

SWEETER TOGETHER

Several Asean member states have formed a Thai-led sugar alliance in a bid to foster trade and share know-how. **B2**

COMMODITIES

Thailand spearheads Asean sugar alliance to foster trade

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Several Asean member states have formed a sugar alliance in an effort to tighten trade between major buyers and sellers of the commodity in the region as well as strengthen sugar-producing knowledge and technology among members.

However, traders said it would be a few years before the Asean Sugar Alliance (ASA) had a major impact on the global or even the regional market.

Sirivuth Siamphakdee, vice-chairman of the executive committee of the Thai Sugar Millers Corporation, said Thailand had spearheaded the project and is urging other Asean countries to join.

"Currently, the member countries of the ASA are Thailand, Indonesia, the Philippines, Myanmar, Malaysia, Vietnam and Cambodia," he said, adding the memorandum of understanding to form the alliance was signed in Bangkok in July by private sugar associations from those countries.

Although there are no private sugar associations in Malaysia and Cambodia, the two countries sent representatives from their major sugar companies to join the ASA.

Mr Sirivuth said the ASA would make Asean's sugar trade more active, especially with the Asean Economic Community, which is expected to free up the sugar trade among Thailand, the world's second biggest sugar exporter, and other

major sugar-importing countries in the region such as Indonesia, the Philippines and Vietnam.

He added the ASA is expected to lead to further cooperation and investment in the sugar business among members, especially Cambodia, Myanmar and Vietnam as well as Laos, where sugar demand is expected to rise along with their growing economies.

However, traders and industry officials said the ASA is unlikely to have any major impact or play a game-changing role in the regional and global sugar markets over the next few years as it is seen as a flexible cooperation with no specific target.

"The ASA is unlikely to change anything in the sugar market since all the factors dictating trends in the sugar industry over the next few years have already changed, especially regarding prices, which are tending to rise," one trader said.

Global sugar prices have reversed from the bottom and are expected continue rising over the next few years due to falling supply and stocks, according to traders and industry officials.

The US Department of Agriculture (USDA) has forecast global sugar for consumption in the next 2016/17 crop to reach a record 174 million tonnes, with production at 169 million tonnes.

This would lead to global stocks falling to the lowest since the 2010/11 crop, signalling

global prices should rise further over the next few years.

Prices on the New York raw sugar futures, which sets global trends, bottomed out at less than 11 cents per pound in August 2015 before breaking the 20 cents resistance.

The USDA predicted consumption in several countries, especially India and China, to rise substantially.

India's consumption was expected to rise to 27.2 million tonnes, while production was forecast to drop by 2.2 million tonnes to 25.5 million due largely to falling planting areas and declining yield.

China's consumption was also projected to reach a record 17.8 million tonnes and the continuous rise in demand was expected to bring its stock down to 3.2 million tonnes.

In contrast, Chinese sugar production was expected at 8.2 million tonnes due to lower planting areas.

For Thailand, the USDA forecast sugar output to rise by 360,000 tonnes to 10.1 million tonnes, up from 9.7 million in the previous 2015/16 crop, as the uptick in sugarcane areas offsets the lower yield caused by the recent drought.