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Thailand

Grain and Feed Update

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Report Highlights:

MY2017/18 main-crop rice and corn planting is unlikely to be delay due to favorable rainfall and a recovery in reservoir levels. Domestic corn prices remain under downward pressure despite the domestic corn absorption requirements under the new import regulations for feed wheat. Feed wheat imports have declined significantly as a result of the new regulations.

Post:
Bangkok

Executive Summary:

MY2017/18 main-crop rice and corn planting is unlikely to be delay due to favorable rainfall and a recovery in reservoir levels. Post's rice production forecast remains unchanged at 19.5 million metric tons, up 5 percent from MY2016/17 in anticipation of a recovery in main-crop rice production due to sufficient irrigation supplies. The export forecast for rice in 2017 remains unchanged at 10 million metric tons driven by the sale of government stocks and the recovery of white rice supplies. The government is expected to sell all of their food-quality rice stocks in 2017 which totals approximately 3 million metric tons.

Post's forecast for corn production remains unchanged at 4.9 million metric tons, down 6 percent from MY2016/17 in anticipation of an acreage reduction in response to unattractive returns. Despite the domestic corn absorption requirements under the new import regulations for feed wheat, farm-gate prices for corn remain under downward pressure in line with world corn prices. Additionally, the recent sale of 1.4 million metric tons of government feed-quality rice stocks to swine feed industry will likely reduce domestic demand for corn and imported feed wheat throughout 2017.

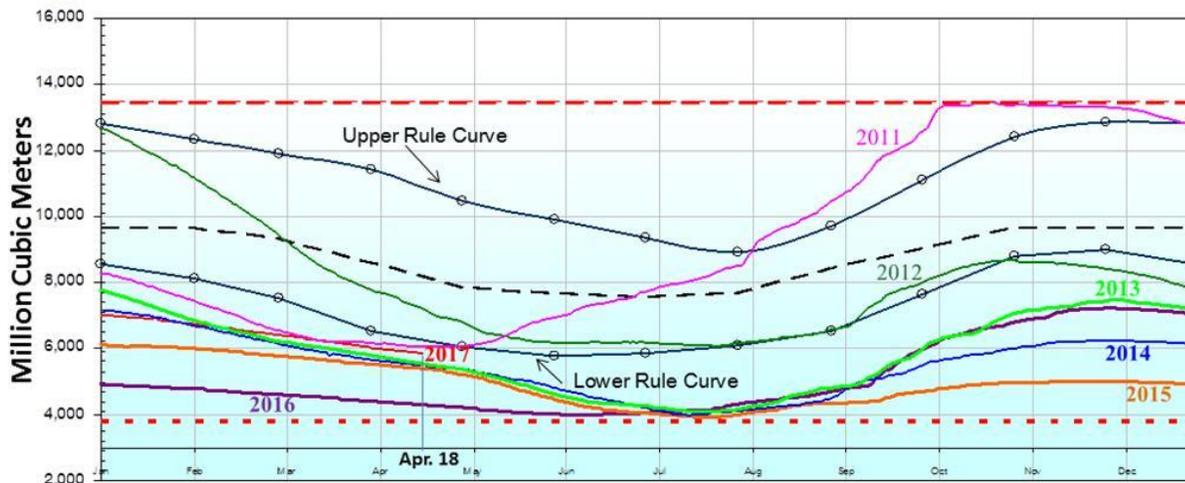
Feed wheat imports have declined significantly since the new import regulations were implemented in January 2017. Post foresaw this trend, so the forecast for wheat imports remains unchanged at 3.6 million metric tons in MY2016/17 and 3 million metric tons in MY2017/18.

1. Rice Update

1.1 No Delay in MY2017/18 Main-Crop Rice Planting

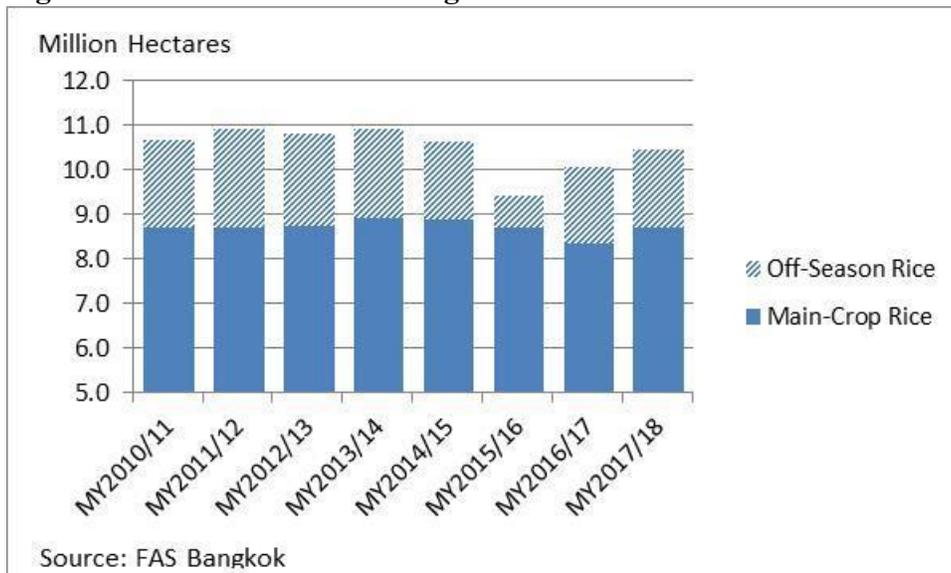
Unlike in MY2016/17 when severe drought delayed and prevented farmers from planting main-crop rice in many irrigated areas in the lower northern region and the central plains, farmers will be able to plant MY2017/18 main-crop rice as usual in May 2017 due to sufficient water supplies. Main-crop rice acreage in these areas accounts for approximately 20 percent of total main-crop rice production. The government recently announced their support for the Royal Irrigation Department's plan to supply water for main-crop rice planting in May 2017, compared to last year when irrigation supplies were not available until August 2016 which was too late for main-crop rice planting in many locations. As of April 18, 2017, the RID reported that water supplies in major reservoirs totaled 4.9 billion cubic meters, which is more than double last year's record low levels (Figure 1). Therefore, Post's forecast for MY2017/18 rice production remains unchanged at 19.5 million metric tons which is approximately a 5 percent increase from MY2016/17 in anticipation of a recovery of main-crop rice production.

Figure 1: Water Supplies in Major Reservoirs



Source: Royal Irrigation Department, Ministry of Agriculture and Cooperatives

Figure 2: Thailand's Rice Acreage



Source: FAS Bangkok

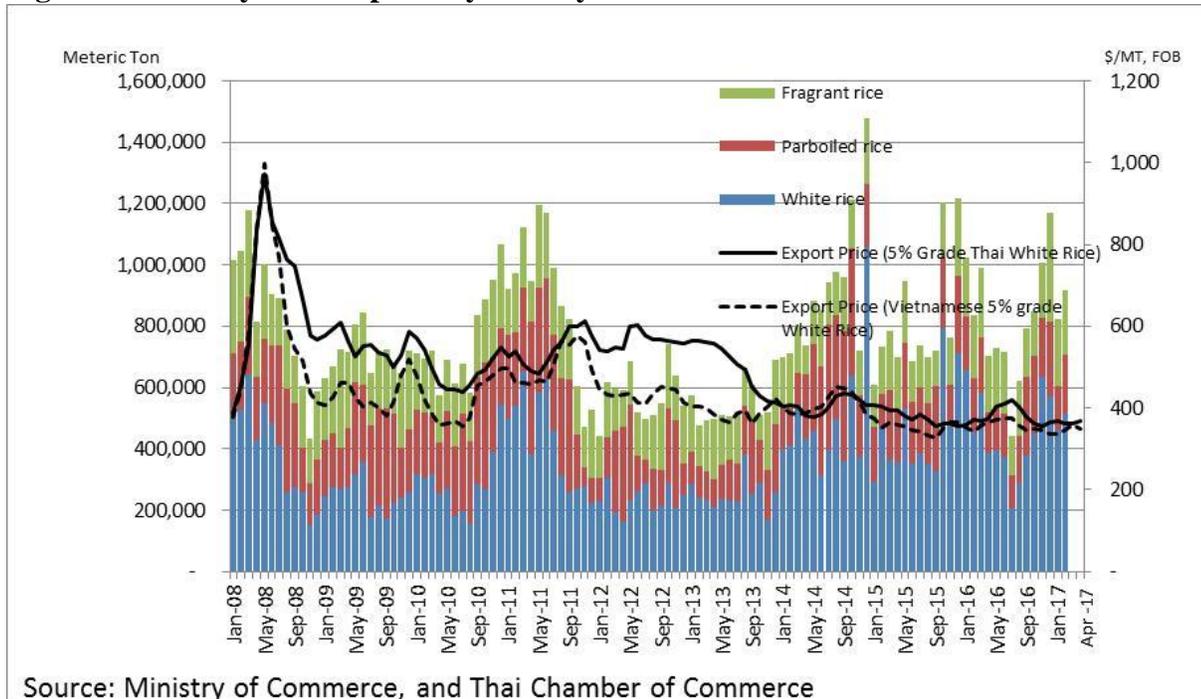
According to the Ministry of Agriculture and Cooperatives' crop report on April 5, 2017, MY2016/17 off-season rice planting area totaled approximately 12 million rai (1.9 million hectares), of which about 8 million rai (1.3 million hectares) were in irrigated areas. According to this report, second off-season rice acreage increased significantly to 0.2 million rai (0.03million hectares), from 31,000 rai (4,960 hectares) the previous year due to sufficient irrigation supplies (Figures 1 and 2). This year, the RID has provided irrigation supplies to rice farmers through April 2017 even though the government is also encouraging rice farmers to shift to alternative crops that are less water intensive. Presently, approximately 60 percent of MY2016/17 off-season rice production has been harvested. The MY2016/17 off-season rice harvested area will likely more than double last year's off-season acreage due to sufficient irrigation supplies. As a result, MY2016/17 off-season rice production should recover from the drought-triggered record low production in MY2015/16. Post's forecast for MY2016/17 rice production remains unchanged at 18.6 million metric tons which is an 18 percent increase from

MY2015/16.

1.2 Exports

According to the Thai Customs Department, Thai rice exports during January - March 2017 totaled 2.7 million metric tons, down 6 percent from the same period last year due to a reduction in white rice exports. Exports of white rice declined to 1.3 million metric tons, down 19 percent from the same period last year due mainly to competition from Vietnamese rice which was approximately 30-40 USD/MT cheaper. Additionally, the government suspended the sale of old-crop white rice stocks during the harvest of main-crop rice in January and February 2017. Typically, old-crop white rice from government stocks is very competitive in the African market as the price is 30-35 USD/MT cheaper than new-crop white rice. However, at the same time, exports of parboiled rice increased 10 percent and fragrant rice increased 4 percent from the same period last year, totaling 0.5 and 0.7 million metric tons, respectively. Post's forecast for Thai rice exports remains unchanged at 10 million metric tons in MY2016/17 and MY2017/2018, up 1 percent from last year, driven by the government's sale of the remaining rice stocks in the second and third quarter of 2017.

Figure 3: Monthly Rice Exports by Variety



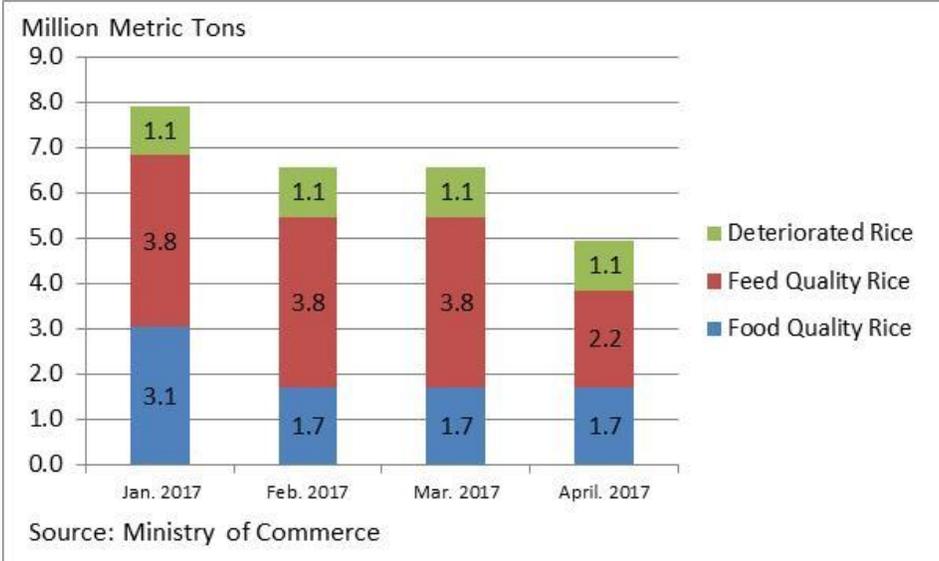
Source: Ministry of Commerce, and Thai Chamber of Commerce

1.3 Stocks

By the end of April 2017, the government rice stocks are expected to decline to approximately 5 million metric tons consisting of 1.7 million metric tons of food-quality rice, 2.2 million metric tons of feed-quality rice, and 1.1 million metric tons of deteriorated rice. This is a 38 percent reduction from the amount of rice held by the government at the start of 2017. From January to April 2017, the government announced the sale of approximately 3 million metric tons of rice from two tenders issued on February 16, 2017 and March 23, 2017. These sales consisted of 1.4 million metric tons of food-

quality rice, and 1.6 million metric tons of feed-quality rice. Around 1.4 million metric tons of the feed-quality rice was sold to Thai swine feed mills. Additionally, the Thai government has announced that it will issue a new tender for 1 million metric tons of deteriorated rice stocks on April 28, 2017. The deteriorated rice stocks will mainly be used for ethanol production. The government also plans to retender the remaining 1.7 million metric tons of food-quality rice stocks in May 2017, followed by tenders for feed quality and deteriorated rice in June and July 2017, respectively.

Figure 4: Estimated Government Rice Stocks



Post’s forecast for MY2016/17 rice stocks remains unchanged at around 6 million metric tons, a decline from MY2015/16 due to the sale of government stocks. Around half of the forecasted MY2016/17 rice stocks are expected to be government owned old-crop rice.

1.4 Policy Update

The government did not implement the on-farm pledging program for MY2016/17 off-season rice. However, the government did extend the Interest-Rate Subsidy Program to encourage rice millers and traders to store MY2016/17 off-season rice between April 1 – July 31, 2017 in order to stabilize farm-gate prices of off-season rice. Off-season rice currently has a farm-gate price of 7,300 – 7,800 baht per metric ton (217-226 USD/MT), compared to 7,500 – 8,000 baht per metric ton (217-232 USD/MT) for the same period last year. Rice millers participating in this program will receive a 3 percent interest rate discount from the banks for 2 to 6 months of storage. This is a slight reduction from the 4 percent interest rate discount that was provided for MY2016/17 main-crop rice paddy. Approximately 3.8 million metric tons were stored under this program from November 1, 2016 – March 31, 2017. The government paid 368 million baht (\$10.5 million dollar) as a compensation for the interest rate discount the banks provided to the farmers.

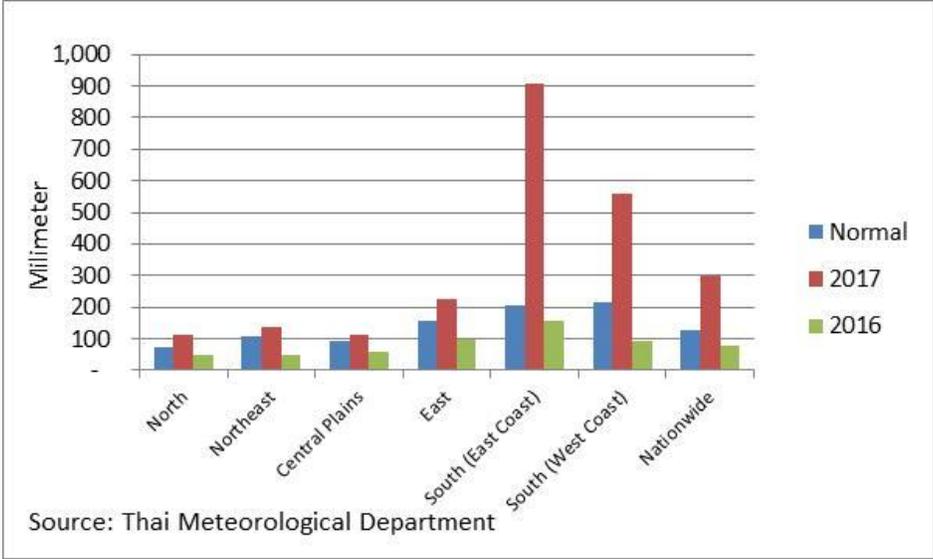
2. Corn Update

Despite the domestic corn absorption requirement under the new import regulations for feed wheat,

farm-gate prices for corn remain under downward pressure. In the first quarter of 2017, farm-gate prices for corn averaged 6,280 baht per metric ton (182 USD/MT). This is a 22 percent reduction from average farm-gate prices of around 8,100 baht per metric ton (235 USD/MT) for the same period last year. Feed mills reportedly have had large inventories of feed wheat during the first quarter of 2017 that they imported prior to the implementation of the new import regulations. Additionally, large feed mills are only purchasing corn grown on privately owned land due to concerns about the EU potentially banning livestock products raised on corn-based feed from deforested areas. Corn from untitled land is reportedly being sold to export markets. However, export prices for corn have declined approximately 40 percent from last year due to lower prices on the world market. During the first eight month of MY2016/17, corn exports totaled 0.4 million metric tons, a significant increase from the same period last year in which corn exports totaled only 67,350 metric tons. Also, the sale of 1.4 million metric tons of feed-quality rice from government stocks for the swine feed industry in late April 2017, will likely reduce demand for domestic corn in swine feed rations throughout 2017 as the sale price of feed-quality rice stocks is approximately 30 percent lower than the domestic price for corn.

MY2017/18 corn planting has reportedly begun in the main growing areas in the northern region due to favorable weather conditions (Figure 5). Corn production in this region accounts for approximately 70 percent of total corn production. Some corn areas in the northeastern region have reportedly shifted to sugarcane production due to relatively higher return. Farm-gate prices for sugarcane increased 28 percent in the first quarter of 2017. Post’s forecast for corn production remains unchanged at 4.9 million metric tons. This is a 6 percent reduction from MY2016/17 in anticipation of an acreage reduction.

Figure 5: Cumulative Precipitation from January 1 – April 17, 2017



3. Wheat Update

Thai Feed Mill Association (TFMA) is negotiating with the government over the new import regulations on feed wheat that were implemented in January 2017. These new regulations require feed mills to purchase domestic corn prior to importing feed wheat (at a 3:1 domestic absorption rate of imported feed wheat/domestic corn). The TFMA wants the government to reconsider the corn

absorption rates for feeds which do not typically use corn, such as fish feed, shrimp feed, and pet food. However, the government is reportedly considering an exemption only for the shrimp feed industry and may allow them to import approximately 110,000 metric tons of feed wheat without being required to use domestic corn. This figure is based on the amount of feed wheat that has historically been imported for shrimp feed production, and accounts for 10-20 percent of the total shrimp feed ration. The government is also considering a 2:1 domestic corn absorption rate for a pet food producer that requires approximately 20,000 metric tons of feed wheat annually. The Ministry of Commerce in consultation with the Ministry of Agriculture and Cooperatives' Department of Livestock Development and Department of Fishery is seeking cabinet approval which may be granted in the next couple of months.

The new feed wheat import regulations have caused a significant reduction in Thai feed wheat imports. During January – February 2017, imports of feed wheat totaled 226,170 metric tons, down 60 percent from the same period last year, with the quantity imported from the Ukraine declining 86 percent. For the first eight months of MY2016/17, all wheat imports totaled 2.9 million metric tons. This is a 7 percent reduction from the same period in MY2015/16 due mainly to the reduction in imported feed wheat which declined to approximately 2.1 million metric tons, down 8 percent from the same period in MY2015/16. Also, imports of milling wheat declined approximately 4 percent due to lower imports of Canadian wheat due to concerns about crop quality. Meanwhile, U.S. wheat imports increased to approximately 0.4 million metric tons, up 4 percent from the same period of MY2015/16.

Post's forecast of declining wheat imports remains unchanged at 3.6 million metric tons in MY2016/17 and 3 million metric tons in MY2017/18 due to the reduction in feed wheat imports. In addition to the new import regulations, the sale of government feed-quality rice stocks of around 1.6 million metric tons in April 2017 will reduce import demand for feed wheat in swine feed rations as the price of feed-quality rice stocks is 30-35 percent lower than the price for imported feed wheat.

Appendix Tables

Table 1.1: Thailand's Rice Production, Supply, and Demand

Rice, Milled	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
Thailand	USDA	New	USDA	New	USDA	New

	Official	Post	Official	Post	Official	Post
Area Harvested	9444	9444	10083	10083	0	10480
Beginning Stocks	11270	11270	8403	8387	0	6187
Milled Production	15800	15800	18600	18600	0	19500
Rough Production	23939	23939	28182	28182	0	29545
Milling Rate (.9999)	6600	6600	6600	6600	0	6600
MY Imports	300	300	250	200	0	200
TY Imports	300	300	250	200	0	200
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	27370	27370	27253	27187	0	25887
MY Exports	9867	9883	10000	10000	0	10000
TY Exports	9867	9883	10000	10000	0	10000
Consumption and Residual	9100	9100	10300	11000	0	11500
Ending Stocks	8403	8387	6953	6187	0	4387
Total Distribution	27370	27370	27253	27187	0	25887

(1000 HA) ,(1000 MT)

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

	2015/16			2016/17			2017/18		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area									
(Million Hectares)									
Cultivation	9.096	1.055	10.151	8.745	1.900	10.645	8.960	1.920	10.880
Harvest	8.709	0.735	9.444	8.373	1.710	10.083	8.720	1.760	10.480
Production									
(Million Tons)									
Rough	20.973	2.966	23.939	20.909	7.273	28.182	21.970	7.575	29.545
Rice	13.842	1.958	15.800	13.800	4.800	18.600	14.500	5.000	19.500
Yield	2.408	4.035	2.535	2.497	4.253	2.795	2.519	4.304	2.819
(Ton/Hectare)									

Source: FAS Estimate

Table 2: Thailand's Corn Production, Supply, and Demand

Corn	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1090	1090	1168	1168	0	1100
Beginning Stocks	139	139	172	172	0	372

Production	4700	4700	5200	5200	0	4900
MY Imports	600	600	600	600	0	700
TY Imports	600	600	600	600	0	700
TY Imp. from U.S.	2	0	0	0	0	0
Total Supply	5439	5439	5972	5972	0	5972
MY Exports	367	367	400	500	0	300
TY Exports	439	310	400	500	0	300
Feed and Residual	4800	4800	5200	5000	0	5300
FSI Consumption	100	100	100	100	0	100
Total Consumption	4900	4900	5300	5100	0	5400
Ending Stocks	172	172	272	372	0	272
Total Distribution	5439	5439	5972	5972	0	5972

(1000 HA) ,(1000 MT)

Table 3: Thailand's Wheat Production, Supply, and Demand

Wheat	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	865	865	1002	885	0	545
Production	0	0	0	0	0	0
MY Imports	4872	4691	3600	3600	0	3000
TY Imports	4872	4691	3600	3600	0	3000
TY Imp. from U.S.	679	632	0	650	0	670
Total Supply	5737	5556	4602	4485	0	3545
MY Exports	235	235	250	220	0	220
TY Exports	235	235	250	220	0	220
Feed and Residual	3300	3276	2400	2500	0	1500
FSI Consumption	1200	1160	1200	1220	0	1300
Total Consumption	4500	4436	3600	3720	0	2800
Ending Stocks	1002	885	752	545	0	525

Total Distribution	5737	5556	4602	4485	0	3545
(1000 HA) ,(1000 MT)						