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Philippines

Planting Seeds

Annual

2004

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Report Highlights:
The expanding Philippine population coupled with the country's shrinking farm area compels the GRP to produce more on less land. As a result, the GRP is aggressively promoting the use of high yielding rice and corn seeds of which imports are likely to decline in MY03/04 relative to the previous year as local production is expected to increase during the period. Imports of other planting seeds are also expected to decline in MY03/04 due to weak demand and renewed weakness of the Peso. Beyond MY03/04, investment in agriculture and imports of high yielding planting seeds, including those derived from modern biotechnology, are expected to increase due to the extension of tax incentives and the mandated funding support of the GRP's agricultural modernization program.

Includes PSD Changes: No
Includes Trade Matrix: No
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Executive Summary

Overall planting seed imports in MY02/03 increased from the previous year's level as Philippine seed production remained inadequate. Generally favorable growing conditions and increased farmgate prices of selected crops encouraged increased seed production and consequently more planting activity during the year. This resulted in the decline of planting seed exports as local consumption increased during the year.

Planting seed trade in MY03/04 is expected to contract from the MY02/03 level due to renewed weakness of the Peso as well as the tight budgetary situation the GRP is currently facing. Utilization of high-yielding vegetable planting seeds is expected to remain low due to the comparatively weak demand by the average Filipino as well as the continued entry of cheap, but smuggled or undocumented, vegetables in MY03/04.

Although adoption by farmers of improved and high-yielding rice and corn planting seeds, including Bt corn, is expected to be higher in MY03/04 compared to the previous year's level, rice and corn planting seed imports are expected to decline during the period as local production is expected to increase. Utilization of high-yielding rice and corn planting seeds, however, would have been higher had the 2004 budget of the Agricultural Department not been reduced.

Beyond MY03/04, the rapidly increasing Philippine population, coupled with the diminishing number of farms and aggregate farm area, will compel the farm sector to produce more food on less land, and Philippine agricultural policy is adapting to that trend. The extension of tax incentives as well as the mandated funding support of the GRP's agricultural modernization program, will significantly enhance rice and corn hybrid seed production, and also lead to greater commercialization of new plant varieties, including biotech products.

Marketing

Last year, the National Economic and Development Authority (NEDA) reported that Philippine GNP grew 5.5 percent, up from the previous year's level of 5.2 percent, largely buoyed by strong dollar remittances from overseas Filipino workers (OFWs). GDP growth, on the other hand, slowed to 4.5 percent last year from 4.6 percent in 2002, falling within the government's official forecast of 4.2-5.2 percent. The growth in 2003 was broad-based with most of the economic sub-sectors in services, agriculture and industry (except public construction), growing from their 2002 levels. Parallel to this production growth is the expansion in private consumption which grew 5.1 percent, the highest growth posted since 1990, driven by the double-digit increases in demand in transportation and telecommunications (12.8 percent), utilities (5.0 percent) and food (4.7 percent).

Philippine agricultural growth in 2003 slowed to 3.8 percent from the 4.1 percent growth rate in 2002 due to the occurrence of a mild El Nino weather disturbance early 2003, as well as a devastating typhoon in the second half of the year. According to the Bureau of Agricultural Statistics (BAS), crop production grew 3.0 percent led by sugarcane production, which posted a dramatic 16 percent growth from the 2002 output level. Other notable positive gains were recorded for abaca (9.3 percent), corn (6.9 percent), tobacco (5.4 percent) and mango (5.1 percent). Average farmgate prices for agricultural commodities last year were also generally higher than the average prices in 2002 with notable price increases recorded for corn (6.8 percent), tomatoes (77.0 percent), coffee (18.7 percent) and eggplant (7.8 percent).

The NEDA expects the domestic economy this year to grow from 4.9-5.8 percent, driven by electronics and agricultural exports as the global economy improves. The International Monetary Fund (IMF), on the other hand, projects GDP growth at 4.0-4.5 percent, but expects the country to be at the tail end among Asia's emerging economies. The Asian Development Bank (ADB), meanwhile, expects Philippine GDP at 5.0 percent in both 2004 and 2005 due to higher consumer spending, improved weather conditions and improved overseas demand, particularly for electronics. Both the IMF and the ADB, however, have expressed serious concern over the country's fiscal performance and increasing debt levels. Total public debt is currently estimated at $100 billion, and debt servicing is the dominant expenditure of the GRP.

Agricultural performance in the first quarter of the year has been encouraging with the sector posting a strong year-on-year growth of 8.16 percent, the highest growth rate in the last 15 years. The 2003 fourth quarter growth was 5.6 percent while expansion during the same period last year was 3.4 percent. The fisheries sector posted a dramatic 20.8 percent growth, followed by the crops, poultry and the livestock sectors with growth rates of 6.2 percent, 3.4 percent and 3.3 percent, respectively.

Rice production reached a record 3.4 MMT in the first quarter of this year, up 13 percent from 3.0 MMT last year. Corn production likewise improved reaching 1.5 MMT during the period from 1.4 MMT in the first three months of 2003. The increase in output was attributed to a larger area harvested and higher yields. Rice and corn production represent roughly 18 and 5 percent of the total value of Philippine agricultural production, respectively. Rice is at the core of the GRP's food security program, popularly interpreted as rice self-sufficiency. Agriculture Secretary Luis P. Lorenzo, Jr. attributes the improved rice and corn productivity to the increased use of certified and hybrid seeds.

Data on planting seed production and utilization is not readily available. The increased use of high-yielding rice and corn planting seeds in 2003 indicates higher levels of seed production and consumption in MY02/03. Production and use of improved rice and corn seeds is likely to increase again in MY03/04.

In 2003, hybrid rice seed was produced on about 2,857 hectares, up from the 2,000 hectares in 2002. The area devoted to production of hybrid rice seed this year is expected to reach 5,040 hectares. At present, there are four firms that grow/distribute hybrid rice seed, but their production thus far cannot supply domestic demand. These are: Monsanto Philippines, Bayer Crop Science, Philippines, the Philippine Rice Research Institute, and SL Agritech Corp. The hybrid rice seed technology the DA is aggressively promoting originated from China, and reportedly is capable of increasing rice yields to 9 MT per hectare from the current 3 MT per hectare using ordinary open-pollinated rice seeds and 4.5 MT per hectare using certified seeds. Developed by Chinese scientist, Dr. Yuan Long Ping, the DA has been subsidizing half the price of hybrid rice seed which is sold for P2,400 ($43.63) per 20-kg. bag.

For corn, it is estimated that a little over 20 percent of the total corn area was planted with hybrids last year. Corn seeds are distributed by 8 seed companies, namely: Pioneer Hi-Bred Philippines, Inc., Monsanto, Syngenta, BioSeed, Asian Hybrid Inc., Fortune Seeds Inc., ACM Hybrid and Corn World. Like rice, the DA, however, is pushing hybrid corn developed in China. Seeds of 29 varieties of a Chinese hybrid corn from the Jilin Province Haoyu Seed Industrial Co. Ltd. (Haoyu) were reportedly tested at 3 different sites from December 2003 to April this year. According to DA Secretary Luis P. Lorenzo, Jr., many of the Chinese hybrids performed better than commercial hybrids from the seed companies in the Philippines, with respect to yield and their ability to cope with disease and insect pests. The highest yield recorded was at an experimental farm in Bohol where the ZF24 variety from

Haoyu produced 10.82 MT per hectare. China has increasingly been supportive of the GRP's hybrid rice and corn program and will be donating 10 MT of the best performing hybrids based on these field trials for the October 2004 planting season.

The Philippine Seed Industry Association, Inc. (PSIA), on the other hand, is the local planting seed industry association and is composed of 19 members (18 private seed companies and the UPLB Seed Technology Programme of the Department of Horticulture, University of the Philippines at Los Banos). PSIA members produce and distribute planting seeds of vegetables, flowers and ornamental plants, citrus, etc. The association notes that while the GRP's food security program is focused on rice, vegetables are necessary for proper nutrition. Local per capita vegetable consumption, however, is very low (38-40 kg./annum) and this discourages increased vegetable planting seed production. Data on seed produced by the PSIA is also not readily available, but output is likely to be low relative to rice and corn planting seed production.

The good first quarter agricultural performance has raised expectations that Philippine agriculture would surpass the GRP's growth target of 4.0 percent, although a cut in the DA's proposed budget this year is worrisome. The Philippine Congress approved a P15.4 billion ($280 million) budget for the DA this year, 26 percent lower than the DA's P20.9 billion ($380 million) budget request. The approved amount is 8 percent lower than the department's P16.8 billion budget ($305.45 million) in 2003 and 35 percent lower than what the Agriculture and Fisheries Modernization Act of 1997 (AFMA) had provided for. Besides favorable weather conditions, appropriate budget support is considered the most important factor in increasing agricultural production.

The lack of investment in rural areas over the years continues to take its toll. Poor agricultural infrastructure and consequently low farm productivity, have contributed to the gradual decline over the years in two vital structural elements of Philippine agriculture: land and labor. Preliminary results of the Census of Agriculture of the National Statistics Office (CA-NSO) show that the number of farms in the country went down to 4.5 million in 2002 from 4.6 million in 1991. During the same period, the number of farms declined by an annual average rate of 0.21 percent - equivalent to a loss of 9,900 farms per year. Aggregate farm area also declined to 9.185 million hectares from 9.975 million hectares in 1991 with the average area per farm declining to 2.04 hectares in 2002 from 2.16 hectares in 1991. The number of farms, total farm area as well as average area per farm is likely to continue declining through 2004 and beyond stressing the need to produce more food on less land.

Parallel to the decline in agricultural land is the rural-to-urban migration of farm workers. According to the NSO, from January 1999 to January 2004, the labor force increased (13.6 percent) from 31.2 million to 35.4 million with the number of employed persons also rising (11.1 percent) from 28.4 million to 31.5 million. Filipinos engaged in agriculture, fisheries and forestry, however, shrank 1.4 percent to 11.15 million from 11.31 million during the five-year period.

The share of farm workers to the overall labor force also decreased to 35 percent in January 2004 from 37 percent during the same month in 2003, and nearly 40 percent five years ago. In January 1997, it was 42 percent. Workers engaged in agriculture and forestry were estimated at 30.9 percent while those in the fishery sector were recorded at 4.4 percent in January 2004.

While the kind of work the farmers shifted to is unknown, there was a noticeable increase in the following job categories: service workers, shop and market sales workers, and laborers and unskilled workers. This increasing trend has become evident over the past five years

when the national labor force grew by more than 10 percent, but the number of those employed in the agriculture sector dropped.

Policy

General

In an effort to encourage increased investment in the agricultural sector, President Gloria Macapagal-Arroyo on March 30, 2004, enacted Republic Act No. 9281 (RA 9281) or "An Act to Strengthen Agriculture and Fisheries Modernization in the Philippines by Extending the Effectivity of Tax Incentives and its Mandated Funding Support, Amending for this Purpose Sections 109 and 112 of Republic Act No. 8435."

As noted in GAIN RP9001, RA 8435 or the AFMA was envisioned to provide the framework to address the longstanding problems of Philippine agriculture. The AFMA was noteworthy for its thoroughness and comprehensive approach; its commitment to a market approach to increasing production; its support for liberalization and privatization within the agricultural sector; and, its goal of globalization and support for the Philippines' WTO commitments. Implementation of the AFMA, however, was not adequately funded and its impact hardly felt.

Section 109, as amended by RA 9281 reads as follows:

"SEC. 109. All enterprises engaged in agriculture and fisheries as duly certified by the Department in consultation with the Department of Finance and the Board of Investment, shall, up to the year 2015, be exempted from the payment of tariff and duties for the importation of all types of agriculture and fisheries inputs, equipment and machinery such as, but not limited to, fertilizer, insecticide, pesticide, tractor, trailers, trucks, farm implements and machinery, harvesters, threshers, hybrid seeds, genetic materials, sprayers, packaging machinery and materials, bulk-handling facilities such as conveyors and mini loaders, weighing scales, harvesting equipment, spare parts of all agricultural equipment, fishing equipment and parts thereof, refrigeration equipment, and renewable energy systems such as solar panels. Provided, however, that the imported agricultural and fishery inputs, equipment and machinery shall be for the exclusive use of the importing enterprise.

The Department, in consultation with the Department of Finance and the Board of Investment, shall, within ninety (90) days from the effectivity of this act, formulate the Implementing Rules and Regulations governing the importation of agriculture and fishery inputs, equipment and machinery."

Following is Section 112 of RA 8435, as amended by RA9281:

"SEC 112. Continuing Appropriation. - The Department of Budget and Management (DBM) is hereby mandated to include annually up to the year 2015, in the President's program of expenditures for submission to Congress, and release, an amount not less than Seventeen billion Pesos (P17,000,000,000.00) for the implementation of this Act. Such amount shall be in addition to the annual budget of the Department of Agriculture and shall not be subjected to any mandatory reserves that shall be imposed by the executive department.

With the continuous implementation of the funding support for agriculture and fisheries modernization, the Department of Agriculture shall formulate, develop, and implement programs and services towards the improvement of the quality of life of the farmers, fisherfolks and their families and the people who are directly or indirectly dependent on agriculture for their livelihood.

Additional funds over and above congressional appropriations of the Department shall be sourced from twenty percent (20%) of the proceeds of the securitization of government assets, including the Subic, Clark and other special economic zones.

Other sources of funds shall be from the following:

a. Fifty Percent (50%) of the net earnings of the Public Estates Authority;
b. Loans, grants, bequest, or donations, whether from local or foreign sources;
c. Forty Percent (40%) of the TESDA Skills Development Fund;
d. Net proceeds from the privatization of the Food Terminal, Inc. (FTI), the Bureau of Animal Industry (BAI), the Bureau of Plant Industry (BPI), and other assets of the Department that will be identified by the DA Secretary and recommended to the President for privatization;
e. Proceeds from the Minimum Access Volume (MAV) in accordance with the provisions of R.A. 8178;
f. A portion of the proceeds from the countervailing, anti-dumping and special safeguards duties collected from agricultural imports pursuant to Republic Act Nos. 8571 and 8752, both series of 1999 and Republic Act 8800, series of 2000; and
g. Fifty Percent (50%) of the Support Facilities and Services Fund under R.A. 6657."

The DOF, in a position paper, reported that the approval of RA 9281 would not only cost the government around P17 billion annually through 2015, but likewise would lose huge potential revenues from the excessive tax exemptions given to the farm sector. It reported that around P2.12 billion ($38.5 million) in potential revenues has been lost since 1999 when the tax incentives were implemented.

Planting seeds imports, however, are already levied minimal tariffs (ranging from 1 to 3 percent) through 2005, and may even be brought in at zero tariff if imported from specified ASEAN-member countries. The Common Effective Preferential Tariff (CEPT) rates under the ASEAN Free Trade Agreement (AFTA), are, in general terms, lower than the MFN rates and therefore favor more intra-ASEAN trade. Both MFN and CEPT rates for 2004 and 2005 are provided below.

2004-2005 Philippine Tariff Schedule					
Seeds, Fruits and Spores, of a kind used for Sowing					
			Rate of Duty		ASEAN
			(%)		Countries with
Tariff Code	Description	Year	MFN	CEPT	Concessions*

1209.10.00	Sugar beet seed.	2004	3	0	All.
		2005	3	0	All.
	Seeds of forage plants:				
1209.21.00	Lucerne (alfalfa) seed.	2004	1	0	All.
		2005	1	0	All.
1209.22.00	Clover (*Trifolium spp.*) seed.	2004	1	0	All.
		2005	1	0	All.
1209.23.00	Fescue seed.	2004	1	0	All.
		2005	1	0	All.
1209.24.00	Kentucky blue grass (*Poa pratensis L.*)	2004	1	0	All.
	seed.	2005	1	0	All.
1209.25.00	Rye grass (*Lolium multiflorum Lam.*,	2004	1	0	Except Laos.
	Lolium perenne L.) seed.	2005	1	0	Except Laos.
1209.26.00	Timothy grass seed.	2004	1	0	Except Laos.
		2005	1	0	Except Laos.
1209.29.00	Other	2004	3	0	Except Laos.
		2005	3	0	Except Laos.
1209.30.00	Seeds of herbaceous plants cultivated	2004	1	0	Except Laos.
	principally for their flowers.	2005	1	0	Except Laos.
	Other:				
1209.91.00	Vegetable seeds.	2004	1	0	All.
		2005	1	0	All.
1209.99	Other:				
1209.99.10	Rubber seeds, kenaf seeds.	2004	1	0	Except Burma.
		2005	1	0	Except Burma.
1209.99.90	Other.	2004	1	0	Except Burma.
		2005	1	0	Except Burma.

*All = All member countries can avail of the concession or MFN rate will apply if MFN is lower than the CEPT rate.

Source: Philippine Tariff Commission

Biotechnology

Since 2002, the National Committee on Biosafety of the Philippines (NCBP), the agency responsible for the approval and issuance of guidelines for GM crop testing, has approved 6 greenhouse (contained) trials. Two contained trials, one by Monsanto and another by Pioneer Hi-Bred, were conducted in 2002. Monsanto initiated another contained trial while Syngenta undertook 2 contained tests last year. The more recent test of the 2 trials by Syngenta, however, had to be terminated due to technical problems. Prior to commercial production, a GM crop has to successfully undergo contained trials and field tests, according to the NCBP guidelines.

Three multi-location field tests, on the other hand, starting June 2000 to January of this year, have been completed. These include:

1. Multi-Location Field Bioefficacy Verification Trial of YieldGard Corn Against Asiatic Corn Borer, Monsanto
   June-November 2000 (Wet season) = 5.4 hectares in 9 sites
   December 2001-April 2002 (Dry season) = 6.0 hectares in 10 sites

2. Multi-Locational Field Trials of Bt Transgenic YieldGard Corn Against Asiatic Corn Borer, Pioneer Hi-Bred.
   June-December 2002 (Wet season) = 3.0 hectares in 5 sites
   December 2002-July 2003 (Dry season) = 4.2 hectares in 7 sites

3. Pest Management Under Conservation Tillage Systems in the Uplands: Performance Evaluation of Glyphosate Tolerant Corn (NK603) Hybrids/Lines Under Field Conditions, Monsanto
   September 2003-January 2004 = 8.5 hectares in 5 sites

Other sites in the wet season trials by Monsanto during the September 2003-January 2004 period were terminated due to a strong typhoon last year. The initial yield evaluations of the successful field trials, however, indicate improved yields compared to the conventional corn varieties. Currently, multi-location trials by Monsanto, Pioneer Hi-Bred and Syngenta are on-going all over the country.

In its first year of commercial production, Bt corn was planted on less than 20,000 hectares, according to the International Service for the Acquisition of Agri-Biotech Applications (ISAAA). ISAAA projects that the total area devoted to Bt corn production in the Philippines will expand to 50,000 hectares in 2004 after the Bureau of Plant Industry (BPI) approved in December 2003, the application by Pioneer Hi-Bred for the commercial production of Bt corn. The high cost of Bt corn seeds, however, is expected to dampen initial adoption by Filipino farmers. An 18 kg. bag of Bt corn seed (sufficient for one hectare) is sold for P4,500 ($81.81). Adoption of Bt corn technology will be made more difficult as the DA's budget is expected to limit the extension of farm credit.

Administrative Order (AO) No. 8 of the DA, issued early April 2002 and effective July 2003, contains the guidelines for GM commercial production and importation. Under AO 8, all GE plant varieties of "regulated articles" must be assessed for food, feed and environmental safety by a third party panel of Philippine scientists, prior to entering the Philippines. If the

seeds are pest-protected plants, the transformation event (TE) has to be registered with the Fertilizer and Pesticide Authority, an agency under the supervision of the Agriculture department. Approvals for sale and use of biotech seeds and planting materials are valid for five years. Currently two US-based seed companies are selling Bt corn seed commercially in the Philippines.

Application for imports for direct use as food, feed or further processing (also valid for five years) can be considered only if the product has been authorized for commercial distribution as food or feed in the country of origin, and documentation to show that these products will not pose significant risks to human and animal health are provided by the applicant. The products approved under this regulatory process are included in the registry for direct use maintained by the BPI. If a biotech product is listed in this registry, an applicant will no longer be required to secure an import permit for his succeeding shipments. However, a notification of a shipment to the BPI is required upon its arrival at a Philippine port.

As noted in GAIN RP 3034, AO 8 provided a transitory period (May 14, 2002 until June 30, 2003). During this period, the BPI was tasked to review available scientific risk assessment data and information on biotech products likely to be imported into the Philippines, and develop an approval registry for direct use. The DA subsequently issued Memorandum Circulars Nos. 8 (issued on May 15, 2003), 11 and 12 (both issued August 15, 2003). MC Nos. 8 and 11, require that a declaration of GM-content be issued by the country of origin, or by an accredited laboratory, or by the shipper or importer, and shall accompany all incoming imports which may contain GM commodities. MC No. 12 further clarified the import rules for biotech products for direct use as seed, food, feed, or for further processing and contained the approval registries for propagation, and direct use as food and feed.

Since plants and plant products fall under the jurisdiction of the BPI, an agency under the DA, it has the overall regulatory supervision in the conduct of field trials, commercial propagation, and imports for experimental and direct use as seed, food, feed, or for further processing. Applications are referred to other agencies such as the Bureau of Agriculture and Fisheries Product Standards (BAFPS) to determine compliance with food safety standards; the Bureau of Animal Industry (BAI) to determine compliance with feed safety standards; and the Fertilizer and Pesticide Authority (FPA) for pest-protected plants.

As of February 2004, the BPI had approved 17 TEs of GM crops for commercial use as food, feed or processing materials in the Philippines (refer to GAIN RP 4016). This includes all GM plant varieties grown in the United States with export potential to the Philippines.

Late last year, the Department of Environment and Natural Resources (DENR) introduced a draft National Biosafety Framework (NBF), intended as an interim mechanism for implementing the Cartagena Protocol on Biosafety of the Convention on Biological Diversity (CBD). As the lead on CBD matters, the DENR, was able to secure $175,000 in funding support from the United Nations Environmental Program's Global Environment Facility (UNEP-GEF) for the development of the draft framework.

The draft framework adopts the concept of the precautionary principle in decision-making, particularly in risk assessment and management, similar to the framework of the Cartagena Protocol. Socio-economic, ethical, religious and cultural considerations would be taken into account in biosafety decisions as provided by the draft framework. Under the draft NBF, an environmental impact assessment (EIA) on biotechnology activities, which the DENR has determined as environmentally critical, is required. The DENR intends to issue its own biotech guidelines, making the EIA an integral part of the biosafety decision-making process.

Regional workshops on the draft NBF were conducted and then subjected to an expert and peer review in March 2004 at a national workshop. Currently, the NBF draft is undergoing consolidation by the National Coordinating Committee (NCC) whose output would be a draft Executive Order (EO) establishing the NBF of the Philippines. Local users and producers of biotech products have expressed concern about the draft NBF and its potential impact on biotech plant varieties already approved under DA's risk assessment and commercialization rules per AO8. The draft EO put forward by the NCC will take into account regulations currently in place in the Philippines, such as AO8.

The NBF draft contains provisions that call for the labeling of GM products which remains a contentious issue. A comprehensive study entitled "The Cost Implications of GM Food Labeling in the Philippines" prepared for the Bureau of Food and Drugs (BFAD) by a team headed by a former president of one of the country's largest food manufacturers and distributors, concluded the following:

- Mandatory labeling requires the adoption of a system of product differentiation, in particular identity preservation (IP), from the farm to the factory and finally to the retail level. The IP system runs counter to the principle of economies of scale and results in costs being incurred in each and every step of the entire food supply and distribution system.
- Based on the *Food Manufacturing Model* of this study, it was found that mandatory GM labeling would increase manufacturing costs by 11 to 12 percent.
- The willingness of Filipino food manufacturers to absorb this additional cost will be limited because of its adverse effect on the company's viability. A detailed study of the financial strength of some 70 selected food companies reveals that, in general, their gross margin of profit will not be able to absorb an increase in raw material and manufacturing costs.
- With the additional cost, manufacturers will be compelled to pass the additional cost on to consumers (in terms of higher retail price of the finished food products) and/or farmers (in terms of lower buying price for the commodities used as raw ingredients).

The report stated "There is an imperative need to assess the GM labeling options available to the Philippines – one that carefully considers the 'consumer's right to know' on one hand, and the cost implications of GM labeling to affected sectors on the other." There are about 2,000 corn, soybean and tomato-based food preparations registered with the BFAD that contain bio-engineered ingredients, according to the report.

Plant Variety Protection

No significant change from GAIN RP3017.

Trade

The following trade matrices cover Tariff Heading 12.09 or Seeds, fruits and spores, of a kind used for sowing. It does not include corn (HS 1005.10.00) or rice seeds for sowing (1006.10.10) and cover mainly sugar, forage, herbaceous and other seeds including those for ornamental plants, vegetables, etc.

According to preliminary data from the National Statistics Office (NSO), planting seeds imports in MY02/03 increased 40 percent compared to the previous year's level. Although the DA expected another El Nino weather disturbance, it was very mild and generally favorable weather conditions in most parts of the country prevailed. This encouraged more

planting activity. In terms of value, however, global seed imports declined 32 percent from the $3.84 million in the previous year to $2.60 million in MY02/03. Although trade data from the NSO does not spell out the specific kinds of planting seed traded, vegetable seeds were the dominant planting seed imported in MY02/03. India retained its position as the dominant source of planting seed imports in MY02/03.

Planting seed imports in MY03/04 will dramatically decline from the MY02/03 level as indicated by the import statistics for the July to December 2003 column. Although seed imports are likely to pick up and increase in the second half of MY03/04, renewed weakness of the Peso is expected to dampen any increase in seed imports. The Peso depreciated to its lowest level against the U.S. dollar (P57) in the first quarter of 2004, but NEDA expects the Peso to stabilize at an average P54-P56 against the U.S. dollar in 2004. Some private analysts though, predict a higher annual average rate at P56-P57. Likewise, expected to have a dampening effect on seed imports, is the continued entry of undocumented or smuggled vegetables, the dominant planting seed imported. Likely to be major sources of planting seed imports in MY03/04 are the United States and China.

Import Trade Matrix	(Kgs)				
Country	Philippines				
Commodity	Planting Seeds				
Time period	Jul-Jun	Time period	Jul-Jun		Jul-Dec
	2001/2		2002/03		2003
U.S.	115,581	U.S.	52,827	U.S.	39
India	174,939	India	256,107	New Zealand	35
South Africa	45,012	South Africa	229,366	Indonesia	25
Indonesia	41,532	China	102,153	Japan	25
Hong Kong	39,837	Indonesia	39,799	China	24
Japan	38,322	Hong Kong	32,562	South Africa	23
New Zealand	28,963	Japan	29,158	Hong Kong	21
Thailand	22,476	New Zealand	22,441	India	19
Singapore	20,100	Canada	21,319	Netherlands	13
Korea	16,110	Thailand	10,516	Korea	6
China	14,750	Korea	6,586	Australia	1
Total for Others	442,041		750,007		192
Others not Listed	33,501		26,895		18
Grand Total	591,123		829,729		249

Source: National Statistics Office

In 2003, approximately 300 MT of paddy rice suitable for sowing was imported, up from the 101 MT the year before. There were no rice seeds imported in 2001. India was the origin of the rice seeds imported in both years, according to the NSO. The reported hybrid rice seeds imported last year from China do not appear on NSO trade data and were likely misclassified

as commercial rice. Imports of planting rice seeds are expected to decline in 2004 as local production is expected to increase during the year.

Overall corn planting seed imports, on the other hand, reached 48,000 MT in 2003, up from 39,000 MT in 2002. Imports of corn seed for sowing were 7,000 MT in 2001. NSO data does not segregate hybrid seed from open-pollinated seed or GM corn seed although data from the BPI reveal that last year, around 12,710 MT of Bt corn seed was imported while about 2,365 MT of hybrid corn seed were brought in. About 4,705 MT of open-pollinated corn seeds were also imported in 2003 for a total of 19,780 MT of corn planting seed imports. The discrepancy between NSO and BPI data, like rice seeds, is also likely due to misclassification. Overall corn seed imports are expected to decline in MY03/04 as local production is expected to increase during the year.

Philippine exports of planting seeds in MY02/03, on the other hand, declined 69 percent from the previous year's level. The majority of the planting seeds exported during the year were destined for Malaysia. About 48 percent of the planting seeds exported, according to the NSO were described as "Other seeds, fruits and spores, used for sowing, with authorization of BPI for Agricultural Development." Exports of vegetable seeds, on the other hand, accounted for 46 percent of overall seed exports in MY02/03. Overall planting seed exports during the year were valued at $0.54 million, down from $1.13 million the previous year.

Like seed imports, exports of planting seeds in MY03/04 will decline from the MY02/03 level with the majority bound for Malaysia. The Philippine Maize Federation Inc. (PhilMaize), the largest organization of corn growers in the country, reportedly plans to export 5,000 to 10,000 metric tons of corn to Malaysia in September this year. The exports, according to PhilMaize, aims to address a possible lack of available storage during the September 2004 harvest season.

Export Trade Matrix	(kgs)				
Country	Philippines				
Commodity	Planting Seeds				
Time period	Jul-Jun	Time period	Jul-Jun		Jul-Dec
	2001/2		2002/03		2003
U.S.	800	U.S.	0	U.S.	0
Malaysia	263,720	Malaysia	133,503	Malaysia	70
Singapore	108,040	Sabah	20,000	Thailand	13
China	101,150	Japan	17,114	Netherlands	13
Hong Kong	70,110	Thailand	10,515	Japan	9
Japan	30,597	Germany	10,360	Vietnam	4
Taiwan	21,000	Peru	630		
Belgium	20,000	Hong Kong	475		
Thailand	7,456	Indonesia	234		
Indonesia	1,350	Singapore	25		
India	292	TTP	19		

Total for Others	623,715		192,875		109
Others not Listed	212		8		1
Grand Total	624,727		192,883		110

Source: National Statistics Office