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## **Thailand**

### **Oilseeds and Products Annual**

**2011**

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**Report Highlights:**

Despite increased demand for imported soybeans and soybean meal, U.S. soybeans are facing challenges in the Thai market as Thai consumers have preference for those of South American origin, especially Brazil, on protein and oil content claims. On soybean meal, recent developments on its trade in Thailand is disfavoring domestic soybean oil crushers, as feed mills are increasingly using financial instruments to hedge against market volatility, hence are sourcing from abroad.

**Executive Summary:**

Due to a small and stagnant domestic soybean production, Thailand mostly relies on imported soybean and soybean meal to support its feed demand from the steadily growing livestock, poultry, and aquaculture industries. Imports of these two products are estimated to increase in both MY2010/11 and MY2011/12. However, U.S. soybean market share in both of these years is estimated at 14 percent, a level far behind Brazil's estimated 75 percent market share, due to the Thai feed mill industry's fondness for Brazilian soybeans on claims of higher protein and oil content. Meanwhile, US exposure in the Thai soybean meal market will be minimal in MY2010/11 and MY2011/12 following less-expensive supplies from South American countries.

Developments in the soybean meal trade in Thailand are disfavoring domestic soybean oil crushers. Recently, several Thai feed mills have switched to buying more imported soybean meal from the international futures market which has helped them better manage risk from volatile market prices, this has also resulted in leveraging their bargaining power with domestic crushers that supply domestic soybean meal. As a result, soybean meal imports in 2010 increased remarkably by 26 percent from 2.077 million tons in 2009 to 2.616 million tons.

In response to this marketing change, soybean oil crushers were forced to reduce soybean meal prices in late 2010 and early 2011 and are seeking to increase soybean oil exports. Additionally, a group of soybean oil crushers approached the Ministry of Commerce seeking authorization to export excessive supplies of locally produced soybean meal, as exports of soybean meal are currently banned by the Thai government. According to trade sources, this a direct result of the increasing fondness of Thai feed mills in using the futures market to hedge price volatility which has had the effect of sourcing soybeans from abroad and has added pressure on domestic crushers to consider the introduction of a futures market in Thailand.

There have also been developments in the fish meal production in recent years. The Department of Livestock Development successfully ran a campaign to improve the quality of domestic fish meal by initiating GMP and HACCP training and certification for participating fish meal plants. Improvements in quality and manufacturing processes of Thai fish meal have resulted in a fourfold increase in exports from 26,826 tons in 2009 to 110,806 tons in 2010. Fish meal exports should further grow to 130,000 tons in 2011.

## **SECTION I: SITUATION AND OUTLOOK**

### **1.1. Soybeans**

Domestic soybean production remains small and stagnant at about 170-180,000 tons annually, as officially reported by Office of Agricultural Economics (OAE) of the Ministry of Agriculture and Cooperatives (MOAC), supplying about 10 percent of total demand. Lack of improved seed varieties has resulted in stagnant productivity gains. According to trade sources, soybean acreage should remain flat in the next few years. Soybeans are planted in the most suitable areas mostly in the North of Thailand so that a group of farmers always maintains a segment of their land for soybean production.

Total soybean domestic consumption is estimated to grow 5 percent annually in both MY2010/11 and in MT 2011/12.

In 2010, the two largest soybean oil crushers completed their significant expansion plans by increasing refining capacity by 3,500 tons/day to the Country's original capacity of 6,000 tons/day or 60 percent increase from the preceding capacity. However soybean deliveries to crushing plants are estimated to grow only 5 percent in MY2010/11, as these crushers will underutilize the existing capacity as feed mills source an increasing amount of soybean meal from abroad due to more attractive prices. This trend should continue in MY2011/12 when soybean deliveries to crushing plants are forecast to grow another 4 percent. Details on this development are discussed in the "Soybean Meal" section.

The facilities that expanded their plant capacity are the Thai Vegetable Oil Co. (TVO) and Thanakorn Vegetable Oil Products Co. (TVOP). TVO, the largest crusher, opened its new facility in May 2010, adding an additional crushing capacity of 2,000 tons/day to its preceding capacity of 4,000 tons/day of soybeans. TVOP, the second largest crusher, started operations on its new plant in late 2010 with a capacity of 2,500 tons/day, adding to its preceding capacity of 1,300 tons/day. Out of 10 soybean crushing mills in Thailand, TVO and TVOP utilize 90 percent of soybeans destined for oil crushing.

Demand for soy-based food will continue to grow steadily in line with health trends as consumers perceive that these products provide nutritional benefits. The soy-base food industry prefers domestic soybeans to imported beans due to freshness and GM-free assurance. However, with a growing annual demand of 10-12 percent and a stagnant supply, processors are increasingly relying on imported soybeans to meet their needs. In 2010, soymilk processors imported between 25,000-30,000 tons of non-GM food grade soybeans (mainly from the US and Canada) to meet demand.

Thailand is a promising market for imported soybeans due to a steadily increasing demand and a small and stagnant domestic production. In addition, soybean oil crushers, the largest importers, are quality conscious since they need to produce high-quality soybean meal from imported soybeans to compete with imported soybean meal as soybean meal accounts for 60 percent of revenue. In light of this and according to trade sources, the two largest crushers have a preference to source imported soybean supplies from Brazil due to relatively higher protein and oil content than other sources including the US. Opportunities for U.S. soybeans are usually best immediately after the harvest season (November-February) when U.S. supplies are plenty and price competitive.

In MY 2011/12 soybean imports will increase 6 percent to 1.90 million tons, in line with the growth in domestic consumption. The U.S. market share is estimated to drop from 28 percent in MY 2009/10 to 14 percent in MY 2010/11 as supplies from Brazil and Argentina have recovered, and is forecast to be hover around 14-16 percent in MY2011/12.

Under the Agreement on Agriculture, Thailand has a tariff rate quota (TRQ) of 10,922 tons and 20 percent tariff rate, however due to lack of domestic supplies, Thailand usually improves on its TRQ commitment. On November 25, 2010, the Thai Cabinet approved unlimited quota for soybeans imported from WTO member countries from 2011-2013 subject to zero tariff, as proposed by Committee on Oilseeds and Vegetable Oils. Out-of-quota imports are subject to 80 percent tariff rates. Details of the Cabinet's agreement can be found in the following report dated November 23, 2009: "[TRQs for Soybeans and Some Feed Ingredients Approved](#)".

The TRQ was implemented with the idea that Thailand would be able to increase its production in order to offset imports; however the Government has realized that Thailand lacks a comparative advantage in soybean production, and has reduced its effort to increase domestic soybean production. Nonetheless, in order for eligible soybean importers to receive import permits, they are required to purchase domestic soybeans at government-determined prices.

## **1.2. Oil Meal**

### *Soybean Meal*

Soybean meal production is estimated to rise 5 percent in MY2010/11 and another 5 percent in 2011/12 to 1.29 million tons in line with soybean supplies delivered for crushing. Soybean meal is considered a key profit generator for the soybean oil processing industry as soybean meal accounts for 75-77 percent of the total material after oil has been extracted. In addition, prices for soybean cooking oil are controlled by the Ministry of Commerce, and soybean meal is used to hedge against periods of low oil prices.

Domestic soybean meal consumption is estimated to grow 9 percent in MY 2010/11 as compared to 14 percent in MY2009/10. The high growth in MY 2009/10 reflects a record growth in poultry and shrimp production, increased use of soybean meal in feed rations driven by its less expensive prices over other substituting feed ingredients, and a favorable economic growth in Thailand in 2010 (estimated 7.0-8.0 percent). However in MY 2011/12, soybean meal domestic consumption is forecast to grow by 3 percent reflecting the likelihood of prevailing high feed costs will limit the growth of livestock and poultry production along with a slowdown in both domestic and international economic growth.

In the 2010 Annual Report, Post reported that TVO and TVPO crushing companies successfully improved their soybean meal as a premium brand product, in terms of freshness and protein content, and would enjoy lower average production costs after its new plants started operating in 2010. Although, they were able to improve quality and reduce costs, they unexpectedly faced challenges from Thai feed mills as these were successfully able to use the futures market to source cheaper soybean meal from abroad. According to trade sources, purchasing in the futures market is helping feed mills to better manage risk from volatile soybean meal prices in the world market and have also increased their bargaining power with domestic crushers supplying soybean meal. As a result, soybean meal imports in

2010 increased impressively by 26 percent from 2.077 million tons in 2009 to 2.616 million tons. In addition, trade sources cited that this development is having the crushers considering developing a futures market in Thailand in order to offer more competitive prices to the Thai feed mills.

As a result of the fierce competition from imported soybean meal, in the last quarter of 2010 and early 2011 domestic crushers have reduced their soybean meal prices to compete with imported products. As a consequence, for the first time in Thailand prices for locally produced soybean meal are currently below those for imported soybean meal, which in the past were able to command a premium due to their freshness. Trade sources reported that the soybean oil crushers have approached the Ministry of Commerce requesting authorization to export excessive supplies of locally produced soybean meal, as the Thai government doesn't allow for exports of soybean meal.

Brazil continued to dominate the market, accounting for 50 percent in 2010 followed by Argentina 34 percent due to higher protein content and relatively cheaper prices. In this period, U.S. soybean meal was able to increase its market share from 1 percent in 2009 to 7 percent in 2010. However, trade sources believe that the U.S. market share may drop again in 2011 as less-expensive supplies from South American countries are becoming readily available.

Imports of soybean meal are also subject to the WTO's TRQ system, with a quota of 239,559 tons and a 20 percent tariff rate; they have also faced a more favorable treatment. On November 16, 2010, the Thai Cabinet approved unlimited in-quota imports under WTO for soybean meal with a two percent tariff rate as opposed to 119 percent for the out-of-quota imports. Only 8 trade associations will have access to the WTO import quota, but are responsible to purchase soybean meal derived from domestic soybean production from local soybean oil crushers at no less than 11.25 baht/kg (\$375/mt). In addition, the Cabinet also approved zero tariff rates for imports under the Thailand-ASEAN FTA (AFTA), Thailand-Australia FTA (TAFTA), Thailand-New Zealand FTA (TNFTA), and Japan-Thailand Economic Partnership Agreement (JTEPA). Under the ASEAN-Korea FTA (AKFTA), the import quota for soybean meal for 2011 is unlimited and in-quota imports are subject to 5.56 percent tariff rates. The details on the Cabinet's decision are reported in FAS/Bangkok GAIN report "[TRQs for Soybeans and Some Feed Ingredients Approved](#)".

### *Fish Meal*

In CY2011, driven by a bright export potential and prevailing attractive fish meal prices, production of fish meal should grow by 10 percent to 550 thousand metric tons. Despite a likelihood of a decline in trash fish catching, good returns in fish meal production have attracted several fish meal manufacturers to source raw materials from food-grade fish supplies. Trade sources reported that many fish meal plants have improved their facilities to produce high-quality fish meal geared toward the export market. In addition, an expected expansion in surimi and canned tuna to meet export demand should lead to increased amount of raw materials for fish meal production.

This boost in production has been aided by the Department of Livestock Development's successful campaign to improve the quality of domestic fish meal by initiating GMP and HACCP training and certification to participating fish meal plants. Thus far, 32 fish meal plants received both GMP and HACCP certification, and most of them are registered as plants eligible to export fish meal to China.

Consumption of fish meal in 2011 is estimated to grow 8 percent in line with a growth in shrimp farming and livestock production and as fish meal becomes more competitive against rising soybean meal prices. In 2010, average fish meal prices dropped by 3 percent from the 2009 level to 30.62 baht/kg (US\$942/ton) due mainly to a pressure from soybean meal prices.

Despite a rapid growth in the livestock, poultry and shrimp industries, Thailand's imports of fish meal in 2010 dropped by 7 percent from 10,651 tons in 2009 to 9,838 tons due mainly to a change in feed rations favoring the use of soybean meal.

Improvement in the quality of Thai fish meal turns has resulted in a fourfold increase in from 26,826 tons in 2009 to 110,806 tons in 2010. China was the largest importer of Thai fish meal in 2010 accounting for 43 percent of total exports, followed by Vietnam 24 percent, Taiwan 9 percent, Japan 8 percent, and Indonesia 7 percent. Fish meal exports should further grow to 130,000 tons in 2011.

The Thai Government intervenes in the import of fish meal by setting an import policy each year. On November 16, 2010, the Cabinet approved tariff-free imports under AFTA, TAFTA, TNFTA, ASEAN-China FTA (ACFTA), and ASEAN-Australia-New Zealand FTA (AANFTA). Under JTEPA, imports from January 1-March 31, 2011 are subject to 3.33 percent tariff, as compared to 1.67 percent for the imports from April 1-December 31, 2011. Under AKFTA, the tariff rates are 10 percent. Any imports which do not fall in any category above (implying those imported under Thailand's WTO commitment) are subject to a 15 percent tariff for fishmeal with at least 60 percent protein and 6 percent for the product with less than 60 percent protein.

### **1.3. Soybean Oil**

In MY 2011/12, soybean oil production is forecast to increase 4 percent to 290,000 tons in line with soybean deliveries to crushing plants.

Although in early 2011, palm oil shortages led to a significant increase in soybean oil sales, the impact should be temporary as domestic palm oil supplies began to recover due to increased exports and the increase seasonal supplies in March. In MY2011/12, domestic consumption of soybean oil should grow 2 percent to 290,000 tons reflecting prevailing high prices for cooking oil including soybean oil.

Bottled cooking oil is categorized as a controlled product by the Department of Internal Trade (DIT), Ministry of Commerce (MOC). As a result, price ceiling controls are set. Manufacturers or distributors seeking to adjust ceiling prices based on changes in production costs must submit their request to the MOC and provide a valid justification, if valid, prices can be adjusted. Since refined cooking palm oil faced shortages in January-February 2011, palm oil refineries encountered rocketing production costs driven by the tight supplies and a government unwillingness to raise prices, which resulted in refineries stopping their production or switching to manufacture in other containers (such as plastic bags or zinc bin container) which they could sell at higher prices. Soybean oil crushers did the same when consumer demand for cooking oil turned towards soybean oil consumption as substitute to the palm oil shortage. Due to these price-controls, retail prices for soybean oil reported by Department of Internal Trade are not realistic, currently DIT reports that cooking oil is selling at 45.50 baht/liter as

compared to control price of 46.00 baht/liter and average of 44.30 baht/liter in 2010. However, trade sources reported that retail prices for cooking soybean oil climbed to 50-55 baht/liter in February following record high prices for cooking palm oil.

Imports of soybean oil (crude and refined) are subject to a tariff-rate-quota (TRQ) system under the WTO agreement. Additionally, a complicated and bureaucratic administration of import permits discourages importers. In 2010, the TRQ for soybean oil amounted to 2,281 tons, subject to a 20 percent tariff rate. The tariff rate for out-of-quota imports is prohibitively high at 146 percent. This has resulted in no imports in recent years and this trend should expect to continue in the next years.

With an increase in production and slow domestic growth and the fact that Thailand can enjoy a zero tariff and quota schedule in ASEAN countries, exports of soybean oil increased significantly from 3,106 tons in 2009 to 19,899 tons in 2010. Major importers in 2010 include Vietnam 60 percent, Indonesia 15 percent, and Philippines 4 percent, of total exports. Based on this export trend and production prospects, exports in MY 2010/11 and MY 2011/12 are estimated at 20,000 tons annually.

## Section II: Statistical Tables

Table 1: Thailand's Production, Supply & Demand Table for Soybeans

Oilseed, Soybean Thailand	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	130	140	130	140		140
Area Harvested	110	110	120	120		120
Beginning Stocks	97	97	46	56		65
Production	170	170	180	180		180
MY Imports	1,660	1,660	1,830	1,800		1,900
MY Imp. from U.S.	450	472	270	250		300
MY Imp. from EU	0	0	0	0		0
Total Supply	1,927	1,927	2,056	2,036		2,145
MY Exports	1	1	1	1		1
MY Exp. to EU	0	0	0	0		0
Crush	1,520	1,500	1,600	1,580		1,650
Food Use Dom. Cons.	215	220	220	230		250
Feed Waste Dom. Cons.	145	150	150	160		160
Total Dom. Cons.	1,880	1,870	1,970	1,970		2,060
Ending Stocks	46	56	85	65		84
Total Distribution	1,927	1,927	2,056	2,036		2,145
CY Imports	1,535	1,535	1,900	1,819		1,900
CY Imp. from U.S.	435	435	220	239		100
CY Exports	1	1	1	1		1
CY Exp. to U.S.	0	0	0	0		0
TS-ID		0		0		0
Comments						

Note: The term of "Feed Waste Com. Cons." in this table is referred to a typical use of full-fat oil soybeans by the Thai feed industry.

Table 2: Farmgate Prices for Soybeans, Mixed Grade

<b>Prices Table</b>			
<b>Country</b>	Thailand		
<b>Commodity</b>	Oilseed, Soybean		
<b>Prices in</b>	<b>Baht</b>	<b>per uom</b>	<b>M.T.</b>
<b>Year</b>	<b>2009</b>	<b>2010</b>	<b>% Change</b>
Jan	15830	15000	-5%
Feb	15830	15000	-5%
Mar	14770	13650	-8%
Apr	15010	14060	-6%
May	14670	14060	-4%
Jun	14000	14060	0%
Jul	14000	14060	0%
Aug	14100	14060	0%
Sep	13850	14060	2%
Oct	12690	14060	11%
Nov	15020	14900	-1%
Dec	15220	14510	-5%
<b>Exchange Rate</b>	<b>30.5</b>	<b>Local Currency/US \$</b>	
<b>Date of Quote</b>	<b>3/31/2011</b>	<b>MM/DD/YYYY</b>	

Source: Office of Agricultural Economics, Ministry of Agriculture and Cooperatives

Table 3: Thailand's Production, Demand & Supply Table for Soybean Meal

Meal, Soybean Thailand	2009		2010		2011	
	2009/2010		2010/11		2011/12	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2011	
	USDA Official Data	New Post Data	USDA Official Data	New Post Data	USDA Official Data	New Post Data
Crush		1,500		1,580		1,620
Crush Rate, 999,9999		11.78		11.785		11.7818
Beginning Stocks		106		126		106
Production		1,170		1,230		1,290
MF Imports		2,511		2,650		2,750
MF Imp. from U.S.		210		100		200
MF Imp. from EU		0		0		0
Total Supply		3,786		4,106		4,146
MF Exports		0		0		0
MF Exp. to EU		0		0		0
Industrial Dam. Cons.		0		0		0
Food Use Dam. Cons.		0		0		0
Feed Waste Dam. Cons.		3,660		3,900		4,020
Total Dam. Cons.		3,660		3,900		4,020
Ending Stocks		126		106		126
Total Distribution		3,786		4,106		4,146
CF Imports		2,077		2,616		2,700
CF Imp. from U.S.		37		193		200
CF Exports		0		0		0
CF Exp. to U.S.		0		0		0
SME		3,660		3,900		4,020
ITS-ID		0		0		0
Comments						

Table 4: Bangkok Wholesale Prices for Soybean Meal, Derived from Imported Soybeans

Commodity	Meal, Soybean		
	Prices in Baht	per uom	M.T.
Year	2009	2010	% Change
Jan	14670	15750	7%
Feb	15700	15110	-4%
Mar	15680	14860	-5%
Apr	16070	14800	-8%
May	17190	14090	-18%
Jun	17930	13430	-25%
Jul	16910	13250	-22%
Aug	16860	14050	-17%
Sep	16940	14020	-17%
Oct	16430	14350	-13%
Nov	16580	14640	-12%
Dec	17000	13620	-20%
Exchange Rate	30.5	Local Currency/US \$	
Date of Quote	3/31/2011	MM/DD/YYYY	

Source: Thai Feed Mill Association

Table 5: Thailand's Production, Demand & Supply Table for Fish Meal

Meal, Fish Thailand	2009		2010		2011	
	2009/2010		2010/11		2011/12	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official Data	New Post Data	USDA Official Data	New Post Data	USDA Official Data	New Post Data
Catch For Reduction						
Exit Rate, 999.9999		0		0		0
Beginning Stocks		38		40		40
Production		500		530		530
MF Imports		13		10		15
MF Imp. from U.S.		0		0		0
MF Imp. from EU		0		0		0
Total Supply		551		600		655
MF Exports		111		130		130
MF Exp. to EU		1		1		1
Industrial Dem. Cons.		0		0		0
Food Use Dem. Cons.		0		0		0
Feed Waste Dem. Cons.		400		430		460
Total Dem. Cons.		400		430		460
Ending Stocks		40		40		45
Total Distribution		551		600		655
CF Imports		13		10		15
CF Imp. from U.S.		0		0		0
CF Exports		111		130		130
CF Exp. to U.S.		0		0		0
TS-TD		0		0		0
Comments						

Table 6: Prices for Domestic Fish Meal

<b>Prices Table</b>			
Country	Thailand		
Commodity	Meal, Fish		
Prices in	Baht	per uom	M.T.
Year	2009	2010	% Change
Jan	29610	33400	13%
Feb	26840	34200	27%
Mar	25690	35280	37%
Apr	29080	36530	26%
May	33500	31530	-6%
Jun	34190	28310	-17%
Jul	34580	28920	-16%
Aug	36040	30820	-14%
Sep	34580	29780	-14%
Oct	33290	27780	-17%
Nov	29960	25280	-16%
Dec	31800	25570	-20%
Exchange Rate	30.5	Local Currency/US \$	
Date of Quote	3/31/2011	MM/DD/YYYY	

Source: Thai Feed Mill Association

Table 7: Thailand's Production, Demand & Supply Table for Soybean Oil

Oil, Soybean Thailand	2009		2010		2011	
	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Sep 2009		Market Year Begin: Sep 2010		Market Year Begin: Sep 2012	
	USDA, Official Data	Myer Post Data	USDA, Official Data	Myer Post Data	USDA, Official Data	Myer Post Data
Crush		1,500		1,530		1,650
Exit Rate, 999.9999		0.18		0.1772		0.1758
Beginning Stocks		7		17		12
Production		270		280		290
MY Imports		0		0		0
MY Imp. from U.S.		0		0		0
MY Imp. from EU		0		0		0
Total Supply		277		297		302
MY Exports		7		20		20
MY Exp. to EU		0		0		0
Industrial Dem. Cons.		68		70		70
Food Use Dem. Cons.		185		195		200
Feed Waste Dem. Cons.		0		0		0
Total Dem. Cons.		253		265		270
Ending Stocks		17		12		12
Total Distribution		277		297		302
CY Imports		0		0		0
CY Imp. from U.S.		0		0		0
CY Exports		7		20		20
CY Exp. to U.S.		0		0		0
ITS-TD		0		0		0
Comments						
ACR Number						

End of Report.