Executive Summary


This research aims to illustrate how to promote utilization of a business model that contribute to sustainable development, by balancing between economic growth, social inclusion, and environmental responsibility, thereby helping to realize the Sustainable Development Goals (SDGs). The study focuses on adoption and implementation of Inclusive Business Model (IBM), a business approach for inclusive growth, practiced by capable farmer organizations; cooperatives and community enterprise, and also focuses on policy direction to broaden the adoption and to intensify implementation of IBM by the farmer organizations in Thailand.

To achieve the objectives, this research tries to fulfill three specific purposes: 1) to study how to facilitate learning and capacity building for farmer organization and related actors so as to enable the utilization of IBM 2) to explore the pattern of business development towards IBM among farmer organizations, using rice sector as case studies 3) to formulate policy recommendation for governmental agencies to support IBM in rice sector as a driving force to realize local or grassroots economic development and global SDGs.

The case studies were conducted by selecting capable farmer organizations that have been adjusting their business operation in order to survive in higher competition in local and broader markets. First, Banlad Agricultural Cooperative (BAC) in Phetchaburi province. BAC encompasses around 3,000 farmer-members living in chemical rice field with vulnerable livelihood under uncertainties of climatic change and variable rice price. The research tries to cope with these problems by introducing IBM to BAC in order to upgrade value creation and market competitiveness. The second case study was conducted in ThungThong Yungyuen Community Enterprise (ThungThong CE) located in Suphanburi province. This farmer organization is directing towards organic farming, led by a visionary community leader and previous experiences in IFOAM practice as well as contract-farming with trading / exporting firm. The challenge for ThungThong CE is to convince farmer-members to gradually adopt sustainable agriculture practice and organic rice farming, and to enhance value creation and competitiveness, through IBM adoption process.
Inclusive Business Model is defined as a for-profit approach of doing business while trying to include low-income people and smallholder farmers into value chain, by encouraging their participation in producing supplies and value addition. This business model thus involves a process of value chain development and engagement with external partners surrounding the chain, in order to provide supports in upgrading activities; functional upgrading, process upgrading, and product upgrading), thereby increasing access in fair-trade market, higher price of rice, and sustainability of grassroots / local economy. The characteristics of IBM thus include three key aspects including more ‘engagement’ and opportunity for smallholder farmer to participate in production network, ‘emphasis’ on all dimension of economic, social, and environmental sustainability, and ‘expansion’ of strategic partners from public and private sectors in order to integrate resources and capabilities for enhancing competitiveness.

The research employed participatory action research approach and case-study methods. The pilot cases of BAC and ThungThong CE have been developed through creation of collaborative platform for all stakeholders to contribute to the project. The IBM Development Platform depicted in figure 2.8 was conceptualized through research finding and lessons learnt from our earlier works during the past 2 years. As shown in figure 2.8 and 2.10, the platform is based on logical framework and practical steps for IBM development in particular case studies, providing common understanding and strategy for all stakeholders to move forwards to same direction and measurable success.

Research results during the first year of project:

**Cast study 1: Banlad Agricultural Cooperative (BAC), Petchaburi province**

The action research resulted in a creation of platform for collaboration. Smallholder farmers in Banlad district have been supported by many actors, thereby preparing their readiness to be included in IBM. 40 farmers have been upgraded in terms of functions, process, and products, through a continual process of learning (14 activities), and GAP rice system was set up based on participatory guarantee system. The capacity building activities have been conducted through the platform that allowed many external alliances can take part, especially the Rice Seed Center in Rachaburi province, aiming to obtain standard recognition and more access in broader markets within this year of 2018.

After the action research, comparative assessments were conducted to estimate changes in farmers’ performance. 24 farmers were found to have higher performance in terms of
environmental awareness, business vision / Thailand 4.0, production planning technique, sustainable development practice, branding and managerial skills, as well as fair-trade and value chain development process. The study validated the applicability of value chain and network framework to facilitate adoption of IBM by farmer organization. In addition, assessment was also conducted to identify supportive measures needed to improve business eco-system for IBM. The analysis revealed that key factors for IBM in the case of Banlad include visionary leaders, previous experiences in trading and service businesses, financial readiness, and progressive mindset to adopt innovation and new business model.

Nevertheless, many challenges still exist for BAC to overcome, especially how to collectively adjust production patterns from chemical farming to non-chemical and organic farming in the future. Based on the challenges, a logical framework was constructed (figure 2.9) as a guideline for strategic planning for IBM development in Banlad district (figure 3.9). The strategy is based on an objective “to enhance capabilities among smallholder farmers to develop from GAP rice to organic production so as to attain the vision of inclusive growth”. Further, this strategic direction was cascaded down to a road map of action (figure 3.15) and practical business plan (figure 3.12) for further adoption and implementation of IBM in Banlad district.

The business plan for IBM was approved by the 40th executive committee of Banlad Agricultural Cooperative. Consequently, the future plan of IBM will be implemented by sub-committee of IBM and IBM working group under supervision of BAC manager. This includes practical actions such as a plan to purchase GAP rice from standardized farm in this year of 2018. There are 23 farmers that will benefit, with estimated quantity of rice (Chainat and Suphanburi Rice) around 100 tones, price at about 44,000 USD (1,375,000 baht), and net profit margin at 6,762 USD (209,630 baht). In addition, the brand of ‘Banlad’s IBM Rice’ will be initially promoted (5 kg. and 1 kg. packages) aiming to serve target markets mainly from farmer-members in Banlad district (9,000 household) and local universities, hospitals, and restaurants in neighboring areas. Meanwhile, 1 kg. package of rice will be promoted to general consumers outside Banlad so as to introduce the concept and business model of IBM as a tool to encourage smallholder farmers and inclusive growth in Thailand.

Case study 2: Thung Thong Organic Community Enterprises, Suphanburi province

In this first year of project, 31 farmers have been upgraded in terms of functions, process, and products through the process of 7 learning activities. The comparative assessments has shown
improved performance in terms of environmental awareness, business vision / Thailand 4.0, production planning technique, sustainable development practice, branding and managerial skills, as well as fair-trade and value chain development. Meanwhile, the assessment of eco-system supporting the IBM adoption in this case reflected the need to uplift administrative capacities of this enterprise in order to enhance participation and engage more in business development through IBM approach.

To enable further development based on IBM, we formulated a strategic direction of “driving the community enterprise towards organic farming and better livelihoods and sustainable community development”. The strategies to achieve this goal include 1) creating mechanism to develop capabilities among farmer-members towards organic production (Smart Farmers) 2) implementing IBM development plan for rice sector together with strategic partners in public and private partners 3) implementing action plan for enhancing value creation of commodity and processed products developed by wife-groups in ThungThong. Neighborhood areas.

This case study of IBM Rice was preceded in parallel with market trial activities, organized by Kasesart University’s Market for Community-Support Agriculture Project and KU Food Market, and interactions with customers provide deeper demand information for IBM rice project to redesign the products in line with customers’ preferences. Further, information received from the market trials were also utilized by the project of Color Rice and Riceberry Packaging Development Project, thereby helping the IBM rice to improve its package as well. Besides, overall results of consumer survey revealed that target customers in the university were satisfy with the pilot products in levels of high–very high satisfaction.

With regard to future development of IBM, this case study showed that restructuring and upgrading of administrative functions did help ThungThong. CE to take in and implement IBM project. Other key factors were to form strategy working group as a core team to convince and coordinate with other farmer-members, and to set up a learning center on IBM at ThungThong. CE as a forum to discuss and absorb IBM practice. In addition, to expand product variety from rice to processed product, we encouraged women-groups to produce fried-banana snack and sell them through online application. This activity, among a set of technical, managerial, and market trainings, was found to be an effective tool to engage more farmers to join IBM rice project due to women groups have been convinced, thereby drawing more attention and participation from rice farmers as well.
Key research findings and policy issues:

The global agenda of sustainable development leads international community to achieve the SDGs, and IBM is one of a collective efforts promoted in many global forum. Adoption of IBM has shown benefits not only for large and SME firms but also farmer organizations that are capable to make use of this new practice. Although cooperative and community enterprise may apply IBM into their ongoing business operation, diffusion of this innovation for farmer organization in Thailand is not straightforward and thus required supporting system. Coordination mechanism is needed to connect related stakeholders and create trust for partnership among parties from upstream to downstream of rice value chains as well as public actor supporting along the chain. Such coordination should also be linked with partners in target market as well so as to gain market insights and requirements in terms of food safety and standards. Base on these findings, a key recommendation is to develop a central unit or platform for sharing knowledge and information, as well as sharing resources and budget from various parties with particular specializations. The IBM Development Platform should place emphasis on following tasks 1) providing three dimensions of learning for smallholder farmers to upgrade their capabilities in all aspects 2) facilitate value chain development process 3) connecting and encouraging trust and collaboration among multi-stakeholders in order to realize the target goals.

Despite the need of Platform, one concern commonly raised during the focus groups is fragmented supports from governmental agencies and this also results time-consuming for farmer organization and farmer-members to participate while taking care of their farming activities. Therefore, integrated programme and dialogue with local people should be conducted in accordance with their demand and also with target markets. In addition to the platform creation, much policy issues could be derived from case studies in order to mitigate existing constraints as follow:

- Smallholder farmers (except community leaders) often lack of experience in modern agri-business, entrepreneurial mindset, and managerial skills. To facilitate adoption of IBM by farmer organizations, these internal characteristics of participants need to be upgraded in order to prepare them for business development, value creation, and upgrading process.

- Farmer organizations normally use conventional channel to distribute and marketize their commodity and products. This is based on traditional perception of farmer organization to separate trading function from production activities, and allow trading firm to reap more benefits from their produces. Also, farmer organization may have to invest in trade and logistics infrastructures (e.g. silo, dry
field), as well as capital to finance their purchasing/bargaining power and distribution costs. A limited number of farmer organizations that are capable to adopt IBM should thus be selected and supported taking into account the readiness.

- Technological transfer and product innovation will be helpful for zero-waste management of agricultural supplies and the problem of contract-farming in which sometime buyers cannot accept all of the produces from farmer-members. IBM adoption by farmer organization should thus be developed in parallel with product innovation together with academic/technical partners.

- Regional branding needs a strong effort from farmer-members to produce based on the same quality and standards with consistent and timely delivery. A majority of farmer organization in Thailand seem to lack of operating system to control such collective production, resulting in weaker good will to create a common brand or to collectively respond to upcoming demand trend, thereby limiting their ability to engage in IBM and competition in the markets.