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Global Agricultural Information Network

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Thailand

Grain and Feed Update

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Report Highlights:

Rice production is expected to be larger than previously forecasted in MY2016/17 and MY2017/18 due to attractive returns compared to corn. Government rice stocks continued to decline in June 2017, driven by domestic and export demand. Import restrictions on feed wheat are likely to remain in place in MY2017/18.

Post:

Bangkok

Executive Summary:

MY2016/17 rice production is higher than expected, totaling 19.2 million metric tons. Furthermore, rice production will likely increase to 20.4 million metric tons in MY2017/18 due to favorable weather conditions and attractive returns. However, rice stocks are revised significantly down to 4.5 million metric tons in MY2016/17 and 3.6 million metric tons in MY2017/18 as the government continues to sell its rice stocks, particularly in June 2017 when there was a surge in domestic and export prices. Thai rice export prices increased significantly in June 2017 reaching price levels last recorded in late 2013 due to strong export demand for white and parboiled rice. Rice exports are revised up to a record 11 million metric tons in MY2016/17. Domestic rice consumption is revised up to record levels as well due to the emerging demand for deteriorated rice and feed/industrial quality rice being sold from the government stocks.

Farm-gate prices for corn are still below the government target of 8,000 baht per metric ton (237 USD/MT) despite the domestic absorption requirements for imported feed wheat. Corn is also being substituted by rice in poultry and swine feed rations due to relative cheaper prices. As a result, the government is likely to maintain the corn domestic absorption requirements for feed wheat imports in MY2017/18. Additionally, the government is considering a direct payment to support acreage expansion of MY2017/18 off-season corn.

Post's forecast for a reduction in wheat imports during MY2016/17 and MY2017/18 remains unchanged as the government will likely maintain the import restriction on feed wheat which is mainly used in poultry and swine feed ration.

1. Rice Update**1.1 Production**

Post's forecast for MY2016/17 rice production is revised up to 19.2 million metric tons. This is a 22 percent increase from MY2015/16 due to higher-than-expected off-season rice production. MY2016/17 off-season rice production is expected to increase to 5.4 million metric tons, which is more than double last year's level due to favorable weather conditions and sufficient water supplies for irrigation. According to the Ministry of Agriculture and Cooperative's disaster assessment report, MY2016/17 off-season rice crop was marginally affected by drought and pest damage with damaged area totaling approximately 0.2 million rai (0.03 million hectares). The MY2016/17 off-season rice harvest increased to approximately 12 million rai (1.9 million hectares), up 155 percent from MY2015/16 (Figure 1.1). Although the Royal Irrigation Department (RID) has already supplied water for irrigation for MY2016/17 off-season rice, current water supplies are still well above last year's levels due to above normal precipitation (Figure 1.2). The Thai Meteorological Department reported that cumulative precipitation during January 1 – June 18, 2017 doubled the amount of precipitation received for the same period last year (Figure 1.3), particularly in the central plains which are a major growing area of off-season rice.

Figure 1.1: Thailand's Rice Harvest Area

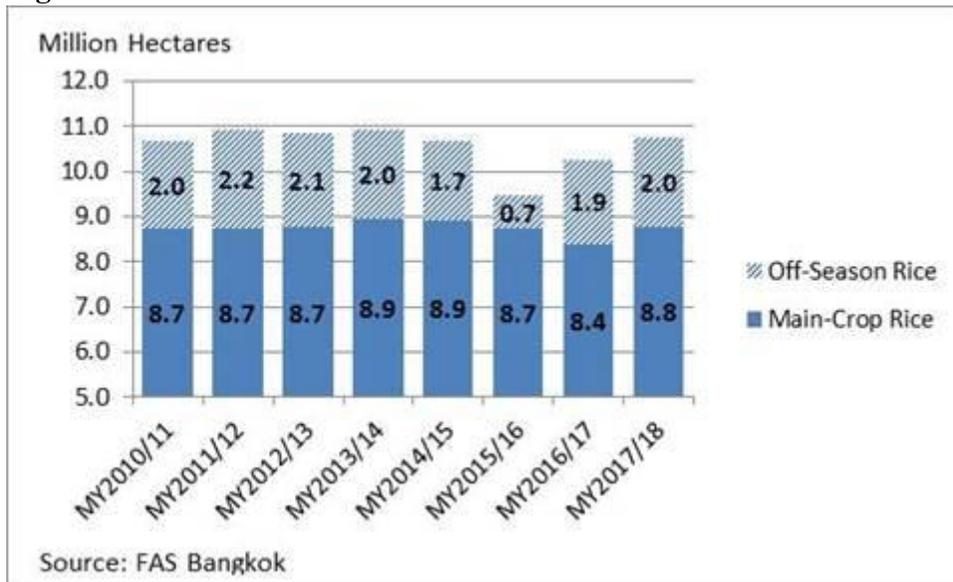


Figure 1.2: Water Supplies in Major Reservoirs

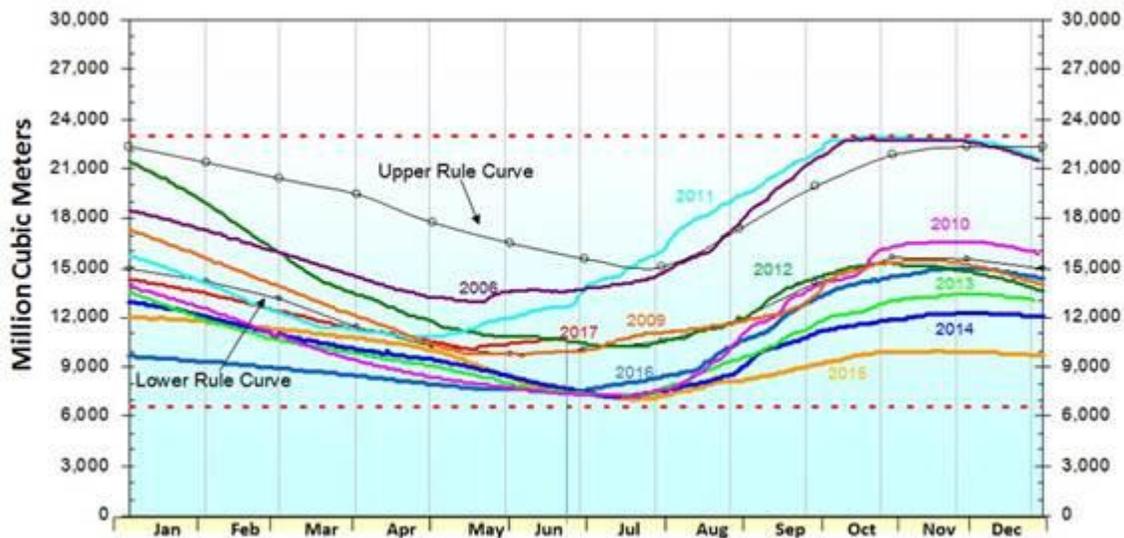
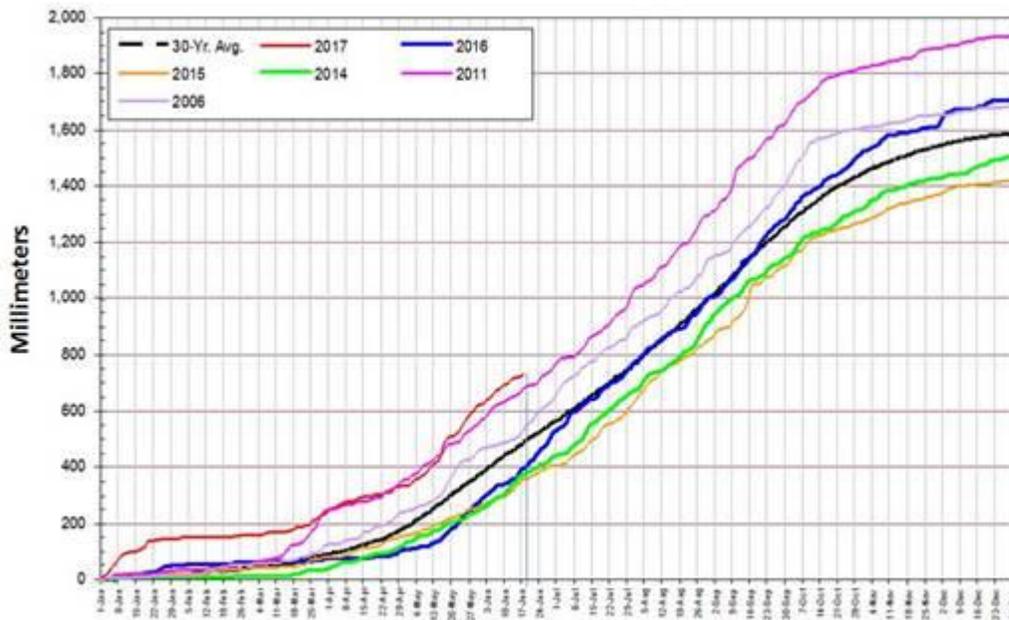


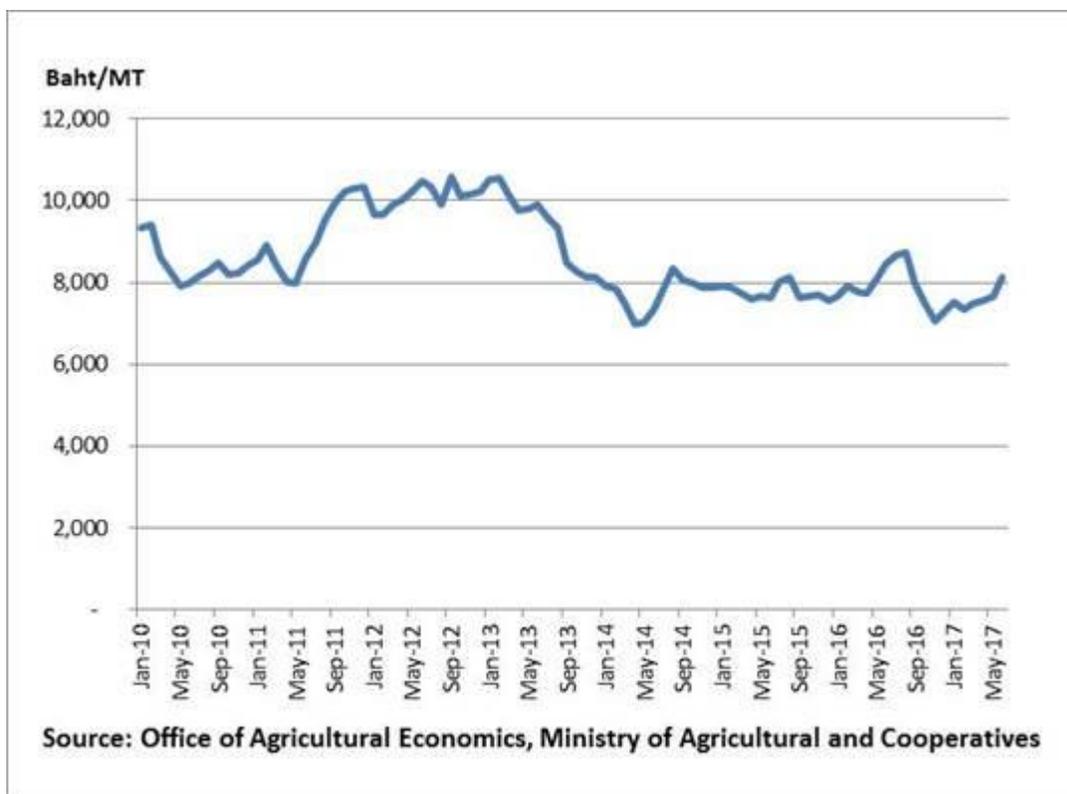
Figure 1.3: Cumulative Precipitation by Month and Year



Source: Royal Irrigation Department, Ministry of Agriculture and Cooperatives

Additionally, MY2017/18 rice production is revised up to 20.4 million metric tons. This is a 6 percent increase from MY2016/17 in anticipation of an acreage expansion of main-crop and off-season crop. Presently, the farm-gate price for white rice has rebounded to 8,000 – 9,000 baht per metric ton (237-266 USD/MT), which is the same price level as in MY2013/14 when the previous government’s populist rice pledging policy program was implemented (Figure 1.4). Farmers in the central plains will likely continue their rice planting right after their MY2016/17 second off-season rice is harvested in July 2017 due to attractive farm-gate price. Additionally, anticipated seasonal flooding in these areas is expected to be minimal due to sufficient reservoir capacities. While current reservoir volume is well above last year’s levels, the reservoir volume is still far below record 2011 levels when severe floods hit the central plains (Figure 1.2). Moreover, MY2017/18 off-season rice planting is expected to remain attractive due to sufficient water supplies. Farm-gate prices are also likely to be steady at 8,000 – 9,000 baht per metric ton (237-266 USD/MT) as the government has run down its old-crop rice stocks accumulated under the MY2011/12 – MY2013/14 pledging programs. In addition, the government will maintain its interest-rate subsidy program to help rice mills/traders hold rice stocks during the seasonal harvest. This will make the government’s campaign to reduce off-season rice planting less effective. In MY2015/16, only 140,000 rai (22,400 hectares) of off-season rice were reportedly shifted to corn, which is far below the 2.5 million rai (0.4 million hectares) target.

Figure 1.4 Farm-gate Prices of White Rice Paddy (15% Moisture Content)



1.2 Consumption

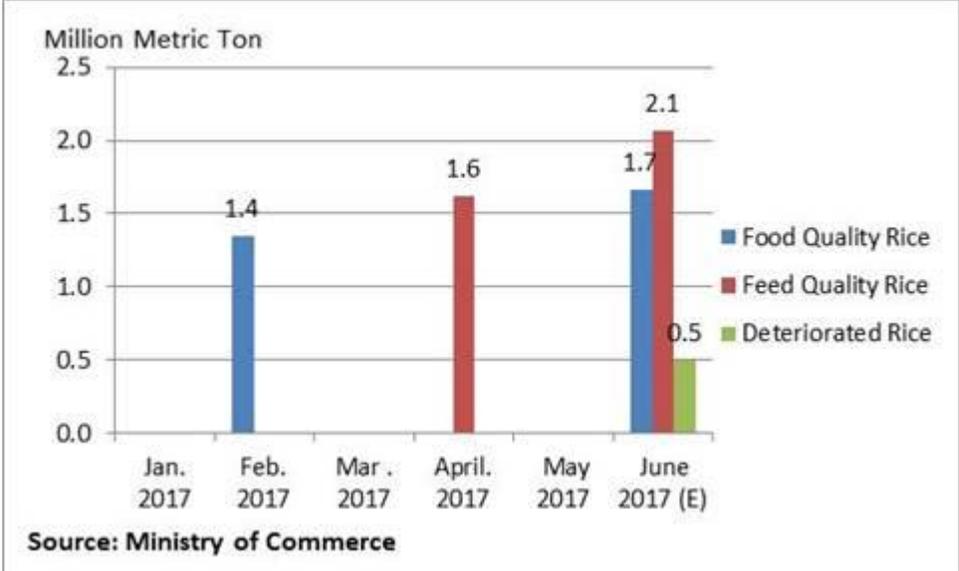
MY2016/17 rice consumption is revised up to a record 12.3 million metric tons. This is a 35 percent increase from MY2015/16 due to the utilization of rice from the government stocks for the production of energy (non-ethanol), fertilizer, and poultry and swine feed. Around 1 million metric tons of rice stocks will be used for fertilizer and energy production. Feed-quality rice, totaling approximately 2.4 million metric tons, will be used for swine feed and poultry feed acting as a substitution for corn and imported feed wheat. MY2017/18 rice consumption is expected to decline to approximately 11.5 million metric tons; down 7 percent from MY2016/17 in anticipation of a reduction in rice utilization by poultry feed producers, power plants, and fertilizer manufacturers due to limited supplies of feed-quality and deteriorated rice. Approximately 90 percent of the 4.8 million metric tons of the government's industrial-quality rice and deteriorated rice stocks will have been depleted in 2017.

1.3 Stocks

Post revises down MY2016/17 rice stocks to approximately 4.5 million metric tons, of which 1 million metric tons are government rice stocks. This is a 46 percent reduction from MY2015/16 due to the larger-than-expected sale of government stocks in June 2017. In June 2017, the government finalized the sale of 3.6 million metric tons of old-crop rice stocks which included (1) 0.5 million metric tons of deteriorated rice stocks mainly to power plants and fertilizer manufacturers from the 1.1 million metric ton April 28 tender, and (2) 1.66 million metric tons of food-quality rice from the 1.8 million metric ton May 24 tender (Figure 1.5). Additionally, by the end of June 2017, the government is expected to sell approximately 2.1 million metric tons of feed-quality rice stocks from the 2.2 million metric ton tender issued on June 15, 2017. For this tender, the government received 16 qualified bids totaling approximately 2.1 million metric tons including several bids from new feed/fertilizer businesses

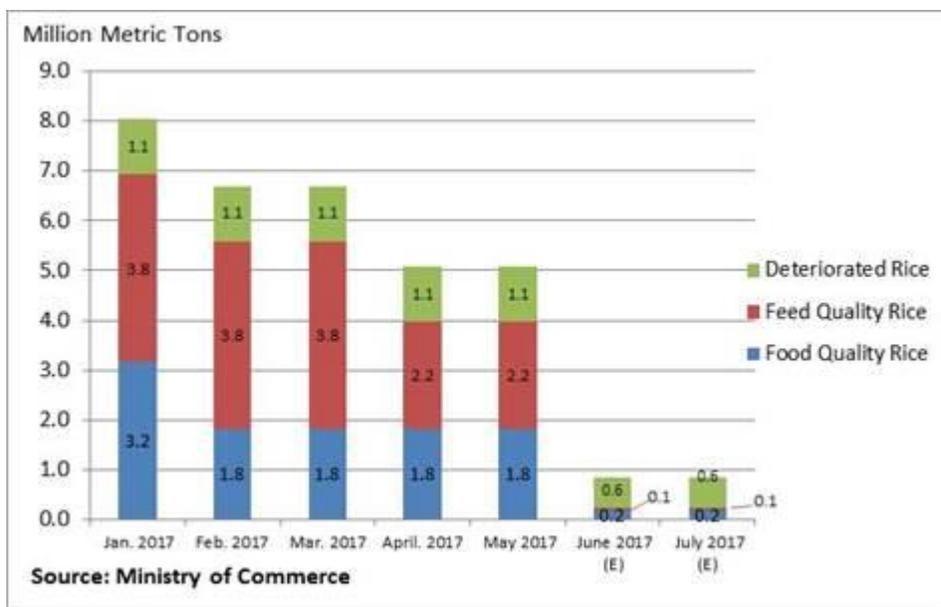
recently established by Thai rice millers and exporters. The received bids were between 4,000 – 5,000 baht per metric ton (118 – 148 USD/MT). Approximately half of the sale will be old-crop 5% grade white rice with the other half consisting of broken rice for fertilizer and feed, particularly for swine feed. Traders expect that a large portion of this feed-quality rice could be reprocessed for exports in 2017, particularly to African countries.

Figure 1.5: Sale of Government Stocks in 2017



If the sale of 2.1 million metric tons of feed-quality rice stocks is finalized, the government will have sold 7.3 million metric tons of rice stocks since January 2017, including (1) 3.1 million metric tons of food-quality rice, (2) 3.7 million metric tons of feed/industrial quality rice, and (3) 0.5 million metric tons of deteriorated rice. These figures may include some amount of rice that is officially recorded, but unaccounted for. The government still holds 0.8 - 0.9 million metric tons of old-crop rice stocks accumulated during the MY2011/12 – MY2013/14 pledging programs which consists of 0.6 million metric tons of deteriorated rice, 0.2 million metric tons of food-quality rice, and 0.1 million metric tons of feed-quality rice (Figure 1.6).

Figure 1.6: Government Rice Stocks

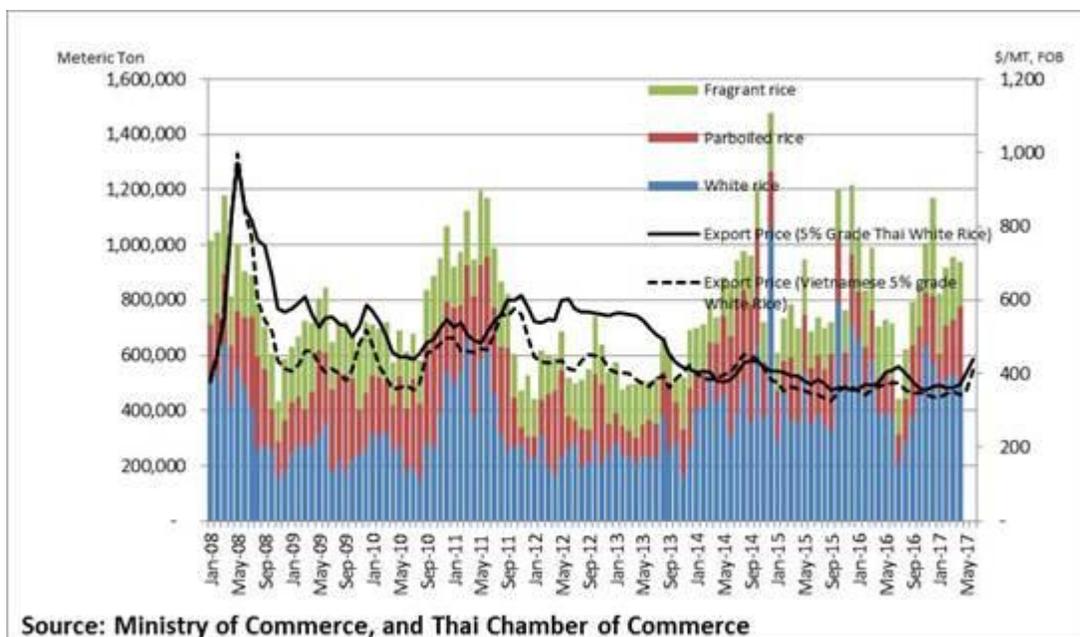


The government plans to issue a new tender for the remaining 0.6 million metric tons of deteriorated rice stocks in early July 2017, followed by a tender for the 0.2 million metric tons of food-quality rice in August 2017. By September 2017, the government aims to deplete almost all of the rice stocks accumulated during the MY2011/12 – MY2013/14 pledging programs. However, the sale of government rice stocks during July – August 2017 will be challenging as supplies of second off-season rice will have entered the market.

1.4 Export Update

According to the Ministry of Commerce, preliminary rice exports during January 1 – June 13, 2017, totaled 5.4 million metric tons, up 18 percent from the same period last year due to the strong demand for white and parboiled rice from Middle Eastern and African countries. Export prices of 5% grade white rice increased to 440 USD/MT, a price point last recorded in September 2013 (Figure 1.7). Traders will likely continue to export around 0.9 million metric tons a month during the second half of 2017 as rice exporters still have approximately 2-3 million metric tons of old-crop rice bought from the government stocks in June 2017. Export prices of this old-crop rice are 6-8 percent cheaper than Vietnamese rice. Also, the full recovery of MY2016/17 off-season rice production will help boost parboiled rice exports as the price difference between Thai and Indian parboiled rice has converged. Presently, the price difference between Thai and Indian parboiled rice is approximately 25 USD/MT, compared to 70 USD/MT during the same period last year.

Figure 1.7 Monthly Thai Rice Exports by Variety



Post's forecast for MY2016/17 rice exports is revised up to 11 million metric tons. This is an 11 percent increase from MY2015/16. Meanwhile, MY2017/18 rice exports are expected to decline to 10 million metric tons, which is a 9 percent reduction from MY2016/17 as the government has depleted its food-quality rice stocks in MY2016/17.

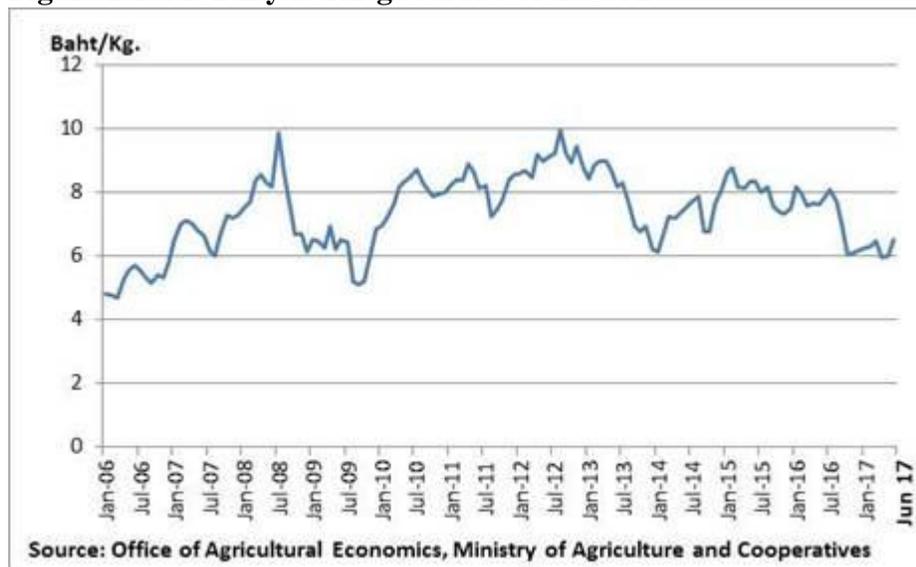
2. Corn Update

Farm-gate prices of corn remain at around 6,000 – 6,500 baht per metric ton (192 USD/MT) which is far below the government target of 8,000 baht per metric ton (237 USD/MT) (Figure 2.1). This is due to the sale of government feed-quality rice stocks which can be used as a substitute for domestic corn and imported feed wheat in poultry and swine feed rations. Currently, government rice stocks are relatively cheaper than domestic corn and import feed wheat. The government is expected to maintain the domestic purchase requirements for import permits of feed wheat in order to increase domestic corn prices.

Even though domestic corn prices still face downward pressure from the sale of government rice stocks, the government announced that it will continue to encourage farmers to shift from off-season rice production to corn production in MY2017/18. Despite the ineffectiveness in meeting the MY2016/17 policy target, the government has proposed to increase the corn planting target to 3.4 million rai (0.5 million hectares) in MY2017/18 by reducing MY2017/18 off-season rice production. In MY2016/17, around 140,000 rai of MY2016/17 off-season rice were reportedly shifted to corn, which was far below the target of 2.5 million rai (0.4 million hectares) due to unattractive corn prices. Unlike in MY2016/17, the government is considering giving a direct payment of 2,000 baht per rai (370 USD/hectare) (with a maximum of 15 rai (2.4 hectares) per household) to off-season rice farmers who are willing to shift to corn production in MY2017/18.

Post's forecast for corn supply and demand remains unchanged from the previous forecast as the additional acreage of corn will be limited due to unattractive corn prices, unless the government provides direct payments to farmers.

Figure 2.1: Monthly Farm-gate Prices for Corn



3. Wheat Update

The Ministry of Commerce decided to allow feed mills that produce shrimp feed an 110,000 metric ton exemption to the domestic purchase requirements for feed wheat import permits. This request was made by the Thai Feed Mill Association in March 2017. Meanwhile, other animal feed production using imported feed wheat is still subject to the corn domestic absorption requirements.

Post's forecast for total wheat imports remains unchanged at 3.6 million metric tons in MY2016/7 and 3 million metric tons in MY2017/18. This is a 23 percent and 17 percent reduction in total wheat imports due to the government's import restrictions on feed wheat as well as the substitution of rice for feed wheat in poultry and swine feed rations.

Table 1:1. Thailand's Rice Production, Supply, and Demand

Rice, Milled	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9444	9444	10083	10247	10480	10732
Beginning Stocks	11270	11270	8403	8387	6253	4487
Milled Production	15800	15800	18600	19200	19500	20430
Rough Production	23939	23939	28182	29091	29545	30955
Milling Rate (.9999)	6600	6600	6600	6600	6600	6600
MY Imports	300	300	250	200	250	200
TY Imports	300	300	250	200	250	200
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	27370	27370	27253	27787	26003	25117
MY Exports	9867	9883	10000	11000	10000	10000
TY Exports	9867	9883	10000	11000	10000	10000
Consumption and Residual	9100	9100	11000	12300	11500	11470
Ending Stocks	8403	8387	6253	4487	4503	3647
Total Distribution	27370	27370	27253	27787	26003	25117
Yield (Rough)	2.5348	2.5348	2.795	2.839	2.8192	2.8844

(1000 HA) ,(1000 MT) ,(MT/HA)

Table 1.2: Thailand's Rice Paddy Area, Production, and Yield

	2015/16			2016/17			2017/18		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area (Million Hectares)									
Cultivation	9.096	1.055	10.151	8.745	1.900	10.645	9.000	2.000	11.000
Harvest	8.709	0.735	9.444	8.373	1.874	10.247	8.759	1.973	10.732
Production (Million Tons)									
Rough	20.973	2.966	23.939	20.909	8.182	29.091	22.318	8.637	30.955
Rice	13.842	1.958	15.800	13.800	5.400	19.200	14.730	5.700	20.430
Yield (Ton/Hectare)	2.408	4.035	2.535	2.497	4.366	2.839	2.548	4.377	2.884

Source: FAS Estimate

Table 2: Thailand's Corn Production, Supply, and Demand

Corn	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1090	1090	1168	1168	1100	1100
Beginning Stocks	139	139	172	172	172	172
Production	4700	4700	5200	5200	4900	4900
MY Imports	600	600	600	600	700	700
TY Imports	600	600	600	600	700	700
TY Imp. from U.S.	2	0	0	0	0	0
Total Supply	5439	5439	5972	5972	5772	5772
MY Exports	367	367	500	700	200	100
TY Exports	439	310	600	700	200	100
Feed and Residual	4800	4800	5200	5000	5350	5300
FSI Consumption	100	100	100	100	100	100
Total Consumption	4900	4900	5300	5100	5450	5400
Ending Stocks	172	172	172	172	122	272
Total Distribution	5439	5439	5972	5972	5772	5772
Yield	4.3119	4.3119	4.4521	4.4521	4.4545	4.4545
(1000 HA) ,(1000 MT) ,(MT/HA)						

Table 3: Thailand's Wheat Production, Supply, and Demand

Wheat	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	865	865	1002	885	752	545
Production	0	0	0	0	0	0
MY Imports	4872	4691	3600	3600	3000	3000
TY Imports	4872	4691	3600	3600	3000	3000
TY Imp. from U.S.	679	632	0	650	0	670
Total Supply	5737	5556	4602	4485	3752	3545
MY Exports	235	235	250	220	200	220
TY Exports	235	235	250	220	200	220
Feed and Residual	3300	3276	2400	2500	1500	1500
FSI Consumption	1200	1160	1200	1220	1300	1300
Total Consumption	4500	4436	3600	3720	2800	2800
Ending Stocks	1002	885	752	545	752	525
Total Distribution	5737	5556	4602	4485	3752	3545
Yield	0	0	0	0	0	0

(1000 HA) ,(1000 MT) ,(MT/HA)