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Thailand

Sugar Annual

2016

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Report Highlights:
TH6040 – MY2016/17 sugar production is forecast to increase moderately to 10 million metric tons while sugarcane production in MY2015/16 is likely to decrease as a result of severe drought. The adverse weather conditions are likely to limit sugar exports in MY2016/17.

Executive Summary:

MY2016/17 sugar production is expected to increase moderately to around 10 million metric tons as drought conditions, which have lingered since 2014, will likely slow production. The weather conditions are likely to limit sugar exports in MY2016/17 despite the establishment of new sugar facilities. However, sugar exports in MY2015/16 are likely to continue to increase to 8.8 million metric tons, up 7 percent from MY2014/15 as exporters are likely to run down its inventories, particularly as world sugar prices rebound and drought conditions in sugar producing countries continue to exist. MY2015/16 sugar production is expected to decline to 9.7 million metric tons, down 10 percent from MY2014/15 despite an expansion in planting acreages.

The government is considering additional financial support to cane growers by offering direct payments of 160 baht per metric ton ($4.6/MT) while the state-run Cane and Sugar Fund still has to secure the funding to repay sugar mills under the MY2014/15 price support program as the market prices were lower than the intervention prices.

The government approved 12 additional new sugar mills and the expansion of existing facilities under the 10-year Cane and Sugar Strategy (2015 – 2026). As a result, total production capacity is expected to increase to 1.1 million metric tons of sugarcane per day if all new and expanded sugar operations move ahead as designed.

Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

Production:

MY2016/17 sugar production is forecast to increase moderately to 10 million metric tons, up 4 percent from MY2015/16 due mainly to sugarcane acreage expansion. Sources indicate that two new sugar mills with capacities of 40,000 tons of cane per day are expected to begin operations in MY2016/17. The government approved the construction of 12 new sugar mill operations and allowed the expansion of existing facilities under the 10-year Cane and Sugar Strategy (2015 – 2026). The government's action brings total production capacity to an estimated 1.1 million metric tons of sugarcane per day if all new and expanding sugar facilities are developed as planned.

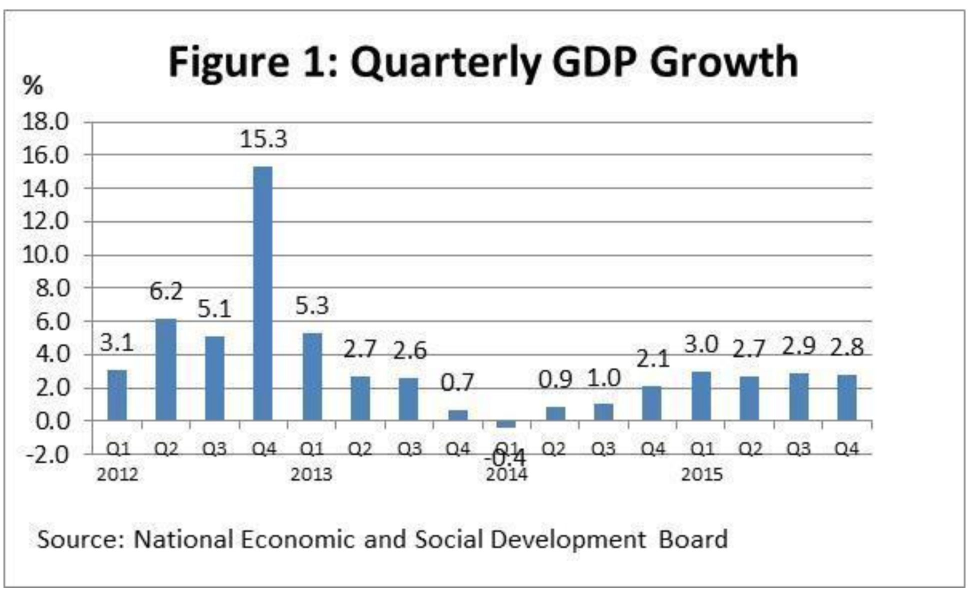
Although the government has encouraged farmers to plant sugarcane since 2015, MY2016/17 sugarcane production is expected to increase to only 98 million metric tons, which is still below the record production level of around 107 million metric tons attained in MY2014/15. This is due to the anticipated below than-normal average sugarcane yields resulting from the severe drought. The Thai Meteorological Department (TMD) reported that cumulative precipitation between January and March 2016 in major growing areas of the northeastern and central regions was 30 to 50 percent lower than the same period last year.

MY2015/16 sugar production is revised down to 9.7 million metric tons, down 10 percent from MY2014/15 due to the adverse weather conditions and a lower sugar extraction rate. The TMD reported that precipitation in 2015 was 11 percent below normal levels. As of April 7, 2016, the Ministry of Industry's Office of Cane and Sugar Board crushing report indicated that approximately 94 million metric tons of cane has been crushed with an average extraction rate of around 103.98 kilogram per ton of cane. The data indicated that the extraction rate declined approximately 3 percent from MY2014/15 due to the dry conditions.

The production of sugarcane used for ethanol production is revised down to around 1.3 million metric tons as the revenues generated from producing sugar were more profitable. This is due to an increase in world sugar prices, which has risen more than $0.12 cents/lb since March 2016. Approximately 42,000 metric tons of cane juice and syrup was reportedly used to produce ethanol fuel in MY2015/16. These 42,000 metric tons are equivalent to approximately 0.4 million metric tons of sugarcane. In addition, taking into account 0.9 million metric tons of cane usually used in the sole sugarcane-based ethanol plant, total utilization of sugarcane for ethanol production will be around 1.3 million metric tons in MY2015/16. This accounts for around 30 percent of total ethanol production in Thailand.

Consumption:
MY2016/17 sugar consumption is forecast to increase to 2.6 - 2.7 million metric tons, up 2 percent from MY2015/16. This is due to growing household and industrial uses and an anticipation of a slight improvement in the economy in 2016-2017.

MY2015/16 sugar consumption is expected to increase to 2.6 million metric tons, up around 2 to 3 percent from MY2014/15 in line with a gradual economic recovery. According to the most recent economic forecast by the Bank of Thailand, the Thai economy is expected to grow by 3.5 percent in 2016, compared to 2.8 percent in 2015.



MY2014/15 sugar consumption increased to 2.5 million metric tons, up 1.4 percent from MY2013/14 due to an increase in industrial sugar consumption, which accounted for around half of total sugar consumption. The industrial sugar consumption continued to increase by 6 percent from last year driven by export-oriented processed food, beverage, and dairy related industries (Table 9). Meanwhile, MY2014/15 household sugar consumption continued to decline.

Trade:

MY2016/17 sugar exports will likely decelerate to 9 million metric tons resulting in a minimal 2-percent increase from MY2015/16 due to a slower recovery in sugarcane production. This will likely minimize sugar exports from the new sugar facilities approved in MY2016/17.

MY2015/16 sugar exports are likely to increase to 8.8 million metric ton, up around 7 percent from MY2014/15 as exporters are expected to decrease their inventories to capitalize on the higher global sugar prices. In the first quarter of MY2015/16, sugar exports increased to 1.1 million metric tons, up 16 percent from MY2014/15. The increase reflected a surge in raw sugar exports to Indonesia, which reportedly increased to 0.6 million metric tons, up approximately 45 percent from the same period last year. The higher exports are a result of the duty free access that Thai sugar attained under the ASEAN Economic Community (AEC) Free Trade Agreement which went into effect in December 31, 2015. 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%). This reportedly made Thai raw sugar exports to Indonesia cheaper than non-ASEAN suppliers by $15/metric ton (MT). Exports of white and refined sugar also increased to 0.8 million metric tons (MMT) in the first quarter of MY2015/16, up 17 percent from the same period last year. The increase reflected the strong import demand for refined sugar from China, due to its domestic shortage.

Thailand is expected to fill its allocated quota of 14,743 metric tons of raw sugar (raw value) under the FY2015/16 (October 1, 2015 – September 30, 2016) U.S. Tariff Quota (TRQ) and the additional reallocation of 1,265 metric tons (raw value) in MY2015/16 as export prices under the TRQ are reportedly well above world market prices. Sugar imports in MY2015/16 and MY2016/17 are likely to remain marginal due to high tariffs.   Thailand subjects imported sugar to a 65-percent tariff rate and a quota of 13,760 metric tons, which deter imports. The out-off-quota tariff is 94 percent. Thailand also has a large surplus of sugar that will limit the demand for imported sugar, including exports from AEC members that have duty free access.

Stocks:

MY2016/17 sugar stocks are forecast to further decline to around 2.1 million metric tons as sugarcane production is unlikely to fully recover from severe drought in 2015. MY2015/16 sugar stocks are revised down to 3.6 million metric tons due to lower-than-expected sugarcane production.

Policy:

The Thai Government set the MY2015/16 sugarcane price supports at 808 baht per metric ton, a decline of 10-percent from the MY2014/15 support prices. However, it has not finalized farmers’ requests for additional financial support estimated at around 160 baht per metric ton. The delay in approving the requested direct payments are due to the concerns of debt incurred by the state-run Cane and Sugar Fund (CSF), which is administered by the Bank for Agriculture and Agricultural Cooperatives (BAAC). The additional dilemma is that the CSF still has to secure funding to repay sugar mills under the MY2014/15 price support program as the market prices were lower than the intervention prices. The government recently finalized the MY2014/15 market prices for sugarcane, which is known as “final prices” at 854 baht per metric tons (roughly $24.4/MT), which was lower than the support price of 900 baht per metric ton ($25.7/MT) (46 baht per metric tons ($1.3/MT) difference). The CSF will likely use the revenue collected from sugar sales to repay the sugar mills.

To maintain its sugar price control policy, the government sets sugar prices at 19 baht/kg ($24 cent/lb) for refined sugar, ex-factory wholesale, excluding the 7 percent value-added tax (VAT). This policy has been in place since May 2008. Sugar retail prices (including VAT) also remain fixed at 21.85 baht/kg ($28 cent/lb) for white sugar and 22.85 baht/kg ($30 cent/lb) for refined sugar. The Thai Government also collects a 5 baht/kg ($6 cent/lb) tax on domestic sugar sales, in addition to the VAT, to repay the BAAC for the cost incurred under the CSF scheme to finance the sugar price support and direct payment programs to farmers.

Production, Supply and Demand Data Statistics:

Table 1: Thailand's Sugarcane Production

Sugar Cane for Centrifugal	2014/2015		2015/2016		2016/2017	
Market Begin Year	Dec 2014		Dec 2015		Dec 2016	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1471	1471	1500	1500	0	1520
Area Harvested	1461	1461	1495	1470	0	1515
Production	106860	106860	107000	95000	0	98000
Total Supply	106860	106860	107000	95000	0	98000
Utilization for Sugar	100860	100860	101000	93690	0	97100
Utilization for Alcohol	6000	6000	6000	1310	0	900
Total Utilization	106860	106860	107000	95000	0	98000
(1000 HA) ,(1000 MT)						

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

Sugar, Centrifugal	2014/2015		2015/2016		2016/2017	
Market Begin Year	Dec 2014		Dec 2015		Dec 2016	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	5254	5254	5544	5263	0	3603

Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	10790	10793	10800	9740	0	10100
Total Sugar Production	10790	10793	10800	9740	0	10100
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	16044	16047	16344	15003	0	13703
Raw Exports	4500	3986	4800	4300	0	4400
Refined Exp.(Raw Val)	3500	4266	4000	4500	0	4600
Total Exports	8000	8252	8800	8800	0	9000
Human Dom. Consumption	2500	2532	2600	2600	0	2650
Other Disappearance	0	0	0	0	0	0
Total Use	2500	2532	2600	2600	0	2650
Ending Stocks	5544	5263	4944	3603	0	2053
Total Distribution	16044	16047	16344	15003	0	13703
(1000 MT)						

Table 3: Thailand's Sugar and Molasses Yield and Prices			
	MY 2014/15	**MY 2015/16**	**MY 2016/17**
		(FAS Estimate)	(FAS Forecast)
Yield per metric ton of cane			
Sugar (kg.)	107.01	103.98	104.00
Molasses (kg.)	43.49	45.58	46.00
Farm price (ex-factory): Baht/ton	900	808	900
Wholesale prices			
Sugar (Baht/100 kg.)	2,033	2,033	2,033
Molasses (Baht/ton)	3,400	3,500	3,500
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	2015	% Change
U.S.	22,868	24,301	22,563	-	16,207	15,622	-
Indonesia	1,304,964	1,352,165	1,921,618	1,849,396	1,794,257	1,912,624	6.6
Japan	533,903	1,107,846	870,657	748,869	771,784	651,358	-15.6
China	25,511	288,181	996,659	264,906	731,720	926,342	26.6
Malaysia	156,234	353,469	470,561	338,835	703,123	520,443	-26.0
South Korea	134,804	521,738	505,139	540,589	439,024	561,794	28.0
Cambodia	468,756	409,016	632,148	632,148	577,157	518,848	-10.1
Taiwan	88,042	140,538	279,581	220,599	341,578	297,307	-13.0
Russia	31,652	175,318	49,614	33,858	37,795	776	-97.9
Singapore	109,138	194,084	130,935	109,118	136,640	152,858	11.9
India	349,268	6,426	7,592	7,218	10,657	48,406	354.2
Other	1,393,108	2,308,082	1,909,241	2,041,764	2,010,554	2,665,464	32.6
Total	**4,618,248**	**6,881,164**	**7,796,308**	**6,787,300**	**7,570,496**	**8,271,842**	**9.3**
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**	**2015**	**% Change**
China	4,617	192,673	839,576	50,838	495,016	170,227	-65.6
Indonesia	782,081	1,248,555	1,786,363	1,768,320	1,713,410	1,839,027	7.3
Japan	533,887	1,107,829	868,700	748,868	771,205	647,831	-16.0
North Korea	20,273	18,515	3,263	-	-	-	-
South Korea	134,261	507,330	482,409	499,226	375,251	462,343	23.2
Malaysia	120,375	324,600	372,543	181,750	477,524	254,130	-46.8
Philippines	29,365	3,335	-	-	-	-	-
Russia	31,652	174,542	49,453	33,858	37,298	-	-100.0
Singapore	7,206	19,971	149	66	129	203	57.4
Sri Lanka	8,824	7,643	513	20,366	15,800	7,454	-52.8
Tanzania	1,539	2,334	1,898	17,852	31,801	18,357	-42.3
Taiwan	56,367	53,282	182,791	114,866	243,136	187,067	-23.1
United States	22,868	23,784	20,993	-	15,940	14,525	-8.9
UAE	-	205	282	564	53,917	462	-99.1
Vietnam	81,372	43,400	99,220	131,328	62,579	201,620	222.2
Others	138,547	495,536	212,883	137,002	137,450	130,500	-5.1
Total	**1,973,234**	**4,223,534**	**4,921,036**	**3,704,904**	**4,430,456**	**3,933,746**	-11.2
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	2015	% change
Bangladesh	2,140	11,856	-	266	767	348	-
Brunei	6,337	6,561	6,561	2,247	4,494	6,206	100.0
Burma	13,086	34,934	49,210	116,818	138,118	706,838	18.2
Cambodia	468,756	409,016	632,147	683,528	564,631	518,834	-17.4
China	20,894	95,507	157,083	214,068	263,704	756,115	23.2
India	348,499	6,426	7,592	7,218	10,657	10,229	47.6
Indonesia	522,883	103,610	135,254	81,076	80,847	73,597	-0.3
Iran	-	6,420	-	-	98	15	-
Jordan	27	12,085	51,266	66,076	96,070	38,788	-59.6
North Korea	5,230	4,140	-	-	2,140	-	-100.0
South Korea	544	14,408	22,730	41,363	63,772	99,452	55.9
Kenya	5,566	31,898	42,496	95,632	36,575	13,936	-61.9
Laos	31,987	44,443	85,028	32,743	39,710	107,848	171.6
Malaysia	35,858	28,869	98,018	157,085	225,600	266,312	18.0
Maldives	776	936	990	936	1,284	2,318	80.5
Pakistan	178,485	2,676	936	348	6,133	408	-93.3
Philippines	266,813	126,829	81,961	74,316	50,059	65,256	30.4
Russia	-	776	161	-	497	776	56.1
Saudi Arabia	803	18,470	9,067	32,927	34,928	21,353	-38.9
Singapore	101,933	174,113	130,786	109,053	136,511	156,655	14.8
Somalia	-	-	-	5,992	15,539	535	-96.6
Sri Lanka	68,108	44,071	51,789	50,572	95,894	78,586	-18.0
Syria	-	10,745	7,838	27,606	35,310	35,821	1.4
Tanzania	9,071	28,576	24,813	58,744	39,854	25,094	-37.0
UAE	21,645	45,597	13,669	27,266	62,199	11,718	-81.2
Vietnam	179,179	263,384	249,518	146,661	53,552	192,682	259.8
Yemen	1,498	3,123	5,466	2,649	7,655	4,826	-37.0
Others	354,896	1,128,162	1,010,893	1,047,206	1,073,442	1,143,551	6.5
Total	**2,645,014**	**2,657,631**	**2,875,272**	**3,082,396**	**3,140,040**	**4,338,097**	38.2

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	2009	2010	2011	2012	2013	2014	2015
January	9,380	12,761	15,398	17,547	14,329	12,858	12,377
February	10,741	14,685	14,700	17,535	13,566	12,842	11,510
March	11,480	14,028	16,589	17,420	14,260	12,583	11,650
April	11,123	14,865	16,078	17,016	14,077	12,933	11,594
May	11,655	13,865	15,832	15,663	13,479	12,883	11,398
June	11,803	13,558	15,731	16,513	13,623	13,068	11,040
July	11,649	13,719	15,127	16,364	12,839	13,277	10,902
August	11,942	13,890	17,344	16,801	12,235	13,312	10,744
September	11,162	13,446	17,892	16,611	12,656	13,460	10,421
October	11,614	12,695	18,855	16,257	12,498	13,132	10,928
November	11,361	12,240	18,694	16,636	12,665	13,189	10,806
December	12,736	15,034	17,685	14,750	12,948	12,559	10,084
Average	11,465	13,928	16,661	16,593	13,265	13,008	11,057
Avg. Exchange rates (Baht/U.S.$)	34.29	31.69	30.49	31.08	30.73	32.48	34.25

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	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
January	10,615	17,864	17,449	19,177	15,116	13,708	13,146
February	10,832	16,952	19,827	19,111	14,723	14,020	12,404
March	11,232	17,684	16,006	17,839	15,051	14,584	12,868
April	11,609	17,418	18,932	18,134	15,266	14,193	11,955
May	11,651	17,069	17,995	18,241	14,727	14,259	11,825
June	13,239	16,489	18,257	18,142	14,766	14,346	12,125
July	13,446	16,773	N.A.	18,574	14,771	14,497	12,014
August	13,391	18,100	20,551	18,166	15,599	14,514	12,069
September	14,077	18,868	20,211	17,624	15,152	13,111	12,161
October	14,439	16,826	19,965	17,232	14,739	13,610	12,186
November	15,211	22,320	20,542	17,505	15,255	13,236	12,526
December	15,855	20,077	19,527	16,558	14,465	13,650	13,192
Average	12,966	17,358	19,024	18,025	14,969	13,977	12,314
Avg. Exchange rates (Baht/U.S.$)	34.29	31.69	30.49	31.08	30.73	32.48	34.25

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	2009	2010	2011	2012	2013	2014	2015
BEVERAGES (Exluding Alcoholic Drink)							
Refined Sugar	232,063	277,504	274,448	296,375	374,676	402,940	426,978
White Sugar	149,727	170,309	197,764	225,093	122,517	109,009	104,294
Sub - Total	381,790	447,813	472,212	521,468	497,193	511,949	531,272
CAKE & BREAD and Alcoholic Drink							
Refined Sugar	3,987	10,313	13,108	10,075	9,391	11,728	10,806
White Sugar	10,981	14,028	14,623	18,635	20,776	22,505	22,370
Sub - Total	14,968	24,341	27,731	28,710	30,167	34,233	33,176
FRUIT & FOOD PRODUCTS							
Refined Sugar	68,584	103,300	115,300	99,527	104,304	119,288	128,206
White Sugar	119,451	155,598	157,691	173,052	145,651	159,926	185,662
Sub - Total	188,035	258,898	272,991	272,579	249,955	279,213	313,868
DAIRY PRODUCTS							
Refined Sugar	35,857	51,056	57,698	67,153	75,202	88,019	86,390
White Sugar	129,472	145,697	143,836	121,796	138,834	139,404	163,914
Sub - Total	165,329	196,753	201,534	188,949	214,036	227,424	250,304
CONFECTIONARY PRODUCTS							
Refined Sugar	7,169	7,178	6,382	6,451	6,418	6,310	5,686
White Sugar	54,104	25,806	16,818	18,295	18,495	18,369	17,229
Sub - Total	61,273	32,984	23,200	24,746	24,913	24,680	22,915
PHARMACEUTICAL PRODUCTS & MISCELLANEOUS							
Refined Sugar	17,353	20,981	29,230	18,627	22,142	26,291	28,125
White Sugar	3,309	3,041	2,080	2,312	2,540	1,251	1,805
Sub - Total	20,662	24,022	31,310	20,939	24,682	27,543	29,930

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