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Thailand

Poultry and Products Annual

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Report Highlights:

TH6098. In a turnaround from 2015, the Thai broiler industry has enjoyed reduced production feed costs, favorable growth in exports, and profitable export prices during 2016. Thailand's broiler industry has proved itself able to avoid the potential supply bottlenecks which could have occurred after the Thai Government imposed an import ban on chicken genetics from the United States. Thailand's chicken meat production and exports are forecast to grow 5-7% further in 2017.

Executive Summary:

Due to potential growth in export demand driven by the robust prices for live broilers and chicken meat and the anticipated increase in chick production capacity, Thai chicken meat production is forecast to increase by 5-7 percent in 2017.

Forecasts for 2016 show similar growth for Thai chicken meat production. This year, Thailand's broiler industry successfully avoided the potential supply bottleneck which could have occurred after the Thai Government imposed an import ban on chicken genetics from the United States in December 2014. Thailand managed to switch to genetic supplies from other sources, especially genetics from France, Netherlands, and Denmark. As a result, when combined with the continued increases in exports to all existing markets and prevailing low feed costs, chicken meat production for 2016 is estimated to grow by 5 percent over the 2015 level.

Reflecting trends in the tourism industry and an anticipated recovery in the Thai economy, domestic consumption of chicken meat should increase by 4-5 percent in 2017, as compared to 3 percent in 2016.

The appreciation of the Brazilian currency against the U.S. dollar and decreased competition from China helped Thailand's chicken meat exports to grow, especially to the Japanese market. Total exports are estimated to further increase by 8 percent to 670,000 MT in 2016. However, the growth in exports to the EU market is relatively limited due to the EU quota allocated to Thailand, increased competition from producing countries in Eastern Europe, and the unfavorable EU economic environment. Total chicken meat exports to the world are forecasted to 730,000 MT in 2017.

Production:

Table 1: Thailand's Production, Supply and Demand for Chicken Meat (Unit: 1,000 Metric Tons)

Poultry, Meat, Broiler Market Begin Year	2015		2016		2017	
	Jan 2015		Jan 2016		Jan 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Thailand						
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	82	82	88	84	0	80
Production	1690	1700	1720	1780	0	1890
Total Imports	4	4	8	6	0	6
Total Supply	1776	1786	1816	1870	0	1976
Total Exports	622	622	630	670	0	730
Human Consumption	1056	1070	1090	1110	0	1140
Other Use, Losses	10	10	10	10	0	10
Total Dom. Consumption	1066	1080	1100	1120	0	1150
Total Use	1688	1702	1730	1790	0	1880
Ending Stocks	88	84	86	80	0	96
Total Distribution	1776	1786	1816	1870	0	1976

(MIL HEAD) ,(1000 MT)

Due to a potential growth in export demand and an anticipated increase in chick production capacity, Thai chicken meat production is forecast to further increase from the 2016 level by 5-7 percent in 2017. Trade sources explain that robust prices for live broilers and chicken meat for export in 2016 are encouraging the expansion. It is estimated that, in 2017, chick production may range between 33-34 million birds per week, as compared to the estimated 31-32 million birds in 2016.

Thailand's broiler industry proved able to avoid the potential supply bottleneck which could have occurred in 2016 after the Thai Government imposed an import ban in December 2014 on chicken genetics from the United States, the longstanding largest supplier to the Thai market. Thailand successfully managed to switch to genetic supplies from other sources, especially genetics from France, the Netherlands, and Denmark. Although total imports of chicken genetics dropped by 25 percent from 883,455 birds in 2014 to 666,834 birds in 2015, trade sources report that the imports of chicken genetics from non-U.S. sources, beginning in the last quarter of 2015, helped maintain growth in chicken meat production in early 2016. Additionally, several Thai chick breeding farms prolonged the use of grandparent and parent stocks for chick production increasing the available supply. Although production from August-November 2016 is likely to stumble due to decreased chick supplies, which are affected by uneven 2015 genetic imports, total chicken meat production in 2016 is estimated to grow 5 percent over the 2015 level.

There has been no serious animal disease incidence for the Thai broiler industry in recent years, mainly because Thailand has improved farming facilities and on-farm bio-security measures to mitigate food safety challenges and animal health concerns such as Highly Pathogenic Avian Influenza (HPAI) and other diseases. Nearly all broiler houses are equipped with evaporative cooling systems, which reduces disease exposure and mortality rates. The closed-farming system has been instrumental in preventing a return of HPAI incidents.

In addition to effective disease control and surveillance programs, the industry has also utilized new technologies including improved genetics, farm management, and feed nutrition. The average weight of fully grown broilers at slaughter is currently at 2.3-2.4 kilograms per bird, compared to 2.0-2.1 kilograms per bird in the mid 2000s. The number of days it takes to raise one-day old chicks to market delivery, dropped to 40-42 days from 49 days, and the average feed conversion ratio (FCR) decreased to 1.6-1.7 from 1.9-2.0 over the same period.

Production Costs

Following global price trends, domestic prices for corn in the first seven months of 2016 (January-July) dropped by 7 percent to 9.03 baht/kg (\$265/MT) as compared to prices for the same period of 2015. Prices for fishmeal also decreased 10 percent during the same period to 35.23 baht/kg (\$1,001/MT), because many feed mills replaced fish meal with fermented soybean meal in their feed rations. Furthermore, Charoen Pokphand Group, a giant integrated poultry and livestock company in Thailand, recently began to source domestic fish meal from just one fish meal processor in order to meet its sustainability requirements.

Prices for soybean meal are basically unchanged at 16.41 baht/kg (\$466/MT) for the first seven months of 2016 (January-July) (See table 2). Trade sources report that Thai feed mills have continued adjusting their feed rations in favor of imported less-expensive feed-grade wheat in order to keep feed costs as low as possible.

Prices for one-day old chicks rose by 10 percent to 11.59 baht/bird (\$0.33/bird) in the first seven months of 2016 (January-July) from 10.58 baht/bird (\$0.30/bird) for the same period of 2015, due to increased demand from broiler raisers resulting from favorable live broiler prices.

Based on the above factors, average live broiler production costs in the first seven months of 2016 (January-July) to 33-34 baht/kg (\$0.43-0.44/pound) were lower when compared to 36-37 baht/kg (\$0.46-0.48/pound) during the same period of 2015. As the average sales price for live broilers in 2016 (January-July) has been 36.07 baht/kg (47 cents/pound), broiler producers, especially integrated processors, have been profitable for this period.

Chick prices in recent weeks have escalated sharply as a result of lower chick production. As a result, current average production costs are 37 baht/kg (\$0.48/pound). This is broken down as follows: day-old chicks (8 baht), feed (23 baht), vaccination and drugs (2 baht), and labor and other costs (5 baht). Meanwhile, prices for live broilers have increased to 43-44 baht/kg (\$0.56-0.57 cents/pound) due mainly to supply limitations and strong export prices, especially for exports to Japan.

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

Month	Corn 1/			Soybean Meal 2/			Fishmeal 3/		
	2015	2016	%Δ	2015	2016	%Δ	2015	2016	%Δ
January	9.44	9.01	- (4.6)	17.98	15.90	- (11.6)	37.14	36.70	- (1.2)
February	9.39	8.85	- (5.8)	17.55	15.90	- (9.4)	39.83	36.27	- (8.9)
March	9.48	8.85	- (6.6)	17.19	15.90	- (7.5)	42.21	33.96	- (19.5)
April	9.55	8.85	- (7.3)	16.45	15.90	- (3.3)	42.74	32.70	- (23.5)
May	9.46	8.83	- (6.7)	15.85	16.02	+ 1.1	37.58	33.61	- (10.6)
June	10.05	9.51	- (5.4)	15.13	17.49	+ 15.6	36.70	36.66	- (0.1)
July	10.75	9.32	- (13.3)	15.10	17.75	+ 17.5	36.85	36.70	- (0.4)
August	10.32			15.94			36.70		
September	9.21			16.10			40.32		
October	8.67			16.10			43.39		
November	8.69			16.72			44.50		
December	8.44			16.10			38.70		
Average	9.45	9.03		16.35	16.41		39.72	35.23	
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 = 35.20 Baht/kg

Consumption:

Reflecting trends in the tourism industry and an anticipated recovery of the Thai economy, domestic consumption of chicken meat should increase by 4-5 percent in 2017, as compared to 3 percent in 2016.

Average retail prices for boneless chicken breast meat for the first half of 2016 dropped by 7 percent to 73.06 baht/kg (\$0.94/pound) compared to 78.35 baht/kg (\$1.01/pound) for the same period of 2015. Falling retail prices followed a decline in export prices to the EU market, where nearly all uncooked and cooked product exports are boneless breast meat. However, retail prices for leg-quarters contrarily increased in the past few months, approaching prices for boneless chicken breast meat, and unusually even exceeding them in August 2016. This trend is explained by robust demand in the Japanese market for leg-quarter parts which has prompted sharp increases in export prices and domestic prices (See table 3).

Although recent trends have shown Thais moving toward a big-city lifestyle and away from traditional practices, especially in Bangkok, most Thais still buy fresh chicken meat from traditional markets. This accounts for about 60-70 percent of total domestic chicken meat sales. Trade sources expect chicken meat consumption in the ready-to-eat and quick service restaurant (QSR) sectors to continue to grow by 4-5 percent annually for the next few years.

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

Month	Wholesale Live Broiler (baht/kg) ^γ			Retail Chicken Meat (baht/kg) ^ζ					
				Boneless Breast			Leg Quarters		
	2015	2016	% Change	2015	2016	% Change	2015	2016	% Change
January	38.10	35.50	-6.8	83.75	75.00	-10.45	73.75	70.00	-5.1
February	35.26	35.36	0.3	77.50	72.50	-6.45	67.50	67.50	0.0
March	35.00	36.81	5.2	77.50	72.50	-6.45	67.50	67.50	0.0
April	33.52	37.00	10.4	77.50	72.50	-6.45	69.17	67.50	-2.4
May	36.83	36.43	-1.1	77.50	72.50	-6.45	72.50	69.44	-4.2
June	35.33	36.00	1.9	77.50	72.50	-6.45	72.50	72.50	0.0
July	36.27	35.40	-2.4	77.50	73.89	-4.66	72.50	73.89	1.9
August	35.25			77.50	77.50	0.00	72.50	82.75	14.1
September	36.87			76.82			72.02		
October	32.96			72.50			68.00		
November	33.85			75.12			67.50		
December	33.71			77.50			70.75		
Average	35.25	36.07		77.35	73.61		70.52	71.39	

Source: ^γ Thai Feed Mill Association
^ζ Department of Internal Trade, Ministry of Commerce

Note: US\$1.00 = 35.20 baht/kg

Trade:

Export Markets Reopen

Now that the EU and Japan have lifted their HPAI bans on Thai frozen uncooked chicken imports, countries that accept imports of Thai frozen uncooked chicken include the EU, Japan, Hong Kong, South Africa, Bahrain, Russia, the United Arab Emirates (UAE), and Qatar. Additionally, the Thai Government has requested that South Korea conduct a poultry audit which has been scheduled for September 2016. If Thailand passes the South Korean poultry audit, it is anticipated that exports of uncooked chicken meat to South Korea will resume in late 2016.

Export Trends

In the first half of 2016, chicken meat exports (both cooked and uncooked) increased by 11 percent to 322,086 MT as compared to 297,086 MT during the same period in 2015. The growth occurred across all markets, with exports to Japan increasing by 11 percent, the EU (including the U.K.) by 5 percent, and exports to all other countries increasing by 6 percent.

By product type, the greatest growth is for uncooked products (14 percent) rather than cooked products (6 percent). Trade sources report that Japanese importers prefer Thai products (both cooked and uncooked) to Brazilian products if prices are close. This means that the appreciation of the Brazilian currency against the U.S. dollar in early 2016 helped Thai exporters to be more competitive in the Japanese market, contributing to high export growth in this market. The growth in exports to the EU market is relatively slow due to the EU quota limiting exports from Thailand, increased competition from poultry producing countries in Eastern Europe, and the unfavorable EU economic environment. As a result, Japan currently accounts for 48 percent of Thai chicken meat exports in the first half of

2016 (Jan-Jun), up from 47 percent for the same period of 2015. Meanwhile, the EU (including the U.K.) accounts for 31 percent, down from 33 percent in 2015.

Table 4: Thailand's Chicken Meat Exports, By Destination and Type of Product

	2015 (Jan-Jun)			2016 (Jan-Jun)		
	Unit: Metric Tons			Unit: Metric Tons		
	Uncooked	Cooked	Total	Uncooked	Cooked	Total
Japan	40,348	99,488	139,836	45,418	110,183	155,601
The European Union	6,885	90,212	97,097	6,253	96,031	102,284
Others	35,654	24,499	60,153	43,111	21,212	64,323
TOTAL	82,887	214,199	297,086	94,782	227,426	322,208
Source: Thai Department of Customs						

Post estimates that total chicken meat exports for 2016 will grow by 8 percent to 670,000 MT from 621,564 MT in 2015. About 70 percent of total exports in 2016 are expected to consist of cooked chicken meat products.

Thai chicken meat exports are forecasted to further increase to 730,000 MT in 2017 in anticipation of continued increases in the Japanese market and other non-EU markets.

Export Prices and Products

Overall, export prices for both cooked chicken products and uncooked products in the Japanese market have increased sharply as a result of the appreciation of Brazilian currency against the U.S. dollar as well as reduced supplies from China. Prices for cooked boneless chicken leg parts shipped to the Japanese market increased by \$500-700/MT in early 2016 to the current level of \$4,500-4,700/MT, while prices for uncooked frozen boneless leg meat rose by \$300-400/MT to \$3,100-3,200/MT.

Export prices for steamed dice-shape-cut skinless boneless breast, a major export item to the EU, dropped from \$4,100-4,600/MT in early 2016 to the current level of \$3,500-4,000/MT due to depreciation of the Euro and increased competition from producing countries in Eastern Europe. Export prices for uncooked boneless breast meat shipped to the EU also decreased from \$2,500-2,600/MT to \$2,400-2,500/MT.

The majority of chicken products used for export are 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 change in the EU quota allocation system since the 2014 report. Thailand is annually granted 92,610 MT of the EU's uncooked salted poultry meat quota and 5,100 MT of the uncooked unsalted poultry meat quota. The in-quota tariff rate is 15.4 percent while the out-of-quota duty 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 duty for cooked chicken meat is €1,024/MT. Thailand has used its entire cooked chicken meat EU 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. The in-quota import tariff rate is 10.9 percent while the out-of-quota rate is €2,765/MT.

Trade Developments

The Brazilian company BRF S.A, the third largest poultry processing business worldwide, took over the Thai company Golden Food Siam Co. Ltd. in late 2015. Golden Food Siam, worth \$360 million before being acquired, was an integrated poultry operation ranging from broiler farms to chicken meat processing with the processing capacity of about 300,000 birds per day.

Meanwhile, trade sources report that Charoen Pokphand Food Public Company (CPF), the largest integrated poultry, livestock, and aquaculture corporation in Thailand, is considering establishing integrated poultry operations in Eastern Europe to enhance the company's chicken meat sales to the EU.

Stocks:

There has not been a significant change in stock patterns in Thailand. The chicken meat carryover stocks are estimated to be about 90,000-100,000 MT in 2016 and 2017.

Policy:

Thailand is a highly protected market and poultry meat access is constrained. U.S. chicken meat product access is restricted by the import permit process whereby potential importers have been unable to acquire permits. Additionally, high import tariffs (30 percent for chilled or frozen uncooked meat and 40 percent for cooked chicken meat) and an import permit fee on uncooked products (10 baht/kilogram or approx. US\$284/MT) creates a competitive advantage for domestic products.

Prior to 2015, Thailand allowed U.S. uncooked turkey meat to enter the Thai market. The size of the turkey market in Thailand was valued at approximately \$1.5 million annually, nearly all of which was supplied by the United States.

However, U.S. exports of turkey meat products and chicken genetics (day-old-chicks and hatching eggs) to Thailand were all suspended in late 2014 and early 2015, when high pathogenic avian influenza (HPAI) was detected in Washington, Oregon, and California. However, currently, the World Animal Health Organization (OIE) does not have any restrictions on U.S. animals or products for HPAI. The US Animal Plant Health Inspection Service and Thailand's Department of Livestock Development (DLD) are discussing audit schedules as a precursor to re-opening the market for day-old chicks and hatching eggs and turkey meat.

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 tariff and non-tariff barriers, U.S. poultry exports to Thailand remain severely limited.