

Voluntary Report – Voluntary - Public Distribution

Date: June 12,2020

Report Number: LA2020-0001

Report Name: Laos Rice Report Annual

Country: Laos

Post: Bangkok

Report Category: Grain and Feed

Prepared By: Eric Mullis, Agricultural Attache; Ponnarong Prasertsri, Agricultural Specialist

Approved By: Russell Nicely

Report Highlights:

MY2020/21 rice production is forecast to recover to 1.7 million metric tons after several years of below average production due to adverse weather conditions. MY2019/20 rice production is estimated to increase 2 percent from MY2018/19 to 1.5 million metric tons.

Executive Summary

MY2020/21 rice production is forecast to recover to 1.7 million metric tons assuming normal weather conditions, a 13 percent increase from MY2019/20. MY2020/21 imports are forecast to decline to 100,000 metric tons as production returns to normal levels, a 66.7 percent reduction from MY2019/20. The majority of the rice imported is glutinous rice from Vietnam. MY2020/21 exports are forecast to remain constant at 80,000 metric tons.

Production

Rice is a key staple for Laos and over 60 percent of arable land is used for its cultivation. Only around 4 percent of Laos' total area is arable, which is the smallest amount of arable land of any country in Southeast Asia, due its mountainous terrain. Rice is primarily produced in the country's lowland areas with only approximately 11 percent of production taking place in highland areas. Many of the leading rice producing provinces are located along the Mekong River (e.g., Vientiane, Khammouan, Bolikhamxai, Savannakhet, Salavan, and Champasak). Average rice farms are small, averaging only around 1-2 hectares. Production can vary significantly between years but has been improving due to the adaption of higher yield varieties and increased irrigated acreage. However, almost 90 percent of rice production occurs during the wet season as only about 12 percent of the cultivated rice area is irrigated. There is no irrigated acreage in the highland area limiting the highland rice farmers' growing season to one crop per year (April-November), while some lowland rice farmers have been able to cultivate rice twice a year with irrigated farms near the Mekong River. The lowland main rice crop is usually planted in June and July and harvested from October to December. The lowland off-season crop is usually planted in December and January and harvested in April and May. Glutinous rice production makes up around 80 percent of all Lao rice production with most of the remaining production consisting of white and fragrant rice. Mechanization remains quite limited but is becoming more common in major rice producing provinces.

The outbreak of COVID-19 severely impacted the Lao economy. The World Bank has estimated economic growth for Laos in 2020 to be between 1 percent and negative 1.8 percent. A significant drop in tourists, primarily from China and other neighboring countries, has hit tourism related sectors, such as restaurants and hotels, hard. In addition, many Lao migrant workers in neighboring countries returned home during the outbreak, which resulted in an estimated decrease of U.S. \$125 million in remittances in 2020, according to the World Bank. Agricultural production has only been marginally affected due to the outbreak of COVID-19. Containment measures, however, has had a negative impact on agricultural processing and trade as Laos' neighboring countries have shut down their borders with Laos as they deal with the spread of COVID-19.

MY2020/21 rice production is forecast to recover to 1.7 million metric tons assuming normal weather conditions. Laos has experienced several years of adverse weather including severe flooding in 2018 and flooding and drought in 2019. Current precipitation levels are on a normal trajectory, which could indicate rice production bouncing back to normal (Figure 1 and 2).

Figure 1: Monthly Precipitation in Laos (2017-2020)

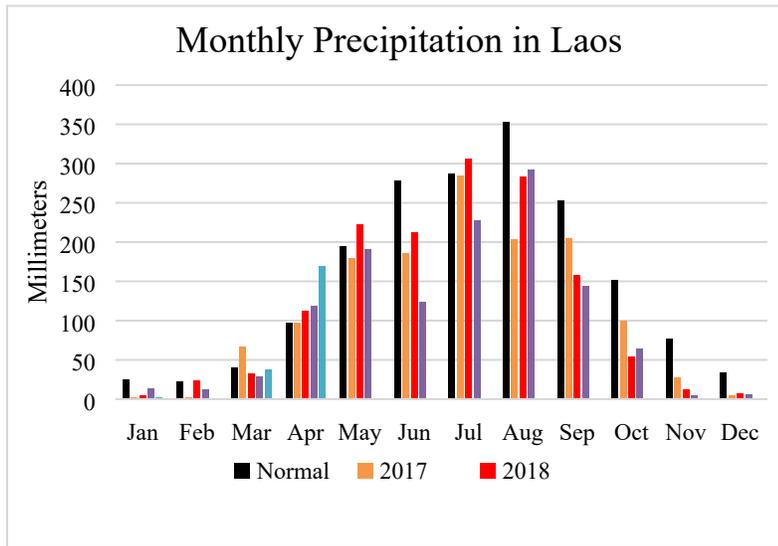
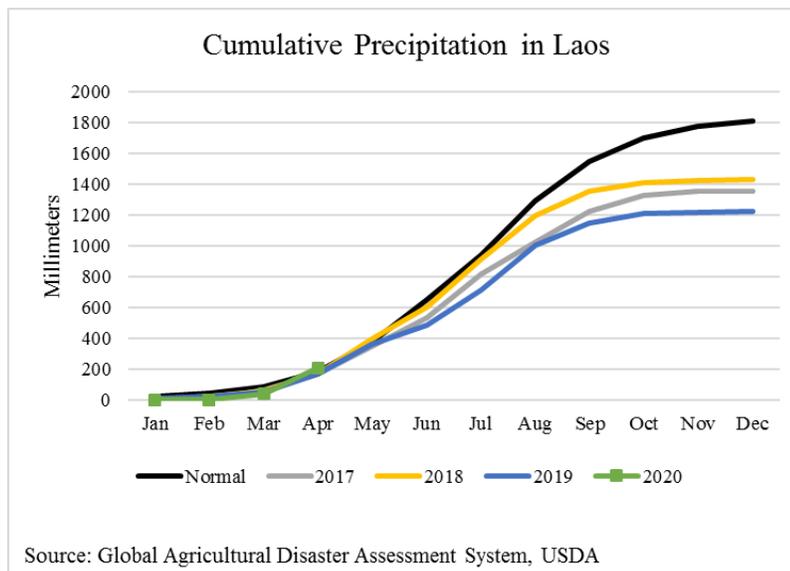


Figure 2: Cumulative Precipitation in Laos (2017-2020)



MY2019/20 rice production is forecast to increase slightly to 1.5 million metric tons, a 2 percent increase from MY2018/19 due to slightly better weather conditions and a better off-season rice crop than in MY 2018/19. Major rice producing areas suffered both drought and flooding in 2019. Total precipitation during the main rice growing months (May-October) in 2019 was 15 percent lower than 2018 and 27 percent below normal (Figure 1). In addition, both the central region and the southern region were affected by flooding in September 2019 with the southern region being the hardest hit, primarily in Champasak province. The total area affected by flooding was 172,000 hectares of which around 105,200 hectares were rice producing hectares; this was approximately 14 percent of MY2019/20 main rice acreage. However, the flooding was less severe in 2019 than in 2018.

MY2018/19 production is revised down to 1.47 million metric tons. Flooding caused by heavy rainfall during the rainy season was particularly severe in 2018 with the Lao government declaring it the most severe flooding in eleven years. Flooding and mudslides negatively affected main-crop rice production in the major rice growing regions including Khammouan, Champasak, and Savannakhet in July, August, and September. Damage in Khammouan was particularly extensive, affecting approximately 75 percent of main crop rice in the province while damage in Champasak and Savannakhet was much less severe. Khammouan province produces approximately 10 percent of the total rice production in Laos. Some upland rice production was also negatively impacted by flooding during the rainy season, particularly in Attapeu province because of the July 23, 2018 dam collapse.

MY2020/21 yield is forecast to be 2.89 metric tons per hectare (MT/HA). While some farmers each year use new improved seed varieties made available through local rice mills and the agricultural extension service, the majority of farmers use their own saved seeds. Yield is also negatively affected by lower use of inputs such as fertilizer and pesticides as well as the lower percentage of irrigated acreage. These factors not only negatively impact rice yields but also hinder rice quality. This leads to a lower milling rate than in neighboring countries such as Thailand and Vietnam. The government uses the milling rate of 60 percent, but some areas report milling rates as low as 55 percent, according to the Food and Agriculture Organization.

Rice farmers typically sell their rice directly to rice mills or middlemen. It is estimated that there are over 20,000 rice mills in Laos, but the vast majority of these are small operations with limited capacity. Several of the larger rice mills have projects to increase rice yields and rice quality in the major rice growing regions.

Consumption

MY 2020/21 rice consumption is estimated to remain at 1.67 million metric tons. Rice plays an important part in the Lao diet and to Laos' food security. Laos' per capita rice consumption is among the highest in the world at around 206 kg/year, according to the World Bank. Most Lao prefer to eat glutinous rice, and almost all the glutinous rice produced in Laos is used for domestic consumption. Glutinous rice takes longer to digest than other rice varieties, which is an appreciated characteristic in a country with high rates of undernourishment. Studies suggest that per capita rice consumption is gradually declining in Laos, particularly in urban areas where the population has a higher income and a more diverse set of food options. Food use makes up the largest share of consumption in Laos. Laos does suffer from a high post-harvest loss at approximately 15 percent of the milled rice production and very little rice goes into feed, according to the Food and Agriculture Organization. MY2019/20 rice consumption is estimated to increase slightly as Laotian migrant labor returned home from neighboring countries during the COVID-19 outbreak. Their return will offset the decreased number of tourists during the shutdown to prevent the spread of COVID-19.

Trade

Post forecasts that MY2020/2021 imports should decrease to 100,000 metric tons due to increased production. MY2019/20 imports, however, are forecast to remain high at 200,000 metric tons as domestic rice production remains unrecovered due to adverse weather conditions for the second year in a row. Trade contacts report that Lao rice production is not sufficient to meet demand, particularly for

glutinous rice. Laos has been importing glutinous rice primarily from Vietnam and some from Thailand. MY2020/21 rice exports are forecast to remain low at 80,000 metric tons due to continued reduced production. Most exports are destined for China and Thailand. Higher costs, internal regulations, and quality concerns limit Laos' rice exports.

Stocks

Due to two years of poor production, private and public stocks are estimated to be well below their normal levels. Ending stocks for MY2020/21 are forecast at 150,000 metric tons, an increase of 50 percent from MY2019/20, as both the Lao government and private rice holders rebuild their stocks. Many Lao farmers store rice paddy on their own property, using it as both a source of food and a store of value. Rice millers and exporters also tend to store a 2-3-month supply of rice in stocks. In addition, the Lao government has a target of holding 400,000 metric tons of paddy rice, roughly 240,000 metric tons milled rice, in stock in its Agricultural Development Strategy (ADS) plan. Posts estimates ending stocks for MY2019/20 to be 100,000 metric tons, a decrease of 50,000 metric tons from MY2018/19.

Policy

As rice is critical to rural income and food security, the government regulates the value chain for rice quite closely (e.g., setting price floors for farm gate paddy rice purchases). Similarly, traders seeking to export rice must register with both the national government and the provincial government.

The Lao government is currently drafting its Agricultural Development Strategy taking into account the new atmosphere presented by the outbreak of COVID-19. COVID-19 came after two years of troubled agricultural production in Laos due to adverse weather conditions and pest infestations, which made the Lao government rethink its current agricultural policies. The Lao government is looking to focus more on small farmers and invest in more research and extension. The Lao government is also placing an emphasis on green and sustainable growing techniques. The government has prioritized increasing rice production and exports with the objective of increasing total paddy rice production to 5 million metric tons with 1 million metric tons of exports by 2025. The Lao government is focusing on increasing irrigated acreage and improving seed varieties to meet its goal.

Appendix Tables

Table 1: Laos' Rice Production, Supply and Demand

Rice, Milled Market Year Begins Laos	2018/2019		2019/2020		2020/2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	856	856	970	870	980	980
Beginning Stocks (1000 MT)	208	208	82	150	77	100
Milled Production (1000 MT)	1,680	1,470	1,950	1,500	2,000	1,700
Rough Production (1000 MT)	2,667	2,450	3,095	2,500	3,175	2,833
Milling Rate (.9999) (1000 MT)	6,300	6,000	6,300	6,000	6,300	6,000
MY Imports (1000 MT)	200	200	50	200	50	100
TY Imports (1000 MT)	200	200	50	200	50	100
TY Imp. from U.S. (1000 MT)	1	1	0	0	0	0
Total Supply (1000 MT)	2,088	1,878	2,082	1,850	2,127	1,900
MY Exports (1000 MT)	81	81	80	80	80	80
TY Exports (1000 MT)	81	81	80	80	80	80
Consumption and Residual (1000 MT)	1,925	1,647	1,925	1,670	1,950	1,670
Ending Stocks (1000 MT)	82	150	77	100	97	150
Total Distribution (1000 MT)	2,088	1,878	2,082	1,850	2,127	1,900
Yield (Rough) (MT/HA)	3.12	2.86	3.19	2.87	3.24	2.89

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

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2020/2021 = January 2021 - December 2021

End of Report

Attachments:

No Attachments.