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Report Name: Grain and Feed Update

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Report Highlights:

MY2020/21 rice and corn production is expected to fully recover from MY2019/20 due to favorable weather conditions. Feed demand, as well as wheat-based food demand, is revised down in MY2019/20 and MY2020/21 due to the COVID-19 outbreak. Additionally, concerns about the government's pesticide ban are expected to significantly reduce wheat imports in MY2020/21.

Executive Summary

Post's forecast for MY2020/21 rice and corn production remains unchanged due to favorable weather conditions at the beginning of the planning season that will help rice and corn production recover from MY2019/20 when production was severely affected by adverse weather conditions and pest outbreaks. Meanwhile, domestic demand for grain is revised downward in MY2019/20 and MY2020/21, particularly for corn and wheat, due to the COVID-19 outbreak that is expected to reduce the domestic consumption of feed and wheat-based food products, particularly in the first half of 2020. Feed demand is expected to decline by 7-10 percent in 2020, which is much lower than the previous forecast mainly due to reduced poultry production in response to shrinking domestic and export demand for poultry meat. Swine production also declined but at a lesser degree as exports of live hogs to neighboring countries, which are affected by ASF, remain strong. Additionally, MY2020/21 wheat imports are revised down to 2.8 million metric tons, which is a 15 percent reduction from the unusual high level in MY2019/20 when flour mills built up their inventories in a response to the government's pesticide ban, which went into effect June 1, 2020.

1. Rice Update

1.1. Production

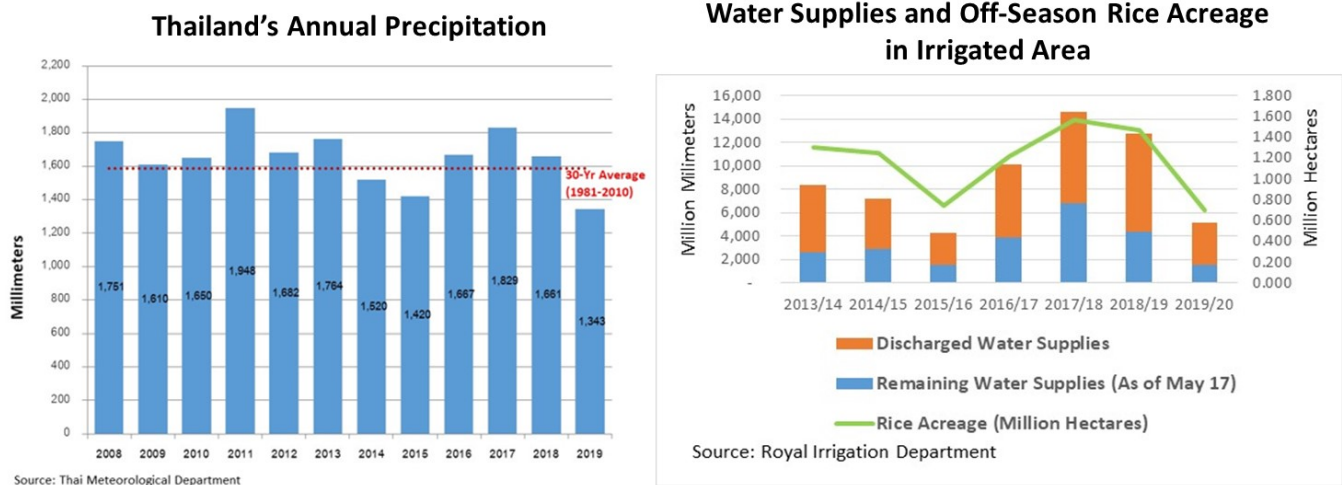
As of May 7, 2020, the government reported that actual MY2019/20 off-season rice acreage totaled 6.8 million rai (1.08 million hectares), down 42 percent from the same period last year mainly due to limited water supplies in irrigated areas caused by historical low precipitation levels during the monsoon season in 2019 (Table 1.1). Furthermore, after the harvest of the 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 1.1: MY2019/20 Off-Season Rice Crop Progress, as of May 7, 2020

Unit: Million Hectares	Off-season Rice Crop Progress				Government Target	
	MY2015/16 (May 11, 2016)	MY2018/19 (May 8, 2019)	MY2019/20 (May 7, 2020)	% change	MY2018/19	MY2019/20
Irrigated Areas	0.562	1.430	0.693	-51.6	1.285	0.370
Non-Irrigated Areas	0.336	0.430	0.387	-10.0	0.509	0.357
Total Planted Areas	0.898	1.861	1.080	-42.0	1.794	0.726

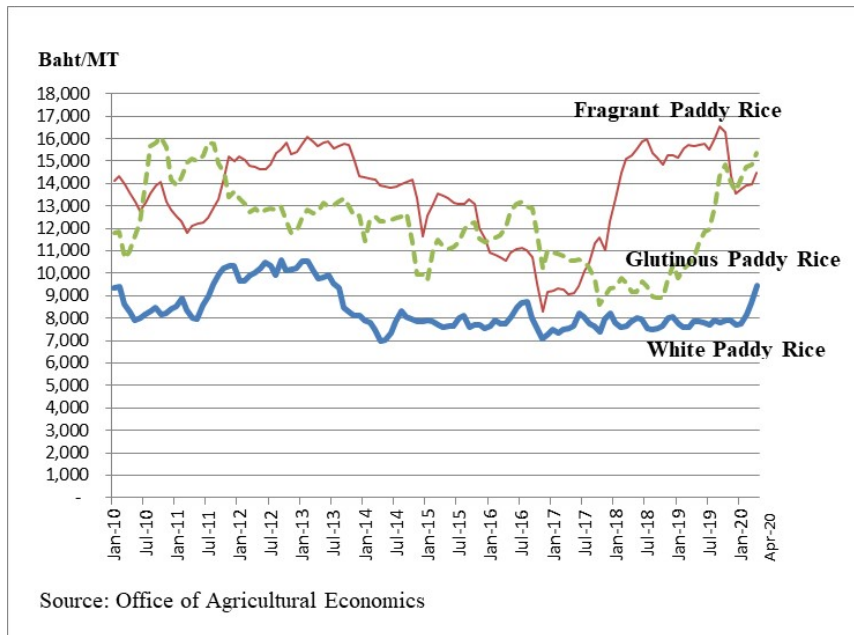
Source: Ministry of Agricultural and Cooperatives

Figure 1.1: Annual Precipitation and Water Supplies Available for Off-Season Rice Acreage in Irrigated Area



The 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 bans. 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 rice production remains unchanged at 18 million metric tons, down 12 percent from MY2018/19 mainly due to off-season rice production falling to 3.2 million metric tons, which is a decrease of 41 percent from the previous year due to drought.

Figure 1.2: Monthly Farm-gate Prices of Paddy Rice and Corn



Post forecast for MY2020/21 rice production remains unchanged at 21 million metric tons, a 17 percent increase from MY2019/20 as main and off-season rice production is expected to recover. MY2020/21 main rice production is expected to increase to 15.6 million metric tons, up 5 percent from MY2019/20. The Thai Meteorological Department expects normal rain in 2020 compared to a 15 percent below normal rainfall in 2019. Additionally, off-season rice production is expected to increase to 5.4 million metric tons, up 69 percent from MY2019/20 in anticipation of a recovery in reservoir levels.

1.2 Trade

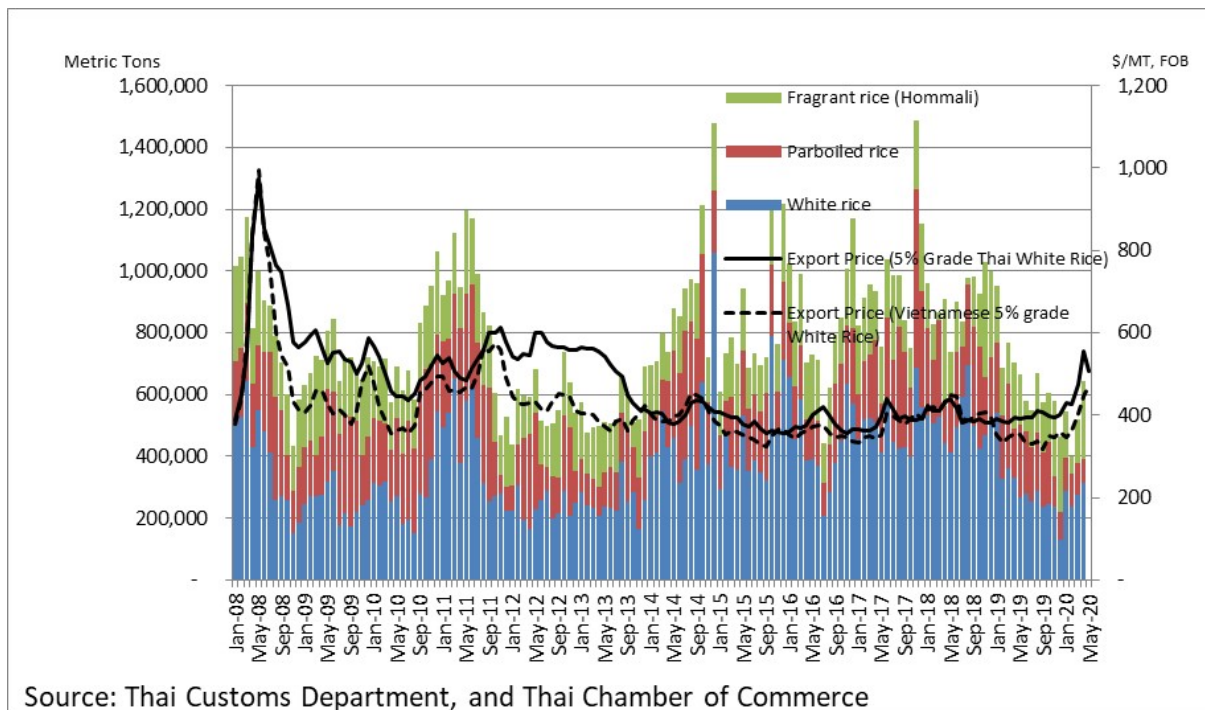
During January – April 2020, Thai rice exports totaled 2.1 million metric tons, down 32 percent from the same period last year mainly due to a reduction in white and parboiled rice exports, which declined 40-60 percent from the same period last year as MY2019/20 off-season rice production was adversely affected by drought (Table 1.2.1). Thai white rice prices soared, especially for white rice prices to a 9-year record high at U.S. \$570/MT (5% grade white rice, FOB) in mid-April 2020, up 43 percent from the same period in 2019, as foreign buyers were forced to buy Thai rice when India, Vietnam, and Cambodia imposed export restrictions on their rice exports due to concerns about their domestic supplies during the outbreak of COVID-19 between late March to April 2020. However, Thai rice export prices gradually declined to about the same levels as Vietnam at around U.S. \$470/MT in May 2020 when Vietnam removed its rice export restrictions, compared to U.S. \$70-80/MT difference in the first quarter of 2020 (Figure 1.2.1). Nevertheless, white rice price levels are still 18 percent higher than the same period in 2019 due to tight domestic supplies. Meanwhile, fragrant rice exports increased around 5 percent in the first quarter of 2020 due to a temporary surge in foreign demand during the COVID-19 outbreak.

Table 1.2.1: Thai Rice Exports by Varieties

Unit: Metric Tons									
Rice Variety	2015	2016	2017	2018	2019	% change 2019/2018	January- April		
							2019	2020	% change
White Rice	4,994,387	4,819,941	5,082,384	5,892,438	3,211,439	-45.5	1,443,470	923,811	-36.0
Parboiled Rice	2,316,900	2,149,597	3,380,167	2,708,477	2,229,466	-17.7	898,979	390,165	-56.6
Fragrant Rice	2,111,658	2,497,912	2,694,356	2,102,078	1,924,179	-8.5	532,429	561,010	5.4
Other	372,835	438,943	517,425	385,749	215,421	-44.2	237,240	236,627	-0.3
Total	9,795,780	9,906,393	11,674,332	11,088,742	7,580,505	-31.6	3,112,118	2,111,613	-32.1

Source: Ministry of Commerce

Figure 1.2.1: Thailand’s Monthly Rice Exports and Prices



Post’s forecast for rice exports in 2020 remain unchanged at 7.5 million metric tons as Thai rice prices are expected to be able to compete with Vietnamese rice when the prices of Thai and Vietnamese rice converged in the second quarter of 2020. Also, Indian rice exports remain uncertain due to shipment delays during the COVID-19 outbreak. Additionally, the Ministry of Commerce reported that the latest United States’ suspension of the trade preferences under the Generalized System of Preferences (GSP) on six Thai rice varieties will have marginal impact on Thai rice exports. Of the six rice varieties under this the GSP suspension, Thailand exports only parboiled rice, which accounts for less than one percent of total Thai rice exports to the U.S. Most of Thai rice exports to the U.S. are fragrant rice.

2. Corn

MY2019/20 off-season corn production, which accounts for around 15 percent of total corn production, is 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 mainly due 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 lower than the government's guarantee prices of 8 baht per kilogram (U.S. \$248/MT) (Figure 2.1). In addition, current farm-gate prices of corn are 5-10 percent lower than prices from the same period last year due to an increase in duty-free imported corn, which is allowed to enter from February – August. In the first ten months of MY2019/20, corn imports continued to increase to around 1.3 million metric tons, mostly from Myanmar.

Figure 2.1: Monthly Farm-gate Prices of Corn

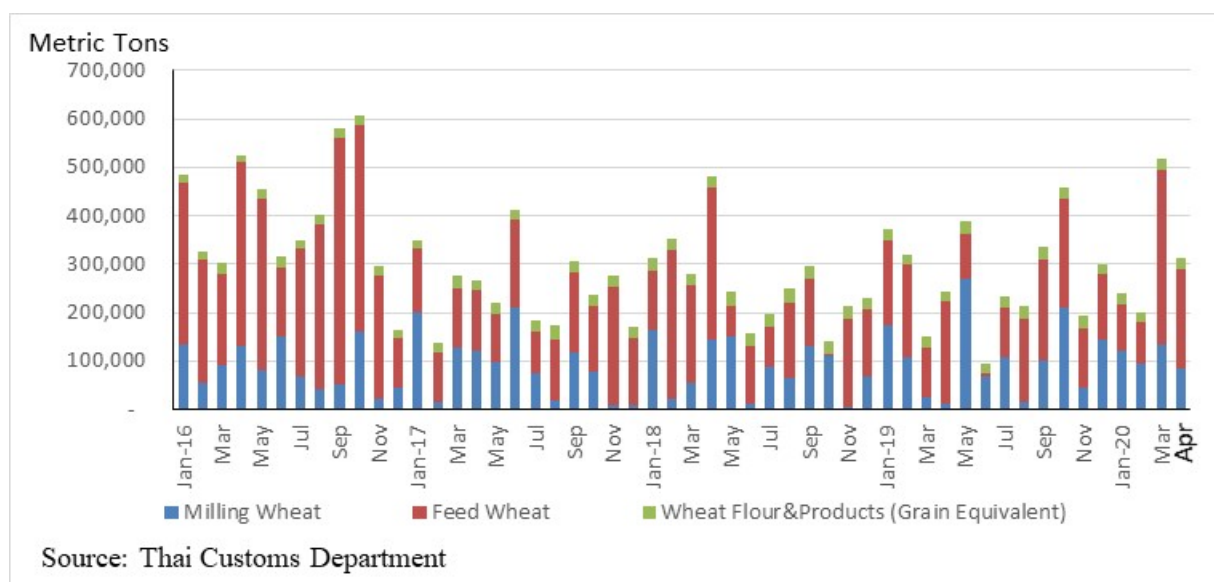


MY2019/20 corn consumption is revised down to 5.8 million metric tons, down approximately 2 percent from MY2018/19 due to reduced broiler production caused by the COVID-19 outbreak. Broiler feed demand, which accounts for around 40 percent of total feed demand, is expected to decrease 10-15 percent due to shrinking domestic and export demand for chicken meat. Meanwhile, swine feed demand, which accounts for one third of total feed demand, is expected to decline at a much lesser degree by 1-2 percent as exports of live hog to neighboring countries remain strong due to the outbreak of African Swine Fever (ASF). However, farmers still limit their production due to concerns about possible outbreaks of ASF and shrinking domestic demand for pork meat caused by the COVID-19 outbreak that is expected to out weight the growing demand for live hog exports. A reduction in production of all livestock, including poultry and aquaculture, is expected to reduce total feed demand by 7-10 percent in 2020.

3. Wheat

Despite the COVID-19 outbreak in Thailand in January 2020, which is expected to cause an economic recession in 2020, wheat imports in the first ten months of MY2019/20 increased to 3.0 million metric tons, up 24 percent from the same period in MY2018/19. Wheat imports consisted of 2.8 million metric tons of wheat grain, which increased 28 percent, and 0.2 million metric tons (grain equivalent) of wheat flour and products, which declined 4 percent from the same period last year (Figure 3.1). Wheat grain imports included 1.1 million metric tons of milling wheat, which increased 33 percent, and 1.7 million metric tons of feed wheat, which increased 24 percent from the same period last year. Flour mills built up their wheat grain inventories, especially U.S wheat, which increased 42 percent to around 0.7 million metric tons, in response to uncertainty about the government’s plans to ban the agricultural pesticides glyphosate, paraquat, and chlorpyrifos. The ban will disrupt agricultural product imports, including wheat, as a zero tolerance will be set for pesticide residues. While the government removed glyphosate from the proposed ban list on November 27, 2019, the other two pesticides (paraquat and chlorpyrifos) are still on the ban list that will be effective on June 1, 2020. Also, feed wheat imports were driven by the shortage of MY2019/20 corn production, which was affected by adverse weather conditions and the infestation of fall armyworm.

Figure 3.1: Thailand’s Monthly Imports of Wheat Grains and Products



Post’s forecast for MY2019/20 wheat imports remains unchanged at 3.3 million metric tons. This is a 14 percent increase from MY2018/19, including 1.3 million metric tons of milling wheat, which is expected to increase 13 percent from MY2018/19, and 1.8 million metric tons of feed wheat, up 18 percent from last year. Meanwhile, wheat consumption is revised down to 2.7 million metric tons, which declined 3-4 percent from MY2018/19 due to shrinking wheat-based food demand, particularly in the second half of MY2019/20 when the impact of the COVID-19 outbreak intensified. The Thai government enforced a lockdown between March – June 2020 that caused businesses and households to

lose their revenue from supply chain disruptions. Small flour mills were adversely affected as most of their customers are retailers who saw their wheat flour demand fall by 30-40 percent in the second half of MY2019/20. Meanwhile, large flour mills, who supply wheat flour to food-processing manufacturers, particularly for instant noodles, have been impacted by COVID-19 to a lesser degree as the domestic and export sales of instant noodles increased by 8-10 percent. Also, feed wheat demand is expected to decline 3-4 percent due mainly due to reduced poultry production in 2020 following the shrinking domestic and export demand for chicken meat.

MY2020/21 wheat imports are revised down to 2.8 million metric tons, which is a 15 percent reduction from MY2019/20 due to the COVID-19 outbreak that is expected to reduce domestic consumption of wheat-based food and feed products. The Bank of Thailand revised down the economic forecast in 2020 from 2.8 percent in the previous forecast to a negative economic growth of 5.3 percent with a slow economic recovery of 3 percent in 2021 due to a reduced number of tourists and shrinking export growth. The number of tourists are expected to decline to 14 million people in 2020, down 62 percent from 39.8 million people in 2019. This reduced tourist numbers will hit the service sector the hardest, which accounts for 12 percent of GDP and constitutes approximately 20 percent of the total employment in Thailand, particularly for hotel and restaurant, and transportation services. Also, exports are forecasted to decline by 8-9 percent in 2020 due to a global economic recession.

Appendix Tables

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

Rice, Milled	2018/2019		2019/2020		2020/2021	
	Jan 2019		Jan 2020		Jan 2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begins						
Thailand						
Area Harvested (1000 HA)	10830	10830	9955	9955	10900	11075
Beginning Stocks (1000 MT)	3009	3009	4537	4469	4087	4019
Milled Production (1000 MT)	20340	20340	18000	18000	20400	21000
Rough Production (1000 MT)	30818	30818	27273	27273	30909	31818
Milling Rate (.9999) (1000 MT)	6600	6600	6600	6600	6600	6600
MY Imports (1000 MT)	250	200	250	250	200	200
TY Imports (1000 MT)	250	200	250	250	200	200
TY Imp. from U.S. (1000 MT)	4	4	0	0	0	0
Total Supply (1000 MT)	23599	23549	22787	22719	24687	25219
MY Exports (1000 MT)	7562	7580	7500	7500	9000	9000
TY Exports (1000 MT)	7562	7580	7500	7500	9000	9000
Consumption and Residual (1000 MT)	11500	11500	11200	11200	11800	11800
Ending Stocks (1000 MT)	4537	4469	4087	4019	3887	4419
Total Distribution (1000 MT)	23599	23549	22787	22719	24687	25219
Yield (Rough) (MT/HA)	2.8456	2.8456	2.7396	0	2.8357	2.873
(1000 HA) ,(1000 MT) ,(MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Rice, Milled begins in January for all countries.TY 2020/2021 = January 2021 - December 2021						

Table 2: Thailand's Rice Production by Crop

	2018/19			2019/20			2020/2021		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area									
(Million Hectares)									
Cultivation	9.230	1.900	11.130	9.280	1.157	10.437	9.370	1.900	11.270
Harvest	8.940	1.890	10.830	8.805	1.150	9.955	9.185	1.890	11.075
Production									
(Million Tons)									
Rough	22.608	8.210	30.818	22.410	4.863	27.273	23.591	8.227	31.818
Rice	14.920	5.420	20.340	14.790	3.210	18.000	15.570	5.430	21.000
Yield									
(Ton/Hectare)	2.529	4.344	2.846	2.545	4.229	2.740	2.568	4.353	2.873

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	2018/2019		2019/2020		2020/2021	
	Jul 2018		Jul 2019		Jul 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Market Year Begins						
Thailand						
Area Harvested (1000 HA)	1295	1296	1215	1216	1260	1254
Beginning Stocks (1000 MT)	144	144	498	823	548	653
Production (1000 MT)	5625	5625	5200	4480	5600	5610
MY Imports (1000 MT)	900	1200	1100	1300	600	600
TY Imports (1000 MT)	1100	1200	1100	1300	600	600
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	6669	6969	6798	6603	6748	6863
MY Exports (1000 MT)	171	146	50	50	100	100
TY Exports (1000 MT)	111	146	50	50	100	100
Feed and Residual (1000 MT)	5900	5900	6100	5800	6200	6000
FSI Consumption (1000 MT)	100	100	100	100	100	100
Total Consumption (1000 MT)	6000	6000	6200	5900	6300	6100
Ending Stocks (1000 MT)	498	823	548	653	348	663
Total Distribution (1000 MT)	6669	6969	6798	6603	6748	6863
Yield (MT/HA)	4.3436	4.3403	4.2798	3.6842	4.4444	4.4737

(1000 HA) ,(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Corn begins in October for all countries.TY 2020/2021 = October 2020 - September 2021

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

Wheat	2018/2019		2019/2020		2020/2021	
	Jul 2018		Jul 2019		Jul 2020	
Market Year Begins						
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	0	0	0	0	0	0
Beginning Stocks (1000 MT)	671	671	495	545	620	915
Production (1000 MT)	0	0	0	0	0	0
MY Imports (1000 MT)	2899	2899	3300	3300	3100	2800
TY Imports (1000 MT)	2899	2899	3300	3300	3100	2800
TY Imp. from U.S. (1000 MT)	719	680	0	790	0	700
Total Supply (1000 MT)	3570	3570	3795	3845	3720	3715
MY Exports (1000 MT)	275	275	275	280	275	285
TY Exports (1000 MT)	275	275	275	280	275	285
Feed and Residual (1000 MT)	1600	1400	1600	1350	1400	1280
FSI Consumption (1000 MT)	1200	1350	1300	1300	1300	1250
Total Consumption (1000 MT)	2800	2750	2900	2650	2700	2530
Ending Stocks (1000 MT)	495	545	620	915	745	900
Total Distribution (1000 MT)	3570	3570	3795	3845	3720	3715
Yield (MT/HA)	0	0	0	0	0	0
(1000 HA) ,(1000 MT) ,(MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Wheat begins in July for all countries.TY 2020/2021 = July 2020 - June 2021						

End of report.

Attachments:

No Attachments