

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Thailand**

### **Sugar Semi-annual**

**2017**

**Approved By:**

Paul Welcher, Agricultural Attaché

**Prepared By:**

Ponnarong Prasertsri, Agricultural Specialist

**Report Highlights:**

MY2017/18 sugar production will likely increase to 11.2 million metric tons, up 12 percent from MY2016/17 due to favorable weather conditions. MY2017/18 sugar consumption is expected to decline slightly due to the new excise tax on sugar-sweetened beverages. The government is amending the Cane and Sugar Act B.E. 2527 (1984) to deregulate the domestic sugar market in MY2017/18.

**Commodities:**

## Sugar Cane for Centrifugal Sugar, Centrifugal

### **Executive Summary:**

MY2017/18 sugar production is expected to increase to 11.2 million metric tons, which is a 12 percent increase from MY2016/17 due to favorable weather conditions. However, sugar consumption will likely decline to 2.7 million metric tons as non-alcoholic beverage manufacturers are expected to reformulate their products in response to the new excise tax on sugar-sweetened beverages.

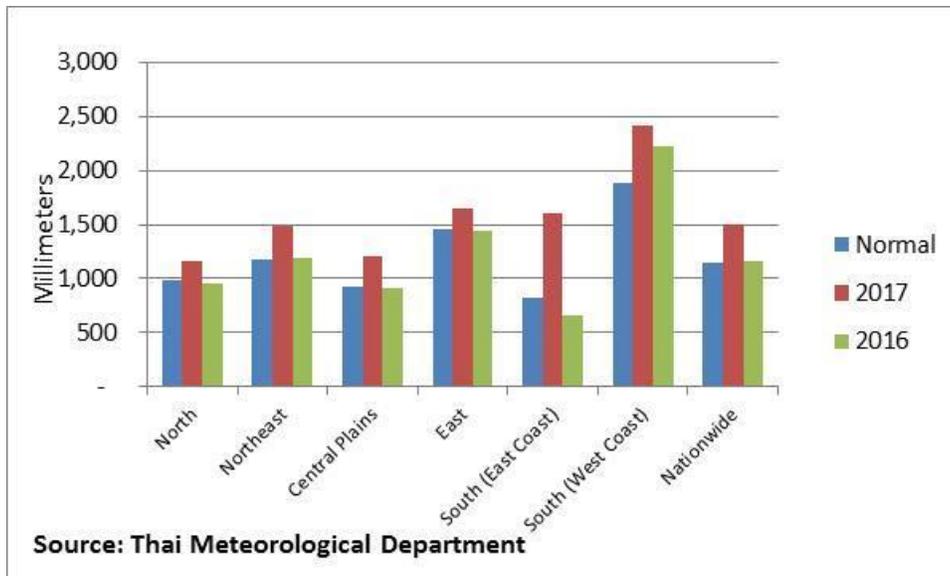
The government is seeking public comment on the draft amendment of the Cane and Sugar Act B.E. 2527 (1984) which aims to deregulate the domestic sugar market in MY2017/18. If the current draft is implemented, starting on December 1, 2017, domestic price subsidies and direct payments to cane growers will end.

### **1. Production**

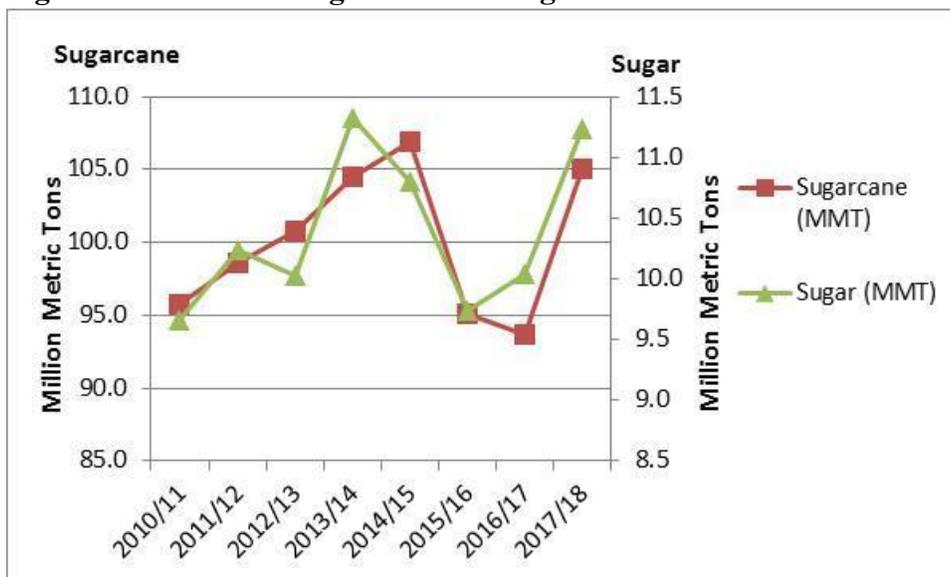
#### **1.1 Sugarcane Production**

Cultivation of the MY2017/18 sugarcane crop has benefited from favorable weather conditions. According to the Thai Meteorological Department, cumulative precipitation during January – September 2017 in the major sugarcane growing areas in the central plains and the northeastern region was 20-30 percent above last year (Figure 1). These areas account for approximately 70 percent of total sugarcane production in Thailand. Additionally, the monsoon rains which caused some flash flooding during July – September 2017 are expected to have minimal impact on the sugarcane crop as flood waters has receded quickly. According to the September 6, 2017, flood assessment by the Ministry of Agriculture and Cooperatives, flood-affected sugarcane area accounts for less than one percent of total sugarcane production. Post's forecast for MY2017/18 sugarcane production is expected to increase to 105 million metric tons (Figure 2), a 12 percent increase from MY2016/17 and similar to production levels seen before the drought that hindered production in MY2015/16 and MY2016/17.

**Figure 1: Cumulative Precipitation by Region during January 1 – September 17, 2017**



**Figure 2: Thailand's Sugarcane and Sugar Production**



MY2016/17 sugarcane production totaled 93.7 million metric tons. This is a 1 percent reduction from MY2015/16 due to drought during the vegetative growth stage. According to the Ministry of Industry's Office of Cane and Sugar Board (OCSB), around 93 million metric tons of sugarcane was utilized for sugar production. The Ministry of Energy reports that 0.7 million metric tons of sugarcane was used to produce 55 million liters of ethanol, down 7 percent from 2016 levels (See GAIN Report: [TH7084, Biofuels Annual 2017, June 23, 2017](#)).

### 1.2 Sugar Production

MY2017/18 sugar production is expected to increase to 11.2 million metric tons. This is a 12 percent increase from MY2016/17 due to the recovery in sugarcane production (Figure 2).

MY2016/17 sugar production totaled 10 million metric tons. This is a 3 percent increase from MY2015/16 as the sugar extraction rate is well above the five-year average due to favorable weather conditions during the maturation cycle. OCSB reported that the sugar extraction rate increased to 107.9 kilogram per ton of cane, up 4 percent from MY2015/16 (Table 3), which more than offset the reduction in sugarcane production.

## **2. Consumption**

MY2017/18 sugar consumption is expected to decline to 2.6 million metric tons, down approximately 2 percent from MY2016/17 in anticipation of less sugar being used by non-alcoholic beverage manufacturers as a result of the new excise tax on sugar-sweetened beverages. Non-alcoholic beverage manufacturers accounts for approximately 25 percent of total sugar consumption in Thailand. Due to the new excise tax, sugar-free drink products that use artificial sweeteners will be 5-10 percent cheaper than sugar-sweetened beverages. Beverage manufacturers will likely begin to reformulate their products and begin replacing sugar with artificial sweeteners during the law's 2018-2019 transition period. This is especially true for functional and carbonated products which are particularly price sensitive.

In the first seven months of MY2016/17, sugar consumption totaled 1.5 million metric tons. This is a slight increase from the same period last year due to increased sugar utilization by food and beverage manufacturers. Food and beverage manufacturers account for approximately 80 percent of total indirect sugar consumption. Meanwhile, household's direct sugar consumption declined around 4 percent from the same period last year. Total sugar consumption is expected to increase to 2.7 million metric tons in MY2016/17, up 1 percent from MY2015/16.

## **3. Trade**

MY2017/18 sugar exports are forecast to increase to 8.6 million metric tons. This is a 15 percent increase from MY2016/17 due to increased sugarcane production. Exports of raw and refined sugar are expected to increase to 4.3 million metric tons each.

During the first eight months of MY2016/17 (December 2016 – July 2017), OCSB reports that sugar exports totaled 4.9 million metric tons, down 8 percent from the same period last year due mainly to a reduction in raw sugar exports. Raw sugar exports declined to 2.3 million metric tons, down 20 percent from the same period last year mostly as a result of reduced exports to Indonesia, Thailand's largest raw sugar export market. Meanwhile, white and refined sugar exports increased to 2.6 million metric tons, up 7 percent from the same period last year. The increase in refined sugar exports is mainly destined for Taiwan, some of which is reportedly being transshipped to China due to China's high anti-dumping duty (May 2017 – May 2020) on sugar from several exporting countries, including Thailand. Refined sugar exports are expected to continue to increase in the remaining months of MY2016/17, which will more than offset the reduction in raw sugar exports. Consequently, total sugar exports are likely to increase to 7.5 million metric tons in MY2016/17, up 6 percent from MY2015/16.

In MY2016/17, Thailand filled its allocated quota of 14,743 metric tons of raw sugar (raw value) under the FY2017 (October 1, 2016 – September 30, 2017) U.S. Tariff Rate Quota (TRQ), the July reallocation of 1,548 metric tons (raw value), and additional allocation of 5,071 metric tons (raw value). Export prices under the TRQ were above world market prices. In FY2018 (October 1, 2017 – September 30, 2018), Thailand is expected to fill its allocated quota of 14,743 metric tons (raw value)

from the United States as current export prices under the TRQ are 40-50 percent above world market prices.

**4. Policy**

The government is proceeding with public hearings on the draft amendment for the Cane and Sugar Act B.E. 2527 (1984) to eliminate the sugarcane price support program, domestic sugar price controls, and sugar sale administration as a response to Brazil’s WTO petition. If implemented, beginning on December 1, 2017, the government will no longer provide domestic price subsidies and direct payments to cane growers. Additionally, the current sugar price controls, which set domestic sugar prices at 19 baht/kg (U.S. \$26 cent/lb) for refined sugar (ex-factory wholesale, excluding the 7 percent valued-added tax (VAT)), and sugar retail prices (including VAT) at 21.85 baht/kg (U.S. \$30 cent/lb) for white sugar and 22.85 baht/kg (U.S. \$32 cent/lb) for refined sugar, will also be eliminated. Also, the government will terminate a special 5 baht/kg (U.S. \$7 cent/lb) tax on domestic sugar sales that fund the state-run Cane and Sugar Fund (CSF) by mid-June 2018 when the CSF is projected to pay off its outstanding debts incurred from past sugarcane price support programs and direct payments.

On September 12, 2017, the cabinet approved a new excise tax on sugar-sweetened beverages to curb Thai sugar consumption as a response to public health concerns. Effective on September 16, 2017 with a grace period of two years, the new excise tax rate will be a progressive specific tax based on sugar content ranging from 0.1 baht/liter (U.S. \$0.3 cent/liter) for 6-8 percent sugar content up to 1 baht/liter (U.S. \$3 cent/liter) for products with more than a 14 percent sugar content. Beverages with sugar content below 6 percent will be exempted from this excise tax. The new excise tax will affect domestic sugar demand as non-alcoholic beverage manufacturers, accounting for approximately 20 percent of total sugar consumption, will likely begin to substitute sugar with artificial sweeteners to maintain their product sweetness and competitiveness. This is particularly true for most functional and carbonated products which currently have a sugar content greater than 14 percent. These products reportedly account for 60-70 percent of non-alcoholic beverage production. Consequently, total sugar consumption is expected to decline 1-2 percent during in the transition period in 2018 - 2019.

**Appendix Tables**

**Table 1: Thailand’s Sugarcane Production**

Sugar Cane for	2015/2016	2016/2017	2017/2018
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**Table 3: Thailand's Sugar, Molasses Yield and Prices**

	<b>MY 2015/16</b>	<b>MY 2016/17</b>	<b>MY 2017/18</b> (FAS Forecast)
<b>Yield per metric ton of cane</b>			
Sugar (kg.)	104.05	107.94	108.00
Molasses (kg.)	45.98	41.90	43.00
<b>Farm price (ex-factory): Baht/ton</b>	808	1,050	900
<b>Wholesale prices</b>			
Sugar (Baht/100 kg.)	2,033	2,033	2,033
Molasses (Baht/ton)	3,710	3,800	3,500

Source: Office of Cane and Sugar Board

End of Report.