

COMMODITIES

Section 44 invoked to float sugar as price drop looms

LAMONPHET APISITNIRAN 01

The government has invoked Section 44 to float the local price of sugar, says Industry Minister Uttama Savanayana.

The local price had been subsidised by the Thai government. But the government wants the local price to be on a par with the global rate, as its support was in violation of a World Trade Organization (WTO) rule, with other sugar producers such as Brazil crying foul.

The plan to float the sugar price had been postponed since Dec 1.

"The government forecasts the local price of sugar to fall over the next two weeks as the global sugar price is expected to dip," Mr Uttama said. "But we cannot estimate the price per kilogramme drop."

He referenced a statement from Brazil that the price subsidy has dragged down global sugar prices.

More importantly, the subsidy from the Thai government allowed the country to pick up a greater share of the global market.

Thailand is second only to Brazil in sugar exports. Thailand produced 10 million

tonnes of sugar from 93 million tonnes of sugar cane last year.

Somchai Hamhirun, the deputy industry minister, said the ministry will revoke its 70:30 profit-sharing system, in place since 1984, requiring the end of its quota system as domestic prices are floated.

The 70:30 profit-sharing system between sugar millers and cane growers provides monetary support from the Cane and Sugar Fund to sugar-cane producers.

Mr Somchai said Thailand has revoked the sugar quota system, which sets aside three quotas each year to prevent sugar shortages.

Quota A sets aside 2.2-2.5 million tonnes of sugar for domestic consumption. Quota B designated 800,000 tonnes for state-run sugar exports.

Quota C covered the quantity of sugar to be exported by private sugar millers.

"The quota system will be phased out once the floating price is effective, but the government has to reserve a buffer stock for one month to serve and secure sugar supply," Mr Somchai said.

The government said it could handle the local sugar price without affecting buyers.



Uttama: No idea of estimated decline