

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 4/30/2015

GAIN Report Number: TH5054

Thailand

Grain and Feed Update

April 2015

Approved By:

Bobby Richey,
Agricultural Counselor

Prepared By:

Ponnarong Prasertsri
Agricultural Specialist

Report Highlights:

TH5054 – Larger MY2014/15 second off-season rice production will likely offset the impact of drought on the first off-season rice crop. Rice exports are likely to accelerate in the second half of 2015 due to sales of the government stocks.

Post:
Bangkok

Commodities:
Corn

Rice, Milled

Executive Summary:

Post's forecast of MY2014/15 rice production is unchanged at 19.4 million metric tons as larger second-off season rice production is expected to offset the drought damage in the first off-season rice crop. Planted areas of second off-season rice reportedly doubled in major irrigated areas. Also, the damage area of the second off-season rice crop is expected to be minimal.

Despite a 4-percent reduction in rice exports in the first quarter of 2015, Thai rice exports are expected to accelerate in the second half of the year due to the sales of the government stocks which will be largely be for export only. Price competition between Thai and Vietnamese rice will continue to put downward pressure on world rice prices.

The outlook for MY2014/15 corn production remains unchanged as the damaged area of off-season corn crop is reportedly marginal.

Author Defined:

1. MY2014/15 Second Off-Season Rice Doubled, Overall Production Down Slightly

As of April 17, 2015, around 10.8 million rai (1.7 million hectares) of MY2014/15 off-season rice had been being planted (Table 1), based on official crop progress reports of various Ministry of Agriculture and Cooperatives (MOAC) agencies. This area is approximately 80 percent above the government's water restriction plan which was announced in October 2014 and aimed to limit off-season rice areas to only at 6 million rai (960,000 hectares) in 2015. At that time, the Government launched an Off-Farm Employment Assistant Program for farmers who were to be affected by the water restriction measure. Only around 5 percent of eligible farmers reportedly participated in the program.

Table 1: MY2014/15 Off-Season Rice Cultivation in Thailand

Unit: Million Hectares (1 hectares = 6.25 rai)

Area	Target ^{1/}	Actual Planted ^{1/} (Oct. 2014 - Apr. 17, 2015)	Additional Area ^{2/} (between now and mid-May 2015)	Total ^{2/}
Irrigated Areas	0.29	1.09	0.16	1.25
Non-Irrigated Areas	0.67	0.63	0.06	0.69
Total	0.96	1.72	0.22	1.94

Source: ^{1/} Ministry of Agriculture and Agricultural Cooperatives

^{2/} FAS Estimate

According to the Royal Irrigation Department's crop progress report on April 17, planted area of the MY2014/15 second off-season rice crop in major irrigated areas doubled from the same period of MY2013/14, totaling around 0.6 million rai (roughly 0.1 million hectares). Post expects that total planted areas of MY2014/15 off-season rice will likely increase to around 12 million rai (1.9 million hectares, Table 1) by the end of the season, which is virtually unchanged from the previous forecast.

The MOAC's Disaster Center reported (as of April 23) that around 1.2 million rai (0.2 million hectares) has been adversely affected by drought, mostly the first off-season rice crop.

Meanwhile, the drought-damaged area of the second off-season rice is expected to be minimal due to higher-than-expected precipitation in the major growing areas of the central plain and the northern regions. The Thai Meteorological Department reported that cumulative rain from January

1 to April 19, 2015 was around 50 to 60 percent above normal and above the same period last year (Table 2).

Table 2: Cumulative Rainfall in Thailand during January - April 19, 2015

Unit: Millimeter							
	North	Northeast	Central Plain	East	South		Nationwide
					East Coast	West Coast	
Normal Average (30 yrs avg: 1981-2010)	1,233	1,406	1,277	1,890	1,741	2,718	1,588
Normal Average (30 yrs avg: 1981-2010) during January 1 - April 19	78	110	99	158	208	228	133
2010	50	106	67	164	151	210	111
2011	160	69	190	223	795	578	289
2012	101	139	119	175	484	607	231
2013	77	63	90	215	323	275	152
2014	42	68	97	108	90	233	89
2015	119	78	158	123	121	126	116
Difference from Normal Average	41	-31	59	-35	-87	-102	-17
% Change	52.0	-28.6	59.2	-22.0	-41.7	-44.6	-12.6
Difference from 2014	77	11	61	15	31	-107	27
% change	183.3	15.6	62.6	13.6	34.2	-45.9	29.9

Source: Royal Irrigation Department

Post expects MY2014/15 off-season rice harvested areas will likely remain unchanged from the previous forecast at 10.9 million rai (1.7 million hectares, Table 3) with total rice production of around 5 million metric tons, down 14 percent from MY2013/14.

Table 3: Off-season rice Cultivation

Unit: million hectares

Area	2013/14			2014/15		
	First Crop	Second Crop	Total	First Crop	Second Crop	Total
Irrigated Areas	1.17	0.13	1.30	1.01	0.24	1.25
Non-Irrigated Areas	0.64	0.16	0.80	0.56	0.13	0.69
Total Planted Areas	1.81	0.29	2.10	1.57	0.37	1.94
Damaged area	0.10	0.00	0.10	0.20	0.00	0.20
Harvested area	1.71	0.29	2.00	1.37	0.37	1.74

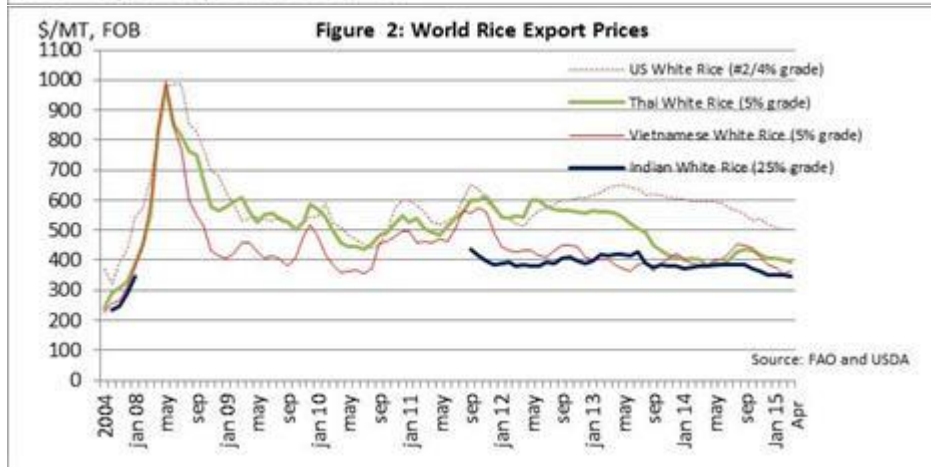
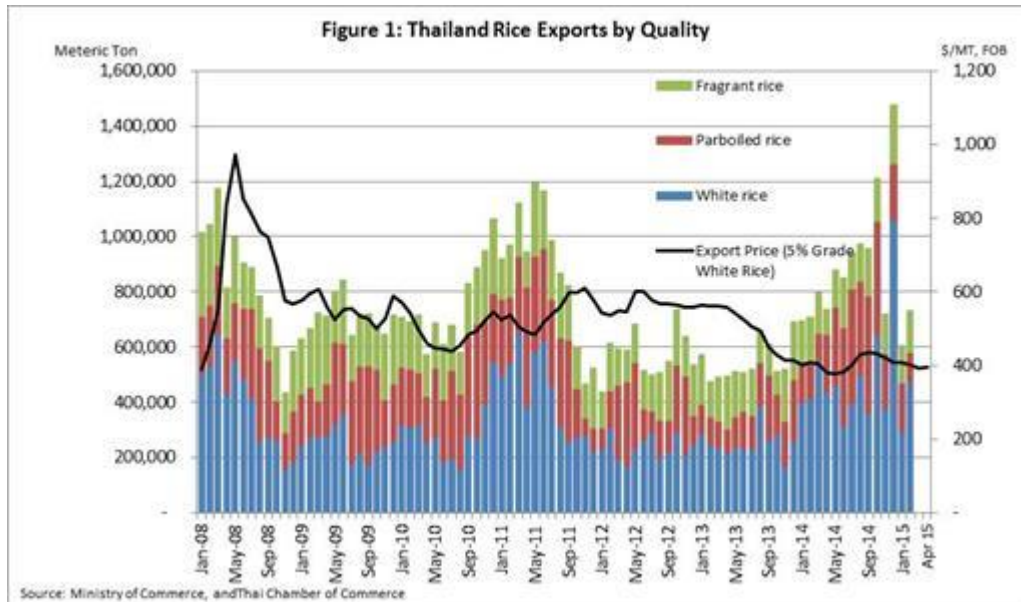
Source: FAS Estimate

Post's forecast of total MY2014/15 rice production is unchanged at 19.4 million metric tons which is a decline of approximately 5 percent from MY2013/14.

2. Rice Exports Outlook Depends on Sales of Rice Stocks and Competition from Vietnam

Thai rice exports totaled 2.1 million metric tons in the first quarter of 2015, down 4 percent from the same period last year. This is due to price competition from Vietnamese rice, particularly for white rice. Sources indicated that average export prices of Vietnamese white rice (5% grade) were around \$365/MT (compared to \$410/MT in 2014) which was approximately 10 percent cheaper than Thai rice during the first quarter of 2015 (Figure 2). Also, sales of government stocks were lower than expected in the first quarter of 2015 due to the concern about the downward pressure on domestic farmgate prices. However, Thai parboiled rice exports increased slightly from the

same period last year. Export prices of Thai parboiled rice are still attractive compared to Indian rice as domestic supplies of off-season rice paddy are enough to support parboiled production.



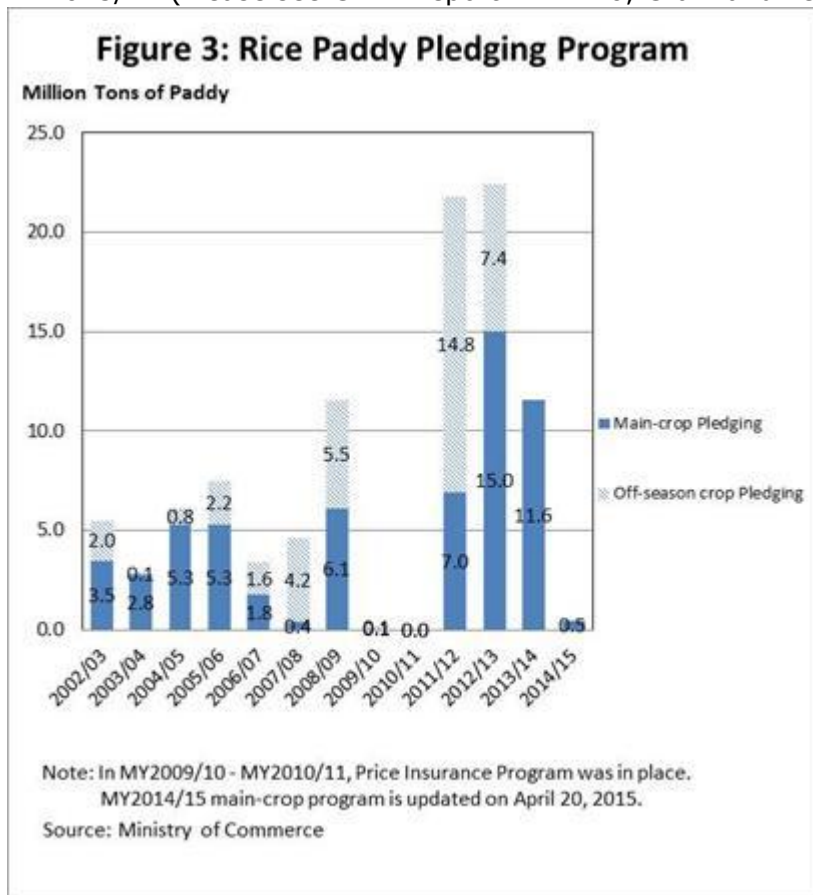
The government sold around 1.3 million metric tons of rice stocks, valued at 16 billion baht (\$499 million) from January to March 2015. The total quantity was well below that planned (3 million metric tons) due to the concern about the downward pressure on domestic prices. Around 80 percent of the sales were reportedly 5% grade white rice purchased by the government during the MY2012/13 and MY2013/14 rice pledging programs. During both years, the purchase prices under the program were 14,000 – 15,000 baht per metric ton of paddy (\$430-460/MT) with a monthly storage cost of around 100 baht per metric tons of rice (\$3/MT). Most are exported to African countries. Export prices of old-crop rice from the government stocks are approximately 5 percent lower than prices for new-crop rice.

Post's forecast of rice exports remains unchanged at 11 million metric tons for 2015. The government is expected to accelerate the sales of its rice stocks from May forward. For MY2014/15, sources indicate that there are approximately 8-9 million metric tons of government stocks available for export, consisting primarily of 5% grade and broken rice. The sales of rice stocks will enable Thai rice exporters to compete with Vietnamese rice in the second half of the year. Also, sources expect that parboiled rice exports, which account for around 30 percent of total rice exports, will likely continue upward trend with exports continuing to expand to Nigeria,

despite low oil prices.

3. MY2014/15 Rice Domestic Support Program Update

The Ministry of Commerce announced that only 474,237 metric tons (valued at 6,722 million baht (\$207 million)) was received under the on-farm pledging program for MY2014/15 main-crop rice (Figure 3). This was far below the 2 million metric tons the government expected, mainly due to less attractive intervention prices compared to the previous pledging programs in MY2011/12 – MY2013/14 (Please see GAIN Report: TH4120, Grain and Feed Update – November 2014).



The MOAC reported that 3.6 million rice farm households received direct payment of 39 billion baht (\$1.2 billion) under the Income Support Measure for MY2014/15 main-crop rice farmers (1,000 baht per rai (\$192/hectares)). The program covered around 97 percent of total rice farmers. Beside the domestic support program, the MOAC reported that about 40,000 farmers participated in the Off-farm Employment Assistant Program. This program was introduced to offset the impact on farmers who were affected by the government's water restriction in MY2014/15 off-season rice areas. This was only around 5 percent of total eligible rice farmers.

On April 28, 2015, the cabinet approved a budget of 476 million baht for Rice Insurance Program for 2015/16 main-crop rice. The government expects that the program is likely to cover 1.5 million rai (0.2 million hectares), compared to around 0.8 million rai (0.1 million hectares) in MY2014/15. The government will subsidize the premium costs for 64-383 baht per rai (\$12 – 74/hectare) from low risk to high risk areas. Farmers will have to pay 60-100 baht per rai (\$11 – 19/hectare) for the premium. The insurance will cover the risk on natural disaster and diseases. While this pilot program is being expanded, farmers still are not enthusiastic about signing up primarily because of the cost.

The Government is expected to continue the on-farm pledging program for MY2015/16 main-crop fragrant and glutinous rice paddy to stabilize domestic farmgate prices during the seasonal harvest from November 2015 – February 2016. Also, the government is likely to continue to support white

rice farmers through the Interest Subsidy Program for Rice Traders. In MY2014/15, this program provided loans with a subsidized interest rate of 3 percent for rice traders to hold stocks for 3 to 6 months from November 2014 to July 2015. The Ministry of Commerce reported that around 150 traders participated in the program holding rice paddy stocks of around 3.2 million metric tons.

Appendix Tables:

Table 1.1 Thailand's Rice Production, Supply and Demand

<i>Rice, Milled</i>	2013/2014		2014/2015		2015/2016		
	<i>Market Begin Year</i>		<i>Jan 2015</i>		<i>Jan 2016</i>		
	<i>Jan 2014</i>	<i>Jan 2014</i>	<i>Jan 2015</i>	<i>Jan 2015</i>	<i>Jan 2016</i>	<i>Jan 2016</i>	
<i>Thailand</i>	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	10,920	10,920	10,400	10,643	0	10,686	(1000 HA)
Beginning Stocks	12,808	12,808	11,724	11,724	0	9,228	(1000 MT)
Milled Production	20,460	20,460	19,150	19,404	0	19,800	(1000 MT)
Rough Production	31,000	31,000	29,015	29,400	0	30,000	(1000 MT)
Milling Rate (.9999)	6,600	6,600	6,600	6,600	0	6,600	(1000 MT)
MY Imports	300	300	300	300	0	300	(1000 MT)
TY Imports	300	300	300	300	0	300	(1000 MT)
TY Imp. from U.S.	2	0	0	0	0	0	(1000 MT)
Total Supply	33,568	33,568	31,174	31,428	0	29,328	(1000 MT)
MY Exports	10,969	10,969	11,000	11,000	0	11,000	(1000 MT)
TY Exports	10,969	10,969	11,000	11,000	0	11,000	(1000 MT)
Consumption and Residual	10,875	10,875	11,200	11,200	0	11,500	(1000 MT)
Ending Stocks	11,724	11,724	8,974	9,228	0	6,828	(1000 MT)
Total Distribution	33,568	33,568	31,174	31,428	0	29,328	(1000 MT)
Yield (Rough)	2.8388	2.8388	2.7899	2.7624	0.0000	2.8074	(MT/HA)

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

	2013/14			2014/15			2015/16		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area (million hectare)									
Cultivation	9,288	2,100	11,388	9,288	1,940	11,228	9,256	1,908	11,164
Harvest	8,920	2,000	10,920	8,900	1,743	10,643	8,869	1,817	10,686
Production (million ton)									
Rough	22,400	8,600	31,000	22,000	7,400	29,400	22,200	7,800	30,000
Rice	14,784	5,676	20,460	14,520	4,884	19,404	14,652	5,148	19,800
Yield (ton/hectare)	2.511	4.300	2.839	2.472	4.245	2.762	2.503	4.292	2.807

Source: FAS Estimate

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

<i>Corn</i>	2013/2014		2014/2015		2015/2016		
<i>Market Begin Year</i>	Jul 2013		Jul 2014		Jul 2015		
<i>Thailand</i>	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	1,120	1,120	1,100	1,100	0	1,090	(1000 HA)
Beginning Stocks	643	643	144	119	0	119	(1000 MT)
Production	4,900	4,900	4,850	4,750	0	4,800	(1000 MT)
MY Imports	600	600	600	600	0	600	(1000 MT)
TY Imports	600	600	600	600	0	600	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
Total Supply	6,143	6,143	5,594	5,469	0	5,519	(1000 MT)
MY Exports	1,099	1,099	250	250	0	60	(1000 MT)
TY Exports	1,109	1,050	250	250	0	60	(1000 MT)
Feed and Residual	4,800	4,825	5,000	5,000	0	5,250	(1000 MT)
FSI Consumption	100	100	100	100	0	100	(1000 MT)
Total Consumption	4,900	4,925	5,100	5,100	0	5,350	(1000 MT)
Ending Stocks	144	119	244	119	0	109	(1000 MT)
Total Distribution	6,143	6,143	5,594	5,469	0	5,519	(1000 MT)
Yield	4.3750	4.3750	4.4091	4.3182	0.0000	4.4037	(MT/HA)

End of report