

**PHILIPPINES WELCOMES U.S. SUGAR QUOTA INCREASE.**By **Chaitanya Kalbag**

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MANILA, July 26, Reuter - The Philippines welcomes a decision by the U.S. Department of Agriculture (USDA) to increase its 1988 sugar import quota to 158,640 short tons from 110,600 tons, Agriculture Secretary Carlos Dominguez said.

"We welcome the opportunity...and we will try our best to meet the increased quota," Dominguez told Reuters in a telephone interview.

He said Philippine sugar producers had had "a very good growing season" and that plantings had expanded in response to market signals.

"We sympathise with U.S. farmers because we know what it means to have a drought," Dominguez said. The Philippines was struck by a severe drought in 1987.

He said sugar production is expected to rise to 1.6 million tonnes in the 1988/89 crop year ending August 31 from 1.36 million in the current crop year and 1.3 million in 1986/87.

U.S. Agriculture Secretary Richard Lyng announced last Friday that the new sugar import quota for 1988 is 1,056,675 short tons, up from 757,880 short tons announced by the USDA last December.

Dominguez said domestic sugar prices were buoyant. "The domestic market has performed very, very well in the last year," he said. "I understand that a lot of the increase in domestic demand is because people in the rural sector are enjoying better incomes."

He said the government had not interfered with the market mechanism.

The private National Federation of Sugarcane Planters (NFSP) said earlier this month that planters, encouraged by early rains and rising prices, had increased the area planted to sugar by 15 pct to 260,000 hectares in the current season.

The U.S. sugar program sets a support price of 18 cents per pound. The U.S. Sweeteners Users Association last week called for a rise in the sugar quota to offset the effects of higher domestic sugar and corn prices, pushed up in part by the drought. Corn is used to make high fructose corn syrup, a sugar substitute.

Dominguez said Philippine domestic demand had soared to 1.3 million tonnes annually. "As recently as in 1984 national demand used to average between 800,000 and 900,000 tonnes," he said. "Soft-drink manufacturers say their sales have shot up by between 18 and 20 pct this year."

The domestic price of sugar is pegged at 580 pesos per picul (63.2 kilos) compared with 480 pesos equivalent in the U.S.

An NFSP spokesman said for the first time in Philippine history domestic sugar prices had risen above export prices. He said Manila will start negotiations next month for exports to Japan and Singapore, but gave no figures.

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