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## Thailand

### Grain and Feed Update

### MY2010/11 Rice and Corn Main-Crops Back on Track

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**Report Highlights:**

TH0128 Monsoon rains have normalized and have resulted in an improved outlook for MY2010/11 main-crop season of rice and corn. MY2010/11 main-crop rice production will likely remain slightly higher than the previous year. However, MY2010/11 off-season rice production is revised downward in anticipation of water shortages. MY2010/11 corn cultivation is well underway but production is expected to remain lower than the previous year due to acreage reduction.

**Post:**  
Bangkok

### **Improved weather conditions for main-crop rice and corn cultivation**

After drought concerns at the beginning of the rainy season in May - June 2010, monsoon rains are now

on track. This monsoon season has had three tropical depressions in Thailand, downgraded from tropical cyclones or typhoons (Conson, Chanthu, and Mindulle) in the South China Sea, which have provided the necessary rainfall for adequate crop production. It's expected that the number of tropical cyclones will likely be above the average of 3-4 cyclones/year driven by La Niña phenomenon. An official study on Vietnam indicated that the number of typhoons approaching the coast of Vietnam were twice the average during La Niña years, as during El Niño years in the months of October - November. Although this portends as good news, however it is highly likely that water availability for MY2010/11 off-season crops will likely remain limited regardless of the possible increase in the number of typhoons in October - November as the bulk of the heavy rains tend to fall in the central plain region, which is located downstream from the major reservoirs. Presently, water in these reservoirs is still 25 percent below the previous year's record-low levels which will result in a significant reduction in average yield by 20-30 percent, particularly for late off-season crop.

Figure 1: Monsoon Pattern in Thailand  
Based on the Thai Meteorological Department



Although these tropical depressions have improved the MY2010/11 main-crop outlook for rice and corn cultivation, at the beginning of the monsoon season the government encouraged farmers to delay their cultivation as rainfall was 20 percent below normal in the major growing areas which will result in prolonged harvests.

### **MY2010/11 rice cultivation back on track with exports revised downwards**

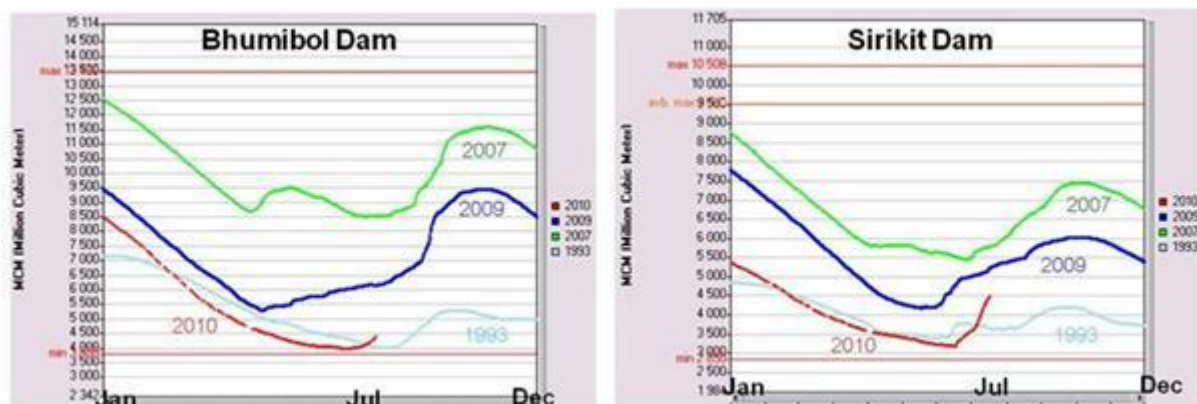
The latest analysis on the MY2009/10 off-season rice production has been revised down slightly from 8.25 million tons to 8.20 million tons of paddy (5.4 million tons milled equivalent), down 2.6 percent from the previous year, due to lower-than-expected average yield of the off-season crops caused by water shortage and damage from brown plant hoppers. The last harvests were finalized in late August. MY2010/11 main-crop rice production is forecasted at 22.9 million tons of paddy (15.1 million tons milled equivalent), unchanged from the previous forecast (Please see TH0053, Gain and Feed Annual

2010, March 22, 2010) and up slightly by 1.4 percent from the previous year, due to current favorable weather conditions as monsoon rains are above normal and better distributed driven by La Niña phenomenon. Around 90 percent of the main-crop has been cultivated.

Table: Thailand's Paddy Area, Production, and Yield									
	2008/09			2009/10			2010/11		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area (million hectare)									
Cultivation	9,258	1,984	11,240	9,285	2,011	11,278	9,258	2,027	11,283
Harvest	8,818	1,982	10,800	8,993	1,947	10,940	9,087	1,963	11,030
Production (million tons)									
Rough	21,881	8,415	30,078	22,497	8,200	30,897	22,900	8,009	30,909
Rice	14,298	5,554	19,850	14,848	5,412	20,260	15,114	5,288	20,400
Yield (ton/hectare)	2.340	4.241	2.878	2.428	4.078	2.722	2.474	3.951	2.739
Source: FAS Estimate									

MY2010/11 off-season rice production has been revised down from 8.3 million tons of paddy in the previous forecast to 8.0 million tons (5.3 million tons milled equivalent) in anticipation of water shortages in the major reservoirs. However, planted areas of MY2010/11 off-season crop are expected to remain as high as the MY2009/10 off-season crop as the continuity of the government's price insurance scheme allows farmers to engage in riskier behavior.

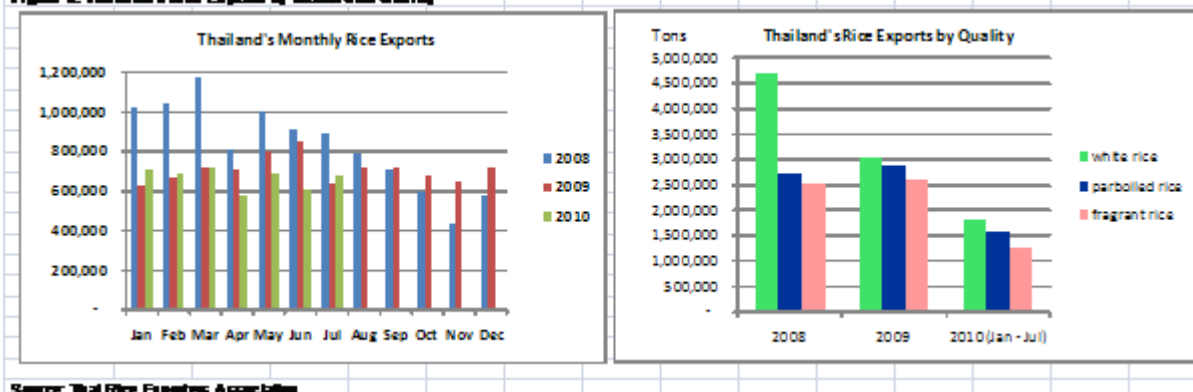
Figure 2: Waters in Major Dams in the Northern Region



Source: Bank of Thailand, Northern Branch

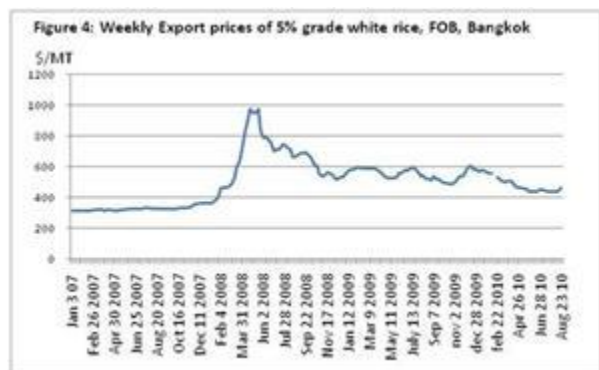
Rice exports will likely increase their pace for the remainder of 2010 driven by the government's stock release and an increasingly stronger foreign demand. However, total rice exports in 2010 are revised down from 10.0 million tons in the previous forecast to 8.5 - 9.0 million tons due to a sharp reduction in rice exports during January – August which declined by approximately 9.0 percent from the previous year, caused by a reduction in white rice exports.

Figure 3: Thailand's Rice Exports by Month and Quality



Presently, the government is finalizing its stock release of 3.0 million tons out of total intervention stocks of a record 5-6 million tons. The release is controversial as no public tender was issued and only large exporters with outstanding orders were eligible to participate in the selective tender. Under the terms of the tender, exporters are required to export within four months, as compared to within six months in normal tenders, in order to ameliorate any negative impacts on domestic prices, particularly for new supplies of MY2010/11 main crop which will be coming out in November 2010.

The stock release is expected to slow down the current upward price pressure from an increasing foreign demand and the strengthening Thai baht, which is trading at a two-year high of 31.3 baht/\$.



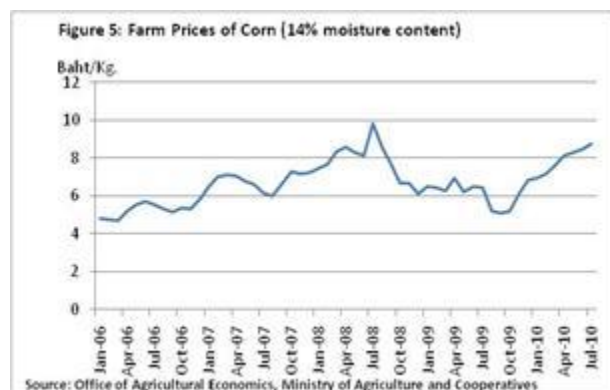
Presently, Thai white rice export prices are under upward pressure due to tight exportable supplies of white rice as millers are securing paddy for parboiled rice production to fulfill high-seasonal months of parboiled rice shipments to African countries during August-September. African demand for Thai parboiled rice remains strong this year as India still imposes an export ban on its non-basmati rice exports. In addition, Thai white rice prices are becoming more attractive as Vietnamese white rice prices are converging with Thai

prices from a \$100/MT difference at the beginning of the year to a current \$20-30/MT difference. This price differential should help boost Thai rice exports throughout the remainder of the year. MY2009 - 2010 rice ending stocks are expected to remain high in anticipation to a good main-crop production and the revised reduction in exports.

### Corn cultivation improving but yet to make a full recovery

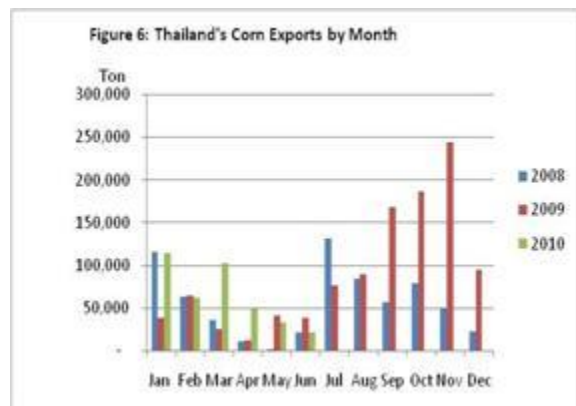
MY2010/11 corn cultivation is well underway as monsoon rains have resumed. Several cultivated areas have been replanted due to the low germination rates from the rain delays at the beginning of the season. Meanwhile, some areas, particularly in the upper central plain, have shifted to sugarcane production. MY2010/11 corn production is expected to remain lower than the previous year as the

acreage expansion in the north will likely be offset by a reduction in planted areas in the central plain which declined by 5-10 percent.



Despite a significant increase in imports of corn from Cambodia and feed wheat in June - July 2010 to meet feed demand, corn prices remain high at 8-9 baht/kg as feed wheat imports have soured due to a surge in prices by 30 percent in July driven by supply concerns due to Russia's adverse conditions. The re-plantation will cause a delay in crop harvest until November 2010 – February 2011, as compared to typical harvest season in July – October 2010, which will put more upward pressure on domestic corn prices in the

interim.



MY 2009/10 corn exports are revised down from a record 1.4 million tons to 1.2 million tons as Thai corn prices have become relatively higher at \$230-250/MT (FOB) than those of competitors from South American countries, particularly from Argentina and Brazil which were quoted at \$220-230/MT (C&F to Southeast Asian region) during the end of MY2009/10.

MY 2010/11 corn exports will likely remain unchanged from the previous forecast in anticipation of limited exportable supplies. In addition, high domestic corn

prices will make Thai corn unattractive as compared to corn from South American countries.

## Appendix Table

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

Rice, Milled Thailand	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Harvested	10,80 0	10,80 0	10,80 0	10,94 0	10,94 0	10,94 0	11,00 0	11,03 0	11,03 0
Beginning Stocks	2,707	2,707	2,707	4,787	4,787	4,787	6,287	5,787	6,647
Milled Production	19,85 0	19,85 0	19,85 0	20,30 0	20,30 0	20,26 0	20,60 0	20,60 0	20,40 0
Rough Production	30,07	30,07	30,07	30,75	30,75	30,69	31,21	31,21	30,90

	6	6	6	8	8	7	2	2	9
Milling Rate (.9999)	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600
MY Imports	300	300	300	300	300	300	350	350	350
TY Imports	300	300	300	300	300	300	350	350	350
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	22,857	22,857	22,857	25,387	25,387	25,347	27,237	26,737	27,397
MY Exports	8,570	8,570	8,570	9,500	10,000	9,000	10,000	10,000	10,000
TY Exports	8,570	8,570	8,570	9,500	10,000	9,000	10,000	10,000	10,000
Consumption and Residual	9,500	9,500	9,500	9,600	9,600	9,700	9,800	9,700	9,900
Ending Stocks	4,787	4,787	4,787	6,287	5,787	6,647	7,437	7,037	7,497
Total Distribution	22,857	22,857	22,857	25,387	25,387	25,347	27,237	26,737	27,397
Yield (Rough)	3.	3.	2.7848	3.	3.	2.8059	3.	3.	2.8023

**Table 2: Thailand's Corn Production, Supply and Demand**

Corn Thailand	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			Market Year Begin: Jul 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Harvested	1,070	1,070	1,070	1,000	1,000	1,000	970	970	970
Beginning Stocks	98	98	98	1,051	1,052	1,052	551	452	607
Production	4,500	4,500	4,500	4,100	4,100	4,100	3,900	3,900	3,900
MY Imports	900	900	900	500	600	600	700	700	700
TY Imports	900	900	900	500	600	600	700	700	700
TY Imp. from U.S.	2	0	0	0	0	0	0	0	0
Total Supply	5,498	5,498	5,498	5,651	5,752	5,752	5,151	5,052	5,207
MY Exports	647	646	646	1,200	1,400	1,245	700	700	700
TY Exports	786	709	709	1,000	1,450	1,245	700	700	700
Feed and Residual	3,700	3,700	3,700	3,800	3,800	3,800	4,000	3,950	4,000
FSI Consumption	100	100	100	100	100	100	100	100	100
Total Consumption	3,800	3,800	3,800	3,900	3,900	3,900	4,100	4,050	4,100
Ending Stocks	1,051	1,052	1,052	551	452	607	351	302	407
Total Distribution	5,498	5,498	5,498	5,651	5,752	5,752	5,151	5,052	5,207
Yield	4.	4.	4.2056	4.	4.	4.1	4.	4.	4.0206

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