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GAIN Report

Global Agricultural Information Network

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POLICY

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Thailand

Sugar Semi-annual

2014

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Report Highlights:

TH4088 – MY2014/15 sugar production in Thailand is revised down to 10.2 million metric tons due to drought- reduced sugarcane production and a lower extraction rate. Sugar exports are likely to increase to 8.5 million metric tons due to large inventories.

Executive Summary:

MY2014/15 sugar production in Thailand is revised down to 10.2 million metric tons which is a decline of 10 percent from MY 2013/14, with sugarcane production likely to decline to around 100 million metric tons. Despite the anticipated reduction in sugar production, MY2014/15 sugar exports are forecast to increase to 8.5 million metric tons due to large inventories. Reportedly, farmers are seeking an increase in the sugarcane price support of 1,000 baht per metric tons (\$31/MT) which is already 10-20 percent higher than global market prices would support. Sugarcane acreage expansion is possible in the medium term (MY2015/16 – MY2017/18) if the Government of Thailand is successful in its efforts to encourage rice producers to adopt alternative crops.

Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

Author Defined:**1. Production**

Drought during the year will likely reduce Thai sugar cane production to around 100 million metric tons, down 3-4 percent from MY2013/14. Accordingly, MY2014/15 sugar production in Thailand is revised down to 10.2 million metric tons, down 10 percent from MY2013/14 due to a smaller cane supplies and a lower extraction rate. Dry periods from March through August reportedly affected cane elongation and internode formation. Also, the extraction rate is expected to decline to around 102 kg/ton of cane as a result of dry conditions during the cane ripening stage.

According to the Thai Meteorological Department (TMD), cumulative precipitation (Figure 1) is far below normal averages, particularly in major cane growing areas in the northern, western and central plain regions. These areas account for approximately 60 percent of total sugarcane production in Thailand. The TMD expects 1 to 4 percent below precipitation (Table 1) during the remaining months of the rainy season in major growing areas of sugarcane.

According to the official crushing report by the Office of Cane and Sugar Board (OCSB), MY2013/14 sugar production totaled 11.3 million metric tons, up 13 percent from MY2012/13 due mainly to record extraction rate. The sugar extraction rate increased to 109.32 kg/ton of cane, up 9 percent as a result of favorable weather condition. Also, sugarcane production increased to 104 million metric tons, up 3.7 percent from MY 2012/13 due to acreage expansion driven by the establishment of new sugar facilities (please see Sugar Annual 2013, April 2013).

**Figure 1: Cumulative Rainfall (Jan. 1 – Sep. 28, 2014)
Deviated from Normal Average**

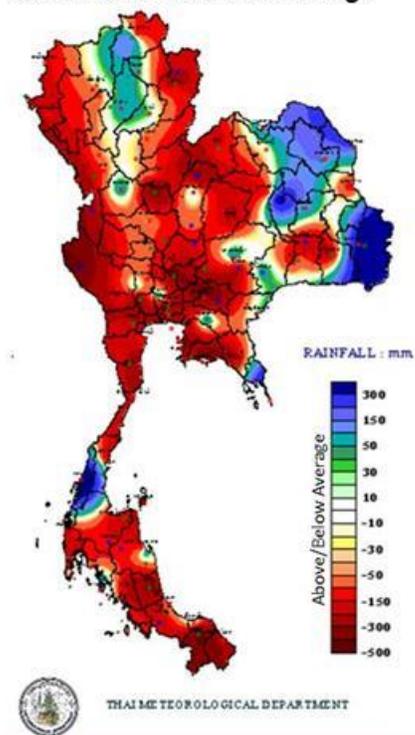


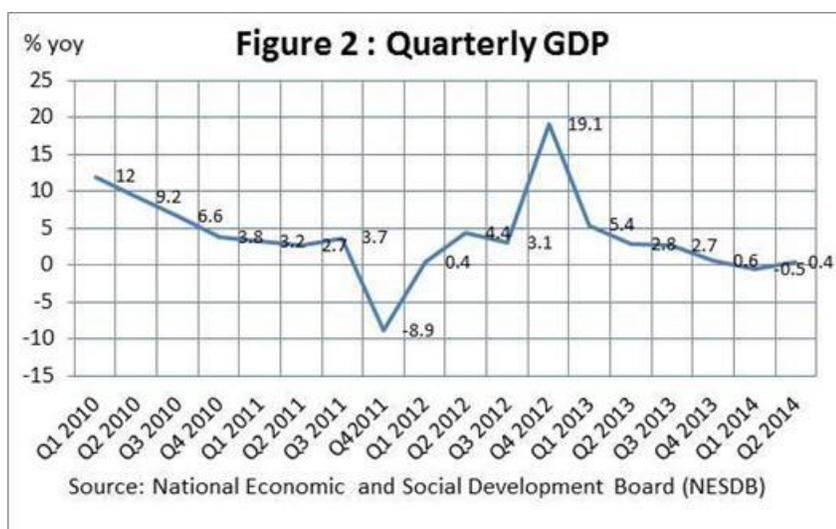
Table 1: Estimated Average Precipitation during September - October 2014

	September			October		
	(Millimeter)	(Millimeter)	%	(Millimeter)	(Millimeter)	%
North	215	-3	-1.5	120	-4	-3.3
Northeast	245	3	1.2	110	-7	-6.1
Central Plain	255	-2	-0.9	185	-2	-1.1
East	330.1	69	26.2	215	-10	-4.5
South (East Coast)	150	0	-0.1	250	-5	-2.1
South (West Coast)	450	26	6.2	350	-17	-4.5

Source: Thai Meteorological Department

2. Consumption

The forecasts of MY2013/14 and MY2014/15 sugar consumption remain unchanged, at 2.6 and 2.7 million metric tons respectively. According to OCSB, domestic sugar consumption totaled 1.2 million metric tons in the first half of 2014, down slightly from the same period in 2013 due to the economic downturn (Figure 2) and the uncertain domestic political situation. Household sugar consumption, which accounts for around 60 percent of total sugar consumption, declined approximately 3 percent; however, industrial use which accounts for around 40 percent of total sugar consumption increased 2 percent due to growing demand from processed food industry which is currently enjoying strong export demand. Sugar consumption is likely to grow considerably in the second half of 2014 and in 2015 in anticipation of the 3-5 percent economic rebound.



3. Trade

Despite a reduction in sugar production, MY2014/15 sugar exports are forecast to increase to 8.5 million metric tons due to lower prices which are the result of large domestic inventories. Sugar exports to ASEAN countries will continue to grow as the tariff rate on sugar will be reduced to 0-10 percent (compared to 5-40 percent) under the ASEAN Economic Community (AEC) Free Trade Agreement, which will take effect in 2015. Sugar imports will be duty free in most ASEAN countries, except for the Philippines (5%), Indonesia (5-10%), and Myanmar (0-5%). Thailand is expected to fill its allotted quota from the United States in MY2014/15.

Sugar imports in MY2014/15 will be marginal due to large supplies of domestic sugar. Also, Thailand subjects imported sugar to a 65-percent tariff rate and a quota of 13,760 metric tons, which is likely to deter imports. The out-of-quota tariff is 94 percent.

Thai MY2013/14 sugar exports are revised down to 7.5 million metric tons reportedly due to lower global economic growth. According to the OCSB, sugar exports during the first nine month of MY2013/14 totaled only 5.3 million metric tons, down 7 percent from the same period in the previous market year. Exports of raw sugar fell 8 percent to around 3 million metric tons, particularly to Indonesia which accounted for half of total raw sugar exports. White and refined sugar exports declined 6 percent to 2.3 million metric tons.

Thailand fulfilled its FY2013/14 (October 1, 2013 – September 30, 2014) U.S. Tariff Quota (TRQ) of raw sugar of 14,743 metric tons (raw value) and the additional reallocation of 1,473 million metric tons (raw value) as the export prices under the TRQ were well above the world market prices.

3. Stocks

MY2013/14 sugar ending stocks are revised up to 4.8 million metric tons due to lower-than-expected sugar exports. Sugar mills reportedly stockpiled sugar in rented warehouses because they need warehouse space in their facilities for the new crushing season which will begin in November 2014. MY2014/15 sugar stocks will likely fall to 3-4 million metric tons.

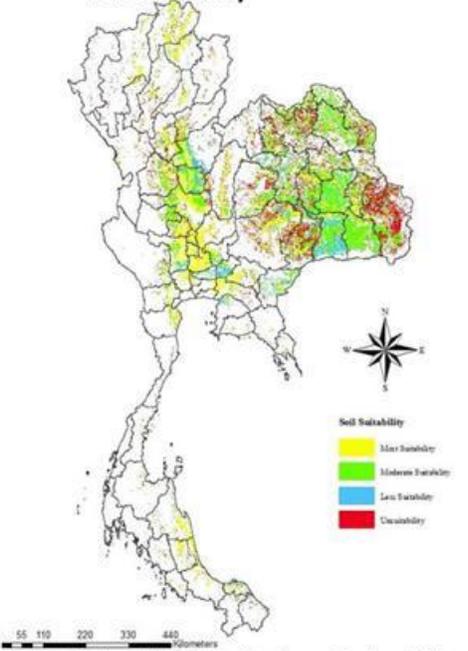
4. Policy

The Government of Thailand has not finalized the MY2014/15 price support program for sugarcane production. Reportedly, farmers are seeking sugarcane price support of 1,000 baht per metric tons (\$31/MT) which is 10-20 percent higher than current market prices due to low global sugar prices. The Government is likely to maintain control of domestic sugar prices, which were established in May 2008

and are currently well above world market prices. The prices were set at 19 baht/kg (\$27 cent/lb) for white sugar and 20 baht/kg (\$28 cent/lb) for refined sugar, ex-factory wholesale (excluding 7 percent Value Added Tax - VAT). Retail prices of sugar (including the value added tax) will also remain at established 2008 prices at 21.85 baht/kg (\$30 cent/lb) for white sugar, and 22.85 baht/kg (\$32 cent/lb) for refined sugar. The Government collects 5 baht/kg (\$7 cent/lb) and VAT from the domestic sugar sales for the Cane and Sugar Fund which is used to finance the sugarcane price support and direct payment programs to farmers.

The Government is trying to implement a land zoning program aimed at reducing rice production. This is mainly focused in northeastern areas less favorable to rice production which total about 27.4 million rai (4.4 million hectares – Figure 3). The Government’s priority is to encourage farmers to shift to sugarcane as sugar mills have excess production capacity of around 100 million metric tons. This translate to around 2 to 4 million rai of land currently devoted to rice could be converted to sugarcane, based on the existing sugar mill facilities. The Government is considering a 2-million rai (0.3 million hectares) target to switch land from rice to sugarcane for existing sugar mill facilities during MY2015/16 – MY2017/18. Thus far, the OCSB reports that farmers in the target areas have only committed to shifting about 193,000 rai (30,880 hectares) to sugarcane in MY2015/16. This is unlikely to significantly affect overall sugar output in the short term. However, as the Government continues to debate future agricultural policy it is possible that additional measures might be implemented to encourage a more rapid shift into alternatives crops, including sugar cane, from rice.

Figure 3: Rice Growing Areas Classified by Soil Suitability



Source: Bank of Thailand, Northern Region Office

Appendix Tables

Table A1: Thailand's Sugarcane Production

Sugar Cane for Centrifugal Thailand	2012/2013			2013/2014			2014/2015			
	Market Year Begin: Dec 2012			Market Year Begin: Dec 2013			Market Year Begin: Dec 2014			
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	
Area Planted	1,371	1,371	1,371	1,416	1,416	1,416	1,470	1,470	1,470	(1000 HA)
Area Harvested	1,361	1,361	1,361	1,411	1,411	1,411	1,460	1,460	1,460	(1000 HA)
Production	100,660	100,750	100,750	105,800	105,800	104,466	104,600	104,600	100,800	(1000 MT)
Total Supply	100,660	100,750	100,750	105,800	105,800	104,466	104,600	104,600	100,800	(1000 MT)
Utilization for Sugar	100,000	100,000	100,000	105,000	105,000	103,666	103,800	103,800	100,000	(1000 MT)
Utilization for Alcohol	660	750	750	800	800	800	800	800	800	(1000 MT)
Total Utilization	100,660	100,750	100,750	105,800	105,800	104,466	104,600	104,600	100,800	(1000 MT)

Table A2: Thailand' Sugar Production, Supply and Demand

Sugar, Centrifugal Thailand	2012/2013			2013/2014			2014/2015			
	Market Year Begin: Dec 2012			Market Year Begin: Dec 2013			Market Year Begin: Dec 2014			
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	
Beginning Stocks	2,810	2,810	2,810	3,616	3,616	3,616	4,906	3,506	4,849	(1000 MT)
Beet Sugar Production	0	0	0	0	0	0	0	0	0	(1000 MT)
Cane Sugar Production	10,024	10,024	10,024	11,390	11,390	11,333	11,000	10,380	10,200	(1000 MT)
Total Sugar Production	10,024	10,024	10,024	11,390	11,390	11,333	11,000	10,380	10,200	(1000 MT)
Raw Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Refined Imp.(Raw Va)	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	12,834	12,834	12,834	15,006	15,006	14,949	15,906	13,886	15,049	(1000 MT)
Raw Exports	3,694	3,694	3,694	4,100	5,000	3,900	4,500	5,400	4,500	(1000 MT)
Refined Exp.(Raw Va)	2,999	2,999	2,999	3,400	3,900	3,600	3,600	4,000	4,000	(1000 MT)
Total Exports	6,693	6,693	6,693	7,500	8,900	7,500	8,300	9,400	8,500	(1000 MT)
Human Dom. Consumption	2,525	2,525	2,525	2,600	2,600	2,600	2,700	2,700	2,700	(1000 MT)
Other Disappearance	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Use	2,525	2,525	2,525	2,600	2,600	2,600	2,700	2,700	2,700	(1000 MT)
Ending Stocks	3,616	3,616	3,616	4,906	3,506	4,849	4,906	1,786	3,849	(1000 MT)
Total Distribution	12,834	12,834	12,834	15,006	15,006	14,949	15,906	13,886	15,049	(1000 MT)

Table A3: Thailand's Sugar and Molasses Yield and Prices

	MY 2012/13	MY 2013/14	MY 2014/15 (FAS Forecast)
Yield per metric ton of cane			
Sugar (kg.)	100.24	109.3	102
Molasses (kg.)	45.54	41.20	43.00
Farm price (ex-factory): Baht/ton	910	900	850
Wholesale prices			
Sugar (Baht/100 kg.)	2,033	2,033	2,033
Molasses (Baht/ton)	4,000	3,800	4,000

Source: Office of Cane and Sugar Board

End of report

