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NATIONAL WAREHOUSE FOR CONSUMERS' COOPERATIVES IN THAILAND

(Preliminary Investigation Study)

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PRELIMINARY INVESTIGATION & PROJECT IDEA

for

Setting up a
National Warehouse for Consumer Cooperatives
in Thailand

by

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P R E F A C E

In order to consider the need for setting up a Regional Warehouse for consumer cooperatives in Thailand, preliminary investigations were carried out by me in Thailand during a study visit from 18th February to 8th March 1982. During this course, I visited 20 consumer cooperative societies in different parts of the country and also held discussions with concerned persons in different sectors.

This preliminary investigation report comprises of three parts. The first part gives general country information on some relevant aspects, the second part gives information regarding the existing position of consumer cooperatives in Thailand, the third part contains project idea or proposal for setting up a national warehouse.

It may be clarified here that though an attempt has been made to give some details about the project idea, this preliminary investigation report should not be treated as a feasibility study.

I am grateful to the officers of the Cooperative Promotion Department of Thailand and the Management of the Pharanakorn Cooperative Store, Bangkok, for the assistance they extended to me in arranging my visits to cooperative stores and providing contacts with persons in various departments and institutions. They also provided me with facilities of interpretation. But for their kind assistance, it would not have been possible for me to carry out this work.

New Delhi

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M.K. Puri

PART - I

GENERAL COUNTRY INFORMATION

Location

Thailand occupies the centre of South-East Asian mainland, between Burma to the West, Laos and Kampuchea to the East and Peninsular Malaysia to the South. Its total area is about 513,115 sq. kilometres. It lies between longitude 97°E and 106°E , while its northern and southern limits are the parallels of latitude 5°N and 21°N . The length from north to south is about 1,648 kilometres and its greatest width is about 780 kms. The coast lines contain roughly 1,875 km. on the Gulf of Thailand and about 740 km on the Indian Ocean.

Thailand is divided into four regions, namely: Central, North-Eastern, Northern and Southern. Bangkok Metropolis is the capital and also the principal city of Thailand.

Climate

Thailand is a tropical country with high temperature and humidity. The climate of large part of the country is dominated by the monsoons. In most regions, there are three seasons: rainy (June to October), Cool (November to February) and hot (March to May). The rain fall varies but is generally heaviest in southern portions of the country and lightest in the northeast, which experiences frequent drought years.

The Korat plateau, also known as northeastern plateau, is an area of barely adequate rain. During the dry season, it presents a barren and desiccated appearance. KORAT is less favourably placed in respect of irrigation facilities than the central plain, which though likewise receiving an annual rainfall of less than 150 cm. (60 inches) is well watered by the Chao Phraya system.

Because of its focal position, its fertile alluvial soils and well-developed system of national waterways, the central plain forms by far the most important single region within the country. And, within this region, the delta which begins about 190 km from the coast, enjoys all these advantages to a more pronounced extent, and it is here that both the former capitals, Ayudhya and the present capital Bangkok are situated.

Natural Resources

Thailand's main natural resources lie in its agricultural potential, and in particular in the capacity of the central plain (And to a lesser extent the Korat plateau) to produce a substantial surplus of rice.

In addition, maize and cassava (tapioca) have also become increasingly important in these areas in recent years, while the more humid and more nearly equatorial coastal plains of southern peninsular Thailand have similarly expanded.

Population

According to the latest estimates, the population of the country is around 48.2 million. The rate of population growth and density is indicated below :-

| <u>Year</u> | <u>Population</u> | <u>Population per sq.km.</u> |
|-------------|-------------------|------------------------------|
| 1977 | 44,039 | 85.83 |
| 1978 | 45,100 | 87.90 |
| 1979 | 46,142 | 89.93 |
| 1980 | 47,173 | 91.94 |
| 1981 | 48,179 | 93.90 |

According to an information released by the INSTITUTE of Population Studies, Chulalongkorn University, the population of Bangkok Metropolis, including Thonburi, stood at 4,870,509 in December 1978, and now it is estimated about 6 million.

Religion

BUDDHISM has long dominated the Thai way of life and is the national religion. The spiritual centre of a village is the Wat or temple, with its distinctive steeply-pitched gold and green tiled roof.

The Wat contains highly revered Buddha images, and is the home of a number of monks who conduct religious ceremonies in the village and they are still the focus for festivals and other social activities.

The Wats are well supported by the community. Every morning the monks, carrying their alms bowls, walk along the way and people offer food to them.

It has been traditional for young men and women to be ordained as monks, if only for a short time, when they reach the age of twenty. His Majesty the present King too, followed this practice and was ordained.

Art, literature, education and even the social system in Thailand have been much influenced by the Buddhist religion.

Administrative Divisions

For administrative purposes, the country has been divided into 72 Provinces (Changwat) and each province has 5 to 10 districts (Amphoes) and each Amphoe has 8-10 sub-district, (Tambol) and each sub-district has 8-10 villages (Moa-bans). The country has 72 provinces, 621 Amphoes, 77 King Amphoes, 5,980 Tambols and 53,387 Moa-bans, with total population of over 48 million.

Education

Thailand promulgated its first compulsory Education Act at the tambon (commune) level as early as in 1921; requiring children 7-14 years of age to attend primary school until the completion of grade 5, the highest grade of primary education, or till they reached to 14 years of age. By 1935, primary education became compulsory in every tambon throughout the country.

In 1963, Thailand began to extend compulsory education from 4 to 7 years of schooling, expansion was brought about gradually depending on resources.

According to 1970 census figure, 81.8% of total population was literate and this percentage was as high as 95% in the age-group 10-14 years.

Agriculture

Thailand is primarily an agricultural country, with about 65% of the country's total working population engaged in agricultural activities. Agriculture contributes about 26% of the gross domestic product and bulk of Thailand's exports are agricultural products.

Traditionally, the agricultural economy of Thailand has been dominated by a single crop of rice, except in some areas which are dominated by second crop. Since 1950, other than rice crops have been introduced, and areas under non-rice crops have expanded gradually.

The recent years have seen the development of regional specialization. Kenaf is concentrated in Northeast, maize in central plain, rubber in the South and Cassava (tapioca) in the East etc. These new crops have now become important sources of foreign exchange.

There was 4,313,300 farm families holding 113,796,436 rais of land in 1977-78, giving 26.38 rais per family. (one rai is equal to 1,600 square metres of land).

Highways and Roads

Thailand has a net work of good highways and roads connecting all provincial, district and sub-district towns. The total length of both state and provincial highways and roads in 1979 was 27,498 kilometres.

| Type | State Highways | Provincial Highways | Total |
|----------------|--------------------|---------------------|--------------------|
| Concrete | 153 kms | 20 kms. | 173 kms |
| Asphalt | 13,459 " | 8,109 " | 21,568 " |
| Stone and Soil | 268 " | 5,549 " | 5,757 " |
| Aggregate | <u>13,820 Kms.</u> | <u>13,678 Kms.</u> | <u>27,498 Kms.</u> |

The high quality of roads and their proper maintenance facilitates fast traffic, Bangkok can be reached by state road transport service in 8-9 hours even from a remote places in any part of the country.

| | | |
|------------------------|---------|------|
| Bangkok to Chiangmai | 702 km. | hrs. |
| Bangkok to Phitsanulok | 497 " | hrs. |
| Bangkok to Khon Kaen | 444 " | hrs. |
| Bangkok to Udon Thani | 564 " | hrs. |
| Bangkok to Surin | 451 " | hrs. |
| Bangkok to Hadyai | 1,247 " | hrs. |
| Bangkok to Songkhla | 950 " | hrs. |

Tele-communication

Telephone system in the country is operated by an autonomous organisation known as Telephone Organisation of Thailand (TOT), established under the Telephone Organisation of Thailand Act 1954. Earlier the service was maintained by the Post and Telegraph Department.

The country has an efficient round-the-clock long distance telephone service with an upto-date microwave system throughout the country. All the 72 provinces are connected with long-distance telephone connections with Bangkok.

There is a nationwide automatic long distance phone service. In other words there is available the subscriber trunk dialling (STD) system all over the country. You can reach all provinces of Thailand automatically on STD. Telephone users living in Provinces can also make a direct call to any number in Bangkok by dialling the code number followed by the desired number, without going through any operator.

Economic Growth Rate

After the defeat of the USA in Vietnam in 1975, both US aid and military basis were withdrawn, causing serious problems of readjustment in Thai economy, in a period of deepening national and international economic difficulties.

Between 1961 and 1979, Thailand's G.D.P. increased at an average annual rate of 6.7 per cent, at constant prices, but this growth was extremely erratic and it slowed down considerably after 1970. While the growth rate averaged 7.4% during sixties, it averaged only 6.5% from 1970 to 1979.

In sectoral terms, the pattern of growth had been even more irregular, with growth rate for the agriculture, which accounted for over a quarter of the total GDP, declined from 9.4% in 1978 to 1.9% in 1979. Generally speaking, the growth rates of sectors such as mining, manufacturing, electricity and water and trade too have fallen, but there has been expansion in construction, transport, banking and public administration and defence.

Regional Disparities

Since 1961, regional disparities have been increasing as the economy as a whole has grown. The Bangkok and Central Plain regions have sharply increased their share of the national G.D.P, as well as their levels of per capital income, which reached 246.6% and 149.2 per cent of the national average by 1979.

The five-year IBRD Programme has to be implemented alongside the Fifth Five-Year Plan. Although a number of Thai planners and politicians have welcomed the IBRD policy, many are concerned over the difficulty of implementing some of the measures and the wide-spread political and social problems that may result.

Economic Situation

It is learnt that in 1981, the Thai economy faced serious problems, including rapid inflation, an increasingly adverse balance of payments and escalating foreign debts.

The various measures introduced by governments since 1978 to increase control over the economy have met with little success. Late in 1980, the IBRD produced a dismal economic report on the Thai economy and recommended a five-year programme of "Structural readjustment".

According to IBRD, the continuation of present trends and Government policy would result an increase of overseas debts from US\$3,800 million to US\$20,300 million between 1980 and 1985, and a rise in debit service ratio from 15.4 to 25.1 per cent. The main IBRD policy recommendations were :

- a. to raise domestic energy prices to international level.
- b. the development of strongly deflationary monetary and fiscal policy.
- c. An end of the import substitution policy for industry and and emphasis to be placed on export-oriented industries.
- d. reduction of import tariff and removal of all export restrictions and taxes.
- e. increased and more effective personal taxation.
- f. an end to restrictions on the level of domestic interest rates.
- g. a comprehensive review of government organisation and expenditure in order to eliminate waste.

In February 1981, at the Thai-aid group meeting, an agreement was reached to provide loans of 1,200 million dollars in 1981, an increase of 41% over 1980, and equivalent to over half the estimate public borrowing needs. The loan has been made conditional to implementation of IBRD policy recommendations.

Rural Development

High priority is given to programmes of rural development. Government regards economic advancement of the poor as the best "counter-insurgency measure". The year 1979 was designated as the "Year of the Farmers.

However, since 1978 expenditure on defence and internal security have increased rapidly, reaching over 26% of the national budget in 1979.

The shortage of funds, vested interests and unwieldy administration seriously limit the impact of such important policies as "Rice Price-Support Scheme for Farmers", rural credit, water supply and land reforms,

In many rural areas, land is acutely short, with much landlessness, illegal forest clearances and cultivation of unsuitable land.

Most of the more ambitious plans, such as free health facilities initiated by the civilian governments between 1971 and 1976 have been abandoned or subjected to severe cash limits, both because of budgetary difficulties and through realization that they are inadequate at removing rural discontent.

Rice Price Support Scheme

This year again the government have announced the Rice Price Support Scheme to benefit the farmers by guaranteeing a minimum price and making subsidized rice available to poor urban workers. The minimum price for paddy has been fixed at Baht 4,200 per metric ton for average quality and Government through its Warehouse organisation is supplying rice at Baht 66 per 15 kg. to urban population. Poor organisation, financial constraints and inadequate storage space have severely limited the impact of the support scheme. Though the Cooperative Movement in rural areas was started as early as 1926, has a very weak and inadequate cooperative marketing infrastructure in the country. They are not in a

position to play any significant role in implementing the Rice Price Support Scheme of the Government, and the farmers are helpless in making distress sale of their paddy.

Since 1978, rice exporters are required to sell half a metric ton of rice to Government Warehouse Organisation for every metric ton exported, at an average of about 40 per cent below the market price. The rice bought in this way is issued at low prices (3,600 bahts per m.ton) to schools, hospitals, army, civil servants and consumer cooperatives.

Since 1955, Government has levied a premium of Baht 2,000 per metric ton on export of rice. This premium has operated to keep the internal price below the international price, thus depressing the price which the farmers receive, in order to lower the urban cost of living.

Inflation

The annual rate of inflation reached a peak of 24% in 1974, although subsequently it was lower. The prices rose steadily from 1976 to reach average annual increase of 20% in 1980. Higher oil prices are a major contributor to rising prices over a wide range of goods.

After a virtual wage freeze from 1974, governments have agreed to annual increases in the minimum wage of 25% in 1978 and 1979, and 30% in 1980, recognising both the high inflation and the demands by an increasingly vocal labour movement.

Although, strikes are illegal, industrial disputes have been disrupting production in a number of sectors since 1977. Since the overthrow of Thanem regime, no Thai government can afford to ignore industrial unrest.

| Commodity Groups | 1977 | 1978 | 1979 | 1980 | 1981(Feb) |
|--------------------------|-------|-------|-------|-------|-----------|
| All Items | 107.8 | 115.8 | 128.8 | 154.7 | 166.7 |
| Agri.products | 110.0 | 112.2 | 118.8 | 148.9 | 159.9 |
| Food | 104.8 | 115.0 | 120.3 | 142.7 | 157.0 |
| Beverage & Tobacco | 101.0 | 107.3 | 113.2 | 134.4 | 146.4 |
| Textiles | 112.5 | 117.9 | 135.5 | 142.0 | 143.3 |
| Construction materials | 108.0 | 118.4 | 146.1 | 164.8 | 171.7 |
| Chemical | 106.0 | 112.2 | 128.5 | 144.9 | 150.2 |
| Petroleum products | 108.2 | 118.4 | 163.7 | 249.8 | 297.8 |
| Paper and paper products | 101.0 | 103.3 | 119.0 | 143.8 | 157.3 |
| Hide & leather | 104.1 | 119.4 | 165.3 | 210.4 | 205.8 |
| Rubber & products | 102.0 | 102.8 | 117.7 | 122.8 | 127.5 |
| Transportation equipment | 104.5 | 120.9 | 131.2 | 139.2 | 139.5 |
| Machinery & equipment | 107.0 | 116.9 | 119.1 | 129.5 | 135.1 |
| Miscellaneous | 126.8 | 165.9 | 165.1 | 189.4 | 190.1 |

Consumer Price Index

Consumer Price Index for Thailand by commodity groups for the

....

period 1976 to 1980, with 1976 as the base year at 100 is shown below :

| Commodity group | 1977 | 1978 | 1979 | 1980 |
|--------------------------|-------|-------|-------|-------|
| All Items | 107.6 | 116.0 | 127.6 | 152.7 |
| Food & Beverages | 109.4 | 119.1 | 129.9 | 155.4 |
| Clothing & cloth | 104.3 | 109.6 | 124.6 | 149.9 |
| Health & personal care | 106.4 | 115.1 | 123.0 | 148.4 |
| Housing & Furnishing | 105.5 | 111.2 | 122.1 | 145.7 |
| Transportation | 103.1 | 118.4 | 138.2 | 171.7 |
| Recreation and education | 102.9 | 109.5 | 120.9 | 144.4 |
| Tobacco & alcohol | 107.1 | 110.0 | 113.0 | 125.3 |

Consumer Consumption Pattern

The pattern of consumer consumption expenditure at current market prices for the last five years is given below :

| Consumption expenditure: | 1976 | 1977 | 1978 | 1979 |
|-----------------------------------|--------|-------|-------|-------|
| Food | 46.2 | 45.2 | 45.7 | 44.0 |
| Clothing & other personal effects | 8.8 | 9.0 | 9.7 | 10.3 |
| Recreation & entertainment | 9.1 | 9.1 | 9.3 | 9.2 |
| Transportation & communication | 8.0 | 8.7 | 8.6 | 8.9 |
| Beverages | 6.2 | 6.8 | 6.5 | 7.2 |
| Others | 21.7 | | | |
| Total | 100.00 | 100.0 | 100.0 | 100.0 |

Minimum Wages

The Ministry of Interior has fixed the following minimum wages

for different areas. For the purpose of minimum wages, the country is divided into three zones. The Bangkok Zone, which has the highest minimum wage, includes Bangkok, Samut Prakan, Nonthaburi, Patham Thani, Samut Saklon and Nakhon Pathom provinces. Zone No.2 includes all the remaining central and southern provinces; and all provinces in North and Northeast constitute zone No.3

| Zone No. | 1975 Jan. | 1977 Oct. | 1978 Oct | 1979 Oct | 1981 Oct. |
|----------|--------------|--------------|-------------|-------------|--------------|
| | Bahts | Bahts | Bahts | Bahts | Bahts |
| Zone 1 | 25 | 28 | 35 | 45 | 61 |
| Zone 2 | 18 | 21 | 28 | 38 | 54 |
| Zone 3 | 16 | 19 | 25 | 35 | 51 |

In contrast, the North-Eastern has fallen further behind, with per capita income less than half (43.4) of the national average. Although the data for personal incomes are less reliable, income disparities seem to have definitely widened since the early sixties.

Economic Development Plans

The National Economic Development Board was established in 1959 to coordinate and stimulate economic development. The First Economic Development Plan was implemented from 1961 to 1966. This plan largely achieved both overall and sectoral targets, but subsequent plans, although based on sounder statistic and more sophisticated techniques have fallen short of expectation.

In the Second and Third Plans, regional elements became more important, with particular emphasis placed on North-East with its extreme poverty and increasing community insurgency. Under the Third Plan

separate regional plans were drawn up, but because of the shortage of funds some of the infrastructure projects could not be completed. Greater emphasis was then placed on low-cost self-help schemes in rural areas and the name of the planning body was changed to the National Economic & Social Development Board.

These trends continued in the draft Fourth Plan (1977-81). Subsequent budget cuts have reduced the social measures promised in the draft plan. Since 1978, increasing rural poverty have caused the Government to emphasise the rural component of the current Plan. Additional funds have been allocated to agricultural credit schemes, extension services and minor irrigation schemes.

PART - II

CONSUMER COOPERATIVES IN THAILAND

Introduction

1. Thailand has a well-spread consumer cooperative movement. All the 72 Provinces stand covered by consumer cooperative societies. As on 31st December 1981, there were 217 primary consumer cooperative societies, headed by a National Wholesale Society in Bangkok. These societies had 402,245 individual members and transacted retail sales over bhat 2,125 million during 1980. Three fourths of the societies are operating in profit and have been distributing patronage refund to their members on their purchases, besides divided on shares at 8%. Nearly 70% of total sales, excluding cigarettes, are to members and 65% of the members are women.
2. The first Consumer Cooperative Store in Thailand was established in 1937 at Sena District, Ayudhaya Province, in the central part of Thailand. It was organized with a view to help the rural consumers get their daily necessities at fair and reasonable prices. In the year, five more consumer cooperatives were organised, this time again in rural areas, in different parts of the country namely Uttaradit, Sarabur, Chacherng-Sao, Loburi and Prathumthani. By 1947, there were as many as 70 consumer cooperative societies in the country with an average membership of 300-400 and share capital of about Bhat 50,000 to 75,000. Most of these consumer societies, which were organised among members of small cooperative credit societies in rural areas, did not have sufficient working capital, yet their members insisted on buying on credit and would not always pay in time. As a result, most of these societies came to grief before long and hardly 1/5th of them survived by 1950.
3. Until 1947, the organisation of consumers cooperatives was confined mainly to rural areas, but during and after 1947, a number of

consumer cooperative societies were formed in urban areas as well. During the World War-II, the economy of Thailand suffered a serious set back. After the War, many consumer goods were in short supply. The private trade indulged in profiteering. The middle and low income families, particularly government employees and working classes who had fixed incomes, were the worst sufferers. They organised throughout the country protest rallies against the rising cost of living and non-availability of essential consumer goods.

4. In order to alleviate misery of the working people who had fixed income, the government decided to encourage the formation of consumer cooperatives among government employees and other salary earners in urban areas. Government offered to advance soft loans at low rate of interest to consumer cooperative societies for working capital and acquiring shop premises. All government departments and undertakings were directed to give preference to cooperatives in supply of essential consumer goods like rice, sugar, textiles, cigarettes and liquor. As a result of the official patronage, the number of consumer cooperatives in the country rose to 214 societies in 1955.

5. In May 1952, the Cooperative Wholesale Society of Thailand Ltd. (CWST) was established. The main objective of organizing the wholesale society was to enable the consumer cooperative societies buy their requirements direct from the producers and manufacturers at wholesale and competitive prices. The wholesale society, as well as most of its affiliated stores, met with keen competition from private business circles. During the year 1963, the wholesale society made a gross profit

of Bhat 777,000 and net surplus of Bhat 280,000 on its transactions during the year.

6. There were many weaknesses and inadequacies in the working of consumer cooperative societies. In August 1962, the government issued instructions to all provincial governors many of whom were elected Presidents of the Board of Directors of Consumer Cooperative Societies at their headquarters to take following measures so as to improve the functioning of consumer cooperatives in their respective areas: -

- organise meetings of members of Board of Directors and other leaders and explain to them the Cooperative Principles and Practices - Members of consumer stores should be persuaded to mobilise more share capital to provide sufficient funds for the working capital - review the location of shops - review the assortment of merchandise in each cooperative shop - employ competent managers with experience in retail trade - discourage sales on credit and persuade members to buy against cash payment - enroll more members in consumer cooperative societies.

At the end of 1966, there were left 139 cooperative stores in the country, with a membership of 110,114 and the Wholesale Society had a membership of only 86 cooperative societies.

SHIFT OF EMPHASIS

7. It, however, appears that there was some shift of emphasis in government policy after 1965. Their attention and patronage to consumer cooperatives started diminishing gradually. The government was now anxious to assist the promotion and development of agricultural marketing cooperative structure in the country. Instead of organising a separate federation for agricultural marketing cooperative societies,

The then Ministry of National Development advised that the CWST, which had already gained some experience, should also extend its services to agricultural cooperative societies in supplying of chemical fertilizers and marketing of agricultural produce of their members. In August 1969, the Wholesale Consumer Society was directed to change its constitution and convert itself into the Cooperative Marketing and Purchasing Federation of Thailand Ltd. (CMPF). The affiliated members of CMPF included both the agricultural and consumer cooperative societies.

8. The CMPF devoted most of its time and resources towards the promotion of agricultural cooperatives and marketing their produce. The interests of consumer cooperative societies were not paid any attention by the management of C M P F. Consequently, the consumer cooperative societies decided to withdraw themselves and have a separate federation of their own so as to be able to look after the interests of cooperative retail societies in the country.

9. In 1976, the CMPF was splitted into two separate federations; one for agricultural cooperatives and the other for consumer cooperative societies. The Federation for Agricultural Marketing Cooperatives was called as the Agricultural Cooperative Federation of Thailand (ACFT) and the Federation of Consumer Cooperatives was called as the Consumer Cooperative Federation of Thailand (CCFT). Curiously enough, the entire assets of the former Cooperative Wholesale Consumer Society (CWST), which were worth a few millions Bhats, were handed over to ACFT. The Consumer Cooperative Federation (CCFT), which is the legal successor to the CWST of Thailand, has been denied its right and is therefore still struggling to get back its due share of the assets from the ACFT.

UNPRECEDENTED INFLATION

10. The prices of consumer goods have been steadily rising since the oil crises of 1973. The annual rate of inflation in Thailand reached a peak of 24% in 1974. It came down during the subsequent years, but still the average rate of inflation from 1976 to 1980 was around 20%. A rapid erosion in the purchasing power of the consumer and the high cost of living have, once again, drawn attention of the government and of the public for a need to promote and support consumer cooperatives in the country. It is learnt that there is an increasing demand from consumers in middle and low income brackets for opening of more consumer cooperative stores in all cities and towns in the country.

11. As on 31st December 1980, there were 217 consumers' cooperative societies in Thailand and some idea about their operations can be had from the following figures:

| | 1978 | 1979 | 1980 |
|-------------------------------------|--------------|--------------|--------------|
| - Number of societies | 177 | 198 | 217 |
| - Membership | 324,708 | 358,472 | 402,245 |
| - Average member per society | 1,834 | 1,810 | 1,854 |
| - Paid up share capital | 41,272,900 | 47,370,700 | 54,423,700 |
| - Average share capital per society | 233,180 | 239,246 | 250,800 |
| per member | 127 | 132 | 135 |
| - Sales | 1493,629,998 | 1751,742,810 | 2125,360,242 |
| - Average sales per society: | 8,438,588 | 8,847,186 | 9,794,287 |
| - Average sales per member: | 4,601 | 4,888 | 5,284 |
| - Net Surplus: Societies | 125 | 35 | 151 |
| Amount | (68,229,490) | (87,130,854) | (11,664,366) |
| - Net Loss. Societies | 25 | 36 | 38 |
| Amount | (1,706,764) | (2,558,267) | (3,482,825) |
| - Average Trade Margin | 8.68% | 9.27% | 9.14% |

Three Big Societies

12. Most of the consumer societies operate small to medium sized retail outlets. A few societies in Bangkok city and other places like Lampang, Pitsanuloke and Chiangmai are also operating some supermarkets and department stores. Phranakorn and Krungdheb are the two biggest consumers' cooperative societies in the country. Both of them are located in Bangkok and they are together operating 12 retail shops, a few of which are quite modern and up-to-date supermarkets. A few years ago, Government in the Ministry of Defence, sponsored an another Consumer Cooperative Society in Bangkok city, mainly for the benefit of army personnel. This society, which is known as Patna Cooperative Store, has set up a supermarket cum department store. These three consumer cooperative societies in Bangkok city, which are among the largest in the country, command nearly 43% of the total sales turnover of consumer cooperatives in Thailand. In order, therefore, to get a more realistic and true picture of an average society in Thailand, it may be desirable to see the situation after excluding operations of the three societies from the total list.

13. The overall performance of consumer cooperatives in the country after excluding Phranakorn, Krungdheb and

Patna Consumer Cooperative Society was as under during the year 1980:

| | | Including Krungdeb, Phranakorn & Patna | Excluding Krungdheb Phranakorn & Patna |
|--------------------------------------|----|---|---|
| Number of societies | .. | 217 | 214 |
| Total Membership | .. | 402,245 | 231,073 |
| Average Membership per society | .. | 1,854 | 1,080 |
| Total paid up share capital | .. | 54,423,700 | 29,294,570 |
| Average share capital per society | .. | 250,800 | 136,890 |
| Average share capital per member | .. | 135 | 126 |
| Total Annual Sales | .. | 2,125,360,242 | 1,205,733,600 |
| Average sales per society | .. | 9,794,287 | 5,634,270 |
| Average sales per member | .. | 5,284 | 5,217 |
| Societies with Net Surplus | | | |
| No. of societies | .. | 151 Socs. | 148 Socs. |
| Amount | .. | 101,664,366 | 25,345,780 |
| Societies with Net Loss: | | | |
| No. of societies | .. | 38 Socs. | 38 Socs. |
| Amount Total (Bhat) | .. | 3,482,825 | 3,482,825 |
| Loss per society (Amount) | .. | 91,653 | 91,653 |
| Average Trade Margin | | 9.14% | |

14. The individual position of each of the three big societies during the year 1980, was as under :

| | Krungdhob | Phranakorn | Patna |
|---------------------------------------|-------------|-------------|------------|
| - Membership | 78,535 | 80,159 | 12,478 |
| - Retail outlets | 3 | 9 | 1 |
| - Share Capital | 9,441,680 | 13,458,650 | 2,228,800 |
| - Average Share Capital per member | 120 | 168 | 168 |
| - Annual Sales | 409,252,927 | 428,650,440 | 81,723,334 |
| - Average Sales per member | 5,211 | 5,347 | 6,550 |
| - Net Surplus | | | |
| % to sales | 10.39 | 6.77 | 5.87 |
| Amount | 42,521,646 | 29,000,013 | 4,796,932 |
| - Average Trade Margin | | | |
| % to Sales | 15.02% | 14.42% | 9.24% |
| Amount | 61,484,335 | 65,378,967 | 7,550,123 |
| - Dividend | 5% | 8% | 8% |
| - Patronage Rebate | 7% | 5% | 5% |

Agency for Cigarettes

15. The above sales figures include the wholesale sale of cigarettes, amounting to 493.6 million. Government has appointed about 45 consumer cooperative societies in the country as their wholesale agents for sale of cigarettes. Wholesale agents are not permitted to sell cigarettes in retail at their own shops. Because of the quick turnover and large volume, wholesale agency of cigarettes is a very

paying business. Consumer Cooperative Societies earned a gross profit of not less than Baht 6.55 million on this account.

If the sale of cigarettes, which actually is not a retail business, is taken out from the above sales figure, the average sale per society goes down from Baht 5.63 million to 3.32 million and so also the average sale per member from Baht 5,217 to Baht 3,080 only.

Commodity-wise Sales:

16. Given below is the commodity-wise breakup of sales during the years 1979 and 1980.

| Commodity | 1979 | 1980 |
|--------------------|----------------------|----------------------|
| Rice | 81,567,220 | 136,552,948 |
| Sugar | 450,145 | 12,791,530 |
| Cigarettes | 418,020,400 | 493,612,618 |
| Fuel | 16,304,575 | 18,628,900 |
| Liquors | 7,567,000 | 4,829,220 |
| Stationery | 176,000 | 103,870 |
| Meat | 5,940,000 | 6,350,000 |
| Coffee Shop | 77,800 | 2,167,128 |
| Consignment | 64,019,700 | 149,530 |
| Other goods | 1,167,267,500 | 1,449,761,930 |
| Lottery Tickets | 352,400 | 412,560 |
| Total Sales | 1,751,742,600 | 2,125,360,242 |

Regional Imbalance

17. The country stand divided into 72 provinces and each province has 5-10 districts. In a district, there are 8-10 sub-districts and a sub-district may have 8-10 villages. In all, the country has 72 provinces, 621 districts (Amphoes), 77 King Amphoes, 5980 sub-districts (Tambols) and 53,387 villages (Moo-bans).

For the purpose of supervision and administration of cooperative societies, the Cooperative Promotion Department has divided the whole country into 9 regions, as shown in the map at Annexure 'A'. The names of provinces included in each region are given below :

| | | | | | |
|--------|---|---|----|------------|--|
| Region | 1 | : | 6 | provinces, | BANGKOK, Nanthaburi, Pathumtani, Pranakorn-sriyuthaya, Saraburi, Lopburi |
| Region | 2 | : | 8 | " | CHA-CHERNGSAO, Smut-Prakarn, Nakern Nayok, Prachinburi, Chelburi, Rayong, Chantaburi, Trad |
| Region | 3 | : | 8 | " | NAKORN-RAJSRIMA, Chaiyapoom, Surin, Sri-saked, Buriram, Roi-et, Ubel-rajthani, Yasothon |
| Region | 4 | : | 8 | " | KFHNKHAEN, Udernthani, Mahasarakarm, Kalasin, Saken-Nakern, Nengkai, Leoi, Nakorn-panom. |
| Region | 5 | : | 6 | " | LAMPANG, Lampoon, Chiengmai, Chiengrai, Payao, Mae-hangsorn |
| Region | 6 | : | 7 | " | PITSANULOK, Sukethai, Uttradit, Petchaboon, Pichit, Prae, Nan |
| Region | 7 | : | 7 | " | NAKERNSAWAN, Ang-thong, Chainat, Singburi, Uthaithani, Kampangetch, Tak |
| Region | 8 | : | 8 | " | NAKERN-PATHOM, Smut-sakorn, Smut-sengkram, Kanjanaburi, Rachaburi, Supanburi, Petchaburi, Prachuab-kirikhan |
| Region | 9 | : | 14 | " | SENGKLA, Chumporn, Nakorn-srithamaraj, Surat-thani, Krabi, Ranong, Pattalung, Pangna, Trang, Puket, Satool, Pattani, Yala, Narativas |

The Headquarter town of the Region has been mentioned in Capital letters.

15. The Region-wise position of consumer cooperatives, as on 31st December 1980, is shown below :

| Region | Population | No. of Societies | Membership | Sales (Baht) | % |
|--------|------------|------------------|------------|---------------|--------|
| 1 | 7,614,545 | 60 | 268,169 | 1,355,980,483 | 58.25% |
| 2 | 3,419,610 | 16 | 15,770 | 119,332,738 | 5.61% |
| 3 | 9,104,943 | 16 | 21,251 | 55,567,330 | 2.61% |
| 4 | 6,982,952 | 12 | 14,239 | 68,852,308 | 3.24 |
| 5 | 3,696,024 | 19 | 19,060 | 65,772,600 | 3.09 |
| 6 | 3,818,861 | 15 | 8,384 | 99,310,758 | 4.67 |
| 7 | 2,860,882 | 13 | 13,909 | 83,990,258 | 3.95 |
| 8 | 3,640,330 | 20 | 15,113 | 89,739,568 | 4.22 |
| 9 | 5,823,211 | 38 | 26,350 | 289,814,197 | 13.63 |
| Total | 46,961,358 | 209 | 402,245 | 2,125,360,242 | 100.00 |

19. It is obvious from the above table that the development of Consumer Cooperative movement in the country is not evenly spread in all the regions. As much as 58.25% of the total sales turnover in the country was contributed by Region No.1 only, which has 60 consumer societies (out of 209 in the country). The Region No. 9 which ranks second in the order of performance contributed only 13.6%. Regions 2,6 and 8 registered between 4 to 6 percent of the total retail sales. The share of each of the other Region namely, 3,4,5 & 7 was less than even 4%.

BANGKOK METROPOLIS

20. It is observed that out of 117 consumer cooperatives in the country, as many as 42 were located in Bangkok Metropolis, and they accounted for nearly 60% of total membership and 54% of sales turnover. An idea of operations of societies in Bangkok Metropolis can be had from the following figures:-

| | 1979 | 1980 |
|--------------------------------|-------------|---------------|
| Number of societies | 40 (39)* | 42 (40)* |
| Membership | 225,137 | 252,051 |
| Average membership per society | 5,772 | 6,000 |
| Sales | 964,316,500 | 1,142,066,900 |
| Average Sales per society | 4,283 | 4,530 |
| Number of Societies in Profit | 33 Socs. | 25 Socs. |
| Amount of Profit | 70,768,438 | 82,499,666 |
| Number of Societies in loss | 6 Socs. | 11 Socs. |
| Amount of Loss | 1,522,222 | 1,618,443 |

*No. of societies which reported.

Classification of Societies

21. Consumer cooperative societies in Thailand can be classified into the following four groups as per vocations of their members. The relative importance of each group can be judged from their number and coverage of membership :

| Types | No. of Coops | Membership |
|---|--------------|------------|
| a. University Students | 18 | 36,569 |
| b. Police Department Personnel | 6 | 11,146 |
| c. Employees of Industrial Undertakings | 2 | 640 |
| d. General Public | 89 | 174,062 |
| Total : | 115 | 214,804 |

University Consumer Coops

22. In most of the universities in Thailand, students have organised consumer cooperative stores with a view to arrange supply of stationery articles, exercise books, sports goods and other daily necessities. The membership of these cooperatives consists of students, teachers and university employees. These stores are quite popular among the university students and teachers who have been taking active part in their management. Some information about scale of their operations and membership etc. can be had from the data in Table on the next page.

23. The members of University Students' Cooperatives can provide dynamic leadership and management experience for the promotion and

development of general public consumer cooperative societies in the country, as has been the case in Japan. In Japan, many of the community cooperative stores were initiated by University students after they passed out from universities and settled down in a community for a career. Consumer cooperative stores seem to be gaining popularity among the students and teachers in universities and other educational institutions in Thailand.

Trading Results:

24. An idea of the overall trading results of all primary consumer cooperative societies in the country, during the last three years, can be had from the following figures:-

| | 1978 | 1979 | 1980 |
|----------------|--------------|--------------|--------------|
| Sales | 1493,629,999 | 1751,742,810 | 2125,360,242 |
| Trade Margin | 8.68 | 9.27 | 9.14 |
| Other Income | 0.53 | 0.54 | 0.68 |
| Gross Surplus | 9.21 | 9.81 | 9.82 |
| Operating Exp. | 4.53 | 4.80 | 4.97 |
| Interest | 0.20 | 0.14 | 0.17 |
| Surplus | 4.48 | 4.87 | 4.68 |
| Other Income | 0.09 | 0.10 | 0.09 |
| Net surplus | 4.57 | 4.97 | 4.77 |

25. The average gross margin realized in retail societies is in the range of 8.5 to 9.5% and the operating cost has been between 4.73% to 5.25% of sales, thereby giving a net surplus of 4.33 to 4.97% of sales. It is obvious that retail societies have been working with very low gross margin. It is only by controlling their operating expenses to

bare minimum that the societies have been able to earn a net surplus of 4 to 5% on their sales which is really very commendable position.

Low wages and high labour productivity seem to have contributed to high net surplus ratio.

26. It is however observed that in big societies like Phranakorn and Krungdheb which are situated in Bangkok city, they were able to realize trade margin of 13 - 15% and their operating cost is in the range of 8-9% of sale. Comparatively high operating costs are explained by high rents in Bangkok city and by the fact that many of their retail outlets are airconditioned and shops are well equipped with modern furniture and fixtures.

PHRANAKORN COOPERATIVE STORE, BANGKOK

| Particulars | 1979 | 198 |
|-------------------|-------------|-------------|
| Sales | 370,417,650 | 420,650,450 |
| Trade Margin | 14.16% | 14.42% |
| Other Income | 0.60% | 0.94% |
| Gross Profit | 14.78% | 15.3% |
| Operating Expense | 8.58% | 8.54% |
| Surplus | 6.20 | 6.82 |
| Less Interest | 0.06 | 0.05 |
| Net Surplus | 6.14 | 6.77 |

KRUNGDHEV COOPERATIVE STORE BANGKOK

| Particulars | 1979 | 1980 |
|----------------------|-------------|-------------|
| Sales | 340,602,631 | 409,252,927 |
| Trade Margin | 15.13% | 13.96% |
| Other Income | 1.16% | 1.26 |
| Gross Profit | 16.29 | 15.02 |
| Operating Expense | 5.21 | 5.84 |
| Interest | 0.06 | 0.05 |
| Total operating Exp. | 5.27 | 5.89 |
| Net surplus | 11.02 | 10.39 |

Comparatively lower operating costs in Krungdhev are explained by lower rent and lower pay-scales of employees. There is no air-conditioning at their main shop.

Membership

27. It is observed that the majority of membership, even in general public consumer cooperative societies, consists of government employees and that school teachers constitute a major segment of the membership. It is interesting to find that 65% of members in consumer cooperatives in the country are women. But curiously enough, there is hardly a woman member on the Board of Directors of any cooperative stores.

The membership of general public consumer cooperative societies is open to consumers from all walks of life but it appears, that in actual practice, most of these societies are like closed clubs.

28. It is noted that about 60% of the total sales of consumer cooperative societies are to their members. It however appears that members' patronage of their cooperatives does not reflect their faith or understanding of Cooperative Principles or philosophy, it is only a manifestation of the lure for patronage rebate and the credit facility provided by the Co-op. The existing membership and management of these cooperatives do not seem really interested to broad-base or expand their membership. They seem to fear that large membership may result in lowering the rate of patronage rebate. At present, the share of rebate on non-members purchases is also distributed among the members, rather than carry it over to society's reserves.

29. It appears that patronage rebate is the primary consideration with the member of a cooperative store in the country. The passion for patronage rebate is so strong that it has stood in the way of building up own funds in cooperatives. There has been no expansion of activities or improvement in their facilities during the past many years. The need for building up own funds in cooperatives has been sadly overlooked both by the management and membership of consumer cooperatives. There is no other evidence of members active involvement in the management of their consumer cooperatives or influencing their policies and programmes.

Board of Directors:

30. Consumer cooperative societies are managed by elected Board of Directors. The Board of Directors in a society consists of 9-15 directors.

One third of the members retire every year. A retiring member can seek re-election. Members of the board elect from among themselves a President, a vice-president and an honorary secretary. Persons in positions of authority and government officials command great respect in Thai social structure. As such many government officials and governors get easily elected as directors and presidents on the Board of Directors in these societies.

31. In most of the societies, board meetings are regularly held at the end of each month and are well attended by all directors. The manager generally gives information about monthly sales and financial position of the society. In most cases, managers do not prepare their monthly trading reports and they do not present to the Board of Directors the economic result of their operations for each month. With the exception of a few societies, there is no practice of preparing in advance the annual work programme and operational budget for the year.

32. Many of the members of the Board of Directors do not seem to fully understand how to evaluate the performance of a cooperative store and to identify areas of weaknesses in its operations. They also seem to lack enthusiasm and zeal to expand and develop their Coops. The training and education of members of Board of Directors is being looked after by the Cooperative League of Thailand (CLT) which is an apex organization of all cooperatives in the country at the National level.

Managers & Staff

33. The manager is appointed by the Board of Directors and is responsible for carrying out business operations within the policies

laid down by the Board. It is quite difficult to get the services of a competent manager for a consumer cooperative society. In most cases, fresh graduates from commercial colleges and institutions are recruited and they gradually gain experience by working on the job. In some cases persons who were earlier running their own private business have also been employed. In a few cases, such persons who have rented their shops or godowns to cooperatives have been employed as managers even though they do not possess any knowledge or practical experience of retail management.

34. Most of the other staff employed in most of the consumer cooperative societies did not get any opportunity to get any formal training in cooperative retail management. The Cooperative League of Thailand (CLT) to whom all cooperative institutions in the country look up for arranging training for their employees do not so far have necessary competence to arrange training for employees of consumer cooperatives. The Consumer Cooperative Federation of Thailand (CCFT) also, for the time being, lacks both technical and financial resources to provide training facilities to improve knowledge and skills of employees of consumer cooperative societies in the country. In some of the big societies in Bangkok, namely Phranakorn and Krungdhob, the management is, however, quite alive to the need of periodic training of their employees. They often arrange refresher courses for their employees, with the help of their own experienced staff and resource persons from private trade. The importance of providing training facilities to their staff and the significance of adopting good personnel policies have yet to be adequately appreciated by many consumer cooperative societies in Thailand.

Layout & Display of Goods:

35. When compared with consumer cooperative shops in other developing countries of this region, the layout and display of merchandise in cooperative shops in Thailand compare quite favourably. But there are consumer cooperative societies where managements have neglected house-keeping. The places of business, in many of these societies, are drab and old-fashioned and unattractive. In some shops merchandise are not so well displayed and their layouts and appearance need to be improved.

In majority of the shops, particularly those out in provinces and sub-districts, the counter service is still the pattern, though many of them have arranged their merchandise and layout in a manner as to let customers get near the goods and have an opportunity of self-selecting. In many shops, which are more like traditional groceries stores, some commodities like rice, sugar, cookies are still weighed, for individual customer, on the counter.

In case of some consumer cooperative societies, though their membership is open to consumers from all walks of life, the location of their shops is away from the main shopping area and has been selected with the main consideration of convenience of government employees who constitute majority of the existing membership. If it is intended to broaden and enlarge membership of these societies then the location of some of these shops may have to be reviewed.

Assortment:

36. The assortment of merchandise in cooperative shops obviously varies according to the size, nature and location of a shop. In most of

university consumer stores, the assortment comprises of stationery articles, exercise books, greeting cards, sports goods, toileteries, cosmetics, health, hygiene and sanitary goods, films, photographic goods, ~~cassettes~~ magazines, confectionery and a few daily necessities.

In Bangkok city where three big societies are operating supermarkets and department stores, the assortment is obviously big and it includes groceries, fruit, vegetables, dairy, bakery, cosmetics, ladies, men and children wares, textiles, haberdashery, glasswares, crockery, leather goods and baggage, household goods, plastic goods, electrical appliances, stationery, photographic, linen and drugs. Somehow the cooperative supermarkets in Bangkok are, for the time being, not handling meat and fish. Their operation in fruit and vegetables is also limited to selected articles only, only.

It appears that Board of Directors of consumer cooperative societies in most cases have not set out any leading policy or guidelines for their managements for the selection of assortment to be stocked in their cooperative shops. The matter, it appears, has been left entirely to the discretion and judgement of the management. In one cooperative store, out in a province, the cooperative shop is stocking a wide assortment of crockery goods, electrical appliances, electric typewriters, business calculators, electric fans, sports goods and expensive gift items. The stock on hand is rather heavy when compared with its sales turnover.

Credit Sales.

37. Traditionally consumer cooperative societies in Thailand have over the years become accustomed to allow credit sales to their members. This practice is more prevalent in societies where majority of membership

consists of government employees. The recovery of dues is generally effected at source from the monthly salary. No interest is charged from the members. The overall cost of collection including the incidence for bad debts is estimated to be around 1%. The credit trade requires the keeping of accounts. It also carries risk of bad debts and ties up, without interest, money on which the society itself is paying interest and could otherwise use in its own business.

38. In one cooperative society it was observed that the only members who were insisting to avail themselves of credit facility from the Coop were employees of Cooperative Promotion Department. Most of other members were buying against cash payment. Even though credit sales have become a tradition, yet it appears that had some serious efforts been made in this regard, the practice of credit sales in consumer cooperatives could have been reformed over the years. There are two very well established old cooperative stores in Lampong city. One is catering exclusively to employees of the Police Department and in the other Coop the majority of ~~members are school teachers~~. In both the stores more than 80% sales are on credit basis. Very recently, a new Cooperative Supermarket whose membership is open to all has been organised in the city. The new Supermarket does not allow any credit facility to its members. Even then, its membership has been increasing fast and the volume of business has surpassed all expectations. This experience in Lampong city suggests that if medium sized modern supermarkets, with convenient layouts and attractive display of merchandise, are set up in big cities in the country, they may attract large number of consumers from all walks of life and provide viable business units.

39. It appears that the existing practice of credit sale in consumer cooperative societies, perpetuated mostly by government employees, can be gradually reformed, provided the membership of these societies is broad-based, their locations are reviewed and their operations are modernised. To-day, many consumer cooperative societies in Thailand are operating small grocery shops and their membership consists predominantly of government employees. Even where their membership is open to all, in actual practice, they function like closed clubs. Entry of membership from among general public is not very much encouraged.

Patronage Refunds

40. It is gratifying to learn that nearly 75% of consumer societies in Thailand (151 out of 217) were operating in profit in the year 1980 and most of them allowed patronage refund to their members on their purchases, besides dividend on shares at the rate of 8%. There is a tendency among managements of most of the consumer societies to give patronage rebate to members at the maximum possible rate, some times even at a risk of depleting the financial position of the Co-op.

41. There is little appreciation on the part of managements of consumer cooperatives to build up their own funds, for the expansion of the business or modernisation of their operations. As required under the Act, 10% of net surplus is allocated to statutory Reserve Fund and no other funds are created, for the purpose of construction of own building for business Risk or otherwise. It is observed that the patronage refund due on non members purchases is also wrongfully distributed among the members rather than carrying it over to other reserves.

42. A few cases have come to notice where ~~in~~ patronage refund at rates higher than even the rate of net surplus in the Co-op. Some 50 consumer cooperatives in the country have been appointed, by the government, as wholesale agents for distribution of cigarettes. These societies get commission at the rate of 1.3% on sales. They are not required to make any investment in this business as the turnover is very fast and all sales to retailers are on advance payment basis. Because of monopoly business, the cooperatives are earning easy profit without any investment.

It is a pity that, instead of using this income in expanding their business or improving their facilities, the managements in most of these cooperatives are frittering away these funds in the form of patronage rebate to their members. It helps them to conceal the true position of their operations, which in some cases is far from being satisfactory.

43. In one cooperative store, where realized gross margin was less than 7% of sales and, where as much as 90% sales were on credit, the management allowed patronage rebate to its members at 8% on their purchases, besides dividend on shares at the rate of 10%. It is really an outrageous and highly improper situation. Similarly, it was observed that in two other cooperatives, where gross surplus was around 6 to 7 percent, their managements allowed patronage rebates to their members at 6.5% and 6% respectively. This shows how most of the members on the Board of Directors of consumer societies are not fully conscious of their responsibilities. The officers of the Cooperative Promotion Department, who generally attend monthly Board meetings of these societies, have also failed to give proper guidance to the managements of consumer cooperative societies in this regard. It is high time that managements of consumer cooperative societies in Thailand

appreciate the urgent need for building up own funds of their societies. They have to recognize their social obligation to expand their business and to improve their services for the benefit of the community where they operate.

Wholesale Society

44. As stated earlier, the Cooperative Wholesale Society of Thailand (CWST) was established in May 1952, with a view to procure goods direct from producers and manufacturers for supply to cooperative retail societies. In 1969, the wholesale society was converted into the Cooperative Marketing and Purchasing Federation of Thailand (CMPF). Agricultural cooperative societies were also allowed to become its members. In 1976, the CMPF was splitted into two separate federations, one for agricultural cooperatives and the other for consumer cooperatives. The Consumer Cooperative Federation was named as the Consumer Cooperative Federation of Thailand (CCFT). The entire assets of the former CMPF were transferred to the Federation of Agricultural Cooperatives (ACFT). Curiously enough, the Consumer Federation which is the legal successor to CWST has been denied its share out of assets of CMPF and CWST. The Consumer Federation is still struggling to get its share.

45. So far only 71 primary consumer cooperative societies have enrolled themselves as members of the Federation (CCFT). The value of a unit share is Baht 500. Its paid up share capital is Baht 35,000.

There are two representatives of each society on the general body of the Federation. One of them is always the manager of the affiliated society and the other its board member. The Board of Directors of the Federation comprises of 12 directors, six representing directors of primary societies and six represent their managers. The Board of Directors of the Federation meets once in a quarter. The Board has appointed an Executive Committee consisting of Chairman, Vice-Chairman, Secretary and two directors. This committee meets every month.

46. During the year 1980 it supplied goods worth Baht 229,800 to five societies. Total gross surplus was Baht 9200, about 4% of sales, and against this annual operating expenses were baht 30,000. The Federation suffered a loss of about baht 21,000 during the year. The Federation has not so far employed any wholetime manager. There is only one clerk, who is paid baht 2,000 per month. There is no office of the Federation. An Officer of the Cooperative Auditing Department, who is also an elected Honorary Secretary on the board of Directors of the Phranakorn Society for last few years, is working as Secretary of the Federation (CCFT). He is functioning from his own office room in addition to his official responsibilities as Chief of the Audit Division in the Cooperative Auditing Department.

47. The Federation has negotiated terms of supply with two medium sized manufacturers, one making toilet tissue papers and the other making detergent and toilet soap. They have agreed to supply their products under "Coop" label to cooperative societies. In the beginning, the Federation had also arranged supply of towels, bed mats, shirts, sweaters and

rubber slippers to some societies. But the supply of these items was discontinued because of complaints about quality and price. The Federation was getting credit facility of 45-60 days from its suppliers. It was in turn extending credit facility of 30-45 days to retail societies. In actual practice many of the retail societies did not pay in time. About bahts 250,000 are still outstanding as overdues against 30 retail societies.

48. For lack of experience and working capital, the Federation has not been able to develop its business or infuse confidence about its competence and capability with managements of retail societies. Its business has dwindled and today it is hardly supplying 3 items namely, toilet tissue papers, detergent and soap, worth baht 20,000 every month, to 3-5 societies in Ayudhya, Chonburi, Singaburi, Petburi and Korat.

Procurement of Supplies

49. All retail cooperative societies in the country are making their own purchases individually either from wholesale or semi-wholesale dealers, depending upon the size of their business and their bargaining capacity. The big consumer cooperative stores in Bangkok city like the Phranakorn and Krungdheb, who command large sales turnover, are able to get better terms of supply than other societies. But other cooperative retail societies, particularly those which are situated out in provinces, they mostly buy from local wholesale dealers or through the travelling representatives of big companies and business-houses from Bangkok. The small societies may, at times, have to feel content by buying their limited requirements from the local wholesale dealers or mobile shops being operated by big business houses in Bangkok.

50. Most of the consumer societies are not able to get any "quantity discount" because of the small size of their order. They may not even qualify to get wholesale terms. Again, irrespective of their requirement, the retail societies are obliged to buy goods in minimum standard packs of manufacturers otherwise they have to pay extra price for buying in fractional packing. The retail societies in provinces and up-country areas have necessarily to buy goods for one month requirements as the travelling representatives of various companies usually visit them once a month only. As a result, the average stock-holding in most of the consumer cooperative stores is rather heavy, when compared to their sales turnover. This means undertaking of avoidable risk-cost besides unnecessary high cost of carrying the stocks. This adds up to their operating cost and adversely affects their already low profitability.

51. In times of short supply of essential commodities, the manufacturers and their agents generally give first preference to private trade. The small primary consumer cooperative societies do not receive any attention or consideration from the supplier. The sales agents of the suppliers and manufacturers always try to pressurise the managements of small societies to buy much more than what they really need and also push on such goods also which are slow-moving or not in demand by members of cooperative stores. All this is resulting in un-economic stock-turn rate in many societies.

52. More or less, each retail society in the country, is carrying some buffer stock and is engaged in avoidable warehousing operations. Besides causing problem of funds, it is adding to their operating expenses and adversely affecting profitability. It is observed that in most of the societies, they have not earmarked any specific area for receiving the

merchandise and for exercising a proper control. The goods are generally received from the main entrance at the front. Curiously enough, in most of the societies, the storage has been provided on the first or second floor of the building.

53. In most of the societies, the managers are spending most of their time in receiving representatives of supplies and in arranging procurement of merchandise. Very little time is left with the manager to look after sales promotion, future planning and improving of services to members.

54. It may be useful to get an idea about the channel of distribution for a manufactured consumer product in the country. In case a product is very popular and it has received a recognition all over the country, the manufacturer generally appoints a "Sole Agent". This sole agent, in turn, appoints 5-6 "Regional Distributors". Each of these Regional Distributor is responsible to arrange supplies to wholesale dealers, who in turn, will supply the product to retailers. Government have fixed the maximum retail selling prices of certain essential commodities like rice, sugar, cooking oil, condensed milk etc. Government have set up a corporation which gets certain consumer goods manufactured and packed under its label. This corporation supplies goods to retailers and also fixes their suggested retail selling price.

Problems

55. The following have been stated as some of the problems of consumer cooperative societies in Thailand.

- i. Lack of understanding of Cooperative Principles and Philosophy by most of the members of consumer cooperative societies.

- ii. Lack of awareness and appreciation of their role and responsibilities by members of the managing committee.
- iii. Inadquate working capital.
- iv. Credit sales to members
- v. Unsuitable shop locations
- vi. Difficulty in getting competent managers
- vii. Lack of facilities for imparting training to employees of consumer cooperative society.
- viii. Inadquate control systems in retail societies.
- ix. Difficulties in procurement of merchandise on competitive terms.
- x. Absence of an effective and strong wholesale society which could coordinate the activities of retail societies, arrange supply of merchandise to them on competitive terms and also provide them with technical assistance and consultancy services.

56. Despite all the above problems and difficulties, consumer cooperative movement in Thailand seems to have good scope for its growth and development. All that is required is a dynamic and matured leadership of high calibre. There already exists an infrastructure which, given certain assistance and support, has the potential to grow quickly to a state of maturity. The movement is well spread all over the country and more than three fourths of the societies are operating in profit, even though they are presently getting miserably low trade margins. An effective wholesale society should be able to coordinate their activities and bring about a 'substantial' improvement in their trade margins by arranging supplies of goods in an economic and rational manner. The managements of retail societies have also been suffering for want of technical advice and consultancy services. All the retail societies have so far been working individually in isolation of each other. There is need for a strong parent organization to

consolidate their achievements and activities into a strong national movement.

Government Assistance:

57. The consumer cooperative societies in Thailand are assisted by the Government in the following ways :

- a. Annual audit of each society
- b. Exemption from income-tax.
- c. Soft loans for expansion of business.

In the Thrift and Credit division of the Cooperative Promotion Department, there are 10 officers exclusively for consumer cooperative societies, to advise them regarding their business activities and to ensure proper maintenance of accounts. Some-times these officers also arrange short training programmes for employees of consumer cooperatives. The Provincial Officers of the Cooperative Promotion Department, who are posted at each provincial headquarters, are expected to attend monthly board meetings of all consumer cooperative societies in their area.

58. Each cooperative society in the country makes annual contribution to the Cooperative League of Thailand (CLT) equivalent to 5% of its net surplus subject to a maximum of bahts 5,000. The Cooperative League of Thailand which is an apex organization, of all kinds of cooperatives in the country, is expected to look after information and to arrange education for members of all types of cooperatives and also to arrange for training of committee members and employees of all cooperatives in the country.

Future Trends:

59. It is observed that customers' shopping habits are rapidly changing today. They increasingly want to buy all their foods, and not just groceries, in a single shop. This has led to the development of Supermarkets in a big way. A number of new private supermarkets have sprung up in Bangkok Metropolis during the last three years and before long there will be so many of them even in many other big cities in the country.

60. The supermarkets will naturally attract away trade from cooperative shops and other retailers, partly because of the inherent appeal of one-shop shopping with a wide assortment and partly because of price weapon. Supermarkets generally have lower prices, not only because they are buying cheaply than others but also because their operating expenses are much lower, through the wide spread use of self-service, through efficient use of labour, and through a reasonably high standard of management applied throughout the organization.

61. There is a serious risk of loss of trade from traditional shops to newer supermarkets. The cooperatives have to seriously consider, without much loss of time, to embark upon supermarket trading not only in Bangkok Metropolis but also in all other big and fast growing cities and towns. They have to adjust their operations to modern methods of food trading. There has to be an early call for a programme of rationalization, retrenchment of unprofitable shops, broadbasing of membership, review of locations and development of larger units in new locations.

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Part - III

PROPOSAL TO SET-UP A NATIONAL WAREHOUSE

There are 245 consumer cooperative societies in Thailand and they are selling for more than 2,200 million bahts in a year. In the year ending on 31 December 1980 consumer cooperatives sold goods worth 2,125 million bahts.

Out of 217 consumer cooperative societies in existence as on 31 December 1980, 42 were operating in Bangkok Metropolis and commanded 53.7% of the total sales. The remaining 175 societies, outside Bangkok Metropolis, served more than 150,000 member families and sold consumer goods worth over 983 million bahts.

Bangkok is not only the seat of the National Government and as such capital of the country, it is also the nerve centre of all business and commercial activity in the country. Most of the commercial, banking and industrial activities are centred in and around Bangkok city, which has a population of over six million. After Bangkok, the second biggest city in the country is Chiang Mai, 800 kilometres in the north, with a population of about one million people. Thus in Thailand most of the business and commercial activities emanate from the capital city of Bangkok alone.

Till recently, consumer cooperative movement in the country did not have any wholesale society. The one which was organised in the year 1947 was converted into a Cooperative Purchase and Marketing Federation (CPMF) in 1963, and later into Agricultural Cooperative Federation (ACFT). The new wholesale consumer society was organised again in 1976 and it was named as Consumer Cooperative Federation of Thailand (CCFT). The new wholesale society is still in papers and has not been able to undertake any meaningful trading or promotional activity, for want of personnel and working capital.

All consumer cooperative societies in the country are making their own purchases individually, from wholesale or semi-wholesale dealers, depending upon the size of their business and their bargaining capacity. The big consumer cooperative stores in Bangkok city who command large sales turnover are able to get better terms than other societies. But societies which are located in other provinces in up-country areas

mostly buy from local wholesale dealers or through the travelling representatives of big companies and business houses in Bangkok.

The small societies : have to feel content with getting their requirement from the local wholesale dealer or the mobile shops, operated by big business houses in Bangkok.

In the present situation, the consumer cooperative societies in Thailand are suffering from many disadvantages in procuring their requirements of goods, some of which are stated below :-

- i. Most of the consumer societies are not able to get any "quantity discount" from their suppliers because of the smallness of the size of each individual order.
- ii. Irrespective of their requirement, the societies are obliged to buy goods in minimum standard pack of the manufacturers, otherwise they have to pay extra price for buying in fractional packing.
- iii. Societies in provinces and up-country areas have to necessarily buy goods for one month requirement, as the travelling representatives of most companies usually visit their town only once in a month.
- iv. Consequently, the average stock-holding in most of the consumer societies is very heavy, when compared to their sales turnover. This leads to undertaking avoidable risk-cost, besides high cost of carrying unnecessary stocks. This adds up to their operating cost and thereby reduces their profitability.
- v. Merchandise in most of the cooperative shops are not as fresh looking and new, as they could be if supplies were made to them more frequently at shorter intervals.
- vi. In times of short supply of certain commodities, consumer cooperatives do not receive due attention or consideration of wholesale suppliers who generally give first preference to private retailers.
- vii. Travelling sales representatives of companies try to sell to consumer cooperatives much more than what they really need, and also push on even such goods which are slow-moving and not much in demand by members of consumer cooperatives.
- viii. In many societies assortment of merchandise has expanded unnecessarily and it has become unwieldy. Some goods are catching dust on the shelves. The much needed capital of the societies has been tied up in slow moving items.

- ix. In the absence of any well-defined assortment policy and lack of care in the selection of assortment of merchandise, some societies are stocking a few very slow-moving items which are not commonly required by majority of the members. This is resulting in uneconomic stock turnover-rate in many societies.
- x. Most of the consumer cooperative societies are unable to get favourable terms of supply from their suppliers because of the smallness of their individual orders and weak bargaining capacity.
- xi. Even large consumer cooperative societies like Phranakorn and Krungdheh are not able to get as good terms of supply from all the suppliers as they can hope to get if the total purchasing power of the entire consumer cooperative movement in the country could be pooled at one place.
- xii. The procurement of merchandise on less favourable terms and in uneconomic lots and disregard to proper assortment policy lower their trade margin. It reduces the profitability of operations in consumer cooperatives in the country and detracts from their capacity to compete with private trade.
- xiii. Each consumer society in the country is carrying some buffer stocks and is thus engaged in avoidable warehousing operations. This adds up to its operating expenses and adversely affects its profitability. It also causes problem of funds.
- xiv. The managers of consumer cooperative societies today are spending most of their time in arranging procurement of merchandise and very little attention is paid by them towards sales promotion, future planning, or-improving services to members.

National Warehouse

In order to overcome most of the aforementioned disadvantages of consumer cooperative societies in Thailand, it is proposed that instead of each retail society buying individually its requirement of merchandise and maintaining its own godown (warehouse), these activities should be concentrated at one National Warehouse in Bangkok; where purchases and stock-keeping are handled on behalf of all affiliated retail societies in the country, and where skilled and well-trained staff, together with technical aids can be utilised in order to achieve lower costs and higher efficiency; not only in buying of goods but also in the handling, distribution and management of the merchandise at all levels.

Object of the Project

The entire activity of the National Warehouse should be built with the sole object of serving the retail societies and helping them towards achieving : (a) better economic results and (b) more active sales.

The proposed national warehouse may be named as the National Warehouse for Consumer Cooperatives (NWCC).

Location

Bangkok Metropolis is not only the hub of all commercial, trading, banking and industrial activities, it is also situated in the heart of the country. Again, about 54% of the total sale-turnover of consumer cooperatives in the country is contributed by consumer societies situated in Bangkok Metropolis. Hence, it appears appropriate to locate the National Warehouse at Bangkok. Most of the manufacturers, stockists and wholesale suppliers of consumer goods are also located in and around Bangkok city.

Area of Operation

Thailand has a network of very good highways and roads, connecting all provincial, districts and sub-district towns with Bangkok by concrete asphalt roads. The roads allow fast traffic. On an average a six-wheeled lorry can cover 80 km per hour.

It should be possible for the warehouse located in Bangkok to serve consumer cooperative societies operating all over the country.

The geographical size of the operation area should be determined on the basis of daily transport. If the goods are to be transported by trucks, no route should be longer than what can be covered by a truck in one shift (8 hours) or two shifts (16 hours) daily, including loading and unloading time. In the later case using two drivers per vehicle.

Ownership of Warehouse

It is proposed that the Swedish Cooperative Movement may be requested to provide technical and financial assistance to the Consumer Cooperative Federation of Thailand (CCFT) for the establishment of the National Warehouse. The National Warehouse will thus be owned by the Consumer Cooperative Federation of Thailand.

CCFT will own the premises and charge retail societies a rent, which will cover the capital costs for the sum invested in the property plus depreciation and property tax, if any. The societies using the National Warehouse shall also pay for the up-keep and repairs of the premises, electricity and other maintenance costs.

CCFT will own the fittings and fixtures in the Warehouse and the societies will pay all depreciation costs on these fittings and fixtures.

CCFT will own the stock of goods and the retail societies will pay interest for the capital invested in the stock, plus costs for leakage and losses through price fluctuations.

Thus, as explained above, the CCFT will be the formal and legal owner of the National Warehouse. However, as retail societies (all are expected to become member of CCFT) form the CCFT, the retail societies will be the owners in real practice.

The CCFT will be responsible for all financial obligations of the National Warehouse. However, from the point of view of book-keeping, the National Warehouse will be a separate financial unit within the CCFT.

CCFT will supply the premises, fittings and fixtures, equipment and capital for purchase of merchandise. It shall debit to warehouse the interest cost on the capital invested in the stock of goods, rent for the warehouse and depreciation cost of the equipment. All costs will be included in the Warehouse operating costs, which are latter divided among the retail societies in proportion to their purchases.

The daily management and administration of the warehouse will, however, be in the hands of a separate Board of Directors, appointed by the affiliated retail societies for this purpose. The Board of Directors of the CCFT must, however, approve the following matters since their (CCFT) funds will be invested in the construction of the warehouse, its equipment and stock merchandise.

- all major alterations in the warehouse premises and such purchases of fittings which cannot be regarded as running costs;
- the opening of new departments and widening of merchandise assortment in the warehouse;
- other measures at the warehouse requiring large capital investments.

Functions of Warehouse

As stated earlier, the entire activity of the National Warehouse will be built with the idea of serving the retail societies and helping them towards achieving better economic results and more active sales.

The main function of the National Warehouse will be to provide cooperative retail outlets with regular and reliable supply of goods, within the limits of agreed assortment, at the lowest possible price.

In addition to arranging supplies of merchandise which will be the primary function of the National Warehouse, it can also undertake joint advertising and sales campaigning on behalf of retail societies in the country. Uniform advertising and other publicity in a larger area can create greater impact and better image of the movement at lower costs. The National Warehouse can, in due course of time, be equipped even with its own off-set printing press to print merchandising materials and P.O.P. aids for the retail societies.

The objective of the National Warehouse is to secure maximum economic advantages and gains for retail societies. Gradually, the National Warehouse, with the information and expertise available with it, will be the most suitable agency to undertake the following additional tasks :-

- Expansion of cooperative retail network in the country.
- Assortment and merchandising policy for consumer cooperatives.
- Pricing and marketing policies of consumer societies.
- Minor processing, testing and quality control of goods sold through cooperatives.
- Standardisation of operations in retail societies.
- Consultancy services to affiliate consumer cooperative societies.

These functions will be developed gradually as the warehouse is able to build up suitable expertise and skills necessary for the purpose.

Administration of Warehouse

The retail societies affiliated to the National Warehouse will be responsible for all expenses connected with the Warehouse. It will, therefore, be necessary to create a body comprising of representatives of retail societies which takes decisions with regard to measures influencing these expenses.

It is proposed that there should be a General Body, a Board of Directors and at least two sub-committees : one to review purchases and the other for review of assortment from time to time.

General Body

The General Body of the Warehouse may comprise of two representatives from each affiliated retail society. One of these two representatives should be the manager of the society, the other can be from among members of the Board of Directors.

The business of the Annual General Meeting would be the following:-

- Election of one Board member from each of the nine regions;
- Election of Chairman of the Board.
- Report on the activity and economy of the Warehouse.
- Consideration of proposals submitted by the affiliated societies, Board of National Warehouse (NW) or CCFT.

Warehouse Board

There shall be a Board of Directors of the National Warehouse comprising of 13 persons: one representative from each region to be elected at the annual meeting (from among managers and executives of the retail societies affiliated to the National Warehouse) three to be nominated by the CCFT board and General Manager of the Warehouse (without any voting right). The main reason why it is being proposed to elect board members from among managers of the retail societies in preference to laymen is that the main function of NW would be to arrange for warehousing and supply of goods to retail societies. It is, therefore, considered both suitable and desirable that those responsible for sales in retail

societies should take part in shaping the work and activities of the National Warehouse.

- The main task of the Board of Directors of NW will be :-
- to follow and supervise the running of the National Warehouse;
 - to consult with CCFT when employing or dismissing General Manager of NW;
 - To recruit other staff for NW.
 - to be responsible for proper maintenance of accounts and records;
 - to scrutinise warehouse costs and ensure their equitable division;
 - to serve as a liaison body between NW, CCFT and Retail Societies

Assortment Sub-Committee

This Sub-Committee shall meet at least once a quarter or oftener if necessary. Its task will be to draw up, in consultation with retail societies and CCFT, national assortment for NW and standard assortments for grocery shops, supermarkets and department stores in the country. It shall consist of 11 members: One from each region, one from CCFT and General Manager of the National Warehouse (NW).

Purchase Review Sub-Committee

The success of the Project will very much depend on the efficiency with which the National Warehouse is able to procure merchandise of quality goods on favourable and economical terms. The management of CCFT and NW should always be able to defend themselves, if the retail societies ever feel that some purchases were not made at the lowest possible price.

It is therefore proposed that the Board should constitute a sub-committee comprising of 5 members, one each from CCFT and NW and three from retail societies. This Sub-Committee should review the terms on which purchases are being made from various manufacturers and suppliers. The efficiency of an organisation cannot be judged on the basis of any individual transaction. However, it is very necessary that the retail societies feel satisfied that on the whole the merchandise are being procured by the management of the National Warehouse at best possible terms.



Assortment of Merchandise

All Retail Societies working together in the National Warehouse will have to agree on a "National Assortment" of merchandise to be stocked by the Warehouse. The National Assortment will be decided in consultation with CCFT and retail societies. Each society shall have to restrict its choice of merchandise from out of the merchandise included in the national assortment. Each shop shall choose from the Warehouse assortment, the goods which its members and customers can be expected to want.

Having too many brands and too many sizes also means wasteful use of capital and excessive work in ordering and stock-control. There has to be some control over the number of lines to be stocked. The number of items in the assortment will require continuous control. New products are frequently introduced in the market and it should be a definite policy of the National Warehouse that a number of items are discontinued each half year in order to make room in the price list for new items.

There is a large variety of cooperative shops in the country. Shops of different sizes and catering to different member groups cannot be expected to carry an identical range of goods. Again, there is only limited accommodation in smaller shops and their assortment has to be restricted accordingly. In bigger shops and supermarkets where a great deal of passing trade has to be obtained a wider assortment can be justified and, indeed, is necessary if the general public is to be attracted to cooperative shops. The Assortment Sub-Committee will review national assortment from time to time.

Purchasing by the Warehouse

Each department in the Warehouse will make its purchases, within the framework of the National Assortment, which will be determined in consultation with CCFT, Warehouse and Retail Societies.

Purchasing sources can be CCFT's different merchandise departments or direct from manufacturers, suppliers and Government agencies. Rice may be bought from the millers or ACFT (Agricultural Cooperative Federation of Thailand) and sugar from the sugar factories or their central supply organisation. It may even explore the possibility of direct import of some consumer goods to meet its requirements.

The success of the scheme will very much depend on the ability of the National Warehouse to supply quality goods at most favourable terms to cooperative retail societies. If the Consumer Cooperative Federation of Thailand (CCFT) really wants to become the main supplier to the National Warehouse, which is only appropriate for the CCFT to do, then the CCFT must employ competent buyers with adequate knowledge and practical experience of wholesale and retail trade.

Merchandise will be delivered to the Warehouse by rail or trucks. The incoming goods will be loaded onto pallets of standard size (80x120 cm). Standardization of packages into modules made up of pallets has already been carried out by some industries in Thailand, with more to follow. The standard format means a great savings through reduced handling. At times, the pallets are also used as shelves in the Warehouse and the merchandise units need not be re-stacked or moved until it is time to dispatch the goods.

Pricing of Goods by Warehouse

The CCFT will debit the warehouse at its buying price plus costs for its central administration. The retail societies will pay CCFT nett prices plus all costs incurred at the National Warehouse.

The National Warehouse does not intend to make any profit for itself. It shall only recover its operating expenses on actual basis. Price fluctuations on the stock, if any, will, of course, have to be borne by the affiliated societies, which will pay nett cost price to the Warehouse plus service charges.

If at the end of the year, it turns out that the National Warehouse has debited the societies with lower costs than the total costs actually incurred, the societies will be debited further, in proportion to their purchases from the Warehouse. But if there will be a surplus, the societies will be allowed a refund on the same principle.

Dividing Warehouse Cost

For most of the assortment carried at the warehouse, the costs will be divided on a point system. This means that each packet will be allocated a certain number of points, based on the costs estimated in

handling of that packet. A consideration will be given to such factors as: weight of the packet, volume, value, rate of turnover, interest cost, carrying and handling risks, position in the warehouse and handling costs etc. An unopened standard bulk-carton will, no doubt, have a lower points allocation than when it is opened and divided into smaller units. The work involved on the latter case will be much greater than if the package was despatched un-opened.

The total costs for the Warehouse will be divided by the number of points, and the value of each point will be figured out in terms of money. As it is not possible to establish in advance either the total actual cost or the number of points, to begin with an estimated value of the point will be used while charging the societies. If, at the end of the year, it turns out that the National Warehouse has debited the retail societies with higher costs than the total cost actually incurred by the warehouse, then each society will be allowed a refund in proportion to its purchases from the Warehouse.

It will be in the interest of the retail societies to buy as much goods as possible from the Warehouse so as to bring down the cost of each point (to spread the operating cost over a larger number of point units). The retail societies should be interested to increase the turnover of the Warehouse.

Indenting by Retail Societies

Every cooperative shop will be supplied with a Price Book, with all available items listed therein. The articles are divided under main commodity groups. The price sheet will contain all the information that is necessary for placing an order :-

- merchandise name;
- merchandise code number;
- package size;
- number of packages per Warehouse-unit
- shop price;
- point cost;
- recommended retail price.

The shop manager will order the desired number of Warehouse-units on a special blank form. He will have to fill in only code number of the merchandise as listed in the price book and the number of warehouse units required.

The above indent will be sent by the shop manager direct to the Warehouse where the invoice and the dispatching list will be written out simultaneously by the punch card tabulator. The dispatching list will be then sent to the stock-room for processing.

The merchandise will be placed in the Warehouse in the same number-order as in the price book and card index. The merchandise for each cooperative shop will be picked up and despatched in rolling pallets, addressed and loaded in specially built lorries, delivery to each respective shop as per pre-determined delivery schedule. The entire processing of an order and despatching routine will take two days and every shops will receive merchandise once a week, on a certain fixed day. These rapid ~~rapid~~ deliveries will make it possible for the shops to keep low their stocks. In principle the shop's entire stock should be in the shop and not in the stock-room.

If found necessary, it will be possible between ordinary deliveries, to place extra orders on the warehouse. But in that case an extra cost will be attached to such orders in view of the extra work it may cause.

Delivery of Goods to Retail Societies

All goods will be delivered from the National Warehouse direct to societies shops and not via any godown of the individual society.

In the warehouse, and on their way to the cooperative shops, the goods will be mainly handled with the help of loading pallets, fork-lift trucks, roll-combitainers and specially built lorries.

A fully loaded lorry with driver costs about baht per hour. If one attaches a trailer, holding twice as many roll-combitainers, the cost would be about bahts per hour. The driver himself will load, unload and drive the lorry.

Today, many of the cooperative shops in the country do not have suitable loading bays to receive the goods. They are presently admitting the goods, in most cases, from the main entrance to the shop and their loading bays have varying heights. Lorries with elevating tailboard will be helpful to meet this situation.

Local regulations in Thailand allow lorries of maximum length upto metres. This means a combination of a lorry and a trailer is permitted to ply on the main highways. These large vehicles may be used with advantage on long distance runs. The motor driven lorry can leave the trailer for unloading and continue to the next shop.

Central Packaging

The continued expansion of supermarkets in Bangkok and other growing cities in Thailand will lead to increased demands for customer-packaged fresh foods such as fruit, vegetables and cheese. Though for the time being green groceries and fresh vegetables are not handled by cooperative shops in Thailand yet they need pre-packaging of other goods like rice, sugar and noodles etc. These goods are being sold through cooperative and other shops in pre-packed polythene bags in 15 kg., 10 kg, and 1 kg measures.

The packaging always costs money, wherever it may be done. But it costs less if it is done centrally at a central warehouse with the help of mechanical aids, rather than each shop doing it at its own premises. The Central Packaging also provides a possibility for exercising proper quality control at the time of packaging.

It is, therefore, proposed that to begin with the National warehouse should also be equipped with modern packaging machines for pre-packaging rice and sugar.

In due course packaging of other fresh and dry goods may also have to be undertaken at the National Warehouse.

Stock-Investment

All retail consumer cooperative societies in Thailand sold goods worth over 2,125 million during the year ending on 31 December 1980. It has not been possible to get detailed break-up of the sales-turnover into commodity groups. The only break-up readily available with the Cooperative Promotion Department of the Ministry is as under :-

| | | | |
|--|-----|-------|---------------|
| Rice | ... | Bahts | 136,552,948 |
| Sugar | ... | | 12,791,530 |
| Cigarettes | ... | | 493,612,618 |
| Cooking gas and fuel | ... | | 18,628,900 |
| Liquors | ... | | 4,829,220 |
| Mimeography service to University students | ... | | 103,870 |
| Meat | ... | | 6,350,000 |
| Coffee Shops | ... | | 2,167,128 |
| Agri. implements | ... | | 149,530 |
| Lottery tickets | ... | | 412,560 |
| Other consumer goods | ... | | 1,449,761,930 |
| | | | <hr/> |
| Total sales | ... | Bahts | 2,125,360,242 |
| | | | <hr/> |

It will not be possible for the National Warehouse to undertake supply of items like cigarettes, cooking gas, liquors, meat, coffee shops, Again, items like agricultural implements and lottery tickets can also be left out.

In the beginning, the National Warehouse should take responsibility for supplying only rice, sugar and other consumer goods, whose total sales during 1980 amounted to about 1,600 million bahts.

| | | | |
|----------------------|-----|-------|---------------|
| Rice | ... | Bahts | 136,552,948 |
| Sugar | ... | | 12,791,530 |
| Other consumer goods | ... | | 1,449,761,930 |
| | | | <hr/> |
| Total | ... | Bahts | 1,599,106,408 |
| | | | <hr/> |

It is estimated that in the beginning the National Warehouse may be

able to supply only about 75% of the total requirements of the cooperative retail societies, which works out to 1,200 million bahts.

| | | | |
|----------------------|-----|-------|---------------|
| Rice | ... | Bahts | 102 million |
| Sugar | ... | | 10 " |
| Other consumer goods | ... | | 1,088 " |
| | | | 1,200 million |

It is further estimated that, as per existing assortment in cooperative retail shops, in the category of other consumer goods, the groceries and dry goods are in the ratio of 70:30.

| | | | |
|-------------|-----|-------|-------------|
| Groceries | ... | Bahts | 758 million |
| Dry goods : | ... | | 330 million |

All goods do not have the same speed of turnover. Certain goods are turned over every week while other goods, primarily dry goods achieve a turnover of only a few times in a year.

On the basis of information collected during the survey and discussions with knowledgeable persons in Thailand, it is estimated to expect the following rates of stock turnover in the cooperative retail shops and the National Warehouse.

| <u>Commodity</u> | <u>Shop level</u> | <u>Warehouse level</u> |
|------------------|-------------------|------------------------|
| Rice | 30 times | 8 times |
| Sugar | 30 times | 8 times |
| Groceries | 8 times | 22 times |
| Dry goods | 4 times | 10 times |

Based on above assumptions, the average stock value at the National Warehouse at any time will be approximately 80 million baht, as indicated below :

| | | |
|-----------|-----|--------------------------------------|
| Rice | ... | $\frac{102}{8} = 12.53$ million baht |
| Sugar | ... | $\frac{10}{8} = 1.25$ " |
| Groceries | ... | $\frac{758}{22} = 34.45$ " |
| Dry goods | ... | $\frac{330}{10} = 33.00$ " |
| All goods | ... | $\frac{1,200}{15} = 80.00$ " |

It is, however, hoped that after some time when operations at the Warehouse get streamlined, then stock turnover rates will improve both at the cooperative retail shops and National Warehouse.

Storage Area Required

On the basis of 7,500 bahts as average retail price for one metric ton of rice, 12,000 baht for sugar, and 20,000 baht for groceries and other dry goods, it is estimated that the average tonnage to be stored at the warehouse will be about 5,150 metric tons.

| | | | |
|--------------------------|-----|-----------------------------|------------------------|
| Rice | ... | $\frac{12,530,000}{7,500}$ | = 1,670 Tonnes |
| Sugar | ... | $\frac{1,250,000}{12,000}$ | = 105 " |
| Groceries | ... | $\frac{34,450,000}{20,000}$ | = 1,725 " |
| Dry goods | ... | $\frac{33,000,000}{20,000}$ | = 1,650 " |
| Total tonnage estimated: | | | = 5,150 metric tonnes. |

Keeping an allowance of space for the reception and despatch of goods, corridors, space for containers and space for manoeuvring etc. it is learnt that one sq.metre space is required for operational storage of 450 kg. of merchandise and that only one' sq.metre space is needed for seasonal storage of one tonne of goods.

Space required for seasonal storage (rice) = 1,670 sq.m.

Space required for operational storage
of 3,500 tonnes of other merchandise. = 7,777 sq.m.

Inclusive of space for other purposes, the total space requirement for the National Warehouse may be estimated as follows :

| | | |
|--------------------------|-----|--------------------------|
| Operational storage | ... | 7,800 sq.metres |
| Seasonal storage | ... | 1,700 " |
| Processing & prepacking | ... | 700 " |
| Offices and social area | ... | 800 " |
| Services and maintenance | ... | 500 " |
| | | <u>11,500 sq.metres.</u> |

It is further estimated that the cost of construction for the storage and processing area in the warehouse would be about 3,500 baht per sq.metre, for a structure on steel frame with walls of cement blocks and 4,000 baht per sq.metre for office and social area.

| | | | |
|--|---|---------------------------------|-------------------|
| i. Cost of construction for the storage and processing and maintenance area. | | | |
| 10,700 at rate of 3,500 baht. | = | $\text{฿ } 3,500 \times 10,700$ | = 37,350,000 |
| ii. Office and social area (800 m^2) at rate of | | | |
| 4,000 baht per sq.metre. | = | $\text{฿ } 4,000 \times 800$ | = 3,200,000 |
| Total cost of construction | | | <u>40,550,000</u> |

Land Requirement

Considering the scope for further expansion in the activities of the National Warehouse, and making provisions for parking and railway siding etc. (if possible), it is estimated that the National Warehouse shall need about 15 Rais of land that is 24,000 sq.metres.

In order to facilitate easy intake and distribution of goods, the National Warehouse should be located out of the city traffic and preferably near the railway and main road. In view of these considerations, it is proposed that the Warehouse be located on Bangkok to Audhaya Road, near the international airport.

The prevailing market price for land on Bangkok to Audhaya Road near the airport is about 500,000 baht per rai. It is estimated that the proposed 15 rais of land for the National Warehouse near the airport should cost approximately 7.5 million bahts. Its development may further cost about 3.5 million at the rate of 300,000 per rai. Since it is largely farm land, the soil in the area is rather soft and it is also low lying area. Hence it will cost about 300,000 per rai for development of this land, which means a further cost of 4.5 million baht. In other words the total cost on land, including its development, should be around 12 million baht.

Transportation

The entire transportation arrangements will have to be made by the National Warehouse either by using its own vehicles or by hiring or contracting them, whichever is found more economical. It is, however, believed that Warehouse own lorries with specially built lorries may be found to be more efficient and economical also.

Assuming that during the course of the year the National Warehouse shall have to distribute merchandise worth 1,200 million (at retail price).

| | | |
|-----------|-----|---------------------------|
| Rice | ... | 32 million baht |
| Sugar | ... | 10 " |
| Groceries | ... | 58 " |
| Dry Goods | ... | 30 " |
| Total | ... | <u>1,200 million baht</u> |

In terms of tonnage it would be about 98,850 metric tons as indicated below :

| | | |
|---------------|------------------------------|------------------------|
| Rice | $\frac{102,000,000}{7,500}$ | = 13,600 tons |
| Sugar | $\frac{10,000,000}{12,000}$ | = 835 " |
| Groceries | $\frac{758,000,000}{20,000}$ | = 37,900 " |
| Dry goods | ... $\frac{330,000,000}{20}$ | = 16,500 |
| Total tonnage | ... | <u>= 98,835 M.ton.</u> |

On the basis of 300 working days, on an average 300 tonnes of merchandise would be transported every day. Out of this, about 175 tons would have to be delivered to cooperative shops situated within Bangkok Metropolis and 155 metric tons to cooperatives in provinces outside Bangkok.

One six-wheel truck can carry a load of 6 metric tons. On an average a truck makes two trips a day within the Metropolitan city, one in the forenoon and one in the afternoon. It can, thus, easily have 12 M.tons of merchandise which means 14 trucks can easily have 168 m.tons

of merchandise. In Bangkok city because of heavy traffic on the road, heavy vehicles are not allowed to ply on most of the roads in the city during 7.00 to 10.00 hrs and 1500 to 2000 hrs. It may, therefore, be necessary to have at least 4 delivery vans also to carry out emergency deliveries during restricted traffic hours.

Trailer trucks can be used with advantage for supplying goods to cooperative shops in other provinces. One trailer truck can carry upto 25 tons of merchandise. In order to haul on an average 155 M.Tons of merchandise in a day, it may be necessary to have 6-7 trailer trucks.

It is estimated that a fleet of 14 six-wheel trucks, 6 trailer trucks, 4 delivery vans and one passenger car would cost 12.50 million baht.

| | | |
|---|-------|---------------------------|
| i. 14 six wheel trucks at rate of 325,000 baht. | ... | 4.55 million baht |
| ii. 6 Trailer trucks at rate of 1.2 million baht. | ... | 7.20 " |
| iii. 4 delivery vans at rate of 130,000 | ... | 0.52 " |
| iv. 1 car | ... | 0.25 " |
| | | <hr/> |
| | Total | ... 12.50 million baht |
| | | <hr/> |

Warehouse Handling and Storage Equipment

In order to ensure efficient handling and safe storage of merchandise it is proposed to equip the National Warehouse with modern equipment viz. Pallet Racking, Fork Lifts, Order Picking Trucks, Roll Containers, etc.

Bulk supplies of retail goods generally unsuitable for block stacking as the items are so easily crushed. "Electrolux" or "Dexin" adjustable pallet racking can keep goods in safe condition and yet provide access to every individual load. Beam levels in this simple and economical form of racking are easily adjustable and the racking can be fitted with safety locks to guard against over-loading.

Electrolux (Thailand) Ltd has worked out and informed that to accommodate 2,500 pallets (120x80 cm), 312 bays will be required, assuming that each bay with 3 pairs of beams will provide 4 storage levels and two pallets can be stored in each bay (312 x 8 = 2,496). Each pair of

beam is designed to carry 2 pallets with total load not exceeding 3,000 kgs.

The merchandise will be supplied to cooperative shops in roll containers through specially built trucks. For stacking of goods and picking up of orders in the Warehouse, it shall be equipped with fork lifts, hand and power operated order picking trucks. It is estimated that all this equipment will cost about 6.38 million baht.

| | | |
|--|---|-----------------------|
| 5 Fork Lifts at rate of 350,000 | = | Baht 1,750,000 |
| 5 Hand operated pallet truck at rate of 20,000. | = | 100,000 |
| 10 Power operated order picking trucks at rate of 40,000 | = | 400,000 |
| 1,000 Roll containers at rate of 2,250 | = | 2,250,000 |
| 2,500 wooden pallets at rate of 400. | = | 2,000,000 |
| Weighing scale and strapping machines etc. | = | 500,000 |
| Fire Extinguishing equipment | = | 500,000 |
| Total | = | <u>Baht 6,250,000</u> |

For pre-packaging of rice and sugar the Warehouse shall be equipped with automatic pre-packaging machines.

| | | |
|---------------------------------|---|---------------------|
| Pre-packaging machine for rice | = | Baht 100,000 |
| Pre-packaging machine for sugar | = | 30,000 |
| Total | = | <u>Baht 130,000</u> |

Accounting

The size of the project is of such a magnitude that accounting will be one of its very important supporting activities. Due to great volume of transactions involved, it would be difficult to produce manually reliable and timely information on which to work out optimum stock and assortment etc. The punched card system will be necessary for stock-counting, invoicing and statistics. It is, therefore, proposed

that the National Warehouse should be equipped with a simple computer. It is learnt that a simple computer with one terminal can be hired locally for about 10 million baht per year.

Advantages of National Warehouse

The objective of the project is that instead of each retail society buying individually its requirement of merchandise and maintaining its own godown or warehouse, these activities should be concentrated at one place where rational and systematic purchasing and stocking could be handled on behalf of all cooperative retail societies in the country, where skilled and well-trained staff, together with technical aids could be utilized so as to achieve lower costs and higher efficiency, not only in buying of goods but also in the handling, distribution and management of merchandise at all levels.

The entire activity of the National Warehouse is intended to be built with the sole object of serving the retail societies and helping them towards achieving better economic results and more active sales. It is believed that the setting up of a National Warehouse will go a long way in strengthening consumer cooperative movement in Thailand and bring about many advantages to retail societies :

1. Cooperative retail shops will receive supplies of merchandise as per their own requirement, both in terms of quantity and time, rather than convenience of the suppliers.
2. Primary societies will receive supplies at lower prices because the National Warehouse will be making use of the pooled purchasing power of the entire consumer cooperative movement in the country and can negotiate from a position of strength. Buying prices as a rule are lower when the National Warehouse buys large quantities than primary societies buying their individual requirement.
3. Supplies will be delivered to each cooperative shop regularly once a week at a fixed time on the fixed day. (Smaller shops may choose to receive supplies on fortnightly basis). This shall reduce substantially the average stock-holding by each primary society. It shall also enable the manager to organise his work properly and exercise proper arrival control of the merchandise.

4. As the retail cooperative shop will be receiving most of its supplies from one source only, it will result in more rational ordering and proper arrival control of the merchandise.
5. There will be no need for a primary society to maintain any godown or buffer stock of merchandise at its level.
6. The total costs and total investment for warehouse premises will be much less when storage is run solely by the National Warehouse.
7. Being relieved of the burden of arranging purchases and procurement of merchandise for their shops, managers of cooperative retail societies will be able to devote more time towards improving their sales and services to their members.
8. The supply of merchandise from the National Warehouse shall automatically ensure some control over the assortment policies and selection of merchandise in cooperative retail shops.
9. National and Regional Planning and active programmes for advertising and sales promotion will become easily possible as the National Warehouse will be in a position to coordinate and organise them.

The establishment of the National Warehouse will be a momentous step towards strengthening consumer cooperative movement in Thailand. It will lead to standardization of many procedures, operations and practices in retail societies, which will gradually enhance their operational and managerial efficiency and reduce their operating costs. It will consolidate the position of movement and create an institution at the national level which can provide the much needed leadership to the movement. It will also result in bringing about a proper integration of activities of the retail and wholesale sectors of the movement and build up local expertise and skills which will guide the movement in right direction and improve its capacity and competence to meet future challenges.

It is suggested that, at the first instance, the proposed National Warehouse should function merely as a Regional Warehouse and it should confine its activities to serve societies situated within a radius of 200-250 Km. from Bangkok, which may cover Cooperative regions Nos: 1 and 2 and parts of regions 3, 7 and 8. (Map enclosed). It is estimated that in this way even the Regional Warehouse will cover more than two thirds of the total turnover of the existing Consumer Cooperative Societies in Thailand. After a period of 2-3 years, when the management of the Warehouse would have gained adequate experience and streamlined their operations, then the Warehouse can gradually extend its area of operation to other regions and eventually serve societies all over the country.

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