

# **Investment Promotion Policy for Food Industry in Thailand**



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Thailand Board of Investment**

# Who are we?

## Role of Thailand Board of Investment (BOI)

### Thailand's Investment Promotion Agency

- Provide Fiscal and Non-fiscal incentives
- Business Matchmaking
- Part and Component Sourcing
- Investor Assistance
- Overseas Investment

# Liberal Investment Policy

- No foreign equity restrictions in manufacturing sectors
- 100% foreign ownership possible in many services
- No restrictions on foreign currency remittances
- No export requirement
- No local content requirement

# How do we support investors?

## TAX Incentives

- **Import duty reductions or exemptions on machinery and raw materials**
- **Corporate income tax holidays up to 8 years; additional 50% reductions for 5 years**
- **Double deduction of public utility costs**
- **Deductions for construction/installation costs infrastructure**

## NON-TAX Incentives

- **100% ownership land rights for foreign investors**
- **Permission to bring in foreign experts and technicians → Work permit & VISA facilitation**

## STI Policy – Additional Incentives

# Activities Eligible for Investment Promotion

- 1. Agriculture and Agricultural Products**
- 2. Mining, Ceramics and Basic Metals**
- 3. Light Industry**
- 4. Metal Products, Machinery and Transport Equipment**
- 5. Electrical Appliances and Electronics Industry**
- 6. Chemicals, Paper and Plastics**
- 7. Services and Public Utilities**

**Total 129 sub-items**

# One Start One Stop Investment Center

- Staff from relevant agencies available for consultations on a range of topics.
- Help investors with applications to make sure they know what is required to:
  - Register a company
  - Apply for investment promotion privileges
  - Obtain a foreign business license
  - Do tax registration
  - Complete an environmental impact assessment
  - Obtain utilities, and more
- OSOS staff will also accept applications for things such as obtaining a corporate tax ID number and VAT registration.



# Industrial Subcontracting Services “BUILD”

- Free online sourcing: ASEAN Supporting Industry Database (ASID) [www.asidnet.org](http://www.asidnet.org)
- E-mail: [build@boi.go.th](mailto:build@boi.go.th)
- Sourcing/Global Sourcing Programme
- Vendors Meet Customers (VMC)
- VMC Roadshow (Abroad)
- Market Place

**Free-of-Charge  
Services**

# Roles of BOI in Promoting Investment between Thailand and India

- **Promote both Outward & Inward investment**
- **Established the India Desk in 2006 to facilitate investment between the two countries**
- **Established the South Asia Desk (including Bangladesh and Sri Lanka) in 2009**

# BOI South Asia Desk Strategy

Target Countries

- India
- Bangladesh
- Sri Lanka

Provides Information  
Conducts Seminars + Investment Missions  
Business Matchmaking

[www.boi.go.th](http://www.boi.go.th)

Thailand

Driving Factors

New-Market Country

Production Base

Resources

Relocation

Identified Sectors

AGRO

Textile - Garment

Mining / Jewelry

Auto

Services

Consumer Prod.

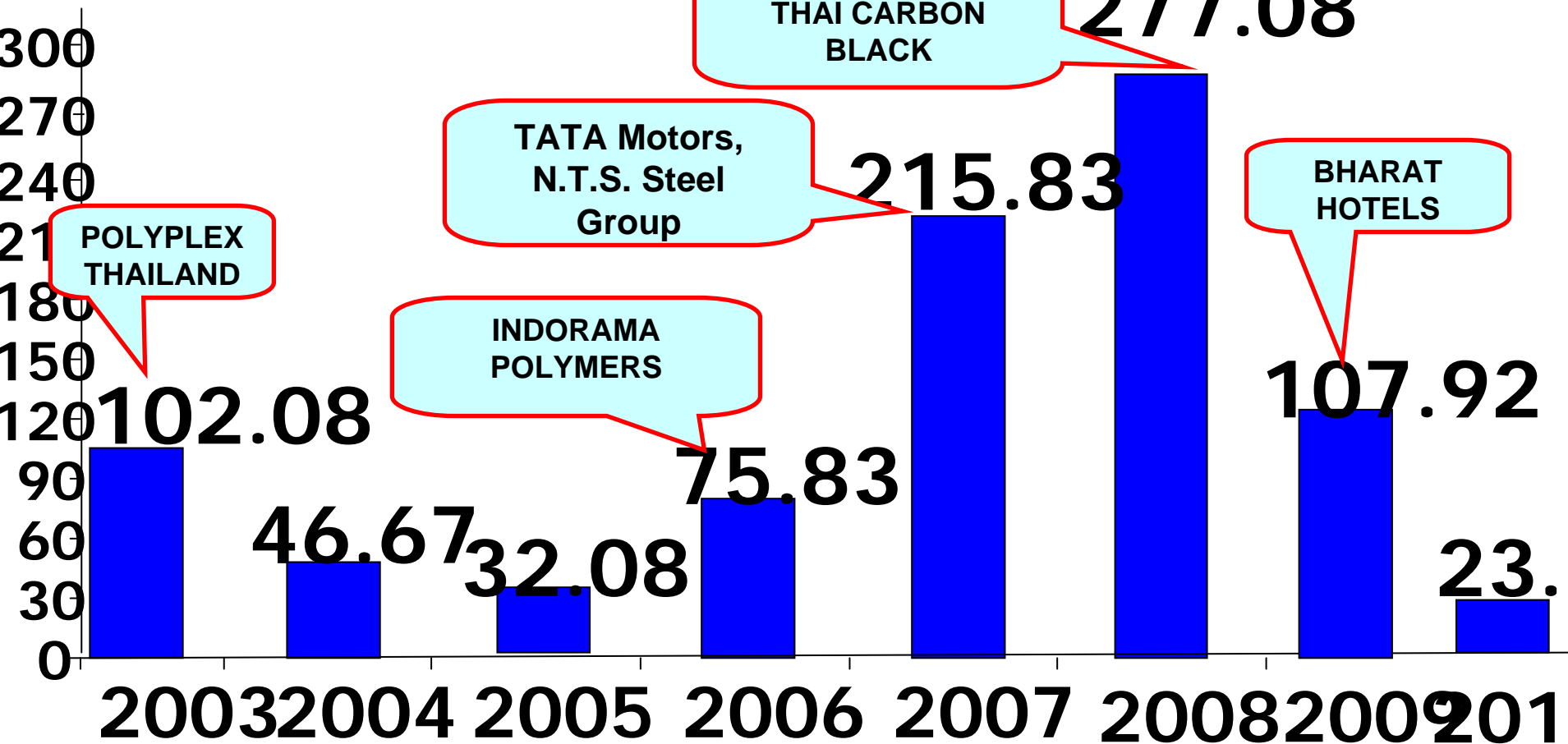
E&E

Export to EU, US, JPN

THAILAND BOARD OF INVESTMENT

# Trend of Indian Investment BOI Approved Projects

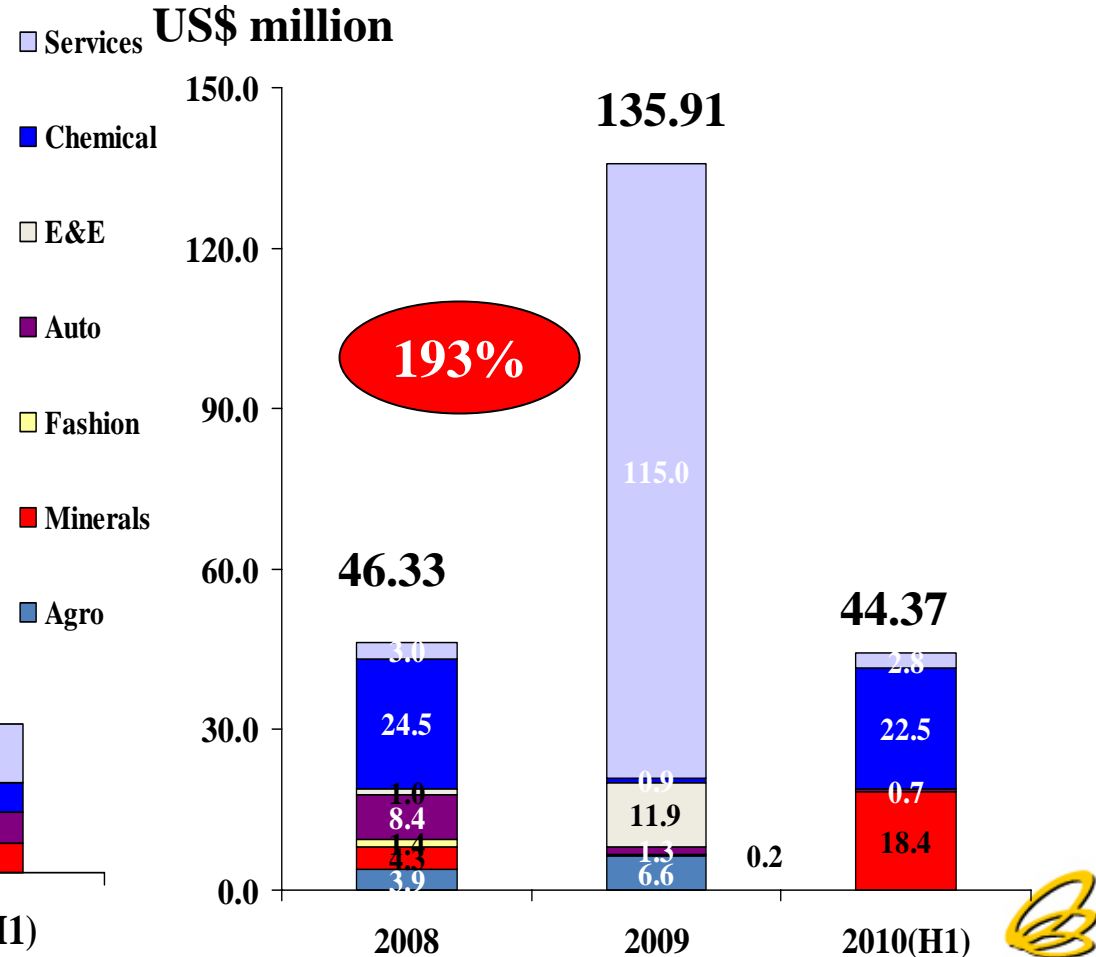
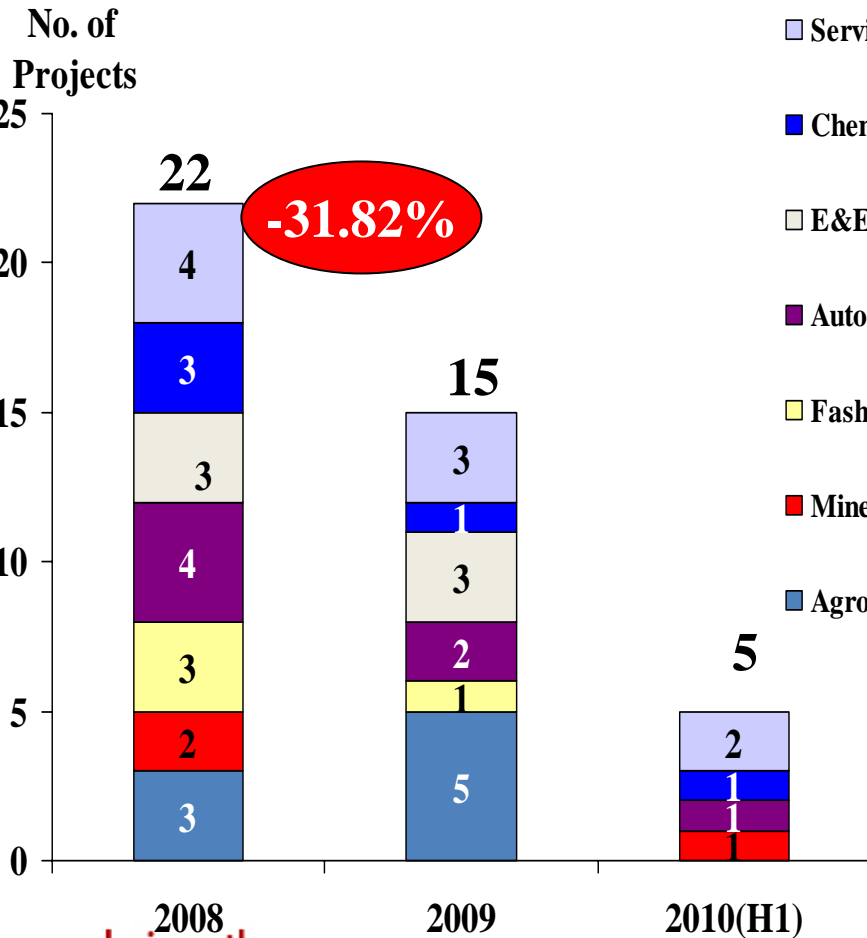
US\$ Million



# Comparison of Indian Net Applications for Investment Promotion 2008 – 2010 (H1)

## Number of Projects

## Value



Source: BOI, as of Aug 6, 2010 Note: US\$ 1=Bt 34.29 in 2009

# Target Industries : Thai Investment to India

<b>Area</b>	<b>Target Industries</b>
<b>India</b>	1. Automotive and auto parts
	2. Food, fruit processing, and agricultural products
	3. Electrical and electronics parts
	4. Infrastructure, construction, and logistics

# Criteria for Approval

- ## Food Industry Projects
- D/E Ratio must not exceed 3 to 1 for new projects
  - Modern production processes and new machinery
  - Adequate environmental protection systems

# Incentive for Food Industry Projects

## BOI Incentives

- Import duty exemption for machinery (all zones)
- 8-year corporate income tax exemption (all zones)
- Additional incentives for zone 3
  - Additional 50% reductions of corporate income tax 5 yrs
  - Deductions for infrastructure construction costs
  - Double deduction of public utility costs

## Agro-Industries

*Fertile ground for investment*



Thailand's Top 10 Exports (2009) Source: Thai Customs		Value (USD Mil.)	% Change from 2008
1	Computers & components	16,017	-12.87%
2	Automobiles & parts	11,121	-28.65%
3	Gems and jewelry	9,761	18.03%
4	Integrated circuits	6,444	-11.00%
5	Refine fuels	5,428	-31.40%
6	Rice	5,046	-18.66%
7	Iron and steel	4,952	-7.63%
8	Rubber Products	4,487	-1.37%
9	Chemical Products	4,466	3.64%
10	Plastic Pellets	4,457	-19.25%

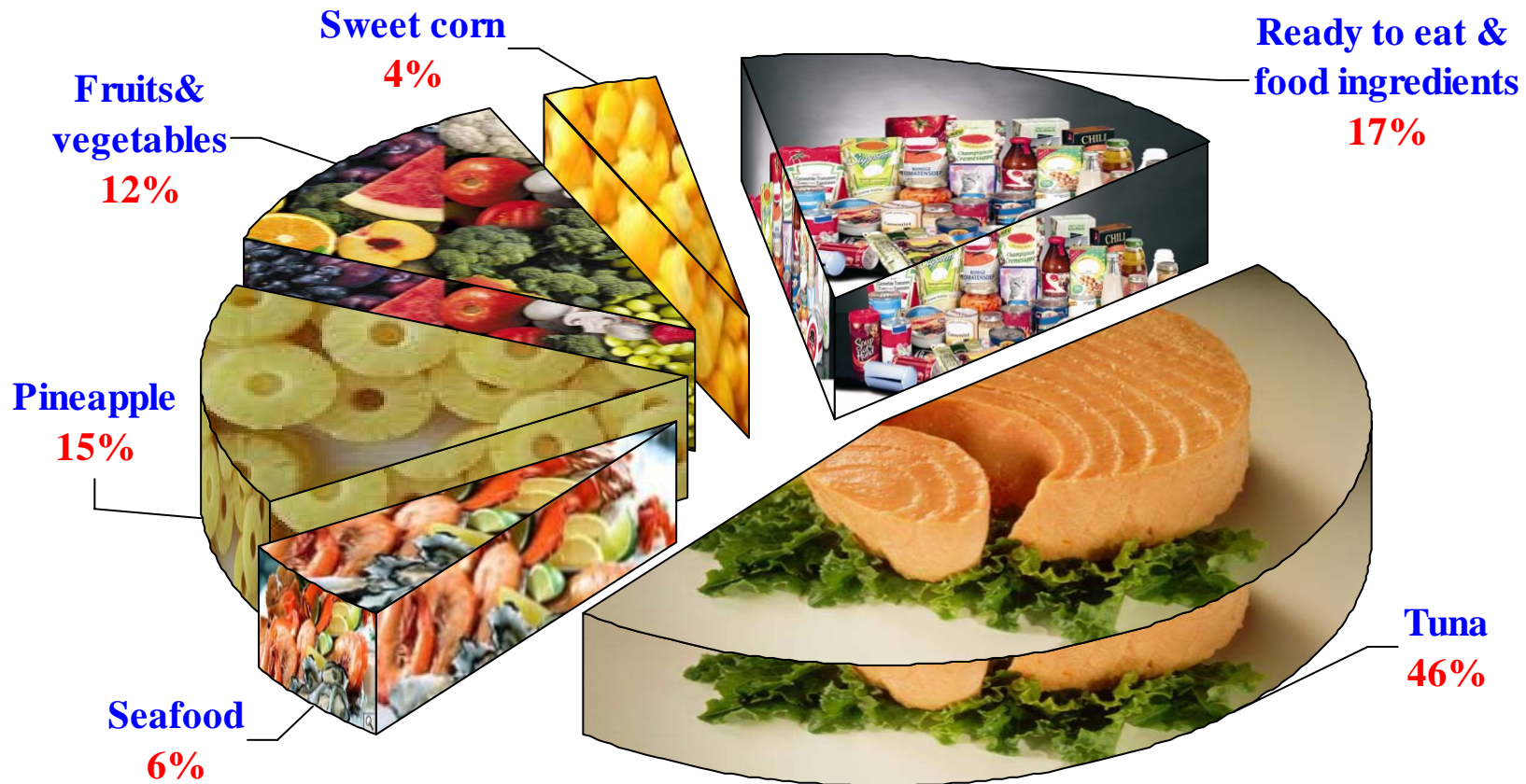
# Food Export Summary 2008-2009

	2008		2009		%Δ (08/09)	
	Mil. tonnes	Mil.Bt	Mil. tonnes	Mil.Bt	Qty	Value
<b>Total food</b>	<b>29,035</b>	<b>778,056</b>	<b>28,768</b>	<b>754,212</b>	<b>-0.9</b>	<b>-3.1</b>
<b>RICE &amp; RICE PRODUCTS</b>						
<b>Rice</b>	<b>10,218</b>	<b>203,255</b>	<b>8,639</b>	<b>172,226</b>	<b>-15.5</b>	<b>-15.3</b>
<b>Processed rice</b>	<b>91</b>	<b>7,084</b>	<b>97</b>	<b>8,116</b>	<b>6.0</b>	<b>14.6</b>
<b>MEAT</b>						
<b>Fowl</b>	<b>429</b>	<b>59,397</b>	<b>421</b>	<b>55,898</b>	<b>-1.9</b>	<b>-5.9</b>
<b>FISHERY PRODUCTS</b>						
<b>Shrimp</b>	<b>359</b>	<b>84,196</b>	<b>399</b>	<b>93,408</b>	<b>11.1</b>	<b>10.9</b>
<b>Canned /processed tuna</b>	<b>506</b>	<b>64,555</b>	<b>535</b>	<b>57,465</b>	<b>5.7</b>	<b>-11.0</b>
<b>Frozen fish</b>	<b>408</b>	<b>23,420</b>	<b>344</b>	<b>20,113</b>	<b>-15.8</b>	<b>-14.1</b>
<b>Canned/processed fish</b>	<b>194</b>	<b>16,656</b>	<b>183</b>	<b>16,808</b>	<b>-5.7</b>	<b>0.9</b>
<b>Cuttlefish</b>	<b>82</b>	<b>13,471</b>	<b>78</b>	<b>12,012</b> <small>THAI</small>	<b>-4.1</b>	<b>-10.8</b>

# Food Export Summary 2008-2009

	2008		2009		%Δ (09-08)	
	Mil. tonnes	Mil.Bt	Mil. tonnes	Mil.Bt	Qty	Value
<b>FRUITS &amp; VEGETABLES</b>						
Canned/processed fruits	977	36,866	848	32,141	-13.2	-12.8
Fresh/processed vegetables	586	18,256	524	18,429	-10.5	0.9
Fresh/frozen/dried fruits	733	13,737	996	18,130	36.0	32.0
Vegetables and fruits juice	307	9,826	304	11,034	-0.9	12.3
<b>OTHER FOOD</b>						
Sugar	5,012	47,638	5,053	61,585	0.8	29.3
Cassava (chip/pellets)	2,851	15,707	4,357	20,458	52.8	30.2
Tapioca flour	1,287	15,315	1,818	16,979	41.3	10.9
Seasonings	177	9,847	195	11,627	10.1	18.1
Palm oil	498	16,539	186	4,698	-62.7	-71.6
Flour & starch	157	4,129	162	3,996	3.2	-3.2
Beverages	426	7,214	355	9,203	-16.5	27.6
Pet food	269	19,537	242	18,284	-9.8	-6.4
Other feed	695	8,661	796	8,223	14.5	-5.1
Other food	2,775	82,747	2,236	83,378	-19.4	0.8

# Processed Food Export Share Value, 2009



- Tuna
- Pineapple
- Sweet corn
- Seafood
- Fruits & vegetables
- Ready to eat & food ingredients



# World's Rice Bowl: Rice Exports from Asean



	2005/06	2006/07	2007/08	2008/09	2009/10
<b>Thailand</b>	<b>7,376</b>	<b>9,557</b>	<b>10,011</b>	<b>8,600</b>	<b>10,000</b>
<b>Vietnam</b>	<b>4,705</b>	<b>4,522</b>	<b>4,649</b>	<b>5,950</b>	<b>5,000</b>
<b>Cambodia</b>	<b>350</b>	<b>450</b>	<b>500</b>	<b>400</b>	<b>500</b>
<b>Burma*</b>	<b>47</b>	<b>31</b>	<b>541</b>	<b>670</b>	<b>1,400</b>

Note: \* Fiscal year is from April 1 to March 31

Unit: 1,000 metric tonnes

## Top 5 Exports of Food Products to India for 2009

Top 5 Exports		Mil. US\$
1	Sugar	140.4
2	Vegetable Oil	21.7
3	Tapioca Products	11.0
4	Mung Bean	10.1
5	Pet Food	7.8

## Top 5 Imports of Food Products from India for 2009

Top 5 Imports		Mil. US\$
1	Vegetables and vegetable products	189.8
2	Fresh or frozen aquatic animals	57.6
3	Rice and products of flour	9.0
4	fruit and vegetable	7.1
5	Coffee, tea and spices	5.6

# Thailand's Food Processing

- Thailand is one of the world leaders in exporter of agricultural products.
- Most of agriculture products are exported in bulk and unprocessed, so food processing and packaging industries are key sector for Thailand.
- There are approximately **9,000** food processing companies in Thailand producing annual earnings of about US\$ **25** billion.
- Thailand was the first country in Southeast Asia to adopt agriculture biotechnology.



# Thailand's Food Processing (Cont.)

- The total export for food processing was approximately \$16.4 billion in 2009.
- The processed food sector accounts for nearly 15% of the national manufacturing output and contributes 52% of food exports.
- In general, the market is growing by average of 20%, except for 2009, due to the political unrest and world economic crisis.
- There are no restrictions imposed by Thai government on food processing.



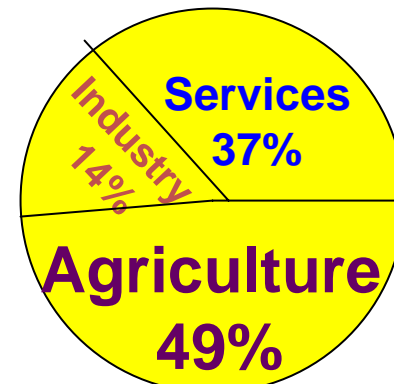
# Target Industry: Agriculture

## Facts about Thailand:

- **1 of 5** net exporters of food in world (\$16.4 Billion /year)
- **#1** exporter of rice, canned & frozen seafood, canned tuna, canned pineapples, cassava, tapioca
- **#2** exporter of sugar

## BOI Priority Promotion:

- Food processing
- Fruit and Vegetable Preservation
- Packaging
- Logistics
- Quality standards & inspections
- Machinery for agro-industry



Labor force by occupation

## TARGET:

# Kitchen of the World



# Investment Opportunities

- Thailand has a relatively well-developed food processing sector. The country is a major producer and exporter of processed food products.
- Thai standards are high due to reliance on exports to Japan, the US and the EU.
- The food processing sector's active involvement in R&D activities and constant new product introductions create new demand for new food ingredients.

# Investment Opportunities

- The international food service industry is expanding numbers of companies entering the market and in the number of outlets. Rapid growth of the fast food sector has stimulated related businesses such as bakery products, dairy products, meat and poultry, etc.
- Consumption of bakery products in Thailand is growing rapidly due to changing consumer behavior
- Healthy food and beverages are becoming increasingly popular due to growing health awareness of the urban population.
- Increased foreign investment raised standards and forced the utilization of higher quality imported food ingredients.



## Opportunities in Agro-based Industries

- Rubber: Bt 298.98 billion exported in 2009
  - Opportunities in tires, rubber gloves, etc
- Tapioca: Bt 51.60 billion exported in 2009
  - Opportunities in Biofuels, food additives
- Sugar: Bt 61.58 billion exported in 2009
  - Opportunities in lactic acid, alcohol

# Frozen Seafood Industry

- Thailand is the 2<sup>nd</sup> largest exporter of frozen seafood in Asia after China.
- In 2009, shrimp products constitute more than half of the total exports of frozen seafood.
- Shrimp products exported 375,500 tonnes or USD2.7 billion in 2009. In 2010, shrimp export is projected to reach 405,540 tonnes or USD 3 billion.
- 87% of the total shrimp products were exported as chilled, frozen, processed and canned shrimp. The major importers are U.S.A, Japan and Canada.
- Currently, there are 957 processed shrimp factories and 88 shrimp farm productions in Thailand.

# Food Safety Standards



- **Thai food factories must apply for Good Manufacturing Practice (GMP), ISO, HACCP, and TQM**
  - GMP standards have been in place since 2003
- **Agricultural Commodity and Food Standards (ACFS)**
  - Good Agricultural Practice (GAP)
  - Good Hygienic Practice (GHP)



# THANK YOU



Each piece fits *perfectly*