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Report Highlights:

Final SRA sugar production estimates for last crop year reached 2.5 MMT despite earlier reports of unfavorable weather. Sugar production is projected to fall to 2.2 MMT in CY 2008/09. Domestic sugar consumption also declined to 1.9 MMT last year and will likely remain at the same level this year as a result of weak demand from the food manufacturing sector and consumers. The Philippines government will formally request the AFTA Council to move sugar to the highly sensitive list, in order to allow for a temporary halt in tariff reductions.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Manila [RP1]
[RP]

Executive Summary

Final SRA sugar production estimates for last crop year reached 2.5 MMT despite earlier reports of unfavorable weather. Sugar production is projected to fall to 2.2 MMT in CY 2008/09. Domestic sugar consumption also declined to 1.9 MMT last year and will likely remain at the same level this year as a result of weak demand from the food manufacturing sector and consumers. The Philippines government will formally request the AFTA Council to move sugar to the highly sensitive list, in order to allow for a temporary halt in tariff reductions.

Production

According to the Philippine Sugar Regulatory Administration (SRA), Philippine raw sugar production reached 2.455 million metric tons (MMT) in FY2007/08, significantly higher than the original SRA estimate of 2.275 MMT, or about 10 percent higher than the previous crop year. According to the Bureau of Agricultural Statistics (BAS), total area devoted to sugarcane production in CY 2007/08 was 392,647 hectares.

However, raw sugar production is projected decline slightly in CY 2008/09 to about 2.20 MMT in CY 2008/09 from a high of 2.455 MMT in the previous year, mostly due to reduced fertilizer use brought about by increasing fertilizer prices and despite some projected expansion in new sugarcane areas to supply feedstock for the new ethanol plants that are expected to begin their operations starting in 2009. In January 2007, the Philippines passed the Bio-fuels Act, which mandates the use of 5-10 blend of ethanol with all gasoline sold domestically starting in 2009.

While there is no formal trade in sugarcane due to the unique "quedan" system in the Philippines, according to industry sources, a metric ton of sugarcane can roughly valued at about P1,310 (as of November 7, 2008, based on P980/50-kg bag of raw sugar. In CY 2007/08, the average mill site price per 50-kg bag of "A" raw sugar was P601 for the U.S. market; P1,109 for "B" raw sugar for the domestic market; P1,054 for "C" sugar; P540 for "D" sugar; the average composite price was P1,057.

Wholesale and retail prices of raw and refined sugar in Metro Manila for CY2007/08 follows:

RAW AND REFINED SUGAR PRICES				
CY 2007/08	Raw Sugar		Refined Sugar	
	Wholesale Price (Pesos/per 50 Kg. Bag)	Retail Price (Pesos/ per Kg.)	Wholesale Price (Pesos/per 50 Kg. Bag)	Retail Price (Pesos/ per Kg.)
September	1,186.07	30.00	1,551.28	35.78
October	1,343.64	31.50	1,736.00	37.50
November	1,213.68	32.35	1,608.41	38.43
December	1,174.27	31.94	1,573.70	37.87
January	1,135.77	31.66	1,545.50	37.67
February	1,125.72	31.19	1,537.50	37.03
March	1,185.16	30.83	1,616.48	37.02
April	1,261.60	31.18	1,704.80	37.55
May	1,261.56	30.97	1,716.95	37.93
June	1,281.18	31.00	1,736.82	38.23
July	1,243.99	30.80	1,719.89	38.30

August	1,236.53	30.71	1,676.05	38.20
Average	1,220.76	31.18	1,643.62	37.63

Source: Sugar Regulatory Administration

As of November 5, 2008, prevailing wholesale price of raw sugar was P1,150, while refined sugar was at P1,550 per bag; prevailing retail price of raw sugar was P30/kg, while refined sugar price was P36/kg (US \$1= Philippine Pesos 48.49).

Consumption

Domestic sugar consumption has been traditionally measured by monitoring sugar withdrawals from the mills. Domestic sugar withdrawals were previously projected to reach 1.95 MMT in CY 2007/08, however, final estimates show a drop in withdrawals to about 1.90 MMT. Consumption this year is projected to remain at similar levels in part due to the projected slowdown in demand for sugar by local food manufacturers and the growing availability of imported low-priced sugar-containing food and beverage items in the market.

RAW SUGAR (DOMESTIC) WITHDRAWALS, BY MONTH 2005-08 (in MT)			
MONTH	2005/06	2006/07	2007/08
September	50,276	36,066	65,693
October	128,546	160,123	97,575
November	123,841	131,245	120,370
December	170,202	198,990	157,166
January	190,373	172,216	181,742
February	180,104	191,792	178,334
March	203,919	221,746	252,586
April	266,797	263,267	218,724
May	244,217	149,559	186,965
June	162,610	120,057	226,334
July	121,002	171,972	171,062
August	67,959	141,610	41,270
TOTAL	1,909,846	1,958,643	1,897,824

Source: Sugar Regulatory Administration

MOLASSES PRICES	
CY 2007/08	Average Price (Pesos/MT)
September	3,935.36
October	4,175.87
November	4,121.99
December	3,933.96
January	3,932.18
February	4,140.48
March	4,530.44
April	4,078.85
May	4,062.12
June	4,045.12
July	4,184.15

August	4,062.12
<i>Average</i>	<i>4,099.22</i>

Source: Sugar Regulatory Administration

Trade

No imports are forecast for CY 2008/09 due to projected adequate sugar production projected for the current crop year.

Under the U.S. Tariff Rate Quota program, raw sugar exports for 2008/09, is set at 142,160 MT, while exports to the world market are projected to reach 82,541 MTRV.

POLICY

ASEAN: In October 2008, the Philippine President directed the Department of Trade and Industry to notify the Association of Southeast Asian Nations (ASEAN) Free Trade Area (AFTA) Council that the Philippine government will seek the transfer of raw and refined sugar from the sensitive to the highly sensitive list of the AFTA common effective preferential tariff (CEPT) scheme. The President's directive aims to retain sugar tariffs at 38 percent for imports from within the ASEAN region for the next three to five years at the least. The Philippine sugar industry, supported by the Department of Agriculture's Sugar Regulatory Administration, is seeking a freeze on existing tariff rates.

MAV: In October 2007, the Philippine DA announced that it would be undertaking a review of the Minimum Access Volume (MAV) regulations, proposed changes included limiting imports of sugar under MAV to raw sugar and to be exclusively undertaken by sugar producers. The MAV review has not yet been completed.

Sugar, Centrifugal Philippines	2007			2008			2009		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Sep 2006			Market Year Begin: Sep 2007			Market Year Begin: Sep 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Beginning Stocks	253	253	253	262	262	262	317	317	547
Beet Sugar Production	0	0		0	0		0	0	
Cane Sugar Production	2232	2232	2232	2275	2275	2455	2290	2290	2200
Total Sugar Production	2232	2232	2232	2275	2275	2455	2290	2290	2200
Raw Imports	0	0		0	0		0	0	
Refined Imp.(Raw Val)	0	0		0	0		0	0	
Total Imports	0	0		0	0		0	0	
Total Supply	2485	2485	2485	2537	2537	2717	2607	2607	2747
Raw Exports	273	273	273	240	240	240	250	250	320
Refined Exp.(Raw Val)	0	0		0	0		0	0	
Total Exports	273	273	273	240	240	240	250	250	320
Human Dom. Consumption	1950	1950	1950	1950	1950	1900	2000	2000	1900
Other Disappearance	0	0		30	30	30	0	0	
Total Use	1950	1950	1950	1980	1980	1930	2000	2000	1900
Ending Stocks	262	262	262	317	317	547	357	357	527
Total Distribution	2485	2485	2485	2537	2537	2717	2607	2607	2747

Sugar Cane for Centrifugal Philippines	2007			2008			2009		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Sep 2003			Market Year Begin: Sep 2004			Market Year Begin: Sep 2005		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Planted	391	391	391	395	395	398		395	395
Area Harvested	386	386	386	390	390	393		393	390
Production	24000	24000	24000	24300	24300	26500		24500	24500
Total Supply	24000	24000	24000	24300	24300	26500		24500	24500
Utilization for Sugar	24000	24000	24000	24300	24300	26500		24500	24500
Utilizatr for Alcohol	0	0	0	0	0	0		0	0
Total Utilization	24000	24000	24000	24300	24300	26500		24500	24500