

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Thailand**

### **Poultry and Products Annual**

**2010**

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**Report Highlights:**

In 2011 production of broiler meat is forecast to grow by 8 percent to 1.38 MMT from 1.28 MMT in 2010. Although production could potentially increase in tandem with the increase in capacity (15-20 percent), trade sources believe that this would not likely happen as most producers are large integrated facilities that are able to adjust production once a market glut looks imminent. Anticipated growth in demand from domestic consumption and exports will not absorb the increase in meat production, leading to increased carryover stocks of broiler meat at the end of 2011.

## **Commodities:**

Poultry, Meat, Broiler

### **Executive Summary**

In 2011 production of broiler meat is forecast to grow by 8 percent to 1.38 MMT from 1.28 MMT in 2010. This increase in production is a result of an aggressive expansion in production capacity by 15-20 percent in poultry farms during 2010 and early 2011, as strong demand and slow growth in broiler production in 2008-2009 resulted in favorable returns that in turn fueled this rapid expansion. Although production could potentially increase in tandem with the increase in capacity, trade sources believe that this would not likely happen as most producers are large integrated facilities that are able to reduce production once a market glut looks imminent.

Anticipated growth in demand from domestic consumption and exports will not absorb the increase in production, leading to carryover of broiler meat stocks at the end of 2011 of 72,000 metric tons, which would more than double the estimated 32,000 metric tons of 2010.

In 2011, domestic consumption should grow by 5 percent as it remains the most popular and affordable meat, as population increase, growth in GDP (projected growth of 6.5-7.5 percent), and an anticipation of softened prices due to an oversupply in broiler production.

In 2011, Thailand's broiler meat exports should grow by 7 percent which most of the growth will take place in Asian markets including Japan, ASEAN countries, Hong Kong, and South Korea.

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. Any out-of-quota exports are subject to high tariffs. Growth in this market will be negligible, as the only price-competitive products are those that contain 57 percent or less poultry which are not under a quota system and face a relatively benign tariff of 10.9 percent.

## Thailand: Production, Supply and Demand for Broiler Meat (Unit: 1,000 metric tons)

Poultry, Meat, Broiler Thailand	2009			2010			2011		
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Inventory (Reference)	0	0	0	0		0			0
Slaughter (Reference)	0	0	0	0		0			0
Beginning Stocks	21	14	21	31		22			32
Production	1,200	1,200	1,200	1,240		1,280			1,380
Whole, Imports	0	0	0	0		0			0
Parts, Imports	0	0	0	0		0			0
Intra-EU Imports	0	0	0	0		0			0
Other Imports	0	0	0	0		0			0
Total Imports	0	0	0	0		0			0
Total Supply	1,221	1,214	1,221	1,271		1,302			1,412
Whole, Exports	0	0	0	0		0			0
Parts, Exports	379	350	379	410		410			440
Intra EU Exports	0	0	0	0		0			0
Other Exports	0	0	0	0		0			0
Total Exports	379	350	379	410		410			440
Human Consumption	801	840	810	830		850			890
Other Use, Losses	10	10	10	10		10			10
Total Dom. Consumption	811	850	820	840		860			900
Total Use	1,190	1,200	1,199	1,250		1,270			1,340
Ending Stocks	31	14	22	21		32			72
Total Distribution	1,221	1,214	1,221	1,271		1,302			1,412
CY Imp. from U.S.	0	0	0	0		0			0
CY Exp. to U.S.	0	0	0	0		0			0
Balance	0	0	0	0		0			0
Inventory Balance	10	0	1	-10		10			40
Production Change	3	0	3	3		7			8
Import Change	0	0	0	0		0			0
Export Change	-1	0	-1	8		8			7
Trade Balance	379	350	379	410		410			440
Consumption Change	3	0	3	4		5			5
Population	65,905,410		65,905,410	66,303,290		65,905,410			65,905,410
Per Capita Consumption	12		12	12		13			14
TS=TD			0			0			0
Comments									
AGR Number									
Comments To Post									

### Production:

#### *Production Trend*

In 2011 production of broiler meat is forecast to grow by 8 percent to 1.38 MMT from 1.28 MMT in 2010. This increase in production is a result of an aggressive expansion in production capacity by 15-20 percent in poultry farms during 2010 and early 2011, as strong demand and slow growth in broiler production in 2008-2009 resulted in favorable returns that in turn fueled this rapid expansion. Although production could potentially increase in tandem with the increase in capacity, trade sources believe that this would not likely happen as most producers are large integrated facilities that are able to reduce production once a market glut looks imminent. In addition to expanded capacity, these new facilities come equipped with evaporative cooling systems and use improved genetics in broiler breeding stocks which results in increasing yields.

The slow growth in broiler production in 2008 and 2009 has also resulted in sound profitability in the chick breeding business. In 2008-2009, average chick prices were 12-13 baht/bird and skyrocketed to a record high 20-21 baht/head in May of 2010, with an average production cost of 8-9 baht/bird. This high profitability encouraged, both independent chick breeders and integrated chicken producers, the expansion of breeding facilities. Trade sources estimate that total chick production capacity increased from 18 million birds per week in early 2010 to a current capacity of 20-21 million birds per week, and

will increase to 22 million birds in early 2011 and 23 million birds by mid 2011. Again, since most breeding farms are integrated farms, they will likely respond to changes in market dynamics in a reasonable time period to avoid falling prices.

In addition to poultry and breeding facilities, at least four integrated chicken producers, i.e., Betagro, Saha Farm, GFPT Company, and Thai Food Industry Company, have expanded their processing facilities, which by the end of 2010 will add 400,000 birds per day to their production lines. These lines currently process 2.5-2.7 million birds per day, the new added capacity would increase by 16-18 percent. Integrated farms have also 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 biosecurity measures from the farm level to the processing level. Nearly all broiler houses of integrated producers are currently equipped with evaporative cooling systems which, in addition to increasing productivity, reduce disease exposure and mortality rates. This has been a factor for not having any HPAI incidents since the last affected flocks were depopulated on November 12, 2008.

#### *Production Costs*

In 2010, average live broiler production costs are estimated to increase almost 10 percent from 32-33 baht/kg (47-48 cents/pound) in 2009 to 35-36 baht/kg (51-52 cents/pound) due to escalating prices of chicks and feed. For example, prices for corn, ingredient that accounts for 60 percent of the broiler feed ration, is expected to increase by 16-17 percent in 2010 from 2009, while those for fishmeal, another ingredient that accounts for 5 percent of the ration, has risen by 3 percent. On the other hand, prices for soybean meal, accounting for 25 percent of the feed ration, have decreased 12-13 percent from 2009 which is not enough to offset the increase in corn and fishmeal prices. Trade sources reported that feed mills replaced corn with cheaper feed-grade wheat from Russia and Ukraine in 2010. Prices for these imported wheat grains were about 20 percent lower than domestic corn prices and some 700-800,000 metric tons of these wheat grains have been imported for this purpose in 2010. However due to the current outlook on tightening supplies and skyrocketing prices, this alternative is no longer viable for the rest of 2010.

Trade sources forecast that in 2011 live broiler production costs should increase by 2-5 percent in anticipation of stronger prices for bulk feed ingredients, which would offset any savings from a possible reduction in chick prices.

Table 1: Wholesale Prices for Feed Ingredients

Month	Corn 1/ $\Delta$			Soybean Meal 2/ $\Delta$			Fishmeal 3/ $\Delta$		
	2009	2010	%	2009	2010	%	2009	2010	%
January	7.33	8.10	+ 10.5	14.67	15.75	+ 7.4	29.61	33.40	+ 12.8
February	7.42	8.37	+ 12.8	15.70	15.11	- (3.8)	26.84	34.20	+ 27.4
March	7.60	8.92	+ 17.4	15.68	14.86	- (5.2)	25.69	35.28	+ 37.3
April	7.05	9.24	+ 31.1	16.07	14.80	- (7.9)	29.08	36.53	+ 25.6
May	7.05	9.31	+ 32.1	17.19	14.09	- (18.0)	33.50	31.53	- (5.9)
June	7.45	9.64	+ 29.4	17.93	13.43	- (25.1)	34.19	28.31	- (17.2)
July	6.26	9.38	+ 49.8	16.91	13.25	- (21.6)	34.58	28.92	- (16.4)
August	6.21			16.86			36.04		
September	6.10			16.94			34.58		
October	6.30			16.43			33.29		
November	7.14			16.58			29.96		
December	7.83			17.00			31.80		
Average	6.98	8.99		16.50	14.47		31.60	32.60	
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 should grow by 5 percent as it remains the most popular and affordable meat, an increasing population, growth in GDP (projected growth of 6.5-7.5 percent), and an anticipation of softened prices due to an oversupply in broiler production. 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.

Despite sharply increased domestic prices, domestic consumption in 2010 is estimated to grow 5 percent over the 2009 level due to its price competitiveness as compared to other meats and a favorable economic growth (estimated 6.5-7.5 percent). Average domestic prices for live broilers in the first seven months of 2010 (Jan-Jul) increased significantly by 24 percent over the same period of 2009 to 42.37 baht/kg (approx. 62 cents/pound) due mainly to increased production costs and strong export demand for chicken meat. Meanwhile, average retail prices for chicken boneless breast meat in Bangkok in 2010 (Jan-Jul) also rose by 27 percent to 87.54 baht/kg (\$1.27/pound) from the 2009 level.

Table 2: Bangkok Wholesale Live Broiler Prices and Retail Chicken Meat Prices

Month	Wholesale Live Broiler (#/kg)			Retail Chicken Meat (#/kg)		
	2009	2010	% Change	2009	2010	% Change
January	31.58	44.33	40.37	74.25	88.38	19.03
February	32.88	45.00	36.86	69.84	89.00	27.43
March	30.28	40.96	36.27	62.50	89.00	42.40
April	31.18	42.09	34.99	64.23	89.00	38.56
May	36.45	44.28	21.48	70.00	89.00	27.14
June	37.92	42.46	11.97	71.00	n.a	n.a
July	38.00	37.47	-1.39	71.00	80.85	13.87
August	38.00			71.00		
September	40.68			73.07		
October	41.62			74.50		
November	40.00			76.50		
December	41.00			85.13		
Average	36.63	42.37		71.92	87.54	

## Trade:

### Export Trend

In the first half of 2010, chicken meat exports (both cooked and uncooked) increased 13 percent to 198,029 metric tons from 174,781 metric tons in the same period of 2009. Of these exports, cooked chicken meat exports in the first half of 2010 grew 13 percent to 188,986 metric tons while uncooked product exports rose 23 percent to 12,043 metric tons. Based on the export performance of the first half of 2010, total exports of chicken meat are expected to reach 410,000 metric tons, up 8 percent from the 2009 level.

In 2011, Thailand's broiler meat exports should grow by 7 percent which most of the growth will take place in Asian markets, including Japan, ASEAN countries, Hong Kong, and South Korea. Exports to Japan are anticipated to increase almost 10 percent in 2011 on the assumption that the oversupply in the domestic market would spill over to the world market causing Thai chicken meat products to become more competitive than other supplying countries such as Brazil and China. Overall, cheaper export prices of Thai products should help a favorable expansion in other markets than the EU and Japan, which will still remain Thailand's major markets accounting for 85-90 percent of market share. In addition, several importing countries are likely to lift a ban on Thai uncooked frozen chicken meat in the near future as Thailand meets its OIE HPAI free requirements. Currently, the countries which have lifted the HPAI ban on Thai uncooked frozen chicken meat included Hong Kong, South Africa, Bahrain, and Russia.

In early 2010, reports were circulating that Thailand would begin to export leg quarters to Russia after this country banned imports from the United States. The Thai government authorities reported that a Russian inspection team had approved several processing plants in Thailand for export eligibility to Russia. However, no exports have occurred thus far mainly because Thai exporters consider prices offered by Russian importers too low and are wary of the financial terms on the possible trades.

### Export Prices and Products

Trade sources reported that overall export prices for nearly all cooked products have firmed in 2010 reflecting higher costs and strong demand. Export prices for steamed dice-shape-cut skinless boneless breast (SBB), a major item exported to the EU, reportedly increased from about \$3,800/ton in 2009 to currently \$4,000-4,500/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 an average \$4,100/ton CIF in 2009 to \$4,300/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, boiling, etc.) and are usually puffed or seasoned (with salt, Japanese sauce, etc.).

### The EU Quota Administration

Under the agreement, Thailand receives 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. 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. Thailand's cooked chicken meat (EU HS code 16023219) reached the quota ceiling of 160,033 metric tons in 2008.

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 addition, the EU raised import tariffs on 8 poultry meat products in 2009, 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. These chicken meat products are currently not under the EU tariff-rate-quota. The import tariff applied for products containing 57 percent chicken meat and below is 10.9 percent. Thailand has thus far enjoyed this tariff to export products containing 57 percent and below content out of the quota system. The export under this category should reach 20-25,000 metric tons in 2010, as compared to 17,657 metric tons in 2009.

### **Stocks:**

Anticipated growing demand from domestic consumption and exports should not be able to absorb the production increase, leading carryover stocks of broiler meat at the end of 2011 to more than double from the estimated 32,000 metric tons in 2010 to 72,000 metric tons in 2011.

### **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. Because of 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. \$320/ton), and imposing an arbitrary import ban which is inconsistent with the OIE guidelines such as a ban on U.S. poultry meat upon a finding of Low Pathogenic Avian Influenza (LPAI) in some states.

**Marketing:**

Thailand is a potential market for U.S. chicken parts (especially leg-quarters), mechanically deboned meat (MDM), and value-added chicken meat. Thai local consumers, like those in other Asian countries, prefer dark meat to white 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 U.S. export opportunities of these chicken parts are currently hindered by Thailand's non-transparent controls on issuing import permits.

End of Report.