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Thailand

Grain and Feed Annual

2014

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Report Highlights:
TH4021 - MY2014/15 rice and corn production is forecast to decline 2-3 percent due to unfavorable weather conditions and uncertainties surrounding the government's domestic support programs. The likely suspension of the rice pledging program and the acceleration of the sales of government rice stocks have put downward pressure on domestic rice prices which is expected to help boost Thai rice exports and support the growing livestock sector. Import demand for wheat will likely to continue its upward trend.

Executive Summary:
Marketing Year (MY) 2014/15 rice and corn production is forecast to decline 2-3 percent from the previous year in anticipation of below normal average precipitation which will likely affect yields and water supplies for the off-season crops. In addition, the uncertainty of whether the government will continue its domestic support programs, particularly, the rice paddy pledging program, will likely limit any acreage expansion. Meanwhile, corn farmers are likely to shift to planting cassava as current corn prices have dropped significantly.

The suspension of the MY2013/14 Off-Season Rice Paddy Pledging Program and the continued sales of the government rice stocks have put downward pressure on domestic rice prices, which has made Thai rice more competitive with Vietnamese and Indian rice. Exports of Thai rice will likely rebound to 9-10 million metric tons in 2014 and 2015, particularly for white and parboiled rice. The reduction in domestic prices for broken rice and corn will support the growing livestock sector. Thailand's feed demand is expected to increase by 5 to 6 percent in 2014 driven by chicken meat exports. The substitution of imported feed wheat for corn and broken rice in poultry and swine feed is likely to decline. However, import demand for milling wheat is forecast to continue its upward trend in MY2013/14 and MY2014/15 driven largely by an increase in the milling capacity of large mills in line with growing demand from the baking and food processing industries. Feed wheat consumption is also likely to increase slightly in MY2014/15 in anticipation of a gradual recovery of the shrimp industry.

Rice stocks will likely continue to decline in MY2013/14 and MY2014/15 due to the acceleration of the government's sales of rice stocks, which it needs to finance the MY2013/14 Main-Crop Rice Paddy Pledging Program. Post estimates total rice stocks to decline to around 13 million metric tons by the end of MY2014/15, of which 60 to 70 percent is expected to be the government stocks.

Commodities:
Rice, Milled
Corn
Wheat

Author Defined:
1. Rice
1.1 Production

Table 1.1 Thailand's Rice Production, Supply and Demand

Rice, Milled Thailand	2012/2013			2013/2014		2014/2015		
	Market Year Begin: Jan 2013			Market Year Begin: Jan 2014		Market Year Begin: Jan 2015		
	USDA Official	Old Post	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	10,837	10,837	10,837	10,900	10,900		10,900	(1000 HA)
Beginning Stocks	9,330	9,330	9,330	12,830	12,830		13,830	(1000 MT)
Milled Production	20,200	20,200	20,200	20,500	20,500		20,130	(1000 MT)
Rough Production	30,606	30,606	30,606	31,061	31,061		30,500	(1000 MT)
Milling Rate (.9999)	6,600	6,600	6,600	6,600	6,600		6,600	(1000 MT)
MY Imports	600	600	600	600	300		300	(1000 MT)
TY Imports	600	600	600	600	300		300	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0		0	(1000 MT)
Total Supply	30,130	30,130	30,130	33,930	33,630		34,260	(1000 MT)
MY Exports	6,700	7,000	6,700	8,500	9,000		10,000	(1000 MT)
TY Exports	6,700	7,000	6,700	8,500	9,000		10,000	(1000 MT)
Consumption and Residual	10,600	10,600	10,600	10,700	10,800		10,900	(1000 MT)
Ending Stocks	12,830	12,530	12,830	14,730	13,830		13,360	(1000 MT)
Total Distribution	30,130	30,130	30,130	33,930	33,630		34,260	(1000 MT)
Yield (Rough)	3.	3.	2.8242	3.	2.8496		2.7982	(MT/HA)

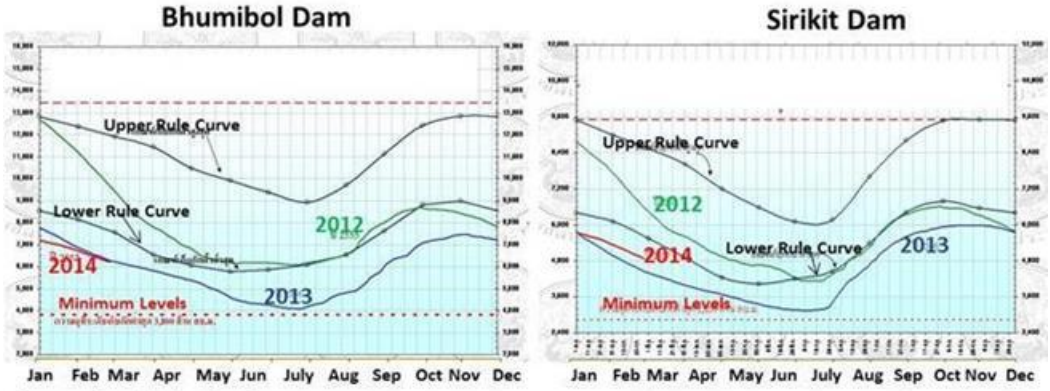
Table 1.2: Thailand's Paddy Area, Production, and Yield

	2012/13			2013/14 (Mar 2014)			2014/15 (Mar 2014)		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area (million hectare)									
Cultivation	9.288	2.160	11.448	9.288	2.100	11.388	9.288	2.100	11.388
Harvest	8.737	2.100	10.837	8.920	2.000	10.920	8.900	2.000	10.900
Production (million ton)									
Rough	21.471	9.135	30.606	22.400	8.600	31.000	22.000	8.500	30.500
Rice	14.171	6.029	20.200	14.784	5.676	20.460	14.520	5.610	20.130
Yield (ton/hectare)	2.457	4.350	2.824	2.511	4.300	2.839	2.472	4.250	2.798

Source: FAS Estimate

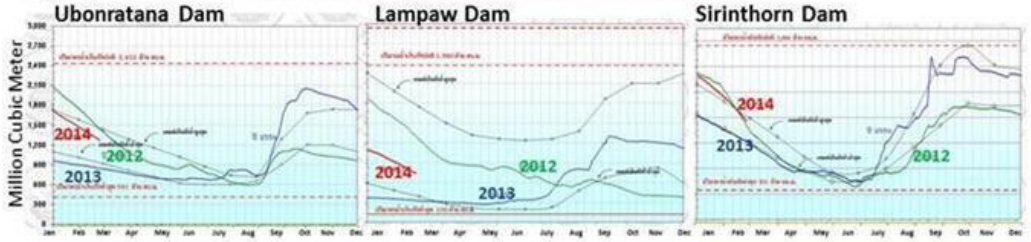
MY2013/14 rice production is estimated to increase slightly by 1 to 2 percent from the previous year to 31 million metric tons (20.5 million metric tons milled equivalent, unchanged from the previous forecast (TH3111, Grain and Feed Update, December 2013). The good main-crop rice production is more than likely to offset the drought-stricken and smaller production of the off-season rice crop. The average yield of the early off-season rice crop, which accounts for around 15 to 20 percent of total off-season rice production, reportedly dropped significantly due to the unusually cold weather conditions during the flowering stage. Furthermore, current critical reservoir levels in major growing areas in the northern and the central plain regions are expected to limit acreage expansion of the late off-season rice crop (Figure 1). The Royal Irrigation Department already warned farmers of possible water shortages in these rice growing areas. Meanwhile, off-season rice crop cultivation doubled in the northeastern region, which accounts for around 10 percent of total off-season crop cultivation, due to good reservoir levels (Figure 2).

Figure 1.1: Reservoir Levels in Major Dams in the North



Source: Royal Irrigation Department

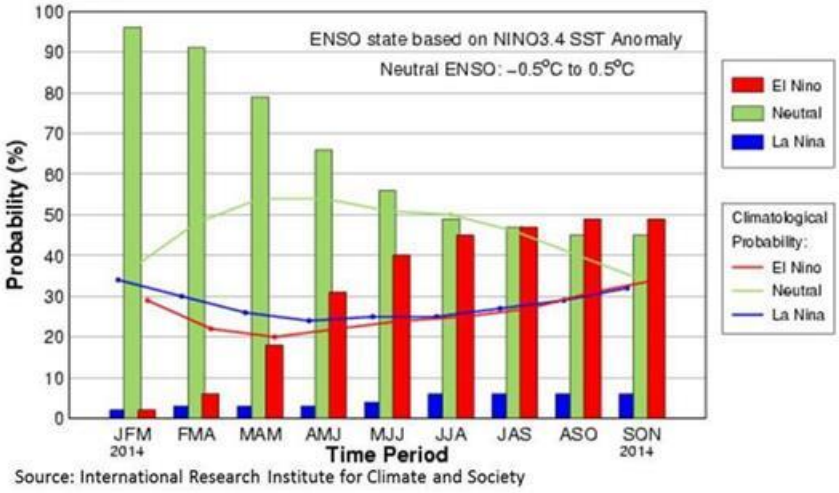
Figure 1.2: Reservoir Levels in Major Dams in the Northeast



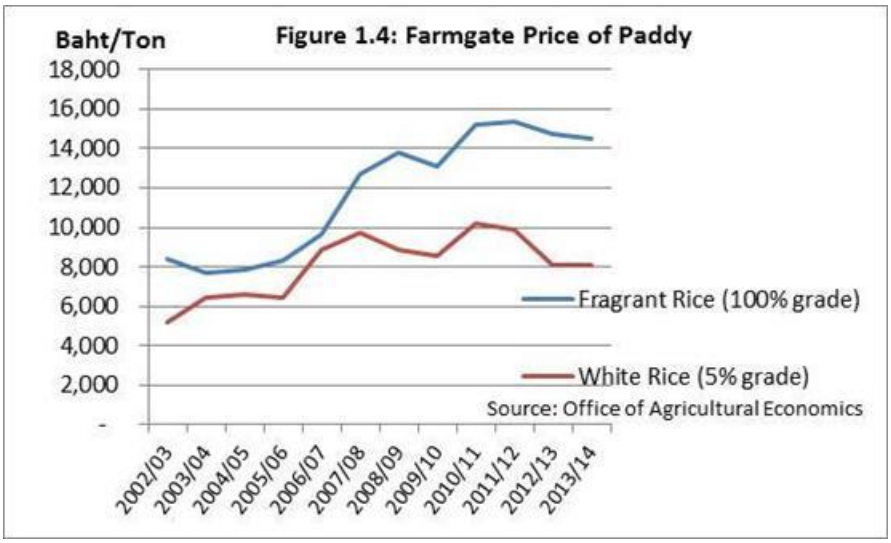
Source: Royal Irrigation Department

MY2014/15 rice production is forecast to decline slightly from the previous year in anticipation of unfavorable weather conditions. The Thai Meteorological Department (TMD) expects below normal average precipitation in 2014 compared to the previous year's level of 1,764 millimeters, due to high probabilities of the El Nino phenomenon in the latter half of 2014 based on the International Research Institute for Climate and Society's latest forecast (February 2014 - Figure 3). This will likely reduce the average yield of the main-crop rice production, particularly in the northeastern region, which is a rain-fed area and accounts for around 60 percent of total cultivated area. Lower prices and payment delays under the MY2013/14 Main-Crop Rice Paddy Pledging Program and the suspension of the Off-Season Crop Rice Paddy Pledging Program in MY2013/14 will likely discourage rice acreage expansion for MY2014/15. Presently, farm-gate prices for white rice paddy (14 percent moisture content) are at 7,000 – 8,000 baht per metric tons ($220 – 250/MT), a 24 to 33 percent decline from the same period last year (Figure 4). Moreover, reservoir levels in the major rice growing areas are likely to remain critical and unlikely to supply enough water for the MY2014/15 off-season crop cultivation.

Figure 1.3: Early–Feb CPC/IRI Consensus Probabilistic ENSO Forecast



Source: International Research Institute for Climate and Society

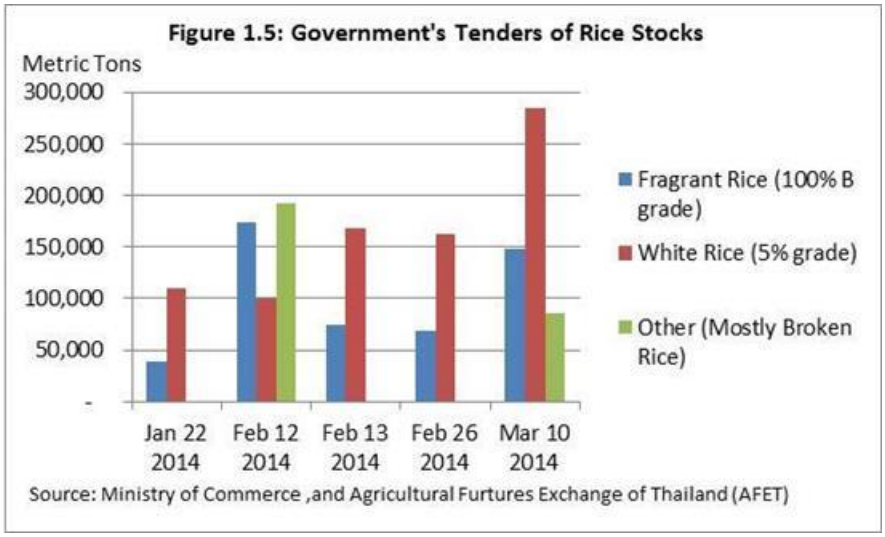


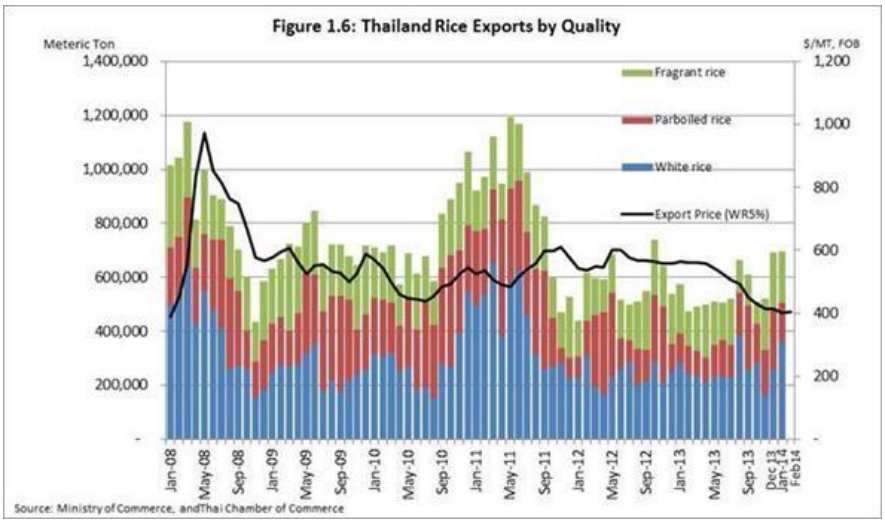
1.2 Consumption

Rice is the main staple food for Thais with per capita consumption ranging from 80 kilograms for city households, around 115 kilograms for rural households, and up to 125 kilograms for low-income households. MY2013/14 and MY2014/15 rice consumption will likely increase 1 to 2 percent driven by swine feed demand due to lower prices of broken rice. Presently, broken rice prices are at 9.45 baht per kilogram ($295/MT) which is a decline of 37 percent from the same period last year as the government did not stockpile broken rice under the recent MY2013/14 Main-Crop Rice Paddy Pledging Program due to limited financial resources. Normally around 1 million metric tons of broken rice is used for swine feed, except for the past two years as prices for broken rice have risen due to the MY2011/12 and MY2012/13 rice pledging programs. As a result, swine farmers shifted to cheaper imported feed wheat.

1.3 Trade

MY2013/14 and MY2014/15 rice exports are forecast to increase to 9 to 10 million metric tons compared to 6.7 million metric tons in MY2012/13 due to the sales of government-owned stocks and the suspension of the MY2013/14 Off-Season Rice Paddy Pledging Program. Thai rice export prices have become more competitive with Vietnamese and Indian rice as the caretaker government has accelerated its sales of rice stocks. By the end of the first quarter of 2014, the caretaker government will have issued seven public tenders totaling approximately 2 million metric tons of rice, most of which are old-crop 100% B grade fragrant rice and 5% B grade white rice. In the first two months of 2014, overall bids of the 1.1 million metric tons were approximately 15 and 30 percent below current market prices for old-crop 5% grade white rice and 100% B grade fragrant rice (Figure 1.5). In January 2014, Thai rice exports totaled 0.7 million metric tons, up around 20 percent from the same period last year, driven primarily by the sales of government stocks in the last quarter of 2013. White and parboiled rice exports increased by 20 percent from the same period last year as export prices fell by 24 to 36 percent (Figure 1.6).





The likely suspension of the MY2013/14 Off-Season Rice Paddy Pledging Program is anticipated to make parboiled rice exports more price competitive compared to Indian parboiled rice in 2014.

Parboiled rice export is expected to recover to 2 to 3 million metric tons, up significantly from approximately 1.7 million metric tons in the previous year, as domestic prices of rice paddy for parboiled rice production will likely fall by 30 percent from the previous year.

MY2013/14 and MY2014/15 rice import demand is expected to decline significantly, particularly smuggled rice along the border, due to the likely suspension of government's rice support programs.

1.4 Stocks

Presently, government rice stocks total approximately 20 million metric tons, of which 12 to 13 million metric tons are old-crop rice stocks, which are carried over from the MY2011/12 and MY2012/13 rice programs and the remainder are from the current MY2013/14 pledging program. Post estimates rice stocks are likely to decline to approximately 13-14 million metric tons by the end of MY2013/14 due to the sales of the government stocks. The revenue generated is being used to finance the current MY2013/14 Main-Crop Rice Paddy Pledging Program.

MY2014/15 rice stocks are forecast to decline further to around 13 million metric tons, of which around 60 to 70 percent is expected to be the government rice stocks and the balance will be private rice stocks.

1.5 Policy

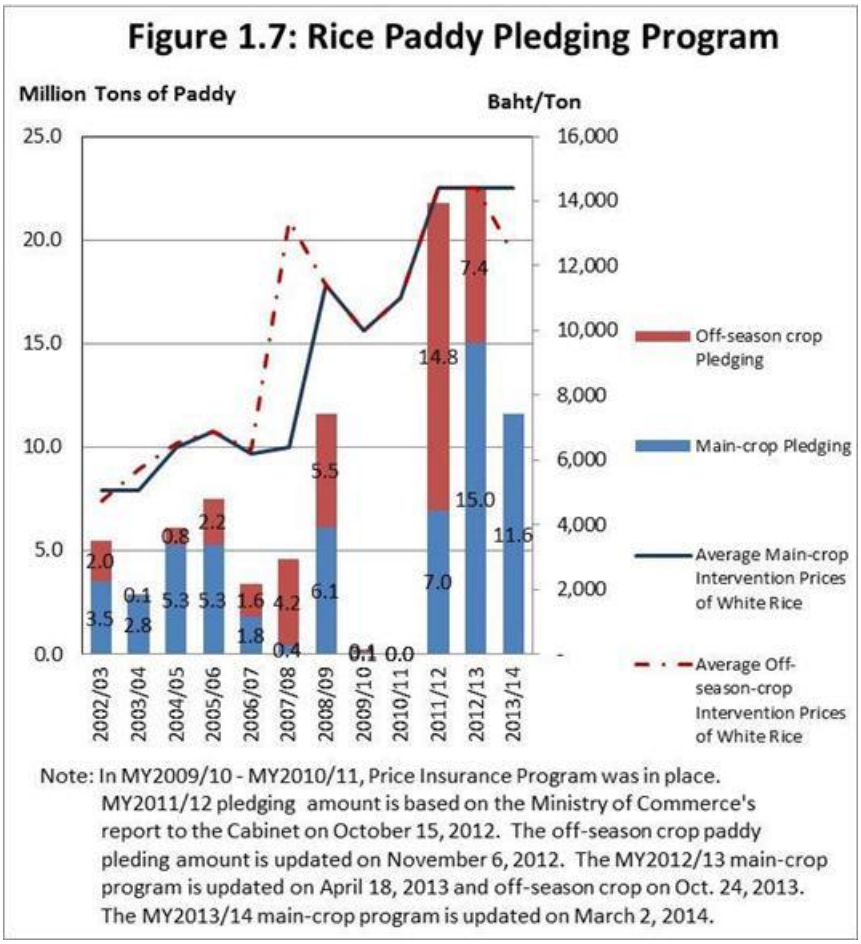
The pledging program for the MY2013/04 off-season rice crop (March 1 – September 30, 2014) will likely be suspended due to limited financial resources. Despite a 270 billion baht credit line approved by the Thai Cabinet in 2013, many farmers participating in the MY2013/14 Rice Paddy Pledging Program have yet to be paid for their pledged rice stocks. It is estimated that 70 percent of the participating rice farmers remain unpaid as the program has run into funding problems. As of March 2, 2014 the pledging program has received 11.6 million metric tons of paddy (7.7 million metric tons milled equivalent) (Table 3 and Figure 1.7). The Bank for Agriculture and Agricultural Cooperatives (BAAC) estimates that the purchasing cost will be around 190 billion baht ($5.7 billion). The government has paid out about 67 billion baht ($2.1 billion) to nearly 0.6 million farmers for approximately 4 to 5 million metric tons of rice paddy (3 million metric tons milled equivalent). The costs for all of the current government's rice pledging programs beginning with the MY2011/12 scheme have already exceeded the 500 billion baht (roughly $16 billion) that the Thai Cabinet initially authorized. The estimated costs of the MY2011/12 and MY2012/13 rice pledging programs are nearly 689 billion baht ($22 billion).

Table 1.3: Results of the MY2011/12 - MY2013/17 Rice Paddy Pledging Program

Program	Number of Farmers (Million)	Amount of Rice Paddy (Million Metric Ton)						
		Fragrant Rice			White Rice	Glutinous Rice	Total	Value (Billion Baht)
		Homali	Provincial	Pathumthani				
1. MY2011/12	**2.7**	**3.1**	**0.3**	**0.2**	**17.5**	**0.7**	**21.7**	**337.2**
Main crop[1]	1.3	3.1	0.3	0.02	3.1	0.4	6.9	118.6
Off-season crop[2]	1.4	0	0	0.15	14.4	0.3	14.8	218.7
2. MY2012/13[3]	**2.8**	**3.4**	**0.5**	**0.1**	**17.6**	**0.9**	**22.5**	**351.5**
Main crop[4]	1.8	3.4	0.5	0.03	9.7	0.7	14.3	219.7
Off-season crop5/	1.0	0	0	0.06	7.8	0.3	8.1	131.7
3. Sub Total (1)+(2)		**6.5**	**0.8**	**0.3**	**35.0**	**1.6**	**44.2**	**688.7**
(estimated milled rice)		4.3	0.5	0.2	23.1	1.1	29.2	
% share		14.7	1.8	0.6	79.2	3.7	100.0	
4. MY2012/13[6]	**1.9**	**3.7**	**0.5**	**0.1**	**6.7**	**0.6**	**11.6**	**190.0**
Main crop[7]	1.9	3.7	0.5	0.1	6.7	0.6	11.6	190.0
Off-season crop	-	-	-	-	-	-	-	
5. Grand Total (3)+(4)		**10.2**	**1.3**	**0.4**	**41.8**	**2.2**	**55.8**	**878.7**
(estimated milled rice)		6.7	0.8	0.2	27.6	1.4	36.8	

Note: 1/ October 7, 2011 - February 29, 2012
2/ March 1 - September 30, 2012
3/ October 1, 2012 - September 15, 2013
4/ Oct 1, 2012 - March 31, 2013
5/ April 1 - September 15, 2013
6/ October 1, 2013 - September 30, 2014
7/ October 1, 2013 - February 28, 2014 (As of March 2, 2014)
8/Repayment to BAAC, As of Aug. 21, 2013

Source: Ministry of Commerce (MOC), and Bank for Agriculture and Agricultural Cooperatives (BAAC)



2. Corn

2.1 Production

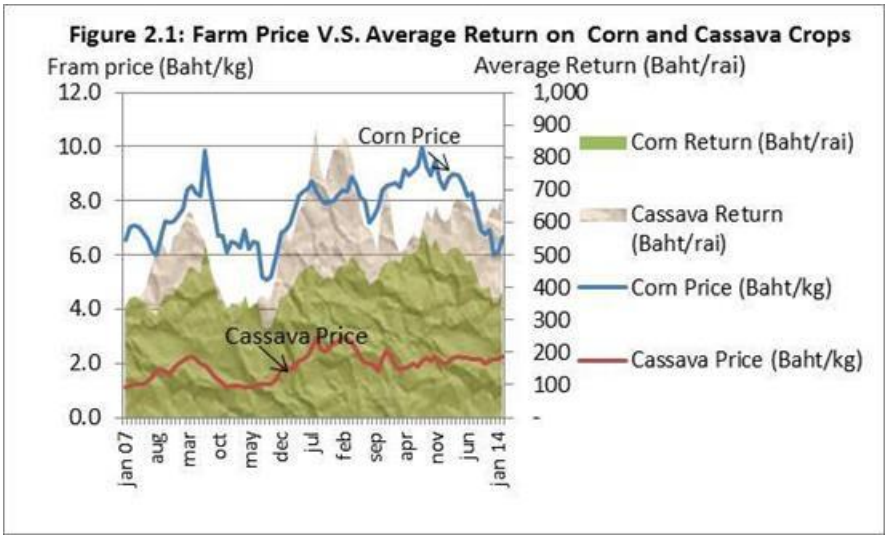
Table 2.1: Thailand's Corn Production, Supply and Demand

Corn Thailand	2012/2013			2013/2014			2014/2015		
	Market Year Begin: Jul 2012			Market Year Begin: Jul 2013			Market Year Begin: Jul 2014		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	New Post	
Area Harvested	1,080	1,080	1,080	1,100	1,090	1,120		1,100	(1000 HA)
Beginning Stocks	515	515	515	515	515	643		293	(1000 MT)
Production	4,600	4,600	4,600	4,800	4,700	4,900		4,750	(1000 MT)
MY Imports	400	600	400	600	600	500		600	(1000 MT)
TY Imports	400	600	400	600	600	500		600	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0		0	(1000 MT)
Total Supply	5,515	5,715	5,515	5,915	5,815	6,043		5,643	(1000 MT)
MY Exports	100	300	72	200	300	750		100	(1000 MT)
TY Exports	100	240	115	200	240	750		100	(1000 MT)
Feed and Residual	4,800	4,800	4,700	5,200	5,000	4,900		5,200	(1000 MT)
FSI Consumption	100	100	100	100	100	100		100	(1000 MT)
Total Consumption	4,900	4,900	4,800	5,300	5,100	5,000		5,300	(1000 MT)
Ending Stocks	515	515	643	415	415	293		243	(1000 MT)
Total Distribution	5,515	5,715	5,515	5,915	5,815	6,043		5,643	(1000 MT)
Yield	4.	4.	4.2593	4.	4.	4.375		4.3182	(MT/HA)

MY2013/14 corn production is revised up significantly to 4.9 million metric tons due to better-than-expected average yields and acreage expansion of the off-season corn crop (Table 2.1). The average corn yield is estimated to increase to approximately 700 kilogram per rai (4.38 metric tons per hectare),

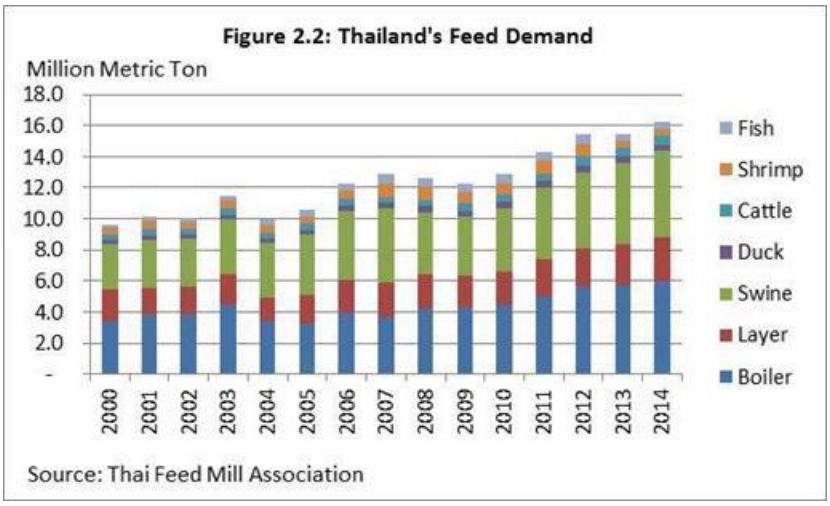
up 2 to 3 percent from the previous year due to favorable weather conditions. The TMD reported that average precipitation in 2013 was around 5 percent above the previous year's level of 1,682 millimeters. Farmers also replaced the planting of the off-season rice crops with corn due to the limited water supplies in the irrigated areas of the northern and central plain regions. Corn crops usually use 40-50 percent less water than rice crops. In addition, the government decision to scale back the MY2013/14 rice pledging program and payment delays encouraged some farmers to switch to planting corn.

MY2014/15 corn production is forecast to decline slightly to 4.7 - 4.8 million metric tons, down 3 percent from the previous year due to unfavorable weather conditions. The average yield is expected to decline to around 690 kilogram per rai (4.32 metric tons per hectare) in anticipation of the lack of rain during the flowering period in June to July. The TMD expects below normal average precipitation in 2014 and possible lack of rain in the latter half of 2014 due to high probabilities of the El Nino phenomenon (Figure 1.3). Some corn farmers are also likely to shift to planting cassava due to better returns. Currently, corn prices have dropped to 6.68 baht per kilogram ($209/MT) compared to 8.84 baht per kilogram ($296/MT) in the same period last year (Figure 2.1).

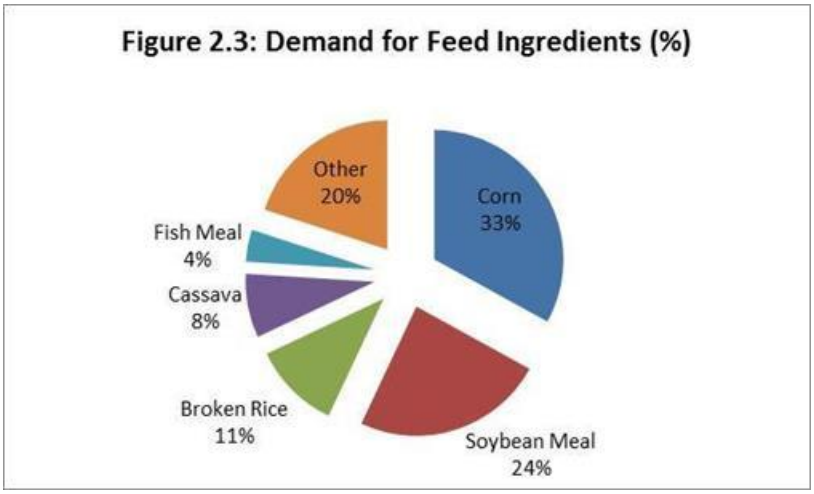


2.2 Consumption

According to The Thai Feed Mill Association (TFMA), total feed demand in 2013 is revised down to 15.5 million metric tons, due to lower-than-expected poultry feed demand caused by the liquidity problem of one of Thailand's largest poultry processors (Figure 2.2). The company, which accounts for around 20 percent of total chicken meat production in the country, has reportedly downsized its production capacity to only around 5 percent of total chicken meat production.



In 2014, the TFMA expects total feed demand to increase to approximately 16.3 million metric tons, up around 5 to 6 percent from the previous year. The increase reflects the growth occurring in broiler production which is expected to rise by 5 percent from the previous year, driven by chicken meat exports. These exports are expected to increase by 12 percent in 2014 (please see TH4011, Update on Thailand's Broiler PS&D, January 30, 2014). Poultry feed demand accounts for around 35 to 40 percent of total Thai feed demand. Swine production, which accounts for around 35 percent of total feed demand, will likely continue to increase around 7 to 8 percent from the previous year driven by growing exports of live swine to neighboring countries. Layer production, accounting for around 20 percent of total feed demand, is expected to grow by 5 percent from the previous year due to continued growing domestic consumption. However, shrimp production is unlikely to fully recover from last year's outbreaks of Early Mortality Syndrome (EMS). Nevertheless, shrimp production is likely to increase slightly from the previous year's levels of approximately 250,000 metric tons compared to normal production of around 500,000 to 600,000 metric tons in the past. Corn and soybean meals are major feed ingredients for livestock production, which account for around 60 percent of the total feed rations (Figure 2.3). The substitution of imported feed wheat for corn and broken rice in poultry and swine feed rations are likely to decline as current domestic prices for corn and broken rice have dropped by 20 to 40 percent from the same period last year as the government scales back its domestic support programs.



MY2013/14 corn consumption growth will likely decline approximately 4 percent from the previous year due to lower-than-expected broiler production in the first half of the year caused by the liquidity problem of one of Thailand's largest poultry processors. However, broiler production is expected to grow significantly in the second half of the year as the existing broiler operations will likely expand their production capacity driven by strong exports of uncooked chicken meat to Japan. The Japanese government lifted its import ban on Thailand's uncooked chicken meat in December 2013. Demand for corn in poultry feed rations accounts for around 50 to 60 percent of total corn consumption. Meanwhile, layer and swine feed, which accounts for around 40 percent of total corn consumption, will likely continue to increase by 5 to 8 percent from the previous year. The substitution of feed wheat for corn in poultry feed ration is expected to decline as average prices of domestically produced corn dropped sharply in the first eight months of MY2013/14. Nevertheless, swine farmers still substituted feed wheat for broken rice in the first half of MY2013/14 as prices for imported feed wheat were relatively cheaper than domestic broken rice.

MY2014/15 corn consumption is forecast to increase around 6 percent from the previous year due to continued strong demand for poultry and swine feed. The substitution of imported feed wheat for corn will likely decline as domestic corn prices are expected to be cheaper than imported feed wheat as a result of the political uncertainties in Ukraine. Furthermore, domestic prices for broken rice continue to trend downward as the government accelerates its sales of rice stocks.

2.3 Trade

MY2013/14 corn exports are revised up to around 0.8 million metric tons, which increased significantly from the previous year due to the government's export subsidies. Corn traders who participated in the domestic support program were encouraged by the government to export their corn and received a 2 baht per kilogram ($60/MT) compensation to make up for the difference between the intervention and market prices. Basically, the government's policy encouraged traders to export their corn to prop up domestic prices. The export target for the program was set at 0.5 million metric tons by the end of December 2013. According to the Board of Trade of Thailand, corn exports in the first seven months of MY2013/14 totaled around 0.7 million metric tons, up significantly from the same period last year. MY14/15 corn exports will likely decline to 0.1 million metric tons, down significantly from the previous year in anticipation of limited exportable supplies resulting from growing domestic feed

demand from the livestock industry. Furthermore, the government is unlikely to continue its export subsidy measure in MY2014/15 as it has struggled to find funding for its programs. MY2013/14 corn imports are revised down slightly due to the slowdown in domestic feed demand. However, corn imports in MY2014/15 will likely increase to around 0.6 million metric tons due to insufficient domestic corn production for the growing livestock sector.

2.4 Policy

In response to the lower global corn prices and the slowdown in corn consumption growth from the previous year, the government implemented a corn subsidy program for the MY2013/14 main-crop corn production to stabilize domestic corn prices. The program guaranteed prices at 7 baht per kilogram ($212/MT, 30% moisture content) or 9 baht per kilogram ($273/MT, 14.5% moisture content), which were approximately 30 to 40 percent above market prices. Local corn traders who signed up for the program and purchased corn at the intervention prices received compensation from the government to offset any differences in prices. However, the program limited the eligibility tonnage at 25 metric tons per farm household. The program, which began on September 3, 2013 and finished on December 31, 2013, reportedly subsidized approximately 1.9 million metric tons of corn (14% moisture content equivalent), which accounts for approximately 40 percent of total corn production (Table 2.2).

Table 2.2: Result of MY2013/14 Corn Market Intervention Program (September 3 - December 31, 2013)

Region	Estimated Production (Million Metric Ton)	Number of Farmer (Household)	Subsidized Amount (Million Metric Tons)	
			30% Moisture Content (7 Baht/Kg)	14.5% Moistrue Content (9 Baht/kg)
North	3.1	224,194	1.8	0.1
Northeast	1.2	60,679	0.4	0.0
Central	0.5	15,422	0.1	0.0
Total	4.9	300,295	2.3	0.1

Note: As of January 24, 2014
Source: Ministry of Commerce

In MY2014/15, corn imports remain uncertain due to the current political situation. In general, according to the WTO agreement, Thailand allows for a Tariff Rate Quota (TRQ) of 54,700 metric tons at a 20 percent in-quota tariff rate. Shipments will likely be allowed only from March 1 to June 30, 2014. Out-of-quota imports are subject to a 73 percent tariff rate with a surcharge of 180 baht per metric ton ($6/MT). Meanwhile, under the ASEAN Free Trade Agreement (AFTA), signatory countries will be able to export corn to Thailand tariff and quota free between March1 to June 30, 2014.

3. Wheat

3.1 Production

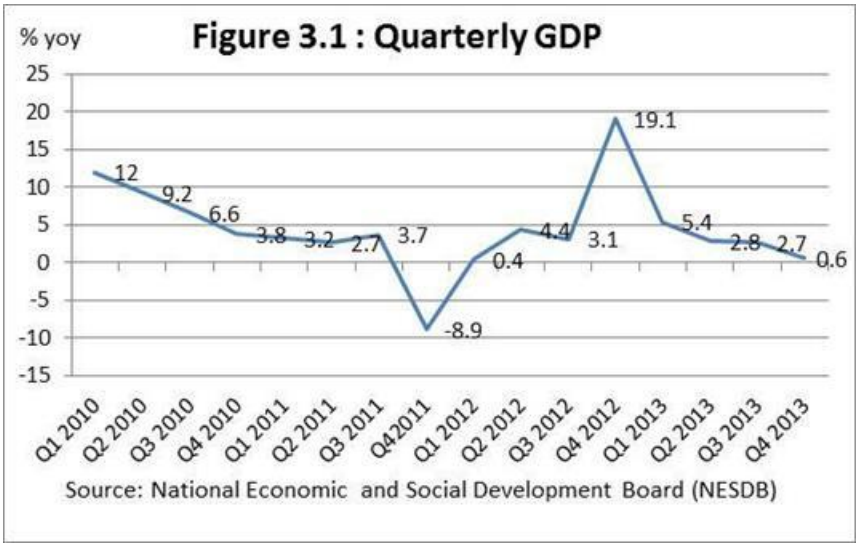
Table 3.1: Thailand's Wheat Production, Supply and Demand

Wheat Thailand	2012/2013			2013/2014			2014/2015		
	Market Year Begin: Jul 2012			Market Year Begin: May 2013			Market Year Begin: Jul 2014		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	New Post	
Area Harvested	0	0	0	0	0	0		0	(1000 HA)
Beginning Stocks	1,059	1,176	1,059	732	1,036	993		1,003	(1000 MT)
Production	0	0	0	0	0	0		0	(1000 MT)
MY Imports	1,845	2,000	2,036	1,900	2,100	1,980		2,030	(1000 MT)
TY Imports	1,845	2,000	2,036	1,900	2,100	1,980		2,030	(1000 MT)
TY Imp. from U.S.	530	550	515	0	580	540		560	(1000 MT)
Total Supply	2,904	3,176	3,095	2,632	3,136	2,973		3,033	(1000 MT)
MY Exports	202	170	202	200	170	200		200	(1000 MT)
TY Exports	202	170	202	200	170	200		200	(1000 MT)
Feed and Residual	1,000	1,000	900	700	900	700		750	(1000 MT)
FSI Consumption	970	970	1,000	1,020	1,020	1,070		1,230	(1000 MT)
Total Consumption	1,970	1,970	1,900	1,720	1,920	1,770		1,980	(1000 MT)
Ending Stocks	732	1,036	993	712	1,046	1,003		853	(1000 MT)
Total Distribution	2,904	3,176	3,095	2,632	3,136	2,973		3,033	(1000 MT)

Wheat production in Thailand is insignificant due to unfavorable climatic conditions, lack of seed development, and unattractive returns as compared to other field crops such as rice, corn, and cassava which receive government support. Cultivation is limited to the upper northern region part of the country as a minor crop after the main-crop rice harvest, particularly in the Maehongson and Nan provinces. Total production is estimated at approximately 300-400 metric tons in a cultivated area of 1,000 rai (160 hectares).

3.2 Consumption

MY2012/13 wheat consumption declined to 1.9 million metric tons which is lower than expected due to a reduction in feed wheat demand caused by the EMS outbreak in shrimp farms during the first half of the year. Meanwhile, demand for milling wheat in the bakery and food processing industry increased significantly driven by the recovery of the domestic economy after the floods in late 2011. The average quarterly GDP growth was approximately 7 percent in MY2012/13 (Figure 3.1).



MY2013/14 wheat consumption is revised down to 1.8 million metric, down 7 percent from the previous year due to lower-than-expected demand for feed and milling wheat. Feed wheat demand will likely decline sharply as the shrimp industry is still being affected by the EMS outbreak which cut

shrimp production to around 250,000 metric tons in 2013, down 54 percent from the previous year. In addition, the substitution of imported feed wheat for corn and broken rice slowed down due to relatively cheaper prices for domestically produced corn and broken rice. Meanwhile, consumption of milling wheat in the baking and food processing industries will likely decelerate due to the economic slowdown caused by Thailand's political situation. The average quarterly GDP growth slowed down to around 1.7 percent in the first half of MY2013/14 (Figure 3.1). In addition, the Thai economy is likely to be stagnant in the latter half of MY2013/14 due to the current political unrest. Economists predict GDP growth will fall to 3-4 percent in 2014 compared to earlier forecasts of 4-5 percent. Instant noodle and bakery production, which accounts for 60 to 70 percent of total milling wheat consumption, is expected to grow only around 5 percent compared to 10-15 percent in the previous year.

MY2014/15 wheat consumption is forecast to increase to 1.9 – 2.0 million metric tons, up 12 percent from the previous year. Demand for milling wheat from the baking and food processing industries is expected to grow significantly in anticipation of an economic recovery in 2015. In addition, large flour mills in Thailand continue to expand their production capacities. In MY2014/15, the milling capacity will likely increase to approximately 2 million metric tons per year, up nearly 20 percent from the current estimated production capacity of 1.6 million metric tons. Feed wheat consumption is also likely to increase slightly in anticipation of the gradual recovery in shrimp farming. Shrimp production is likely to increase to 300,000 – 350,000 metric tons, which will be well below the average production levels of 500,000 – 600,000 metric tons. The increase in feed wheat demand for shrimp feed rations is expected to more than offset the reduction in feed wheat demand for poultry and swine feed rations.

3.3 Trade

MY2012/13 wheat imports declined to 2 million metric tons, down 28 percent from the previous year due to a reduction of feed wheat demand caused by the EMS outbreak. Meanwhile, imports of milling wheat increase to around 1.3 million metric tons, up 8 percent from the previous year driven by strong demand from the bakery and food processing industries. Imports of U.S. wheat, however, declined to 514,806 metric tons, down 4 percent from the previous year due to an increase in the exportable supplies of Australian milling wheat.

MY2013/14 wheat imports are revised down to 1.98 million metric tons, down around 3 percent from the previous year due to continued reduction in feed wheat demand. Most feed wheat was imported from Ukraine in the first half of the year. Current prices of imported feed wheat from Ukraine has increased above $300/MT, which is less attractive for poultry and swine feed rations as domestic prices of corn and broken are relatively cheaper. However, import demand for milling wheat is expected to increase only slightly due to the slowdown in the demand for milling wheat in food processing industry caused by the political situation. Imports of U.S. wheat are expected to increase to 540,000 metric tons, up 4 to 5 percent from the previous year due to limited supplies of Australian wheat.

MY2014/15 wheat imports will likely increase to around 2.0 million metric tons, up 2-3 percent from the previous year, mainly due to growing demand for milling wheat driven by the economic recovery after the political unrest. Expanding milling capacity is also expected to fuel wheat-based food consumption. U.S. wheat imports are likely to continue its upward trend to 560,000 metric tons, up 3 to 4 percent from the previous year as flour mills produce more premium bread flour which has to rely on high protein wheat. Import demand for feed wheat is expected to increase slightly in anticipation of gradual recovery of the shrimp industry from the EMS outbreaks.

3.4 Policy

The tariff rate on imported wheat has been zero since September 2007. Meanwhile, the applied tariff on wheat flour is 5 percent or 0.5 baht/kg, except within AFTA (Brunei, Indonesia, Malaysia, Philippines, and Singapore) and ASEAN-Australia-New Zealand which has been duty free since January 2010, however, 40 percent of the content has to originate from the exporting country. Wheat flour imports from Vietnam will be duty free in 2015 under AFTA. The quality of imported wheat flour is low, thus, the United States is not competitive in this market.

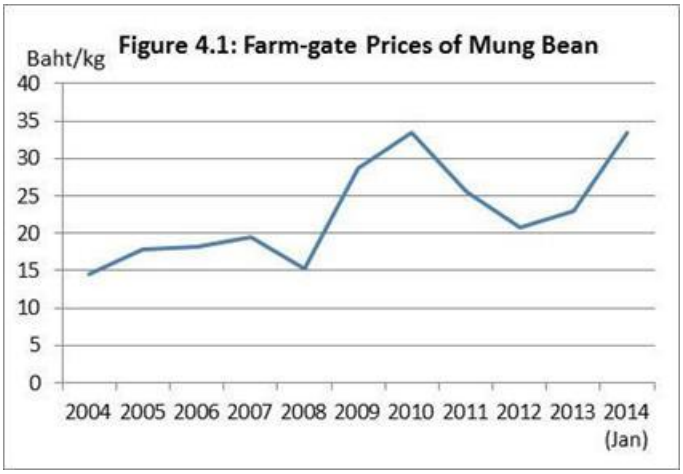
4. Beans

4.1 Production

Table 4.1: Thailand's Production, Supply and Demand for Mung

Bean Thailand/Unit: 1,000 HA; 1,000 MT	2012			2013			2014			UOM
	2012/2013			2013/2014			2014/2015			
	Market Year Begin: Jan 2012			Market Year Begin: Jan 2013			Market Year Begin: Jan 2014			
	USDA Official		Jan Data	USDA Official		Jan Data	USDA Official Data		Jan Data	
Area Harvested		260	260		270	270			275	(1000 HA)
Beginning Stocks		3	3		3	3			5	(1000 MT)
Production		295	300		310	310			320	(1000 MT)
MY Imports		25	15		10	28			20	(1000 MT)
TY Imports		25	15		10	28			20	(1000 MT)
TY Imp. from U.S.		0	0		0	0			0	(1000 MT)
Total Supply		323	318		323	341			345	(1000 MT)
MY Exports		20	41		40	26			20	(1000 MT)
TY Exports		20	41		40	26			20	(1000 MT)
Feed and Residual		5	5		5	5			5	(1000 MT)
FSI Consumption		295	269		273	305			315	(1000 MT)
Total Consumption		300	274		278	310			320	(1000 MT)
Ending Stocks		3	3		5	5			5	(1000 MT)
Total Distribution		323	318		323	341			345	(1000 MT)
Yield		1.1346	1.1538		1.1481	1.1481	0.	0.	1.1636	(MT/HA)

MY2014/15 mung bean production will likely continue to increase mainly due to acreage expansion. Farmers will likely replace off-season rice cultivation with mung bean due to attractive farm-gate prices. Mung bean farm-gate prices have increased significantly from the same period last year (Figure 4.1). In addition, the Royal Irrigation Department have warned farmers to avoid cultivating off-season rice due to possible water shortages in Thailand's northern and central regions. Moreover, the suspension of the MY2013/14 Off-Season Rice Paddy Pledging Program makes the second off-season rice crop less attractive.



4.2 Consumption

MY2014/15 mung bean consumption is expected to trend upward in anticipation of a stronger economy in the latter half of 2014. The Thai food processing industries are also likely to expand their production capacity to meet growing demand for diversified products such as vermicelli, bean flour, bean sprouts, and various confectionary items. The use of mung bean in the feed industry remains marginal due to its uncompetitive prices compared to other grains.

4.3 Trade

MY2013/14 mung bean exports declined to 25,755 metric tons, down 37 percent from the previous year due to limited exportable supplies caused by growing domestic demand from the food processing industry. Meanwhile, MY2013/14 mung bean imports increased to 27,912 metric tons, mainly from Myanmar, which accounts for approximately 90 percent of total imports.

MY2014/15 mung bean exports are expected to decline significantly to around 20,000 metric tons. The increase in mung bean production is likely to be offset by domestic consumption.

4.4 Policy

Mung bean is a minor crop that does not receive any government support. The crop is normally promoted by government extension agents as a rotational crop in order to improve the soil quality after the main-crop rice paddy has been harvested. Imported mung beans are subject to a 5 percent tariff, while AFTA member countries can export mung beans to Thailand duty free.

End of report.