SUCCESSFUL CASES OF AGRICULTURAL COOPERATIVES MARKETING ACTIVITIES FOR IMPROVING MARKETING EFFICIENCY IN THAILAND

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OVERVIEW OF AGRICULTURAL COOPERATIVES IN THAILAND

Thai Economy Change

1914

Bank for Agriculture and Agricultural Cooperative

1916

First Cooperative with *Top – Down* strategy

1947 - 1966

The second enactment for *Cooperative*

1968

The first enactment for *Cooperative*

1999- Present

The History of Cooperative Development in Thailand
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The first enactment for Cooperative

1999- Present

The History of Cooperative Development in Thailand
In 1914

The economy changed from a Self-sufficiency Economy to a Trading Economy.

Farmers could not benefit fully from the situation because of their budget limitations and national disasters.

Farmers became severely in-debt.
The History of Cooperative Development in Thailand

1914 - Thai Economy Change

1916 - First Cooperative with *Top – Down* strategy

1947 - 1966 - Bank for Agriculture and Agricultural Cooperative

1968 - The first enactment for *Cooperative*

1999 - Present - The second enactment for *Cooperative*
OVERVIEW OF AGRICULTURAL COOPERATIVES IN THAILAND

In 1916

- The government attempted to alleviate the farmer debt problem.
- The first cooperative society—“Wat Chan Cooperative—was established. It was known as a “village credit cooperative” with unlimited liability.

- Top – Down Strategy
OVERVIEW OF AGRICULTURAL COOPERATIVES IN THAILAND

The History of Cooperative Development in Thailand

- 1914: Thai Economy Change
- 1916: First Cooperative with Top – Down strategy
- 1947 - 1966: Bank for Agriculture and Agricultural Cooperative
- 1968: The first enactment for Cooperative
- 1999- Present: The second enactment for Cooperative
OVERVIEW OF AGRICULTURAL COOPERATIVES IN THAILAND

During 1947 - 1966

The government set up the “Bank for Cooperative” in 1947

In 1966, The “Bank for Agriculture and Agricultural Cooperative (BAAC)” was established to be the financial center for agricultural cooperatives as well as individual farmers
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1999 - Present
In 1968, the enactment of the “Cooperative Act B.E.2511” was to facilitate the expansion and improvement of the cooperatives.

The Co-operative League of Thailand (CLT) is the apex organization of the cooperative movement in Thailand.

The credit cooperatives were officially categorized as “Agricultural Cooperatives”.
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1999 - Present
OVERVIEW OF AGRICULTURAL COOPERATIVES IN THAILAND

1999 – present ➔ Cooperative Act B.E. 2542

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
7) Credit Union Cooperative

Master plans for Thai Cooperative Development
CURRENT SITUATION OF AGRICULTURAL COOPERATIVES

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 (as of January 2015).

The proportion of cooperatives in Agricultural and non-agricultural sector was accounted at 54% and 46%.

In agricultural sector, Agricultural cooperative has played a major role in this sector (as of January 2015).

- 3,650 cooperatives
- An individual membership of 6,460,543
  (56% of the total cooperative membership in Thailand)
## CURRENT SITUATION OF AGRICULTURAL COOPERATIVES

Table 1: Distribution of primary cooperatives and their membership

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

Source: Cooperative Promotion Department, 2015
CURRENT SITUATION OF AGRICULTURAL COOPERATIVES

Business Scope of Cooperatives

- During 2009-2013, the total business volume of cooperatives in the agricultural sector increased by more than 74%.
- The main businesses are *Savings and Deposit Business, Credit Business, Purchasing Business, and Marketing Business.*
- The saving and deposit, credit, and marketing businesses were the top 3 most successful businesses.
Table 2: Business Performance of cooperative in agricultural sector during 2009-2013

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

Source: Cooperative Auditing Department, 2015
# CURRENT SITUATION OF AGRICULTURAL COOPERATIVES

Table 3: The participation of members in cooperative business in 2014 (percentage)

<table>
<thead>
<tr>
<th>Type of Business</th>
<th>Category of Cooperatives in Agricultural sector</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Agricultural</td>
</tr>
<tr>
<td>Overview</td>
<td>54.96</td>
</tr>
<tr>
<td>Saving and deposit</td>
<td>19.79</td>
</tr>
<tr>
<td>Credit</td>
<td>16.52</td>
</tr>
<tr>
<td>Purchasing</td>
<td>31.57</td>
</tr>
<tr>
<td>Marketing</td>
<td>8.31</td>
</tr>
<tr>
<td>Other services</td>
<td>1.62</td>
</tr>
</tbody>
</table>

Notation: A member can do many businesses

Source: Cooperative Promotion Department, 2015
New emerging needs and challenges

Farmer-members
- High economic return

Consumers
- High quality products at reasonable price

“Marketing activities have an increasing role as the key instrument so as to fulfill the two opposing demands”

QUESTION: How should the Thai cooperatives adapt, especially in term of marketing activities?
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.

- **Khao Kitchakood Agriculture Cooperative**
- **Phan Fisheries Cooperative**
- **Green Net Cooperative**

The data were collected through face-to-face interviews and from both published and unpublished reports.
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, et al., 1999, Hassan, et al., 2013, and Department of Agricultural and Resource Economics, 2014)
CONCEPTUAL FRAMEWORK OF MARKETING ACTIVITIES

Marketing Activities

- Exchange Functions
  - Buying and Selling

- Physical Functions
  - Storage, Transportation, and Processing

- Facilitating Functions
  - Grading and standard, Financing, Risk, and Market information

“Value Added from Marketing Activities”
MEASURING SUCCESS FACTORS

The concept of cooperative

A business organization regards self-reliance by cooperating among the members to achieve the goals of economic and social successes.

- Economic Factors
- Social Factors

100% Thai cooperatives*
- reached the only economic goal 60%
- reached the economic and social goals 10%
- failed 30%

*Patrawart (2007)

Source of pictures: www.google.com
RESULTS

I. Khao Kitchakood Agriculture Cooperative (KAC)

General Information

- This is a distinct group of fruit farmers, especially fruits value farming network (established in 1994).
- However, the farmers confronted the excess supply problem that caused downward pressure on fruit prices and can not determine the direction of the market.
- This leads to be a cooperative of fruit farmers and to encourage the farmer-members to produce quality fruits for export.
- 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.
RESULTS

Marketing Activities

Knowledge Dissemination
To survey the demand of consumers and also educate the consumers on the benefits of fruits and how to eat fruits.
To encourage new techniques of production to farmer-members.

Controlling Production
To hold meetings with the farmer-members in order to determine the direction of marketing strategies and control the supply of the group.
To educate the farmer-members on the grading criteria for exporting high quality products.

Collective Marketing and Development Market Channels
Fair price with regards to their fruits grade
Products Traceability and proper Storage
FRUIT VALUE FARMING NETWORK
RESULTS

**Performance**

**Economic Success**

- To achieve the exceptional total revenue and profit. During 2010-2014, the total revenue and profit increased 75% and 80%, respectively.
- Members gain a dividend of about 4.5% per year.
- Two thousand tons of quality mangosteens were sold, with a value of about $3 million dollars in 2014.

**Social Success**

- 408 initial members → 1421 members
- Annual general meeting about 80%
- Welfare fund for supporting farmer-members
- Project for building *heir-farmers*
- KAC become the learning center of fruit value farming in Thailand.
RESULTS

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
⭐ High Quality Product
⭐ Business Networking
RESULTS

II. Phan Fisheries Cooperative (PFC)

General Information

- A prominent group of Nile tilapia-farmers (fish-farming in earthen ponds) in Thailand (established in 2000)
- However, the farmers are confronted with a lower price situation imposed by the middleman.
- Interestingly, there are many groups of tilapia-farmers in order to solve the low price problem and to distribute high benefits to its members.
- This lead to competition amongst those groups in bringing high returned benefit to farmer-members in order to incentive the application of new farmer-members into the group.
- PFC is the biggest group in Phan district.
RESULTS

**Marketing Activities**

★ **Controlling Production**

To control production in order to ensure products supplied by farmer-members fit the characteristics that are demanded by consumer.

The cooperatives also managed the entire supply chain starting with the procurement of fingerlings.

★ **Collective Marketing and Development Market Channels**

PFC carries out a collective marketing strategy in order to link consumers to farmer-members.

The cooperative has a service for fishery for the members’ farms and collaborates with the members to set the price of their product.

PFC has the contracts with the freeze-storage private companies in order to increase the market channels.

★ **Business Networking**

PCF collaborates with private companies to support the technique of quality production for farmer-members.
NILE TILAPIA-FARMING

Source: Phan Fisheries Cooperative
NILE TILAPIA-FARMING

Source: Phan Fisheries Cooperative
NILE TILAPIA-FARMING

Source: Phan Fisheries Cooperative
NILE TILAPIA-FARMING

Source: Phan Fisheries Cooperative
RESULTS

Performance

Economic Success

- An initial capital of approximately $870  an operation capital of about $560,000  with an average business volume about $3 million/year.
- PFC can collect and distribute the farmer-members’ products at about 1.2 thousand tons per year
- Increasing in productivity of the members from 4,000 to 30,000 kilograms/year
- The farmer-members gain a dividend of about 7% per year.
RESULTS

**Performance**

**Social Success**

- The repayment of members is almost 100 percent while loans are reducing by more than 50% per month.
- 116 initial-members → 464 members in 2014
- 100% of farmers-members participate in the cooperative’s business,
- 70% of farmer-members attend the annual general meeting
- 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.
RESULTS

Factors to Success

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

★ Effective Administration
★ Supply Chain Management
★ High Quality Product
RESULTS

III. Green Net Cooperative (GNC)

General Information

Since one of main problems of Thai farmers is the lack of marketing channel, thus, GNC carries out the exceptional marketing plan to improve the well-being of the farmers.

The concept of Organic Agriculture and Fair Trade were selected to be the core strategy of GNC.

Nowadays, GNC is a well-known organic agriculture organization both in Thailand and in globe (established in 1993).

In 2014, the sales volume was separated into two section; domestic and abroad sales, and accounted for 42.09% and 57.91% respectively.
RESULTS

**Marketing Activities**

**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.

**Controlling Production**

To recruit high potential members who are interested in producing products based on the principles of organic agriculture.

To gives some advices to farmer-members such as techniques of pre- and post harvests along the supply chain.

**Collective Marketing and Development Market Channels**

Green Net collects the high quality products from farmer-members using suitable logistic system and sells the products in the domestic and overseas market.
ORGANIC FARM AND FAIR TRADE


Source: www.greennet.com
ORGANIC FARM AND FAIR TRADE

Source: www.greennet.com
ORGANIC FARM AND FAIR TRADE

Source: www.greennet.com
RESULTS

Performance

Economic Success
- During 2010-2014, the products sold under fair trade accounted for more than 60%.
- In 2014, Green Net had exceptional sales volume, approximately $2.5 million. This increased about 45.37% compared with the previous year.
- GNC paid the farmer-members a dividend of 10% per year.
- In case of the successful business model, GNC can expand the line of organic agricultural goods.

Social Success
- 30 initial-members → ~1,000 members in 2015
- All of the farmers-members have participated in the cooperative’s business, especially in collective marketing.
- GNC has also created groups of networks for organic agriculture in Thailand.
- Farmers can set their product prices under the concept of fair trade.
RESULTS

Factors to Success

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

★ Self-Reliance
★ Innovation of Knowledge
★ Effective Administration
RESULTS

“The Integrated marketing activities under the Effective Administration and regarding High Quality Product”

KAC
- Controlling Production
- Collective marketing and Development Market Channels
- Marketing Business Network

PFC
- Knowledge Dissemination
- Controlling Production
- Collective marketing and Development Market Channels

GNC
- Knowledge Dissemination
- Controlling Production
- Collective marketing and Development Market Channels

MARKETING ACTIVITIES

FACTOR TO SUCCESS

- Effective Administration
- High Quality Product
- Business Networking

- Effective Administration
- Supply Chain Management
- High Quality Product

- Self-Reliance
- Innovation of Knowledge
- Effective Administration
CONCLUSION

“A bottom-up Strategy”

“Integrated Marketing Activities”
- Knowledge Dissemination
- Controlling Production
- Collection and Distribution of products

“Business Operation”
- Effective administration
- High quality products

New cooperative strategies
CONCLUSION

Integrated Marketing Activities

★ Knowledge Dissemination
  ➞ Support new techniques for increasing productivity
  ➞ Promote product understand to consumers

★ Controlling Production
  ➞ Manage all of the processes of production
    ➞ Gain the high quality product
    ➞ Regarding the demand of consumers
    ➞ Avoiding excess supply

★ Collection and Distribution of products
  ➞ Business networking
SUGGESTION

Increasing the importance of the processing of products

Value of products and Variety of products

Increasing the competitiveness with other businesses under the existence of the cooperative system
Thank You