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**Report Name:** Sugar Semi-annual

**Country:** Philippines

**Post:** Manila

**Report Category:** Sugar

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**Report Highlights:**

Philippine raw sugar production in MY 2020/21 is projected to reach 2.19 MMT, up two percent from the previous year due to improved sugar cane genetics and farm management. The Philippine Atmospheric, Geophysical and Astronomical Services Administration's recent alert of a likely La Niña event could moderately lower the production outlook, however. Sugar consumption in MY 2020/21 is expected to increase slightly to 2.35 MMT as the economy continues to recover from the COVID-19 pandemic, with higher demand from industrial and institutional users. Meanwhile, sugar imports in MY2020/21 are set to decline due to substantial ending stocks of refined sugar accumulated in MY2019/20. The Philippines may be able to fulfill the U.S. tariff rate quota in MY2020/21, as the Sugar Regulatory Administration allocated a higher portion of production (seven percent) to the U.S. market.

**Production:**

According to the Sugar Regulatory Administration (SRA), Philippine raw sugar production is projected to reach 2.19 million metric tons (MMT) in Marketing Year 2020/21 (September/ August), two percent higher than the 2.145 MMT produced the previous year. SRA reports that they have intensified their hybrid seeds and extension programs, focusing on boosting productivity through better farm management practices. MY 2019/20 raw sugar output was up three percent from the prior year, exceeding the preliminary forecasts by both SRA and Post of 2.025 MMT. This was mainly due to rainfall late in the season which resulted in sugarcane with higher tonnage but lower in sugar content.

Raw sugar production in MY 2020/21 could be affected by a likely La Niña weather pattern, as the local weather bureau [PAGASA](#) issued an alert for Visayas and Mindanao during the last quarter of 2020. If realized, the likely impact would be a moderate decline in production. Sugarcane area during MY 2020/21 is expected to stay flat, as sugar planters continue to face labor shortages and remain cautious about the impact of the liberalization of sugar trade being studied by the government. Currently about 40 percent of raw sugar production goes to refining, with the rest consumed directly as raw (brown) sugar.

<b>Raw Sugar Production</b>				
<b>(in '000 Metric Tons)</b>				
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21*</b>
<b>Raw Production</b>	<b>2,083</b>	<b>2,074</b>	<b>2,146</b>	<b>2,190</b>
Refined Production	927	837	839	840
<b>Consumption</b>	<b>2,298</b>	<b>2,290</b>	<b>2,251</b>	<b>2,300</b>
<b>Sugarcane Milled</b>	<b>23,005</b>	<b>21,768</b>	<b>23,299</b>	<b>23,500</b>
<b>Area Planted (HAs)</b>	<b>421,358</b>	<b>409,714</b>	<b>403,101</b>	<b>401,000</b>

Source: SRA [Statistics](#) and Post Estimates\*

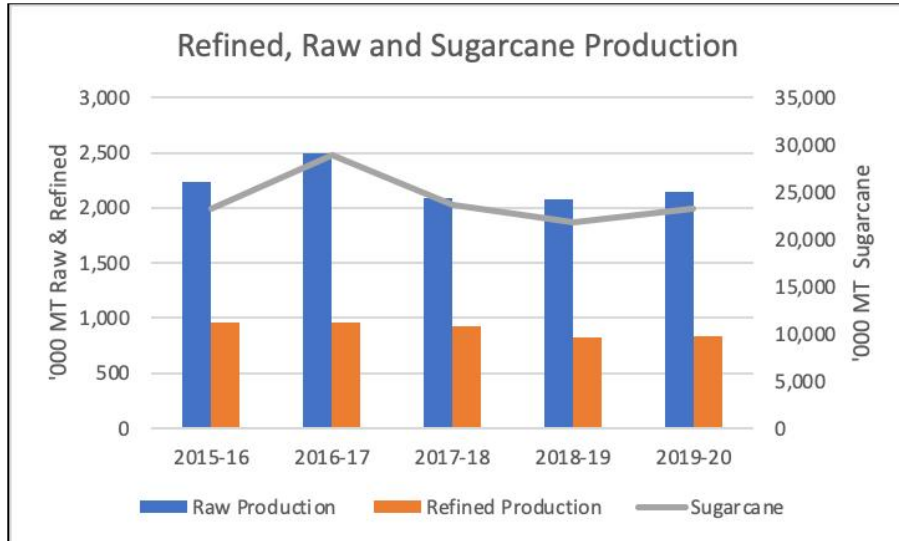
Note: Consumption = Demand Raw Withdrawals + Total Refined Sugar Demand

U.S. Dollar to Philippine Peso exchange rates:

<b>Exchange Rate</b>	<b>2018</b>	<b>2019</b>	<b>September 2020</b>
1 USD = PhP	52.72	51.80	48.44

Source: Bangko Sentral ng Pilipinas

Note: Exchange Rate on September 21, 2020



Source: Sugar Regulatory Administration

As of July 2020, near the end of the Philippine sugar crop year, mill site prices have dropped slightly reflecting reduced demand.

<b>Philippine Mill Site Prices</b>				
<b>Pesos/50kg bag</b>				
<b>CY 2019/20</b>	<b>"A" U.S. Quota</b>	<b>"B" Domestic</b>	<b>"D" World</b>	<b>Composite Price</b>
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	1,485	1,473		1,473
April	1,429	1,416		1,416
May	1,491	1,574		1,570
June	1,194	1,480		1,466
July	1,117	1,413		1,398
August	-	-		-
Average	1,295	1,494		1,484

Source: Sugar Regulatory Administration

**Consumption:**

The COVID-19 pandemic has severely shifted the consumption pattern for many food products, including sugar. According to a 2008 study by the University of Asia and the Pacific, pre-COVID, roughly half of domestic consumption was accounted for by industrial users (beverage and processed food manufacturers), 32 percent by households, and the remaining 18 percent by institutions (e.g., restaurants, coffee shops, bakeries, and hospitals).

In the Philippines, consumption is traditionally measured by sugar withdrawals from the mills by refiners, traders, and other users, since mills are the main holders of the country's stocks. SRA expects MY 2020/21 withdrawals of locally produced raw sugar to be around 1.97 MMT, three percent lower than the 2.029 MMT reached in 2019/20. Demand for raw sugar for direct consumption increased by almost 13 percent in 2019/20, likely due to the growth in purchases for home use as a result of the COVID-19 restrictions. Stay at home orders, temporary unemployment, and the subsequent drop in purchasing power caused by the lockdowns may have contributed to the uptick in demand for lower priced raw sugar for home consumption, shifting away from the more expensive refined sugar.

<b>Raw Sugar Supply and Demand</b>				
<b>('000 Metric Tons)</b>				
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>% Change</b>
<b>Beginning Stocks</b>	498	160	247	55%
<b>Raw Sugar Production</b>	2,084	2,074	2,146	3%
<b>Raw Imports</b>	0	76	0	
<b>Total Supply</b>	2,582	2,310	2,393	4%
<b>Raw Exports (US &amp; World)</b>	323	105	110	4%
<b>Human Dom. Consumption</b>	2,098	1,959	2,029	4%
<b>1. Raw Withdrawals</b>	1,207	1,111	1,252	13%
<b>2. Raw for Refining</b>	891	773	777	1%
<b>Ending Stocks</b>	161	246	254	4%
<b>Total Distribution</b>	2,582	2,310	2,393	4%

Source: <https://www.sra.gov.ph/industry-update/sugar-supply-and-situation/>

On the other hand, the demand for refined sugar, mainly by industrial customers (i.e., beverage and snack manufacturers) dropped by over 15 percent in MY 2019/20. Beverage manufacturers have noted a low double digit decline in sales of non-alcoholic soft drinks due to supply chain disruptions and COVID-19 related closures and partial operations in the food service sector. However, it is reported that the decline in demand for soft drinks consumed outside the home has been replaced in part by an increase in purchases of sugar-sweetened beverages consumed at

home. According to market reports, the sales of sweet processed foods (cookies and crackers) is expected to rise slightly (one percent), likely due to increased snacking at home.

Total refined sugar consumption (domestic plus imported sugar) is expected to recover slightly in MY 2020/21 to 2.3 MMT, as the Philippine economy opens up and more institutional users (i.e., hotels, bakeries, coffee shops, and restaurants) increase capacity and the demand for sugar sweetened food and beverages strengthen.

<b>Refined Sugar Supply and Demand</b> (‘000 Metric Tons)				
	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>% Change</b>
<b>Beginning Stocks</b>	304	139	191	37%
<b>Refined Sugar Production</b>	927	827	840	1%
<b>Refined Imp. (Raw Val)</b>	0	411	324	-21%
<b>Total Supply</b>	1,230	1,378	1,355	-2%
<b>Raw Exports</b>	0	0	0	
<b>Human Dom. Consumption</b>	1091	1179	999	-15%
<b>1. Domestic Use</b>	-	776	736	-5%
<b>2 Imports</b>	-	404	263	-35%
<b>Ending Stocks</b>	139	199	356	79%
<b>Total Distribution</b>	1,230	1,378	1,355	-8%

Source: <https://www.sra.gov.ph/industry-update/sugar-supply-and-situation/>

Wholesale and retail prices of raw and refined sugar in Metro Manila using the most recent SRA data through August 2020 are below. The Philippine Retail Price Law limits any significant rise in retail prices of basic agricultural commodities. On August 14, 2020, [DA Administrative Circular 11](#) was issued, but the suggested retail price of raw sugar (brown and washed) at P45/kg and refined sugar at P50/kg remain unchanged.

<b>Raw and Refined Sugar Prices in Metro Manila</b>				
<b>MY 2019/20</b>	<b>Raw Sugar</b>		<b>Refined Sugar</b>	
	Wholesale Price (Pesos/50 Kg bag)	Retail Price (Pesos/Kg)	Wholesale Price (Pesos/50 Kg bag)	Retail Price (Pesos/Kg)
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
April	1,709.17	47.32	2,270.00	54.32
May	1,770.83	47.44	2,260.69	54.38
June	1,736.11	48.04	2,244.86	55.00
July	1,744.56	47.98	2,224.21	54.97
August	1,745.56	47.88	2,188.89	54.98

Source: SRA

### Trade:

The Fiscal Year 2020/21 raw sugar tariff rate quota (TRQ) to the United States is set at 142,160 Metric Tons Raw Value (MTRV), or 136,201 MT Commercial Weight (MTCW). The Philippines exported about 115,000 MTRV (110,000 MTCW) in MY 2019/20, short by nearly 30,000 MTRV due to the initially low local supply projected and insufficient time to meet the extended deadline to ship the product.

SRA has earmarked about seven percent of the estimated 2.19 MMT of sugar production in MY2020/21 for the U.S. market, classified as “A” in its Sugar Order. Adding carryover “A” sugar from the previous year will allow the Philippines to fulfill the U.S. quota in MY 2020/21. No exports to other countries are allocated for this year. Due to high ending stocks of refined sugar, imports in MY 2020/21 are forecast slightly lower than previous years, provided MY 2019/20 raw sugar production targets are met.

MY (Sep –Aug)	Raw Sugar MT		Refined Sugar MT		High Fructose Corn Syrup Imports MT	Sugar Imports MT	
	Production	Domestic Consumption	Production	Domestic Consumption		CBW / Food Processors	Domestic ** Consumption
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
2019-20	2,145,693	2,028,816	839,543	736,130	6,401	60,000*	323,843

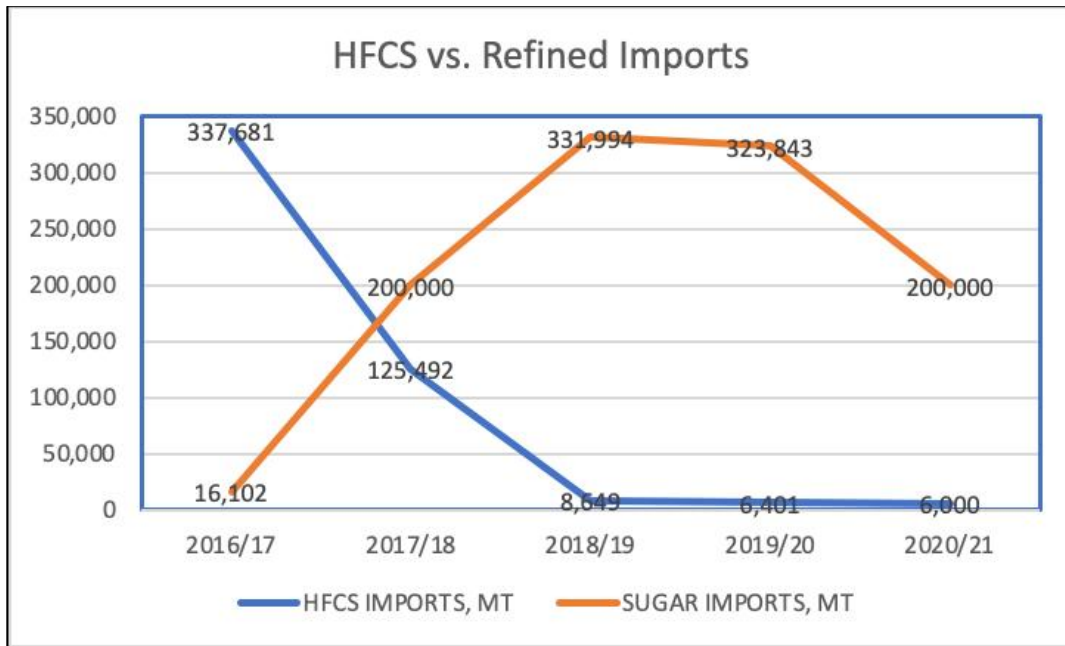
Source: Sugar Regulatory Administration

\*preliminary 2019/20 estimate of Customs-Bonded Warehouse (CBW) imports

\*\*does not include the volume under the Sugar Export Replenishment Program

The implementation of the Tax Reform Package in January 1, 2018 imposed a higher excise tax of drinks using high fructose corn syrup (HFCS) than on drinks using cane sugar. Since then, imports of refined sugar for domestic consumption, mainly by industrial users, have increased and replaced HFCS imports by nearly the same volume. 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.



Source: SRA, plus Post’s forecast for 2020/21

**Policy:**

On September 2, 2020, SRA issued [Sugar Order No. 1](#), which forecasts MY 2020/21 production to reach 2.19 MMT. About 93 percent of sugar production has been classified as “B” or for the domestic market, while the remaining seven percent has been classified as “A” for export the U.S. market. For the last five 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. SRA periodically assesses sugar allocation throughout the year based on the sugar supply situation.

**Stocks:**

SRA reports on raw and refined sugar stocks based on actual physical stocks at the mills. Ending stocks of raw sugar are up four percent despite the increase in withdrawals due to higher sugar output reached in MY2019/20. Meanwhile, ending stocks of refined sugar during the same period are up by 79 percent than the previous year due to a slowdown in purchases of refined sugar by industrial users. This was in part caused by lower beverage purchases of fast food chains and sugar purchases by other food service outlets due to the COVID-19 quarantine restrictions.

**Production, Supply, and Distribution Statistics:**

Sugar, Centrifugal Market Year Begins	2018/2019		2019/2020		2020/2021	
	Sep 2018		Sep 2019		Sep 2020	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	1067	1067	1147	1234	1127	1289
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	2100	2100	2000	2150	2000	2200
Total Sugar Production (1000 MT)	2100	2100	2000	2150	2000	2200
Raw Imports (1000 MT)	0	76	0	0	0	0
Refined Imp.(Raw Val) (1000 MT)	350	411	400	325	450	200
Total Imports (1000 MT)	350	487	400	325	450	200
Total Supply (1000 MT)	3517	3654	3547	3709	3577	3689
Raw Exports (1000 MT)	120	120	120	120	140	140
Refined Exp.(Raw Val) (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	120	120	120	120	140	140
Human Dom. Consumption (1000 MT)	2250	2300	2300	2300	2350	2300
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	2250	2300	2300	2300	2350	2300
Ending Stocks (1000 MT)	1147	1234	1127	1289	1087	1249
Total Distribution (1000 MT)	3517	3654	3547	3709	3577	3689
(1000 MT)						

Sugar Cane for Centrifugal Market Year Begins	2018/2019		2019/2020		2020/2021	
	Sep 2019		Sep 2019		Sep 2020	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	410	410	410	403	0	401
Area Harvested (1000 HA)	410	410	410	403	0	401
Production (1000 MT)	22000	22000	22000	23300	0	23500
Total Supply (1000 MT)	22000	22000	22000	23300	0	23500
Utilization for Sugar (1000 MT)	22000	22000	22000	23300	0	23500
Utilization for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	22000	22000	22000	23300	0	23500
(1000 HA), (1000 MT)						

**Attachments:**

No Attachments