

Thailand: Food Exports Soaring

Thailand's Food Industry



Thailand should be referred as "the kitchen to the world" for the Kingdom is among the world's top five food exporters and a top exporter of rice, sugar, cassava, and canned pineapples. The country also is ranked among the top ten exporters of seafood, canned tuna, frozen shrimp and frozen chicken, with agricultural exports accounting for roughly 11% of total exports. Accordingly, with an escalating trend in food exports, the Government is set to transform Thailand into Asia's largest food trade and distribution center. The Ministry of Commerce aims to target new potential markets, particularly ASEAN, China, India, Russia and Africa.

Agro-business Sector



Source: National Food Institute 2012

The food processing industry grew rapidly over the years, with increased market demand and the importation of new and advanced technologies. From the 1990s through the present time, there has been a greater emphasis on the quality, hygiene, sanitation, food safety, wholesomeness, lowered production costs, value-addition and adherence to environmental regulations in the Kingdom, in response to international competition and demand. Equally significant, Thailand was the first country in Southeast Asia to adopt agriculture biotechnology.

Currently, the Kingdom boasts approximately 10,000 food processing companies which employ more than 900,000 workers and is a food production and distribution hub for the rest of the region - the industry is growing at the

rate of 9% per year. About 80% of the food is cultivated and processed in Thailand.

Unilever, Cargill, Coca-Cola and Dole are among the major foreign food processing companies with plants in the country. Furthermore, the Kingdom's food processing sector is heavily export-oriented with more than 50% of production sold outside the country. In fact, in 2012, the Kingdom made close to US\$25 billion from its food exports, mainly to ASEAN countries, the USA, Japan, China, Russia and the European Union.

The Thai food industry can be divided into 4 major categories: Primary agricultural products, Livestock and Poultry, Fisheries and Processed foods.

Thailand is the only net food exporter in Asia and has the capacity to produce far more than its population consumes. Thai food exports exceed imports by a broad margin. Over the past three decades, Thailand has successfully harnessed innovations in agricultural research and technology to develop a vibrant and dynamic agricultural sector. Accordingly, through technology transfers and a combination of perseverance and aggressive determination on the part of the Thai private sector, food production for export has flourished. Moreover, all indicators point to a continuance of the industry's upward trajectory into the future.

At the moment the Kingdom's agriculture sector is being overhauled and the Government plans to roll out a zoning initiative as part of a two-pronged bid to optimize crop production and reduce expenditure on price-support schemes. Under the proposals, farmers will be handed incentives for planting crops best suited to their locations, while others who choose not to will lose their subsidies. The initiative covers six of Thailand's staple crops - rice, tapioca, sugar cane, maize, rubber and oil palm. Combined, these staples account for about half of agriculture's GDP, generating incomes millions of farmers and seasonal agricultural laborers. Indeed, agriculture makes a significant contribution to Thailand's economy - around 9% of GDP.

It is worth mentioning that the abundant natural resources of the Kingdom play a central role in its comparative advantage among its competitors in the food processing industry; 80% of the raw materials in domestic food manufacturing are locally available. The country's tropical climate, crop-friendly soil, and plentiful rainfall, optimized by the introduction of technology and the robust implementation of international standards of food safety and hygiene, will help Thailand remain a world leader in the food processing business.

Likewise, the Thai Government and industry initiatives have helped Thailand's processed food industry upgrade its procedures and technologies so that its products meet international quality and sanitation standards, thus making them more competitive in the global marketplace. These initiatives have been so successful that processed food exports now exceed primary agricultural exports.

Furthermore, Thai food processors are successfully developing new frozen food products to keep up with shifting tastes in their overseas markets. In 2012, Thailand exported 438,884 tons of ready-to-eat (RTE) food and food ingredients valued at US\$1.020 billion - a 6.8% increase over the previous year. Thai RTE food is gaining popularity around the world as other countries grow accustomed to Thai quality, nutrition, and taste. Additionally, sauces and curries are enjoying remarkable success in overseas markets. Major export markets currently include Japan, the USA, Philippines and Cambodia.

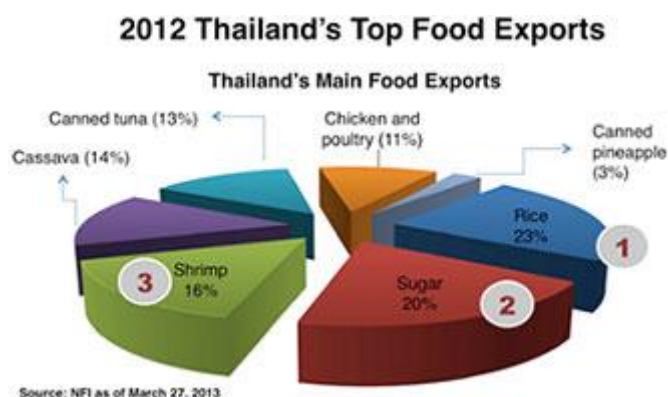
Although most processed food products are meant for international distribution and sale, the domestic consumption of processed food continues to grow due to changes in lifestyles that have brought about increased demand for convenient food options. These processed food products are available in a wide variety of venues, most notably major Thai supermarkets such as Tesco-Lotus, Makro, The Mall Group, Big C, Foodland, and Tops. In addition, the Kingdom hosts a multitude of major Thai and multinational industry leaders like Nestle, Saha Pathana Inter Holding, Patum Rice Mill & Granary, Royal Friesland Foods NV, Thai Union, Charoen Pokphand Group, Betagro, Saha Farms, Thai Beverage, Kellogg's, Kraft, PepsiCo, Del Monte, Procter & Gamble, Ajinomoto and Effem Foods.

The utilization of new technologies and improvements in hygiene, safety, quality and efficiency, have all become prerequisites for global competitiveness. Significant investments in research and development are in place to safeguard the Kingdom's leading position in the food processing industry. Companies are allocating more resources in areas such as yield improvement, product diversification and specialized packaging, while the Thai Government assists by drafting and implementing policies that are favorable to the industry. Sustainability issues such as carbon footprint and cultured raw materials also are being considered to mitigate the effects of new trade burdens and non-tariff barriers.

Thai food processors have demonstrated a penchant to upgrade and maintain the country's edge in both the food processing and packaging sectors. Most of the major food processors in Thailand use imported machines and accessories and turnkey facilities from abroad in their production lines. Food processing and packaging equipment imported to Thailand are utilized primarily for the processing of the meat and poultry, dairy, and fishery products as well as fruits and vegetables. In general, foreign suppliers serve the larger export-oriented food processors, while local manufacturers serve the smaller domestic-oriented food manufacturers.

Countries that are key suppliers of food processing and packaging equipment to Thailand are Japan, China, Germany, South Korea and UK.

An interesting fact is that Thailand today is the sixth largest halal food exporter in the world. The domestic halal food market in Thailand grows significantly each year. Presently, there are 3,500 facilities in Thailand involved in halal food production. Moreover, the Thai Government is developing Pattani, one of the southern border provinces, into a halal industrial center.



Demand for halal food has increased tremendously during the last few years. It must be pointed out that the halal goods and services are currently valued at US\$1.323 trillion in global food value. In Thailand, exports of halal products amounted to US\$4.8 billion in 2011, a sharp increase from US\$333 million in 2010. More than half of the exports went to Indonesia, Malaysia and Brunei. Thailand ranks first for halal exports among the ten member countries of ASEAN.

As the global Muslim population continues to grow, the halal market is set to expand rapidly to meet the demand. Thailand's exports of halal food are predicted to grow by at least 10% annually through 2014. The major export markets for Thai halal food are Singapore, Malaysia, Indonesia, Brunei, the UAE, Saudi Arabia and Egypt. As the country with the largest Muslim population in the world, Indonesia is a particularly attractive market. China, with a Muslim population of 30 million, is emerging as a potentially lucrative market for Thai halal food products. Apart from China, Thai halal food entrepreneurs are seeking business opportunities in Mongolia, Russia, Kazakhstan, Kyrgyzstan and Pakistan.

Halal food accounts for 20% of global food exports, and supply is inadequate to meet demand in the world's growing Muslim population.

Asia harbors tremendous opportunities for food processors. Demand for agricultural produce and processed food from Japan to the Middle East and from Central Asia to New Zealand will experience substantial growth as populations and incomes expand. For instance, on a global level, the retail market value of packaged food is predicted to swell by around 10% by 2015. In line with global consumer trends, the local Thai market for packaged food products also is experiencing significant enlargement. As lifestyles continue to change, convenient and ready-to-eat processed food products will become increasingly popular. Overseas demand is expanding as well.

Similarly, the market for food machinery and packaging equipment has been driven by the advancement of the general food processing sector. Leaders in the Thai food processing industry are constantly developing cutting-edge technologies to keep up with increasing global demand. For example, the introduction of the GMP (Good Manufacturing Practices, which is a mandatory measure for 54 types of food products) standard in 2003 has brought a notable surge in the volume of GMP-level equipment purchased by Thailand-based firms. The market of food processing and packaging equipment in Thailand has soared in the past 15 years. In Thailand, US\$486.63 million was spent in 2012 on importing machinery into Thailand for the packaging of agricultural products, and US\$37.42 million was spent on machinery for the preparation of meat and poultry.

The Board of Investment of Thailand offers a wide range of fiscal and non-tax inducements for investment in the food sector. These incentives include exemption or reduction of import duties on machinery and raw materials, as well as corporate income tax exemption and reduction. Moreover, the BOI can offer up to 8 years of corporate income tax exemption. Non-tax incentives include facilitation regarding the entry and travel of expatriates and the right to own land.

As one of the world's largest producers and exporters of processed food items, Thailand hopes its abundant natural resources and ample R&D combined with its investments in meeting international quality standards will turn the Kingdom into the premier "kitchen to the world".

