Required Report - public distribution

Date: 9/1/2017

GAIN Report Number: TH7116

Thailand

Poultry and Products Annual

2017

Approved By:
Russ Nicely, Agricultural Counselor

Prepared By:
Sakchai Preechajarn, Agricultural Specialist

Report Highlights:
TH7116. The Thai broiler industry in 2017 continued to enjoy favorable export growth and profitable export prices. Thailand's chicken meat production and exports are forecast to further grow in 2018. Due to findings of Highly Pathogenic Avian Influenza (HPAI) cases in neighboring countries, Thailand is escalating its disease and surveillance practices for HPAI as the top priority.

Executive Summary:

Thai chicken meat production is forecast to further increase by 5 percent in 2018 in response to anticipated growth in export and domestic demand. Also, robust prices for live broilers and chicken meat for export as well as the lower cost of production in 2017 are encouraging expansion.

Continued growth in the tourism industry and improved disposable income among the grass-roots population in Thailand should cause domestic consumption to grow at a higher pace of 4-5 percent in 2018 as compared to estimated growth of 3 percent in 2017.

Thailand's chicken meat exports are estimated to grow sharply by 12 percent to 770,000 MT in 2017 when Japan purchases more from Thai suppliers after spoiled meat scandal in Brazil, and the strong demand from non-EU market especially South Korea, Hong Kong, Malaysia, and Canada. About 70 percent of total exports in 2017 are expected to consist of cooked chicken meat products. Exports should continue to grow by 4 percent in 2018.

While exports to Japan and non-EU markets are likely to continue to grow for the next few years, exports to the EU market may remain stagnant or even decrease because the EU is unwilling to expand import quotas for exporting countries such as Thailand, and from increased competition from producing countries in Eastern Europe such as Poland.

Given that HPAI recently hit Thailand's neighboring countries including Laos, Cambodia, Vietnam, Myanmar, and Malaysia, both the DLD and the Thai chicken industry are escalating their disease control and surveillance practices for HPAI as the top priority.

Production:

Table 1: Thailand's Production, Supply and Demand for Chicken Meat (Unit: 1,000 Metric Tons)

Poultry, Meat, Broiler	2016		2017		2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
Thailand	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	84	84	80	80	0	88
Production	1780	1780	1870	1900	0	1990
Total Imports	2	2	2	6	0	5
Total Supply	1866	1866	1952	1986	0	2083
Total Exports	690	690	730	770	0	800
Human Consumption	1086	1086	1116	1118	0	1170
Other Use, Losses	10	10	10	10	0	10
Total Dom. Consumption	1096	1096	1126	1128	0	1180
Total Use	1786	1786	1856	1898	0	1980
Ending Stocks	80	80	96	88	0	103
Total Distribution	1866	1866	1952	1986	0	2083
(MIL HEAD) ,(1000 MT)						

Thai chicken meat production is forecast to further increase by 5 percent in 2018 in response to the potential growth in export and domestic demand. Trade sources explain that robust prices for live broilers and chicken meat for export as well as prevailing low feed costs in 2017 are encouraging the expansion. Chick production capacity is estimated at 35-36 million birds/week in 2018, as compared to the estimated 33-34 million birds in 2017.

Thailand's broiler industry proved to be well adapted to avoid potential supply bottlenecks in 2016 and 2017, although the Thai Government imposed an import ban on chicken genetics from the United States, the longstanding largest suppliers to the Thai market, in December 2014. Thailand successfully switched to genetic supplies from other sources, especially genetics from France, Netherlands, Denmark, and New Zealand. According to the Thai Department of Livestock Development (DLD), Thailand is scheduled to lift the ban on U.S. broiler genetics by September 2017.

There has been no serious animal disease incidence for the Thai broiler industry in recent years, mainly because Thailand has improved farming facilities and on-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, which reduce disease exposure and mortality rates. Given that HPAI recently hit Thailand's neighboring countries, both the DLD and Thai chicken industry are currently escalating their disease control and surveillance practices for HPAI as the top priority.

The Thai poultry industry has utilized new technologies including improved genetics, farm management, and feed nutrition. The average weight of fully grown broilers at slaughter is currently 2.3-2.4 kilograms per bird, compared to 2.0-2.1 kilograms per bird in the mid-2000s. The number of days it takes to raise one-day old chicks to market delivery dropped to 40-42 days from 49 days, and average feed conversion ratio (FCR) decreased to 1.6-1.7 from 1.9-2.0 over the same period.

Production Costs

The poultry industry has enjoyed prevailing low feed costs in 2016 and 2017. Domestic prices for corn in the first seven months of 2017 (January-July) dropped by 10 percent to 8.15 baht/kg (U.S. $240/MT) as compared to 9.03 baht/kg (U.S. $270/MT) in the same period of 2016. Soybean meal prices also dropped by 9 percent to 15.01 baht/kg (U.S. $449/MT) in the first seven months of 2017 (Jan-Jul). In addition, trade sources report that Thai feed mills have continued adjusting their feed rations in favor of imported less-expensive feed-grade wheat and distiller's dried grains with solubles (DDGS) in order to keep feed costs as low as possible.

However, broiler producers' high demand for chicks led prices for one-day old chicks to rise sharply by 50 percent to 17.44 baht/bird (U.S. 0.52/bird) in the first seven months of 2017 (Jan-Jul) from 11.59 baht/bird (U.S. $0.35/bird) in the same period of 2016.

Altogether, these factors have led average live broiler production costs in the first seven months of 2017 (Jan-Jul) to be unchanged at 33-34 baht/kg (U.S. $0.45-0.46 per pound) as compared to those in the same period of 2016. Given average sale prices for live broiler at 34.51 baht/kg (U.S. $0.47 cents/pound) in 2017 (Jan-July), broiler producers are reportedly earning less profit than that in 2016.

The current average production costs of 35 baht/kg (U.S. $0.48 /pound) consist of day-old chicks (7 baht), feed (21 baht), vaccination and drugs (2 baht), and labor and other costs (5 baht). Meanwhile, prices for live broiler in August 2017 increased to 37-38 baht/kg ($0.50-0.52 cents/pound) following strong export demand.

Table 2: Wholesale Prices for Feed Ingredients (Baht/kg)

Month	Corn 1/			Soybean Meal 2/			Fishmeal 3/		
	2016	2017	%Δ	2016	2017	%Δ	2016	2017	%Δ
January	9.01	8.00	- (11.2)	15.90	15.55	- (2.2)	36.70	36.70	$ -
February	8.85	8.00	- (9.6)	15.90	15.55	- (2.2)	36.27	39.29	+ 8.3
March	8.85	8.00	- (9.6)	15.90	15.55	- (2.2)	33.96	39.48	+ 16.3
April	8.85	8.00	- (9.6)	15.90	14.85	- (6.6)	32.70	39.70	+ 21.4
May	8.83	8.00	- (9.4)	16.02	14.85	- (7.3)	33.61	39.14	+ 16.5
June	9.51	8.33	- (12.4)	17.49	14.45	- (17.4)	36.66	38.70	+ 5.6
July	9.32	8.73	- (6.3)	17.75	14.30	- (19.4)	36.70	38.70	+ 5.4
August	8.75			16.89		-100.0	38.90		-100.0
September	8.08			16.85		-100.0	38.39		-100.0
October	8.00			15.89		-100.0	34.93		-100.0
November	8.00			15.85		-100.0	35.63		-100.0
December	8.00			15.73		-100.0	35.28		-100.0
Average	8.67	8.15		16.34	15.01		35.81	35.23	

1/ Bangkok wholesale prices for corn at feed mill
2/ Bangkok wholesale prices for soybean meal derived from imported soybeans
3/ Bangkok wholesale prices for fishmeal
Source: Thai Feed Mill Association

Note: U.S. $1.00 = 33.40 Baht

Consumption

Trade sources reported that, despite an overall recovery of the Thai economy, the impact on grass-roots population was not evident in the past couple years. However, disposable income among this group in 2018 should increase and affect meat consumption, especially chicken meat, due mainly to increased direct payments to low-income people and improved agricultural prices (especially for rice, rubber, corn, and oil palm). This factor as well as an anticipated continued growth in the tourism industry should cause domestic consumption to grow at a higher pace of 4-5 percent in 2018 as compared to the estimated growth of 3 percent in 2017.

Average retail prices for boneless chicken breast meat for the first eight months of 2017 (Jan-Aug) rose by 2 percent to 75.28 baht/kg (U.S. $1.02/pound) compared to 72.61 baht/kg (U.S. $1.0/pound) in the same period of 2016. Due to higher demand and export prices in the Japanese market, retail prices for leg-quarters also increased by 8 percent in the first eight months of 2017 (Jan-Aug) to 77.50 baht/k (U.S. $1.06/pound), and became more expensive than those for breast meat (See table 3).

About 60-70 percent of total domestic chicken meat sales belong to the traditional wet market. Trade sources expect chicken meat consumption in the ready-to-eat and quick service restaurant (QSR) sectors to continue to grow by 4-5 percent annually for the next few years.

Table 3: Bangkok Wholesale Prices for Live Broiler and Retail Chicken Meat

Month	Wholesale Live Broiler (baht/kg)1/			Retail Chicken Meat (baht/kg)2/					
				Boneless Breast			Leg Quarters		
	2016	2017	%Change	2016	2017	%Change	2016	2017	%Change
January	35.50	29.92	-15.7	75.00	72.50	-3.33	70.00	77.50	10.7
February	35.36	33.82	-4.4	72.50	72.50	0.00	67.50	77.50	14.8
March	36.81	32.00	-13.1	72.50	72.50	0.00	67.50	77.50	14.8
April	37.00	35.48	-4.1	72.50	74.69	3.02	67.50	77.50	14.8
May	36.43	37.57	3.1	72.50	77.50	6.90	69.44	77.50	11.6
June	36.00	36.68	1.9	72.50	77.50	6.90	72.50	77.50	6.9
July	35.40	36.13	2.1	73.89	77.50	4.89	73.89	77.50	4.9
August	39.76			77.50	77.55	0.06	83.18	77.50	-6.8
September	38.54			76.59			84.09		
October	31.95			72.50			77.50		
November	30.00			72.50			77.50		
December	28.64			72.50			77.50		
Average	35.12	34.51		73.58	75.28		74.01	77.50	

Source: 1/ Thai Feed Mill Association
2/ Department of Internal Trade, Ministry of Commerce
Note: U. S. $1.00 = 33.40 baht

Trade

Export Market Reopens

After the EU lifted its ban on imports of Thai frozen uncooked chicken in July 2012, followed by Japan in December 2013, countries that have lifted their HPAI bans on uncooked Thai frozen chicken meat include the EU, Japan, Hong Kong, South Africa, Bahrain, Russia, United Arab Emirates (UAE), and Qatar. South Korea also lifted its longstanding ban on Thai uncooked chicken meat in November 2016.

Export Trend

In the first seven months of 2017 (Jan-Jul), chicken meat exports (both cooked and uncooked) increased by 11 percent to 420,040 MT as compared to 376,732 MT during the same period in 2016.

By product type, exports of both uncooked products and cooked products grew by 10 and 12 percent in the first seven months (Jan-Jul), respectively. By destination, exports to the EU dropped slightly, mainly because unattractive prices for basic cooked products in this market led Thai exporters to slow down their exports. Exports to Japan increased by 17 percent when Japan turned in more purchases from Thai suppliers after reports of a spoiled meat scandal in Brazil. Exports to other non-EU markets also increased sharply by 18 percent following higher exports to South Korea, Hong Kong, Malaysia, and Canada.

Japan currently accounts for 51 percent of Thai chicken meat exports in the first seven of 2016 (Jan-Jul), up from 49 percent in the same period of 2016. Meanwhile, the EU (including the U.K.) accounts for 28 percent, down from 32 percent in 2016.

While exports to Japan and non-EU markets are likely to further grow in the next few years, exports to the EU market may remain stagnant or even decrease mainly because the EU is not willing to expand the quota for exporting countries, including Thailand, and from increased competition from producing countries in Eastern Europe such as Poland.

Table 4: Thailand's Chicken Meat Exports, By Destination and Type of Product

	2016 (Jan-Jul) Unit: Metric Tons			2017 (Jan-Jul) Unit: Metric Tons		
	Uncooked	Cooked	Total	Uncooked	Cooked	Total
Japan	55,283	128,831	184,114	66,894	149,279	216,173
The European Union	7,916	111,583	119,499	4,701	113,027	117,728
Others	48,390	24,729	73,119	51,374	34,765	86,139
TOTAL	111,589	265,143	376,732	122,969	297,071	420,040

Source: Thai Department of Customs

Post estimates that total chicken meat exports for 2017 will continue to grow by 12 percent to 770,000 MT, up from 689,619 MT in 2016. About 70 percent of total exports in 2017 are expected to consist of cooked chicken meat products.

Thai chicken meat exports are forecast to further increase to 800,000 MT in 2018 in anticipation of continued growth in exports to Japan and other non-EU markets.

Export Prices and Products

Overall export prices for both cooked chicken products and uncooked products in the Japanese market have increased in 2017 as a result of the robust demand to replace supplies from Brazil and China. Prices for cooked boneless chicken leg parts shipped to the Japanese market averaged U.S. $4,800-4,900/MT CIF as compared to U.S. $4,500-4,700/MT CIF in 2016, while prices for uncooked frozen boneless leg meat rose by about U.S.$100/MT to U.S. $3,200-3,400/MT.

Export prices for steamed dice-shape-cut skinless boneless breast, a major export item to the EU, were prevailing low at U.S. $3,500-4,000/MT from late 2016 until the second quarter of 2017. Trade sources reported prices recently recovered to U.S. $4,000-4,300/MT. Export prices for uncooked boneless breast meat shipped to the EU remains at U.S. $2,400-2,500/MT CIF.

The bulk of the chicken products used for export consist of made-to-order products that are processed or prepared by heat (such as grilling, steaming, and boiling) and are usually puffed or seasoned (with salt, Japanese sauce, etc.).

The EU Quota Administration

There has been no change in the EU quota allocation system Thailand is annually granted 92,610 MT of the EU's uncooked salted poultry meat quota and 5,100 MT for uncooked unsalted poultry meat. The in-quota tariff rate is 15.4 percent while the out-of-quota duty is €1,300/MT (U.S. $1,546/MT). The EU quota for cooked chicken meat from Thailand (EU HS code 16023219) is 160,033 MT. In-quota imports from Thailand are subject to an 8 percent tariff. The out-of-quota duty for cooked chicken meat is €1,024/MT (U.S. $1,027/MT). Thailand has used its entire cooked chicken meat EU quota since 2008.

In addition, Thailand is granted the EU's import quota of 14,000 MT per annum for cooked chicken meat products containing 25-57 percent chicken meat and 2,100 MT per annum for cooked chicken meat products containing less than 25 percent chicken meat. The in-quota import tariff rate is 10.9 percent while the out-of-quota rate is €2,765/MT (U.S. $3,287/MT).

Trade Development

Trade sources report that Charoen Pokphand Food Public Company (CPF), the largest integrated poultry, livestock, and aquaculture corporation in Thailand, is currently establishing venture with SuperDrob, one of the largest poultry producer in Poland, to enhance the company's chicken meat sales to the EU. In addition, it plans to develop its existing chicken processing plant in Vietnam to serve the export market in the next few years.

Stocks:

There has not been a significant change in stock patterns in Thailand. The chicken meat carryover stocks are estimated to be about 90,000-100,000 MT in 2017 and 2018.

Policy:

Thailand is a highly protected market where the government selects what type of poultry meat is allowed for import. U.S. chicken meat products are practically banned through non-transparent import permit controls have prevented potential importers from being able to acquire import permits. 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 approx. U.S. $210/MT) are employed to protect the domestic market from imports.

Prior to 2015, Thailand normally allowed U.S. uncooked turkey meat to enter the Thai market. U.S. poultry exports of turkey meat products and chicken genetics (day-old-chicks and hatching eggs) to Thailand were suspended due to an outbreak of highly pathogenic avian influenza (HPAI) in Washington, Oregon, and California in late 2014 and early 2015. APHIS invited Thailand's Department of Livestock Development (DLD) to conduct an audit as a precursor to re-opening the market for day-old chicks and hatching eggs in September 2016 and the DLD approved the audit in February 2017. However, the market for day-old chicks and hatching eggs has been temporarily suspended due to the reoccurrence of HPAI in Tennessee in March 2017. It is expected that the market should resume by September 2017, after the U.S. declared HPAI-free in August 2017. The size of the turkey market in Thailand is about $1.5 million annually, nearly all of which is of U.S. origin.

For turkey meat, Post is working with DLD to conduct a system audit of U.S. turkey meat processing facilities in order to reopen the market. It is anticipated that the audit will be done by early 2018.

In addition, APHIS requested DLD to accept the regionalization approach to prevent Thailand from imposing an immediate ban for the whole country when HPAI emerges in the U.S. in the future. DLD has not positively responded to this request.

Marketing:

Marketing 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.