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Thailand

Grain and Feed Update

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Report Highlights:
MY2018/19 rice production is revised downward due to flood and drought damage, but remains higher than MY2017/18. The government completed the sale of the remaining government rice stocks.

Executive Summary:

MY2018/19 rice production is revised down to 20.9 million metric tons due to flood and drought damage, particularly in the northeastern region. However, rice production is still 2 percent higher than MY2017/18 as increased acreage will likely more than offset the damage to production. Additionally, farmers are expected to continue to grow MY2018/19 off-season rice as water supplies will be available despite the government's soft loan program to encourage farmers to shift to corn. The government has already sold its remaining rice stocks of 2.3 million metric tons in 2018. Most of these stocks were composed of feed-quality rice. Rice exports in 2018 are expected to be lower than the previous year due to lower supplies of food-quality rice.

Post's forecast for corn and wheat remain unchanged.

1. Rice

1.1 Production

MY2018/19 rice production is revised down to 20.9 million metric tons due to flood damage in the upper northeastern region and drought damage in the lower northeastern region. However, this is still a 2 percent increase from MY2017/18 as the expanded acreage of main crop rice more than offset the flood and drought damage (Figure 1.1 and 1.2). The Ministry of Agriculture and Cooperative's Disaster Center reported that around 1 million rai (0.16 million hectares) of rice growing area were affected by flooding or drought. The prolonged floods in the upper northeastern region caused damage of around 0.6 million rai (0.1 million hectares), particularly in the upper northeastern region, which is a major growing area of fragrant rice and glutinous rice. Meanwhile, in the lower northeastern region, a fragrant rice growing area, approximately 0.4 million rai (0.06 million hectares) was affected by drought due to the lack of rain during the rice reproductive stage.

Figure 1.1: Thailand's Rice Acreage

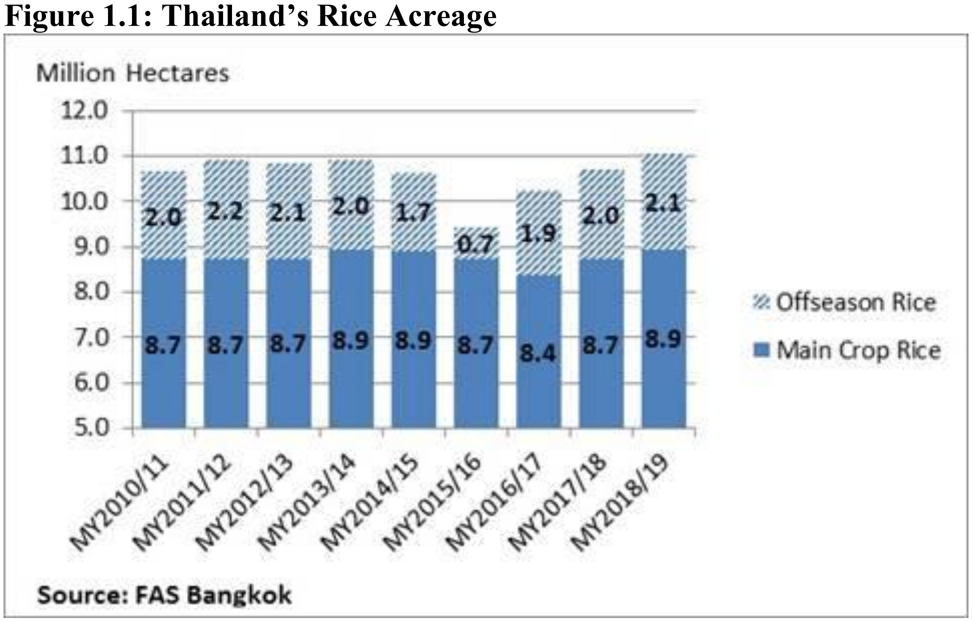
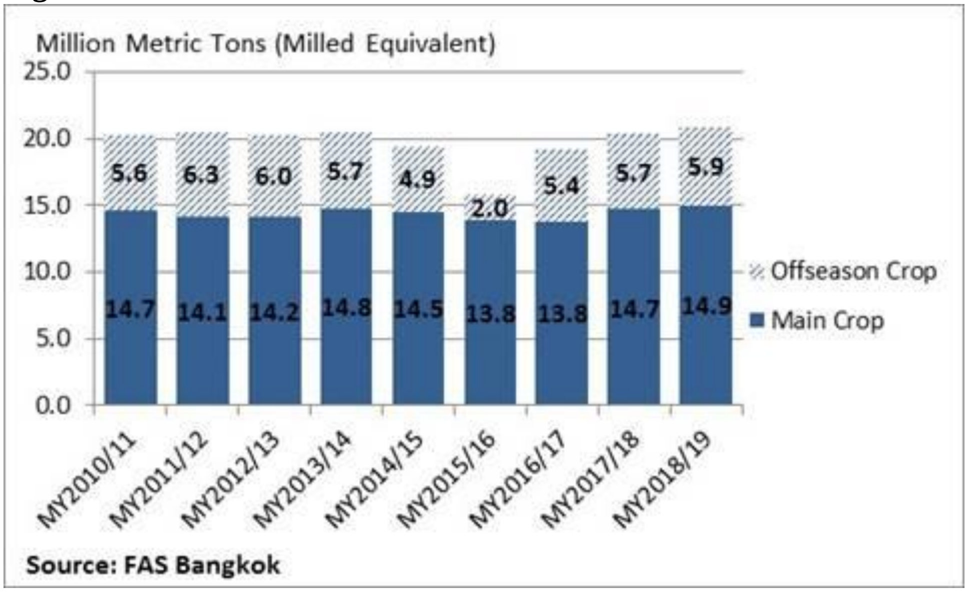


Figure 1.2: Thailand's Rice Production



The Thai Meteorological Department reported that precipitation during January 1 – October 14, 2018 was 3-6 percent above normal in major rice growing areas, except for the northeastern region where the precipitation was 2-3 percent lower than normal (Figure 1.3 and 1.4). Rice production in the northeastern region accounts for around half of total main crop rice production with most production consisting of fragrant and glutinous rice. As much of northeastern rice is grown in the rain-fed areas, average yield will likely be lower than expected, as precipitation during the reproductive growth stage in September 2018 was 19 percent lower than average. However, MY2018/19 fragrant rice production is expected to increase by approximately 3 percent from MY2017/18 as expanded acreage will likely more than offset the flood damage, drought damage, and reduced average yield. Meanwhile, glutinous rice production is expected to decline significantly from MY2017/18 due mainly to the reduced acreage and average yield.

Figure1.3: Cumulative Precipitation by Region (January 1 – October 14)

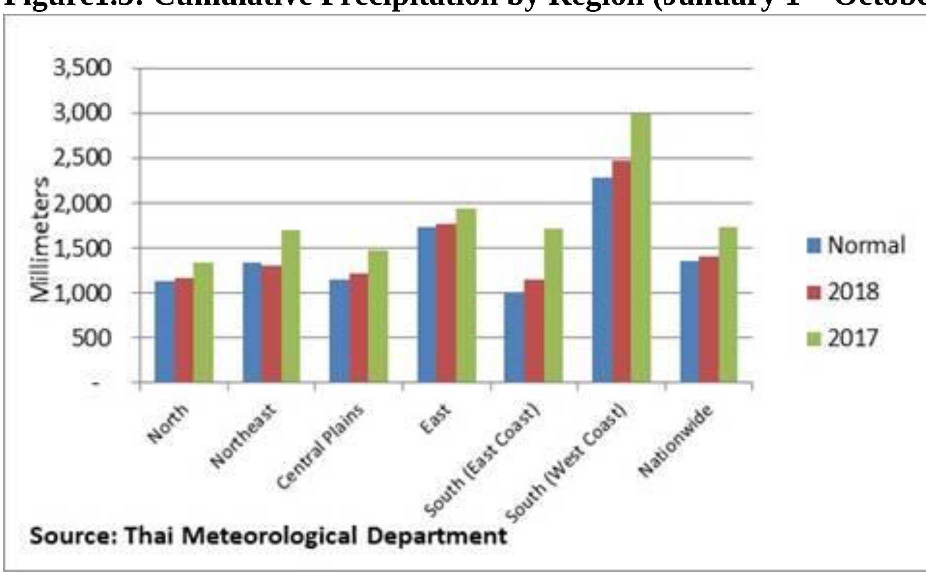
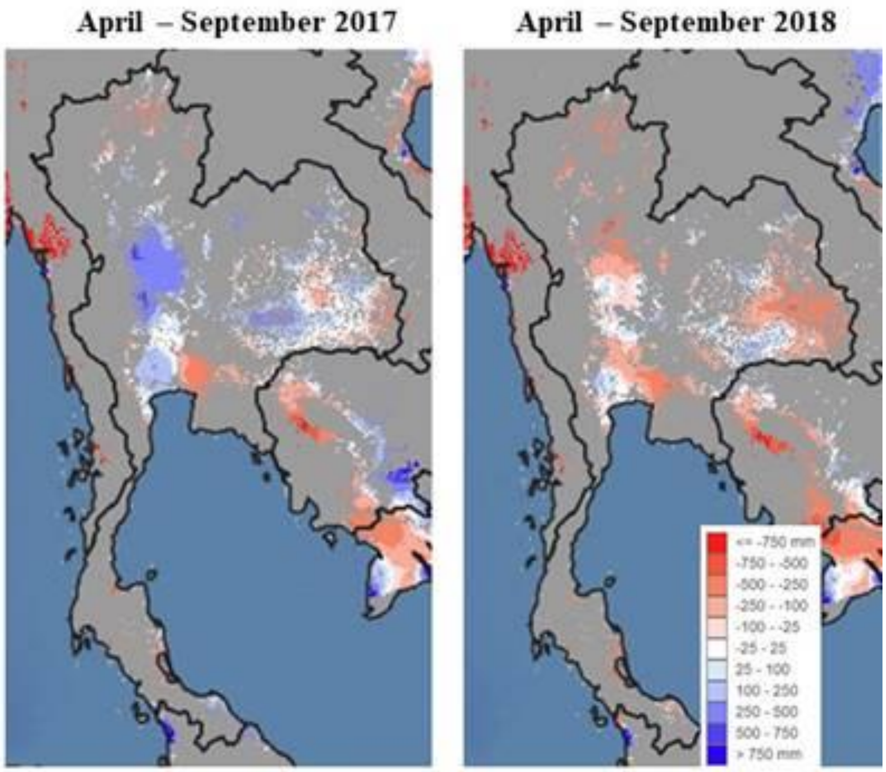


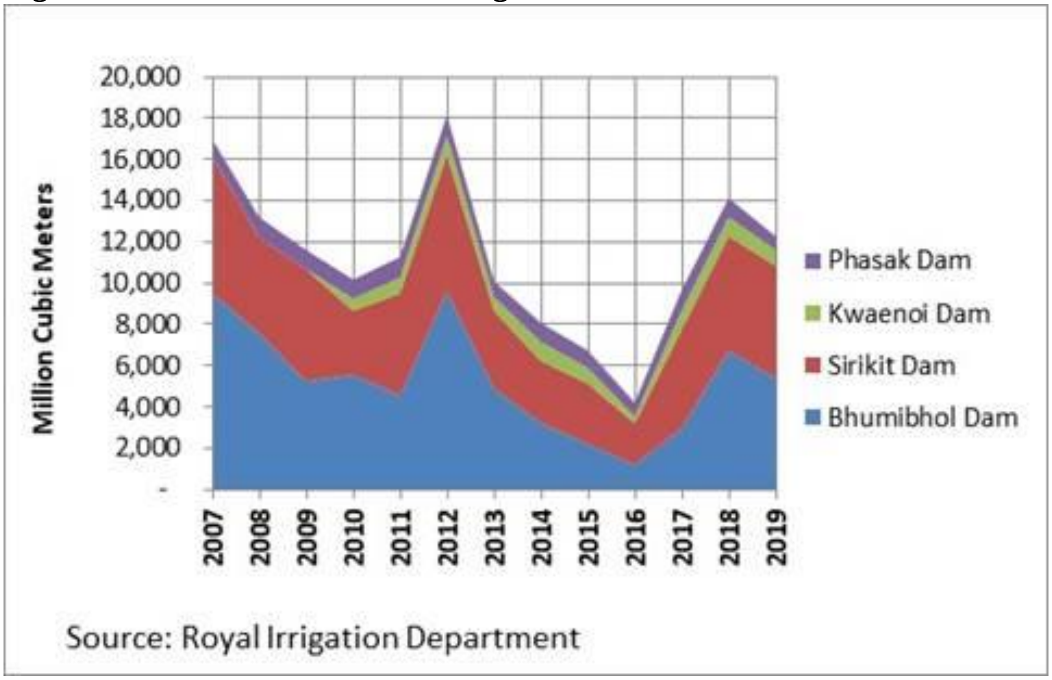
Figure 1.4: Precipitation Deviation in Millimeters from Average in Rice Planting Area



Source: USDA – Foreign Agricultural Service,
Global Agricultural & Disaster Assessment System

As of October 19, 2018, water supplies for irrigation in the northern region and the central plains during the dry season (November 2018 – April 2019) totaled 12 billion cubic meters (Figure 1.5). This is a 13 percent lower than the previous year due to below-normal precipitation in watershed areas in September 2018. However, water supply levels remain significantly higher than the critically low levels experienced in 2016. The Royal Irrigation Department will likely continue to provide irrigation for MY2018/19 off-season rice production in major growing area in the northern region and the central plains as there are sufficient water supplies.

Figure 1.5: Water Available for Irrigation



1.2 **Trade**

According to the Ministry of Commerce, rice exports during January – September 2018 totaled 8.1 million metric tons (Table 1.1 and Figure 1.6). This is a 2 percent reduction from the same period last year due mainly to reduced fragrant and parboiled rice exports. Exports of fragrant rice totaled 1.5 million metric tons, down 27 percent from the same period last year due to tight exportable supplies after the sale of all the remaining government food-quality fragrant rice stocks in 2017. Average export prices of fragrant rice are still high at around U.S. $1,100/MT during January – September 2018, up 53 percent from the same period last year (Figure 1.7). Additionally, parboiled rice exports declined to 2 million metric tons during January – September 2018, down 11 percent from the same period last year as the exports have begun to face competition from relatively cheaper Indian parboiled rice. Meanwhile, white rice exports during January – September 2018 totaled 4.4 million metric tons, up 18 percent from the same period last year. However, Post forecasts that end of the year white rice exports to slowdown as the government has sold its rice stocks, which fueled exports over 2017 and the first part of 2018. Average export prices of white rice during January – September 2018 increased to around U.S. $410/MT for 5% grade white rice, up 5 percent from the same period last year.

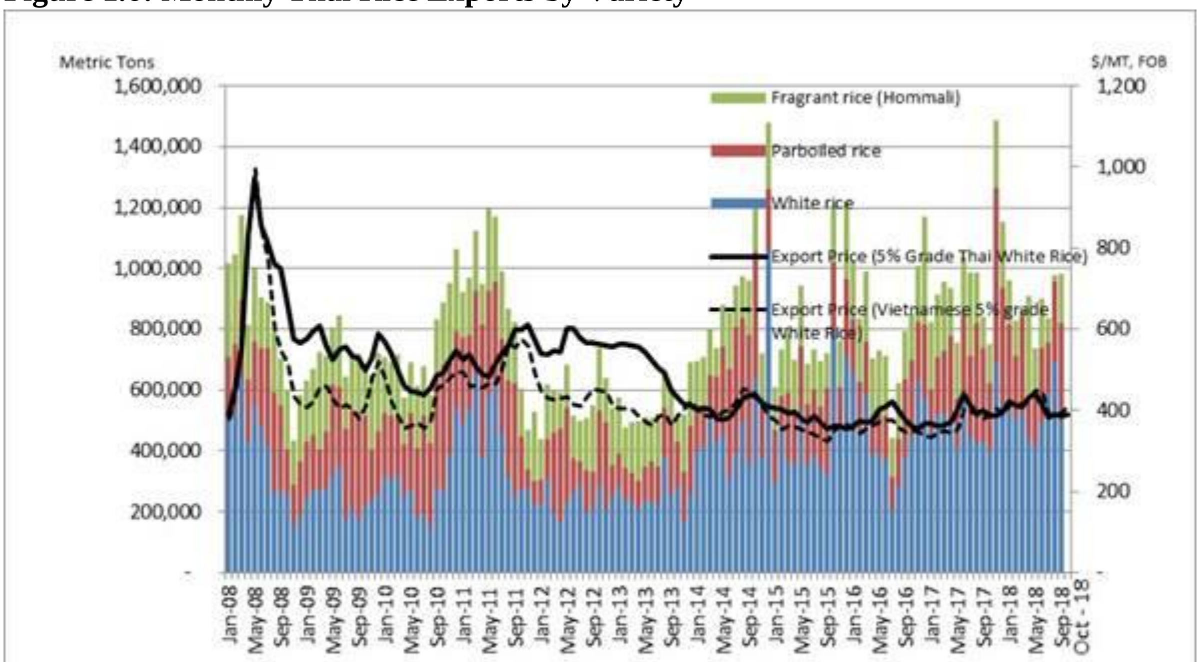
Table 1.1: Thai Rice Exports by Variety

Unit: Metric Tons

Rice Variety	2014	2015	2016	2017	% share	January - September		
						2017	2018	% change
White Rice	5,183,646	4,994,387	4,819,941	5,070,062	43.6	3,738,324	4,393,435	17.5
Parboiled Rice	3,261,521	2,316,900	2,149,597	3,370,384	29.0	2,192,430	1,953,091	-10.9
Fragrant Rice	2,030,844	2,111,658	2,497,912	2,671,033	23.0	2,009,195	1,475,508	-26.6
Glutinous Rice	493,359	372,835	438,943	516,822	4.4	330,248	299,547	-9.3
Total	10,969,370	9,795,780	9,906,393	11,628,301	100.0	8,270,197	8,121,581	-1.8

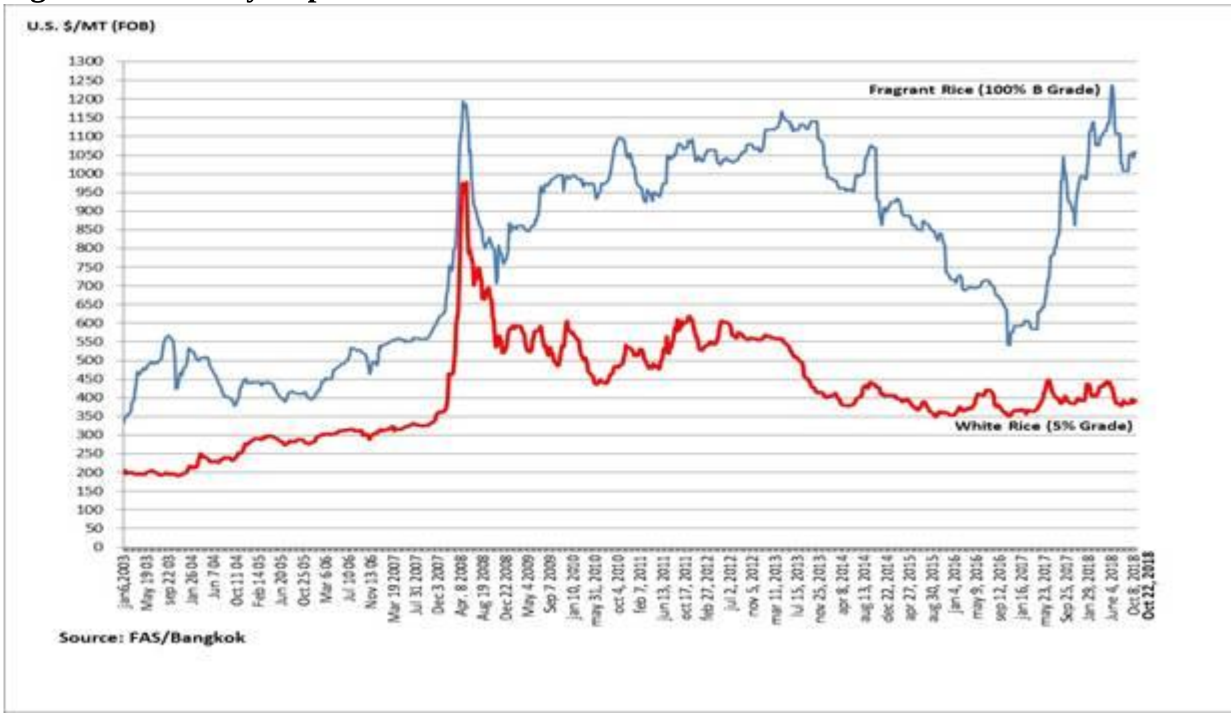
Source: Thai Rice Exporter Association

Figure 1.6: Monthly Thai Rice Exports by Variety



Source: Ministry of Commerce, and Thai Chamber of Commerce

Figure 1.7: Weekly Export Prices of Thai Rice

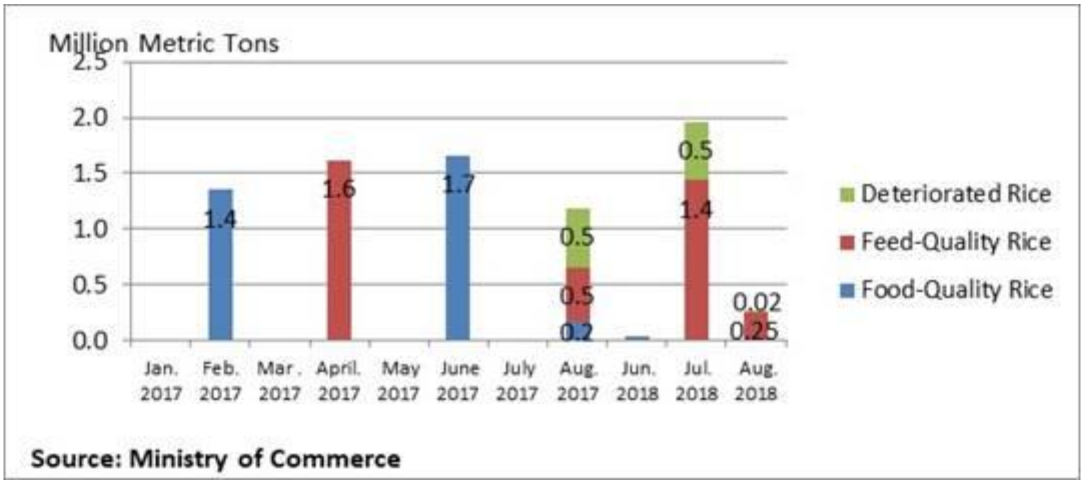


Post's forecast for rice exports in 2018 remains unchanged at 10.5 million metric tons. This is a 9 percent reduction from 11.6 million metric tons exported in 2017 due to limited supplies of government food-quality rice stocks for sale in 2018.

1.3 Stocks

The government sold its remaining rice stocks of 267,418 metric tons in the retender on August 29-30, 2018. The sale consisted of (1) 245,000 metric tons of feed-quality rice and (2) 22,230 metric tons of deteriorated rice, which was sold mainly to feed mills, power plants, and ethanol manufacturers. Prices finalized at 6,755 baht per metric ton (U.S. $211/MT) for feed quality rice, and 5,128 baht per metric ton (U.S. $160/MT) for deteriorated rice. In total, the government sold around 2.3 million metric tons of rice stocks in between January – August 2018, compared to around 5.7 million metric tons sold in 2017. The sale of 2018 government rice stocks consisted of 43,725 metric tons of food-quality rice, 1.7 million metric tons of feed-quality rice, and 0.5 million metric tons of deteriorated rice (Figure 1.8). The ending rice stocks of MY2017/18 and MY2018/19 will consist entirely of private stocks, which are forecast to total 2.7 million metric tons in MY2017/18 and 2.8 million metric tons in MY2018/19.

Figure 1.8: Sales of Government Rice Stocks in 2017-2018



1.4 Policy

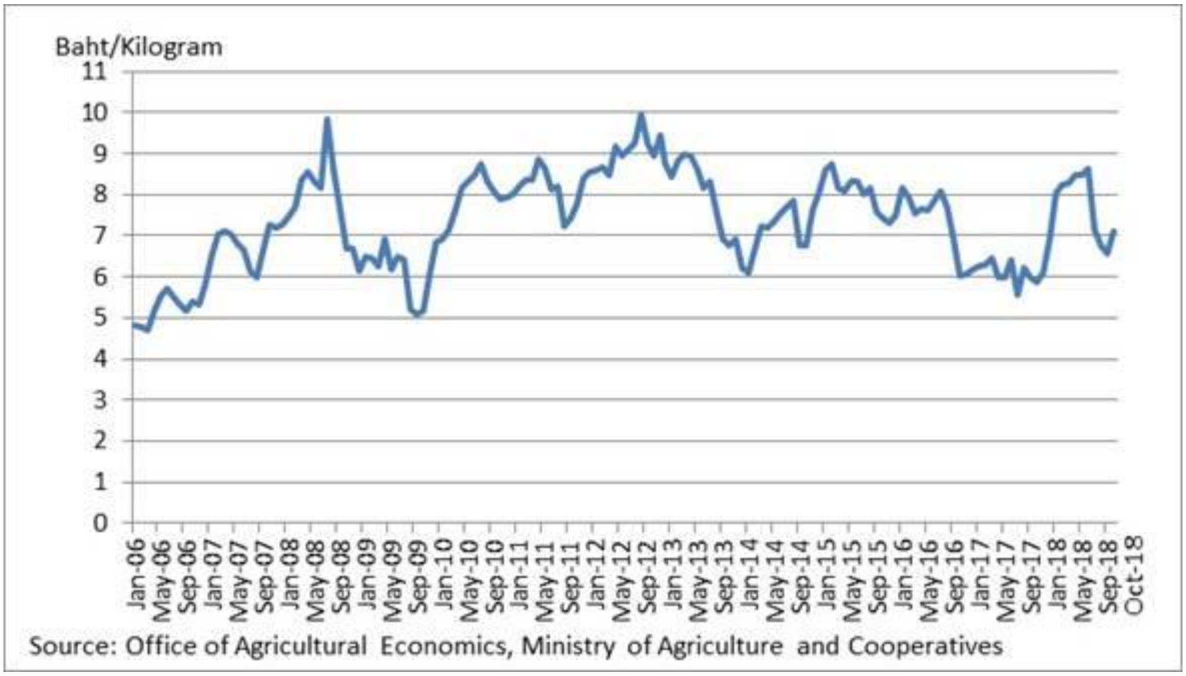
The government has several domestic support programs ready for MY2018/19 main-crop rice. These programs will consist of (a) the Paddy Rice Pledging Program, (b) the Direct Payment program, and (c) Interest Rate Compensation Program (details of these programs can be found in TH8113: Grain and Feed Update, August 2018). Presently, loan rates for fragrant paddy rice through the Paddy Rice Pledging Program are 20 percent lower than current market prices. Meanwhile, loan rates for glutinous paddy rice through the Paddy Rice Pledging Program are 15 percent above market prices. However, the loan rates for white paddy rice are virtually the same as market prices. The domestic rice support programs aim to encourage farmers, millers, and farmer institution to store 9 million metric tons of paddy rice for 2-6 months to stabilize domestic prices during the peak harvest season in November and December 2018. This target accounts for around 40 percent of total main crop rice production.

2. Corn Update

Post's forecast for MY2018/19 corn production remains unchanged at 5.1 million metric tons, up 2-3 percent from MY2017/18 due mainly to expanded acreage. Additionally, according to the Ministry of Agriculture and Cooperative's Disaster Center, corn production has only been marginally affected by floods and drought with total damage limited to approximately 82,000 rai (13,120 hectares).

Farm-gate prices of corn remain high at around 7 baht per kilogram (U.S. $219/MT) in October 2018, up 21 percent from the same period last year (Figure 2.2) as the government's domestic corn absorption requirements for feed wheat imports remain in effect.

Figure 2.2: Monthly Farm-gate Prices of Corn



On September 25, 2018 the cabinet approved a 461 million baht (U.S. $14 million) budget to encourage rice farmers to shift MY2018/19 off-season rice cultivation with corn cultivation. The target is to reduce off-season rice acreage by 2 million rai (0.3 million hectares). Farmers participating in the program will receive a soft loan (a maximum of 30,000 baht (U.S. $937) per household with 0.01% interest rate) from the Bank for Agriculture and Agricultural Cooperatives (BAAC). To finance the program, the BAAC will receive a 3.99% interest subsidy from the government. The Ministry of Agriculture and Cooperatives reported that so far rice and corn farmers in irrigated areas totaling 0.9 million rai (144,000 hectares) are interested in participating in the MY2018/19 off-season corn extension program. However, traders expect that actual MY2018/19 off-season corn acreage will be far below the target as rice farmers will continue to grow rice in anticipation of sufficient irrigation supplies for the MY2018/19 off-season rice.

3. Wheat Update

Post's forecast for MY2018/19 wheat imports remains unchanged at 3.3 million metric tons. This is a 4 percent increase from MY2017/18 in anticipation of growing demand for milling and feed wheat. Milling wheat imports are expected to increase to around 1 million metric tons, up 18 percent from MY2017/18 driven by the operation of two new flour mills with a combined capacity of 0.3 million metric tons per year. Feed wheat imports are expected to increase to 2.1 million metric tons, up 4 percent from MY2017/18 due to relatively cheaper imported feed wheat compared to domestic corn. The government still maintain the domestic corn absorption requirements for feed wheat imports. Meanwhile, MY2018/19 imports of wheat flour are expected to decline significantly to 0.2 million metric tons due to greater domestic supply, particularly from new flour mills.

Appendix Tables

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

Rice, Milled	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jan 2017		Jan 2018		Jan 2019	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	10247	10247	10684	10684	11140	11010
Beginning Stocks	8403	8403	4238	4175	3188	2745
Milled Production	19200	19200	20370	20370	21200	20860
Rough Production	29091	29091	30864	30864	32121	31606
Milling Rate (.9999)	6600	6600	6600	6600	6600	6600
MY Imports	250	200	250	200	250	200
TY Imports	250	200	250	200	250	200
TY Imp. from U.S.	4	0	0	0	0	0
Total Supply	27853	27803	24858	24745	24638	23805
MY Exports	11615	11628	10500	10500	11000	10000
TY Exports	11615	11628	10500	10500	11000	10000
Consumption and Residual	12000	12000	11170	11500	10200	11000
Ending Stocks	4238	4175	3188	2745	3438	2805
Total Distribution	27853	27803	24858	24745	24638	23805
Yield (Rough)	2.839	2.839	2.8888	2.8888	2.8834	2.8707
(1000 HA) ,(1000 MT) ,(MT/HA)						

Table A2: Thailand's Rice Production by Crop

	2016/17			2017/18			2018/19		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area (Million Hectares)									
Cultivation	8.745	1.900	10.645	9.000	2.000	11.000	9.230	2.100	11.330
Harvest	8.373	1.874	10.247	8.711	1.973	10.684	8.940	2.070	11.010
Production (Million Tons)									
Rough	20.909	8.182	29.091	22.227	8.637	30.864	22.606	9.000	31.606
Rice	13.800	5.400	19.200	14.670	5.700	20.370	14.920	5.940	20.860
Yield (Ton/Hectare)	2.497	4.366	2.839	2.552	4.377	2.888	2.529	4.348	2.871

Note: 1. Main crop rice is mostly cultivated during May - August and harvested during November - December.

2. Off-season rice is mostly cultivated during November - January and harvested during March - May.

Table A3: Thailand's Corn Production, Supply and Demand

Corn	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1168	1168	1124	1124	1150	1152
Beginning Stocks	172	172	143	167	144	190
Production	5200	5200	5000	5000	5130	5130
MY Imports	600	600	700	700	700	700
TY Imports	600	600	700	700	700	700
TY Imp. from U.S.	11	0	0	0	0	0
Total Supply	5972	5972	5843	5867	5974	6020
MY Exports	729	705	199	177	200	200
TY Exports	692	668	200	177	200	200
Feed and Residual	5000	5000	5400	5400	5500	5600
FSI Consumption	100	100	100	100	100	100
Total Consumption	5100	5100	5500	5500	5600	5700
Ending Stocks	143	167	144	190	174	120
Total Distribution	5972	5972	5843	5867	5974	6020
Yield	4.4521	4.4521	4.4484	4.4484	4.4609	4.4531
(1000 HA) ,(1000 MT) ,(MT/HA)						

Table A4: Thailand's Wheat Production, Supply and Demand

Wheat	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	1066	1066	813	868	654	779
Production	0	0	0	0	0	0
MY Imports	3689	4064	3098	3168	3300	3300
TY Imports	3689	4064	3098	3168	3300	3300
TY Imp. from U.S.	696	707	658	578	0	0
Total Supply	4755	5130	3911	4036	3954	4079
MY Exports	242	242	257	257	260	260
TY Exports	242	242	227	257	260	260
Feed and Residual	2500	2800	1800	1700	1900	1800
FSI Consumption	1200	1220	1200	1300	1300	1350
Total Consumption	3700	4020	3000	3000	3200	3150
Ending Stocks	813	868	654	779	494	669
Total Distribution	4755	5130	3911	4036	3954	4079
Yield	0	0	0	0	0	0
(1000 HA) ,(1000 MT) ,(MT/HA)						

End of report.