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Poultry and Products

Annual

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Report Highlights:
Since April 2007, the Thai broiler industry has successfully addressed many issues plaguing them in the past year. The factors driving this turnaround include increased productivity, reduced pressures from high stocks, and increased prices in both domestic and overseas markets. Reflecting growing domestic consumption and export demand, Thai broiler production is expected to increase by at least eight percent in 2008.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Bangkok [TH1]
[TH]

Executive Summary

Since April 2007, the Thai broiler industry has successfully addressed many issues plaguing them in the past year. The factors driving this turnaround include increased productivity, reduced pressures from high stocks, and increased prices in both domestic and overseas markets. Reflecting growing domestic consumption and export demand, Thai broiler production is expected to increase by at least eight percent in 2008.

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

Production

Production Trend

Thailand's broiler meat production is expected to increase at least eight percent in 2008 due to improved market conditions and increased productivity. Trade sources expect export demand for Thai cooked poultry meat to also increase in 2008. Domestic consumption should rebound to some degree, as the economy is expected to pick-up after a new general election. On the supply side, trade sources report that the average feed conversion ratio (FCR) in integrated broiler farms has increased as nearly all of commercial broiler producers continue to seek improved genetics, and are utilizing evaporative cooling systems in their broiler facilities which effectively prevents disease. The feed conversion ratio (FCR) has reportedly improved from 2.0-2.1 to currently 1.7-1.8. The average weight of an individual live broiler has also increased from 2.0 kgs per bird to currently 2.4-2.5 kgs per bird.

Despite the increased average weight of a live broiler, estimated broiler production for 2007 has been revised downward as broiler processors reduced their chick production, from 18-19 million birds per week in late 2006 to currently 14-15 million birds per week. The move was driven by business losses the Thai broiler industry faced in 2006 and the first quarter of 2007. Huge stocks of poultry meat in early 2007 compelled the industry to scale down broiler production.

However, decreased supplies of broiler and chicken meat production are better shaping up the Thai broiler industry since May 2007, and should continue until the end of 2007. Domestic prices for all broiler products have risen across the board, from broiler chicks to chicken meat. Stocks of chicken meat dropped sharply in the last few months. Export prices (in net Thai bath term) also increased due to strong demand from major buyer countries.

Production Costs

Production costs of live broiler in 2008 are forecast to be around 28-29 baht/kg (38-39 cents/pound), which are close to the 2007 level.

Although feed costs continued to increase sharply 2007, its effect on average live broiler production costs has been partly offset by increased productivity. As a result, average live broiler production costs in the first seven months of 2007 (Jan-Jul) rose by 3-4 percent from the same period of 2006 to about 29.00 baht/kg (39 cents/pound). Current average production costs are 29.50 baht/kg (40 cents/pound), which is derived from day-old chicks (7.00 baht), feed (18.00 baht), vaccination and drugs (1.00 baht), and labor and other costs (3.50 baht), respectively.

HPAI Update and Its Effect on Broiler Production

High Pathogenic Avian Influenza (HPAI), H5N1 type, has hit Thailand periodically since January 2004. There are no reports of HPAI-related deaths or culls in broiler farms since the reoccurrence of the disease in July 2006. Both relevant government agencies and integrated broiler processors claimed that broiler farms, especially broiler farms belonging to integrated producers, have never been infected by the HPAI. They believed that the prevailing stringent biosafety surveillance and controls have effectively prevented their farms from coming in contact with HPAI.

As discussed in GAIN TH7030, the Royal Thai Government (RTG) confirmed the reappearance of HPAI to the OIE on January 15, 2007. The first outbreak case appeared in 130 Khaki Campbell ducks from a free-range farm in Phitsanulok Province. As of March 3, 2007, there have been a few additional outbreaks in Nong Khai and Ang Thong Provinces. The last incidence of HPAI was confirmed on March 28, 2007, and affected native chickens in Mukdaharn Province. None of the reported outbreaks affected commercial broiler farms. As of August 6, Thailand reached 144 days of no HPAI incidences since the last affected flock was depopulated.

The Department of Livestock Development (DLD) maintains the same disease surveillance and control measures as in past years, including poultry depopulation, disinfection of affected premises, cloacal swab screening in a 5-kilometers radius of the infected farm, control of movement in a 10-kilometers radius of the infected farm, and extended intensive screening and control (called X-ray campaign).

AI Vaccination is prohibited in Thailand. However, the Thai Ministry of Agriculture and Cooperatives (MOAC) reported that the RTG might apply HPAI vaccinations as a backup measure to control AI outbreaks in the near future. The DLD recently conducted a joint meeting with the Bureau of Budget, Ministry of Finance, and agreed to set aside a budget of 68 million baht (US$ 2 million) per annum as a part of HPAI preparedness programs.

According to the DLD's classification system for avian influenza, a level 1 designation refers to outbreaks reported in one sub-district, occurring sporadically in different plots of the area; level 2 refers to outbreaks reported in no more than three sub-districts with the ability to be contained within one week; level 3 refers to outbreaks reported in 3-8 sub-districts and remain more than two weeks; and level 4 to outbreaks reported in more than eight sub-districts and remain more than two weeks. The DLD plans to produce HPAI vaccines in its existing vaccine plant in Pakchong District, Nakhon Ratchasima, about 170 kms northeast of Bangkok.

Consumption

Domestic chicken meat consumption in 2008 is forecast to increase by four percent, in anticipation that a new general election in early 2008, which should resolve the current political tension that has slowed economic growth. In addition, anticipated high prices for other protein sources, especially pork and beef, should benefit chicken consumption.

Broiler meat consumption in 2007 is estimated to increase marginally over the 2006's level due mainly to unfavorable economic situation associated with a military coup in late 2006 and political uncertainty, and increasing chicken meat prices.

Average domestic prices for live broilers in the first half of 2007 (Jan-Jun) increased by five percent over the same period of 2006 to 30.17 baht/kg (approx. 40 cents/pound) due mainly to curtailed supplies of live broiler. However, average retail prices for chicken boneless breast meat in Bangkok in 2007 (Jan-Jun) dropped by 14 percent to 69.43 baht/kg (84 cents/pound) over the 2006 level as high chicken meat stocks plagued early 2007.

Trade

Export Trend

The Thai broiler industry anticipates that exports of cooked chicken meat will continue to grow at least 10 percent in 2008 in line with strong demand from the EU and Japan. Trade sources believe that the EU's quota administration, which began in 2007, turned out to benefit Thai exports with higher than average quota allocations (see section *The EU Quota for Poultry Products*). 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.

Thailand's chicken meat exports in 2007 should reach 290,000 tons based on export figures from Jan-Jun 2007 and reports from trade sources. In the first half of 2007, the EU and Japan remained major markets for Thai chicken meat exports (all cooked products), accounting for 49 and 40 percent, respectively.

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 since April 2007 have been profitable due to strong demand from the EU and a reduction in Thai supplies. 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 should also benefit 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 about $3,000/ton CIF in the first quarter to currently $3,600/ton. Meanwhile, export prices for fried cut boneless leg, one of the basic cooked products to the Japanese market, are currently $3,500/ton, as compared to $3,000/ton in early 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.

Trade sources view that the current TRQ structure as benefiting Thailand mainly because: 1) The allocated quotas for both salted poultry meat and cooked chicken meat are higher than historical averages of Thai poultry exports to the EU; and 2) The EU reduced a bound tariff rate for in-quota cooked chicken meat for Thailand from 10.9 percent, the level agreed with Brazil in late October 2006, to 8 percent; and 3) from their price analysis, out-of-quota cooked products from Thailand will be cheaper than out-of-quota products from Brazil.

Compartmentalization and Export Prospect

Thailand has made an effort to convince major importing countries, i.e., Japan and the EU, to accept the compartmentalization practice allowing Thailand to export raw/uncooked chicken meat to these markets again, regardless the country status of Avian Influenza disease. The concept of compartmentalization was initiated by the World Animal Health Organization (OIE) as a way to facilitate safe and fair international trade. Trade sources in the Thai Broiler Processing Exporters Association reported that the DLD has approved two Thai integrating companies, Charoen Pokphand Group (CP) and GFPT, to be qualified for a compartmentalization audit. Representatives from the DLD and the association plan to discuss a possible introduction of compartmentalization initiatives as a pilot project with Japanese officials in late 2007.

Stocks

Reflecting reduced broiler production, the current carry over of broiler meat apparently has dropped from nearly 100,000 tons in to currently 20-30,000 tons, which is considered relatively low.

Policy

There has been no new development in Thai production and trade policies since the last reports (TH6086 and TH7030).

Regarding imported poultry products, Thailand seemingly exceeds OIE guidelines when exporting countries confirm a finding of Low Pathogenic Avian Influenza in their countries. 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 California, North Carolina, and Missouri, from March 2005 to June 2007. Although the ban was lifted for these states on June 8, 2007, DLD is now requiring for all states that the animal health certificate contain the statement “I hereby declare that the goods are derived from origin of animals which is free from Avian Influenza and Newcastle diseases." Regulatory officials from the USDA Animal Plant Health Inspection Service are currently working with the DLD on this requirement.

On July 26, 2007, DLD additionally banned live poultry and poultry products from Nebraska due to a finding of LPAI.

Marketing and U.S. Opportunities

There has been no new development in this section since the last reports (TH6086 and TH7030).

Section II Statistical Tables

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

PSD Table

Country **Thailand**

Commodity **Poultry, Meat, Broiler**

(MIL HEAD)(1000 MT)(PERCENT)

	2006 Revised			2007 Estimate			2008 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2006	01/2006		01/2007	01/2007		01/2008	01/2008	MM/YYYY
Inventory (Reference)	0	0	0	0	0	0	0	0	0	(MIL HEAD
Slaughter (Reference)	0	0	0	0	0	0	0	0	0	(MIL HEAD
Beginning Stocks	63	63	63	91	53	91	53	53	31	(1000 MT)
Production	1100	1050	1100	1100	1100	1050	0	0	1150	(1000 MT)
Whole, Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Parts, Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	1163	1113	1163	1191	1153	1141	53	53	1181	(1000 MT)
Whole, Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Parts, Exports	261	0	261	280	0	290	0	0	320	(1000 MT)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Exports	261	0	261	280	0	290	0	0	320	(1000 MT)
Human Consumption	801	770	801	848	810	810	0	0	840	(1000 MT)
Other Use, Losses	10	10	10	10	10	10	0	0	10	(1000 MT)
Total Dom. Consumption	811	780	811	858	820	820	0	0	850	(1000 MT)
Total Use	1072	780	1072	1138	820	1110	0	0	1170	(1000 MT)
Ending Stocks	91	53	91	53	53	31	0	0	11	(1000 MT)
Total Distribution	1163	833	1163	1191	873	1141	0	0	1181	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exp. to U.S.	0	280	0	0	280	0	0	0	0	(1000 MT)

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: Wholesale Prices for Live Broilers in Bangkok

Prices Table

Country Thailand

Commodity Poultry, Meat, Broiler

Prices in Baht per uom Kilogram

Year	2006	2007	% Change
Jan	34	26	-24%
Feb	29	26	-10%
Mar	26	32	23%
Apr	30	32	7%
May	30	32	7%
Jun	23	33	43%
Jul	25		-100%
Aug	24		-100%
Sep	23		-100%
Oct	28		-100%
Nov	32		-100%
Dec	33		-100%

Exchange Rate	33.5	Local Currency/US $
Date of Quote	8/8/2007	MM/DD/YYYY

Source: Department of Internal Trade, Ministry of Commerce.

Table 3: Retail Prices for Skinless Boneless Broiler Meat in Bangkok

Prices Table

Country	Thailand		
Commodity	Poultry, Meat, Broiler		
Prices in	Baht	per uom	Kilogram

Year	2006	2007	% Change
Jan	77	61	-21%
Feb	74	59	-20%
Mar	71	59	-17%
Apr	71	60	-15%
May	70	64	-9%
Jun	62	68	10%
Jul	61		-100%
Aug	61		-100%
Sep	61		-100%
Oct	61		-100%
Nov	62		-100%
Dec	63		-100%

Exchange Rate	33.5	Local Currency/US $
Date of Quote	8/8/2007	MM/DD/YYYY

Source: Department of Internal Trade, Ministry of Commerce.

End of Report.