Required Report - public distribution

Date: 9/30/2009
GAIN Report Number: TH9147

Thailand

SUGAR SEMI-ANNUAL

Semi Annual 2009

Approved By:
Gary Meyer, Agricultural Counselor

Prepared By:
Ponnarong Prasertsri, Agricultural Specialist

Report Highlights:
TH9147 MY2009/01 sugar production has been revised up due to better-than-expected sugarcane production. Despite continued increase in gasohol consumption, sugarcane will be primarily used for sugar production due to attractive prices. Sugar exports have been revised up to a record 5 – 6 million tons due to tight sugar supplies of major producing countries.

Executive Summary:

MY2009/10 sugar production has been revised up to 7.7 million tons due to better-than-expected sugarcane production at 72 million tons due to average yield improvements following favorable weather condition. Molasses production, a by-product of sugar, is expected to increase to 3.2 million tons in MY2009/10.

Despite continued increase in gasohol consumption (a mixture of regular gasoline and ethanol), MY2009/10 sugarcane will be primarily used for sugar production due to attractive prices. The increase in gasohol consumption will mainly be fulfilled by molasses and tapioca-based ethanol.

MY2008/09 and MY2009/10 sugar exports have been revised up to a record 5 – 6 million tons due to tight sugar supplies of major producing countries. Sugar exports to India and some other countries in the region are expected to offset the reduction in sugar exports to Indonesia.

MY 2009/10 sugarcane support prices are expected to be at 900 – 1,000 baht/ton ($27-30/MT), up significantly from the previous year level of 830 baht/ton ($23/MT). Meanwhile, the domestic sugar prices will likely remain unchanged from current levels due to the government price controls.

Commodities:

Sugar Cane for Centrifugal
Sugar, Centrifugal

Production:

MY2009/10 sugar production has been revised up to 7.7 million tons due to better-than-expected sugarcane production at 72 million tons due to average yield improvements following favorable weather conditions. Also, attractive farm-gate prices during the growing period resulted in more fertilizer usage, particularly in the northern and the central plains. Farm-gate prices will likely increase to a record 900 – 1,000 baht/ton ($27-30/MT), driven by a surge in international sugar prices following anticipated reductions in global sugar production for the second consecutive year. Meanwhile, sugarcane production cost is expected to decline to 700 – 800 baht/ton ($21-24/MT) due mainly to a reduction in fertilizer cost. This year's farm-gate prices will likely result in an acreage expansion of MY2010/11 sugarcane crop.

Molasses production, a by-product of sugar, is expected to increase to 3.2 million tons in MY2009/10. A steady decline in molasses prices is expected due to a recovery of domestic molasses production. Current molasses prices are 5,000 baht/ton ($150/MT), as compared to an average of 2,300 baht/ton ($70/MT) for the same period a year ago.

Consumption:

Despite continued increase in gasohol consumption (a mixture of regular gasoline and ethanol), MY2009/10 sugarcane will be primarily used for sugar production due to attractive sugar prices. Presently, there are 16 ethanol plants with production capacity of 2.6 million liters/day. They are primarily molasses-based ethanol. Only one of them is sugarcane-based ethanol plant which came on line this year, however it is working at less than full capacity and should be operating at full capacity in 2012. This plant has a production capacity of 200,000 liters/day (30 million liters/year) with a daily milling volume of 5,000 tons of sugarcane that comes from contracted farming of 60,000 rai (9,600 hectares) in the northern region. Meanwhile, tapioca-based ethanol plants increased from one plant to five plants with a production capacity of 780,000 liters/day, accounting for approximately 30 percent of total ethanol production capacity. The increase in tapioca-based ethanol production is a result of lower production costs (21 baht/liter or $63 cent/liter) as compared to current production costs of sugarcane/molasses-based ethanol (27 baht/liter or $81 cent/liter) driven by record prices.

Domestic sugar prices are under upward pressure due to a sharp increase in international sugar prices. Sugar exports are becoming more attractive as export prices have increased to nearly $600/MT ($27 cent/lb) for delivery in March 2010, compared to current prices of $310 – 350/MT ($14-16 cent/lb). Meanwhile, current domestic sugar prices remained unchanged due to government price controls of 19 baht/kg ($26 cent/lb) for white sugar, and 20 baht/kg ($27 cent/lb) for refined sugar, ex-factory wholesale (excluding 7% Value Added Tax). The retail prices (include Value Added Tax) are set at 21.85 baht/kg ($30 cent/lb) for white sugar, and 22.85 baht/kg ($31 cent/lb) for refined sugar.

Trade:
MY2008/09 and MY2009/10 sugar exports have been revised up to a record 5 – 6 million tons due to tight sugar supplies of major producing countries, particularly in India. White and refined sugar exports increased significantly in the first half of this year and are expected to continue for the remainder of MY2009/10. Anticipated increase in white and refined sugar exports to India and other countries in the region are expected to offset a reduction in sugar exports (both raw sugar and refined sugar) to Indonesia due to a recovery in domestic production.

Sugar imports will remain marginal in MY2009/10 in anticipation of bumper sugarcane crops. The government’s import policy follows WTO commitments, which maintains a 65 percent tariff rate under a quota for 13,760 tons. Meanwhile, the out-of-quota tariff is 94 percent.

Stocks:
MY2009/10 sugar stocks have revised down despite anticipated bumper crops. The stocks will likely continue to decline in anticipation of an increase in domestic consumption driven by economic recovery, and strong export demand.

Policy:
MY 2009/10 sugarcane support prices are expected to be at 900 – 1,000 baht/ton ($27-30/MT), up significantly from the previous year level of 830 baht/ton ($23/MT). The increase reflects a surge in international sugar prices driven by drought in major producing countries. Meanwhile, domestic sugar prices will likely remain unchanged

due to government price controls from current levels set on May 1, 2008, however this is still higher than current export prices.

Production, Supply and Demand Data Statistics:

Table 1: Thailand's Sugarcane Production

Sugar Cane for Centrifugal Thailand	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Dec 2007			Market Year Begin: Dec 2008			Market Year Begin: Dec 2009		
	USDA Official Data		Old Post Data	USDA Official Data		Old Post Data	USDA Official Data		Jan Data
Area Planted	1,060	1,060	1,060	1,025	1,025	1,025		1,025	1,050
Area Harvested	1,020	1,020	1,020	1,000	1,000	1,000		1,000	1,030
Production	73,310	73,310	73,310	74,000	67,000	66,500		70,000	72,000
Total Supply	73,310	73,310	73,310	74,000	67,000	66,500		70,000	72,000
Utilization for Sugar	73,250	73,250	73,250	73,930	66,930	66,430		69,920	71,920
Utilizatn for Alcohol	60	60	60	70	70	70		80	80
Total Utilization	73,310	73,310	73,310	74,000	67,000	66,500		70,000	72,000

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

Sugar, Centrifugal Thailand	2008			2009			2010		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Dec 2007			Market Year Begin: Dec 2008			Market Year Begin: Dec 2009		
	USDA Official Data		Old Post Data	USDA Official Data		Old Post Data	USDA Official Data		Jan Data
Beginning Stocks	1,745	1,745	1,745	2,651	2,651	2,651	2,351	2,351	2,351
Beet Sugar Production	0	0		0	0		0	0	
Cane Sugar Production	7,820	7,820	7,820	7,200	7,200	7,200	7,500	7,500	7,700
Total Sugar Production	7,820	7,820	7,820	7,200	7,200	7,200	7,500	7,500	7,700
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	9,565	9,565	9,565	9,851	9,851	9,851	9,851	9,851	10,051
Raw Exports	2,674	2,674	2,674	2,800	2,800	2,700	2,900	2,900	2,800
Refined Exp.(Raw Val)	2,240	2,240	2,240	2,700	2,700	2,800	2,800	2,800	3,000
Total Exports	4,914	4,914	4,914	5,500	5,500	5,500	5,700	5,700	5,800
Human Dom. Consumption	2,000	2,000	2,000	2,000	2,000	2,000	2,100	2,100	2,100
Other Disappearance	0	0	0	0	0		0	0	
Total Use	2,000	2,000	2,000	2,000	2,000	2,000	2,100	2,100	2,100
Ending Stocks	2,651	2,651	2,651	2,351	2,351	2,351	2,051	2,051	2,151
Total Distribution	9,565	9,565	9,565	9,851	9,851	9,851	9,851	9,851	10,051

Table 3: Thailand's Sugar and Molasses Yield and Prices

	MY 2005	MY 2006	MY 2007	MY 2008	MY 2009 (Estimate)	MY 2010 (Forecast)
Yield per metric ton of cane						
Sugar (kg.)	108.49	103.56	105.33	106.63	108.13	108.00
Molasses (kg.)	47.29	45.18	47.01	44.72	42.07	45.00
Farm price (ex-factory): Baht/ton	658	847	702	672	900-1,000	800-900
Wholesale prices						
Sugar (Baht/100 kg.)	1,177	1,498	1,498	2,033	2,033	2,033
Molasses (Baht/ton)	1,800	4,000	2,400	2,300	4,000-5,000	3,000

Table 4: Thailand's Exports of Sugar

Export Trade Matrix

Country Thailand

Commodity Sugar, Centrifugal

Time Period	Jan. - Jun.	Units:	MTRV
Exports for:	2008		**2009**
U.S.	9392	U.S.	14096
Others		Others	
Indonesia	952285	Indonesia	491953
Japan	404269	Japan	312727
China	71943	China	137914
Malaysia	22256	Malaysia	14388
South Korea	138803	South Korea	129764
Cambodia	164805	Cambodia	214572
Taiwan	210419	Taiwan	183600
Russia	21560	Russia	2495
Singapore	56930	Singapore	66505
India	0	India	23085
Total for Others	2043270		1577003
Others not Listed	442556		995034
Grand Total	2495218		2586133

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

Destination	2003	2004	2005	2006	2007	2008	Jan. - Jun.	
							2008	2009
China	180,567	252,455	175,529	221,503	160,292	20,520	20,520	115,086
Congo	-	-	-	-	-	-	-	-
Indonesia	373,106	463,426	423,816	196,017	736,749	1,094,179	620,926	441,484
Iran	-	-	-	-	-	-	-	-
Japan	565,822	751,129	602,690	543,908	557,482	916,460	404,269	312,711
North Korea	62,877	41	2,560	-	-	-	-	27,702
South Korea	175,976	144,877	87,423	38,376	48,316	246,516	133,582	120,841
Malaysia	242,141	245,564	64,820	31,190	182,963	26,933	257	123
Mozambique	-	-	-	-	-	-	-	-
Philippines	-	286	-	-	205	-	-	-
Romania	41,040	-	-	-	-	-	-	-
Russia	696,757	66,279	46,170	38,885	53,711	141,200	21,313	-
Singapore	2,786	429	-	221	128	1,334	-	256
Sri Lanka	52,711	55,149	9,593	4,361	14,877	18,771	14,236	4,156
Tanzania	10,012	10,841	208	770	54,070	6,618	975	3,771
Taiwan	201,234	313,528	75,544	53,282	62,059	246,061	120,473	115,913
Ukraine	-	-	-	-	-	-	-	-
United States	14,615	14,615	14,615	24,939	21,299	12,259	9,392	14,096
UAE	-	-	-	-	-	221		128
Vietnam	-	-	70,179	51,505	11,126	41,626	19,586	5,130
Others	72,779	23,333	18,172	16,890	68,163	8,725	4,704	26,913
Total	2,692,423	2,341,952	1,591,319	1,221,847	1,971,440	2,781,423	1,370,233	1,188,310

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

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

Destination	2003	2004	2005	2006	2007	2008	Jan. - Jun.	
							2008	2009
Bangladesh	200,676	304,502	55,001	116,967	16,846	535	-	-
Brunei	1,831	6,233	6,202	5,033	5,707	6,247	3,123	3,258
Burma	1,031	7,023	1,800	5,711	3,691	3,913	1,454	3,253
Cambodia	112,394	195,545	229,749	257,147	217,013	299,141	164,805	214,572
China	27,640	34,013	5,280	8,780	60,211	101,310	51,423	22,827
India	348	803	-	-	-	-	-	23,085
Indonesia	903,304	864,095	750,834	115,279	686,712	571,649	331,358	50,469
Iran	14,445	-	-	17,816	252,621	45,138	8,295	6,993
Jordan	46,042	65,698	257	17,687	45,143	1,231	1,231	2,140
North Korea	81,045	84,073	89,581	32,085	17,246	62,786	22,876	15,077
South Korea	73,497	83,280	81,253	793	1,244	17,126	5,221	8,923
Kenya	4,693	598	-	1,252	8,710	2,181	-	12,321
Laos	23,947	27,887	41,657	51,122	26,376	48,318	20,308	25,764
Malaysia	206,155	331,552	78,727	12,136	31,706	40,158	22,000	14,265
Maldives	-	-	264	1,035	-	749	-	696
Pakistan	-	-	15,774	18,138	3,570	15,856	1,605	107,017
Philippines	45,878	51,193	18,427	33,606	95,537	103,143	45,203	49,343
Russia	17,129	10,664	874	259	-	506	247	2,495
Saudi Arabia	5,350	-	-	1,873	9,131	25,562	7,025	23,556
Singapore	75,356	116,864	41,111	29,308	219,426	110,811	56,109	66,249
Somalia	61,692	21,568	-	-	-	-	-	25,778
Sri Lanka	22,455	24,430	6,210	87,163	38,249	23,063	6,527	125,262
Syria	234,129	-	-	1,739	41,542	6,153	-	-
Tanzania	25,351	10,352	1,190	134	20,444	4,727	466	15,144
UAE	5,280	15,095	129	26,568	64,354	53,498	19,157	79,130
Vietnam	-	4,347	2,390	10,983	34,053	59,546	20,865	45,161
Yemen	167,254	26,910	-	-	249,779	6,741	2,461	28,952
Others	330,120	206,120	71,627	172,249	554,587	657,226	333,226	426,092
Total	2,687,042	2,492,845	1,498,337	1,024,863	2,703,898	2,267,314	1,124,985	1,397,822

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	2001	2002	2003	2004	2005	2006	2007	2008	2009
January	9,934	6,820	6,340	5,588	6,763	10,226	9,715	8,463	9,380
February	9,713	6,910	7,014	5,342	7,984	8,991	9,812	8,457	10,741
March	9,102	6,269	7,101	5,598	8,318	10,495	8,915	8,398	11,480
April	9,321	6,408	7,045	5,590	8,291	10,409	8,807	8,594	11,123
May	9,546	6,194	6,948	6,092	8,848	11,385	8,391	8,491	11,655
June	9,428	6,323	7,350	6,665	8,558	11,871	8,238	8,758	11,803
July	9,542	6,442	6,464	6,426	8,699	12,315	7,645	8,917	
August	10,044	6,504	6,653	6,667	8,768	12,407	8,590	9,163	
September	9,617	6,782	6,789	7,151	8,832	12,599	7,909	8,949	
October	9,228	6,702	6,427	6,633	8,889	11,658	7,167	9,278	
November	7,514	6,330	6,444	7,127	8,746	9,963	8,189	9,469	
December	7,518	5,808	6,292	6,302	8,385	11,151	8,215	9,644	
Average	9,368	6,415	6,891	6,249	8,561	11,389	8,502	8,882	11,030
Avg. Exchange rates (Baht/U.S.$)	44.43	42.96	41.48	40.22	40.22	37.88	34.52	33.31	34.98

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	2001	2002	2003	2004	2005	2006	2007	2008	2009
January	10,245	8,851	8,582	7,189	9,549	10,226	11,994	10,100	10,100
February	10,227	8,578	8,129	6,965	9,923	12,471	11,498	9,254	9,254
March	9,927	8,142	8,362	7,488	10,063	14,286	10,738	10,104	10,104
April	9,791	8,324	8,530	7,506	10,251	13,396	11,042	10,085	10,085
May	9,972	7,971	8,554	7,566	10,357	13,673	10,722	10,818	10,818
June	10,309	7,714	8,318	8,108	10,443	14,898	10,470	10,239	10,239
July	10,794	8,182	7,977	7,716	10,929	15,016	10,251	16,789	
August	11,033	7,742	7,914	8,341	11,186	13,786	10,132	10,459	
September	10,897	8,393	7,778	8,762	10,806	14,496	10,202	11,762	
October	10,091	8,751	7,068	9,996	11,475	13,745	9,112	11,987	
November	10,359	9,046	7,592	9,319	11,399	12,859	9,616	10,855	
December	10,658	8,830	7,696	9,569	11,236	15,552	9,522	11,253	
Average	10,260	8,262	8,115	7,983	10,378	13,835	10,505	11,142	10,100
Avg. Exchange rates (Baht/U.S.$)	44.43	42.96	41.48	40.22	40.22	37.88	34.52	33.31	34.98

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

Table 9: Thailand's Average Prices of Domestic Plantation White Sugar and Sugar

Calendar Year	Plantation White Sugar		Sugarcane	
	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	702.19
2007	1,498	16.5	638	672
2008	2,033	21.85	830	N.A.
2009	2,033	21.85	N.A.	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