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Thailand

Organic Products

Thailand's Organic Outlook

2006

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Report Highlights:
Both Thailand's market and production capacity for organics are increasing. Production is dominated by rice that is primarily exported. The domestic market for organics has an estimated value of $20 million USD in 2006 and is growing at an estimated 12% in 2006 as GDP increases and 15% in the medium term.

Includes PSD Changes: No
Includes Trade Matrix: No
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SECTION I. SUMMARY

A. Executive Summary

As for most countries, organic agriculture is something that was established hundreds, and even thousands of years ago. With the advent of agro-chemicals and farming technology it fell out of favor, but it is making a comeback and is producing high value goods. In Thailand, organic farming re-emerged beginning in the early 1980's after the health and environmental effects of improper use of and heavy reliance on agrochemicals began to manifest themselves. Current organic production is overwhelmingly of rice, with vegetables as a distant second and baby corn standing out. Thailand also produces very small amounts of miscellaneous products such as tea, coffee, fish, herbs and honey. Of the total arable land in the Kingdom FAS estimates that only 160,000 rai are being used for organic farming, which is 0.12% of total arable land. The regulatory environment is decentralized and is composed of a number of private companies, both domestic and international who certify organics that are accredited by IFOAM. The government has created a National Agenda on organics that differs by province. It focuses on rice and in some provinces that already produce high quality rice there are goals to convert up to 80% of paddy to organic. Overall, Thailand is both a market for organics and a competitor, though few organic products are currently being imported at present. As one of the world's largest rice exporters Thailand has a competitive advantage over U.S. organic rice suppliers, but beyond rice and baby corn Thailand does not pose a competitive threat in the global organic marketplace. However, Thailand has the potential to be a competitor in the future as time passes and the conversion time of fields meets international standards, NGOs improve their marketing, and the National Agenda is implemented. Presently Thailand's biggest organics customer is the E.U., which imports organic Jasmine rice, frozen baby corn, spices and limited amounts of produce and other organic products.

B. Advantages and Challenges

Advantages and Disadvantages for U.S. Organic Suppliers

Advantages	Challenges
Organics becoming more popular in Thailand	Organic products not always readily available
Complimentary U.S./Thai growing seasons	Higher transport costs to market and higher product prices
High end importers in hotel, restaurant, and spa industries- U.S. suppliers equipped to provide organic products that cater to patron's/ Western tastes	Thai consumers don't have as much expendable income to pay for organics prices that are higher than non-organic products
U.S. organics products and standards recognized as high quality	Thais are acustomed to locally and regionally grown organic produce and herb varieties that are not grown in the U.S., although they are open to trying new varieties

Government heavily promoting "safety food"	Thai consumer confusion about the meaning of organic- multiple terms being used (hygienic, pesticide- free, safety food)
Market expanding- slowly	Domestic market small- niche
Health and environmental concerns increasingly effecting consumer food choices	With time Thai organics producers will be able to meet U.S. organics standards
Number of "Green Shops" increasing, larger supermarkets carry organics	Organic products not distinguished from non-organics on supermarket shelves
Thai consumers receptive to marketing and promotions	Lack of consumer confidence in organic quality because of a lack of marketing on the benefits of consuming organic products to end consumers
Some areas in Thailand have limited production capacity because of water and manure shortages	Thai consumers not likely to pay premium prices at U.S. levels- issue of profitability and competitiveness

SECTION II. REGULATIONS AND POLICIES

A. Import Restrictions

At present there are no import restrictions specific to organic products. In terms of imported products the Thai government does not differentiate between organic and non-organic food products. Organic products are subject to the same import restrictions as conventional agricultural products. For a summary of these restrictions please refer to report: TH5026 Trade Policy Monitoring Annual, which is available at www.fas.usda.gov. http://www.fas.usda.gov/gainfiles/200503/146119113.pdf

As of now there are no requirements on organic products regarding packaging, labeling, or size, apart from those for conventional products. No documentation is required to “prove” organic claims on imported or domestic products.

B. Tariffs

Tariff rates for organic and non-organic products are equal and have not changed since 2003. Thailand is currently focusing more on bilateral agreements on tariffs than an overall policy changes. Trade policy negotiations with the United States that include tariff rates are still underway, but many tariffs on agricultural products have already been reduced.

Thailand: Applied Tariffs for Agricultural Products in 2003

Chapter	Description	Tariff Changes
01	Live animals	The tariff rate on live cattle, not for breeding is 5%; otherwise it is 30%.
02	Meat and edible meat offal	30-50%.
03	Fish and crustaceans, etc.	5-30%.

04	Dairy products, eggs, honey, etc	Tariff rates on butter, cheese, and curd are 30%
05	Products of animal origin, not elsewhere specified or included	Tariff on only few items was reduced; for example, skin and other parts of birds, down from 35% to 10%.
06	Live trees and other plants; bulbs, roots, etc	Tariff for cut flowers is 54%, while that for foliage, branches, and other parts of plants, without flowers is 30%
07	Edible vegetables and certain roots and tubers	Mostly reduced to 30-40%.
08	Edible fruit and nuts	Tariff on other nuts (almonds, hazelnuts, walnuts, chestnuts, and pistachios) at 50 Baht/kg to 10% or 8.50 Baht/kg. Fresh apples: 10% or 3 Baht/kg. Fresh pears and quinces: 30% or 15 Baht/kg. Otherwise was down from 60% to 50%.
09	Coffee, tea, mate and spices	Mate tariff is 30%, and tariff rates for most of other products were down from 30% to 27%.
10	Cereals	Tariff rate for wheat grains is 0.10 Baht/kg; otherwise is 2.75 Baht/kg.
11	Products of the milling industry, including malt, starches, etc.	Wheat flour tariff is 1.85 Baht/kg, otherwise is 30% or 2.25 Baht/kg.
12	Oilseeds and miscellaneous grains	Tariff on soybeans remain unchanged at 6% or 0.30 Baht/kg; copra - 0.65 Baht/kg); castor oil seed - 5%; low-fat flour and meal of soybeans - 10% or 0.30 Baht/kg). Otherwise was reduced from 35-60% to 23-30%.
13	Lac, gums, and other vegetable saps and extracts	Tariff on most items was reduced from 15-30% to 5-27%.
14	Vegetable plaiting materials, etc.	Bamboo and rattan tariff remains zero; dyeing and tanning materials derived from vegetable remain at 20%; but are otherwise down 35% to 30%.
15	Animal and vegetable fats and oils	Tariff on about 40% of total items in the chapter remain unchanged at 10%, or 1.32 Baht/liter, otherwise down from 30% to 27%.
16	Preparations of meat, of fish or of crustaceans, etc.	Tariff on all meat products originating from livestock and poultry meat remain unchanged at 30% or 30 Baht/kg; fish meat products down from 30% or 100 Baht/kg to 20% or 65 Baht/kg; otherwise remain unchanged at 60%.
17	Sugars and sugar confectionary	Tariff on a few products was reduced from 20% to 10%; cane molasses is 30-40%
18	Cocoa and cocoa preparations	Tariff on cocoa beans is 27%; cocoa butter, fat, and oil down from 10% to 5%.
19	Preparations of cereals, flour, etc	Product preparations for infant who is lactose-intolerance is 5%; some prepared foods, sweet biscuits, waffles, and wafers down from 30% to 20%; otherwise remains unchanged.
20	Preparations of vegetables,	Tariff on all products (including french fries) remains

	fruit, nuts, etc	unchanged at 30%.
21	Miscellaneous edible preparations	Tariff on some products was reduced from 30% to 1-20%.
22	Beverages, spirits and vinegar	Tariff on water, including mineral water and aerated water remains unchanged at 30%; sparkling wine, gin, and geneva down from 60% to 54%; otherwise remain unchanged at 60%.
23	Residues and wastes from food industries, and prepared animal feed	Tariff on meat and bone meals remain unchanged at 1%, fishmeal with a protein level less than 60% unchanged at 6%, soy meal unchanged at 6%. Tariff rates for most of other meals were reduced from 10% to 5-9%.
24	Tobacco and manufactured tobacco substitutes	Tariff on non-manufactured tobacco leave, cigarettes, cigars, and other manufactured tobacco remain unchanged at 60%.

Source: GAIN Report TH5026

C. Certification

Thailand does not have a centralized certification system for organics at this point. To be considered certified organic it is not necessary to be certified by the Thai government even though it is available. Certification through the government is through the Department of Agriculture (DOA) and the National Bureau of Agricultural Commodity and Food Standards (ACFS). However, to be certified through the government as organic each type of product is certified by its respective department: for example, to certify organic beef one must go to the Department of Livestock Development (DLD), but inputs (fertilizers) and soil are certified by the Department of Land Development.

Apart from the government three of the most widely used certification bodies are ACT (Organic Agriculture Certification Thailand), Bioswiss (Switzerland) and Bioagricert (Italy). An important note is that many farmers consider their products to be organic and market them as such, but they are either not certified officially, not actually organic, or are certified by someone without organic authority (such as the local doctor). The lack of a comprehensive certification system reinforces, and is a product of, unclear terminology. For the purpose of this report “certified organic” means certified by an internationally recognized certification body or by the Thai Government as an organic product.

D. Labeling

A product may carry multiple seals or labels from various government agencies or international organizations demarcating different types of certification whether it is for organic, GAP standards, Food Safety or otherwise. There is not a single label that signifies that a product has met organic standards because there is no overarching certification required. Organic products are subject to the same labeling requirements as conventional products and these are described in GAIN Report TH5083- Thailand FAIRS Country Annual 2005, which is available at www.fas.usda.gov.
http://www.fas.usda.gov/gainfiles/200508/146130705.pdf

Despite the fact that there is no labeling required, below are some of the seals placed on produce by the Government of Thailand. Thai government organic standards are not accepted internationally. The ACT seal is an exception; it is not used by the government and is approved by IFOAM so is accepted in many countries. Usually a single product carries multiple seals. Seals from private certification bodies besides ACT are not shown because they are so numerous, but are also seen in the marketplace.

This is the most commonly seen seal in the marketplace. It is from the Department of Agriculture but is not internationally recognized.

Less commonly seen, but still used is this label by the Department of Agriculture.

This is the "Q", or "food safety" sticker image put on products approved by the Department of Agriculture/ Department of Agricultural Extension.

This is the seal for "hygienic" products used by the Department of Agriculture. It denotes the "Hygienic Fruit and Vegetable Pilot Project".

This is the seal of the Ministry of Public Health for "pesticide safe" produce.

This is ACT's seal for organic products that they have certified, often seen with the IFOAM seal.

E. GOVERNMENT SUPPORT

1. National Agenda

The Thai government approved a National Agenda for a Self-Sufficient Economy, which includes organics on January 4, 2005. Importantly, the highly respected and revered H.M. King Bhumiphol Adulyadej endorses this concept. However, this agenda focuses more on reducing chemical usage levels than actually producing and promoting certified organic vegetables for export or otherwise. In the original version of the Agenda organics was not included, but because of a push from NGOs organics were included as a part of the Food Safety action plan. The planning and execution of this agenda involves 26 different government agencies and pilot projects will be carried out in 24 of Thailand's 76 provinces. The total budget for the Agenda is 1.2 billion baht over four years. Within this agenda Food Safety received 400 million baht, of which organics receive only a small portion. The newly appointed Ministry of Land Development will take leadership of managing the Agenda until 2010. The Agenda addresses organic crops, aquaculture and livestock, but in practice it is mostly focused on rice- specifically *Hom Mali* (fragrant rice or Jasmine rice), and vegetables.

The strategy for organics is broken into five components:

1) Public Awareness Campaign- promoting organic farming through radio, television and leaflets;

2) Research- encouraging and funding research for technical innovation of fertilizers, chemical substitutes, packaging and processing, and social economic studies;

3) Network Promotion- strengthening the organic network throughout the country, using network channels for promotion and training. In 2006 the Department of Land Development expects to train 850,000 farmers on using fewer chemicals. They hope that eventually some of them will convert to fully organic farming;

4) Certification of Products and Production Systems- Department of Agriculture (DOA) and the national Bureau of Agricultural Commodity and Food Standards (ACFS) are responsible, the goal is to create more certification bodies and train inspectors;

5) Marketing- promotion of products domestically and internationally;

2. Food Safety Survey

The Organic Agriculture Development and Promotion Group is in the process of surveying the country and categorizing areas into three categories (one, two or three stars) based on how much of the production falls into the "Food Safety" (reduced chemicals) category. Note: this does not include GAP standards or GMO use

∗= 50% of farmland meets food safety standards
∗∗= 50-80%
∗∗∗= 80% or more

Areas that fall into the three star category will be the first to be targeted and converted to organic farmland. This survey is in its beginning stages at present.

3. Extension Offices

Much of the responsibility for in field implementation of this policy falls on provincial Agricultural Extension Offices that are spread throughout the country. Of a provincial governor's budget 35% is from the central government and the governor determines where to spend this money. Some governors are more enthusiastic about organics than others; hence each province has a different target percentage amount of land for conversion to organic. This percentage varies greatly between provinces. A contributing factor is that many government officials have direct or indirect ties to the agrochemical industry. They have vested interest in suppressing organic production or inhibiting further government support for organics.

Some provinces that consider their farmlands unsuited to conversion to organic focus more on increasing the amount of land that can meet GAP (Good Agricultural Practice) standards and think of organic production in any substantial amount a remote possibility. In some provinces a large portion of farmlands can already meet GAP standards, aim to produce "safety food", or have limited chemical use, and provincial offices are in the process of converting these lands into organic farms. The most advanced provinces in organics are Yasothon and Surin where high quality rice has been produced for many years. Their organic production is almost exclusively rice.

Just as Extension Offices vary in their plans for organics, they also differ in the services that they offer to organic farmers or those who would like to convert their farms. Their services include, but are not limited to:

- Providing references for interested farmers to already established farms in the area
- Providing technical education on organic methods and how to prepare bio-fertilizers
- Funding or running organic fertilizer plants and production facilities
- Improving organic seed stocks
- Contributing funds to NGOs that promote organics
- Facilitating organic field trials and pilot projects
- Research and development
- Building small scale organic rice mills for producer groups
- Providing booths at local food and road shows where producers can display and advertise their organic products

4. Good Agricultural Practices (GAP) Standards

The government conversion program is based on the premise that the first two steps to becoming organic are meeting GAP standards and producing "safety food". As articulated by the Food and Agriculture Organization section of the United Nations in a September 2005 workshop in Bangkok GAP standards are outlined as follows:

- Efficient production of sufficient, safe and high quality food and non-food products;
- Sustainable use of natural resources;
- Viability of farming enterprises and contribution to sustainable livelihoods;
- Responsiveness to the cultural and social demands of society.

In provinces such as Chiang Mai, Chiang Rai, Roiet, Mahasarakan and Nakornratchsima, provincial Agricultural Extension Offices are aiming to have widespread GAP standard compliance. Though not all farms that meet GAP standards will become organic, the offices see this step as leading into converting farms to organic production. The practicality of using GAP standards as a stepping- stone to organic is still up for debate.

5. Impact of Government Support

The government policy on organics has been widely criticized for being much too vague to have any practical application and existing mostly for public relations purposes. Farmers are also concerned that the government is encouraging farmers to convert to organic without having a destination market either domestic or abroad. The National Agenda for a Self-Sufficient Economy may have an impact on supporting this type of economy; but when it comes to organics the result will likely be minimal for a number of reasons:

1) Insufficient budget
2) Lack of dedication within the government- there are a handful of devoted individuals, but overall organics does not seem to be a priority in most provinces and as mentioned previously, ties to the chemical industry inhibit progress in organics
3) Absence of confidence/ trust in the government by farmers
4) Complicated structure of agenda- the National Agenda involves 26 organizations across 6 different government ministries. Inevitably, this will lead to inadequate accountability, confusion of responsibilities, bureaucratic delays, and limited execution- especially given the small budget devoted specifically to organics and internal undermining currents
5) Not enough emphasis on developing domestic markets and international marketing

With this said, the National Agenda is still relatively new and has just changed hands to the Department of Land Development, where some of the individuals most dedicated to organics operate. The Agenda has not yet had the opportunity to get off the ground. Additionally, in some cases government ties with the private sector are advantageous to organic production in Thailand because it is a channel through which to sell products produced by government pilot projects and initiatives. As discussed later in this report, some funding is reaching Royal Projects that support organics, organic fertilizer operations and processing plants.

Royal Projects

As mentioned previously, the Royal family has strongly supported the development of organic production as a way to achieve self-sufficiency and sustainable development. The aim is not to export products, but to provide a living, environmental conservation, and a healthy way of life for farmers. Some areas were chosen in order to provide an alternative to poppy growing and other black market activities. There are many branches of the Royal project and one that concerns organics is the Food Bank Project. The military provides services and manpower and the project has outside technical support from Maejo University in Chiang Mai, land from the federal government and some funding from the Office of Agricultural Extension. The project size differs by location, but each farmer is given approximately one rai to farm organic vegetables and herbs. The crops are then sold in the local market at prices equal to "conventionally grown" vegetables. Most families have livestock and rice as well, but from vegetables and herbs alone families are able to earn an average of 2,500 baht per month. The products from the Food Bank Project are not certified as organic, but local buyers know that they are grown without chemicals and consequently they sell quickly in the market. Other aspects of the Food Bank Project are organic fertilizer (effective micro organism) plants and a processing building is under construction for tofu as well as other goods. Although the impact on the market is small, the project does propagate the idea of consuming organic goods and has been successful. It appears to be much more organized than government initiatives and dedication to the lifestyle is supported by loyalty to the Royal Family. The Royal Family is more trusted than the Thai government, and therefore puts them in a better position to execute organics projects. Another such Royal Project is the Doi Tung Development Project north of Chiang Rai. It has many products, but the organic coffee and tea produced there is sold at a coffee shop chain of the same name that is popular with Thais and ex-pats alike.

SECTION III. CONSUMPTION AND MARKET SECTORS

A. Consumption

Organics consumers tend to be middle-aged women with children who work in professional jobs, live in urban areas, and earn a mean income of 25,000 Baht ($606 USD) per month (Source- Asian Institute of Technology, Jane Nelson). The main reason that consumers choose organics is for health reasons, and less frequently for environmental and natural resource conservation concerns. Retailers agree and estimate that more than 70% of consumers are women. They are well-educated, live overall healthy lifestyles and are responsible for making food choices for the entire family with an emphasis on children.

Thai consumption patterns and perceptions of organic food were explored in a study conducted by Mrs. Brigit Roitner-Schobesberger, a Masters student from the University of Natural Resources and Applied Life Sciences in Vienna, Austria. An interview study was conducted on 311 Carrefour customers on April 28 and 29, 2005 in two locations of Carrefour in Bangkok. Carrefour is generally considered to target mid to low-end customers and have hypermarket style outlets. A presentation of this study is available at www.nia.or.th. The following tables and chart are preliminary results of this study.

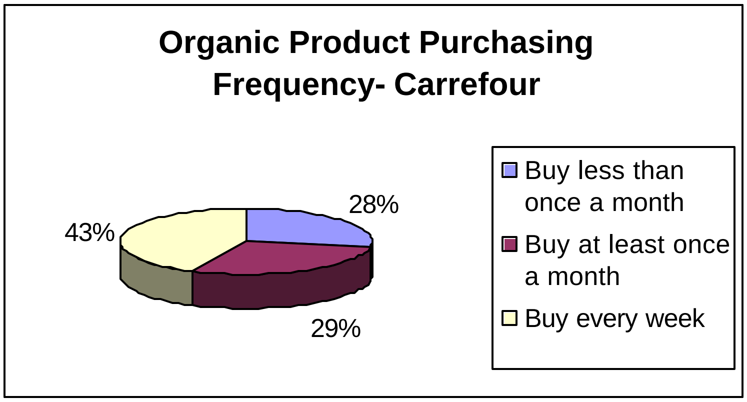
Customer Perceptions of Organic in Carrefour Stores

I buy organic because…	applies to % of interviewees	does not apply to % interviewees
They have a better taste	30.90%	65.90%
They are fresher than the other products	54.50%	41.50%
They are good for my health	89.40%	9.80%
They are good for my children	85.40%	13.80%
They do not contain pesticides/ have lower residues	87%	12.20%
I just wanted to try them/ something new	25.20%	71.50%
They are good for the environment	79.70%	19.50%
It is trendy/ fashionable to buy organic products	7.30%	88.60%

*123 interviews conducted of customers who have previously purchased organic products

I do not buy organic because…	applies to % of interviewees	does not apply to % interviewees
I don't know what organic means	51%	48%
I don't think there is anything special about them that justifies a higher price	34.70%	59.20%
I do not trust the label/ think it's really organic	18.40%	73.50%
Hygenic/ Safe is enough for me	36.70%	54.10%
They are too expensive	36.70%	56.10%
They are too difficult to get	41.80%	49%

*98 interviews conducted of customers who do not buy organic



B. Market Sectors

For the organic market value Green Net estimated that in 2004 it was 609 million baht The domestic market for health food in general is estimated at close to $75 million USD. There is a lack of comprehensive studies on the organic market. Even for retailers organic sales is such a small percent of total sales that it is not tracked. FAS estimates that growth of the market will be approximately 10- 20% per year over the medium term based on economic indicators, valuing the market to about $17 million USD in 2005 and $20 million USD in 2006.

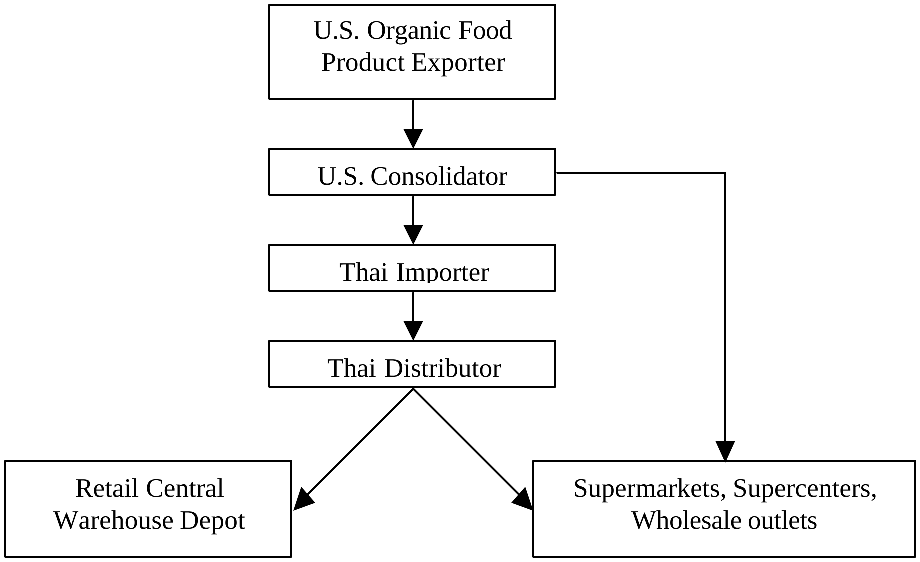
Retail Foods

Entry Strategy

The best method for U.S. organic food exporters to enter into this market is to contact the local food importers, supermarkets, discount stores, hypermarkets or cash and carry, which import direct. U.S. exporters should be aware that many multinational retailers in Thailand charge listing fees or a listing allowance for new products. The fee will be charged in accordance with a formula based on the number of retail outlets and SKUs (stock keeping unit).

The distribution channel to supermarkets, superstores, and hypermarkets in Thailand normally begins with importers, which mostly also act as the distributors selling products to a central warehouse or direct to retail outlets. The foodstuffs will be kept either in the importers' warehouse, distributors' warehouse, or central warehouse before delivery. Some supermarkets, superstores and hypermarkets operated by either local or multinational operators can import food products directly and hold them in their own distribution centers before delivery to each outlet.

The following chart shows the standard distribution channels to supermarkets, superstores, and hypermarkets in Thailand at present.



The perceived largest barrier to selling organic produce for supermarket retailers was lack of stability in supply chain. They are not able to maintain consistent quality and supply throughout the seasons. Filling in these gaps could be an opportunity for US suppliers. Some organic produce that is not readily available, but consumed frequently is bananas, broccoli, or potatoes. Insignificant amounts of processed organic products are produced in Thailand; therefore as demand grows this could be a significant opportunity for U.S. exporters. Retailers who were importing organic products desired an exporter who could supply a full line of organic products, not just a few.

Market Summary

FAS estimates that in 2006 the total market value for organic products will be approximately $20 million USD based on continued economic growth at a steady rate. This is equal to 0.12% of total agricultural exports.

Sector Trends

The major products in demand are organic vegetables and supply is domestic. Rai Pluk Rak, Rangsit Farm, and Splendid brands are prevalent. Out of the vegetables that are available many of them are leafy vegetables or “salad” and different types of lettuce and cabbage. However, many farms that produce organic products that are usually uncertified sell them in small local markets. There are very few organic products available other than vegetables. Produced in Thailand is black sesame butter and paste, honey (organic status debated), herbal tea, sesame oil, sunflower oil, soy beans, millet, white sugar, and sauces such as chili, tamarind, and plum honey. Healthy Mate is a brand for sauces and honey among other products. Capital produces most of the rice (Great Harvest and Thai Thai brands) and organic sugar.

Organic rice is the most frequently available organic product other than vegetables, although generally in stores only 1-5% of the rice for sale is organic. Those organic products that are being imported are cereal, baking mixes, apple cider vinegar, crackers, and fruit juice- all of which are from the US.

Supply

For supplying the domestic market Capital Rice supplies most of the organic rice under the "Great Harvest" label. Some of the larger suppliers of organic fresh vegetables in Bangkok are Rai Pluk Rak and Rangsit farms under their own labels and Lemon Farm (in their own stores). Green Net markets a variety of products from around the country such as rice, tea, herbs, shrimp and dried fruits under its own name. Most of the larger supermarkets carry organic products, but the inclusion organics in mainstream supermarkets is so new that branding and competition among suppliers seems non-existent.

Market Players

Retailers are enthusiastic and have seen enough sales of organic products that they are moving to create a separate section within the next year, some are to include only vegetables, and others will contain a wide variety of organic products. When retailers have many locations not all will carry organics. The locations that do are primarily in Bangkok, but other larger cities such as Chiang Mai and Khon Kaen carry them, as well as resort towns like Phuket. Stores that carry organics are mainly in Bangkok, many in the Sukhumvit area where upper income customers and expatriates live. Emporium, Villa, and Carrefour have a higher percentage of organic vegetables than others. Stores that have the widest selection of organic products other than vegetables are TOPS and Villa.

Company Profiles- June 2004

Name	Ownership (Legal Entity)	Type of Business	Bangkok - No. of Outlets	Provinces - No. of Outlets	Total Number of Outlets
CP 7-Eleven	Thai	Convenience	n/a	n/a	2,860
Family Mart	Thai	Convenience	300 (est. figure)	200 (est. figure)	500
SHV Makro	The Netherlands	Cash-and-carry	8	21	29
Big C, (Casino/Central)	French	Hypermarket	19	22	41
Lotus, (Tesco Group)	UK	Hypermarket Supermarket Convenience Store Value Store	18 0 27 0	31 1 3 11	49 1 30 11
Carrefour	France	Hypermarket	17	3	20
Tops Supermarket (Central Retail)	Thai	Supermarket Marketplace City Market	49 9 1	9 3 0	58 12 1
Home Fresh Mart (The Mall)	Thai	Supermarket	7	1	8
Siam Jusco	Japan	Supermarket	10	0	10
Foodland	Thai	Supermarket	8	1	9
Villa, Supermarket	Thai	Supermarket	9	0	9

A. What is Available

As previously mentioned, the organic foods that are available are vegetables and rice. Of the few organic foods that are available most are imported from the US. These products include: baking mixes like brownies and cookies (Nature's Path), organic juices, breakfast cereals (Nature's Path- EnviroKidz) and apple cider vinegar. Other infrequently available products are hummus (Australia), flour (Australia), figs (Turkey- questionable organic status) and nuts (Japan). The most widely seen domestic organic name brand is Healthy Mate, which produces honey, nut butters, sauces like tamarind and plum honey, and pastes such as black sesame paste. Green Net products are also available, but not widely.

B. New Product Developments

A new domestically developed product is soup spice packs for tom yam soup, which include organic lemon grass, chilies, lime, shallots, and galangal (200g for 25 baht). The other new development is snack packs made by Healthy Mate that are individual servings of cracker breadsticks with a packet of peanut or sesame butter. There are a variety of products still in development and feasibility stages such as pineapple, sugar and tofu.

C. Additional Non-Conventional Foods in the Market

Terminology

Within the Thai market there is a considerable amount of confusion about the meaning of organic. This is largely due to the presence of a number of terms and labels that are perceived to be organic or similar to organic in the marketplace by many consumers. The three main terms used are *pesticide- free, hygienic/ safety food,* and *organic.* However, there are several other terms such as Quality, non-toxic, chemical- free, healthy or "health food" that are adding to the confusion. Each term essentially allows a different amount and type of chemical use during cultivation and processing and must be certified as such by a different type of government office or private company. The explanations of these terms are in the context of how they are generally understood within Thailand, not in the international arena. Because an official structure for organics certification and production is in the beginning stages, the terminology debate extends into the official structures that exist as well.

Organic: This means that there are no chemical fertilizers, insecticides, fungi killers, pesticides or synthetic hormones used and products are certified. Generally to be organic also includes using environmentally sustainable farming methods sometimes referring to Good Agricultural Practice (GAP) standards, and no GMOs. Note: Organics standards are different depending on the certification body. The main differences between most Thai certification standards and U.S. government standards is the length and restrictions on the conversion period of the farmland and if and how close to harvest the application of natural fertilizers is permitted. The type of fertilizer is also contentious because it is relatively common for farmers to use rice husks from conventional paddy to fertilize organic plots, making the products inorganic by U.S. standards. Organic products are inspected and certified by Organic Agriculture Certification Thailand (ACT), the Department of Agriculture, or a number of international certification bodies.

Pesticide- Free, Non-Toxic: Many consumers assume that pesticide-free means chemical-free. True to its name, to be labeled pesticide-free farmers may not use pesticides or insecticides, but they may apply chemical fertilizers and fungi killers. Some consumers also mistake pesticide-free or non-toxic to be organic. This is a result of farmers marketing pesticide-free products as organic, consumers not being educated about the meaning of organic, and the failure of state agencies and the private sector to provide correct information about organics. The Non-Toxic Certification Club and Natural Agriculture Club do this type of certification.

Hygienic, Toxic-Safe, or Safety Food: Hygienic products and general farm products are very similar. For hygienic food all chemicals, insecticides, fungi killers, synthetic hormones and pesticides may be used, but there is a restriction on toxic residues. The Ministry of Public Health based on Codex standards determines these acceptable residue levels. A producer must register and have their production facilities inspected and certified by the Department of Agriculture or Agricultural Extension office. General farm products that do not have a label specifying otherwise are not tested for residues, although they may be subject to random inspection for the Public Health Ministry's Food Safety Campaign.

D. Pricing

In a study of 20 fruits and vegetables in Bangkok Green Net has found that organic produce costs up to 133% more than conventional chemically grown produce and approximately 40% more than "hygienic" of the same type. With this said, many farmers are struggling with the reality that they are not able to get a premium price for organic foods in local markets. Many customers will buy organic foods before conventional ones, but are not willing to pay more for organics because of their appearance or because they do not have confidence in organic claims. This has led some farmers to sell their organic products at conventional prices to schools and hospitals.

According to FAS's observations the price premium particularly on vegetable items is more than 50%, and for rice is approximately 60% in most supermarkets that carry organics in Bangkok. Since rice quality varies greatly, the price premium ranges anywhere from 20 to 60%. However, consumer surveys indicate that customers are willing to pay only 15-20% more for organic produce (source: Green Net consumer survey).

Market Outlets

Currently, there are three channels through which organic products are sold: supermarket chains, specialized shops, and direct marketing (membership). It is important to note that there are also several producer groups that sell their organic produce locally, but this is very small scale.

1) Supermarkets

Organic products are often sold under the umbrella of "health" products. They are intermingled and placed on the same product shelves as non-organics. Only when there is a product promotion are they distinguished from their non-organic counterparts. Supermarkets generally focus vegetables with fruits as a far second, though larger more upscale stores do carry a wide variety of organic products including cereal, tea, potato chips, and juices among many others. Surprisingly, organic rice in these stores has achieved only moderate sales.

2) Specialized Shops/ "Green Shops"

Specialized shops focus on organic products, but include other products and foods considered "healthy". Another specialized outlet that carries organic products is OTOP stores. OTOP is the acronym for a government project called "One Tambon, One Product", which aims to promote a single product in each district. Since in some districts and provinces the Thai government is promoting organic agriculture, some organic products fall under the umbrella of this project and are marketed in OTOP stores across the country.

3) Direct Marketing/ Membership

Some direct marketing of organic products does occur, but it is limited and is mainly fresh vegetables through:

- Co-operatives
- Membership groups- ex: Amway, Vegbasket (Bangkok)
- Schools and hospitals

4) Restaurants and Resorts

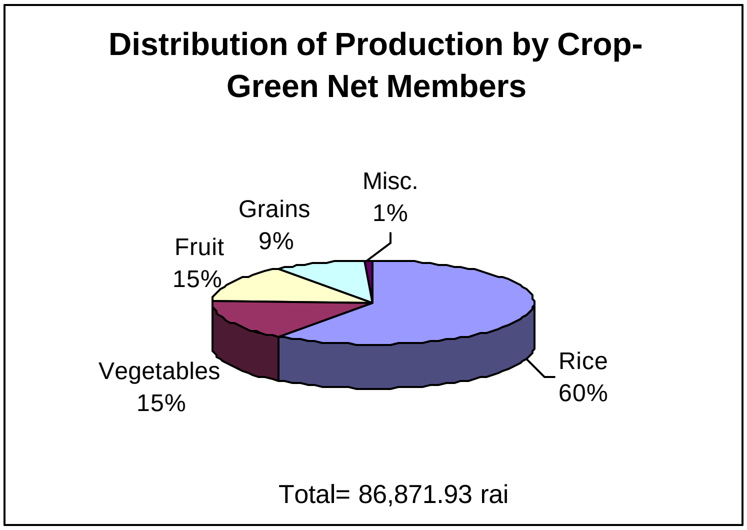
There are a small number of restaurants that serve organic foods. However, they are generally more geared towards "health food" than organics specifically. A restaurant may have only a few dishes made with organic products. Some resorts boast "organic" restaurants, some of which use produce from their own gardens, but this does not mean that all ingredients or dishes are made with certified organic foods. However, there is a growing demand for U.S. organic products for this food service sector such as organic beef and poultry meats, produce, breads, oils, potato chips, pasta, rice, coffee, tea, etc.

SECTION IV. PRODUCTION

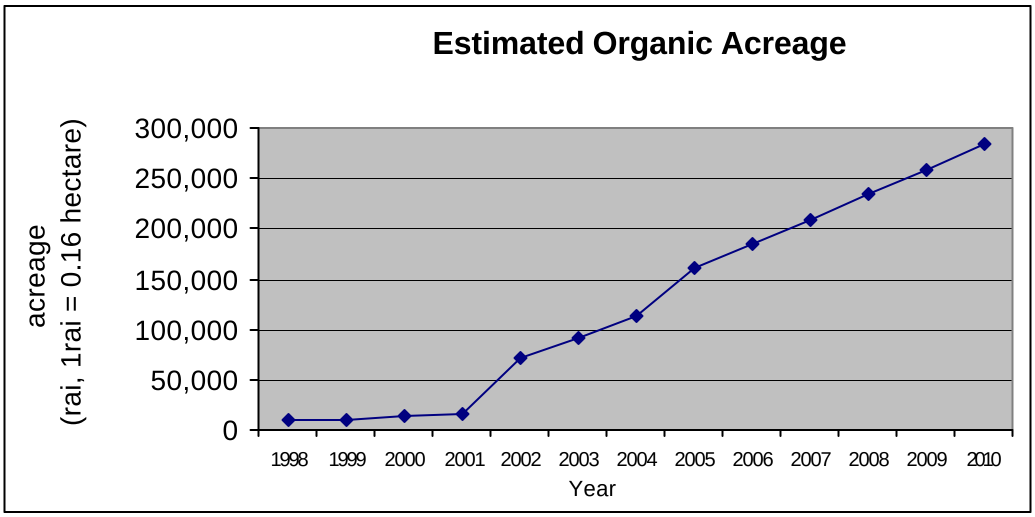
There are distinct differences in the amount of organic production between provinces. One reason for this is that farmers use different water supplies. In northeastern and northwestern Thailand crops are rain fed; because of this rice farmers (Thailand's main organic crop) have only one harvest each year. In central Thailand farmers irrigate their land and are able to turn over three crops each year. This makes farmers from the central region much more likely to invest in chemical based agriculture because they have a more stable source of water. They are not as dependent on rainfall, so the chances of obtaining a good harvest are greater. This means that they can more safely invest in chemicals, and if one crop fails there are still two more in the year. Once a farmer has used chemicals consistently it weakens the soil and requires sustained chemical use, which makes these lands much harder to convert to organic. Additionally, when crops are rain fed the possibility of direct water source contamination is lower. Based on these differences northeastern and northwestern Thailand have been and are much more suited to be converted to organic production than the central region.

NGOs tend to support organic agriculture for subsistence while private companies, farmer cooperatives, and the government work more with commercial agriculture. There are exceptions to this and organic farmers who farm for subsistence often sell the excess in local markets and occasionally for export. Also, many farmers who produce organic rice for export devote a small portion of their plot to organic fruits and vegetables for personal consumption.

Although this chart reflects only the types of crops grown by Green Net members it is exemplary of the wider trends:



Planted Area



This estimate was made with the assumption that the Thai Government overstates the area planted with organic crops. Some contributing factors to this estimate could be lack of information about the distinction between organics and other non-traditional foods on the market, or land in conversion versus already organic land, lack of documentation on actual planted area, or political motivations. This estimate also utilizes figures maintained by Green Net, which are considered reliable, but only take into account area planted by their own members. FAS estimates that approximately 2/3 of all organic farmers in Thailand are members of Green Net. Another condition factored into the estimate is that land holdings tend to be 5 rai or less for the average Thai farmer. Additionally, it is expected that the number of farmers willing to convert their lands to organic production will eventually level out.

FAS finds the Thai Government's goal of converting 1 million rai to organic production to be too ambitious. To reach this goal acreage must increase by about 50% per year each year until 2010.

Key Actors

	Major Actors	Function
Producers and Cooperatives	➢ Rai Pluk Rak Organic Farm ➢ Surin Rice Fund Organic Agriculture Cooperative ➢ Nature Care Club ➢ Maetha Sustainable Agriculture Cooperative	Produce mainly organic rice and vegetables
Certification Bodies- Domestic	Organic Agriculture Certification Thailand (ACT)	Certification and conversion services
Certification Bodies- International	➢ Bioagricert- Italy ➢ BCS- Germany ➢ Soil Association- Great Britain ➢ BioSwiss- Switzerland ➢ KRAV- Sweden	Certification and conversion Services- some aid export
NGOs	➢ Earth Net Foundation ➢ Surin Farmer Support ➢ Khao Kwan Foundation	Supply varying support services including education, technological training, and marketing
Universities	➢ Maejo University ➢ Khon Kaen University	Research and support organics
Thai Government Agencies	➢ Department of Agriculture (DOA) ➢ Agricultural Commodities and Food Standards (ACFS) ➢ Department of Agricultural Extensions (DOAE)	Overarching government ministry for agriculture- does research, sets standards, provides certification services Sets food standards, provides certification DOAE- implementation at the provincial level of organic projects
Traders	➢ Capital Rice Co. Ltd. ➢ Green Net Cooperative ➢ River Kwaew ➢ APZ Corp. Ltd.	Export and sell organics locally, marketing

Promotion

As mentioned previously, the only organic product that Thailand exports in any significant amount is Jasmine rice. The market for organic rice in Thailand is quite limited and so most farmers export the majority of their organic rice. The destination of this rice is almost exclusively the E.U., although some goes to Australia. A very small amount is exported to the US, but this amount is severely limited by the fact that as of now very few organic products from Thailand can meet USDA organic standards. The Thai government participates in export promotion and marketing, but has not heavily focused on certified organics.

However, it has devoted much attention to a campaign promoting “Food Safety”, which could open the door for organics by creating consumer consciousness about the quality of food that they are consuming and chemical residues being harmful.

Interesting promotion methods, which can be used to introduce U.S. organic food in the Thai market, are as follows:

- Food Seminars: organic food seminars and cooking demonstrations will be organized to educate Thai importers, chefs, Food and Beverage importers, and culinary institutes about U.S. organic food products.
- Local Food Shows: There are two big local food shows that U.S. organic food exporters can exhibit their companies and products under “U.S. organic food pavilion” to the Thai market such as World of Food Asia 2006 by Anuga (May 17-21, 2006) and International Food and Hospitality Show 2006 (September 6-9, 2006)
- Buying Missions: FAS/Bangkok will recruit the Thai importers who are interested to import U.S. organic food products to attend Natural Products Expo 2006 in the U.S. to be aware of new U.S. organic food products
- In-store promotion: FAS/Bangkok together with the well-known local retailers will organize an in-store promotion to promote U.S. organic food products by initiating the image of healthy, safety and quality U.S. organic food week to the Thai consumers.

Conclusion

Large-scale progress in organic production and export in Thailand will likely be driven by the private sector. However, presently there is a stall out between domestic producers and retailers over the preparedness of the market. Farmers believe that there is no market for their crops and retailers claim that there is no supply. In the case of rice the lack of a *domestic* market may be true. If equipped with marketing funds and expertise farmer groups and co-ops could be more successful in international markets. There may not be a consistent supply of organic products for supermarkets, at least not the products in demand- a variety of vegetables. Most organic production in Thailand is of rice, which is not in high demand locally. As incomes continue to rise the organics market in Thailand is expected to continue to grow.

End of Report.

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