

Thailand Set to Sell Off Huge Stockpile of Rice

By Reuters

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SUPHAN BURI, THAILAND — Thailand is set to sell 500,000 metric tons of rice on world markets **at a loss** as it scrambles to offload a record **stockpile deteriorating** in warehouses filled with grain bought **under a government program**.

The two-year-old policy of paying farmers more for rice than it is worth on international markets is straining the country's finances, has cost Thailand its spot as world's top exporter of the grain and has provoked concern at the World Trade Organization.

Although officials publicly deny that the politically sensitive effort is in a crisis, the government is looking at measures to stem ballooning losses that so far are estimated at \$6 billion.

A Thai official also said this month that the government might cut the price it pays to a level closer to the value of rice in international markets, prompting an angry response from farmers. Bangkok may also stop buying lower-quality strains of the crop.

Rival producers like India and Vietnam, which have stepped into the vacuum caused by the exit of Thai exporters from the market, are watching closely in case Thailand dumps millions of tons of rice onto well-supplied world markets, **causing prices to slump**.

In questions brought before a World Trade Organization committee this week, the United States again challenged Thailand to explain how it planned to dispose of the rice.

Government stockpiles are estimated at a record 17 million metric tons of milled rice, nearly twice what Thailand used to export each year before the program was implemented two years ago.

An unraveling would be politically costly for Prime Minister Yingluck Shinawatra, given that the program helped her win millions of rural votes when she was elected in 2011.

Farmers say payments have been delayed, with the state bank running the program complaining that it has received only a fraction of the funds needed.

"The government might have run out of money. I've had to wait for two months," said Prasert Chamsopa, 66, a farmer in the rice-growing province of Suphan Buri who had sold 35 tons from his paddy to the government.

According to the agricultural cooperative in the province, which is north of Bangkok, more than 1,000 farmers have experienced similar problems and were getting ready to stage coordinated protests with farmers in other provinces.

That leaves the government in a bind: It is committed to buying yet more rice, which it has **no room to store** and which it is unable to sell without suffering a **huge loss**.

One grade of Thai rice was offered at \$545 per metric ton this week, down from \$570 early this year but still above offers for the same grade from India of as much as \$450 per ton and from Vietnam of about \$400 a ton.

A Commerce Ministry official said that Thailand planned to release as much as 500,000 metric tons from older crops onto the market by April, and that the sale would be based on market prices.

“We accept that some of the rice is from the previous crop, which is quite old and the quality is not very good, so it’s impossible to ask for very high prices,” said Thikumporn Nartworathus, deputy director of the foreign trade department of the Commerce Ministry, adding that it would be sold via a tender or government-to-government deals.

Traders and industry officials say the government will suffer big losses if it sells now with plentiful supplies available from India and Vietnam and with the baht hitting a 16-year high this month, making Thai rice more expensive in dollar terms.

The intervention program, criticized by academics, economists and the International Monetary Fund, is coming under increasing global scrutiny.

At the W.T.O.’s agriculture committee meeting this week, Washington asked Thailand to say whether stocks were being exported or used domestically.

In questions seen by Reuters, the U.S. delegation said Thailand had previously said that data on the program, including figures on rice exports, were on government Web sites, but that the data had been discontinued.

A potential trade complaint is unlikely until Thailand responds formally, but Australia, Canada and the United States urged Bangkok to reply promptly. The European Union also said that it was concerned and that Bangkok needed to say clearly how it would release stocks.

The Thai government is paying 15,000 baht, or \$513, per metric ton, so export prices are as much as a third higher than those for equivalent grades from India or Vietnam. That explains why, for the first time in three decades, Thailand was not the world’s biggest rice exporter in 2012.

In early March, the Thai Commerce Ministry tested the waters by suggesting that the government could stop paying the high price for rice.

The reaction in the countryside was immediate and angry. The Thai Farmers Association threatened to take thousands of farmers to Bangkok to protest.

The Commerce Ministry said the government might also consider no longer buying 18 varieties of fast-growing rice of lower quality, which farmers have used to squeeze in more crops to cash in on the intervention program.

The government is running short of properly equipped warehouses, and even if the rice is stored in good conditions, its quality could start deteriorating after a year or two.

Commerce Minister Boonsong Teriyapirom said in October that 7.3 million metric tons had been sold in government-to-government deals, but the foreign countries he named have not confirmed that, and exporters have seen no port activity to back it up.

Samarendu Mohanty, a senior economist at the International Rice Research Institute, based in Manila, said that while rice consumption in 2013 should remain strong, global rice prices would fall if Thailand unloaded its stocks.

Kiattisak Kalayasirivat of Novel Agritrade warned that prices could drop by \$20 to \$30 per metric ton if Thailand sold stocks, although demand from Africa or China would probably provide support.

Industry officials say something will have to give.

“The government can’t go on with this scheme, and it needs to adjust things, otherwise it could mean a collapse of our fiscal stability, affecting each and every taxpayer,” said Vichai Sriprasert, honorary president of the Thai Rice Exporters Association.