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Philippines

Sugar Semi-annual

Situation and Outlook

Approved By:
Ralph Bean

Prepared By:
Pia A. Ang

Report Highlights:
Though a minor player in the international sugar market due to its high production costs, the Philippines is the 8th largest sugarcane producer and the third largest U.S. sugar tariff rate quota (TRQ) recipient. Due to adverse weather conditions, Market Year (MY) 2014/15 (December/November) raw sugar production is expected to decline to 2.32 million metric tons (MMT), down nine percent over MY 2013/14 levels. Total raw sugar exports for MY 2014/15 are forecast to reach only 80,000 MT due to low supplies, almost all of which will go to the United States under the U.S. TRQ system. Since the beginning of MY 2013/14, domestic sugar prices have risen noticeably due to tight supplies and growing demand from consumers and local food processors. The average Philippine millsite price for domestically sold raw sugar is nearly double the price of local sugar destined for the world market.

Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

Production:

Total MY 2014/15 (December/November) raw sugar production is forecast to decline by about 9 percent to 2.32 MMT from a high of 2.54 reached in MY2013/14. The drop in production is due to extremely hot and dry weather conditions reported in the second quarter of 2015 (the planting season) particularly in the main sugar producing regions of Negros and Iloilo, as well as to some shift from sugar farming to banana and rubber in Mindanao. Milling operations also reportedly declined due to the lack of supply and the lower quality of sugarcane. Based on Sugar Regulatory Administration (SRA) estimates, 2014/15 sugarcane production area remained fairly flat at 424 thousand hectares and cane harvest reached about 24 MMT.

At the 2015 Philippine Sugar Technologists Convention, SRA announced an ever lower 2015/16 (September/August) production target of 2.27 MMT. The lower production projected is due to the lack of rainfall predicted starting from October 2015 until early 2016 as a result of the El Nino. At the same time the SRA has also cut export commitments in order to ensure supply in the local market and reserving the current production for the domestic market. Domestic demand for sugar is forecast at 2.25 MMT or about equal to production.

RAW SUGAR PRODUCTION, CONSUMPTION, TRADE Market Year December/November (in Metric Tons)*			
	2012/13	**2013/14**	**2014/15****
Production	2,384,906	2,539,205	2,320,000
Withdrawals	2,147,215	2,260,00	2,280,00
Exports	262,280	190,000	80,000

Source: Philippine Sugar Regulatory Administration

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

** Post Forecast

RAW SUGAR & SUGARCANE PRODUCTION, AREA PLANTED

Crop Year September/August			
	2012/13	**2013/14**	**2014/15**
RAW SUGAR PRODUCTION (MT)	**2,461,838**	**2,461,808**	**2,316,498**
SUGARCANE MILLED (MT)	24,859,000	24,866,200	23,285,405
TOTAL AREA PLANTED (HAS)	424,132	423,334	424,474

Source: Philippine Sugar Regulatory Administration- 2012/13 and 2013/14 final, and 2014/15 preliminary estimates

Wholesale and retail prices of raw and refined sugar in Metro Manila follow (the most recent data from SRA is through August 2015)

RAW AND REFINED SUGAR PRICES				
	Raw Sugar		**Refined Sugar**	
MY 2014/15	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	1,700	43.50	2,050	51.00
January	1,700	43.50	2,170	51.50
February	1,700	43.50	2,200	51.50
March	1,800	43.50	2,220	51.00
April	1,800	44.00	2,400	51.50
May	1,950	47.00	2,450	52.00
June	1,930	45.75	2,500	52.00
July	1,880	48.25	2,450	54.25
August	1,850	47.00	2,420	55.00
September				
October				
November				

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

Exchange Rate	**2012**	**2013**	**2014**	**September 2015**
US$=PhP	42.23	42.45	44.40	46.51

Source: Bangko Sentral ng Pilipinas
Note: Exchange rate on September 21, 2015

As of August 2015 (end of the Philippine sugar crop year), millsite prices have risen significantly from the average MY 2013/14 prices due to tightness in local supplies.

Philippine Millsite Prices (Pesos)				
	"A" US Quota	"B" Domestic	"D" World	Composite Price
Average MY 2013/14	856	1,546	803	1,496
MY 2014/15				
December	852	1,481	756	1,413
January	875	1,486	733	1,420
February	850	1,525	808	1,456
March	830	1,585	831	1,528
April	824	1,692	-	1,648
May	889	1,710	-	1,677
June	-	1,690	-	1,690
July	-	-	-	-
August		1,698		1,698
September				
October				
November				
Average				

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). Sugar withdrawals reached 2.25 MMT in MY 2013/14 and are expected to increase slightly to 2.28 MMT in MY 2014/15 and reach 2.3 MMT in MY 2015/16 due to expanding food processing demand and a growing population.

Trade:

Despite domestic prices being well above world prices most years, the Philippines typically exports an average of 250,000 tons of sugar per year as a way to support local industry (and the higher domestic price). However, total raw sugar exports for MY 2014/15 will only reach about 80,000-100,000 MT, down significantly from Post's initial estimate. The downward adjustment is due to the government's decision to reallocate sugar destined for export to the domestic market to ensure steady local supplies in light of lower production, as well as to take advantage of higher domestic prices. The price of domestic "B" sugar is roughly double the U.S and world market prices.

Fiscal Year 2015/16 Tariff Rate Quota (TRQ) to the United States is set at 142,160 MT Raw Value (136,201 MT Commercial Weight). While the SRA has said that they are hoping to fill the U.S. sugar TRQ, tightness in domestic sugar supply will remain as a result of the forecast El Nino weather disturbance. The SRA is expected to announce a possible importation of sugar this year to augment domestic supplies.

Policy:

On August 26, 2015, the SRA issued Sugar Order No. 1 which forecasts production for CY 2015/16 to reach 2.27 MMT and consumption at 2.25 MMT. Total sugar production has been classified as "B" or for the domestic market.

The SRA also issued Sugar Order No. 3 which places a moratorium on the registration of new molasses-based bio-ethanol plants and a mandatory feedstock declaration of all bioethanol producers. This new order seeks to regulate the entry of new molasses-based distilleries which may cause a spike in the price of molasses which will in turn increase the price of bioethanol fuel and increase the use of imported molasses as feedstock which is not allowed under the bio-fuels law.

Production, Supply and Demand Data Statistics:

Sugar, Centrifugal	2013/2014		2014/2015		2015/2016	
Market Begin Year	Dec 2013		Dec 2014		Dec 2015	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	942	942	982	1032	947	1017
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2500	2500	2500	2320	2500	2300
Total Sugar Production	2500	2500	2500	2320	2500	2300
Raw Imports	0	0	0	0	0	100
Refined Imp.(Raw Val)	40	40	45	45	50	50
Total Imports	40	40	45	45	50	150
Total Supply	3482	3482	3527	3397	3497	3467
Raw Exports	250	200	300	100	300	150
Refined Exp.(Raw Val)	0	0	0	0	0	0
Total Exports	250	200	300	100	300	150
Human Dom. Consumption	2250	2250	2280	2280	2300	2300
Other Disappearance	0	0	0	0	0	0
Total Use	2250	2250	2280	2280	2300	2300
Ending Stocks	982	1032	947	1017	897	1017
Total Distribution	3482	3482	3527	3397	3497	3467
(1000 MT)						

Sugar Cane for Centrifugal	2013/2014	2014/2015	2015/2016

Market Begin Year	Sep 2013		Apr 2014		Apr 2016	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	426	426	426	426	426	426
Area Harvested	422	423	425	423	425	423
Production	25000	25000	25000	23500	25000	23500
Total Supply	25000	25000	25000	23500	25000	23500
Utilization for Sugar	25000	25000	25000	23500	25000	23500
Utilizatn for Alcohol	0	0	0	0	0	0
Total Utilization	25000	25000	25000	23500	25000	23500
(1000 HA), (1000 MT)						