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Thailand

Bio-Fuels

Thai Government Agrees to Import 30,000 tons of Palm Oil

2008

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Report Highlights:

Subsequent to our report on rising commodity prices (TH8006), the Thai Cabinet agreed on January 22 to allow imports of 30,000 tons of palm oil to ease the current supply situation. The window for import, however, is limited to no later than February 29, 2008. Thailand's demand for palm oil is being driven by their B2 policy, which seeks to replace all diesel in Thailand with biodiesel by February 1.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Bangkok [TH1]
[TH]

On January 22, 2008, the Thai Cabinet agreed that:

- 1) The Public Warehouse Organization (PWO), a market intervention agency under the Ministry of Commerce, plans to import 30,000 tons of crude palm olein under the framework of ASEAN Free Trade Area. The PWO will distribute imported palm oil to palm oil refineries based on their historical purchases of domestic crude palm oil. The window for import is limited to February 29, 2008, to avoid affecting prices for domestic palm production which should increase significantly by March.
- 2) The PWO has been approved for an open Letter of Credit (L/C) with Krung Thai Bang PCL. in the amount of 1.2 billion Baht (\$37 million) for the import purchase.

In their proposal to the Cabinet, the Ministry of Commerce (MOC) cited several factors for the country's current tight supply situation:

- 1) Prices for both crude and refined palm oil have risen in recent months, negatively affecting consumers and consumer product manufacturers. Prices for crude palm oil (CPO) increased from 18.33 baht/kg (0.25 cents/pound) in January 2007 to 31.47 baht/kg (0.43 cents/pound) in December 2007 and currently about 37.00 baht/kg (0.51 cents/pound).
- 2) Demand for palm oil is forecast to increase sharply, largely driven by Thailand's B2 biodiesel regulation which seeks to substitute all diesel in Thailand with biodiesel which contains 2 percent palm oil. Post estimates Thailand will need to divert 346,000 tons of palm oil into biodiesel production to meet the government's goal. The B2 program is scheduled to be compulsory on February 1, 2008, but rumors continue to circulate that this date will be delayed due to inefficient biodiesel supplies.
- 3) The MOC estimates the increased demand can be covered by 2008 domestic production following increased harvested area and better yields. Nevertheless, supply is currently tight and stock levels are far below-normal. According to the MOC, current stocks of palm oil are 83,000 tons, or about one month of domestic consumption. The appropriate stock level should be able to meet at least 1.5 months of domestic consumption.
- 4) Imports of palm oil will be allowed until the end of February before the domestic bulk deliveries of fresh oil palm are scheduled to begin in March 2008. As a result, the imports should not affect prices received by domestic producers.

Although the supply situation is likely to ease with imports, the Department of Internal Trade agreed on January 25 to raise controlled retail prices for palm cooking oil from 43.50 baht/liter (US\$ 1.32/liter) to 47.50 baht/liter (US\$ 1.44/liter).

The following PS&D table reflects Post and MOC estimates of palm oil use and demand going into.

Unit: Metric Tons

	2007	2008
Beginning Stocks	164,000	83,000
Production	1,050,000	1,344,000
Imports	0	30,000
Total Supply	1,214,000	1,457,000
Domestic Consumption	907,000	1,336,000
- foods and consumer goods	905,000	990,000
- biodiesel	2,000	346,000
Exports (CPO)	224,000	20,000
Ending Stocks	83,000	101,000
Total Distribution	1,214,000	1,457,000

End of Report.