



United Broiler Raisers Association

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June 15, 2020 DRAFT

AN OPEN LETTER TO THE HON. WILLIAM D. DAR
Secretary
Department of Agriculture (DA)
(Please proceed to our website at Ubra.com.ph for an easier read)

Sir,

This is a rejoinder to the DA public pronouncements on the matter of our request for the suspension of the importation of poultry meat and poultry products. There was no “miscommunication.” In the past week, you have been addressing a ghost issue. We never said that BAI gave an order to stop production. This is either a wicked spin by DA to muddle the public discourse or you were addressing other parties who have expressed their own sentiments. Our June 5, 2020 letter was very clear:

“After saying there was no need to suspend imports, the BAI then proceeded to recommend to us to self-regulate and limit local production. In the kindest possible terms, this is one of the most bizarre thinking that ever emanated from the DA. The incongruence is glaring. At a time when the Secretary of Agriculture, together with key economic managers, are encouraging local production the BAI is telling a key industry to limit production so as to make space for imports.”

This is also clear in the video recording of the May 28, 2020 meeting hosted by the Philippine Council on Agriculture and Fisheries (PCAF), the PCAF synthesis, and the DA’s very own public statements. Other associations, personalities, and the media may have had a different take on the issue. However, UBRA holds itself accountable only for the contents of its letter.

We do not know how DA understands its recommendation to us that in the MEDIUM TERM (not only to cope with the present crisis) that there should be “industry regulation on the level of production by each region or enterprise to prevent oversupply.” As chicken farmers, we understand this to mean as limiting our production to give way to imports as you feel helpless to stop it. If there are other more sophisticated ways of understanding the recommendation, then please forgive our feeble command of the English language. Do enlighten us.

Beyond the semantics, however, Senate President Pro Tempore Ralph Recto, in a statement published by ABS CBN News on June 10, 2020, puts essential substance into the matter at hand:

“All of the three projections point to a surplus. If such is the case, why encourage imports? Kung 136 percent hanggang 183 percent ang chicken sufficiency forecast, bakit mag-aangkat pa? Recto said.

He added, “And why should an agency whose sole mandate is to boost food production advise Filipino chicken raisers to scale down their output to give market space for dressed chicken coming from abroad?”

The two questions of Senator Recto crystallize the plight of the broiler industry in particular and Philippine Agriculture in general. The pervading mindset at the DA is that it is helpless in the face of our WTO free trade commitments. It has become the perpetual excuse to do nothing and just leave farmers and producers to be slaughtered by commodities from countries with heavily subsidized agricultural systems.

This was discussed extensively by Atty. Inciong during your joint appearance with him in the *Inquirer.net* webinar *Agri In Focus: Agriculture Food Chain and Food Supply* last June 10, 2020. Philippine agriculture has failed to flourish because the government has turned a blind eye to the subsidies and non-tariff barriers of developed countries. The United States has had several Farm Bills to support both producers and consumers. It is one of the reasons the Doha Development Round of the WTO failed.

In 2000, the late Senator Angara, then DA Secretary, suspended chicken importation at the request of a newly organized UBRA when the industry was at the brink of collapse and had suffered enormous losses because of unfair competition from imports and smuggling. This was at the height of the ideological power of free trade as embodied by the WTO. An importer took him to court but the case did not prosper. This is the reason why our members still vote for Senator Angara, the son, even though some of us are not always in agreement with him. We remember his late father.

Such actions anchored on the fundamental interests of the farmers and producers, along with full government budgetary and credit support, have enabled our peers in ASEAN to have successful agricultural sectors. Unfortunately for the Philippine broiler industry, after Senator Angara’s very brief tenure as Secretary, the importation agenda again dominated the policy landscape such that the membership of the Philippine Association of Broiler Integrators was decimated. San Miguel and Bounty are the two remaining members. We do not know if they even talk to each other.

Purefoods, RFM-Swift, General Milling, and Robina are no longer into broilers. Vitarich is back after suffering the ravages of importation and is now our member. *This is the reason why we cannot accept the reasoning of DA especially BAI that imports are not threat much less a cause of the sufferings of the industry. UBRA was born out of the struggle to survive such wrongheaded thinking.*

Our letter dated June 5, 2020 listed anew our suggested reforms to have a fairer trading system which will enable us to have a competitive broiler industry. These reforms are already concessions or adjustments to the dominance of importation in the policy agenda since we acceded to the WTO in 1995. Most of these reforms are applicable as well to other commodities in Philippine agriculture. *The reason we narrated what happened during the May 28, 2020 meeting in PCAF was to underscore the need for these reforms.* There is a mindset problem in the DA. The WTO commitments have become an excuse to feign helplessness and, worse, to push for the agenda of the importers.

This attitude is scandalous in its particular unfairness towards the broiler industry. Why is it that DA can announce that it will time the entry of imports so that it will not coincide with the harvest of onions and rice? Why can't the same thing be done for chicken in times of oversupply? Perhaps, the importers of onions and rice importers should protest for being treated by DA as children of a lesser god.

DA trumpets in da.gov.ph that the "Drop in poultry imports bodes well for local industry." This has reference to the import arrivals from January-May 2020 that "the volume of poultry meat imports declined by 23 percent (23%), from 43,000 metric tons (MT) in January 2020 to 33,000 MT in May 2020. This is understandable given the difficulty in the movement of goods caused by COVID 19. However, please be aware of the following based on data from the Bureau of Animal Industry:

2019	M1	M2	M3	M4	M5	M1-M5
Beef	13,096,716	9,660,186	11,989,272	10,077,503	15,921,676	60,745,353
Buffalo	3,117,380	3,080,367	2,994,352	3,948,740	3,194,592	16,335,431
Chicken	30,287,875	23,115,683	27,729,557	17,694,731	19,789,018	118,616,864
Lamb	37,318	38,742	109,496	48,024	56,031	289,611
Pork	30,228,927	25,174,419	33,231,632	27,547,795	30,141,887	146,324,660
Grand Total	76,768,216	61,069,397	76,054,309	59,316,793	69,103,204	342,311,919

2020	M1	M2	M3	M4	M5	M1-M5	% Change
Beef	8,735,568	11,538,412	12,421,064	14,956,155	19,313,882	66,965,080	10.24
Buffalo	2,575,728	3,727,000	3,389,000	2,101,000	1,120,000	12,912,728	-20.95
Chicken	42,645,749	39,034,719	32,156,070	30,944,021	33,553,622	178,334,181	50.34
Lamb	55,398	188,000	64,400	153,260	382,000	843,058	191.10
Pork	17,823,207	12,886,103	13,333,973	18,615,708	24,860,569	87,519,559	-40.19
Duck	893	5,000	32,740	27,398		66,031	
Turkey	78,000	161,000	142,600	124,668	108,000	614,268	
Grand Total	71,914,543	67,540,234	61,539,847	66,922,210	79,338,073	347,254,905	1.44

Table 1. Comparative Summary of Meat Imports from January to May year 2019 and 2020

Chicken Cuts	M1	M2	M3	M4	M5	M1-M5	% Change
2019	2,026,082	2,571,626	1,946,804	1,258,743	1,732,869	9,536,124	
2020	4,470,796	4,482,551	4,945,702	4,768,159	4,274,126	22,941,333	140.57

Chicken Leg Quarters	M1	M2	M3	M4	M5	M1-M5	
2019	11,745,445	7,663,606	6,235,951	2,353,156	2,952,530	30,950,688	

2020	12,146,396	13,955,262	7,944,986	4,351,968	5,047,101	43,445,712	40.37
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MDM	M1	M2	M3	M4	M5	M1-M5	
2019	15,979,903	12,318,764	18,620,937	13,517,252	14,232,813	74,669,669	
2020	24,948,143	19,920,938	18,567,032	21,415,895	23,576,896	108,428,904	45.21

Fats	M1	M2	M3	M4	M5	M1-M5	
2019	264,600	291,620	439,800	397,600	319,800	1,713,420	
2020	427,680	81,030	275,550	270,000	459,000	1,513,260	-11.68

Offals	M1	M2	M3	M4	M5	M1-M5	
2019	55,500	190,667	297,884	94,153	159,846	798,050	
2020	293,162	284,000	200,000	138,000	146,000	1,061,162	32.97

Rind/Skin	M1	M2	M3	M4	M5	M1-M5	
2019	171,950	79,400	163,710	27,000	391,160	833,220	
2020	183,604	81,500	82,800		50,500	398,404	-52.19

Whole Chicken	M1	M2	M3	M4	M5	M1-M5	
2019	44,395		24,471	46,827		115,693	
2020	175,968	229,438	140,000			545,406	371.43

Table 2. Comparative Summary of Chicken Meat Imports from January to May year 2019 and 2020

The above data show that total chicken importation for the first five months of 2020 increased by 50.344% over the same period last year. The non-MDM importations like chicken cuts, leg quarters and, surprisingly for the first time, whole chicken, increased by a range of 32% to 371%. The MDM, on the other hand, increased by 45%.

Below is the data for chicken from 2016 up to the first five months of 2020:

	2016	2017	2018	2019	2020 m1-m5
Chicken cuts	7,275,834	6,880,631	18,114,290	29,744,823	22,941,333
CLQ	55,684,515	44,834,405	73,524,094	80,550,999	43,445,712
deboned	168,686,860	189,027,071	192,944,065	219,061,866	108,428,904
fats	1,237,489	1,838,603	1,689,021	4,621,316	1,513,260

offals	1,392,497	1,240,748	480,790	2,076,987	1,061,162
Rind/skin	465,571	282,961	1,433,191	4,030,704	398,404
whole chicken	-	-	17,365	245,616	545,406
grand totals	234,742,766	244,104,419	288,202,816	340,332,311	178,334,181

Table 3. Summary of Chicken Meat Imports from 2016 to May of 2020

There has been a significant increasing trend in both the total imports and the key composite items in the last five years. The term “deboned” refers to MDM. We will just post links in our website (ubra.com.ph) as to its process, appearance, and why it is controversial in the United States. Suffice it to say that is a paste-like substance used as an extender by meat processors. It is sometimes referred to in America as white slime according to Wikipedia.

The BAI attempts to minimize the threat of imports by saying that 70% is MDM, fats, offals, and rind/skin used by industrial processors. The Senate Committee on Agriculture, chaired by Senator Cynthia Villar, who supported our request for suspension of imports in a letter dated May 17, 2020, in her investigations into agricultural smuggling, received evidence presented by the Samahan ng Industriya sa Agrikultura that MDM was a conduit for technical smuggling.

Its low tariff of 5% was obtained by processors as a concession in the WTO to extend the Quantitative Restriction for Rice. Non-MDM items with tariffs of 40% were smuggled as were declared as MDM. The committee also found that there was no assurance that MDM was being used properly. The Food and Drug Administration said that the inclusion rate should only be 20%. The National Meat Inspection Service stated that it was alright to use 40%. The processors answered that they were using it up to 80%.

It is also not true that MDM is not available locally. A major company already has operating facilities to supply part of their requirements as quality of the product will be assured. This is something that should be supported by the government to lessen dependence on imports and increase the utilization of local chicken as a source of processed protein. Unfortunately, the importation agenda and mindset prevented such a development.

Importers often take the posture that they are the champions of the consumers. They have the habit of cherry-picking high retail prices through the years to prove that they are necessary and indispensable. Look at what will happen to the consumers without us? They are blatantly silent on the very low farmgate prices which they cause that damage stakeholders throughout the value chain. From corn farmers to the wet markets. The DA and the Department of Trade and Industry know very well the disconnect between farmgate and retail prices. In fact, importers are happier if wholesale and retail prices are high because they will have more margins to pocket.

More importantly, they are often the cause of high retail prices because after inflicting serious damage with a flood of imports producers are compelled to reduced or stop operations thereby

causing a tightness or shortage in supply. This is what happened in the 2003 after the Great Glut of 2002. Aside from the financial damage, imports have been the source of diseases which have decimated livelihoods in the across the countryside. African Swine Fever is not a homegrown disease but an imported one. It is a major failure of BAI. The entry of prohibited poultry and pork products from China was interdicted by the City of Manila led by Mayor Isko Moreno and not by BAI. These all happened because of the absence of quarantine facilities at the customs border. Stakeholders have lobbied long for its construction not BAI.

The issues we have raised are about fundamental policies and mindset. It goes beyond the poultry sector. It is probably the reason why the Department of Agriculture is not a priority in the national budget. The absence of plans and what the Jesuits call *modo de proceder*, a way of proceeding or doing things that engender confidence in the system is the cause why we have been left behind by our peers in the region. We are not saying that we have to leave the WTO. Other countries have managed to develop under its rules. Its just that the mindset and priorities of their agricultural authorities are not as screwed up as ours.

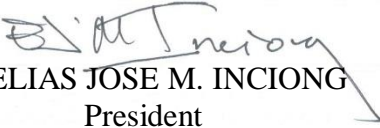
During the lockdown prices went down to as low as PhP30.00 per kilo farmgate in some places. When we wrote our request on May 8, 2020 cold storage utilization was almost at 100% with 500 more containers plugged-in outside just waiting for space inside. We were concerned that in the event of another lockdown there will be no space for the surplus unlike in March.

It took DA three weeks to respond. We do not know if that is a measure of the level of concern of your agencies. On May 28, 2020, the meeting in question took place. It is disheartening that even in the gravest of crisis the natural reflex of the DA, especially BAI, is to safeguard the interests of importers. It has resorted to all sorts contortions to accommodate them.

It is our impression that the narrative of the importers and the characters who support their cause within the DA and who are responsible for the current state of Philippine Agriculture has captured your mind and sympathies. If that impression is accurate, then we leave you to their loving embrace.

We will no longer waste your time nor ours.

Very truly yours,


ELIAS JOSE M. INCIONG
President


GREGORIO A. SAN DIEGO
Chairman