



AGRICULTURE SECTOR BRIEF

THAILAND



Country Overview



Comprising an area of 514,000 km² in South East Asia, Thailand extends almost two-thirds down the Malay Peninsula. It is bordered by Lao PDR, Cambodia, Malaysia and Myanmar, as well as the Gulf of Thailand, with a total boundary length of 8,082 km.

Thailand is regarded a newly industrialised country, the 8th largest economy in Asia. Thailand is usually around the 35-40th most competitive nation according to the World Economic Forum's global competitiveness ranking, among the 140 countries rated in the report. The industrial and service sectors are the main contributors to Thai gross domestic product (GDP), with the former accounting for 39.2%. Thailand's agricultural sector produces 8.4% of the GDP, lower than the logistics or communication sectors. The economy of Thailand is highly dependent on exports.

In 2020, the economy is projected to contract sharply as the pandemic suppressed household spending and heightened uncertainty hit fixed investment. Exports were hit hard by subdued external demand, while the prolonged nature of the viral outbreak amid stubbornly high global infection rates is a key risk to the outlook. Experts project the economy to contract 6.3% in 2020, before growing 4.6% in 2021 again.

Thailand was one of the countries with the lowest unemployment rates in the world, and just below the onset of the coronavirus pandemic, it was reported to be under 1%. But due to a large proportion of the population working in subsistence agriculture and in other vulnerable sectors, recent turmoil caused by the COVID-19 pandemic, has hit Thailand both economically and socially.



SOME IMPORTANT FIGURES, BEFORE THE COVID-19 CRISIS:

Indicator	 Population (million)	 GDP per capita (USD)	 Economic growth (GDP annual variation, %)	 Inflation rate (%)	 Trade balance (billion USD)	 Exports (billion USD)	 Imports (billion USD)
2016	67.5	6,132	3.4	1.1	35.8	213	178
2017	67.7	6,745	4.1	0.8	32.6	234	201
2018	67.8	7,454	4.2	0.4	22.4	251	229
2019	67.9	8,021	2.4	0.9	26.6	243	216

Sector Overview



The agriculture sector in Thailand is highly competitive, well-diversified and specialised, and export oriented. More than a decade ago, Thai agriculture was globally outstanding in competitiveness, ranked 13th by the World Economic Forum in 2006, but lost its momentum due to several, often parallel trends and constraints:

- **The middle-income trap:** The global competitiveness of Thai agriculture is squeezed from one end by wealthier agri-exporters, such as the USA, Australia and Japan, and on the other by poorer, developing countries like Viet Nam or Cambodia. The first group can install modern farming technologies, thus increasing efficiency, while the other can increase their exports by achieving lower prices, due to lower labour costs. At the moment, Thailand has adopted most of the modern technologies required to maintaining their current production, but more innovation is needed to advance forward. To take this stride, the government has adopted the Thailand 4.0. initiative, which includes some ambitious targets for agriculture, including increasing farmers' average income from THB 56,450 to THB 390,000 in 20 years. One of the technological advances mentioned is embracing precision farming.
- **Labour shortage:** Even though nearly 40% of the population still work in agriculture-related jobs, the rapid development of the industrial and service sectors, including tourism and industrial subcontracting, has caused serious labour shortages in particular segments and regions.
- **Effects of climate change:** Global climate change is not a scenario of an imaginative future, but everyday experience in the agricultural sector in Thailand. Central and South Thailand often suffer from extensive droughts and heatwaves, often in the same years as rapid floods and too much rain. Some projected effects are that continued heavy rain may damage the roots of cassava plants in the north, while a decrease in rain might damage cane sugar and rice in the central region. Temperature and quality changes of water may lead to a reduction in the viability of livestock due to heat stress, lower survival rates of new born animals, and immune system impacts.

Thai agriculture is dominated by smallholders, and most Thai farmers own fewer than 50 rai of land (1 rai = 0.16 hectares), although there are large companies as well, both local and international.

International trends have also developed in Thai agriculture in the last decade, with positive results:

- **Organic farming:** Thailand has yet to reach the global average of 1.5% organic certified farmland compared with total arable land, but over the past decade, the domestic sales of organic food grew by 7%, compared with less than 5% for conventional food. It is expected that organic farming will be a significantly growing segment in the agriculture for the next five years.
- **Switching to niche products:** Countries with access to advanced technology and suitable climate, similar to Thailand, will more likely switch to niche products like tropical fruits, herbs and spices. The Thai government is encouraging smallholders to change from rice production to more added value crops, fruits and vegetables.

Major products and segments - crops

Rice

Rice is a cornerstone not only of the Thai agriculture, but the country's rich history and tradition. Rice production still represents a significant portion of the economy, and labour force. It is estimated that of the 40% of Thais who work in agriculture, 16 million of them are rice farmers. In an average year 12–13% of all farm production is rice. Currently, Thailand has the 5th largest amount of arable land used for rice cultivation, and ranks 2nd in total export, with nearly 20% of the global rice export. There are somewhat contradictory trends about increasing the available land for rice production and encouraging farmers to switch to more value-added crops from rice. Jasmine rice (khao hom mali), a higher quality type of rice is the strain most produced in Thailand, although only 3 provinces are regarded as suitable for this type. Jasmine has a lower crop yield than other types, but fetches often double the price of other strains.

Climate change has, and will continue to harm rice yields. A study from Japan found that grain yield declines when the average daily temperature exceeds 29 °C (84 °F), and grain quality continues to decline linearly as temperatures rise.

The Thai government had been investing efforts and money into irrigation, infrastructure, and rice development projects. The World Bank has also financed large projects such as dams, canals and the Greater Chao Phraya Project. Policies preferring small farmers stimulated technology improvement, and most of the small farms were mechanised.

Sugarcane

In 2010 the Thai government initiated a programme to encourage rice farmers to switch to growing sugarcane, and offered cash subsidies as well. A limit was also set for the number of processing plants, while processing itself was heavily subsidised. This project was successful, and as a result, sugarcane plantations in Thailand increased from 9.5 million to 12 million rai by 2019. It is estimated that sugarcane can provide 2.5–3 times more income to farmers.

Vegetables, fruits and nuts

Thailand is a large exporter of vegetables, fruits and nuts, and in 2019, exports totalled US\$ 2.1 billion. The record year was 2016 with more than \$2.4 billion, but for many other ASEAN countries, Thailand is still the most reliable source of greens. The country is a leading producer and exporter of tropical fruits, such as durian, mangosteen, rambutan, longan, salak and langsat.

Major products and segments - industrial crops

Palm oil

Thailand is the world's third largest producer of crude palm oil, producing approximately two million tonnes per year, or 1.2% of global output. 95% of Thai production is consumed locally. Almost 85% of palm plantations and extraction mills are in south Thailand. At the end of 2016, 4.7 to 5.8 million rai were planted with oil palms, employing 300,000 farmers, mostly on small landholdings of 20 rai or smaller. Thai farmers have a relatively low yield compared with Malaysia and Indonesia. Thai palm oil crops yield 4-17% oil compared to around 20% in competing countries.

Rubber

Thailand ranks as the world's largest rubber producer and exporter, producing around 4.3 to 5 million tonnes per year. As domestic consumption is only around 520,000 tons per year, despite the large car industry, most of the production is exported, mainly to the aerospace and automotive sectors. Thailand provides about 40% of global rubber production. Recently, two shocks hit this segment. There was a tough drought in 2015-2016, which combined with an oversupply in international markets, due to high stock levels. The number of households farming rubber trees declined to 1.4 million in 2018, compared with 1.6 million in 2014, yet the area devoted to rubber plantations continues to rise, to 20.6 million rai in 2018, up from 19.5 million rai in 2016 and 12.9 million rai in 2007.

Silk

Thailand's silkworm farmers cultivate both types of the domesticated silkworms that produce commercial silk, *Samia ricini*, commonly known as the "Eri silkworm", and *Bombyx mori*, the "Mulberry silkworm". The latter, used for Thai silk, is by far the larger silk producer of the two. The Queen Sirikit Department of Sericulture estimates that in 2013, 71,630 small landholders raised mulberry silkworms on 39,570 rai, producing 287,771 kg of silk cocoons. Another 2,552 farmers grew mulberry silkworms on an industrial scale, producing 145,072 kg of silk on 15,520 rai of land.

Major products and segments – livestock and fisheries

Chicken and duck

Thailand is one of the world's leading exporters of chicken, and especially broiler chicken production is growing faster than sector average. There were 1.2 billion chickens produced in 2018, with growth rates of 3% annually. CP Group, the largest Thai company in this industry is ranked 6th worldwide with over 685 million broiler production capacity. Ducks are the second most important animal, with 31 million production in 2019, although this segment is growing slowly by 0.2-0.3% per year. As broiler technology improves, this segment might be able to keep momentum, and may be a target for foreign investments.

Cattle and dairy

Beef production, as well as dairy is lagging behind the poultry segment. The government of Thailand wants to increase dairy production by 80% over the next few years. The state-run Dairy Farming Promotion Organization of Thailand is expanding its production capacity, and building new processing plants. The main focus areas of development are:

- Improving milk productivity and farm profitability – in line with reducing production costs
- Integrating small-scale producers in the modern value chain
- Protecting and enhancing human health by improving quality and safety, and ensuring consumer safety.

Aquaculture and fisheries

Apart from livestock farming, aquaculture has also served as a crucial part of Thai food security and contributes even more so to GDP than livestock farming, with ca. THB 108 billion. Thailand is a peninsular country with over 319,000 km of water area. Apart from land animals, fish from rivers, canals, and the ocean have been an essential protein provider to the Thai population for a long time. Consumption of fish is almost certainly higher than reported, as many fish are caught by smallholders and consumed without passing through the marketplace.

Thailand's average annual per capita fish consumption is 39kg according to the Department of Fisheries, much higher than the world's average of 19.7kg. In 2017, Thai aquaculture produced 881,000 tons, while wild capture amounted to 1,532,000 tons – while an additional 2,300,000 tons were imported to the country.

In Thailand, more than 50 freshwater fish species have been cultured, though the three largest, catfish, tilapia and silver barb, account for 75% of total production). There is an important brackish water aquaculture as well, with green mussel and giant tiger prawn being the prominent species and products. Until the 2012 disease hit the shrimp industry, Thailand was the world's leading exporter. Marine aquaculture has not yet reached its potential, but marine shrimp farming has room to develop in the future.

Insect production

Edible insects – according to many experts, environmentalists, and innovators may be the future protein source for humanity. In Thailand, insects are commonly consumed as a whole, or in chili paste, and mainly as ingredients in fortified products. The FAO estimates that there are about 20,000 smaller cricket farms in Thailand. Cricket powder retails for as high as THB 1500 / kg, making it three times more expensive than beef, even though crickets require much less feed, water and space than traditional livestock.





Tariffs

Thailand uses the Nomenclature of the Harmonised System for the Designation and Codification of Goods. Most of the duties are ad valorem and are calculated on the CIF value at the customs office, or they are specific, calculated per unit, per volume or per weight.

Thailand's average applied Most Favoured Nation (MFN) tariff rate was 12.5% ad valorem in 2017. Approximately one-third of Thailand's MFN tariff schedule involves duties of less than 5%, and 30% of tariff lines are MFN duty free. Thailand has bound all tariffs on agricultural products in the WTO, but only around 70% of its tariff lines on industrial products are bound. Thailand has bound its agricultural tariffs at an average of 39.5% ad valorem, compared with its average applied MFN tariff on agricultural products of 25.1%. MFN duties on imported processed food products range from 30% to 50%. Tariffs on meats, fresh fruits, including citrus fruit and table grapes and vegetables, fresh cheese, and pulses, such as dry peas, lentils, and chickpeas are similarly high.

A lot of other regulatory measures can influence the actual tariff. A good example is soybean meal (for livestock): imports were subjected to a 230,559 metric tons quota with a 20% in-quota tariff rate, and a 119% out-of-quota rate. But in December 2017, the government adopted unlimited in-quota imports until 2020. It is always useful to hire professional advisors in tariff issues for the first shipment to Thailand.

Licences and registration

General customs clearing procedures for both imports and exports in Thailand require the submission of a customs' export entry form or import entry form. The form should be accompanied by standard shipping documents, which include commercial invoice, packing list, bill of lading/airway bill, and letter of credit, if relevant. Some products may require an import/export license and/or authorisation from relevant agencies. These include food products, processed or unprocessed, animals, and some agricultural products. The use of a freight forwarder to deal with import and export customs clearing in Thailand is highly recommended.

Import licences are required for 26 categories of items, many of them agricultural or food products. Even if a separate licence is not required, imported goods must comply with other regulations, and may be subject of other extra fees and certificate of origin requirements. Imports of processed food require licensing from the Food and Drug Administration, Ministry of Public Health.

Labelling and packaging

Labelling is required by the Food and Drug Administration (FDA), on all processed food, imported, or locally produced. This authority is under the Ministry of Public Health. The label must bear the product's name, description, net weight or volume, and manufacturing/expiration dates. Consumers must be able to identify the manufacturer or importer (distributor) by its name and address, and the product's registration number must be shown. All labels must be printed in Thai, except for alcoholic beverages. More information on the FDA's website. The most important element of the regulation is that the Thai FDA requires pre-approval of labels for specifically controlled foods.

Labels for alcoholic beverages must display the percentage of alcohol content. There must also be a health warning, printed in Thai, on the label or on a sticker, with specific government-approved wording.

Agricultural products that need to receive label approval from the Thai Food and Drug Administration (TFDA) must present a certificate of food analysis issued by the government of the country of origin or any accredited private laboratory. This certificate should be issued not more than one year before the date of the label approval application.

Non-tariff measures (NTM)

Non-tariff measures (NTMs) are official policy measures, other than ordinary customs tariff, that have an economic effect on international trade in goods and services. These effects usually cause changes in quantities traded, alter prices or both. NTMs can affect both exports and imports, and according to a study carried out by the International Trade Centre (ITC), the number of cases when NTMs were a real burden was nearly the same for importers and exporters of agricultural goods.

The most typical NTMs are technical standards, regulations on customs procedures, licencing, para-tariff measures, prohibitions, etc. Regarding agricultural trade, almost every business case involves dealing with non-tariff measures, at least phytosanitary and licencing regulations.

According to the ITC survey mentioned, the most burdensome measures in Thailand included large numbers of different documents, which were difficult to complete, too many organisations involved, information on procedures were not well explained and not all staff were equally trained. There were also criticisms related to high fees and charges for certificate and licenses, as well as occasional demands for informal payments.



Thailand with its growing wealthier classes, young population and global-leading tourism sector has been a very lucrative market for agri-food exporters until 2020. The COVID-19 crisis will certainly halt this long-term growth, but the overall expectations about the market remain positive for exporters.

Business culture, networking

Thai business culture has some of the characteristics of other ASEAN-countries. However, as Thailand was never colonised, everyday business customs are less influenced by Western standards. Common values of South East Asia, such as collectivism, courtesy, saving face and strong hierarchy are all important in Thailand, but the business culture is also shaped by the concept of 'sanuk', the effort of achieve satisfaction in whatever one does and make the most of any situation. For foreigners, sometimes Thai business partners seem less focused, but exporters should adapt to the holistic view of life that transpires the business approach.

Hierarchies define not just the working environment, but Thai society as a whole. Individual status (i.e. age, level of education, seniority, rank within the firm) is always taken into consideration in social and business interactions.

Networking is key to achieving business success in Thailand, as well as continuous presence, availability, patience, and composure. It is worth finding business associations, chambers and other professional organisations that can help to start building-up a local network. Some examples:

- **Thai Chamber of Commerce:** TCC is a central organisation, which provides recommendations to the government on solving business problems, and developing the economy. The chamber has continuously developed and is now recognised as a leading private education institute, as well as working with promotion and trade with foreign countries.
- **Joint Foreign Chamber of Commerce in Thailand:** an association of foreign chambers, providing information on international trade, local regulations and offering regular networking opportunities.
- **Thai Agrobusiness Association (TABA):** founded mainly for promotion purposes, with a membership including both manufacturers and distributors.

Promotion

Traditional promotion activities include participation at trade fairs and product shows, as well as showcasing products on promotional occasions, like gourmet-weeks, restaurant thematic weeks, etc. Due to the COVID-19 outbreak, most of these events were cancelled or delayed, although there increasingly successful online events.

There are special regulations about importing samples for promotion purposes. Generally, samples and advertising materials without commercial value are duty and tax free if they are useless for sale and used only for promotion proposes. If materials are not used or re-exported within six months, duties are taxes are charged.

Sales channels

Partnering with a local agent or distributor is the most effective way to enter the Thai market and reach potential Thai buyers. The agent or distributor can facilitate and expedite market entry with their extensive market knowledge and established distribution networks and relationships with key business and government officials.

E-commerce sales

Despite high levels of internet use, online spending remains relatively low in Thailand. In 2019, the average shopper in the country spent just over \$100 on online consumer goods – and only a small proportion of this was food. To put this into perspective, the global average was US\$ 664. This was, however, still an impressive increase of 25% compared with the year before. Combined with the COVID-19 lockdown which has made most of the population try online food services, the future of Thailand's e-commerce industry looks promising.

Recommendations and Trends



The Thai agri-food sector is more aware of international trends than most of its ASEAN-counterparts, but its conservative manner built on hundreds of years of tradition is often a hindrance to further development and absorbing innovation. Trends in Thai agriculture include:

- **Dependence on tourism and export markets.** Thailand, at its peak, attracted nearly 40 million tourists, which requires a large amount of imported food, and many distributors and importers specialised in catering to the tourism industry. As the COVID-19 lockdown stopped tourism in its tracks, these companies, and many exporting companies are suffering.
- **Food availability and food safety** is an ever-growing problem. The coronavirus pandemic showed the vulnerability of even the largest agrifood producers and traders. Thai agriculture is built up to export, and food availability is rarely an issue when neighbouring countries are happy to sell to Thailand. The pandemic has brought this issue to light and efforts to develop a higher degree of self-sufficiency are likely.
- **Organic farming** can be an option for exporters to increase their income per rai. In the ASEAN region, except for Singapore, the increasing consumption of organic food is likely to reach a growth rate, twice as high as for conventional products.

Thai agri-food products, especially seafood, fruits, vegetables, and flowers are well-known, not only in the ASEAN region, but worldwide. But as trends are changing, Thai producers need to be aware of the movements and innovation from their competitors'. State-initiations and export promotion efforts are needed, and the institutional setup of Thai trade promotion should be completely reorganised. There is currently no dedicated trade promotion agency, such as Matrade, and Vietrade, operated by other countries in the region.