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Report Highlights:

TH3080. The Thai broiler industry has recovered from problems associated with the exit of the Saha Farm Group from the market; one of the largest integrated broiler operations in Thailand. Thailand's broiler production and chicken meat exports are expected to grow in 2014.

Executive Summary:

The Thai broiler industry has recovered from the exit of the Saha Farm Group from the market, one of the largest integrated broiler operations in Thailand. Sources reported that the company was beset with financial difficulties. Prices for exported and domestic chicken meat skyrocketed in the second quarter of 2013. Thai broiler processors are enjoying falling prices for feed ingredients, especially corn and soybean meal.

Due to the likelihood of favorable broiler prices for the rest of 2013 and continued strong export demand in 2014, broiler meat production is forecast to grow eight percent in 2014 to 1.68 million metric tons (MMT), with an estimated live broiler population of 27-28 million birds per week. Higher chicken meat prices and an expected slower growth in the Thai economy may limit the growth of domestic consumption in 2014 to only 4 percent.

Thai chicken meat exports are estimated to further increase by 3 percent to 620,000 MT in 2014 in anticipation of increased broiler production.

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

Poultry, Meat, Broiler Thailand	2012		2013		2014		
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Inventory (Reference)	0	0	0	0		0	(MIL HEAD)
Slaughter (Reference)	0	0	0	0		0	(MIL HEAD)
Beginning Stocks	52	52	133	133		84	(1000 MT)
Production	1,550	1,550	1,560	1,560		1,680	(1000 MT)
Total Imports	1	1	1	1		1	(1000 MT)
Total Supply	1,603	1,603	1,694	1,694		1,765	(1000 MT)
Total Exports	538	538	600	600		620	(1000 MT)
Human Consumption	922	922	1,010	1,000		1,040	(1000 MT)
Other Use, Losses	10	10	10	10		10	(1000 MT)
Total Dom. Consumption	932	932	1,020	1,010		1,050	(1000 MT)
Total Use	1,470	1,470	1,620	1,610		1,670	(1000 MT)
Ending Stocks	133	133	74	84		95	(1000 MT)
Total Distribution	1,603	1,603	1,694	1,694		1,765	(1000 MT)
CY Imp. from U.S.	0		0				(1000 MT)
CY Exp. to U.S.	0		0				(1000 MT)
Balance	0	0	0	0		0	(1000 MT)
Inventory Balance	81	81	-59	-49		11	(1000 MT)
Production Change	15	15	1	1		8	(PERCENT)
Import Change	0	0	0	0		0	(PERCENT)
Export Change	15	15	12	12		3	(PERCENT)
Consumption Change	8	8	9	8		4	(PERCENT)
Imports Percent Consumption	0	0	0	0		0	(PERCENT)
Exports Percent Production	35	35	38	38		37	(PERCENT)

Production

Production Trend

In the latter part of 2012 and the first quarter of 2013, the Thai broiler industry encountered several problems including a glut of broiler meat, high production cost, and unfavorable broiler prices. However, the industry rebounded in the second quarter of 2013 when the Saha Farm Group, one of the largest integrated broiler companies in Thailand, began to scale down its operations and permanently shut down in late July due to serious financial problems. These turn of events benefited other Thai chicken meat processors as supplies tightened and broiler prices increased across the board.

As a result of the Saha Farm Group's exit from the Thai broiler market, broiler meat production in the second half of 2013 is estimated to drop by 10-15 percent from the same period in 2012. The excess supply in the first half of 2013 and lower production in the second half of the year is expected to bring total broiler meat production in 2013 close to the 2012 level at 1.56 million metric tons (MMT).

As Post reported in 2012, the Saha Farm Group aggressively doubled its broiler production to 5.4 million birds/week from 2.5 million birds/week within two years. The huge expansion occurred during the same time broiler prices declined and the cost of production rose. The company is now reportedly negotiating with its creditors to avoid foreclosure. Trade sources reported that, if a deal can be worked out, the company could return to the market in a few years.

Due to the likelihood of favorable broiler prices for the rest of 2013 and continued strong export demand in 2014, broiler meat production is forecast to grow eight percent in 2014 to 1.68 MMT, with an estimated live broiler population of 27-28 million birds per week. Higher chicken meat prices and an

expected slower growth in the Thai economy, however, may limit the growth of domestic consumption in 2014 to only 4 percent.

The Thai broiler industry has improved farming systems to mitigate food safety challenges and animal health concerns such as the Highly Pathogenic Avian Influenza (HPAI). In 2004, a HPAI outbreak caused considerable damage to the Thai broiler industry. Today, all integrated producers are implementing strict bio-security measures from the farm to the processing level. Nearly all broiler houses of integrated producers are equipped with evaporative cooling systems which reduce disease exposure and mortality rates. These cooling systems have been instrumental in preventing HPAI incidents.

In addition to effective disease control and surveillance programs, the industry has also utilized new technologies that have improved genetics, farm management, and feed nutrition. As a result, the average weight of fully grown broilers at harvest reportedly increased to 2.3-2.4 kilograms per bird from 2.0-2.1 kilograms per bird in the past 4-5 years. The number of days it takes to raise one-day old chicks to market delivery, dropped to 42 days from 49 days, and average feed conversion ratio (FCR) decreased to 1.7 from 1.9-2.0.

Production Costs

80-85 percent of the total cost of a broiler production is attributed to expenses relating to the purchase of feed and chicks. Production cost in 2014 should be lower than 2013 mainly because prices for soybean meal and corn, which are major ingredients in broiler feed rations, are declining.

Trade sources reported that the average domestic prices for soybean meal recently dropped to 16-17 baht/kg (\$507/MT) in August 2013 from 18.22 baht/kg (\$578/MT) in January 2013, and are likely to further decline. In addition, domestic corn prices also dropped to 8.50-9.00 baht/kg (\$270-286/MT) in August 2013 as compared to 10.23 baht/kg (\$325/MT) in January. Prices for one-day old chicks, on the other hand, rose sharply as production fell due to the exit of the Saha Farm Group from the market. Prices for one-day old chicks, which were at 11 baht/bird (0.35 US cent/bird) in April 2013 are currently 19 baht/bird (0.60 US cent/bird).

Average live broiler production cost in the first seven months of 2013 were 35-36 baht/kg (0.50-0.52 per pound) compared to 36-38 baht/kg in the same period of 2012. Meanwhile, average prices for live broiler increased sharply by 22 percent to 42.49 baht/kg (0.61/pound) in 2013 (January-July) from 34.90 baht/kg (US\$0.50/pound) in 2012 (January-July). Prices for live broiler further increased in August 2013 to 46-47 baht/kg (0.66-0.68/pound).

Table 2: Wholesale Prices for Feed Ingredients (Baht/kg)

Month	Corn 1/ Δ			Soybean Meal 2/ Δ			Fishmeal 3/ Δ		
	2012	2013	%	2012	2013	%	2012	2013	%
January	10.14	10.23	+ 0.9	14.12	18.22	+ 29.0	27.64	32.79	+ 18.6
February	10.19	10.19	nil	15.13	18.15	+ 20.0	28.81	31.30	+ 8.6
March	10.35	10.15	- (1.9)	15.75	19.07	+ 21.1	32.21	31.30	- (2.8)
April	10.51	10.21	- (2.9)	16.06	19.36	+ 20.5	33.24	29.94	- (9.9)
May	10.24	9.89	- (3.4)	16.23	17.89	+ 10.2	30.26	26.74	- (11.6)
June	10.76	10.24	- (4.8)	16.98	16.43	- (3.2)	29.38	24.80	- (15.6)
July	10.86	9.94	- (8.5)	19.00	17.20	- (9.5)	34.70	29.84	- (14.0)
August	11.66			21.80			37.70		
September	10.57			21.80			35.06		
October	10.14			21.09			30.95		
November	10.49			20.28			32.83		
December	10.25			18.83			33.80		
Average	10.51	10.12		18.09	18.05		32.22	30.89	

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

Note: US\$1.00 = 31.72 Baht/kg

Consumption

Despite higher prices for retail chicken meat in 2013, domestic consumption is estimated to grow 8 percent over the 2012 level due mainly to ongoing expansion of the quick service restaurant (QSR) sector and ready-to-eat markets in Bangkok and other main cities. In addition, poultry remains less expensive than other kinds of meat produced in Thailand. Average retail prices for boneless chicken breast meat for the first 8 months of 2013 increased by 18 percent to 84.59 baht/kg (\$1.22/pound) compared to 71.40 baht/kg (\$1.03/pound) in the same period in 2012.

Anticipated higher prices for chicken meat and an expected slower economic growth in Thailand may limit the growth of domestic consumption in 2014 to only 4 percent.

Although recent trends have shown Thais moving toward a big-city lifestyle and away from traditional practices, particularly in Bangkok, most Thais still buy fresh chicken meat from traditional markets, which account for about 60-70 percent of total chicken meat consumption. Trade sources expect chicken meat consumption in the ready-to-eat and QSR sectors to continue to grow by 5-10 percent annually for the next 5 years.

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

Month	Wholesale Live Broiler (baht/kg) ^{1/}			Retail Chicken Meat (baht/kg) ^{2/}		
	2012	2013	% Change	2012	2013	% Change
January	36.20	42.69	17.93	82.00	77.14	-5.93
February	34.70	37.91	9.25	74.40	72.50	-2.55
March	27.53	38.97	41.55	67.98	77.26	13.65
April	33.13	44.88	35.47	65.15	85.44	31.14
May	39.33	45.97	16.88	62.50	87.50	40.00
June	38.22	43.04	12.61	71.00	90.00	26.76
July	35.20	44.00	25.00	75.68	94.40	24.74
August	35.53			72.50	92.50	27.59
September	33.58			72.50		
October	31.37			72.50		
November	40.73			76.25		
December	40.75			79.00		
Average	35.52	42.49		72.62	84.59	
Source: ^{1/} Thai Feed Mill Association						
^{2/} Department of Internal Trade, Ministry of Commerce						

Note: US\$1.00 = 31.72 baht/kg

Trade

Export Trend

In the first seven months of 2013, chicken meat exports (both cooked and uncooked) fell by 7 percent to 284,439 MT from 306,249 MT during the same period in 2012, due mainly to the exit of the Saha Farm Group from the market. Of total chicken exports that occurred in the seven months, Japan and the European Union (EU) remained the major buyers of Thai chicken meat products accounting for 39 and 37 percent, respectively. However, trade sources believe that Thailand's chicken meat exports should increase sharply from August-December 2013 as the remaining Thai chicken processors respond to higher demand and take advantage of the more profitable export market. Post estimates total chicken meat exports for 2013 should reach 600,000 MT compared to 538,092 MT in 2012. Three-quarters of total exports in 2013 are expected to consist of cooked chicken meat products while the remaining portion will be uncooked products.

Thai chicken meat exports are forecast to further increase by 3 percent to 620,000 MT in 2014 in anticipation of increased broiler production.

Japan delayed its decision to lift the ban on Thai uncooked chicken meat reportedly because of excess supply in the domestic market and news about H7N9 Avian Flu incidents in China. Countries that have already lifted their HPAI bans on uncooked Thai frozen chicken meat include the EU, Hong Kong, South Africa, Bahrain, and Russia.

Export Prices and Products

Due to the disruption of export supplies caused by the Saha Farm Group, trade sources reported that overall export prices for nearly all cooked chicken products rose in the second quarter of 2013. Export prices for steamed dice-shape-cut skinless boneless breast, a major export item to the EU, reportedly rose to \$5,000-\$6,000/MT CIF from \$4,200-\$4,800/MT CIF in early 2013. Export prices for uncooked boneless breast meat shipped to the EU also increased to \$3,200-\$3,300/MT from \$3,000/MT CIF in early 2013. Meanwhile, boneless chicken leg parts, one of the basic cooked products for the Japanese market, remained strong ranging from \$4,800-5,200/metric ton CIF.

The bulk of the chicken products used for exports 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

There has been no progress in Thailand's request to have the EU increase its prevailing quota for cooked chicken meat products. Thailand is annually granted 92,610 MT of the EU's uncooked salted poultry meat quota and 5,100 MT for uncooked unsalted poultry meat. The in-quota tariff rate is 15.4 percent while the out-of-quota rate is €1,300/MT. The EU quota for cooked chicken meat from Thailand (EU HS code 16023219) is 160,033 MT. In-quota imports from Thailand are subject to an 8 percent tariff. The out-of-quota rate for cooked chicken meat is €1,024/MT. Thailand has used its entire EU cooked chicken meat quota since 2008.

In March 2013, the EU granted Thailand an import quota of 14,000 MT per annum for cooked chicken meat products containing 25-57 percent chicken meat and 2,100 MT per annum for cooked chicken meat products containing less than 25 percent chicken meat. In-quota import tariff rates are 10.9 percent while the out-of-quota rates are €2,765/MT.

Thailand and the EU are in the beginning stages of negotiating a Free Trade Area Agreement. Thailand is expected to raise the issue of broiler meat exports when negotiating agricultural market access.

Stocks:

Thailand's chicken meat carryover stocks are estimated to drop sharply in 2013 to 84,000 MT from 133,000 MT in response to stagnant production vis-à-vis increased exports. Year-end carryover broiler meat stocks are also forecast to rise to 95,000 MT in 2014 reflecting increased production.

Policy:

Thailand's poultry policy has not changed from the last report. Thailand does not have price supports or export subsidy programs for poultry. However, Thailand protects its poultry market through various factors including non-transparent import permit controls (potential importers are unable to get them issued), high import tariffs (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. US\$317/MT).

Thailand has submitted an application to USDA's Food Safety Inspection Service (FSIS) requesting approval to export cooked chicken to the United States. However, Thailand has not seriously pursued this endeavor and the request has been pending for many years.

Marketing:

Marketing opportunities for U.S. chicken meat exports to Thailand remain unchanged. Local Thai consumers, similar to other Asian countries, prefer dark chicken 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 include food processors (sausage processors in the case of MDM) and supermarkets. Value-added chicken meat can also be introduced to modern retail markets and the food service industry. In the future, Thailand may import bone-in-leg chicken meat for processing and re-export to markets such as Japan and non-EU countries. However, due to non-tariff barriers, U.S. poultry exports to Thailand remain limited.