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## **Thailand**

### **Poultry and Products Annual**

**2014**

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**Report Highlights:**

TH4076. The Thai broiler industry has enjoyed a profitable year and will expand modestly in 2014 and 2015.

## **Executive Summary:**

The Thai broiler industry has enjoyed a profitable period since the second quarter of 2013 in its domestic and overseas markets. Despite strong earnings, trade sources report that integrated poultry producers are expanding their farming and processing facilities in a cautious manner. The restrained approach is due to several breeding and broiler farms experiencing New Castle disease outbreak in 2014. As a result, chicken meat production is estimated to grow only modestly by 5 percent annually in 2014 and 2015.

So far in 2014, integrated processors' profitability remains favorable at their operation of processing for export and domestic market since higher production costs are well offset by favorable prices for chicken meat.

Chicken meat exports for 2014 should grow by 5 percent to 530,000 metric tons (MT) compared to 504,376 MT in 2013. About 80 percent of total exports in 2014 are expected to consist of cooked chicken meat products. Thai chicken meat exports are forecast to further increase by 6 percent to 560,000 MT in 2015 in anticipation of growing export demand.

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

Poultry, Meat, Broiler Thailand	2013		2014		2015		
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015		
	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	133	133	104	100		81	(1000 MT)
Production	1,500	1,500	1,600	1,570		1,640	(1000 MT)
Total Imports	10	1	10	1		1	(1000 MT)
Total Supply	1,643	1,634	1,714	1,671		1,722	(1000 MT)
Total Exports	504	504	580	530		560	(1000 MT)
Human Consumption	1,025	1,020	1,044	1,050		1,080	(1000 MT)
Other Use, Losses	10	10	10	10		10	(1000 MT)
Total Dom. Consumption	1,035	1,030	1,054	1,060		1,090	(1000 MT)
Total Use	1,539	1,534	1,634	1,590		1,650	(1000 MT)
Ending Stocks	104	100	80	81		72	(1000 MT)
Total Distribution	1,643	1,634	1,714	1,671		1,722	(1000 MT)
CY Imp. from U.S.	0		0				(1000 MT)
CY Exp. to U.S.	0		0				(1000 MT)

## Production

The Thai broiler industry has enjoyed a period of profitability since the second quarter of 2013. Despite strong earnings, trade sources report that integrated poultry producers are still taking a cautious approach to expanding their farming and processing facilities. An outbreak of New Castle disease in several breeding and broiler farms have contributed to the restrained approach but did not significantly reduce poultry output. As a result, chicken meat production is estimated to grow modestly by 5 percent annually in 2014 and 2015.

The Saha Farm Group, one of the largest producers, after being closed for 8 months, re-started its processing facilities and began to export chicken meat (mainly uncooked meat) in the second quarter of 2014. This was made possible when Krung Thai Bank, a main creditor, reportedly loaned the company an additional 700 million baht (approx. \$22 million). Saha Farm is processing about 200,000 broilers per day or 1.2 million broilers per week. All slaughtered broilers are derived from the company's farms and contract farms. The company, by the order of the Central Bankruptcy Court, is currently under a supervised rehabilitation process. According to trade sources, the rehabilitation plan should be approved by the Court in September 2014 and Krung Thai is likely to provide additional loan of 2 billion baht (\$63 million). If the plan is approved, Saha Farm's production capacity is expected to increase to 3.0-4.0 million broilers per week.

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 farms to processing facilities. Nearly all broiler houses are equipped with evaporative cooling systems which reduce 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 that have improved genetics, farm management, and feed nutrition. As a result, the

average weight of fully grown broilers at slaughter 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 over the same period.

### *Production Costs*

Average domestic corn prices increased to 10.50-11.00 baht/kg (\$328-344/MT) in July 2014 as compared to 7.49 baht/kg (\$234/MT) in January due mainly to Thailand's record high corn exports in late 2013 and an anticipated delay in the harvest of a new crop in MY2014/15. Corn prices should level off to 9.00-9.50 baht/kg (\$281-297/MT) from August-December 2014 when the new crop supplies enter the market. Soybean meal prices also firmed to 20.00-21.00 baht/kg (\$625-656/MT) in July 2014 from 19.14 baht/kg (\$598/MT) in January 2014 in line with global soybean meal prices. Prices for one-day old chicks dropped from 19.50 baht/bird (60 US cent/bird) to 17.50 baht/bird (55 US cent/bird) in July 2014, but began to increase to 19.0-19.50 baht/bird (59-60 US cent/bird) in August due to higher demand from Saha Farm.

Average live broiler production cost in the first seven months of 2014 (January-July) were 38-40 baht/kg (55-58 US cent per pound) compared to 35-36 baht/kg (50-51 US cent per pound) in the same period of 2013. Meanwhile, average prices for live broiler declined by 3 percent to 41.31 baht/kg (59 US cent/pound) in 2014 (January-July) from 42.49 baht/kg (0.61/pound) in 2013 (January-July). So far in 2014, integrated processors' profitability remains favorable at their operation of processing for export and domestic market since higher production costs are well offset by favorable prices for chicken meat.

As of August of 2014, current average production costs stood at 41 baht/kg (58 US cents/pound), which is broken down as follows: day-old chicks (9 baht), feed (26 baht), vaccination and drugs (one baht), and labor and other costs (5 baht).

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

Month	Corn 1/ $\Delta$			Soybean Meal 2/ $\Delta$			Fishmeal 3/ $\Delta$		
	2013	2014	%	2013	2014	%	2013	2014	%
January	10.23	7.49	- (26.8)	18.22	19.14	+ 5.0	32.79	26.20	- (20.1)
February	10.19	8.43	- (17.3)	18.15	18.88	+ 4.0	31.30	30.92	- (1.2)
March	10.15	8.75	- (13.8)	19.07	20.15	+ 5.7	31.30	31.12	- (0.6)
April	10.21	9.20	- (9.9)	19.36	20.25	+ 4.6	29.94	33.93	+ 13.3
May	9.89	9.33	- (5.7)	17.89	20.03	+ 12.0	26.74	30.24	+ 13.1
June	10.24	10.23	- (0.1)	16.43	20.00	+ 21.7	24.80	29.74	+ 19.9
July	9.94	10.50	+ 5.6	17.20	20.84	+ 21.2	29.84	31.50	+ 5.6
August	9.26			17.29			37.70		
September	8.39			17.89			35.06		
October	8.06			18.05			30.95		
November	7.95			18.47			32.83		
December	7.32			19.45			33.80		
Average	9.32	9.13		18.12	19.90		31.42	29.53	
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 = 32.00 Baht/kg

## Consumption

Despite prevailing high prices for retail chicken meat in 2014 and unfavorable economic situation driven by a political turmoil and a military coup, domestic consumption is estimated to grow 3 percent in 2014 mainly because of skyrocketing domestic pork prices. Average retail prices for boneless chicken breast meat for the first half of 2014 increased by 2 percent to 83.16 baht/kg (\$1.18/pound) compared to 81.64 baht/kg (\$1.16/pound) in the same period in 2013. Domestic consumption in 2014 is forecast to further grow by 3 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 sales. Trade sources expect chicken meat consumption in the ready-to-eat and quick service restaurant (QSR) sectors to continue to grow by 5-8 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) <sup>1/</sup>			Retail Chicken Meat (baht/kg) <sup>2/</sup>		
	2013	2014	% Change	2013	2014	% Change
January	42.69	40.80	-4.43	77.14	82.50	6.95
February	37.91	42.00	10.79	72.50	82.50	13.79
March	38.97	38.85	-0.31	77.26	83.45	8.01
April	44.88	39.50	-11.99	85.44	83.50	-2.27
May	45.97	42.00	-8.64	87.50	83.50	-4.57
June	43.04	43.00	-0.09	90.00	83.50	-7.22
July	44.00	43.00	-2.27	94.40		
August	44.05			92.50		
September	37.64			84.17		
October	35.58			82.50		
November	35.31			82.50		
December	41.52			82.50		
<b>Average</b>	40.96	41.31		84.03	83.16	
Source: <sup>1/</sup> Thai Feed Mill Association						
<sup>2/</sup> Department of Internal Trade, Ministry of Commerce						

Note: US\$1.00 = 32.00 baht/kg

## Trade

### *Export Market Reopen*

On December 25, 2013, Japan's Ministry of Agriculture, Forestry and Fisheries notified Thailand that it decided to immediately reopen its markets to imports of Thai frozen uncooked chicken. Thailand's uncooked chicken was banned in January 2004 when an outbreak of highly pathogenic avian influenza (HPAI) bird-flu was detected. In addition to Japan, countries that have also lifted their HPAI bans on uncooked Thai frozen chicken meat include the EU, Hong Kong, South Africa, Bahrain, Russia, United Arab Emirates (UAE), and Qatar.

### *Export Trend*

In the first half of 2014, chicken meat exports (both cooked and uncooked) increased slightly by 3 percent to 250,336 MT compared to 243,126 MT during the same period in 2013. Of total chicken exports that occurred in the first half of 2014, Japan and the European Union (EU) remained the major buyers, accounting for 41 and 38 percent, respectively of Thai chicken meat products.

Exports to the EU market increased for cooked chicken products (92,645 MT from January-June 2014 compared to 84,931 MT in the same period of 2013) and uncooked chicken meat (9,053 MT against 8,257 MT). Since the re-opening of Japan's market to Thai uncooked chicken meat, exports to Japan increased to 14,397 MT in the first half of 2014 from only 51 MT in the same period of 2013. Meanwhile, exports of cooked chicken meat to Japan declined to 81,885 MT from 93,685 MT. Trade sources cite that the trade-off between two kinds of Thai products exported to Japanese market is mainly

because some food service users and ready-to-eat food manufactures in Japan would like to distinguish their products with imported cooked chicken products.

Post estimates total chicken meat exports for 2014 should grow by 5 percent to 530,000 MT compared to 504,376 MT in 2013. About 80 percent of total exports in 2014 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 6 percent to 560,000 MT in 2015 in anticipation of increased broiler production and continued steady growing export demand.

### *Export Prices and Products*

So far in 2014, overall export prices for nearly all cooked chicken products were favorable following strong export demand from the EU and Japan. This price situation is expected to prevail for the remaining of 2014.

Export prices for steamed dice-shape-cut skinless boneless breast, a major export item to the EU, remains strong at \$5,000-\$6,000/MT CIF while those for uncooked boneless breast meat shipped to the EU are also firm at \$3,400-\$3,500/MT compared to \$3,200-3,300/MT CIF in early 2014. Prices for cooked boneless chicken leg parts shipped for the Japanese market remained strong ranging from \$4,800-5,200/MT CIF, while those for uncooked frozen boneless breast kiritami (block) are averaged at \$3,400-3,500/MT. In addition to favorable export prices, Thai producers have gained from the Thai currency depreciation against the U.S. dollar.

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 change in the EU quota allocation since the 2013 report. 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 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 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 rate is €2,765/MT.

### **Stocks:**

Thailand's chicken meat carryover stocks are estimated to be about 70,000-80,000 MT in 2014 and 2015.

**Policy:**

Thailand's poultry policy has not changed from the last report. Thailand is a highly protected market and the government picks and chooses what type of poultry meat is allowed for import. U.S. chicken meat products are practically banned through non-transparent import permit control (potential importers are unable to get them issued). In addition 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) are employed to protect the domestic market.

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 remains pending.

**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.

Thailand allows U.S. uncooked turkey meat to enter the Thai market. Thailand's uncooked turkey meat imports are averaged at about \$1.5 million from 2011-2013, nearly all of which are U.S. origin. Since Thailand recently issued a new requirement that any uncooked meat products exported to Thailand are subject to pre-shipment plant audit, only 6 U.S. exporters are currently eligible for export uncooked turkey meat to Thailand. Thailand agreed to accept a system-approach audit of U.S. turkey production so that Thai importers can import U.S. uncooked turkey meat from any Food Safety Inspection Service (FSIS)-approved facilities. Post and the Thai authorities are working on proposed import protocol and period of the audit.