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Thailand

Grain and Feed Update

Rice Update

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Report Highlights:

TH3111- MY2013/14 rice production is revised down slightly due to a decrease in the planting acreage of the off-season rice crop, water shortages, and a less attractive pledging program caused by limited government financial resources. Carry-over government rice stocks, however, remain high.

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1 MY2013/14 Rice Production on Track as Flood Damage is Marginal

The MY2013/14 main-crop rice harvest is well underway in the northern and northeastern regions which account for approximately 80 percent of Thailand's total cultivated rice growing areas. Average crop yield is well above the previous year's level due to favorable rain during September through October 2013. The Thai Meteorological Department reported that precipitation in the main-crop rice growing areas during January – October 2013 (Table 1) was 5 to 6 percent above-average normal conditions. The flood damage during September and October was marginal as it was confined to recurring flood areas along the river banks, particularly in the northeastern region (Figure 1). The Ministry of Agriculture reported that flood areas totaled around 5.6 million rai (0.9 million hectares); of which 4.3 million rai (0.7 million hectares) are designated rice growing areas. The damaged areas are estimated at approximately 0.8 million rai (0.1 million hectares), which is 1 percent of the total main-crop cultivated area.

Table 1: Accumulative Rainfall: January - October 2013

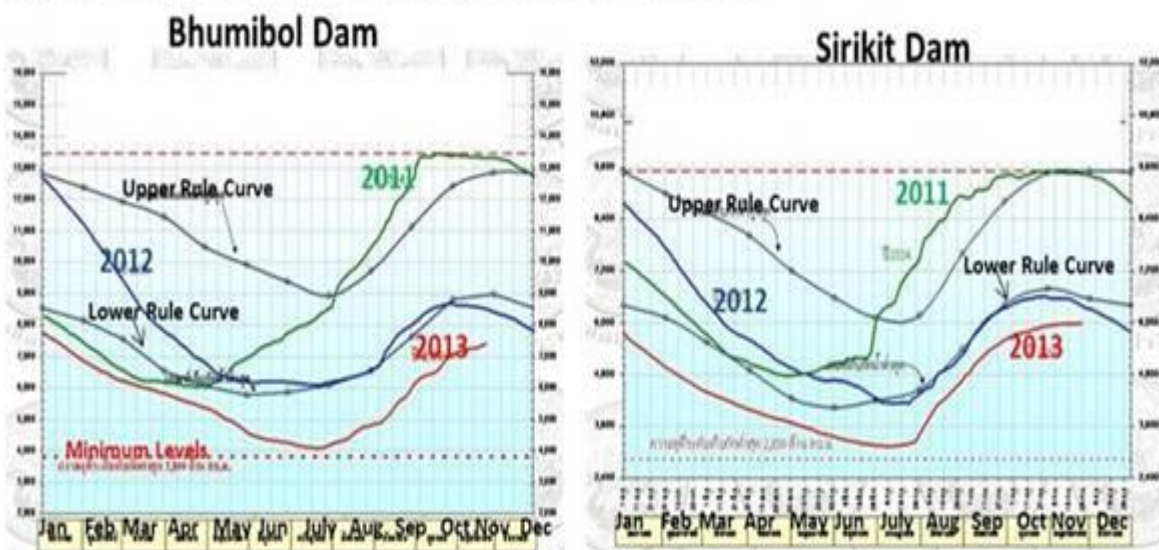
Region	Accumulative Rainfall		
	Actual Rainfall	Above/Below Normal Average	
	(Millimeter)	(Millimeter)	%
North	1,246	56	5
Northeast	1,464	82	6
Central Plain	1,310	78	6
East	2,074	247	14
South (East Coast)	1,222	79	7
South (West Coast)	2,834	448	18

Source: Thai Meteorological Department



From a positive perspective, the precipitation increased reservoir levels to 75 percent of capacity nationwide, mostly in the northeastern region. Despite the increase, however, major reservoirs in the northern region remain at critical levels (Figure 2). Thus, the Royal Irrigation Department warned farmers in the central plains about potential water shortages in the future, which is likely to limit the off-season rice crop acreage in the lower northern and central plain regions at 4 million rai (0.6 million hectares), down significantly from 9.2 million rai (1.5 million hectares) from the previous year. These regions account for approximately 90 percent of the total off-season rice cultivation.

Figure 2: Reservoir Levels in Major Dams in the North

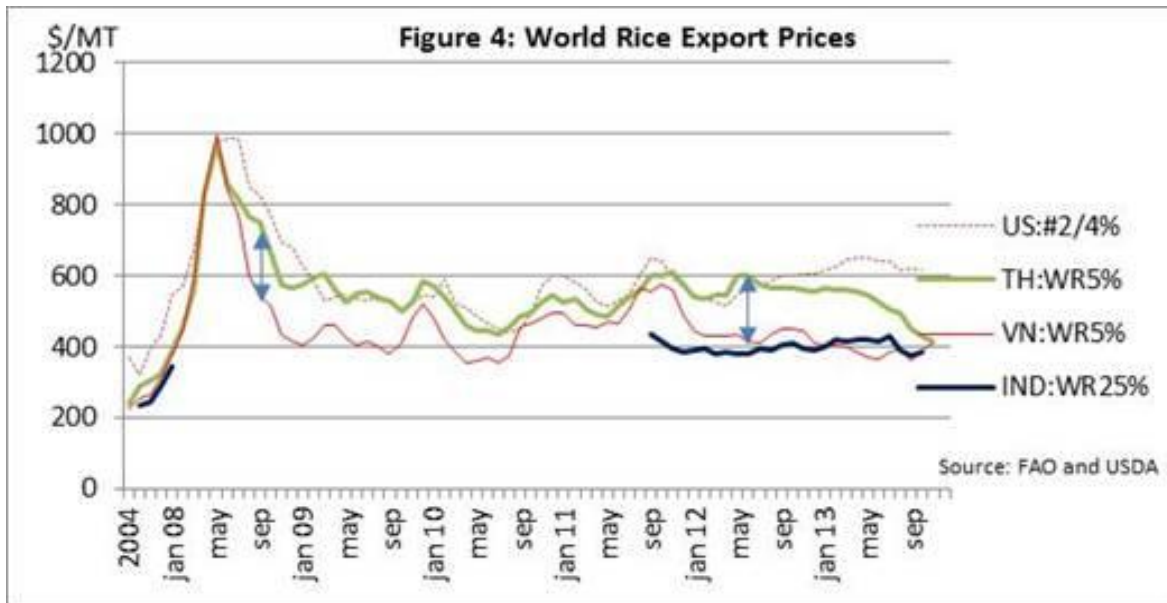
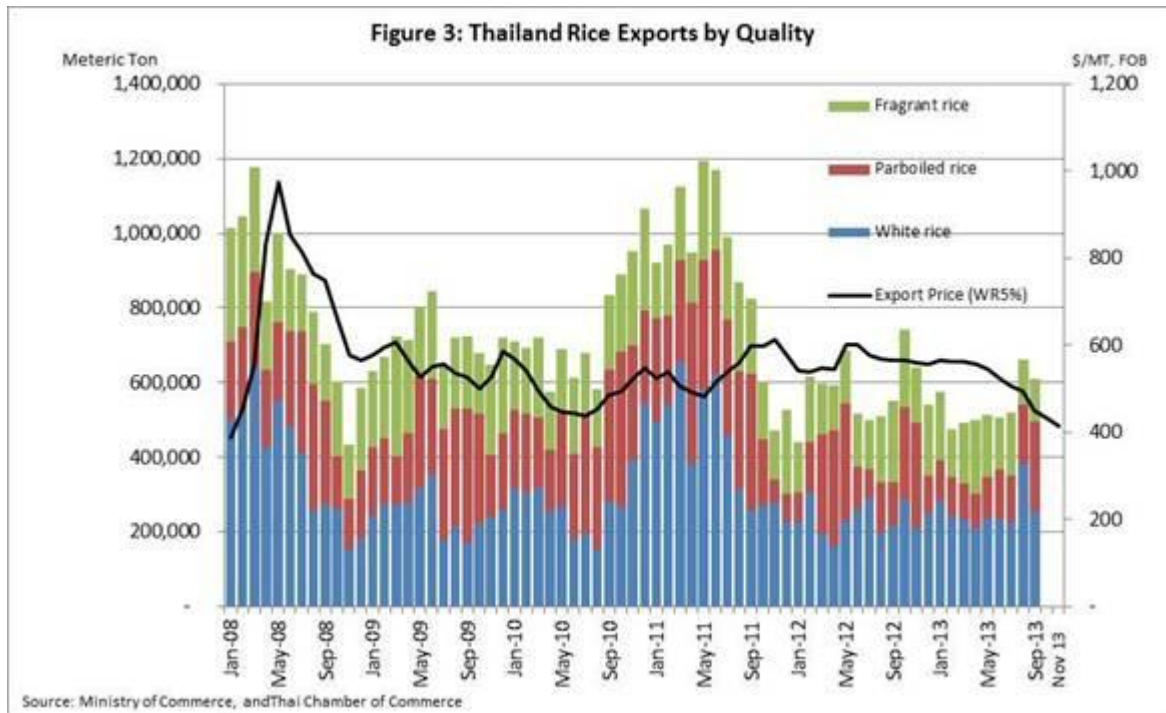


Source: Royal Irrigation Department

Accordingly, Post revises the MY2013/14 off-season rice production estimate to 8-9 million metric tons (5-6 million metric tons milled equivalent) due to the current critical reservoir levels in major dams located in the north. Furthermore, the government's changes to the off-season rice pledging program, which cut intervention prices and eligible tonnage for each farm household by 13 percent, has made it less appealing to Thai farmers. Consequently, total MY2013/14 rice production is revised down from the previous forecast to approximately 31 million metric tons (20 to 21 million metric tons milled equivalent) which is still 1 to 2 percent above last year.

2. Exports Driven by Discounted Sales of Government Stocks

Thai rice exports totaled approximately 5.4 million metric tons during January – October 2013, down 6.3 percent from last year mainly due to a reduction in parboiled rice exports (Figure 3). Meanwhile, white rice exports increased significantly around 10 percent mainly driven by the discounted sales provided by the government's tenders of older MY2011/12 and MY2012/13 rice stocks. In addition to the closed tenders given primarily to large exporters, the government also issued seven public tenders totaling approximately 1.6 million metric tons from July through November 2013, of which around 0.5 million metric tons were conditional for export. Sources reported that the bids were approximately 6-14 percent below market prices compared to 5-7 percent during May – June 2013. Thai rice export prices dropped significantly, particularly for 5% grade white rice, to around \$450/MT in September 2013 compared to \$500-600/MT earlier in the year. The average monthly rice export increased to 600,000 – 700,000 metric tons since August 2013 compared to an average of 500,000 metric tons in the first half of the year. Presently, export prices for 5% grade white rice are being offered at approximately \$415/MT, down 27 percent from approximately \$565/MT in January 2013. The changes in Thailand's rice export prices are quite noticeable, particularly when comparing Thai and Vietnamese rice exports (Figure 4). Currently, prices for Vietnam's 5% grade rice are around \$400/MT. Thailand's rice prices are expected to continue trending downward as the government scales back its MY2013/14 pledging program. Nonetheless, Post's 2013 forecast on Thai rice exports remains unchanged at 7 million metric tons, which is slightly above the previous year. Rice exports are expected to accelerate to 8 million metric tons in 2014 driven primarily by additional discounted sales of government rice stocks.



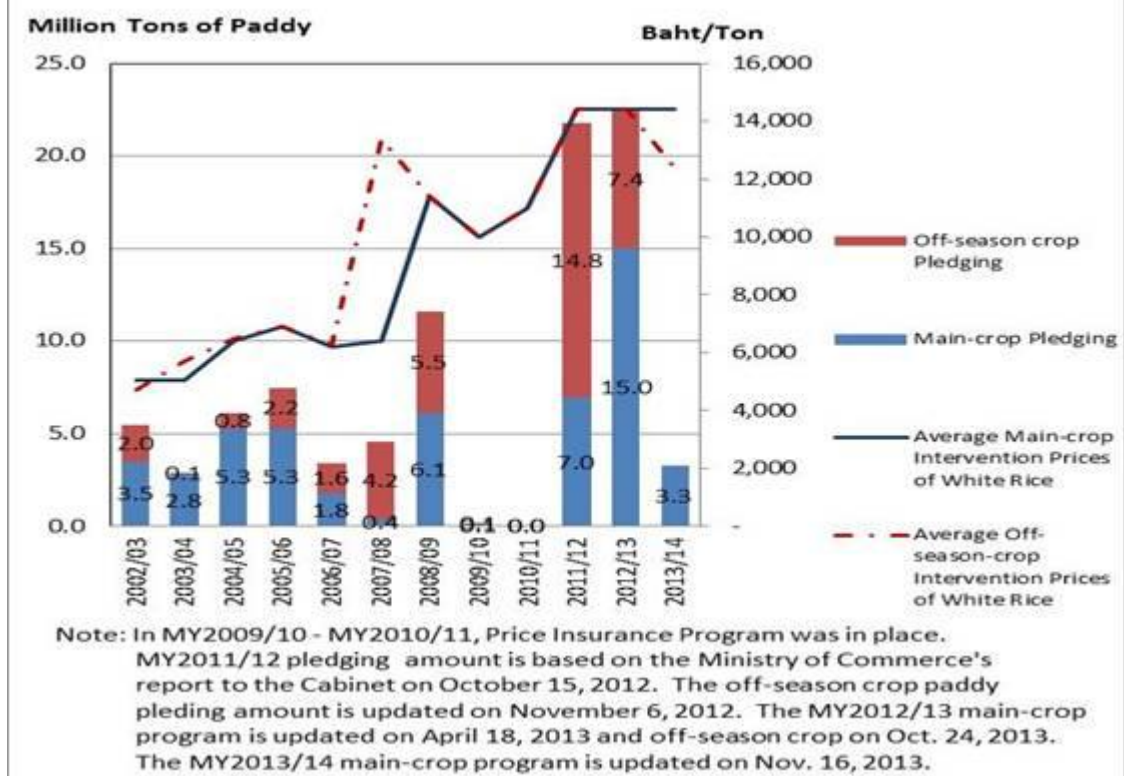
3. Policy: Rice Paddy Pledging Program Scaled Back

To date, the Thai government has received an estimated 44 million metric tons of rice paddy pledges (27 million metric tons milled equivalent) under its 2011/12 and 2012/13 Rice Paddy Pledging Programs (Table 2 and Figure 5). According to the Bank for Agricultural and Agricultural Cooperatives (BAAC), the purchasing costs of the two pledging programs totaled approximately 680 billion baht (\$22 billion, excluding administrative costs), which exceeds the 500 billion baht (\$16 billion) that the Thai Cabinet initially authorized for the programs. The government reportedly received 130 billion baht (\$14 billion) from the sales of its rice stocks, (mostly from its MY2011/12 and MY2012/13 inventory) during

October 2012 through October 2013. These revenues are expected to pay for the MY 2013/14 rice pledging programs. The Ministry of Finance (MOF) estimates the losses incurred by these programs at 405 billion baht (\$13 billion), which is approximately 60 percent of the purchase costs. The huge losses mainly reflect the difference between the discounted rice sales the government has been offering through its public tenders and the intervention prices the government offered to purchase rice paddies from farmers.

Program	Number of Farmers (Million)	Amount of Rice Paddy (Million Metric Ton)						Value (Billion Baht)
		Fragrant Rice			White Rice	Glutinous Rice	Total	
		Homali	Provincial	Pathumthani				
MY2011/12	2.7	3.1	0.3	0.2	17.5	0.7	21.7	337.2
Main crop ^{1/}	1.3	3.1	0.3	0.02	3.1	0.4	6.9	118.6
Off-season crop ^{2/}	1.4	0	0	0.15	14.4	0.3	14.8	218.7
MY2012/13^{3/}	2.8	3.4	0.5	0.1	17.6	0.9	22.5	345.3
Main crop ^{4/}	1.8	3.4	0.5	0.03	9.7	0.7	14.3	219.7
Off-season crop ^{5/}	1.0	0	0	0.06	7.8	0.3	8.1	125.6
Grand Total		6.5	0.8	0.3	35.0	1.6	44.2	682.6
(as milled rice)		4.3	0.5	0.2	23.1	1.1	29.2	
% share		14.7	1.8	0.6	79.2	3.7	100.0	
Note: 1/ October 7, 2011 - February 29, 2012								
2/ March 1 - September 30, 2012								
3/ October 1, 2012 - September 15, 2013								
4/ As of October 24, 2013 (began Oct 1, 2012 and end March 31, 2013)								
5/ As of Oct. 24, 2013 (began on April 1, 2013 and will end September 15, 2013)								
Source: Ministry of Commerce (MOC), and Bank for Agriculture and Agricultural Cooperatives (BAAC)								

Figure 5: Rice Paddy Pledging Program



The government has had to scale back the current MY2013/14 pledging program as the cost has risen much higher than the 500 billion baht (\$16 billion) authorized by the Thai Cabinet. The government is also trying to limit program losses to no more than 80 billion baht (\$2.5 billion) per year. Thus, the government has imposed limits on the number of pledges each farm household can pledge under the main-crop rice paddy program to 350,000 baht and 300,000 baht per farm household for the off-season crop. The intervention prices for the off-season crop have also decreased by approximately 13 percent compared to the previous program (Table 3). In addition, the Ministry of Commerce has sped up the sales of the rice stocks to obtain more revenues to support the current program. The government estimates the purchase cost of the current MY2013/14 pledging program at 270 billion baht (\$9 billion), of which 130 billion baht (\$4 billion) will be financed through the sales of its rice stocks and 140 billion baht (\$5 billion) through government guaranteed loans. As of November 16, 2013, the MY 2013/14 program has received pledges of approximately 3.3 million metric tons of paddy (2 million metric tons milled equivalent), of which 2.8 million metric tons are white rice paddy (1.8 million metric tons milled equivalent).

	MY2012/13	MY2013/14	
	Main Crop and Off-Season Crop	Main Crop	Off-season Crop
	(Oct.1 - Sep. 15, 2013)	(Oct.1, 2013 - Feb. 28, 2014)	(Mar. 1 - Sep. 30, 2014)
Intervention Prices (Baht/Metric Ton)			
Fragrant rice paddy			
Homali fragrant Rice	20,000	20,000	-
Provincial fragrant rice	18,000	18,000	-
Pathumthai rice	16,000	16,000	16,000
Glutinous rice paddy			
Long grain	16,000	16,000	16,000
Short grain	15,000	15,000	15,000
White rice paddy			
100% grade	15,000	15,000	13,000
5% grade	14,800	14,800	12,800
10% grade	14,600	14,600	12,600
15% grade	14,200	14,200	12,200
25% grade	13,800	13,800	11,800
Eligible Tonnage	Unlimited	350,000 baht per farm household	300,000 baht per farm household

Source: Ministry of Commerce

Post estimates carry-over stocks will be reduced to 12-13 million metric tons (MMT) from 17 MMT, primarily due to the government tenders that offer discounted prices. Most rice stocks are white rice. Since mid-2012, the government has sold its rice stocks exclusively to large rice exporters. Since July 2013, the government has sped up its rice sales, usually at a loss, through several public tenders in order to generate enough revenue to fund the current MY2013/14 Rice Paddy Pledging Program.

Appendix Tables:

Thailand's Rice Production, Supply and Demand

Rice, Milled Thailand	2011/2012		2012/2013		2013/2014		
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2013		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	11,000	11,000	10,837	10,837	11,120	10,920	(1000 HA)
Beginning Stocks	5,615	5,615	9,330	9,330	12,530	12,530	(1000 MT)
Milled Production	20,460	20,460	20,200	20,200	21,100	20,460	(1000 MT)
Rough Production	31,000	31,000	30,606	30,606	31,970	31,000	(1000 MT)
Milling Rate (.9999)	6,600	6,600	6,600	6,600	6,600	6,600	(1000 MT)
MY Imports	600	600	600	600	600	600	(1000 MT)
TY Imports	600	600	600	600	600	600	(1000 MT)
TY Imp. from U.S.	1	1	0	0	0	0	(1000 MT)
Total Supply	26,675	26,675	30,130	30,130	34,230	33,590	(1000 MT)
MY Exports	6,945	6,945	7,000	7,000	8,000	8,000	(1000 MT)
TY Exports	6,945	6,945	7,000	7,000	8,000	8,000	(1000 MT)
Consumption and Residual	10,400	10,400	10,600	10,600	10,700	10,700	(1000 MT)
Ending Stocks	9,330	9,330	12,530	12,530	15,530	14,890	(1000 MT)
Total Distribution	26,675	26,675	30,130	30,130	34,230	33,590	(1000 MT)
Yield (Rough)	3	2.8182	3	2.8242	3	2.8388	(MT/HA)

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

	2011/12			2012/13			2013/14		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area (million hectares)									
Cultivation	9.256	2.240	11.496	9.288	2.160	11.448	9.288	2.100	11.388
Harvest	8.796	2.200	10.996	8.737	2.100	10.837	8.920	2.000	10.920
Production (million tons)									
Rough	21.400	9.600	31.000	21.471	9.135	30.606	22.400	8.600	31.000
Rice	14.124	6.336	20.460	14.171	6.029	20.200	14.784	5.676	20.460
Yield (ton/hectare)	2.433	4.364	2.819	2.457	4.350	2.824	2.511	4.300	2.839

Source: FAS Estimate

End of report.