Required Report - public distribution

Date: 8/28/2014

GAIN Report Number: TH4074

Thailand

Grain and Feed Update

August 2014

Approved By:
Bobby Richey,
Agricultural Counselor

Prepared By:
Ponnarong Prasertsri
Agricultural Specialist

Report Highlights:
TH4074 – Forecast rice exports for 2014 are revised up to 9.5 million metric tons. Meanwhile, MY2013/14 wheat imports were lower than expected due to a reduction in feed wheat demand for shrimp feed. Estimated MY2014/15 rice and corn production remained unchanged due to continuing dry conditions.

Post:
Bangkok

Commodities:
Corn

Rice, Milled

Wheat

Executive Summary:

Estimated Thai rice exports are revised up to 9.5 million metric tons in 2014 as export demand has been higher than expected reportedly due to competitive prices and tight supplies of Vietnamese rice. Meanwhile, MY2013/14 wheat imports were lower than expected due to the reduction in feed wheat demand as shrimp farming still has not recovered from the outbreak of Early Mortality Syndrome (EMS). Post's MY2014/15 rice and corn production forecast remains unchanged, at 2 to 3 percent lower than last year, as precipitation is still below average in major growing areas. The government has warned farmers of possible water shortages in non-irrigated areas.

Author Defined:

1. Low Precipitation in Major Growing Areas

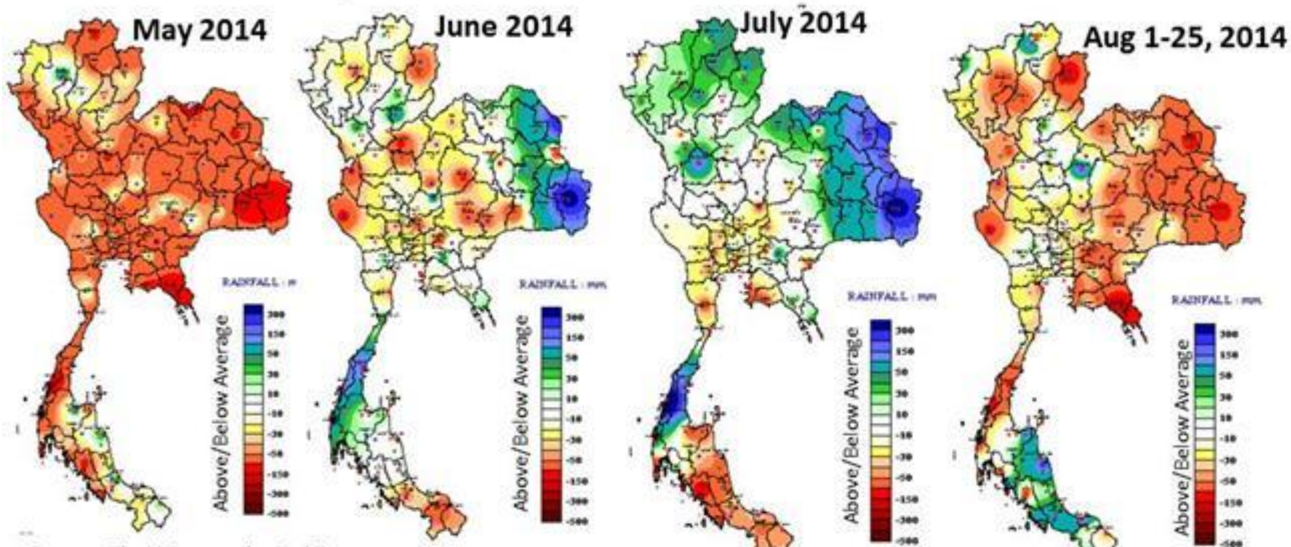
The Thai Meteorological Department (TMD) reported that average precipitation for the whole country is slightly above normal levels in July 2014 (Table 1). However, in the major growing areas for corn, precipitation is still 20-40 percent below average since the beginning of the rainy season in May (Figure 1). Cumulative rainfall for this year is 10-20 percent below average in the north and central plain (Figure 2), which are the major growing areas for rice and corn. According to the latest TMD's forecast of the rainy season, precipitation is likely to be lower than the previous year's levels. This will likely affect farmland in non-irrigated areas which account for approximately 80 percent of total agricultural area. As a result, the Royal Irrigation Department has warned farmers of possible water shortages in the dry season as reservoirs for major rice growing areas remain at critical levels (Figure 3). Post's MY2014/15 rice and corn production forecast remains unchanged from the previous estimate, which expects a 2 to 3 percent reduction in rice and corn production from last year due mainly to a reduction in average yield.

Table 1: Precipitation in July 2014

Region	Precipitaion		
	Actual	Above/Below Normal Average	
	(Millimeter)	(Millimeter)	%
North	206	29.9	17
Northeast	304	92.4	44
Central Plain	120	-35.6	-23
East	271	-6.4	-2
South (East Coast)	94	-24.8	-21
South (West Coast)	400	63.8	19

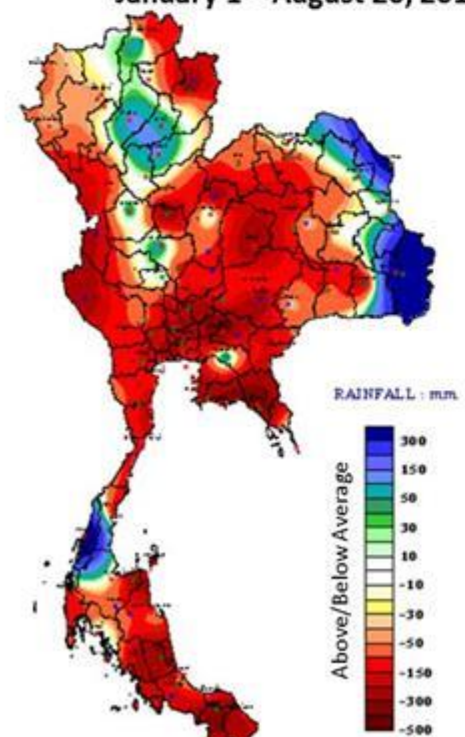
Source: Thai Meteorological Department

Figure 1: Monthly Precipitation Deviated from Normal Average in Rainy Season in 2014



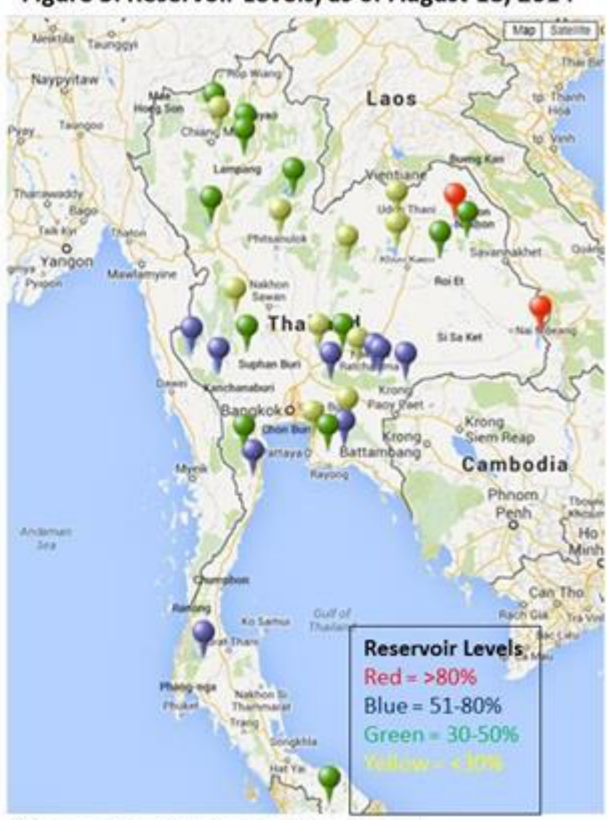
Source: Thai Meteorological Department

Figure 2: Cumulative Rainfall January 1 – August 20, 2014



Source: Thai Meteorological Department

Figure 3: Reservoir Levels, as of August 18, 2014

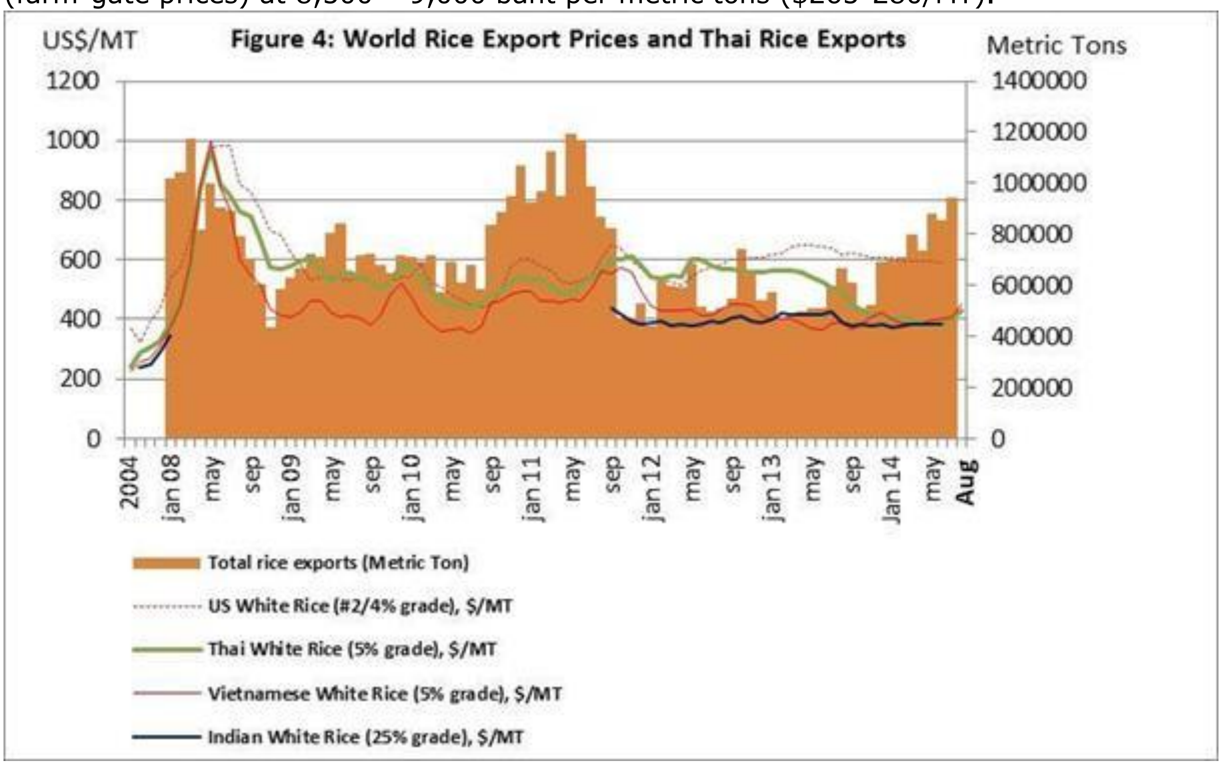


Source: Royal Irrigation Department

2. Forecast Rice Exports Revised Up to 9.5 Million Metric Tons for 2014

Post's forecast of Thai rice exports in 2014 is revised up to 9.5 million metric tons in 2014 due to

competitive prices and current tight supplies of Vietnamese rice. According to the Thai Custom Department, rice exports from January – July 2014 totaled 5.6 million metric tons, up 56 percent from the same period last year due to competitive prices which resulted from sales of government stocks. The previous government issued public tenders of approximately 4 million metric tons during January – May 2014 (Please see Grain and Feed Update, May 2014). The sales of government-owned rice resulted in a further reduction of the export prices of Thai rice in the first half of 2014, particularly for white and broken rice. The average export prices of 5 percent grade white rice in the first seven month of the year were $395/MT, which is a decline of approximately 30 percent from the same period last year (Figure 4). Average monthly rice exports increased to 0.8 million metric tons, compared to 0.5 million metric tons in the previous year. Thai rice exports will likely continue strong in the remaining months of the year due to multiples inquiries from Asian and African countries. Also, large supplies of MY2014/15 main-crop rice will enter the market in the last quarter of 2014 due to the military government's suspension of the pledging program. Meanwhile, supplies of Vietnamese rice are reportedly likely to remain tight until early 2015 when the new crop harvest will begin allowing additional Thai exports in 2014.
Presently, in August 2014 export prices of Thai rice (5 percent grade white rice) increased to around $430/MT which is close to Vietnamese rice prices as the Thai military government slowed down the sales of government-owned rice to maintain current domestic prices of white rice paddy (farm-gate prices) at 8,500 – 9,000 baht per metric tons ($265-280/MT).



3. MY2013/14 Wheat Imports Lower Than Expected

According to the Thai Custom Department, MY2013/14 wheat imports totaled 1.8 million metric tons, down 9 percent from the previous year due to a reduction of feed wheat demand.   Feed wheat demand is lower than expected as shrimp production reportedly declined in the second half of MY2013/14, down approximately 40 percent from the same period in MY2012/13 due to the EMS outbreak. In 2014, shrimp production is reportedly likely to be lower than expected at around 250,000 metric tons, compared to the previous forecast of around 300,000 metric tons. Also, the substitution of imported feed wheat for corn and broken rice in poultry and swine feed rations declined due to relatively cheaper prices for domestically produced corn and broken rice. Domestic prices of corn and broken rice fell 16 and 29 percent from the previous year due to the sales of the government stocks.

Post's forecast of MY2014/15 wheat imports remains unchanged from the previous estimate. Demand for milling wheat is likely to grow significantly in anticipation of the economic recovery despite sluggish feed wheat imports. The Ministry of Finance expects that the Thai economy will grow 4.3 percent in the first half of MY2014/15. Also, the economic recovery is expected to continue in 2015 with GDP growth reaching 5.5 percent. Feed wheat consumption is also likely to increase to around 750,000 metric tons in anticipation of the gradual recovery in shrimp farming. Shrimp production is reportedly expected to increase to 300,000 – 350,000 metric tons in 2015.

4. Duty-Free Corn Imports Allowed in August

On July 29, 2014 the military government announced that it would allow imports of corn from neighboring countries under the ASEAN Free Trade Agreement (AFTA). This action comes as a result of the delay of MY2014/15 corn harvest which is caused by unfavorable weather condition. Approximately 200,000 metric tons of Cambodian corn reportedly have been imported into Thailand under AFTA since August 1, 2014. These corn imports led to a fall in domestic prices of corn to 9.5 baht/kg ($297/MT) in August, down approximately 15 percent from the previous month.

Appendix Tables

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

Rice, Milled Thailand	2012/2013		2013/2014		2014/2015		
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	10,837	10,837	10,920	10,920	10,900	10,900	(1000 HA)
Beginning Stocks	9,330	9,330	12,808	12,808	13,693	13,193	(1000 MT)
Milled Production	20,200	20,200	20,460	20,460	20,500	20,130	(1000 MT)
Rough Production	30,606	30,606	31,000	31,000	31,061	30,500	(1000 MT)
Milling Rate (.9999)	6,600	6,600	6,600	6,600	6,600	6,600	(1000 MT)
MY Imports	600	600	300	300	300	300	(1000 MT)
TY Imports	600	600	300	300	300	300	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
Total Supply	30,130	30,130	33,568	33,568	34,493	33,623	(1000 MT)
MY Exports	6,722	6,722	9,000	9,500	10,000	10,000	(1000 MT)
TY Exports	6,722	6,722	9,000	9,500	10,000	10,000	(1000 MT)
Consumption and Residual	10,600	10,600	10,875	10,875	10,900	10,900	(1000 MT)
Ending Stocks	12,808	12,808	13,693	13,193	13,593	12,723	(1000 MT)
Total Distribution	30,130	30,130	33,568	33,568	34,493	33,623	(1000 MT)
Yield (Rough)	3.	2.8242	3.	2.8388	3.	2.7982	(MT/HA)

Table 1B: Thailand's Paddy Area, Production, and Yield

	2012/13			2013/14 (August 2014)			2014/15 (August 2014)		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area (million hectare)									
Cultivation	9.288	2.160	11.448	9.288	2.100	11.388	9.288	2.100	11.388
Harvest	8.737	2.100	10.837	8.920	2.000	10.920	8.900	2.000	10.900
Production (million ton)									
Rough	21.471	9.135	30.606	22.400	8.600	31.000	22.000	8.500	30.500
Rice	14.171	6.029	20.200	14.784	5.676	20.460	14.520	5.610	20.130
Yield (ton/hectare)	2.457	4.350	2.824	2.511	4.300	2.839	2.472	4.250	2.798

Source: FAS Estimate

Table 2: Thailand' Corn Production, Supply and Demand							
	2012		2013		2014		
Corn Thailand	2012/2013		2013/2014		2014/2015		
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	1,080	1,080	1,120	1,120	1,100	1,100	(1000 HA)
Beginning Stocks	515	515	643	643	144	119	(1000 MT)
Production	4,600	4,600	4,900	4,900	4,900	4,750	(1000 MT)
MY Imports	400	400	600	600	600	600	(1000 MT)
TY Imports	400	400	600	600	600	600	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
Total Supply	5,515	5,515	6,143	6,143	5,644	5,469	(1000 MT)
MY Exports	72	72	1,099	1,099	100	60	(1000 MT)
TY Exports	114	115	1,050	1,050	100	60	(1000 MT)
Feed and Residual	4,700	4,700	4,800	4,825	5,200	5,200	(1000 MT)
FSI Consumption	100	100	100	100	100	100	(1000 MT)
Total Consumption	4,800	4,800	4,900	4,925	5,300	5,300	(1000 MT)
Ending Stocks	643	643	144	119	244	109	(1000 MT)
Total Distribution	5,515	5,515	6,143	6,143	5,644	5,469	(1000 MT)
Yield	4.	4.2593	4.	4.375	4.	4.3182	(MT/HA)

Table 3: Thailand's Wheat Production, Supply and Demand							
	2012		2013		2014		
Wheat Thailand	2012/2013		2013/2014		2014/2015		
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	1,059	1,059	802	993	568	893	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
MY Imports	1,845	2,036	1,700	1,855	2,000	2,030	(1000 MT)
TY Imports	1,845	2,036	1,700	1,855	2,000	2,030	(1000 MT)
TY Imp. from U.S.	530	515	484	611	0	0	(1000 MT)
Total Supply	2,904	3,095	2,502	2,848	2,568	2,923	(1000 MT)
MY Exports	202	202	214	215	200	200	(1000 MT)
TY Exports	202	202	214	215	200	200	(1000 MT)
Feed and Residual	900	900	650	670	650	750	(1000 MT)
FSI Consumption	1,000	1,000	1,070	1,070	1,200	1,230	(1000 MT)
Total Consumption	1,900	1,900	1,720	1,740	1,850	1,980	(1000 MT)
Ending Stocks	802	993	568	893	518	743	(1000 MT)
Total Distribution	2,904	3,095	2,502	2,848	2,568	2,923	(1000 MT)

End of report