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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:

MY2016/17 rice and corn production is well underway due to favorable precipitation. MY2016/17 rice consumption and exports are revised down due to the suspension of several sales of government rice stocks. MY2016/17 feed wheat imports are higher than expected, but are still expected to decline significantly from last year due to import restrictions.

Post:

Bangkok

Executive Summary:

MY2017/18 rice and corn production remains unchanged from the previous forecast due to favorable precipitation. Severe flooding damage is unlikely in 2017 as reservoirs still have excess capacity to manage incoming water supplies from additional tropical storms during the 2017 monsoon season.

The sale of government rice stocks is lower than expected in MY2016/17 as the sale of feed-quality and deteriorated rice has been suspended since June 30, 2017, by the order of the Administrative Court.

This sales suspension will likely limit rice utilization by feed and non-food manufacturers as the price of rice from the government stocks is 40-50 percent cheaper than the market price of new-crop broken rice. Additionally, rice export growth is expected to slowdown in the second half of 2017 as the majority of government food-quality rice stocks have already entered the market in the first half of 2017.

MY2016/17 wheat imports have been revised up due to higher than expected feed wheat imports, partly driven by a limited exemption on the domestic corn purchase requirements for shrimp feed manufacturers. However, total wheat imports still declined by 19 percent in MY2016/17 due to a significant reduction in feed wheat imports following the implementation of the new Thai import regulations on feed wheat.

1. Rice Update**1.1 Production**

MY2017/18 main-crop rice cultivation is well underway nationwide due to favorable precipitation. Most main-crop rice planting acreage in the northern and northeastern regions (mainly non-irrigated areas) is in the vegetative stage. The Thai Meteorological Department reported that cumulative precipitation during January 1 – July 23, 2017, in these regions is approximately 30 percent above both the normal rainfall average and last year's rainfall levels (Figure 1.1). The Ministry of Agriculture and Cooperatives reported that approximately 1 million rai (0.2 million hectares) of MY2017/18 main-crop rice were affected by flooding. However, farmers in the affected areas, particularly in the lower northern region, have reportedly already replanted as the flood waters receded quickly. Additionally, the Royal Irrigation Department (RID) are managing reservoirs levels to minimize possible flood damage from this year's monsoon rain. The RID reported that, as of July 26, 2017, water supplies in major reservoirs totaled 5.7 billion cubic meters which is more than double last year's water levels (Figure 1.2). However, these reservoirs still have excess capacity to manage incoming water supplies from additional tropical storms during the 2017 monsoon season. This is opposite of the case in 2011 when reservoirs had reached their maximum capacity in July causing severe flooding from the monsoon storms.

Figure 1.1: Cumulative Precipitation by Region during January 1 – July 23, 2017

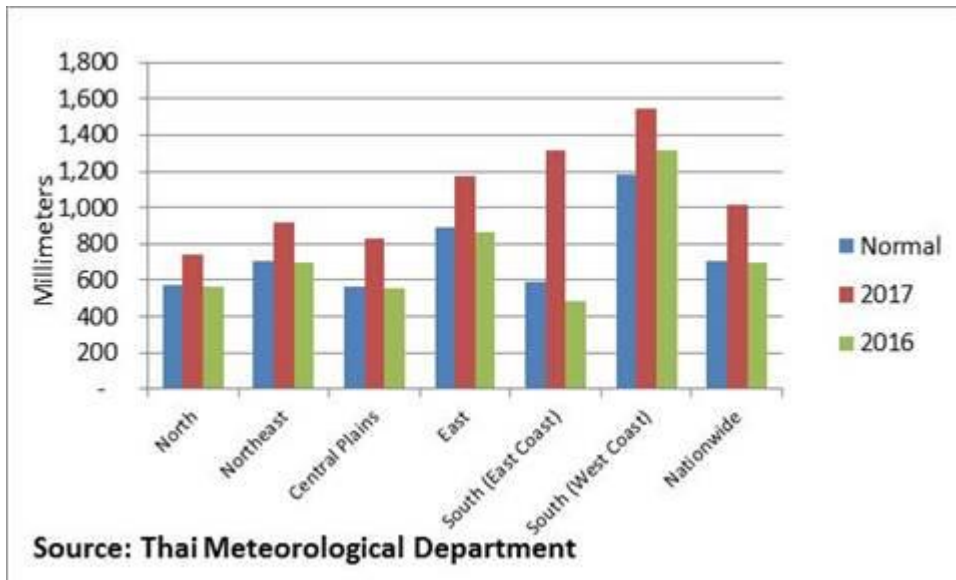
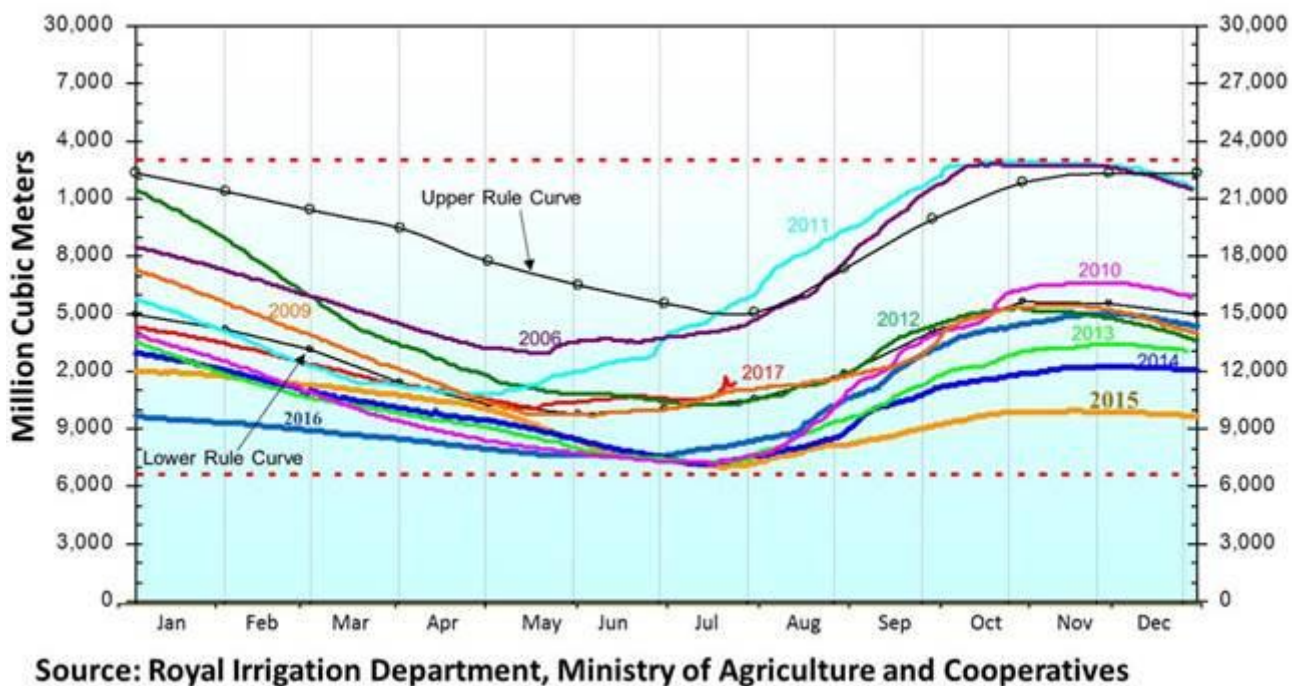


Figure 1.2: Water Supplies in Major Reservoirs



Post's forecast for rice production in MY2017/18 remains unchanged at 20.4 million metric tons which is approximately a 6 percent increase from MY2016/17 due to favorable weather conditions and sufficient irrigation supplies.

1.2 Consumption

MY2016/17 and MY2017/18 rice consumption is revised down to around 11 million metric tons due to the suspension of the sale of 2.6 million metric tons of government feed and non-food quality rice stocks. Traders expect that the bureaucratic challenges in ending this sales suspension means that these

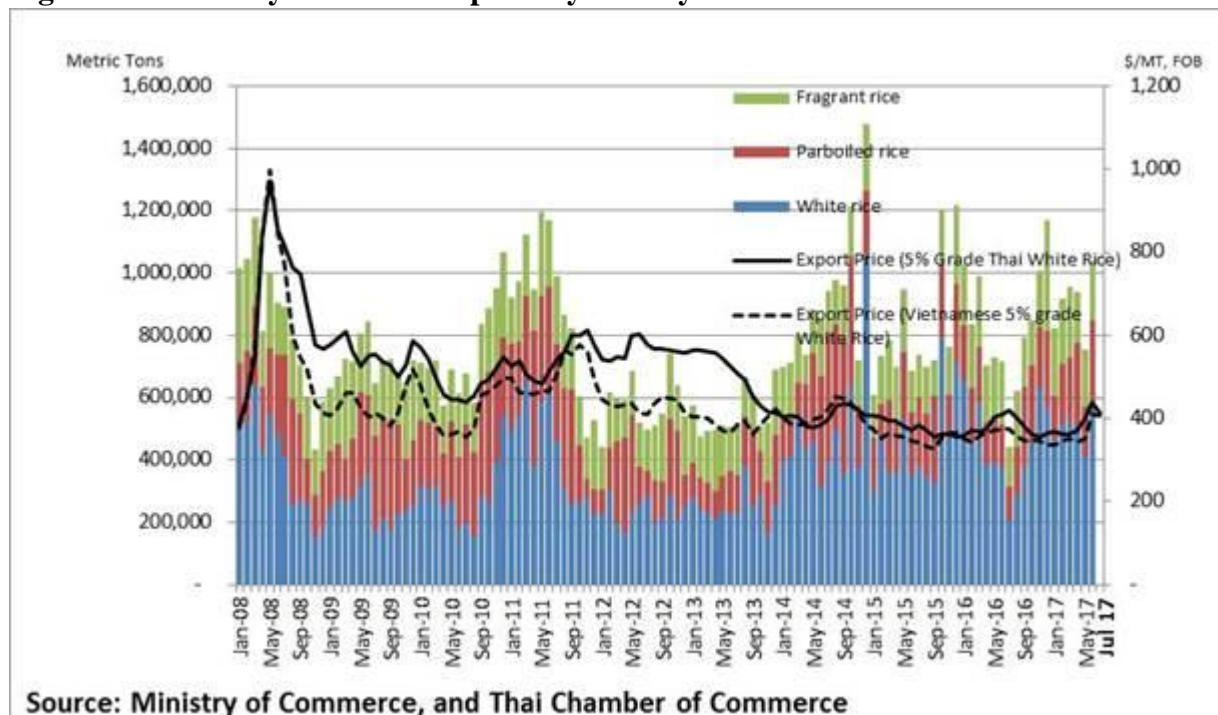
rice stocks are unlikely to be sold until 2019. Consequently, additional rice utilization by poultry feed producers, power plants, and fertilizer manufacturers will not be economically viable as the price of feed-quality and deteriorated rice from government stocks is 40-50 percent cheaper than the market price of new-crop broken rice. Consequently, the feed industry’s demand for broken rice is revised down to approximately 1.8 million metric tons in MY2016/17, compared to the previous forecast of 2.4 million metric tons. Meanwhile, the utilization of broken rice for fertilizer production is revised down to 0.2 million metric tons. No broken rice is expected to be used by power plants in MY2016/17 and MY2017/18.

1.3 Exports

According to the Ministry of Commerce, preliminary rice exports during the first half of 2017 totaled 5.4 million metric tons (Figure 1.3). This is an 8 percent increase from the same period last year as Thai white and parboiled rice are more competitive in the Middle Eastern and African markets, driven by the sale of government rice stocks and the recovery of MY2016/17 off-season rice production. Exports of white rice totaled 2.7 million metric tons in the first half of 2017. This is a 2 percent increase from the same period last year, reversing the first five months’ 5 percent decline. Parboiled rice exports in the first half of 2017 increased 25 percent from the same period last year, totaling 1.2 million metric tons.

However, Thai rice exports in the second half of 2017 are expected to grow at a slower pace, particularly for white rice, due to the suspension of the sale of government stocks in the June 2017. As a result, total Thai rice exports in 2017 are expected to reach 10.5 million metric tons, compared to the previous forecast of 11 million metric tons ([Grain and Feed Update – June 2017](#)). This is a 6 percent increase from 2016.

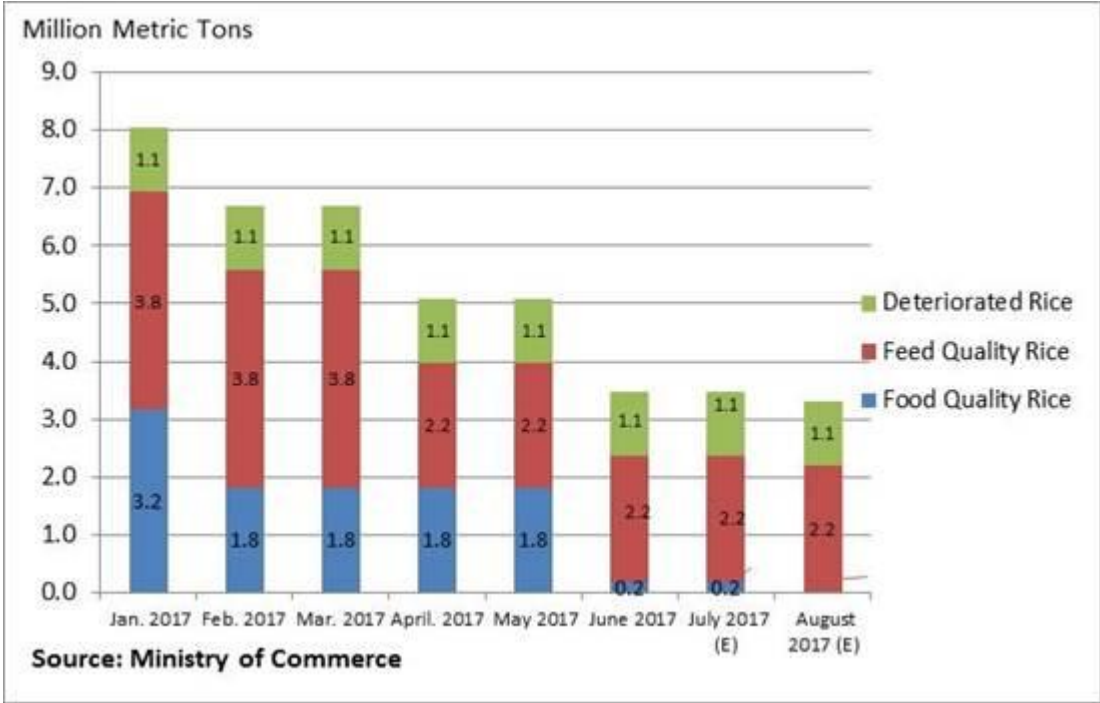
Figure 1.3: Monthly Thai Rice Exports by Variety



1.4 Stocks

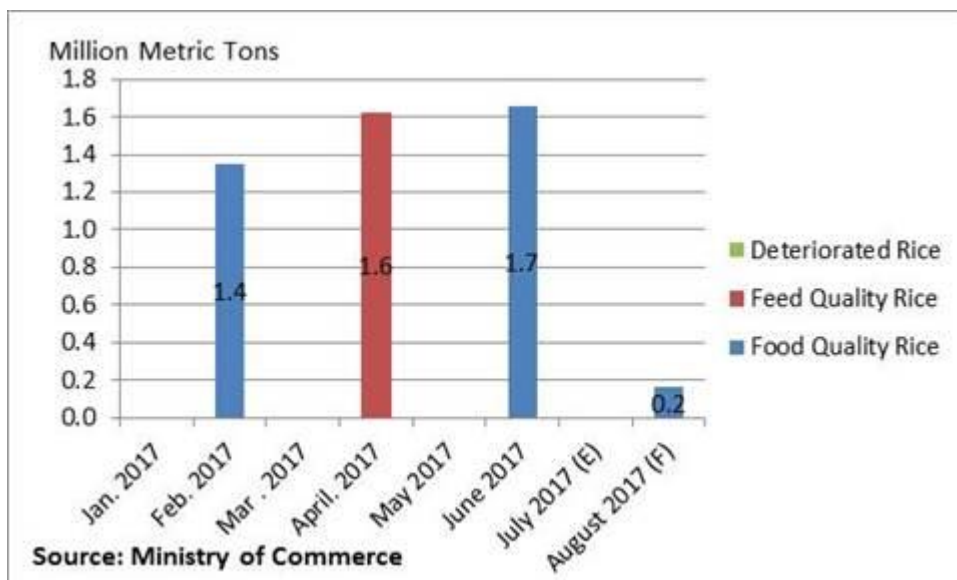
MY2016/17 and MY2017/18 rice stocks are revised up to approximately 6 million metric tons, of which approximately 3.3 million metric tons are government stocks. The government stocks are forecast to consist of 2.2 million metric tons of feed-quality rice and 1.1 million metric tons of deteriorated rice (Figure 1.4). The sale of these rice stocks has been suspended since June 30, 2017, by the order of the Administrative Court in response to a petition by an allegedly disqualified bidder who participated in (1) the April 28, 2017 tender for 1.1 million metric tons of deteriorated rice and (2) the June 15, 2017 tender for 2.2 million metric tons of feed-quality rice. As the court process will take some time, the government is expected to be unable to sell these stocks this year.

Figure 1.4: Government Rice Stocks



If the sale of the July 18, 2017 tender for food quality rice of 0.2 million metric tons is finalized, the government sale of rice stocks will total 4.9 million metric tons during January - July 2017. The sale will consist of 3.3 million metric tons of food-quality rice and 1.6 million metric tons of feed and industrial quality rice (Figure 1.5).

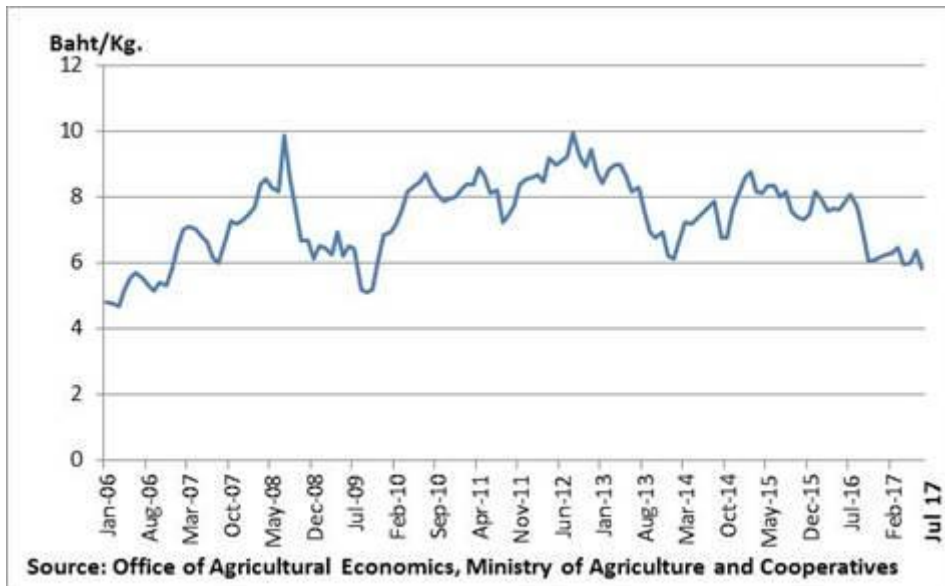
Table 1.5: Sale of Government Stocks in 2017



2. Corn Update

Post's forecast for MY2017/18 corn production remains unchanged at 4.9 million metric tons. This is a 6 percent reduction from last year due to the government's seizure of corn planted in illegally deforested areas and unattractive corn prices. Corn plantings in illegally deforested areas are gradually declining due to stringent law enforcement by local officials, particularly in the northern region which accounts for approximately 70 percent of total corn production. Also, some farmers have shifted to alternative crops such as vegetables due to unattractive corn prices. In July 2017, farm-gate prices for corn further declined to 5-6 baht per kilogram (150-180 USD/MT) which is 28 percent below last year's price of about 8 baht per kilogram (243 USD/MT) (Figure 2.1). This is partly due to competition from relatively cheaper duty-free corn imported from neighboring countries under the ASEAN Free Trade Agreement (AFTA). Despite the low farm-gate price, on July 11, 2017, the cabinet approved measure to increase target corn acreage. To achieve this target, the cabinet agreed to provide a direct payment of 2,000 baht per rai (375 USD/hectare) (with a maximum of 15 rai per household) during MY2017/18 – MY2019/20. This is part of the government's plan to diversify 0.7 million rai (0.1 million hectares) of MY2017/18 off-season rice into alternative crops. The total budget for this program is 1.3 billion baht (39 million USD). However, sources expect that the government is unlikely to achieve this target due to attractive rice prices and sufficient water supplies for rice cultivation.

Figure 2.1: Monthly Farm-gate Prices of Corn (14.5% Moisture Content)



3. Wheat Update

MY2016/17 wheat imports have been revised up to around 3.8 million metric tons due to higher than expected feed wheat imports following the implementation of the domestic corn purchase requirements for imported feed wheat (see [Grain and Feed Update – April 2017](#) and [Grain and Feed Update – June 2017](#)). Part of this upward revision is due to shrimp feed manufacturers who have used imported feed wheat in their feed rations following the Ministry of Commerce’s June 2017 decision to allow 110,000 metric tons of feed wheat to be exempt from the domestic corn purchase requirements for shrimp feed manufacturers. However, total feed wheat imports in MY2016/17 are expected to decline to approximately 2.5 million metric tons, down 27 percent from MY2015/16 due to the government’s import restrictions on feed wheat. The reduction in feed wheat imports is expected to outweigh the slight increase in milling wheat imports. As a result, MY2016/17 total wheat imports are expected to decline 19 percent from MY2015/16 and will likely further decline by 20 percent in MY2017/18 as the government is expected to maintain the domestic corn purchase requirements as current domestic corn prices are still below their target of 8 baht per kilogram (243 USD/MT).

Appendix

Table 1.1 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	10427	10700	10732
Beginning Stocks	11270	11270	8403	8387	5853	6287
Milled Production	15800	15800	19200	19200	20400	20430
Rough Production	23939	23939	29091	29091	30909	30955
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	26503	26917
MY Exports	9867	9883	10000	10500	10000	10000
TY Exports	9867	9883	10000	10500	10000	10000
Consumption and Residual	9100	9100	12000	11000	11500	10780
Ending Stocks	8403	8387	5853	6287	5003	6137
Total Distribution	27370	27370	27853	27787	26503	26917
Yield (Rough)	2.5348	2.5348	2.839	2.79	2.8887	2.8844

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

Table 1.2: Thailand's Rice Paddy 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	8.759	1.973	10.732
Production (Million Tons)									
Rough	20.973	2.966	23.939	20.909	8.182	29.091	22.318	8.637	30.955
Rice	13.842	1.958	15.800	13.800	5.400	19.200	14.730	5.700	20.430
Yield (Ton/Hectare)	2.408	4.035	2.535	2.497	4.366	2.839	2.548	4.377	2.884

Source: FAS Estimate

Table 2: 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 Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Harvested	1090	1090	1168	1168	1100	1100
Beginning Stocks	139	139	172	172	172	172
Production	4700	4700	5200	5200	4900	4900
MY Imports	600	600	600	600	700	700
TY Imports	600	600	600	600	700	700
TY Imp. from U.S.	2	0	0	0	0	0
Total Supply	5439	5439	5972	5972	5772	5772
MY Exports	367	367	500	700	200	100
TY Exports	439	310	600	700	200	100
Feed and Residual	4800	4800	5200	5000	5350	5300
FSI Consumption	100	100	100	100	100	100
Total Consumption	4900	4900	5300	5100	5450	5400
Ending Stocks	172	172	172	172	122	272
Total Distribution	5439	5439	5972	5972	5772	5772
Yield	4.3119	4.3119	4.4521	4.4521	4.4545	4.4545
(1000 HA) ,(1000 MT) ,(MT/HA)						

Table 3: 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	947	885	607	625
Production	0	0	0	0	0	0
MY Imports	4817	4691	3600	3800	3000	3000
TY Imports	4817	4691	3600	3800	3000	3000
TY Imp. from U.S.	679	632	0	670	0	690
Total Supply	5682	5556	4547	4685	3607	3625
MY Exports	235	235	240	240	200	240
TY Exports	235	235	240	240	200	240
Feed and Residual	3300	3276	2500	2600	1500	1500
FSI Consumption	1200	1160	1200	1220	1200	1300

Total Consumption	4500	4436	3700	3820	2700	2800
Ending Stocks	947	885	607	625	707	585
Total Distribution	5682	5556	4547	4685	3607	3625
Yield	0	0	0	0	0	0
(1000 HA) ,(1000 MT) ,(MT/HA)						