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Report Highlights:

Post expects chicken meat production to increase slightly in 2021 with sluggish domestic and export demand and supply disruptions from the prolonged outbreak of COVID-19. Post forecasts chicken meat production to increase by 3 percent in 2022 in anticipation of a gradual recovery in domestic demand. Post also expects chicken meat exports in 2022 to grow below the average annual growth rate prior to the pandemic in 2020.

Executive Summary

Post expects chicken meat production in 2021 to increase around one percent. An outbreak of COVID-19 among workers at several chicken meat processing facilities in the third quarter of 2021 disrupted production. Post also expects domestic consumption of chicken meat to increase slightly as the sluggish economic recovery in the latter half of 2021 will offset the rebound in domestic demand for chicken meat in the first half of 2021. Post expects chicken meat exports in 2021 to increase approximately 2 percent from 2020, as export growth is likely to slow down in the second half of 2021. The sluggish second half growth in 2021 will undermine the chicken meat export growth of 6 percent in the first half of 2021.

Post forecasts that chicken meat production in 2022 will increase around 3 percent in line with a gradual recovery in domestic consumption and exports of cooked and uncooked chicken meat. Posts expects food service activities to rebound from 2021 as foreign tourists slowly start to return. Post also forecast that chicken meat exports will increase by 3 percent, which is far below the average export growth prior to the COVID outbreak but better than exports in 2020. Chicken meat exports declined 2 percent in 2020.

1. Production

Table 1.1: Thailand's Chicken Meat Production, Supply and Demand

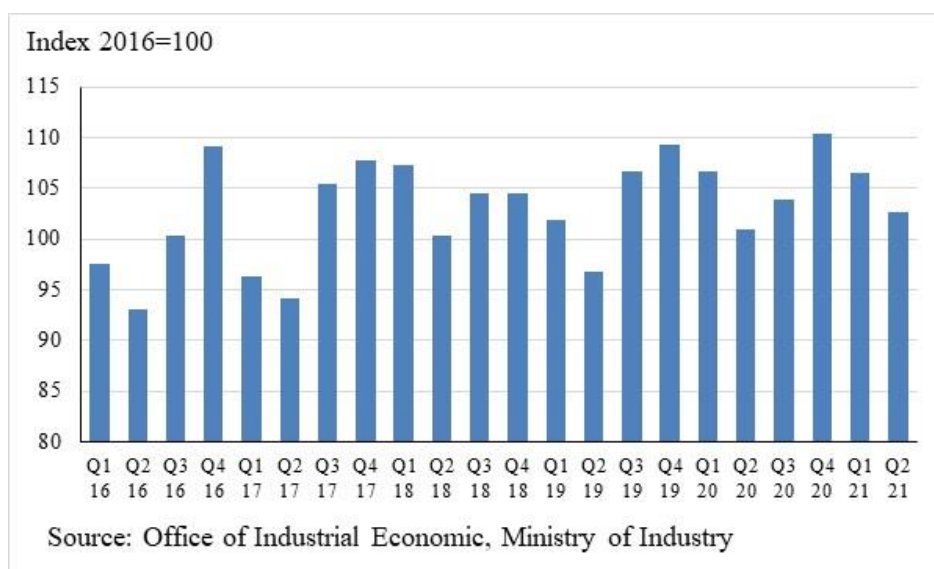
Meat, Chicken Market Year Begins Thailand	2020		2021		2022	
	Jan 2020		Jan 2021		Jan 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	32	32	44	44	0	45
Production (1000 MT)	3250	3250	3340	3280	0	3380
Total Imports (1000 MT)	2	2	1	1	0	1
Total Supply (1000 MT)	3284	3284	3385	3325	0	3426
Total Exports (1000 MT)	874	941	925	960	0	990
Human Consumption (1000 MT)	2366	2299	2420	2320	0	2400
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	2366	2299	2420	2320	0	2400
Total Use (1000 MT)	3240	3240	3345	3280	0	3390
Ending Stocks (1000 MT)	44	44	40	45	0	36
Total Distribution (1000 MT)	3284	3284	3385	3325	0	3426

(1000 MT)

Note: As of this report, the chicken meat PSD for Thailand now includes exports of salted poultry (HS 02.10.99). Historical data will be adjusted back to 2012 in the PSD database at <https://apps.fas.usda.gov/psdonline/app/index.html#/app/home> on October 12, 2021.

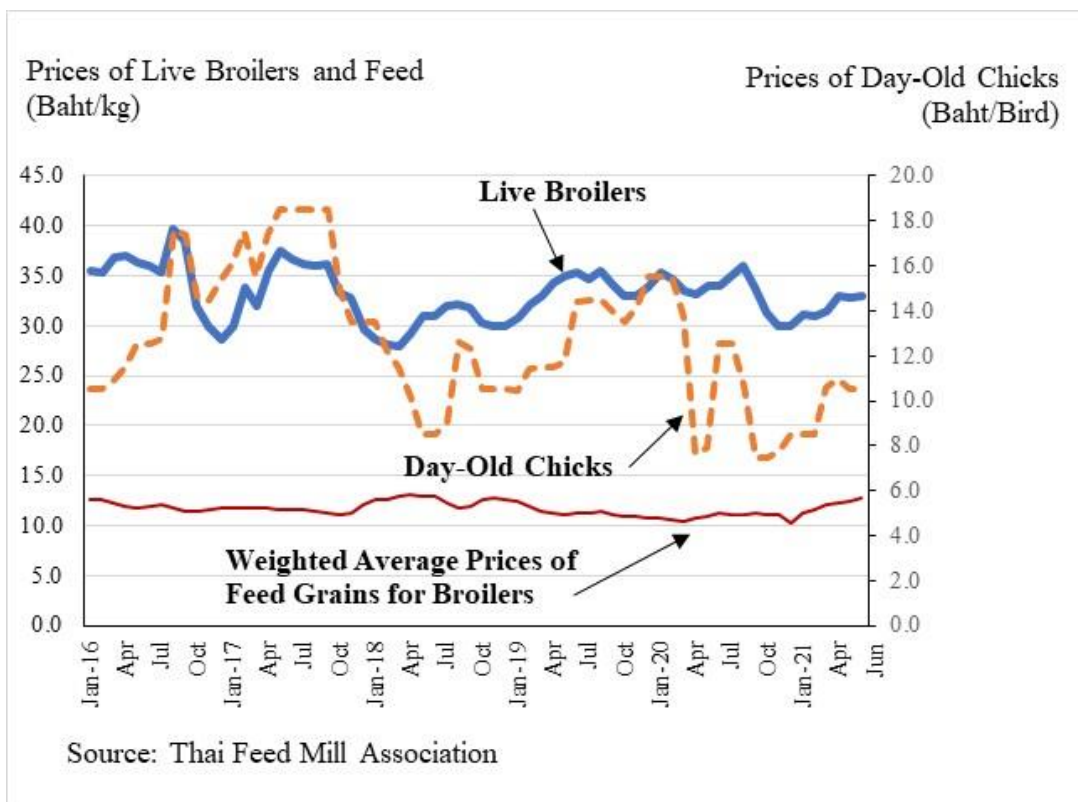
Total chicken meat production increased around one percent in the first half of 2021, especially cooked chicken meat production (Figure 1.1), well below the average annual growth rate of chicken meat production prior to the COVID-19 outbreak. Domestic consumption, which accounts for approximately 70 percent of total chicken meat production, slowed down in 2021 following severe waves of COVID-19 outbreaks. Cooked chicken meat production increased around 6 percent in the first half of 2021, driven by strong export demand. Uncooked chicken meat production increased slightly (0.3 percent) from the same period last year due to a slowdown in domestic consumption.

Figure 1.1: Broiler Chicken Meat Production



Broiler farming also faced high production costs in the first half of 2021 due to increased prices of feed grains. Average prices of feed grains, which account for 60-65 percent of the production costs of live broilers, increased 12 percent from the same period last year. The price of corn and soybean meal increased 8 and 21 percent, respectively (Figure 1.2). Thai feed mill industries filed a petition with the government in June 2021 to reduce tariffs on imported feed ingredients. The average tariff rate on imported feed ingredients is the highest among Southeast Asian countries despite the need to import feed ingredients due to insufficient supplies of locally produced feed grains and oilseed. Imported feed ingredients costs make up 50-60 percent of total feed production costs. Feed costs account for around 60 percent of production costs of live broilers.

Figure 1.2: Prices of Live Broilers, Day-Old Chicks, and Broiler Feed Grains



Post expects total chicken meat production to increase slightly around one percent in 2021. Workers at several chicken meat processing facilities, including integrated processors, tested positive for COVID-19 making the processing facilities close between July and August 2021 in adherence to the government’s quarantine measures. Chicken meat processors expect that the suspension will be temporary and will resume normal production in the last quarter of 2021.

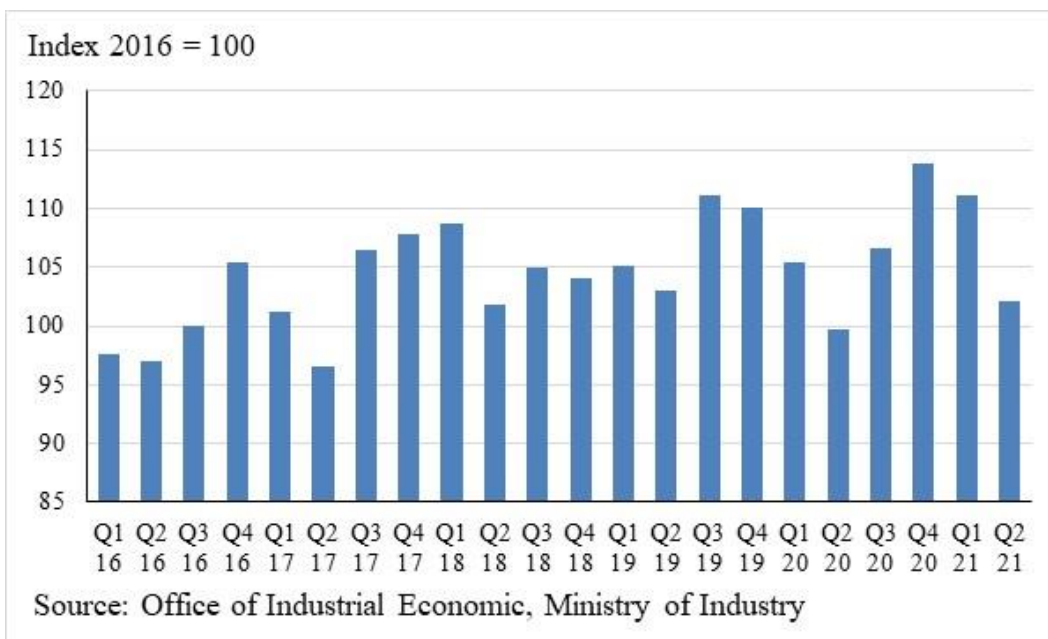
Post forecasts that chicken meat production in 2022 will increase around 3 percent from 2021 in line with a gradual recovery in domestic consumption and exports of cooked and uncooked chicken meat. The Chinese government will likely approve more chicken meat export facilities in 2022 after the current wave of COVID-19 disrupted the auditing process. The Chinese government authorities will

likely resume the audit process again after the Thai government rolls out its comprehensive vaccination program in the last quarter of 2021. The Chinese government has been auditing chicken meat processing facilities in Thailand since 2017 after China had banned Thai chicken meat imports due to an avian influenza outbreak in Thailand in 2004. China lifted the ban in 2018 and approved nine export facilities. China has now approved 22 Thai chicken meat export processing facilities under its audit program out of a total of 31 chicken meat export processing facilities certified by the Thai Department of Livestock Development.

2. Consumption

Domestic consumption of chicken meat in the first half of 2021 increased 4 percent from the same period last year, rebounding from a 3-4 percent contraction during the COVID-19 outbreak in 2020. However, quarterly consumption dropped significantly between the first and second quarters in 2021 (Figure 2.1). The slowdown in domestic consumption between in the first and second quarters in 2021 reflected the sluggish economic recovery from the prolonged outbreak of COVID-19. The economic recovery was slow at 2.5 percent in the first half of 2021, compared to a negative growth of 7 percent in the same period last year. The recent round of strict government measures to control the spread of COVID-19 has severely battered the food service industry. Food service activities in the first half of 2021 declined around 14 percent from the same period last year. The number of foreign tourists further declined to around 11,200 tourists, compared to around 882,000 tourists in the same period in 2020, and around 20 million tourists prior to the pandemic. In addition, the government prohibited in-person dining for about a month.

Figure 2.1: Broiler Chicken Meat Consumption



Prices of domestic chicken meat in the first half of 2021 further declined. Boneless breast fell the most, dropping 4 percent from the same period last year due to the slowdown in domestic consumption (Figure 2.2). In addition, the surplus of pork meat supplies caused by Vietnam’s import ban on Thai swine over AFS concerns put downward pressure on domestic prices of chicken meat products in the first half of 2021. However, the suspension of chicken meat processing facilities in July and August 2021 caused an increase in chicken meat prices by 4-8 percent from the same period last year. Depleting inventories of chicken meat processors in the first half of 2021 fueled the recent price increases.

Figure 2.2: Retail Prices of Chicken Meat in Bangkok



Post expects domestic consumption of chicken meat in 2021 will increase one percent from 2020. Food service activities will likely resume in the last quarter of 2021 as the Thai government eases COVID-19 measures and more of the population is vaccinated.

Post forecasts that domestic consumption of chicken meat in 2022 will increase around 3 percent in anticipation of an economic recovery. The Thai economy is expected to grow by 3.7 percent in 2022 as the number of foreign tourists are likely to increase to 6 million, leading to a gradual recovery in hotel and food service sector.

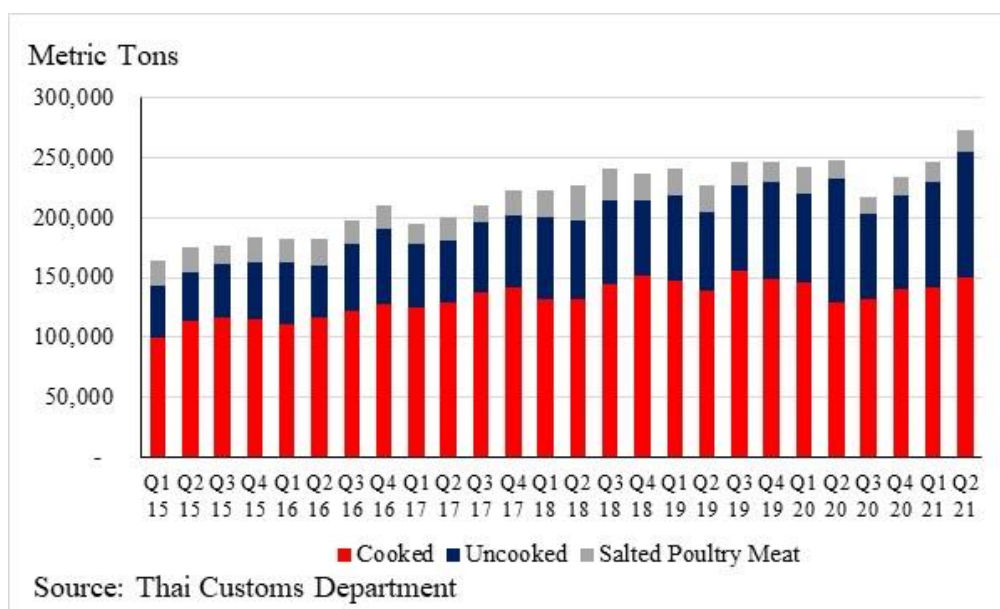
3. Trade

Chicken meat exports totaled 519,228 metric tons in the first half of 2021, up 6 percent from the same period last year (Figure 3.1). Cooked chicken meat exports, which account for around 58 percent of total chicken meat exports, increased 6 percent from the same period last year. Thailand exported around 90 percent of its cooked chicken meat products to Japan (52%), the United Kingdom (25%), and the EU (11%). Exports of cooked chicken meat exports to Japan and the United Kingdom increased 3 percent each due to their gradual economic

recoveries from the COVID-19 outbreak. Cooked chicken meat exports to the EU increased significantly by 29 percent in the first half of 2021 as Thailand benefited from the new EU’s tariff rate quota (TRQ) after Brexit in 2021. Thailand has already exported 109,441 metric tons of cooked chicken meat to the EU in 2021, compared to Thailand’s 3-year average cooked chicken meat exports to the EU of around 60,000 metric tons between 2017 and 2019.

Exports of uncooked chicken meat (excluding paw), accounting for around 35 percent of total chicken meat exports, increased 9 percent in the first half of 2021. Uncooked chicken meat exports to Japan, which accounted for 55 percent of total uncooked chicken meat exports, increased 25 percent in the first half of 2021 from the same period last year. The increase of uncooked chicken meat exports to Japan more than offset the reduced uncooked chicken exports to China, which accounted for 15 percent of total uncooked chicken meat exports. The reduced exports of uncooked chicken meat products to China reflected a gradual recovery in China’s production of poultry and swine. Salted poultry exports, which accounted for 7 percent of total chicken meat exports, declined 11 percent in the first half of 2021 from the same period last year, due to competition from Brazil and Ukraine. The EU lifted its prohibition on poultry meat imports from Ukraine in March 2021 after banning imports in December 2020 following the detection of HPAI.

Figure 3.1: Thailand’s Exports of Chicken Meat



Post expects that the growth of chicken meat exports will slow down in the second half of 2021, compared to a 6 percent increase in the first half of 2021. Foreign buyers, China in particular, are concerned about the detection of COVID-19 in several chicken meat processors in Thailand. Post expects that total chicken meat exports in 2021 will increase only around 2 percent from 2020, which is far below the average 5-year annual growth of 10 percent prior to the pandemic in 2020. The third and most severe COVID-19 wave in April 2021 caused many processing facilities to close for several weeks, particularly between July and August 2021. The Department of Livestock Development reported that 8 out of 22 export-oriented chicken meat facilities eligible for export to China temporarily closed operations for at least two weeks in August 2021 after several of their workers were found to have

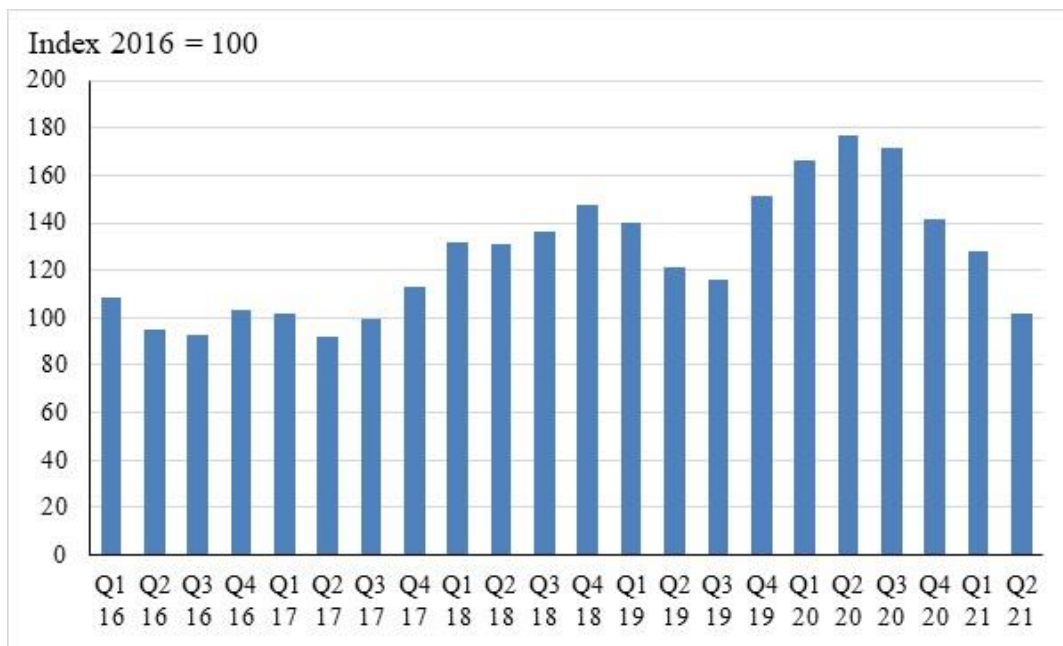
COVID-19. In addition, the Chinese government did not approve additional chicken meat export facilities in 2021 out of the total of 31 export facilities in Thailand due to the prolonged COVID-19 outbreak. Demand for chicken meat products from major markets is also likely to slow down in the second half of 2021 due to the resurgence of COVID-19 among many of Thailand’s trading partners in the third quarter of 2021.

Post forecasts that chicken meat exports in 2022 will increase around 3 percent in anticipation of a gradual economic recovery among major trading partners at 4-6 percent. This chicken meat export growth is still far below the 5-year average annual export growth of around 10 percent prior to the pandemic. China’s gradual recovery in domestic poultry and swine production will be the main contributor to Thailand’s slow growth in chicken meat exports.

4. Stocks

Chicken meat inventory further declined in the first half of 2021, down 33 percent from the same period last year. Uncooked chicken meat declined 37 percent from the same period last year (Figure 4.1). Chicken meat processors reduced their production in the second quarter of 2021 in response to economic uncertainties following the more severe outbreak of COVID-19 in Thailand, while exports of cooked and uncooked chicken meat products remained strong. Post expects chicken meat inventory in 2021 will increase slightly in anticipation of sluggish demand in domestic and export markets in the second half of 2021, while chicken meat processing facilities are likely to resume in the last quarter of 2021.

Figure 4.1: Broiler Chicken Meat Inventory Index



5. Policy

Thailand is a highly protected market where the government only allows the importation of certain types of poultry meat. The Thai government practically bans U.S. chicken meat products through non-transparent import permit controls. Additionally, 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 (7 baht/kg or approximately U.S. \$208/MT) protect the domestic market from imports.

6. Marketing

Market 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. Modern retail markets and the food service industry could benefit from value-added chicken meat. 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 severely limited.

End of report.

Attachments:

No Attachments