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# Thailand

# Sugar

# Sugar Semi-Annual Report

# 1998

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**Report Highlights:**
**Thailand's 1998/99 sugar cane and sugar production is forecast to decline slightly to 42.0 mmt and 4.2 mmt respectively.  Sugar exports in 1998/99 are forecast at 2.6 mmt (raw value), down from 2.9 mmt in 1997/98.**

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Includes PSD changes: Yes
Includes Trade Matrix: No
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## Executive Summary

Post forecasts sugarcane production will be 42.0 mmt in MY 1998/99 and sugar output (raw value) will total 4.2 mmt. The ongoing liquidity crisis has affected the ability of the mills and banks to prefinance the growers, some of whom have switched to an alternative crop as a result. Given unfavorable sugar prices and the continuation of financial difficulties in most sugar mills, crop recovery next season may be rather limited.

Sugarcane acreage in MY 1998/99 is estimated to drop 5 percent from last year as some of the ratoon crop in major cane areas was damaged by a long dry spell in the first quarter of 1998. Lack of financial support along with insufficient moisture did not allow growers to replant in those ratoon cane areas. However, good rainfall in the second half of the monsoon season should provide adequate moisture to improve cane yield and offset some crop losses in the northeast caused by drought during the first half of the wet season.

The sugar trade estimate for 1997/98 dropped sharply to 2.9 metric tons (raw value) and is likely to decline further to 2.6 mtrv next year.

## Sugar Cane: Production

| PSD Table | | | | | | |
|---|---|---|---|---|---|---|
| Country: | | | | | | |
| Commodity: | Sugar Cane Centrifugal | | | | | |
| | | 1996 | | 1997 | | 1998 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 12/96 | | 12/97 | | 12/98 |
| Area Planted | 0 | 1008 | 0 | 1010 | 0 | 1010 |
| Area Harvested | 0 | 965 | 0 | 930 | 0 | 930 |
| Production | 0 | 56192 | 0 | 42200 | 0 | 42000 |
| TOTAL SUPPLY | 0 | 56192 | 0 | 42200 | 0 | 42000 |
| Utilization for Sugar | 0 | 56192 | 0 | 42200 | 0 | 42000 |
| Utilizatn for Alcohol | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL UTILIZATION | 0 | 56192 | 0 | 42200 | 0 | 42000 |

Unfavorable moisture conditions along with poor distribution of rainfall and pest problem should result in another poor cane crop in 1998/99, currently forecast at 42 mmt. A drop of 5 percent in the cane acerage is also a reason for expected lower cane production. In order to assist the sugar industry, the government has extended a total of 10 billion baht in form of soft loans to cane growers for the 1998/99 planting season and is working with the mills to restructure debts. Sugar cane is competing with corn and upland rice for area. Prices of paddy are more competetive, while corn is a faster return cash crop.

The Office of Cane and Sugar Board reported 1997/98 planted cane area at one million hectares, slightly above the previous year's level. The 1997/98 production is officially reported at 42,200,977 metric tons, down significantly from the previous year's level at 56,191,637 ton. El Nino seemed to play an important role in causing a moisture deficit in most major cane producing areas in 1997 and extending to the first quarter of 1998. As a result, most ratoon cane was damaged without replanting as growers were short of preplanting support which is usually provided by the mills.

There has been no single price for cane since 1996/97. The cane price calculation officially breaks into 12 zone as shown in table 2. The 1997/98 cane prices have not yet been finalized but are likely to be slightly higher than the initial base price announced at 600 baht/ton. However, the continued expansion of crushing capacity forced most millers to pay an average of 50-100 baht/ton premium (in addition to the calculated price) to farmers in an effort to secure an adequate supply of cane for their mills. Due to the current tight liquidity situation, millers may not be able to offer such a high premium to planters in the coming season. Based on the current world price of sugar, the 1998/99 initial calculated base price will be close to 500 baht/ton.

## Centrifugal Sugar: Production

| PSD Table | | | | | | |
|---|---|---|---|---|---|---|
| Country: | Thailand | | | | | |
| Commodity: | Sugar | | | | | |
| | | 1996 | | 1997 | | 1998 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 12/1996 | | 12/1997 | | 12/1998 |
| Beginning Stocks | 744 | 744 | 1007 | 1013 | 327 | 708 |
| Beet Sugar Production | 0 | 0 | 0 | 0 | 0 | 0 |
| Cane Sugar Production | 6013 | 6013 | 4600 | 4245 | 4220 | 4220 |
| TOTAL Sugar Production | 6013 | 6013 | 4600 | 4245 | 4220 | 4220 |
| Raw Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Refined Imp.(Raw Val) | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL SUPPLY | 6757 | 6757 | 5607 | 5258 | 4547 | 4928 |
| Raw Exports | 2800 | 2558 | 2500 | 1700 | 1800 | 1700 |
| Refined Exp.(Raw Val) | 1400 | 1636 | 1200 | 1200 | 800 | 900 |
| TOTAL EXPORTS | 4200 | 4194 | 3700 | 2900 | 2600 | 2600 |
| Human Dom. Consumption | 1550 | 1550 | 1580 | 1650 | 1700 | 1700 |
| Feed Dom. Consumption | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Dom. Consumption | 1550 | 1550 | 1580 | 1650 | 1700 | 1700 |
| Ending Stocks | 1007 | 1013 | 327 | 708 | 247 | 628 |
| TOTAL DISTRIBUTION | 6757 | 6757 | 5607 | 5258 | 4547 | 4928 |

Sugar output decreased sharply to 4.245 mmt (raw value) in 1997/98 and is forecast to drop slightly to 4.2 mmt (raw value) for the coming 1998/99 crop. The sugar milling yield in 1998/99 should be about the same as last year's level at 100 kgs/ton for three main reasons: a drop of 5 percent in cane acerage; dry weather in the first quarter of 1998 before the monsoon rain came in May and dry again in July to mid August. As a consequence, farmers did not apply fertilizer according to schedule. Poor distribution of rainfall has also been reported along with pest problems this year. Ratoon cane is seriously affected by drought and newly planted cane in the lower northeast shows a slower growth rate than normal. Although the crop in the east is reportedly good this year, it could not offset the losses of cane in the other major areas.

A sharp drop in sugar production could bring exports down to 2.9 mmt in MY 1997/98. Exports in MY 1998/99 will likely be even lower at 2.6 mmt following a slight decrease in cane supply, with domestic consumption (Quota A) estimated to be 1.7 mmt. The long-term export contracts (Quota B) remain at 800,000 tons, leaving less than half a million tons to be exported under Quota C to the international market. The revenue sharing formula of 70:30 for producer/miller has been extended through 1998/99 (along with the quantity set for Quota B).

## Trade

Japan, South Korea, China and Malaysia are the major buyers of Thai raw sugar while Indonesia is the sole major purchaser of white and refined sugar in 1998. Due to the expected drop in sugar output in the coming crushing season, exports of Thai sugar could decline 10 percent next year. It is quite unusual that the 1998/99 sugar under Quota B has not been sold in advance. A sharp drop in the world price of sugar has discouraged the Thai Cane and Sugar Corp. from doing forward sales. Some 30 percent of last year's crop was sold at an average price of 12.30 cent per pound (USD 270/ton) including 0.92 cent/lb during the same period in 1997. It is difficult to estimate how much sugar under Quota C has been sold under forward sales contracts this year. Since the 1998/99 crop could decline even more, exporters are very careful in trading their sugar. The availability of sugar for export under quota C in next marketing year could decline as much as 10 percent from this year.

## Policy

The most urgent thing the government has recently done for the sugar industry is to make soft loans of 10 billion baht available to cane farmers to continue their planting for 1998/99 season. They are also forced with finding an additional 30 billion baht to meet the mills operating expenses. There have been no changes in the most recent five-year plan (1997/98 - 2001/02) as reported in TH9619B. However, price calculations for cane have been changed from national single price to regional prices because farmers who produce good quality cane feel they have been receiving unfair prices. In addition, an local VAT was raised from 7 to 10 percent on August 16, 1997.

## SUPPLEMENTAL TABLES

TABLE 1. Top Ten Sugarcane Provinces (10 years average).

| Province | Region | Production (M.T.) 1/ | Percent |
|---|---|---|---|
| Kanchanaburi | West Central | 6,708,089 | 15 |
| Suphanburi | Central | 4,701,572 | 11 |
| Kamphaeng Phet | Lower North | 4,093,482 | 9 |
| Udon Thani | Upper Northeast | 3,264,976 | 7 |
| Ratchaburi | West Central | 2,452,072 | 6 |
| Chonburi | East Central | 2,266,171 | 5 |
| Nakhon Sawan | Lower North | 2,260,935 | 5 |
| Nakhon Ratchasima | Lower Northeast | 2,151,622 | 5 |
| Chaiyaphum | Northeast | 1,983,282 | 4 |
| Khon Kaen | Upper Northeast | 1,906,374 | 4 |
| TOTAL | | 31,788,575 | 71 |
| TOTAL THAILAND | | 44,445,003 | 100 |

SOURCE: Center for Agricultural Statistics, MOAC.

1/ 1988/89 - 1997/98 average.

TABLE 2. Average final prices of sugar cane by zone
firsl applied in 1996/97.

| Zone | Number of Sugar Mills | Baht/M.T. at 10 C.C.S. |
|---|---|---|
| North 1 | 4 | 572.12 |
| North 2 | 3 | 535.57 |
| North 3 | 1 | 526.47 |
| North 4 | 1 | 541.77 |
| North 5 | 1 | 526.25 |
| Central 1 | 1 | 514.65 |
| Central 2 | 1 | 551.82 |
| Central 3 | 2 | 564.93 |
| Central 4 | 14 | 567.05 |
| Central 5 | 1 | 538.81 |
| East | 5 | 556.66 |
| Northeast | 12 | 575.29 |

SOURCE: Office of the Cane and Sugar Board,
Ministry of Industry.

Note: The initial cane price for 1996/97 season was 500 Baht/ton.

TABLE 3. Export Prices of Raw Sugar under Quota B (Cent/Lb)
(Long-term Contracts) 1987/88 - present.

| Year | Sell to Local Sugar Millers (400,000 M.T.) | Sell to Inter'l Brokers (400,000 M.T.) | Avg. Price |
|---|---|---|---|
| 1987/88 | 10.034394 | 9.377222 | 9.705808 |
| 1988/89 | 11.103861 | 11.095141 | 11.099501 |
| 1989/90 | 13.593701 | 13.584321 | 13.589012 |
| 1990/91 | 10.058859 | 10.058073 | 10.058466 |
| 1991/92 | 9.399089 | 9.411818 | 9.405453 |
| 1992/93 | 10.188531 | 10.203871 | 10.196201 |
| 1993/94 | 11.957000 | 11.968878 | 11.962939 |
| 1994/95 | 13.417102 | 13.704942 | 13.561022 1/ |
| 1995/96 | 11.825439 | 11.835720 | 11.830580 2/ |
| 1996/97 | 11.947206 | 11.944420 | 11.945813 3/ |
| 1997/98 | 12.292666 | 12.300546 | 12.296606 4/ |

SOURCE: Office of the Cane & Sugar Board, Ministry of Industry.

1/ Included 0.9673 cent/lb premium.
2/ Included 0.8975 cent/lb premium.
3/ Included 1.0600 cent/lb premium.
4/ Nearly 30% of sugar sold in advance as of Sep 15'97 with an average 0.925641 cent/lb premium.

TABLE 4. Monthly Exports (F.O.B.) Prices for Raw Sugar, 1994-1998 (Baht/M.T.).

| Year | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|
| January | 5,974 | 7,059 | 6,652 | 6,700 | 13,936 |
| February | 5,958 | 7,363 | 6,796 | 6,679 | 11,263 |
| March | 6,322 | 7,127 | 6,595 | 6,580 | 10,826 |
| April | 5,961 | 7,235 | 6,487 | 6,634 | 10,372 |
| May | 6,066 | 7,289 | 6,510 | 6,598 | 10,306 |
| June | 6,363 | 7,746 | 7,019 | 6,711 | 10,459 |
| July | 6,508 | 7,697 | 7,055 | 8,081 | 11,400 |
| August | 6,663 | 7,661 | 7,574 | 8,388 | |
| September | 6,585 | 7,839 | 7,537 | 9,254 | |
| October | 6,779 | 7,738 | 7,954 | 9,780 | |
| November | 5,939 | 7,431 | 7,384 | 9,676 | |
| December | 6,622 | 7,221 | 6,347 | 12,197 | |
| Average | 6,187 | 7,439 | 6,686 | 7,195 | |

SOURCE: Thailand Sugar Corp., Ltd. (TSC),
The Sugar Trading Corp., Ltd. (TSTC),
Siam Sugar Export Corporation (SSEC),
The Sugar Industry Trading Co., Ltd. (SITCO),
K. S. L. Export Trading Co., Ltd. (KSL),
Pacific Sugar Corp., Ltd. (PSC).

TABLE 5. Monthly Exports (F.O.B.) Prices for White Sugar 1994-1998 (Baht/M.T.).

| Year | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|
| January | 6,701 | 7,528 | 7,842 | 7,599 | 15,342 |
| February | 6,879 | 7,674 | 7,730 | 7,916 | 13,781 |
| March | 6,961 | 8,100 | 7,576 | 8,017 | 12,618 |
| April | 6,765 | 8,443 | 7,902 | 7,986 | 11,700 |
| May | 6,642 | 8,065 | 7,835 | 8,333 | 11,660 |
| June | 7,250 | 8,583 | 8,270 | 7,997 | 11,731 |
| July | 7,209 | 8,619 | 7,994 | 8,703 | 11,153 |
| August | 7,902 | 8,673 | 7,959 | 10,303 | |
| September | 7,277 | 8,490 | 8,385 | 10,431 | |
| October | 7,400 | 8,304 | 8,980 | 11,193 | |
| November | 7,886 | 8,301 | 8,799 | 12,248 | |
| December | 8,694 | 9,308 | 8,601 | 14,905 | |
| Average | 6,652 | 8,335 | 7,882 | 8,777 | |

SOURCE: Thailand Sugar Corp., Ltd. (TSC),
The Sugar Trading Corp., Ltd. (TSTC),
Siam Sugar Export Corporation (SSEC),
The Sugar Industry Trading Co., Ltd. (SITCO),
K. S. L. Export Trading Co., Ltd. (KSL),
Pacific Sugar Corp., Ltd. (PSC).

TABLE 6. Exports of Raw Sugar, CY 1995-1997 and Jan-Jul, 1998. (Metric Ton Raw Value)

| Year | 1995 | 1996 | 1997 | 1998 (Jan-Jul) |
|---|---|---|---|---|
| China | 1,236,453 | 500,526 | 233,932 | 85,609 |
| Indonesia | --- | 54,378 | 160,005 | 21,136 |
| Iran | --- | 28,728 | --- | --- |
| Japan | 530,636 | 737,457 | 703,729 | 540,360 |
| Korea, Rep. | 378,943 | 623,209 | 710,402 | 152,294 |
| Malaysia | 291,891 | 367,924 | 382,698 | 73,369 |
| Mozambique | 13,338 | 2,052 | 23,598 | 15,185 |
| Philippines | 113,917 | 223,843 | 11,286 | 7,695 |
| Romania | --- | 25,650 | --- | --- |
| Russia | 42,169 | 44,118 | 85,158 | 77,976 |
| Saudi Arabia | --- | --- | --- | 41,040 |
| Singapore | 8,208 | 83,106 | 43,092 | 5,130 |
| Sri Lanka | 73,564 | 57,559 | 47,093 | 12,312 |
| Tanzania | 20,520 | 35,223 | 2,052 | 18,981 |
| UAE | --- | 72,254 | 34,474 | 6,156 |
| Ukraine | 39,769 | 14,364 | 28,728 | --- |
| U.S.A. | 16,539 | 32,740 | 28,284 | 18,607 |
| Vietnam | 44,118 | 15,390 | 31,550 | --- |
| Others | 43,495 | 41,389 | 38,569 | 17,835 |
| TOTAL | 2,853,560 | 2,959,910 | 2,564,650 | 1,093,685 |

SOURCE: Six exporting companies, namely, TSC, TSTC, SSEC, SITCO, K.S.L., PSC and TISS.

TABLE 7. Exports of White & Refined Sugar, CY 1995-1997 and Jan-Jul, 1998 (Metric Ton Raw Value)

| Year | 1995 | 1996 | 1997 | 1998 (Jan-Jul) |
|---|---|---|---|---|
| Brunei | --- | 3,210 | --- | 3,210 |
| Bangladesh | --- | --- | 25,358 | --- |
| Cambodia | 22,276 | 38,411 | 55,430 | 13,450 |
| China | 225,499 | --- | 2,070 | 3,780 |
| India | --- | --- | 25,470 | 5,175 |
| Indonesia | 332,064 | 632,468 | 1,133,846 | 715,084 |
| Iran | 112,350 | 329,560 | 118,580 | --- |
| Jordan | --- | 44,380 | --- | --- |
| Kenya | --- | 22,819 | 15,525 | 2,380 |
| Laos | 12,295 | 11,412 | 16,849 | 8,020 |
| Libya | --- | 12,840 | --- | --- |
| Pakistan | --- | 29,725 | 92,616 | --- |
| Philippines | 77,401 | 126,151 | --- | 8,073 |
| Russia | 2,675 | 2,140 | --- | --- |
| Saudi Arabia | 42,881 | 34,890 | --- | --- |
| Singapore | 4,863 | 8,455 | 15,502 | 3,193 |
| Sri Lanka | 20,314 | 34,007 | 32,245 | 6,210 |
| Syrai | --- | 27,820 | --- | --- |
| Tanzania | --- | 10,455 | 29,187 | 26,703 |
| UAE | 22,656 | 59,449 | 25,680 | --- |
| Vietnam | 68,116 | 2,087 | 19,053 | 3,105 |
| Yemen | 8,570 | 89,658 | --- | --- |
| Others | 21,340 | 48,090 | 34,985 | 22,080 |
| TOTAL | 973,300 | 1,568,025 | 1,642,395 | 820,463 |

SOURCE: Six exporting companies, namely, TSC, TSTC, SSEC, SITCO, K.S.L., PSC and TISS.