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Report Highlights:

Thailand's beef cattle production and consumption will continue to decline in 1999 and 2000. Swine production will begin recovering in 1999 and possibly in 2000. An expansion in hog farming should generate high imports of breeding hog. Despite declining production, domestic consumption of raw hides is likely to recover in 1999 and 2000.

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SUMMARY

Despite attractive domestic prices, Thailand's beef cattle production will continue to decline in 1999 and 2000 due mainly to heavy slaughter of female cattle in recent years. Lower supply availabilities should lead to a continued reduction in total beef consumption. Breeding beef cattle farming is still in troubled because of very low demand. As a result, demand for imported breeding stock continues to be slow in 1999 and 2000.

Unlike the beef cattle industry, swine production is likely to be back on the begin recovering in 1999 and possibly in 2000, in response to escalating prices in late 1998 and most of 1999. Although the cost of production in 1999 has increased due to higher expenses in feeder pig and losses, hog farmers continued to enjoy profitability. An expansion in hog farming should generate higher imports of breeding hog in 1999 and 2000. However, the demand for U.S. breeding hog may be insignificant in the next few years due to Thai hog farmers' preference in European genetics.

Despite a downward trend in domestic raw hide production due to a lower slaughter rate of cattle and buffalo, domestic consumption of raw hides is likely to recover in 1999 and 2000. As a result, imports of raw hides is estimated to increase in these two years. The U.S. market share may increase to 15-20 percent in 2000 due to increased price competitiveness with other exporting countries, especially Australia.

CATTLE SECTION

PSD Table						
Country:						
Commodity:						
		1998		1999		2000
	Old	New	Old	New	Old	New
Calendar Year Begin	01/1998	01/1998	01/1999	01/1999	01/2000	01/2000
Total Cattle Beg. Stks	4431	4470	4146	4186	0	3981
Dairy Cows Beg. Stocks	250	290	280	300	0	320
Beef Cows Beg. Stocks	750	750	650	650	0	600
Production (Calf Crop)	540	540	500	500	0	440
Intra EC Imports	0	0	0	0	0	0
Other Imports	200	200	250	250	0	300
TOTAL Imports	200	200	250	250	0	300
TOTAL SUPPLY	5171	5210	4896	4936	0	4721
Intra EC Exports	0	0	0	0	0	0
Other Exports	20	19	20	10	0	10
TOTAL Exports	20	19	20	10	0	10
Cow Slaughter	250	250	200	150	0	50
Calf Slaughter	50	50	50	50	0	50
Other Slaughter	700	700	700	750	0	750
Total Slaughter	1000	1000	950	950	0	850
Loss	5	5	5	5	0	5
Ending Inventories	4146	4186	3921	3981	0	3866
TOTAL DISTRIBUTION	5171	5210	4896	4936	0	4721
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PRODUCTION

Despite improved prices in 1998 and 1999, Thailand's beef cattle population will continue to decline in 1999 and 2000, due mainly to heavy slaughter of female cattle in recent years which led to a sharp reduction in calf crop production. Although good prices for slaughtered beef cattle has begun to draw interest from many farmers to raise cattle again, it is likely to take a few more years to build up the stock of beef cows in the country. The stock build-up may occur in terms of quantity, not quality. This assumption is based on the fact that increased prices for beef cattle bought for slaughtering haven't generated demand for genetically improved cattle. Most purebred farms (of which nearly all are Brahman breeding farms) report that sales are low for their breeding cattle at this moment. In addition, a few more purebred farms are closed this year due to their continued losses in recent years. In an effort to survive, some purebred farms began to produce cross-bred cattle on farm for fattening.

More than 80 percent of total beef cattle production is centered in the Northeastern, Central, and Northern regions of Thailand. The dominant breeds of cattle are Native or Native-Brahman crosses. All beef farms in Thailand are divided into 3 types of farming, based on market segregation. They include: a) breeding farms; b) traditional farms; and c) feedlot operations. Breeding farms emerged in the late 1980's to produce and sell breeding stock to other farms. Due to the poor market situation, the number of these farms decreased in recent years. Traditional farms are usually small backyard operations, feeding cattle in open-accessed grazing areas and on crop residues. Some farmers also use their cattle as draft animals in paddy field and sell them for slaughtering after they are retired. Cattle are always thin and slaughtered at high ages, 5-10 years. As a result, meat from these cattle is tough and mainly used for preparing traditional foods and meat balls. Feedlot farms are different from traditional farms, in that cattle are fattened before slaughtering. There are two main ways for feedlot farms to operate. First, the farms purchase old cattle from traditional farms and provide them full feeding for about 2-3 months. After being slaughtered, the cut meat is sold in fresh markets. Second, the farms purchase young crossbred animals (with a portion of European genetics or Brahman breed), at the age of 2-2.5 years, and feed them for 6-10 months before being slaughtered. Carcasses from these slaughtered cattle are aged before making specialty cuts. The markets for this type of meat are super markets, hotels, and restaurants.

According to trade sources, production cost for the farms which purchase old cattle from traditional farms and provide them full feeding for about 2-3 months is currently pegged at 35-36 baht/kg (live weight basis). Meanwhile, the cost for the farm which purchase young crossbred animals and feed them for 6-10 months is higher at 37-38 baht/kg (live weight basis).

Farm management in general has been poor, especially on breeding farms. Some breeding farms are feeding their cattle with low quality feed (mainly rice straw), due to the poor market situation. As a result, the problem of low fertility is relatively high. Foot-and-Mouth Disease (FMD) continues to be a non-eradicated disease in Thailand. Department of Livestock reported a few cases of the disease in cattle this year.

CONSUMPTION

Despite anticipated better economic surroundings, consumption of domestic beef should further decrease in 1999 and 2000 due mainly to reduced supply availabilities of beef cattle. As a result, total cattle slaughter is estimated to drop again in these two years.

In 1998, the slaughter of low-quality cattle, which account for about 90 percent of total market, dropped by 5 percent as a result of the economic turmoil and reduced supply availabilities. Ironically, trade sources report that the slaughter of high-quality fattened cattle witnessed a growth of 10 percent. This reflects the likelihood of increased number of tourists to Thailand and a substitution of cheaper domestic beef for imported beef. Several high-income consumers likely switched to domestic beef, when prices for imported beef doubled following a sharp baht devaluation. However, an influx of tourists into Thailand also led to an overall increase in imported beef consumption in 1998. Department of Livestock Development reported that imports of frozen beef in 1998 totaled 2,021 tons, as opposed to 1,655 tons in 1997.

FAS/Bangkok has discontinued use of indicative prices for beef cattle, which are reported by a few government agencies, as their numbers have not proven accurate. Reflecting a sharp reduction in supplies, trade sources report that prices for live cattle being slaughtered for fresh market increased from 35-36 baht/kg in 1998 to 39-40 baht/kg.

TRADE

Due to reduced domestic supplies and increasing prices, imports of low quality cattle from neighboring countries (mostly Myanmar and Cambodia), both legally and illegally, are estimated to increase in 1999 and 2000. These imported animals are delivered either to slaughterhouses or fattening farms. In 1998, Department of Livestock reported a number of legally imported cattle not for breeding at 98,631 head, against only 23,798 head in 1997. However, the actual total imports are estimated to double the official figure in 1998.

As for imports of breeding beef cattle, the market in Thailand virtually disappeared in recent years because of unfavorable domestic market. Nearly all purebred breeding farms have been burdened with huge losses in recent years and many of them terminated their farming. Meanwhile, Department of Livestock Development, which used to be a major buyer, has not purchased cattle since 1997. They have accumulated high stocks of breeding cattle and the country's economic crisis forced the government to cut back its budget for all projects. Accordingly, the imports of breeding stocks should be at stake again in 1999 and 2000. Only two head of breeding cattle were imported in 1998.

However, Thailand continues to be a promising market for beef semen as it is a less expensive way to upgrade genetics of domestic cattle herd. In 1998, both Department of Livestock Development and private farms imported 83,061 doses of beef semen, worth of 4.5 million baht.

Thailand also exports live cattle (all of them low-quality beef cattle) to neighboring countries, mainly Malaysia, for slaughtering. Malaysian buyers, who are Islamic people, prefer Thai native cattle to other foreign breed cattle because of its tough meat. Because of limited supplies and increased competition from Australia in the Malaysian market, total exports are estimated to drop from around 20,000 head in 1998 to 10,000 in both 1999 and 2000.

Export Trade Matrix			
Country: THAILAND		Unit: Head	
Commodity: Live Cattle-not for breeding			
Export for:	1996	1997	1998
U.S.	0	0	0
Malaysia	21,879	21,070	17,811
Myanmar	25	0	0
Laos	0	37	30
Total for Others	21,904	21,107	17,841
Others not listed	0	50	0
Grand Total	21,904	21,157	17,841

Import Trade Matrix			
Country: THAILAND		Unit: Head	
Commodity: Live Cattle-not for breeding			
Originated from:	1996	1997	1998
U.S.	0	0	0
Kampuchea	114	4,314	16,335
Myanmar	13,551	19,434	81,209
Laos	90	50	1,087
Total for Others	13,641	23,798	98,631
Others not listed	0	0	0
Grand Total	13,755	23,798	98,631

POLICY

Due to a lack of the Government's budget, the Department of Livestock Development (DLD) discontinued beef cattle imports as well as purchasing purebred stock from local breeding farms at the end of FY 1998. However, they imported semen for their breeding program, including 33,680 doses of Charolais breed.

Meanwhile, the DLD's beef cattle project, which is designed to lessen farmer dependence on the production of cassava root and paddy rice, has been unsuccessful due to poor returns in the beef industry and attractive prices for paddy rice. Although it is officially reported that about 50 percent of farmers under this program continue raising cattle, the actual numbers may be much lower. Recently, the DLD conducted a new project on livestock marketing by constructing modern slaughtering facilities for beef cattle in Chumphon Province and for swine in Chachoengsao Province. The DLD planned that these facilities would be used to facilitate exports of frozen beef and pork meat in the future. However, after the construction of these facilities was recently finished, industry believes that this project would be another unsuccessful project done by the DLD.

In addition, the DLD was not able to accomplish their 1997 goal of eradicating foot-and-mouth disease in Thailand. Most academic and industry people agree that this plan will never succeed unless the Thai government can stop smuggling of cattle into Thailand.

STOCKS

With slaughter rate exceeding calf crop production plus imports, ending stocks are estimated to further decline in 1999 and 2000.

MARKETING

Reflecting continued financial trouble among purebred breeding farms and a reduction in government funding, market opportunities for American breeding cattle will be limited in 1999 and 2000. Thailand is now a potential market for U.S. semen, as both the DLD and private farms are likely to increase the use of semen for breeding in the near future. Most Thai beef producers are aware of the superiority of U.S. genetics.

Australia is the major U.S. competitor in supplying cattle/semen to Thailand, due to their advantage in shipping costs and the similarity in cattle breeds to U.S. genetics. Both Australian private and government organizations continue to work closely with Thai beef producers/government through training and trade servicing. The Australian Center for International Agricultural Research (ACIAR) allocated a budget of about AU\$ 600,000 for the DLD's Genetic Improvement of Thai Beef Cattle and Buffalo. The ACIAR has also worked with universities in Australia to provide training for Thai government officials, both in Thailand and Australia.

SWINE SECTION

PSD Table						
Country:						
Commodity:						
		1998		1999		2000
	Old	New	Old	New	Old	New
Calendar Year Begin						
TOTAL Beginning Stocks	4919	4919	4815	4810	0	4802
Sow Beginning Stocks	630	630	630	660	0	720
Production (Pig Crop)	8200	8200	8400	8500	0	9000
Intra EC Imports	1	0	1	1	0	1
Other Imports	0	0	0	0	0	0
TOTAL Imports	1	0	1	1	0	1
TOTAL SUPPLY	13120	13119	13216	13311	0	13803
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	4	0	4	0	5
TOTAL Exports	0	0	0	0	0	0
Sow Slaughter	300	300	150	150	0	160
OTHER SLAUGHTER	8000	8000	8350	8350	0	8640
Total Slaughter	8300	8300	8500	8500	0	8800
Loss	5	5	5	5	0	5
Ending Inventories	4815	4810	4711	4802	0	4993
TOTAL DISTRIBUTION	13120	13119	13216	13311	0	13803
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PRODUCTION

After a sharp reduction in 1998, Thailand's hog production is showing signs of recovery in 1999 and is forecast to again increase in 2000 as favorable prices for over 12 months have induced breeding hog farms to build up their sow stocks again. It is estimated that an amount of sows in the country will increase from 630,000 head in 1998 to 660,000 in 1999 and 730,000 head in 2000, respectively. However, this expansion has been mostly generated by large independent farms and integrated farm operations, rather than small farms. Many small farms (who raise no-more-than 100 head of sows or less than 500 head of market hogs) collapsed because of depressed prices and soaring cost of production in late 1997 and early 1998. A resurgence of small farm will be very difficult due to a lack of credit. Large farms and integrated farms have been more flexible in downsizing or expanding their operations depending on market conditions.

Some hog farms admitted that maintaining the health of the swine herd is one of the most important problem among commercial farms in Thailand. This has led to greater use of vaccines and drugs adding to the cost of production. Although there are several diseases affecting hogs, the common diseases are currently Aujeszky's disease (Pseudorabies) and Swine Fever. Large independent farms are mostly farrow-to-finish farms, while the integrated farm operations are directly linked with large feedmills. Currently, about 80-85 percent of total production is derived from large farms and integrated feedmill companies, with the rest coming from small independent producers.

The Office of Agricultural Economics reported that average cost of producing market hogs in the first half of 1999 (Jan-Jun) increased from the same period of 1998 by 12 percent to 36.80 baht/kg (live weight), as increased expenses in feeder pig and losses outstripped a decrease in feed costs. Almost 90 percent of the total cost of production is attributed to feed cost (54 percent) and feeder pig (33 percent). According to trade sources, the production cost of fattening hogs is currently about 38-40 baht/kg.

CONSUMPTION

Pork is a traditional and popular Thai food and Thailand has been self-sufficient in pork supplies. After a sharp decline in 1998, domestic consumption in 1999 and 2000 is estimated to grow 3-4 percent annually in line with an anticipated recovery in the Thai economy. As a result, total slaughter numbers are estimated to increase by 2 and 4 percent in 1999 and 2000.

Despite a tremendous reduction in pork consumption in 1998, live hog prices adversely rose from 28-30 baht/kg in January 1998 to 40-42 baht/kg for most of the year. This was because hog supplies dropped to a greater extent than the reduction in pork consumption. Hog farmers enjoyed good hog prices of 43-49 baht/kg from January to May 1999. However, prices dropped again recently as an earlier expansion of breeding farms began to take effect and a recent criticism on media about beta-agonist residue in pork. The current prices for pork are 42-43 baht/kg in the Central region. The average Bangkok wholesale prices for live hogs reported by the Department of Internal Trade during Jan-Jul 1999 increased by 25 percent to 46.57 baht/kg, as opposed to 37.35 baht/kg during Jan-Jul 1998.

Prices for feeder pigs also rose in 1999 reflecting higher hog prices and the limited supplies of feeder pig. The average price for feeder pigs during Jan-Jul 1999, reported by the Internal Trade Department, was 1,415 baht/kg, compared to 690 baht/head in the same period of 1998.

TRADE

Thailand imports pigs solely for breeding purposes. Nearly all imported breeding pigs are purebred lines; mainly Duroc, Landrace, and Yorkshire breeds. Imports of breeding pigs in 1999 and 2000 should be on the uptrend due to an expansion of hog farms and a need to replace old stocks of breeding pigs. Following a panic to downsize breeding farms in late 1998 and early 1999, total imports dwindled sharply from 1,049 head in 1997 to only 153 head in 1998. The major suppliers of breeding hogs in 1998 remained European countries, including Denmark, the U.K, and Ireland.

Thailand also exports pigs for breeding and non-breeding purposes to neighboring countries. Exports

of live pigs in 1999 and 2000 should remain stable at 4,000-5,000 head annually. Exports rose enormously from 1,727 head in 1997 to 4,280 head in 1998. Kampuchea and Laos were the major buyers of Thai pigs in 1998.

The following are imports and exports of live hogs to Thailand in 1996, 1997 and 1998:

Export Trade Matrix			
Country: THAILAND		Unit: Head	
Commodity: Live Hog-not for breeding			
Export for:	1996	1997	1998
U.S.	0	0	0
Kampuchea	295	72	2,225
Myanmar	0	0	113
Laos	547	1,647	1,849
Total for Others	842	1,719	4,187
Others not listed	56	8	93
Grand Total	898	1,727	4,280

Import Trade Matrix			
Country: THAILAND		Unit: Head	
Commodity: Breeding Live Pigs			
Originated from:	1996	1997	1998
U.S.	73	0	0
Denmark	439	364	93
Ireland	347	50	20
Belgium	201	13	0
U.K.	962	440	40
Total for Others	2,022	867	153
Others not listed	201	182	0
Grand Total	2,223	1,049	153

POLICY

Due to depressed domestic prices in 1998, the RTG initiated some projects to help hog farmers. These include: (1) the provision of no-interest loan of 67.4 million baht (approx. US\$ 1.8 million) to farmer cooperatives for piglet production with a 6 years repayment period; (2) the provision of a no-interest loan of 20 million baht (approx. US\$ 0.54 million) for slaughtering hog and selling pork to consumers at below-market prices.

In addition, the RTG decided to promote the exports of pork and pork products through the following measures: (a) making an effort to establish Foot-and-Mouth free-zone in three Eastern provinces within 3-4 years; (b) constructing a high-standard slaughter house in Chachoengsao Province. Finished in 1999, the slaughter house's capacity is 1,600 head per day; and (c) determining rules to prohibit the use of Beta-agonist and Sulfamethaxine substances in hog farms.

The importation of pork is implicitly banned in Thailand. Although any importer would meet all health requirements enacted by Thai Government, an import certificate may not be issued. In addition to relatively high import duties on pork (currently 45-50 %), the Department of Livestock Development also collects an import fee of 5 baht/kg (about US\$ 135/ton).

MARKETING

There has been no change in marketing potential for U.S. breeding pig sales to Thailand since the last year's Annual Report.

HIDES & SKINS

PSD Table						
Country:						
Commodity:						
		1998		1999		2000
	Old	New	Old	New	Old	New
Calendar Year Begin						
Beginning Stocks	21	21	23	21	0	21
Production in TMT	42	42	40	40	0	38
Production in thousand pieces	1400	1400	1350	1350	0	1300
Intra EC Imports	10	5	5	5	0	5
Other Imports	100	103	100	115	0	125
TOTAL Imports	110	108	105	120	0	130
TOTAL SUPPLY	173	171	168	181	0	189
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Domestic Consumption	150	150	150	160	0	165
Ending Stocks	23	21	18	21	0	24
TOTAL DISTRIBUTION	173	173	168	181	0	189

PRODUCTION

Due to the continued decline in slaughter numbers of both cattle and buffalo, Thailand's domestic bovine hide production is forecast to decline further to 40,000 tons in 1999 and 38,000 tons in 2000. Cattle hides currently account for about 75-80 percent of total hide production.

CONSUMPTION

About 120 tanneries presently produce leather from domestic and imported raw hides. Total domestic consumption of raw hides in 2000 is forecast to rise by 3 percent in anticipation of an increase in both domestic demand and export demand for leather products. Based on industry sources, domestic consumption of raw hides in 1999 is estimated to regain by 7 percent from a slump in 1998, when sales of finished products both domestically and internationally have shown an increase. Domestic sales of finished leather goods have risen slightly by 2-3 percent due to a better economic situation. Meanwhile, exports of finished leather goods (especially shoe and accessory products) have grown by 10-15 percent in 1999 thanks to improved product development.

TRADE

Limited and declining supplies of domestic raw hides have led Thai tanneries to depend heavily on imported raw hides. Major raw hide suppliers in recent years include China, Australia and the United States. Generally, Chinese raw hides are inferior in quality, but cheaper than, raw hides originated from the U.S. and Australia. Thanks to decreased domestic supply availabilities and increased production of finished leather goods, raw hide imports are estimated to increase to 120,000 tons in 1999. Imports may further grow to 130,000 tons in 2000.

In 1999, according to trade sources, the U.S. market share is estimated to be close to the 1998 level (15 percent) following a need to maintain a portion of use of high quality hides. Meanwhile, raw hides imported from China and Australia accounts for about 30 and 20 percent of total imports, respectively. Trade sources also noted that U.S. market share may increase to 15-20 percent in 2000 when U.S. hides are likely to be more competitive with other exporting countries, especially Australia.

Import Trade Matrix			
Country: THAILAND			Unit: Tons
Commodity: Raw Hides			
Originated from:	1997		1998
U.S.	12,748	U.S.	14,668
Australia	22,610	Australia	22,566
China	45,316	China	36,877
Vietnam	7017	Vietnam	7,637
Canada	1,623	Canada	3,519
Ireland	1,695	Indonesia	2,326
Japan	2,354	Japan	1,768
Netherlands	2,728	Netherlands	1,018
Germany	7,634	Germany	3,681
Brazil	5,085	Brazil	1,413
Total for Others	96,062		80,805
Others not listed	15,970		12,891
Grand Total	124,780		108,364

POLICY

There has been no change in import tariff rates on raw hided and finished products since the latest FA/Bangkok's Annual Report. The current import duties are zero for raw hides, 5 percent leather, and 5-20 percent for chemicals used in tanning industry, respectively.

MARKETING

FAS/Bangkok invited teams of hide and skin buyers to visit the United States under the auspices of the Cochran Fellowship Program. This market activity has proven to be a good tool in attracting these buyers to continue U.S. hides import. In addition, the GSM-102 Program was introduced into Thailand in FY 1998 with the allocation of US\$ 300 million. Out of total use of US\$ 102.70 million, US\$ 1.50 million was utilized in FY 1998 to purchase U.S. hides (US\$ 0.20 million) and leather (US\$ 1.30 million). In FY 1999, Thailand received an allocation of US\$ 300 million again and about US\$ 3 million has been utilized by Thai importers to purchase U.S. leather.