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Prepared By: Florence Mojica-Sevilla

Approved By: Ryan Bedford

Report Highlights:

Post sees Crop Year (CY) 2021/2022 (September/August) raw sugar production staying flat at 2.1 million metric tons (MT), as low productivity remains an issue amid the continued discussion of trade liberalization. Sugar consumption in CY 2021/2022 is expected to rebound by 200,000 MT from the previous year, with households and institutions driving the recovery as COVID-19 restrictions are loosened. Consumption and imports in CY 2020/2021, on the other hand, are revised down from their previous forecasts by 300,000 MT and 175,000 MT, respectively, due to weaker demand following Philippine government efforts to combat the pandemic. Meanwhile, CY 2021/2022 imports are likely to reach 150,000 MT after dropping to 25,000 MT the prior year, as the economy reopens and beverage manufacturers expand production.

Introduction:

Sugar is an important crop in the Philippines that is planted throughout the country but is most abundant in the Visayas and particularly on Negros Island. Total production of sugarcane reached \$815 million in 2020, making it the fifth largest crop by value following rice, bananas, corn, and coconuts. Sugar is mainly consumed locally while a small portion is exported to the United States as a participant in the U.S. sugar tariff-rate quota. The Philippines historically exported over half of its sugar production to the United States, but exports declined significantly over the years as domestic demand expanded. For Fiscal Year 2021, the Philippine allocation is 138,154 metric tons commercial weight. The United States is currently the sole export market of Philippine raw sugar, where it is used by some sugar refineries on the west coast.

Production:

Post forecasts Crop Year (CY) 2021/2022 (September/August) raw sugar production will reach 2.1 million metric tons (MT), flat from the previous year. Factors limiting growth include the slow decline in sugarcane area and low farm productivity, particularly in areas outside Negros Island that pull down the national average. While the industry aims to boost yields, results are not expected for two to three years when funds and implementation strategies are in place. Moreover, climate will remain a major factor as drought or too much rain have an adverse effect on production. Crop diversification is also a possibility, as some farmers may decide to shift to more profitable options.

The government's consideration of liberalizing the sugar industry is also a cause of concern among farmers and millers. Stakeholders believe that the proposed trade liberalization would place significant challenges on the sugar industry, which is not yet equipped to face open competition. In October 2020, the National Economic Development Authority conducted an [assessment of reform directions for the sugar industry](#). The study concluded with policy recommendations to increase productivity, lower costs, and improve institutional support mechanisms, while noting that any trade liberalization should be implemented gradually and only partially to ensure that it will benefit all consumers and will not unduly penalize sugar industry stakeholders.

Post revises CY 2020/2021 raw sugar production to 2.1 million MT, 4.5 percent lower than the prior forecast of 2.2 million MT. This is based on the Sugar Regulatory Administration's (SRA) Sugar Order (SO) No. 1, an annual document that serves as the basis for policies during the crop year and assessments of sugar production and withdrawals. On March 29, 2021, SRA issued [SO No. 1-A](#), reducing its production estimate by 89,000 MT due to the worse than expected La Niña that brought heavy rains in major sugarcane areas. Sugarcane is concentrated on Negros Island in the Western Visayas region, representing over 60 percent of total production. Moreover, out of the 27 sugar mills nationwide, 16 are located in the region. Most millers are members of the [Philippines Sugar Millers Association \(PSMA\)](#), which carries considerable weight in policy formulation.

U.S. Dollar to Philippine Pesos Exchange Rates:

Exchange Rate	2019	2020	March 2021
US\$=PHP	51.80	49.62	48.57

Source: Bangko Sentral ng Pilipinas (Central Bank of the Philippines)

Sugar Production, Area and Yield CY 2018/2019 to 2020/2021			
	Crop Year (September/August)		
	2018/2019	2019/2020	2020/2021
Sugar Production (MT)			
Total Philippines	2,074,110	2,145,693	2,101,710
Western Visayas	1,258,81	1,241,188	1,278,981
% Share to total	61%	61%	62%
Area Planted (Ha)			
Total Philippines	409,714	401,969	398,478
Western Visayas	223,571	222,189	221,078
% Share to Total	55%	56%	55%
Farm Productivity (TC/Ha)			
Total Philippines	53.13	56.25	61.45
Western Visayas	59.99	60.22	63.71
Sugar Yield (LKG/TC)			
Total Philippines	1.91	1.85	1.72
Western Visayas	1.86	1.86	1.71
Sugarcane Milled (MT)	21,767,659	23,299,178	16,677,883*

Source: Sugar Regulatory Administration

*As of March 14, 2021

Note: TC/Ha = tons of cane per hectare; LKG/TC = 50-kilogram bag per ton of cane

Sugarcane area has steadily declined over the years mainly due to farmers shifting to corn, bananas, and other temporary crops. (i.e., crops with less than one year growing cycle) In CY 2020/2021, the total area planted of 398,478 hectares (Ha) was below the usual level of over 400,000 Ha. Industry is trying to address the issue through increased farm productivity by the use of high yielding varieties, continuous genetic improvement, and technology adoption for better farm management practices. Farm productivity in CY 2020/2021 indeed grew, with 61.45 MT of cane per hectare (TC/Ha) compared to 56 TC/Ha the previous year. This marked significant improvement, but still falls short compared to other sugar-producing countries. Moreover, climate is a major factor affecting sugar yield. Too much rain in CY 2020/2021 resulted in lower sugar content, measured as 1.72 in 50-kilo bags per MT of cane (LKG/TC) compared to the last year's national average of 1.85 LKG/TC.

Benchmarking Farm Yields CY 2019-2020		
Country	TC/Ha	LKG/TC
Philippines	56	1.85
Thailand	72	2.20
India	70	2.10
Brazil	76	2.00
Guatemala	101	2.10

Source: SRA

Other factors for growth are the continued implementation of the Biofuels Act of 2006, Renewable Energy Act of 2008, Sugarcane Industry Development Act (SIDA) of 2015, and the Tax Reform for Acceleration and Inclusion Law (TRAIN). The impact for CY 2021/2022 is expected to be minimal, however, as the biofuels mandated blend remains unchanged at 10 percent (E10) and implementation of the other programs has slowed due to COVID-19.

Prices. Price is an important consideration that can drive a farmer’s decision to plant sugarcane. When the price of sugar drops relative to other options, farmers can shift to more profitable crops. High sugar prices are a good signal for farmers to plant sugarcane, with the projected income computed in terms of mill site prices using sugar yield (LKG/TC) and the prevailing sharing scheme implemented in the mill district (i.e., 70 percent of sugar output to the farmer and 30 percent to the miller).

Mill Site Prices. The sugar industry proved resilient during the COVID-19 pandemic, with prices within the P1,500 (\$30.9) per LKG bag level, which industry views as profitable to producers and fair to consumers. The mill site composite price of raw sugar in CY 2020/2021 through March ranged from P1,492.70 (\$30.77) to P1,570.16 (\$32.37) per LKG bag and had a national average of P1,501.04 (\$30.94) per LKG bag.

The average mill site prices of U.S. quota sugar and domestic prices midway through CY 2020/2021 were PhP1,238.7 (\$25.54) and P1,520.79 (\$31.36) per LKG bag, respectively. For the past three years, the prices of U.S. quota sugar have been significantly lower than domestic prices. SRA justifies the “A” quedan allocation due to the U.S. quota’s utility in the event of a surplus and considering U.S. prices being higher than the prevailing world prices. Lower sugar demand during the COVID-19 pandemic resulted in lower prices compared to the pre-pandemic CY 2018/2019. The latest Philippine weekly mill site prices can be accessed [here](#).

Monthly Mill Site Prices Per 50-kilo bag (LKG)									
Month	2018/2019			2019/2020			2020/2021*		
	"A" US Quota	"B" Domestic	Composite Price	"A" US Quota	"B" Domestic	Composite Price	"A" US Quota	"B" Domestic	Composite Price
Sep	1,171.17	1,696.82	1,693.53	1,097.37	1,519.10	1,498.01	1,114.03	1,521.20	1,492.70
Oct	1,173.19	1,628.55	1,605.78	1,118.81	1,481.65	1,463.51	1,192.76	1,469.80	1,450.40
Nov	1,182.64	1,541.68	1,523.73	1,191.42	1,515.42	1,499.22	1,266.74	1,524.73	1,506.67
Dec	1,263.90	1,563.12	1,548.16	1,182.03	1,509.23	1,492.87	1,283.97	1,509.18	1,493.42
Jan	1,273.41	1,521.65	1,509.24	1,450.01	1,513.66	1,510.48	1,269.79	1,507.10	1,490.48
Feb	1,263.15	1,534.18	1,520.63	1,495.24	1,537.18	1,535.09	1,256.83	1,522.05	1,503.48
Mar	1,174.34	1,474.37	1,459.36	1,484.87	1,472.71	1,473.32	1,286.81	1,591.49	1,570.16
Apr	1,177.79	1,504.35	1,488.02	1,429.41	1,415.73	1,416.41			
May	1,194.05	1,507.16	1,491.51	1,490.54	1,573.78	1,569.62			
Jun	1,188.00	1,518.67	1,502.12	1,194.17	1,479.95	1,465.66			
Jul	-	-	-	1,116.67	1,413.33	1,398.50			
Aug	-	-	-	-	-	-			
Avg.	1,206.16	1,549.06	1,534.21	1,295.50	1,493.79	1,483.88	1,238.70	1,520.79	1,501.04

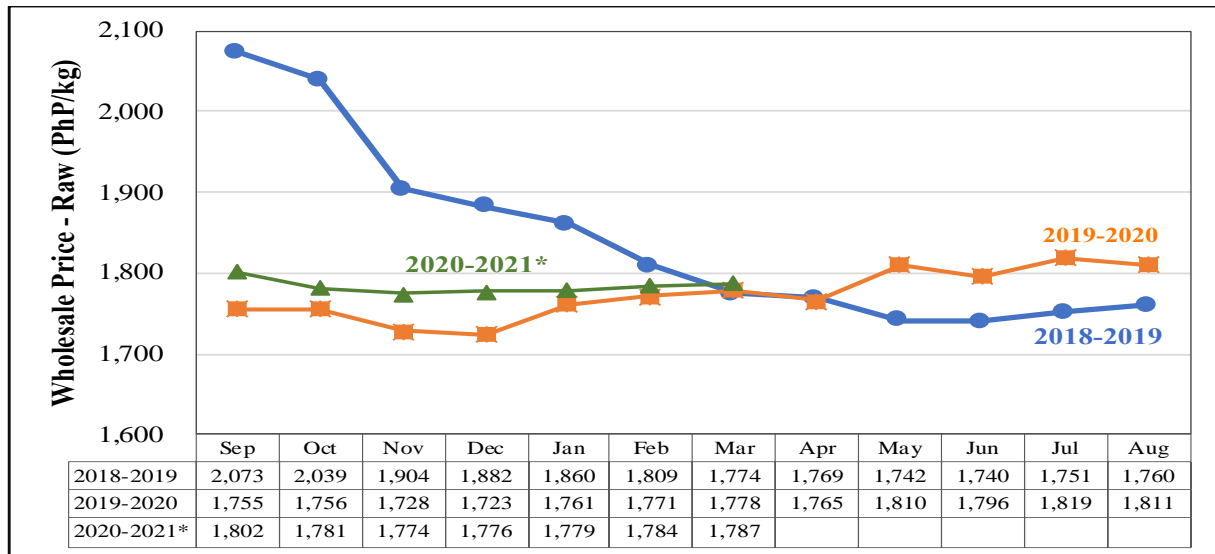
Source: SRA (*as of March 14, 2021)

Note: milling operations ceased during July-August 2018/2019 and August 2020

The price of raw sugar is determined on a weekly basis via a bidding process initiated by the sugarcane planters' association (note: sugarcane farmers are known locally as planters). The result of the Negros bidding, normally done on a Thursday, is used as a reference price which is made available to other planters' associations nationwide. It is then within the decision of the sugar trader to use the same price or increase/decrease the price to buyers, but normally it will not differ more than P10-50 (\$0.20 to \$1.03) per LKG bag.

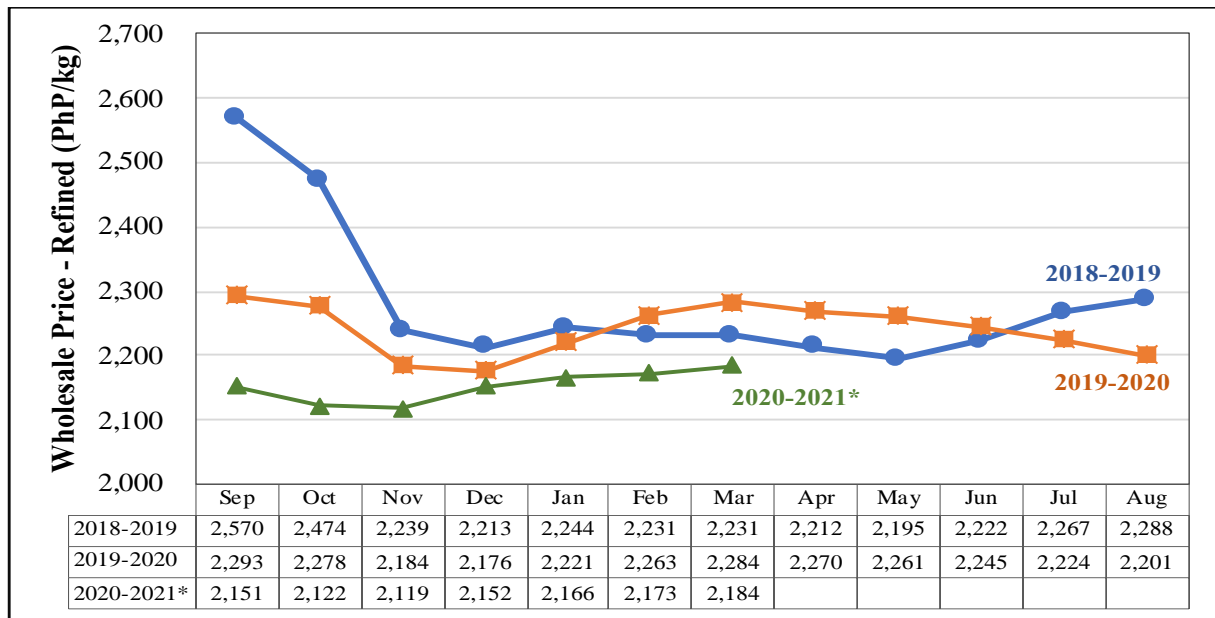
**Monthly Wholesale Prices (Metro Manila), P/LKG Bag
CY 2018-2019 to CY 2020-2021**

RAW SUGAR



Note: Raw – average of brown and washed

REFINED SUGAR



Source: SRA (*as of March 10, 2021)

Wholesale Prices. The CY 2020/2021 prevailing wholesale price of raw sugar in Metro Manila ranged from P1,774 to P1,802 (\$36.57 to \$37.15) per LKG, while refined sugar ranged from P2,119 to P2,184 (\$43.69 to \$45.03) per kilo. Wholesale and retail prices of sugar in Metro Manila can be accessed [here](http://www.sra.gov.ph/industry-update/metro-manila-prices/). <http://www.sra.gov.ph/industry-update/metro-manila-prices/>

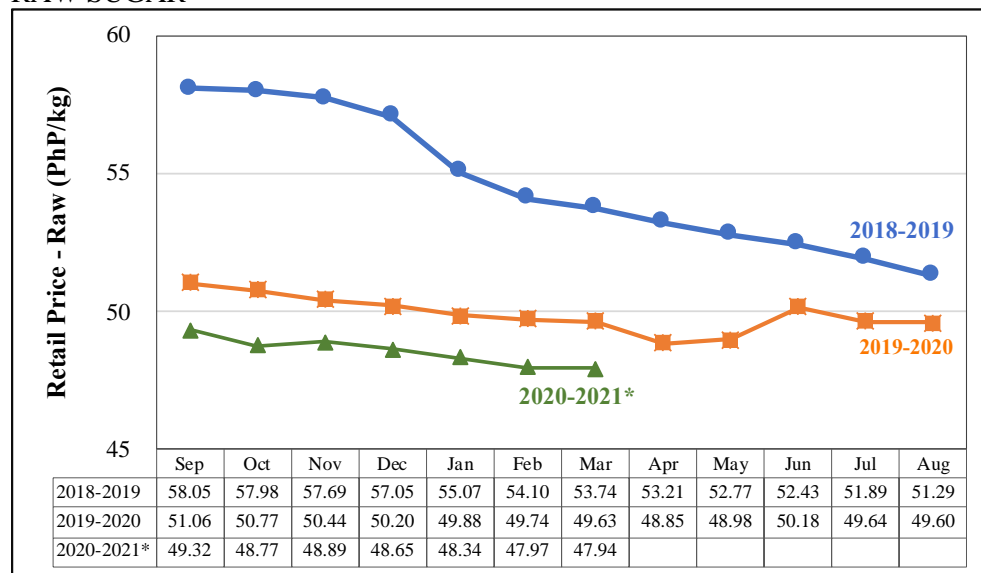
As of March 2021, the price of domestically produced sugar is P2,184 (\$45.03) per LKG bag, 45 percent higher than the price of imported Thai sugar (approximately P1,500 (\$30.93) per LKG bag). Some contributing factors to the increased cost of Philippine sugar include:

- Labor – workers are paid more than in other Southeast Asian countries;
- Energy– the cost of power is one of the highest in the region; and
- Fuel – the taxes imposed by the TRAIN law raised the cost of fuel, which is used in farm equipment.

Retail Prices. The Department of Agriculture (DA) [Administrative Circular \(AC\) No.1 of 2020](#) places suggested retail prices on basic agricultural and fishery commodities in Metro Manila, including raw and refined sugar. The National Price Coordinating Council of the Department of Trade and Industry (DTI) together with SRA established the suggested retail price of refined sugar at P50 (\$1.03) per kilo and raw, brown sugar at P45 (\$0.93) per kilo. This policy aims to maintain the retail prices of sugar during the COVID-19 pandemic.

Monthly Retail Prices (Metro Manila), P/Kg CY 2018-2019 to CY 2020-2021

RAW SUGAR

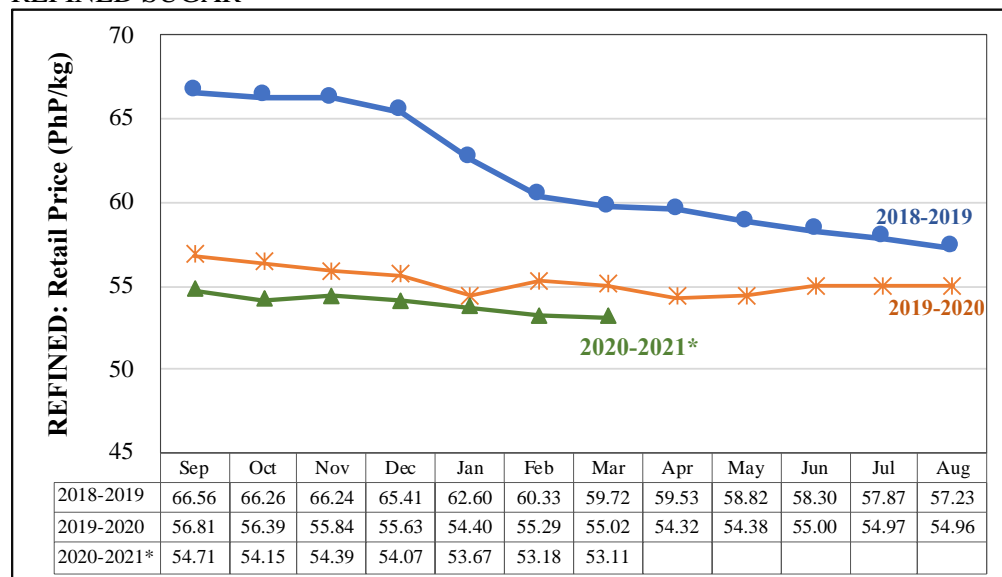


Source: SRA (*as of March 10, 2021)

Note: Raw – average of brown and washed

Note: In Metro Manila (groceries and supermarkets)

REFINED SUGAR



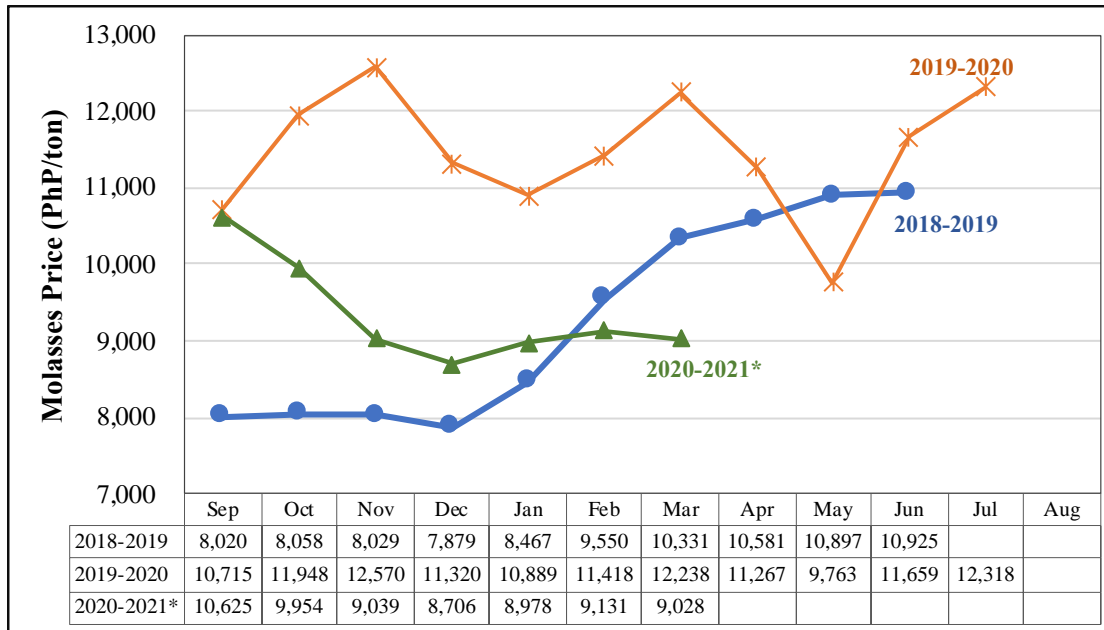
Source: SRA (*as of March 10, 2021)

Note: In Metro Manila (groceries and supermarkets)

The sugarcane industry is also an important player in the production of biofuels and renewable energy. Sugar molasses is the primary feedstock for Philippine bioethanol while the bagasse from sugarcane is mainly used for power cogeneration of sugar mills and refineries and bioethanol distilleries. There are currently 12 operating bioethanol distilleries and 6 power-generating plants. The Biofuels Act expanded the mandate of SRA to develop and implement policies supporting the Philippine Biofuels Program and ensure increased productivity and sustainable supply of biofuels feedstock. For more information, see the [2020 Philippines Biofuels Report](#).

The reference price of bioethanol is based on the mill site prices of sugar and molasses. Initially, the National Biofuel Board (NBB) through the SRA set up a price index or reference price of bioethanol which serves as basis during the negotiation of the oil companies and bioethanol producers. In CY 2019/2020, molasses prices had drastic highs and lows as a result of erratic global supply and domestic production and demand. For CY 2020/2021, prices appear to be normalizing and somewhat stagnant since December. Current and past SRA bioethanol reference prices may be found [here](#).

**Molasses Prices (Pesos/MT)
CY 2018/2019 to CY 2020/2021**



Source: SRA (*as of March 21, 2021)

Consumption:

Post forecasts CY 2021/2022 sugar demand rising by 200,000 MT to 2.2 million MT, partially recovering from prior year’s economic hardships of COVID-19. Industry expects consumption to rebound as restrictions to combat COVID-19 are loosened, which will drive food and beverage manufacturers to increase production and sugar usage. Next year will also see a national election, when food consumption traditionally increases due to campaigns and political meetings. Refined sugar imports are expected to reach 150,000 MT, remaining lower than pre-pandemic levels as institutional buyers such as restaurants and hotels remain affected by COVID-19.

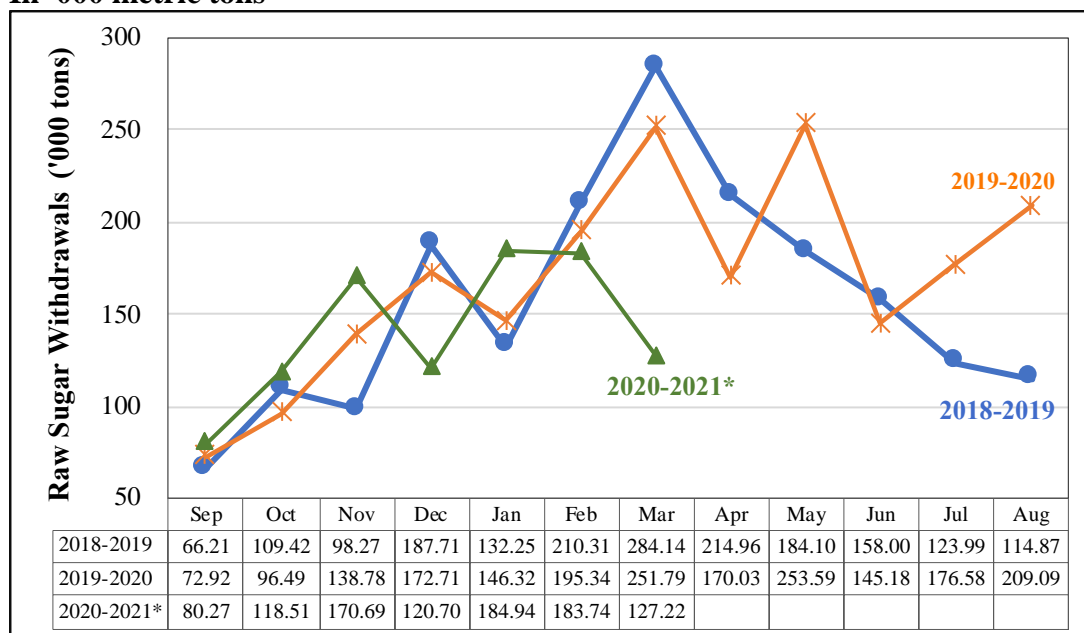
For CY 2020/2021, Post revises domestic consumption (local and imported sugar) down by 300,000 MT to 2.0 million MT. SRA reports that withdrawals of locally produced sugar are slightly below 2.0 million MT, due to weaker sugar demand from industrial users as a result of the COVID-19 quarantine restrictions.

Raw sugar is the major product derived from sugarcane, while refined sugar is produced from raw sugar. Domestic consumption is measured in terms of raw sugar withdrawals from mill warehouses, which SRA regularly monitors. Domestic consumption was erratic in CY 2019/2020 starting in March due to implementation of the first lockdown to combat COVID-19. Sugar was included in the food support provided by local government units during the quarantine.

Sugar demand is divided into three main segments: household, institutional, and industrial. Among industrial users, the beverage industry, preserved fruits, and confectioneries are the

largest users. Roughly 50 percent of consumption is accounted for by industrial users, 32 percent by households, and the remaining 18 percent by institutions (e.g., restaurants, bakeries, and hospitals). However, the share among these consumer segments has likely been affected by COVID-19. Industry has called for SRA to closely study sugar consumption and assess the impacts from the pandemic.

Monthly domestic raw sugar withdrawals, CY 2018/2019 to CY 2020/2021
In '000 metric tons



Source: SRA (*as of March 14, 2021)

Sugar Production, Consumption, and Imports						
Metric Tons						
Crop Year	Raw Sugar		Refined Sugar		Sugar Imports	
	Production	Domestic Consumption	Production	Domestic Consumption	CBW**/ Food Processors	Domestic Consumption
2017-2018	2,083,641	2,098,353	926,677	1,091,040	55,240	200,000
2018-2019	2,074,110	1,884,220	827,188	775,518	61,516	331,994
2019-2020	2,145,693	2,028,816	839,543	736,130	60,000	323,843
2020-2021*	2,101,000	2,000,000	829,000	735,000	22,528	83,347

Source: SRA and Post forecasts

* As of March 14, 2021

** CBW – Customs Bonded Warehouse, where imports are exclusively for re-export

Trade:

Post revises CY 2020/2021 imports down from 200,000 MT to 25,000 MT based on [SRA's reported trade through March 28, 2021](#) and limited additional imports likely necessary this year. Meanwhile, Post forecasts CY 2021/2022 imports will partially rebound to 150,000 MT, as the country begins to loosen COVID-19 restrictions and demand grows from the hotels, restaurants, and institutional sector. Imports will supplement flat domestic production in meeting Philippine demand of 2.2 million MT.

The Philippines historically supplied its own domestic requirements and exported surplus sugar to foreign markets. With the steady growth in sugar demand and flat production, however, imports have augmented local supply. For the past two years, food processors imported around 60,000 MT of refined sugar and SRA imported more than 300,000 MT allocated for domestic consumption. Importation is allowed when there is an anticipated shortage which may lead to an increase in domestic prices and to allow industrial users to access lower-priced sugar.

The United States is a stable market for Philippine sugar and especially important during years of surplus production. In Fiscal Year 2021, the allocation to the Philippines is 138,154 MT Commercial Weight or approximately 13 percent of the total U.S. quota.

For CY 2020/2021, the SRA allotted 7 percent of total production into "A" or sugar for export to the United States and 93 percent for domestic use. The [new Sugar Order No.1-A](#) issued on March 29, 2021 revised the policy by allocating 100 percent of production to the local market effective April 4, 2021 due to lower than expected production. Even with the revised Sugar Order, SRA expects to fulfill the U.S. quota allocation for CY 2020/2021. This is possible due to shipments made prior to the policy change and by using carryover stocks from the prior year. Likewise, Post forecasts CY 2021/2022 exports to stay at last year's level of approximately 140,000 MT, based on past precedent and maintaining a viable export market.

Other Sweeteners

There are other forms of sugar and sugar substitutes or artificial sweeteners traded such as coconut sap sugar, muscovado, molasses, high fructose corn syrup (HFCS), among others. These alternative sweeteners serve a niche market and do not yet have a large impact on local sugar consumption.

Coconut Sap Sugar or Coco Sugar (HS Code 170290). Coco sugar is produced using heat evaporation to convert the coconut's liquid sap into sugar granules. Coco sugar is natural, unrefined, and concentrated. It is marketed as a healthy substitute to refined sugar and other sweeteners.

Currently, coco sugar is only a small fraction of the country's coconut industry but the Philippine Coconut Authority (PCA) has been actively promoting coco sugar as an alternative to cane sugar to boost local demand. PCA has identified coco sugar as an emerging product addressing the rising consumer interest in health and wellness. Coco sugar has low glycemic index (GI) of 35 per serving, compared to GI 65 to GI 100 for cane-based sugar. See [here](#) for product details.

The Philippines began exporting coco sugar to the United States and Japan in 2007, and later made shipments to the Middle East, Europe, Australia, South Korea and Hong Kong. Since then, demand has been rising. According to the Trade Data Monitor, the Philippines exported P131 million (\$2.62 million) worth of coco sugar in 2019. The top three buyers were the United States (35 percent), Sri Lanka (18 percent), and the United Kingdom (10 percent). The global coconut sugar market is set to grow by \$253 million between 2019 and 2023 according to Technavio. The Philippines, Indonesia, Malaysia, Thailand, and China are the world's major exporters of coco sugar. It is traded under HS Code 170290, which refers to other sugars, including invert sugar and other sugar, as well as invert syrup. Coco sugar is exempt from additional excise taxes on sweetened products in the Philippines.

Muscovado (HS Code 170114). Muscovado is pure, whole, non-centrifugal sugar from sugarcane. It is an unrefined sugar with strong molasses flavor. The increasing interest in healthy and organic food is boosting its demand. Some restaurants and coffee shops also offer muscovado sugar to their clients. Increasing demand, coupled with foreign markets like Europe and Japan willing to pay a higher price, have encouraged some growers to increase production. The export price is sometimes four times higher than the prevailing market price of about P80 (\$1.65) per kilo in the domestic market. Demand is shared among the household, institutional and industrial markets. Industrial users include banana chips manufacturers as well as dried fish manufacturers in Mindanao.

Most muscovado producers are small-scale farmers with an average area of 1 hectare. The decentralized nature of muscovado production has made it difficult to determine the number of mills and total production. SRA does not regulate the muscovado industry but provides technical assistance and cane varieties to farmers producing muscovado. The Department of Trade and Industry (DTI) provides marketing and financial assistance to muscovado producers.

ALTERNATIVE SWEETENERS SUGAR SUBSTITUTES

Sugar alternatives available in the Philippines are generally accepted and FDA approved, but some are questioned because of safety concerns.

Sucralose (Splenda) is 600 times sweeter than sugar and the only “no-calorie” sweetener made from sugar. It is known as “no-calorie” sweetener but sucralose does have a small fraction of a calorie. The granulated Splenda can be substituted for sugar in baking and cooking and is being used by some as a substitute for sugar especially for coffee.

Aspartame (Equal, NutraSweet, NutraTaste) is 160-220 times sweeter than sugar derived from a combination of amino acids aspartic acid and phenylalanine. It is low calorie and only tiny amounts of aspartame are need to sweeten foods. Both the American Medical Association and FDA concluded that aspartame is safe at recommended levels.

Saccharin (Sweet N Low) is 200-700 times sweeter than sugar made from benzosulfimide, a synthetic chemical and only tiny amount is needed to sweeten food. It was almost banned in 1977 because of safety studies but U.S. National Cancer Institute and the FDA have both concluded that saccharin use is not a major risk for bladder cancer in humans.

Acesulfame (Sweet One, Sunnett) is 200 times sweeter than sugar from synthetic chemical. It was approved for general use in 2003 and is incorporated in hundreds of products and can be used in baked goods. There are still some concerns in its safety and recommending to people to avoid using it but according to FDA, the safety of acesulfame is backed by more than 90 studies.

Artificial sweeteners are used for weight loss and blood sugar control by some people with health issues. They are generally acceptable in moderation and can provide the sweetness for those sweet tooth.

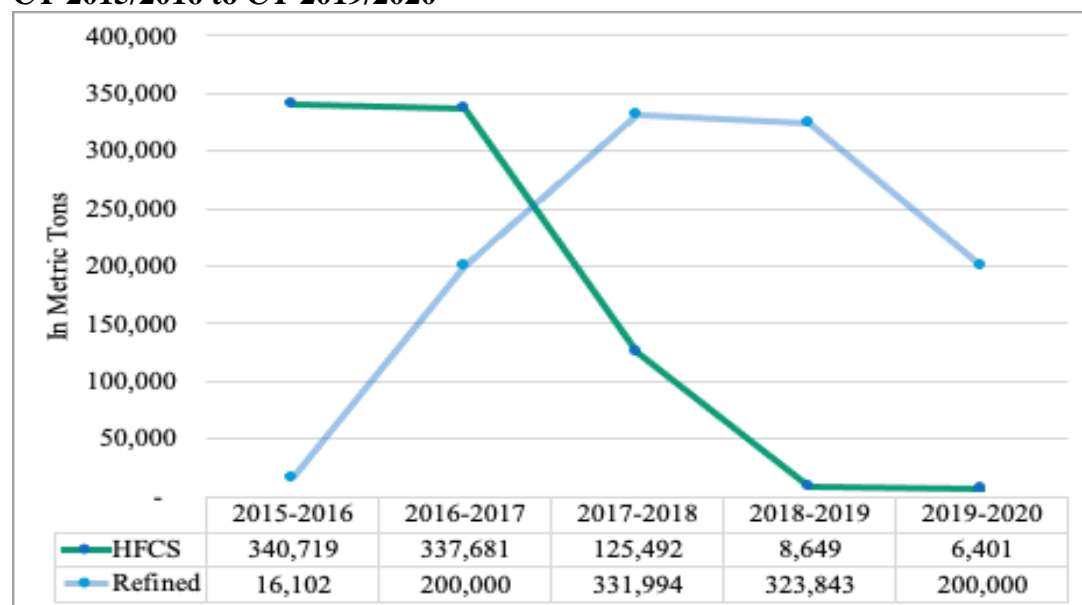
Source: internet searches and “The truth about artificial sweeteners” by Tyrone M. Reyes, M.D.

Molasses (HS 170310). Molasses is the major by-product from sugar production. Molasses from sugarcane is used as feedstock in the manufacture of bioethanol and potable alcohol. The Biofuels Act (RA 9367) requires that biofuels production be locally-sourced; imported molasses cannot be used for ethanol production. Per Trade Data Monitor, the importation of molasses for food use has steadily increased in the past five years. Total imports surged from 245,000 MT in 2018 to 745,000 MT in 2019, attributed to the increased demand for potable alcohol, although there are –as of yet unverified –concerns that some be used for bioethanol production. Imported molasses in 2019 was mostly supplied by Indonesia (49 percent) and Thailand (32 percent), while Vietnam (10 percent) India (9 percent) also contributed. Locally produced molasses is used both as feedstock for bioethanol production and for food preparations.

High Fructose Corn Syrup (HS Code 170260). HFCS is a starch-based sweetener made of a combination of fructose, dextrose, and higher saccharides. The Philippines used to be a major market for HFCS, importing about half of China’s total exports annually (up to 300,000 MT). This changed when the Philippines on January 1, 2018 imposed an excise tax of P6 (\$0.12) per liter on drinks using sugar and other sweeteners while those using HFCS are charged P12 (\$0.24) per liter.

As a result, the producers of sweetened beverages (the biggest HFCS buyers), shifted to sugar to avoid the higher taxes using HFCS. Imports of HFCS dropped significantly over the following years and refined sugar importation increased by a commensurate amount.

**Imports of HFCS and Refined Sugar
CY 2015/2016 to CY 2019/2020**



Source: SRA

Stocks:

Ending stocks CY 2020/2021 are revised slightly lower than the previous year (but higher than the current forecast) due to much lower imports and a slowdown in local sugar withdrawals.

Ending stocks for CY 2021/2022, meanwhile, are forecast at 1.18 million MT, down 90,000 MT from the prior year as recovering demand offsets flat production.

SRA reports on raw and refined sugar stocks based on actual physical stocks at the end mills. The sugar stock balance represents the available supply of sugar in the market at any given time. It is said that there is a direct inverse relationship between stock balance and price of sugar. As stock balance inventory increases, prices will tend to decline. As the milling season ends, prices will tend to inch upwards. This is due to the fact that the sugar milling season normally takes place within a period of six months in a year. During the other six months when production is minimal or nil, the consumers use the stock balance. COVID-19, however, somewhat disrupted this pattern.

For CY 2020/2021, the remaining carryover stocks of 32,000 MT will be included in the shipment for exports to the United States to fulfill the U.S. quota allocation for the Philippines.

Sugar is normally stored in mill warehouses. Most sugar is produced and marketed under the long-established “quedan” system. The Sugar Act of 1954 mandates the sharing of raw sugar and molasses. In this sharing arrangement, the sugarcane planter allocates a percentage of the output (30 to 35 percent) of their 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 their share of the sugar (65 to 70 percent). SRA requires that all raw sugar produced or marketed within the country be covered by a *quedan*. The issued *quedan* attests to the physical presence of the sugar in the storage facility. SRA classifies raw sugar at the start of every crop (i.e., September) into different types of *quedan*. For CY 2020/2021, only A and B classifications are assigned: 7 percent of production from September to April can be issued an “A” *quedan*. However, effective April 4, 2021, 100 percent of sugar production will be classified as “B” sugar or fully for the domestic market as stated in the new SO No. 1-A released by SRA on March 29, 2021.

TYPES OF QUEDAN	
“A”	Sugar allocated for the U.S. market in compliance with the U.S. quota requirements
“B”	Sugar for the domestic market
“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

Trade Policy

The Philippines previously exported both raw and refined sugar. However, because of the advance valued-added tax (VAT) collected by the Bureau of Internal Revenue (BIR) on refined sugar, exports are unattractive and becoming nil.

U.S. Quota. The United States is currently the Philippines’ sole export market for raw sugar. For Fiscal Year 2021, the United States allocated to the Philippines an initial quota of 142,160 metric tons raw value or 138,154 metric tons commercial weight. The U.S. quota is allocated to sugar exporters on a “First Come, First Served” basis.

[Executive Order 892](#) (EO 892). Imports of sugar from ASEAN countries are levied only a 5 percent duty. EO 892 reduced tariffs in ASEAN Trade in Goods Agreement (ATIGA) from 38 percent in 2010 to the current 5 percent, which started in 2015 (see table in the above link). This reduction in ASEANs tariff was expected to increase trade, as other ASEAN producers, particularly Thailand, have lower production costs. Despite the drop in duties, there are still multiple administrative barriers in place to restrict imports.

The Philippines is a signatory to the World Trade Organization (WTO). The country has lifted quantitative restrictions on imports of all food products but maintains tariff rate quotas on sugar and other sensitive products such as rice, corn, poultry meat, pork, and coffee. The tariff rates for sugar were established in Executive Order 313 which set varying in-quota and out-quota rates. In-quota rates apply for sugar imported within the minimum access volume (MAV) while any imports in excess of the MAV are assessed the out-of-quota rate.

For non-ASEAN countries, under the Uruguay Round of the WTO, the Philippines committed to a final tenth-year 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, essentially blocking all imports under this agreement. The Most Favored Nation (MFN) tariff rate has not changed since 2016. See the [2020 Sugar Annual Report](#) for a table of ASEAN harmonized tariff codes and MFN rates.

Policy:

Philippine sugar policy, trade, and domestic prices are generally regulated by 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](#):

[Sugar Order No. 1](#): The SRA issued SO No. 1 on September 2, 2020 with a production forecast of 2.19 million MT for CY 2020/21. The order allocated 7 percent of production as “A” for the U.S. market and the remaining 93 percent for the domestic market or “B” sugar. For the last three years, allocation of sugar for export to the World Market has been eliminated, while the U.S. allocation has been reduced to a minimum due to declining sugar production.

[Sugar Order No. 1-A](#): The SRA issued SO No. 1-A on March 29, 2021, revising the final crop estimate for CY 2020/2021 down to 2.101 million MT from 2.19 million MT. It also amended the sugar allocation in SO No.1 to 100 percent for the “B” domestic sugar market. The SO shall cover sugar production beginning with the week ending April 4, 2021.

[Sugar Order No. 2](#): The SRA issued SO No.2 on November 3, 2020, regarding the fulfillment of the U.S. quota. For fiscal year 2021, the United States allocated an initial quota of 142,160 metric tons raw value or 138,154 metric tons commercial weight.

[Administrative Circular \(AC\) No. 1 of 2020](#): AC No. 1 places suggested retail prices on basic agricultural and fishery commodities in Metro Manila, including raw and refined sugar. The

suggested retail price of refined sugar at P50 (\$1.03) per kilo and raw, brown sugar at P45 (\$0.93) per kilo.

Excise Tax on Sweetened Beverages. Taking effect in January 2018, the law states that all drinks with caloric and non-caloric sweeteners are taxed P6 (\$0.12) per liter, while those using HFCS are charged P12 (\$0.24) per liter. All milk (whether powdered, ready-to-drink, flavored, or fermented) are excluded from the tax, as well as ground and 3-in-1 coffee and 100-percent natural fruits and vegetable juices, meal replacements, medically indicated drinks, and beverages sweetened with stevia and coco sugar.

Value Added Tax. The Philippine government imposes a value added tax of 12 percent on raw and refined sugar. The proceeds go to the general tax revenues of the government.

Sugar Industry Development Act. Republic Act 10659, otherwise known as the 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. SIDA, has five components:

1. Establish productivity improvement programs;
2. Provide the needed infrastructure support;
3. Enhance research and development of other products derived from sugar, sugarcane, and their by-products;
4. Provide human resource development and extension services; and
5. Provide financial assistance to small farmers.

SIDA requires an annual allocation of P2 billion (\$41 million) for the sugar industry – 15 percent for block farm grants, 15 percent for research and development, capacity building and technology transfer, 15 percent for socialized credits for farm support and mechanization, 5 percent for scholarship grants and human resources development programs, and 50 percent for infrastructure development programs for farm to mill roads, irrigation, and transport infrastructure.

[House Bill 2971](#). The Representative of the second district of Negros Oriental (Western Visayas) filed the bill seeking to amend Section 11 of RA 10659 to ensure a proportionate allocation of SIDA funds based on productivity. The proposed amendment intends to foster healthy competition among mill districts. Districts are incentivized to produce more sugar if there is an expectation of greater funding as a reward. The bill also seeks to grant SRA greater coordinating powers with the National Economic Development Authority, Bureau of Customs, and other agencies on the importation of sugar. The House Committee on Agriculture is set to conduct hearings on the proposed bill soon.

Sugar Sharing System. The Sugar Act of 1954 mandates the sharing of raw sugar and molasses, with 65 to 70 percent to the planter and 30 to 35 percent to the miller. This sharing system has remained unchanged for more than six decades. The Philippine government is now studying the possibility of implementing a cane purchase system used in Thailand, to eliminate quedans. There is also a proposal to simplify the system by only issuing one quedan.

[Biofuels Act of 2006](#) - Republic Act 9367. The Biofuels Act was enacted in early 2007, making bioethanol from molasses the second largest sugarcane product. The ethanol blend mandate of 5 percent (E5) was implemented in 2009 and 10 percent (E10) in 2011. The target of 15 percent blend (E15) by 2020 has not been implemented, as the country remains stalled on E10.

[Renewable Energy Law of 2008](#) - Republic Act 9513. This law established the development, utilization, and commercialization of renewable energy, including bagasse from sugarcane. Bagasse is the cellulosic material from sugarcane which is left after extracting the juice from the sugarcane stalk. It is mainly used for power cogeneration of sugar mills, sugar refineries, and bioethanol distilleries.

Social Amelioration Act of 1991 – Republic Act 6982 and Department of Labor and Employment (DOLE) Department Order No. 114, Series of 2011 Implementing Rules and Regulations (IRR). The DOLE implements an industry-based social protection program, the Social Amelioration Program (SAP) in the Sugar Industry – as mandated under RA 6982. It was established with the aim of contributing to the attainment of decent living for sugar workers and their families through the imposition of lien on the volume of sugar produced. Every 50 kg bag of sugar produced is levied a P7.9 (\$0.16) lien collected upon withdrawal of raw sugar from the mill’s warehouse. The proceeds shall form the Social Amelioration Fund dedicated for: 1) Cash Bonus Fund to augment the income of sugar farmworkers; and 2) the Socio-Economic Program Related Fund to finance social and economic programs to improve their livelihood and well-being. The social amelioration funds collected from the sugar production amount to about P330 million (\$6.8 million) annually.

Production, Supply, and Distribution (PS&D) Statistics

Sugar, Centrifugal Market Year Begins Philippines	2019/2020		2020/2021		2021/2022	
	Sep 2019		Sep 2020		Sep 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	1234	1234	1289	1289	0	1274
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	2150	2150	2200	2100	0	2100
Total Sugar Production (1000 MT)	2150	2150	2200	2100	0	2100
Raw Imports (1000 MT)	0	0	0	0	0	0
Refined Imp.(Raw Val) (1000 MT)	325	325	200	25	0	150
Total Imports (1000 MT)	325	325	200	25	0	150
Total Supply (1000 MT)	3709	3709	3689	3414	0	3524
Raw Exports (1000 MT)	120	120	140	140	0	140
Refined Exp.(Raw Val) (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	120	120	140	140	0	140
Human Dom. Consumption (1000 MT)	2300	2300	2300	2000	0	2200
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	2300	2300	2300	2000	0	2200
Ending Stocks (1000 MT)	1289	1289	1249	1274	0	1184
Total Distribution (1000 MT)	3709	3709	3689	3414	0	3524
(1000 MT)						

Sugar Cane for Centrifugal Market Year Begins Philippines	2019/2020		2020/2021		2021/2022	
	Sep 2019		Sep 2020		Sep 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	403	403	401	398	0	390
Area Harvested (1000 HA)	403	403	401	398	0	390
Production (1000 MT)	23300	23300	23500	23000	0	23000
Total Supply (1000 MT)	23300	23300	23500	23000	0	23000
Utilization for Sugar (1000 MT)	23300	23300	23500	23000	0	23000
Utilizatn for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	23300	23300	23500	23000	0	23000
(1000 HA), (1000 MT)						

Attachments:

No Attachments