

Sugar producers must diversify to ensure profitability: KTIS

TOP THAI FIRM SAYS SUPPLY OF CANE THIS YEAR LIKELY TO BE IMPACTED BY THE DROUGHT CRISIS

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THE WORLD'S largest sugar-cane producer, Kaset Thai International Sugar Corporation (KTIS), says Thai sugar companies must diversify into by-products to sustain profitability.

KTIS owns Kaset Thai Sugar Factory, Thai Identity Sugar Factory and Ruamphol Sugar Factory. Kaset Thai Sugar Factory is the world's largest, with a capacity of 55,000 tonnes of sugar-cane per day. Combined with Thai Identity's 18,000 tonnes and Ruamphol's 15,000 tonnes, KTIS has a total capacity of 88,000 tonnes of sugar cane per day.

Even though KTIS is a large company, it cannot avoid the effects from the decline in the sugar price, said chief financial officer Sirivuthi Siamphakdee.

Parphan Siriviriyakul, chief executive officer of KTIS Group, added that by-products of sugar cane would help the company manage costs, so the company must think about how use its raw materials to strengthen its existing businesses.

Last year, KTIS reported net profit of Bt730 million, down from Bt1.36 billion in 2014 because the global sugar price dropped.

Even though the price has improved to 14.26 US cents per pound from 10.5 cents in the fourth quarter of last year, the company acknowledges that the price will not be stable because the supply is high-



Parphan Siriviriyakul, left, CEO of KTIS, and Kittiphun Anutarasoti, right, KTB head of wholesale banking.

er than demand and the price is determined by Brazil, the world's largest exporter.

Thailand exports 8 million tonnes of sugar a year, far behind Brazil's 35 million to 40 million tonnes. Global demand for sugar is 180 million tonnes per year.

Sirivuthi said the supply of sugar-cane this year would be lower than last year because the low rainfall and drought had affected the harvest, meaning the harvest season would finish by the end of this month, not the end of April, as usual.

Sugar-cane production this year is expected to be less than 100 million tonnes, lower than the target of

112 million to 115 million tonnes, because production so far has been only 85.6 million tonnes. However, based on the current sugar price of 14.26 cents a pound, KTIS's revenue this year will be better than in 2015 and net profit should be similar to what it made in 2014.

"We hope the sugar price this year will stay at 15-16 cents per pound, but if it is below 10 cents sugar operators will face losses," he said.

The company has to seek more income from sugar-cane by-product, which should be the new strategy of other sugar companies as well. Without adjusting, companies that rely only on sugar

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will be disappointed, he said.

By-products of sugar cane are biomass, ethanol, fertiliser, biogas, electricity and bagasse pulp, and KTIS is already operating businesses based on these. However, by-products at present account for only 20 per cent of its revenue, and it wants to boost this proportion to 50 per cent, Sirivuthi said.

KTIS is constructing a plant to make bagasse-ware products from sugar-cane fibres, an incentive that has been supported by the Board of Investment. Construction of the plant is expected to be completed in two or three months. Sirivuthi said the company was seeking partners in the venture.

Biomass is an alternative material to paper and plastic, and is expected to be in high demand in the future. Bagasse-ware products are already quite popular overseas.