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GAIN Report

Global Agricultural Information Network

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Thailand

Grain and Feed Update

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Approved By:

Paul Welcher, Agricultural Attaché

Prepared By:

Ponnarong Prasertsri, Agricultural Specialist

Report Highlights:

MY2017/18 corn production is revised up to 5 million metric tons which is 4 percent lower than production in MY2016/17. The MY2017/18 rice production forecast remains unchanged as the offseason rice acreage expansion in irrigated areas will likely offset the acreage reduction in non-irrigated areas where some farmers have shifted to corn. Thai rice exports reached a record 11.6 million metric tons in 2017, but Thailand is unlikely to maintain this level of exports in 2018.

Post:

Bangkok

Executive Summary:

MY2017/18 corn production is revised up to 5 million metric tons due to higher than expect offseason corn production. This has been driven by the government's direct payment program to encourage rice farmers to switch to corn, particularly in the non-irrigated offseason rice areas in the northern region. However, rice farmers in the other areas continue to grow offseason rice due to sufficient water supplies and attractive farmgate prices driven by robust rice exports in late 2017. Total rice exports reached a record 11.6 million metric tons in 2017, up 18 percent from 2016. However, rice exports are expected to decline to 10 million metric tons in 2018 due to limited quantities of food-quality rice in the government stocks.

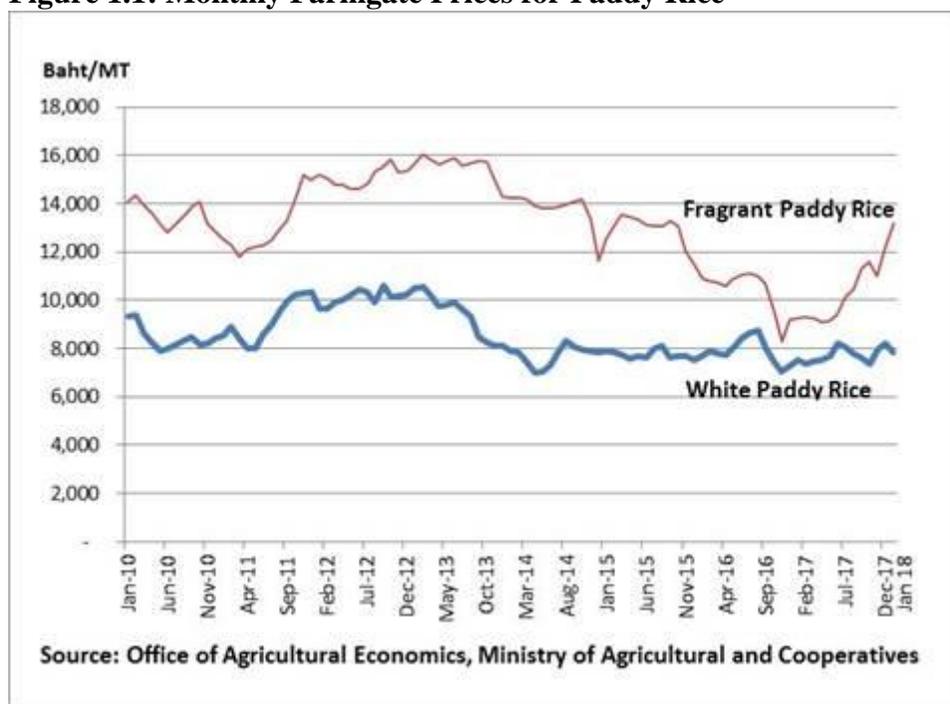
Despite the upward revision for offseason corn production, MY2017/18 corn production is still expected to be lower than the previous year as the acreage reduction for main crop corn more than offset the acreage expansion of offseason corn. Post's forecast for MY2017/18 rice production remains unchanged as increases of offseason rice acreage in irrigated areas is expected to offset the reduction of offseason rice acreage in non-irrigated area.

For the first half of MY2017/18, wheat imports totaled 1.3 million metric tons, down 44 percent from the same period in MY2016/17 due mainly to reduced feed wheat imports. Feed wheat imports are likely to continue to decline in the latter half of MY2017/18 as the Thai government is still restricting feed wheat imports. In MY2017/18, wheat imports are forecast to decline to 3 million metric tons; down 26 percent from MY2016/17 as the reduction in feed wheat imports will more than offset increases in imports of milling wheat.

1. Rice**1.1 Production**

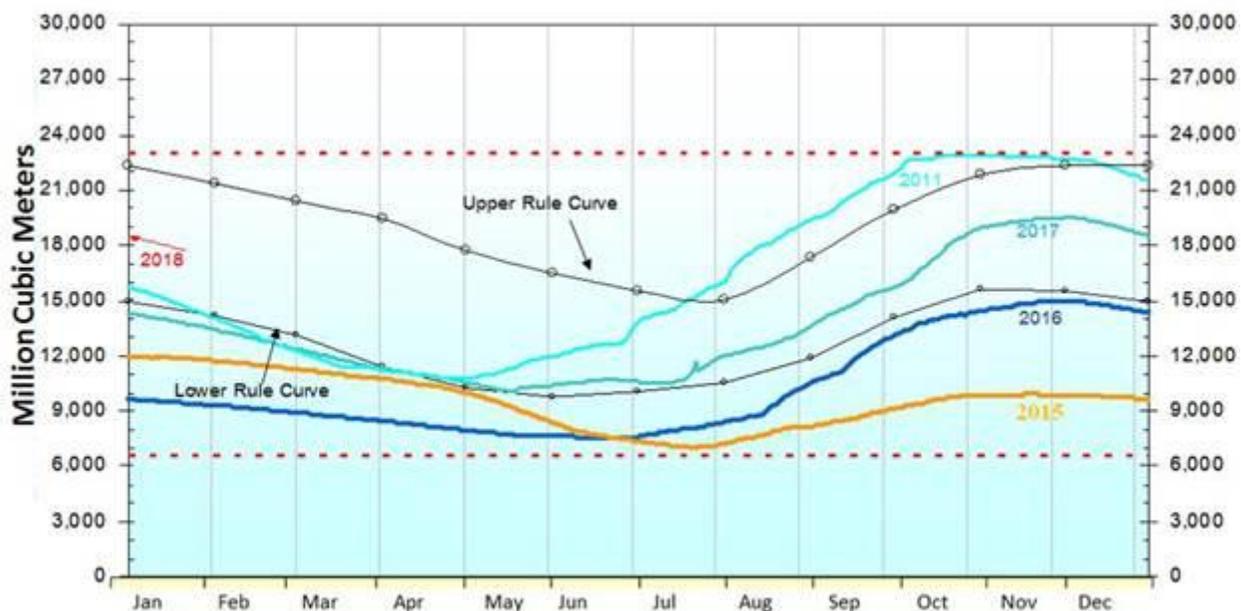
MY2017/18 offseason rice planted acreage increased compared to last year due to attractive farmgate prices and sufficient water supplies. In December 2017, when most offseason rice planting begins, farmgate prices for white paddy rice were 8,223 baht per metric ton (U.S. \$253/MT) (Figure 1.1). This is 13 percent higher than at the same time in MY2016/17.

Figure 1.1: Monthly Farmgate Prices for Paddy Rice



The Royal Irrigation Department (RID) reported on January 22, 2018, that water supplies in major reservoirs totaled 12.4 billion cubic meters, which is 45 percent above last year's water levels (Figure 1.2). Due to bountiful water supplies, the government doubled the MY2017/18 offseason rice planting target to 8.4 million rai (1.3 million hectares) in irrigated areas. The Ministry of Agriculture and Cooperatives reports that around 7.3 million rai (1.2 million hectares, as of January 17, 2018) of MY2017/18 offseason rice have been being planted since November 2017 (Table 1.1). This is a 14 percent increase from the same period last year. MY2017/18 offseason rice acreage in irrigated area increased to 6.3 million rai (1.0 million hectares), up 17 percent from the same period last year. Meanwhile, offseason rice acreage in non-irrigate area declined to around 1 million rai (0.2 million hectares), down 3 percent from last year as some non-irrigated rice farmers have shifted to offseason corn production, particularly in the northern region. This production shift has been influenced by the government's direct payment program to promote alternative crops to rice, such as corn during the offseason. However, the MY2017/18 offseason rice acreage expansion in irrigated area will likely offset the acreage reduction in non-irrigated area due to attractive farmgate prices.

Figure 1.2: Water Supplies in Major Reservoirs



Source: Royal Irrigation Department, Ministry of Agriculture and Cooperatives

Table 1.1: Offseason Rice Planting Areas

Unite: Million Hectares						
	MY2015/16	MY2016/17	MY2017/18 (Forecast)			
			Forecast (November 2017)	Forecast (January 2018)	Planting Progress ^{1/} (As of Jan. 17, 2018)	% change YOY
Irrigated Areas	0.740	1.210	1.300	1.336	1.016	16.9
Non-Irrigated Areas	0.315	0.690	0.700	0.664	0.158	-2.9
Total Planted Areas	1.055	1.900	2.000	2.000	1.174	13.8

Note: ^{1/} Planting progress reported by the Ministry of Agriculture and Cooperatives
 Source: FAS Forecast

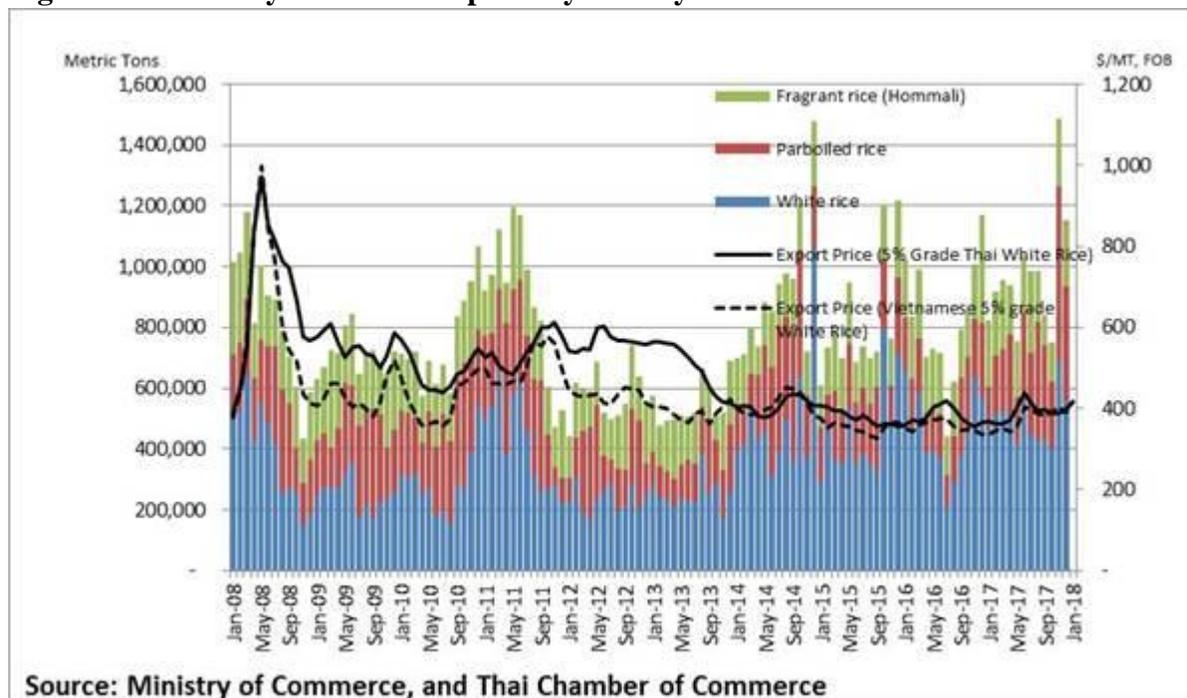
As a result, Post expects MY2017/18 offseason rice production to increase to 5.7 million metric tons, up approximately 6 percent from MY2016/17. In total, MY2017/18 rice production is expected to increase to 20.4 million metric ton. This is unchanged from the previous forecast as the acreage expansion for offseason rice in irrigated area is expected to offset reduced offseason rice production in non-irrigated area.

1.2 Exports

According to the Thai Customs Department, Thai rice exports in 2017 reached a record 11.6 million metric tons. This is an 18 percent increase from 2016 due to the recovery in parboiled rice exports and the sale of government-owned food-quality white and fragrant rice stocks. Parboiled rice exports totaled 3.4 million metric tons, up 57 percent from the same period last year due to the recovery of

MY2016/17 off-season white rice production from the severe drought in MY2015/16. White and fragrant rice exports also increased 5 and 7 percent totaling 5.1 and 2.7 million metric tons, respectively, largely due to the sale of government stocks. In 2017, the government sold all of its 3.2 million metric tons of food-quality white and fragrant rice stocks. As a result, government rice stocks accounted for one third of total rice exports in 2017. Most white and fragrant rice from government stocks were exported at competitive prices to African markets. On average, export prices for government stocks of white rice were 5 percent lower than white rice from Vietnam.

Figure 1.3: Monthly Thai Rice Exports by Variety

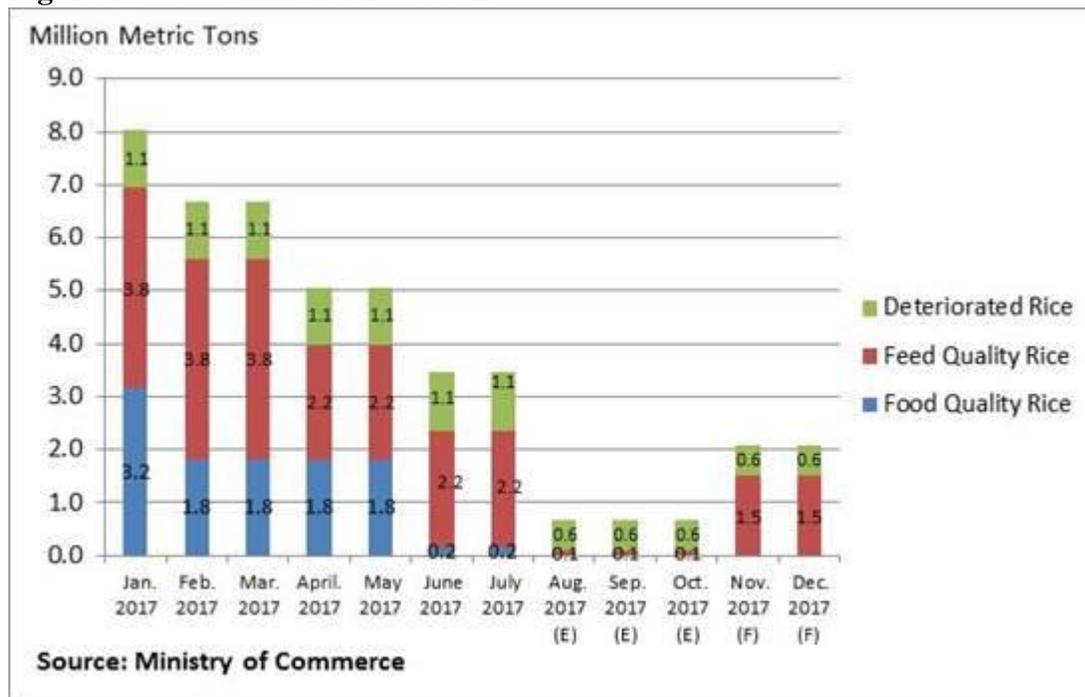


In 2018, Thai rice exports are forecast to decline to 10 million metric tons. This is a 13 reduction from 2017 in anticipation of strong competition from Vietnamese rice. Also, the remaining government stocks are limited to just non-food quality rice which cannot be reprocessed for exports.

1.3 Stocks

MY2016/17 rice stocks are revised down to 4.2 million metric tons due to higher than expected rice exports in 2017. Approximately half of these stocks are private rice stocks. The government reports that it still holds approximately 2.1 million metric tons of non-food quality rice stocks, consisting of feed-quality and deteriorated rice (Figure 1.4). The government is considering issuing a new tender for the remaining 2.1 million metric tons of non-food quality rice stocks in February 2018. Trade has linked tight supplies and the reduction of government rice stocks with the upward pressure on domestic rice prices, particularly for fragrant rice (Figure 1.1).

Figure 1.4: Government Rice Stocks



1.4 Policy

The government reported that the MY2017/18 On-Farm Paddy Rice Pledging Program in MY2017/18 received 76,467 million metric tons of paddy rice, well short of the 2.5 million metric ton target. The pledged rice consists of 32,554 metric tons of Hom Mali fragrant paddy rice, 11,876 metric tons of glutinous paddy rice, 30,994 metric tons of white paddy rice, and 1,043 metric tons of Pathumthani fragrant paddy rice. The low program participation rate reflects the high market prices which are approximately 11 percent above the loan rate. Additionally, the Soft Loan Program for farmer institutions to store rice paddy from October 1, 2017 – September 30, 2018 received 886,474 metric tons of paddy rice (as of December 2017).

2. Corn

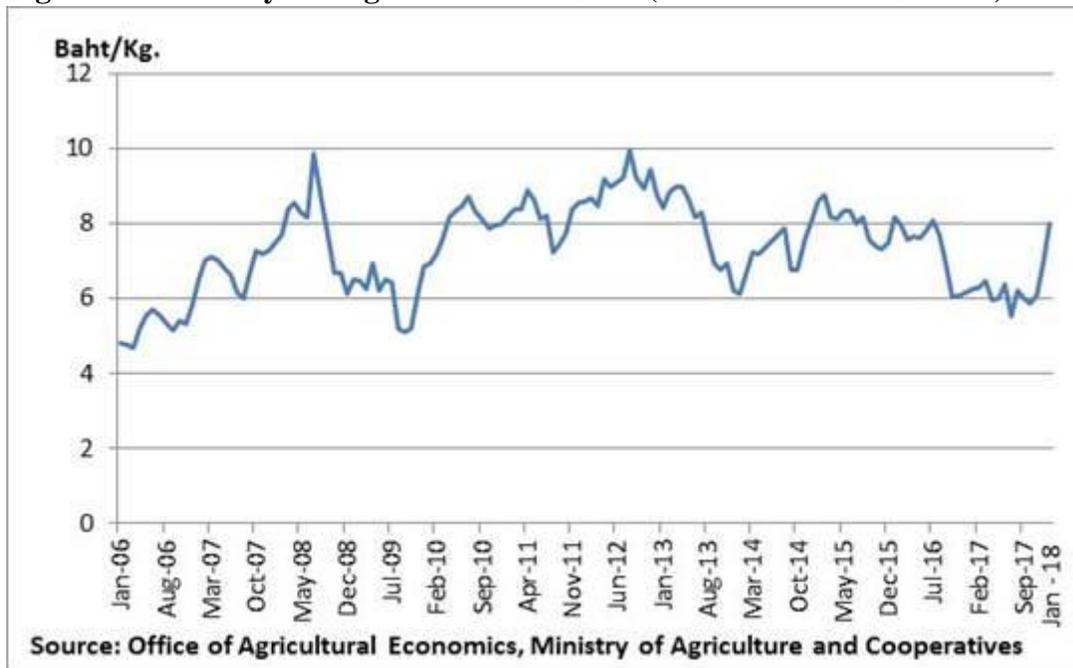
2.1 Production

MY2017/18 corn production is revised up to 5 million metric tons due to higher than expected offseason corn production. According to the Geo-Informatics and Space Technology Development Agency's (GISTDA) January 15, 2018 estimate, offseason corn acreage increased to around 0.5 million rai (0.1 million hectares). This is a 14 percent increase from the same period last year due to attractive farmgate corn prices. For January 2018, average farm-gate corn prices are around 8 baht/kg (U.S. \$250/MT), up 27 percent from the same period last year (Figure 2.1) due to tighter supplies of domestic corn. Increased corn production is also due to the government's Offseason Corn Extension Program. Through this program, in MY2017/18, the government provides an incentive for rice farmers to shift offseason production from rice to corn. Farmers participating in the program receive a 2,000 baht/rai (U.S. \$ 390/hectare) direct payment (up to 15 rai per household or 30,000 baht/household (U.S.

\$937/household). The expansion of offseason corn acreage has mainly occurred at non-irrigated rice farms in the northern region.

Despite the expansion of MY2017/18 offseason corn production, total corn production in MY2017/18 is still 4 percent lower than the previous year due to the acreage reduction of MY2017/18 main crop corn production.

Figure 2.1: Monthly Farmgate Prices for Corn (14.5% Moisture Content)



2.2 Trade

According to Thai Customs, corn exports in the first half of MY2017/18 totaled 112,159 metric tons, down 57 percent from the same period last year due to tight domestic supplies. MY2017/18 corn exports are revised up to 150,000 metric tons due to higher than expected corn exports in the first half of MY2017/18 when domestic corn prices were competitive with corn from other countries. Corn exports in the second half of MY2017/18 are expected to further decline as Thai corn prices are currently 35 percent above the world market prices. This is an 80 percent decline from the 0.7 million metric tons exported in MY2016/17.

2.3 Policy

The government reports that participation in the 1.4 billion baht (U.S. \$44 million) MY2017/18 Off-Season Corn Extension Program totaled 0.6 million rai (97,638 hectares), almost meeting the target of 0.7 million rai (112,000 hectares). Through the program, the government provides direct payment (2,000 baht/rai (U.S. \$390/hectare)) as an incentive for rice farmers to switch from offseason rice to corn. Most farmers participating in the program are farmers who normally grow offseason corn after harvesting main crop rice. Around 20 percent of the farmers participating in the offseason corn planting

program are rice farmers who switched from offseason rice production to corn production for the first time in MY2017/18.

Despite corn farmgate prices surging to 8 baht/kg (U.S. \$250/MT) in January 2018, the government is still maintaining the domestic corn purchase requirements implemented in January 2017 to limit the use of imported feed wheat. The purchase of domestic corn is not required for those who import milling wheat, and wheat flour products.

3. Wheat

In the first half of MY2017/18 wheat imports totaled 1.3 million metric tons, down 44 percent from the same period in MY2016/17 due mainly to reduced feed wheat imports. Feed wheat imports declined to 0.9 million metric tons, down 53 percent from the same period last year as the government imposed import restrictions on feed wheat. Imports of milling wheat also declined to 0.3 million metric tons, down 22 percent from the same period last year as flour mills held large inventories of milling wheat. U.S. wheat imports declined to 0.2 million metric tons, down 20 percent from the same period last year. Meanwhile, imports of Australian wheat increased significantly to 0.2 million metric tons. This is a 50 percent increase from the same period last year, largely due to greater feed wheat imports which are in demand by some Thai feed mills despite the feed wheat import restrictions.

Post's forecast for MY2017/18 wheat imports remain unchanged at 3 million metric tons, down 26 from MY2016/17 due to reduced feed wheat imports. Feed wheat imports are expected to decline to 1.6 million metric tons, down 42 percent from MY2016/17 as the government is likely to maintain the domestic corn purchase requirements. Meanwhile, milling wheat imports are expected to increase to 1.2 million metric tons, up approximately 3 percent from MY2016/17 in anticipation of growing demand from the baking and food processing industries in line with sustained economic growth. The recent official economic forecast by the National Economic and Social Development Board expects that the Thai economy will grow by around 4 percent in 2018.

Appendix Tables

Table 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	10247	10247	10700	10684
Beginning Stocks	11270	11270	8403	8387	4853	4159
Milled Production	15800	15800	19200	19200	20400	20370
Rough Production	23939	23939	29091	29091	30909	30864
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	27853	27787	25503	24729
MY Exports	9867	9883	11250	11628	10200	10000
TY Exports	9867	9883	11250	11628	10200	10000
Consumption and Residual	9100	9100	11750	12000	11500	11500
Ending Stocks	8403	8387	4853	4159	3803	3229
Total Distribution	27370	27370	27853	27787	25503	24729
Yield (Rough)	2.5348	2.5348	2.839	2.839	2.8887	2.8888

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

Table 2: Thailand's Paddy Rice 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	8.711	1.973	10.684
Production (Million Tons)									
Rough	20.973	2.966	23.939	20.909	8.182	29.091	22.227	8.637	30.864
Rice	13.842	1.958	15.800	13.800	5.400	19.200	14.670	5.700	20.370
Yield (Ton/Hectare)	2.408	4.035	2.535	2.497	4.366	2.839	2.552	4.377	2.888

Source: FAS Estimate

Table 3: 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	New	USDA	New	USDA	New

	Official	Post	Official	Post	Official	Post
Area Harvested	1090	1090	1168	1168	1100	1124
Beginning Stocks	139	139	172	172	143	143
Production	4700	4700	5200	5200	4900	5000
MY Imports	600	600	600	600	700	700
TY Imports	600	600	600	600	700	700
TY Imp. from U.S.	4	0	11	0	0	0
Total Supply	5439	5439	5972	5972	5743	5843
MY Exports	367	367	729	729	300	150
TY Exports	439	439	692	692	300	150
Feed and Residual	4800	4800	5000	5000	5200	5400
FSI Consumption	100	100	100	100	100	100
Total Consumption	4900	4900	5100	5100	5300	5500
Ending Stocks	172	172	143	143	143	193
Total Distribution	5439	5439	5972	5972	5743	5843
Yield	4.3119	4.3119	4.4521	4.4521	4.4545	4.4484

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

Table 4: 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	1066	885	813	687
Production	0	0	0	0	0	0
MY Imports	4872	4691	3689	4064	3000	3000
TY Imports	4872	4691	3689	4064	3000	3000
TY Imp. from U.S.	679	632	696	707	0	700
Total Supply	5737	5556	4755	4949	3813	3687
MY Exports	235	235	242	242	240	240
TY Exports	235	235	242	242	240	240
Feed and Residual	3276	3276	2500	2800	1500	1500
FSI	1160	1160	1200	1220	1300	1300

Consumption						
Total Consumption	4436	4436	3700	4020	2800	2800
Ending Stocks	1066	885	813	687	773	647
Total Distribution	5737	5556	4755	4949	3813	3687
Yield	0	0	0	0	0	0
(1000 HA) ,(1000 MT) ,(MT/HA)						

End of report.