CHAPTER II

DETAILED PLAN

Business Structure

The Thai Organic Agriculture Company operates as an ownership structure for the following reasons:

Any business income will be taxed separately from personal income.

Acquiring more land for field use of organic farm will be easier in the future when the business become successful.

This structure enables us to be classed as employees for Work Cover purposes as some of the work approach in cooperating with farmers in order to finance them to plant organic sesame trees.

The company will finance farmer who already own their land for organic cultivation. The farmer must have an organic certificate for his land. Then, the seeds will be planted on the certified organic farm that will produce the organic sesame seeds. Finally transferred or delivered to subsidised transport to food industries.

The harvested organic sesame seeds will be given Organic Certificate issued by Department of Agriculture, Thailand with the organic logo shown below:

Figure 2 Logo Organic Thailand

The exit strategy is customer relationship management (CRM) first to keep a few customers and to continue the business. If the product becomes popular in the market, number of customers (food manufacturers) will be increased. However, if the business falls below our minimum targets for three consistent months, at this point we will close and sell our assets.

Management and Ownership

Director – Mr. Kamol Tangkam

He has extensive experience and knowledge in organically certified agriculture products especially in oil seeds such as sesame seeds and corn seeds. Besides, he is educated in plant biology that is basic knowledge required in biological control of land fields. With a strong agricultural research and nutritional background as well as marketing plan, he has worked responding through the ranks in agricultural products involving fats and oils and was the manager of RD department for cooking oil products. He brings knowledge and experiences in the food nutrition and agricultural industry and has a strong people skills as well as network management.

Staff

There will be only one staff, full-time employee, and farmers who own their organic land. The organic farmers will be trained to plant organic sesame seeds by organic processes as well as biological control of the sesame fields.

The company has also implemented a staff bonus scheme which will be operational when the business has reached its goal.

Key Objectives

The objectives for Thai Organic Agricultural Company are as follows:

- Maintain and expand our reputation for high quality organic sesame seed and reliable service, good quality of soil for organic field and best practice of farmers for organic plant cultivation.
- Maintain a financially healthy business by exceeding break - even targets by at least 10 %.
- Repay the start - up loan provided by family members within the first year.
- Achieve monthly and yearly sales target.
- Aim to improve sales of sesame seeds after one year by 10 %.

- Begin marketing to new wholesale customers and competitor's existing support base through mail - outs and promotions to maintain current growth in sales and service revenue.
- To gain more expertise in organic sesame seed farming technology to ensure increasing yield each year.
- Proven ability to improve organic farming.
- String network of organic farmers and manufacturers of sesame seed modified products as well as transport subsidies.
- Access to highly potential farmers of organic land for organic sesame seed planting.
- To be known as a courteous, personalized customer service oriented company.
- Establish local distribution capabilities and short delivery time capability.
- To apply supply chain management capability.
- To achieve overall low cost operation, to be able to meet customer expectation of low price.
- A strong balance sheet and access to financial capital.
- Contact protection of organic farmers.

Market Analysis

A rapid global growth in organic agriculture is practiced in almost all countries in the world, and its shares in agricultural farming land are growing. The market for organic products is also growing at a fast rate. Official interest in organic agriculture is emerging in many countries. On an international level FAO (Food and Agriculture Organization of the United Nations) is increasing its support to organic farming.

According to a survey reported by (Sahota 2007) about 17.2 million hectares are managed organically world - wide. Presently the major parts of these areas are located in Australia (7.6 million hectares), Argentina (3 million hectares) and Italy (now more than 1 million hectares). Europe has the highest proportion of organic land. Here in Asia most countries utilises organic farming area at least 1 % of the total agricultural area.

Global demand for organic products remains robust, with sales increasing by over $5 billion a year. Organic Monitor is a marketing and information service company specializing on the international organic food industry, estimates worldwide sales reached close to $39 billion in 2006, more than double from year 2000 amounting to total of $18 billion. Consumers demand for organic products are concentrated in North America and Europe; the two regions comprise 97 % of global revenues. Other regions like Asia and Latin America are important producers of organic foods, with most organic food and drinks are made for export markets.

However, the global organic food industry started to experience acute supply shortages in the latter part of 2005. Exceptionally high growth rates in Europe and Asia led global supply to tighten; the North American region had been experiencing supply shortages for a number of years. Buyers in all regions are currently scouring the globe for fresh sources of organic products (Sahota 2007).

According to a study in 2001 by the International Trade Centre (ITC) trade with organic foods has become a major business on the global market. Trade with organic products is showing growth rates which are rarely found in food markets. According to ITC, the biggest markets for organic products worldwide are the USA, Germany and Japan. The retail sales for organic products worldwide were estimated to be about 21 billion Euro in 2001 reported by Amarjit Sahota (SOEL 2002).

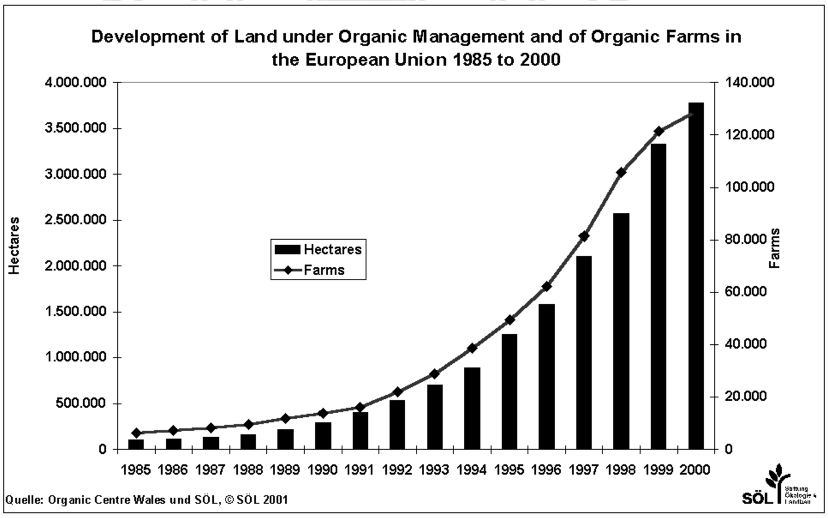

Figure 3 Organic demand in Europe 1985 to 2000 (SOEL 2002)

Considering organic agriculture in Europe, since the beginnings of the 1990s organic farming has developed very quickly in almost all European countries. According to SÖL dated 31.12.2000 in 15 EU - countries almost 3.8 million hectares were managed organically by around 130,000 farms. This constituted around 2.9 per cent of the agricultural area and almost two percent of the farms. If the accession countries and the EFTA (European Free Trade Association) countries are included the total number of farms will be about 140,000 and the land under organic management more than 4.1 million hectares (SOEL 2002).

Provisional figures for 2001 (FiBL 2002) show that currently more than 4.1 million hectares are under organic management in the European Union. In the European Union between 1986 and 1999 the organic land grew annually by 25 per cent. The strongest growth is demonstrated in Scandinavia and the Mediterranean countries. Since the end of the 1990s a strong growth has taken place also in Germany and in the United Kingdom.

Almost two - thirds of UK households made an organic food purchase last year, compared with just over one - third two years ago. The Soil Association's report for the year 2000 warns that the market is increasingly dependent on imports and it wants the government to do more to help the organic food sector. Its new report says that at a time of unprecedented public concern over food quality, organic practices are increasingly accepted as in tune with marketplace demands. More people are buying organic food more often and are prepared to spend more for it. The report has found that more than 65 % of UK households made an organic purchase during the year, compared with 37.2 % two years previously. This represents a 6.6 million increase in the number of homes buying organic. The report says the market was anchored by a committed core of 7 % of consumers, who were responsible for 57 % of purchases. Importantly, this group of shoppers consistently stated they were prepared to pay more for organic foods (Carslaw 2001).

In USA, numerous studies have been conducted by researchers in the public and private sectors on the buying habits and demographics of consumers of organic foods. Results were varied depending on the type of survey, sample size, and geographic coverage. However, a few general themes have emerged. Consumers prefer organically produced food because of their concerns regarding health, the environment, and animal welfare, and are willing to pay the price premiums established in the marketplace.

Organic products have shifted from being a lifestyle choice for a small share of consumers to being consumed at least occasionally by a majority of Americans. National surveys conducted by the Hartman Group and Food Marketing Institute during the early 2000s found that two-thirds of surveyed shoppers bought organically grown foods (USDA 2009).

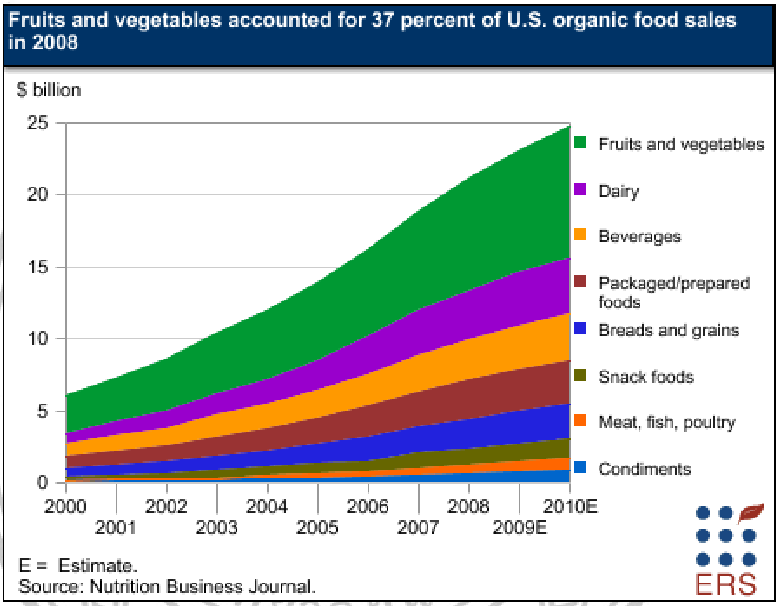

Figure 4 Demand of organic foods in USA (USDA 2009)

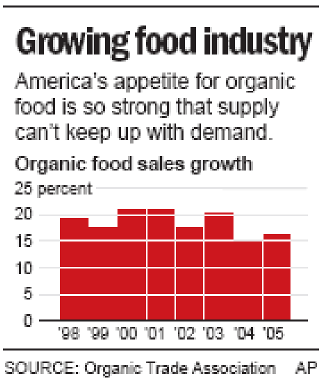

Figure 5 Increasing rate of organic food demand in USA from 1998 - 2005

Asia's organic food industry has surged in recent years, with a marked increase in both consumption and production in the region according to the current report.

Asia has been slow to adopt the organic trend but in the last two to three years countries like Singapore, Malaysia and Taiwan have seen annual growth in demand between 30 and 40 per cent, said Amarjit Sahota, director of Organic Monitor.

Organic Monitor's first report on Asia estimates the region to have more than 4 million hectares of certified organic farmland (13 per cent of the total global organic farmland) compared to a mere 500,000 hectares just five years ago. The largest increase has been in China, but other countries with large agricultural sectors such as India and Thailand are also converting to organic production.

The producer countries, which also include smaller producers like Indonesia, Vietnam and the Philippines, are exporting more than 90 per cent of their produce, largely to Europe and North America. The products are certified by more than 100 foreign agencies, giving crops like fruits, vegetables, herbs, spices, cereals and tea the credibility required for export markets. China leads in this tier, with 85 per cent of the region's organic farmland and now firmly established as a global source of organic ingredients (Sahota 2007).

The domestic market meanwhile only consumes about 10 per cent of China's production, mainly because of the high prices of organic foods that are four to five times the price of conventional products. Ironically the country has to import a large share of other organic products because it does not yet produce any processed organic foods. For example, demand for organic biscuits and drinks is growing in big cities like Beijing and Shanghai but these have to be imported (Sahota 2007).

Demand for organic foods will continue to be concentrated in second - tier countries like Japan, Korea, Singapore, Hong Kong and Taiwan with greater affluence, higher education levels, and smaller or non - existent agricultural sectors. As a result, these markets are highly dependent on imports.

Demand is being driven by the perception of organic foods as healthier, with outbreaks of disease like bird flu coupled with food scares boosting organic food consumption.

Total sales from the region are expected to reach around US$800 million in 2006, double the value of 2001. The Japanese market remains the most important consumer, accounting for about 60 per cent of demand.

Considering to productivity of organic agriculture in Thailand we found that the organic land for agriculture has been increasing since 1998 to 2006 from 6,281 to 140,964 Rai. This imply that demand of organic products increase dramatically (please look at Table 1).

Table 1 The yield of organic agriculture in Thailand from 1998 - 2006 (Bunyannopakun 2009)

Year	Rice	Crops	Vegetable	Fruit	Others	Total
1998	-	6,281	-	-	-	6,281
1999	-	5,510	-	-	-	5,510
2000	-	7,005	-	3,519	-	10,524
2001	-	9,901	-	3,519	-	13,420
2002	-	32,841	-	22,382	769	55,992
2003	-	46,719	-	22,261	769	69,749
2004	52,183	7,860	13,284	12,777	769	86,873
2005	108,302	6,731	14,845	4,995	761	135,634
2006	113,213	6,547	15,141	4,986	1,077	140,964

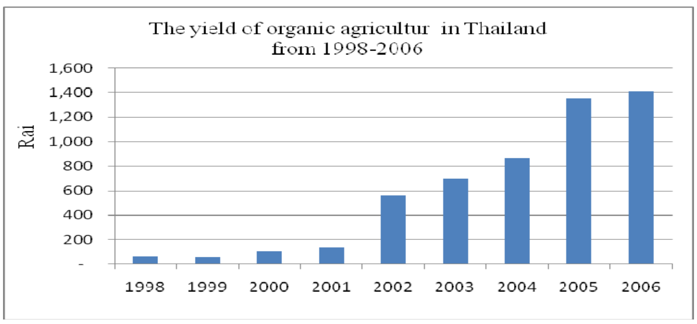

Figure 6 Total yield of organic agriculture in Thailand from 1998 to 2006 (Bunyannopakun 2009)

Besides, at the European market, we found that Germany is the biggest market channel for organic products. This means that people are very concerned in organic products or health concerns.

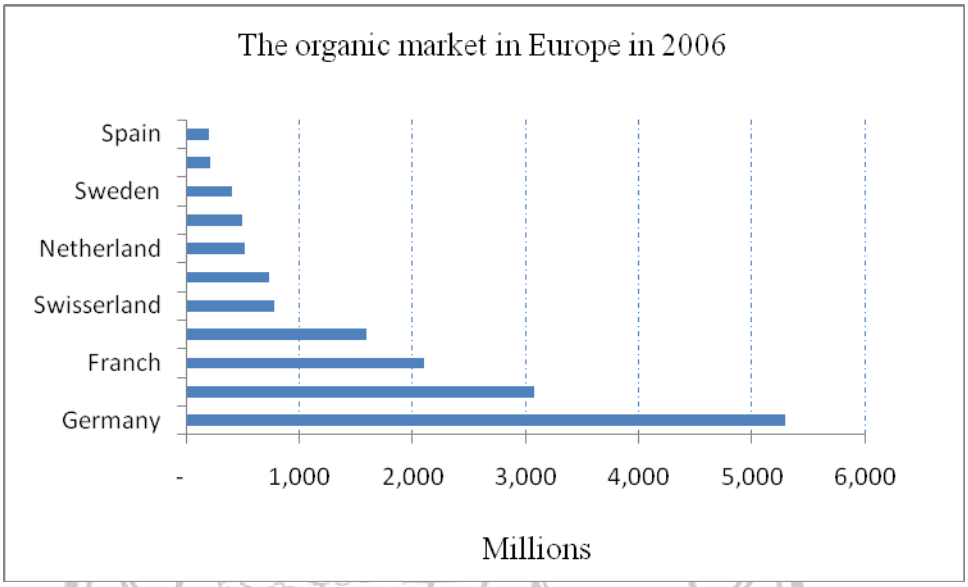

Figure 7 The organic market in Europe in 2006 (Bunyannopakun 2009)

In May 2010, Thai Commerce Ministry announce that they would encourage Thai suppliers to focus on organic production as part of its plan to expand the sector's exports by 15 - 20 % by 2011 in line with the current boom in the global market for such products. Pimpapan Chansilpa, deputy permanent secretary of the Commerce Ministry, told the Bangkok Post that organic products in Thailand had shown signs of growth because of higher concern among consumers about their health and environmental issues. Besides, she said that according to a survey, organic products have a market value of at least 3 billion baht in Thailand alone, with about 1.5 billion to 2 billion baht coming from exports. On the other hand, Jo Cadilhon of the Food and Agriculture Organisation of the United Nations regional office for Asia and the Pacific, said Asian regional trade in organic products was growing to meet the demand for organic food in Asia, which is rising by 15 - 20 % every year. Mr Cadilhon noted that major local products are rice, fresh produce, sugar, aromatic herbs and medicinal plants which are used in the production of baby food, breakfast cereals, beverages and dairy products. Similarly, Amarjit Sahota of the market researcher Organic Monitor in London said the biggest growth markets of organic product are Europe and North America, but demand is also increasing in the Asia - Pacific region and Latin America. According to Organic Monitor, in 2007 global sales of organic food were US $46 billion and the figure was estimated to have topped $50 billion in 2008. About 90 % of Asian organic products are exported and the major markets are North America and Europe, with 97 % of all organic retail sales in 2007 (Kruthanawat 2010).

The last two decades have witnessed a steady growth in the organic food sector. However, response to increasing demand has been slow in many countries due to underdeveloped infrastructure which is necessary for organic farming. Despite, organic food has been the fastest growing area of the food sector. As reported by Sahota (2006), the organic sales account about 9% of the total retail sales to US $27.8 billion in 2004.

Owing to the high price of organic produce and the lack of information on organic agriculture by domestic consumers, the growth of organic sector in Thailand was first driven by exports. However, in the past few years, the consumers have becoming more aware of the benefits of consuming organic food. Many certified organic products are now available in supermarkets, some have their own outlet. In 2006, the value of organic market was US$ 24.31 million, estimated at US$ 10.96 million for exports. Rice is the most important crop, followed by vegetables, fruit, corn, and herb and spices (National_Innovation_Agency 2010).

Sesame seed producing countries

Sesame is produced in around 65 countries of the world. However, the production of sesame seeds in the world is dominated by a few countries that lie in the African and Asian continents. All the major producers of the seed produce a total of around 30 lakh tons annually. China produces the maximum out of them all sharing approximately 25 % share in the total world’s production. The five topmost producing countries contribute to around 70 % of the total production in the world. The production level has grown steadily over the last decade and is still rising the same way. The list depicting the most important sesame producing countries with their production figures in the year 2005 is mentioned below (CRN_India 2005; ASGA 2008).

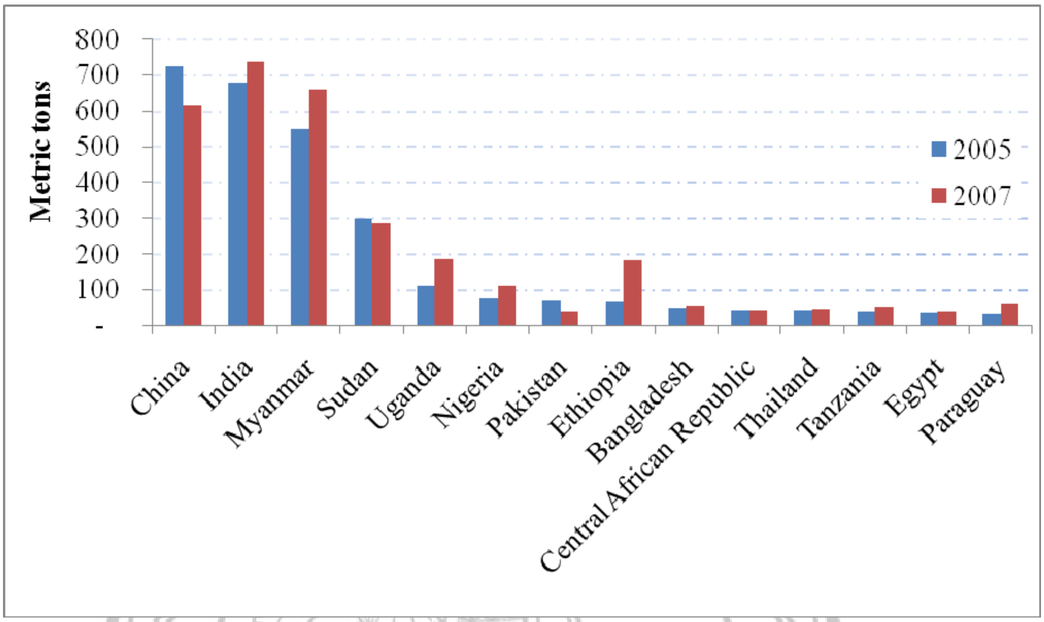

Figure 8 Comparision of yield of sesame seed from dominant countries farming sesame seed between 2005 and 2007

In 2007, the world sesame production of the fourteen countries who are the major producers in the world, as shown in the next table, six are in Asia, seven in Africa and one in Latin America. Together, they account for 84 % of the production. On the other hand, there were 19.1 million acres harvested, producing 3.7 million short tons of whole sesame seed for an average yield of 390 pounds/acre. There is a high correlation between yield and the amount of rainfall. Much of the sesame in the world is grown in semi - arid areas where there is very little irrigation.

As we have seen the supply of sesame seed in Thailand is about 42,000 metric ton in 2005 and increasing to 47,000 metric ton per year in 2007, it seem that demand of sesame seed has been increased. However, there is no organic sesame seed provided in Thai market yet, therefore, it would be the best opportunity for the company to start planting the organic sesame seed in Thailand. Because of this, the company could be price leader of the organic sesame seed in the Thai market.

Market group /channel of organic sesame seed can be pioneer of the local snack industries, oil industries, bakery industries, healthy restaurants and premium Thai traditional dessert manufacturers, and etc. In the future, the company could turn to conventional sesame seed to organic sesame seed in Thailand that would take a market share of 0.04 % from the regular sesame seed in Thailand, and it would make profit by 1,776,000 Baht per year (based on 100 baht per Kg. and crop 17,760 Kg per 60 Rai per year).

The Competitors

As the organic sesame seed is not yet available in Thai market therefore, there is no direct competitor. However, we should also consider the substitute product that is the regular sesame seeds which is currently available in the local market. The price of regular sesame seeds is 90 Baht per Kg. in the retail market.

Since the organic sesame seeds business has not been established yet in Thailand, therefore, there is no direct competitor to deal with in this business. However, there are several groups producing conventional sesame seeds that could be our indirect competitors. List of companies listed on the table below:

Table 2 Indirect competitors

Company Name	Product
CHARAN INTERTRADE CO., LTD.	Sesame Seed
GREAT EASERN TRADING (1973) CO., LTD.	Sesame Seed
J.S.M. LTD., PART.	Sesame Seed
JENSIN EXPORT LTD., PART.	Sesame Seed

The conventional sesame seed can be indirect competitor as substitute product for organic sesame seed. Beside, price of conventional sesame seed leads good opportunity for the market since its price is cheaper.

Moreover, farmers of organic land producing organic rice, organic vegetable, organic herb and organic crop would have an alternative choice and could switch to farming organic sesame seeds instead if the organic sesame seeds market becomes preferable and more profitable products. Therefore, we could consider also these groups as indirect competitors of the organic sesame seed as table below:

Table 3 Organic farms in Thailand

Major	Location of planting	Number of farmers
Organic rice	South, Central, North East of Thailand	1,129
Organic vegetable	North of Thailand	48
Organic crop and herb	North and North East of Thailand	114
Total		1,291

Besides, there are some traders for organic products (agriculture products) who could be our potential competitors if they will have opportunities in financing organic farmers for organic sesame seeds in future as table below:

Table 4 Traders of organic agricultural products in Thailand

Company	Organic products
Top Organic Company Ltd (Capital Rice)	A pioneer of organic agriculture in Thailand
River Kwae International Food Industry Company Ltd	The country's first exporting producer of organic baby corn
Plook Rak Farm	The country's big producer of organic vegetables
Rangsit Farm	The country's big producer of organic vegetables

Table 4 (Cont.)

Company	Organic products
Sampran Food Co Ltd	Important dealer who tries to push forward the processing industry
Swift / Exotic Farm Produce Co Ltd	Works with contract grower cooperatives, exports asparagus and baby corn to EU

Product/Service

Thai Organic Agriculture Company offers quality products in order to fully maximise its selling potential.

Products:

Raw organic black sesame seeds, the Thai Organic Agriculture Company provide wholesale of raw organic black sesame seeds to food manufacturer price start from 100 - 150 Baht per kilo depending on amount or volume of order.

According to comparison of conventional agricultural products and organic agricultural products in Thai market, we found that price of organic product is mostly higher than regular product by 10 Baht per item as table below.

Table 5 Comparison of conventional agricultural products and organic agricultural products in Thai market

Product	Conventional price	Organic price
Salad (120 g)	45	55
Kiwi (4 fruits)	75	85
Corn (2 cobs)	25	40
Olive oil (500 cc)	230	250
Fresh galangal (200 g)	20	45
Fresh lemon grass (200 g)	15	35
Fresh yard long bean (100 g)	10	40
Green asparagus (200 g.)	25	50

Product or Service Production

The product will be planted on organic farm at North East Thailand (Surin province) with total area of 15 Rais. The organic sesame seeds will be harvested at appropriate time by workforce of farmer's family.

Season of planting the sesame plants as follows:

There are two seasons of sesame planting a year. First crop will be February to May and second crop will be July to October each year (Department of Agriculture 2010).

Table 6 Season of planting the sesame plants

Season of planting the sesame plants	Summer season	Raining season	Late Raining
Planting season:	February	June	July
Harvest season:	May.	No crop	October

Farming sesame need less time to care compared to other plants, however, the soil need to be prepared well and careful seedbed preparation and close attention to soil moisture is a must to secure for good yield.

Fertilising: practically sesame plants do not need a lot of fertilizer, beside, they can adapt to environment very well. The sesame plant responds to natural fertilizer well. Fertiliser for sesame plants will require about 20 kilos per Rai, whereas, the sesame seeds yield approximately 89 - 99 kilos/ Rai.

The product is being produced locally by farmers. As all products will be planted off - site of city, it will be calculated according to farming and transport costs, and in-line with overseas market price as there is no direct competitor from local market yet.. Pricing of organic sesame seeds will be very tight to reach a profitable mark - up between 30 % and 40 % including transport cost.

SWOT Analysis

Table 7 SWOT Analysis

Strengths	**Weaknesses**
- Good quality sesame seeds with stronger flavour and taste - No chemical contamination for organic sesame seeds - No competitors of organic sesame seeds - Easier planting for sesame farm than other crops - Increasing healthy market - Good for health conscious consumers - Lower price because of local farming - Market requirement	- Complicate process for organic product - High capital cost - Product yield based on land size only
Opportunities	**Threats**
- Export market - In-line to trendy product (organic foods) - Launching to market of natural ingredients products - Tax reduction for organic products - Organic export market supported by Commerce Ministry - Flexible import regulation - Financial support by National Innovation Agency, Ministry of Science and Technology	- Interest rate rises will curb spending by families/employees - Partnership (farmers) may sell the product (organic sesame seed) to other traders - Local politics and scenarios - Scarce resources of water - Natural disaster