

# AGRICULTURAL TRADE

## At A Glance

June 2024

SENATE ECONOMIC PLANNING OFFICE

AAG 24-01

### Agricultural Trade

is comprised of the export and import of agriculture and fishery products under the World Customs Organization Harmonized System (HS) Chapters 1 to 24. This includes the trade of live animals, fish and livestock produce, fruits, vegetables, cereals, beverages, and tobacco, among others.



Chapter 3  
Fish and crustaceans



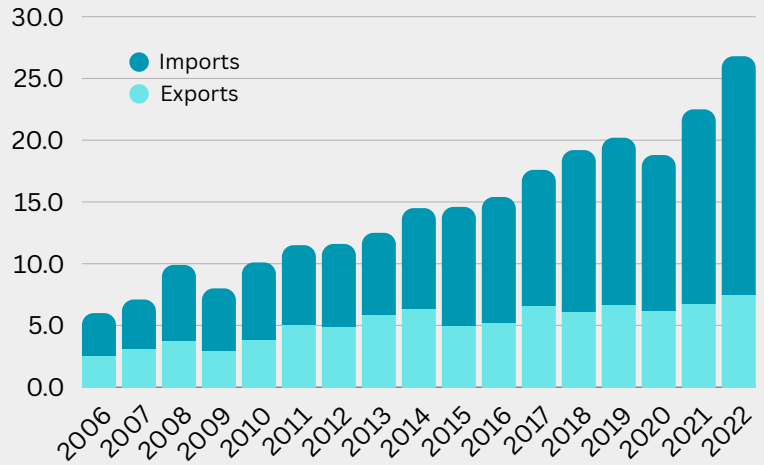
Chapter 8  
Fruits and nuts



Chapter 11  
Milling industry products

In the last 18 years, Philippine agricultural trade expanded from **US\$6.0 billion in 2006** to **US\$ 26.8 billion in 2022**. The same period saw imports surge by 472% compared to exports growth at 185%. This imbalance puts pressure on the country's current account since more dollars are being required to pay for imports than the country is earning from exports.

### Philippine Trade in Agricultural Products (in US\$ billions)

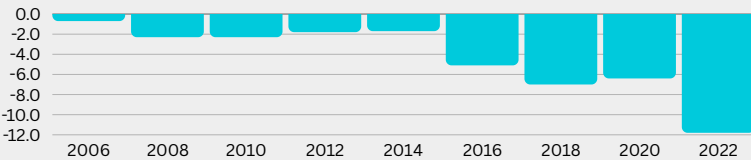


Source of basic data: Philippine Statistics Authority (PSA)

### Issues and Challenges

**1** While Philippine agricultural trade has grown significantly, imports have consistently outstripped exports thereby widening the trade deficit. In 2022, imports accounted for more than double (257%) of exports value

### Trade Deficit in Agricultural Goods (in US\$ billions)

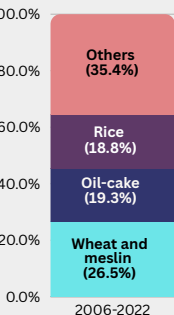


Source of basic data: PSA

### Deficit Contributors

The Philippines' trade deficit in agricultural goods steadily increased from **US\$740 million in 2006** to **US\$11.8 billion in 2022**. This means the country is importing more than it is exporting. Collectively, **more than half (64.6%)** of the trade deficit can be attributed to the top three imported agricultural goods (wheat and meslin; rice; and oil-cake)

Source: Author's computations from PSA basic data



The Philippines has one of the highest demands for rice, as it is a staple item in the Filipino diet. While rice can be grown in the country, domestic production has mostly been insufficient requiring imports to feed the growing population (Balisacan & Ravago, 2003). In 2022, the rice self-sufficiency ratio (SSR) fell to 77%, the lowest in 24 years.



Wheat is ground into flour which is a main component of bread and pastries. The grain is not usually grown in the Philippines because most wheat varieties only thrive in cold temperatures (Braganza, 2022)



Oil cakes are rich in nutrients, as such they are used as a supplement in animal feeds for poultry, fish, and swine (Ramachandran et al., 2007).



### TOP TRADED AGRI PRODUCTS (in US\$ billions, 2013-2022)

Source: SEPO computations from PSA basic data



The figures below describe the diversity of the country's traded agricultural products. For exports, this measure provides **insights into how susceptible the country's trade performance could be** if production is affected. Meanwhile, the concentration in imports **underscores the country's reliance on imports** for the country's supply requirement.

Exports	Imports
<b>COCONUT OIL (COPRA)</b> US\$12.6b (20%)	<b>1 WHEAT &amp; MESLIN</b> US\$13.8b (12%)
<b>BANANAS (INCL. PLANTAINS)</b> US\$11.8b (19%)	<b>2 OIL-CAKE &amp; OTHER SOLID RESIDUES</b> US\$10.4b (9%)
<b>PREP. OR PRESERVED FRUITS &amp; NUTS</b> US\$4.3b (7%)	<b>3 FOOD PREPARATIONS</b> US\$7.1b (6%)
<b>PREP. OR PRESERVED FISH</b> US\$3.7b (6%)	<b>4 RICE</b> US\$6.9b (6%)
<b>FRESH/DRIED FRUITS (INCL. PINEAPPLES)</b> US\$3.0b (5%)	<b>5 MILK &amp; CREAM</b> US\$5.0b (4%)
<b>DESICCATED COCONUT</b> US\$2.8b (5%)	<b>6 ANIMAL OR VEGETABLE OILS</b> US\$4.7b (4%)
<b>THICKENER (INCL. CARRAGEENAN)</b> US\$2.0b (3%)	<b>7 COFFEE AND TEA EXTRACTS</b> US\$4.4b (4%)
<b>CIGARETTES</b> US\$1.9b (3%)	<b>8 BOVINE MEAT</b> US\$3.8b (3%)
<b>FRUIT JUICES</b> US\$1.8b (3%)	<b>9 FROZEN FISH</b> US\$3.4b (3%)
<b>UNMANUFACTURED TOBACCO</b> US\$1.2b (2%)	<b>10 ANIMAL FEEDS</b> US\$3.0b (3%)

While traditional raw products have usually led exports, processed agricultural goods have emerged to diversify exports

**2** Imports of agricultural products are more diversified while exports are more concentrated in the top traded products, with coconut oil and bananas already accounting for nearly 40% of revenues.



[http://legacy.senate.gov.ph/publications/sepo\\_publications.asp](http://legacy.senate.gov.ph/publications/sepo_publications.asp)



# REVEALED COMPARATIVE ADVANTAGE (RCA)



RCA indices compare a country of interest's trade profile with the world average.

$$RCA_{Product A} = \frac{\frac{PH - Exports_{Product A}}{PH - All Exports}}{\frac{World - Exports_{Product A}}{World - All Exports}}$$

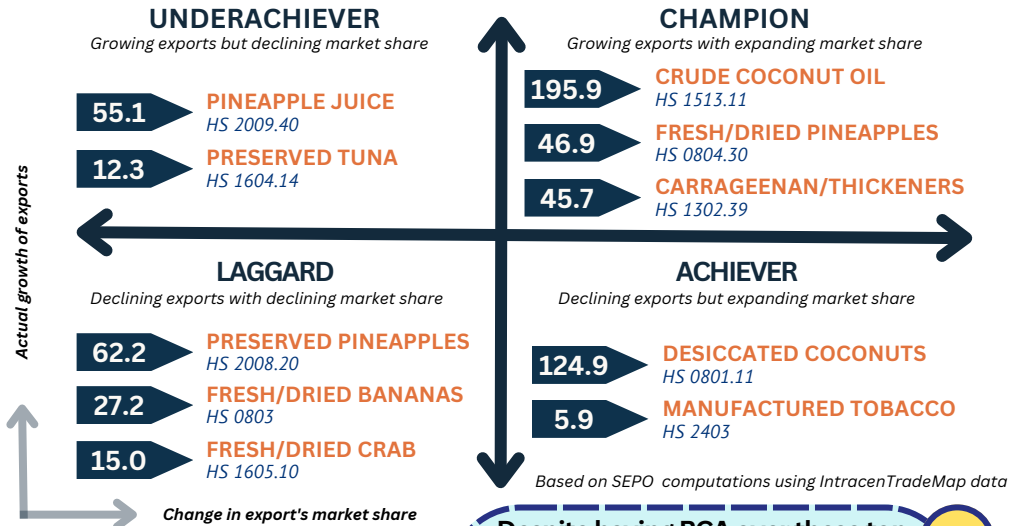
This measure aims to quantify a country's trade advantage by using the **opportunity cost (i.e., forfeited potential benefit)** associated with producing a specific good. To illustrate, having a comparative advantage for Product A means a country can produce more of Product A by giving up less of other goods compared to another country.

A country is said to have a revealed comparative advantage if the RCA value is greater than 1

RCA VALUE > 1

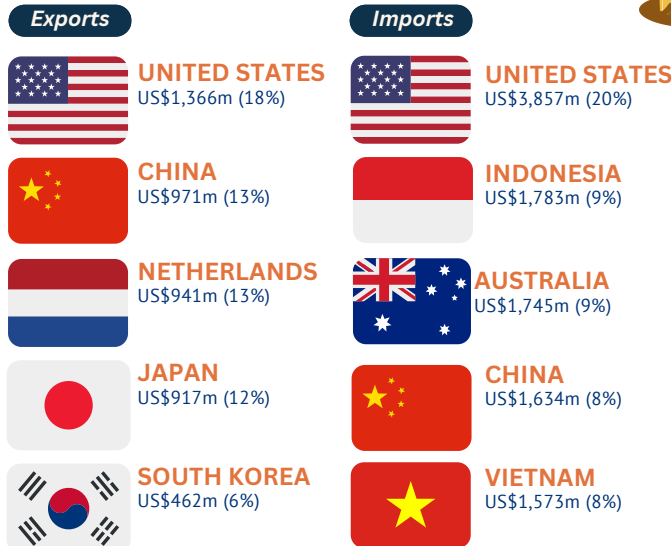
# Trade Competitiveness Map (2022)

This map helps us visualize the performance of Philippine agricultural export products depending on changes in their growth and market share. The four quadrants (i.e., underachievers, champions, laggards, and achievers) also provide insight on the potential of these products in the country's effort to diversify its export portfolio.



Despite having RCA over these top exported products, the trade map indicates that there may be industry-specific issues which are causing declining shares and contractions. **3**

# TOP AGRI TRADING PARTNERS (in US\$ millions, 2022)



Source of basic data: PSA

**4** Markets are much less diversified with the top 5 countries for exports and imports accounting for more than half of total trade.

The country hopes to diversify markets by entering trade agreements with more countries

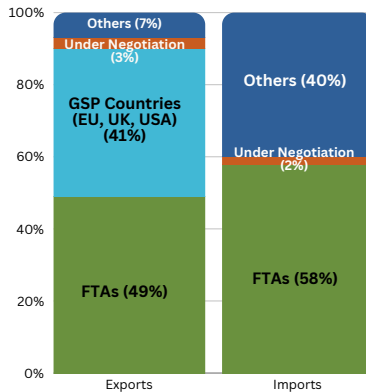
# ACTIVE TRADE AGREEMENTS

- ASEAN Free Trade Area
- ASEAN-Japan FTA
- ASEAN-China FTA
- ASEAN-Australia-New Zealand FTA
- ASEAN-Republic of Korea FTA
- ASEAN-India FTA
- ASEAN-Hong Kong, China FTA
- Regional Comprehensive and Economic Partnership (RCEP) Agreement
- Philippines-Japan Economic Partnership Agreement
- Philippines-European Free Trade Association (EFTA) FTA
- WTO General Agreement on Tariffs and Trade (GATT)

## FOR SIGNING/UNDER NEGOTIATION

- Philippines-Korea FTA
- ASEAN-Canada FTA
- Philippines-United Arab Emirates Comprehensive Economic Partnership Agreement

# Trade Coverage



Based on SEPO estimates from 2022 data; Note: Coverage includes all trade with the partner country regardless of tariff commitments

Under **Free Trade Agreements (FTAs)**, parties commit to lower or eliminate tariffs on agreed commodities which can benefit the country through more price-competitive exports and access to cheaper inputs or raw materials. In order to avail of these benefits, traded goods have to comply with requirements (e.g., sourcing and documentation) that affect a country's FTA utilization.

**Generalized Scheme of Preferences (GSP)** are unilateral tariff concessions provided to developing or least-developed countries under a set of conditions

**5** As much as 41% of agricultural exports may be affected by higher tariffs if the country loses its eligibility for the GSP program

# Policy and Program Considerations

- Resolve underlying issues** surrounding trade in bananas and pineapples (e.g., Panama disease, tariff barriers, typhoon damages) noting their laggard performances despite being the country's top agricultural exports with a self-sufficiency ratio (SSR) of 134% and 125%, respectively.
- Analyze underachieving and laggard industries** to determine appropriate support interventions.
- Explore and shift to local alternatives** for top imported products (e.g., inputs for animal feeds, and food preparations) to reduce heavy reliance on importation. For instance, the use of organic fertilizers from agricultural residues may be ramped up to substitute for expensive imported fertilizers.
- Intensify support to MSMEs** through the full and immediate implementation of Republic Act 11960 or the One Town, One Product (OTOP) Philippines Act, among others
- Fortify sectoral backward and forward linkages** in the agri-processing sector to diversify exports. Linking the upstream and downstream sectors would facilitate product development, thereby expanding the country's export portfolio (e.g., exports would no longer be limited to raw produce)

- Strengthen cooperation with GSP countries** to ensure eligibility for the privilege and advocate for product coverage expansion. FTAs with GSP countries must be pursued to secure lower tariffs since GSP privileges are only given to lower & lower-middle-income countries. Once the Philippines is classified as an upper-middle income country, applicable tariffs would revert to their original rates, thereby reducing the price competitiveness of Philippine agricultural exports.
- Increase funding for agricultural commodities with high RCA** such as high-value crops (HVC) to support sectoral expansion. While a substantial portion of the DA's budget goes to rice (a trade deficit contributor), it is crucial to allocate a significant share towards developing HVCs. This allocation will enhance competitiveness and productivity to help reduce the trade deficit.
- Improve FTA utilization** by raising awareness on how to avail of FTA benefits and by providing businesses with assistance to ensure their products qualify for the privilege (e.g., certification)
- Enact laws that aim to lower production costs and improve the quality of agricultural products**, thereby increasing the competitiveness of agricultural exports (e.g. Livestock, Poultry, and Dairy Industry Development and Competitiveness Act)
- Review and amend relevant agri-related laws** to ensure that they are responsive to the current industry situation (e.g. Export Development Act and the Anti-Agricultural Smuggling Act of 2016)

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