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Thailand's Rice Bowl May Get Smaller as Farmers Curb Plantings
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By Alan Bjerga and Supunnabul Suwannakij

April 8 (Bloomberg) -- Many Thais revere Me Posop, the rice goddess who guards humankind and rewards good stewards of her grain. Me Posop has been kind to Thailand in recent decades.

While its neighbors Vietnam, Myanmar, Cambodia, and Laos struggled through war, Marxist-Leninism, and authoritarian rule, Thailand prospered from its new factories and rice exports. The nation surpassed Myanmar as the world's top rice shipper in 1965. Last year, 9 million metric tons of Thai rice were exported around the world.

Thailand, like the Saudi Arabians in oil, became the key producer, the country that could always moderate global prices with its abundant reserves. This year, while corn and wheat prices have reached new highs, ample stockpiles of Thai rice have driven rice prices down, Bloomberg Businessweek reports in its next issue.

Now the Thai government is proposing a change in strategy for its rice growers, who feel pressured by prices, pests and competition from emerging rivals. The government may be ready to abandon Thailand's position as the world's top rice exporter, a serious decision considering the mounting anxiety over the stability of global food supply.

Thai farmers are certainly worried about their business. In the rice paddies near Ayutthaya, a former Siamese capital that 17th century emissaries from Louis XIV compared with Paris in its wealth and importance, Payao Ruangpueng must battle an infestation of rice planthoppers that are munching their way through the paddies.

Crop Damage

"We're suffering from a rice-price slump, crop damage, and lower-than-expected production," she says, standing on the edge of a rain-soaked paddy. "Production costs are higher than income. We can't afford to continue planting."

The Thai government stated its intention in March to encourage farmers to cut a third planting this year to improve quality and combat the hopper, which dies if deprived of rice plants for 25 days. The plan may eventually reduce annual exports by 2 million tons, or about 20 percent of Thailand's shipments.

Thai officials say they want the industry to focus on grades of rice that fetch higher prices. While Thai rice shipments have increased 33 percent in the past decade, Vietnamese exports are up 70 percent in the same period to 6 million tons, according to the U.S. Department of Agriculture.

Cambodia and Myanmar are also emerging as rice powers, says Pramote Vanichanont, honorary president of the Thai Rice Mills Association and a member of the National Rice Policy Committee. Thailand has priced itself out of much of its own market, he says. Land prices have risen, as well as the cost of tractors and the wages of farmhands.

Marketing Hub

The government also plans to turn the country into the warehouse, finance and marketing hub of Southeast Asia's rice trade. The Agricultural Futures Exchange of Thailand, the nation's government-backed rice and rubber bourse, is starting a new futures contract on April 29 intended to be a regional benchmark for standard quality rice.

This strategy may not be good for global food needs. The United Nations expects world food demand to rise 70 percent by 2050, and its Food and Agriculture Organization urged Thailand and its neighbors to grow more rice in February.

Reductions in Thailand's production may end up hurting poor consumers in Africa and elsewhere while doing little for Thai prices, says Kiattisak Kanlayasirivat, a director at the Thai office of trading company Novel Commodities SA.

"I doubt whether it is a good policy, as cutting the supply may lead to food shortages," says Kanlayasirivat, whose firm trades about \$600 million of rice a year.

The Vietnamese may not even have the resources needed to replace cuts in Thai production.

"I personally think that Vietnam doesn't need to become No. 1 in rice exports," says Nguyen Van Bo, president of the Vietnamese Academy of Agricultural Science. "To export a lot, Vietnam will have to exploit a lot of land, use a lot of fertilizers. That could cause degradation of natural resources."

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--Editor: Susan Fingerhut, Stuart Wallace

To contact the reporter on this story:

Supunnabul Suwannakij in Bangkok at +66-2-654-7324 or

ssuwannakij@bloomberg.net; Alan Bjerga in Washington at +1-202-624-1857 or abjerga@bloomberg.net.

To contact the editor responsible for this story:

Larry Liebert at +1-202-624-1936 or lliebert@bloomberg.net; Jim Poole at 65-6212-1551 or jpoole4@bloomberg.net.