Final Report

Strengthening the Export Capacity of Thailand's Organic Agriculture

An Asia Trust Fund Project implemented with technical assistance from the International Trade Centre (UNCTAD/WTO), Geneva, Switzerland, co-funded by the European Commission, in cooperation with the National Innovation Agency, Ministry of Science and Technology, and the Ministry of Agriculture and Cooperatives, Thailand

Strengthening the Export Capacity

of

Thailand's Organic Agriculture

Final Report

August 2006

An Asia Trust Fund Project implemented with technical assistance from the International Trade Centre (UNCTAD/WTO), Geneva, Switzerland, Co-funded by the European Commission, in cooperation with the National Innovation Agency, Ministry of Science and Technology, and the Ministry of Agriculture and Cooperatives, Thailand

by

Wyn Ellis
Vitoon Panyakul
Daniel Vildozo
Dr Alexander Kasterine

Project No: TA/A1/01A

TABLE OF CONTENTS

Acknowledgements **6**

Executive Summary **7**

A National Action Plan for Organic Agriculture: Summary of Recommendations **9**

1. Introduction **11**

1.1. Background and project objectives 11
1.2. Study methodology 12
1.3. Development of organic agriculture in Thailand 14
1.4. Current situation 16
1.5. Land area and number of farms under organic production 16
1.6. Volume and value of production 18

2. Organic actors and producers **19**

2.1. Overall structure 19
2.2. Private sector producers 19
2.3. Grassroots support groups and cooperatives 20

3. Regulatory framework and organic certification **22**

3.1. Policy / regulatory framework 22
3.2. Organic certification in Thailand 24
3.3. Public certification initiatives 24
3.4. Thai private certification: Organic Agriculture Certification Thailand (ACT) 25
3.5. Northern Organic Standard Organization 25
3.6. Foreign-owned private certification agencies 25

4. Markets **27**

4.1. Current market for organic crops and farm produce in Thailand 27
4.2. Pricing structure 27
4.3. Distribution channels 28
4.4. Domestic consumer perceptions 29
4.5. Exports 30

5. EU import requirements **33**

5.1. EU regulations on organic imports- Article 11(1) 33
5.2. Control systems for organic agriculture 35
5.3. Revision of EC Regulation 2092/91 37

6. Major challenges faced by Thailand’s organic sector ... 39

6.1. Sector challenges ... 39
6.2. Conversion ... 39
6.3. Production technologies ... 40
6.4. Supply ... 40
6.5. Supply chain logistics ... 40
6.6. Quality ... 41
6.7. Processing ... 41
6.8. Market promotion and advertising ... 41
6.9. Inspection and certification ... 41
6.10. Support mechanisms: training and extension ... 42

7. Recommendations and action plan ... 43

7.1. Introduction ... 43
7.2. Vision and principles ... 43
7.3. Strategy 1: Broaden the production base for organic agriculture ... 44
7.4. Strategy 2: Enhance capacity and streamline the existing regulatory structure ... 46
7.5. Strategy 3: Prioritize research into organic agriculture ... 48
7.6. Strategy 4: Enhance and upgrade training and extension services for organic farmers ... 49
7.7. Strategy 5: Develop the domestic market for organic goods ... 50
7.8. Strategy 6: Expand the export market for organic goods ... 52
7.9. Strategy 7: Establish Thailand as a leader and centre of excellence at regional level ... 53
7.10. Implementation ... 54

Appendix I: Bibliography ... 59

Appendix II: Project fact sheet ... 61

Appendix III: Organic companies ... 62

Appendix IV: Grass-roots organizations ... 67

Appendix V: Persons / organizations consulted ... 74

List of Figures

Figure 1: Project methodology and stakeholder consultation 13
Figure 2: Area under organic agriculture in Thailand 1998-2005.......... 17
Figure 3: National organic quality infrastructure 23
Figure 4: General structure for governmental control systems for organic agriculture in the EU 35
Figure 5: Possible structure for implementation.......... 57

List of Tables

Table 1: Recent chronology 14
Table 2: Categories of organic produce in Thailand (2004).......... 16
Table 3: Production areas (ha) under organic farming by crop, 1998 – 2005 17
Table 4: Ranking of Thailand with other countries.......... 18
Table 5: Production and market value 2003 - 2005.......... 18
Table 6: Key organic producers- private sector companies 20
Table 7: Producer groups and cooperatives.......... 20
Table 8: Overview of organic agriculture policies and programmes 22
Table 9: Organic certification in Thailand.......... 24
Table 10: Price comparison of fresh vegetables in Bangkok supermarkets (Bht/kg).......... 27
Table 11: Results of survey on consumer buying patterns regarding organic produce 29
Table 12: Thailand's organic exports to the EU.......... 31
Table 13: Gap analysis - compliance with EC Regulation 2092/91 36
Table 14: Organic producer groups in the Earth Net Foundation Network.......... 67

Acknowledgements

The ITC Technical Assistance Team wishes to express its sincere thanks to all those who contributed to this study. In particular, the Ministry of Agriculture and Cooperatives and Ministry of Science and Technology provided their full cooperation, and the National Bureau for Commodities and Food Standards was highly supportive of the work of the team. The team also acknowledges Green Net's kind assistance in providing much of the statistical data quoted.

The director and staff of the National Innovation Agency, Thailand provided outstanding support in coordinating and facilitating all workshops, training courses and media events relating to this project, and the International Institute for Trade and Development provided valuable assistance in co-organizing the Final Round Table. The team is also most grateful to the ITC-EU Asia Trust Fund, whose financial contribution made this project possible, and to all the expert resource persons and facilitators for their excellent presentations and dedicated hard work at the various workshop and training fora. Finally, the team extends its thanks to the many stakeholders in the public and private sectors, individual growers and exporters, academia, non-government organizations and the international community, whose expert opinions we have sought to capture in this report.

The project team may be contacted as follows:

Dr Alex Kasterine (Project Director)
International Trade Centre
Palais de Nations
Geneva 10, Switzerland
Tel: +41 22 730 1111
Email: Kasterine@intracen.org

Mr Wyn Ellis (Team Leader)
c/o National Innovation Agency
73/1 Rama VI Road, Rajdhevee
Bangkok 10400, Thailand
Tel: +66 2 644 6000
Email: wyn@nia.or.th

Mr Supachai Lorlowhakarn
Director
National Innovation Agency
73/1 Rama VI Road, Rajdhevee
Bangkok 10400, Thailand
Tel: +66 2 644 6000
Email: supachai@nia.or.th

Mr Kunawut Boonyanopakun
Project Coordinator
National Innovation Agency
73/1 Rama VI Road, Rajdhevee
Bangkok 10400, Thailand
Tel: +66 2 644 6000
Email: kunawut@nia.or.th

Context

This report has been prepared by the ITC Technical Assistance Team to provide a background to the current state of play of organic agriculture in Thailand, and offers an assessment of key issues for the supply chain, including production, marketing, research, training and extension services, institutional framework and support systems, and import requirements of the EU.

The report is based upon an earlier benchmark survey and literature review, combined with an extensive stakeholder consultation process over a 12-month period. Based on the outcomes of this feedback, the report makes a number of recommendations in support of a national action plan for organic agriculture to foster growth of the export sector, enhance coordination between government agencies, and strengthen Thailand's government control systems.

Policies and regulatory framework

Thailand's Cabinet has repeatedly endorsed its support for organic agriculture and allocated significant budgets for a number of national-level projects and initiatives, under a National Organic Agenda. In 2002 the Department of Agriculture established the Organic Crop Institute and approved "Organic Thailand" as a national logo. In 2002, the National Bureau of Food and Agricultural Commodity Standards was established, national organic standards defined and a certification system set up. However, despite this rapid progress on both production and regulatory fronts, significant constraints remain within the accreditation and certification systems, and for producers and exporters. Further improvements are needed to achieve recognition by EU of a national level Competent Authority in Thailand. This would be a first step towards inclusion of Thailand in the EU's "Third Countries list" of exporters, which will greatly streamline procedures for organic exporters and stimulate the export market.

Certification and control systems

Certification bodies in Thailand fall into 3 categories: Thai government bodies, Thai private entities, and foreign entities, with around 50% of organic farmlands certified by foreign companies in 2004. The Department of Agriculture offers a free certification service, but there is currently only one Thai-owned private certification body. Organic accreditation has been offered by the National Bureau of Food and Commodity Standards since 2004.

Production and markets

The global organic market has grown rapidly in recent years- with a 2004 value of US$26 billion, projected to reach US$100 billion by 2010. The European Community's organic food market was estimated at US$ 8 billion in 2004 and is the world's largest single market. However, this growth has begun to slow in some developed countries, due partly at least to increased competition.

Thailand has been a major exporter of tropical fruit and vegetables to European markets and is recognized as a source of reliable and quality products. Thailand's organic sector is small but has also grown very rapidly over the past 5 years in line with the global trend, due to growing consumer consciousness, crisis in the farm sector, and environmental concerns. In 2005 the Thai organic market was valued at US$ 23 million, up 145% from US$ 9.4m in 2002. In 2005 there were approximately 21,701 ha of certified organic (up by > 900% from just over 2,100 ha in 2001). In value terms, the domestic market has increased relative to the export market, and in 2005 was estimated at Baht 494m, or US$12.4m, with Baht 426m (US$10.6m) in exports.

Rice is the most important crop, followed by vegetables, fruits, corn, then herbs and spices. Thailand exports the bulk of its organic produce to EU, with the remainder destined mainly for Japan, US and Singapore. The majority of organic products approved for export to EU were jasmine rice, certified by Bioagricert, KRAV, ACT, BCS, The Soil Association or Ecocert.

Production is mainly by smallholders, farmer groups or by contract farmers supplying corporate enterprises. Grass-roots NGOs have played a seminal role in promoting the movement, facilitating conversion to organic methods, organizing farmer groups, providing training and marketing support for small farmers, and in certification.

By the end of 2004, many certified brands of organic farm produce appeared in local supermarket and modern trade outlets, particularly in Bangkok. These new entrants led to an increasingly competitive environment, which helped reduce consumer prices. There is increasing integration of the supply chain, and a trend towards increasing dominance of modern trade outlets in marketing organic produce. Today a variety of labels and competing standards is available in supermarkets, which has led to some confusion among consumers.

Exports

Most of Thailand's organic produce is produced for export. Despite its recent rapid growth, development of the export sector is constrained by many challenges. The organic guarantee system is generally not fully understood by organizations promoting organic agriculture. In particular, accreditation and certification are frequently not properly differentiated, and regulations covering organic imports are not well understood even among organic practitioners. The long conversion period stipulated by EU acts as a barrier to participation since it generates major compliance costs for farmers who have little or no support during the transition period prior to receiving certification. There has also been relatively little progress in the areas of agronomy and crop protection for organic systems, with the result that existing organic farming systems still cannot ensure consistent production and regular supplies of fresh produce of guaranteed quality- all essential prerequisites to meet the stringent requirements of export markets.

Challenges

Thailand's organic exports have a strong potential due to fast growth in international markets, particularly in the EU member countries. Thai organic produce (particularly rice and tropical fruits and vegetables) is in particularly high demand. With its comparative advantage in production, Thailand is well-placed to serve the world market. However, the stringency of current requirements presents barriers to participation of smallholders in both export and domestic organic markets. Training, education and support (especially for small farmers for certification and marketing), will all be important drivers of sect oral growth. Review and upgrading of Thailand's regulatory and control systems will also be required to ensure equivalence with EU standards, as a step towards Thailand's inclusion in the EU Third countries list.