



**Asia-Pacific
Economic Cooperation**

2022/CTI/WKSP10/009

Session 4

Small Farms in Thailand Chicken Supply Chain: Critical Issues and Gaps

Submitted by: Rangsit University



**Workshop on Opportunities and Challenges
for Global Value Chains During the COVID-19
Pandemic and Post-Pandemic Economic
Recovery
13-14 October 2022**

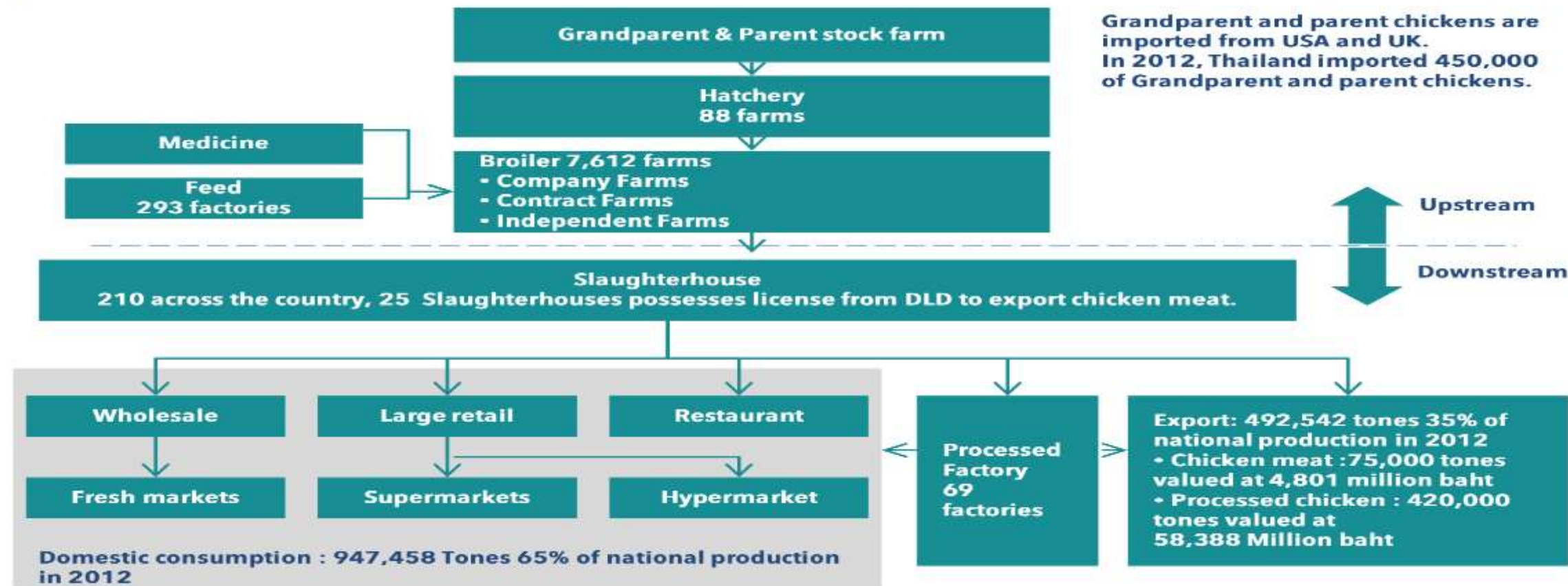
Small Farms in Thailand Chicken Supply Chain: Critical Issues and Gaps

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Objectives

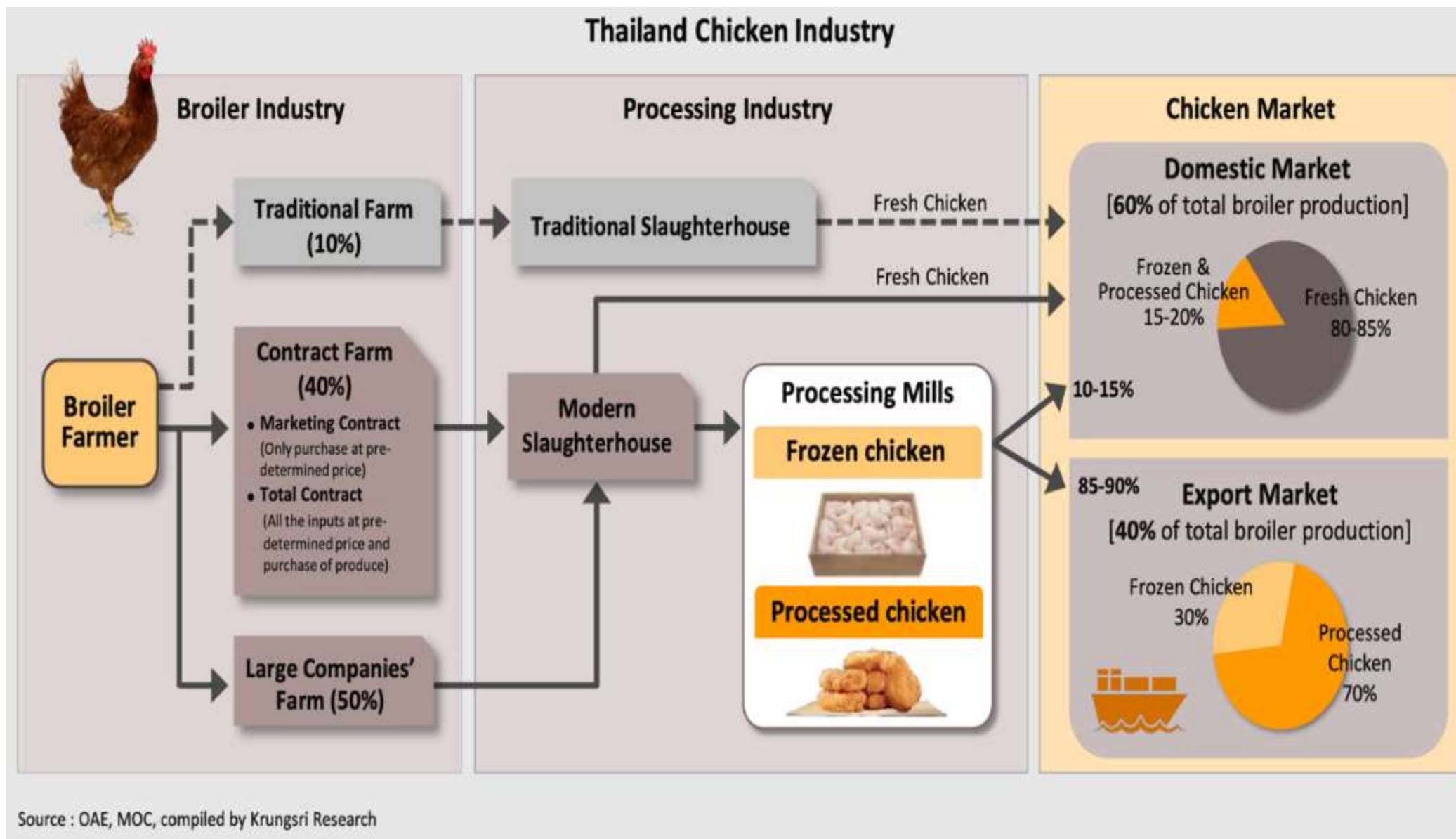
- What is wrong with Stakeholders analysis?
- Plight of Small farms and society: Critical issues
- Issues related to integration into GVC for small farms

Figure 6: Value chain map



Source: Calculated from Department of Livestock Development, Office of Agricultural Economics data, and Na Ranong, 2008

Source: Cheschuda Cheuosuwan. *Frozen and Prepared Chicken*. 2018. Retrieved August 3, 2020, from <https://www.krungsri.com/bank/getmedia/5c20e5d7-92d4-41c2-b5>



This structure has changed a lot

- Large businesses control input, marketing and export
- Emerging medium size farms are under control of large ones
- Small farms are trapped in the vicious cycle– only innovative farms will be able to find their own small niche markets (education; income; capital investment are key factors that lead to better future)

Stakeholders analysis– commercial aspect

Power	Interest (stake)	
	High	Low
High	Charoen Pokphand Foods PCL. Betagro Public Company limited Saha Farms Company limited Cargill Siam Limited Thaifoods group public Company limited GFPT Public Company Limited Laemthong Food Industry Co., Ltd Major Foreign buyers	DLD; foreign NGOs; media
Low	Organic farms, new breeds, contracted farms, alternative	Home grown chicken “farms”

Discovery (1) What is wrong with Stakeholders analysis in theory?

Power	Interest (stake)	
	High	Low
High	Need to manage closely	Keep satisfied
Low	Keep informed	Monitor

What do you think?



Priority issues

- Forest fires, deforestation and land-use change \leq poverty
- Air pollution
- Agrochemical use and Contamination– IPM?
- GHGs emissions from LULUCF and logistics
- Land erosion and sedimentation
- Oligopolistic market power– Price Leader model
- Political influence over policies of large firms
- Fair prototype contract

Discovery 2: Priority issues

Issues	Key Stakeholders
Forest fires, deforestation and land-use change <== poverty	Small producers of corn (induced by large agribusinesses)
Air pollution	From forest fires caused by small holders
Agrochemical use and Contamination– IPM?	Small farms?
GHGs emissions from LULUCF and logistics	Small operators
Soil erosion and sedimentation	A result of shifting farming
Oligopolistic power– price leadership	Large ones
Political influence over policies	Large ones
Fair contract?	Large/ medium over small ones

Food safety

- The Department of Livestock Development (DLD) in 2018 launched a “Livestock OK” label for chicken meat, duck meat, fresh chicken egg, fresh duck egg and quail egg. This is to facilitate consumers’ choice. The labeling system is based on four principles: standard GAP farms, standard slaughter houses, hygienic outlets and traceability. Now, over 7,000 outlets in all provinces receive such a label. Tesco Lotus is the only giant outlet that receives **Livestock OK** in all 2,000 outlets.
- <https://www.thairath.co.th/news/local/1942701> accessed on October 9, 2020.
- **Concerns are among small farms**



Small holders

- Field surveys and interviews with stakeholders in the chain reveals that market power (i.e., market share in local markets) is often shared. Local agribusiness in specific areas, such as district and provincial levels, may become a fierce rival of larger competitors. Kor Kankaset in Nakornanyok Province, and Betagrow in Loburi Province, for example, thrive over CP in these local markets. Several interviews in those areas tried to answer why that was possible?
- This is possible given the local firm's familiarity of local markets, such as preference and customs, accustomed producers and distributors—and even aggressive turn around in conducting business such as the case of Betagrow.
- We tried to find out why Betagrow in Loburi was more prominent in the province. And, why Betagrow in Nakorpathom made a swift offer that matched, and added more, returns than that of CP to a key informant. This aggressive move elevates its market status and shares of Betagrow in Loburi, an informant working in Bank for Agriculture and Agricultural Cooperatives (BAAC) in Loburi revealed to us. Two small distributors in Baanna District, Nakornayok Province were doing well because of local ties and trust that was built over the years.

Small farms

- But at a provincial level, there are more than one big player. A former 12-year employee of CP in Baanmhor, Loburi decided to establish his own enterprise, and he has been doing very well, on his own feet. We were told and introduced to him by the key informant at BAAC Loburi Branch.
- Go organic— Tankhun Farm: a new strategy to fulfill niche markets
- Go back to improved native breeds— Korat breed
- One researcher lamented: the Big Ones leave nothing for others.....



Discovery 3: Oligopolistic power

- Top all the issues is the oligopolistic structure of the industry
- Control of the whole supply chain leaves very little room for others, especially the small ones, to enter, survive and prosper

Integrating small operators into GVC?

- Yes
 - Raise standards
 - Enlarge markets
 - Higher returns?
- No
 - Capital requirements
 - Capacity?
 - Business goals?
 - Thin margin

Fair contract

- Very problematic for small farms that enter into a contractual arrangement with medium- and large- size farms
- Unfair pricing and discounts
- Capital investment remains problematic for small farms

What is the future?

Q&A