

**Voluntary Report** – Voluntary - Public Distribution

**Date:** May 22,2020

**Report Number:** TH2020-0072

**Report Name:** The Impact of the Outbreak of COVID-19 on Thai  
Agricultural Production

**Country:** Thailand

**Post:** Bangkok

**Report Category:** Agricultural Situation, Grain and Feed, Livestock and Products, Oilseeds and Products, Poultry and Products, Dairy and Products, Cotton and Products

**Prepared By:** Sakchai Preechanjarn, Ponnarong Prasertsri, Maysa Chanikornpradit, Agricultural Specialist

**Approved By:** Russell Nicely

**Report Highlights:**

The outbreak of COVID-19 led to a decline in domestic demand for several food products, while other products experienced a surge in demand and temporary benefits. Due to Thailand's economic turmoil, demand for some U.S. agricultural product will decrease in 2020.

## **Executive Summary**

The outbreak of COVID-19 led to a decline in domestic demand for several food products such as wheat-based products, chicken meat, pork, ready-to-drink milk, fishery products, and fruits due to reduced tourism and temporary lockdown measures. The reduced demand has caused some supply chain disruptions such as an over production of milk and fruit. Demand for staple items, such as eggs and instant noodles, surged out of a fear of supply shortages. Prices for eggs climbed so quickly that the Thai government temporarily banned their export in an effort to keep domestic prices down. Some agricultural sectors like rice and hog farming saw temporary gains during this period due to domestic supply concerns in neighboring countries. Demand for U.S. agricultural exports will be lower due to Thailand's economic turmoil as a result of COVID-19. Imports of soybeans, cotton, wheat, DDGS, meat and dairy products, fishery products, food additives, and wood products from the U.S. could drop by 5-10 percent in 2020.

### **1. Wheat Flour Milling**

The outbreak of COVID-19 outbreak is expected to result in a net reduction of domestic consumption of wheat-based products by 10-20 percent, particularly in the first half the year when the government enforced the lockdown for a few months from March – May 2020. Small flour mills have been adversely affected as most of their customers are retailers who saw their wheat flour demand fall by 30-40 percent in the first quarter of 2020. Meanwhile, large flour mills, who supply wheat flour to food-processing manufacturers, particularly for instant noodles, have been impacted by COVID-19 to a lesser degree as the domestic and export sales of instant noodles increased by 8-10 percent in the first quarter of 2020. As a result, import demand for wheat is expected to decline significantly in 2020 due to mainly to the impact of COVID-19.

### **2. Rice**

The outbreak of COVID-19 had a temporary positive impact on Thai rice prices between late March to April 2020 when India, Vietnam, and Cambodia imposed export restrictions on their rice exports due to concerns about their domestic supplies during the outbreak. Thai rice export prices surged to 9-year record high at U.S.\$570/MT (5% grade white rice, FOB) in mid-April 2020, up 43 percent from the same period in 2019, as foreign buyers were forced to buy Thai rice. However, Thai rice export prices gradually declined to U.S. \$470/MT in mid-May 2020 when Vietnam removed rice export restrictions. However, this current price level is still 18 percent higher than the same period in 2019 mainly because the MY2019/20 off-season rice production has declined by around 40 percent due to severe drought.

### **3. Livestock, Poultry, Aquaculture, and Feed Demand**

The outbreak of COVID-19 led to a decline in domestic demand for chicken meat, pork, ready-to-drink milk, and fishery products due to a disappearing number of in-bound tourists, a closedown of hotels and other hospitality businesses, and the government's imposition of stringent measures on social distancing. The two main challenges that processors and farmers are encountering include price reduction and stockpiling because the production of these products is quite inelastic to a change in demand. The table

below indicates that the wholesale prices for live hog, live broilers, cultured shrimp, and tilapia dropped in April, the first month after the government impose stringent measures on March 22, 2020. Prices for live broilers and tilapia continue to further decline in the first two weeks of May, while prices for live hog and shrimp recovered to some degree.

**Table: Bangkok Wholesale Prices for Live Animal, Eggs, and Fishery Products**

	Jan-20	Feb-20	Mar-20	Apr-20	May 1-12, 2020
Live Hog (U.S.\$/100 pounds)	107.53	101.20	102.70	97.10	101.27
Live Broilers (U.S.\$/100 pounds)	50.48	49.56	48.84	46.27	43.81
Eggs (U.S.\$/100 pieces)	9.01	8.69	8.73	9.04	8.69
Shrimp (U.S.\$/100 pound)	223.95	214.70	201.10	195.63	211.87
Squid (U.S.\$/100 pounds)	229.83	229.83	229.83	229.83	229.83
Tilapia fish (U.S.\$/100 pounds)	76.72	76.55	77.85	76.43	75.41
Catfish (U.S.\$/100 pounds)	94.83	95.06	96.96	96.96	96.96

Source: Ministry of Commerce

Post forecasts that the degree of damage in the animal protein sector should not be as severe as many expect since most meat processors (which are integrated operations from farm to fork) and farmers (like dairy and independent hog farmers) will begin to balance their supplies with market demand over the next few months. Production of chicken meat, raw milk, and aquaculture products altogether in 2020 is estimated to drop by 10-15 percent from the 2019 level. Meanwhile, pig production is likely to decrease to a much lesser degree by 1-2 percent from the 2019 level. A reduction in production of all livestock, poultry, and aquaculture should also lead total feed demand in Thailand to decline by 7-10 percent in 2020.

- a. *Hog farming:* Trade sources reports that despite the COVID-19 situation, most hog farms remain profitable since prices for live hogs remain high. Favorable prices are attributed to the fact that the continued outbreak of African Swine Fever (ASF) among Thailand’s neighboring countries (such as Malaysia, Laos, Myanmar, Cambodia, and Vietnam) caused several small hog farms near the border of Thailand to close down their operations. In addition, the shortage of supplies in those ASF affected countries has caused them to import live hogs from Thailand (see Table below).

**Table: Thailand Exports of Live Pigs**

Partner	Unit	Calendar Year (UOM1: NO)					January-March		
		2015	2016	2017	2018	2019	2019	2020	%Δ 2020/19
World	NO	873,550	1,047,185	415,865	815,385	750,061	142,438	615,872	332.38
Cambodia	NO	413,393	246,685	43,907	505,190	566,298	110,502	523,777	374
Myanmar	NO	3,556	10,757	104,398	171,564	115,871	10,496	36,893	251.50
Laos	NO	454,679	789,204	266,933	138,630	67,892	21,440	55,202	157.47
Malaysia	NO	0	0	120	0	0	0	0	0
Sri Lanka	NO	0	0	0	1	0	0	0	0
Vietnam	NO	1,922	0	156	0	0	0	0	0
Bhutan	NO	0	139	0	0	0	0	0	0
China	NO	0	400	351	0	0	0	0	0

Source: Department of Customs, Ministry of Finance

- b. *Broiler farms and chicken meat processing:* As compared to other animal production, the broiler sector has been the most affected by COVID-19. As shown in Table 1, prices for live broilers have

declined more than 13 percent from U.S. \$ 50.48/100 pounds in January to currently U.S. \$43.81/100 pounds. Domestic consumption of chicken meat reportedly dropped significantly in the past few months due to the troubled tourism and hospitality industries. While their stocks keep piling higher, chicken meat processors need to lower their selling prices of chicken meat in the domestic market to stimulate demand. However, Thailand's chicken meat exports in the first quarter of 2020 (Jan-Mar) registered a two-percent growth over the same period in 2019 since reduced exports to the EU are offset by increased exports to Japan and China. A likelihood of economic turmoil across the globe may lead Thailand's chicken exports for the whole year of 2020 to decrease by 5-10 percent. A plunge in both domestic consumption and export demand will cause Thailand's total production in 2020 to drop by 10-15 percent.

- c. *Eggs*: Shortly after the government's lockdown policy went into effect on March 22, 2020, consumers in Thailand started hoarding eggs, the most inexpensive protein ingredient in Thai diets, from supermarket shelves and wet markets due to a fear of a shortage. Prices climbed up so quickly within the first ten days of the lockdown that the Ministry of Commerce decided to ban egg exports for one week from March 25-31, 2020 and later prolonged the ban thru April. Due to the export ban and a cessation of hoarding practices, egg prices weakened in mid-April and continue declining in May.
- d. *Dairy farming and ready-to drink milk*: Nearly all ready-to-drink milk products in Thailand are domestically consumed in two markets: a commercial market (approximately 60 percent market share) and a government-supported school milk market (40 percent market share). The demand for ready-to-drink milk in the commercial market dropped dramatically following the lockdown policy, while the demand in the school milk market almost disappeared due school closures. Most dairy farmers are able to sell their raw milk supplies to ready-to-drink processing plants to honor the contracts between the two parties. However, some dairy farmers complain that they are having difficulty in getting their raw milk production delivered to contracted processing plants. It is anticipated that all ready-to-drink processors are currently under losses from holding huge stocks of ultra-high temperature (UHT) ready-to-drink milk.

#### **4. Fruit**

In addition to a significant decline in in-bound tourists, Thailand's exports of fruit to regular buying countries like China, Japan, South Korea, and the United States will decline. The Ministry of Agriculture and Cooperatives (MOAC) forecasts that the export value of agricultural products in the first quarter of 2020 shipped to China, the largest importer of Thai fruits, would drop by 2 percent compared to the same period in 2019. MOAC aims at boosting domestic consumption for Thai fruits to offset the downturn in exports through social media communication and [www.coopshoph.com](http://www.coopshoph.com) to expand the distribution channels. Additionally, Thailand's commercial and agricultural office in Thai Embassies are assigned to coordinate with MOAC to provide promotional rate for delivery costs from farm to consumer for those registered growers within this initiative.

#### **5. Impact on U.S. Agricultural Export Opportunities**

Thailand's economic turmoil will negatively affect its imports of feed ingredients, food ingredients, and food products in 2020. Post believes that U.S. agricultural exports to Thailand will drop by 5-10

percent. The products that will be affected the most are soybeans, cotton, wheat, DDGS, meat and dairy products, fishery products, food additives, and wood products.

End of the Report.

**Attachments:**

No Attachments.