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**Date:**

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## **Philippines**

### **Sugar Semi-annual**

#### **Situation and Outlook**

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**Report Highlights:**

Though a minor player in the international sugar market due to its high production costs, the Philippines is the 8<sup>th</sup> largest sugarcane producer and the third largest U.S. sugar quota recipient. Market Year 2012/13 (December/November) raw sugar production is expected to reach 2.46 MMT, up 2.5 percent over 2011/12. The increase is due to an expansion in sugarcane area, favorable weather conditions, improved farm yields, and higher sugar recovery from cane. Consumption is projected to increase to 2.2 MMT in MY 2012/13 due to strong economic growth and thousands of political campaign events related to national and local elections in mid-2013. Post forecasts total raw sugar exports for MY 2012/13 at 250,000 MT, the majority of which will go to markets other than the United States, due to the large U.S. surplus. While domestic sugar prices have remained relatively stable in

2013, prices of sugar for the U.S. and the world market dropped sharply.

**Commodities:**

Sugar Cane for Centrifugal

Sugar, Centrifugal

**Production:**

Based on Philippine Sugar Regulatory Administration (SRA) figures, Market Year (MY) 2012/13 (December/November) raw sugar production is expected to reach 2.46 MMT (a 2.5 percent increase over the previous year) due to a slight increase in sugarcane area (up one percent to 426,160 hectares) and higher sugar recovery from cane. Sugar cane harvest is expected to reach 24.76 MMT this year due to favorable weather conditions and improved farm yields. According to the Sugar Regulatory Administration (SRA), average farm yields have increased from 57.05 tons cane/hectare (TC/ha) last year to 58.09 TC/ha in 2013. Sugar recovery improved from 1.87 50-kg bags/TC (LKg/TC) in 2012 to 1.99 LKg/TC this year.

Post estimates raw sugar production for MY 2013/14 will increase to 2.5 MMT or higher due to expected use of better fertilizers, improved cultivation practices and stable domestic sugar prices. On August 30, 2013, 86 percent (2.107 MMT) of total projected sugar production of 2.45 MMT for Crop Year (CY) 2013/14 (September/August) was earmarked as “B” sugar for the domestic market. The SRA operates a multi-tiered quota system to support domestic prices. “A” quota is designated for the United States; “B” for domestic; “C” for reserve; and “D” for “non-U.S.” markets. The amount allocated to each tier is determined in August/September of each year.

<b>SUGAR PRODUCTION</b>			
<b>Crop Year September/August</b>			
	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
<b>Raw Sugar Production (MT)</b>	2,399,115	2,244,131	2,457,393
<b>Area Planted (HA)</b>	409,381	422,384	426,164
<b>Sugar Cane (MT)</b>	26,766,686	24,094,907	24,757,658

Source: Philippine Sugar Regulatory Administration

Note: The Philippines follows a Crop Year that begins in September and ends in August

In CY 2012/13, the average millsite price of “A” raw sugar for the U.S. market was P746/50-kg bag, down nearly 40 percent from P1,234/50-kg bag the previous year. This sharp drop in price of U.S. sugar was due the huge U.S. surplus caused by increased Mexican access to the U.S. sugar market as a result of NAFTA. Average millsite price for “D” sugar for the world market also dropped 32 percent, from P1,128/50-kg bag in CY 2011/12 to P769 in CY 2012/13. This created the unusual occurrence of world market prices being higher than U.S. sugar prices (“A” sugar has traditionally enjoyed a price premium over “D” sugar). The average composite price in CY2012/13 was P1,280/bag, down five percent from the previous year’s price of P1,346/bag.

In contrast to volatile U.S. and world sugar prices, domestic sugar prices in CY 2012/13 were relatively stable through September. The national average millsite price for “B” sugar for the domestic market in

CY 2012/13 was P1,395/50-kg bag, down two percent from the previous year. Both wholesale and retail prices of sugar dropped from the start of the crop year due to abundant local supplies. Wholesale and retail prices of raw and refined sugar in Metro Manila for CY 2012/13 follow:

<b>DOMESTIC RAW AND REFINED SUGAR PRICES</b>				
<b>CY 2012/13</b>	<b>Raw Sugar</b>		<b>Refined Sugar</b>	
	Wholesale Price (Pesos/per 50 Kg. Bag)	Retail Price (Pesos/per 1 Kg. Bag)	Wholesale Price (Pesos/per 50 Kg. Bag)	Retail Price (Pesos/per 1 Kg. Bag)
September	1,755.00	42.33	2,237.83	50.11
October	1,674.54	42.09	2,070.79	50.55
November	1,501.75	42.65	1,972.29	49.95
December	1,439.00	42.18	1,899.50	49.38
January	1,444.75	41.58	1,902.25	48.84
February	1,510.00	39.69	1,953.00	47.56
March	1,496.19	39.14	1,927.42	47.28
April	1,576.59	38.98	1,976.48	47.11
May	1,620.22	40.65	2,015.00	47.55
June	1,612.88	39.75	2,014.38	47.39
July	1,590.78	40.70	1,997.78	47.73
August	1,579.46	39.40	1,979.75	47.33

Source: Philippine Sugar Regulatory Administration

U.S. Dollar to Philippine Peso Exchange Rates from 2011 to September 24, 2013 follow:

<b>Exchange Rate</b>	<b>2011</b>	<b>2012</b>	<b>September 2013</b>
<b>US\$=PhP</b>	43.31	42.23	43.18

Source: Bangko Sentral ng Pilipinas

### **Consumption:**

Domestic sugar consumption is measured by monitoring withdrawals from the mills. Consumption is expected to increase to 2.20 MMT in MY 2012/13 from 2.15 MMT the previous year due to strong economic growth and thousands of political campaign events related to the recent national and local elections in mid-2013. Sugar consumption in MY 2013/14 is likely to continue rising to about 2.25 MMT as industrial users react positively to attractive and stable prices, strong GDP growth of 7.5 percent, and a large and growing population.

Monthly raw sugar withdrawals for MY 2012/13 follow:

<b>DOMESTIC RAW SUGAR WITHDRAWALS</b> (in MT)		
<b>MONTH</b>	<b>2011/12</b>	<b>2012/13</b>
<b>December</b>	159,643	229,174

<b>January</b>	217,870	185,514
<b>February</b>	214,197	215,486
<b>March</b>	204,341	250,657
<b>April</b>	243,650	273,794
<b>May</b>	159,065	201,383
<b>June</b>	190,185	195,825
<b>July</b>	172,863	109,941
<b>August</b>	169,425	123,630
<b>September</b>	103,750	-
<b>October</b>	127,423	-
<b>November</b>	167,935	-
<b>TOTAL</b>	2,130,347	

Source: Philippine Sugar Regulatory Administration

Monthly molasses prices for CY 2012/13 follow:

<b>MOLASSES PRICES (Pesos/MT)</b>	
<b>MY 2012/13</b>	
December	5,619
January	5,846
February	5,552
March	5,586
April	6,067
May	6,625
June	6,625
July	6,125
August	5,918
September	-
October	-
November	-

Source: Philippine Sugar Regulatory Administration

### **Trade:**

Post forecasts total raw sugar exports for MY 2012/13 will be 250,000 MT, the majority of which will go to markets other than the United States. At the request of the USG to voluntarily limit exports due to abundant U.S. supply of sugar, Philippine exports of raw sugar only reached 53,960 MT in CY 2012/13, significantly lower than the U.S. quota of 138,827 MT (144,901 MT Raw Value). World Market raw sugar exports in CY 2012/13 reached 188,440 MT (down 45 percent from the previous year). These export markets include Japan, South Korea and Tonga.

FY 2014 exports to the United States under the tariff rate quota program are set at 137,353 MT (142,160 MT Raw Value). In CY 2013/14, due to a large overhang of unshipped sugar earmarked for the U.S. market from the previous year, the SRA has set "A" sugar intended for the U.S. market at only 2 percent (49,000 MT) of projected total production of 2.45 MMT (normally allocated at about 10 percent of total domestic supply). About 12 percent (294,000 MT) has been earmarked for the world market. Total exports are projected to reach 350,000 MT in CY 2013/14, mostly to the world market. Despite low

U.S. sugar prices, the SRA has stated that the United States continues to be a reliable market and remains an instrument to stabilize domestic sugar supply.

While official imports for MY 2012/13 and the next year are expected to remain at zero, the industry widely cites “undocumented” imports primarily from Thailand. Imports of sugar from ASEAN partners are expected to increase significantly starting in 2015 when tariffs drop from 18 percent to 5 percent.

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

Sugar, Centrifugal Philippines	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Dec 2011		Market Year Begin: Dec 2012		Market Year Begin: Dec 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Beginning Stocks</b>	870	870	838	838	838	838
<b>Beet Sugar Production</b>	0	0	0	0	0	0
<b>Cane Sugar Production</b>	2,400	2,400	2,450	2,450	2,500	2,500
<b>Total Sugar Production</b>	2,400	2,400	2,450	2,450	2,500	2,500
<b>Raw Imports</b>	0	0	0	0	0	0
<b>Refined Imp.(Raw Val)</b>	0	0	0	0	0	0
<b>Total Imports</b>	0	0	0	0	0	0
<b>Total Supply</b>	3,270	3,270	3,288	3,288	3,338	3,338
<b>Raw Exports</b>	281	281	250	250	350	350
<b>Refined Exp.(Raw Val)</b>	1	1	0	0	0	0
<b>Total Exports</b>	282	282	250	250	350	350
<b>Human Dom. Consumption</b>	2,150	2,150	2,200	2,200	2,250	2,250
<b>Other Disappearance</b>	0	0	0	0	0	0
<b>Total Use</b>	2,150	2,150	2,200	2,200	2,250	2,250
<b>Ending Stocks</b>	838	838	838	838	738	738
<b>Total Distribution</b>	3,270	3,270	3,288	3,288	3,338	3,338

1000 MT

Sugar Cane for Centrifugal Philippines	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Dec 2011		Market Year Begin: Dec 2012		Market Year Begin: Dec 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Planted</b>	420	420	420	426	425	426
<b>Area Harvested</b>	415	415	415	421	415	421

<b>Production</b>	24,300	24,100	26,000	24,800	26,500	25,000
<b>Total Supply</b>	24,300	24,100	26,000	24,800	26,500	25,000
<b>Utilization for Sugar</b>	24,300	24,100	26,000	24,800	26,500	25,000
<b>Utilizatn for Alcohol</b>	0	0	0	0	0	0
<b>Total Utilization</b>	24,300	24,100	26,000	24,800	26,500	25,000
1000 HA, 1000 MT						