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Poultry and Products

Annual

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Report Highlights:
Thailand's broiler meat production is estimated grow by 6-8 percent per annum in 2008 and 2009, due mainly to increased export demand. Despite rising productions costs, the Thai broiler industry remained healthy in 2008 due to its ability to transfer increased costs to consumers in both domestic and overseas markets.

Includes PSD Changes: Yes
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Annual Report
Bangkok [TH1]
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Executive Summary

Thailand's broiler meat production is estimated grow by 6-8 percent per annum in 2008 and 2009, due mainly to increased export demand. Despite sharply rising cost of production, the Thai broiler industry is doing well in 2008 due to its ability to pass increased costs along to consumers in both domestic and overseas markets. Domestic broiler meat consumption in 2009 is forecast to increase by four percent mainly because the effect of rising food prices on disposable income should be mitigates by the substitution of chicken meat for other relatively more expensive meats. Thailand's exports of cooked chicken meat are forecast to grow by 8-10 percent in 2009 in anticipation of continued strong demand from the EU and Japan. In addition, China, a major competitor in Japanese market, is likely to lose its competitiveness with Thailand as a result growing domestic consumption and increased concerns from trading partners about the safety of Chinese food products.

Data included in this report is not official USDA data. Official USDA data is available at http://www.fas.usda.gov.

Section I: Situation and Outlook

1.1 Production

Production Trend

Thailand's broiler meat production is forecast to increase by 6 percent in 2009 as the industry responds to higher demand both domestically and internationally and the strong likelihood that there will be no serious disease issues, especially Avian Influenza, in the country. Trade sources expect export demand for Thai cooked poultry meat to continue increasing in 2009. Domestic consumption should rebound after some stagnation in 2008. On the supply side, trade sources report that nearly all commercial broiler producers continue to seek improved genetics, and are utilizing evaporative cooling systems in their broiler facilities which effectively prevents disease.

Broiler meat production for 2008 should register eight percent growth over the 2007 level to 1.13 million tons. Trade sources report that the average chick production in 2008 should be about 17.5 million birds per week. The Thai broiler business performed well in 2008 by transferring increased production costs to consumers in both domestic and overseas markets. However, all integrated broiler producers are cautious to expand their production due to concerns over prevailing high production costs and a slowdown in both the global and domestic economy.

Production Costs

Despite the outlook of softened global prices for agricultural commodities, trade sources forecast that production costs of live broiler in 2009 should be close to the 2008 level at around 35-36 baht/kg (47-48 cents/pound).

Feed costs have become the main factor in boosting production costs of live broilers in late 2007 and in 2008. Prices for corn and soybean meal, main ingredients that account for about 85-90 percent altogether of the broiler feed ration, increased by 21 percent and 60 percent in the first seven months of 2008 (Jan-Jul), respectively (see Table 2 in Statistical Tables Section). As a result, trade sources reported that average live broiler production costs in the first seven months of 2007 (Jan-Jul) rose by 28 percent from the same period of 2006 to about 37 baht/kg (49 cents/pound). Current average production costs are 36.50 baht/kg (49 cents/pound), which is derived from day-old chicks (seven baht), feed (24.50 baht), vaccination and drugs (one baht), and labor and other costs (four baht), respectively.

HPAI Update and Its Effect on Broiler Production

High Pathogenic Avian Influenza (HPAI), H5N1 type, has hit Thailand periodically since January 2004. In January 2008, the Department of Livestock Development (DLD) confirmed the detection of HPAI to the in a commercial broiler farm in Nakhon Sawan province and backyard native chicken household in Pichit province.

According to the DLD, poultry within the infected premises were immediately depopulated. A total of 53,688 chickens were destroyed on site and 5,120 birds in the surrounding area of the infected premises were culled to reduce all potential risks. In addition, movement of animals within a 10-km-radius zone from the infected premises was prohibited. Seven and 19 checkpoints were set up in Nakhon Sawan and Phichit, respectively, to ensure that the movement control was effective. The movement control was in place for at least 30 days following completion of stamping-out and disinfection, providing that no further suspicion of HPAI was identified. A total of 492,080 poultry in 1,290 premises was put under quarantine throughout the period.

Active surveillance using clinical case definition was carried out in every household within a 10-km-radius zone from the infected premises. Samples were collected within a 5-km-radius zone. One hundred and fifty-one cloacal swab samples (from 755 poultry) and 83 cloacal swab samples (from 415 poultry) were collected from Nakhon Sawan and Phichit, respectively, as part of the active surveillance in infected areas.

Targeted surveillance in compliance with the Appendix 3.8.9 of the OIE Code was carried out from 1 to 29 February 2008 in Thailand. The risk areas were defined as areas with history of AI outbreaks, wet land, high density of poultry population kept in sector 3 and 4, and certain risk species. During the targeted surveillance, a total of 47,889 cloacal swab samples (from 239,445 birds) were collected. All collected samples were tested negative for HPAI. Laboratory tests were performed at official laboratories of the Department of Livestock Development (DLD) using virus isolation, RT-PCR, and real-time RT-PCR according to the OIE protocol.

As of August 15, Thailand reached 202 days of no HPAI incidences since the last affected flock was depopulated on January 25, 2008.

1.2 Consumption

Domestic broiler meat consumption in 2009 is forecast to increase by four percent as the effect of rising food prices on disposable income should be mitigated by that of substitution of relatively more expensive meats for chicken meat. In 2008, growth in broiler meat consumption stagnated following a sharp increase in retail prices. According to trade sources, low-income and medium-income people have struggled with the rising cost of living, especially food and gasoline costs, by curtailing unnecessary expenses and reduced their entertainment activities including eating-out habit.

Average domestic prices for live broilers in the first seven months of 2008 (Jan-Jul) increased by 26 percent over the same period of 2007 to 38.88 baht/kg (approx. 52 cents/pound) due mainly to rising production costs. Meanwhile, average retail prices for chicken boneless breast meat in Bangkok in 2008 (Jan-Jul) increased by 41 percent to 89.56 baht/kg ($1.20/pound) over the 2007 level.

1.3 Trade

Export Trend

Thailand's exports of cooked chicken meat are forecast to grow by 8-10 percent in 2009 in anticipation of continued strong demand from the EU and Japan. In addition, China, a major competitor in Japanese market, is likely to lose its competitiveness with Thailand due to growing domestic consumption and increased concerns from trading partners about the safety of Chinese food products. However, trade sources believe that the prospect of Thai exports would be brighter if the EU increases its import quota of cooked meat and if both the EU and Japan agreed to accept uncooked product under Thailand's proposed compartmentalization scheme.

Thailand's 2008 chicken meat exports should reach 320,000 tons based on export figures from Jan-Jun 2008. In the first half of 2008, the EU and Japan remained major markets for Thai chicken meat exports (all cooked product), accounting for 48 and 39 percent, respectively. Other importing countries include Vietnam, Singapore, South Korea, and Hong Kong.

Export Prices and Products

There are no export price quotations on basic uncooked items such as boneless leg (BL) and skinless boneless breast (SBB) from Thailand. Trade sources report that export prices in 2008 continue to be profitable. Under the EU quota, several importers in the EU have been sourcing more product from Thailand and Brazil. In addition, concerns about the quality of Chinese food products have benefited Thai poultry exports, particularly to Japan.

Export prices for steamed dice-shape-cut skinless boneless breast (SBB), a major item exported to the EU, increased from average $3,500/ton CIF in 2007 to currently $4,000-$4,500/ton. Meanwhile, export prices for fried cut boneless leg, one of the basic cooked products to the Japanese market, are currently US$ 4,200-$4,300/ton, as compared to $3,500-$3,600/ton in 2007.

Cooked chicken products are normally made-to-order meat products that are processed or prepared by heat (such as grilling, steaming, boiling, etc.). Some of these cooked meat products are puffed or seasoned (with salt, Japanese sauce, etc.).

The EU Quota Administration

Under the agreement, Thailand received 92,610 tons, out of total quota of 264,245 tons, for 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 will be 160,033 tons, out of total quota of 250,953 tons, and in-quota imports from Thailand will be subject to 8 percent. The out-of-quota rate for cooked chicken meat is 1,024 €/ton. There is no agreement on turkey meat as Thailand is not an exporter of this product.

It is anticipated that Thailand's actual exports to the EU should reach the quota ceiling of 160,033 tons by the end of 2008. Thai exporters recently voiced their concern to the Thai Government that the EU import quota may limit the export growth in the near future. However, there is no current plan for quota negotiations between the Thai Government and the EU.

Compartmentalization and Export Prospect

Thailand continues to pressure major importing countries, i.e., Japan and the EU, to accept the compartmentalization practice in order to allow Thailand to export raw/uncooked chicken meat to these markets again, regardless of the Avian Influenza country status. The concept of compartmentalization was initiated by the World Animal Health Organization (OIE) as a way to facilitate international trade. Trade sources in the Thai Broiler Processing Exporters Association reported that the DLD approved two Thai integrating companies, Charoen Pokphand Group (CP) and GFPT, to be qualified for a compartmentalization audit. OIE representatives reportedly verified the Thai compartmentalization system in mid 2008. Representatives from the DLD and the association have discussed compartmentalization initiatives as a pilot project with both Japan and the EU. However, trade sources report that these negotiations have not been finalized.

1.4 Stocks

Reflecting reduced broiler production, the current carry over of broiler meat is currently 15-20,000 tons, which is considered relatively low.

1.5 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. These measures include the HPAI Stamping-Out Campaign on poultry farms/areas, a compensation scheme for disease-affected farmers, fee exemptions for chicken slaughterhouses, and outreach to help unemployed workers/operators.

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 tariff (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 (approx. $294/ton).

Regarding imported poultry products, Thailand seemingly exceeds OIE guidelines when exporting countries confirm a finding of Low Pathogenic Avian Influenza in their country. In the case of live poultry and poultry products, the RTG banned U.S. live poultry and poultry products (both uncooked and cooked) after a finding of Low Pathogenic Avian Influenza (LPAI) cases in some U.S. states.

Although the DLD lifted the ban on live poultry and poultry products from the states of California, North Carolina, Missouri, and Nebraska, its ban on the products from Virginia remains since July 24, 2007.

1.6 Marketing and U.S. Opportunities

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 should 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 may import bone-in-leg meat for processing in Thailand and re-export it to such markets as Japan and non-EU countries. The current existence of the HPAI outbreaks in Thailand may offer opportunities for Thai processors to source raw material from the U.S. and add flavorings, treatments, and cook for re-export. However, the U.S. export opportunities of these chicken parts are currently hindered by Thailand's non-transparent controls on issuing import permits.

Section II Statistical Tables

Table 1: Thailand's PS&D Table for Poultry, Meat, Chicken – 16 wks.

	2007			2008			2009		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009		
	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data	Annual Data Displayed		New Post Data
Inventory (Reference)	0	0	0	0		0			0
Slaughter (Reference)	0	0	0	0		0			0
Beginning Stocks	91	53	91	31		24			14
Production	1050	1100	1050	1150		1130			1200
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	1141	1153	1141	1181		1154			1214
Whole, Exports	0	0	0	0		0			0
Parts, Exports	297		297	320		320			350
Intra EU Exports	0	0	0	0		0			0
Other Exports	0	0	0	0		0			0
Total Exports	297	280	297	320		320			350
Human Consumption	803	810	810	840		810			840
Other Use, Losses	10	10	10	10		10			10
Total Dom. Consumption	813	820	820	850		820			850
Total Use	1110	1100	1117	1170		1140			1200
Ending Stocks	31	53	24	11		14			14
Total Distribution	1141	1153	1141	1181		1154			1214
CY Imp. from U.S.	0	0	0	0		0			0
CY Exp. to U.S.	0	280	0	0		0			0

Note: 1) Not Official USDA Data

2) FAS/Bangkok began to use official export data released by Thai Department of Customs. As a result, the figures may differ from those reported by other sources, including Thai Broiler Processing Exporters Association.

Table 2: Prices for Major Feed Ingredients

Month	Corn 1/			Soybean Meal 2/			Fishmeal 3/		
	2007	2008	%?	2007	2008	%?	2007	2008	%?
January	7.46	8.36	+ 12.1	10.54	16.90	+ 60.3	23.26	28.62	+ 23.0
February	8.06	8.40	+ 4.2	10.78	16.94	+ 57.1	25.01	29.60	+ 18.4
March	8.03	8.97	+ 11.7	11.05	16.90	+ 52.9	24.75	31.03	+ 25.4
April	7.81	9.36	+ 19.8	10.97	16.74	+ 52.6	25.78	31.20	+ 21.0
May	7.42	9.23	+ 24.4	10.85	16.97	+ 56.4	27.03	30.45	+ 12.7
June	7.36	9.47	+ 28.7	11.01	18.49	+ 67.9	24.57	31.32	+ 27.5
July	7.31	10.67	+ 46.0	11.37	19.83	+ 74.4	25.64	33.91	+ 32.3
August	7.15			11.64			25.86		
September	7.84			12.52			26.51		
October	8.38			14.58			26.50		
November	8.21			na			26.62		
December	8.23			15.98			28.14		
Average	7.77	9.21		11.94	17.54		25.81	30.88	

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 > 60% protein

Source: Department of Internal Trade

Table 3: Wholesale Prices for Live Broilers in Bangkok

Country	Thailand		
Commodity	Poultry, Meat, Broiler		
Prices in	Baht	per uom	Kilogram
Year	2007	2008	% Change
Jan	26	36	38%
Feb	26	37	42%
Mar	32	40	25%
Apr	32	42	31%
May	32	42	31%
Jun	33	37	12%
Jul	36	39	8%
Aug	37		-100%
Sep	37		-100%
Oct	34		-100%
Nov	37		-100%
Dec	38		-100%
Exchange Rate	34	Local Currency/US $	
Date of Quote	8/15/2008	MM/DD/YYYY	

Source: Department of Internal Trade, Ministry of Commerce.

Table 4: Retail Prices for Skinless Boneless Broiler Meat in Bangkok

Prices Table

Country Thailand

Commodity Poultry, Meat, Broiler

Prices in Baht per uom Kilogram

Year	2007	2008	% Change
Jan	61	85	39%
Feb	59	85	44%
Mar	59	89	51%
Apr	60	91	52%
May	64	93	45%
Jun	68	93	37%
Jul	74	93	26%
Aug	78		-100%
Sep	81		-100%
Oct	81		-100%
Nov	81		-100%
Dec	82		-100%

Exchange Rate	33.9	Local Currency/US $
Date of Quote	8/14/2008	MM/DD/YYYY

Source: Department of Internal Trade, Ministry of Commerce.

End of Report.