

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 9/6/2018

GAIN Report Number: TH8114

Thailand

Poultry and Products Annual

2018

Approved By:

Russ Nicely, Agricultural Counselor

Prepared By:

Sakchai Preechajarn, Agricultural Specialist

Report Highlights:

TH8114. Thailand is encountering a challenge of increasing feed costs due to the government's price intervention for major feed ingredients that will limit the industry's growth if the problem remains. However, exports and consumption should continue to grow in 2018 and 2019 in response to domestic economic factors and strong export demand.

Executive Summary:

Despite success in improving farm productivities, disease control, food safety and end-product development for export, the Thai broiler industry is encountering challenges to cope with the government's price intervention on domestic feed ingredients, especially corn which accounts for about 60 percent in broiler feed rations. While encountering higher feed costs, the industry has also struggled with below-breakeven prices for live broilers for almost 10 months from October 2017 to July 2018.

Despite unfavorable prices and increased feed costs for most of 2018, Thai broiler meat production is forecast to further grow by 4 percent in 2019 to 3.0 million metric tons (MMT) from 2.88 MMT in 2018 due to anticipated growth in export and domestic demand.

Chicken meat consumption is estimated to grow by 3-4 percent in 2018, but increase at a slower pace in 2019 due to anticipated higher prices for live broilers and broiler meat as a result of a slowdown in production growth and continued strong exports.

Total chicken meat exports for 2018 will continue to grow by 8 percent to 820,000 metric tons (MT), up from 756,879 MT in 2017 and are forecast to increase further by 6 percent to 870,000 MT in 2019 due to anticipated continued growth of exports to Japan and other non-EU markets.

Note Regarding Reporting Change:

This report provides chicken meat estimates and forecasts for 2017-2019. The prior broiler meat series has been discontinued and will not be revised or updated in the future.

Official USDA data will be available via the PSD database (<http://www.fas.usda.gov/psdonline>) on October 11, 2018. The October data release will include a historical chicken meat series back to 1999. The broiler meat series will terminate with 2017 data.

Chicken meat is defined as meat of domestic fowl (*Gallus gallus/Gallus domesticus*) including all chickens: broiler, layer, hybrid, domestic breeds, spent hens, ex-breeding stock, etc.

Since broiler meat sector dominates chicken meat production, accounting for 93 percent in 2017, narratives in this report focus on production, consumption, and trade for broiler meat.

Production

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

Meat, Chicken	2017	2018	2019
Market Begin Year	Jan 2017	Jan 2018	Jan 2019
Thailand	New Post	New Post	New Post
Beginning Stocks	0	0	0
Production	2990	3120	3250
Total Imports	0	0	0
Total Supply	2990	3120	3250
Total Exports	757	820	870
Human Consumption	2233	2330	2380
Other Use, Losses	0	0	0
Total Dom. Consumption	2233	2330	2380
Total Use	2990	3120	3250
Ending Stocks	0	0	0
Total Distribution	2990	3120	3250
(1000 MT)			

Despite unfavorable prices and increased feed costs for most of 2018, Thai broiler meat production is forecast to further grow by 4 percent in 2019 to 3 MMT from 2.88 MMT in 2018 due to anticipated growth in export and domestic demand. Chick production capacity is estimated at 36-38 million birds/week in 2019, as compared to an estimated 35-36 million birds in 2018.

There has been no serious animal disease incidences 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 hit Thailand's neighboring countries occasionally, both Department of Livestock Development (DLD) and Thai chicken industry are currently escalating their disease control and surveillance practices for HPAI as the top priority. Post's estimate and forecast of production and export in this report does not factor in HPAI possibilities into account.

The Thai broiler 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

Despite its success in improving farm productivities, disease control, food safety and end-product development for export, the Thai broiler industry is encountering challenges to cope with the government's price intervention on domestic feed ingredients, especially corn which accounts for about 60 percent in broiler feed rations. Corn is a major feed ingredient in broiler feed, accounting for 60-65 percent of the rations.

The government, in order to protect domestic corn growers, normally intervenes in the market to maintain relatively high prices of domestic corn through a constant tariff-rate-quota (TRQ) of 55,000 MT per annum, as Thailand committed to WTO. However, feed mills switch to import zero-tariff feed wheat and nine-percent-tariff distiller's dried grains with solubles (DDGS) in order to keep feed costs as low as possible. In response to the opposition of domestic corn growers and local traders against imported wheat, the government imposed in January 2017 a requirement that corn importers/feed mills absorb 3 units of domestic corn for every unit of imported feed wheat (3:1), while the government sets the minimum purchase price for domestic corn at 8 baht/kg (U.S. \$240/MT) for feed mills.

This market distortion drove domestic prices for corn to increase significantly for most of 2017 and 2018. Average corn prices in 2017 are 8.23 baht/kg (U.S. \$246/MT), and increased to 9.50-10.70 baht/kg (U.S. \$284-319/MT) in the first 7 months of 2018. According to trade sources, Thailand's domestic corn prices are 20-30 percent higher than global corn prices. On average, feed cost increased by 10 percent in the first half of 2018 to 22 baht/kg of live broiler from 20 baht/kg in 2017.

The current average production costs of 35 baht/kg (U.S. \$0.47/pound) consist of day-old chicks (6 baht), feed (22 baht), vaccination and drugs (2 baht), and labor and other costs (5 baht).

While encountering higher feed costs, the industry has also struggled with below-breakeven prices for live broilers for almost 10 months from October 2017 to July 2018. Live broiler prices dropped from 36-37 baht/kg in September to 28-32 baht/kg in the first 7 months of 2018 as a result of a pressure from a broiler supply surplus and a sharp reduction in hog and pork prices (about 10-20 percent from late 2017 to early 2018). A broiler price reduction also led prices for day-old chicks to plummet from

average 14-16 baht/head in mid-2017 to 8-10 baht/head in the first 7 months of 2018. Trade sources reported that production cost for a day-old chick is about 12 baht/head.

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

Month	Corn 1/ Δ			Soybean Meal 2/ Δ			Fishmeal 3/ Δ		
	2017	2018	%	2017	2018	%	2017	2018	%
January	8.00	9.62	+ 20.3	15.55	15.60	+ 0.3	36.70	52.36	+ 42.7
February	8.00	9.75	+ 21.9	15.55	15.37	- (1.2)	37.29	53.20	+ 42.7
March	8.00	10.32	+ 29.0	15.55	15.10	- (2.9)	39.48	51.20	+ 29.7
April	8.00	10.67	+ 33.4	14.85	15.10	+ 1.7	39.70	47.96	+ 20.8
May	8.00	10.50	+ 31.3	14.85	15.62	+ 5.2	39.14	42.76	+ 9.2
June	8.33	10.53	+ 26.4	14.45	16.10	+ 11.4	38.70	40.20	+ 3.9
July	8.45	9.43	+ 11.6	14.30	16.10	+ 12.6	38.70	40.20	+ 3.9
August	8.32			14.35			38.70		
September	8.10			14.35			38.70		
October	8.00			14.35			38.70		
November	8.35			14.35			39.22		
December	9.22			15.22			48.05		
Average	8.23	10.12		14.81	15.57		39.42	46.84	

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 = 33.50 Baht

Consumption

Domestic consumption of chicken meat is estimated to grow by 3-4 percent in 2018 due to lower retail prices for broiler meat, official economic growth projection of 4.5-4.7 percent in 2018, and improved agricultural prices in 2018 that strengthen purchasing power among the agricultural community which accounts for about 40 percent of the country's labor force.

In 2019, anticipated higher prices for live broiler and broiler meat as a result of a slowdown in its production growth and continued strong exports should limit a growth of chicken meat consumption to about 2 percent.

Average retail prices for boneless chicken breast meat for the first eight months of 2018 (Jan-Aug) dropped by 9 percent to 68.52 baht/kg (U.S. \$0.93/pound) compared to 75.27 baht/kg (U.S. \$1.02/pound) in the same period of 2017. Retail prices for leg-quarters also reduced by 12 percent in the first eight months of 2018 (Jan-Aug) to 68.52 baht/kg (U.S. \$0.93/pound) from 77.50 baht/kg (U.S. \$1.05/pound) (Table 3).

About 60-70 percent of total domestic chicken meat sales occur in 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 5-6 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/}					
	2017	2018	% Change	Boneless Breast			Leg Quarters		
				2017	2018	% Change	2017	2018	% Change
January	29.92	28.60	-4.4	72.50	67.50	-6.9	77.50	69.40	-10.5
February	33.82	28.13	-16.8	72.50	67.50	-6.9	77.50	67.50	-12.9
March	32.00	28.00	-12.5	72.50	67.50	-6.9	77.50	67.50	-12.9
April	35.48	29.33	-17.3	74.69	67.50	-9.6	77.50	67.50	-12.9
May	37.57	31.04	-17.4	77.50	67.50	-12.9	77.50	67.50	-12.9
June	36.68	30.92	-11.4	77.50	67.50	-12.9	77.50	67.50	-12.9
July	36.13	32.00	-11.4	77.50	67.75	-12.6	77.50	68.75	-11.3
August	36.00			77.50	72.50	-6.5	77.50	72.50	-6.5
September	36.23			77.50			77.50		
October	33.27			72.50			72.50		
November	32.74			72.50			72.50		
December	29.70			69.87			72.50		
Average	34.13	29.72		74.55	68.16		76.25	68.52	

Source: 1/ Thai Feed Mill Association

2/ Department of Internal Trade, Ministry of Commerce

Note: U. S. \$1.00 = 33.50 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 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

Thai chicken meat exports are forecast to further increase to 870,000 MT in 2019 due to anticipated continued growth in exports to Japan and other non-EU markets.

In the first seven months of 2018 (Jan-Jul), chicken meat exports (both cooked and uncooked) increased by 12 percent to 470,812 MT from 420,124 MT in the same period of 2017. By product type, exports grew by 30 percent for uncooked products and 4 percent for cooked products. By destination, exports to Japan increased by 9 percent mainly because Japan continues to place strong order for Thai products at the expense of Brazilian uncooked chicken meat and Chinese cooked chicken meat. Meanwhile, the EU's stringent measure on Salmonella discouraged Thai exporters to export uncooked products there. Growth of exports to the EU only belongs to cooked chicken meat exports. In addition, pressure from the domestic supply surplus forces Thai packers to increase exports to markets other than Japan and the EU. Exports to these markets increased by 27 percent in the first 7 months of 2018 (Jan-Jul), mostly in uncooked products.

Based on trade data for the first 7 months, Post estimates that total chicken meat exports for 2018 will continue to grow by 8 percent to 820,000 MT, up from 756,879 MT in 2017. About 65 percent of total exports in 2018 are expected to consist of cooked chicken meat products.

While exports to Japan and non-EU markets are likely to grow further 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 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

	2017 (Jan-Jul)			2018 (Jan-Jul)		
	Unit: Metric Tons			Unit: Metric Tons		
	Uncooked	Cooked	Total	Uncooked	Cooked	Total
Japan	66,940	149,277	216,217	81,244	153,953	235,197
The European Union	4,705	113,063	117,768	4,967	121,272	126,239
Others	51,394	34,745	86,139	74,285	35,091	109,376
TOTAL	123,039	297,085	420,124	160,496	310,316	470,812

Source: Thai Department of Customs

Export Prices and Products

Trade sources report that overall export prices for both cooked chicken products and uncooked products in the Japanese market continue to be favorable in 2018. Prices for cooked boneless chicken leg parts shipped to the Japanese market averaged U.S. \$4,600-4,800/MT CIF, while prices for uncooked frozen boneless leg meat are U.S. \$2,900-3,000/MT.

Export prices for steamed dice-shaped skinless boneless breast, a major export item to the EU, were basically unchanged at U.S. \$3,500-4,000/MT as compared to the 2017 averages. On the other hand, export prices for uncooked boneless breast meat shipped to the EU increased tremendously from an average U.S. \$2,500-2,600/MT CIF in 2017 to U.S. \$3,100-3,400/MT, mainly because main exporting countries like Brazil and Thailand attempts to not sell uncooked products to avoid the EU’s Salmonella restriction on uncooked chicken meat shipments.

The bulk of 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. \$3,196/MT).

Trade Development

Trade sources report that Charoen Pokphand Food Public Company (CPF), the largest integrated corporation for poultry, livestock, and aquaculture in Thailand, established a partial ownership in the third largest poultry producer in Poland to enhance the company's chicken meat sales to the EU. In addition, CPF's export-oriented chicken meat processing plants in Vietnam, with an annual capacity of 52 million birds of broiler, is scheduled to operate in 2019.

Stocks:

There are no official reports on stocks of chicken meat in Thailand.

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.

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.

