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Thailand

Grain and Feed Update

July 2015

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Report Highlights:
TH5094 – For 2015, Thai rice exports are revised down to 9.0 million metric tons in anticipation of tighter exportable supplies of new-crop white rice and limited availability of good old-crop rice in the government socks. The government recently took precautionary steps to further limit irrigation water until next monsoon season. This is forecast to limit exportable supplies in 2016 which have been reduced from 10.0 to 9.5 million metric tons.

Post:
Bangkok

Commodities:
Rice, Milled

Executive Summary:

Post's forecast of MY2015/16 rice production remained unchanged at 18 million metric tons, a decline 7 percent from the previous year. This is due to on-going drought in irrigated areas, particularly in the lower northern region and the central plains. In July, the Government had to stop irrigation water supplies for main-crop rice in these regions due to critically low reservoir levels. Also, it has already announced that it will reduce the water discharge by half for the dry-season crops in 2016. In the past month, farm-gate prices of white rice paddy increased significantly in anticipation of tighter new-crop rice supplies. This will negatively affect Thai rice exports in the second half of 2015 and into 2016. Also, the government has depleted almost all of its good quality rice stocks. Thai rice exports are likely to decline to 9.0 million metric tons in 2015 and the export forecast for 2016 has been lowered to 9.5 million metric tons.

Author Defined:

1. More stringent measure on irrigation for rice

On July 14, 2015, the Government decided to further reduce the supply of water for agriculture in the lower northern region and central plains in order to save water for household consumption. This was due to critical reservoir levels and the late arrival of the normal rainy season. The water discharge from major dams was cut to 18 million cubic meters per day (effective on July 16) compared to 28 million cubic meters per day in June. This was 70 percent lower than normal discharge of around 60 million cubic meters per day. The Government will allow minimal irrigation specifically for main-crop rice which has already reached the panicle initiation and flowering stages about 1.5 million rai (0.2 million hectares) in the lower northern region and central plains in order to minimize the drought damage.

The Thai Meteorological Department reported that cumulative rainfall is still 24 percent below normal despite rain in July (Table 1 and Figure 1). Assuming normal precipitation between August and October, reservoirs are likely to be even lower for next dry-season crop in 2016. The Government plans to limit water discharge for next dry season in 2016 in the lower northern region and central plains to 30 million cubic meters per day which is only half of normal discharge rate. The priority is to ensure water available for household consumption in urban areas.

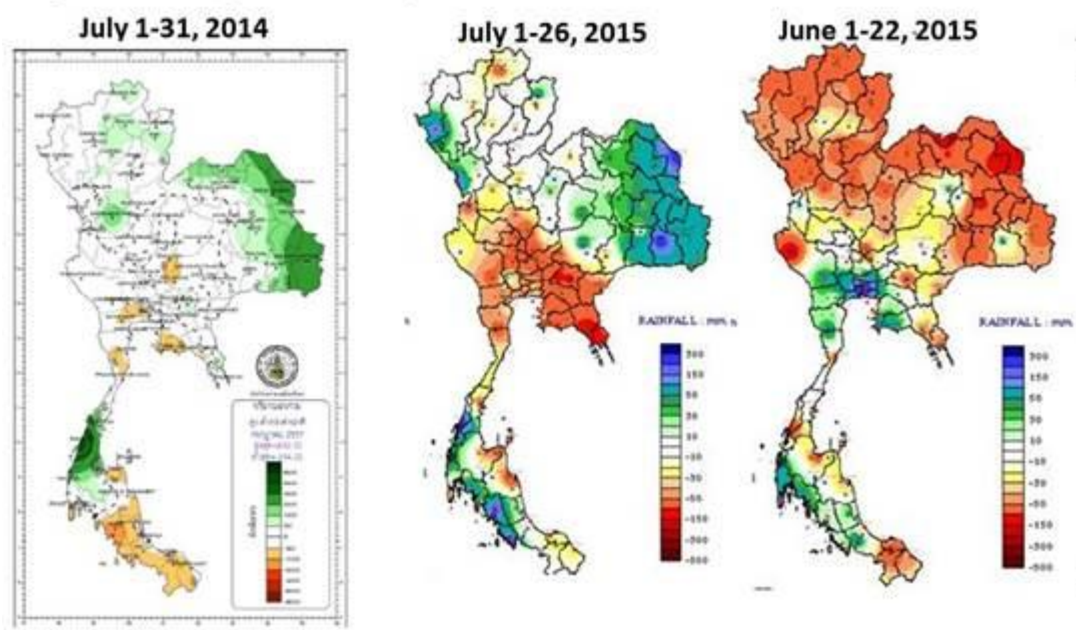
Table 1: Cumulative Rainfall in Thailand during January 1 - July 26, 2015

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 - July 12, 2015	591	719	580	922	600	1,211	725
2010	473	587	521	826	467	1,195	622
2011	888	712	819	952	1,180	1,429	948
2012	660	702	564	918	840	1,850	838
2013	526	703	539	1,055	653	1,616	764
2014	**516**	**694**	**438**	**729**	**429**	**1,228**	**632**
2015	**502**	**522**	**470**	**629**	**430**	**1,117**	**555**
Difference from Normal Average	**-89**	**-197**	**-110**	**-293**	**-170**	**-94**	**-170**
% Change	-15.0	-27.4	-19.0	-31.8	-28.3	-7.7	-23.5
Difference from 2014	**-14**	**-172**	**33**	**-99**	**1**	**-111**	**-77**
% change	-2.8	-24.8	7.4	-13.6	0.3	-9.1	-12.2

Source: Royal Irrigation Department

Figure 1: Precipitation Compared to Normal



Source: Thai Meteorological Department

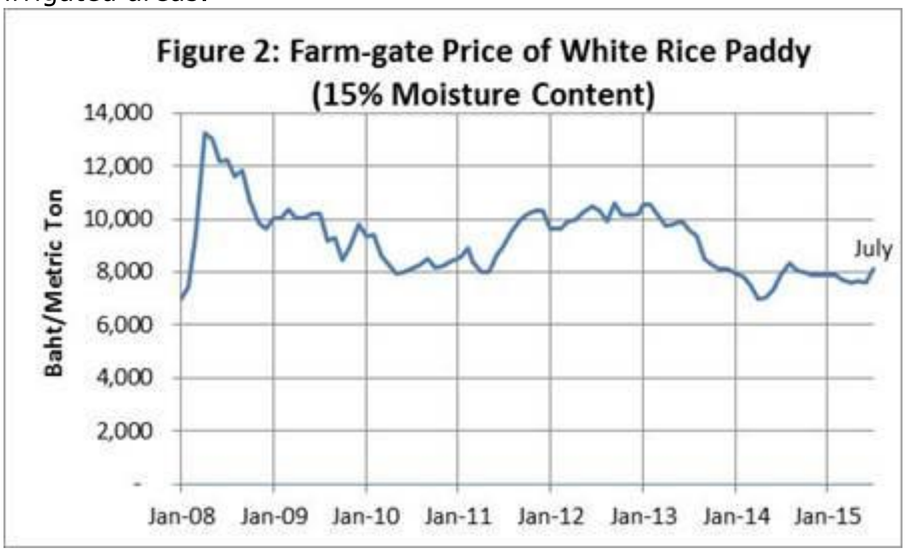
2. Main-crop rice planting progressed in the Northeast

As of July 2015, approximately 60 to 70 percent of main-crop rice reportedly was planted. In the northeastern region, which account for half of total main-crop rice production, rice planting is progressing due to well above normal precipitation in July (Figure 1). Meanwhile, planting progress in the irrigated areas in the lower northern region and central plains is far below average due to lack of irrigation water.

On July 29, according to the Ministry of Agriculture's Disaster Center report, around 0.5 million rai of main-crop rice had been affected by drought. In total, the Government expects that around 1.5 million rai of main-crop rice will likely be adversely affected by drought, particularly in the lower northern region and the central plains.

Since mid-July when the Government announced that it would supply only minimal irrigation for main-crop rice in the lower northern region and the central plains, farm-gate price of white rice paddy have increased significantly to around 8,400 baht per metric ton ($242/MT) compared to 7,600 baht per metric tons ($227/MT) in June 2015 (Figure 2). This is due to the expectation of tight supplies of new-crop white rice.

Post's forecast for MY2015/16 rice production remains unchanged from the previous forecast of 18 million metric tons. This will be a 7 percent reduction from MY2014/15 due to the impact of drought on yield and anticipated acreage reduction in main-crop and off-season crop rice in irrigated areas.



3. Exports revised down in 2015 and 2016

Post revised rice exports down to 9.0 million metric tons for 2015, a drop of 9 percent from 2014 due to competition from Vietnam and India and expected limited exportable supplies. In the first half of 2015, Thai rice exports totaled only 4.5 million metric tons, down 5 percent from the same period last year. This mainly reflected a reduction in white and parboiled rice exports. In mid-July 2015, the price difference between Thai rice and competitors (Vietnam and India) increased to $40-50/MT (Figure 3). The surge in export prices of Thai white rice is due to the expectation of tighter new-crop supplies. This will likely limit exports of Thai white and parboiled rice in the second half of the year and into 2016. Also, traders feel that the government has almost depleted its stocks of good quality rice. Around 3.2 million metric tons of good quality rice from the Government stocks were sold from January to July 2015. As of July 20, the Government announced that it is holding rice stocks of around 14 million metric tons. Of the total, it is expected that around 8 million metric tons are food-grade rice, of which around 0.7 million metric tons are good quality rice and around 7.3 million metric tons are sub-standard rice or unaccounted for. Meanwhile, around 6 million metric tons are non-food grade rice, of which around 5 million metric tons are still good for industrial use and around 1 million metric tons are rotten rice.

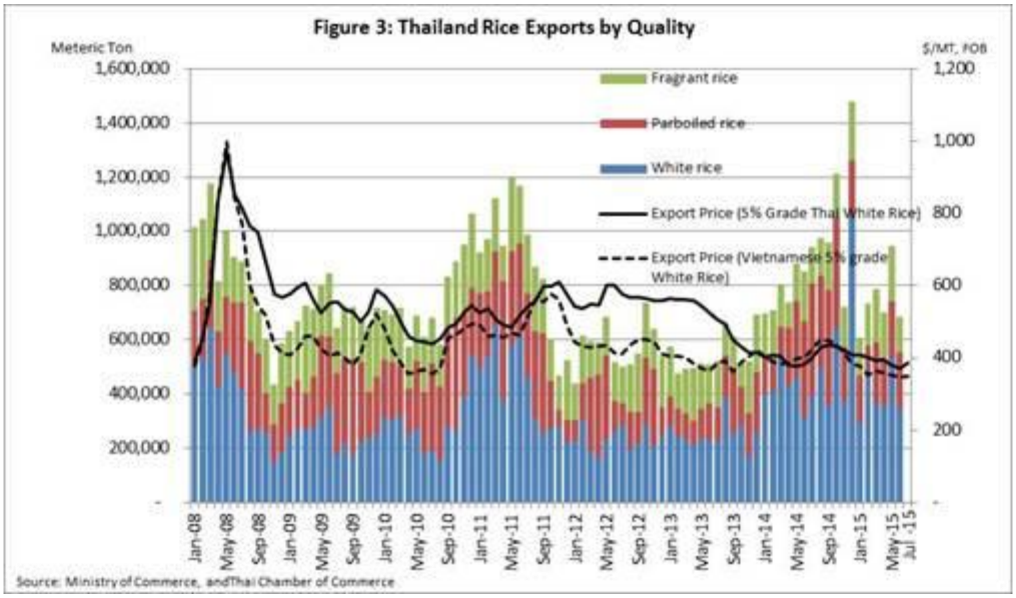


Figure 3: Thailand Rice Exports by Quality

In 2016, rice exports are now likely to only reach 9.5 million metric tons. This is due to tighter exportable supplies of white and parboiled rice in anticipation of smaller MY2015/16 off-season rice production due to the government's measure to limit irrigation water for rice crop.

Appendix Tables

Table 1: Thailand's Rice Production, Supply and Demand

Rice, Milled	**2013/2014**		**2014/2015**		**2015/2016**	
Market Begin Year	**Jan 2013**		**Jan 2014**		**Jan 2016**	
Thailand	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested	10920	10920	10270	10643	10525	10206
Beginning Stocks	12808	12808	11724	11724	9074	10728
Milled Production	20460	20460	18750	19404	19000	18000
Rough Production	31000	31000	28409	29400	28788	27273
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	28374	29028
MY Exports	10969	10969	10000	9000	10200	9500
TY Exports	10969	10969	10000	9000	10200	9500
Consumption and Residual	10875	10875	11700	11700	12000	12000
Ending Stocks	11724	11724	9074	10728	6174	7528
Total Distribution	33568	33568	30774	31428	28374	29028
(1000 HA) ,(1000 MT)						

Table 2: Thailand's Rice Paddy Area, Production, and Yield

	2013/14			2014/15			2015/16 (July 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	1.588	10.684
Harvest	8.920	2.000	10.920	8.900	1.743	10.643	8.709	1.497	10.206
Production (million ton)									
Rough	22.400	8.600	31.000	22.000	7.400	29.400	20.973	6.300	27.273
Rice	14.784	5.676	20.460	14.520	4.884	19.404	13.842	4.158	18.000
Yield (ton/hectare)	2.511	4.300	2.839	2.472	4.245	2.762	2.408	4.208	2.672

Source: FAS Estimate