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Global Agricultural Information Network

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Thailand

Grain and Feed Update

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Report Highlights:

TH5082 - MY2015/16 rice production is revised down to 18 million metric tons, down 7 percent from MY2014/15 due to ongoing water supplies shortages in irrigated areas. Rice exports are also revised to 10 million metric tons due to price competition from Vietnam.

Post:

Bangkok

Executive Summary:

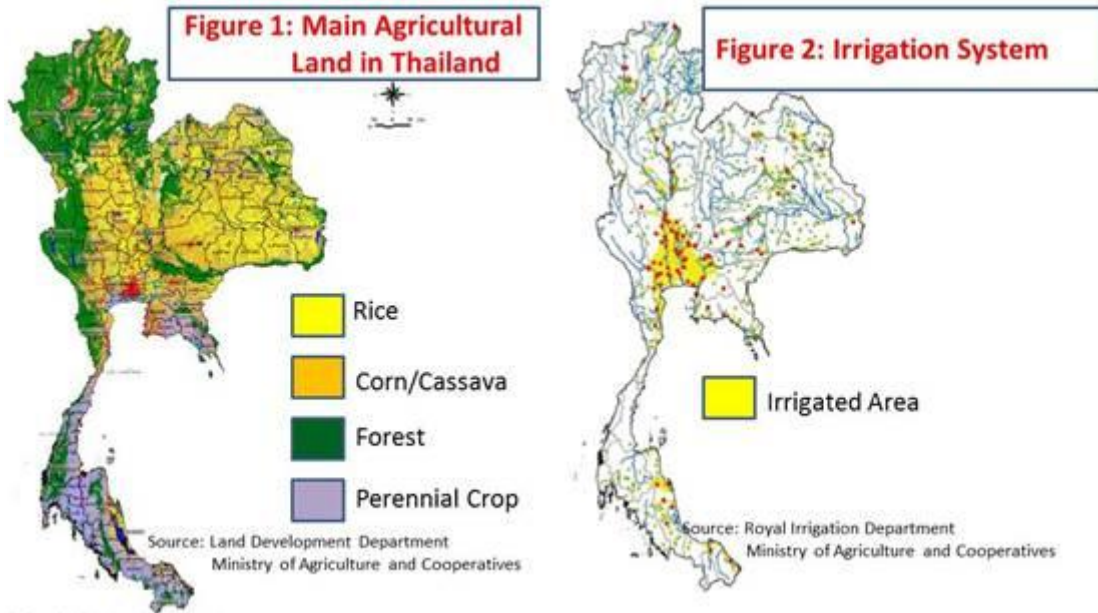
MY2015/16 rice production is revised down to 18 million metric tons, a drop of almost 2 million metric tons from the previous forecast due to drought and acreage reduction caused by limited water supplies in irrigated areas. Current unusual weather conditions are likely to mainly affect planting areas in the central plains which heavily rely on rain-fed irrigation. The government expects that around one fourth of the main-crop area in the central plain will likely to be adversely affected. Also, a second off-season crop will likely be impossible in large part of the central plains due to lower reservoirs at the beginning of the dry season in early 2016.

Rice exports are also revised down to 10 million metric tons in 2015 and 2016. This is mainly due to price competition from Vietnam, particularly for 5% grade white rice. The price difference between Thai and Vietnamese rice prices (5% grade white rice, FOB) is now about \$30/MT, compared to around \$20/MT in May. Also, the purchases of government's stocks are lower-than-expected as traders are concerned about quality.

Rice consumption is revised up in MY2014/15 and MY2015/16 due to the use of government stocks for ethanol production. It is expected that around 1.3 million metric tons of industrial-grade rice from the government stocks will be used in ethanol production in 2015 and 2016. This is primarily a substitution for imported cassava from Cambodia.

Author Defined:**1. Farmers in the central plain experiencing continued dry weather**

MY2015/16 main-crop rice planting began in May 2015, starting primarily in irrigated areas of the central plains. This accounts for around 15 percent of total planted area of main-crop rice. Presently, farmers are struggling with drought as the government is limiting water supplies for agriculture due to critical reservoir levels and almost six weeks of no rain. Farmers in the central plains heavily rely on irrigation water (Figure 1 and 2). Presently, around 4 million rai (0.6 million hectares) have been planted in the central plains, accounting for around 60 percent of total main-crop rice area in the central plain. The government expects that around one-fourth is likely to be adversely affected by drought. It has warned farmers who have so far not planted rice in this area to delay planting until late July. Meanwhile, most rice planting in the northern and northeastern regions will not start until July or August when rain usually comes. Main-crop rice in these regions is rain fed. They account for around 25 percent and 60 percent of total main-crop rice areas, respectively.

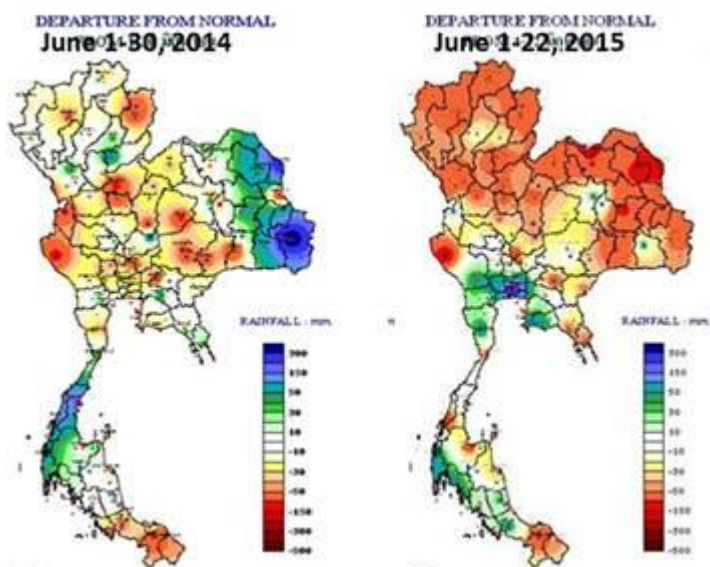


The Royal Irrigation Department announced on June 23 reduced water discharge for agriculture by 25 percent due to the concern about possible water shortages during July and August. The government took the precaution of reducing water discharge after the Thai Meteorological Department's precipitation forecast in 2015 was revised down to be 7-10 percent below normal levels due to lower-than-expected rainfall in May and June (Table 1 and Figure 3). Despite anticipated normal precipitation in the remaining months of monsoon season, cumulative rainfall in 2015 will likely be even lower than the previous year's record low. This will result in even lower reservoirs available for next dry-season crop in 2016.

Table 1: Cumulative Rainfall in Thailand during January - June 21, 2015							
Unit: Millimeter							
	North	Northeast	Central Plain	East	South		Nationwide
					East Coast	West Coast	
Normal Average (30 yrs avg: 1981-2010)	1,231	1,405	1,275	1,888	1,737	2,719	1,588
Normal Average (30 yrs avg: 1981-2010) during January 1 - June 21, 2015	407	487	412	614	470	830	504
2010	261	382	319	511	333	773	390
2011	600	457	593	698	1,033	1,074	694
2012	477	542	380	632	734	1,431	635
2013	349	408	401	612	534	1,139	509
2014	318	367	318	430	313	767	387
2015	303	312	347	417	327	684	366
Difference from Normal Average	-104	-175	-65	-197	-143	-146	-138
% Change	-25.5	-35.9	-15.8	-32.1	-30.4	-17.6	-27.3
Difference from 2014	-15	-55	29	-13	14	-83	-21
% change	-4.7	-14.9	9.2	-3.0	4.4	-10.8	-5.3

Source: Royal Irrigation Department

Figure 3: Cumulative Rain in June



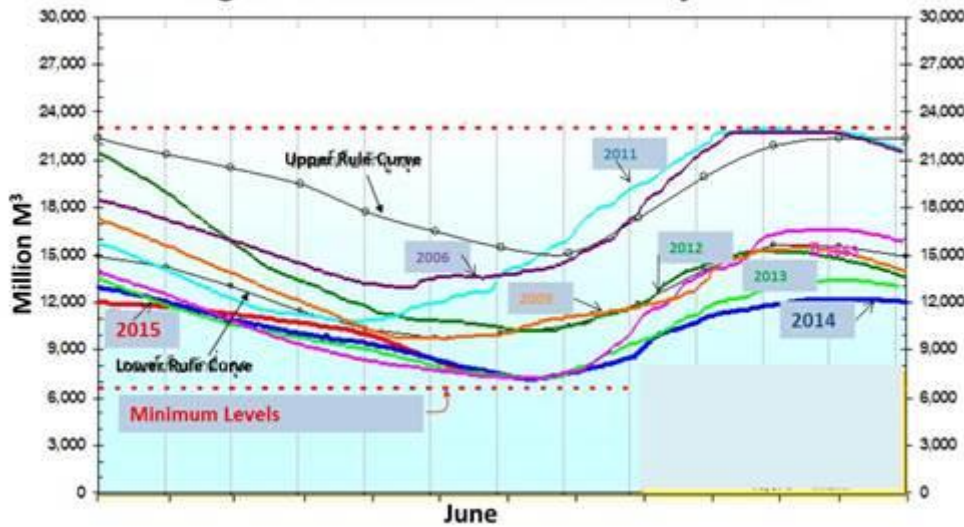
Source: Thai Meteorological Department

Post's forecast of MY2015/16 rice production is revised down to around 27.3 million tons of paddy (18 million metric tons milled equivalent), down 7 percent from the previous year due to drought on yield and anticipated acreage reduction in MY2015/16 off-season rice due to limited water supplies. Around 1 million rai (0.16 million hectares) of main-crop rice in irrigated area in the central plains is expected to be adversely affected by drought. Main-crop rice production is revised

down to around 21 million metric tons of paddy (13.8 million metric tons milled equivalent), compared to the previous forecast of around 22 million metric tons of paddy (14.7 million metric tons milled equivalent) (Appendix Table 1.1 and 1.2).

Also, off-season rice production is revised down to 6.3 million metric tons of paddy (4.2 million metric tons milled equivalent), compared to 7.8 million metric tons of paddy (5.1 million metric tons milled equivalent) in the previous forecast. The reduction is due mainly to acreage reduction of second off-season crop which is expected to decline by around 2 million rai (0.32 million hectares). Most double crops are impossible in the central plains in anticipation of low reservoirs in the beginning of 2016 due to lower-than-expected precipitation during May to June 2015 (Figure 4).

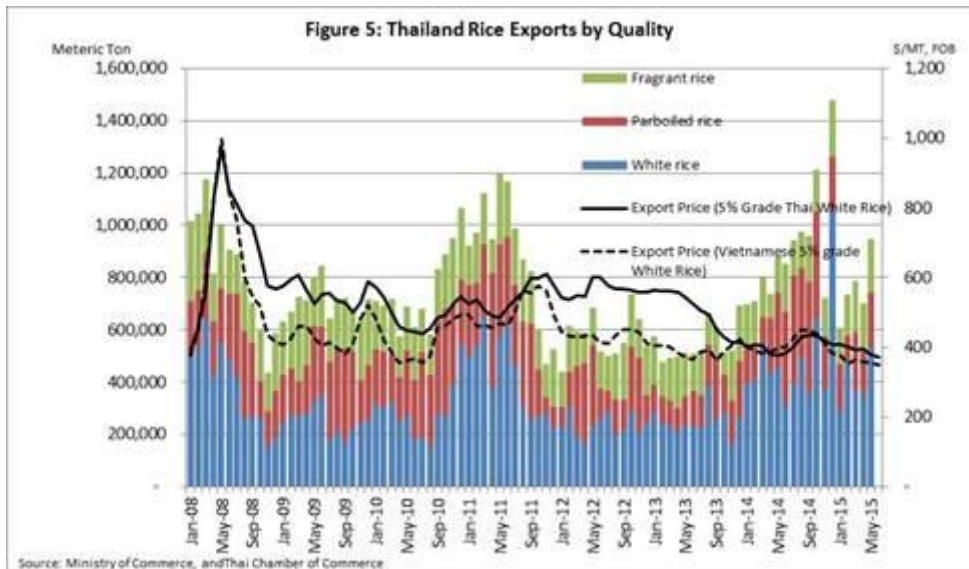
Figure 4: Reservoir Levels in Major Dams



Source: Royal Irrigation Department, Ministry of Agriculture and Cooperatives

2. Rice exports revised down due to competition from Vietnam

Post's forecast of rice exports is revised down to 10 million metric tons in 2015 due to lower-than-expected rice exports over the past five months of 2015. Thai rice exports totaled 3.8 million metric tons during January to May 2015, down 1.4 percent from the same period last year. This mainly reflected a reduction in white rice export which declined around 10 percent from last year due to price competition from Vietnamese rice. Export prices of Vietnamese rice were 10 percent cheaper than Thai rice. Presently, the price difference between Thai and Vietnamese rice prices (5% grade white rice, FOB) is \$30/MT, compared to around \$20/MT in the May. The government is cautious in selling its stocks due to the concern over the quality standards and the impact on domestic prices. Around 2.1 million metric tons of government stocks were sold from January to June 2015, compared to around 3 million metric tons in the same period last year.



Also, rice exports' projection in 2016 is revised down to 10 million metric tons in anticipation of limited good quality rice in the government stocks. The government is reportedly holding rice stocks of around 15 million metric tons (as of June 2015). Of the total, it is expected that around 8 million metric tons are food-grade rice, of which 3 million metric tons are good quality rice and 5 million metric tons are sub-standard rice or unaccounted for. Meanwhile, the remainder is non-food grade (5 million metric tons) and bad quality rice (2 million metric tons) which cannot be used neither for feed or ethanol production.

3. Rice consumption revised up due to ethanol use

MY 2014/15 rice consumption is revised up to 11.7 million metric tons, up 0.5 million metric tons from the previous forecast due to demand for rice in ethanol production. The government plans to sell stocks of non-food-grade rice for ethanol production. The tenders for around 1.3 million metric tons are likely to be issued during July to September. Sources indicate that cassava-based ethanol plants are expected to participate in the tender. They are operating at around 300 million liters per year, using approximately 2 million metric tons of cassava as feed stock. Around half of the feed stock is imported from Cambodia through border trade. Rice is expected to be substituted for imported cassava. It is expected that around 0.5 million metric tons of rice from the government stocks will be used in ethanol production in 2015, producing around 185 million liters of ethanol. This will account for around 17 percent of total ethanol production in Thailand.

Also, in MY2015/16, rice consumption is likely to increase to 12 million metric tons, up 0.5 million metric tons from the previous forecast in anticipation of continued substitution of rice for imported cassava in ethanol production. However, the use of government's rice stocks for ethanol production is likely to be limited at 0.5 million metric tons per year to avoid negative impact on domestic prices of cassava.

Appendix Tables:

Table 1.1: Thailand's Rice Production, Supply and Demand

Rice, Milled	2013/2014			2014/2015			2015/2016			
	Market Begin Year			Jan 2015			Jan 2016			
	USDA Official	Od Post	New Post	USDA Official	Od Post	New Post	USDA Official	Od Post	New Post	
Area Harvested	10,920	10,920	10,920	10,270	10,643	10,643	10,685	10,686	10,206	(1000 HA)
Beginning Stocks	12,808	12,808	12,808	11,724	11,724	11,724	8,674	9,228	9,728	(1000 MT)
Milled Production	20,460	20,460	20,460	18,750	19,404	19,404	19,600	19,800	18,000	(1000 MT)
Rough Production	31,000	0	31,000	28,439	29,400	29,400	30,000	30,000	27,273	(1000 MT)
Milling Rate (9996)	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	8,600	(1000 MT)
MY Imports	300	300	300	300	300	300	300	300	300	(1000 MT)
TY Imports	300	300	300	300	300	300	300	300	300	(1000 MT)
TY Imp. from U.S.	2	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	33,568	0	33,568	30,774	31,428	31,428	28,774	29,328	28,028	(1000 MT)
MY Exports	10,969	10,969	10,969	11,000	11,000	10,000	11,000	11,000	10,000	(1000 MT)
TY Exports	10,969	10,969	10,969	11,000	11,000	10,000	11,000	11,000	10,000	(1000 MT)
Consumption and Residual	10,875	10,875	10,875	11,100	11,200	11,700	11,400	11,500	12,000	(1000 MT)
Ending Stocks	11,724	11,724	11,724	8,674	9,228	9,728	6,374	6,828	6,028	(1000 MT)
Total Demand	33,568	0	33,568	30,774	31,428	31,428	28,774	29,328	28,028	(1000 MT)
Yield (Rough)	2,838	0.0000	2,838	2,792	2,7624	2,7624	2,8077	2,8074	2,8723	(MT/HA)

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

	2013/14			2014/15			2015/16 (Apr. 2015 Forecast)			2015/16 (July 2015 Forecast)		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
	Area (million hectares)											
Cultivation	9,288	2,100	11,388	9,288	1,940	11,228	9,254	1,908	11,164	9,095	1,588	10,684
Harvest	8,920	2,000	10,920	8,900	1,543	10,443	8,859	1,817	10,676	8,709	1,487	10,196
Production (million tons)												
Rough	22,400	8,600	31,000	22,000	7,400	29,400	22,200	7,800	30,000	20,973	6,300	27,273
Rice	14,784	5,476	20,460	14,570	4,824	19,404	14,557	5,143	19,800	13,362	4,138	18,000
Yield (ton/hectare)	2,611	4,300	2,838	2,477	4,280	2,762	2,608	4,202	2,807	2,408	4,208	2,477

Source: FAO Database