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Thailand

Agricultural Situation

Government to Sell Stocks into the Domestic Market 2008

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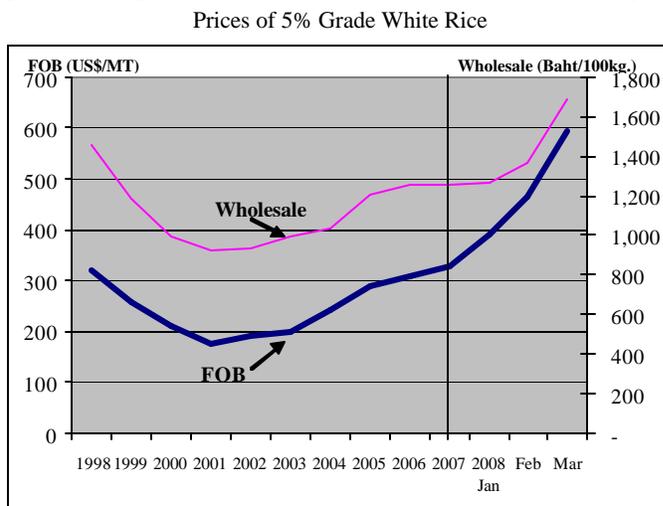
Report Highlights:

Concern about escalating domestic rice prices has prompted the Government to target a release of intervention stocks into the domestic market later this month. Export restrictions seem unlikely in the near term.

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

Government stocks to be released into the domestic market

The Government plans to release intervention stocks to ease rapidly rising domestic prices, fueled by strong export demand. Government stocks will likely be ready for release at the end of April or in early May when surveys of government stocks will be complete. To date, the stock surveys report missing rice of 25,000 tons from the outstanding 2004/05 – 2006/07 intervention stock of

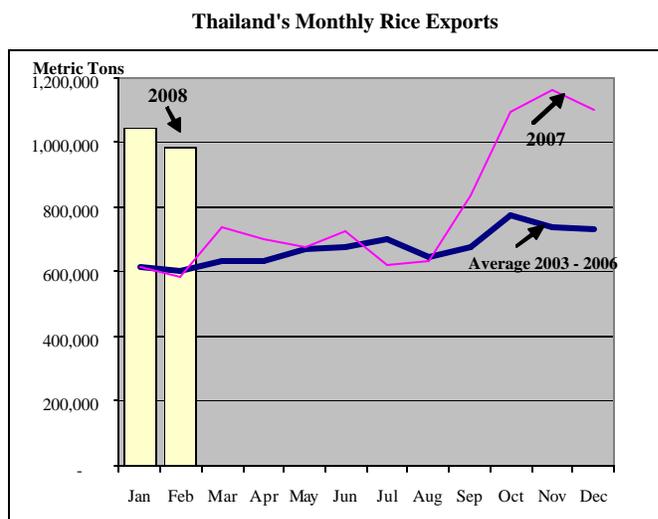


Source: Department of Internal Trade, Thai Rice Exporters Association

2.1 million (half of which is white rice). Total missing rice stocks could reach 200,000 tons. The Government is expected to gradually release stocks, starting with 200,000 - 300,000 tons of white rice through a tender by the Public Warehouse Organization of the Ministry of Commerce. Most participants are expected to be millers who will pack the rice into 5-kilogram bags which will be sold at cost (11-12 baht/kg). Current retail prices of rice are at 22-26 baht/kg, up significantly from the previous year's levels of 15-17 baht/kg.

Export Ban Unlikely

Despite upward pressure on domestic prices caused by aggressive Thai rice exports of over one million tons a month since last October, a rice export ban is unlikely due to sufficient domestic supplies and different market conditions, as compared to India and Vietnam. Presently, the second crop harvest is underway with anticipated good production of 4.5 million tons despite a slight drop in average yield due to a longer winter season. Most second crop production is



Source: Foreign Trade Department and Thailand Board of Trade

normally exported (white rice and parboiled rice). At current prices, exportable supplies from main-crop carry-over stocks and second crop production will likely be sufficient for exports. However, around 60-70 percent of rice is expected to be stockpiled by local traders and millers, particularly for second-crop production. Exporters who have forward contracts during January – February will be adversely affected as their costs are estimated to increase by over 50 percent due to a sharp increase in domestic prices and the strengthening Thai baht in March.

Most current shipments are for contracts settled in January when export prices were offered at \$360-390/MT, as compared to \$620-640/MT in March or even up to over \$760/MT in early April. In addition, current offer prices will reportedly apply only to a few thousand-ton contracts and include a \$50/MT markup in order to avoid losses from domestic price increases. Also, millers are seeking to renegotiate for higher prices for old contracts with exporters. Presently, most exporters are refraining from quoting prices in anticipation of domestic price fluctuation resulting from speculative demand. Therefore, Thai rice export shipments are expected to slow in the second and third quarter amid continued strong foreign demand. The implementation of export restrictions in Thailand would result in more cost than benefit to the economy.

End of Report.