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Thailand

Grain and Feed Update

Rice Update

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Report Highlights:

TH3057 MY2013/14 rice cultivation is well ahead of last year's pace due to favorable weather conditions. Rice exports in 2013 are revised down to 7 million metric tons, which is still slightly higher than last year. The current offseason rice paddy pledging program has been scaled back, but the government still needs to sell its rice stocks to pay for the program.

Post:
Bangkok

Author Defined:

1. Rice Cultivation Well Ahead of Last Year

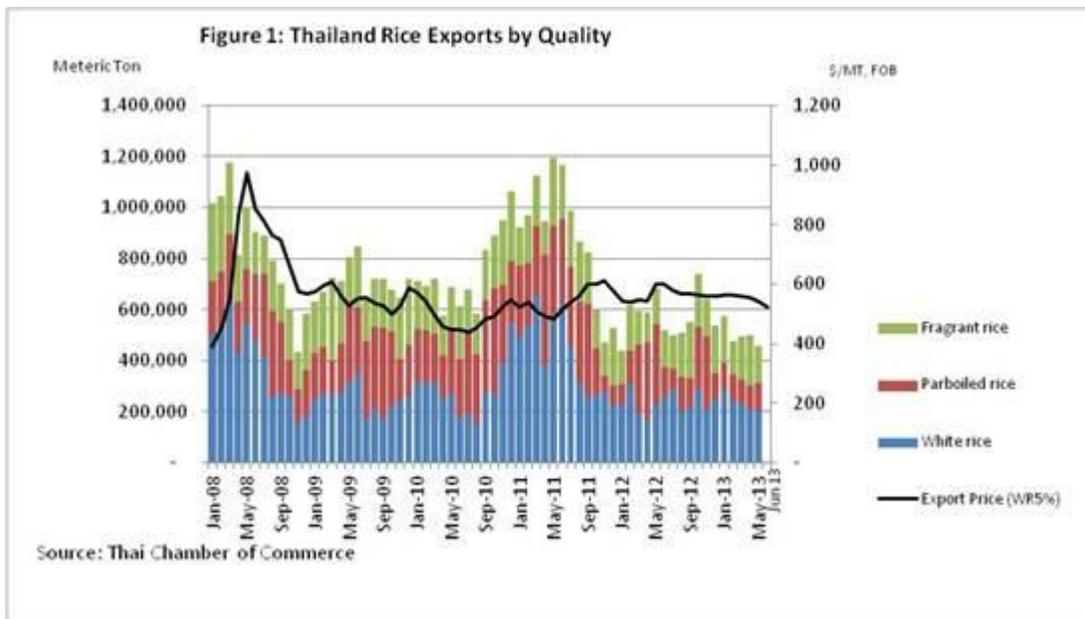
The MY2013/14 main-crop rice cultivation is approximately 80 percent planted, well ahead of last year's pace due to favorable weather conditions, particularly in the northeastern region which accounts for approximately 60 percent of the main-crop rice planting areas. The Thai Meteorological Department (TMD) reported above average precipitation in the northeast at the start of the monsoon season which began in May 2013. The TMD expects above average precipitation in the northeast and average precipitation in other regions during July through August. In addition, the TMD expects two tropical depressions during August through October, which will provide the necessary rainfall for the main-crop rice production. The reservoir levels are likely to return to normal levels by August, which is expected to be enough to irrigate the MY2013/14 off-season rice crop. Post's forecast of the MY2013/14 rice paddy production is 32 million metric tons (21.1 million metric tons milled equivalent), unchanged from the previous forecast (TH3027, Grain and Feed Annual, March 15, 2013).

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

Rice, Milled Thailand	2011/2012		2012/2013		2013/2014		
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2013		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	11,000	11,000	10,837	10,837	11,120	11,120	(1000 HA)
Beginning Stocks	5,615	5,615	9,330	9,330	12,130	12,630	(1000 MT)
Milled Production	20,460	20,460	20,200	20,200	21,100	21,120	(1000 MT)
Rough Production	31,000	31,000	30,606	30,606	31,970	32,000	(1000 MT)
Milling Rate (.9999)	6,600	6,600	6,600	6,600	6,600	6,600	(1000 MT)
MY Imports	600	600	600	600	600	600	(1000 MT)
TY Imports	600	600	600	600	600	600	(1000 MT)
TY Imp. from U.S.	1	0	0	0	0	0	(1000 MT)
Total Supply	26,675	26,675	30,130	30,130	33,830	34,350	(1000 MT)
MY Exports	6,945	6,945	7,500	7,000	8,000	8,000	(1000 MT)
TY Exports	6,945	6,945	7,500	7,000	8,000	8,000	(1000 MT)
Consumption and Residual	10,400	10,400	10,500	10,500	10,600	10,600	(1000 MT)
Ending Stocks	9,330	9,330	12,130	12,630	15,230	15,750	(1000 MT)
Total Distribution	26,675	26,675	30,130	30,130	33,830	34,350	(1000 MT)
Yield (Rough)	3.	2.8182	3.	2.8242	3.	2.8777	(MT/HA)

2. Rice Exports Off Track

Thai rice exports are revised down to 7 million metric tons in 2013 and 8 million metric tons in 2014. The revision reflects the global economic slowdown and the uncompetitive prices of Thai rice caused by the rice paddy pledging programs. In the first five months of 2013, rice exports totaled 2.5 million metric tons, down 14 percent from last year (Figure 1). The contraction is primarily attributed to a reduction of parboiled rice exports which declined 54 percent to 0.5 million metric tons and competition from Indian rice exports. Currently, export prices for Thai parboiled rice are 30 percent higher than Indian parboiled rice. White rice exports, however, increased 4 percent to 1.2 million metric tons compared to 1.1 million metric tons last year. The increase reflects the discounted sales of government rice stocks, both premium and low-grade white rice, to private rice exporters. The discount was approximately 4 - 5 percent lower than market prices that existed between January – April. The discount was reportedly 5 - 7 percent between May – June as the government needed to speed up the sales of its rice stocks to help finance the current pledging program. Rice exporters expect even more discounts in the latter half of 2013 as the government will likely need additional revenues to pay for its MY 2013/14 Main-Crop Rice Pledging Program. Consequently, white rice exports are likely to continue to grow in the second half of 2013 and 2014.



3. Rice Paddy Pledging Program Scaled Back But Remains Controversial

The government has provided approximately 628 billion baht (\$20 billion) in loans under the MY2011/12 and MY2012/13 rice paddy pledging programs (Table 2). The government has received 40 million metric tons of paddy pledges (roughly 26 million metric tons milled equivalent) under these two programs as of June 14, 2013. Currently, the government's rice stocks are estimated at 17-18 million metric tons milled rice, consisting mostly of white rice. 2.3 million metric tons of the stocks are from

the MY2011/12 Main-Crop Rice Paddy Pledging Program, 7.2 million metric tons are from the MY2011/12 Off-Season Rice Paddy Pledging Program, and approximately 8 million metric tons are from the current MY2012/13 Main-Crop and Off-Season Crop Rice Paddy Pledging Programs.

Program	Number of Farmers (Million)	Amount of Rice Paddy (Million Metric Ton)						Value (Billion Baht)	Milled Rice (Estimated) (MMT)
		Fragrant Rice			White Rice	Glutinous	Total		
		Homali	Provincial	Pathumthani		Rice			
MY2011/12	2.7	3.1	0.3	0.2	17.5	0.7	21.7	337.2	14.3
Main crop ¹	1.3	3.1	0.3	0.02	3.1	0.4	6.9	118.6	4.6
Off-season on crop ²	1.4	0	0	0.15	14.4	0.3	14.8	218.7	9.8
MY2012/13³	2.0	3.3	0.5	0.0	14.1	0.7	18.6	290.7	12.3
Main crop ⁴	1.8	3.3	0.5	0.03	9.7	0.7	14.2	219.7	9.4
Off-season on crop ⁵	0.2	0	0	0.01	4.4	0.00	4.4	71.0	2.9
Grand Total		6.4	0.8	0.2	31.6	1.4	40.3	628.0	26.6
(estimated milled rice)		4.2	0.5	0.1	20.9	0.9	26.6		
% share		15.9	2.0	0.5	78.3	3.4	100.0		
Note: 1/ October 7, 2011 - February 29, 2012									
2/ March 1 - September 30, 2012									
3/ October 1, 2012 - September 15, 2013									
4/ As of June 14, 2013 (began Oct 1, 2012 and end March 31, 2013)									
5/ As of June 14, 2013 (began on April 1, 2013 and will end September 15, 2013)									
Source: Ministry of Commerce, and Bank for Agriculture and Agricultural Cooperatives									

The Thai Government recently took the unprecedented step of cutting the rice intervention price for the current MY2012/13 Off-Season Rice Paddy Pledging Program after the National Rice Policy Committee (NRPC) admitted that the MY2011/12 Rice Paddy Pledging Program incurred losses of approximately 137 billion baht (\$4.6 billion) (Table 3). On June 19, 2013, the government slashed the white rice paddy intervention price by 20 percent to 11,040 – 12,000 baht per metric tons (\$356-387/MT) from 13,800 – 15,000 baht per metric ton (\$445 - 484/MT). The new intervention prices will take effect on June 30, 2013 and remain until the end of the program on September 15, 2013. In addition, the Thai Cabinet approved to immediately cap the amount of rice pledges under the current offseason rice program to 500,000 baht (\$16,130 or approximately 40 to 45 metric tons of paddy) per farmer household, compared to the previous unlimited amounts. Thai farmers are challenging the government's decision and requesting officials to keep the original intervention price of 13,800 – 15,000 baht per metric tons until the end of the MY2012/13 Off-Season Rice Paddy Pledging Program. Meanwhile, the MY2013/14 Main-Crop Rice Paddy Pledging Program still has not been finalized.

Table 3: Estimated Losses of MY2011/12 Rice Paddy Pledging Program

Unit: Million Baht		
1. Total Expenditure (2) + (3) ^{1/}	352,106	
2. Loans	337,321	
3. Administration Costs	14,785	
4. Outstanding Stocks ^{2/}	155,968	
5. Net Expenditure (1) - (4)	196,037	
6. Revenue (Sales of Rice Stocks) ^{3/}	59,141	
7. Losses (6) - (5)	-136,896	
Note: ^{1/} Total pledges are 21.7 million metric tons (13.4 MMT milled equivalent)		
^{2/} 9.5 MMT Milled Rice		
^{3/} 3.9 MMT Milled Rice		
Source: National Rice Policy Committee		

Although the current off-season rice paddy pledging program has been scaled back, the government is likely to speed up the sales of its rice stocks in order to generate more revenue to pay for the current MY2012/13 Off-Season Rice Paddy Pledging Program and the upcoming MY2013/14 Main-Crop Rice Paddy Pledging Program. The Bank for Agriculture and Agricultural Cooperatives (BAAC), which funds the pledging programs, has already loaned 71 billion baht (\$2.3 billion) to farmers for the current off-season rice paddy pledging program. The government is reportedly revising the way it sells its rice stocks (worth approximately 70 billion baht (\$2.3 billion) in order to generate sales and will be more aggressive with open tenders for the remainder of the year.

End of report