



Re-Imagining Rice Agriculture

Thailand Rice Convention 2019
28th May 2019, Bangkok

High global inventories: All exporting countries have higher stocks

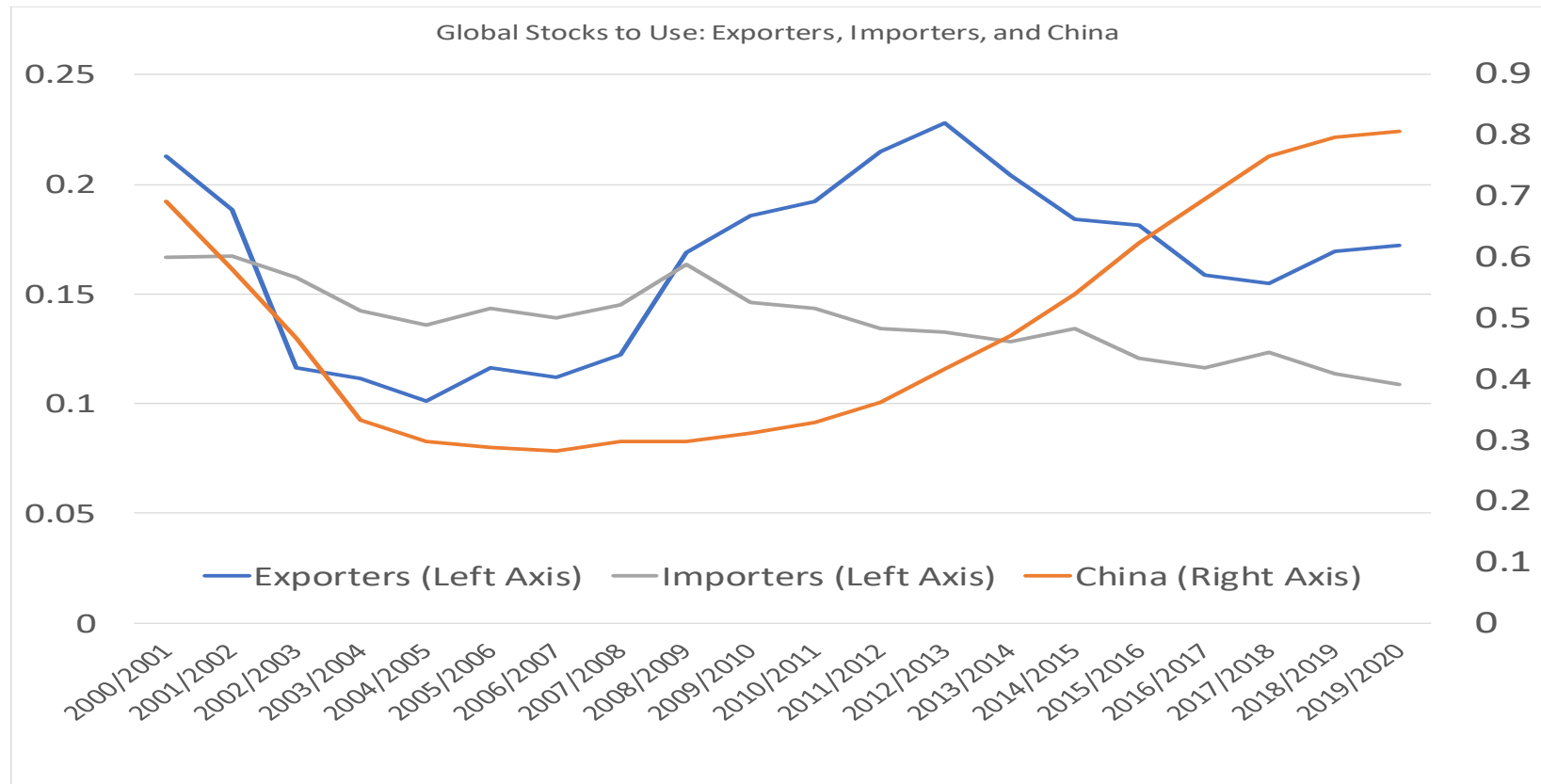
Fundamental Comparisons Table: USDA, FAO, IGC, Olam

For Major Exporting Regions Ending Stocks (in 1,000mt)

	2017/2018			2018/2019			2019/2020		
	<u>USDA</u>	<u>FAO</u>	<u>IGC</u>	<u>USDA</u>	<u>FAO</u>	<u>IGC</u>	<u>USDA</u>	<u>FAO</u>	<u>IGC</u>
India	22,600	21,800	22,700	25,000	25,700	21,900	25,500	27,550	
Thailand	3,009	5,600	3,200	3,174	5,400	3,100	3,624	5,600	
Vietnam	1,034	3,100	3,800	1,145	3,000	3,700	1,045	2,950	
USA	933	930	900	1,702	1,700	1,500	1,867	1,580	
Pakistan	1,424			1,324			1,224		
South America	1,818	690	1,100	1,530	670	900	1,363	480	600
China	109,000	105,100	92,900	115,000	106,500	98,500	117,000	106,500	
Other Asean	1,361			1,481			1,481		
Total Non	30,818	32,120	31,700	33,875	36,470	31,100	34,623	38,160	
YoY Diff				3,057	4,350	-600	748	1,690	

- Over the last few years, Thailand has been able to achieve very large export figures due **old crop availability**
- **Lower Inventories in Thailand** Post liquidation of the **government stock**
- Thailand ending stock has dropped from over **12Mn MT in 2013/14 to around 3Mn now**
- As that crop availability dwindles, **exports are adjusting lower** and more in-line with the country's production

High global inventories: Stocks-to-use

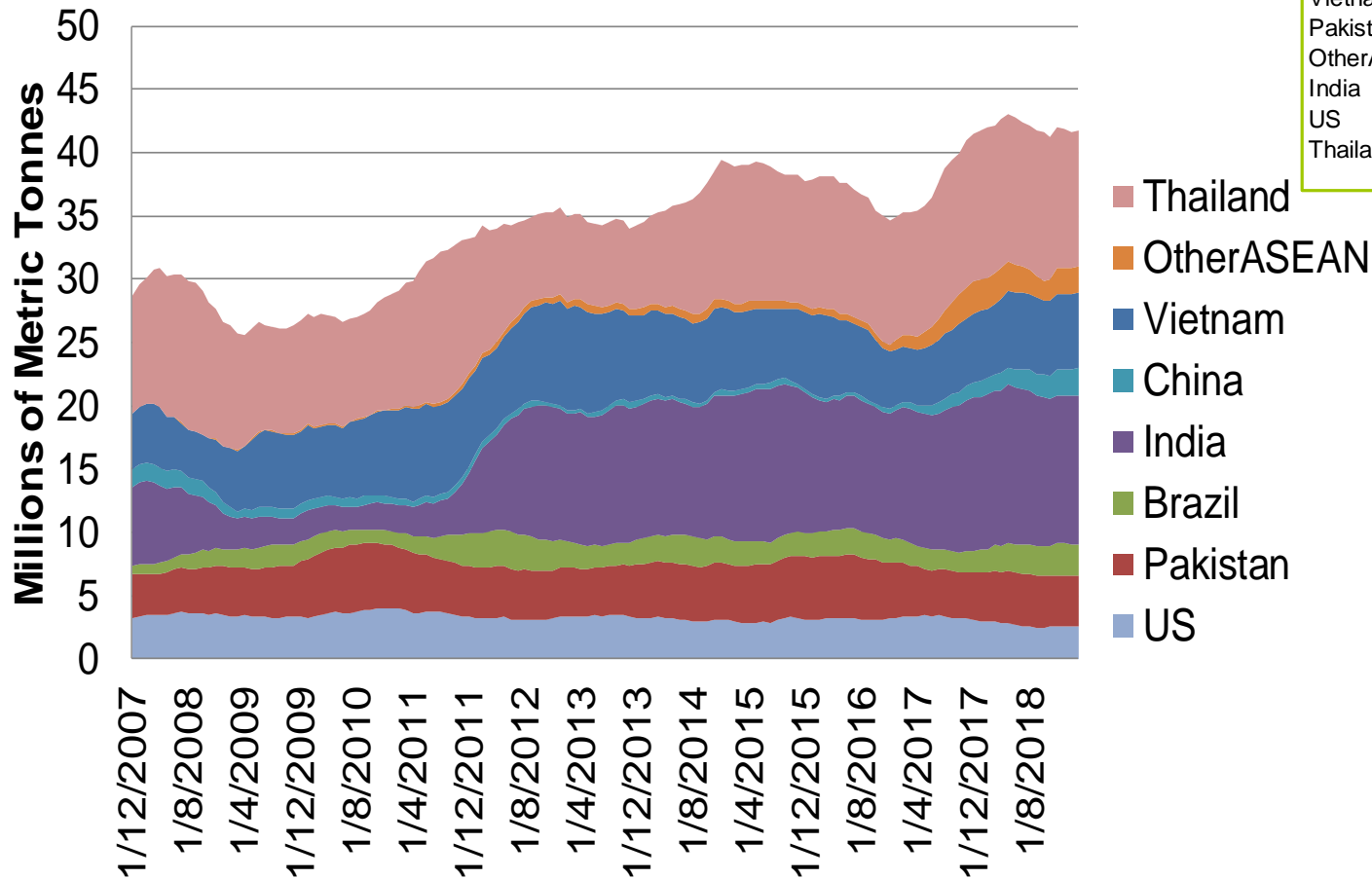


- Inventories in exporting countries (mainly India) will **remain high**
- Importing countries will continue to see a **drawdown in inventory** as major importers pursue self-reliance policies
- **Higher Inventories in China** are expected to flatten in 2020

Global Export demand is robust despite the loss of Bangladesh and Indonesia



Major Rice Exporters: 12-Month Moving Aggregate; Jan 2007 - Mar 2019

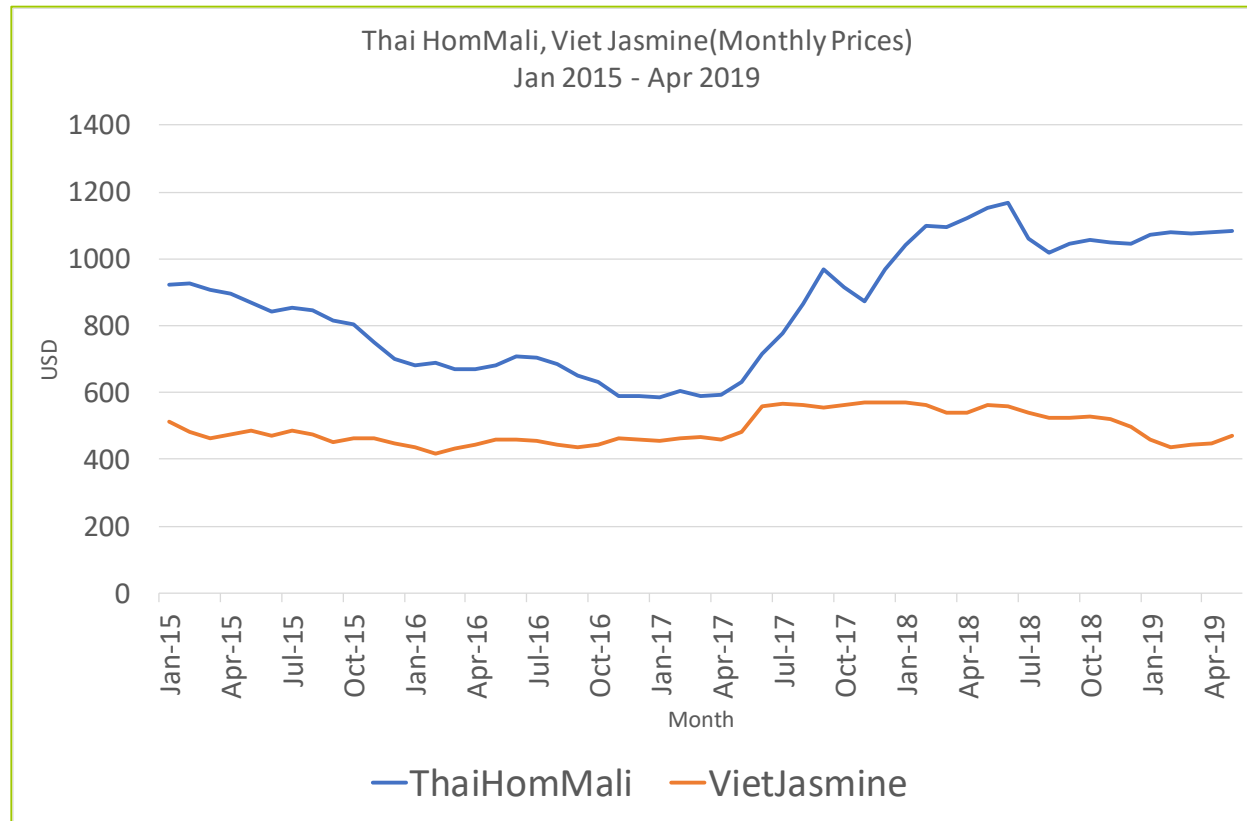


Volume Gain Loss (12M on 12M)	
000 mt	
China	840
Brazil (inc Argentina/Paraguay/Uruguay)	490
Vietnam	376
Pakistan	11
OtherASEAN	-343
India	-367
US	-445
Thailand	-1,017

China discounts continue to drive demand to China

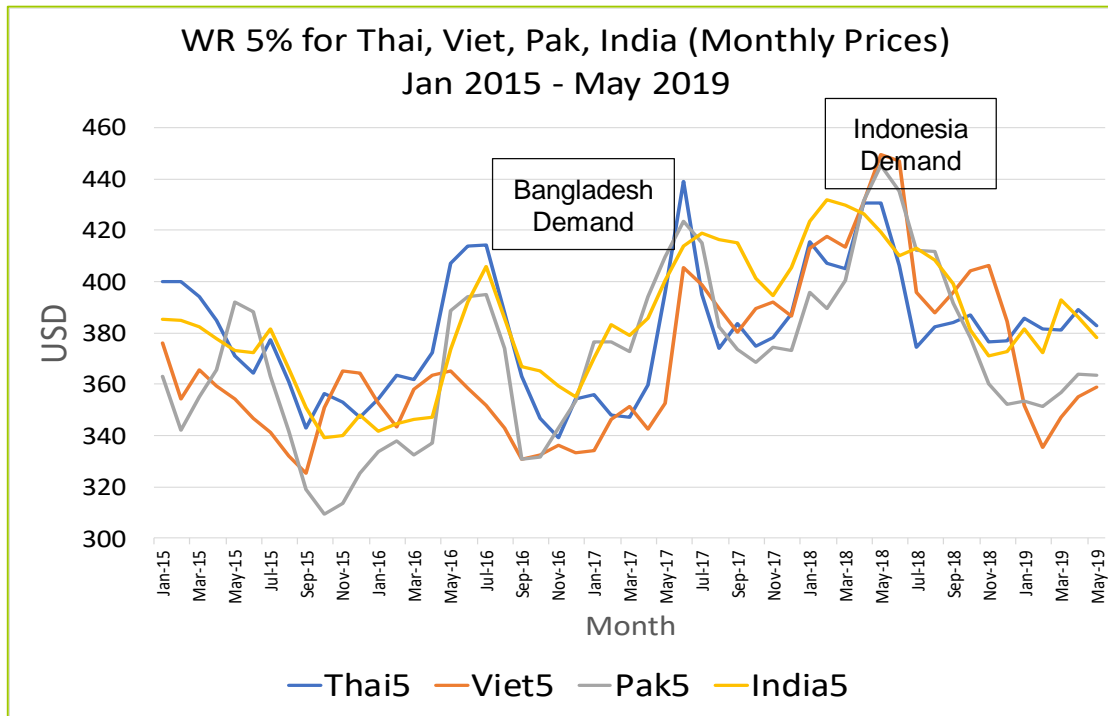
Philippines improves Viet

Thai Rice Prices Remains At A Premium



- **Increasing supply** of lower cost fragrant rice from **Vietnam** drives **Thai export demand lower**
- **Thai Hommali** has been able to remain steady at **higher prices** on the back of **domestic demand, Core Exporting countries Demand and lower stocks**

Thai Rice Prices Remains At A Premium



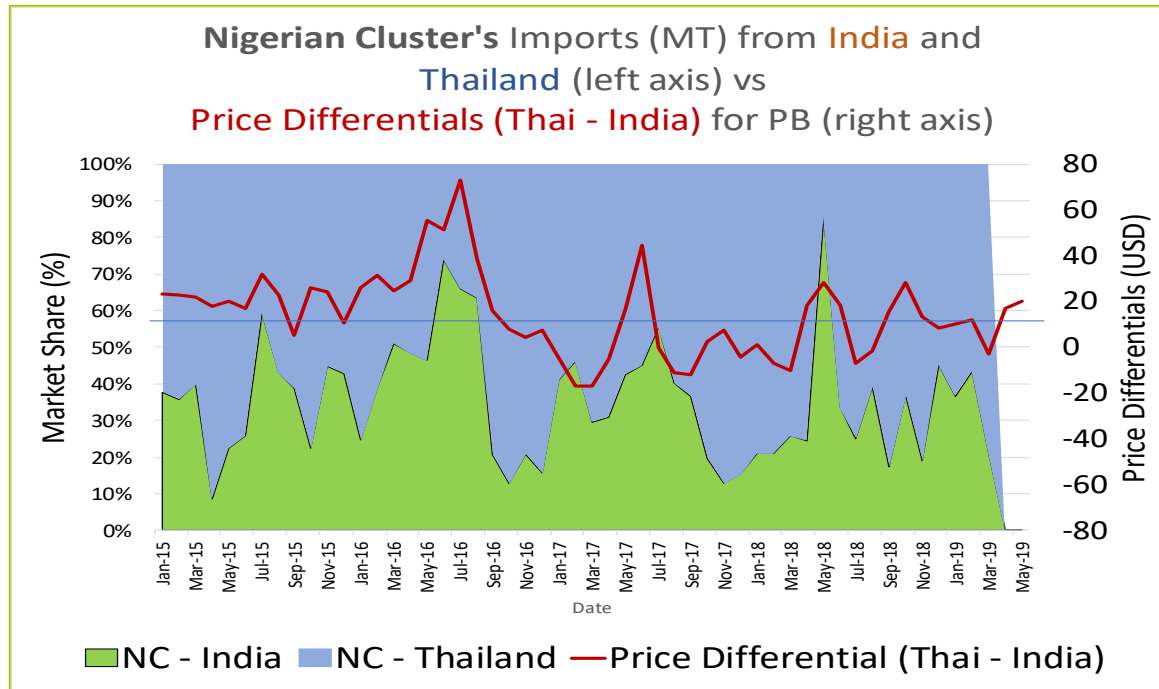
WR Prices have reverted back to **2015 lows** as:

- Exceptional import demand from **Bangladesh and Indonesia** has dried up
- The major Exporting countries (especially India) continue to see **high inventories**
- **China has begun exporting cheap old crop**; taking less imports (especially cross-border)

Thailand has **less inventory** and also sees risk of further shortage due to **drought**.

Thai and Indian white rice prices have also been able to offer **stability** even as other markets fell to near-term lows

Thai Rice Prices Remains At A Premium



Nigerian Cluster PB Demand:

- Indian volumes come up as the Thai prices are relatively expensive
- Recent **dominance by Thailand** would continue without a larger spread

Other West African PB Demand: Indian volumes dominate this region

South Africa PB Demand: Thai would continue to dominate this market

Thai Rice Global Market Outlook

For Thailand rice:

- **Lack of overhang of the government inventory** – No Cheap rice to export; **Market would substitute Thai Old Crop stock with Chinese Old Crop**
- **Lower Ending stock** compared to the other exporting countries – **Firmer Prices**
- **Weather related risk** and derived **shortages** – **Thai Rice at a Premium**
- Thai Rice continues to enjoy a **High Quality Reputation**

“Re-Imagining Thai Rice”

Maintain Thai Rice **Premiums** by meeting the Changing **Consumer needs** and develop the **“core export demand”**

Sustainability: Maintaining Thai Rice Premiums by meeting consumer needs



Sustainable rice is gaining momentum

Consumers are increasingly ethically-minded

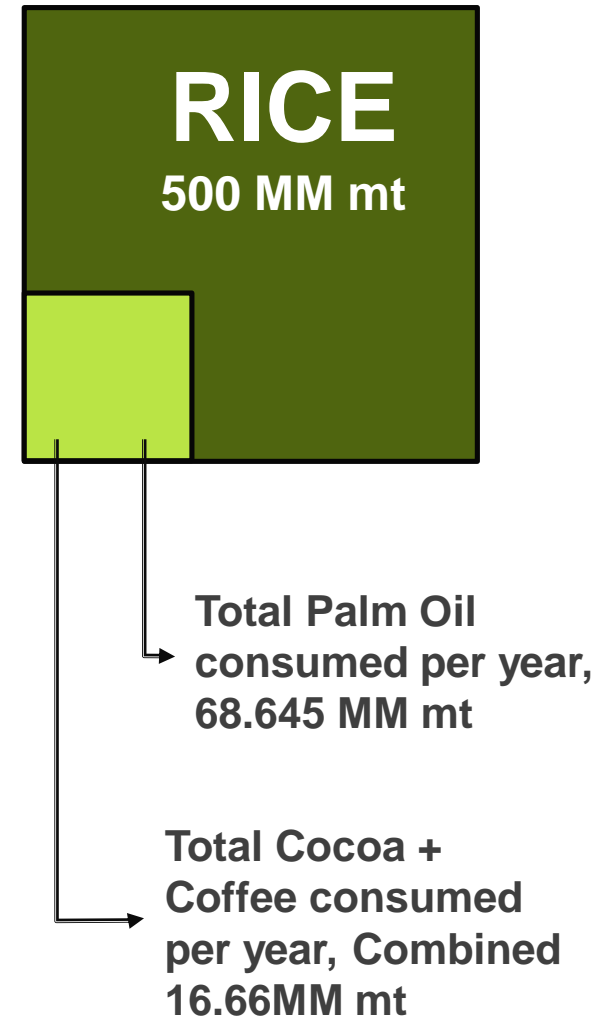
Food products with ethical claims is a **US\$250bn** category with **4% growth** per year



Note: quotes from consumers
Research Mar/Apr 2019

Traditional premium-led model is very limited for Rice

- Premium Model: Higher income rice consumers, who can afford to pay a premium for sustainable rice**
 - These consumers purchase **Premium Products** such as Thai Hommali Rice, mostly in high-end packaging
 - These niche markets can maintain a **similar model to coffee/cocoa**, but only accounts for a about **10% of the global rice market**
 - Sustainability can deliver the High end Products that can command the premium**
- Sustenance Model: Majority rice consumers eat cheap, non-fragrant rice, and its byproducts (e.g. broken) as a cheap staple carbohydrate**
 - Premium model will struggle with lack of margin
 - Sustainability Projects can help **reduce the cost** of farming, improve milling yields – overall reduce the Cost



Thailand should be at the forefront of Sustainable Rice efforts



Implemented by



Thai Rice Department, GIZ & Olam led partnership from 2016 which aims at moving 16,000 farmers in Thailand to Sustainable standards

- Olam has been the Pioneer in Sustainable Rice Initiative
- Only Private company in the world to offer Sustainable rice in this scale
 - Premium Quality rice
 - Volume – Scalability
 - All assurances as per the SRP standard

Positive Impacts we have been able to achieve

1. Farmers have seen a **9% reduction in cost**
2. Quality improvements have also **improved incomes by a further 10%**
3. Word of mouth has led us from **70 farmers in 2016**, to **2,300 Farmers in 2018** and expected to be **6,000+ farmers in 2019**
4. **Water savings** as high as **40%**

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Implemented by



Thai Rice Department, 10 Thai Ministries, GIZ, Olam, and others in **NAMA** in 2019 which aims at moving **100,000 farmers in Thailand to Sustainable standards by 2023**

Goal

To achieve transformational change through a paradigm shift from conventional to low-emission farming in Thailand

Objectives

- Farmers have adopted the SRP Standard/GAP++ and thereby reduce GHG emissions and realize additional co-benefits.
- Mitigation services are provided in the market
- Innovative incentive schemes are established on the national level to support the transformation of the whole rice sector to low-emission production.

Duration

- 5 years from Aug 2018 – July 2023

Budget

- 14.9 million Euro

“Re-Imagining” Thai Rice Industry for a Sustainable Future



