

FRAMEWORK OF THAILAND SUGAR INDUSTRY



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My agenda

1. The Landscape



2. Four Pillars of the Regime

3. The Challenges from New Mill/Crushing Expansions



The Landscape



Growers

Growers

= 191,214

Total acreage

= 6.875 million rai

Average farm size

= 22.5 rai/family

Cane production

= 64.165 million TC pa.

Cane yields

= 10.28 TC/rai

(6.25 rai = 1 hectare)



Mills = 47

Existing capacities = 620,890 TCD.

Sugar production = 6.696 million MT p.a.

Sugar yields = 104.17 kg/TC



Local sales and exports



Domestic requirement = 2.2 million tons p.a.

Exportable = Excess of annual production over local sales

Raw = 40-45 %

White = 55-60 %



Sugar is Thailand's No. 17 export product in 2010 (Jan – Jun) with value of US\$ 1.6 billion.



No. 4 in agricultural category after rubber, rubber products and rice

Four Pillars of the Regime

1. Sugar quota allocation

Total sugar productions shall be allocated into 3 quotas:

1.1 Quota A for local consumption
(white + refined)

1.2 Quota B for industry LT export contract
(raw)

1.3 Quota C for individual exports = Total
production – Quota A – Quota B (raw
+ white + refined)



2. Domestic sugar prices regulation

To protect the local consumers, domestic sugar prices have been controlled by fixing the “ceiling prices” both at the wholesale and retail levels by the CSB.



3. Sugar export controls

Prior to Quota C shipments, sugar mills must meet the output targets of Quota A and Quota B. Hence, all Quota C exports are regulated and must be made via licensed export companies.





4. Cane payment formula

Cane payments are regulated by a 70/30 revenue sharing arrangement under the 1984 Cane and Sugar Act. Growers generally get 70% of the industry “net” revenue for sugar sales while millers receive the other 30%.



If final prices higher (lower) than provisional prices, millers have to pay growers the difference. (are reimbursed by the Sugar Fund)

The Challenges from New Mill/Crushing Expansions

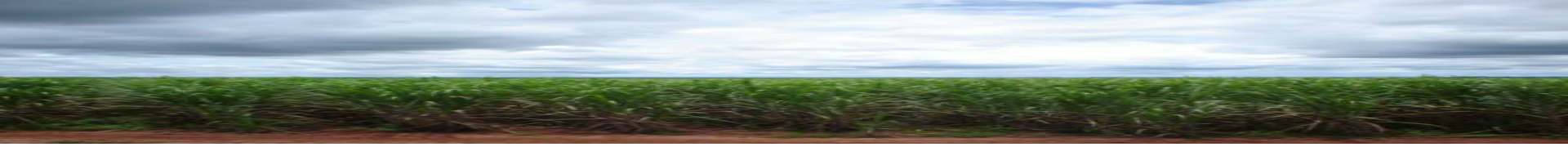
The Thai cabinet resolution on May 11, 2010

(a) 205,000 TCD new capacities and

(b) new 6 (six) sugar mills.

**New combined capacities =
1,110,320 TCD with 53 sugar
mills by 2015/16**





Average crushing period = 100 days

Cane requirement = 110-120 million tons p.a.

The 50 million tons sugarcane supply growths can be attributed to

(a) 19 million tons from acreage increase and



(b) 32 millions tons from better yield per rai.

Acreage growth is limited by availability of new land.



More cane fields are likely to be made by converting the existing cassava acreages via higher relative profitability.



It is projected that the additional 1.7 million rai of existing cassava acreages shall be converted to raise cane productions about 18-20 million tons.



**This projection is
“too optimistic”.**

**The maximum acreage
growth for the next 5
years should be 10% of
the existing cane fields.**





The cane yield per rai has been projected to increase from 11 tons/rai to 15 tons/rai and the additional cane productions from better yield could be 32 million tons.

This projection is “impossible”.



Better yield is much more difficult to accomplish as the industry has only very marginal investment in the R & D activities.

In the past, yield and sugar content are mainly subject to climatic conditions.





The industry should undertake and finance its R&D activities by imposing a R&D levy on the industry's proceeds.



The industry's Fund has an optimistic future and it should be able to undertake the R & D financing if consents among growers and millers are secured.



Self-reliance is the most practical remedy.

**Thank you
for your
attention**

