

Country Market Profile: Thailand

Euromonitor reports that in 2020, Thailand's economy experienced one of the sharpest contractions in Asia Pacific, due to global supply chain disruptions, travel restrictions, and a decline in domestic and external demand. Economic activity is expected to pick up over 2021-2022, driven by supportive macroeconomic policies, the easing of containment measures, and global economic recovery. Nevertheless, low productivity growth, political uncertainty, and rising inequality pose risks to sustainable growth in the long term.

- Due to the COVID-19 pandemic, annual real Gross Domestic Product (GDP) growth declined by 6% in 2020. Over 2021-2024, the economy is forecast to expand by an average annual real rate of 2.7%, which is below the regional average.
- Inflation fell below the central bank target of 1%-3% in 2020, but is forecast to increase gradually and stay within the target range over 2022-2025.
- Trade is forecast to witness a slow recovery in 2021, due to lingering uncertainties, global trade tensions, shortages of containers, and local currency appreciation.
- Foreign direct investment (FDI) inflows in Thailand are projected to witness limited growth in upcoming years, as a result of a drop in corporate earnings and heightened uncertainty.
- Public debt increased from 40.9% of GDP in 2019 to 51.3% in 2020 and is projected to rise further over 2021, due to fiscal stimulus measures.

Thailand currently has free trade agreements with the Association of Southeast Asian Nation countries (ASEAN), Australia-New Zealand, China, India, Japan, Peru, South Korea, and Chile. Thailand has been in negotiation for bilateral free trade arrangements with Pakistan, Sri Lanka, and Turkey.

In November 2020, Thailand signed the Regional Comprehensive Economic Partnership (RCEP) with 14 other Asia Pacific and Australasia countries, creating the largest trade deal in history. The pact is anticipated to promote regional cooperation through harmonization of trade and investment policies and lower tariffs on industrial and agricultural goods in the long run. Moreover, Thailand's authorities also plan to accelerate negotiations on free trade agreements with several potential partners, including the European Union (EU), the United Kingdom (U.K.), the Eurasian Economic Union (EAEU), and the European Free Trade Association (EFTA) to boost trade recovery in the medium term.

An ageing population could slow economic growth in the longer term. Thailand is one of the world's poorest countries to face the phenomenon of ageing. The country's workforce is already beginning to contract as a result, creating pressure to improve productivity if Thailand is to continue to grow. Thailand's population was 69.9 million in 2021, an increase of 10 million since 1995. Growth of population has been relatively rapid in recent decades but is decelerating. The slowdown means the country's pool of young workers will shrink in the medium term. Median age in 2021 was 40.1 years, up from 30.2 years in 2000. Median age will reach 41.8 years in 2030. The number of

elderly (those over 65 years) was 11.8% of the total in 2020 but their number will increase significantly by 2030 when this group will represent 17.6% of total population.

The USDA Office of Agricultural Affairs, OAA, in Bangkok, hereinafter referred to as “Post” reports that Thailand is Southeast Asia’s second largest economy with a Gross Domestic Product (GDP) of US\$501 billion in 2020. Thailand remains a strong agricultural competitor as it is the world’s leading exporter of natural rubber, frozen shrimp, canned tuna, canned pineapples, cooked poultry, and cassava. It is also a major exporter of sugar and rice. Thailand is the 14th largest export market for U.S. agricultural products, while the United States is the largest supplier of agricultural products to Thailand, with 13% of total import market share.

Advantages & Disadvantages of the Thai Food Market

Advantages

- Thais spend 25% of total expenditures on food and beverages, and about 38 million middle-to-upper income consumers are eager to purchase imported food products.
- A dynamic and eager younger population (between ages of 15 and 35, representing 29% of the total population) is willing to try new products and is receptive to trends that fit their westernized lifestyles.
- Thais in urban areas (54% of the population) increasingly spend more on imported food items and have become relatively brand conscious. They are changing their eating habits to accept more western style foods.
- Increasing purchasing power of consumers in rural areas translates into more discretionary spending on non-traditional agricultural products.
- The Thai food processing industry is looking for new ingredients and shows a strong interest in importing healthy and functional food ingredients.
- Growth in the tourism industry and an increase in the number of hotels lead to greater demand for imported food products.

Disadvantages

- U.S. products are not always price-competitive due to high tariffs and shipping costs.
- Free trade agreements with China, Australia, New Zealand, Chile, Japan, Korea, Peru, and India have made U.S. products less competitive especially for high value consumer products such as meats, processed meat, wine, spirits, cherries, peaches, plums, pears, frozen potatoes, and cheeses.
- Local production is increasingly substituting imported food items. Locally produced snack foods, salad dressings, sauces, jams, and other processed foods are relatively inexpensive.
- Market penetration for imported products is mostly concentrated in Bangkok and major tourist-destination areas.
- Imports of some U.S. food products are currently subject to restrictive trade barriers, including high import tariffs, rigid food import procedures, and burdensome documentation requirements.

- The oligopolistic nature of hypermarkets exerts some control over prices, while convenience stores prefer low priced locally or regionally sourced products.

Thailand is currently the 4th largest export market for U.S. agricultural products in Southeast Asia. 2020 U.S. exports of agricultural products decreased 3% to US\$1.7 billion. Of that amount, 22.4% or US\$398.4 million were of the consumer oriented variety. That represented a drop of 3% over that of 2019. Thailand is also the 6th largest importer of U.S. processed foods in the region, totaling US\$407.7 million in 2020, and a decline of 3%. Top U.S. processed food exports to Thailand in 2020 included:

- Food Preparations & Ingredients
- Processed/Prepared Dairy Products
- Prepared/Preserved Seafood
- Non-Alcoholic Beverages
- Chocolate & Confectionery
- Syrups & Sweeteners
- Processed Vegetables And Pulses
- Dog & Cat Food

Retail Sector Highlights:

Euromonitor has estimated the retail sales value of packaged foods in Thailand at US\$15.4 billion in 2020. This represents an increase of nearly 20.4% or US\$2.6 billion since 2016. They have also forecast the packaged food retail sales to reach US\$19.5 billion by 2025, an increase of 21.7% or US\$3.4 billion.

High growth products in the forecast include:

- Ready Meals
- processed meat & seafood
- Savory Snacks
- Pet Food
- Baked Goods
- Ice Cream & Frozen Desserts
- Cheese

Post reports that there are three major conglomerates dominating the Thai retail market (i.e., Central Group, TCC Group, and CP Group). Central Group owns supermarket chains Central Foodhall and Tops Market. TCC Group, which also has Thai Beverage (the key alcohol beverage producer under Chang beer, has Big C hypermarkets. CP Group runs 7-Eleven, a convenient store chain with over 12,000 outlets and Makro, which is a cash-and-carry store.

This sector has experienced a continuous growth in comparison to traditional retailers. Competition in this sector is high as Thailand has a total of 19,353 stores nationwide, with 1,113 stores opened in 2020 alone. Demand for convenient, inexpensive, and time-

efficient foods has increased significantly due to changes in Thai society. Convenience stores serve ready-to-eat meals and fruits, baked goods, a variety of snacks, desserts, coffee, beverages, and other confectionaries. Food and beverage products account for approximately 71% of all products sold in convenience stores including ready-to-eat foods, bakery products, processed foods, frozen foods, prepared fruits, ice cream, beverages, canned food, etc.

Convenience store operators have also increased healthy food assortments such as ready-to-eat fresh fruits and vegetables, fruit and vegetable juices, functional drinks, low-calorie foods, and healthy snacks to accommodate the need and growth of health conscious and aging customers. On average, over 11 million customers per day shopped at a convenience store nationwide in 2020. 7-Eleven has launched vending machines that sell food, beverages, and non-food products in some areas not suitable to have a store. In 2020, the company had over 2,500 vending machines nationwide.

Supermarkets are highly competitive and are concentrated in Bangkok and in other major provinces such as Chiang Mai and Phuket. Thailand's supermarket segment has many players including Central Food Retail (Central Food Hall and Tops Supermarket), MaxValu, The Mall Group (Gourmet Market and Home Freshmart), Villa Market, UFM Fuji, and Foodland. Middle to high income consumers remain the key target segment for supermarkets, driven by a desire for premium products and services.

Supermarkets are trying to offer imported products by seeking exclusive arrangements with international exporters to offer unique and hard-to-find items to differentiate themselves from their competitors. Imported food and beverages such as fruits, vegetables, seafood, meat, frozen food, beverages, packaged foods, and organic products are well positioned and recognized by consumers. Most supermarkets now have dine-in counters (in-store restaurants) for customers to shop raw materials at the retail store for cooking and dine in as well. This allows them to promote meat and seafood products in their frozen/chilled form, prepared in restaurant menus, or prepared in take-home meals.

The largest two hypermarkets are Tesco Lotus and Big C. Both hypermarkets offer a wide range of premium products including a wide selection of imported foods targeting middle and high-income customers. Siam Makro is the membership-based cash and carry retailer. Its target groups are small and medium-sized businesses including grocery shops, hotel and restaurants, catering, culinary institutions, and food business services providers. Siam Makro also has its own import division, which delivers frozen imported and local food products such as American fries, cheese, and frozen seafood.

Best Product Prospects:

Post reports that the best product prospects for U.S. suppliers include Major consumer-oriented products from the U.S. States to Thailand include almonds, pistachios, walnuts, raisins, food preparation ingredients, whey, milk and cream, frozen potatoes, apples, grapes, cherries, strawberries, cocoa preparations, beef, seafood, wines, and pet food.

Food Service Sector Highlights:

Post reports that Thailand's hotel, restaurant, and institutional food service (HRI) sector is highly competitive and is comprised of approximately 150,000 outlets including some 100,000 restaurants and more than 5,000 hotels and resorts. The industry has steadily grown driven by continuous growth of the tourism sector as well as an increased propensity of modern urban Thais families to eat out. There are minimal barriers to entry for newcomers entering the market. HRI establishments are heavy users of imported products for food preparation, ready-to-eat meals, and catering services for airlines and cruise lines. In 2019, per capita consumer expenditure on hotels and catering was U.S. \$862 per person, a 10% increase from the previous year.

Thailand's tourism industry has been one of the primary factors of growth for the country's foodservice industry. Revenue from foreign tourists was US\$54.7 billion in 2019 (revised in Sep 2020), which accounted for 11.1% of GDP, while revenue from Thai tourists was around US\$34.9 billion. Roughly 15% of tourism spending is spent in restaurants. Major tourist destinations, including Bangkok, Phuket, Chiang Mai, and Pattaya, have been the hardest hit from the reduced number of international tourists due to Covid 19.

Quick Service Restaurants (QSR) hold a 10% market share for the restaurant sector and have become increasingly popular in Thailand, with an annual growth rate of 8%-10%. Patrons of QSRs in Thailand are a diverse group including traditional families, office workers, teenagers, and tourists. The QSR market is dominated by franchises, which sell chicken, burgers, bakery products, pizza, ice cream, and breakfast meals.

Traditionally, about 80% of Thailand's food franchises are formed through partnerships with U.S. brands (e.g., McDonald's, KFC, Taco Bell, Pizza Hut, Au Bon Pain, Subway, and Domino Pizza) and non-U.S. brands (e.g., Bonchon Chicken, Chabuton ramen, Mos Burger, and Yoshinoya). It is estimated that the QSR market will grow to reach nearly US\$6.6 billion by 2024. However, the QSR sector faces a growing challenge from consumers that perceive fast food as unhealthy. Thai consumers also increasingly focus on healthiness and food quality.

Full-Service Restaurants represent about 10% of all establishments in the restaurant industry. In Thailand, Japanese restaurants are consumers' top preference, followed by Italian, Chinese, American, and Vietnamese restaurants. According to Euromonitor, the overall market sales of full-service restaurants in 2019 were US\$6 billion. Chained full-service restaurants make up just over a third of the full-service sector; their market share has been growing due to increased consumer preference for convenience, hygiene, and high-quality standards. High-end restaurants reach teenagers and young professionals by offering highquality food in a unique atmosphere. Many full-service restaurant chains offer takeout and delivery options, which are also popular.

Small Restaurants (SMEs-Small Medium Enterprises) represents 80% of all restaurants in Thailand. The influence of hypermarkets and shopping center food courts has raised standards for this sector and put increased pressure on street vendors. However, the street

food category had steady growth, while the restaurant category had low growth. The food delivery category had the highest rate of growth. SME restaurants have adapted to the competition by finding unique niches that will appeal to specific consumer groups.

Best Product Prospects:

Post advises the best prospects for U.S. suppliers in this sector include frozen and chilled beef, poultry, processed meats (ham, sausage, deli meats), frozen French Fries, hash browns, shoestrings, etc., fresh and frozen seafood such as fish fillets, scallop, lobster, mussel, oyster, halibut, cod fish, Alaska king crab, etc., cheese, processed cheese, whipped topping, sour cream, ice-cream, dips and American spices and seasonings.

Food Processing Sector Highlights:

Post reports that Thailand is one of the world's leading agricultural suppliers, primarily due to its well-developed food processing sector. The country has one of the most advanced food processing industries in Southeast Asia, which enables Thailand to export value-added products. The food and beverage industry is the country's third largest industry, contributing 21% to the country's Gross Domestic Product (GDP). Major food exports include rice, canned tuna, sugar, chicken meat, cassava products, shrimp, and canned pineapple. The National Food Institute reported that the value of Thai food exports was US\$32.7 billion in 2020.

Thailand's food processing industry has developed rapidly and is one of the most developed in Southeast Asia. There are many medium-to-large food processors that produce higher-value products for domestic and export markets. Thai processed foods exports were valued at US\$19.4 billion in 2020. The packaged food industry is highly fragmented, with the top ten companies controlling only about one-third of the sales value. Opportunities in Thailand's food processing sector continue to grow as domestic sales of processed foods rise due to a major shift in consumption pattern towards convenience food. With rising demand for processed foods, Thai food processors must import large quantities of food ingredients that are not locally available.

Best Product Prospects:

Post advises the best market prospects for the food processing sector include dried fruits, nuts, pulses, plant based proteins, proteins and amino acids, vitamins, minerals, prebiotics and dietary fiber, probiotics, carotenoids, essential oils, and omega-3 and 6 fatty acids. There is also a growing demand for organic, gluten free, plant-based, and protein boosted food ingredients; - Bakery (both premium and mass market) ingredients including wheat flour, bread improver, dough blend, wheat flour, milk and cream, butter, cheese, dried fruits, potato starch, nuts, pastry fillings, sugar, colors & flavors, etc; - Emulsifying, foaming, stabilizing and thickening agents.

These products are used in frozen foods, bakery products, and ice cream, evaporated milk, and confectionery products; - Colors and flavors. These products are used in non-alcohol beverages, ice cream, and other dairy products, confectionery products, snack

foods, bakery, instant noodles, and a wide range of processed meats; - Sweeteners used in non-alcohol beverages and the confectionery industry. Beverage manufacturers are reducing sugar content to minimize the impact from the excise tax; - Concentrated fruit juice due to growing demand for new flavors; - Fish fillets for processed seafood, frozen food, and ready-to-eat products.