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## Thailand

### Oilseeds and Products Annual

#### Annual

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**Report Highlights:**

TH0059. The completion of two new soybean oil crushing plants will increase the demand for imported soybeans in MY 2010/11. This expansion will help the two largest crushers in Thailand lower their production costs and improve their competitive position in the domestic soybean meal and international soybean oil markets.

## **Executive Summary:**

A completion of two new soybean oil crushing plants will increase the demand for imported soybeans in MY 2010/11. This expansion will help the two largest crushers in Thailand lower their production costs and improve their competitive position in the domestic soybean meal and international soybean oil markets.

In MY 2008/09 the U.S. market share of Thai soybean imports dropped to its lowest level in recent history at 14 percent, however in MY2009/10 the market share is estimated to double to 28 percent due to tighter supplies from Brazil and Argentina driven by dry conditions. In MY 2010/11 it is expected that the U.S. market will drop again as ample crops from these countries will replenish dwindling stocks.

In MY 2010/11, soybean meal imports will remain unchanged from MY 2009/10 as the increase in domestic production of soybean meal from oil crushers will make-up for the increase in soybean meal demand.

In MY2009/10, following an increase in price competitiveness of U.S. soybean meal and marketing activities by the American Soybean Association (ASA), U.S. soybean meal imports increased sharply to 200,000 tons from 9,303 tons in MY 2008/09. In MY 2010/11 U.S. soybean meal imports should be 150,000 tons as increasing supplies from South America will make their way into the market.

In CY 2010, production of fish meal is forecast to rise due to an increase in fish meal production deriving from raw material left over from Surimi and canned tuna manufacturing should outstrip continued decline in fish meal production deriving from trash fish catching.

As production of soybean oil steadily increases vis-à-vis a marginal growth in domestic consumption, Thailand is poised to become a top supplier of soybean oil in Asia, especially ASEAN markets.

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

### **1.1. Soybeans**

Domestic soybean production remains small supplying about 10 percent of total demand. Soybean production in MY2010/11 is estimated to increase slightly from 170,000 tons in MY 2009/10 to 180,000 tons, as weather conditions improve in MY2010/11. Lack of improved seed varieties has resulted in stagnant productivity gains.

Soybean acreage should remain flat in the next few years. Existing soybean farmers, who are efficient in the use of their irrigated land, generate decent returns from soybeans as compared to alternative crops. As a result, this group of farmers always maintains a segment of their land for soybean production.

Soybean consumption is forecast to grow 9 percent from 1.81 MMT in MY 2009/10 to 1.98 MMT in MY 2010/11 as two new soybean oil crushing plants will start operations in 2010 and the continued growing demand for soy-based food products.

Thai Vegetable Oil Co. (TVO), the largest crusher, is scheduled to open its new facility in May 2010, adding an additional crushing capacity of 2,000 tons/day to its current capacity 4,000 tons/day of soybeans. Thanakorn Vegetable Oil Products Co. (TVOP), the second largest crusher, will start operating its new plant in late 2010 with a capacity of 2,500 tons/day, adding to its current capacity of 1,300 tons/day. This expansion will lower production costs as economies of scale are attained, improving their competitive position in the domestic soybean meal and global soybean oil markets. The structure of the soybean crushing industry has developed into an oligopolistic competition. Out of 10 soybean crushing mills in Thailand, TVO and TVOP utilize 90 percent of soybeans destined for oil crushing. The smaller crushers have been facing difficulties due to financial limitations and fluctuating soybean prices, and have been forced to scale down production, with some running at less than 50 percent capacity.

In MY2009/10 and MY2010/11, demand for soy-based food will continue to grow steadily in line with health trends as consumers perceive these products to be of high health value. 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 7-10 percent and a stagnant supply, processors are increasingly relying on imported soybeans to meet their needs. Case in point, in 2009 soymilk processors imported between 20,000-25,000 tons of non-GM food grade soybeans (mainly from the US and Canada) due to insufficient domestic supplies.

Thailand is a promising market for imported soybeans due to a steadily increasing demand and a stagnant and small domestic production. In addition, it is quality conscious since soybean oil crushers, the largest importers, need to produce high-quality soybean meal from imported soybeans to compete with imported soybean meal. A sampling test conducted by a crushing mill, revealed that a recent U.S. soybean shipment contained protein levels of 36.02-36.75 percent and oil levels of 19.11-20.79 percent while Brazilian soybeans averaged 36.14-37.40 percent and 19.28-22.26 percent respectively. Accordingly, opportunities for U.S. soybeans are usually best immediately after the harvest season

(November-February) when U.S. supplies are plenty and price competitive. Otherwise, crushing mills are likely to purchase soybeans from Brazil and Argentina due to higher protein and oil contents.

In MY2010/11 soybean imports will increase 15 percent to 1.85 million tons as the main crushers start operating their new plants. In MY2009/2010, the U.S. market share of Thai soybean imports rebounded to 28 percent from 14 percent in MY2008/2009 due to tight supplies from Brazil and Argentina as drought severely affected production. In MY 2010/11, U.S. market share is expected to drop to 15 percent or 270,000 tons as supplies from Brazil and Argentina recover. Imports from ASEAN countries will enjoy quota and tariff free access, in accordance to the ASEAN Free Trader Agreement that came into effect on January 1, 2010.

For soybeans Thailand has a commitment under the WTO of a tariff rate quota (TRQ) of 10,922 tons and 20 percent tariff rate. For 2010, the Thai Cabinet's agreed to grant an unlimited in-quota amount of soybeans for 2010 with a zero percent-tariff rate. As a result of this action, 13 associations and individual food processing companies are now eligible to import soybeans. 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. Details of the Cabinet's agreement can be found in the following report dated November 23, 2009: ["The Thai Cabinet Agreed on an Unlimited Quota for Soybeans for 2010"](#).

## **1.2. Oil Meal**

### **Soybean Meal**

Soybean meal production is estimated to rise 3 percent in MY2009/10 and 10 percent in 2010/11 to 1.25 million tons as two new crushing plants will start operating. 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 production during periods of low oil prices.

Although most soybean oil crushers have faced strong competition from lower-cost meal from Argentina and India, the TVO and TVPO companies have successfully improved their soybean meal as a premium brand product, in terms of freshness and protein content. In addition, TVO should enjoy lower average production costs after its new plant begins operating in 2010.

Soybean meal domestic consumption will continue to grow in MY 2010/11 by 4 percent or 3.5 million tons as animal production is expected to increase. Poultry and shrimp production, products that are heavily export oriented, will increase on par with global economic recovery. Swine production should register a 2-3 percent growth in 2010 due to favorable prices and as fears of H1N1 have subsided. In addition, an expected decline in soybean meal prices in 2010 are likely to encourage feed millers and livestock farms to increase the use of soybean meal in their feed ration, at the expense of other protein ingredients, especially DDGS and corn gluten.

Demand for soybean meal has been steadily increasing, nonetheless in MY2010/11 it is estimated that imports will be unchanged from the 2009/10 level of 2.25 million tons as domestic supplies will be more than enough to offset the increase in demand, particularly as the two largest crushers become more competitive as they attain economies of scale due to their expansion.

In MY 2009/10 Brazil and Argentina continued to dominate the market due to higher protein content and relatively cheaper prices, however U.S. soybean increased its market share from 1 percent in 2008/09 to 9 percent or 200,000 tons due to price competitiveness and tight supplies from Argentina and Brazil. It's worth noting that for the first time in history, the American Soybean Association (ASA) successfully coordinated 7 medium-sized feed mills to purchase two Panamax-size shipments of U.S. soybean meal. Meanwhile, a large feed mill also imported a shipment of 60-70,000 tons of U.S. soybean meal. However for MY 2010/11, U.S. shipments are expected to decline to 150,000 tons as supplies recover in South America.

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. However, in order to meet the demand of feed manufacturers and reduce the production costs of the export-oriented meat industry, the Government decreed for 2010 an unlimited in-quota amount and a tariff reduction from 4 percent to 2 percent. Eight associations are eligible for this import quota but they are also required to contract with relevant government agencies to purchase domestic soybean production at determined prices. The details on the Cabinet's decision is reported in FAS/Bangkok GAIN report "2010 Soybean Meal In-Quota Amount Unlimited, Tariff Reduced".

## **Fish Meal**

In CY2010 production of fish meal is forecast to grow 4 percent to 520 thousand metric tons as fish meal production from Surimi and canned tuna byproducts should outstrip the continued decline in fish meal production derived from trash fish catching. This is the result of the global economic recovery has increased the demand for Thai Surimi and canned tuna in the latter half of 2009 and 2010, in addition prevailing high petroleum prices discourage fishing activities for trash fish catching.

Consumption of fish meal in 2010 should grow following a growth in shrimp farming and livestock production and increased fish meal supplies. In 2009, average fish meal prices rose by 6 percent from the 2008 level to 31.58 baht/kg (US\$942/ton) in line with global fish meal prices. Although high fish meal prices induced feed mills to replace fish meal with other substitute raw materials, especially meat and bone meal (MBM), it was unable to offset the demand for fish meal as production growth in aquaculture production outstripped any substitution effects. Thailand's imports of meat and bone meal increased sharply from 163,002 tons in 2008 to 216,309 tons in 2009. Fish meal prices currently remain high at 33-34 baht/kg (US\$985-1,015/ton).

Thailand typically exports low-protein fish meal, and imports high-protein fish meal (more than 60 percent protein). In 2009, attractive export demand led to increased exports of fish meal by 30 percent in from 2008 to 35,000 tons and in 2010 it is expected to remain unchanged from 2009, reflecting high demand for aquaculture feed.

The Thai Government intervenes the import of fish meal by setting an import policy each year. On November 10, 2009 the Cabinet approved to maintain the 2009 policy for 2010. Under this policy,

unrestricted importation of fish meal of more than 60 percent protein is allowed, and fish meal under 60 percent protein is subjected to import permits. Other policies to consider are: 1) Tariff rates under AFTA, Thai-New Zealand FTA and Thai-Australia FTA, and ASEAN-China FTA are zero; 2) Tariff rates under Thai-Japan Economic Partner Agreement (JTEPA) are 5 percent for the period of January-March 2010 and reduced to 3.33 percent from April-December 2010; and 3) Tariff rates under ASEAN-Korea are 10 percent for fish meal with higher than 60 percent protein content and 15 percent for the lower protein content fish meal.

### **1.3 Soybean Oil**

In MY 2010/11, soybean oil production is forecast to increase 10 percent to 280,000 tons in line with soybean deliveries to crushing plants.

In MY2010/11, domestic consumption of soybean oil should grow 3 percent to 255,000 tons as most of the growth in cooking oil has been for palm oil due to a significant price differential between soybean oil and palm oil. Retail prices for soybean oil are currently 42-43 baht/liter (US\$ 1.25-1.28/liter) as compared to 36-37 baht/liter (US\$ 1.07-1.10/liter) for palm oil. 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.

Imports of soybean oil (crude and refined) are subject to a tariff-rate-quota (TRQ) system under the WTO agreement. Additionally, 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 resulted in no imports in MY2009/2010 and is expected to remain the same for MY2010/11.

With an increase in production and slow domestic growth, in MY2010/11 Thailand should increase exports by 150 percent to 20 thousand metric tons, especially to the region as it will enjoy a zero tariff ASEAN countries.

## **SECTION II: STATISTICAL TABLES**

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

Oilseed, Soybean Thailand	2008		2009		2010	
	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Sep 2008		Market Year Begin: Sep 2009		Market Year Begin: Sep 2010	
	USDA Official Data	New Post	USDA Official Data	New Post	USDA Official Data	New Post
	Data		Data		Data	
Area Planted	130	130	150	140		140
Area Harvested	120	120	120	110		120
Beginning Stocks	143	143	72	97		56
Production	180	180	180	170		180
MY Imports	1,510	1,510	1,705	1,600		1,850
MY Imp. from U.S.	206	206	165	450		270
MY Imp. from EU	0	0	0	0		0
Total Supply	1,833	1,833	1,957	1,867		2,086
MY Exports	1	1	1	1		1
MY Exp. to EU	0	0	0	0		0
Crush	1,425	1,390	1,497	1,450		1,600
Food Use Dom. Cons.	205	205	223	220		230
Feed Waste Dom. Cons.	130	140	160	140		150
Total Dom. Cons.	1,760	1,735	1,880	1,810		1,980
Ending Stocks	72	97	76	56		105
Total Distribution	1,833	1,833	1,957	1,867		2,086
CY Imports	1,534	1,723	1,650	1,535		1,900
CY Imp. from U.S.	165	165	165	435		220
CY Exports	1	1	1	1		1
CY Exp. to U.S.	0	0	0	0		0

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

## Prices Table

Country: Thailand

Commodity: Oilseed, Soybean

Prices in Baht per uom

M.T.

Year	2008	2009	% Change
Jan	16150	0	-100%
Feb	0	0	
Mar	16820	14770	-12%
Apr	17610	15010	-15%
May	17140	14670	-14%
Jun	0	14000	
Jul	0	0	
Aug	0	14100	
Sep	17760	13850	-22%
Oct	15870	12690	-20%
Nov	16000	15020	-6%
Dec	15830	15020	-5%

Exchange 33.5 Local Currency/US \$

Date of Qu 3/31/2010 MM/DD/YYYY

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

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

Meal, Soybean Thailand	2008		2009		2010	
	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Sep 2008		Market Year Begin: Sep 2009		Market Year Begin: Sep 2010	
	USDA Official Data	New Post	USDA Official Data	New Post	USDA Official Data	New Post
	Data		Data		Data	
Crush	1,425	1,390	1,497	1,450	1,600	
Extr. Rate, 999.9999	1.	0.7799	1.	0.7759	0.775	
Beginning Stocks	61	61	65	105	120	
Production	1,119	1,084	1,176	1,125	1,240	
MY Imports	2,160	2,160	2,208	2,250	2,250	
MY Imp. from U.S.	20	20	7	200	150	
MY Imp. from EU	0	0	0	0	0	
Total Supply	3,340	3,305	3,449	3,480	3,610	
MY Exports	0	0	0	0	0	
MY Exp. to EU	0	0	0	0	0	
Industrial Dom. Cons.	0	0	0	0	0	
Food Use Dom. Cons.	0	0	0	0	0	
Feed Waste Dom. Cons.	3,275	3,200	3,373	3,360	3,500	
Total Dom. Cons.	3,275	3,200	3,373	3,360	3,500	
Ending Stocks	65	105	76	120	110	
Total Distribution	3,340	3,305	3,449	3,480	3,610	
CY Imports	2,078	2,193	2,200	2,077	2,300	
CY Imp. from U.S.	37	6	7	37	200	
CY Exports	0	0	0	0	0	
CY Exp. to U.S.	0	0	0	0	0	
SME	3,275	3,200	3,373	3,360	3,500	

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

## Prices Table

Country Thailand

Commodity Meal, Soybean

Prices in Baht per uom M.T.

Year	2008	2009	% Change
Jan	17240	14670	-15%
Feb	17100	15700	-8%
Mar	17160	15680	-9%
Apr	16900	16070	-5%
May	17130	17190	0%
Jun	18700	17930	-4%
Jul	20260	16910	-17%
Aug	19580	16860	-14%
Sep	18330	16940	-8%
Oct	16650	16430	-1%
Nov	14560	16580	14%
Dec	12620	17000	35%

Exchange Rate 33.5 Local Currency/US \$

Date of Quote 3/31/2010 MM/DD/YYYY

Source: Thai Feed Mill Association

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

Meal, Fish Thailand	2008		2009		2010	
	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011	
	USDA Official Data	New Post	USDA Official Data	New Post	USDA Official Data	New Post
	Data		Data		Data	
Catch For Reduction	1,850		1,850			
Extr. Rate, 999.9999	0.	0.	0.	0.		0.
Beginning Stocks	68	68	58	38		33
Production	470	460	477	500		520
MY Imports	17	17	18	20		25
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	1	1	0	1		1
Total Supply	555	545	553	558		578
MY Exports	27	27	30	35		30
MY Exp. to EU	1	1	1	1		1
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	470	480	470	490		500
Total Dom. Cons.	470	480	470	490		500
Ending Stocks	58	38	53	33		48
Total Distribution	555	545	553	558		578
CY Imports	17	17	18	18		25
CY Imp. from U.S.	0	0	0	0		0
CY Exports	27	27	30	35		30
CY Exp. to U.S.	0	0	0	0		0
SME	679	694	679	708		723

Table 6: Prices for Domestic Fish Meal

## Prices Table

Country: Thailand

Commodity: Meal, Fish

Prices in  per uom

Year	2008	2009	% Change
Jan	26100	29610	13%
Feb	27040	26840	-1%
Mar	29270	25690	-12%
Apr	29600	29080	-2%
May	29360	33500	14%
Jun	30790	34190	11%
Jul	33650	34580	3%
Aug	35660	36040	1%
Sep	34190	34580	1%
Oct	30930	33290	8%
Nov	25110	29960	19%
Dec	26030	31800	22%

Exchange  Local Currency/US \$

Date of Qu  MM/DD/YYYY

Source: Thai Feed Mill Association

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

Oil, Soybean Thailand	2008		2009		2010	
	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Sep 2008		Market Year Begin: Sep 2009		Market Year Begin: Sep 2010	
	USDA Official Data	New Post	USDA Official Data	New Post	USDA Official Data	New Post
		Data		Data		Data
Crush	1,425	1,390	1,497	1,450		1,600
Extr. Rate, 999.9999	0.	0.1799	0.	0.1759		0.175
Beginning Stocks	0	0	0	7		6
Production	254	250	266	255		280
MY Imports	1	0	1	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	255	250	267	262		286
MY Exports	5	3	5	8		20
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	68	65	67	68		70
Food Use Dom. Cons.	182	175	195	180		185
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	250	240	262	248		255
Ending Stocks	0	7	0	6		11
Total Distribution	255	250	267	262		286
CY Imports	1	1	1	0		0
CY Imp. from U.S.	0	0	0	0		0
CY Exports	5	5	5	3		10