Required Report: Required - Public Distribution **Date:** September 15,2020

Report Number: TH2020-0126

Report Name: Poultry and Products Annual

Country: Thailand

Post: Bangkok

Report Category: Poultry and Products

Prepared By: Ponnarong Prasertsri, Agricultural Specialist

Approved By: Eric Mullis

Report Highlights:

Broiler chicken meat production is expected to increase 2-3 percent in 2021, a gradual recovery from a decline in 2020. The outbreak of COVID-19 led to reduced domestic consumption of chicken meat that more than offset a slight increase in chicken meat exports in 2020.

Executive Summary

Broiler chicken meat production is expected to decline 1-2 percent in 2020 due to the economic recession brought on by the COVID-19 pandemic. Domestic consumption of chicken meat declined significantly in the second quarter of 2020 due to reduced foreign tourists. Domestic consumption also shrank from the overall loss of income of consumers. Thailand did see a slight increase in chicken meat exports in 2020 but not enough to offset the decline in domestic consumption.

Broiler chicken meat production in 2021 is forecast to increase 2-3 percent in line with a gradual economic recovery driven by an expected increase in the number of tourists. Cooked and uncooked chicken meat export growth is also expected to continue in 2021. The Chinese government is anticipated to increase the number of approved export facilities in Thailand, which will help drive the growth of broiler chicken production in 2021.

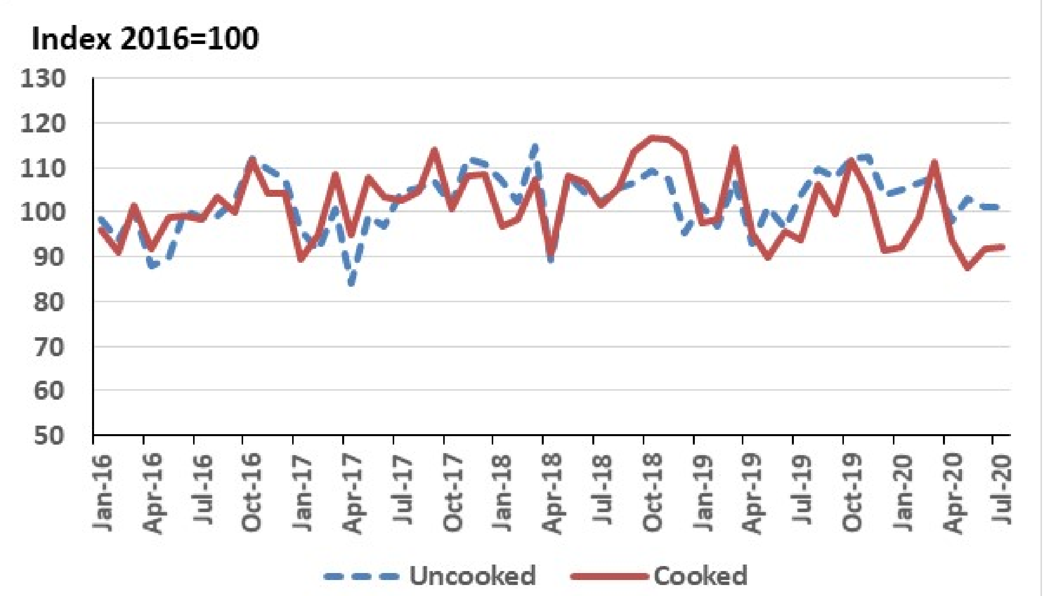
1. Production

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

Meat, Chicken	2019		2020		2021	
Market Year Begins	Jan 2019		Jan 2020		Jan 2021	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	80	80	42	32	0	43
Production (1000 MT)	3300	3300	2900	3250	0	3340
Total Imports (1000 MT)	2	2	2	1	0	1
Total Supply (1000 MT)	3382	3382	2944	3283	0	3384
Total Exports (1000 MT)	871	881	840	890	0	920
Human Consumption (1000 MT)	2469	2469	2010	2350	0	2420
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	2469	2469	2010	2350	0	2420
Total Use (1000 MT)	3340	3350	2850	3240	0	3340
Ending Stocks (1000 MT)	42	32	94	43	0	44
Total Distribution (1000 MT)	3382	3382	2944	3283	0	3384
(1000 MT)						

Broiler chicken meat production in 2020 is expected to decline 1-2 percent from 2019 due to shrinking domestic consumption of chicken meat caused by the economic recession from the outbreak of COVID-19. Domestic consumption accounts for 60-70 percent of total broiler chicken meat production. According to the industrial economic survey by the Ministry of Industry's Office of Industrial Economic, broiler chicken meat production between January and July 2020 increased 3 percent from the same period last year driven by the surge in exports of uncooked chicken meat, particularly to China (Figure 1.1). Meanwhile, cooked chicken meat production declined 2-3 percent due to shrinking cooked chicken meat exports. Cooked chicken meat exports account for 65-70 percent of total chicken meat exports.

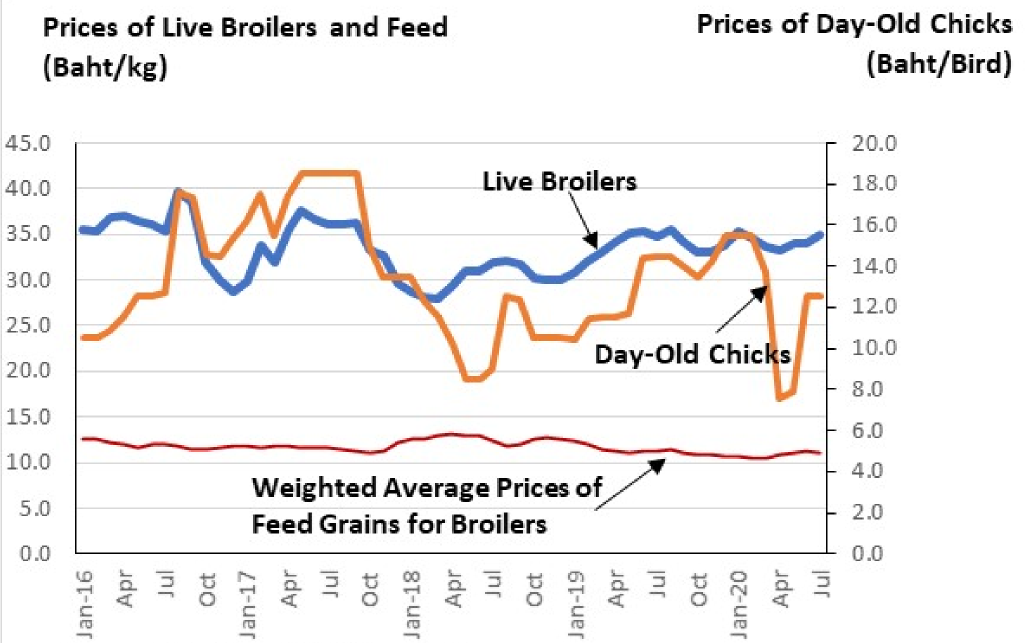
Figure 1.1: Broiler Chicken Meat Production Index



Source: Office of Industrial Economics

Uncooked and cooked broiler chicken meat production declined 5 and 10 percent, respectively, in the second quarter of 2020 compared to the first quarter. Between March and June 2020, the government imposed stringent measures on social distancing to control the spread of COVID-19, including a lockdown. Businesses and households were hurt financially from supply chain disruptions caused by the virus containment measures. The reduced domestic consumption of chicken meat resulted in a record high inventory of chicken meat in the first half of 2020, which had increased approximately 60 percent from the same period last year. Stocks continued rising throughout the pandemic building on inventories that were already 40 percent higher than last year in January 2020 to inventories 90 percent higher than last year in April 2020. Chicken meat processors needed to lower selling prices of chicken meat in the domestic market to stimulate demand. Additionally, vertically integrated processors reduced their production in the second quarter of 2020, leading to a 3-4 percent reduction in live broiler prices during April – June 2020 (Figure 1.2).

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



Source: Thai Feed Mill Association

Broiler farming still faces high and increasing production costs. In 2020, production costs are estimated to increase 2-3 percent from 2019 reaching approximately 34-35 baht per kilogram of live broiler weight (51 U.S. cents/lb). Feed costs, which account for 60-65 percent of the production costs of live broilers, remain high due to the government's market intervention programs such as the price guarantee program for corn, the domestic absorption of corn tied to feed wheat imports, and tariff barriers on DDGS.

Around 80 percent of total broiler meat production in Thailand is from vertically integrated processors that operate feed milling, day-old chick farming, broiler farming, and broiler meat processing. Broiler meat production from their own broiler farming accounts for around half of total broiler meat production, mainly for exports. Meanwhile, broiler meat production from their contract farming accounts for around 40 percent of total broiler meat production, mainly for the domestic market. The rest of broiler meat production is from independent farming. Chick production capacity from both vertically integrated processors and independent breeders is estimated at approximately 40 million birds/weeks.

So far, there have been no serious animal disease incidences in the Thai broiler industry mainly because Thailand has improved farming facilities and non-farm bio-security measures to mitigate food safety challenges and animal health concerns such as Highly Pathogenic Avian Influenza (HPAI) and other diseases. Nearly all broiler houses are equipped with evaporative cooling systems that reduce disease exposure and mortality rates. Department of Livestock Development and the Thai chicken industry continue to monitor closely their disease control and surveillance practices for HPAI.

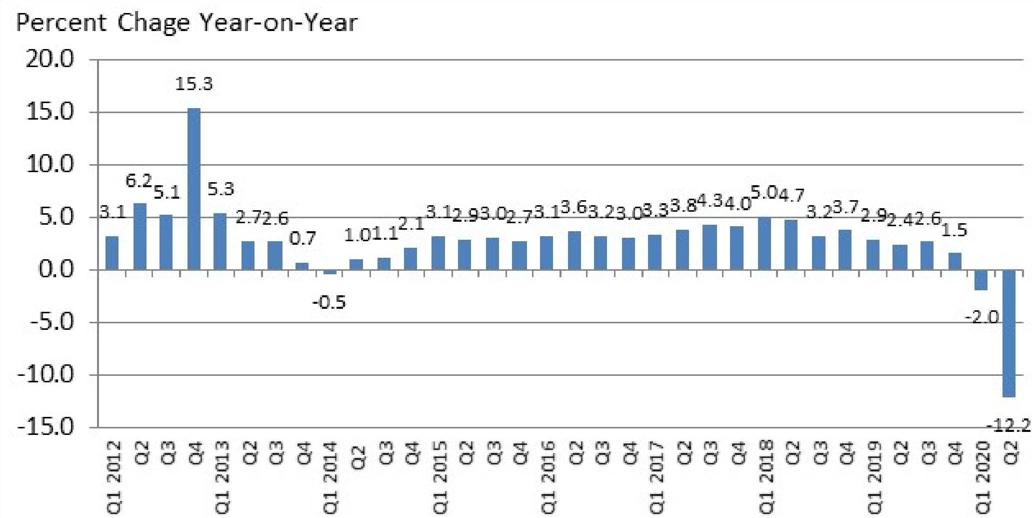
In 2021, broiler chicken meat production is forecast to increase 2-3 percent from 2020 in anticipation of a gradual recovery in domestic demand and exports of cooked chicken meat. Anticipated further increase in uncooked chicken meat exports to China will also help maintain broiler chicken production growth in 2021.

2. Consumption

Chicken meat is the most popular meat for Thai consumers. Chicken meat is generally cheaper than pork and beef and is a very versatile cooking ingredient. According to the Department of Livestock Development's estimate, chicken meat consumption per capita was 28 – 29 kilograms in 2019. Domestic consumption of chicken meat, however, is expected to decline 4-5 percent in 2020. The Ministry of Industry's Office of Industrial Economic reported that chicken meat consumption, which accounts for around 70 percent of total chicken meat production, declined 2-3 percent between January and July 2020 due to an economic recession caused by the COVID-19 outbreak.

The Thai economy is expected to experience record economic contraction of 8.1 percent in 2020, higher than the Asian Financial Crisis over two decades ago that caused the economy to contract by 7.6 percent in 1998. Thailand faced negative 2-percent economic growth in the first quarter of 2020 when China banned outbound travel that led to a reduction of foreign tourists in Thailand. The economic impact of COVID-19 intensified in the second quarter of 2020 after the government forced a lockdown to control the spread of COVID-19, resulting in a negative 12 percent economic growth rate (Figure 2.1). The continuing economic recession led to reduced economic activities and household incomes that caused private consumption to shrink for the first time in five years. The service sector, which accounts for 27 percent of the Thai economy, has been one of the hardest hit sectors in Thailand. The hotel and restaurant sector declined by 46 percent in the second quarter of 2020. The total number of tourists is expected to decline significantly to 8 million tourists in 2020 from 39.8 million tourist in 2019. Consequently, chicken meat consumption further declined by 3-4 percent in the second quarter of 2020.

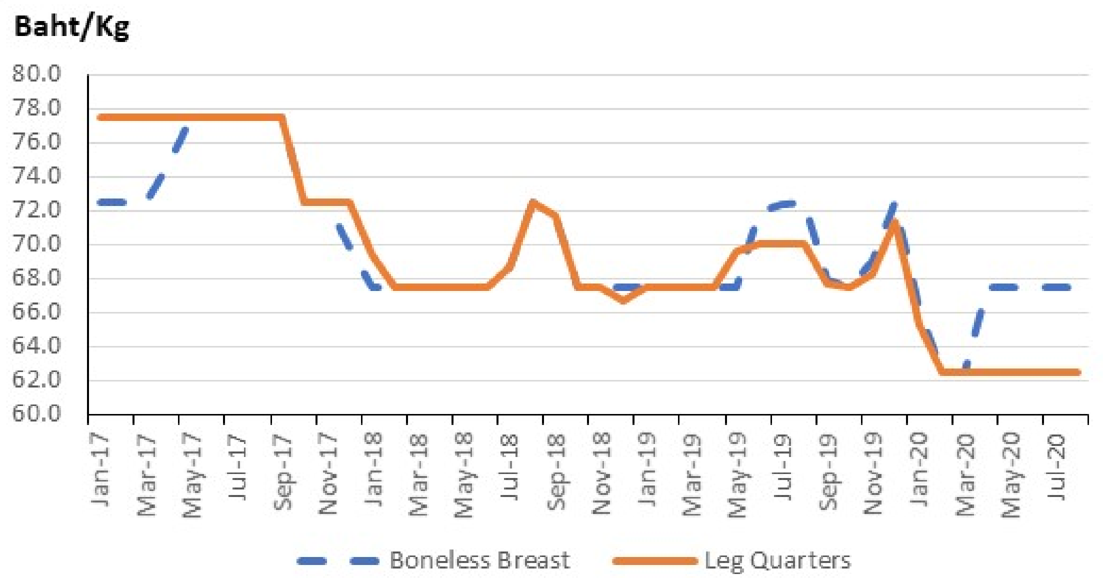
Figure 2.1: Thailand's Quarterly GDP



Source: National Economic and Social Development Board

The reduced domestic consumption resulted in a record high inventory of chicken meat in the first quarter of 2020. Chicken meat processors lowered their selling prices in the domestic market to stimulate demand. In August 2020, retail prices of both boneless breast meat and leg-quarters were 60-70 baht per kilogram (88 U.S. cents – U.S. $ 1.02/lb), down approximately 7-10 percent from the same period last year (Figure 2.2). Accordingly, consumers are substituting chicken for higher priced meat options, such as pork. Prices of pork meat have been rising due to an increasing demand for live swine exports from neighboring countries.

Figure 2.2: Retail Prices of Chicken Meat in Bangkok



Source: Department of Internal Trade, Ministry of Commerce

In 2021, domestic consumption of chicken meat is forecast to increase by 2-3 percent from 2020 in line with gradual economic recovery. The Thai economy is expected to grow by 5 percent in 2021 driven by an anticipated increase in tourists to around 16 million, which accounts for around 40 percent of the total tourists in normal year. Food industries expect growing domestic demand for chicken meat in the second quarter of 2021.

3. Trade

Thai chicken meat exports (excluding chicken paws) totaled 492,381 metric tons between January and July 2020, down 1 percent from the same period last year. The growth in uncooked chicken meat exports was offset by reduced exports of cooked products. Exports of cooked chicken meat products, which account for 64 percent of total chicken meat exports, declined 6 percent from the same period last year due mainly to shrinking demand from the EU. Cooked chicken meat exports to the EU declined 15-30 percent from the same period last year. Meanwhile, exports of uncooked chicken meat products (excluding paws), which account for 36 percent of total chicken meat exports, increased 7 percent from the same period last year driven by a continued surge in exports to China.

Exports of uncooked chicken meat (excluding paws) to China between January and July 2020 totaled 48,594 metric tons, up 55 percent from the same period last year. China is still recovering from an outbreak of African Swine Fever in August 2018 that has reduced its local supply of pork meat. Chinese consumers are substituting chicken meat for pork meat, thereby increasing demand for uncooked chicken products from Thailand. Additionally, the number of Thai chicken meat export facilities eligible to export to China will increase to 21 in 2020, up from 14 in 2019. Total chicken meat exports to Japan between January and July 2020, Thailand's largest export market for cooked and uncooked chicken meat, increased 5 percent from the same period last year.

Exports of chicken meat to China are expected to continue to increase for the remainder of 2020. The increase in uncooked chicken meat exports to China will likely offset the anticipated slowdown in chicken meat demand in Japan due to the COVID-19 outbreak. The COVID-19 pandemic is expected to cause a negative 7 percent economic growth rate in Japan in 2020. In total, chicken meat exports (excluding paws) in 2020 are expected to increase slightly (one percent) from 2019.

Figure 3.1: Thailand's Chicken Meat Exports by Products

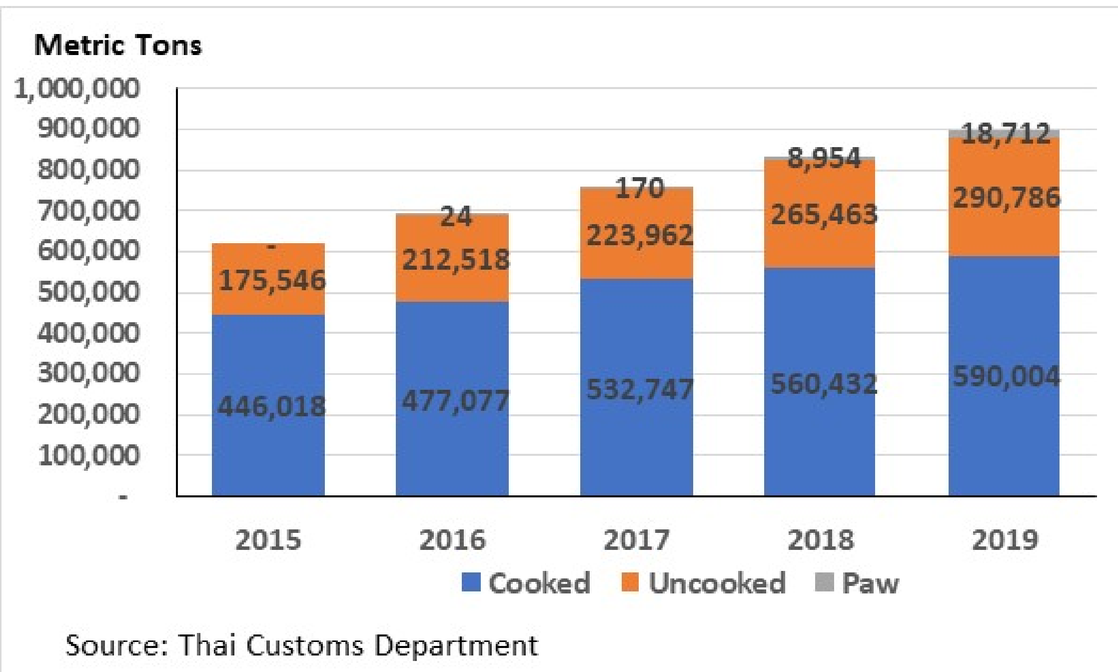
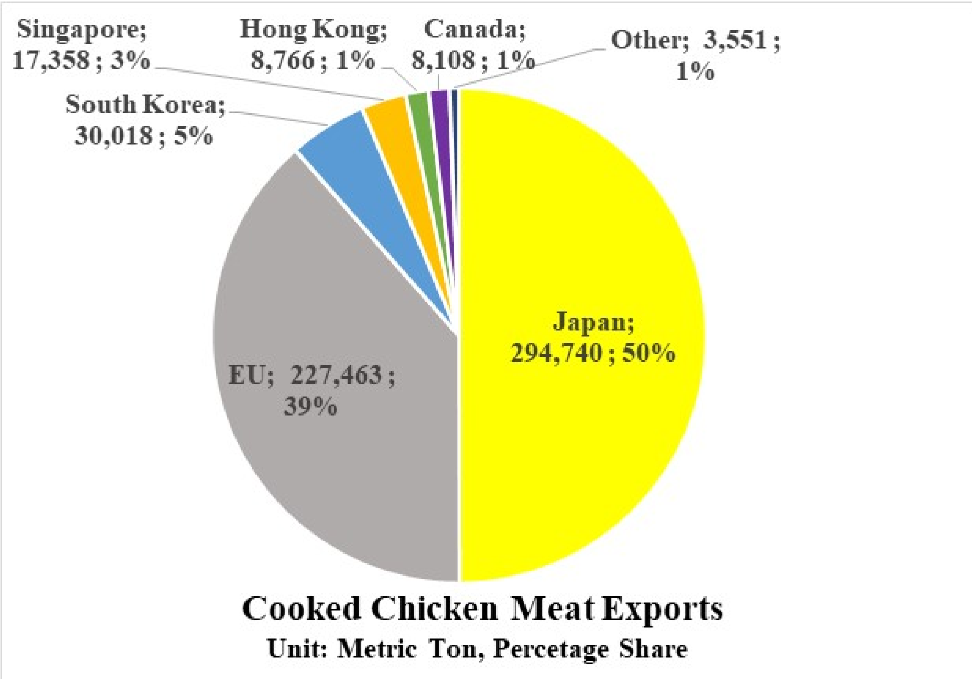
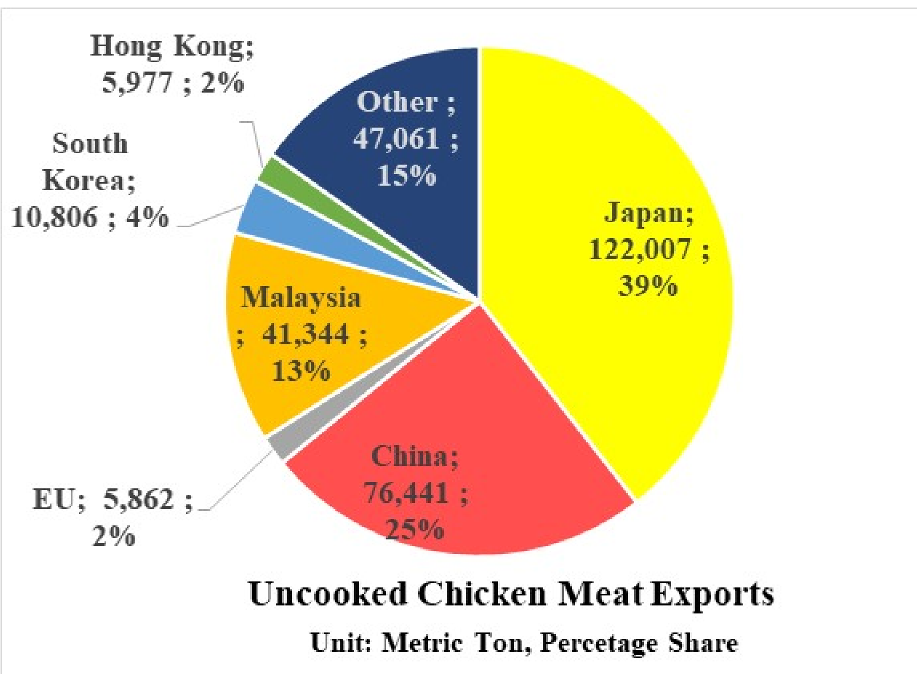


Figure 3.2: Cooked and Uncooked Chicken Meat Exports by Destination in 2019



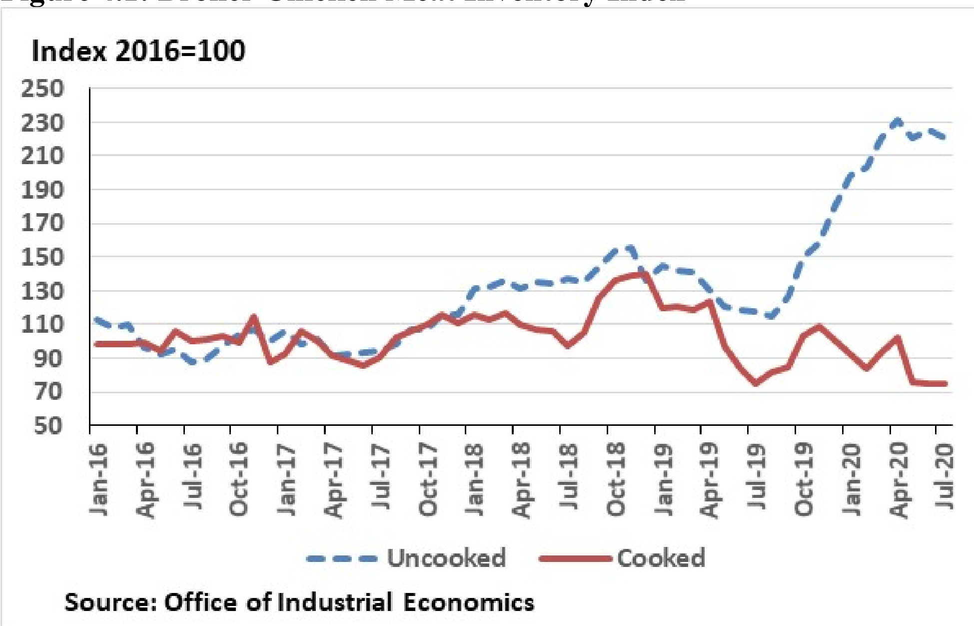


In 2021, chicken meat exports are forecast to grow by 3-4 percent in line with a gradual recovery in the global economy after the COVID-19 outbreak in 2020. More chicken meat export facilities out of the total of 30 export facilities in Thailand are expected to be approved by the Chinese government in 2021. Uncooked chicken meat exports to China are expected to reach over 100,000 metric tons in 2021. Additionally, exports of cooked chicken meat products to the EU, which account for approximately 40 percent of total cooked chicken meat exports, is likely to increase slightly in line with the expected gradual economic recovery.

4. Stocks

According to the Ministry of Industry's Office of Industrial Economics, uncooked chicken meat inventory reached a record high in April 2020 due to reduced domestic consumption caused by the COVID-19 outbreak (Figure 4.1). However, the inventory of uncooked chicken meat is expected to decline to normal levels in the second half of 2020 as vertically integrated processors are likely to continue to reduce production in the second half of 2020 in line with the economic downturn.

Figure 4.1: Broiler Chicken Meat Inventory Index



5. Policy

Thailand is a highly protected market where the government selects what type of poultry meat is allowed for imports. U.S. chicken meat products are practically banned 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. $210/MT) are employed to 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. Value-added chicken meat can also be introduced to modern retail markets and the food service industry. 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