

Voluntary - Public

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Second-crop Intervention Target Expanded Again

Report Categories:

Grain and Feed

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Report Highlights:

The MY 2008/09 second-crop rice intervention target has been increased to 6.0 million tons of paddy. By the end of July, outstanding intervention stocks will increase to 7-8 million tons (milled rice equivalent) if no old-crop intervention stocks are released. Justification for the increase remains controversial as the expansion may benefit millers who are reportedly sourcing additional paddy from neighboring countries. Meanwhile, the Government has adjusted second-crop production to over 8.0 million tons of paddy.

General Information:

Target revised up again to record 6.0 million tons

On June 5, the National Rice Policy Committee increased the MY2008/09 second-crop rice intervention target to 6.0 million tons of paddy, an increase of 2.0 million tons from last month's increase to 4.0 million tons (TH9072). To date the current intervention program has absorbed nearly 4.0 million tons, valued at 42.4 billion baht (\$1.2 billion). The program is schedule to end on July

31. Intervention prices remain unchanged at 10,800 – 12,000 baht/ton (\$310 – \$345/MT), which are 25-30 percent higher than current market prices. The Thai Government expects the current intervention program will reach the targeted 6.0 million tons of paddy due to attractive intervention prices. Outstanding intervention stocks will increase to 7-8 million tons (milled rice equivalent) by the end of July, if no old-crop intervention stocks are released.

Table: Government Intervention Price Program

	MY 2006/07		MY 2007/08		MY 2008/09 (preliminary)	
	main crop	second crop	main crop	second crop	main crop	second crop
Intervention Target (million ton)	9.0	2.5	9.0	2.5	8.0	2.5
- revised #1, if any				4.5		4.0
- revised #2, if any						6.0
Intervention Prices of white rice paddy(baht/ton)	5,900 - 6,500	6,000 - 6,600	6,100 - 6,700	12,800 - 14,000	10,800 - 12,000	10,800 - 12,000
Farmgate prices ^{1/} (baht/ton)	6,442	6,427	8,676	12,127	9,816	10,334 (Mar09)
Result (million ton)	1.5	1.5	0.24	4.2	6.1	3.8*
(million baht)	11,547	10,381	1,971	54,645	66,000	42,400*

Note: * as of June 9, 2009

^{1/} 5 % grade for main crop, and average grade for second crop

Source: Bank for Agriculture and Agricultural Cooperatives

Justification remain controversial

The increase in the intervention program remains controversial as the expansion may benefit millers who are reportedly sourcing additional paddy from neighboring countries. Paddy prices in neighboring countries have been 1,000 baht/ton (in-warehouse) cheaper than domestic paddy.

Meanwhile, the Thai Government has revised its estimate of current second-crop production upward to more than 8.0 million tons of paddy. Previous forecasts put second-crop production at 7.0 – 8.0 million tons. According to the Office of Agricultural Economic, current off-season crops have totaled around 3.0 million tons of paddy, particularly in the central plain. Farmers reportedly focused on rice varieties with shorter cultivation periods, which allow producers to harvest just in time for the end of the intervention program in July. Yield of this rice is usually lower than average. However, the target increase will likely keep domestic prices high despite the anticipated release of record outstanding intervention stocks which should occur before the MY 2009/10 crop harvest begins in November 2009.

End of report.