

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Thailand

**Post:** Bangkok

### Status of Government Tender Unclear

**Report Categories:**

Grain and Feed

**Approved By:**

Gary Meyer, Agricultural Counselor

**Prepared By:**

Ponnarong Prasertsri, Agricultural Specialist

**Report Highlights:**

TH0016 On January 21, the Government issued a tender for 379,203 tons of old-crop intervention stock. This release is intended for export only. The Government has yet to award contracts. The next tender is expected in early February.

## First 2010 tender offers in but contracts yet to be awarded

On January 21, 2010 the Government tendered for 379,203 tons of old-crop intervention stock, of which 303,254 tons were 5% grade white rice, and 75,949 tons were 10% grade glutinous rice, which must be shipped within 1-5 months. The participants included Thailand's top-five exporters. Although the bid results are in, contracts have yet to be awarded as the bidding prices for white rice remained 1,000 baht/ton ((\$30/MT) or 5-10 percent lower than current market prices, even after the Ministry of Commerce negotiated for higher prices in accordance to the tender's guidelines. There is some expectation that the Government authorities and exporters will likely renegotiate prices for white rice. Some exporters who participated in the tender are not interested in the renegotiation due to limited new enquiries for white rice from foreign buyers, as most enquiries are dominated by parboiled rice from African countries. The tender of glutinous rice will likely be cancelled as offers came in 30 percent lower than market prices.

**The Bidding Prices of the Government stock tender for exports on Jan. 21, 2010**

Quality	Crop	Tender (Ton)	Bidding Price (Baht/Ton)	Intervention Price (Baht/Ton)	
				100% grade Paddy	Estimated Rice Equivalent
<b>White rice</b>					
5% grade	MY2007/08 second crop	101,743	14,550 - 16,206	14,000	23,000
5% grade	MY2008/09 main crop	100,508	14,550 - 16,207	12,000	20,000
5% grade	MY2008/09 second crop	101,003	15,300 - 16,210	12,000	20,000
<b>Total</b>		<b>303,254</b>			
<b>Glutinous rice</b>					
10% grade	MY2008/09 main crop	<b>75,949</b>	10,000 - 17,110	10,000	16,700
<b>Grand total</b>		<b>379,203</b>			

Source: Department of Foreign Trade

This tender has created controversy as miller representatives in the National Rice Policy Committee opposed this tender due to concerns that it would add downward pressure on domestic prices. In addition, they supported a stock release that would go through the Agricultural Future Exchange of Thailand in order to avoid collusion among dominant rice exporters.

According to preliminary analysis, if the white rice is released at current bidding prices, it would result in losses to the Government of at least 1.7 billion baht (\$52 million). This as a result of a high intervention prices at 20,000 – 23,000 baht/ton (\$610-700/MT) on a milled basis, which were set by the Government during record global rice prices in 2008 under the MY2007/08 – 2008/09 mortgage scheme.

## Next tender is likely next month through AFET

In order to assuage collusion concerns, future stock releases this year will be through the Agricultural Future Exchange of Thailand (AFET), same as the previous year when the intervention stock of 684,775 tons was release under the basis-bidding approach (Please see “Weekly Rice Price Update”: TH9143, Sep. 22, 2009 and TH0002, Jan. 5, 2010). The Government will gradually release the

intervention stock of 300,000 tons each through AFET, starting in early February 2010. However, the basis will likely be offered at a discount as the new second crop harvest will have commenced by the delivery date. Meanwhile, the plan for government-to-government sales is reportedly on hold due to price volatility. This year, the Government's plan is to release 2.0 million tons of intervention stocks out of an outstanding balance of approximately 5.0 million tons.

End of report.