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Report Highlights:

FAS Manila adjusted marketing year (MY) 2023 raw sugar production down to 1.85 million metric tons (MT). The weather disturbances and low fertilizer application due to soaring fertilizer prices drastically affected sugarcane production in the Philippines. Post anticipates no sugar exports for MY 2023, following the recent Sugar Order (SO) No. 1 allocating all production to domestic consumption. Post forecasts imports of 75,000 MT of raw sugar and maintains 275,000 MT of refined sugar to achieve comfortable end-of-MY stocks and provide more bottler's grade sugar. Importation of 150,000 MT of refined sugar was approved by President Marcos as stated in SO No. 2, which should be in country by November 15, 2022. Post revises sugar demand to decline to 2.2 million MT. The high prices during the first quarter of MY 2023 will result in a slowdown in consumption.

Production:

Centrifugal Sugar (Raw Sugar). Weather disturbances and low fertilizer application due to soaring fertilizer prices drastically affected sugarcane production. FAS Manila adjusted marketing year (MY) 2023 raw sugar production down to 1.85 million MT, 150,000 metric tons (MT) lower than the initial projection of 2 million MT. This aligns with the Sugar Regulatory Administration’s (SRA) forecast of 1.876 million MT as noted in [Sugar Order No. 1](#) (SO1), released on September 13, 2022. The decline is attributed to the recently announced above-normal rainfall expected until February 2023. This coincides with the start of peak milling, when excess water results in lower sugar recovery. On average, the Philippines has 22 typhoons per year. As of September 2022, only 11 typhoons had visited the country, the remaining typhoons may occur from October till the end of the marketing year, which can lower sugar output. Final production data for MY 2022 reached 1.8 million MT, down 250,000 MT from USDA Official. The reduction was attributed to weather disturbances, particularly typhoon Rai (local name Odette) and tropical storm Megi (local name Agaton), which ravaged standing crops, disrupted milling facilities and refineries, and damaged sugar stocks at warehouses. As a result, SRA modified its projection for MY 2022.

Post estimates MY 2023 sugarcane area at 397,000 hectares (ha), 7,000 ha above the USDA Official estimate and consistent with SRA’s estimates of 397,000 hectares the previous year. The prevailing high prices will encourage farmers to plant sugarcane again instead of shifting to another crop. The [sugarcane roadmap](#) seeks to address declining production through the improvement of farm productivity via high yielding varieties, continuous genetic improvement, and technology adoption for better farm management practices.

Table 1: Production, Supply, and Distribution Data in (1000 MT)

Sugar, Centrifugal Market Year Begins	2021		2022		2023	
	Sep 2020		Sep 2021		Sep 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Philippines						
Beginning Stocks (1000 MT)	1289	1289	1196	1196	1046	931
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	2143	2143	2050	1800	2000	1850
Total Sugar Production (1000 MT)	2143	2143	2100	1800	2000	1850
Raw Imports (1000 MT)	0	0	0	0	0	75
Refined Imp. (Raw Val) (1000 MT)	151	151	100	235	275	275
Total Imports (1000 MT)	151	151	100	235	275	350
Total Supply (1000 MT)	3583	3583	3346	3231	3321	3131
Raw Exports (1000 MT)	112	112	0	0	0	0
Refined Exp.(Raw Val) (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	112	112	0	0	0	0
Human Dom. Consumption (1000 MT)	2275	2275	2300	2300	2300	2200
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	2275	2275	2300	2300	2300	2200
Ending Stocks (1000 MT)	1196	1196	1046	931	1021	931
Total Distribution (1000 MT)	3583	3583	3346	3231	3321	3131

Table 2: Production, Supply, and Distribution Data in (1000 HA), (1000 MT)

Sugar Cane for Centrifugal Market Year Begins	2021		2022		2023	
	Sep 2020		Sep 2021		Sep 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Philippines						
Area Planted (1000 HA)	398	398	390	397	0	397
Area Harvested (1000 HA)	398	398	390	397	0	397
Production (1000 MT)	23000	23000	23000	21000	0	21000
Total Supply (1000 MT)	23000	23000	23000	21000	0	21000
Utilization for Sugar (1000 MT)	23000	23000	23000	21000	0	21000
Utilization for Alcohol (1000 MT)	0	0	0	0	0	0
Total Utilization (1000 MT)	23000	23000	23000	21000	0	21000

(1000 HA), (1000 MT)

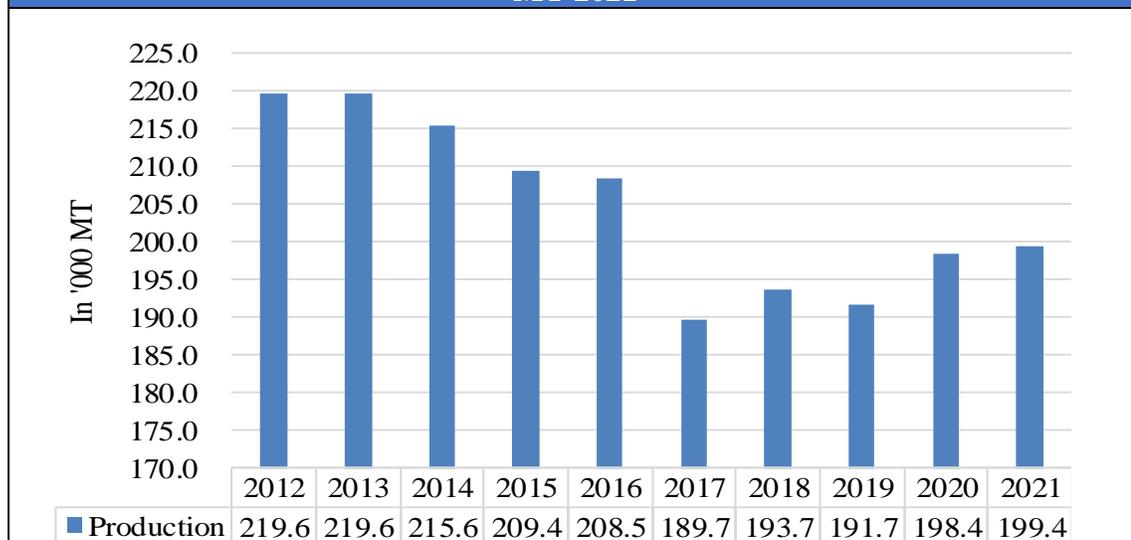
Table 3: U.S. Dollar to Philippine Peso Exchange Rate

	2019	2020	2021	2022
US\$ - PHP	51.80	49.62	49.28	55.75 (Aug)

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

Non-centrifugal Sugar (Muscovado). The increasing interest in healthy and organic food in the Philippines is likely to stimulate demand for muscovado sugar, which is viewed as pure and whole. It serves as an important ingredient in local delicacies, jams, beverages, and in making chocolates. Muscovado powder has a minimum polarization of 77-86 °Z as stated in the [PNS/BAFS 144:2015](#).

Figure 1: Muscovado Production
MY 2021



Source: Philippine Statistics Authority

Prices. Sugar millsite prices normally increase towards the end of the milling season (from June to August) as sugarcane supply becomes low. For MY 2022, prices exhibited double-digit growth of 46 and 47 percent in June and July, respectively, and 81 percent higher in August 2022 compared to August 2021. Projected income is computed in terms of mill site prices using sugar yield or the LKG/TC (50-kilogram bag per ton cane) and the prevailing sharing scheme implemented in the mills (i.e., 70:30 or 70 percent to farmer and 30 percent of sugar output to the miller). High prices benefited both millers and planters; however, the planters suffered from high cost of fertilizers and other costs such as labor, power, and fuel.

Table 4: Mill Site Prices in Pesos per 50-Kilogram Bags

Month	2020			2021			2022	
	"A" US Quota	"B" Domestic	Composite Price	"A" US Quota	"B" Domestic	Composite Price	"B" Domestic	Composite Price
Sep	1,097.37	1,519.10	1,498.01	1,114.03	1,521.20	1,492.70	1,597.37	1,597.37
Oct	1,118.81	1,481.65	1,463.51	1,192.76	1,469.80	1,450.40	1,708.81	1,708.81
Nov	1,191.42	1,515.42	1,499.22	1,266.74	1,524.73	1,506.67	1,680.67	1,680.67
Dec	1,182.03	1,509.23	1,492.87	1,283.97	1,509.18	1,493.42	1,735.39	1,735.39
Jan	1,450.01	1,513.66	1,510.48	1,269.79	1,507.10	1,490.48	1,889.43	1,889.43
Feb	1,495.24	1,537.18	1,535.09	1,256.83	1,522.05	1,503.48	1,816.10	1,816.10
Mar	1,484.87	1,472.71	1,473.32	1,289.59	1,608.23	1,585.92	2,022.94	2,022.94
Apr	1,429.41	1,415.73	1,416.41	-	1,658.61	1,658.61	2,184.18	2,184.18
May	1,490.54	1,573.78	1,569.62	-	1,653.92	1,653.92	2,273.26	2,273.26
Jun	1,194.17	1,479.95	1,465.66	-	1,603.56	1,603.56	2,348.83	2,348.83
Jul	1,116.67	1,413.33	1,398.50	-	1,613.33	1,613.33	2,370.00	2,370.00
Aug	-	-	-	-	1,600.00	1,600.00	2,895.75	2,895.75
Ave.	1,295.50	1,493.79	1,483.88	1,239.10	1,565.98	1,554.37	2,043.56	2,043.56

Note: No milling, operations terminated during August 2020.

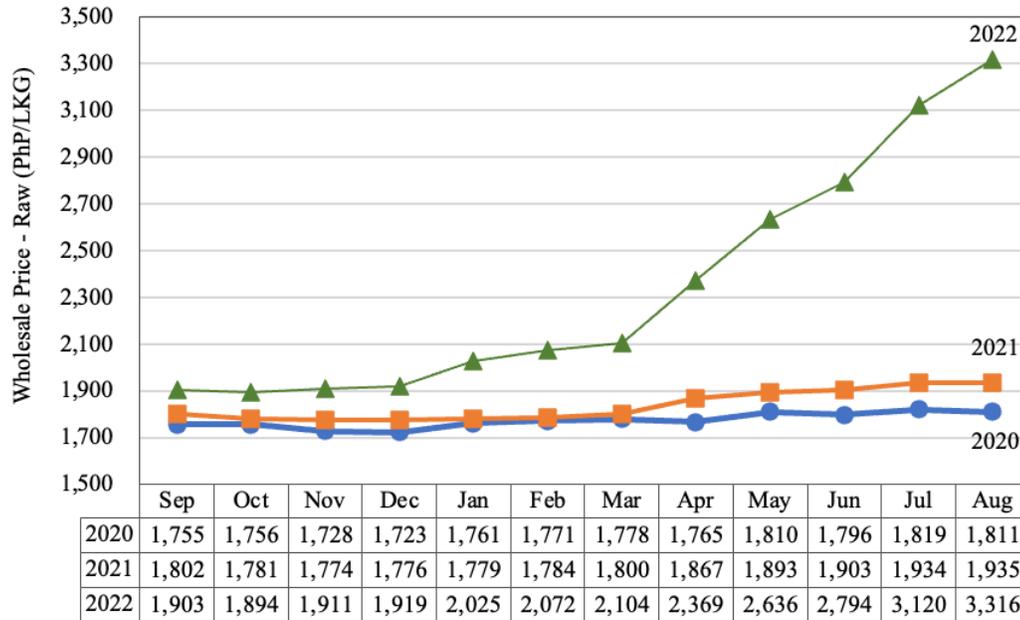
No "A" sugar in MY 2022

Source: SRA

Millsite prices continue to escalate even with the current full milling operations in some of the mills. On September 25, 2022 prices went up to as high as PhP3,800 (\$65) per LKG in some mills, 138 percent higher than in September 2021. The raw sugar supply is still way below the required buffer stock of 160,000 MT, pushing millsite prices up. Buffer stock will continue to be low until October 2023 (See Table 9).

Wholesale Prices. The low sugar output for MY 2022 has led to soaring wholesale prices for both raw and refined sugar in anticipation of a sugar shortage. Raw sugar prices escalated to PhP3,316 (\$59) per LKG in August 2022. Likewise, refined sugar prices have spiked to PhP4,627 (\$83) per LKG in the same period. Prices grew 71 percent and 100 percent for raw and refined sugar, respectively.

**Figure 2: Wholesale Prices of Raw Sugar
Metro Manila**

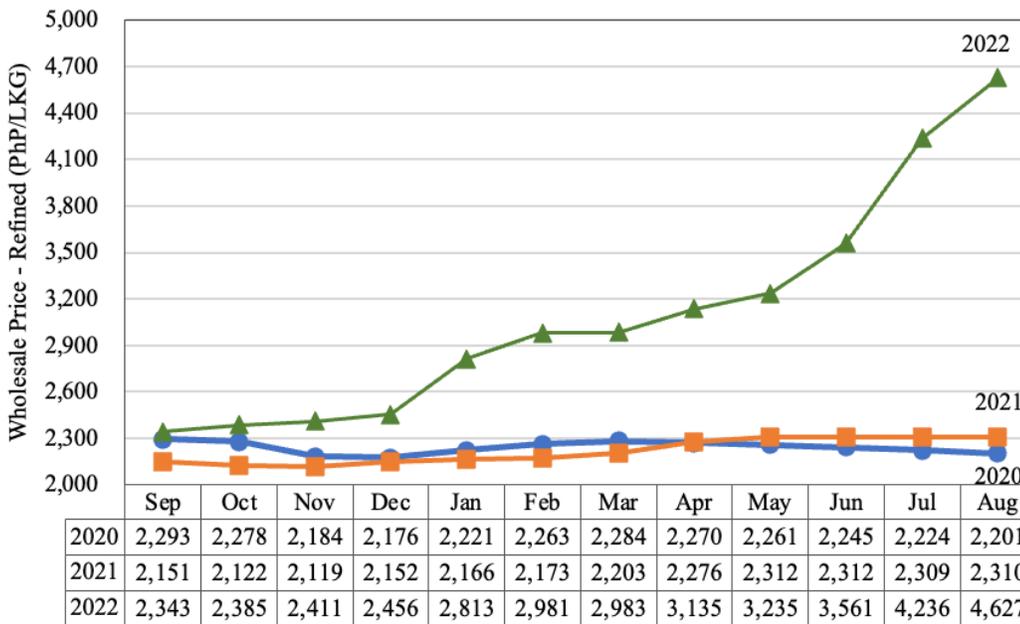


**MY 2022
in \$/LKG**

Sep	37.95
Oct	37.32
Nov	37.95
Dec	38.19
Jan	39.52
Feb	40.40
Mar	40.41
Apr	45.58
May	50.34
Jun	52.16
Jul	55.82
Aug	59.48

Source of data: SRA

**Figure 3: Wholesale Prices of Refined Sugar
Metro Manila**



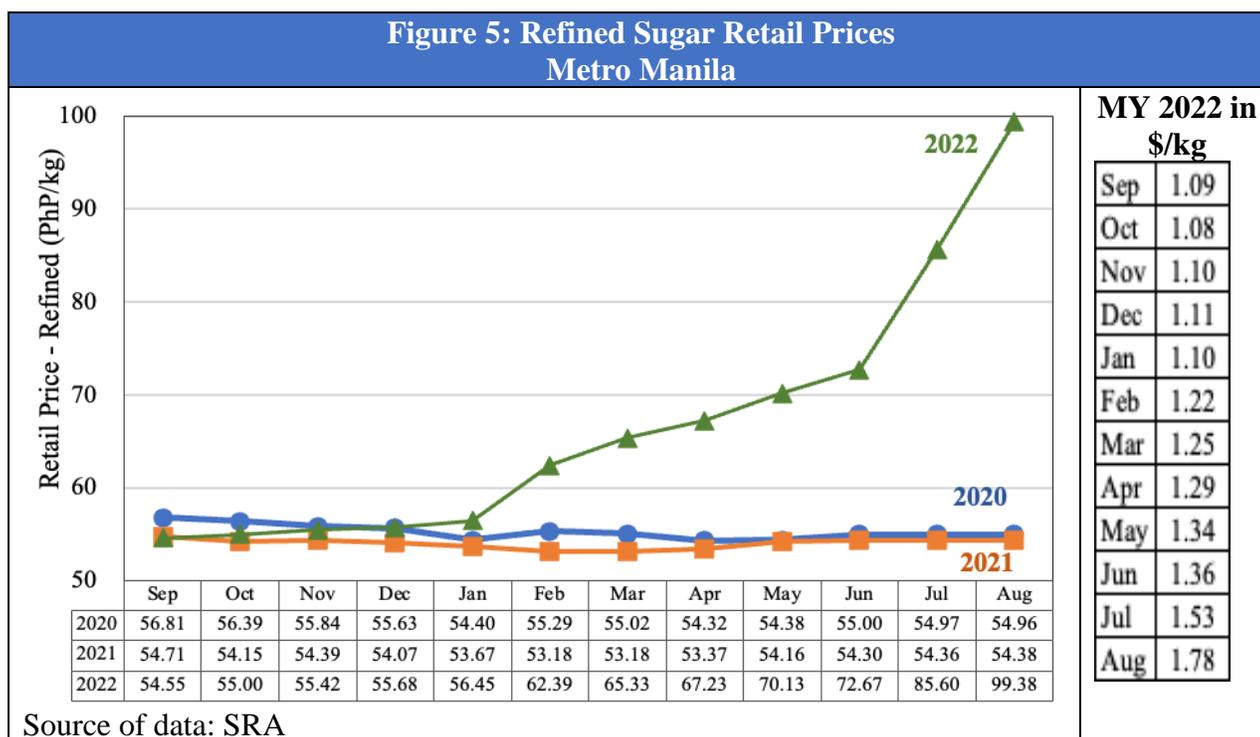
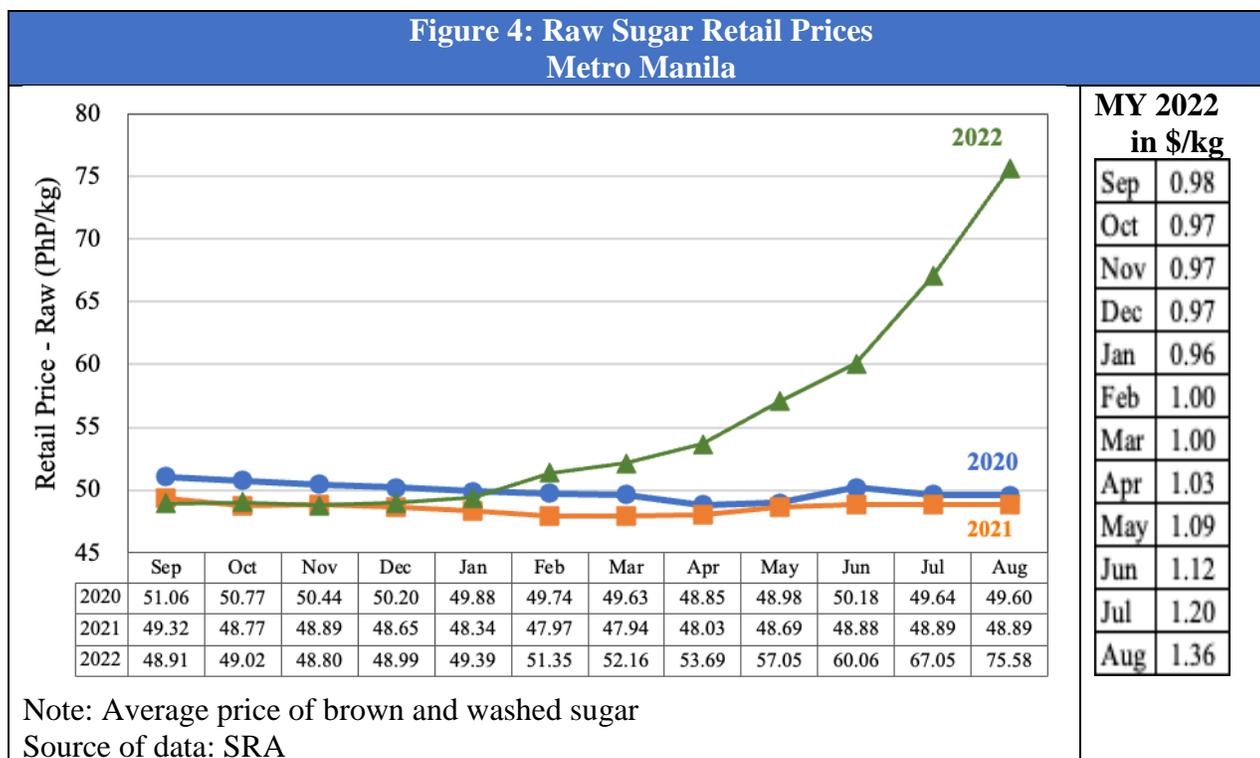
**MY 2022
In \$/LKG**

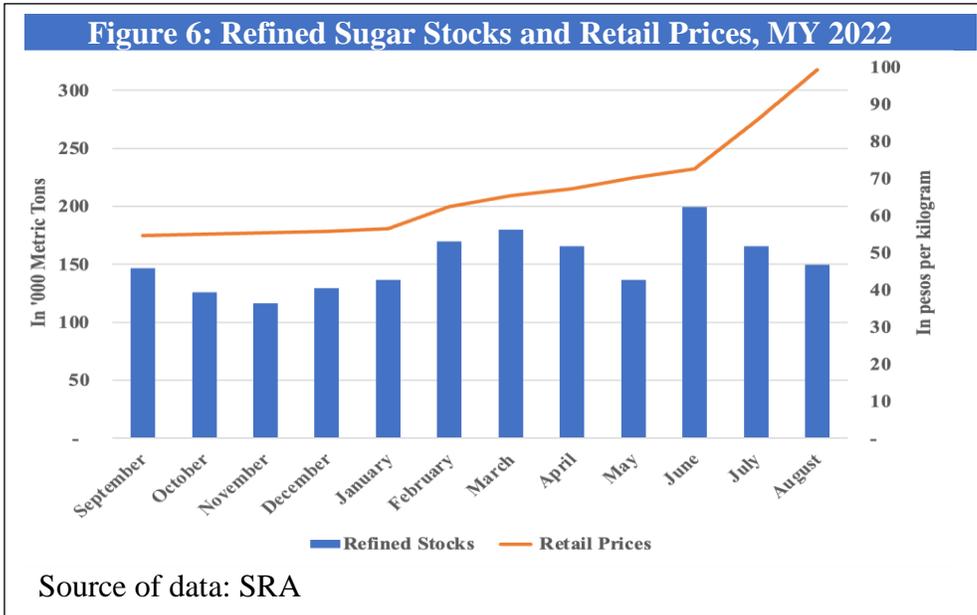
Sep	46.73
Oct	46.99
Nov	47.88
Dec	48.87
Jan	54.91
Feb	58.14
Mar	57.29
Apr	60.31
May	61.78
Jun	66.47
Jul	75.78
Aug	83.00

Source of data: SRA

Retail Prices. High wholesale prices translate to elevated retail prices. In August 2022, the Philippine government set the suggested retail price (SRP) of sugar at PhP70/kg (\$1.26/kg), and big supermarkets agreed to comply.

Toward the end of the milling season MY 2022, retail prices grew by 55 percent and 83 percent for raw and refined sugar, respectively. Refined sugar prices reached a high PhP126/kg (\$2.26/kg) in Metro Manila. The wholesale and retail prices of sugar in Metro Manila can be found [here](#).





It is interesting to note that retail prices of refined sugar drastically increased despite the country having ample refined sugar stocks within the comfortable level of the 85,000 MT monthly buffer set by the SRA (See Table 10). Prices started to escalate in February 2022 after the SO3 importation of 200,000 MT of refined industrial sugar became an issue, resulting in a temporary restraining order (TRO). Importation was halted and prices started to

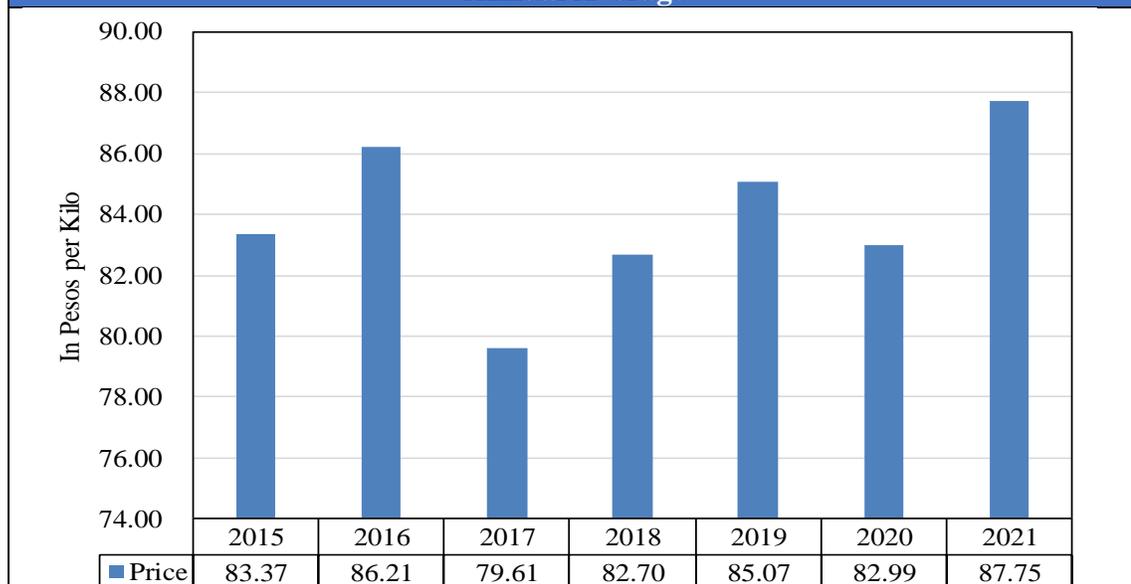
go up, which continued in the following months even with increasing buffer stocks coming from local production. When refined sugar prices skyrocketed to PhP100/kg (\$1.79/kg), the Philippine government attributed it to a supply shortage, even though buffer stocks were more than the required 85,000 MT. Prices continued to escalate, but the discussions focused on the SO3 and SO4 importation rather than on the local overpricing or predatory pricing of sugar SRP.

By August 2022, prices almost doubled (even more in some retail markets) compared to the prices in August 2021. The data showed no apparent shortage in local supply of refined sugar. The SO3 importation brought buffer stocks within a comfortable level until the end of the marketing year, but failed to address the soaring retail prices of refined sugar that affected consumers and food manufacturers.

In cases of price spikes at questionable levels, Philippines court can issue a show-cause order wherein retailers must explain the basis for price hikes. SRA recommends the SRP to the DA, which then endorses it to the National Price Coordinating Council (NPCC), chaired by the Department of Trade and Industry (DTI). The SRP is the basis for the issuance of such a show-cause order. To date, no show cause order has been issued to address the very high retail prices.

Muscovado Prices. Foreign markets like Europe and Japan are willing to pay a higher price for muscovado. The export price has at times been up to four times higher for high quality muscovado than the prevailing domestic market price of about PhP80/kg (\$1.43/kg), even though local prices have risen recently. The favorable retail price in the domestic and export market pulls up farm gate prices to the benefit of producers. Muscovado offers a better price than raw and refined sugar with relatively low capital required to produce.

**Figure 7: Export Prices of Muscovado
Annual Average**



Source of data: SRA

Consumption:

Centrifugal Sugar (Raw Sugar). Post revises sugar demand downward by 100,000 MT to 2.2 million MT, lower than MY 2022. The high prices during the first quarter of the marketing year will result in a slowdown in consumption.

Domestic demand is divided into three main segments: household (32 percent), institutional (18 percent) and industrial (50 percent). Among industrial users, the beverage, preserved fruits, and confectionery industries are the most important users.

Based on previous studies (1993, 2001, 2008) by the University of Asia and the Pacific-Center for Food and Agri Business (UA&P-CFA), Philippine consumers prefer refined sugar (60 percent) over washed sugar (25 percent) and brown sugar (15 percent).

Non-centrifugal Sugar (Muscovado).

Currently, demand for Muscovado outstrips supply, resulting in high retail prices for muscovado, and making both the domestic and export markets lucrative for muscovado producers. Consumers of muscovado come from the health and wellness sectors as well as institutional buyers.

**Table 5: Muscovado Supply and Demand
In 1,000 Metric Tons**

DEMAND/ CONSUMPTION	MARKETING YEAR		
	2019	2020	2021
PRODUCTION	193	196	190
+ Import			
- Export (a)	3	5	34
= Consumption	190	191	156

Note: (a) Excludes exports of raw sugar to the U.S.

Source: SRA, PSA, and TDM

ALTERNATIVE SWEETENERS

There are other forms of sugar and sugar substitutes or alternative sweeteners, such as high fructose corn syrup (HFCS), coconut sap sugar, and molasses. These alternative sweeteners serve niche markets, as sugar holds the largest share of consumption.

High Fructose Corn Syrup (HFCS) The Philippines used to be a major market for HFCS (HS Code 170260), importing about half of China’s exports annually (up to 300,000 MT). On January 1, 2018, however, the Philippines imposed a tax of PhP6 (\$0.12) per liter on drinks using sugar and other sweeteners, while those using HFCS are charged PhP12 (\$0.24) per liter. As a result, the sweetened beverage producers, the biggest HFCS buyers, shifted to sugar to avoid the higher taxes.

Coconut Sap Sugar or Coco Sugar (HS Code 170290).

Coco sugar is natural, unrefined and concentrated. 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. Coco sugar has low glycemic index (GI) of 35 per serving, compared to GI 65 to GI100 for cane-based sugar. Coco sugar is exempted from additional excise tax on sweetened products in the Philippines.

Table 7: Alternative Sweeteners	
Sucralose (Splenda)	600 times sweeter than sugar Supplier: Singapore, China, U.S.
Aspartame (Equal, NutraSweet, NutraTaste)	160-220 times sweeter than sugar Supplier: China, Japan, Taiwan
Stevia (Sweet & Fit)	300 times sweeter than sugar Supplier: Local, China, Malaysia, Thailand
Saccharin (Sweet N Low)	200-700 times sweeter than sugar Supplier: China, South Korea, Japan
Acesulfame (Sweet One, Sunnett)	200 times sweeter than sugar Supplier: Indonesia, China, Singapore

Table 6: Fructose/HFCS Imports In Metric Tons			
	2020	2021	2022
September	1,074	378	1,732
October	878	1,386	1,761
November	925	453	1,043
December	507	993	921
January	734	873	578
February	493	1,151	515
March	498	909	1,462
April	561	2,058	1,675
May	265	1,198	1,380
June	587	1,369	855
July	806	1,161	1,272
August	419	705	1,127
Total	7,746	12,635	14,321

Source: SRA

Honey (HS Code 040900). Honey is also used as a sugar substitute, particularly in baking, sauces, and beverages. It is made up of fructose (40 percent), glucose (30 percent), water, and minerals such as iron, calcium, potassium, and magnesium. Honey is sweeter than sugar due to the high level of fructose with a GI value of 55. The Philippines imported 640 MT of honey in MY 2020/21, while its production is estimated at 100 MT per year.

The Philippines produces and imports a number of sugar alternatives generally accepted and approved by the Philippine Food and Drug Administration (FDA). Many dieters use alternative sweeteners and artificially sweetened foods to cut sugar consumption without eliminating sweetness on beverages, baked foods, and ice cream, among others. For more information on sugar alternatives, please see the [2021 Sugar Annual Report](#).

The consumption of sugar alternatives, including lactose, glucose, and fructose/HFCS is significantly lower than sugar consumption, but consumption of sugar alternatives has been increasing over the past three marketing years.

Table 8: Consumption of Sugar and Alternative Sweeteners In '000 MT Raw Sugar Equivalent			
DEMAND/ CONSUMPTION	MARKETING YEAR		
	2020	2021	2022
Sugar	2,275	2,300	2,300
Fructose/HFCS	6	10	11
Sugar Alternatives	367	504	431*
Aspartame	182	177	189*
Acesulfame	148	183	95*
Sucralose	NA	113	116*
Saccharin	30	21	27*
Stevia	9	9	5*

Note: *September 2021 to May 2022 only.

Aspartame – HS Code 292429, Cyclic Amides (Including Cyclic Carbamates) And Their Derivatives, And Salts Thereof, Nesoi;

Saccharin – HS Code 292511

Sucralose – HS Code 293214

Acesulfame – HS Code 293499, Nucleic Acids And Their Salts, Whether Or Not Chemically Defined; Other Heterocyclic Compounds, Nesoi

Stevia – HS Code 293890, Glycosides, Natural Or Reproduced By Synthesis, And Their Salts, Ethers, Esters And Other Derivatives, Nesoi

Philippines has minimal production

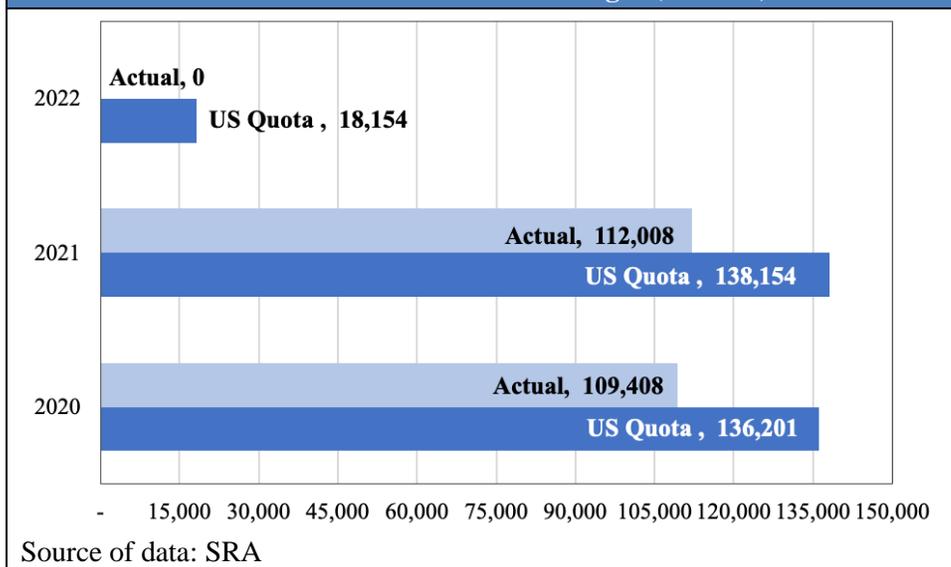
NA = no data available

Source: Trade Data Monitor, LLC, and SRA for Sugar and Fructose/HFCS

Trade:

Exports. Post maintains MY 2023 exports to zero, following the recent [SO No. 1](#) allocating all production to domestic consumption. In recent years, the United States has been the sole export market for Philippine raw sugar. The Philippines receives an allocation of 142,160 MTRV (metric tons raw value) in the sugar tariff rate quota. Exports to the United States in MY 2021 reached 112,000 MT, well below the allocation of 142,160 MTRV or 138,154 MTCW (metric tons commercial weight). In MY 2022, the United States allocated the same amount; but upon the request of the Philippines, the said allocation was lowered to 18,152 MTCW. No actual exports occurred.

**Figure 8: US Quota VS Philippine Actual Exports
In Metric Tons Commercial Weight (MTCW)**



Imports. Post forecasts MY 2023 imports of raw sugar at 75,000 MT in contrast to USDA Official's 0. The Philippines faces low buffer stocks as a result of low sugar output in the previous MY. While the rejected SO4 included importation of 150,000 MT of raw sugar arriving by November 2022, President Marcos has so far only approved the importation of refined sugar. Getting supply from the ASEAN countries such as Thailand usually takes three to four weeks before arrival of sugar in the country. Given the delays and the strong lobby of sugarcane planters, importation of raw sugar may not happen this October 2022 as outlined in the proposed SO4. It is critical, though, to replenish the buffer stocks to a comfortable level of 160,000 MT. While the new administration sets importation as the last priority, there has to be some importation of raw sugar to augment buffer stocks and support refineries in supplementing the low raw supply during the early part of the milling season. One of the lessons learned from MY 2022 is that importation of raw sugar is needed given low end-of-MY stocks in order to stabilize sugar prices.

Relationship of raw and refined sugar importation. In cases of low carryover stocks, importation of raw sugar has occurred at the beginning of the milling season to augment the local raw sugar supply needed by refineries to ramp up refining. The Philippines imported raw sugar in MY [2018](#) and [2019](#) to supplement refineries' raw sugar requirements for their operations and meet raw sugar demand for the domestic market. Imports normally happen between August and November, as waiting for local raw sugar supply takes time to achieve the desired volume for refining. Combined carryover stocks are abnormally low for MY 2023 at about 285,000 MT, compared to the normal 500,000 MT raw equivalent at the beginning of the marketing year. Without raw sugar importation, refined production will be low during the first quarter of MY 2023. Moreover, traders and some manufacturers build-up inventories when milling starts, adding to the need of refineries to obtain raw sugar supply. There is possibility of high withdrawals of raw sugar during the first quarter of MY 2023 due to low or no inventories for some traders at the end of MY 2022, considering low buffer stocks of 125,500 MT from the recommended 160,000 MT set by the SRA. Around 50 percent of local raw sugar went to the refineries in the past, but their share is getting lower due to the importation of refined sugar, reducing value addition of local refineries and tax revenues for the government.

**Table 9: Monthly Raw Sugar Supply and Demand
MY 2022 and Projection for MY 2023**

Particular	Beginning Stocks	Production	“B” Sugar Withdrawal/ Consumption	Ending Stocks
MY 2022				
September	252,304	59,805	80,869	231,240
October	231,240	164,034	159,842	235,432
November	235,432	180,875	155,857	260,450
December	260,450	211,520	142,421	329,549
January	329,549	322,306	232,195	419,660
February	419,660	332,041	238,636	513,065
March	513,065	266,680	258,859	520,886
April	520,886	136,210	180,742	476,354
May	476,354	98,687	184,473	390,568
June	390,568	19,679	150,065	260,182
July	260,182	265	99,734	160,713
August	160,713	28,761	55,965	125,572
MY 2023				
September	125,572	87,500	77,541	135,531
October	135,531	125,008	124,969	135,570
November	135,570	179,663	138,855	176,378
December	176,378	267,246	157,355	286,269

Note:

Comfortable monthly buffer stocks of 160,000 MT as set by SRA.

In red means below comfortable buffer stock level.

August ending stocks excluded 7,937 MT of raw sugar transferred to refinery.

Assumptions:

September to December production and withdrawals are projections based on monthly averages for the past five years (MY 2018-2022). September production is estimate.

Source of data: SRA

FAS Manila keeps MY 2023 refined sugar imports at 275,000 MT (raw equivalent or 257,000 MT refined sugar). There is a need for additional importation to increase buffer stocks. Importation of 150,000 MT of refined sugar was approved by President Marcos via [SO No. 2](#), and are expected by November 15, 2022. Lower production estimate for MY 2023 requires additional importation of refined sugar particularly industrial sugar to achieve comfortable end-of-MY stocks. Proper timing of importation is crucial in stabilizing sugar prices.

Final MY 2022 data showed the Philippines imported 228,052 MT of refined sugar. The SO3 import program was successful in bringing buffer stocks back to a comfortable level until the end of August 2022, but high market prices still prevail even with available refined sugar in the country.

**Table 10: Monthly Refined Sugar Supply and Demand
MY 2022 and Projections for MY 2023**

Particular	Beginning Stocks	Production	Imports	Withdrawal/ Consumption	Ending Stocks	
					w/ imports	w/o imports
MY 2022						
September	195,000	1,717	18,643	68,434	146,926	128,283
October	146,925	55,510	17,603	94,155	125,883	89,638
November	125,883	71,860	1,000	82,187	116,557	79,311
December	116,557	83,442	-	70,590	129,409	92,163
January	129,409	108,495	-	101,585	136,319	99,073
February	136,319	135,369	-	102,130	169,557	132,311
March	169,557	111,949	-	101,456	180,050	142,804
April	180,050	60,967	-	75,243	165,774	128,528
May	165,774	59,619	500	89,481	136,412	98,666
June	136,412	31,135	104,807	72,812	199,542	56,990
July	199,542	17,191	60,610	111,675	165,669	(37,494)
August	165,669	11,252	24,889	52,439	149,371	(78,680)
MY 2023					w/ 150k MT	w/o 150k MT
September	149,371	27,500		53,477	123,394	123,394
October	123,394	36,692	100,000	63,428	196,659	96,659
November	196,659	58,992	50,000	61,271	244,380	94,380
December	244,380	93,043		68,663	268,760	118,760

Note:

Comfortable refined sugar buffer stocks of 85,000 MT. In red means below comfortable buffer stock level.
SO3 volume of 200,000 MT. Actual imports as of August 31 was 190,806 MT.

Assumptions:

September to December 2022 production and withdrawals projection using monthly averages for the past five years (MY 2018-2022). September production is estimate.

Approved imports of 150,000 MT per SO2 projected to be in country on October (100,000 MT), and November (50,000 MT)

Source of data: SRA

The need for additional bottler's grade sugar. Beverage manufacturer Coca-Cola faces a shortage of bottler's grade sugar, while the other two soft-drink makers, Pepsi and RC Cola, still have available supply. Per the approved SO3, the 200,000 MT is all industrial sugar, 190,806 MT of which was already imported by traders and food manufacturers, of which about 39 percent was already withdrawn. There remains more than 100,000 MT of imported refined sugar still available, but this was already allocated to traders and food manufacturers, leaving Coke at a critical level with only 10,000 MT allocation from SO3. The high sugar price also deters Coca-Cola from purchasing sugar from traders, which resulted in temporary shutdown of operation in six plants in the country.

Stocks:

Raw sugar stocks become critical at the beginning of MY 2023 due to low carryover stocks from MY 2022. The planned importation of 150,000 MT of raw sugar as part of the rejected SO4 is necessary to augment buffer stocks, as explained above. Historically, November is the starting month wherein monthly raw production can

supply monthly demand. Depending on prevailing prices, traders will try to replenish their stocks, which would result in high withdrawals at the beginning of MY 2023 and comfortable buffer stocks will not be achieved until October 2022.

Refined sugar stocks were at a comfortable monthly level in MY 2022 due to the entry of imported sugar per SO3. Clearly, without the SO3 importation, the country was bound for a big shortage toward the end of the marketing year, as shown in Table 10.

The issuance of the TRO created some issues, as prices went up even with available refined sugar supply. Proper communication to inform the public of available supply rather than media reports of a big shortage is vital. The purpose of building buffer stocks is to ensure supply and prevent a shortage.

Trade Policy:

[Executive Order 892 \(EO 892\)](#). Imports of sugar from ASEAN countries are levied at 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 ASEAN's tariff was expected to increase trade, as other ASEAN producers, particularly Thailand, have lower production costs. Despite the drop in duties, multiple administrative barriers remain 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. The tariff rates for sugar were established in Executive Order 313, which set varying in-quota and out-of-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 Most Favored Nation (MFN) tariff has not changed since 2016. SRA issues import licensing permits, which are redundant given sugar tariffication. See this prior Sugar Annual Report for a table of ASEAN harmonized tariff codes and MFN rates.

Policy:

SRA has the mandate under [EO 18 Series of 1986](#) and [Republic Act No. 10659](#) of the Sugar Industry Development Act (SIDA) of 2015 to establish a balance between domestic production and the country's sugar requirement.

Sugar Order. Philippine sugar policy, trade, and domestic prices are generally regulated by the 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 and to reserves. These orders are adjusted as the season progresses. A running history of SRA sugar orders may be found [here](#).

[Sugar Order No. 1](#). SRA released SO No.1 on September 13, 2022, which forecasts production at 1.876 million MT for MY 2023. The SRA allocated all production for the domestic market or “B” sugar, with none classified as “A” sugar for the U.S. market. SRA periodically assesses sugar allocation throughout the year based on the sugar supply situation. The new administration brought a new start, and issued a policy indicating that all unused sugar *quedan* (import permits) from previous crop years must be shredded and not allowed for use.

[Sugar Order No. 2](#). SRA released SO No. 2 on September 13, 2022 allowing importation of 150,000 MT of refined sugar, 75,000 MT allocated to industrial users, and 75,000 MT to consumers. SO 2 importation is open to all duty registered international sugar trader in good standing from MY 2021, and MY 2022, and with renewed registration in MY 2023.

A list of policies is available in the [GAIN Sugar Annual 2022](#).

Ethanol. Sugarcane and sugar molasses are the primary feedstocks used for bioethanol production, while the bagasse is mainly used for power cogeneration of sugar mills, refineries, and bioethanol distilleries. There are currently 13 operating bioethanol distilleries and six power-generating plants in the country. For more information, see the [Biofuels Annual Report 2022](#).

The reference price of bioethanol is based on the mill site prices of sugar and molasses. The National Biofuel Board (NBB) through the SRA set up a price index or reference price of bioethanol, which serves as the basis for negotiations between oil companies and bioethanol producers.

Table 11: Sugar, Molasses, and Bioethanol Prices			
Marketing Year	Sugar Composite Price (PhP/Lkg)	Molasses Price (PhP/MT)	Bioethanol Reference Price (PhP/Li)
2020	1,484	11,828	61.07
2021	1,554	9,315	57.48
2022	2,044	11,462	65.79

Source: SRA

Molasses. Molasses (HS 170310) is a major by-product from sugar production, used in the manufacture of bioethanol and potable alcohol. Molasses imports have increased overall in the past three years, although they decreased 17 percent in MY 2020/21 to 411,000 MT. The largest suppliers in MY 2022 were India, Indonesia, and Thailand.

Table 12: Molasses Supply and Demand
In '000 MT

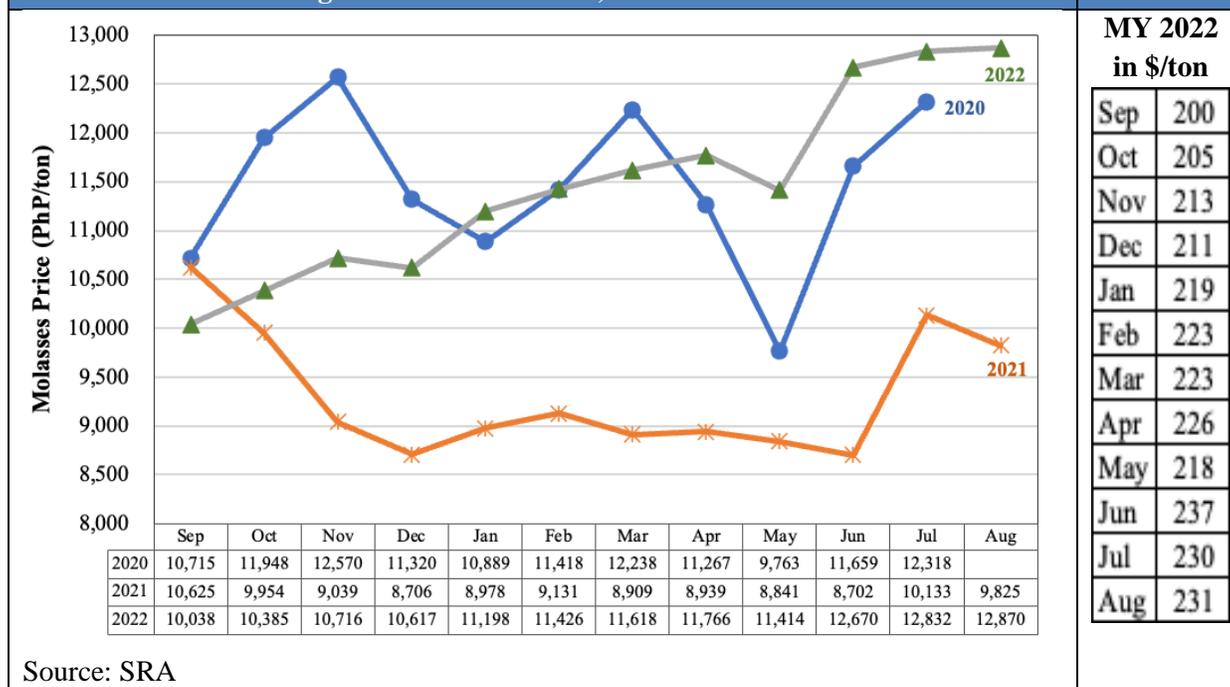
Particular	Marketing Year		
	2020	2021	2022
Beginning Stocks	113,852	207,531	208,214
Production	1,133,979	1,161,240	924,384
Local Supply	1,247,831	1,368,770	1,132,597
Consumption	1,046,690	1,120,204	985,567
Ending Stocks (Local)	201,141	248,566	147,030
Imports	494	411	424

Note: (a) including molasses for ethanol production (potable and disinfectant). Under the law, imported molasses is not allowed to be used as feedstock for fuel ethanol production.

Source: SRA, and TDM for imports

Molasses prices in MY 2022 followed the same trend as sugar prices with the highest price in August at PhP12,870/ton (\$230/ton), up 31 percent compared to August 2021 prices. In MY 2020, molasses prices had drastic highs and lows as a result of erratic global supply and domestic production and demand.

Figure 9: Molasses Price, MY 2020-2022



Attachments:

No Attachments