Address by the Honourable President & Prime Minister of the Philippines, on the occasion of the 17th Congress of the International Society of Sugar Cane Technologist on February 4, 1980

Mr. Chairman, Madame Marcos,
Distinguished Guests and Delegates,
Ladies and Gentlemen:

It is indeed my great pleasure to be with you at this opening of the XVIIth Congress of the International Society of Sugar Cane Technologists and to welcome the Delegates and their Guests on behalf of the Government and the people of the Philippines.

In convening here in Manila for its 17th Congress, the International Society of Sugarcane Technologists brings this important forum to a part of the world in which sugar for several centuries now has been a central part of national vitality and progress.

In behalf of the people and government of the Philippines, I would like to thank the Society for according us this privilege, and to tender you the hospitality of our country.

As the 6th largest producer and 4th largest exporter of sugarcane in the world, we in the Philippines attach great importance to the work of the International Society of Sugarcane Technologists, and we share the high hopes of many for the success of your deliberations.

In all the years since the Society was first founded and convened its very first International Congress, the work of Sugarcane Technologists has always stood prominently as a force for vitality, efficiency and productivity in the world sugar industry. Today, more than ever, we look to your field of specialization for continued vigor and vision in the support of an industry which in recent years has known severe difficulties.

It is surely ironic and significant that in a world beset by growing food shortages and all forms of scarcity, we find our problems in the sugar industry to be rooted in abundance, or even super abundance while we strive in other areas to produce more in order to feed the world, we find ourselves in this sphere constrained as it were to temper the tremendous productivity of our industry.

This says something about the inadequacies of our global system. But even more, this is convincing proof of the capability of the sugar industry and this is the
measure of the tremendous advances made by sugarcane technology over the years.

So I should like first of all to pay tribute here to the Society and to Sugarcane Technologists all over the world for their exemplary contribution to the sugar industry. We especially single out for mention here the spirit of cooperation in technical research and the free exchange of technical information which the Society has fostered among sugar producers, and which has formed so great a part of the surge in productivity throughout the sugar-producing nations.

In this tremendous technological feat, we also read the promise of a better future for the industry. Many of us look today to the continued advances in sugarcane technology as an essential factor in building greater stability and profitability in the world sugar industry. For while our problems may seem to arise from the instabilities of global trade, we know and we recognize that long-term stability will depend on the success of efforts now being undertaken to maximize efficiency in sugar production and to reduce production costs to levels that will assure profitable prices even in the midst of abundance.

As the world moves closer towards rectifying the problems engendered by the past and towards implementing the terms of the International Sugar Agreement of 1977, we will witness improvement in world prices of sugar. Yet the fact will remain, that given better mechanisms for trade, there is no substitute for efficiency and productivity in the industry, no alternative to the effective utilization of resources, in attaining growth and stability in sugar.

The experience of the Philippine sugar industry is revealing of both the problems and the prospects of the world sugar industry. And I hope you will permit me to speak of that experience in keynoting the themes of this congress.

The sugar industry occupies a prominent position in the economy of the Philippines. As the country's oldest export industry, it has provided livelihood for large segments of the population from very early times. Towards the later part of the last century, and again in the 1920's to mid-1920's, the industry was the main pillar of the national economy, with sugar constituting up to 60 percent of our total export trade. The rapid growth of the industry during these periods might have led to the development of a one-crop economy in the country but for the protracted interruption caused by the Philippine Revolution for Independence in 1896 which lasted up to 1901, and subsequently, by operation of the Philippine Independence Act and the U.S. Sugar Act which limited the entry of duty-free sugar into the United States beginning in 1934.

While political events appear to have thus conspired, perhaps providentially, to prevent our heavy dependence on a sugar-based economy, the Philippine Sugar Industry nevertheless remained an importance element in the economic progress
of the country. Despite the quota restrictions under the U.S. Sugar Act, the industry provided a relatively stable source of export income equivalent to an average of over 20 percent of total export receipts during the 40-year period that the act was in force, excepting for the war years and the post-war reconstruction period. It is indeed regrettable that such a finely-tooled piece of sugar legislation as the U.S. Sugar Act, which has worked well under all but the most unusual circumstances, should be permitted to die.

Since the expiration of the Sugar Act in 1974, the Philippines has become part of the world free market. As member of the International Sugar Organization, we have participated in the U.N. Sugar Conferences of 1973 and 1977 and cooperated in the international efforts to negotiate an agreement with economic clauses so as to achieve a measure of order and stability in the world market. These efforts culminated in the successful conclusion of the International Sugar Agreement of 1977, and we in the Philippines would like to believe that we have helped make this possible by sacrificing 100,000 tons of our own basic export tonnage to break the deadlock on quota levels which had continued to be disputed up to the closing day of the conference.

When the agreement entered into force on January 1, 1978, we had hoped that world prices which had dipped to as low as 6.11 cents in 1977, would soon improve. However, it took much longer time than expected for the agreement to take hold. In the first twenty months the agreement entered into force, the monthly average of ISA daily prices fluctuated between 6.4 cents and 8.6 which are way below the costs of the world’s most efficient producers.

As a result of extremely low prices and greatly reduced volume, our export income from sugar in 1977 and 1978 declined for the first time in a peacetime year to less than one third of the normal level. For a small developing country with limited resources like ours, the effect of such an extreme reduction of income on our economy, which is already reeling from the impact of constantly escalating oil prices, has been predictably severe due to price constraints, large areas went to other and more profitable crops which production dropped sharply to 2.3 million tons in the last two years from 3.0 million tons in 1975-76. At this reduced production level the industry has operated at less than two-thirds of capacity.

After more than three long years of disaster prices, the world market begun to pick up last October, reaching 11 cents, which is the minimum price of the ISA price range, for the first time under the agreement in October 22. Since then the ISA prevailing price has advanced to 15.73 as of January 18 while the ISA daily price was 17.96 cents as of the same date. If this trend continues we may have 20 cents sugar before long.

It appears that the price advance has been fueled by a decline in production which is attributed to adverse weather, low prices and quota limitations on exports
under the agreement. World production for crop year 1979-80 is currently estimated at 86.6 to 87.7 million tons as against consumption estimate of 90.6 to 91.6 million tons which leaves a deficit of 4 million tons. However, this does not mean that a shortage of this size actually impends. It only means that carryover stocks from last year which stood at some 30,000 tons or 33 percent of yearly consumption, will be drawn down by this year’s deficit to 26,000 tons, equivalent to 29 percent of consumption. In effect world supplies will be tighter and therefore prices should be higher. However, the statistical picture does not suggest a price explosion which is triggered only when stocks go down to 24 percent according to statisticians.

That, we believe, is for the best since, as everyone knows, the familiar “boom-and-bust” cycle of the industry is not in its own interest, nor that of the consumers, and should therefore be avoided if possible. Perhaps more than anything else, the industry needs a climate of stability under which it can progress and grow in a manner which would enable it to meet the rising world demand for this important food. The mechanism for achieving this stability already exists in the International Sugar Agreement of 1977 which is now beginning to show its usefulness in this regard, and therefore all possible and necessary means should be availed of by the world sugar community to strengthen it and preserve its integrity.

One aspect of our sugar industry that bears repeating is the fact that the administrative supervision and control of the industry has since July 1977 been consolidated and vested in one government agency, the Philippine Sugar Commission, in order to promote the stabilization and integrated development of the industry. The commission formulates and implements government policies affecting all phases of the industry. As the single selling agency for sugar, it buys and sells all sugar for export as well as domestic distribution at prices which would assure fair returns to the producer. Moreover, it is empowered to organize sugar planters cooperatives and to assume control and supervision of mills and refineries which are unable to meet their financial obligations or which may have become inefficient in their operation.

Since the establishment of the commission two and a half years ago, it is significant that it has taken a number of initiatives in fulfillment of its mission. Among these were:

1. The establishment of the Republic Planters Bank to Provide for the financing needs of the farmers for the production of the sugar crop at minimum interest rate which has since been fixed at 10 percent;

2. The establishment of the National Sugar Trading Corporation to handle the merchandising of sugar in the domestic and export markets;

3. The acquisition and operation of the Guimaras Bulk Sugar Installation, the Visayan Stevedoring Transport Company and the Panay Railways to secure
economies of scale in the transportation of sugar and sugarcane and the bulk storage and handling of sugar for export;*

4. The establishment of 3 new refineries with refined sugar capacity of 500 metric tons each to meet increasing demands of the domestic market and enable the industry to fill contracts for refined sugar for export markets; and

5. The management and operation of two 4,000-ton sugar factories in order to help develop sources for cane supply and enable them to operate efficiently at capacity. All of these initiatives and endeavors have been undertaken by the commission in addition to other functions connected with research, field extension service, administration, and others, for the very same purpose that engages the attention and energies of the sugar technologist in the performance of his assigned task in the sugar industry, and that is to maximize efficiency and reduce costs in the industry.

The point of all this is that we in the Philippines have had to adopt a strategy that not only places its faith in high prices in the world market, but more importantly seeks to improve our total institutional capacity for the efficient production of sugar. In sum, we have had to rationalize national sugar production; we have strengthened the industry in areas where it needed utmost support; and we have sought to eliminate waste and inefficiency from production to milling to the export of the commodity.

Thus, we have great faith that as world trading conditions firmly stabilize and improve, our industry and our country will be in a position to benefit from it not just for one planting season but for a good long period to come.

I believe that much the same is taking place in other sugar-producing countries, and in the global industry as a whole. Everyone distrusts now the old capricious turns in world sugar demand and prices. Everyone wouldn’t mind not experiencing anymore the boom market conditions of earlier years as long as they can avoid the disaster years of bust prices. Everyone wants a climate of stability in which the highly-advanced technology of sugar production can fully work for the benefit of all, and can fully progress to open new possibilities for the world sugar industry.

Reflecting on the past several years of the industry we must surely conclude that it has not been an easy one for the world sugar community.

But addressing ourselves to the future, it seems to me auspicious that we begin the new decade with salutary developments engendered at last by our stabilization efforts. And it is on this note that I would close with the prayer that the decade will smile benignly on the determined efforts of the world sugar industry to improve its position and its future, and that you in this Society will continue to spearhead technological advances in this vital industry.

Thank you and good day.