

WORLD TRADE ORGANIZATION

RESTRICTED

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Working Party on State Trading Enterprises

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REPLIES TO QUESTIONS POSED BY CANADA¹,
JAPAN² AND THE UNITED STATES³ CONCERNING
THE ARTICLE XVII NOTIFICATION OF THE PHILIPPINES⁴

The following communication, dated 3 July 1996, has been received from the Permanent Mission of the Philippines.

Question from Canada

1. *The National Sugar Refinery Corporation will be solely responsible for the importation of sugar within the access commitment. Could the Philippines describe the other functions of this corporation and their relationship to its role in imports? Should this organization be notified as a state trading enterprise? If not, why not?*

The NASURESCO no longer functions as sole importer of our minimum access commitment for sugar. It may, however facilitate requests from small importers by consolidating their demand to meet economic volumes for imports. It shall have no special privileges and shall be treated like any other importer.

The Philippines will revise its notification on Administration of Minimum Access Quota accordingly (MA: 1) to reflect this information.

Question by Japan

1. *As there is no mention of commitments with respect to export subsidies in Schedule LXXV - Philippines, we understand that the Philippines does not grant export subsidies. The Philippines further states that the export prices of rice and corn are primarily based on world market prices. We would therefore like to know how the export prices are determined of the two products in the case where domestic prices exceed world market prices.*

Like Japan, the Philippines does not have export subsidies on rice and corn or any other agricultural product.

Exportation is based on world market price. In cases where the domestic price is higher than the world price, the Philippines sells domestically. The price is the best indicator of when to sell abroad or domestically. It should also be noted that the Philippines is not a traditional rice and corn exporter. On the contrary it has been a traditional importer.

¹G/STR/W/13, ²G/STR/W/11, ³G/STR/W/10.

⁴G/STR/N/1/PHL.

Questions by the United States

We note that the Philippines did not provide detailed information on Description of the Functioning of the State Trading Enterprises, as requested under part 3 of the 1960 Questionnaire. Could the Philippines elaborate beyond statements such as:

1. *"Private traders are allowed to export and import (except for rice) depending on the supply-demand situation in the country."*

a. *Could the Philippines explain the criteria used by the National Food Authority (NFA) in determining when to allow private trade, the relationship between private traders and the NFA (including for rice), and report if long-term contracts are entered into by the NFA?*

The NFA is the only entity mandated under Presidential Decree No. 4 to export/import rice. Importation is deemed required by NFA when supply shortfalls occur due to natural calamities and/or to avert market distortions due to speculations. Only traders licensed by the NFA can import/export rice.

Under the present set up, NFA-licensed private traders, in the case of rice, market almost all of the rice imported by NFA. In the case of corn, stocks imported by NFA are sold directly to end-users (hog and poultry raisers).

The NFA may but has not entered into any long-term contracts.

b. *Could the Philippines explain the criteria used by the NFA in determining when to import rice?*

The recommendation to import rice/corn is made by an inter-agency Technical Working Group composed of representatives from the Department of Agriculture (DA), Bureau of Agricultural Statistics (BAS), Bureau of Animal Industry (BAI), National Irrigation Administration (NIA), the Philippine Atmospheric Geophysical Astronomical Service Administration and the NFA, using the quarterly production survey results and the rice/corn stocks inventory. The recommendation is then elevated to the DA Secretary and the NFA Council which is chaired by the DA Secretary for decision. Rice importation is traditionally subject to Presidential approval and now to our Annex 5 commitment in the Agriculture Agreement of the Uruguay Round.

Importation of rice and corn is usually resorted to when the production and the stock levels are deemed not sufficient to meet the requirements during the lean months of production (July to September for palay, January to March for corn) and/or when domestic rice prices during the lean months are expected to rise beyond the normal seasonal peaks.

2. *"Sell rice at a price within reach of the general population."*

Could the Philippines explain the criteria used by the NFA in determining prices?

The NFA's buying price for palay is determined using available information on farmers' cost of production, plus a reasonable margin for return to investment. The buying price is also set at a level that will allow NFA to accumulate inventories before buffer stocking.

The NFA release price is determined by adding the cost to NFA of buying the palay, milling it into rice, storing and distribution. The release price is also set at a level such that it allows private traders to derive sufficient margins for their operations.

At the moment, the Government is seriously considering the feasibility of adopting a flexible price band as a tool for determining when and where NFA should buy palay and release price for stabilization purposes. Such a price band would be wide enough to allow sufficient room for private traders to operate viably.

3. *"Handle the stocking of other basic commodities as necessary."*

Could the Philippines provide a list of commodities statutorily eligible and a list of commodities handled in the recent past, other than rice and corn?

The following are the commodities statutorily eligible for stocking by the NFA:

vegetables and fruits
processed meat products
animal feed ingredients
wheat

Please note, however, that since 1986, only rice and corn have been stocked by the NFA in accordance with the Government policy to limit NFA market interventions to these commodities.

4. *"Export prices are primarily based on world market prices."*

a. *Could the Philippines explain how the export price for individual sales and the prices paid to producers are determined, and how these prices relate to domestic prices?*

The Philippines has not exported rice nor corn over the past several years except in 1992 when we repaid in kind a rice loan extended by Indonesia. Nonetheless, private exports if and when undertaken, will depend on exporter's judgement of whether such a venture would provide sufficient returns given their cost and the prevailing world market prices.

The determination of NFA buying prices discussed in item Q.2 above.

b. *How are export prices determined in the case of repayment of government-to-government commodity loans?*

Payment of government to government commodity loans are based on the contracted price of the commodity at the time when the loan was made.

5. *The statistical information provided by the Philippines did not include a breakdown between private trade and NFA trade in rice.*

Could the Philippines provide this information?

Year	Production	NFA Procurement	Share of NFA Procurement
1992	9,123.80	419.63	4.59%
1993	9,434.20	155.10	1.64
1994	10,538.10	60.74	0.58

Production not procured by the NFA goes to private traders.