

Betagro Group looks

'The customer is always right' is one of the principles being followed by Betagro Group in order to succeed in the demanding Japanese market. The company has set up a production chain that focuses on keeping its slaughter animals as clean as possible.

By Stuart Lumb

Although exports account for only a small proportion of the pork produced in Thailand, they are very significant for the Thai pig industry, as exports help to stabilise domestic prices. Foot and mouth disease (FMD) is a problem in Thailand, severely limiting exports. As a result, exports go mainly to Hong Kong, in the form of frozen carcasses, and Japan, as cooked product.

In 2004, Hong Kong and Japan bought 10,950 mt of pork from Thailand, which was only 1.45% of the country's total production of 754,730 mt in that year.



Company executives toast the joint venture with sake brought especially from Japan.



Monks give their blessings during the inauguration.

Market potential

Betagro Group, Thailand's agro-conglomerate giant, produces both chicken and pork, with pork having the better potential as pork exports should grow faster than chicken exports.

There is considerable potential in Japan given that the country imported almost 1.2 million mt of pork in 2004, whereas chicken imports into Japan amounted to only about 660,000 mt in that year.

Betagro is well aware of this and has been preparing to export pork to Japan and worldwide for over a decade as cooked products, rather than fresh pork, as Betagro knows full well that there is no future for exports of fresh pork whilst FMD is still a problem in Thailand.

Joint venture

Mindful of the Japanese requirements for safe and top quality pork, Betagro first started by forming a joint venture with Sumitomo Corporation of Japan to set up a specific pathogen free (SPF) pig farm in Thailand's Prachinburi province, about 200km east of Bangkok in the late 1990s. It was the first of its kind in the country.

The joint venture, which was named Thai SPF Products, initially supplied chilled, fresh pork to Japanese communities in Thailand and niche markets in Bangkok. Currently only pork from SPF derived pigs is used to supply the Japanese market. Katsumi Kubo, president of Thai SPF Products, explained that Thai SPF Products and Betagro's SPF pig units both adopted the same SPF protocols from Japan. SPF pigs are

s to export market

Table 1 - Thai pig industry statistics

	2000	2001	2002	2003	2004 (P)	2005(F)
Production						
number of pigs (mn)	8.4	8.7	9.1	9.94	9.97	12
tonnage (1,000 mt)	635.88	658.59	688.87	752.46	754.73	908.4
Imported purebreds (head)	917	1,517	1,043	1,243	480	-
Domestic consumption (1000 mt)	629.84	645.51	673.02	738.15	743.75	895.9
Per capita consumption (kg/person/year)	10.12	10.28	10.65	11.58	11.57	13.91
Pork exports						
volume (1000 mt)	6.05	13.08	15.85	14.31	10.98	12.5
value (THBmn)	616.59	1,334.16	1,562.3	1,450	1,670	1,896
Percent of production	0.95	1.99	2.3	1.9	1.45	1.38

Source: The Office of Agricultural Economics, The Department of Livestock Development, The Swine Producers and Processors for Exporting Association, The Swine Raisers Association of Thailand; P=Preliminary, F = forecast.

free from many diseases such as toxoplasmosis, swine dysentery, Aujeszky's disease, *Mycoplasma pneumonia* and atrophic rhinitis. SPF pigs are also parasite free. These diseases are screened out by obtaining pigs by caesarian section, thus breaking the link between mother and offspring. Significantly because of the healthy status of the pigs, no growth promoters or antibiotics are given to the stock. Thai SPF products produce F1 Large White/Landrace females, which supply four separate units each of 1600 sows. The F1 females are crossed with Duroc sires, with the progeny being contract reared on local units. The slaughter pigs are 50% Duroc, 25% Large White and 25% Landrace. Dr Nopporn

Vayuchote, Betagro's executive vice president, says: "All our farms are spread out as part of our stringent biosecurity policy. This means that if we have a problem with a farm we can eliminate it immediately."

Pigs are slaughtered in an abattoir owned by Betagro Safety Meat Packing, which is a joint venture between Betagro and Sumitomo.

And another one...

To develop exports, Betagro, after detailed negotiations with Ajinomoto Frozen Foods of Japan, set up another joint venture company, Ajinomoto Betagro Speciality Foods (ABS). The contract was signed in February 2004.



Outside view of the Betagro plant.



Gifts were exchanged during the grand opening ceremony.

The JV plant, which cost ASD10mn to construct has a productive capacity of 5000 mt/yr and is located in Betagro's Food Complex 2 in Lopburi, about 150km north of Bangkok. ABS processes three main products developed by the Ajinomoto R&D department. These are tongkatsu (deep-fried breaded pork), kakuni (stewed pork) and cha-shu (roasted pork). The complex was formally opened on 18 March 2005 with top company executives from both partners taking part in the colourful traditional opening ceremony. Company dignitaries toasted the joint venture with sake, watched by an invited audience. After sampling the pork products, guests were taken on a guided tour of the plant.



The packing lines within the Betagro plant.

A special viewing gallery has been incorporated into the plant so that visitors can view processing from behind large windows and have no need to walk through the plant, thereby avoiding possible contamination of products.

Suthep Tirapipattanakul, Betagro's executive vice president, says ABS initially started by shipping about 100 mt of the three products to Japan. The first

shipments started in April 2005. According to Suthep, the shipments will gradually increase to 400 mt per month as the plant attains maximum output. "We have targeted the food services segment in Japan initially but will then move into the retail segment," he says.

ABS is Japan's first overseas supplier of processed pork made from SPF sourced pigs. Suthep says the products, which are

clearly marked with the Ajinomoto brand, have been well received by Japanese consumers.

"FMD is no longer an obstacle for us in exporting pork to Japan. Our main concerns are to meet specifications of the customers and ensure food safety of our products," he says.

Exacting standards

Every piece of meat must be precisely equal in size and weight. This has meant ABS had to invest up to THB7mn (USD170,000) for just one single high quality slicer. Cooking equipment includes a steamer developed by Ajinomoto and designed in compliance with Japan's food safety standards.

"Ajinomoto very much focuses on quality, not only at the processing stage but also raw materials," says Suthep. "Our competence in controlling the quality throughout the whole supply chain makes us confident in expanding the market for cooked pork products in Japan and other parts of the world such as Europe in the near future." **MI**

Ajinomoto Betagro Specialty Foods

Headquarters:

Lop Buri, Thailand

Established:

February 2004

Capital:

THB390mn (USD9.5mn)

Shareholders:

Ajinomoto Frozen Foods Group (51.0%), Betagro Group (49.0%)

Business:

Manufacture and sale of frozen foods

Representatives:

- Chairman: Akira Oshima (currently President, Ajinomoto Frozen Foods (Thailand) and Chairman, Ajinomoto Betagro Frozen Foods (Thailand))
- President: Vasit Taepaisitphongse (currently VP Betagro and President, Ajinomoto Betagro Frozen Foods (Thailand))

Number of employees:

Approximately 200 (planned)

Site/Building area:

- Site: approximately 24,800 m²
- Building: approximately 14,700 m²

Principal products:

Pork cutlets, grilled pork, stewed pork products (pork belly stew, etc.)

Thai pork exports boost industry

Betagro's success in exporting cooked pork to Japan will not only make Thailand meet its export target of 12,500 mt in 2005 (a 14% increase from the year before), but will also have positive effects on the Thai pig industry as a whole.

"To be a pork export hub, we have to develop our breeds, farming, slaughtering and processing facilities to be acceptable to overseas customers and in compliance with international standards. If we can do this, we would have to produce a lot more than

just nine million pigs per year for domestic consumption," says Dr

Boonpeng Santiwattanatham, president of the Swine Producers and Export Processors Association of Thailand.

The association has been trying to promote Thai pork exports for years, but not very successfully, as Thailand is not free from FMD. This shuts the

door on the country's opportunity to export raw pork. Only Hong Kong accepts fresh pork from Thailand. HK also imports about 10,000 mt of frozen pork carcasses from Thailand

per year. According to Dr Boonpeng, FMD can be eliminated from Thailand, though not at once. The suggestion is that the country would make the areas that produce pigs for export FMD-free zones.

"If we can get rid of FMD, we would be able boost raw pork exports to 100,000 mt/yr, which is worth THB24bn (USD580mn). To produce this amount of pork, we would need at least three to four million pigs. Unfortunately, a lack of funding and red tape block us from creating this FMD-free zone. If this FMD-free zone is not created Thailand will lose the chance to export raw pork. This is very unfortunate as the export potential for pigmeat versus chicken is substantial, especially in the case of Japan," says Dr Boonpeng.

"Hence the private sector must promote exports, which is why our association was established. The association's members see that pork exports must continue even though we can export only a small amount and sometimes we export at loss when the domestic price is high," says Dr Boonpeng.

"Nevertheless, we hope to achieve our goal some day."

There are five abattoirs and 24 pork processors in Thailand. About ten of them are members of the association. Members include Betagro, Charoen Pokphand Foods, Laemthong, Freshmeat and Thai QP.

When the scope for exporting fresh pork is limited, the only viable option that could boost Thai pork exports is to go for cooked products. Japan allows

Table 1 - Thai pork exports (raw and cooked) 2001-2005 (mt)

Year	2001	2002	2003	2004	2005 (F)	% in 2005
Hong Kong	10,238	12,995	10,722	5,740	6,400	51.2
Japan	2,423	2,287	3,249	5,246	6,000	48
Brunei	276	311	188	20	50	0.40
Malaysia	130	207	-	12	12	0.10
Others	17	51	153	-	38	0.30
Total	13,082	15,851	14,312	10,982	12,500	100

Source: Customs Department and the Swine Producers and Processors for Exporting Association of Thailand; F = forecast.

cooked pork imports from countries that are not free from FMD, but the products must be cooked according to its protocols. Thai exports to Japan, though small, have doubled over the past four years.

Dr Boonpeng forecasts that the export of cooked pork products from Thailand will increase significantly, citing integrator Betagro as a successful exporter of cooked pork to Japan. Betagro started exports in April 2005 and is estimated to ship 200 mt/month throughout the rest of the year. Company exports are anticipated to double to 400 mt/month in the following year.

"This will enable us to increase exports of cooked pork to Japan at an average of 500 mt/month or 6000 mt/yr. Together with the exports of raw pork to Hong Kong that we estimate to reach 6000 mt/yr in 2005, the total amount of pork exports from Thailand this year would increase by 14% to 12,500 mt," he says.