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## Thailand

### Processed Sweet Corn

### Annual

### 2004

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**Report Highlights:**

Canned sweet corn and frozen sweet corn production will likely increase further in MY 2004, following continued strong export potential. Also, Thai canned sweet corn exports are catching up to U.S. canned sweet corn exports. Meanwhile, canned baby corn production is forecast to continue to decline due to limited market potential, following strong competition from relatively cheaper products of major competitors, such as China.

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## Executive Summary

The momentum of canned sweet corn production (CSC) expansion is expected to continue in MY 2004, following attractive export potential in the U.S. and Japan and continued strong export demand from European countries. Thai CSC exports are catching up with canned sweet corn exports from the U.S., which is the world's largest exporter. Numbers of new sweet corn packers increased significantly. Also, some of them have intensively invested in contract farming, leading to bumper fresh corn crops over the past several years. Meanwhile, MY 2004 frozen sweet corn production will likely continue the upward trend after the sharp increase in the previous year, due to continued strong demand from Japan.

Unlike canned sweet corn, MY 2004 canned baby corn production is forecast to decline further, as many baby corn packers shifted to CSC. The contraction reflected the fact that Thai canned baby corn is losing market share to relatively cheaper products from major competitors, China in particular. However, major baby corn packers who are regular suppliers to European countries are still investing in contract farming in order to secure their supply of premium fresh baby corn.

## Section I: Situation and Outlook

### 1. Canned Sweet Corn and Frozen Sweet Corn

#### 1.1 Production

MY 2004 canned sweet corn (CSC) and frozen sweet corn (FSC) production is forecast to increase further in response to continued strong export potential. CSC production will likely reach 118,000 metric tons. Many food processors have shifted from their conventional products of canned fruit and vegetables to sweet corn. The number of CSC packers reportedly increased up to around 30 packers, as compared to 10-20 packers of the past few years. Some packers continued to invest in contract farming, leading to a further planned increase in area, particularly in northern Thailand where cultivated areas reportedly have doubled each year for the past four years. At the moment, northern Thailand has become a major source of fresh sweet corn supply to CSC packers of the central region all year round, due to favorable weather conditions in the north. Total planted area in MY 2004 is estimated to reach 12,500 hectare. In addition, the average yield will likely reach its potential at around 9 mt/hectare, after a drop in the average yield during the variety transition period last year. Current farm prices for fresh sweet corn remain unchanged from the previous year at 3.00-3.50 baht/kg (roughly US\$ 73-85/MT). As for frozen sweet corn (FSC), MY 2004 production will likely continue to increase significantly, as FSC packers are reportedly sourcing more fresh sweet corn, amounting to about 15 percent of total fresh sweet corn production, in response to strong export demand.

MY 2003 CSC production is adjusted considerably upward to 90,000 metric tons due to the new entry of food processors in CSC business, following the attractive strong export demand. Also, some CSC packers in the North invested intensively in contract farming, resulting in a bumper fresh corn crop especially in the second half of MY 2003. Total area planted is estimated to reach 11,100 hectares, as compared to approximately 8,000 hectares in the previous year. This led to a sharp increase in fresh sweet corn production to around 250,000 tons, up from 195,000 tons in the previous year, despite lower average yield of 7.5 tons/hectare. A drop in average yield reflected the change in sweet corn varieties, which are normally replaced every 3-5 years.

#### 1.2 Consumption

MY 2004 domestic consumption for CSC and FSC remained insignificant, as Thai consumers are more familiar with fresh sweet corn, which is available all year round. Direct fresh sweet corn consumption reportedly accounted for about 20 percent of total sweet corn production, up slightly from the previous year.

#### 1.3 Trade

Most CSC and FSC production are for exports. MY 2004 CSC exports will likely increase further, catching Thailand up with the United States, which is the world's largest CSC exporter, in response to reportedly continued strong market opportunities in the U.S. and Japan. Trade sources commented that Thai premium CSC is relatively cheaper than the U.S.'s CSC by about 20 percent. Also, Thai CSC quality is superior to major competitors like Brazil. However, it is expected that Thai CSC export growth will likely slow down over the next few years in response to anticipated strong price competition among Thai CSC packers, especially from those who produce low and medium grade product. This could adversely affect the overall market for Thai CSC. Trade sources reported that some shipments of new packers have been rejected, as quality was below standard. As for the European market, which is the largest market for Thai CSC, exports will likely continue their upward trend. The current CSC

export prices remained unchanged from the previous year at around US\$ 6/case (24 15-ounce cans). However, the increase in packaging cost (20 percent surge in tin plate), accounting for about 40-50 percent of total CBC production cost, put upward pressure on prices. As for FSC, despite relatively cheaper Chinese FSC, MY 2004 exports are forecasted to continue the upward trend to catch up with FSC from China, the world's second FSC exporter, following anticipated export potential in Japan and Taiwan. Trade sources anticipated strong export growth to Japan, as FSC became more popular. However, the market is constrained by high sanitary standards. The current average FOB prices for FSC remained at around 85 U.S. cents/kg.

MY 2003 CSC and FSC exports are revised upward considerably. MY 2003 CSC exports reached 86,246 tons, up significantly from 66,321 tons in the previous year, following a sharp increase in exports to the U.S. and Japan. Thai CSC exports to the U.S. amounted to around 5,199 tons, up noticeably from 1,928 tons in the previous year. Trade sources reported that Thai CSC is popular among the Asian consumers in the U.S., due mainly to its relatively cheaper price. Meanwhile, U.S. consumer demand for Thai CSC is reportedly limited by its taste, which is different from the U.S. CSC that comes from domestic sweet corn varieties. Thai CSC exports to Japan also increased significantly to 4,443 tons for the second consecutive year, as compared to 1,411 tons in the previous year. In CY 2003, Japan's imports of Thai CSC accounted for about 7 percent of total CSC imports, up significantly from the previous year - at the expense of the U.S.'s CSC, which accounted for about 81 percent of Japan's total CSC imports (down from 84 percent in the previous year). Trade sources reported that Thai CSC became more popular among Japanese consumers due to relatively cheaper prices and acceptable quality. MY 2003 exports of Thai CSC to major markets, the United Kingdom and Germany in particular, continued to increase by 47 percent and 32 percent to 9,459 tons and 15,256 tons, respectively. As for FSC, MY 2003 exports are adjusted upward significantly in response to strong export demand from Asian countries, particularly from Taiwan and Japan, despite a sharp drop in exports to major buyers like Australia.

Imports of CSC and FSC remained insignificant, as Thai consumers are familiar with fresh sweet corn, which is available domestically all year round. Most imported CSC is from the U.S. Meanwhile, MY 2003 import of FSC from Laos increased significantly to 14 tons out of the total imports of 17 tons.

#### **1.4 Stock**

CSC and FSC stock are forecast to be at minimum levels in response to strong export demand. Also, most major packers are reportedly holding less stock, below the normal average of 3 month supply, as their raw materials are well managed through contract farming.

#### **1.5 Policy**

The government's import policy on CSC remained unchanged at a 30 percent ad valorem or 25 baht/kg (whichever is higher) tariff rate, plus a 7 percent value add tax assessed on total import costs. Meanwhile, the tariff rate for FSC remains 40 percent.

## 2. Canned Baby Corn

### 2.1 Production

Despite the anticipated expansion in fresh baby corn contract farming of some baby corn packers, MY 2004 canned baby corn (CBC) production is forecast to decline further, as numbers of CBC packers reportedly continue to shift to CSC production. Trade sources reported that CBC is so labor intensive that some Thai CBC packers will resume the production line once they get long-term contracts from foreign buyers.

MY 2003 CBC production is revised downward due to greater than expected reductions in the numbers of CBC packers, who switched their CBC production lines to other vegetables and fruits, following relatively more attractive returns, in particular CSC. However, some CBC packers, who are regular suppliers for the European buyers, had invested more in contract farming (in which fresh baby corn production accounted for about 80 percent of total vegetable production) in order to secure the supply of premium fresh baby corn). The major planted area for fresh baby corn remained in the Central Plain and the North, accounting for about 50 and 30 percent of the total planted area, respectively.

### 2.2 Consumption

CBC consumption remained insignificant among Thai consumers, as they could get fresh baby corn all year round. The sales of CBC occur mostly in modern-trade outlets in large cities.

### 2.3 Trade

MY 2004 CBC exports will likely continue to decline, as Thai CBC is losing markets to the major competitor, China. Trade sources reported that Chinese CBC is cheaper than Thai CBC by around US\$ 1/pack. However, the market for Thai premium CBC remained strong in Japan and European countries. Despite an increase in packaging costs due to a 20 percent increase in tin plate, the current export prices for CBC changed insignificantly from the previous year, at around US\$ 8.5/case.

MY 2003 CBC is revised downward to 60,009 tons, down 8 percent from the previous year. Buyers returned to buy relatively cheaper Chinese CBC after the previous year's shock from SARS (Severe Acute Respiratory Syndrome) outbreaks in China. Independent of the sharp increase in Thai CBC exports to Japan, exports to other major markets declined significantly both in the U.S. and the European countries. CBC exports to the U.S., Thailand's largest importer of CBC, contracted by 8 percent to 20,800 tons. Meanwhile, exports to the European countries, particularly to Netherlands, Germany, and United Kingdom, declined by about 30 percent.

### 2.4 Stock

MY 2004 CBC stock will likely be at minimum levels, as the existing CBC packers mainly produced for long-term contracts. Also, contract farming is well managed to be able to supply fresh baby corn all year round.

### 2.5 Policy

The import policy on CBC remained unchanged at 30 percent ad valorem or 25 percent (whichever is higher) tariff rate, plus 7 percent value added tax assessed on total import costs.

Section II: Statistical Tables

Table 1: Thailand's Production, Supply and Demand for Canned Sweet Corn

THAILAND	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	07/2002		07/2003		07/2004	
Beg. Stocks	6521	6521	5605	5605	0	6500
Production	50500	67500	82500	90000	0	118000
Net Production	40400	54000	66000	72000	0	94400
Imports	5	5	7	5	0	5
TOTAL Supply	57026	74026	88112	95610	0	124505
Exports	50000	66321	79600	86264	0	115000
Domestic Consump.	1600	2100	2512	2846	0	3205
Ending Stocks	5426	5605	6000	6500	0	6300
TOTAL Distribution	57026	74026	88112	95610	0	124505

Table 2: Thailand's Exports of Canned Sweet Corn

## Export Trade Matrix

Country Thailand  
Commodity Canned Sweet Corn

Time Period **Jan - Dec** Units: **Metric Ton**  
 Exports for: **2003** **2004**  
 U.S. **3635** U.S. **2991**  
 Others Others

Korea, South	10618	Korea, South	3971
United Kingdom	12576	United Kingdom	8479
Germany	7439	Germany	5412
Taiwan	4741	Taiwan	2598
Japan	3440	Japan	1950
Estonia	2180	Estonia	153
China	213	China	182
Philippines	1787	Philippines	1134
Russia	3013	Russia	775
Sweden	1592	Sweden	1468
Total for Others	47599		26122
Others not Listed	<b>24867</b>		<b>15954</b>
Grand Total	76101		45067

Note: Export figures in 2004 cover Jan. - Jun. 2004

**Table 3: Thailand's Production, Supply and Demand for Frozen Sweet Corn**

THAILAND	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	07/2002		07/2003		07/2004	
Beg. Stocks	130	130	126	126	0	360
Production	1300	1200	1250	4700	0	5100
Imports	30	18	10	17	0	15
TOTAL Supply	1460	1348	1386	4843	0	5475
Exports	1200	1072	1120	4310	0	4900
Domestic Consump.	150	150	150	173	0	185
Ending Stocks	110	126	116	360	0	390
TOTAL Distribution	1460	1348	1386	4843	0	5475

**Table 4: Thailand's Exports of Frozen Sweet Corn****EXPORT TRADE MATRIX**

Country	Thailand			
Commodity	Frozen Sweet Corn			
Time period	Jan-Dec		Units:	Metric Ton
Exports for:	2003			2004
U.S.	30		U.S.	33
Others			Others	
Australia	409	Australia	98	
Africa, South	0	Africa, South	0	
U.K.	34	U.K.	9	
Belgium	200	Belgium	139	
Denmark	0	Denmark	21	
Netherlands	20	Netherlands	0	
Japan	195	Japan	760	
Taiwan	351	Taiwan	2313	
Italy	0	Italy	0	
China	10	China	0	
Total for Others	1219		3340	
Others not Listed	65		140	
Grand Total	1314		3513	

Note: Export figures in 2004 cover January - June



Table 5: Thailand's Production, Supply and Demand for Canned Baby Corn

THAILAND	2002 Revised		2003 Estimate		2004 Forecast	
	USDA Official [Old] 07/2002	Post Estimate [New]	USDA Official [Old] 07/2003	Post Estimate [New]	USDA Official [Old] 07/2004	Post Estimate [New]
Market Year Begin						
Beg. Stocks	3476	3476	2992	2992	0	3433
Production	60000	65000	69500	61000	0	59200
Imports	0	0	0	0	0	0
TOTAL Supply	63476	68476	72492	63992	0	62633
Exports	60000	64984	69000	60009	0	59500
Domestic Consump.	500	500	550	550	0	550
Ending Stocks	2976	2992	2942	3433	0	2583
TOTAL Distribution	63476	68476	72492	63992	0	62633

Table 6: Thailand's Exports of Canned Baby Corn

## EXPORT TRADE MATRIX

Country	Thailand		Units:	Metric Ton
Commodity	Canned Baby Corn			2004
Time period	Jan - Dec		U.S.	10807
Exports for:	2003		Others	
U.S.	22142		Japan	2332
Others			Netherlands	1970
			Germany	1573
			Australia	1675
			Canada	1697
			United Kingdom	704
			Israel	561
			Sweden	677
			Hong Kong	566
			France	673
Total for Others	26343			12428
Others not Listed	14346			7222
Grand Total	62831			30457

Note: Export figures in 2004 cover January - June

End of Report.