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Thailand

Grain and Feed Update

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Report Highlights:

TH6072 – The sowing of the MY2016/17 main-rice crop is progressing slowly due to limited irrigated water supplies. Tight domestic supplies of new-crop white rice have slowed rice exports. The government is quickly reducing its food-grade rice stocks by taking advantage of the tight supply situation.

Post:

Bangkok

Executive Summary:

The progress of the MY2016/17 main-crop rice planting is far behind last year's pace due to the lack of water. The Royal Irrigation Department (RID) still has not released irrigated water for rice farmers in order to preserve water supplies for household consumption. Reservoirs remain at critically low levels due to below normal precipitation. However, the RID anticipates releasing water for the main-rice crop on August 1, 2016. In addition, the RID expects major reservoirs will be recharged to 10 billion cubic meters by the end of October 2016, which could help the recovery of the MY2016/17 off-season rice production.

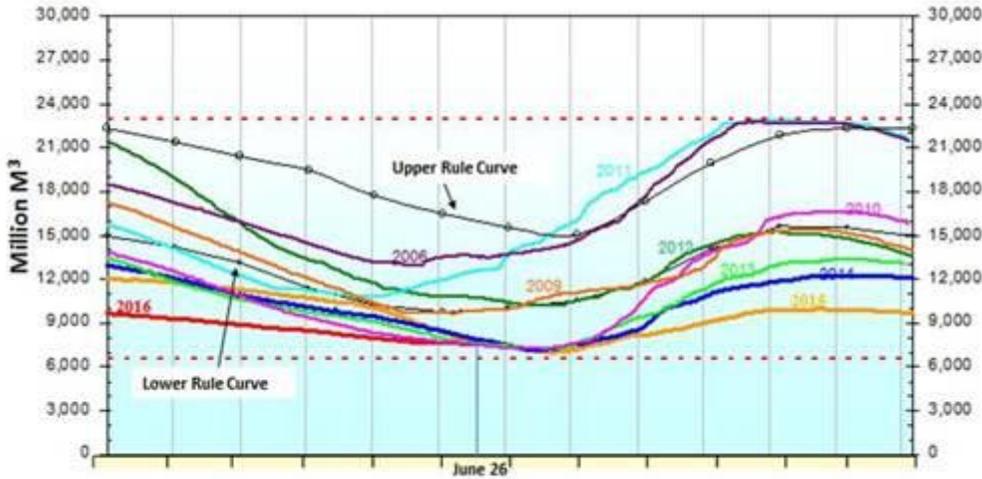
The government is taking advantage of current tight domestic supply situation and aggressively reducing its rice stocks. The Thai Government announced that rice stocks have declined to around 9 million metric tons. Furthermore, it expects to issue a new tender for 2.2 million metric tons for export and 0.4 million metric tons for industrial uses on July 25, 2016.

This report is in line with Post's previous forecast for the MY2016/17 rice, corn and wheat supply and demand.

Author Defined:**1. MY2016/17 main-crop rice planning far below last year**

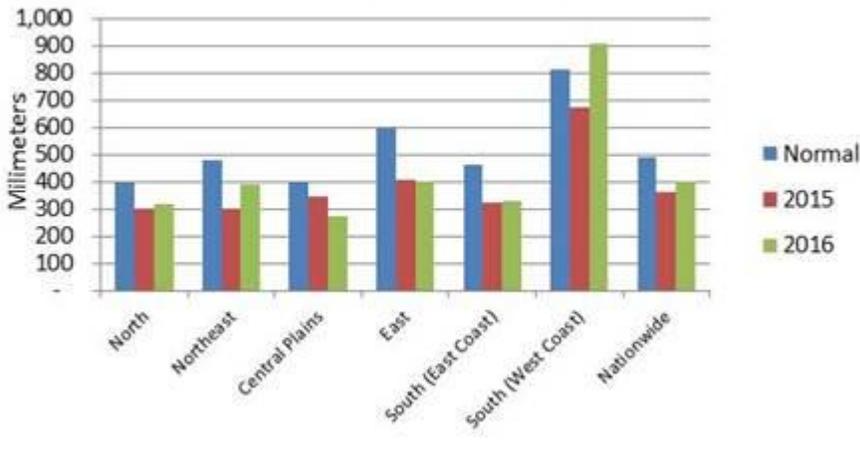
According to the Royal Irrigation Department's June 22, 2016 crop report, the sowing of the MY2016/17 main-crop rice has progressed slowly in irrigated areas due to the lack of water. Only 2.2 million rai (0.4 million hectares) have reportedly been planted since May 2016. This is a 70-percent reduction from the same period last year due to the planting delays. Presently, major reservoirs in the northern region and central plains remain critically low due to the prolonged drought (Figure 1). According to the Thai Meteorological Department, cumulative precipitation is still 19 percent below normal (Figure 2), despite higher precipitation in 2016. However, the RID expects more rainfall in the coming months and as a result it will begin to release irrigated water for the MY2016/17 main-crop rice on August 1, 2016. The RID also expects water supplies in major reservoirs to increase to 10 billion cubic meters by the end of October 2016 compared to around 4 billion cubic meters in October 2015. The forecast is based on the TMD's assumption that two typhoons are likely to affect Thailand during August – October 2016. This is expected to help expand off-season rice acreage in MY2016/17. However, if water supplies in major reservoirs remain around 5 billion cubic meters by the end of October 2016, the RID will have to stop releasing irrigated water for the off-season rice crop similar to MY2015/16. Water supplies in major reservoirs currently total 1.3 billion cubic meters (as of June 16, 2016) with minimal discharge of 18 million cubic meters per day for household consumption only.

Figure 1: Reservoir Levels in Major Dams



Source: Royal Irrigation Department, Ministry of Agriculture and Cooperatives

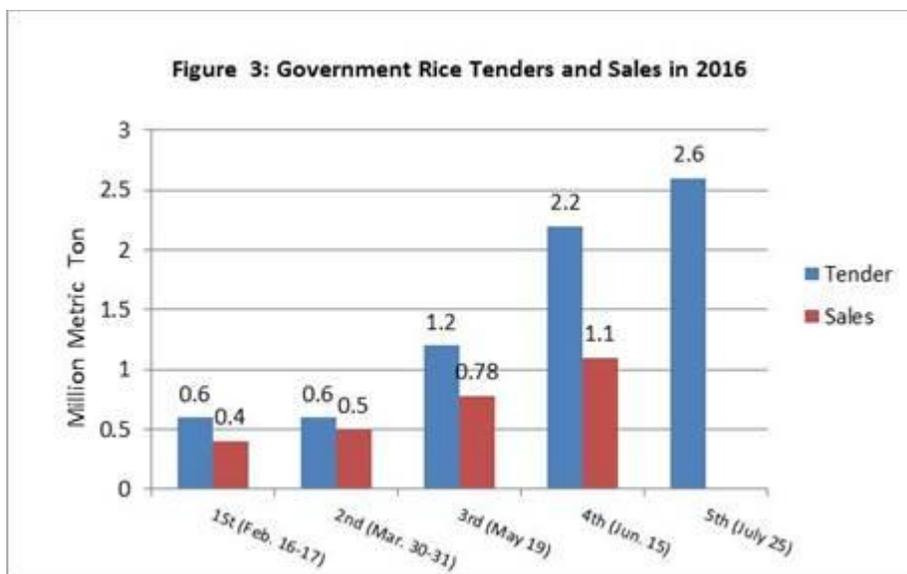
Figure 2: Cumulative Precipitation January 1 - June 19, 2016



Post’s forecast for MY2016/17 rice production remains unchanged at 17 million metric tons (GAIN Report: TH6059 – Grain and Feed Update, May 2016). This is an 8 percent increase from MY2015/16 as recovery is anticipated in off-season rice production (3.2 million metric tons). The improved off-season conditions are expected to offset a reduction in the main-crop rice production which is expected to decline to 13.8 million metric tons due to the planting delays.

2. Aggressive Rice Stock Sales Continued in July for Export Only

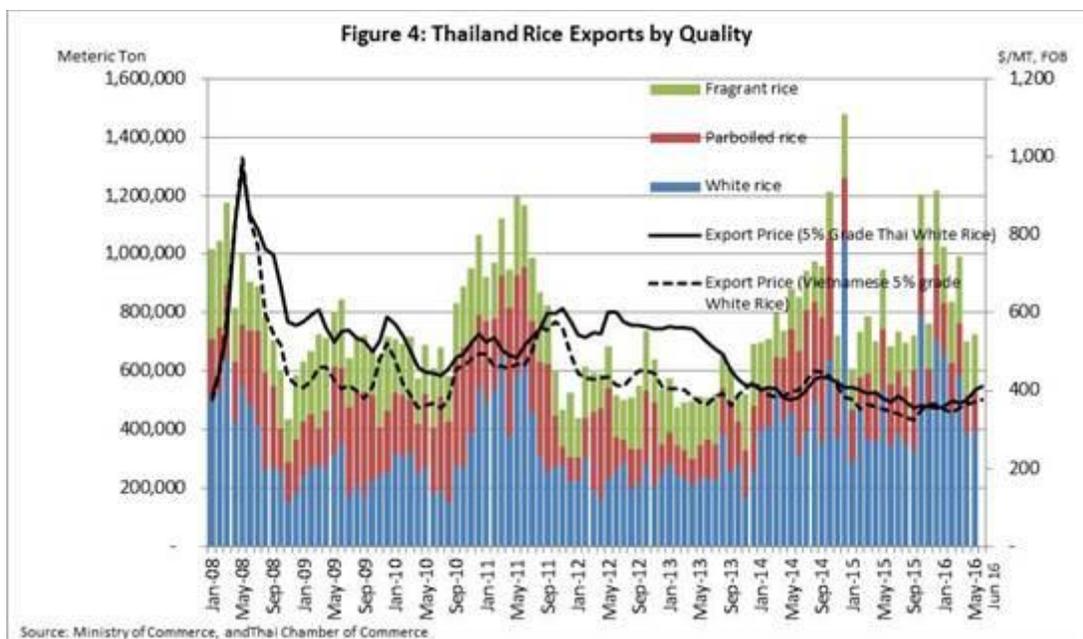
The government issued 4 tenders totaling 4.6 million metric tons during January – June 2016. It has reportedly sold around 2.8 million metric tons. The government reported that it is still holding rice stocks of around 9 million metric tons, which consist of 3 million metric tons of food- grade rice and 6 million metric tons of industrial grade rice (including food processing and feed industries).



The government announced that it expects to issue a new tender for 2.2 million metric tons of food-grade rice on July 25, 2016. This tender will be contingent for export only as eligible bidders are required to have export orders from their foreign buyers. The tender will mainly consist of 5% grade white rice and broken white rice (A1 Super grade) from carry-over stocks under the MY2012/13 and MY2013/14 pledging program. Presently, export prices of old-crop rice are 15-20 percent cheaper than current crop. In addition to the tender above, the government expects an additional tender for industrial grade rice of around 400,000 metric tons on the same day.

3. Rice exports down 23 percent in May

The Ministry of Commerce reported that Thailand's rice exports totaled 0.7 million metric tons in May 2016, down 23 percent from the same period last year. This is mainly due to a reduction in exports of white (26 percent) and parboiled rice (35 percent) resulting from tight supplies of new-crop white rice paddy. Export prices for 5% grade white increased significantly to around \$400 per metric tons in May 2016 compared average export prices of \$370/MT in the first four months of 2016. This has slowed the export of Thai rice to 14 percent (4.3 million metric tons) in the first five months of 2016 compared to 26 percent in the first four months (3.6 million metric tons). Exporters expect further reduction in rice exports in June and July as foreign buyers are reportedly limiting their purchases while the government aggressively sells its stocks.



4. Pledging program continued in MY2016/17

On June 14, 2016, the government approved a budget of 6.8 billion baht (\$193 million) to help stabilize rice paddy prices in MY2016/17. The program will include an On-Farm Pledging Program also known as the “Farmer Loans to Delay the Sales of Rice Paddy,” which aim to stabilize farm-gate prices for fragrant and glutinous rice paddy in the northern and northeastern regions. The program will begin on May 1, 2016 and finish on December 30, 2016. The government expects the MY2016/17 program will be more active and receive more pledges than in the past. In MY2014/15, only 350,000 metric tons of paddy were pledged and in MY2015/16 around 540,000 metric tons were pledged vis-à-vis the target of 2 million metric tons. The program will also provide a 3 percent interest rate cut to encourage rice traders and millers to stockpile rice or paddy up to 8 million metric tons for 2 to 6 months. In addition, the farmers will be eligible for soft loans (a credit line of 80,000 baht (\$2,285 per farmers with a 3% interest rate versus a 7% market rate) for 6 months.

On June 21, 2016, the government also approved a budget of 45 billion baht (\$1.3 billion) to finance the MY2016/17 Rice Farmer Assistance Measure. The program aims to help rice farmers who are being adversely affected by drought. Farmers will receive a direct payment of 1,000 baht per rai (a maximum of 10 rai (1.6 hectares) per farm household). The government expects that around 3.7 million farmers will receive this direct payment by July 2016. Furthermore, farmers will receive a debt suspension for 2 years from the Bank for Agriculture and Agricultural Cooperative (BAAC) together with an interest rate reduction from 7% to 3%. Moreover, farmers who buy crop insurance will receive a 60-baht/rai (\$11/hectare) compensation from the government. The insurance will require farmers to only pay 40 baht per rai (\$7/hectare) to cover possible losses from natural disasters, including pest infestations.