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Report Highlights:

FAS Bangkok forecasts that growth in chicken meat production and consumption will be 2-3 percent in 2022 and 2023. The anticipated slow recovery in domestic consumption and high production costs caused by supply disruption on feed grains and day-old chicks will keep the growth rate below the pre-pandemic average annual growth rate.

Executive Summary

FAS Bangkok (Post) forecasts chicken meat production to increase 2 percent in 2022, which is far below the average annual chicken production growth of 5-8 percent prior to the COVID-19 outbreak due to high feed costs and tight supplies of day-old chicks. Posts also anticipates domestic consumption for chicken meat in 2022 to increase around 2 percent from 2021 due to a gradual return of foreign tourists in the second half of 2022. Post’s forecast for 2022 chicken meat exports is 935,000 metric tons, up 3 percent from 2021. Strong demand from neighboring countries, especially in the second half of 2022 after Malaysia banned cooked and uncooked chicken meat exports on June 1, 2022, will drive the growth in exports.

Post forecasts chicken meat production to increase 3 percent in 2023 in line with growing domestic demand and exports. Domestic demand is likely to increase 3 percent, which is still well below the average growth rate of 5-6 percent prior to the pandemic. The Thai government is anticipating 20 million foreign tourists in 2023, which is only around half of the record 40 million tourists in 2019.

1. Production

Chicken meat production in the first half of 2022 increased around one percent from the same period last year in line with a slow recovery in domestic consumption of chicken meat after the COVID-19 outbreak (Figure 1.1). Broiler farming faced high production costs due to increased feed grain prices caused by global supply and trade disruptions from Russia’s invasion of Ukraine. Even though the government temporarily allowed imports of duty-free corn from non-ASEAN countries and removed import restrictions on feed wheat between April and July 2022, average prices of feed grains increased 26 percent in the first seven months of 2022. The cost of feed grain accounts for 60-65 percent of the production cost of live broilers. Domestic prices of corn and soybean meal increased 29 and 24 percent, respectively, from the same period last year (Figure 1.2). In addition, prices of day-old chicks in the first half of 2022 increased significantly by 60 percent from the same period last year. Post estimates that production costs of broilers increased 27 percent in the first seven months of 2022 due to surging prices of feed grains and day-old chicks.

Figure 1.1: Broiler Chicken Meat Production

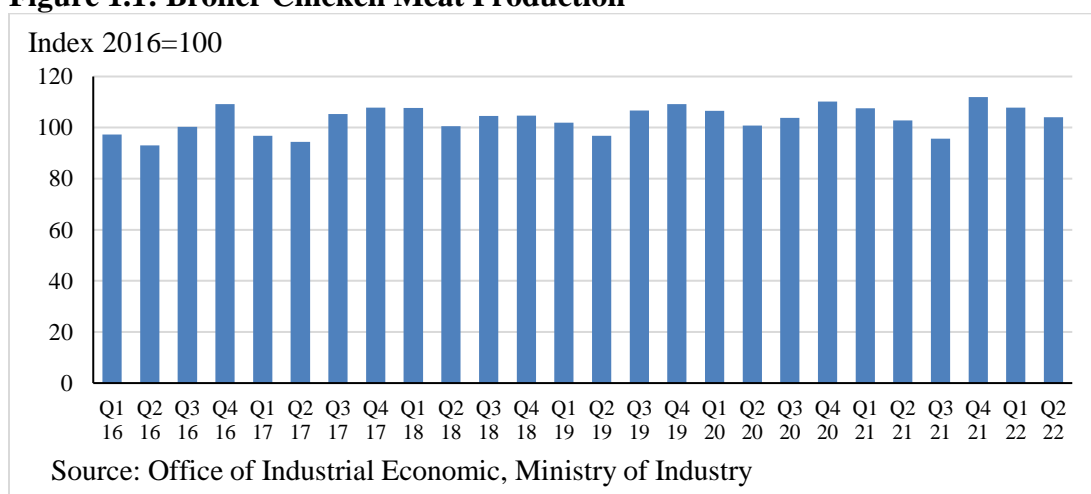
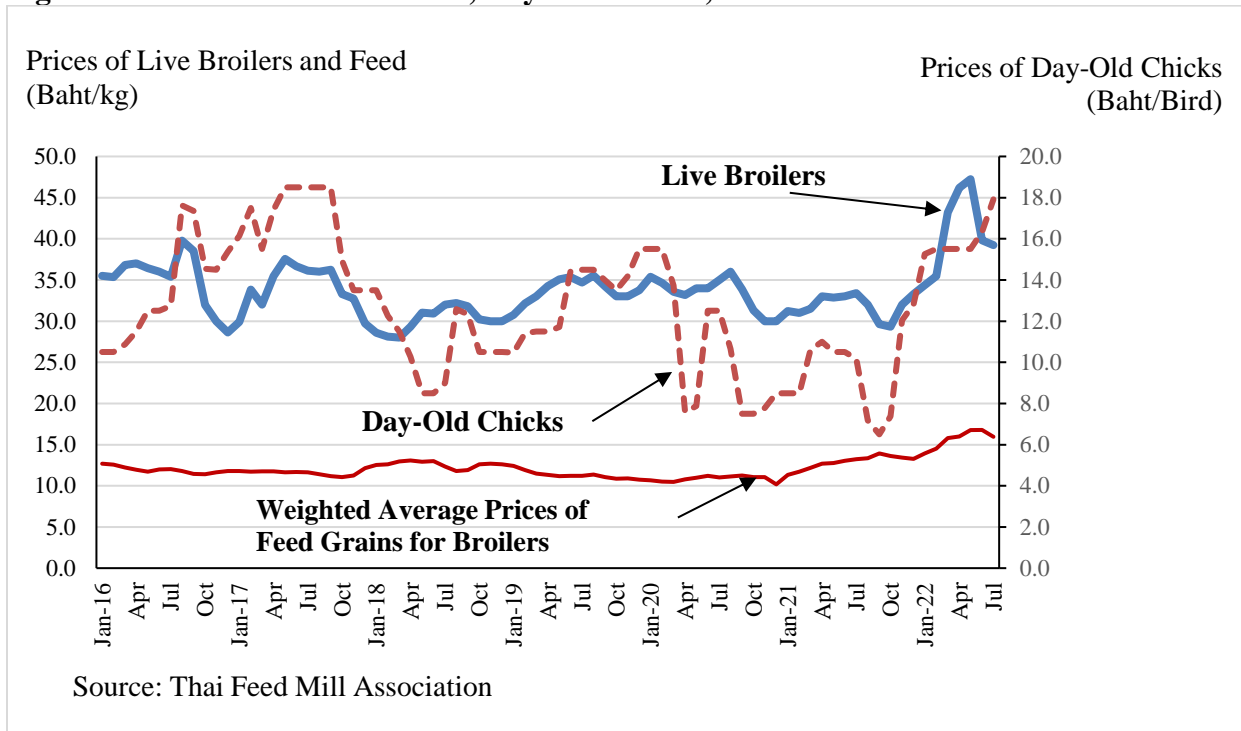


Figure 1.2: Prices of Live Broilers, Day-Old Chicks, and Broiler Feed



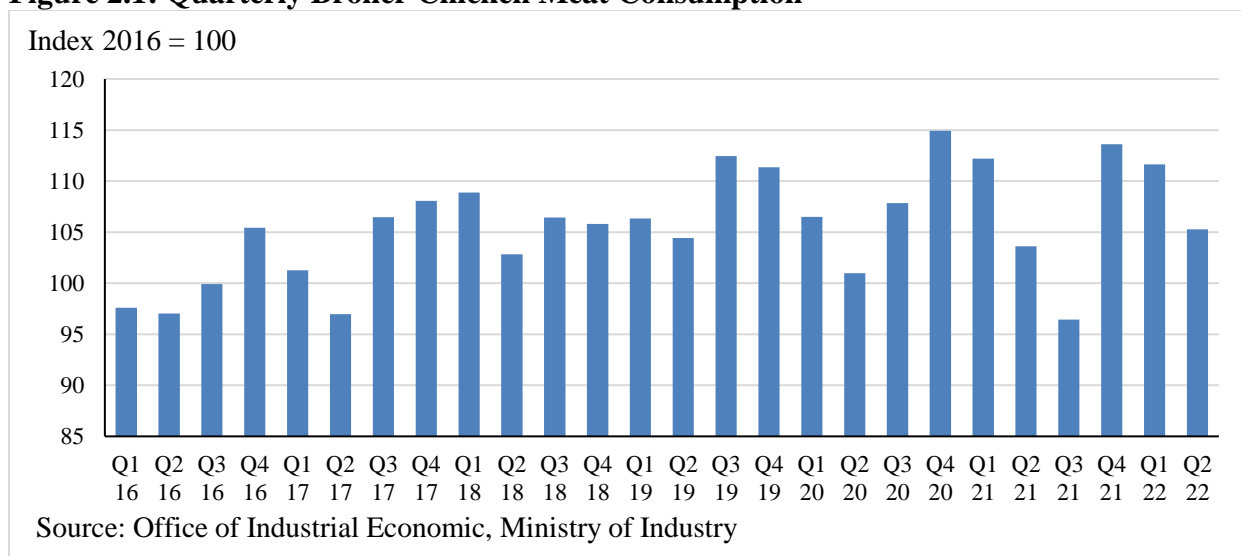
Post forecasts chicken meat production in 2022 to increase 2 percent from 2021. Prior to the COVID-19 outbreak, the average annual growth of chicken production was 5-8 percent. Integrated chicken farms are being cautious in expanding broiler farming as production costs are likely to remain high in the second half of 2022. Prices of feed grains are likely to remain higher than the previous year. World feed grain prices have leveled off since July 2022 when Ukraine was able to resume limited exports of commodities. In addition, industry sources forecast prices of day-old chicks to remain high for the rest of 2022 and through the first half of 2023 due to tight supplies of grandparent and parent stocks. The spread of low and high pathogenic avian influenza in the global supply chain has reduced current grandparent and parent stocks. Prices of day-old chicks increased to a record 19.5 baht/bird (55 cents/bird) in mid-August 2022, up 172 percent from the same period last year.

Post forecasts chicken meat production to increase 3 percent in 2023 in anticipation of a gradual recovery in domestic demand for chicken meat. The arrival of more foreign tourists will slowly drive-up demand. The Thai government is forecasting that 20 million foreign tourists will arrive in Thailand in 2023 as the government removed almost all of the entry rules on foreigners, including \$10,000 travel health insurance since July 2022. Industry sources anticipate that the tight supplies of grandparent and parent stocks will likely ease in the second half of 2023, which will help bring down the cost of production. The number of anticipated foreign tourist, however, is still well below the 40 million that arrived in Thailand in 2019 largely due to limited numbers of Chinese tourists following the Chinese government's stringent zero-COVID measures. The reduced number of foreign tourists will limit the growth in demand for chicken meat and keep the annual growth of production below the average growth rate seen before the COVID-19 pandemic, which was 5-6 percent.

2. Consumption

Chicken meat consumption in the first half of 2022 increased around one percent from the same period last year (Figure 2.1). Consumers and food processors gradually shifted to chicken meat that was relatively cheaper than alternative protein options, such as pork meat. The outbreak of African Swine Fever reduced supplies of pork meat, making prices rise significantly. Prices of pork meat (pork loin) in the first eight months of 2022 increased 32 percent from the same period last year.

Figure 2.1: Quarterly Broiler Chicken Meat Consumption



Prices of chicken meat in the first eight months of 2022 increased significantly from the same period last year, up 45 percent for boneless breast meat and 26 percent for leg quarters due to increased production costs (Figure 2.2). Post expects domestic consumption for chicken meat in 2022 to increase around 2 percent from 2021, due to a gradual return of foreign tourists in the second half of 2022. The Tourist Authority of Thailand anticipates that 10 million foreign tourists will arrive in Thailand in 2022. The Thai government removed stringent COVID-19 restrictions nationwide on May 1, 2022, making it easier to get into the country. The Thai government forecasted that the Thai economy would only grow 3 percent in 2022, following the slow recovery in food service activities in the second half of 2022 (Figure 2.3).

Figure 2.2: Retail Prices of Chicken and Pork Meat

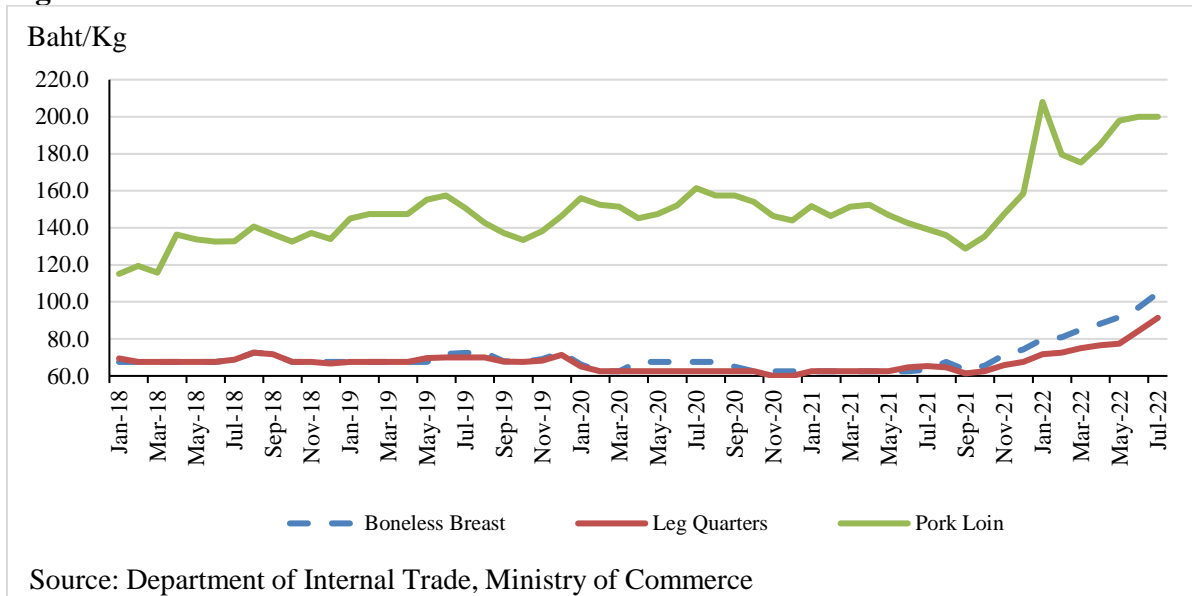
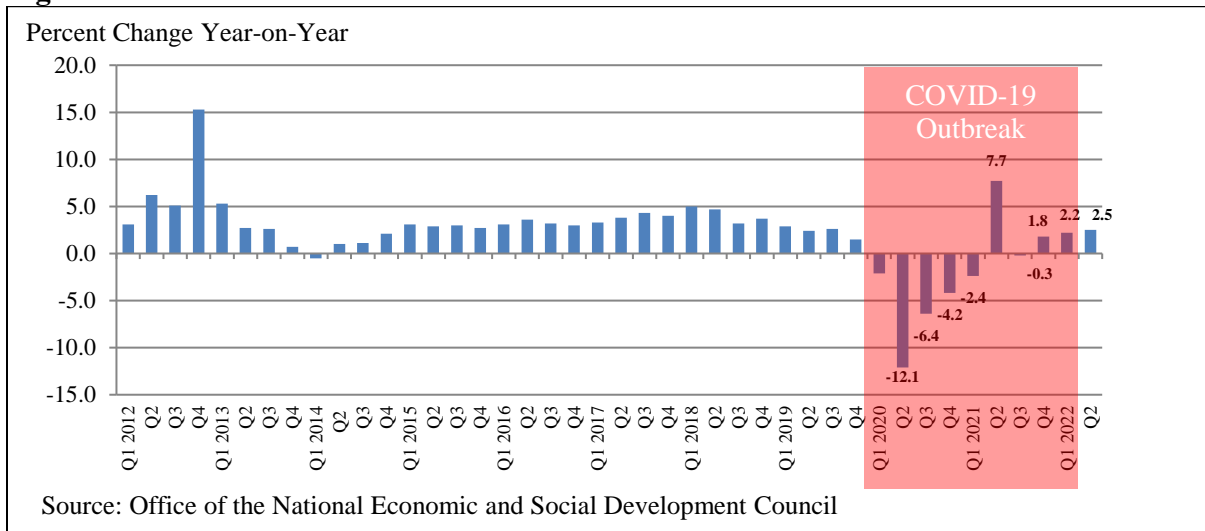


Figure 2.3: Thailand's Economic Growth



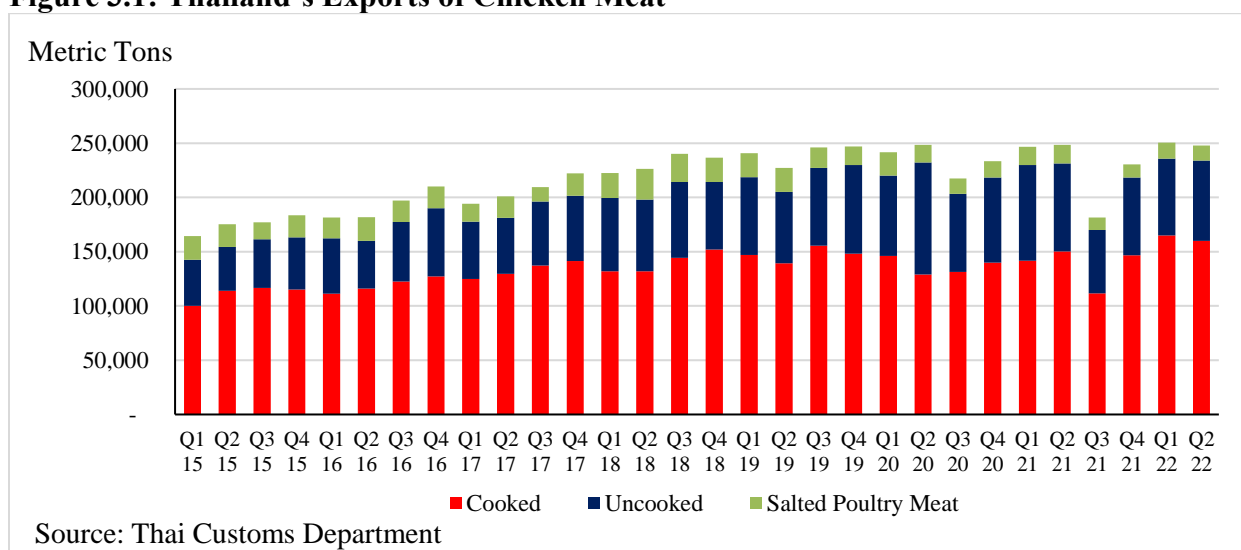
Post forecasts chicken meat consumption to increase around 3 percent in 2023. The slow return of foreign tourists in 2023, however, will keep the consumption growth rate below the pre-pandemic average annual growth rate of 5-6 percent. The slow and steady recovery in food service activities will help the Thai economy grow by 4 percent in 2023.

3. Trade

Chicken meat exports in the first half of 2022 totaled 498,565 metric tons, up around one percent from the same period last year. Increased exports of cooked chicken meat offset reduced exports of uncooked (excluding paw) and salted chicken meat (Figure 3.1). Cooked chicken meat exports, which accounted for 65 percent of total chicken meat exports, totaled 325,141 metric tons, up 11 percent from the same period last year. Japan and the United Kingdom were the largest destinations for cooked chicken meat

export, increasing 3 percent and 17 percent, respectively, from the same period last year. These two markets accounted for around 75 percent of total cooked chicken meat exports, half of which were destined to Japan. Uncooked and salted chicken meat exports accounted for 29 percent and 6 percent, respectively, of total chicken meat exports. Thailand exported 144,692 metric tons of uncooked chicken meat and 28,732 metric tons of salted chicken meat in the first half of 2022, down 15 percent each from the same period last year. Uncooked chicken meat exports to Japan and China, which respectively accounted for 42 percent and 19 percent of total uncooked chicken meat exports, declined 21 percent and 44 percent in the first half of 2022. Salted chicken meat exports to the Netherland, which accounted for 74 percent of total exports of salted chicken meat, declined 20 percent from the same period last year. Exports of salted chicken meat to the United Kingdom surged in the first half of 2022 and accounted for 11 percent of total exports of salted chicken meat.

Figure 3.1: Thailand’s Exports of Chicken Meat



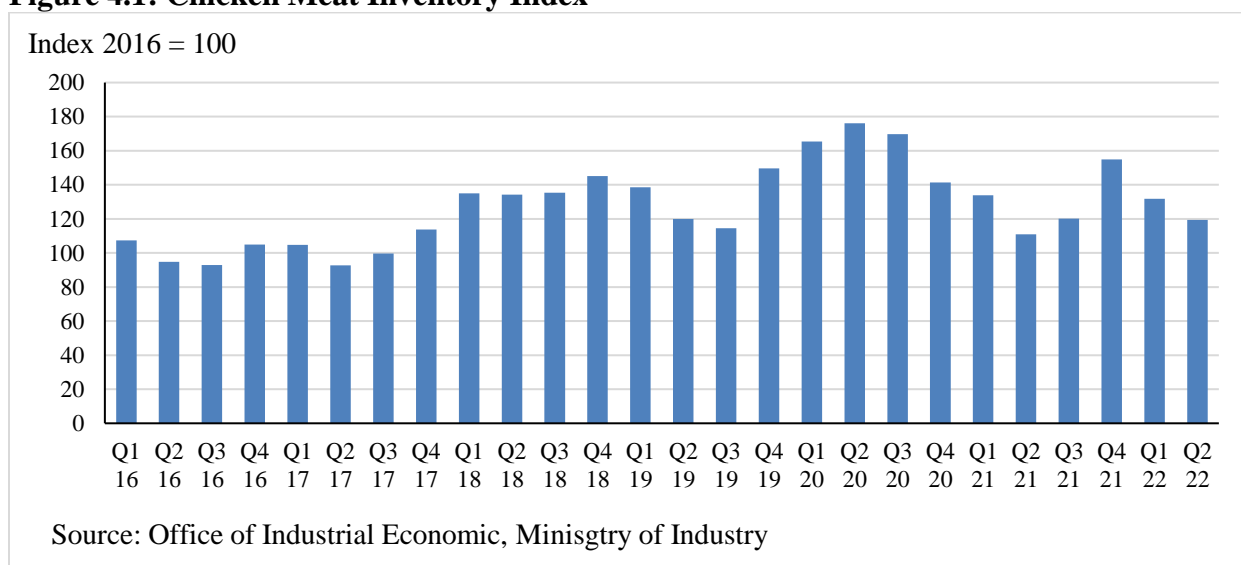
Post forecasts chicken meat exports to increase to 935,000 metric tons in 2022. Anticipated strong demand from neighboring countries will boost exports 3 percent higher in 2022 than 2021, especially in the second half of 2022. Malaysia imposed an export ban on cooked and uncooked chicken meat beginning on June 1, 2022. Singapore has reportedly shifted to Thai chicken meat as Malaysia was the second largest suppliers of chicken meat to Singapore, accounting for 34 percent of Singapore’s total chicken meat imports. Industry sources expect that chicken meat exports to the EU will grow significantly for the rest of 2022, as the Russian invasion has disrupted Ukrainian chicken meat exports to the EU. Additionally, Thailand resumed chicken meat exports to Saudi Arabia in 2022. Saudi Arabia removed the ban on Thai chicken meat in March 2022 after 18 years. Traders expect Thai chicken meat exports to Saudi Arabia to increase to 6,000 metric tons in 2022 and to 60,000 metric tons over the next five years. In addition, the Chinese government approved five additional chicken meat export facilities in July 2022. The five facilities had to meet strict quality standard management standards and measures to control COVID-19 contamination in processing facilities. Several chicken meat exporters voluntarily suspended exports to China in mid-2021 for several months when COVID-19 spread among their staff. All the facilities have since resumed exports to China. Only 20 of the 31 export facilities in Thailand are able to export chicken meat to China.

Post forecasts chicken meat exports in 2023 to increase 4 percent from 2022 in line with the expected gradual economic recovery among trading partners. The forecasted growth in chicken meat export is still far below the 5-year average annual growth rate around 10 percent prior to the pandemic.

4. Stocks

Chicken meat stocks in the second quarter of 2022 further declined 10 percent from the first quarter of 2022. There are tight supplies of day-old chicks as domestic and export demand recover from the downturn during the pandemic. Post forecasts chicken meat inventories to further decline in 2023 as supplies of day-old chicks are likely to remain tight until the first half of 2023.

Figure 4.1: Chicken Meat Inventory Index



5. Policy

Thailand is a highly protected market where the government only allows the importation of certain types of poultry meat. The Thai government practically bans U.S. chicken meat products through nontransparent import permit controls. Additionally, 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 (7 baht/kg or approximately \$189/MT) protect the domestic market from imports.

6. Marketing

Market 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. Modern retail markets and the food service industry could benefit from value-added chicken meat. 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 severely limited.

Appendix Table

Table 1: Thailand's Production, Supply and Demand for Chicken Meat

Meat, Chicken Market Year Begins Thailand	2021		2022		2023	
	Jan 2021		Jan 2022		Jan 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	44	44	78	78	0	79
Production (1000 MT)	3220	3220	3250	3270	0	3360
Total Imports (1000 MT)	1	1	1	1	0	0
Total Supply (1000 MT)	3265	3265	3329	3349	0	3439
Total Exports (1000 MT)	907	907	930	935	0	970
Human Consumption (1000 MT)	2280	2280	2320	2335	0	2410
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	2280	2280	2320	2335	0	2410
Total Use (1000 MT)	3187	3187	3250	3270	0	3380
Ending Stocks (1000 MT)	78	78	79	79	0	59
Total Distribution (1000 MT)	3265	3265	3329	3349	0	3439
(1000 MT)						

End of report.

Attachments:

No Attachments