

▶ **THAILAND: THE KITCHEN OF
THE WORLD**

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Thailand has long been called “the kitchen of the world” due to the combination of having abundant natural resources, a year-round growing season, and a relatively low cost but highly skilled labor force. By supporting continuous investments in R&D and technology, particularly in the area of food safety, and showing a commitment to meeting international quality standards, the result has been that the food industry has continuously shown impressive annual growth, and presently contributes approximately 23% of the country’s GDP. Thailand is one of the largest net food exporting countries in the world with a food trade balance having reached a record value of US\$19.26 billion in 2017. Thailand remains the only net food exporter in Asia, and is one of the world’s top-ten producers of many important agricultural products including rice, cassava, sugarcane, palm oil, coconut, pineapple, and natural rubber. Roughly 50% of total land area in the country is used for agricultural

purposes, which allows that over 80% of the raw materials are sourced locally at very competitive prices.

Food Processing

With roughly 9,000 food processing companies in Thailand, the country is the main producer and exporter of many processed foods including canned tuna, frozen seafood, shrimp, and chicken. Processed food exports contributed about 52% of total food exports and accounted for nearly 15% of Thai manufacturing output. Processed foods fall into one of three general categories, which are minimally processed, moderately processed, and highly processed foods. In the minimally processed category, raw materials are processed to increase the products’ shelf life and quality. As an example, Thailand produced over 2.4 million tons of chicken and over 200,000 tons of shrimp in 2016, making it one of the top five countries globally for both chicken and shrimp exports. In the moderately processed foods category, in order to further extend shelf life and add more value to local agricultural and fisheries products, Thailand uses canning, high-technology freeze drying, and other preservation processes. The country is a top exporter of many canned foods, for example the country exported over US\$2 billion in canned tuna and US\$611 million in canned pineapple in 2016, which made it the top

global exporter for both products. With strong support from the government, Thai manufacturers are also investing considerable resources in research and development to boost their productivity and efficiency, such as using computerized systems to control their production processes. Driven by the increasingly busy lifestyles of urban consumers, purchases of highly processed foods have shown impressive growth rates. Ready-to-eat meals, and conveniently packaged meat and meat products have all shown strong domestic and export demand. Thailand is a prime production base for ready-to-eat meals. Domestic revenue in the ready meals segment is expected to reach US\$733 million in 2018 and grow by 3.1% annually. The country is currently the 9th largest ready meal exporter in the world, with a 3.7% market share in 2016. Another category of processed food which has undergone tremendous growth in the last few years is the halal food market, which is currently estimated to be worth US\$1.6 trillion, or about 16 percent of the total global food industry. Recently Thailand's halal food exports reached US\$5.8 billion, with an annual growth rate of 8%. It currently ranks 13th among the world's largest halal food producers. Currently, there are more than 8,000 factories and over 150,000 products with halal certification in Thailand.

Food Seasonings and Ingredients

Seasonings and ingredients are key components that, together with Thailand's strengths in food processing, have brought the country to a level of global prominence in these industries. The value of Thailand's food ingredients exports in 2016 reached US\$616 million. With over 550 manufacturers, Thailand is the 6th largest food seasoning exporter in the world, accounting for a 5.4% market share. The top export destinations are Australia, the Philippines, Indonesia, Japan, and Malaysia. In addition, local demand for food seasoning is also significant with a sales value of over US\$1.1 billion in 2016. The main exported seasoning ingredients are chili sauce, fish sauce, curry paste, soy sauce, oyster sauce, and tomato sauce. Thailand is also the world's largest exporter of cassava products, the country exported over 11 million tons in 2016 at a total value of US\$3 billion. Cassava starch is used as an ingredient in many products such as breads, frozen foods, and confectionery. By prioritizing research and development, the country has also become an important production hub for advanced food ingredients such as artificial sweeteners including maltitol, crystalline, and sorbitol, as well as high-quality monosodium glutamate (MSG).

Beverages

Beverages are also a growth industry in Thailand. The country's non-alcoholic beverage market was worth roughly US\$7.9 billion with an export value of US\$1.1 billion in 2016. The largest export destinations included the ASEAN countries of Vietnam, Cambodia, and Myanmar. One category enjoying exceptional growth has been the category of functional beverages. Along with their growing demand for more sophisticated flavors Thai consumers are also more concerned about their nutritional qualities. They are more willing to pay for premium products with better functionality, and as a result functional drinks are enjoying increasing popularity. This market was worth US\$1.6 billion in 2016 and is expected to continue to grow as consumers focus on their well-being. Ingredients such as collagen and hyaluronic acid are being added to beverages for functions such as improving the skin's smoothness and delaying the aging process. Another result of consumer's increasing focus on health is the expanding demand for fruit juices in Thailand. In 2016, local consumption of fruit juices was valued at over US\$500 million. With a 25.9% growth rate, coconut water is the fastest growing fruit juice product. Thailand has around 100 juice manufacturers supplying various high-quality juices to the global market, such as coconut, pineapple, orange, tomato and guava, as well as other tropical and citrus juices.

Food Safety and Food Standards

Adherence to the highest quality and hygiene standards is critical to success in the global food marketplace. Thailand has a number of authorized food safety inspection agencies, including the Department of Medical Science, the Thai Industrial Standards Institute, the Department of Agriculture, the Department of Fisheries, and the Department of Livestock.

The Food and Drug Administration (FDA) ensures product safety by issuing manufacturing licenses, labeling food products, conducting pre- and post-marketing control, and enforcing adherence to Good Manufacturing Practices (GMP). GMP certification is mandatory for manufacturers and importers of 54 different food product types.

Standards applied to agricultural commodities and food products are certified by the National Bureau of Agricultural Commodity and Food Standards (ACFS). The ACFS' standards include Good Agricultural Practices (GAP), Good Hygienic Practices (GHP) and Hazard Analysis Critical Control Point (HACCP), as well as other standards regarding pesticide residues and diagnostic testing for foot and mouth disease

and bovine tuberculosis. The Ministry of Public Health's Manual for Labeling Procedures regulates processed foods containing genetically modified organisms (GMO).

The food manufacturing standards that Thailand has adopted derive from international legal regulations, such as Codex, OIE Standards and the International Plant Protection Convention, thus ensuring Thai manufactured foods meet international standards for safety.

Quality assurance systems including GMP, Total Quality Management (TQM), HACCP, and the International Organization for Standardization (ISO) are mandatory for certain products, such as canned foods. Furthermore, the National Food Institute (NFI), as part of the team responsible for Food Safety Management in Thailand, promotes food safety by helping entrepreneurs produce goods that comply with international standards.

Opportunities for Investment

Under the government's support for "Thailand 4.0", many opportunities exist for expanding the production of value added products by using advanced

technologies and implementing improved quality food standards for the global market. In addition, the government is promoting a campaign focused on healthy living and ensuring optimum levels of physical and mental health. Along with global trends, healthy foods have become mainstream among many Thais. The local consumption value for healthy foods in Thailand reached US\$5.3 billion in 2016 at a 6.7% growth rate. The government is continuing to support this rapidly growing sector by providing a mix of tax incentives and support for research to ensure that the country's food manufacturers produce the highest quality products which benefit both the health of consumers and the environment. Organic products, dietary supplements and medical foods, and healthier fats and oils are just a few of the categories which have shown strong growth potential. In 2016, Thailand established the Food Innopolis in the Thailand Science Park. With a total of 124,000 square meters, it is a fully equipped facility offering both wet and dry laboratories and an extensive array of resources including over 3,000 highly-skilled food researchers, 10,000 food science students, 150 food research laboratories, 20 pilot plants and 11 factories related to Food and Agriculture at major institutions. The Food Innopolis was founded to enhance Thailand's food industry by

strengthening the value chain from start-ups and SMEs to large companies, developing value-added outcomes, and building a world-class innovation ecosystem meeting global needs. Almost 40 companies have set up their laboratories at Food Innopolis and roughly 30 percent of this group are leading international companies such as CP, SCG, Malee, Thai Oil, Thai Otsuka, Ou-waa soft, Lion, Taisei Kogyo and Mitr Phol.

Developed Network of Supporting Organizations

Government organizations supporting the growth and competitiveness of the food processing industry in Thailand include:

- The National Food Institute (NFI)
- National Science and Technology Development Agency
- The Agricultural Research Development Agency (ARDA)
- The Halal Standard Institute of Thailand
- The Halal Science Centre, Chulalongkorn University (CU) Kasetsart University (KU)
- Institute of Food Research and Product Development (IFRPD)
- KU Food Innovation Research and Services in Thailand (KU-FIRST)
- Cassava and Starch Technology Research Unit

- The Food Processing Industry Club, Thai Food Processors' Association

Attractive Investment Incentives

Thailand Board of Investment (BOI) offers a wide range of tax and non-tax incentives for projects that meet national development objectives.

Tax-based incentives include exemption of import duties on machinery and raw materials, and corporate income tax exemption of up to eight years. Non-tax incentives include permission to bring in expatriates, own land and take or remit foreign currency abroad.

Recognizing the importance of the role agriculture plays in the continued economic development of Thailand, the Board of Investment offers attractive incentives to a wide variety of projects in the food and agriculture industry.

Projects in the grading, packaging and storage of fruits, vegetables, plants or flowers and the manufacture of medical food and supplements are granted an eight-year corporate income tax exemption, an exemption on import duty on

machinery and raw or essential materials used in manufacturing export products, as well as non-tax incentives.

Additional information about specific manufacturing activities relating to food industries can be found on the BOI website or by contacting the BOI's Investment Promotion Bureau 1.

Projects in the 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 nests), projects for deep sea fisheries, and trading centers for agricultural goods, are granted a five-year corporate income tax holiday, exemptions of import duty on machinery and import duty on raw or essential materials used in manufacturing export products, as well as non-tax incentives.

In addition, projects in crop drying and silo facilities, as well as cold storage or cold storage and cold storage transportation receive exemptions of import duty on machinery and import duty on raw or essential materials used in manufacturing export products, as well as non-tax incentives.
