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Date: 4/12/2018

GAIN Report Number: TH8057

Thailand

Sugar Annual

2018

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Report Highlights:

MY2017/18 and MY2018/19 sugar production is expected to increase significantly to a record 13-14 million metric tons. However, sugar consumption will likely decline by 1-2 percent annually in MY2017/18 and MY2018/19 due to the new beverage sugar tax. This is expected to lead to record sugar exports.

Executive Summary:

MY2017/18 and MY2018/19 sugar production is expected to reach a record 13 – 14 million metric tons due to expanded acreage and favorable weather conditions. Many farmers, particularly in the northeastern region, have shifted from cassava to sugarcane production due to attractive returns. Additionally, sugar mills continue to encourage farmers to expand sugarcane acreage in order to secure sufficient cane supplies.

MY2017/18 and MY2018/19 sugar consumption is forecast to decline by 1-2 percent annually due to reduced demand for sugar from non-alcoholic beverage manufacturers in response to the new sugar tax. Beverage manufacturers have begun to reformulate their products to use more artificial sweeteners in order to avoid the new sugar tax which will fully go into effect on October 1, 2019.

MY2017/18 and MY2018/19 sugar exports are likely to increase to 10-11 million metric tons driven by bumper sugarcane production. Sugar exports are expected to consist of 4-5 million metric tons of raw sugar and 5-6 million metric tons of white and refined sugar, mainly to Asian countries that have free trade agreements with Thailand.

Commodities:

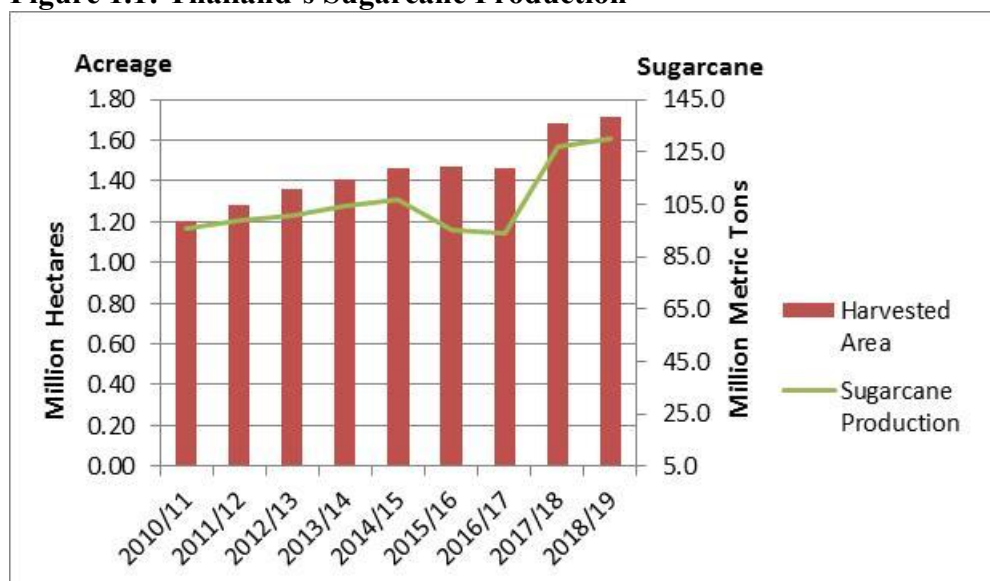
Sugar Cane for Centrifugal

Sugar, Centrifugal

1. Production**1.1 Sugarcane**

MY2018/19 sugarcane production is forecast to increase to 130 million metric tons, up 2 percent from MY2017/18, due to expanded acreage (Figure 1.1). Farmers are likely to continue to expand sugarcane acreage as two new sugar mills are expected to begin operating in MY2018/19. Combined, the two new sugar mills will have a production capacity of around 40,000 tons of cane per day. These two new facilities are both located in the northeastern region which accounts for around 45 percent of total sugarcane production. This would increase the total number of sugar mill facilities to 56 mills, up from 54 operating mills in MY2016/17. The new sugar mills are likely to actively encourage farmers to expand sugarcane acreage in order to secure cane supplies. Additionally, the Hydro and Agro Informatics Institute expects that precipitation in 2018 will be 10 percent above normal, which will help maintain an average yield of 11-12 metric tons per rai (68-75 metric tons/hectare) for MY2018/19 sugarcane production. However, the lower world sugar prices will likely cause farmers to delay replacing older sugarcane with newer seeds which limits further average yield improvements.

Figure 1.1: Thailand's Sugarcane Production



MY2017/18 sugarcane production is revised up to a record 127 million metric tons due to larger than expected acreage and favorable weather conditions (Figure 1.1). Sugarcane planted acreage increased significantly as farmers substituted cassava with sugarcane. At the same time, multiple sugar mills have increased their crushing capacity, particularly in the northeastern region of Thailand which has seen sugarcane production increase by 30 percent from MY2016/17. Farm-gate prices for sugarcane surged by 28 percent in 2017 while cassava prices fell for the last two years by an annual average of 16 percent (Figure 1.2). Additionally, the Thai Meteorological Department reported that precipitation in 2017 was 28 percent above normal precipitation and 20 percent higher than the previous year's rainfall levels (Figure 1.3). The abundant precipitation led to higher than expected yields.

Figure 1.2: Farm-gate Prices of Sugarcane and Cassava

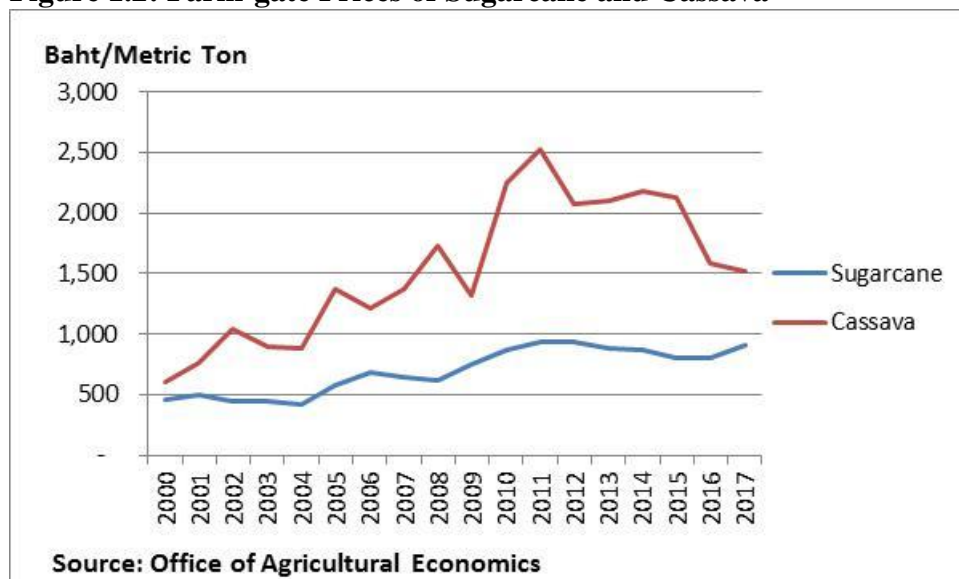
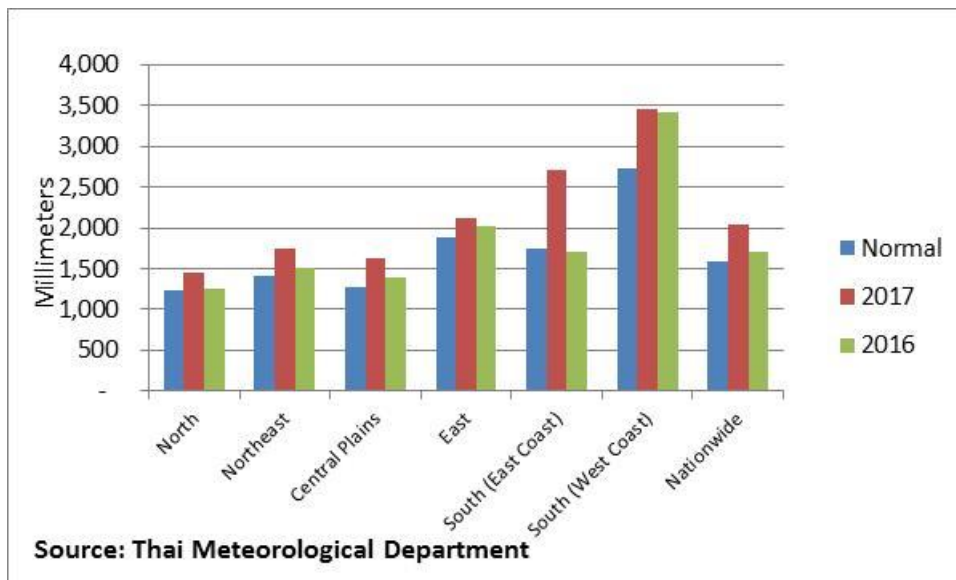


Figure 1.3: Cumulative Precipitation by Region (January 1 – December 31)

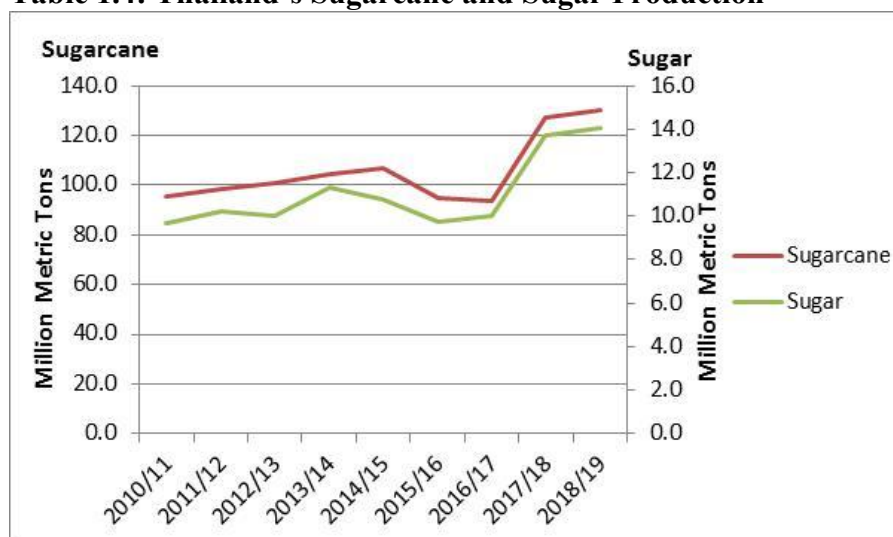


Most sugarcane is used to produce sugar. In MY2017/18, the use of sugarcane for ethanol production is expected to increase slightly to around 1 million metric tons which mainly comes from a single sugar-based ethanol plant. In 2017, the Ministry of Energy reported that 0.9 million metric tons of sugarcane was used to produce 71 million liters of ethanol, which accounts for approximately 5 percent of total ethanol production. This is a 20 percent increase from 2016. Around 60 percent of ethanol production comes from molasses and the remainder comes from cassava. Molasses production is expected to increase to 4.8 million metric tons, up 23 percent from 3.9 million metric tons in MY2016/17. This should provide sufficient molasses supplies to support ethanol production in 2018. Total ethanol production is expected to increase to 1.5 billion liters, up 2-3 percent from 2017.

1.2 Sugar

MY2018/19 sugar production is forecast to increase to 14.1 million metric tons. This is a 3 percent increase from MY2017/18 as sugar mills continue to encourage increased sugarcane acreage, particularly in the northeastern region. The sugar extraction rate is expected to remain high at 109 kilograms of sugar per ton of cane in anticipation of favorable weather conditions.

Table 1.4: Thailand's Sugarcane and Sugar Production



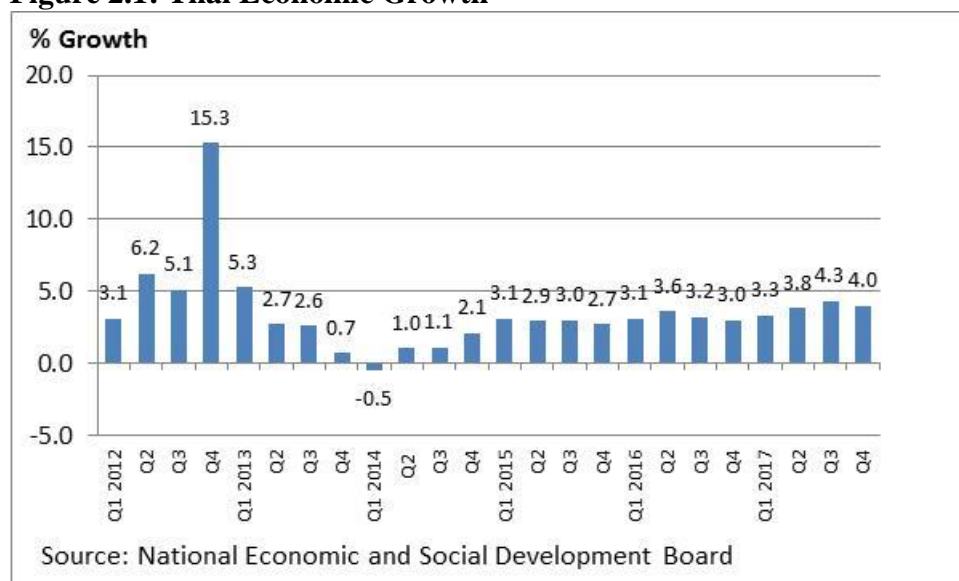
MY2017/18 sugar production is expected to increase to 13.7 million metric tons, up 37 percent from MY2016/17 due to yield increases and expanded acreage. The sugar extraction rate is expected to increase to 109 kilograms per ton of cane, compared to 107.9 kilograms per ton of cane in MY2016/17 due to favorable weather conditions during the sugarcane maturation stage.

2. Consumption

MY 2017/18 and MY2018/19 sugar consumption is forecast to decline by 1-2 percent annually due to reduced demand for sugar from non-alcoholic beverage manufacturers in response to the new sugar excise tax on beverages. Demand for sugar from non-alcoholic beverage manufacturers accounts for around half of total industrial sugar consumption. Though the new excise tax went into effect on September 15, 2017, beverage manufacturers were given a two year grace period before the new sugar taxes will be implemented on October 1, 2019 (Please see [GAIN Report: Thai Excise Department Implements New Sugar Tax on Beverage, October 20, 2017](#)). This will provide beverage manufacturers with time to reformulate their products.

In the first quarter of 2018, sugar consumption declined by 7 percent from the same period last year due to reduced industrial usage. Industrial sugar consumption, which accounts for 46 percent of total sugar consumption, declined 15 percent in the first quarter of 2018 compared to the same period of time last year. Demand for sugar from non-alcoholic beverage manufacturers, which accounts for 20 percent of total sugar consumption, declined by 16 percent as beverage manufacturers began to reformulate their products to use more artificial sweeteners to avoid the new sugar tax. Meanwhile, households' direct sugar consumption, which accounts for 54 percent of total sugar consumption, increased by 2 percent from the same period last year in line with the growing domestic economy. The recent official economic report by the National Economic and Social Development Board forecasts that the Thai economy will grow between 3.6 and 4.6 percent in 2018 compared to 3.9 percent in 2017 (Figure 2.1).

Figure 2.1: Thai Economic Growth



3. Trade

MY2017/18 - MY2018/19 sugar exports are forecast to increase to 9-11 million metric tons. This is a 35-60 percent increase from MY2016/17 in anticipation of larger supplies of sugar driven by bumper sugarcane production. Raw sugar exports are expected to increase to 4-5 million metric tons, up 45-60 percent from MY2016/17. White and refined sugar exports are likely to increase to 5-6 million metric tons, up 30-50 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 (5-10%), and Myanmar (0-5%).

In the first quarter of MY2017/18, sugar exports totaled 1.4 million metric tons, down 15 percent from MY2016/17 due mainly to a reduction in raw sugar exports. Raw sugar exports which account for around 40 percent of total sugar exports declined to 0.6 million metric tons, down 28 percent from the same period last year. Exports of white and refined sugar totaled 0.8 million metric tons, down 5 percent from the same period last year. The reduction in sugar exports reflects the timing of shipments and is not representative of overall trade trends.

In MY2017/18, Thailand is expected to fill its allocated quota of 14,743 metric tons of raw sugar (raw value) under the FY2018 (October 1, 2017 – September 30, 2018) U.S. tariff-rate quota (TRQ) as exports prices under the TRQ are well above world market prices.

MY2016/17 sugar exports declined slightly to 7 million metric tons from MY2015/16 due to a reduction in raw sugar exports which offset increases in white and refined sugar exports. Raw sugar exports, which account for 45 percent of total sugar exports, declined to 3.1 million metric tons, down 18 percent from MY2015/16. Meanwhile, white and refined sugar exports increased to 3.9 million metric tons, up 20 percent from MY2015/16 driven by a surge in refined sugar exports to Laos and Taiwan. Industry reports that a large portion of the refined sugar exports to these countries were transshipped to China via border trade as domestic prices of refined sugar in China are 50-80 percent above the world sugar prices. Direct Thai exports of refined sugar to China continued to decline in MY2016/17.

Sugar imports in MY2017/18 and MY2018/19 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, sugar imports from ASEAN countries enter Thailand duty free under the AEC and do not count towards the import TRQ.

4. Stocks

MY2017/18 and MY2018/19 sugar stocks are expected to increase to 7-8 million metric tons. Current stocks have risen in MY2016/17 due to an increased number of pending shipments that have yet to be completed. Additionally, declining sugar prices have caused some buyers to delay their purchases until sugar prices bottom out.

5. Policy

On January 15, 2018, the government issued an executive order to temporarily deregulate the domestic sugar price controls and the sugar sales administration (known as Quota A for domestic sales, and Quota B and Quota C for export sales) for MY2017/18 – MY2018/19. This will supersede the portion of the Cane and Sugar Act B.E. 2527 (1984) that sets the wholesale sugar price floor and eliminate the special 5 baht/kg (7 cents/pound (lb)) tax on domestic sugar sales. However, the government still maintains a sugarcane price support program under the Cane and Sugar Act B.E. 2527 (1984). For MY2017/18, the minimum price for sugarcane was set at 880 baht per metric ton (U.S. \$28/MT). This minimum price is 16 percent lower than the minimum price set in MY2016/17 due mainly to lower world sugar prices.

The temporary deregulation of wholesale sugar prices has reduced domestic sugar prices. In March 2018, the average ex-factory white and refined sugar prices declined to 17-18 baht per kilogram (25-26 cents/lb), down by 2 baht per kilogram (3 cents/lb) from the previous controlled price. However, as world sugar prices have also declined, the domestic sugar wholesale price is still approximately 5 baht per metric ton (7 cents/lb) higher than the world sugar price.

Despite the deregulation of the ex-factory wholesale price of sugar, sugar is still listed on the Ministry of Commerce's List of Controlled Goods and Services. As a result, the retail ceiling price for sugar remains unchanged at 23.5 baht per kilogram (34 cents/lb). The retail ceiling exists to protect consumers from upwards price fluctuations. Additionally, a domestic sugar premium has been introduced for wholesale sugar. The domestic sugar premium is currently set at 5 baht per kilogram (7 cents/lb). This domestic sugar premium will be collected from sugar mills to fund the state-run Cane and Sugar Fund (CSF) which subsidizes cane growers when market prices of sugarcane are lower than the intervention prices. In other words, the domestic sugar premium will functionally replace the special 5 baht/kilogram (7 cents/lb) tax which previously funded the CSF and was eliminated by January 15 executive order.

The January 15 executive order was issued as a stopgap measure while the government works to finalize the amendments to the Cane and Sugar Act request by Brazil through their WTO petition. Thailand had set a deadline of December 1, 2017, to finalize changes to the Cane and Sugar Act, but failed to complete the legislation by that date. Industry expects that the legislation may not be finalized for another six to twelve months due to the complexities in ensuring that both sugarcane farmers and sugar mills are satisfied with the changes.

Appendix Tables

Table 1: Thailand’s Sugarcane Production[illegible]

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

Sugar, Centrifugal	2016/2017		2017/2018		2018/2019	
Market Begin Year	Dec 2017		Dec 2018		Dec 2019	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	5281	5281	5114	5618	0	7218
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	10033	10033	11230	13730	0	14100
Total Sugar Production	10033	10033	11230	13730	0	14100
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	16344	19348	0	21318
Raw Exports	3800	3138	4300	4500	0	5000
Refined Exp.(Raw Val)	3700	3878	4300	5000	0	6000
Total Exports	7500	7016	8600	9500	0	11000
Human Dom. Consumption	2700	2680	2650	2630	0	2580
Other Disappearance	0	0	0	0	0	0
Total Use	2700	2680	2650	2630	0	2580
Ending Stocks	5114	5618	5094	7218	0	7738
Total Distribution	15314	15314	16344	19348	0	21318

(1000 MT)

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

	MY 2016/17	MY 2017/18	MY 2018/19
		(FAS Estimate)	(FAS Forecast)
Yield per metric ton of cane			
Sugar (kg.)	107.94	109.00	109.00
Molasses (kg.)	41.90	38.00	38.00
Farm price (ex-factory): Baht/ton	1,050	880	800
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 Exports of Sugar

Unit: Metric Ton Raw Value								
	2011	2012	2013	2014	2015	2016	2017	% Change
U.S.	24,301	22,563	-	16,207	15,622	18,408	21,320	15.8
Indonesia	1,352,165	1,921,618	1,849,396	1,794,257	1,912,624	2,569,892	2,615,596	1.8
Japan	1,107,846	870,657	748,869	771,784	651,358	575,073	315,104	-45.2
China	288,181	996,659	264,906	731,720	926,342	354,591	457,014	28.9
Malaysia	353,469	470,561	338,835	703,123	520,443	170,529	182,767	7.2
South Korea	521,738	505,139	540,589	439,024	561,794	189,910	131,024	-31.0
Cambodia	409,016	632,148	632,148	577,157	518,848	768,539	864,454	12.5
Taiwan	140,538	279,581	220,599	341,578	297,307	227,143	913,153	302.0
Russia	175,318	49,614	33,858	37,795	776	268	-	-100.0
Singapore	194,084	130,935	109,118	136,640	152,858	110,245	107,738	-2.3
India	6,426	7,592	7,218	10,657	48,406	2,226	3,853	73.1
Other	2,308,082	1,909,241	2,041,764	2,010,554	2,665,464	1,736,678	1,584,783	-8.7
Total	6,881,164	7,796,308	6,787,300	7,570,496	8,271,842	6,723,502	7,196,806	7.0

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	2017	% Change
China	192,673	839,576	50,838	495,016	170,227	14,313	128,461	797.5
Indonesia	1,248,555	1,786,363	1,768,320	1,713,410	1,839,027	2,381,243	2,506,322	5.3
Japan	1,107,829	868,700	748,868	771,205	647,831	572,786	300,987	-47.5
North Korea	18,515	3,263	-	-	-	-	-	-
South Korea	507,330	482,409	499,226	375,251	462,343	102,942	34,943	-66.1
Malaysia	324,600	372,543	181,750	477,524	254,130	42,550	81,277	91.0
Philippines	3,335	-	-	-	-	87,467	-	-100.0
Russia	174,542	49,453	33,858	37,298	-	-	-	-
Singapore	19,971	149	66	129	203	360	863	139.7
Sri Lanka	7,643	513	20,366	15,800	7,454	1,719	20,674	1,102.7
Tanzania	2,334	1,898	17,852	31,801	18,357	9,798	23,161	136.4
Taiwan	53,282	182,791	114,866	243,136	187,067	97,942	30,196	-69.2
United States	23,784	20,993	-	15,940	14,525	17,617	20,785	18.0
UAE	205	282	564	53,917	462	975	363	-62.8
Vietnam	43,400	99,220	131,328	62,579	201,620	107,838	64,646	-40.1
Others	495,536	212,883	137,002	137,450	130,500	65,098	127,753	96.2
Total	4,223,534	4,921,036	3,704,904	4,430,456	3,933,746	3,502,648	3,340,431	-4.6

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	2017	% change
Bangladesh	11,856	-	266	767	348	1,610	2,167	34.6
Brunei	6,561	6,561	2,247	4,494	6,206	5,991	3,980	-33.6
Burma	34,934	49,210	116,818	138,118	706,838	655,551	639,831	-2.4
Cambodia	409,016	632,147	683,528	564,631	518,834	761,152	863,428	13.4
China	95,507	157,083	214,068	263,704	756,115	340,279	328,553	-3.4
India	6,426	7,592	7,218	10,657	10,229	2,226	3,853	73.1
Indonesia	103,610	135,254	81,076	80,847	73,597	188,649	109,274	-42.1
Iran	6,420	-	-	98	15	-	5,861	-
Jordan	12,085	51,266	66,076	96,070	38,788	268	-	-100.0
North Korea	4,140	-	-	2,140	-	-	-	-
South Korea	14,408	22,730	41,363	63,772	99,452	86,968	96,080	10.5
Kenya	31,898	42,496	95,632	36,575	13,936	3,003	3,808	26.8
Laos	44,443	85,028	32,743	39,710	107,848	132,146	180,519	36.6
Malaysia	28,869	98,018	157,085	225,600	266,312	127,979	101,490	-20.7
Maldives	936	990	936	1,284	2,318	722	-	-100.0
Pakistan	2,676	936	348	6,133	408	187	1,022	446.5
Philippines	126,829	81,961	74,316	50,059	65,256	246,111	59,324	-75.9
Russia	776	161	-	497	776	268	-	-100.0
Saudi Arabia	18,470	9,067	32,927	34,928	21,353	11,878	107	-99.1
Singapore	174,113	130,786	109,053	136,511	156,655	109,885	106,875	-2.7
Somalia	-	-	5,992	15,539	535	-	-	-
Sri Lanka	44,071	51,789	50,572	95,894	78,586	53,115	50,778	-4.4
Syria	10,745	7,838	27,606	35,310	35,821	-	-	-
Tanzania	28,576	24,813	58,744	39,854	25,094	2,622	2,848	8.6
UAE	45,597	13,669	27,266	62,199	11,718	14,655	18,216	24.3
Vietnam	263,384	249,518	146,661	53,552	192,682	143,117	135,455	-5.4
Yemen	3,123	5,466	2,649	7,655	4,826	1,541	-	-100.0
Others	1,128,162	1,010,893	1,047,206	1,073,442	1,143,551	330,931	1,142,906	245.4
Total	2,657,631	2,875,272	3,082,396	3,140,040	4,338,097	3,220,854	3,856,375	19.7

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

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

Unit: Baht/Metric Ton							
Month	2011	2012	2013	2014	2015	2016	2017
January	15,398	17,547	14,329	12,858	12,377	10,325	13,774
February	14,700	17,535	13,566	12,842	11,510	11,561	16,102
March	16,589	17,420	14,260	12,583	11,650	10,714	15,577
April	16,078	17,016	14,077	12,933	11,594	10,990	15,481
May	15,832	15,663	13,479	12,883	11,398	11,105	15,120
June	15,731	16,513	13,623	13,068	11,040	11,676	15,403
July	15,127	16,364	12,839	13,277	10,902	12,129	15,001
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
Avg. Exchange rates (Baht/U.S.\$)	30.49	31.08	30.73	32.48	34.25	35.30	33.94
Source: Office of the Cane and Sugar Board, Ministry of Industry							

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

Table 9: Thailand's Sugar Utilization by Industry

Unit Metric Ton							
Type of Industry	2011	2012	2013	2014	2015	2016	2017
BEVERAGES (Excluding Alcoholic Drink)							
Refined Sugar	274,448	296,375	374,676	402,940	426,978	426,535	443,880
White Sugar	197,764	225,093	122,517	109,009	104,294	112,990	138,344
Sub - Total	472,212	521,468	497,193	511,949	531,272	539,525	582,224
CAKE & BREAD and Alcoholic Drink							
Refined Sugar	13,108	10,075	9,391	11,728	10,806	9,432	12,976
White Sugar	14,623	18,635	20,776	22,505	22,370	26,646	27,501
Sub - Total	27,731	28,710	30,167	34,233	33,176	36,078	40,477
FRUIT & FOOD PRODUCTS							
Refined Sugar	115,300	99,527	104,304	119,288	128,206	139,521	156,051
White Sugar	157,691	173,052	145,651	159,926	185,662	194,883	196,420
Sub - Total	272,991	272,579	249,955	279,213	313,868	334,404	352,471
DAIRY PRODUCTS							
Refined Sugar	57,698	67,153	75,202	88,019	86,390	80,504	67,083
White Sugar	143,836	121,796	138,834	139,404	163,914	183,339	188,923
Sub - Total	201,534	188,949	214,036	227,424	250,304	263,843	256,006
CONFECTIONARY PRODUCTS							
Refined Sugar	6,382	6,451	6,418	6,310	5,686	3,046	5,194
White Sugar	16,818	18,295	18,495	18,369	17,229	15,701	16,407
Sub - Total	23,200	24,746	24,913	24,680	22,915	18,747	21,601
PHARMACEUTICAL PRODUCTS & MISCELLANEOUS							
Refined Sugar	29,230	18,627	22,142	26,291	28,125	27,974	29,746
White Sugar	2,080	2,312	2,540	1,251	1,805	2,134	2,246
Sub - Total	31,310	20,939	24,682	27,543	29,930	30,108	31,992
Source: Production and Distribution Administration Center, Office of Cane and Sugar Board							

End of Report.