

Thailand Country Report

Agricultural Technical Cooperation Working Group (ATCWG) Workshop (ATC 09/2009A)

The Role of SMEs on Poor Power Empowerment: Lesson Learned and Sharing Experiences

28th - 30th October 2009

Prepared by

MRS. Chamlong Yimsuan

**Cooperative Promotion Department,
Thailand**

Content

1. Thailand in Brief	1
2. Overview of Small and Medium Enterprises in Thailand	2
3. Cooperatives in Thailand	5
4. Problems	10
5. Policy framework for promoting of Agricultural Cooperative Business	11
6. Cast Study	13

1. Thailand in Brief

Location

Thailand is part of the Southeast Asia mainland. The Lao People's Democratic Republic lies to the North, the Kingdom of Cambodia to the East, the Union of Myanmar to the North and West and Malaysia to the South. Two seas, the Andaman and the Gulf of Thailand, bracket the country to the West and the East respectively.

Area

Thailand covers an area of approximately 514,000 sq. km: 99.6% of it land and 0.4% marine territory.

Bangkok is the capital.

Population

The population of Thailand was estimated at 65,068,149 in July 2007. Approximately 25 percent are under the age of 15.

This core population includes the central Thai (36% of the population), Thai-Lao (32%), northern Thai (8%), and southern Thai (8%).

Age Structure: 0-14 years: 22% (male 7,284,068/female 6,958,632) 15-64 years: 70% (male 22,331,312/female 22,880,588) 65 years and over: 8% (male 2,355,190/female 2,821,805) (2006 est.) The population growth rate is 0.68% (2007 est.)

Life Expectancy at Birth total population: 72.55 years male: 70.24 years female: 74.98 years (2007 est.)

Median Age: 30.5

Birth Rate: 16.04/1,000 Population

Death Rate 6.94/1,000 Population

Climate

Tropical, with an average low temperature of 23.5°C and a high of 32.8°C. Three seasons: monsoon from July to October, cool from November until February and hot from March until June.

Language

Thai is the national and official language, though business people usually understand English and some Chinese dialects, Thai is the mother tongue of the Thai people, the country's dominant ethnic group. Thai belong to the Thai-Kadai language family, one of the five main language families in Southeast Asia.

It is a tonal language. It is generally agreed that the Thai alphabet was created from earlier regional scripts in 1283 by King Ramkhamhaeng the Great of the Sukhothai Kingdom.

National Flag



Religion

All major religions are represented. Buddhism is practiced by the majority of the population, followed by Islam, Sikhism, Hinduism and Christianity.

Government

Thailand has been a constitutional monarchy since 1932, An elected governor administers the Bangkok Metropolitan Administration. Appointed governors administer the other 76 provinces, divided into districts (amphoe) , sub-districts (tambon) and villages.

Gross Domestic Product (GDP): 273,400 million US Dollar

GDP per capita: 4,081 US dollar

Currency: Baht (THB)

Average Interbank Exchange Rate = 33.59 Baht/US Dollar

Foreign Exchange Rates as of October 19, 2009

Source: Bank of Thailand

2. Overview of Small and Medium Enterprises in Thailand

Structure of Thai SMEs have 4 types as follow :

1. Large-sized enterprises (LE)
2. Medium-sized enterprises (ME)
3. Small-sized enterprises (SE)
4. Micro Enterprises

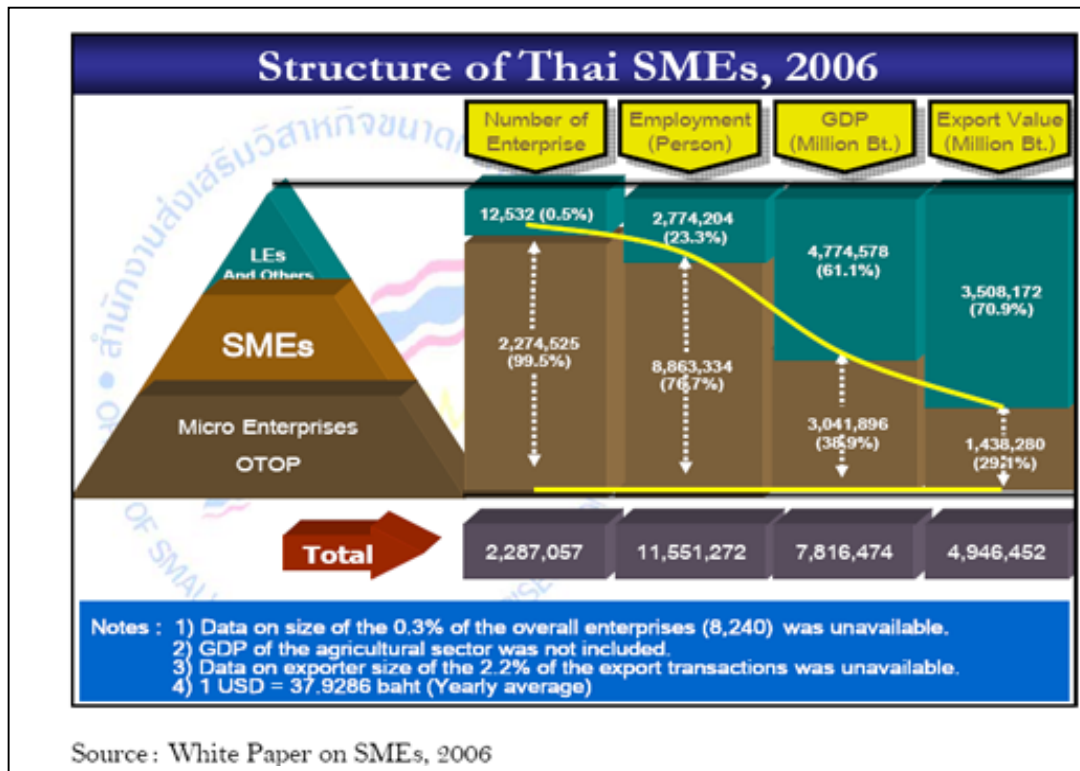
Small-sized enterprises			Medium-sized enterprises		
Type of business	Employment	Fixed Assets (million baht)	Type of business	Employment	Fixed Assets (million baht)
Production	≤ 50	≤ 50	Production	50 - 200	50 -200
Wholesaler	≤ 25	≤ 50	Wholesaler	26 - 50	50 -100
Retailer	≤ 15	≤ 30	Retailer	16 - 30	30 -60
Service	≤ 50	≤ 50	Service	51 - 200	50 -200

In 2006, the total number of all types of enterprises was 2,287,057 which included 4,292 large-sized enterprises (LE), or 0.2%; 9,791 medium-sized enterprises (ME), or 0.4%; 2,254,734 small-sized enterprises (SE), or 99.0%; and 8,240 unidentified enterprises, or 0.4%.

Thailand's SME had the largest number in trade and repairs, totaling 908,846 or 40.0% of the overall number, followed by services with 675,622 or 29.7% and production with 672,351 or 29.6%.

In 2006, the employment of all enterprises was 11,551,272. The number can be classified by enterprise size as follows: 2,687,938 positions in large-sized enterprises (LE), or 23.3% of the overall employment, followed by 1,338,398 in medium-sized enterprises (ME) or 11.6%. and 7,524,936 in small-sized enterprises (SE), or 65.1%. Accordingly, the job creation by the SMEs was 8,863,334, or 76.7% of all positions. This figure compared to SMEs job offered between 2004-2006, shows an increase in 2006 of 3.9% compared to 2005s due mostly to the increase in the SE, which grew by 6.3%.

SMEs employment classified by sector in 2006 was concentrated most in the production sector for 3,496,202 positions, or 39.4%. The service sector was the second largest group of employers at 2,923,338 positions, or 33.0%. Third was trade and repairs, employing 2,443,414, or 27.6%.



Role of Small and Medium Enterprises in Gross Domestic Product

Thai economy grew by 5.0% in 2006, a 0.5% rise when compared to the 4.5% growth in 2005. Gross domestic product (GDP) for 2006 reached 7,816,474.0 million baht, an increase of 728,814.4 million baht compared to 2005. GDP classified by sector showed that in 2006, the agriculture sector accounted for 836,077.0 million baht, or 10.7% of the overall GDP, higher than the 2005 GDP which stood at 10.2%. GDP in non-agriculture sector was calculated at 6,980,397.0 million baht, or 89.3% of the overall GDP. The contribution to GDP by the small and medium enterprises (SMEs) was 3,041,895.9 million baht in 2006, or 38.9% of the overall GDP. The amount was a mild decrease compared to 2005, but it still represented a growth rate of 4.8%. When classifying this GDP for small enterprises (SE) and medium enterprises (ME), GDP by SE stood at 2,043,460.3 million baht, or 26.2% of the overall GDP, a 4.5% expansion from 2005. At the same time, GDP by ME reached 998,435.6 million baht, or 12.800. a 5.300 expansion.

	2002	2003	2004	2005	2006
Gross Domestic Product at Current Price (million baht)					
Overall	5,450,643.0	5,917,368.0	6,489,847.0	7,087,660.0	7,816,474.0
Agriculture	514,257.0	615,854.0	669,498.0	721,682.0	836,077.0
Non-agriculture	4,936,386.0	5,301,514.0	5,820,349.0	6,365,978.0	6,980,397.0
- Large Enterprises	2,443,128.7	2,686,401.2	2,944,125.8	3,249,458.5	3,589,655.1
- SMEs	2,248,474.3	2,352,840.8	2,580,336.2	2,790,413.5	3,041,895.9
• Small Enterprises	1,545,663.1	1,601,426.2	1,748,200.7	1,881,273.2	2,043,460.3
• Medium Enterprises	702,811.2	751,414.6	832,135.5	909,140.2	998,435.6
- Other Enterprises	244,783.0	262,272.0	295,887.0	326,106.0	348,846.0
Proportion (Presented in Percentages)					
Overall	100.0	100.0	100.0	100.0	100.0
Agriculture	9.4	10.4	10.3	10.2	10.7
Non-agriculture	90.6	89.6	89.7	89.8	89.3
- Large Enterprises	44.8	45.4	45.4	45.8	45.9
- SMEs	41.3	39.8	39.8	39.4	38.9
• Small Enterprises	28.4	27.2	27.1	26.8	26.2
• Medium Enterprises	12.9	12.7	12.9	12.9	12.8
- Other Enterprises	4.5	4.4	4.5	4.5	4.5
GDP Growth Rate at Constant Price (Percentage)					
Overall	5.3	7.1	6.3	4.5	5.0
Agriculture	0.7	12.7	(2.4)	(3.2)	4.8
Non-agriculture	5.9	6.5	7.3	5.3	5.0
- Large Enterprises	7.4	8.5	7.4	5.7	5.4
- SMEs	4.1	4.6	7.6	4.8	4.8
• Small Enterprises	3.6	3.9	6.8	4.6	4.5
• Medium Enterprises	5.2	6.2	9.1	5.2	5.3
- Other Enterprises	6.5	3.0	3.0	6.1	3.7

Source : Office of SMEs Promotion

3. Cooperatives in Thailand

*The problem to world economy such as recessions and financial crisis also impact to Thai economy without anyway to avoid. All business faced the recession problems from the beginning of 2008. The political unstable was another factor added to impact our economy. For cooperatives, this was the base of both economic and social in the size of 13,543 cooperative institutions (cooperatives, farmers' groups and Federation Cooperatives) and more than 10 million members, was also received impact from those factors.

Farmers group is consisted of a group of agricultural workers joined together and registered to the cooperative register under Cooperative Law to work together and help each other to fund agricultural activities with the occupation. This type of group has the aims to raise the overall quality of agriculture by providing loan to members for investment in order to make a better living. Farmers group is classified by using member occupations. At present, there are a total number of 4,157 farmers groups in Thailand.

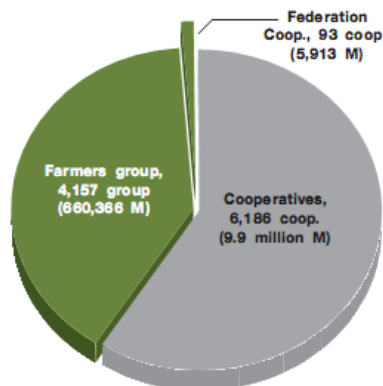
Cooperative is a juristic person formed by a group of people who have some similarity; they may work in the same place, have the same career, of live in the same neighbor. Cooperative may have a different way of management but it has the same objective to promote the socioeconomic interest of the members by means of self-help and mutual assistance in accordance with the cooperative Act B.E. 1999. The cooperative is classified into 7 categories as follow.

- 1) Agricultural Cooperative
- 2) Fisheries Cooperative
- 3) Land Settlement Cooperative
- 4) Consumer Cooperative
- 5) Service Cooperative
- 6) Thrift and Credit Cooperative and
- 7) Credit Union Cooperative

The first 3 types of cooperatives are in the cooperative in agricultural sectors while the rest is not in agricultural sectors. At the present, we have 6,186 cooperatives in Thailand.

Federation Cooperative is formed by a group of cooperatives operated in the same categories, which are agricultural, fishery, land settlement, consumer, service, thrift and credit, and credit union. Federation cooperative is a juristic person established by the registration under the Cooperative Act B.E. 1999 and has objective to facilitate members in cooperating the business by networking. Today we have 93 federation cooperatives in Thailand.

Cooperative and Farmers Group Institutions



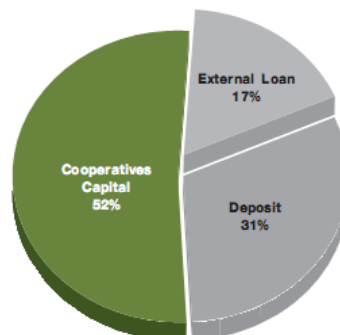
In 2008 the financial condition of cooperative and Farmers' groups was in the good trend, which can observe from the information. There are 10,436 cooperatives institutions with 10.58 million members, or 16.72% of the total population in Thailand. We found that cooperatives and farmers' groups member increased from year 2007 by 0.02%, which showed the producing and buying power of cooperatives institutions was enough to stimulate Thai economy.

Description	2008		2007		Difference (%)
	Unit	%	Unit	%	
No. of cooperatives					
Cooperatives	6,186	59.28	6,662	57.57	-7.15
Farmer Groups	4,157	39.83	4,811	41.57	-13.59
Federation Cooperatives	93	0.89	99	0.86	-6.06
Total	10,436	100.00	11,572	100.00	-9.82
No. of members (million people/cooperative)					
Cooperatives (people)	9,915,060	93.70	9,810,307	92.74	1.07
Farmer Groups (people)	660,366	6.24	761,904	7.20	-13.33
Federation Cooperatives (people)	5,913	0.06	6,550	0.06	-9.73
Total	10,581,339	100.00	10,578,761	100.00	0.02

Cooperative Capital and Investment

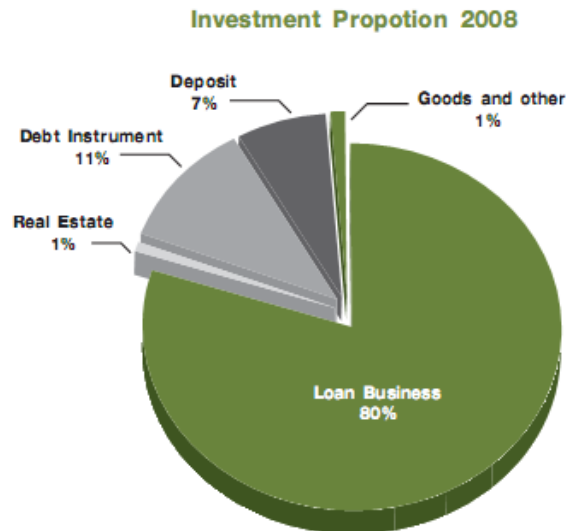
Capital: In 2008, the cooperatives were still in the good trend with capital in the amount of 1 billion Baht increased from 2007 by 12.48%, which a little bit higher than last year increasing rate. The capital comprise of 51.45% of cooperative capital, 31.42% of members' deposit and 17.13% come from external loan, 31.42% of members' deposit and 17.13% come from external loan. We found that most of cooperatives capital came from members and the biggest creditor for external loan was federation cooperatives. **When compared between cooperative capital and external loan, we found that cooperative capital is more than external around 3 times. This reflected the stability of cooperatives' financial condition and sufficient of capital to risk.** Members also had trust and faith to the cooperatives by continuing to invest in cooperatives' stock every year, which was the strongest of cooperatives business.

Cooperative Capital 2008



Source of capital	2008		2007		Difference (%)
	Unit	%	Unit	%	
Cooperatives Capital	518,052	51.45	470,613	52.57	10.08
Deposit	316,427	31.42	255,117	28.50	24.03
External Loan and others	172,486	17.13	169,484	18.93	1.77
Total	1,006,965	100.00	895,214	100.00	12.48

Investment: In 2008, the cooperatives were still in the good trend with investment value of 1 billion Baht increased from 2007 by 12.48%. We found that loan business was the highest investment, which accounted for 79.07% of total investment increased around 9.58% when compared to year 2007, followed by stock and debt investment, which accounted for 11.13% increased from last year 37.96%.



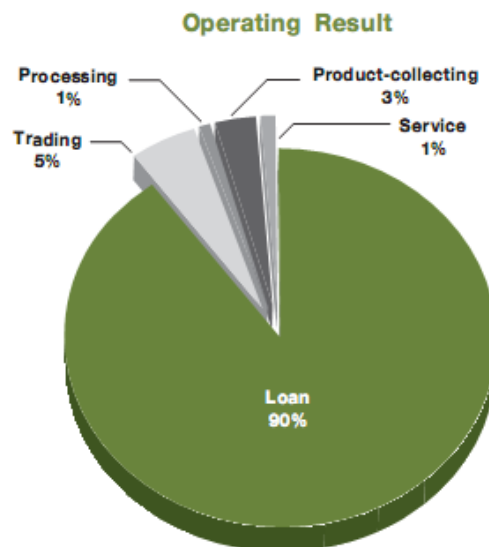
Investment	2008		2007		Difference (%)
	Unit	%	Unit	%	
Loan	796,173	79.07	726,553	81.16	9.58
Land, Property & Equipment	13,687	1.36	14,456	1.62	-5.34
Financial Security	112,035	11.13	81,209	9.07	37.96
Deposit to bank or cooperative	73,084	7.26	55,522	6.20	31.63
Inventory and other	11,986	1.19	17,471	1.95	-31.39
Total	1,006,965	100.00	895,214	100.00	12.48

Cooperative Businesses

In 2008, the cooperatives were still in the good trend with the data from 6 categories of cooperatives business offered to the member. The total value of all businesses was 1.1 billion baht a year or average 92,000 million Baht a month increased from 2007 by 10.16%. We found that members still interested into 2 major businesses, which were 1) loan business was the highest accounted for 62.77% of total business value. The total loan valued at 690,000 million Baht or average 58,000 million Baht a month. And 2) Deposit business followed in the second place, which accounted for 26.12% of total business value. The total deposit valued at 290,000 million Baht or average 24,000 million Baht a month. Both businesses increased from last year by 10.59% and 11.80% respectively. This information meant that cooperatives and farmers' groups were still the hope of their members and receives the members' trust and faith since members were both debtors and creditors. The consistency of deposit and capital investment and the applied for loan from members make cooperatives and farmers' groups had enough capital to create satisfaction to their members, which resulted in a good liquidity and created wealth and revenue to their members.

Cooperative Businesses	2008		2007		Difference (%)
	Unit	%	Unit	%	
Deposit	289,245	26.12	258,724	25.74	11.80
Loan	695,039	62.77	628,492	62.53	10.59
Trade (Selling business)	51,118	4.62	46,954	4.67	8.87
Product-collecting (buying)	52,891	4.76	53,304	5.30	-1.15
Processing	18,084	1.63	16,686	1.66	8.38
Service	1,087	0.10	963	0.10	12.88
Total	1,107,264	100.00	1,005,123	100.00	10.16

For **business result**, the cooperatives were still in the good trend with profit, which increased from last year 14.79%. Most of the profit came from loan business, which invested most of their capital with 79.07% of total capital. The details were as the following.



Operation Result

In 2008, the cooperatives were still in the good trend especially when considered that profit was more than loss around 3.4 times, increased from 2007 by 14.79%. The number of profitable cooperative decreased a little bit by 0.70%, while the loss cooperative also decreased by 25.58%. Total revenues were averaged at 17,766 Baht per member, increased from 2007 by 6.87%. Total expenses were averaged at 14,419 Baht per member, also increased by 5.19%. However, expenses to revenue ratio was quite high at 81.16% reduced by 1.29% when compare year 2007. Although this still showed a good condition, cooperatives and farmers' groups must be very careful and control spending to be efficient and balance.

Description	2008		2007		Difference (%)
	Unit	%	Unit	%	
Total Revenue (million)	187,879	100.00	175,749	100.00	6.90
Total Expenses (million)	152,482	81.16	144,912	82.45	5.22
Profit (million)	35,397	18.84	30,837	17.55	14.79
Profit (no. of cooperatives)	7,822	77.51	7,877	72.09	-0.70
loss (no. of cooperatives)	2,269	22.49	3,049	27.91	-25.58
Total (no. of cooperatives)	10,091	100.00	10,926	100.00	-7.64
Proportion ratio					
Expenses ratio (%)	81.16		82.45		-1.29
Profit Margin (%)	18.84		17.55		1.29
Average Revenue (per member)	17,766		16,624		6.87
Average Expenses (per member)	14,419		13,707		5.19

Important Economic and Energy Agricultural Products

During the past 2-3 year agricultural price continued to increase due to the increasing in world demand. Therefore created substantial income for producers especially for agricultural products that could transform into energy had a bright future. There are important economic and energy agricultural products as the following.

Cooperative have 2 outstanding economic agricultural products, which are 1) Para Rubber with 30,894 million Baht a year or 2,575 million a month 2) Paddy with 7,664 million Baht a year or 639 million a month. Those 2 products are important to create income to cooperative members. The details are as the following.

Para rubber: Value of 30,894 million Baht a year

The year 2008, Para rubber decreased 10.53% in selling the product though 437 cooperatives in 35 provinces. The value of collecting and selling Para rubber was mostly occurred in the southern part of Thailand at 77.40% of all products sold especially in Sonkhra province. The operation for last 3 years (2006-2009) was in an increasing trend from 20,944 million Baht in 2006 to 34,535 million Baht in 2007, but decreased to 30,894 million Baht in 2008. In 2009, we expect to continue increasing.

Paddy: Value of 7,664 million Baht a year

The year 2008, paddy had a growth rate of 4.61% in selling the product though 601 cooperatives in 54 provinces. The value of collecting and selling paddy was mostly occurred in the northeastern region at 52.13% especially in Roi-et province. The operation for last 3 years (2006-2008) was in a decreasing trend from 9,368 million Baht in 2006 to 7,326 million Baht in 2007 but increasing to 7,664 million Baht in 2008. But in 2009, we still believe to increase.

Energy Agricultural Products

Cooperatives have 4 outstanding energy agricultural products, which are 1) Palm with 2,449 million Baht a year or 204 million a month 2) Maize with 3,165 million Baht a year or 264 million a month 3) Sugar Cane with 336 million Baht a year or 28 million Baht a month and 4) Cassava with 608 million Baht a year or 51 million Baht a month. The details are as the following.

Palm: of 2,449 million Baht a year

The year 2008, palm had a growth rate of 25.12% selling the product though 34 cooperatives in 10 provinces. The value of collecting and selling palm was mostly occurred in the southern part of Thailand at 95.82% especially in Krabi province. The operation for last 3 years (2006-2008) was in an increasing trend from 1,079 million Baht in 2006 to 2,449 million Baht in 2008. In 2009, we expect to increase.

Maize: Value of 3,165 million Baht a year

The year 2008, maize had a growth rate of 42.94% selling the product though 34 cooperatives in 27 provinces. The value of collecting and selling maize was mostly occurred in the northern part of Thailand at 60.95% especially in Phisanulok province. The operation for last 3 years (2006-2008) was in an increasing trend from 1,694 million Baht in 2006 to 3,165 million Baht in 2008. In 2009, we expect to increase.

Sugar cane: Value of 336 million Baht a year

The year 2008, sugar cane had a growth rate of 1.52% selling the product though 28 cooperatives in 18 provinces. The value of collecting and selling sugar cane was mostly occurred in the northeastern part of Thailand at 69.70% especially in Khonkaen province. The operation for last 3 years (2006-2008) was in an increasing trend from 122 million Baht in 2006 to 336 million Baht in 2008. In 2009, we expect to increase.

Cassava: Value of 608 million Baht a year

The year 2008, cassava had a growth rate of 1.2% selling the product though 71 cooperatives in 24 provinces. The value of collecting and selling cassava was mostly occurred in the northeastern part of Thailand at 78.70% especially in Nakhonratchasima province. The operation for last 3 years (2006-2008) was in an increasing trend from 183 million Baht in 2006 to 608 million Baht in 2008. In 2009, we expect to increase.

4. Problems

However, we found there were a lot of cooperatives that did not hire accounting staff, which impacted to the management efficiency and lack of information for management and marketing, decision-making, objective settings and planning. Cooperative with less than standard level should correct and improve

internal control system before the problem became non-solvable, which will to the future operation.*

***Financial Condition of Cooperative Institutions and Farmers Group in Thailand 2008: The Cooperative Auditing Department, March 2009**

The problems about marketing of Agricultural Cooperatives in Thailand are as follow.

(1) Commodity price in the country is fixed by world market which is fluctuating and not stable. Due to out of control of natural products, farmers are at risk if their products go bad and change the condition quickly.

(2) The agricultural products are high competitive under the agreements made through FTA, APAC or WTO. Even though under those agreements, the flow of products into other countries is increasing, there are more competitions at the same time.

(3) The returns gained from the industrial sector are higher than the agricultural one. So, the new generation is likely to enter the industrial sector instead. This results in the high cost of production in agricultural sector.

(4) Due to long-term application of fertilizers, the conditions of soils and water do not facilitate the effective outputs. Moreover, the high production technology and quality seeds are not supported sufficiently. So, the price of agricultural products is falling down, and the products cannot compete with the competitors from other countries.

(5) There are numerous middle men involved in trading. Therefore, farmers earn less in spite of high price of products.

5. Policy framework for promoting of Agricultural Cooperative Business

The Thai government through Cooperative Promotion Department (CPD) under the Ministry of Agricultural and Cooperatives directly responsible for promoting and developing cooperatives to be self-reliant organization especially in agricultural sectors has continuously invested a large amount of resources, through various programs, for agricultural cooperative development. The Department has put emphasize on the following commitments:

(1) Increasing production by improving productivity and promoting agricultural production according to market needs on the condition that production must not destroy natural resources and environment.

(2) Improving marketing system of cooperatives in order to increase efficiency for competition in the market by simultaneously sustaining cooperative's way as well as promoting price mechanism and the business networking among cooperatives.

(3) Development of cooperative management system by emphasizing on integration of activities of the cooperatives in order to respond the needs of members and increase their income.

(4) Promoting women and youth groups in cooperatives of uplift their quality of lives.

(5) Training of cooperative personnel at all levels starting from cooperative member, committee and management staff.

(6) Provision of loan fund for cooperative business: Cooperative Development Fund (CDF)

In 2008, the cooperative movement in Thailand launched and put its second master plan "Cooperative Development Plan 2007-2011" into action. The action plan embodied the main five strategies addressed in the second master plan, consisting of 25 plans with 139 corresponding projects (15,917.88 million baht). Among the five strategies, which is a milestone for cooperative development, the 4th one emphasizes on the equitable development of cooperative business networking in term of supply chain to achieve cooperative member and social welfare. The objectives are

(1) To impartially conduct the production and trade system ;

(2) To extend business opportunities within and outside cooperative movement and ;

(3) To develop the pattern of production and commerce under concept of Sufficiency Economy Philosophy in order to increase values and create the sustainability in cooperative businesses.

7. Case Study

Thailand is one of the world's biggest rice producers but the Thai farmers still face about many problems such as the fluctuation of price, floods, pests, increasing of cost (fertilizer pesticide and seed) and bad weather. Cooperative Promotion Department (CPD) launched a project of standard rice production at Thung Kula Rong Hai in 2006, the most famous of Hom mali rice in Thailand, is in 19 agricultural cooperatives in Thung Kula Rong Hai area. There are 13 cooperatives in Surin, Roi-Et, Maha Sarakham and Yasothon and 6 cooperatives Kasetvisai Agricultural Cooperative Ltd., Suwannaphummi Agricultural Cooperative Ltd., Ponsai Agricultural Cooperative Ltd., Mahachanachai Agricultural Cooperative Ltd. and Agricultural Marketing Srisaket Cooperative Ltd. Have rice mills. The processes of this project improve the quality of rice from the cooperative members, the capacity of paddy collection and production and marketing.

For improve the quality of rice

The cooperatives promote their members to use the quality seed for planting and make the quality of rice by GAP (Good Agriculture Practice)

For improve the capacity of paddy collection and production

- To promote the 6 cooperatives to collect paddy from their members.
- To improve the 6 cooperatives get GMP and ISO certificates.
- To train and seminar about rice mill management, marketing management, business plan, network for cluster and making rice market strategic.

The marketing

- To create band " TK Thung Kula".
- To improve the packaging.
- To provide the promotion and advertising.
- To create the cluster for 6 cooperatives and other cooperatives in Thung Kula Rong Hai area.

The project outcome (2008)

