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Report Highlights:

Sugar production in MY2022/23 and MY2023/24 is still far below record production levels due to reduced sugarcane acreage. Sugar exports will increase significantly in MY2022/23 due to larger exportable supplies and more available shipping containers, particularly for refined sugar exports. Post expects supplies of molasses to be tighter for fuel ethanol production in 2023 due to reduced molasses production.

Executive Summary

FAS Bangkok (Post) forecasts MY2023/24 sugar production to increase slightly to 11.2 million metric tons. Forecasted MY2023/24 sugar production remains far below the record production in MY2017/18 due to reduced sugarcane acreage. However, Post does expect farmers to increase their fertilizer usage as fertilizer prices have declined significantly from the record high in 2022. Supplies of molasses are likely to remain tight in MY2023/24 as demand for fuel ethanol will continue to grow in line with the economic recovery.

MY2022/23 sugar production increased to a larger degree than sugarcane production. A record high extraction rate of 117 kilograms of sugar per ton of sugarcane will boost sugar production to 11 million metric tons, 9 percent higher in MY2022/23 than MY2021/22. However, supplies of molasses will be tighter for fuel ethanol production in 2023 due to reduced molasses production. Posts expects sugar exports to increase significantly, especially for refined sugar exports, in line with expected economic recoveries in its trading partners in 2023. In addition, the shortage of shipping containers and high freight costs that delayed sugar shipments in 2022 have already eased in 2023.

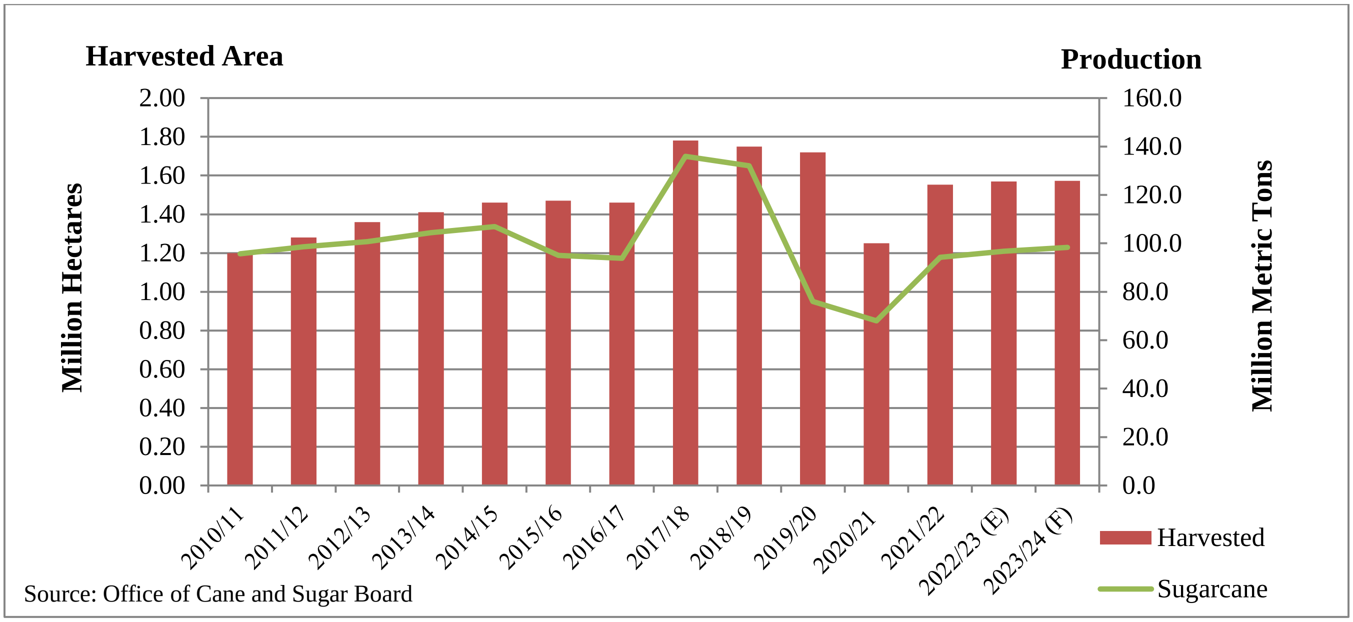
1. Production

1.1 Sugarcane

Post forecasts MY2023/24 sugarcane production to increase to 98.3 million metric tons. Improvements in sugarcane yields will increase MY2023/24 production 1.5 percent from MY2022/23 (Figure 1.1.1). Post also expects that farmers will increase their fertilizer usage due to reduced prices of fertilizers. The Department of Internal Trade reported that average prices of fertilizers began to decline significantly in April 2023, down 40 percent from last year's record high levels, in line with reduced import prices of fertilizer. In addition, the vegetative growth of sugarcane in large areas of the northeastern region, which accounts for around half of total sugarcane planting areas, was above normal in April 2022 (Figure 1.1.2). The Thai Meteorological Department (TMD) expects precipitation in 2023 will be close to normal.

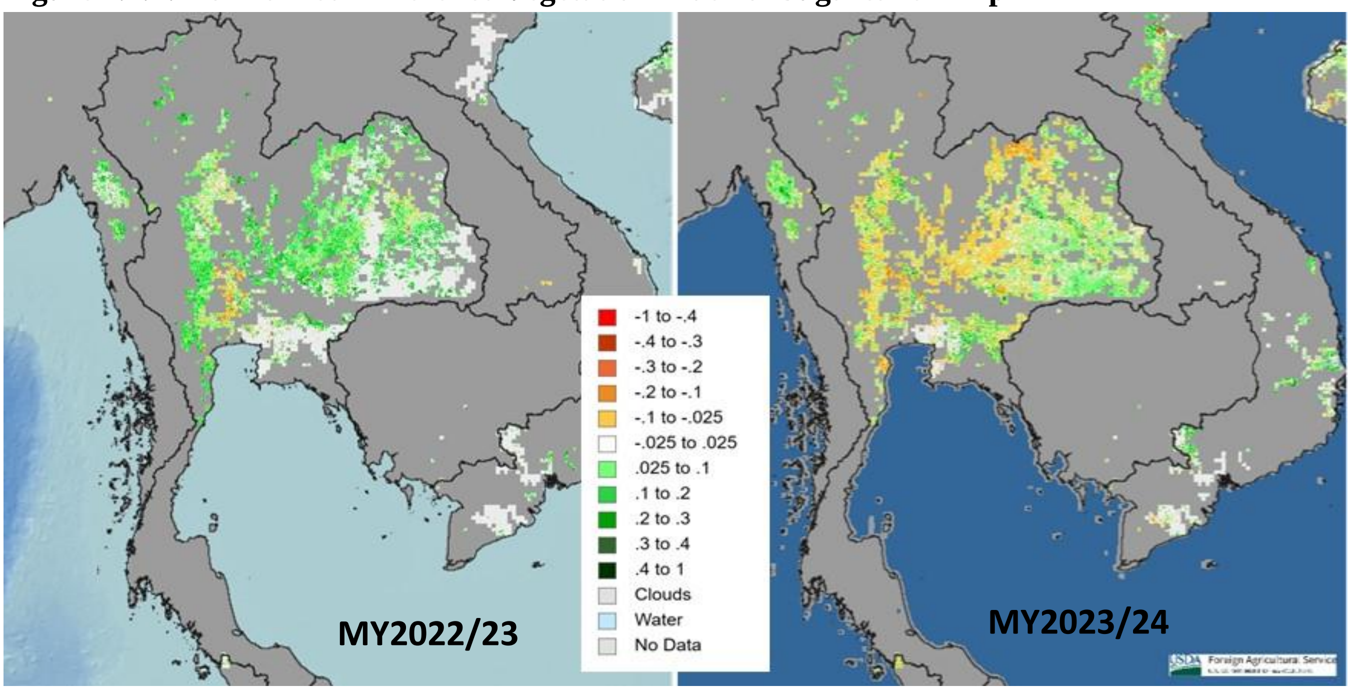
Post expects that sugar millers will use around 95.5 million metric tons for sugar production, accounting for 97 percent of total sugarcane production. Ethanol producers will use the balance as feedstocks for fuel ethanol production. Sugarcane production remains far below the record production of 135 million metric tons in MY2017/18 due to reduced sugarcane acreage. Small-scale famers are growing cassava instead of sugarcane following attractive cassava prices in the first quarter of 2023, which were 25 percent higher than the same period last year.

Figure 1.1.1: Thailand's Sugarcane Area and Production



Source: Office of Cane and Sugar Board

Figure 1.1.2: Normalized Difference Vegetation Index of Sugarcane in April

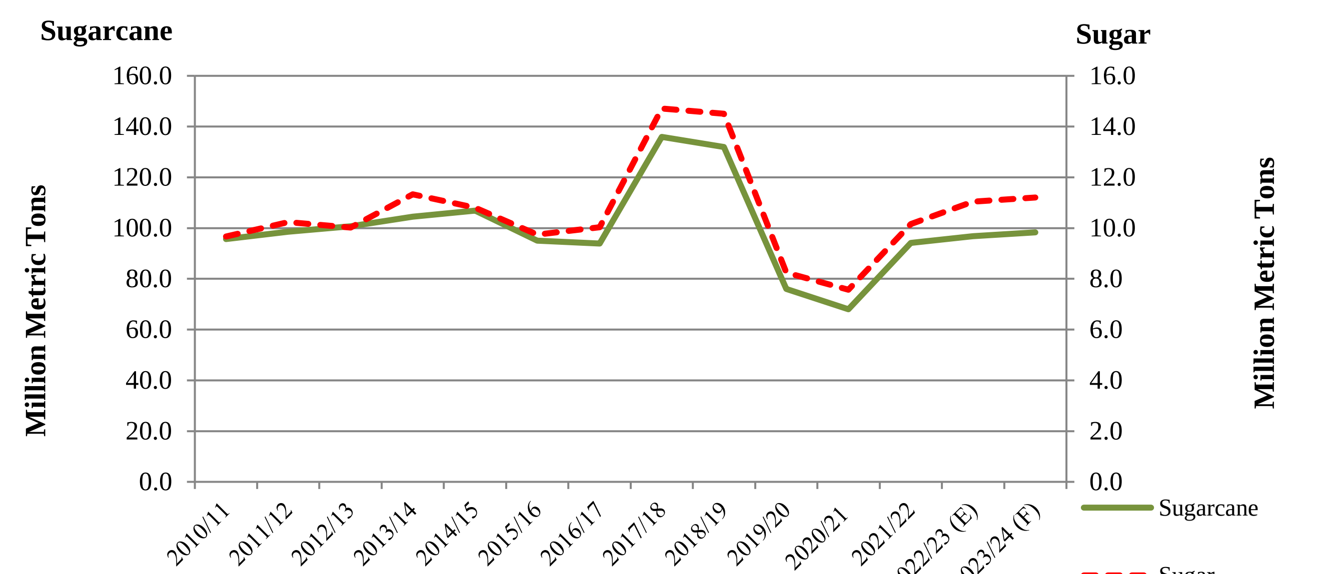


Post expects MY2022/23 sugarcane production to increase to 96.8 million metric tons, up 3 percent from MY2021/22 due to favorable weather conditions. The Thai Meteorological Department (TMD) reported that precipitation in 2022 was 24 percent above normal precipitation and 14 percent higher than the previous year's levels. However, lower fertilizer usage following the surge in fertilizer prices after Russia's invasion of Ukraine in February 2022 hindered the vegetative growth of sugarcane. Post estimates that average yield of sugarcane in MY2022/23 to increase by 1.7 percent from the previous year. Post also expects the sugar extraction rate to increase 6 percent to 117.41 kilogram of sugar per metric ton of sugarcane.

1.2 Sugar

Post forecasts MY2023/24 sugar production to increase to 11.2 million metric tons (Figure 1.2.1). A larger sugarcane production with an expected increase in molasses production to 3.4 million metric tons, which is an increase of around 2 percent from the previous year, will push sugar production one percent higher from MY2022/23. Molasses supplies are likely to remain tight for molasses-based ethanol production, which accounts for approximately 60 percent of total ethanol production.

Figure 1.2.1 Thailand's Sugarcane and Sugar Production



Source: Office of Cane and Sugar Board

Posts expects MY2022/23 sugar production to increase to around 11 million metric tons, up 9 percent from MY2021/22. Sugar production will increase to a larger degree than sugarcane production due to a higher extraction rate at around 117 kilogram of sugar per ton of sugarcane, compared to 110 kilogram in MY2021/22. The utilization of sugarcane for sugar production accounted for 97 percent of total sugarcane production, down slightly from 98 percent in MY2021/22 as the new sugar-juice based ethanol facility began to fully operate in 2022. This is the second sugar-juice based ethanol facility in Thailand. This new facility will shift from producing fuel ethanol to industrial grade ethanol when the biochemical production facility is operational.

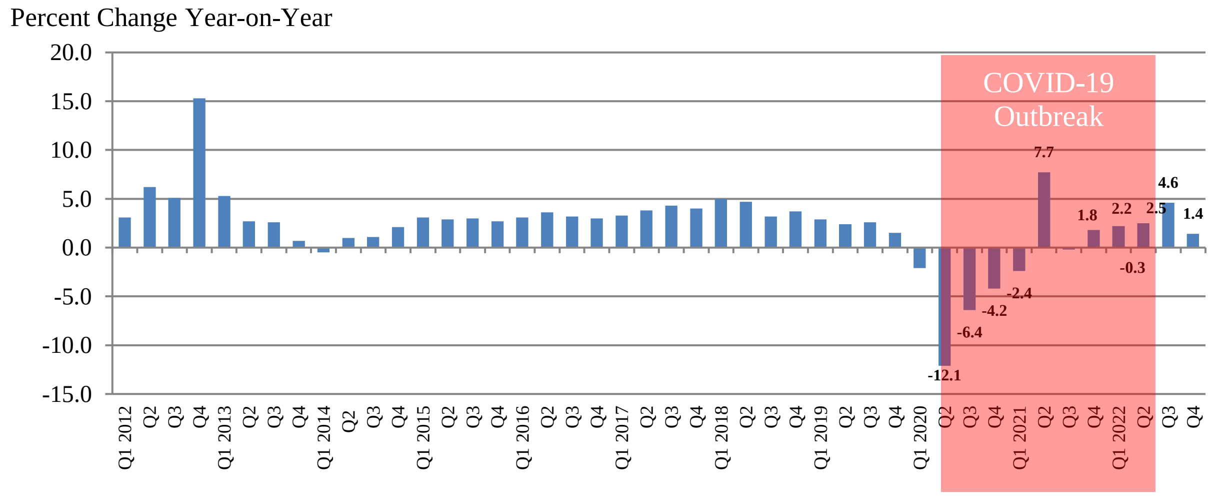
Post expects molasses production, which is a by-product of sugar production, to decline to 3.3 million metric tons in MY2022/23, down 7 percent from the previous year. Low rainfall during the sugarcane maturity and ripening growth stage will contribute to lower molasses production. The reduced molasses production will likely cause tight supplies of molasses stock for ethanol production in 2023. Post expects that the continued economic recovery will continue to drive an increase in demand for fuel ethanol, which will also drive an increase in ethanol production. The Ministry of Energy reported that ethanol production in 2022 totaled 1.4 billion liters, up 7 percent from 2021. Molasses-based ethanol production totaled 828 million liters, up around 9 percent from the previous year, which accounted for 58 percent of total ethanol production. In addition, sugar-juice based ethanol production totaled 66 million liters, up 1 percent from 2021. The remainder was cassava-based ethanol production, totaling 530 million liters, which increased 6 percent from 2021.

2. Consumption

Post forecasts MY2022/23 and MY2023/24 sugar consumption to further increase to 3.1 million metric tons and 3.2 million metric tons, respectively. The Thai government forecasts that a recovery in the hotel and food service sector with an increase in foreign tourists to 28 million in 2023 and 35 million in 2024 will help the Thai economy to grow by 3.6 percent in 2023 and 3.8 percent in 2024. This increase in foreign tourists is close to the 40 million foreign tourists that arrived prior to the COVID-19 outbreak in 2019, especially for Chinese tourists that are the largest group of foreign tourists in Thailand. The increase in tourism will drive the domestic demand for sugar in household and industrial uses, especially for food and beverage manufacturers that account for around 40 percent of total sugar consumption.

Strong demand from an export-oriented food processing industry, which doubled in MY2021/22, drove MY2021/22 sugar consumption significantly higher to 3 million metric tons. In addition, domestic demand for sugar in households, which accounted for around 42 percent of total sugar consumption, increased 8 percent from MY2020/21. The government's removal of stringent COVID-19 restrictions nationwide in May 2022 drove the growth in sugar consumption in the second half of 2022. The growth in sugar also outpaced the slow domestic economic recovery of 1.6 percent in 2021 and 2.6 percent in 2022 when foreign tourists increased to 11.2 million from 427,869 tourists in 2021 (Figure 2.1).

Figure 2.1: Thailand's Quarterly Economic Growth



Source: Office of the National Economic and Social Development Council

The government began to implement the third phase of the progressive sugar tax on non-alcoholic beverages on April 1, 2023, after the government delayed it during the COVID-19 outbreak, and the last phase will go into effect on April 1, 2025 (please see [TH2022-0030, Sugar Annual, April 15, 2022]). The Excise Department expected that prices of many non-alcoholic beverages that currently have 10-14% sugar content will increase 10 percent when the new tax rates go into effect. The new tax rate will increase to 3 baht/liter (8 cents/liter) from 1 baht/liter (3 cents/liter). Non-alcoholic manufacturers have reformulated their products by reducing the sugar content to avoid the progressive sugar tax (Table 2.1). Most beverage products had 10-18 grams of sugar per 100 milliliters before the sugar tax was implemented in 2017. Non-alcoholic beverage manufacturers have increased the production line of low-sugar beverage by substituting sugar with artificial sweeteners. Low-sugar beverages that have a sugar content of 6-8 grams per 100 milliliters will be subject to the lowest sugar tax rate of 1 baht/liter (3 cents/liter).

Table 2.1: Sugar Tax on Non-Alcoholic Beverages

Sugar Content (Grams/ Milliliters)	**Excise Tax on Sugar Content (baht/liter)**			
	Sep 2017 -Sep 2019	Oct 1, 2019 – Sep 30, 2021	April 1, 2023 – Mar 31, 2025	After Apr 1, 2025
Less than 6	Exempt	Exempt	Exempt	Exempt
6-8	0.10	0.10	0.30	1.00
8-10	0.30	0.30	1.00	3.00
10-14	0.50	1.00	3.00	5.00
14-18	1.00	3.00	5.00	5.00
More than 18	1.00	5.00	5.00	5.00

Source: The Excise Department

3. Trade

Post forecasts sugar exports to increase to 11 million metric tons in MY2022/23 and to further increase to 12 million metric tons in MY2023/24 in line with an expected economic recovery in Thailand's trading partners in 2023 and 2024. In addition, the shortage of shipping containers and high freight costs that exporters faced in 2022 has already eased in 2023, helping sugar traders and exporters fulfill their contracted shipments, especially for refined sugar shipments that were pending from the previous year. Posts expects exports of white and refined sugar to increase to a greater degree than raw sugar as sugar mills are likely to manage to sell more premium sugar for higher returns. Sugar exports in the first two months of 2023 increased 11 percent, mainly due to the surge in refined sugar exports that increased 42 percent from the same period last year.

MY2021/22 sugar export totaled 7.0 million metric tons, up 89 percent from MY2020/21 due to increased exports of raw and refined sugar following larger exportable supplies. Raw sugar exports more than doubled in MY2021/22 due to strong demand from Indonesia which accounted for 62 percent of total raw sugar exports, followed by South Korea (18%), and Malaysia (10%) due to limited supplies of raw sugar from Brazil and Australia. Exports of white and refined sugar increased to a lesser degree at 49 percent due to the delay in contracted shipments caused by shortage supplies of shipping containers and unusual high freight costs in 2022. White and refined sugar exports accounted for 45 percent of total sugar exports in 2022, down from 56 percent in 2021. Exports of white and refined sugar were mainly destined to Cambodia and Loas were the largest markets for Thailand's white and refined sugar exports (34%), followed by the Philippines (13%) and China (8%). Refined sugar exporters reportedly shipped white and refined sugar to Cambodia and Laos through Vietnam. Exports of white and refined sugar to Vietnam declined by 69 percent in 2022 as the Vietnamese government imposed an anti-dumping tax of 47.64 percent on Thai sugar imports for five years, beginning in June 2021. This anti-dumping tax is on top of the 5 percent tariff rate under the ASEAN free trade Agreement.

Thailand filled its allocated U.S. quota of 19,722 metric tons of raw sugar (raw value) out of the total allocated U.S. quota of 19,909 metric tons. The allocation consisted of 14,743 metric tons from the original allocation under the U.S. tariff-rate quota (TRQ), and 3,590 metric tons from the reallocation and 1,576 metric tons from the increased allocation during the Fiscal Year 2022 U.S. TRQ. Export prices under the TRQ were well above world market prices.

4. Stocks

Post forecast sugar inventories to decline in MY2023/24 in anticipation of strong domestic and export demand for raw and refined sugar. Crops that have higher returns (e.g., cassava) will encourage farmers to shift away from sugarcane production and reduce sugarcane acreage. Posts expects high inventories of sugar in MY2021/22, caused by the delay of white and refined sugar shipments following the shortage of shipping containers, to gradually decline in MY2022/23 as more shipping containers are available.

5. Policy

The new Cane and Sugar Act, B.E. 2565 (2022) was enacted on December 24, 2022, aiming to deregulate domestic sugar price controls and terminate the sugar sale administration (known as Quota A for domestic sales, and Quota B and Quota C for export sales). Thailand had to amend the old Cane and Sugar Act, B.E. 2527 (1984) as Brazil won its World Trade Organization case against Thailand's domestic sugar support in 2016. The Thai government began to terminate the sugar sale administration in January 2018 (please see TH2022-0030, Sugar Annual, April 15, 2022). The Ministry of Industry (MOI) determined domestic sugar prices based on the combined average production costs of sugarcane and sugar, including overhead costs and profit margin. Even though the government changed the method of computation in 2018, domestic wholesale ex-factory prices for sugar remained at 17.25 baht per kilogram (23 cents/lb) for white sugar until 2022. The domestic wholesale ex-factory prices were the same as the controlled prices set prior to the deregulation that were usually higher than the world sugar prices. However, this price became 13 percent lower than the world sugar prices, following the upward pressure on the world sugar prices in 2022. The Thai government delisted sugar from the List of Controlled Goods and Services but kept it on the Watch List since January 22, 2019. Retail prices of white sugar increased by around 5 percent to 23 baht per kilogram (31 cents/lb) on August 1, 2022, reaching the ceiling retail prices determined by the Ministry of Commerce prior to the deregulation in 2018.

The MOI decided on January 20, 2023, to increase domestic wholesale ex-factory prices for sugar to 19 baht per kilogram (25 cents/lb) in line with the world sugar prices. This is a 10 percent increase from 17.25 baht per kilogram (23 cents/lb). The cabinet then approved the preliminary prices for sugarcane that farmers will receive in MY2022/23 at 1,080 baht per metric ton ($31.6/MT), which increased one percent from MY2021/22, on March 14, 2023.

Appendix Tables

Table 1: Thailand’s Sugarcane Production

Sugar Cane for Centrifugal	**2021/2022**		**2022/2023**		**2023/2024**	
Market Year Begins	**Dec 2021**		**Dec 2022**		**Dec 2023**	
Thailand	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted (1000 HA)	1600	1600	1650	1650	0	1655
Area Harvested (1000 HA)	1550	1550	1570	1570	0	1575
Production (1000 MT)	94170	94170	98300	96800	0	98300
Total Supply (1000 MT)	94170	94170	98300	96800	0	98300
Utilization for Sugar (1000 MT)	92070	92070	95500	94000	0	95500
Utilization for Alcohol (1000 MT)	2100	2100	2800	2800	0	2800
Total Utilization (1000 MT)	94170	94170	98300	96800	0	98300
(1000 HA), (1000 MT)						

Table 2: Thailand’s Sugar Production, Supply, and Distribution

Sugar, Centrifugal	**2021/2022**		**2022/2023**		**2023/2024**	
Market Year Begins	**Dec 2021**		**Dec 2022**		**Dec 2023**	
Thailand	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Beginning Stocks (1000 MT)	9067	9067	6804	9212	0	6152
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	10157	10157	10500	11040	0	11200
Total Sugar Production (1000 MT)	10157	10157	10500	11040	0	11200
Raw Imports (1000 MT)	0	0	0	0	0	0
Refined Imp.(Raw Val) (1000 MT)	0	0	0	0	0	0
Total Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	19224	19224	17304	20252	0	17352
Raw Exports (1000 MT)	5500	3821	6100	4950	0	5400
Refined Exp.(Raw Val) (1000 MT)	4500	3191	4900	6050	0	6600
Total Exports (1000 MT)	10000	7012	11000	11000	0	12000
Human Dom. Consumption (1000 MT)	2420	3000	2520	3100	0	3210
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	2420	3000	2520	3100	0	3210
Ending Stocks (1000 MT)	6804	9212	3784	6152	0	2142
Total Distribution (1000 MT)	19224	19224	17304	20252	0	17352
(1000 MT)						

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

	MY2021/2022	MY2022/2023 (Preliminary)	MY2023/2024 (FAS Forecast)
Yield per metric ton of cane			
Sugar (kg.)	110.31	117.45	117.28
Molasses (kg.)	39.00	35.50	35.50
Farm price (ex-factory): Baht/Ton	1,063	1,080	1,080
Wholesale prices			
Sugar (Baht/100 kg.)	1,700	1,900	1,900
Molasses (Baht/Ton)	6,935	5,900	5,500

Source: Office of Cane and Sugar Board

Table 4: Thailand's Total Sugar Exports

Unit: Metric Tons Raw Value

Destination	2017	2018	2019	2020	2021	2022	% Change
Indonesia	2,615,596	4,309,832	3,380,023	2,328,787	1,155,493	2,617,307	126.5
South Korea	131,024	985,042	805,896	321,666	278,836	770,848	176.5
Cambodia	864,454	796,001	788,091	453,511	555,825	630,564	13.4
Malaysia	182,767	666,279	23,557	163,899	154,930	441,678	185.1
China	457,014	425,527	917,158	288,318	146,582	355,086	142.2
Taiwan	913,153	760,170	547,877	269,794	251,037	228,418	-9.0
Japan	315,104	409,629	218,315	120,078	201,801	105,525	-47.7
United States	21,320	15,522	16,715	22,512	15,782	18,671	18.3
Singapore	107,738	141,081	168,313	121,130	104,180	54	-99.9
Russia	-	-	-	-	-	-	-
India	3,853	535	-	-	-	-	-
Other	1,584,783	2,913,183	3,499,917	2,125,232	987,156	1,888,498	91.3
Total	**7,196,806**	**11,422,801**	**10,365,862**	**6,214,927**	**3,851,622**	**7,056,649**	**83.2**

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

Table 5: Thailand’s Exports of Raw Sugar

Unit: Metric Ton Raw Value

Destination	2017	2018	2019	2020	2021	2022	% Change
Indonesia	2,506,322	4,204,257	3,247,174	2,264,395	1,030,382	2,420,367	134.9
South Korea	34,943	862,986	588,907	214,122	180,034	677,561	276.4
Malaysia	81,277	485,350	13,521	71,254	48,603	368,996	659.2
China	128,461	100,841	534,878	19,190	6,000	108,591	1709.9
Japan	300,987	395,507	209,485	109,825	131,962	102,801	-22.1
Taiwan	30,196	215,778	167,342	86,394	100,731	93,082	-7.6
Vietnam	64,646	141,836	242,833	542,466	161,324	46,170	-71.4
United States	20,785	14,880	16,501	21,801	15,679	18,106	15.5
Tanzania	23,161	70,428	68,117	16,543	-	2,565	-
UAE	363	606	328	177	91	79	-13.2
Philippines	-	69,688	-	4,168	-	-	-
Singapore	863	462	443	1,259	844	-	-100.0
Sri Lanka	20,674	45,144	-	-	-	-	-
Others	127,753	69,092	665,952	19,109	22,351	12,626	-43.5
Total	**3,340,431**	**6,676,855**	**5,755,481**	**3,370,703**	**1,698,001**	**3,850,944**	**126.8**

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

Table 6: Thailand's Exports of White and Refined Sugar

Unit: Metric Tons (Raw Value)

Destination	2017	2018	2019	2020	2021	2022	% Change
Cambodia	863,428	792,923	787,578	453,096	549,136	627,614	14.3
Laos	180,519	147,197	278,583	114,554	140,918	460,281	226.6
Philippines	59,324	180,929	6,793	153,946	171,815	401,816	133.9
China	328,553	324,685	382,279	269,127	140,582	246,495	75.3
Indonesia	109,274	105,576	132,849	64,392	123,111	196,940	60.0
Burma	639,831	965,135	241,548	123,447	109,772	116,063	5.7
Tanzania	2,848	12,257	100,182	7,386	26,750	113,270	323.4
Singapore	106,875	140,519	-	119,871	103,336	105,256	1.9
Kenya	3,808	8,137	67,743	691	-	96,926	-
South Korea	96,080	122,056	219,989	107,544	98,802	93,287	-5.6
Vietnam	135,455	116,347	103,138	809,392	238,108	73,212	-69.3
Malaysia	101,490	180,929	23,557	92,646	106,327	72,682	-31.6
Sri Lanka	50,778	40,557	7,223	-	27,037	15,110	-
Brunei	3,980	8,019	6,368	5,899	6,006	4,626	-23.0
UAE	18,216	7,486	22,598	19,738	5,161	3,100	-39.9
Pakistan	1,022	455	-	-	54	2,113	-
Maldives	-	749	-	-	1,202	1,498	-
Russia	-	-	-	-	-	54	-
Saudi Arabia	107	1,712	168,313	-	-	24	-
Bangladesh	2,167	2,836	27,052	910	910	8	-99.1
India	3,853	535	-	-	-	-	-
Iran	5,861	1,629	-	-	-	-	-
Jordan	-	268	-	-	-	-	-
Others	1,142,906	1,585,010	2,034,587	501,584	304,594	575,331	88.9
Total	**3,856,375**	**4,745,946**	**4,610,380**	**2,844,223**	**2,153,621**	**3,205,706**	**48.9**

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

Table 7: Thailand's Sugar Utilization by Industries

Type of Industry	2018	2019	2020	2021	2022	% Change
Beverages (Excluding Alcoholic Drink)						
Refined Sugar	337,198	336,604	235,031	223,168	234,899	5.3
White Sugar	156,048	178,027	174,025	179,357	192,236	7.2
Sub - Total	493,245	514,631	409,056	402,525	427,135	6.1
Cake & Bread and Alcoholic Drink						
Refined Sugar	7,954	9,842	9,548	1,158	16,150	1294.6
White Sugar	23,462	23,730	38,552	46,140	42,454	-8.0
Sub - Total	31,416	33,572	48,100	47,298	58,604	23.9
Fruit & Food Products						
Refined Sugar	128,330	84,499	80,965	80,444	77,454	-3.7
White Sugar	164,757	155,375	162,039	192,725	221,601	15.0
Sub - Total	293,087	239,874	243,004	273,169	299,055	9.5
Dairy Products						
Refined Sugar	69,032	49,438	37,567	18,451	18,588	0.7
White Sugar	179,123	158,396	157,883	163,997	171,653	4.7
Sub - Total	248,155	207,834	195,450	182,448	190,241	4.3
Confectionary Products						
Refined Sugar	5,888	2,782	1,873	1,364	887	-35.0
White Sugar	17,677	16,041	12,667	12,791	14,170	10.8
Sub - Total	23,565	18,823	14,540	14,155	15,057	6.4
Pharmaceutical Products & Miscellaneous						
Refined Sugar	27,935	31,624	20,093	12,791	21,547	68.5
White Sugar	5,873	23,425	20,574	12,110	23,327	92.6
Sub - Total	33,808	55,049	40,667	24,901	44,874	80.2

Source: Production and Distribution Administration Center, Office of Cane and Sugar Board

End of report.

Attachments:

No Attachments