

Critical Study of Agricultural Co-operatives in Thailand

A STUDY REPORT



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International Co-operative Alliance
Regional Office for Asia & the Pacific



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New Delhi-110066



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International Co-operative Alliance
Regional Office for Asia & the Pacific
9, Aradhana Enclave, Sector-13,
R.K. Puram, New Delhi - 110066

Telephone : (91-11) 26888250
TeleFax : (91-11) 26888241
E-mail : icaroap@vsnl.com

World Headquarters

International Co-operative Alliance
15 Route des Morillons,
CH-1218 Grand Saconnex
Geneva, Switzerland.

Telephone : (41-22) 929-8888
TeleFax : (41-22) 798-4122
E-mail : ica@coop.org

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Foreword

In Asia-Pacific region, agriculture is the mainstay of national economies. Cooperatives have been recognized as important institutional system for enhancing productivity of agriculture and promoting food security in the country. In some of the countries, co-operatives have completed a century of their fruitful contribution to agricultural development, particularly in the areas of input distribution, finance, marketing, processing, development of infrastructure development etc. The Government has adopted these cooperatives as its principal agency to implement the programmes of agricultural development. Although Government support resulted into noticeable growth and diversification of such cooperatives, it also adversely affected the democratic and autonomous character of cooperative enterprises and thereby blunting their competitive advantage. Effects of globalization and entry of multi-nationals in the agribusiness combined with lack of professionalism and member participation have further compounded the problems of agricultural cooperatives.

International Co-operative Alliance (ICA) in Asia-Pacific Region has been focusing on development of agricultural cooperatives through its Regional Office. It has adopted development of agricultural cooperatives as one of its Key Result Areas; in pursuance of which it has been implementing a number of projects for strengthening agricultural cooperatives in Asia-Pacific. One of such projects recently implemented by ICA Regional Office for Asia-Pacific (ICA ROAP) with the support of AGRITERRA of Netherlands targeted development of agricultural cooperatives in six countries of the region, namely: Bangladesh, India, Nepal, Laos, Thailand and Vietnam. The important outputs of the project were completion of critical studies of agricultural cooperatives in these countries and formulation of country specific action plans for development of agricultural cooperatives.

These studies were conducted through country consultants with the support of Mr. B.D. Sharma, Sr. Consultant, ICA Domus Trust. I hope, the study will provide good insight into the problems of agricultural co-operatives and guide points for strengthening them in the changing times.

SHIL KWAN LEE
Regional Director
ICA ROAP

Country Profile

Geography

Thailand is situated in the heart of Southeast Asia and is a gateway to Indochina. Thailand borders with Lao PDR in the north and northeast; the Union of Myanmar in the north and west; the Andaman sea in the west; Cambodia and the gulf of Thailand in the east; and Malaysia in the south.

Topography

Thailand is divided into four natural regions: (1) the North, (2) the Central Plain, or Chao Phraya River Basin, (3) the Northeast, or the Korat Plateau, and (4) the South, the Southern Peninsula.

- The North is a mountainous region comprising natural forests, ridges and deep narrow alluvial valleys. The leading city of this region is Chiang Mai.
- Central Thailand, the basin of the Chao Phraya River, is a lush, fertile valley. It is the richest and most extensive rice-producing area in the country and has often been called the "Rice Bowl of Asia". Bangkok, the capital of Thailand, is located in this region.
- The Northeast region, or the Korat Plateau, is an arid region characterized by a rolling surface and undulating hills. Harsh climatic conditions often results in this region being subjected to floods and droughts.
- The Southern region is hilly to mountainous, with thick virgin forests and rich deposits of minerals and ores. This region is the centre for the production of rubber, oil palm and the cultivation of other tropical crops.

Thailand covers land area of 513,115 square kilometres and extends about 1,620 kilometres from north to south and 775 kilometres from east to west. Of the total land area, 41% are agricultural area, 21% of which is accounted for paddy area and 10% is accounted for crop land.

Population

The country has a population of approximately 62 million and it can be classified by sex during 1999 to 2000 as follows:

Table: Population classified by sex during 1999-2000
(in millions)

Population	1999			2000		
	Male	Female	Total	Male	Female	Total
Whole country	30.73	31.15	61.88	30.91	31.40	62.31
Bangkok and Vicinity	2.77	2.95	5.72	2.76	2.92	5.68
	1.84	1.96	3.80	1.80	1.91	3.71

Source: Office of National Economic and Social Development Board

GDP growth rate and per capita income

Gross Domestic Product at current price in 2000 was 111.47 billion US\$. The GDP growth rate was 4.4 percent in 1999 and it is forecasted to be 4.6 percent in 2002.

GNP per capita in 1998 was 1,659 US\$ per annum, and increased to 1,758 US\$ in 2000.

Export value was 56.7 billion US\$ in 1997, and it dropped to 52.9 billion US\$ in 1998. The export value has been increased to 56.8 and 67.9 billion US\$ in 1999 and 2000 respectively.

Import value was 61.3 billion US\$ in 1997, and it dropped to 40.7 and 47.5 billion US\$ in the subsequent years. This may be due to economic crisis and unemployment situation, but the import value had been increased to 62.4 billion US\$ in 2000.

Employment Situation

Total population of Thailand was around 62.31 million in

2001, about 34% of which is the labour force (15 years of age and over). In the year 2001 about 13.59% of this labour force was employed in agriculture and 18.59% in non-agriculture. It can be noticed that percentage of labour force in agriculture has been declined from 14.39 in 1995 to 13.59 in 2001 while percentage of labour force in non-agriculture has been increased from 16.43 in 1995 to 18.59 in 2001.

Urban-Rural Linkage

During the last two decades, Thailand has experienced a rapid transition from a rural to an urban society. The area-based administration system, however, has separated rural from urban development, resulting in the lack of systematic links between urban and rural areas in policy and implementation. The centralized administrative policy enabled Thailand's urban economy to develop closer links to the global economy. But without proper participation of Thai people and local administrations, gaps between urban and rural areas have continued to widen, particularly in terms of the growth and has failed to adequately enhance growth and prosperity in rural areas, leading to unbalanced development, poor natural resource and environmental conservation, and diminished self-reliance.

This situation led to uneven growth neglecting poverty, and backward conditions in rural areas. The rural communities have been left behind economically, lacking linkages to the urban system and the outside world. Key Production bases, i.e. the agricultural sector and natural resources, have seriously deteriorated, and are now in need of systematic conservation. Rural inhabitants have continued to migrate to urban areas, attracted by higher paying employment opportunities available in the non-agricultural sector. As a result, agricultural property has been increasingly abandoned. At the same time, weak city planning systems and ineffective land use controls have led to uncontrolled growth in urban areas, which has resulted in the deterioration of the environment and quality of life of both urban and rural people.

Based on rural to urban migration forecasts, it is projected that urbanization levels will soar from 37 to 50 percent of the total population over the next decade. Given these population dynamics,

Population, Labour Force, and Employment of Thailand during 1995-2001

Unit: million persons (or as stated)	1995	1996	1997	1998	1999	2000	2001
Population (at year-end)	59.46	60.12	60.82	61.47	61.66	61.88	62.31
Labour Force	32.18	32.12	32.57	32.46	32.72	33.22	33.92
(13 years of age and over)							
Employed	30.82	30.98	31.52	30.10	30.66	31.29	32.17
Agriculture	14.39	14.03	14.20	13.45	13.88	13.89	13.59
Non-agriculture	16.43	16.95	17.33	16.65	16.79	17.40	18.59
Unemployed persons	0.55	0.49	0.49	1.41	1.37	1.19	1.10
(As % of labour force)	1.7	1.5	1.5	4.4	4.2	3.6	3.2
- Open unemployed (looking for work)	0.4	0.4	0.4	1.4	1.2	NA	NA
- Passive unemployed (available but not looking for work)	1.3	1.2	1.1	2.9	3.0	NA	NA
Seasonal Inactive Labour Force	0.81	0.65	0.56	0.89	0.69	0.65	0.74
(As % of labour force)	(2.5)	(2.0)	(1.7)	(2.7)	(2.1)	(2.2)	(1.9)

Note : Since 1996, the concept of "Labour Force" was revised to cover persons with the age of 15 years as opposed to the original concept of 13 years and over.

Person who did not work but were available for work. (NA = Not Available)

Source : Department of Local Administration and National Statistical Office

it is imperative that the area based development paradigm be restructured to promote supportive linkages between rural and urban areas, and to foster more balanced and sustainable development. Under the new paradigm, rural areas will remain the key agricultural production base of the country, while urban areas will serve as marketing, consumption and employment centres. The urban areas will act as agents of modernization through enhanced urban-rural linkages. Also, strong communities and participation of all sectors are crucial sources of social capital that need to be promoted in order to fuel development, and revive and strengthen the country's overall economy.

Human Development

Past development efforts in Thailand have essentially been geared towards economic development utilizing comparative advantages in terms of natural resources and low cost labour to produce goods and services for export. However, success in economic growth and material progress to date have not meant that all Thai people are enjoying greater wealth and a substantially improved quality of life. On the contrary, rapid economic growth has had negative effects on Thai culture, traditional ways of family life, community and social values. The impact on natural resources and the quality of the environment has also given cause for serious concern. Genuine sustainable development for Thailand in the future will depend on the degree to which the potentialities and creativity of the Thai people are strengthened and enhanced. For this reason, the Eighth National Economic and Social Development Plan had adjusted the development concept, shifting from a growth orientation to people-centred development. The state of the people is considered to be the final measure of success: economic improvement is treated only as a mean to improve the well being of the people rather than as the final objective of development.

It has, therefore, become apparent that there is an urgent need to make it possible for all people to develop to their full potential in physical, emotional, spiritual and intellectual terms while improving their technical and productive skill to ensure their full participation in the process of national development. In addition the people must be fully aware of the need to conserve natural resources, to protect

the environment and preserve culture, at both national and local levels, and to play a vigorous role in their protection and preservation.

The targets for human development had been set in the Eighth plan as follows:

1. Thai families will be of an appropriate size and the population will be geographically distributed in concert with the development potential and opportunities available in the various parts of the country.
2. The educational quality at all levels will be enhanced.
3. The ratio of science/technology graduates to social science/humanities graduates will be increased from the current 31:69 to at least 40:60.
4. Labour training and skill development programmes in various fields are continually expanded and improved in quality.
5. All people have sufficient knowledge of the prevention of common diseases and the ability themselves to monitor their own health and that of their families, and the knowledge and ability required to adjust their own behaviour in the interest of better health.
6. All women and other less privileged segments of society have greater opportunities for developing their full potential, with more equitable access to various basic services.

During the time of the Eighth Plan, human development had shown some positive changes: that quality of life of Thai people were improved, health conditions are better, average expected age of the people is higher, in 1998 average expected age of male and female increased to 70.1 and 75.2 years old respectively. Health service system has been progressive, percentage of people covered by the health insurance system was increased to 79.4 in the year 2000.

As a result of continuous development in the past up to present time, Thai people have higher education and average number of year in education of the Thai people in the age group of 15 years old and over had increased from 6.6 years in 1996 to 7 years in 1998, and the ratio of children attending school had a positive tendency in every class.

However, quality of education of Thai people has not been as progressive as expected, due to the low education of Thai labour forces of 15 years old and over, that is 68.4% were educated only upto primary level. The low education labour force have affected the capability in increasing economic efficiency of the country.

Place of Agriculture in National Economy

Thailand has long been known as an agricultural country. In the past few decades agriculture had significantly contributed a large proportion of income to the Thai economy. In 1994, agriculture contributed about 11.67 percent of the GDP and 29.6 percent of all exports. In the year 2000, agriculture production accounted only 11 percent of the GDP. Despite of such small proportion, agriculture remains of great importance to the Thai economy since the majority of population still earns it's living from agriculture. There are about 36 million people engaged in agricultural sector, accounting for 56 percent of the total population. In recent years, there is a declining trend of farm population as compared to the past.

There is increasing trend of farm labour migration into non-farm sectors. Particularly the industrial and service sectors, which enjoyed rapid growth during the period of economic expansion, had high demand for labour force. As a consequence, farm labour was continuously absorbed out of agriculture. It is estimated that farm labour at present will be about 20 million persons or 54 percent of the total labour force.

Average farm income per capita: The farmers had net personal income of 39,783 Baht per household in 1990/91 and increased to 79,197 Baht per household in 1999/2000. In spite of the fact that the net personal income has been increased, the proportion of income from the agricultural sector compared to total earning has declined. This was shown by the percentage share of income from agricultural sector to the total which has dropped from 47.37 percent in 1990/91 to 33.94 percent in 1999/2000

Agricultural Structure

Total land area of Thailand is 321 million rai or 51.36 million hectares, 40 percent of which is farm holding land. Land utilization in Thailand classified by region shows that farm holding land in the northeast is largest, it accounts for 44 percent of total farm holding land. The farm holding land in the north, central, and southern regions account for 23, 25 and 13 percent of total farm holding land respectively. The farm holding land under irrigation system is about 31.2 million rai or 24 percent of farm holding land.

Crop production is the most important sub-sector accounting for 60% of the total agricultural production. The five most important food crops in term of planted area and value of production are rice, rubber, maize, sugarcane, and cassava. Rice, maize, and sugarcane are important domestic food commodities as well as foreign currency earners, while rubber and cassava are predominantly export crops.

Fishery, the second most important sub-sector, accounts for 14 percent of agriculture. Black tiger prawn is the most important fishery product. Thailand is among the world's top ten fishing nation in terms of total catch and exports.

Livestock accounts for 9 percent of agricultural production, major commodities are chicken and swine.

Simple agro-processing is another important sub-sector in agriculture, accounting for 11 percent.

Agricultural Growth

Thailand experienced high economic growth with the average GDP growth rate of around 8 percent per annum during 1994 -1996. However, due to economic crisis in 1997 the GDP growth rate declined sharply to -1.4% and -10.5% in 1997-1998. Agricultural sector was also affected by the economic crisis During 1997-1998 agricultural growth substantially dropped to 0.9 and -1.5 percent respectively.

However, the growth of this sector has improved afterwards and it was estimated that the agricultural sector would grow by 4.9 percent in 2001.

GDP and Agricultural Production Growth

Unit: Δ%	1994	1995	1996	1997	1998	1999	2000
Gross domestic product1: at 1988 prices	9.0	9.2	5.9	-1.4	-10.5	4.4	4.6
Agricultural sector	5.0	3.5	4.1	-0.9	-1.5	2.0	4.9
Crops (incl. vegetable & fruit) 2/	4.0	4.9	5.4	3.6	-0.6	5.6	2.8
Rice	2.5	6.6	5.0	3.0	5.0	-1.4	4.7
Rubber	11.8	4.2	7.0	12.0	-0.2	1.6	8.2
Maize	18.2	6.3	-2.0	-6.7	22.3	-10.0	7.6
Cassava	-10.2	-10.2	7.5	3.4	-6.2	0.0	14.6
Sugarcane	10.6	39.6	6.2	3.1	-26.1	51.0	-32.7
Forestry	-19.0	-30.6	-5.4	-9.9	-14.3	-28.6	11.8
Fishery	8.0	3.9	-4.3	-4.9	2.3	-1.4	0.2
Livestock	3.9	3.9	3.2	4.1	-0.5	4.0	4.0
Non-agricultural sector	9.5	9.8	6.1	-1.4	-11.4	4.7	4.6
Manufacturing	9.6	11.9	6.6	1.4	-10.9	11.9	6.0
Mining (including fuel)	7.5	2.1	18.2	13.4	-6.2	8.2	5.5

Source: 1. National Account Division, NESDB-10.9

2. Projections of crop for 1997 & 1998 are BOT's figures. Other items are from NESDB

Status of Agricultural Co-operatives

The first Co-operative was organized in 1916, with the purposes to relieve farmers from severe indebtedness and preventing their mortgaged lands from being foreclosed by the moneylenders. The co-operatives organized at that time were village credit co-operatives. Until 1925, the first Co-operative Society Act was promulgated which allowed other types of co-operative to be organized such as Land Settlement, Consumer, Marketing and Service Co-operatives but small village credit co-operatives were still predominant.

At present, there are six types of co-operatives:

1. Agricultural Co-operatives.
2. Fishery Co-operatives.
3. Land Settlement Co-operatives.
4. Consumer Co-operatives.
5. Service Co-operatives.
6. Thrift and Credit Co-operatives.

Number of Co-operatives & Members as of January 2002

Type of Co-operative	No. of Co-operatives	No. of Members
Agriculture	3,419	5,095,554
Fishery	71	14,113
Land Settlement	98	156,502
Consumer	246	709,741
Service	451	232,289
Thrift and Credit	1,348	2,244,545
Total	5,633	8,452,744

Source : Co-operative Statistics of Thailand, January 2002
Co-operative Promotion Department

During 1969-1972, co-operative amalgamation program was implemented by the government by the provision of the Co-operative Societies Act B.E. 2511 enacted in 1968 to combine several village level credit societies into a district level Co-operative called "Agricultural Co-operative"

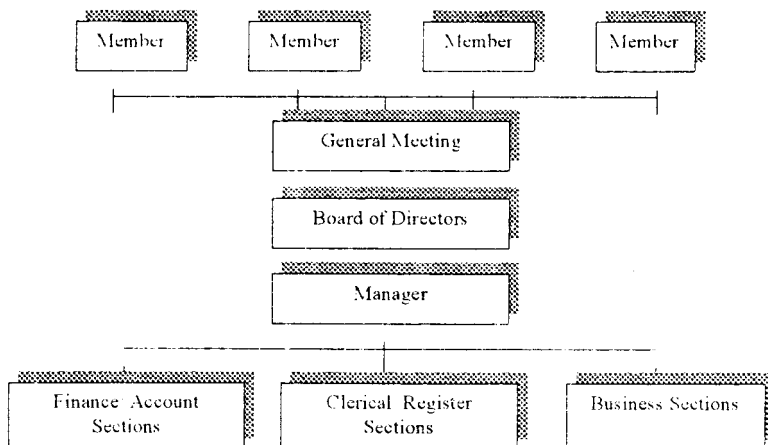
Objective of Agricultural Co-operatives are :

1. To provide agricultural credit,
2. To supply farm inputs and consumer products,
3. To market agricultural produce and commodities of the members,
4. To encourage saving and deposits,
5. To provide service on land and water development,
6. To give guidance on agricultural technology,
7. To educate and train on Co-operative principles and practice.

3.1 Structure and Business Performance

The agricultural co-operatives in Thailand are vertically organized in a three-tier system, primary co-operative, provincial federation and national federation.

Structure of Primary Co-operative



Primary Level

The primary co-operative consists of individual farmer members, the average membership of agricultural co-operative is 800 households per society, and divided into groups at village level. According to the present Co-operative Act, the general meeting of members elects the board of directors which formulates the policy of the co-operative and appoints a manager and staff to run the entire operation of the co-operative.

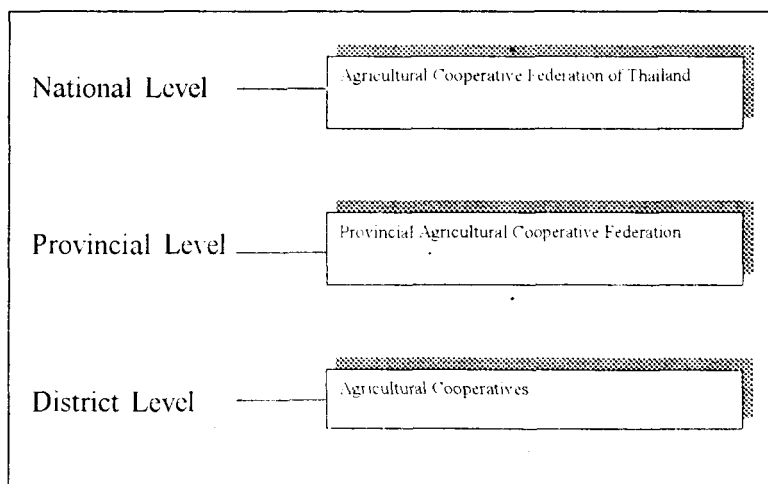
Provincial Level

Three or more primary agricultural and land settlement co-operatives can together form a provincial federation which undertake joint activities on behalf of their primary affiliates such as marketing and processing of agricultural products.

National Level

At national level, there is the Agricultural Co-operative Federation of Thailand which is the apex organization for agricultural co-operatives. Its main function is to support its affiliates' business which includes the export of agricultural produce and the import of farm supplies.

Structure of Agricultural Co-operative



**Number of Agricultural Co-operatives and Memberships
Classified by Region in 2001**

Region	No. of registered Co-operatives	No. of audited Co-operatives	No. of Members (family)
Bangkok & Vicinity	71	60	84,568
Central	175	158	207,870
Northern	695	613	1,239,037
Southern	976	881	520,900
Eastern	195	172	224,282
Western	200	169	219,814
North-eastern	1,269	1,065	1,969,753
Total	3,581	3,118	4,466,224

Organization of Agricultural Co-operative

The Organization of Agricultural Co-operatives are divided into two main parts:

- 1) The Policy Formulation and Supervision; and
 - 2) The Administration and Management.
- 1) the policy formulation and supervision are composed of :
- 1.1) General Meeting: Generally, the general meeting is composed of all members. In case of the larger-sized co-operatives or co-operative federations it will choose to have a general meeting by the representatives of members. The members shall be called for the general meeting at least once a year. It has the supreme power in decision making for policy formulation, planning, controlling and decision making for every problem that occurs within co-operative.
 - 1.2) Board of Directors: The Board shall be elected yearly from among the members by the general meeting. The Board consists of at least seven but not more than fifteen persons. The powers and duties of the Board are to manage all affairs of co-operative in appropriate ways according to the laws, by-laws, regulations, policies and resolutions of the general meeting.

2) The Administration and Management: This part consists of the manager and the operating staff. The manager is selected and appointed by the Board of Directors. In turn, the manager will select and appoint the staff. The manager has as his duty the managing of all day to day activities of co-operative according to the policies under the advice and supervision of the Board.

Business Activities

Credit business:

Agricultural Co-operative function as banks for their members. The service provided by co-operatives are both depositing and lending money.

Business Turnover of Agricultural Co-operatives as of March 2001

		million US\$
Business	Value	Percentage
Deposit	458.40	28.17
Credit	486.22	29.88
Supply	338.68	20.81
Marketing	339.75	20.88
Other Services	4.26	0.26
Total	1,627.31	100.00

Business Turnover of Agricultural Co-operatives as of March 2001

Lending service:

The Co-operatives provided credit to members both in cash and in kind depending on the purpose of loan. Normally, the Co-operatives will consider and approve the loan according to the members' production plans, members' income and their ability to repay the loan. Loans provided by agricultural co-operative are

1) Short term loan: The loans is provided for purchasing of farm supply such as seeds, fertilizer, insecticide, animal feed, farm tools and other expenditure necessary for seasonal production. The term

of loan is normally 12 months and will not exceed 18 months for special case. The amount of loan must not exceed 60 per cent of the assessed value of product which is produced for sale.

2) Medium term loan: The loan is provided for investment in farming assets such as purchasing of land or draught animal, land improvement, construction or rehabilitation of water sources, house, or building of farm machinery, etc. The term of loan is normally 3 years except in special case, the term of loan will not exceed 5 years from date of lending. The amount of loan depends on production plan, income, and ability to repay the loan also record of previous loan repayment of each member.

3) Long term loan: The Co-operatives provides long term loan which exceed 5 years to the member who will do the business of timely return such as rubber or oil palm planting. But total amount of long-term loan lending to members is not as large as short and medium term loans.

In the year 2001 the agricultural Co-operatives provided loans to the member as follows:

Short Term Loans	438.41 million US\$
Medium Term Loans	419.86 million US\$
Long Term Loans	8.48 million US\$

Sources of Fund of Agricultural Co-operatives in 2001

Sources of Fund	Value	Million US\$
		Average per Co-operative
Share Capital	315.45	0.148
Deposit	388.39	0.119
Reserve and other Accumulated Fund	169.29	0.052
Loans		
- Short term	412.29	0.126
- Long term	20.39	0.006
Others	161.84	0.049
Total	1,467.65	0.500

Growth Trend of Agricultural Co-operatives during 1997-2001

	1996	1997	1998	1999	2000	2001
No. of Co-operatives	2,832	3,097	3,226	3,344	3,370	3,239
No. of Members	3,942.416	4,338,095	4,507,082	4,659,070	4,789,493	4,969,962
Volume of Business	1,014.57	1,155.57	1,277.89	1,257.43	1,309.93	1,627.32
Assets	707.21	834.97	987.21	1,093.63	1,163.15	1,403.78
Liabilities	444.33	546.12	648.48	708.40	750.43	908.92
Co-operatives' own fund	262.88	288.85	338.73	385.24	412.71	494.86
Revenue	437.66	496.01	603.20	639.28	649.65	786.48
Expenditure	408.91	465.73	567.20	604.95	609.14	742.18
Profit/Loss	28.75	30.28	36.00	34.33	40.51	44.30

Volume of Business, Profit and Loss Classified by Region in 2001

Million US\$

Region	Business				Volume of business	Revenue	Expenditure	Net Profit/ Loss
	Deposit	Credit	Supply	Marketing Services				
Bangkok and Vicinity	12.99	13.13	11.99	2.72	0.063	27.62	25.64	1.98
Central	40.30	46.06	19.18	10.70	0.051	56.21	52.90	3.31
Northern	12.62	112.79	81.52	39.83	0.326	196.93	186.26	10.67
Southern	56.95	42.96	25.86	72.83	0.061	150.84	144.64	6.20
Eastern	49.19	52.19	23.66	15.11	0.006	69.14	61.30	7.84
Western	57.46	35.26	22.88	13.31	0.164	56.10	53.72	2.38
North-eastern	91.51	165.71	96.79	64.65	1.752	208.88	196.96	11.92
Total	321.02	468.10	281.88	219.15	2.423	786.48	742.18	44.30

Note: Data Collected from Audited Agricultural Co-operatives

Depositing Service:

The agricultural co-operatives provide service of deposition to all members by two accounts:

- 1) Saving deposit, interest on this type of deposit ranging from 3-4 % per year
- 2) Special saving deposit, interest on this type of deposit is 4 %

Supply Business:

The supply business of agricultural co-operatives aims at supplying agricultural inputs and consumer goods required for farming and living of farmer members on favourable term in quality and price. The major commodities supplied to the members are fertilizer, seeds, machine, etc. The purchasing business of the agricultural co-operatives can help reducing cost of production and by minimizing production cost, the price of member's products can compete in the market

Marketing Business:

The marketing business is one of the very important activity. The primary agricultural co-operatives collect the agricultural or livestock products from it's members and sell some products like rice through provincial and the national federations and the co-operative also sell many products directly in the market.

The agricultural products collected by the co-operatives are rice, soybean, onion, pineapple, coconut and coconut products, cotton, garlic, rubber products, coffee, sugarcane, cassava, and maize. The business volume of collecting agricultural products other than rice was not so large. Only marketing of rice is quite significant.

The marketing of rice was designed with the purpose to increase the member's income by increasing price of rice and also increase loan repayment rate. Previously the volume of paddy handled by the primary co-operatives was too small to influence support price for paddy and the co-operatives were not able to compete with private traders of farm products. The agricultural co-operative movement was not strong because the co-operative at each level undertook marketing business separately. The marketing spread is widely distributed: first from the farmer members themselves;

second at the paddy collecting points of primary societies; third at the provincial federations rice mills; and fourth at the national distribution centre. There are 780 marketing centres at the Tambon level which belong to the primary co-operatives.

Processing Business:

Development of agro-industries in one of the main strategies of the government to achieve the objectives and targets of agricultural production growth rate and the reduction of unemployment rate as targeted in the national development plan.

Agricultural co-operatives are organized among farmers who do various kind of farming such as rice, maize, pineapple, rubber, oil, palm, fisheries, dairy, pig and chicken raising as well a fruit trees, vegetable, and cut-flowers plantation. These crops and agricultural products have high potential to increase the value by processing and converting into agro-industrial products.

Processing of paddy. As far as the co-operative processing of food grain is concerned, paddy is the biggest business line of agricultural co-operatives. There are 138 rice mills with a total capacity of 4,216 metric tons per day belonging to the primary agricultural co-operatives, while 29 rice mills with a total capacity of 1,874 metric tons per day owned and operated by the provincial agricultural co-operative federations. All together, there are 167 rice mills with the capacity of 6,090 metric tons per day.

3.2 Types of Agricultural Co-operatives

1. General agricultural Co-operatives undertaking multipurpose activities on horizontal line e.g. credit, deposit, supply, marketing including processing and services.
2. Dairy Co-operatives – Dairy industry has special feature of high cost investment in term of doing cow raising and doing product processing.
3. Agricultural Marketing Co-operatives – undertaking only supply and marketing business. The co-operatives of this type is agricultural Marketing co-operative for BAAC clients (BAAC = Bank for Agriculture and Agricultural Co-operatives)

- 4 Fishery Co-operatives – Fishery Co-operatives has been classified as a main type of co-operatives. they are not under agricultural co-operatives.
5. Land settlement Co-operatives – These co-operatives are also classified as a main type of co-operative. They are not under agricultural co-operatives.

Agricultural Marketing Co-operatives for BAAC clients and Dairy Co-operatives are classified as sub-types of agricultural Co-operatives. All statistics shown for agricultural co-operatives has included these two sub-types.

The general agricultural co-operatives have been explained in detail in the last chapter. In this part, the other related co-operatives such as dairy, fishery, land settlement co-operatives and agricultural marketing co-operatives for BAAC clients will be elaborated.

Dairy Co-operatives

The farmers in Thailand are mostly crop producers and their income is uncertain, it often fluctuated according to the uncertainty of nature and market conditions. Thailand do not produce enough milk for domestic consumption, the country has been importing milk and dairy products in the past decades. The government, therefore, had the policy to increase farmers' income by promoting dairy cow raising and dairy product processing in 1957. The farmers who raised dairy cows still faced the problems of low quality of fresh milk, low price, lack of equipments for storing milk etc. They had requested to the Land Co-operative Department for setting up dairy co-operatives.

The dairy co-operative was organized in 1970, the organization of dairy co-operatives has to consider:

- 1) Number of farmers who should live in the same area and quantity of fresh milk should be adequate to reach break-even point of investment of dairy business.
- 2) Investment on milk collecting centre should be considered in accordance with number of dairy cows and quantity of fresh milk produced each day.
- 3) Marketing – the co-operatives have to consider:

- where and how to sell,
- Distance for transport,
- Volume of business,
- Efficiency of management .

However, dairy cows raising should be done co-operatively in order to solve the problem of production and marketing, which cannot be done individually.

The Thai government has promoted the farmers to increase the production of fresh milk to meet the consumption demand in the country and substitute import of milk and dairy products. Although the quantity of fresh milk produced in the country has been continuously increased but it is still insufficient for the demand which tend to be higher as a result of campaign scheme of the government to encourage the children to drink more milk. Moreover the government had the policy to operate school milk project in order to provide free milk to all children in the school every day. The demand for the fresh milk even increased higher. From this policy, dairy cows raising had been increased as well as increase in the number of dairy co-operatives. Number of dairy cows in co-operatives was 144,299 heads in 1994 which was doubled to 305,684 heads by 2002.

Rapid growth of dairy cows and dairy co-operatives had caused the problems of low quality fresh milk, lack of equipments, lack of knowledge to raise dairy cows and management capability to distribute fresh milk to the market. Hence, some dairy co-operatives could not be viable and they finally dissolved and some had stopped operation. At present there are 116 dairy co-operatives but only 103 can be audited.

However, quantity of fresh milk produced by co-operatives accounts to 78.5% of total fresh milk produced in the country and number of dairy cows of co-operatives accounts for 75.6% of total dairy cows.

**General information of dairy industry in the whole kingdom
and Statistics of Dairy Co-operatives as on May 2002**

- | | |
|---------------------------|--------|
| - Number of Co-operatives | 116 |
| - Number of members | 24,197 |

- Number of dairy cows 305,684 heads
- Number of milking cows 138,947 heads
- Quantity of fresh milk collected by Co-operative 481,800 tons/year
- Value of fresh milk collected by Co-operatives 125.00 million US\$/year
- Quantity of fresh milk sold by Co-operatives 392,400 tons/year
- Value of fresh milk sold by Co-operatives 111.36 million US\$/year
- Value of dairy products sold by Co-operatives 65.91 million US\$/year

Infra-structure of Dairy Co-operatives

- Animal feed plant 13 plants
- Dairy processing plant 17 plants
- Fresh milk cooling centre 102 centres
- Refrigerating trucks 53 trucks

General information

- Number of dairy cows in the whole kingdom 404,494 head
- Number of milking cows in the whole kingdom 221,690 head
- Quantity of fresh milk in the whole kingdom 614,060 tons/year
- Demand of fresh milk for consumption in the country 695,690 tons/year

**Number of dairy cow and fresh milk by region
during 1998-2000**

Region	Number of dairy cows (head)			Fresh milk (ton)		
	1998	1999	2000	1998	1999	2000
North	2,410	25,344	27,561	31,521	35,166	39,047
Northeast	82,760	84,714	84,790	96,128	99,997	104,914
Central	212,093	222,699	232,954	302,968	321,844	342,380
South	5,991	6,508	6,705	6,499	7,507	8,351
Total	303,254	339,265	352,010	437,116	464,514	494,692

Source: Agricultural Statistics of Thailand Crop Year 2000/2001
Office of Agricultural Economics, Ministry of Agriculture and
Co-operatives

From the above data, the rates of dairy cows increased from 1998 to 2000 were lower than the rates of fresh milk produced in every region and in the whole country. This ratio can explain that the farmers have gained more knowledge and experience in dairy cow production.

Operation Result of Dairy Co-operatives during 1999-2001

Item	Million US\$				
	1997	1998	1999	2000	2001
No. of Co-operatives	98	99	103	101	103
No. of Co-operative audited	72	73	82	83	90
No. of members	15,962	16,439	17,177	18,111	19,786
Co-operative Own Fund	12.57	15.28	18.71	25.90	28.66
Operation Capital	27.42	31.98	40.60	53.75	60.11
Volume of business	61.52	74.56	90.25	109.14	158.75
Operation Result					
- Revenue	79.08	90.97	111.55	137.39	160.70
- Expenditure	70.57	80.55	100.06	121.32	145.68
- Gross Profit	8.51	10.41	11.50	16.07	15.02
- Net Profit	4.26	4.87	5.59	8.45	5.81
- Net Loss	0.033	0.053	0.059	0.067	0.133

Statistics of Dairy Co-operatives in 2001 classified by Region

Million US\$

Region	No. of Co-ops	No. of Members	Share Capital	Operation Capital	Volume of Business
Bangkok and Vicinity	3	768	0.362	2.825	5.049
Central	19	4,079	1.250	8.117	36.335
Northern	21	2,003	0.307	2.709	8.725
Southern	5	449	0.047	1.615	2.077
Eastern	4	2,116	1.300	12.111	11.205
Western	16	6,955	3.111	27.850	76.654
Northeastern	35	3,416	0.594	4.885	18.702
Total	103	19,786	6.971	60.112	158.747

From the statistics, the co-operatives in the west operated at the highest business volume, operation capital, share capital and also highest benefit. This is because the largest and oldest Co-operative i.e. Nong Pho Ratchaburi Dairy Co-operative Ltd. is located in this region. It was set up as dairy Co-operative since 1971 by the initiative and kind support of His Majesty the King. In 2001, Nong Pho Ratchaburi Dairy Co-operative Ltd. gained the highest net profit of 121.5 million Baht (2.8 million US\$).

It can be concluded that dairy co-operatives have contributed a large share to the dairy industry of Thailand.

Agricultural Marketing Co-operatives for BAAC Clients

The Bank for Agriculture and Agricultural Co-operatives (BAAC) is in charge of providing loans to agricultural Co-operatives as well as to individual farmers. The BAAC provided loan to co-operatives and individual farmers at the proportion of 20:80. Hence, the BAAC has a large number of farmers as the Bank's clients. The BAAC decided to organize co-operatives in 1989, the member must be BAAC clients and opened at least one saving account in BAAC for transferring. The BAAC co-operatives shall not undertake credit business but shall provide supply and marketing services to

members. The Co-operatives were organized at the provincial level, one Co-operative in each province. The total Co-operatives registered is 74 throughout the country.

The management of BAAC co-operatives have been assisted by the BAAC staff but the Board of directors are elected from the general meeting. In 2001, from total 74 co-operatives, 71 could be audited, there are 2,815,437 member with the total share capital of 30.93 million US\$. The total operation capital was 56.82 million US\$ which derived from 3 main sources i.e. 54% from share capital and 38% from loans. Operation result of the co-operatives show that 54 co-operatives earned profit but 17 co-operatives were in loss.

**Statistics of Agricultural Marketing Co-operatives for
BAAC Clients, classified by Region in 2001**

			1000 US\$
Region	No. of Co-operatives	No. of Members	Share Capital
Bangkok and Vicinity	6	50,885	589.54
Central	5	115,729	1,946.59
Northern	16	855,480	9,480.45
Southern	14	343,900	1,886.36
Eastern	8	138,520	1,773.42
Western	5	111,453	1,566.59
North-eastern	17	1,199,470	13,687.05
Total	71	2,815,437	30,930.00

Fishery Co-operatives

The first fishery co-operative was organized in 1949 and it was fresh water fishery co-operative. The first co-operative assisted members on marketing and processing of fishery products and obtained the permission for members to do legal fishing. But later on, the fishery in rivers and canals through out the country was opened to public. The co-operative could not operate effectively and it finally merged to agricultural co-operative.

**Financial Status, Business, Operational Results of Agricultural Marketing
Co-operative for BAAC clients during 1997-2001**

Item	1997	1998	1999	2000	2001
No. of Co-operatives	74	74	74	74	74
No. of Co-operative audited	61	65	69	67	71
No. of members (mil.)	2.06	2.32	2.59	2.59	2.82
Operation capital (mil. baht)	1,639.08	1,750.31	1,945.80	2,161.67	2,499.91
Volume of business (million baht)	3,599.42	4,563.32	4,478.26	4,055.34	5,330.20
Operation result (million baht)					
- Revenue	3,660.75	4,610.47	4,566.39	4,171.92	5,226.17
- Expenditure	3592.58	4,537.08	4,542.11	4,159.64	5,178.63
- Net Profit	68.17	73.39	24.28	12.28	47.54
Financial Status					
- Assets	1,639.08	1,750.31	1,945.80	2,161.67	2,499.91
- Liabilities	651.52	564.01	570.57	749.11	927.01
- Co-operative own fund	987.56	1,186.30	1,375.23	1,412.56	1,572.90

The Marine Fishery Co-operative was firstly organized in 1952 namely Central Fishery Co-operative Ltd., providing fund, equipments, tools and marketing activities to cover operation area of 13 provinces along the coastal area. After 23 years of operation, the co-operative faced many problems including competition with private sector together with the incapability in management in the large area of operation of the Board of Directors. Finally, the Co-operative was dissolved in 1975.

Fishery co-operatives were organized later both in land, marine and coastal area. Until 2001 there were 76 fishery co-operatives with the membership of 13,650. The fishery co-operatives may be divided into 3 sub types as follows:

- 1) *Marine fishery co-operatives*: There are 19 co-operatives with membership of 2601. These co-operatives are categorized by business of the members:
 - Large fishermen – operating outside territorial waters of Thailand
 - Medium fishermen – operating within territorial waters
 - Small fishermen – operating within 3000 metres from coastal area
- 2) *Blackish water fishery co-operatives*: There are 20 co-operatives with 3,530 members. The members culture black-tiger prawn, blackish-water fish, oyster and ark shell.
- 3) *Fresh-water fishery*: There are 37 co-operatives with 7,519 members, the members culture fresh water fish and frogs.

**Result of Operation of Fishery Co-operatives
during 1996-2000**

Item	1996	1997	1998	1999	2000
No. of Co-operatives	57	64	72	75	76
No. of members	9,384	10,722	12,215	13,061	13,650
Co-operative's own fund	53.62	69.08	100.28	184.79	208.61
Volume of business	255.75	308.20	613.20	442.95	332.71
Assets	124.53	182.87	578.95	480.68	493.04
Liabilities	70.91	113.79	478.67	304.11	284.43

Revenue	205.24	249.87	490.84	324.89	290.14
Expenditure	201.30	244.95	482.68	311.82	286.36
Net Profit	3.94	4.92	8.16	13.07	3.78

Problems and Obstacles of Fishery Co-operatives

Although fishery Co-operative is one of the major types of co-operatives which had long been established, Number of co-operatives and members have increased continuously but the members of fishery co-operatives are only small proportion to the total fishermen, contribution to the fishery industry is not significant. There are many limitations in development of fishery co-operatives.

- 1) Fishery products is perishable, high cost investment, uncertain market situation and risk taking business. These problems have caused the difficulty in getting loans.
- 2) Fishery co-operatives were organized among the small fishermen who are poor and low educated. They join co-operatives just only to get credit, they do not realize the co-operative principles. Hence, the fishery co-operatives have not played a vigorous role.
- 3) The Board of Directors had no experience in management and marketing and lack in technical know-how to assist the members.
- 4) Size of co-operatives in terms of members and operational capital is too small to gain economy of scale.
- 5) Fishery resources have been declined because it was intentionally and unintentionally destroyed by the human being. Hence fishery is getting difficult and risky because the fishermen have to go farther from Thai territorial waters.

Land Settlement Co-operatives

The land settlement co-operatives were organized among the landless farmers with the main objective to provide land to landless farmers or farmers who have insufficient land to earn income. The other objectives are the same as the objectives of agricultural co-operatives.

The land settlement co-operatives are divided into 3 types they are:

1. Land settlement co-operatives are operated under land Allotment for occupation Act B.E. 2511 (1968) and Co-operative Act 2542 (1992). According to the first Act the committee for land allotment will allocate forest land which had been deteriorated to the Co-operative Promotion Department. The landless farmers who have applied for the farming land will be selected by committee appointed by the Director General of CPD. The farmers who had been selected must work co-operatively and register as land settlement Co-operative. After the members have fulfilled the regulation laid down by the Co-operative Promotion Department, they shall get the ownership on land. At present, there are 55 land settlement co-operatives operating in the land area of 331,000 hectares and 112,822 members have been granted to cultivate on 270,000 hectares. About 30,000 member have accomplished all regulations and received the ownership certificate which can be changed to title deeds.
2. Land hire – purchase co-operatives – operating along the land Act B.E. 2497 (1954) and the government policy on provision of land to farmers. The government, by the Co-operative Promotion Department purchased a large plot of land from the government or private and then developed that land and sold to the farmers. Those farmers had to organize as co-operatives. The co-operative will collect the cost of land on instalment basis. The member can get ownership on land after completing the instalments. There are 17 land hire – purchase co-operative with 9,315 members working on 14,150 hectares, of land.
3. Land Tenant Co-operatives: The procedure of acquiring land is the same as the land settlement co-operatives, but the co-operative will be organized in the form of land tenant co-operative. The member will not get ownership on land but they have the right to cultivate on land by paying a low rate of rent and the land can be inherited.

At present, there are 26 land tenant co-operatives with 130,000 members, working on 250,000 hectares of land.

**Financial Statistic of Land Settlement Co-operatives
within 20 Years (1981-2001)**

Item	1981	1986	1991	1996	2001
No. of Co-operatives	80	93	94	99	101
No. of members	60,054	81,306	92,244	110,076	136,093
Volume of business	215.10	443.14	1095.82	2041.71	2,785.17
- Deposit	3.95	43.58	173.20	438.23	730.12
- credit	91.79	153.48	321.19	529.72	722.73
- supply	54.52	90.66	140.76	300.65	497.32
- marketing	46.62	144.79	447.58	759.56	824.28
- services	18.22	10.63	13.09	13.55	10.72
Operation result : Net profit	6.41	22.17	12.81	45.72	39.98
- Net profit	7.29	23.96	22.25	62.79	53.62
- Net loss	0.88	1.79	9.44	17.07	13.64
Assets	299.14	605.25	818.85	1369.84	2,194.09
Liabilities	224.97	416.64	508.96	836.20	1,313.21
Co-operatives' own fund	74.17	188.61	309.89	553.64	880.88

Since 1991, the marketing business has been predominantly provided to the members, and it has been expanded continuously with the value of 18.7 million US\$ and the major crops marketed are:

Oil-palm	47.67	percent
Maize	17.46	percent
Rice	17.17	percent
Cassava	6.65	percent
Rubber	3.71	percent

Although land settlement co-operatives have successfully assisted the member on marketing of oil palm but the price of oil palm is often fluctuated and mostly rely on the private oil – palm extracting plants. They can regulate prices at the time of purchasing oil palm. Besides, there is also large amount of palm oil smuggled from Malaysia which would affect the price of oil palm in the country. Hence, the co-operatives decided to build up oil palm extracting plant to absorb oil palm of the members. The extracting plant will enable co-operatives to have more bargaining power in the market of oil palm, and to increase income for the members by selling processed product.

3.3 Provincial and National Federations

As mentioned earlier, The agricultural co-operative movement in Thailand is operating on a three tier system basis, from primary agricultural co-operatives to provincial and national agricultural co-operative federations. There are 6 national agricultural co-operatives and 74 provincial agricultural co-operative federations.

National Agricultural Co-operative Federations and Membership in 2001

Name	Membership (societies)
1. Agricultural Co-op. Federation of Thailand	75
2. Swine Raisers Co-op. Federation of Thailand	64
3. Onion growers Co-op. Federation of Thailand	6

4.	Rubber growers Co-op. Federation of Thailand	367
5.	Sugarcane growers Co-op. Federation of Thailand	66
6.	Dairy Co-op. Federation of Thailand	62

Among the six national federations, there are only three federations actively performing their duties; they are Agricultural Co-operative Federation of Thailand, Rubber Growers Co-operative Federation of Thailand and Dairy Co-operative Federation of Thailand. While the other two federations, Onion Growers and Sugarcane Growers are not performing actively and regularly. The swine raiser is going to cease its operation. The Dairy Co-operative Federation of Thailand and Rubber Growers Co-operative Federation of Thailand tend to perform their duty as lobbyist rather than business. The Rubber Growers Co-operative Federation had Coordinated and negotiated with the government on the sales of rubber products. While the Dairy Co-operative Federation of Thailand had made an effort to protect benefit of its member Co-operatives by acting as a centre in transferring dairy technology, and government policy to the members and in the same way informing the government about the members' needs. The dairy co-operative federation takes part in policy formulation on production, pricing and distribution of fresh and processed milk with the government agencies concerned. The business volume of these two national federations are not large because of inadequacy of fund, they do not have processing plants or any facilities or equipments to serve the members. The Dairy Co-operative Federation have tried to set up "Central Fund" for the dairy Co-operatives by requesting the member co-operatives to deduct 0.001 US\$ per 1 kilogram of fresh milk to deposit in the Central Fund. Member Co-operatives can borrow this fund for solving their emergency problems. But the member co-operatives have not taken much interest on this fund, there are only 37 Co-operatives out of 62 member co-operatives who have contributed to the Fund

The Agricultural Co-operative Federation of Thailand (ACFT) has performed the role on business more than the Dairy and the Rubber Grower Co-operative Federations. The ACFT had been entrusted to implement government projects on marketing of rice and chemical fertilizer to agricultural Co-operatives. The

implementation of the projects had been accomplished but the ACFT business was not successful. The business loss was partly due to changing of currency rate and partly from bad debts and high cost of operation. The ACFT carried out three businesses i.e agricultural products marketing, agricultural input supply, and printing business. Only printing business had gained profit, the other two business were in loss.

The total volume of business of provincial and national agricultural Co-operative federations within the year 2001 was 37 million US\$, comprising 37.64 percent of provincial agricultural Co-operative federations, and 62.36 percent of national agricultural Co-operative federation business, about 96 percent of which was the ACFT business. This figure has shown that, the ACFT had taken a larger part in providing business than the other national federations. The main product sold to the members and non-members was fertilizer, it accounts 60.44 percent of all products, 57 percent sold by provincial federations and 62.44 sold by national federations.

**Supply business of national and provincial
Co-operative Federation during 1997-2001**

Year	Million US\$			
	Provincial Federation	National Federation	Total	Rate of growth %
1997	14.00	16.30	30.30	74.14
1998	20.78	21.90	42.68	41.26
1999	27.78	28.83	56.61	32.66
2000	14.71	19.80	34.51	(39.05)
2001	13.82	22.90	36.72	6.42
Average	18.22	21.95	40.16	23.09

Within 5 years, average volume of business of the national and provincial federations was US\$ 21.95 and 18.22 million respectively. In 2001 growth rate of national federation was increased to 13.54 percent but the growth rate of provincial federation was decreased to 6.05 percent.

Marketing business of National and Provincial Co-operative Federations during 1997-2001

Year	Provincial Federation	National Federation	Total	Rate of growth %
1997	11.60	0.83	12.43	11.87
1998	11.88	1.78	13.66	9.89
1999	17.31	1.38	18.69	36.78
2000	14.38	0.54	14.92	(20.17)
2001	12.39	3.05	15.44	3.50
Average	13.51	1.52	15.03	8.37

The marketing business of the national and provincial federations had the average volume of 15.03 US\$ with the average growth rate at 8.37 percent. The growth rates of marketing business from 1997 to 2001 were increased at a diminishing rate, except in 2000 the growth rate of provincial federations was highest in the five years. The main agricultural produce which was collected by provincial federations was paddy which accounted for about 90 percent of total value. The highest rate of growth in 1999 derived mainly from marketing of paddy and it meant that the market price was low.

Thus the provincial federations which own 29 rice mills with 1874 metric tons per 24 hours capacity could absorb more paddy to assist members.

The national agricultural federations performed marketing business mainly on maize, sugarcane, rubber, beans and other produces. The national federations collected only small amount of paddy because the national federations have not got their own rice mill or even rice barns.

The business performance of both national and provincial federations have been gradually declined. The number of profit making co-operatives was reduced as well as the value, while the number and value of loss making co-operatives have increased. It is noticeable that the provincial and national federations did not perform their duties as the secondary and tertiary co-operatives to support the primary co-operatives business, but they also perform

business directly with the farmer member as well as with the member co-operatives. The performances of co-operatives of the three levels have no effective linkage. This is because, the secondary and tertiary co-operative are not capable to build up the movement and on the contrary, the primary co-operatives are not willing to cooperate with the federations while they are not strong and in efficient.

Operation result of national and provincial Co-operative Federation during 1997-2001

Million US\$

Year	National Federation				Provincial Federation			
	Profit		Loss		Profit		Loss	
	Value	Number	Value	Number	Value	Number	Value	Number
1997	0.98	4	0.003	1	2.94	55	0.33	18
1998	1.03	4	0.006	1	2.46	59	0.33	15
1999	0.82	2	0.04	5	1.59	49	0.87	27
2000	0.06	3	0.28	4	0.28	36	1.72	38
2001	0.05	3	0.63	4	0.61	37	1.61	37

3.4 Strategic Alliance with Private Sector on marketing of rice

The cooperation between agricultural co-operatives and the AMWAY Co. Ltd. (Thailand) in rice trading has been launched since 1998 with the initiative of Ministry of Agriculture and Co-operatives. The objectives of the cooperation are:

- 1) to promote the sale of good quality Hom Mali Rice (fragrant rice) from producers to consumers directly;
- 2) to expand market of good quality Hom Mali Rice;
- 3) to encourage eagerness and increase managerial capability of management staff altogether with Board's responsibility;
- 4) to extend support from private sector to farmers as well as to rural community.

There are 7 agricultural co-operatives and 2 provincial agricultural federations, 6 of which located in the northeast and 3 in the north

have joined the project. These co-operatives usually produce Hom Mali rice and sell in the provinces or to local merchants in a big lot. The processing and packaging of rice are simple and common as the other rice mill do. Thus, the price of rice is often low during harvesting season and the co-operatives have to purchase paddy during harvesting season in order to assist farmer members to have income for their living.

Under the project, the co-operatives have to produce, process, package and make delivery to the godown of the AMWAY according to AMWAY's requirements. Since the 9 co-operatives are located scatterly in 8 provinces, there must be a coordinating agent to coordinate among 9 co-operatives informing about requirements of AMWAY on quality, quantity, price, time of delivery etc. and also to negotiate with AMWAY on behalf of Co-operatives. Hence, the co-operatives have appointed a company to manage above mentioned activities in order to satisfy both Co-operatives and AMWAY company.

However, performance of 9 co-operatives and coordinating agent are under supervision of Co-operative Promotion Department, and the quality of Pure Hom Mali rice produced by these Co-operatives is certified by Department of Agriculture and Co-operative Promotion Department.

Up to present, 7 agricultural co-operatives and 2 agricultural co-operative federations have delivered about 10,000 tons of Hom Mali rice to the AMWAY Co. Ltd. which accounted to 155 million Baht.

The benefit of the project has been acknowledged by the 9 agricultural co-operatives, the benefit is not in term of money profit but they have gained good reputation in producing high quality rice. They accepted that trading with AMWAY is meant that their rice has been guaranteed. The co-operatives under this project propagated to all rice traders, that they can sell more rice for domestic consumption and especially for export.

The other benefit is development of co-operatives' Board of Directors and staff on management capability. The staff have been trained by doing on management of rice mill, packaging, storing, delivery and others. The Board of Directors have to take part closely

in decision making on investment, pricing, timing, recruitment etc. on the basis of team working and net-working.

The weak point of the project is the lack of capable national Co-operative federation to work as coordinating agent which would otherwise replace the company. However, after 4 years of operation some agricultural co-operatives have shown the leading capability to be responsible as coordinator.

It is worth to notify that agricultural co-operatives should be supported in the form of low interest or zero interest loans with long-term repayment in order to assist them in acquiring equipments necessary for processing and marketing.

3.5 Role of Agricultural Co-operative in Implementing Government Schemes

The mission of Ministry of Agriculture and Co-operatives are firstly to promote and support farmers to produce agricultural products. The production will be promoted in two categories. One is the production for international markets which have to emphasize on Good Agricultural Practice. The other is to support the farmers to produce on a self-sufficiency basis. Secondly, the conservation of natural resources and environment must be strongly encouraged among the farmers. Thirdly, rural communities and farmers' institutions must be strengthened to assist the farmers.

The Co-operative Promotion Department, an agency under the Ministry of Agriculture and Co-operatives, has the responsibilities to promote and develop Co-operative system to be vigorous to assist the farmer members in their production and their living.

The Ministry of Agriculture and Co-operative and Co-operative Promotion Department have entrusted the agricultural Co-operatives to implement various government schemes which will be explained further :

1. Production Credit and Marketing Linkage Program

The objective of the co-operatives is to help farmers getting the fair price of paddy. At the beginning of harvesting season, price of rice is usually low, therefore, the farmers who are indebted with the Co-operatives can repay their loans by paddy. The co-operatives

will be provided soft loans from the government for purchasing and processing paddy for selling in the market when the price is increased. The farmer members can receive additional price after the co-operative have deducted their operation costs.

The government has provided fund for implementing this program since 1980, in each year the primary co-operatives and provincial federations can purchase and process about 500,000 tons paddy. Although it is not a large amount but this program can raise the price of rice which is due to the reason that paddy was collected and kept in the co-operative storages waiting for processing and selling later. Consequently the supply of paddy in the market is reduced which will result in price increase. On the other hand, the members received paddy price 7.5 US\$ per ton higher and they have no outstanding loans with the Co-operatives and also reduce cost on interest.

However, there are some constraints which affected the operation of the program. Fund provided to the co-operatives is a seasonal revolving fund. The co-operatives have to repay the loan within one year, but in fact there should be paddy stock in the storage through out the year in order to process and sell gradually for the good prices. When the loan has to be repaid, the co-operatives have to sell all paddy in stock to repay the loan or otherwise they will not receive a new loan. The other constraint is a delay in granting loan which is due to the bureaucratic process of approval, the delay has caused difficulties to the co-operatives and also to the members. The Ministry of Agriculture and Co-operatives should allow the co-operatives to utilize the fund for a longer period of 3-5 years because the prices of rice usually fluctuated, the co-operatives should be able to adjust marketing plan according to the market conditions.

2. Organic Agriculture Development in Agricultural Co-operative

The people now are aware of toxic agricultural products from chemical insecticide and fertilizer and also in relation to WTO agreements. The government policies has emphasized on organic agriculture among the farmers in order to protect consumers' health. To start with 200 agricultural co-operatives in 76 province were

selected to implement the organic agriculture policy. The training programs on organic agriculture were arranged for the co-operative members and staff, and the government official concerned. After the training course had been completed, 2000 co-operatives had carried out the activity of producing organic fertilizer from agricultural product wasted in their farms. This organic fertilizer was distributed to the members to try on their farms. The government supported with funds to one or two co-operatives in each province. A total to 110 agricultural co-operatives have procured equipment for producing organic fertilizer and compost. These co-operatives were to produce and transfer technology to the other co-operatives in their area. The leading co-operative should produce and also distribute to other co-operatives in order to extend the usage of organic fertilizer to be more widely spread. This project has started implementation since 2001, at present the number of farmers producing and using organic agriculture have been increasing significantly.

Constraint on the promotion and extension of organic agriculture is the speed of return, the farmer cannot get the quick return on their farming as they can do by use of chemical fertilizer. The other constraint is the low yield might lead to high price of product which will be the problem to some group of consumers. There should be campaign and publicity on the benefit of organic farming to consumers, producers as well as to the community as a whole.

3. Procurement of fertilizer for farmers

The government has the policy to assist the small farmers in reducing production cost and increasing yield. Fertilizer either chemical or organic are the vital factors for agricultural production which the farmers have to use it. Previously, procurement was managed by the Ministry of Agriculture and Co-operatives. Later on the committee on soil and fertilizer policies had regulated that the procurement of fertilizer will be managed by farmers' institutes i.e. agricultural co-operatives and farmer groups registered under the Co-operative Society Act. The objectives are to promote participation of farmers institutes in procuring fertilizer to suit their production requirements and increasing business management capacity of the farmers' institutes.

The government shall support fund for procurement of not less than one third of total requirement of fertilizer. This fund will be lent to the co-operatives and farmer groups without interest charge. The procedure of operation are as follows:

1. The co-operatives will survey the members' demand on fertilizer and propose the requirement plan to co-operative Promotion Department to certify and then submit to the Ministry of Agriculture and Co-operatives. The co-operative Promotion Department will be responsible for selection of co-operatives and follow up of repayment of loans.
2. The Ministry provides one year loan to co-operatives through Co-operative Promotion Department.
3. The co-operatives are requested to use their own fund to the extent of at least 20 percent of total loan allocated to them.
4. Interest will be charged on loan if the co-operative failed to repay within 6 months.

The beneficial expects from this project are:

- to create responsibility of the farmers' institutes in decision making on their own business and preparing to be self-reliant organizations.
- To alleviate the government burden on operation cost and reduce the amount of fund used in this project which can be utilized in another projects.

The constraint of this project is the limitation of loan fund which has resulted in uneven allocation of loan to the co-operatives, the large co-operatives can get larger amount of loans because their financial status are secured and loan repayment can be more assured than the small and newly organized co-operatives. Although lending loan to small and newly organized co-operatives is more risky but the Co-operative Promotion Department should not apply the same conditions to the different status Co-operatives.

3.6 Role of Agricultural Co-operatives in Responding to Food Security and WTO Policies

The World Trade Organization (WTO) was established in 1995 following the Uruguay Round of the General Agreement of Tariffs

and Trade (GATT) negotiations. The WTO transformed GATT's tariff and quotas into a new global commerce agency with the same legal status as the United Nations.

The WTO is empowered to enforce global commerce rules with the imposition of economic sanctions. The WTO's rules cover food and environmental standards, regulation of services such as insurance and transport, copyright and patent etc.

There were 143 member countries in 2001, Thailand became the fifty ninth member country on 28 December 1994. Since Thailand has joined WTO until now, the country's commerce were affected by the WTO's rules, particularly the standard of exported agricultural produce. Sanitary and phyto-sanitary is the most serious problem of the agricultural products to be exported. The contaminated toxic chemical and anti-biotic residue in some of the exported products was detected at the excessive amount which the importing countries have always complained. The problems are getting worst due to the increased intensity of competition, imbalance and protectionism in the international trade.

As a WTO member, Thailand must conform to WTO regulation in exporting agricultural products. In the past, agricultural co-operatives have proved to be the institute which have helped farmers to join together in producing good quality of products to meet WTO regulations.

There were many successful cases of Thailand agricultural export where the production had been performed by agricultural Co-operatives. The reasons to explain, how they work, are as follows:

1. The information concerning WTO rules can be more readily accessible to the co-operative members as compared to the individual farmers.
2. Group training and learning process in good agricultural practice to meet WTO regulations can be conducted by the co-operatives.
3. Quality control of exported agricultural products can be implemented at a higher reliable recognition. The failure to conform with the standard can be traced back to the individual producing members.

4. Cost of packaging and transportation can be more cheaper than the individual traders can do.
5. The trading business can be channelled through the co-operative to co-operative between the import-export countries with higher degree of trust than the individual traders.

Exportation of organic banana to Japan

It was a starting point in 1992, when the Taryarng Agricultural Co-operatives, Taryarng District of Petchaburi Province, had initiated to deal with the Japanese Toto Consumer Co-operative in providing the organic bananas to be exported from Thailand to Japan. Banana growers as the member of Taryarng Agricultural Co-operative were trained to grow organic banana without using synthetic chemical fertilizers and pesticides. They used only the organic and natural bio-products to enrich the soil fertility and pest control. A packinghouse was built to serve the purpose. Air cooling control atmosphere containers are used to transport the ready packed bananas from the packinghouse directly to Japan by surface shipments. After few trials of the complete circle of production, processing, packaging, and transportation, the results turned out satisfactorily. Both agricultural and consumer Co-operatives have signed up the contract to deal with the export and import of organic bananas. The exported volume has gradually gone up from 79 ton in 1992 to 413 ton in 1999.

Later, two other agricultural co-operatives learnt the experiences from the Taryarng Agricultural Co-operatives. The members of the nearby co-operatives visited and learnt from the Taryarng Agricultural Co-operatives how to grow and process the organic banana. At present, they manage to produce and export organic banana to the consumer co-operatives and private companies in Japan.

The volume and value of organic bananas exported to Japan

Volume: ton; Value: 1,000 US\$

Year	Taryarng Coop.		Banlard Coop.		Total Value
	Volume	Value	Volume	Value	
1992	79	35.68	-	-	35.68
1993	293	142.27	-	-	142.27
1994	389	184.32	-	-	184.32
1995	358	166.14	-	-	166.14
1996	335	159.10	154	45.45	204.55
1997	297	225.00	289	85.45	310.45
1998	314	236.36	328	97.04	333.40
1999	413	281.82	337	99.32	381.14

Roles of Agricultural Co-operatives in Food Security

His majesty the King of Thailand has proposed the “New Theory” in agriculture since 1990 which put emphasis on the diversified integrated farming. The theory primarily aimed to promote “sufficiency economy” where food security at household level is the first priority. Each farm should divide the land area into four parcels as follows:

30% for farm pond (reservoir and fish culture)

30% for rice growing (staple food)

30% for fruit trees, vegetables, livestock, etc.

10% for house, backyard garden, fence etc.

This is only the guidance for laying out the farm composition, it can be varied according to the existing different environmental condition of each farm.

During the past decade, agricultural co-operatives have taken part to implement the New Theory by promoting their members to convert from previous monocultural farming to the diversified integrated farming. Co-operative members were given a long term soft loan to prepare the 1260 cubic meter farm pond at a cost of 500 US dollar. The agricultural co-operatives also provided technical know how to conduct the diversified integrated farm.

Presently, 137,918 members' families have their own farm ponds with diversified integrated farming. The results of the implementation of the project in 15 years during 1983-1998 were reported as follows:

1. Co-operative member can reduce the cost of investment by 25 US dollars per farm family by producing their own organic composit fertilizers from crops and animal residue to replace the previously purchased chemical fertilizers.
2. Family members have more food with complete nutrition from diversified integrated farming with an average value of 202.50 US\$/family.
3. Co-operative members increase their net income by 300 US\$ per farm family.

3.7 Problems Faced by Agricultural Co-operatives

The agricultural Co-operative is operated as multipurpose co-operative and is responsible for the substantial part of agricultural production and supply services which are essential for all agricultural co-operatives. These services have obvious benefits for co-operative members. It can enhance the ability of individual farmers to face competition from private entrepreneurs. Roles of agricultural co-operatives in capital formation is much more important as well as in marketing business. All these activities are carried out by management staff under the supervision of the Board of Directors.

From the study report on "The needs of all types of co-operatives in getting services" by Technical Division, Co-operative Promotion Department in 2002, shows the data on education background of the chairmen and managers that 57.70 percent of chairmen were educated upto primary school, only 10.26 percent were graduated to bachelor degree, while 47.76 percent of managers were graduated to bachelor degree and only 8.96 percent were educated upto primary school.

1. Board of Directors

The Board of Directors comprised of the persons of the same level of education and they came from a similar background. They would

accept things without challenge and generally lack the spark that ignites creativity. Furthermore, decision process of the Board has to be involved with many regulations and official recommendations which has resulted in delay of decisions. The Board members of agricultural Co-operatives are farmers who have no experiences in business, they often rely on the government officials who have no business experiences either. The other problem is the misunderstanding of the Board about the nature of democratic form of control, so they often retain functions which should be handed to the manager. Division of work and responsibility is not clear-cut, there was always conflict in overlapping of duties between the Board and the manager. Such circumstance had caused the delay of business operation because of waiting for Board's decision in a monthly meeting of the Board.

The age of the Board's members is also significant to the capability in Co-operative's operation. The study of Technical Division, Co-operative Promotion Department shows that 31 percent of the chairmen were in the age groups of 50-59 years and 22 percent had the age of over 60 years. The percentage of old age is relevant to the percentage of low education.

2. Managerial Capacity

The agricultural Co-operative is a small business enterprise operating with the objective to provide services to the members and do not maximize profit. Thus, the return on business is not high. So the Co-operative cannot recruit the professional manager who require high salary. Most of the co-operative managers have no professional experiences, they started their career in the Co-operative as an assistant manager. They will gain experiences on co-operative business after working with small co-operatives for a few years. They can be promoted to be manager. Since the Board of Directors are not so efficient, the manager has to bear the responsibility to serve members' demands with the limited resources in co-operatives as well as to maintain viability of the business. It is quite difficult for the manager to fulfill both duties. With the high responsibilities but low salary, the managers often moved out to other higher paid jobs. They felt unsecured because if there was any loss or failure in the co-operative, the Board may put the blame

on management staff and they may be dismissed. From these reasons, the turnover rate of management staff is quite high which has resulted in slowing down the business operation because the new ones have to be recruited and it takes some time to understand the job.

On the contrary, the manager who has higher education and quite active will play a vital role in the co-operative, with his responsibilities on day to day operations and business management to serve the members. So he will have close relation with members and by getting trust from the Board, he can have influence on the decision of the Board. Hence, there were some managers who exploited and corrupted the co-operatives' business for their own benefits. This corruption had destroyed the members and public confidence in the co-operatives. The situation will be worst in the large co-operatives, the Board's capacity is limited, they cannot control the management of many big business. Therefore, the corruption was often occurred with the large sum of money.

3. Member Participation

The co-operative members have the duties to participate in the affairs of their co-operative enterprise. The members have the duties of financing the co-operative enterprise and of patronizing it. But participation in the operation of co-operatives in the form of patronage depends partly on the services of the co-operatives and partly on the loyalty of the members. If the co-operatives can provide good service in term of price and quality, the members will remain loyal to the co-operatives. But unfortunately, the agricultural co-operatives comprise of small and poor farmers, their contribution as shareholders are small. Hence the co-operatives are unable to build up their operation capital and procuring equipment for their business operation. The lack of fund and equipments to engage actively in business had caused unloyalty among the members. Loyalty of the members is voluntary, there is no policy or regulation to enforce the members to be loyal to the co-operatives. Thus, if the members could get better services from other sources, they will not participate with the co-operative business.

Because the understanding on Co-operative enterprise and educational level of the members are low, together with the poor

performance of the Board of Directors and the management, staff the general member's participation had reduced.

There are many problems concerning the viability of agricultural co-operative, it was organized among the poor farmers who have small plot of land or even no land for cultivation, shortage of fund and facilities. When the farmers request to organize co-operative, they expect to get services and assistance from the co-operative but they are not aware of the co-operative principles of self-help and mutual help. Therefore, the viability of the co-operative at the beginning stage of operation has to depend on assistance from outside. Fund and facilities should be provided at the favorable conditions. Unfortunately, Bank for Agriculture and Agricultural Co-operatives has set strict conditions for lending of loan consequently small co-operatives cannot apply for the loan. Without financial assistance, the small co-operatives cannot be viable because they cannot provide any services to the members. However, the massive government financial aid has the effect of reducing participation. The co-operatives were always used for political aspects, fund and facilities were provided to co-operatives freely until the members get used to with the free money. They would not want to make an effort to build up their own fund, and finally the co-operative enterprise cannot be sustained.

Informal Farmers' Co-operative Movements

Considering about informal farmers Co-operatives, there are quite a number of farmer groups operating along the co-operative principles but have not registered themselves as co-operatives. Within the agricultural co-operative movement, there are some farmer groups set up according to their main commodity produced, and some set up among women and young children as women groups and youth groups. Apart from these groups, there are pre-co-operative groups, mostly organized in a remote area on the hilly topography among the hill tribe people, who cultivated shifting cultivation for decades. The formation of these hill-tribes into groups was encourage by the Royal Project Foundation to grow cash crops, they were trained to work co-operatively and assisted on planting technology.

The problem of deforestation had taken place also in the northeast, where land is quite fertile and full of forest and water sources but the villagers were still poor because they destroyed the forest for cultivating cassava and jute which earned them only small amount of income. Later on, the villagers wanted to free themselves from indebtedness and poverty, they organized the group namely "native plants" by the support of non-governmental organizations and Land Reform for Agriculture office. There are 30 villagers who started planting ruttan and native plants from the mountain. The group provided 100 plastic bags to each member with the condition that they have to return 10 bags of plants.

After the "Native Plants" was organized, the NGOs had supported learning process, study visit and seed money. The learning process among villagers has been organized for exchanging experiences of

farming and solving problems together. At present, this group has created network among 80 villages in 7 districts and 3 provinces. The activities undertaken by this network are seed planting, sustainable agriculture, herb medicinal production, fruit juice processing and saving.

There are another groups concerning community rice mill and alternative markets. These two groups have close relationship, the rice mill group shall emphasize on exchanging experiences in management of community rice mills which have to learn the process of purchasing rice, processing, marketing, and assistance on technology, provision of product and increasing bargaining powers for the community rice mill. The community rice mill group had built up network horizontally. The alternative market group is working on vertical integration from the producers to the consumers. Their operation is in the wide areas, but limit only organic agricultural products. The group emphasized on producing new products and opening new markets. The alternative market network has created coordination and linkage from the global, national down to regional levels in order to bring organic products to the consumers.

The pre-co-operative groups are small and have inadequate fund, they are not ready to operate as co-operatives. But several pre-co-operatives can create a network and meet regularly to discuss problems and find out solutions together. Firstly, they will jointly purchase their farm inputs and secondly, link their business with big co-operatives in the same area. By networking, the pre-co-operative groups can minimize the costs of goods and transportation by cooperating with the big co-operatives to purchase and transport in a big lot. This cooperation seems to work well provided the big co-operative's staff had co-operative spirit. But it often happened that when the co-operative's growth rate is high, the people concerned are more business minded and less inclination on co-operative spirit. The linkage of Co-operative business has not been effective in some area.

Within the agricultural co-operatives, women groups and youth groups are organized with the objective to better understanding on mutual-help and self-help of the members. The members of women

and youth groups will have an opportunity to practice group management without legal responsibility. The other objective is to build up confidence among women and young children to initiate or express their ideas openly, with the expectation that they will be able to run co-operative efficiently in future.

The features of informal farmers groups are as follows :

1. The group is naturally organized by the people who faced difficulties in their occupation.
2. The members of informal group have more eagerness to participate in the group activities, which is due to the failure of working individually.
3. From the past experiences, they destroyed a lot of natural resources which affected to their living and occupation. This experience will be a lesson learned by them to properly and carefully make use of natural resources i.e. soil, water and forests as a source of their livelihood and employment to achieve more equitable and sustainable outcome.
4. The informal groups have no legal entity, there is no rule and regulation imposed on their operation, it is simple and flexible. But their activities may be limited according to the leaders' managerial capability.

However, after some years of operation, the groups have been strengthened and the groups activities have to expand in various fields, such as processing and marketing to solve the problem of production surplus. The management becomes more complicated, the group has to deal with traders and business organizations at all levels. Finally the informal groups have to be transformed into a legal entity groups. Mostly they will be registered as co-operative society. Like the organic vegetable growers' group in Chiangmai after their organic vegetable planting have been successful, their organic vegetable are needed in both domestic and oversea markets. The group was registered as an agricultural co-operative which has been enabled co-operative to expand its business. At present the co-operative produces organic baby corn exporting to European countries through the Green-net Co-operative Ltd.

The operation of informal groups have been responding to the WTO

negotiation and globalization automatically. Because the informal group is composed of poor farmers who destroyed natural resources for cultivation in the past which had troubled them so much. Therefore, after they realized that natural resources will be useful to them if they carefully and properly make use of the resources, informal groups will intentionally carry out the activities which will conserve natural resources. The examples are the Integrated Farming groups in Khonkaen province, Inpaeng Agro-forestry network in Sakonnakorn province, Organic Agriculture groups etc. Capital formation, supply of inputs, processing and marketing are emphasized in several groups. Therefore, the activities of these groups are beneficial to the farmers as well as to the communities.

The significances of network of informal groups are emphasis on the learning process and self-analyzing problems. The people have managed all activities on the basis of linkage and coordination to create social synergy. The Native plants group or Inpaeng network has set up network of three characteristics. They are social network, learning network and business network. Working as a network has increased their ability to work with external agencies, especially, government agencies. They can be more independent, each group can regulate the roles and inspect their work by themselves. The government agencies merely support the groups and their network on development of infrastructure market accessibility and more importantly in the areas of integration of working among government agencies and between government and people sectors.

Support of the government

The government has had the policy to strengthen rural community in order to create social synergy for joint thinking, joint action and joint responsibility in development and problem solving for the better living of the rural people. The government, therefore, provides support to the community organisation as follows:

1. Promoting local educational institutions to serve as the lead agency in creating knowledge, understanding, public awareness and civic responsibility; and playing a key role in developing operational networks, which are compatible with community's potential and needs.

2. Developing products of the community groups that are compatible with local wisdom culture, and design to meet international quality standards.
3. Setting up village revolving fund to support small-scale enterprise of the groups, the initial fund of 22,700 US\$ per village has been given to all villages. Besides, there is Rural Development Fund, provided by the government to support saving groups in the community with the objective to promote joint activities which will benefit the groups and the community as a whole.
4. Setting up technology transferring centre in every tambon and the farmers can get advice in various fields of agricultural and co-operative technology.

National Agricultural Policies

The agricultural development policy being implemented by the Ministry of Agriculture and Co-operatives has followed the policy guidelines of the present government by H.E. Prime Minister Thaksin Shinawatra delivered to the National Assembly on 26 February 2001. The Agricultural policy is drawn into 3 parts as follows:

1. Revival and Strengthening of Farmers

- 1) Reform the debt structure and maturity profile of the agricultural sector to correspond with the crop production cycle. Expedite the resolution of farmers' debt. Implement a debt moratorium and suspension of interest payments for a period of 3 years for small-scale farmers.
- 2) Promote the practice of integrated agriculture, alternative agriculture and organic agriculture as well as support the learning process for farmers.
- 3) Support farmers to have adequate land for earning their livelihood by implementing a coordinated and comprehensive land utilization policy and by optimizing the use of land. The management of water resources at every level must also be improved efficiently in a manner that is suited to the production system of each crop and the conditions of the terrain. Emphasis must be placed on the full participation of the people in the restoration, conservation and development of land that is watershed as well as in river basins, reservoirs, irrigation canals, water quality, and piped irrigation. The use of surface

water and underground water must also be efficient and systematic, especially in projects for development of large water sources.

2. Development of Domestic Markets and Strengthening Rural Communities

- 1) Develop production in the rural sector and strengthen community economies by linking the processing of agricultural produce with the “One Village, One product” Project. A one-million Baht Village and Community Fund has been established in each village to serve as a revolving loan facility of the long-term local investments and income creation in rural areas at community levels.
- 2) Develop the marketing system for modern agricultural produce. Provide support for the construction of barns and crop drying grounds for farmer groups in rural areas. Promote the establishment of information technology network for agriculture news and improve access to marketing information concerning agricultural goods so that farmers may undertake production planning in an efficient manner.
- 3) Promote and strengthen co-operatives, community businesses, agricultural institutions, and community organizations, enabling them to participate in making and proposing agricultural policy and measures as well as in agricultural research and development.
- 4) Increase production efficiency by promotion of research and learning from Thai local knowledge technological know-how.

3. Increasing the Competitiveness of the Agricultural Sector in the World Market

- 1) Support the creation of new value added through agricultural produce processing. Develop quality standards, forms, and packaging of agricultural and agro-industrial goods.
- 2) Develop Thailand as a centre for the production of

organic agricultural products. Promote the registration of patents involving agricultural production in every area as preparation for future liberalization in trade of agricultural products.

- 3) Improve quality controls, standards and safety of agricultural products, both imports and exports. Support the development of biotechnology to improve productivity, quality and standard that are internationally recognized and market tested.
- 4) Promote coastal fishing, aquaculture and marine farming as well as fishing beyond territorial waters based on bilateral cooperation with neighbouring countries, developing a strong national fishing fleet. Supporting the cold storage industry, and promoting the processing of fishery goods. Conservation and protection of natural marine resources and the ecology of the sea are also the important policy.

National Agricultural Policy Changes visualized in the perspective of agricultural development in the context of WTO

Agricultural sector is the major base of production of Thailand and it is also the important source for foreign currency earning. This is because Thailand is ranking no.13 of the world agricultural product exporter; but its volume of export accounted only 2.4 percent (WTO International Trade Statistics 2001) while USA had the share of 12.7 percent of the world export. Second from the USA is the EU countries' group.

Before setting up World Trade Organization, Thailand had encountered the problems of unfair trade such as restriction from importing countries by quota system from EU countries, prohibition for import of rice by Japan, and dumping at a export price lower than production cost by many developed countries.

After the WTO was established, Thailand has the commitments to reduce tariff on agricultural products at average 24 percent within 10 years (within 2004). Present average tariff of Thailand is 49 percent. Apart from this, Thailand has to change the non-tariff measures to tariff measures for 23 agricultural products.

From the commitments, Thailand had reduced the tariff only on 564 agricultural products out of total of 740 items, this is because present tariff collected from 176 items are already lower than the commitments. The market access commitment for 23 items has no impact on the farmers because Thailand can produce sufficiently in 12 products and imported 1 product from non-member country of WTO, the import of nine products is lower than quota. There are only 3 products which were imported exceeding quota.

Production subsidies in the country is still carried out under WTO regulations and the support for research and environment conservation which will not distort agricultural markets were increased around 7 percent. While the support on production inputs and investment has been declined.

In general, Thailand almost has no negative impacts or if any, it is not so significant to mention so far, but there are some benefits on exports. For example, export of rice to Japan was increased 1.5 times in 2001; export of frozen chicken meat to EU market was increased 6 times and to Republic of Korea it was increased 225 times in 2001. The export volume of tapioca flour to Japan and Taiwan was increased 26 percent in 2001.

However, the WTO agreement do not concern only agreement on agricultural trade but there are non-trade concerns. The agriculture agreement provides significant scope for government to pursue important "non-trade" concerns such as food security, the environment, structural adjustment, rural development, poverty alleviation and so on. The non-trade concerns will affect the agricultural export of Thailand in various aspects. After WTO agreements have been enforced since 1995, the government and traders are more convinced that the issues of environment, sanitary and phyto sanitary, which are related to agricultural production are becoming more important to be cared about. There were many evidences to prove that Thailand's agricultural export products were detected with an excessive amount of toxic residue of agro-chemicals. The residues were found to be above the tolerance limit imposed by the importing countries. The unqualified products were confiscated and destroyed at the entry point by the quarantine authority of the importing countries.

The quarantine pests and diseases are also the problems of Thailand's exported agricultural products. The importing countries have their own sovereignty to put the restriction in prevention of any toxic pests and diseases to enter their territories. There were incidents that Thailand's exported agricultural products were found to carry some pests and diseases which are toxic to the importing countries. These products were confiscated, retreated, sent back, or destroyed by the import authority.

As a whole, Thailand's exported agricultural products have been facing more difficulty since the WTO rules were enforced. This is because, Thailand's agriculture has been dominated by the so called "Green Revolution" main concepts of which are the monocultural practice and the use of synthetic agro-chemicals to increase the yield. It is inevitable that the outcome of the green revolution will cause many sanitary and phyto-sanitary problems in respect of country's exported products.

The government is, at present, convinced of the exporting problems and is trying to overcome them by improving the national policies in agricultural production. Sustainable agriculture of diversified integrated farming, agro-forestry and organic farming are the strategic means to overcome the problem of excessive use of synthetic chemical fertilizers and pesticides. The government is promoting the country to be the centre for organic agricultural production. These are the distinctive policies which have been changed from previous green revolution in order to serve the quality oriented production to comply with the WTO regulations.

Since most of the people in agricultural sector have been accustomed to the use of chemical in agriculture for a long time, they are now reluctant in responding to the changing policies, particularly to the organic means of agricultural production where the synthetic chemical input are completely forbidden. It may take sometime to convince the agricultural personnel and farmers to accept and respond to the national policies.

However, in spite of the governmental role still not being fully functional, the agricultural co-operatives and informal farmers' group have been going ahead in response to the organic agricultural production. The co-operatives' members and individual farmers obtained the technical know-how from the non-governmental

organizations and relied on the utilization of the local wisdom which were gained by experiences in trial and error learning process. They also exchange successful experiences among themselves by meeting, and visiting. The results turned out that the unit cost was reduced by 30-40 percent whereas the yield is still comparable to the previous uses of synthetic chemical inputs.

1. Organic Rice Production for Export

Organic Rice Co-operatives in Surin and Yasotorn, in the Northeastern part of the country, have explored the organic rice growing for the last ten years. In the first year, they reduced the amount of chemical fertilizers to 50 percent by growing legume green manure crops to enrich the soil fertility before rice growing season. Rice yield was, 2.5 ton per hectare, equal to the yield of the previous use of 100 percent chemical fertilizer where as the cost was reduced by 20 percent. The amount of chemical fertilizers were then reduced at 75 and 100 percent in second and third year of growing seasons respectively. The low cost product of green manure and compost were used to replace the chemical fertilizers. The rice yield were, maintained at 2.5 ton, equal to the previous chemical fertilizer treatments, where as the production cost were reduced by 30 and 40 percent in second and third year of rice growing season respectively.

The Organic Rice Co-operative set the price guarantee for 50, 75, and 100 per cent reduction of chemical fertilizers used for rice production at 181.8, 204.5 and 227.8 US dollar per ton of rice paddy as compared to 136.4 US dollar per ton of normal price of rice in the market which are equivalent to 25, 35 and 40 percent increase in price respectively.

The purchased paddy rice were processed to be unpolished brown rice by the rice mill owned by the Co-operative. The processed products were then packed in the atmospheric controlled vacuum bags which have the co-operative registered trade mark on the bag's surface. It was evidently proved that the co-operative's organic rice were better quality in the milling, cooking, and fragrance. The product are mostly exported to Europe by the direct contact between the Organic Rice Co-operatives and import firms of the importing countries.

2. Export of Longan

Longan is one of most delicious fruits of Thailand. Although the fruit tree can be grown in every part of the country, but it grows well in the northern part of the country. The fruits are exported to the neighbouring countries, such as China, Singapore, Malaysia, Taiwan etc. To prolong the shelf life, sulfur dioxide gas is used to fumigate the fruits before being packed up for shipment. The sulfur dioxide does not disappear after fumigation, it still remained as residue on the peel of the Longan fruits. Another means of prolonging the shelf life is the desiccation of the fruit. During the past decade, the importing countries have complained the toxic residue of sulfur dioxide which caused irritation to lips and mouth of eaters.

There are many agricultural co-operatives in Chiangmai and Lumpoon province who are collecting the fresh fruit from the members for export. The co-operatives have their own packing house where the processing, and packaging can be properly controlled. The problem of sulfur dioxide residue can be overcome by optimizing the use of the chemical at a proper dosage rate of fumigation. The remaining fruits, that are left over after being freshly exported, are desiccated by the co-operative's controlled temperature hot oven. The desiccated fruits can be kept for a much longer time than the sulfur dioxide fumigated fruits. Agricultural co-operatives have contracted with the co-operatives, and private traders in the importing countries for exporting the Longan with a good result, such as Sarapee Agricultural co-operative, Sarapee district of Chiangmai province. In 2000, the co-operative exported 1,650 tons of desiccated Longan at the value of 2 million US\$.

Place of agricultural co-operatives and informal farmer co-operatives movements in national agricultural policy

The Ninth National Economic and Social Development Plan has set one objective to alleviate rural and urban poverty through process of popular participation of all social sectors. The guidelines for implementation of this objective is to upgrade the potential and capability of the poor so that they can improve their living status and be more self reliant, through the application of the co-operative concept.

The poor should be encouraged to establish strong community organizations and networks in support of joint learning, problem analysis, decision making, and problem alleviation. In addition, employment and income stability should be enhanced, by promoting integrated community economic development in term of both farm and non-farm production, processing, marketing and financing. Local people should be encouraged to set up occupational groups, based on local knowledge and appropriate technology, in order to develop unique, quality products saleable both at home and abroad.

The present government has laid down the policy on agriculture as mentioned in detail earlier. The policy has been conformed to the Ninth National plan, and the Ministry of Agricultural and Co-operative has followed the policy guidelines of the government to promote and strengthen Co-operatives, communities businesses, agricultural institutions, and community organizations, enabling them to participate in making and proposing agricultural policy and measures as well as in agricultural research and development.

Alleviation of Debt Burden

An important element of the policy concerning directly with agricultural co-operatives member is to immediately grant a grace period for both interest and principle payments for 3 years for individual small farmers to relieve their debt burden as part of a comprehensive reform of the traditional farm economy to be more viable and self-sustaining in the long term.

At the beginning stage of implementation of this urgent policy, it covered only farmers who are The BAAC clients. Hence, the agricultural co-operatives' members were also required to be covered in the implementation of this urgent policy too.

The cabinet approved the proposal of agricultural co-operatives on November 2001. The proposal of agricultural co-operatives was not the grant of 3 year grace period, but they wanted to get alleviation of debt by reducing 3% of interest rate for 3 years, specific only to the members who borrowed from the co-operatives not more than 2,273 US\$.

The agricultural co-operatives investigated the qualification of the member and announced the list of qualified farmer members. There

were 740,835 member of agricultural co-operatives and 1303 members of farmer groups applied to join the project. The implementation was started since October 2001 until September 2004.

After implementing the alleviation of debt burden, there is related policy for revival of farming occupation. During these 3 years, the co-operative members will be advised on agricultural occupation and assisted on technology to improve farm productivity and earn more income for repaying debt after three years have passed.

The agricultural co-operatives shall have a vital role to support their members in increasing production by way of joint learning, joint buying and selling including joint utilization of facilities and equipments. Hence, the co-operative members under this project shall be more advantageous than non-member farmers who work individually.

Support farmers to have adequate land for earning their livelihood

That is the government's policy to provide land to the landless or inadequate land farmers. One of the organisations to implement this policy is co-operatives. The land settlement co-operatives have undertaken land allocation, land development and land utilization. The land settlement co-operatives have developed and allocated the land to the landless farmers in the form of land settlement, land hire-purchase and land tenant. The total land area which were managed by co-operatives is 596,300 hectares which account to 3% of farming land and the farmer members who have received the land are 251,498 which accounts to 7% of the farmers.

The management of water resources

At every level the management of water resources must be improved to suit the production system of each crop with the emphasis on people participation.

The above mentioned policy has been implemented by the water users co-operatives, these co-operatives were organized and registered as agricultural co-operatives since 1969. At present, there are 615 water users' co-operative with 123,157 members.

The water users' co-operatives were organized with the objectives

- To provide water sources for farming production.
- To set up water management system in order to maximize utilization of water and to minimize the waste of water resource.
- To carry out operation and maintenance of irrigation systems.
- To provide services on supply of production input, marketing, credit and other agricultural services.

The water users' co-operative have been operating in three areas:

1. Irrigated Agricultural and land consolidation areas: the farmers who cultivate in 1.25 million hectares of this irrigation areas, get into the water users' co-operatives to manage water utilization and maintain irrigation system by them selves. In the large irrigation system, the water will flow from main canals to lateral and to farm ditches, the co-operatives will take care of irrigation system at the farm level. The co-operatives shall appoint the farmer member of each ditch to arrange time table of water utilization and the co-operative shall coordinate with the zone man who is in charge of irrigation water in each zone, to distribute water according to the time tables arranged by the co-operatives. The members of water users' co-operatives will not be charged for water fee but they have to pay for the cost of operation and maintenance. The co-operatives have to hire a member or other people to arrange the time table and take care of water distribution in each ditch, and also to pay for cost of cleaning ditches. If any member is not able to pay, he can use his labour to work on operation and maintenance.

The water users' co-operatives in this area are not organized according to administrative areas i.e. village or district, but it will be organized according to irrigation area. There are 112 co-operatives covering irrigation areas of about 300,000 hectares, which is about 25% of total irrigation area.

2. Pumping irrigation area is another source of water which can be used for agricultural production. It is a small irrigation system by pumping water from natural water sources such as

river or reservoirs. The water catchment of each project is around 480 hectares which can be distributed to the members. The government supported construction of small scale irrigation system and 40% of electricity cost for pumping water, the farmers will be responsible for the other 60% which will be collected by the co-operatives. There is another pumping irrigation system in which the farmers fully collected 100% of electricity cost for pumping water. This is because the projects were implemented by different departments. The latter project was implemented by the Co-operative Promotion Department while the first mentioned project was implemented by Department of Energy Promotion who had regulated responsibility of farmers prior to Co-operative set up. The different treatments to Co-operatives had caused difficulty in assisting the co-operatives to be self-reliant. However, the water users' co-operatives have played a vital role in operation and maintenance of irrigation system which can alleviate the government burden. There are 503 water users' co-operatives of this kind operating and maintaining irrigation system covering 250,000 hectares of agricultural production area.

The total number of water users' co-operatives in 1 and 2 are 615 with the membership of 123,157 members operating in the total irrigation area of 550,000 hectares. It shows that water user' co-operatives had played a vital role in 11.2% of land under irrigation system.

Co-operative Legislation and the other Legislations that have affected growth and development of Agricultural Co-operatives

The Co-operative Act B.E. 2542 was enacted in 1999, the last Co-operative Act B.E. 2511 was enforced for 31 years since 1968. In Thailand there is only one Co-operative Act which will be enforced for all types of co-operatives. Because of not having specific act for each type of co-operatives, provision of the Act is rather general and some sections should be specifically enforced to only some type of co-operatives. After two years of enforcement of the present co-operatives Act, some difficulties have come to notice. However, there are many sections which can facilitate the growth and development of agricultural co-operatives.

First of all, the Act has provided for constitution of the Board of National Co-operative Development. The Board consists of Minister of Agriculture and Co-operative as its chairman, fourteen government officials, five qualified persons, six chairmen of national Co-operative Federations of each type and chairman of central committee of farmer groups and one delegate from Co-operative League of Thailand, all together twenty eight persons. But the majority are the government officials, delegates from co-operatives and farmer groups can take part in formulating policies for Co-operative development. Any problems, obstacles and restraint which impede the implementation of policies and plans can be discussed in the Board.

Co-operative Development Fund has been set up according to the Act for the purpose of promoting the co-operative affairs. This

fund will provide soft loan to the co-operatives. It can be another sources of fund for co-operatives although the amount of fund is not large.

The co-operative can expand the scope of business by enrolling associate members who are not eligible to be an ordinary members, such as students, temple, foundations, etc.. These people and legal entity bodies can join co-operative as associate members who can do business with the co-operatives but they have no right to vote or to be elected as directors of the board.

In order to avoid any mistakes or mal-practices occurred in the co-operatives, the Act has provided the co-operative to have supervisory body of not more than five persons or one legal entity body selected from the general meeting to supervise the co-operative affair and to report the findings to the general meeting. Supervisors will help the Board of Directors to operate more carefully which will be useful to the Co-operatives. On the financial aspect, the co-operative is required by the Act to maintain its liquidity in accordance with the criteria and methods as prescribed in the ministerial regulations. This is to safeguard the benefit of the members. The Act also protects the co-operative from the exploitation of the corrupted persons. Therefore, the Act prescribes the characteristics of the persons who shall not be qualified to be on the board of directors or a manager.

The members or representatives of co-operatives can appeal to the Board of National Co-operative Development in the cases where they do not agree with the judgement of Registrar, the board of directors or the other persons concerned. The provision of the Act in this section will help those persons to get a second judgement.

The above mentioned points have positive affect in the growth of co-operatives, although some points seem to limit the freedom in making decision of the members but it is rather risky if there are not such provisions in the case of agricultural co-operatives. However, there are several weak points in this Act which should be considered for amendments.

In the case where the board of directors acts or abstains from acting to perform its duties to the extent that it is detrimental to the interest

of the co-operative or its members, or a Co-operative has had any defect on finance, accounting, the Registrar shall have the power to issue a written order with which the co-operative must comply. The Registrar can order the board to rectify the defects, to suspend certain acts which cause the defects, to stop functioning temporarily in order to fulfil the rectification and finally the board's members who are involved in such defects shall be dismissed. The power of the Registrar may be critically criticized, but in the case of Thailand the members or the directors do not have 100 percent co-operative spirit, many of them think only to get benefit for themselves. They do not have the sense of belonging, therefore they may exploit co-operatives for their benefit.

The other criticized point in the Act is the term of office of the board of directors. Members of the board of directors can be in the position for two consecutive terms of office and cannot be re-elected for the third term. Many members and co-operatives have complained on this section, they comment that it is quite difficult to find good persons to work for co-operatives. The complain on this issue came from all types of co-operatives because most of the directors had been in the position for a long period especially in agricultural co-operatives. There are both good and bad points, some are powerful, exploiting co-operatives, dominated the other boards members opinions. But in agricultural co-operative operation areas, it is really the case that it is too difficult to find the ones who are honest, devoted and co-operative minded. If the existing chairman and directors are such persons, the members would want to keep them for a long period. It is the culture of Thai people especially in the rural area, where the success of the co-operative partly comes from the respect and confidence in their leaders. This may be the reason for the Board of National Co-operative Development to plan for building up leadership.

The sections on co-operative federation and co-operative League of Thailand, there are some issues which should be amended. The number of co-operatives for setting up the federation was fixed only five co-operatives. At present, the number of co-operatives of all types have increased considerably, the federation should have more members participating and supporting the federation activities.

Therefore, the number of co-operatives to form the federation should be at least ten Co-operatives for provincial federation, and at least twenty Co-operatives for national federation. The second point is term of office of board of directors of the co-operative League of Thailand, the Act regulated the term of office for four years. In the rapid change of social and economic conditions, the executives of all organizations should be able to adapt their administration in response to the change. If the term of office is too long, it may cause the stagnation of organization's growth in case that executives are not suitable to the jobs.

The Co-operative Act B.E. 2542 has been enforced only for two years but there are some points which should be amended in order to facilitate the enforcement, the government by Ministry of Agriculture and Co-operatives, has proposed the amendments of the Act to the parliament for 9 sections. The major points are:

1. Increasing number of co-operative representatives from six to ten persons.
2. Changing the official who will be Co-operative registrar from Permanent Secretary of Ministry of Agriculture and Co-operatives to Director General of Co-operative Promotion Department.
3. Expanding the scope of co-operative objectives.
4. Providing opportunity for the persons who are unqualified to be on the board of directors can be elected on the board of directors after ten years since the date of order.
5. Providing authority to general meeting of the Co-operative League of Thailand to remove the members of the Board.
6. Authorizing the Minister of Agriculture and Co-operatives to call the extra-ordinary meeting of the Co-operative League on request of the members.
7. Authorizing the Board of National Co-operative Development to solve the operation problems of the Co-operative League of Thailand on request of the chairman or one third of the board members or not less than 100 members.
8. Giving the first priority to the co-operative to have the right for debt repayment compulsion from share capital prior to other creditors.

9. Authorizing the Board of National Co-operative Development to specify subscription rate to Co-operative League of Thailand but not exceeding 5% of the net profit.

Conclusion and Recommendations

Conclusion

Thailand is an agricultural country, 56 percent of total population are engaged in agricultural sector. The contribution of agricultural production of the Gross Domestic Product has been gradually declined to 11 percent in the year 2000. The farmers who are the majority of population are poor because the prices of agricultural products are low. Over utilization of natural resources for agricultural occupation for the long period had damaged soil, water, forest and polluted the environment. Rural people migrated to find jobs in the city with the hope that they will get higher income. Gaps between rural and urban areas have continued to widen, particularly in terms of distribution of income. However, rural area will remain to be the base for agricultural production and the place to absorb unemployed labour from the urban. If the rural people applied their own wisdom integrated with the agricultural production potential, it can be the social capital of the community.

The situation of globalization in the present economy has created both opportunity and threat to the development of the country. Especially, changing of world economic system is more complicated and more related to leading to adjustment of trading regulations and international investment. Progress of development in new economic system will be based on technology and knowledge. Therefore, development to new economic system will be based on technology and knowledge. The development plan should be emphasized on system, mechanism and human development. However, the developing country like Thailand, where the efficiency in competition is low, human potential, technology and

scientific capability, management efficiency and quality of infrastructure are not good enough, may not be able to take advantage of globalization.

In comparison with the other agricultural producing countries, Thailand's agricultural productivity is still lower, production cost is higher as a result of use of too much chemical production inputs, and the farmer institutes are not yet capable to take part vigorously in development of agricultural production. Therefore, the national economic and social development plan had shifted from an economic growth orientation to people centred development.

The agricultural co-operatives movement is operated on a three tier system, primary at village, tambon and district level; Secondary at the provincial level and tertiary at national level. But in fact, business operation is almost not related except in some commodities such as rice, milk and oil palm. The business linkage of rice has been done only between primary co-operatives which have no rice mill and the provincial co-operative federations which are having their own rice mills. Milk and Rubber often have the price problem every year and their national federations have the role in negotiation with the government. Apart from these, the agricultural Co-operatives of three levels do their business separately. The primary co-operatives seem to be more active than the federations, they are well equipped with marketing and processing facilities. The National Agricultural Co-operative Federation namely Agricultural Co-operative Federation of Thailand had enrolled primary agricultural co-operative as well as provincial federations as its member.

Considering operational efficiency of primary co-operatives and their federations in term of volume of business and operational results in the year 2001, the primary co-operatives could get profit from their operation but the federations operated with the high cost so their business was in loss. Because of inefficiency of business performance of the federations they cannot take a lead in co-operative movement. The incapability in business management is the main problem which has resulted to the problem of lack of participation of the members. Whenever the co-operative cannot serve the members' needs, they look for some other alternatives.

The informal farmers co-operatives, normally have formed small group comprising of people of various careers in the same community. The group is not large but many groups with similar objective link together as network for transferring knowledge, exchanging experiences and co-operation among the network. The informal groups have played a vital role on conservation of natural resources and environment, some groups are capable in saving. These informal groups are usually assisted by the non-governmental organization. When they turned to do the business on marketing and processing, many groups had registered as co-operatives and these co-operatives can do the business quite well because the members are aware of their responsibilities, most of all they have discipline in dealing with co-operatives.

The main objective of the co-operative is to serve the members' need and whether this objective can be achieved or not, it depends on efficiency in management. Co-operative is a business organization, managed on democratic principles which is controlled by the decision of general meeting of members. The mechanism of administration falls on the board of directors and management staff. co-operative carry out their business with the long operation process under the decision of the members who do not realize their responsibilities.

Viability of a co-operative will depend on its services provided to members, and the members who are the owner of the Co-operatives must be responsible for their organization. However, there are evidence that whenever co-operatives are meeting the real needs of their members they grow and prosper, but when they lose sight of their real purpose then they are bound to decline. At present day the co-operatives are required not only to respond to the members' needs but also to be more concerned for the environment and conservation of the natural resources.

The WTO trade liberalization is one of the most important issue of the globalization. Past experience have shown that the less developed and developing countries were not ready to be able to comply with the WTO regulations. Agricultural products standard is a problem for Thailand as an agro-products exporting country. There have been an increase in degree of import control strictness

of the importing countries. Trade liberalization has also created the serious problems to the less economic capable countries. Most of the local small private business in Thailand are legally forced to close themselves down due to the inability to compete with the foreign strong multi-national firms.

The agricultural co-operatives are hopefully to be the organizations to play a vital roles in responding and lessening to the problems of globalization. This is because, the co-operatives can act as the supporter, coordinator and trainer for their members in getting to know what are going on in the domestic and international business. There were many successful cases in Thailand which have evidently proved the above mentioned statement. Organic commodities such as rice, banana, longan, have been produced and exported, in conformity with the WTO regulations by the agricultural Co-operatives.

Recommendations

Agricultural co-operatives as a farmer's organization has been recognized by every Thai government. Development of co-operatives had been written down in the national plans and even mentioned in the constitution that the state must protect the Co-operative system. But why the co-operative in general and agricultural co-operative in specific are not prosperous and vigorous to be an efficient body to protect farmers from the exploiters?

The co-operative form of organization can provide the kind of framework with the potential to provide great benefits to those who participate and are affected by its operations, but this again is dependent upon the qualities and motives of the people involved. I very much agree with the comments that "Co-operative cannot remedy all troubles and are not the most appropriate form of organization for every situation, but in the right place at the right time are often the best available option." The recommendations for development of agricultural co-operatives should be emphasized on the following aspects:

1. Organization

Among the six types of Co-operatives in Thailand, agricultural co-operatives have aroused very much interest by the administrators

and politicians, to use them as a means to implement government policies or to assist the poor farmers. But the co-operative organized for this purpose is not the real co-operative and will not be successful.

Organization should be initiated by request of the farmers themselves and it is not necessarily to set up Co-operative everywhere or in every situations. The people who want to form a co-operative should be asked how high the responsibility they will give to the co-operative. It is inevitable that co-operative organization have to involve with government official. They use the speedy co-operative organizations just to complete their work. In some circumstances they have to do so because it is the policy regulated by the high ranking officers. If this atmosphere still exists, the agricultural co-operative will be in the poor situation and they will not be successful. Before forming a co-operative with legal entity, the would-be members should work together as an informal farmers groups, or pre-co-operative in order to test members responsibility, cooperation strength and to find a strong and committed leadership.

2. Organizational structure

Having mentioned about the knowledge and experience of the board of directors, it may be too difficult to call the board members for training in every matters, it takes time and may not be effective because their education level and old ages will be the obstacle for absorbing more knowledge. They should only be informed and made to understand clearly about their responsibilities. Hence, the organization structure of agricultural co-operative should be suitably adapted. In Thailand there is a strange feature of government extension and promotion, it is well known that there are many agricultural institutes promoted by several government agencies, and those agricultural institutes often compete with each other instead of cooperating among themselves. The agricultural co-operative are under the promotion of Co-operative Promotion Department. The Co-operatives will not get a technical assistance from the Agricultural Technique Department because they consider that the Co-operative Promotion Department should be responsible

for everything. They will come to the co-operatives only on request. Therefore, the agricultural co-operatives should adjust their structure by increasing technical team and supporting team as advisory to the board of directors. The advisory team should not be elected from the general meeting but should be selected from professional and experienced persons in the community by the suggestion of general meeting. The advisory team will enable the board to make a better decision in response to the changes.

3. Leadership

All forms of organization depend on the quality of leadership for their success. Every co-operative needs skilled and dedicated leader who should be drawn primarily from the members, providing a vision of where the co-operative is going and how it is to get there, inspiring, guiding and listening, both the members and the management so as to lead the co-operative towards the achievement of its purpose.

The task of communicating with membership is vital to the success of co-operative enterprise. Communication must be a two-way process which involve co-operative leaders both listening to members and vice versa. Such communication will certainly include informal contact as well as the formal meetings. In a large co-operative, good system of communication should be set up to ensure good understanding of both members and the management to the organizational policies.

However, the leadership are not just born to be, the leaders at all levels must develop their own knowledge, skills and technique to do their jobs. The leaders within the co-operative have an additional task to foster co-operative behaviour throughout the organization because without it the enterprise will never succeed as a co-operative. The members always expect good leaders to stay in the place indefinitely, that is impossible and therefore we need to create potential leaders at all levels. Positive action is required to prepare leaders including directors and professional manager. Training needs to be provided to existing and potential leaders and directors so as to build their knowledge and competence.

4. Efficiency of Management

The Co-operative movement in Thailand has existed for more than 80 years, organizational structure and working system of the Co-operatives, however have not changed along the changing circumstances and environment. But the co-operative has to operate its business in competition with private entrepreneur having high technology, better reward to staff and making faster decisions. Agricultural co-operative has to adapt the structure and lay down operational plan and working system to respond to the outside circumstances which affect its operation.

First of all, every co-operative should assess and analyze situation within the society and the environment outside the society. The assessment will be useful for the future development. However, the improvement in the co-operative administration should be focused on fundamental factors which should not be neglected.

A lack of focus in agricultural co-operative, is the purpose of the society which should be clarified to all the people concerned, board of directors, manager and staff and the members. Most co-operatives just listed their objectives of operation in the by laws but no one set the main purpose of the organization and try to achieve that purpose. It is observed that if a co-operative is not being purposefully led in a clear direction, which is properly understood by the people involved, it will not survive. Besides, in all hierarchy of administration, objectives for each unit of operation should be set and made it clear for achieving. Individual person involved such as manager, section chief and staff should also set individual objectives. If objectives have been set and clearly understood by persons involved, it will facilitate the effective assessment of the direction of co-operative operation. The board of directors can find weak and strong points of the staff operations, the assessment can help in giving remuneration to the staff.

What I have mentioned is to recommend the Board of Directors of Co-operative to manage by objective. It may be difficult for the board members to understand management system but it is important for the viability of the co-operatives. The board members and the management staff must be trained to realize the significance of management by objectives.

We have been aware that, co-operative concept alone cannot ensure the success. The co-operative should have the essential capacities to survive and prosper. These include the appropriate technical capacity, managerial capability and financial capacity.

As a small co-operative, technical capacity will have to rely on the government assistance as mentioned in the structure of co-operative. For managerial capacity, it is also difficult for the agricultural co-operative to get a professional manager and staff. However, managerial capability can be built up by education and training only. The board of directors should understand the situation and create a good atmosphere of working together.

At the beginning of operation, the co-operative is still small in terms of number of members as well as size of business. The management is not so complicated, if the leader and the management work for setting the system as mentioned earlier, that is management by objectives, the management will be successful. But when the size of co-operative is larger, business is more complicated, the prime objective to provide benefit to its members may be diluted and the management might pay attention only on the business. This situation often happened in the large co-operatives which has resulted in loose relationship with members. The size of agricultural co-operative in Thailand should not be large and what should be the optimum size, depends on the nature of activities carried by the co-operative and also depend on the managerial capacity of the management staff.

How can the co-operative capitalize the gains of globalization?

Situation of globalization may be in favour to the practice of agricultural co-operatives. There are more competition in the domestic and international market, many regulations have been enforced and private entrepreneurs were in a difficult situation. They can no longer compete with the foreign multi-national firms unless they cooperate with the producing organizations. The agricultural co-operatives are the producing units which have been assisted by the government on technical aspects. In addition, the potentiality of the country's organic agricultural production in response to the WTO's sanitary and phyto-sanitary standards have been emphasized and put more in practice. The organic agricultural

practice can minimize the cost of production with premium selling price of produce as well as develop more self-reliance.

To achieve the gains of globalization, the co-operatives should:

1. Educate and give information concerning globalization, its pros and cons to their members, so that the members can adjust themselves according to the globalization situation.
2. The co-operative should review and improve their production plan responding to the consumers' demand.
3. The co-operative should coordinate with either government agencies concerned or private entrepreneurs to fulfil the need of market both domestic and international.
4. International Co-operative Alliance should be the centre for dissemination of information and providing training to the co-operatives in the members' countries and should have the voice to create understanding and promote the role of co-operatives in the global arena such as the World Summit for Environmental Change, WTO, etc. Furthermore, the ICA should play a vigorous role on strengthening Co-operative Trade network among the co-operatives in member countries.

The farmer members should have more discipline and follow the co-operative guidelines especially on good agricultural practice. Then only the co-operative will be able to achieve the target of international trading development, and have significant role in producing and selling quality products, the co-operative will gain more confidence among members and all agencies concerned and in turn the members will earn more income from their production and active participation in the co-operative activities. Without mutual cooperation among farmer members, the co-operative will not be able to face strong competition in the world market.

Action Plan for Strengthening Agricultural Co-operatives in Thailand

Agricultural Co-operatives in Thailand have been organized in different time, place, environment and different group of people. Therefore, the growth of agricultural Co-operatives are not in the same pace, some are weak, some are strong and some were dissolved. For these reasons, the agricultural Co-operatives cannot be simply promoted and developed in the same pattern, same methodology or same conditions. One of the greatest problems associated with the use of Co-operatives in the development process is that many of the people involved in development fail to properly understand the nature of Co-operatives. In general, too much emphasis has been placed on the organizational model and too little on co-operative objectives. Schemes for development of Co-operatives have simply focused as a channel through which the state can deliver service. To be successful, however, the objectives of the Co-operative can only set out in term of benefits to members.

I would also give more emphasis to the development of human resources in agricultural Co-operatives, the board of directors and the management staff. If these persons do not clearly understand the goal and objective of the Co-operative, it will not be successful and survive. Therefore, the action plan for strengthening agricultural Co-operatives in Thailand will be on co-operative classification and human resource development.

1. Development of Agricultural Co-operatives according to Co-operative classification

	Narrative Summary	Objective Verifiable Indicator		Means of Verification	Important Assumption
		OVI	MOV		
Goal	To have a model Co-operatives of each class in each province	There are 228 model Co-operatives in 76 provinces.	Project appraisals	Agricultural Co-operatives are willing to cooperate	
Purpose	Promotion and development in accordance with Co-operatives capabilities	There are three classes of agriculture Co-operatives.	Report	Co-operative Officials will follow guideline.	
Output	<ol style="list-style-type: none"> Specific strategies of Co-operative development Fair resource distribution system Better guidelines for Co-operative promotion 	<ul style="list-style-type: none"> Small or weak Co-operatives will get more attention and more resources working systems will be clearer. 	Report	<ul style="list-style-type: none"> There is sufficient resources. Co-operative should have some active personnel. 	
Inputs Activities	<ol style="list-style-type: none"> Set up criteria for classifying Co-operatives. To study and select strategies for development To formulate guidelines for Co-operative promotion To publicize and cooperate with Co-operatives 	Time of starting and ending of each activity	Action plan	<ul style="list-style-type: none"> Policy makers formulate systems of implementation and follow up. Co-operative take part in these activities. 	

2. Human Resource Development (Board of Director)

Narrative Summary		Objective Verifiable Indicator	Means of Verification	Important Assumption
NS		OVI	MOV	IA
Goal	Co-operative Operation is more effective	Services provided to member is increased 10% within 2 years.	Project appraisals	More than half of the board should be in the position for 4 years.
Purpose	Capability of Co-operative leaders and board of directors are increased.	Board of directors are honest and have high integrity.	Observation	The board's knowledge and experience are increased.
Output	<ol style="list-style-type: none"> 1. Clean objectives and policies. 2. Effective decision making 3. Clear responsibility. 4. Better internal control systems. 5. Good relationship among the board, the management and members 	<ul style="list-style-type: none"> - Working efficiency is increased, no management conflict. - Turnover rate of staff decline. 	Interview members and staff	The board of directors should be willing to adapt and improve themselves.
Inputs Activities	<ol style="list-style-type: none"> 1. Formulate objectives and operation plan. 2. Training directors in management and finance. 	Time of starting and ending of each activity.	Action plan	There should be appropriate training system and capable resource persons. (Cont'd...)

2. Human Resource Development (Board of Director)

Narrative Summary	Objective Verifiable Indicator	Means of Verification	Important Assumption
NS	OVI	MOV	IA
3. To publish directors' manual 4. To build up motivation and remuneration system. 5. To conduct training course on monitoring and evaluation. 6. To create effective communication and public relation system.		Member and public opinions	

3. Human resource development (The management staff)

	Narrative Summary	Objective Verifiable Indicator	Means of Verification	Important Assumption
Goal	Increase of management efficiency in agricultural Co-operatives.	Cooperative revenue is increased 15% per year for 3 years	Yearly appraisal	Government policy to strengthen agricultural Co-operatives.
Purpose	Co-operative business is increased.	Supply business increase by 10% credit business increase by 5% each year	Report of business operation	Co-operative has its own staff.
Output	<ol style="list-style-type: none"> 1. Management capacity of staff is increased 2. Better services to members 3. Volume of business is increased 4. Effective team working 5. Adaptability to the changing circumstances 6. Follow-up and evaluation system 	<ul style="list-style-type: none"> - Members participation in Co-operative activities is increased. - Turnover rate of staff decline 	Report and interview	Co-operatives prepare the plan for getting operation fund and surveying the members' needs.

3. Human resource development (The management staff)

	Narrative Summary	Objective Verifiable Indicator	Means of Verification	Important Assumption
		OVI	MOV	IA
Inputs Activities	<p style="text-align: center;">NS</p> <ol style="list-style-type: none"> 1. to conduct proper induction training and orientation to manager and staff 2. to create management information system 3. to define job description of management staff 4. to formulate measurement of performance and reward 5. to conduct staff training course regularly 	Time of starting and ending of each activity	Action plan	The board of director should realize the significance of increasing knowledge, understanding and incentive to the management staff.

ICA CO-OPERATIVE IDENTITY STATEMENT

DEFINITION

A Co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

VALUES

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, Co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

PRINCIPLES

The Principles of Co-operation are guidelines by which Co-operatives put their values into practice.

First Principle: Voluntary and Open Membership: Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Second Principle: Democratic Member Control: Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women, serving as elected representatives, are accountable to the membership. In primary Co-operatives, members have equal voting rights [one member one vote], and Co-operatives at other levels are also organised in a democratic manner.

Third Principle: Member Economic Participation: Members contribute equitably to, and democratically control, the capital of their Co-operative. At least part of that capital is usually the common property of the Co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their Co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the Co-operative; and supporting other activities approved by the membership.

Fourth Principle: Autonomy and Independence: Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their Co-operative autonomy.

Fifth Principle: Education, Training and Information: Co-operative provide education and training for their members, elected representatives, managers, and employees, so that they can contribute effectively to the development of their Co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of Co-operation.

Sixth Principle: Co-operation among Co-operatives: Co-operatives serve their members most effectively and strengthen the Co-operative Movement by working together through local, national, regional and international structures.

Seventh Principle: Concern for Community: Co-operatives work for the sustainable development of their communities and support their members.

