

SWEET SUCCESS

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Farmers reap gains from sugar cane



A farmer harvesting sugar cane at a field in Suphan Buri. Rain led to higher sugar yields this season. JIRAPORN KUHAKAN

OCSB to scrap quotas to avoid WTO rift

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Better yields have given Thailand abundant sugar output in the current 2016-17 crop, allowing the world's second-biggest sugar exporter to capitalise on rising global prices, says the Thai Sugar Millers Corporation Ltd (TSMC).

Rising prices are likely to encourage

farmers to switch from rice and other crops to sugar.

Sirivuth Siamphakdee, the chairman of the TSMC, said the 2016-17 sugar-crushing season, which started Dec 6, is about to end in the next few days and the country has produced 10 million tonnes of sugar from 93 million tonnes of sugar cane.

That is an improvement on last year, when Thailand produced 9.8 million tonnes of sugar from 94.5 million tonnes of sugar cane.

"There were rains in several sugar planting areas for the 2016-17 crop, resulting in abundant sugar cane with a higher sugar

content," Mr Sirivuth said.

He said the higher sugar content from the cane has generated higher sugar output from a smaller crop.

Commercial cane sugar, a measure of sugar content in the cane, was 12.2, up from 11.9 in the previous crop.

Rising global prices are prompting farmers to grow more sugar cane to boost sugar output in the next crop, Mr Sirivuth said.

Global sugar prices 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 as a glut and

weak global economy cut demand.

The price of benchmark New York raw sugar, which sets global trends, has risen nearly 50% from a record low to 16.32 cents currently.

In another development, Thailand will overhaul its sugar production and distribution systems for the first time in more than three decades in order to avoid being challenged by Brazil, the world's biggest sugar producer, at the World Trade Organization.

The Office of Cane and Sugar Board (OCSB) reported Thailand discussed this issue with Brazil twice and the countries agreed in principle that Thailand is on track to overhaul its sugar system to be fair to all parties.

The new laws and regulations are expected to be applied to the 2017-18 crop, according to senior governmental officers and industry officials.

According to the OCSB, Thailand will have to revoke its current 70:30 profit-sharing system, in place since 1984, which will require cancelling its quota system and floating domestic sugar prices.

Brazil is challenging Thailand over subsidies for sugar producers that it says have dragged down global prices and allow Thailand to win a larger market share at the expense of Brazilian producers, conduct that is not in line with international trade agreements.

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.

The fund raises the money itself, largely from yearly sugar sales.

When the fund does not have enough money, it seeks loans from the state-owned Bank for Agriculture and Agricultural Cooperatives.

Thailand's plan is to revoke 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 sets aside 800,000 tonnes for state-run sugar exports and quota C sets the quantity of sugar to be exported by private sugar millers.

Thailand also needs measures to deal with potential problems when it scraps the quota system, as global price rises encourage traders and profiteers to smuggle domestic sugar to be sold outside the country.