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Grain and Feed Update - January 2017

Report Categories:
Grain and Feed

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Report Highlights:
MY2016/17 rice and corn production is likely to increase significantly due to the recovery of off-season production. Feed wheat and DDGS imports face additional trade barriers.

Executive Summary:
MY2016/17 offseason rice and corn cultivation is well underway. The recovery in off-season rice production is expected to result in an 18 percent increase in MY2016/17 rice production totaling approximately 18.6 million metric tons. Rice exports are revised up to approximately 9.5 million metric tons in MY2016/17 due to record rice exports to China in November 2016.

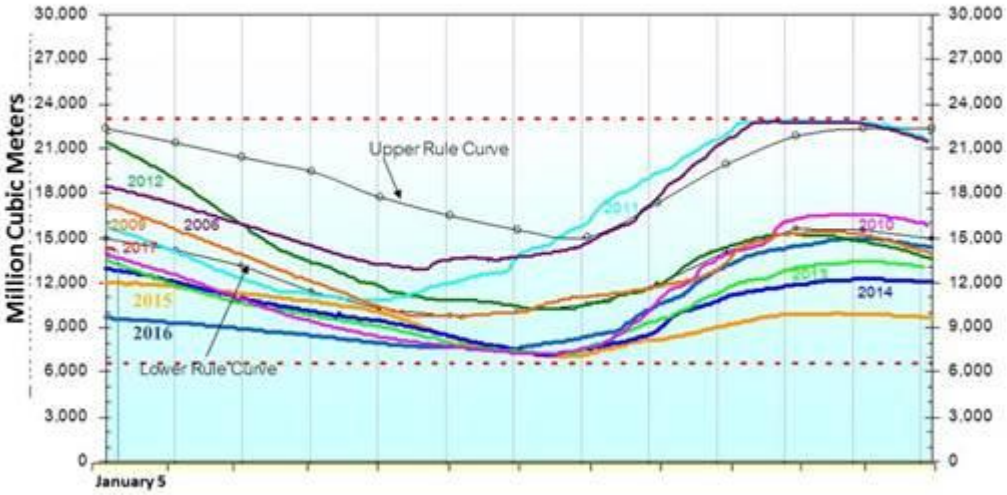
MY2016/17 corn production is likely to increase to 5.2 million metric tons, up 11 percent from MY2015/16. The downward pressure on domestic corn prices has led the government to impose import restriction on feed wheat and to pursue more stringent import measures on alternative feed ingredients, Distiller Dried Grain with Soluble (DDGS) in particular.

1. Rice

1.1 Production

According to the Royal Irrigation Department (RID), planted area of MY2016/17 off-season rice during November 1, 2016 – January 4, 2017 increased 52 percent compared to the same period last year. Planted area in the central plains, which accounts for one third of total off-season planting area, increased 63 percent. Despite the government's campaign to reduce MY2016/17 off-season rice planting area, most farmers continued to grow rice due to sufficient water supplies. The RID reported that water supplies for irrigation in major reservoirs increased to approximately 9.2 billion cubic meters (as of January 5, 2017), compared to 3.8 billion cubic meters last year as precipitation is well above normal (Figure 1.1.1 and Table 1.1.1). The Department of Agricultural Extension reported that only 25,963 farmers participated in the government's program to reduce MY2016/17 off-season rice plaining area. Farmers participating in the program account for approximately 3 percent of total off-season rice farmers. Most of the participating farmers reportedly shifted production to mung bean. Meanwhile, the January 2017 severe flooding in southern Thailand reportedly has had a minimal impact on rice and field crops. The Ministry of Agriculture and Cooperatives reported that around 1 million rai (0.2 million hectares) were affected by flash floods. Most of the affected areas were rubber and oil palm plantations. Southern Thailand is not the major growing area of rice and field crops.

Figure 1.1.1: Reservoir Levels of Major Dams in the North



Source: Royal Irrigation Department, Ministry of Agriculture and Cooperatives

Table 1.1.1: Cumulative Rainfall in Thailand during January 1 - December 31

Unit: Millimeter

	North	Northeast	Central Plain	East	South		Nationwide
					East Coast	West Coast	
Normal Average (30-year average: 1981-2010)	1,233	1,406	1,277	1,890	1,741	2,718	1,588
2010	1,304	1,434	1,462	1,789	1,960	2,663	1,651
2011	1,688	1,692	1,517	2,094	2,318	2,964	1,948
2012	1,282	1,254	1,415	2,050	1,826	3,354	1,681
2013	1,307	1,499	1,369	2,293	1,901	3,171	1,759
2014	1,115	1,374	1,056	1,744	1,631	2,886	1,503
2015	1,051	1,208	1,203	1,685	1,457	2,726	1,417
2016	**1,253**	**1,501**	**1,393**	**2,020**	**1,696**	**3,423**	**1,715**
Difference from Normal Average	**20**	**95**	**116**	**130**	**-45**	**705**	**127**
% Change	1.6	6.7	9.1	6.9	-2.6	25.9	8.0
Difference from 2015	**202**	**293**	**190**	**335**	**239**	**697**	**298**
% Change	19.2	24.2	15.8	19.9	16.4	25.6	21.1

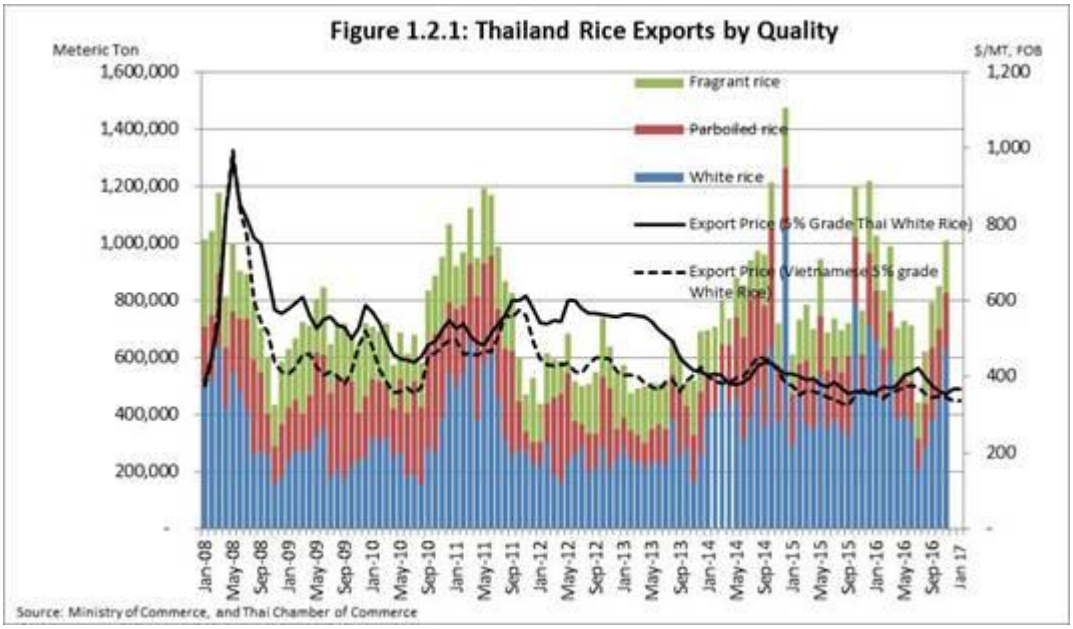
Source: Royal Irrigation Department

Post's forecast of MY2016/17 rice production remains unchanged at 18.6 million metric tons which is an 18 percent increase from MY2015/16. This increase is mainly due to the recovery in off-season rice production which is expected to grow considerably to 4.8 million metric tons compared to around 2 million metric tons in MY2015/16 due to sufficient water supplies for irrigation.

1.2 Higher than Expected Rice Exports in 2016

Rice exports are revised up to 9.5 million metric tons in 2016 due to higher-than-expected rice exports in November 2016. According to the Thai Customs Department, Thai rice exports in November 2016 totaled around 1 million metric tons. This is a 32 percent increase compared to the same period last year as exports of new-crop rice (glutinous, fragrant, and white rice) to China surged. Rice exports to China reached a record 0.2 million metric tons in November 2016, of which around 0.1 million metric tons were new-crop white rice exports under the Thailand-China government-to-government agreement. This was the first shipment of the agreed upon two million metric tons since the start of the agreement in December 2015. The FOB prices were settled at 394 USD/MT for 50 kilogram packages and 399 USD/MT for 25 kilogram packages. The Thai government allocated the shipment tonnage under the agreement to private rice exporters as the government does not carry new-crop rice stocks.

Rice exports during January – November 2016 totaled 8.7 million metric tons, up 1.6 percent from the same period last year due mainly to an increase in fragrant rice exports. Fragrant rice exports reached 2 million metric tons, up 17 percent from the same period last year. Meanwhile, exports of white and parboiled rice declined to 4.7 and 1.9 million metric tons, down 0.4 percent and 7 percent from the same period last year due to tight domestic supplies caused by water supply shortages for irrigation. Additionally, as of September 2016, government rice stock sales have been suspended in order to avoid lowering new-crop rice prices.



Post's rice export forecast in 2017 remains unchanged at 10 million metric tons, up 5 percent from 2016. Parboiled rice exports are expected to increase following a recovery in MY2016/17 off-season rice production. Also, the government is expected to sell all of its food-grade rice stocks which currently total 3 million metric tons. Most of these stocks are old-crop white rice which can be reprocessed for export, particularly to African countries. Export prices of Thai old-crop white rice are currently 20 USD/MT cheaper than Thai new-crop white rice making it competitive with Vietnamese new-crop rice.

1.3 Food-Grade Rice Stocks to be Sold Off in 2017

According to the Rice Policy and Management Committee meeting on January 9, 2017, the government is currently holding approximately 8 million metric tons of rice stocks. These stocks consist of (1) 3 million metric tons of food-grade rice which can be reprocessed for export, (2) 3.15 million metric tons of sub-standard rice which can be used for animal feed, and (3) 1.85 million metric tons of deteriorated rice which is not suitable for human or animal consumption, but could have industrial uses. The government has announced plans to sell all of its rice stocks in 2017, including the deteriorated rice which can still be used to manufacture ethanol. However, trade sources expect that only around 1 million metric tons of deteriorated rice will likely be used as a substitute for imported cassava from neighboring countries in ethanol production in 2017. The government plans to issue new tenders for food and non-food grade rice in the first quarter of 2017 before the supplies of MY2016/17 off-season rice have entered the market. The details of these tenders have not yet been finalized.

2. Higher Corn and Alternative Feed Ingredient Costs for Local Livestock Industry

Post's forecast for MY2016/17 corn production remains unchanged at 5.2 million metric tons, up 11 percent from MY2015/16 due to acreage expansion and favorable weather conditions. MY2016/17 off-season corn cultivation is currently experiencing excellent crop conditions due to above normal precipitation in major growing areas in the northern region.

Farm-gate prices of corn are hovering around 6 baht per kilogram (169 USD/MT) in January 2017. This is a 24 percent price reduction compared to the same period last year in part due to competition from other feed ingredients. Feed wheat imports have been acting as a substitute for domestic corn in compounded feed for poultry due to its relatively cheaper prices. In response to the government's new feed wheat import restrictions (additional information on these new regulations in the next section), feed mills reportedly are carrying high inventories of imported feed wheat.
Additionally, Thai livestock industries increasingly have been using Distiller Dried Grains with Solubles (DDGS) to minimize poultry and swine feed costs. During January – November 2016, imports of DDGS reached 0.6 million metric tons, up 50 percent from 0.4 million metric tons during the same period last year. The increase in DDGS imports has prompted the Thai government to introduce new restrictions on DDGS imports despite the already high DDGS import tariff of 9 percent. DDGS must be accompanied by a Phytosanitary Certificate (PC) even though it is a co-product of corn-based ethanol production. Closer scrutiny is being given to the phytosanitary condition of DDGS imports, although fumigation is permitted if needed.

3. Feed Wheat Imports Face Non-Tariff Barriers

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 lower import demand for feed wheat following the government's restrictions. Meanwhile, imports of milling wheat are expected to continue to trend upwards due to consumption growth of wheat-based foods, particularly for breads and instant noodle products. Import demand for U.S. wheat is expected to increase to around 0.7 million metric tons which is a 3 percent increase from MY2015/16.

Effective on January 19, 2017, as part of the Thai government's efforts to protect domestic corn growers, import permits will be required for the import of feed wheat. To secure a feed wheat import permit, the importer must demonstrate a 3 to 1 domestic corn absorption rate (e.g. to import a ton of feed wheat a mill will have to use 3 metric tons of domestic corn). Presently, the government has set the minimum purchase price for domestic corn at 8 baht/kg (227 USD) for feed mills. Eligible feed wheat importers must be feed mills owners and will be required to buy domestic corn prior to importing feed wheat. Additionally, they are not allowed to re-sell the imported feed wheat. Finally, feed wheat shipments will also be checked for aflatoxin and radiation contamination under the Feed Quality Act 2558 (2015). The maximum aflatoxin tolerance level is set at less than 100 microgram per kilogram. The radiation safety standards for imported feed wheat have yet to be finalized. Shipments will be destroyed or rejected if the test results exceed the tolerance levels for either aflatoxin or radiation contamination.

During the first five months of MY2016/17, wheat imports totaled 2.3 million metric tons, up 15 percent from the same period last year due to increased imports of feed wheat. Imports of feed wheat totaled around 1.8 million metric tons, up 24 percent from the same period last year. However, feed wheat imports are likely to slow down in the second half of the MY2016/17 in response to the new government restrictions. Meanwhile, imports of milling wheat during the first five months of MY2016/17 declined to around 0.4 million metric tons, down 14 percent from last year, mainly due to lower imports of Australian and Canadian wheat. Imports of U.S. wheat reached 0.3 million metric tons, up 11 percent from the same period last year largely at the expense of Australian wheat. U.S. wheat imports accounted for 70 percent of total import demand for milling wheat mostly due to its competitive price.

Appendix Tables:

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	10080	10083
Beginning Stocks	11999	11999	10770	11307	7870	8407
Milled Production	18750	19404	15800	15800	18600	18600
Rough Production	28409	29400	23939	23939	28182	28182
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	31049	31703	26870	27407	26720	27307
MY Exports	9779	9796	9200	9500	9500	10000
TY Exports	9779	9796	9200	9500	9500	10000
Consumption and Residual	10500	10600	9800	9500	10600	11500
Ending Stocks	10770	11307	7870	8407	6620	5807
Total Distribution	31049	31703	26870	27407	26720	27307
(1000 HA) ,(1000 MT)						

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

	2014/15			2015/16 (January 2017 Forecast)			2016/17 (January 2017 Forecast)		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area (Million Hectares)									
Cultivation	9.288	1.940	11.228	9.096	1.055	10.151	8.745	1.900	10.645
Harvest	8.900	1.743	10.643	8.709	0.735	9.444	8.373	1.710	10.083
Production (Million Tons)									
Rough	22.000	7.400	29.400	20.973	2.966	23.939	20.909	7.273	28.182
Rice	14.520	4.884	19.404	13.842	1.958	15.800	13.800	4.800	18.600
Yield (Ton/Hectare)	2.472	4.245	2.762	2.408	4.035	2.535	2.497	4.253	2.795

Source: FAS Estimate

Table 2: Thailand's Corn Production, Supply, and Demand

Corn	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jul 2014		Jul 2015		Jul 2016	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1100	1100	1090	1090	1170	1168
Beginning Stocks	144	144	139	139	172	172
Production	4800	4800	4700	4700	5200	5200
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	5439	5439	5972	5972
MY Exports	305	305	367	367	400	300
TY Exports	247	247	439	310	400	300
Feed and Residual	5000	5000	4800	4800	5250	5450
FSI Consumption	100	100	100	100	100	100
Total Consumption	5100	5100	4900	4900	5350	5550
Ending Stocks	139	139	172	172	222	122
Total Distribution	5544	5544	5439	5439	5972	5972
(1000 HA) ,(1000 MT)						

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

Wheat	2014/2015		2015/2016		2016/2017	
Market Begin Year	Jul 2014		Jul 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	985	885
Production	0	0	0	0	0	0
MY Imports	3488	3487	4814	4691	3600	3600
TY Imports	3488	3487	4814	4691	3600	3600
TY Imp. from U.S.	646	666	679	632	0	650
Total Supply	4035	4034	5680	5556	4585	4485
MY Exports	219	219	235	235	250	220

TY Exports	219	219	235	235	250	220
Feed and Residual	1850	1850	3300	3276	2400	2000
FSI Consumption	1100	1100	1160	1160	1240	1240
Total Consumption	2950	2950	4460	4436	3640	3240
Ending Stocks	866	865	985	885	695	1025
Total Distribution	4035	4034	5680	5556	4585	4485
(1000 HA) ,(1000 MT)						