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Report Name: Grain and Feed Update

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Prepared By: Ponnarong Prasertsri, Agricultural Specialist

Approved By: Eric Mullis

Report Highlights:

MY2019/20 rice production is revised down to the second lowest level in the decade due to adverse weather conditions. Rice exports declined to 7.6 million metric tons in 2019 and is expected to decline further in 2020. MY2019/20 corn production is revised up slightly, but it is still 20 percent lower than MY2018/19.

Executive Summary

MY2019/20 rice production is revised down to the second lowest level in a decade to 18 million metric tons. This is a 12 percent reduction from MY2018/19 due to reduced acreage of off-season rice as reservoirs are at such critically low levels that the government has restricted irrigation for rice production. MY2019/20 off-season rice production is expected to decline to 3.2 million metric tons, down 40 percent from MY2018/19. The shrinking MY2019/20 rice supplies will likely result in a further reduction in rice exports to 7.5 million metric tons in 2020, down slightly from 7.6 million metric tons in 2019, as Thai rice export prices are expected to remain high during stiff price competition between Vietnam and India with China.

MY2019/20 corn production is revised up slightly to 4.5 million metric tons due to expanded acreage of off-season corn, driven by the government's price guarantee program and the direct payment for farmers to purchase seeds. However, total MY2019/20 corn production is still 20 percent lower than MY2018/19 as the expanded off-season corn production is expected to be offset by a reduced main-crop corn production, which was adversely affected by the infestation of fall armyworm and a dry spell from June to July of 2019.

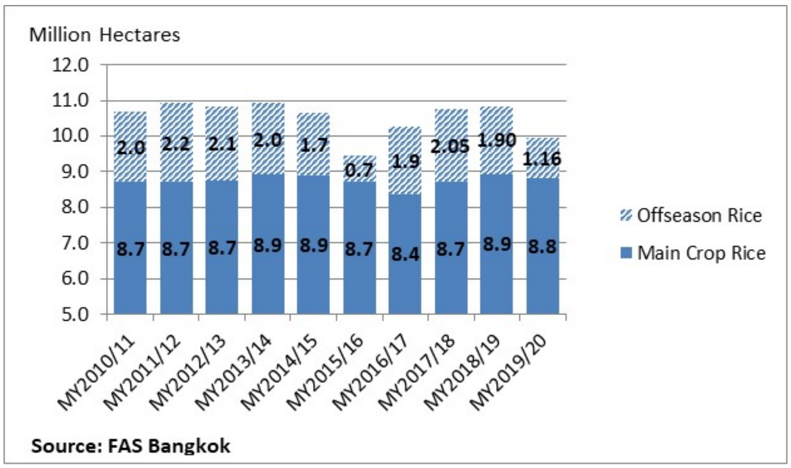
Post's forecast for MY2019/20 wheat imports remain unchanged at 3.3 million metric tons, up 14 percent from MY2018/19 due to an increase in milling wheat and feed wheat imports. Milling wheat is expected to increase to 1.4 million metric tons, up 25 percent from MY2018/19 as flour mills built up their wheat grain inventories in response to the uncertainty about the government's plan to ban agricultural pesticides. While the government removed glyphosate from the proposed ban list, the other two pesticides, paraquat and chlorpyrifos, are still on the proposed ban list that will be enacted on June 1, 2020. Feed wheat imports are expected to increase to 1.6 million metric tons, up 8 percent from MY2018/19. Meanwhile, MY2019/20 wheat flour and products imports are expected to decline to around 0.3 million metric tons, down slightly from MY2018/19 due to strong competition from locally produced flour.

1. Rice

1.1 Production

Post's forecast for MY2019/20 rice production is revised down to 18 million metric tons, which is the second lowest level in the decade after a severe drought in MY2015/16 (Figure 1.1.1). This is a 12 percent reduction from MY2018/19 due to reduced MY2019/20 off-season rice production. MY2019/20 off-season rice production is expected to decline to 3.2 million metric tons. This is a 40 percent reduction from MY2018/19 off-season rice production due mainly to reduced acreage caused by the severe drought as precipitation in 2019 was 15 percent below the normal average (Figure 1.1.2 and 1.1.3). So far, MY2019/20 off-season rice planting, which began in November 2019, declined 47 percent from the same period last year as the government restricted irrigation for rice production due to critically low reservoirs in major rice growing areas (Table 1.1.1). Additionally, the government announced that it will not supply irrigation for rice when the first off-season rice crop is completed in February 2020. As of January 16, 2020, water supplies in the northern region are approximately 47 percent lower from the same period last year, which is slightly above the reservoir levels in 2016 when MY2015/16 off-season rice acreage in irrigated areas declined significantly to 0.7 million hectares with a 59 percent reduction in off-season rice production (Figure 1.1.2 and Table 1.1.2). The Thai Meteorological Department expects precipitation from January to March of 2020 to be 10 percent below normal average (Figure 1.1.4). However, some farmers are expected to continue to grow second off-season rice crop from March to April of 2020, particularly in the low land in the central plains.

Figure 1.1.1: Annual Rice Acreage and Production



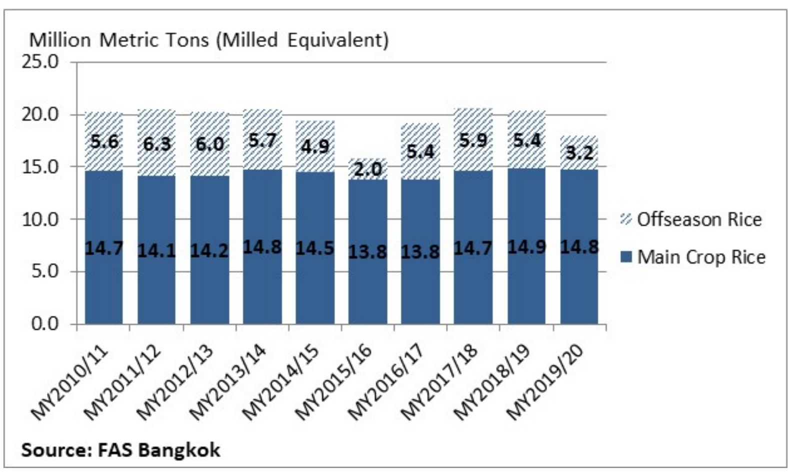


Figure 1.1.2: Water Supplies and Off-Season Rice Acreage in Irrigated Areas

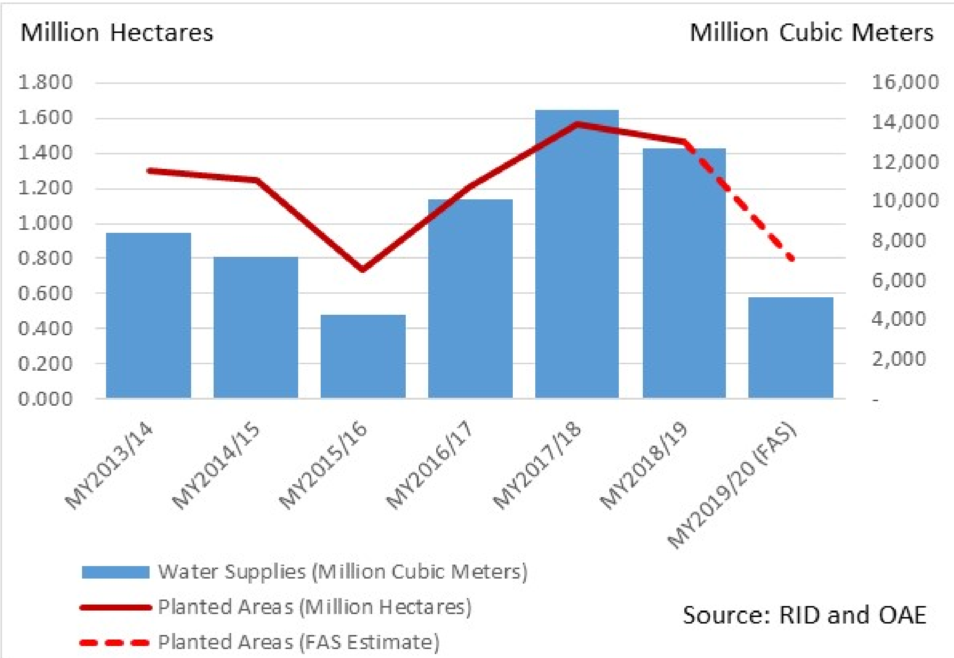
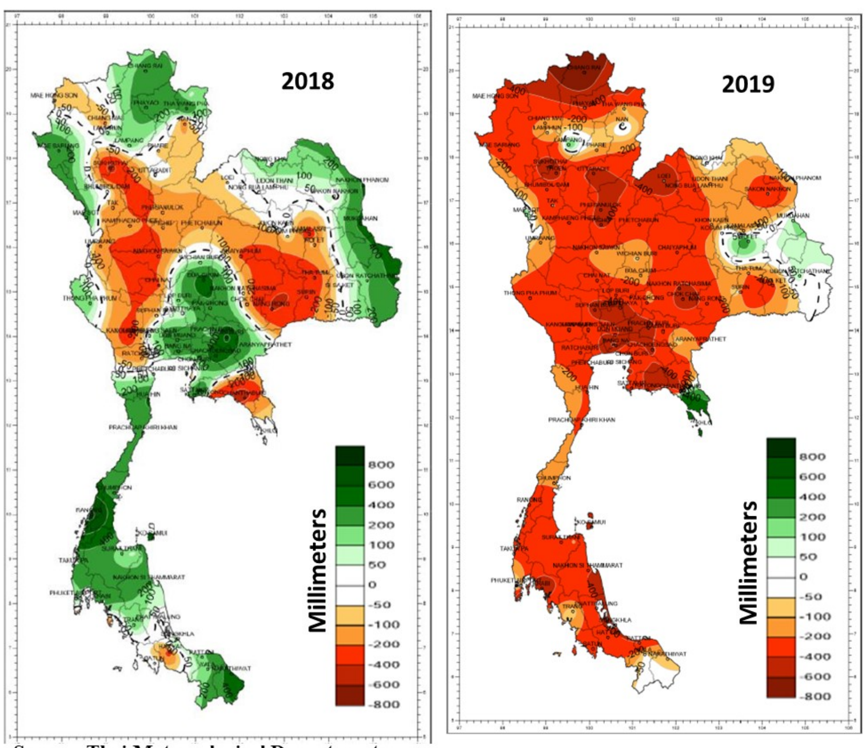


Figure 1.1.3: **Precipitation Anomaly in 2018 and 2019**



Source: Thai Meteorological Department

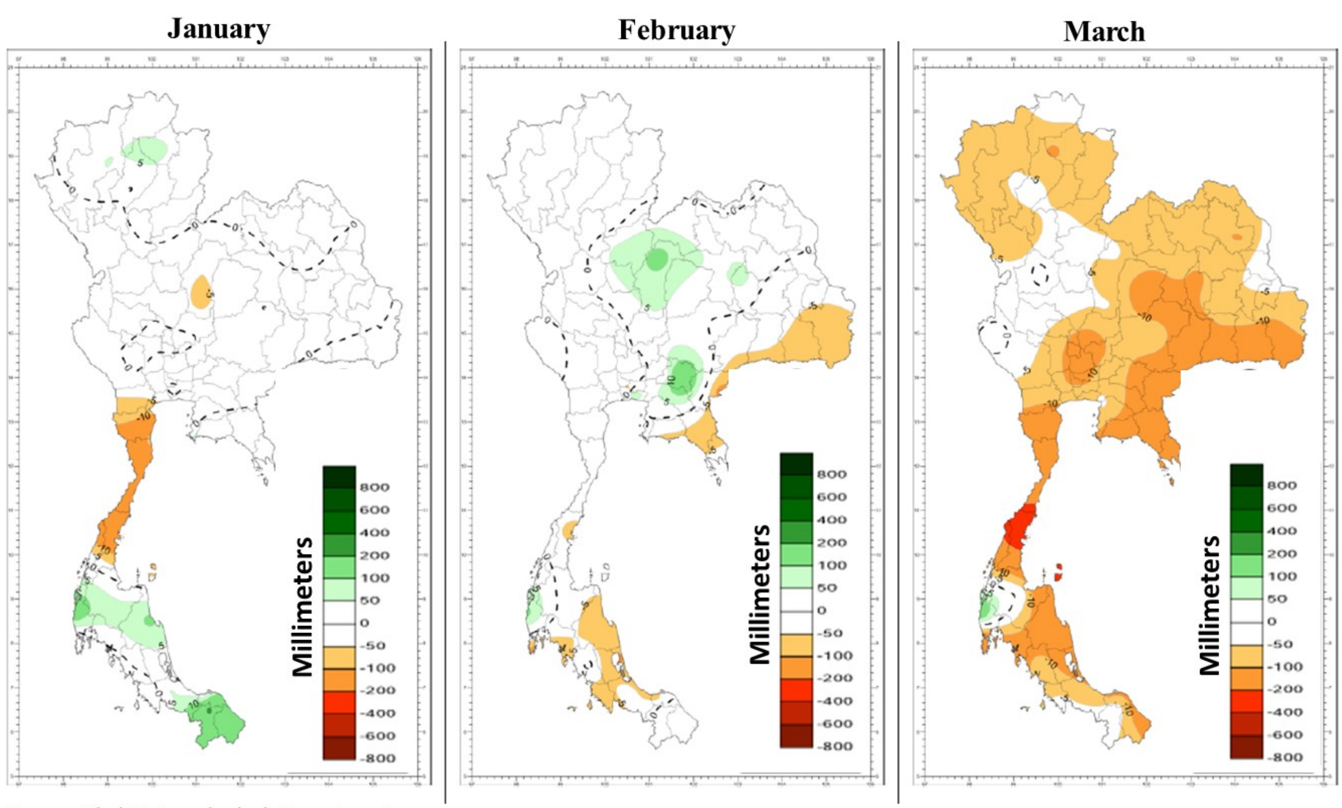
Table 1.1.1: Off-Season Rice Planting Progress

Unit: Million Hectares	Off-season Rice Planting Progress, as of January			Government Target	
	MY2018/19 (Jan 16,2019)	MY2019/20 (Jan 15,2020)	% change	MY2018/19	MY2019/20
Irrigated Areas	1.088	0.491	-54.9	1.285	0.370
Non-Irrigated Areas	0.256	0.219	-14.4	0.509	0.357
Total Planted Areas	**1.344**	**0.710**	**-47.1**	**1.794**	**0.726**
Source: Ministry of Agricultural and Cooperatives					

Table 1.1.2: Total Off-Season Rice Acreage

Million Hectares	MY2015/16	MY2016/17	MY2017/18	MY2018/19	MY2019/20	
					(Nov 2019 F)	(Jan 2020F)
Irrigated Areas	0.740	1.210	1.562	1.468	1.100	0.800
Non-Irrigated Areas	0.315	0.690	0.492	0.432	0.420	0.357
Total Planted Areas	1.055	1.900	2.054	1.900	1.520	1.157

Figure 1.1.4: Expected Precipitation Anomaly from January to March of 2020



Source: Thai Meteorological Department

1.2 Trade

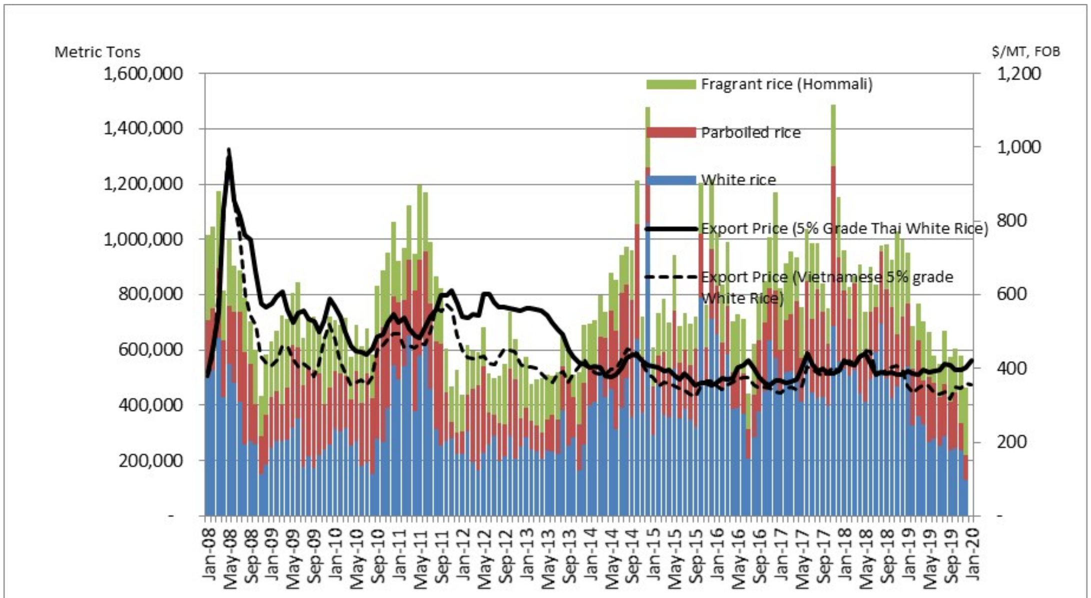
According to the Thai Customs Department, Thai rice exports in 2019 totaled 7.6 million metric tons (Table 1.2.1). This is a 32 percent reduction from 2018 due to a strong price competition in white rice exports between Vietnam and India to compete with China which sold its government rice stocks to African markets. Between 40-50 percent of Thai rice exports are destined to the African market. In 2019, Vietnamese and Indian white rice export prices were U.S. $40-90/MT cheaper than Thai rice primarily due to limited supplies of low-quality white rice after the Thai government sold almost all of its food-quality intervention stocks in 2018. Additionally, on average in 2019, the Thai baht strengthened 4 percent to a six-year record of 30.88 baht/U.S. $1.00 from the average exchange rate of 32.14 baht/U.S. $1.00 in 2018.

Post's forecast for Thai rice exports in 2020 are revised down to 7.5 million metric tons, down 1 percent from 2019 due to shrinking domestic supplies caused by adverse weather conditions. Current tight domestic supplies have caused a surge in Thai white and parboiled rice export prices, which are U.S. $80-90/MT higher than Vietnamese and Indian rice.

Table 1.2.1: Thai Rice Exports by Variety

Unit: Metric Tons						
Rice Variety	**2015**	**2016**	**2017**	**2018**	**2019**	**% change**
White Rice	4,994,387	4,819,941	5,082,384	5,892,438	3,224,338	-45.3
Parboiled Rice	2,316,900	2,149,597	3,380,167	2,708,477	2,229,466	-17.7
Fragrant Rice	2,111,658	2,497,912	2,694,356	2,102,078	1,920,537	-8.6
Hom Mali Rice	1,987,232	2,366,185	2,308,789	1,657,416	1,410,808	-14.9
Thai Fragrant Rice	124,426	131,727	385,567	444,662	509,729	14.6
Glutinous Rice	372,835	438,943	517,425	385,749	206,164	-46.6
Total	9,795,780	9,906,393	11,674,332	11,088,742	7,580,505	-31.6
Source: Thai Rice Exporter Association						

Figure 1.2.1: Monthly Thai Rice Exports by Variety



Source: Thai Customs Department, and Thai Chamber of Commerce

2. Corn

Post's forecast for MY2019/20 corn is revised up to around 4.5 million metric tons due to an acreage expansion of off-season corn. However, this is still a 20 percent reduction from MY2018/19 as the expanded off-season corn is expected to be offset by reduced main-crop corn production, which was adversely affected by the infestation of fall armyworm and a dry spell from June to July of 2019.

MY2019/20 off-season corn production is revised up to 0.7 million metric tons due to an acreage expansion driven by the government's price guarantee program and the direct payment for farmers to purchase seeds. On December 10, 2019, the Cabinet approved Price Guarantee Program for MY2019/20 corn to help farmers who grow corn from July 1, 2019 through May 31, 2020. The guarantee price is set at 8.5 baht per kilogram (U.S. $283/MT) with a maximum acreage of 30 rai per household (4.8 hectares per household). This guarantee price is eight to nine percent higher than current market prices of 7.8 baht per kilogram (U.S. $258/MT) which dropped 13 percent from the same period last year (Figure 2.1). Additionally, the government will provide a soft loan of 1.5 billion baht (U.S. $30 million) for farmer institutions to purchase corn from farmers participating in this program. Also, famers will receive a direct payment of 245 baht per rai (U.S. $51/hectare) with a maximum of 20 rai (3.2 hectare) or 4,900 baht per household (U.S. $162/household) to purchase corn seeds. However, this MY2019/20 off-season corn production is still 23 percent lower than MY2018/19 off-season corn production levels as some rice farmers are reluctant to shift to corn crop due to the concern about the infestation of fall armyworm. Although the government can control the outbreak of fall armyworm, around 0.5 million rai (0.08 million hectares) are still affected by fall armyworm. However, only around 10 percent of the affected areas are adversely affected by the outbreak.

Figure 2.1: Monthly Farm-gate Prices of Corn

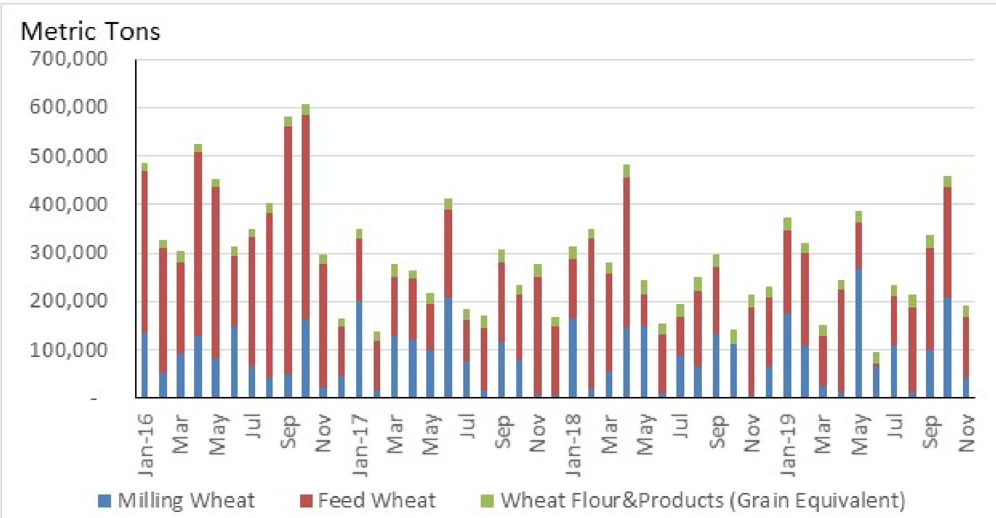
Source: Office of Agricultural Economics, Ministry of Agriculture and Cooperatives

MY2019/20 corn consumption is revised up to 5.8 million metric tons. This is a two percent increase from MY2018/19 due to better than expected poultry feed demand. Poultry feed demand increased by 4.3 percent in 2019 driven by broiler feed demand, which increased eight to nine percent from 2018.

3. Wheat

Post's forecast for MY2019/20 wheat imports remain unchanged at 3.3 million metric tons, up 14 percent from MY2018/19 due to an increase in milling wheat and feed wheat imports. In the first half of MY2019/20 wheat imports totaled 1.7 million metric tons, up 31 percent from the same period last year, of which 1.6 million metric tons were wheat grain and 0.1 million metric tons were wheat flour and products (Figure 3.1). Wheat grain imports included 0.6 million metric tons of milling wheat, which increased 32 percent from the same period last year, and 1.0 million metric tons of feed wheat, which increased 38 percent from the same period last year. Meanwhile, wheat flour and products imports declined 8 percent from the same period last year.

Figure 3.1: Thailand's Monthly Imports of Wheat Grain and Products



Source: Thai Customs Department

Milling wheat imports will likely continue to grow in the second half of MY2019/20 as flour mills built up their wheat grain inventories in response to the uncertainty about the government's plan to ban agricultural pesticides. The ban would have also affected agricultural product imports, including wheat, as a zero tolerance would have been set for pesticide residuals. While the government removed glyphosate from the proposed ban list, the other two pesticides, paraquat and chlorpyrifos, are still on the proposed ban list that will be enacted on June 1, 2020 (please see TH2019-0129: A December 2 Update on the Ban on Three Ais in Thailand). MY2019/20 wheat grain imports are expected to increase to 3.0 million metric tons, up 15 percent from MY2018/19, of which around 1.4 million metric tons are milling wheat, up 25 percent, and 1.6 million metric tons are feed wheat, up 8 percent from MY2018/19. MY2019/20 wheat flour and products are expected to decline to around 0.3 million metric tons, down slightly from MY2018/19 due to strong competition from locally produced flour.

Appendix Tables

Table 1: Thailand's Rice Production, Supply and Demand

Rice, Milled	2017/2018		2018/2019		2019/2020	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	10756	10756	10830	10830	10000	9955
Beginning Stocks	4238	4238	3009	2940	3899	4400
Milled Production	20577	20577	20340	20340	18500	18000
Rough Production	31177	31177	30818	30818	28030	27273
Milling Rate (.9999)	6600	6600	6600	6600	6600	6600
MY Imports	250	200	250	200	250	250
TY Imports	250	200	250	200	250	250
TY Imp. from U.S.	4	0	0	0	0	0
Total Supply	25065	25015	23599	23480	22649	22650
MY Exports	11056	11075	7900	7580	7500	7500
TY Exports	11056	11075	7900	7580	7500	7500
Consumption and Residual	11000	11000	11800	11500	11500	11000
Ending Stocks	3009	2940	3899	4400	3649	4150
Total Distribution	25065	25015	23599	23480	22649	22650
Yield (Rough)	2.8986	2.8986	2.8456	2.8456	2.803	2.7396
(1000 HA) ,(1000 MT) ,(MT/HA)						

Table 2: Thailand's Rice Production by Crop

	2017/18			2018/19			2019/20		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area (Million Hectares)									
Cultivation	9.000	2.054	11.054	9.230	1.900	11.130	9.280	1.157	10.437
Harvest	8.711	2.045	10.756	8.940	1.890	10.830	8.805	1.150	9.955
Production (Million Tons)									
Rough	22.227	8.950	31.177	22.608	8.210	30.818	22.410	4.863	27.273
Rice	14.670	5.907	20.577	14.920	5.420	20.340	14.790	3.210	18.000
Yield (Ton/Hectare)	2.552	4.377	2.898	2.529	4.344	2.846	2.545	4.229	2.740

Note: 1. Main crop rice is mostly cultivated during May - August and harvested during November - December.

2. Off-season rice is mostly cultivated during November - January and harvested during March - May.

Source: FAS Estimate

Table 3: Thailand's Corn Production, Supply and Demand

Corn	2017/2018		2018/2019		2019/2020	
Market Begin Year	Jul 2017		Jul 2018		Jul 2019	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1125	1124	1300	1296	1190	1216
Beginning Stocks	143	143	144	166	273	1045
Production	5000	5000	5600	5625	5200	4480
MY Imports	700	700	700	1200	900	700
TY Imports	700	700	900	1200	900	700
TY Imp. from U.S.	4	0	0	0	0	0
Total Supply	5843	5843	6444	6991	6373	6225
MY Exports	199	177	171	146	100	50
TY Exports	223	202	111	146	100	50
Feed and Residual	5400	5400	5900	5700	6000	5800
FSI Consumption	100	100	100	100	100	100
Total Consumption	5500	5500	6000	5800	6100	5900
Ending Stocks	144	166	273	1045	173	275

Total Distribution	5843	5843	6444	6991	6373	6225
Yield	4.4444	4.4484	4.3077	4.3403	4.3697	3.6842
(1000 HA) ,(1000 MT) ,(MT/HA)						

Table 4: Thailand's Wheat Production, Supply and Demand

Wheat	2017/2018		2018/2019		2019/2020	
Market Begin Year	Jul 2017		Jul 2018		Jul 2019	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	0	0	0	0	0	0
Beginning Stocks	805	805	671	716	495	590
Production	0	0	0	0	0	0
MY Imports	3173	3168	2899	2899	3100	3300
TY Imports	3173	3168	2899	2899	3100	3300
TY Imp. from U.S.	666	578	719	680	0	800
Total Supply	3978	3973	3570	3615	3595	3890
MY Exports	257	257	275	275	250	280
TY Exports	257	257	275	275	250	280
Feed and Residual	1850	1700	1600	1400	1600	1500
FSI Consumption	1200	1300	1200	1350	1225	1390
Total Consumption	3050	3000	2800	2750	2825	2890
Ending Stocks	671	716	495	590	520	720
Total Distribution	3978	3973	3570	3615	3595	3890
Yield	0	0	0	0	0	0
(1000 HA) ,(1000 MT) ,(MT/HA)						

End of report.

Attachments:

No Attachments