

Successful Cases of Agricultural Cooperatives Marketing Activities for Improving Marketing Efficiency in Thailand

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ABSTRACT

The cooperative movement has played a major role as the growth engine of the agricultural sector in Thailand. However, Thai cooperatives in the sector are now faced with new needs and challenges from farmer-members and consumers. Farmer-members consider high economic returns, while, consumers demand high-quality products at reasonable prices. These lead to cooperative adaptation, especially in marketing activities to respond to the changing environment. Thus, this research presented some exceptional successful cases of Thai cooperatives in the agricultural sector, namely Khao Kitchakood Agriculture Cooperative, Ltd., Phan Fisheries Cooperative, Ltd., and Green Net Cooperative, Ltd. and found that these cooperatives carried out integrated marketing activities along the supply chain under effective administration with regards to high quality products in order to increase the marketing efficiency. However, marketing activities should be improved continuously, and the processing of products should become more important in order to raise the value and variety of products. These factors have led to the increase in competitiveness with other businesses under the existence of cooperative system, fulfilled the cooperatives' economic purposes, as well as brought about high returned benefits to farmer-members.

Key words: Agricultural cooperatives, Thailand, Successful cases

OVERVIEW OF AGRICULTURAL COOPERATIVES IN THAILAND

The cooperative movement in Thailand follows the same pattern as the cooperative movement in other Asian countries. The Thai government adopted a cooperative system to be a key mechanism in economic and social development, and published the knowledge of cooperative system to population. Although the agricultural sector, which was predominantly a trade-able sector in the economy, had been displaced by the manufacturing sector since 1986 (Tanrattanaphong, 2012), the cooperative movement in Thailand continued to play an important role in contributing to the economy of Thailand throughout the century, especially the rural economy.

The history of agricultural cooperatives in Thailand can be traced back to 1914, when the Thai economy opened up to international trade during the reign of King Rama V. The

economy changed from a *Self-sufficiency Economy* to a *Trading Economy*. Rice production became commercialized, but farmers could not benefit fully from the situation because of their budget limitations and national disasters such as drought and flood. Overtime, farmers became severely in-debt due to their inability to repay their loans. Therefore, they were losing their farmlands and turned into hired laborers while their debt remained unpaid. (Thuvashote, 2006). Consequently, the government attempted to alleviate these problems in two ways. The first method was to attempt to establish the Agricultural Bank in order to provide loans for farmers. However, this idea proved unfruitful due to two constraints: loan collateral and limited capital money. The second method the government attempted was based on the recommendation of Sir Bernard Hunter, the head of the Madras Bank of India. This method was to introduce the concept of cooperatives in Thailand through a special assistance program. It was believed that this would help the farmers to pay their debts and improve their livelihood.

With the view to improve the livelihood of small farmers, in 1916, the Thai government established the first cooperative society, "*Wat Chan Cooperative*", as a trial among small paddy farmers in Phitsanulok province. It was known as a "village credit cooperative" with unlimited liability, following the Raiffesen credit cooperative type with a single purpose of providing farm credit to help the severely indebted farmers. At the beginning, this cooperative started with sixteen members and a small capital of approximately \$100 dollars. Regardless of the small seed capital, the cooperative operated very successfully. Within the first 13 months, its members were able to repay fifty percent of their debts. The success of this cooperative led to the increase of small village credit cooperatives all over the country. However, at the time, the law restricted the prevalence of cooperatives, which led to the conception of the first cooperative law in Thailand. The Amended Associations Acts was enacted in 1916 to facilitate the registration of farmer cooperatives. Moreover, with a view to facilitate financing support to cooperatives and their members, the government set up the "Bank for Cooperative" in 1947. Credit cooperatives were urged to hold share capital in the bank with the hopes that they would, in the future, be owners of the bank which would be their own financing center. In 1952 and 1953, two provincial cooperative banks were established in Chiangmai and Uttaradit provinces, respectively. Unfortunately, the enactment of a new "Commercial Bank Law" in 1962 limited the services on deposit on current accounts to be provided only by commercial banks. The two existing provincial cooperative banks were reorganized as credit cooperative federations and a program to set up new cooperative banks was dropped. In 1966, the "Bank for Agriculture and Agricultural Cooperative (BAAC)", a state enterprise, was established to be the financial center for agricultural cooperatives as well as individual farmers (Thuvashote, 2006).

The most significant change in the development of Thai cooperatives occurred in 1968 with the enactment of the "*Cooperative Act B.E.2511*" to facilitate the expansion and improvement of the cooperatives. This legislation embodied two major features: the amalgamation of credit cooperatives at village level to district level and the establishment of the Co-operative League of Thailand (CLT) to function as the apex organization of the cooperative movement in Thailand. The amalgamation of cooperatives was most important as it increased the economies of scale of business operations. The credit cooperatives were officially categorized as "*Agricultural Cooperatives*". In 1969, the government changed the status of agricultural cooperatives from unlimited liabilities to limited ones. In this year, the

Agricultural Cooperative Federation of Thailand was also established as the central agricultural cooperative of the country.

At present, cooperatives in Thailand are officially categorized into seven types: 1) Agricultural Cooperative, 2) Land Settlement Cooperative, 3) Fisheries Cooperative, 4) Consumer Cooperative, 5) Thrift and Credit Cooperative, 6) Service Cooperative, and 7) Credit Union Cooperative. The Agricultural, Land Settlement, and Fisheries Cooperative are categorized as a group in the agricultural sector, while the rest are classified as a group in the non-agricultural sector. However, all of the cooperatives in Thailand operates under the “Cooperative Act B.E. 2542”. The amendment of this Act was done through consultation between governmental and non-governmental institutions. This Act was intended to govern all types of cooperatives.

According to the Cooperative Act B.E. 2542, the cooperative movement of Thailand is vertically structured in a three-tier system: primary, provincial federations and national federations. The cooperatives in Thailand are governed by the Ministry of Agriculture and Co-operatives (MOAC). MOAC has two specified departments for cooperatives, i.e. Co-operative Auditing Department and Cooperative Promotion Department. At the same time, the Bank for Agricultural and Agricultural Co-operatives (BAAC) also has a strong connection with the Ministry of Finance as a state enterprise. Meanwhile, the Co-operative League of Thailand (CLT), which was established according to the Co-operative Act in 1968, is the national apex organization of the cooperative movement of Thailand and affiliates all cooperative sectors as members. All cooperatives in Thailand become members of CLT automatically, including cooperatives at national level, provincial level, primary level as well as multi-provincial co-operative societies (Co-operative Auditing Department, 2015). Furthermore, the cooperative movement in Thailand had its second master plan – “Cooperative Development Plan 2007-2011”. This plan was regarded as a *Road Map* for the development of the Thai cooperative system. The plan particularly focused on human development and associating networks to achieve internal and external collaboration between cooperatives in order to strengthen the Thai cooperative system.

All in all, the cooperative system in Thailand commenced under the direction of the Thai government, known as the “*Top-Down*” cooperative method. The government adopted a cooperative system to be a key mechanism in economic and social development. This is in contrast to the start-up of the first cooperative in the world, Rochdale Society of Equitable Pioneers, that resulted from the initiative and the struggle for *self-reliance* by cooperating among the members, known as the “*Bottom-Up*” strategy. Thus, the cooperative development in Thailand in the past century seems unable to achieve the concept of self-reliance since most guidelines for cooperative management have been generated by the Thai government. Although some successful cooperatives that are self-reliant are employed to be role models such as the Khao Kitchakood Agriculture Cooperative Ltd. or Tha-yang Agricultural Cooperative, Ltd., most agricultural cooperatives in Thailand still receive assistance from the government continuously (Co-operative Academic Institute, Kasetsart University, 2015). Consequently, the most appropriate method for management of Thai cooperatives for achieving various objectives such as increasing the market efficiency, and improving the well-being of members by themselves, remains as a gap for study further.

CURRENT SITUATION OF AGRICULTURAL COOPERATIVES

Institutional Arrangement of Cooperatives

As of January 2015, the Cooperative Movement of Thailand was composed of 7,043 cooperatives with an individual membership of 11,470,013 or about 18% of the total Thai population. Moreover, the ratio of membership per cooperative was accounted at 1,629 persons per cooperative. Meanwhile, the proportion of cooperatives in Agricultural and non-agricultural sector was accounted at 54% and 46% respectively. With regards to Agricultural sector, the data shows that the Agricultural Cooperative has played a major role in this sector. There are 3,650 cooperatives with an individual membership of 6,460,543 or about 56% of the total cooperative membership in Thailand (Table 1). In-depth analysis about the number of cooperative memberships in the agricultural sector during 2006-2015, shows that all of the cooperatives in the sector mentioned have a tendency to rise gradually. The growth in membership of cooperatives that were agricultural, land settlement, and fisheries cooperatives were 13.38%, 6.91%, and 14.85%, respectively (Table 2).

Table 1. Distribution of primary cooperatives and their membership, as of January 2015

Category of Cooperatives	Number of cooperatives	Number of member	Ratio (Member/Cooperative)
<i>Agricultural Sector</i>	3,822	6,666,437	1,744
Agricultural Cooperative	3,650	6,460,543	1,770
Land Settlement Cooperative	90	189,850	2,109
Fisheries Cooperative	82	16,044	196
<i>Non-agricultural Sector</i>	3,221	4,803,576	1,491
Consumer Cooperative	164	735,664	4,486
Thrift and Credit Cooperative	1,403	2,859,905	2,038
Service Cooperative	1,127	473,218	420
Credit Union Cooperative	527	734,789	1,394
Total	7,043	11,470,013	1,629

Source: Cooperative Promotion Department, 2015.

Table 2. Number cooperative member of Agricultural sector in Thailand during 2006-2015

Year	Category of Cooperatives in Agricultural sector		
	Agricultural	Land Settlement	Fisheries
2006	5,697,773	177,570	13,969
2007	5,865,178	184,059	14,294
2008	5,995,263	182,632	14,699
2009	6,079,005	187,128	14,291
2010	5,968,358	189,469	15,018
2011	6,116,121	183,402	15,379
2012	6,224,230	190,958	15,420
2013	6,338,691	187,132	15,279
2014	6,397,751	188,427	15,317
2015	6,460,543	189,850	16,044

Source: Cooperative Promotion Department, 2015

Business Scope of Cooperatives

Thuvachote (2006) summarized that the business scope of cooperatives in the agricultural sector in Thailand is to carry out various activities in order to achieve the aims of economic and social benefit their farmer-members.

1. Provide production and consumption loans to members at reasonable rate of interest
2. Encourage savings among members by promoting savings deposits;
3. Provide agricultural equipment such as tractors, water pumps, and agricultural inputs such as fertilizer, seeds as well as consumption goods to members at reasonable prices; and
4. Assist members to market their products at good prices and to maintain fairness in terms of weight and measurement.

Agricultural cooperatives engage in a wide range of business activities to respond to their members' needs. Their main business might differ from one area to another but they are mostly involved in four businesses which are savings and deposit business, credit business, purchasing business, and marketing business.

Savings and Deposit Business

The cooperatives promote savings among members. Savings can also be used to invest and generate profit for both cooperatives and their members. Members of cooperatives can open savings deposit accounts, special savings deposit accounts, or fixed deposit accounts with their cooperatives. They are encouraged to deposit a part of the income that they gain from selling their products to the cooperatives in their accounts.

Credit Business

One of the key functions of cooperatives is to provide credit facilities to their members. Credit facilities provided by cooperatives cover a variety of activities, such as paddy farming, animal husbandry, debt redemption, and household consumption. The sources of funds for cooperatives in agricultural sector are their own capital (share capital), deposit from members, and loans from financial institutions especially the Bank for Agriculture and Agricultural Cooperative (BAAC) and onward lending to their members for short-, medium-, and long-term periods. The short-term loans are only for emergency needs with a repayment period of two months. The medium-term loans are given for cultivation expenses, including purchase of fertilizers, and for other expenses during planting and harvesting. The repayment period of medium-term loans is 18 months. The long-term loans are offered for the purpose of purchase of agricultural equipment, building or repairing houses, purchase of property especially land, and also repaying debts. The period of repayment is more than five years.

Purchasing Business

The business of selling major agricultural inputs such as fertilizer, seeds, gasoline etc., and farm supplies and equipment also benefits farmer-members because it reduces production costs as well as household expenses. Farmers are assured of fair prices when they buy through cooperatives.

Marketing Business

One of the important activities of agricultural cooperatives is the marketing of agricultural products that are produced by their members. Farmer-members can obtain good prices, while fair weights and measures are guaranteed. In some agricultural cooperatives, food processing such as milled rice and canned fruits are introduced to generate more income for their members. Some have also become centers for marketing of members' products.

From the above scope of business, Cooperative Promotion Department reported that the purchasing business has played an important role for agricultural and fisheries cooperatives, and has accounted for 28.73% and 50.89%, respectively in 2014. Meanwhile, land settlement cooperatives ranked first in carrying out Marketing Business at approximately 50.89%. It is also interesting to note that agricultural cooperatives and land settlement cooperatives have similar proportions for each types of business while fisheries cooperatives centered on the purchasing business (Table 3).

Table 3. Cooperatives business in Agricultural sector in 2014 (percentage)

Type of Business	Category of Cooperatives in Agricultural sector		
	Agricultural	Land Settlement	Fisheries
Saving and deposit	19.02	21.44	3.76
Credit	23.41	21.59	22.46
Purchasing	28.73	17.06	50.89
Marketing	27.87	39.20	15.93
Other services	0.97	0.71	6.96

Source: Cooperative Promotion Department, 2015

In addition, during 2009-2013, the total business volume of cooperatives in the agricultural sector¹ increased by more than 74%, from \$6,796.74 million to \$11,832.77 million and its average dollar per member increased by about 67%, from \$1,082.21 to \$1,808.99 per member. The saving and deposit, credit, and marketing businesses were the top 3 most successful businesses with the average annual growth rate of 91.13 %, 83.40%, and 76.93% from 2009 to 2013, respectively (Table 4). However, the information reported that the growth rate of total businesses volume and its average per member dropped significantly during 2011-2013. The growth rate of total businesses volume decreased from 25.32% in 2011 to 7.66% in 2013 and its average per member dwindled from 22.50% to only 5.84% in the same period.

¹ Cooperatives in agricultural sector consist of agricultural cooperative, land settlement cooperative, and fisheries cooperative.

Table 4. Business Performance of cooperative in agricultural sector during 2009-2013

(Unit: \$Million dollars)²

Type of Business	2009	2010	2011	2012	2013
Saving and deposit	1,226.59	1,568.87	1,900.62	2,106.61	2,344.37
Credit	2,102.75	2,488.45	2,886.22	3,200.90	3,856.37
Purchasing	1,537.93	1,487.75	1,663.34	1,892.54	2,221.00
Marketing	1,917.85	2,362.24	3,460.48	3,773.91	3,393.34
Other services	11.61	13.23	15.41	17.10	17.69
Total Business Volume	6,796.74	7,920.53	9,926.08	10,991.06	11,832.77
Growth Rate (percentage)		16.53	25.32	10.73	7.66
Average (\$US/Member)	1,082.21	1,283.12	1,571.85	1,709.18	1,808.99
Growth Rate (percentage)		18.57	22.50	8.74	5.84

Source: Cooperative Auditing Department, 2015

Further and even more importantly, in 2014, the participation of members in overview cooperative businesses account for only 57.55% of all cooperative businesses (Table 5). Moreover, the data illustrates that the participation of members in the purchasing business was highest amongst agricultural cooperatives at 31.57%. Similarly, the participation of fisheries cooperative members in various businesses types has played the smallest role in the agricultural sector. The percentage of participation was 19.47% in purchasing business. This indicates that the participation of members in businesses cooperatives remains an essential problem for cooperative development in Thailand. One problem caused is a lack of understanding of the members about cooperative systems, thus, the members still expect to gain some assistance from the government, known as the “*Top-Down*” strategy, rather than to manage their cooperative businesses themselves.

Table 5. The participation of members in cooperative business in 2014 (percentage)

Type of Business	Category of Cooperatives in Agricultural sector		
	Agricultural	Land Settlement	Fisheries
Overview	54.96	70.97	46.71
Saving and deposit	19.79	49.45	17.79
Credit	16.52	25.45	18.44
Purchasing	31.57	27.63	19.47
Marketing	8.31	18.28	2.8
Other services	1.62	1.29	4.29

Notation: A member can do many businesses

Source: Cooperative Promotion Department, 2015

Likewise, Patrawart³ (2007) analyzed the context of the operations of the cooperatives in 2006 by portfolio matrix analysis and found that most of the Thai cooperatives, or approximately 60%, reached only the economic goal, while only 10% achieved the goal of economic and social benefits⁴. With the small percentage, this research explained that they were ineffective in achieving both economic and social benefits. This reflects the unprofessional administration of cooperative managers and committee.

² To transform Thai currency (baht) to be US Dollar, the author employed the annual exchange rate data that were reported by Bank of Thailand to be the instrument for the transformation.

³ Assoc.Prof.Juthatip Patrawart is the director of Co-operative Academic Institute, Kasetsart University.

⁴ This research gave the definition of social benefit whether “bringing value (benefit) returned to members”.

At present, Thai cooperatives in the agricultural sector are now confronting new emerging needs and challenges from farmer-members and markets caused by national and global changes in the 21st century as well as the other countries in Asia. There are two opposing demands from the farmer-members and consumers that have resulted in the adaption of the agricultural cooperative development. Farmer-members not only want to sell their products as fast as possible but also with high economic returns. Meanwhile, consumers demand high-quality products at reasonable prices, and prefer healthy and chemical-free food at international standards (Thuvachote, 2006). Thus, there are two important challenges for agricultural cooperatives development in Thailand. One is the open market economy in which cooperatives have to compete by offering high quality goods and services at competitive prices, and the other is the well-being of their farmer-members which cooperatives have to create by offering services to them (Rodriguez, 1998). As a result, it seems that the *marketing business* of the cooperatives has an increasing role as the key instrument so as to fulfill the two opposing demands of the farmer-members and consumers. Marketing activities are required for the overall business strategy of integrating physical, human, or organizational capital (Hassan, et al., 2013).

To summarize, the current agricultural cooperative development still has some essential problems although the overview of the cooperative development in Thailand seem to be more prominent. In particular, the problems of the lower-level participation of members, inefficient operations, and ambiguous development plans are key reasons that restrain the growth of cooperative movement in Thailand (Co-operative Academic Institute, Kasetsart University, 2015). Moreover, global business changes, especially new emerging needs and challenges from farmer-members and markets lead to the adaptation of the cooperative development context in Thailand. Particularly, the development of *marketing business* of cooperative under the framework of “*Bottom-up*” strategy need to be increased to respond to the new needs and challenges in order to achieve the economic and social goals of farmer-members of the cooperatives.

SUCCESSFUL CASES OF AGRICULTURAL COOPERATIVES

To achieve the new purposes mentioned, it seems that marketing activities are key instruments for cooperative development so as to obtain exceptional results. However, it is rather difficult to determine how cooperatives in the agricultural sector should employ appropriate marketing activities for improving marketing efficiency. This is because the characteristics and environment of each cooperative are quite various, and there are no explicit measures to guarantee success for the cooperatives. However, this research attempts to present the conceptual framework of marketing activities and propose success factors to identify the successful cases of agricultural cooperatives in Thailand, as follows;

Conceptual Framework of Marketing Activities

The framework redefines marketing phenomenon as embedded in three core business processes that generate value for customers—product development management, supply chain management, and customer relationship management—which in turn creates shareholder value (Srivastava, Shervani, and Fahey, 1999).

Thus, marketing activities refer to the management of the marketing mix, which is, price, place, product, and promotion, in order to market the product successfully. To achieve alignment with the changing business environment and to generate superior performance, the competitor dynamic capabilities are required by prominent marketing activities for the overall business strategy of integration and deployment of three aspects: physical, human, or organizational capital (Hassan, et al., 2013). From the above mentioned, marketing activities can be separated into 3 major functions (Department of Agricultural and Resource Economics, 2014), as follows;

- I. Exchange functions: Buying and Selling
- II. Physical functions: Storage, Transportation, and Processing
- III. Facilitating functions: Grading and standard, Financing, Risk, and Market information

These marketing activities are employed as key mechanisms for enhancing the benefit and advantage of business organizations including to respond to the increasing utility of consumer, namely form utility, place utility, time utility, and possession utility. These situations are known as “*Value Added from Marketing Activities*”.

It is also interesting to note that the function of marketing activities are linked together in the three aspects mentioned. The planning of marketing activities to achieve the aims of business organization needs to consider these three aspects simultaneously. Moreover, the determination of appropriate marketing activities for each business organization will also need to consider the business environments and characteristic of the organizations as well.

Measuring Success Factors

Base on the concept of cooperative that is a business organizations regarding self-reliance by cooperating among the members to achieve the goals of economic and social successes, such as offering high quality goods and services at competitive prices for consumers in order to generate more income, and improving the well-being of their farmer-members. Thus, this research proposes two factors: *Economic Factor* and *Social Factor*, for identifying the successful cases of Thai cooperatives in the agricultural sector, as follows;

Economic Factor

Like those of other business organizations, economic factor is one of condition for management, namely high profit, high dividend, low cost, and maintaining reasonable financial ratios. These conditions are considered to be the major factors for identifying the successful organizations in the economy.

Social Factors

One important difference between general business organizations and cooperatives is that the well-being of farmer-members is considered to be the first priority for cooperative operations. Thus, the amount and the participation of memberships as well as the value (benefit) returned to members are key conditions for identifying successful organizations in the society.

In addition, in terms of factors for cooperative success, Castillo and Mendoza (2006) indicates that the success of any cooperatives largely depends on the firm’s commitment and determination of its management to pursue its set goals and objectives. These findings are

also consistent with the results of Suksawang (1990) and Garnevska et al (2011). Likewise, the results of Carlberg et al (2006) suggest that factors in the planning and development, financing and costs, and the quality of product categories are considered to be critically important by New Generation Cooperatives' managers.

Successful Cases of Cooperatives

According to the current agricultural cooperative development mentioned, this research presents some distinct representative of cooperatives in the agricultural sector that have achieved the aims of economic and social benefits, and are suitable to be role models for the development other cooperatives. The data were collected through face-to-face interviews and from both published and unpublished reports. However, this study was limited as the author interviewed only the president or manager of cooperatives due to time and capital limitations.

I. Khao Kitchakood Agriculture Cooperative

Khao Kitchakood Agriculture Cooperative, Ltd⁵. (henceforth referred to as KAC), a distinct group of fruit farmers in Chanthaburi province, is a distinguished representative of the *fruits value* farming network and is praised as a valuable cooperative from Co-operative Academic Institute, Kasetsart University. The cooperative has an exceptional development plan, especially in the purchasing and marketing businesses for supporting the fruit value farming of the members in order to gain higher revenues. As a result, this cooperative has become a reputable learning center for fruit value farming in Thailand and has achieved economic and social successes for their farmer-members.

General Information

The main purpose for the establishment of Khao Kitchakood Agriculture Cooperative was to aid the excess supply of fruits products of farmers in Khao Kitchakood district. Since the district has an abundance of resources for fruits farming, there is excess supply of fruits such as rambutans, and mangosteens in the harvest season. Excess supply creates downward pressure on fruit prices. In addition, it was difficult to determine the direction of the market and appropriate marketing plans (Pumpotong, 2015).

Hence, KAC, whose main businesses included purchasing and collective marketing, was established to solve the problems mentioned. KAC started in 1994 with 408 initial members and a trivial capital of approximately \$10,000 dollars. However, the professional business operations of the president and manager brought about striking development plans for KAC, which especially focused on improving the well-being of farmer. The cooperative collaborates with the private companies and the government sector to encourage the farmer-members to produce quality fruits, particularly mangosteens, for the export market in order to enhance the chances for gaining higher revenue for the members.

As a result, the farmer-members of Khao Kitchakood Agriculture Cooperative became a famous producer of quality fruits in Thailand. In addition, the cooperative established a networking of these producers to encourage collaboration for the continuous development of all production processes and become a learning center for other cooperatives.

⁵ Khao Kitchakood Agriculture Cooperative is located in Khao Kitchakood district, Chanthaburi province that is in the east of Thailand.

Marketing Activities

Since the Khao Kitchakood Agriculture Cooperative was established to solve the problem of excess supply of fruits for farmers in Chantaburi, KAC carried out various marketing activities in order to manage and create exceptional marketing plans for the members, as follows;

Knowledge Dissemination

The cooperative collaborates with the members to survey the demand of consumers in the major fruits markets, namely Simummuang market⁶, and also educate the consumers on the benefits of fruits and how to eat fruits, especially mangosteens. The results of the survey were analyzed and applied by the farmer-members in order to produce quality fruits that meet the demand of consumers. In addition, the cooperative also encouraged new techniques of production, such as techniques for storage to maintain quality of products, to the farmer-members in order to develop their processes of production.

Controlling Production

The cooperative holds meetings with the farmer-members during the period of production in order to determine the direction of marketing strategies and control the supply of the group. Likewise, the cooperative carries out the purchasing business for supporting the quality input factors to the members and collaborates with private export companies to educate the farmer-members on the grading criteria for exporting high quality products. In addition, KAC operates the credit business for production prudently and is careful about increasing the risk of indebtedness for farmer-members. For example, out of the entire loan, the cooperative pays only about 25% in cash while the rest are paid in term of input factors.

Collective Marketing and Development Market Channels

One major aspect of cooperative businesses is collective marketing in order to be a market channel for selling the quality fruits of their members. The cooperative determines the *fair price* for its members, with regards to their fruits grade. In addition, the products sold by the farmer-members can be traceable and are stored in the correct standard for selling to big supermarkets in the country as well as for exporting to China and Vietnam via the partner company of the cooperative in order to increase the market channels for its members.

Performance

Throughout two decades, Khao Kitchakood Agriculture Cooperative has carried out various exceptional business plans and achieved successes in both the economic and societal aspects, as follows;

Economic Success

Khao Kitchakood Agriculture Cooperative started up the business cooperative with a trivial capital of approximately \$10,000 dollars. Throughout two decades, the cooperative has operated its business effectively and achieved economic success. As of September 2014, the cooperative had a total revenue about \$6.18 million dollars, an increase of approximately

⁶ Simummuang market is the major fruit and vegetable market in Thailand that is located Pathum Thani province.

75% from 2010, and had a net profit about \$94 thousand dollars which grew approximately 80% from the same period. Purchasing and collective businesses accounted for 98% of the total volume of the business, and have played major roles as growth engines for the business performance of KAC. With the business mentioned, the average basic earning power ratio of cooperative was 0.19 during 2010-2014. In addition, the current ratio of the KAC was reasonable at approximately 1.54 of its average during the same period⁷.

In terms of bringing returned benefits to its members, the cooperative members gain a dividend of about 4.5% per year, receive an average cash back from input factors, namely fertilizers and insecticides, and also, as well as gain from collective business. Moreover, the cooperative has many business partners, especially supermarkets and the export company that has enhanced the market channels for quality fruits. Two thousand tons of quality mangosteens were sold, with a value of about \$3 million dollars in 2014.

Social Success

Khao Kitchakood Agriculture Cooperative began with 408 initial members, and expanded continuously to approximately 1421 members in 2014. The members have participated greatly in the annual general meeting of cooperative, with a participation average of 80%. Besides, the cooperative manages the price of products in order to encourage members to gain fair and reasonable prices in accordance to the quality of products. Moreover, with the key objective to solve the problem of excess supply of fruits, and improve farmers' well-being, all of the business activities which are operated by the cooperative are centered on creating highest benefits of farmers-members. The cooperative has exceptional plans and projects to achieve the aim mentioned. For example, the KAC has a welfare fund for supporting farmer-members that have been affected by natural disasters, especially typhoons. In addition, the cooperative supports gaining new techniques and knowledge for farmer-members to increase productivity. Moreover, KAC have an eminent project for building *heir-farmers* in order to encourage young people to take part in agriculture. Also, the KAC is a learning center for the production of quality fruits in Thailand.

Factors to Success

The success story of Khao Kitchakood Agriculture Cooperative during the past two decades is contributed by key factors, as follows;

Effective Administration

Throughout two decades, effective administration has played a major role as a key instrument for the growth engine of cooperative business. The well-being of farmer-members is the main objective of the Khao Kitchakood Agriculture Cooperative, thus, the cooperative plans to develop all production processes of farmer-members. Moreover, the professional operation of the president and manager of the cooperative is the great example of trust and faith in the cooperative system and builds the confidence of farmer-members in the cooperative. Thus, the collaboration between the committee of KAC and its members has brought about exceptional plans for developing the cooperative and ensure the well-being of its members. For example, KAC and its members meet continuously during the period of production in order to discuss new techniques, provide quality input factors, and control output supply

⁷ Annual Report of Khao Kitchakood Agriculture Cooperative, 2010-2014.

regarding the quality of products and the demand of markets. In addition, the cooperative and its members usually survey the demand of consumers and also educate consumers about how to eat mangosteens properly. As a result, the fruit products of the farmer-members of KAC are well-known in both domestic and foreign countries.

High Quality Product

The key purpose of the cooperative is to encourage farmer-members to produce high quality fruits with regards to the demand of consumers in order to increase the chances for gaining higher revenue from their farming. In addition, those products can be traced back and investigated under the Good Agricultural Practice (GAP) system, and the cooperative can guarantee the quality of all fruits under the cooperative trademark. As a result, the fruits of the farmer-members of Khao Kitchakood Agriculture Cooperative are outstanding both in the country and abroad, with approximately 3,500 tons per year of sale volumes.

Business Networking

Business networking is one of the major factor contributing to the effectiveness of the operation of cooperative business. Khao Kitchakood Agriculture Cooperative works with numerous organizations, such as private companies, the government sector, and other cooperatives in order to develop all of the processes along the supply chain for farmer-members. For example, KAC collaborates with business partners to teach new techniques to farmer-members in order to maintain high quality fruits.

II. Phan Fisheries Cooperative

Phan Fisheries Cooperative⁸, Ltd. (henceforth referred to as PFC), a prominent group of Nile tilapia-farmers in Thailand, is a renowned representative that is outstanding in their strength of business networks as well as in creating high returned benefits to their farmer-members. The cooperative has excellent administration plans in controlling the supply of products of members in order to solve the excess supply problem by themselves. This leads to the stabilization of products prices and to the sustainable improvement of the well-being of famer-members.

General Information

Nile tilapia-farming in Phan district which is fish-farming in earthen ponds is striking due to the abundance of resources that is suitable for farming⁹. However, the farmers are confronted with a lower price situation imposed by the middleman who has many choices for buying cheaper tilapia products. In addition, the middleman employs vicious strategies to force prices down by delaying the purchase of the arrangement¹⁰. Thus, in the initial stage, a group of tilapia-farmers, known as Golden-Fish club was established. The key purpose of the collaboration was to solve the low price problem and to distribute high benefits to its

⁸ Phan Fisheries Cooperative is located in Phan districts, Chiang Rai province where is located in Northern Thailand.

⁹ Since the conditions of soil in Phan were investigated by the chemical process and found that farmers can produce the Nile tilapia without the smell of soil and clay (Kumphut, 2015). This makes the products of fish are renowned.

¹⁰ When farmers bailed in their farms so as to prepare for selling products but the merchant default, they need to sell their products at lower price since they concern about that the fish will die due to the shock from lower-level of water.

members. Nonetheless, the different ideas in the business operation of the members caused many new groups¹¹ to form and most of the tilapia-farmers in Phan can be a member in one or more groups so as to gain higher benefits from selling their products (Kumphut, 2015). Although the ideas of business operation for each group are different, the businesses activities of those groups are similar. Thus, this lead to competition amongst the new groups in bringing high returned benefit to farmer-members in order to incentive the application of new farmer-members into the group.

A new but successful group of Nile tilapia-farmers in Phan district in Thailand is *Phan Fisheries Cooperative, Ltd.* This cooperative started in 2000 with 116 farmer-members and a small capital of approximately \$900 dollars. The cooperative administrates an integrated business; supplying high quality inputs, collecting the output, managing the market channels, and supporting loans. In particular, the *purchasing and marketing* businesses have played a major role as the business growth engine of PFC. The cooperative supports the input factors for production and collects the primary products of farmer-members to sell on the consumer markets. Nowadays, PFC has an exceptional sales volume of approximately 12 thousand tons per year and their total business values are greater than \$3 million dollars per year. As a result, they achieve the aims of price stabilization of products and also bring high returned benefits to farmer-members.

Marketing Activities

One of the major problems of Nile tilapia-farmers was the excess supply of products that impacts the stabilization of prices. Phan Fisheries Cooperative (PFC) operates exceptional marketing strategies for keeping the price stability of products and increasing the bargaining power with the middleman as well as increasing marketing efficiency, as follows;

Controlling Production

First of all, PFC has a plan for controlling production in order to ensure products supplied by farmer-members fit the characteristics that are demanded by consumer, including sizes and taste, etc. In order to control supply, the cooperative imposed various policies. For instance, the cooperatives enroll members by considering the demands of fish consumers in the market. The cooperatives also managed the entire supply chain starting with the procurement of fingerlings. The members must purchase these fingerlings for use to ensure effective control of production. Moreover, PFC also has a plan for separating the sizes and grades of the products in accordance to the demand of consumers in each market. As a result, the cooperative can solve the problem of excess supply and can enhance the bargaining powers for negotiation with the middleman in order to generate fair and stable prices for the farmer-members. Likewise, the products of Nile tilapia of PFC have also responded to the demand of the consumer market.

Collective Marketing and Development Market Channels

One of the key factors supporting the success of cooperative is collective marketing and the development of market channels. A core problem most farmers face in Thailand is the inaccessibility of the market. Thus, PFC carries out a collective marketing strategy in order to link consumers to farmer-members. The cooperative has a service for fishery for the

¹¹ There are sixteen groups of Tilapia-farming in Phan district that consist of groups, clubs, and cooperatives (Document of the meeting of Tilapia-farmer cluster in Phan, 2557).

members' farms and collaborates with the members to set the price of their product. In contrast, the middleman plays a minor role as the buyers only. This strategy results in an increase in bargaining powers of farmers. Moreover, the collective marketing strategy can also solve the problem of debt default of farmers-members since the cooperative can deduct the debt of the members from their revenue gained from their farms. Meanwhile, the development of market channels has become a key strategy to enhance marketing efficiency. PFC has the contracts with the freeze-storage private companies in order to increase the market channels to sell some products of farmer-members. In addition, the processing of products, such as primary vacuum packed fish, has also been employed to be one of the instruments for expanding markets.

Business Networking

The one important marketing strategy of Phan Fisheries Cooperative is business networking. PCF collaborates with private companies to support quality production of farmer-members. These companies advise the cooperative on some new techniques and knowledge that results in the increase of productivity, as well as engage in a contract with the cooperative to sell quality fish feed at low cost. Likewise, those companies help to purchase some products when there is a problem of excess supply of output via their freeze-storage companies.

Performance

According to the exceptional business operation plan of Phan Fisheries Cooperative, PFC achieves the successes of in both economic and societal aspects, as follows;

Economic Success

Phan Fisheries Cooperative began its business in 2000, with an initial capital of approximately \$870 dollars (Kumphut, 2015). The cooperative has operated the businesses effectively, especially purchasing and collective marketing. Now, PFC has an operation capital of about \$560,000 dollars with an average business volume of approximately \$3 million dollars per year. Likewise, the some financial ratios of the cooperative were reasonable, with the average basic earning power ratio and current ratio of approximately 0.2 and 2.93, respectively during 2012-2014¹². Moreover, PFC can collect and distribute the farmer-members' products at about 1.2 thousand tons per year. In addition, PFC collaborates with the private companies to teach new techniques and support the quality feed for increasing productivity. Therefore, farmer-members can expand their farms and increase productivity from 4,000 to 30,000 kilograms/ year.

In term of bringing returned benefits to the members, the farmer-members gain a dividend of about 7% per year, receive the average cash back from input factors such as fingerlings, and fish feed at approximately 1.8% of purchase for each member. At the same time, PFC can control the debt of farmer-members effectively. This is reflected in the repayment of members that is almost 100 percent while loans are reducing by more than 50% per month.

Social Success

Phan Fisheries Cooperative began with 116 initial-members and expanded gradually to approximately 464 members in 2014. However, it is interesting to note that PFC attempted to

¹² Annual Report of Phan Fishery Cooperative, 2012-2014.

reform the admission of farmer-members into its organization in order to avoid a repetition of farmers who are in one or more groups to gain higher benefits (Kumput, 2515). Thus, PFC can control the output of supply via the admission of members to meet the demand of consumers. Thus, PFC has played a major role in the business negotiation between the farmer-members and the middleman. Likewise, all farmers-members participate in the cooperative's business, especially in purchasing and collective marketing and all members buy fingerlings from the cooperative and sell their final products back to PFC. In addition, approximately 70% of farmer-members attend the annual general meeting of PFC, and participate in the selection of the professional president of their organization. Moreover, the cooperative collaborates with private business organizations to teach new technology and techniques to the farmer-members to increase productivity. As a result, the members of PFC can improve their well-being sustainably by themselves while PFC becomes the center of Nile tilapia-farming in Northern of Thailand.

Factors to Success

The main factors contributing to the success story of Phan Fisheries Cooperative throughout two decades are:

Effective Administration

One important factor is *Effective Administration* of cooperative committee, especially the professional administration of cooperative's president. The understanding of the market's directions and choosing the right marketing strategies of the cooperative brings about exceptional operation plans. For example, the enrolment of farmer-members is done with regards to the demand of fish in the market in order to avoid the problem of excess supply. Moreover, the distinct plans of purchasing and marketing increased the bargaining power of the cooperative. As a result, the middleman now plays a minor role in the cooperative's businesses and farmer-members can gain full economic and social benefits.

Supply Chain Management

PCF has operated effectively throughout the *supply chain*. The cooperative has plans to control the quality and amount of production for each farmer-members. For example, PCF encourages farmers to produce quality products by using quality fish feed rather than natural feed. Likewise, the cooperative has an important rule that farmer-members have to buy fingerlings from the cooperative so as to receive the service in the fishery for sale and market operations. As a result, the members gain higher quality products and benefits, as the cooperative can manage all of the output supply of farmer-members and can solve the problem of excess supply effectively.

High Quality Product

One important factor to their success is the *high quality of products*. The technical and academic supports are employed as key instruments for increasing the quality of products. Moreover, *product traceability* is ensured for the investigation of all processes of production in order to satisfy consumers. In addition, the famous characteristic of the Nile tilapia that has no smell of soil or clay is due to the special characteristic of the soil in Phan (Kumput, 2515). As a result, the Nile tilapia of Phan district that are farmed in earthen ponds have the same grade as the fish farmed in net cages.

III. Green Net Cooperative

The third case, the “Green Net Cooperative” (henceforth referred to as GNC), is a special case because this cooperative is set up to be a service cooperative¹³. Nonetheless, all of the activities of Green Net Cooperative are related to agricultural sector, especially organic agriculture and the development of alternative fair markets. In particular, Green Net is a well-known organic agriculture organization both in Thailand and in globe. The cooperative also has exceptional plans for market activities, both for the domestic and foreign markets, under the key concept of *Organic Agriculture* and *Fair Trade* to improve the well-being of farmer-members, particularly in the rural area.

General Information

Green Net cooperative¹⁴ is a Thai social enterprise working to link sustainable farmers and community enterprises to consumers. It focuses on the promotion of organic agriculture and development of alternative fair markets. In particular, Green Net, which has been a member of the International Federation of Organic Agriculture Movements (IFOAM) and the World Fair Trade Organization (WFTO) since 1995, is a pioneer for organic and fair trade organizations in Thailand. It has also played a major role in the establishment of national organizations both in organic and fair trade across two decades.

Under the mission “To serve as a marketing channel for small-scale organic farmers, incorporating fair-trade principles in its marketing activities” and by combining organic agriculture and fair-trade as its core policies, Green Net works to build the participation of both farmers and consumers to develop community enterprises that produce quality organic products that are healthy and safe for the environment. Green Net also works to disseminate knowledge of both organic agriculture and fair trade to farmer-members before they decide to be a part of the Green Net cooperative. This includes work to collect and distribute the products of organic agriculture through fair trade channels. Green Net also works as a marketing and distribution center for the diverse products of its farmer members including: rice, coconut milk, herbal teas, soybeans, and eco-textiles so as to distribute organic, natural, and ecological products to consumers in Thailand, as well as to export the organic products¹⁵ overseas to Switzerland, Germany, Italy, Austria, Belgium, France, Spain, New Zealand, and Canada. These products are of high quality, traceable and adhere with global standards.

Marketing Activities

One of reasons for the establishment of the Green Net cooperative is the marketing problem of farmers in Thailand. In the agricultural sector, farmers need to sell their products with high price, thus, marketing strategies have played a major role for responding to the demand of farmers. Therefore, GNC conducts a system for marketing activities under the conceptual

¹³ Due to the ambiguity of Cooperative Act B.E. 2542 in part of the scope of cooperative business, thus, Green Net Cooperative can do all business involving with the agriculture, although it was enrolled as the service cooperative.

¹⁴ Green Net Coop is located at 6 Soi Piboonupatam-Wattana Nivej 7, Suthusarn Road, Huay-Kwang, Bangkok 10310. The cooperative has been registered as a cooperative under the Ministry of Agriculture and Cooperatives since 25 November 1993 originally under the name “The Nature Food Cooperative.” Subsequently, the size and scope of its activities grew, thus, it legally changed its name to “Green Net Cooperative” on 10 May 2001.

¹⁵ For examples, Thai Jasmine rice, Red Jasmine rice, other rice varieties, coconut milk, and coffee

framework of organic agriculture and fair trade in order to increase with economic and social aims, as follows;

Knowledge Dissemination

In the initial stage, Green Net teaches farmers about organic agriculture as an alternative form of agriculture and also publicizes the knowledge of organic agriculture to consumers in order to raise consumer awareness on environmentally responsible lifestyle. For example, in 1997, this cooperative collaborated with "Paper for Tree Project" and Thai Health Foundation, "Green Gift for Better World" fair in order to promote organic agriculture and green products during Christmas and New Year Festival in Thailand as well as published a book on "Indigenous Knowledge and Biodiversity" and "Green Calendar". The Green Calendar was a collaborative work with Consumer Foundation to raise consumer awareness on environmentally responsible lifestyle. Also, a leaflet on "Consumption for Better Health & Environment" was published and distributed to consumers through green shops within the Green Net's network¹⁶.

Controlling Production

Later, Green Net recruits high potential members who are interested in producing products based on the principles of organic agriculture. In addition, the cooperative gives some advices to farmer-members such as techniques of pre-and post harvests along the supply chain in order to maintain high quality of products that meet the demand of consumers. Moreover, Green Net encourages networking among the farmers group within the neighborhood and allows farmer-members to set their product prices based on production cost and market price of those products¹⁷.

Collective Marketing and Development Market Channels

Green Net collects the high quality products from farmer-member using suitable logistic system and sells the products in the domestic and overseas market. The organic products of GNC are most well-known in Europe; due to the high standards of production control of Green Net.

Business Performance

Throughout decades, Green Net cooperative has enjoyed exceptional business performance, as follows;

Economic Success

In the initial stage, Green Net began its business with a trivial start-up capital of approximately a few hundred US dollars. GNC has managed the cooperative business system under the concept of organic agriculture and fair trade and its business performance has grown markedly throughout 20 years. In particular, during 2010-2014, the products sold under fair trade accounted for more than 60%. In addition, in 2014, Green Net had exceptional sales volume¹⁸, approximately \$2.5 million dollars; this increased about 45.37% compared with the previous year. The sales volume was separated into two section; domestic

¹⁶ www.greennet.or.th

¹⁷ This is one of concept of fair trade

¹⁸ Annual Report of Green Net cooperative, 2010-2014.

and abroad sales, and accounted for 42.09% and 57.91% respectively. GNC paid the farmer-members a dividend of 10% per year. Moreover, through the analysis of important financial ratios, we found that the basic earning power and current ratios of GNC were at a reasonable financial status. Their average values were 0.12 and 1.37, respectively, during 2010-2014.

In case of the successful business model, we found that this cooperative can expand the line of organic agricultural goods, namely, rice, seafood, coffee, pineapple, etc., and also branch into the many provinces, such as Chiang Mai, Yasothon, Surin, Prachuap Khiri Khan, Khon Kaen, under the same concept of organic agriculture and fair trade. These contrast with the other famous agricultural cooperatives in Thailand as most of them can produce only one product in one province. Moreover, GNC has a plan for expanding its business model to other countries in ASEAN in the future.

Social Success

Two decades ago, Green Net established its business cooperative with 30 initial-members, and expanded continuously to approximately one thousand members in 2015 (Panyakul, 2015). In addition, all of the farmers-members have participated in the cooperative's business, especially in collective marketing to sell their organic products to Green Net cooperative. Likewise, GNC has also created groups of networks for organic agriculture in Thailand. Those groups are all supported by Green Net in terms of knowledge innovation and techniques for organic farming, and each group can exchange new knowledge among the members. Moreover, the GNC has also given an opportunity to farmer-member to set their prices, with regards to cost and market price of the products, under the concept of *Fair Trade*. As a result, farmers can cultivate and manage their farms until they can pass the standard certifications of organic farming regardless of the aid they receive from the government. In addition, GNC also contributes to the stability of income for farmers.

Factors to Success

To achieve the goals of economy and society, Green Net has some key factors, as follows;

Self-Reliance

The first factor is "*Self-Reliance*" which is an important concept for cooperatives. Green Net cooperative has an effective plan to operate its business regardless of the aid received from the government. All of the processes were originated by the collaboration between the committee of the cooperative and farmer-members as well as other private companies in order to contribute to operational efficiency. All in all, GNC can conduct its cooperative's business according to the concept of self-reliance under business competition of market mechanism.

Innovation of Knowledge

The key factor to create exceptional business performance is "*Innovation of Knowledge*". The concepts of organic agriculture and fair trade are employed to be the core model of business. Green Net understands the real problems of Thai farmers and their need to sell their products with higher prices in order to ensure income security. They also understand that there is a significant growth in the market for organic agricultural goods. Hence, the concepts of organic agriculture and fair trade are employed as the principal model of its business. The cooperative also transfers the knowledge to farmer-members as well.

Effective Administration

To achieve the successful goals of the business, the cooperative needs to have an efficient administration. The selection of the president and manager that are professional and trustworthy, as well as the establishment of a transparent business plan are necessary for an effective administration of the cooperative. Moreover, the cooperative committee also supports farmer-members in providing quality production factors; fertilizer, seeds, etc., and capital for loans in order to successfully fulfill the goals of the cooperative.

From the above discussion, we can summarize that the key characteristics of successful Thai cooperatives in the agricultural sector are *integrated marketing activities*. These activities refer to all of the processes that are linked and work together throughout the supply chain, namely, knowledge dissemination, production control, and collection and distribution. Moreover, based on the interviews, key success factors contributing to the success of agricultural cooperatives can be summarized as *Effective Administration* and *High Quality Product*. The main findings were consistent with previous myriad studies that effective administration was a crucial factor to the success or failure of cooperative business (Garnevska et al, 2011; Fulton, 2004; and Suksawang, 1990). In addition, the high quality product was also the key factor to increasing the economic returns of the cooperative business (Mendoza and Castillo, 2006; Davis, 1999; Carlberg et al, 2006; and United States Department of Agriculture Rural Business, 1990). All in all, employing integrated marketing activities under effective administration and the focus on building the high quality products seem to be the key framework for cooperative development in Thailand under the new global environment in order to respond to the needs of farmer-members and consumers.

CONCLUSION

Throughout the century, the cooperative movement has played a major role as the growth engine of the agricultural sector in Thailand. However, there are many problems that restrain development such as inefficient cooperative operations, low levels of member participation in the cooperative businesses, and especially the inaccessibility of the market due to ambiguous marketing plans. Moreover, Thai cooperatives in the agricultural sector are now confronting new emerging needs and challenges from farmer-members and consumers. Farmer-members consider high economic returns, while, consumers demand high-quality products at reasonable prices. Thus, cooperatives must adapt, and use marketing activities as the key mechanism for responding to the new needs and challenges of farmers and consumers.

This research presented the key representatives of Thai cooperatives in the agricultural sector, namely Khao Kitchakood Agriculture Cooperative, Ltd., Phan Fisheries Cooperative, Ltd., and Green Net Cooperative, Ltd, and found that all of the cooperatives operate with a *bottom-up* strategy and carry out *integrated marketing activities* throughout the supply chain under effective administration with regards to high quality products in order to increase marketing efficiency for responding to new situations in the changing business environment. *Knowledge dissemination* activity that support new techniques for increasing productivity and also promote product understand to consumers are promoted. In addition, activities for *controlling production* are adopted to manage all of the processes of production so as to gain the high quality product, with regards to the demand of consumers, while also avoiding excess supply problems that result in lower prices of products. *Collection and distribution of*

products under the framework of business networking are also key mechanisms that were employed by the cooperative. All in all, these findings displayed that the *integrated marketing activities* along the supply chain under effective administration and with regards to high quality products can be drawn into a key framework for Thai cooperative developments in the agricultural sector.

However, other findings found that most products of each renowned cooperative are primary products. Thus, the recommendation of this research is that marketing activities of Thai cooperatives should be improved continuously, particularly by increasing the importance of the processing of products so as to enhance the value of products and the product variety. Likewise, marketing activities employed need to consider the environment and characteristics of each cooperative, including the level of member participation. These lead to increased competitiveness with other businesses under the existence of the cooperative system and also achieve economic purposes as well as bring about high returned benefits the farmer-members.

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