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Thailand

Grain and Feed Update

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Report Highlights:

TH4054 – MY2014/15 rice and corn cultivation is off to a slow start due to the lack of rain while the military government replaced the MY2014/15 Rice Pledging program with subsidy and price stabilization measures.

Post:
Bangkok

Executive Summary:

MY2014/15 rice and corn cultivation is off to a slow start due to the unusually low precipitation in May, around 31 percent below average. Post’s corn and rice production forecast remains unchanged, however, corn production could be adversely affected if the dry conditions continue into July. Meanwhile, rice exports continue to grow despite uncertainties caused by the military government’s increased inspection of government rice stocks. The military government replaced the MY2014/15 rice pledging program with the subsidies to help reduce the cost of rice production. Post’s forecast for wheat and pluses remain unchanged.

Author Defined:

1. MY2014/15 crop cultivation facing rain deficiency

Cultivation of the MY2014/15 rice and corn has been hampered by drought conditions. The Thai Meteorological Department (TMD) reported that precipitation is 31 percent below normal in May 2014. Precipitation in every region is far below normal levels. In the upper northeastern part of the country, the average precipitation hit a 30-year low (Table 1). The TMD expects precipitation in major rice and corn producing areas to be approximately 10 percent below average in June and 4-9 percent below average in July. Corn production will likely be adversely affected if the unusually low precipitation continues into July, which is the flowering stage for corn. Post’s MY2014/15 rice and corn production forecast remains unchanged from the previous estimate, which expects a 2 to 3 percent reduction in rice and corn production from the previous year.

Table 1: Precipitation in May 2014

Region	Precipitation		
	Actual	Above/Below Normal Average	
	(Millimeter)	(Millimeter)	%
North	146	-31.8	-18
Northeast	123	-64.6	-35
Central Plain	98	-74.4	-43
East	108	-115.6	-52
South (East Coast)	122	-21.7	-15
South (West Coast)	216	-93.7	-30

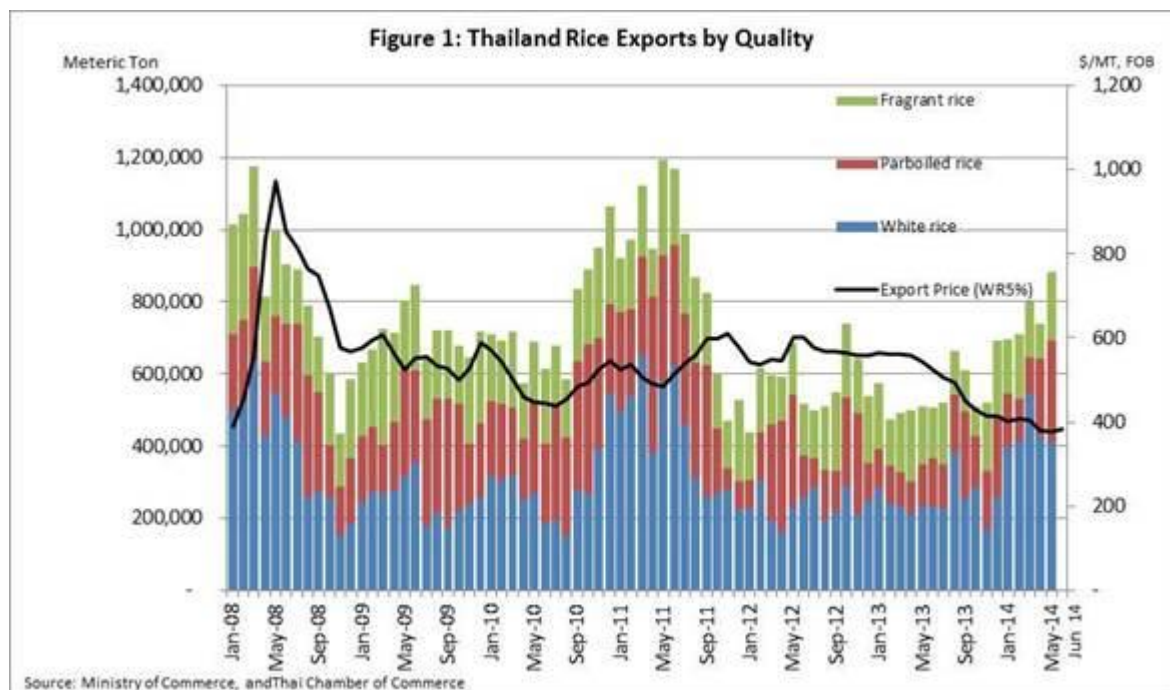
Source: Thai Meteorological Department

2. Corn and rice exports likely on track despite uncertainties during the coup

Post’s forecast for MY2013/14 corn and rice exports remain unchanged from the previous estimate (1 million metric tons and 9 million metric tons, respectively). According to Board of Trade of Thailand, corn exports totaled approximately 1 million metric tons during the period between July 2013 to May 2014, up significantly from the same period last year. Thai corn is mostly exported to China and the

Philippines due to its relatively lower prices compared to other competitors. However, corn exports for the remainder of the year will likely be marginal as domestic corn prices have increased significantly to 9-10 baht/kg. (\$276-307/MT) in June 2014 compared to around 6 baht/kg. (\$185/MT) in January. The higher prices are mostly due to strong demand from local feed mills.

According to Thai Custom Department, total rice exports from January 1 – May 31, 2014 totaled 3.8 million metric tons, up 52 percent from the same period last year. The increase in exports is attributed mainly to the increase of white and parboiled rice exports. Exports of white rice nearly doubled to approximately 2.2 million metric tons due primarily to the sales of government rice stocks. Average export prices for 5% grade white rice declined to \$395/MT, down 30 percent from the same period last year. Exports of parboiled rice increased to approximately 0.9 million metric tons, up 70 percent from the same period last year. Parboiled rice exports are likely to trend higher as the military government has eliminated the MY2014/15 rice pledging program. White rice exports will likely slow during July - August as the military government increases its inspections of warehouses that store government rice stocks. Exports of government-owned rice stocks, particularly white rice, are likely to pick up again in the next couple of months after the military government completes its inspections.



3. Input subsidy and price stabilization program for MY2014/15

On June 24, 2014 the military government approved a 4.7 billion baht (\$145 million) budget to fund the MY2014/15 Rice Farmer Assistance Program. The program will consist of input subsidies and price stabilization measures, which is expected to be a short-term measure to help reduce the cost of rice production. The input subsidies will comprise mainly of soft loans that the government will subsidize through the Bank for Agriculture and Agricultural Cooperatives (BAAC). Farmers will be eligible to apply for six-month loans with 3% interest rates through the program compared to 7% in the open market (Table 2). Each farmer will be eligible for up to 50,000 baht. The program is expected to help reduce rice production costs by 150 baht per rai (\$29/hectare). In addition, the government is

encouraging the private sector to discount farm inputs and equipment supplies, including land and combine harvesters, to support the program. The discount is expected to lower the production costs by another 432 baht per rai (\$83/hectare). In addition, the Ministry of Commerce has been tasked by the military government to come up with measures to keep the price of rice paddy between 8,500 – 9,000 baht per metric ton (\$262-277/MT).

Items	Subsidy (Baht/Rai)
Soft loans	150
Input and Equipment Supply	432
Fertilizers	40
Pesticides/Insecticides	20
Seeds	122
Combine harvester rental	50
Land rental	200
Total	582

Appendix Tables

Rice, Milled Thailand	2012/2013		2013/2014		2014/2015		
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	10,837	10,837	10,900	10,920	10,900	10,900	(1000 HA)
Beginning Stocks	9,330	9,330	12,808	12,808	13,808	13,768	(1000 MT)
Milled Production	20,200	20,200	20,500	20,460	20,500	20,130	(1000 MT)
Rough Production	30,606	30,606	31,061	31,000	31,061	30,500	(1000 MT)
Milling Rate (.9999)	6,600	6,600	6,600	6,600	6,600	6,600	(1000 MT)
MY Imports	600	600	300	300	300	300	(1000 MT)
TY Imports	600	600	300	300	300	300	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
Total Supply	30,130	30,130	33,608	33,568	34,608	34,198	(1000 MT)
MY Exports	6,722	6,722	9,000	9,000	10,000	10,000	(1000 MT)
TY Exports	6,722	6,722	9,000	9,000	10,000	10,000	(1000 MT)
Consumption and Residual	10,600	10,600	10,800	10,800	10,900	10,900	(1000 MT)
Ending Stocks	12,808	12,808	13,808	13,768	13,708	13,298	(1000 MT)
Total Distribution	30,130	30,130	33,608	33,568	34,608	34,198	(1000 MT)
Yield (Rough)	3.	2.8242	3.	2.8388	3.	2.7982	(MT/HA)

Table A1.2: Thailand's Paddy Area, Production, and Yield

	2012/13			2013/14 (June 2014)			2014/15 (June 2014)		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area (million hectare)									
Cultivation	9,288	2,160	11,448	9,288	2,100	11,388	9,288	2,100	11,388
Harvest	8,737	2,100	10,837	8,920	2,000	10,920	8,900	2,000	10,900
Production (million ton)									
Rough	21,471	9,135	30,606	22,400	8,600	31,000	22,000	8,500	30,500
Rice	14,171	6,029	20,200	14,784	5,676	20,460	14,520	5,610	20,130
Yield (ton/hectare)	2,457	4,350	2,824	2,511	4,300	2,839	2,472	4,250	2,798

Source: FAS Estimate

Table A2: Thailand's Corn Production, Supply and Demand

Corn Thailand	2012/2013		2013/2014		2014/2015		
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	1,080	1,080	1,120	1,120	1,100	1,100	(1000 HA)
Beginning Stocks	515	515	643	643	193	143	(1000 MT)
Production	4,600	4,600	4,900	4,900	4,900	4,750	(1000 MT)
MY Imports	400	400	600	600	600	600	(1000 MT)
TY Imports	400	400	600	600	600	600	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
Total Supply	5,515	5,515	6,143	6,143	5,693	5,493	(1000 MT)
MY Exports	72	72	950	1,000	100	60	(1000 MT)
TY Exports	114	115	950	1,000	100	60	(1000 MT)
Feed and Residual	4,700	4,700	4,900	4,900	5,200	5,200	(1000 MT)
FSI Consumption	100	100	100	100	100	100	(1000 MT)
Total Consumption	4,800	4,800	5,000	5,000	5,300	5,300	(1000 MT)
Ending Stocks	643	643	193	143	293	133	(1000 MT)
Total Distribution	5,515	5,515	6,143	6,143	5,693	5,493	(1000 MT)
Yield	4	4,2593	4	4,375	4	4,3182	(MT/HA)