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GAIN Report

Global Agricultural Information Network

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Thailand

Grain and Feed Update

Rice Update

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Report Highlights:

TH2081 MY2012/13 rice production forecast remains at 21.1 million tons, up 3.0 percent from the previous year, in anticipation of normal monsoon despite the development of El Nino conditions. Thai rice exports will likely lose ground to Vietnamese rice due to aggressive MY2011/12 Paddy Pledging Program. The overhaul of the Paddy Pledging Program and releases from rice stocks will help rice exports recover in 2013.

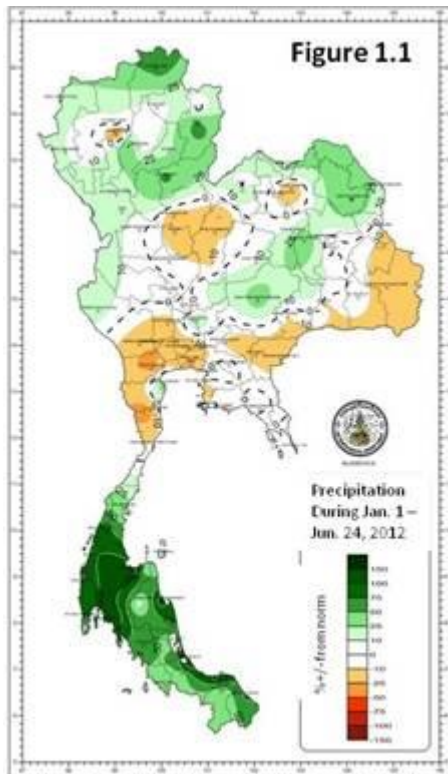
Post:

Bangkok

Author Defined:**1. Rice cultivation well underway due to a good monsoon.**

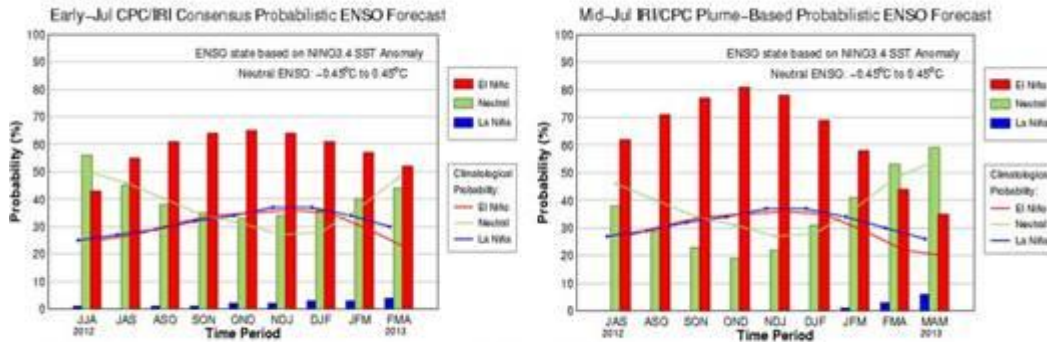
MY2012/13 main-crop paddy is approximately 90 percent planted due to a good monsoon. Precipitation during January – June 2012 is around 25 percent above the normal average in most rice growing areas, except for some areas of the lower Northeastern Region that faces approximately 10 percent below-average precipitation (Figure 1.1). The Thai Meteorological Department (TMD) expects near normal precipitation in rice growing areas during the reproductive stage in August – September. TMD's assessment is based on the International Research Institute for Climate and Society's (IRI) forecast of either warm-neutral conditions or borderline El Nino conditions during July – September 2012 (Figure 1.2). In addition, TMD expects one to two tropical depressions during the monsoon season in 2012, which will provide the necessary rainfall for main crop production without the massive damage. In addition, these depressions will likely increase water availability for the off-season crop in the lower Northern and the Central Plain Region as reservoir levels have been allowed to decline to around 46 percent of total major reservoirs' storage capacity in August 2012, as compared to over 90 percent in January 2012. This is associated with the government flood mitigation program that calls for water discharge of the major dams in the Northern Region to their lowest possible level (45% of full capacity) by the end of dry season in April 2012 (Figure 1.3).

Post's forecast of MY2012/13 rice production is 21.1 million tons (milled equivalent) which is a 3.0 percent increase from the previous year, unchanged from the previous forecast (TH2027, Grain and Feed Annual, March 2012). Main-crop production is estimated at 14.7 million tons, up 4.3 percent from the previous year. Meanwhile, off-season crop production will likely remain at 6.3 million tons, unchanged from the previous year.



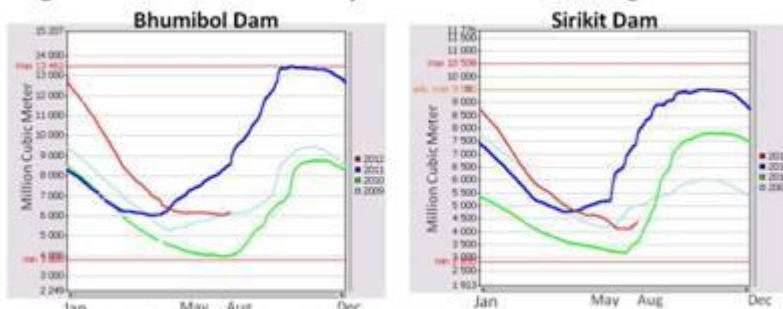
Source: Thai Meteorological Department

Figure 1.2



Source: International Research Institute for Climate and Society (IRI), July 19 2012

Figure 1.3 Reservoir Levels in Major Dams in the Northern Region

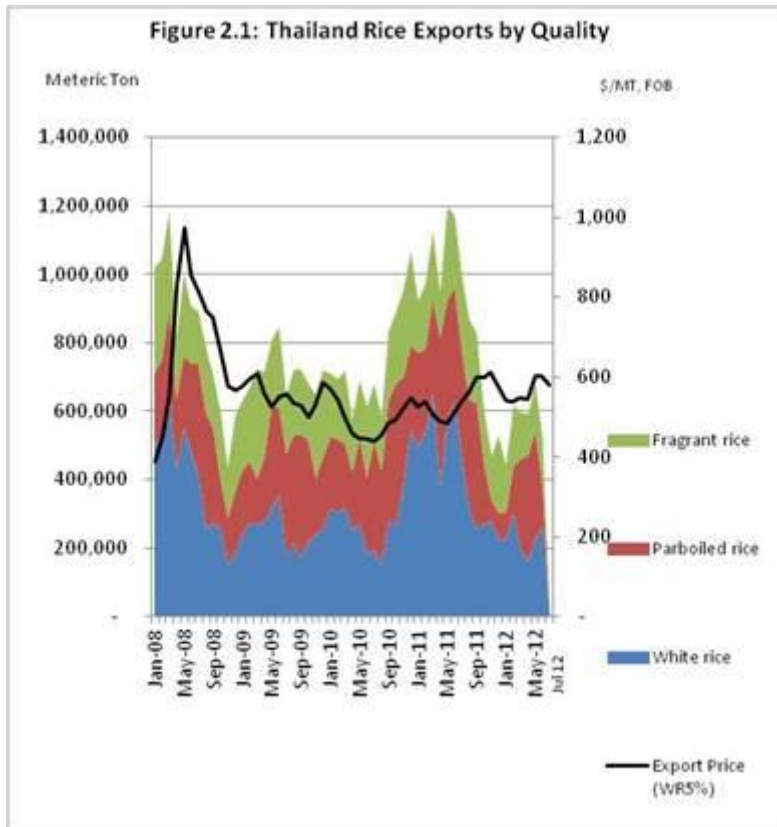


Source: Retrieved from Hydro and Agro Informatics Institute (HAII)

2. Thai rice exports losing ground to Vietnam in 2012

Thai rice exports declined to 3.9 million tons in January 1 – July 27, 2012, down 46.2 percent from 7.2

million tons for the same period in the previous year, as Thai rice prices are \$150 – 200/MT above Vietnamese prices due to the aggressive MY2011/12 Paddy Pledging Program. Meanwhile, according to the Vietnam Food Association, Vietnamese rice exports in January 1 – July 26, 2012 totaled around 4.0 million tons, down 11.0 percent from approximately 4.5 million tons in the previous year. Thai white rice and parboiled rice exports are adversely affected as the program has pledged 12.3 million tons of white rice paddy (8.1 million tons milled equivalent) out of the total pledged paddy of 16.6 million tons (11.0 million tons milled equivalent) during October 7, 2011 - July 29, 2012. Exports of white rice dropped 58.0 percent from the previous year. In addition, parboiled rice exports declined 36.0 percent from the previous year as Thai parboiled rice prices are \$120-190/MT above Indian rice. The Thai rice exporters Association expects total rice exports will likely decline to 6.5 million tons in 2012, down 39.0 percent from the previous year, of which 2.2 million tons will be white rice, and 2.0 million tons for parboiled rice, 1.8 million tons for fragrant rice, and 0.5 million tons for glutinous rice and Pathumthani fragrant rice. However, Thai rice exports are expected to recover to around 8.0 million tons in 2013 in anticipation of the government release of MY2011/12 rice stocks at competitive prices.



3. Paddy Pledging Program and stocks release to be overhauled but still conservative in 2012

The Government is considering overhauling the criteria of the Paddy Pledging Program for MY2012/13 crop which will begin in October 2012. A restriction will likely be imposed on the amount of paddy that can be pledged per farmer as the current program is reportedly biased in favor of large farmers. Around 1.3 million farm households have participated in the MY2011/12 main-crop Paddy Pledging

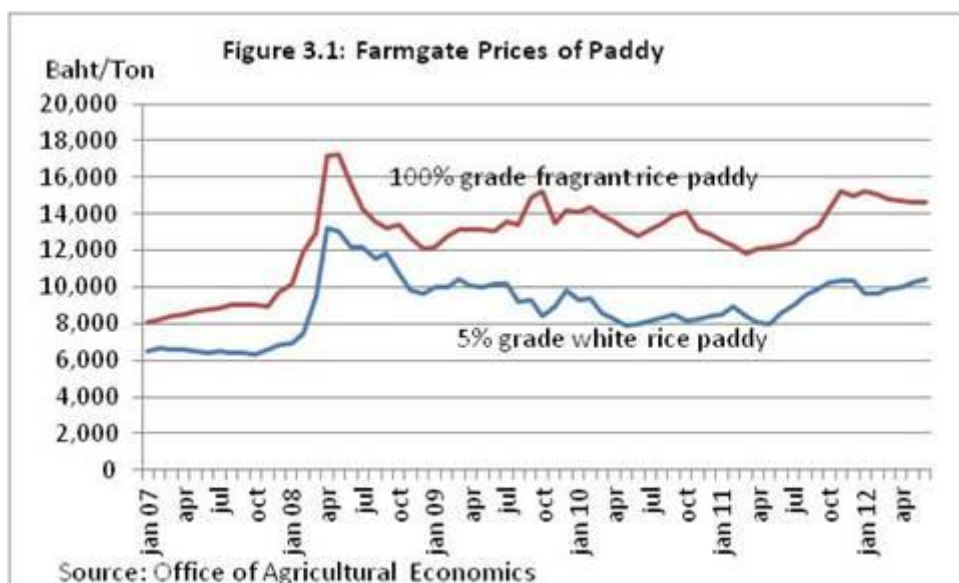
Program, which accounts for around 34.0 percent of total rice-farm households. The Government is also considering limiting the interest-free loan eligibility to 500,000 baht per farm household (\$15,873 per farm household) for the 2012/13 Paddy Pledging Program. Meanwhile, the intervention prices will likely remain unchanged at 15,000 baht/ton (\$476/MT) for white rice paddy, and 20,000 baht/ton (\$635/MT) for fragrant rice paddy. Also, the Sub-committee on Rice Stock Releases agreed on August 1, 2012 to change the criteria for its rice stock releases during August – December 2012. The Government has yet to finalize the new criteria which will likely focus on the open tender that all exporters and traders/millers are able to participate. Taking procurement discounts and quality premiums for Thai rice into account, Post estimates the government would have to lose \$100 – 150 per ton to be competitive in the 5% grade white rice market.

So far, the MY2011/12 Paddy Pledging Program has pledged 16.6 million tons of paddy (roughly 11.0 million tons milled equivalent), of which 6.8 million tons are main-crop paddy (4.5 million tons milled equivalent) and 9.8 million tons are off-season crop paddy (6.5 million tons milled equivalent) (Table 3.1). The program successfully raised domestic prices by around 30.0 percent from the previous year for white rice paddy, and 10.0 percent for fragrant rice paddy (Figure 3.1). The state-run Bank for Agriculture and Agricultural Cooperative (BAAC) has provided loans worth approximately 260 billion baht (\$8.4 billion) for this program, of which 170 billion baht (\$5.5 billion) have been covered by loans from government banks other than BAAC. Also, the Government still has the outstanding debt of around 52.0 billion baht (\$1.7 billion) to BAAC for losses from the release of portion of the rice stocks of MY2007/08 – MY2008/09 Paddy Pledging Program (Table 3.1). The Government will likely release a significant portion of its stocks this year, particularly from the old-crop stocks of around 1.0 million tons. The Government will also probably need to provide additional loans to enable BAAC to continue the Paddy Pledging Program for the coming MY2012/13 main crop which will come onto the market October 2012 – February 2013. The stock release is expected to be more aggressive in 2013 because of limited warehouse space and limited credit availability for the MY2012/13 off-season crop and MY2013/14 crops.

Table 3.1: The Government Domestic Support Program on Rice

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10 ¹	2010/11 ¹	2011/12 ²
Intervention Price (baht/ton)								Price Insurance Program replaced Pledging program		
Main Crop: Fragrant rice paddy	6,500 - 6,800	6,700 - 7,000	9,700 - 10,000	9,700 - 10,000	8,700 - 9,000	9,000 - 9,300	14,700-15,000	15,300 ³	15,300 ³	20,000
White rice paddy	4,760 - 5,330	4,760 - 5,330	6,300 - 6,600	6,700 - 7,100	5,900 - 6,500	6,100 - 6,700	10,800 - 12,000	10,000 ³	11,000 ³	13,800-15,000
Second Crop: White rice paddy	4,500 - 4,975	5,500 - 5,900	6,300 - 6,700	6,700 - 7,100	6,000 - 6,600	12,800 - 14,000	10,800 - 12,000	10,000 ³	11,000 ³	13,800-15,000
Total Pledged Paddy (ton)	5,982,694	2,956,533	6,093,015	7,485,958	3,445,261	4,420,174	11,527,260	136,489	5,547	16,640,984
Main crop	3,842,429	2,835,141	8,286,237	8,291,631	1,809,316	243,742	8,089,812	78,550	-	6,798,283
Second crop	2,040,265	1,121,392	797,778	2,173,727	1,635,945	4,176,432	5,487,948	57,939	5,547	9,841,701
Average Farm-gate Prices (Baht/ton)										
Fragrant rice paddy	6,562	6,437	7,711	7,887	8,326	11,965	12,728	14,121	12,918	14,141
White rice paddy (main crop, 5% grade)	5,048	5,222	6,486	6,672	6,442	8,676	9,816	9,041	8,388	10,069
White rice paddy (second crop)	4,693	5,349	6,817	6,726	6,437	12,127	9,909	8,040	8,447	10,900
Government budget outlay (million baht)⁴	N.A.	N.A.	43,713	41,995	53,699	55,179	118,491	47,762	67,288	260,000
Main crop	N.A.	N.A.	38,522	33,379	45,141	41	55,872	26,472	36,004	120,000
Off-season crop	N.A.	N.A.	3,191	8,356	8,558	55,138	62,619	19,290	31,284	140,000
Losses from the Paddy Pledging Program (million baht)⁵	N.A.	N.A.	4,134	10,457	1,134	24,441	27,468	-	-	N.A.
Main crop	N.A.	N.A.	3,776	7,363	504	-	19,715	-	-	N.A.
Off-season crop	N.A.	N.A.	358	3,094	630	24,441	7,753	-	-	N.A.

Note: ¹ The Government replaced Paddy Pledging Program with the Price Insurance Program. However, the government still have a Direct Purchase program to help stabilize domestic prices.
² Insurance Prices
³ This budget outlay covered only the repayment to the Bank for Agriculture and Agricultural Cooperative (BAAC) on the loan used in the Paddy Pledging Program during 2004/05 - 2008/09. The BAAC published this figures to the public and noted that the Government still has to allocate additional budget to pay for the losses incurred from the Paddy Pledging program. Meanwhile, in MY2009/10 and MY2010/11, the budget outlay is the payment on compensation to farmers under the Price Insurance program.
⁴ The losses reflected the release of the intervention stocks at prices below the intervention prices. Most of the stocks release is contingent on exports.
⁵ The Paddy Pledging Program is in place again with even more aggressive ever in term of intervention prices and eligible pledging amount (unlimited). The program is underway. The amount of paddy pledged is based on the government report on July 24, 2012.
 As of July 29, 2012.



End of Report

Appendix Tables:

Rice, Milled Thailand	2010/2011	2011/2012	2012/2013
	Market Year Begin: Jan 2011	Market Year Begin: Jan 2012	Market Year Begin: Jan 2013

	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	10,667	10,667	11,000	11,000	11,120	11,116	(1000 HA)
Beginning Stocks	6,100	6,100	5,615	5,615	9,375	9,375	(1000 MT)
Milled Production	20,262	20,262	20,460	20,460	21,050	21,054	(1000 MT)
Rough Production	30,700	30,700	31,000	31,000	31,894	31,900	(1000 MT)
Milling Rate (.9999)	6,600	6,600	6,600	6,600	6,600	6,600	(1000 MT)
MY Imports	200	200	200	200	300	300	(1000 MT)
TY Imports	200	200	200	200	300	300	(1000 MT)
TY Imp. from U.S.	1	0	0	0	0	0	(1000 MT)
Total Supply	26,562	26,562	26,275	26,275	30,725	30,729	(1000 MT)
MY Exports	10,647	10,647	6,500	6,500	8,000	8,000	(1000 MT)
TY Exports	10,647	10,647	6,500	6,500	8,000	8,000	(1000 MT)
Consumption and Residual	10,300	10,300	10,400	10,400	10,600	10,600	(1000 MT)
Ending Stocks	5,615	5,615	9,375	9,375	12,125	12,129	(1000 MT)
Total Distribution	26,562	26,562	26,275	26,275	30,725	30,729	(1000 MT)
Yield (Rough)	3.	2.878	3.	2.8182	3.	2.8697	(MT/HA)

Table 1: Thailand's Paddy Area, Production, and Yield

	2010/11			2011/12 (July 2012)			2012/13 (July 2012)		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area (million hectare)									
Cultivation	9.256	2.027	11.283	9.256	2.240	11.496	9.288	2.240	11.528
Harvest	8.704	1.963	10.667	8.796	2.200	10.996	8.916	2.200	11.116
Production (million ton)									
Rough	22.200	8.500	30.700	21.400	9.600	31.000	22.300	9.600	31.900
Rice	14.652	5.610	20.262	14.124	6.336	20.460	14.718	6.336	21.054
Yield (ton/hectare)	2.551	4.330	2.878	2.433	4.364	2.819	2.501	4.364	2.870

Source: FAO Estimate