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Report Highlights:

MY2020/21 rice production is revised down to 18.6 million metric tons due to limited water supplies. Rice exports in 2020 are expected to decline 14 percent due to tight domestic supplies. MY2020/21 corn and feed wheat imports are expected to decline due to a recovery in MY2020/21 corn production. Also, milling wheat imports are expected to decline significantly in MY2020/21 due to economic recession from COVID-19 outbreak.

Executive Summary

MY2020/21 rice production is revised down to 18.6 million metric tons due to limited water supplies in irrigated areas, which will affect both main and off-season rice planting in the northern region and the central plains. However, this forecast is 5 percent above last year's production level as vegetation growth of main-crop rice production is well above normal, particularly in the northeastern region. Rice exports are revised down to 6.5 million metric tons in 2020, down 14 percent from 2019. An expected gradual increase in rice exports for the remainder of the year will not be able to make up for the reduced rice exports between January and July 2020.

MY2020/21 corn production remains unchanged at 5.6 million metric tons, up 24 percent from MY2019/20 due to an expansion in acreage and favorable weather conditions. Domestic corn prices are under downward pressure due to record imports of duty-free corn in 2020, particularly from Myanmar. In addition, a growing import demand for alternative feed grains and ingredients is magnifying the downward pressure on domestic corn prices. The government not only provides domestic support programs but also imposes import restrictions on alternative feed grains to protect corn farmers.

MY2020/21 wheat imports are expected to decline to 3 million metric tons, down 14 percent from MY2019/20 due to reduced milling wheat and feed wheat imports. The demand for wheat products has declined due an economic downturn and fewer tourist because of the outbreak of COVID-19. Milling wheat imports are expected to decline to 1.2 million metric tons, down 9 percent from MY2019/20 as domestic consumption of wheat-based food is unlikely to recover, particularly for the hotel and restaurant sectors. In addition, flour mills still hold large inventories of wheat grain imported in MY2019/20 following the uncertainties in the government's import regulations on chemical residues on imported agricultural products. Feed wheat imports are expected to decline to 1.5 million metric tons, down 19 percent from MY2019/20 in anticipation of a recovery in domestic corn production.

1. Rice

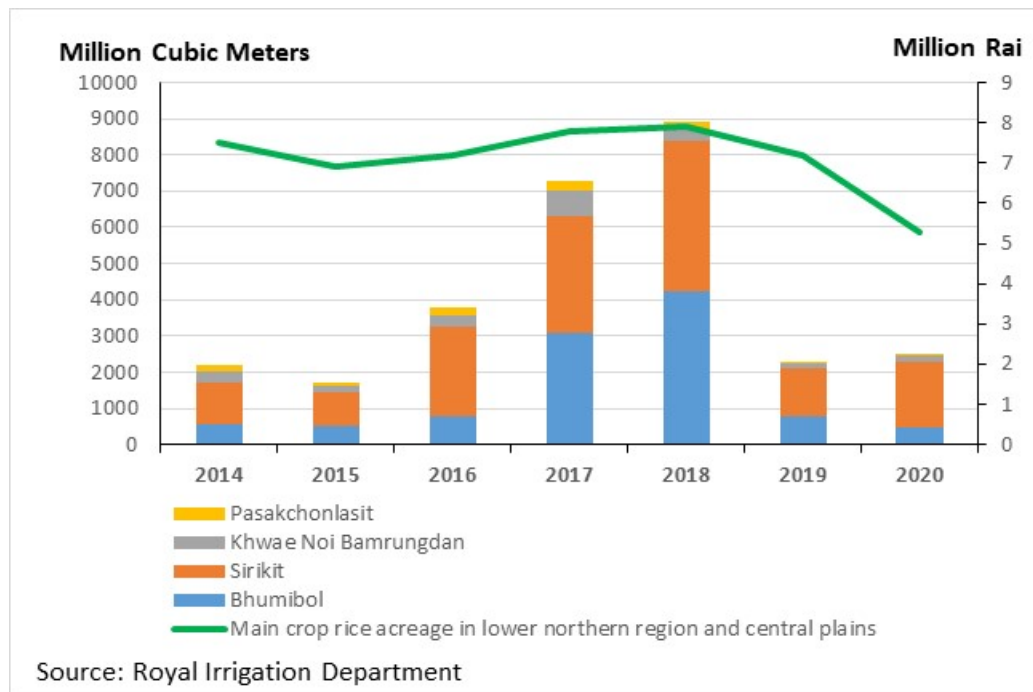
1.1 Production

Total rice production in MY2020/21 is revised down to 18.6 million metric tons, which is still a 5 percent increase from MY2019/20 (Figure 1.16). Post's forecast for MY2020/21 main-crop rice production remains unchanged at 16 million metric tons despite a delay in main-crop rice planting in irrigated area. Main-crop rice production in the northeastern region will likely more than offset the reduced rice production in irrigated areas in the northern region and the central plains. Post's forecast for MY2020/21 off-season rice production is revised down to 3 million metric tons. Despite the TMD's forecast of 5 percent above normal rainfall during the rest of the monsoon season, reservoir levels in the northern region are likely to remain critically low similar to the beginning of 2020 (Figure 1.1.5).

MY2020/21 main-crop rice planting progress is 16 percent behind last year due to a delay in white rice planting in irrigated areas. The northern region and the central plains are the latest at 26 percent behind last year, which usually account for around half of total rice acreage in irrigated areas. The Royal

Irrigation Department (RID) continues restricting irrigation for main-crop rice planting in the northern region and the central plains since important reservoirs remain critically low (Figure 1.1.1). In addition, average yields of main-crop rice in these areas are expected to be lower than normal. Farmers reportedly did not invest in high-quality seed and fertilizer due to concerns about the late planting and seasonal flooding that occur between October and November.

Figure 1.1.1: Water Supply and Main-crop Rice Acreage in Irrigated Area in the Northern Region and the Central Plains



Cumulative precipitation between January and August is 11 percent below the normal average nationwide despite being 5 percent higher than the same period last year, according to the Thai Meteorological Department (TDM). The amount of precipitation has varied widely depending on the region. Precipitation in the northern region, where many of the major reservoirs are located, is actually 5 percent lower than the previous year. The northeastern region, however, has seen precipitation increase by 21 percent from last year (Figure 1.1.2). There is a surge in vegetation growth in the northeastern region where fragrant and glutinous rice are produced. Rice production in the northeastern region currently accounts for roughly half of total MY2020/21 main-crop rice production (Figure 1.1.3).

Figure 1.1.2: Cumulative Precipitation during January 1 – August 16, 2020

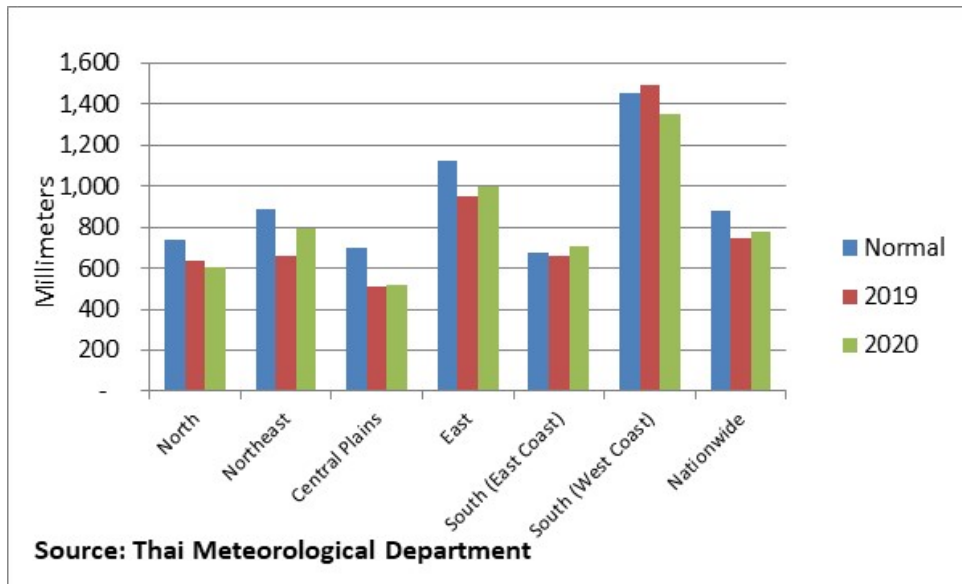
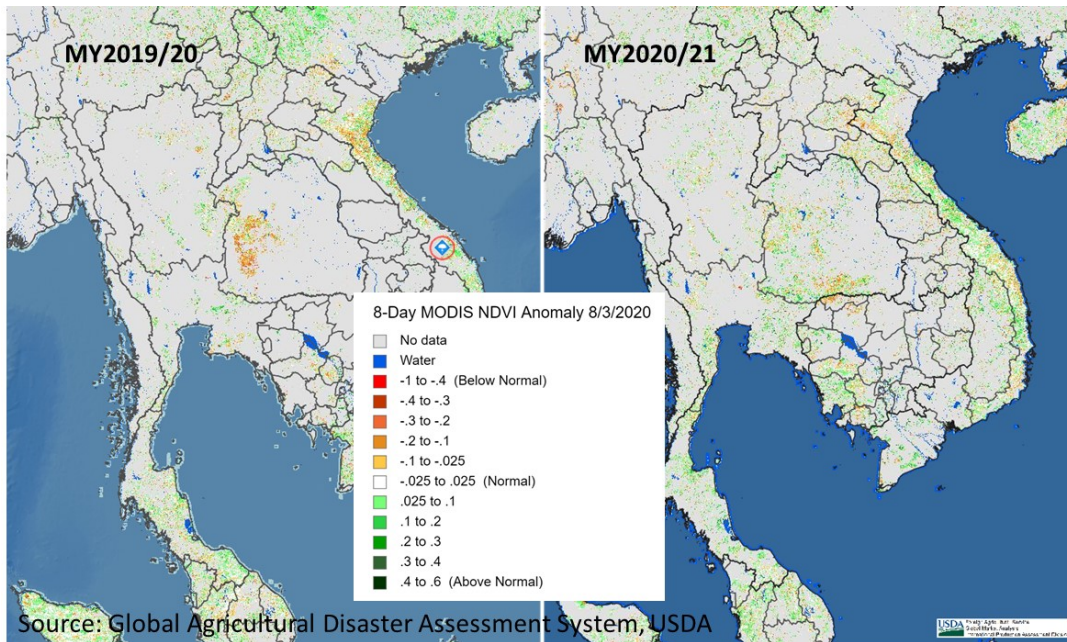
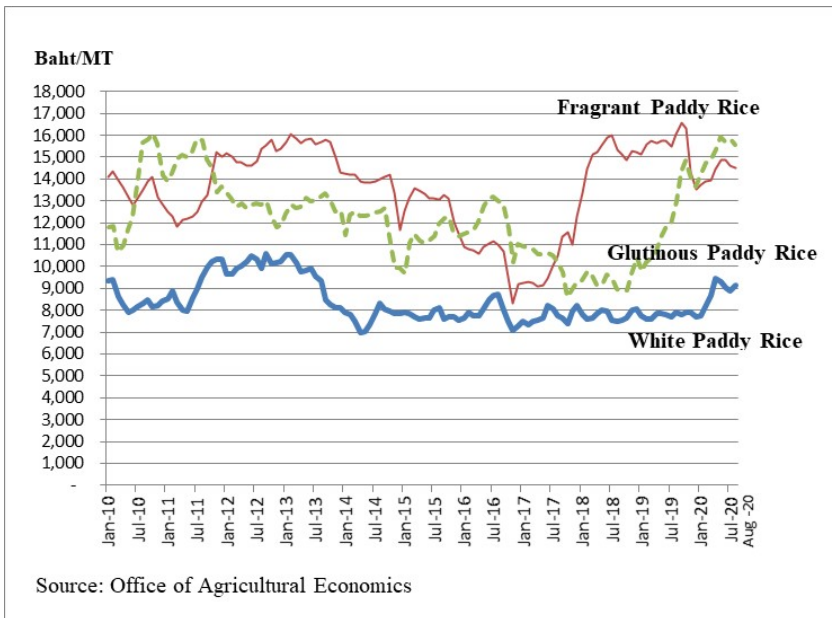


Figure 1.1.3: Normalized Difference Vegetation Index Anomaly in Rice Area in August 2020



Farm-gate prices of glutinous rice is around 15,800 baht per metric ton (U.S. \$510/MT), up 32 percent from the same period last year. Fragrant rice prices, however, declined 6 percent from last year to 14,630 baht per metric ton (U.S. \$472/MT). Farm-gate prices of white paddy rice are around 9,160 baht per metric ton (U.S. \$295/MT), which is an increase of 16 percent from the same period last year (Figure 1.1.4).

Figure 1.1.4: Monthly Farm-gate Price of Paddy Rice by Varieties



MY2019/20 rice production is revised down to 17.7 million metric tons, down 13 percent from MY2018/19 due to lower than expected off-season rice production. MY2019/20 off-season rice production is expected to decline to 2.9 million metric tons. Continued drought in rice producing areas has led to reduced acreage. In addition, the RID restricted irrigation for off-season rice planting since reservoirs remain at critically low levels.

Figure 1.1.5: Estimated Reservoir Levels in the Northern Region and MY2020/21 Off-season Rice Acreage

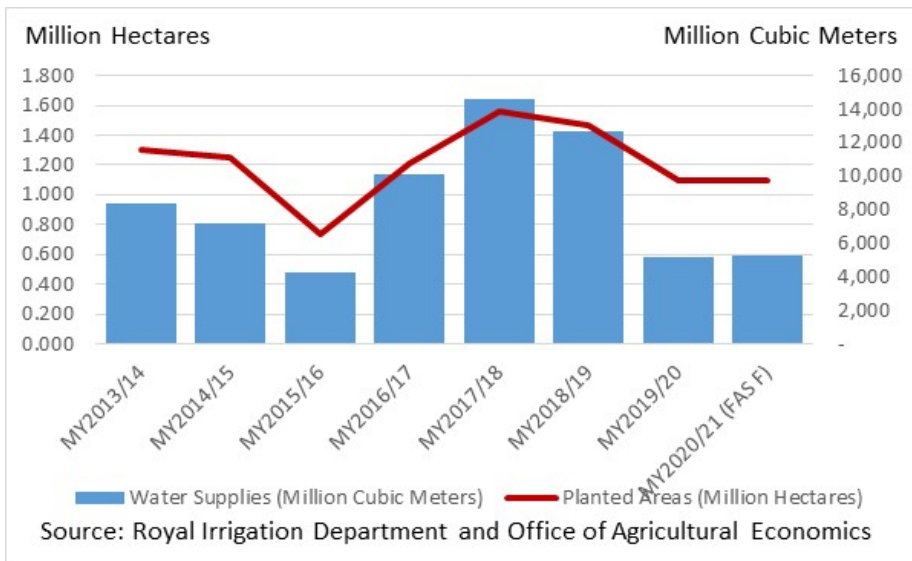
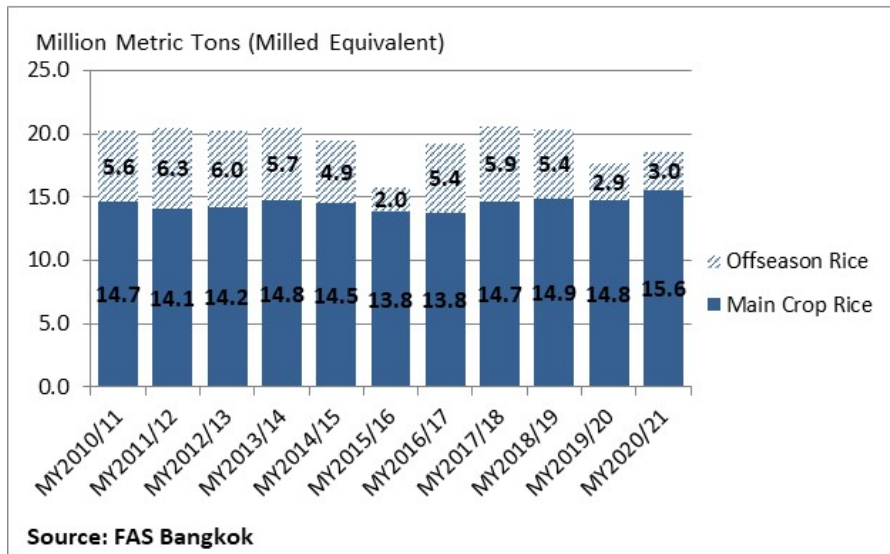
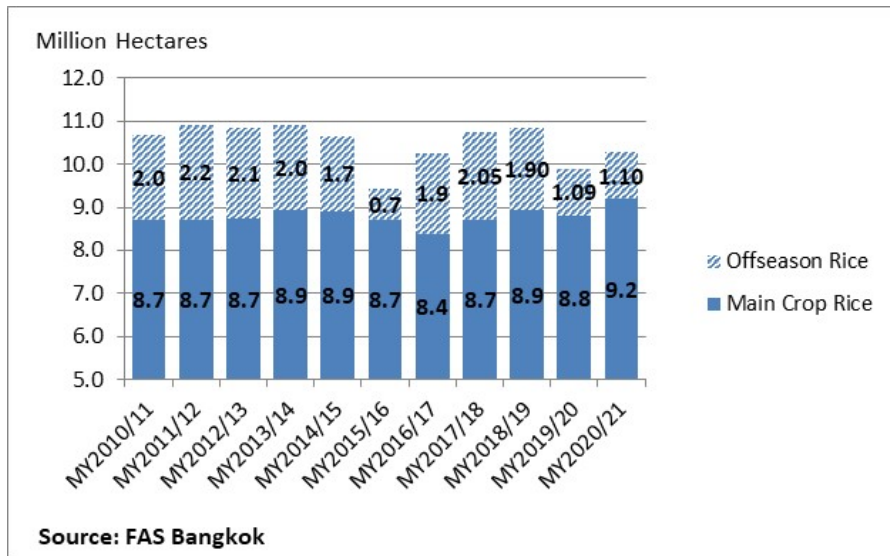


Figure 1.1.6: Thailand’s Annual Rice Acreage and Production



1.2 Trade

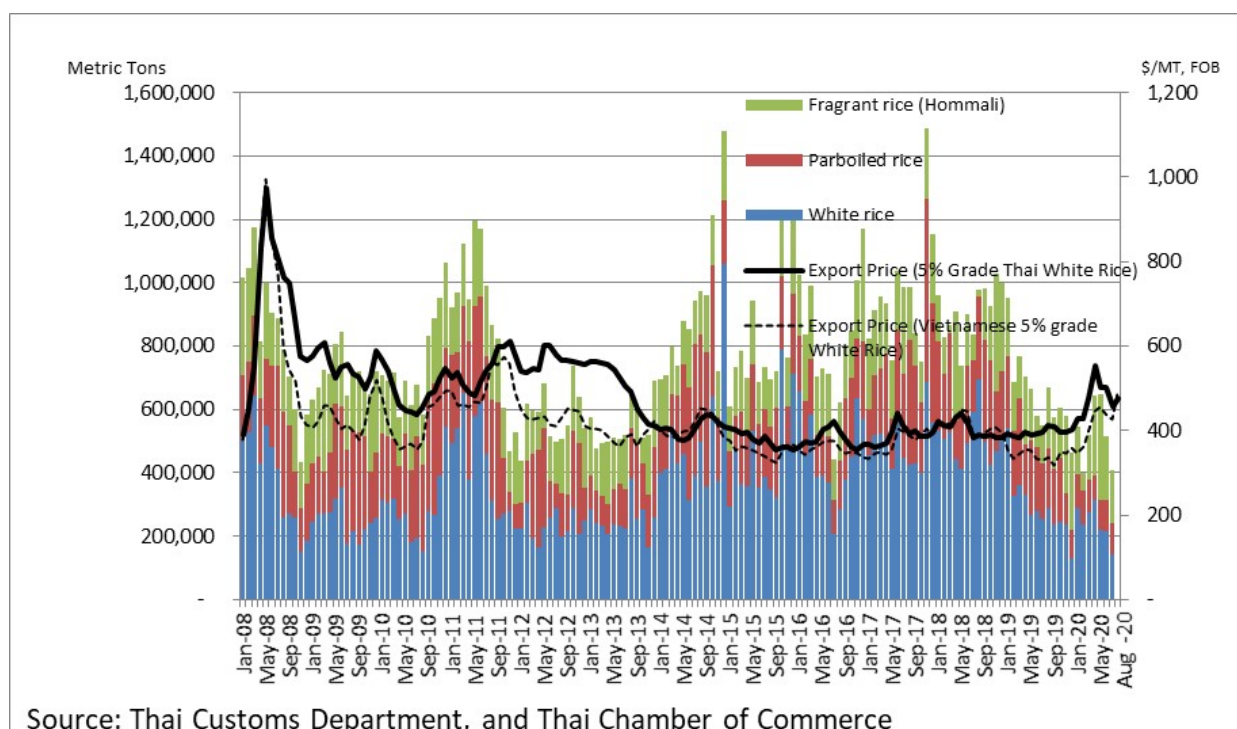
Post revised down the forecast for Thai rice exports in 2020 to 6.5 million metric tons, a 14 percent drop from 2019. An increase in rice exports in the remainder of 2020 will not be able to offset the reduced rice exports between January and June 2020. In the first half of 2020, Thai rice exports totaled 2.9 million metric tons, down 34 percent from the same period last year. White and parboiled rice exports saw the largest drop declining 40-60 percent from the same period last year (Table 1.2.1). Thai white rice export prices in the first half of 2020 were 114 percent higher than prices from the same period last year, making it less competitive in the global market. For example, Thai rice prices averaged U.S. \$70 – 75/MT more than Vietnamese rice in the first half of 2020. In July 2020, Thai rice exports were still low at 409,451 metric tons, due to tighter domestic supplies of new-crop white paddy rice (Figure 1.2.1).

Table 1.2.1: Thai Rice Exports by Varieties

Unit: Metric Tons									
Rice Variety	2015	2016	2017	2018	2019	% change 2019/2018	January- June		
							2019	2020	% change
White Rice	4,994,387	4,819,941	5,082,384	5,892,438	3,211,439	-45.5	1,892,524	1,065,839	-43.7
Parboiled Rice	2,316,900	2,149,597	3,380,167	2,708,477	2,229,466	-17.7	1,340,427	522,051	-61.1
Fragrant Rice	2,111,658	2,497,912	2,694,356	2,102,078	1,924,179	-8.5	980,086	1,164,827	18.8
Glutinous Rice	372,835	438,943	517,425	385,749	215,421	-44.2	144,515	132,822	-8.1
Total	9,795,780	9,906,393	11,674,332	11,088,742	7,580,505	-31.6	4,357,553	2,885,536	-33.8

Source: Ministry of Commerce

Figure 1.2.1: Monthly Thai Rice Exports and Prices



Source: Thai Customs Department, and Thai Chamber of Commerce

1.3: Policy

The guarantee prices for MY2020/21 main paddy rice production (September 1, 2020 – May 31, 2021) remain unchanged from the MY2019/20 price guarantee program (Table 1.3.1). The National Rice Policy and Management Committee set the guarantee prices for MY2020/21 on July 17, 2020. The eligible tonnage granted to rice farmers varies by rice varieties based on the average yield of paddy rice production and individual household’s actual acreage (not more than 40 rai (6.4 hectares) per household). Farmers will directly receive this compensation only when market prices are lower than the guarantee prices between September 15, 2020 and May 31, 2021. Additionally, the committee approved another 56 billion baht (U.S. \$1.8 billion) to subsidize MY2020/21 main crop rice production costs. Farmers will receive a direct payment of 1,000 baht per rai (roughly U.S. \$200 per hectare) for a maximum of 20 rai (3.2 hectares), doubling the direct payment farmers received last year. In

MY2019/20, the price guarantee program (October 15, 2019 – May 31, 2020) reportedly provided total compensation of 19 billion baht (U.S. \$613 million) for farmers participating in the program.

Table 1.3.1: Paddy Rice Guarantee Prices for MY2020/21 Main Rice Crop

Paddy Rice Varieties	Guarantee Price	Eligible Tonnage
	(Baht/Metric Ton)	(Metric Ton)
White Paddy Rice	10,000	30
Fragrant Paddy Rice (Hom Mali)	15,000	14
Pathumthani Fragrant Paddy Rice	11,000	25
Provincial Fragrant Paddy Rice	14,000	16
Glutinous Paddy Rice	12,000	16
Source: Ministry of Commerce		

The committee also agreed to the following domestic support programs to help stabilize paddy rice prices: (1) the Paddy Rice Pledging program for MY2020/21 main paddy rice (19.8 billion baht (U.S. \$639 million)); (2) a Soft Loan Program for Farmer Institutions to purchase paddy rice (15.5 billion baht (U.S. \$500 million)); and (3) Interest Rate Compensation Program for rice millers to hold paddy rice stocks for 2-6 months (610 million baht (U.S. \$20 million)) with the combined target of 7 million tons of paddy rice. Additionally, farmers participating in the pledging program will receive a storage cost subsidy of 1,500 baht per metric ton (U.S. \$50/MT). In MY2019/20, the domestic programs helped stabilize domestic prices of paddy rice by holding around 5.1 million metric tons of paddy rice during harvest peak.

2. Corn

Post kept the forecast for MY2020/21 corn production at 5.6 million metric tons, up 24 percent from MY2019/20. Increased acreage and favorable weather conditions are driving the higher production numbers. Average farm-gate prices of corn between January and August 2020 were around 7.7 bath/kilogram (U.S. \$248/MT). Corn prices declined 3 percent from the same period last year due to the increased production and a surge in duty-free corn imports from neighboring countries under the ASEAN free trade agreement, particularly from Myanmar. Myanmar corn is approximately 30 percent cheaper than locally produced corn.

The downward pressure on domestic corn prices prompted the cabinet to approve a budget of 1.9 billion baht (U.S. \$61.7 million) for the price guarantee program for MY2020/21 corn production (June 1, 2020 – May 31, 2021) on August 18, 2020. The guarantee prices were set at 8.50 baht/kilogram (U.S. \$274/M) for a maximum of 30 rai per household (4.8 hectares). The cabinet also approved the following additional domestic support programs for MY2020/21 corn production: (1) a Soft Loan Program for Farmer Institutions to purchase corn (45 million baht (U.S. \$1.5 million)) between

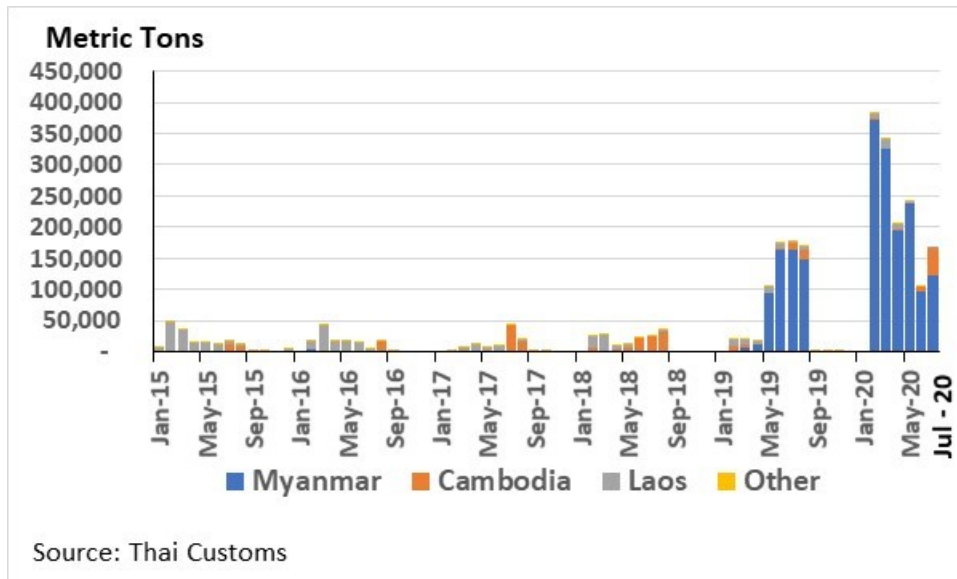
September 1, 2020 and June 30, 2022; and (2) Interest Rate Compensation Program for corn traders to hold corn stocks for 2-6 months (15 million baht (U.S. \$0.5 million)). Additionally, the government still maintains the domestic absorption program for corn that requires local feed mills to purchase three tons of locally produced corn prior to importing one metric ton of feed wheat.

Figure 2.1: Monthly Farm-gate Prices of Corn



Post lowered the MY2020/21 corn imports forecast to 800 thousand metric tons. MY2020/21 corn imports are expected to decline significantly in anticipation of a recovery in MY2020/21 corn production. Additionally, traders expect shrinking Myanmar corn exportable supplies to Thailand in anticipation of strong import demand from China in 2021, following an economic recovery after the COVID-19 outbreak. MY2019/20 corn imports are revised up to 1.6 million metric tons, up significantly from MY2018/19. MY2019/20 experienced a shortfall of locally produced corn due to drought and an infestation of fall armyworm.

Figure 2.2: Thailand's Monthly Imports of Corn



There is still a high demand for alternative feed grains since domestic corn production and corn imports are insufficient to meet the demand for feed ingredients. Imports of alternative feed grains/ingredients totaled approximately 3 million metric tons over the past five years, accounting for around 15 percent of total feed demand (Figure 2.3 and 2.4). The surge in imports of alternative feed grains/ingredients prompted the government to restrict the imports to protect local corn farmers. The Ministry of Commerce's Department of Internal Trade has listed feed wheat, barley, and dried distiller grains with solubles (DDGS) in the List of Controlled Commodities and Services that allows the government to restrict the imports of these feed grains/ingredients if the imports are adversely affecting domestic corn prices (Please see: [TH2020-0095: DDGS Listed on the Controlled Commodities, July 14, 2020](#)). The MOC, however, is currently only restricting the import of feed wheat, while barley and DDGS are being monitored.

Figure 2.3: Domestic Corn Production and Import Demand for Alternative Feed Grains and Ingredients

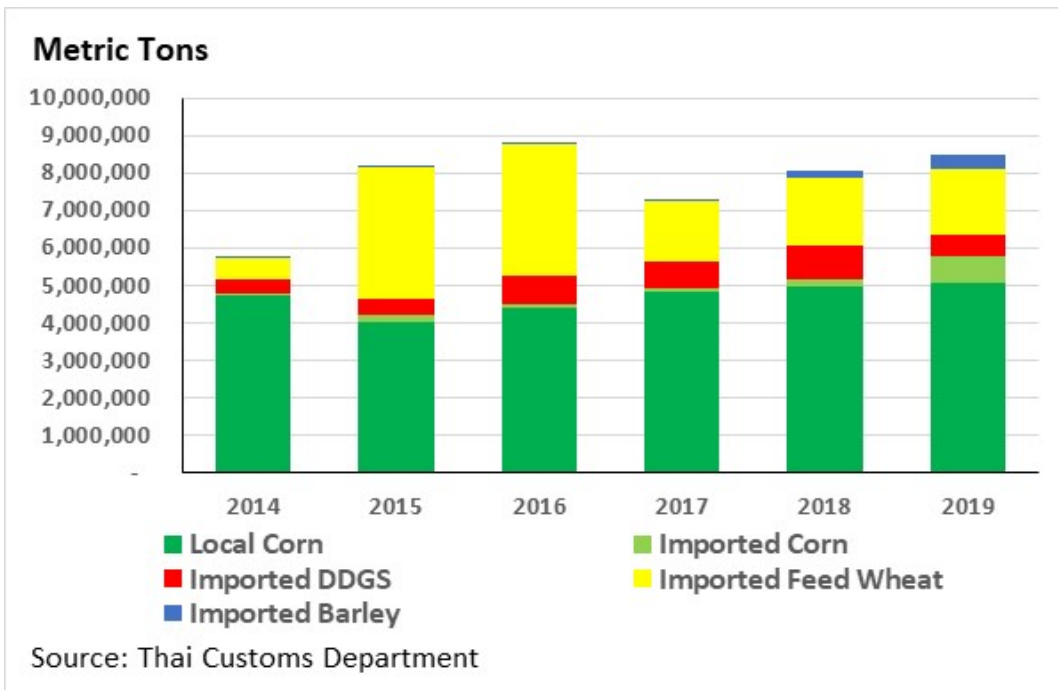
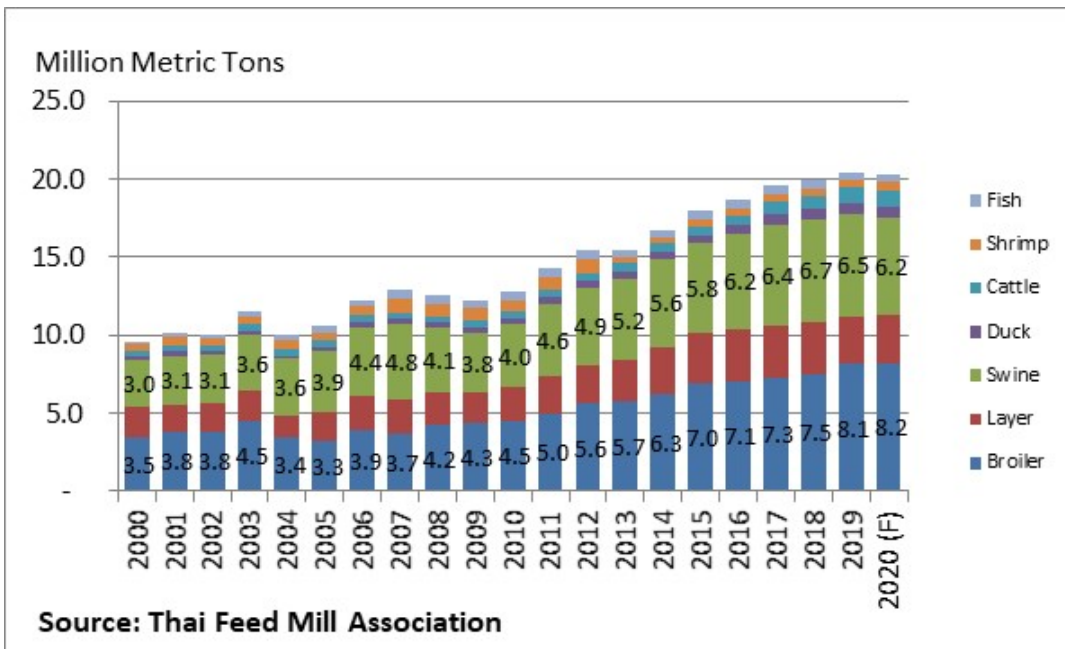


Figure 2.4: Thailand's Feed Demand



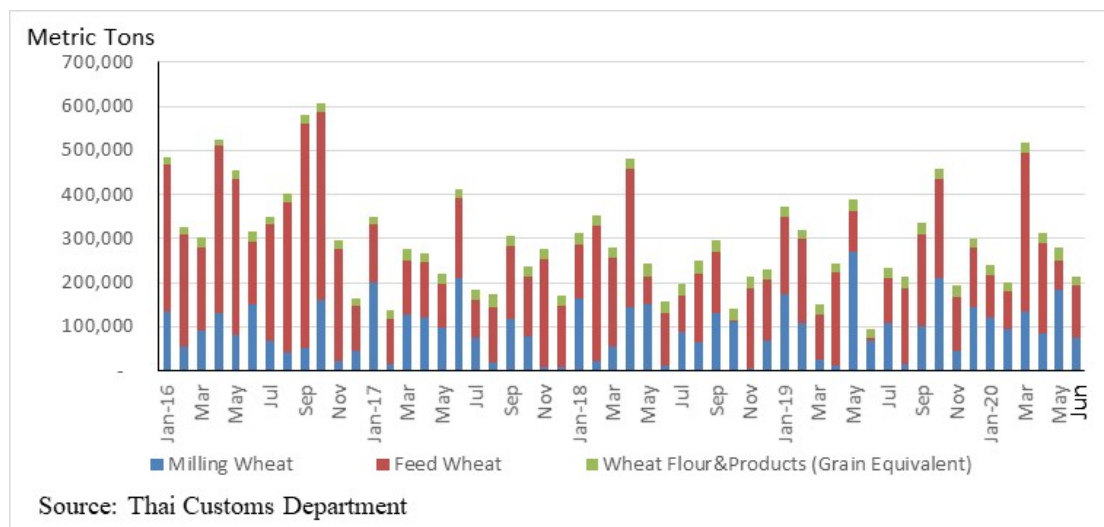
MY2020/21 corn consumption is expected to further increase 4 percent in line with a gradual recovery in export demand for chicken meat and swine after the COVID-19 outbreak is under control. MY2019/20 corn consumption is revised up to 6.1 million metric tons, up 3 percent from MY2018/19. The increase in corn consumption is due to better-than-expected poultry and swine feed demand. The growth of chicken meat and swine exports have more than offset the reduction of domestic consumption caused by the outbreak of COVID-19.

3. Wheat

MY2020/21 wheat imports are expected to decline to 3 million metric tons, down 14 percent from MY2019/20. Milling wheat imports are expected to decline to 1.2 million metric tons, down 9 percent from MY2019/20. Domestic consumption of wheat-based food is unlikely to recover in MY2020/21 due to an economic recession in 2020 caused by the COVID-19 outbreak. The Bank of Thailand expects a negative economic growth of 9 percent in the second half of 2020 after a 7 percent contraction in the first half of 2020. The main drivers of the economic recession are a reduced number of tourists and fewer exports. The hotel and restaurant sectors have been hit hard by the COVID-19 outbreak. The total number of tourists is expected to decline significantly to 8 million tourists in 2020 from 39.8 million tourist in 2019. The Thai economy is expected to experience a record economic decline of 8.1 percent in 2020, compared to the Asian Financial Crisis over two decades ago that caused the economy to contract by 7.6 percent in 1998. The government, however, expects a slow economic recovery at 5 percent in 2021.

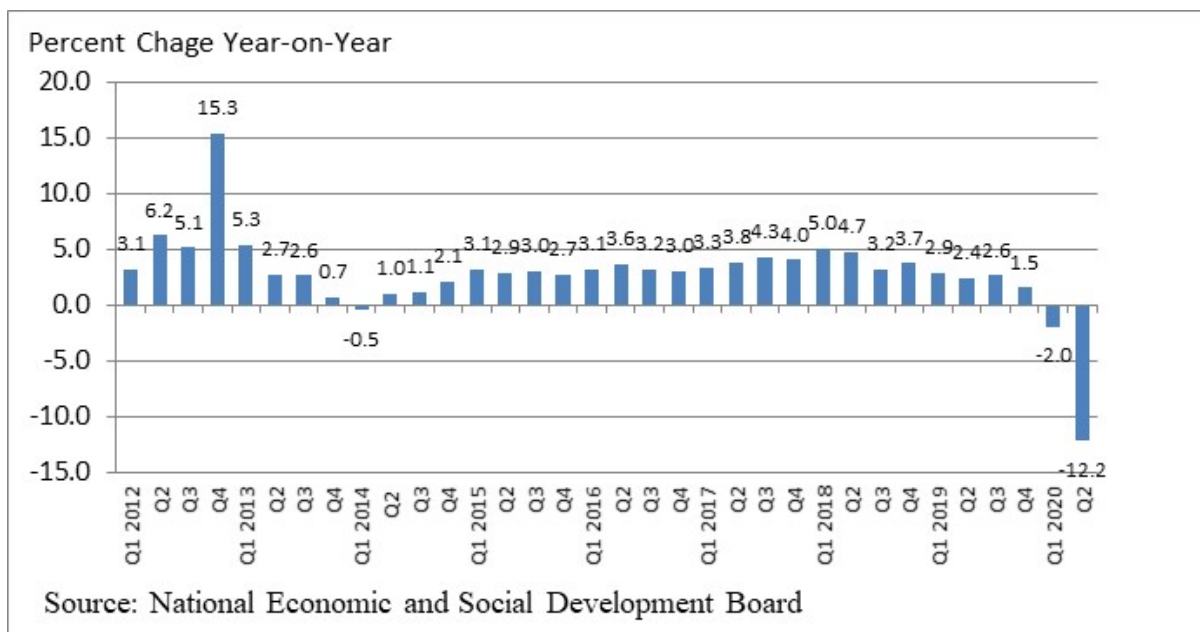
Flour mills still carry high inventories of wheat grain imported in MY2019/20 following the uncertainties in the government’s import regulations pertaining to paraquat and chlorpyrifos residues on imported agricultural products. Feed wheat imports are expected to decline to 1.5 million metric tons in MY2020/21, a 19 percent reduction from MY2019/20. The recovery of domestic corn production from the previous year’s record low is expected to reduce the demand for feed wheat.

Table 3.1: Thailand’s Monthly Wheat Imports



MY2019/20 wheat imports totaled 3.5 million metric tons, up 21 percent from MY2018/19. Milling wheat imports totaled 1.3 million metric tons, up 17 percent. Milling wheat imports increased significantly in MY2019/20 as flour mills built up their wheat grain inventories despite an anticipated decrease in wheat consumption in due to the COVID-19 outbreak. Flour mills started building their stocks of wheat due to uncertainty about the government’s plans to ban the agricultural pesticides glyphosate, paraquat, and chlorpyrifos in 2019. The importation of U.S. wheat increased 18 percent to around 0.8 million metric tons in MY2019/20. The Thai government reversed its proposal to ban glyphosate but banned the domestic use of paraquat and chlorpyrifos on June 1, 2020. Wheat flour imports, however, declined to 0.3 million metric tons, down 3 percent from MY2018/19. Meanwhile, feed wheat imports totaled 1.9 million metric tons, up 28 percent driven by the shortage of MY2019/20 corn production for poultry feed and tight supplies of broken white rice for swine feed production.

Figure 3.2: Thailand’s Quarterly GDP



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	9890	10800	10285
Beginning Stocks (1000 MT)	3009	3009	4537	4469	4487	4674
Milled Production (1000 MT)	20340	20340	18000	17655	20000	18570
Rough Production (1000 MT)	30818	30818	27273	26750	30303	28136
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	22374	24687	23444
MY Exports (1000 MT)	7562	7580	6500	6500	8500	8000
TY Exports (1000 MT)	7562	7580	6500	6500	8500	8000
Consumption and Residual (1000 MT)	11500	11500	11800	11200	11800	11800
Ending Stocks (1000 MT)	4537	4469	4487	4674	4387	3644
Total Distribution (1000 MT)	23599	23549	22787	22374	24687	23444
Yield (Rough) (MT/HA)	2.8456	2.8456	2.7396	2.7048	2.8058	2.7356
(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	1.090	10.370	9.370	1.110	10.480
Harvest	8.940	1.890	10.830	8.805	1.085	9.890	9.185	1.100	10.285
Production									
(Million Tons)									
Rough	22.608	8.210	30.818	22.410	4.340	26.750	23.591	4.545	28.136
Rice	14.920	5.420	20.340	14.790	2.865	17.655	15.570	3.000	18.570
Yield									
(Ton/Hectare)	2.529	4.344	2.846	2.545	4.000	2.705	2.568	4.132	2.736

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	1230	1,254
Beginning Stocks (1000 MT)	144	144	498	798	698	680
Production (1000 MT)	5625	5625	5200	4480	5400	5610
MY Imports (1000 MT)	900	1200	1630	1630	1100	800
TY Imports (1000 MT)	1100	1200	1700	1630	1100	800
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	6669	6969	7328	6908	7198	7090
MY Exports (1000 MT)	171	171	30	28	100	30
TY Exports (1000 MT)	111	171	25	28	100	30
Feed and Residual (1000 MT)	5900	5900	6500	6100	6600	6350
FSI Consumption (1000 MT)	100	100	100	100	100	100
Total Consumption (1000 MT)	6000	6000	6600	6200	6700	6450
Ending Stocks (1000 MT)	498	798	698	680	398	610
Total Distribution (1000 MT)	6669	6969	7328	6908	7198	7090
Yield (MT/HA)	4.3436	4.3403	4.2798	3.6842	4.3902	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	802	990
Production (1000 MT)	0	0	0	0	0	0
MY Imports (1000 MT)	2899	2899	3497	3497	3100	3000
TY Imports (1000 MT)	2899	2899	3497	3497	3100	3000
TY Imp. from U.S. (1000 MT)	719	680	785	805	0	0
Total Supply (1000 MT)	3570	3570	3992	4042	3902	3990
MY Exports (1000 MT)	275	275	290	292	275	290
TY Exports (1000 MT)	275	275	290	292	275	290
Feed and Residual (1000 MT)	1600	1400	1600	1450	1400	1480
FSI Consumption (1000 MT)	1200	1350	1300	1310	1300	1280
Total Consumption (1000 MT)	2800	2750	2900	2760	2700	2760
Ending Stocks (1000 MT)	495	545	802	990	927	940
Total Distribution (1000 MT)	3570	3570	3992	4042	3902	3990
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