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Report Name: Sugar Semi-annual

Country: Thailand

Post: Bangkok

Report Category: Sugar

Prepared By: Ponnarong Prasertsri, Agricultural Specialist

Approved By: Eric Mullis

Report Highlights:

Sugar production recovered to normal levels of around 10 million metric tons in MY2021/22 and is likely to further increase by 3 percent in MY2022/23. Sugar production, however, remains far below record production levels due to limited acreage. Sugar exports will likely more than double in MY2021/22 and further increase to 11 million metric tons in MY2022/23 due to larger exportable supplies of sugar and strong demand in Southeast Asia. Domestic sugar consumption is likely to slowly grow in line with the economic recovery.

Executive Summary

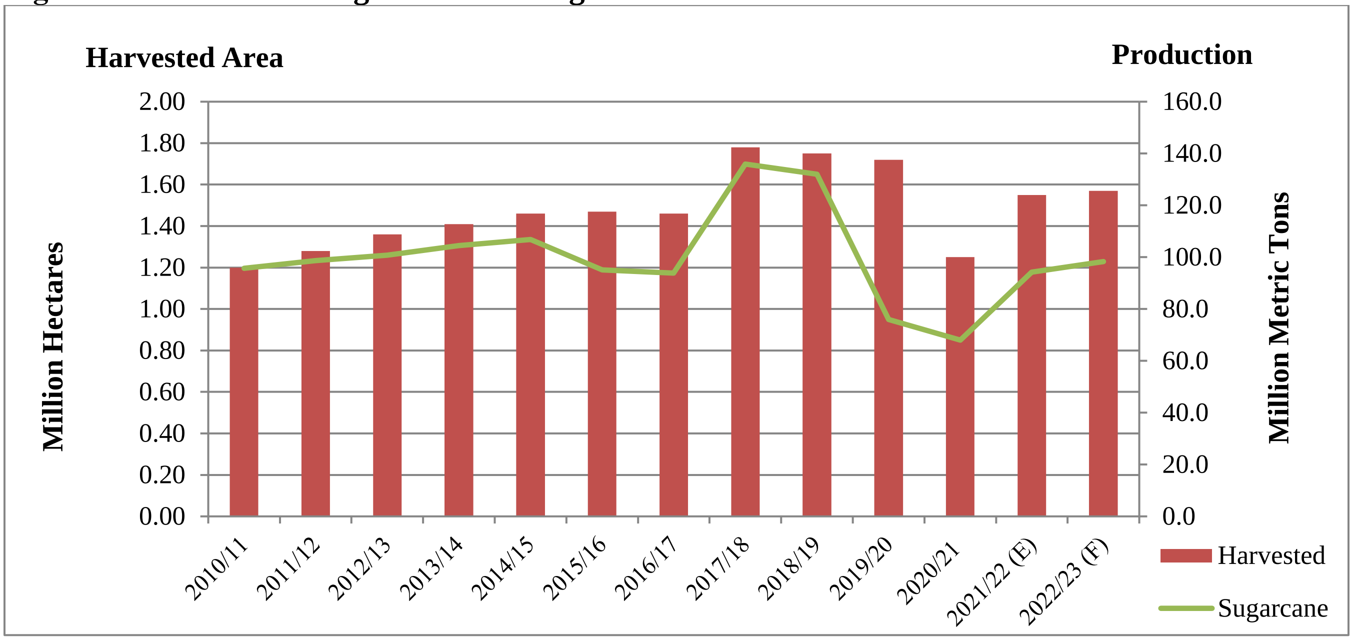
FAS Bangkok (Post) forecasts that MY2022/23 sugar production will increase to 10.5 million metric tons, up 3 percent from MY2021/22, but still far below the record production in MY2017/18 due to high fertilizer costs that limited the expansion of sugarcane acreage. An expected higher return from cassava than sugarcane encouraged most farmers to grow cassava. Posts expects sugar exports to further increase to around 11 million metric tons due to larger exportable supplies of sugar, while domestic sugar consumption is likely to slowly grow following the return of foreign tourists of around 20 million in 2023, which is half of the numbers of tourists prior to the COVID-19 pandemic.

MY2021/22 sugar production recovered to normal levels at 10.2 million metric tons, up 35 percent from MY2020/21. Two consecutive years of drought since MY2019/20 had severely reduced sugarcane production the past few years. Post expects MY2021/22 sugar consumption to increase to 2.4 million metric tons, up 3 percent from MY2020/21 in line with the gradual economic recovery from the COVID-19 outbreak. Post forecasts sugar exports to more than double in MY2021/22 due to the recovery in domestic sugar supplies and strong demand in Southeast Asia.

1. Production

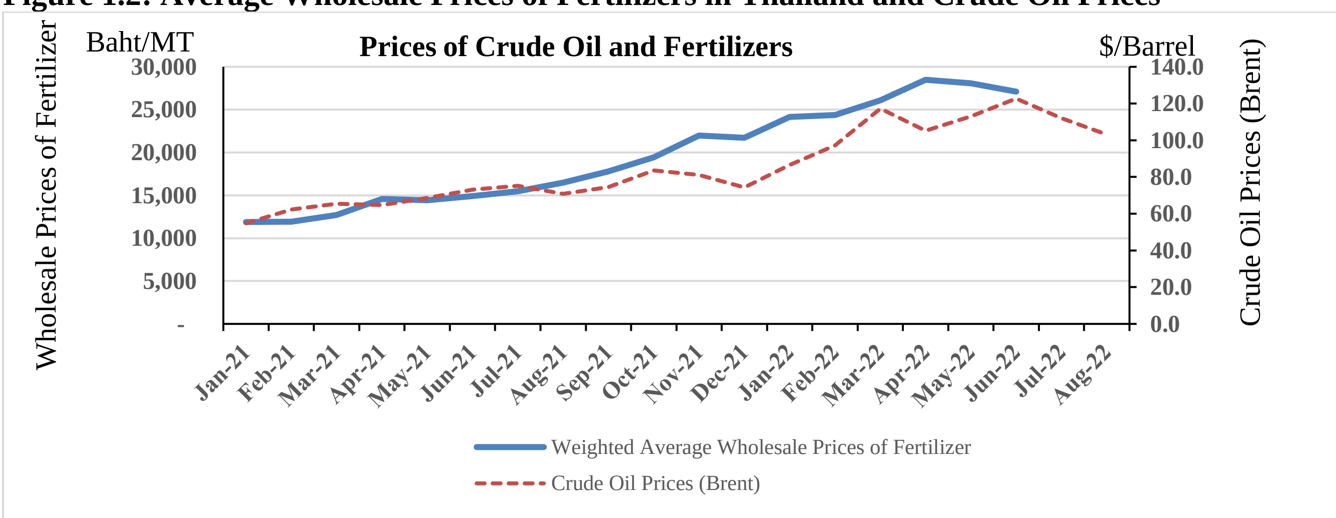
Post forecasts that MY2022/23 sugar production will increase to 10.5 million metric tons, up 3 percent from MY2021/22 due to favorable weather conditions during the tillering and elongation growth stage of sugarcane. The Thai Meteorological Department (TMD) reported that precipitation between January and August 2022 was 15 percent above average in the northeastern region, which accounts for half of total sugarcane planting area. In addition, precipitation in the central plains and the northern region, which account for 23 percent and 22 percent of total planting area, was 25 percent and 19 percent above average, respectively. However, the MY2022/23 sugar production forecast remains well below the record production of 14.7 million metric tons in MY2017/18 due to limited expansion of sugarcane acreage despite attractive farmgate prices (Figure 1.1). Small-scale farmers continue to grow cassava, which uses 40 percent less fertilizers than sugarcane. Fertilizer prices doubled in the first half of 2022 following Russia’s invasion of Ukraine (Figure 1.2).

Figure 1.1: Thailand's Sugarcane Planting Area and Production



Source: Office of Agricultural Economics, Ministry of Agriculture and FAS

Figure 1.2: Average Wholesale Prices of Fertilizers in Thailand and Crude Oil Prices



Source: Bank of Thailand and Office of Agricultural Economics

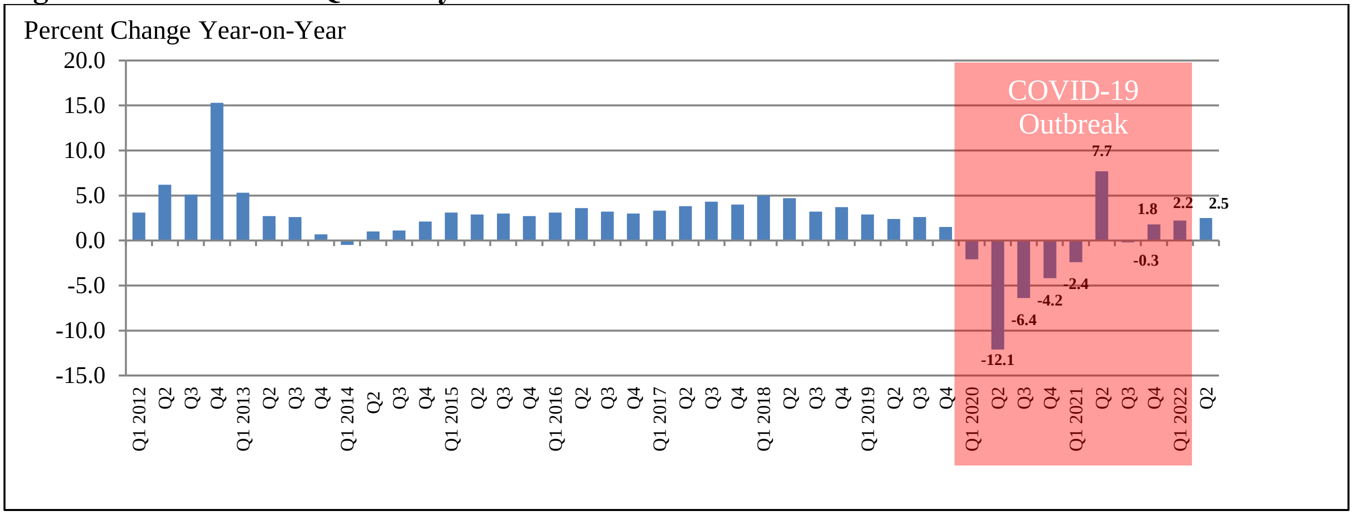
MY2021/22 sugar production totaled 10.2 million metric tons, a 35 percent increase from MY2020/21. Sugarcane production recovered following two consecutive years of drought since MY2019/20. The sugar extraction rate, however, declined to around 110 kilogram of sugar per tons of cane, down 2 percent from MY2020/21 due to excessive rain fall during the sugarcane maturity and ripening growth stage. MY2021/22 molasses production, which is a by-product of sugar production, totaled 3.6 million metric tons, up 30 percent from MY2020/21. MY2021/22 molasses production should be sufficient to meet domestic demand for ethanol consumption (for gasohol production). Post forecasts that ethanol consumption will increase by 8 percent in 2022 (please see TH2022-0038, Biofuel Annual 2022, June 14, 2022). Ethanol consumption totaled 834 million liters in the first seven months of 2022, a 7 percent increase from the same period last year, using 2.3 million metric tons of molasses. Molasses accounted for 61 percent of total feedstock for ethanol production, which was well above an average of 57 percent in 2021 due to larger available molasses supplies.

2. Consumption

Post forecasts MY2022/23 sugar consumption to increase to 2.5 million metric tons, up 4 percent from MY2021/22 in line with the anticipated economic recovery in 2023. The Bank of Thailand's forecast in June 2022 had Thailand's economic growth at 4.2 percent in 2023. An expected increase in foreign tourists to 20 million in 2023 will drive the forecasted economic growth. However, the expected number of foreign tourists in 2023 is still well below the 40 million tourists Thailand had prior to the COVID-19 outbreak. The Chinese government's stringent zero-COVID measures have kept many Chinese tourists, the largest group of foreign tourists prior to COVID-19, from visiting Thailand. The gradual recovery in the hotel and food service sector will drive the demand for sugar in both household and industrial use, especially for food and beverage manufacturers that account for around one third of total sugar consumption.

Sugar consumption in the first half of 2022 totaled 1.2 million metric tons, up 4 percent from the same period last year. Demand for sugar in industrial uses as the government gradually removed stringent COVID-19 restrictions nationwide was the catalyst for the growth in consumption. The Office of Cane and Sugar Board reported that sugar demand in manufacturing, which accounts for 44 percent of total sugar consumption, increased 8 percent from the same period last year driven by a recovery in the non-alcoholic beverage and processed food industries. Sugar consumption in non-alcoholic beverage manufacturing, which accounts for 45 percent of total industrial uses, increased 10 percent, while sugar consumption in processed food manufacturing, which accounts for 28 percent of total industrial uses, increased 14 percent. Direct sugar consumption by households, which accounts for 56 percent of total sugar consumption, increased around one percent from the same period last year due to the slow economic growth in the first half of 2022 (Figure 2.1). Post expects MY2021/22 sugar consumption to increase to 2.4 million metric tons, up around 3 percent from MY2020/21 in line with the gradual economic recovery. The government's latest economic forecast had the Thai economic growth at 2.7 - 3.2 percent in 2022, driven by the return of foreign tourists. The Thai government anticipates that 10 million foreign tourists will visit Thailand by the end of 2022.

Figure 2.1: Thailand's Quarterly Economic Growth



Source: Office of the National Economic and Social Development Council

The government decided on September 20, 2022, to delay the implementation of the third phase of the progressive sugar tax on non-alcoholic beverages for another six months. The government had postponed the implementation for one year since October 1, 2021, to lessen the burden for business operators and consumers during the COVID-19 outbreak (please see [TH2022-0030, Sugar Annual, April 15, 2022]). The new effective date of the third phase is April 1, 2023, and the last phase will go into effect on April 1, 2025. 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 more than double in MY2021/22 and to further increase to 11 million metric tons in MY2022/23 due to larger exportable supplies of sugar. Traders expect strong demand for Thai sugar in Southeast Asia as Brazil will likely produce more ethanol than sugar in MY2021/22 and MHY2022/23 due to high oil prices. Traders also expect that raw sugar exports will increase by a larger degree than refined sugar as the price difference between raw and refined sugar increased to $170-180/MT from $60-70/MT over the past few years, encouraging sugar refinery businesses in importing countries to import more raw sugar.

Sugar exports more than doubled in the first eight month of MY2021/22 with increased exports of raw and refined sugar. Raw sugar exports, which account for 61 percent of total sugar exports, tripled in the first eight months of MY2021/22. Strong demand from Indonesia and South Korea drove the surge in exports. Sugars exports to Indonesia and South Korea account for 59 percent and 20 percent, respectively, of total raw sugar exports. Exports of raw sugar to Indonesia, which is Thailand's largest raw sugar market, more than tripled due to limited exportable supplies from Brazil and Australia that supplied around half of Indonesia's raw sugar imports in the previous year. Exports of raw sugar to South Korea were five times larger than last year due to limited exportable supplies from Australia. Australian raw sugar accounted for 55 percent of South Korea's raw sugar imports in 2021. Refined sugar exports in the first eight months of MY2021/22 increased 54 percent from the same period last year. Strong demand from Cambodia, Laos, and the Philippines, which account for half of total Thai refined sugar exports, drove the increase in refined sugar exports. Exports of refined sugar to Vietnam continued to decline by 75 percent 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. However, refined sugar exporters are reportedly shipping refined sugar to Vietnam by transshipping it through Cambodia and Laos.

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. Policy

The government finalized draft amendments to the Cane and Sugar Act in June 2022 that deregulated domestic sugar price controls and terminated the sugar sale administration (known as Quota A for domestic sales, and Quota B and Quota C for export sales). The Thai government implemented the temporary sugar sale administration in January 2018 (please see TH2022-0030, Sugar Annual, April 15, 2022). Thailand must amend the act as Brazil won its World Trade Organization case against Thailand's domestic sugar support in 2016. The Ministry of Industry 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, domestic wholesale ex-factory prices for sugar currently remain at 17.25 baht per kilogram (21 cents/lb) for white sugar. The domestic wholesale ex-factory prices are the same as the controlled prices set prior to the deregulation that are usually higher than the world sugar prices. However, this price became 13 percent lower than the world sugar prices following the upward pressure on world sugar prices in 2022. The Thai government already delisted sugar from the List of Controlled Goods and Services but kept it on the Watch List. Retail prices of white sugar increased by around 5 percent to 23 baht per kilogram (29 cents/lb). However, this is still lower than the ceiling retail prices that the Ministry of Commerce set prior to the deregulation in 2018.

Appendix Tables

Table 1: Thailand's Sugarcane Production

Sugar Cane for Centrifugal	2020/2021		2021/2022		2022/2023	
Market Year Begins	Dec 2020		Dec 2021		Dec 2022	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	1760	10760	1600	1600	1650	1650
Area Harvested (1000 HA)	1250	1250	1520	1550	1570	1570
Production (1000 MT)	67534	67534	95100	94170	98300	98300
Total Supply (1000 MT)	67534	67534	95100	94170	98300	98300
Utilization for Sugar (1000 MT)	66659	66659	93000	92070	95500	95500
Utilization for Alcohol (1000 MT)	875	875	2100	2100	2800	2800
Total Utilization (1000 MT)	67534	67534	95100	94170	98300	98300
(1000 HA), (1000 MT)						

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

Sugar, Centrifugal	2020/2021		2021/2022		2022/2023	
Market Year Begins	Dec 2020		Dec 2021		Dec 2022	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	7569	7569	9067	9067	6877	6804
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	7587	7587	10230	10157	10500	10500
Total Sugar Production (1000 MT)	7587	7587	10230	10157	10500	10500
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)	15156	15156	19297	19224	17377	17304
Raw Exports (1000 MT)	1594	1594	5500	5500	6100	6100
Refined Exp.(Raw Val) (1000 MT)	2145	2145	4500	4500	4900	4900
Total Exports (1000 MT)	3739	3739	10000	10000	11000	11000
Human Dom. Consumption (1000 MT)	2350	2350	2420	2420	2520	2520
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	2350	2350	2420	2420	2520	2520
Ending Stocks (1000 MT)	9067	9067	6877	6804	3857	3784
Total Distribution (1000 MT)	15156	15156	19297	19224	17377	17304
(1000 MT)						

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

	MY2020/2021	**MY2021/2022** (Preliminary)	**MY2022/2023** (FAS Forecast)
Yield per metric ton of cane			
Sugar (kg.)	113.00	110.31	110.00
Molasses (kg.)	42.00	39.00	39.00
Farm price (ex-factory): Baht/Ton	920	1,070	1,070
Wholesale prices			
Sugar (Baht/100 kg.)	1,700	1,700	1,700
Molasses (Baht/Ton)	4,810	5,500	5,000

End of report.

Attachments:

No Attachments