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Thailand's Price Subsidy Programs for Rice and Oil Palm Farmers

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Approved By:

Russ Nicely, Agricultural Counselor

Prepared By:

Sakchai Preechajarn, Agricultural Specialist

Report Highlights:

The Cabinet agreed to allocate a budget of 60.36 billion baht (U.S. \$1.98 billion) for three agricultural price subsidy programs for small rice and oil palm farmers. These programs are seen as the government's action to keep its promise from the General Election campaign in early 2019 that Thai farmers must have better livelihoods through higher incomes from their farming.

On August 27, 2019, the Thai Cabinet agreed to allocate a budget of 60.36 billion baht (U.S. \$1.98 billion) for three agricultural price subsidy programs for small rice and oil palm farmers. The details of each program are as follows:

First, the Paddy Rice Price Guarantee Program, which was previously adopted by the Abhisit Administration from MY2009/2010 to MY2010/11 and suspended by Yingluck Administration, was revived. Under the program a budget of 21.50 billion baht (U.S. \$705 million) will be used as cash compensation for registered rice farmers when market prices are below the determined guarantee prices. The program is aimed at supporting MY2019/20 main crop rice production. The guarantee prices of white paddy rice in MY2019/20 are set at approximately 30 percent above current market prices (Table below), while those for other rice varieties are lower than current market prices. The eligible tonnage granted to rice farmers varies by rice varieties based on the average yield of paddy rice production and the individual household's actual acreage (limited to not more than 40 rai (6.4 hectares) per household). Farmers will directly receive this compensation only when market prices are lower than guarantee prices during the period of October 15, 2019 – February 28, 2020.

Table: Paddy Rice Price Guarantee Prices for MY2019/20 Main Crop Rice

Paddy Rice Varieties	Guarantee Price	Eligible Tonnage	Current Market Price
	(Baht/Metric Ton)	(Metric Ton)	(Baht/Metric Ton)
White Paddy Rice	10,000	30	7,600 - 7,700
Fragrant Paddy Rice (Hom Mali)	15,000	14	15,100 - 17,000
Pathumthani Fragrant Paddy Rice	11,000	25	9,700 - 10,700
Provincial Fragrant Paddy Rice	14,000	16	N.A.
Glutinous Paddy Rice	12,000	16	11,670 - 17,000
Source: Ministry of Commerce			

Note: Exchange rate: 30.49 baht:1.00 U.S. \$

Second, another amount of 25.5 billion baht (U.S. \$836 million) is allocated for the Direct Payment to Cover Rice Production Cost Program. Under this program, registered farmers will receive a direct payment of 500 baht per rai (U.S. \$102 per hectare) on a maximum of 20 rai (8 acres) for MY2019/20 main crop rice production.

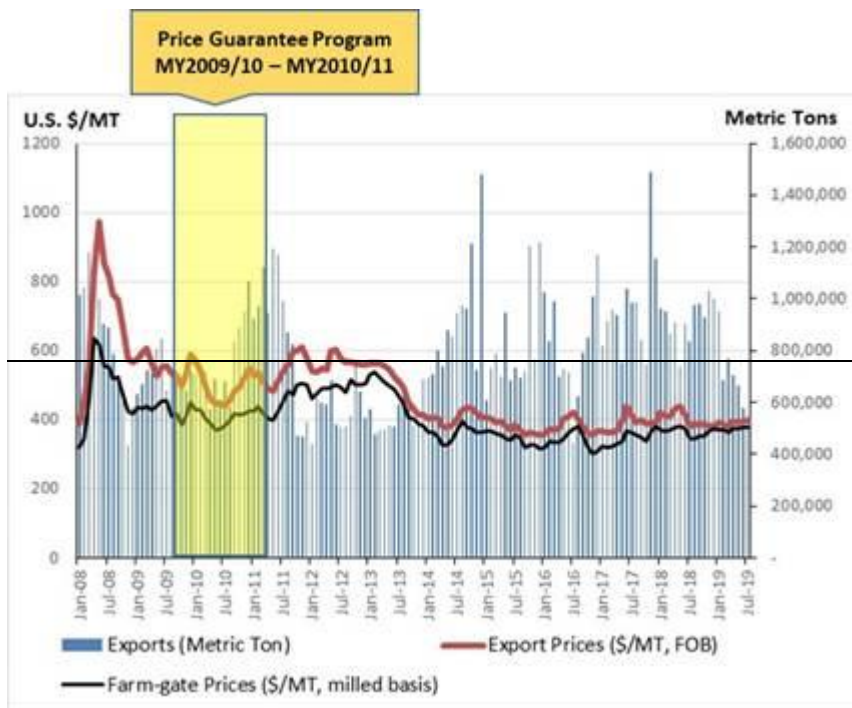
Third, the budget of 13.38 billion baht (U.S. \$439 million) is allocated for the Oil Palm Price Guarantee Program. Like the Paddy Rice Price Guarantee Program, the funds will be used as cash compensation for registered oil palm farmers when market prices are below the government's guarantee price of 4 baht/kg (U.S. \$131/metric ton). The subsidy to individual farmer is limited to no more than 25 rai (10 acres) per household and the program will be open from August 2019 to September 2020.

These three programs are seen as the government's action to keep its promise from the General Election campaign in early 2019 that Thai farmers must have better livelihoods through higher incomes from their farming. It is believed that similar price support program will be soon created for other

agricultural commodities, particularly rubber and corn.

The program impact on rice and oil palm production may be minimal mainly because the program is currently limited to one crop-year, and even if it continues in the future, cash compensation that is based on average yields and a ceiling of eligible area per household should not encourage farmers to increase their planted area and improve their farm productivity. On the other hand, when considering the impact on Thai rice exports, the Paddy Rice Price **Guarantee** Program is expected to help Thai rice be more in line with the global market mainly because domestic prices will not be distorted as much as when compared to the previous Paddy Rice **Pledging** Program. This is confirmed by the performance of the previous Paddy Rice Price **Guarantee** Program during the Abhisit Administration from MY2009/10 to 2010/11. In MY2009/10 when the first ever Paddy Rice Price **Guarantee** Program replaced the long-standing Paddy Rice **Pledging** Program, farm-gate prices of Thai rice declined by approximately 10 percent from the previous year (Figure 1). This largely helped Thai rice exports increased to 9 million metric tons in 2010, up 6 percent from 2009, and further increase to 10 million metric tons in 2011. The government's compensation in that year totaled 48 billion baht (U.S. \$1.5 billion) which exceeded Thailand's total Aggregated Measurement of Support (AMS) of 19 billion baht (U.S. \$613 million) bound with WTO.

Figure 1: Monthly Thai Rice Export and Farm-gate Prices



End of Report.

