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# GAIN Report

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## **Thailand**

### **Oilseeds and Products Annual**

**2015**

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**Report Highlights:**

TH5043. Soybean and soybean meal imports are expected to increase in MY2014/15 and MY2015/16. The U.S. market share is estimated to range between 22-25 percent for Thailand's imported soybean and 7 percent for imported soybean meal in these two particular years.

**Executive Summary:**

Soybean consumption is expected to grow in MY 2014/15 and MY 2015/16 keeping up with Thailand's growing livestock sector and demand for food use. Accordingly, soybean imports are expected to grow in MY2014/15 and MY 2015/16. The U.S. market share of Thailand's soybean imports fluctuates depending on the availability in Brazil and Argentina and U.S. price competitiveness. The U.S. share is likely to range between 22-25 percent in MY 2014/15 and MY 2015/16.

Soybean meal production in MY 2014/15 and MY 2015/16 will be on the rise in line with soybean meal consumption. Soybean meal consumption is estimated to grow, but only slowly in MY 2015/16 due to a slower growth in both poultry and livestock sector. A slower growth in soybean meal consumption should be translated into flat imports of soybean meal in MY 2015/16. U.S. market share of Thailand's soybean meal imports is estimated at 7 percent in MY 2014/15 and MY 2015/16.

Fish meal production is estimated to continue to decline in 2015 and 2016.

Soybean oil production is estimated to increase in MY2014/15 and MY 2015/16, in line with expected higher soybean deliveries to crushing facilities. Thailand is becoming a large supplier of soybean oil to other ASEAN and Asian economies. However, Thailand's soybean oil exports dropped sharply in 2014 when the largest soybean oil processors sharply reduced its exports of less-profitable crude soybean oil, especially in Vietnam market.

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

### **1.1. Soybeans**

Soybean production in Thailand continues to decline, estimated at only 53,000 metric tons (MT) in crop year (CY) 2014/15 and 52,000 MT in CY 2015/16. Farmers cited lower profitability as compared to competing crops like corn and off-season rice as the reason for abandoning soybean production. The inaccessibility to better yielding seeds has also contributed to the lack of interest in growing soybeans.

Total soybean domestic consumption is estimated to further grow in MY2014/15 and MY2015/16. In line with domestic demand, soybean imports are estimated to increase to 2 MMT in MY 2014/15 and 2.1 MMT in MY 2015/16.

Soybeans delivered to crushers, which constitutes most of the domestic use, are likely to increase to 1.60 million metric tons (MMT) in MY 2014/15 from 1.50 MMT in MY 2013/14. Only a few large soybean oil processors are actively producing soybean oil in Thailand, including Thai Vegetable Oil (TVO), Thanakorn Vegetable Oil Products, and Porn Amnuay Sub Vegetable Oil.

Due to the fact that Thailand's two largest soybean oil processors (TVO and Thanakorn) have a preference for sourcing soybeans from Brazil (due to their relatively higher protein compared to U.S. soybeans), the U.S. market share of Thailand's soybean imports fluctuates depending on the supply availability in Brazil and Argentina and U.S. price competitiveness. After the U.S. market share increased to 32 percent in MY 2012/13 as a result of serious drought in Brazil and Argentina, it declined to 27 percent in MY 2013/14. U.S. market share is likely to range between 22-25 percent in MY 2014/15 and 2015/16.

Food-grade soybean imports continue to grow as demand from the Thai food industry rises. The food industry prefers domestic soybeans over imported beans due to their freshness and "biotech-free" status. However, with growing demand and a downward trend in domestic supplies, processors are increasingly relying on imported soybeans to meet their needs.

Thailand's trade policy for soybeans is unchanged. According to its World Trade Organization (WTO) commitments, Thailand has a soybean tariff rate quota (TRQ) of 10,922 MT, an in-quota tariff of 20 percent, and an out-of-quota tariff of 80 percent. The Thai Cabinet approved in November 2013 an unlimited import soybean quota with a zero tariff from WTO member countries for a period of three years from 2014 to 2016. Despite an unlimited quota, the Thai Government still issues import permits and soybean importers (including soybean oil processors, feed mills, and food processors) are still required to purchase domestic soybeans at government-determined prices. The determined prices for domestic soybeans for crushing grades are currently set at 16.25 baht/kg in Bangkok (US\$ 508/MT) as opposed to 14.75 baht/kg (US\$ 461/MT) in 2013. Feed-use grade soybeans were set at 16.50 baht/kg (US\$ 516/MT) in 2014 compared to 15.00 baht/kg (US\$ 469/MT) in 2013. Prices for food-grade soybeans are 18.50 baht/kg (US\$ 578/MT) as opposed to 17.00 baht/kg (US\$ 531/MT) in 2013.

Thai soybean crushers are expected to benefit from the upcoming economic integration of ASEAN countries, otherwise known as the ASEAN Economic Community (AEC), in 2016. Since Thailand

currently has the largest soybean oil crushing capacity in Southeast Asia, (current capacities are more than 10,000 MT/day in Thailand as compared to 4,000 MT/day in Vietnam and none in other ASEAN countries), trade sources expect that Thailand will become a major supplier of soybean oil and soybean meal to other ASEAN economies.

## **1.2. Oil Meal**

### *Soybean Meal*

Soybean meal production, while reflecting the totaling amount of estimated soybean deliveries to local soybean oil processors, is mainly determined by feed demand in the country. Its production is estimated to increase 6 percent equally to 1.25 MMT in MY 2014/15 and to 1.33 MMT in MY 2015/16.

All soybean meal, either derived from domestic soybean production or imported soybeans, is utilized for animal feed production. Consumption of soybean meal in MY 2014/15 is estimated to grow by 6 percent due mainly to a growth in chicken meat industry. Chicken production is estimated to increase for 8-10 percent in response to strong export demand for chicken meat. Slower growth in poultry and livestock sector as well as a lack of growth in shrimp production is likely to lead soybean meal consumption in MY 2015/16 to increase only 2 percent.

In the past, local crushers had a stronghold on the domestic soybean meal market and were able to sell their supplies at higher prices because of having fresher quality and greater protein consistency when compared to soybean meal imports. In response to the crushers' influence, Thai feed mills have pooled their resources to import soybean meal in Panamax vessels in the last few years. Their strategy successfully enabled them to purchase commodities in the futures market and import larger volumes of soybean meal, which in turn helped the feed mills better manage price risks. The new strategy increased the feed mills' bargaining power with the domestic crushers and as a result, changed the market dynamics and forced domestic soybean crushers to offer more competitive prices to Thai feed mills.

The altered market dynamics consequently decreased the price differential between locally produced and imported soybean meal. Average prices for domestically produced soybean meal were even lower than those for imported soybean meal in 2014. Currently, prices for domestic soybean meal are 17.50-18.00 baht/kg (US\$ 546-562/MT) compared to 18.00-18.50 baht/kg (US\$ 562-578/MT) for imported soybean meal.

Imports of soybean meal are estimated to grow by 9 percent in MY 2014/15 as a result of increased demand for feed production and a likelihood of lowered soybean meal prices across the board in the first half of 2015. This should encourage more soybean use in feed rations. However, soybean meal imports are forecast to be flat in MY 2015/16 mainly because of a slower growth in animal feed production.

Thailand's major soybean meal import suppliers are Brazil, Argentina, and India. After a skyrocketing increase in the imports of U.S. soybean meal, from only 16,000 MT in MY2012/13 to 369,000 MT or 14 percent market share in MY 2013/14, U.S. market share is estimated to shrink to 7 percent in MY 2014/15 and MY 2015/16. According to trade sources, a chaotic supply for export by Argentina due to its domestic high inflation may help U.S. exports of soybean meal to Thailand on the one hand; Brazil's currency depreciation may threaten U.S. soybean meal exports on the other hand.

Soybean meal imports are also subject to the WTO's TRQ system, with a quota of 239,559 MT and a 20 percent tariff rate. In July 2014, the National Council for Peace and Order (NCPO) approved an unlimited soybean meal import quota for two years (2015-2017). The tariff rate applied to the quota is set at 2 percent (as compared to 20 percent bound with WTO). The out-of-quota tariff rate is 119 percent. Similar to soybean imports, the Thai Government still issues import permits and eight trade associations, representing a group of soybean meal importers, are still required to purchase domestic soybean meal at government-determined prices. Currently, domestic soybean meal prices cannot fall below 11.25 baht/kg (\$370/MT).

### *Fish Meal*

Production of fish meal depends on the production of Surimi and canned tuna (which generates by-products for fish meal production) and the volume of trash fish. Fish meal production in Thailand is estimated to continue to decline in 2015 and 2016 based on a likelihood of a decline in Surimi production. Trade sources reported that a recent restriction imposed by Indonesian government to suspend fishing in its territorial water from late 2014 to April 2015 has affected concessions operated by Thai-flag ship owners, and as a result by-products from Surimi production used for fish meal production has declined.

Demand for fish meal dropped in 2014 because sharply higher prices for domestic fish meal discouraged feed use. In addition, shrimp production continued to decline due to the presence of Early Mortality Syndrome (EMS) disease. Trade sources reported that, to cope with high prices of fish meal, several feed mills replaced fish meal with fermented soybean meal in their feed rations. Average prices for fish meal went up by 13 percent to 32.98 baht/kg (\$1203/MT) in 2014 from 29.12 baht/kg (\$910/MT) in 2013.

In general, Thailand exports low-protein fish meal while it imports high protein fish meal. However, plummeting domestic demand forced a group of producers to concentrate on the export market. Thus, fish meal exports doubled to 125,967 MT in 2013 and further increased to 172,138 MT in 2014. In 2014, China was the largest market of Thai fish meal accounting for 42 percent of total exports followed by Japan (19 percent), Vietnam (17 percent), Taiwan (7 percent), and Indonesia (7 percent). Exports in 2015 and 2016 are estimated at 140,000-150,000 MT.

Despite the problems associated with the shrimp industry and an overall decline in demand, imports of fish meal in 2013 more than doubled to 21,391 MT in 2014 as compared to 8,002 MT in 2013 due to a need to import high-quality fishmeal. Thailand's fish meal imports are estimated at 15,000 MT in 2015 and 2016.

The Thai Government establishes a fish meal import policy each year. In 2014, the National Council for Peace and Order (NCPO) agreed that there will be no MFN quotas for fishmeal from 2015-2017. Imports under the ASEAN Free Trade Area (AFTA), Thai-Australia Free Trade Area (TAFTA), Thai-New Zealand Free Trade Area (TNFTA), ASEAN-China FTA, and ASEAN-Australia-New Zealand FTA (AANFTA), and Japan-Thailand Economic Partnership Agreement (JTEPA) are subject to zero tariffs.

### **1.3. Soybean Oil**

Soybean oil production is expected to increase in MY2014/15 and MY2015/16, in line with higher soybean deliveries to crushing plants.

Trade sources reported that domestic consumption is estimated to grow faster in MY 2014/15 and MY 2015/16 at 5-6 percent per annum reflecting the fact that a reduction of soybean oil exports prompted soybean oil processors to sell soybean oil more locally through price and marketing campaigns.

Exports of soybean oil dropped sharply to 28,901 MT in 2014 from 55,525 MT in 2013 when the largest soybean oil processor sharply reduced its exports of less-profitable crude soybean oil, especially in Vietnam market. Major importers in 2014 included South Korea (43 percent), and the Philippines (30 percent). Thailand is becoming a large supplier of soybean oil to other ASEAN and Asian economies. In the recent years, Thailand has expanded its soybean oil export markets to more than 20 countries, mainly in Asian countries.

Ending stocks of soybean oil are estimated to increase sharply in MY 2014/15 due to a decline in exports and further grow in MY 2015/16 when increased supplies are likely to outstrip demand.

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 imports. Currently, the TRQ for soybean oil is limited to 2,281 tons and is 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 the trend is expected to continue.

## SECTION II: STATISTICAL TABLES

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

<i>Oilseed, Soybean</i>	2013/ 2014		2014/ 2015		2015/ 2016		
<i>Market Begin Year</i>	Sep 2013		Sep 2014		Sep 2015		
<i>Thailand</i>	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	45	41	40	32	0	31	(1000 HA)
Area Harvested	42	40	40	31	0	30	(1000 HA)
Beginning Stocks	97	97	59	53	0	61	(1000 MT)
Production	70	64	70	53	0	52	(1000 MT)
MY Imports	1,798	1,798	2,000	2,000	0	2,100	(1000 MT)
MY Imp. from U.S.	482	482	500	500	0	450	(1000 MT)
MY Imp. from EU	0	0	0	0	0	0	(1000 MT)
Total Supply	1,965	1,959	2,129	2,106	0	2,213	(1000 MT)
MY Exports	6	6	12	10	0	8	(1000 MT)
MY Exp. to EU	0	0	0	0	0	0	(1000 MT)
Crush	1,500	1,500	1,600	1,600	0	1,700	(1000 MT)
Food Use Dom. Cons.	230	230	235	235	0	240	(1000 MT)
Feed Waste Dom. Cons.	170	170	200	200	0	210	(1000 MT)
Total Dom. Cons.	1,900	1,900	2,035	2,035	0	2,150	(1000 MT)
Ending Stocks	59	53	82	61	0	55	(1000 MT)
Total Distribution	1,965	1,959	2,129	2,106	0	2,213	(1000 MT)
CY Imports	1,898	1,898	2,000	2,000	0	2,100	(1000 MT)
CY Imp. from U.S.	503	503	500	500	0	480	(1000 MT)
CY Exports	12	12	12	10	0	10	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	(1000 MT)
TS=TD	0	0	0	0	0	0	

Note: The use of soybeans for full fat soybean production is categorized as “Feed Waste Domestic Consumption”.

Table 2: Farm Gate Prices for Soybeans, Mixed Grade

<b>Prices Table</b>			
<b>Country</b>	Thailand		
<b>Commodity</b>	Oilseed, Soybean		
Prices in	Baht	per uom	M.T.
Year	2013	2014	% Change
Jan	18350	19360	6%
Feb	18350	19360	6%
Mar	18030	18160	1%
Apr	18610	19270	4%
May	19600	20000	2%
Jun	19600	20000	2%
Jul	19600	17350	-11%
Aug	19600	17350	-11%
Sep	18350	17350	-5%
Oct	18350	15260	-17%
Nov	17520	13850	-21%
Dec	17850	17850	0%
Exchange Rate	32	Local Currency/US \$	
Date of Quote	3/30/2015	MM/DD/YYYY	

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



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

<b>Prices Table</b>			
<b>Country</b>	Thailand		
<b>Commodity</b>	Meal, Soybean		
Prices in	Baht	per uom	M.T.
Year	2013	2014	% Change
Jan	18220	19140	5%
Feb	18150	18880	4%
Mar	19070	20150	6%
Apr	19360	20250	5%
May	17890	20030	12%
Jun	16430	20000	22%
Jul	17200	20840	21%
Aug	17290	19050	10%
Sep	17890	19050	6%
Oct	18050	18500	2%
Nov	18770	18470	-2%
Dec	19450	18450	-5%
Exchange Rate	32	Local Currency/US \$	
Date of Quote	3/30/2015	MM/DD/YYYY	

Source: Thai Feed Mill Association



Table 6: Prices for Domestic Fish Meal

<b>Prices Table</b>			
<b>Country</b>	Thailand		
<b>Commodity</b>	Meal, Fish		
Prices in	Baht	per uom	M.T.
Year	2013	2014	% Change
Jan	32490	26200	-19%
Feb	31300	30920	-1%
Mar	31300	31120	-1%
Apr	29940	33930	13%
May	26740	30240	13%
Jun	24800	29740	20%
Jul	29840	31500	6%
Aug	30780	37700	22%
Sep	29000	37700	30%
Oct	31900	36470	14%
Nov	26590	34780	31%
Dec	24720	35450	43%
Exchange Rate	32	Local Currency/US \$	
Date of Quote	3/30/2015	MM/DD/YYYY	

Source: Thai Feed Mill Association

