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Thailand

Grain and Feed Annual

2015

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Report Highlights:
TH5030 – MY2015/16 rice and corn production is expected to increase slightly due to average yield improvement that will offset anticipated acreage reduction. Rice exports are forecast to remain strong due to continued heavily subsidized sales of government stocks. Wheat imports are likely to decline mainly due to a reduction in feed wheat demand.

Executive Summary:

MY2015/16 rice and corn production is forecast to increase slightly mainly due to anticipated recovery of average yield from the 2014/15's level which was affected by drought. The average yield improvement is likely to more than offset the acreage reduction in relation to the government agricultural restructuring program. MY 2015/16 rice exports are expected to continue at record levels as the government continues to dispose of its rice stocks. Meanwhile, corn exports are likely to be down significantly due to growing domestic feed demand, particularly for poultry production. The substitution of feed wheat for corn is expected to decline which will likely result in a reduction in total wheat imports in MY2015/16. However, import demand for milling wheat is expected to continue its upward trend driven by expanding baking and food processing industries.

MY2014/15 rice production is revised down to 19.4 million metric tons, falling approximately 5 percent from the previous year due to drought in off-season rice crop areas. Rice exports increased to a record 11 million metric tons in 2014 due to heavily subsidized sales of the government stocks. Also, corn production declined to around 4.7 million metric tons due to unfavorable weather conditions. Meanwhile, MY2014/15 corn exports are revised up to 250,000 metric tons due to higher-than-expected exportable supplies of corn which were freed from the substitution of relatively cheaper imported feed wheat in poultry feed rations. MY2014/15 wheat imports are revised up significantly to 2.2 million metric tons due to higher than expected import demand for feed wheat.

Commodities:

Corn

Rice, Milled

Wheat

Author Defined:

1. Rice

1.1 Production

Table 1.1: Thailand's Rice Production, Supply and Demand

Rice, Milled	2013/2014			2014/2015			2015/2016			
Market Begin Year	Jan 2014			Jan 2015			Jan 2016			
Thailand	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	
Area Harvested	10,920	10,920	10,920	10,500	10,748	10,643	0	0	10,686	(1000 HA)
Beginning Stocks	12,808	12,808	12,808	11,724	11,724	11,724	0	0	9,228	(1000 MT)
Milled Production	20,460	20,460	20,460	19,500	19,701	19,404	0	0	19,800	(1000 MT)
Rough Production	31,000	31,000	31,000	29,545	29,850	29,400	0	0	30,000	(1000 MT)
Milling Rate (.9999)	6,600	6,600	6,600	6,600	6,600	6,600	0	0	6,600	(1000 MT)
MY Imports	300	300	300	300	300	300	0	0	300	(1000 MT)
TY Imports	300	300	300	300	300	300	0	0	300	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	33,568	33,568	33,568	31,524	31,725	31,428	0	0	29,328	(1000 MT)
MY Exports	10,969	10,969	10,969	11,000	11,000	11,000	0	0	11,000	(1000 MT)
TY Exports	10,969	10,969	10,969	11,000	11,000	11,000	0	0	11,000	(1000 MT)
Consumption and Residual	10,875	10,875	10,875	10,900	10,900	11,200	0	0	11,500	(1000 MT)
Ending Stocks	11,724	11,724	11,724	9,624	9,825	9,228	0	0	6,828	(1000 MT)
Total Distribution	33,568	33,568	33,568	31,524	31,725	31,428	0	0	29,328	(1000 MT)
Yield (Rough)	2.8388	2.8388	2.8388	2.8138	2.7773	2.7624	0.0000	0.0000	2.8074	(MT/HA)

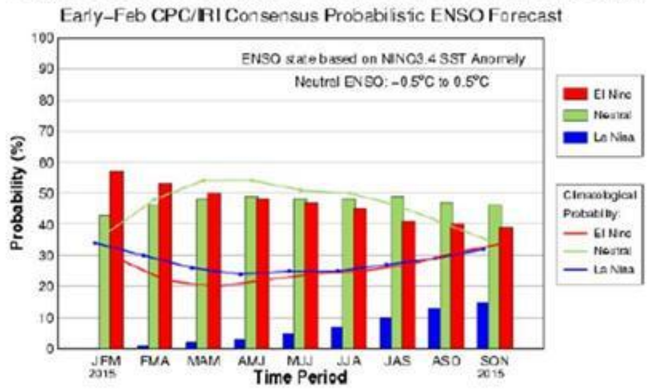
Table 1.2: Thailand's Paddy Area, Production, and Yield												
	2013/14			2014/15						2015/16		
				(January 2015)			(March 2015)			(March 2015)		
	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total	Main Crop	Second Crop	Total
Area (million hectare)												
Cultivation	9.288	2.100	11.388	9.288	1.940	11.228	9.288	1.940	11.228	9.256	1.908	11.164
Harvest	8.920	2.000	10.920	8.900	1.848	10.748	8.900	1.743	10.643	8.869	1.817	10.686
Production (million ton)												
Rough	22.400	8.600	31.000	22.000	7.850	29.850	22.000	7.400	29.400	22.200	7.800	30.000
Rice	14.784	5.676	20.460	14.520	5.181	19.701	14.520	4.884	19.404	14.652	5.148	19.800
Yield (ton/hectare)	2.511	4.300	2.839	2.472	4.249	2.777	2.472	4.245	2.762	2.503	4.292	2.807
Source: FAS Estimate												

MY2015/16 rice production is forecast at 19.8 million metric tons (Table 1.1), up 1.6 percent from the previous year in anticipation of improvement in average yield. Meanwhile, planted area is expected to decline around 0.6 percent (Table 1.2) as farmers will likely shift some area to sugarcane crop because of the government incentive under the 5-year Agricultural Restructuring Program (2015 – 2019). In MY2015/16, rice farmers will likely shift around 0.2 million rai (32,000 hectares) to sugarcane based on the registration of rice farmers with sugar mills, particularly in the northeastern and western regions. However, overall rice harvested area is expected to increase by 0.4 percent in anticipation of the recovery of the off-season rice crop from severe drought in 2014/15.

The Thai Meteorological Department (TMD) expects normal precipitation in 2015, compared to below normal precipitation in 2014 (Table 1.3). This is based on the International Research Institute for Climate and Society's latest estimate of higher probability of neutral weather phenomenon during the monsoon season in Thailand. Consequently, average yield of 2.8 metric tons per hectare in MY2015/16 is expected, compared to 2.762 metric tons per hectare in the 2014/15 (Table 1.2).

Table 1.3: Cumulative Rainfall in Thailand							
Unit: Millimeter							
	North	**Northeast**	**Central Plain**	**East**	**South**		**Nationwide**
					East Coast	West Coast	
Normal Average (30 yrs avg: 1981-2010)	1,233	1,406	1,277	1,890	1,741	2,718	1,588
2006	1,505	1,386	1,382	2,131	1,617	2,701	1,683
2007	1,252	1,479	1,278	1,852	1,817	2,939	1,639
2008	1,376	1,678	1,481	1,940	1,999	2,648	1,753
2009	1,191	1,448	1,474	1,999	1,581	2,822	1,610
2010	1,304	1,434	1,462	1,789	1,960	2,663	1,651
2011	1,688	1,692	1,517	2,094	2,318	2,964	1,948
2012	1,282	1,254	1,415	2,050	1,826	3,354	1,681
2013	1,307	1,499	1,369	2,293	1,901	3,171	1,759
2014	**1,115**	**1,374**	**1,056**	**1,744**	**1,631**	**2,886**	**1,503**
Difference from Normal Average	**-118**	**-32**	**-221**	**-146**	**-109**	**168**	**-85**
% Change	-9.5	-2.3	-17.3	-7.7	-6.3	6.2	-5.3
Difference from 2013	**-191**	**-125**	**-313**	**-550**	**-270**	**-286**	**-255**
% change	-14.6	-8.3	-22.9	-24.0	-14.2	-9.0	-14.5
Source: Royal Irrigation Department							

Figure 1.1: Probability of Weather Phenomenon



Source: International Research Institute for Climate and Society

For MY2014/15, rice production is revised down to 19.4 million metric tons due to lower than expected harvested area of the off-season rice crop caused by drought. The Ministry of Agriculture and Agricultural Cooperative reported (as of February 20, 2015) drought-damaged area totaling 1,203,552 rai (192,568 hectares), of which 1,145,390 rai (183,262 hectares) are rice crop.

Presently, MY2014/15 off-season rice area (Table 1.4) is approximately 40 percent above the government estimate despite the official warning on low reservoirs. Around 15 percent of the MY2014/15 off-season rice crop has been harvested so far. Reports indicate that average yield dropped 20 to 30 percent, particularly in the lower northern region due to unusual cold during the flowering stage. Farmers who already have harvested their off-season rice crop are preparing the land for new off-season crop (second off-season crop), particularly in the irrigated areas. They are likely to grow another 1 to 2 million rai (0.2 – 0.3 million hectares) before the end of the season in March 2015.

Table 1.4: MY2015/16 Off-Season Rice Cultivation in Thailand

Unit: Million Rai (1 hectares = 6.25 rai)

Area	Estimated	Actual (As of Feb. 20, 2015)
Irrigated Areas	1.81	4.98
Non-Irrigated Areas	4.19	3.40
Total	**6.00**	**8.38**

Source: Ministry of Agriculture and Agricultural Cooperatives

The Royal Irrigation Department (RID) reported on February 24, 2015 that off-season rice cultivation continues to increase in irrigated areas, particularly in the Chapraya basin in the lower northern region and central plain despite warning of water restrictions. Despite short-term increases in reservoir levels in major dams in the northern region and central plain, the RID still expects to prioritize its water discharge for consumers and the ecological system rather than agriculture in 2015. The RID expects additional drought-damaged area to be around 133,000 rai (21,280 hectares) in rice growing areas due to continued restriction of water discharge until June 2015.

MY2014/15 off-season rice production is likely to decline to 4.9 million metric tons, down 14 percent from the previous year (Table 1.1 and 1.2). This reflects anticipated reduction in harvested area by 14 percent due to drought and a decline in average yield.

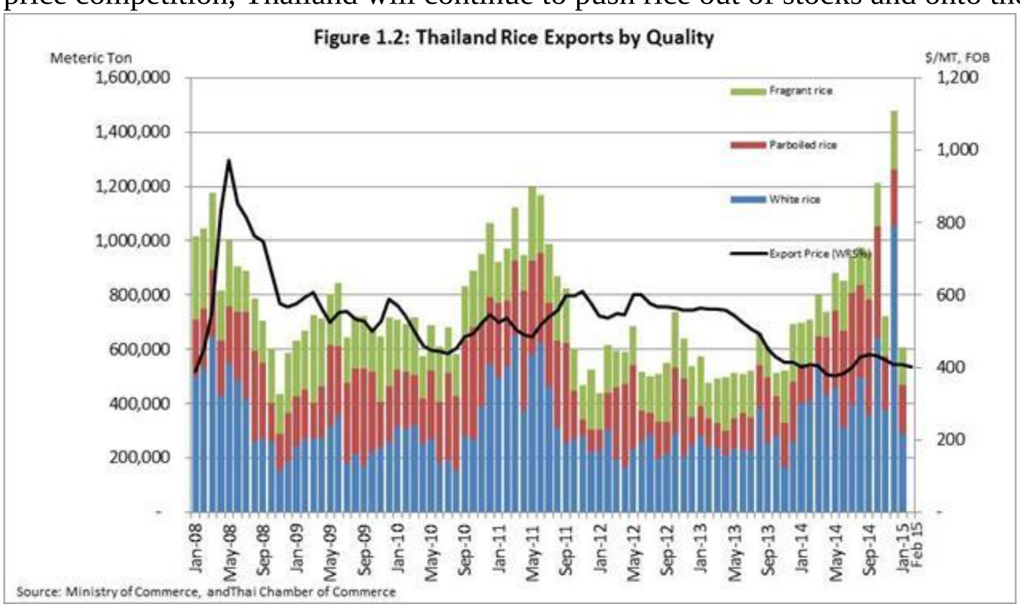
1.2 Consumption

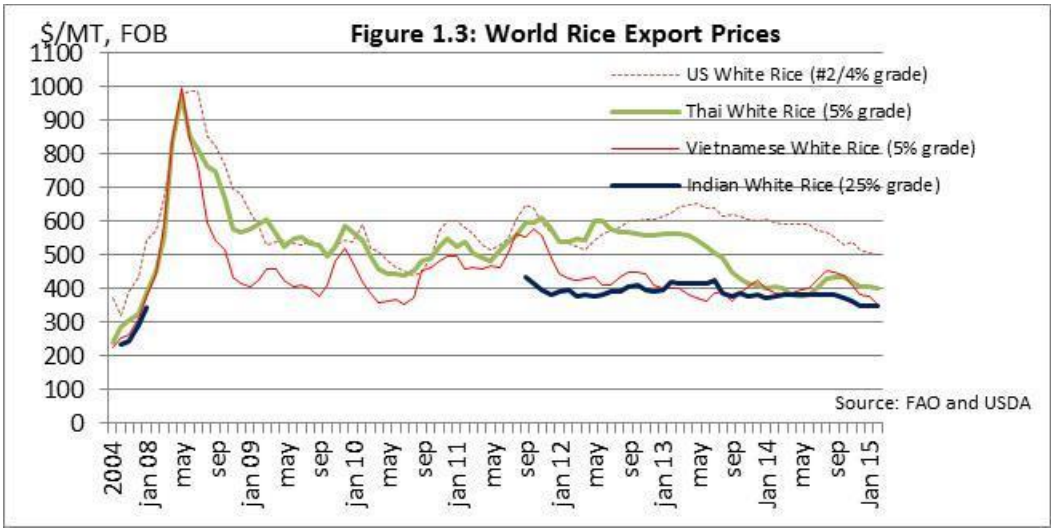
Rice is the main staple food for Thais with per capita consumption ranging from 80 kilograms for city households, around 155 kilograms for rural household, up to 125 kilogram for low-income households. MY2014/15 and MY2015/16 rice consumption is forecast to increase by around 1 percent in anticipation of the increase in feed use of broken rice in swine rations. Prices of broken rice declined around 30 percent in 2014 due to the sales of the government stocks. Broken rice prices are likely to continue to trend downward as the government sells off its rice stocks in 2015. The government expects to sell feed-grade rice stocks throughout the second half of 2015 and 2016.

Thai rice market is dominated by medium quality rice (5-10% broken rice) which accounts for around 50-60 percent of total rice consumption. High quality rice, especially fragrant rice, accounts for around 10 to 15 percent of total rice consumption. The balance is low quality rice.

1.3 Trade

In MY2014/15 and MY2015/16, Thai rice exports are likely to remain at least at 11 million metric tons due to continued heavily subsidized sales of government stocks. During January – March 2015, the government sold around 1.3 million metric tons of its rice stocks, of which 146,205 metric tons were fragrant rice and the balance were white rice. However, Thai rice exports in January 2015 declined to 608,506 metric tons, down approximately 13 percent from the same period last year (Figure 1.2). The reduction mainly reflected price competition from Vietnamese rice (Figure 1.3). Export prices of new-crop Vietnamese rice are around $365/MT (FOB) which is approximately 5 percent cheaper than old-crop Thai rice (from the government stocks) and 10 percent cheaper than new-crop Thai rice. Price competition is likely to continue throughout 2015 – 2016, particularly for medium to low quality white rice as the Thai government plans to sell off its rice stock by 2016. On March 2, 2015, Vietnamese Government decided to cut its minimum export prices of 25% grade white rice to $350/MT, reportedly in order to compete with Thai rice in African market, the main market for inferior rice. Despite this price competition, Thailand will continue to push rice out of stocks and onto the world market.





In general, high quality rice accounts for around half of total Thai exports. High quality rice includes (1) fragrant rice (Hom Mali Rice) which accounts for 25 % (2) parboiled rice (60%), and (3) white rice (15%). Meanwhile, medium quality rice (5-10% broken rice) accounts for around 25 percent of total rice exports. The balance is low quality rice.

1.4 Stocks

According to the Ministry of Finance's audit result as of September 30, 2014, the government official rice stocks totaled 17.5 million metric tons. Of the total, around 10 million metric tons, mostly white rice, could be reprocessed for domestic consumption or exports. The remainder is not fit for human or feed consumption or listed as unaccounted for. Trade sources expect that non-edible rice stocks will be not suitable for ethanol and swine feed production due to low starch content and other reasons. The government may have to destroy them to save the storage costs after the conclusion of the fraud case is closed against the previous government pledging programs.

Actual MY2014/15 and MY2015/16 rice stocks are forecast to decline by one-third as the government continues to sell off its stocks, particularly those which can be reprocessed for domestic consumption or exports. Sources expect that the government will sell up to 5 million metric tons in the public tenders in 2015, of which around 2 million metric tons will be used for food processing and feed industries domestically.

1.5 Policy

The Committee on Rice Policy and Management agreed on a 5-year Rice Cultivation Restructuring Program (2015 – 2019) with a proposed budget of 50 billion baht ($1.5 billion) to reduce rice planted areas and increase sugarcane area. The long-term target is to cut planted area of rice by 0.7 million rai (112,000 hectares) from MY2015/16 to MY2017/18. In MY2015/16, rice farmers are expected to shift to sugarcane crop by around 0.2 million rai (32,000 hectares) based on information between sugar mills and farmer registrations.

In MY2015/16, the government expects to continue the on-farm pledging program that was implemented in MY2014/15 (TH4120, Grain and Feed Update – November 2014). It is known as the "Farmer Loans to Delay the Sales of Rice Paddy" which aims to stabilize farm-gate prices of fragrant and glutinous rice paddy. MY2014/15 on-farm pledging program received around 350,000 metric tons, mostly fragrant rice paddy, as of February 25, 2015. The Bank for Agriculture and Agricultural Cooperatives (BAAC) who operates the program expects the program will receive around 500,000 metric tons of paddy by the end of the program which was scheduled for February 28, 2015. This is far below the 2 million metric tons the government expected to receive when the program was announced in November 2014.

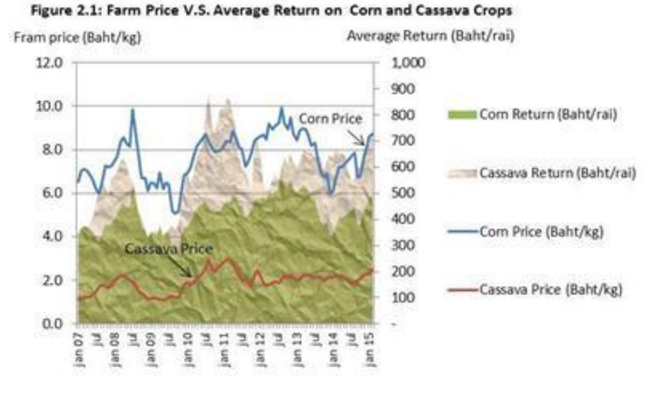
2. Corn

2.1 Production

Table 2.1: Thailand's Corn Production, Supply and Demand										
Corn	2013/2014			2014/2015			2015/2016			
Market Begin Year	Jul 2013			Jul 2014			Jul 2015			
Thailand	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	
Area Harvested	1,120	1,120	1,120	1,100	1,100	1,100	0	0	1,090	(1000 HA)
Beginning Stocks	643	643	643	144	119	119	0	0	119	(1000 MT)
Production	4,900	4,900	4,900	4,900	4,750	4,750	0	0	4,800	(1000 MT)
MY Imports	600	600	600	600	600	600	0	0	600	(1000 MT)
TY Imports	600	600	600	600	600	600	0	0	600	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	6,143	6,143	6,143	5,644	5,469	5,469	0	0	5,519	(1000 MT)
MY Exports	1,099	1,099	1,099	100	60	250	0	0	60	(1000 MT)
TY Exports	1,109	1,050	1,050	100	60	250	0	0	60	(1000 MT)
Feed and Residual	4,800	4,825	4,825	5,200	5,200	5,000	0	0	5,250	(1000 MT)
FSI Consumption	100	100	100	100	100	100	0	0	100	(1000 MT)
Total Consumption	4,900	4,925	4,925	5,300	5,300	5,100	0	0	5,350	(1000 MT)
Ending Stocks	144	119	119	244	109	119	0	0	109	(1000 MT)
Total Distribution	6,143	6,143	6,143	5,644	5,469	5,469	0	0	5,519	(1000 MT)
Yield	4.3750	4.3750	4.3750	4.4545	4.3182	4.3182	0.0000	0.0000	4.4037	(MT/HA)

MY2015/16 corn production is forecast to increase slightly to 4.8 million metric tons in anticipation of yield improvement. Average yield is expected to increase to around 4.4 metric tons per hectare, up 2 percent from the previous year when crop was adversely affected by below normal precipitation (Table 1.3). The increase in average yield will likely more than offset anticipated acreage reduction. Sources expect corn acreage to decline as farmers are likely to shift to cassava crop due to relatively higher attractive returns (Figure 2.1). Average farm-gate prices of corn declined by around 1 percent in 2014, compared to approximately 4 percent increase in cassava prices.

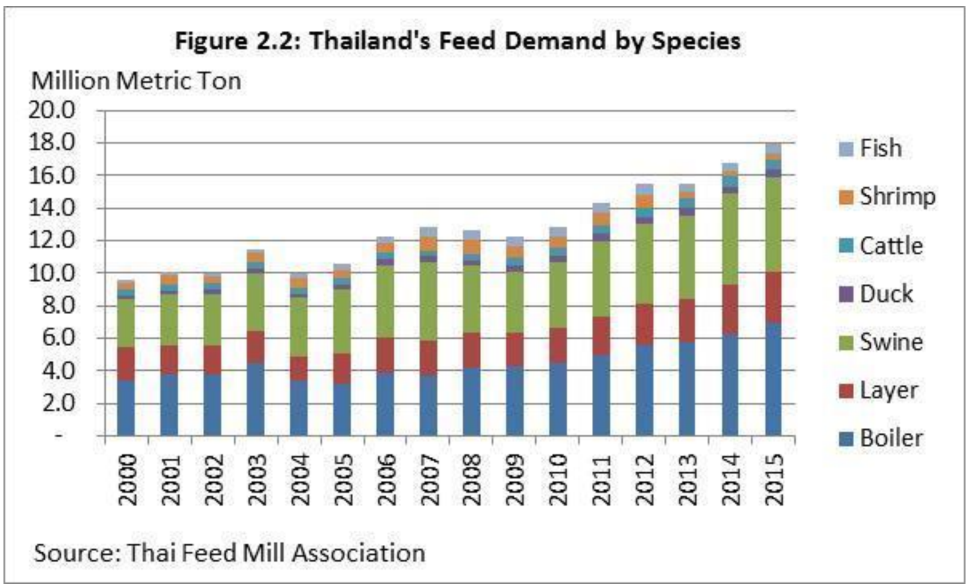
Figure 2.1: Farm Price V.S. Average Return on Corn and Cassava Crops



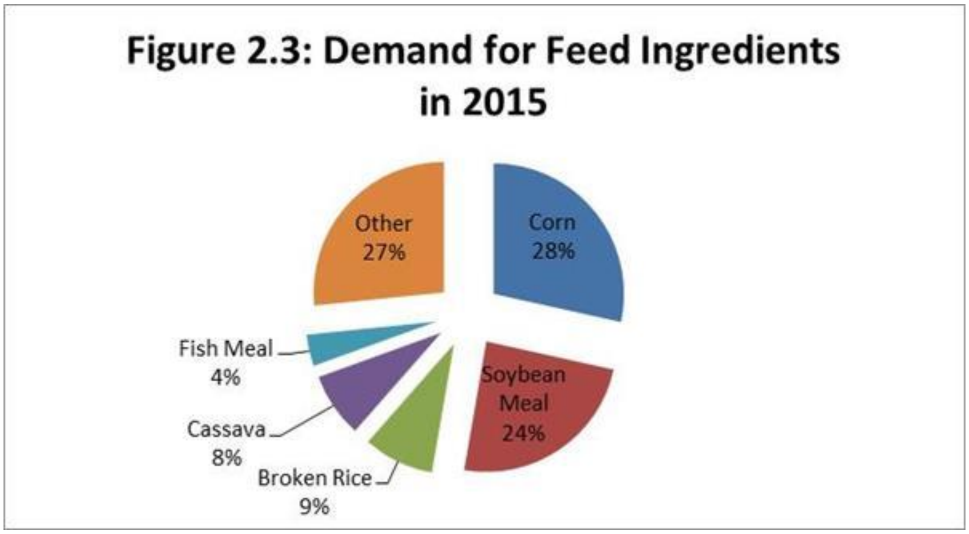
Post's estimate of MY2014/15 corn production remains unchanged at around 4.7 million metric tons.

2.2 Consumption

The Thai Feed Mill Association (TFMA) expects overall feed demand to increase to around 18 million metric tons in 2015 (Figure 2.2), up approximately 7 percent from 2014. The increase mainly reflects growing boiler production which is expected to rise by 10 percent. This is driven by anticipated chicken meat exports which are forecast to increase by 5 percent in 2015, particularly in the second half of the year as South Korea will lift the import ban on Thai frozen chicken meat after nearly 12-year ban. Boiler feed demand accounts for around 40 percent of total feed demand. Swine production, which accounts for around 30 percent of total feed demand, will likely increase around 3 percent. Layer production, accounting for around 20 percent of total feed demand is expected to grow by 5 percent mainly due to continued growing domestic egg consumption. However, shrimp production is unlikely to recover from the outbreaks of Early Mortality Syndrome (EMS). Sources expect shrimp production to increase only slightly to 250,000 metric tons in 2015, compared to normal level production of around 500,000 to 600,000 metric tons.



Corn and soybean meals are the major feed ingredients for livestock production, which accounts for around half of total feed ration (Figure 2.3). However, the substitution of feed wheat for domestic corn in poultry feed rations is expected to increase significantly in 2014/15 as current average prices of imported feed wheat are relatively cheaper than prices of domestic corn. Also, demand for broken rice in swine feed ration will likely increase at the expense of cassava chip in anticipation of the sales of low quality broken rice from government stocks.



MY2015/16 corn consumption is forecast to increase to around 5.3 million metric tons, up 5 percent from the previous year in line with expanding livestock production. Poultry feed accounts for around 40 to 60 percent of total corn consumption. Feed mills still have to rely on some imported corn from neighboring countries due to insufficient domestic corn production. Sources indicate the concern about the sustainability of Thai livestock industry that will be challenged by the shortfall of domestic corn production in coming years.

MY2014/15 corn consumption is revised down to around 5 million metric tons. The lower-than-expected consumption growth reflected the substitution of imported feed wheat for corn due to relatively cheaper prices. In the first half of the year, average prices of imported feed wheat were at 8 to 8.5 baht/kg ($250-270/MT) which was 10 to 15 percent cheaper than domestic corn (roughly 9.50 baht/kg or $297/MT). Imported feed wheat reportedly can substitute for 30 to 40 percent of corn in poultry feed ration.

2.3 Trade

MY2015/16 corn exports are forecast to decline significantly to only around 60,000 metric tons in anticipation of limited exportable supplies due to growing domestic feed demand. Meanwhile, import demand for corn will likely remain strong due to insufficient domestic corn production. Imports will be mainly from border trade, particularly from Cambodia, Myanmar, and Laos.

MY2014/15 corn exports are revised up to 250,000 metric tons due to higher-than-expected corn exports to China. However, this is far lower than the previous year's heavily subsidized exports of 1 million metric tons.

2.4 Policy

The government did not implement a corn price subsidy program for MY2014/15 due to high domestic corn prices resulting from a reduction in corn production and strong domestic and export demand. The government will expand the import window for tariff and quota-free corn imports from Cambodia, Myanmar and Laos in 2015 – 2017. The imports are allowed from February 1 to August 31 instead of March 1 to June 30 in the past. Meanwhile, corn imports from other origin remains subject to a Tariff Rage Quota (TRQ) of 54,700 metric tons at a 20 percent in-quota tariff. Out-of-quota imports are subject to a 73 percent tariff rate with a surcharge of 180 baht per metric tons ($6/MT).

3. Wheat

3.1 Production

Table 3.1 Thailand's Wheat Production, Supply and Demand										
Wheat	2013/2014			2014/2015			2015/2016			
Market Begin Year	Jul 2013			Jul 2014			Jul 2015			
Thailand	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	
Area Harvested	0	0	0	0	0	0	0	0	0	(1000 HA)
Beginning Stocks	802	993	993	561	893	893	0	0	613	(1000 MT)
Production	0	0	0	0	0	0	0	0	0	(1000 MT)
MY Imports	1,693	1,855	1,855	2,000	2,030	2,200	0	0	2,100	(1000 MT)
TY Imports	1,693	1,855	1,855	2,000	2,030	2,200	0	0	2,100	(1000 MT)
TY Imp. from U.S.	484	611	611	0	560	480	0	0	520	(1000 MT)
Total Supply	2,495	2,848	2,848	2,561	2,923	3,093	0	0	2,713	(1000 MT)
MY Exports	214	215	215	200	200	200	0	0	200	(1000 MT)
TY Exports	214	215	215	200	200	200	0	0	200	(1000 MT)
Feed and Residual	650	670	670	700	750	1,200	0	0	900	(1000 MT)
FSI Consumption	1,070	1,070	1,070	1,200	1,230	1,080	0	0	1,135	(1000 MT)
Total Consumption	1,720	1,740	1,740	1,900	1,980	2,280	0	0	2,035	(1000 MT)
Ending Stocks	561	893	893	461	743	613	0	0	478	(1000 MT)
Total Distribution	2,495	2,848	2,848	2,561	2,923	3,093	0	0	2,713	(1000 MT)

Wheat production is marginal in Thailand due to unfavorable climatic condition, lack of seed development, and unattractive returns as compared to other field crops such as rice, corn, and cassava. Total production is estimated at approximately 300 to 400 metric tons in a cultivated area of 1,000 rai (160 hectares). Cultivation is in the upper northern region of the country as a minor crop after the main-crop rice harvest, particularly in Maehongson and Nan provinces.

3.2 Consumption

MY2015/16 wheat consumption is forecast to decline to around 2 million metric tons, down approximately 10 percent from the previous year, in anticipation of a reduction in feed wheat demand. The substitution of feed wheat for corn in poultry feed ration is likely to decline as domestic corn production is expected to recover from the previous year. Also, demand for feed wheat in shrimp farming will likely remain lower than normal as the EMS outbreak has not been resolved yet. Meanwhile, milling wheat consumption is forecast to increase by around 5 percent in anticipation of growing demand from the baking and food processing industries in line with an economic recovery in 2016. Also, sources expect milling capacity of food-based wheat flour to increase significantly to about 2.4 million metric tons per year, up 14 percent from the previous year as large flour mills in Thailand continue to expand their production capacities.

MY2014/15 wheat consumption is revised up to around 2.3 million metric tons which will increase approximately 30 percent from the previous year. The increase reflects strong demand for feed wheat to substitute domestic corn in poultry feed rations. The substitution is driven by cheaper prices of imported feed wheat, compared to domestic corn prices. Meanwhile, milling wheat consumption will likely decelerate due to an economic slowdown. The government revised down the GDP growth to 0.7 percent in 2014. Also, the recovery sign of economy in the first half of 2015 remains uncertain despite the government forecast of 3.5 to 4.5 economic growth in 2015.

3.3 Trade

MY2015/16 wheat imports are likely to decline to around 2.1 million metric tons in anticipation of a reduction in feed wheat import demand. Imports of feed wheat is expected to decline to around 0.8 million metric tons, down 20 percent from the previous year due to a reduction of the substitution of feed wheat for domestic corn. Meanwhile, imports of milling wheat are likely to increase to around 1.1 million metric tons, up 5 to 6 percent from the previous year due to growing wheat-based food consumption and expanding milling capacity of flour mills. U.S. wheat imports will likely maintain its market share of 40 to 50 percent of the milling wheat market. Imports of wheat flour are forecast to increase slightly to around 0.3 million metric tons (grain equivalent).

MY2014/15 wheat imports are revised up to 2.2 million metric tons, up significantly from the previous year due to higher-than-expected demand for feed wheat for poultry feed ration. Imports of feed wheat are around 0.9 million metric tons, mostly from Ukraine. Meanwhile, imports of milling wheat are expected to increase slightly around 1 million metric tons. U.S. wheat imports will likely decline around 20 percent due to competition from Australian wheat which is reportedly around 10 to 20 percent cheaper, particularly for high-protein wheat.

3.4 Policy

The tariff rate on imported wheat has been zero since September 2007. Meanwhile, the applied tariff on wheat flour is 5 percent or 0.5 baht/kg, except in AFTA (Brunei, Indonesia, Malaysia, Philippines, and Singapore) and ASEAN-Australia-New Zealand which has been duty free since January 2010, however, 40 percent of the content has to originate from the exporting countries. Wheat flour imports from Vietnam will be duty free by the end of 2015 under the AEC.

End of report