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DOF Economic Bulletin on International and Domestic Pork Prices

Meat price inflation topped 16.8% in 2021, the highest annual price increase of any major food item since 2012 (**Table 1**). For perspective, the highest price inflation of rice, another trade regulated commodity, was 11.0%, back in 2011.

Table 1 Selected Statistics on Food Inflation (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
All Items	3.1	2.6	3.6	0.7	1.3	2.9	5.2	2.5	2.6	4.5
Food	2.4	2.6	6.1	1.8	1.7	3.2	6.6	1.8	2.8	5.5
Rice	0.9	3.6	11.0	0.3	(0.5)	1.0	5.7	(3.0)	(2.6)	-
Meat	1.4	2.1	4.5	1.2	1.3	4.4	6.2	3.5	4.4	16.8
Fish	6.6	2.0	3.2	3.7	0.5	7.5	12.0	4.2	6.1	7.6
Vege										
tables	0.4	2.3	7.2	3.6	11.2	4.4	10.5	3.9	6.5	5.5

Source: PSA

Across the Pacific, meat also continues to fuel an elevated inflation. US pork CPI increased by an average 8% for the first eleven months of 2021. The White House blames the lack of competition for the high meat price inflation. It estimates that four large conglomerates control 55-85% of the meat supply chains.[1] With this industrial structure, the bargaining power over pricing is stacked against farmers and ranchers and, ultimately, consumers. In July last year, President Biden signed a sweeping executive order[2] to promote more competition in the US economy. Among others, such order mandates the US Department of Agriculture to end what the White House calls “abusive practices of some meat processors.”[3] In the first week of January of the new year, President Biden unveiled a \$1 billion package to support independent meatpackers and lower barriers to entry in the meatpacking industry.[4]

At home, as elsewhere, the effects of the African Swine Fever (ASF) still linger. The DA confirmed the outbreak of ASF in the country in the middle of 2019 but it was in 2021 that the country felt more fully the debilitating effects of the hog infection. Hog production slumped by as much as 23.4% in the first nine months of 2021 as compared to the 4.2% decline in the same period the prior year (**Table 2**).

Table 2 Hog Production and Inventory

	Level			% Change	
	2019	2020	2021	2020	2021
Hog Production, Jan-Sep, ('000 MT)	1,699	1,628	1,246	(4.2)	(23.4)
Hog Inventory, end-Sep, ('000 heads)	13,011	11,269	9,866	(13.4)	(12.4)

Source of Basic Data: PSA

The drastic drop in domestic hog supply immediately translated into higher prices of swine and, subsequently, pork. For the first 10 months of 2021, backyard hog farmgate prices averaged PHP155.6/Kg, up by 38.9% from the 2020 average of PHP112.0/Kg.

The government decided that imported pork make up for the shortfall in domestic hog supply. To this end, the minimum access volume (MAV) for pork imports for 2021 was raised from 54,210 MT to 254,210 MT by virtue of executive order 133, s. 2021. Additional red tape by meat inspectors, however, undermined the objective of the EO and the spirit of AO 13, s. 2018 (Removing Non-Tariff Barriers and Streamlining of Administrative Procedures on the Importation of Agricultural Products).

It did not help that global meat prices similarly increased. In 2021, the global meat price index (which the FAO estimates based on 35 average export values of bovine, poultry, and ovine meat[5]) rose by 12.7%, reversing its 4.5% decline in 2020 (**Figure 1**).

The latest report issued by NEDA on domestic pork prices (Report on the Weekly Prices of Pork and Rice for Week 4 of December 2021) confirms that pork prices continue to rise. It shows that “The average retail price of fresh pork pigue/kasim increased by 1.9 percent, from PhP322.00 per kg in the third week to PhP328.00 per kg in the fourth week of December. On the other hand, frozen pork belly rose again to PhP280.00 per kg after being constant at PhP270.00 per kg since the fourth week of November 2021.”

It still remains to be seen whether the downward trend in global swine prices be sustained through 2022 and translated into lower export prices. Per IMF data, hog prices peaked to 116.2 cents/lbs. in June of 2021 and has dropped by more than a third to settle at 73.8 cents/lbs. by November (**Table 3**). The global meat price index, meanwhile, per FAO data, peaked to 114.1 in July and has only marginally declined by 2.5% to 111.3 in December.

The country would definitely need to continue importing pork products to meet demand and immediately compensate for the shortfall in domestic supply as it will take some time to recover decimated hog populations. For perspective, the seasonal peak in pre-ASF hog headcount was 13.1 million in the third quarter of 2018; hog inventory fell to less than 9.9 million as of the end of the third quarter in 2021 (**Table 2**).

Table 3 Global Prices of Swine and Meat

	Annual		2021 Monthly												
	2019	2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave
Swine, US cents/lbs	64.8	58.4	64.0	72.8	88.9	102.2	109.6	116.2	109.5	106.3	93.0	84.8	73.8		92.8
Meat Price Index, 2016=100	100.0	95.5	96.0	97.8	100.8	104.3	107.4	110.7	114.1	113.4	112.7	112.0	111.4	111.3	107.7

Source: IMF, FAO

DOF View

The 16.8% meat price inflation last year accounted for 1.1 percentage points to the 4.4% overall inflation. Had meat price inflation been half as high, the upper level of the 2-4% inflation target range would not have been breached. Moving forward, just as the central bank would have to explain to the President why inflation overshot the target, perhaps it would do good if the DA-NMIS also affirm to the President its commitment to the spirit of AO 13, s. 2018. To stem the continuing pork price spiral, interventions include:

- (1) extending the validity of EO 133 until December 2022 as proposed by NEDA;
- (2) reversing the low utilization of MAV Plus (only at 46.4% as of end-2021 according to NEDA); and
- (3) ensuring the regular release of pork stocks in cold storages and the continuous replenishment of unloaded stocks from either local supply or imports.

[1] <https://www.whitehouse.gov/briefing-room/blog/2021/09/08/addressing-concentration-in-the-meat-processing-industry-to-lower-food-prices-for-american-families/>

[2] <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/07/09/executive-order-on-promoting-competition-in-the-american-economy/>

[3] <https://www.reuters.com/business/bidens-executive-order-promote-competition-us-economy-includes-over-70-2021-07-09/>

[4] <https://www.cnbc.com/2022/01/03/inflation-biden-aims-to-help-small-meatpackers-as-prices-soar.html>

[5] <https://www.fao.org/worldfoodsituation/foodpricesindex/en/>

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