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## Thailand

## Sugar

## Semi-Annual

## 2006

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**Report Highlights:**

MY 2007 sugar production forecasts have been increased to 6.3 million tons, driven largely by good weather conditions and government-controlled domestic prices set by Thailand's Cane and Sugar Board. Additionally, the Royal Thai Government continues to pursue their ambitious plan to have all premium gasoline in Thailand be replaced by gasohol.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
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## Executive Summary

MY 2007 sugarcane production is revised upward to 59 million tons in anticipation of yield improvement from favorable weather conditions. Most sugarcane is used for sugar production as cane/molasses-based ethanol plants are still working out trial runs of sugarcane-based ethanol production. Ethanol production will rely on molasses, a by-product of sugar production. According to an ambitious plan by the Royal Thai Government, all premium gasoline will be replaced by gasohol, with ethanol demand expected at around 850,000 million liters/day, by early CY 2007. Currently there are eight ethanol plants, which are primarily producing molasses-based ethanol, that are planning to supply future gasohol demand. The Government set a three-year plan (2007-2010) to increase sugarcane production to over 72 million tons in order to meet increasing demand for cane/molasses-based ethanol.

MY 2007 sugar production is forecast to increase to around 6.3 million tons, following bumper sugarcane crops. Sugar exports are also expected to recover from the previous year due to increased supplies at lower prices, and recovery in import demand from Asian countries.

Since March 2006, the Government's Cane and Sugar Board has kept wholesale domestic sugar prices 1-2 cents/lb. above world prices in an effort to prevent smuggling to border countries. Low world prices of sugar of 15-16 cents/lb. have largely ended incentives for the aforementioned smuggling activities seen in the previous year.

## 1. Production

### 1.1 Sugarcane

MY 2007 sugarcane production is revised upward to 59 million tons, up significantly from the previous year, due to favorable weather conditions. Average yields are expected to increase to around 8.8 kg/rai (55 tons/hectare), as compared to 7.5 kg/rai (46.7 tons/hectare). Meanwhile, the flood during the beginning of cultivation has reportedly had only a marginal impact on sugarcane. The damage from flooding in the early stage of cultivation was expected to be limited at around 3,000 rais (480 hectares), out of the total affected areas of around 23,000 rais (3,680 hectares). The present flood in September is unlikely to affect sugarcane production as cane has reportedly grown strongly and flood waters normally recede quickly.

### 1.2 Sugar

MY 2007 sugar production is forecast to increase to 6.3 million tons, up significantly from the previous year, in anticipation of bumper sugarcane crops. However, the average extraction rate of cane for sugar is revised downward to around 106 kgs./ton of cane, compared to the previous forecast of 108 kgs./ton of cane, due to excessive rain falls. Losses in the decreased extraction rate however, are offset by the significant gains in yield. Meanwhile, supplies of molasses, a by-product of sugar production, are expected to recover to 2.8 million tons. Molasses prices will likely remain high due to increasing demand from molasses-based ethanol manufactures.

**Table: Thailand's Sugar and Molasses Yield and Prices**

	MY 2004	MY 2005	MY 2006	MY 2007 (Forecast)
<b>Yield per metric ton of cane</b>				
Sugar (kg.)	108.71	108.49	103.56	106.00
Molasses (kg.)	45.51	47.29	45.18	48.0
<b>Farm price (ex-factory): Baht/ton</b>	465	620	800	800
<b>Wholesale prices</b>				
Sugar (Baht/100 kg.)	1,177	1,177	1,498	1,498
Molasses (Baht/ton)	1,000	1,800	4,000	3,800

## 2. Consumption

### 2.1 Sugarcane

Almost all sugarcane will be used for sugar production in MY 2007. Meanwhile, the utilization of sugarcane for ethanol is still limited, as sugarcane production is still far below the optimal levels of 80 million tons. In MY 2006, one sugar miller, who invested in sugarcane/molasses-based ethanol plant, utilized sugarcane of around 22,500 tons for ethanol production in the test running sugarcane-based ethanol production line.

Also, the expansion of sugarcane-based ethanol is considered not to be cost effective as domestic sugarcane supplies are available only 4 months. Therefore, ethanol production will be mainly from molasses over the medium term.

## 2.2 Sugar

MY 2007 sugar consumption will likely continue the upward trend. Annual per capita consumption of sugar is currently at 21 kilograms, of which 9 kilograms are direct consumption, accounting for about 30 percent of total sugar consumption. Sugar shortages arose in MY 2006 currently ease due to less aggressive sugar smuggling into neighboring countries when world sugar prices currently decline to 15-16 cents/lb which is approximately equal to 12-13 baht/kg. However, local consumers still have to pay high domestic sugar prices, regarding the government approval of an increase in wholesale prices and retail prices of sugar by 3 bath/kg (roughly U.S.\$ 4 cent/lb) on March 7, 2006 in order to bridge the gap between export prices and controlled domestic prices. The current domestic prices for sugar remain at 14.98 baht/kg. (roughly U.S.\$ 17 cents/lb) wholesale, and 16.50 baht/kg. (roughly U.S.\$ 19 cents/lb) retail.

## 3. Trade

MY 2007 sugar exports are revised upward due to more exportable supplies in anticipation of bumper sugarcane crops. Thai sugar exports to Asian countries are expected to recover as sugar export prices will likely ease. Current export prices of raw sugar shrank to around 12-13 cents/lb (roughly U.S.\$ 264 - 287/MT), compared to record 19 cents/lb (roughly U.S.\$ 419/MT) in February 2006. Meanwhile, Thailand will fulfill MY 2007 U.S. tariff-rate quota (TRQ) of raw sugar of 17,943 metric ton (raw value), up slightly from normal allocation of 14,743 metric tons (raw value), in order to maintain historical shares.

MY 2006 sugar exports are revised downward due to contraction in import demand for raw sugar from major importing countries. This was seen primarily in Indonesia and Russia where domestic production of sugar increased. Also, white and refined sugar exports to Malaysia also declined sharply due to competition from Brazilian sugar. Meanwhile, white and refined sugar exports to Cambodia increased significantly. Also, some sugar has reportedly been smuggled into Vietnam through Cambodia. Thailand currently fulfills raw sugar exports to the U.S. under 2005/06 TRQ, which increased to 25,154 metric tons (raw value), compared to normal TRQ of 14,743 metric tons (raw value).

Sugar imports in MY 2006 and MY 2007 is expected to be marginal due to sufficient available domestic supplies. 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. Meanwhile, the out-of-quota tariff is 94 percent (roughly U.S. 23.06 cents/kg.).

## 4. Stock

MY 2007 sugar stock is forecast to be at low levels in anticipation of recovery in sugar exports.

## 5. Policy

Despite current weakening world sugar prices, the authorities will likely maintain MY 2007 minimum sugar prices for sugarcane at a record 800 baht/ton (roughly U.S.\$ 21/MT, ex-

factory prices). On March 7, 2006, the government increased wholesale and retail prices of sugar by 3 baht/kg (roughly U.S.\$ 4 cents/lb) to halt the sugar shortages brought on by smuggling in the last quarter of CY 2005. Presently, domestic sugar shortages are no longer a problem as there is no incentive for sugar smuggling into neighboring countries when world sugar prices have eased to 11-12 cents/lb since the beginning of the second half of CY 2006.

The Government's Cane and Sugar Board has recently set a three-year plan (2007-2010) to increase sugarcane production to a minimum 72 million tons in order to have enough cane and molasses supplies for domestic ethanol production. Also, the target is to improve the extraction rate of cane for sugar to 109 kgs./ton of cane. The plan additionally aims to reduce sugar production costs by 10 percent in order to push the sugar market liberalization plan on track.

According to the government policy on ethanol production, the Government has recently approved 15 additional ethanol producers out of 49 applicants with total production capacity of around 5 million liters/day. As a result, there are altogether 33 ethanol producers with total production capacity of around 10 million liters/day. However, only half of the approved ethanol producers are will likely be able to operate the plants with production capacity of around 4 million liters/day. At the moment, there are five ethanol plants producing around 550,000 liters/day, which are sufficient for current gasohol demand of around 3.5 million liters/day. These ethanol plants are classified into three molasses-based ethanol plants with production capacity of 375,000 liters/day, one cane/molasses-based plant (150,000 liters/day), and one tapioca-based plant (7,500 liters/day). By the beginning of CY 2007, all premium gasoline will be replaced by gasohol, and demand for ethanol should increase to 850,000 liters/day. Demand is expected to be fulfilled by three additional ethanol plants with production capacity of 400,000 liters/day. All of them will be from cane/molasses-based ethanol plants.

The military-led Council for Democratic Reform under Constitutional Monarchy (CDRM), who seized control of the Thai government and declared martial law on September 19, 2006, is expected to support current cane and sugar policy in order to secure cane and molasses supplies for ethanol production.

## Statistic Tables

Table 1: Thailand's Sugarcane Production

## PSD Table

Country	Thailand								
	Sugarcane for Centrifugal								
Commodity	(1000 HA)			(1000 MT)					
	2005 USDA Official [Old]	Revised Post Estimate[ New]	New Post Estimate[ New]	2006 USDA Official [Old]	Estimate Post Estimate[ New]	New Post Estimate[ New]	2007 USDA Official [Old]	Forecast Post Estimate[ New]	New Post Estimate[ New]
Market Year Begin		12/2004	12/2004		12/2005	12/2005		12/2006	12/2006
Area Planted	1050	1050	1050	1000	1000	1000	1070	1070	1070
Area Harvested	990	990	990	950	950	950	1030	1030	1030
Production	47820	47820	47820	46700	46700	46690	57000	57000	59000
Total Supply	47820	47820	47820	46700	46700	46690	57000	57000	59000
Utilization for Sugar	47820	47820	47820	46700	46700	46667	57000	57000	58950
Utilizatr for Alcohol	0	0	0	0	0	23	0	0	50
Total Utilization	47820	47820	47820	46700	46700	46690	57000	57000	59000

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

## PSD Table

Country	Thailand								
	Sugar, Centrifugal								
Commodity	(1000 MT)								
	2005 Official [Old]	Revised Estimate[ New]	New Estimate[ New]	2006 Official [Old]	Estimate Estimate[ New]	New Estimate[ New]	2007 Official [Old]	Forecast Estimate[ New]	New Estimate[ New]
Market Year Begin		12/2004	12/2004		12/2005	12/2005		12/2006	12/2006
Beginning Stocks	1215	1215	1215	1217	1217	1217	977	977	1102
Beet Sugar Production	0	0	0	0	0	0	0	0	0
Cane Sugar Production	5187	5187	5187	4810	4810	4835	6200	6200	6250
Total Sugar Production	5187	5187	5187	4810	4810	4835	6200	6200	6250
Raw Imports	0	0	0	0	0	0	0	0	0
Refined Imp.(Raw Val)	0	0	0	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0	0	0	0
Total Supply	6402	6402	6402	6027	6027	6052	7177	7177	7352
Raw Exports	1647	1647	1647	1300	1300	1200	1800	1800	2100
Refined Exp.(Raw Val)	1468	1468	1468	1600	1600	1600	2100	2100	2200
Total Exports	3115	3115	3115	2900	2900	2800	3900	3900	4300
Human Dom. Consumptic	2070	2070	2070	2150	2150	2150	2250	2250	2250
Other Disappearance	0	0	0	0	0	0	0	0	0
Total Disappear	2070	2070	2070	2150	2150	2150	2250	2250	2250
Ending Stocks	1217	1217	1217	977	977	1102	1027	1027	802
Total Distribution	6402	6402	6402	6027	6027	6052	7177	7177	7352

Table 3: Thailand's Exports of Sugar

# Export Trade Matrix

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

Time Period:  Units:   
 Exports for:    
 U.S.  U.S.   
 Others Others

Indonesia	883085	Indonesia	150535
Japan	393767	Japan	339600
China	17398	China	4423
Malaysia	94958	Malaysia	6108
South Korea	60865	South Korea	2951
Cambodia	101191	Cambodia	140721
Taiwan	96256	Taiwan	64996
Russia	30914	Russia	8003
Singapore	25819	Singapore	11307
Bangladesh	55279	Bangladesh	17772
Total for Others	1759532		746416
Others not Listed	<input type="text" value="126100"/>		<input type="text" value="122002"/>
Grand Total	1900247		888876



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

Month	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
January	7059	6652	6700	13936	6931	4917	9934	6820	6340	5588	6763	10226
February	7363	6796	6679	11263	6923	4973	9713	6910	7014	5342	7984	8991
March	7127	6595	6580	10826	6828	4569	9102	6269	7101	5598	8318	10495
April	7235	6487	6634	10372	6128	4763	9321	6408	7045	5590	8291	10409
May	7289	6510	6598	10306	5506	5293	9546	6194	6948	6092	8848	11385
June	7746	7019	6711	10459	5173	5912	9428	6323	7350	6665	8558	11871
July	7697	7055	8081	11400	5288	5061	9542	6442	6464	6426	8699	
August	7661	7574	8388	10514	6146	7458	10044	6504	6653	6667	8768	
September	7839	7537	9254	9013	5242	7535	9617	6782	6789	7151	8832	
October	7738	7954	9780	7728	5636	8391	9228	6702	6427	6633	8889	
November	7431	7384	9676	7839	5558	9602	7514	6330	6444	7127	8746	
December	7221	6347	12197	10109	4873	8041	7518	5808	6292	6302	8385	
Average	7439	6686	7195	10361	5842	5863	9368	6415	6891	6249	8561	10,563
Avg. Exchange rates ( Baht/U.S.\$)	24.89	25.32	31.32	41.31	37.79	40.11	44.43	42.96	41.48	40.22	40.22	38.50

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

**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	2005	2006
January	7528	7842	7599	15342	8698	6453	10245	8851	8582	7189	9549	10226
February	7674	7730	7916	13781	7038	6161	10227	8578	8129	6965	9923	12471
March	8100	7576	8017	12618	8731	6056	9927	8142	8362	7488	10063	14286
April	8443	7902	7986	11700	8084	6321	9791	8324	8530	7506	10251	13396
May	8065	7835	8333	11660	7701	6868	9972	7971	8554	7566	10357	13673
June	8583	8270	7997	11731	7135	6698	10309	7714	8318	8108	10443	14898
July	8619	7994	8703	11153	6894	7220	10794	8182	7977	7716	10929	
August	8673	7959	10303	11482	7497	7421	11033	7742	7914	8341	11186	
September	8490	8385	10431	11217	6928	7904	10897	8393	7778	8762	10806	
October	8304	8980	11193	10498	7673	8943	10091	8751	7068	9996	11475	
November	8301	8799	12248	7358	7300	9617	10359	9046	7592	9319	11399	
December	9308	8601	14905	9071	7497	9706	10658	8830	7696	9569	11236	
Average	8335	7882	8777	12527	7632	7283	10260	8262	8115	7983	10378	13,158
Avg. Exchange rates ( Baht/U.S.\$)	24.89	25.32	31.32	41.31	37.79	40.11	44.43	42.96	41.48	40.22	40.22	38.50

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

Table 6: Thailand Annual Raw Sugar Exports (MTRV)

Destination	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Jan. - Jun.	
											2005	2006
China	500526	233932	85609	33858	90801	346979	168982	180567	252455	175529	14672	-
Congo	-	-	-	-	10260	-	-	-	-	-	-	-
Indonesia	54378	160005	25804	341700	447543	402189	387971	373106	463426	423816	251536	60637
Iran	28728	-	-	-	-	-	30780	-	-	-	-	-
Japan	737457	703729	697216	529302	746735	690220	383685	565822	751129	602690	393767	339600
North Korea	-	-	-	3386	14056	-	6378	62877	41	2560	-	0
South Korea	623209	710402	163560	205301	318056	235919	110044	175976	144877	87423	22296	2866
Malaysia	367924	382698	84251	127470	233107	247957	240636	242141	245564	64820	43143	0
Mozambique	2052	23598	15185	-	-	-	-	-	-	-	-	-
Philippines	223843	11286	134714	117547	21546	-	3078	-	286	-	-	-
Romania	25650	-	-	12312	-	-	-	41040	-	-	-	-
Russia	44118	85158	77976	469087	291589	73955	484253	696757	66279	46170	30780	8003
Singapore	83106	43092	7182	17750	8161	26081	52644	2786	429	-	-	-
Sri Lanka	57559	47093	12312	78007	73462	52839	64384	52711	55149	9593	7156	0
Tanzania	35223	2052	18981	-	29959	47145	33006	10012	10841	208	208	257
Taiwan	-	-	-	-	49248	71795	102794	201234	313528	75544	45442	23963
Ukraine	14364	28728	-	-	-	-	-	-	-	-	-	-
United States	32740	28284	21082	15111	14615	11597	14614	14615	14615	14615	14615	20458
UAE	72254	34474	6156	-	-	-	45785	-	-	-	-	-
Vietnam	15390	31550	-	14334	-	16416	-	-	-	70179	5387	31088
Others	41389	38569	73027	9537	5870	15942	20075	72779	23333	18172	2761	7852
Total	2959910	2564650	1423055	1974702	2355008	2239034	2149108	2692423	2341952	1591319	831763	494724

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

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

Destination	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Jan. - Jun.	
											2005	2006
Bangladesh	-	25358	-	41555	115759	36484	31717	200676	304502	55001	54766	11616
Brunei	3210	-	3210	4280	2140	5374	7490	1831	6233	6202	3663	2876
Burma	5175	-	-	3601	47326	362	80	1031	7023	1800	877	2429
Cambodia	38411	55430	62873	157702	77029	178405	244344	112394	195545	229749	101191	140721
China	-	2070	3780	-	4850	64751	13954	27640	34013	5280	2726	4423
India	-	25470	13973	281555	8280	-	-	348	803	-	-	-
Indonesia	632468	1133846	752807	493278	834949	399476	616165	903304	864095	750834	631549	89898
Iran	329560	118580	-	74921	6624	-	63368	14445	-	-	-	-
Jordan	44380	-	-	23214	-	4280	55961	46042	65698	257	-	-
North Korea	20364	-	28134	52892	65114	35713	46073	81045	84073	89581	71552	23148
South Korea	-	-	-	65	3815	20234	26300	73497	83280	81253	38569	86
Kenya	22819	15525	2381	-	2795	-	1074	4693	598	-	-	-
Laos	11412	16849	14973	20445	17334	39310	27899	23947	27887	41657	22650	35969
Malaysia	-	-	3105	11980	48738	87055	129248	206155	331552	78727	51815	6108
Maldives	3105	-	-	-	2070	-	-	-	-	264	-	-
Pakistan	29725	92616	-	-	148355	-	-	-	-	15774	-	-
Philippines	126151	-	21444	5843	42350	6596	31168	45878	51193	18427	9654	11203
Russia	2140	-	-	-	-	-	6793	17129	10664	874	134	-
Saudi Arabia	34890	-	-	-	-	-	4280	5350	-	-	-	-
Singapore	8455	15502	6111	33768	16945	37492	105910	75356	116864	41111	25819	11307
Somalia	4280	-	-	2070	59597	69138	75555	61692	21568	-	-	-
Sri Lanka	34007	32245	6210	24737	115304	5175	40081	22455	24430	6210	-	-
Syria	27820	-	-	-	-	-	119379	234129	-	-	-	-
Tanzania	10455	29187	26703	6210	6893	5175	23039	25351	10352	1190	-	-
UAE	59449	25680	-	4165	-	-	3210	5280	15095	129	-	-
Vietnam	2087	19053	8280	-	471	49740	-	-	4347	2390	518	8412
Yemen	89658	-	-	60379	217073	16560	52890	167254	26910	-	-	-
Others	28005	34985	9212	56309	8585	10405	283349	330120	206120	71627	53001	45956
Total	1568026	1642396	963196	1358969	1852396	1071725	2009327	2687042	2492845	1498337	1068484	394152

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

End of Report.