



## Executive Summary

### “Inclusive Business Model for Sustainable Development: Case Studies in Rice Business by Community Enterprises and Cooperatives in Thailand (Phase 2)”

This research project on “Inclusive Business Model for Sustainable Development: Case Studies in Rice Business by Community Enterprises and Cooperatives in Thailand” or “Rice IBM” was conducted as a participatory action research to develop a suitable business model for community enterprise and cooperative to realize their objectives in economic and sustainability dimensions. IBM is based on three basic characteristics 1) caring collective decision and sharing benefits among smallholder farmers, 2) balancing growth in three pillars of economy, ecology, and society, 3) creating value chain for farmers to develop their value creation and competitiveness.

In this second phase, the research project continues its ongoing development of IBM adopted by two case studies that have been conducting in the first phase; they are Ban Lad Agricultural Cooperative Limited in Phetchaburi Province and Toong-thong Yung-yuen Community Enterprise in Suphanburi Province. The key research objectives include 1) to improve prototype of Inclusive Business Model that contribute to capability



development among local farmers and related stakeholders, 2) to support community enterprise and cooperative to execute the IBM model, and 3) to obtain practical insights and policy recommendation to enhance learning and wider adoption of IBM among other farmer enterprises.

This research process was conducted through series of stakeholder engagement aiming to upgrade a set of capabilities; Functional Upgrading, Process Upgrading, and Product Upgrading aiming to address all dimensions of sustainable development. The research process includes seven steps that shape a model of learning and developing an Inclusive Business in rice sector (RICE IBM). The research employed case study methodology using two farmer organizations as

units of analysis. 1) Banlad Agricultural Cooperative (BAC) in Phetchaburi province. The case reflects one pattern of learning process and creation of its IBM. The case study also resulted in a Virtual Learning Center, a set of 5-stage learning series including a demo-farm of GAP rice, to facilitate sharing of experience and expanding adoption of IBM among other members of BAC within and outside Banlad district. 2) Thong Yungyuen Community Enterprise (Tung Thong CE) which is located in Suphanburi province. The Learning Center was set up at Tung Thong CE with 5-stage learning series and seven modules facilitate by experience farmers in the locality.



The second phase of this participatory research focused on implementation of business plan outlined in 2018, based on a long term vision and strategic goal set in the first phase.

1) Rice IBM developed by Banlad Agricultural Cooperative (BAC) in Phetchaburi:

The case of BAC illustrated how the Inclusive Business has been developed through a process



of value chain development. All parties in BAC's rice value chain were engaged to participate in this project so as to integrate their expertise, resources, and collaboration under a joint vision and principles. GAP rice based on an Internal Control System (ICS) were collected from 21 farms of 41 acres, totally 67.4 tons of paddy outputs. A standard price was set by executive committee at 10,000 Thai baht per ton (rice with 15% moisture), by which actual price was depending on its humidity and stabilization fund was also applied at 2,487 per ton (153,506 baht in total). The value of rice

was 618,942 baht, in which an average price was 9,850 baht per ton. The rice was sold at 20 Baht per kilogram and 778,915 baht in total, while the cost was 618,942 baht per ton, resulted in a gross profit of 159,973 baht and a net profit at 150,523 baht.

The impact assessment of this Inclusive Business (Rice IBM) in the case study of BAC showed its contribution in many aspects. Firstly, the learning process on RICE IBM brought about capability building in three dimensions and eight aspects; including knowledge sharing on GAP farming, coordination with government’s standard accreditation agency. The case study also showed that Rice IBM has uplifted BAC’s capabilities in business management and restructuring of business process. With regard to product upgrading, the project has transformed BAC’s product to GAP and processed food, as well as creating demand among local consumers and trader to purchase GAP products from BAC. In addition, the research found that adoption of GAP farming helped cost reduction for about 0.30 baht per kg, and brought average increased revenue of 2.12 baht per kg. In sum, the total revenue generated by BAC’s Rice IBM in 2018 was 778,915 baht with a net profit of 150,523 baht.

2) Rice IBM developed by Tung Thong CE in Suphanburi: Similarly, the case of Tung Thong CE illustrated how the Inclusive Business has been developed through a process of value chain development. This Rice IBM was shaped by contract farming partnership between a network of farmers and local food manufacturers (Xongdur Thai Organic Food Co.,Ltd and Lemon Farm Organic Store) in



upgrading of product, storage, packing, and delivery of the rice. A key player of the value chain is the president of Tung Thong CE who coordinated and negotiated the conditions under contract farming agreement with the two companies.

Rice IBM in the case of Tung Thong CE in 2018 was in line with business plan and



reflected satisfactory results. Seven members of the farmer network were accredited as a standard organic farm, encompassing 23.7 acres in U-Thong District Suphanburi and also Huai-Krachao District in Kanchanaburi. The rice production reached 43.5 tons of paddy rice with total value of 1,548,240 Baht. The production and operation costs of the paddy rice

were 587,213 baht, and total net profit were 961,027 baht, in which the farmers had to deposit some revenue into a fund in accordance with contract farming regulation (1 baht per kg.; totally 45,300 baht). Four market channels have been developed in this case to merchandize the GAP rice; Xongdur (49%), Lemon Farm (32%), Co-operative Academic Institute (1%), and local market (18%).

The impact assessment of this Inclusive Business (Rice IBM) in the case study of Tung Thong CE reflected satisfactory results. Firstly, the learning process on RICE IBM brought about capability building in the three dimensions and eight aspects. Key developments in business capabilities can be observed, mainly the increased in participatory behavior among members, management and governance structure, stakeholder relationship with trading partners, strategic planning and management, and knowledge-sharing within the community to enhance learning capabilities among local people. With regard to value creation, the project brought about change in product development which resulted in 42.86% increase of the price from 35 baht per kg to 50 baht per kg. Consequently, the total revenue increased from 12,733.20 baht per rai (0.34 acres) to 25,651.59baht per rai, or 101.45 increased from the price under Rice IBM project in the first phase (2018), totally 1,548,240 baht with 45,300 baht of the deposit under the fund.



The empirical results from case studies indicated that Inclusive Business Model (IBM) is



an ‘innovative business process’ that enables farmer enterprises to develop competitiveness and to enhance opportunity in broader market. Adoption and implementation of IBM requires a set of seven steps that encompass strategic upgrades, including creation of learning ecosystem for farmer enterprises and

platform for stakeholder engagement to share mutual benefit and governance, as well as value addition by value chain innovation and partnership building based common goals so as to enhance cost reduction, negotiation power, and better sharing of mutual benefits.

#### **Enabling factors enhancing implementation of Inclusive Business Model**

1. Learning and partnership facilitator: IBM can be adopted and executed in the context whereby common strategy and interaction are facilitated by learning modules and stakeholder engagement.
2. Reshaping of policy and direction among leaders of farmer enterprise so as to place more emphasis on value creation and strengthening cooperation with trading partners and surrounding actors, instead of focusing on solely competition and self-reliance.
3. Collective resources mobilized through a platform of multi-stakeholders: With limited financial resources, farmer enterprises need a central actor to negotiate for financial resources and coordinate towards common direction and goals.
4. Utilization of a management tool of Business Model Canvas to design business process with public participation and good governance.
5. Active communication and dividing roles for relating stakeholders along the value chain based on business plan.
6. Implementation of business plan based on result-based management practice.
7. Evaluate and assess holistic impacts of the business plan, as well as improve

#### **Key factors impeding success of Inclusive Business Model**

1. Government policy with top down decision-making process and evaluation system based on budgetary performance is not supportive to create a context of participation, collaboration, and the concept of Inclusive Business
2. Communication of policy and strategy on Thailand 4.0 has not yet reached farmers and farmer enterprise, thereby having a limited understanding and common vision
3. Farmer enterprise is not positioned as a player in open-market competition, but as a actor in community context. They need to be integrated into economic policy and empowered as a key driver for grassroots economy and poverty reduction among smallholder farmers.
4. Lack of incentive to stimulate motivation to adopt IBM practice
  - tax incentive for trading partners to merchandise products from Inclusive Business

- central agency to promotion adoption and support Inclusive Business
- campaign to create social awareness among farmers, leaders of farmer enterprise, and also consumers to learn and buy products from Inclusive Business
- learning materials and show cases to learn and follow their path

### Policy Recommendations

1. Publicize success stories of the two case study as learning center for IBM
2. Establish a central agency to formulate and coordinate for public policy on Inclusive Business, especially for rice sector, so as to enhance competitiveness of farmer enterprise in broader market
3. Develop learning material and media to communicate the concept and strategy to increase adoption and implementation of IBM
4. Set up a specific unit to promote rice from Inclusive Business operated by farmer enterprises
5. Create awareness and motivate entrepreneurs to cooperate and connect value chain with farmer enterprises that have adopted IBM as the tool to develop business and fair trade for sustainable development in their local community.
6. Provide incentives and supports to stimulate entrepreneurs to get involve with Inclusive Business in rice sector, especially tax incentive.
7. Create demand among consumers to purchase rice from Inclusive Business, and create social credit for corporate buyers that involves in the process of IBM development, thereby jointly solving the problem of economic disparity and shaping better economic structure for Thai economic system as a whole.

