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Thailand

Grain and Feed Update

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Report Highlights:

TH5118 – Record low-level reservoirs are likely to result in smaller MY2015/16 rice area and production. Exportable supplies of white and parboiled rice will likely be tighter in 2016.

Post:
Bangkok

Executive Summary:

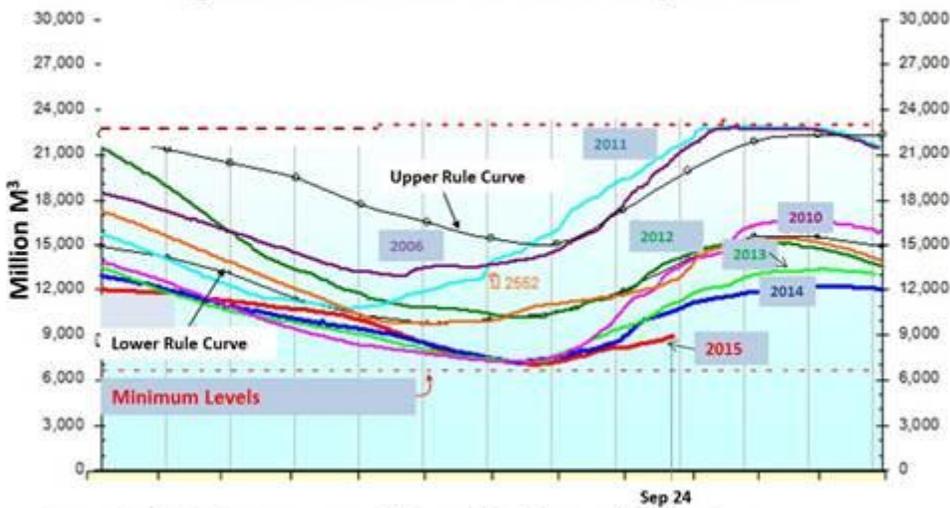
MY2015/16 rice production is revised down to 16.4 million metric tons due to expected acreage reductions of off-season rice caused by water shortages. This is likely to limit exportable supplies of white and parboiled rice in 2016. Total rice exports are expected to decline to 8 million metric tons in 2016.

Author Defined:

1. Reservoirs to be too low to supply irrigation for off-season rice crop in 2015/2016

The Thai Government has already warned farmers in the lower northern region and central plains that no irrigation water will be available for MY2015/16 off-season rice crops, beginning in November 2015. This is due to lower-than-expected water available in northern reservoirs. Currently, available water levels are 40-50 percent lower than in 2014 (Figure 1). The Thai Meteorological Department (TMD) reported that cumulative rainfall for all of the country is still 10 percent below normal thru September 2015 (Table 1). TMD expects precipitation to be 10-25 percent below normal levels in October in the northern region which is the watershed for major reservoirs that supply irrigation for rice crop and drinking water to many areas (including Bangkok).

Figure 1 : Reservoir Levels in Major Dams



Source: Royal Irrigation Department, Ministry of Agriculture and Cooperatives

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
(30 yrs avg: 1981-2010) during January 1 - September 22, 2015	1,019	1,218	975	1,515	845	1,959	1,191
2010	1,038	1,224	1,044	1,456	711	1,726	1,155
2011	1,484	1,461	1,291	1,687	1,461	2,244	1,556
2012	1,108	1,125	1,066	1,581	1,041	2,642	1,331
2013	1,062	1,275	1,044	1,748	894	2,375	1,299
2014	903	1,185	771	1,332	661	2,056	1,085
2015	861	1,041	861	1,318	747	2,078	1,067
Difference from Normal Average	-159	-177	-114	-197	-98	118	-125
% Change	-15.6	-14.6	-11.7	-13.0	-11.6	6.0	-10.5
Difference from 2014	-42	-144	90	-14	85	22	-19
% change	-4.7	-12.1	11.7	-1.1	12.9	1.1	-1.7

Source: Royal Irrigation Department

According to Royal Irrigation Department (RID) estimate, 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 will be only about 3.6 billion cubic meters. This will be a 40 -50 percent decline from 2014/15. As a result, on September 15, 2015 the RID announced that no irrigation stations will be authorized to supply water for the off-season rice crop in order to reserve water for household consumption (2 billion cubic meters for November 2015 – July 2016) and ecological management (1.4 billion cubic meters).

Under this announcement, water would be theoretically unavailable for about 6.5 million rai (estimated at 1.03 million hectares by FAS/Bangkok in GAIN Report: TH5082 – Grain and Feed Update, June 2015) in irrigated off-season rice areas. However, the impact will likely be felt on only about 3 million rai (0.48 million hectares, Table 2) which are located furthest from canals and therefore will have little or no rice production. Therefore, 3.45 million rai (0.55 million hectares) of irrigated off-season rice area is forecast to be planted in upstream areas and near multi-purpose canals. Meanwhile, the remaining off-season rice area (0.56 million hectares) which is normally non-irrigated is expected to be planted because it is located along river basins or on farm with private water availability.

Unit: million hectares				
Area	MY2013/14	MY2014/15	MY2015/16	
			June Estimate	September Estimate
Irrigated Areas	1.30	1.25	1.03	0.55
Non-Irrigated Areas	0.80	0.69	0.56	0.56
Total Planted Areas	2.10	1.94	1.59	1.11
Unplanted Areas	-	-	-	0.48

Source: FAS Estimate, September 2015

2. MY2015/16 Off-season rice production revised down due to water shortage

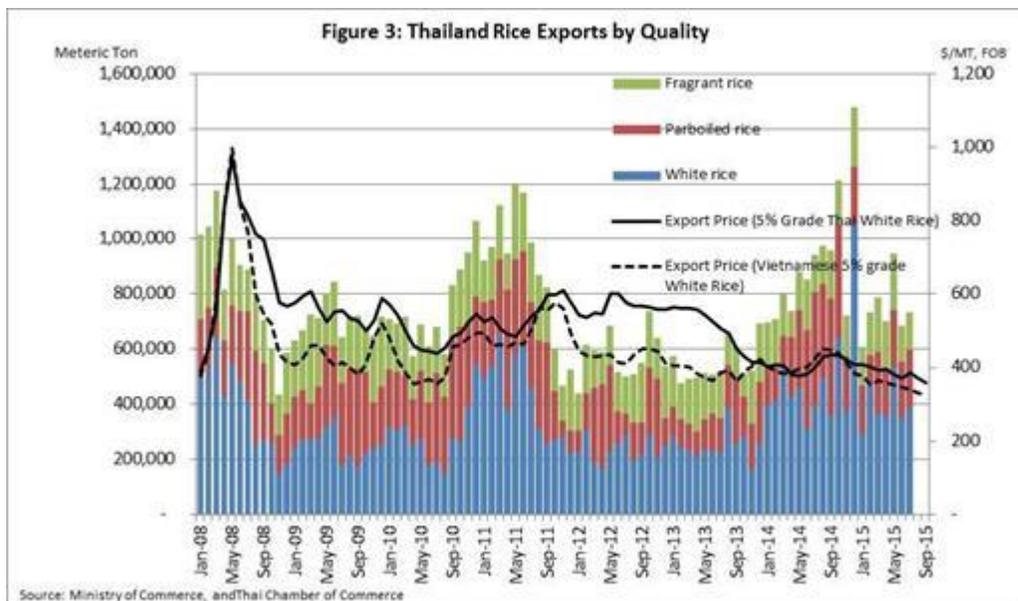
Post further revised down MY2015/16 rice production to 16.4 million metric tons, down 15 percent from MY2014/15, in anticipation of a further reduction in off-season rice production (Please see GAIN Report: TH5082 – Grain and Feed Update, June 2015). Specifically, MY2015/16 off-season

rice production is expected to decline to 2.6 million metric tons, down 47 percent from MY2014/15 (Table A1 and A2), as a result of lower planted area caused by water shortage (see Table 2). Post's forecast for MY2015/16 main-crop rice production remains unchanged at 13.8 million metric tons. This will be a 5-percent reduction from MY2014/15 main-crop rice production. The areas affected by drought are still limited to around 1 million rai (0.16 million hectares), mainly in the lower northern region and central plains. However, in some of these areas, local periodic rains in July and August have been beneficial in some locations to offset reduced irrigation water supplies. Meanwhile, main-crop rice production is reportedly in good condition in the northeastern region, which accounts for around half of total main-crop rice production, due to good precipitations in July and September.

3. Rice exports revised down to 8 million metric tons in 2016

Thai rice exports are revised down to 8 million metric tons in 2016, a drop of around 10 percent from 2015, in anticipation of tighter exportable supplies of white and parboiled rice. This is the result of reduction in MY2015/16 off-season rice production which seasonally enters the market in March – June 2016. Also, sources indicated that the government has already sold off all of its good quality food-grade rice stocks. As a result, future Government tenders are expected to focus on sales of around 7 million metric tons of substandard rice. This rice quality could be reprocessed prior to export. Sources expect the government held rice stocks to continue to deteriorate in quality in 2016.

Post's 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 to July 2015 totaled 5.2 million metric tons, down 8 percent from the same period last year. This mainly reflected a reduction in white and parboiled rice exports reportedly due to competition from Vietnam and India. For the balance of 2015, monthly rice exports are expected to be average 750,000 metric tons per month as the Government will likely limit the sales of its stocks to avoid downward pressure on domestic farm-gate prices during the seasonal harvest of main-crop rice in October to December. Export prices of Vietnamese rice were approximately 10 percent cheaper than Thai rice during January – August 2015. Also, the Government has run down its good quality stocks. The Government has sold around 4 million metric tons of its rice stocks from January to September 2015. Most of them are 5% grade white rice for exports to African countries.



4. Policy: Ban on off-season rice from the Government but local administrations will be responsible for drought relief program

The Thai Government has instructed the RID to ban MY2015/16 off-season rice planting in irrigated areas. The Government also tasked local administrations to propose work projects to create income for farmers who will not be able to plant off-season rice in 26 provinces in the lower northern region and central plains (22 provinces in Chao Praya basin and 4 provinces in Mae Klong basin) where irrigation water will not be approved. The Government plans to provide soft loans to support the approved projects which are expected to be finalized in October 2015. The projects will have to be consistent with the Ministry of Agriculture and Cooperatives' Farmer Assistance Programs which mainly focus on a production cost reduction, debt suspension, job creation, and water management efficiency.

While the local administrations are proposing the programs to help the farmers during the dry season, the Cabinet already approved a 385-million-baht program (\$11 million) for interest rate compensation to encourage rice millers to stock up to 3 million metric tons of MY2015/16 main-crop rice paddy for two to six months (beginning October 1, 2015 to September 30, 2016). The program is aimed to increase farm-gate prices of white rice paddy to 8,500 baht per metric ton (\$236/MT), compared to current farm-gate prices of 7,800 baht per metric tons (\$217/MT).

Appendix Tables:

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

Rice, Milled Market Begin Year Thailand	2013/2014		2014/2015		2015/2016	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	10920	10920	10270	10643	10200	9650
Beginning Stocks	12808	12808	11724	11724	10074	10728
Milled Production	20460	20460	18750	19404	18000	16400
Rough Production	31000	31000	28409	29400	27273	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	28374	27428
MY Exports	10969	10969	9000	9000	10200	8000
TY Exports	10969	10969	9000	9000	10200	8000
Consumption and Residual	10875	10875	11700	11700	12000	12000
Ending Stocks	11724	11724	10074	10728	6174	7428
Total Distribution	33568	33568	30774	31428	28374	27428

(1000 HA) ,(1000 MT)

	2013/14			2014/15			2015/16						
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	(August 2015 Forecast)			(September 2015 Forecast)			
							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	9,096	1,108	10,204	
Harvest	8,920	2,000	10,920	8,900	1,782	10,682	8,708	1,497	10,205	8,708	0,981	9,689	
Production (million ton)													
Rough	22,400	8,600	31,000	22,000	7,400	29,400	20,979	6,900	27,879	20,979	3,875	24,854	
Rice	14,784	5,676	20,460	14,920	4,884	19,804	13,840	4,188	18,028	13,840	2,688	16,528	
Yield (ton/hectare)	2,511	4,300	2,889	2,477	4,246	2,767	2,408	4,208	2,477	2,408	4,100	2,477	

Source: FAS Estimate

