THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 11/2/2011

GAIN Report Number: TH1137

Thailand

Grain and Feed Update

Rice Update

Approved By:
Orestes Vasquez
Agricultural Attaché

Prepared By:
Ponnarong Prasertsri
Agricultural Specialist

Report Highlights:
TH1137 MY2011/12 main-crop production is revised down to 21.6 million tons of paddy, down 2.7 percent from the previous year, due to higher-than-expected production loss of 1-2 million tons from extensive flooding. However, anticipated bumper off-season crop will likely offset the flooding damage. Consequently, total MY2011/12 rice production is expected to remain higher than the previous year by 1.3 percent. Meanwhile, the Paddy Pledging Program will likely absorb approximately half of the main-crop production due to attractive intervention prices.

Post:
Bangkok

1. Extensive Flooding but likely offset by anticipated bumper off-season crops
According to the Ministry of Agriculture and Cooperatives' flooding update for July - October 14, 2011, the flooded agricultural areas have increased to 10.2 million rai (1.6 million hectares), as compared to 6.2 million rai (1.0 million hectares) for July – September 21, 2011 (TH1125). Most of the agricultural flooded areas are rice planting areas totaling 8.4 million rai (1.3 million hectares), up from 5.2 million rai (0.8 million hectares) from the previous month's estimate and well above the 2006 severe flooding (Figure 1). Post has revised down MY2011/12 main-crop production to 21.6 million tons of paddy (14.3 million tons milled equivalent), down 2.7 percent from the previous year (Table 1), as production loss will likely increase to around 1– 2 million tons of paddy (around 0.7 – 1.3 million tons milled equivalent), up from last month's forecast of 0.6 million tons of paddy (0.3 million tons milled equivalent).

Figure 1:

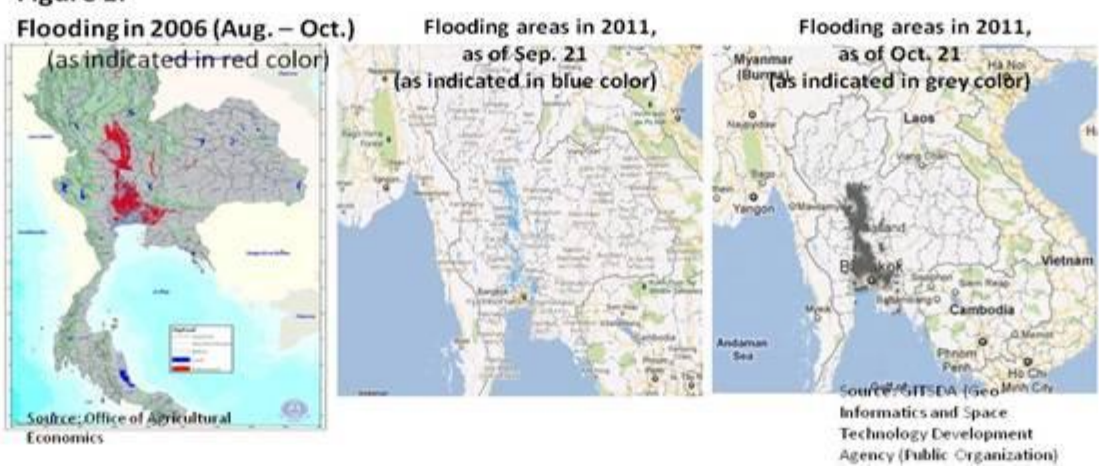


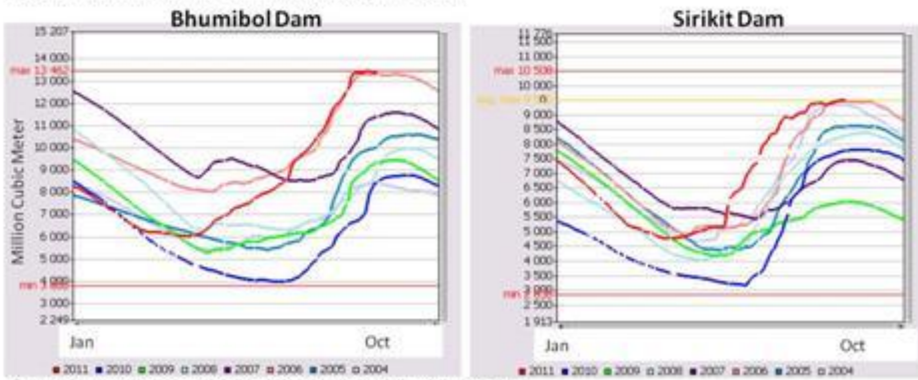
Table 1: Thailand's Paddy Area, Production, and Yield

	2009/10			2010/11			2011/12 (Oct 2011)		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area (million hectare)									
Cultivation	9.265	2.011	11.276	9.256	2.027	11.283	9.256	2.120	11.376
Harvest	8.993	1.947	10.940	8.704	1.963	10.667	8.860	2.100	10.960
Production (million ton)									
Rough	22.497	8.200	30.697	22.200	8.500	30.700	21.600	9.500	31.100
Rice	14.848	5.412	20.260	14.652	5.610	20.262	14.256	6.270	20.526
Yield (ton/hectare)	2.428	4.078	2.722	2.398	4.193	2.721	2.334	4.481	2.734

Source: FAS Estimate

MY2011/12 off-season rice production will likely increase to 9-10 million tons, up 12.0 percent from the previous year, due to acreage expansion driven by record reservoir levels (Figure 2) and an aggressive Paddy Pledging Program. The intervention prices were set 50.0 percent higher than current market prices for white rice. The increase in off-season rice production will likely offset the damage from flooding. In addition, on October 25, 2011, the Government approved an increase in its budget to 1.6 billion baht ($53.3 million) to provide seeds to farmers that have been affected by the flooding. The assistance would cover approximately 6.73 million rai (1.1 million hectares), up from last month's approval of 3.7 million rai (0.6 million hectares). The cultivation will likely begin in December 2011 when the floodwaters recede in the lower North and the Central Plain regions which account for 80 percent of total off-season cultivation. Consequently, MY2011/12 is expected to remain larger than the previous year. Total production is forecast at 31.1 million tons of paddy (20.5 million tons milled equivalent), up 1.3 percent from the previous year.

Figure 2: Reservoir Levels in Major Dams



Source: Electricity Generating Authority of Thailand

2. Flooding hindered rice exports in October in addition to competition from Indian rice

Thai rice exports in October 2011 is expected to decline to 600,000 tons, far below a monthly average of 1.0 million tons over the past nine months. Floodwaters have blocked highways and disrupted many of the local transportation networks in the Central Plain and Bangkok where most exporters' warehouse and processing facilities are located. The water is slowly receding due to poor floodway management and limited drainage capacity, in addition to a remaining large volume of water. So far, most exporters' facilities have not been adversely affected by the flooding. It will likely be until mid-November that trading activities will normalize, which is the expected timeframe for floodwaters to recede to operational levels. Presently, exporters are holding stocks of around 2-3 million tons of mostly white rice, and are closely monitoring the progress of the Paddy Mortgage Program and its impact on domestic prices. It may be until the end of November that they will finalize any export contracts. Meanwhile, foreign buyers, particularly in African countries, continue purchasing Indian white rice and parboiled rice which are presently $150-165/MT cheaper after India's removal of non-basmati export ban since September 2011.

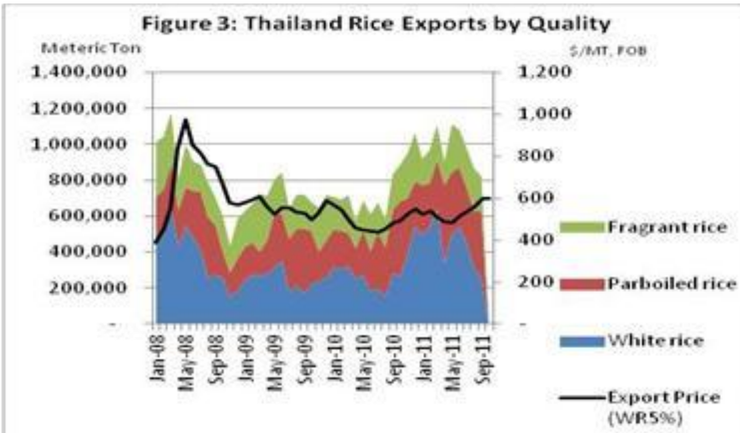


Figure 3: Thailand Rice Exports by Quality

3. Aggressive Paddy Pledging Program Expected in mid November 2011

The MY2011/12 main-crop Paddy Pledging Program began on October 7, 2011 and has pledged 341,897 tons of paddy which account for approximately1.4 percent of the total production (Table 2). The program will likely be more aggressive by mid November when main-crop paddy in the Northeast region will be harvested, which accounts for half of total main-crop production, and consists mostly of fragrant and glutinous rice. However, the Government is considering revising down the program's credit line to 359 billion baht ($12 billion), from the 410 billion baht ($13.7 billion) the Cabinet approved on September 13, 2011, in anticipation of lower main-crop production caused by severe flooding in the North and the Central Plain regions. The program will likely pledge up to 10.0 million tons of white rice and fragrant rice paddy (6-7 million tons milled equivalent) which are approximately half of total main crop production due to attractive intervention prices which are 30-50 percent higher than current market prices. Meanwhile, glutinous rice paddy production of around 6.0 million tons is expected to be marginally pledged as current market price is close to intervention price.

Table 2. MY2011/12 Main-Crop Paddy Pledging Program

Unit: Metric Ton

Region	Number of Farmer	Amount of Paddy					
		Fragrant Rice			White Rice	Glutinous Rice	Total
		Hommali	Provincial	Pathumthani			
North	27,863	8	-	140	223,872	5,207	229,227
Northeast	798	2,052	-	-	2,368	-	4,420
Central	12,350	-	-	2,305	105,945	-	108,250
Total	41,011	2,060	-	2,445	332,185	5,207	341,897

Note: As of October 30, 2011

Source: Department of Internal Trade, Ministry of Commerce

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

Rice, Milled Thailand	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	10,940	10,940	10,667	10,667	10,955	10,960

Beginning Stocks	4,787	4,787	6,100	6,100	5,562	5,562
Milled Production	20,260	20,260	20,262	20,262	21,250	20,526
Rough Production	30,697	30,697	30,700	30,700	32,197	31,100
Milling Rate (.9999)	6,600	6,600	6,600	6,600	6,600	6,600
MY Imports	300	300	200	200	100	100
TY Imports	300	300	200	200	100	100
TY Imp. from U.S.	4	4	0	0	0	0
Total Supply	25,347	25,347	26,562	26,562	26,912	26,188
MY Exports	9,047	9,047	10,500	10,500	8,000	8,000
TY Exports	9,047	9,047	10,500	10,500	8,000	8,000
Consumption and Residual	10,200	10,200	10,500	10,500	10,900	10,900
Ending Stocks	6,100	6,100	5,562	5,562	8,012	7,288
Total Distribution	25,347	25,347	26,562	26,562	26,912	26,188
Yield (Rough)	3.	2.8059	3.	2.878	3.	2.8376

End of report