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GAIN Report

Global Agricultural Information Network

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Laos Rice Report MY2018-2019

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Report Highlights:

MY2018/19 production is forecast to decline to 1.47 million metric tons down 18 percent due to flooding damage.

Executive Summary:

MY2018/19 production is forecast to decline to 1.47 million metric tons due to flooding damage in rice growing regions during the rainy season. This is an 18 percent decline from MY2017/18 production. Due to reduced production, MY2018/19 rice imports are expected to more than double from MY2017/18 and increase to 0.21 million metric tons. Similarly, exports are forecast to decline by more than half to 130,000 metric tons.

Production

Rice is a key staple for Laos and over 60 percent of arable land is used for its cultivation. As Laos is a mountainous country, only around 4 percent of Laos' total area is arable. Most rice production takes place in the country's lowland areas with only approximately 11 percent of production taking place in highland areas. Many of leading rice producing provinces are located along the Mekong River and include Vientiane, Khammouan, Bolikhamxai, Savannakhet, Salavan, and Champasak.

Overall, average rice farms are small averaging only around 1-2 hectares. As only about 12 percent of the cultivated rice area is irrigated, production can vary significantly between years. Given the low percentage of irrigated area, almost 90 percent of rice production occurs during the wet season. Glutinous rice production makes up around 80 percent of all Lao rice production with most of the remaining production consisting of white and fragrant rice. Mechanization remains quite limited, but is becoming more common in major rice producing provinces.

Figure 1: Rice Production in Laos



Note: • = 2,000 hectares

Source: FAO

Source: Food and Agriculture Organization of the United Nations

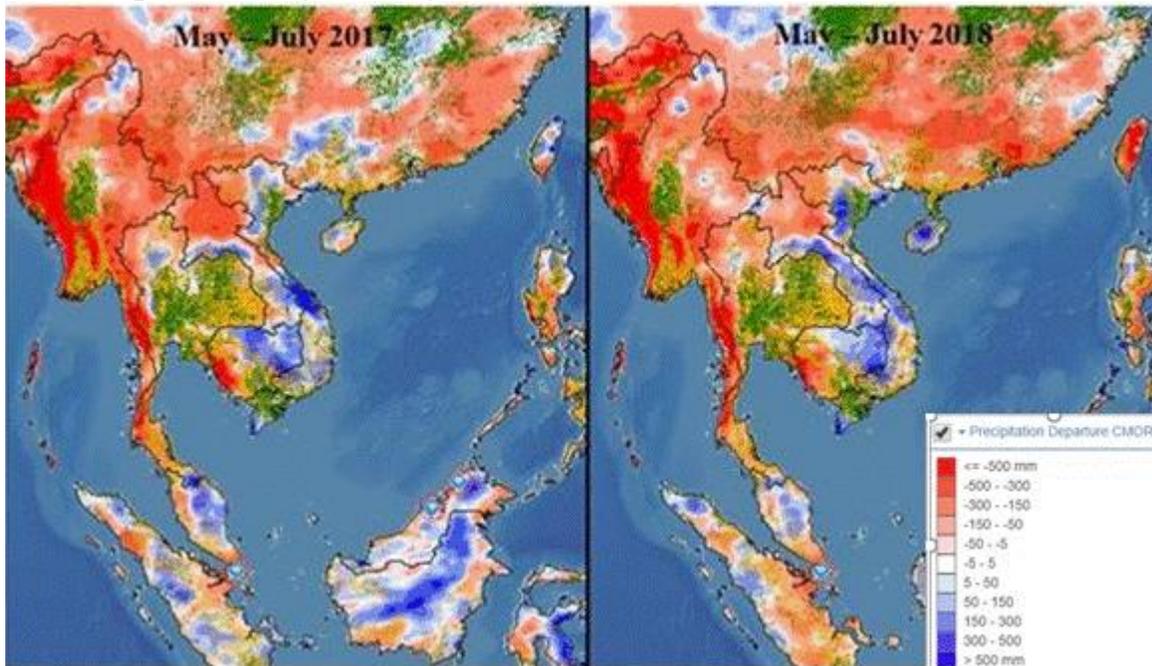
MY2018/19 production is forecast to decline to 1.47 million metric tons, an 18 percent reduction from MY2017. Flooding caused by heavy rainfall during the rainy season, as shown in Figure 2, was particularly severe in 2018 with the Lao government declaring it the most severe flooding in eleven years. Flooding and mudslides negatively affected main-crop rice production in the major rice growing regions including Khammouan, Champasak, and Savannakhet in July, August, and September. Damage in Khammouan was particularly extensive, affecting approximately 75 percent of main crop rice in the province while damage in Champasak and Savannakhet was much less severe. Khammouan province produces approximately 10 percent of the total rice production in Laos. Some upland rice production was also negatively impacted by flooding during the rainy season, particularly in Attepeu

province as a result of the July 23, 2018, dam collapse.

MY2018/19 yield is forecast to be 2.7 metric tons per hectare (MT/HA). This is slightly lower than Thailand's yield of 2.9 MT/HA. While some farmers each year use new improved seed varieties made available through local rice mills and the agricultural extension service, the majority of farmers use their own saved seeds. Yield is also negatively affected by lower use of inputs such as fertilizer and pesticides as well as the lower percentage of irrigated acreage. These factors not only negatively impact rice yields but also hinder rice quality. This leads to a lower milling rate than in neighboring countries Thailand and Vietnam.

When farmers sell their rice, they typically do so either directly to rice mills or middlemen. It is estimated that there are over 20,000 rice mills in Laos, but the vast majority of these are small operations with limited capacity. Several of the larger rice mills have projects to increase rice yields and rice quality in the major rice growing regions.

Figure 2: Precipitation Deviation in Millimeters from Average in Rice Area; May 1 to July 31, 2017 compared to May 1 to July 31, 2018



Source: USDA, Foreign Agricultural Service, Global Agricultural and Disaster Assessment System

Consumption

Rice plays an important part in the Lao diet and to Laos' food security. Laos' per capita rice consumption is among the highest in the world at around 160 kg/year. Most Lao prefer to eat glutinous rice over other rice varieties, and almost all of the glutinous rice produced in Laos is used for domestic consumption. Glutinous rice takes longer to digest than other rice varieties, which is an appreciated characteristic in a country with high rates of undernourishment. Studies suggest that per capita rice consumption is gradually declining in Laos, particularly in urban areas where the population has a

higher income and a more diverse set of food options.

Trade

Post forecasts that MY2018/19 imports are expected to increase to 210,000 metric tons. This is a 110 percent increase from MY2017/18 to offset reduced production. Trade contacts report that some Laos rice mills are importing rice from Thailand to help them meet contracts. Post also heard from industry that increased numbers of Lao families are purchasing rice in Thailand. Exports are forecast to decline by more than half to 130,000 metric tons. Most exports are destined for Vietnam, but some exports are destined for China and Thailand. Higher costs, internal regulations, and quality concerns combine to limit Laos' rice exports.

Stocks

Ending stocks for MY2018/19 are expected to decline to 200,000 metric tons, a 33 percent decline from MY2017/18 as a result of the lower MY2018/19 production. Many Lao farmers store rice paddy on their own property, using it as both source food and a store of value.

Policy

As rice is critical to rural income and food security, the government regulates the value chain for rice quite closely, for example setting price floors for farm gate paddy rice purchases. Similarly, traders seeking to export rice must register with both the national government and the provincial government. In response to the 2018 flooding, the Lao government restricted the purchase of paddy rice by foreigners.

The government has prioritized increasing rice production and exports with the objective of increasing total paddy rice production to 5 million metric tons with 1 million metric tons of exports. To support this objective, in January 2017, Laos reached an agreement with China to export 20,000 tons of organic rice annually. However, actual exports have fallen short of this agreement.

Appendix Table

Table A1: Lao Rice Production, Supply, and Demand

Rice, Milled	2016/2017	2017/2018	2018/2019
Market Begin Year			
Laos	Jan 2017	Jan 2018	Jan 2019
Area Harvested	900	950	780
Beginning Stocks	250	370	300
Milled Production	1469	1550	1260
Rough Production	2440	2570	2100
Milling Rate (.9999)	.602	.602	.602
MY Imports	250	100	210
TY Imports	250	100	210
TY Imp. from U.S.	1	2	1
Total Supply	1970	2020	1770
MY Exports	200	300	130
TY Exports	200	300	130
Consumption and Residual	1400	1420	1440
Ending Stocks	370	300	200
Total Distribution	1970	2020	1770
Yield (Rough)	2.7	2.7	2.7

(1000 HA) ,(1000 MT) ,(MT/HA)

End of Report.