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## **Philippines**

### **Sugar Annual**

#### **Situation and Outlook**

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**Report Highlights:**

Market Year (MY) 2017/18 raw sugar production is expected to drop to 2.3 million metric tons (MMT) from 2.5 MMT in MY 2016/17 due to unfavorable weather conditions and lower sugar content and tonnage of cane produced. Industry contacts anticipate demand for sugar to rise due to a rapidly developing food processing industry and a growing population. Post projects sugar consumption for MY 2017/18 to increase slightly from the previous year as beverage manufacturers purchase additional local sugar due to tighter regulations on the importation of high-fructose corn syrup (HFCS) and new excise taxes. Raw sugar exports in MY 2016/17 were revised upwards 100,000 metric tons (MT) to 300,000 MT on updated data and a bumper crop but are expected to decline in MY 2017/18 to 220,000 MT due to a reduction in sugar earmarked for the world market by the Sugar Regulatory Administration (SRA).

**Commodities:**

Sugar Cane for Centrifugal  
Sugar, Centrifugal

**Production:**

According to Philippine Sugar Regulatory Administration (SRA) and industry sources, raw sugar production in MY 2017/18 (December/November) is forecast to drop by 8 percent to 2.3 MMT from a record high of 2.5 MMT reached in 2016/17. This new estimate is lower than the previous target of 2.38 MMT set by SRA at the start of the crop year. The drop in sugar production is mostly attributed to unfavorable weather conditions particularly during the vegetative or growth stage in many sugarcane producing provinces, which should affect sugar content and weight of cane. MY 2018/19 raw sugar production is expected to remain at the same levels.

<b>MONTHLY RAW SUGAR PRODUCTION (Metric Tons)</b>			
	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18*</b>
<b>December</b>	305,998	254,142	303,101
<b>January</b>	487,342	345,500	256,336
<b>February</b>	414,241	391,748	77,292
<b>March</b>	310,197	399,240	
<b>April</b>	192,698	387,838	
<b>May</b>	94,792	248,421	
<b>June</b>	19,506	128,233	
<b>July</b>	791	38,262	
<b>August</b>	2,854	661	
<b>September</b>	20,856	11,692	
<b>October</b>	127,204	125,175	
<b>November</b>	158,404	180,585	
<b>TOTAL</b>	<b>2,134,883</b>	<b>2,511,497</b>	

Source: Sugar Regulatory Administration

\* Through March 20, 2018 only.

Note: In 2013, USDA revised the official Marketing Year from September/August to December/November

Crop Year (CY) 2017/18 (September-August) sugarcane production area increased to 424,000 hectares from 421,000 hectares the previous year: however, cane production is expected to drop to 25 MMT due to poor weather conditions.

<b>RAW SUGAR &amp; SUGARCANE PRODUCTION, AREA PLANTED</b>			
<b>Crop Year September/August</b>			
	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18*</b>
RAW SUGAR PRODUCTION (MT)	<b>2,238,872</b>	<b>2,500,509</b>	<b>2,300,000</b>
SUGARCANE MILLED (MT)	23,254,083	28,005,461	25,000,000
TOTAL AREA PLANTED (HAS)	413,435	421,358	424,199

Source: Philippine Sugar Regulatory Administration- 2015/16; 2016/17 final; and 2017/18 preliminary SRA and Post estimates

The island of Negros continues to account for 55 percent of domestic sugar production; followed by Mindanao, 21 percent; Luzon, 14 percent; Panay, 7 percent; and Eastern Visayas, 3 percent. Roughly 90 percent of total Philippine production comes primarily from four major sugar planter federations and three major miller associations. There are about 27 sugar mills and 12 sugar refiners in the country.

According to SRA, there are about 65,000 sugarcane farmers in the country and increasing due to the Comprehensive Agrarian Reform Program. Of these, 79 percent have landholdings less than five hectares in size and less than 1 percent have farms greater than 100 hectares. Being a plantation crop, farms of more than 100 hectares have an average productivity of 7.34 MT/ha, while smaller farms of less than 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.

In MY 2016/17, the average millsite price of “A” raw sugar for the U.S. market was P1,230/50-kg bag. The average mill site price for “B” raw sugar for the domestic market was P1,394/50-kg bag. Average price for “D” raw sugar for the world market was P740/50-kg bag. The average composite price for all three was P1,311/50-kg bag.

Domestic “B” sugar prices have begun to strengthen in March 2018 to P1,440 from P1,382 a year ago due in part to lower domestic sugar output, a shift back to refined sugar from high-fructose corn syrup (HFCS) as a result of discriminatory taxes on HFCS vs. sugar-sweetened beverages combined with additional regulations on the importation of HFCS.

<b>Philippine Millsite Prices (Pesos)</b>
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<b>MY 2016/17</b>	<b>"A" US Quota</b>	<b>"B" Domestic</b>	<b>"D" World</b>	<b>Composite Price</b>
December	1,253	1,546	-	1,523
January	1,258	1,538	-	1,517
February	1,319	1,470	-	1,461
March	1,345	1,382	873	1,325
April	1,288	1,385	755	1,249
May	1,231	1,384	755	1,249
June	1,195	1,387	660	1,230
July	1,157	1,324	637	1,176
August	-	-	-	-
September	1,140	1,359		1,271
October	1,172	1,330		1,252
November	1,170	1,225	758	1,173
<b>Average</b>	1,230	1,394	740	1,311
<b>MY 2017/18</b>				
December	1,180	1,301	761	1,235
January	1,153	1,391	664	1,313
February	1,139	1,386	635	1,364
March	1,124	1,440	617	1,413

Source: Philippine Sugar Regulatory Administration

U.S. Dollar to Philippine Peso Exchange Rates follows:

<b>Exchange Rate</b>	<b>2016</b>	<b>2017</b>	<b>March 2018</b>
<b>US\$=PhP</b>	47.49	50.40	52.09

Source: Bangko Sentral ng Pilipinas

Monthly Molasses Prices at millsite have started to rise in March 2018:

<b>MOLASSES PRICES (Pesos/MT)</b>	
<b>MY 2016/17</b>	
December	9,428
January	9,079
February	8,658
March	7,607
April	6,562
May	5,891
June	6,952
July	8,276
August	-
September	6,762
October	6,281
November	4,109
<b>MY 2017/18</b>	
December	4,373
January	4,651
February	5,439
March	6,187

Source: Sugar Regulatory Administration

### **Consumption:**

In the Philippines, consumption is typically measured by monitoring sugar withdrawals from the mills by traders and industrial users (as mills are the main holders of the country's stocks).

According to SRA data, MY 2016/17 withdrawals remained relatively flat. Post estimates sugar demand slightly higher than SRA at 2.2 MMT in MY 2016/17 with consumption rising marginally to 2.25 MMT in MY 2017/18 as more industrial users begin to use local sugar due to lower excise taxes on sugar-sweetened beverages vs. non-caloric and HFCS-sweetened beverages (see Policy Section) and the amended Sugar Order No. 3, which places additional regulations on the importation of HFCS. Demand for sugar is expected to remain flat in MY 2018/19 as prices of sugar-sweetened beverages increase due to new taxes.

<b>DOMESTIC RAW SUGAR WITHDRAWALS</b> <b>(in Metric Tons)</b>
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<b>MONTH</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
<b>December</b>	142,395	125,688	162,793
<b>January</b>	268,522	195,720	153,946
<b>February</b>	288,358	193,320	32,049
<b>March</b>	219,244	236,687	
<b>April</b>	167,077	287,449	
<b>May</b>	225,027	192,025	
<b>June</b>	190,784	212,758	
<b>July</b>	210,836	201,961	
<b>August</b>	108,476	147,681	
<b>September</b>	79,753	87,442	
<b>October</b>	121,623	140,699	
<b>November</b>	121,505	130,575	
<b>TOTAL</b>	2,143,600	2,152,005	

Source: Philippine Sugar Regulatory Administration

About 80 percent of 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, bakeshops 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.

Wholesale prices of raw and refined sugar in Metro Manila have dropped since 2016/17, but have begun to recover starting February 2018 as result of the reallocation of sugar from world to domestic market by SRA (see Policy SO No. 1-A) due to tighter supplies. Retail prices of raw and refined sugar have remained more stable, declining only slightly.

<b>RAW AND REFINED SUGAR PRICES</b>				
	<b>Raw Sugar</b>		<b>Refined Sugar</b>	
	Wholesale Price	Retail Price	Wholesale Price	Retail Price



<b>17.01</b>		<b>Cane or beet sugar and chemically pure sucrose, in solid form.</b>					
		- 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-AFTA countries, under the Uruguay Round of the World Trade Organization (WTO), the Philippines committed to a final 10th-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 (which essentially



blocks all imports under this agreement). These Most Favored Nation (MFN) tariffs have not changed since 2005. Tariff rates follow:

<b>HEADING</b>	<b>ASEAN HARMONIZED TARIFF CODE</b>	<b>DESCRIPTION</b>	<b>M F N</b>
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 & 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: [https://www.sra.gov.ph/policy/?tab=sugar\\_order](https://www.sra.gov.ph/policy/?tab=sugar_order)

**Sugar Order No. 1-A:** SRA issued sugar order No 1-A on January 25, 2018 which revised allocation due to an anticipated shortfall in production as follows: 93 percent for the domestic market, 6 percent for the U.S. market and 1 percent to the world market.

<https://www.sra.gov.ph/wp-content/uploads/2018/01/2017-2018-SO-1-A-AMENDING-SUGAR-ORDER-NO.1.pdf>

**Sugar Order No. 3:** On February 17, 2017, the SRA issued Sugar Order No. 3 (SO No. 3), which placed restrictions on the importation on HFCS as a result of expanding imports that were allegedly disrupting the domestic market for sugar. However, Sugar Order No. 3-A was subsequently issued with revised HFCS guidelines, lowering clearance fees and easing the requirements, making it easier for importing companies to comply.

<https://www.sra.gov.ph/wp-content/uploads/2017/02/2016-2017-SO3-GUIDELINES-ON-THE-ISSUANCE-OF-CLEARANCE0001.pdf>

<https://www.sra.gov.ph/wp-content/uploads/2017/03/2016-2017-SO3-A-AMENDMENT-TO-SO3-S2016-2017.pdf>

**Sugar Order No. 6:** On February 20, 2018, the SRA issued Sugar Order No. 6 (SO No. 6), which amended SO No. 3 or the “Guidelines on the Issuance of Clearance for Release of Imported High Fructose Corn Syrup (HFCS) and Chemically Pure Fructose.” SO No. 6 stated that only imported fructose classified as “B” for the local market or “D” for the world market can be withdrawn by the importer or consignee from the Bureau of Customs or warehouse registered with SRA. (There are five classes of sugar. See Marketing Section.)

<https://www.sra.gov.ph/wp-content/uploads/2018/03/2017-2018-SO6-AMENDMENT-TO-SO3-2016-2017.pdf>

**Sugar Industry Development Act:** Republic Act 10659, otherwise known as 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. It is composed of five main programs: Human Resource Development; Research, Development, and Extension; Block Farm; Socialized Credit under the Farm Support and Farm Mechanization; and Infrastructure Support.

**New Excise Tax on Sweetened Beverages:** Drinks with caloric and non-caloric sweeteners will be taxed P6 (\$.12, \$1=P50) per liter while those using high-fructose corn syrup will be charged P12 (\$.24) per liter. All milk (whether powdered, ready-to-drink, flavored or fermented) will be excluded from tax, as well as ground and 3-in-1 coffee and 100-percent-natural fruit and vegetable juices, meal replacements and medically-indicated drinks, and beverages sweetened with stevia or coco sugar. This new 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.

### **Marketing:**

Most sugar in the Philippines is produced and marketed under the long established “quedan” system. In this sharing arrangement, the sugarcane planter allocates a percentage of the output (30-35 percent) of his 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 his 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 & 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.

**Production, Supply and Demand Data Statistics:**

Sugar, Centrifugal Market Begin Year	2016/2017		2017/2018		2018/2019	
	Dec 2016		Dec 2017		Dec 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Philippines						
Beginning Stocks	1054	1054	1254	1104	0	1034
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2500	2500	2380	2300	0	2300
Total Sugar Production	2500	2500	2380	2300	0	2300
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	100	50	100	100	0	100
Total Imports	100	50	100	100	0	100
Total Supply	3654	3604	3734	3504	0	3434
Raw Exports	200	300	250	220	0	220
Refined Exp.(Raw Val)	0	0	0	0	0	0
Total Exports	200	300	250	220	0	220
Human Dom. Consumption	2200	2200	2250	2250	0	2250
Other Disappearance	0	0	0	0	0	0
Total Use	2200	2200	2250	2250	0	2250
Ending Stocks	1254	1104	1234	1034	0	964
Total Distribution	3654	3604	3734	3504	0	3434

(1000 MT)

Sugar Cane for Centrifugal Market Begin Year	2016/2017		2017/2018		2018/2019	
	Sep 2016		Sep 2016		Sep 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Philippines						
Area Planted	419	421	415	424	0	424
Area Harvested	0	421	0	424	0	424
Production	28500	28000	25000	25000	0	25000
Total Supply	28500	28000	25000	25000	0	25000
Utilization for Sugar	28500	28000	25000	25000	0	25000
Utilizatn for Alcohol	0	0	0	0	0	0
Total Utilization	28500	28000	25000	25000	0	25000

(1000 HA) ,(1000 MT)