BRR puts off ethanol plant blueprint

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SET-listed sugar miller Buriram Sugar Plc (BRR) has decided to postpone investment in an ethanol production facility, instead seeking to diversify to other products that utilise molasses and bagasse.

Chief executive Anant Tangtongwechakit said the delayed project would not affect the company's financial performance over the next several years. BRR has already conducted a feasibility study and is working on an environmental impact assessment, as it continues to line up other buyers for molasses, a waste product from sugar milling and raw material for ethanol production.

BRR aims to sell molasses to local beverage makers. The development cost for the delayed project has not been determined, but the company had planned to start operations in 2020 at its milling complex in Buriram province.

BRR has not changed its capital investment for its biodegradable packaging facility, which uses bagasse — another waste byproduct of the sugar milling process. The bagasse project will be developed and operated under BRR's wholly-owned subsidiary, Sugarcane Ecoware, for 350 million baht. The facility can make 800,000 to 1 million pieces of biodegradable packaging per day.

"This eco-friendly product is in high demand in many sectors, including food and drink, tourism and hospitality," said Mr Anant.

He said many firms in Thailand are concerned by the environmental harm caused by foam packaging, and are looking for alternatives.

The project will also help the company diversify its revenue by 2020, as it aims to generate a greater share through biomass power plants, biodegradable packaging and fertiliser.

Last year, sugar accounted for 73% of the company's revenue, while its power business and fertiliser income represented 12% each.

"Sugar is a commodity and is very sensitive to price cycles. We plan to diversify by pushing up the revenue share from waste products," said Mr Anant.

For biomass, BRR operates two plants under a licence for on-grid power generation, each with capacity of 9.9 megawatts (MW). The company sells 8MW from each plant back to the state utility.

The company's third biomass power plant recently began operations, while a fourth plant is set to be built soon.

BRR plans to bid for two biomass licenses for the third and fourth plants under a semi-firm power purchasing agreement for small-scale producers. Energy policymakers are set to run another auction for 270MW in combined capacity. The development cost for 9.5MW is expected to be 600 million baht.

Mr Anant said globally prices are decreasing because of higher sugar output from China, India and Thailand, although Brazil may have a sugar shortage from converting sugar juice into ethanol. The average price in 2018 is projected at 17 cents per pound, down from 22 last year.

BRR shares closed unchanged yesterday on the SET at 8.75 baht in trade worth 1.44 million baht.