Thailand’s Investment Promotion Policy for food & agriculture sector

Piraya Kaewsuwan

The Board of Investment of Thailand, Investment Promotion Devision 1
Thailand’s Food & Agriculture at a Glance

- 1st, 2nd and 3rd global export rankings for key crops (cassava, rice and sugar)
- Export of agricultural products in Thailand (Jan-Oct 2021) valued at over 1.23 trillion baht
- Agriculture sector employs around 30% of the country’s labor force
- 339 billion baht of agricultural products are used as raw materials for processed foods
- Food export valued at over 1,017 billion baht, accounting for 13.4% of total exports
- The food industry contributed 910 billion baht to Thailand’s GDP (5.7%)
- Strong food supply chain of 128,000 companies, mainly micro-enterprises
- 1,066,000 skilled workforce employed in the food sector

Note: 1Definition is per Office of Agricultural Economics, covering HS Code 1-24, 35.05.10,35.05.20, 40.01, 4002.80, 4002.91, 4002.99, 40.05, 44.03, 50.01 - 50.03, 52.01,53.03

Sources: BOI, National Food Institute (NFI), Bangkok Post, DEPA’s Agriculture Landscape in Thailand, Office of Agricultural Economics
Strong agricultural foundation in Thailand

Abundant natural resources  |  Year-round growing season  |  Low labor costs  |  Skilled workforce

SITUATION

50% of the country’s total land area is used for agriculture
80% of raw materials used in the food industry can be sourced locally at competitive prices

DRIVERS

+ Customer confidence in Thailand’s product quality standards contributes to strong demand for agricultural exports
+ Supportive government policies, e.g. supporting online/offline sales channels, income insurance, debt support as well as policies to stimulate domestic demand such as Rao Tiew Duay Kan and Kon La Kreung
+ Weather conditions and an improved global economy via increases in rainfall for natural water reservoirs, suitable for cultivating crops, farming livestock and aquaculture, as well as increases in agricultural product prices.

Sources: BOI, DEPA’s Agriculture Landscape in Thailand, The Federation of Thai Industries (Food Industry Club), Office of Agricultural Economics, International Trade Center: Country Profile Thailand
Though export value has been affected, growth is expected to normalize after the pandemic.

Food Exports in Thailand
(Unit: million baht)

Source: Bangkok Post: Food exports set to rise 7.1%, Report Journey
Thailand is the export hub for various types of agriculture & food

### Thailand’s Food Export Forecast
(Unit: USD million, in 2020 and forecast growth in 2021)

<table>
<thead>
<tr>
<th>Product</th>
<th>2020</th>
<th>2021 Forecast</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rice</td>
<td>4,000</td>
<td></td>
<td>+5.7%</td>
</tr>
<tr>
<td>Poultry</td>
<td>3,500</td>
<td></td>
<td>+2.0%</td>
</tr>
<tr>
<td>Sugar</td>
<td>2,700</td>
<td></td>
<td>+51.3%</td>
</tr>
<tr>
<td>Canned tuna</td>
<td>2,500</td>
<td></td>
<td>+3.6%</td>
</tr>
<tr>
<td>Cassava flour</td>
<td>2,100</td>
<td></td>
<td>+7.4%</td>
</tr>
<tr>
<td>Shrimp</td>
<td>1,400</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Seasoning</td>
<td>890</td>
<td></td>
<td>+4.1%</td>
</tr>
<tr>
<td>Ready Meals</td>
<td>645</td>
<td></td>
<td>+4.6%</td>
</tr>
<tr>
<td>Coconut</td>
<td>630</td>
<td></td>
<td>+2.3%</td>
</tr>
<tr>
<td>Pineapple</td>
<td>530</td>
<td></td>
<td>+8.0%</td>
</tr>
</tbody>
</table>

Sources: BOI, Thai Chamber of Commerce, Board of Trade of Thailand
Fully integrated and robust food supply chain

Thailand’s Landscape

Agriculture/Minimally processed

Thailand produced over 2.6 million tons of chicken in 2020 and is the 4th largest exporter in the world, with over 280,000 tons of shrimp produced in 2020. Shrimp production is forecast to reach 300,000 tons in 2021.

Moderately processed (canning, freeze dry, etc.)

39% of aquaculture production in Thailand goes to canned tuna exports. Thailand exported over USD 2.3 billion in canned tuna to the US, Japan and Australia, while canned pineapple in Thailand has also achieved high growth (2019-2020) of 42%.

Highly processed (ready meals)

Prime production base for ready meals. Export value has risen 6% by volume in 2020 to key Asian countries and CLMV. The country is currently 5th globally in RTE food exports, accounting for 5.8% of the global share.

Food ingredients & seasoning

Hub for advanced food ingredients, e.g. artificial sweeteners, monosodium glutamate (MSG), seasonings, ingredients. The value of Thailand’s sauce and preparation exports in 2020 reached USD 841 million. With over 550 manufacturers, Thailand is the 6th largest exporter in the world.

Food packaging

With over 2,000 food packaging manufacturers, Thailand is home to many leading Japanese, American, and European food packaging companies. Domestic production of all types of packaging is 5.6 MTA in 2021, with an export value of over 59 billion baht.

Key Players

Sources: Department of International Trade Promotion, Packaging Intelligence Unit, BOI, National Food Institute (NFI), Siam Rath, Bangkok Post based on Thai Food Processors’ Association
Opportunities in the Thai Food & Agriculture Industry
Reorienting towards a **healthier** food system

**FoodTech and AgriTech**

**Innovation and technological investments** throughout the value chain, e.g. e-platform, e-commerce, application, blockchain for a lean and locally-based value chain. Maximizing food prosperity covering producers, traders, markets and consumers via direct connections.

**Functional, nutrition, dietary foods**

Promoting biodiversity and building farmers’ resilience by supporting a diverse and nutritious high-value food value chain, e.g. food preservation, processed foods, food for healthy diets, and protein alternatives (plant-based and insect-based).

**Ready-to-eat and ready-to-cook foods**

Capturing growing domestic demand that is driven by the megatrends of urbanization and rising middle class incomes, e.g. tuna, shrimp, poultry, pineapple, rice, fruits and vegetables.

Sources: National Food Institute (NFI), BOI
Opportunities as seen in movement of major players

Thai Union Group PCL, the world’s leading seafood producer, and V Foods, Thailand’s no.1 market share ready-to-eat sweet corn and corn milk producer, partnered to develop and expand their alternative protein and ready-to-eat, plant-based food businesses domestically and internationally.

Tyson APAC launched the First Pride plant-based brand to dispel the myth that alternative protein tastes inferior to regular meat. All major retailers, including Lotus’s, Lotus’ Express, Lotus’ Go Fresh, Big C, Central Food Hall, Tops, Gourmet, Home Fresh Mart, Villa, Foodland, MaxValu, and Rimping, carry this product line. Its online repeat buy rate on Shopee was 16%, with a rating of 4.9 stars.

Sources: Thai Union, Retail Asia’s Tyson APAC receives Product Launch of the Year – Thailand award for plant-based products
Alternative protein opportunities are not limited to Thailand, but also to rest of the world as export markets.

In Thailand, it is estimated that alternative protein in food innovation was valued at over 4,500 million baht in 2020, with forecast growth of 8%.

Sources: McKinsey & Company based on Google Trends and Mintel: Alternative proteins: The race for market share is on, Kasikorn Research
Supporting Institutions

**FOOD INNOPOLIS**
Located at Thailand Science Park, offers a fully-equipped facility of wet and dry laboratories, research, business developments, pilot plants, and rental space.

**NATIONAL FOOD INSTITUTE**
Provides academic and technical knowledge and updated information to promote “Value Creation” in the Thai food industrial sector.

**INSTITUTE OF FOOD RESEARCH AND PRODUCT DEVELOPMENT (IFRPD)**
Food science and technology research institute assisting the food industry with a role in providing food information to social, academic offices and communities.

**THAI FOOD PROCESSORS’ ASSOCIATION**
Recommends and supports establishing domestic food regulations and international food standards.

**FOOD PROCESSING INDUSTRY CLUB**
Supports and strengthens the relationship between its members to further improve the network to enhance efficiency in the food industry.

**FUNDING SUPPORT**
Various government agencies provide such support, including The Thailand Research Fund (TRF), Agricultural Research Development Agency (ARDA), National Science and Technology Development Agency (NSTDA), and National Innovation Agency (NIA).
Supportive Government Policies
BOI’s Investment Incentives

**Tax Incentives**

- Corporate income tax (CIT) exemption up to 13 years
- 50% reduction in corporate income tax after expiry of the tax exemption period
- Exemption of import duties on machinery
- Exemption of import duties on raw materials (used in the manufacture of exports and for R&D purposes)

**Non-Tax Incentives**

- 100% foreign ownership
- Land ownership rights
- No restriction on foreign currencies
- Work permit & visa facilitation (for management and experts)

Source: BOI
BOI Investment Incentive Scheme

Standard Incentives

1. Activity-based Incentives
   - Bio and Medical Industries
   - Advanced Manufacturing Industries
   - Basic and Supporting Industries
   - Digital, Creative Industries, and High Value Services
   - 8-YEAR CIT EXEMPTION

2. Technology-based Incentives
   - Biotechnology
   - Nanotechnology
   - Advanced Materials Technology
   - Digital Technology
   - 10-YEAR CIT EXEMPTION

Additional Incentives

3. Merit-based Incentives for Competitive Enhancements
   - Research & Development (R&D)
   - Support academic/research institutes, or technology and HR development fund
   - IP licensing fee
   - Advanced technology training
   - Development of local suppliers
   - Product and packaging design
   - Donations to technology & human resource development funds

4. Area-based Incentives
   - EEC 3 provinces
   - SEZ 10 provinces
   - Southern border provinces
   - 20 provinces with the lowest income
   - Industrial Estates/Zones
   - Science and Technology Parks
     (TSP, Food Innopolis, Space Krenovation Park)

5. Agenda-based Incentives
   - Investment promotion measures for companies listed on the Stock Exchange Of Thailand (SET) and the Market for Alternative Investments (MAI)
   - Efficiency enhancement measures
   - Measures to Support Grassroot Economy Development

Source: BOI
### Standard Product-Based Incentive Packages

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Exemption: CIT</th>
<th>Exemption: Import duties on machinery</th>
<th>Exemption: Import duties on raw materials</th>
<th>Non-tax incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A1</strong></td>
<td>Knowledge-based activities focusing on R&amp;D and design to enhance the country’s competitiveness</td>
<td>8+ years</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>A2</strong></td>
<td>Infrastructure activities for the country’s development, activities using technology to create value-added, with no or very little existing investments in Thailand</td>
<td>8+ years</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>A3</strong></td>
<td>High technology activities which are important to the development of the country, with few investments already existing in Thailand</td>
<td>5+ years</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>A4</strong></td>
<td>Activities with lower technology than A1- A3 but which add value to domestic resources and strengthen the supply chain</td>
<td>3+ years</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>B1</strong></td>
<td>Supporting industries that do not use high technology, but are still important to the value chain</td>
<td>- + Merit years</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>B2</strong></td>
<td>Supporting industries that do not use high technology, but is still important to the value chain</td>
<td>- years</td>
<td>-</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Incentives are based on several key factors including the level of technology, role in the supply chain, and location.

Source: BOI
BOI incentives for the agri-food industry

Eligible to receive up to an 8-year corporate income tax (CIT) exemption on business operating in:

- **8 yr**
  - Manufacture of Medical Foods and Food supplements

- **8 yr**
  - Seed industry and improvement of plant, animal or microorganism breeding using biotechnology

- **8 yr**
  - Adoption of Advanced Technologies
    - e.g. fruit ripeness sensor, radio frequency pest control, nuclear magnetic resonance in grading, packing, storage

- **5 yr**
  - Manufacture of oil or fat from plants or animals, except soybeans

- **5 yr**
  - Adoption of smart farming systems
    - such as the use of sensors, drones, or greenhouses

- **5 yr**
  - Investment in plant factories

- **5 yr**
  - Manufacture of animal feed which comply with food safety standards such as ISO 22000

- **8 yr**
  - Manufacture of biomolecules and bioactive substances using microorganism, plant cells or animal cells

Sources: BOI
### Investment Incentives for Food (1)

<table>
<thead>
<tr>
<th>Activities</th>
<th>Group</th>
<th>CIT Exemption</th>
<th>Exemption of import duties on machinery</th>
<th>Exemption of import duties on raw materials used in production for export</th>
<th>Non-tax incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.17 Manufacture or preservation of food, beverages, food additives or food ingredients using modern technology (except for drinking water, ice cream, candy, chocolate, gum, sugar, carbonated soft drinks, alcoholic beverages, caffeinated beverages and flour or starch made from plants, bakery products, instant noodles, essence of chicken and bird’s nest) conditions 1. Project with only mixing or dilution process shall not be promoted. 2. Project with fermentation process must use starter cultures that have supporting study or research.</td>
<td>A3</td>
<td>5 years</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>
## Investment Incentives for Food (2)

<table>
<thead>
<tr>
<th>Activities</th>
<th>Group</th>
<th>CIT exemption</th>
<th>Exemption of import duties on machinery</th>
<th>Exemption of import duties on raw materials used in production for export</th>
<th>Non-tax incentives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.22 Manufacture of animal feed or animal food ingredients</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Case 1</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1. Project must be certified by food safety management system standard, such as ISO 22000 or other standards accepted by Global Food Safety Initiative (GFSI), etc. within the full operation start-up period as indicated in the promotion certificate.</td>
<td>A3</td>
<td>5 years</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2. Project must have traceability system.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Project must present the evidence of submission or preparation of the application for certification to exercise the privilege of corporate income tax exemption.</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Case 2</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Project must be certified by international standards, such as HACCP and GMP, etc. within the full operation start-up period as indicated in the promotion certificate.</td>
<td>A4</td>
<td>3 years</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>2. Project must be juristic persons which have never been certified by any international standards for the manufacture of animal feed or animal food ingredients.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Project must have traceability system.</td>
<td></td>
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</tr>
<tr>
<td>4. Project must present the evidence of submission or preparation of the application for standard certification to exercise the privilege of corporate income tax exemption.</td>
<td></td>
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<tr>
<td><strong>Case 3</strong></td>
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</tr>
<tr>
<td>If case 1 and 2 are not in action.</td>
<td>B1</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>7.11 Research and development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

Please see additional conditions in the attached link below: [https://www.boi.go.th/upload/content/BOI_A_Guide_EN.pdf](https://www.boi.go.th/upload/content/BOI_A_Guide_EN.pdf)

Source: Thailand Board of Investment *No designated maximum exemptible CIT
Foreign Direct Investment in agri-food industry (2019-2021)

Submit Application

<table>
<thead>
<tr>
<th>Region</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>8059</td>
<td>3275</td>
<td>3080</td>
</tr>
<tr>
<td>ASEAN</td>
<td>0</td>
<td>0</td>
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<tr>
<td>USA</td>
<td>1835</td>
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<tr>
<td>Japan</td>
<td>1496</td>
<td>3923</td>
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<tr>
<td>China</td>
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Application Approved

<table>
<thead>
<tr>
<th>Region</th>
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</tr>
</thead>
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<tr>
<td>EU</td>
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<tr>
<td>Japan</td>
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<tr>
<td>China</td>
<td>335</td>
<td>335</td>
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</tr>
</tbody>
</table>
One Start One Stop Investment Center (OSOS)

More Convenience
Increased Efficiency
Less Time

• Comprehensive information and advice on establishing operations in Thailand
• One-Stop for visas and work permits in 3 hours
• Easy and speedy procedures for new investors
• Database of useful contacts: public and private organizations
• Other applications for investors

18th Floor, Chamchuri Square Building
319 Phayathai Road, Pathumwan
Bangkok 10330, Thailand

Tel: 66 (0) 2 209 1100
Fax: 66 (0) 2 209 1199
Email: osos@boi.go.th
Thailand (Head Office)

555 Vibhavadi-Rangsit Road
Chatuchak, Bangkok 10900, Thailand
Tel. +66 2553 8111
Email. head@boi.go.th