USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 4/10/2014
GAIN Report Number: TH4032

Thailand

Sugar Annual

2014

Approved By:
Rey Santella, Agricultural Attaché

Prepared By:
Ponnarong Prasertsri, Agricultural Specialist

Report Highlights:
TH4032 –MY2014/15 sugar production is likely to decline to 10.4 million metric tons compared to 11.4 million metric tons in MY2013/14 in anticipation of unfavorable weather conditions. However, sugar exports will likely continue its upward trend in MY2014/15 driven by the AEC Free Trade Agreement.

Executive Summary:
MY2013/14 sugar production is expected to increase to 11.4 million metric tons, up 14 percent from the previous year due to a better than expected average sugar extraction rate resulting from favorable weather conditions. This will likely spur sugar exports to around 9 million metric tons. Meanwhile, MY2014/15 sugar production is forecast to decline to 10.4 million metric tons, down 9 percent from the previous year, in anticipation of El Nino related weather conditions. This will likely affect the average yield of sugarcane and overall sugar extraction rates. However, MY2014/15 sugar exports are likely to increase to 9-10 million metric tons due to large inventories from MY2012/13 and MY2013/14. In addition, Thai sugar exports will likely benefit from the ASEAN (Association of Southeast Asian Nations) Economic Community Agreement (AEC), which takes effect in 2015.

Commodities:
Sugar Cane for Centrifugal
Sugar, Centrifugal

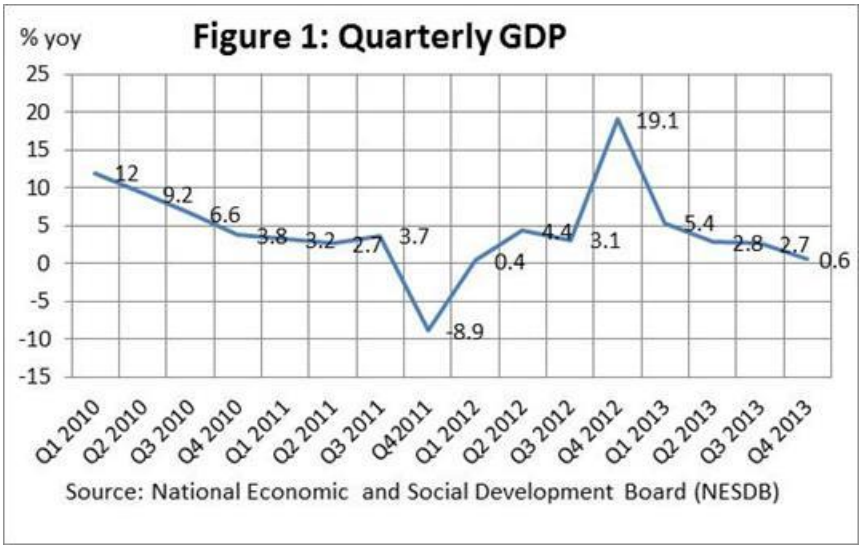
Author Defined:
1. Production
MY2013/14 sugarcane production is expected to increase to approximately 106 million metric tons, up 5 percent from the previous year due to favorable weather conditions in sugarcane growing areas. According to the Thai Meteorological Department (TMD), precipitation in 2013 averaged 1,764 mille-meters, which is 11 percent above Thailand's average precipitation level. In addition, the average sugar extraction rate will likely be higher than expected at approximately 108 to 109 kg/ton of cane, which is 8 to 9 percent higher than last year's rate of 100.25 kg/ton of cane. According to the official crushing report by the Office of Cane and Sugar Board (OCSB), current average extraction rate is around 108.8 kg/ton of cane. As a result, MY2013/14 sugar production is expected to increase to 11.4 million metric tons, up 14 percent from the previous year. The production of sugarcane used for ethanol production is revised up to approximately 0.8 million metric tons due to acreage expansion driven by higher gasohol consumption. The sole Thai sugarcane-based ethanol plant will likely operate at full capacity (60 million liters or 0.2 million liters per day) using approximately 0.8 million tons of cane in MY2013/14. According to the Ministry of Energy's Department of Alternative Energy Development and Efficiency, the sugarcane-based ethanol plant used 748,353 metric tons of sugarcane to produce approximately 56 million liters of ethanol, which accounted for 6 percent of total ethanol production in MY2012/13.

Despite continued acreage expansion of new sugar mills, MY2014/15 sugarcane production is forecast to decline slightly to 105 million metric tons in anticipation of unfavorable weather conditions. The TMD expects below normal average precipitation in 2014 due to the high probability of "El Nino" related weather conditions in the latter part of the year. This will likely reduce the average yield of sugarcane production in the rain-fed areas, which account for 80 to 90 percent of total sugarcane production, particularly during the stalk elongation stage. The average yield is likely to decline to 11.5 metric tons per rai, down 4 percent from the previous year. In addition, the average sugar extraction

rate is expected to fall to approximately 100 kg/ton of cane. Thus, MY2014/15 sugar production is forecast to decline to 10.4 million metric tons, down around 9 percent from the previous year.

2. Consumption

MY2012/13 and MY2013/14 sugar consumption is revised down to 2.5 – 2.6 million metric tons-due to the economic slowdown caused by Thailand's political situation. GDP growth slowed to 2.9 percent in 2013. The government already revised down its GDP forecast for 2014 to 2.6 percent compared to its previous forecast of 4 percent as the political turmoil lingers on (Figure 1). Industrial use, which accounts for around 40 percent of total sugar consumption, declined 1.6 percent in 2013 mainly due to shrinking demand from the beverage and processed food industries. These industries account for around 70 percent of total industrial use (Table 9). Meanwhile, household sugar consumption, which accounts for 60 percent of total sugar consumption, increased by1.4 percent from the previous year. According to the Ministry of Public Health, 2013 sugar per capita consumption in Thailand increased to approximately 30 kilograms tripled the normal average.



MY2014/15 sugar consumption is forecast to increase to 2.7 million metric tons in anticipation of growing household and industrial uses driven by an economic recovery in 2015. The Bank of Thailand predicts GDP growth at 4.8 percent in 2015 as private consumption will likely recover from the downturn in 2013 – 2014.

3. Trade

MY2012/13 sugar exports declined 15 percent to 6.7 million metric tons, primarily due to a reduction in raw sugar exports caused by competition from Brazilian and Indian companies, particularly to the China market (Figure 5). Raw sugar exports to Indonesia which accounts for around half of total raw sugar exports, also declined slightly. Furthermore, Thailand did not fully utilize its FY2013 U.S. Tariff Rate Sugar Quota (TRQ) of 15,207 metric tons raw value as export prices under the TRQ were 10 percent below world market prices. However, exports of white and refined sugar increased 2 percent from the previous year mainly due to growing demand from neighboring Asian countries.

MY2013/14 sugar exports will likely increase to 8-9 million metric tons due to higher exportable supplies resulting from large inventories and bumper sugar production. Sugar exports are likely to consist of 5 million metric of raw sugar and 3 to 4 million metric tons of white and refined sugar. Most of the sugar will be exported to Southeast Asian countries, particularly to Indonesia. Raw sugar exports to China will likely continue to decline due to the increase in its own local production. Also, Thailand is expected to fulfill its FY2013/14 (October 1, 2013 – September 30, 2014) U.S. Tariff Quota (TRQ) of raw sugar of 14,743 metric tons raw value as the export prices under the TRQ are well above the world market prices.

MY2014/15 sugar exports are forecast to continue its upward trend due to large 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%). These countries reportedly have insufficient local sugar production of around 5-6 million metric tons a year. Sugar imports will be marginal due to large supplies of domestic sugar. Furthermore, 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.

4. Stock

MY2013/14 sugar stocks are expected to remain at 3.5 - 3.6 million metric tons, similar to the previous year due to bumper sugar production and a decline in domestic sugar consumption. MY2014/15 sugar stocks are forecast to decline significantly in anticipation of a reduction in sugar production and growing sugar exports.

5. Policy

On November 25, 2013 the Thai Cabinet approved a price support program for the MY2013/14 sugarcane production at 900 baht per metric ton ($27.7/MT), down 5 percent from the previous year due mainly to a reduction in global sugar prices. Farmers are reportedly seeking additional direct payments of around 300 baht per metric ton ($9.2/MT) to cover the production cost of approximately 1,200 baht per metric ton ($37/MT) of sugar. However, the government has not been able to finalize any policies due to its caretaker status. The government still maintains its sugar price control policy that was established in May 2008, which sets the price support at 19 baht/kg ($27 cent/lb) for refined sugar, ex-factory wholesale (excluding 7 percent Value Added Tax). 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 uses the value-added tax collected from domestic sugar sales to repay the Bank for Agriculture and Agricultural Cooperatives (BAAC) for the costs incurred by the state-run Cane and Sugar Fund (CSF). The CSF funds the sugar price support and direct payment programs.

Production, Supply and Demand Statistics:

Table 1: 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	New Post	
Area Planted	1,370	1,370	1,371	1,415	1,415	1,416		1,470	(1000 HA)
Area Harvested	1,360	1,360	1,361	1,410	1,410	1,411		1,460	(1000 HA)
Production	100,660	100,660	100,750	105,700	105,700	105,800		104,600	(1000 MT)
Total Supply	100,660	100,660	100,750	105,700	105,700	105,800		104,600	(1000 MT)
Utilization for Sugar	100,000	100,000	100,000	105,000	105,000	105,000		103,800	(1000 MT)
Utilizatn for Alcohol	660	660	750	700	700	800		800	(1000 MT)
Total Utilization	100,660	100,660	100,750	105,700	105,700	105,800		104,600	(1000 MT)

Table 2: Thailand's 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	New Post	
Beginning Stocks	2,810	2,810	2,810	3,240	3,264	3,616		3,506	(1000 MT)
Beet Sugar Production	0	0	0	0	0				(1000 MT)
Cane Sugar Production	10,000	10,024	10,024	10,900	10,920	11,390		10,380	(1000 MT)
Total Sugar Production	10,000	10,024	10,024	10,900	10,920	11,390		10,380	(1000 MT)
Raw Imports	0	0	0	0	0	0		0	(1000 MT)
Refined Imp.(Raw Val)	0	0	0	0	0	0		0	(1000 MT)
Total Imports	0	0	0	0	0	0		0	(1000 MT)
Total Supply	12,810	12,834	12,834	14,140	14,184	15,006		13,886	(1000 MT)
Raw Exports	4,000	4,000	3,694	5,500	5,500	5,000		5,400	(1000 MT)
Refined Exp.(Raw Val)	3,000	3,000	2,999	3,200	3,200	3,900		4,000	(1000 MT)
Total Exports	7,000	7,000	6,693	8,700	8,700	8,900		9,400	(1000 MT)
Human Dom. Consumption	2,570	2,570	2,525	2,650	2,650	2,600		2,700	(1000 MT)
Other Disappearance	0	0	0	0	0	0		0	(1000 MT)
Total Use	2,570	2,570	2,525	2,650	2,650	2,600		2,700	(1000 MT)
Ending Stocks	3,240	3,264	3,616	2,790	2,834	3,506		1,786	(1000 MT)
Total Distribution	12,810	12,834	12,834	14,140	14,184	15,006		13,886	(1000 MT)

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

	MY 2012/13	MY 2013/14 (FAS Forecast)	MY 2014/15 (FAS Forecast)
Yield per metric ton of cane			
Sugar (kg.)	100.24	108.5	100
Molasses (kg.)	45.54	40.00	45.00
Farm price (ex-factory): Baht/ton	910	900	900
Wholesale prices			
Sugar (Baht/100 kg.)	2,033	2,033	2,033
Molasses (Baht/ton)	4,000	3,800	3,500

Source: Office of Cane and Sugar Board

Table 4: Thailand's Total Exports of Sugar

Unit: Metric Ton Raw Value

	2009	2010	2011	2012	2013	% Change
U.S.	14,095	22,868	24,301	22,563	-	
Indonesia	1,004,884	1,304,964	1,352,165	1,921,618	1,849,396	-3.8
Japan	724,676	533,903	1,107,846	870,657	748,869	-14.0
China	195,141	25,511	288,181	996,659	264,906	-73.4
Malaysia	52,778	156,234	353,469	470,561	338,835	-28.0
South Korea	151,418	134,804	521,738	505,139	540,589	7.0
Cambodia	493,914	468,756	409,016	632,148	632,148	0.0
Taiwan	298,451	88,042	140,538	279,581	220,599	-21.1
Russia	30,661	31,652	175,318	49,614	33,858	-31.8
Singapore	135,280	109,138	194,084	130,935	109,118	-16.7
India	327,560	349,268	6,426	7,592	7,218	-4.9
Other	1,868,754	1,393,108	2,308,082	1,909,241	2,041,764	6.9
Total	**5,297,612**	**4,618,248**	**6,881,164**	**7,796,308**	**6,787,300**	-12.9

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

Table 5: Thailand's Exports of Raw Sugar (MTRV)

Destination	2009	2010	2011	2012	2013	% Change
China	115,086	4,617	192,673	839,576	50,838	-93.9
Indonesia	854,174	782,081	1,248,555	1,786,363	1,768,320	-1.0
Japan	724,660	533,887	1,107,829	868,700	748,868	-13.8
North Korea	41,450	20,273	18,515	3,263	-	-100.0
South Korea	141,589	134,261	507,330	482,409	499,226	3.5
Malaysia	24,747	120,375	324,600	372,543	181,750	-51.2
Philippines	-	29,365	3,335	-	-	-
Russia	27,907	31,652	174,542	49,453	33,858	-31.5
Singapore	1,539	7,206	19,971	149	66	-55.7
Sri Lanka	12,877	8,824	7,643	513	20,366	3,870.0
Tanzania	8,297	1,539	2,334	1,898	17,852	840.6
Taiwan	180,675	56,367	53,282	182,791	114,866	-37.2
United States	14,095	22,868	23,784	20,993	-	-100.0
UAE	257	-	205	282	564	100.0
Vietnam	23,598	81,372	43,400	99,220	131,328	32.4
Others	100,915	138,547	495,536	212,883	137,002	-35.6
Total	**2,271,866**	**1,973,234**	**4,223,534**	**4,921,036**	**3,704,904**	-24.7

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

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

Destination	2009	2010	2011	2012	2013	% change
Bangladesh	98,160	2,140	11,856	-	266	-
Brunei	11,775	6,337	6,561	6,561	2,247	-65.8
Burma	5,493	13,086	34,934	49,210	116,818	137.4
Cambodia	486,352	468,756	409,016	632,147	683,528	8.1
China	80,054	20,894	95,507	157,083	214,068	36.3
India	327,560	348,499	6,426	7,592	7,218	-4.9
Indonesia	150,711	522,883	103,610	135,254	81,076	-40.1
Iran	6,993	-	6,420	-	-	-
Jordan	17,174	27	12,085	51,266	66,076	28.9
North Korea	2,467	5,230	4,140	-	-	-
South Korea	9,830	544	14,408	22,730	41,363	82.0
Kenya	21,438	5,566	31,898	42,496	95,632	125.0
Laos	63,915	31,987	44,443	85,028	32,743	-61.5
Malaysia	28,030	35,858	28,869	98,018	157,085	60.3
Maldives	1,418	776	936	990	936	-5.5
Pakistan	148,734	178,485	2,676	936	348	-62.8
Philippines	82,982	266,813	126,829	81,961	74,316	-9.3
Russia	2,495	-	776	161	-	-100.0
Saudi Arabia	35,153	803	18,470	9,067	32,927	263.2
Singapore	35,135	101,933	174,113	130,786	109,053	-16.6
Somalia	51,750	-	-	-	5,992	-
Sri Lanka	140,708	68,108	44,071	51,789	50,572	-2.3
Syria	-	-	10,745	7,838	27,606	252.2
Tanzania	22,259	9,071	28,576	24,813	58,744	136.7
UAE	100,511	21,645	45,597	13,669	27,266	99.5
Vietnam	110,217	179,179	263,384	249,518	146,661	-41.2
Yemen	31,539	1,498	3,123	5,466	2,649	-51.5
Others	952,893	354,896	1,128,162	1,010,893	1,047,206	3.6
Total	**3,025,746**	**2,645,014**	**2,657,631**	**2,875,272**	**3,082,396**	7.2

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	2007	2008	2009	2010	2011	2012	2013
January	9,715	8,463	9,380	12,761	15,398	17,547	14,329
February	9,812	8,457	10,741	14,685	14,700	17,535	13,566
March	8,915	8,398	11,480	14,028	16,589	17,420	14,260
April	8,807	8,594	11,123	14,865	16,078	17,016	14,077
May	8,391	8,491	11,655	13,865	15,832	15,663	13,479
June	8,238	8,758	11,803	13,558	15,731	16,513	13,623
July	7,645	8,917	11,649	13,719	15,127	16,364	12,839
August	8,590	9,163	11,942	13,890	17,344	16,801	12,235
September	7,909	8,949	11,162	13,446	17,892	16,611	12,656
October	7,167	9,278	11,614	12,695	18,855	16,257	12,498
November	8,189	9,469	11,361	12,240	18,694	16,636	12,665
December	8,215	9,644	12,736	15,034	17,685	14,750	12,948
Average	8,502	8,882	11,465	13,928	16,661	16,593	13,265
Avg. Exchange rates (Baht/U.S.$)	34.52	33.31	34.29	31.69	30.49	31.08	30.73

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	2007	2008	2009	2010	2011	2012	2013
January	11,994	10,100	10,615	17,864	17,449	19,177	15,116
February	11,498	9,254	10,832	16,952	19,827	19,111	14,723
March	10,738	10,104	11,232	17,684	16,006	17,839	15,051
April	11,042	10,085	11,609	17,418	18,932	18,134	15,266
May	10,722	10,818	11,651	17,069	17,995	18,241	14,727
June	10,470	10,239	13,239	16,489	18,257	18,142	14,766
July	10,251	16,789	13,446	16,773	N.A.	18,574	14,771
August	10,132	10,459	13,391	18,100	20,551	18,166	15,599
September	10,202	11,762	14,077	18,868	20,211	17,624	15,152
October	9,112	11,987	14,439	16,826	19,965	17,232	14,739
November	9,616	10,855	15,211	22,320	20,542	17,505	15,255
December	9,522	11,253	15,855	20,077	19,527	16,558	14,465
Average	10,505	11,142	12,966	17,358	19,024	18,025	14,969
Avg. Exchange rates (Baht/U.S.$)	34.52	33.31	34.29	31.69	30.49	31.08	30.73

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	2007	2008	2009	2010	2011	2012	2013
BEVERAGES (Exluding Alcoholic Drink)							
Refined Sugar	213,037	215,573	232,063	277,504	274,448	296,375	374,676
White Sugar	134,982	148,359	149,727	170,309	197,764	225,093	122,517
Sub - Total	348,019	363,932	381,790	447,813	472,212	521,468	497,193
CAKE & BREAD and Alcoholic Drink							
Refined Sugar	10,123	9,236	3,987	10,313	13,108	10,075	9,391
White Sugar	12,695	13,955	10,981	14,028	14,623	18,635	20,776
Sub - Total	22,818	23,191	14,968	24,341	27,731	28,710	30,167
FRUIT & FOOD PRODUCTS							
Refined Sugar	80,250	67,099	68,584	103,300	115,300	99,527	104,304
White Sugar	129,500	127,951	119,451	155,598	157,691	173,052	145,651
Sub - Total	209,750	195,050	188,035	258,898	272,991	272,579	249,955
DAIRY PRODUCTS							
Refined Sugar	28,110	33,985	35,857	51,056	57,698	67,153	75,202
White Sugar	116,905	116,544	129,472	145,697	143,836	121,796	138,834
Sub - Total	145,015	150,529	165,329	196,753	201,534	188,949	214,036
CONFECTIONARY PRODUCTS							
Refined Sugar	7,760	6,095	7,169	7,178	6,382	6,451	6,418
White Sugar	15,619	15,882	54,104	25,806	16,818	18,295	18,495
Sub - Total	23,379	21,977	61,273	32,984	23,200	24,746	24,913
PHARMACEUTICAL PRODUCTS & MISCELLANEOUS							
Refined Sugar	15,485	8,018	17,353	20,981	29,230	18,627	22,142
White Sugar	568	916	3,309	3,041	2,080	2,312	2,540
Sub - Total	16,053	8,934	20,662	24,022	31,310	20,939	24,682

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

Table 10: Thailand's Average Prices of Domestic Plantation White Sugar and Sugarcane

Calendar Year	Plantation White Sugar		Sugarcane	
	Wholesale (Baht/100 kg.)	Retail (Baht/kg.)	Initial (Baht/metric ton)	Actual (Baht/metric ton)
1980	1,011	11.65	Nil	650
1981	1,019	11.51	Nil	510
1982	1,075	11.94	350	381
1983	1,091	12.00	421	421
1984	1,162	12.00	395	380
1985	1,097	12.00	330	388
1986	1,099	12.00	375	408
1987	1,097	12.00	405	462
1988	1,098	12.00	450	527
1989	1,098	12.00	460	596
1990	1,099	12.00	460	442
1991	1,099	12.00	399	480
1992	1,099	12.00	420	516
1993	1,099	12.00	490	533
1994	1,099	12.00	520	569
1995	1,099	12.00	500	538
1996	1,099	12.00	500	561
1997	1,099	12.00	600	703
1998	1,100	12.50	500	485
1999	1,100	12.50	450	478
2000	1,177	12.50	600	693
2001	1,177	13.25	530	520
2002	1,177	13.25	500	531
2003	1,177	13.25	465	504
2004	1,177	13.25	620	658
2005	1,177	13.25	800	847
2006	1,498	16.5	800	702
2007	1,498	16.5	638	672
2008	2,033	21.85	830	918
2009	2,033	21.85	965	1,000
2010	2,033	21.85	945	1,039
2011	2,033	21.85	1,000	N.A.
2012	2,033	21.85	950	N.A.
2013	2,033	21.85	900	N.A.

Note:

* The revenue sharing system of 70:30 to cane planters and millers started in 1982/83 when the initial cane price began to be quoted.
* The purchasing cane based on C.C.S. system starts in 1993/94 crushing season with the standard quality of cane at 10 C.C.S.
* Average final cane price has been split into different assessments for different regions since 1996/97.
* The retail price of plantation white sugar raised to 13.25 baht/kg in Jun. 2, 2000.
* Wholesale prices and retail prices of plantation white sugar raised to 1,498 baht/kg and 16.50 baht/kg, respectively, on Mar. 7, 2006.
* Wholesale prices and retail prices of plantation white sugar raised to 2,033 baht/kg and 21.85 baht/kg, respectively, on May 1, 2008.

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

End of report