



International Trade Report

May 7, 2004

Who Has Corn for Thailand?

Summary

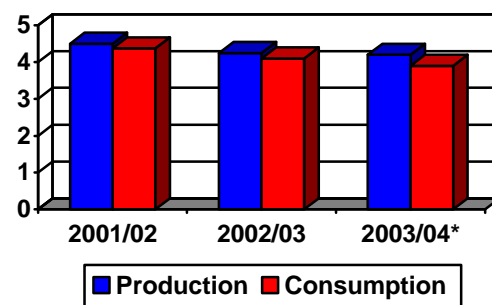
Thailand is scrambling for limited supplies of corn after having exported higher-than-normal volumes.

Normally a Small Exporter...

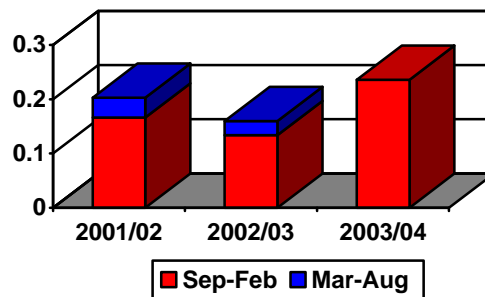
For the past several years, Thailand has been more than self-sufficient in corn, able to both supply its domestic market and export nearly 300,000 tons after its June harvest.

In January 2004, Thailand, the world's fourth largest poultry exporter, announced the presence of Avian Influenza (AI), which is highly contagious and deadly. As a result, millions of chickens had to be slaughtered, and a large number of farms had to be disinfected. Many people expected lower demand for feed stuffs in general and corn in particular, especially since poultry feed accounts for 70 to 80 percent of total feed corn demand. However, there were some who expected that AI would have only a minor impact on total feed use, as demand for poultry would temporarily shift to other meat products, and poultry requires a relatively short production cycle of approximately six weeks.

Thai Corn Supply & Use (mmt)



Thai Corn Exports (mmt)**



Supplies are Shrinking

In the meantime, corn traders, faced with growing feed corn stocks, feared the worst and exported unusually large quantities from September through February. Now, AI is nearly under control, demand for corn is going strong, and planting delays do not bode well for a possible rebound in production. With tightening supplies, domestic corn prices have risen to the highest levels in 20 years.

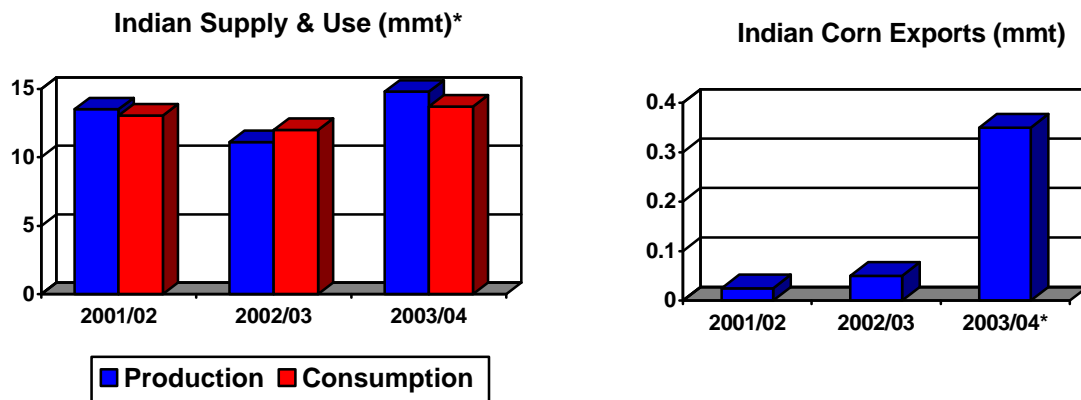
And Options are Limited, Some by Design

To ensure adequate corn supplies and put pressure on prices, the domestic feed industry believes imports are needed over the next several months. However there is a 2004 import quota of only 54,700 metric tons (mt), with an in-quota duty of 20 percent, and shipment is only allowed between March 1 and June 30. Non-quota imports face a 73 percent tariff plus a surcharge that varies depending on whether the exporter is a WTO member. Imports from ASEAN countries only face a 5 percent tariff. Between March and June, imports from Cambodia, Laos and Burma are duty-free, but these countries do not have sufficient exportable supplies.

The list of probable suppliers is extremely small at the moment. It is widely assumed that China has effectively withdrawn from the market for the time being. Despite public comments to the contrary, Indonesia does not appear to have large exportable supplies. High freight rates, combined with transportation time, severely limit the ability of the United States and Argentina to fill this demand. India had a record corn crop and has been shipping large amounts into Southeast Asia, making it the most likely potential supplier. However, India is not a member of ASEAN. Without an increase in the quota or a lowering of the duty, any exports to Thailand would either face the 20 percent in-quota tariff or the out-of-quota tariff of 73 percent plus a surcharge.

And the Government Responds

Facing increasing pressure from domestic industry, this week the Thai government decided to facilitate imports by opening a 500,000 ton duty-free import quota through mid-July. Given shipping time constraints, India seems the most likely supplier.



* USDA official data. 2003/04 Consumption and Indian Exports are forecasts.

** Thai Customs data through February 2004.

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