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Thailand

Poultry and Products

Updated Situation for the Thai Poultry Industry

2007

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Report Highlights:
Broiler production is expected to be relatively flat in 2007, despite increases in domestic consumption and export demand. Broiler processors are struggling with oversupply.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Executive Summary

Thai broiler production should be relatively flat in 2007. The Thai broiler industry is currently struggling with business losses in 2006 and unfavorable market conditions in early 2007. Nearly all integrated broiler processors are now reducing their chick production, from 18-19 million birds per week in late 2006 to 16-17 million birds per week. However, the reduced chick production in early 2007 should be offset by a possible bounce back to 18-20 million birds in the second half of 2007.

The Royal Thai Government (RTG) confirmed the reappearance of HPAI disease to the OIE on January 15, 2006. The first outbreak case appeared in 130 Khaki Campbell ducks from a free-range farm in Phitsanulok Province. As of March 3, 2007, there have been outbreaks in Nong Khai and Ang Thong Provinces. None of the outbreaks reportedly affected commercial broiler farms.

Both consumption and export should continue to grow, but at a slower pace than the past. Consumption should grow 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. Exports should continue to grow to both Japan and the EU.

Section I: Situation and Outlook

Production Trend

Thai broiler production should be flat in 2007. The Thai broiler industry is currently struggling with business losses in 2006 and unfavorable market conditions in early 2007. Relatively high stocks at the end of 2006 created an oversupply situation in the Thai broiler industry over the first two months of 2007, causing depressed prices for day-old chick and live broilers. Nearly all integrated broiler processors are now reducing their chick production, from 18-19 million birds per week in late 2006 to 16-17 million birds per week. However, the reduced chick production in early 2007 should be offset by a possible bounce back to 18-20 million birds in the second half of 2007.

According to trade sources, all integrated broiler processors faced losses from depressed prices for chicks and broilers in 2006. Prices for live broilers have dropped sharply from 33 baht/kg (approx. US$ 0.40/pound) in December 2006 to 20-22 baht/kg (US$ 0.26/pound) in mid February 2007. The prices for day-old chicks have fallen from 10-12 baht/bird to 6-7 baht/bird in a relevant period.

Furthermore, prices for corn, a major feed ingredient, are skyrocketing and driving production cost of live broiler up to 29-30 baht/kg. Last year production costs hovered around 27 baht/kg, representing a cost increase of more than 10 percent in just one year. These increased production costs could further hamper production growth as the industry works to bring their supply situation in line with demand.

HPAI and Broiler Production

High Pathogenic Avian Influenza (HPAI), H5N1 type, has hit Thailand periodically since January 2004. Both relevant government offices and integrated broiler processors claim that the broiler farms, especially broiler farms belonging to integrated producers, have never been infected by the HPAI thus far. They believe that the prevailing stringent biosafety surveillance and controls has effectively prevented their farms from being affected by HPAI.

HPAI and Vaccination

AI Vaccination is prohibited in Thailand. However, a high-level official in the Thai Ministry of Agriculture and Cooperatives (MOAC) recently cited that the RTG might apply HPAI vaccinations as a backup measure to control the AI outbreaks in the near future. He also added that the RTG is now only under a preparation process because the current outbreak situation is not so severe that the vaccination is needed. According to the proposal, vaccination will be adopted only if the severity of outbreak reaches level 3. According to the Department of Livestock Development (DLD)'s classification, the level 1 designation refers to outbreaks reported in one sub-district which occur sporadically in different plots of the area; level 2 to outbreaks reported in no more than 3 sub-districts and could be contained within one week; level 3 to outbreaks reported in 3-8 sub-districts and remain more than 2 weeks; and level 4 to outbreaks reported in more than 8 sub-districts and remain more than 2 weeks. The DLD plans to set up HPAI vaccine production facility in its existing vaccine plant in Pakchong District, Nakhon Ratchasima, about

170 kms northeast of Bangkok. This official also stressed that the vaccine use will be limited to seriously disease-affected spots and under a stringent control to avoid any repeated disease infection and/or mutation.

Trade sources reported that a change in the RTG's strategy from "no vaccination" to "possible vaccination" may be stirred by the fact that illegal vaccines are widely used in layer farms and fighting cocks and that the outbreak is still reoccurred in spite of a stringent disease control of segregation and stamping out.

HPAI Situation

The RTG confirmed the reappearance of HPAI disease to the OIE on January 15, 2006. The first outbreak case appeared in 130 Khaki Campbell ducks from a free-range farm in Phitsanulok Province. As of March 3, 2007, there have been a few additional outbreaks in Nong Khai and Ang Thong Provinces. None of the outbreaks reportedly affected commercial broiler farms.

The DLD continues to impose the same disease surveillance and control measures as in past years, including poultry depopulation, disinfection of affected premises, screening by cloacal swab sampling in a 5-kilometers radius of the infected farm, control of movement in a 10-kilometers radius of the infected farm, and extended intensive screening and control (called X-ray campaign).

The previous outbreak occurred during July 24-August 2, 2006 in Pichit and Nakhon Panom Provinces. The DLD reported that there was no epidemiological link between the outbreaks in these two provinces. The outbreak in Pichit was caused by Thai-Vietnam strain, the same viral strain as occurred in Thailand since 2004, while the outbreak in Nakhon Phanom was caused by the Southern China strain.

According to the DLD, overall disease control measures conducted in 2006 are as follows:

- Stamping out of animals in affected premises with 75% compensation (393,430 birds destroyed)
- Disposal of carcasses and eggs, and infected/risk materials (e.g., litter, feed, egg flats, etc)
- Disinfection of affected premises, all infected/contaminated materials and other risk materials
- Quarantine and movement control
- Nationwide active clinical surveillance and notification for implementing disease control once a case is suspected according to the current AI case definition
- Intensive surveillance (known in Thailand as "The X-ray Campaign") for 3 rounds in all at-risk areas during 1-28 February, 1 June-31 July, and 11-30 September 2006 (145,978 samples collected)
- Routine sampling prior to movement (a total of 522,072 cloacal swabs were collected between January and October 2006
- Poultry restocking in the affected areas cannot be carried out until 90 days after the completion of disinfection
- Ongoing long-term campaign on biosafety improvement

- Restructuring of free-grazing ducks to a housing system, registration and flock identification for 7,333,987 birds of 3,109 owners
- Registration of fighting rings/arenas (2,400 holdings were listed)
- Identification of fighting cocks (248,877 birds of 107,163 owners were registered)
- No AI vaccination allowed

Consumption Trend

Trade sources are concerned that a decline in retail pork prices in early 2007 and an anticipated slowdown in economic growth may affect domestic consumption to some degree. However, domestic chicken meat consumption in 2007 should increase due to improved consumer confidence in the safety of cooked chicken and relatively competitive prices of chicken meat against other meats.

Average domestic prices for live broilers in 2006 (Jan-Dec) dropped by 11 percent over the 2005 level to 25.12 baht/kg (approx. 31 cents/pound) due mainly to a surplus in live broiler supply. Average retail prices for chicken boneless meat in Bangkok in 2006 (Jan-Dec) also decreased 2 percent to 66.60 baht/kg (82 cents/pound) from the 2005 level.

Export Trend

Thai broiler meat exports in 2007 are forecast to grow by 7 percent from the 2006 level to at about 280,000 tons. Japan should continue to import more cooked chicken meat from Thailand in 2007 while the EU market will also rise further after the EU has a clear-cut adoption of its new tariff-rate-quota for chicken meat imported from major suppliers like Thailand and Brazil.

In November 2006, the EU concluded an agreement on a new regime for imports of salted poultry meat and cooked chicken meat into the EU (As discussed in GAIN TH6123). The agreement modifies the current bound tariff rate concessions for the three items in question and creates three new tariff rate quotas, in conformity with GATT Article XXVIII.

Under the agreement, Thailand will receive 92,610 tons, out of total quota of 264,245 tons, for salted poultry meat (EU HS code 02109939). The in-quota tariff rate is 15.4 percent while the out-of-quota rate will be 1,300 €/ton. Quota for cooked chicken meat (EU HS code 16023219) for Thailand will be 160,033 tons, out of total quota of 250,953 tons, and in-quota imports from Thailand will be subject to 8 percent. The out-of-quota rate for cooked chicken meat is 1,024 €/ton. There is no agreement on turkey meat as Thailand is not an exporter of this product.

The Thai poultry industry is satisfied with the outcome of the quota negotiations. Trade sources in the Thai Broiler Processing Exporters Association strongly believe that Thai exports of cooked chicken meat to the EU should continue to grow in the next few years, regardless the current EU import regime that has no control on amount of imports or the new Tariff-Rate-Quota (TRQ) import regime. In the meantime, Thai exporters will enjoy lower import duties.

Thailand will benefit from their quota allocation of 92,610 tons for salted poultry meat products once they are able to meet the EU requirement regarding Highly Pathogenic Avian Influenza

(HPAI). Once this requirement is met, Thailand would be able to resume exports of uncooked chicken meat (including salted poultry meat) to the EU again.

Compartmentalization and Export Prospect

Thailand has made an effort to convince major importing countries, i.e., Japan and the EU, to accept the compartmentalization practice to let Thailand be able to export raw/uncooked chicken meat to these markets again, regardless the country status of Avian Influenza disease. Compartmentalization is a new concept, initiated by the World Animal Health Organization (OIE), and is based on the epidemiological consideration of livestock or on integrated production system. This concept is developed to facilitate safe and fair international trade. According to trade sources, the RTG has been unsuccessful in convincing trade partners, such as the EU and Japan, to adopt a policy of compartmentalization as a basis for export eligibility.

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**

(MIL HEAD)(1000 MT)(PERCENT)

	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
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	140	140	140	63	63	63	53	53	90	(1000 MT)
Production	950	950	950	1050	1050	1100	1100	1100	1100	(1000 MT)
Whole, Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Parts, Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Intra-EU Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	1090	1090	1090	1113	1113	1163	1153	1153	1190	(1000 MT)
Whole, Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Parts, Exports	240	0	240	280	0	261	280	0	280	(1000 MT)
Intra EU Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Exports	240	0	240	280	0	261	280	0	280	(1000 MT)
Human Consumption	767	730	767	770	770	802	810	810	848	(1000 MT)
Other Use, Losses	20	20	20	10	10	10	10	10	10	(1000 MT)
Total Dom. Consumption	787	750	787	780	780	812	820	820	858	(1000 MT)
Total Use	1027	750	1027	1060	780	1073	1100	820	1138	(1000 MT)
Ending Stocks	63	63	63	53	53	90	53	53	61	(1000 MT)
Total Distribution	1090	813	1090	1113	833	1163	1153	873	1199	(1000 MT)
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
CY Exp. to U.S.	0	277	0	0	280	0	0	280	0	(1000 MT)
Balance	0	-277	0	0	-280	0	0	-280	9	(1000 MT)
Inventory Balance	-77	-77	-77	-10	-10	27	0	0	-29	(1000 MT)
Production Change	6	0	6	11	11	16	5	5	0	(PERCENT
Import Change	-100	0	-100	0	0	0	0	0	0	(PERCENT
Export Change	29	0	29	17	0	9	0	0	7	(PERCENT
Trade Balance	240	0	240	280	0	261	280	0	280	(1000 MT)
Consumption Change	18	0	18	-1	4	3	5	5	6	(PERCENT

Note: FAS/Bangkok began to use official export data released by Thai Department of Customs. As a result, the figures may differ from those reported by other sources, including Thai Broiler Processing Exporters Association.

End of Report.