



Value Chains and Service Markets in Thailand



Outline

- Introduction VCs Clusters in Thailand
- Clarifications
- The Fresh Fruit and Vegetable VC
- Video on Certification (Global GAP)
- The Role of Lead Firms in Certification
- Introduction to the Field Trip (Longan)
- Questions and Answers



Value Chains and Service Markets

- Goal: Enhanced SME Competitiveness
- Strategy: through strengthening....
 - Business,
 - Financial, and
 - Eco-efficiency service markets
- Approach/Focus: Value Chains



PEC Partnerships

- Several sets of partners:
 - German: PTB, CIM, SES, others
 - Ministries of Industry, Energy, Agriculture, Environment, Science and Technology
 - Business Membership Organizations: national, regional and sectoral
 - Stand alone service providers
 - Lead firms in value chains

How to Choose?



Understanding Subsidiarity

- *First used in the 19th C.*
- *Subsidiarity means to serve or to supplement or reinforce the autonomy and dignity of the human individual*
- *Govn't should only undertake those initiatives which exceed the capacity of individuals or private groups acting independently*
- *Later used in the "Treaty of Maastricht", Article 5 to help define the role of the state for the EU*

Subsidiarity:

Choosing the right partner for the right

“intervention”
Interventions are ...

sub-projects in a value chain, each one can have a different partner

Partners	Their Core Mandate
1. Lead Firms in Value Chains	profits, sometimes promotion
2. Stand Alone Service Providers	profits, sometimes promotion
3. Business Membership Organs.	promotion, sometimes profit
4. Government	regulation, promotion

If your view of sustainability is based more on:

- **Transactions and profits then choose 1 and 2 and sometimes 3**
- **Promotion then choose 3 and sometimes 4, seldom 1 and 2**
- **Regulation then choose 4 with the participation of 3**



5 Value Chains many Service Markets

- palm oil, fruit and vegetable, handmade paper, shrimps, tapioca
- Building blocks:
 - Analysis
 - Strategy of the VC and the PEC
 - Implementation of interventions
 - Evaluation of impact



What is different in Thailand & PEC

1. Thailand is close to being an NIC
 - But, still there are still income distribution issues
2. A strong “statist” environment
 - The expectation to give
 - The expectation to receive
3. The analysis has to be deeper but, the principles are the same



Value Chains and Service Markets

- Yet the “Principles” still apply
 - Understanding target group problems
 - Why is it there?
 - Why is it not solved?
 - The search for sustainable solutions
 - What SPs should provide what services?
 - Getting the incentives right (cost sharing)
 - Testing hypotheses and scaling up



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- **Designing for Impact** (plausible attribution)
 - We have limited resources (need to be strategic)
 - Focus on innovation
 - Start small- scale up
 - IA is used to build the business case
 - **What we measure** (service markets and use of output)
 - **Framework for IA** (many partners, many target groups, many services)



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The focus on Fresh Fruit and Vegetables

Importance of the Sector

- Thailand is 5th largest global exporter of agricultural produce
- Export value of THB 38,343 Mill. per annum (5 % of total agricultural export)
- Mainly smallholders with an average land area of 3.7 ha.

Key Competitiveness Issues and Focus of TG-PEC

- Systematic Farm Management
- More Processed Products
- Food Safety
- Market and Channel Diversification



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Food Safety and Certification

- The case for:
 - Access to higher valued markets
 - Cost savings
 - Stepping stone to new technology
- The case against:
 - For the larger and more advanced
 - Transfers costs to producers



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Food Safety and Certification (notes)

- Mandated vs. voluntary standards
- Accountability and liability
 - changing role of the state
 - confusion
- Quality as a entry into better management



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Food Safety and Certification

- **Target Group** (a portion of 300,000 fruit and vegetable producers)
- **Opportunity** (premium prices and better incomes)
- **The service solution** (voluntary certification)
- **The strategy**
 - Pilot test option 2 for exports
 - Scale up exports
 - Use the same infrastructure for domestic market



Impact Targets

- **Goal Level:** (Use of Output)
 - Increase of farmer income of 20%
 - Profit volumes of Euros 2 mio. p.a.
- **Service Market Level:** (sustainability of output)
 - 4 groups (15-20 farms) certified (Dec 07)
 - Certification cost reduced to 20%
 - 5 commercial CBs operating
 - 2 Compliance consultants operating
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- Introduction to Option 2
 - Reduce cost of compliance
 - Reduce cost of certification



Value Chains and Service Markets

- Introduction to Kn. Chsak
 - Thai Chamber of Commerce
 - Thai FFV Exporters and Producers Assoc.
 - Pioneer in food quality
 - One of the 4 lead firms in the export market reaching out to smallholders



The Farm Management Service (Field Visit)

- The Target Group
 - 120,000 longan farmers
- Problems
 - Oversupply and low yields
 - Low interest in commercialization
 - The need for product innovations
- The Strategy
 - commercialize farm mngm't know how at a local university



The Farm Management Service (Field Visit)

- The Service:
 - pruning, flower setting, nutrient mgm't
- Pilot phase
 - 55 clients over one season
 - assessment of changes
 - A and AA Yields increased by 46%
 - Cost savings 6% on labour, 13% on chemicals
 - Incomes increases of 30%



The Farm Management Service (Field Visit)

- The Scaling up phase:
 - Using the University as a facilitator rather than a service provider
 - Training 40 service providers
- For more information sign up for the field visit