

Strategic Direction Framework for Thai Cooperative Development in the Transition to its 2nd Century¹

In the transition to its 2nd century, Thai cooperative has to encounter a number of challenges resulting from both external and internal contextual factors. The key challenges, including a slow global and Thai economic recovery and a continuous decrease in agricultural product and oil prices, have inevitably affected economic sector and cooperative business model, while the government promotes the cooperative mechanism so that people can have negotiation power in production and marketing and to solve the social inequality and injustice.

The Cooperative League of Thailand as a central institution of the cooperative movement, therefore, has assigned the Co-operative Academic Institute to be responsible for drafting the strategic direction framework for the period from B.E. 2560-2564 to be used as a policy for all cooperatives to achieve their mutual goals. The draft will then be considered by the associates and finalized as a policy for cooperative movement in Thailand.

Thai Cooperative in the Past Decade (Figure 1)

Thai cooperatives play an important role in both economic and social contexts. In terms of economy, the business value of cooperatives in Thailand (the information in B.E. 2557) was 1.98 trillion baht, which accounted for 16.64 percent of the total GDP of the country. The total number of cooperatives was 8,174--with 6,113 cooperatives still operating and 80 percent of which met the quality standard (Cooperative Promotion Department, B.E. 2558).

In the past decade (B.E. 2548-2557), at the end of B.E. 2557, the total assets of cooperatives in Thailand were 2.1 trillion baht and the asset growth rate throughout the decade was 300 percent. The equity-to-asset ratio in B.E. 2557 was 45 percent, decreasing from 51 percent in B.E. 2548. This showed that the cooperatives have relied more on external financial resources. The total income of the cooperative business in B.E. 2557 was 28.6 trillion baht, which was 2.75 times higher than 10.4 trillion baht in B.E. 2548. The total business value of six major cooperative

¹ - drafting by Cooperative Academic Institute, Faculty of Economics, Kasetsart University
- approved as the strategic direction framework for Thai cooperative development at the Annual General Meeting of The Cooperative League of Thailand on December 19, 2015

businesses--including credit business, deposit business, product gathering business, product supply business, product processing business, and agricultural service and promotion business--was 1.8 trillion baht in B.E. 2557. When considering each type of business individually, the highest business value was the credit business totaling 517,095 million baht or 63 percent of the total cooperative business value. Second came deposit business, followed by the product gathering, product supply, product processing, and agricultural service and promotion businesses, with business value at 82,413 million baht, 63,983 million baht, 17,421 million baht, and 1,536 million baht, accounting for 28 percent, 4.49 percent, 4 percent, 0.5 percent, and 0.01 percent, respectively (Cooperative Auditing Department, B.E. 2558).

In terms of social context, the number of cooperative members was 11.4 million people, making up 17.7 percent of the total population. Active members taking some management roles in the cooperatives were 76,469 people (male managers : female managers = 68 : 32). The employment in management and officer positions was 39,056 people (male : female = 43 : 57). In the past decade, the cooperatives had appropriated capital reserves at 413,996 million baht for business stability as well as welfare and public fund showing their intention as a non-profit business.

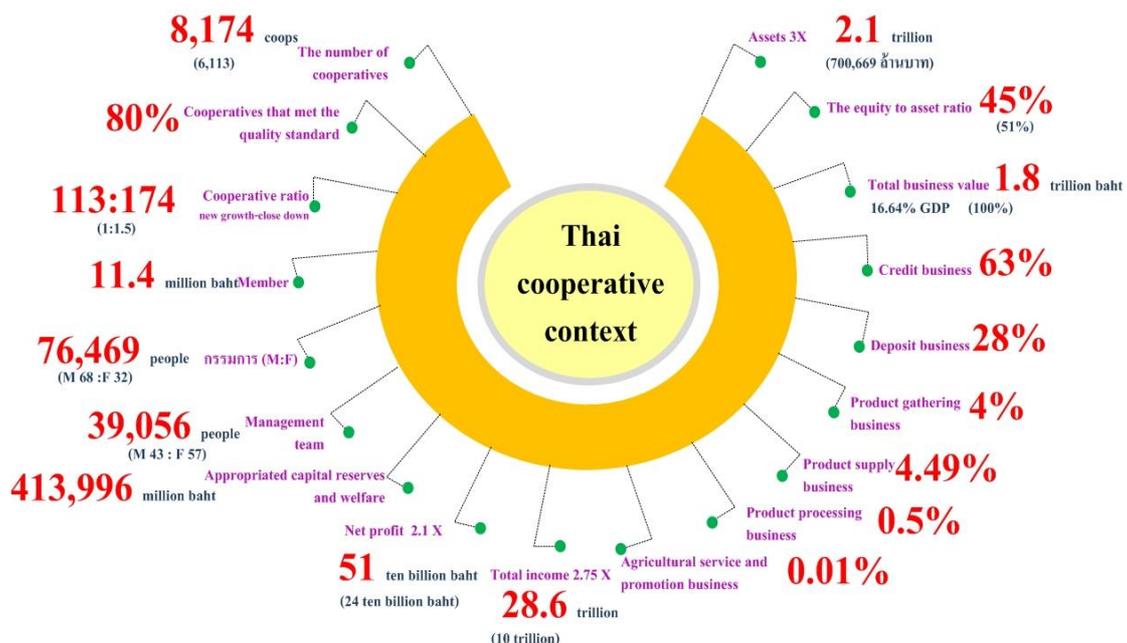


Figure 1: Thai cooperative context

From the situational analysis, Thai cooperative business had grown 4 times higher over the past decade. However, the major businesses were still the credit, deposit, product supply, and product processing. The agricultural promotion business was only at the beginning and the middle of the cycle. Most processed products were minimally processed, e.g. rice and rubber (latex and block rubber). The product supply business still relied more on products from external sources. Some cooperatives started to produce their own consumer goods but had to face some marketing challenges in terms of international standard accreditation and their own members' preferences over the cooperative products. The business value of the agricultural service and promotion, which should be the key activity in the system, was 1,536 million baht only.

Strategic Challenges and Gaps (Figure 2)

The assessment of direction and trend of global and Thai economies pointed out some important issues for not only cooperatives' opportunities but also limitations. They are government policy that uses cooperative system as a means to increase production and marketing negotiation power for people, the world free trade policy and the move towards ASEAN community, the investment policy on infrastructure, support system and facilities, the use of public-private partnership business model, the slow recovery of global and Thai economies, the economic structure in the new global context which is more complicated and makes use of technological innovation and business cluster to increase negotiation power, inequality and injustice problems in the society, the global trend of sustainable development, the cooperative development framework following the ICA Blueprint, and people's confidence and trust on the cooperatives.

The review of literature and related research as well as lessons learned from seminars hosted by the Co-operative Academic Institute and associates in the past decade pointed out some important cooperative gaps. These include the current cooperative structure and administrative system which are not suitable for cooperative operations considering the identity of being autonomous and independent. Products and services of cooperatives are at the beginning (materials) and ending (end customers) of supply chain only. Cooperatives still lack methods to raise the demands among members and general customers to use their products and services, making them unable to add value to their products and services as much as they should be

able to. Moreover, cooperatives lack a mechanism for business networking for stability of the cooperative business system and lack a mechanism for innovation to enhance their competitiveness.

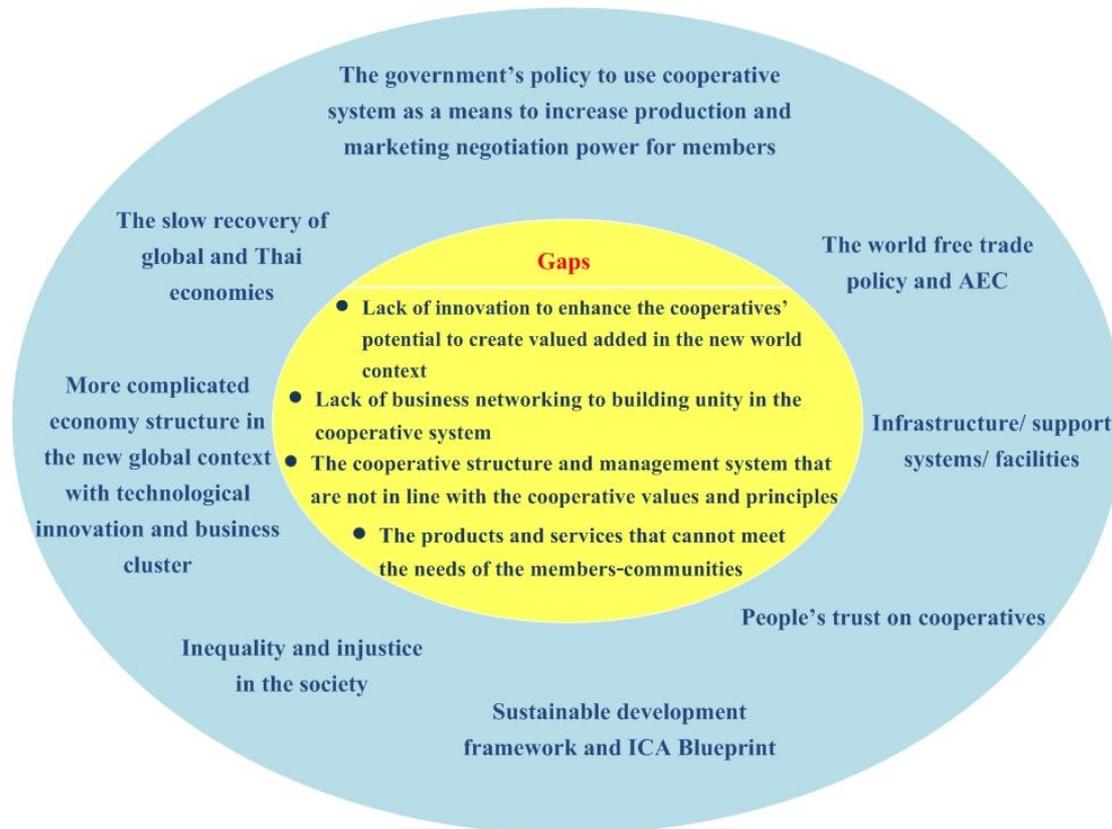


Figure 2: Strategic challenges and gaps

Previous cooperative development direction framework (figure 3)

Although there has been strategic direction framework for cooperative development in Thailand since B.E. 2546 and the Board of National Cooperative Development has so far announced three Cooperative Development Strategies in Thailand as well as, in B.E. 2555, announced the Cooperative National Agenda which included five main points: to make people understand, believe in, and apply the cooperative ways in their daily life; to strengthen the cooperatives; to support the cooperative networking; to reform the structure/movement and related organizations; and to reform the cooperative law, the cooperative movement is limited to central institutions and some cooperatives only. The follow-up assessment found that the leaders and management divisions still do not know about the strategic framework.

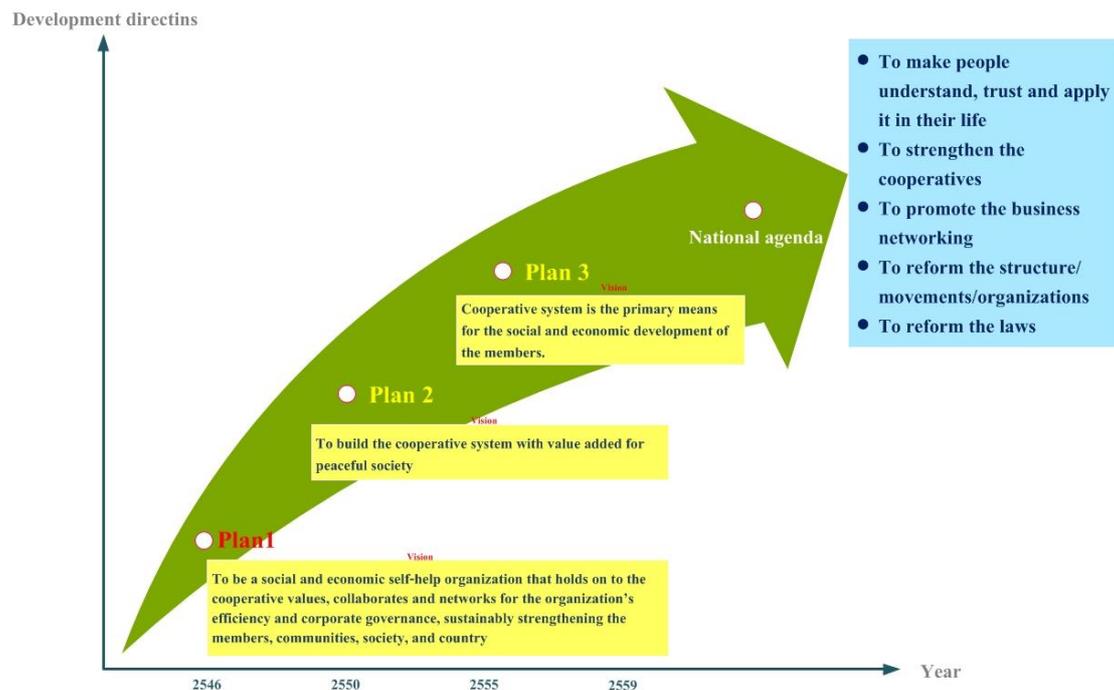


Figure 3: The development of Thailand's Cooperative Strategies

(drafted) Strategic Direction Framework for Cooperative Development: the transition to the 2nd century (figure 4)

In order to propose the policy and the strategic framework for cooperative development, the Co-operative Academic Institute has performed Key Trends Analysis and GAPS Analysis and defined the following policy goal and four core strategies for cooperative development.

Policy goal: to enhance the cooperative potential in order to reduce inequality and create justice in the society.

The four core strategies are:

Strategy 1: to enhance the associate collaboration in order to strengthen the cooperatives. This can be done using six main tactics: 1) to enhance the associate collaboration in order to strengthen the cooperatives; 2) to set the agenda, roadmap, and platform of business networking among the cooperatives; 3) to reform the cooperative movement structure to be supportive of business networking; 4) to apply PPP innovation in order to integrate collaboration among the cooperatives for the benefits of the members; 5) to create a mechanism for enhancing potential of members, leaders, managers, and stakeholders; and 6) to develop Co-ops to Co-ops Business.

Strategy 2: to add value to the cooperatives' products using Moving Up Value Chain comprising of six major tactics: 1) to add value to the cooperatives' products; 2) to set the agenda and roadmap to promote Global Value Chain (GVC) in cooperative business; 3) to develop and publicize the platform of the functional upgrading under the supply chain; 4) to develop and publicize the platform of the process upgrading under the supply chain; 5) to develop and publicize the platform of the product upgrading; and 6) to establish the cooperative business promotion unit under the value adding framework.

Strategy 3: to develop a cooperative financial system that is supportive of the stability of the cooperative system. This strategy includes six tactics as follows: 1) to develop a cooperative financial system that is supportive of the cooperative stability; 2) to create mutual understanding among people in the society and stakeholders in the cooperative financial context; 3) to promote the establishment of stabilization funds in order to guarantee the cooperative stability under the members' control; 4) to build a knowledge management mechanism in terms of basic financial knowledge that can be accessible and understandable by the members and the stakeholders; 5) to promote a cooperative role as a financial institution for people so as to help people develop self-discipline, to disseminate some basic knowledge to people, and to provide fair services to people; and 6) to set the agenda and roadmap of the development of cooperative financial system based on mutual collaboration.

Strategy 4: to reform the support systems and facilities. This can be done through the following six tactics: 1) to develop the support systems and facilities; 2) to set the agenda and roadmap of the development of the support systems; 3) to reform the budgeting system of the government organizations relevant to the cooperative promotion for integrity and following-up and evaluation processes; 4) to reform the laws/regulations and monitoring systems; 5) to develop the ICT system in order to serve the cooperative business networking and auditing; and 6) to create knowledge management system for the youth and stakeholders so that they can have access to the database and understand as well as appropriately take part in the cooperatives.

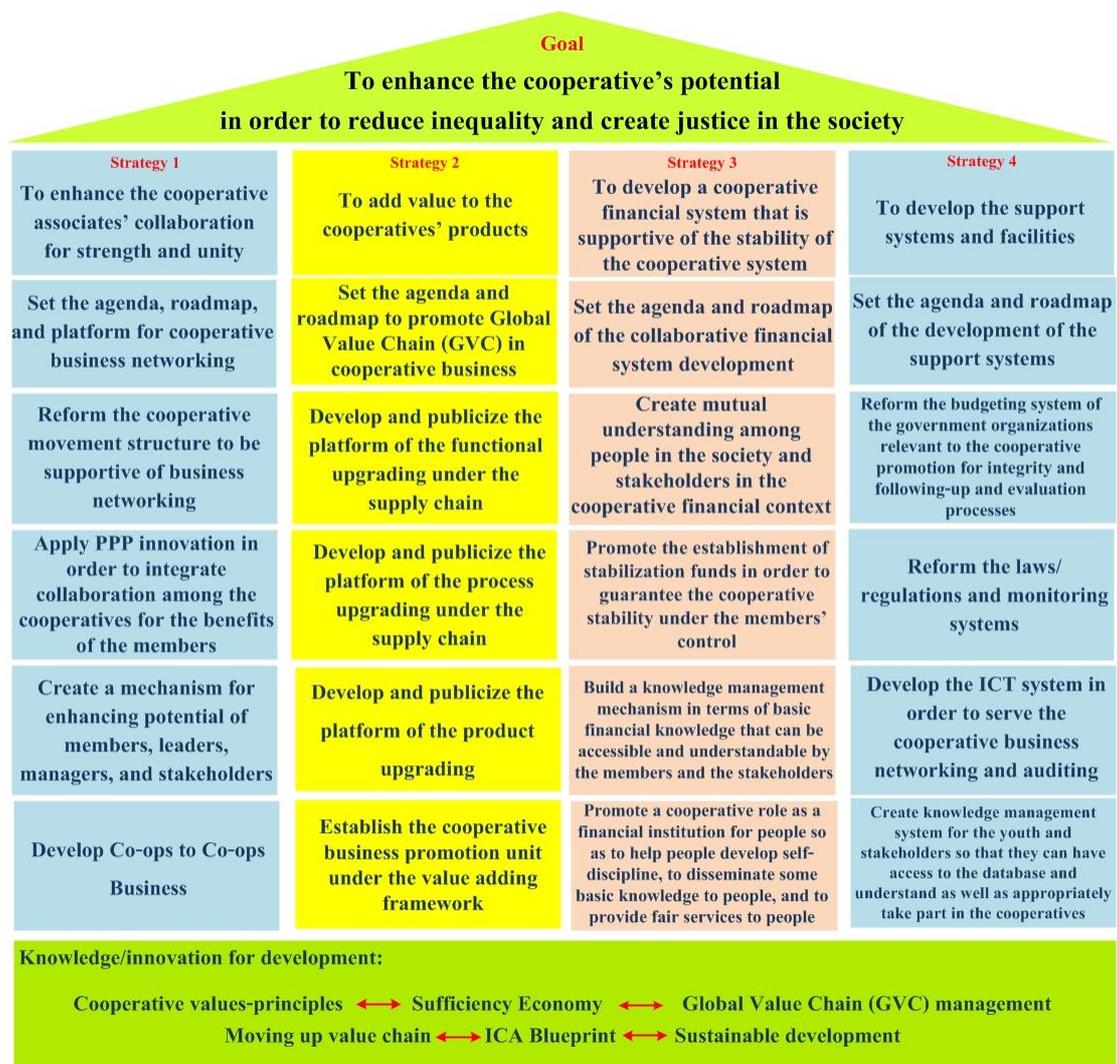


Figure 4: Goals and the Development Strategies

Conclusion

The Co-operative Academic Institute wholeheartedly hopes that this (drafted) Strategic Direction Framework for Thai Cooperative Development: the transition to the 2nd century will be of benefit to the Cooperative League of Thailand and the cooperative associates for further consideration, which will lead to the finalized policy and the cooperative development plan so as to strengthen and unite the cooperatives and to solidly build trust and confidence among members, communities, and society based on the cooperative principles.