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Thailand

Sugar Semi-annual

2015

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Report Highlights:
TH5120 – MY2014/15 and MY2015/16 sugar production will remain steady at 10.8 million metric tons. More sugarcane and raw sugar is being used for ethanol while world sugar prices trend downward.

Executive Summary:
MY2014/15 and MY2015/16 sugar production is revised down to slightly less than 11 million metric tons due mainly to the use of more sugarcane and raw sugar for ethanol production. This is driven by relatively cheaper export prices of sugar compared to domestic prices of ethanol. Also, MY2015/16 sugarcane production is revised down in anticipation of lower-than-expected average yield due to dry weather conditions. However, acreage expansion will more than offset the reduction in average yield.

Commodities:
Sugar Cane for Centrifugal
Sugar, Centrifugal

Author Defined:
1. Production
MY2014/15 and MY2015/16 sugar production is revised down to slightly below 11 million metric tons due to mainly to an increase in sugarcane and raw sugar demand for ethanol production. Sources indicated that sugar mills are increasingly using sugarcane and raw sugar to produce fuel ethanol which has higher returns than sugar. The return from ethanol is approximately 40 percent higher than sugar as domestic prices of ethanol remains high at around 23 baht/liter ($63 cent/liter), compared to world sugar export prices of around 9-10 baht/kg ($11-12 cent/lb or $25-27 cent/kg). Reportedly, around 0.5 million metric tons of raw sugar are likely to be used for fuel ethanol production in MY2014/15 with a similar amount in MY2015/16 as world sugar prices will likely remain low. These 0.5 million metric tons are equivalent to approximately 5 million metric tons of sugarcane per year. In addition, taking into account 1 million metric tons of cane usually used in the sole sugarcane-based ethanol plant (see GAIN Report: TH5085 – Thailand Biofuels Annual 2015, July 13, 2015), total utilization of sugarcane for ethanol production will be around 6 million metric tons per year in MY2014/15 and MY2015/16, respectively (Table 1) with ethanol production of approximately 350 million liters per year. This accounts for around 30 percent of total ethanol production in Thailand.
Also, MY2015/16 sugarcane production is now estimated at 107 million metric tons due to unfavorable weather conditions. Average yield is expected to decline by 2 percent from MY2014/15 due to lower-than-expected precipitation in major growing areas. According to the Thai Meteorological Department (TMD), cumulative rainfall is still 10 percent below normal thru September 2015. Also, the TMD expects precipitation to be 10-25 percent below normal in October and November in major growing areas in the northeastern region. Despite a reduction in average yield, MY2015/16 sugarcane production is still slightly larger than in MY2014/15 due to an acreage expansion driven by the Government's Agricultural Restructuring Program (Please see GAIN Report: TH5047 – Thailand Sugar Annual 2015, April 9, 2015).
2. Consumption
Post's forecast for MY2014/15 and 2015/16 sugar consumption remains unchanged, at 2.5 and 2.6 million metric tons, respectively. According to the Office of Cane and Sugar Board, domestic sugar consumption totaled around 1.7 million metric tons during December 2014 – September 2015, up

around 6 percent from the same period last year. The increase is mainly due to growing demand from processed food and beverage industry.

3. Trade

Post's forecast for MY2014/15 and MY2015/16 sugar exports remains unchanged, as Thai sugar is reportedly more competitively priced than products from other in competitors in Asian and African markets. According to the Office of Cane and Sugar Board, sugar exports in the first half of MY2014/15 totaled 3.6 million metric tons (raw value), up 9 percent from the same period last year. This reflected the increase in white and refined sugar exports totaling 1.7 million metric tons, up 33 percent from the same period last year. Exports of white and refined sugar to African countries increased significantly 70 percent to around 0.4 million metric tons, particularly to Sudan which accounted for around 75 percent for total white and refined sugar exports to African countries. Meanwhile, raw sugar exports declined 7 percent to 1.9 million metric tons due mainly to a reduction in raw sugar exports to Indonesia caused by the delay in import quota allocation of Indonesian Government.

Thailand fulfilled its FY2014/15 (October 1, 2014 – September 30, 2015) U.S. Tariff Quota (TRQ) of raw sugar of 14,743 metric tons (raw value) and the additional reallocation of 3,667 metric tons (raw value) as the export prices under the TRQ ($19-20 cent/lb) were well above the world market prices. In FY2015/16 (October 1, 2015 – September 30, 2016), Thailand is expected to fill its allotted quota of 14,743 metric tons (raw value) from the United States as export prices under the TRQ is likely to be well above the world market prices in 2016.

Sugar imports in MY2014/15 and MY2015/16 are expected to remain marginal due to large domestic supplies. 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 import from ASEAN countries will be duty free under AEC.

4. Stocks

MY2015/16 sugar stocks are revised down to around 5 million metric tons. This is a 10-percent decline from MY2014/15 due mainly to an increase in sugarcane and raw sugar demand for ethanol production.

5. Policy

The Government has not finalized the MY2015/16 price support program for sugarcane production. Reportedly, based on current world sugar prices of around $11-12 cent/lb, MY2015/16 price support for sugarcane is expected to be around 20 percent lower than MY2014/15's level which was set at 900 baht per metric ton ($25/MT). Farmers are likely to seek additional financial supports from the government to cover their production costs like in MY2014/15.

In MY2014/15, farmer received additional direct payment of 160 baht per metric tons from the state-run Cane and Sugar Fund (CSF). Earlier in 2015, the Thai Government approved a new program for the Bank for Agriculture and Agricultural Cooperatives (BAAC) to provide soft loans to CSF for additional direct payment to farmers. As a result, the Government can still maintains its sugar price control policy which sets the price at 19 baht/kg ($24 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 ($27 cent/lb) for white sugar, and 22.85 baht/kg ($28 cent/lb) for refined sugar. The government collects 5 baht/kg ($6 cent/lb) and VAT from the domestic sales to repay the BAAC for the cost incurred by the CSF to finance the sugar price support and direct payment programs to farmers.

Appendix Tables

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	1417	1417	1471	1471	1500	1500
Area Harvested	1412	1412	1461	1461	1495	1495
Production	104548	104548	104400	106860	107500	107000
Total Supply	104548	104548	104400	106860	107500	107000
Utilization for Sugar	103666	103666	103500	100860	106600	101000
Utilization for Alcohol	882	882	900	6000	900	6000
Total Utilization	104548	104548	104400	106860	107500	107000
(1000 HA) ,(1000 MT)						

Table 2: Thailand's Sugar Production, Supply 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	3616	3616	5254	5254	5724	5547
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	11333	11333	10970	10793	11400	10808
Total Sugar Production	11333	11333	10970	10793	11400	10808
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	14949	14949	16224	16047	17124	16355
Raw Exports	4083	4083	4500	4500	4600	4800
Refined Exp.(Raw Val)	3117	3117	3500	3500	3700	4000
Total Exports	7200	7200	8000	8000	8300	8800
Human Dom. Consumption	2495	2495	2500	2500	2600	2600

Other Disappearance	0	0	0	0	0	0
Total Use	2495	2495	2500	2500	2600	2600
Ending Stocks	5254	5254	5724	5547	6224	4955
Total Distribution	14949	14949	16224	16047	17124	16355
(1000 MT)						

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

	MY 2013/14	MY 2014/15 (FAS Estimate)	MY 2015/16 (FAS Forecast)
Yield per metric ton of cane			
Sugar (kg.)	109.3	107.0	107.0
Molasses (kg.)	41.20	43.49	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)	3,150	3,300	3,500

Source: Office of Cane and Sugar Board