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SUGAR SEMI-ANNUAL

Semi-Annual Report

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Report Highlights:
Raw sugar production for CY2009/10 is projected to increase to 2.20 MMT due to high world sugar prices as well as an expansion of sugarcane production for ethanol plants. As of October 28, 2009, raw sugar prices reached as high as P1,460/50 kg bag; while refined sugar reached P1,900/50 kg bag, despite price control efforts of the Philippine government in Luzon due to typhoon related damages.

Commodities:
Sugar, Centrifugal

Production:
According to the Philippine Sugar Regulatory Administration (SRA), Philippine raw sugar production reached 2.1 million metric tons (MMT) in FY2008/09, slightly higher than the original SRA estimate of 2.05 MMT, but a decrease of almost 15 percent from the previous crop year. Total area devoted to sugarcane production in CY 2008/09 was 392,567 hectares.

Raw sugar production is projected to increase in CY 2009/10 to about 2.16-2.20 MMT due to high international sugar prices as well as an expansion in sugarcane production for ethanol plants. 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 P1,300 (based on P950/50-kg bag of raw sugar). In CY 2008/09, the average mill site price per 50-kg bag of "A" raw sugar was P884 for the U.S. market; P1,034 for "B" raw sugar for the domestic market; P880 for "C" sugar; P742 for "D" sugar; P590 for Dx sugar; P579 for "Dr" sugar and P609 for "De" sugar . The average composite price was P945.

Note: "D" for world market sugar -"Dr" world export reserve; "De" for sugar-based food exporters and "Dx" for world export.

Wholesale and retail prices of raw and refined sugar in Metro Manila for CY2008/09 follows:

RAW AND REFINED SUGAR PRICES				
CY 2008/09	**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	1,190.62	30.45	1,606.19	37.97
October	1,150.16	30.60	1,525.92	37.89
November	1,113.20	30.54	1,507.73	37.71
December	1,065.54	30.28	1,476.79	37.26
January	1,113.10	30.15	1,542.03	37.26
February	1,128.28	30.03	1,546.87	37.12
March	1,124.88	30.09	1,538.69	37.03
April	1,115.00	29.86	1,525.00	36.85
May	1,123.91	29.45	1,534.38	36.47
June	1,200.42	29.45	1,631.66	36.58
July	1,206.67	29.71	1,631.47	36.83
August	1,277.39	29.67	1,705.71	36.80

Average	1,150.76	30.02	1,564.37	37.15

Source: Sugar Regulatory Administration

As of October 28, 2009, prevailing wholesale price of raw sugar was at P1,460 while wholesale price for refined sugar was at P1,900 per bag; prevailing retail price of raw sugar was P30/kg, while refined sugar price was P38/kg. Price of sugarcane can be estimated at about P1,800/MT, at present prices.

Consumers and large sugar users have reported of a tight supply in refined sugar and an increase in prices despite a government-imposed cap. Local sugar producers have requested the Department of Trade and Industry (DTI) to adjust the price ceiling on sugar to P41 per kilo from the current P38 per kilo to accurately reflect the prevailing mill gate price of raw sugar. According to the SRA, the scarcity of refined sugar in the market is due to the refusal of sugar growers to sell their raw sugar to millers until they get an assurance on a fair price.

Sugar prices rose to over P1,400 per bag about two weeks ago and have settled to about P1,350 per bag, making current world market and domestic sugar prices almost at par compared to last year when world market price was significantly lower at P600 per bag while domestic price was P1,100 per bag. World sugar prices have gone up due to the reported devastation of sugar crops in Brazil and India.

U.S. Dollar to Philippine Peso Exchange Rates from 2005 to November 5, 2009 follows:

Exchange Rate	**2005**	**2006**	**2007**	**2008**	**Nov. 5 2009**
US1$=PhP	55.09	51.31	46.15	44.47	47.57

Source: Bangko Sentral ng Pilipinas

Consumption:

Domestic sugar consumption has been traditionally measured by monitoring sugar withdrawals from the mills. Domestic sugar withdrawals were previously projected to reach 2.05 MMT in CY 2008/09, however, final estimates show an increase in withdrawals to about 2.1 MMT. Consumption in 2009/10 is projected increase slightly to 2.15MT as demand for sugar by local food manufacturers is expected to increase as we see an improvement in the Philippine economy .

RAW SUGAR (DOMESTIC) WITHDRAWALS CY 2008/09	
MONTH	**METRIC TONS (MT)**
September	69,703
October	83,258
November	142,452
December	112,293
January	148,737

February	182,586
March	225,232
April	161,044
May	248,816
June	227,301
July	137,107
August	69,633
TOTAL	**1,808,162**

Source: Sugar Regulatory Administration

MOLASSES PRICES CY 2008/09	
MONTH	**Average Price (Pesos/MT)**
September	4,178.00
October	4,217.97
November	4,048.76
December	3,823.02
January	3,956.80
February	4,038.96
March	4,151.16
April	4,418.13
May	4,354.21
June	3,868.33
July	NB
August	5,942.50
Average	**4,272.53**

Source: Sugar Regulatory Administration

Trade:
No imports are forecast for CY 2009/10 due to projected adequate sugar production projected for the current crop year. Under the U.S. Tariff Rate Quota program, raw sugar exports for 2009/10, is set at 142,160 MT (136, 201 MT Commercial Weight), while exports to the world market are projected to reach 20,000 MTRV.

Policy:
ASEAN: In 2008, the Philippine Government requested the Association of Southeast Asian Nations (ASEAN) Free Trade Area (AFTA) Council for the transfer of raw and refined sugar from the sensitive to the highly sensitive list of the AFTA Common Effective Preferential Tariff (CEPT) scheme in order to retain sugar tariffs at 38 percent for the next three to five years at the least. While there are reportedly some indications that Thailand may agreeable to a tariff freeze on sugar, this issue remains unresolved due to ongoing negotiations for continued protection for rice.

Ethanol Tariffs: The Ethanol Producers Association of the Philippines (EPAP) has requested the Philippine Tariff Commission for the increase to 20 percent of the current 1-percent tariff imposed on imported ethanol. According to EPAP, at least P54 billion in fresh investments for ethanol production are now being delayed until there is a clear signal from the Philippine government that their projects will get enough support, starting with a considerable tariff protection. According to the Tariff Commission, the petition will require lengthy deliberation, particularly since increasing the tariff to 20 percent is socially sensitive owing to the resulting increase in ethanol-blended gasoline price.

Marketing:

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Philippines	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Sep 2007			Market Year Begin: Sep 2008			Market Year Begin: Sep 2009		
	USDA Official Data		Old Post Data	USDA Official Data		Old Post Data	USDA Official Data		Jan Data
Beginning Stocks	262	262	262	547	547	547	247	247	322
Beet Sugar Production	0	0	0	0	0	0	0	0	0
Cane Sugar Production	2,455	2,455	2,455	2,050	2,050	2,100	2,250	2,250	2,200
Total Sugar Production	2,455	2,455	2,455	2,050	2,050	2,100	2,250	2,250	2,200
Raw Imports	0	0	0	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0	0	0	0
Total Supply	2,717	2,717	2,717	2,597	2,597	2,647	2,497	2,497	2,522
Raw Exports	240	240	240	300	300	225	140	140	160
Refined Exp.(Raw Val)	0	0	0	0	0	0	0	0	0
Total Exports	240	240	240	300	300	225	140	140	160
Human Dom. Consumption	1,900	1,900	1,900	2,050	2,050	2,100	2,100	2,100	2,150
Other Disappearance	30	30	30	0	0	0	0	0	0
Total Use	1,930	1,930	1,930	2,050	2,050	2,100	2,100	2,100	2,150
Ending Stocks	547	547	547	247	247	322	257	257	212
Total Distribution	2,717	2,717	2,717	2,597	2,597	2,647	2,497	2,497	2,522
TS=TD			0			0			0
Comments									

Sugar Cane for Centrifugal Philippines	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Sep 2004			Market Year Begin: Sep 2005			Market Year Begin: Sep 2006		
	USDA Official Data		Old Post Data	USDA Official Data		Old Post Data	USDA Official Data		Jan Data
Area Planted	395	398	398	395	398	393		398	395
Area Harvested	390	393	393	393	393	388		393	390
Production	24,300	26,500	26,500	24,500	26,500	21,600		26,500	22,400
Total Supply	24,300	26,500	26,500	24,500	26,500	21,600		26,500	22,400
Utilization for Sugar	24,300	26,500	26,500	24,500	26,500	21,600		26,500	22,400
Utilizatn for Alcohol	0	0		0	0			0	
Total Utilization	24,300	26,500	26,500	24,500	26,500	21,600		26,500	22,400
TS=TD			0			0			0