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Thailand

Sugar Annual

2012

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Report Highlights:
TH2041 Sugar production will likely increase to 10-11 million tons in MY2011/12 and MY2012/13 in anticipation of a bumper sugarcane crop driven by a government support program and attractive returns. Sugar exports are forecast to continue their upward trend from 6.6 million tons in MY2010/11 to 9.0 million tons in MY2011/12 and 9.3 million tons in MY2012/13. Sugar consumption will likely increase to 2.6 and 2.8 million tons in MY2011/12 and MY2012/1 in anticipation of a domestic economic recovery.

Executive Summary:

Sugar production will likely increase to 10-11 million tons in MY2011/12 and MY2012/13 in anticipation of a bumper sugarcane crop of 100 - 105 million tons due to acreage expansion driven by a government support program and attractive market returns.

Sugar mills are expected to increase from the existing 47 mills with a milling capacity of 0.9 million tons of cane/day to 51 mills with a capacity of approximately 1.0 million tons/day in MY2012/13. Consequently, sugar exports are forecast to increase to 9.0 million tons in MY2011/12, and continue the upward trend to 9.3 million tons in MY2012/13 as three new mills start operating.

Domestic sugar consumption will likely increase around 8.0 percent to 2.6 and 2.8 million tons in MY2011/12 and MY2012/13, respectively, in anticipation of domestic economic recovery from the flood damage in 2011.

Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

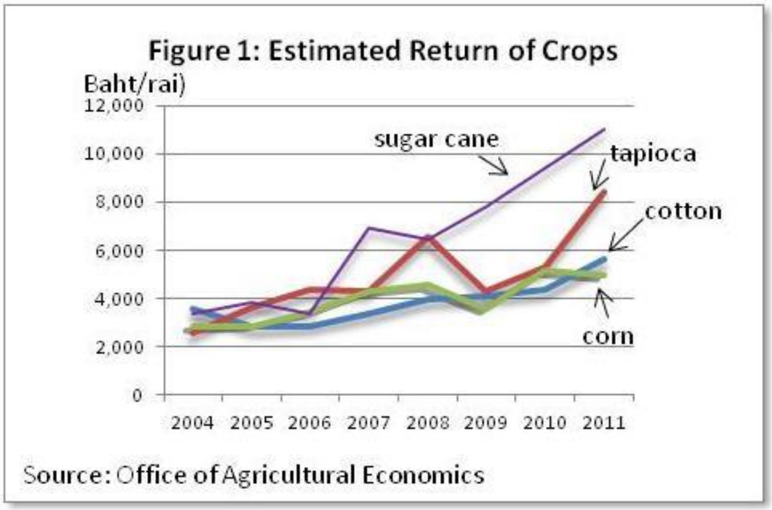
1 Production

MY2011/12 sugarcane production will likely increase to 100 million tons, up 5.0 percent from the previous year, due to acreage expansion and average yield improvement. Farmers have shifted to sugarcane production replacing tapioca driven by a government support program and attractive market prices. The average yield increased to 12.4 tons/rai (77.3 tons/hectares), up approximately 2.0 percent from the previous year, due to favorable weather conditions.

Meanwhile, the severe flooding in 2011, which affected nearly 10.0 million rai of agricultural land, caused marginal damages to the sugarcane crop as most of it is cultivated upland. The damaged areas are estimated at around 0.1 million rai (0.02 million hectares) which account for less than 1.0 percent of total cultivated areas.

According to the official MY2011/12 crushing report by the Office of Cane and Sugar Board (OCBD) issued on April 4, 2012, sugar mills have crushed around 93.0 million tons of sugarcane with a total sugar production of 9.7 million tons since the season began on November 15, 2011. The average extraction rate of sugarcane for sugar increased to 104.3 kg/ton of cane, up 2.9 percent from the previous year. By the end of the crushing season in mid-May 2012, total sugar production will likely increase to 10.4 million tons, up 7.2 percent from the previous year.

MY2012/13 sugarcane production is forecast to continue its upward trend to 105 million tons, up 4-5 percent from the previous year, in anticipation of acreage expansion. The cultivated areas will likely increase to 8.4 million rai (1.3 million hectares) due to attractive returns, as compared to alternative crops like tapioca and corn (Figure 1). Most of the sugarcane harvest will be primarily used for sugar production, with a minimal use for gasohol production although gasohol consumption has increased in Thailand.



In addition, some sugar millers, who received government licenses to operate new sugar facilities in 2010 – 2011, have set up their new facilities which will start operating by MY2012/13. The number of sugar mills are expected to increase to 51 mills with a total production capacity of approximately 1.0 million tons/day, up from 47 mills with a production capacity of 0.9 million tons/day in the past three decades. Sugar production is expected to increase to 10.8 million tons, up 3-4 percent from the previous year.

Gasohol uses approximately 0.6 percent of sugarcane production as molasses and tapioca make up the bulk of the ethanol production in Thailand (see TH1088, "Biofuel Annual 2011"). Any increase of sugarcane use for gasohol production will remain low as sugar prices continue to be more attractive than ethanol prices. Presently, there is only one sugarcane-based ethanol plant operating in Thailand using 0.5 – 0.6 million tons of cane/year. A portion of sugarcane used in this plant will be cultivated in an area of approximately 13,200 rai (2,112 hectares) which is unsuitable for the production of edible corps due to the hazardous nature of the locale. However, only around 5,000 ria (800 hectares) or 40 percent of total area has been cultivated, so far, due to unattractive returns to farmers. In addition, the government price support program does not include sugarcane use for ethanol production.

2. Consumption

MY2011/12 and MY2012/13 sugar consumption is forecast to increase around 8.0 percent to 2.6 million tons and 2.8 million tons, respectively, in anticipation of a domestic economic recovery. The Government expects that 60-70 percent of the industries affected by the floods to recover by the first half of 2012. The economy is expected to grow 5.5 - 6.5 percent in 2012 after the economic slowdown in the previous year. Industrial use will likely increase to 1.2 million tons in MY2011/12, and 1.3 million tons in MY2012/13, which accounts for around 45.0 percent of total sugar consumption. Meanwhile, household use is expected to increase around 7.0 percent to 1.4 and 1.5 million tons, respectively.

MY2010/11 sugar consumption growth slowed down from around 10.0 percent in the previous year to approximately 5-6 percent or 2.4 million tons as food and beverage manufacturers, which account for around 70 percent of the total industrial use, were affected by the floods in the last quarter of 2011. The flooding slowed down the economy, reducing GDP growth to 0.1 percent in 2011, as compared to 7.8 percent in the previous year. Industrial use increased around 5.0 percent from the previous year, as compared to 18.0 percent in the previous year, due to the 0.1 percent contraction of industrial use in the fourth quarter of 2011 from the same period of the previous year. Meanwhile, household use, which accounts for 56.0 percent of total sugar consumption, increase to around 1.3 million tons, up 12.8 percent from the previous year. According to the Ministry of Public Health, per capita consumption of sugar has tripled from the standard of 10.0 kg/year to around 30.0 kg/year over the past five years.

3. Trade

MY2010/11 sugar exports increased to 6.6 million tons, up 35.0 percent from the previous year, due to large supplies of sugar from the bumper sugarcane crop. The increase was reflected in a surge of raw sugar exports, which nearly doubled from the previous year, particularly to Japan, South Korea, Malaysia, Russia, Indonesia, and China, due to limited supplies exportable supplies from Australia and Brazil caused by unfavorable weather conditions. In addition, Thailand fulfilled the FY2011 U.S. tariff quota (TRQ) of raw cane sugar of 14,743 tons, and an additional allocation and reallocation of 9,452 tons. Meanwhile, Thailand’s sugar imports increased to around 19,000 tons, far above its WTO TRQ level of 13,760 tons , due to a sugar shortage panic resulting from rumors of tight supplies at the beginning of the year.

MY2011/12 and MY2012/13 sugar exports will likely trend upward in anticipation of large supplies of sugar from the acreage expansion of the sugarcane crop. Sugar exports are expected to increase to 9.0 million tons in MY2011/12, and around 9.3 million tons in MY2012/13. Raw sugar exports will likely account for around 66.0 percent of total sugar exports. Presently, Thai sugar exporters have sold forward contracts of around 80 - 90 percent of their MY2011/12 sugar production at around 25-26 U.S. cent/lb which is 10-15 percent higher than the previous year’s price levels, driven by anticipated lower-than-expected exportable supplies of Brazilian sugar due to drought. In addition, Thailand will be able to fulfill the FY2012 U.S. TRQ of raw cane sugar of 15,027 tons and has offered to supply additional 100,000 tons if a quota reallocation or addition is implemented. Meanwhile, sugar imports in MY2011/12 and MY2012/13 will likely decline to around 10,000 tons in due to a significant increase in domestic supplies.

4. Stocks

MY2010/11 sugar stocks increased to around 3.0 million tons due to better-than-expected sugar production amid the slowdown in consumption caused by the floods in the last quarter of 2011. Meanwhile, sugar stocks will likely decline to 1.8 million tons in MY2011/12 and 0.6 million tons in MY2012/13 in anticipation of an increase in sugar exports.

5. Policy

MY2011/12 sugarcane support prices were set at 1,000 baht/ton ($32.7/MT), up 5.8 percent from 945 baht/ton ($31.0/MT) in the previous year. In addition, on February 22, 2012 the cabinet approved the direct payment of 154 baht/ton ($5/MT) for farmers. In total, farmers will receive 1,154 baht/ton ($37.8/MT), as compared to current market prices of 958 baht/ton ($31.4/MT). Consequently, the Government will likely maintain its price control policy on sugar set on May 1, 2008 at 19 baht/kg ($29 cent/lb) for refined sugar, ex factory wholesale (excluding 7 percent Value Added Tax). The retail prices (including the value-added tax) are set at 21.85 baht/kg ($33 cent/lb) for white sugar, and 22.85 baht/kg ($35 cent/lb) for refined sugar. The Government will use the revenue from the value-added tax collected on domestic sales of sugar, for debt repayment to the Bank for Agriculture and Agricultural Cooperative (BAAC) on costs incurred by the state-run Cane and Sugar Fund's to fund the price support program and the direct payment program.

On September 7, 2010, the Government approved 3.0 billion baht ($100 million) three-year soft loan for cane growers to buy harvesters to improve their efficiency. Currently, farmers have applied for approximately 2.0 billion baht ($66 million) of the loan. They have purchased both new and used cane harvesters mainly from the US and Australia. The U.S. harvesters account for around half of the market share. This will help increase harvest efficiency and overcome labor shortages especially as the additional new sugar facilities will increase milling capacity from 0.9 million tons of cane/day to 1.0 million tons/day in MY2012/13. In addition, the government is considering the extension of the soft loan program of 1.0 billion baht/year ($33 million) from 2012 onward for five years.

As for import policy, Thailand subjects imports of sugar to a WTO tariff-rate quota regime of a 65 percent tariff rate under a quota of 13,760 tons. Meanwhile, the out-of-quota tariff is 94 percent.

Appendix Tables

Table 1: Thailand's Sugarcane Production

Sugar Cane for Centrifugal Thailand	2010/2011		2011/2012		2012/2013		
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	1,090	1,250		1,300		1,350	(1000 HA)
Area Harvested	1,070	1,200		1,280		1,340	(1000 HA)
Production	68,300	95,700		100,500		105,000	(1000 MT)
Total Supply	68,300	95,700		100,500		105,000	(1000 MT)
Utilization for Sugar	68,000	95,400		100,000		104,400	(1000 MT)
Utilizatn for Alcohol	300	300		500		600	(1000 MT)
Total Utilization	68,300	95,700		100,500		105,000	(1000 MT)

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

Sugar, Centrifugal Thailand	2010/2011	2011/2012	2012/2013

	Market Year Begin: Dec 2010		Market Year Begin: Dec 2011		Market Year Begin: Dec 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Beginning Stocks	2,343	2,343	2,319	2,983		1,808	(1000 MT)
Beet Sugar Production	0	0	0	0		0	(1000 MT)
Cane Sugar Production	9,663	9,663	10,170	10,415		10,850	(1000 MT)
Total Sugar Production	9,663	9,663	10,170	10,415		10,850	(1000 MT)
Raw Imports	0	0	0	0			(1000 MT)
Refined Imp.(Raw Val)	13	19	0	10		10	(1000 MT)
Total Imports	13	19	0	10		10	(1000 MT)
Total Supply	12,019	12,025	12,489	13,408		12,668	(1000 MT)
Raw Exports	4,400	4,096	4,900	6,000		6,200	(1000 MT)
Refined Exp.(Raw Val)	3,000	2,546	3,800	3,000		3,100	(1000 MT)
Total Exports	7,400	6,642	8,700	9,000		9,300	(1000 MT)
Human Dom. Consumption	2,300	2,400	2,400	2,600		2,800	(1000 MT)
Other Disappearance	0	0	0	0		0	(1000 MT)
Total Use	2,300	2,400	2,400	2,600		2,800	(1000 MT)
Ending Stocks	2,319	2,983	1,389	1,808		568	(1000 MT)
Total Distribution	12,019	12,025	12,489	13,408		12,668	(1000 MT)

Table 3: Thailand's Sugar and Molasses Yield and Prices

	MY 2010/2011	MY 2011/2012 (Estimate)	MY 2012/2013 (Forecast)
Yield per metric ton of cane			
Sugar (kg.)	101.33	104.15	104.00
Molasses (kg.)	44.41	43.34	43.00
Farm price (ex-factory): Baht/ton	945	1,000	1,000
Wholesale prices			
Sugar (Baht/100 kg.)	2,033	2,033	2,033
Molasses (Baht/ton)	4,100	3,400	2,300

Table 4: Thailand's Total Exports of Sugar

Unit: Metric tons (raw value)

	2007	2008	2009	2010	2011	% change
U.S.	21,318	12,259	14,095	22,868	24,301	6.3
Indonesia	1,423,461	1,665,828	1,004,884	1,304,964	1,352,165	3.6
Japan	560,483	916,460	724,676	533,903	1,107,846	107.5
China	220,503	121,830	195,141	25,511	288,181	1029.6
Malaysia	214,669	67,090	52,778	156,234	353,469	126.2
South Korea	52,463	263,672	151,418	134,804	521,738	287.0
Cambodia	217,013	299,141	493,914	468,756	409,016	-12.7
Taiwan	83,381	431,978	298,451	88,042	140,538	59.6
Russia	53,711	141,706	30,661	31,652	175,318	453.9
Singapore	219,554	112,144	135,280	109,138	194,084	77.8
India	-	-	327,560	349,268	6,426	-98.2
Other	1,608,782	1,016,629	1,868,754	1,393,108	2,308,082	65.7
Total	**4,675,338**	**5,048,737**	**5,297,612**	**4,618,248**	**6,881,164**	**49.0**

Source: Office of Cane and Sugar Board

Table 5: Thailand's Exports of Raw Sugar (MTRV)

Destination	2007	2008	2009	2010	2011	% Change
China	160,292	20,520	115,086	4,617	192,673	4,073.1
Indonesia	736,749	1,094,179	854,174	782,081	1,248,555	59.6
Japan	557,482	916,460	724,660	533,887	1,107,829	107.5
North Korea	-	-	41,450	20,273	18,515	(8.7)
South Korea	48,316	246,516	141,589	134,261	507,330	277.9
Malaysia	182,963	26,933	24,747	120,375	324,600	169.7
Philippines	205	-	-	29,365	3,335	(88.6)
Russia	53,711	141,200	27,907	31,652	174,542	451.4
Singapore	128	1,334	1,539	7,206	19,971	177.1
Sri Lanka	14,877	18,771	12,877	8,824	7,643	(13.4)
Tanzania	54,070	6,618	8,297	1,539	2,334	51.7
Taiwan	62,059	246,061	180,675	56,367	53,282	(5.5)
United States	21,299	12,259	14,095	22,868	23,784	4.0
UAE	-	221	257	-	205	-
Vietnam	11,126	41,626	23,598	81,372	43,400	(46.7)
Others	68,163	8,725	100,915	138,547	495,536	257.7
Total	**1,971,440**	**2,781,423**	**2,271,866**	**1,973,234**	**4,223,534**	**114.0**

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

Table 6: Thailand's Exports of White and Refined Sugar (MTRV)						
Destination	**2007**	**2008**	**2009**	**2010**	**2011**	**% change**
Bangladesh	16,846	535	98,160	2,140	11,856	454.0
Brunei	5,707	6,247	11,775	6,337	6,561	3.5
Burma	3,691	3,913	5,493	13,086	34,934	167.0
Cambodia	217,013	299,141	486,352	468,756	409,016	-12.7
China	60,211	101,310	80,054	20,894	95,507	357.1
India	-	-	327,560	348,499	6,426	-98.2
Indonesia	686,712	571,649	150,711	522,883	103,610	-80.2
Iran	252,621	45,138	6,993	-	6,420	-
Jordan	45,143	1,231	17,174	27	12,085	44659.3
North Korea	17,246	62,786	2,467	5,230	4,140	-20.8
South Korea	1,244	17,126	9,830	544	14,408	2548.5
Kenya	8,710	2,181	21,438	5,566	31,898	473.1
Laos	26,376	48,318	63,915	31,987	44,443	38.9
Malaysia	31,706	40,158	28,030	35,858	28,869	-19.5
Maldives	-	749	1,418	776	936	20.6
Pakistan	3,570	15,856	148,734	178,485	2,676	-98.5
Philippines	95,537	103,143	82,982	266,813	126,829	-52.5
Russia	-	506	2,495	-	776	-
Saudi Arabia	9,131	25,562	35,153	803	18,470	2200.1
Singapore	219,426	110,811	35,135	101,933	174,113	70.8
Somalia	-	-	51,750	-	-	-
Sri Lanka	38,249	23,063	140,708	68,108	44,071	-35.3
Syria	41,542	6,153	-	-	10,745	-
Tanzania	20,444	4,727	22,259	9,071	28,576	215.0
UAE	64,354	53,498	100,511	21,645	45,597	110.7
Vietnam	34,053	59,546	110,217	179,179	263,384	47.0
Yemen	249,779	6,741	31,539	1,498	3,123	108.5
Others	554,587	657,226	952,893	354,896	1,128,162	217.9
Total	**2,703,898**	**2,267,314**	**3,025,746**	**2,645,014**	**2,657,631**	**0.5**

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

Table 7: Thailand's Monthly Export Prices (F.O.B.) of Raw Sugar (Baht/Ton)

Month	2006	2007	2008	2009	2010	2011
January	10,226	9,715	8,463	9,380	12,761	15,398
February	8,991	9,812	8,457	10,741	14,685	14,700
March	10,495	8,915	8,398	11,480	14,028	16,589
April	10,409	8,807	8,594	11,123	14,865	16,078
May	11,385	8,391	8,491	11,655	13,865	15,832
June	11,871	8,238	8,758	11,803	13,558	15,731
July	12,315	7,645	8,917	11,649	13,719	15,127
August	12,407	8,590	9,163	11,942	13,890	17,344
September	12,599	7,909	8,949	11,162	13,446	17,892
October	11,658	7,167	9,278	11,614	12,695	18,855
November	9,963	8,189	9,469	11,361	12,240	18,694
December	11,151	8,215	9,644	12,736	15,034	17,685
Average	11,389	8,502	8,882	11,465	13,928	16,661
Avg. Exchange rates (Baht/U.S.$)	37.88	34.52	33.31	34.29	31.69	30.49

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

Table 8: Thailand's Monthly Export Prices (F.O.B.) of Plantation White Sugar (Baht/Ton)

Month	2006	2007	2008	2009	2010	2011
January	10,226	11,994	10,100	10,615	17,864	17,449
February	12,471	11,498	9,254	10,832	16,952	19,827
March	14,286	10,738	10,104	11,232	17,684	16,006
April	13,396	11,042	10,085	11,609	17,418	18,932
May	13,673	10,722	10,818	11,651	17,069	17,995
June	14,898	10,470	10,239	13,239	16,489	18,257
July	15,016	10,251	16,789	13,446	16,773	N.A.
August	13,786	10,132	10,459	13,391	18,100	20,551
September	14,496	10,202	11,762	14,077	18,868	20,211
October	13,745	9,112	11,987	14,439	16,826	19,965
November	12,859	9,616	10,855	15,211	22,320	20,542
December	15,552	9,522	11,253	15,855	20,077	19,527
Average	13,835	10,505	11,142	12,966	17,358	19,024
Avg. Exchange rates (Baht/U.S.$)	37.88	34.52	33.31	34.29	31.69	30.49

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

Table 9: Thailand's Average Prices of Domestic Plantation White Sugar and Sugarcane

Calendar Year	Plantation White Sugar: Wholesale (Baht/100 kg.)	Plantation White Sugar: Retail (Baht/kg.)	Sugarcane: Initial (Baht/metric ton)	Sugarcane: Actual (Baht/metric ton)
1980	1,011	11.65	Nil	650
1981	1,019	11.51	Nil	510
1982	1,075	11.94	350	381
1983	1,091	12.00	421	421
1984	1,162	12.00	395	380
1985	1,097	12.00	330	388
1986	1,099	12.00	375	408
1987	1,097	12.00	405	462
1988	1,098	12.00	450	527
1989	1,098	12.00	460	596
1990	1,099	12.00	460	442
1991	1,099	12.00	399	480
1992	1,099	12.00	420	516
1993	1,099	12.00	490	533
1994	1,099	12.00	520	569
1995	1,099	12.00	500	538
1996	1,099	12.00	500	561
1997	1,099	12.00	600	703
1998	1,100	12.50	500	485
1999	1,100	12.50	450	478
2000	1,177	12.50	600	693
2001	1,177	13.25	530	520
2002	1,177	13.25	500	531
2003	1,177	13.25	465	504
2004	1,177	13.25	620	658
2005	1,177	13.25	800	847
2006	1,498	16.5	800	702
2007	1,498	16.5	638	672
2008	2,033	21.85	830	918
2009	2,033	21.85	965	1,000
2010	2,033	21.85	945	N.A.
2011	2,033	21.85	1,000	N.A.

Note:

* The revenue sharing system of 70:30 to cane planters and millers started in 1982/83 when the initial cane price began to be quoted.
* The purchasing cane based on C.C.S. system starts in 1993/94 crushing season with the standard quality of cane at 10 C.C.S.
* Average final cane price has been split into different assessments for different regions since 1996/97.
* The retail price of plantation white sugar raised to 13.25 baht/kg in Jun. 2, 2000.
* Wholesale prices and retail prices of plantation white sugar raised to 1,498 baht/kg and 16.50 baht/kg, respectively, on Mar. 7, 2006.
* Wholesale prices and retail prices of plantation white sugar raised to 2,033 baht/kg and 21.85 baht/kg, respectively, on May 1, 2008.

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

Table 10: Thailand's Sugar Utilization by Industry						
Unit: Metric Ton						
Type of Industry	2006	2007	2008	2009	2010	2011
BEVERAGES (Exluding Alcoholic Drink)						
Refined Sugar	296,127	213,037	215,573	232,063	277,504	274,448
White Sugar	65,635	134,982	148,359	149,727	170,309	197,764
Sub - Total	361,762	348,019	363,932	381,790	447,813	472,212
CAKE & BREAD and Alcoholic Drink						
Refined Sugar	11,618	10,123	9,236	3,987	10,313	13,108
White Sugar	9,624	12,695	13,955	10,981	14,028	14,623
Sub - Total	21,242	22,818	23,191	14,968	24,341	27,731
FRUIT & FOOD PRODUCTS						
Refined Sugar	146,172	80,250	67,099	68,584	103,300	115,300
White Sugar	134,755	129,500	127,951	119,451	155,598	157,691
Sub - Total	280,927	209,750	195,050	188,035	258,898	272,991
DAIRY PRODUCTS						
Refined Sugar	48,666	28,110	33,985	35,857	51,056	57,698
White Sugar	92,698	116,905	116,544	129,472	145,697	143,836
Sub - Total	141,364	145,015	150,529	165,329	196,753	201,534
CONFECTIONARY PRODUCTS						
Refined Sugar	8,811	7,760	6,095	7,169	7,178	6,382
White Sugar	22,769	15,619	15,882	54,104	25,806	16,818
Sub - Total	31,580	23,379	21,977	61,273	32,984	23,200
PHARMACEUTICAL PRODUCTS						
& MISCELLANEOUS						
Refined Sugar	18,759	15,485	8,018	17,353	20,981	29,230
White Sugar	1,994	568	916	3,309	3,041	2,080
Sub - Total	20,753	16,053	8,934	20,662	24,022	31,310
Source: Production and Distribution Administration Center, Office of Cane and Sugar Board						

End of report