

Thailand : The Role of Australian Agriculture in Southeast Asian Markets

1. Agricultural and Food Sectors in Thailand

1.1 Overview

Agricultural and food sectors are important and play a key role in fostering economic growth in Thailand. Like Australia, Thailand is a food exporting country. It is a major exporter of rice, tapioca products, rubber, canned tuna, and canned pineapple, making it the world's 14th largest food exporter, with a 3% share of the global food market.

At the same time, Thailand also imports agricultural and food products from other countries, including Australia. In 2023, the total value of agricultural and food products imported into Thailand reached 30.2 billion AUD, with top products including fish, food crops, residues and wastes for animal food, and fruits and vegetables.

There are approximately 9,000 food processing companies in Thailand, whose total contribution accounts for roughly 52% of Thailand's total food exports, and nearly 15% of Thailand's manufacturing output. In addition, according to the National Innovation Agency of Thailand, the country currently has 81 agricultural startups, with an investment value of 51 billion USD.

It is worth noting that agriculture accounts for only 8.7 % of Thailand's GDP, but the sector employs around one-third of the country's labour force. This reflects the reality that agricultural practices in Thailand still face challenges of reliance on nature, low yields and constantly rising costs.

In addition, impacts of climate change have increasingly posed challenges to the sector and the issue of food security more broadly.

The Thai government has placed priority to improving agricultural productivity and management, as well as expanding opportunities to increase income for farmers. At the same time, it is working to support agricultural production to leverage Thailand's abundance of resources and promote global food security and sustainability. Greater focus will be smart agriculture, precision agriculture, soil and water management, and agricultural decarbonisation, as well as development of future food industries and innovative food products to triple the income of Thai farmers within the next four years.

On 24 February 2024, Prime Minister Srettha also announced the Thailand Vision called "Ignite Thailand", which outlines a roadmap to transform Thailand into a global hub in 8 key areas, including agriculture and food.

1.2 Related developments and directions

As Southeast Asia's second-largest economy, Thailand has continued to pursue an open investment policy. The country is working hard on (1) enhancing the ease of doing business; (2) accelerating FTA negotiations; (3) improving connectivity (including through the Landbridge project); (4) ensuring ESG-enabling ecosystem; (5) developing Special Economic Zones & Economic Corridors; and (6) promoting new innovation-driven economies in targeted sectors, including agriculture and food.

Thailand is also striving to enhance its competitiveness. According to the **Global Opportunity Index 2024, Thailand ranked 37th out of 130 countries** in terms of business perception, economic fundamentals, financial services, institutional framework, and international standards and policies.

Thailand has a comprehensive roadmap to achieve **carbon neutrality by 2050** and **net-zero emissions by 2065**. We are investing heavily in renewable energy and reducing our reliance on fossil fuels. Our goal is to generate **50% of our energy production from renewable sources by 2040**. At the same time, since the agricultural sector accounts for 15% of the country's CO₂ emissions, efforts are being made to reduce emissions, including the implementation of rotation crop techniques, reducing the use of chemical fertilizers, and utilizing agricultural waste to produce biomass energy, with the goal of **reducing CO₂ emissions in the agricultural sector by 1 million tons between 2023-2027**.

The Environment, Social and Governance (ESG) framework has also been increasingly adopted by the Thai private sector. In 2023, S&P Global Sustainability listed over 37 Thai companies (which include those in or related to agriculture and food sectors) with high-profile ESG standards in its Yearbook 2023, making Thailand the 5th country globally, after the United States, Japan, Taiwan and South Korea.

2. Australia's Economic Engagement and Partnership Opportunities with Thailand

In terms of **cooperative frameworks**, agricultural and food sectors are not only areas of focus in the Plan of Action to Implement Thailand – Australia Strategic Partnership and the Strategic Economic Cooperation Arrangement (SECA) between Thailand and Australia. They are also identified as sectors with potential in the “Invested: Australia's Southeast Asia Economic Strategy to 2040” report, including in the annexed Plan of Action with Thailand.

There are many opportunities for Thailand and Australia to expand partnership in agriculture and food sectors, particularly in terms of trade, investment, and collaboration.

2.1 Trade

The agriculture and food sectors of Australia and Thailand have experienced significant growth in trade. In 2022-2023, Thailand exported 1,613.20 million AUD in agricultural products, including rice, tapioca, canned and frozen seafood, and canned fruits and vegetables to Australia. Meanwhile, Australia's exports to Thailand amounted to 2,463.23 million AUD, with top products including wheat, cotton, beef, barley, malt, and wines.

A number of **agreements and mechanisms** have served to and continue to facilitate trade in agricultural and food products between the two countries and beyond. These include:

1. Thailand-Australia Free Trade Agreement (TAFTA),
 2. ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA),
- and
3. Regional Comprehensive Economic Partnership (RCEP)

Notably, TAFTA, one of the earliest bilateral economic agreements between the two countries, has contributed to a nearly 300% increase in bilateral trade since its coming into force in 2005. TAFTA's Joint Commission Meeting (JCM), chaired by senior officials from both sides, is a mechanism tasked with supervising and updating the overall implementation of the agreement. Australia will host the 5th JCM in 2024.

In addition, the Ministry of Agriculture and Cooperatives (MOAC) of Thailand and the Department of Agriculture, Fisheries and Forestry of Australia (DAFF) have bilateral mechanisms which meet annually to discuss agricultural trade and cooperation, namely:

1. Thailand-Australia Free Trade Agreement (TAFTA) Expert Group on Sanitary and Phytosanitary Measures and Food Standards (the SPS Expert Group); and
2. Thailand-Australia Joint Working Group on Agriculture (JWG).

These mechanisms serve as platforms for both sides to discuss how to further **increase two-way agricultural trade**, including market access, and resolving challenges and barriers. Last year, following several rounds of discussion through these mechanisms, cooked duck from Thailand gained access to the Australian market, while Australian avocados entered the Thai market.

The MOAC aims to continue discussions on expanding the scope of cooked duck meat to include products containing bone, whole duck, offal, and fat with the DAFF in the 20th SPS Expert Group in September 2024.

There are also **additional opportunities** for Thailand and Australia to explore, including:

- herbs and spices such as fresh ginger and turmeric, and plant-based products from Thailand, which are in high demand in the Australian market due to the growing health-conscious trend; and
- Australian seafood such as barramundi and mud crab which have great potential in the Thai market.

In addition, **fostering cooperation through trade facilitation** will streamline the flow of agricultural and food products and reduce trade barriers. Regular exchange of knowledge and information to better understand rules and regulations regarding import requirements for agricultural products, for example, can be encouraged.

2.2 Investment

Agriculture and food sectors are among the targeted industries identified by the Thai government for investment promotion – with incentives that include 3-8 years of corporate income tax exemption plus non-tax benefits as specified by the Board of Investment of Thailand (BOI). San Remo, a very successful Australian food company, has enjoyed these incentives for its investment in Thailand.

With its strategic location and connectivity to other countries in the region, as well as its bilateral and multilateral trade agreements with many countries, Thailand offers opportunity for Australian businesses, which have complementary strengths to link agricultural and food supply chain with Thailand and work together in contributing to sustain global food security as well as to engage with future food trends, including wellness food, plant-based food, and functional food.

At the same time, Thai companies also invest in the agriculture sector in Australia. For example, Mitr Phol, a sugar conglomerate in Thailand, operates the MSF sugar company, which has a capacity of 4 million tonnes of cane crushing and a Biomass Power Plant with a capacity of 24 Megawatts in Queensland. The MSF generates income for the local community and Australia, amounting to approximately 450 million AUD per year.

2.3 Collaboration

The Plan of Action to Implement Thailand – Australia Strategic Partnership and the Strategic Economic Cooperation Arrangement (SECA), which complements TAFTA and regional agreements and has agriculture, sustainable food system and technology as one of its 8 priority areas¹, are key

¹ The eight priority areas of SECA are agriculture, sustainable food system and technology; tourism; healthcare; education; digital trade and digital economy; creative economy; two-way investment; and energy, green economy and decarbonisation.

frameworks for Australia and Thailand to strengthen agricultural and food cooperation, particularly in sharing best practices and capacity building.

Cooperation can be enhanced to promote **development and adoption of modern agricultural technology and innovation** to increase production efficiency, support adaptation to climate change and promote sustainable agriculture.

Areas where Australia can play a role and work with Thailand include **smart agriculture, precision agriculture, soil and water management, management of agricultural wastes, agricultural decarbonization, food safety and future food**. Application of Australia's agricultural technologies, such as IrriSAT, Sensing System, and IoT, offers potential for collaboration.

Cooperation can take the forms of, but not limited to, exchanges of information, expertise and best practices, training and workshops, as well as joint research and development. These can be done between government agencies, private companies, as well as research and academic institutions, which can eventually lead to deepening trade and investment in the sectors.

One example is Enserv, a Thai company which has businesses in clean energy innovation and food. With funding support from Australian authorities, Enserv has worked with Australian universities on research projects to develop eco-friendly materials and products from plants, adding value to food and energy supply chains. This collaboration has led to Enserv investing in the production of lithium-sulfur batteries in Queensland, while also investing in Thailand, with plans to further invest in other countries, including in Southeast Asia.

3. Support for regional food security

Beyond bilateral, Australia and Thailand can **work together to support food security in Southeast Asia, particularly in the Mekong Sub-region** through trilateral cooperation, the Mekong Australia Partnership, as well as other regional frameworks.

Agriculture has been one key area of focus in Thailand's technical cooperation, implemented through the Thailand International Development Cooperation Agency (TICA). In addition to implementing bilateral cooperation to enhance food security within the region, TICA also engages with regional and international partners on development cooperation. It recently played an important role in hosting an international workshop in February 2024 for participants from eight countries, including Myanmar, Cambodia, Bhutan, Lao PDR, Bangladesh, Nepal, Sri Lanka and Thailand. The workshop, titled "Highland Best Sustainable Agricultural Practices (Today) for Better Future Development", aimed to share knowledge and experiences on crop production under food safety standards across the supply chain, quality control, field management, post-harvest handling and customer delivery arrangements.

4. Ways forward for enhanced partnership

While the engagement between Thailand and Australia's agriculture and food sectors has been positive, there are rooms for improvement. The governments of both sides can play a key role to promote, facilitate and support trade, investment and collaboration, including capacity building, making use of existing bilateral mechanisms as well as regular consultations.

Suggested ways to enhance the partnership include:

4.1 Raising awareness about opportunities and potentials in Thailand among Australian stakeholders, particularly the private sector and research institutions.

The importance of raising awareness is emphasized in the "Invested: Australia's Southeast Asia Economic Strategy to 2040" report, and in the case of Thailand, it applies not only to agricultural and food sectors, but also to other sectors such as green transition, EV, digital, health and wellness. This can be done through business exchanges such as through business missions, seminars and workshops, as well as participation in related conferences and events. Opportunities can also be explored in the Thai market for Australian agriculture and food products. In this context, high-level government-led delegations at federal or state levels can significantly increase visibility and awareness of the two-way opportunities.

4.2 Exploring ways to link the agricultural supply chains between the two countries.

Australian businesses and academics and their Thai counterparts should be encouraged to engage more with one another to create networks. This could be done potentially through business missions as well as in conjunction with participation in international exhibitions, such as Farm Expo and Thai Food Exhibition (Thaifex) in Thailand, or Mingenew Midwest Expo in Western Australia.

In addition, the two countries can potentially explore leveraging each other's AgTech and FoodTech startups and AgTech ecosystem and encourage collaboration among them.

4.3 Addressing the challenges faced by Thailand's and Australia's agricultural and food sectors, such as expediting the "Market Access Request" process and development of Biosecurity Import Conditions, and **streamlining procedures** through existing dialogues, such as the SPS Expert Group and JWG on agriculture.

Mutual engagement to enhance understanding of rules and regulations regarding import requirements utilising both onsite and online platforms to effectively engage stakeholders will also be useful to help entrepreneurs gain insights into opportunities and challenges for agricultural products.

4.4 Promoting development of human resources and relevant workforce, including through conducting training and workshops, and encouraging greater collaboration between educational institutions, such as joint degree and joint research programs.

Currently, the Department of Food Technology, Faculty of Science, Chulalongkorn University and Monash Food Innovation, Monash University are discussing a potential double degree or joint degree program for postgraduate students in Food Science. Such a program will provide an opportunity for students from both institutions to gain knowledge and expertise in food innovation, commercialization, incubation, and facilitation processes, as well as market validation services and facilities.

4.5 Fostering collaboration in research and development on AgTech and FoodTech as means to unleash the potential of stakeholders and farmers, especially new-generation farmers.

4.6 Supporting capacity-building programs in areas that not only allow Thailand to learn from Australia but vice versa, including precision agriculture, agricultural decarbonisation and digitalization of farming and cooperatives.

A successful example of such capacity-building cooperation is the Pilot Cooperation on Thai and Australian Young Smart Farmer Development Project, which has been implemented since 2018 by the Ministry of Agriculture and Cooperatives of Thailand and the Northern Territory Farmer Association.

Given the Northern Territory's suitability for tropical horticulture, similar to Thailand, such as mango, mangosteen, durian, rambutan, and banana, the project presents a unique opportunity for young Thai farmers to exchange knowledge and best practices with their NT counterparts. This collaboration can enhance agricultural practice in Thailand, focusing in particular on holistic agricultural knowledge in terms of production, harvesting, post-harvesting, and marketing. By learning from each other, Thai farmers can improve the quality and standard of their products, increasing their competitiveness in the global market.

Similar collaborative program can be undertaken between Thailand and other states in Australia.

4.7 Leveraging Australia's and Thailand's capabilities in the region, especially the Mekong Sub-region.

Given Thailand's strong links with its neighbours in the Mekong Sub-region, this presents an opportunity for Thailand and Australia to work together to increase economic engagement within the sub-region, as well as to assist other countries in mainland Southeast Asia through international development initiatives, such as capacity building and research on agriculture and food, to ensure food security in the region.

Australia can also play a key role through its continued support and collaboration in MAP and other regional frameworks such as the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) to foster capacity building, food security, effective resource management, sustainable development, and climate resilience across the region.
