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Thailand

Grain and Feed Update

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Report Highlights:
TH6095 – MY2016/17 rice and corn crops are in good condition despite the planting delay as precipitation has returned to normal. MY2015/16 wheat imports were higher than expected, particularly for feed wheat due to the shortages of domestic supplies of broken rice and corn for swine and poultry feed rations.

Post:
Bangkok

Executive Summary:
Post's forecast of MY2016/17 grain production remains unchanged at 17 million metric tons for rice and 4.9 million metric tons for corn, up 7 and 4 percent from MY2015/16, respectively. Cumulative precipitation has increased to normal levels since July 2016, which is 13 percent above last year. MY2016/17 rice and corn crop conditions are good to excellent. Meanwhile, late supplies of irrigated water for the central plains will likely result in a slight reduction in main-rice production to 13.8 million metric tons as it is too late for cultivation, particularly in lower areas, due to the concern about possible flooding damage during the harvest in November. However, anticipated sufficient water supplies by the end of rainy season will likely result in some recovery of the MY2016/17 off-season rice production to 3.2 million metric tons as expected in the previous forecast.

MY2015/16 wheat imports were higher than expected at 4.7 million metric tons due to an increase in feed wheat imports to 3.3 million metric tons driven by the shortages of domestic supplies of corn and broken rice for poultry and swine feed rations. In addition, prices of imported feed wheat were 18 percent cheaper than domestic corn and 30 percent cheaper than broken rice.

Author Defined:
1. Rice
Table 1.1: Thailand's Rice Production, Supply and Demand

Rice, Milled	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jan 2015		Jan 2016		Jan 2017	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	10270	10643	9444	9444	9550	9543
Beginning Stocks	11899	11899	10570	11207	6070	6807
Milled Production	18750	19404	15800	15800	17000	17000
Rough Production	28409	29400	23939	23939	25758	25758
Milling Rate (.9999)	6600	6600	6600	6600	6600	6600
MY Imports	300	300	300	300	250	300
TY Imports	300	300	300	300	250	300
TY Imp. from U.S.	3	0	0	0	0	0
Total Supply	30949	31603	26670	27307	23320	24107
MY Exports	9779	9796	9800	9000	9000	9000
TY Exports	9779	9796	9800	9000	9000	9000
Consumption and Residual	10600	10600	10800	11500	11100	12500
Ending Stocks	10570	11207	6070	6807	3220	2607
Total Distribution	30949	31603	26670	27307	23320	24107
(1000 HA), (1000 MT)						

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

	2014/15			2015/16 (August 2016 Forecast)			2016/17 (August 2016 Forecast)		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area (million hectare)									
Cultivation	9.288	1.940	11.228	9.096	1.055	10.151	8.745	1.229	9.974
Harvest	8.900	1.743	10.643	8.709	0.735	9.444	8.373	1.170	9.543
Production (million ton)									
Rough	22.000	7.400	29.400	20.973	2.966	23.939	20.909	4.848	25.758
Rice	14.520	4.884	19.404	13.842	1.958	15.800	13.800	3.200	17.000
Yield (ton/hectare)	2.472	4.245	2.762	2.408	4.035	2.535	2.497	4.144	2.699

Source: FAS Estimate

1.1 Precipitation well above last year

According to the Thai Meteorological Department (TMD), cumulative precipitation has increased to normal levels since July 2016, which is 13 percent above last year (Figure 1). Tropical storms and depressions during mid-August 2016, which caused flash floods in the northern region, also helped recharge reservoirs, particularly for the Sirikit Dam. Meanwhile, the flood damage on rice and corn crops is reportedly marginal as the overflow of rivers quickly receded. Presently, water supplies in this reservoir, which accounts for around one third of total irrigation water for the lower northern and central plain regions, are well above critical low levels (Figure 2). However, water supplies in the other major reservoir (Bhumibol Dam) which accounts for around half of total irrigation remain critically low (Figure 3) due to weak monsoon path in this area. The Royal Irrigation Department (RID) reported that water supplies in major reservoirs in the northern region, which are the main sources of irrigated water supplies for rice planting in the lower northern region and central plains, increased to 3.8 billion cubic meters (as of August 24, 2016), compared to 2 billion cubic meters in July 2016. However, these reservoir levels are still lower than the ideal of 7 billion cubic meters. Nevertheless, the RID expected that precipitation during the remaining rainy season months of September and October will be enough to recharge reservoirs to levels that enable the RID to supply irrigated water for MY2016/17 off-season rice plantation.

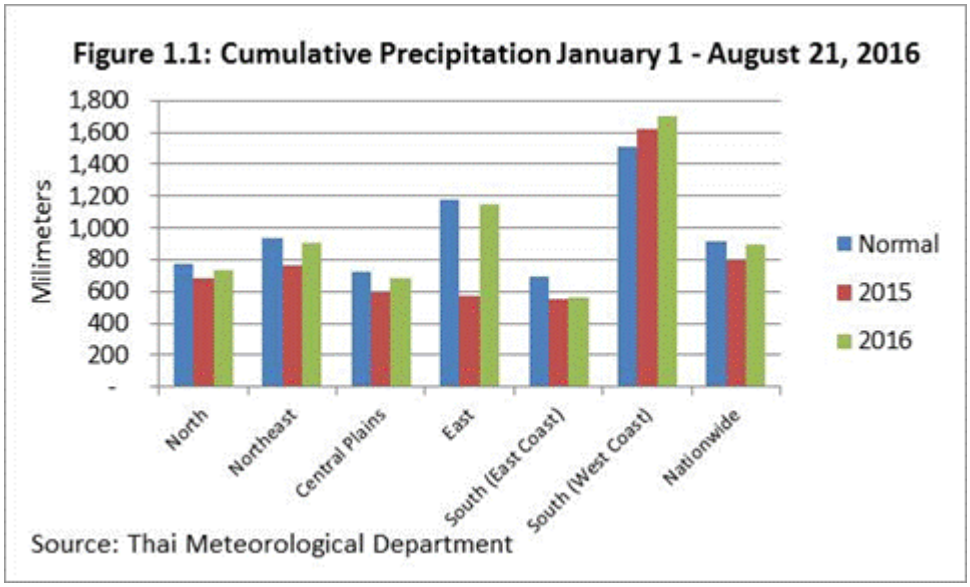
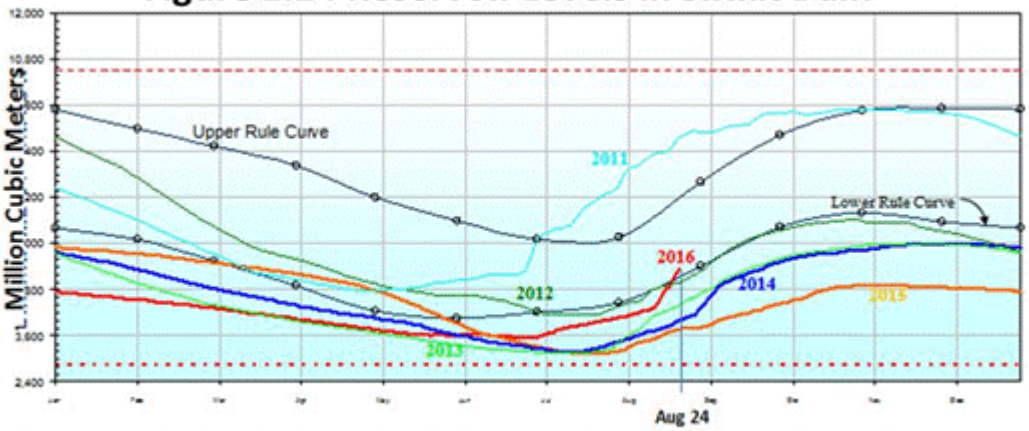
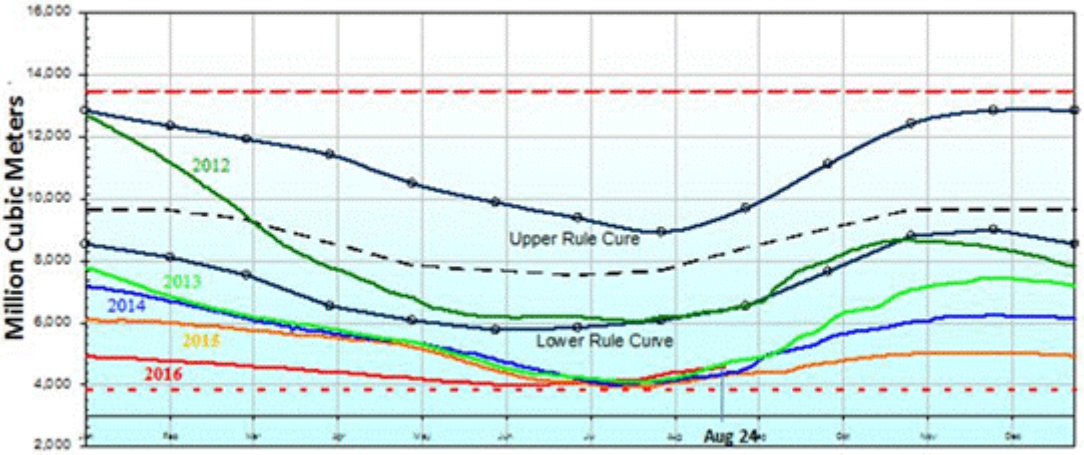


Figure 1.2 : Reservoir Levels in Sirikit Dam



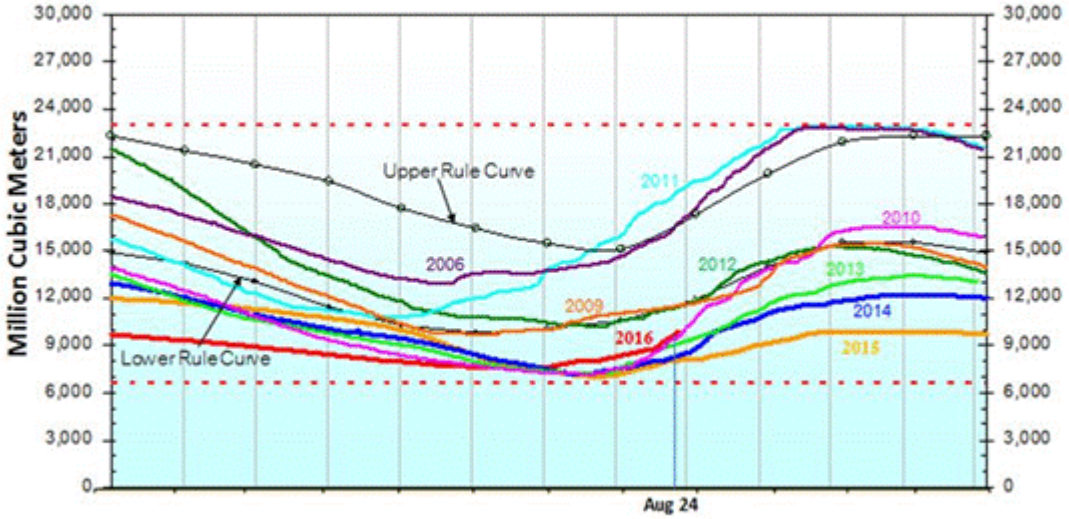
Source: Royal Irrigation Department, Ministry of Agriculture and Cooperatives

Figure 1.3 : Reservoir Levels in Bhumibol Dam



Source: Royal Irrigation Department, Ministry of Agriculture and Cooperatives

Figure 1.4: Reservoir Levels in Major Dams



Source: Royal Irrigation Department, Ministry of Agriculture and Cooperatives

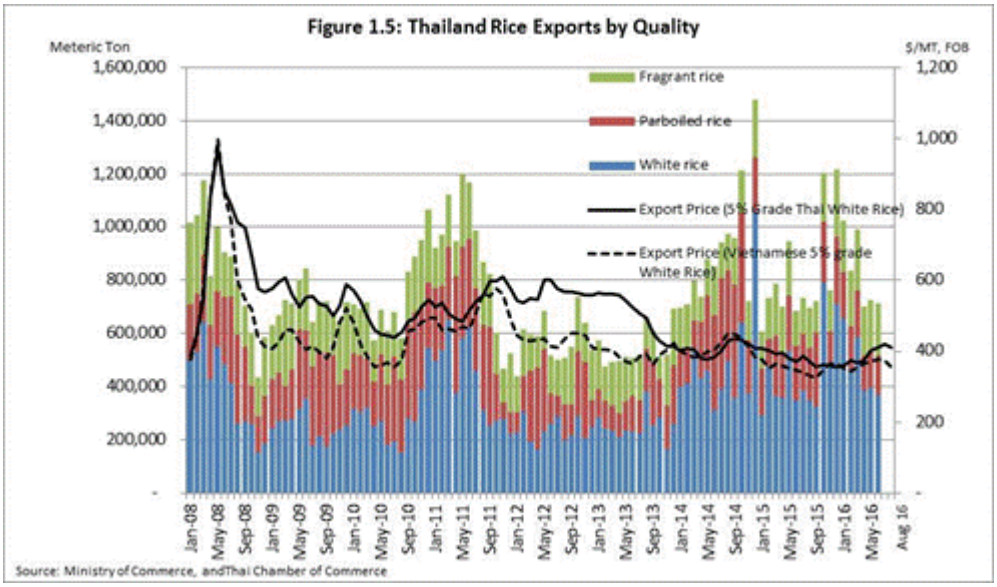
1.2 MY2016/17 main-rice crop still far below last year

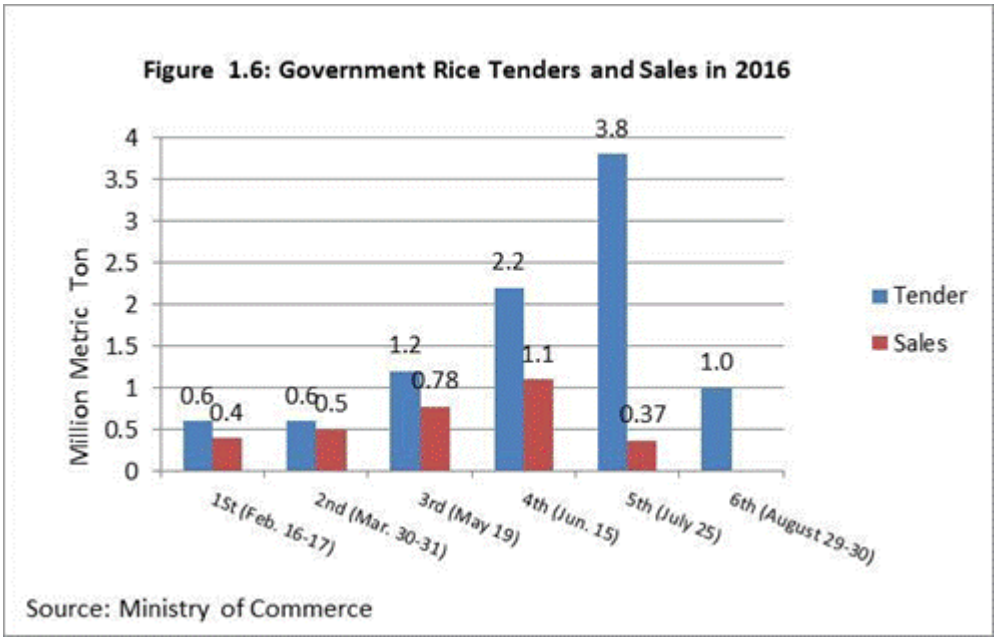
The RID crop progress report on August 17, 2016 indicated that MY2016/17 main-rice crop planting is approximately 13 percent lower than MY2015/16. This is mainly due to an acreage reduction in Chaopraya river basin, particularly in the central plains, as the RID did not supply water for these areas in order to preserve the water for household consumption while reservoirs were critically low during May - July. Farmers in these areas rely on canal water to irrigate their rice crop. Although the RID began to supply water in early August, some farmers in these areas decided not to plant their main-rice crop due to the concern about possible seasonal flooding damage during the harvest which is expected to occur in November 2016. Also, the Geo-Informatics and Space technology Development Agency (GISTDA) reported in early August that total planted areas of main-rice crop declined 19 percent from the same period last year due to the planting delays in the lower northern region and central plains. This is in line with Post's forecast in April that MY2016/17 main-rice crop areas are expected to decline by around 4 percent from MY2015/16 with a slight reduction in main-rice production to 13.8 million metric tons. Meanwhile, Post expects some recovery in MY2016/17 off-season rice production to 3.2 million metric tons in anticipation of sufficient water supplies from reservoirs. Post's forecast for the MY2016/17 rice production remains unchanged at 17 million metric tons, which is expected to increase 8 percent from MY2015/16 (GAIN Report: TH6048 – Grain and Feed Update, April 2016).

1.3 Rice exports higher-than-expected in the first half of 2016 driven by sales of government stocks

According to the Thai Custom Department, Thai rice exports in the first half of 2016 totaled around 5 million metric tons, up 12 percent from the same period last year (Figure 1.5). This is mainly due to an increase in white rice exports totaling around 2.8 million metric tons, up 20 percent from the same period last year. Exports of white rice more than offset a reduction in parboiled rice which declined around 14 percent from the same period last year due to tight supplies of new-crop white rice. The increase in white rice exports is driven by the sales of old-crop white rice from the government stocks. The government sold approximately 3.2 million metric tons out of total tenders of 8.4 million metric

tons during January – July 2016. Export prices of old-crop white rice were $75-80/MT lower than those of current crop. This is reportedly competitive in African market as it is approximately 10 percent cheaper than Vietnamese new-crop rice.





Post revised up Thai rice export estimates in 2016 to 9 million metric tons from the previous forecast. However, it is still 8 percent lower than last year's exports of 9.8 million metric tons due to tight supplies of new-crop white and parboiled rice and competition from Vietnamese and Indian rice, particularly in the third quarter of 2016. Also, the government is likely to slow down its sales of food-grade rice stocks for the rest of 2016 to avoid downward pressure on domestic rice prices during the harvest of new-crop rice in the last quarter of 2016. The government announced that the public tender for 0.7 million metric tons of food-grade rice on August 29-30, 2016 will be the last tender for food-grade rice in 2016. It will likely issue only non-food grade rice tenders for industrial uses in the

remaining months of the year. Presently, it is still holding around 9 million metric tons of rice stocks.

1.4 Government measures to stabilize domestic rice prices

The government has introduced measures to stabilize domestic prices of rice paddy, for when large supplies of MY2016/17 main-rice crop will enter the market in November 2016. It aims to hold around half of the total main-crop rice supplies off the market during the peak harvesting season (November 2016 – February 2017). The measures which were approved by the cabinet in June 2016 will mainly consist of the following programs: (1) On-Farm Pledging Program (Farmer Loans to Delay the Sales of Rice Paddy) which aims to stabilize farm-gate prices for fragrant and glutinous rice paddy in the northern and northeastern regions. The target of this program is to pledge 2 million metric tons of fragrant and glutinous rice paddy. Farmers will also receive storage costs of up to 1,500 baht per metric tons ($42/MT). (2) Soft Loan for Farmer Institution to Stockpile Rice Paddy Program which will provide a 3 percent interest rate subsidy for farmer institutions to stock pile rice paddy of up to 2.5 million metric tons. (3) Soft Loan for Rice Traders and Millers Program which will provide a 3 percent interest rate subsidy to encourage rice traders and millers to stockpile rice or paddy up to 8 million metric tons for 2 to 6 months.

2. Corn

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

Corn	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jul 2014		May 2015		Jul 2016	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1100	1100	1090	1090	1120	1120
Beginning Stocks	144	144	138	139	118	172
Production	4800	4800	4700	4700	4900	4900
MY Imports	600	600	600	600	600	600
TY Imports	600	600	600	600	600	600
TY Imp. from U.S.	51	0	0	0	0	0
Total Supply	5544	5544	5438	5439	5618	5672
MY Exports	306	305	120	367	150	200
TY Exports	247	247	150	310	200	200
Feed and Residual	5000	5000	5100	4800	5250	5250
FSI Consumption	100	100	100	100	100	100
Total Consumption	5100	5100	5200	4900	5350	5350
Ending Stocks	138	139	118	172	118	122
Total Distribution	5544	5544	5438	5439	5618	5672
(1000 HA) ,(1000 MT)						

The MY2016/17 corn crop in key planting areas in the northern region which accounts for around 70

percent of total corn production is reportedly good to excellent due to favorable rain during the flowering stage despite the lack of rain during the seedling stage. Also, corn planted area increased significantly in some areas as cassava and sugarcane crops which were adversely affected by drought were reportedly replaced with corn due to a seedling shortage. In addition, farm-gate prices of cassava and sugarcane declined around 15 percent from last year. Post expects that MY2016/17 corn production is likely to increase to 4.9 million metric tons which is a 4-percent increase from MY2015/16. This is unchanged from the previous forecast (GAIN Report: TH6029 – Grain and Feed Update, March 2016).

The Thai Feed Mill Association's forecast of feed demand remains unchanged at 18.6 million metric tons in 2016, up approximately 4 percent from 2015. Feed industries rely more on imported feed ingredients which currently account for approximately 60 percent of total feed demand due to insufficient locally produced feed grains and co-products. Import demand for U.S. feed ingredients is expected to trend upward, particularly for soybean and soybean meal, and Distiller's Dry Grain with Soluble (DDGS).

MY2015/16 corn exports were higher than expected at around 0.4 million metric tons, mainly to the Philippines due to the advantage on transportation costs over the U.S. corn. This is also driven by larger exportable supplies of locally produced corn as feed mills reportedly used more imported feed wheat and DDGS in poultry feed rations due to its relatively cheaper prices compared to domestic corn by 18 and 10 percent in MY2015/16, respectively. In addition, demand for feed ingredients, particularly for corn, has outpaced domestic production of corn due to limited arable land and low incentives in using modern germplasm to locally develop high-yield seeds, compared to annual growth rate of 8 percent in feed demand over the past decade. As a result, imports of feed ingredients increased significantly in MY2015/16, particularly for feed wheat (3.3 million metric tons, mainly from Ukraine) and DDGS (0.5 million metric tons, mainly from the U.S.) for poultry and swine feed rations.

3. Wheat

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

Wheat	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jul 2014		July 2015		Jul 2016	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	547	547	866	865	1371	885
Production	0	0	0	0	0	0
MY Imports	3488	3487	4800	4691	3800	3600
TY Imports	3488	3487	4800	4691	3800	3600
TY Imp. from U.S.	646	666	0	632	0	650
Total Supply	4035	4034	5666	5556	5171	4485
MY Exports	219	219	235	235	250	220
TY Exports	219	219	235	235	250	220
Feed and Residual	1850	1850	2900	3276	2400	2000
FSI Consumption	1100	1100	1160	1160	1240	1240

Total Consumption	2950	2950	4060	4436	3640	3240
Ending Stocks	866	865	1371	885	1281	1025
Total Distribution	4035	4034	5666	5556	5171	4485
(1000 HA) ,(1000 MT)						

Post's forecast for MY2016/17 wheat imports remains unchanged at 3.6 million metric tons. This is a 23-percent reduction from MY2015/16 in anticipation of a reduction in feed wheat imports due to anticipated recovery in domestic production of corn and rice from severe drought in the previous year. Meanwhile, imports of milling wheat are expected to continue trending upward due to growing wheat-based food consumption and expanding production capacity of bakery manufacturers. Import demand for U.S. wheat will likely continue to increase to around 0.7 million metric tons, up approximately 3 percent from MY2015/16.

MY2015/16 wheat imports are revised up to 4.7 million metric tons due to higher-than-expected demand for feed wheat in poultry and swine rations. MY2015/16 feed wheat imports increase significantly to approximately 3.3 million metric tons due to the shortage of domestic corn and broken rice production. In addition, prices of imported feed wheat were 18 percent cheaper than domestic corn and 30 percent cheaper than broken rice in MY2015/16.