

USDA Foreign Agricultural Service

GAIN Report

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Required Report - public distribution

Date: 3/15/2017

GAIN Report Number: TH7032

Thailand

Grain and Feed Annual

2017

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Report Highlights:

The recovery of MY2016/17 and MY2017/18 rice production as well as the sale of government rice stocks should maintain Thai rice export competitiveness in 2017 and 2018. New import regulations are likely to reduce feed wheat imports and increase demand for broken rice and DDGS.

Executive Summary:

MY2017/18 rice production is expected to recover to historical levels with forecasted production of approximately 19.5 million metric tons. This would be a 5 percent increase from MY2016/17 as reservoirs are well above critically low levels that hindered MY2016/2017 rice production. The government is likely to sell all of the remaining 2.9 million metric tons of food-quality rice stocks in 2017 which will help maintain Thai rice export volumes. The sale of non-food quality government rice stocks is anticipated to increase the use of broken rice by the feed and ethanol industries in 2017 and 2018. Government stocks are expected to decline to 1-2 million metric tons by the end of MY2017/2018.

MY2017/18 corn production is forecasted to decline to 4.9 million metric tons, down 6 percent from MY2016/17. Corn exports will likely decrease significantly due to strong domestic demand, driven by domestic corn purchase requirements under the new feed wheat import regulations. Strong feed demand, insufficient domestic corn production, and new regulations limiting the import of feed wheat are expected to result in increased imports of alternative feed ingredients such as Distiller's Dried Grains with Soluble (DDGS).

MY2016/17 and MY2017/18 wheat imports are likely to decline significantly in response to the new government import restrictions on feed wheat. As milling wheat is not subject to these new import regulations, MY2016/17 and MY2017/18 imports of milling wheat are expected to trend upwards in response to growing demand from the baking and food processing industries.

Commodities:

Corn

Rice, Milled

Wheat

1. Rice

1.1 Production

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	10080	10083	0	10480
Beginning Stocks	11270	11270	8403	8387	0	6187
Milled Production	15800	15800	18600	18600	0	19500
Rough Production	23939	23939	28182	28182	0	29545
Milling Rate (.9999)	6600	6600	6600	6600	0	6600
MY Imports	300	300	250	200	0	200
TY Imports	300	300	250	200	0	200

TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	27370	27370	27253	27187	0	25887
MY Exports	9867	9883	10000	10000	0	10000
TY Exports	9867	9883	10000	10000	0	10000
Consumption and Residual	9100	9100	10300	11000	0	11500
Ending Stocks	8403	8387	6953	6187	0	4387
Total Distribution	27370	27370	27253	27187	0	25887
(1000 HA) ,(1000 MT)						

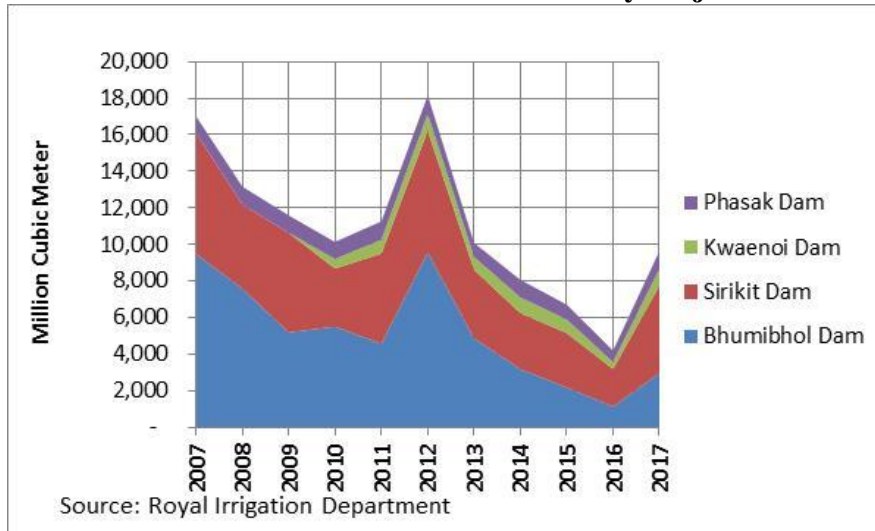
Table 1.2: Thailand's Rice Paddy Area, Production, and Yield

	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	8.960	1.920	10.880
Harvest	8.709	0.735	9.444	8.373	1.710	10.083	8.720	1.760	10.480
Production									
(Million Tons)									
Rough	20.973	2.966	23.939	20.909	7.273	28.182	21.970	7.575	29.545
Rice	13.842	1.958	15.800	13.800	4.800	18.600	14.500	5.000	19.500
Yield									
(Ton/Hectare)	2.408	4.035	2.535	2.497	4.253	2.795	2.519	4.304	2.819

Source: FAS Estimate

Y2017/18 rice production is forecasted to increase to 19.5 million metric tons, up 5 percent from MY2016/17 in anticipation of a recovery in main-crop rice production from drought over the past two years. Planted acreage of main-crop rice is likely to increase by around 3 percent, particularly in irrigated areas, as reservoir water volumes are back to near normal levels. Unlike in 2016, the Royal Irrigation Department (RID) is unlikely to restrict irrigation supplies in May 2017, the month when farmers begin planting main-crop rice in the lower northern region and central plains. The RID reported that water supplies for irrigation in the northern region and central plains during the dry season and early rainy season in 2017 totaled 9.7 billion cubic meters (Figure 1.1). This is a significant increase from a record low 4.2 billion cubic meters in 2016. Additionally, the Thai Meteorological Department expects normal precipitation in the major rice growing areas.

Figure 1.1: Water Supplies for Irrigation during the Dry Season in the North and Central Plains by Major Reservoir



As of March 8, 2017, the RID reports that MY2016/17 off-season rice planting areas totals 10.4 million rai (1.7 million hectares), of which 7.3 million rai (1.2 million hectares) are in irrigated areas. This is more than double last year's acreage when the RID banned off-season crop production in irrigated areas in response to the severe drought. Despite the government's campaign to reduce MY2016/17 off-season rice planting acreage, farmers prefer cultivating rice to alternative crops if sufficient water supplies are available. In Thailand, 80 percent of off-season rice is cultivated in the northern region and central plains. As of March 15, 2017, approximately 10 percent of this area had been harvested. Post's forecast for MY2016/17 rice production remains unchanged at 18.6 million metric tons which is an 18 percent increase from MY2015/16. This increase is mainly due to the recovery in off-season rice production which is likely to grow to 4.8 million metric tons, up significantly from MY2015/16.

1.2 Consumption

Rice is the primary staple food for Thais with per capita consumption ranging from 80 kilograms for city households to around 155 kilograms for rural households. MY2016/17 and MY2017/18 rice consumption is forecasted to increase to 11 - 12 million metric tons, up significantly from 9 million metric tons in MY2015/16 due to increased domestic usage of broken rice in the feed and ethanol industries. This increase is expected to be driven by the government's sale of around 5 million metric tons of non-food quality rice stocks, including approximately 3.7 million metric tons of feed-quality rice and 1.3 million metric tons of deteriorated rice. Additionally, Thai feed mills are expected to increase the usage of broken rice in their swine feed ration in response to the government restrictions on feed wheat imports.

MY2015/16 rice consumption is revised down to 9 million metric tons due to reduced domestic demand for broken rice in swine feed. Farmers reportedly substituted broken rice with imported feed wheat in swine feed rations as prices of imported feed wheat (7-8 baht/kg) (200-230 USD/MT) were approximately 30 percent cheaper than the prices for broken rice (11 baht/kg) (314 USD/MT). Also, the government sold about 0.1 million metric tons of feed quality rice stocks in 2016. In general, annual feed demand for broken rice is hovering around 1.5 – 2.0 million metrics ton, mainly for swine and duck feed rations. However, prices of domestic broken rice increased significantly by 10-20 percent to 10-11

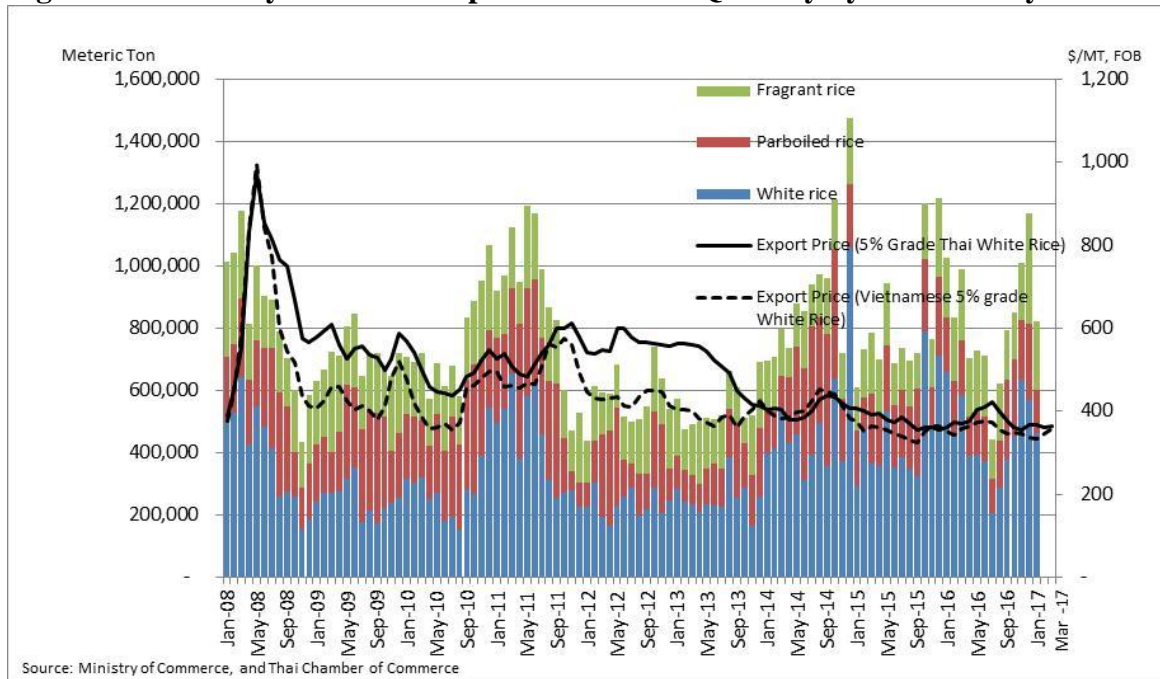
baht per kilogram (285 – 315 USD/MT) during MY2015/16 – MY2016/17 due to tight domestic supplies caused by the drought.

1.3 Trade

MY2016/17 and MY2017/18 rice exports are forecasted to increase to around 10 million metric tons, up slightly from around 9.9 million metric ton in MY2015/16. Thai rice is expected to maintain its competitiveness in export markets in anticipation of a recovery in rice production from the severe drought conditions that hindered rice production over the past two years. Additionally, Thailand plans to ship two million metric tons of rice during 2017 - 2019 under the 2015 government-to-government agreement with China. Thailand will likely ship around 0.3 million metric tons of new-crop 5% grade white rice to China in the first half of 2017. It is expected that another 0.3 million metric tons will be shipped to China in the second half of 2017. Shipment prices in the latter half of 2017 are likely to be lower than prices for the first half of the year due to anticipation of a bumper MY2016/17 off-season rice crop. Prices for shipments in the first half of the year are 386 USD/MT (FOB) for 50 kilogram packages and 391 USD/MT for 25 kilogram packages. The 1.3 million metric ton remainder under the 2015 government-to-government agreement is likely to be shipped in 2018 and 2019.

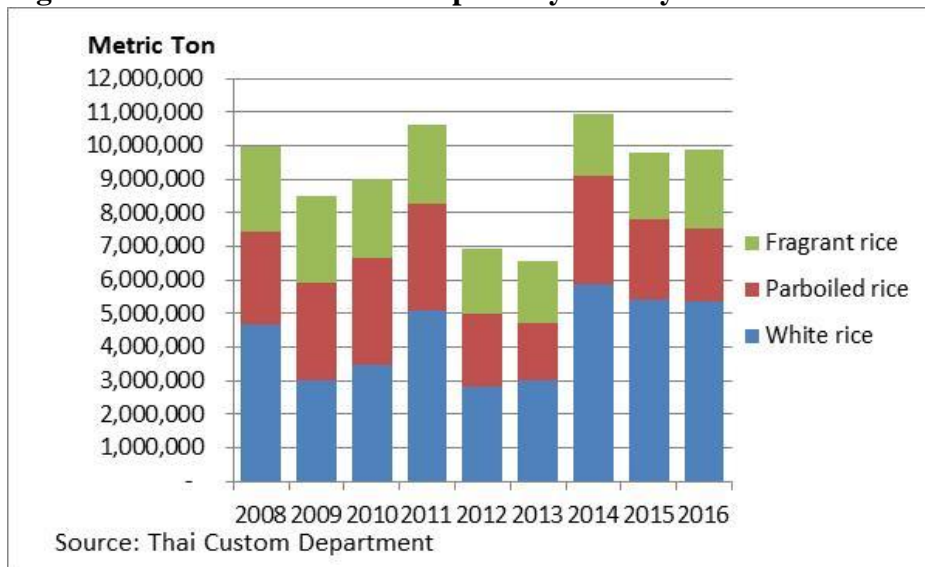
In January 2017, Thai rice exports totaled around 0.8 million metric tons, down 20 percent from the same period last year due to price competition from Vietnam and India. In the first two month of 2017, before the sale of government rice stocks, export prices of Vietnamese and Indian white rice were approximately 30 USD/MT or 7-10 percent cheaper than Thai rice (Figure 1.2). In March 2017, the government finalized the sale of 1.3 million metric tons of food-quality rice stocks that were tendered on February 16, 2017. The sale of food-quality rice stocks will help boost Thai white and fragrant rice exports in 2017, particularly to African countries, as the March sales price was 20 percent cheaper than current market prices for 5% grade white rice, and 40 percent cheaper for fragrant rice. Export prices of Thai white rice are currently 2-8 percent cheaper than Vietnamese and Indian rice.

Figure 1.2: Monthly Thai Rice Exports Prices and Quantity by Rice Variety



According to the Thai Custom Department, rice exports totaled 9.9 million metric tons in 2016, up around 1 percent from 2015 (Figure 1.3). This is due to a surge in fragrant rice exports which increased 19 percent from last year to reach 2.4 million metric tons. Meanwhile, parboiled rice exports declined to 2.1 million metric tons, down 10 percent from last year due to tight supplies caused by reduced 2016 off-season rice production. Also, white rice exports declined slightly to 5.4 million metric tons as the government suspended sales of rice stocks from September to December in 2016.

Figure 1.3: Annual Thai Rice Exports by Variety



1.4 Stocks

MY2016/17 and MY2017/18 rice stocks will continue to decline due to the sale of the government stocks. The government plans to sell all of its carry-over stocks of approximately 8 million metric tons of old-crop rice in 2017. Since January 2017, the government has sold around 1.3 million metric tons of food-quality rice stock through the tender of 2.9 million metric tons food-quality rice stocks on February 16, 2017 (Table 1.3). This sale consisted of (1) 0.5 million metric tons of 5% grade white rice, which is likely destined for export at competitive prices (bids were approximately 20 percent lower than current market prices), (2) 0.2 million metric tons of broken white rice, (3) 0.1 million metric tons of glutinous rice, and (4) 0.5 million metric tons of fragrant (mostly 100% B grade fragrant rice (Hom Mali rice)). Around half of the fragrant rice sales will likely be exported at very competitive prices (bids were approximately 40 percent below current market prices) with the remainder being used by the domestic market.

Table 1.3: The Results of the Public Tender for Food-Quality Rice Stocks Issued on February 16, 2017

	Tender by Year of Old-Crop Rice (Million Metric Ton)				Result of the Tender	
	2011/12	2012/13	2013/14	Total	Award (March 6)	Estimated Average Prices (Baht/MT)
White Rice	0.05	0.6	0.2	0.84	0.7	
5% Grade	0.03	0.37	0.19	0.59	0.5	9,450
25% Grade	0.00	0.00	0.01	0.01	-	7,900
A1 Super	0.01	0.19	0.03	0.24	0.2	8,850
Fragrant Rice	0.2	0.5	1.2	1.9	0.5	
100% B Grade Hom Mali	0.16	0.35	0.93	1.44	0.4	11,100
Provincial Grade	0.07	0.13	0.20	0.40	0.1	9,400
Broken	0.00	0.02	-	0.03	-	7,560
Pathumthani Rice	-	0.01	0.04	0.05	-	9,200
Glutinous Rice (10% Grade)	0.0	0.1	0.0	0.14	0.1	7,400
Total	0.3	1.2	1.4	2.9	1.3	

Source: Department of Foreign Trade, Ministry of Commerce

The government has announced that they will issue a new tender for the approximately 3.7 million metric tons of feed-quality rice stocks on March 23, 2017. Also, in April 2017, the government plans to issue another tender for the approximately 1.3 million metric tons of deteriorated rice stocks to be used for ethanol production. Additionally, the government has plans to retender the remaining 1.6 million metric tons of food-quality rice stocks.

Post anticipates that the remaining food-quality rice stocks totaling approximately 1.6 million metric tons will be completely sold off in 2017. Post forecasts that it will take multiple years to sell the approximately 5 million metric tons of feed-quality and deteriorated rice stocks due to limited domestic demand from the feed and ethanol industries. Annual demand for broken rice in swine and duck feed production is forecasted to be between 1.5 – 2.0 million metric tons for 2017. Demand for broken rice for ethanol production will be limited to approximately 1 million metric tons per year as Thai producers seek to replace cassava that previously had been smuggled in from neighboring countries.

MY2016/17 ending rice stocks will likely decline to 6.2 million metric tons, of which 3 million metric tons will be government old-crop rice stocks. In MY2017/18, rice stocks should further decline to 4.4 million metric tons, of which approximately 1-2 million metric tons will be government stocks.

1.5 Policy

The government reported that the MY2016/17 On-Farm Pledging Program (which ran from November 25, 2016 to February 28, 2017) received 1.5 million metric tons of rice paddy (Table 1.3) which is a significant increase from the 0.5 million metric tons pledged under the MY2015/16 program. For this year's pledging program, the government provided a storage cost subsidy of 1,500 baht per metric ton (42 USD/MT) as well as direct payments of 2,000 baht per metric ton (57 USD/MT) for certain harvest and postharvest handling costs. Including the pledging payment, household could receive up to 12,000 baht per metric ton per household (340 USD/MT). Although intervention prices for the on-farm pledging program were set below market prices, participating farmers received payments that were 20-40 percent above market prices when the supplemental payments are included (GAIN Report: TH6143 – Grain and Feed Update, November 2016). The pledges consisted of 1.2 million metric tons of fragrant rice paddy, 0.2 million metric tons of glutinous rice paddy, and 0.1 million metric tons of white rice and Pathum fragrant rice paddy. The government is likely to sell all of the MY2016/17 pledges before the MY2017/18 main-crop harvest.

Table 1.3: MY2016/17 On-Farm Pledging Program (November 25, 2016- February 28, 2017)

Rice Paddy Varieties	Target (Million Metric Ton)	Intervention Prices (Baht/Metric Ton)	Market Price (Baht/Metric Ton)	Result (Million Metric Ton)
Hom Mali Fragrant Rice	2	9,500	11,000	1.25
Glutinous Rice		9,500	10,560	0.17
White Rice	1	7,000	7,340	0.04
Pathumthani Fragrant Rice		7,800	8,250	0.01
Total	3			1.47

Source: Ministry of Commerce and the Bank for Agriculture and Agricultural Cooperatives

The government is unlikely to continue the on-farm pledging program for MY2016/17 off-season rice. Most off-season rice production consists of white rice which is mainly grown in the lower northern region and central plains where farmers lack storage facilities. However, the government is likely to continue the Interest-Rate Subsidy program to encourage rice millers and traders to store rice. This program provides an interest-rate subsidy for approximately 3.7 million metric tons of paddy. Rice millers/traders including farmer institutions that participate in the program will receive a 4 percent interest rate subsidy for 4-6 months of storage.

2. Corn

2.1 Production

Table 2.1: Thailand's Corn Production, Supply and Demand

Corn	2015/2016	2016/2017	2017/2018
Market Begin	May 2015	Jul 2016	Jul 2017

Year						
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1090	1090	1170	1168	0	1100
Beginning Stocks	139	139	172	172	0	372
Production	4700	4700	5200	5200	0	4900
MY Imports	600	600	600	600	0	700
TY Imports	600	600	600	600	0	700
TY Imp. from U.S.	2	0	0	0	0	0
Total Supply	5439	5439	5972	5972	0	5972
MY Exports	367	367	400	500	0	300
TY Exports	439	310	400	500	0	300
Feed and Residual	4800	4800	5300	5000	0	5300
FSI Consumption	100	100	100	100	0	100
Total Consumption	4900	4900	5400	5100	0	5400
Ending Stocks	172	172	172	372	0	272
Total Distribution	5439	5439	5972	5972	0	5972
(1000 HA) ,(1000 MT)						

MY2017/18 corn production is forecast to decline to 4.9 million metric tons. This is a 6 percent reduction from MY2016/17 due to reduced acreage in deforested areas. Presently, farmers in the deforested areas, particularly in the northern region, face difficulties in selling MY2016/17 corn production as large feed mills are concerned about the EU potentially banning corn and corn-based feed from forested areas. About half of the corn acreage is in deforested areas where the government cannot issue land titles. Additionally, many farmers in the northeastern region have reportedly shifted to alternative crops such as sugarcane due to relatively higher returns. Presently, the farm-gate price for corn is approximately 22 percent lower than last year while at the same time the price of sugarcane has risen 26 percent from the previous year.

2.2 Consumption

Feed consumption continues to trend upwards in 2017. The Thai Feed Mill Association (TFMA) expects total feed demand to increase to 19.6 million metric tons in 2017 (Figure 2.1). This is a 5 percent increase from 2016 due to growing poultry and swine production which accounts for nearly 90 percent of total feed demand. Poultry production, which accounts for approximately 55 percent of total feed demand, is expected to grow by 5 percent from the previous year, particularly for boiler production which accounts for around 40 percent of total feed demand (Figure 1.2). The increase in boiler production is driven by chicken meat exports which are likely to grow by 3-4 percent from 2016. Additionally, in November 2016, Korea lifted their import ban on Thai chicken. Korea's ban had been in place for a decade after the 2004 outbreak of avian influenza in Thailand. Meanwhile, layer production which accounts for around 20 percent of total feed demand is likely to grow at a slower

pace. Swine production which accounts for approximately 30 percent of total feed demand is expected to grow by 5 percent over the next year. Shrimp production which accounts for 2 percent of total feed demand is likely to increase to approximately 0.3 million metric tons, up 17 percent from last year. However, the increase in shrimp production is still far below normal levels of production of around 0.5 – 0.6 million metric tons due to the legacy of the previous Early Mortality Syndrome (EMS) outbreaks which decimated the industry.

Figure 2.1: Thailand’s Feed Demand

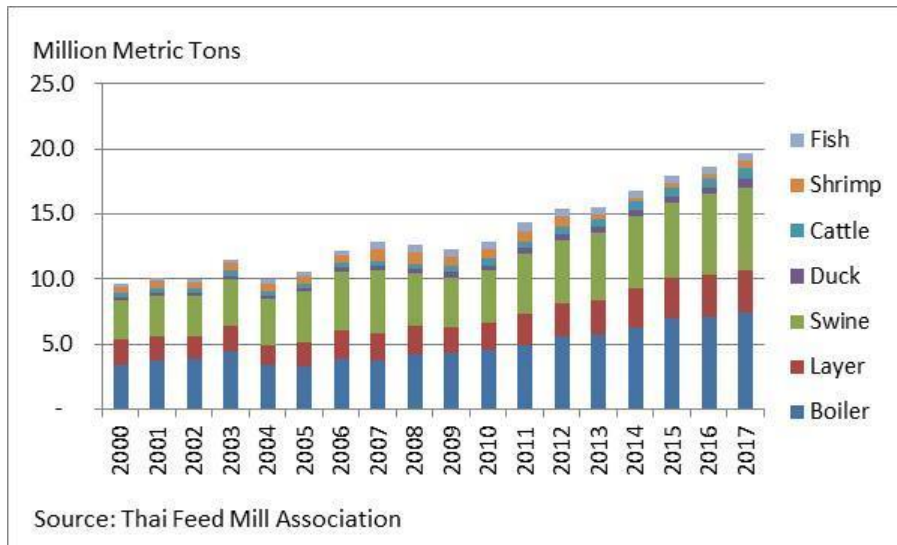
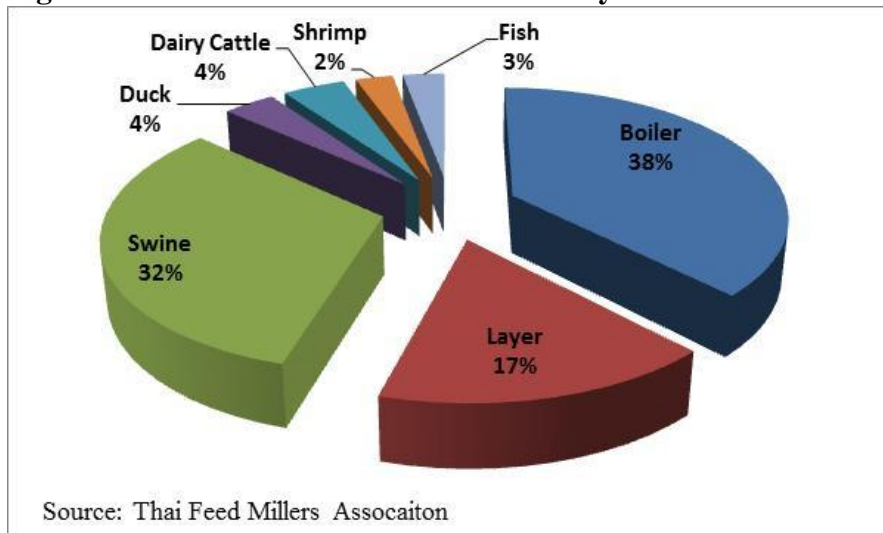


Figure 2.2: 2017 Estimated Feed Demand by Sector



Thai feed industry relies heavily on imported feed ingredients, which account for approximately 50-60 percent of total feed production. This high import content reflects insufficient local feed grain and oilseed production even though corn farmers receive domestic protection through high tariff and quotas. According to the TFMA, 2017 demand for corn in poultry and swine feed is expected to increase to 8 million metric tons which is far above local corn production which is of 4-5 million metric

tons. The limited domestic corn production will continue to drive imports of alternative feed ingredients, particularly for Distiller Dried Grain with Soluble (DDGS).

2.3 Trade

MY2017/18 corn exports are forecasted to decline significantly in anticipation of strong domestic demand for local corn driven by the new import regulations on feed wheat. Feed millers are required to purchase domestic corn at a guarantee price floor prior to importing feed wheat (additional information on these new regulations is located in the wheat section). This new import regulation for feed wheat is likely to increase the volume of corn smuggled into Thailand from neighboring countries.

MY2016/17 corn exports are expected to increase to 0.5 million metric tons, up 36 percent from MY2015/16. In the first half of MY2016/17, corn exports increased significantly to around 0.3 million metric tons, compared to 0.03 million metric tons for the same period last year. This was driven by a surge in corn exports to the Philippines, caused by increased exportable supplies of locally produced corn. In the first half of MY2016/17, before the implementation of the feed wheat regulation, Thai feed mills increased their imports of feed wheat and DDGS as their prices were 10-20 percent cheaper than domestic corn. In the first half of MY2016/17, DDGS imports totaled 0.4 million metric tons, an increase of 75 percent from the same period last year. Import prices for DDGS averaged around 215 USD/MT which is a 15 percent decline from the same period last year.

2.4 Policy

On November 15, 2016, the cabinet approved a 8 billion baht credit line through the Bank for Agriculture and Agricultural Cooperative (BAAC) to encourage rice farmers in irrigated areas to shift to corn production during November 2016 – June 2017. Farmers participating in this program will receive a loan of 4,000 baht per rai (714 USD/hectare) and a 3 percent interest rate subsidy. However, the Department of Agricultural Extension reported that the acreage from farmers participating in the program is far below the program’s target of 2 million rai (0.3 million hectares). Due to sufficient water supplies, many farmers instead chose to continue producing rice.

The government still maintains a zero-tariff and quota-free corn import window from February 1 to August 31, 2017 for Laos, Cambodia, and Myanmar. Meanwhile, corn imports from other countries are subject to a Tariff-Rate Quota (TRQ) of 54,700 metric tons with a 20 percent in-quota tariff, and an Out-of-quota tariff of 73 percent. The out-of-quota tariff is accompanied by a surcharge of 180 baht per metric tons (6 USD/MT).

3. Wheat

3.1 Production

Table 3.1: 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	1002	885	0	545
Production	0	0	0	0	0	0
MY Imports	4872	4691	3800	3600	0	3000
TY Imports	4872	4691	3800	3600	0	3000
TY Imp. from U.S.	679	632	0	650	0	670
Total Supply	5737	5556	4802	4485	0	3545
MY Exports	235	235	250	220	0	220
TY Exports	235	235	250	220	0	220
Feed and Residual	3300	3276	2400	2500	0	1500
FSI Consumption	1200	1160	1240	1220	0	1300
Total Consumption	4500	4436	3640	3720	0	2800
Ending Stocks	1002	885	912	545	0	525
Total Distribution	5737	5556	4802	4485	0	3545
(1000 HA) ,(1000 MT)						

Wheat production is marginal in Thailand due to unfavorable climatic conditions, the lack of seed development, and unattractive returns compare to other field crops. Total production is estimated at approximately 300 to 400 metric tons on a cultivated area of around 1,000 rai (160 hectares). Cultivation is mainly in the upper northern regions of the country as a minor crop after the main-crop rice harvest, particularly in the provinces of Maehongson and Nan.

3.2 Consumption

MY2017/18 wheat consumption is forecasted to decline to approximately 2.8 million metric tons. This is a 25 percent reduction from MY2016/17 due to a reduction in feed wheat demand. Demand for feed wheat as a substitute for domestic corn and broken rice in poultry and swine feed rations should significantly decline as the government's import restrictions on feed wheat are expected to remain in place. Additionally, demand for feed wheat by shrimp farmers is expected to remain below historic averages due to lower production following the outbreak of Early Mortality Syndrome (EMS). Meanwhile, milling wheat consumption is likely to continue to trend upwards. MY2017/18 milling wheat consumption is forecasted to increase by 4-5 percent driven by growing demand from the baking and food processing industries. Demand for milling wheat for bakery and instant noodle production account for 60-70 percent of total milling wheat consumption.

MY2016/17 wheat consumption is likely to decline to 3.7 million metric tons; down 16 percent from MY2015/16 due to reduced feed wheat demand, particularly for poultry and swine feed rations in the second half of the year. Despite imported feed wheat being relatively cheaper than domestic corn, the substitution of feed wheat for corn is currently limited by the government's import restrictions on feed

wheat which began on January 19, 2017. Additionally, farmers will likely increase their use of broken rice in swine feed rations as broken rice prices are anticipated to decline due to the sale of feed-quality government rice stocks in 2017. Total feed wheat consumption is expected to decline to around 2.5 million metric tons in MY2016/17. This is a 24 percent reduction from MY2015/16. Meanwhile, demand for milling wheat is forecasted to increase to 1.2 million metric tons in MY2016/17, up approximately 5 percent from MY2015/16, due to increased instant noodle and bakery production. The sale of instant noodle products, which account for approximately 40 percent of milling wheat consumption, grew approximately 7 percent in 2016. Meanwhile, the sale of bakery products, which account for around 30 percent of milling wheat consumption, grew at 3 to 5 percent in 2016.

3.3 Trade

MY2017/18 wheat imports are forecasted to decline to 3 million metric tons. This is a 17 percent reduction from MY2016/17 as the government's import restrictions on feed wheat will continue to hinder feed wheat imports. As domestic corn production capacity is only 4-5 million metric tons, the feed wheat import restrictions mean that the maximum allowed volume of feed wheat imports is only 1.7 million metric tons; much less than the amount feed wheat that was imported annually over the past three years. Feed wheat imports are likely to decline to around 1.6 million metric tons in MY2017/18, down 27 percent from MY2016/17. Meanwhile, milling wheat is expected to increase to around 1.2 million metric ton, up 3-4 percent from MY2016/17 in line with growing demand from the baking and food processing industries.

MY2016/17 wheat imports are expected to decline to 3.6 million metric tons, down 23 percent from MY2015/16 due to a reduction in demand for feed wheat imports. Feed wheat imports are likely to decline to 2.2 million metric tons in MY2016/17, down 33 percent from MY2015/16. This sharp reduction will occur in the second half of the year following the government restrictions implemented on January 19, 2017. For the first half of MY2016/17, feed wheat imports totaled approximately 1.9 million metric tons, an increase of around 8 percent from the same period last year. Meanwhile, milling wheat imports totaled 0.4 million metric tons for the first half of MY2016/17, down about 6 percent from the same period last year. This is mainly due to lower imports of Canadian wheat due to crop quality concerns which resulted in low protein content. However, imports of milling wheat from Australia increase 24 percent during the same period due to a bumper crop of Australian wheat in MY2016/17. Imports of U.S. wheat increased slightly to 0.3 million metric tons. Import demand for U.S. wheat likely will continue to increase in the second half of MY2016/17, particularly for high-protein wheat for bakery products, due to the limited supplies of Canadian wheat. Presently, prices of high-protein wheat from the U.S. increased to 280-290 USD/MT, up around 14 percent from the first half of MY2016/17.

3.4 Policy

The government is anticipated to maintain the new import restrictions on feed wheat in 2017 in order to protect domestic corn growers from cheaper feed substitutes. Effective on January 19, 2017, the new feed wheat import regulations require import permits for the importation of feed wheat. To secure a feed wheat import permit, the importer must demonstrate a 3 to 1 domestic corn absorption rate (e.g. to import a ton of feed wheat a mill must use 3 metric tons of domestic corn). The government also set a minimum purchase price for domestic corn at 8 baht/kg (227USD/MT) for feed mills. Eligible feed wheat importers must be feed mills owners and will be required to buy domestic corn prior to being allowed to import feed wheat. Additionally, feed mill owners are prohibited from reselling the imported feed wheat. Finally, feed wheat shipments will be also be checked for aflatoxin and radiation

contamination under the Feed Quality Act 2558 (2015). The maximum aflatoxin tolerance level is set at less than 100 microgram per kilogram. The radiation safety standards for imported feed wheat have yet to be finalized. Shipments will be destroyed or rejected if the test results exceed the tolerance levels for either aflatoxin or radiation contamination.

The tariff on imported wheat has been zero since September 2007. Meanwhile, the applied tariff on wheat flour is 5 percent of 0.5 baht/kg, except for the ASEAN Free Trade Agreement (Brunei, Indonesia, Malaysia, Philippines, and Singapore) and the ASEAN-Australia-New Zealand Free Trade Agreement where wheat flour has been duty free since January 2010 as long as 40 percent of the content originates from the exporting country. Wheat flour imports from Vietnam have been duty free since the end of 2015 under the ASEAN Economic Community.