USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

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Required Report - public distribution

Date: 8/28/2015
GAIN Report Number: TH5105

Thailand

Poultry and Products Annual

2015

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Report Highlights:

TH5105. Unlike in 2014, the Thai broiler industry in 2015 has encountered much lower profitability due to a sharp decline in broiler prices. Reduced broiler production in 2016 is possible if the Thai government continues its ban on importation of U.S. chicken genetics. Without being officially notified, Thailand banned imports of U.S. live poultry and uncooked poultry products in late December 2014 when the first detection of High Pathogenic Avian Influenza (HPAI) in the U.S. poultry flock was officially reported.

Executive Summary:

Unlike in 2014, the Thai broiler industry in 2015 has encountered much lower profitability due to a sharp decline in broiler prices. Reduced broiler production in 2016 is possible if the Thai government continues its ban on importation of U.S. chicken genetics. Without being officially notified, Thailand banned imports of U.S. live poultry and uncooked poultry products in late December 2014 when the first detection of High Pathogenic Avian Influenza (HPAI) in the U.S. poultry flock was officially reported.

Despite lower prices, domestic consumption and sales of chicken meat will only expected to expand by 1-2 percent in 2015 and 2016 due to Thailand's poor economic outlook and increased competitiveness of pork in the first half of 2015.

Chicken meat exports for 2015 are estimated to grow by 6 percent to 580,000 metric tons (MT) when compared to 2014. About 70 percent of total exports in 2015 are expected to consist of cooked chicken meat products. Thai chicken meat exports are forecast to decline to 530,000 MT in 2016 in anticipation of reduced broiler production.

Production

Poultry, Meat, Broiler	2014			2015			2016			
Market Begin Year	Jan 2014			Jan 2015			Jan 2016			
Thailand	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	
										(Units)
Inventory (Reference)	0	0	0	0	0	0	0	0	0	(MIL HEAD)
Slaughter (Reference)	0	0	0	0	0	0	0	0	0	(MIL HEAD)
Beginning Stocks	100	84	100	81	0	82	0	0	88	(1000 MT)
Production	1570	1680	1570	1640	0	1650	0	0	1600	(1000 MT)
Total Imports	8	1	8	6	0	6	0	0	8	(1000 MT)
Total Supply	1678	1765	1678	1727	0	1738	0	0	1696	(1000 MT)
Total Exports	546	650	546	570	0	580	0	0	530	(1000 MT)
Human Consumption	1041	1040	1040	1075	0	1060	0	0	1080	(1000 MT)
Other Use, Losses	10	10	10	10	0	10	0	0	10	(1000 MT)
Total Dom. Consumptio	1051	1050	1050	1085	0	1070	0	0	1090	(1000 MT)
Total Use	1597	1700	1596	1655	0	1650	0	0	1620	(1000 MT)
Ending Stocks	81	65	82	72	0	88	0	0	76	(1000 MT)
Total Distribution	1678	1765	1678	1727	0	1738	0	0	1696	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)

Despite potential growth in export demand, Thai chicken meat production is forecast to drop by 3-5 percent in 2016 if the Thai authorities continue to ban imports of U.S. chicken genetics in 2016 as a result of High Pathogenic Avian Influenza (HPAI) status.

Thailand's import ban on U.S. live poultry and uncooked poultry products was implemented in late December 2014 when the first detection of High Pathogenic Avian Influenza (HPAI) in the U.S. poultry flock was reported. Thailand imported 557,426 chicks of grandparent stock (GP) in 2014. 412,706 chicks or three-quarters of total imports originated from the U.S. With these imports cut off in 2015 industry sources express concern that existing GP stocks will only be able to maintain the current level of broiler production until the first half of 2016. Therefore new GP replacement will be critical in 2016 in order to maintain broiler production.

Thai chicken meat production in 2015 is estimated to grow modestly by 5 percent from the 2014 level mainly because Saha Farm Group, which was closed for several months from May 2013 to March 2014, has built up its chicken production in 2015 reaching 2-3 million birds per week at the present time.

The Thai broiler industry has improved farming systems to mitigate food safety challenges and animal health concerns such as the Highly Pathogenic Avian Influenza (HPAI). In 2004, a HPAI outbreak caused considerable damage to the Thai broiler industry. Today, all integrated producers implement strict bio-security measures from farms to processing facilities. Nearly all broiler houses are equipped with evaporative cooling systems which reduce disease exposure and mortality rates. The closed-farming system has been instrumental in preventing a return of HPAI incidents.

In addition to effective disease control and surveillance programs, the industry has also utilized new technologies that have improved genetics, farm management, and feed nutrition. The average weight of fully grown broilers at slaughter is currently at 2.3-2.4 kilograms per bird, compared to 2.0-2.1 kilograms per bird in mid 2000s. The number of days it takes to raise one-day old chicks to market delivery, dropped to 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 a lower global price trend, domestic prices for corn in the first seven months of 2015 (January-July) firmed by 7 percent to 9.73 baht/kg ($274/MT) as compared to those in the same period of 2014. This was due mainly to import restriction through TRQ allocation. Meanwhile, prices for fishmeal escalated by 28 percent in the same period to 39.01 baht/kg ($1,099/MT) as a result of sharply lower production. On the other hand, prices for soybean meal dropped significantly by 17 percent to 16.46 baht/kg ($464/MT) in the first seven months of 2015 (January-July) in line with global soybean meal prices. See table 2. Trade sources reported that Thai feed mills have adjusted their feed rations in favor of soybean meal and imported less-expensive feed-grade wheat in order to keep feed costs as low as possible.

Prices for one-day old chicks dropped to 10.58 baht/bird (30 US cent/bird) in the first seven months of 2015 (January-July) from 18.21 baht/bird (51 US cent/bird) in the same period of 2014 due to increased supplies.

Altogether, these factors lowered average live broiler production cost in the first seven months of 2015 (January-July) to 35-36 baht/kg (45-46 US cent per pound) from 38-40 baht/kg (49-51 US cent per pound) in the same period of 2014 (Table 3). However, average sale prices for live broiler declined at a more degree, by 13 percent to 35.76 baht/kg (46 US cent/pound) in 2015 (January-July) from 41.30 baht/kg (53 US cent/pound) in 2014 (January-July). So far in 2015, integrated processors are in general only breakeven while most non-integrated processors face the losses due to their higher production costs.

As of August 2014, current average production costs stood at 36 baht/kg (46 US cents/pound). This is broken down as follows: day-old chicks (5 baht), feed (24 baht), vaccination and drugs (2 baht), and labor and other costs (5 baht).

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

Month	Corn 1/		∆ %	Soybean Meal 2/		∆ %	Fishmeal 3/		∆ %
	2014	2015	%	2014	2015	%	2014	2015	%
January	7.49	9.44	+ 26.0	19.14	17.98	- (6.1)	26.20	37.14	+ 41.8
February	8.43	9.39	+ 11.4	18.88	17.55	- (7.0)	30.92	39.83	+ 28.8
March	8.75	9.48	+ 8.3	20.15	17.19	- (14.7)	31.12	42.21	+ 35.6
April	9.20	9.55	+ 3.8	20.25	16.45	- (18.8)	33.93	42.74	+ 26.0
May	9.33	9.46	+ 1.4	20.03	15.85	- (20.9)	30.24	37.58	+ 24.3
June	10.23	10.05	- (1.8)	20.00	15.13	- (24.4)	29.74	36.70	+ 23.4
July	10.50	10.75	+ 2.4	20.84	15.10	- (27.5)	31.50	36.85	+ 17.0
August	9.87			19.05			37.70		
September	8.79			19.05			37.70		
October	8.28			18.50			36.47		
November	9.09			18.47			34.78		
December	9.21			18.45			35.45		
Average	9.10	9.73		19.40	16.46		32.98	39.01	

1/ Bangkok wholesale prices for corn at feedmill
2/ Bangkok wholesale prices for soybean meal derived from imported soybean
3/ Bangkok wholesale prices for fishmeal

Source: Thai Feed Mill Association

Note: US$1.00 = 35.50 Baht/kg as of August 25, 2015

Consumption

Despite softened prices for retail chicken meat in 2015, a worsening economic situation and lower prices for pork in the first half of 2015 will limit growth of domestic consumption to only 1-2 percent in 2015 and 2016. Average retail prices for boneless chicken breast meat for the first half of 2015 dropped by 5 percent to 79.38 baht/kg ($1.08/pound) compared to 83.16 baht/kg ($1.13/pound) in the same period in 2014.

Although recent trends have shown Thais moving toward a big-city lifestyle and away from traditional practices, particularly in Bangkok, most Thais still buy fresh chicken meat from traditional markets. This accounts for about 60-70 percent of total chicken meat sales domestically. 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 5 years.

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

Month	Wholesale Live Broiler (baht/kg)1/			Retail Chicken Meat (baht/kg)2/		
	2014	2015	% Change	2014	2015	% Change
January	40.80	38.10	-6.62	82.50	88.75	7.58
February	42.00	35.26	-16.05	82.50	77.50	-6.06
March	38.85	35.00	-9.91	83.45	77.50	-7.13
April	39.50	33.52	-15.14	83.50	77.50	-7.19
May	42.00	36.83	-12.31	83.50	77.50	-7.19
June	43.00	35.33	-17.84	83.50	77.50	-7.19
July	43.00	36.27	-15.65	86.36		
August	45.08			87.50		
September	44.69			87.50		
October	42.33			87.50		
November	40.24			87.50		
December	39.69			87.50		
Average	41.77	41.31		85.23	79.38	

Source: 1/ Thai Feed Mill Association
2/ Department of Internal Trade, Ministry of Commerce

Note: US$1.00 = 35.50 baht/kg as of August 25, 2015

Trade

Export Market Reopen

The EU lifted its ban on imports of Thai frozen uncooked chicken in July 2012 which was followed by Japan's ban being lifted in December 2013. A ban on Thai uncooked chicken was initiated in January 2004 when an outbreak of highly pathogenic avian influenza (HPAI) bird-flu was detected. In addition to the EU and Japan, countries that also have lifted their HPAI bans on uncooked Thai frozen chicken meat include the EU, Hong Kong, South Africa, Bahrain, Russia, United Arab Emirates (UAE), and Qatar.

Export Trend

In the first half of 2015, chicken meat exports (both cooked and uncooked) increased sharply by 19 percent to 297,086 MT as compared to 250,336 MT during the same period in 2014. Most of the increase was attributed to a growth in exports to the Japanese market. By product, the growth goes to uncooked products rather than cooked products. Trade sources report that Japanese importers prefer Thai products (both cooked and uncooked) to Brazilian products if prices for the products are close. However, Thai exporters are concerned that demand for Thai products may drop if the Brazilian currency continued to devalue. The Brazilian currency against U.S. dollar has depreciated by 30-33 percent since January 2015 while the Thai currency against U.S. dollar also devalued by much less only 7-8 percent. Japan and the European Union (EU) remained the major buyers, accounting for 47 and 40 percent, respectively of Thai chicken meat exports.

Exports to the EU market decreased for cooked chicken products (90,218 MT from January-June 2015 compared to 92,656 MT in the same period of 2014) but increased for uncooked chicken meat (29,559 MT against 9,041 MT). Thai chicken meat exports to Japan grew significantly in the first half of 2015 by 45 percent to 139,836 MT from 96,282 MT in the same period of 2014. This high growth is mainly attributed to exports of uncooked chicken meat, which increased to 40,348 MT from January-July 2015 against 14,397 MT in 2014.

Post estimates that total chicken meat exports for 2015 will grow by 6 percent to 580,000 MT compared to 545,532 MT in 2014. About 70 percent of total exports in 2015 are expected to consist of cooked chicken meat products.

Thai chicken meat exports are forecast to decline to 530,000 MT in 2016 in anticipation of reduced broiler production.

Export Prices and Products

Unlike 2014, overall export prices for nearly all cooked chicken products dropped as a result of increased competition among Thai exporters and from Brazil.

Export prices for steamed dice-shape-cut skinless boneless breast, a major export item to the EU, dropped from $5,000-$5,500/MT CIF in August 2014 to the current level of $3,500-4,600/MT while those for uncooked boneless breast meat shipped to the EU are also weakened from $3,400-$3,500/MT in 2014 to $2,700-2,800/MT CIF. Prices for cooked boneless chicken leg parts shipped to the Japanese market also declined by $900-1,100/MT to the current level of $3,900-4,100/MT CIF, while prices for uncooked frozen boneless breast kirimi (block) dropped by $600-700/MT to $2,700-2,800/MT.

The bulk of the chicken products used for exports 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 since the 2014 report. 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. 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. Thailand has used its entire EU cooked chicken meat quota since 2008.

In March 2013, the EU granted Thailand an 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. In-quota import tariff rates are 10.9 percent while the out-of-quota rate is €2,765/MT.

Stocks:

Thailand's chicken meat carryover stocks are estimated to be about 80,000-90,000 MT in 2015 and 2016, with the same level expected in 2016.

Policy:

Thailand's poultry policy has not changed from the last report. Thailand is a highly protected market and the government picks and chooses what type of poultry meat is allowed for import. U.S. chicken meat products are practically banned through non-transparent import permit control (potential importers are unable to get them issued). In addition 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 (10 baht/kilogram or approx. US$317/MT) are employed to protect the domestic market.

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 limited.

Thailand normally allows U.S. uncooked turkey meat to enter the Thai market. The size of turkey market in Thailand is about $1.5 million annually, nearly all of which is of U.S. origin. However, due to the HPAI outbreak in 2014, Thailand bans U.S. uncooked turkey meat.

Under Thai regulations, any imported uncooked meat products are subject to pre-shipment plant audit. However, Thailand has agreed to accept a system-approach audit of U.S. turkey production. Unfortunately, due to the emergence of HPAI outbreak in the U.S., this system audit has been delayed.