



Philippine Agricultural Exports At A Glance



February 2012

AG-12-02

Philippine agricultural exports have been an essential driver in the agriculture sector and constantly played a prominent role in the economy by providing foreign exchange earnings and additional economic activities. Its contribution of US\$2,166.91 million FOB¹ value to the national Gross Domestic Product (GDP) in 1980 has significantly grown to US\$4,101.08 million in 2010, growing at an annual average rate of 9.66%. Nonetheless, with the increasing importance of non-traditional manufactured exports and the rapid growth of the service and industrial sectors, the share of agricultural exports to the country's GDP (Table 1) has dramatically slowed down. From a percentage share of 6.03 in 1980, it gradually slipped to 2.05% in 2010.

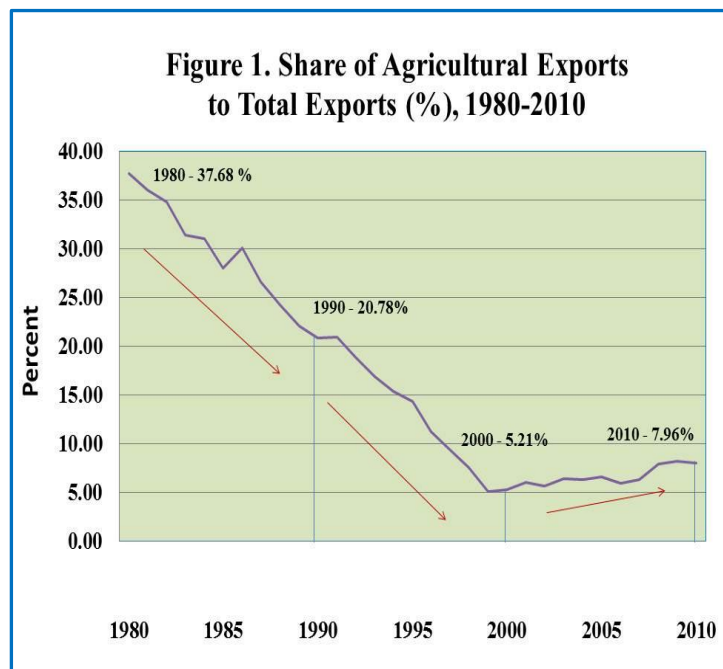
Table 1. Agricultural Exports Value (FOB Value), in Million US\$; Percentage Contribution to GDP, 1980-2010

Year	1980	1985	1990	1995	2000	2005	2010
Value	2,166.91	1,285.97	1,701.13	2,499.06	1,982.73	2,691.19	4,101.08
% share to GDP	6.03	3.78	3.48	2.99	2.45	2.61	2.05

Source of basic data: Bureau of Agricultural Statistics (BAS) and National Statistical Coordination Board (NSCB)

Share of Agricultural Exports to Total Exports

Following the dwindling relative importance of agricultural exports to the National Income, agricultural exports also exhibited a decreasing share to total exports (Figure 1). In the early 1980s, agricultural exports which are composed of processed agricultural products (e.g. coconut oil and pineapple products) and agro-industrial products accounted for one-third of the country's total export value. From its share of 37.68% in 1980, it decelerated to 20.78% in 1990 and to as low as 5.21% in 2000 in view of the increasing non-traditional manufactured exports such as electronics—primarily semiconductors and data processing machines. In 2010, however, the share of the agriculture exports to total exports has slightly increased to 7.96% due to an all-time high increase in agricultural exports value by 30.78%.



Source: BAS

In a study conducted by the Philippine Institute for Development Studies (PIDS) in 2004 on the Philippine-Japan Economic Cooperation in Agriculture, the weakening share of agricultural exports was attributed to the increasing cost of production, which translates to high product prices. Likewise, the market for the country's agricultural products is very narrow with the United States (US) and Japan cornering the bulk of agricultural exports. The country's agricultural exports also have very low value-added, hence, they cannot command relatively higher prices in the world market.

¹ FOB (Free on Board) refers to the value of the goods that are free on board the carrier at the frontier of the exporting country. It includes inland freight, export duty and other expenses. Ocean freight, insurance and consular fee are, however, excluded.

Composition of Agricultural Exports

Philippine agricultural exports are classified into six commodity groups, namely: 1) Food and Live Animals chiefly for Food; 2) Tobacco and Tobacco Manufactures; 3) Crude Materials; 4) Animal and Vegetable Oils; 5) Manufactured Fertilizers; and 6) Agricultural Machinery. For the period 2004-2010, Food and Live Animals which registered an annual average share of 61% constituted the bulk of the exported commodities. It was followed by Animal and Vegetable Oils with 25% while the remaining 14% were accounted for by the other commodity groups.

Top Agricultural Exports and Destinations

Coconut oil and fresh banana remained the country's top agricultural exports with a combined average share of 35.82% from 2004-2010. During the same period, there were 12 export commodities (Table 2) that were identified in the top ten list but only six commodities have been constantly included in the ranking, namely: coconut oil (crude and refined), fresh banana, tuna, pineapple and pineapple products, desiccated coconut, and milk and cream and products.

Table 2. Top Philippine Agricultural Exports Ranking Based on FOB Value, 2004-2010

Commodity	2004	2005	2006	2007	2008	2009	2010
Coconut Oil (crude and refined)	1	1	1	1	1	1	1
Fresh Banana	2	2	2	2	2	2	3
Tuna	3	6	4	4	3	3	2
Pineapple and Pineapple Products	4	3	3	3	4	4	4
Desiccated Coconut	5	4	5	5	5	5	7
Manufactured Tobacco	6	5	6	-	7	6	5
Milk and Cream and Products	7	9	8	6	6	9	8
Seaweeds and Carrageenans	8	10	-	8	8	7	6
Shrimps and Prawns	9	7	7	9	9	-	-
Manufactured Fertilizer	10	8	9	7	-	10	9
Centrifugal Sugar	-	-	10	10	10	-	-
Unmanufactured Tobacco	-	-	-	-	-	8	10

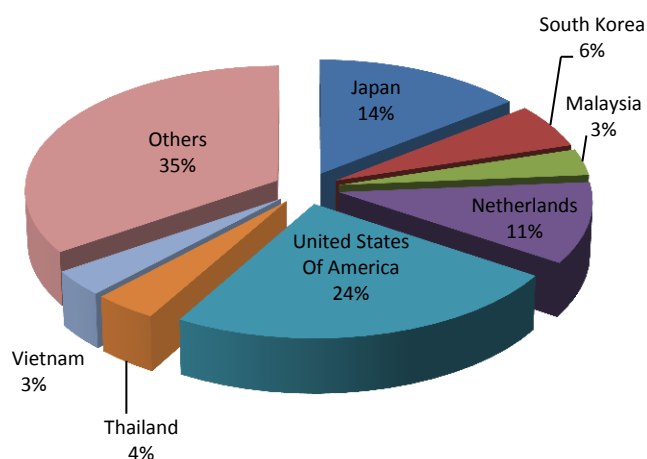
Source of basic data: BAS

Note: A dash (-) in a particular year indicates that the commodity is not included in the top ten.

The period 2004-2010 was selected due to change in commodity classification/grouping according to BAS.

Of the country's 190 agricultural export destinations from 2004-2010 (Figure 2), the US was constantly the biggest trading partner. It received 24% of the total agricultural exports of the country followed by Japan and the Netherlands with distant shares of 14% and 11%, respectively. The US was the major destination of coconut oil (crude and refined), tuna, pineapple and pineapple products, seaweeds and carrageenans, desiccated coconut, and centrifugal sugar. Meanwhile, Japan was the country's biggest export market for fresh banana, shrimps and prawns, and also a major destination for pineapple and pineapple products. Desiccated coconut, seaweeds and carrageenans, and coconut oil were largely exported to the European countries (e.g. Netherlands, Italy, United Kingdom, Germany, Spain and France). Vietnam, on the other hand, has remained the largest destination of manufactured fertilizer, followed mostly by Asian countries—Thailand, India and Indonesia.

Figure 2. Percentage Distribution of Philippine Agricultural Exports Market Destinations, 2004-2010



Source of basic data: BAS

Revisiting Priorities

While it is far beyond reality for agricultural exports to catch up with the current trend of non-traditional manufactured exports, much can still be done to improve production and competitiveness of these commodities in the international market. It is worthwhile to note that the country has revealed comparative advantage in its lead exports such as coconut, banana, pineapple products and mango including sugar, abaca, papaya, tropical fruits (dried), fruits (fresh) and fresh vegetables.

Nevertheless, despite the potential of these commodities to command higher export earnings, the country's share (8.3%) and value of agricultural products to total exports remain to be the lowest among selected Association of Southeast Asian Nations (ASEAN) countries (Habito, 2010). The value of agricultural exports in the Philippines in 2009 is only US\$3.2 billion, which is very small compared to Indonesia, Malaysia and Thailand which had over US\$20 billion each (WTO, 2010).

Table 3. International Trade of Agricultural Products among Selected ASEAN Countries, 2000 and 2009 (in Billion US\$)

Country	Value	% Share	
		2000	2009
Indonesia	25.3	11.9	21.1
Malaysia	20.9	8.2	13.3
Philippines	3.2	5.1	8.3
Thailand	28.0	17.7	18.4
Vietnam	10.7	27.3	18.7

Source: World Trade Organization (WTO)

Public investments in agriculture have also been largely biased towards rice. Of the 2011 budget of the Department of Agriculture for its commodity programs, a whopping 50.82% (PhP19.67 billion) went to the rice sector while high-value commercial crops (HVCC) only received 2.40%. By year 2012, the share of the rice sector further escalated to almost 60%, leaving a distant difference from HVCC with only 2.18%.

While government efforts to ensure rice self-sufficiency is well recognized, it may consider reallocating resources to expand production of other commodities that have comparative advantage such as high-value crops (fruits and vegetables, ornamentals, rubber, oil palm, coffee, coconut, etc.) and fishery products (e.g. seabass, seaweeds, etc.). Comparatively, the net return from vegetable and fruit tree production is higher than the net return from rice production by a range of PhP5,000-PhP100,000 per hectare. On the average, income from rice production is at PhP16,115 per hectare (BAS, 2009).

There are fears though that focusing on high value commodities where the Philippines has comparative advantage may compromise food insecurity by reducing domestic food production. A 2011 PIDS study, however, finds that the expansion of export crop production will not displace cropland and will not have a significant effect on staple crop availability or on prices.

Should the government consider shifting support priorities and align additional resources to agricultural export commodities and high-value commercial crops, technical and financial support should be extended along the lines of: a) research and development extension to enhance farm and fishery productivity such as identification of high-yielding varieties of exportable commodities; b) logistical support to raise distribution efficiency (e.g. farm-to-market roads); and c) governance and institutional support to provide a policy and regulatory environment conducive to efficient production and distribution of agribusiness commodities. It is also imperative for the country to explore advanced technologies necessary for the growth and development of the sector and improve access of farmers to credit. In addition, the country is also suggested to adopt best practices and appropriate agricultural production system undertaken by ASEAN countries with higher comparative advantage and commendable agricultural growth.