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Thailand

Grain and Feed

Thailand's Japonica Rice Situation

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Report Highlights:

Thailand's japonica rice production will likely increase to over 100,000 tons in the near future in line with the expansion of japonica flour mills, from which flour is mainly exported to Japan. Japanese and Korean restaurants also rely on local japonica production. Hence, the exportable supply of Thailand's japonica rice is insignificant. Moreover, the export potential is limited by China's cheaper and superior japonica rice.

Includes PSD Changes: No
Includes Trade Matrix: No
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Executive Summary

Thailand has recently expanded cultivation of short grain rice, in particular japonica rice. The production will likely increase from the current level of around 25,000 metric tons of paddy to over 100,000 tons in the near future. All cultivated areas are strictly contracted farming. Most production is used as raw material in food industries, in particular flour, which is reportedly exported mostly to Japan. Japanese and Korean restaurants in Thailand also rely on local japonica rice. As a result, the exportable supply of Thailand's japonica rice is insignificant. Also, the export potential is reportedly limited by relatively cheaper japonica rice from China and Vietnam. Moreover, China's japonica rice quality is superior to Thailand's.

Production

Thailand's Agricultural Extension Department of the Ministry of Agriculture estimates the production of japonica paddy at about 25,000 tons (16,500 milled equivalent). All cultivated areas are strictly contract farming, locating mainly in the upper North of Thailand, in particular Chiangmai, Chiangrai, and Lumphun regions. Production is classified into two crops, major and second crops. The average yield of the second crop is quite high, at around 4.4 ton/hectare, as compared to that of the major crop of around 3.4 ton/hectare, due to more favorable weather conditions (cold and dry). In term of production cost per hectare, the official sources reported that the cost of japonica production is quite the same as Thai long grain paddy, at around 280-370 US\$/hectare. However, due to the higher average yield of japonica, as compared to the average yield of long grain paddy of around 2.5 ton/hectare, the production cost of japonica is effectively lower than that of Thai long grain paddy.

An Estimate of 2003 Thailand's Supply and Demand of Japonica rice

Unit: Metric ton

Planted Area (hectare)		3,200
Production (Paddy)		25,000
Major crop	11,000	
Second crop	14,000	
(Milled)		16,500
Domestic Consumption		12,000
Industrial use	11,000	
Food grain	1,000	
Exportable supply		1,750
Stock		2,750

At present, the cultivated areas are expanding more to the lower North of Thailand, in particular Sukhothai, Uttaradit, and Phitsanulok, from the current contracting planted areas of around 3,200 hectares in the upper North. The area expansion should reach a target of around 35,000 hectares, in line with the export demand potential for japonica flour. Also, farmers are reportedly switching out of their long grain paddy crop to the contracted japonica crop, due to a relatively more attractive return. Farmer income will likely increase by twice in light of the guarantee prices of 7,000 – 8,000 Baht/ton (roughly US\$ 180-205 /ton) and the high yield potential. However, despite government encouragement for the replacement of traditional long grain crops with japonica crops, the expansion will likely be limited to

irrigated areas, given suitable geographical conditions. In addition, trade sources reported that farm management for japonica crops is much more difficult than Thai long grain crops, as they are pest-intolerable.

Consumption

Most japonica production is used as raw material in food industries, in particular flour. All of this flour is reportedly exported to Japan, as it is made of specific varieties produced under contract farming. Trade sources reported that local production of japonica paddy still does not meet the industrial demand. Some flour millers have recently expanded their production capacity, targeting total japonica paddy of 100,000 tons to reach their production capacity of japonica flour of 40,000 tons, due to attractive export market potential for flour. Moreover, they are also expanding their production lines to include japonica-based snacks and sake. In addition, Japanese and Korean restaurants, a restaurant category growing dramatically in Thailand, are major end-users of the local japonica production.

Trade

Due to the fact that most japonica rice is used as raw material in food industries and as table rice in Japanese and Korean restaurants in Thailand, the exportable supplies of japonica rice are insignificant, approximately only 1,000 – 2,000 tons. Thai rice exports to Taiwan during Jan. – Nov. 2003 totaled 16,096 tons, in which fragrant rice and glutinous rice played a significant role. Also, the export market potential of Thailand's japonica rice is reportedly limited by strong competition from the relatively cheaper Chinese and Vietnamese japonica rice. China's japonica export prices are reportedly cheaper than Thailand's by US\$ 30 /ton. Moreover, China's japonica rice quality is superior to Thailand's due to more suitable weather conditions (cold and dry). Trade sources reported that only a small amount of Thai japonica rice could be exported to regular buyers, like Hong Kong, Singapore, and Taiwan.

Thai Rice Exports to Taiwan by Types of Rice

Unit: Metric ton

Type of Rice	Quantity	
	Jan. - Dec. 02	Jan. - Nov 03
Fragrant rice	3,861	5,485
Glutinous rice	3,671	6,419
White rice	5,934	4,193
100% grade	4,723	2,056
5% grade	968	1,040
10% grade	0	1,091
15% grade	222	0
broken grade	21	6
Grand total	13,466	16,097

As for Thailand's import demand for japonica rice, trade sources reported that Thailand also imports japonica rice from China. According to Thai Custom statistics, total rice imports for Jan. – Nov. 2003 totaled 5,016 tons, of which 4,642 tons were from China. Thailand imports of rice from China have increased significantly since 2002 when imports from China amounted to 161 tons from the total rice imports of 349 tons. Most rice imports from China are reportedly japonica rice.

End of Report.