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## Thailand

### Sugar

### Semi-Annual

### 2005

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**Report Highlights:**

MY 2006 sugarcane production is revised downward in response to drier weather conditions. The contraction for the third consecutive year of sugarcane production will limit the exportable supplies of sugar. The Government will likely raise the minimum prices of sugarcane in order to secure sugarcane and molasses supplies for ethanol production.

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**Executive Summary**

MY 2006 sugarcane production is revised downward to 40 million tons, down significantly for the third consecutive year, due to drier weather conditions. The drought will also dampen the extraction rate of cane for sugar, leading to a sharp reduction in sugar production. In addition, molasses production will likely drop significantly. Sugar exports are expected to continue the downward trend due to limited exportable supplies. Also, the upward pressure in prices of sugarcane and molasses causes uncertainties in investment plans for sugarcane/molasses-based ethanol plants. The Government is expected to reverse its sugarcane production restriction policy set in MY 2004 by setting higher minimum prices for MY 2006 sugarcane crop so as to secure sugarcane and molasses supplies for ethanol production.

## 1. Production

### 1.1 Sugarcane

MY 2006 sugarcane production is expected to decline for the third consecutive year to 40 million tons due to continued drier weather conditions in major growing areas, particularly in the northeastern region. Sugarcane production in the northeastern region, accounting for about 40 percent of total planted area, will likely drop by 20 percent. The level of rainfall is expected to be far below the 30-year average rainfall. Most sugarcane cultivation is rain-fed, accounting for about 85 percent of total cultivated area.

### 1.2 Sugar

MY 2006 sugar production is forecast to continue the downward trend in line with continued drop in sugarcane production resulting from drier weather conditions. Also, the drought will likely dampen the average extraction rate of cane for sugar to 108.2 kg/ton of cane, as compared to 108.5 kg/ton of cane in the previous year. Also, molasses, which is a by-product of sugar production, is expected to shrink significantly to around 2 million tons, of which around 1 million tons are used domestically as raw material in food and beverage industries. This will lead to a surge in molasses prices to 3,200 baht/ton (roughly US\$ 78/MT). Even at this price it is still not cost effective to use molasses for ethanol production, given the fixed domestic ethanol price at 12.75 baht/liter (roughly U.S.\$ 33 cents/liter).

	MY 2004	MY 2005	MY 2006
Yield per metric ton of cane			
Sugar (kg.)	108.71	108.49	108.22
Molasses (kg.)	45.51	47.29	47.5
Farm price (ex-factory): Baht/ton	465	620	820
Wholesale prices			
Sugar (Baht/100 kg.)	1,177	1,177	1,177
Molasses (Baht/ton)	1,000	1,800	3,200

## 2. Consumption

### 2.1 Sugarcane

Despite the start of some sugarcane/molasses-based ethanol by the end of 2005, all sugarcane is still used for sugar production due to drought-limited sugarcane supplies. The current market price of sugarcane is at around 1,000 baht/ton (roughly U.S.\$ 24/MT).

### 2.2 Sugar

MY 2006 sugar consumption is expected to continue the upward trend both in household and industrial use in line with the country's economic expansion. The current domestic prices for sugar remain unchanged at 11.77 baht/kg. (roughly U.S.\$ 13 cents/lb) wholesale, and 13.25 baht/kg. (roughly U.S.\$ 15 cents/lb) retail, despite the political pressure to raise domestic

sugar prices by another 2 baht/kg. (roughly U.S.\$ 2 cents/lb) in order to ease the debt burden of state-run Cane and Sugar Fund.

### 3. Trade

MY 2006 sugar exports are revised downward to 2.7 million tons in anticipation of limited exportable supplies, following the contraction of domestic sugarcane production from the drier weather conditions. Current raw sugar export prices reportedly continue to increase to around U.S.\$ 11 cents/lb (roughly U.S.\$ 243/MT). Some regular importers in Asian region reportedly shifted to relatively cheaper Brazilian and Indian sugar. Thailand has already shipped all raw sugar under MY 2005 U.S. tariff-rate quota in the amount of 14,743 metric tons (raw value). Meanwhile, exports of raw sugar to other countries declined significantly in the first half of 2005, as most exporters shifted to more value-added sugar, like white and refined sugar.

Sugar imports in MY 2006 will likely be insignificant due to sufficient available domestic supply, despite anticipated low sugarcane production. The government import policy on sugar follows the WTO agreement, which is limited to a 65 percent tariff rate (roughly U.S.\$ 15.95 cents/kg.) under the quota of 13,760 tons in CY 2005. Meanwhile, the out-of-quota tariff rate is 94 percent (roughly U.S.\$ 23.06 cents/kg.).

### 4. Stocks

MY 2006 stocks are expected to decline to record lows due to the continued contraction in sugarcane crop.

### 5. Policy

The Government is expected to reverse its sugarcane production restriction policy set in MY 2004 after drought hit sugarcane production for the third consecutive year. The MY 2006 minimum prices for sugarcane will likely be set higher at 820 baht/ton (roughly U.S.\$ 20/MT, ex-factory prices) in order to encourage farmers to continue their sugarcane crop, and to secure sugarcane/molasses supplies for ethanol production. Cane growers, particularly in the northeastern region, has reportedly shifted to a more attractive crop like tapioca when the Government limited the financial assistance via subsidy price to sugarcane production in MY 2004. Meanwhile, the Government also encouraged the alternative use of sugarcane as a raw material for ethanol production by approving 13 new sugarcane/molasses-based ethanol plants, to produce at around 2 million liters/day by CY 2007. However, the current shortfall of sugarcane production resulted in a surge in sugarcane prices at 1,000 baht/ton against the ethanol optimum prices of 600 baht/ton; molasses prices at 3,200 baht/ton against 1,800 baht/ton. The Government kept the ethanol prices at 12.75 baht/liter. As a result, the Government has recently allowed ethanol imports of 18 million liters from India, which will be sufficient for ethanol demand during September - December 2005. Gasohol, a mixture of 10 percent ethanol and 90 percent regular gasoline, is increasingly popular, as the prices are relatively cheaper by 1.5 baht/liter than regular gasoline. At the moment, there are three molasses-based ethanol plants producing around 400,000 liters/day to domestic oil refineries for gasohol. By the end of CY 2005, there will be additional ethanol production of around 450,000 liters/day, of which 150,000 liters are from a molasses-based ethanol plant, and the balance from two cassava-based ethanol plants. It is expected that demand for molasses will be around 530,000 annually, given the extraction rate of molasses for ethanol is 260 liter/ton of molasses. The Government has also recently proposed an export ban on molasses,

amounting to around 1.5 million tons annually, in order to secure domestic supplies of molasses for ethanol production. However, the plan was strongly opposed by sugar millers because the ban will adversely affect their revenue and farmer income.

According to the government plan, by 2007 there will be altogether 24 ethanol plants producing around 4.7 million liters/day, of which around 2.5 million liters are from eighteen sugarcane/molasses-based ethanol plants, and 2.2 million liters are from six cassava-based ethanol plants.

## Statistic Tables

Table 1: Thailand's Sugarcane Production

**PSD Table**

		2004		2005		2006	
		Revised		Estimate		Forecast	
		USDA Official [Old]	Post Estimate[ New]	USDA Official [Old]	Post Estimate[ New]	USDA Official [Old]	Post Estimate[ New]
<b>Market Year Begin</b>		12/2003		12/2004		12/2005	
Area Planted		1200	1200	1050	1050	1000	1000
Area Harvested		1050	1050	990	990	950	950
Production		64500	64500	48000	47820	42000	40000
TOTAL SUPPLY		64500	64500	48000	47820	42000	40000
Utilization for Sugar		64500	64500	48000	47820	42000	40000
Utilizatr for Alcohol		0	0	0	0	0	0
TOTAL UTILIZATION		64500	64500	48000	47820	42000	40000

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

<b>PSD Table</b>		<b>Country Thailand</b>					
		<b>Commodity Sugar, Centrifugal</b>					
		(1000 MT)					
		2004		2005		2006	
		Revised		Estimate		Forecast	
		USDA	Post	USDA	Post	USDA	Post
		Official	Estimate[	Official	Estimate[	Official	Estimate[
		[Old]	New]	[Old]	New]	[Old]	New]
<b>Market Year Begin</b>		12/2003		12/2004		12/2005	
Beginning Stocks		1045	1045	1194	1215	724	732
Beet Sugar Production		0	0	0	0	0	0
Cane Sugar Production		6989	7010	5200	5187	4500	4330
TOTAL Sugar Production		6989	7010	5200	5187	4500	4330
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		8034	8055	6394	6402	5224	5062
Raw Exports		2281	2281	1630	1630	1300	1200
Refined Exp.(Raw Val)		2579	2579	1990	1990	1600	1500
TOTAL EXPORTS		4860	4860	3620	3620	2900	2700
Human Dom. Consumption		1980	1980	2050	2050	2100	2100
Other Disappearance		0	0	0	0	0	0
Total Disappearance		1980	1980	2050	2050	2100	2100
Ending Stocks		1194	1215	724	732	224	262
TOTAL DISTRIBUTION		8034	8055	6394	6402	5224	5062



Table 3: Thailand's Exports of Sugar

## Export Trade Matrix

**Country** Thailand  
**Commodity** Sugar, Centrifugal

Time Period	Jan. - Dec.	Units:	MTRV
Exports for:	2004		2005
U.S.	14615	U.S.	14615
Others		Others	
Indonesia	1327521	Indonesia	883085
Japan	754013	Japan	393767
China	286468	China	17398
Malaysia	577117	Malaysia	94958
South Korea	228157	South Korea	60865
Cambodia	195914	Cambodia	101191
Taiwan	418774	Taiwan	96256
Russia	76942	Russia	30914
Singapore	117294	Singapore	25819
Bangladesh	304502	Bangladesh	55279
Total for	4286702		1759532
Others			
Others not Listed	533481		126100
Grand Total	4834798		1900247

Note: The figures for 2005 are exports for the period of Jan. – Jun.

Table 4: Thailand's Annual Raw Sugar Exports (MTRV)

Destination	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005 (Jan. - Jun.)
China	1236453	500526	233932	85609	33858	90801	346979	168982	180567	252455	14672
Congo	-	-	-	-	-	10260	-	-	-	-	-
Indonesia	-	54378	160005	25804	341700	447543	402189	387971	373106	463426	251536
Iran	-	28728	-	-	-	-	-	30780	-	-	-
Japan	530636	737457	703729	697216	529302	746735	690220	383685	565822	751129	393767
North Korea	-	-	-	-	3386	14056	-	6378	62877	41	-
South Korea	378943	623209	710402	163560	205301	318056	235919	110044	175976	144877	22296
Malaysia	291891	367924	382698	84251	127470	233107	247957	240636	242141	245564	43143
Mozambique	13338	2052	23598	15185	-	-	-	-	-	-	-
Philippines	113917	223843	11286	134714	117547	21546	-	3078	-	286	-
Romania	-	25650	-	-	12312	-	-	-	41040	-	-
Russia	42169	44118	85158	77976	469087	291589	73955	484253	696757	66279	30780
Singapore	8208	83106	43092	7182	17750	8161	26081	52644	2786	429	-
Sri Lanka	73564	57559	47093	12312	78007	73462	52839	64384	52711	55149	7156
Tanzania	20520	35223	2052	18981	-	29959	47145	33006	10012	10841	208
Taiwan	-	-	-	-	-	49248	71795	102794	201234	313528	45442
Ukraine	39769	14364	28728	-	-	-	-	-	-	-	-
United States	16539	32740	28284	21082	15111	14615	11597	14614	14615	14615	14615
UAE	-	72254	34474	6156	-	-	-	45785	-	-	-
Vietnam	44118	15390	31550	-	14334	-	16416	-	-	-	5387
Others	43495	41389	38569	73027	9537	5870	15942	20075	72779	23333	2761
Total	2853560	2959910	2564650	1423055	1974702	2355008	2239034	2149108	2692423	2341952	831763

SOURCE: TSC, TSTC, SSEC, SITCO, K.S.L., PSC and TISS.

Table 5: Thailand's Annual White and Refined Sugar Exports (MTRV)

Destination	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005 (Jan. - Jun.)
Bangladesh	-	-	25358	-	41555	115759	36484	31717	200676	304502	54766
Brunei	-	3210	-	3210	4280	2140	5374	7490	1831	6233	3663
Burma	1035	5175	-	-	3601	47326	362	80	1031	7023	877
Cambodia	22276	38411	55430	62873	157702	77029	178405	244344	112394	195545	101191
China	225499	-	2070	3780	-	4850	64751	13954	27640	34013	2726
India	-	-	25470	13973	281555	8280	-	-	348	803	-
Indonesia	332064	632468	1133846	752807	493278	834949	399476	616165	903304	864095	631549
Iran	112350	329560	118580	-	74921	6624	-	63368	14445	-	-
Jordan	-	44380	-	-	23214	-	4280	55961	46042	65698	-
North Korea	8073	20364	-	28134	52892	65114	35713	46073	81045	84073	71552
South Korea	2277	-	-	-	65	3815	20234	26300	73497	83280	38569
Kenya	-	22819	15525	2381	-	2795	-	1074	4693	598	-
Laos	12295	11412	16849	14973	20445	17334	39310	27899	23947	27887	22650
Malaysia	-	-	-	3105	11980	48738	87055	129248	206155	331552	51815
Maldives	-	3105	-	-	-	2070	-	-	-	-	-
Pakistan	-	29725	92616	-	-	148355	-	-	-	-	-
Philippines	77401	126151	-	21444	5843	42350	6596	31168	45878	51193	9654
Russia	2675	2140	-	-	-	-	-	6793	17129	10664	134
Saudi Arabia	42881	34890	-	-	-	-	-	4280	5350	-	-
Singapore	4863	8455	15502	6111	33768	16945	37492	105910	75356	116864	25819
Somalia	3726	4280	-	-	2070	59597	69138	75555	61692	21568	-
Sri Lanka	20314	34007	32245	6210	24737	115304	5175	40081	22455	24430	-
Syria	-	27820	-	-	-	-	-	119379	234129	-	-
Tanzania	-	10455	29187	26703	6210	6893	5175	23039	25351	10352	-
UAE	22656	59449	25680	-	4165	-	-	3210	5280	15095	-
Vietnam	68116	2087	19053	8280	-	471	49740	-	-	4347	518
Yemen	8570	89658	-	-	60379	217073	16560	52890	167254	26910	-
Others	6229	28005	34985	9212	56309	8585	10405	283349	330120	206120	53001
Total	973300	1568026	1642396	963196	1358969	1852396	1071725	2009327	2687042	2492845	1068484

SOURCE: TSC, TSTC, SSEC, SITCO, K.S.L., PSC and TISS.

End of Report.