



The Poultry Sector in Thailand

Thailand is the second economy of Southeast Asia and one of the world's leading producers of agricultural commodities. Its poultry industry is the largest in the region and is home to major Thai and foreign players. The country's poultry production is expected to further increase in the coming years, providing interesting business opportunities for Dutch providers of technology and expertise.

Thailand has a population of almost 70 million people and is strategically located to markets in the region and beyond. Its membership of the Association of Southeast Asian Nations (ASEAN) provides businesses in Thailand the advantages of the ASEAN Economic Community, a single market of over 600 million people covering ten countries in the region. The natural resource abundant country has developed itself into a major player in the global food processing industry, hosting more than 9,000 food-processing companies, including some of the region's largest companies. To safeguard Thailand's position as a world leader in the agri food industry and to position itself as the 'Kitchen of the World', the Thai government promotes the implementation of international standards on hygiene and food safety and aims to increase the implementation advanced technology.

Over the past four decades, Thailand's poultry sector has transformed itself from backyard farming into a leading poultry exporter. One of the main factors for its success is the fact that poultry is the cheapest source of animal protein with a relatively short lifetime, thereby minimizing costs. Today, the poultry sector occupies more than half of Thailand's total meat and feed production, ranking number four in Asia's poultry meat production with a total of almost 1.8 million tons in 2015, which is expected to increase 5% in 2016. Due to a potential growth in export demand and an anticipated increase in chick production capacity, Thai chicken meat pro-

duction is forecast to further increase from the 2016 level by 5-7% in 2017. Brazil and the US are Thailand's main competitors, mainly due to the lower production costs.

Export trends

Approximately 70% of the total poultry production in Thailand, 1.2 million tons in 2015, is consumed domestically, whereas 30% is exported. Due to Thailand's growing tourism industry and gradual economic recovery, domestic consumption of chicken meat is expected to increase by 4-5% in 2017, from around 670 million tons in 2016. Thailand accounts for almost 15% share of 76 million hen and duck eggs production (2013).

Thailand's largest poultry export markets are the EU and Japan. Other export markets include Singapore, Malaysia, and South Korea and Hong Kong, but these are far less big in size. Due to the lower price, traditional culture and - in particular for Malaysia and Indonesia - religious reasons, the main protein source in Southeast Asia is poultry. Only Vietnam and Philippines consume pork as the main source of protein.

According to Thailand's Office of Agriculture Economics exports are expected to grow further in the coming years due to the strong

demand. Both cooked and uncooked chicken meat exports, increased by 11% to 355,000 tons over the first half of 2016. However, uncooked products export growth reached 14%, while cooked products only increased by 6%. It is expected that in 2016 cooked chicken meat products will make up around 70% of total chicken meat export.

The growth in exports to the EU market is relatively limited due to the EU quota allocated to Thailand, increased competition from producing countries in Eastern Europe and the slow economic recovery on the EU market, accompanied by the depreciation of the euro. As a consequence, export to the EU only increased 5%, compared to 11% growth in exports to Japan and 6% to other countries. In the first half of 2016, from January to June, Thai chicken exports to the EU accounted for 31%. This is 2% lower compared to the same period of 2015. Meanwhile, Japan accounts for 48%, up from 47% for the same period in 2015.

Thailand is the third biggest producer of hen and duck eggs in Southeast Asia, after Indonesia and Malaysia. Egg production reached 11.7 billion in 2014, while the demand for eggs was approximately 11.6 billion, leaving 100 million eggs left in the market. These could possibly be exported to other parts of the Southeast Asian region, in particular Singapore and Hong Kong.

In parallel to the demand for broiler meat, the demand for feed is expected to increase in the coming years. The largest Thai companies are usually fully vertically integrated companies with their own feed production. In addition, there are stand-alone companies active in the feed industry as well, both foreign and locally owned.

Main market players

According to the Thai Broiler Processing Exporters Association, there are more than 40 players active in the Thai poultry industry. Integrated commercial farms or large to medium commercial farms make up only around 20% of these market players. In terms of production volume, Charoen Pokphand Foods (CPF) Thailand is the largest company, accounting for 29% of total production, followed by Betagro, Saha Farm, Laemthong, Thai Foods Group and GFPT.

On the Thai market, Thai Foods Group is market leader with a mar-



ket share of around 17.8%, followed by CP, Betagro and Laemthong. The remaining part is coming from local farmers.

Thailand's poultry export production is dominated by five companies which are responsible for 70-75% of the total export production. According to the Thai Broiler Processing Exporters Association the largest are CP, Betagro, Saha Farm, GFPT and Cargill. Moreover, most of these companies have implemented fully vertically integration farming.

There are a number of major foreign companies active in the Thai poultry sector. One of them is Cargill, a fully integrated poultry processing business with locations in Saraburi and Korat. It produces a wide range of fully-cooked, frozen chicken products, with more than 80% of its products exported to Japan, Europe, Canada and Hong Kong. Cargill is currently expanding its business by investing 50 USD million in its poultry processing facility located in Nakhon Ratchasima province in Thailand, thereby creating 1,400 more jobs. Ajinomoto (Japan) specializes in frozen food from chicken meat and animal nutrition, which can be used as an additive for feed. Nipponham is another Japanese company producing a variety of food including fresh meat. Other foreign businesses operating in Thailand are Invivo (France), Cheil Jedang (Korean) and BRF (Brazil).

The major broiler producing provinces can be divided into different groups. The first group include the key provinces Nakorn Ratchasima (or Korat), Buriram, Surin, Prachinburi and Lopburi. The second group includes Chonburi, Chachoengsao and Ayudhaya in the Central and East region. Recently, broiler production has been expanded to the eastern provinces Saraburi and Suphanburi in the Central West. Moreover, Chachoengsao, Ayudhaya and Nakorn Nayok are also the major producing provinces on layer for hen egg production.

Challenges & opportunities

The Netherlands is already a longstanding partner in the Thai poultry industry, supplying day old chicks and hatching eggs, machinery, feed and food supplements. Business opportunities for Dutch companies in the Thai poultry industry can be found in providing equipment and technology for the whole supply chain process. This is particularly true for automated systems, food safety, animal wel-

fare and reducing the environmental impact.

Automation

Much of the work, especially for cutting, is still done manually despite the automated processes in most export orientated companies in Thailand. This does not only have consequences for food safety and quality of the poultry, but also increases financial risks due to rising salaries. Beside a financial issue, labor issues also include difficulties in finding workers, having to invest in training. Dutch equipment and technology can help improving the production and manufacturing process.

Food safety

As mentioned above, the Thai poultry sector suffered from a widespread outbreak of Avian Influenza in 2004. Since then, Thailand's exporting companies have implemented food quality and food safety standards by providing pre-catching tests and post-catching tests to guarantee freedom of disease in broilers. Moreover, Thai exporters have introduced a traceability system for the complete production process from feed to end product. Higher food quality and safety standards have also been applied to those who produce for the local market. The Thai Department of Livestock Development is the competent authority to the strict enforcement of the law and regulations around food safety standards.

Another challenge is the reduction and control of microbial contamination, especially of *Campylobacter* and *Salmonella*, in raw poultry meat. Reducing the initial amount of microorganisms in the beginning of the process and implementing temperature controlled transportation are important measures. Other challenges relate to the animal welfare practices, environment and equipment.

Animal welfare

In recent years, animal welfare practices and technology have become extremely important in many western countries. This includes the living conditions of animals and the use of antibiotics and growth hormones. Many Thai companies have already started to implement regulations on this matter; however, in term of compartmentalization, Thailand is still quite vulnerable in terms of compartmentalization.

Dutch businesses have a lot of expertise in the rearing of slow growing chickens with higher animal welfare standards than required. This new technology may be important for the Thai poultry exporting companies if they want to keep exporting to the EU market if the labeling for all imported meat products is implemented.

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Supermarkets are likely to continue their practice of selling meat from slow breeds only and European consumers are prepared to pay more for meat from better raised animals.

Environmental considerations

One of the key economic and environmental advantages for the poultry industry in Thailand is that the majority of the raw material for the poultry feed can be sourced locally, except for soybeans and feed additives. Since feed remains the highest costs for the production of the end-product and soy beans still have to be imported as a raw material, the current developments in the Netherlands related to feed from algae can contribute for costs and environmental impact reduction. This is in line with the global trend to use more naturally derived feed additives and supplements to reduce the chemical and pharmaceutical usage.

Big export orientated poultry farmers in Thailand, such as CP and Betagro, work under ISO 14001, use a biogas reactor to extract energy from organic waste and use CHP plants at their sites. These are already great developments; however there is still room for improvement.

Relevant trade fairs

A wide variety of regional and domestic trade fairs is organized in Thailand throughout the year. At several of these exhibitions, the Netherlands Embassy organizes events, such as a Holland pavilion or networking event. Please contact us for more information on relevant trade fairs and Embassy events.

Relevant trade fairs in Thailand include:

- [VIV Asia 2017](#)
Bangkok, 15-17 March 2017
- [Thaifex and World of Food Asia](#)
Bangkok, 31 May – 4 June 2017

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