

CHAPTER 1

INTRODUCTION

1.1 Background, Setting and Statement of the Problem

Thailand is an agricultural country, Most of people are farmers. Agriculture is vital to economic, social and national stability. Thai government has focused on developing the agricultural industry as a mean to improve the standard of living within the country.

Agriculture in Thailand has changed significantly since 1961. The development of the industry from sustainable to commercial agriculture can be seen during this period. Thai government has focused on the development of primary industries in their economic and social plans, leading to a significant growth in income and the emergence of a Thai middle class has significantly altered the income levels between rural and urban Thais. Individual farmers are now more disadvantaged than the other occupations were. (Panpiemras, K., 2006) The unpredictable factors of the production, such as capital. Competition from new technologies and the weather, which can contribute to the lowering of the quality of production. Farmers face debt problem from instability and failed production. Thai government has known the problems faced by the farmers and has attempted to shift policies to make easier lives.

This is especially true in the dairy industry, the government signaled its determination to solve the issues. The government, in cooperation with the Danish government formed Thai – Danish Dairy Farm in Saraburi province in 1962, which is called The Dairy Farming Promotional Organization of Thailand (D.P.O.). It created a standardized dairy, appropriated for Thai conditions in the hope that the more efficient production methods could be applied nationally. The long term goals of the project were to increase raw milk production, decrease the need for foreign imports, create employment and create business opportunities for Thai people and encourage milk consumption, especially childhoods to improve the nations long term health outcomes. The government designed policies to support the farmers, particularly

investment in the industry, setting a benchmark for the price of raw milk, offering low interest loans and the creations of an artificial breeding program to increase the productivity of Thai cows. The combinations of these policies are led to a significant increase in the productivity and size of the Thai dairy industry.

The creation and the growth of a modern and a sustainable dairy industry that is suited to the unique conditions found in Thailand have been a priority for successive governments for the past 50 years. (Aiumlamai, S. and others, 2006) The dairy industry has suffered many problems, such as in 1993, when the industry was suffered major production problems in raw milk production process. The government mandated that school milk programs must use milk that is produced in country to encourage the growth of the Thai industry.

During 2005 – 2007, Thai dairy industry has suffered from pressure increasing production costs such as the need for new capital investment, rising dairy medicine costs and rising fuel bill.

The government has guaranteed the price of raw milk of 12.50 Baht per 1 kg. since 1997. At such a low price the dairy farmers couldn't bare the capital costs of raw milk production. Concurrently, the dairy farmers are facing pressure from outside the country that has been caused by Thailand entry into World Trade Organization (WTO) and its accession to FTA's with other countries in the region, the largest effect on the industry was Australia and New Zealand which has increased competition with these two nations industries by lowering price barriers. (Aiumlamai, S. and others, 2006). Dairy farmers have felt increased insecurity from the changes necessary in the industry to make it sustainable, which includes some farmers leaving the industry entirely. (Thai Holstein Friesian Farmer Association, 2006). The reforms in the industry, combined with outside influences have seen a fall in the production of raw milk in Thailand. Statistic in 2006, shown the amount of raw milk which was produced in the country. It was around 2,000 – 2,230 tons per day which was a 6.18 percentage decrease from 2005. This was mostly due to 1,975 dairy farmers leaving the industry. (The Dairy Co-Operatives Federation of Thailand Limited, 2006)

Dairy farming in the upper northern Thailand extended from government for years. Dairy farming started in 1974, Ministry of Agriculture and Cooperatives established the Chiang Mai Livestock Breeding Station provide dairy farming in this

station. Upper north Thailand had supporting factors and it was suitable for dairy farming. The upper north Thailand had favorable factors including climate that is suitable for dairy, board areas for growing dairy's feed as well as the irrigation efficiency. Dairy farmers in this region had greater opportunities due to the national climate than other regions in Thailand. There are 5 provinces in the upper northern which have dairy farming initiatives. There are Chiang Mai, Chiang Rai, Lamphun, Lampang and Phrae. The upper northern Thailand currently has 18 dairy cooperatives. The purpose of this assembly was members' participation in managing the dairy cooperative, reciprocal helping and building up power for dairy cooperatives and dairy farmers group and to negotiate with milk factory in this area.

Due to the long term changing in the industry, there were not many dairy farmers continue farming and were member of dairy cooperative. And dairy farmer group in upper northern part of Thailand decreased. For example; in 2006, there were 1,384 families farming compared to 1,521 families in 2005. They couldn't produce 90 tons of raw milk per day. In 2007, dairy farmers who were members of the dairy cooperative in upper northern provinces moved to admission with milk factory especially in Chiang Mai and Lamphun province. Therefore, dairy cooperative's member, raw milk and benefit decreased. Against to the dairy cooperatives increasing all time and incensing situation in the future. This cause, the dairy cooperative might quit in this business especially the small dairy cooperatives and small dairy farmers groups. The following problems were the dept of dairy cooperatives and dairy farmers group. The dairy farmers supposed to be solved correctly and immediately. This solution referred to stakeholder's participation processing which is the best way to do.

The results of the problems that mentioned above, the researcher is interested to study the dairy farmers and dairy cooperatives because the researcher believes the dairy farmers and dairy cooperatives was heart of occupation development of dairy farming that must be developed simultaneously and motivate that manly power of dairy farmers and dairy cooperatives. Therefore, the researcher wishes to study the dairy cooperative's management process contributing to occupation development of dairy farmers in upper northern Thailand.

1.2. Purposes of the study

1. To study the factors influencing to dairy cooperative's management process contributing occupation development of dairy farmers in upper northern Thailand and the decision to continue doing dairy farming of the farmers.
2. To study the dairy cooperative's management process contributing to occupation development of dairy farmers in upper northern Thailand.
3. To suggest the proper and efficient management process of dairy cooperatives in upper northern Thailand.

1.3. Hypothesis of the study

Personal basic factors, Economic factors, Social factors and Dairy farming operation factors relate with the decision to continue doing dairy farming of the farmers in upper northern Thailand.

1.4. Significant of this study

1. To know about the factors influencing to dairy cooperative's management process in upper northern Thailand.
2. To know about dairy cooperative's management process contributing to occupation development of dairy farmers in upper northern Thailand.
3. To suggest the proper and effective management process which practical to the dairy cooperative in the upper northern Thailand.
4. For all stakeholders' participation in considering the farmers' dairy farming development and can be applied in different parts.
5. To any organizations concerned such as Department of Livestock Development, the Dairy Farming Promotion Organization of Thailand and The Dairy Cooperative Federation of Thailand limited. Able to take the analysis to determine the policies on dairy farming promotion and management process of all systems of raw milk produced in the upper northern Thailand.

1.5. Scope and Limitation of the study

1. Scope of population: divided in 5 groups as follow
 - 1.1. Farmers who continue doing dairy farming and are member of dairy cooperative total 289 persons.

1.2. Farmers who quit dairy farming and used to be member of dairy cooperative total 115 persons.

1.3. The representative from farmers who continue doing dairy farming and are member of dairy cooperative about 36 – 46 persons.

1.4. The representative from dairy cooperatives and milk factory in upper northern Thailand.

1.5. Stakeholder concerning the dairy farming promotion in upper northern Thailand such as President of dairy cooperatives, Manager of dairy cooperatives, Officer concerning dairy farming and owner of milk factory.

2. Scope of location

Dairy cooperatives in upper northern Thailand on 5 provinces as Chiang Mai, Chiang Rai, Lamphun, Lampang and Phrae.

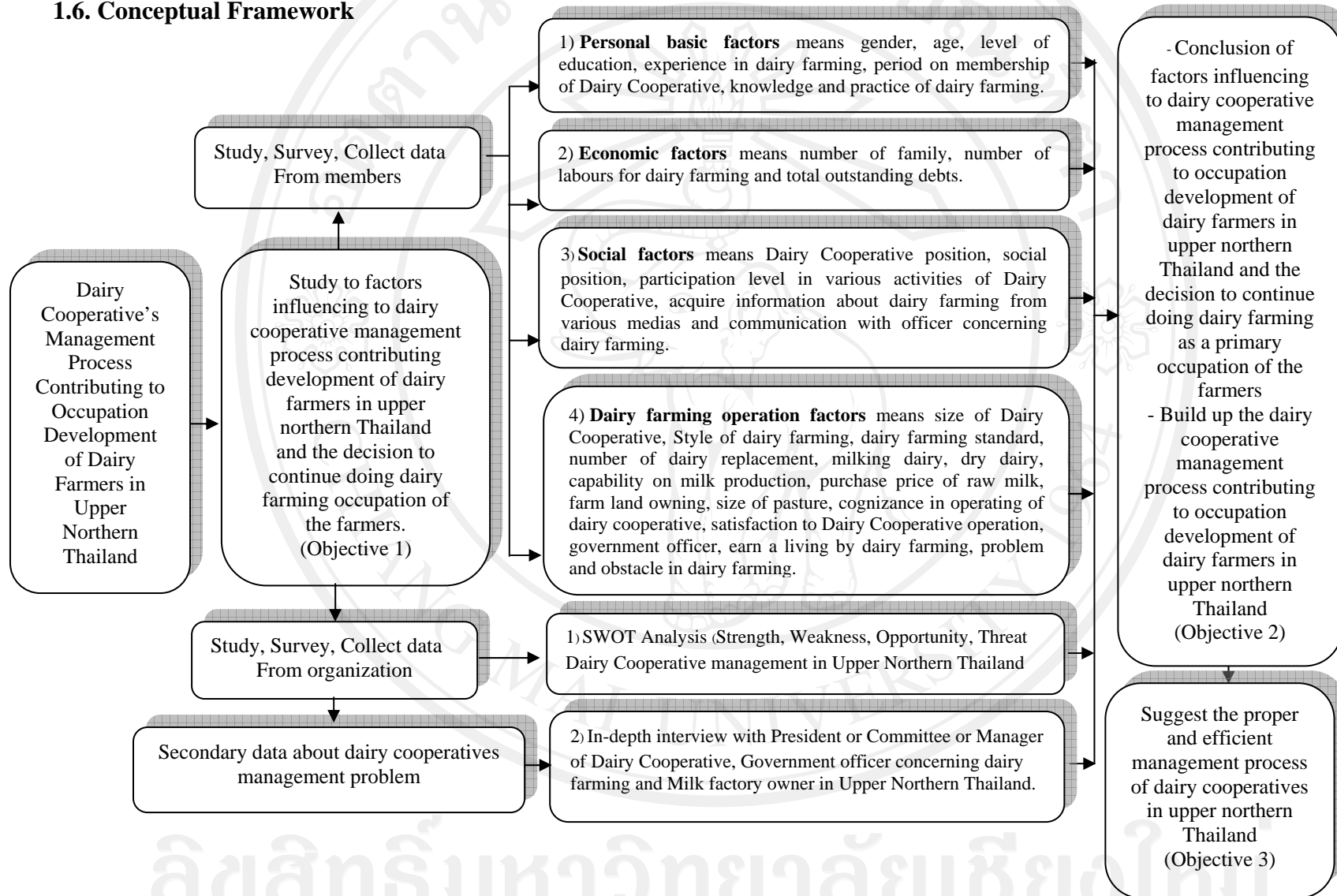
3. Scope of content

This research is for studying the factors influencing to dairy cooperative's management process contributing occupation development of dairy farmers in upper northern Thailand from 2 sources as follow

1. Member level: study to personal basic factors, economic factors, social factors and dairy farming operation factors. As well as, the decision to continue doing dairy farming of the farmers in upper northern Thailand.

2. Organization level: study to status of dairy cooperatives and milk factory in upper northern Thailand and the dairy cooperative's management process such as planning, organizing, directing and controlling.

1.6. Conceptual Framework



1.7. Definition of terms

Dairy Cooperative's Management Process Contributing to Occupation Development of Dairy Farmers means dairy cooperative's management process as planning, organizing, directing and controlling. All process must be contributing to occupation development of dairy farmers who was the member under difficulties to do the job. This research determined from their own happiness living life in family without any debts, satisfaction and proud of their dairy farming.

Proper and effective management process of the dairy cooperative means the operation of the dairy cooperative that mainly relies on the use of existing resources with the most economical method to achieve the goal under the principles of the cooperatives consists of 7 items as follows:

- 1) Belonging to be member must voluntarily and open
- 2) Supervision by member as democratically
- 3) Participation in economical of member
- 4) The cooperative must be autonomous and liberated
- 5) Must provide education, training and news information to member
- 6) Collaboration between cooperatives
- 7) Respect to community

To aim for the utmost benefit of its members until they can help themselves and help each other.

Dairy Cooperative means integration of dairy farmers for business operate include dairy farming, build up the negotiating market power, capital collecting in community, learning about management process, participate in research and development.

Small dairy cooperative means dairy cooperative has members less than 20 members such as Fang Dairy Cooperative, Hariphunchai Dairy Cooperative, Maetha Dairy Cooperative, Phrae Dairy Cooperative and Long Dairy Cooperative total 5 small dairy cooperatives in upper northern Thailand.

Medium dairy cooperative means dairy cooperative has members between 21 to 60 members such as Sankampang dairy farmers groups, Ban Pa Tung-Huay Mor Dairy Cooperative, Chiang Rai Dairy Cooperative, Phatat Doi Pa Tang

Dairy Cooperative, Banta Dairy Cooperative, Maelao Dairy Cooperative, Banhong samphan 1 Dairy Cooperative and Maewang Dairy Cooperative total 8 medium dairy cooperative in upper northern Thailand.

Large dairy cooperative means dairy cooperative has members more than 61 members such as Chiang Mai Dairy Cooperative, Chaiprakarn Dairy Cooperative, Maeon Dairy Cooperative, Maejo Dairy Cooperative, and Lamphun Dairy Cooperative total 5 large dairy cooperative in upper northern Thailand.

Dairy farmers who continue doing dairy farming means dairy farmers who continue doing dairy farming as a primary occupation and to be member status of dairy cooperative or dairy farmer group between collecting data.

Dairy farmers who quit dairy farming means dairy farmers who quit dairy farming and used to be member from dairy cooperative or dairy farmer group between collecting data.

Dairy means cattle that farmers are raising for milking which divide in 2 types as follow

Dairy replacement means calf, growing cattle and heifer

Dairy means milking dairy and dry dairy

Personal basic factors means gender, age, level of education, experience in dairy farming, period on membership of dairy cooperative, knowledge and practice of dairy farming.

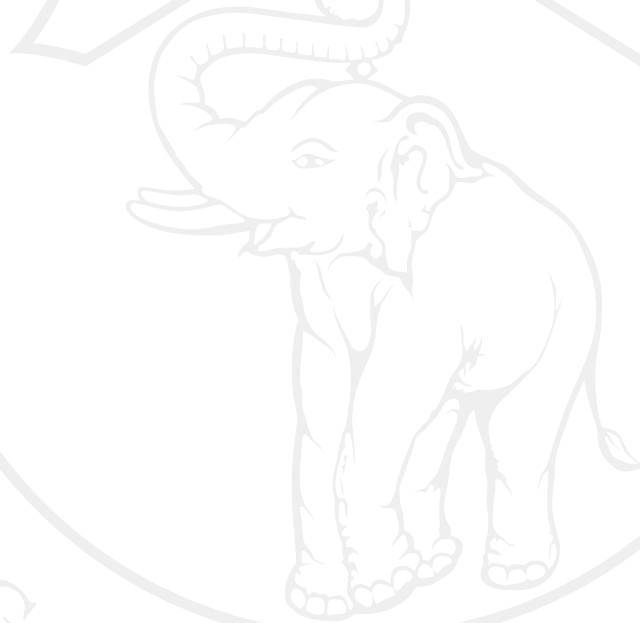
Economic factors mean number of family, number of labours for dairy farming and total outstanding debts.

Social factors means dairy cooperative position, social position, participation level in various activities of dairy cooperative, acquire information about dairy farming from various medias and communication with officer concerning dairy farming.

Dairy farming operation factors means size of dairy cooperative, style of dairy farming, dairy farming standard, number of dairy replacement, milking dairy, dry dairy, capability on milk production, purchase price of raw milk, farm land owning, size of pasture, cognizance in operating of dairy cooperative, satisfaction to dairy cooperative operation, government officer, earn a living by dairy farming, problem and obstacle in dairy farming.

Inner Factors means factors which controlled by dairy cooperatives as strengths factor and weaknesses factor such as dairy cooperative's management process, dairy cooperatives management strategies that consider from resource of management 4M (Man, Material, Money, Management)

Outer Factors means factors which uncontrolled by dairy cooperatives as opportunity factor and threat factor that consider from government policy of milk and milk product and milk marketing system in upper northern Thailand.



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