Required Report - public distribution

Date:
GAIN Report Number:

Philippines

Sugar Semi-annual

Sugar Situation and Outlook

Approved By:
William Verzani

Prepared By:
Pia Ang

Report Highlights:
Philippine raw sugar production increased 21 percent to 2.4 million metric tons (MMT) in Crop Year 2010/11 (September to August), while cane production rose 33 percent to 25,900 MMT over the same period. The increase was due mainly to higher yields from favorable weather conditions as well as a price-induced expansion in sugarcane area. Despite a small increase in sugarcane area, the Philippine Sugar Regulatory Administration (SRA) projects raw sugar production in 2011/12 to be the same. The SRA has said that they expect to export at least 300,000 MT of raw and refined sugar to the world market in addition to the U.S. quota of 144,901 Metric Tons Raw Value (MTRV). Negligible damage to the sugarcane crop was reported from the multiple typhoons that passed through the Philippines in the summer and fall of 2011.

Commodities:

Sugar, Centrifugal

Sugar Cane for Centrifugal

Production:

According to the Philippine Sugar Regulatory Administration (SRA), Philippine raw sugar production increased 21 percent to 2.4 million metric tons (MMT) in Crop Year 2010/11 (September to August), while cane production rose 33 percent to 25,900 MMT over the same period, due mainly to higher yields from favorable weather conditions as well as a price-induced increase in sugarcane area. Raw sugar production in 2011/12 is projected to remain at about the same level despite the increase in sugarcane area from 390,000 hectares (ha) to 400,000 ha. Minimal damage to the sugarcane crop is reported from typhoons Pedring and Quiel, which passed through the northern Philippines, as the vast majority of sugarcane production is concentrated in the central and southern regions of the country.

Within the next three years, the Philippine Department of Agriculture (DA) aims to expand the sugarcane planted area from 400,000 hectares (ha) to 470,000 ha, increase farm productivity from 63 tons cane per hectare (TC/H) to 75 TC/H and raise sugar yield from 1.9 bags per ton cane to 2.1 bags per ton cane through a new DA initiative called the Sugarcane Industry Roadmap, a program that promotes block farming and mechanization.

While there is no formal trade in sugarcane due to the unique “quedan” system (Under this arrangement a sugarcane planter allocates a percentage of his output to the mill in payment for the processing of the cane. The mill then issues a warehouse receipt, called a *quedan,* to the farmer representing his share of the sugar), industry sources report that a metric ton of sugarcane can be roughly valued at about P2,900 (based on P2,300/50-kg bag of raw sugar). In CY 2010/11, the average mill site price of “A” raw sugar for the U.S. market was P1,388.48/50-kg bag, up nine percent from P1,281.31/bag the previous year. Average millsite price for “B” raw sugar for the domestic market was P1,899.77/50-kg bag, up 20 percent from P1,587.80 the previous year. The average composite price was P1,863.98, up 20 percent from the 2009/10 price of P1,554.25. Wholesale and retail prices of raw and refined sugar in Metro Manila for CY2010/11 follow:

DOMESTIC RAW AND REFINED SUGAR PRICES				
CY 2010/11	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	2,300.00	51.00	2,600.00	56.00
October	2,500.00	52.00	2,700.00	56.00
November	2,550.00	55.00	2,850.00	58.00
December	2,650.00	57.00	3,150.00	64.00
January	2,500.00	60.00	3,000.00	64.00
February	2,400.00	60.00	2,800.00	64.00
March	2,100.00	60.00	2,600.00	64.00
April	2,000.00	54.00	2,500.00	62.00
May	1,900.00	50.00	2,400.00	60.00
June	1,550.00	50.00	2,050.00	60.00
July	1,430.00	44.00	1,950.00	50.00
August	1,350.00	40.00	1,850.00	50.00
AVERAGE	**2,102.50**	**52.75**	**2,537.50**	**59.00**

Source: Sugar Regulatory Administration

As of September 20, 2011, the prevailing wholesale price of raw sugar was at P1,446.20, while the wholesale price for refined sugar was at P1,932.00/50-kg bag. The prevailing retail price of raw sugar was P40.06/kg, while the refined sugar price was P47.05/kg.

U.S. Dollar to Philippine Peso Exchange Rates from 2007 to September 30, 2011 follow:

Exchange Rate	**2007**	**2008**	**2009**	**2010**	**Sept. 30, 2011**
US1$=PhP	46.15	44.47	47.64	45.11	43.79

Source: Bangko Sentral ng Pilipinas

Consumption:

Domestic sugar consumption has been traditionally measured by monitoring sugar withdrawals from the mills. Domestic sugar withdrawals only reached 1.716 MMT in CY 2010/11 due to a reported shift by industrial users from cane sugar to other sweeteners. As a result, ending stocks of raw sugar increased significantly. Accordingly, the price of raw sugar fell from a high of P2,650/50-kg bag in December 2010 to P1,350/bag in August 2011 and refined sugar prices dropped from a high of P2,600/50-kg bag in September 2010 to about P1,850/bag in August 2011. Industrial demand for local sugar is expected to strengthen with the reported decline in domestic sugar prices.

RAW SUGAR (DOMESTIC) WITHDRAWALS CY 2010/11	
MONTH	**METRIC TONS (MT)**
September	35,608
October	69,881
November	86,266
December	124,984
January	167,546
February	205,651
March	210,924
April	202,628
May	178,174
June	178,397
July	144,750
August	111,696
TOTAL	**1,716,505**

Source: Sugar Regulatory Administration

MOLASSES PRICES CY 2010/11	
MONTH	**Average Price (Pesos/MT)**
September	8,773.75
October	9,059.61
November	9,169.23
December	7,522.23
January	6,799.42
February	6,552.68
March	5,411.88
April	4,527.50
May	3,022.67
June	2,818.99
July	2,406.50
August	2,605.00
AVERAGE	5,722.46

Source: Sugar Regulatory Administration

Trade:

Raw sugar exports to the U.S. for 2011/12, under the U.S Tariff Rate Quota Program, are set at 144,901 MT (138,827 MT Commercial Weight), up slightly from the initial 142,160 MTRV allocated in the previous year. In addition, with increased sugarcane production predicted for this year, the SRA expects the Philippines to export at least 300,000 MT of raw and refined sugar to the rest of the world. No imports are expected for CY 2011/12 due to projected adequate sugar production for the current crop year.

Policy:

ASEAN: Under the ASEAN Free Trade Agreement (AFTA) agreement, the tariff on sugar from ASEAN countries will be reduced from the current 38 percent to 28 percent next year, then to 18 percent in 2013. The rate will go down to 10 percent in 2014 and finally to five percent in 2015. The Philippine DA aims to make the country's sugar industry globally competitive in time for the full implementation of AFTA through programs such as the Sugar Industry Roadmap which will promote block farming or the operational consolidation of small farms to take advantage of plantation scale production.

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Philippines	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	322	322	394	394	392	842
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2,000	2,000	2,200	2,400	2,100	2,400
Total Sugar Production	2,000	2,000	2,200	2,400	2,100	2,400
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	250	250	0	0	0	0
Total Imports	250	250	0	0	0	0
Total Supply	2,572	2,572	2,594	2,794	2,492	3,242
Raw Exports	178	178	202	202	142	395
Refined Exp.(Raw Val)	0	0	0	0	0	50
Total Exports	178	178	202	202	142	445
Human Dom. Consumption	2,000	2,000	2,000	1,750	2,000	2,000
Other Disappearance	0	0	0	0	0	0
Total Use	2,000	2,000	2,000	1,750	2,000	2,000
Ending Stocks	394	394	392	842	350	797
Total Distribution	2,572	2,572	2,594	2,794	2,492	3,242
1000 MT						

Sugar Cane for Centrifugal Philippines	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	404	388	404	395		405
Area Harvested	400	383	400	390		400
Production	19,500	19,500	20,500	25,900		26,000
Total Supply	19,500	19,500	20,500	25,900		26,000
Utilization for Sugar	19,500	19,500	20,500	25,900		26,000
Utilizatn for Alcohol	0		0			
Total Utilization	19,500	19,500	20,500	25,900		26,000
1000 HA, 1000 MT						