OTOP - Experiences from Northern Thailand: Implications for Research
OTOP – Experiences from Northern Thailand: Implications for Research

Seminar Presentation
at: Faculty of Economics, Nagoya University
August 23, 2003

Aree Wiboonpongse
Faculty of Agriculture
&
Songsak Sriboonchitta
Faculty of Economics

Chiang Mai University, Thailand
What to be Covered :-

- From Concepts to Practices
- Problems & Success
- What are missing and Research to fill-up
- Discussion
Northern Region : Background for OTOP

- Mountainous with dense rainforests
  - Populated by colorful hill tribe minorities (have own customs and crafts)
Northern Region: Background for OTOP

- The fertile valleys are rich in history (>700 yrs) with a long tradition for superb handicraft
  - Carved wood
  - Rich silverware
  - Cotton fabrics
  - Paper product
  - Ceramics
  - Bamboo basket
Agriculture is prime livelihood with diversified high value horticulture produces:

- High quality longan, tangerine
- High quality honey products
- Good quality coffee and tea
- Temperate vegetable and flowers
- Herb and spices
Northern Region: Background for OTOP

Tourist attraction

- With long history and rich in culture
- Friendly and warm hospitality
- Favorable climatic condition
- Clean natural environment and beautiful scenery
Northern Region: Background for OTOP

Example

- Chiang Mai is famous for culture, temple and waterfalls
- Sukhothai is famous for ancient capital city and world heritage
OTOP products are defined as unique, wonderful hand-made creations of Thailand’s myriads village communities, refined and brought to the market place as the attractive handicrafts and local products that visitors love to buy.

Note: Adapted from OTOP brochure : Dept. of Export Promotion
3 Fundamental concepts of OTOP

Fundamental concepts follow the Oita initiatives:-

- Bring local wisdom to global marketplace / acceptance
- Self – reliance and creativity via OTOP process
- Capacity building for human-resource via incubating people to meet challenges
3 Key Activities

- Market expansion from local to global markets while reserving local identity and strength
- Participation of local community, gov. officers to improve technology and tools
- Search for experts, and foresightful persons accepted by local community for consultation
Steps of Organization and Responsibility

Step 1: Local (Sub district)
- Public meeting for selection of distinguish product

Step 2: District level
- Ranking product, setting integrated plan & budget

Step 3: Provincial level
- Same as step 2

Step 4 & 5: National level
- Policy, strategic planning, recording nation-wide
Key outcomes of the first 6 months
- Local officers follow outlined procedure to screen local products for OTOP
- Lack of good understanding and awareness of OTOP principle concepts among officers and communities
- Only well-known products were selected
## Comparison of OTOP and Non-OTOP Members’ characteristics in the initial stage

<table>
<thead>
<tr>
<th>Criteria</th>
<th>OTOP</th>
<th>Non-OTOP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ban Kaew points</td>
<td></td>
</tr>
<tr>
<td><strong>A. Product Criteria</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Input</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local raw material</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>2. Production</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product dev. / improve quality</td>
<td>continuous</td>
<td>frequently</td>
</tr>
<tr>
<td>Food cert</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Environ. neg. eff.</td>
<td>non</td>
<td>some</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>1</td>
</tr>
</tbody>
</table>
## Comparison of OTOP and Non-OTOP Members’ characteristics in the initial stage

<table>
<thead>
<tr>
<th>Criteria</th>
<th>OTOP</th>
<th>Non-OTOP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ban Kaew points</td>
<td></td>
</tr>
<tr>
<td><strong>3. Marketing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>outlets</td>
<td>Domestic + exp.</td>
<td>5 points</td>
</tr>
<tr>
<td>no. of outlets</td>
<td>&gt; 3</td>
<td>5 points</td>
</tr>
<tr>
<td>sales increases</td>
<td>20%</td>
<td>3 points</td>
</tr>
<tr>
<td>Market period</td>
<td>6-7 mths</td>
<td>3 points</td>
</tr>
<tr>
<td>packaging</td>
<td>standard</td>
<td>5 points</td>
</tr>
<tr>
<td><strong>Total of A</strong></td>
<td>44 points</td>
<td></td>
</tr>
</tbody>
</table>
Comparison of OTOP and Non-OTOP Members’ characteristics in the initial stage

<table>
<thead>
<tr>
<th>Criteria</th>
<th>OTOP</th>
<th>Non-OTOP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ban Kaew</td>
<td>points</td>
</tr>
<tr>
<td><strong>B. Community Strength Criteria</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Organization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>no of member</td>
<td>50 person</td>
<td>5</td>
</tr>
<tr>
<td>age of organization</td>
<td>7 yr</td>
<td>5</td>
</tr>
<tr>
<td>2. Production</td>
<td></td>
<td></td>
</tr>
<tr>
<td>continuity</td>
<td>12 mth</td>
<td>5</td>
</tr>
<tr>
<td>prod. process</td>
<td>Organized system</td>
<td>5</td>
</tr>
</tbody>
</table>
Comparison of OTOP and Non-OTOP Members’ characteristics in the initial stage

<table>
<thead>
<tr>
<th>Criteria</th>
<th>OTOP</th>
<th>Non-OTOP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ban Kaew</td>
<td>points</td>
</tr>
<tr>
<td>3. Marketing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ability to access</td>
<td>100%</td>
<td>5</td>
</tr>
<tr>
<td>4. Accounting and financing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>capital fund</td>
<td>300,000 baht</td>
<td>5</td>
</tr>
<tr>
<td>accounting system</td>
<td>Simple system</td>
<td>5</td>
</tr>
<tr>
<td>investment ratio</td>
<td>4%</td>
<td>1</td>
</tr>
</tbody>
</table>
Comparison of OTOP and Non-OTOP Members’ characteristics in the initial stage

<table>
<thead>
<tr>
<th>Criteria</th>
<th>OTOP</th>
<th>Non-OTOP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ban Kaew</td>
<td>points</td>
</tr>
<tr>
<td>5. Other</td>
<td>structured</td>
<td>5</td>
</tr>
<tr>
<td>structure of org.</td>
<td>few</td>
<td>3</td>
</tr>
<tr>
<td>Total of B</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>A + B</td>
<td>86</td>
<td></td>
</tr>
</tbody>
</table>
Examples of OTOP members

Product distribution of Pickled garlic: an example of a far most successful case.

OTOP GROUP

Local Center: 15.6%
Provincial Shop: 22.3%
Fairs: 9.6%
Regular Buyers: 39.9%
Irregular Buyer: 6.6%
Other Provinces: 3.5%
BKK: 3.5%

CONSUMERS
### Key Performance Indicators after 3 yrs of OTOP in Northern Thailand

<table>
<thead>
<tr>
<th>Province</th>
<th>Tambon</th>
<th>No. of Items</th>
<th>Item/Tambon</th>
<th>E-commerce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kamphaengphet</td>
<td>78</td>
<td>176</td>
<td>2.26</td>
<td>-</td>
</tr>
<tr>
<td>Tak</td>
<td>63</td>
<td>127</td>
<td>2.02</td>
<td>-</td>
</tr>
<tr>
<td>Nakhon Sawan</td>
<td>130</td>
<td>291</td>
<td>2.24</td>
<td>-</td>
</tr>
<tr>
<td>Nan</td>
<td>98</td>
<td>322</td>
<td>3.29</td>
<td>-</td>
</tr>
<tr>
<td>Phitsanulok</td>
<td>89</td>
<td>163</td>
<td>1.83</td>
<td>-</td>
</tr>
<tr>
<td>Phayao</td>
<td>68</td>
<td>183</td>
<td>2.69</td>
<td>-</td>
</tr>
</tbody>
</table>
Key Performance Indicators after 3 yrs of OTOP in Northern Thailand

<table>
<thead>
<tr>
<th>Province</th>
<th>Tambon</th>
<th>No. of Items</th>
<th>Item/Tambon</th>
<th>E-commerce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chiang Mai √</td>
<td>205</td>
<td>1,776 √</td>
<td>8.66 √</td>
<td>394</td>
</tr>
<tr>
<td>Chiang Rai</td>
<td>124</td>
<td>408</td>
<td>3.29</td>
<td>-</td>
</tr>
<tr>
<td>Petchabun</td>
<td>117</td>
<td>371</td>
<td>3.17</td>
<td>-</td>
</tr>
<tr>
<td>Phrae</td>
<td>78</td>
<td>197</td>
<td>2.53</td>
<td>-</td>
</tr>
<tr>
<td>Mae Hong Son</td>
<td>45</td>
<td>154</td>
<td>3.42</td>
<td>-</td>
</tr>
<tr>
<td>Lampang √</td>
<td>100</td>
<td>430 √</td>
<td>4.30 √</td>
<td>-</td>
</tr>
</tbody>
</table>
## Key Performance Indicators after 3 yrs of OTOP in Northern Thailand

<table>
<thead>
<tr>
<th>Province</th>
<th>Tambon</th>
<th>No. of Items</th>
<th>Item/Tambon</th>
<th>E-commerce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lamphun</td>
<td>51</td>
<td>613</td>
<td>12.02</td>
<td>143</td>
</tr>
<tr>
<td>Sukhothai</td>
<td>86</td>
<td>206</td>
<td>2.40</td>
<td>-</td>
</tr>
<tr>
<td>Uttarakhit</td>
<td>67</td>
<td>229</td>
<td>3.42</td>
<td>-</td>
</tr>
<tr>
<td>Uthaithani</td>
<td>70</td>
<td>205</td>
<td>2.93</td>
<td>-</td>
</tr>
</tbody>
</table>

1. Each province should have 400 items
2. Average product per Tambon $\geq 4.00$
3. The $\sqrt{}$ indicating acceptable performance
Examples of OTOP products of Chiang Rai
Examples of OTOP products of Chiang Mai
Examples of OTOP products of Chiang Mai
The Present Policy and Activities

- Move from product emphasis to market emphasis in 2002 as characterized by:
  - Concentration on post-production
  - Exhibition Center in various places in Bangkok
- Large number of events / Fairs set up in major provinces
- More concentration on export in 2003
  - Dept. of Export Promotion take action
  - Logo of OTOP product, E-commerce invented
  - Product Champion invented
  - APEC meetings as high end audience
- Overall approach geared from Production orientation to Market orientation but still so much on the former
OTOP Logo
Pickled Garlic
Papai Group
Longan Tea
Co-op Ban Kaew Women Group
Honey Product Group
Saw Dust Product Group
Chiang mai Winery Co- operative
Lanna Pottery Artisan Group
What are Missing for sustainable Development? : Implications for research

- Local officers’ lack of in depth information on groups’ potentials for local planning
- National authorities’ lack of aggregate information to balance demand and Supply
In depth information Deficiency on groups’ potentials

- Production capacity and continuity
  - Existing capacity
  - Availability and source of inputs

- Management ability
  - Flexibility / adjustability
  - Quality control
  - Raw material problem handling
  - Financial management ability
  - Marketing : networking and access
In depth information Deficiency on groups’ potentials

- **Competitive advantage**
  - Cost / return
  - Production technology
  - Product differentiation

- **Organization strength**
  - Type of organization
  - Contribution of members
  - Contribution to community
  - Social capital

- etc.
Information Required for Regional and National Planning

- **Demand side**
  - Preference, attitudes and behavior of consumers
  - Responses to promotion and PR.

- **Supply of goods and raw material**
  - No link between sources of inputs and OTOP goods bring to surplus/deficit supply
  - No integrated information especially in time & spatial dimensions
Previous and Future Efforts

- Expected Cases studies conducted by graduate students
- One report by Office of Agricultural Economics. (June and July, 2003)
- 85 cases studied by Chiang Mai University (CMU) (1996; 2000 and 2003)
Previous and Future Efforts

- Ministry of Education (University Affair) nationwide GIS program
- Thailand Research Fund and Dept. of Rural Development Collaboration to support training the trainers of cases-study research

Coverage:
- 2003 to 2004 <- Upper North
- 2004 to 2006 <- all other regions
Apply PAR for sustainable learning
Train research assistants and groups’ leaders on all aspects of business management
Provide technical assistance and network
Stimulate group’s concern of community benefit
Transmit needs for technology from groups to researchers and funding agencies
Stimulate and strengthen groups’ ability on self assessment (SWOT analysis)
Provide information on consumers’ behavior, preference and attitudes
Provide in depth information for policy makers
Provide strategies for strengthening individual group’s business improvement
Provide recommendations for development of each product category category
Develop website for all cases

CMU project on case study
Example of A Case Study
The Case of Pickled Garlic (Pa Pai)
The Case of Pickled Garlic (Pa Pai)

1. Organization

- Housewives Group established in 1981
- Share = 6,400 shares, 640,000 Baht
- Aim also for social/community strength – family relationship
2. Administration

- Group steered by elected committee
- Committee members came from 3 families
  - supportive and coordinative
3. Production

- Under production and quality control committees
  - Production process
  - In–bound logistics
  - Quality inspection
- Secondary products have potentials for export
- Storage of garlic and containers need better management to reduce cost
- Production process needed some improvement for export purpose
4. Employment

- Both members and non-members were employed during peak period (Feb-Mar)
- Normally, work was done by committee members
- Wage for member 80-90 baht < market wage (140 baht)
- Some social welfare available
- Wage for male committee = 160 baht, female = 100 baht
- O/T also available for all
5. Financial Management

- Many sources provided credit for the group with low interest rate 5-7% (MLR = 15%)
- Loan amounted to 2 million baht for working capital
- Loan payment well planned and practiced
- Group had poor sale-credit management causing cash flow problem
6. Performances

- Overall highly successful but could be improved in many aspects
- Became OTOP member in 2001
- Products awarded OTOP-Product Champion in July 2003
7. Benefit Gained from OTOP Program:

- In 2001, 6 mths after the OTOP initiative, positive effects in the following aspects
  - More gov. agencies support (15 -> 17 agencies)
  - More visit for and monitoring (1 -> 10 visits/mth)
  - More free support (100,000 baht)
7. Benefit Gained from OTOP Program:

- In 2001, 6 mths after the OTOP initiative, positive effects in the following aspects (cont.):
  - More trainings on management
  - Improved food standard
  - Better PR.
  - Self stimulated to air transportation
  - Sale value increased by 6%

- No negative effect reported
More Cases Showing Improvement and Expansion Community Products and Services
Co-op Ban Kaew Women Group

1999

2003
Longan Product
Co – op Ban Kaew Women Group
Wiengkalong Ceramic Foundation

2001

2003
Dong Pa Sang: Sa Paper Group
San-pa-yang: Soy-sauce Group
Tambon U-mong Agriculture Tourism and Wine
Analysis of Cottage Food Industry in the Upper North
References

http://www.thaitambon.com/OTOP/OTOPProcess
http://www.thaitambon.com/OPC/ChiangmaiOPC1.htm
Sriboonchitta, S. et al. (2001), Restructuring Cottage Food Industry, (various cases). Reports submitted to National Center for Genetic Engineering and Biotechnology
Dept. of Agricultural Economics. (2002) Undergraduate Research Exercises, (various reports), Chaing Mai University.