

COMMODITIES

TSMC: Sweet sugar exports despite row

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Brazil's allegation against Thailand at the World Trade Organization (WTO) over "subsidies" for sugar producers that it says dragged down global prices is unlikely to have any negative impact on Thai trade of the sweetener, according to the Thai Sugar Millers Corporation (TSMC).

In contrast, Thai sugar exports are expected to be brighter this year as global supply falls short of demand, supporting a price rise, it said.

TSMC chairman Sirivuth Siamphakdee said most industry officials were confident that the government would explain clearly to the WTO that the Thai system did not have subsidies.

"I think we can prove we do not have subsidies. It is a system that we adapted from Australia and even Brazil," he said, referring to the 70:30 profit sharing between sugar millers and cane growers.

According to the system, monetary support received by Thai sugar producers comes from the country's Cane and Sugar Fund, which raises the money itself, mostly from sales of sugar each year.

When the fund does not have enough money, it seeks loans from the state-owned Bank for Agriculture and Agricultural Cooperatives, but the government does not have any role in this, Mr Sirivuth said.

He said the case would take a long time for the two countries to explain and argue at the WTO.

However, during the time that the case is discussed, Thai sugar trading will go on as usual at a time when global sugar prices are expected to rebound on falling supply, Mr Sirivuth said.

Global sugar prices have dropped substantially over the past few years from a record high of 36 US cents per pound in 2012 to as low as 11 cents late last year due to excessive supply at a time when the weak global economy cut demand.

However, prices have rebounded since early this year to around 12-14 cents per pound due to an expectation that supplies in major sugar-producing countries are falling.

The London-based International Sugar Organisation has raised its global deficit forecast for 2015-16 to 5 million tonnes on expectations of lower output in India, Thailand, Brazil and the European Union.

The declines in sugar output are largely due to unfavourable weather that cut cane production and sugar yield from the cane.

Falling supply in Thailand is also expected to prevent exports from rising substantially this year.

Thai cane production in the current 2015-16 crop is forecast to be about 100 million tonnes, down from around 111 million tonnes forecast earlier.

That would be equivalent to around 10 million tonnes of sugar to be consumed and exported in 2016.

Thailand has earmarked 2.2-2.5 million tonnes of sugar for domestic consumption, known as Quota A, in the current 2015-16 crop.

This will leave the country with around 7 million tonnes of sugar left for exports.

Thailand, the world's second-biggest sugar exporter after Brazil, shipped 7.9 million tonnes in 2015, up from 7.32 million tonnes in 2014 and 6.56 million tonnes in 2013, according to data from the Office of the Cane and Sugar Board.