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Thailand

Grain and Feed Update

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Report Highlights:

TH5069 – MY2014/15 second off-season rice harvest is underway while MY2015/16 main-crop rice cultivation is progressing well. Rice exports in the second half of 2015 are likely to accelerate for the remaining of the year.

Post:

Bangkok

Executive Summary:

MY2014/15 second off-season rice production is in good condition due to favorable weather. Harvest is presently underway in the central plains. Post's forecast of MY2014/15 rice production is unchanged at 19.4 million metric tons due to minimal drought damage so far in the second off-season rice crop.

MY2015/16 main-crop rice cultivation began in the northern regions and central plains. The Thai Meteorological Department expects normal precipitation during June to August. Post's forecast of Thai rice exports in 2015 remains unchanged at 11 million metric tons. Rice exports are likely to accelerate in the second half of 2015, which will offset the slowdown in the first four months of 2015. This will be driven by sales of government stocks and export subsidies, particularly under the government-to-government deals.

Rice will likely be no longer traded in the futures market when the Agricultural Future Exchange of Thailand completely merges with the Thailand Future Exchange PCL. This is due to small trading volume, resulting from a long-standing government intervention program.

Author Defined:**1. MY2014/15 Second Off-Season Rice Harvest is under way while 2015/16 main-crop rice cultivation begins**

Post conducted a field survey in the first week of May 2015 in the central plains and the lower northern region, which are major growing areas of MY2014/15 off-season rice. About 50-70 percent of farmers in the central plains grew second-off season rice which was in the flowering stage at the time of the travel period. Most of the rice crop was in good condition (Figure 1) due to sufficient water supplies. The central plains' second off-season crop normally accounts for about 35 percent of total off-season rice area.

Meanwhile, in the lower northern region which normally accounts for around 30 percent of total off-season rice area, only around 10 percent of farmers could grow a second off-season crop due to limited water supplies in irrigated areas. Most of them are in non-irrigated area where they have their own reservoirs. Rice crop was in good condition and about to be harvested by mid-May (Figure 2). Farmers who could not grow a second off-season crop were observed preparing the land for MY2015/16 main-crop rice cultivation after their first off-season harvest over the past couple of months. Post estimated planted area of second off-season rice in these regions at around 2.2 million rai (0.38 million hectares), of which 1.7 million rai (0.3 million hectares) are in the central plains and 0.5 million rai (0.08 million hectares) in the lower northern region. This will account for nearly 20 percent of total off-season rice cultivation.

Figure 1: Second Off-Season Rice in the Central Plains in Early May 2015



Figure 2: Second Off-Season Rice in the Lower Northern Region in Early May 2015



The MOAC' Disaster Center estimate, as of May 22, of drought damaged areas of the off-season rice crop remains unchanged at 1.2 million rai (0.2 million hectares). Drought mainly affected the first off-season rice production. Meanwhile, second off-season rice crop is in good condition due to favorable weather conditions. The Thai Meteorological Department (TMD) reported that cumulative rain from January 1 to May 24, 2015 was between 20 to 30 percent above the same period last year (Table 1). Also, the TMD announced that the rainy season officially began on May 22, 2015 and will end by mid-October. It expects normal precipitation in major rice growing areas during June to August.

Table 1: Cumulative Rainfall in Thailand during January - May 24, 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 - May 24, 2015	251	295	270	378	356	546	325
2010	154	235	172	289	221	402	227
2011	415	275	391	407	916	844	499
2012	307	356	237	383	620	969	434
2013	195	268	187	295	424	609	300
2014	172	199	184	189	202	437	212
2015	229	205	228	215	246	329	234
Difference from Normal Average	-23	-90	-42	-163	-110	-217	-91
% Change	-9.0	-30.6	-15.5	-43.2	-30.9	-39.7	-28.0
Difference from 2014	57	5	44	26	44	-108	22
% change	32.8	2.6	24.1	13.7	22.0	-24.7	10.3

Source: Royal Irrigation Department

According to the crop progress report from various agencies of the Ministry of Agriculture and Cooperatives (MOAC – as of May 1, 2015), around 11 million rai (1.8 million hectares) of MY2014/15 off-season rice was planted (Table 2). The report covers approximately 80 percent of total off-season rice areas as it does not account for small irrigation areas. Post expects that total planted area of MY2014/15 off-season rice will be around 12 million rai (1.9 million hectares), which is unchanged from the previous forecast. Harvested area will likely remain unchanged at 10.9 million rai (1.7 million hectares – Table 3) with total off-season rice production of around 5 million metric tons.

Table 2: MY2014/15 Off-Season Rice Cultivation in Thailand

Unit: Million Hectares (1 hectares = 6.25 rai)

Area	Target ^{1/}	Actual Planted ^{1/} (Oct. 2014 - May 1, 2015)	Expected Additional Area ^{2/} (by the end of the season)	Total ^{2/}
Irrigated Areas	0.29	1.12	0.13	1.25
Non-Irrigated Areas	0.67	0.64	0.05	0.69
Total	0.96	1.76	0.18	1.94

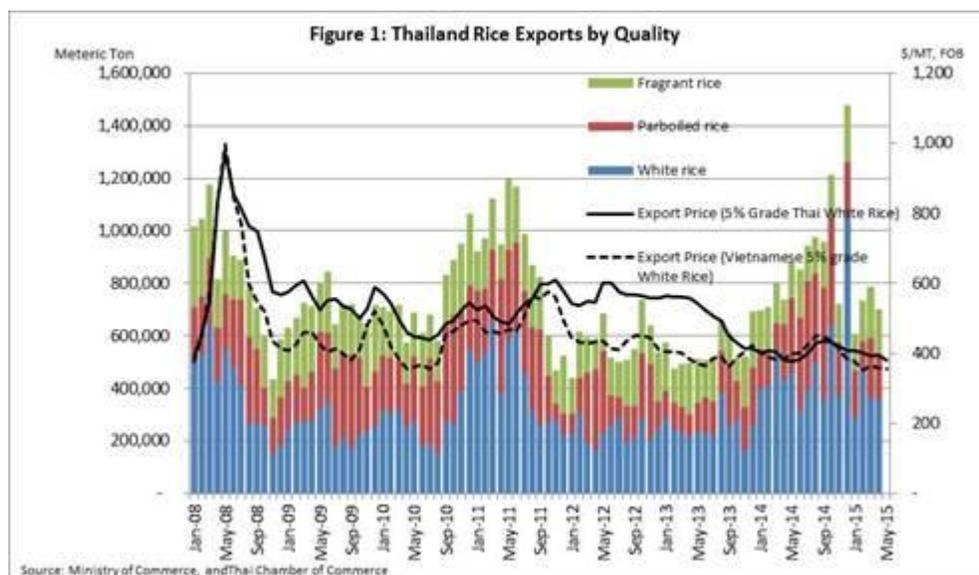
Source: ^{1/} Ministry of Agriculture and Agricultural Cooperatives (covering only about 80 percent of total area)^{2/} FAS Estimate

Area	2013/14			2014/15		
	First Crop	Second Crop	Total	First Crop	Second Crop	Total
Irrigated Areas	1.17	0.13	1.30	1.01	0.24	1.25
Non-Irrigated Areas	0.64	0.16	0.80	0.56	0.13	0.69
Total Planted Areas	1.81	0.29	2.10	1.57	0.37	1.94
Damaged area	0.10	0.00	0.10	0.20	0.00	0.20
Harvested area	1.71	0.29	2.00	1.37	0.37	1.74

Source: FAS Estimate

2. Government rice stocks sales and subsidies will help boost rice exports

In the first four months of 2015, Thai rice exports totaled 2.8 million metric tons, down 4 percent from the same period last year. This reflected a reduction in white rice exports which declined around 17 percent from last year due to price competition from Vietnamese rice (Figure 1). Currently, export prices for Vietnamese rice are approximately 10 percent cheaper than Thai rice. The price for exported Vietnamese rice (\$363/MT for 5% grade white rice) fell 7 percent from the same period last year, compared to Thai white rice export price (\$399/MT), which was virtually unchanged from the previous year. Meanwhile, parboiled rice exports increased to 0.7 million metric tons, up 17 percent from the same period last year. Thai fragrant rice exports increased 14 percent to 0.7 million metric tons.



Post's forecast of rice exports remains unchanged at 11 million metric tons in 2015. Thai rice exports are likely to accelerate in the second half of the year driven by the sales of government rice stocks and government-to-government contracts. The government reportedly plans to resume public tenders for 2 million metric tons of its rice stocks in June and July after its suspension during the seasonal harvest of off-season rice in April and May. The Rice Policy and Management Committee announced on May 18 that it is holding total rice stocks of 16 million metric tons. Of the total, only around 5 million metric tons are good quality rice. The remainder is low quality rice that the government plans to sell for industrial use, particularly for alcohol and ethanol production.

Trade sources indicated that the Thai Government has finalized another government-to-government

with China for 200,000 metric tons of new-crop 5% grade white rice. This is part of the memorandum of understanding (MOU) with the Chinese Government for 1 million metric tons which was signed in March 2014. By August 2015, the government expects to ship 600,000 metric tons of white rice to China under the government-to-government contract. The shipments in the past were subcontracted to rice exporters as the government had only old-crop in its rice stocks. Eligible rice exporters reportedly received an export subsidy of around \$10-20/MT which was paid in form of rice from the government stocks. The government also reported that it signed another MOU with the Chinese Government on May 6, 2015 for an additional 2 million metric tons of white rice for delivery in 2015 and 2016. This will consist of 1 million metric tons of new-crop white rice and 1 million metric tons from government stocks.

Traders expect that the Thai Government will participate in the Philippines National Food Authority (NFA) tender to import 250,000 metric tons of 25% grade new-crop white rice for delivery between July and August under a government-to-government contract. This is the second tender by the NFA this year. In order to compete with Vietnamese rice traders for the Philippines tender, the Thai Government will have to offer competitive prices. The Thai Government will likely have to increase its subsidies to Thai traders if prices for new crop rice remain at currently levels (\$350 - \$360 per MT), compared to Vietnamese rice prices at (\$330 – 340 per metric tons).

3. Rice no longer traded in AFET

The Agricultural Future Exchange of Thailand (AFET) announced that it is likely to stop trading rice when it completely merges with the Thailand Future Exchange PLC (TFEX), a subsidiary of the Stock Exchange of Thailand (SET). This is the result of its small trading volume. The merger is part of its plan to enhance efficiency in its operation in order to reduce transaction costs. Domestic and foreign investors will be able to trade agricultural products more efficiently through one single derivatives platform provided by TFEX.

Presently, AFET has stopped trading all commodities (except for para rubber sheet) during the integration process. It is likely that when the merger is completed, TFEX will have only para rubber sheet traded in the futures market due to inactive trading volume of other commodities (5% grade white rice, 100% grade fragrant rice, and tapioca chip). The small trading volume of these commodities reflects the government's market intervention programs in the past, particularly for rice and cassava.

Appendix Tables:

Table 1.1: Thailand' Rice Production, Supply and Demand

<i>Rice, Milled</i>	2013/2014		2014/2015		2015/2016		
	<i>Market Begin Year</i>		<i>Market Begin Year</i>		<i>Market Begin Year</i>		
	Jan 2014		Jan 2015		Jan 2016		
<i>Thailand</i>	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	10,920	10,920	10,270	10,643	10,685	10,686	(1000 HA)
Beginning Stocks	12,808	12,808	11,724	11,724	8,674	9,228	(1000 MT)
Milled Production	20,460	20,460	18,750	19,404	19,800	19,800	(1000 MT)
Rough Production	31,000	31,000	28,409	29,400	30,000	30,000	(1000 MT)
Milling Rate (.9999)	6,600	6,600	6,600	6,600	6,600	6,600	(1000 MT)
MY Imports	300	300	300	300	300	300	(1000 MT)
TY Imports	300	300	300	300	300	300	(1000 MT)
TY Imp. from U.S.	2	0	0	0	0	0	(1000 MT)
Total Supply	33,568	33,568	30,774	31,428	28,774	29,328	(1000 MT)
MY Exports	10,969	10,969	11,000	11,000	11,000	11,000	(1000 MT)
TY Exports	10,969	10,969	11,000	11,000	11,000	11,000	(1000 MT)
Consumption and Residual	10,875	10,875	11,100	11,200	11,400	11,500	(1000 MT)
Ending Stocks	11,724	11,724	8,674	9,228	6,374	6,828	(1000 MT)
Total Distribution	33,568	33,568	30,774	31,428	28,774	29,328	(1000 MT)
Yield (Rough)	2.8388	2.8388	2.7662	2.7624	2.8077	2.8074	(MT/HA)

Table 1.2: Thailand's Paddy Area, Production, and Yield

	2013/14			2014/15			2015/16		
	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	9,256	1,908	11,164
Harvest	8,920	2,000	10,920	8,900	1,743	10,643	8,869	1,817	10,686
Production (million ton)									
Rough	22,400	8,600	31,000	22,000	7,400	29,400	22,200	7,800	30,000
Rice	14,784	5,676	20,460	14,520	4,884	19,404	14,652	5,148	19,800
Yield (ton/hectare)	2.511	4.300	2.839	2.472	4.245	2.762	2.503	4.292	2.807

Source: FAS Estimate