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Report Highlights:

Post forecasts Crop Year (CY) 2020/21 raw sugar production to drop to 2.0 million metric tons (MT), as sugarcane areas continue shrinking from the conversion of sugarcane lands, particularly in Luzon, and as producers remain cautious about the impact of the liberalization of the sugar industry being considered by the Philippine government. CY 2020/21 sugar demand is expected to increase marginally to 2.35 million MT, as cane sugar consumption rises with the global economic recovery from COVID-19 and with food/beverage manufacturers expanding production. Refined sugar imports in CY 2020/21 will likely increase to 450,000 MT to meet this growing demand. Exports of sugar to the U.S. market are expected to reach 140,000 MT, following two years of only exporting 120,000 MT, as prices of "A" sugar improve.

Introduction:

Sugar is an important crop in the Philippines that is grown across the country but is most abundant in the Visayas and particularly on Negros Island. Total production was \$700 million in 2019, making sugar the nation’s fifth largest agricultural crop product by value after rice, bananas, corn, and coconuts. In Crop Year (CY) 2018/19 (September/August), the Philippines produced 2.1 million metric tons (MT) of raw sugar, with nearly all of it consumed locally. The Philippines historically was a major participant in the U.S. sugar tariff-rate quota, previously exporting half of its production to the United States. Although its allocation has declined significantly over the years, Philippine sugar remains a key input for some sugar refineries on the west coast. In 2019, the United States was the only export market for Philippine raw cane sugar, valued at approximately \$36 million and accounting for 3.5 percent of total U.S. sugar imports.

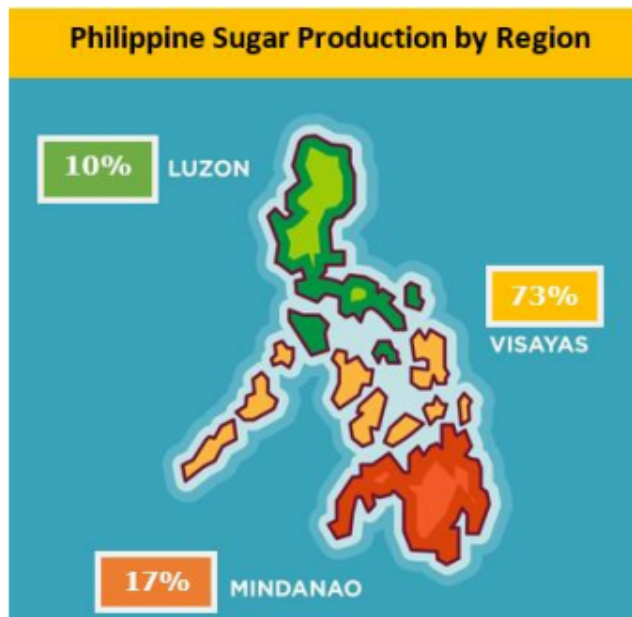
Production:

Philippine raw sugar output in CY 2019/20 declined from 2.1 million MT to 2.025 million MT, the lowest in a decade, mostly due to erratic weather conditions in sugarcane-producing areas. The contraction in sugarcane area in CY2019/20 as reported by the Sugar Regulatory Administration (SRA) also contributed to the production decline. Moreover, contacts reported unfavorable weather conditions contributing to heavier cane with lower sugar content cane, as well as continued farm labor shortage problems in sugar cane areas. MY 2019/20 sugarcane area dropped to 406,500 hectares from 410,000 hectares the previous year, with cane production that year declining to 21.8 million MT due to poor weather conditions and smaller planting area reported. Weather conditions, in particular the amount and timing of rainfall, strongly affect sugarcane output since about 80 percent of sugarcane fields are rain-fed and have no irrigation.

Post forecasts CY 2020/21 raw sugar production to drop to 2.0 million MT, as sugarcane areas continue to shrink due to the conversion of sugarcane lands, particularly in Luzon. Sugar producers also remain cautious about the impact of possible deregulation, as Philippine economics managers consider further trade liberalization beyond rice, such as the sugar and corn sectors. The Philippine government in 2019 ended its quantitative restrictions on rice imports by passing the [Rice Tariffication Law](#), which eased what had become a near-decade high in food prices. The Department of Finance has mentioned sugar reform as being necessary to increase the competitiveness of Philippine food processing, particularly in comparison to its ASEAN neighbors.

RAW SUGAR PRODUCTION, CONSUMPTION, TRADE (in Metric Tons)			
	2018/19	2019/20	2020/21
Production	2,100,000	2,025,000	2,000,000
Consumption	2,250,000	2,300,000	2,350,000
Imports	350,000	400,000	450,000
Exports	120,000	120,000	140,000
Sugarcane Milled	21,768,000	21,000,000	21,000,000
Area Planted (Has)	409,714	406,500	404,000

Source: Philippine Sugar Regulatory Administration and Post Estimates



According to the Sugar Regulatory Administration’s (SRA) most recent data from 2018, the Visayas accounts for 73 percent of domestic sugar production, with Negros Island alone contributing 64 percent of total output. This is followed by Mindanao at 17 percent and Luzon at 10 percent. Luzon’s share is down from 15 percent the previous year due to land conversion and a shift in crops planted. Roughly 90 percent of total Philippine production comes from four sugar planter federations and three miller associations. There are 27 sugar mills and 8 sugar refiners in the country. There are 7 mills in Luzon, 12 in Negros Island, 3 in Panay, 2 in Eastern Visayas, and 4 in Mindanao.

The sugarcane industry is also an important player in the production of biofuels, as sugar molasses is the primary feedstock for Philippine bioethanol. There are currently 12 operating bioethanol distilleries and 6 power-generating plants. The Biofuels Act of 2006 (RA 9367) expanded the mandate of the Sugar Regulatory Administration (SRA) to develop and implement policies supporting the Philippine Biofuels Program and ensure increased productivity and sustainable supply of biofuels feedstock. For more information, see the [2019 Philippines Biofuels Report](#).

According to SRA, there are about 65,000 sugarcane farmers in the country and this number is increasing due to the Comprehensive Agrarian Reform Program. 80 percent have landholdings under five hectares and less than one percent have farms over 100 hectares. Being a plantation crop, larger sugar farms benefit from notable increases in productivity and efficiency. Farms over 100 hectares have an average productivity of 7.34 MT/ha, while smaller farms under 5 hectares have an average productivity of 5.03 MT/ha. The sugar industry contributes about P87 billion (\$1.74 billion, \$1=P50) to the national economy, with more than 700,000 workers and 5 million of their dependents.

March 2020 mill site price for “A” raw sugar destined for the U.S. market dropped slightly to P1,429/50-kg bag from the previous month, but increased by almost 22 percent from P1,174/50-

kg bag in March 2019. By the end of March 2020, the mill site price for “B” raw sugar for the domestic market dropped 12 percent from P1,537/50-kg bag the previous month, due to low demand and slow withdrawals during the enhanced community quarantine period that Philippine government placed on the island of Luzon to combat the spread of COVID-19.

Low domestic sugar production and growing demand for refined sugar have led to increasing sugar imports, displacing imported high fructose corn syrup (HFCS). See the Policy section for more details.

Philippine Mill Site Prices (Pesos)				
	"A"	"B"	"D"	Composite
CY 2018/19	US Quota	Domestic	World	Price
September	1,171	1,697		1,694
October	1,173	1,629		1,606
November	1,183	1,542		1,524
December	1,264	1,563		1,548
January	1,273	1,522		1,509
February	1,263	1,534		1,521
March	1,174	1,474		1,459
April	1,178	1,504		1,488
May	1,194	1,507		1,492
June	1,188	1,519		1,502
July	-	-		-
August	-	-		-
Average	1,206	1,549		1,534
CY 2019/20				
September	1,097	1,519		1,498
October	1,119	1,482		1,464
November	1,191	1,515		1,499
December	1,182	1,509		1,493
January	1,450	1,514		1,510
February	1,495	1,537		1,535
March	1,429	1,350		1,354

Source: Sugar Regulatory Administration

U.S. Dollar to Philippine Peso Exchange Rates:

Exchange Rate	2018	2019	March 2020
US\$= PHP	52.72	51.80	50.79

Source: Bangko Sentral ng Pilipinas (Central Bank of the Philippines)

Local molasses prices in March 2020 surged nearly 20 percent from March 2019’s level, as a result of lower global supply and production of molasses.

Molasses Price	
CY 2018/19	Pesos/MT
September	8,020
October	8,058
November	8,029
December	7,879
January	8,467
February	9,550
March	10,331
April	10,581
May	10,897
June	10,925
July	-
August	-
Average	9,274
CY 2019/20	Pesos/MT
September	10,715
October	11,948
November	12,570
December	11,320
January	10,889
February	11,418
March	12,255

Source: Sugar Regulatory Administration

Consumption:

In the Philippines, consumption is traditionally measured by sugar withdrawals from the mills by traders and industrial users, as mills are the main holders of the country’s stocks. CY 2019/20 withdrawals of locally produced sugar is expected to hit approximately 1.9 million MT, due to lower demand for sugar by industrial users as a result of the COVID-19 quarantine restrictions. Total sugar consumption (locally produced plus imported sugar) is expected to remain at 2.3 million MT, as household consumption of sugar replaces the slowdown in demand by food and beverage manufacturers due to COVID-19 concerns, with imported sugar continuing to fill the decline in local production.

Post forecasts sugar demand in CY 2020/21 to rise by 2 percent to 2.35 million MT. Consumption of cane sugar is expected to grow as the global economy recovers from COVID-19 and food and beverage manufacturers increase the usage of both local and imported cane sugar.

CROP YEAR	RAW SUGAR, MT		REFINED SUGAR, MT		HFCS IMPORTS	SUGAR IMPORTATION, MT	
	Production	Domestic Consumption	Production	Domestic Consumption		CBW* / Food Processors	Domestic Consumption
2013-14	2,461,808	2,202,443	1,034,386	1,115,936	149,232	67,137	4,343
2014-15	2,323,817	2,240,682	1,076,382	1,008,300	232,028	62,218	10,937
2015-16	2,238,872	2,163,170	957,332	878,915	340,719	62,606	241,668
2016-17	2,500,509	2,116,528	962,610	963,983	337,681	54,343	16,102
2017-18	2,083,641	2,098,353	926,677	1,091,040	125,492	55,240	200,000
2018-19	2,074,110	1,884,220	827,188	775,518	8,649	61,516	331,994

Source: Sugar Regulatory Administration; Crop Year September/August

*CBW – Customs Bonded Warehouse, whose imports are exclusively for re-exports

DOMESTIC RAW SUGAR WITHDRAWALS (in Metric Tons)	
MONTH	2018/19
September	66,209
October	109,415
November	98,265
December	187,713
January	132,245
February	210,312
March	284,137
April	214,691
May	184,368
June	158,000
July	201,509
August	141,735
TOTAL	1,884,220
2019/20	
September	72,918
October	96,493
November	138,779
December	172,714
January	105,826
February	72,918
March	

Source: Sugar Regulatory Administration

Almost all sugar produced in the Philippines is consumed locally. Roughly 50 percent of domestic consumption is accounted for by industrial users, 32 percent by households, and the remaining 18 percent by institutions (e.g., restaurants, bakeries, and hospitals).

The largest Philippine sugar export market is the United States, as prices under the U.S. tariff rate quota system are normally higher than world market prices but lower than domestic prices. In 2019, the United States was the sole foreign market for Philippine sugar exports.

Wholesale prices of raw and refined sugar in Metro Manila are as follow:

RAW AND REFINED SUGAR PRICES				
CY 2018/20	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	1,958.33	56.33	2,569.76	66.56
October	1,895.93	56.17	2,473.52	66.26
November	1,766.67	56.19	2,238.57	66.24
December	1,761.00	55.65	2,213.00	65.41
January	1,762.81	53.35	2,243.54	62.60
February	1,732.86	52.41	2,230.71	60.33
March	1,716.67	52.26	2,231.00	59.72
April	1,696.67	51.88	2,212.33	59.53
May	1,675.00	51.51	2,194.78	58.82
June	1,672.50	51.17	2,222.00	58.30
July	1,680.11	50.61	2,266.76	57.87
August	1,688.00	49.87	2,266.00	56.99
CY 2019/20				
September	1,687.75	49.83	2,293.25	56.81
October	1,688.67	49.60	2,278.00	56.39
November	1,670.00	49.20	2,183.50	55.84
December	1,670.00	48.78	2,176.00	55.63
January	1,711.78	48.40	2,221.11	54.40
February	1,731.00	48.20	2,262.57	55.29
March	1,731.00	48.03	2,284.00	54.98

Source: Sugar Regulatory Administration

[Department of Agriculture \(DA\) Administrative Circular No. 1 \(2020\)](#) imposes suggested retail prices on basic agricultural and fishery commodities in Metro Manila. The DA circular sets suggested retail prices for fully dressed chicken, raw and refined sugar, pork, fish products, garlic and red onion. The SRP for refined sugar is P50/kg and P45/kg for raw sugar (brown). This policy ensures that the retail price of sugar remains constant during the Luzon-wide lockdown or enhanced community quarantine due to COVID-19.

Trade:

Despite domestic prices being well above world prices most years, the Philippines typically exports sugar as a way to support local producers (see Policy Section). Fiscal Year 2019/20 Raw Sugar Tariff Rate Quota (TRQ) to the United States is set at 142,160 MTRV (136,201 MT Commercial Weight). The Philippines is expected to only export about 120,000 MT due to insufficient local production for CY 2019/20. No exports were allocated as “D” or for the World Market this year. For CY 2020/21, Post forecasts an increase in sugar exports to the United States, buoyed by U.S. prices that are higher than in the Philippines.

SRA data show that as of March 2020, refined sugar imports have reached almost 300,000 MTRV and an additional 100,000 MTRV of refined sugar is expected be imported through the sugar export replenishment program in CY 2019/20.

The Philippines had long maintained high tariffs on raw and refined sugar imports. Executive Order No. 892 reduced tariffs in ASEAN Trade in Goods Agreement (ATIGA) from 38 percent in 2010 to the current 5 percent, which started in 2015 (see table below). This reduction in ASEAN tariffs is expected to lower Philippine sugar production and increase trade, as other ASEAN producers, particularly Thailand, have lower production costs. Despite the drop in ASEAN duties, there are still multiple administrative barriers in place to restrict imports.

Hdg. No.	AHTN Code 2007	DESCRIPTION	Available CEPT Rates of Duty (Percent)				
			2010/11	2012	2013	2014	2015+
17.01		Cane or beet sugar and chemically pure sucrose, in solid form.					
		- Raw sugar not containing added flavoring or coloring matter:					
	1701.11.00	-- Cane sugar:					
	1701.11.00A	--- In-Quota	38	28	18	10	5
	1701.11.00B	--- Out-Quota	38	28	18	10	5
	1701.12.00	-- Beet sugar:					
	1701.12.00A	--- In-Quota	38	28	18	10	5
	1701.12.00B	--- Out-Quota	38	28	18	10	5
	1701.99	-- Other:					
		--- Refined sugar:					
	1701.99.11	---- White:					
	1701.99.11A	----- Containing over 65% by dry weight of sugar, In-Quota	38	28	18	10	5
	1701.99.11B	----- Containing over 65% by dry weight of sugar, Out-Quota	38	28	18	10	5
	1701.99.11C	----- Other, In-Quota	38	28	18	10	5
	1701.99.11D	----- Other, Out-Quota	38	28	18	10	5
	1701.99.19	---- Other:					
	1701.99.19A	----- Containing over 65% by dry weight of sugar, In-Quota	38	28	18	10	5

1701.99.19B	----- Containing over 65% by dry weight of sugar, Out-Quota	38	28	18	10	5
1701.99.19C	----- Other, In-Quota	38	28	18	10	5
1701.99.19D	----- Other, Out-Quota	38	28	18	10	5
1701.99.90	--- Other:					
1701.99.90A	---- In-Quota	38	28	18	10	5
1701.99.90B	---- Out-Quota	38	28	18	10	5

Source: Executive Order 892 (2010)

For non-ASEAN countries, under the Uruguay Round of the World Trade Organization (WTO), the Philippines committed to a final tenth-year Minimum Access Volume (MAV) of 64,050 MT of raw sugar, with a tariff rate of 50 percent. All importation in excess of the MAV is subject to a tariff rate of 65 percent. The tariff on sugar is among the highest of all agricultural commodities, essentially blocking all imports under this agreement. The Most Favored Nation (MFN) tariffs have not changed since 2016. Tariff rates follow:

HEADING	ASEAN HARMONIZED TARIFF CODE	DESCRIPTION	MFN
17.01		Cane or beet sugar and chemically pure sucrose, in solid form	
		- Raw sugar not containing added flavoring or coloring matter	
	1701.11	-- Cane sugar	
		--- In-quota	50
		--- Out-of-quota	65
	1701.12	-- Beet sugar	
		--- In-quota	50
		--- Out-of-quota	50
		- Other:	
	1701.99	-- Other:	
		--- Refined sugar	
	1701.99.11	---- White	
		---- In-quota	50
		---- Out-of-quota	65
		---- Other, In-quota	1
		---- Other, Out-of-quota	1
	1701.99.19	---- Other	
		---- In-quota	50
		---- Out-of-quota	65
		---- Other, In-quota	1
		---- Other, Out-of-quota	1
	1701.99.90	---- Other	
		---- In-quota	50
		---- Out-of-quota	65

Source: Philippine Tariff and Customs Code

Policy:

Philippine sugar policy, trade, and domestic prices are generally controlled by the SRA, working closely with various influential industry stakeholders. During the start of each crop year, the SRA issues a central policy (known as Sugar Order No. 1) on production and marketing of sugar for the country, which allocates how much production goes to the domestic and export markets as well as for reserves. These orders are adjusted as the season progresses. A running history of SRA sugar orders may be obtained here: http://www.sra.gov.ph/policy/#_sugar_order

Sugar Order No. 1: On September 4, 2019, SRA issued Sugar Order No. 1 which forecasts production for CY 2019/20 to reach 2.1 million MT. This was later revised to 2.025 million MT. 95 percent of sugar production was classified as “B” or for the domestic market, while the remaining 5 percent was classified as “A” for export to the U.S. market. For the last two years, allocation of sugar for export to the World Market has been eliminated, while the allocation to the U.S. market has been reduced to a minimum. The SRA periodically assesses sugar allocation throughout the year based on the country’s sugar supply.

Sugar Order No. 4: SRA issued Sugar Order No. 4 on January 7, 2020, which allows exporters of “A” sugar for the United States to import a corresponding volume of sugar at a ratio of 1:1 raw equivalent. Imports must not exceed sugar exported. This is in addition to the 250,000 MT authorized at the end of the CY 2018/19 that arrived this crop year.

Excise Tax on Sweetened Beverages: Drinks with caloric and non-caloric sweeteners are taxed P6 (\$0.12, \$1=P50) per liter, while those using high-fructose corn syrup are charged P12 (\$0.24) per liter. All milk (whether powdered, ready-to-drink, flavored or fermented) are excluded from the tax, as well as ground and 3-in-1 coffee and 100-percent natural fruit and vegetable juices, meal replacements, medically indicated drinks, and beverages sweetened with stevia or coco sugar. This tax reform law, which took effect in January 2018, was the first package of five planned tax reforms that President Rodrigo Duterte signed into law on December 19, 2017.

Sugar Industry Development Act: Republic Act 10659, otherwise known as the Sugarcane Industry Development Act (SIDA), was passed in 2015. The main objective of this law is to promote the competitiveness of the sugarcane industry through mandated programs and appropriations. In 2017, Congress allocated P1.4 million (\$28 million, \$1=P50) to SIDA through the General Appropriations Act. SIDA has five main components:

1. Establish productivity improvement programs;
2. Provide the needed infrastructure support;
3. Enhance research and development of other products derived from sugar, sugarcane, and their by-products;
4. Provide human resource development and extension services; and
5. Provide financial assistance to small farmers.

Marketing:

Most sugar in the Philippines is produced and marketed under the long-established “quedan” system. In this sharing arrangement, the sugarcane planter (landowner) allocates a percentage of the output (30-35 percent) of their sugar to the mill in payment for the processing of the cane. As soon as the sugar is processed, the mill issues a warehouse receipt, called a *quedan*, to the farmer representing their share of the sugar (65-70 percent). The warehouse receipt attests to the physical presence of the sugar in the storage facility. There are five different types of *quedans*:

- “A” Sugar allocated for the U.S. market in compliance with U.S. quota requirements;
- “B” Sugar for the domestic market;
- “B-1” Sugar for food processors/exporters;
- “C” Sugar classified as reserve, which may subsequently be converted to either A or B as the need arises;
- “D” Sugar allocated for the world market

SRA determines the proportion of sugar that is designated for different types of *quedan*. With the present volumes of production, only A and B *quedans* are initially assigned to planters. The “A” sugar is based on the volume of the quota allocated to the Philippines under the U.S. TRQ system and the estimated volume of production for the crop year. This is normally less than 10 percent of total domestic output. The rest of the output is classified as B sugar.

Because the *quedan* is a negotiable instrument and the bearer may use it to withdraw sugar stocks at any time, there is a thriving secondary market in the sale of these certificates. Upon receipt of their *quedans*, planters usually sell them immediately to local traders who in turn sell them to larger traders. The major traders accumulate the *quedans* and subsequently sell them in volume to wholesalers, distributors, or processors who withdraw sugar from the mills. The processors use the sugar as an input for food and beverage processing while the wholesalers and distributors sell their sugar to major retailers. From the retailers, the sugar eventually reaches consumers through supermarkets, wet markets, and sari-sari (mom-and-pop) stores.

Stocks:

The SRA reports on raw and refined sugar stocks based on actual physical stocks at the mills. Beginning stocks of refined sugar in CY 2019/20 are somewhat higher than that reported in the previous year due to increased imports the previous year and a slowdown in local sugar withdrawals.

Production, Supply, and Distribution Data Statistics:

Sugar, Centrifugal	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Beginning Stocks	997	1,168	1,167	1,067	1,147	1,127
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2,239	2,500	2,100	2,100	2,000	2,000
Total Sugar Production	2,239	2,500	2,100	2,100	2,000	2,000
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	250	20	200	350	400	450
Total Imports	250	50	200	350	400	450
Total Supply	3,486	3,718	3,467	3,517	3,547	3,577
Raw Exports	168	331	150	120	120	140
Refined Exp.(Raw Val)						
Total Exports						
Human Dom. Consumption	2,150	2,220	2,250	2,250	2,300	2,350
Other Disappearance	0	0	0	0	0	0
Total Use						
Ending Stocks	1,168	1,167	1,067	1,147	1,127	1,087
Total Distribution	3,486	3,718	3,467	3,517	3,547	3,577

DISCLAIMER: Starting with this annual report, FAS has adopted the Philippine September/August Crop Year for reporting Philippine sugar statistics. Since 2013, FAS had used a December/November Marketing Year for the Philippines.

Attachments:

No Attachments