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Thailand

Sugar Annual

2017

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Report Highlights:
MY2017/18 sugar production is expected to recover to 11.2 million metric tons, up 12 percent from 10 million metric tons in MY2016/17. The Thai government is planning to eliminate the sugarcane price support program, the domestic sugar price controls, and the sugar sale administration in MY2017/18. Thai sugar exports are anticipated to increase to 8-9 million metric tons in both MY2016/17 and MY2017/18.

Executive Summary:

MY2017/18 sugar production should increase to 11.2 million metric tons due to a recovery in sugarcane production following two consecutive years of severe drought. The government is planning to eliminate the sugarcane price support program, the domestic sugar price controls, and the sugar sale administration in response to Brazil's WTO petition. Thai sugar exports are expected to continue to trend upwards as Thai sugar remains competitive in ASEAN countries due to low duty rates under the ASEAN Economic Community (AEC) Free Trade Agreement.

Despite a further reduction in MY2016/17 sugarcane harvested, sugar production is expected to increase to 10 million metric tons, up 3 percent from MY2015/16 due to an increase in the average sugar extraction rate following well above-normal precipitation during the maturation stage. Sugar exports are anticipated to increase to 8 million metric tons driven by growing exports of raw and refined sugar to ASEAN countries.

Commodities:

Sugar Cane for Centrifugal

Sugar, Centrifugal

1. Production

MY2017/18 sugar production is forecast to increase to approximately 11.2 million metric tons (Table 1). This is a 12 percent increase from MY2015/16 in anticipation of a recovery in sugarcane production which was affected by severe drought over the past two years (Figure 1). Sugarcane production is expected to increase to 105 million metric tons, up significantly from MY2015/16 due to favorable weather conditions during the vegetative growing cycle. The Thai Meteorological Department (TMD) reports that cumulative precipitation during January – April 2017, in major growing areas of the northeastern region and the central plains was approximately 60 percent above average (Figure 2). The TMD forecasts normal precipitation during the rainy season in 2017. Additionally, sugar mills have continued to promote sugarcane acreage expansion to secure cane supplies for new facilities under construction, particularly in the northeastern region. In MY2017/18, the number of operating sugar mills will remain the same as MY2016/17 at 54 facilities, a slight increase from 52 facilities in MY2015/16.

Figure 1: Thailand's Sugarcane and Sugar Production

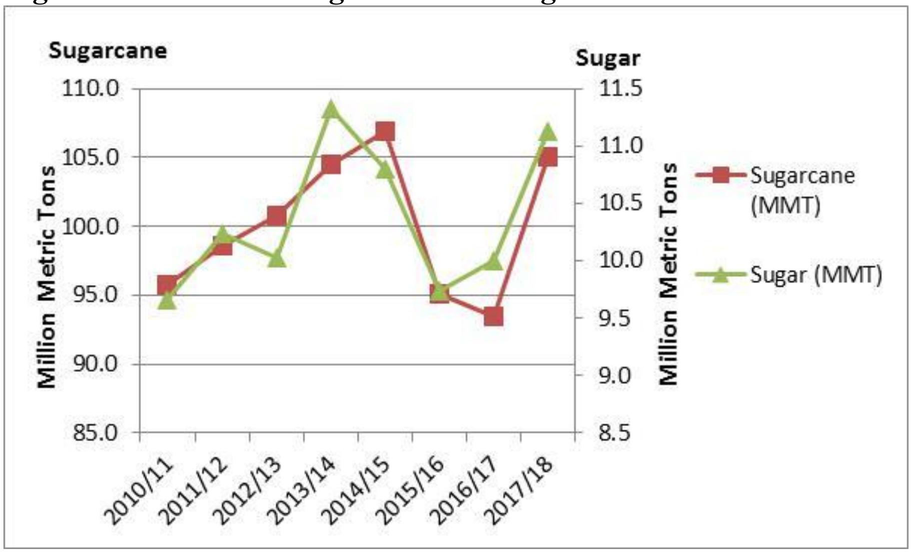
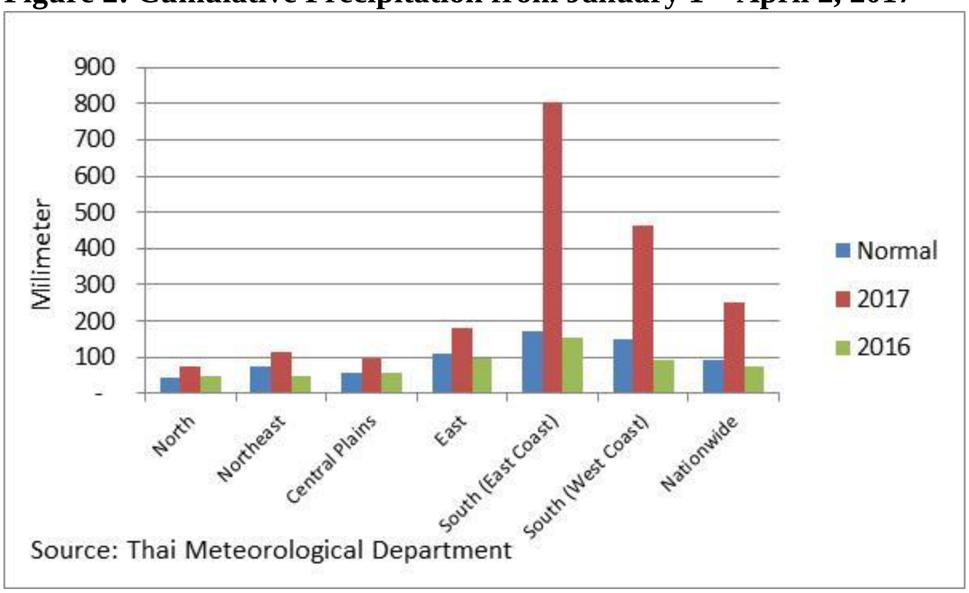


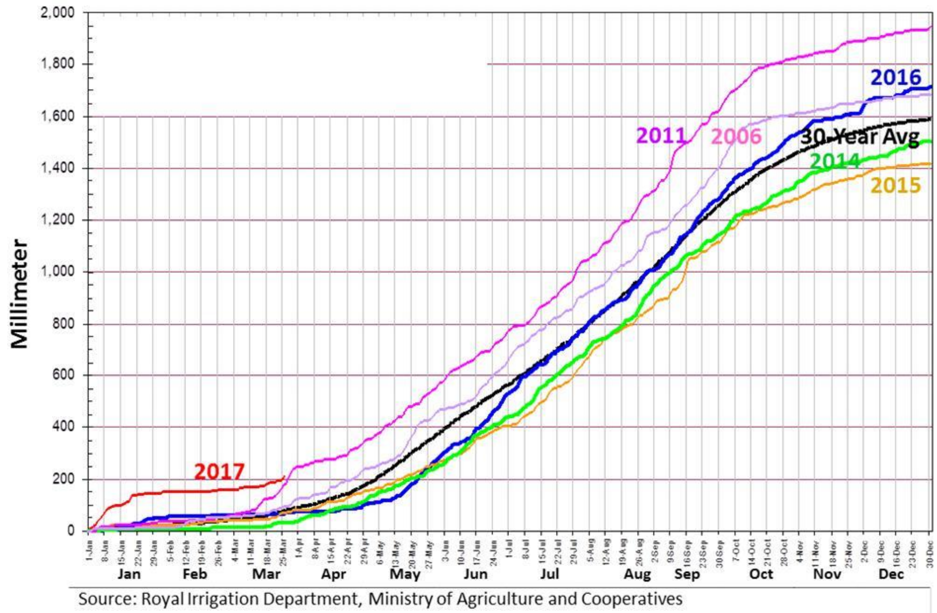
Figure 2: Cumulative Precipitation from January 1 – April 2, 2017



MY2016/17 sugarcane production is expected to decline to 93.7 million metric tons. This is a 1 percent reduction from MY2015/16 due to drought during the vegetative growth stage. From January – May 2016, precipitation was 38 percent below normal and 15 percent lower than the same time in the previous year (Figure 3). However, despite a slide in sugarcane production, MY2016/17 sugar production is expected to increase to 10 million metric tons, up approximately 3 percent from MY2015/16 due to a higher-than-expected sugar extraction rate. The April 11, 2017, official crushing report showed that the sugar extraction rate increased to 107.8 kilogram per ton of cane, compared to 104 kilogram per ton of cane in MY2015/16. Industry attributes the increase in sugar extraction rates to well above-normal precipitation during the sugarcane maturation stage.

In MY2016/17, the use of sugarcane for ethanol production is expected to decline to 1 million metric tons with anticipated ethanol production of 70 million liters due to relatively higher returns from producing sugar for exports following increases in world sugar prices. Sugarcane-based ethanol production accounts for approximately 5 percent of total ethanol production in Thailand. Around 65 percent of ethanol production is molasses-based ethanol and the remainder is cassava-based ethanol. Molasses production is expected to decline to 3.8 million metric tons in MY2016/17, down 12 percent from MY2015/16 corresponding with the reduced sugarcane production. However, despite the anticipated reduction in molasses production, industry expects that domestic ethanol supplies will be sufficient to meet domestic gasohol demand in 2017 as newly established cassava-based ethanol facilities will create additional production capacity of around 1.3 million liters per day. Presently, 21 ethanol facilities are reportedly operating with a total production capacity of 4.4 million liters per day. Average ethanol demand is anticipated to be 3.8 million liters per day in 2017 which is a slight increase from 3.6 – 3.7 million liters per day in 2016.

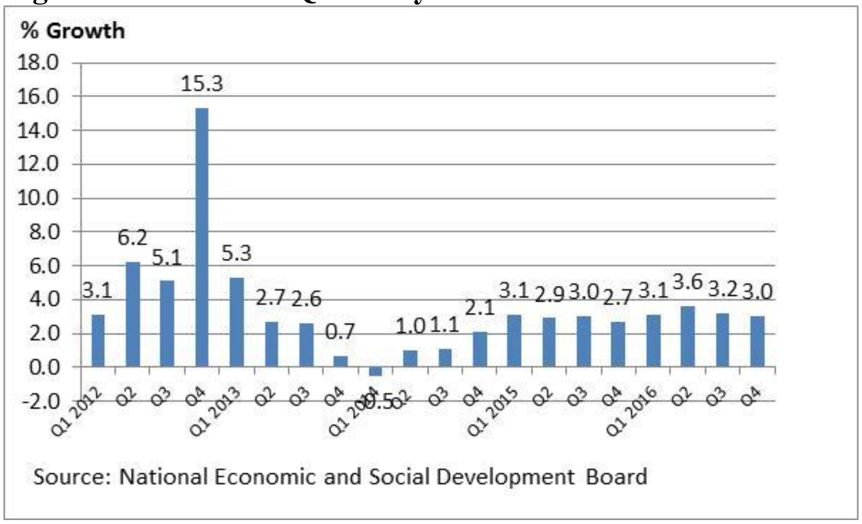
Figure 3: Monthly Precipitation in Thailand



2. Consumption

MY2016/17 and MY2017/18 sugar consumption is expected to continue to trend upwards increasing at annual rate of 3 percent. This is due to growing household consumption and increased industrial use. According to the National Economic and Social Development Board's official economic forecast, the Thai economy is expected to grow at a rate of 3-4 percent in 2017, compared to an average of around 3.2 percent growth in 2016 (Figure 4).

Figure 4: Thailand's Quarterly GDP Growth



MY2015/16 sugar consumption increased to approximately 2.7 million metric tons, up 5-6 percent from MY2014/15 due to growing household consumption and industrial use. Household's direct sugar consumption increased to approximately 1.4 million metric tons, 6 percent increase from MY2014/15. Industrial sugar consumption, accounting for about 48 percent of total sugar consumption, increased to approximately 1.3 million metric tons, up 4 percent from MY2014/15 driven by increased production of processed food products, bakery items, and dairy related products. Production of these products grew 6-9 percent from 2015 (Table 9).

3. Trade

MY2017/18 sugar exports are forecast to increase to 9 million metric tons. This is a 12 percent increase from MY2016/17 corresponding to a recovery in sugarcane production. Export of raw and refined sugar is expected to each increase to 4-5 million metric tons.

MY2016/17 sugar exports are expected to increase to 8 million metric tons. This is a 13 percent increase from last year due to the growing global economy and Thailand's favorable access to ASEAN markets the under the ASEAN Economic Community (AEC) Free Trade Agreement which went into effect on 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%). In the first quarter of MY2016/17, sugar exports totaled approximately 1.6 million metric tons which is a 10 percent decline from the same period in 2015 due to a reduction in raw sugar exports. Exports of raw sugar, which accounted for 44 percent of total sugar exports, declined to 0.7 million metric tons, down 28 percent from last year. Meanwhile, exports of refined sugar, which accounted for around half of total sugar exports, increased to 0.8 million metric tons. This is a 22 percent increase from last year, driven by a surge in exports to Myanmar and Cambodia. Industry reports that a portion of the refined sugar exports to these countries have been transshipped to China via border trade as domestic prices of refined sugar in China are 50-80 percent above the world sugar prices. This may explain why direct Thai exports of refined sugar to China declined in MY2016/17. Additionally, exports of raw and refined sugar to Indonesia continue to increase as the low duty rate access under the AEC has made Thai sugar cheaper than non-ASEAN suppliers by $15/MT. Indonesia accounts for around 70 percent of total raw sugar exports.

Thailand is expected to fill its allocated quota of 14,743 metric tons of raw sugar (raw value) under the FY2016/17 (October 1, 2016 – September 31, 2017) U.S. Tariff Quota (TRQ) in MY2016/17 as export prices under the TRQ are well above world market prices.

MY2015/16 Thai sugar exports declined to 7.1 million metric tons, down 15 percent from MY2014/15. Exports of raw sugar declined to 3.8 million metric tons. This is a 4 percent reduction from MY2014/15, particularly to China, South Korea, Vietnam, and Taiwan, which more than offset the increase in raw sugar exports to Indonesia (Table 5). Exports of white and refined sugar declined to 3.2 million metric tons. This is a 24 percent reduction from last year, particularly to China which accounts for 25 percent of total white and refined sugar exports (Table 6). Also, Thailand's refined sugar exports to African countries declined significantly by about 90 percent due to the economic downturn. However, white and refined sugar exports to the Philippines, Indonesia, Cambodia, and Laos increased significantly due to favorable access under the AEC (Table 6).

Sugar imports in MY2016/17 and MY2017/18 are expected to remain marginal due to sufficient domestic supplies. Additionally, Thailand subjects imported sugar to a 65-percent in-quota tariff rate with the quota set at 13,760 metric tons. The out-off-quota tariff is 94 percent. However, all sugar imports from ASEAN countries enter duty free under the AEC and do not count towards the TRQ.

4. Stocks

MY2016/17 and MY2017/18 sugar stocks are expected to decline to 3-4 million metric tons in anticipation of growing sugar exports.

5. Policy

On January 31, 2017, the cabinet set the minimum price for MY2016/17 sugarcane production at 1,050 baht per metric ton (30 USD/MT). This minimum price is a 30 percent increase from the prior minimum price of 808 baht per metric ton (23 USD/MT) in MY2015/16 in line with increases in world market prices of sugar. The government is planning to discontinue the direct payment program for cane farmers who normally receive additional financial assistance from the state-run Cane and Sugar Fund (CSF) as the current minimum price is set well above production costs. This is expected to be the last price support program for sugarcane farmers as the government is planning to deregulate the domestic sugar market in MY2017/18 due to the WTO complaint filed by Brazil. On October 11, 2016, the cabinet approved a restructuring plan for the cane and sugar industry where the government will amend the current Cane and Sugar Act B.E. 2527 (1984) eliminating the sugarcane price support program, the domestic sugar price controls, and the sugar sale administration as a response to Brazil's WTO petition.

If implemented, from MY2017/18 onward the government will no longer provide domestic price subsidies and direct payments to cane growers. Additionally, the current price controls which set domestic sugar prices at 19 baht/kg (25 cent/lb) for refined sugar, ex-factory wholesale, excluding the 7 percent value-added tax (VAT), and sugar retail prices (including VAT) at 21.85 baht/kg (29 cent/lb) for white sugar and 22.85 baht/kg (30 cent/lb) for refined sugar will also be eliminated. Furthermore, the government is planning to terminate a special 5 baht/kg (7 cent/lb) tax on the domestic sugar sales that funded the CSF as the CSF is projected to pay off its outstanding debt by mid-June 2018.

The government has yet to finalize the details of this cane and sugar restructuring plan and their next consultation with the Brazilian Government is in May 2017. Industry anticipates that the government will mandate a buffer stock requirement for sugar mills to hold certain amount of inventory for food security purposes after the administration on domestic sugar sales is removed. Additionally, the government plans to protect consumers by keeping domestic sugar prices relatively stable. They are still working out how best to accomplish this policy objective using reference prices.

Appendix Tables

Table 1: Thailand's Sugarcane Production

Sugar Cane for Centrifugal	**2015/2016**		**2016/2017**		**2017/2018**	
Market Begin Year	**Dec 2015**		**Dec 2016**		**Dec 2018**	
Thailand	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted	1500	1500	1520	1520	0	10560
Area Harvested	1470	1470	1515	1425	0	1540
Production	95000	95047	98000	93700	0	105000
Total Supply	95000	95047	98000	93700	0	105000
Utilization for Sugar	93690	93640	97100	92700	0	104000
Utilization for Alcohol	1310	1407	900	1000	0	1000
Total Utilization	95000	95047	98000	93700	0	105000
(1000 HA) ,(1000 MT)						

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

Sugar, Centrifugal	**2015/2016**		**2016/2017**		**2017/2018**	
Market Begin Year	**Dec 2015**		**Dec 2016**		**Dec 2017**	
Thailand	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Beginning Stocks	5263	5263	4606	5281	0	4531
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	9743	9743	9270	10000	0	11230
Total Sugar Production	9743	9743	9270	10000	0	11230
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	15006	15006	13876	15281	0	15761
Raw Exports	4300	3823	4400	4400	0	4900
Refined Exp.(Raw Val)	3500	3232	3600	3600	0	4100
Total Exports	7800	7055	8000	8000	0	9000
Human Dom. Consumption	2600	2670	2650	2750	0	2830
Other Disappearance	0	0	0	0	0	0

Total Use	2600	2670	2650	2750	0	2830
Ending Stocks	4606	5281	3226	4531	0	3931
Total Distribution	15006	15006	13876	15281	0	15761
(1000 MT)						

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

	MY 2015/16	MY 2016/17 (FAS Estimate)	MY 2017/18 (FAS Forecast)
Yield per metric ton of cane			
Sugar (kg.)	104.05	107.87	108.00
Molasses (kg.)	45.98	41.30	43.00
Farm price (ex-factory): Baht/ton	808	1,050	900
Wholesale prices			
Sugar (Baht/100 kg.)	2,033	2,033	2,033
Molasses (Baht/ton)	3,710	3,800	3,500
Source: Office of Cane and Sugar Board			

Table 4: Thailand's Total Exports of Sugar

Unit: Metric Ton Raw Value

	2011	2012	2013	2014	2015	2016	% Change
U.S.	24,301	22,563	-	16,207	15,622	18,408	17.8
Indonesia	1,352,165	1,921,618	1,849,396	1,794,257	1,912,624	2,569,892	34.4
Japan	1,107,846	870,657	748,869	771,784	651,358	575,073	-11.7
China	288,181	996,659	264,906	731,720	926,342	354,591	-61.7
Malaysia	353,469	470,561	338,835	703,123	520,443	170,529	-67.2
South Korea	521,738	505,139	540,589	439,024	561,794	189,910	-66.2
Cambodia	409,016	632,148	632,148	577,157	518,848	768,539	48.1
Taiwan	140,538	279,581	220,599	341,578	297,307	227,143	-23.6
Russia	175,318	49,614	33,858	37,795	776	268	-65.5
Singapore	194,084	130,935	109,118	136,640	152,858	110,245	-27.9
India	6,426	7,592	7,218	10,657	48,406	2,226	-95.4
Other	2,308,082	1,909,241	2,041,764	2,010,554	2,665,464	1,736,678	-34.8
Total	**6,881,164**	**7,796,308**	**6,787,300**	**7,570,496**	**8,271,842**	**6,723,502**	**-18.7**

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

Table 5: Thailand's Exports of Raw Sugar

Unit: Metric Ton Raw Value

Destination	2011	2012	2013	2014	2015	2016	% Change
China	192,673	839,576	50,838	495,016	170,227	14,313	-91.6
Indonesia	1,248,555	1,786,363	1,768,320	1,713,410	1,839,027	2,381,243	29.5
Japan	1,107,829	868,700	748,868	771,205	647,831	572,786	-11.6
North Korea	18,515	3,263	-	-	-	-	-
South Korea	507,330	482,409	499,226	375,251	462,343	102,942	-77.7
Malaysia	324,600	372,543	181,750	477,524	254,130	42,550	-83.3
Philippines	3,335	-	-	-	-	87,467	-
Russia	174,542	49,453	33,858	37,298	-	-	-
Singapore	19,971	149	66	129	203	360	77.3
Sri Lanka	7,643	513	20,366	15,800	7,454	1,719	-76.9
Tanzania	2,334	1,898	17,852	31,801	18,357	9,798	-46.6
Taiwan	53,282	182,791	114,866	243,136	187,067	97,942	-47.6
United States	23,784	20,993	-	15,940	14,525	17,617	21.3
UAE	205	282	564	53,917	462	975	111.0
Vietnam	43,400	99,220	131,328	62,579	201,620	107,838	-46.5
Others	495,536	212,883	137,002	137,450	130,500	65,098	-50.1
Total	**4,223,534**	**4,921,036**	**3,704,904**	**4,430,456**	**3,933,746**	**3,502,648**	**-11.0**

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	2011	2012	2013	2014	2015	2016	% change
Bangladesh	11,856	-	266	767	348	1,610	362.6
Brunei	6,561	6,561	2,247	4,494	6,206	5,991	-3.5
Burma	34,934	49,210	116,818	138,118	706,838	655,551	-7.3
Cambodia	409,016	632,147	683,528	564,631	518,834	761,152	46.7
China	95,507	157,083	214,068	263,704	756,115	340,279	-55.0
India	6,426	7,592	7,218	10,657	10,229	2,226	-78.2
Indonesia	103,610	135,254	81,076	80,847	73,597	188,649	156.3
Iran	6,420	-	-	98	15	-	-100.0
Jordan	12,085	51,266	66,076	96,070	38,788	268	-99.3
North Korea	4,140	-	-	2,140	-	-	-
South Korea	14,408	22,730	41,363	63,772	99,452	86,968	-12.6
Kenya	31,898	42,496	95,632	36,575	13,936	3,003	-78.5
Laos	44,443	85,028	32,743	39,710	107,848	132,146	22.5
Malaysia	28,869	98,018	157,085	225,600	266,312	127,979	-51.9
Maldives	936	990	936	1,284	2,318	722	-68.9
Pakistan	2,676	936	348	6,133	408	187	-54.2
Philippines	126,829	81,961	74,316	50,059	65,256	246,111	277.1
Russia	776	161	-	497	776	268	-65.5
Saudi Arabia	18,470	9,067	32,927	34,928	21,353	11,878	-44.4
Singapore	174,113	130,786	109,053	136,511	156,655	109,885	-29.9
Somalia	-	-	5,992	15,539	535	-	-
Sri Lanka	44,071	51,789	50,572	95,894	78,586	53,115	-32.4
Syria	10,745	7,838	27,606	35,310	35,821	-	-
Tanzania	28,576	24,813	58,744	39,854	25,094	2,622	-89.6
UAE	45,597	13,669	27,266	62,199	11,718	14,655	25.1
Vietnam	263,384	249,518	146,661	53,552	192,682	143,117	-25.7
Yemen	3,123	5,466	2,649	7,655	4,826	1,541	-68.1
Others	1,128,162	1,010,893	1,047,206	1,073,442	1,143,551	330,931	-71.1
Total	**2,657,631**	**2,875,272**	**3,082,396**	**3,140,040**	**4,338,097**	**3,220,854**	**-25.8**

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

Table 7: Thailand's Monthly Export Prices (F.O.B.) for Raw Sugar

Unit: Baht/Metric Ton

Month	2011	2012	2013	2014	2015	2016
January	15,398	17,547	14,329	12,858	12,377	10,325
February	14,700	17,535	13,566	12,842	11,510	11,561
March	16,589	17,420	14,260	12,583	11,650	10,714
April	16,078	17,016	14,077	12,933	11,594	10,990
May	15,832	15,663	13,479	12,883	11,398	11,105
June	15,731	16,513	13,623	13,068	11,040	11,676
July	15,127	16,364	12,839	13,277	10,902	12,129
August	17,344	16,801	12,235	13,312	10,744	12,331
September	17,892	16,611	12,656	13,460	10,421	13,044
October	18,855	16,257	12,498	13,132	10,928	12,529
November	18,694	16,636	12,665	13,189	10,806	13,394
December	17,685	14,750	12,948	12,559	10,084	13,941
Average	**16,661**	**16,593**	**13,265**	**13,008**	**11,121**	**11,978**
Avg. Exchange rates (Baht/U.S.$)	30.49	31.08	30.73	32.48	34.25	35.30

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

Unit: Baht/Metric Ton

Month	2011	2012	2013	2014	2015	2016
January	17,449	19,177	15,116	13,708	13,146	14,519
February	19,827	19,111	14,723	14,020	12,404	14,640
March	16,006	17,839	15,051	14,584	12,868	14,352
April	18,932	18,134	15,266	14,193	11,955	14,569
May	17,995	18,241	14,727	14,259	11,825	15,061
June	18,257	18,142	14,766	14,346	12,125	15,523
July	N.A.	18,574	14,771	14,497	12,014	16,678
August	20,551	18,166	15,599	14,514	12,069	16,353
September	20,211	17,624	15,152	13,111	12,161	17,182
October	19,965	17,232	14,739	13,610	12,186	18,949
November	20,542	17,505	15,255	13,236	12,526	17,612
December	19,527	16,558	14,465	13,650	13,192	18,558
Average	**19,024**	**18,025**	**14,969**	**13,977**	**12,373**	**16,166**
Avg. Exchange rates (Baht/U.S.$)	30.49	31.08	30.73	32.48	34.25	35.30

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	2011	2012	2013	2014	2015	2016
BEVERAGES (Exluding Alcoholic Drink)						
Refined Sugar	274,448	296,375	374,676	402,940	426,978	426,535
White Sugar	197,764	225,093	122,517	109,009	104,294	112,990
Sub - Total	472,212	521,468	497,193	511,949	531,272	539,525
CAKE & BREAD and Alcoholic Drink						
Refined Sugar	13,108	10,075	9,391	11,728	10,806	9,432
White Sugar	14,623	18,635	20,776	22,505	22,370	26,646
Sub - Total	27,731	28,710	30,167	34,233	33,176	36,078
FRUIT & FOOD PRODUCTS						
Refined Sugar	115,300	99,527	104,304	119,288	128,206	139,521
White Sugar	157,691	173,052	145,651	159,926	185,662	194,883
Sub - Total	272,991	272,579	249,955	279,213	313,868	334,404
DAIRY PRODUCTS						
Refined Sugar	57,698	67,153	75,202	88,019	86,390	80,504
White Sugar	143,836	121,796	138,834	139,404	163,914	183,339
Sub - Total	201,534	188,949	214,036	227,424	250,304	263,843
CONFECTIONARY PRODUCTS						
Refined Sugar	6,382	6,451	6,418	6,310	5,686	3,046
White Sugar	16,818	18,295	18,495	18,369	17,229	15,701
Sub - Total	23,200	24,746	24,913	24,680	22,915	18,747
PHARMACEUTICAL PRODUCTS & MISCELLANEOUS						
Refined Sugar	29,230	18,627	22,142	26,291	28,125	27,974
White Sugar	2,080	2,312	2,540	1,251	1,805	2,134
Sub - Total	31,310	20,939	24,682	27,543	29,930	30,108

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