

**Compliance and competitiveness in exporting
high value horticultural crops from Thailand
A case study on cost of compliance in
exporting asparagus**

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The Challenges and Opportunities of Sanitary and Phyto-
Sanitary Standards: Cost and Benefits of Compliance

Expert meeting for Asia, Beijing, November 20, 2004

Hosted by the Chinese Government

Sponsored by the World Bank

History of asparagus production in Thailand

- Introduced in 1956 – small scale production
- Promoted in King's project 1972
- Expanded for Japanese market after 1987
(Plaza Agreement – revaluation of Yen)
 - High cost of production in importing countries
 - Direct investment by Japanese company
 - Increasing demand in importing countries
 - Favorable supply conditions in Thailand

Method of promotion asparagus production

Contract farming

- Backward linkage: provision of seeds, fertilizer, pesticides, technical support
- Forward linkage: Logistic service, market guarantee for volume and price
- Major success factor: High shifting cost

Types of contract farming (CF)

- Verbal contract for buying-selling
 - Traditional or informal CF based on “gentleman’s agreement” between company and farmers.
- Direct farming contract
 - A written contract made between company and farmers.
- Middleman-mediated contract farming
 - A written contract made between company and middleman and the middleman recontracts with farmers.

Challenges of high-value vegetable production and export

- Sensitive to pests and diseases
- High input cost, especially seed
- Reduced Maximum Residue Limits (MRL) in importing countries
- Tighter requirements supermarket chains
- Food standards used as NTBs
 - SPS, HACCP, etc
- Needs for CF in high-value vegetable production.

Compliance costs and benefits: Farmers

- Reduction of use of agrochemicals needed
 - Support from Department of Agricultural Extension and private companies
- Increased cost
 - Organic fertilizer
 - Additional time and efforts (3 more hours/day/rai)
 - Preparing natural pesticides
 - Inspecting and removing worms from plants
 - Capping shoots with plastic caps
- 20% reduced production per unit of land
- Benefits: 30% higher prices.
- Increase in net income is about 10-15%/kg

Compliance costs and benefits:

Exporters

- More investment in quality and safety management in packing plants
 - GAP, HACCP, etc
- Hiring more technicians in company labs
- More effective management of contract farming
- Introduction traceability system
- Better logistics management
 - Increase in accessibility to high-value markets

Compliance costs government sector

- Investment in extension and training for farmers, food processors, exporters
- Provision of laboratory services
- Improved inspection and certification services

Positive consequences of compliance

- Development of better management systems
 - Good Agricultural Practices (GAP)
 - Traceability
- Better communication and networking
 - Among farmers: More effective producer groups
 - Between farmers, contractors/traders, and government sectors
- Improvement entire supply chain
- More efficient development of group spirit

Summary and conclusion

- Existing global conditions
 - Standard and quality dynamics
 - Market dynamics
 - Changing consumers' behavior and life styles
 - Changing marketing channels
- Necessity for high-value vegetable exporting countries to cope with global dynamics