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## **Thailand**

## **Sugar Semi-annual**

## **2012**

**Approved By:**

Rey Santella Agricultural Attaché

**Prepared By:**

Ponnarong Prasertsri Agricultural Specialist

**Report Highlights:**

TH2098 – Sugar production is revised down to 10.2 million metric tons in MY2011/12 and will likely decline to 9.9 million metric tons in MY2012/13 due to lower-than-expected sugarcane production resulting from unfavorable weather conditions. Sugar consumption is also revised down to 2.5-2.6 million metric tons in anticipation of an economic slowdown in 2012 and 2013. Sugar exports in MY2011/12 are expected to reach 9.0 million metric tons raw value (MMTRV). However, MY2012/13 sugar exports are likely to slightly decline to 8.5 MMTRV due to a reduction in sugarcane production.

**Executive Summary:**

MY2011/12 and MY 2012/13 sugar production is revised down to 10.2 million metric tons and 9.9 million metric tons, respectively, due to lower-than-expected sugarcane production. Sugarcane production is lower than expected in MY2011/12 crop which is estimated at 98.4 million metric tons. MY2012/13 sugarcane production is likely to further decline to 95.0 – 96.0 million metric tons, down 3.0 percent from the previous year, due to unfavorable weather conditions particularly during the mid-season growing period. Despite the lower sugarcane production, the average extraction rate of sugarcane is expected to increase to around 104.5 kg/ton of cane in anticipation of normal rainfall during the ripening stage.

Sugar consumption is also revised to 2.5 million metric tons in MY2011/12 and 2.6 million metric tons in MY2012/13 in anticipation of an economic slowdown in the second half of 2012 and in 2013. Sugar exports during January-May 2012, however, are expected to be up 37.3 percent from last year, particularly for raw sugar which account for 70.0 percent of total sugar exports due to limited export supplies from Brazil and India. Sugar exports will likely reach 9.0 million metric tons raw value (MMTRV) in MY2011/12. Meanwhile, MY2012/13 sugar exports are revised down to 8.5 MMTRV due to lower-than-expected sugar production caused by drought conditions.

The Government is now considering a new soft loan program that will enable cane growers to buy harvesters and improve their production efficiency. The program is estimated to cost 3.0 billion baht (\$100 million) which will be financed by the state-run Cane and Sugar Fund. The Thai Government operated a similar 2.0 billion baht (\$66 million) program during the FY2010 – 2012 period.

**Commodities:**

Sugar Cane for Centrifugal

Sugar, Centrifugal

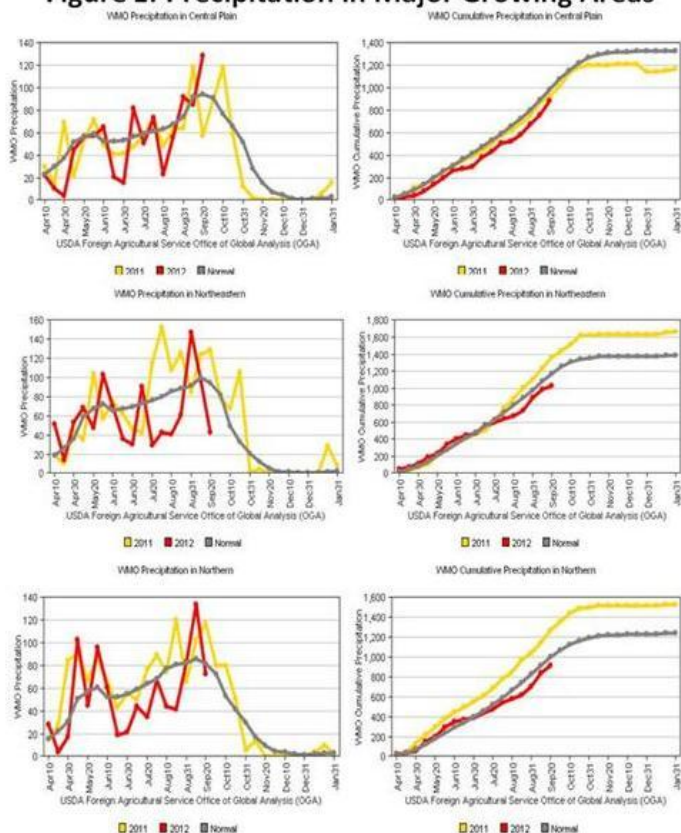
**Author Defined:****1. Production**

According to the official MY2011/12 crushing report by the Office of Cane and Sugar Board (OCBD), sugarcane production is lower than expected at 98.4 million metric tons (Table 1). This resulted in a downward revision of sugar production to 10.2 million metric tons (Table 2). An estimated 0.4 million metric tons of sugarcane was used for ethanol production.

The average sugarcane extraction rate increased to 104.5 kg/ton of cane, up 3.1 percent from 101.3 kg/ton of cane from the previous year, due to normal weather conditions during the ripening period.

MY2012/13 sugarcane production is revised downward to 95.0 – 96.0 million metric tons, down 3.0 percent from the previous year due to a lack of rain during the stalk elongation stage. Below normal precipitation during the June-August 2012 period in the major growing areas in the north, northeast, and the central plain regions (Figure 1) will likely affect average yields which are expected to decline to 11.3 tons/rai (70.7 tons/hectare). Most of the sugarcane harvest will be primarily used for sugar production and a small amount will be used for ethanol production (see TH2064 “Biofuel Annual 2012”). Sugarcane use for ethanol production will remain low as sugar prices continue to be more attractive than ethanol prices. Presently, there is only one sugarcane based ethanol plant operating in Thailand using 0.4 – 0.5 million metric tons of cane/year.

**Figure 1: Precipitation in Major Growing Areas**



MY2012/13 sugar production is expected to decline to 9.9 million metric tons, down 2.9 percent from the previous year, due to lower-than-expected sugarcane production. The sugarcane extraction rate will likely remain the same as the previous year in anticipation of normal weather conditions during the ripening stage. Four new sugar facilities that received government licenses in 2010 – 2011 are expected to start operating in MY2012/13. The number of sugar mills in Thailand will increase to 51 with a total crushing capacity of approximately 1.0 million metric tons of cane/day, compared to the previous total crushing capacity of 0.9 million metric tons of cane/day.

## 2. Consumption

The Government has revised its economic growth downward to 5.3–5.8 percent in 2012, compared to its prior forecast of 5.5– 6.5 percent, due to the global economic slowdown in the second half of the year. As a result, MY2011/12 and 2012/13 sugar consumption is revised down to 2.5 million tons and 2.6 million tons, respectively. The economy is expected to continue slowing down to 4.7–5.7 percent in 2013. Nonetheless, in the first half of 2012, total sugar consumption increased 6.0 percent, slightly behind the expected annual growth rate of around 8.0 percent from the previous forecast. The lower consumption is due to lower-than-expected sugar demand by food manufacturers which account for around 12.0 percent of total sugar consumption. Food manufacturers' demand for sugar declined around 6.0 percent in the first half of 2012. On the other hand, household sugar consumption, which accounts for 50-60 percent of total sugar consumption, increased 10.4 percent from the previous year.

### **3. Trade**

During January-May 2012, Thai sugar exports increased significantly to 4.5 MMTRV, up 37.3 percent from the same period last year (Table 4) due to an increase in planted acreage and smaller sugar exports from Brazil and India. Raw sugar exports, which account for around 70.0 percent of total sugar exports, increased 47.7 percent from last year (Table 5), particularly to China, Indonesia, Malaysia, Taiwan, and South Korea.

Thailand filled its FY2012 U.S. sugar tariff-rate quota (TRQ) of 15,027 metric tons raw value (MTRV) in April and additional allocations of 7,834 MTRV in July. In addition, Thailand's white and refined sugar exports increased to 1.3 MMTRV during January–May 2012, up 16.3 percent from last year, particularly to Cambodia, China, Laos, and Malaysia (Table 6). MY2011/12 sugar exports will likely increase to 9.0 MMTRV, unchanged from the previous forecast. White and refined sugar exports will likely increase approximately 20.0 percent to 3.0 MMTRV in MY2011/12.

MY2012/13 sugar exports are revised downward to 8.5 MMTRV, down 5-6 percent from the previous year, due to an anticipated smaller sugarcane crop. Raw sugar exports are also expected to decline 8.0 percent from the previous year. Thailand is expected to fill its FY2013 (October 1, 2012 – September 30, 2013) U.S. sugar TRQ of 15,027 MTRV.

MY2011/12 and MY2012/13 sugar imports are revised down to marginal levels of around 5,000 MTRV due to sufficient domestic supplies and an economic slowdown. Thailand subjects imported sugar to a 65 percent tariff rate and a quota of 13,760 metric tons. The out-of-quota tariff is 94 percent.

### **4. Stocks**

Sugar stocks will likely decline to 1.7 million metric tons in MY2011/12 and further decline to 0.6 million metric tons in MY2013/13 due to an increase in sugar exports and a reduction in sugarcane production.

## **5. Policy**

The Government still maintains its sugar policy which set prices at 19 baht/kg (\$29 cent/lb) for refined sugar, ex factory wholesale (excluding 7 percent value added tax). Retail sugar prices (including the value-added tax) are set at 21.85 baht/kg (\$33 cent/lb) for white sugar and 22.85 baht/kg (\$35 cent/lb) for refined sugar (Table 9). The Government uses the value-added tax revenues to repay the Bank for Agriculture and Agricultural Cooperative (BAAC) for cost incurred by the state-run Cane and Sugar Fund which funds the price support program and the direct payment program. The Government has not yet finalized the MY2012/13 sugarcane support prices which are expected to be above 1,000 baht/ton.

The Government completed its three-year soft loan program with the BAAC (FY2010 – 2012) which enabled cane growers to buy harvesters and improve their production efficiency. The program provided approximately 2.0 billion baht (\$66 million) in loans to cane growers. Most of the loans were used to purchase new and used cane harvesters mainly from the US and Australia. The Thai Government is considering a new soft loan program of 3.0 billion baht (\$100 million) funded by the Cane and Sugar Fund which will continue to allow cane growers to buy harvesters. Thai sugarcane growers see the program as essential to their future, especially as four new sugar facilities will come online and increase milling capacity from 0.9 million tons of cane/day to 1.0 million tons of cane/day starting in MY2012/13.

To assist sugar farmers in the former mining area of Tak (northern Thailand), the Thai Cabinet approved a 78 million baht (\$2.5 million) subsidy program that provides cane growers 200 baht/ton (\$6.5/MT) to produce sugar for ethanol production. The program is intended to help cane growers in an area that is unsuitable for the production of edible crops due to the pollution and environmental damage in the region. Sugarcane growers farming approximately 47,000 rai (7,520 hectares) are expected to benefit from the program.

## Appendix Tables

Table 1: Thailand's Sugarcane Production						
Sugar Cane for Centrifugal Thailand	2010/ 2011		2011/ 2012		2012/ 2013	
	Market Year Begin: Dec 2010		Market Year Begin: Dec 2011		Market Year Begin: Dec	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1,250	1,250	1,300	1,300	1,350	1,350 (1000 HA)
Area Harvested	1,200	1,200	1,280	1,280	1,340	1,340 (1000 HA)
Production	95,700	95,700	100,500	98,400	105,000	95,500 (1000 MT)
Total Supply	95,700	95,700	100,500	98,400	105,000	95,500 (1000 MT)
Utilization for Sugar	95,400	95,400	100,000	98,000	104,400	95,000 (1000 MT)
Utilizatr for Alcohol	300	300	500	400	600	500 (1000 MT)
Total Utilization	95,700	95,700	100,500	98,400	105,000	95,500 (1000 MT)
TS=TD		0		0		0

Table 2: Thailand's Sugar Production, Supply and Demand						
Sugar, Centrifugal Thailand	2010/ 2011		2011/ 2012		2012/ 2013	
	Market Year Begin: Dec 2010		Market Year Begin: Dec 2011		Market Year Begin: Dec 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	2,343	2,343	2,983	2,983	1,808	1,723 (1000 MT)
Beet Sugar Production	0	0	0	0	0	0 (1000 MT)
Cane Sugar Production	9,663	9,663	10,415	10,235	10,850	9,930 (1000 MT)
Total Sugar Production	9,663	9,663	10,415	10,235	10,850	9,930 (1000 MT)
Raw Imports	0	0	0	0	0	0 (1000 MT)
Refined Imp.(Raw Val)	19	19	10	5	10	5 (1000 MT)
Total Imports	19	19	10	5	10	5 (1000 MT)
Total Supply	12,025	12,025	13,408	13,223	12,668	11,658 (1000 MT)
Raw Exports	4,096	4,096	6,000	6,000	6,200	5,500 (1000 MT)
Refined Exp.(Raw Val)	2,546	2,546	3,000	3,000	3,100	3,000 (1000 MT)
Total Exports	6,642	6,642	9,000	9,000	9,300	8,500 (1000 MT)
Human Dom. Consumption	2,400	2,400	2,600	2,500	2,800	2,600 (1000 MT)
Other Disappearance	0	0	0	0	0	0 (1000 MT)
Total Use	2,400	2,400	2,600	2,500	2,800	2,600 (1000 MT)
Ending Stocks	2,983	2,983	1,808	1,723	568	558 (1000 MT)
Total Distribution	12,025	12,025	13,408	13,223	12,668	11,658 (1000 MT)
TS=TD		0		0		0

Table 3: Thailand's Sugar and Molasses Yield and Prices			
	MY 2010/2011	MY 2011/2012	MY 2012/2013
		(Estimate)	(Forecast)
<b>Yield per metric ton of cane</b>			
Sugar (kg.)	101.33	104.47	104.50
Molasses (kg.)	44.41	44.79	44.00
<b>Farm price (ex-factory): Baht/ton</b>	938	955	1,000
<b>Wholesale prices</b>			
Sugar (Baht/100 kg.)	2,033	2,033	2,033
Molasses (Baht/ton)	4,100	2,400	2,400



**Table 4: Thailand's Total Exports of Sugar**

Unit: Metric tons (raw value)								
	2007	2008	2009	2010	2011	Jan. - May		
						2011	2012	% Change
U.S.	21,318	12,259	14,095	22,868	24,301	6,650	15,074	126.7
Indonesia	1,423,461	1,665,828	1,004,884	1,304,964	1,352,165	697,222	1,173,138	68.3
Japan	560,483	916,460	724,676	533,903	1,107,846	515,312	439,353	-14.7
China	220,503	121,830	195,141	25,511	288,181	129,734	642,160	395.0
Malaysia	214,669	67,090	52,778	156,234	353,469	203,091	398,236	96.1
South Korea	52,463	263,672	151,418	134,804	521,738	288,609	329,720	14.2
Cambodia	217,013	299,141	493,914	468,756	409,016	129,939	260,241	100.3
Taiwan	83,381	431,978	298,451	88,042	140,538	103,176	81,835	-20.7
Russia	53,711	141,706	30,661	31,652	175,318	117,772	45,349	-61.5
Singapore	219,554	112,144	135,280	109,138	194,084	71,277	69,871	-2.0
India	-	-	327,560	349,268	6,426	2,746	3,335	21.4
Other	1,608,782	1,016,629	1,868,754	1,393,108	2,308,082	1,036,878	1,077,041	3.9
<b>Total</b>	<b>4,675,338</b>	<b>5,048,737</b>	<b>5,297,612</b>	<b>4,618,248</b>	<b>6,881,164</b>	<b>3,302,406</b>	<b>4,535,353</b>	<b>37.3</b>

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

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

Destination	2007	2008	2009	2010	2011	Jan. - May		
						2011	2012	% Change
China	160,292	20,520	115,086	4,617	192,673	106,404	587,954	452.6
Indonesia	736,749	1,094,179	854,174	782,081	1,248,555	627,001	1,131,996	80.5
Japan	557,482	916,460	724,660	533,887	1,107,829	515,296	437,726	-15.1
North Korea	-	-	41,450	20,273	18,515	6,476	249	-96.2
South Korea	48,316	246,516	141,589	134,261	507,330	275,308	320,834	16.5
Malaysia	182,963	26,933	24,747	120,375	324,600	190,194	358,283	88.4
Philippines	205	-	-	29,365	3,335	1,796	-	-100.0
Russia	53,711	141,200	27,907	31,652	174,542	117,103	45,349	-61.3
Singapore	128	1,334	1,539	7,206	19,971	128	23	-82.0
Sri Lanka	14,877	18,771	12,877	8,824	7,643	2,565	513	-80.0
Tanzania	54,070	6,618	8,297	1,539	2,334	1,744	923	-47.1
Taiwan	62,059	246,061	180,675	56,367	53,282	67,549	149,732	121.7
United States	21,299	12,259	14,095	22,868	23,784	6,650	14,772	122.1
UAE	-	221	257	-	205	-	51	-
Vietnam	11,126	41,626	23,598	81,372	43,400	11,286	23,085	104.5
Others	68,163	8,725	100,915	138,547	495,536	278,905	191,397	-31.4
<b>Total</b>	<b>1,971,440</b>	<b>2,781,423</b>	<b>2,271,866</b>	<b>1,973,234</b>	<b>4,223,534</b>	<b>2,208,405</b>	<b>3,262,887</b>	<b>47.7</b>

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

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

Destination	2007	2008	2009	2010	2011	Jan. - May		
						2011	2012	% change
Bangladesh	16,846	535	98,160	2,140	11,856	-	-	-
Brunei	5,707	6,247	11,775	6,337	6,561	3,281	3,281	-
Burma	3,691	3,913	5,493	13,086	34,934	-	12,714	-
Cambodia	217,013	299,141	486,352	468,756	409,016	129,939	260,241	100.3
China	60,211	101,310	80,054	20,894	95,507	23,330	54,206	132.3
India	-	-	327,560	348,499	6,426	2,746	3,335	21.4
Indonesia	686,712	571,649	150,711	522,883	103,610	70,221	41,142	-41.4
Iran	252,621	45,138	6,993	-	6,420	3,478	-	-100.0
Jordan	45,143	1,231	17,174	27	12,085	8,560	31,471	267.7
North Korea	17,246	62,786	2,467	5,230	4,140	4,140	-	-100.0
South Korea	1,244	17,126	9,830	544	14,408	13,301	8,886	-33.2
Kenya	8,710	2,181	21,438	5,566	31,898	1,605	16,681	939.3
Laos	26,376	48,318	63,915	31,987	44,443	7,736	54,065	598.9
Malaysia	31,706	40,158	28,030	35,858	28,869	12,897	39,953	209.8
Maldives	-	749	1,418	776	936	375	375	0.0
Pakistan	3,570	15,856	148,734	178,485	2,676	1,819	936	-48.5
Philippines	95,537	103,143	82,982	266,813	126,829	103,493	21,238	-79.5
Russia	-	506	2,495	-	776	669	-	-100.0
Saudi Arabia	9,131	25,562	35,153	803	18,470	8,854	4,331	-51.1
Singapore	219,426	110,811	35,135	101,933	174,113	71,149	69,848	-1.8
Somalia	-	-	51,750	-	-	-	-	-
Sri Lanka	38,249	23,063	140,708	68,108	44,071	14,190	16,291	14.8
Syria	41,542	6,153	-	-	10,745	1,070	4,066	280.0
Tanzania	20,444	4,727	22,259	9,071	28,576	21,424	13,643	-36.3
UAE	64,354	53,498	100,511	21,645	45,597	29,363	8,983	-69.4
Vietnam	34,053	59,546	110,217	179,179	263,384	103,346	113,214	9.5
Yemen	249,779	6,741	31,539	1,498	3,123	1,553	5,466	252.0
Others	554,587	657,226	952,893	354,896	1,128,162	455,463	488,100	7.2
<b>Total</b>	<b>2,703,898</b>	<b>2,267,314</b>	<b>3,025,746</b>	<b>2,645,014</b>	<b>2,657,631</b>	<b>1,094,002</b>	<b>1,272,466</b>	<b>16.3</b>

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	2006	2007	2008	2009	2010	2011	2012
January	10,226	9,715	8,463	9,380	12,761	15,398	17,547
February	8,991	9,812	8,457	10,741	14,685	14,700	17,535
March	10,495	8,915	8,398	11,480	14,028	16,589	17,420
April	10,409	8,807	8,594	11,123	14,865	16,078	17,016
May	11,385	8,391	8,491	11,655	13,865	15,832	15,663
June	11,871	8,238	8,758	11,803	13,558	15,731	-
July	12,315	7,645	8,917	11,649	13,719	15,127	-
August	12,407	8,590	9,163	11,942	13,890	17,344	-
September	12,599	7,909	8,949	11,162	13,446	17,892	-
October	11,658	7,167	9,278	11,614	12,695	18,855	-
November	9,963	8,189	9,469	11,361	12,240	18,694	-
December	11,151	8,215	9,644	12,736	15,034	17,685	-
Average	11,389	8,502	8,882	11,465	13,928	16,661	17,036
Avg. Exchange rates ( Baht/U.S.\$)	37.88	34.52	33.31	34.29	31.69	30.49	31.04

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	2006	2007	2008	2009	2010	2011	2012
January	10,226	11,994	10,100	10,615	17,864	17,449	19,177
February	12,471	11,498	9,254	10,832	16,952	19,827	19,111
March	14,286	10,738	10,104	11,232	17,684	16,006	17,839
April	13,396	11,042	10,085	11,609	17,418	18,932	18,134
May	13,673	10,722	10,818	11,651	17,069	17,995	18,241
June	14,898	10,470	10,239	13,239	16,489	18,257	-
July	15,016	10,251	16,789	13,446	16,773	N.A.	-
August	13,786	10,132	10,459	13,391	18,100	20,551	-
September	14,496	10,202	11,762	14,077	18,868	20,211	-
October	13,745	9,112	11,987	14,439	16,826	19,965	-
November	12,859	9,616	10,855	15,211	22,320	20,542	-
December	15,552	9,522	11,253	15,855	20,077	19,527	-
<b>Average</b>	13,835	10,505	11,142	12,966	17,358	19,024	18,500
<b>Avg. Exchange rates (Baht/U.S.\$)</b>	37.88	34.52	33.31	34.29	31.69	30.49	31.04

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

Table 9: Thailand's Average Prices of Domestic Plantation White Sugar and Sugarcane				
Calendar	Plantation White Sugar		Sugarcane	
Year	Wholesale (Baht/100 kg.)	Retail (Baht/kg.)	Initial (Baht/metric ton)	Actual
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.
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

