Required Report: Required - Public Distribution **Date:** November 04,2020

Report Number: TH2020-0148

Report Name: Grain and Feed Update

Country: Thailand

Post: Bangkok

Report Category: Grain and Feed

Prepared By: Ponnarong Prasertsri, Agricultural Specialist

Approved By: Eric Mullis

Report Highlights:

Thai rice prices are under downward pressure as supplies of MY2020/21 main-crop rice began entering the market. Thai rice exports are expected to decline 23 percent in 2020 due to tight supplies of white paddy rice. Meanwhile, corn prices are still well above the 5-year average. Wheat imports increased 3 percent in the first quarter of MY2020/21 due to concerns about new regulations on paraquat and chlorpyrifos residues on imported agricultural products.

Executive Summary

Post's forecast for MY2020/21 rice production remains unchanged at 18.6 million metric tons, up 5 percent from MY2019/20 due to favorable weather conditions for main-crop rice production in non-irrigated areas. The increased main-crop rice production in non-irrigated areas will likely more than offset the reduced rice production in irrigated areas where reservoirs are critically low. Thai rice prices are under downward pressure as supplies of MY2020/21 main-crop rice began entering the market. For example, prices for fragrant rice declined 27 percent from the same period last year due to an expected recovery in fragrant rice production. In 2020, Thai rice exports are revised down to 5.8 million metric tons, down 23 percent from the previous year due to tight supplies of white paddy rice.

MY2020/21 corn production forecast remain unchanged at 5.6 million metric tons. This is a 24 percent increase from MY2019/20 due to acreage expansion and favorable weather conditions. Average farm-gate prices of corn between January and October 2020 declined 2 percent from the same period last year but is still well above the 5-year average prices as the government restricted the imports of alternative feed grains and ingredients.

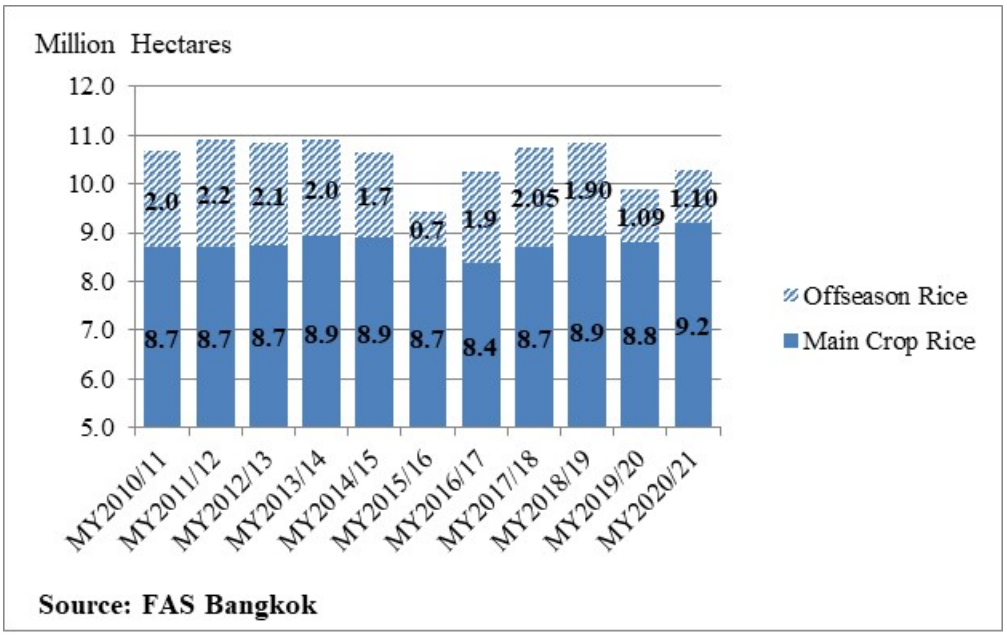
In the first quarter of MY2020/21 wheat imports totaled 0.7 million metric tons, up 3 percent from the same period last year driven by concerns about new requirements on paraquat and chlorpyrifos residues on imported agricultural products. However, Post kept the forecast for MY2020/21 wheat imports at 3 million metric tons, down 14 percent from MY2019/20, due to reduced demand for milling wheat and feed wheat. The Thai economy is still facing a negative growth rate of 7.8 percent in 2020 and a slower economic recovery of 3.6 percent in 2021 due to a reduced number of foreign tourists that has adversely affected the service sector, hotels, and restaurants.

1. Rice

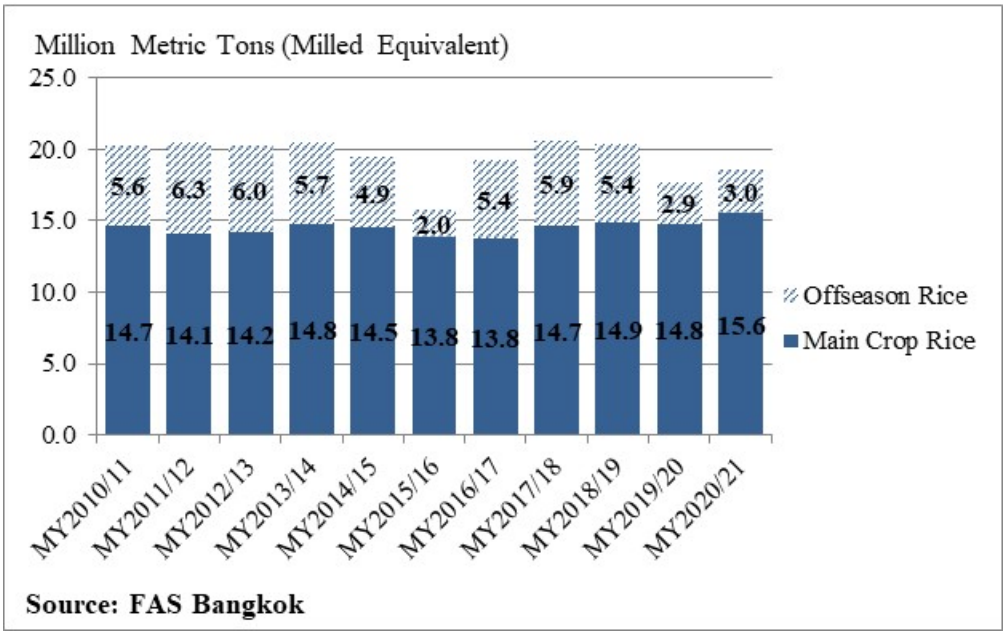
1.1 Production

Post's forecast for MY2020/21 rice production remains unchanged at 18.6 million metric tons, a 5 percent increase from MY2019/20 (Figure 1.1.1). MY2020/21 main-crop rice production has experienced more favorable weather conditions than MY2019/20 in non-irrigated areas, which accounts for approximately 75 percent of total main-crop rice acreage. Despite the second consecutive year of below normal precipitation, cumulative precipitation between January and October 2020 is well above last year according to the Thai Meteorological Department (Figure 1.1.2 and 1.1.3). Precipitation levels in major rice growing areas in the central plains and the northeastern region are 19 percent and 4 percent higher than the same period last year, respectively. Floods that occurred between August and October 2020 marginally affected main-crop rice production. On October 29, 2020, the Ministry of Agriculture and Cooperatives estimated that around 0.5 million rai (80,000 hectares) were affected by floods, which accounts for around one percent of the total main-crop rice planting area.

Figure 1.1.1: Thailand's Annual Rice Acreage and Production



Source: FAS Bangkok



Source: FAS Bangkok

Figure 1.1.2: Cumulative Precipitation, January 1 – October 18, 2020

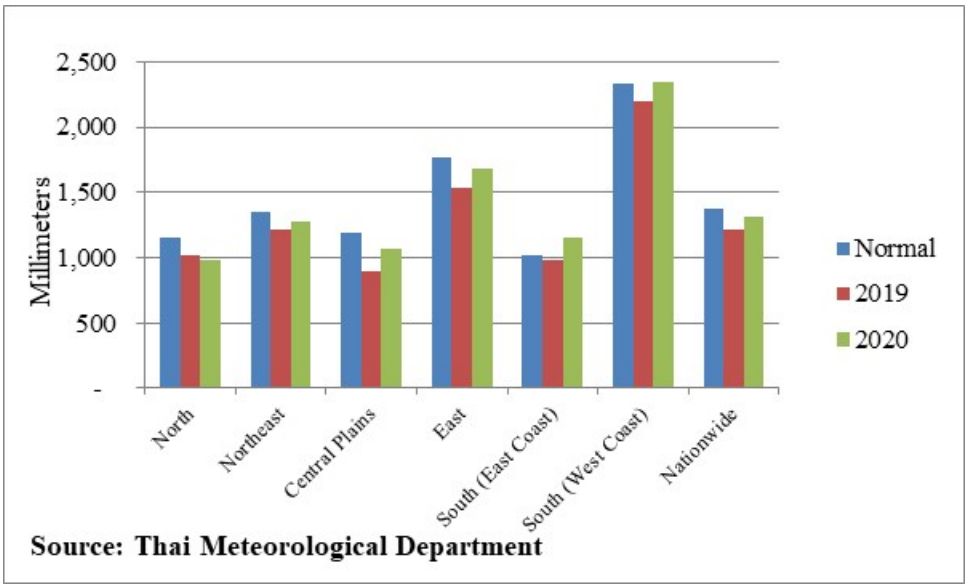
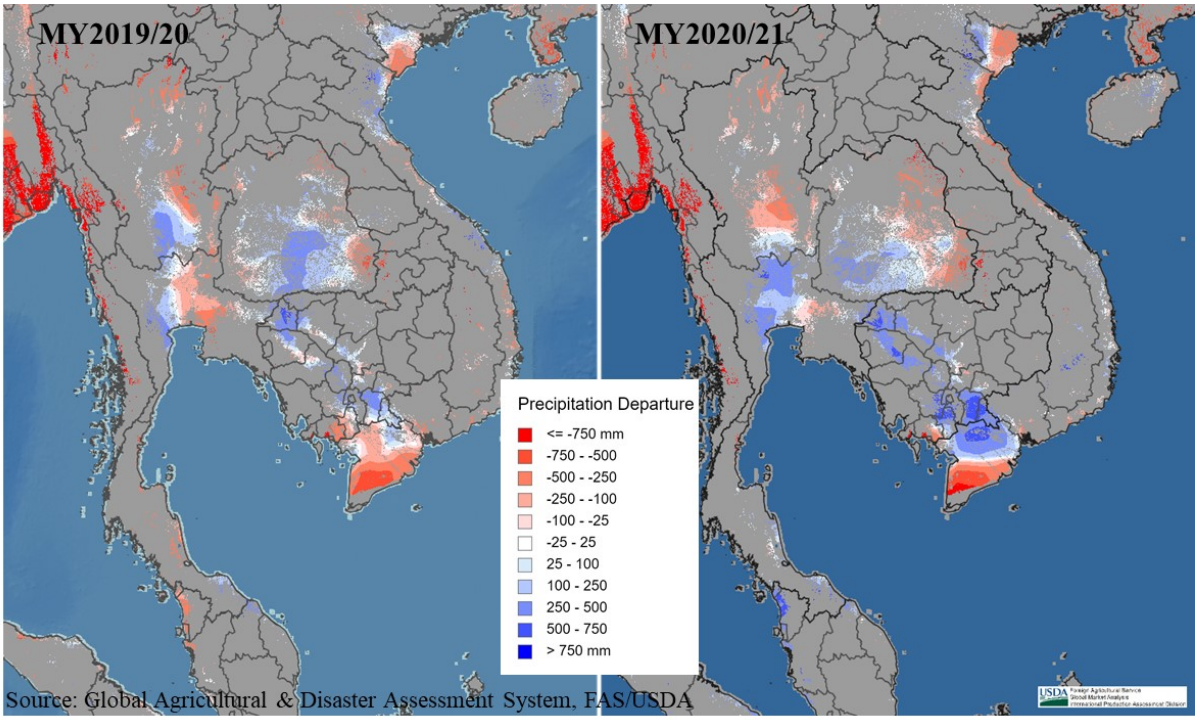


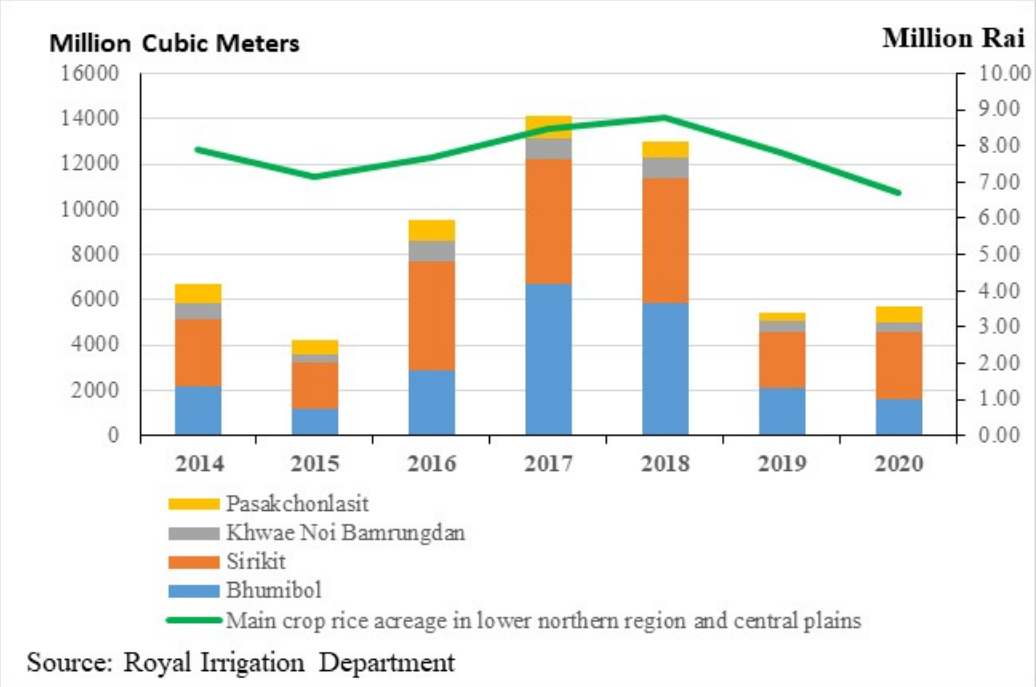
Figure 1.1.3: Precipitation Anomaly in Main-Crop Rice Planting Areas, April - September



The increased main-crop rice production in non-irrigated areas, particularly in the northeastern regions and the central plains, will likely more than offset the reduced rice production in irrigated areas. Non-irrigated areas in the northeastern regions and the central plains account for around half of total main-crop rice production. MY2020/21 main-crop rice acreage in irrigated area declined around 9 percent, mainly in the lower northern region and the central plains, which are major growing areas of white rice.

The Royal Irrigation Department (RID) was unable to supply sufficient water due to critically low reservoirs (Figure 1.1.4). Thus far, water supplies in reservoirs remain critically low despite a 5 percent increase in reservoir levels over the same period last year. The RID is expected to continue to restrict water supplies for MY2020/21 off-season rice planting in irrigated area. This will limit acreage expansion in MY2020/21 off-season rice, particularly for the second off-season rice planting.

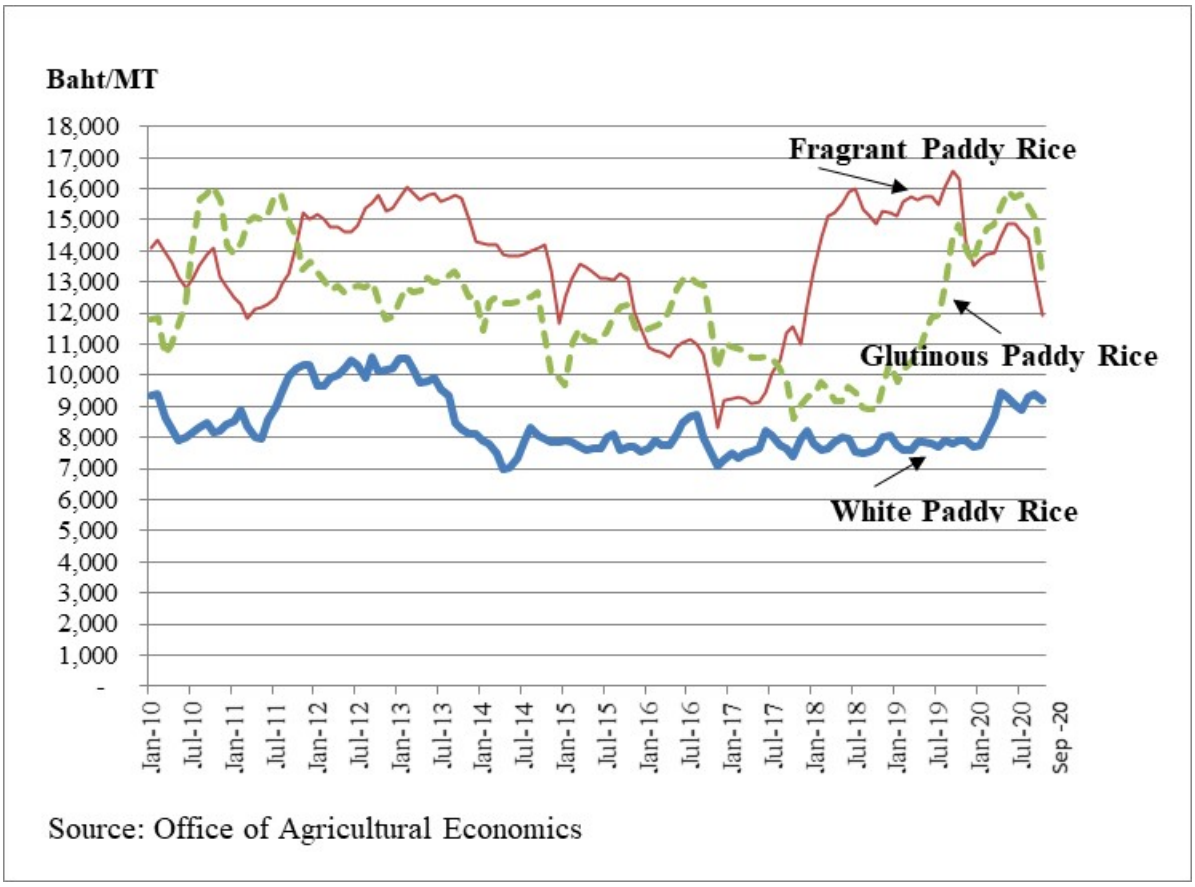
Figure 1.1.4: Water Supplies and Main Crop Rice Acreage in Irrigated Area, as of October 21, 2020



Source: Royal Irrigation Department

Farm-gate prices of paddy rice are under downward pressure as supplies of MY2020/21 main-crop rice began entering the market (Figure 1.1.5). In October 2020, prices of fragrant paddy rice fell to 11,934 baht per metric ton (U.S. $383/MT), down 27 percent from the same period last year. The price drop is due to an expected recovery in fragrant and glutinous rice production from MY2019/20 when fragrant and glutinous rice crops were affected by adverse weather conditions. Meanwhile, the farm-gate prices of white paddy rice in October 2020 were still 16 percent higher than the same period last year. MY2020/21 main-crop white rice production faced reduced acreage from limited irrigation supplies.

Figure 1.1.5 Monthly Farm-gate Prices of Paddy Rice



Source: Office of Agricultural Economics

1.2 Trade

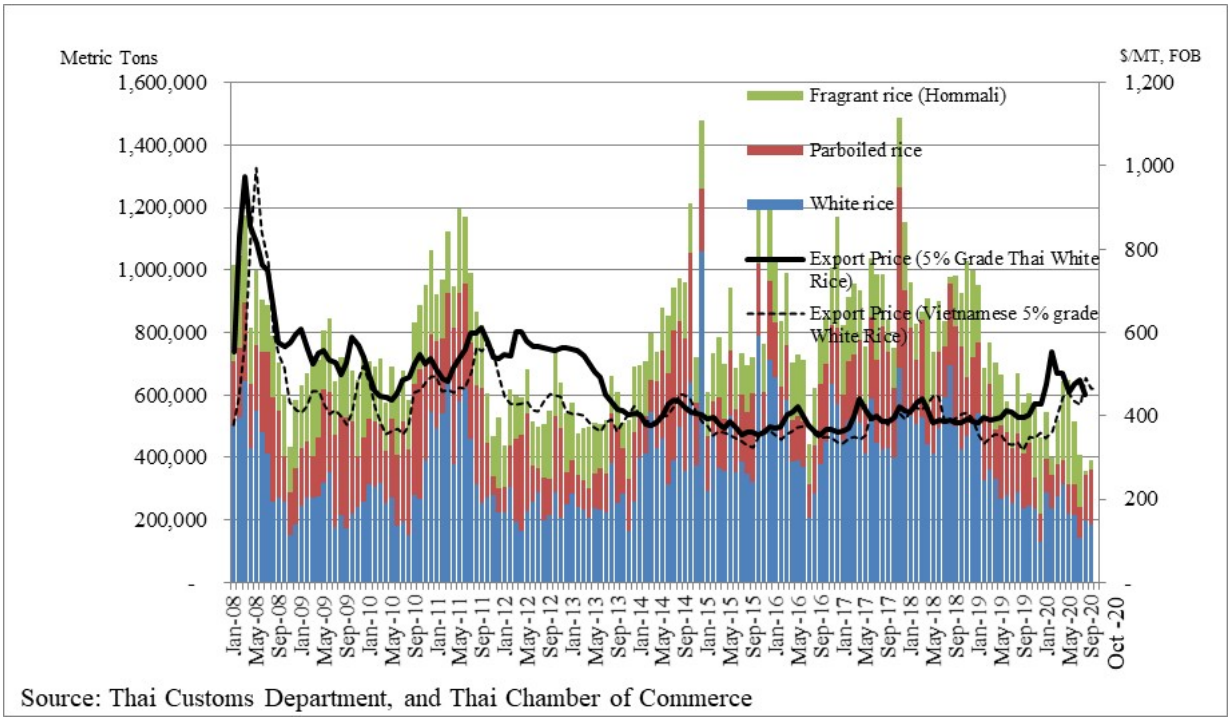
Thai rice exports totaled around 4 million metric tons between January and September 2020, down 32 percent from the same period last year (Table 1.2.1). Exports of white and parboiled rice declined 40-50 percent from the same period in 2019 as Thai rice was less competitive in the global market. Between January and September 2020, Vietnamese rice was on average U.S. $40-50/MT cheaper than Thai rice, and Indian parboiled rice was U.S. $135/MT cheaper than Thai rice. Domestic supplies of white paddy rice were tight (Figure 1.2.1) as MY2019/20 off-season rice was affected by drought. Despite an expected increase in white and parboiled rice exports to African countries in the remainder of 2020, the increase is unlikely to offset reduced rice exports between January and September 2020. Post revised down the forecast for Thai rice exports in 2020 to 5.8 million metric tons, down 23 percent from 2019.

Table 1.2.1: Thailand's Rice Exports by Varieties (1,000 MT)

Rice Variety	2015	2016	2017	2018	2019	% change 2019/2018	January - September		
							2019	2020	% change
White Rice	4,994	4,820	5,082	5,892	3,211	-45.5	2,529	1,477	-41.6
Parboiled Rice	2,317	2,150	3,380	2,708	2,229	-17.7	1,805	883	-51.1
Fragrant Rice	2,112	2,498	2,694	2,102	1,924	-8.5	1,428	1,514	6.0
Glutinous Rice	373	439	517	386	215	-44.2	172	168	-2.6
Total	9,796	9,906	11,674	11,089	7,580	-31.6	5,934	4,042	-31.9

Source: Ministry of Commerce, Thailand

Figure 1.2.1: Monthly Thai Rice Exports and Prices



Source: Thai Customs Department, and Thai Chamber of Commerce

1.3 Stocks

In 2020, rice ending stocks are revised up to 5.4 million metric tons, reaching the upper end of the typical carry-over of 3-4 months of use. Almost all of the rice stocks are private stocks. Rice millers are expected to hold large inventories of fragrant rice due to lower than expected domestic and export sales of fragrant rice caused by the COVID-19 outbreaks.

1.4 Policy

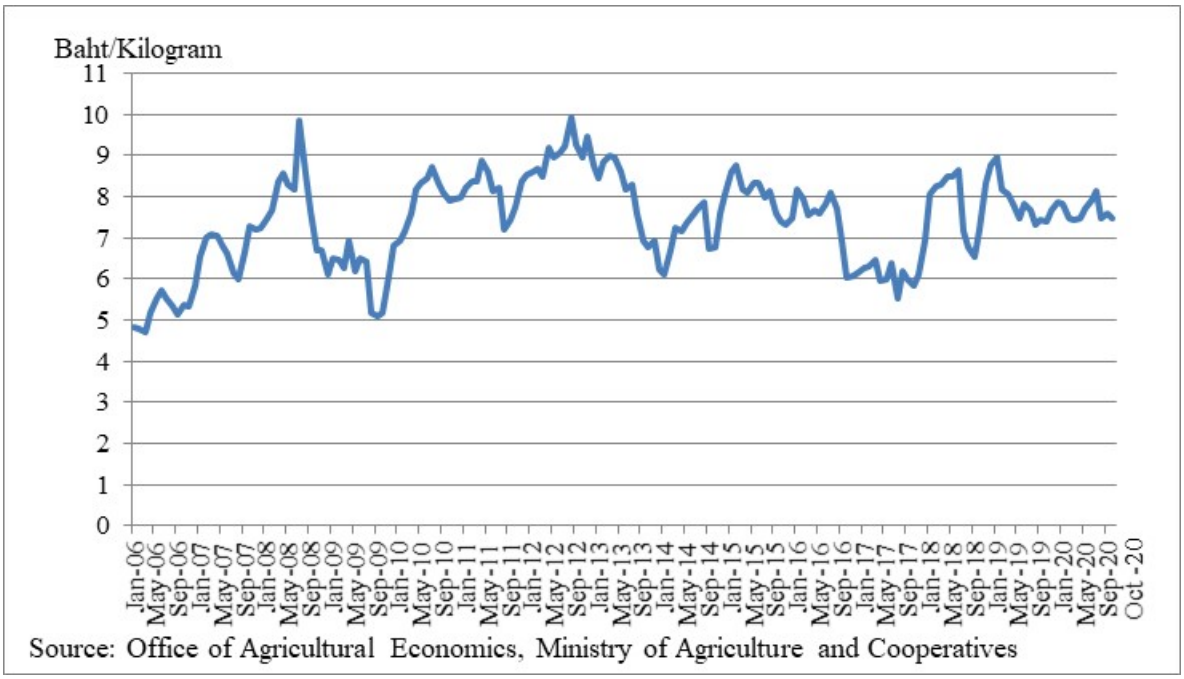
The government is awaiting a cabinet approval to implement the MY2020/21 price guarantee program (23.5 billion baht (U.S. $0.8 billion)), the direct payment program to subsidize rice production costs (56 billion baht (U.S. $1.8 billion)), and measures to help stabilize domestic rice prices (610 million baht (U.S. $19.6 million)). The measures include a pledging program, a soft loan program for farmer

institution to purchase paddy rice, and interest rate compensation program for rice millers to hold paddy rice stocks for 2-6 months with the combined target of 7 million metric tons of paddy rice (Please see TH2020-0119: Grain and Feed Update, August 2020).

2. Corn

Post's forecast for MY2020/21 corn production remains unchanged at 5.6 million metric tons, a 24 percent increase from MY2019/20. Thai corn farmers increased corn acreage, and MY2020/21 corn production season experienced more favorable weather conditions than MY2019/20. Average farm-gate prices of corn between January and October 2020 were around 7,650 baht per metric ton (U.S. $246/MT), down 2 percent from the same period last year (figure 2.1). The lower price can be attributed to increased locally produced corn and a surge in duty-free corn imports from neighboring countries under the ASEAN free trade agreement, particularly from Myanmar. However, these corn price levels are well above average farm-gate prices over the past five years. The above average prices are the result of the government restricting the imports of alternative feed grain and ingredients through domestic absorption requirements for feed wheat imports, as well as a high import tariff (9%) for distiller dried grains with solubles (DDGS) imports. Additionally, farmers are eligible for the price guarantee program for the MY2020/21 corn production (June 1, 2020 – May 31, 2021). The government also has additional measures like paddy rice that will help stabilize domestic corn prices (Please see TH2020-0119: Grain and Feed Update, August 2020).

Figure 2.1: Monthly Farm-gate Prices of Corn

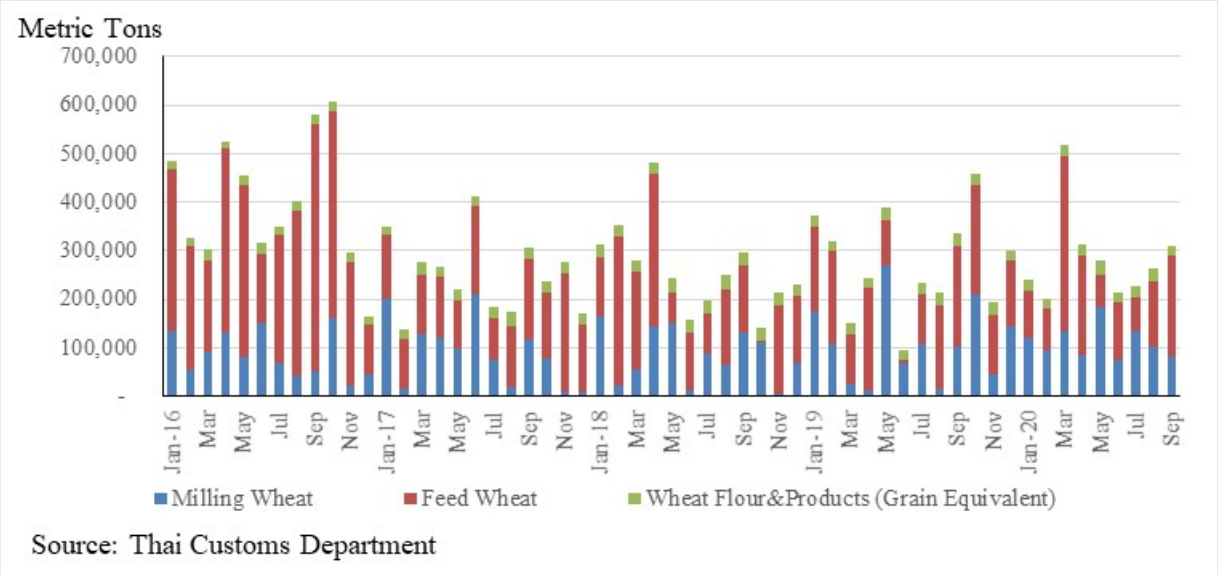


Source: Office of Agricultural Economics, Ministry of Agriculture and Cooperatives

3. Wheat

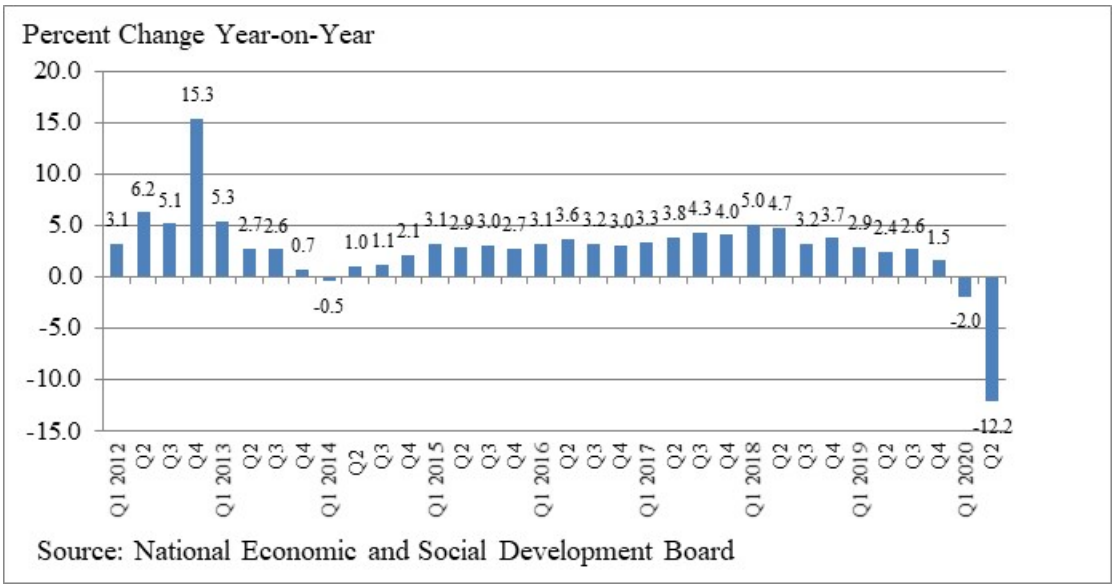
In the first quarter of MY2020/21, wheat imports totaled 0.7 million metric tons, up 3 percent from the same period last year due to increased milling wheat imports (Figure 3.1). Milling wheat imports totaled 0.3 million metric tons, up 42 percent from the same period last year. The increase in milling wheat imports in the first quarter of MY2020/21 reflected the concerns of the flour mills about the government's new regulations pertaining to paraquat and chlorpyrifos residues on imported agricultural products. Flour mills reportedly built up their inventories of milling wheat despite an anticipated decrease in wheat consumption due to the COVID-19 outbreak. Meanwhile, imports of feed wheat totaled 0.4 million metric tons, down 14 percent from the same period last year due to increased corn supplies from locally produced and imported corn, as well as the slowdown in poultry and livestock feed demand caused by the COVID-19 outbreak.

Figure 3.1: Thailand's Monthly Wheat Imports



Post's forecast for MY2020/21 wheat imports remains unchanged at 3 million metric tons, down 14 percent from MY2019/20. Milling wheat imports are expected to decline to 1.2 million metric tons, down 9 percent from MY2019/20 as domestic consumption of wheat-based food, particularly for bakery products, is unlikely to recover in MY2020/21. Although the pandemic is presently under control, the Thai economy faces a negative growth rate of 7.8 percent for 2020, based on the latest forecast by the Bank of Thailand in September 2020 (Figure 3.2). The Thai economic growth is expected to fall by 8 percent in the second half of 2020 as hotel and restaurant sectors are still struggling from the reduced number of tourists caused by the COVID-19 outbreak. The estimated number of tourists in 2020 has been revised down to 6.7 million from the previous estimate of 8 million, compared to 39.8 million in 2019. Additionally, the economic recovery in 2021 is expected to be slower at 3.6 percent, compared to the previous forecast of 5 percent. The expected number of foreign tourists for 2021 was revised down from 16 million to 9 million.

Figure 3.2: Thailand's Quarterly GDP



Appendix Tables

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

Rice, Milled	2018/2019		2019/2020		2020/2021	
Market Year Begins	Jan 2019		Jan 2020		Jan 2021	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	10,830	10,830	9,890	9,890	10,300	10,285
Beginning Stocks (1000 MT)	3,009	3,009	4,237	4,469	4,642	5,374
Milled Production (1000 MT)	20,340	20,340	17,655	17,655	18,600	18,570
Rough Production (1000 MT)	30,818	30,818	26,750	26,750	28,182	28,136
Milling Rate (.9999) (1000 MT)	6,600	6,600	6,600	6,600	6,600	6,600
MY Imports (1000 MT)	250	200	250	250	200	200
TY Imports (1000 MT)	250	200	250	250	200	200
TY Imp. from U.S. (1000 MT)	4	4	0	0	0	0
Total Supply (1000 MT)	23,599	23,549	22,142	22,374	23,442	24,144
MY Exports (1000 MT)	7,562	7,580	5,500	5,800	7,000	8,000
TY Exports (1000 MT)	7,562	7,580	5,500	5,800	7,000	8,000
Consumption and Residual (1000 MT)	11,800	11,500	12,000	11,200	12,000	11,800
Ending Stocks (1000 MT)	4,237	4,469	4,642	5,374	4,442	4,344
Total Distribution (1000 MT)	23,599	23,549	22,142	22,374	23,442	24,144
Yield (Rough) (MT/HA)	2.8456	2.8456	2.7048	2.7048	2.7361	2.7356

(1000 HA), (1000 MT), (MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2020/2021 = January 2021 - December 2021

Table 2: Thailand's Rice Production by Crop

	2018/19			2019/20			2020/2021		
	Main Crop	**Second Crop**	**Total**	**Main Crop**	**Second Crop**	**Total**	**Main Crop**	**Second Crop**	**Total**
Area (Million Hectares)									
Cultivation	9.230	1.900	11.130	9.280	1.090	10.370	9.370	1.110	10.480
Harvest	8.940	1.890	10.830	8.805	1.085	9.890	9.185	1.100	10.285
Production (Million Tons)									
Rough	22.608	8.210	30.818	22.410	4.340	26.750	23.591	4.545	28.136
Rice	14.920	5.420	20.340	14.790	2.865	17.655	15.570	3.000	18.570
Yield (Ton/Hectare)	2.529	4.344	2.846	2.545	4.000	2.705	2.568	4.132	2.736

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.
Source: FAS Estimate

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

Corn	**2018/2019**		**2019/2020**		**2020/2021**	
Market Year Begins	**Jul 2018**		**Jul 2019**		**Jul 2020**	
Thailand	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Harvested (1000 HA)	1,295	1,296	1,216	1,216	1,250	1,254
Beginning Stocks (1000 MT)	144	144	773	798	675	680
Production (1000 MT)	5,600	5,625	4,500	4,480	5,500	5,610
MY Imports (1000 MT)	1,200	1,200	1,630	1,630	1,200	800
TY Imports (1000 MT)	1,200	1,200	1,700	1,630	1,200	800
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	6,944	6,969	6,903	6,908	7,375	7,090
MY Exports (1000 MT)	171	171	28	28	30	30
TY Exports (1000 MT)	111	171	25	28	30	30
Feed and Residual (1000 MT)	5,900	5,900	6,100	6,100	6,600	6,350
FSI Consumption (1000 MT)	100	100	100	100	100	100
Total Consumption (1000 MT)	6,000	6,000	6,200	6,200	6,700	6,450
Ending Stocks (1000 MT)	773	798	675	680	645	610
Total Distribution (1000 MT)	6,944	6,969	6,903	6,908	7,375	7,090
Yield (MT/HA)	4.3243	4.3403	3.7007	3.6842	4.4	4.4737

(1000 HA), (1000 MT), (MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Corn begins in October for all countries. TY 2020/2021 = October 2020 - September 2021

Table 4: Thailand's Wheat Production, Supply and Demand

Wheat Market Year Begins Thailand	2018/2019 Jul 2018		2019/2020 Jul 2019		2020/2021 Jul 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	0	0	0	0	0	0
Beginning Stocks (1000 MT)	671	671	495	545	802	990
Production (1000 MT)	0	0	0	0	0	0
MY Imports (1000 MT)	2,899	2,899	3,497	3,497	3,100	3,000
TY Imports (1000 MT)	2,899	2,899	3,497	3,497	3,100	3,000
TY Imp. from U.S. (1000 MT)	719	680	785	805	0	0
Total Supply (1000 MT)	3,570	3,570	3,992	4,042	3,902	3,990
MY Exports (1000 MT)	275	275	290	292	275	290
TY Exports (1000 MT)	275	275	290	292	275	290
Feed and Residual (1000 MT)	1,600	1,400	1,600	1,450	1,400	1,480
FSI Consumption (1000 MT)	1,200	1,350	1,300	1,310	1,300	1,280
Total Consumption (1000 MT)	2,800	2,750	2,900	2,760	2,700	2,760
Ending Stocks (1000 MT)	495	545	802	990	927	940
Total Distribution (1000 MT)	3,570	3,570	3,992	4,042	3,902	3,990
Yield (MT/HA)	0	0	0	0	0	0
(1000 HA), (1000 MT), (MT/HA) MY = Marketing Year, begins with the month listed at the top of each column TY = Trade Year, which for Wheat begins in July for all countries. TY 2020/2021 = July 2020 - June 2021						

End of report.

Attachments:

No Attachments