

CHAPTER IV

THE ORGANIZATION STRUCTURE AND OPERATION OF THE TEMPERATE VEGETABLE FIRMS

The demand of temperate vegetables has been increasing dramatically. As mentioned earlier the amount of temperate vegetables, which distributed by the Royal Project have been increasing as well as the number who involve in the Project vegetable program. The Royal Project was the first organization that has promoted temperate vegetables and distributed the products in to the market (Suemanotham,1996). At present there are several new brand names of temperate vegetables existing in the market. Most of the firms in temperate vegetables business are located in the Chiang Mai due to temperate vegetables are mainly produced in the north of Thailand. This chapter describes the organization structure and operation of the Royal Project in comparison with the private firms to provide background of temperate vegetable business.

4.1 The Structure and Operation of the Royal Project

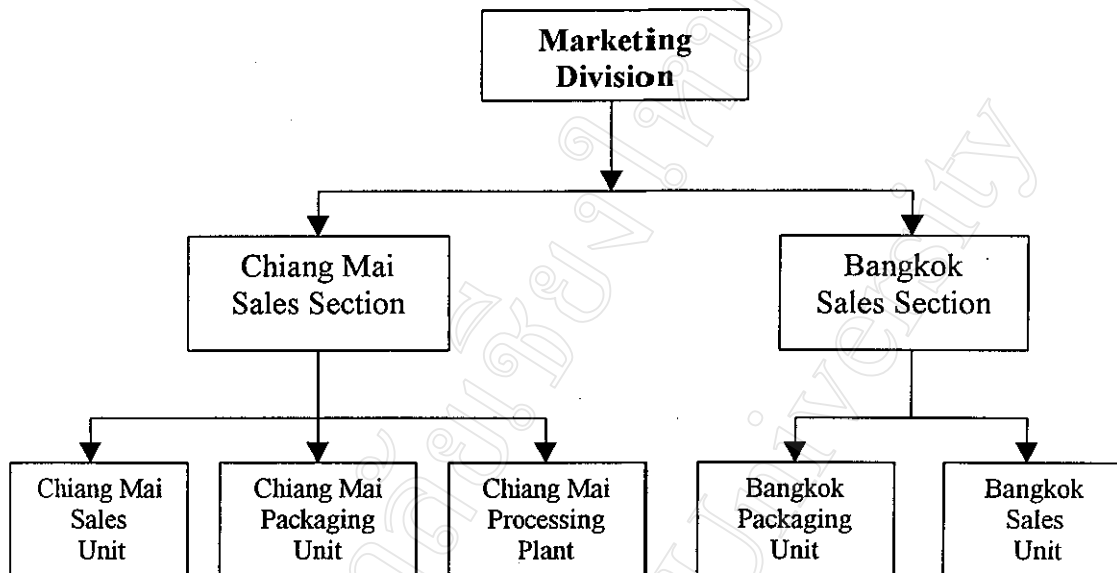
The marketing division of the Royal Project was established in 1979. In the beginning the Project had only vegetable products therefore its tasks was only distributing and packaging vegetable. The Marketing Division of the Project was expanded when there were the increasing of products. The marketing practices changed from being a consignor to being a profit center in 1996 (Suemanotham, 1996). The structure and operation of the Marketing Division of the Project are described in the following sections.

Structure of Marketing Division of the Royal Project

The Marketing Division of the Project comprises of two sections, one locates in Chiang Mai and the other is in Bangkok. Chang Mai Sales Section consists of mainly

three units, Sales Unit, Packaging Unit, and Processing Plant Unit. There is no Processing Plant Unit in Bangkok (Figure 4.1).

Figure 4.1 The Structure of the Marketing Division



In Sales Section Unit, there are sales personnel for vegetable, fruit, and flower. Their responsibilities are planning, purchasing, and selling products. The Project usually has the marketing plan for promoting each product through out year. The amounts of promoted products depend on the agreement of the Production and Sales Section of the Project. The purchasing and selling prices are determined by this unit. The prices paid to the Project's farmers of all products are normally announced to the stations once week. However, the prices can be changed when the farmers bargain for the higher prices.

The Packaging Unit responses to the quality control, trimming, packing, and delivery products to the customers. The products are firstly trimmed and graded at each station and they will be rechecked when they were distributed to Packaging Unit at Chiang Mai. The qualities such as size, weight, damaged, sweetness, and color of products would be checked before purchasing. The officials in this unit are also separated for responding vegetable, fruit, and flower from the farmers.

Some of sub-quality produces are sent to the Processing Plants. The products of processed food are salad, snack made of vegetables, and fruit candy. However there are several kinds of sub-quality produces were remain unused such as tomato, head lettuce, celery, and cos lettuce.

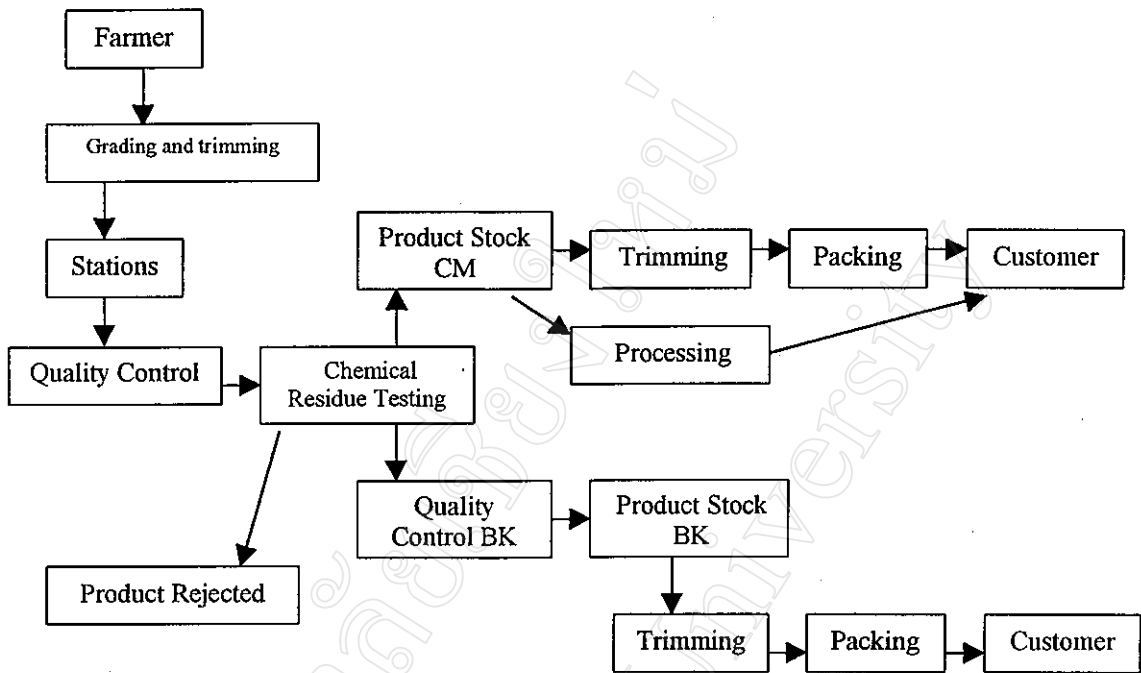
Operation of Marketing Division of the Royal Project

In each season, the Sales Sections and the Production Section plan the amount of promoted products. All promoted products are purchased by basing on the quality standard of the Project. The prices paid to the farmers are set by using the average of bidding prices between other merchants and the Project in each station. The farmers will receive money about 3 days after selling their products.

As shown in Figure 4.2, the qualities of products will be rechecked at Chiang Mai Packaging Section, the poor quality products are rejected. Due to the products of the Project are sold as the non-chemical residue, the products will be sampling to test for the chemical residue and if the chemical on products is more than the standard of Codex¹, they will be rejected. The results of residue testing are informed to the Packaging Unit in the evening before the products are distributed.

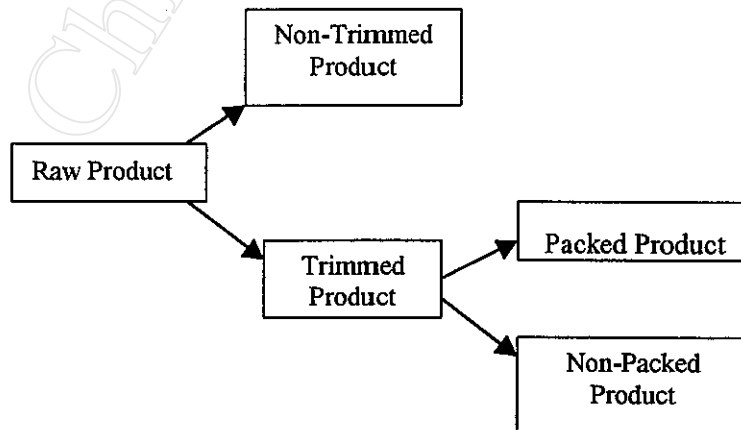
¹ The Codex Alimentarius Commission, based in Rome, Italy, is an international organization jointly created in 1961 by the Food & Agriculture Organization (FAO) and the World Health Organization (WHO) of the United Nations as a Food Standards Program. The purpose of the Codex Commission is to adopt international food standards in a uniform manner. These standards are aimed at "protecting consumers' health and ensuring fair practices in food trade. The standards include all principal foods, whether processed, semi-processed or raw, for distribution to the consumer.

Figure 4.2 The Operation of the Royal Project Marketing Division



The distributed amounts depend on the order from Chiang Mai and Bangkok sales sections. The Project transports all products by the refrigerated trucks to Bangkok to preserve the product freshness. The products will be rechecked the quality when they reach Bangkok by the Bangkok Packaging Unit.

Figure 4.3 The Forms of Product



The products will be sold in two forms, trimmed and non-trimmed depending on the demand of customers. The amounts of trimmed products each day depend on the dairy supply to the customers. There are two types of product packing, non-packaged and packaged in plastic bags (Figure 4.3). The qualities of packaged products are distinguished by using the different color of labeling. The better quality of products would be packaged in the yellow label on the bag and the poor quality products are packed in the red label. Most of packaged products are sold to the retail shop of the Project (Doikham Shop), the supermarkets, while non-packed products are sold to restaurants, and some organizational buyers such as processing plant and Thai Airways. Some vegetables such as carrot, celery are trimmed and packaged from Chiang Mai Sales Section before distributed to Bangkok Sales Section in order to reduce the transportation costs.

4.2 The Structure and Operation of the Firms

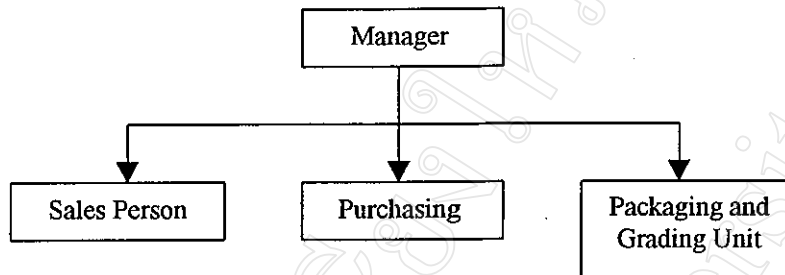
There are several private firms in temperate vegetables business. Most of them are merchants who sell only several products. The practices of the merchants are not complicate, purchasing and selling are done by the owner. In Chiang Mai, there is a firm that has developed from the merchants to establish a company. The products marketed by this company are the same as the Royal Project. The vegetables supplied to the company are from the same area with the Royal Project as well.

Structure of the Private Firm

The company consists of manager, sale person, purchasing, and packaging and grading unit. The manager who makes decision on planing, purchasing and selling is the owner. Sales person response to the product distributing. The purchasing person task is collecting products by contracting to the broker. Packaging unit responses to the quality control, trimming, packing. The products of the company are sold as non-chemical

residue, which guarantee by the Department of Agriculture. The structure of the company is no complicate as shown in Figure 4.4.

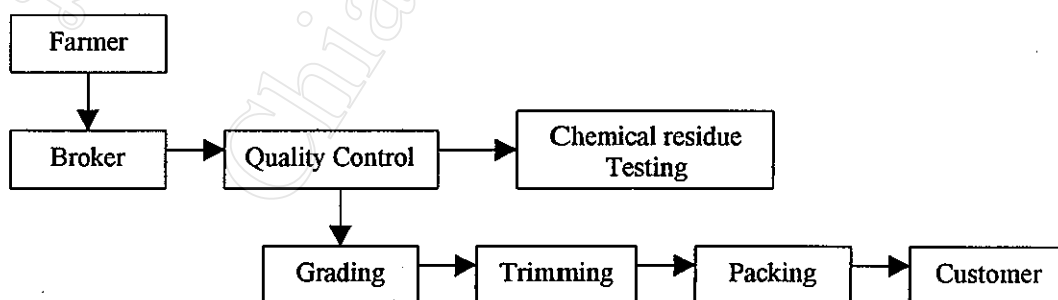
Figure 4.4 The Organization of Private Firm



The Operation of the Private Firm

The practices of the company are more flexible than the Royal Project due to there are few people involve in the decision making. The manager also doses some selling. The vegetables are collected from farmers by the brokers. The purchased products in the field and for the company are mix grads. They purchase the product by cash which is the advantage of the company to collect products. All products are graded and trimmed by the company. The operation is shown in Figure 4.5.

Figure 4.5 The Operation of Private Firm



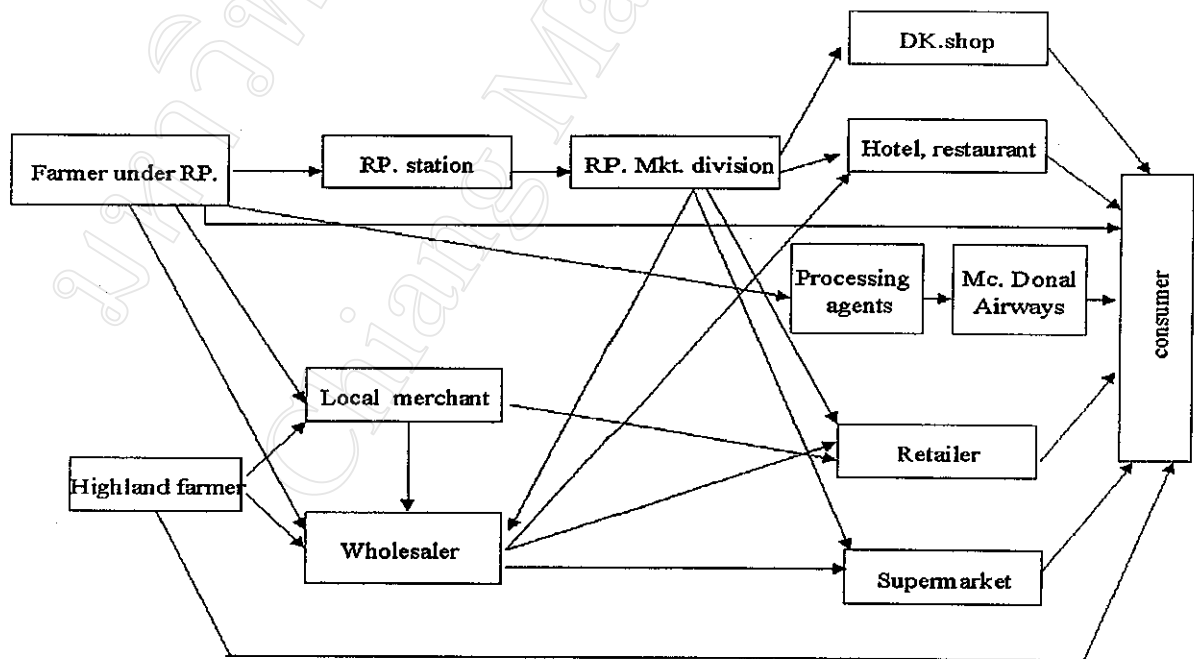
There are two forms of product, packaged and non-packaged. Some good grad of products will be packed and sold in the same marketplaces as the Royal Project. It was found from the survey that the products of this company were sold in the

marketplaces that seldom to find the Project's product for example foreigner-business-area supermarkets and some supermarket in Bangkok. The company will promote vegetable crops when the supply is low in off-season.

4.3 Channel of Temperate Vegetable

The temperate vegetables are produced by the farmers on highland. Almost of products are purchased by wholesalers, the Royal Project stations, and local merchants in the production area as shown in Figure 4.6. Some products are directly sold to consumers in the fresh market. The Project will purchase all of their promoted products and the products are transported to Chang Mai Marketing Division by the Project's truck. However the farmers under the Project have alternative to sell their products to other merchants or directly to the customers in market.

Figure 4.6 The Channel of Temperate Vegetable



DK Shop = Doikham Shop

The Project will distribute their packaged products to Doikham shops in Chiang Mai and Bangkok, supermarkets in Chiang Mai and Bangkok, retailers and wholesaler. The non-packaged products will be distributed to the hotels, restaurants, retailers, and processing agents. The quality of products which sell to the processing plan was set by the buyers.

The wholesalers assemble or collect their products from both the farmer under the Project and other farmers. The channels of the wholesales are almost the same as the Royal Project accepts Doikham shop. The wholesalers do not has their retail shop. The Project always face the difficulty to collect off-season vegetables due to the purchasing practices of the company are more flexible and the farmers satisfy to receive cash. Most of temperate vegetables are assembled to Bangkok dues to the prices of temperate vegetables in Bangkok are higher than in Chiang Mai.