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PHILEQUITY CORNER

PhilEquity MANAGEMENT INC.

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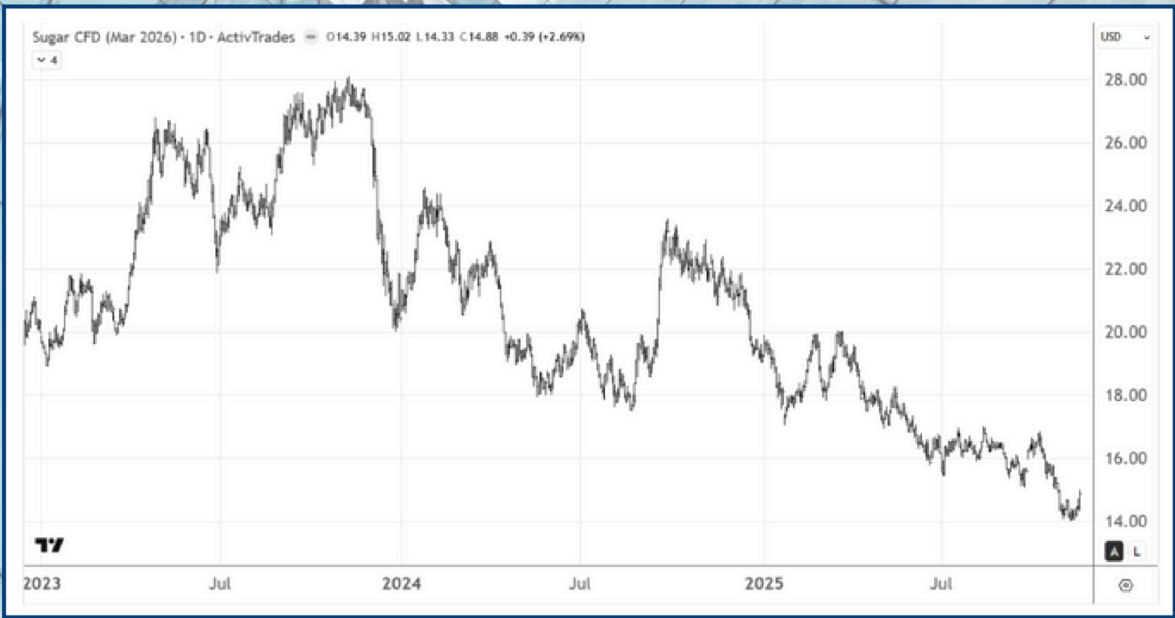
Sugar, sugar

Global sugar prices plunged to $14.06 per pound last Monday, a five-year low for the commodity. This is exactly half of the $28.12 peak reached in November 2023. For Filipino consumers who have been dealing with years of elevated food costs, the pullback in sugar prices is a welcome break. And just like the easing rice prices we noted in our August 25 “Unli-Rice” article, the downturn in the sugar market gives households some room to breathe after years of tight budgets.



2022 sugar crisis

The current market environment is a stark contrast to December 2022, when the soft drinks industry was hit by a severe sugar shortage. Major bottlers like Coca-Cola, Pepsi, and RC Cola were unable to secure enough "bottlers' grade" sugar, slowing production and even forcing temporary shutdowns at some plants.

For many Filipinos, the sudden shortage of soft drinks became the most visible sign of the crisis. And it struck at the worst possible time, right in the middle of the holiday season when demand usually surges.

P136 then, P82 now

During the 2022 crisis, retail prices of refined sugar in groceries spiked to ₱136 per kilo. In wet markets monitored by the DA Bantay Presyo, refined sugar saw highs of ₱110 per kilo. Today, these prices in major NCR wet markets have moderated to ₱81.96 per kilo. With food taking up almost 40% of the average household budget, the pullback in sugar prices offers families real and tangible relief.

Supply surge led by Brazil and India

After several years of El Niño-driven tightness, global markets have swung into surplus. Brazil is delivering near-record output. Thailand's production has recovered. And India's improved monsoon conditions have lifted crop conditions. New Delhi's revised ethanol policy has also shifted less cane to biofuel, freeing up more sugar for export.

Pivot to corn ethanol

Also adding pressure is Brazil's booming corn ethanol industry. This has made traditional ethanol production less attractive, prompting mills to divert a bigger share of cane toward sugar production. This has further boosted global sugar supply and helped drive prices to their lowest in five years.

Negros farmers feel the pinch

The slide in global prices, however, is far less welcome in Negros, which is the country's sugar heartland. Mill-gate prices have fallen faster than production costs, squeezing small planters who continue to face elevated fertilizer, fuel, and labor expenses.

Last month, lawmakers from the Negros Island Region (NIR) urged the Sugar Regulatory Administration to take immediate action, warning that the rapid price drop has left farmers struggling to recover even their basic production costs.

A sweeter season ahead

For Filipino consumers, the timing could not be better. The retreat in sugar prices comes just as rice prices have also eased – two staples that make up a substantial portion of household food spending. Together, the pullback in both staples offers households a sweeter season ahead after the shortages and price spikes of 2022-23.