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Thailand

Grain and Feed

Thai Rice Prices Reach Record High 2008

Approved by:

Gary Meyer, Agricultural Counselor
U.S. Embassy

Prepared by:

Ponnarong Prasertsri, Agricultural Specialist

Report Highlights:

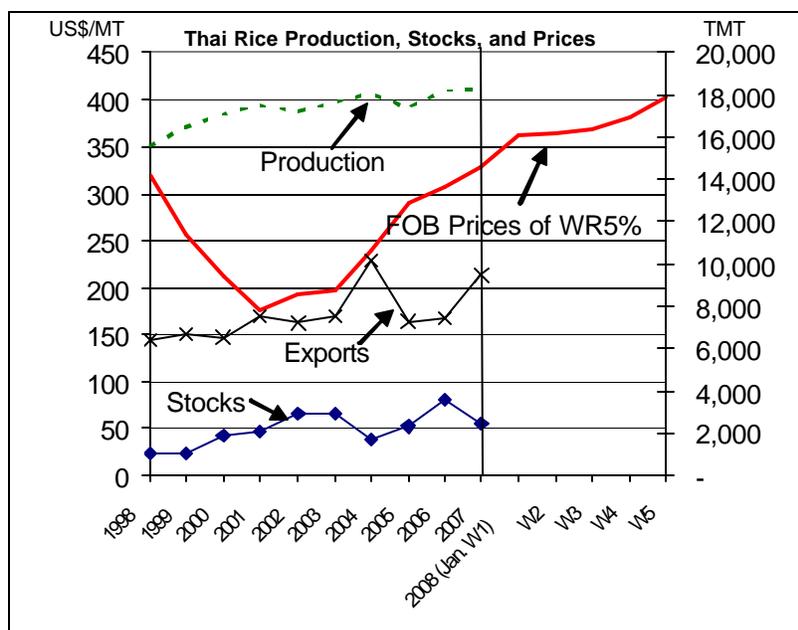
Thai rice prices have reached a ten-year record high and are expected to continue increasing through the end of the month. Low government intervention stocks and low private stocks, an appreciating Thai baht, and price speculation among traders are contributing to the increase in domestic and export prices. However, new crop supplies will begin in March and government stocks released could be in late February.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Bangkok [TH1]
[TH]

Thai rice prices have reached a ten-year record high and are expected to continue increasing through the end of the month. Last year's rice export ban in Vietnam and India have limited supplies and have driven government and private beginning stocks to low levels. As a result, some Thai rice exporters are reportedly oversold and the run-up in prices has prompted the Thai Rice Exporters Association to issue warnings that some exporters are in the process of negotiating the cancellation of deliveries over speculation that the price will continue to increase. In addition, some exporters are seeking to delay shipments until March when new crop supplies enter the market and alleviate the upward pressure on prices.

Current fluctuations of the Thai baht remain a concern among exporters. The Thai baht has strengthened to 32.7 baht/\$, compared to 33.6 baht/\$ at the end of last year. The likelihood of continued strengthening will continue to place upward pressure on export prices, despite the availability of new supplies next March.

The continued increase in rice export prices has prompted the Royal Thai Government to more aggressively release stocks in recent months. In the last quarter of 2007, the government released a significant amount of intervention stocks to ease the tight supply situation. By the end of December 2007, the government had released nearly 2 million tons of rice stocks in the fourth quarter. Furthermore, by the end of February the government is planning to release additional



old-crop intervention stocks of around 500,000 tons (25% grade white rice) for domestic and export markets. This stock release should primarily enter the domestic market as rice quality is expected to be lower than the export standards.

Under the Coup Government's less aggressive intervention program, the government bought only 147,235 tons of 2007/2008 main crop paddy, as compared to around 2 million tons of paddy in the previous year. Presently, outstanding intervention stocks are

approximately 1.9 million tons, compared to 4.8 million tons at the beginning of 2007. Current intervention program prices remain lower than world market prices by \$10 - \$20/ton. However, in 2007 the government increased intervention prices twice, in-line with increasing world market prices.

Domestic rice prices have also increased significantly, as millers and traders are aggressively buying paddy to fill their stocks in anticipation of continued strong export demand in 2008. The anticipated bumper second crop, available in March, will likely ease current high rice prices domestically and internationally. Paddy production in the Central plain, which accounts for more than half of the second crop planted area, is expected to be around 4 million tons, up slightly from

the previous year due to average yield improvements and good weather conditions. Moreover, most farmers in irrigated areas are expected to continue with third crops, which will be harvested in July.

End of Report.