EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

S E N A T E

P. S. RES. NO. 684

Introduced by Senators Vicente C. Sotto III, Ralph G. Recto, Juan Miguel F. Zubiri, Franklin M. Drilon, Cynthia A. Villar, Francis "Kiko" N. Pangilinan, Sonny Angara, Maria Lourdes Nancy S. Binay, Pia S. Cayetano, Richard J. Gordon, Leila M. De Lima, Ronald "Bato" Dela Rosa, Panfilo "Ping" M. Lacson, Manuel "Lito" M. Lapid, Imee R. Marcos, Ramon Bong Revilla Jr., Emmanuel "Manny" D. Pacquiao, Grace L. Poe, Francis "Tol" Tolentino, Joel Villanueva

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RESOLUTION

EXPRESSING THE SENSE OF THE SENATE TO PERSUADE THE CHIEF EXECUTIVE, HIS EXCELLENCY RODRIGO ROA DUTERTE, TO DISAPPROVE THE RECOMMENDATION OF THE DEPARTMENT OF AGRICULTURE TO LOWER THE TARIFF RATES ON AND TO INCREASE THE MINIMUM ACCESS VOLUME OF IMPORTED PORK PRODUCTS, AND TO URGE THE DEPARTMENT OF AGRICULTURE TO RECOMMEND TO THE PRESIDENT THAT A STATE OF NATIONAL CALAMITY BE DECLARED DUE TO THE SEVERE IMPACT OF AFRICAN SWINE FEVER ON THE SWINE INDUSTRY

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, and has so far affected 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 the 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 Php93.82. After the imposition of 30 and 40 percent tariff, cost of storage, approximate importer mark-up of Php40, and retail margin, pork should retail at Php206.36 at 30 percent tariff and Php217.62 at 40 percent tariff in the market. Pork, however, still retails at Php340 for *kasim* and Php380 for *liempo*, or more than Php100 additional profit per kilo of pork sold[1];

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 Php284.64 and Php301.92, 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;

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[1]See Table 1. Attached as Annex "1" hereof.

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, according to the DA, the country is in deficit of about 400,000 MT of pork. Assuming that this volume will be allowed for pork importation, and at an estimated US$3 per kilo of pork in the international market, the department's proposed two-tiered tariff rate reduction will result to a projected Php14.7 billion foregone government revenue;

WHEREAS, aside from the two-tiered tariff rate reduction, the DA is also proposing to increase the MAV from 54,000 MT to 404,000 MT, which will further result to an additional Php5.086 billion foregone government revenue;

WHEREAS, the two proposals of the DA, the tariff reduction and increase of the MAV, will result to an estimated total of Php19.786 billion foregone government revenue which could otherwise be used to assist the domestic hog industry to recover from ASF and the COVID-19 pandemic;

WHEREAS, to justify the request for MAV plus 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 388,491 MT. The local hog industry however projects a lower import volume. Even if we accept the 388,491 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[2];

WHEREAS, while the proposal of the 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, 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

[2] See Attached Computation as Annex "2" hereof.

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) 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 express the sense of the Senate to persuade the Chief Executive, His Excellency Rodrigo Roa Duterte, to disapprove the recommendations of the Department of Agriculture to lower the tariff rates on and to increase the Minimum Access Volume of imported pork products, and to urge the Department of Agriculture to recommend to the President that a State of

National Calamity be declared due to the severe impact of African Swine Fever on the swine industry.

Adopted,

VICENTE C. SOTTO III
Senate President

RALPH G. RECTO
Senate President -Pro Tempore

JUAN MIGUEL F. ZUBIRI
Senate Majority Leader

FRANKLIN M. DRILON
Senate Minority Leader

CYNTHIA A. VILLAR
Senator With amendment

FRANCIS "KIKO" N. PANGILINAN
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PIA S. CAYETANO
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LEILA M. DE LIMA
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RONALD "BATO" DELA ROSA
Senator

RICHARD J. GORDON
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PANFILO "PING" M. LACSON
Senator

MANUEL "LITO" M. LAPID
Senator

IMEE R. MARCOS
Senator

RAMON BONG REVILLA JR.
Senator

EMMANUEL "MANNY" D. PACQUIAO
Senator

GRACE POE
Senator

FRANCIS "TOL" TOLENTINO
Senator

JOEL VILLANUEVA
Senator

Annex 1

AHTN Code	Description	Actual Weighted Average CIF in 2020 (BOC raw data as of 07 January 2021)	Tariff	Landed Cost (CIF+Tariff)	Additional Cost of Php10 (Port to Cold Storage)	Importer/ Trader mark up of Php 40	Trader's Price	Retails Margin (10% to 20%)	Retail Price
		PhP per kg		PhP per kg	PhP per kg	PhP per kg	PhP per kg		PhP per kg
0203	Frozen cuts of pork (e.g. pork belly)	93.82	5%	98.51	10.00	40.00	148.51	20%	178.21
			15%	107.89	10.00	40.00	157.89	20%	189.47
			10%	103.20	10.00	40.00	153.20	20%	183.84
			20%	112.58	10.00	40.00	162.58	20%	195.10
			30%	121.97	10.00	40.00	171.97	20%	206.36
			40%	131.35	10.00	40.00	181.35	20%	217.62

Assuming :USD 3.00/kilo x 49/USD = 147.00/kilo

Under 30% tariff rate :

PHP 147.00 x 1.30 = 191.10/kilo + 12.00 (opex) = PHP 203.10/kilo

Present selling price in the market : PHP 240.00/kilo - 203.10/kilo = PHP 36.90/kilo Margin

ROI is 18% = 36.90 / 203.10

Monthly turnover is 18% x 12 = 216%

Under 40% tariff rate :

PHP 147.00 x 1.40 = 205.80/kilo + 12.00 (opex) = PHP 217.80/kilo

Present selling price in the market : PHP 240.00 - 217.80 = 22,20/kilo Margin

ROI is 10% = 22.20/ 217.80

Monthly turnover is 10% x 12 = 120%

Importers still make money at a cost US$3 per kg with 30%-40% tariff

The cost of US$3 is the highest assumption .It can be lower.

Annex 2

Projected pork supply situation in 2021

Particulars	Volume in MT
Supply	1,229,864

Beginning Stock	33,461
Production	1,196,403
Demand	1,618,355
Deficit	388,491

Source DA NLP (estimates as of 29 January 2021)

The 388,000 importation projected by DA. 30% are MAV (30%-40% tariff) and 70% are offal which has (5%-10% tariff). There's no need to increase MAV to 400,000 and the 70% offal has a tariff of 5%-10% already.

Imports actually decline significantly for the past two years, with the reduced demand for pork as a result of both the ASF and the COVIF19 pandemic

Pork import Jan-dec 2019-2020-2021

		Total Jan-Dec 2018	Total jan-Dec 2019	Total jan-dec. 2020
Pork	Bellies	43,499,761	37,752,181	35,551,421
	Pork Cuts	77,124,603	58,673,205	56,891,280
	Deboned	74,000	1,000	50,000
Inside/outside	MAV	‘. 120,698,364	‘. 96,426,386	. 92,492,701
	Whole pork		27,262	
	Fats	84,807,565	61,486,113	44,349,678
	Offals	161,770,857	150,058,021	95,778,481
	Ring/Skin	24,852,398	27,789,108	23,396,599
		‘. 271,430,820	‘. 239,360,504	‘. 163,524,758
		392,129,184	335,786,890	256,017,459

Showing the attached importation of Pork for 2018-2020. Only the ff. are imported under MAV with 30%-40% tariff

2018 120,698,364 (30.8%)

2019 96,426,383 (28%)

2020 92,492,701 (35.9%)

The rest are offal with 5%-10% tariff

2018 271,430,820

2019 239,360,504

2020 163,524,758

There is no need to reduce tariff because majority of the imports are offal with 5%-10% tariff. In addition there is no need to increase MAV because the good meat under MAV is only around 30% of the short of 388,000 MT The 388,000 MT is the highest projection considering that the projection of the industry is lower