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Thailand

Sugar

Semi-Annual

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Report Highlights:

The MY 2003 sugar cane production is estimated to increase only slightly despite the continued expansion of planted area, leading to a modest increase in sugar production and exports.

Thailand continues to complain about U.S. sugar import programs.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
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Executive Summary

Despite the continued expansion of planted area, the MY 2003 sugar cane production is estimated to increase only marginally to 61.2 mmt due to drought-affected yields, leading to a moderate increase in sugar production to 6.6 mmt. The domestic consumption and exports are expected to continue their upward trend.

The downward pressure on price moved the authorities to provide new credit lines of Baht 10 billion, even though there remains an outstanding loan of approximately Baht 8.4 billion. Moreover, Thai Cane and Sugar Trading Co., Ltd., on behalf of cane growers and sugar millers would join other major producing countries (Global Sugar Alliance) in filing a petition with the WTO against the EU's sugar export subsidies.

Production

The MY 2003 sugar cane production is estimated at 61.24 mmt, marginally above last year's all time high of 59.5 mmt, mainly reflecting the continued expansion of planted areas. The areas, however, are not unlikely to expand beyond 995,000 hectares as alternative crops, like tapioca in particular, are currently more attractive. The downward pressure on world sugar prices in response to the high levels of global stocks will further limit sugar cane expansion. Moreover, regarding the 5-year strategic plan (2004-2008) for sugar industry which has been developed recently to strengthen industrial competitiveness, the production target is to improve the current cane yield of 61 ton/hectare to 88 ton/hectare. However, in MY 2003, in addition to problems with white-leaf disease, yields are unlikely to improve due to dry conditions for this rainfed crop.

The MY 2002 cane production is revised upward to a record of 59.5 mmt, reflecting last year's favorable weather conditions and limited stem borer problem.

The estimated sugar output for MY 2003 is 6.6 mmt (raw value), slightly above last year's larger than expected levels of 6.4 mmt. However, the utilization capacity of most mills is still low, approximately 50 percent of their capacity due to the insufficient supply of local sugar cane for which the official estimate of annual demand by all Thai mills (46 mills) is over 70 mmt.

Consumption

Domestic consumption of sugar in MY 2003 is expected to continue its upward trend in line with the sustained economic recovery. However, the MY 2002 consumption is revised downward marginally due to the sluggish demand and some difficulties in transportation during flooding in the fourth quarter of MY 2002.

Trade

The MY 2003 sugar export growth is forecast to slow down to 4 percent from the previous year following the supply constrain. Thailand exports approximately 70 percent of local production. Raw sugar exports are expected to be more attractive when compared to refined sugar in response to the tendency of their narrow price gap (from over $ 80 per ton at the beginning of MY2002 to approximately $ 50 per ton at present). Trade sources reported that the costs of transforming raw sugar to the refined one is about $ 40 per ton.

The MY 2003 sugar imports, like in MY 2002, will likely be insignificant, although the government import policy on sugar followed the WTO agreement, limited to a 65% tariff rate under the quota of 13,687 tons in CY 2003. The out-of-quota tariff rate is 95%, a percentage point decline from the previous year.

The MY 2002 sugar export is expected to increase sharply, reflecting mainly the return of Russia's high import demand for raw sugar in response to the attractive lower import prices against the high domestic price under the protection policy in form of tariff-rate quota (TRQ). During the first half of CY 2002, Russia's imports of Thai raw sugar amounted to 482,243 tons, much more than even the levels before the start of Russia's TRQ regime in July 2000 which resulted in a sharp decline of imports to 74,604 tons in the following year.

Policy

Despite the state-run Cane and Sugar Fund's outstanding loans of Baht 8.6 billion (some $ 200 million) to the Bank for Agriculture and Agricultural Cooperatives (BAAC), BAAC announced a new credit line of Baht 10 billion (at an annual interest rate of 7 percent) for MY 2003 to assist sugar cane growers, following the downward trend of global prices. The loan will be used to purchase the cane growers' cheques which are issued by cane millers for their advance payment for sugar cane.

The MY 2003 initial cane price will likely be at 450 Baht per ton (roughly $11), down from last year's initial price of 530 Baht per ton, and lower than the estimated production cost of 586 Baht per ton, leading to a burden of about Baht 8.4 billion to the government. Moreover, the final price for MY 2002 is expected to be lower than the initial price which is expected to be an additional burden of approximately Baht 2 billion. Basically, sugar millers will be responsible for the supplement payment to cane growers if the final prices are greater than the initial one. However, if it turns out that the final prices are lower than the initial one, the government, under the Cane fund, will be responsible for the repayment to the cane millers.

Regarding the current sugar subsidies, particularly in the EU, trade sources reported that they will join force with other countries under the Global Sugar Alliance, established a couple of years ago with members from major producing countries, to file a petition with the WTO against the subsidies. The Australian research indicated that world sugar prices will rise up by approximately 40 percent if the subsidies are lifted, particularly in the EU, U.S., and Japan.

Table1: Thailand's Sugar Cane Production

PSD Table						
Country	Thailand					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	Revised2001		Preliminary2002		Forecast2003	
	Old	New	Old	New	Old	New
Market Year Begin	12/2000		12/2001		12/2002	
Area Planted	940	940	940	970	0	995
Area Harvested	920	920	920	950	0	970
Production	48652	48652	50000	59493	0	61240
TOTAL SUPPLY	48652	48652	50000	59493	0	61240
Utilization for Sugar	48652	48652	50000	59493	0	61240
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	48652	48652	50000	59493	0	61240

Table 2: Thailand”s Production , Supply&Demand for Sugar

PSD Table						
Country	Thailand					
Commodity	Centrifugal Sugar				(1000 MT)	
	Revised2001		Preliminary2002		Forecast2003	
	Old	New	Old	New	Old	New
Market Year Begin	12/2000		12/2001		12/2002	
Beginning Stocks	608	608	571	571	776	828
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	5107	5107	6355	6397	6000	6585
TOTAL Sugar Production	5107	5107	6355	6397	6000	6585
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	5715	5715	6926	6968	6776	7413
Raw Exports	2279	2279	2450	2450	2300	2700
Refined Exp.(Raw Val)	1115	1115	1850	1840	1500	1870
TOTAL EXPORTS	3394	3394	4300	4290	3800	4570
Human Dom. Consumption	1750	1750	1850	1850	1850	1970
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	1750	1750	1850	1850	1850	1970
Ending Stocks	571	571	776	828	1126	873
TOTAL DISTRIBUTION	5715	5715	6926	6968	6776	7413

Table 3: Thailand's Exports of Sugar

Export Trade Matrix			
Country	Thailand		
Commodity	Centrifugal Sugar		
Time period	Jan-Dec	Units: MTRV	Jan-Jun
Exports for:	2001		2002
U.S.	11,822	U.S.	11,815
Others		Others	
Indonesia	801,665	Indonesia	774,002
Japan	692,808	Japan	318,079
China	411,730	China	117,625
Malaysia	335,012	Malaysia	324,068
Korea, Rep.	256,153	Korea, Rep.	113,707
Cambodia	185,901	Cambodia	148,243
Taiwan	71,795	Taiwan	120,960
Somalia	69,138	Russia	482,290
Singapore	63,573	Singapore	92,214
Sri Lanka	58,014	Sri Lanka	99,291
Total for Others	2,945,789		2,590,479
Others not Listed	353,147		831,124
Grand Total	3,310,758		3,433,418

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