

Voluntary Report – Voluntary - Public Distribution

Date: May 20,2020

Report Number: TH2020-0069

Report Name: Drought Update

Country: Thailand

Post: Bangkok

Report Category: Grain and Feed

Prepared By: Ponnarong Prasertsri, Agricultural Specialist

Approved By: Russell Nicely

Report Highlights:

Severe drought in 2020 caused a sharp reduction in MY2019/20 off-season rice and corn production, leading to a 4.8 percent reduction in agricultural economic growth in the first quarter 2020.

Executive Summary

Severe drought during January - May 2020 adversely affected MY2019/20 off-season rice and corn production. MY2019/20 off-season rice production is expected to decline 41 percent from MY2018/19 due mainly to limited water supplies as reservoirs are critically low. Farm-gate prices of off-season rice increased to a record high driven by a temporary surge in export demand from March – April 2020 due to COVID-19 concerns. The reduced off-season rice production mainly resulted in a 4.8 percent contraction in agricultural GDP in the first quarter of 2020 despite a 3.8 percent increase in livestock production.

Drought Situation

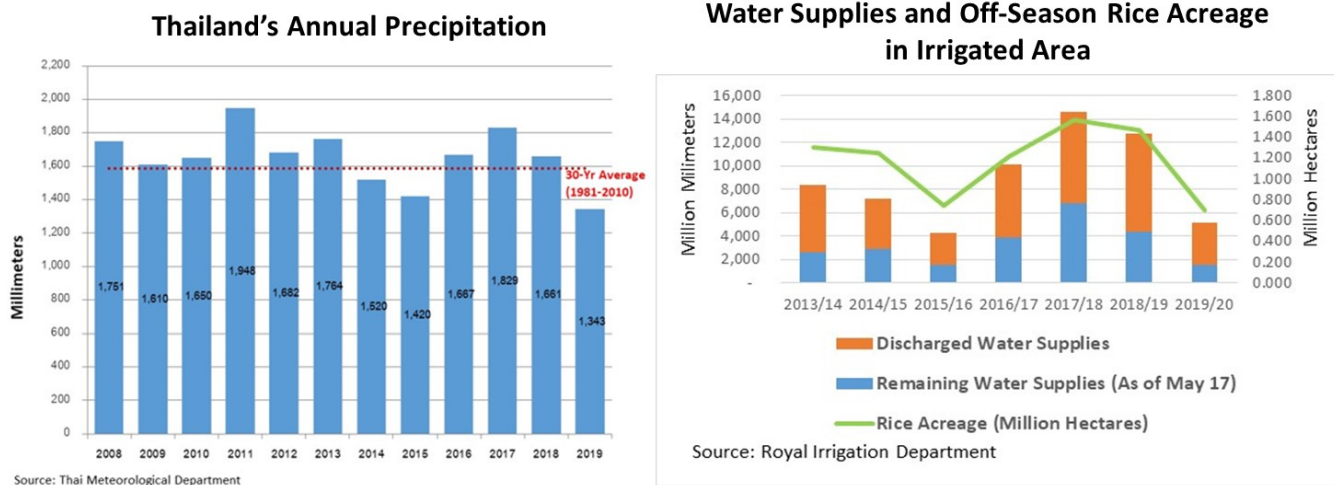
As of May 7, 2020, the government reported that planted area of MY2019/20 offseason crops totaled 8.8 million rai (1.4 million hectares), down 36 percent from the same period last year due to severe drought. The reduction in planted area is mainly from reduced off-season rice acreage (Table 1). MY2019/20 off-season rice acreage, which accounts for 76 percent of total off-season crop acreage, totaled 6.8 million rai (1.08 million hectares), down 42 percent from the same period last year mainly due to limited water supplies in irrigated areas caused by historical low precipitation during the monsoon in 2019 (Please see [TH2020-0020: The Impact of Drought on Agriculture in 2020, February 23, 2020](#)). Furthermore, after the harvest of first MY2019/20 offseason rice crop in late February 2020, the government no longer provided irrigation for the second off-season rice crop from March – May 2020 due to critically low reservoirs, which are currently 64 percent lower than the same period last year (Figure 1).

Table 1: MY2019/20 Off-Season Crop Progress, as of May 7, 2020

Unit: Million Rai			
Planted Area	Rice	Field Crops	Total
Irrigated Area	4.33	0.54	4.87
<i>(%Change)</i>	<i>-51.6</i>	<i>-8.5</i>	<i>-48.9</i>
Non-Irrigated Area	2.42	1.55	3.97
<i>(%Change)</i>	<i>-10.0</i>	<i>-1.3</i>	<i>-6.8</i>
Total	6.75	2.09	8.84
<i>(%Change)</i>	<i>-42.0</i>	<i>-3.2</i>	<i>-35.9</i>

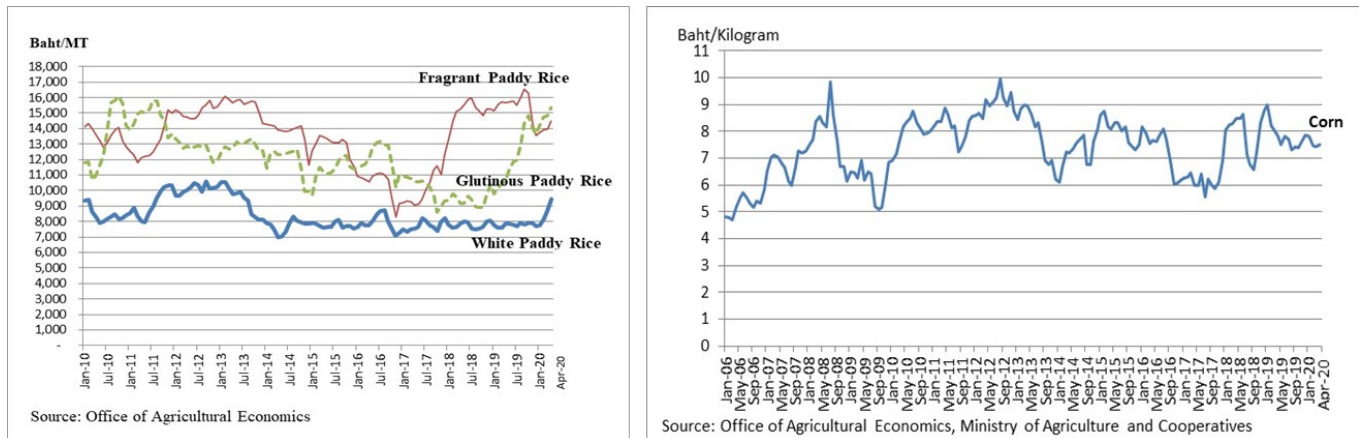
Source: Ministry of Agriculture and Cooperatives

Figure 1: Annual Precipitation and Water Supplies Available for Off-Season Rice Acreage in Irrigated Area



The current second MY2019/20 off-season rice crop, which accounts for 2-5 percent of total off-season rice acreage, declined 33 percent from the same period last year despite attractive farm-gate prices. In March – April 2020, farm-gate prices of paddy rice increased 20 – 40 percent from the same period last year (Figure 2), particularly for white paddy rice and glutinous paddy rice driven by a surge in export demand after Vietnam and India temporarily banned their rice exports due to concerns about COVID-19. Farm-gate prices of white paddy rice leveled off from a 9-year record of 9,600 baht per metric ton (U.S. \$298/MT) in early May 2020 to around 9,500 baht per metric tons (U.S. \$295/MT) in mid-May 2020 after Vietnam and India removed their rice export ban in May 2020. Also, farm-gate prices of glutinous paddy rice leveled off from a historical high of 16,400 baht per metric tons (U.S. \$509/MT) in early May 2020 to 15,700 baht per metric ton (U.S. \$487/MT) in mid-May 2020. Post’s forecast for MY2019/20 off-season rice production remain unchanged at 3.2 million metric tons, down 41 percent from MY2018/19 due mainly to reduced acreage. This will keep Thai rice prices high for the rest of 2020.

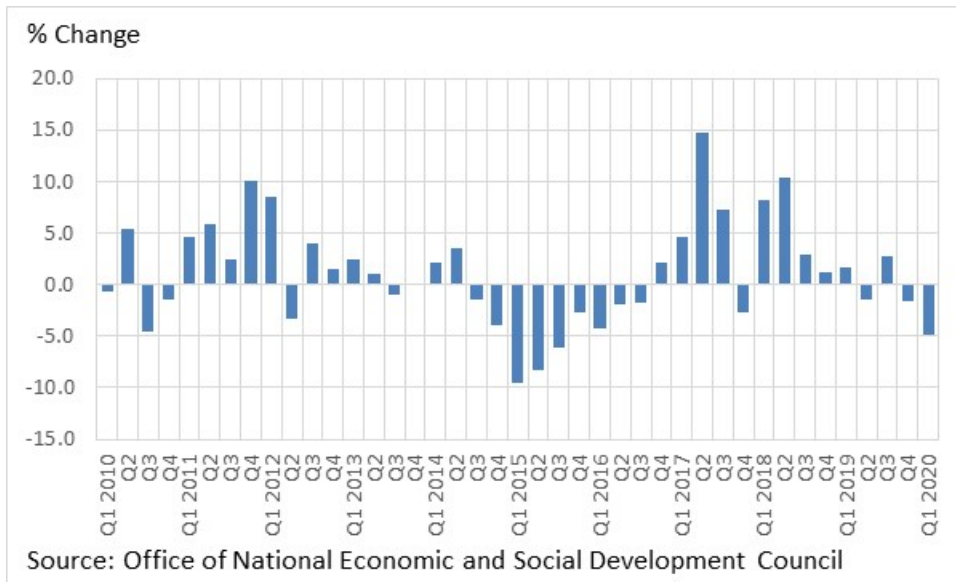
Figure 2: Monthly Farm-gate Prices of Paddy Rice and Corn



MY2019/20 off-season corn production, which accounts for around 15 percent of total corn production, is also expected to decline to 0.7 million metric tons, down 20-25 percent due to drought. In total, MY2019/20 corn production is expected to decline to 4.5 million metric tons, down 20 percent from MY2018/19 due mainly to an infestation of fall armyworm and a dry spell in 2019. Despite reduced MY2018/19 corn production, current farm-gate prices of corn are around 7.50 baht per kilogram (U.S. \$233/MT), which is still lower than the government’s guarantee prices of 8 baht per kilogram (U.S. \$248/MT). In addition, current farm-gate prices of corn are 5-10 percent lower from the same period last year due to an increase in duty-free imported corn from Myanmar, which is allowed to enter from February – August.

According to the Office of Agricultural Economics, agricultural economic growth is expected to decline 4.8 percent in the first quarter of 2020 (Figure 3). Field crops are expected to decline 7.3 percent in line with reduced MY2019/20 off-season rice and corn production caused by drought in 2020 and lower MY2019/20 sugarcane and cassava production due to adverse weather conditions in 2019. Additionally, fishery production declined 2.2 percent in the first quarter of 2020 due to drought. Meanwhile, livestock production increased 3.8 percent due mainly to expanded poultry and swine production driven by a temporary surge in export demand during the COVID-19 outbreak in the first quarter of 2020.

Figure 3: Quarterly Agricultural GDP



End of report.

Attachments:

No Attachments.