

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Philippines

Sugar Semi-annual

Situation and Outlook

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Report Highlights:

Total raw sugar production in MY 2018/19 (December/November) will reach 2.225 MMT, up slightly from the previous year, with cane production expected to be about 24 MMT. Consumption in 2018/19 will remain flat at 2.25 MMT as demand for sugar by industrial users (i.e., beverages and processed food manufacturers) remains strong due to import restrictions and increased taxes on sugar substitutes (e.g., high fructose corn syrup). Sugar imports in MY 2018/19 are expected to reach 300,000 MT to augment local sugar production. Total MY 2017/18 raw sugar production is adjusted downwards to 2.1 MMT due to a 15 percent decline in cane production from unfavorable weather conditions in the first half of 2018.

Commodities:

Sugar, Centrifugal

Sugar Cane for Centrifugal

Production:

Philippine raw sugar production is projected to reach 2.25 MMT in Market Year 2018/19 (December/November), up 7 percent from the previous year's levels. Industry sources, however, believe that raw sugar output may be even lower than what is officially projected by the Sugar Regulatory Administration (SRA), due to continued farm labor shortages and possible unfavorable weather conditions contributing to the low sugar content of cane produced.

RAW SUGAR PRODUCTION, CONSUMPTION, TRADE			
Market Year December/November (in Metric Tons)*			
	2016/17	2017/18	2018/19**
Production	2,500,000	2,100,000	2,250,000
Withdrawals	2,200,000	2,250,000	2,250,000
Imports	50,000	200,000	300,000
Exports	350,000	150,000	140,000

*As of April 2013, USDA revised the official Marketing Year from September/August to December/November

** Post Forecast

Total MY 2017/18 raw sugar production is lowered to 2.100 MMT, down 16 percent from the 2.5 MMT produced in MY2016/17. Unfavorable weather conditions experienced in the first half of 2018 contributed to the large decline in sugarcane output. Based on Sugar Regulatory Administration (SRA) estimates, 2017/18 sugarcane production area dropped slightly to 418,000 hectares while cane harvest decreased to 24 MMT (or a decline of about 15 percent).

Official SRA statistics reported on a Crop Year (September/August) basis are below:

RAW SUGAR & SUGARCANE PRODUCTION, AREA PLANTED			
Crop Year September/August			
	2015/16	2016/17	2017/18
RAW SUGAR PRODUCTION (MT)	2,238,872	2,500,509	2,083,641
SUGARCANE MILLED (MT)	23,254,083	28,005,461	23,860,924
TOTAL AREA PLANTED (HAS)	413,435	421,358	418,257

Source: Philippine Sugar Regulatory Administration

Wholesale and retail prices of raw and refined sugar in Metro Manila follow (the most recent data from SRA is through August 2018).

RAW AND REFINED SUGAR PRICES

MY 2017/18	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.)
December	1,450.24	47.26	1,977.38	55.07
January	1,507.71	47.22	2,032.09	55.03
February	1,526.43	47.10	2,040.00	55.07
March	1,599.63	47.39	2,104.88	55.19
April	1,811.75	47.53	2,320.00	55.43
May	1,916.25	47.66	2,423.00	55.95
June	2,138.86	50.88	2,854.86	59.43
July	2,165.14	54.95	2,907.43	64.91
August	1,983.33	56.24	2,633.33	66.63
September				
October				
November				

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

Exchange Rate	2016	2017	September 2018
1 USD = PhP	47.49	50.40	54.13

Source: Bangko Sentral ng Pilipinas

Note: Exchange rate is from September 12, 2018

As of August 2018 (the end of the Philippine sugar crop year), millsite prices have dropped slightly.

Philippine Millsite Prices (Pesos)				
	"A" US Quota	"B" Domestic	"D" World	Composite Price
Average MY 2016/17	1,230	1,394	740	1,311
MY 2017/18				
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
April	1,135	1,652	624	1,619
May	1,147	1,796	-	1,944
June	1,162	1,944	-	1,944
July	1,155	2,003	-	1,953
August	-	-	-	-
September	-	-	-	-
October	-	-	-	-
November	-	-	-	-
Average	1,149	1,614	660	1,598

Source: Philippine 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).

Demand for sugar in MY 2018/19 is expected to remain at about 2.25 MMT. Consumption of cane sugar remains strong despite high sugar prices and increased taxes on sugar sweetened beverages as soft drink manufacturers increase the usage of cane sugar and shift away from high fructose corn syrup (HFCS) use. Under the Tax Reform Law of 2017, drinks with caloric and non-caloric sweeteners are taxed P6 (\$0.12, \$1=P50) per liter, while those using high-fructose corn syrup will be charged P12 (\$0.24) per liter (see GAINRP1805, Sugar Annual).

Trade:

The Fiscal Year 2018/19 Raw Sugar Tariff Rate Quota to the United States is set at 142,160 MTRV (136,201 MT Commercial Weight). About 5 percent of the estimated 2.225 MMT of sugar to be produced in CY2018/19 has been earmarked for the U.S. Market. No exports to the World Market were allocated for this year. SRA has announced that it would authorize the importation of 300,000 MT of sugar in CY 2018/19, higher than imports in the previous year, which could indicate a possible shortfall in production predicted.

The SRA authorized the importation of 200,000 MT of sugar to arrive in MY2017/18 to augment sugar supply. During the same period, the Philippines exported about 120,000 MT to the United States, short of the total tariff rate quota (TRQ) due to insufficient local supply. Exports to the World Market are

about 30,000 MT. MY 2016/17 exports are raised to 350 MT due to increased exports recorded at the end of the MY year.

Policy:

On August 28, 2018, the SRA issued Sugar Order No. 1, which forecasts production for CY 2018/19 to reach 2.225 MMT. About 95 percent of sugar production has been classified as “B” or for the domestic market, while the remaining 5 percent has been classified as “A” for export to the U.S. market. The allocation of sugar for export to the U.S. and World Markets is reduced significantly due to lower than normal production projected for MY 2018/19. The SRA periodically assesses sugar allocation throughout the year based on the sugar supply situation.

Stocks:

The SRA reports on raw and refined sugar stocks based on actual physical stocks at the mills. Ending stocks are reportedly down as much as 62 percent due to low production levels reached in MY2017/18. This is compounded by beverage manufacturers increasingly substituting high fructose corn syrup with refined sugar, further drawing down stocks.

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	1104	1054	1034	954
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2500	2500	2300	2100	2300	2225
Total Sugar Production	2500	2500	2300	2100	2300	2225
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	50	50	100	200	100	300
Total Imports	50	50	100	200	100	300
Total Supply	3604	3604	3504	3354	3434	3479
Raw Exports	300	350	220	150	220	140
Refined Exp.(Raw Val)	0	0	0	0	0	0
Total Exports	300	350	220	150	220	140
Human Dom. Consumption	2200	2200	2250	2250	2250	2250
Other Disappearance	0	0	0	0	0	0
Total Use	2200	2200	2250	2250	2250	2250
Ending Stocks	1104	1054	1034	954	964	1089

Total Distribution	3604	3604	3504	3354	3434	3479
(1000 MT)						

Sugar Cane for Centrifugal	2016/2017		2017/2018		2018/2019	
Market Begin Year	Dec 2016		Dec 2017		Dec 2018	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	421	421	424	418	424	420
Area Harvested	421	421	424	418	424	420
Production	28000	28000	25000	24000	25000	24000
Total Supply	28000	28000	25000	24000	25000	24000
Utilization for Sugar	28000	28000	25000	24000	25000	24000
Utilizatn for Alcohol	0	0	0	0	0	0
Total Utilization	28000	28000	25000	24000	25000	24000
(1000 HA) ,(1000 MT)						