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FEF Position Paper: Extension of EO 171 to Mitigate the Increase of Pork Prices¹

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The pork situation

African Swine Fever (ASF). The local supply of pork significantly declined due to ASF. The industry reported the first case of ASF in 2019. Since then, the local supply of pork (in carcass weight equivalent²) decreased by 26 percent (%) from 2019 to 2021. More specifically, local pork production declined from 1.6 million metric tons (MT) in 2019 to 1.2 million MT in 2021 (see **Figure 1**).

Local demand and supply of pork from 2019 to 2021. There is an annual average supply deficit of approximately 203 thousand MT of pork from 2019 to 2021. As seen in **Figure 1**, local hog production in the country is, on average, 1.4 million metric tons (MT) during the same period. In contrast, the average annual demand for pork was 1.6 million MT from 2019 to 2021. As seen in the Figure, there is a local supply surplus of pork of approximately 21 thousand MT in 2020 because of the significantly lower demand (only 1.4 million MT) due to the COVID-19 pandemic (see **Figure 1**).

Local demand and supply of pork for 2022. The supply deficit of pork is projected to significantly increase to approximately 489 thousand MT in 2022. This is due to the substantially higher demand given the continued easing of health protocols and the projected recovery of the Philippine economy from the negative impacts of the COVID -19 pandemic. As seen in **Figure 1**, the demand for pork is estimated to be 1.7 million MT in 2022 (albeit still lower than the pre-pandemic period), or a 12% increase from 2021. In contrast, the local supply of pork is projected to slightly rise from 1.19 million MT in 2021 to 1.25 million MT, or a 5% increase, given the continuous hog repopulation program of the government.

¹ Prepared by Karlo Fermin S. Adriano, PhD.

² All local production will be in carcass weight equivalent.



Unfortunately, the progress of the hog repopulation programs of the Department of Agriculture (DA) has been relatively slow. As seen in **Table 1**, the average disbursement rate of the calibrated repopulation and recovery of breeder base for 2022 was only 29% (see **Tables 2 to 4**). Consequently, **hog production only increased by 5% from 2021 to 2022 and the Bureau of Animal Industry (BAI) projected that the recovery of hog production will only materialize the earliest in 3 years or by 2025.** Subsequently, in order for the government to meet its target of pre-ASF pork production (1.6 million MT in 2019), local hog supply has to annually grow by approximately 10% from 2023 to 2025.

Given the pork supply shortages due to ASF, the relatively slow hog repopulation, and the conflict between Ukraine and Russia in 2022, the previous administration signed Executive Order (EO) 171, which is valid until December 2022. The EO temporarily lowered the Most Favored Nation (MFN) rates of key agricultural commodities. **In particular, this paper will assess the net benefits of temporarily lowering the MFN rates of pork to 15% in-quota (from 30%) and 25% out-quota (from 40%) from April to December 2022.**

Consumer benefits

Farm gate and retail prices of pork from 2018 to 2020.³ As seen in **Figure 2**, the average farm gate price of hogs for slaughter before the lowering of pork (from 2018 to 2020) is PhP 115 per kilogram (kg). On the other hand, the average retail price of pork⁴ is PhP 243 per kg during the same period. Given these, the average ratio of the retail price to the farm gate price of pork is 2.1 from 2018 to 2020 (before EOs 128, 134, and 171). More specifically, **the average retail price of pork is, on average, 2.1 times that of its farm gate price from 2018 to 2020.**

Farm gate and retail prices in 2022. Due to the relatively low local supply of pork because of ASF, the Ukraine and Russia conflict which increased animal feed prices, and the continuing logistical bottlenecks due to COVID, farm gate prices of hogs increased by 12% from 2021 to 2022, or from 161 PhP per kg in 2021 to 180 PhP per kg in 2022 (see **Figure 2**). Similarly, the retail price of pork rose but at a much slower rate. As seen in **Figure 2**, the retail price of pork only grew by 9.5% from 2021 to 2022, or from PhP 255 per kg in 2021 to PhP 314 per kg in 2022. The moderate rate of increase in the retail price of pork in 2022 can be attributed to the availability of cheaper pork imports due to the lower tariff rates on pork products starting April 2022 thru EO 171 (see **Figure 2**).

³ Before lowering of pork tariffs (EO 128 and 134 in 2021 and EO 171 in 2022).

⁴ Average of kasim and liempo prices



Moreover, as seen in **Figure 2**, the average farm gate price of hogs is PhP 180 per kg in 2022. In contrast, the average retail price of pork is PhP 314 per kg during the same period. Given these, the average ratio of the retail price to the farm gate price of pork is 1.7 in 2022. More specifically, **the average retail price of pork is, on average, 1.7 times that of its farm gate price in 2022 or during EO 171. Subsequently, this ratio is 0.4 points lower than the 2018 to 2020 retail-to-farm gate price ratio (1.7 vis-à-vis 2.1).**

It is important to note that international prices of pork significantly increased in 2022 due to external economic shocks such as the Ukraine and Russia conflict and the severe logistics bottlenecks because of the COVID-19 pandemic. **Despite these economic impediments, as seen in Figure 2, the ratio of the retail price of pork to its farm gate price decreased from 2.2 in 2020 to 1.7 in 2022, or a 21% decline from 2020 to 2022. This decrease in the ratio of the retail to farm gate price of pork can be attributed to the entrance of cheaper pork imports in 2022 due to the lower tariff rates imposed by the government beginning in April 2022 (EO 171).** As seen in **Figure 3**, the international pig meat index rose by 40 from 2020 to 2022.

On the other hand, **Figure 4** shows the estimated retail price of pork with and without the lowering of tariff rates scenarios. It is assumed that without EO 171 the ratio of the retail to farm gate price of pork will remain constant at 2.2. Given this, the estimated 2022 retail price of pork under the no-tariff rate reduction scenario is PhP 397 per kg. This number is 26% higher, or PhP 83 per kg larger, than the actual retail price of pork in 2022 (vis-à-vis with a reduced tariff rate scenario), respectively. **Thus, although the lowering of tariff rates on pork (EO 171) did not lessen the retail price of pork from its 2021 value, EO 171 significantly slowed down the rate of increase of the retail price of pork in 2022 vis-à-vis the no tariff rate reduction scenario (see Figure 4).**

Given the lower actual retail prices of pork due to EO 171, the total consumer benefits or savings are approximately PhP 108 billion from April to December 2022. As discussed above, EO 171 reduced retail prices of pork by approximately PhP 83 per kg vis-à-vis no tariff reduction scenario. Subsequently, given an estimated monthly demand for pork of 145 million MT, monthly consumer savings as a result of lowering pork tariffs is estimated to be PhP 12 billion.

Government Revenue

On the other hand, given the lower MFN rates on pork, EO 171 may result in a reduction of corn tariff revenues collected by the government. As seen in **Tables 6 and 7**, the average pork importation is 306,054 MT with a value of USD 543 million from 2017 to 2020. Of the total pork imported by the country, almost 100% is sourced from non-ASEAN countries. Given the average volume and value of pork imports from 2017 to 2022, and the pre-EO 171 tariff rates on pork⁵, the estimated average tariff collection from pork is approximately PhP 8.7 billion from 2017 to 2020 (see **Tables 6 and 7**).

⁵ To simplify the analysis, only the out-quota (or upper bound) rate was utilized in the analysis.



Unfortunately, 2022 pork importation data is still not available (from Trademap and Comtrade). As such, this paper assumes that EO 171 will generate a similar total volume and value of pork imports in 2021. In other words, it is assumed that total pork imports will be equal to 574,234 MT valued at USD 1.2 billion in 2022 (see **Tables 6 and 7**). It is important to note that the lowering of tariff rates on pork started in 2021 thru EOs 128 and 134. Furthermore, given a lower non-ASEAN out-quota rate of 25% due to EO 171⁶, the total projected tariff revenue from pork is approximately PhP 13.6 billion in 2022 (see **Tables 6 and 7**). **Thus, it is estimated that the total pork tariff revenue will increase by approximately PhP 4.9 billion due to EO 171 vis-à-vis its average tariff collection from 2017 to 2020 (see Tables 6 and 7).**

Net benefit and extension of EO 171 for pork

In summary, the estimated total net benefit of lower pork tariff rates is approximately PhP 113 billion from April to December 2022. As seen in **Tables 5, 6, and 7**, consumer savings due to reduced pork tariffs are projected to be equal to PhP 108 billion. Likewise, government tariff revenues due to EO 171 are projected to increase by around PhP 4.9 billion.

Given the continuing conflict between Russia and Ukraine that has pushed prices of key agricultural commodities to multi-year highs, the rising headline inflation (at 7.7% as of October 2022) where the food commodity group already contributes 45% of headline inflation as of October 2022 (see Figure 5), and the projected substantial local supply deficit of pork in 2023 (see Figure 6), there is a need to extend EO 171 until December 2023. As seen in **Figure 7**, the high headline inflation, particularly food inflation, has already resulted in greater self-rated food poverty among Filipinos as of October 2022 at 34%, as revealed by the recent SWS survey results. This number is 3% larger than the 2021 average of 31%. Furthermore, meat remains a major contributor to food inflation wherein its share to food inflation is 24% from January to October 2022 (see **Figure 8**). **Thus, extending EO 171 until the end of 2023, particularly lower pork tariffs, is imperative if the government wants to slow down the rate of increase in meat prices. It is estimated that continuing the lower pork tariff rates until December 2023 will result in approximately PhP 156 billion in total consumer savings or benefits in 2023 (see Table 5).**

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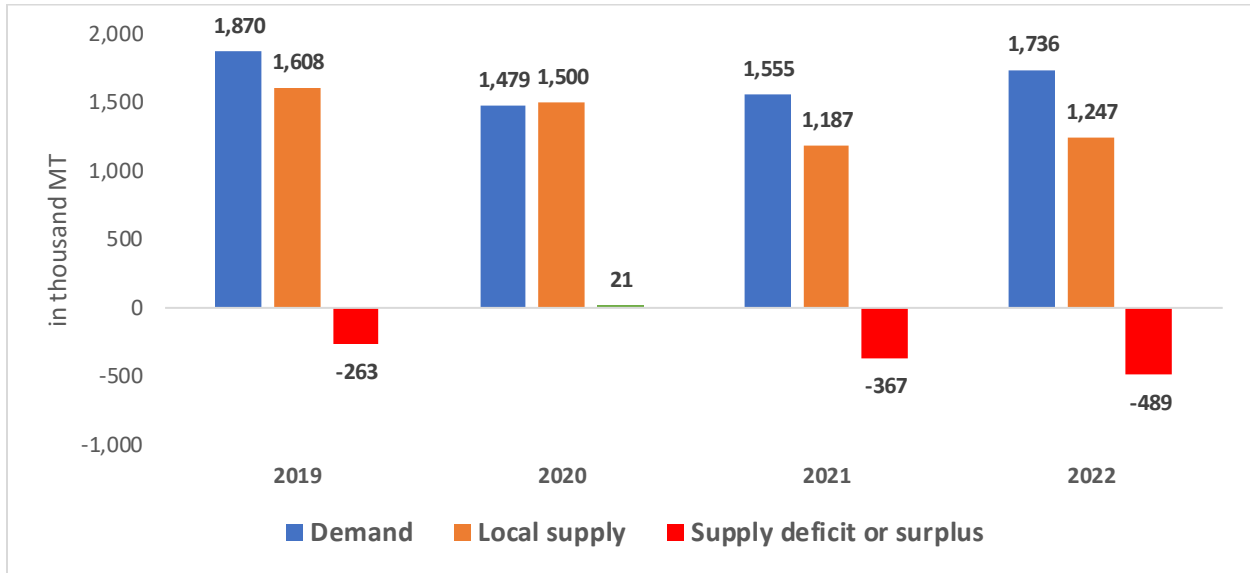
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⁶ To simplify the analysis, only the out-quota (or upper bound) rate was utilized in the analysis.



List of Figures and Tables

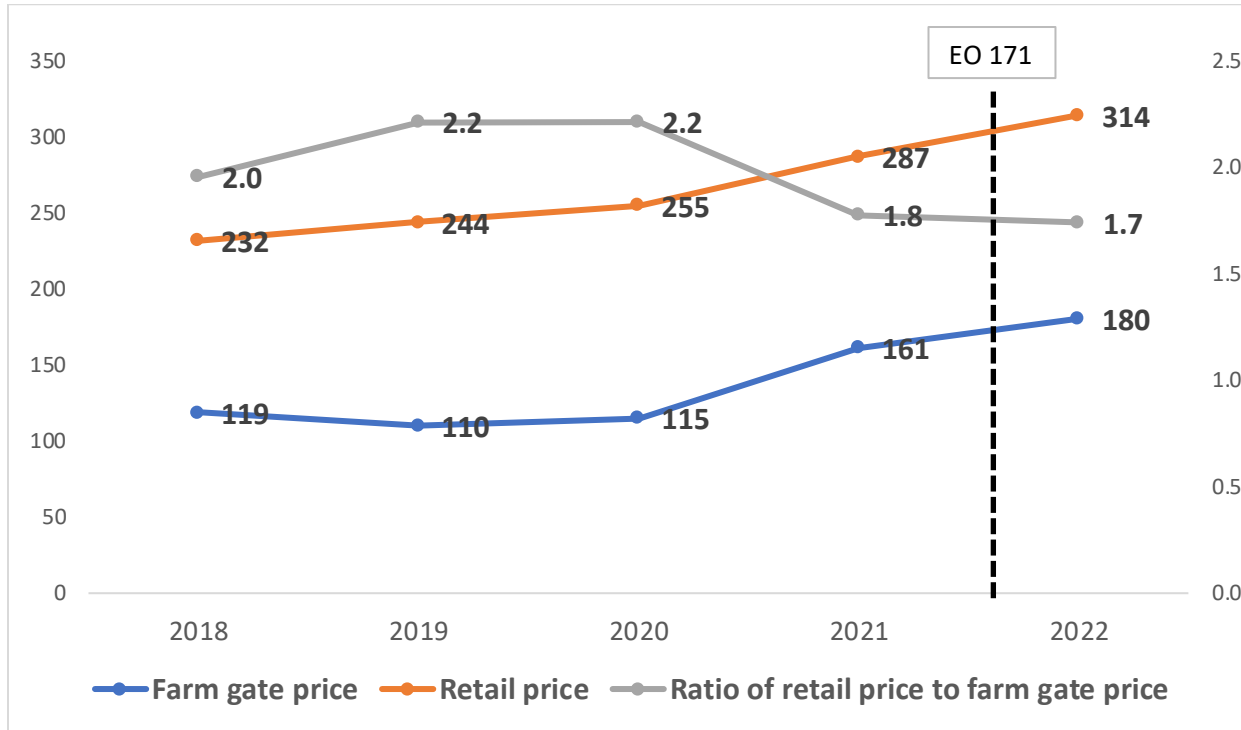
Figure 1. Philippine demand and supply of pork from 2019 to 2022 (without importation)



Source: PSA, Trade Map, GIRA (2020), World Bank, and author's calculations



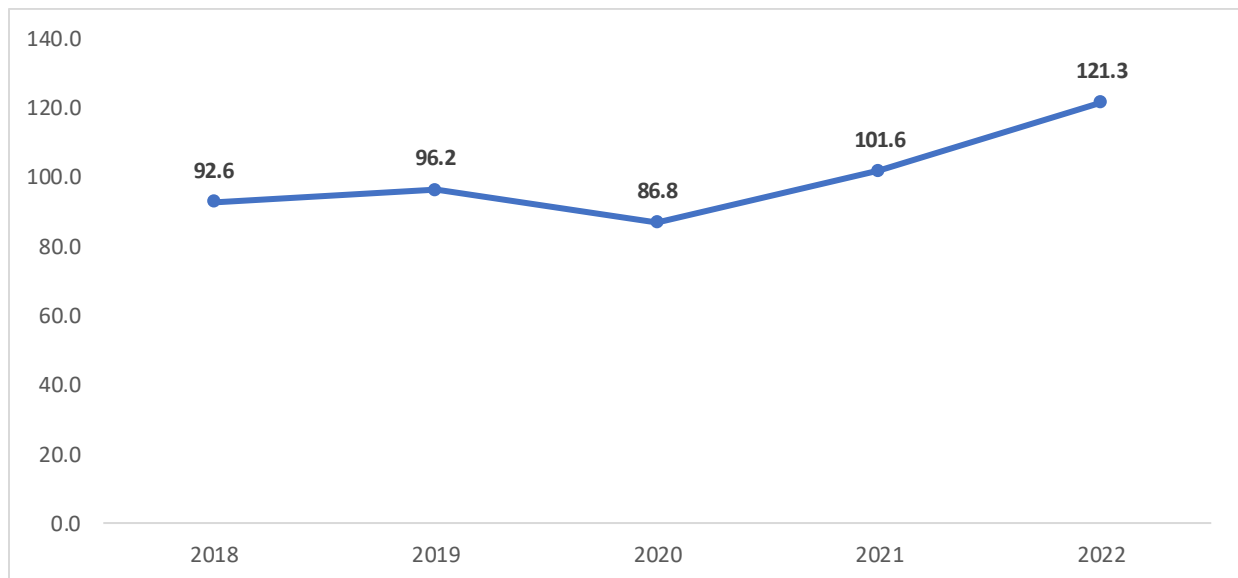
Figure 2. Farm gate of hogs for slaughter, retail price of pork, and the ratio between retail and farm gate prices from 2018 to 2022* (in PhP per kg).



As of June 2022

Source: PSA and author's computations

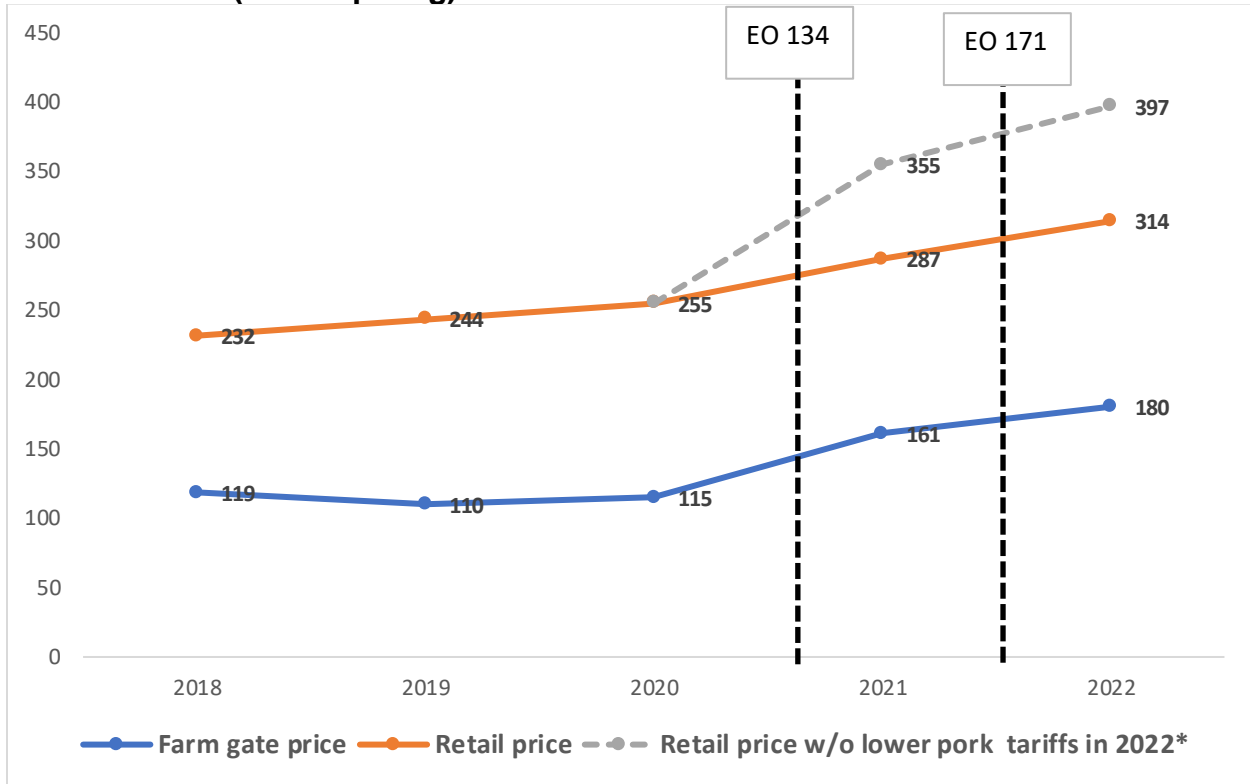
Figure 3. Pig meat index (2014-2016=100)



Source: FAO

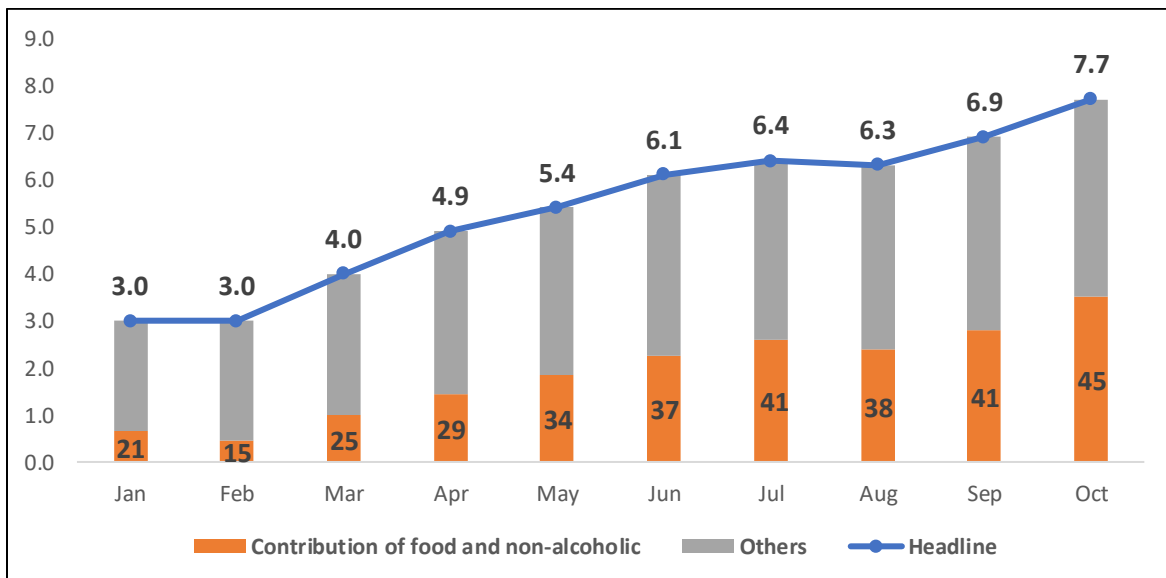


Figure 4. Farm gate and estimated retail price of pork under no reduction in tariff rates scenario (in PhP per kg)



*estimated retail price given no tariff reduction scenario
 Source: PSA and author's calculations

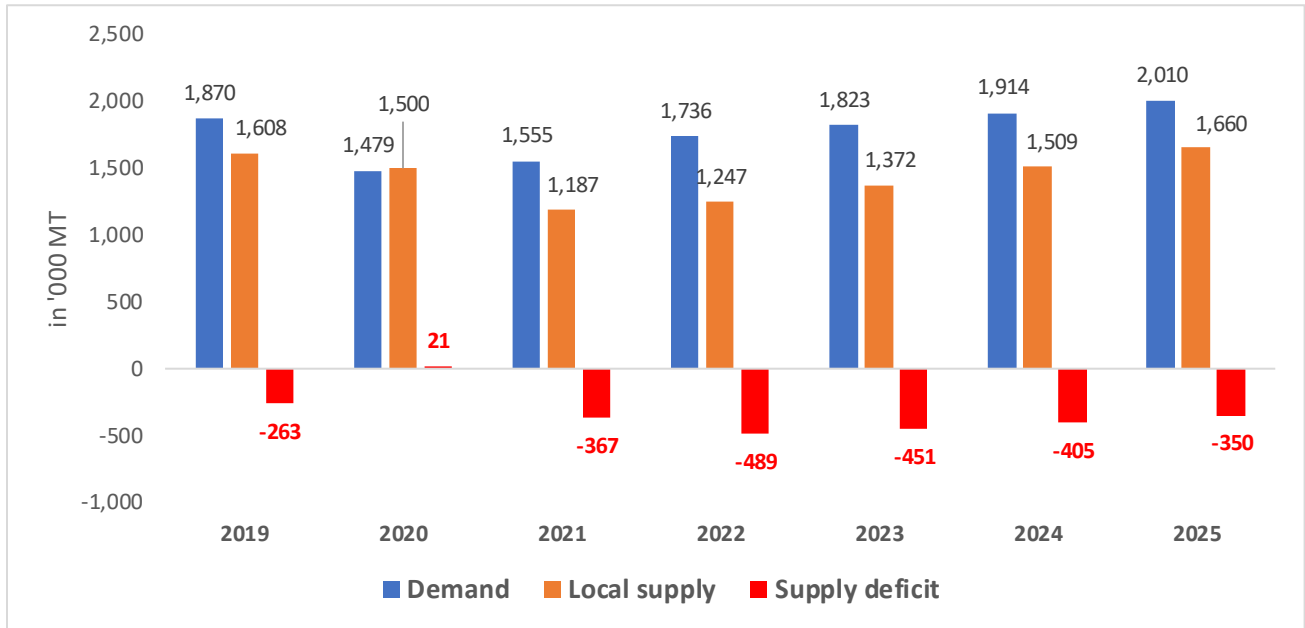
Figure 5. Headline inflation and contribution of food and non-alcoholic group to headline inflation from January to October 2022 (in%)



Source: PSA and author's calculations



Figure 6. Projected supply shortages of pork from 2023 to 2025*

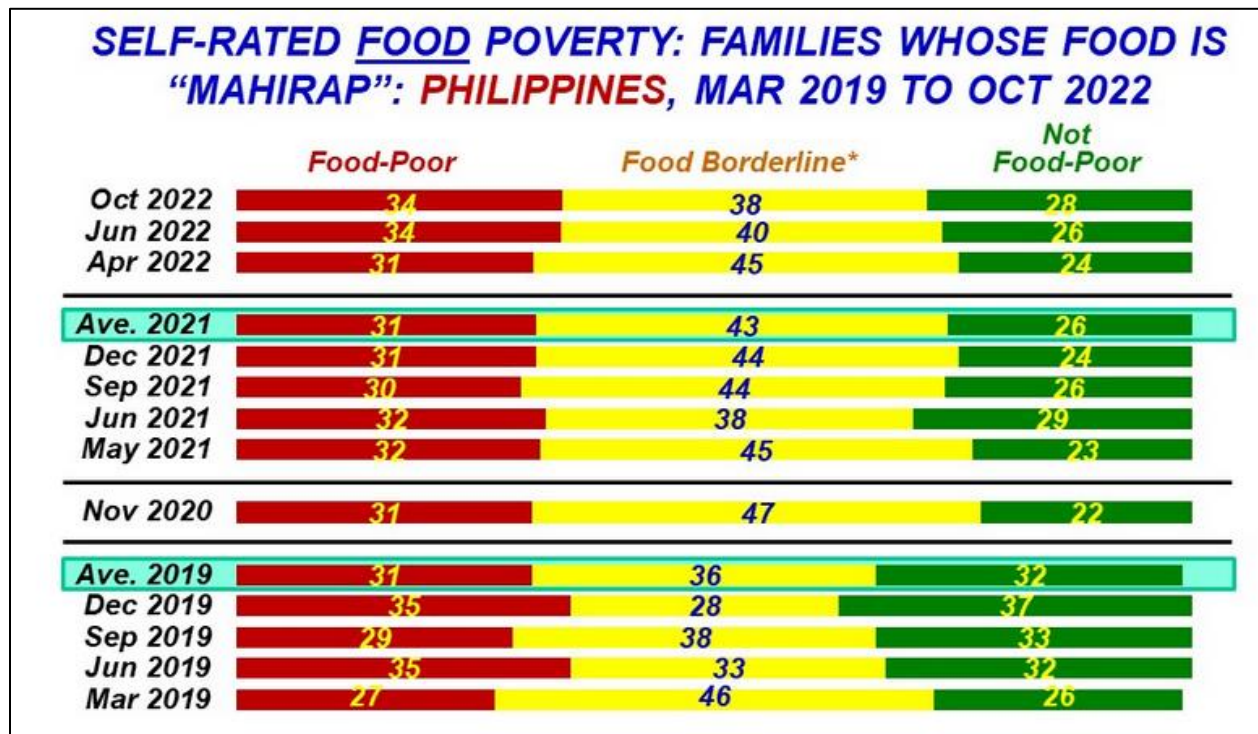


*10% annual increase in local hog production from 2023 to 2025 (BAI's estimate that repopulation will only materialize by 2025)

*5% annual increase in total demand for pork from 2022 to 2025

Source: PSA, BAI, GIRA (2020), World Bank, and author's calculations

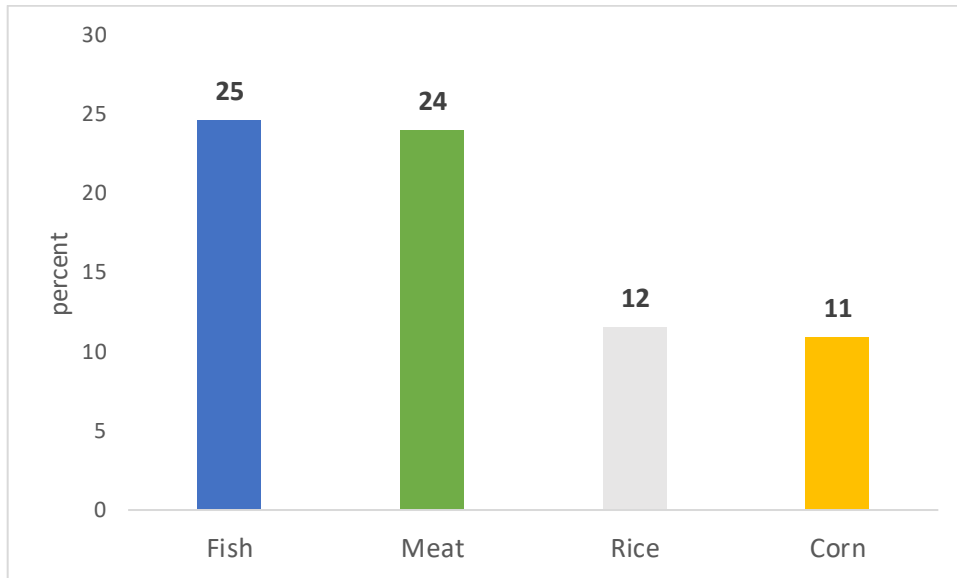
Figure 7. Self-rated food poverty (in%)



Source: Social Weather Station (SWS) survey



Figure 8. The average contribution of fish, meat, and corn to food inflation from January to October 2022 (in%)



Source: PSA and author's calculations

Table 1. Summary of CY 2022 target and accomplishments for calibrated population and recovery of breeder-base

Component	Financial ('000)			Physical	
	Allocation	Obligation	Disbursement	Target	Accom
1. CALIBRATED REPOPULATION	3,524,750	2,756,232	742,825		
1.1 SENTINEL PROTOCOL	892,500	856,912	256,053	1,190	176 Brgys. Released from quarantine
1.2 COMMUNITY-BASED SWINE PRODUCTION THRU CLUSTERING & CONSOLIDATION	2,632,250	1,899,320	486,772	474	346
2. RECOVERY OF BREEDER-BASE	592,250	416,697	186,502		
2.1 150 SOW-LEVEL PRODUCTION FARM FOR RFO 3 & 4A	342,750	258,500	170,500	62	47
2.2 30-SOW LEVEL SWINE MULTIPLIER FARM	187,500	140,000	16,002	19	14
2.3 UPGRADED SWINE "AI SA BARANGAY" BARANGAY" CENTERS	62,000	18,197	-	19	5
GRAND TOTAL	4,117,000	3,172,929	929,327		
%		77	29		

Source: DA



Table 2. Targets and accomplishments of sentinel protocol implementation for CY 2022/GAA 2022

Region	Budget ('000)	# of individual beneficiaries		# of pigs distributed		Barangays released from quarantine	
		Target	Accom	Target	Accom	Target	Accom
CAR	50,250	1,005	712	3,015	1,183	67	49
I	111,750	2,235	810	6,705	2,430	149	
II	171,000	3,420	181	10,260	181	228	
III	276,750	5,535	1,800	16,605	5,400	369	
IV-A	98,250	1,965	1,007	5,895	3,021	131	
V	71,250	1,425	891	4,275	2,163	95	
VIII	18,000	360	360	1,080	1,080	24	24
X	15,750	315	516	945	945	21	
XI	72,750	1,455	1,573	4,365	2,792	97	103
XII	3,750	75	75	225	225	5	
XIII	3,000	60	66	180	66	45	
TOTAL	892,500	17,850	7,991	53,550	19,486	1,231	176
% target			44.8		36.4		14.3

Source: DA



Table 3. Targets and accomplishments of community-based swine production and expansion thru clustering and consolidation for CY2022

Region	Physical		Financial		
	Target	Accomp	Budget	Obligation	%
CAR	30	30	167,500	161,838	96.62
RFO-1	67	62	372,500	341,000	91.54
RFO-2	103	91	570,000	505,989	88.77
RFO-3	117	15	645,750	84,250	13.05
RFO-4A	47	47	261,500	261,359	99.95
RFO-5	43	43	237,500	237,500	100
RFO-8	10	10	60,000	-	-
RFO-10	9	9	52,500	44,384	84.54
RFO-11	44	44	242,500	242,000	99.79
RFO-12	2	2	12,500	11,000	88
RFO-13	2	2	10,000	10,000	100
TOTAL	474	346	2,632,250	1,899,320	72.16

Source: DA

Table 4. Targets and status of implementation of 150 sow-level production farms for the recovery of breeder base in Regions 3 and 4A

REGION	PHYSICAL		FINANCIAL			REMARKS
	Target	Accom	Budget	Obligation	%	
III	50	35	276,750	192,500	69.5	Initial fund transfer to 19 Hog farmer members of NatFed
IV-A	12	12	66,000	66,000	100	Initial breeder stocks delivered
TOTAL	62	47	342,750	258,500	75	

Source: DA



Table 5. Consumer savings due to lower pork tariff rates

Item	2022	2023*
Per capita demand for pork (in kg)	15.5	16.275
Population	112,000,000	115,584,000
Total demand for pork in a year (in kg)	1,736,000,000	1,881,129,600
Total demand for pork per month (in kg)	144,666,667	156,760,800
Consumer savings due to lower pork tariff rates (in PhP per kg)	83	83
Number of months lower tariff rate is effective	9	12
Estimated total consumer benefits or savings due to lower corn tariff rates (in PhP)	108,066,000,249	156,133,756,800



Table 6. Value of pork imports and government tariff revenues by HS code from 2017 to 2020 and 2022*

HS code	2017-2020 (in '000 USD)	Tariff rates (upper bound)	Estimated gov't revenue (in '000 USD)	Estimated gov't revenue (in '000 PHP)
20641	14,032	40%	5,613	325,542
20910	40,160	40%	16,064	931,718
20649	192,884	5%	9,644	559,362
20329	131,652	40%	52,661	3,054,321
21012	2	40%	1	52
21011	29	40%	12	673
2109920	262	40%	105	6,078
2101990	21	40%	9	493
2101930	198	40%	79	4,599
203	164,127	40%	65,651	3,807,735
Total	543,367		149,837	8,690,574
Projections for 2022*				
20641	20,448	25%	5,112	296,496
20910	66,079	25%	16,520	958,146
20649	273,343	5%	13,667	792,695
20329	317,852	25%	79,463	4,608,854
21012	21	25%	5	305
21011	11	25%	3	160
2109920	350	25%	88	5,075
2101990	54	25%	14	783
2101930	164	25%	41	2,378
203	476,759	25%	119,190	6,913,006
Total	1,155,081		234,102	13,577,896

*2022 value of imports and government revenues are projections

Source: TradeMap and author's calculations



Table 7. Volume and value of pork imports, government revenues from 2017 to 2020 and 2022

	Volume 2017-2020 (MT)	Value 2017-2020 (USD)	Gov't revenue 2017-2020 (USD)	Gov't revenue 2017-202 (PHP)
Pork	306,654	543,366,750	149,837,475	8,690,573,550
Projections for 2022*				
	Volume 2022 (MT)	Value 2022 (USD)	Gov't revenue 2022 (USD)	Gov't revenue 2022 (PHP)
Pork	574,234	1,155,081,000	234,101,650	13,577,895,700
Estimated government tariff revenue increase (in PHP)				4,887,322,150

*2022 value of imports and government revenues are projections

Source: TradeMap and author's calculations