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Thailand

Sugar Semi-annual

2016

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Report Highlights:
MY2016/17 sugar production is revised down to 9.3 million metric tons, a 5-percent reduction from MY2015/16 due to severe drought during growing stage of sugarcane crop. MY2015/16 sugar exports are expected to decline to 7.8 million metric tons, mainly due to a reduction in white and refined sugar exports to African countries.

Executive Summary:

MY2016/17 sugar production is likely to decline 9.3 million metric tons, down 5 percent from the previous year in anticipation of a reduction in sugarcane production due to adverse weather condition during the vegetative growth stage. Also, sugar exports are revised down to around 7.8 million metric tons in MY2015/16 due to lower-than-expected exports of white and refined sugar, particularly to African countries. Meanwhile, sugar exports to Asian countries are trending upward due to low duty rates under the ASEAN Economic Community (AEC) Free Trade Agreement.

Although Brazil has filed a World Trade Organization (WTO) challenge of Thailand's domestic sugar supports and export subsidies, the sugarcane price supports are still expected to increase significantly in MY2016/17 due to the current surge in world market prices for sugar.

Commodities:

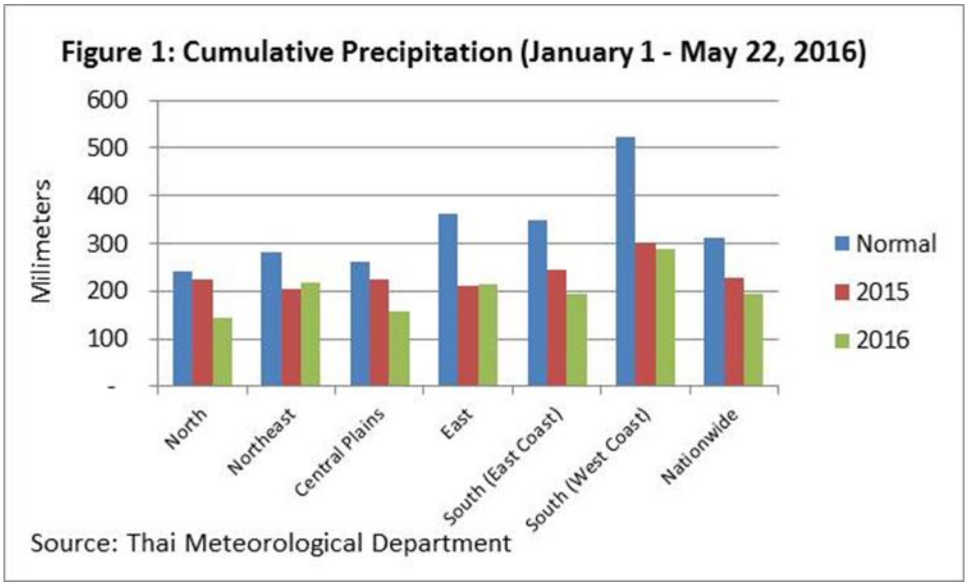
Sugar Cane for Centrifugal

Sugar, Centrifugal

Production:

MY2016/17 sugar production is revised down to 9.3 million metric tons, a decline of approximately 5 percent from 9.7 million metric tons in MY2015/16, in anticipation of a reduction in sugarcane production due to the severe drought during the vegetative growth stage in January – May 2016 (Table 1 and 2). According to the Thai Meteorological Department, cumulative precipitation during January – May 2016 was 38 percent below normal and 15 percent lower than the same period last year (Figure 1), particularly in the northern region and the central plains where cumulative precipitation was 30-40 percent lower than the previous year. Sugarcane planting in these areas accounts for half of the total sugarcane cultivation. Some farmers in these areas reportedly shifted to corn as they could not replant sugarcane due to weather related seedling shortages. Despite current normal precipitation during the maturation stage in June – September, the average yield and sugar extraction rate is expected to decline by 1 percent due to adverse weather conditions during the vegetative growth stage (Table 3).

MY2016/17 sugarcane production is expected to decline to 91 million metric tons, down 4 percent from MY2015/16.



Consumption:

Post's forecast of MY2015/16 and MY2016/17 sugar consumption remains unchanged at 2.6 – 2.7 million metric tons, an increase of 2-3 percent from MY2014/15. According to the Office of Cane and Sugar Board, domestic sugar consumption increased approximately 6 percent in the first ten months of MY2015/16, due to growing demand from direct household consumption and industrial use (particularly processed food and beverage manufacturers).

Trade:

MY2015/16 and MY2016/17 sugar exports are revised down to 7-8 million metric tons due to the global economic slowdown and a surge in world sugar market prices. According to the Office of Cane and Sugar Board, sugar exports totaled 5.8 million metric tons during the first nine months of MY2015/16 (December 2015 – August 2016), a decline of approximately 3 percent compared to the same period last year. This reflects a reduction in the export of white and refined sugar, which declined 17 percent from the same period last year to 2.6 million metric tons, particularly to African countries due to the economic slowdown. Meanwhile, exports of raw sugar increased 12 percent to 3.2 million metric tons, particularly to Indonesia due to the low duty rate access (5-10 percent tariff rate) under the ASEAN Economic Community (AEC) Free Trade Agreement which went into effect December 31, 2015. Although raw sugar exports are expected to increase in MY2015/16, total sugar exports are expected to decline to 7.8 million metric tons, down approximately 5 percent from MY2014/15 due to a reduction in white and refined sugar exports, which are expected to decline around 18 percent from last year due to the slowdown in the global economy. Also, current world market prices for white sugar surged to around $620/MT, compared to 360-390/MT during the same period last year.

Thailand filled 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 Rate Quota (TRQ) and the March additional reallocation of 1,265 metric tons (raw value) and May additional allocation of 2,005 metric tons (raw value) in MY2015/16. Export prices under the TRQ were well above world market prices. In FY2016/17 (October 1, 2016 – September 30, 2017), 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 are still 30 percent above world market prices.

Sugar imports in MY2015/16 and MY2016/17 are likely to remain marginal due to sufficient 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. However, all sugar imports from ASEAN countries enter duty free under the AEC.

Stocks:

MY2015/16 are revised up to around 4-5 million metric tons due to lower-than-expected sugar export, particularly for white and refined sugar export. Meanwhile, MY2016/17 sugar stocks are expected to decline to around 3 million metric tons in anticipation of a reduction in sugarcane production.

Policy:

The MY2016/17 price support for sugarcane is likely to increase well above 1,000 baht per metric ton ($29/MT), compared to 808 baht per metric ton ($23/MT) in MY2015/16. This is due to a surge in the world market price of raw sugar which is a parameter in setting minimum prices of sugarcane. Currently, the world market prices of raw sugar have increased to around $23 cent/lb, up significantly from $12-14 cent/lb during the same period last year. The government is likely to discontinue the direct payment program for cane farmers in MY2016/17, unlike in MY2015/16 when the government provided farmers a 180 baht/ton direct payment since the minimum prices did not cover their production costs.

The government is moving forward with its plan to deregulate the domestic sugar market due to WTO concerns filed by the Brazilian Government about Thailand's domestic supports and export subsidies for sugar. Based on consultations with the Brazilian Government, Thailand will have to amend its Cane and Sugar Act to eliminate the sugarcane price supports and direct payment programs, and the domestic sugar pricing and quota system that distort domestic and export markets. The Ministry of Industry's Committee on Cane and Sugar has yet to propose the cane and sugar restructuring plan for cabinet approval. However, the next consultations with the Brazilian Government are scheduled for October 15, 2016.

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	1520	1520
Area Harvested	1461	1461	1470	1470	1515	1425
Production	106860	106860	95000	95047	98000	91000
Total Supply	106860	106860	95000	95047	98000	91000
Utilization for Sugar	100860	100860	93690	93640	97100	90000
Utilization for Alcohol	6000	6000	1310	1407	900	1000
Total Utilization	106860	106860	95000	95047	98000	91000
(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	5263	5263	3603	4606
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	10793	10793	9740	9743	10100	9270
Total Sugar Production	10793	10793	9740	9743	10100	9270
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	16047	16047	15003	15006	13703	13876
Raw Exports	3986	3986	4300	4300	4400	4400
Refined Exp.(Raw Val)	4266	4266	4500	3500	4600	3600
Total Exports	8252	8252	8800	7800	9000	8000
Human Dom. Consumption	2532	2532	2600	2600	2650	2650
Other Disappearance	0	0	0	0	0	0
Total Use	2532	2532	2600	2600	2650	2650
Ending Stocks	5263	5263	3603	4606	2053	3226
Total Distribution	16047	16047	15003	15006	13703	13876
(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	104.05	103.00
Molasses (kg.)	43.49	45.98	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	4,000

Source: Office of Cane and Sugar Board