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Thailand

Grain and Feed Update

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Report Highlights:
TH5133 – Water restrictions for MY2015/16 off-season rice remain in place as current water supplies available for all uses are far below 2014. Rotten rice stocks increased after quality re-inspection and may be sold for ethanol production and feed in 2015.

Post:
Bangkok

Executive Summary:

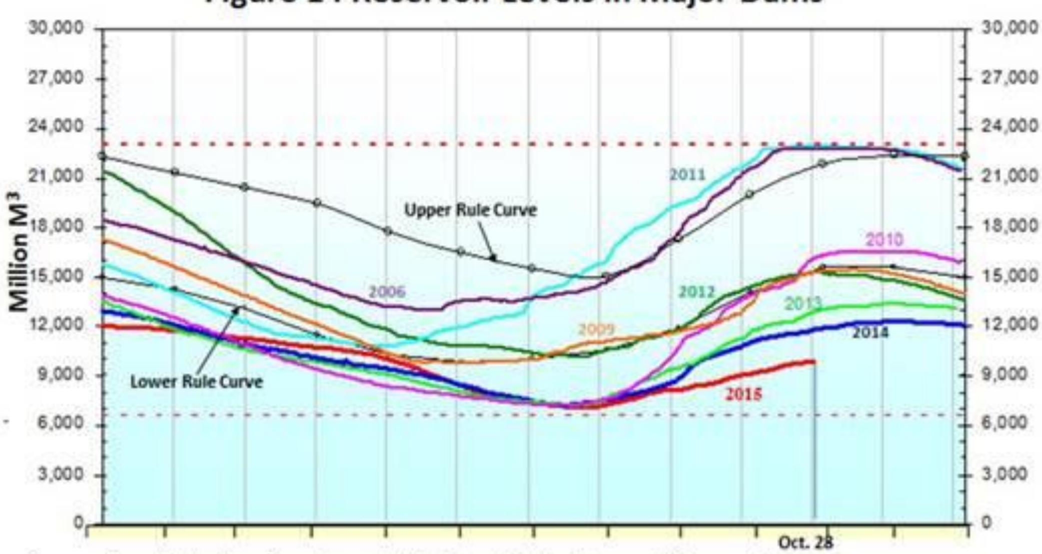
The forecast for MY2015/16 off-season rice production remains unchanged as the Royal Irrigation Department is still expected to restrict irrigation water supplies in the coming months. Water supplies for all uses for the dry season (November 2015 – April 2016) are 35 percent lower than in 2014 and 64 percent lower than the 10-year average. The Government is expected to sell 500,000 – 700,000 tons of its rotten rice for feed and ethanol production in 2015. Also, the Thai Cabinet approved a program for interest rate compensation to farmers. Under this program, the Bank for Agriculture and Agricultural Cooperatives will provide soft loans to farmers/farmer institutions. In addition, an on-farm pledging program for fragrant rice was announced to help prevent possible falling domestic rice prices during MY2015/16 main-crop rice harvest.

Author Defined:

1. Better-than-expected reservoirs but still not enough for irrigation

The Royal Irrigation Department (RID) reported that water supplies available for all uses (irrigation and household consumption) for the dry season (November 2015 – April 2016) in the lower northern region and central plains increased to 4.2 billion cubic meters in October 2015, compared to 3.6 billion cubic meters in September 2015. This is due to better-than-expected precipitation in October which is the end of rainy season in these areas. However, this increase in water supplies still does not provide enough for irrigation. Total available water supplies are 35- percent lower than at the same time in 2014 and 64 percent lower than the 10 year average (Figure 1). Critically low water supplies reflected below-average cumulative precipitation. The Thai Meteorological Department reported that cumulative rainfall in the northern region where major reservoirs are located is 16 percent below normal levels thru October 2015 (Table 1).

Figure 1 : Reservoir Levels in Major Dams



Source: Royal Irrigation Department, Ministry of Agriculture and Cooperatives

Table 1: Cumulative Rainfall in Thailand during January 1 - October 18, 2015							
Unit: Millimeter							
	North	Northeast	Central Plain	East	South		Nationwide
					East Coast	West Coast	
Normal Average (30 yrs avg: 1981-2010)	1,231	1,405	1,275	1,888	1,737	2,719	1,588
Normal Average (30 yrs avg: 1981-2010) during January 1 - October 18, 2015	1,154	1,356	1,185	1,765	1,015	2,327	1,379
2010	1,186	1,417	1,359	1,728	928	2,079	1,379
2011	1,663	1,648	1,503	2,037	1,581	2,662	1,787
2012	1,209	1,209	1,297	1,837	1,138	2,961	1,465
2013	1,201	1,457	1,295	2,160	1,058	2,744	1,526
2014	**1,016**	**1,296**	**928**	**1,548**	**870**	**2,357**	**1,249**
2015	**969**	**1,182**	**1,106**	**1,556**	**865**	**2,393**	**1,237**
Difference from Normal Average	**-185**	**-174**	**-79**	**-209**	**-149**	**65**	**-142**
% Change	-16.0	-12.8	-6.7	-11.8	-14.7	2.8	-10.3
Difference from 2014	**-47**	**-114**	**178**	**8**	**-4**	**36**	**-12**
% change	-4.6	-8.8	19.2	0.5	-0.5	1.5	-1.0
Source: Royal Irrigation Department							

2. Off-season rice ban still in place due to limited water supplies

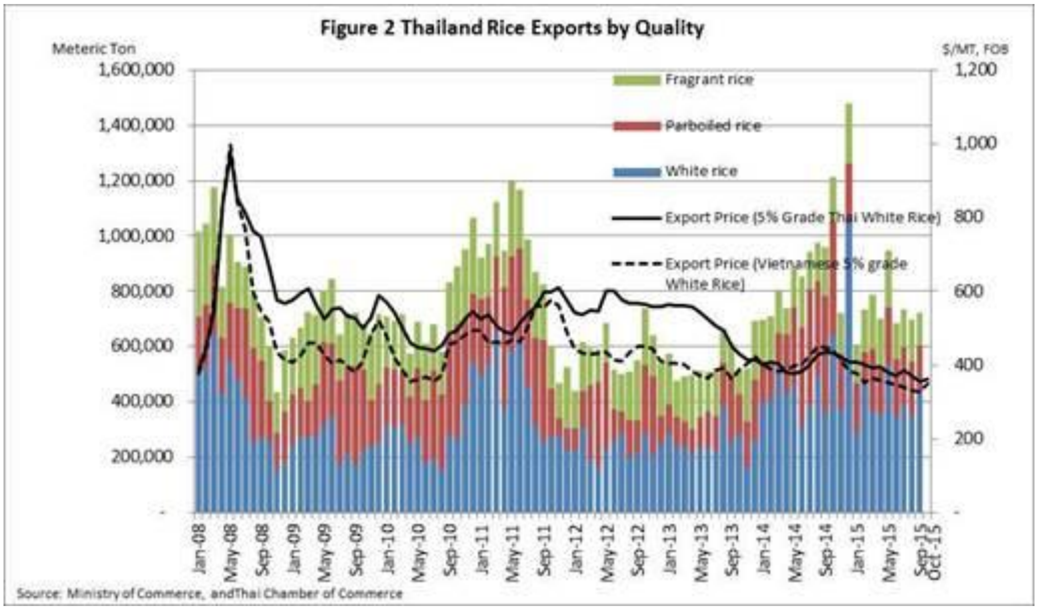
The forecast for MY2015/16 rice production remains unchanged at 16.4 million metric tons, which is down 15 percent from MY2014/15. This is due to a reduction in main-crop and off-season crop rice production due to drought in the northern region and central plains (Please see GAIN Report: TH5118 – Grain and Feed Update, September 2015).

The Government has announced bans on off-season rice cultivation due to limited water supplies which will be mainly reserved only for household consumption. The RID has taken a hard line since September that no irrigation stations will be authorized to supply water for the off-season rice crop. Despite these announcements, some area will be planted but it will be much lower than in previous years, farmers in upstream areas in the central plains have already prepared the land for planting off-season rice.

3. Exports

The forecast of rice exports in 2015 remains unchanged at 9 million metric tons, down 18 percent from 2014. According to the Thai Custom Department, rice exports from January – September 2015 totaled 6.6 million metric tons, down 13 percent from the same period in 2014. This was mainly due to increased competition from Vietnam and India. Parboiled rice exports declined to around 1.7 million metric tons, down 30 percent from the same period in 2014. Also, white rice export fell to 3.5 million metric tons, down 7 percent from the same period in 2014.

In the last quarter of 2015, monthly rice exports are expected to increase to 750,000 – 800,000 metric tons, compared to an average of 735,000 metric tons per month in the first nine months of 2015. This will be driven by the shipments of new-crop white rice under the Government-to-Government agreements with the Philippines and China (Please see GAIN Report: TH5132 – Weekly Rice Price Update, October 27, 2015). Also, Thai white rice is becoming more competitive as the price difference with Vietnam is currently smaller than earlier in the year (Figure 2). The increase in Vietnamese rice prices is driven by strong demand from the Philippines and Indonesia where rice production is reportedly adversely affected by natural disaster.



4. Stocks

The Government announced that it is holding rice stocks of around 13 million metric tons, compared to FAS/Bangkok estimate of 10.7 million metric tons. Its quality re-inspection in September and October indicated that rotten rice totaled 2 million metric tons. The Government has announced its intension to sell a portion of this rotten rice for livestock feed and ethanol production in November and December 2015. Sources expect that the Government is likely to sell around 500,000 – 700,000 metric tons of this rice to local small-scale feed mills at around 7,000 baht per metric ton ($198/MT) or to ethanol plants at around 3,000 baht per metric ton ($85/MT) if mycotoxin is over the maximum limits for feed. This amount has been accounted previously in total consumption and residual for 2014/15. Meanwhile, the Government still holds food-grade rice stocks of around 7 million metric tons. The remainder is mixed-grade rice (food and industrial grade) that has to be sorted out for food versus industrial grade before auctions.

There is a difference of around 2 million metric tons between Thai Government and FAS/Bangkok estimate of total 2014/15 ending stocks. There are ongoing reports that government estimates have yet to consider rice that is unaccounted for from 2010 – 2013 pledging programs.

5. Policy

On October 27, 2015, the Thai Cabinet approved a 2.2-billion baht ($61 million) program to assist farmers and to prevent falling farm-gate prices of MY2015/16 main-crop rice during the harvest. This program includes low-rate loans and on-farm pledging scheme. The Government will provide an interest rate compensation for the Bank of Agriculture and Agricultural Cooperatives' soft loan programs for farmers and farmer institutions. The on-farm pledging program aims to cover up to 2 million metric tons of fragrant rice paddy, or around 30 percent of total fragrant rice production. The intervention price is set at 14,000 baht per metric tons ($395/MT) which is about 10 percent above current market prices. Eligible farmers will also receive additional 1,000 baht per metric tons ($28/MT) for storage costs. This program is similar to the program operated from November 2014 thru February 2015. There was only limited use of the program at that time.

The Ministry of Agriculture and Cooperatives (MOAC) is considering additional measures to help farmers who will not be able to grow off-season rice in the lower northern and central plains due to the RID's water restriction measure. Local administrations are proposing projects to MOAC to help the farmers during the dry season. The projects reportedly focus on production cost reduction, debt suspension, job creation, and water management efficiency. Sources expect that the Thai Cabinet will consider this proposal for approval in November.

Appendix Tables:

Table A1: Thailand's Rice Production, Supply and Demand

Rice, Milled	2013/2014		2014/2015		2015/2016	
Market Begin Year	**Jan 2014**		**Jan 2015**		**Jan 2016**	
Thailand	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	10920	10920	10270	10643	9650	9650
Beginning Stocks	12808	12808	11724	11724	10074	10728
Milled Production	20460	20460	18750	19404	16400	16400
Rough Production	31000	31000	28409	29400	24848	24848
Milling Rate (.9999)	6600	6600	6600	6600	6600	6600
MY Imports	300	300	300	300	300	300
TY Imports	300	300	300	300	300	300
TY Imp. from U.S.	2	0	0	0	0	0
Total Supply	33568	33568	30774	31428	26774	27428
MY Exports	10969	10969	9000	9000	9500	8000
TY Exports	10969	10969	9000	9000	9500	8000
Consumption and Residual	10875	10875	11700	11700	12000	12000
Ending Stocks	11724	11724	10074	10728	5274	7428
Total Distribution	33568	33568	30774	31428	26774	27428
(1000 HA) ,(1000 MT)						

Table A2: Thailand's Rice Paddy Area, Production, and Yield

	2013/14			2014/15			2015/16 (October 2015 Forecast)		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area (million hectare)									
Cultivation	9.288	2.100	11.388	9.288	1.940	11.228	9.096	1.108	10.204
Harvest	8.920	2.000	10.920	8.900	1.743	10.643	8.709	0.941	9.650
Production (million ton)									
Rough	22.400	8.600	31.000	22.000	7.400	29.400	20.973	3.875	24.848
Rice	14.784	5.676	20.460	14.520	4.884	19.404	13.842	2.558	16.400
Yield (ton/hectare)	2.511	4.300	2.839	2.472	4.245	2.762	2.408	4.120	2.575

Source: FAS Estimate