



Thai Sugar Situation

**Thai - Queensland
Sugar Industry Dialogue**
24 – 26 March 2010

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Mitr Phol Sugar Corp., Ltd.

Agenda



- **Overview Thai's Sugarcane**
- **Cane & Sugar In Y2009/10**
- **Sugar Export**
- **What will be in Y2010/11**
- **Conclusion**

Plantation Area



Thailand agricultural area is 20.9 million hectares or 41% of total land

| | (mln. Ha) |
|-----------|-----------|
| Rice | 11.1 |
| Fruit | 4.6 |
| Cassava | 1.3 |
| Sugarcane | 1.0 |
| Corn | 1.1 |
| Others | 1.8 |

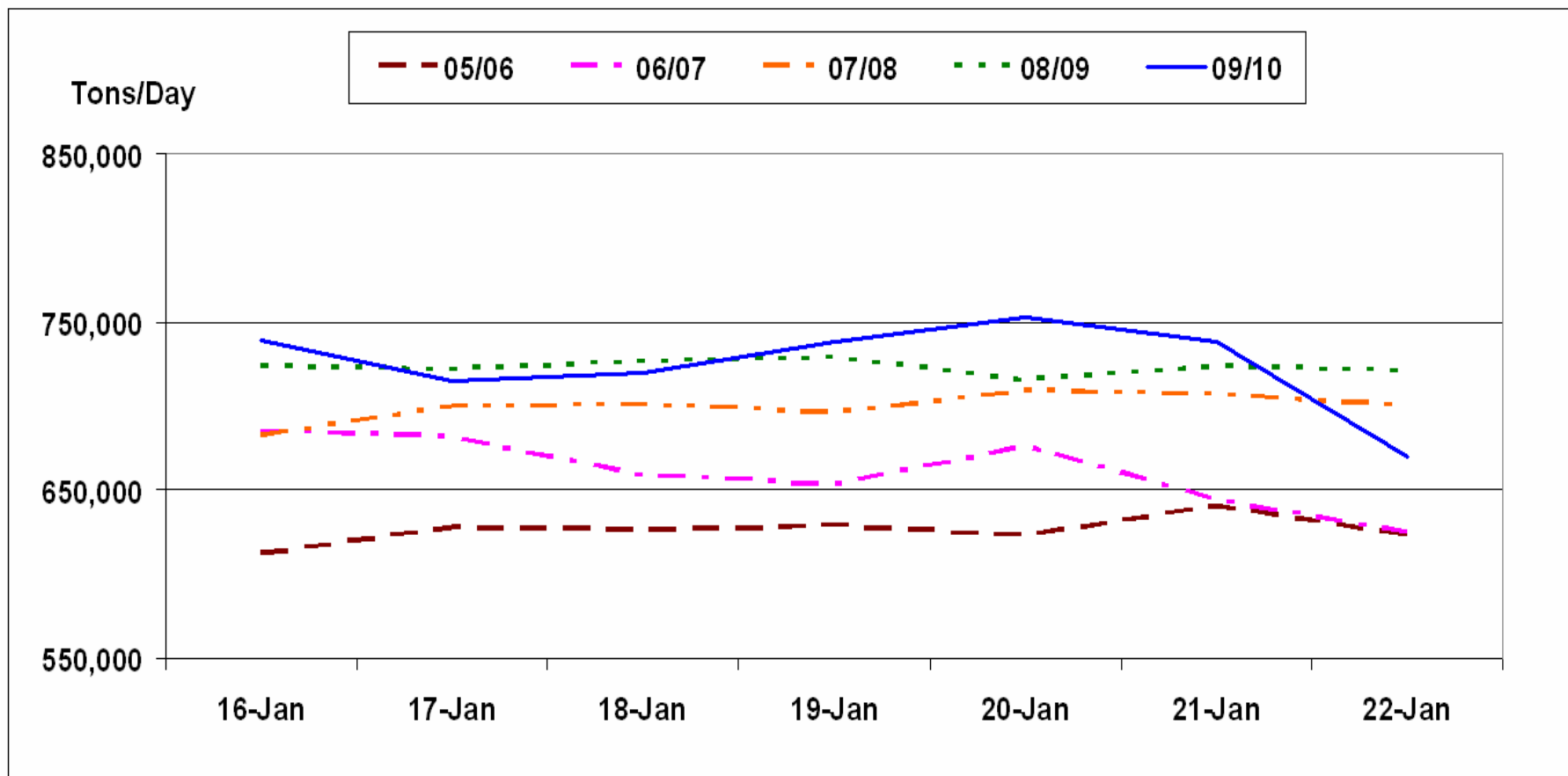


**5% of total
Agricultural
area**

Source: Office of Agricultural Economics

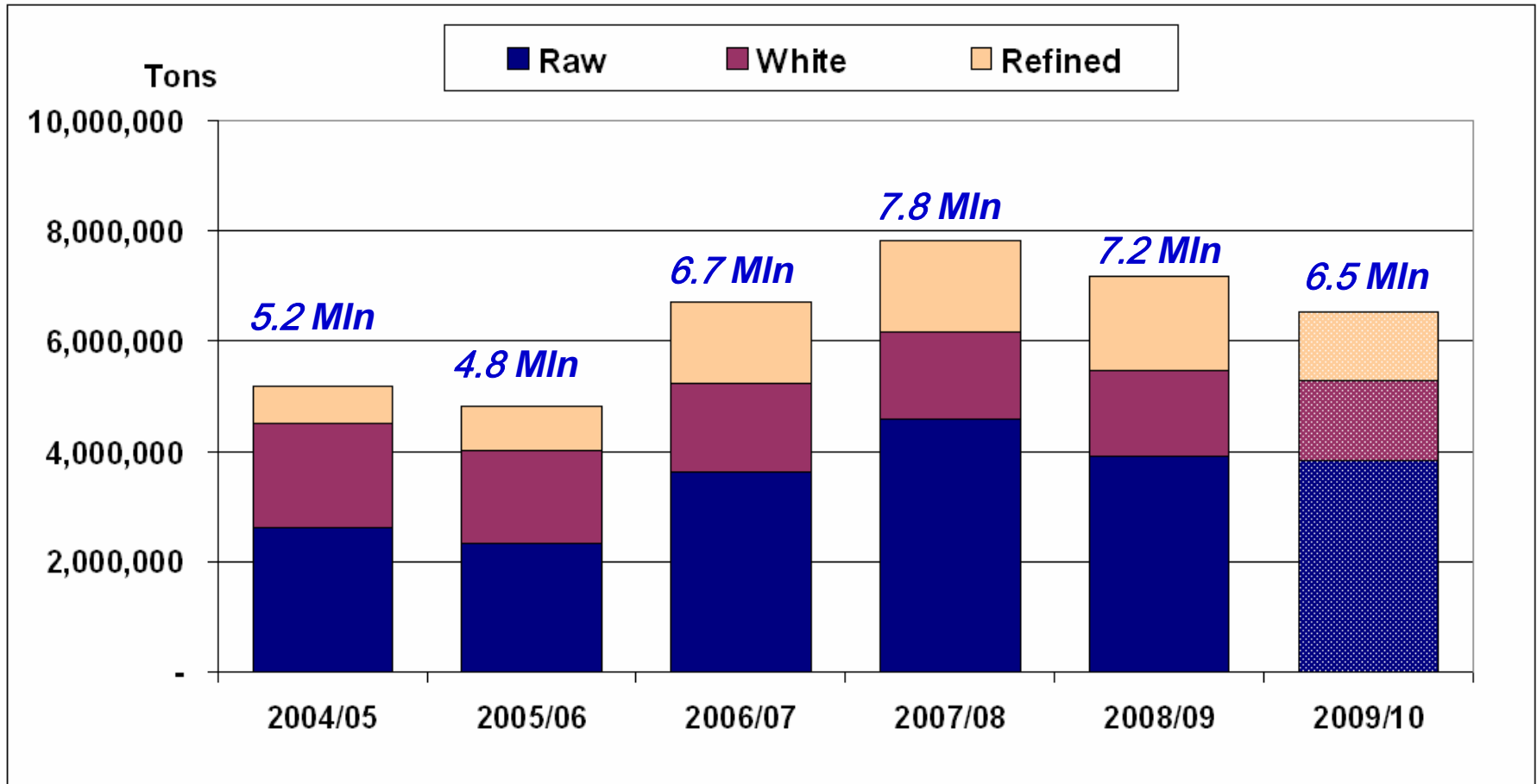
Sugar Cane Yield /Hectare is very low, 50 - 55 tons per hectare, because most of farms use labor-intensive methods with minimum mechanization system. The most important is that more than 95% of sugarcane area is not irrigation area.

Average Milling Capacity in Peak Period



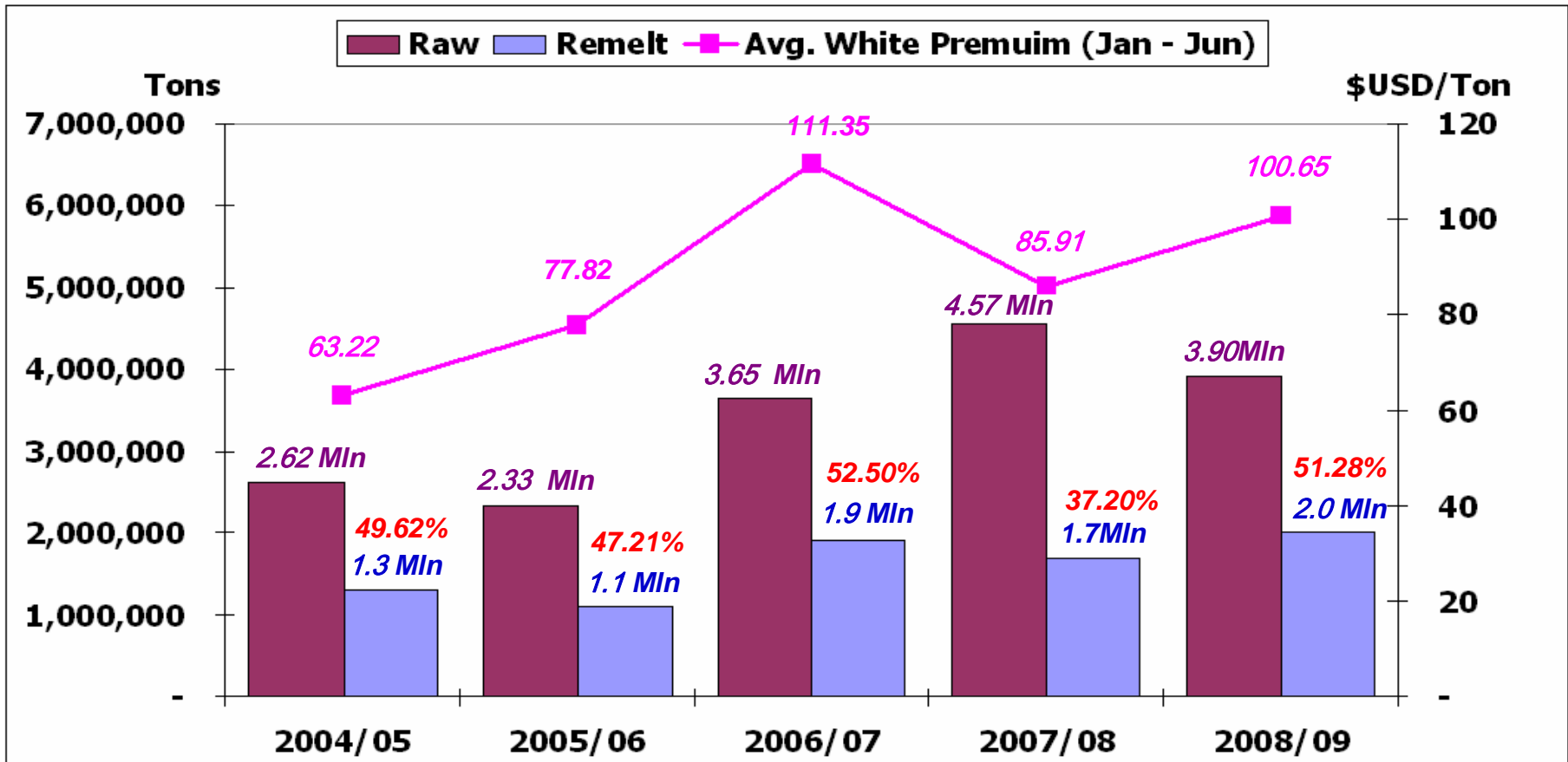
The Average crushing capacity in the last 2 year has been increasing up to 700K – 750K TCD. While the average previous 3 year, the range was 600K – 680K TCD.

Sugar Production at the end of crushing season



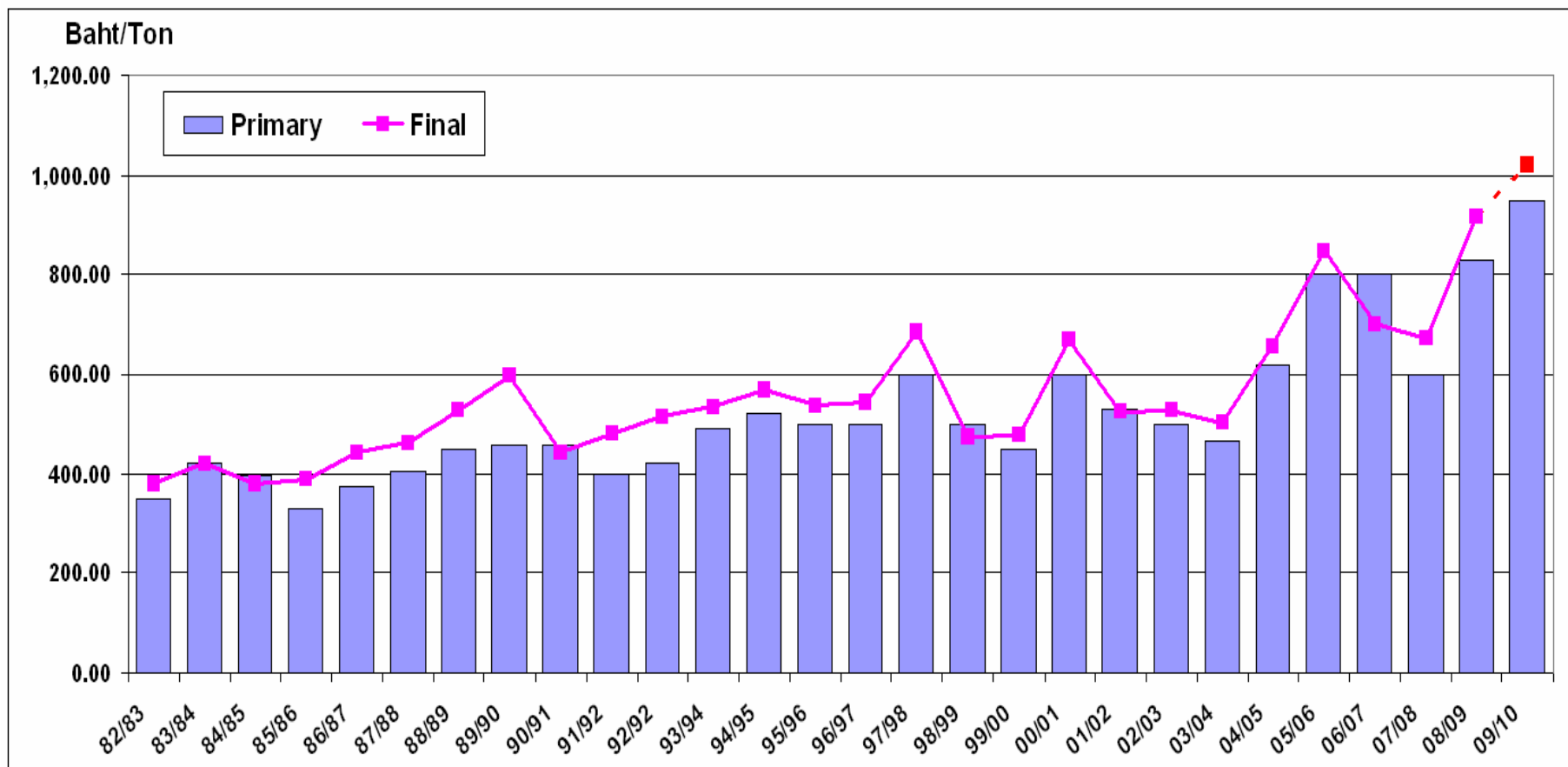
As of 22 Mar'10, Total sugar production is 6.5 Mln Tons, Raw 3.8 Mln Tons, White 1.4 Tons and Refined 1.3 Mln Tons.

Off season re-melting program



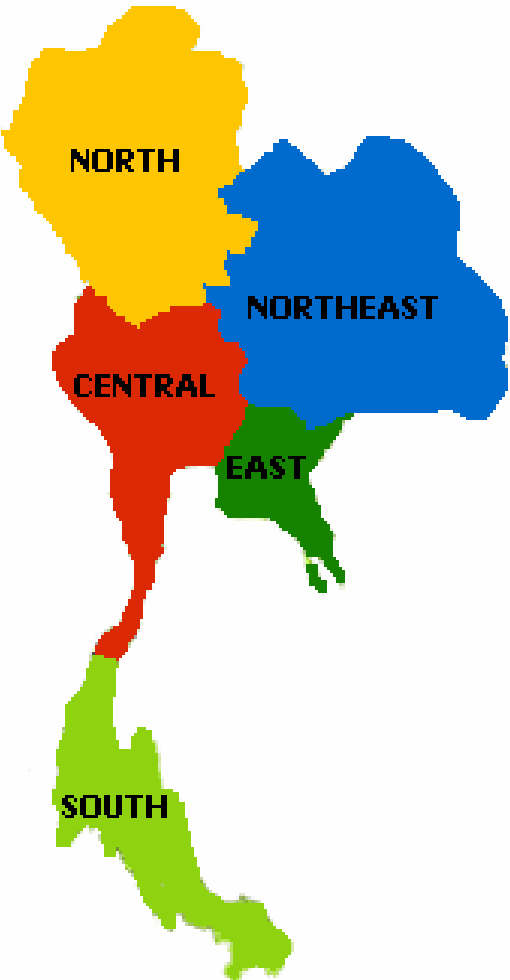
The average off season re-melting program is 1.80 - 2.0 Mln Tons. The white premium is one of the key factor for each miller to do off season re-melt in each year.

Provisional & Final Cane Price



In 2009/10 season, Thailand has the record cane price, provisional price at ฿ 950/Ton due to the very high world sugar price.

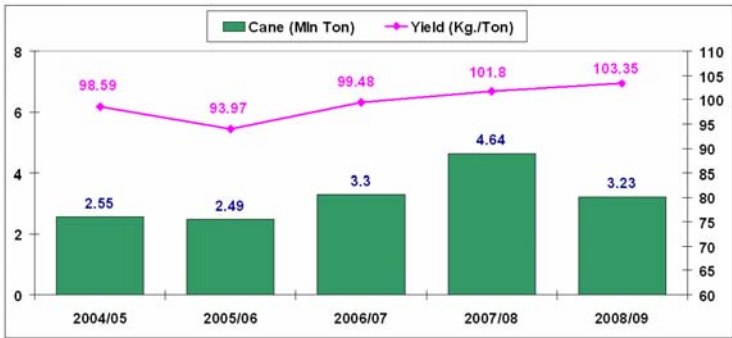
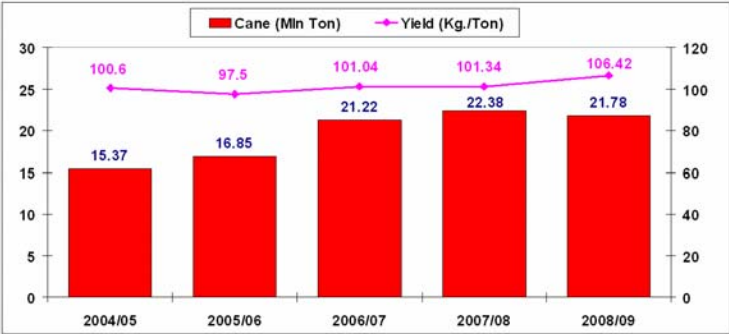
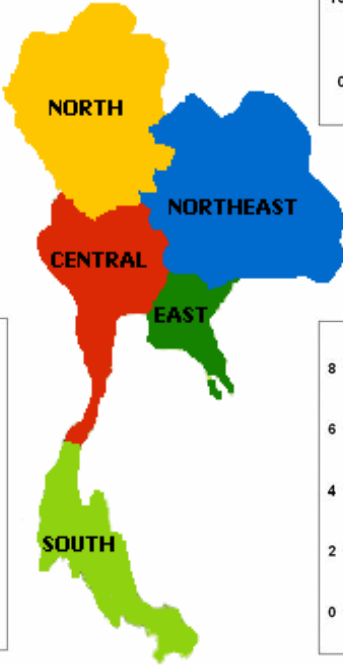
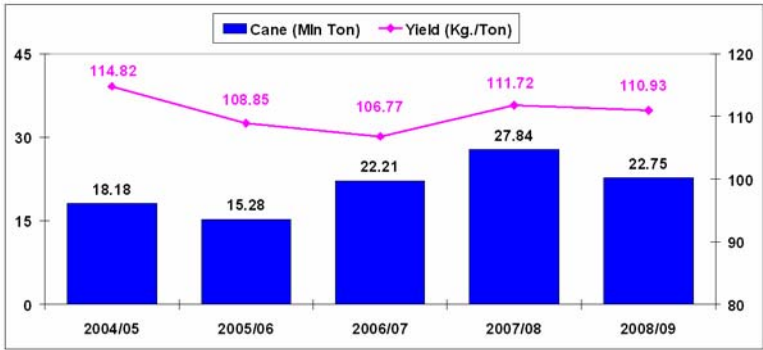
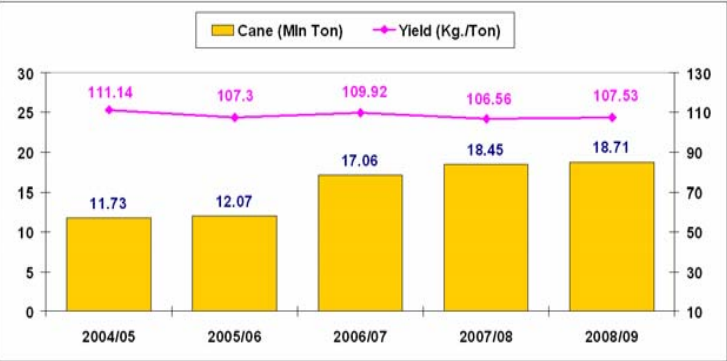
Thailand Crushing



| Thailand | Cane (Mln Ton) | Yield (Kg./Ton) | Raw (Ton) | White (Ton) | Refined (Ton) |
|----------|-------------------|--------------------|--------------|----------------|------------------|
| 2004/05 | 47.82 | 108.49 | 2,621,796.71 | 1,898,482.26 | 660,263.68 |
| 2005/06 | 46.69 | 103.56 | 2,329,329.61 | 1,683,894.70 | 789,192.03 |
| 2006/07 | 63.8 | 105.33 | 3,648,668.45 | 1,563,398.62 | 1,492,706.78 |
| 2007/08 | 73.31 | 106.63 | 4,567,382.28 | 1,583,184.65 | 1,665,505.60 |
| 2008/09 | 66.46 | 108.13 | 3,902,202.62 | 1,552,001.54 | 1,727,809.00 |
| 2009/10 | 66.11 | 100.02 | 3,843,163.05 | 1,438,526.76 | 1,253,852.93 |

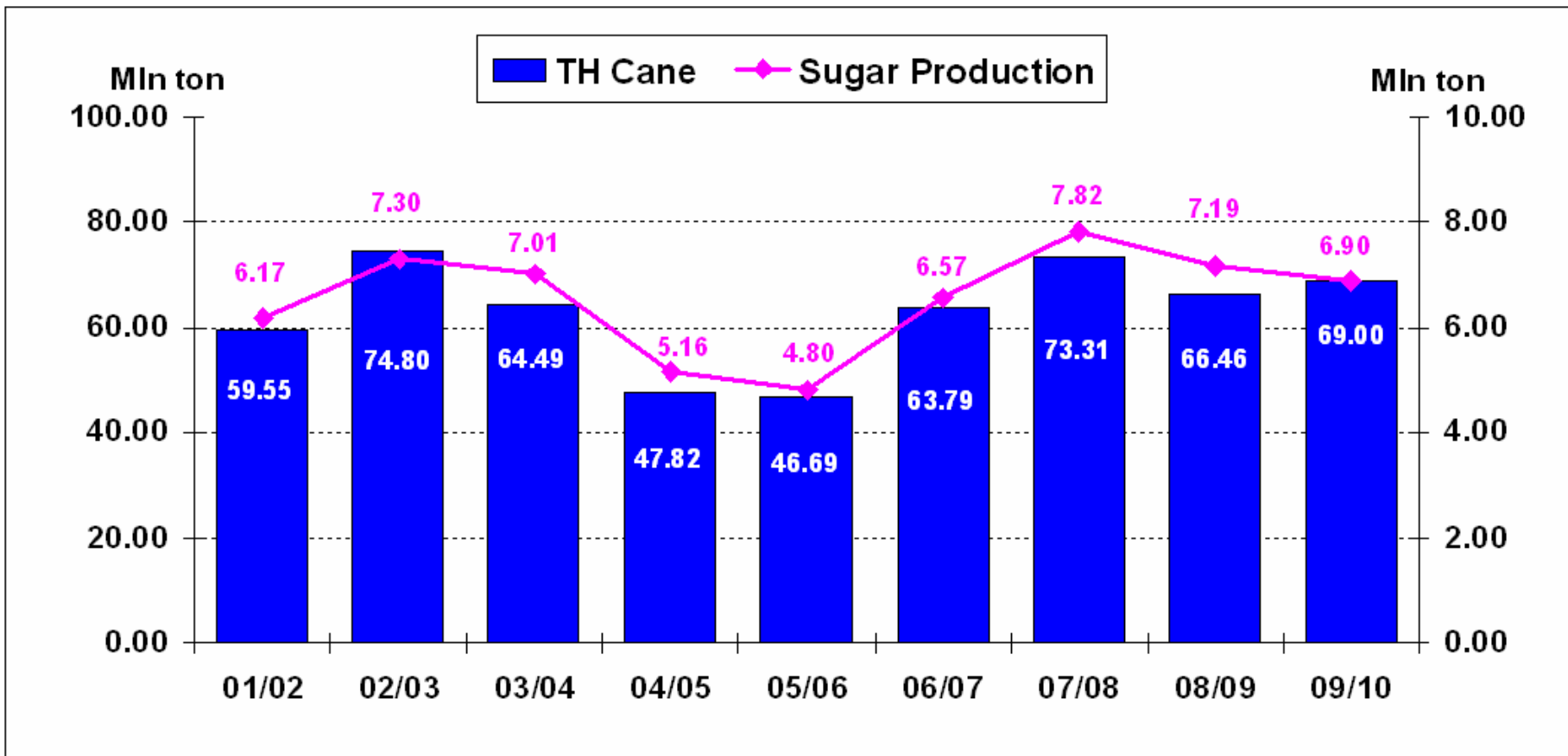


Crushing by Area



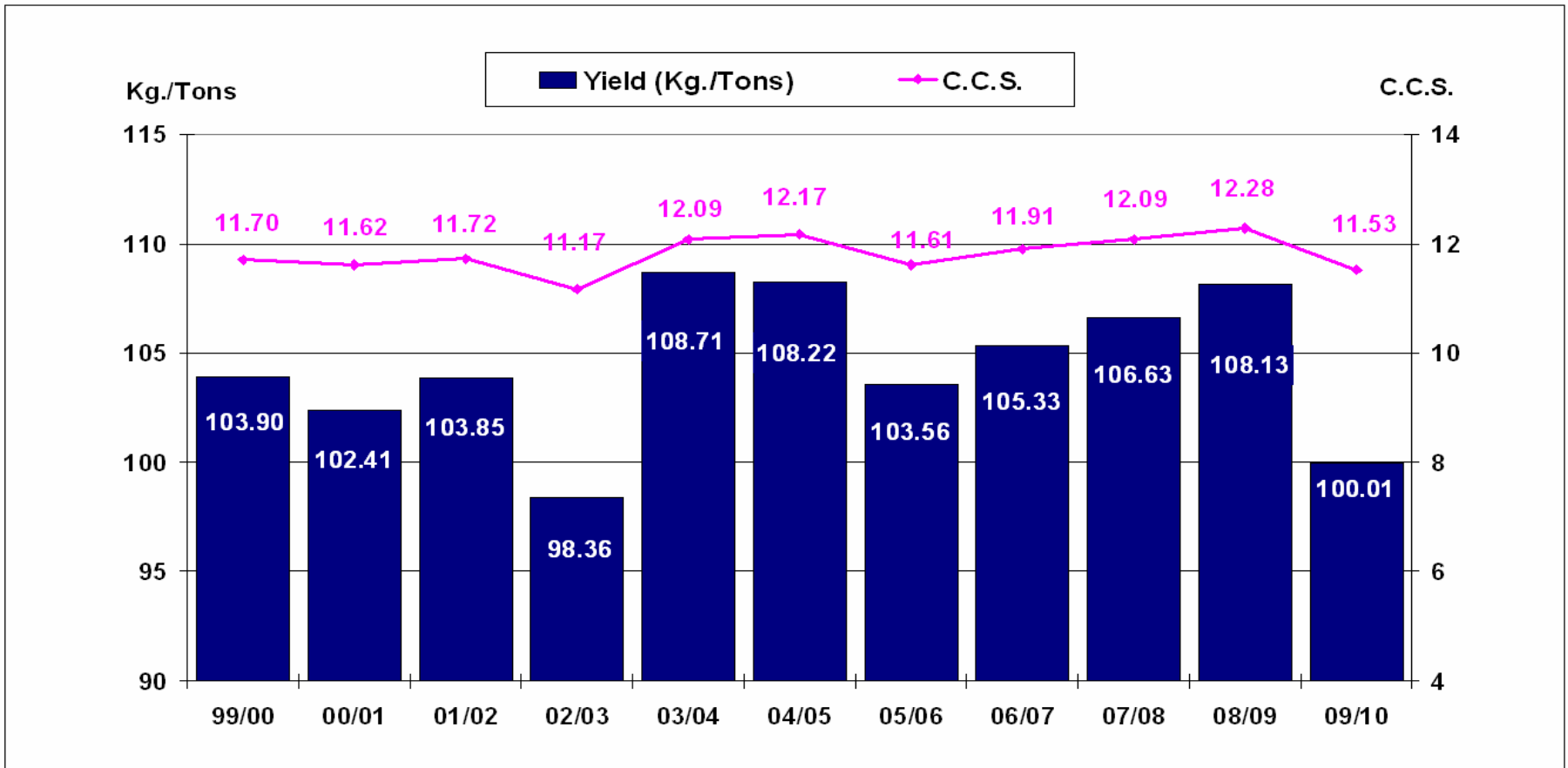
For crushing by area once compared in Thailand, the northeast is the biggest the production area.

Sugarcane Production



Sugarcane production has been in 65-75 mln Tons range, due to the uncertainty weather pattern and the volatile world sugar price.

Yield and C.C.S.

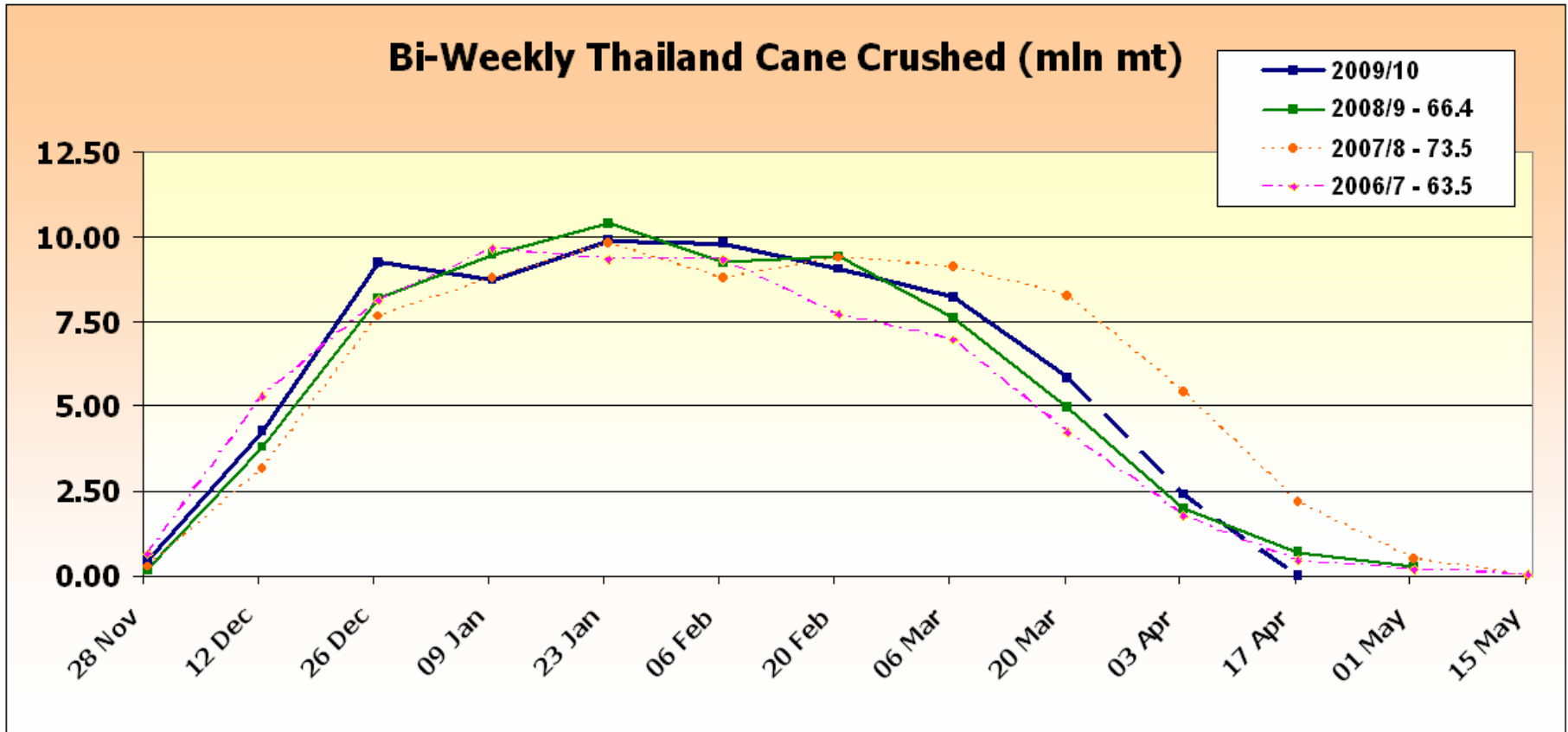


As of 22 Mar'10

The sugarcane yield in 2009/10 is likely to be 100 - 101 kg./Ton cane.

This 09/10 yield is the lowest yield in the last 7 years.

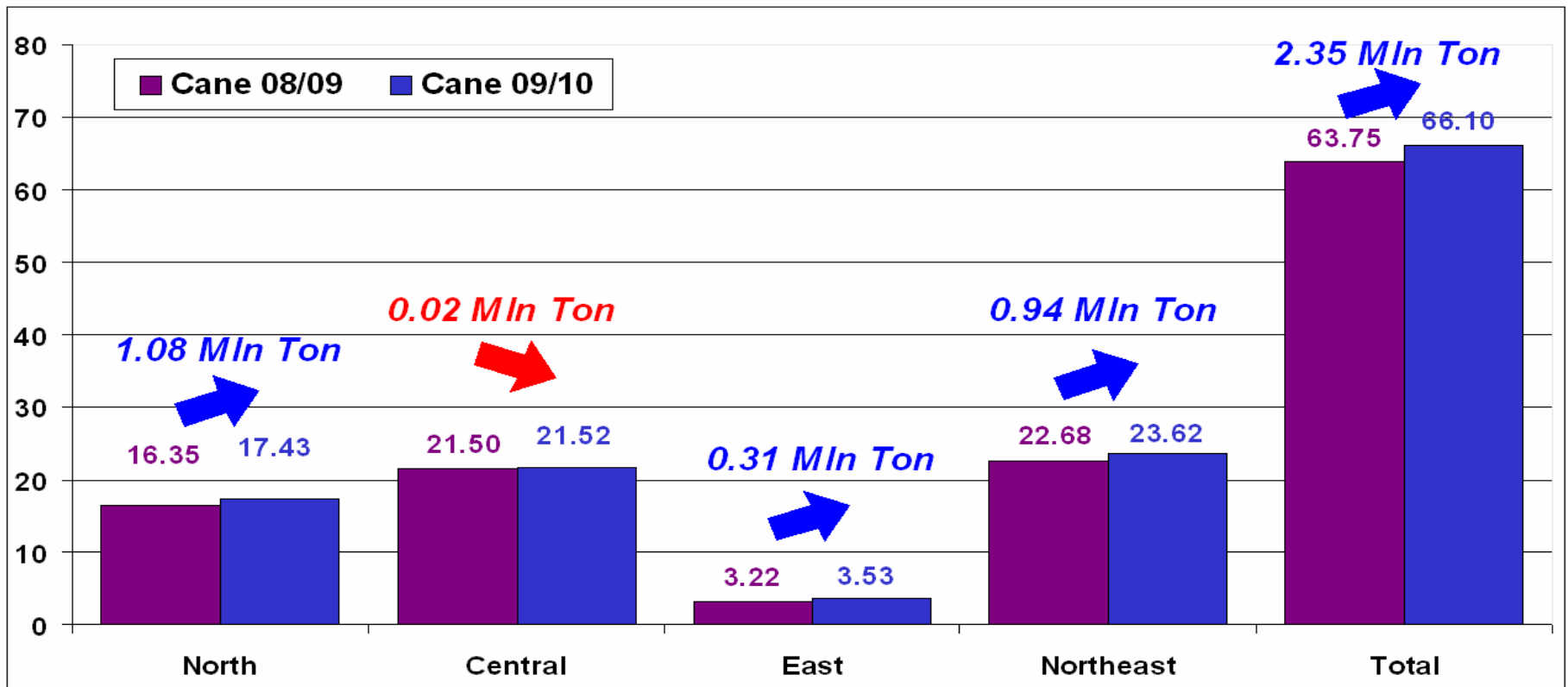
Thailand Cane Crushing in 09/10 season



The latest forecast is that Thailand will produce around 68 - 69 Million tons of cane. And the mills will end crushing season before The Thai New Year.

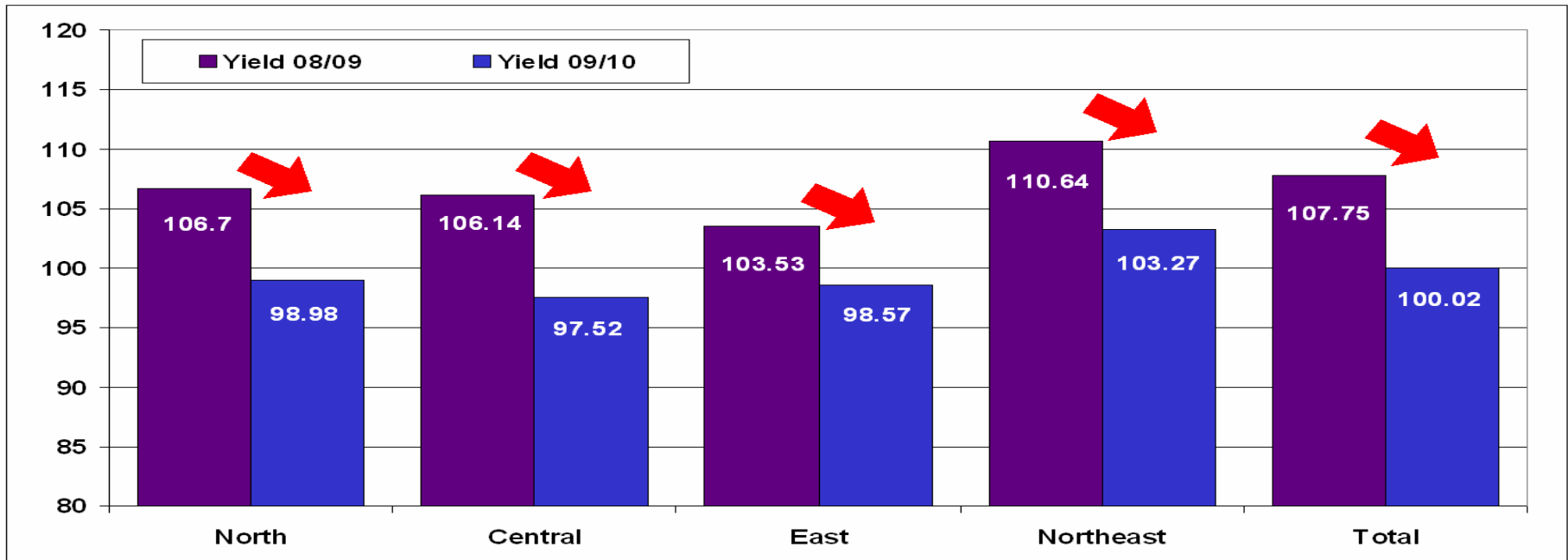
Comparison Sugarcane production between 08/09 and 09/10

As of 22 Mar'10



- **TH Cane Production Y09/10 vs. Y08/09 Total Volume + 2.35 Mln Tons (Yield ~ 100 – 101 kg/Ton Cane)**

Why sugar yield drop

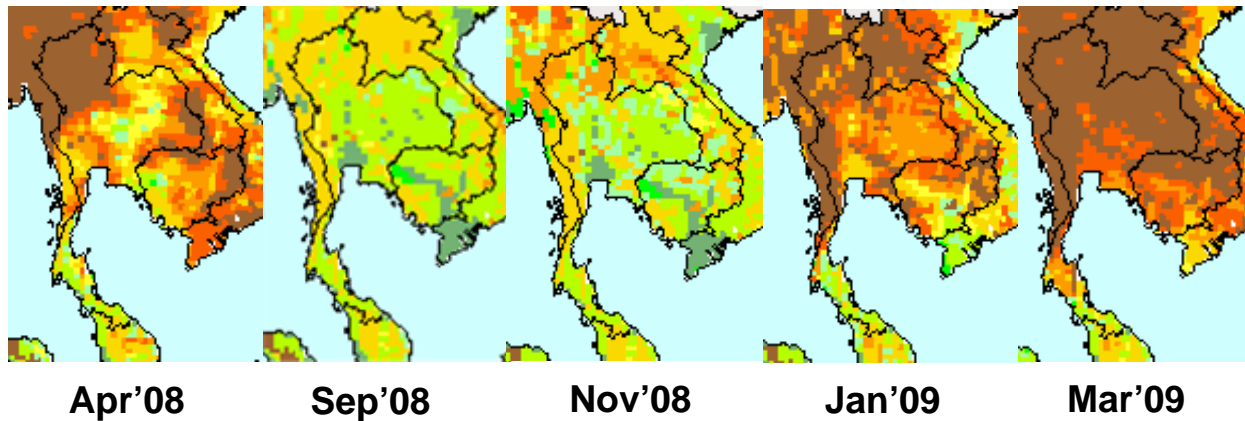


As of 22 Mar'10, Yield falls in 2009/10(Y09/10 vs. Y08/09 Diff. – 7.73 kg./Ton)

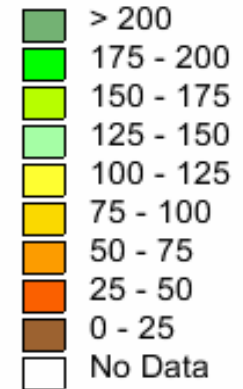
- **Early crushing, the canes are not mature and high reducing sugar**
- **Reducing and Unsuitable period to input fertilizer**
- **Drought condition hurts cane production and reduce yield**
- **Inappropriate size of sugarcane cutting**
- **Unbalancing quantities of sugarcane with crushing capacity**

Soil Moisture

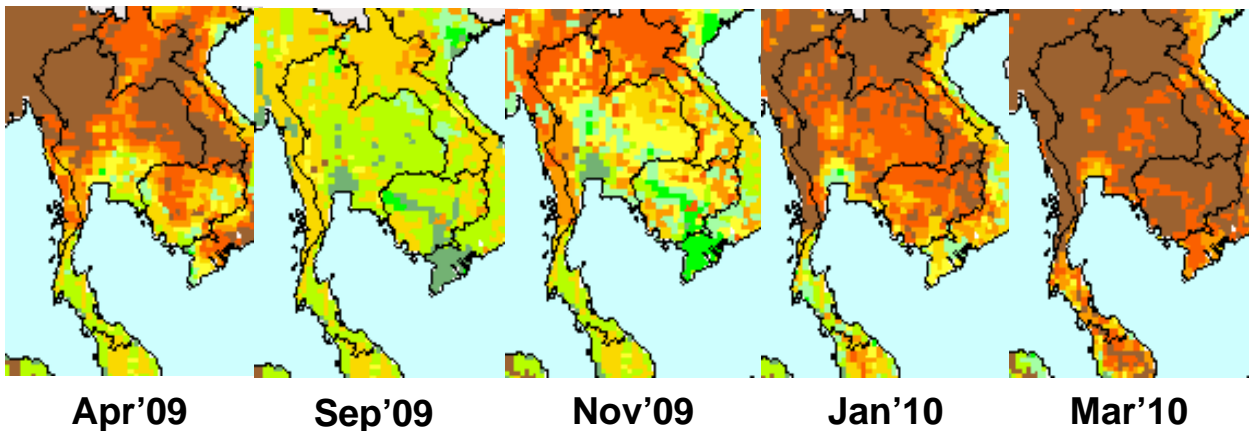
Crop Y08/09



Sub-Surface Soil
Moisture (mm)

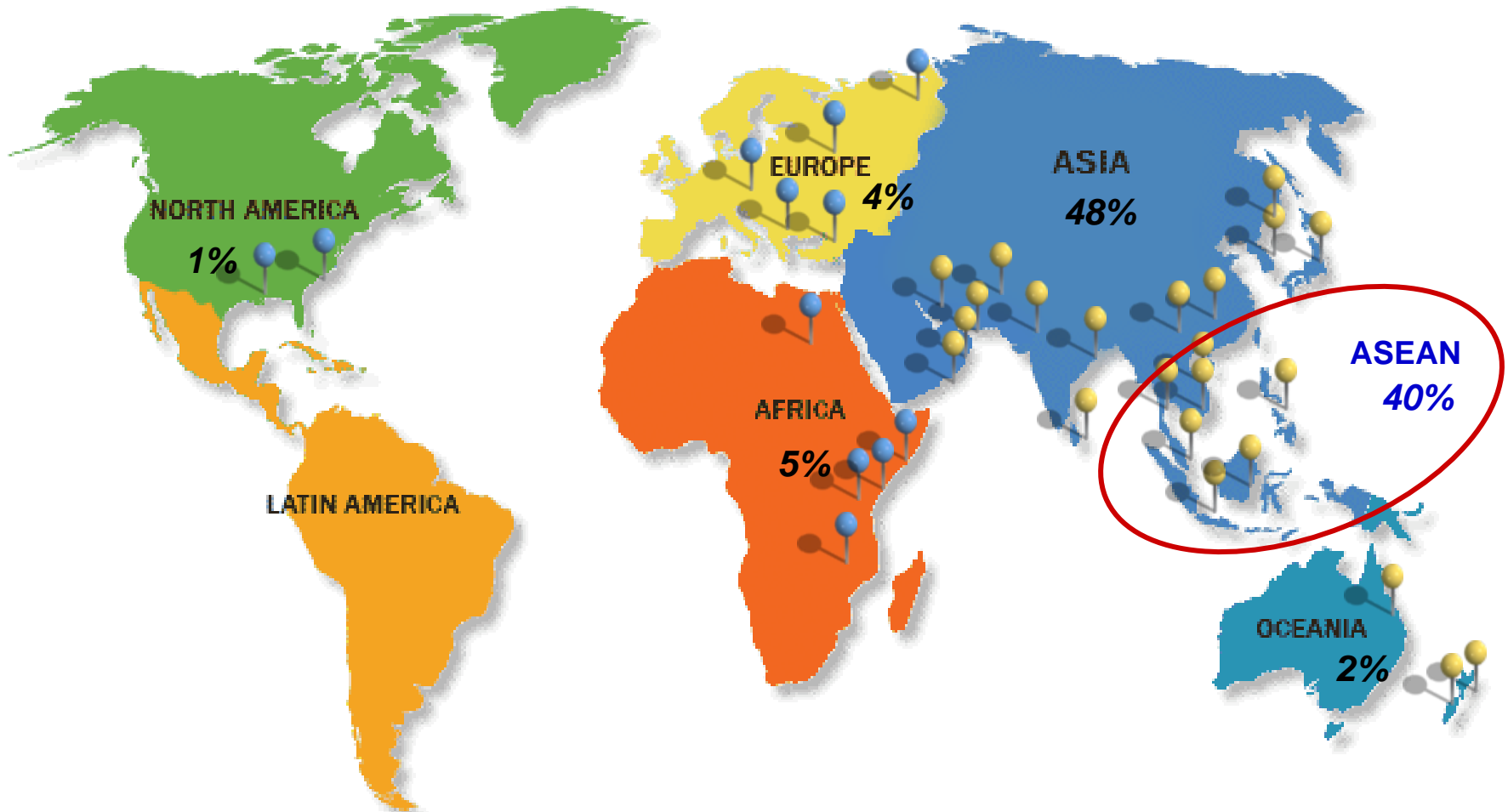


Crop Y09/10



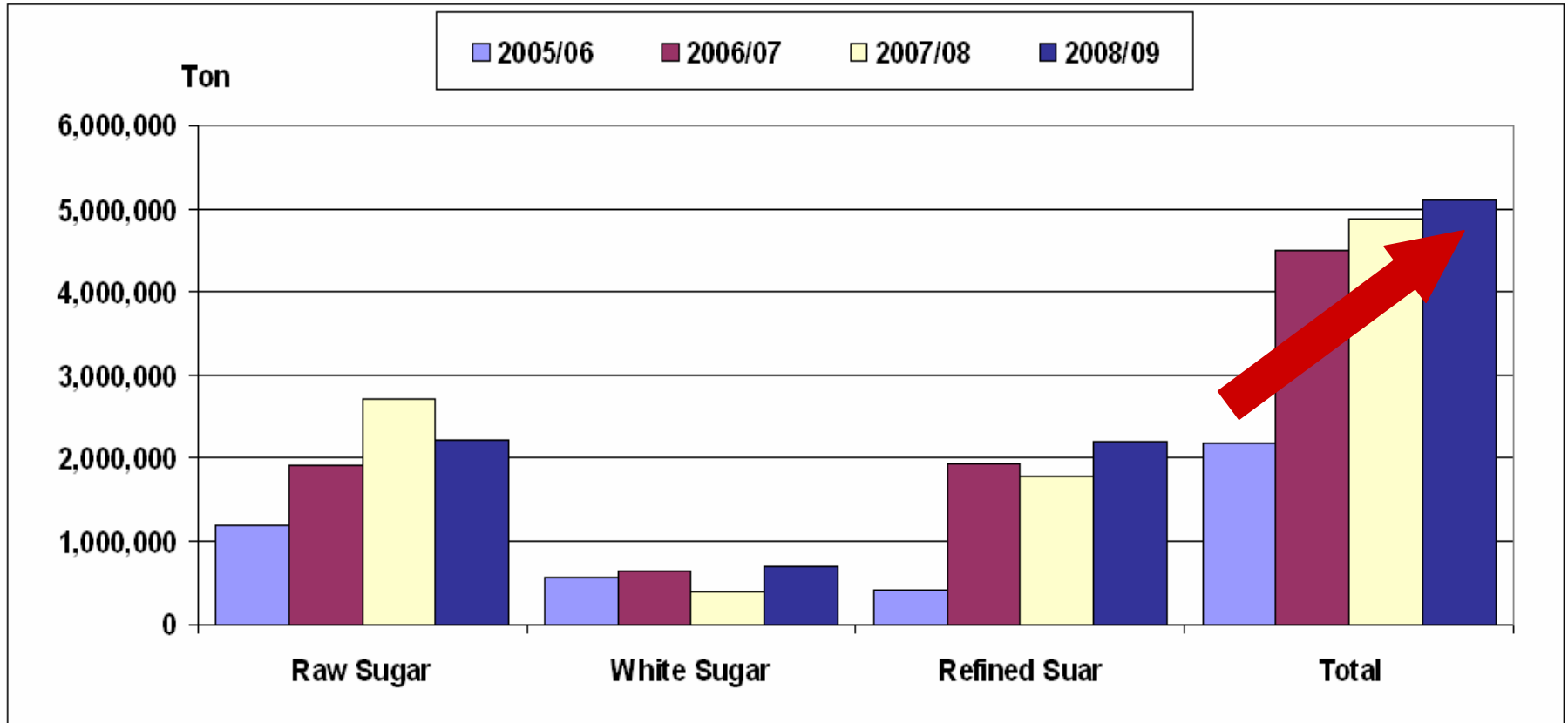
In crop 2009/10, the soil moisture is worse than 2008/09.

Sugar Export in Y2009



The Sugar Export mainly export to ASEAN, 40% of Total export, and export to the rest of Asia 48%

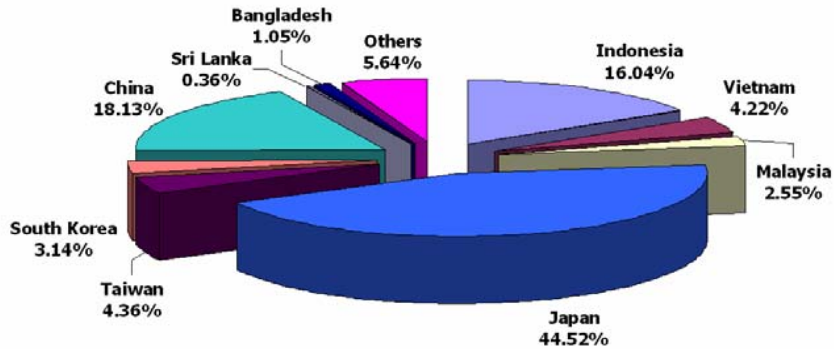
Thai Sugar Export



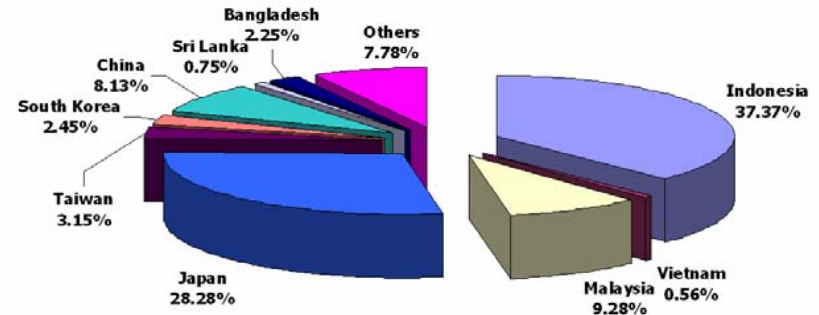
Thailand is continue to be the key sugar supplier for international sugar market (Raw, White and Refined sugar), increase from 2.2 Mln Tons in 2006 to 5.1 Mln Tons in 2009

Raw Sugar Export

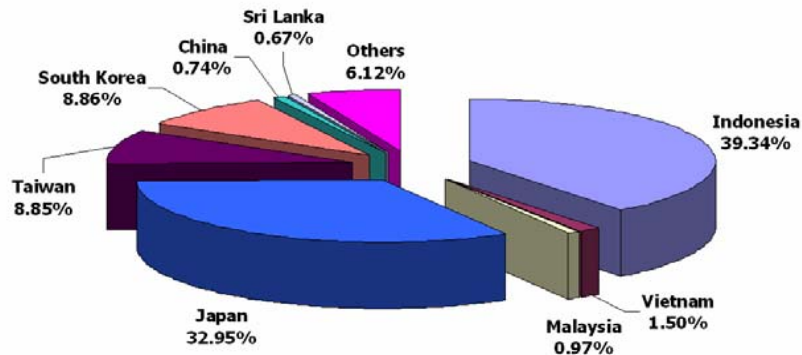
Y2005/06



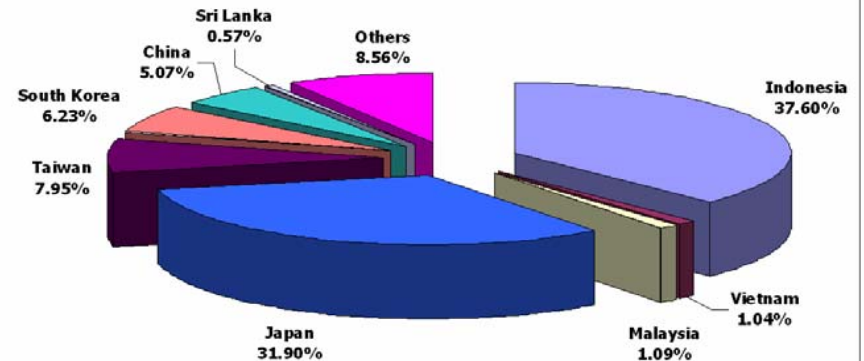
Y2006/07



Y2007/08



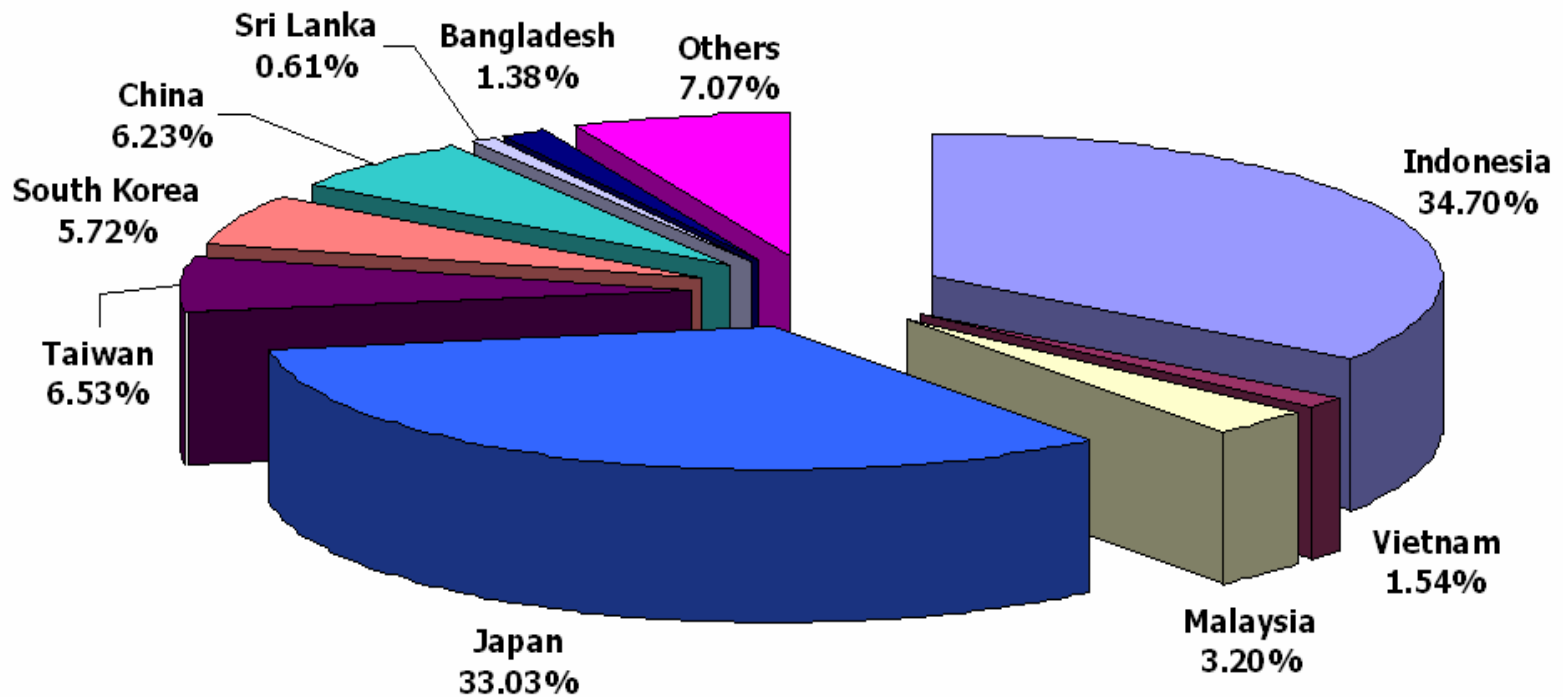
Y2008/09



More than 85%(Raw sugar) export to Japan and ASEAN, mainly Indonesia

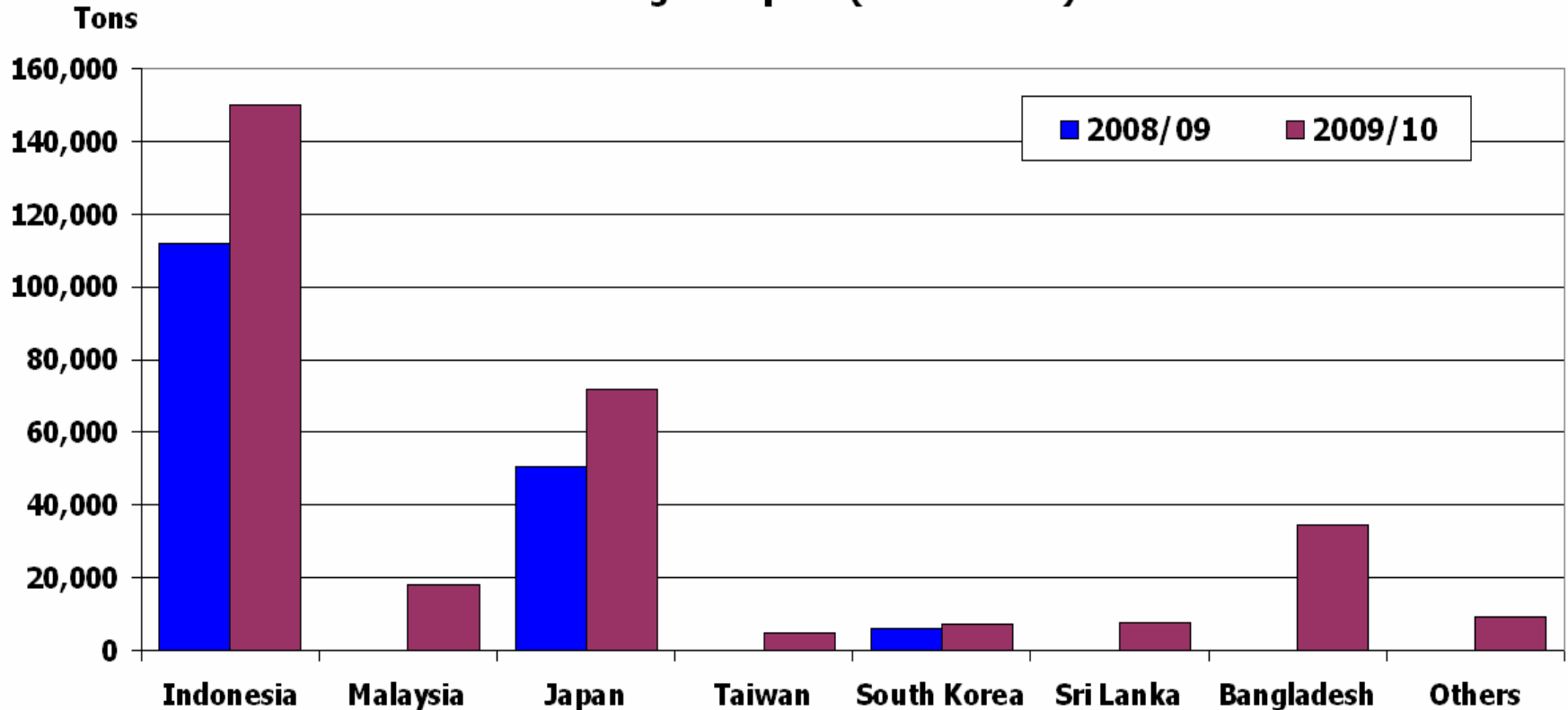
Raw Sugar Export

Average 4 year



Raw Sugar Export in 2009/10

Raw Sugar Export (Jan-Feb'10)



Jan - Feb'10 Thailand export raw sugar approximately 304,000 Tons

Business » Economics

AGRO-INDUSTRY

Food processors want review of sugar penalties

Published: 26/02/2010 at 12:00 AM
Newspaper section: [Business](#)

Food processors for export may call on the government to reduce penalties for firms that use sugar from the domestic quota to make export products.

Increasing the penalty from one to five years is harsh, Prachuab Tayakeepisut, vice-president of the board of directors of the Thai Beverage Industry Associate, said yesterday.

But companies that follow the rules have nothing to worry about, he said.

"There have been talks today about... said Mr Prachuab.

The Office of the Cane and Sugar Board processors who use sugar from the

The proposal suggests firms that use for export for five years up from the c

Each year, the government intervenes including one for export products, ar

Domestic sugar prices are typically their output reduced by environment the international market, which has produce goods for export.

The OCSB yesterday discussed the general Pongthab Jaru-ampornparr when harvests fall out of season.

Mr Pongthab said there were about: Most sugar millers have already sol

Police to probe sugar scam claim

Police will launch an investigation into the sugar shortage in the country after the Internal Trade Department

complaints had used unknown parcel illegally. It uses such to purchase sugar, the economy, criminal

Police will also seek court approval for search warrants

to inspect the inventory processors and export

Sugar is on the government's price control list transport for domestic from factory to market be permitted by the Office the Cane and Sugar Board

Sugar for export must approved by the Industry Works Department. Its price is capped at Bt2 kilogram for the refined

The government has assumed that food mi

Govt to cut sugar and cane subsidies to save public funds

CHATRUDEE THEPARAT

The government may reduce subsidies for sugar and cane farmers later this year in a bid to curb public spending, Prime Minister Abhisit Vejjajiva says.

Mr Abhisit yesterday said he supported the findings of a study by the Thailand Development Research Institute (TDRI) which recommended that subsidies for cane and sugar be altered later this year when the Cane and Sugar Fund should be free of debt.

This would allow the government to cut its spending by reducing the level of assistance to farmers.

The study showed that subsidising the sugar industry had resulted in significant costs to the public purse.

The study also examined the impact of subsidising products such as rice, tapioca, longan, rubber and dairy goods.

The combined subsidies cost the government about 70 billion baht a year. The sugar and cane sector accounted for about 12-16 billion baht per year.

The cane and sugar industry has not followed market demand for three

decades as the government developed a quota system to allocate supply for the domestic and export markets. The Cane and Sugar Fund was also set up to provide financial assistance to farmers.

The subsidies drive the industry's growth by lifting yields and total sugar output, which has risen to 80 million tonnes from 20 million over 30 years.

But they also distorted the market and resulted in the fund being mired in debt as farmers failed to pay back loans.

TDRI president Nipon Paopongsakom said a scheme like the new price insurance scheme used with maize and tapioca crops should replace sugar subsidies.

"It [a price insurance scheme] will help reduce the burdens on all related parties including farmers, as well sealing loopholes for corruption," said Dr Nipon.

More than 400,000 farmers are signed up with the maize price insurance scheme, compared with the 80,000 who benefited from the previous subsidies. More than 400,000 tapioca farmers also benefit from the new programme compared with 250,000 previously.

Rice farmers engaged in the govern-

ment programme trebled to about 3 million once the insurance scheme was implemented. But despite this surge, government expenditure fell to 30 billion baht from the 70-80 billion baht it paid in subsidies each year.

Under previous rice subsidies farmers pledged paddy at authorised millers at prices set by the government. But market prices rarely exceeded those set by the government, leaving the state with huge rice stockpiles.

The new options plan minimises state expenditure and ensures farm incomes are supported.

Farmers register with the scheme when a benchmark price for paddy and guaranteed minimum prices for farmers are set. If the benchmark price is lower than the price guarantee, farmers will be compensated for the difference.

Mr Abhisit, speaking yesterday at a seminar organised by the National Anti-Corruption Commission on government intervention in farm products and anti-graft measures, pledged to invest in an IT system to gather data in order to help prevent corruption.

INBrief

Sugar supply help

AGRICULTURE: The Cane and Sugar Board has allocated 100,000 tonnes of domestic sugar to ensure sufficient supply for domestic consumption, the Commerce Ministry said yesterday.

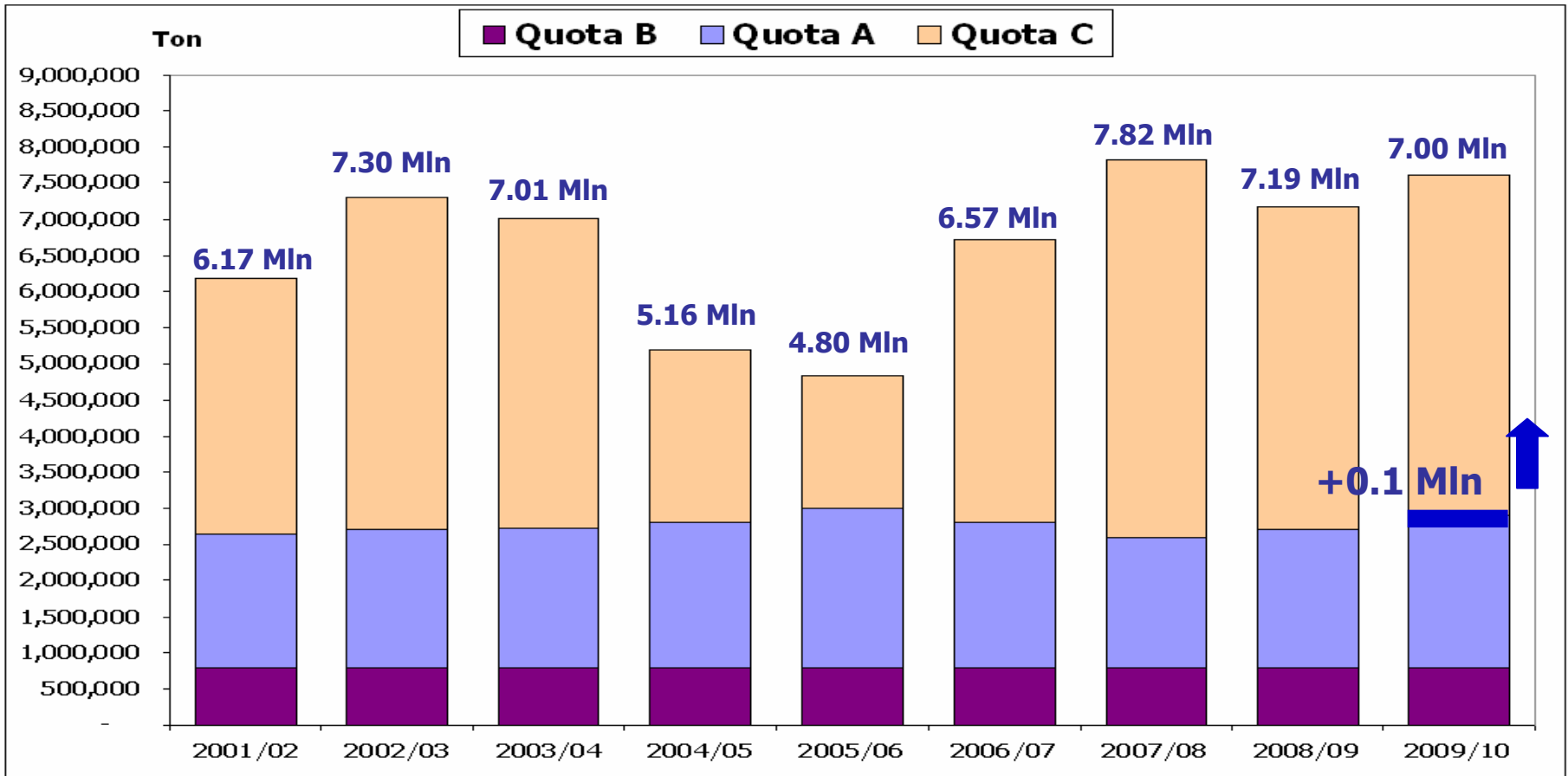
Officials were responding to concerns about a shortage resulting from hoarding, smuggling to neighbouring countries where prices are higher, and from food processors switching to use then domestic instead of the export quota.

Domestic sugar, currently allocated for this year at 2.1 million tonnes, will be increased to 2.2 million tonnes. The additional supply will come from the export quota.

"The problem we have now is that dealers are complaining that they used to receive five trucks of sugar, and now they're receiving two. What we want is for the situation to be back to normal as soon as possible and for people, especially small users, to not have problems," said Yanyong Phuagrach, the ministry's permanent secretary.

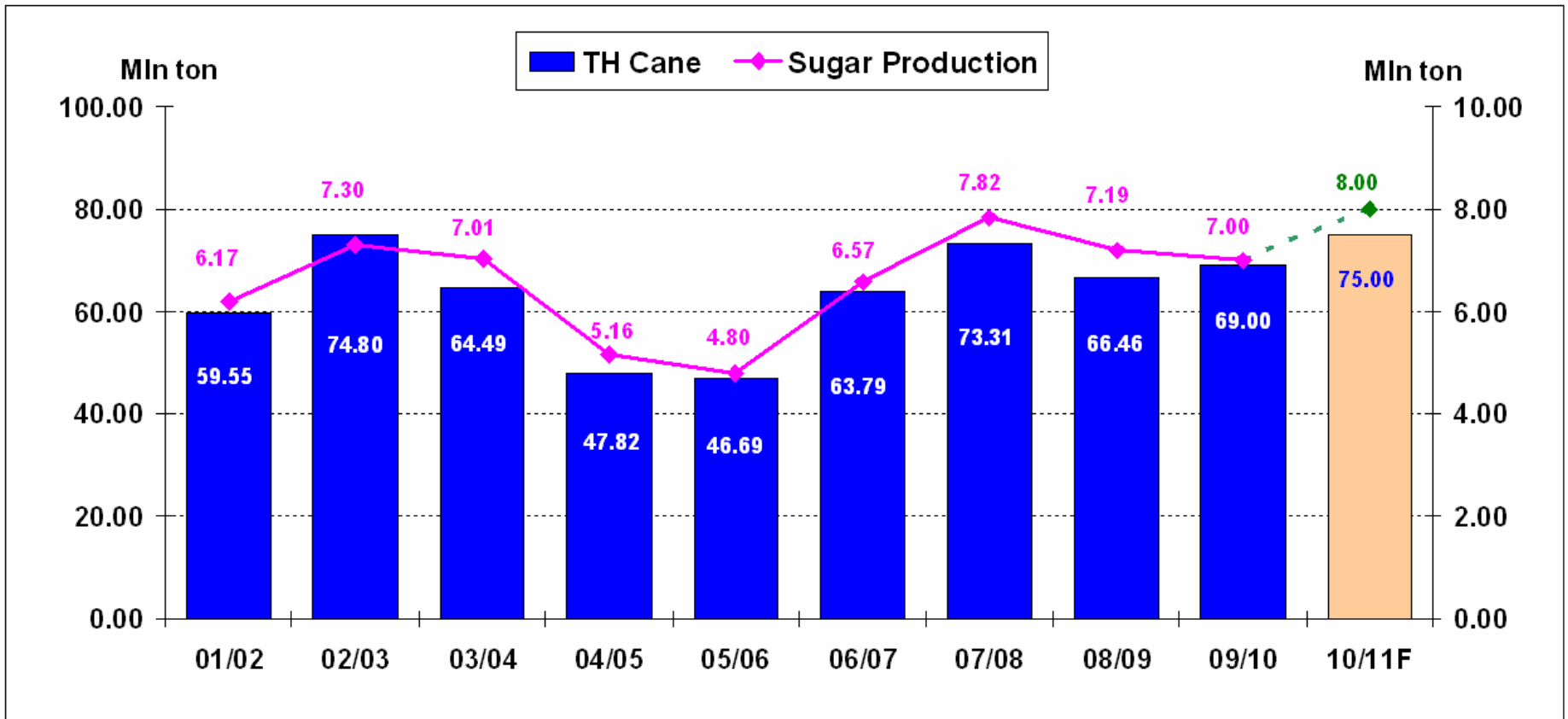
An industry source said the additional supply would just be a reserve and would not be used unless there was a real shortage. "We will be doing this for two weeks to monitor the situation, but we think [there will not be a problem] because the price of export sugar is currently lower than domestic sugar, at 17.49 baht compared with 20 baht of domestic white refined sugar."

Quota in Y2009/10



The Office of Cane and Sugar Board decided to increase Quota A from 2.10 Mln Tons to 2.20 Mln Tons (+100,000 Tons)

What will be in Y2010/11



- **In Y2010/11F Cane => 72 - 75 Million tons cane**
Yield => 105 kg/Ton cane
Sugar => 7.5 - 8 Million tons

Conclusion

- **For 09/10 crop, Thailand allocated 2.10 mln tons for domestic consumption compared with 1.9 mln tons last year. However, Government most likely will increase 100K mt additional A Quota to reduce the tightness of domestic market.**
- **Thailand will continue to front loading export sugar because of strong invert sugar market since end of last year.**
- **Because of the highest cane price in 09/10 and acceptable world sugar market in 10/11, the farmers have been expanding new production area, re-planting, plus input more fertilizer and supply more water for the existing planting area.**
- **Drought condition in Thailand will be the key success for the next year production.**



Thank You

