

Managing Quality in Chains

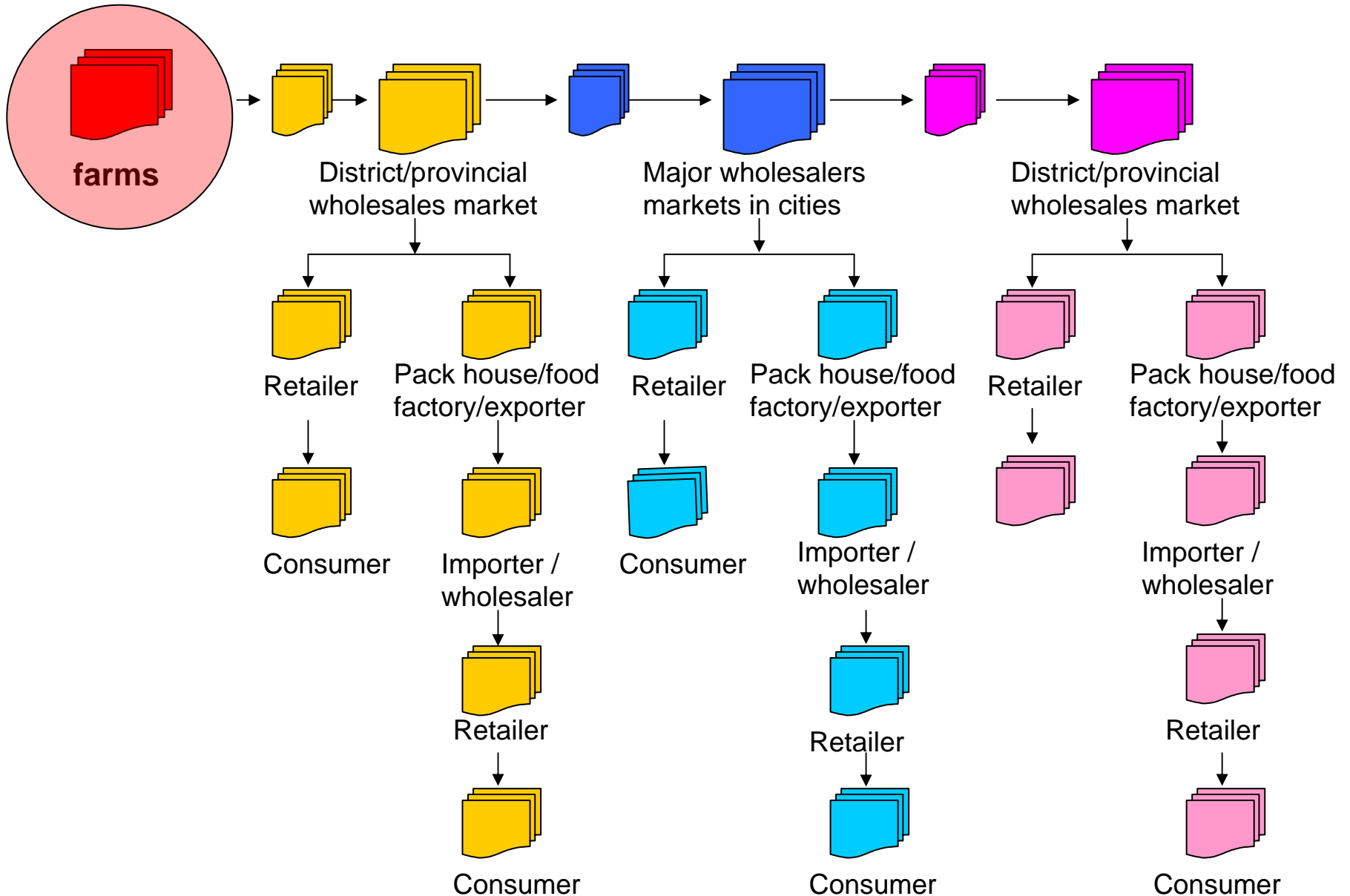
Supply chain of agricultural products in Thailand

A Brief Overview

Common Practices

- After harvest, growers pack their produce in sacks, bags and all kinds of baskets with out any post harvest control.
- Collectors or middlemen collect the produce which are left at farms or on road sides.
- The produce changing hand through many layers of traders before reaching main markets and retailers.
- They finally reach consumers in poor stage.

PREVAILING SUPPLY CHAIN



Effects of Multi-layers Chain

- Longer period of time in delivering the fresh harvest to consumer create wastes and can greatly damage product quality without post harvest control.
- Significant cost and profit-taking are added on at every layer.
- High ambience temperature and inappropriate handling further deteriorate the product quality.
- Resulting in poor quality, relatively high price level, lack of food safety when farm produce reach consumers.





Natural Development of the Supply Chain

- The chain reflects two major existing conditions of the country's agricultural sector,
 - Structure of small land holding
 - Prevailing market mechanism
- Small holders can not directly access to markets. Service of collectors or middlemen become a necessity in the chain.
- Wholesalers have to develop net works of regular suppliers who further develop their own net works for daily supply.
- Resulting in multi layers and inefficient chain.
- High level of wastage and poor quality due to lack of post harvest control in the chain

Growers at the Receiving End



- To minimize their risk exposure, buyer at each level try to buy at lower price level.
- Without market excess, small holders have no bargaining power.
- It is a negative correlation between wastage and price.
- All the losses are pushed back to growers in term of lower buying price level at farm.

All are Losers

- No winner in the poor logistics and lack of post harvest management.
- The prevailing supply chain is inefficient. The practice at each layer compromising quality and creates huge wastage.
- The value losses is estimated to be in the tune of many Baht 10,000 million, if not much more.

Value Losses

Percentages of losses through wastage and poor quality are given at 10%, 15%, 20% and 25%.

Unit: Million Baht

Agricultural Sector GDP Year, Value	Loss 10%	Loss 15%	Loss 20%	Loss 25%
Yr. 2002, 514,300	51,430	77,145	102,860	128,575
Yr. 2003, 607,900	60,790	91,185	121,580	151,975
Yr. 2004, 654,800	65,480	98,220	130,960	163,700

Quality Management of Thai Produce

A Successful Example

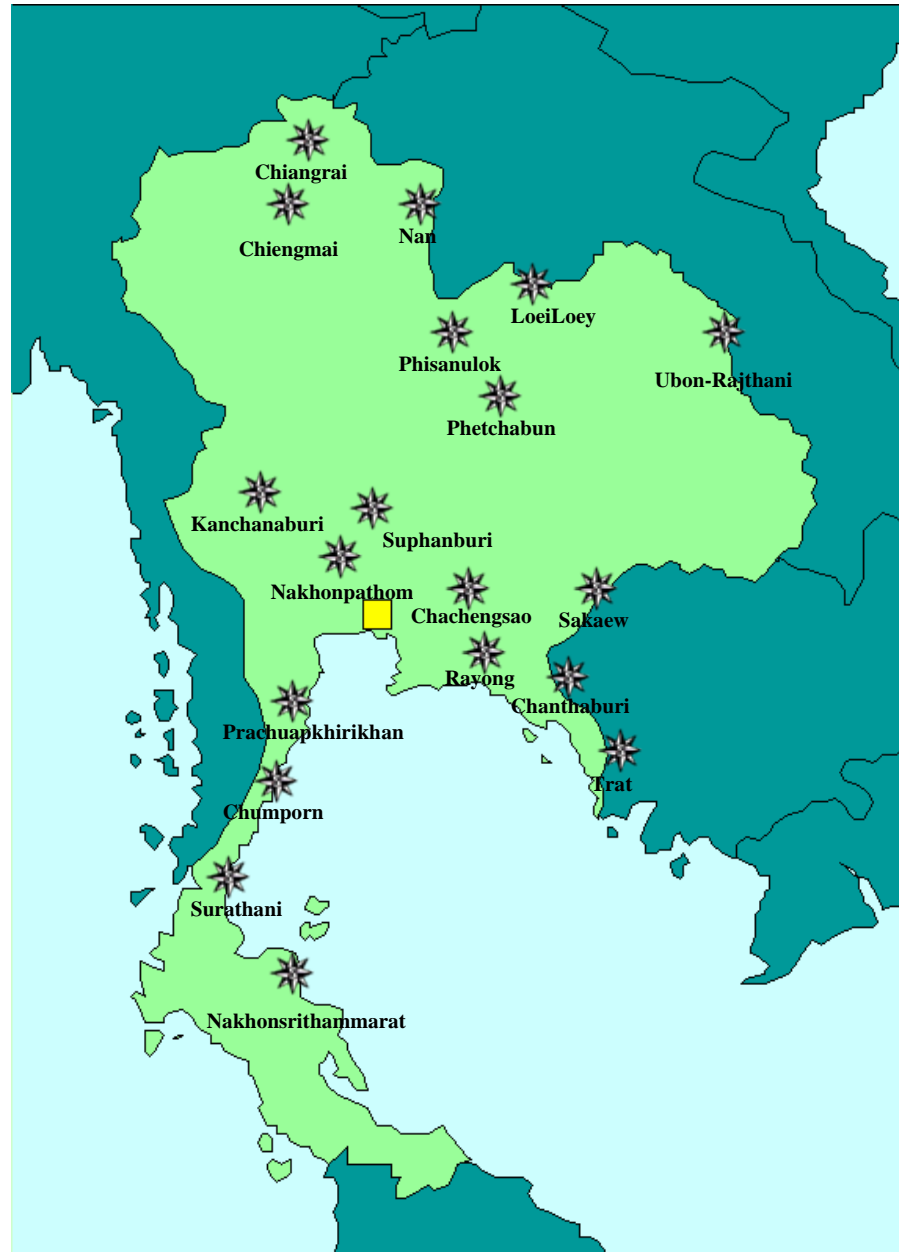
Mission Statement and Success

- Mission Statement set direction and path to success for the company.
- The key statements are:
 - The company will supply only premium quality produce with highest standard of food safety.
 - Every stakeholder in the value chain must fairly benefit from the company's operation.

FARM OPERATION

- Organizing groups of growers in selected areas to grow and supply premium fresh produces to Swift's pack-houses.
- Risk assessments are carried out on all major factors from history of land use to soil and water condition and to any possibility of cross contamination.
- Three types of farming practices by members are:
 - Conventional farming under EUREP GAP;
 - Agro-chemical free farming;
 - Organic farming.

Contract Grower Groups



LOCATION OF PACK HOUSES

- **Kampangsaen
(Central)**
- **Petchaboon
(Lower North-
Northeast)**
- **Chiangmai (North)**
- **Panas-Nikom
(East)**



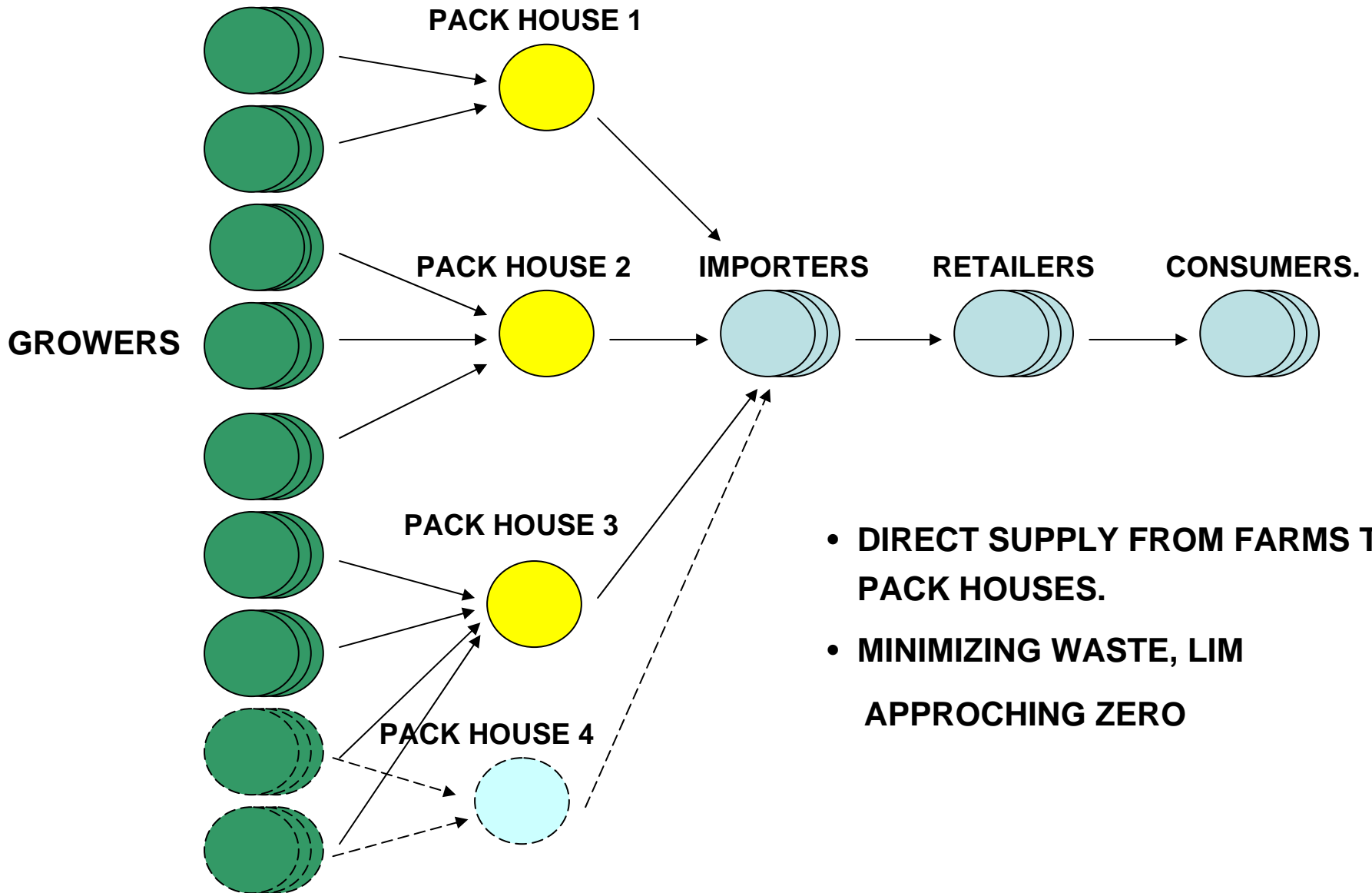
FARM AUDITING

- **SWIFT's zone-agronomists conduct regular internal auditing of members' farms.**
- **Independent internal auditing is carried out by other agronomists from head office.**
- **They are trained and certified on HACCP system and EUREP GAP auditing.**
- **Yearly certification on EUREP GAP and organic farming practices are carried out by licensed CB**

COLLECTION AND GRADING

- Collection stations of the company are set right in the growing areas.
- Weighing and grading are transparently carried out at the stations.
- Labeling of plot-codes and growers' names is part of the company's traceability system.

SWIFT 'S SUPPLY CHAIN



- DIRECT SUPPLY FROM FARMS TO PACK HOUSES.
- MINIMIZING WASTE, LIM APPROCHING ZERO

PACK-HOUSE & PROCESSING

- They are purposed built pack-houses with **GMP** certification.
- Different types of facilities are designed to accommodate different processing.
- Processing of fresh produce is under the *HACCP* and *BRC Higher Level* systems.
- Processing of organic and conventional produce is separated.

PRODUCT RANGE

Fresh

Fresh

Baby Corn

Asparagus

Yard Long Bean

Kuo Choi

Ung Choi

Chinese Kale

Ginger

Galangal

Lemon Grass

Garlic

Thai Shallot

Thai Basil

Palm Tip

Taro

Sweet Basil

Hot Basil

Guava

Mango

Mangosteen

Rambutan

Lychee

Longan

Sapodilla

Papaya

Coconut

Durian

Jack Fruit

Sweet Tamarind

PRODUCT RANGE

Frozen

- Sliced Ginger
- Lemon Grass
- Chilli
- Shallot

Dried and Processed Goods

- Chilli Powder
- Processed Chilli
- Sliced Ginger

- 
- Lime Leaf
 - Garlic and other Herbs
 - Passion Fruit

- 
- Lime Leaf in Powder Form
 - Other Herbs

COMMUNITY DEVELOPMENT

- The operation of the company generates direct income of over Baht 300 millions to farm communities per year.
- Pricing policy reduces risk to our growers to the minimum. Our guaranteed price is much higher than the market price.
- Financial support and transfer of technology from the company help in improving yields and incomes of our growers.
- The company has actively participated in development programmes with local community, temples, schools.
- The Ministry of Agriculture selected Swift Co., Ltd. as an outstanding company in supporting and developing farm communities.



ENVIRONMENT

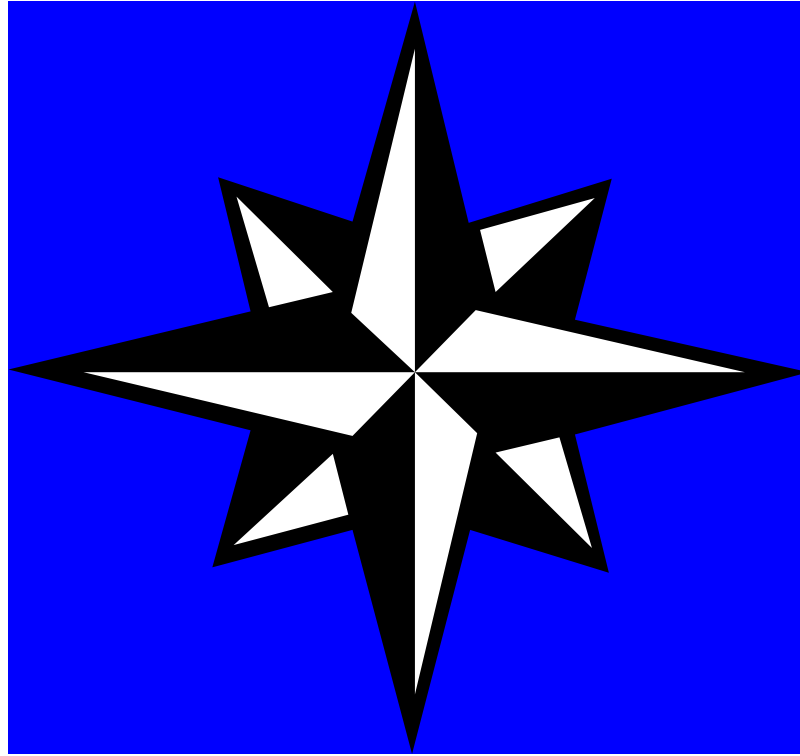
- Swift acquires supply only from members' farms and cooperatives. The farming practices of the company ensure that environment and ecology are protected.
- Price incentive, interest free loans, and other financial supports are provided in assisting growers to change to EUREP GAP and ORGANIC farming practices.
- Pilot farms have been set up in different areas with Agricultural University and with the Ministry of Agriculture to promote organic and GAP farming.

ETHICAL TRADING

- The company has developed a “Win-Win” policy that all parties, from growers to workers to consumers and to the company, have their fair shares from the operation
- Under age worker or “child labour” is not allowed in our company.
- Free medication, social security, are provided to all workers. The company goes beyond what is required by law to provide better welfare to all workers such as longer period with full pay on maternity leave.
- On over time, one and a half time normal wage is paid on normal working day. On holiday two times is paid
- Free vacation and free transportation to and from work are provided
- Interest free loans are provided for employees who are in need
- All growers get guarantee prices for their produces on long term contracts. Interest free loans are provided to improve their farms
- Scholarship are provided to children of the company’s workers
- All workers, growers, and other suppliers are paid exactly on time

CORPORATE SOCIAL RESPONSIBILITY (CSR)

- Swift was invited as a speaker in “**CSR Symposium**” organized by *Network for Sustainability Communication* (NSC) and *Global Environmental Forum* (GEF) in Tokyo, Japan in July 2005.
- The company was honored as the only speaker on its CSR initiative to delegates of *Council for Better Corporate Citizenship* (CBCCC) in Bangkok in September 2005.



THANK YOU

Swift Co., Ltd.

www.thaifreshproduce.com