

AGRICULTURE

B6.5bn in aid
to prop up
cane farmers

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The cabinet yesterday approved 6.5 billion baht worth of financial aid to sugar-cane farmers for the 2018-19 crop to help alleviate their plight, as local sugar prices have dropped sharply after the country's 30-year quota subsidies system and domestic price controls ended last year.

Industry Minister Uttama Savanayana said the government will inject 6.5 billion baht via the Bank for Agriculture and Agricultural Cooperatives, with each sugar-cane farmer to receive 50 baht per tonne.

The measure caps aid at 5,000 tonnes per farmer.

The financing will be allocated from the budget reserved for emergency cases in fiscal 2019.

According to Mr Uttama, sugar-cane farmers will be also awarded an additional 70 baht per tonne each, worth a total of 9.1 billion baht. Funding will be sponsored by the Cane and Sugar Fund.

In total, each farmer will receive 120 baht per tonne. They can spend the money to grow sugar cane in the 2019 crop year, which starts next month.

Mr Uttama said Thailand remains in a transitional period after revoking the 30-year-long quota system and domestic price controls at the end of 2017 to avoid being challenged by Brazil at the World Trade Organization (WTO).

Falling world sugar prices have hammered Thailand's overall sugar industry, 75% of whose production is for export.

Domestic sugar prices were quoted at 17-18 baht a kilogramme from January to August, down from 19-20 baht a kg in the same period last year.

The Industry Ministry forecasts Thailand to produce 130 million tonnes of sugar cane from 12.07 million rai for the 2018-19 crop.

The initial cane price is estimated at 680 baht per tonne, the lowest price in five years after 900 baht in 2013-14 and 2014-15; 808 baht in 2015-16; 1,050 baht in 2016-17; and 880 baht in 2017-18.

Mr Uttama said the government's aid measure is unlikely to violate WTO rules because Thailand's initial cane prices are far below 1,100 baht per tonne, the farmers' production cost.

"The ministry has already consulted the Commerce Ministry and found that the WTO rule allows developing countries to assist their farmers with general measures via subsidy of production factors," he said.

Thailand is allowed to subsidise farm products worth up to 19.02 billion baht a year. The WTO caps the budget for state aid measures at 10% of total value of the industry.

"The government estimates that the sugar industry in the 2018-19 crop is worth 130 billion baht, so this measure is insignificant," Mr Uttama said.