

NOT SO SWEET

Rising global sugar prices have prompted accelerated exports and more smuggling amid a decline in domestic supply. **B3**

A grower loads harvested sugar cane onto a truck at a field in Suphan Buri province. The drought has affected Thailand's sugar cane output and also reduced the crop's sugar content. JIRAPORN KUHAKAN



High sugar price spurs exports, smuggling

Thai sugar output set to remain lacklustre

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Rising global sugar prices have both encouraged traders to accelerate exports and spurred smuggling at a time when Thai sugar production has been reduced by unfavourable weather, cutting down supply for the domestic market, say industry officials.

The current 2015/16 sugar cane crushing season has just ended with the production of only 9.7 million tonnes of sugar from 94 million tonnes of sugar cane, due largely to the severe drought, which has cut sugar-cane output as well as the sugar content of the sugar cane.

That was well below the 10.3 million tonnes of sugar garnered from more than 106 million tonnes of sugar cane in

the previous 2014/15 crop, according to the Office of the Cane and Sugar Board (OCSB), which oversees the country's sugar industry.

Traders and industry officials said they expected Thai sugar output in the next 2016/17 crop to remain poor, as Thailand is set to face more bad weather.

Falling sugar production in major producing countries such as Brazil and Thailand, the world's number one and number two exporters, respectively, have helped push up global sugar prices substantially.

The price of raw sugar futures rose to 20.78 cents per lb, up more than 30% from around 15 cents in 2015 and from 11 cents over the past few years. The price is expected to rise further.

OCSB director-general Somsak Jantararungtong said rising global sugar prices had made it worthwhile to smuggle sugar to be sold in neighbouring countries, especially in Cambodia, Laos, Myanmar and Vietnam, where rapid economic growth

is expected.

"We (the OCSB) have heard about retail sugar going missing from supermarket shelves and possible sugar smuggling. And we have asked for co-operation from the governors and provincial administrative authorities along the borders to tighten their surveillance to prevent sugar smuggling," said Mr Somsak.

Meanwhile, of the total 9.7 million tonnes of sugar produced this season, around 2.6 million tonnes were allocated for domestic consumption, known as Quota A.

The Quota A, however, seemed to be insufficient for domestic consumption this year as consumers have started complaining about sugar supply shortages in some areas along the outskirts of Bangkok.

Traders said rising global prices had also encouraged exporters to rush orders in a bid for higher profits, especially at a time when demand in major sugar consuming countries had risen substantially.

China, which has recently faced bad weather over the past several years, has suffered falling sugar supply and is seeking more of the commodity from Thailand.

Up to 730,000 tonnes of Thai sugar were shipped to China in 2015, mostly through Myanmar and the southern region of China, according to an official at the Thai Sugar Millers Corporation Limited (TSMC) who asked not to be named.

That was well above the 210,000 tonnes China imported from Thailand in 2014, the source said.

"China has been running short on sugar for some time and Thailand is the nearest place to find it for a cheaper price compared with that in China," said a trader who asked not to be named.

The trader, who has traditionally traded sugar with several clients in Asia, including China, added that China's domestic sugar price had surged to \$700 a tonne due to tight supply, while the price of imported sugar from Thailand stood at around \$500 a tonne.

Myanmar has also imported 390,000 tonnes of Thai sugar so far this year, up from only 20,000 tonnes in the same period last year.