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Thailand

Grain and Feed Update

November 2014

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Report Highlights:
TH4120 – Thai rice exports reached a record high in October 2014 fueled by the sales of the government stocks. The government approved an on-farm pledging program to prevent seasonal price decreases for fragrant rice and glutinous rice.

Post:
Bangkok

Executive Summary:
Rice exports totaled 1.2 million metric tons, a monthly record, in October 2014 as a result of subsidized prices from the sales of government stocks. Thai rice prices are likely to remain competitive for the remainder of 2014 due to large main-crop supplies of white and fragrant rice. Also, private exporters are likely to complete outstanding shipments of white rice under the government-to-government contracts with China, Indonesia, and the Philippines by the end of December 2014.
The Government approved the implementation of an on-farm pledging program for MY2014/15 main-crop fragrant and glutinous rice. The program is designed to help prevent seasonal rice prices from falling. The government expects that about 2 million metric tons of rice paddy will take advantage of the program due to attractive intervention prices.

Author Defined:
1. Rice Exports Record 1.2 Million Metric Tons in October 2014
In October 2014, Thai rice exports reached a record monthly high, totaling 1.2 million metric tons. This is a 59 percent increase from the same period last year (Thai Custom Department data - Figure 1). Around half of October's rice exports were white rice which more than doubled from the same period last year, particularly to African countries. Parboiled rice exports also increased significantly to 0.4 million metric tons compared to around 0.1 million metric ton last year.
Total rice exports from January – October 2014 increased 62 percent to 8.8 million metric tons. The increase reflected competitive prices of Thai rice resulting from sales of government stocks. This is particularly true for white rice exports which increased around 75 percent to 4.5 million metric tons, with average export prices 22 percent lower than the average prices for the first 10 months of 2013. Parboiled rice exports doubled (2.7 million metric tons compared to 1.3 million metric tons) as export prices fell approximately 20 percent from the same period last year. This price reduction was also the result of suspension of the pledging program in Mach 2014.
Thai rice prices are likely to remain competitive thru the end 2014. Recently, export prices of white rice and parboiled rice have declined to around $410 – 420/MT (FOB) due to the seasonal peak of main-crop rice supplies. Fragrant rice prices fell to $860 – 870/MT (FOB), compared to around $1,100/MT in the same period last year. Exports of new-crop white and fragrant will likely be large in the remaining months of 2014. Also, private exporters are expected to ship about 486,000 metric tons of white rice during November – December 2014 under the government-to-government contracts with China, Indonesia, and the Philippines in 2014 (Table 1).
The government is expected to ship another 800,000 metric tons of white rice to China in 2015 under the memorandum of understanding (MOU) with the Chinese Government for 1 million metric tons which was signed on March 5, 2014. In addition, the Government is considering a new MOU for 2 million metric tons of rice with China (for the delivery during 2015 – 2016). This potential deal is the result of Thai Government agreeing on a draft MOU with the Chinese government for the development of double-track railroads worth approximately 400 billion baht ($12.5 billion).

Post's forecast of Thai rice exports is unchanged from the previous estimate of 10.5 million metric tons in 2014, and 11 million metric tons in 2015.

Table 1: Government-to-Government Contracts in 2014

Unit: Metric Ton

Destination	Rice Quality					Delivery Schedule	Estimated Shipments
	New-Crop White Rice			Old-Crop White rice	Total		(as of October 30, 2014)
	5% Grade	15% Grade	25% Grade	5% Grade			
China 1 [1/] (March 2014)	100,000 ($410/MT, FOB)				100,000	April - June 2014	Completed in June 2014
China 2 [1/] (August 2014)	100,000 ($450/MT, FOB)	-	-	-	100,000	September - December 2014	55,900 MT shipped
Indonesia (September 2014)	50,000 ($475/MT, C&F)	100,000 ($455/MT, C&F)	-	25,000 (N.A.)	175,000	October - December 2014	33,371 MT shipped
Philippines (September 2014)	-	-	300,000 ($475/MT, CIF)	-	300,000	October - December 2014	Pending
Grand Total	250,000	100,000	300,000	25,000	675,000		189,271

Note: [1/] This is part of the 1 million metric tons under the MOU on rice between Thai and Chinese Government on March 5, 2014 for 12-month delivery.

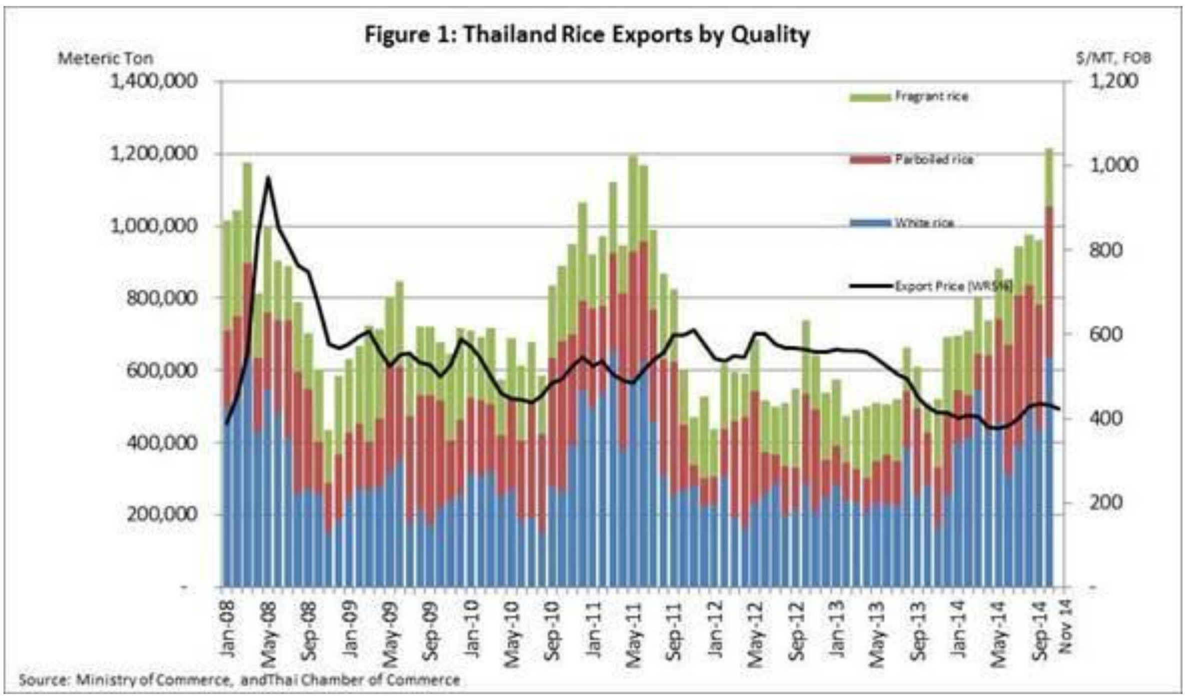


Figure 1: Thailand Rice Exports by Quality

2. On-Farm Pleading Program Approved

On November 25, 2014 the Government approved the implementation of an on-farm pledging program which is now known as “Farmer Loans to Delay the Sales of Rice Paddy for MY2014/15 Main-Crop Fragrant and Glutinous Rice Paddy” for farmers in the northern and northeastern regions. The program will be open from now thru February 2015. The program had been delayed since the beginning of November 2014 (for more detail of the program please see TH4104, Grain and Feed Update – October 2014). It is likely that the government will receive up to 2 million metric tons of rice paddy under the program due to attractive intervention prices, which are currently 23 percent above market prices for fragrant rice paddy, and 41 percent for glutinous rice paddy. While the intervention prices are not as high as in the previous pledging programs, they are still high enough for farmers to forfeit their rice paddy. Traders expect the government will auction this rice paddy after February 2015 when the program finishes. Estimated costs of the program are approximately 29 billion baht ($921 million – Table 2). The program will be administrated by the Bank for Agriculture and Agricultural Cooperative (BAAC). The BAAC will provide the interest-free loans for famers participating in the program.

Table 2: Estimated Costs of On-Farm Pleading Program	
Items	Million Baht
Farmer Loans (provided by BAAC)	25,740
Storage Cost Subsidy for Farmers (1,000 baht/MT)	2,000
Interest Rate Subsidy for BAAC (7%)	619
Operating Costs Subsidy for BAAC (2.25%)	454
Logistic Costs Subsidy for BAAC (300 baht/MT)	600
Others	48
Total	**29,461**

3. Precipitation far below normal in October 2014

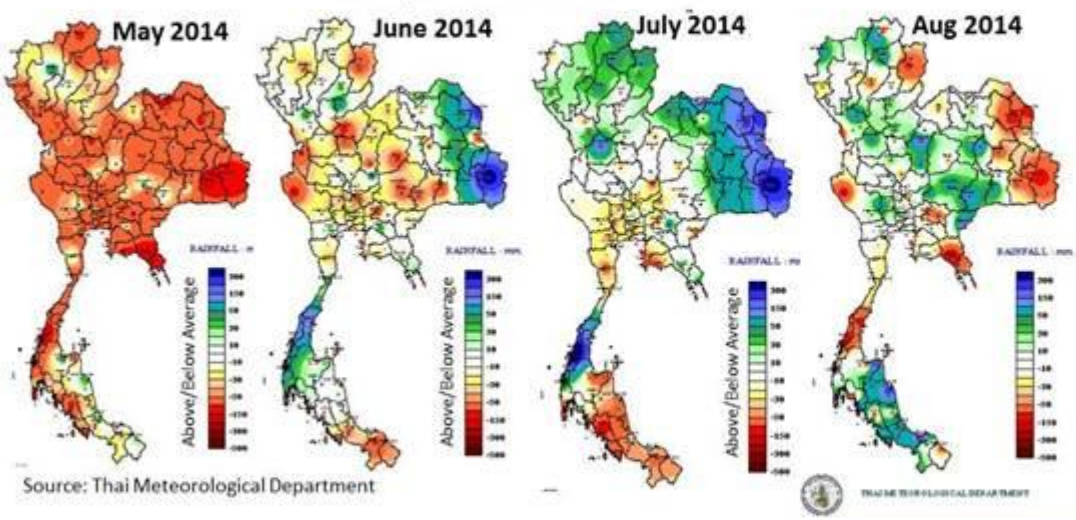
According to the Thai Meteorological Department, average precipitation in major rice growing areas (North, Northeast, and Central Plains) was 28 percent below normal in October 2014 which is the last month of monsoon season (Table 2 and Figure 2). Average cumulative 2014 rainy season rainfall (May – October) was approximately 10 percent below normal in the rice growing areas.

Table 3: Precipitation in October 2014

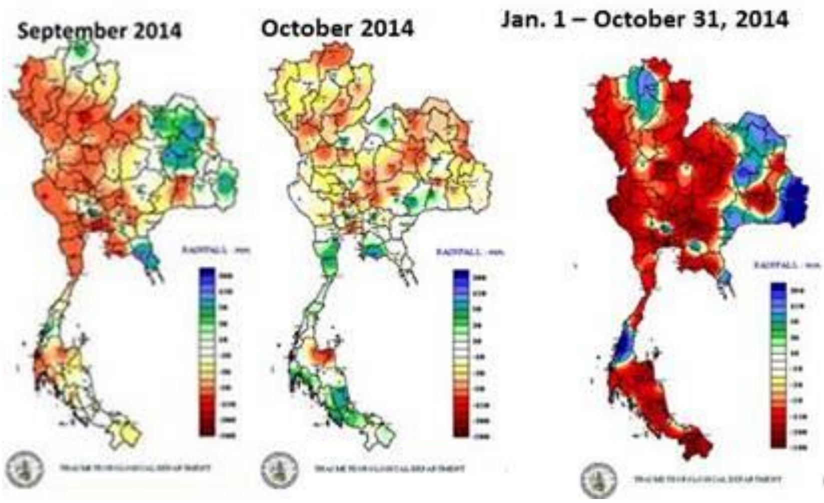
Region	Precipitaion					
	October 2014	Above/Below Normal Average		Cummulative Jan. - Oct. 2014	Above/Below Normal Average	
	(Millimeter)	(Millimeter)	%	(Millimeter)	(Millimeter)	%
North	94	-30	-24	1,068	-122	-10
Northeast	80	-37	-32	1,356	-25	-2
Central Plain	135	-52	-28	991	-242	-20
East	277	52	23	1,667	-160	-9
South (East Coast)	274	19	7	962	-180	-16
South (West Coast)	428	62	17	2,579	128	5

Source: Thai Meteorological Department

Figure 2: Monthly Precipitation Deviated from Normal in Rainy Season in 2014



Source: Thai Meteorological Department



4. Main-Crop Harvest is Seasonal Peak

The forecast of MY2014/15 rice and corn production remain unchanged. Rice and corn production will likely decline 2 to 3 percent from the previous year due to unfavorable weather conditions, particularly in the northern region and central plain.

Thus far, around half of the rice crop has been harvested. Average yield was reportedly lower than the previous year in many areas in the northern region and central plain. However, average yield in the northeastern region which is the major growing areas of fragrant rice was virtually unchanged from the previous year as precipitation was near normal average.

Recently, The Royal Irrigation Department revealed that farmers in the lower northern region and central plain would continue to grow MY2014/15 off-season rice crop despite the official warning on limited water supply from reservoirs. Thus far (as of end of November 2014), around 2 million rai (0.3 million hectares) has been planted. The cultivation progress is the same as in the previous year.

Appendix Tables

Table 1A: 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	Old Post	New Post	USDA Official	Old Post	New Post	
Area Harvested	10,837	10,837	10,837	10,920	10,920	10,920	10,900	10,900	10,900	(1000 HA)
Beginning Stocks	9,330	9,330	9,330	12,808	12,808	12,808	12,393	12,193	12,193	(1000 MT)
Milled Production	20,200	20,200	20,200	20,460	20,460	20,460	20,500	20,130	20,130	(1000 MT)
Rough Production	30,606	30,606	30,606	31,000	31,000	31,000	31,061	30,500	30,500	(1000 MT)
Milling Rate (.9999)	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	(1000 MT)
MY Imports	600	600	600	300	300	300	300	300	300	(1000 MT)
TY Imports	600	600	600	300	300	300	300	300	300	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	30,130	30,130	30,130	33,568	33,568	33,568	33,193	32,623	32,623	(1000 MT)
MY Exports	6,722	6,722	6,722	10,300	10,500	10,500	10,800	11,000	11,000	(1000 MT)
TY Exports	6,722	6,722	6,722	10,300	10,500	10,500	10,800	11,000	11,000	(1000 MT)
Consumption and Residual	10,600	10,600	10,600	10,875	10,875	10,875	10,900	10,900	10,900	(1000 MT)
Ending Stocks	12,808	12,808	12,808	12,393	12,193	12,193	11,493	10,723	10,723	(1000 MT)
Total Distribution	30,130	30,130	30,130	33,568	33,568	33,568	33,193	32,623	32,623	(1000 MT)
Yield (Rough)	3.	3.	2.8242	3.	3.	2.8388	3.	3.	2.7982	(MT/HA)

Table 1B: Thailand's Paddy Area, Production, and Yield

	2012/13			2013/14 (November 2014)			2014/15 (November 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

End of report