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Working Party on State Trading Enterprises

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STATE TRADING

NEW AND FULL NOTIFICATION PURSUANT TO ARTICLE XVII:4(A) OF THE GATT 1994 AND PARAGRAPH 1 OF THE UNDERSTANDING ON THE INTERPRETATION OF ARTICLE XVII

PHILIPPINES

The following communication, dated 25 November 2020, is being circulated at the request of the delegation of the Philippines.

Pursuant to Article XVII:4(a) of the GATT 1994 and paragraph 1 of the Understanding on the Interpretation of Article XVII of the GATT 1994, and in response to the call for notifications contained in documents [G/STR/N/17](#) and [G/STR/N/18](#), the Philippines makes the following notification for the years 2016-2019.

I. ENUMERATION OF STATE-TRADING ENTERPRISES

A. *Identification of state trading enterprises*

National Food Authority (NFA)

B. *Description of products: The NFA is engaged in the trade of the following commodities:*

1. Rice (H.S. No. 1006.10 and 1006.30);
2. Corn (H.S. No. 1005.90);
3. Other commodities as authorized by the President of the Philippines.

II. REASON AND PURPOSE FOR INTRODUCING AND MAINTAINING STATE-TRADING ENTERPRISES

A. *Reason/Purpose*

As the trading arm of the government, NFA is tasked to ensure the following:

1. Food security – The NFA ensures food security in staple cereals in times and places of emergency, both natural or man-made. Specifically, NFA responds within 48 hours to the requirements of calamity/emergency stricken areas. Also, it should restore or maintain within two weeks the commodities' supply and prices at levels immediately prior to the calamity/emergency.
2. Stabilization – The NFA ensures farmgate price levels that enable farmers to derive reasonable returns on their production investment on the one hand, and ensure reasonable retail prices for consumers on the other.

B. Legal Authority:

1. National Grains Authority (NGA) Act of 1972 (Presidential Decree No. 4), as amended, which created the NFA (then NGA) to promote the integrated growth and development of the grains industry and accorded the exclusive authority on the importation and exportation of rice, corn and other grains.
2. Agricultural Tariffication Act of 1996 (Republic Act No. 8178), which lifted the quantitative import restriction on corn, liberalized corn importation and reiterated the NFA's exclusive authority to import rice while restoring its prerogative to allocate import quotas of rice to local importers in cases of production shortfalls.

III. DESCRIPTION OF THE FUNCTIONING OF THE STATE-TRADING ENTERPRISES*A. Summary statement providing overview of operations of the state trading enterprise*

The NFA's mandates are currently anchored to a direct market intervention strategy that revolves around the maintenance of a year-round 15-day rice buffer stock which is to increase to a 30-day stock level during the lean season of each year. Under this strategy, the NFA is allowed to engage in domestic grain procurement from individual and organized small farmers at government support prices. The strategy banks on the price-pull effect of its marketing operation and is oriented on a support or release price structure that is sustained by subsidy infusion from the government to finance the cost of stabilization. Alternatively, the NFA may undertake rice importation.

B. Specification of exclusive or special rights or privileges enjoyed by the state trading enterprise

The NFA has the exclusive authority to import rice. It also has the authority to issue import quotas and import permits for rice, corn and other cereals.

C. Types of entities other than the state trading enterprise that are allowed to engage in importation/exportation and conditions for participation

The private sector, registered and licensed with the NFA, is given limited participation in the importation of rice (i.e. limited volume and importation of premium, fancy and glutinous varieties only). Those who have availed of this privilege were rice millers and traders.

D. How import /export levels are established by the state trading enterprise

Determination of import quantity is the function of an Inter-Agency Committee on Rice and Corn led by Department of Agriculture (DA), with the NFA as a member. The Committee regularly conducts an evaluation of the country's Rice Supply/Demand Situation and Outlook on a crop year basis. During the evaluation process, the Committee determines the volume/deficit the country will have by the end of the crop year, for approval by the President of the Philippines.

It is also governed by commitments to Annex 5 of the Agricultural Agreement.

Import price is determined through negotiations between the NFA and the source of importation, taking into consideration prevailing world market prices.

E. How export prices are determined

Rice exportation is carried out only in times of surplus or excess supply. The last time that the Philippines exported rice was in 1987 when it shipped out 111,000 MT as partial payment of the country's rice loan with Indonesia. Since then, government, through the NFA has not engaged in exports. In case of private exports, prices are generally based on the world market prices.

F. How the resale prices of imported products are determined

The NFA considers the following parameters in determining the selling price of the rice it imports – procurement, unloading, dispersal, handling and distribution costs, tariff rate and equalization fee.

G. Whether the state trading enterprise is used to fulfill contractual obligations entered into by the government

Negotiations entered into by the NFA depend on who is availing of the imported rice stocks.

H. Brief description of market structure

The private sector is the major player in the grains industry. The NFA intervenes only through set standards, rules and policies. It likewise monitors adherence to the regulations implemented.

During the lean months of July, August and September, the NFA sells directly to end consumers or through its various accredited retailers/outlets at government-set release prices. At the onset of the main crop harvest months, the NFA buys palay at a given support price purposely to give farmers reasonable returns and to pull farm prices up.

IV. STATISTICAL INFORMATION

Please refer to attached Tables I-III.

V. REASON WHY NO FOREIGN TRADE HAS TAKEN PLACE

The NFA did not engage in the export of rice and corn because of the shortage of domestic supply of both products.

TABLE ISTATE TRADING: NATIONAL FOOD AUTHORITY
STATISTICAL INFORMATION, IMPORTS*(In Metric Tons)*

Product/Year	Description of product(s) including HS Number(s)	Total quantity imported	Quantity imported by state trading enterprise	Average import price (P/kg)	Average representative domestic sales price (P/kg)**	National production (Calendar year)
1	2	3	4	5	6	7
Rice*	1006.10 Rice paddy/ 1006.30 Semi-milled or wholly milled rice, whether or not polished or glazed					
2016		681,249.00	597,553.15	20.36	43.80	17,627,245.00
2017		916,528.95	249,900.00	21.09	37.49	19,276,347.00
2018		1,536,061.60	706,848.55	25.02	40.75	19,066,093.00
2019		2,768,196.94	538,099.00	25.02	38.67	18,814,827.00

* Column 3 is in rice terms while column 7 is in palay terms.

** Column 6 represents the average prevailing domestic retail price of commercial rice sold in the local market.

TABLE IISTATE TRADING: NATIONAL FOOD AUTHORITY
STATISTICAL INFORMATION, EXPORTS*(In Metric Tons)*

Product/Year	Description of product(s) including HS Number(s)	Total quantity exported	Quantity exported by state trading enterprise	Average export price (P/kg)	Average representative domestic sales price (P/kg)	National production (Calendar Year)
1	2	3	4	5	6	7
Rice	1006.10 Rice paddy/ 1006.30 Semi-milled or wholly milled rice, whether or not polished or glazed					
2016		None	None	None	None	None
2017		None	None	None	None	None
2018		None	None	None	None	None
2019		None	None	None	None	None

TABLE IIISTATE TRADING: NATIONAL FOOD AUTHORITY
STATISTICAL INFORMATION, DOMESTIC ACTIVITIES*(In Metric Tons)*

Product/Year	Description of product(s) including HS Number(s)	Domestic purchases by state trading enterprise	National production	Domestic sales by state trading enterprise	National consumption
1	2	3	4	5	6
Rice*	1006.10 Rice paddy/ 1006.30 Semi-milled or wholly milled rice, whether or not polished or glazed				
2016		118,257.00	17,627,244.00	1,144,220.00	12,567,000.00
2017		29,441.00	19,276,347.00	692,822.00	13,965,555.29
2018		61,784.00	19,066,093.00	590,379.00	14,209,240.36
2019		732,571.00	18,814,827.00	723,125.00	15,299,017.10

* Columns 5 and 6 are in rice terms while columns 3 and 4 are in palay terms.

TABLE I
STATE TRADING: NATIONAL FOOD AUTHORITY
 STATISTICAL INFORMATION, IMPORTS
(In Metric Tons)

Product/ Year	Description of product (s) including HS number (s)	Total quantity imported	Quantity imported by state trading enterprise	Average import price (P/kg)	Average representative domestic sales price (P/kg)*	National production (Calendar Year)
1	2	3	4	5	6	7
Corn	10.005.90 Maize (corn), other than seed					
2016		None	None	None	White corn (WGN) 23.87 Yellow corn (YGN) 22.57	7,218,817.00
2017		None	None	None	WGN 29.09 YGN 22.49	WGN 2,104,201 YGN 5,810,708
2018		None	None	None	WGN 28.81 YGN 24.52	WGN 2,145,306 YGN 5,626,612
2019		None	None	None	WGN 27.68 YGN 24.95	WGN 2,070,887 YGN 5,907,957

* Column 6 represents the average prevailing domestic retail price of commercial corn sold in the local market.

TABLE II
STATE TRADING: NATIONAL FOOD AUTHORITY
 STATISTICAL INFORMATION, EXPORTS
(In Metric Tons)

Product/ Year	Description of product (s) including HS number (s)	Total quantity exported	Quantity exported by state trading enterprise	Average export price (P/kg)	Average representative domestic sales price (P/kg)	National production (Calendar Year)
1	2	3	4	5	6	7
Corn	10.005.90 Maize (corn), other than seed					
2016		None	None	None	None	None
2017		None	None	None	None	None
2018		None	None	None	None	None
2019		None	None	None	None	None

TABLE III
STATE TRADING: NATIONAL FOOD AUTHORITY
 STATISTICAL INFORMATION, DOMESTIC ACTIVITIES
(In Metric Tons)

Product/ Year	Description of product (s) including HS number (s)	Domestic purchases by state trading enterprise	National production	Domestic sales by state trading enterprise	National consumption*
1	2	3	4	5	6
Corn	10.005.90 Maize (corn), other than seed				
2016		1,488.00	7,218,816.00	388.00	8,030,000
2017		5,980.00	7,914,909.00	284.00	7,820,788.60**
2018		-	7,771,918.00	589.00	9,064,188.28**
2019		-	7,978,844.55	-	8,300,924.00**

* Column 6 is total of seeds, feeds/wastes, processing, and per capita consumption.
 Per capita consumption was based on Selected Statistics on Agriculture 2020, PSA.
 ** Population was based on Mid-Year Population Projections of 2017, 2018, and 2019 – PSA.