

The Farmer Shop as a Business Model for Sustainability

by

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1. Introduction

Over the past decade, the average GDP growth of Thailand was 3.8 % per annum. The country's economic structure was changed from agricultural to industrial and service base. Contribution of the industrial sector increased from 36% of GDP in 1999 to 40.8% in 2013. Although the agricultural sector became smaller, it still played an important role in the economy. It was an important source of income among households in rural communities, which comprised around 25% of all households in the country. It also generated a lot of foreign exchanges to help support the expansion of industrial and other sectors as Thailand was one of the major food producers and exporters of the world. However, many farm households suffered from serious indebtedness and poverty. There was a growing concern that many of them would lose their lands and become tenants and landless households. Serious social problems and conflicts could arise, especially among the grass roots, if nothing was done to change the direction of the nation development plans.

Everyone in the country realized that social issues were as important as economic issues. Therefore, in the formulation of the recent five-year National Economic and Social Development Plan, a new paradigm of human-oriented development was initiated. A way to achieve a more balanced development was believed to be possible through broad-based participation and a linking among society, private sector and academia (NESDB, 2010). This new paradigm of development is fully embedded in the Eleventh National Development Plan (2012-2016), the inclusive plan that shifts from the business owners- to people-oriented focus. The shift is made more explicit so that it is apparent in the first objective of the Plan.

The development strategies under the Eleventh National Economic and Social Development Plan cover six objectives: (1) to create a quality society by building the intellectual basis to create resilient citizens and society, (2) to achieve an innovative green economy through restructuring based on integration of knowledge and Thai identity, (3) to connect effectively with the regional and global economies, (4) to foster sustainability in the agricultural sector and prosperity in the food and energy sectors, (5) to sustainably manage natural resources and the environment, and (6) to reinforce good governance and harmony in all sectors and at every level. The accomplishment of these objectives will lay a foundation for balanced and sustainable development and lead to a just and happy society.

As one of the middle income countries, we have to admit that the value creation deriving from creativity is very essential to achieve Thailand's true developmental potential. In order to cope with rapidly changing conditions and environments, Thai entrepreneurs need to change their business mindsets that focus on reducing cost or making use of others' idea. These creative businesses have the potential to drive Thai economic growth in the future as well.

In the recent years, Thai government had declared a number of structural policies to enhance competitiveness and broaden market access for industries, domestic services and businesses of small and community-based enterprises. In doing so, the related public agencies has been integrating these enterprises into the creative economy to produce goods and services with high value and quality, while promoting a knowledge-based,

skill-based, and creativity-based society. Thailand's economy has relied too much on export which depends on several uncontrollable factors such as exchange rate. At this moment, to enhance and sustain national prosperity, implementing measures to strengthen Thai local economy is a top priority for the government. Shifting from industry to community, the government has to reconsider how these emerging markets can benefit our local communities. Building on creative economy to solve poverty problem can be a co-creation solution towards economic development and social transformation. Thailand will continue to stress the importance of creative economy in paving the way for future growth of ASEAN through creativity, innovation and protection of intellectual property rights. This is reflected in the 11th National Economic and Social Development Plan that aim to "restructure the economy towards quality growth and sustainability" which forms the overarching framework for the development of the Creative Economy during 2011-2015. (Thailand International Creative Economy Forum, 2012).

In order for the 11th Development Plan to be successful, CAI, as one of academic institute, has been conducting innovative research that should benefit to the country's strategies in order to achieve goal. To systematically address the Farmer Shop Project that was initiated as a pilot project by utilizing the value network, the integrated supply chain management and fair trade concept has been used to conceptualize the framework of the new business model. The project was done in coordination with cooperatives, community enterprise, SMEs and OTOP. At present, the research is on the extending steps that promote the establishment of farmer shop as community shop to the interested entrepreneurs.

2. Objective of the project:

The specific objectives to be pursued in achieving the ultimate goal are

1. To develop a platform of new business model that encourages the development of creative economy.
2. To incubate the management system of "farmer shop's new business model" as a prototype shop at Kasetsart University.
3. To provide a roadmap to carry forward farmer shop initiative with various community and other interested organizations.

3. Conceptual Framework:

The Farmer Shop research project is a participatory action research which utilizes the Value Network, the Integrated Supply Chain Management and Fair Trade concept into the new business model. The project was done in coordination with cooperatives, community enterprises, SMEs and OTOP. The pilot project of Farmer Shop had been implemented according to the conceptual framework (as shown in Figure 1). The business process includes product selection to create the supply network, product

improvement, supply chain management, retail store management and Farmer Shop branding.

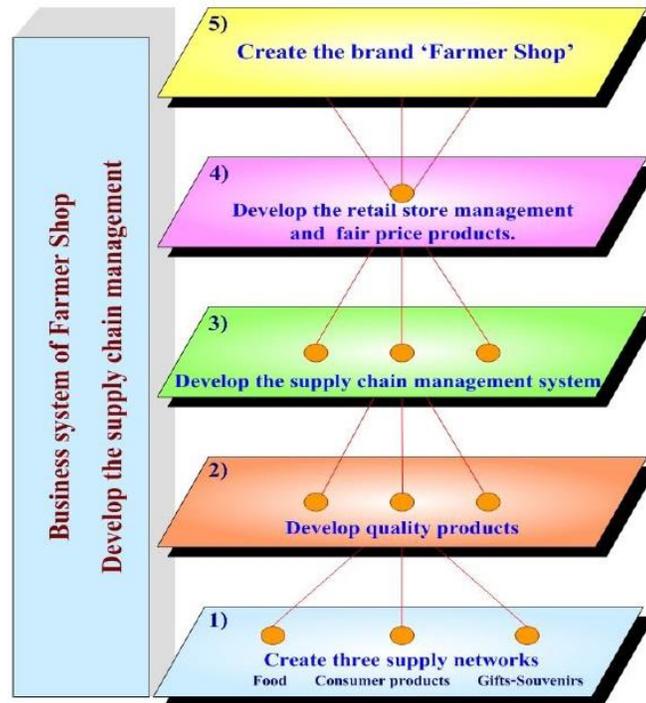


Figure 1: Conceptual Framework of Integrated Supply Chain Management

4. Research Methodology:

The Farmer Shop project is a participatory action research that has been created by the Co-operative Academic Institute (CAI), Kasetsart University. The project was done in coordination with cooperatives, community enterprises, SMEs, and OTOP which were selected to join the project. Its ultimate goal is to develop a value chain management strengthening the Fair-trade and sustainable practices among participated partners, from both producing and consuming sides.

The establishment and administration of the Farmer Shop project focus on developing the effective supply chain management for the Farmer Shop business model. Figure 2 describes the 4 administrative process of this business model

1) The preparation phase consists of identifying the location, the decoration of the shop, setting up the IT system and the personnel hiring process

2) The system testing phase consists of the HR training, the development of managing system and the database development

3) Implementation phase

4) The Brand creation phase which aim at establishing the membership network not only on the producer side but also on the consumer side

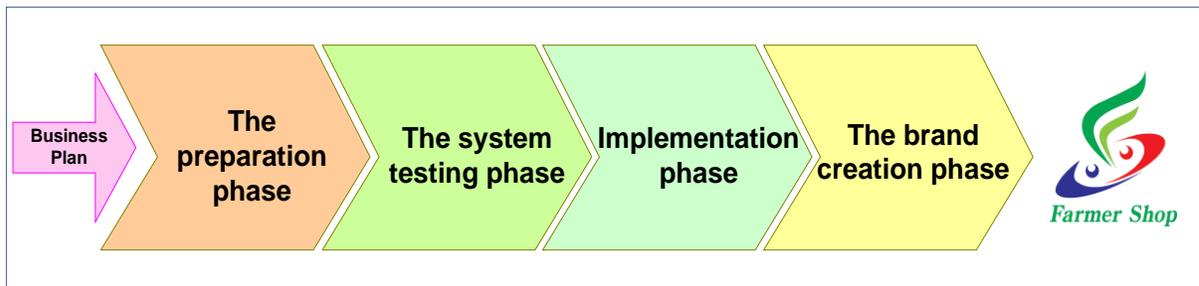


Figure 2: The Establishment of the Farmer Shop Project

5. Research Results:

In the first step during the 1st year, the vision of the new business model of “Farmer Shop” has been initiated as “The retail store that producers and consumer are mutual owner” and the mission of the Farmer shop’s business model has been indicated to employ supply chain management through its’ strategic partners who agree with mutual Interest in good quality products at the fair price to sustain consumer trust and long-term business.

There have been altogether 224 cooperatives, community-based enterprises, SMEs, and OTOP and 567 various products which were selected to participate in the project. The Farmer Shop in cooperation with its associates has engaged in a number of roadshows to promote the Farmer Shop goods which have been well supported by the customers. This created another marketing channel for the products and reduces marketing costs for 10 percent of the revenue.

The vision of the Farmer Shop is “The Retail Store that Producers and Consumers are Mutual Owner”. The mission of the Farmer Shop is to bring supply chain management through the farmer shop’s business system in order to active the target goal of fair trade and make Farmer Shop to be a reliable brand for customers.

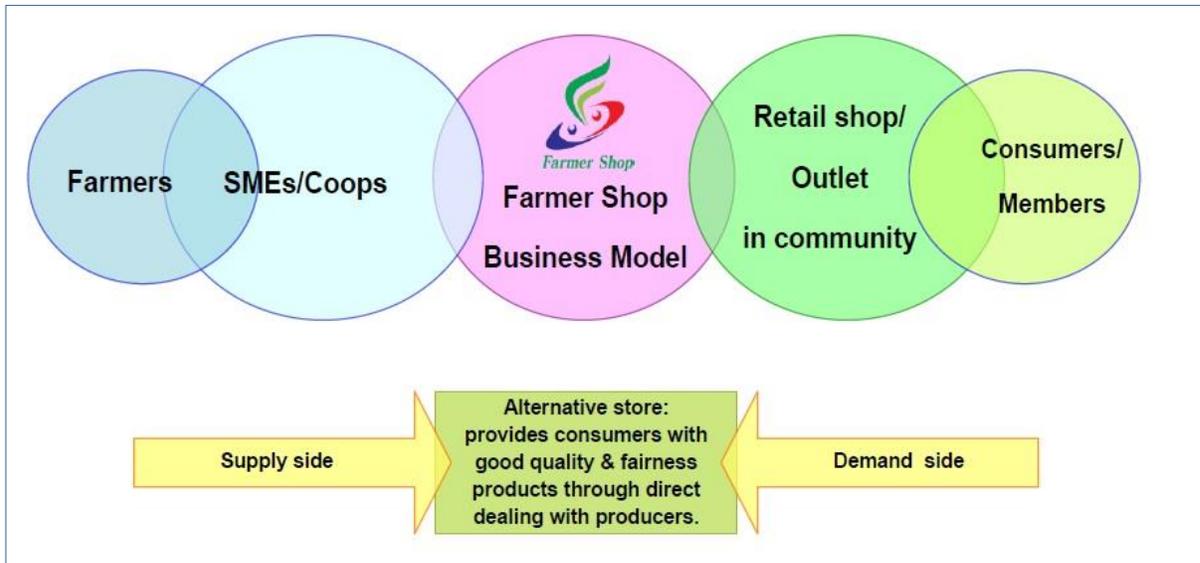


Figure 3: Farmer Shop Business Model

The research results of the first phase show the new business model that has rearranged the relation of supply chain into alternative solution of SMEs/Co-ops to access the new market and consumers group with their community and beyond. On the other hand consumers can access the quality goods at the fair price and able to help supporting the small farmer through their consumers

6. Research Findings

Figure 4 describes 5 core value which result from the supply chain management under the Farmer Shop Model

1. The demand creation for local farmers' products through raw materials procuring mechanism by the local co-operatives, OTOP, and SMEs under Farmer Shop network. This process will reduce the problem on market accessibility and low bargaining power of local farmers. Ultimately, this producer's network will lead to the development of infrastructure that supports food security policy of Thailand under the international free market environment.

2. The capacity building for the OTOP and cooperatives' entrepreneurs through the understanding of product development, logistic management and learning and sharing conference which will enable these entrepreneurs to improve the quality of their goods and their competitiveness. Moreover, the product standardization of the Farmer Shop will help building trust for consumers and the brand royalty in the farmers' goods.

3. The advocacy campaign for consumers on food safety and healthy foods within the Farmer Shop’s consumer networks. Two key advocacy campaigns are to promote consumers’ awareness on the necessity for safe and healthy foods as well as the fair trade philosophy through the organization of series of events. Consumers will learn that they can mutually utilize the Farmer Shop membership network to buy the products at the increased bargaining power.

4. The retail store management system in the form of “community retail shop” can be the alternative solution for small and medium producers to access to the market and consumers groups within their community and beyond. On the other hand, consumers can access the quality goods at the fair price and able to help supporting the small farmers to continue their operation under intense market conditions. The complete Farmer Shop model will be scale-up and extend to various community shops across the country in the future. This process will help sustain the creative business model that support local community’s sustainable economy.

5. The Farmer Shop Model will lead to the system of value and fair trade society. The model will establish social movement that inspires individuals and society to aware the value of fair trade and also open up the opportunity for farmers and agricultural institutes as well as SMEs, consumer groups, practitioners and researchers to coordinately create the alternative business model for their local community. This opportunity will also have an ultimate goal to utilize the Farmer Shop mechanism as a symbol for the social movement that will sustain the value system of Fair Trade in the society not only at the local level but also at the national level in the future.



Figure 4: Five Core Values of the Farmer Shop Business Model

Moreover, the knowledge sharing forum based on the integrated supply chain management has stimulated awareness and paradigm shift on sustainable development practices. Such concept can support entrepreneurs on the design of production plan, quality development, customer trust with regard to their ultimate goal of “the development to value system and Fair-trade”.

7. Conclusion:

The result showed that the cooperation in driving the Farmer Shop can help enhancing the power of negotiation of the members and reduce the marketing cost by 15-20%. In addition, it can create more opportunities and marketing channels for SMEs and farmer enterprises.

The Farmer Shop has set up the new conceptual framework for integrated supply chain management based on the cooperation with others to reach the goal of value system, Fair-trade, and sustainable development. It will bring about a new creative business model that can give value-added to Thai agricultural products and systematically address a number of challenges in the global market as well as the domestic constraints. Furthermore, it will reduce the limitations and strengthen the agricultural sector in order to achieve the sustainable development as expected.



Prototype shop at Kasetsart University, Bangkok



Prasart Agri. Co-op Ltd., Surin Province

8. Policy Recommendations:

The research project has identified the following policy recommendation for the related agencies that concern the alternative approach to achieve fairness business system.

1. Establish the Farmer Shop Association among supply-side network that will support sustainable competitiveness for business enterprises.
2. Develop the smart entrepreneurs training center for small-sized entrepreneurs and co-op leaders.
3. Promote the “Farmer Shop Business Model” as a Food Hub in various communities to increase the agriculturist’s income and community’s prosperity.
4. Establish of Farmer Shop Outlet as the marketing learning center in various locations.
5. Advocate Farmer Shop’s knowledge through public domain to stimulate public awareness on fair trade in Thailand.

9. Future Research Opportunities:

In the future, the following research challenges will be pursued of 3rd phase are;

- 1) How can Farmer Shop contribute to increasing the agriculturist’s income and community economy?
- 2) What are the core values of Farmer Shop that can support the success of fair trading in various communities?
- 3) How Farmer Shop’s method can help people recognizing the importance of food safety, ecological-friendly production and fair trade awareness?
- 4) What are the necessary infrastructure and governmental policies that promote fair trading in Thailand?

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