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Thailand

Sugar

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Report Highlights:
MY 2005 sugarcane production is revised downward due to the delay of rain during the growing period, the second consecutive year for a reduction in sugar production, to 6.5 million tons. Despite anticipated strong sugar export demand, MY 2005 sugar exports will likely continue the downward trend in response to a limited sugarcane supply, which will be more of a concern in CY 2006, when the sugarcane-based ethanol production will start.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Bangkok [TH1]
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Executive Summary

MY 2005 sugarcane production is revised downward to 60.0 million tons, down significantly for the second consecutive year from the record 74.1 million tons of MY 2003, due to the delay of rain during the growing period. MY 2004 sugarcane production is also adjusted downward to 64.5 million tons, following drought in major growing areas.

In light of the contraction in sugarcane production, MY 2005 sugar production is forecast at 6.5 million tons, down from the previous year's production of 7.0 million tons. MY 2004 production is better than expected due to a favorable extraction rate. However, the production is still less than the record 7.3 million tons of MY 2003. As a result, sugar exports are revised downward to 5.2 and 4.8 million tons in MY 2004 and MY 2005, respectively. The limited exportable supply will likely be more of a concern in CY 2006, once sugarcane-based ethanol production starts, due to the government's policy dilemma between sugarcane production controls and the promotion of sugarcane-based ethanol production.

1. Production

1.1 Sugarcane

MY 2005 sugarcane production is revised downward to 60.0 million tons, mainly in response to the delay of rain during the growing period. This unfavorable condition adversely affected the average yield potential, particularly in the Northeastern region, which accounts for about 41 percent of total planted area, leading to a drop in average yield for the second consecutive year to around 58.0 ton/hectare, as compared to 61.4 ton/hectare in the previous year.

The Thai Cane and Sugar Board's estimate of MY 2004 sugarcane production is 64.5 million tons, down significantly from the previous year's record of 74.1 million tons. The contraction reflected much lower average yields than anticipated in the Northeastern region, due mainly to scattered rains. Sugarcane production in the Northeastern region declined by 22 percent from the previous year, despite continued expansion of the planted area by 18 percent.

1.2 Sugar

MY 2005 sugar production is forecast at 6.5 million tons, down for the second consecutive year, following the contraction in sugarcane production. However, given normal weather conditions during the harvesting period in November, sucrose content is forecast to increase in line with continued improvement in cane quality and the cane handling system.

In MY 2004, the estimate for sugar production is revised up slightly to 7.0 million tons, due to better than expected improvements in the average sugar extraction rate to 108.71 kg/ton of cane, as compared to 98.36 kg/ton of cane in the previous year. However, MY 2004 sugar production remained lower than the previous year's record level of 7.3 million tons in response to drought-reduced cane production.

2. Consumption

2.1 Sugar

All sugarcane is still used as raw material in sugar mills, which are running at approximately 70 percent of capacity due to an insufficient supply of local sugarcane. However, in CY 2006, about 4.2 million tons of sugarcane is expected to be used for ethanol production in the amount of 292 million liters, following the Thai Government's recent approval of sugarcane-based ethanol plants. Ethanol will replace imported Methyl Tertiary Butyl Ether (MTBE) in gasoline. According to the government target, the use of sugarcane for ethanol production will reach around 20.0 million tons in CY 2007.

2.2 Sugar

MY 2004 and MY 2005 sugar consumption is revised upward in line with anticipated strong household and industrial demand. In the first half of CY 2004, sugar consumption amounted to 0.9 million tons, of which 0.6 million tons went to direct household consumption, accounting for 67 percent of total domestic consumption. The balance was for industrial consumption. The current domestic price for sugar remain unchanged at 11.77 baht/kg. wholesale, and 13.25 baht/kg. retail. At the moment, political pressures to raise domestic sugar prices are not an issue due to improved revenues for the state-run Cane and Sugar Fund from the upward global price trend and alternative use of sugarcane for ethanol.

3. Stock

Sugar stocks in MY 2004 and MY 2005 are expected to be on the downward trend in light of the continued contraction in sugarcane production. In addition, anticipated continued strong export demand will likely put downward pressure on stock levels.

4. Trade

MY 2004 and MY 2005 sugar exports are revised down to 5.2 and 4.8 million tons, respectively, mainly due to limited exportable supply, following the continued contraction in domestic sugarcane production. Also, raw sugar exports to Russia, Thailand's largest export market for raw sugar, are expected to declined significantly due to the change in Russia's import policy. Trade sources reported that Russia's new import policy will likely result in more imports of relatively cheaper raw sugar from its neighboring countries. However, Thai sugar exports to conventional markets in Asia remained strong, particularly Indonesia, Malaysia, Japan, China, and Taiwan. Major sugar exporters are reportedly concerned about their pending shipments, due to their current limited exportable supplies. At present, export prices remained strong at 8-9 cents/lb (roughly US$ 176-198/ton).

Regarding the EU's sugar subsidy, the major sugar exporting countries, including Brazil, Australia, and Thailand, have recently won WTO approval on limiting the EU's sugar export subsidy. This success will provide more export opportunities for the major exporting countries, in particular Brazil. Sugar export prices are expected to increase. However, trade sources reported that the direct benefits to Thai sugar export volume are limited, as compared to Brazil, due to a smaller sugarcane crop and anticipated domestic tight supplies over the next few years.

5. Policy

Despite the start of the alternative use of sugarcane for ethanol production by CY 2006, following the government policy to replace imported MTBE with ethanol (to be mixed with gasoline to produce gasohol to save foreign exchange otherwise spent on imported fuels), the government policy on sugarcane production control remained unchanged. The five-year plan (MY2004-2008) will limit financial assistance to cane growers to only the first 65 million tons of sugarcane production, so the Cane and Sugar Fund will be able to service its annual debt burden of around 1,300 million baht on its total outstanding debt of around 15 billon baht. For MY 2004, the subsidy prices are set at 465 baht/ton (ex-factory price), as compared to 580 baht/ton the previous year. In addition, government policy is still unclear on the revenue sharing system between cane growers and sugar millers, despite the approval of 12 new sugarcane-based ethanol plants, to produce at around 3 million liter/day. The existing system will provide 70 percent of total revenue from sugar sales to cane growers in the form of final farm-gate prices paid to the growers. According to Thailand's Cane and Sugar Act, sugarcane-based ethanol is treated as a by-product of sugarcane. As a result, it must be included in the revenue sharing calculation. However, sugar millers would like to exclude the ethanol revenue from this system, as they are investing in the ethanol plants themselves. Therefore, the sugarcane production incentive is reportedly low, given the government's cane production control and unclear revenue sharing system for ethanol production. As a result, once the sugarcane-based ethanol plants run at their full capacity in CY 2007, the exportable supply of sugar will be limited, approximately around 4 – 4.5 million tons, as about 20 million tons of sugarcane (roughly 2 million tons of sugar equivalent) will be used for ethanol production, given the current low level of sugarcane production and no systematic supply management.

Statistical Tables

Table 1: Thailand's Sugarcane Production

PSD Table

Country Thailand

Commodity Sugar Cane for Centrifugal

(1000 HA)(1000 MT)

	2003		2004		2005	
	Revised		Estimate		Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	12/2002		12/2003		12/2004	
Area Planted	995	1144	995	1200	1050	1050
Area Harvested	970	1121	970	1050	1020	1020
Production	69000	74100	69000	64500	65000	60000
TOTAL SUPPLY	69000	74100	69000	64500	65000	60000
Utilization for Sugar	69000	74100	69000	64500	65000	60000
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	69000	74100	69000	64500	65000	60000

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

PSD Table

Country Thailand

Commodity Sugar, Centrifugal

(1000 MT)

	2003 Revised		2004 Estimate		2005 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	12/2002		12/2003		12/2004	
Beginning Stocks	979	979	1282	1045	982	915
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	7303	7286	6900	7010	6800	6520
TOTAL Sugar Production	7303	7286	6900	7010	6800	6520
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	8282	8265	8182	8055	7782	7435
Raw Exports	2800	2669	2850	2630	2750	2450
Refined Exp.(Raw Val)	2300	2611	2400	2530	2250	2350
TOTAL EXPORTS	5100	5280	5250	5160	5000	4800
Human Dom. Consumption	1900	1940	1950	1980	2000	2050
Other Disappearance	0	0	0	0	0	0
Total Disappearance	1900	1940	1950	1980	2000	2050
Ending Stocks	1282	1045	982	915	782	585
TOTAL DISTRIBUTION	8282	8265	8182	8055	7782	7435

Table 3: Thailand's Exports of Sugar

Export Trade Matrix

Country Thailand

Commodity Sugar, Centrifugal

Time Period	Jan - Dec	Units:	MTRV
Exports for:	2003		**2004**
U.S.	14615	U.S.	11490
Others		Others	
Indonesia	1276410	Indonesia	802458
Japan	565822	Japan	382872
China	208207	China	147500
Malaysia	448296	Malaysia	412730
Korea, Rep.	249473	Korea, Rep.	106577
Cambodia	112394	Cambodia	81721
Taiwan	260317	Taiwan	272466
Russia	713886	Russia	21007
Singapore	78142	Singapore	45216
Bangladesh	206036	Bangladesh	141903
Total for Others	4118983		2414450
Others not Listed	1245867		342295
Grand Total	5379465		2768235

Note: The figures for CY 2004 are exports for the period of Jan. - Jun.

Table 4: Thailand's Monthly Export Prices (FOB) for Raw Sugar (Baht/ton)

Month	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
January	7059	6652	6700	13936	6931	4917	9934	6820	6340	5588
February	7363	6796	6679	11263	6923	4973	9713	6910	7014	5342
March	7127	6595	6580	10826	6828	4569	9102	6269	7101	5598
April	7235	6487	6634	10372	6128	4763	9321	6408	7045	5590
May	7289	6510	6598	10306	5506	5293	9546	6194	6948	6092
June	7746	7019	6711	10459	5173	5912	9428	6323	7350	6665
July	7697	7055	8081	11400	5288	5061	9542	6442	6464	n.a.
August	7661	7574	8388	10514	6146	7458	10044	6504	6653	n.a.
September	7839	7537	9254	9013	5242	7535	9617	6782	6789	n.a.
October	7738	7954	9780	7728	5636	8391	9228	6702	6427	n.a.
November	7431	7384	9676	7839	5558	9602	7514	6330	6444	n.a.
December	7221	6347	12197	10109	4873	8041	7518	5808	6292	n.a.
Average	7439	6686	7195	10361	5842	5863	9368	6415	6891	n.a.
Avg. Exchange rates (Baht/U.S.$)	24.89	25.32	31.32	41.31	37.79	40.11	44.43	42.96	41.48	39.69

SOURCE: Thailand Sugar Corp., Ltd. (TSC),
The Sugar Trading Corp., Ltd. (TSTC),
Siam Sugar Export Corporation (SSEC),
The Sugar Industry Trading Co., Ltd. (SITCO),
K. S. L. Export Trading Co., Ltd. (KSL),
Pacific Sugar Corp., Ltd. (PSC).

Table 5: Thailand's Monthly Export Prices (FOB) for Plantation White Sugar (Baht / ton)

Month	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
January	7528	7842	7599	15342	8698	6453	10245	8851	8582	7189
February	7674	7730	7916	13781	7038	6161	10227	8578	8129	6965
March	8100	7576	8017	12618	8731	6056	9927	8142	8362	7488
April	8443	7902	7986	11700	8084	6321	9791	8324	8530	7506
May	8065	7835	8333	11660	7701	6868	9972	7971	8554	7566
June	8583	8270	7997	11731	7135	6698	10309	7714	8318	8108
July	8619	7994	8703	11153	6894	7220	10794	8182	7977	n.a.
August	8673	7959	10303	11482	7497	7421	11033	7742	7914	n.a.
September	8490	8385	10431	11217	6928	7904	10897	8393	7778	n.a.
October	8304	8980	11193	10498	7673	8943	10091	8751	7068	n.a.
November	8301	8799	12248	7358	7300	9617	10359	9046	7592	n.a.
December	9308	8601	14905	9071	7497	9706	10658	8830	7696	n.a.
Average	8335	7882	8777	12527	7632	7283	10260	8262	8115	n.a.
Avg. Exchange rates (Baht/U.S.$)	24.89	25.32	31.32	41.31	37.79	40.11	44.43	42.96	41.48	39.69

SOURCE: Thailand Sugar Corp., Ltd. (TSC),
The Sugar Trading Corp., Ltd. (TSTC),
Siam Sugar Export Corporation (SSEC),
The Sugar Industry Trading Co., Ltd. (SITCO),
K. S. L. Export Trading Co., Ltd. (KSL),
Pacific Sugar Corp., Ltd. (PSC).

Table 6: Thailand's Annual Raw Sugar Exports (MTRV)

Destination	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004 (Jan. - Jun)
China	1236453	500526	233932	85609	33858	90801	346979	168982	180567	130302
Congo	-	-	-	-	-	10260	-	-	-	-
Indonesia	-	54378	160005	25804	341700	447543	402189	387971	373106	273306
Iran	-	28728	-	-	-	-	-	30780	-	-
Japan	530636	737457	703729	697216	529302	746735	690220	383685	565822	381817
Korea, DPR	-	-	-	-	3386	14056	-	6378	62877	41
Korea, Rep. of	378943	623209	710402	163560	205301	318056	235919	110044	175976	63114
Malaysia	291891	367924	382698	84251	127470	233107	247957	240636	242141	186721
Mozambique	13338	2052	23598	15185	-	-	-	-	-	-
Philippines	113917	223843	11286	134714	117547	21546	-	3078	-	113
Romania	-	25650	-	-	12312	-	-	-	41040	-
Russia	42169	44118	85158	77976	469087	291589	73955	484253	696757	10413
Singapore	8208	83106	43092	7182	17750	8161	26081	52644	2786	429
Sri Lanka	73564	57559	47093	12312	78007	73462	52839	64384	52711	47705
Tanzania	20520	35223	2052	18981	-	29959	47145	33006	10012	9302
Taiwan	-	-	-	-	-	49248	71795	102794	201234	202792
Ukraine	39769	14364	28728	-	-	-	-	-	-	-
United States	16539	32740	28284	21082	15111	14615	11597	14614	14615	11490
UAE	-	72254	34474	6156	-	-	-	45785	-	-
Vietnam	44118	15390	31550	-	14334	-	16416	-	-	-
Others	43495	41389	38569	73027	9537	5870	15942	20075	72779	20622
Total	2853560	2959910	2564650	1423055	1974702	2355008	2239034	2149107.8	2692423	1338167

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

Table 7: Thailand’s Annual White and Refined Sugar Exports (MTRV)

Destination	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004 (Jan. - Jun.)
Bangladesh	-	-	25358	-	41555	115759	36484	31717	200676	141903
Brunei	-	3210	-	3210	4280	2140	5374	7490	1831	2727
Burma	1035	5175	-	-	3601	47326	362	80	1031	3321
Cambodia	22276	38411	55430	62873	157702	77029	178405	244344	112394	81721
China	225499	-	2070	3780	-	4850	64751	13954	27640	17198
India	-	-	25470	13973	281555	8280	-	-	348	-
Indonesia	332064	632468	1133846	752807	493278	834949	399476	616165	903304	529152
Iran	112350	329560	118580	-	74921	6624	-	63368	14445	-
Jordan	-	44380	-	-	23214	-	4280	55961	46042	57780
Korea, DPR	8073	20364	-	28134	52892	65114	35713	46073	81045	46913
Korea, Rep o	2277	-	-	-	65	3815	20234	26300	73497	43462
Kenya	-	22819	15525	2381	-	2795	-	1074	4693	-
Laos	12295	11412	16849	14973	20445	17334	39310	27899	23947	11577
Malaysia	-	-	-	3105	11980	48738	87055	129248	206155	226010
Maldives	-	3105	-	-	-	2070	-	-		
Pakistan	-	29725	92616	-	-	148355	-	-		
Philippines	77401	126151	-	21444	5843	42350	6596	31168	45878	20156
Russia	2675	2140	-	-	-	-	-	6793	17129	10664
Saudi Arabia	42881	34890	-	-	-	-	-	4280	5350	
Singapore	4863	8455	15502	6111	33768	16945	37492	105910	75356	44786
Somalia	3726	4280	-	-	2070	59597	69138	75555	61692	17169
Sri Lanka	20314	34007	32245	6210	24737	115304	5175	40081	22455	12553
Syria	-	27820	-	-	-	-	-	119379	234129	
Tanzania	-	10455	29187	26703	6210	6893	5175	23039	25351	5002
UAE	22656	59449	25680	-	4165	-	-	3210	5280	15095
Vietnam	68116	2087	19053	8280	-	471	49740	-	-	4347
Yemen	8570	89658	-	-	60379	217073	16560	52890	167254	13455
Others	6229	28005	34985	9212	56309	8585	10405	283349	330120	125077
Total	973300	1568026	1642396	963196	1358969	1852396	1071725	2009327	2687042	1430068

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

End of Report.