USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 1/30/2006

GAIN Report Number: TH6012

Thailand

Poultry and Products

Semi Annual

2006

Approved by:
Rodrick McSherry, Agricultural Counselor
U.S. Embassy, Bangkok

Prepared by:
Sakchai Preechajarn, Agricultural Specialist

Report Highlights:
A rash of HPAI incidents in the non-commercial sector is unlikely to affect Thai commercial broiler industry at all. Thailand's broiler industry should grow in 2006 as poultry meat producers continue to shift towards cooked products to meet ongoing higher export demand.

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

Summary

Thailand’s broiler industry continues its recovery for the second consecutive year after Highly Pathogenic Avian Influenza (HPAI) stormed the Thai poultry industry in 2004. The Thai broiler industry has adjusted well in managing production at farming and processing levels to cope with increased demand and future HPAI incidents are unlikely to pose a threat to commercial confined broiler production. As a result, broiler meat production is estimated to grow 18 percent in 2006. The increase is in line with anticipated continued growth in domestic broiler meat consumption and exports. Domestic consumption is growing in response to rebounding confidence in the safety of cooked chicken meat among Thai consumers and relatively competitive prices of chicken meat against other meats. The high stocks of chicken meat that troubled several packers in late 2004 and early 2005 have been absorbed and are no longer a problem in 2006.

Most Thai broiler entrepreneurs are optimistic that Thailand’s broiler industry will have healthy growth in terms of broiler production in the next 3-5 years.

Section I: Situation and Outlook

Production

Thailand's broiler meat production in 2006 is estimated to grow 18 percent over the 2005 level in an anticipation of the availability of unused production capacity among poultry processors, no disease threat to commercial poultry farms, and anticipated continuing growth in domestic consumption and exports of cooked poultry. Most Thai broiler entrepreneurs are optimistic that Thailand's broiler industry will have healthy growth in terms of broiler production in the next 3-5 years.

There is unused capacity among integrated broiler producers, about 30 percent of total capacity of farming, which had expanded in the period before the serious first HPAI outbreak hit the industry in 2004. As a result, nearly all integrated broiler producers should be able to increase their poultry output and processing to meet recoveries in domestic and overseas demand. In addition, trade sources report that the problems of decreased breeding poultry supplies and stringent import controls by the Thai Department of Livestock Development (DLD) that could limit a production growth have been resolved. The DLD is unofficially waiving the requirement to audit individual farms/slaughterhouse facilities in exporting countries that want to export breeding chicks to Thailand, in response to a request by Thai Broiler Processing Exporters Association. As a result, imports of grandparent-stock (GP) and parent-stock are recovering, resulting in increased chick production from 14-15 million per week in mid 2005 to 16-17 million currently.

The ability to shifting towards cooked chicken meat to meet higher export demand is not a problem either. Most of the poultry processors are reportedly able to access new financing to invest in production lines of cooked products for export.

Trade sources believe that prevailing stringent biosafety control among integrated poultry processors will effectively prevent their farms from disease contact amidst the concern by animal health experts that the avian influenza disease is endemic to Thailand. Official reports on the second HPAI outbreak (July 2004-April 2005) and the third outbreak (July 2005-present) indicated that the affected populations were native chickens, ducks, and laying quail and chickens. In addition, the HPAI disease incidents should decline for years to come due to much improved government disease surveillance and control, and generally increased biosafety control among native ands free-range duck farming.

Production costs of live broiler in 2006 are forecast to be close to the 2005 level. According to trade sources, chick prices will likely soften in 2006 following increased supplies. However, the effect of lower chick costs will likely be offset by a price increase in feed ingredients. The average live broiler production costs are currently at 29.00 baht/kg (33 cents/pound), which is derived from day-old chicks (6.00 baht), feed (19.00 baht), vaccination and drugs (1.00 baht), and labor and other costs (3.00 baht), respectively.

HPAI Situation and Disease Surveillance and Control in Thailand

1) Current situation: The Third Wave

The incidence of HPAI in Thai bird flocks is in the third wave of the outbreak since July 3, 2006 to date. Due to stringent disease surveillance and control and improved cooperation from small farmers in reporting disease, the incidence has been less than the first two waves of the outbreak. According to the Department of Livestock Development (DLD), the cumulative figures for HPAI outbreaks in Thailand from July 1, 2005 to January 18, 2006, totaled 75 flocks in 11 provinces. The affected provinces include Ang Thong, Ayutthaya, Chai

Nat, Kalasin, Kamphaeng Phet, Kanchanaburi, Nakhon Phathom, Nonthaburi, Samut Prakarn, Saraburi, and Suphan Buri. Nearly all of the affected populations belong to native chickens, ducks, and layering quails and chickens. Stamping-out measures have been applied to affected premises. There have been no reports of HPAI infection in commercial poultry operations, and as such, culling has been limited to small household flocks with relatively few animals.

The DLD reported that, as of January 16, 2006, there were no affected areas still remaining under 21 days of close monitoring following HPAI outbreak. However, officials await laboratory results for 83 sub-districts in 27 provinces.

Active, intensive surveillance continues across the country since being initiated in July 2004 in all provinces. Any premises with animals exhibiting clinical signs of HPAI will be depopulated and disinfected. The owner of the farm will be compensated for depopulated animals up to 75 percent of the market value. Samples are taken from the stamped out farm for disease testing. If H5N1 is confirmed, the area within a 5-kilometer radius of the infected farm will be established as a "Control Zone". Cloacal swabs are taken from every flock in the protection zone for viral isolation. If H5N1 is confirmed by the lab test, the particular premises will be depopulated and disinfected and another 5-kilometer radius protection zone will be established. In addition, the areas within a 10-kilometer radius of the infected farm are established as a "Movement Restriction Zone". Any movement of poultry from the zone is prohibited for 30 days until no other H5N1 is detected in that area. In addition, the RTG announces to take quarantine measures to cordon off infected areas and continues to control poultry movement and screening campaigns (called "X-ray Campaigns" by the RTG) for new outbreaks.

Reports of disease incidents indicate that nearly all cases belong to free-range duck farms, fighting cocks, and poultry being raised on farms with insufficient sanitation and biosecurity. As a result, the Royal Thai Government (RTG) now requires registration of free-range poultry farms (especially ducks), fighting cock owners, and fighting cock stadiums.

The RTG has prohibited vaccination of poultry against Avian Influenza. However, the RTG is unlikely to enforce its regulation effectively. It is widely rumored that several poultry raisers, especially layer farmers and fighting cock breeders, have used smuggled vaccines obtained from China and Hong Kong. Nevertheless, the Minister of Agriculture and Cooperatives recently said that Thailand would continue with its plan to avoid vaccination and control the disease through segregation and stamping out.

2) The Previous Two Waves of the Outbreak

The first wave of the outbreak was officially announced on January 23, 2004 while the public was suspicious that HPAI first hit Thailand in November 2003. The wave officially ended as of May 24, 2004. The RTG struggled to minimize the damage caused by this avian influenza to animal and human health in the country and to the country's economic growth (resulting from import suspensions and heavily reduced domestic consumption). The RTG set up four guidelines, including:

1) The Ministry of Agriculture must inspect all poultry farms across the country and contain the disease outbreak according to established international standards;
2) The Ministry of Public Health must promptly educate people to better understand the situation and build confidence in the safety of public health;

3) The Ministry of Commerce must promptly conduct negotiations with the governments of buying countries which have banned or suspended the imports of Thai chicken meat to relieve the export problem; and

4) The Ministry of Foreign Affairs will host an international meeting with ministers or high-level officials from other Asian countries and major buying countries (like the EU and Japan) to brainstorm on proper measures to cope with poultry disease outbreak.

The Department of Livestock Development (DLD) outlined its emergency response for the HPAI outbreak. The operations, a "Stamping-Out" campaign, in the first wave of the outbreak were:

1) Pre-emptive culling: Once any poultry farm/area is confirmed positive for HPAI disease, an area within a 5-kilometer radius from an infected farm/premise would be declared a "Control Zone". All chicken and other poultry animals in a control zone will be depopulated, followed by disinfection of the area.
2) Surveillance during the outbreak: The area within 50 kilometers from the infected farm/area would be declared a "surveillance zone", that is subject to intensive surveillance. All poultry animals in any positive farms in this zone would be depopulated and the area would be disinfected.
3) Movement control: Movement of avian species from the area within a 10-kilometer radius from an infected farm/premise would be prohibited for 30 days until no other H5N1 is detected in that area.
4) Public awareness campaign: Information, recommendations and guidelines were distributed to facilitate cooperation and create better understanding from industry and the community.
5) Post-outbreak operations: The DLD would launch operations of tracing and monitoring as a surveillance process after eliminating the last known contaminated poultry population:
    A) Tracing: Surveillance would be carried out for 5 months to confirm disease-free status of that area after repopulation of the affected areas,
    B) Monitoring: The DLD would conduct both active and passive surveillance for HPAI to obtain epidemiological information for future prevention and control after disease-free status is assured.

The official cumulative figures of the first HPAI outbreak in Thailand from January 23 to July 2, 2004 were 190 flocks in 89 Districts of 42 Provinces. The affected population included native chickens (58.5%), layers (12.4%), broilers (11.9%), ducks (6.7%), quail (4.7%), turkeys (1.6%), peacocks (1.0%), geese (0.5%) and others (2.6%). There were 12 human cases with 8 deaths during HPAI outbreak (H5N1 subtype) in February and March 2004.

The RTG announced the second wave of the outbreak on July 3, 2004, following its finding of a suspicious case in a layer farm in Ayutthaya Province. The official cumulative figures of the second wave of HPAI outbreak from July 3, 2004 to April 12, 2005 were 1,542 flocks 264 Districts of 51 Provinces. The affected population included native chickens (57.0%), layers (4.63%), broilers (5.23%), ducks (29.2%), quail (2.0%), and others (1.9%).

Consumption

Domestic consumption in 2006 is forecast to grow further by 7 percent due to increasing consumer confidence in the safety of cooked chicken meat among Thai consumers and relatively competitive prices of chicken meat against other meats.

Broiler meat consumption in 2005 recovered from the 2004 level to 750,000 tons after a sharp drop in domestic consumption in 2004, but still fell short of record consumption in 2003 (775,000 tons). Improved disease controls have rebuilt consumer confidence in the safety of chicken meat.

Supply bottlenecks coupled with increasing demand have led domestic prices to increase sharply in 2005. Average domestic prices for live broilers in 2005 increased by 32 percent over the 2004 level to 32.33 baht/kg (approx. 36 cents/pound). Average retail prices for chicken boneless breast meat in Bangkok in 2005 also firmed to 68.42 baht/kg (77 cents/pound), compared to 59.25 baht/kg (66 cents/pound) in 2004. However, prices for live broiler and chicken meat should be less expensive in 2006 in anticipation of increased supply availabilities.

Trade

Thai broiler meat exports in 2006 are estimated to grow further by 30 percent over the 2005 level, mainly because of the market value of Thai cooked products (in terms of quality and prices) over such other competitors as China and Brazil and because of the ability of Thai producers to increase cooked product supplies quickly. However, this export level (350,000 tons) still falls far short of the record exports of 2003 (545,000 tons). Trade sources foresee that these total exports will likely continue to be cooked products as import prohibitions on Thai uncooked chicken continue. The EU, Japan, South Korea, Singapore, and Hong Kong will remain major buyers of Thai cooked chicken meat products.

Thailand no longer exports uncooked chicken products, but Thai Broiler Processing Exporters Association recorded 96 tons of uncooked chicken meat to Vietnam in 2005. According to the association, Thailand exported 265,450 tons of cooked meat in 2005. Japan is the largest importer of Thai chicken meat accounting for 54 percent of total exports in volume, followed by the EU countries (41 percent), and others (5 percent).

There are no export price quotations on basic uncooked items such as boneless leg (BL) and skinless boneless breast (SBB) from Thailand. Trade sources reported that C&F price quotations for cooked products are in a wide range of US$ 2,800-4,000/ton. Prices for fried box-shape-cut boneless leg, one of the basic cooked products, are currently US$ 2,800-3,000/ton. Meanwhile, prices for high value-added items, such as grilled seasoned boneless meat in stick, are still very profitable at US$ 3,500-4,000/ton. However, export prices may be slightly lower for shipments in the second quarter of 2006 as Brazilian chicken meat exporters are reportedly reducing the prices for uncooked products to compete with Thailand in both EU and Japanese markets. 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 lost a battle at the World Trade Organization (WTO) to restrict the import of cheap frozen, salted chicken cuts from Thailand and Brazil through punitive tariffs. In June 2005, the WTO ruled that the EU's tariffs on salted chicken meat from the two countries were illegal and restrictive under the body's trade rules. However, trade sources said that this WTO rule will not benefit Thailand at the moment because the EU still bans Thai uncooked products in relation to an existence of HPAI in Thailand.

The issue began in 2002 when the EU reclassified prepared chicken products in its harmonized custom codes. Prior to that period, Thailand and Brazil exported chicken meat products under salted-item category (by mixing some salt in their chicken products) to enjoy the lower tariff of 15.4 percent, instead of paying US$ 1,000/ton tariff or 58.9 percent rate of duty for unsalted chicken meat. However, under the EU's new definition, salted chicken must contain 1.9-2.3 percent of salt and must be thoroughly marinated. These conditions made product unsuitable for regular human consumption and were considered as the EU's trade barrier to restrict imports from these two countries. As a result, Thailand and Brazil petitioned the case to the WTO in 2002.

Stocks

The current carry over of broiler meat is in an acceptable level, about 1-2 months of total use, due to heavy sales of leg quarter stocks into the domestic market and a steady growth in demand that outstripped production throughout the most of 2005.

Policy

Thailand's policy for the poultry industry has not changed from the latest report. Thailand does not conduct price support or export subsidy programs. Because of the HPAI outbreak, the Royal Thai Government (RTG) launched several measures to cope with the disease and to support the poultry industry, from small-scale farmers to integrated poultry processors. These measures include the HPAI Stamping-Out Campaign on poultry farms/areas, a compensation scheme for disease-affected farmers, fee exemptions for chicken slaughterhouses, and outreach to help unemployed workers/operators. More details in these programs are available in reports TH4088, TH5011.

The Thai Prime Minister disclosed in the media in late December 2005 that the RTG is making a barter trade deal with the Russian Government to sell 250,000 tons of Thai uncooked chicken to Russia (about US$ 250 million in value) in exchange for 10 Russian fighter jets (SU-30 MK model). If the deal is concluded, the shipments will be divided into 50,000 tons in 2006, 100,000 tons each in 2007 and 2008. However, trade sources are still doubtful about possibility of concluding the deal based on the fact that Russian authorities may not accept uncooked products from Thailand as long as the country is not free of HPAI. This is the RTG's second time effort to do this kind of barter trade. The first effort was reported in early 2005 when the RTG wanted to help Thai chicken meat processors to reduce overwhelming stocks. However, there was no response from the Russian Government after they sent its delegation to Thailand to gather information on Thai animal health and food safety monitoring.

Thailand is a protected poultry market through the RTG's use of non-transparent controls on import permits (potential importers are unable to get them issued), high WTO bound rates of import tariff (currently 30 percent for chilled or frozen uncooked meat and 40 percent for cooked chicken meat), and a discriminatory import permit fee on uncooked products (approx. US$ 250/ton).

The Department of Livestock Development (DLD) in early 2004 imposed an import suspension on live poultry and poultry carcasses, cooked or uncooked, from all states in the United States despite findings of low pathogenic avian influenza (LPAI) in a few states. The DLD reacted slowly to USDA's request and lifted the ban in February 2005, about a half year after receiving notification of the eradication of the Texas HPAI outbreak. Thailand imposed an import ban again in March 2005 on uncooked poultry meat and products from three states, including California, North California, and Missouri, based on a finding of LPAI in these states. Although USDA/FAS expressed the concern that it is not justified and against the OIE guidelines that there should not be any trade disruption for country affected by LPAI, the RTG has not responded to the request yet.

The DLD, in September 2005, began implementing its requirement of auditing individual farm/slaughterhouse facilities in exporting countries which want to export live animals and animal products to Thailand. No attempt was made to negotiate with the U.S. industry or USDA to discuss inspection visits prior to implementation. Although the DLD claimed that the requirements, which were issued in October 2000, had been waived until 2005, their immediate implementation severely affected the U.S. poultry trade, especially poultry breeding stocks and turkey meat. The USDA was successful in convincing the DLD to accept a "system audit" concept instead of DLD's desired "plant-by-plant" or "farm-by-farm" audit. However, the RTG agreed with the Thai broiler industry to temporarily waive the implementation of this requirement in order to avoid the disruption of Thai chicken meat exports.

Marketing and U.S. Opportunities

Thailand is a potential market for U.S. chicken parts (especially leg-quarters), mechanically deboned meat (MDM), and value-added chicken meat. Thai local consumers, like those in other Asian countries, prefer dark meat to white meat. Potential buyers for chicken parts and MDM should be food processors (sausage processors in the case of MDM) and supermarkets. Value-added chicken meat can also be introduced to modern retail markets and HRI industry. Thailand may import bone-in-leg meat for processing in Thailand and re-export it to such markets as Japan and non-EU countries. The current existence of the HPAI outbreaks in Thailand should offer opportunities for Thai processors to source raw material from the U.S. and add flavorings, treatments, and cook for re-export. However, the U.S. export opportunities of these chicken parts are currently hindered by Thailand's non-trasparent controls on issuing import permits.

Thailand is a promising market for U.S. turkey meat. Due to lifting a ban on U.S. poultry in February 2005, the official imports of U.S. turkey increased tremendously from US$ 9,800 in 2004 to US$ 269,000 in 2005. The U.S. market share also boosted up from 31 percent in 2004 to 98 percent in 2005. The users of imported turkey meat are mostly fine hotels/restaurants and modern trade supermarkets in large cities.

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** (1000 MT)(MIL HEAD)

	2004	Revised	2005	Estimate	2006	Forecast	UOM
	USDA Official [	Estimate[DA	Official [	Estimate[DA	Official [	Estimate[New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Inventory (Reference)	0	0	0	0	0	0	(MIL HEAD
Slaughter (Reference)	0	0	0	0	0	0	(MIL HEAD
Beginning Stocks	90	90	140	140	80	74	(1000 MT)
Production	900	900	950	950	1120	1120	(1000 MT)
Whole, Imports	0	0	0	0	0	0	(1000 MT)
Parts, Imports	3	0	0	0	0	0	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	3	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	993	990	1090	1090	1200	1194	(1000 MT)
Whole, Exports	0	0	0	0	0	0	(1000 MT)
Parts, Exports	200	220	300	266	400	350	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	200	220	300	266	400	350	(1000 MT)
Human Consumption	643	620	690	730	750	780	(1000 MT)
Other Use, Losses	10	10	20	20	10	10	(1000 MT)
Total Dom. Consumption	653	630	710	750	760	790	(1000 MT)
TOTAL Use	853	850	1010	1016	1160	1140	(1000 MT)
Ending Stocks	140	140	80	74	40	54	(1000 MT)
TOTAL DISTRIBUTION	993	990	1090	1090	1200	1194	(1000 MT)
Calendar Yr. Imp. from U	0	0	0	0	0	0	(1000 MT)

Table 2: Wholesale Prices for Live Broilers in Bangkok

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

Year	2004	2005	% Change
Jan	26	30	15%
Feb	14	30	114%
Mar	26	31	19%
Apr	30	32	7%
May	27	30	11%
Jun	26	30	15%
Jul	25	31	24%
Aug	24	36	50%
Sep	27	38	41%
Oct	22	39	77%
Nov	21	30	43%
Dec	26	31	19%

Exchange Rate	40.5	Local Currency/US $
Date of Quote	1/21/2006	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	2004	2005	% Change
Jan	63	55	-13%
Feb	54	60	11%
Mar	62	62	0%
Apr	63	66	5%
May	63	68	8%
Jun	63	58	-8%
Jul	61	68	11%
Aug	61	72	18%
Sep	58	78	34%
Oct	56	79	41%
Nov	54	78	44%
Dec	53	77	45%

Exchange Rate	40.5	Local Currency/US $
Date of Quote	1/21/2006	MM/DD/YYYY

Source: Department of Internal Trade, Ministry of Commerce

Table 4: Thailand's Broiler Meat Exports in 2004 (Jan-Dec)

Destination	Uncooked Meat	Further Processed	Total Exports
ASIA	**14,653**	**116,880**	**131,533**
Japan	9,706	102,610	112,316
Singapore	576	5,185	5,761
China	603	0	603
Hong Kong	234	3,329	3,563
South Korea	2,897	5,510	8,407
Malaysia	637	0	637
Others	0	246	246
EUROPE	**11,027**	**76,064**	**87,091**
The European Union	10,095	76,050	86,145
Belgium	115	666	781
Germany	5,496	8,915	14,411
Netherlands	2,978	19,039	22,017
United Kingdom	1,494	42,222	43,716
France	0	604	604
Others	12	4,604	4,616
Other Europe	932	14	946
MIDDLE EAST	**382**	**97**	**479**
Kuwait	189	96	285
Saudi Arabia	0	0	0
Dubai	48	0	48
Others	145	1	146
AFRICA	**75**	**7**	**82**
South Africa	75	7	82
Egypt	0	0	0
Others	0	0	0
OTHERS	**0**	**766**	**766**
TOTAL	**26,137**	**193,814**	**219,951**

Source: Thai Broiler Processing Exporters Association

Table 5: Thailand's Broiler Meat Exports in 2005 (Jan-Dec)

Destination	Uncooked Meat	Further Processed	Total Exports
ASIA	**96**	**155,796**	**155,892**
Japan	0	143,923	143,923
Singapore	0	5,076	5,076
China	0	0	0
Hong Kong	0	3,360	3,360
South Korea	0	3,437	3,437
Malaysia	0	0	0
Vietnam	96	0	96
Others	0	0	0
EUROPE	**0**	**107,930**	**107,930**
The European Union	0	107,870	107,870
Belgium	0	1,311	1,311
Germany	0	9,234	9,234
Netherlands	0	22,747	22,747
Spain	0	328	328
United Kingdom	0	66,534	66,534
France	0	471	471
Others	0	7,245	7,245
Other Europe	0	60	60
MIDDLE EAST	**0**	**210**	**210**
Kuwait	0	95	95
Saudi Arabia	0	0	0
Dubai	0	0	0
Others	0	115	115
AFRICA	**0**	**42**	**42**
South Africa	0	42	42
Egypt	0	0	0
Others	0	0	0
CANADA	**0**	**1,392**	**1,392**
OTHERS	**0**	**80**	**80**
TOTAL	**96**	**265,450**	**265,546**

End of Report.