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Thailand

Sugar Annual

2015

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Report Highlights:
TH5047 – The government agricultural restructuring program will likely increase MY2015/16 sugar production to 11.4 million metric tons, and sugar exports to around 9 million metric tons. Farmers are likely to seek more financial supports from the state-run Cane and Sugar Fund due to current sugar price slide.

Executive Summary:

Sugarcane production is expected to trend upward with production of 107 million metric tons in MY2015/16 due to government incentives under the 5-year Agricultural Restructuring Program (MY2015/16 – MY2019/20). Consequently, MY2015/16 sugar production is forecast to increase to 11.4 million metric tons, up 4 percent from MY2014/15. However, domestic sugar prices will trend downward due to large inventories and depressed world sugar prices. Farmers will likely seek more financial supports in MY2014/15 and MY2015/16. This will challenge the government's plan to reform the cane and sugar support programs.

MY2015/16 sugar exports are expected to increase to around 9 million metric tons, up 10 percent from MY2014/15, particularly to ASEAN countries which will have lower tariff rates under the free trade agreement taking effect in MY2015/16.

Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

Author Defined:

1. Production

MY2015/16 sugar production is forecast to increase to 11.4 million metric tons, up 4 percent from MY2014/15 due to sugarcane acreage expansion (Table 1 and 2). Planted areas of sugarcane are expected to increase by 0.2 million rai (32,000 hectares) because of the government incentives under the 5-year Agricultural Restructuring Program (MY2015/16 – MY2019/20) to move area from rice to other crops. Sugarcane production trends upward with anticipated production of around 107 million metric tons in MY2015/16, up 3 to 4 percent from MY2014/15. Also, sugar extraction rate is expected to increase to 107 kilogram per ton of cane (Table 3) in anticipation of normal precipitation in 2015 (based on the Thai Meteorological Department's forecast).

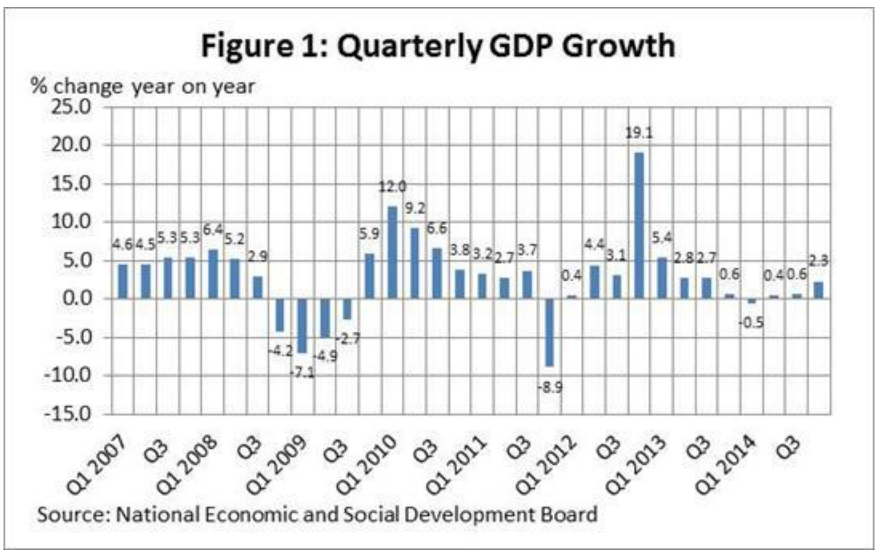
MY2014/15 sugar production is likely to decline to around 11 million metric tons, down 3 percent from MY2013/14 due to reduction in sugar extraction rate to 106 kilogram per ton of cane, compared to 109.3 kilogram in MY2013/14. This is a result of dry condition which prevailed in 2014. Also, despite an acreage expansion, MY2014/15 sugarcane production will likely decline to 104 million metric tons, down slightly from MY2013/14 due to unfavorable weather conditions. The Thai Meteorological Department reported that precipitation in 2014 was 5 percent below normal and 15 percent lower than the previous year's levels. According to the crushing report by the Office of Cane and Sugar Board (OCSB), as of April 6, 2015 around 103 million metric tons of cane has been crushed with an average extraction rate of around 106 kilogram per ton of cane.

The production of sugarcane used for ethanol production is revised up to around 0.9 million metric tons in MY2014/15 due to higher gasohol consumption driven by the government subsidies. The sole Thai sugarcane-based ethanol plant will likely operate at full capacity using approximately 0.9 million metric tons of cane in MY2014/15. According to the Ministry of Energy's Department of Alternative Energy Development and Efficiency, the sugar-based ethanol plant used 882,047 metric tons of sugarcane to produce approximately 66 million liters of ethanol, which accounts for around 6 percent of total ethanol production in MY2013/14. Meanwhile, 66 percent of ethanol production is molasses-based ethanol. The remainder is cassava-based ethanol.

2. Consumption

MY2015/16 sugar consumption is forecast to increase to 2.6 million metric tons, up 4 percent from MY2014/15 in anticipation of growing household and industrial uses driven by an economic recovery in 2016.

Due to slow economic growth, MY2014/15 sugar consumption is revised down to 2.5 million metric tons, which is only slightly larger than MY2013/14. The government revised down the GDP growth to 0.7 percent for 2014 (Figure 1). Also, signs of economic recovery in the first half of 2015 remain uncertain despite the government forecast of 3.5 to 4.5 percent growth. According to the OCBD, sugar consumption in the first two months of 2015 declined around 2 percent from the same period last year due to slower household and industrial consumption.



MY2013/14 sugar consumption declined to 2.495 million metric tons, down around 1 percent from MY2012/13 due mainly to a reduction in household consumption. Sugar consumption by household, which accounts for around 60 percent of total sugar consumption, declined around 4 percent. However, sugar per capita consumption in Thailand is still high at around 30 kilogram. Meanwhile, industrial sugar consumption which accounts for around 40 percent of total sugar consumption increased approximately 7 percent due to growing demand from the export-oriented processed food industry (Table 9).

3. Trade

MY2015/16 sugar exports are forecast to increase to 8.8 million metric tons, up 10 percent from MY2014/15 due to the advantage of Thai sugar in Asian market under the ASEAN Economic Community (AEC) Free Trade Agreement which will take effect on December 31, 2015 (postponed from January 1, 2015). The tariff rate on sugar will be reduced to 0-10 percent (compared to 5-40 percent) under the AEC. Sugar imports will be duty free in most ASEAN countries (including Thailand), except for the Philippines (5%), Indonesia (5-10%) and Myanmar (0-5%).

The estimate of MY2014/15 sugar exports is revised down to 8 million metric tons in anticipation of intense competition from Brazilian sugar on the world market. World sugar prices declined significantly to around US$12-13 cent/lb in March 2015, compared to US$15-16 cent/lb in January 2015. However, MY2014/15 Thai sugar exports are still up 11 percent from MY2013/14 due to the advantage of freight costs which are reportedly 50 percent cheaper for the shipments to Asian market. According to the Office of Cane and Sugar Board, sugar exports during the first three months of MY2014/15 increased 27 percent from the same period of the previous year. This reflected the increase in raw sugar exports to Asian countries, particularly for China and Indonesia.

Thailand is expected to fill its allotted quota of 14,743 metric tons (raw value) from the United States in MY2014/15 as the export prices under the tariff quota are likely to be well above the world market prices.

Sugar imports in MY2014/15 will be marginal due to large domestic supplies and high border protection. 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-off-quota tariff is 94 percent. Effective on December 31, 2015, all sugar imports from ASEAN countries will be duty free under AEC.
MY2013/14 sugar exports totaled 7.2 million metric tons (Table 4) which increased approximately 8 percent from MY2012/13 due to bumper sugarcane production. Exports of raw sugar increased to 4.1 million metric tons, up around 10 percent from the previous year, particularly for China, Malaysia and Taiwan. Also, exports of refined sugar continued to increase to 3.1 million metric ton, up 4 percent from the previous year, particularly to China, Malaysia, and Myanmar.

4. Stocks

MY2014/15 and MY2015/16 sugar stocks are forecast to increase to around 5.7 million metric tons due to production outstripping demand. Sugar mills are facing problem on warehouse space in their facilities due to the delay in the shipments by traders who are sourcing relatively cheaper Brazilian sugar. Sources reported that traders are subject to $5/MT fine per month for the delay.

5. Policy

The government set the MY2014/15 price support for sugarcane at 900 baht per metric ton (roughly $28/MT), unchanged from MY2013/14. However, it has not finalized farmers' request for additional direct payment of around 160 baht per metric ton due to concerns over the debt burden on the state-run Cane and Sugar Fund (CSF) with the Bank for Agriculture and Agricultural Cooperatives (BAAC). Just with lower prices, sources expect that CSF will have to seek additional loans of around 13 billion baht ($400 million) from the BAAC for MY2014/15 price support program. Even more money would need to be borrowed if producer payments increased.

The government still maintains its sugar price control policy which sets the price at 19 baht/kg ($27 cent/lb) for refined sugar, ex-factory wholesale (excluding 7 percent Value Added Tax VAT)). This has been in place since May 2008. Retail prices of sugar (including VAT) also remain 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/kg) and VAT from the domestic sugar sales to repay the BAAC for the cost incurred by the CSF to finance the sugar price support and direct payment programs to farmer.

The current world sugar price slide will likely delay the government's plan to liberalize cane and sugar support programs as farmers still need the price support. Also, the government's 5-year Agricultural Restructuring Program (MY2015/16 - MY2019/20) with a proposed budget of 20 billion baht ($615 million) to reduce rice planted areas and increase sugarcane area will put more debt burden on CSF as planted areas of sugarcane will increase by 0.7 million rai ((112,000 hectares) from MY2015/16 to MY2017/18. Based on current world sugar prices of around 12-13 cent/lb, the farmer support price for MY2015/16 is estimated at around 700 baht per metric tons (roughly $22/MT) which will be around 20 percent below current domestic price support levels (900 baht/MT ($28/MT)). Farmers are likely to seek additional financial supports from the government to cover their production costs.

Appendix: Production, Supply and Demand Statistics

Table 1: Thailand's Sugarcane Production

Sugar Cane for Centrifugal	2013/2014		2014/2015		2015/2016		
Market Begin Year	Dec 2013		Dec 2014		Dec 2015		
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	1,416	1,417	1,470	1,471	0	1,500	(1000 HA)
Area Harvested	1,411	1,412	1,460	1,461	0	1,495	(1000 HA)
Production	104,466	104,548	100,800	104,400	0	107,500	(1000 MT)
Total Supply	104,466	104,548	100,800	104,400	0	107,500	(1000 MT)
Utilization for Sugar	103,666	103,666	100,000	103,500	0	106,600	(1000 MT)
Utilizatn for Alcohol	800	882	800	900	0	900	(1000 MT)
Total Utilization	104,466	104,548	100,800	104,400	0	107,500	(1000 MT)

Table 2: Thailand's Sugar Production, Suppy and Demand						
Sugar, Centrifugal	2013/ 2014		2014/ 2015		2015/ 2016	
Market Begin Year	Dec 2013		Dec 2014		Dec 2015	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	3,616	3,616	4,849	5,254	0	5,724
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	11,333	11,333	10,200	10,970	0	11,400
Total Sugar Production	11,333	11,333	10,200	10,970	0	11,400
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	14,949	14,949	15,049	16,224	0	17,124
Raw Exports	3,900	4,083	4,500	4,500	0	4,800
Refined Exp.(Raw Val)	3,600	3,117	4,000	3,500	0	4,000
Total Exports	7,500	7,200	8,500	8,000	0	8,800
Human Dom. Consumption	2,600	2,495	2,700	2,500	0	2,600
Other Disappearance	0	0	0	0	0	0
Total Use	2,600	2,495	2,700	2,500	0	2,600
Ending Stocks	4,849	5,254	3,849	5,724	0	5,724
Total Distribution	14,949	14,949	15,049	16,224	0	17,124

Table 3: Thailand's Sugar and Molasses Yield and Prices			
	MY 2013/14	MY 2014/15	MY 2015/16
		(FAS Estimate)	(FAS Forecast)
Yield per metric ton of cane			
Sugar (kg.)	109.3	106.0	107.0
Molasses (kg.)	41.20	43.00	45.00
Farm price (ex-factory): Baht/ton	900	900	700
Wholesale prices			
Sugar (Baht/100 kg.)	2,033	2,033	2,033
Molasses (Baht/ton)	3,800	4,000	4,000
Source: Office of Cane and Sugar Board			

Table 4: Thailand's Total Exports of Sugar						
Unit: Metric Ton Raw Value						
	2010	**2011**	**2012**	**2013**	**2014**	**% Change**
U.S.	22,868	24,301	22,563	-	16,207	-
Indonesia	1,304,964	1,352,165	1,921,618	1,849,396	1,794,257	-3.0
Japan	533,903	1,107,846	870,657	748,869	771,784	3.1
China	25,511	288,181	996,659	264,906	731,720	176.2
Malaysia	156,234	353,469	470,561	338,835	703,123	107.5
South Korea	134,804	521,738	505,139	540,589	439,024	-18.8
Cambodia	468,756	409,016	632,148	632,148	577,157	-8.7
Taiwan	88,042	140,538	279,581	220,599	341,578	54.8
Russia	31,652	175,318	49,614	33,858	37,795	11.6
Singapore	109,138	194,084	130,935	109,118	136,640	25.2
India	349,268	6,426	7,592	7,218	10,657	47.6
Other	1,393,108	2,308,082	1,909,241	2,041,764	2,010,554	-1.5
Total	**4,618,248**	**6,881,164**	**7,796,308**	**6,787,300**	**7,570,496**	11.5
Source: Office of Cane and Sugar Board, Ministry of Industry						

Table 5: Thailand's Exports of Raw Sugar (MTRV)						
Destination	**2010**	**2011**	**2012**	**2013**	**2014**	**% Change**
China	4,617	192,673	839,576	50,838	495,016	873.7
Indonesia	782,081	1,248,555	1,786,363	1,768,320	1,713,410	-3.1
Japan	533,887	1,107,829	868,700	748,868	771,205	3.0
North Korea	20,273	18,515	3,263	-	-	-
South Korea	134,261	507,330	482,409	499,226	375,251	-24.8
Malaysia	120,375	324,600	372,543	181,750	477,524	162.7
Philippines	29,365	3,335	-	-	-	-
Russia	31,652	174,542	49,453	33,858	37,298	10.2
Singapore	7,206	19,971	149	66	129	95.5
Sri Lanka	8,824	7,643	513	20,366	15,800	-22.4
Tanzania	1,539	2,334	1,898	17,852	31,801	78.1
Taiwan	56,367	53,282	182,791	114,866	243,136	111.7
United States	22,868	23,784	20,993	-	15,940	-
UAE	-	205	282	564	53,917	9,459.8
Vietnam	81,372	43,400	99,220	131,328	62,579	-52.3
Others	138,547	495,536	212,883	137,002	137,450	0.3
Total	**1,973,234**	**4,223,534**	**4,921,036**	**3,704,904**	**4,430,456**	19.6
Source: Office of the Cane and Sugar Board, Ministry of Industry						

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

Destination	2010	2011	2012	2013	2014	% change
Bangladesh	2,140	11,856	-	266	767	-
Brunei	6,337	6,561	6,561	2,247	4,494	100.0
Burma	13,086	34,934	49,210	116,818	138,118	18.2
Cambodia	468,756	409,016	632,147	683,528	564,631	-17.4
China	20,894	95,507	157,083	214,068	263,704	23.2
India	348,499	6,426	7,592	7,218	10,657	47.6
Indonesia	522,883	103,610	135,254	81,076	80,847	-0.3
Iran	-	6,420	-	-	98	-
Jordan	27	12,085	51,266	66,076	96,070	45.4
North Korea	5,230	4,140	-	-	2,140	-
South Korea	544	14,408	22,730	41,363	63,772	54.2
Kenya	5,566	31,898	42,496	95,632	36,575	-61.8
Laos	31,987	44,443	85,028	32,743	39,710	21.3
Malaysia	35,858	28,869	98,018	157,085	225,600	43.6
Maldives	776	936	990	936	1,284	37.2
Pakistan	178,485	2,676	936	348	6,133	1,662.4
Philippines	266,813	126,829	81,961	74,316	50,059	-32.6
Russia	-	776	161	-	497	-
Saudi Arabia	803	18,470	9,067	32,927	34,928	6.1
Singapore	101,933	174,113	130,786	109,053	136,511	25.2
Somalia	-	-	-	5,992	15,539	159.3
Sri Lanka	68,108	44,071	51,789	50,572	95,894	89.6
Syria	-	10,745	7,838	27,606	35,310	27.9
Tanzania	9,071	28,576	24,813	58,744	39,854	-32.2
UAE	21,645	45,597	13,669	27,266	62,199	128.1
Vietnam	179,179	263,384	249,518	146,661	53,552	-63.5
Yemen	1,498	3,123	5,466	2,649	7,655	189.0
Others	354,896	1,128,162	1,010,893	1,047,206	1,073,442	2.5
Total	**2,645,014**	**2,657,631**	**2,875,272**	**3,082,396**	**3,140,040**	1.9

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

Table 7: Thailand's Monthly Export Prices (F.O.B.) of Raw Sugar (Baht/Ton)

Month	2008	2009	2010	2011	2012	2013	2014
January	8,463	9,380	12,761	15,398	17,547	14,329	12,858
February	8,457	10,741	14,685	14,700	17,535	13,566	12,842
March	8,398	11,480	14,028	16,589	17,420	14,260	12,583
April	8,594	11,123	14,865	16,078	17,016	14,077	12,933
May	8,491	11,655	13,865	15,832	15,663	13,479	12,883
June	8,758	11,803	13,558	15,731	16,513	13,623	13,068
July	8,917	11,649	13,719	15,127	16,364	12,839	13,277
August	9,163	11,942	13,890	17,344	16,801	12,235	13,312
September	8,949	11,162	13,446	17,892	16,611	12,656	13,460
October	9,278	11,614	12,695	18,855	16,257	12,498	13,132
November	9,469	11,361	12,240	18,694	16,636	12,665	13,189
December	9,644	12,736	15,034	17,685	14,750	12,948	12,559
Average	8,882	11,465	13,928	16,661	16,593	13,265	13,008
Avg. Exchange rates (Baht/U.S.S)	33.31	34.29	31.69	30.49	31.08	30.73	32.48

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

Table 8: Thailand's Monthly Export Prices (F.O.B.) of Plantation White Sugar (Baht/Ton)

Month	2008	2009	2010	2011	2012	2013	2014
January	10,100	10,615	17,864	17,449	19,177	15,116	13,708
February	9,254	10,832	16,952	19,827	19,111	14,723	14,020
March	10,104	11,232	17,684	16,006	17,839	15,051	14,584
April	10,085	11,609	17,418	18,932	18,134	15,266	14,193
May	10,818	11,651	17,069	17,995	18,241	14,727	14,259
June	10,239	13,239	16,489	18,257	18,142	14,766	14,346
July	16,789	13,446	16,773	N.A.	18,574	14,771	14,497
August	10,459	13,391	18,100	20,551	18,166	15,599	14,514
September	11,762	14,077	18,868	20,211	17,624	15,152	13,111
October	11,987	14,439	16,826	19,965	17,232	14,739	13,610
November	10,855	15,211	22,320	20,542	17,505	15,255	13,236
December	11,253	15,855	20,077	19,527	16,558	14,465	13,650
Average	11,142	12,966	17,358	19,024	18,025	14,969	13,977
Avg. Exchange rates (Baht/U.S.$)	33.31	34.29	31.69	30.49	31.08	30.73	32.48

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

Table 9: Thailand's Sugar Utilization by Industry
Unit: Metric Ton

Type of Industry	2008	2009	2010	2011	2012	2013	2014
BEVERAGES (Exluding Alcoholic Drink)							
Refined Sugar	215,573	232,063	277,504	274,448	296,375	374,676	402,940
White Sugar	148,359	149,727	170,309	197,764	225,093	122,517	109,009
Sub - Total	363,932	381,790	447,813	472,212	521,468	497,193	511,949
CAKE & BREAD and Alcoholic Drink							
Refined Sugar	9,236	3,987	10,313	13,108	10,075	9,391	11,728
White Sugar	13,955	10,981	14,028	14,623	18,635	20,776	22,505
Sub - Total	23,191	14,968	24,341	27,731	28,710	30,167	34,233
FRUIT & FOOD PRODUCTS							
Refined Sugar	67,099	68,584	103,300	115,300	99,527	104,304	119,288
White Sugar	127,951	119,451	155,598	157,691	173,052	145,651	159,926
Sub - Total	195,050	188,035	258,898	272,991	272,579	249,955	279,213
DAIRY PRODUCTS							
Refined Sugar	33,985	35,857	51,056	57,698	67,153	75,202	88,019
White Sugar	116,544	129,472	145,697	143,836	121,796	138,834	139,404
Sub - Total	150,529	165,329	196,753	201,534	188,949	214,036	227,424
CONFECTIONARY PRODUCTS							
Refined Sugar	6,095	7,169	7,178	6,382	6,451	6,418	6,310
White Sugar	15,882	54,104	25,806	16,818	18,295	18,495	18,369
Sub - Total	21,977	61,273	32,984	23,200	24,746	24,913	24,680
PHARMACEUTICAL PRODUCTS & MISCELLANEOUS							
Refined Sugar	8,018	17,353	20,981	29,230	18,627	22,142	26,291
White Sugar	916	3,309	3,041	2,080	2,312	2,540	1,251
Sub - Total	8,934	20,662	24,022	31,310	20,939	24,682	27,543

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

End of report