United States Department of Agriculture
Foreign Agricultural Service

GAIN
Global Agricultural Information Network

Required Report: Required - Public Distribution **Date:** October 03, 2024

Report Number: TH2024-0060

Report Name: Sugar Semi-annual

Country: Thailand

Post: Bangkok

Report Category: Sugar

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Report Highlights:

FAS/Bangkok (Post) forecasts MY 2024/25 sugar production to increase to 10.2 MMT. MY 2023/24 sugar exports are likely to decline 26 percent due to competition from Brazil. Post expects sugar exports to double in MY 2024/25 from MY 2023/24 in anticipation of tight exportable sugar supplies in the major exporting countries.

Executive Summary

Post forecasts MY 2024/25 sugar production to increase to 10.2 MMT due to expected increase in sugarcane production by 13 percent from the MY 2023/24, following favorable weather conditions. MY 2023/24 sugar production shrunk by 20 percent from MY 2022/23 in line with a 12 percent reduction in sugarcane production from the previous year, due to adverse weather during the tillering and elongation growth stages of sugarcane. The decline in sugar production was more dramatic than the drop in sugarcane production due to a low sugar extraction rate.

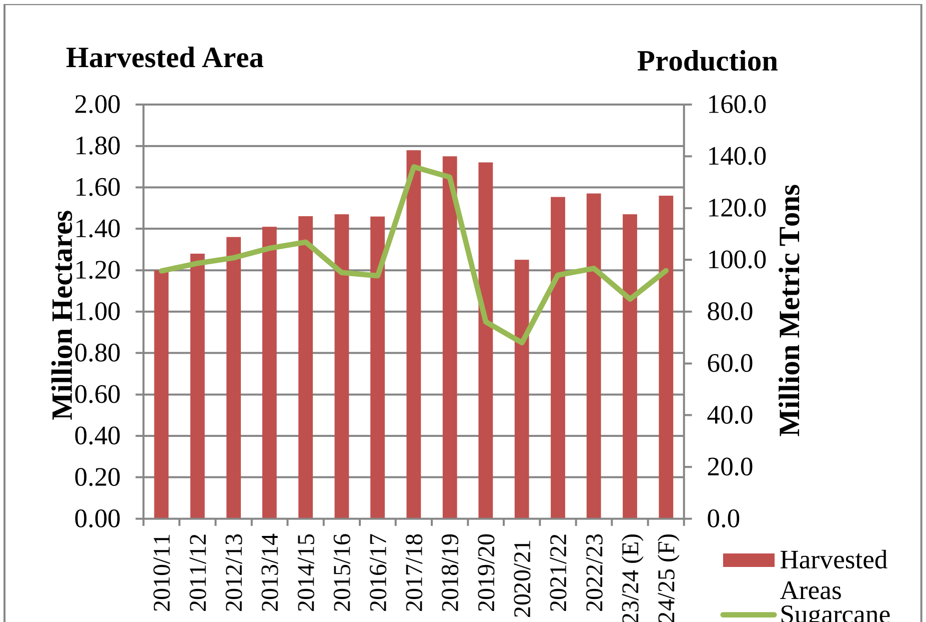
Post forecasts MY 2023/24 and MY 2024/25 sugar consumption growth to remain steady at around 4 percent a year, following sluggish economic recovery. In addition, non-alcoholic beverage manufacturers continued to reformulate their products by reducing the sugar content to avoid the progressive sugar tax and increasingly substitute sugar with artificial sweeteners.

Post revised down sugar export forecast to 5.1 MMT in MY 2023/24 due to competition from Brazil amid India's sugar export restriction. Post expects Thailand's sugar exports to rebound in MY 2024/25 in anticipation of tight exportable sugar supplies in India and Brazil.

1. Production

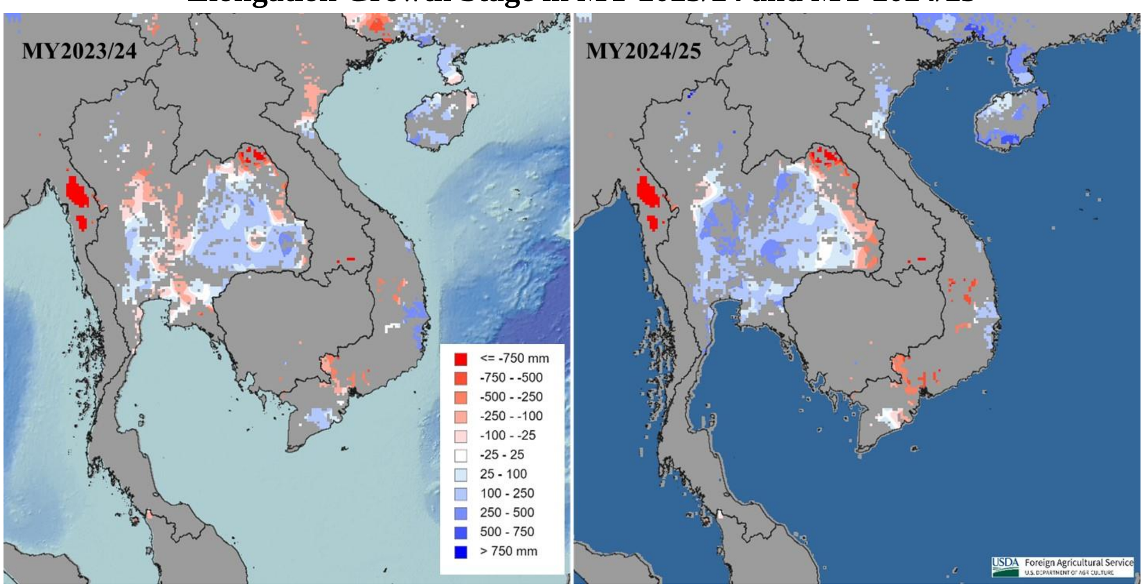
Post forecasts MY 2024/25 sugarcane production to increase by 13 percent from MY 2023/24 due to favorable weather conditions during the tillering and elongation growth stages of sugarcane in the northeastern region and the central plains which respectively accounted for 52 percent and 22 percent of the total planting area (Figure 1.1). The Thai Meteorological Department (TMD) reported that average precipitation between January 1 and September 16, 2024, was 15 percent higher than in the same period in 2023 (Figure 1.2). In addition, The Ministry of Agriculture and Cooperatives (MOAC) reported on September 24, 2024, that flash floods from heavy rains during the monsoon season since July 2024 adversely affected around 345,882 rai (55,341 hectares) of agricultural areas. The MOAC estimated that approximately 88 percent of damaged areas were rice paddies. Flash flooding caused marginal damage to field crops, including corn, sugarcane, and cassava, which together accounted for around 10 percent of the total impacted area.

Figure 1.1: Thailand's Sugarcane Area and Production by MY



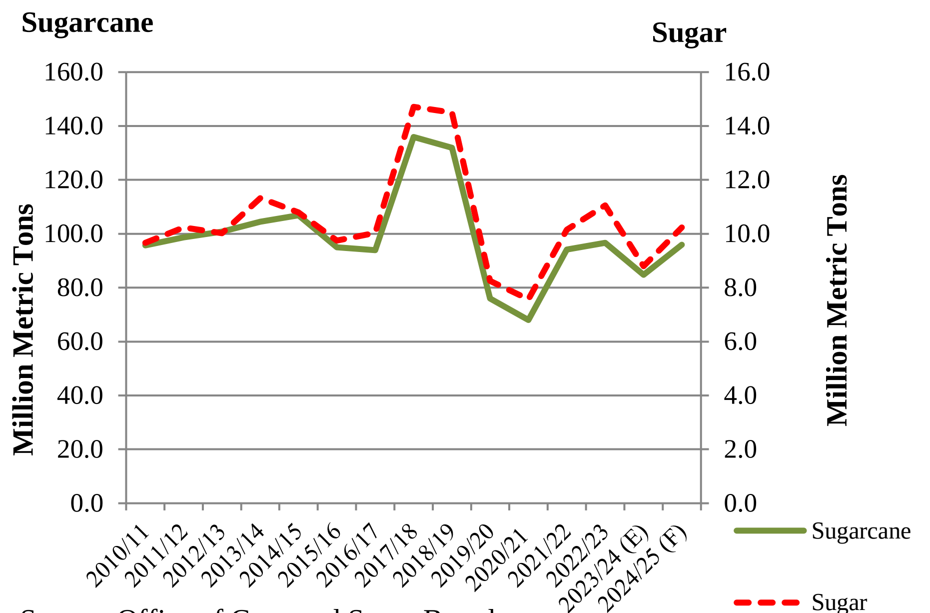
Source: Office of Cane and Sugar Board

Figure 1.2: Comparison of Precipitation Anomaly during the Tillering and Elongation Growth Stage in MY 2023/24 and MY 2024/25



Source: USDA/FAS, Global Agricultural and Disaster Assessment System

Figure 1.3: Thailand's Sugarcane and Sugar Production



Source: Office of Cane and Sugar Board

MY 2023/24 sugar production fell by 20 percent from MY 2022/23 due to reduced sugarcane production due to adverse weather conditions during the tillering and elongation growth stages of sugarcane. The sugar production fell by a larger degree than reduced sugarcane production due to a low sugar extraction rate. The Office of Cane and Sugar Board (OCSB) reported that the average sugar extraction rate in MY 2023/24 was 107.20 kilogram (kg) of sugar per metric ton (MT) of sugarcane, down 9 percent from the average MY 2022/23 sugar extraction rate of 117.79 kg of sugar per MT of sugarcane due to drought during the maturity growth stage of sugarcane in the major growing areas in the central plains (please see TH2024 – 0026, Sugar Annual, May 6, 2024). However, molasses production, which is a by-product of sugar production, increased to 3.6 MMT in MY 2023/24, up 6 percent from MY 2022/23, as average sucrose yield declined to a seven-year record low at 12.35 percent.

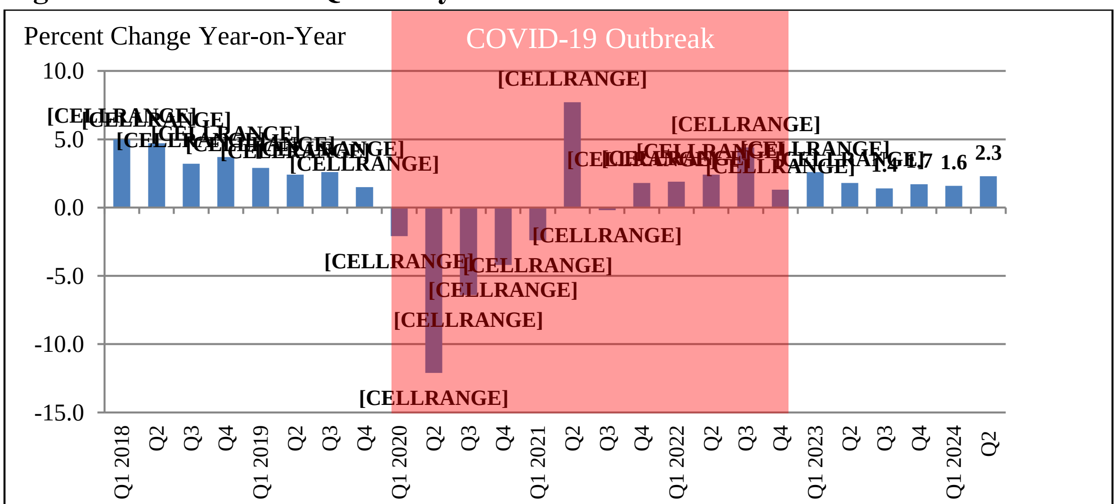
2. Consumption

Post forecasts sugar consumption growth in MY 2023/24 and MY 2024/25 to remain at around 4 percent annually, following the government's projection of a slow economic recovery of 2.6 percent in 2024 and 3.0 percent in 2025. In the first seven months of MY 2023/24, sugar consumption increased 7 percent from the same period in MY 2022/23 due to growing sugar demand for industrial uses, especially by export-oriented food processors, which offset a reduced sugar demand by households. Sugar demand by export-oriented food processors continued to increase in the first eight months of MY 2023/24, especially for sugar syrup exports which grew 22 percent from the same period in MY 2022/23. 98

percent of Thailand's total sugar syrup exports went to China, as Thai sugar syrup has duty free market access to China under a free trade agreement (FTA), compared to a 30 percent tariff rate for China's non-FTA trading partners.

According to the OCSB, household sugar consumption in the first seven months of MY 2023/24 declined 3 percent from the same period in MY 2022/23 due to a slow economic recovery. The National Economics and Social Development Council (NESDC) reported that the Thai economic growth in the first half of 2024 was 2.0 percent, compared to 1.6 percent in the second half of 2023 and 2.2 percent in the first half of 2023 (Figure 2.1). Household food spending decelerated by 4.3 percent in the second quarter of 2024, compared to 5.0 percent in the first quarter of 2024 and 4.7 percent in the last quarter of 2023. Increased unemployment rate in the first quarter of 2024 reportedly affected household income. This led to reduced sugar demand by the local food processing industry, which declined 12 percent in the first half of 2024.

Figure 2.1: Thailand's Quarterly Economic Growth



Source: Office of the National Economic and Social Development Council

In addition, demand for sugar in non-alcoholic beverage industry in the first half of 2024 declined 9 percent from the same period in 2023 as non-alcoholic beverage manufacturers continued to reformulate their products by reducing the sugar content to avoid the progressive sugar tax and increasingly substitute sugar with artificial sweeteners. According to the government's measure to curb household sugar consumption through the sugar tax, low-sugar beverages that had sugar content of 6-8 grams/100 milliliters were subject to the lowest sugar tax rate of 0.30 baht[1]/liters (1 cent/liter) between April 1, 2023, and March 31, 2025 (Table 2.1). The Excise Tax Department (ETD) reported that most non-alcoholic beverage products had 10-18 grams of sugar per 100 milliliters before the sugar tax was implemented in 2017 (please see TH2024 – 0026, Sugar Annual, May 6, 2024). The ETD reported that soft drink manufacturers gradually reduced the sugar content in their non-alcohol beverage products to 7.3 – 7.5 grams of sugar per 100 milliliters from more than 10 grams of sugar per 100 milliliters. By April 1,

[1] The currency exchange rate used through the report is $1= 33.00 baht.

2025, low-sugar beverages that have sugar content of 6-8 milligrams will be subject to the lowest sugar tax rate of 1 baht/liter (3 cents/liter). The reduced sugar demand by soft drink manufacturers corresponded to a 32 percent increase in import demand for artificial sweeteners in the first eight months of MY 2023/24 compared to the same period in MY 2022/23, up further from 20 percent in MY 2022/2023. China accounted for 87 percent of Thailand's sweetener imports.

Table 2.1: Sugar Tax on Non-Alcoholic Beverages

Sugar Content (Grams/ 100 Milliliters)	**Excise Tax on Sugar Content (Baht/liter)**			
	Sep 2017 -Sep 2019	Oct 1, 2019 – Sep 30, 2021	April 1, 2023 – Mar 31, 2025	After Apr 1, 2025
Less than 6	Exempt	Exempt	Exempt	Exempt
6-8	0.10	0.10	0.30	1.00
8-10	0.30	0.30	1.00	3.00
10-14	0.50	1.00	3.00	5.00
14-18	1.00	3.00	5.00	5.00
More than 18	1.00	5.00	5.00	5.00

Source: The Excise Department

Despite an increase in MY 2023/24 molasses production, molasses demand for ethanol production in the first seven months of 2024 (latest available data) declined 10 percent due to reduced gasohol consumption, E20 consumption in particular dropped by 7 percent from the same period last year (please see TH2024-0032, Biofuel Annual, July 10, 2024). Similarly, the demand for sugarcane juice in ethanol production declined 14 percent from the same period in 2023.

3. Trade

Post forecasts sugar exports to nearly double in MY 2024/25 from MY 2023/24, in anticipation of tight global exportable supplies of sugar with India likely extending its sugar export restriction until MY 2024/25 (please see IN2024 – 0020, Sugar Annual, April 17, 2024). In addition, traders expect shrinking sugar production in Brazil in MY 2024/25 due to severe drought (please see BR2024 – 008, Sugar Annual, April 18, 2024).

Post revised its MY 2023/24 sugar export estimate down by 26 percent from MY 2022/23 primarily due to competition from Brazil. Sugar exports in the first nine months of MY 2023/24 totaled 3.8 million metric tons, down 37 percent from the same period in MY 2022/23. Exports of raw sugar totaled 1.8 million MT in the first nine months of MY 2023/24, down 46 percent from the same period last year, due mainly to a 56 percent decline in raw sugar exports to Indonesia compared to the same period last year. Indonesia, Thailand's largest sugar export market at 32 percent of Thailand's total 2023 sugar exports, switched to importing raw sugar from Brazil in response to its record MY 2023/24 sugarcane production and lower prices than Thai sugar. In addition, exports of white and refined sugar, which accounted for 52 percent of the total sugar exports, declined 24 percent in the first nine months of MY 2023/24 (i.e., December 2023-August 2024) compared to the same period in MY 2022/23.

Thailand filled its allocated U.S. quota of 22,762 MT of raw sugar (raw value) during U.S. fiscal year 2024 (October 1, 2023 – September 30, 2024). The allocation consisted of the original allocation under the U.S. tariff-rate quota (TRQ) of 15,061 MT, a reallocation of 5,077 MT, and the increased allocation of 2,624 MT.

4. Policy

Thailand's cane farmers continued to seek the government's financial assistance package of 120 baht/MT ($3.64/MT) for MY 2023/24 and MY 2024/25 sugarcane harvest in line with what farmers received between MY 2019/20 and MY 2022/23, when the government began to encourage farmers to reduce agricultural burning practices during sugarcane harvesting to reduce air pollution with small particulate matter (PM 2.5). The proportion of burnt sugarcane in MY 2023/24 fell to 30 percent of the total sugarcane harvest, from 33 percent in MY 2022/23. Still, Thailand's sugarcane industry has not reached the government's target of no agricultural burning during sugarcane harvest by MY 2023/24. The government is considering the sugarcane farmers' MY 2023/24 request for financial assistance.

Appendix Tables

Table 1: Thailand's Sugarcane Production

Sugar Cane for Centrifugal	2022/2023		2023/2024		2024/2025	
Market Year Begins	Dec 2022		Dec 2023		Dec 2024	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	1650	1650	1655	1655	1655	1655
Area Harvested (1000 HA)	1570	1570	1470	1470	1565	1565
Production (1000 MT)	96690	96690	84780	84747	95900	95900
Total Supply (1000 MT)	96690	96690	84780	84747	95900	95900
Utilization for Sugar (1000 MT)	93890	93890	82200	82167	93100	93100
Utilization for Alcohol (1000 MT)	2800	2800	2580	2580	2800	2800
Total Utilization (1000 MT)	96690	96690	84780	84747	95900	95900
(1000 HA), (1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Table 2: Thailand's Sugar Production, Supply and Distribution

Sugar, Centrifugal	2022/2023		2023/2024		2024/2025	
Market Year Begins	Dec 2022		Dec 2023		Dec 2024	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	9212	9212	10030	10030	5325	10238
Beet Sugar Production (1000 MT)	0	0	0	0	0	0
Cane Sugar Production (1000 MT)	11059	11059	8795	8808	10240	10240
Total Sugar Production (1000 MT)	11059	11059	8795	8808	10240	10240
Raw Imports (1000 MT)	0	0	0	0	0	0
Refined Imp.(Raw Val) (1000 MT)	0	0	0	0	0	0
Total Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	20271	20271	18825	18838	15565	20478
Raw Exports (1000 MT)	3704	3704	5300	2500	4800	5300
Refined Exp.(Raw Val) (1000 MT)	3167	3167	4700	2600	4200	4700
Total Exports (1000 MT)	6871	6871	10000	5100	9000	10000
Human Dom. Consumption (1000 MT)	3370	3370	3500	3500	3650	3650
Other Disappearance (1000 MT)	0	0	0	0	0	0
Total Use (1000 MT)	3370	3370	3500	3500	3650	3650
Ending Stocks (1000 MT)	10030	10030	5325	10238	2915	6828
Total Distribution (1000 MT)	20271	20271	18825	18838	15565	20478
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

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

	MY 2022/2023	MY 2023/2024 (Preliminary)	MY 2024/2025 (FAS Forecast)
Yield per metric ton of cane			
Sugar (kg.)	117.79	107.20	110.00
Molasses (kg.)	35.81	43.65	39.00
Farm price (ex-factory): Baht/Ton	1,198	1,420	1,400
Wholesale prices			
Sugar (Baht/100 kg.)	1,900	2,100	2,100
Molasses (Baht/Ton)	5,900	6,720	6,000

Source: Office of Cane and Sugar Board

Attachments:

No Attachments