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Global Agricultural Information Network

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## **Thailand**

### **Poultry and Products Annual**

**2011**

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**Report Highlights:**

As capacity expansion continues in 2011 and 2012, due to the Thai broiler industry's high profitability in both domestic and international markets in 2010 and 2011, production of broiler meat in 2012 is forecast to grow further by 9 percent to 1.50 MMT from 1.38 MMT in 2011. Both domestic consumption and exports in 2012 are also forecast to grow at the same rate (9 percent) reflecting strong demand environs.

## **Executive Summary:**

As capacity expansion continues in 2011 and 2012, due to the Thai broiler industry's high profitability in both domestic and international markets in 2010 and most of 2011, production of broiler meat in 2012 is forecast to grow further by 9 percent to 1.50 MMT from 1.38 MMT in 2011. Both domestic consumption and exports in 2012 are also forecast to grow at the same rate (9 percent) reflecting strong demand environs.

Domestic consumption should be strong in 2012 mainly due to anticipated prevailing high pork prices against less expensive chicken meat, which is fostering the domestic per capita consumption of chicken meat, which will be aided by the expansion of its use in the quick service restaurant (QSR) sector and ready-to-eat markets.

Thailand has successfully developed its export market for cooked chicken meat products and is the world's leading exporter. Most of the growth in exports in 2012 will take place in Asian markets including Japan, ASEAN countries, Hong Kong, and South Korea. Currently, the EU and Japan are the major markets for Thai exports, accounting for 83-85 percent of total exports.

Thailand's request to the EU to increase the prevailing quota of 160,000 metric tons for cooked chicken meat products and to lift a ban on uncooked chicken meat is still pending. In 2009, the EU announced its plan to raise tariff rates on additional 8 poultry meat products including uncooked chicken meat products containing more than 57 percent chicken meat, cooked chicken meat products containing 25-57 percent chicken meat, and cooked chicken meat products containing less than 25 percent chicken meat. In response to this initiative, Thai Department of Trade Negotiations, Ministry of Commerce, requested the EU to set an import quota for these products. This request is still pending; however, trade sources revealed that the EU is likely to agree to adopt the quota system for these products in 2012.

Table 1: Production, Supply and Demand for Broiler Meat in Thailand

Poultry, Meat, Broiler Thailand	2010		2011		2012		
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Inventory (Reference)	0	0	0	0	0	0	(MIL. HEAD)
Slaughter (Reference)	0	0	0	0	0	0	(MIL. HEAD)
Beginning Stocks	22	22	32	32		52	(1000 MT)
Production	1,280	1,280	1,380	1,380		1,500	(1000 MT)
Whole, Imports	1	0	1	0		0	(1000 MT)
Parts, Imports	0	0	0	0		0	(1000 MT)
Intra-EU Imports	0	0	0	0		0	(1000 MT)
Other Imports	0	0	0	0		0	(1000 MT)
Total Imports	1	0	1	0		0	(1000 MT)
Total Supply	1,303	1,302	1,413	1,412		1,552	(1000 MT)
Whole, Exports	0	0	0	0		0	(1000 MT)
Parts, Exports	432	432	475	460		500	(1000 MT)
Intra EU Exports	0	0	0	0		0	(1000 MT)
Other Exports	0	0	0	0		0	(1000 MT)
Total Exports	432	432	475	460		500	(1000 MT)
Human Consumption	829	828	856	890		970	(1000 MT)
Other Use, Losses	10	10	10	10		10	(1000 MT)
Total Dom. Consumption	839	838	866	900		980	(1000 MT)
Total Use	1,271	1,270	1,341	1,360		1,480	(1000 MT)
Ending Stocks	32	32	72	52		72	(1000 MT)
Total Distribution	1,303	1,302	1,413	1,412		1,552	(1000 MT)
CY Imp. from U.S.	0	0	0	0		0	(1000 MT)
CY Exp. to U.S.	0	0	0	0		0	(1000 MT)
Balance	0	0	0	0		0	(1000 MT)
Inventory Balance	10	10	40	20		20	(1000 MT)
Production Change	7	7	8	8		9	(PERCENT)
Import Change	0	0	0	0		0	(PERCENT)
Export Change	14	14	10	6		9	(PERCENT)
Trade Balance	431	432	474	460		500	(1000 MT)
Consumption Change	2	2	3	7		9	(PERCENT)
Population	66,404,688	67,089,500	66,796,787	67,089,500		67,089,500	(PEOPLE)
Per Capita Consumption	12	12	13	13		15	(KG)
TS-ID		0		0		0	
Comments							
AGR Number							

## Production

### *Production Trend*

Although no HPAI incidences have been reported since November 2008, trade sources reported that inconsistent temperatures, flooding, and disease outbreaks have caused significant damage to broiler production from late 2010 to May 2011. These damages have cut down the estimated growth of broiler production from a potential growth of 10-15 percent to 8 percent in 2011. Trade sources reported that integrated chicken producers have used intensive measures, especially Newcastle vaccination and bio-security programs, to control the recent disease outbreaks. It is believed that the outbreaks are currently under control and should not pose a serious threat for the remaining months of 2011.

Production of broiler meat in 2012 is forecast to grow further by 9 percent to 1.50 MMT from 1.38 MMT in 2011 based on the ongoing expansion of broiler production capacity in 2011 and anticipated fewer disease outbreaks. As cited in the 2010 Annual Report, strong demand and slow growth in broiler production in 2008-2009 resulted in favorable returns that in turn fueled the rapid expansion in 2010.

This capacity expansion continues in to 2011 and 2012 as the Thai broiler industry continues to enjoy high profitability in both domestic and international markets.

Trade sources estimate that total chick production capacity increased from 20-21 million birds per week in 2010 to 22-23 million birds in 2011, and will increase to 23-25 million birds in 2012. This increase is derived from the expansion by nearly all of the integrated chicken producers and independent broiler breeding farms. Additionally, most breeding farms are integrated farms, and they have indicated that they would likely respond to changes in market dynamics in a reasonable time period in order to balance any significant shifts in the supply and demand equation.

Integrated chicken producers have not only expanded their poultry and breeding facilities but also enlarged their processing facilities. The current processing capacity of the Thai chicken industry totals 3.85 million birds/day, up from 3.10 million birds/day in 2010. Integrated farms have invested in introducing or improving fully cooked meat processing facilities to meet the requests of sophisticated markets in Japan and the EU for cooked broiler meat.

The Thai broiler industry has improved farming systems to mitigate animal health and food safety challenges, such as the Highly Pathogenic Avian Influenza (HPAI) outbreak that did so much damage to the industry in 2004. All integrated producers are strictly implementing bio-security measures from the farm level to the processing level. Nearly all broiler houses of integrated producers are equipped with evaporative cooling systems which, in addition to increased productivity, reduce disease exposure and mortality rates. This has been a key factor for the absence of HPAI incidents since the last affected flocks were depopulated on November 12, 2008.

### *Production Costs*

In 2011, average live broiler production costs are estimated to increase by 11 percent from 35-36 baht/kg (54-55 cents/pound) in 2010 to 39-40 baht/kg (60-62 cents/pound) due mainly to increasing raw material costs, especially corn and chicks, and higher mortality rates caused by the disease outbreak. Prices for corn, a major ingredient that accounts for 60 percent of broiler feed rations, increased by 10 percent in the first 7 months of 2011 (January-July). Higher feed costs derived from corn in 2011 have been partly offset by lower prices for soybeans and fish meal, however they have not been able to offset the impact of higher corn prices. In addition, average prices for chicks in the first 7 months (Jan-Jul) increased by 7 percent from 18.43 baht/bird (\$0.62/bird) in the same period in 2010 to 19.78 baht/bird (\$0.67/bird).

Nevertheless, broiler producers are able to generate profits in 2011 when average live broiler prices at farm of 48.77 baht/kg (0.75 cents/pound) well outstripped the average production cost of 39.50 baht/kg (0.61 cents/pound) in the first 7 months of 2011 (Jan-Jul).

Trade sources forecast that in 2012 live broiler production costs should be close to the 2011 level considering that the strong prices for bulk feed ingredients and chicks should ease from 2011.

Table 2: Wholesale Prices for Feed Ingredients

Month	Corn 1/			Soybean Meal 2/			Fishmeal 3/		
	2010	2011	%Δ	2010	2011	%Δ	2010	2011	%Δ
January	8.10	9.46	+ 16.8	15.75	13.88	- (11.9)	33.40	25.00	- (25.1)
February	8.37	9.57	+ 14.3	15.11	14.15	- (6.4)	34.20	28.91	- (15.5)
March	8.92	10.01	+ 12.2	14.86	13.46	- (9.4)	35.28	37.98	+ 7.7
April	9.24	10.65	+ 15.3	14.80	12.80	- (13.5)	36.53	31.77	- (13.0)
May	9.31	10.49	+ 12.7	14.09	12.59	- (10.6)	31.53	32.09	+ 1.8
June	9.64	9.68	+ 0.4	13.43	11.60	- (13.6)	28.31	31.29	+ 10.5
July	9.38	9.18	- (2.1)	13.25	13.50	+ 1.9	28.92		
August	9.01			14.05			30.82		
September	9.22			14.02			29.78		
October	9.24			14.35			27.78		
November	9.19			14.64			25.28		
December	9.13			13.62			25.57		
Average	9.06	9.86		14.33	13.14		30.62	31.17	
1/ Bangkok wholesale prices for corn at feedmill									
2/ Bangkok wholesale prices for soybean meal derived from imported soybean									
3/ Bangkok wholesale prices for fishmeal									
Source: Thai Feed Mill Association									

## Consumption

In 2011, domestic consumption is estimated to grow 7 percent over the 2010 level mainly because QSR and ready-to-eat markets have expanded and a wider gap between pork prices and less expensive chicken meat caused several consumers to switch to chicken meat. The price-ratio of lean pork to chicken breast has increased from 1.45 in 2010 to 1.53 in the first 8 months of 2011 (Jan-Aug). Average retail prices for chicken boneless breast meat in Bangkok in 2011 (Jan-Aug) rose by one percent to 87.20 baht/kg (\$1.34/pound) from the 2010 level. Meanwhile, average retail prices for lean meat pork in Bangkok in 2011 (Jan-Aug) increased by 11 percent, from 121.19 baht/kg (\$1.87/pound) in 2010, to 133.93 baht/kg (\$2.06/pound).

In 2012, domestic consumption should grow by 9 percent mainly due to anticipated prevailing high pork prices against less expensive chicken meat that will foster the growth of per capita consumption of chicken meat intake from 13.5 kg/person/year to 14.7 kg/person/year. In addition, an increase in domestic consumption should be partly attributed to efforts in promoting new ready-to-eat chicken menu in the domestic market by quick service restaurants (QSR) and food processors, spearheaded by the largest poultry integrator, Charoen Pokphand Group. This ready-to-eat market should grow 10-15 percent annually in the next five years.

Table 3: Bangkok Wholesale Live Broiler Prices and Retail Chicken Meat Prices

Month	Wholesale Live Broiler (baht/kg) <sup>1/</sup>			Retail Chicken Meat (baht/kg) <sup>2/</sup>		
	2010	2011	% Change	2010	2011	% Change
January	44.33	45.24	2.05	88.38	77.95	-11.80
February	45.00	47.28	5.07	89.00	80.05	-10.06
March	40.96	48.30	17.92	89.00	84.00	-5.62
April	42.09	52.10	23.78	89.00	90.85	2.08
May	44.28	54.60	23.31	89.00	97.50	9.55
June	42.46	50.25	18.35	89.00	96.05	7.92
July	37.47	43.60	16.36	80.85	88.03	8.88
August	36.07			77.40	83.13	7.40
September	37.63			74.14		
October	36.02			69.25		
November	37.33			71.36		
December	41.93			77.00		
<b>Average</b>	<b>40.46</b>	<b>48.77</b>		<b>81.95</b>	<b>87.20</b>	

Source: <sup>1/</sup> Thai Feed Mill Association  
<sup>2/</sup> Department of Internal Trade, Ministry of Commerce

## Trade

### *Export Trend*

In the first half of 2011, chicken meat exports (both cooked and uncooked) increased 10 percent in quantity to 217,906 metric tons from the same period of 2009, while the value of exports increased by 22 percent. Trade sources reported that the relatively higher export values than quantity reflect increased export prices for Thai chicken meat across the board. Based on these statistics, average export prices in the first half of 2011 (Jan-Jun) increased to \$4,180/metric ton from \$3,750/metric ton in the same period of 2010. The export breakdown for poultry meat for the first half of 2011 are 200,206 metric tons for cooked chicken meat or 92 percent of exports and in increase of 8 percent from the same period in 2010. While uncooked product exports were 17,700 metric tons or 8 percent of total exports, however they rose 47 percent from 2010. Based on the export performance of the first half of 2011, total exports of chicken meat are expected to reach 460,000 metric tons, up 7 percent from the 2010 level.

In 2012, Thailand's broiler meat exports should grow another 9 percent, and most of the growth is expected to take place in Asian markets, including Japan, ASEAN countries, Hong Kong, and South Korea. Overall, cheaper export prices of Thai products should help a favorable expansion in other markets than the EU and Japan, however they will still remain Thailand's major markets accounting for 83-85 percent of total exports. Additionally, as countries lift their bans on HPAI, this will help fuel uncooked chicken meat exports. Currently, countries that have lifted the HPAI ban on Thai uncooked frozen chicken meat included Hong Kong, South Africa, Bahrain, and Russia.

### *Export Prices and Products*

Trade sources reported that overall export prices for nearly all cooked products increased sharply in the first half of 2011 (Jan-Jun) reflecting higher costs and stronger demand especially from Japan after the earthquake and tsunami hit the country in March 2011. Export prices for steamed dice-shape-cut

skinless boneless breast (SBB), a major item exported to the EU, reportedly increased from \$4,000-4,500/ton CIF in 2010 to current prices of \$5,000-5,100/ton CIF. On the other hand, export prices for fried cut boneless leg, one of the basic cooked products for the Japanese market, rose from \$4,000-4,200/ton CIF in 2010 to \$5,000/ton in March/April and has since dropped to \$4,600-4,700/ton.

The bulk of the chicken products for export consist of made to order products that are processed or prepared by heat (such as grilling, steaming, and boiling) and are usually puffed or seasoned (with salt, Japanese sauce, etc.).

### *The EU Quota Administration*

The EU quota administration remains unchanged from the 2010 Annual Report. Under the agreement, Thailand receives a quota of 92,610 metric tons out of a total quota of 264,245 metric tons for uncooked salted poultry meat (EU HS code 02109939). The in-quota tariff rate is 15.4 percent while the out-of-quota rate will be 1,300 €/ton. However, Thailand does not export uncooked products to the EU and the EU announced in 2010 to extend its ban on imported uncooked chicken meat from exporting countries affected by Avian Influenza until June 30, 2012.

Quota for cooked chicken meat (EU HS code 16023219) for Thailand is 160,033 metric tons, out of a total quota of 250,953 metric tons, and in-quota imports from Thailand will be subject to an 8 percent tariff. The out-of-quota rate for cooked chicken meat is 1,024 €/ton. Since 2008, Thailand's cooked chicken meat (EU HS code 16023219) annually used the quota up to the ceiling of 160,033 metric tons.

While Thailand's request to the EU to increase the prevailing quota of 160,000 metric tons for cooked chicken meat products and to lift a ban on uncooked chicken meat is still pending, Thai exporters have wisely opted to export chicken meat products that are not under the EU tariff-rate-quota regime, but export products that have low tariff rates that make them competitive in the EU market. These products include those that contain 57 percent chicken meat and below which have a tariff of 10.9 percent. The export under this category should reach 25-30,000 metric tons in 2011 which is close to 28,488 metric tons in 2010.

Although this market has been challenged when in 2009, the EU announced its plan to raise tariff rates on additional 8 poultry meat products including uncooked chicken meat products containing more than 57 percent chicken meat, cooked chicken meat products containing 25-57 percent chicken meat, and cooked chicken meat products containing less than 25 percent chicken meat. In response to this initiative, Thai Department of Trade Negotiations, Ministry of Commerce, requested the EU to set an import quota for these products. This request is still pending; however, trade sources revealed that the EU is likely to agree to adopt the quota system for these products in 2012.

## **Stocks**

In line with increasing production, year-end carryover stocks of broiler meat are forecast to increase from the estimated 52,000 metric tons in 2011 to 72,000 metric tons in 2012.

## **Policy**

Thailand's policy for the poultry industry has not changed from the last report. Thailand does not have price supports or export subsidy programs for poultry. After the HPAI outbreak, the Royal Thai Government (RTG) launched several measures to support the poultry industry, from small-scale farmers to integrated poultry processors, including HPAI Stamping-Out Campaign on poultry farms/areas and a compensation scheme for disease-affected farmers.

Thailand is a protected poultry market through the RTG's use of non-transparent control of import permits (potential importers are unable to get them issued), high WTO bound rates of import tariffs (currently 30 percent for chilled or frozen uncooked meat and 40 percent for cooked chicken meat), and a discriminatory import permit fee on uncooked products (10 baht/kilogram or approx. \$339/ton).

Thailand has made a request for sanitary approval to export cooked chicken to the United States. However Thailand has not seriously pursued the approval process and the request has now been pending for many years. Thai industry sources recently mentioned to FAS/Bangkok that this is because Thailand sees the difficulty other countries, most notably China, have had in gaining U.S. market access, and they feel the chances for Thailand are nil.

## **Marketing**

Thai local consumers, like those in other Asian countries, prefer dark meat to white meat. Therefore, Thailand remains a potential market for U.S. chicken parts (especially leg-quarters), mechanically deboned meat (MDM), and value-added chicken meat. Potential buyers for chicken parts and MDM would be food processors (sausage processors in the case of MDM) and supermarkets. Value-added chicken meat can also be introduced to modern retail markets and HRI industry. Thailand could import bone-in-leg meat for processing in Thailand and re-export it to such markets as Japan and non-EU countries. However, the aforementioned non-tariff barriers would need to be resolved. The paradox is that none of the barriers exist for U.S. frozen turkey meat exports to Thailand.

End of Report.



