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GAIN Report

Global Agricultural Information Network

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Thailand

LOCK-UP REPORT

Rice Update

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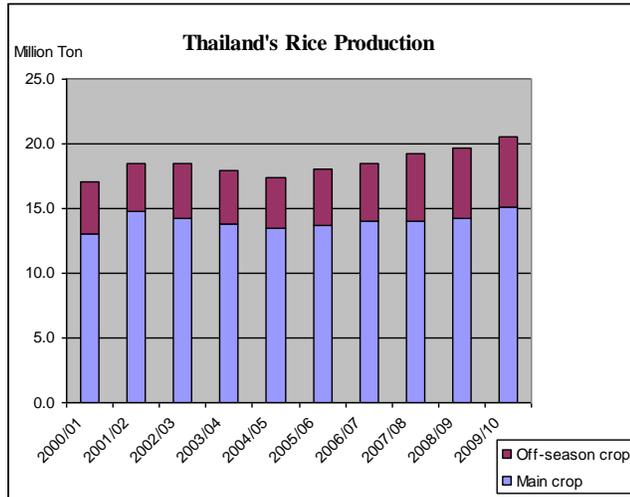
Report Highlights:

TH9184 MY2009/10 rice production is better than expected due to an increase in harvest areas and yield improvements following favorable weather conditions. Rice exports in 2009 will likely be lower than expected, especially for white rice, as Thai rice prices are 20-25 percent higher than competitors. This price spread reflects tight exportable supplies resulting from an aggressive government intervention program in MY2008/09, which generated record carry-over stocks of 4 MMT in MY2009/2010.

Post: Bangkok

Better-than-expected rice production

MY2009/10 rice production is revised up due to better-than-expected weather conditions. Total rice production is expected to increase by 4-5 percent from the previous year. The harvest area is well above average due to marginal flooding damage from the typhoon season. This year's good



precipitation rate and distribution resulted in rice yield improvements. Fragrant rice production is expected to increase significantly by 5-10 percent at the expense of glutinous rice as farmers shifted to fragrant rice production due to higher returns. Farmers are only cultivating glutinous rice to cover their own demands.

Current attractive farm-gate prices are encouraging farmers to expand their off-season crops. Farmers have started planting their off-season crops despite

the official estimate of 1.5 percent lower water stock in major reservoirs, as compared to the previous year.

MY2008/09 rice production has also been revised upward due to better-than-expected off-season crop harvest. The harvest areas are unchanged as in the previous year due to favorable weather conditions and an aggressive mortgage intervention program MY2008/09 (See our report "Second-Crop Intervention Target Expanded Again" dated 6/25/2009, TH9090). The program bought a record 5.3 million tons of paddy, as compared to the last year's target of 2.5 million tons.

Exports far below their potential but slightly above the government target

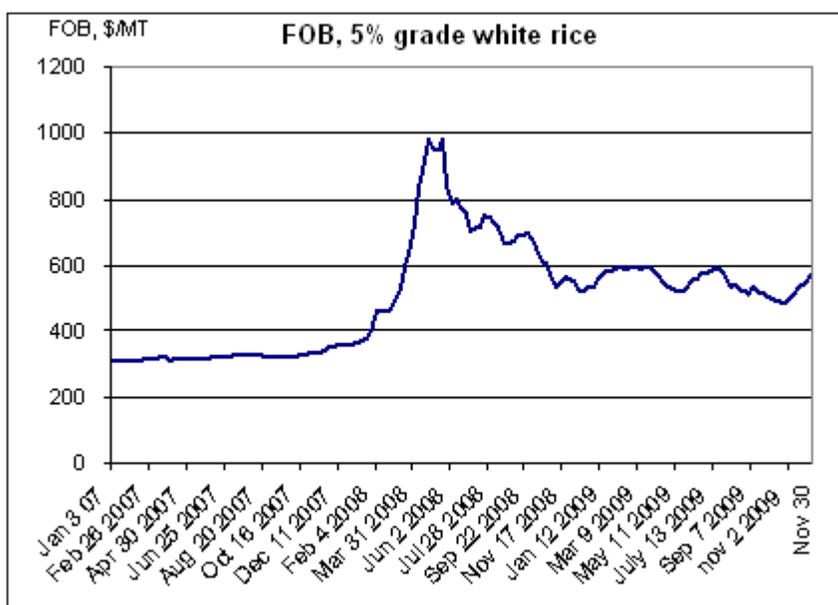
Rice exports in 2009 will likely drop to 8.6 million tons due to a sharp reduction in white rice exports. Thai white rice prices are 20-25 percent higher than Vietnamese rice due to government actions of keeping intervention prices at high levels during the rice price crisis in 2008 and government delays in releasing its large intervention stocks due to concerns on the impact on domestic prices. However, Thai rice exports at 8.6 million tons are slightly above the government target of 8.5 million tons, reflecting good parboiled rice exports. Parboiled rice exports continue to increase as the Indian government's export ban on non-basmati rice remains in place. Presently, export prices for all grades of rice have been very volatile due to concerns over another possible price crisis. Unexpected strong import demand from the Philippines and India, which have been adversely affected by flooding

and drought respectively, are being monitored closely.

Thai rice exports by quality

Unit: Million Ton

	2008 (Jan. - Dec.)	Jan. - Oct.		
		2008	2009	% change
Fragrant rice	2.5	2.1	2.1	0.0
White rice	4.7	4.4	2.6	-40.9
Parboiled rice	2.8	2.4	2.5	4.2
Total	10.0	8.9	7.2	-19.1



Rice exports in 2010 are expected to surpass 10 million tons if the government releases its intervention stocks. If the government releases stocks in early 2010, global prices should ease in the first half of 2010 and bring Thai rice exports back on track.

Thai-Cambodian paddy trade remains high

Imports of Cambodian paddy through cross-border trade are expected to be a prominent source of paddy supplies for rice mills in the northeast and the central plain. Import demand increased significantly in MY2008/09 and will likely remain high in MY2009/10 as prices remain attractive in Thailand despite the shift from an aggressive mortgage scheme to the price insurance scheme. In addition, starting in January imports of rice from ASEAN countries will be duty free under the ASEAN Free Trade Agreement. Most paddy imports are fragrant rice paddy which is being bought at 1000

baht/ton lower than domestic prices of fragrant rice. MY2009/10 Cambodian paddy began coming in a month earlier than the normal trading period between December and May.

Record carry-over stock

MY2008/09 ending stocks are revised upward due to the delay in the government release of intervention stocks since the beginning 2009 (See our report “Thailand Postpones Rice Stock Release” dated 6/24/2009, TH9080). Carry-over stocks will likely reach a record 4.0 million tons, most of which are government stocks. Despite no large stock release in 2009, as compared to the previous year’s release of 2-3 million tons, the intervention stocks that have been released have been through the Agricultural Future Exchange of Thailand (AFET) in the amount of 700,000 tons (See our report “Weekly Rice Price Update” dated 9/24/2009, TH9143). The government also released its on-farm stocks of 500,000 – 600,000 tons to local mills, mainly for domestic consumption, most of which was fragrant rice paddy. Meanwhile, 1.0 million tons of old-crop stocks remain in storage (prior to MY2008/09), some of this rice is low quality and good for non-food industrial use. MY2009/10 ending stocks are expected to remain high but a shift from public to private hands will occur as the government releases its stocks and millers will stockpile new crop paddy.

Second crop to expand despite the end of the mortgage scheme

The Government implemented the new price insurance scheme (See our report “Price Insurance Starts to Replace Mortgage Scheme” dated 10/30/2009, TH9161) as global and domestic prices trend upward fueled by unfavorable weather conditions in India and the Philippines, and delays in government stock releases. This has pushed current market prices above benchmark prices and will likely exceed insured prices at the end of the year. In addition, the government is expected to revise the price insurance scheme for off-season crops by increasing the eligible tonnage for white rice paddy to 30 tons, as compared to 25 tons for main crop. As a result of these factors, farmers have low levels of perceived risk for second-crop paddy production in MY2009/2010, despite lower-than-normal reservoir levels.

Appendix Table

Milled Rice, Thailand	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010		
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Jan
			Data			Data			Data
Area Harvested	10,60 0	10,60 0	10,60 0	10,68 0	10,68 0	10,80 0	10,72 0	10,72 0	10,90 0
Beginning Stocks	2,510	2,510	2,510	2,207	2,207	2,207	3,115	3,115	4,007
Milled Production	19,30 0	19,30 0	19,30 0	19,40 0	19,40 0	19,60 0	20,00 0	20,00 0	20,50 0
Rough Production	29,24 2	29,24 2	29,24 2	29,39 4	29,39 4	29,69 7	30,30 3	30,30 3	31,06 1
Milling Rate (.9999)	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600	6,600
MY Imports	8	8	8	300	8	300	8	8	300
TY Imports	8	8	8	300	8	300	8	8	300
TY Imp. from U.S.	2	0	0	0	0	0	0	0	0
Total Supply	21,81 8	21,81 8	21,81 8	21,90 7	21,61 5	22,10 7	23,12 3	23,12 3	24,80 7
MY Exports	10,01 1	10,01 1	10,01 1	8,500	9,000	8,600	10,00 0	10,00 0	10,00 0
TY Exports	10,01 1	10,01 1	10,01 1	8,500	9,000	8,600	10,00 0	10,00 0	10,00 0
Consumption and Residual	9,600	9,600	9,600	10,29 2	9,500	9,500	9,600	9,600	9,600
Ending Stocks	2,207	2,207	2,207	3,115	3,115	4,007	3,523	3,523	5,207
Total Distribution	21,81 8	21,81 8	21,81 8	21,90 7	21,61 5	22,10 7	23,12 3	23,12 3	24,80 7
Yield (Rough)	3.	3.	2.758 7	3.	3.	2.749 7	3.	3.	2.849 6

End of report.