

Voluntary - Public

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Thailand Postpones Rice Stock Release

Report Categories:

Grain and Feed

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Report Highlights:

On May 26, the Thai Cabinet postponed the government rice stock release of 2.2 million tons due to concern over anticipated losses. Exporters expect the Government will eventually release the intervention stocks at higher bidding prices but still far below the original acquisition prices. The Cabinet's increased concern for financial losses also caused the cancellation of corn and tapioca stock releases.

General Information:

Rice stock release on hold

The Cabinet meeting on May 26, 2009 postponed the rice stock release of 2.2 million tons (out of the tender of 3.0 million tons, TH9068 and TH9073) until the next Cabinet meeting on June 2. The Cabinet plans to set up a Steering Committee on Agriculture Commodity Strategy chaired by the Deputy Prime Minister to resolve the ongoing stock release disagreement between the Subcommittee on Stock Release, chaired by the Commerce Minister, and the Cabinet. This

committee will develop a framework for government agricultural stock releases as the Cabinet now must approve stock release decisions prior to commodities being released to the market. The Cabinet remains concerned about anticipated losses of more than 20 billion baht (\$580 million) from the proposed intervention rice stock release as final bidding prices were 10-15 percent lower than market prices and 30-40 percent below acquisition prices under last year’s MY2007/08 second crop intervention program.

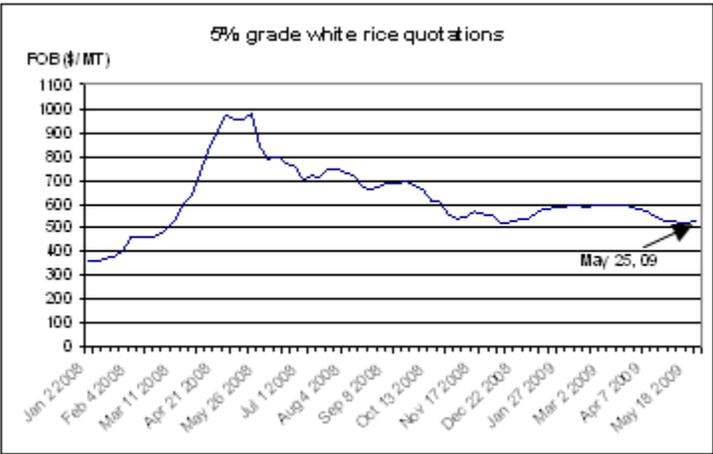
Table: Bidding result of Government Stocks during March - May 2009

Commodity	Quantity (Metric Ton)		Prices (Baht/Ton)	
	Bidding Result	Tender	Bidding	Intervention
Rice (mostly 5% grade WR)	2.2	3.0	14,000 - 16,000	18,000 - 23,000*
Corn	0.4	0.4	2.50 - 5.45	5.95 - 8.5
Tapioca root equivalent	7.0	10.0	N.A.	1.8 - 2.05
-Tapioca chip	2.0	2.9		
-Tapioca flour	0.5	0.7		

Note: *Rice equivalent

Rice export prices temporarily fluctuate due to uncertainty

Following this week’s Cabinet decision, quotations of 5% grade white rice increased by 2-3 percent after declining since April 2009 when the government announced its plan to release intervention stocks on May 6. Some exporters who won the bidding and have already concluded contracts are reportedly facing difficulties as their new rice shipments will now be delayed.



Despite anticipated losses, exporters expect the government will eventually release the intervention stocks. Bidding prices will likely be renegotiated this week for higher prices. However, the prices will be finalized well below the government acquisition prices. Exporters will not bid at the acquisition price level which was 40-50 percent higher than world prices at the time. In addition, the intervention stocks will reach 4.0 – 5.0 million tons by the end of July 2009 due to the recent target expansion of current MY2008/09 second-crop intervention program (TH9072). By the end of July, export prices will likely remain under downward pressure as the Thai government will remain under pressure to release large amounts of intervention stocks for future programs.

Corn and tapioca bidding cancelled

The conflict between the Cabinet and the Commerce Minister over anticipated losses from the stock release has also caused the cancellation of the corn and tapioca stock releases. Exporters who won the corn tender bidding for 0.4 million tons for exports on March 5 have cancelled their bidding as the bidding prices are currently higher than market prices. Also, the winner of the tapioca tender on April 24 has cancelled export contracts, which include 2.2 million tons of tapioca chips and 0.5 million tons of tapioca flour (TH9029), due to the time constraint on tapioca delivery from the government warehouse. Losses from corn stock release are expected at \$90-\$145/MT, and tapioca at \$20-\$25/MT, as intervention prices were set 30-60 higher than market prices.

End of report.