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Thailand

Grain and Feed Update

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Report Highlights:

MY2016/17 rice and corn production are revised up due to favorable weather conditions. Bumper rice production is expected in MY2016/17, as a result of an anticipated full recovery in the off-season rice production. MY2015/16 rice consumption likely will be lower than expected due to the slowdown in demand for broken rice by the feed industry when sales of government rice stocks are suspended during September – December 2016.

Post:
Bangkok

Executive Summary:

MY2016/17 rice production is revised up to 18.6 million metric tons, an increase of approximately 18 percent from MY2015/16 in anticipation of the full recovery in MY2016/17 of off-season rice due to better than expected reservoirs of water above the ideal level of 7 billion cubic meters. The government has suspended sales of its rice stocks due to avoid downward pressure on domestic rice prices. The lack of government old-crop broken rice supplies likely will result in reduced rice consumption in MY2015/16 as feed industries shift to relatively less expensive imported feed wheat which is 40 percent cheaper than new-crop broken rice.

MY2016/17 corn production is revised up to 5.2 million metric tons due to higher than expected acreage expansion and favorable weather conditions. However, feed industries still rely on imported feed wheat as demand for feed grains has outpaced domestic production, particularly for corn.

Post's forecast for wheat imports remains unchanged from the previous forecast of 3.6 million metric tons in MY2016/17, of which approximately 2 million metric tons will be feed wheat (GAIN Report: TH6095 – Grain and Feed Update, August 2016).

Author Defined:

1. Rice Update

Table 1.1 Thailand's Rice Production, Supply and Demand

Rice, Milled	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jan 2015		Jan 2016		Jan 2017	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	10270	10643	9444	9444	9550	10083
Beginning Stocks	11899	11899	10570	11207	6170	8807
Milled Production	18750	19404	15800	15800	17000	18600
Rough Production	28409	29400	23939	23939	25758	28182
Milling Rate (.9999)	6600	6600	6600	6600	6600	6600
MY Imports	300	300	300	300	250	300
TY Imports	300	300	300	300	250	300
TY Imp. from U.S.	3	0	0	0	0	0
Total Supply	30949	31603	26670	27307	23420	27707
MY Exports	9779	9796	9700	9000	9000	10000
TY Exports	9779	9796	9700	9000	9000	10000
Consumption and Residual	10600	10600	10800	9500	11100	11500
Ending Stocks	10570	11207	6170	8807	3320	6207
Total Distribution	30949	31603	26670	27307	23420	27707

(1000 HA) ,(1000 MT)

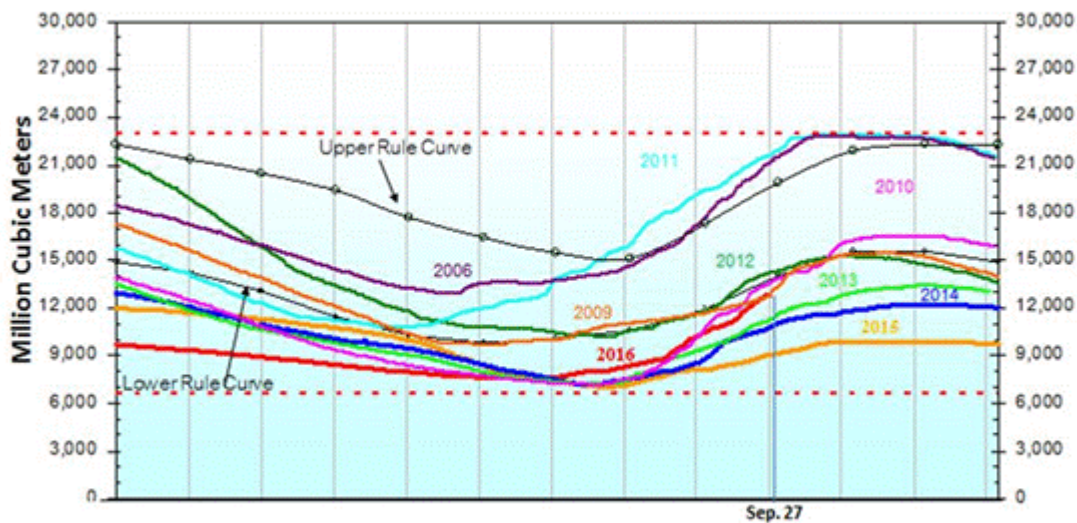
Area (Million Hectares)	2014/15			2015/16			2016/17					
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	(August 2016 Forecast)			(September 2016 Forecast)		
							Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Cultivation	9,288	1,940	11,228	9,096	1,055	10,151	8,745	1,229	9,974	8,745	1,900	10,645
Harvest	8,900	1,743	10,643	8,709	0,735	9,444	8,373	1,170	9,543	8,373	1,710	10,083
Production (Million Tons)												
Rough	22,000	7,400	29,400	20,973	2,966	23,939	20,909	4,848	25,758	20,909	7,273	28,182
Rice	14,520	4,884	19,404	13,842	1,958	15,800	13,800	3,200	17,000	13,800	4,800	18,600
Yield (Ton/Hectare)	2,472	4,245	2,762	2,408	4,035	2,535	2,497	4,144	2,699	2,497	4,253	2,795

Source: FAS Estimate

1.1 MY2016/17 rice production revised up

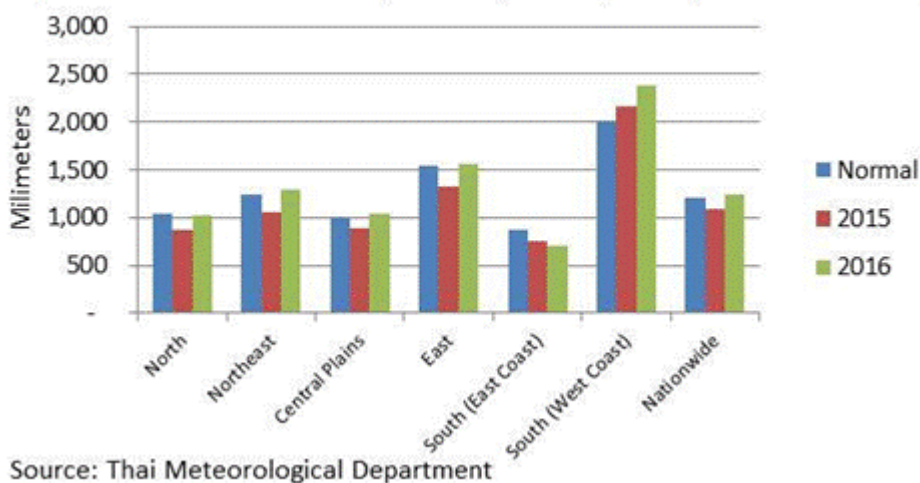
MY2016/17 rice production is expected to increase to 18.6 million metric tons, compared to the previous forecast of 17 million metric ton, in anticipation of a full recovery of Thailand's off-season rice production. This is an 18-percent increase from MY2015/16. MY2016/17 off-season rice production is likely to increase to 4.8 million metric tons, up significantly from approximately 2 million metric tons in MY2015/16 as the government is expected to allow the Royal Irrigation Department (RID) to supply water for off-season rice planting during November 2016 – April 2017 due to better than expected reservoir levels. The RID reported on September 27, 2015, that water supplies in major reservoirs in the northern region increased to 7.6 billion cubic meters (Figure 1.1) which is well above the ideal level of 7 billion cubic meters of water that the RID normally supplies for off-season rice planting in the lower northern region and central plains. The increase in reservoir levels was the result of a normal monsoon. The Thai Meteorological Department reported that cumulative precipitation in September 2017 was 15 percent above the previous year which was unusually dry (Figure 1.2).

Figure 1.1: Reservoir Levels of Major Dams in the North



Source: Royal Irrigation Department, Ministry of Agriculture and Cooperatives

Figure 1.2: Cumulative Precipitation (January 1 - September 25, 2016)



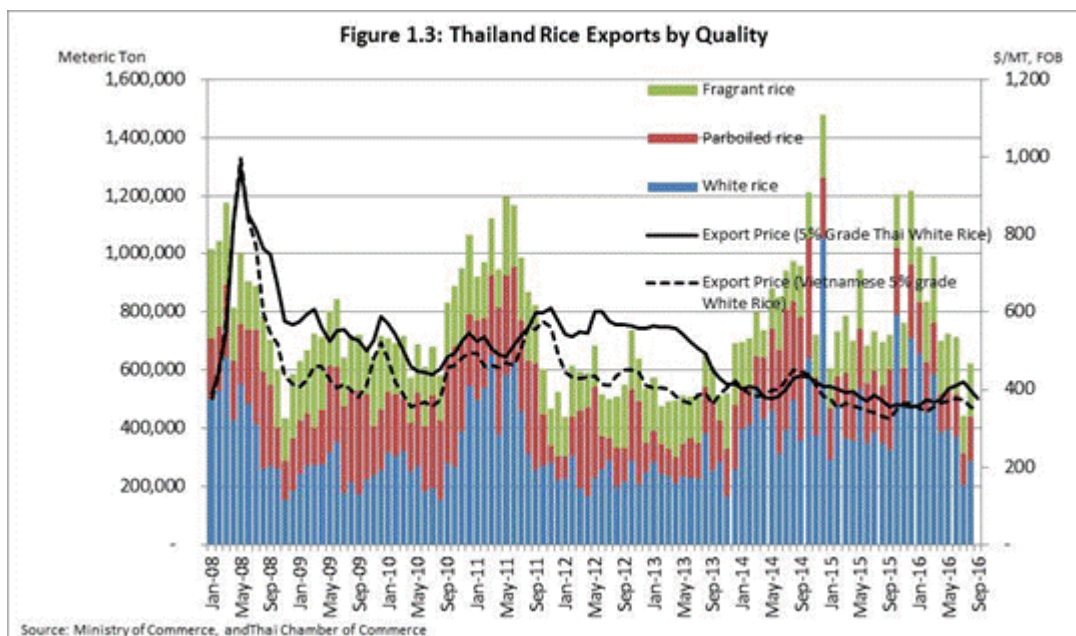
Post's forecast of MY2016/17 main-crop rice production remains unchanged from the previous forecast at 13.8 million metric tons, a slight decline from MY2015/16. This reflects an acreage reduction of main-rice crop in irrigated areas, particularly in the central plains where the RID did not supply water until August 2016 in order to save water for household consumption. However, it was too late to plant rice in many areas in the central plains due to concerns about seasonal flooding in October - November. According to the Geo-Informatics and Space Technology Development Agency (GISTDA), MY2016/17 main-crop rice cultivation in irrigated areas during May 15 - September 15, 2016 declined around 4 percent. This is in line with Post's estimate in April 2016 (GAIN Report: TH6048 - Grain and Feed Update, April 2016). The majority of rice is expected to be harvest in November and flood damage in main-crop rice production should be marginal, as the overflow of the rivers likely will recede quickly.

1.2 Rice Consumption Revised Down

MY2015/16 and MY2016/17 rice consumption is revised down to 9.5 in MY2015/16 and 11.5 million metric tons in MY2016/17, due to lower than expected consumption of non-food grade rice by the feed and ethanol industries as sales of government rice stocks have been suspended since September 2016. Presently, the prices for old-crop broken rice from government stocks are approximately 40 percent lower than new-crop broken rice. However, feed manufacturers are likely to shift to imported feed wheat, which is 30 percent cheaper than new-crop broken rice, because sales of the government old-crop rice stocks are expected to remain suspended thru December 2016.

1.3 Rice exports slide in July and August 2016

According to the Thai Customs Department, Thai rice exports declined significantly to 443,736 metric tons in July 2016, down 40 percent from the same period last year. Also, rice exports in August declined approximately 11 percent from the same period last year to 622,630 metric tons. This has slowed exports of Thai rice to 3 percent (6.1 million metric tons) during January - August 2016, compared to 5 percent (5.4 million metric tons) during January - July 2016. This reflects the tight domestic supplies of new-crop white rice due to rice planting delays which resulted in a reduction of parboiled rice exports by 50 percent in July and 20 percent in August 2016. In addition, export prices for white rice reached a record \$421/MT (FOB, 5% grade) in July 2016 - the highest since November 2014 (Figure 1.3).

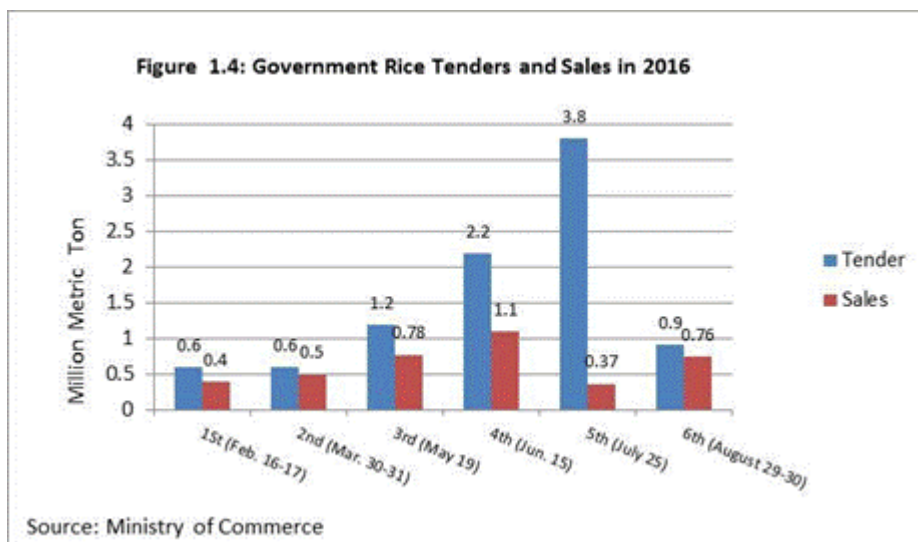


Post's forecast for rice exports in 2016 remains unchanged at 9 million metric tons. This is an 8-percent reduction from last year's exports of 9.8 million metric tons, based on the tight supplies of new-crop rice and competition from Vietnamese and Indian rice which is 13-15 percent cheaper. Also, the government will not sell its food and non-food grade rice stocks during September – December 2016, due to the concern about downward pressure on farm-gate prices of rice during the harvest in the last quarter of 2016.

1.4 Stocks

Rice stocks are revised up to 8.8 million metric tons in MY2015/16 and 6.2 million metric tons in MY2016/17, as the government has suspended sales of food and non-food grade rice stocks. The Rice Policy and Management Committee announced it will not issue any tenders for government rice stocks during September – December 2016, due to concern about downward pressure on domestic rice prices during the harvest of new main-crop rice. Presently, the government is holding rice stocks of around 8.4 million metric tons.

During January – August 2016, the government issued rice tenders totaling approximately 9.3 million metric tons (Figure 1.4). Approximately 3.9 million metric tons were sold, of which 3.5 million metric tons were food-grade rice for domestic consumption and the export market, while 0.4 million metric tons were non-food grade rice mainly destined for the feed industry.



1.5 Policy Update

1.5.1 More government incentives to curb rice supplies

On September 22, 2016, the Rice Policy and Management Committee agreed to provide more incentives for farmers, farmer institutions, and rice millers/traders to stockpile rice during the peak harvest period of November and December 2016. Farmers who participate in the On-Farm Pledging Program with the Bank for Agriculture and Agricultural Cooperatives will receive immediately 1,000 baht/MT (\$29/MT) in cash for storing fragrant or glutinous rice on site as opposed to in the past when they had to wait until the rice was sold on the market to receive 1,500 baht/MT (\$43/MT). They will receive the final 500 baht/MT (\$14/MT) when the rice is sold on the market in the following months. The target of this program is to pledge 2 million metric tons of fragrant and glutinous rice in the northeastern region. Meanwhile, millers/traders and farmer institutions who participate in the Interest-Rate Subsidy Program will receive a 4 percent interest rate subsidy (for 4-6 months of storage) - up from an earlier announced 3 percent interest rate subsidy. The target is to encourage millers/traders to stockpile 8 million metric tons of rice and farmer institutions to stockpile 2.5 million metric tons. The government expects these programs will help stabilize the farm-gate price of rice, as approximately half the bumper supplies will be kept off the market during the peak harvest period.

1.5.2 Government seeking civil liability over rice pledging program is half way

On September 23, 2016, the Legal Liability Panel ruled that the Finance Ministry should seek 35.7 billion baht (\$1 billion) in compensation from former Prime Minister Yingluck Shinawatra for her mismanagement of the rice pledging program during 2011-2014, which resulted in losses totaling 581 billion baht (\$16 billion). The Minister of Finance must now issue an Administrative Order to seize her assets under the civil liability law. The deadline for issuing the administrative order is February 18, 2017.

Meanwhile, on September 19, 2016, the Minister of Commerce issued an administrative order to seize assets valued at 20 billion baht (\$571 million) from former Commerce Minister Boonthong Teriyapirom and five ex-ministerial officials based on a fraud charge over a specious government-to-government agreement with China for the sale of 6.2 million metric tons of rice from government stocks from September 8, 2011 - February 22, 2013. The rice was reportedly resold domestically to traders/exporters and millers instead of exported to China. However, all of the accused are expected to appeal the administrative order with the Administrative Court. Their assets will not be seized until the court makes its final ruling.

1.5.3 Rice acreage reduction program underway

The Ministry of Agriculture and Cooperatives' Department of Agricultural Extension reported on

September 9 that it is recruiting farmers who are willing to shift from off-season rice planting in 2017 (MY2016/17) to alternate field crops (sweet corn, young-baby corn, feed corn or soybeans). The target area encompasses 22 provinces along the Chaopraya river basin (lower northern region and central plains area) and totals 300,000 rai (48,000 hectares). Eligible farmers will receive direct payments of 2,000 baht per rai (\$375/hectare) for a maximum of 5 rai (0.8 hectares) per household via the Bank of Agriculture and Agricultural Cooperatives. The deadline to apply for this program closed on September 18, 2016. Sources expect that approximately half of the targeted farmers likely will participate in the program.

2. Corn Update

MY2016/17 corn production is revised up to 5.2 million metric tons, compared to 4.9 million metric tons in the previous forecast. This is an 11-percent increase from MY2015/16, due to higher than expected acreage expansion from farmers that switched from cassava and sugarcane crops that were adversely affected by drought. The corn crop reportedly is good to excellent, due to favorable weather conditions. Also, the earlier damage from drought during the seedling stage and current flooding reportedly is minimal.

MY2016/17 corn consumption is expected to increase to around 5.5 million metric tons, up approximately 15 percent from MY2015/16. This is due to higher than expected boiler production, which is being driven by growing exports of chicken meat, particularly to Japan and the European Union (GAIN Report: TH6098 – Poultry and Products Annual, September 1, 2016). Also, the government is pursuing a policy of encouraging feed millers to buy domestic corn at 8 baht per kilogram (\$229/MT) while limiting imports of feed wheat during the peak harvest in order to stabilize the farm-gate price of corn. Presently, the domestic price of corn is approximately 7.8 baht per kilogram (\$223/MT, ex-feed mill price). Meanwhile, imported feed wheat is approximately 10 percent cheaper than domestic corn.

Table2.1: Thailand's Corn Production, Supply and Demand

Corn	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jul 2014		Jul 2015		Jul 2016	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1100	1100	1090	1090	1120	1168
Beginning Stocks	144	144	139	139	172	172
Production	4800	4800	4700	4700	4900	5200
MY Imports	600	600	600	600	600	600
TY Imports	600	600	600	600	600	600
TY Imp. from U.S.	51	0	0	0	0	0
Total Supply	5544	5544	5439	5439	5672	5972
MY Exports	305	305	367	367	200	300
TY Exports	247	247	450	310	200	300
Feed and Residual	5000	5000	4800	4800	5250	5450
FSI Consumption	100	100	100	100	100	100
Total Consumption	5100	5100	4900	4900	5350	5550
Ending Stocks	139	139	172	172	122	122
Total Distribution	5544	5544	5439	5439	5672	5972

(1000 HA) ,(1000 MT)						