

Thailand

Highlights of consumer co-ops

- ✓ Fierce competition with private retailers
- ✓ Striving to rebuild a Community co-op

1. Co-operative movement in Thailand

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The first co-operative law in Thailand, Amended Associations Act, was enacted in 1916 to facilitate the registration of farmers co-operatives. This Act remained in effect until 1928 and it was replaced by the Co-operative Act which allowed the formation of other types of co-operatives.

According to the Co-operative Act, co-operative movement of Thailand is vertically structured in a three-tier system; primary, provincial federations and national federations.

The co-operatives in Thailand are governed by the Ministry of Agriculture and Co-operatives (MOAC). MOAC has two specified departments for co-operatives, i.e. Co-operative Auditing Department and Co-operative Promotion Department. At the same time, the Bank for Agricultural and Agricultural Co-operatives (BAAC) has a strong connection with the Ministry of Finance, as a state enterprise.

The Co-operative League of Thailand (CLT) was established according to the Co-operative Act in 1968 as the national apex body of the co-operative movement and affiliates all sectors of co-operatives as members.

All co-operatives in Thailand become the members of CLT automatically, including national level, provincial level, primary level as well as multi provincial co-operative societies.

The major function of CLT is to develop and promote all co-operatives. The CLT is a Juristic Person.

The CLT is one of national co-operative organizations, and at the same time the apex non-governmental organization. It is the national confederation of the co-operative movement in Thailand and is the sole organization dedicated exclusively to promote co-operatives in the country.

The other national co-operative

Co-operative movement in Thailand

1. Co-operative movement in Thailand (contd.)

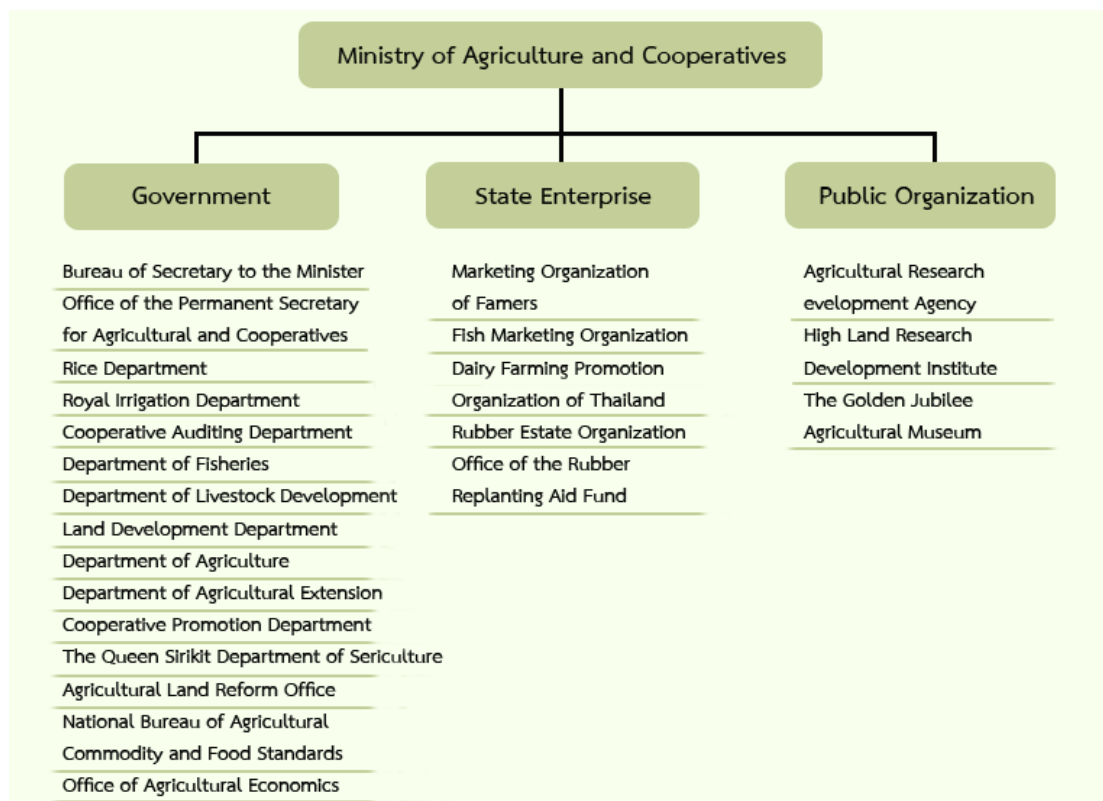
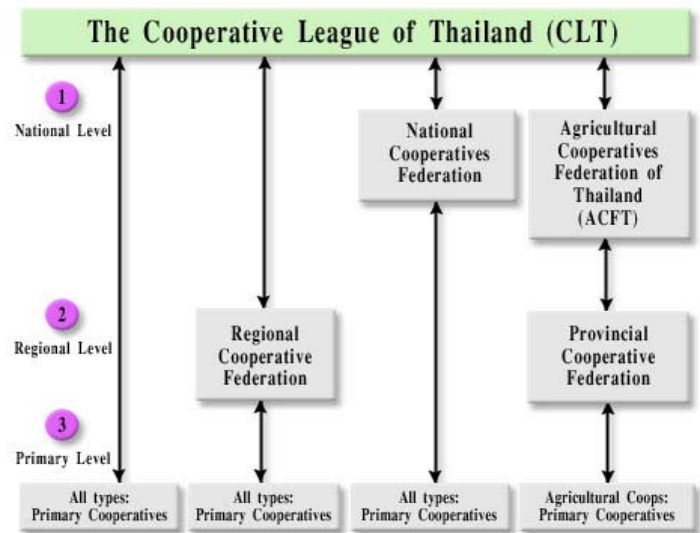
organizations, which are established under the present Act, are:

- ✓ Agricultural Co-operative Federation of Thailand Ltd.
- ✓ Federation of Savings and Credit Co-operative of Thailand Ltd.
- ✓ Credit Union League of Thailand Ltd.
- ✓ Consumer Co-operative Federation of Thailand Ltd., and
- ✓ Bus Service Co-operative Federation of Thailand Ltd.

These national co-operative organizations are different from the CLT, functioning mainly on business activities for the benefit of their member co-operatives.

As of 30 September 2011, the CLT is affiliated by 7,837 co-operative societies, at all

levels, serving over 10,563,375 members of all sectors of co-operatives.



Outline of consumer co-ops

2. Outline of consumer co-ops

2.1 Status of Co-operatives in Thailand

Types of Co-operative	Status of Co-operatives											
	New Establishment			Regular Performance			Cancellation			Total		
	Co-ops	Federations	Total	Co-ops	Federations	Total	Co-ops	Federations	Total	Co-ops	Federations	Total
Agricultural	181	7	188	3,504	85	3,589	572	12	584	4,257	104	4,361
Fishery	11	0	11	70	2	72	18	0	18	99	2	101
Land Settlement	0	0	0	92	0	92	4	0	4	96	0	96
Thrift and Credit	59	3	62	1,307	4	1,311	79	0	79	1,445	7	1,452
Consumer	6	0	6	189	3	192	77	0	77	272	3	275
Service	219	0	219	778	3	781	111	0	111	1,108	3	1,111
Credit Union	39	1	40	399	1	400	1	0	1	439	2	441
Total	515	11	526	6,339	98	6,437	862	12	874	7,716	121	7,837
	Active 6,963						Non Active 874			Total 7,837		

As of 30th September 2011



2.2 Summary of Thai consumer co-operatives

According to the data of the Co-operative Promotion Department, the number of consumer co-ops decreased to 190 in 2012. This figure is 4.1% less than in 2011.

With the increase of the competition with the private retailers, consumer co-ops are facing with managerial and financial problems. Some are even bankrupted.

CCFT is not an exception and its sales are also affected. During the year ended 31st March 2011, its turnover was 212,536,839 TBH.

This figure is the total sales of the products. 10% of the figure is the sales of Co-op brand products. CCFT has a predicament that the total sales of products is decreasing faster than its increase of Co-op brand products.

2.3 Consumer Co-operatives in Thailand

Consumer co-operatives are formed by consumers with the purpose of purchasing goods at a reasonable price and at a guaranteed standard of quality. Consumer co-operatives in Thailand are legal bodies, registered under the Co-operative Act, and their members are shareholders.

Members voluntarily invest the share capital to their consumer co-operatives to fulfill their needs. In this way, the members try to achieve a better way of purchasing goods.

<Background>

The first co-operative retail store in Thailand was established in 1937, in a village in Sena district, Ayuthaya province. After that, consumer co-operatives spread all over the country.

<Objectives of Establishment>

Consumer co-operatives are generally operated according to the following objectives:

1. To provide members with beneficial goods and services;

2. To sell members' produce and products in co-operative stores;
3. To promote and disseminate co-operative education among members;
4. To promote practices of savings, spirit of self-reliance and mutual help among members;
5. To cooperate and collaborate with other co-operative organizations within and outside the country;
6. To undertake any other businesses consistent with the above-mentioned objectives.

<Consumer Co-operative Federation of Thailand Ltd. (CCFT)>

CCFT is the apex organization of the consumer co-operatives in Thailand. It operates under the Co-operative Act. According to the data of 31 March 2011, CCFT has 123 consumer co-operative societies as affiliates. CCFT's share capital accounted for 603,000 BHT and turnover was 212,536,839 BHT.

(1 US \$ = 30.69 BHT approx.)

Its affiliates include university co-ops. The share capital to become a primary society co-op member differs with the type of consumer co-operatives, which is 100 BHT for local retail coops and 10 BHT for university co-ops. CCFT also develops Co-op brand products.

<Business Operations of consumer coops >

As in other sector of co-operatives, consumer co-operatives are based on the democratic control of their members.

As it is impossible for all members to manage co-operative stores, representatives are elected as Steering Committee members to look after the co-operative business.

The number of Steering Committee members depends on the co-operative's by-laws and what is appropriate to the co-operatives. Us-



ally, the number of Committee members ranges from 10 to 15 persons.

The Steering Committee supervises all activities according to co-operative laws and regulations, resolutions of the board of directors, and

Consumer Co-operatives in Thailand (contd.)

other appropriate ways to ensure good results for the co-operative stores and coop members. The Committee is formed by the representatives of coop members.

To effectively manage co-operative stores, the board of directors hires professional managers to operate the co-operatives. Their mandate is to effectively serve members and customers.

Depending on the workforce and budget, the management may recruit staff with the consent of the board of directors.

Consumer co-operatives strive to provide services for both members and non-members according to the principles of the Rochdale pioneers

<Working Capital>

Consumer co-operatives have the working capital from the following sources:

- 1) share capital from members;
- 2) member deposits;
- 3) reserve funds and other funds;
- 4) loan funds;
- 5) grants or donations.

Co-operative stores are required to maintain adequate working capital to purchase products and materials that meet members' needs.

<Benefits of Members>

The following are the benefits of consumer co-operative members:

- 1) Members are assured to purchase fair priced and good quality products.
- 2) Annual profits are shared by members (shareholders) in the form of dividends on shares and rebates on the purchase.

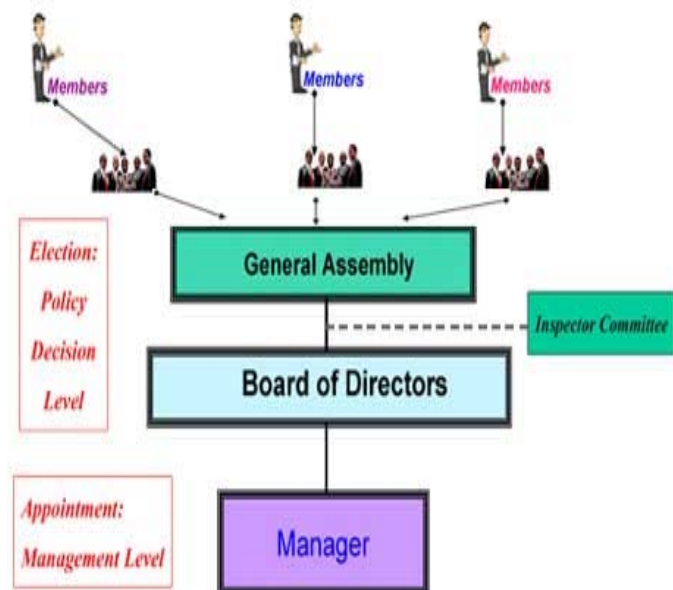
The rate of rebate is calculated based on the amount of purchases made by the member over

the year. Through cash purchase, co-operative stores can stabilize cash flow and are able to purchase goods at lower price. At the same time, members can learn an appropriate attitude towards money spending and saving. Considering the prescribed benefits, consumer co-operatives are considered to be a socio-economic enterprise dedicated to improve members' quality of living.

<Co-op Brand Products>

CCFT started to sell Co-op brand products in 2005. During the first two years, CCFT sold Co-op products developed by agricultural coops. Then, it started to develop its own Co-op brand products from 2007. The first Co-op brand product was sugar and later detergent and water were developed.

Structures of Primary Co-operatives in Thailand



Consumer Co-operatives in Thailand (contd.)

Currently, CCFT develops and sells Co-op brand products in 7 categories; i.e. sugar, coffee, toilet paper, rice, water, detergent and plastic bags.

The price of Co-op brand products is not so different from national brand products. The reasons why CCFT cannot set the price of Co-op brand products lower than national brand products are as follows:

- 1) price of products such as rice and sugar is fixed by the government,
- 2) lack of a mass collective purchasing power of CCFT member societies,

- 3) oppression by big private retailers.

Although the prices are not competitive, Co-op brand products are supported by its members and the sales are gradually increasing. CCFT plans to expand the variety of Co-op brand products in future.

CCFT also sells soy sauce and fish sauce products as sub-brand products. These products are not Co-op brand products, but are specially produced in collaboration with the manufacturers.



3. Representative co-operative society

Krungdeb Consumer Co-operative Ltd.

Krungdeb Consumer Co-operative (formerly Bangkok Co-op) was founded on 23 March 1939 with 493 members. It is the biggest consumer coop in Bangkok.

Its main objective is to promote thrift among members and to assist them regarding fair trade.

During the World War II, its business shrank and faced financial difficulties for a few years. It was then sold out and moved to the current 2 story premise at Jakkrapong Road, Banglumpoo, Pranakorn, Bangkok. Its sales gradually increased again and it expanded by opening 3 more branches at Pinklao, Ladya and Ekamai.

In fiscal year 2011, Krungdeb Co-operative Store supplied products and services to members and public for total value of 220,595,016 BHT.

Pinklao Branch is the second biggest store, with 2,000m² of floor space. The store sells dry & chilled groceries and non food items. It also sells some “Royal Project” products.

The rate of dividend to share capital paid by the store was 4%, while the refund (as purchase rebate) was 2.8% (average bank rate 3%).

The Co-op provides space, in and outside of the store, for its members and co-operatives so that they can sell their products.



Co-op Brand Toilet Paper



Pinklao Branch



Space for Co-op Members



Royal Project Rice

Outlook of Thai retail market

The total sales of retail market in Thailand was estimated to be 1.4 million TBH (40% modern trade and 60% traditional trade) in 2010.

Traditional trade retailers are so called Mom and Pop stores. They are street ven-

dors and wet markets.

As for the modern retailers, their categories are defined according to their size and method of purchasing. There are approximately 500 modern supermarket stores operating in Thailand.



4. Problems and Future Visions

4.1 Problems of Consumer Co-operatives in Thailand

1. <Problems of CLT>

- ✓ Losing faith of co-operative members

The most important problem of CLT is losing faith of co-operative members. This problem has been with them for a long time. It causes a lot of complications especially the refusal to pay subscription fees to CLT and the resistance to participate in CLT's activities. Even though CLT has been trying to solve the problem, there are still some factors that make it difficult such as financial deficit, co-operative law enforcement, political conflict and organization structure.

- ✓ Decentralization of CLT

According to the present organizational structure, CLT has centralized all of its work with the office in Bangkok.

However, since more than 7,000 co-operatives in Thailand are spread all over country, centralized structure is not an effective way to function. CLT has been trying to recover the faith of its members through a plan to set CLT provincial offices, conducting surveys and listening to the problems/needs of its members.

2. <Problems of Consumer Co-ops>

- ✓ Managerial problems

The biggest problem of Thai consumer co-ops is lack of competitiveness. The sales and profit of both CCFT and its members are decreasing every year because of weak business management. Consumer co-op stores were the Shop of the community in early days, but now situation has changed drastically. With the increasing hard competition with private retailers, some consumer co-ops are almost bankrupt..

- ✓ Inaccurate data

The second problem is lack of accurate facts and figures. According to the data of Co-operative Promotion Department, the number of consumer co-op members in 2011 was 766,153. This figure has an increase of 1% compared with the previous year. However, CCFT's data is different and the membership is decreasing every year. One of the reasons why the figure is not accurate is because the government does not exclude "non-active members". CCFT estimates that only 30% of government data members are currently active.

Problems and Future Visions

✓ Lack of government support

Another problem is indifference of the government to consumer co-operatives. Although consumer co-operatives are in difficulties, the government does not have a specified strategy to change the situation. The government is more inclined to develop agricultural co-operatives.

✓ Less bond with the Community

When the consumer co-operatives were strong, their shops were closely connected with the community. Now with the harsh competition, consumers choose private retailers as a place of their daily shopping.

4.2 Future Visions

CCFT sets up 4 missions as its future visions:

1. Increase buying power
2. Profitability
3. Raise government's support and assistance
4. Contribution to the development of Community.

CCFT considers the last one as the most important mission of Thai consumer co-operatives. CCFT and its members are continuously striving to regain the trust of co-op members as the Shop of the Community.

5. Relationship with the Government

Relationship of CLT with the government

The roles of CLT are defined in the Co-operative Act as follows:

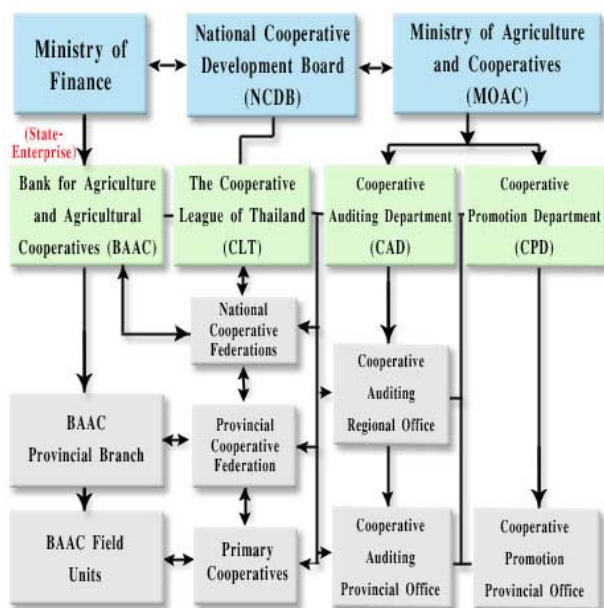
There shall be the “Co-operative League of Thailand” consisting of members which are co-operatives, and having as its objectives the promotion of affairs of every type of co-operative throughout the Kingdom to attain prosperity without acquiring profits or income for sharing among themselves..

The Co-operative League of Thailand has the power to do and act within the scope of its objectives as specified in section 108.

The section 108 includes phrases that describe CLT's relationship with the government:

- 2) Giving technical advice and assistance to co-operatives and facilitating communication and coordination among co-operatives and Government agencies or other persons,

- 9) Co-operating with the Government in the promotion of co-operatives for genuine and real benefits to them in general.



Relationship with the Government (cont'd)

Thus, the relationship between CLT and the government is good and strong. In addition, the government provides subsidies to the CLT for promotion of co-operative movement in the country.

Relationship of CCFT with the government

Consumer co-operatives in Thailand are independent and do not receive any financial support from the government.

The government's priority in setting the policy of co-operatives is more inclined to agricultural co-operatives. Thus, agricultural co-operatives have a priority.

CCFT emphasizes the importance of strengthening the relationship with the government. It has included in its future vision the importance of increasing government's awareness towards the activities of consumer co-operatives.

6. Basic Information on Thailand

Name	: Kingdom of Thailand
Capital	: Bangkok
Largest city	: Bangkok
Government	: Unitary Parliamentary Constitutional Monarchy
Area	: 513,120 km ²
Population	: 66,720,153 [2011 estimate]
GDP (PPP)	: \$616.783 billion [2011 estimate]
Currency	: Thai Baht (THB)



From: Wikipedia

