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Thailand

Grain and Feed Annual

Annual 2012

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Report Highlights:

TH2027 The anticipated large supplies of rice from the MY2011/12 and MY2012/13 crops, driven by the aggressive Paddy Pledging Program, will hardly be exported in 2012 as Thai rice prices remain far above its' competitors. Thus, Thailand will see its rice exports reduced by 39 percent from MY2010/2011 to 6.5 million metric tons (MMT). Imported feed wheat and flour are increasingly substituting corn in feed rations as domestic corn supplies remain tight, as such feed wheat consumption will increase by 50 percent to 900 thousand metric tons (TMT) in 2011/2012. In 2011/2012, imports of U.S. wheat are expected to increase by one percent from 2010/2011 to 500 TMT, all of it to meet milling wheat demand.

Executive Summary:

The change in the government's domestic support program from the Price Insurance Program to the Pledging Program is making Thai rice uncompetitive. The anticipated excessive supplies of rice in MY2011/12 and MY2012/13, driven by the aggressive Paddy Pledging Program, will hardly be exported in 2012 as Indian and Vietnamese rice are over \$100/MT cheaper. The Government will likely release large portions of its MY2011/12 white rice intervention stocks in 2013 as these are expected to increase to 8-9 million tons by the end of 2012, and most likely the release will be contingent on exports. Consequently, international rice prices will likely be under downward pressure throughout 2012 – 2013. Under the Paddy Pledging Program, Thailand's status as the world's largest rice exporter will be challenged by India and Vietnam, at the same time this program is fraught with potential WTO domestic support and export subsidy inconsistencies.

A spillover effect of the Paddy Pledging Program is the increasing costs of feed production amid the growing livestock industry. Despite anticipated better-than-expected corn production in MY2011/12 and MY2012/13, corn prices remain under upward pressure due to its tight supplies and the high prices of substitutable feedstocks such as tapioca and rice a direct result of the aggressive Pledging Program. Consequently, imported feed wheat and wheat flour are increasingly substituting corn in the feed rations of poultry and swine as corn prices are currently 15-20 percent higher than imported feed wheat.

Import demand for milling wheat will likely continue its upward trend in 2013 – 2014 after a slowdown in MY2011/12 when the food processing industry was affected by the flooding in the last quarter of 2011. The food processing industry is expected to fully recover from the flood damage in MY2012/13. The Government expects the economy will grow 5.5-6.5 percent in 2012, up from a slowdown of 0.1 percent in the previous year. In MY 2011/2012, U.S. exports of milling wheat will increase one percent to 500 TMT from the previous year.

Commodities:

Rice, Milled

Corn

Wheat

Author Defined:

1. Rice

1.1 Production

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	10,960	11,000		11,116

(1000
HA)

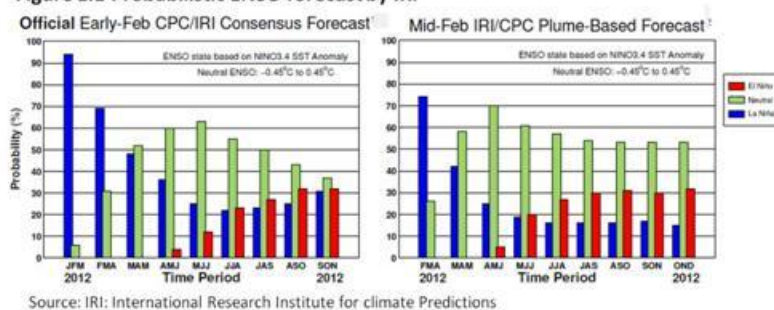
Beginning Stocks	6,100	6,100	5,562	5,615		9,375	(1000 MT)
Milled Production	20,262	20,262	20,300	20,460		21,054	(1000 MT)
Rough Production	30,700	30,700	30,758	31,000		31,900	(1000 MT)
Milling Rate (.9999)	6,600	6,600	6,600	6,600		6,600	(1000 MT)
MY Imports	200	200	100	200		300	(1000 MT)
TY Imports	200	200	100	200		300	(1000 MT)
TY Imp. from U.S.	0	0	0	0		0	(1000 MT)
Total Supply	26,562	26,562	25,962	26,275		30,729	(1000 MT)
MY Exports	10,500	10,647	6,500	6,500		8,000	(1000 MT)
TY Exports	10,500	10,647	6,500	6,500		8,000	(1000 MT)
Consumption and Residual	10,500	10,300	11,500	10,400		10,600	(1000 MT)
Ending Stocks	5,562	5,615	7,962	9,375		12,129	(1000 MT)
Total Distribution	26,562	26,562	25,962	26,275		30,729	(1000 MT)
Yield (Rough)	3.	2.878	3.	2.8182		2.8697	(MT/HA)

Table 1: Thailand's Paddy Area, Production, and Yield									
	2010/11			2011/12 (Mar 2012)			2012/13 (Mar 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: FAS Estimate									

MY2011/12 rice production will likely increase to 31.0 million tons (20.5 million tons milled equivalent) due to acreage expansion of the off-season crop driven by the government's Paddy Pledging Program and good reservoir levels from last year's historical flooding. The Paddy Mortgage Program's attractive prices have driven farmers to increase their rice plantings as the government's intervention price of 15,000 baht/tons (\$500/MT) is currently 46 percent above market prices.

The increased reservoirs levels have prompted the Government to allow for an expanded cultivation area of the off-season crop that can be irrigated to 10.9 million rai (1.7 million hectares) compared to 8.9 million rai (1.4 million hectares) in the previous year. Also, The Thai Meteorological Department (TMD) expects an above-average precipitation from January – until May 2012. TMD's assessment is based on the International Research Institute for Climate and Society's (IRI) forecast of a high probability for La Nina conditions during January – May 2012, and a 50-60 percent range of normal weather conditions from June 2012 and onward (Figure 1.1). These factors will contribute to an off-season rice production of 9.5 – 10.0 million tons (6.5 million tons milled equivalent).

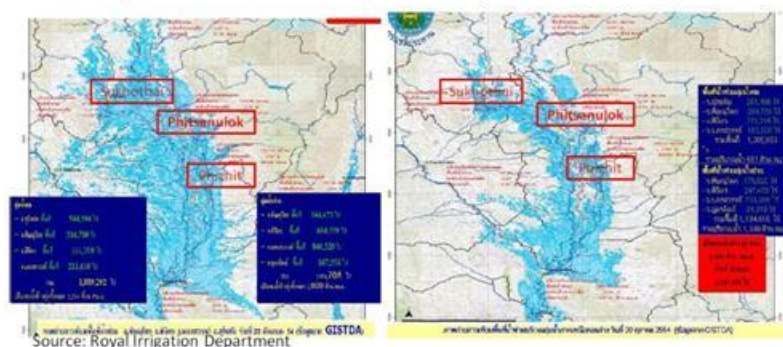
Figure 1.1 Probabilistic ENSO forecast by IRI



According to the Ministry of Agriculture and Cooperatives (MOAC), last year's flooding caused a production loss of around 4.0 million tons of main-crop paddy (2.6 million tons milled equivalent) from an affected production area of 8.6 million rai (1.4 million hectares), up slightly from FAS previous update of 8.2 million rai (1.3 million hectares) (TH1137, Grain and Feed Update, November 2, 2011). Of the total affected area, Post estimated that 2-3 million rai (0.5 million hectares) in the Lower Northern Region were replanted immediately after flood waters receded producing 2.0 million tons of paddy (1.3 million tons milled equivalent) (Figure 1.2 and TH1138, Weekly Rice Price Update, November 8, 2011). An additional 3.0 million rai (0.5 million hectares) in the Central Plain Region were harvested before the flooding.

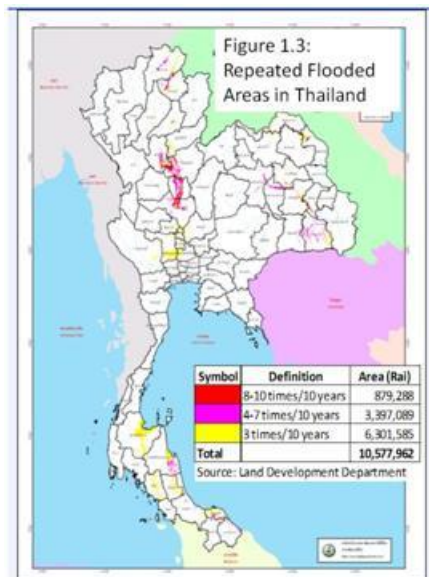
Production loss in the Northeastern Region is marginal at 0.3 million tons of paddy (0.2 million tons milled equivalent), as compared to 0.7 million tons in the previous year's flooding damage. This production loss will likely be offset by a better-than-expected main-crop fragrant rice and glutinous rice due to favorable weather conditions and anticipated acreage expansion of off-season crop. Abandoned rice areas in the Lower Northeastern Region are being reclaimed due to high prices. According to the Land Development Department survey, there are around 0.2 million rai (0.03 million hectares) of abandoned rice areas in Thailand, of which around 0.01 million rai (900 hectares) are in the Northeastern Region.

Figure 1.2: Flooding Areas in the Lower Northern Region on Sep 28, 2011 (Peak: 0.6 million hectares) V.S. Nov. 4 (0.3 million hectares)



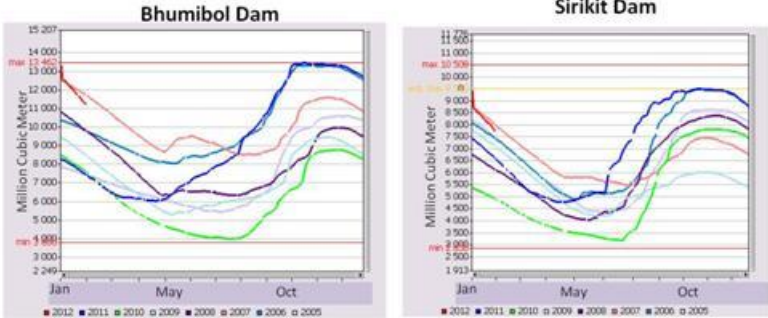
MY2012/13 rice production is forecast to increase around 3.0 percent in anticipation of an acreage expansion of the main crop, and taking into account Post's baseline scenario of normal weather

patterns. The increase in cultivated areas is attributed to the government's Flood Prevention Plan and Paddy Pledging Program. The Government would have finalized its flood retention area of around 2.0 million rai (0.3 million hectares), most of which are areas with recurring flooding in the Central Plain Region where rice is normally harvested before the flooding onslaught (Figure 1.3). However, due to the attractive prices and to avoid further risks, farmers will convert a portion of their orchards in this area to rice land as it is too risky to replant all of the orchards that were devastated by last year's flooding of approximately 0.5 million rai (0.1 million hectares). Also, farmers are anticipating an ongoing Paddy Pledging Program which will keep them cultivating rice due to the attractive intervention prices.



However, there is a downside risk on the average yield of the main crop based on IRI's latest forecast of February 2012, in which the probability of El Niño conditions (around 30.0 percent) will prevail over La Niña's conditions (around 15.0 percent) from July of 2012 and onward. If this forecast results, it would limit acreage expansion of MY2012/13 off-season crop in anticipation of lower reservoir levels as the government's flood mitigation program 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 the dry season in April 2012 (Figure 1.4). As such, rice production will likely decline 2-3 percent from the previous year

Figure 1.4: Major Dams in the Northern Region



due to an average yield reduction.

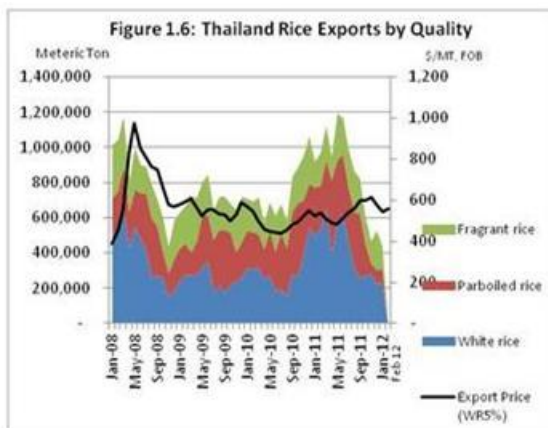
1.2 Consumption

Rice is the main staple food for Thais with a per capita consumption ranging from 80 kilograms for city households to around 115 kilograms for rural households, and up to 125 kilograms for low-income households. MY2011/12 and MY2012/13 consumption will slowdown as rice-based food consumption growth will be offset by an anticipated reduction in feed demand due to current high prices of broken rice driven by the government's Paddy Pledging Program. Demand for broken rice in the feed industry accounts for approximately 10 percent of total rice consumption.

According to a study of the Bank of Thailand, the impact of the Paddy Pledging Program on inflation will be higher than an increase on the minimum wage, an increase of 50 percent of paddy price will result in a 0.4 percent increase in the inflation rate, while an increase of the minimum wage from 215 baht/day to 300 baht/day will increase the inflation rate by 0.2 percent, however this will not affect consumption patterns as rice consumption in Thailand is highly inelastic.

1.3 Trade

Thai rice exports will likely decline to 6.0- 6.5 million tons in 2012, down 39-43 percent from the previous year's exports of 10.6 million tons, as Thai white rice prices are currently \$100-140/MT higher than major competitors Vietnam and India—a direct result of the government's Paddy Pledging Program. In addition, since India lifted its export ban on non-basmati rice in September of 2011, Thailand's export momentum has decreased, to an average of 0.4 - 0.5 million/month, as compared to a monthly average of 1.0 million tons during January – September 2011 (Figure 1.6).



Parboiled rice exports have been especially affected as monthly exports have declined to 60,000 – 80,000 tons, as compared to 320,000 tons prior to October 2011. In 2012, parboiled rice exports will likely decline to 1-2 million tons, down significantly from 3.4 million tons in the previous year, as Indian parboiled rice prices are currently \$125/MT cheaper than Thai parboiled rice. In addition, white rice exports are expected to decline to 3.0 million tons in 2012, as compared to 4.4 million tons in the previous year, again, Thai rice prices are \$120-140/MT higher than Vietnamese rice.

Most white rice exports are expected to be low quality old-crop white rice from the MY2007/08 and MY2008/09 Paddy Pledging Program which account for approximately 80 percent of the outstanding old-crop intervention stocks of around 2.0 million tons. The Government plans to release these stocks

through auctions; however the release will likely be contingent on exports as the Government will be forced to avoid adding downward pressure on domestic prices. Meanwhile, fragrant rice exports will likely maintain its export performance of around 2.0 million tons in 2012, as the Government has approved its plan to release new-crop fragrant rice from the MY2011/12 Paddy Pledging Program of around 2.2 million tons for the domestic and export markets.

In 2013, Thai rice exports are forecast to increase to around 8.0 million tons as the Thai government will release a portion of its intervention stocks of white rice from the MY2011/12 Paddy Pledging Program in order to make space for stocks from the MY2012/13 Paddy Pledging Program. By the end of 2012, total white rice stocks will likely total 8-9 million tons. Rice prices are expected to be under downward pressure as competition from Vietnam and India will remain strong.

Table 1.2: Thailand's Rice Exports in 2011 (Jan. - Dec.)								
Unit: Metric Ton								
	Rice Quality							Total
	Fragrant rice	White rice				Paboiled rice	Other	
		100%	5%	10-35%	Broken rice			
Nigeria	1,312	-	7,000	-	-	1,541,652	-	1,549,964
% change yoy	1740.3	-	250.0	-	-	10.3	-	10.7
Benin	15,910	830	36,149	32,199	125	116,827	-	202,040
% change yoy	-11.7	-17.0	46.9	229.4	-	-71.7	-	-56.6
Philippines	7,810	9,885	159,428	9,280	-	-	-	186,403
% change yoy	5.2	53.0	725.4	-98.0	-	-	-	-63.5
Malaysia	36,061	14,260	237,976	846	375	-	41,314	330,832
% change yoy	-44.5	44.7	247.4	-35.4	3025.0	-	5.9	80.1
South Africa	10,387	13,072	437	3,000	3,363	519,105	11,836	561,200
% change yoy	32.1	-24.9	-96.2	130.8	58.6	-4.1	15920.5	-3.5
United States	343,137	7,795	313	20,575	64	194	1,636	373,714
% change yoy	-4.5	24.9	25.5	4113.0	410.7	-45.5	-92.3	-3.6
Iraq	4,882	-	622,418	-	-	-	-	627,300
% change yoy	-12.9	-100.0	25.2	-	-	-	-	24.8
Cote d'Ivoire	322,713	10,096	44,624	187,184	-	3,425	-	568,046
% change yoy	-8.0	-51.8	-69.8	117.1	-100.0	-91.2	-	-12.1
Hong Kong	167,509	44,217	995	1,032	889	-	9,906	224,547
% change yoy	-0.9	14.3	-63.0	-14.9	-12.5	-	17.6	1.6
Senegal	209,208	255	-	-	28,382	461	-	238,306
% change yoy	-18.3	-	-	-	53.8	540.3	-	-13.3
Singapore	149,984	31,372	11,459	19,224	8,885	310	8,250	229,484
% change yoy	48.8	-0.7	178.7	289.2	51.4	-35.5	0.5	47.1
China	127,227	44,930	59,205	781	203	-	35,503	267,848
% change yoy	-4.6	-15.3	87.4	0.8	302.6	-	-21.7	1.4
Other	960,030	780,086	1,032,989	750,883	228,446	1,031,997	502,561	5,286,989
% change yoy	8.9	22.1	66.9	511.9	41.7	32.5	142.2	55.1
Total	2,356,171	956,797	2,212,993	1,025,003	270,733	3,213,970	611,006	10,646,673
% change yoy	0.1	16.1	55.0	45.7	41.8	1.4	83.6	18.3
Source: Department of Foreign Trade, Ministry of Commerce, and the Thai Chamber of Commerce								

1.4 Stocks

MY2011/12 rice ending stocks will be heavily dominated by the government intervention stocks, which are expected to increase to around 9-10 million tons due to the aggressive MY2011/12 Paddy Pledging Program. Presently, the Government is holding total intervention stocks of around 6.5 million tons, of which 2.0 million tons are old-crop intervention stocks, and 4.5 million tons are result of the MY2011/12 main-crop Paddy Pledging Program. The Government is expected to absorb an additional 4-5 million tons from its off-season crop Paddy Pledging Program, which started on March 1, 2012 through September 15, 2012.

In addition, the Paddy Pledging Program will likely continue for the MY2012/13 main crop that and is expected to absorb another 3.0 million tons by the end of 2012. However, Post expects an intervention stock release of approximately 4-5 million tons in 2012, of which 2.0 million tons will be old-crop intervention stocks (mostly white rice) and around 2-3 million tons will be MY2011/12 main crop, especially fragrant rice.

In MY2012/13, ending stocks of rice will likely remain high at around 12.0 million tons as the government's Paddy Pledging Program is expected to be as aggressive as the previous year's program. The Government is expected to release a portion of white rice stocks accumulated from MY2011/12 Paddy Pledging Program of around 6-7 million tons at or below market prices which will probably be lower than the prices that the Government acquired the stocks for.

1.5 Policy

The Government replaced its former Price Insurance Program with the Paddy Pledging Program for the MY2011/12 crop. At the time of the program's implementation, intervention prices were set approximately 50.0 percent higher than market prices for white rice, and 30.0 percent for fragrant rice. No limit restrictions were imposed on the pledged amount.

The MY2011/12 main-crop Paddy Pledging Program ran from October 7, 2011 through February 29, 2012, and pledged a total of 6.8 million tons of paddy (4.5 million tons milled equivalent) with a total cost of approximately 100 billion baht (\$3.3 billion) (Table 1.3). When taking into account the operating and storage costs, the cost increases to 140 billion baht (\$4.7 billion). The amount pledged accounts for 31.5 percent of the expected MY2011/12 main-crop production of 21-22 million tons of paddy (14.5 million tons milled equivalent), with a farmer participation rate of 34 percent, far below the 95 percent participation rate of the former Price Insurance Program. The lower participation rate was mostly due to logistical challenges, especially for small-farm households in the Northeastern Region, to pledge their paddy at participating mills.

Table 1.3 MY2011/12 Main-Crop Paddy Pledging Program							
Unit: Metric Ton							
Region	Number of Farmer	Amount of Paddy					
		Fragrant Rice			White Rice	Glutinous	Total
		Homali	Provincial	Pathumthani		Rice	
Intervention Price (baht/ton)		20,000	18,000	16,000	13,800 - 15,000	15,000-16,000	
Market Price (baht/ton)		14,800-16,000	11,600-16,000	11,800-13,500	8,500 - 10,000	11,500-14,000	
Pledging Result							
North	330,237	312,879	269,587	2,790	1,465,930	229,521	2,280,707
Northeast	783,414	2,758,426	-	84	163,793	210,418	3,132,721
Central	154,819	-	65,872	12,368	1,266,466	-	1,344,706
South	2,878	-	-	-	13,895	-	13,895
Total	1,271,348	3,071,305	335,459	15,242	2,910,084	439,939	6,772,029
Note: As of October 7, 2011 - February 28, 2012							
Source: Department of Internal Trade, Ministry of Commerce							

Despite the negative impact on rice exports, and the sharp criticism from exporters, the Government has moved forward and extended this policy for the off-season crop, which will run from March 1 through—

The Bank for Agriculture and Agricultural Cooperatives (BAAC) estimates that the Government will need a credit line of 120 billion baht (\$4 billion) to implement this program. So far, the Government still has an outstanding debt of around 63,232 million baht (\$2.1billion) to the BAAC from losses incurred in the previous Paddy Pledging Program during MY2004/05 – MY2008/09 (Table 1.4)

	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	6,200 - 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)	5,582,694	2,956,533	6,093,015	7,465,558	3,445,261	4,420,174	11,527,260	136,469	5,547	7,096,494
Main crop	3,642,429	2,838,141	8,295,237	6,291,831	1,809,318	243,742	6,059,312	78,550	-	6,772,029
Second crop	2,040,265	118,392	797,778	2,173,727	1,635,945	4,176,432	5,467,948	57,919	5,547	324,465
Average Farm-gate Prices (Baht/ton)										
Fragrant rice paddy	6,562	8,437	7,711	7,887	8,326	11,985	12,726	14,121	12,918	14,141
White rice paddy (main crop: 5% grade)	6,048	5,222	6,495	6,672	6,442	8,676	9,816	9,041	8,388	10,068
White rice paddy (second crop)	4,693	5,349	6,617	6,728	6,427	12,127	9,909	8,040	8,447	-
Government budget outlay (million baht)^{3/)}	N.A.	N.A.	43,713	41,995	53,699	55,179	118,491	47,762	67,288	N.A.
Main crop	N.A.	N.A.	38,522	33,379	45,141	41	55,872	26,472	36,004	100,000
Off-season crop	N.A.	N.A.	5,191	8,556	8,558	55,138	62,619	19,290	31,284	N.A.
Losses from the Paddy Pledging Program (million baht)^{4/)}	N.A.	N.A.	4,134	10,457	1,114	24,441	19,015	-	-	N.A.
Main crop	N.A.	N.A.	3,776	7,363	304	-	19,015	-	-	N.A.
Off-season crop	N.A.	N.A.	358	3,064	809	24,441	N.A.	-	-	N.A.

The amount of paddy pledged is based on the government report on March 13, 2012.

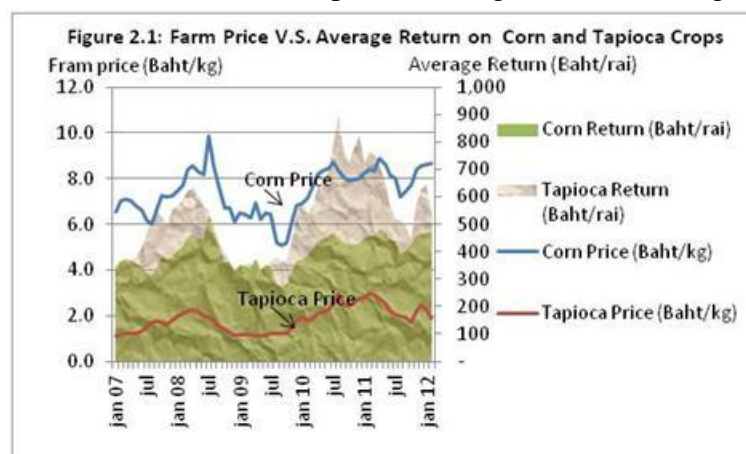
Com Thailand	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	980	1,000	1,000	1,010		1,050
Beginning Stocks	505	505	522	722		522
Production	4,000	4,200	4,150	4,300		4,500
MY Imports	600	600	800	400		300
TY Imports	600	600	800	400		300
TY Imp. from U.S.	0	0	0	0		0
Total Supply	5,105	5,305	5,472	5,422		5,322
MY Exports	283	283	200	200		200
TY Exports	334	334	200	200		200

MT)
(1000
MT)

Feed and Residual	4,200	4,200	4,600	4,600		4,800	(1000 MT)
FSI Consumption	100	100	100	100		100	(1000 MT)
Total Consumption	4,300	4,300	4,700	4,700		4,900	(1000 MT)
Ending Stocks	522	722	572	522		222	(1000 MT)
Total Distribution	5,105	5,305	5,472	5,422		5,322	(1000 MT)
Yield	4.	4.2	4.	4.2574		4.2857	(MT/HA)

2.1 Production

MY2010/11 corn production is revised up to 4.2 million tons due to higher-than-expected cultivated areas, as farmers continue the deforestation of the forest areas in the Upper Northern Region to make way for agricultural production. According to the Ministry of Natural Resource and the Environment, in the past five years, total deforestation for agriculture totaled 3.7 million rai (0.6 million hectares). Farmers have converted the forest into rubber tree, corn, and vegetable plantations. In this period, the total deforestation rate for corn cultivation averaged 200,000 rai/year (32,000 hectares). Consequently, this province has become the country's largest corn growing area. The acreage expansion is expected to offset the reduction of corn cultivated areas in the Lower Northern and the Northeastern Region where farmers have shifted to tapioca and sugarcane due to higher returns (figure 2.1).



MY2011/12 and MY 2012/13 corn production is expected to increase to 4.3 – 4.5 million tons mostly due to average yield improvements and the continued expansion of the cultivated area in the Upper Northern Region, as attractive farm prices, which are presently 3-4 percent higher than last year, drive farmers to continue their deforestation activities.

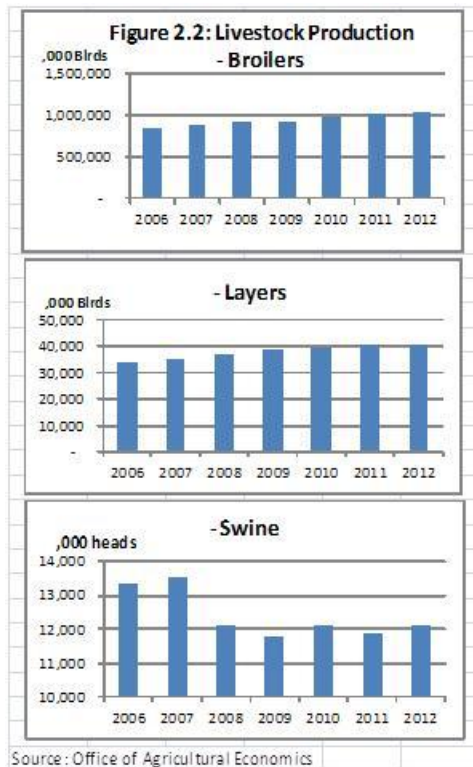
2.2 Consumption

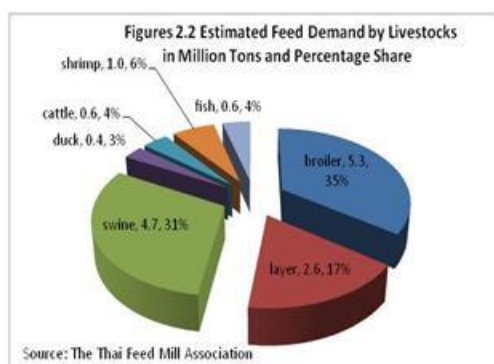
MY2011/12 corn consumption will likely continue to increase around 10.0 percent from the previous year despite severe flooding in the last quarter of 2011. Capacity utilization of feed mills increased to 83.5 percent in the second half of 2011, up significantly from 73.1 percent in the first half of the year, as demand for animal feed remains strong, especially in the aquaculture and poultry sectors which grew by

double digits in 2011, and were marginally impacted by the flooding. This trend continued in January of 2012, as capacity utilization remained high at around 82-83 percent.

In Thailand broiler and swine feed production use approximately 60-65 percent of corn in their rations. Meanwhile, feed wheat is increasingly substituting corn in the feed rations of poultry and swine feed due to high domestic corn prices and corn import constraints. Presently, domestic corn prices are 15-20 percent higher than imported feed wheat prices. In addition, the substitution of tapioca for corn is currently limited due to high domestic tapioca prices driven by the government's Tapioca Mortgage Program. Cost of feed production will likely increase 5-10 percent in 2012 due to the government's aggressive pledging programs for both rice and tapioca.

In MY2012/13, corn consumption is forecast to continue its upward trend in anticipation of an increase in livestock production, particularly poultry and swine production which account for around 84 percent of total feed consumption (Figure 2.2).





According to the Thai Feed Mills Association, total feed consumption is forecast to increase to 15.2 million tons in 2012, up approximately 6.0 percent from the previous year. The increase will be driven by a growth of six-seven percent for boiler production, 10.0 percent for layer production, and one percent for swine production.

2.3 Trade

MY2011/12 and MY2012/13 corn exports will likely decline to approximately 200,000 tons due to limited exportable supplies and an anticipated strong domestic feed demand from the livestock industry. Due to the ASEAN Free Trade Agreement (AFTA) corn imports from ASEAN countries are duty-free, but are limited by a non-tariff measure as imports are only allowed during March 1 – June 30. This measure affects quantity as well as quality of corn imported, as neighboring countries have poor post-harvest management which is accentuated as the corn is harvested 5-6 months prior to the import period.

Table 2.1: Thailand's Corn Exports

	2009		2010		2011		% Change 2011/2010	
	,000 US\$	Metric Ton	,000 US\$	Metric Ton	,000 US\$	Metric Ton	,000 US\$	Metric Ton
Vietnam	100,495	424,454	77,492	276,419	57,741	115,003	-25.5	-58.4
Malaysia	66,691	346,372	23,130	101,722	45,185	141,667	95.3	39.3
Indonesia	41,693	198,494	2,951	953	22,342	58,403	657.1	6030.3
Philippines	13,795	62,034	25,052	85,444	13,638	43,074	-45.6	-49.6
Japan	3,271	13,891	829	2,163	6,851	21,041	726.2	872.8
Pakistan	1,926	984	1,512	815	4,129	1,506	173.2	84.8
Myanmar	853	38	1,445	109	3,578	853	147.7	684.4
Cambodia	2,496	1,265	1,082	660	2,191	1,191	102.6	80.4
Sri Lanka	1,735	798	2,366	950	2,092	811	-11.6	-14.6
Other	9,139	32,652	4,697	9,370	6,346	6,446	35.1	-31.2
Total	242,094	1,080,981	140,556	478,604	164,094	389,995	16.7	-18.5

Source: Department of Customs

	2009		2010		2011		% Change 2011/2010	
	,000 US\$	Metric Ton	,000 US\$	Metric Ton	,000 US\$	Metric Ton	,000 US\$	Metric Ton
Laos	20,042	193,168	19,940	183,487	20,639	167,779	3.5	-8.6
Cambodia	8,912	95,733	26,331	224,742	3,853	28,323	-85.4	-87.4
Indonesia	2,218	1,100	1,151	546	2,094	737	82.0	34.9
United States	273	361	436	607	334	439	-23.5	-27.7
Vietnam	0	0	73	59	1,027	541	1303.2	814.3
Other	7,914	8,449	4,146	2,523	1,126	799	-72.8	-68.3
Total	39,359	298,812	52,077	411,965	29,074	198,618	-44.2	-51.8

Source: Department of Customs

Source: Department of Customs

2.4 Policy

The Government does not have a pledging program for corn as domestic corn prices are currently attractive at around 9.0 baht/kg, as compared to an average of 7.0 baht/kg in the past five years. The last time the Corn Pledging Program was implemented was in FY2009/2010 with intervention prices of 8.5 baht/kg.

As for imports, Thailand's WTO agreement allows for a TRQ of 54,700 tons at a 20 percent in-quota tariff rate. Shipments are allowed only during March 1 – June 30, 2011 when domestic production is minimal. Meanwhile, out-of-quota imports are subject to a 73 percent tariff rate with a surcharge of 180 baht/tons (\$6/MT). The Thais have never issued import permits on the basis that they are self-sufficient in corn production. However, under AFTA, countries in the region will be able to export tariff and quota free into Thailand from March 1 – June 30.

3. Wheat

Wheat Thailand	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0		0
Beginning Stocks	595	595	743	747		657
Production	0	0	0	0		0
MY Imports	1,920	1,822	1,700	1,900		2,000
TY Imports	1,920	1,822	1,700	1,900		2,000
TY Imp. from U.S.	415	494	0	500		520
Total Supply	2,515	2,417	2,443	2,647		2,657
MY Exports	172	170	170	170		170
TY Exports	172	170	170	170		170
Feed and Residual	700	600	700	900		1,000
FSI Consumption	900	900	950	920		950

Total Consumption	1,600	1,500	1,650	1,820		1,950	(1000 MT)
Ending Stocks	743	747	623	657		537	(1000 MT)
Total Distribution	2,515	2,417	2,443	2,647		2,657	(1000 MT)
Yield	0.	0.	0.	0.		0.	(MT/HA)

3.1 Production

Wheat production is insignificant in Thailand due to unfavorable climatic conditions, lack of seed development, and unattractive returns, as compared to other field crop such as rice and tapioca, which the Government provides domestic support to farmers. Cultivation is limited in the Upper Northern Region as a minor crop after the main-crop rice harvest, particularly in Maehongson province. Total production is estimated at approximately 500-600 tons in a cultivated area of 1,000 rai (160 hectares).

3.2 Consumption

MY2010/11 and MY2011/12 wheat consumption is revised up to 1.5 – 1.7 million tons due to strong demand for feed wheat. Feed wheat consumption is expected to increase to 0.6 million tons in MY 2010/11 and 0.9 million tons in MY2011/12, as compared to a historical average utilization rate of 0.2 - 0.3 million tons/year. The increase reflects the substitution of feed wheat for corn in feed rations due to high domestic corn prices.

Meanwhile, demand for milling wheat in the food processing industry slowed down as some large wheat-based food processing facilities—including instant noodle, bakery, and biscuit manufacturers—were affected by the floods. The flooding slowed down the economy, reducing GDP growth to 0.1 percent in 2011, as compared to 7.8 percent in the previous year. The Government expects that 60-70 percent of the industries affected by the floods to recover by the second quarter of 2012. However, the flooding proved to be a bonanza to bakery manufacturers, especially instant noodle manufacturers, which were not affected by the floods as these enjoyed a double digit growth in 2011. Overall instant noodle production increased 8.1 percent in 2011.

Additionally, the utilization of imported wheat flour, which accounts for approximately 15.0 percent of total wheat utilization, continued to increase in MY2010/11 by 32.6 percent and will further increase in MY2011/12 by around 10.0 percent in anticipation of growing production of instant noodle and biscuit and shrimp feed. Shrimp feed accounts for around 10.0 percent of total feed consumption. Imported wheat flour prices are 12-22 percent lower than locally produced flour. Presently, prices of locally produced wheat flour have declined around 10 percent from the previous year due to lower world wheat prices. Nonetheless, locally produced flour will likely dominate the market, particularly in instant noodle and biscuit production, due to the quality standards and after-sale services.

Table 3.1: Wholesales Prices of Local Wheat Flour			
Wheat Flour	Protein Content	Wholesale Prices	
		Baht/bag (22.5 kg.)	U.S. cent /pound
Bread	13.5 - 14.0	565-570	32
Noodle	11.5 - 12.0	510-530	29 - 30
All Purpose	10.0 - 10.5	480-490	30 - 31
Cake	10	690-700	41
Biscuit	8 - 10	425-450	24 - 25

MY2012/13 wheat consumption is forecast to increase to 1.9 million tons, up 7.0 percent from the previous year in anticipation of growing consumption of feed wheat and imported wheat flour. The substitution of feed wheat for corn in feed mills will likely remain strong due to upward pressure of domestic corn prices fueled by continued tight domestic supplies of corn and the growing livestock industry, particularly for poultry and shrimp production which are expected to increase by approximately 8.0 and 10.0 percent, respectively.

Wheat-based food consumption will likely increase around 3-4 percent from the previous year in anticipation of economic recovery from the previous year's flooding. The Government expects the economy will grow 5.5 – 6.5 percent in 2012 after an economic slowdown in the previous year. In addition, consumption of milling wheat will continue an upward trend because the largest flour mill in Thailand is expanding its production capacity by 20 percent by the end of 2013. Also, a new flour mill which is a joint-investment between the largest bakery and the largest instant noodle manufacturer will likely operate in early 2014 with a milling capacity of around 350 tons/day.

3.3 Trade

MY2010/11 and MY2011/12 total wheat imports are revised up to 1.8 and 1.9 million tons, respectively, due to an increase in feed wheat demand, as it is being used as a substitute for corn and tapioca in feed rations. Most feed wheat is low quality wheat from the Black Sea region. In addition, in MY2010/11, imports of wheat from Australia increased significantly by around 50 percent to 0.6 million tons, out of which 0.2 – 0.3 million tons are feed wheat, as Australia's wheat crop quality was adversely affected by unfavorable weather conditions. As for U.S. imports, these increased 10.6 percent to 0.5 million tons, all of which was used as milling wheat. Also, imports of wheat flour increased significantly to 0.3 million tons (grain equivalent) due to strong demand from noodle and biscuit manufacturers and shrimp feed millers as imported wheat flour prices are 12-22 percent lower than locally produced flour, especially from China, Vietnam, Sri Lanka and India. Imports of feed wheat and wheat flour will likely continue to increase 10-20 percent in MY2011/12 in anticipation of an increase in livestock production.

MY2012/13 wheat imports are forecast to increase to 2.0 million tons, up around 5.0 percent from the previous year. Import demand for feed wheat and wheat flour will likely remain strong in anticipation of the growing livestock industry and continued high domestic grain prices driven by tight corn supplies and the government's Pledging Program on rice and tapioca.

Import of milling wheat is expected to increase by 3-4 percent due to growing wheat-based food consumption. U.S. wheat imports will likely increase to 520,000 tons, up 4.0 percent from the previous year, particularly for high protein wheat which is typically used to produce premium bread flour.

Table: Thailand's Wheat Grain Imports

	2009		2010		2011		% Change 2011/2010	
	,000 US\$	Metric Ton	,000 US\$	Metric Ton	,000 US\$	Metric Ton	,000 US\$	Metric Ton
United States	147,356	497,180	159,323	529,520	168,273	422,904	5.6	-20.1
Australia	112,801	406,191	121,862	438,703	209,119	642,451	71.6	46.4
Canada	46,726	163,109	38,302	136,802	113,083	310,349	195.2	126.9
India	-	-	0	0	11,616	41,584	-	-
China	-	-	915	2,839	2,905	6,360	217.6	124.0
Russia	5,774	30,250	26,427	117,757	757	2,552	-97.1	-97.8
Romania	-	-	14,607	72,139	-	-	-100.0	-100.0
Liechtenstein	-	-	12	52	-	-	-100.0	-100.0
Lithuania	0	0	126	534	-	-	-100.0	-100.0
Turkey	-	-	13,152	56,249	-	-	-100.0	-100.0
Ukraine	1,583	7,132	13,284	62,837	-	-	-100.0	-100.0
Other	268	1,000	60,961	282,126	12	10	-100.0	-100.0
Total	314,508	1,104,863	448,972	1,699,560	505,764	1,426,210	12.6	-16.1

Source: Department of Customs

Table: Thailand's Wheat Flour and Products Imports

	2009		2010		2011		% Change 2011/2010	
	,000 US\$	Metric Ton	,000 US\$	Metric Ton	,000 US\$	Metric Ton	,000 US\$	Metric Ton
China	8,931	22,573	8,393	19,076	17,176	33,296	104.6	74.5
Turkey	10,748	28,737	12,260	35,413	16,219	36,115	32.3	2.0
Vietnam	1,246	2,851	6,165	14,789	16,098	28,887	161.1	95.3
Sri Lanka	1,550	3,903	6,734	16,329	14,347	28,148	113.0	72.4
Japan	7,971	14,960	9,654	18,579	9,872	15,792	2.3	-15.0
Singapore	4,796	10,691	8,289	19,012	9,844	16,824	18.8	-11.5
Slovenia	2,561	6,449	8,334	21,229	9,019	14,105	8.2	-33.6
Philippines	5,297	11,233	6,111	14,424	8,217	16,086	34.5	11.5
Australia	2,744	4,852	3,026	4,871	4,258	7,008	40.7	43.9
Italy	3,324	2,457	3,836	3,080	4,016	3,155	4.7	2.4
Indonesia	2,234	1,988	3,163	2,149	4,007	2,404	26.7	11.9
South Korea	1,814	2,159	2,128	2,450	3,307	2,715	55.4	10.8
Russia	200	570	856	2,730	2,911	6,437	240.0	135.8
Malaysia	1,463	3,502	1,227	2,623	2,691	2,584	119.2	-1.5
Latvia	312	897	1,669	4,322	1,679	3,339	0.6	-22.7
Taiwan	299	816	247	585	1,623	3,402	557.9	481.0
India	46	97	192	304	1,140	2,688	494.9	785.4
Ukraine	29	89	513	1,259	640	1,499	24.7	19.1
France	307	262	288	256	347	298	20.4	16.0
United States	191	52	111	62	174	48	56.3	-23.5
Other	2,420	4,788	1,408	1,894	1,607	1,419	14.1	-25.1
Total	58,482	123,925	84,606	185,438	129,191	226,248	52.7	22.0

Source: Department of Customs

3.4 Policy

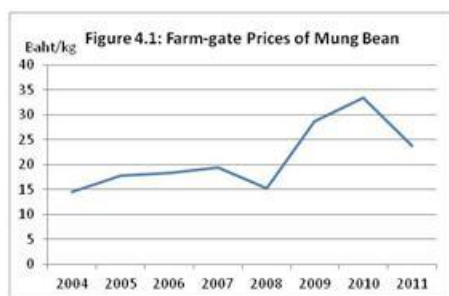
The tariff rate on imported wheat has been zero since September 2007. Meanwhile, the applied tariff on wheat flour is 5 percent, or 0.5 baht/kg (whichever is higher), except within AFTA (Brunei, Indonesia, Malaysia, Philippines, and Singapore) and ASEAN-Australia-New Zealand which is duty free since January 2010, however 40 percent of the content has to originate from the exporting country. (TH1035, Grain and Feed Annual 2011, March 22, 2011). Wheat flour imports from Vietnam which is a new member of ASEAN will be duty free in 2015 under AFTA. The imported wheat quality is low as such the US is not competitive in this market.

4. Beans

4.1 Production

Bean Thailand/Unit: 1,000 HA; 1,000 MT	2010			2011			2012		
	2010/2011			2011/2012			2012/2013		
	Market Year Begin: Jan 2010			Market Year Begin: Jan 2011			Market Year Begin: Jan 2012		
	USDA Official Data		Jan	USDA Official Data		Jan	USDA Official Data		Jan
			Data			Data			Data
Area Harvested		270	270		272	272			260
Beginning Stocks		3	3		3	3			3
Production		310	306		310	312			295
MY Imports		10	25		30	19			25
TY Imports		10	25		30	19			25
TY Imp. from U.S.		0	0		0	0			0
Total Supply		323	334		343	334			323
MY Exports		55	25		20	35			20
TY Exports		55	25		20	35			20
Feed and Residual		5	5		5	5			5
FSI Consumption		260	301		315	291			295
Total Consumption		265	306		320	296			300
Ending Stocks		3	3		3	3			3
Total Distribution		323	334		343	334			323
Yield		1.1481	1.1333		1.1397	1.1471			1.1346

MY2011/12 mung bean production will likely increase to 312,000 tons, up approximately 2.0 percent from the previous year due to favorable weather conditions. Meanwhile, the crop suffered marginal damage from the flooding as most of it is cultivated in high areas. MY2012/13 mung bean production is forecast to decline to 295,000 tons, down 5.0 percent from the previous year in anticipation of an acreage reduction as farmers will increase their off-season rice cultivation to the detriment of beans due to attractive prices driven by the Paddy Pledging Program.



4.2 Consumption

MY2011/12 mung bean consumption will likely decline to 296,000 tons, down approximately 3.0 percent from the previous year as food processing manufacturers were adversely affected by the flooding in the last quarter of 2011. According to the National Food Institute's estimate, food industry affected by the flooding accounted for approximately 15.0 percent of total food manufacturers. In addition, food processing manufacturers whose facilities were not located in the flooded areas had to reduce their capacity utilization by 10-30 percent due to the shortage of raw material caused by logistical difficulties.

MY 2012/13 mung bean consumption will likely recover in anticipation of growing domestic and export demand, especially in the second half of 2012 when food processing manufacturers will fully recover.

Also, the food industry will continue to expand their production capacity to meet the growing demand of diversified products such as vermicelli, bean flour, bean sprouts and cake, and various confectionary items. However, the use of mung beans in the feed industry remains marginal as prices are much higher than other grains.

4.3 Trade

MY2011/12 mung beans exports increased to 35,252 tons, up 42.5 percent from the previous year, due to large exportable supplies resulting from a reduction in domestic consumption. In MY2012/13, mung beans exports will likely drop to around 20,000 tons in anticipation of a growing domestic demand. The increase in domestic consumption will also result in import demand, particularly from Burma and Australia, of 19,000 tons.

4.4 Policy

Mung bean is a minor crop without any government support. The crop is normally promoted by government extensionists as a rotation crop to improve the soil quality, after the main-crop paddy has been harvested. As for imports, the tariff rate on imported mung beans is 5.0 percent, except from AFTA which is duty free.

End of Report

