



Republic of the Philippines
SENATE
Pasay City

RE : HIGHLIGHTS OF THE CONSULTATION/UPDATE ON PRICE, DEMAND AND SUPPLY OF PRIME COMMODITIES HELD ON TUESDAY, 28 SEPTEMBER 2004 AT 9:30 A.M., SEN. LAUREL ROOM, PHILIPPINE SENATE

I. PRELIMINARY

At 9:44 a.m., **Senator M A R Roxas**, Chairman of the Committees on Trade and Commerce and Economic Affairs commenced the meeting at 9:44 a.m. to discuss the movement of prices of basic commodities.

With Senators Flavier, Enrile and Biazon providing the quorum, the Chair then acknowledged the presence of the following resource persons:

RESOURCE PERSONS	DESIGNATION/AGENCY/SECTOR REPRESENTED
1. Undersecretary Cesar Drilon	Department of Agriculture (DA)
2. Assistant Secretary Sigfredo Serrano	
3. Director Romeo Recide	
4. Atty. J. Norman Hocson	Bureau of Agricultural Statistics, DA
5. Mr. Jaime Lasaro Olmos	
6. Ms. Fe Bulao	
7. Ms. Zenaida Monsada	Assistant Secretary, Department of Trade and Industry (DTI)
8. Mr. Manuel Victuelles	Assistant Director, Bureau of Trade Regulation and Consumer Protection, DTI
9. Mr. Isidro Manikis	Division Chief, Supply Chain Management Division, DTI
6. Atty. Arturo Lique	Director, Department of Energy (DOE)
7. Ms. Ma. Elene Bautista	Chief, Local Administrative Division, Department of the Interior and Local Government
8. Ms. Rosie Sta. Ana	Legislative Liaison Specialist, Department of Justice (DOJ)
9. Ms. Carmen Reyes	Deputy Administrator, Philippine Coconut Authority
10. Ms. Myrna Reburiano	Assistant Secretary, Land Transportation Franchising and Regulatory Board (LTFRB)
11. Atty. Federico Ples	Chief, Economic Indices Division, National Statistics Office
12. Mr. Steven Cua	Assistant Administrator, Sugar Regulatory Administration
13. Ms. May Gonzales	Director, National Food Authority
14. Mr. Jesus Arranza	Secretary General, Philippine Association of Supermarkets
15. Mr. Meneleo Carlos	President, Philippine Amalgamated Supermarkets Assoc.
16. Atty. Darlene Lim	Chairman, National Market Vendors Confederation of Cooperatives
17. Mr. Raul Concepcion	President, Federation of Philippine Industries (FPI)
18. Mr. Moises Talladen	Chairman, FPI
19. Mr. Albert Lim	Public Affairs Manager, Procter and Gamble, Philippines
	Chairman, Consumer and Oil Price Watch
	Secretary General, Nationwide Association of Consumers, Inc.
	President, National Federation of Hog Farmers, Inc.

20. Mr. Jess Cham	President, Meat Importers and Traders Association
21. Mr. Lucito Chavez	Vice President for Luzon, Philippine Federation of Bakers Association, Inc. (PFBAI)
22. Mr. Henry Ah	PFBAI

II. JOURNAL OF THE MEETING

1. DOE Director Monsada manifested the following: *a)* as of September 27, 2004— price of Dubai oil in the international market rose to \$36 per barrel while unleaded gasoline increased to \$51 per barrel and diesel reached an all-time high of \$57 per barrel; *b)* price of gasoline is on a downward trend while the price of diesel shows an upward trend; *c)* price of diesel behaved differently from gasoline because China, which used to export diesel, is now a net importer; *d)* for the winter season, prices of diesel and other heavier components, LPG will be on an upward trend; and *e)* the Department concurs with the recent price movement since it is reflective of the international price movement and the earlier projections made by the Consumer Oil and Price Watch.
2. Senator Enrile wanted to know whether or not there is competition among the suppliers of petroleum products, both in the international sources and those serving the domestic market. He said that it would be insignificant to talk of oil prices if pricing is an artificial product of conspiracy and agreement among oil companies and producers.
3. LTFRB Assistant Secretary Bautista reported the following: *a)* effective second half of October, the flagdown rate for taxis will be increased by P5 for the first 500 meters; *b)* there is a pending request/petition from taxi operators to authorize them to charge passengers an additional P30 for every additional stopover; *c)* aircon bus operators agreed to file an amended petition wherein the earlier request of P9 for the first 5 kilometers will be decreased to P7.50 while maintaining the P1.50 rate for every succeeding kilometer.
4. Director Romeo Recide of the Department of Agriculture mentioned the following in his presentation: *a)* DA monitors a long list of commodities from representative wet markets in Metro Manila; *b)* out of the present inventory totaling to 1.4 million metric tons of rice for 50 days, the commercial sector has 302,000 metric tons while the household sector and NFA have 655,000 and 401,000 metric tons, respectively; *b)* prices of sugar had been very stable and the price of brown sugar is actually P1 lower than last year; *c)* cooking oil prices increased from P11 last year to around P20 last June 2004; *d)* price of pork liempo is around P130 to P140 which is higher than last year's P110; *e)* DA has the mechanism to monitor prices from the farm down to the wholesale and retail levels; *f)* prices of poultry remain at P95 to P100 per kilo, which is a substantial decline from the previous months when it was about P130 to P140 per kilo; and *g)* prices of fish (bangus and tilapia) and fruits remain stable.
5. According to Mr. Albert Lim of the National Federation of Hog Farmers, hog raisers are losing money since their farm gate prices have remained at 2003 level, which is about P70 to P75 per kilo, and yet the “palengke” price remains

at P130 per kilo. He noted that the prices of pork go up during the months of December, thus its retail price could increase to about P150 per kilo. He also mentioned that there might be a problem with supply within three months considering that many of the farms are depopulating.

6. As to the reported pork production holiday, DA Undersecretary Cesar Drilon confirmed that there were indeed hog raisers in South Cotabato who threatened to withhold pork in the market as a sign of protest. He assured however that there is enough volume for consumption in the country.
7. SRA Assistant Administrator Carmen Reyes informed the Body that: *a)* the milling season for sugar started last September 1, 2004; *b)* an increase of 16% in total production compared to last crop year; *c)* as of September 2004, there is a total supply of 206,000 metric tons of sugar which is good for a three-month consumption;

Undersecretary Drilon added that prices of sugar remain sticky despite good production (2.3 million metric tons). While self-sufficiency in sugar production has been achieved, he pointed out that the surplus of 200,000 metric tons is not that large to cause any significant decrease in the prices of sugar.

8. At this juncture, Senator Biazon stressed that there is need for the Agriculture Department to determine the extent of smuggling of food items. The Chairman thus pointed out that *a)* the Joint Committees will vigorously pursue the issue of smuggling; and *b)* President Arroyo has already acceded to the recommendations made by a number of Senators to consider the reactivation of the National Anti-Smuggling Task Force.
9. Mr. Lucito Chavez of the Philippine Federation of Bakers Association Inc. raised the following issues: *a)* the price of flour has increased from P495 in October 2003 to P625 as of end of September this year; *b)* prices of all other ingredients such as sugar, lard, margarine have likewise increased; *c)* price difference is about P5 to P10 for the different brands of flour; *d)* while price of flour has increased by 30%, the price of *pandesal* has only increased by 15%; *e)* a 25 gram *pandesal* costs P1 but due to increase in production outputs, bakers have to produce at least 30 grams at the price of P2 each; *f)* due to price increases, many of the bakeries are losing money and have opted to close down; *g)* bakers admitted their lack of knowledge in *pandesal* making technology.
10. Mr. Jesus Arranza of the Federation of Philippine Industries noted that flour millers in the past directly imported flour resulting in an upward uniform pricing until the NFA stepped in and began importing wheat a decade ago for distribution to flour millers. He surmised that a large volume of wheat enters the country declared for milling but actually goes to animal feeds. He informed the Body that tariffs are low if wheat is declared for milling rather than for animal feeds.

11. DTI Assistant Secretary Norman Hocson mentioned that Undersecretary Adrian Cristobal will convene a meeting between bakers and flour millers on September 29 to agree on ways to source flour. He also said that bakers earlier indicated that there are special blends available for the production of *pandesal* to keep price at affordable range but said blends are unknown to them.
12. Mr. Jess Cham of the Meat Importers and Traders Association noted that the population's consumption pattern has changed such that the demand for *pandesal* has decreased and instead shifted to instant noodles. Further, he observed the following: a) there is a big surplus of poultry around Metro Manila such that integrators try to keep its prices up by freezing, packing and storing resulting to an acute shortage of storage place; b) cold storage charges go up because of the increase in price of fuel and electricity; c) prices of pork is at an all-time high even in the world market such that importations would be very unlikely to augment the supply in the local market; d) there is a shortage of imported beef at the moment; and e) local supply of pork and poultry is quite unstable and the importation window is fast closing and becoming difficult to implement.
13. The Chair then stressed that it would be necessary for the DA and the DTI to come up with a position whether or not the domestic supply is adequate to avoid a repeat of the chicken shortage experienced in December last year. He said that the two departments should arrive at a conclusion in the next several weeks since the window for introducing additional supply to counter possible shortages is fast closing.
14. Atty. Federico Ples, Secretary General of the Philippine Association of Supermarkets noted the following: a) the price of chicken has gone down to as low as P80 per kilo; b) prices of vegetables have normalized; c) increase in prices of tins resulted to an increase in prices of canned goods like sardines; and d) during hard times, beauty products and cosmetics remain the highest selling products.
15. According to Mr. Raul Concepcion of the Consumer and Oil Price Watch, the group conducts low profile meetings with plastic manufacturers and in case of tin plates and steel products, there is a move to increase tariff during Congress break. On the same matter, Mr. Arranza added that the industry previously wrote a letter to President Arroyo and Secretary Purisima recommending the downstream industry to buy products from the upstream industry to solve the steel problem.

The Chair made assurances that he will bring the concerns of the industry to the attention of President Arroyo and Secretary Purisima.

16. The other resource persons highlighted their presentation as follows:
 - a) Mr. Steven Cua, Philippine Amalgamated Supermarkets Association- prices of soy sauce, biscuits, noodles and canned goods have increased while noting that consumers have options to buy cheaper items since not all brands for each category have increased;

- b) Atty. Darlene Lim, Procter and Gamble- prices have remained stable and that their business will most likely be affected by movement in foreign exchange and not by movement in oil prices;
- c) Ms. May Gonzales, NAMVESCCO sought assurance that there would be sufficient daily supply of chicken and pork in the public markets since market vendors do not have storage facilities unlike supermarkets;
- d) Mr. Moises Talladen, National Association of Consumers, Inc. for the government to prioritize 1) the establishment of post-harvest facilities for corn farmers; and 2) passage of a competition law or a fair trade law;
- e) Mr. Manuel Victuelles, Department of the Interior and Local Government- the Department has issued a memorandum circular, addressed to local government units, with respect to price monitoring and the activation of the Local Price Coordinating Councils.

III. DOCUMENTS FOR SUBMISSION TO THE JOINT COMMITTEES

Member-Senators	FOR FOLLOW-UP
Sen. Roxas	<ol style="list-style-type: none"> 1. DOE - to provide a forecasting of oil prices in the coming Winter season based on price movement in the last three years; 2. LTFRB- a histogram of the movement in fares per mode of transportation; 3. DA/DTI- to review prices of pork and chicken from farm gate down to the market and determine why prices remain sticky considering that farm gate prices have gone down; 4. DA- to provide the joint Committees with a listing of approved importation permits from last year to date, including steps undertaken to ensure that importation permits are not tampered or re-used for other purposes; 5. SRA- to provide a paper showing what portion of the total sugar production is actually being made available to the market; 6. NFA- to provide a historical data on wheat importation, including methodology, costs etc.; 7. Flour Millers Association/ major producers of noodles- to provide the Committees with data on their production volumes (with 2003 as sample year); 8. Philippine Federation of Bakers Association Inc.- report on the number of its membership including a demographic profile of association members; 9. Procter and Gamble- per product line, to provide information on the

	percentage manufactured for domestic use as well as for export; and 10. DOJ- to review pending bills relating to anti-monopoly or anti-fair trade laws, and submit specific recommendations.
Sen. Enrile	1. Average price per product on per quarter or per semester basis, to determine whether there is indeed competition among oil players; and 2. DA/NFA- calculations on the price of rice (from farm gate to millers to wholesalers to retailers to consumers) including their margins.

ADJOURNMENT

The Chair adjourned the meeting at 12.30 p.m.