The Sugarcane Industry Development Act and the Future of the 
Philippine Sugarcane Industry

Delivered at the MAP-ABCDF 14th Weekly Forum of 2015, 28th of April 2015, 7:30 to 9:00 AM
At the Parish Center, Santuario de San Antonio McKinley Road, Forbes Park, Makati
By Ma. Regina B. Martin
Administrator, Sugar Regulatory Administration

Slide 1 – Title Slide

2015 and the years ahead are critical, and offer great opportunities and challenges to the Philippine Sugarcane Industry. Foremost is the fact that the tariff on imported sugar is now only 5% under the ASEAN Free-Trade Agreement (AFTA). With our cost of production higher than our neighboring competitors, the possible entry of cheaper imported sugar is a threat to the country’s sugar producers.

Slide 2 – Raw Sugar Imports in Asia during 2013

Asia is a fast-growing market for sugar, primarily because of economic growth and the growing population of the middle class. Total Population is also a big determinant of sugar consumption as manifested by China, Indonesia, and India. Asia is a deficit market, which explains why sugar from Brazil arrives in China and Indonesia. This map prepared by a trader shows the 2013 volume of imports for some countries in Asia. The figures indicate that China is the biggest importer with volume of 4.3 million MT, followed by Indonesia at 3.8 million MT. Malaysia, South Korea, and Japan also import more than a million metric tons each. Please look at the different colors that divide each pie. Purple represents imports from Brazil which dominates China, Indonesia and Malaysia. Australia (green) also exports to almost everybody. And of course, Thailand (blue) supplies to all countries, even those that are not shown on this map. For the Philippines, the orange color can only be seen in Japan and South Korea. This means that we are not yet a major exporter in Asia.

Slide 3 - Role of ASEAN member countries in the sugar trade

For ASEAN itself, which is composed of 10 countries, the biggest producer and exporter is Thailand. Most imports are filled up by Thailand because it is a reliable supplier. And with the increasing production of Thailand, with a target production at 20 million metric tons in year 2020, they are expected to dominate the ASEAN import market. Second in production is Indonesia, closely followed by the Philippines. Indonesia, however, consumes more than it can produce, hence, it is the biggest importer, followed by Malaysia. Vietnam, just like the Philippines, is a producer and exporter but in small volumes. All others are still net importers.
The Philippine Sugarcane Industry is a huge industry contributing no less than P87 Billion to our economy annually -- counting only the sale of raw sugar, molasses, bioethanol, VAT from sugar, tolling fees on refining and VAT, excluding the investments of processing facilities and power generation plants. Sugarcane is planted to about 423,000 hectares in the Philippines, with about 65,000 farmers, 700,000 workers and 5M dependents. In terms of productivity, the Philippines is among the lowest with an average farm productivity of 59 tons cane per hectare which ranged from a low of 39 tons cane per hectare to a high of 76 tons cane per hectare. Compared to our neighbor, Thailand, having a productivity of around 70 tons cane per hectare, we see the potential to gain by improving our productivity even at the level of Thailand. There are 27 operating raw mills with combined crushing capacity of 198,500 metric tons cane per day and 14 refineries with combined capacity of 189,209 fifty-kilogram bags refined sugar per day, all operating adjunct to the raw mill. Both sugar mills and refineries are underutilized due to the lack of sugarcane supply. In terms of ethanol, there are 8 bioethanol distilleries, with total annual rated capacity of 222 million liters which can fill up 57% of the mandatory 10% bioethanol blend for gasoline. All our sugar mills are self-sufficient in power during milling season. Of these, three mills and two distilleries are supplying electricity to the grid.

The total sugar production for Crop Year 2013-2014 was 2.461 MMT, of these, 123,148 MT of “A” sugar was shipped to the US as fulfillment of our Sugar Quota Allocation. Domestic or “B” sugar consumption has reached 2.2 MMT while the world market or “D” sugar shipment reached a volume of 129,148 MT. Under our Tariff & Customs Code, food exporters can import sugar duty-free provided they will use the sugar only for their export products; Thus, through the SRA (“D” to “E”) re-export program they are allowed to source their sugar requirements locally using “D” sugar which will then be converted to “E” or CBW Food processors/exporters sugar. Through this “D” to “E” program, the government helps the food export industry to become more competitive in the world market.

We envision the sugarcane industry to be a strategically diversified Sugarcane Industry by 2024. This vision can only be achieved by providing the industry with an enabling environment with appropriate policy framework and resources for the establishment of integrated sugarcane processing districts and the development of farm and mill support industries. Improvement of farm efficiencies, expansion of sugarcane areas, and block farming are the basic foundation for development to achieve global competitiveness.
Slide 7 – Sugarcane Industry Development Act Key Programs

The Sugarcane Industry Development Act of 2015 will provide the enabling environment for our vision. The primary goal of the said Act is to promote the competitiveness of the sugarcane industry; maximize the utilization of sugarcane resources; and improve the income of farmers and farm workers through improved productivity, product diversification, job generation, and increased efficiency of sugar mills. Institutionalized in the Act are Productivity Improvement Programs (such as Block Farms, Farm Support and Farm Mechanization); Infrastructure Support Programs (Transport Infrastructure, Farm-to-Mill Roads, and Irrigation); Research, Development and Extension (Breeding of High Yielding Varieties, Latest Technologies and Good Agricultural Practices); and Human Resource Development Programs (Capacity Building of farmers and industry technical experts).

Slide 8 – Increasing Productivity through Block Farming

The Sugarcane Act, through the Block Farm Program, provides assistance to small farmers with farm sizes of less than 5 hectares who make up about 80% of all sugarcane farmers in the country. Small farmers do not have the financial capability to cultivate their farms to its fullest potential, hence, small farms generally have lower productivity. The Block Farm Program consolidates small farms to a minimum of 30 hectares in order to be more cost-effective in the delivery of services such as farm inputs and equipment. The individual ownership of the farms are preserved but farm activities are planned together and synchronized to improve their production efficiency through the economies of scale.

A block farm is conceptualized to be an “agribusiness unit” in a milling district, supported by the MDDC and various service providers for equipment services, farm management and technical consultancy, and financial services. As you can see, government will deliver the technical assistance, as well as policy and support services while the millers, the manufacturing industries, the non-government organizations, Government Financial Institutions and the banks are eyed to support the block farms in enterprise development, marketing their product, provide them investment and crop loans.

Slide 9 – Pilot Block Farms

Although the Block Farm Program started in 2013 under the Convergence Initiative of the Department of Agriculture, Department of Agrarian Reform, and SRA, it has already produced remarkable results. The 13 pilot block farms registered an average increase of 24.4% increase in cane yield per hectare. In peso terms, the income of the farmer increased by P25,000.00 per hectare at current prices. The Block Farm Program aims at improving the productivity of at least 1,000 hectares of sugarcane farms per
year (or 10,000 hectares in 10 years) with a projected annual increase in income of farmers at no less than P40,000.00/hectare.

Based on SRA data, farms of 10 Hectares and below produce an average of 98.5 bags while farms of 25 to 50 hectares can produce 129.3 bags per hectare, or 31% increase by consolidation, and another 10% by using HYVs. Our main drive is to increase productivity which means a lower production cost leading to an increase in revenues for the farmer.

Slide 10 - Targets and Accomplishments

Under the supportive provisions of the Sugarcane Industry Development Act, the initial success that we have seen thus far will continue and a more productive and competitive sugarcane industry will increase its contribution, in the medium-term, to about P100 billion through the opening of additional bioethanol plants and production of renewable power as well as other products from sugarcane. The establishment of support industries will likewise contribute significantly to the revenue streams of an expanded sugarcane industry.

Slide 11 - The future of the Sugarcane Industry

We know that the mills are improving, by pouring in investments by hundreds of millions in each mill. I am confident that with the support of the government and our private sector partners, we can make our sugarcane industry competitive and see our farmers making a decent profit. The diversification will bring in new revenues for both the growers and millers. Our dream is to make the sugar mills or the distilleries as our rural development hubs by making them integrated sugarcane processing districts! Imagine a vibrant sugarcane community with a mill at the center and many manufacturing and service enterprises just beside it. The zone will produce sugarcane-based products like specialty sugars, bio-water, bio-plastics, and more. It will have its own supply of sugar, electricity, water, fuel and other inputs from the sugar mill. That picture is the future of the sugarcane industry!

Thank you.