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Report Name: Grain and Feed Update

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Post: Bangkok

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Report Highlights:

Post expects MY2022/23 rice production to recover from MY2021/22 due to available water supply and abundant precipitation. MY2021/22 and MY2022/23 feed wheat imports could benefit from the temporary removal of restrictive import measures from May 10 to July 31, 2022.

Executive summary

FAS Bangkok (Post) forecasts marketing year (MY) 2022/23 rice production to remain unchanged at 20 million metric tons (MMT). The expected La Niña phenomenon in 2022 will yield abundant precipitation and sufficient water supply for rice farmers. The Thai government renewed the main-crop rice and corn insurance program for 2022, covering 28.5 million rai (4.56 million hectares) for rice and 2.1 million rai (0.34 million hectares) for corn. Post's forecast for rice exports in 2022 remains at 8.0 MMT, up 31 percent from 6.1 MMT in 2021. The weakening of the Thai baht has made Thai rice export prices attractive and competitive.

Post's forecast for MY2021/22 corn imports remains unchanged at 1.5 MMT, down 22 percent from MY2020/21. Local feed mills are likely to use locally produced corn and broken rice for feed production.

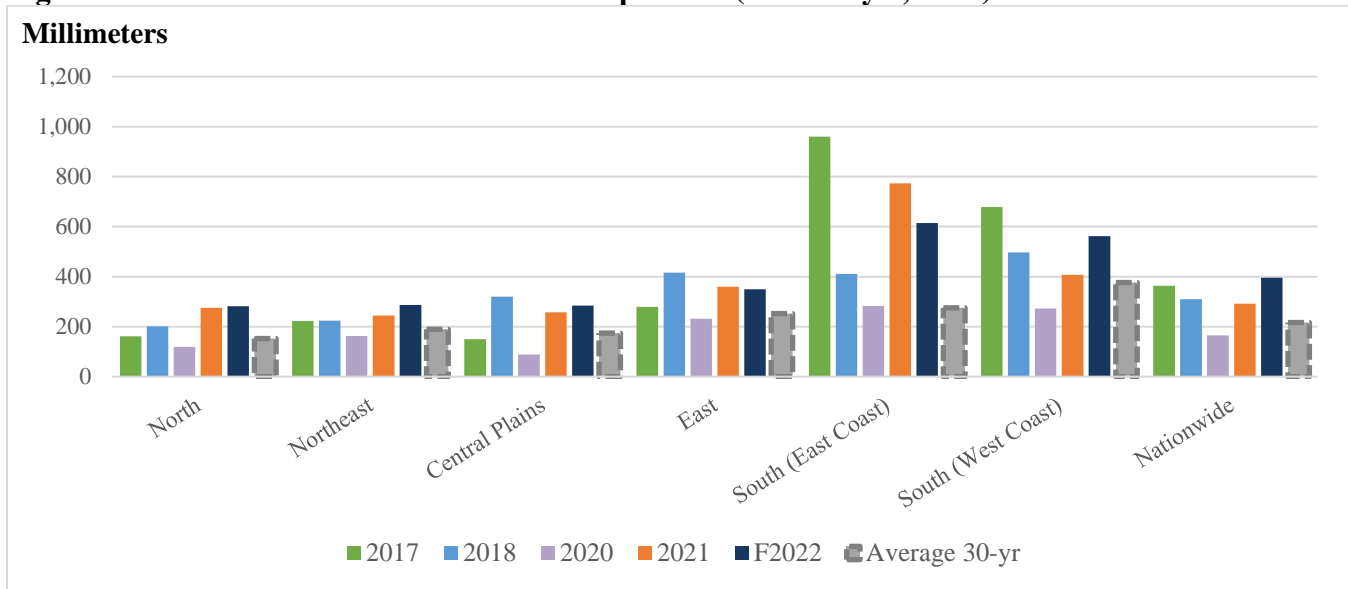
Post revised down MY2022/23 wheat imports to 2.7 MMT as milling wheat demand has decreased more than growing demand for feed wheat. Despite the reduction, MY2022/23 wheat imports are still 8 percent higher than MY2021/22. The Thai cabinet temporarily removed an import restriction on feed wheat from May 10 to July 31, 2022. Post revised down MY2021/22 wheat imports to 2.5 MMT, down 24 percent from MY2020/21 as livestock feed production and wheat-based food demand slowed down during the first quarter of 2022.

1. Rice

1.1 Production

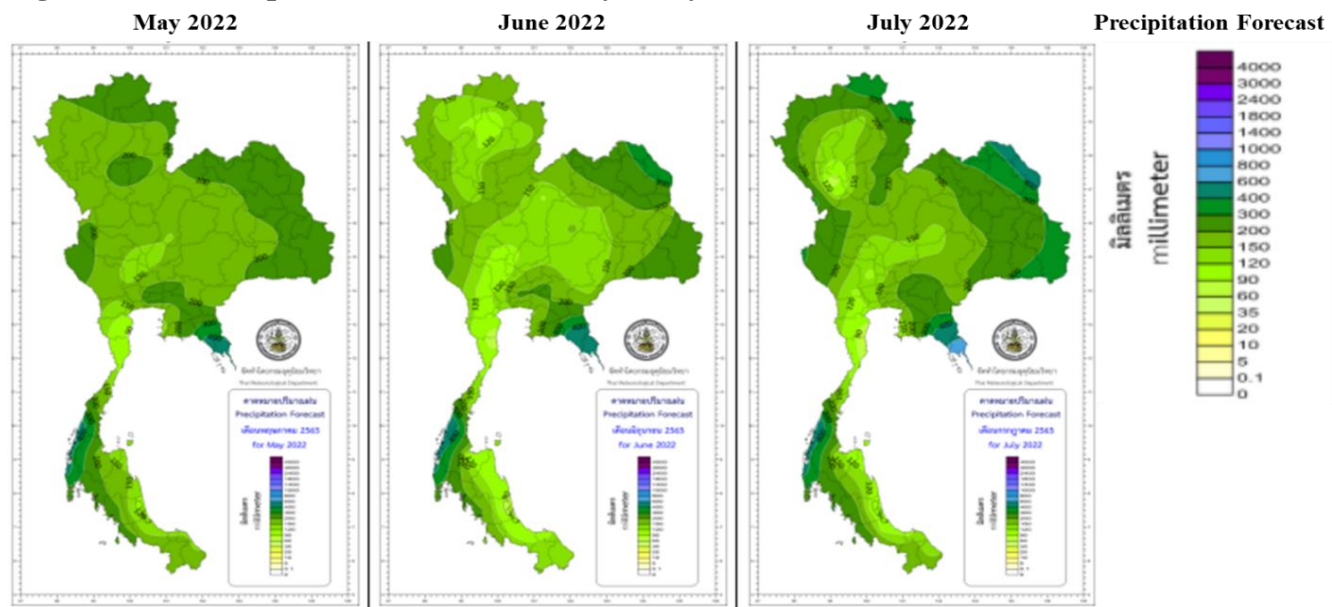
Post's forecast for MY2022/23 rice production remains unchanged at 20 MMT. Anticipated above normal precipitation from La Niña in 2022 will help increase rice production two percent over MY2021/22. The MY2022/23 main-season crop rice planting started on April 6, 2022, in the flood-prone area of Bang Rakam district of Phitsanulok, which covers 265,000 rai (42,400 hectares). Farmers started planting in the Bang Rakam district early since the government uses the area as a swamp dredging area between July and August as part of the government water management plan. The Thai Meteorological Department (TMD) expects that precipitation in 2022 will be 3 percent above normal throughout the year and 10 percent above normal for the month of May when farmers normally begin to prepare the land for MY2022/23 main-crop rice planting (Figure 1.1.1 and Figure 1.1.2).

Figure 1.1.1: Thailand's Accumulative Precipitation (as of May 8, 2022)



Source: Thai Meteorological Department, Ministry of Digital Economy and Society

Figure 1.1.2: Precipitation Forecast for May - July 2022



Source: Thai Meteorological Department, Ministry of Digital Economy and Society

The Ministry of Agriculture and Cooperatives reported that MY2021/22 off-season rice acreage totaled 11.34 million rai (1.81 million hectares) as of May 4, 2022, up more than 37 percent from the same period last year. Planting acreage in both irrigated and non-irrigated areas showed an increase in MY2021/22 off-season rice due to available water supplies and above normal precipitation following La Niña throughout the second half of 2021 (Table 1.1.1). There were reports of thunderstorms striking off-season rice fields in some southern provinces and an abnormally cold spell covering most of northern Thailand in early April that affected the quality and moisture content of the MY2021/22 off-season crop (November 2021 to April 2022). As of April 30, 2022, the Royal Irrigation Department (RID) reported

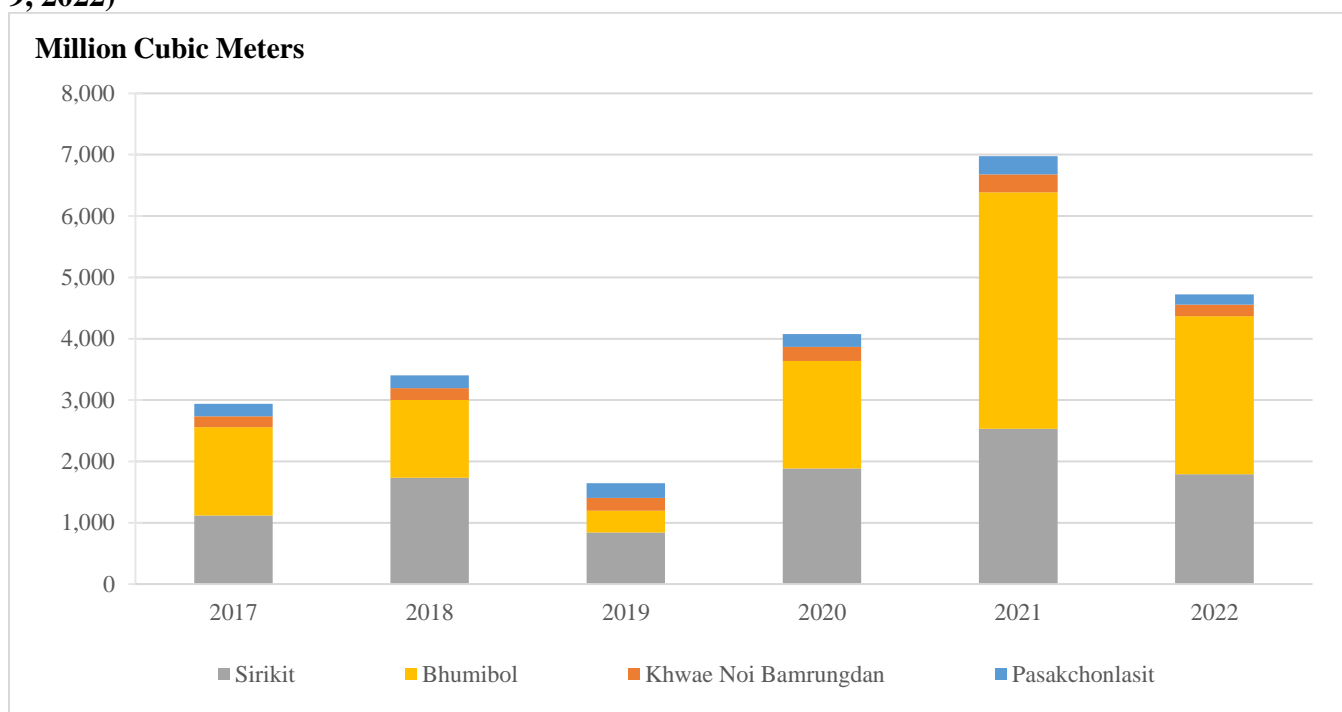
water supplies in large, medium, and small-size dams totaled 20,068 million cubic meter or 38 percent of the total capacity (Figure 1.1.3). More than 55 percent of irrigated off-season rice acreage is located in the Chao Phraya River basin.

Table 1.1.1: Off-Season Rice Planting Area and Progress

Unit: Million Hectares	MY2019/20	MY2020/21	MY2021/22			
			Government Target	Planting Progress		
				As of May 5, 2021	As of May 4, 2022	% Change
Irrigated Areas	0.682	0.912	1.026	0.888	1.309	47.4
Non-Irrigated Areas	0.389	0.442	0.418	0.440	0.506	14.9
Total Planted Areas	1.070	1.354	1.443	1.328	1.814	36.6

Source: Ministry of Agricultural and Cooperatives

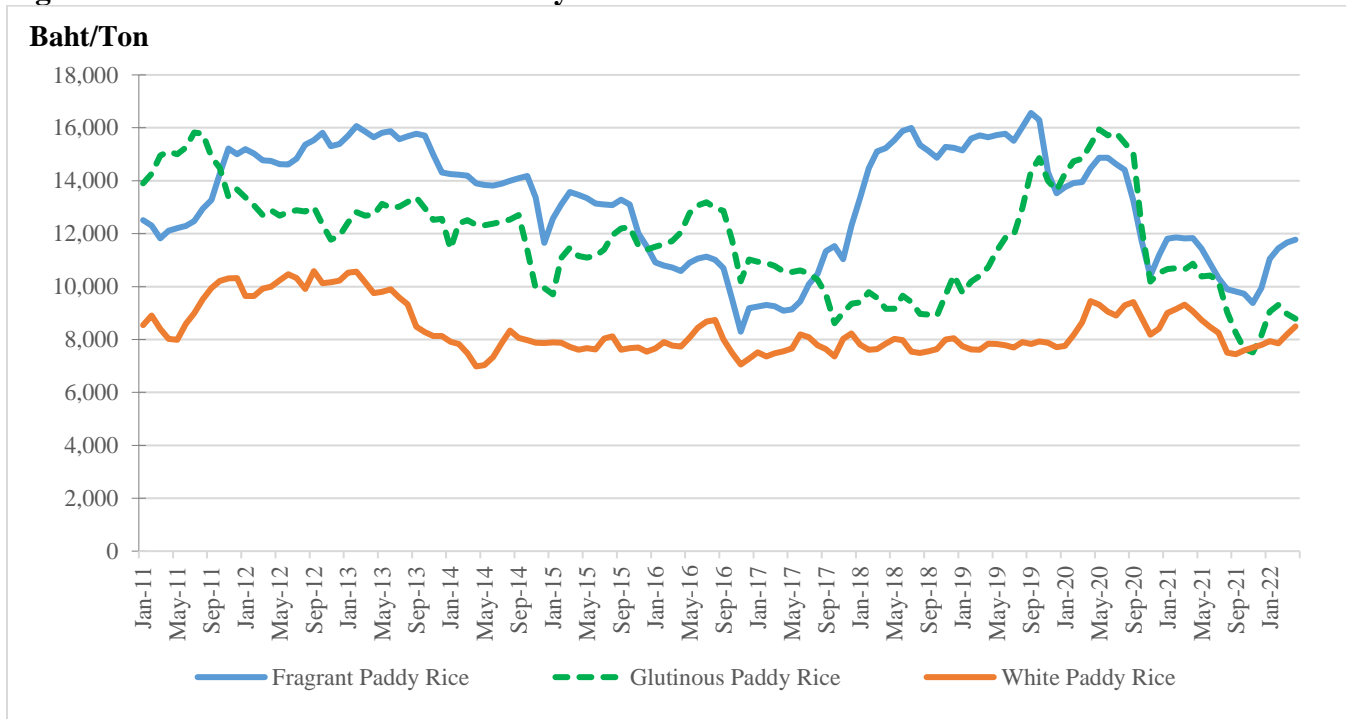
Figure 1.1.3: Water Supply in Major Reservoirs in the Northern and Central Regions (as of May 9, 2022)



Source: Royal Irrigation Department, Ministry of Agriculture and Cooperatives

Average farm-gate prices of paddy rice between January and April 2022 were lower than the same period last year due to the recovery in MY2021/22 rice production to 19.65 MMT, which increased 4 percent from MY2020/21. White and glutinous paddy rice prices fell the most, down 11-13 percent, while fragrant rice fell 3 percent (Figure 1.1.4). Domestic prices of paddy rice remained under downward pressure as MY2021/22 supplies of off-season rice entered the market.

Figure 1.1.4: Farm-Gate Prices of Paddy Rice



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

1.2 Trade

Post forecasts Thai rice exports to remain unchanged at 8 MMT in 2022, which is 31 percent higher than 2021 due to larger exportable supplies. Traders anticipate increased demand for Thai rice for the remainder of 2022 as current prices for Thai rice are competitive to other exporting countries. During April 2022, Thai white rice export prices were slightly lower than Vietnamese rice (Figure 1.2.1). Exporters predict that Thai rice exports could reach 7.5-8 MMT for 2022 with the expected export amount of 0.7 MMT for April 2022. The weakening Thai baht is also a major contributing factor for attractive Thai rice prices. In addition, the restoration of diplomatic relationship between Thailand and Saudi Arabia and more demand for Thai rice from other Middle Eastern countries has boosted Thai agricultural exports, especially Thai rice. However, container shortages and high fuel prices remain problematic and caused higher freight costs in 2021, which will likely remain high through 2022.

The Thai Customs Department reported rice exports between January and March 2022 at 1.7 MMT, up 49 percent from the same period last year. The increase in exports was due to a surge in white rice exports (Table 1.2.1). Exports of fragrant and parboiled rice declined to 0.54 MMT and 0.22 MMT, respectively, down 7-19 percent from the same period last year. The top ten destinations for Thai rice by volume between January and March 2022 were the United States, South Africa, China, Cameroon, Japan, Benin, Cote d'Ivoire, Hong Kong, Yemen, and Mozambique.

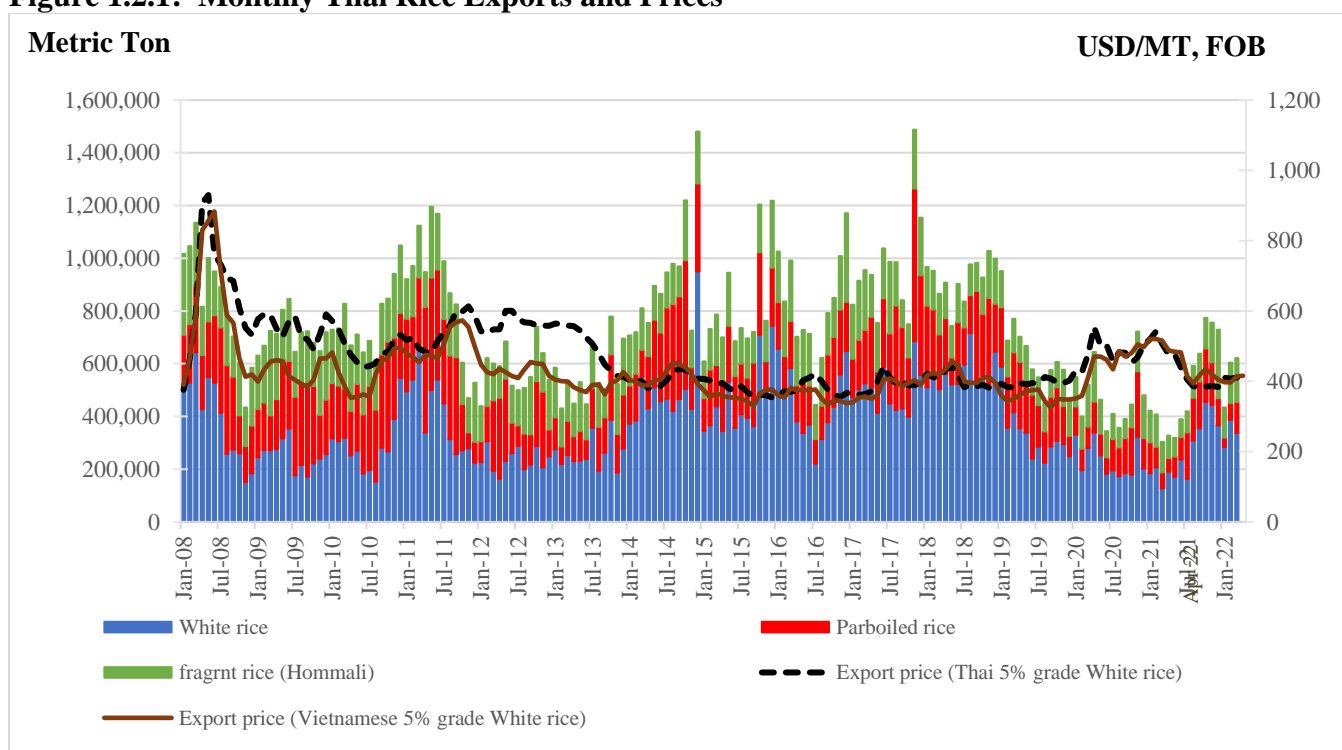
Table 1.2.1: Thai Rice Exports by Varieties

Unit: Metric Ton

Rice Variety	2018	2019	2020	2021	% Change	January - March		% Change
						2021	2022	
White Rice	5,923,320	3,209,715	2,015,246	2,375,807	18.9	338,597	923,359	172.7
Parboiled Rice	2,802,893	2,229,545	1,419,345	1,456,669	0.9	268,176	217,088	-19.1
Fragrant Rice	2,120,073	1,925,746	2,022,879	1,974,016	-2.4	508,654	543,117	-6.8
Glutinous Rice	385,878	215,421	276,568	310,877	12.4	58,128	59,715	2.7
Total	11,232,164	7,580,427	5,734,038	6,117,369	6.1	1,173,556	1,743,280	48.5

Source: Ministry of Commerce

Figure 1.2.1: Monthly Thai Rice Exports and Prices



Source: Thai Customs Department, Ministry of Finance and Thai Chamber of Commerce

1.3 Policy

The Thai cabinet approved the 2022 main crop rice insurance program on May 3, 2022. The program pledges 1,925 million baht (\$56 million) to cover 28.5 million rai (4.56 million hectares) of rice acreage. The insurance program earmarks 28 million rai (4.48 million hectares) for eligible farmers who are customers of the Bank for Agriculture and Agricultural Cooperatives (BAAC). The other 500,000 rai (0.08 million hectares) are for general farmers. The program will cover damage caused by seven types of natural disasters: flooding/heavy rains, drought, storms, cold, hail, fires, and wild elephants (Table 1.3). Farmers have until May 31, 2022, to apply to the main-crop rice insurance program for rice acreages in the northern, central, and northeastern regions.

Table 1.3: 2022 Main Crop Rice Insurance Program Coverages

Program Coverage	Damage Caused by Seven Types of Natural Disasters	Damage Caused by Disease
Basic coverage	1,190 baht/rai	595 baht/rai
Additional coverage	240 baht/rai	120 baht/rai

Source: Bank of Agriculture and Agricultural Cooperatives

2. Corn

Post's forecast for MY2021/22 corn production remains unchanged at 5.3 MMT, down 4 percent reduction from MY2020/21 due to reduced off-season corn acreage. Available water supplies and favorable weather condition encouraged farmers to switch to other crops during the off-season period that have lower maintenance costs and higher returns such as off-season rice, sugar cane, and cassava. Furthermore, the lack of incentives or price support programs for off-season corn planting discouraged farmers from planting corn. Farmers are also facing problems with purchasing agricultural inputs, such as corn seeds and fertilizers. The domestic price for urea fertilizer averaged 28,000 baht/MT (\$838/MT) in March 2022, up more than 140 percent from the same period last year.

The farm-gate price of corn was 9,690 baht/MT (\$290/MT) in April 2022, which is 20 percent higher than the same period last year (Figure 2.1). The farm-gate price of cassava also increased 15 percent from the same period last year. Import prices of feed wheat and alternative ingredients also surged in Thailand in line with world market prices.

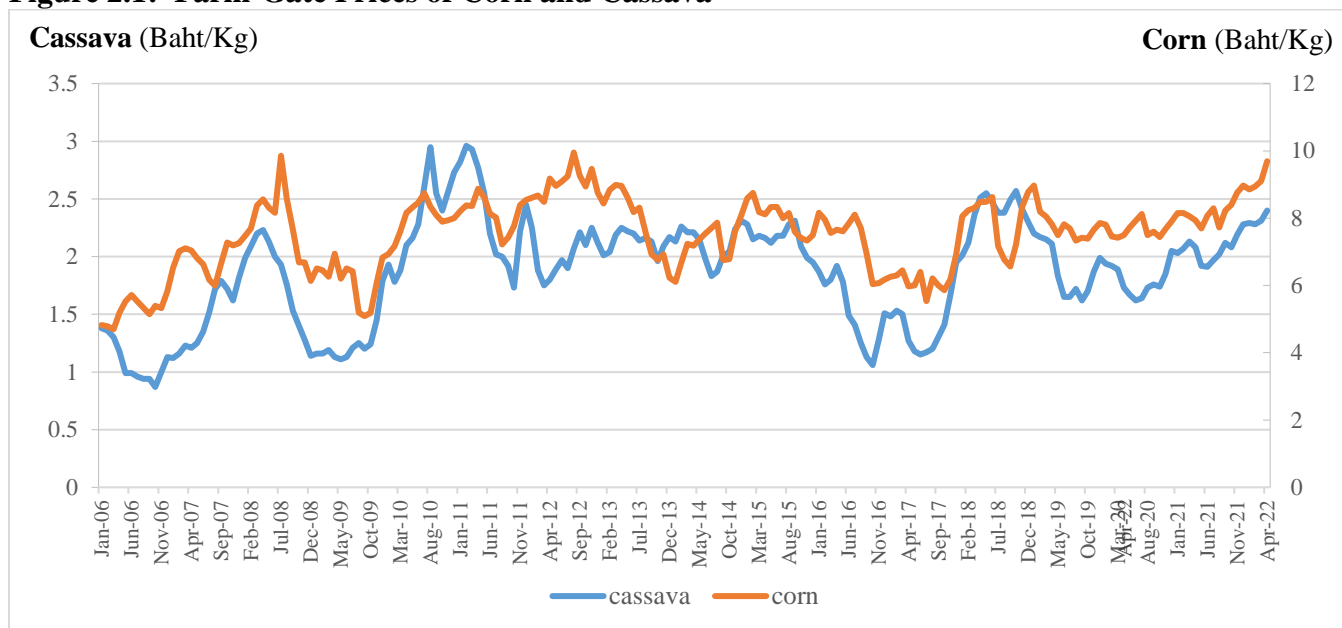
Corn imports totaled 0.91 MMT in the first 9 months of MY2021/22, down 20 percent from the same period last year (Figure 2.2). Around 97 percent of MY2020/21 imported corn came from Burma. Imports of corn from the Association of Southeast Asian Nations (ASEAN) countries are duty free with unlimited quota between February 1 and August 31. Despite facing zero tariffs during this period, several other challenges have resulted in reduced corn imports for Thailand. China's stringent measures to control the spread of COVID-19 included prohibiting Burmese trucks and drivers from entering China. The Chinese government only allowed Chinese trucks and drivers to transport goods across the border, which resulted in higher transportation costs, delays, and damaged agricultural products. Burmese corn exporters are also facing challenges from the new controls on foreign currency, which has slowed down trade activity across the border. Imports of barley also decreased significantly in MY2021/22 to 0.15 MMT, down 78 percent from the same period last year. Thailand imports most of its barley from Australia. Australian barley faces no import restriction and enters duty free under the Thai-Australian Free Trade Agreement. Imports of distiller's dried grains with solubles (DDGS) also decreased significantly in MY2021/22 to 0.20 MMT, down 53 percent from the same period last year, due to uncertainties about new phytosanitary measures that the Thai government has not yet finalized. The Department of Livestock Department (DLD) is currently reviewing the new phytosanitary measures.

The Thai cabinet approved the 2022 main- and off-season corn crop insurance program on May 3, 2022. The program pledges 224 million baht (\$6.5 million) and will cover 2.12 million rai (0.34million hectares) of corn acreage (Table 2.1). BAAC will manage the program. The program will cover damage caused by seven types of natural disasters: flooding/heavy rains, drought, storms, cold, hail, fires, and wild elephants. Corn farmers have until May 31, 2022, to apply to the main-season corn crop insurance

program and can apply to the off-season corn crop insurance program between October 2022 and January 2023.

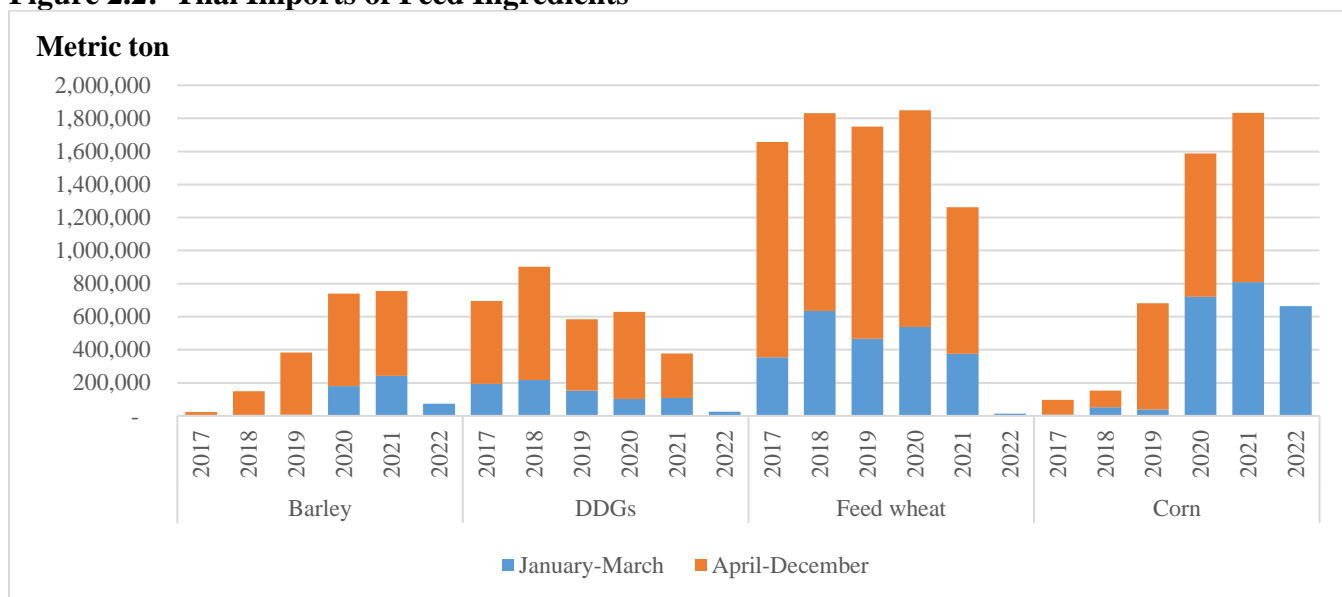
The cabinet also approved an increase in the feed corn import quota to 600,000 MT between May 10 and July 31, 2022, on the same day. The original import quota was 54,000 MT under the WTO commitment. In addition, the government allowed both Public Warehouse Organization (PWC) and private importers to import feed corn duty free from the initial tariff rate quota of 20 percent. This temporary measure aims to alleviate high feed ingredient costs caused by the Russia-Ukraine War. Feed mills and the livestock industry have been requesting for these measures since late-March when import prices of feed ingredients surged to record highs in a decade.

Figure 2.1: Farm-Gate Prices of Corn and Cassava



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

Figure 2.2: Thai Imports of Feed Ingredients



Source: Thai Customs Department, Ministry of Finance and Thai Chamber of Commerce

Table 2.1: 2022 Corn Crop Insurance Program Coverages

Basic Coverage	Damage Caused by Seven Types of Natural Disasters	Damage Caused by Disease
Basic coverage	1,500 baht/rai	750 baht/rai
Additional coverage	240 baht/rai	120 baht/rai

Source: Bank of Agriculture and Agricultural Cooperatives

3. Wheat

Post revised down MY2022/23 wheat imports to 2.7 MMT as demand for milling wheat has dropped more than the growing demand for feed wheat. Despite the reduction, MY2022/23 wheat imports are still 8 percent higher than MY2021/22. Post revised down milling wheat imports to 1.1 MMT, unchanged from the previous year despite an expected increase in the number of foreign tourists. Flour mills are cautious in building up inventories of milling wheat and flour due to concerns about high import prices of milling wheat. In addition, bakeries have slowed production of bakery goods due to the 20 percent increase in production costs. Post expects that imports of feed wheat will increase to 1.6 MMT, up 14 percent from the previous year. Traders are expecting strong demand for poultry exports in line with the economic recovery, which will lead to an increased demand for feed wheat and other feed ingredients in poultry production. Boiler and layer production account for up to 57 percent of total feed demand in 2022. Traders are seeing increased demand for Thai poultry in several markets, including South Korea. In addition, the government announced the temporary removal of import restriction on feed wheat between May 10 and July 31, 2022, which could increase demand for feed wheat imports. This temporary measure from the Ministry of Commerce will also remove the requirement that importers have to purchase domestic corn prior to importing feed wheat at a 3 to 1 absorption ratio.

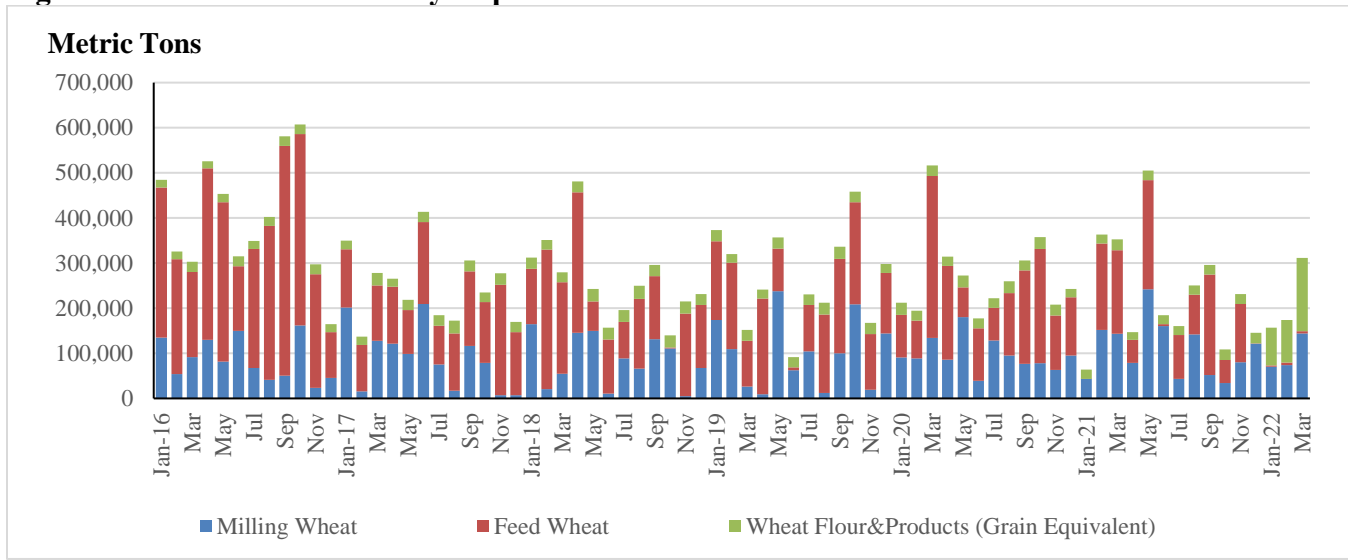
Wheat imports in the first nine months of MY2021/22 totaled 1.64 MMT, down 32 percent from the same period last year (Figure 3.1). Milling wheat imports totaled 0.76 MMT, down 13 percent from the

same period last year. Imports of Australian wheat rose to 0.43 MMT, up 17 percent from the same period last year, of which 0.36 MMT were milling wheat and 0.06 MMT were feed wheat. Import demand for U.S. wheat declined to 0.56 MMT, down 44 percent. The majority of imports of U.S. wheat is high protein-content milling wheat. Australian wheat accounted for 47 percent of total milling wheat imports, followed by U.S. wheat, which accounted for 35 percent of milling wheat imports. Canadian wheat imports, mostly milling wheat, also declined to 0.11 MMT, down 36 percent from the same period last year. Feed wheat imports totaled 0.60 MMT, down more than 50 percent from the same period last year. Thailand imports roughly 58 percent of its feed wheat from Ukraine, followed by Romania (21 percent) and Australia (11 percent). Feed mills are using more locally produced corn, soybean meal, and duty-free imported corn in their poultry and swine feed rations due to high prices for feed wheat. Wheat flour and products imports totaled 0.20 MMT, down 2 percent from the same period last year. Demand for wheat flour has not recovered due to the reduced numbers of foreign tourists entering Thailand in 2021. Only 427,869 tourists came to Thailand in 2021, down 94 percent from 2020.

Post revised down its forecast for MY2021/22 wheat imports to 2.5 MMT, a 24 percent drop from the previous year due to reduced import demand for milling wheat and feed wheat. Post revised down milling wheat imports to 1.1 MMT, a 19 percent reduction from the surge in MY2020/21, due to a slowdown in wheat-based food demand. Flour mills built up inventories of milling wheat in response to the uncertainty about the government's ban on agricultural pesticide residuals in MY2020/21. Post revised down forecast for feed wheat imports to 1.4 MMT, which declined 12 percent from MY2020/21. Livestock feed production slowed down during the first quarter of 2022 due to the surge in prices of feed ingredients and fuel, which account for 30-40 percent of feed production costs, caused by Russia's invasion of Ukraine and the shortage shipping containers. The Office of National Economic and Social Development Council (NESD) revised down its economic growth forecast for 2022 to 3.0 percent from the previous forecast of 4 percent. NESD also forecasted that inflation will reach 4.2 percent in 2022 compared to 1.2 percent in 2021. NESD forecast that the number of foreign tourists entering Thailand will increase to 19 million in 2023 from 5.6 million in 2022.

There was an uptick in instant noodle production and bakery production during the first nine months of MY2021/22. The increased domestic demand for wheat flour helped flour mills rundown their inventories. The Office of Industrial Economics (OIE) reported that instant noodle production in the first nine months of MY2021/22 increased around 8 percent from the same period last year in line with an increase of the instant noodle export demand. Domestic and export instant noodle sales both showed an upward trend of 10 and 2 percent, respectively, from the same period last year. Bakery production also increased around 10 percent as the hotel and restaurant sectors benefited from the gradual removal of stringent government measures imposed during the COVID-19 outbreak. Instant noodle and bakery production accounts for around 35 and 25 percent, respectively, of total milling wheat consumption.

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



Source: Thai Customs Department, Ministry of Finance

Appendix Tables

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

Rice, Milled Market Year Begins	2020/2021		2021/2022		2022/2023	
	Jan 2021		Jan 2022		Jan 2023	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	10509	10509	10587	10587	10700	10730
Beginning Stocks (1000 MT)	3979	3979	4280	4271	4130	3076
Milled Production (1000 MT)	18863	18863	19650	19650	19800	20074
Rough Production (1000 MT)	28580	28580	29773	29773	30000	30415
Milling Rate (.9999) (1000 MT)	6600	6600	6600	6600	6600	6600
MY Imports (1000 MT)	200	125	200	125	200	150
TY Imports (1000 MT)	200	125	200	125	200	150
TY Imp. from U.S. (1000 MT)	1	0	0	0	0	0
Total Supply (1000 MT)	23042	22967	24130	24046	24130	23300
MY Exports (1000 MT)	6062	6076	7000	8000	7500	8000
TY Exports (1000 MT)	6062	6076	7000	8000	7500	8000
Consumption and Residual (1000 MT)	12700	12620	13000	13000	13100	13000
Ending Stocks (1000 MT)	4280	4271	4130	3076	3530	2300
Total Distribution (1000 MT)	23042	22967	24130	24076	24130	23300
Yield (Rough) (MT/HA)	2.7196	2.7196	2.8122	2.8122	2.8037	2.8346

(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 2022/2023 = January 2023 - December 2023

Table 2: Thailand's Rice Production by Crop

	2020/2021			2021/2022			2022/2023		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area (Million Hectares)									
Cultivation	9.370	1.354	10.724	9.370	1.646	11.010	9.370	1.650	11.020
Harvest	9.185	1.324	10.509	8.966	1.621	10.587	9.100	1.630	10.730
Production (Million Tons)									
Rough	23.530	5.050	28.580	23.389	6.383	29.773	23.682	6.733	30.415
Rice	15.530	3.333	18.863	15.437	4.213	19.650	15.630	4.444	20.074
Yield (Ton/Hectare)	2.562	3.814	2.720	2.608	3.938	2.812	2.602	4.131	2.835

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

Corn Market Year Begins Thailand	2020/2021		2021/2022		2022/2023	
	Jul 2020		Jul 2021		Jul 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	1255	1254	1200	1200	1220	1220
Beginning Stocks (1000 MT)	675	675	840	1190	530	1590
Production (1000 MT)	5600	5500	5300	5300	5400	5400
MY Imports (1000 MT)	1921	1921	1800	1500	1700	1500
TY Imports (1000 MT)	1846	1846	1800	1500	1700	1500
TY Imp. from U.S. (1000 MT)	7	0	0	0	0	0
Total Supply (1000 MT)	8196	8096	7940	7990	7630	8490
MY Exports (1000 MT)	56	56	110	90	70	70
TY Exports (1000 MT)	57	57	110	80	60	60
Feed and Residual (1000 MT)	7200	6750	7200	6210	6800	6500
FSI Consumption (1000 MT)	100	100	100	100	100	100
Total Consumption (1000 MT)	7300	6850	7300	6310	6900	6600
Ending Stocks (1000 MT)	840	1190	530	1590	660	1820
Total Distribution (1000 MT)	8196	8096	7940	7990	7630	8490
Yield (MT/HA)	4.4622	4.386	4.4167	4.4167	4.4262	4.4262
(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 2022/2023 = October 2022 - September 2023						

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

Wheat Market Year Begins Thailand	2020/2021		2021/2022		2022/2023	
	Jul 2020		Jul 2021		Jul 2022	
	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)	754	754	789	789	399	499
Production (1000 MT)	0	0	0	0	0	0
MY Imports (1000 MT)	3306	3306	2500	2500	2700	2700
TY Imports (1000 MT)	3306	3306	2500	2500	2700	2700
TY Imp. from U.S. (1000 MT)	759	759	0	710	0	800
Total Supply (1000 MT)	4060	4060	3289	3289	3099	3199
MY Exports (1000 MT)	311	311	290	290	300	300
TY Exports (1000 MT)	311	311	290	290	300	300
Feed and Residual (1000 MT)	1650	1600	1300	1300	1200	1400
FSI Consumption (1000 MT)	1310	1360	1300	1200	1300	1200
Total Consumption (1000 MT)	2960	2960	2600	2500	2500	2600
Ending Stocks (1000 MT)	789	789	399	499	299	299
Total Distribution (1000 MT)	4060	4060	3289	3289	3099	3199
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 2022/2023 = July 2022 - June 2023						

Attachments:

No Attachments