

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Thailand

Sugar Semi-annual

2018

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Report Highlights:

MY2018/19 sugarcane production is expected to decline 4 percent from MY2017/18 reducing sugar production to 13.8 million metric tons. The new sugar tax has reduced demand for sugar in non-alcoholic beverage production. MY2017/18 and MY2018/19 sugar exports are expected to reach record highs.

Executive Summary:

MY2018/19 sugarcane production is expected to decline to 130 million metric tons, down 4 percent from MY2017/18 due to reduced average yields. Correspondingly, sugar production is expected to decline to 13.8 million metric tons, down 6 percent from a record 14.7 million metric tons in MY2017/18.

MY2017/18 and MY2018/19 sugar consumption will likely decline to 2.5-2.6 million metric tons, down 2 percent annually. This reduction is due mainly to reduced demand for sugar from non-alcohol beverage manufacturers in response to the new sugar excise tax on beverages.

MY2017/18 sugar exports are revised up to 10.5 million metric tons due to higher than expected sugarcane production. Raw sugar exports are expected to nearly double in MY2017/18. Exports of white and refined sugar are likely to increase to 4.5 million metric tons, up 15 percent from MY2016/17.

Commodities:

Sugar Cane for Centrifugal

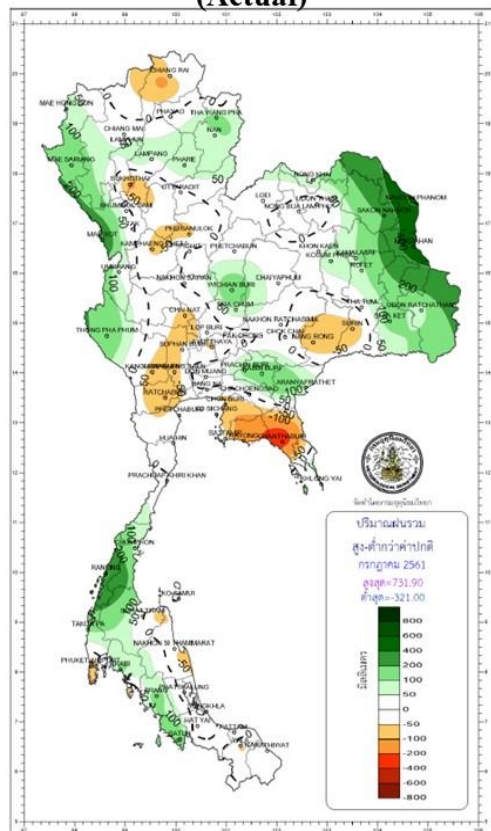
Sugar, Centrifugal

1. Production**1.1 Sugarcane Production**

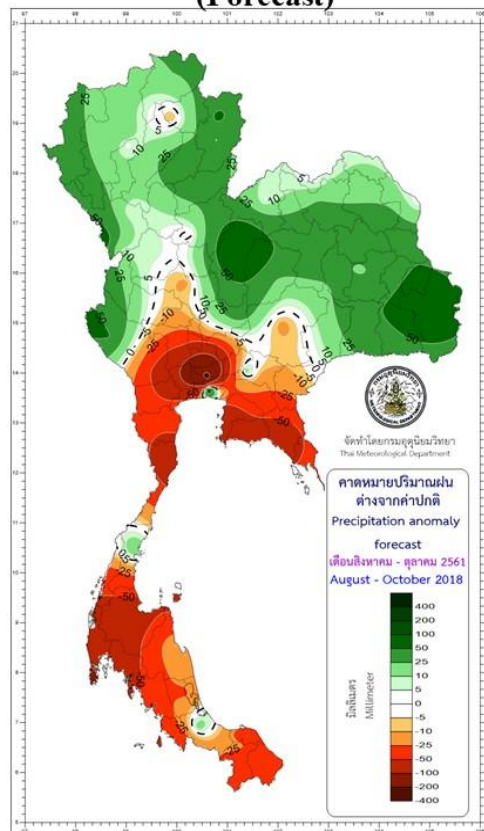
MY2018/19 sugarcane production is forecast to decline to 130 million metric tons, down 4 percent from MY2017/18. This is in anticipation of reduced average yields due to lower than expected precipitation in major growing areas in the northern and the central plains regions, particularly in Kamphaengphet, Nakhonsawan, and Kanchanaburi. The Thai Meteorological Department (TMD) reported that precipitation during January – July 2018 has been 35-80 percent below normal in these provinces which account for approximately 20 percent of total sugarcane production. Most sugarcane production occurs in non-irrigated areas. The TMD expects that precipitation during August – October 2018 will likely continue to be 5 percent below normal in the central plains region (Figure 1.1). Additionally, some sugarcane growers in the northeast have shifted cultivation to fragrant rice, particularly farmers who would have had to replant sugarcane this year. This is because sugarcane prices have trended downward in recent months while fragrant rice prices have increased 50-70 percent since March 2018.

Figure 1.1 Precipitation Deviation in Millimeters from Average

**January – July 2018
(Actual)**



**August – October 2018
(Forecast)**



Source: Thai Meteorological Department

MY2017/18 sugarcane production totaled 136 million metric tons, up 45 percent from MY2016/17 due to increased acreage and favorable weather conditions. The acreage expansion was driven by attractive sugarcane prices, which were 28 percent higher in 2017 than in 2016. Additionally, precipitation in the major growing areas was 28 percent above normal in 2017, which led to a recovery in average yields from the severe drought conditions that had impacted production in previous years.

1.2 Sugar Production

MY2018/19 sugar production is forecast to decline to 13.8 million metric tons. This is a 6 percent reduction from MY2017/18 due to reduced sugarcane production in the major growing areas. Additionally, the sugar extraction rate will likely decline to around 107 kilograms per ton of cane due to unfavorable weather conditions.

The Ministry of Industry's Office of Cane and Sugar Board reported that MY2017/18 sugar production totaled 14.7 million metric tons. This is a 47 percent increase from MY2016/17 due to bumper sugarcane production. Additionally, the extraction rate increased to 109 kilograms per ton of cane, up 2 percent from MY2016/17.

2. Consumption

Post's forecast for MY2017/18 and MY2018/19 sugar consumption remains unchanged at around 2.5-2.6 million metric tons, down 2 percent annually due mainly to reduced demand for sugar from non-alcohol beverage manufacturers in response to the new sugar excise tax on beverages. In the first half of 2018, sugar consumption totaled 1.3 million metric tons, down 6 percent from the same period last year due to reduced industrial demand for sugar, particularly from non-alcoholic beverage manufacturers. Demand for sugar from non-alcoholic beverage manufacturers accounts for around half of total industrial sugar consumption. Many beverage manufacturers have reformulated their products using artificial sweeteners instead of sugar to avoid the new sugar tax. Meanwhile, household consumption, which accounts for 53 percent of total sugar consumption, increased around 1 percent from the same period last year.

3. Trade

In the first nine months of MY2017/18 (December 2017 – August 2018), sugar exports totaled 8.1 million metric tons, up 44 percent from the same period last year with increased exports of both raw and refined sugar. Exports were driven by bumper sugarcane production, which also led to lower sugar export prices. Average sugar export prices in the first eight months of 2018 declined 45-50 percent from the same period last year. Raw sugar exports totaled 4.5 million metric tons, up 70 percent from the same period last year with increased exports sent to Indonesia, South Korea, Malaysia, and Taiwan. Exports of white and refined sugar increased to 3.6 million metric tons, up 21 percent from the same period last year with most exports destined for Myanmar, South Korea, Malaysia, and the Philippines. Much of the increased sugar exports to Taiwan and Myanmar were reportedly transshipped to China. This should more than offset the reduction in direct raw and refined sugar exports to China.

Thailand has already filled its allocated quota of 14,743 metric tons of raw sugar (raw value) under the FY2018 (October 1, 2017 – September 31, 2018) U.S. tariff-rate quota (TRQ) as export prices under the TRQ are well above world market prices.

MY2017/18 sugar exports are revised up to 10.5 million metric tons due to higher than expected sugarcane production. Raw sugar exports are expected to nearly double in MY2017/18. Exports of white and refined sugar are likely to increase to 4.5 million metric tons, up 15 percent from MY2016/17. Thai sugar exports are competitive in Asia due to the ASEAN Economic Community (AEC) Free Trade Agreement which went into effect on December 31, 2015. Under the AEC, sugar imports are duty free in most ASEAN countries (including Thailand), except for the Philippines (5%), Indonesia (5%), and Myanmar (5%).

MY2017/18 and MY2018/19 sugar imports are expected to remain marginal due to bumper domestic supplies. Thailand's sugar TRQ is set at 13,760 metric tons with an in-quota tariff of 65 percent and an out-of-quota tariff of 94 percent. However, imports from ASEAN countries enter Thailand duty free under the AEC and do not count towards the import TRQ.

Imports of artificial sweeteners increased 30 percent during January – July 2018, particularly from China and India as beverage manufacturers reformulated their products to avoid the new sugar tax. The combined imports of artificial sweeteners from these two countries accounted for approximately 80 percent of total artificial sweetener imports.

4. Policy

The government is still working to finalize the amendments to the Cane and Sugar Act requested by Brazil through their World Trade Organization (WTO) petition. Industry anticipates that the legislation may not be finalized until after October 2018 when the MY2018/19 sugarcane will be harvested. The government expects that sugarcane prices will likely decline further to 680 baht per metric ton (U.S. \$21/MT) in MY2018/19 as world sugar prices remain under downward pressure. For the MY2017/18 crop year, farmers are expected to use the sugar price support program to receive direct financial support from the Cane and Sugar Fund (CSF). The CSF's expected expenditure for MY2017/18 is 13.5 billion baht (U.S. \$417 million) as the market price (780 baht per metric ton (U.S. \$24/MT)) is significantly lower than the minimum price level, which was set at 880 baht per metric ton (U.S. \$27/MT). This may cause financial problems for the CSF as their revenue is likely to fall short of this amount, as the CSF currently only has around 9 billion baht (U.S. \$280 million) saved (revenues are collected from a domestic sugar sales tax of 5 baht per kilogram (7 cents/lb)). If this occurs, industry expects that the government will choose to guarantee bank loans to the CSF, which would provide the CSF with access to credit to finance the MY2017/18 sugarcane price support program.

Appendix Tables

Table 1: Thailand's Sugarcane Production

Sugar Cane for Centrifugal	2016/2017	2017/2018	2018/2019
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Market Begin Year	Dec 2016		Dec 2017		Dec 2018	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1520	1520	1700	1800	1730	1750
Area Harvested	1425	1425	1680	1780	1710	1730
Production	93878	93878	127000	136000	130000	130000
Total Supply	93878	93878	127000	136000	130000	130000
Utilization for Sugar	92950	92950	126000	135000	129000	129000
Utilization for Alcohol	928	928	1000	1000	1000	1000
Total Utilization	93878	93878	127000	136000	130000	130000

(1000 HA) ,(1000 MT)

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

Sugar, Centrifugal	2016/2017		2017/2018		2018/2019	
Market Begin Year	Dec 2016		Dec 2017		Dec 2018	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	5281	5281	5618	5618	7218	7198
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	10033	10033	13730	14710	14100	13800
Total Sugar Production	10033	10033	13730	14710	14100	13800
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	15314	15314	19348	20328	21318	20998
Raw Exports	3138	3138	4500	6000	5000	6500
Refined Exp.(Raw Val)	3878	3878	5000	4500	6000	5000
Total Exports	7016	7016	9500	10500	11000	11500
Human Dom. Consumption	2680	2680	2630	2630	2580	2580
Other Disappearance	0	0	0	0	0	0
Total Use	2680	2680	2630	2630	2580	2580
Ending Stocks	5618	5618	7218	7198	7738	6918
Total Distribution	15314	15314	19348	20328	21318	20998

(1000 MT)

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

	MY 2016/17	MY 2017/18	MY 2018/19 (FAS Forecast)
Yield per metric ton of cane			
Sugar (kg.)	107.94	109.03	107.00
Molasses (kg.)	41.90	40.68	40.00
Farm price (ex-factory): Baht/ton	1,050	780	680
Wholesale prices			
Sugar (Baht/100 kg.)	2,033	1,750	1,700
Molasses (Baht/ton)	4,480	3,900	3,800

Source: Office of Cane and Sugar Board

Table 4: Thailand's Total Sugar Exports

Unit: Metric Ton Raw Value							
	2014	2015	2016	2017	January - July		
					2017	2018	% Change
U.S.	16,207	15,622	18,408	21,320	-	2,974	-
Indonesia	1,794,257	1,912,624	2,569,892	2,615,596	1,712,142	2,547,920	48.8
Japan	771,784	651,358	575,073	315,104	242,019	237,460	-1.9
China	731,720	926,342	354,591	457,014	305,061	201,950	-33.8
Malaysia	703,123	520,443	170,529	182,767	103,254	407,041	294.2
South Korea	439,024	561,794	189,910	131,024	57,926	480,483	729.5
Cambodia	577,157	518,848	768,539	864,454	519,161	661,870	27.5
Taiwan	341,578	297,307	227,143	913,153	494,913	597,593	20.7
Russia	37,795	776	268	-	-	-	-
Singapore	136,640	152,858	110,245	107,738	66,375	83,061	25.1
India	10,657	48,406	2,226	3,853	571	535	-6.3
Other	2,010,554	2,665,464	1,736,678	1,584,783	998,883	1,584,148	58.6
Total	7,570,496	8,271,842	6,723,502	7,196,806	4,500,305	6,805,035	51.2

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

Table 5: Thailand's Exports of Raw Sugar

Unit: Metric Ton Raw Value								
Destination	2013	2014	2015	2016	2017	January - July		
						2017	2018	% Change
China	50,838	495,016	170,227	14,313	128,461	107,279	38,142	-64.4
Indonesia	1,768,320	1,713,410	1,839,027	2,381,243	2,506,322	1,658,454	2,496,994	50.6
Japan	748,868	771,205	647,831	572,786	300,987	240,238	227,976	-5.1
North Korea	-	-	-	-	-	0	0	-
South Korea	499,226	375,251	462,343	102,942	34,943	9,212	590,677	6,312.0
Malaysia	181,750	477,524	254,130	42,550	81,277	60,525	316,343	422.7
Philippines	-	-	-	87,467	-	0	1,534	-
Russia	33,858	37,298	-	-	-	0	0	-
Singapore	66	129	203	360	863	252	257	2.0
Sri Lanka	20,366	15,800	7,454	1,719	20,674	19,904	40,296	102.5
Tanzania	17,852	31,801	18,357	9,798	23,161	18,800	67,658	259.9
Taiwan	114,866	243,136	187,067	97,942	30,196	14,005	168,430	1,102.6
United States	-	15,940	14,525	17,617	20,785	0	2,867	-
UAE	564	53,917	462	975	363	257	342	33.1
Vietnam	131,328	62,579	201,620	107,838	64,646	45,255	45,622	0.8
Others	137,002	137,450	130,500	65,098	127,753	71,521	44,955	-37.1
Total	3,704,904	4,430,456	3,933,746	3,502,648	3,340,431	2,245,702	4,042,093	80.0

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

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

Unit: Metric Ton Raw Value								
Destination	2013	2014	2015	2016	2017	January - July		
						2017	2018	% Change
Bangladesh	266	767	348	1,610	2,167	1,204	2,782	131.1
Brunei	2,247	4,494	6,206	5,991	3,980	3,980	6,021	51.3
Burma	116,818	138,118	706,838	655,551	639,831	466,757	556,090	19.1
Cambodia	683,528	564,631	518,834	761,152	863,428	519,161	477,405	-8.0
China	214,068	263,704	756,115	340,279	328,553	197,782	163,809	-17.2
India	7,218	10,657	10,229	2,226	3,853	571	535	-6.3
Indonesia	81,076	80,847	73,597	188,649	109,274	53,687	50,926	-5.1
Iran	-	98	15	-	5,861	-	-	-
Jordan	66,076	96,070	38,788	268	-	-	268	-
North Korea	-	2,140	-	-	-	-	-	-
South Korea	41,363	63,772	99,452	86,968	96,080	48,714	71,192	46.1
Kenya	95,632	36,575	13,936	3,003	3,808	2,185	5,344	144.6
Laos	32,743	39,710	107,848	132,146	180,519	114,666	101,021	-11.9
Malaysia	157,085	225,600	266,312	127,979	101,490	42,729	90,698	112.3
Maldives	936	1,284	2,318	722	-	-	214	-
Pakistan	348	6,133	408	187	1,022	514	294	-42.8
Philippines	74,316	50,059	65,256	246,111	59,324	38,038	93,418	145.6
Russia	-	497	776	268	-	-	1	-
Saudi Arabia	32,927	34,928	21,353	11,878	107	107	107	0.0
Singapore	109,053	136,511	156,655	109,885	106,875	66,123	82,805	25.2
Somalia	5,992	15,539	535	-	-	-	-	-
Sri Lanka	50,572	95,894	78,586	53,115	50,778	36,657	27,825	-24.1
Syria	27,606	35,310	35,821	-	-	-	-	-
Tanzania	58,744	39,854	25,094	2,622	2,848	371	12,060	3,150.7
UAE	27,266	62,199	11,718	14,655	18,216	9,601	5,450	-43.2
Vietnam	146,661	53,552	192,682	143,117	135,455	67,311	57,134	-15.1
Yemen	2,649	7,655	4,826	1,541	-	-	-	-
Others	1,047,206	1,073,442	1,143,551	330,931	1,142,906	584,445	957,544	63.8
Total	3,082,396	3,140,040	4,338,097	3,220,854	3,856,375	2,254,603	2,762,943	22.5

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

Table 7: Thailand's Monthly Export Prices (FOB) for Raw Sugar

Unit Baht/Metric Ton								
Month	2011	2012	2013	2014	2015	2016	2017	2018
January	15,398	17,547	14,329	12,858	12,377	10,325	13,774	11,619
February	14,700	17,535	13,566	12,842	11,510	11,561	16,102	10,424
March	16,589	17,420	14,260	12,583	11,650	10,714	15,577	11,731
April	16,078	17,016	14,077	12,933	11,594	10,990	15,481	10,657
May	15,832	15,663	13,479	12,883	11,398	11,105	15,120	9,476
June	15,731	16,513	13,623	13,068	11,040	11,676	15,403	9,470
July	15,127	16,364	12,839	13,277	10,902	12,129	15,001	10,083
August	17,344	16,801	12,235	13,312	10,744	12,331	14,720	
September	17,892	16,611	12,656	13,460	10,421	13,044	13,451	
October	18,855	16,257	12,498	13,132	10,928	12,529	13,595	
November	18,694	16,636	12,665	13,189	10,806	13,394	12,629	
December	17,685	14,750	12,948	12,559	10,084	13,941	13,330	
Average	16,661	16,593	13,265	13,008	11,121	11,978	14,515	10,494
Avg. Exchange rates (Baht/U.S.\$)	30.49	31.08	30.73	32.48	34.25	35.30	33.94	32.04
Source: Office of the Cane and Sugar Board, Ministry of Industry								

Table 8: Thailand's Monthly Export Prices (FOB) for Plantation White Sugar

Unit: Baht/Metric Ton								
Month	2011	2012	2013	2014	2015	2016	2017	2018
January	17,449	19,177	15,116	13,708	13,146	14,519	16,598	12,200
February	19,827	19,111	14,723	14,020	12,404	14,640	18,923	11,303
March	16,006	17,839	15,051	14,584	12,868	14,352	19,178	11,290
April	18,932	18,134	15,266	14,193	11,955	14,569	18,019	11,141
May	17,995	18,241	14,727	14,259	11,825	15,061	16,727	10,372
June	18,257	18,142	14,766	14,346	12,125	15,523	15,757	10,443
July	N.A.	18,574	14,771	14,497	12,014	16,678	15,047	10,826
August	20,551	18,166	15,599	14,514	12,069	16,353	16,168	
September	20,211	17,624	15,152	13,111	12,161	17,182	15,272	
October	19,965	17,232	14,739	13,610	12,186	18,949	13,602	
November	20,542	17,505	15,255	13,236	12,526	17,612	13,098	
December	19,527	16,558	14,465	13,650	13,192	18,558	12,843	
Average	19,024	18,025	14,969	13,977	12,373	16,166	15,936	11,082
Avg. Exchange rates (Baht/U.S.\$)	30.49	31.08	30.73	32.48	34.25	35.30	33.94	32.08
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	2013	2014	2015	2016	2017	January - June		
						2017	2018	% Change
BEVERAGES (Excluding Alcoholic Drink)								
Refined Sugar	374,676	402,940	426,978	426,535	443,880	230,224	175,793	-23.64
White Sugar	122,517	109,009	104,294	112,990	138,344	76,796	82,681	7.66
Sub - Total	497,193	511,949	531,272	539,525	582,224	307,019	258,473	-15.81
CAKE & BREAD and Alcoholic Drink								
Refined Sugar	9,391	11,728	10,806	9,432	12,976	5,885	3,531	-40.00
White Sugar	20,776	22,505	22,370	26,646	27,501	13,350	12,390	-7.19
Sub - Total	30,167	34,233	33,176	36,078	40,477	19,235	15,921	-17.23
FRUIT & FOOD PRODUCTS								
Refined Sugar	104,304	119,288	128,206	139,521	156,051	80,485	66,405	-17.49
White Sugar	145,651	159,926	185,662	194,883	196,420	103,178	89,569	-13.19
Sub - Total	249,955	279,213	313,868	334,404	352,471	183,663	155,974	-15.08
DAIRY PRODUCTS								
Refined Sugar	75,202	88,019	86,390	80,504	67,083	36,353	32,492	-10.62
White Sugar	138,834	139,404	163,914	183,339	188,923	92,394	92,960	0.61
Sub - Total	214,036	227,424	250,304	263,843	256,006	128,747	125,452	-2.56
CONFECTIONARY PRODUCTS								
Refined Sugar	6,418	6,310	5,686	3,046	5,194	2,189	3,366	53.74
White Sugar	18,495	18,369	17,229	15,701	16,407	8,369	9,241	10.42
Sub - Total	24,913	24,680	22,915	18,747	21,601	10,558	12,607	19.40
PHARMACEUTICAL PRODUCTS & MISCELLANEOUS								
Refined Sugar	22,142	26,291	28,125	27,974	29,746	13,595	14,274	4.99
White Sugar	2,540	1,251	1,805	2,134	2,246	1,631	339	-79.19
Sub - Total	24,682	27,543	29,930	30,108	31,992	15,227	14,614	-4.03
Source: Production and Distribution Administration Center, Office of Cane and Sugar Board								

End of Report.