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Thailand

Poultry

Poultry Semi Annual Report

1999

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Report Highlights:
Poultry production is forecast to increase 2-3 percent in 1999 in anticipation of a slight recovery in domestic consumption. Meanwhile, the 1999 poultry meat exports might be stagnant due to increased competition from Brazil and a gloomy world economic outlook.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Bangkok [TH1], TH

Executive Summary

Although economic turmoil in 1998 led to reduced domestic consumption of broiler meat, Thai broiler production in 1998 was able to grow under the auspices of extremely bright exports of frozen broiler meat. Broiler production should continue to increase 2-3 percent in 1999 in anticipation of a slight recovery in domestic consumption, and total poultry meat production is forecast at 1.005 million tons, up from the previous forecasted 980,000 tons. Although the 1999 poultry meat export forecast of 282,000 tons is up from the previous forecast, there is essentially no growth compared to 1998 due to increased competition from Brazil and a gloomy world economic outlook.

Egg production in 1999 is forecast to register a lack of growth after it apparently dropped in 1998. Domestic consumption should recover somewhat while egg exports in 1999 should also be close to the 1998 level.

PSD Table						
Country:	Thailand					
Commodity:	Poultry, Meat, Total					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	25	25	33	33	48	31
Production	955	955	960	980	980	1005
Whole, Imports	0	0	0	0	0	0
Parts, Imports	0	0	0	0	0	0
Intra EC 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	980	980	993	1013	1028	1036
Whole, Exports	1	1	1	1	1	1
Parts, Exports	198	198	244	284	264	281
Intra EC Exports	48	48	71	78	81	90
Other Exports	0	0	0	0	0	0
TOTAL Exports	199	199	245	285	265	282
Human Consumption	738	738	685	687	695	693
Other Use, Losses	10	10	15	10	15	15
Total Dom. Consumption	748	748	700	697	710	708
TOTAL Use	947	947	945	982	975	990
Ending Stocks	33	33	48	31	53	46
TOTAL DISTRIBUTION	980	980	993	1013	1028	1036
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

PSD Table						
Country:	Thailand					
Commodity:	Plty, Meat, Chicken -16 wks					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	25	25	33	33	48	31
Production	900	900	910	930	930	960
Whole, Imports	0	0	0	0	0	0
Parts, Imports	0	0	0	0	0	0
Intra EC 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	925	925	943	963	978	991
Whole, Exports	0	0	0	0	0	0
Parts, Exports	192	192	240	282	260	280
Intra EC Exports	47	47	70	77	80	90
Other Exports	0	0	0	0	0	0
TOTAL Exports	192	192	240	282	260	280
Human Consumption	690	690	640	640	650	650
Other Use, Losses	10	10	15	10	15	15
Total Dom. Consumption	700	700	655	650	665	665
TOTAL Use	892	892	895	932	925	945
Ending Stocks	33	33	48	31	53	46
TOTAL DISTRIBUTION	925	925	943	963	978	991
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Poultry Meat

Production

Thailand's broiler meat production in 1999 is estimated to register a marginal growth (three percent) compared to the 1998 level in anticipation of a slight recovery in domestic consumption. Although broiler chick production numbers are believed to be close to the 1998 level, at about 14-15 million head per week, productivity on broiler farms continues to improve due to greater utilization of evaporative cooling facilities. Given normal disease circumstances and farm management, the production cost of broiler production should be relatively low in 1999 following a likelihood of continued depressed prices for major feed ingredients.

The estimate of broiler meat production in 1998 has been revised upward from 910,000 tons to 930,000 tons, partly reflecting actual broiler exports. After soaring feed prices led cost of broiler production to climb in early 1998, softened feed prices since the second quarter of 1998 reduced cost of production gradually. Average cost in raising broiler in 1998 was about 27.0-28.0 baht/kg (approx. 32-33 cents/pound). The current cost of production is about 24.50 baht/kg (approx. 30 cents/pound), which is roughly a sum of costs of a one-day chick (5.40 baht), feed (16 baht), vaccination and drug (0.80 baht), labor (0.80 baht), and other cost (1.50 baht).

Consumption

The economic turmoil affected consumption of chicken meat quite seriously in 1998 and, for the first time in recent history, broiler meat consumption registered a decline (6 percent). Although the Thai Government has thus far been successful in stabilizing Thai baht currency and controlling inflation, Thailand's economic outlook for 1999 is vague, indicated by a possible lack of economic growth, higher unemployment, and prevailing troubles in the financial market. Given these unfavorable factors, trade sources however believe that domestic consumption of broiler meat may recover somewhat in 1999, due mainly to substitution of broiler meat for expensive pork and beef.

Due to favorable exports and the higher baht-cost of production, wholesale prices for live broilers reported by the Ministry of Commerce in 1998 increased by 18 percent from the 1997 level to 32.37 baht/kg. Likewise, the average retail prices for skinless boneless breast meat (SBB) at Bangkok, reported by the Ministry of Commerce, also firmed to 71.20 baht/kg, as opposed to 68.73 baht/kg in 1997.

Price Table for Wholesale Prices for Live Broilers at Bangkok

Prices Table					
Country:					
Commodity:					
Year:	1998				
Prices in (currency)	Baht	per (uom)	Kilogram		
Year	1997	1998	% Change		
Jan	25.82	30.50	18.1%		
Feb	24.39	30.50	25.1%		
Mar	26.21	30.41	16.0%		
Apr	28.29	31.50	11.3%		
May	25.69	31.06	20.9%		
Jun	25.54	33.34	30.5%		
Jul	27.86	35.29	26.7%		
Aug	29.45	35.50	20.5%		
Sep	27.82	35.50	27.6%		
Oct	27.02	33.74	24.9%		
Nov	29.50	31.50	6.8%		
Dec	30.63	29.65	-3.2%		

Price Table for Retail Prices for Skinless Boneless Breast Meat at Bangkok

Prices Table			
Country:	Thailand		
Commodity:	Plty, Meat, Chicken -16 wks		
Year:	1998		
Prices in (currency)	Baht	per (uom)	Kilogram
Year	1997	1998	% Change
Jan	68.50	69.00	0.73
Feb	67.05	69.00	2.91
Mar	68.09	69.00	1.34
Apr	69.00	69.00	0.00
May	69.00	69.33	0.00
Jun	69.00	71.48	1.40
Jul	69.00	73.45	6.45
Aug	69.00	73.50	6.52
Sep	69.00	73.50	6.52
Oct	69.00	73.14	6.00
Nov	69.00	72.00	4.35
Dec	69.00	72.00	4.35
Exchange Rate	37.00	(Local currency/US $)	
Date of Quote Feb-05-1999			

Trade

Total exports of broiler meat in 1999 is now forecast to be close to the 1998 level at 270-280,000 tons, up from the previous forecast of 260,000 tons. The conditions that favored growth of exports in 1998 continue to support the same level of exports in 1999. It is unlikely that exports will show further increase, however, due to: 1) a recent sharp depreciation in Brazilian currency would certainly affect Thai competitiveness in Japanese market; 2) a gloomy world economic outlook, especially in Japan and other Asian countries, has led to decreased purchasing power among buyers in Thai importing countries.

As mentioned in the 1998 Annual Report, all Thai packers enjoyed bright exports of frozen broiler meat in 1998 due to increased Thailand's competitiveness (following a sharp reduction in its currency), continued ban on imports of Chinese and U.S. chicken in the EU market, and the regulation by the Japanese government to declare country of origin which disadvantaged buying Chinese chicken in Japan. According to the Thai Broiler Processing Exporters Association, exports of total broiler meat (including uncooked, semi-cooked, and cooked products) in 1998 increased by 47 percent over 1997 to 281,719 tons. This stems from the high growth in exports of uncooked broiler meat (46% to 220,776 tons) and cooked broiler meat (48% to 60,943 tons). Japan accounted for 62 percent of uncooked meat exported from Thailand, and 60 percent of further processed meat. Meanwhile, the EU accounted for 25 percent of uncooked meat, and 37 percent of further processed meat exports, respectively.

According to trade sources, the C&F price quotation of Thai broiler meat began to soften for shipments in the last quarter of 1998, and dropped further for shipments in the first quarter of 1999 in response to a slowdown in overseas demand in late 1998 and a recent devaluation in Brazilian currency. Prices for BL meat exported to Japan are currently 1,700-1,800 US$/ton (for shipment in the first quarter of 1999), against 1,900-2,000 US$/ton (for shipment in the third quarter of 1998). Likewise, the SBB meat prices shipped to the EU market are currently 2,500-2,600 US$/ton, as opposed to 2,700-2,800 US$/ton for shipment in the third quarter of 1998.

Trade Matrix for Thailand's broiler meat exports in 1997 (Jan-Dec):

COUNTRY	UNCOOKED BROILER MEAT	COOKED&SEMI-COOKED MEAT	TOTAL EXPORTS
UNITED STATES	0	0	0
ASIA:	111,252	32,702	143,954
Japan	96,397	32,537	128,934
Singapore	6,302	19	6,321
China	1,701	0	1,701
Hong Kong	2,448	1	2,449
S. Korea	1,818	132	1,950
Malaysia	2,568	2	2,570
Others	18	11	29
EUROPE:	38,979	8,412	47,391
EUROPEAN UNION	38,367	8,400	46,767
Belgium	444	48	492
Germany	15,648	1,366	17,014
Netherlands	15,049	4,294	19,343
U.K.	3,639	2,592	6,231
Others	3,587	100	3,687
OTHER EUROPE	612	12	624
MIDDLE EAST	840	0	840
AFRICA & OTHERS	49	0	49
TOTAL	151,120	41,114	192,234

Trade Matrix for Thailand's broiler meat exports in 1998 (Jan-Dec):

COUNTRY	UNCOOKED BROILER MEAT	COOKED&SEMI-COOKED MEAT	TOTAL EXPORTS
UNITED STATES	0	0	0
ASIA:	161,964	38,336	200,300
Japan	136,087	36,292	172,379
Singapore	7,228	1,156	8,384
China	9,490	0	9,490
Hong Kong	3,632	661	4,293
S. Korea	2,565	220	2,785
Malaysia	2,898	0	2,898
Others	64	7	71
EUROPE:	56,881	22,595	79,476
EUROPEAN UNION	54,877	22,595	77,472
Belgium	285	109	394
Germany	25,975	2,943	28,918
Netherlands	17,525	12,370	29,895
U.K.	8,370	7,163	15,533
Others	2,722	10	2,732
OTHER EUROPE	2,004	0	2,004
MIDDLE EAST	1,735	0	1,735
AFRICA & OTHERS	196	12	208
TOTAL	220,776	60,943	281,719

Policy

Trade & Non-Trade Barriers

Due to its self-sufficiency and exporting ability, Thailand has not imported broiler meat thus far (excluding turkey meat). In addition, Thailand does not provide the transparent and accessible import mechanism to allow the importation of poultry meat. Even though an importer might meet all health requirements enacted by Thai government, an import certificate may not be issued. In addition to relatively high import duties on poultry meat (currently 48%), the Department of Livestock Development also collects an import fee of 5 baht/kg (about US$ 130/ton).

Political pressure is the reason for this protection. This was illustrated by a recent event when a U.S. company conducted an exploratory assessment on the feasibility of further processing U.S. leg quarters in Southeast Asia, looking at Thailand as one of the potential bases for processing and re-export business. Although an official proposal and negotiation had not been made, the Thai industry and government over-reacted by conducting a protest in the press. A high-ranking officer in the DLD told the press that he would never allow importation of U.S. chicken meat into Thailand even though it is imported for processing and re-exporting products to the third country. Meanwhile, it is likely that Thai industry and government officials have tied the U.S. company's interest with Thailand's own interest in gaining approval to ship poultry meat to the U.S.

Export Subsidy

As mentioned in the 1997 Annual Report, the RTG had two rebates for chicken meat exporters, of which only one can be applied. Firstly, the RTG provided a rebate (calculated as a percentage of export value) for all exported poultry meat, in order to compensate for the duties on raw material used. Secondly, integrated poultry operations for export are able to receive a refund on feed ingredient import duties (including corn soymeal, fishmeal, and sorghum), when these imports are used for export only. However, the first rebate is reportedly no longer applied. Meanwhile, the second measure of tax refund was recently extended to cover all kinds of ingredients in poultry raising (including feedstuffs, medical supplies, and feed additives).

Quality, Safety & Health Regulation

Shortly after the Danish Government warned that it would ban the imports of chicken meat which is raised in farms using Virginiamycin as growth promoter, the Thai Ministry of Agriculture banned the use/imports of this substance in mid-1998.

Also, the Czech Republic has banned imports of Thai poultry meat after they found higher-than-their standard Arsenic residual in a poultry meat shipment in mid-1998. The negotiation between the RTG and the Czech Republic for resolution is still pending.

Marketing

There has not been any change on marketing since the FAS/Bangkok's latest Annual report.

PSD Table						
Country:	Thailand					
Commodity:	Poultry, Eggs					
		1997		1998		1999
	Old	New	Old	New	Old	New
Calendar Year Begin		01/1997		01/1998		01/1999
Layers	42	42	40	40	41	40
Beginning Stocks	0	0	150	150	100	151
Production	8900	8900	8500	8500	8600	8500
Hatch Eggs, Imports	0	0	0	0	0	0
Shell Eggs, Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	8900	8900	8650	8650	8700	8651
Hatch Eggs, Exports	0	0	0	0	0	0
Shell Eggs, Exports	50	50	150	99	100	100
Other Exports	0	0	0	0	0	0
Intra EC Exports	0	0	0	0	0	0
TOTAL Exports	50	50	150	99	100	100
Hatch Eggs,Consumption	0	0	0	0	0	0
Shell Eggs, Human	8700	8700	8400	8400	8500	8500
Shell Eggs,OT.Use/Loss	0	0	0	0	0	0
Other Dom. Consumption	0	0	0	0	0	0
Total Dom. Consumption	8700	8700	8400	8400	8500	8500
TOTAL Use	8750	8750	8550	8499	8600	8600
Ending Stocks	150	150	100	151	100	51
TOTAL DISTRIBUTION	8900	8900	8650	8650	8700	8651
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Egg

Egg Production in 1999 is estimated to remain unchanged from the 1998 level reflecting an effort by layer chick producers to control production in balance with demand on their breeding farms. Layer chick producers who faced the huge losses in late 1997 and early 1998 were forced to cull their breeding layer stocks continually in 1998. However, favorable prices for egg and layer chicks should encourage some growth in production in the second half of 1999.

Egg consumption in 1999 is estimated to register a marginal increase over the 1998 level (one percent), following a slightly higher purchasing power among consumers. In 1998, prices for table egg increased sharply by 24 percent to 1.68 baht/piece in line with decreased supplies and higher cost of production in early 1998.

In early 1998, a group of large layer farms exported a lot of surplus egg supplies to Hong Kong in their effort to boost domestic egg prices. However, egg exports dropped sharply in the second half of 1998 as increasing domestic prices made Thai eggs uncompetitive again. Total egg exports in 1998, however, doubled over the 1997 to 99 million pieces. Exports in 1999 is forecast to be close to the 1998 level.

As mentioned in the 1998 Annual Report, in an effort to lift egg prices, the Thai Royal Government allocated a no-interest loan of 50 million baht in early 1998 to egg producer cooperatives and an egg trader association for buying domestic egg and storing it as a buffer stocks. However, no fund was exploited after egg prices began to exceed the RTG's target price of 1.35 baht/piece in February 1998.