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Report Highlights:

MY 2008 and MY 2009 sugarcane production is revised upward due mainly to average yield improvement. However, sugar export growth should slow down in anticipation of production recovery among major importing countries. The utilization of sugarcane for ethanol will remain marginal as most ethanol plants continue to use molasses.

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Executive Summary

Despite continued acreage reduction, MY 2008/09 sugarcane production is revised upward due to excellent weather conditions and resultant yield improvements. Sugar production is estimated at 7.9 million tons, up slightly from the previous year. However, MY 2007-2008 sugar exports have been revised downward in anticipation of local sugar production recovery in major importing countries.

The utilization of sugarcane for ethanol will remain marginal as most ethanol plants continue to use molasses. All of the ethanol plants are running under capacity despite increased daily gasohol consumption. In addition, an expansion in sugarcane-based ethanol plants by sugar millers will be limited by unattractive returns following revenue sharing system in Cane and Sugar Act. Most new ethanol plants which will be established in the near future are tapioca-based ethanol plants in anticipation of sufficient supplies of raw material.

1. Production

MY 2007/08 and MY 2008/09 sugarcane production is revised upward, due to excellent weather conditions and resultant yield improvements. Despite a continued acreage reduction, MY 2008/09 production is expected to increase slightly from the previous year due mainly to average yield improvement. Also, current flood damage is expected to be marginal as most growing areas are in the high land. However, planted areas reportedly continued to decline, particularly in the northeast, where farmers shifted to tapioca due to the near triple returns when compared to sugar. In addition, the Cabinet approval of an increase in domestic support prices for MY 2007/08 ([TH8068](#)) came after farmers finished MY 2008/09 cultivation.

Better-than-expected sugarcane crops will result in a continued increase in MY 2008/09 sugar production to 7.9 million tons, up slightly from the previous year. Also, molasses production is expected to increase slightly to 3.3 million tons.

Table: Thailand's Sugar and Molasses Yield and Prices

	MY 2005	MY 2006	MY 2007	MY 2008 (Estimate)	MY 2009 (Forecast)
Yield per metric ton of cane					
Sugar (kg.)	108.49	103.56	105.33	106.63	107.00
Molasses (kg.)	47.29	45.18	47.01	44.72	44.70
Farm price (ex-factory): Baht/ton	658	847	702	557	800-900
Wholesale prices					
Sugar (Baht/100 kg.)	1,177	1,498	1,498	2,033	2,033
Molasses (Baht/ton)	1,800	4,000	2,100	2,500	2,500

2. Consumption

Sugarcane will primarily be utilized in sugar production as sugarcane-based ethanol production remains marginal, as compared to molasses/tapioca-based ethanol production. Daily gasohol consumption has increased to 9.1 million liters with daily ethanol production increasing to 0.9 – 1.0 million liters. Total ethanol production accounts for approximately 60-70 percent of total current production capacity from nine ethanol plants, most of which are molasses-based ethanol. Moreover, a sugar mill in the northeast that utilized 57,345 ton of sugarcane for ethanol production last year will likely discontinue sugarcane-based ethanol production due to unattractive return as 70 percent of net revenue from ethanol sales are required to be shared with cane growers through the revenue sharing system in Cane and Sugar Act. In addition, new ethanol plants established in the near future will be tapioca-based ethanol plants in anticipation of sufficient supplies of raw material, following tapioca acreage expansion and yield improvements which are expected to exceed double of current average yield. However, presently there is one sugarcane-based ethanol plants being established with production capacity of 200,000 liters/day (60 million liters/year) with daily milling capacity of 5,000 tons of sugarcane from contract farming of 60,000 rai (9,600 hectares). Production will likely start next year.

MY 2008 and MY 2009 sugar consumption is forecast to increase both in household and industrial use. Meanwhile, beverage industries are reportedly facing high production cost from an increase in government controlled domestic sugar prices by 32 percent in May 2008([TH8068](#)).

3. Trade

MY 2008 - 2009 sugar exports are expected to slow down in anticipation of sugar production recovery in major importing countries. Raw sugar exports to China and Malaysia will likely drop significantly in MY 2008 – 2009 in anticipation of bumper local sugarcane crops. In addition, refined sugar exports to Indonesia will likely decline as domestic sugar production and stocks are expected to be sufficient. As for raw sugar exports to the U.S., Thailand has reportedly fulfilled its' raw sugar exports under the FY 2008 U.S. tariff-rate quota (TRQ) of 14,743 metric tons (raw value).

Sugar imports will remain marginal in MY 2008 and MY 2009 due to sufficient domestic supplies. The government's import policy follows its WTO commitments, which maintains a 65 percent tariff rate under a quota of 13,760 metric tons. Meanwhile, the out-of-quota tariff is 94 percent.

4. Policy

MY 2008/09 support prices of sugarcane will likely be higher than revised MY 2007/08 support prices of 807 baht/ton (\$26/MT) as global sugar prices trend upward. Meanwhile, government controlled domestic sugar prices are expected to remain at current levels which were increased on May 1, 2008 by 5 baht/kg to 19 baht/kg (\$27 cents/lb) for white sugar and 20 baht/kg (\$29 cents/lb) for refined sugar, ex-factory wholesale ([TH8068](#)). The state-run Cane and Sugar Fund still has a significant debt burden of over 20 billion baht (\$588 million) to the Bank for Agriculture and Agricultural Cooperative (BAAC) from the price support program.

Statistical Tables

Table 1: Thailand's Sugarcane Production

Sugar Cane for Centrifugal Thailand	2007			2008			2009	
	2006/2007			2007/2008			2008/2009	
	Market Year Begin: Dec 2006			Market Year Begin: Dec 2007			Market Year Begin: Dec 2008	
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed	Jan
			Data			Data		Data
Area Planted	1070	1070	1070	1080	1080	1060	1025	1025
Area Harvested	1030	1030	1030	1040	1040	1020	990	1000
Production	63800	63800	63800	68000	72000	73310	68000	74000
Total Supply	63800	63800	63800	68000	72000	73310	68000	74000
Utilization for Sugar	63750	63743	63743	67950	71940	73250	67930	73930
Utilizatin for Alcohol	50	57	57	50	60	60	70	70
Total Utilization	63800	63800	63800	68000	72000	73310	68000	74000

Table 2: Thailand's Production, Supply and Demand for Sugar

Sugar, Centrifugal Thailand	2007			2008			2009	
	2006/2007			2007/2008			2008/2009	
	Market Year Begin: Dec 2006			Market Year Begin: Dec 2007			Market Year Begin: Dec 2008	
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed	Jan
			Data			Data		Data
Beginning Stocks	1760	1760	1760	1745	1745	1745	2245	2245
Beet Sugar Production	0	0	0	0	0	0	0	0
Cane Sugar Production	6720	6720	6720	7650	7650	7820	7200	7200
Total Sugar Production	6720	6720	6720	7650	7650	7820	7200	7200
Raw Imports	0	0	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0	0	0
Total Supply	8480	8480	8480	9395	9395	9565	9445	9445
Raw Exports	1983	1983	1983	2200	2200	2300	2500	2500
Refined Exp.(Raw Val)	2722	2722	2722	2900	2900	2600	3100	3100
Total Exports	4705	4705	4705	5100	5100	4900	5600	5600
Human Dom. Consumption	2030	2030	2030	2050	2050	2200	2100	2100
Other Disappearance	0	0	0	0	0	0	0	0
Total Use	2030	2030	2030	2050	2050	2200	2100	2100
Ending Stocks	1745	1745	1745	2245	2245	2465	1745	1745
Total Distribution	8480	8480	8480	9395	9395	9565	9445	9445

Table 3: Thailand's Exports of Sugar

Export Trade Matrix**Country** Thailand**Commodity** Sugar, Centrifugal

Time Period	Jan. - Jun.	Units:	MTRV
Exports for:	2007		2008
U.S.	14275	U.S.	9392
Others		Others	
Indonesia	937766	Indonesia	952285
Japan	299232	Japan	404269
China	120794	China	71943
Malaysia	150691	Malaysia	22256
South Korea	36486	South Korea	138803
Cambodia	53873	Cambodia	164805
Taiwan	56924	Taiwan	210419
Russia	34679	Russia	21560
Singapore	89130	Singapore	56930
Bangladesh	61030	Bangladesh	0
Total for Others	1840605		2043270
Others not Listed	914003		442556
Grand Total	2768883		2495218

Table 4: Thailand's Exports of Raw Sugar (MTRV)

Destination	2002	2003	2004	2005	2006	2007	Jan. - Jun.	
							2007	2008
China	168,982	180,567	252,455	175,529	221,503	160,292	111,803	20,520
Congo	-	-	-	-	-	-	-	-
Indonesia	387,971	373,106	463,426	423,816	196,017	736,749	525,276	620,926
Iran	30,780	-	-	-	-	-	-	-
Japan	383,685	565,822	751,129	602,690	543,908	557,482	296,230	404,269
North Korea	6,378	62,877	41	2,560	-	-	-	-
South Korea	110,044	175,976	144,877	87,423	38,376	48,316	35,241	133,582
Malaysia	240,636	242,141	245,564	64,820	31,190	182,963	134,676	257
Mozambique	-	-	-	-	-	-	-	-
Philippines	3,078	-	286	-	-	205	-	-
Romania	-	41,040	-	-	-	-	-	-
Russia	484,253	696,757	66,279	46,170	38,885	53,711	34,679	21,313
Singapore	52,644	2,786	429	-	221	128	-	-
Sri Lanka	64,384	52,711	55,149	9,593	4,361	14,877	14,877	14,236
Tanzania	33,006	10,012	10,841	208	770	54,070	53,814	975
Taiwan	102,794	201,234	313,528	75,544	53,282	62,059	17,378	120,473
Ukraine	-	-	-	-	-	-	-	-
United States	14,614	14,615	14,615	14,615	24,939	21,299	14,275	9,392
UAE	45,785	-	-	-	-	-	-	-
Vietnam	-	-	-	70,179	51,505	11,126	3,591	19,586
Others	20,075	72,779	23,333	18,172	16,890	68,163	59,562	4,704
Total	2,149,108	2,692,423	2,341,952	1,591,319	1,221,847	1,971,440	1,301,402	1,370,233

Source: Office of the Cane and Sugar Board, Ministry of Industry

Table 5: Thailand's Exports of White and Refined Sugar (MTRV)

Destination	2002	2003	2004	2005	2006	2007	Jan. - Jun.	
							2007	2008
Bangladesh	31,717	200,676	304,502	55,001	116,967	16,846	16,755	-
Brunei	7,490	1,831	6,233	6,202	5,033	5,707	2,764	3,123
Burma	80	1,031	7,023	1,800	5,711	3,691	3,691	1,454
Cambodia	244,344	112,394	195,545	229,749	257,147	217,013	53,873	164,805
China	13,954	27,640	34,013	5,280	8,780	60,211	8,991	51,423
India	-	348	803	-	-	-	-	-
Indonesia	616,165	903,304	864,095	750,834	115,279	686,712	412,490	331,358
Iran	63,368	14,445	-	-	17,816	252,621	168,040	8,295
Jordan	55,961	46,042	65,698	257	17,687	45,143	44,108	1,231
North Korea	46,073	81,045	84,073	89,581	32,085	17,246	-	22,876
South Korea	26,300	73,497	83,280	81,253	793	1,244	1,244	5,221
Kenya	1,074	4,693	598	-	1,252	8,710	3,947	-
Laos	27,899	23,947	27,887	41,657	51,122	26,376	11,000	20,308
Malaysia	129,248	206,155	331,552	78,727	12,136	31,706	16,016	22,000
Maldives	-	-	-	264	1,035	-	-	-
Pakistan	-	-	-	15,774	18,138	3,570	1,646	1,605
Philippines	31,168	45,878	51,193	18,427	33,606	95,537	53,728	45,203
Russia	6,793	17,129	10,664	874	259	-	-	247
Saudi Arabia	4,280	5,350	-	-	1,873	9,131	7,794	7,025
Singapore	105,910	75,356	116,864	41,111	29,308	219,426	89,130	56,109
Somalia	75,555	61,692	21,568	-	-	-	-	-
Sri Lanka	40,081	22,455	24,430	6,210	87,163	38,249	23,857	6,527
Syria	119,379	234,129	-	-	1,739	41,542	34,284	-
Tanzania	23,039	25,351	10,352	1,190	134	20,444	20,065	466
UAE	3,210	5,280	15,095	129	26,568	64,354	59,405	19,157
Vietnam	-	-	4,347	2,390	10,983	34,053	23,460	20,865
Yemen	52,890	167,254	26,910	-	-	249,779	74,227	2,461
Others	283,349	330,120	206,120	71,627	172,249	554,587	336,966	333,226
Total	2,009,327	2,687,042	2,492,845	1,498,337	1,024,863	2,703,898	1,467,481	1,124,985

Source: Office of the Cane and Sugar Board, Ministry of Industry

Table 6: Thailand's Monthly Export Prices (FOB) of Raw Sugar (Baht/Metric Ton)

Month	2001	2002	2003	2004	2005	2006	2007	2008
January	9,934	6,820	6,340	5,588	6,763	10,226	9,715	8,463
February	9,713	6,910	7,014	5,342	7,984	8,991	9,812	8,457
March	9,102	6,269	7,101	5,598	8,318	10,495	8,915	8,398
April	9,321	6,408	7,045	5,590	8,291	10,409	8,807	8,594
May	9,546	6,194	6,948	6,092	8,848	11,385	8,391	8,491
June	9,428	6,323	7,350	6,665	8,558	11,871	8,238	8,758
July	9,542	6,442	6,464	6,426	8,699	12,315	7,645	
August	10,044	6,504	6,653	6,667	8,768	12,407	8,590	
September	9,617	6,782	6,789	7,151	8,832	12,599	7,909	
October	9,228	6,702	6,427	6,633	8,889	11,658	7,167	
November	7,514	6,330	6,444	7,127	8,746	9,963	8,189	
December	7,518	5,808	6,292	6,302	8,385	11,151	8,215	
Average	9,368	6,415	6,891	6,249	8,561	11,389	8,502	8,527
Avg. Exchange rates (Baht/U.S.\$)	44.43	42.96	41.48	40.22	40.22	37.88	34.52	32.31

Source: Office of the Cane and Sugar Board, Ministry of Industry

**Table 7: Thailand's Monthly Export Prices (FOB) of Plantation White Sugar
(Baht/Metric Ton)**

Month	2001	2002	2003	2004	2005	2006	2007	2008
January	10,245	8,851	8,582	7,189	9,549	10,226	11,994	10,100
February	10,227	8,578	8,129	6,965	9,923	12,471	11,498	9,254
March	9,927	8,142	8,362	7,488	10,063	14,286	10,738	10,104
April	9,791	8,324	8,530	7,506	10,251	13,396	11,042	10,085
May	9,972	7,971	8,554	7,566	10,357	13,673	10,722	10,818
June	10,309	7,714	8,318	8,108	10,443	14,898	10,470	10,239
July	10,794	8,182	7,977	7,716	10,929	15,016	10,251	
August	11,033	7,742	7,914	8,341	11,186	13,786	10,132	
September	10,897	8,393	7,778	8,762	10,806	14,496	10,202	
October	10,091	8,751	7,068	9,996	11,475	13,745	9,112	
November	10,359	9,046	7,592	9,319	11,399	12,859	9,616	
December	10,658	8,830	7,696	9,569	11,236	15,552	9,522	
Average	10,260	8,262	8,115	7,983	10,378	13,835	10,505	10,100
Avg. Exchange rates (Baht/U.S.\$)	44.43	42.96	41.48	40.22	40.22	37.88	34.52	32.31

Source: Office of the Cane and Sugar Board, Ministry of Industry

End of Report