Agricultural Exports
At A Glance

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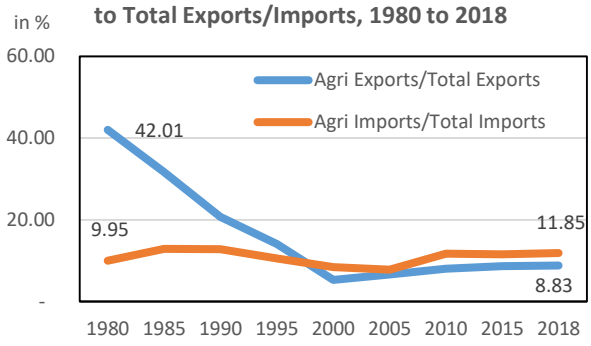
Agricultural export promotion is one of the eight paradigms identified by newly confirmed Department of Agriculture (DA) Secretary William Dar in the campaign to boost the agriculture sector. Harnessing its full potential is crucial, specifically in generating earnings for the sector, providing lasting and decent employment opportunities, reducing poverty and achieving inclusive development particularly in the rural areas of the country. This briefer provides a situationer on Philippine agricultural exports and some policy recommendations.

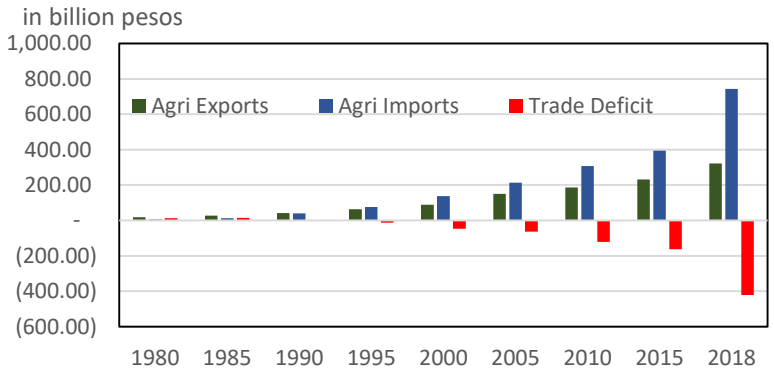
Share of agricultural exports to total exports. From the 80s to the present, the country has not fully exploited its comparative advantage in agricultural exports, and thus was not able to sustain gains derived from the sector. Figure 1 shows the declining share of agricultural exports to total exports, from 42 percent in 1980 to only 10 percent in 2018. The contribution of agricultural exports to the gross domestic product (GDP) has likewise declined from 71 percent in 1980 to 1.85 percent in 2018.

Fig 1. **Share of Agricultural Exports/Imports to Total Exports/Imports, 1980 to 2018**



Source of basic data: World Trade Organization (WTO)

Fig 2. **Philippine Agricultural Trade Balance, 1980 to 2018**



Source of basic data: WTO and Philippine Statistics Authority (PSA) for the agricultural trade and Bangko Sentral ng Pilipinas (BSP) for the exchange rate

Agricultural trade balance. Since 1994, the country has been experiencing agricultural trade deficits as imports rise faster than exports. In 2018, the agricultural trade deficit reached PhP420.47 billion (Fig 2). The rapid growth of agricultural imports could be attributed to several factors: (i) increased demand for food products with higher income elasticities in which the country does not have a comparative advantage (i.e., wheat, milk and other dairy products and beef); (ii) cheaper imported agricultural inputs for livestock and poultry (i.e., soybean meal, fishmeal and other feed ingredients); (iii) greater reliance on modern manufactured inputs that are mostly imported (i.e., fertilizers, agricultural chemicals, farm and agro-processing machinery and veterinary medicines); and (iv) liberalizing market of previously highly protected agricultural commodities (Balisacan, David & Intal, 2009).

Table 1. Top Agricultural Exports, 2014-2018

Commodity	Value of Agricultural Exports (in pesos)	Share (in %)
Total Agri Exports	292,365.41	
Total Top Ten Exports	194,353.56	66.48
Coconut Oil	60,010.10	20.53
Fresh Banana	48,890.24	16.72
Pineapple & Products	26,385.07	9.02
Tuna	20,747.50	7.10
Desiccated Coconut	12,707.37	4.35
Tobacco Manufactured	11,358.74	3.89
Tobacco Unmanufactured	5,473.96	1.87
Copra Oil Cake	3,529.05	1.21
Rubber	3,470.11	1.19
Food Preparation for Infant	1,781.43	0.61

Source of basic data: PSA for the value of agricultural exports and BSP for the exchange rate

Major agricultural exports. Almost two-thirds (66.48 percent) of the country's total agricultural exports have been accounted for by its top 10 exports from 2014-2018. These were exports of bananas, coconut oils and tuna, among others. The Philippines continues to be the second leading exporter of coconut oil to the world, next to Indonesia (42.83%), with average earnings of PhP60.01 billion in the same reference period. Three-fourths of the coconut oil goes to the United States of America (44.64%) and Netherlands (32.67%). Fresh banana is the second largest export commodity of the Philippines, with average receipts valued at PhP48.89 billion. In 2018, it accounted for 8.59 percent of world total banana export, next to Ecuador (25.65%) and Belgium (9.31%). Most of the Philippine fresh banana exports go to China (35.90%) and Japan (35.11%). The country is also a significant exporter of pineapple and its by-products, accounting for 13.84 percent of the world exports, after Costa Rica and Thailand. Furthermore, the country was also the largest exporter of desiccated coconut and copra oil from 2014 to 2018 which accounted for 4.35 percent and 1.21 percent, respectively of the total agricultural exports. More than half of the country's export of desiccated coconut go to USA (29.79%), Netherlands (14.70%) and Canada (6.28%). On the other hand, 86.15 percent of the copra oil are exported to India (25.51%), Korea (25.07%), Vietnam (22.18%) and China (13.39%).

Fig 3. Percentage Distribution of Philippine Agricultural Exports Market Destinations, 2014-2018

Source of basic data: PSA

Major market destinations of agricultural exports. Among the agricultural export destinations from 2014-2018, the USA was constantly the country's biggest market (Fig. 3). The USA receives more than one-fifth of the country's total agricultural exports followed by Japan and Netherlands with distant shares of 14 percent and 11 percent, respectively. The USA is the major destination of coconut oil, pineapple and pineapple products, desiccated coconut, tuna, centrifugal sugar, shrimps and prawns, and manufactured tobacco, among others. Meanwhile, Japan is the country's biggest export market for fresh banana, tuna, pineapple products, coconut oil, shrimps, abaca and desiccated coconut. The Netherlands is also a major destination of fresh banana, tuna, shrimps and prawns, and cocoa.

Revealed comparative advantage (RCA)[1]. RCA is an index which shows the relative competitiveness of a country in a certain class of good or service using trade flows. The higher the value of a country's RCA, the higher is its export strength. Data show that over the period 2014 to 2018, the same commodities have been dominating the Philippine agricultural exports and are relatively competitive compared to other countries. These commodities included copra oil, desiccated coconut and coconut oil with RCAs of 143.82, 86.88 and 54.50, respectively; pineapple & its by-products, 41.75; fresh banana, 23.57; abaca, 16.87; and tuna, 10.68. Other export crops did not fare well and were unable to expand their shares in the export market. Seaweeds & carageenan, for example, only had an RCA of 7.41; unmanufactured tobacco, 2.77; and manufactured tobacco 2.01, among others.

Table 2. Revealed Comparative Advantage of Major Agricultural Exports in the Philippines, 2014-2018

Commodity	Value of Commodity in Philippine Exports (in US$)	Value of Commodity in World Exports (in US$)	RCA
Copra oil	77.60	138.43	143.82
Dessicated Coconut	246.91	725.77	86.88
Coconut Oil	1,238.24	5,939.52	54.50
Pineapple & Products	538.96	3,390.50	41.75
Fresh Banana	965.82	10,492.16	23.57
Abaca	33.47	510.23	16.87
Tuna	387.81	9,289.76	10.68
Seaweeds & Carageenan	21.31	780.5210	7.41
Tobacco Unmanufactured	113.41	10,760.51	2.77
Tobacco Manufactured	232.89	30,180.48	2.01

Source of basic data: UN Comtrade

Table 3. Agricultural Trade Openness of Selected ASEAN Countries, 2017

Country	Exports + Imports (in billion US$)	GDP (in billion US$)	Trade Openness Index
Vietnam	52.15	223.78	23.31
Malaysia	47.80	314.71	15.19
Thailand	61.37	455.30	13.48
Indonesia	73.04	1,015.54	7.19
Philippines	18.84	313.60	6.01

Source of basic data: UN Comtrade and FAO

Challenges of agricultural exports. While a number of major Philippine agricultural commodities have potential to penetrate broader international market, these have not been fully realized. This could be attributed to the high and variable cost of production inputs, lack of mechanization to improve productivity, limited access to finance to scale operations, inadequate infrastructure particularly in irrigation, and inefficient logistics and limited connectivity exacerbating post-harvest losses (Arangkada Philippines, 2019). Further, the country has been focused to traditional crops such as rice, corn and coconut, preventing the agriculture sector from harnessing the potentials of the growing local and international markets (Philippine Development Plan, 2010-2016).

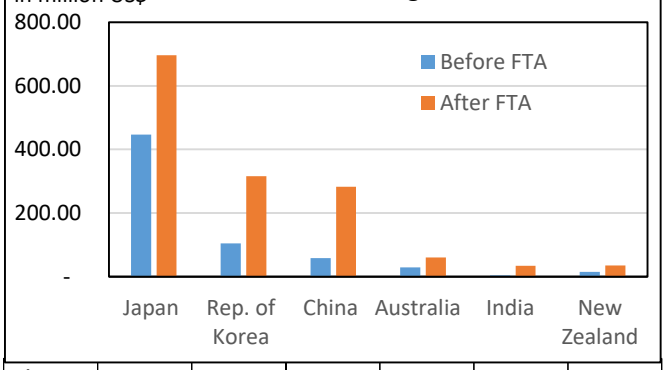
Agricultural trade openness. Compared to its neighboring countries, the Philippines registered the smallest value of agricultural exports as well as share to total exports. In 2017, the value of agricultural exports in the country is only at US$7.02 billion, compared to Indonesia, Thailand, Vietnam and Malaysia which had over US$28.47 billion each (Table 3). The said countries are more open to trade compared to

[1] RCA is the ratio of two shares. The numerator is the share of a country's total exports of the commodity of interest in its total exports. The denominator is the share of the total exports of the commodity of interest in the world total exports.

the Philippines as can be observed from the Trade Openness Index[2]. Vietnam, in particular, has relatively high trade openness index due to huge levels of both imports and exports. For its exports, this could be attributed to Vietnam's implementation of a land market reform in 1998, which resulted in a significant increase in its production and trade in agricultural products. The fisheries sector in Vietnam is also expanding and it imports products for processing and re-export. Malaysia similarly made significant progress as it managed to transform its agriculture sector from fragmented and small scale farms to larger scale commercial farming. The Malaysian government supported measures that included fertilizer subsidy, research and development, infrastructure support, marketing services, and other extension services.

Free trade agreements (FTAs). The Philippines has yet to take full advantage of the opportunities offered by the FTAs which it has entered into to further promote its agricultural exports. The country has FTAs with the Association of South East Asian Nations (ASEAN) (1993), China (2005), Korea (2007), Japan (2008), India (2010), Australia and New Zealand (2010), and European Union (2018). While exports to these trade partners increased after the FTAs, there is still much room for growth. Among the said FTAs, the Philippine-Japan Economic Partnership Agreement (PJEPA) is the most comprehensive economic bilateral agreement, concurred in by the Philippine Senate in 2008. From 2011 to 2018, Philippine agricultural exports to Japan averaged almost US$760 million, a significant increase from the years before the FTA (Fig. 4). The Philippines can likewise explore a number of commodities in addition to those identified above that have strong potential for exports.

Fig 4. Average Value of Philippine Agricultural Exports in Selected Countries with Free Trade Agreements



Before FTA	2002-2008	2002-2008	2002-2008	1998-2007	1996-2006	1996-2004
After FTA	2011-2018	2011-2018	2011-2018	2009-2018	2008-2018	2006-2018

Source of basic data: PSA

Moving forward. In the 18th Congress, three legislative measures have been filed in the Senate (Senate Bill Nos. 870, 848 and 1107) seeking a purposive industry planning and promotion of banana, mango and pineapple for international export and establishing separate Export Promotion Councils for each commodity. The respective Councils shall be tasked to formulate a framework to be validated and updated annually in order to intensify the promotion and marketing of the said commodities.

Alternatively, instead of creating separate Export Promotion Councils for each commodity, one option is to strengthen the Agribusiness Marketing Assistance Service of the DA in order to assist existing and potential agricultural exporters in facilitating export activities and increasing investment in the sector. Research and development on innovation and competitiveness should also be conducted accompanied with the best practices and successful business models in production and marketing process locally and globally. Further, a monitoring and evaluation system should be established to track the progress and outcomes of the agricultural export programs to determine their overall effectiveness.

[2] Trade openness index sums up agricultural imports and exports and divides it to the gross domestic products. The higher the ratio, the more the country is exposed to international trade.