions of people in communities or areas stricken by disasters, calamities, epidemics, or complex emergencies, may be normalized as quickly as possible";

WHEREAS, there is a need to convince and appeal to the Chief Executive not to allow the lowering of tariff rates on and increasing the MAV of imported pork products, as tariff is the only protection of the local swine producers against the influx of foreign commodities, and encouraging the Chief Executive to instead support the local swine industry on their road to recovery, otherwise the industry would only be a thing of the past;

WHEREAS, a declaration of a State of Calamity throughout the Philippines due to ASF will, among others, afford the DA, as well as local government units (LGUs) and other concerned agencies, ample latitude to utilize appropriate funds, including the Quick Response Fund, in their disaster preparedness and response efforts to address the ASF outbreak;

WHEREAS, pursuant to Article VI, Section 25(5) of the 1987 Philippine Constitution and Section 66 of the 2021 General Appropriations Act (GAA), the President may also declare and use savings in their respective appropriations to augment actual deficiencies, which may be additional requirements for a program, activity or project in view of a declaration of a state of national calamity, incurred for the current year in any item of their respective appropriations: Now, therefore, be it

Resolved, as it is hereby resolved, To urge President Rodrigo Roa Duterte, to declare a State of National Calamity due to the severe impact of African Swine Fever on the swine industry and to disapprove the proposed reduction of the tariff rates and the increase in the minimum access volume of imported pork products.

Resolved, further, To urge the Presidential Anti-Corruption Commission to investigate *motu proprio* the allegation that certain unscrupulous individuals contrived a scheme of "*tong-pats*" in the proposed two-tiered increase of MAV allocation and tariff rate reduction of imported pork products amid the ASF outbreak.

Adopted,

VICENTE C. SOTTO III
President of the Senate

This Resolution was adopted by the Senate on March 15, 2021.

MYRA MARIE D. VILLARICA
Secretary of the Senate

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