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**Improving Livelihoods and Prosperity  
through Value-Added Agriculture:  
East-West Economic Corridor of Greater  
Mekong Subregion**

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# TA 7521-REG: Strengthening Local Chambers of Commerce and Industry along the East-West Economic Corridor to Promote Trade, Investment and Value Chains

Project Number: 43117-01  
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Improving Livelihoods and Prosperity through Value-Added Agriculture

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Prepared by  
Montague Lord, Pawat Tangtrongjita and Supatra Chadbunchachai

## ABBREVIATIONS

ADB	–	Asian Development bank
BDS	–	Business Development Specialist
CCI	–	Chamber of Commerce and Industry
CSF	–	Cost Sharing Facility
CGF	–	Credit Guarantee Facility
DAF	–	Department of Agriculture and Forestry
EWEC	–	East-West Economic Corridor
EU	–	European Union
FAO	–	Food and Agriculture Organization of the United Nations
GOMA	–	Global Organic Market Access
GAP	–	Good Agricultural Practices
GMS	–	Greater Mekong Subregion
IFOAM	–	International Federation of Organic Agriculture Movements
IFAD	–	International Fund for Agricultural Development
JICA	–	Japan International Cooperation Agency
METCO	–	Mekong Tourism Coordination Office
MOA	–	Memorandum of Agreement
MOU	–	Memorandum of Understanding
MAF	–	Ministry of Agriculture and Forest
NGO	–	Non-governmental organization
PPP	–	Public-private partnership
SAP	–	Strategy and Action Plan
SWOT	–	Strengths, Weaknesses, Opportunities, and Threats
USDA	–	United States Department of Agriculture

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## EXECUTIVE SUMMARY

The present report describes four clusters for organic vegetables along the East West Economic Corridor (EWEC). These clusters have three goals: (a) to foster the conversion of conventional agricultural farming to organic production, and thereby enable the generation of *high value-added activities*; (b) to promote linkages among micro and small scale producers, and thereby improve their *competitive position within the value chain*; and (c) to spur the development of agricultural activities affecting the majority of the EWEC population either directly or indirectly, and thereby enable the transformation of the EWEC transport and logistics corridor into a *full-fledged economic corridor*. The report builds on an earlier study that mapped EWEC value chains for organic vegetables.<sup>1</sup>

A ‘one-size-fits-all’ approach to clustering of organic vegetable activities along the Corridor is neither feasible or practical. Our approach has therefore been to design each cluster in terms of the specific characteristics of their producers, markets and support systems. We have based the characterization of the clusters on three criteria: (1) *stage of product development*, since clusters differ in terms of their products coverage (e.g., fresh vegetables versus packaged products versus processed products) or types of services (e.g., organic farm-stays and eco-tourism); (2) *stage of market development*, since the rate at which cluster develop is determined by the use of technologies, certifications, branding, packaging, marketing and logistics; and (3) *stages of public-private sector support*, since the rate of cluster development often depends on the availability of support systems and these systems vary across areas along the corridor.

**Cluster A:** The *Kalasin-Khon Kaen Organic Agricultural Cluster* is made of a farm group located in Kalasin province of Thailand and the model farm in Phetchabun operated by the Suwannabhumi Organic Company. The cluster aims to bring technical expertise to the Kalasin Farm Group from Suwannabhumi Organic Farm and thereby help the farm group to link to supermarket chains and export markets. The cluster is expected to become a premier example of business cluster usage for the successful development of organic vegetable value chains in the Greater Mekong Subregion (GMS).

**Cluster B:** The *Khao Kho Organic Agricultural Cluster* brings together a collection of small farmers who operate under the name of Khao Kho Agricultural Farm Group and the model organic farm of Suwannabhumi Organic Company. Both operate in the province of Phetchabun, Thailand, with the small farm group located in Khao Kho and the Suwannabhumi Organic Farm located in Nam Nao. The cluster aims to bring technical expertise from Suwannabhumi Organic Farm to the Khao Kho Agricultural Farm Group and thereby help them link to supermarket chains and export markets. In the near future, the cluster may add another group of farmers near the Khao Kho Agriculture Center, which is also close to the Khao Kho Agricultural Farm.

**Cluster C:** The *Ban Pak Ka Organic Agricultural Cluster* is made of farmers located in Savannakhet province of the Lao PDR. They are part of a government demonstration project that is supported by international development agencies. The cluster intends to integrate its farming activities into the existing value chain of organic vegetables sourced from Champasak Province and destined for the *Organic Farmers Market* in Vientiane. The cluster will spearhead development of the Savannakhet area surrounding the EWEC and help develop one of the “weak development links” along the Corridor.

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<sup>1</sup>Montague Lord and Pawat Tangtrongjita, “Mapping the Organic Vegetable Value Chain along the East West Economic Corridor”. Prepared under the project supervision of Rattanatay Luanglatbandith, Regional Cooperation Economist, Thailand Resident Mission, Asian Development Bank, July 2011.

**Cluster D:** The *Organic EWEC Eco-Tourism Cluster* is made of tourist-related organic farming activities along the Corridor. The cluster is part of the *GMS Tourism Development* flagship initiative of the Asian Development Bank.<sup>2</sup> It aims to develop environmentally sustainable tourism activities along EWEC provinces. Following the *GMS Tourism Development* model, it will promote the ‘Organic Corridor’ as a single tourism destination. As a priority tourism zone, the Organic EWEC Eco-Tourism Cluster should be part of the 2012-22 *GMS Strategic Framework* and the *GMS tourism strategic projects* being implemented in 2012-2014.

**Report Coverage:** For each cluster, the report identifies key value chain activities, the characterization of the cluster in terms of participants, productive resources and supporting agencies, the cluster business plan and key individuals and groupings, and the monitoring mechanism and benchmarks for evaluating the cluster’s progress over time. To properly cover these areas, each cluster is divided into the following major topics: cluster identification; mapping the cluster’s value chain; SWOT analysis of cluster; key individuals and groupings; formalization and registration of the cluster; monitoring and evaluation mechanism; business plan (located in the annexes); and draft Memorandum of Understanding or Agreement (located in the annexes).

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<sup>2</sup> For details, see ADB, “GMS Tourism Development”. Available: <http://www.adb.org/GMS/Projects/flagshipK.asp>

## I. BUSINESS CLUSTERS

### A. What Is a Cluster?

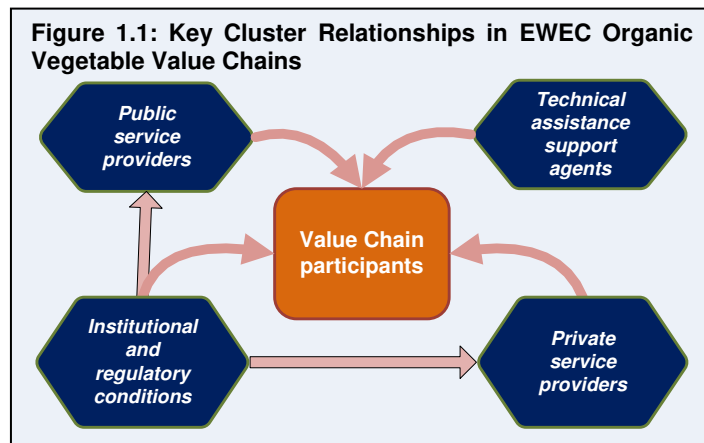
**Definition:** A "business cluster" refer to geographical concentration of formally interconnected entities having enough resources and competences to enable it to have a competitive advantage over others. There are three key elements in the concept. First, there must be *spatial or geographic proximity* of producers in the cluster. Second, the *size* of the production group must be sufficiently large for it to have adequate resource or operating capacities. Thirdly, there must be a *formal institutional structure* that provides a sustainable and cohesive networking arrangement between the cluster members. If these two elements operate effectively, then the *competitiveness* achieved from collaboration and business networking will be greater than if the participants operated separately and independently of one another.

**Cluster Types:** There is a general lack of standardization of definitions and coverage of clusters. While *geographic clusters* refer to locational groupings, *sector clusters* are associated with businesses operating in the same commercial area. There are also *horizontal clusters* that group businesses sharing the same knowledge, financial or physical resources, and *vertical clusters* where participants operate along the same supply chain.

**Terminology:** The terms „business cluster“ is often used interchangeably with „economic cluster“, „competitive cluster“, „industry cluster“, and „Porter cluster“, after the concept was popularized by Michael Porter.<sup>3</sup> The economic rationale dates back to the early 1900 when the term „agglomeration“ was used to describe the localization of firms in the same area.

**Cluster Components:** Key relationships of a business cluster are shown in Figure 1.1:

- **Value chain participants:** The individuals and businesses that directly deal with the products by engaging in production, processing, and distribution.
- **Public and private service providers:** The individuals and entities that support the functioning of the chain by providing transportation, packing and handling, certification, and financial support.
- **Technical assistance support agents:** Government institutions, NGOs and international development organizations that undertake support activities and interventions to foster value chain development by providing capacity strengthening, market information, advisor services like business planning or the creation of partnering arrangements.
- **Institutional framework:** The institutional and regulatory conditions impacting on the development of value chains.



**Application to EWEC:** The application of business clusters to the EWEC organic vegetables value chains is intended to achieve the following three objectives:

<sup>3</sup> Michael Porter, *The Competitive Advantage of Nations*. New York: The Free Press, 1990.



1. Foster the conversion of conventional agricultural farming to organic production, and thereby enable the generation of *high value-added activities*.
2. Promote linkages among micro and small scale producers, and thereby improve their *competitive position within the value chain*.
3. Spur the development of agricultural activities affecting the majority of the EWEC population either directly or indirectly, and thereby enable the transformation of the EWEC transport and logistics corridor into a *full-fledged economic corridor*.

## B. What Makes a Cluster Successful?

Businesses that have common challenges and opportunities can collaborate to overcome problems, achieve efficiencies, and penetrate markets that would otherwise be outside the reach of individuals.

A comprehensive review of cluster-based approaches identified the following ten characteristics in a successful cluster:<sup>4</sup>

- (1) Identification of the value chain
- (2) Geographic proximity of producers
- (3) Critical mass of knowledge and productive resources
- (4) Shared interests and common drives
- (5) Clear vision and mission
- (6) Organizational framework
- (7) Broad representation of cluster members
- (8) Strong leadership
- (9) Regular meetings
- (10) Productive projects and programs

These characteristics underscore the paramount importance of collaboration. It follows then that people are crucial to that collaboration. Successful clusters are those that have key individuals performing the following functions:

- **Champion:** Critical to the success of a cluster is the individual that promotes the group by spending a great deal of time in the field getting to know individual participants, identifying collaborative projects, mobilizing the relevant stakeholders, and organizing networking events. The 'Champion' can be a leader from the producing community, buyer, or government agency.
- **Cluster Steering Committee:** Composed of individuals who are responsible for establishing the cluster and creating the business plan, the 'Cluster Steering Committee' are responsible for implementing its strategy and action plan (SAP) and ensuring that the actions of the cluster are directed towards meeting its objectives and goals.
- **Cluster Production Leader:** Knowledge transfer by a 'Production Leader' having expertise in production methods, supply chains, and marketing and distribution channels is central to the success of the production group. The resulting intra-business learning process allows individual members of the group to add value to their production and access premium markets.

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<sup>4</sup> Montague Lord et al. "An Assessment of Cluster-Based Approaches". USAID: Promoting Competitiveness in Practice. Available: [www.value-chains.org/dyn/bds/docs/254/USAID-Mitchell-Clusters.pdf](http://www.value-chains.org/dyn/bds/docs/254/USAID-Mitchell-Clusters.pdf)

### C. Steps in Forming a Cluster

There is a sequence of steps involved in the design and implementation of a business cluster having the successful characteristics mentioned in the previous section. These steps are summarized in Figure 1.2 and described below.

**Step 1: Cluster Mapping.** In the case of the EWEC, production activities of the cluster should take place along the *geographic area* traversed by the Corridor. Agriculture is the most appropriate *sector* to target as a means of transforming the EWEC into an economic corridor because the majority of the population in the area is directly or indirectly involved in activities related to that sector. Within that sector, *organic farming* can add substantial income to households and thereby improve livelihoods. Higher incomes nevertheless depend on the ability of organic vegetable farmers to channel their produce to premium *markets* under fair trade practices.

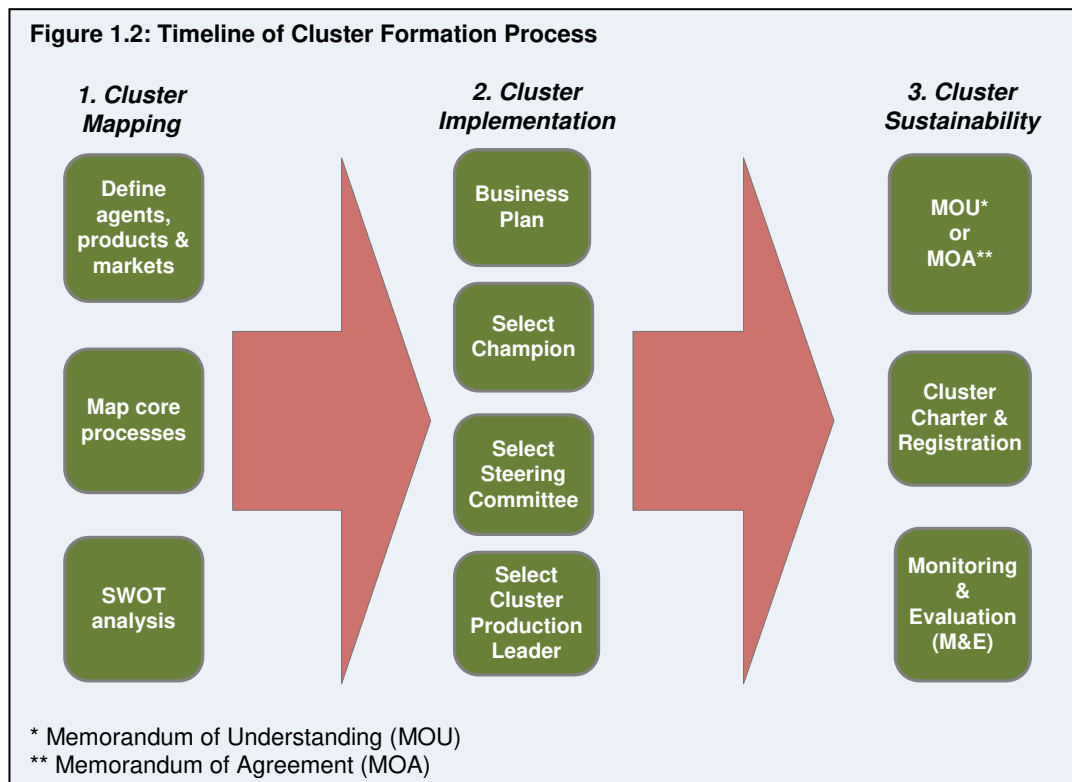
The process of gathering information about the cluster is similar to the mapping of the value chain, but with a focus on the interrelationships among cluster members. At this stage it is useful to conduct some form of *SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis* or benchmark analysis of the cluster's interrelated branches along the value chain. That information focuses attention on important issues that need to be addressed. It is also useful for the design of the business plan (step 3) and for monitoring and evaluating the cluster's performance and sustainability.

The selection of a cluster is largely based on the four factors: (a) the interest and willingness of producers to work together towards a common goal; (b) a sufficiently large knowledge and production resource base; (c) actual or potential linkages with downstream value added activities; and (d) strong public or private support services. It is also useful to identify factors that drive success in a business cluster. These cluster drivers are used as reference points in the assessment of the cluster's competitive position.

**Value Chain Analysis.** One of the most important parts of cluster building is the mapping of downstream suppliers of inputs and upstream customers, along with supporting services for organic vegetables in the EWEC. An earlier study conducted under the present RETA provided a detailed mapping of the core production and distributions processes, agents and products involved in those processes, support services, and markets and associate pricing structures.<sup>5</sup>

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<sup>5</sup> Montague Lord and Pawat Tangtrongjita, "Mapping the Organic Vegetable Value Chain along the East West Economic Corridor". Prepared under the project supervision of Rattanatay Luanglatbandith, Regional Cooperation Economist, Thailand Resident Mission, Asian Development Bank, July 2011.



**Step 2: Design Implementation.** The cluster must have a clearly defined vision and strategy and action plan to achieve that vision. Relationships must also be clearly laid out and management and organizational matters well specified. A business plan is therefore a useful tool to consolidate information about the cluster. Useful guidelines for the business plan are as follows:

1. **Cluster Vision.** It is important to develop a consensus view or *vision* for the cluster to keep key cluster individuals and groupings focused on their ultimate objectives.
2. **Products and services.** Consolidation of planting activities by cluster members is critical to the achievement of a critical mass of products for delivery to targeted markets. In the initial stages of the cluster design it will be useful to map out the types of products and services provided over time. Vegetables producers may, for example, at first consolidate activities to deliver 'safe foods' to markets as a transition to organic certification.
3. **Target Activities.** A set of achievable activities over clearly defined time-periods will provide the basis for annual planning and programming activities, as well as for ongoing monitoring and evaluation activities.
4. **Implementation Action Plan.** At the onset, it is useful to identify specific roles and responsibilities of cluster members in the context of the cluster organization and management, marketing strategy, financial management, relationships with private and public support and other services, monitoring the cluster's progress, and ensuring completion of tasks assigned.
5. **Key Individuals and Groupings.** Critical to the success of the cluster are the people that will help to drive the cluster and implement the action plan.

- *Champions* are responsible for promoting the cluster and organizing networking events. There can be a single champion for the producer group, or different champions for producer and buyer groups, and government, academic and donor support groups. Champions can provide also help to collect production and market information and engage in consultations with public and private support groups, along with NGOs and other development partners.
- *Cluster Production Leader* provides expertise in production methods, supply chains, and marketing and distribution channels is central to the success of the production group. Cluster production leaders can help to provide targeted technical assistance for targeted training,
- *Cluster Steering Committee* is responsible for implementing the strategy and action plan. The committee should be formally structured and convened on a regular basis to map out the production and distribution activities. Its members should include value chain representatives and public and private supporting agencies.

**Step 3: Cluster Sustainability.** It is important to build on the momentum after the initial policy dialogue takes place in order to formalize the cluster and establish regular performance reviews. Formalization of the cluster normally takes place through a memorandum of understanding (MoU) or a memorandum of agreement (MoA). That document sets out the objectives of the cluster, its goals, the constitution and management of the cluster, financial matters supporting the cluster's activities, and reporting responsibilities by members. The cluster should also have a charter and be registered with the public authorities to ensure that it benefits from public sector support and operates as a registered business. Finally, it is important to monitor the cluster's progress as a means of determining whether it is operating as a profitable business concern that meets the goals and objectives of its members.

#### D. Consultation for EWEC Clusters

The overall objective of the present study is to map the organic vegetables value chain in the EWEC and establish a small set of high profile clusters having a strong demonstrable impact along the EWEC and other GMS corridors. Mapping the EWEC's value chains for organic vegetables was carried out between February 2011 to mid-June 2011, and the results were described in a study presented to the value chain workshop in Khon Kaen on 24-25 May 2011.<sup>6</sup> Field work began for the clustering portion of the project began in mid-July 2011. The following is a summary of findings from those consultations:

- **Central Thailand (Bangkok and surrounding areas):** Discussions were held with members of (a) Central Group Companies; (b) Earthsafe Foundation; (c) German International Cooperation (GIZ); (d) Natural & Premium Food Co., Ltd; (e) Central Food Retail Company Ltd.; (f) CK Fresh Co., Ltd.; (g) Organic Trade Association (h) Thai Organic Food Co., Ltd; (i) Thai Fruit and Vegetable Association; (j) P. Prime Co., Ltd.

Summary of findings: All of the organic and safe-food vegetable exporters and processors have a shortage of fresh produce supplies. Most of the exporters and

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<sup>6</sup> Montague Lord and Pawat Tangtrongjita, "Workshop on Mapping the Organic Vegetable Value Chain along the East West Economic Corridor, 24-25 May 2011: Completion Report". TA-7521 (REG): Strengthening Local Chambers of Commerce and Industry along the East-West Economic Corridor to Promote Trade, Investment and Value Chains. Prepared under the project supervision of Rattanatay Luanglatbandith, Regional Cooperation Economist, Thailand Resident Mission, Asian Development Bank, July 2011.

processors will support farmers through technical assistance and buyer programs if they pursue good agricultural practices (GAP) and produce organic vegetables. These buyers are looking for a wide range of vegetable varieties and stable supplies from the EWEC provinces. Farmer groupings are the appropriate mechanism for providing the variety and supply levels needed by these buyers.

- **Thailand section of EWEC:** Field visits to (a) Phitsanulok Provincial Health Office; (b) Organic farm in Phitsanulok; (c) Khaokho Talaypu Co., Ltd.; (d) Phetchabun Provincial Health Office; (e) Khao Kho Agriculture Center; (f) Organic Farmer in Phetchabun; (g) Nong Ruea District (Khon Kaen Province): Organic Vegetable Farms in Tumbon Non Than; (f) OB OB Home Stay: Organic Farm for Home Stay in Kalasin Province; (g) Kalasin Organic Vegetable Networks; (h) Srimuangthong Market: Vegetable Market in Khon Kaen province; (i) Organic farm in Kalasin province; (j) Q shop in Kalasin.

Summary of findings: A number of organic and safe-vegetable farmers in the EWEC's Thai provinces are in the process of establishing producer groups based on geographic proximity. In Phitsanulok and Phetchabun, farmer groups are exploring market opportunities that can provide them with fair market prices. At present, they are selling directly to local hospitals and markets at better prices than those offered by wholesalers.

- **Laos section of EWEC:** (a) Agricultural & Forestry Department in Champasak Province, Ministry of Agricultural & Forestry; (b) HALVETAS Office in Champasak Province; (c) Organic cultivation division, Agriculture Promotion Center in Savannakhet; (d) Agricultural and Forestry Savannakhet, Ministry of Agricultural & Forestry; (e) ADB-IFAD office: Program on Sustainable Natural Resource Management and Productivity Enhancement.

Summary of findings: The organic farmer group in Savannakhet is in the early stage of development. Nonetheless, they have already made substantial progresses in terms of the varieties of produce cultivated and the quantities supplied to local markets. Vegetables are sold at the same price as conventional vegetable in the market. As a consequence, ADB and IFAD project officers are helping them to differentiate their products from conventional vegetables through packaging and awareness-raising media about safe foods.

- **Vietnam section of EWEC:** (a) Tra Que Herb and Vegetable Village in Da Nang province; (b) Organic Farm in Bach Ma National Park, Hue Province; (c) Tinh Tam ci'wxws,vegetable restaurant; (d) Peaceful Bamboo Family; and (e) Thien Tam Vegetable restaurant.

Summary of findings: The organic farm in Vietnam are targeting eco-tourism because there is little, if any, awareness of safe food standards by the local population. Tra Que Village and Bach Ma National Park villagers are the two principal organic growing areas actively involved in eco-tourism. Both teach organic cultivation and cooking classes, and provide nearby resort accommodations. They also supply restaurant and hotels with vegetables since both villages are located near the major tourism centers of Hoi An and Hue City.

A dissemination event is planned for 10-21 October 2011. It will take the form of workshops and field visits to the four business cluster sites, and the formalization of the clusters at a Trade Forum.

## **E. Report Coverage**

The present report describes four clusters that are being established for the organic vegetable value chains along the EWEC. For each cluster, the report identifies key value chain activities, the characterization of the cluster in terms of participants, productive resources and supporting agencies, the cluster business plan and key individuals and groupings, and the monitoring mechanism and benchmarks for evaluating the cluster's progress over time.

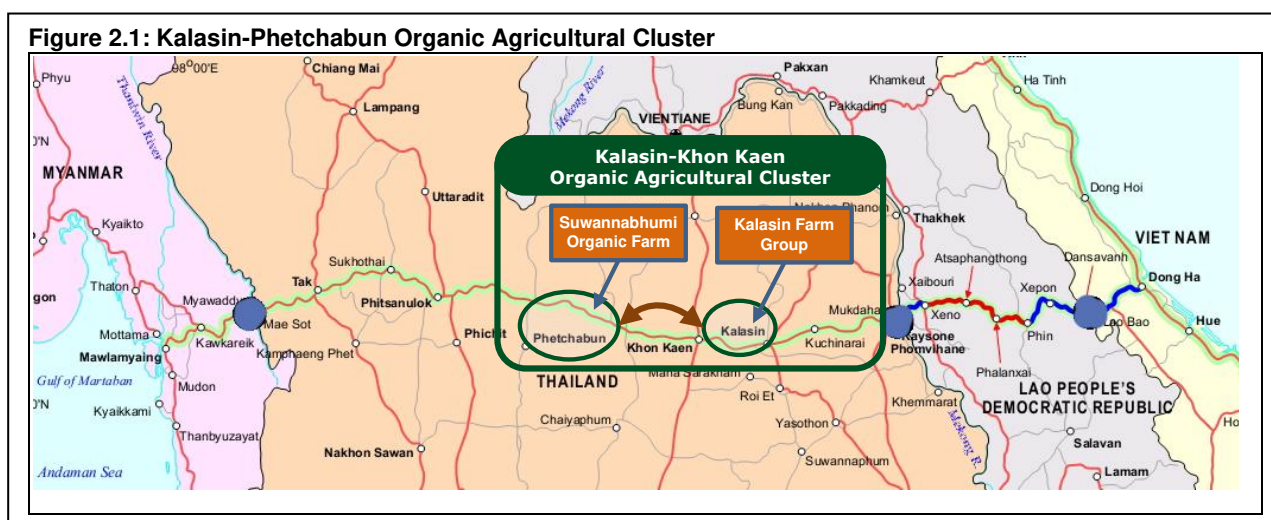
To properly cover these areas, each cluster is divided into the following major topics:

- ❖ Cluster identification
- ❖ Mapping the cluster's value chain
- ❖ SWOT analysis of cluster
- ❖ Key individuals and groupings
- ❖ Formalization and registration of the cluster
- ❖ Monitoring and evaluation mechanism
- ❖ Business plan (located in the annexes)
- ❖ Draft Memorandum of Understanding (located in the annexes)

## II. CLUSTER A: KALASIN-KHON KAEN ORGANIC AGRICULTURAL CLUSTER

### A. Overview

The *Kalasin-Khon Kaen Organic Agricultural Cluster* is made of a farm group located in Kalasin province of Thailand and the model farm in Phetchabun operated by the Suwannabhumi Organic Company (Figure 2.1). The cluster aims to bring technical expertise to the Kalasin Farm Group from Suwannabhumi Organic Farm and thereby help the farm group to link to supermarket chains and export markets. The cluster is expected to become a premier example of business cluster usage for the successful development of organic vegetable value chains in the Greater Mekong Subregion (GMS).



### B. Cluster Mapping

#### 1. Cluster Drivers

**Production Characteristics:** The Kalasin Farm Group is made up of 13 farmers producing either organic or safe vegetables in a combined area of 204 rai (32.6 hectares). Nearly 200 people are employed for the cultivation of the land. Individual landholdings of group members vary from only a few rai to relatively large tracks of over 50 rai. Together the group produces nearly 3 tons of vegetables each month, earning an average of almost 150,000 baht during the period.

**Existing Market:** The Kalasin Farm Group sells its produce to the local market and through the specialty Q Shop supermarket in the Muang District in Kalasin Province. Although a couple of group members are branding their products, there is a lack of price differentiation between the group's organic or safe vegetables and conventional vegetables sold in the local market.

**Technical Support:** The Kalasin Farm Group is actively involved with the Kalasin Chamber of Commerce and Industry (CCI), and it is a member of the Kalasin Organic Vegetable Network, which was created by the Kalasin provincial government as part of a planning program for cooperative activities by farmers. Within that short period of time, the network has grown to include 500 households with 16 networks in 20 Tambons (sub-districts) of 14 Ampurs (districts). It maintains the Kalasin Organic Learning Center to help farmers interested in becoming organic producers learn about organic farm management, soil preparation and improvement, organic

fertilizer preparation, organic pesticide preparation and information networking. The Center does not, however, have in-depth technical training facilities for branding, certification, marketing, processing and distribution to major national and international markets.

**Gaining Market Knowledge:** Suwannabhumi Organic Company currently operates a model organic farm of 30 rai (nearly 5 hectares) in Phetchabun province. The farm produces 30 kinds of vegetables and will soon expand into fruits and hydroponic organic vegetables. Total monthly production is roughly one ton of vegetables such as chili peppers, yard long beans, sweet and baby corn, okra, lemon grass, sweet basil, eggplants, and ginger. The farm's products are certified under Good Agricultural Practices (GAP) for fruit and vegetables by the Ministry of Agricultural, the United States Department of Agriculture (USDA) organic certification, and the BCS Öko-Garantie organic certification, which indicates that the products meet the European Union regulations for organic production. To achieve full organic status, the farm has to produce its own organic fertilizers, access uncontaminated water, and take special precautions to ensure that the products do not become contaminated.

Suwannabhumi Organic Company actively markets its products at major trade fairs and receives orders from a wide range of international and national buyers. However, capacity limitations prevent the company from supplying all orders and, at present, there is limited distribution to the domestic market and the Scandinavian countries. In addition to management interests in expanding the cultivation of land to broaden the production base, the company wants to motivate more farmers to grow organic vegetables, along with educating the local population about the benefits of organic foods as safer and more nutritious products than their non-organic counterparts. The company offers training at Suwannabhumi Organic Farm on the preparation of the soil, fertilizer, water, cultivating and packing of organic products.

**Motivation for Cluster Formation:** A cluster composed of the Kalasin Farm Group and Suwannabhumi Organic Company has a number of advantages. First, it provides the Kalasin Farm Group with much-needed knowledge transfer about branding, certification, marketing, processing and distribution to major national and international markets. Secondly, there is spatial or geographic proximity of cluster members to ensure effective localized networking arrangements. Thirdly, the resulting size of the grouping creates adequate resource and operating capacities. Finally, the arrangement will help the Kalasin Farm Group differentiate their products and sell to target commercial markets at premium prices. The Kalasin-Khon Kaen Organic Cluster is likely to serve as one of the most successful models for the GMS countries.

## 2. SWOT Analysis

Figure 2.2 summarizes the strengths, weaknesses, opportunities and threats (SWOT) of the Kalasin-Khon Kaen Organic Agricultural Cluster. The focus of the analysis is the cluster's perceived state with regard to its competitive weaknesses and strengths. Key issues for the cluster are as follows:

- The groupings have a relatively large production base, organic certification for some members, and a strong interest for the Kalasin Farm Group to collaborate with Suwannabhumi Organic Company.
- Strong institutional support for the Kalasin Farm Group from local Chamber of Commerce and Industry (CCI), and through larger Kalasin Organic Vegetable Network.



- Large opportunity to expand and diversify markets from the currently narrow focus on the local market.

**Figure 2.1: SWOT Analysis of Kalasin-Khon Kaen Organic Cluster**

	Supply Chain Structure	Markets	Institutional Framework
Strengths	<ul style="list-style-type: none"> <li>• Relatively large production base in Kalasin Farm Group.</li> <li>• Good water supply throughout the year.</li> <li>• Branding has already started by some cluster members.</li> <li>• Suwannabhumi Organic Company is a model organic farm.</li> </ul>	<ul style="list-style-type: none"> <li>• Suwannabhumi Organic Company is certified by Good Agricultural Practices (GAP) for fruit and vegetables by the Ministry of Agricultural, the United States Department of Agriculture (USDA) organic certification, and the BCS Öko-Garantie organic certification to meet the European Union (EU) regulations for organic production.</li> </ul>	<ul style="list-style-type: none"> <li>• High level of networking by Kalasin Farm Group, especially with Kalasin Chamber of Commerce and Industry (CCI), and through larger Kalasin Organic Vegetable Network.</li> <li>• Collaboration with Kalasin Organic Learning Center.</li> <li>• Q Market provides local outlet for produce from Kalasin Farm Group.</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>• Kalasin Farm Group members differ in types of vegetables grown and some have organic certification while others have only safe vegetable recognition.</li> <li>• Lack of knowhow on growing organically and generally during rainy season</li> </ul>	<ul style="list-style-type: none"> <li>• Sales of Kalasin Farm Group limited to local market and prices lack differentiation from conventional produce.</li> <li>• Local market for organic foods is not strong.</li> <li>• Lack of customer awareness about safe vegetables.</li> </ul>	<ul style="list-style-type: none"> <li>• Kalasin Organic Learning Center lacks expertise in technical training facilities for branding, certification, marketing, processing and distribution to major national and international markets.</li> <li>• Lack of financial support from public entities or donors to get certification.</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• Suwannabhumi Organic Company can offer training to Kalasin Farm Group on the preparation of the soil, fertilizer, water, cultivating and packing of organic products.</li> </ul>	<ul style="list-style-type: none"> <li>• Kalasin Farm Group can benefit from Suwannabhumi Organic Company's promotional activities at major trade fairs and existing orders from a wide range of international and national buyers.</li> </ul>	<ul style="list-style-type: none"> <li>• Broadening the institutional base of the Kalasin Farm Group to collaborate with a model organic will strengthen member collaboration and promote joint decision-making practices.</li> </ul>
Threats	<ul style="list-style-type: none"> <li>• Possible lack of commitments on the part of the Kalasin Farm Group members to go organic.</li> </ul>	<ul style="list-style-type: none"> <li>• Possible missed opportunities by Kalasin Farm Group access premium markets if some members are unwilling to get proper organic certification.</li> </ul>	<ul style="list-style-type: none"> <li>• Possible missed opportunities to capture premium markets if Kalasin Farm Group lacks strong commitment to the clustering approach.</li> </ul>

- Suwannabhumi Organic Company has already made strong inroads into the fastest growing organic produce segment of the food industry in the national, regional and global markets.
- There is ample room for more organic producers to supply the national and international markets.

**Turning Weaknesses into Strengths:** There are a number of ways in which to transform existing weaknesses into opportunities for the cluster:

- Once Kalasin Farm Group farmers received organic certification they will be able to access a wider range of markets having significantly higher prices than conventional vegetables.
- Knowledge transfer from Suwannabhumi Organic Company will open national and global markets to the Kalasin Farm Group.

- Success for the Kalasin Farm Group may draw other members of the large Kalasin Organic Vegetable Network to join the cluster, thereby enhancing organic cultivation practices and enlarging the existing supply base in Kalasin.

## **C. Cluster Implementation**

### **1. Business Plan**

Annex A presents the business plan of the Kalasin-Khon Kaen Organic Cluster. It lays out the description of the business, strategy and action plan, and its management and organization. Key features of the business plan are as follows:

- (a) *Mission*: The cultivation of vegetables in an environmentally sustainable manner that ensures a superior quality of organically produced goods for customers.
- (b) *Vision*: Improved livelihoods for farmers and other cluster members through organic farming.
- (c) *Goal*: A model of sustainable organic agriculture that provides a high-profile demonstration of a fully integrated approach to producing, marketing and distributing organic vegetables in a way that (a) ensures value added to farm activities based on fair trade practices; (b) promotes sustainability of the cluster's activities; and (c) improves the health and wellbeing of consumers
- (d) *Operational Strategy*: Bring technical expertise to the Kalasin Farm Group from Suwannabhumi Organic Farm and thereby help the farm group to link to supermarket chains and export markets.
- (e) *Action Plan*: Undertake the following activities: (a) extension of organic farming methods to all Kalasin Farm Group members under strict standards required of internationally recognized products originating from organic farms; (b) attain organic certification for eligible members of the Kalasin Farm Group; (c) broaden the Group's market range through good marketing practices, high-end branding designs, promotion of its products in food exhibits, and support consumer awareness campaigns about the dangers of conventional vegetables; (d) networking with packaging, branding and exporting companies that practice fair trade practices, and (e) exploring contract farming arrangements with those packaging and exporting companies.
- (f) *Organization Structure*: Formalize management and operational linkages among key cluster groups.
- (g) *Performance Monitoring*: Establish benchmarks to gauge progress and measureable achievements for cluster members, as well as for other local and provincial farmers to demonstrate to them the effectiveness of organic agriculture as a revenue-enhancing mechanism.

### **2. Cluster Sustainability**

Formalization of the Kalasin-Khon Kaen Organic Agriculture Cluster should occur through a Memorandum of Agreement (MOA) between the two main groups, viz., Kalasin Farm Group and the Suwannabhumi Organic Company. The MOA should cover the cluster's objectives, the constitution of the cluster, the scope of cooperation and execution modality, general provisions on the date in which the MOA becomes effective, MOA administrators, and arbitration in the

event that there occur any differences of opinion regarding the coverage of responsibilities under the MOA.

Annex B of this report presents the draft Memorandum of Agreement between the Kalasin Farm Group and the Suwannabhumi Organic Company.

### III. CLUSTER B: KHAO KHO ORGANIC AGRICULTURAL CLUSTER

#### A. Overview

The *Khao Kho Organic Agricultural Cluster* brings together a collection of small farmers who operate under the name of Khao Kho Agricultural Farm Group and an established model organic farm in Phetchabun operated by the Suwannabhumi Organic Company. Both operate in the province of Phetchabun, Thailand, with the small farm group located in Khao Kho and the Suwannabhumi Organic Farm located in Nam Nao (Figure 3.1). The cluster aims to bring technical expertise from Suwannabhumi Organic Farm to the Khao Kho Agricultural Farm Group and thereby help them link to supermarket chains and export markets. In the near future, the cluster may add another group of farmers near the Khao Kho Agriculture Center, which is also close to the Khao Kho Agricultural Farm.

#### B. Cluster Mapping

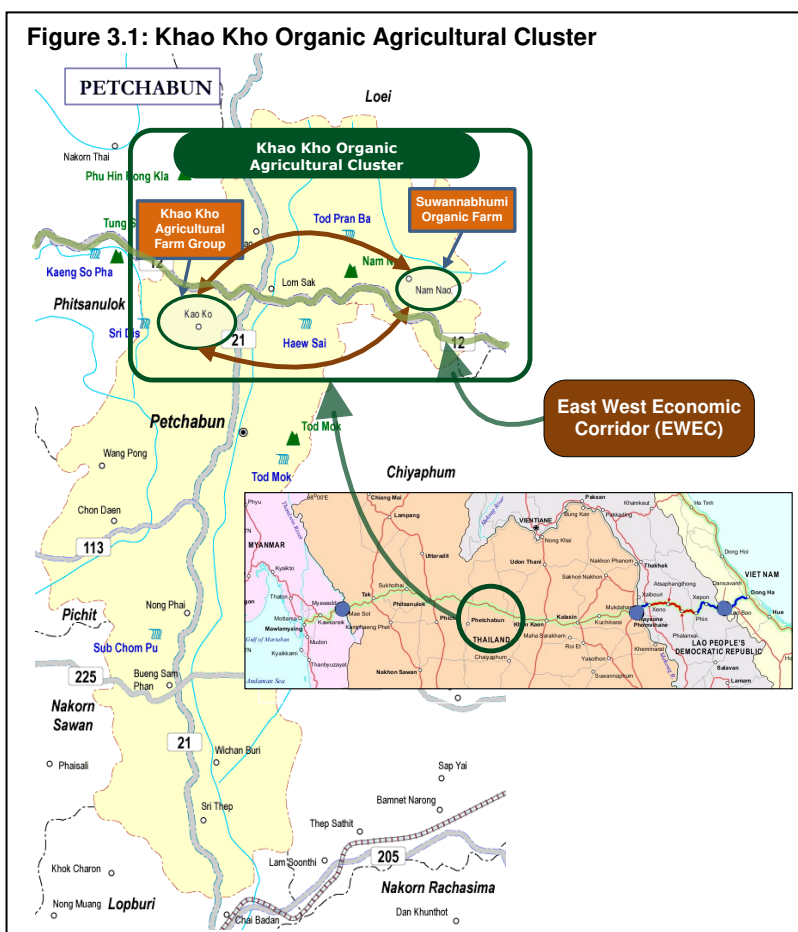
##### 1. Cluster Drivers

##### **Production Characteristics:**

The Khao Kho Agricultural Farm Group is made up of 10 farmers producing a variety of vegetables, fruits and herbs in a combined area of 40 rai (6.4 hectares). Individual land-holdings are generally small. Group members currently meets twice a month to discuss common issues, and all of them have shown a strong interest in collaborating with one another to improve their opportunities to access a broader market base having premium prices for organic products. At present, group members sells their produce to the local market in the Kao Ko of Phetchabun province.

**Technical Support:** The Khao Kho Agricultural Farm Group receives training in the preparation of organic fertilizers and cultivation practices from the Khao Kho Natural Agriculture Center. They also receive technical support from the Phetchabun Provincial Health Office, especially the Food Safety Department.

**Gaining Market Knowledge:** As mentioned in the previous chapter, Suwannabhumi Organic Company operates a model organic farm of 30 rai (nearly 5 hectares) in Phetchabun province. It produces about 30 types of vegetables, including chili peppers, yard long beans, sweet and baby corn, okra, lemon grass, sweet basil, eggplants, and ginger. They are Good Agricultural Practices (GAP) certified for fruit and vegetables by the Ministry of Agricultural, the United States Department of Agriculture (USDA) organic certification, and they have BCS Öko-



Garantie organic certification, which indicates that the products meet the European Union regulations for organic production. The farm has to produce its own organic fertilizers, access uncontaminated water, and special precautions are taken to ensure that the products do not become contaminated.

**Motivation for Cluster Formation:** At present, Suwannabhumi Organic Company cannot meet the large demand for its products from domestic and international buyers because of its limited capacity. The company also wants to build a processing and packaging facility in Phetchabun at its farm site, so it is especially interested in expanding its organic vegetable supplies. One way to broaden its fresh vegetable supplies is through neighboring farm sites that would be interested and willing to grow organic vegetables under strict guidelines. To encourage organic cultivation practices, the company offers training at its farm on the preparation of the soil, fertilizer, water, cultivating and packing of organic products.

A cluster composed of the Khao Kho Agricultural Farm Group and Suwannabhumi Organic Company has a number of advantages, similar to the one between the Kalasin Organic Agriculture Cluster and the same company:

- Knowledge transfer about branding, certification, marketing, processing and distribution to major national and international markets.
- Localized networking arrangements resulting from the geographic proximity of its cluster members.
- Larger supply base to ensure an adequate resource and operating capacities for the cluster.
- The opportunity for the Khao Kho Agricultural Farm Group to differentiate their products and sell to target commercial markets at premium prices.

## 2. SWOT Analysis

Figure 3.2 summarizes the strengths, weaknesses, opportunities and threats (SWOT) of the Khao Kho Organic Agricultural Cluster. The focus of the analysis is the cluster's perceived state with regard to competitive weaknesses and strengths. Key issues for the cluster are as follows:

- There is a strong commitment by Khao Kho Agricultural Farm Group members to organic farming and an interest in collaborating with the Suwannabhumi Organic Company.
- Farmers in the Khao Kho Agricultural Farm Group have excellent soil condition and ample water supplies.
- Khao Kho Agricultural Farm Group members already have knowledge about organic farming practices, including the production of organic fertilizers in their farms.
- The Khao Kho Agricultural Farm Group is able to cultivate a wide range of products, including cold climate fruits and vegetables.

**Figure 3.2: SWOT Analysis of Khao Kho Organic Agriculture Cluster**

	Supply Chain Structure	Markets	Institutional Framework
Strengths	<ul style="list-style-type: none"> <li>• Good soil quality and water supply throughout the year.</li> <li>• Khao Kho Agricultural Farm Group members already have knowledge about organic farming practices, including the production of organic fertilizers in their farms.</li> <li>• Khao Kho Agricultural Farm Group is able to cultivate a wide range of products, including cold climate fruits and vegetables</li> </ul>	<ul style="list-style-type: none"> <li>• Suwannabhumi Organic Company is certified by Good Agricultural Practices (GAP) by the Ministry of Agricultural, the United States Department of Agriculture (USDA) organic certification, and the BCS Öko-Garantie organic certification for the European Union (EU) market.</li> <li>• Suwannabhumi Organic Company intends to open a packaging plant in its Phetchabun farm, which will open new market opportunities for cluster members.</li> </ul>	<ul style="list-style-type: none"> <li>• Strong commitment by Khao Kho Agricultural Farm Group members to organic farming and an interest in collaborating with the Suwannabhumi Organic Company.</li> <li>• Suwannabhumi Organic Company is a model organic farm.</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>• Small land plots of Khao Kho Agricultural Farm Group members.</li> <li>• Lack of knowhow on organic certification procedures on the part of Khao Kho Agricultural Farm Group members.</li> </ul>	<ul style="list-style-type: none"> <li>• Sales of Khao Kho Agricultural Farm Group members are limited to local market and prices lack differentiation from conventional produce.</li> <li>• Local market for organic foods is not strong.</li> <li>• Lack of customer awareness about safe vegetables.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of strong public and private sector support for organic agriculture.</li> <li>• Lack of public awareness campaigns for food safety programs in the province</li> <li>• Lack of financial support from public entities or donors to get certification.</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• Suwannabhumi Organic Company can offer training to Khao Kho Agricultural Farm Group on the preparation of the soil, fertilizer, water, cultivating and packing of organic products.</li> </ul>	<ul style="list-style-type: none"> <li>• Khao Kho Agricultural Farm Group can benefit from Suwannabhumi Organic Company's promotional activities at major trade fairs and existing orders from a wide range of international and national buyers.</li> </ul>	<ul style="list-style-type: none"> <li>• Broadening the institutional base of the Khao Kho Agricultural Farm Group to collaborate with a model organic will strengthen member collaboration and promote joint decision-making practices.</li> </ul>
Threats	<ul style="list-style-type: none"> <li>• Neighboring farms use chemical fertilizers and pesticides, which can impact on organic certification of Khao Kho Agricultural Farm Group members.</li> </ul>	<ul style="list-style-type: none"> <li>• Possible missed opportunities by Khao Kho Agricultural Farm Group access premium markets if some members are unwilling to get proper organic certification.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of support from NGOs, and public and private institutions could hamper the ability of Khao Kho Agricultural Farm Group to become organically certified.</li> </ul>

- Suwannabhumi Organic Company is in an excellent position to works with Khao Kho Agricultural Farm Group, since it has already made strong inroads into the fastest growing organic produce segment of the food industry in the national, regional and global markets.

**Turning Weaknesses into Strengths:** There are a number of ways in which to transform existing weaknesses into opportunities for the cluster:

- Knowledge transfer from Suwannabhumi Organic Company will open national and global markets to the Khao Kho Agricultural Farm Group.
- Success for the Khao Kho Organic Agriculture Cluster may draw other farmers surrounding the existing farm group, thereby enhancing organic cultivation practices and enlarging the existing supply base for Suwannabhumi Organic Company.

- Once Khao Kho Agricultural Farm Group farmers received organic certification, they will be able to access a wider range of markets.
- The national and global organic vegetable markets are fast growing and have large supply shortages.
- Prices of organic vegetables are considerably higher than their conventional equivalents, and therefore offer Khao Kho Agricultural Farm Group members the opportunity to substantially improve their revenues and living standards.
- The pristine location of the Khao Kho Agricultural Farm Group is attractive to tourists and opens the possibility of the group being able to join the Organic
- EWEC Eco-Tourism Cluster discussed in Chapter V.

## C. Cluster Implementation

### 1. Business Plan

Annex C presents the business plan of the Khao Kho Organic Agriculture Cluster. It lays out the description of the business, strategy and action plan, and its management and organization. Key features of the business plan are as follows:

- (a) *Mission*: The cultivation of vegetables in an environmentally sustainable manner that ensures a superior quality of organically produced goods for customers.
- (b) *Vision*: Improved livelihoods for farmers and other cluster members through organic farming.
- (c) *Goal*: A model of sustainable organic agriculture that provides a high-profile demonstration of a fully integrated approach to producing, marketing and distributing organic vegetables in a way that (a) ensures value added to farm activities based on fair trade practices; (b) promotes sustainability of the cluster's activities; and (c) improves the health and wellbeing of consumers
- (d) *Operational Strategy*: Bring technical expertise to the Khao Kho Agricultural Farm Cluster from Suwannabhumi Organic Farm and thereby help the farm group to link to supermarket chains and export markets.
- (e) *Action Plan*: Undertake the following activities: (a) extension of organic farming methods to all Khao Kho Agricultural Farm Cluster members under strict standards required of internationally recognized products originating from organic farms; (b) attain organic certification for eligible members of the Khao Kho Agricultural Farm Cluster; (c) broaden the Group's market range through good marketing practices, high-end branding designs, promotion of its products in food exhibits, and support consumer awareness campaigns about the dangers of conventional vegetables; (d) networking with packaging, branding and exporting companies that practice fair trade practices, and (e) exploring contract farming arrangements with those packaging and exporting companies.
- (f) *Organization Structure*: Formalize management and operational linkages among key cluster groups.
- (g) *Performance Monitoring*: Establish benchmarks to gauge progress and measureable achievements for cluster members, as well as for other local and

provincial farmers to demonstrate to them the effectiveness of organic agriculture as a revenue-enhancing mechanism.

## **2. Cluster Sustainability**

Formalization of the Khao Kho Organic Agriculture Cluster should occur through a Memorandum of Agreement (MOA) between the two main groups, i.e. Khao Kho Agricultural Farm Group and the Suwannabhumi Organic Company. The MOA should cover the cluster's objectives, the constitution of the cluster, the scope of cooperation and execution modality, general provisions on the date in which the MOA becomes effective, MOA administrators, and arbitration in the event that there occur any differences of opinion regarding the coverage of responsibilities under the MOA.

Annex D of this report presents the draft Memorandum of Agreement between the Khao Kho Agricultural Farm Group and the Suwannabhumi Organic Company.



## IV. CLUSTER C: BAN PAK KA ORGANIC AGRICULTURAL CLUSTER

### A. Overview

The *Ban Pak Ka Organic Agricultural Cluster* is made of farmers located in Savannakhet province of the Lao PDR. They are part of a government demonstration project that is supported by international development agencies. The cluster intends to integrate its farming activities into the existing value chain of organic vegetables sourced from Champasak Province and destined for the *Organic Farmers Market* in Vientiane (Figure 4.1). The cluster will spearhead development of the Savannakhet area surrounding the EWEC and help develop one of the “weak development links” along the Corridor.

### B. Cluster Mapping

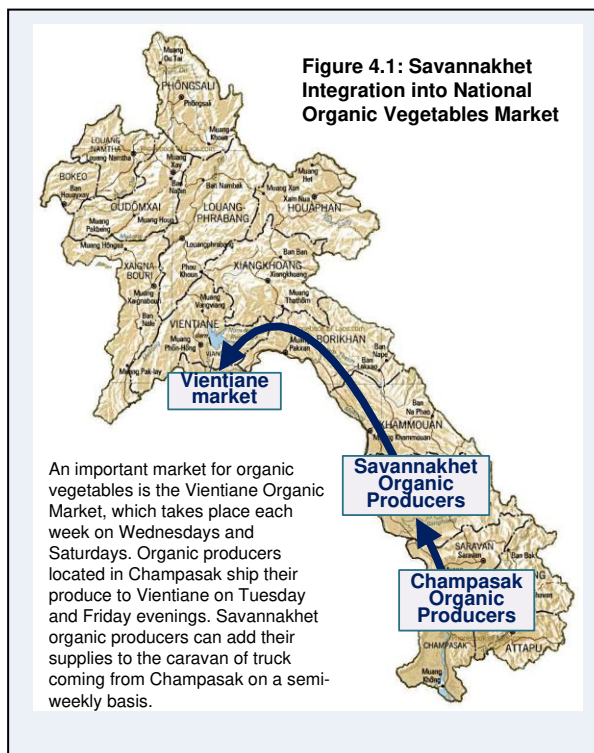
#### 1. Cluster Drivers

##### ***Producer Location and Composition:***

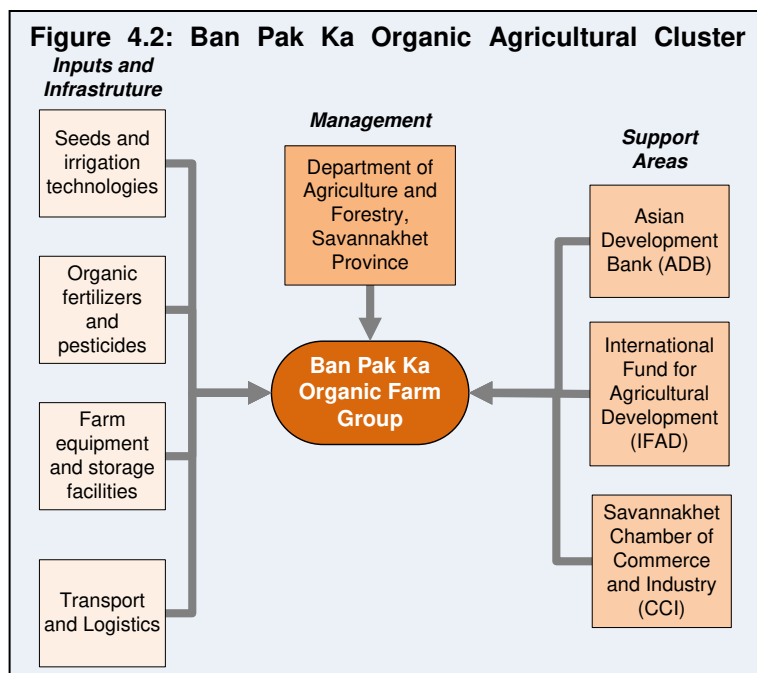
Ban Pak Ka Organic Demonstration Farm is located in the Kaisornephomvihan District of Savannakhet, Laos. It is made up of ten farm units having a combined 1.8 hectares of land dedicated to organic farming. The demonstration farm is managed by the Department of Agriculture and Forestry of Savannakhet province, and it is supported by the Asian Development Bank (ADB) and the International Fund for Agricultural Development (IFAD). The Savannakhet Chamber of Commerce and Industry (CCI) also provides support in the form of networking and promotion services.

***Activities:*** The Ban Pak Ka Organic Demonstration Farm instructs farmers on the preparation of the soil and organic fertilizer and pesticides for the cultivation of organic products. There is widespread knowledge sharing, as instructors from Vientiane and Champasak provinces often provide training to the farmers.

***Products:*** A variety of vegetables are being cultivated, including morning glory, green chili, red chili, mint, basil, cabbage, broccoli, coriander, green onions and choy sum.



**Markets:** The most dynamic market for the immediate future appears to be the Vientiane Organic Farmers Market, which takes place on Wednesdays and Saturday of each week and has premium prices substantially above those of conventional vegetables. Regular supply channels to that market are already established for Champasak organic farmers under the Helvetas Profil II Project.<sup>7</sup> It transports vegetables to Vientiane on Tuesday and Friday evenings for the Organic Farmers Market. Since the trucks pass through Savannakhet, the Ban Pak Ka farmers can add their produce to the trucks and also sell their vegetables in the Organic Farmers Market at a premium.



The Department of Agriculture and Forestry (DAF) is also exploring several other national and cross-border market outlets. In the local Savannakhet market, DAF is planning to introduce an organic or safe-vegetables stall in the daily vegetable market, and it will introduce media campaigns to promote safe foods. In Thailand, DAF is discussing possible contract farming with a major organic food packaging and exporting company. It is also discussing with Thai provincial authorities the sale of its produce in Ubon Ratchathani.

**Cluster Drivers:** Despite initial misgivings about the benefits of growing organic produce, the farmers now see the benefits, especially in terms of the lower cost of inputs needed to produce vegetables and their greater safety for consumer. The training not only increased the farmers' knowledge about how to produce inexpensive fertilizers, but it also gave them the opportunity to develop networking contacts in other provinces.

## 2. SWOT Analysis

Figure 4.2 summarizes the strengths, weaknesses, opportunities and threats (SWOT) of the Ban Pak Ka Organic Agricultural Cluster. The focus of the analysis is the cluster's perceived state with regard to its competitive weaknesses and strengths in local and cross-border markets. Key issues for the cluster are as follows:

- Competitive labor costs, abundant natural resources, and a strong interest in organic farming practices are strong driving forces for the Ban Pak Ka Organic Agricultural Cluster.
- Strong support from local authorities, international development partners, and national-level organic farming networks will help to ensure the cluster's sustainability over the medium to long run.

<sup>7</sup> The PROFIL project is supported by HELVETAS Swiss Inter-Cooperation. The first phase of the project began in 2004 and ended in 2007. The current PROFIL Phase II has its core activities in Vientiane province and the southern province of Champasak. It recently expanded its operations to Xiengkhouang and Bolikhamxay provinces. The project will terminate in December 2011.

- Opportunity to expand and diversify markets from the currently narrow focus on the local market.
- Organic products are the fastest growing segment of the food industry in the national, regional and global markets.
- Thailand cannot supply its population in organic food products and needs to import large quantities from neighboring countries like Laos.

Figure 4.3: SWOT Analysis of Ban Pak Ka Organic Agricultural Cluster

Strengths	Opportunities
<ul style="list-style-type: none"> <li>▪ <b>Labor:</b> Abundance of low-cost labor gives competitive advantage to producers.</li> <li>▪ <b>Environment:</b> Lack of polluted environment in Savannakhet.</li> <li>▪ <b>Technical Assistance:</b> Sustained technical support from NGOs and development partners.</li> <li>▪ <b>Environmentally Friendly Farming:</b> Traditional farming practices are close to organic farming because of less reliance on agro-chemicals.</li> <li>▪ <b>Training:</b> Good networking system at national level for training farmers</li> <li>▪ <b>Strong Enthusiasm:</b> Widespread belief in producer and consumer benefits from organic methods.</li> <li>▪ <b>Domestic Market:</b> Rapidly growing domestic market because of food safety concerns.</li> <li>▪ <b>Local Market:</b> Local market in Savannakhet is growing because of concerns about health issues and desire for 'safe vegetables'.</li> <li>▪ <b>Cross-Border Trade:</b> Strong outreach efforts by leaders of Ban Pak Ka Organic Demonstration Farm with markets and processors located in Thailand.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Resource Abundance:</b> Extensive natural resource base that remains largely untapped.</li> <li>▪ <b>Public Sector Support:</b> Governor of Savannakhet strongly supports organic vegetable project.</li> <li>▪ <b>Development Partner Synergies:</b> Collaboration among NGOs and development partners ensures large scale economies in funding and technical assistance.</li> <li>▪ <b>Broadening Organic Farming:</b> Large demonstration effects from Ban Pak Ka Organic Farm offer broad-based opportunities for farmers to join organic farming drive.</li> <li>▪ <b>Agro-Tourism:</b> Opportunities to develop agro-tourism based on abundant natural resource base.</li> <li>▪ <b>Price Premiums:</b> Organic products carry price premium, helping to improve farmers' income and reduce poverty.</li> <li>▪ <b>Markets:</b> Opportunities for market outlets in both local Savannakhet market and national (Vientiane) market.</li> <li>▪ <b>National Market:</b> Vientiane Organic Market is a 'premium market' with higher prices for organic vegetables that do not have certification yet, but nevertheless have oversight from public authorities and NGOs.</li> <li>▪ <b>EWEC Transport and Logistics:</b> Good infrastructure offers easy access to markets, including rural farms increasingly accessible by EWEC feeder roads.</li> </ul>
Weaknesses	Threats
<ul style="list-style-type: none"> <li>▪ <b>Production Varieties:</b> Vegetables currently produced in Savannakhet are not always the same as those produced in Champasak.</li> <li>▪ <b>Low Production Base:</b> Current production levels are sufficient for local Savannakhet market but perhaps not for both local and national markets.</li> <li>▪ <b>No Certification:</b> Lack of certification prevents vegetables from being marketed and sold at premium prices.</li> <li>▪ <b>Lack of Price Premiums in Local Market:</b> Little or no price differentiation between organic and conventional vegetables in local market.</li> <li>▪ <b>Branding:</b> Lack of packaging and branding of produce to differentiate it from conventional vegetables.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Commercial Farming:</b> Promotion of plantation crops (e.g., palm oil and sugar cane) lowers resources available for organic vegetable production.</li> <li>▪ <b>Unfair Trade Practices:</b> Unscrupulous traders can take advantage of organic farmers.</li> <li>▪ <b>Project Continuity:</b> Completion of the Helvetas project at the end of 2011 could threaten continuity of support for Champasak organic farmers and Vientiane Organic Farmers Market.</li> <li>▪ <b>Media Campaigns:</b> Improperly designed media campaigns could reduce impact of safe-foods campaign.</li> <li>▪ <b>Sustainability:</b> Lack of medium to long term funding and technical support could undermine growth of organic production.</li> </ul>

**Turning Weaknesses into Strengths:** There are a number of ways in which to transform existing weaknesses into opportunities for the cluster:

- Once Ban Pak Ka farmers received organic certification they will be able to access a wider range of markets having significantly higher prices than conventional vegetables.
- Existing differences in the types of products cultivated can help Ban Pak Ka farmers sell produce in the Vientiane Organic Farmers Market that is currently not available from Champasak and Vientiane provinces.
- The large demonstration effects from Ban Pak Ka farmers on neighboring farmers will help spread organic cultivation practices and enlarge the existing supply base.
- The expansion of the organic vegetable supply chain along the Champasak-Savannakhet-Vientiane transport corridor will encourage continued production in Champasak after the Helvetas' PROFIL project ends this year.

## C. Cluster Implementation

### 1. Business Plan

Annex E presents the business plan of the Ban Pak Ka Organic Agricultural Cluster. It lays out the description of the business, strategy and action plan, and its management and organization. Key features of the business plan are as follows:

- (h) *Mission:* to cultivate vegetables in an environmentally sustainable manner to ensure superior quality organically produced produce for its customers.
- (i) *Vision:* to improve livelihoods through organic farming.
- (j) *Goal:* to serve as a model of sustainable organic agriculture that improves livelihoods of the agricultural community in Savannakhet
- (k) *Operational Strategy:* Provide a high-profile demonstration of a fully integrated approach to producing, marketing and distributing organic vegetables in a way that ensures value added to farm activities based on fair trade practices that promotes sustainability of the cluster's activities and improved health benefits for consumers.
- (l) *Action Plan* covering the following activities: (a) awareness raising of safe foods; (b) targeting sales to the Vientiane Organic Farmers Market; (c) targeting sales to local market in a manner that differentiates organic vegetables from conventional ones; (d) organizing sales to fresh vegetable markets in nearby Thai provinces; (e) networking with packaging, branding and exporting companies that practice fair trade practices, and (f) exploring contract farming arrangements with those packaging and exporting companies.
- (m) *Organization Structure* formalizing management and operational linkages among key cluster groups.
- (n) *Performance Monitoring:* to establish benchmarks with which progress and achievements can be measured and reported to cluster members, as well as used to promote and broaden organic agriculture throughout the province.

## **2. Cluster Sustainability**

Formalization of the Ban Pak Ka Organic Agricultural Cluster should occur through a Memorandum of Understanding (MOU) between the two main groups, i.e. the Ban Pak Ka Farm Group and the Department of Agriculture and Forestry of Savannakhet Province. The MOU should cover the cluster's objectives, the constitution of the cluster, the scope of cooperation and execution modality, general provisions on the date in which the MOU becomes effective, MOU administrators, and arbitration in the event that there occur any differences of opinion regarding the coverage of responsibilities under the MOU.

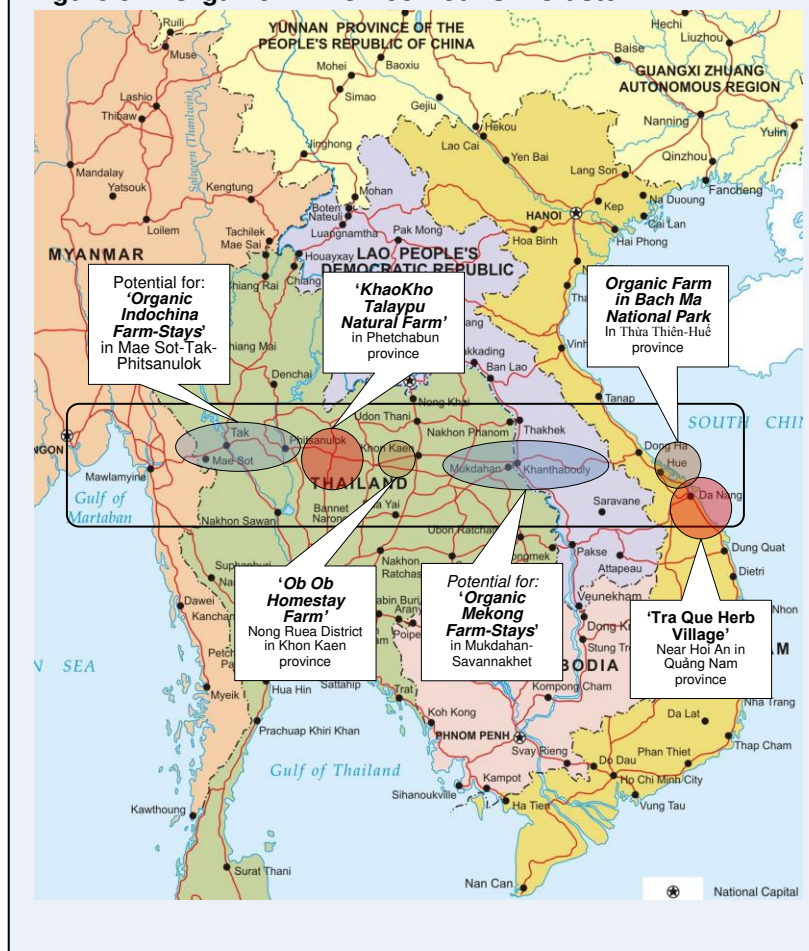
Annex F of this report presents the draft Memorandum of Understanding between the Ban Pak Ka Farm Group and the Department of Agriculture and Forestry of Savannakhet Province.

## V. CLUSTER D: ORGANIC EWEC ECO-TOURISM CLUSTER

### A. Overview

The *Organic EWEC Eco-Tourism Cluster* is made of tourist-related organic farming activities along the Corridor (Figure 5.1). The cluster is part of the *GMS Tourism Development* flagship initiative of the Asian Development Bank.<sup>8</sup> It aims to develop environmentally sustainable tourism activities along EWEC provinces. Following the *GMS Tourism Development* model, it will promote the ‘Organic Corridor’ as a single tourism destination. As a priority tourism zone, the *Organic EWEC Eco-Tourism Cluster* should be part of the 2012-22 *GMS Strategic Framework* and the *GMS* tourism strategic projects being implemented in 2012-2014. Each cluster member has a strong interest in linking its tourism activities as a way of promoting and marketing their organic products and tourism-based organic farm activities.

Figure 5.1: Organic EWEC Eco-Tourism Cluster



### B. Cluster Mapping

#### 1. Cluster Members and Activities

There are several eco-tourism sites related to organic farming activities along the EWEC, which are at different stages of development. They can be classified into the following three categories:

##### 1.1 Advanced Member Sites:

- Tra Que Herb Village** near Hoi An in Quang Nam province (near Da Nang) is famous for growing organic vegetables. There are 150 households in the village that employ 350 workers in an area of 18 hectares that produce organic chili, eggplant, cucumber, salad, lettuce, morning glory, basil, long bean, coriander, okra, tomato, and lemongrass. The farmers use algae from a lagoon in Tra Que as fertilizer and are famous for growing a wide variety of vegetables and herbs, including ‘rau hung’, which is used extensively in Vietnamese cooking. Their

<sup>8</sup> For details, see ADB, “GMS Tourism Development”. Available: <http://www.adb.org/GMS/Projects/flagshipK.asp>



products are popular for those living in Hoi An and Da Nang, as well as the more distant markets in Hanoi. Tourists often visit the village by bicycle from the nearby town of Hoi An, and spend the day with a family, with whom they learn traditional farming techniques and cooking methods, and also enjoy massage and culinary meals.

- b. ***Khao Kho Talaypu Natural Farm*** in Phetchabun Province is a holistic facility providing a wide range of tourism activities within its organic vegetable cultivation and manufacturing of foodstuffs, cosmetics, medicines and beverages. It offers upscale resort accommodations and an integrated health center covering a wide range of activities.

#### 1.2 Smaller Member Sites:

- c. ***Organic Farm in Bach Ma National Park*** is located in Thừa Thiên-Huế province of Vietnam. With the support of the Japan International Cooperation Agency (JICA), it has adopted the successful Tra Que Herb Village model. Farmers have adopted organic cultivation methods and visitors to Khe Su Commune in Phu Loc District, which borders the Bach Ma National Park, are welcome to visit and stay with village families. The JICA project has carried out training, technology transfer and funding to farmers in the commune to help them produce charcoal and vinegar from agricultural waste like grass, saw dust, rice husk and hay. The second phase of the project is supporting home-stay tourism. The park itself is a protected area of 220 square kilometers situated in the Annamite Mountains. It has a wide range of flora and fauna and attracts a range of tourists from trekkers to bird watchers and day hikers.
- d. ***Ob Ob Home-Stay Farm*** is located in Khon Kaen province of Thailand. In addition to producing frogs for commercial purposes, they grow organic chili, eggplant, salad, lettuce, morning glory, basil, long bean, tomato, lemon grass. Accommodations are available for visitors who are interested in learning about organic farming practices. Their center attracts farmers interested in producing farms, draws farmers and officials from local government agencies.

#### 1.3 Potential Sites:

- e. ***Organic Mekong Farm-Stays*** in the Savannakhet-Mukdahan section of the Corridor has great potential for attracting tourists interested in sustainable livelihood through organic farming. Cross-border tourist would build on the attraction of the Mekong River combined with its unique characteristics in terms of biodiversity, protected areas and sacred forests.
- f. ***Organic Indochina Farm-Stays*** in the Mae Sot-Tak-Phitsanulok section of the Corridor could build on the diverse ecosystems of the area's forests and savanna. The area is rated among the top destinations in Thailand and has particular attraction for individuals and groups interested in sustainable farming and eco-tourism activities.



## 2. SWOT Analysis

Figure 5.2 summarizes the strengths, weaknesses, opportunities and threats (SWOT) of the Organic EWEC Eco-Tourism Cluster. The focus of the analysis is the cluster's perceived state with regard to its competitive weaknesses and strengths in local and cross-border markets. Key issues for the cluster are as follows:

- Cluster member sites are located in pristine areas and the more advance members have attractive facilities to attract high-end tourism sector.
- The Organic EWEC Eco-Tourism Cluster is likely to be supported under the ADB's *GMS Tourism Development* flagship initiative.

**Figure 5.2: SWOT Analysis of Organic EWEC Eco-Tourism Cluster**

	Eco-Tourism Site Profiles	Customer Base and Marketing	Institutional Framework
Strengths	<ul style="list-style-type: none"> <li>• Excellent customer ratings on eco-tourism facilities for advanced cluster members.</li> <li>• Proactive interests by smaller cluster members to upgrade eco-tourism facilities.</li> <li>• Strong interest in collaborating among EWEC eco-tourism sites.</li> <li>• Attractive locations of home-stay sites for all cluster members..</li> </ul>	<ul style="list-style-type: none"> <li>• Advanced cluster member have attracted high-end tourist.</li> <li>• Some cluster members have developed branding of their sites, along with web-based promotional sites.</li> <li>• Mekong Tourism Coordination Office (METCO) has extensive experience in successfully established single destination for GMS tourism and strongly supports sustainable tourism projects.</li> </ul>	<ul style="list-style-type: none"> <li>• Strong national interests of EWEC member countries in promoting sustainable tourism.</li> <li>• Large opportunities for EWEC chambers of commerce and industry to support networking of cluster members across borders.</li> <li>• ADB has already established institutional framework under its <i>GMS Tourism Development</i> flagship initiative.</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>• Insufficient upscale eco-tourism facilities in EWEC organic farming sites.</li> <li>• Lack of sufficient number of resort units in most cluster member sites.</li> <li>• The Kalasin-Mukdahan-Savannakhet portions of the Corridor lack eco-tourism sites</li> </ul>	<ul style="list-style-type: none"> <li>• Advertising and promotion of member sites is below industry standards.</li> <li>• Local market for organic foods is not strong.</li> <li>• Lack of customer awareness about safe vegetables.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of public and private sector support for organic farming and eco-tourism.</li> <li>• Lack of adequate and coordinated support from NGOs and other development partners.</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• Linkage between organic farming and eco-tourism remains strong.</li> <li>• Collaboration and networking among members provides knowledge transfer opportunities for improving facilities.</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Single destination marketing for organic farms with eco-tourism offers large scale economies in marketing and promotion.</li> <li>• Single destination marketing likely to attract more international tourists than if members pursue individual marketing initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>• Broadening the institutional base of the will reduce costs and promote greater international and national exposure of all cluster members.</li> <li>• Public-private participation has already begun under the ADB's <i>GMS Tourism Development</i> flagship initiative.</li> </ul>
Threats	<ul style="list-style-type: none"> <li>• Possible lack of commitments to collaboration by some cluster members.</li> <li>• Possible lack of appropriate integration of tourism facilities with organic farming activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Possible missed opportunities by members are unwilling jointly promote joint approach to market development.</li> </ul>	<ul style="list-style-type: none"> <li>• Possible missed opportunities to capture premium markets if some members fail to upgrade their facilities to meet international travelers' needs.</li> </ul>

- The Mekong Tourism Coordination Office (METCO) has extensive experience in successfully established single destination for GMS tourism and strongly supports sustainable tourism projects.
- Branding of eco-tourism sites already exist for some of the cluster members.
  - Eco-tourism is one of the fastest growing segment of the tourism industry in the national, regional and global markets.
  - The single destination marketing for organic farms with eco-tourism offers large scale economies in marketing and promotion.

**Turning Weaknesses into Strengths:** There are a number of ways in which to transform existing weaknesses into opportunities for the cluster:

- Public-private participation has already begun under the ADB's *GMS Tourism Development* flagship initiative, and the approach could strongly support *Organic EWEC Eco-Tourism Cluster*
- Existing differences in the types of eco-tourism products offered by cluster members complements member activities.
- The large demonstration effects from the more advanced members of the *Organic EWEC Eco-Tourism Cluster* could serve to stimulate new entrants into the cluster.
- There are attractive sites for organic farming opportunities to extend to eco-tourism activities in 'Organic Mekong Farm-Stays' in the Savannakhet-Mukdahan section of the Corridor and in the 'Organic Indochina Farm-Stays' in the Mae Sot-Tak-Phitsanulok section of the Corridor.

## C. Cluster Implementation

### 1. Business Plan

Annex E presents the business plan of the Organic EWEC Eco-Tourism Cluster. It lays out the description of the business, strategy and action plan, and its management and organization. Key features of the business plan are as follows:

- *Mission:* to promote environmentally sustainable activities to ensure superior quality organically produced produce for its customers.
- *Vision:* to improve livelihoods through organic farming and tourism activities.
- *Goal:* to serve as a model of sustainable eco-tourism activities that improves livelihoods in the agricultural community along the EWEC provinces.
- *Operational Strategy:* Provide a high-profile demonstration of a fully integrated approach to eco-tourism, marketing and production of organic vegetables in a way that ensures value added to farm activities that promotes sustainability of the cluster's activities and improved health benefits for consumers.
- *Action Plan* covering the following activities: (a) awareness raising of safe foods; (b) targeting eco-tourism activities as a single destination for tourists; (c) promoting a healthy living environment; (d) networking with other eco-tourism sites to create scale economies in tourism packaging, branding and marketing activities; and (e) exploring opportunities to expand eco-tourism activities along other areas of the Corridor.

- *Organization Structure* formalizing management and operational linkages among key cluster groups.
- *Performance Monitoring*: to establish benchmarks with which progress and achievements can be measured and reported to cluster members, as well as used to promote and broaden organic agriculture throughout the province.

## **2. Cluster Sustainability**

Formalization of the Organic EWEC Eco-Tourism Cluster should occur through a Memorandum of Understanding (MOU) between the two core eco-tourism farms, viz., Organic Tra Que Herb Village and Khaokho Talaypu Company. The MOU should cover the cluster's objectives, the constitution of the cluster, the scope of cooperation and execution modality, general provisions on the date in which the MOU becomes effective, MOU administrators, and arbitration in the event that there occur any differences of opinion regarding the coverage of responsibilities under the MOU.

Annex H of this report presents the draft Memorandum of Understanding between Organic Tra Que Herb Village and Khaokho Talaypu Company.

## VI. SUMMARY AND NEXT STEPS

### A. Summary

The clusters described in this report have the common objective of engaging diverse individuals and groups involved in organic vegetable farming along the EWEC in a joint operating platform. In this way, they can strengthen their access to high-end markets and improve their competitiveness beyond what they would otherwise accomplish working alone.

**Success Factors:** The success for these clusters depends entirely on the willingness and interest of the individual members to collaborate with other members in their clusters. Because clusters are largely informal arrangements supported by more formal organizations and institutions from either the public or private sectors, they work best when the networking system has the characteristics shown in the first column of Figure 6.1, rather than those described in the second column.

**Figure 6.1: What Makes Clusters Success and What Makes Them Fail**

What Makes Clusters Successful	What Makes Clusters Fail
<ul style="list-style-type: none"> <li>▪ <b>People:</b> People-to-people contact</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Outsiders:</b> Waiting for outside individuals, NGOs, or consultant to arrange activities</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Common Goals:</b> Agreement on key issues, objectives and strategies for achieving those objectives</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Lobbying:</b> Disagreement over objectives and strategic action plans.</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Participation:</b> Involvement of all cluster members (not just leaders) in the design and implementation of the cluster</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Isolation:</b> Members meet infrequently and under formal organizational systems.</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Connectivity:</b> Building linkages in cluster between farm groups and support officials in public and private sector agencies, NGOs and other development partners.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Disconnect:</b> Poor relations with public and private sector agencies, NGOs and other development partners.</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Teamwork:</b> Ongoing interaction between champions and core cluster members.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Miscommunication:</b> Inadequate and unclear messages delivered to members.</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Lobbying:</b> Proactive initiatives to get organic certification, funding, technical assistance, new markets.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Passiveness:</b> Waiting for assistance to arrive and accepting everything that is suggested by outsider.</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Networking:</b> Building relationships among core farm groups and with support groups, and ensuring a supporting system of sharing information among the members having common interests.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Disconnection:</b> A detached approach by individual members, disconnected from the actions and interests of other member, with little or no regular contact among members.</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Open Membership:</b> Willingness to open membership to new cluster members and provide support during transition period to full membership.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Closed Membership:</b> Isolation of group from others and an attitude of exclusivity or superiority to farmers who are not in a privileged position within the cluster.</li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Incentives:</b> Rewards to members that encourage linkages with members and support agencies.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Hindrances:</b> Lack of incentives to champions and individuals that bring innovative approaches to cluster.</li> </ul>

**Cluster Champions and Facilitators:** The importance of cluster champions and facilitators cannot be overemphasized. They are the drivers of a cluster's success. Without them there is little chance that the members will operate as a cohesive group. The champions and facilitators must be well recognized and appreciated within the farm groupings. That means that they must spend a great deal of time in the field, getting to know individual members, identifying collaborative activities among members in the group, and mobilizing the relevant support agencies that can provide technical assistance and other types of support to the farm groups. The cluster champions and facilitators should establish forums through which members can come together to learn about best practices for organic agriculture value chains. They also have to network with other clusters in the area and ensure the overall cohesiveness of their own cluster. To motivate these individuals, incentives should be in place to encourage their activities and reward their innovations.

**Cluster Leadership Committee:** Initially, leaders of the steering committee should arrange for regular meetings on an informal basis. During that time, the needs of the cluster would be identified and the committee would develop concrete ideas about the frequency of those meetings. After a while, there can be a more formal structure to the meetings, and they can be convened at different levels, for example, among core farm groups or between the farm groups and support agencies from the public and private sectors. What is important is that the committee should be relatively small, consisting of no more than eight persons, and that there be a comfortable atmosphere among the leaders. A mechanism for electing the leaders of farm groups can be established once a formal structure is implemented.

**Formalizing the Cluster:** Often the benefits of a cluster can take several years to materialize. Sustainability must therefore be an integral part of the cluster's strategic plan. An essential ingredient to ensuring that momentum is to formalize the operational structure of the cluster through a business plan, memorandum of understanding or agreement, and registration of the cluster.

- A *business plan* contains the essential elements that characterize a cluster. For organic vegetable farming and eco-tourism, these aspects cover the cluster products and services, target markets, technical assistances and other forms of support to the organic vegetables value chain. Furthermore, the business plan helps to define common objectives of cluster members, their goals, operational strategy, and concrete action plans. Finally, it serves to determine the constitution and management of the cluster, and the system that will be used to measure the cluster's performance over time.
- A *memorandum of understanding (MoU)* or a *memorandum of agreement (MoA)* serves to consolidate agreement among cluster groups and formalize the cluster. Like the business plan, it covers the cluster's objectives, constituent members, scope of cooperation and execution modality and the approach to collaborating in the planning and execution of the cluster. It also specifies the expected sources of technical assistance and other forms of support for the cluster's activities, as well as monitoring and evaluation of the cluster's performance over time.
- *Registration:* The purpose of registering a cluster is to allow the public to know about the entity with whom they are doing business. It also ensures that the cluster will benefit from public and private sector support, along with that from NGOs and other development partners.

## B. Next Steps

The present mapping of business clusters and the parallel study on mapping value chains for organic vegetables along the EWEC have three overall objectives:

- (i) First, to foster the conversion of conventional agricultural farming to organic production, and thereby enable the generation of *high value-added activities*.
- (ii) Secondly, to promote linkages among micro and small scale producers, and thereby improve their *competitive position within the value chain*.
- (iii) Thirdly, to spur the development of agricultural activities affecting the majority of the EWEC population either directly or indirectly, and thereby enable the transformation of the EWEC transport and logistics corridor into a *full-fledged economic corridor*.

A 'one-size-fits-all' approach to clustering of organic vegetable activities along the Corridor is neither feasible or practical. Our approach has therefore been to design each cluster in terms of the specific characteristics of the producers, markets and support systems. We have based the characterization of those clusters according to the following three criteria:

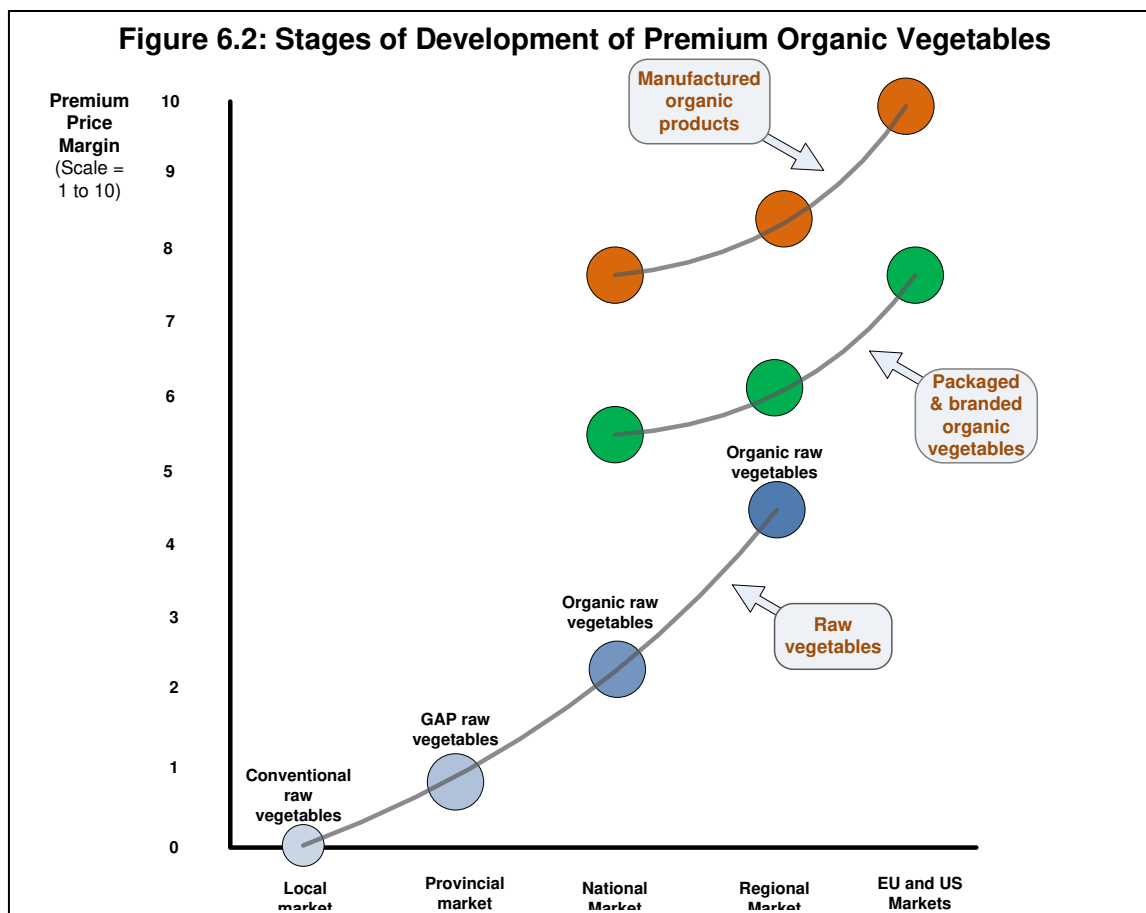
- (i) **Stages of Product Development:** Clusters differ in terms of their products coverage (e.g., fresh vegetables versus packaged products versus processed products) or types of services (e.g., organic farm-stays and eco-tourism).
- (ii) **Stages of Market Development:** The rate at which cluster develop is determined by the use of technologies, certifications, branding, packaging, marketing and logistics.
- (iii) **Stages of Public-Private Sector Support:** The rate of cluster development often depends on the availability of support systems and these systems vary across areas along the Corridor.'

### 1. Stages of Product Development

Product coverage and target markets are internal to the cluster. They are fundamental to the core activities of the cluster, as established by the farmer groups that make up the cluster. Although they may change over time as the cluster evolves, the process will remain internal and driven by cluster members. At the initial stage of development, farmers are likely to convert from conventional farming methods to safer and more environmentally friendly methods. The next step is to move to organically certified raw vegetables, and then to packaging and branding of those vegetables. The final stage is the manufacture of high value-added organic products like shampoos, lotions, soaps and cosmetics.

### 2. Stages of Market Development

Market opportunities are closely related to product development, which in turn depend on technologies, certifications, branding, packaging, marketing, transport costs and logistics. Figure 6.2 shows three possibility for the stages of market development for the EWEC organic vegetable clusters. Produce grown under environmentally friendly methods without organic certification are likely to have little, if any, price differentiation from conventional produce and their sales are limited to local fresh markets. Once internationally recognized organic certification is obtained, the possibilities for accessing markets and obtaining premium prices begins to escalate and grow exponentially.



### 3. Stages of Public-Private Sector Support

There are a wide range of possible support sources from which cluster can draw technical assistance and other support services. Universities, vocational training institute, extension services and public sector agencies can provide specialized training, education, information, research and technical support. Chambers of commerce and industry (CCIs) and trade associations can support networking and marketing efforts by farm groups. NGOs also extend a broad range of services to foster value chain development by providing capacity strengthening, market information, advisor services like business planning or buyer matching services in their countries.

**Business Development Services:** One way to consolidate these support services is through *business development service (BDS) centers*. These centers are especially appropriate for the newly developing areas for organic vegetables along the Corridor, like Savannakhet in Laos, Mukdahan and Mae Sot in Thailand, and Da Nang and Hue in Vietnam, where organic vegetable production is in an infant stage of development. They also help to consolidate difference sources of support and avoid overlapping and fragmented approaches to technical assistance.

**Financing BDS Centers:** Financing these BDS service centers has proven difficult as many businesses are unable or unwilling to pay for the services, with the result that BDS centers go out of business within a few years. The ADB's EWEC Strategy and Action Plan (SAP) has put forward a successful BDS model that uses a mix of commercial business consultants and private commercial and public institution assistance to develop a system that supports these

centers by combining a Cost Sharing Facility (CSF) with Credit Guarantee Facility (CGF).<sup>9</sup> The CSF is a fund normally managed by the BDS center that provides matching grants to businesses using the BDS services, and those loans can be supported through the CGF that selectively backs loan applications by micro and small scale enterprises to commercial banks.

**Support for Cluster Farm Groups:** A comprehensive approach for the delivery of BDS products to microenterprises and small scale enterprises would need to encompass, as a minimum, the following components: (i) improved availability and access to production and market information; (ii) access to markets, including transport and logistics support; (iii) access to low cost finance; (iv) affordable technical consultancy and training; (v) basic management training; (vi) start-up training and consultancy; and (vii) training in entrepreneurship.

**Implementation Modality:** Figure 6.3 shows a schematic summary of the key elements of a pragmatic approach to developing business activity for organic vegetable clusters along the Corridor. The BDS Center would provide services ranging from counseling and training services to facilitating activities for accessing markets, finance and networking activities, and finally to dealing with organic certification and government licensing procedures and obtaining information from government agencies. Financing of BDS Center would initially take place through the Cost-Sharing Facility and later through the Credit Guarantee Facility. Both of these facilities would provide significant financial support to micro and small scale enterprises (MSEs). Together these facilities would seek to establish the business capabilities of MSEs to participate in networking systems through clusters along the Corridor.

**BDS Progress Savannakhet:** Some preliminary work has already been undertaken by different stakeholders on BDS facilities in Savannakhet, which facilitates implementation for the organic vegetable clusters in that province. The Savannakhet Chamber of Commerce and Industry (CCI) has received support for BDS development in the province, while the National Small and Medium Sized Enterprise Promotion and Development Office (SMEPDO) has completed a supply-side study on BDS activities covering Savannakhet, among others. The GMS Business Forum has proposed a financing scheme for business development services that is quite similar to the one proposed here.<sup>10</sup> It would consist of a GMS Development Fund that would provide guaranteed loans to MSEs in Lao PDR. Finally, the Lao Agro-Processing Association in the Lao National Chamber of Commerce and Industry (LNCCI) supports the development of a BDS in Savannakhet and has committed its membership to supporting the initiative.<sup>11</sup>

**Other Support Mechanism:** There are a broad range of other support activities for the EWEC organic vegetable clusters. They include agricultural research, banking and financing, soil testing, agri-business technologies, marketing, accounting, and many other businesses. The critical contribution of these services is the advantage that it offers farmers for introducing innovations to their crop varieties, processes and end products. Often these services can be enhanced through public-private partnership arrangements.

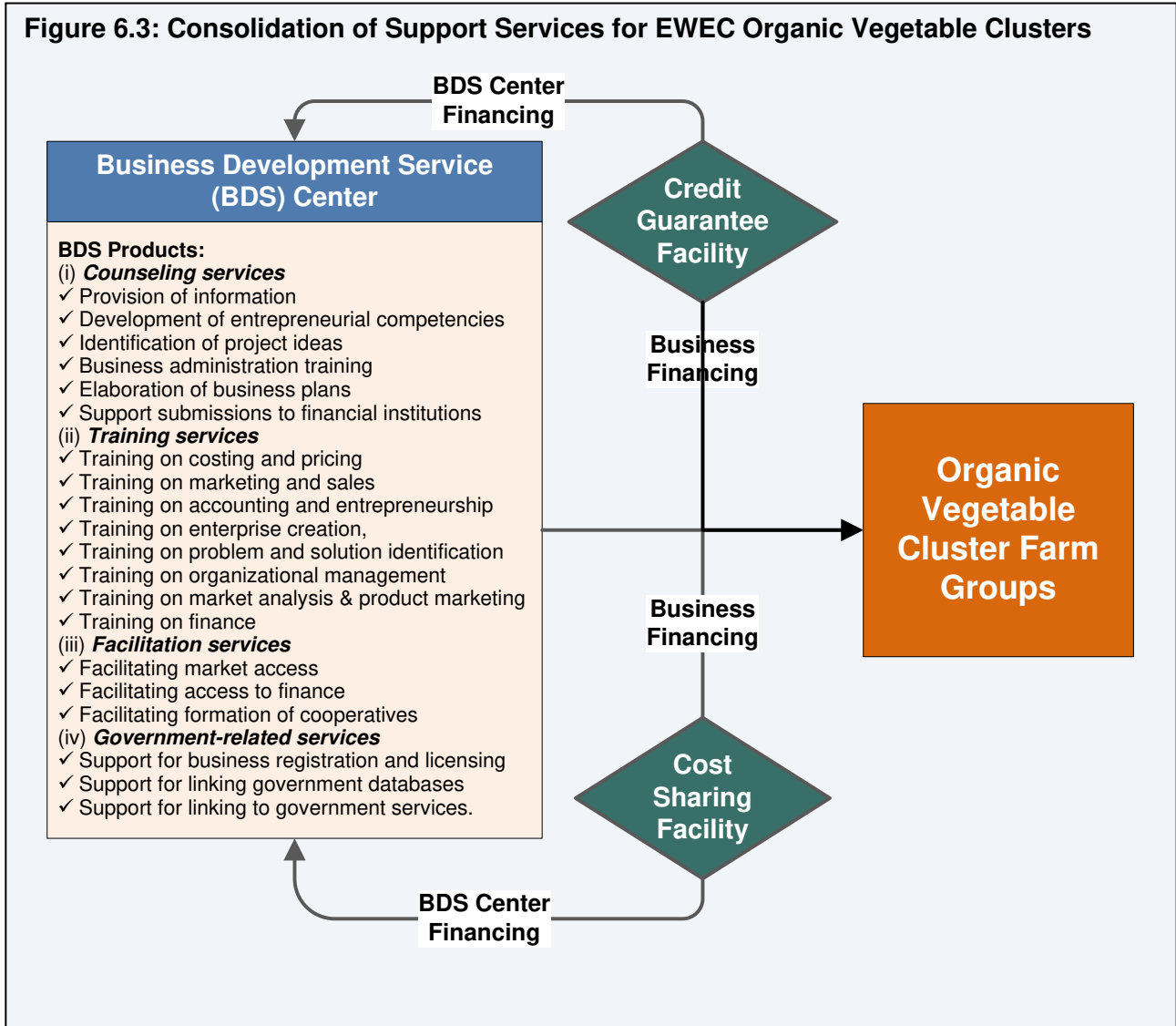
<sup>9</sup> Asian Development Bank (ADB), "Strategy and Action Plan for the Development of the East West Economic Corridor (EWEC)". August 2010. Available: <http://www.adb.org/documents/strategy/gms/ewec/default.asp>.

<sup>10</sup> Apichai Boontharawara, "Proposed Financing Scheme for SME's in Greater Mekong Sub-region". Business and Investment Dialogue (BID), Vientiane, Lao PDR, 30 March 2008.

<sup>11</sup> Based on discussion with Mr. Sisouphanh Sengsavanh, President of Lao Agro-Processing Association in LNCCI.



Figure 6.3: Consolidation of Support Services for EWEC Organic Vegetable Clusters



## ANNEX A: BUSINESS PLAN FOR KALASIN-KHON KAEN CLUSTER

### A. Business Description

#### 1. Activities

- a. **Overview:** *Kalasin-Khon Kaen Organic Agriculture Cluster* brings together interconnected activities of organic agriculture in the Kalasin-Khon Kaen-Phetchabun corridor as a means of enhancing competences and strengthening the competitive advantage of the collaborating entities. The Kalasin Farm Group consists of 13 farmers having a combined area of nearly 33 hectares. The Khon Kaen-based Suwannabhumi Organic Farm is part of a solely owned company and has a land area of nearly 5 hectares. Apart from its commercial use of vegetable cultivation for national and world-wide sales, Suwannabhumi Organic Farm is a model farm used as a training center for organic farming methods.
- b. **Training for Organic Cultivation:** The Kalasin Farm Group has made use of the training activities provided by the Kalasin Organic Vegetable Network through its Kalasin Organic Learning Center. While the Kalasin Organic Vegetable Network has instituted a program for cooperative farm activities, the Kalasin Organic Learning Center has helped farmers learn about organic farm management, soil preparation and improvement, organic fertilizer preparation, organic pesticide preparation and information networking. It has not, however, had the capacity to offer in-depth technical training facilities for branding, certification, marketing, processing and distribution to major national and international markets.
- c. **Training to Add Value:** Recognizing the need for training on branding, certification, marketing, processing and distribution of organic produce, the Kalasin Farm Group intends to gain knowledge through high-level training and collaboration with the Suwannabhumi Organic Company. The clustering of production activities will thereby permit the Kalasin Farm Group to acquire the necessary information and know-how to undertake successful and profitable commercial activities at national, regional and global levels.

#### 2. Products and Markets

- a. **Products:** The Kalasin Farm Group grows a wide variety of vegetable, similar to those cultivated by Suwannabhumi Organic Farm, for example, chili peppers, yard long beans, sweet and baby corn, okra, lemon grass, sweet basil, eggplants, and ginger. The Kalasin Farm Group produces about three tons of vegetables a month, and Suwannabhumi Organic Farm produces about one ton a month.
- b. **Target Market:** Kalasin Farm Group sales are limited to the local fresh market and the specialty Q Shop supermarket in the Muang District in Kalasin Province. Suwannabhumi Organic Company has a wide distribution network which it has built up from good marketing practices like high-end branding designs, marketing in food exhibits, and consumer awareness campaigns about the dangers of conventional vegetables. The Kalasin Farm Group intends to acquire knowledge from the successful experience of Suwannabhumi Organic Company in extending its market base to customers located in Europe and other countries to enable the group to improve its earnings from organic vegetable sales.

## B. Strategy and Action Plan

### 1. Mission Statement

Kalasin-Khon Kaen Organic Agriculture Cluster is dedicated to the cultivation of vegetables in an environmentally sustainable manner that ensures a superior quality of organically produced goods for customers.

### 2. Vision

Improved livelihoods for farmers and other cluster members through organic farming.

### 3. Goals

A model of sustainable organic agriculture that provides a high-profile demonstration of a fully integrated approach to producing, marketing and distributing organic vegetables in a way that (a) ensures value added to farm activities based on fair trade practices; (b) promotes sustainability of the cluster's activities; and (c) improves the health and wellbeing of consumers.

### 4. Operational Strategy

Bring technical expertise to the Kalasin Farm Group from Suwannabhumi Organic Company and thereby help the farm group to link to supermarket chains and export markets.

### 5. Action Plan

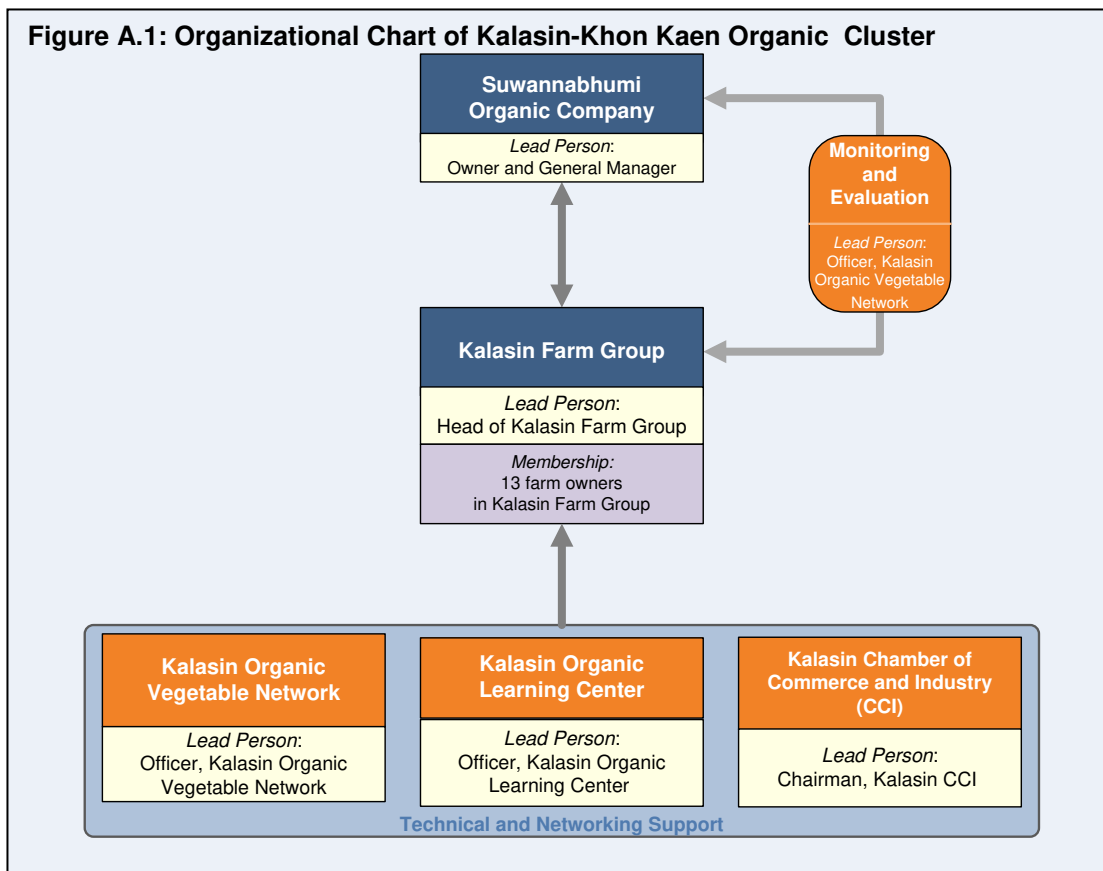
a. **Organic Cultivation:** Extend organic cultivation to all members of the Kalasin Farm Group in a manner that guarantees strict standards required of internationally recognized products originating from organic farms.

b. **Certification:** Actively pursue organic certification for eligible Kalasin Farm Group members.

c. **Markets:** Broaden its market based by undertaking good marketing practices, high-end branding designs, promotion of its products in food exhibits, and support consumer awareness campaigns about the dangers of conventional vegetables.

d. **Processing:** Undertake to supply Suwannabhumi Organic Company with fresh vegetables for its planned packaging plant. Formalization of such arrangements, for example, through contracting farming arrangements under the cluster framework, will occur at a future date.

e. **Packaging, Branding and Exports:** Establish contractual farming arrangements with organic food packaging and exporting company under terms that ensure fair trade practices with farmers.



## C. Management and Organization

### a. Management

*Kalasin-Khon Kaen Organic Cluster* is divided into two main groupings, each of which is managed separately: (1) *Kalasin Farm Group*, which has a functional head who is responsible for coordinating and consolidating activities of group members; and (2) *Suwannabhumi Organic Company*, which is headed by its owner and general manager.

### b. Organization

**a. Overview:** Figure A.1 provides a visual representation of the organization structure of the Kalasin-Khon Kaen Organic Agriculture Cluster. It includes support from (a) Kalasin Organic Vegetable Network; (b) Kalasin Organic Learning Center; and (c) Kalasin Chamber of Commerce and Industry (CCI). Note that market outlets, including the Q Shop supermarket of the Kalasin Farm Group, are not included in the business cluster. The reason is that local, provincial, national, regional and global market outlets do not generally form part of clusters. Instead they are external factors to the cluster that help to determine demand conditions for the cluster.

**b. Farm Group Members:** Participants of the Kalasin Farm Group are as follows: (a) Ms. Mantana Leksomboon; (b) Mr. Vinit Tidpad; (c) Ms. Prajit Canofper; (d) Mr. Jaran Kotapuni; (e) Mr. Songsak Hanthongchai; (f) Mr. Damrong Porncharoen; (g) Mr. Amnuay Dongsommart; (h) Mr. Supichai Mankudruea; (i) Mr. Songsin Supupung; (j) Mr. Apichai Ruengkom; (k) Mr. Tavee

Jamsuwan; (l) Mr. Supatchai hanjaran; and (m) Mr. Surichai Pansuwan. The owner and general manager of Suwannabhumi Organic Company is Ms. Ketsara Supatrahipol. Over time, it is expected that the list of households involved in the Kalasin-Khon Kaen Organic Agriculture Cluster will be modified and expand as the area cultivated grows.

**c. Monitoring and Evaluation (M&E):** It is important at the outset of the cluster's establishment to provide for ongoing monitoring and evaluation (M&E) analysis. Apart from providing recurrent M&E measurement indicators, it is important that there also be outcome indicators in terms of cluster development goals: (i) fostering organic agricultural development; (ii) contributing to the improvement of living standards; (iii) encouraging the collaboration of the Kalasin-Khon Kaen Organic Cluster with other clusters, especially along the EWEC; (iv) providing access to relevant knowledge and information for farmers; (v) raising awareness of marketing, branding, packaging, pricing and innovations; and (vi) increasing the competitiveness of the Kalasin-Khon Kaen Organic Cluster. A key responsibility of the M&E team will be gathering and processing quantitative information needed to determine the extent to which contributing programs support the achievement of the project objectives.

**ANNEX B: MEMORANDUM OF AGREEMENT FOR KALASIN-KHON KAEN  
CLUSTER**

MEMORANDUM OF AGREEMENT

BETWEEN

KALASIN FARM GROUP

AND

SUWANNABHUMI ORGANIC COMPANY

FOR THE ESTABLISHMENT OF

KALASIN-KHON KAEN ORGANIC CLUSTER

This Memorandum of Agreement is entered into on the twenty-first day of October 2011

BETWEEN

Kalasin Farm Group of Kalasin Province, Thailand

AND

Suwannabhumi Organic Company of Khon Kaen, Thailand

**1. INTENTION**

Kalasin Farm Group of Kalasin Province, Thailand, and Suwannabhumi Organic Company of Khon Kaen, Thailand intend to strengthen their production and sales capacity by establishing the *Kalasin-Khon Kaen Organic Agriculture Cluster* to enhance the competitiveness of its members in the national, regional and global markets.

**2. OBJECTIVE**

The objective of the Kalasin-Khon Kaen Organic Agriculture Cluster is to act as a business cluster designed to work across its constituent member organizations to coordinate and promote joint actions, technical assistance and knowledge transfer and networking, together with participating in provincial, national, regional and global projects in the production, sale and distribution of organic vegetable.

**Constituent Members:** The constituent member organizations are as follows:

- Kalasin Farm Group
- Suwannabhumi Organic Company

**Mission Statement:** Kalasin-Khon Kaen Organic Agriculture Cluster is dedicated to cultivating vegetables in an environmentally sustainable manner to ensure superior quality organically produced produce for its customers.

**Vision:** Improve livelihoods for farmers and other cluster members through organic farming.

**Goals:** A model of sustainable organic agriculture that provides a high-profile demonstration of a fully integrated approach to producing, marketing and distributing organic vegetables in a way that (a) ensures value added to farm activities based on fair trade practices; (b) promotes sustainability of the cluster's activities; and (c) improves the health and wellbeing of consumers.

**Operational Strategy:** Bring technical expertise to the Kalasin Farm Group from Suwannabhumi Organic Farm and thereby help the farm group to link to supermarket chains and export markets.

**Action Plan:** The near-term actionable areas of the Kalasin-Khon Kaen Organic Agriculture Cluster are as follows:

- a. **Organic Cultivation:** Extend organic cultivation to all members of the Kalasin Farm Group in a manner that guarantees strict standards required of internationally recognized products originating from organic farms.
- b. **Certification:** Actively pursue organic certification for eligible Kalasin Farm Group members.
- c. **Markets:** Broaden its market based by undertaking good marketing practices, high-end branding designs, promotion of its products in food exhibits, and support consumer awareness campaigns about the dangers of conventional vegetables.
- d. **Processing:** Undertake to supply Suwannabhumi Organic Company with fresh vegetables for its planned packaging plant. Formalization of such arrangements, for example, through contracting farming arrangements under the cluster framework, will occur at a future date.
- e. **Packaging, Branding and Exports:** Establish contractual farming arrangements with organic food packaging and exporting company under terms that ensure fair trade practices with farmers.

### 3. CONSTITUTION OF THE CLUSTER

Kalasin-Khon Kaen Organic Agriculture Cluster is hereby constituted under this Memorandum of Agreement. It will be registered with the Ministry of Commerce (MOC) according to the rules and procedures established through the Thailand Board of Investors (BOI).<sup>12</sup> All profits, if any, will be either distributed to cluster members on the basis of an agreed-upon remuneration rate, or reinvested into the cluster's work program of activities.

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<sup>12</sup> For details, see [http://www.boi.go.th/index.php?page=setting\\_up\\_a\\_business](http://www.boi.go.th/index.php?page=setting_up_a_business)

#### **4. SCOPE OF COOPERATION AND EXECUTION MODALITY**

The Cooperation will relate to:

- (a) Collaboration in the medium to long-term planning and execution of the cluster;
- (b) Technical support for the delivery of knowledge transfer;
- (c) Coordination of technical training from Kalasin Organic Learning Center;
- (d) Coordination of networking activities through Kalasin Organic Vegetable Network and the Kalasin Chamber of Commerce and Industry (CCI); and
- (e) Monitoring and evaluation of the cluster's performance on a recurrent basis.

Details of the cooperation activities are explained further in the following sections.

##### **4.1. Collaboration in Planning and Execution of Cluster**

The Kalasin Farm Group and Suwannabhumi Organic Company will endeavor to collaborate in the medium to long-term planning and execution of the Kalasin-Khon Kaen Organic Agriculture Cluster in order to achieve the stated objectives specified in this Memorandum of Agreement with respect to the Cluster's Mission Statement, Vision, Goals, Operational Strategy and Action Plan. The Management Team will consist of the Head of the Kalasin Farm Group and the General Manager of Suwannabhumi Organic Company.

##### **4.2. Technical Support**

This service will be provided by Suwannabhumi Organic Company to the Kalasin Farm Group, and it will cover of the following areas:

- (a) organic farm management,
- (b) soil preparation and improvement,
- (c) organic fertilizer preparation,
- (d) organic pesticide preparation,
- (e) information networking,
- (f) organic certification,
- (g) product branding,



- (h) marketing and promotion of branded products,
- (i) processing and packaging, and
- (j) distribution to major national and international markets.

For its technical services, Suwannabhumi Organic Company will receive a remuneration commensurate with its standard fee base.

### **4.3. Networking Activities**

This service will be arranged by Kalasin Farm Group with the Kalasin Organic Vegetable Network and it will consist of assisting the Kalasin-Khon Kaen Organic Agriculture Cluster to network with other producer groups and clusters, especially those along the EWEC and notably the Khao Kho Organic Agriculture Cluster, with the objective of enhancing the production capacity of the Kalasin-Khon Kaen Organic Agriculture Cluster to provide the magnitude of fresh produce that will make it economically efficient for processors, traders and wholesale and retailers buyers to source their produce from the Corridor provinces.

### **4.4. Monitoring and Evaluation**

This service will be arranged by the Kalasin Farm Group with the Kalasin Organic Vegetable Network, and it will involve the following recurrent activities:

- (a) develop and implement measurement of outcome indicators in terms of the following cluster development goals:
- (b) extending organic cultivation to all members of the Kalasin Farm Group in a manner that meets international organic certification standards;
- (c) pursuing organic certification for eligible Kalasin Farm Group members;
- (d) broadening the Kalasin Farm Group's market through good marketing practices;
- (e) establishing contractual farming arrangements with organic food packaging and exporting company under terms that ensure fair trade practices with farmers; and
- (f) eventually supplying Suwannabhumi Organic Company with fresh vegetables for its planned packaging plant.

The M&E team will gather and process quantitative and qualitative information on a recurrent basis, as needed to determine the extent to which contributing programs support the achievement of the project objectives.

## **5. GENERAL PROVISIONS**

This Memorandum of Agreement (MOA) shall become effective as of the date of signing by both parties for the areas and aspects covered above. The initial period of validation of this MOA will be three years, extendable or able to be terminated on the mutual consent of both parties.

## **6. MOU ADMINISTRATORS**

Said as otherwise provided in the MOA all actions to be taken and all notices to be given or taken by the Head of the Kalasin Farm Group, Kalasin Province, Thailand, or his authorized representative, and by the General Manager of Suwannabhumi Organic Company, Khon Kaen Province, Thailand, or his authorized representative.

## **7. ARBITRATIONS**

This MOA is based on mutual trust and confidence. Both of the parties agree to carry out the assignments in good faith. Differences of opinion, if any, arising out of and in connection with this MOA will be settled on the basis of mutual consultations between MOA administrators.

**IN WITNESS HEREOF**, the authorized signatories of both of the parties to the MOA hereto have set out their hands the day, month, year first above written.

For and on behalf of:

For and on behalf of:

Kalasin Farm Group  
Kalasin Province, Thailand

Suwannabhumi Organic Company  
Khon Kaen Province, Thailand

Represented by:

Represented by:

[name and signature]

[name and signature]

Head of  
Kalasin Farm Group

General Manager  
Suwannabhumi Organic Company

WITNESSES

WITNESSES

(1) [signature]

(1) [signature]

(2) [signature]

(2) [signature]

## ANNEX C: BUSINESS PLAN FOR KHAO KHO CLUSTER

### A. Business Description

#### 1. Activities

a. **Overview:** *Khao Kho Organic Agriculture Cluster* brings together interconnected activities of organic agriculture in the Kalasin-Khon Kaen-Phetchabun corridor as a means of enhancing competences and strengthening the competitive advantage of the collaborating entities. The Khao Kho Agricultural Farm Group consists of 10 farmers having a combined area of nearly 6.4 hectares. The Khon Kaen-based Suwannabhumi Organic Farm is part of a solely owned company and has a land area of nearly 5 hectares. Apart from its commercial use of vegetable cultivation for national and worldwide sales, Suwannabhumi Organic Farm is a model farm used as a training center for organic farming methods.

b. **Training for Organic Cultivation:** The Khao Kho Agricultural Farm Group already has knowledge and experience in organic farm management, soil preparation and improvement, organic fertilizer preparation, organic pesticide preparation and information networking. It does not, however, have the capacity to offer in-depth technical training facilities for branding, certification, marketing, processing and distribution to major national and international markets.

c. **Training to Add Value:** Recognizing the need for training on branding, certification, marketing, processing and distribution of organic produce, the Khao Kho Agricultural Farm Group intends to gain knowledge through high-level training and collaboration with the Suwannabhumi Organic Company. The clustering of production activities will thereby permit the Khao Kho Agricultural Farm Group to acquire the necessary information and know-how to undertake successful and profitable commercial activities at national, regional and global levels.

#### 2. Products and Markets

a. **Products:** The Khao Kho Agricultural Farm Group grows a wide variety of vegetable, similar to those cultivated by Suwannabhumi Organic Farm, for example, chili peppers, yard long beans, sweet and baby corn, okra, lemon grass, sweet basil, eggplants, and ginger. The Khao Kho Agricultural Farm Group produces over one ton of vegetables a month, and Suwannabhumi Organic Farm produces about one ton a month.

b. **Target Market:** Khao Kho Agricultural Farm Group sales are limited to the local fresh market. Suwannabhumi Organic Company has a wide distribution network which it has built up from good marketing practices like high-end branding designs, marketing in food exhibits, and consumer awareness campaigns about the dangers of conventional vegetables. The Khao Kho Agricultural Farm Group intends to acquire knowledge from the successful experience of Suwannabhumi Organic Company in extending its market base to customers located in Europe and other countries to enable the group to improve its earnings from organic vegetable sales.

### B. Strategy and Action Plan

#### 1. Mission Statement

Kalasin-Khon Kaen Organic Cluster is dedicated to the cultivation of vegetables in an environmentally sustainable manner that ensures a superior quality of organically produced goods for customers.

## 2. Vision

Improved livelihoods for farmers and other cluster members through organic farming.

## 3. Goals

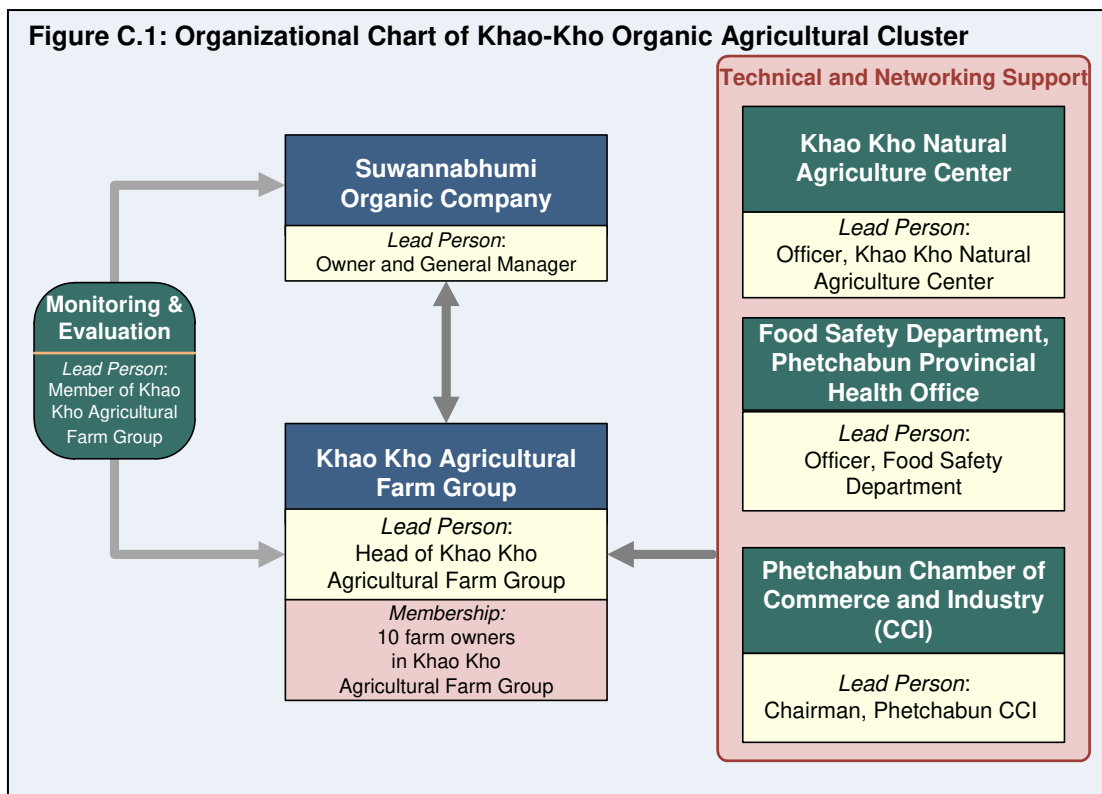
A model of sustainable organic agriculture that provides a high-profile demonstration of a fully integrated approach to producing, marketing and distributing organic vegetables in a way that (a) ensures value added to farm activities based on fair trade practices; (b) promotes sustainability of the cluster's activities; and (c) improves the health and wellbeing of consumers.

## 4. Operational Strategy

Bring technical expertise to the Khao Kho Agricultural Farm Group from Suwannabhumi Organic Company and thereby help the farm group to link to supermarket chains and export markets.

## 5. Action Plan

- a. **Organic Cultivation:** Extend organic cultivation to all members of the Khao Kho Agricultural Farm Group in a manner that guarantees strict standards required of internationally recognized products originating from organic farms.
- b. **Certification:** Actively pursue organic certification for eligible Khao Kho Agricultural Farm Group members.
- c. **Markets:** Broaden its market based by undertaking good marketing practices, high-end branding designs, promotion of its products in food exhibits, and support consumer awareness campaigns about the dangers of conventional vegetables.
- d. **Processing:** Undertake to supply Suwannabhumi Organic Company with fresh vegetables for its planned packaging plant. Formalization of such arrangements, for example, through contracting farming arrangements under the cluster framework, will occur at a future date.
- e. **Packaging, Branding and Exports:** Establish contractual farming arrangements with organic food packaging and exporting company under terms that ensure fair trade practices with farmers.



## C. Management and Organization

### 1. Management

*Khao Kho Agricultural Organic Agricultural Cluster* is divided into two main groupings, each of which is managed separately: (1) *Khao Kho Agricultural Farm Group*, which has a functional head who is responsible for coordinating and consolidating activities of group members; and (2) *Suwannabhumi Organic Company*, which is headed by its owner and general manager.

### 2. Organization

- Overview:** Figure C.1 provides a visual representation of the organization structure of the Kalasin-Khon Kaen Organic Cluster. It includes support from (a) Khao Kho Natural Agriculture Center; Phetchabun Provincial Health Office, especially the of Food Safety Department; and (c) Phetchabun Chamber of Commerce and Industry (CCI).
- Farm Group Members:** Participants of the Khao Kho Agricultural Farm Group are as follows: (a) Mr. Voravit Sinsongsuk; (b) Mr.Sombat Panakul; (c) Mr.Samran Saengphet;(d) Mr.Vijit Pankul; (e) Mr.Boonchuy Kerddee; (f) Mrs.Yupin Suwannakram; (g) Ms. Watcharaporn Kruenkeaw; (h) Mr.Somjit Pankul; (i) Mr.Chanai Thongfeng; and (j) Mr.Suthipong Polsayom.

- c. **Monitoring and Evaluation (M&E):** It is important at the outset of the cluster's establishment to provide for ongoing monitoring and evaluation (M&E) analysis. Apart from providing recurrent M&E measurement indicators, it is important that there also be outcome indicators in terms of cluster development goals: (i) fostering organic agricultural development; (ii) contributing to the improvement of living standards; (iii) encouraging the collaboration of the Khao Kho Agricultural Organic Agricultural Cluster with other clusters, especially along the EWEC; (iv) providing access to relevant knowledge and information for farmers; (v) raising awareness of marketing, branding, packaging, pricing and innovations; and (vi) increasing the competitiveness of the Khao Kho Agricultural Organic Agricultural Cluster. A key responsibility of the M&E team will be gathering and processing quantitative information needed to determine the extent to which contributing programs support the achievement of the project objectives.

**ANNEX D: MEMORANDUM OF AGREEMENT FOR KHAO KHO CLUSTER**

## MEMORANDUM OF AGREEMENT

BETWEEN

KHAO KHO AGRICULTURAL FARM GROUP

AND

SUWANNABHUMI ORGANIC COMPANY

FOR THE ESTABLISHMENT OF

KHAO KHO ORGANIC AGRICULTURE CLUSTER

This Memorandum of Agreement is entered into on the twenty-first day of October 2011

BETWEEN

Khao Kho Agricultural Farm Group of Phetchabun Province, Thailand

AND

Suwannabhumi Organic Company of Khon Kaen, Thailand

**1. INTENTION**

Khao Kho Agricultural Farm Group of Phetchabun province, Thailand, and Suwannabhumi Organic Company of Khon Kaen, Thailand intend to strengthen their production and sales capacity by establishing the *Khao Kho Organic Agriculture Cluster* to enhance the competitiveness of its members in the national, regional and global markets.

**2. OBJECTIVE**

The objective of the Khao Kho Organic Agriculture Cluster is to act as a business cluster designed to work across its constituent member organizations to coordinate and promote joint actions, technical assistance and knowledge transfer and networking, together with participating in provincial, national, regional and global projects in the production, sale and distribution of organic vegetable.

**Constituent Members:** The constituent member organizations are as follows:

- Khao Kho Agricultural Farm Group



- Suwannabhumi Organic Company

**Mission Statement:** Khao Kho Organic Agriculture Cluster is dedicated to cultivating vegetables in an environmentally sustainable manner to ensure superior quality organically produced produce for its customers.

**Vision:** Improve livelihoods for farmers and other cluster members through organic farming.

**Goals:** A model of sustainable organic agriculture that provides a high-profile demonstration of a fully integrated approach to producing, marketing and distributing organic vegetables in a way that (a) ensures value added to farm activities based on fair trade practices; (b) promotes sustainability of the cluster's activities; and (c) improves the health and wellbeing of consumers.

**Operational Strategy:** Bring technical expertise to the Khao Kho Agricultural Farm Group from Suwannabhumi Organic Farm and thereby help the farm group to link to supermarket chains and export markets.

**Action Plan:** The near-term actionable areas of the Khao Kho Organic Agriculture Cluster are as follows:

- Organic Cultivation:** Extend organic cultivation to all members of the Khao Kho Agricultural Farm Group in a manner that guarantees strict standards required of internationally recognized products originating from organic farms.
- Certification:** Actively pursue organic certification for eligible Khao Kho Agricultural Farm Group members.
- Markets:** Broaden its market based by undertaking good marketing practices, high-end branding designs, promotion of its products in food exhibits, and support consumer awareness campaigns about the dangers of conventional vegetables.
- Processing:** Undertake to supply Suwannabhumi Organic Company with fresh vegetables for its planned packaging plant. Formalization of such arrangements, for example, through contracting farming arrangements under the cluster framework, will occur at a future date.
- Packaging, Branding and Exports:** Establish contractual farming arrangements with organic food packaging and exporting company under terms that ensure fair trade practices with farmers.

### 3. CONSTITUTION OF THE CLUSTER

Khao Kho Organic Agriculture Cluster is hereby constituted under this Memorandum of Agreement. It will be registered with the Ministry of Commerce (MOC) according to the rules and procedures established through the Thailand Board of Investors (BOI).<sup>13</sup> All profits, if any, will be either distributed to cluster members on the basis of an agreed-upon remuneration rate, or reinvested into the cluster's work program of activities.

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<sup>13</sup> For details, see [http://www.boi.go.th/index.php?page=setting\\_up\\_a\\_business](http://www.boi.go.th/index.php?page=setting_up_a_business)

#### **4. SCOPE OF COOPERATION AND EXECUTION MODALITY**

The Cooperation will relate to:

- a. Collaboration in the medium to long-term planning and execution of the cluster;
- b. Technical support for the delivery of knowledge transfer;
- c. Coordination of networking activities; and
- d. Monitoring and evaluation of the cluster's performance on a recurrent basis.

Details of the cooperation activities are explained further in the following sections.

##### **4.1 Collaboration in Planning and Execution of Cluster**

The Khao Kho Agricultural Farm Group and Suwannabhumi Organic Company will endeavor to collaborate in the medium to long-term planning and execution of the Khao Kho Organic Agriculture Cluster in order to achieve the stated objectives specified in this Memorandum of Agreement with respect to the Cluster's Mission Statement, Vision, Goals, Operational Strategy and Action Plan. The Management Team will consist of the Head of the Khao Kho Agricultural Farm Group and the General Manager of Suwannabhumi Organic Company.

##### **4.2 Technical Support**

This service will be provided by Suwannabhumi Organic Company to the Khao Kho Agricultural Farm Group, and it will cover of the following areas:

- a. organic farm management,
- b. soil preparation and improvement,
- c. organic fertilizer preparation,
- d. organic pesticide preparation,
- e. information networking,
- f. organic certification,
- g. product branding,
- h. marketing and promotion of branded products,
- i. processing and packaging, and
- j. distribution to major national and international markets.

For its technical services, Suwannabhumi Organic Company will receive a remuneration commensurate with its standard fee base.

##### **4.3 Networking Activities**

This service will be arranged by Khao Kho Agricultural Farm Group with the Phetchabun Chamber of Commerce and Industry (CCI), and it will consist of assisting the Khao Kho Organic Agriculture Cluster to network with other producer groups and clusters, especially those along the EWEC and notably the Kalasin-Khon Kaen Organic Agriculture Cluster, with the objective of enhancing the production capacity of the Khao Kho Organic Agriculture Cluster to provide the magnitude of fresh produce that will make it economically efficient for processors, traders and wholesale and retailers buyers to source their produce from the Corridor provinces.

#### **4.4 Monitoring and Evaluation**

This service will be arranged by the Khao Kho Agricultural Farm Group and provided by its own members. It will involve the following recurrent activities:

- a. develop and implement measurement of outcome indicators in terms of the following cluster development goals:
- b. extending organic cultivation to all members of the Khao Kho Agricultural Farm Group in a manner that meets international organic certification standards;
- c. pursuing organic certification for eligible Khao Kho Agricultural Farm Group members;
- d. broadening the Khao Kho Agricultural Farm Group's market through good marketing practices;
- e. establishing contractual farming arrangements with organic food packaging and exporting company under terms that ensure fair trade practices with farmers; and
- f. eventually supplying Suwannabhumi Organic Company with fresh vegetables for its planned packaging plant.

The M&E team will gather and process quantitative and qualitative information on a recurrent basis, as needed to determine the extent to which contributing programs support the achievement of the project objectives.

### **5. GENERAL PROVISIONS**

This Memorandum of Agreement (MOA) shall become effective as of the date of signing by both parties for the areas and aspects covered above. The initial period of validation of this MOA will be three years, extendable or able to be terminated on the mutual consent of both parties.

### **6. MOU ADMINISTRATORS**

Said as otherwise provided in the MOA all actions to be taken and all notices to be given or taken by the Head of the Khao Kho Agricultural Farm Group, Phetchabun Province, Thailand, or his authorized representative, and by the General Manager of Suwannabhumi Organic Company, Khon Kaen Province, Thailand, or his authorized representative.

## **7. ARBITRATIONS**

This MOA is based on mutual trust and confidence. Both of the parties agree to carry out the assignments in good faith. Differences of opinion, if any, arising out of and in connection with this MOA will be settled on the basis of mutual consultations between MOA administrators.

**IN WITNESS HEREOF**, the authorized signatories of both of the parties to the MOA hereto have set out their hands the day, month, year first above written.

For and on behalf of:

For and on behalf of:

Khao-Kho Agricultural Farm Group  
Phetchabun Province, Thailand

Suwannabhumi Organic Company  
Khon Kaen Province, Thailand

Represented by:

Represented by:

[name and signature]

[name and signature]

Head of  
Khao-Kho Agricultural Farm Group

General Manager  
Suwannabhumi Organic Company

WITNESSES

WITNESSES

(3) [signature]

(1) [signature]

(4) [signature]

(2) [signature]

## ANNEX E: BUSINESS PLAN FOR BAN PAK KA CLUSTER

### A. Business Description

#### 1. Activities

a. **Overview:** *Ban Pak Ka Organic Agricultural Cluster* has emerged from the Ban Pak Ka Organic Demonstration Farm. The demonstration farm was established by the Department of Agriculture and Forestry of Savannakhet Province, Lao PDR and has been operational since 2010. It consists of ten farm units having a combined 1.8 hectares of land being dedicated to organic farming. It is located in the Kaisornephomvihan District of Savannakhet, Laos.

b. **Training:** Local instructors from the Department of Agriculture and Forestry provide training, and there are recurrent instructions given on organic cultivation by instructors from Vientiane and Champasak provinces.

c. **Infrastructural Support:** Farming machinery and infrastructure is provided by the Asian Development Bank (ADB) and the International Fund for Agricultural Development (IFAD). Networking and promotion support is provided by the Savannakhet Chamber of Commerce and Industry (CCI).

#### 2. Products and Markets

a. **Products:** Organic methods are used to grow a wide variety of vegetable such as morning glory, green chili, red chili, mint, basil, cabbage, broccoli, coriander, green onions and choy sum. About 1.4 tons a month of vegetables are currently produced.

b. **Target Market:** In the immediate future, the focal market for the cluster is the Vientiane Organic Farmers Market. That market takes place semi-weekly (Wednesdays and Saturdays) and its vegetable prices are substantially above those of conventional vegetables. The Champasak organic farmers have already established distribution channels for that market with the support of the Helvetas Profil II Project.<sup>14</sup> The *Ban Pak Ka Organic Agricultural Cluster* intends to add its produce to semi-weekly truck convoys originating from Champasak and traveling to the Vientiane Organic Farmers Market.

c. **Other Markets:** The *Ban Pak Ka Organic Agricultural Cluster* will also explore other national and cross-border market outlets. In the local Savannakhet market, there are plans to introduce an organic or safe-vegetables stall in the daily vegetable market, and also media campaigns to promote safe foods. There is also the possibility of contractual farming arrangements being made with a major organic food packaging and exporting company, as well as fresh vegetable sales in nearby Thai provincial markets such as those in Ubon Ratchathani.

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<sup>14</sup> For details, see information available at [The www.laosorganic.com/about2.php](http://www.laosorganic.com/about2.php).

## B. Strategy and Action Plan

### 1. Mission Statement

Ban Pak Ka Organic Agricultural Cluster is dedicated to cultivating vegetables in an environmentally sustainable manner to ensure superior quality organically produced produce for its customers.

### 2. Vision

Improved livelihoods for the people of Savannakhet through organic farming practices.

### 3. Goals

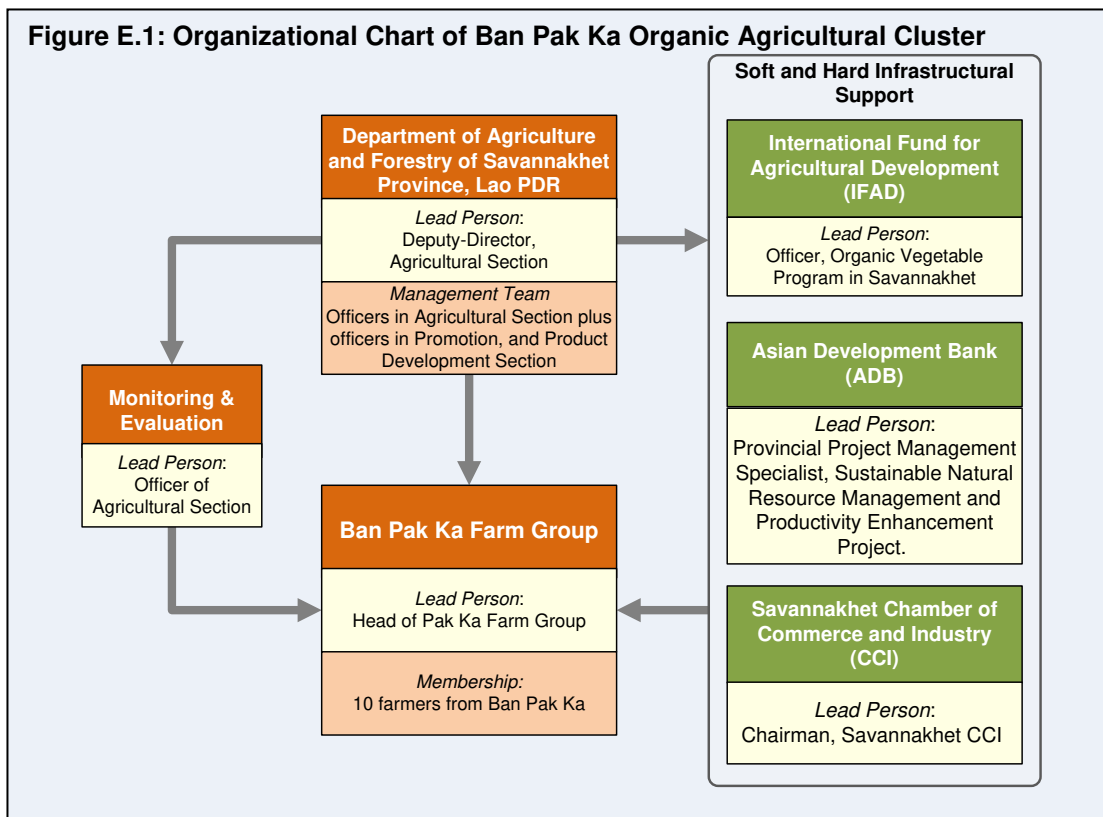
To serve as a model of sustainable organic agriculture that improves livelihoods of the agricultural community in Savannakhet.

### 4. Operational Strategy

Provide a high-profile demonstration of a fully integrated approach to producing, marketing and distributing organic vegetables in a way that ensures value added to farm activities based on fair trade practices that promotes sustainability of the cluster's activities and improved health benefits for consumers.

### 5. Action Plan

- a. **Awareness Raising:** Promote consumption of organically grown vegetables through mass media campaigns in Savannakhet province.
- b. **Sales in Vientiane:** Develop a new market outlet in the Vientiane Organic Farmers Market. That market takes place semi-weekly (Wednesdays and Saturdays) and its vegetable prices are substantially above those of conventional vegetables. The Ban Pak Ka Cluster intends to add its produce to semi-weekly truck convoys originating from Champasak organic farmers and destined for the Vientiane Organic Farmers Market.
- c. **Sales in Local Market:** Introduce an organic or safe-vegetables stall in the daily vegetable market, which will take advantage of anticipated increase in consumer demand for organic vegetables as a result of the media campaign to promote safe foods.
- d. **Sales in Thai Market:** Expand distribution to Thai provincial markets where there are currently supply shortages of safe vegetables. Enter into discussions with provincial government authorities and chambers, like those in Mukdahan and Ubon Ratchathani, to establish networks with fresh market distribution centers.
- e. **Packaging, Branding and Exports:** Establish contractual farming arrangements being made with organic food packaging and exporting company. Enter into discussions with large food packaging and distribution centers that promote fair trade practices with farmers.



## C. Management and Organization

### 1. Management

*Ban Pak Ka Organic Agricultural Cluster* is managed by Department of Agriculture and Forestry of Savannakhet Province, Lao PDR. There is also a representative of the farmers group who heads the group and manages day-to-day activities.

### 2. Organization

- Overview:** Figure A.1 provides a visual representation of the organization structure of the Ban Pak Ka Organic Agricultural Cluster. It includes the management team and lead person at the Department of Agriculture and Forestry, and the soft and hard infrastructural support from the ADB and IFAD.
- Farm Group Members:** Participants of the Ban Pak Ka Farm Group are as follows: (a) Mr. Amkha; (b) Ms.Chanh Mounma; (c) Ms. Chitmark Malaythong; (d) Mr.Chumpa Chanthasomesack; (e) Ms.Dhou mee Tieu; (f) Mr.Keo Mounma; (g) Mr. and Mrs. Khamboun Khounphamee; (h) Ms.Khammoun; (i) Mr. Noy Took; and (j) Mr.Sipha Chanthasomesock. Over time, it is expected that the list of households involved in the Pak Ka Farm Group will be modified and expand as the area cultivated grows.
- Monitoring and Evaluation (M&E):** It is important at the outset of the cluster's establishment to provide for ongoing monitoring and evaluation (M&E) analysis. Apart from providing recurrent M&E measurement indicators, it is important that



there also be outcome indicators in terms of cluster development goals: (i) fostering organic agricultural development; (ii) contributing to the improvement of living standards; (iii) encouraging the collaboration of the Ban Pak Ka Cluster with other clusters the organic agriculture cluster in Champasak; (iv) providing access to relevant knowledge and information for farmers; (v) raising awareness of marketing, branding, packaging, pricing and innovations; (vi) increasing the competitiveness of the Ban Pak Ka Cluster in Laos and neighboring countries. A key responsibility of the M&E team will be gathering and processing quantitative information needed to determine the extent to which contributing programs support the achievement of the project objectives.

**ANNEX F: MEMORANDUM OF UNDERSTANDING FOR BAN PAK KA CLUSTER**

MEMORANDUM OF UNDERSTANDING  
BETWEEN  
BAN PHAK KHA ORGANIC FARM GROUP  
AND  
DEPARTMENT OF AGRICULTURE AND FORESTRY, SAVANNAKHET PROVINCE  
FOR THE ESTABLISHMENT OF  
BAN PAK KA ORGANIC AGRICULTURAL CLUSTER

This Memorandum of Understanding is entered into on the twenty-first day of October 2011

BETWEEN

The Department of Agriculture and Forestry of Savannakhet Province, Lao PDR

AND

The Ban Phak Kha Organic Farm Group of Kaisornephomvihan District of Savannakhet Province, Lao PDR

**1. INTENTION**

Department of Agriculture and Forestry of Savannakhet Province, Lao PDR, and Ban Phak Kha Organic Farm Group of Kaisornephomvihan District of Savannakhet Province, Lao PDR intend to strengthen the production and sales capacity of the Ban Phak Kha Organic Farm Group by establishing the Ban Pak Ka Organic Agricultural Cluster to enhance the competitiveness of the producer group in the national, regional and global markets.

**2. OBJECTIVE**

The objective of the Ban Pak Ka Organic Agricultural Cluster is to act as a business cluster designed to work across its constituent member organizations to coordinate and promote joint actions, technical assistance and knowledge transfer and networking, together with participating in provincial, national, regional and global projects in the production, sale and distribution of organic vegetable.

**Constituent Members:** The constituent member organizations are as follows:

- Ban Pak Ka Farm Group
- Department of Agriculture and Forestry of Savannakhet Province, Lao PDR

**Mission Statement:** Ban Pak Ka Organic Agricultural Cluster is dedicated to cultivating vegetables in an environmentally sustainable manner to ensure superior quality organically produced produce for its customers.

**Vision:** Improved livelihoods for the people of Savannakhet through organic farming practices.

**Goals:** To serve as a model of sustainable organic agriculture that improves livelihoods of the agricultural community in Savannakhet.

**Operational Strategy:** Provide a high-profile demonstration of a fully integrated approach to producing, marketing and distributing organic vegetables in a way that ensures value added to farm activities based on fair trade practices that promotes sustainability of the cluster's activities and improved health benefits for consumers.

**Action Plan:** The near-term actionable areas of the Ban Pak Ka Organic Agricultural Cluster are as follows:

- a. **Awareness Raising:** Promote consumption of organically grown vegetables through mass media campaigns in Savannakhet province.
- b. **Sales in Vientiane:** Develop a new market outlet in the Vientiane Organic Farmers Market. That market takes place semi-weekly (Wednesdays and Saturdays) and its vegetable prices are substantially above those of conventional vegetables. The Ban Pak Ka Cluster intends to add its produce to semi-weekly truck convoys originating from Champasak organic farmers and destined for the Vientiane Organic Farmers Market.
- c. **Sales in Local Market:** Introduce an organic or safe-vegetables stall in the daily vegetable market, which will take advantage of anticipated increase in consumer demand for organic vegetables as a result of the media campaign to promote safe foods.
- d. **Sales in Thai Market:** Expand distribution to Thai provincial markets where there are currently supply shortages of safe vegetables. Enter into discussions with provincial government authorities and chambers, like those in Mukdahan and Ubon Ratchathani, to establish networks with fresh market distribution centers.
- e. **Packaging, Branding and Exports:** Establish contractual farming arrangements being made with organic food packaging and exporting company. Enter into discussions with large food packaging and distribution centers that promote fair trade practices with farmers.

### 3. CONSTITUTION OF THE CLUSTER

Ban Pak Ka Organic Agricultural Cluster is hereby constituted under this Memorandum of Understanding. It will be registered with the Enterprise Registry Office (ERO) in the Domestic Commerce Department of the Ministry of Industry and Commerce (MOIC). All profits, if any, will either be distributed to Ban Pak Ka Farm Group on the basis of an agreed-upon remuneration rate, or they will be reinvested into the cluster's work program of activities.

### 4. SCOPE OF COOPERATION AND EXECUTION MODALITY

The Cooperation will relate to:

- a. Management support for the medium to long-term planning and execution of the cluster;
- b. Technical support for the delivery of knowledge transfer and hardware infrastructure;
- c. Donor coordination of activities by the Asian Development Bank (ADB) and the International Fund for Agricultural Development (IFAD);
- d. Networking activities through the Savannakhet Chamber of Commerce and Industry (CCI); and
- e. Monitoring and evaluation of the cluster's performance on a recurrent basis.

Details of the cooperation activities are explained further in the following sections.

#### 4.1 Management Support

This service will be provided by the Department of Agriculture and Forestry and involve the overall management and supervision of the Ban Pak Ka Organic Agricultural Cluster. The Management Team will operate under the Agricultural Section, with close collaboration with other the Promotion and Product Development Section of the Department.

#### 4.2 Technical Support

This service will be provided by the Management Team in the Department of Agriculture and Forestry, and it will consist of coordinating technical assistance and hard infrastructure support by international development partners, most notably the Asian Development Bank (ADB) and the International Fund for Agricultural Development (IFAD). It will also include support for establishing contractual farming arrangements with organic food packaging and exporting company, including outreach efforts to collaborate with large food packaging and distribution centers that promote fair trade practices with farmers.

#### 1. Networking Activities

This service will be provided by the Management Team in the Department of Agriculture and Forestry, in collaboration with the **Savannakhet Chamber of Commerce and Industry (CCI)** and it will consist of assisting the Ban Pak Ka Organic Farm Group to network with other clusters, e.g., the Champasak organic farm group, and buyers and processors, e.g., Vientiane

Organic Farmers Market, SWIFT Company (Thailand), and the Suwannabhumi Organic Company (Thailand). The Management Team will also work with **Savannakhet Chamber of Commerce and Industry (CCI)** to help promote consumption of organically grown vegetables through mass media campaigns in Savannakhet province. Moreover, the Management Team will help to expand distribution of the Ban Pak Ka Organic Agricultural Cluster to Thai provincial markets where there are currently supply shortages of safe vegetables. The Team will enter into discussions with provincial government authorities and chambers, like those in Mukdahan and Ubon Ratchathani, to establish networks with fresh market distribution centers

## **2. Monitoring and Evaluation**

This service will be provided by the Department of Agriculture and Forestry and involve the following recurrent activities:

- (a) Develop and implement measurement of outcome indicators in terms of the following cluster development goals:
  - i. fostering organic agricultural development;
  - ii. contributing to the improvement of living standards;
  - iii. encouraging the collaboration of the Ban Pak Ka Cluster with other clusters the organic agriculture cluster in Champasak;
  - iv. providing access to relevant knowledge and information for farmers;
  - v. raising awareness of marketing, branding, packaging, pricing and innovations;
  - vi. increasing the competitiveness of the Ban Pak Ka Cluster in Laos and neighboring countries.
- (b) The M&E team will gather and process quantitative and qualitative information on a recurrent basis, as needed to determine the extent to which contributing programs support the achievement of the project objectives.

## **5 GENERAL PROVISIONS**

This Memorandum of Understanding (MOU) shall become effective as of the date of signing by both parties for the areas and aspects covered above. The initial period of validation of this MOU will be three years, extendable or able to be terminated on the mutual consent of both parties.

## **6 MOU ADMINISTRATORS**

Said as otherwise provided in the MOU all actions to be taken and all notices to be given or taken by the Project Director, Department of Agriculture and Forestry, Savannakhet Province, Lao PDR, or his authorized representative, and by the Head of the Ban Phak Kha Farm Group, Kaisornephomvihan District, Savannakhet, Laos, or his authorized representative.

## **7 ARBITRATIONS**

This MOU is based on mutual trust and confidence. Both of the parties agree to carry out the assignments in good faith. Differences of opinion, if any, arising out of and in connection with this MOU will be settled on the basis of mutual consultations between MOU administrators.

**IN WITNESS HEREOF**, the authorized signatories of both of the parties to the MOU hereto have set out their hands the day, month, year first above written.

For and on behalf of:

For and on behalf of:

Department of Agriculture and Forestry  
Savannakhet Province, Lao PDR

Ban Phak Kha Organic Farm Group  
Kaisornephomvihan District  
Savannakhet Province, Lao PDR

Represented by:

Represented by:

[name and signature]

[name and signature]

Project Director

Head of Phak Ka Farm Group

WITNESSES

WITNESSES

(5) [signature]

(1) [signature]

(6) [signature]

(2) [signature]

## ANNEX G: BUSINESS PLAN FOR 'ORGANIC EWEC' TOURISM CLUSTER

### A. Business Description

#### 1. Overview

The *Organic EWEC Eco-Tourism Cluster* brings together interconnected eco-tourism activities in organic farming along the EWEC as a means of increasing interconnectivity and enhancing competitiveness. The cluster aims to develop environmentally sustainable tourism activities along the EWEC provinces and to support the ADB's *GMS Tourism Development* flagship initiative.

#### 2. Products and Markets

a. **High-End Eco-Tourism Farm Sites:** The cluster attracts high-end tourist sector through two of its members. The first is *Tra Que Herb Village* near Hoi An in Quang Nam province of Vietnam. The village of 150 households is famous for growing organic vegetables using algae from a lagoon in Tra Que as fertilizer. Tourists often visit the village by bicycle from the nearby town of Hoi An, and spend the day with a family, with whom they learn traditional farming techniques and cooking methods, and also enjoy massage and culinary meals. The second cluster site is *Khao Kho Talaypu Natural Farm* in Phetchabun Province. It is a holistic facility providing a wide range of tourism activities within its organic vegetable cultivation and manufacturing of foodstuffs, cosmetics, medicines and beverages. It offers upscale resort accommodations and an integrated health center covering a wide range of activities

b. **Mid-Level Eco-Tourism Farm Sites:** There are currently two cluster members that target their activities to the mid-level tourism sector. The first is the *Organic Farm in Bach Ma National Park*, which is located in Thừa Thiên-Huế province of Vietnam. Farmers in the Khe Su Commune in Phu Loc District have adopted organic cultivation methods with the support of the Japan International Cooperation Agency (JICA). A new phase of the JICA project is supporting home-stay tourism, largely based on the successful Tra Que Herb Village model. The site borders the Bach Ma National Park, which is a protected area of 220 square kilometers situated in the Annamite Mountains. It has a wide range of flora and fauna and attracts a range of tourists from trekkers to bird watchers and day hikers. The second member is *Ob Ob Home-Stay Farm*, located in Khon Kaen province of Thailand. They produce frogs for commercial purposes and grow a range of organic vegetables like chili, eggplant, salad, lettuce, morning glory, basil, long bean, tomato, lemon grass. Accommodations are available for visitors who are interested in learning about organic farming practices.

c. **Potential Eco-Tourism Future Farm Zones:** There are two areas having a high potential to develop eco-tourism activities related to sustainable livelihood through organic farming. The first is *Organic Mekong Farm-Stays*, located in the Savannakhet-Mukdahan section of the Corridor. Cross-border tourists could build on the attraction of the Mekong River combined with its unique characteristics in terms of biodiversity, protected areas and sacred forests. The second area is the *Organic Indochina Farm-Stays* in the Mao Sot-Tak-Phitsanulok section of the Corridor. It could build eco-tourism activities based on the diverse ecosystems of the area's forests and savanna. The area is rated among the top destinations in



Thailand and has particular attraction for individuals and groups interested in sustainable farming and eco-tourism activities.

## B. Strategy and Action Plan

### 1. Mission Statement

Organic EWEC Eco-Tourism Cluster is dedicated to the promotion of organic agriculture and a single destination of high-quality and environmentally sustainable eco-tourism facilities.

### 2. Vision

Improved livelihoods for farmers and other cluster members through organic agriculture and environmentally sustainable tourism.

### 3. Goals

A model of sustainable organic agriculture and eco-tourism that provides a high-profile demonstration of a fully integrated approach to producing and marketing organic products and related tourism services in a way that:

- (a) ensures value added to farm activities based on fair trade practices;
- (b) promotes sustainability of the cluster's activities;
- (c) improves the health and wellbeing of consumers;
- (d) support investment in sustainable tourism activities by providing high-profile demonstration activities to others along the Corridor;
- (e) improve the livelihoods of adjacent communities by attracting tourists to the area; and
- (f) help distribute the benefits of eco-tourism along the Corridor in an equitable manner so that everyone benefits.

### 4 Operational Strategy

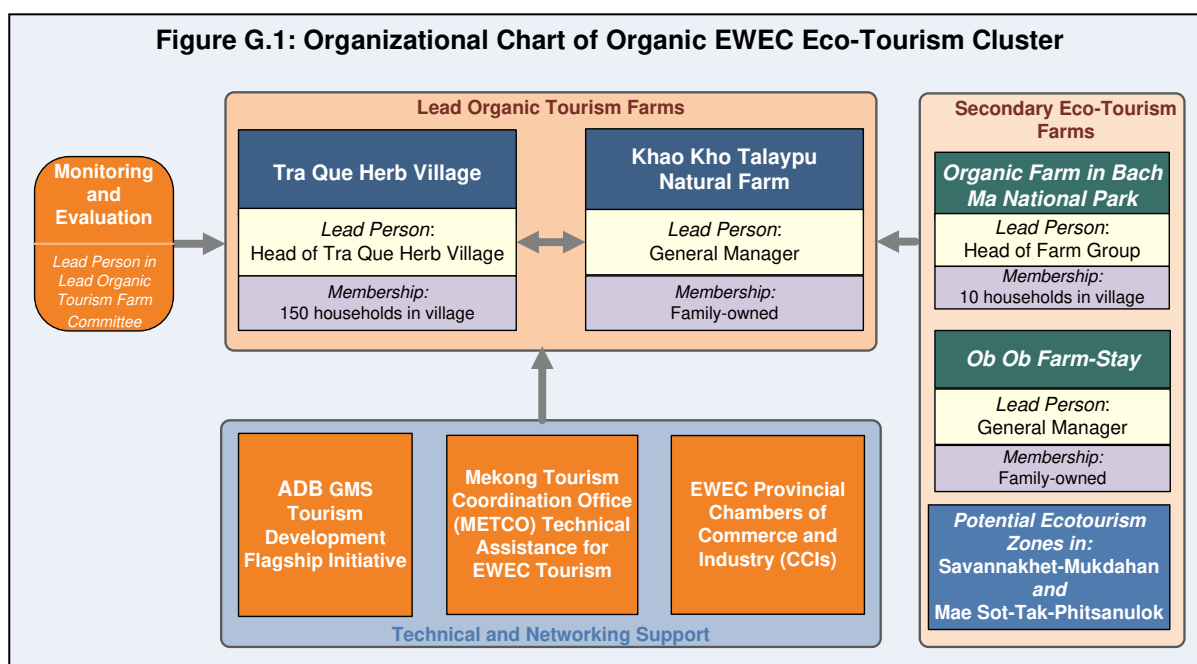
Strengthen linkages among members under a *single destination* operational strategy and encourage knowledge transfer among members in lodging, travel operations and other support service areas of eco-tourism, thereby raising the overall international competitiveness of the cluster.

### 5. Action Plan

- a. **Eco-Tourist Circuit Loop:** Drive tourism traffic from popular sites to lesser traveled areas, emphasizing transnational tourism zones in areas where tourism development has the potential to significantly impact on living standards of the surrounding population and encourage improved living standards.
- b. **Brand Recognition:** Actively promote *Organic EWEC Eco-Tourism* (possibly under a more marketable name) as a single destination for eco-tourism and organic farming agricultural products.
- c. **Markets:** Broaden the cluster's existing market through aggressive marketing practices, high-end branding designs, and promotion of eco-tourism in tourism exhibits and shows.
- d. **ADB Support:** Encourage the Asian Development Bank to incorporate the Organic EWEC Eco-Tourism Cluster into their cluster is part of the *GMS Tourism Development* flagship initiative, and make the cluster part of the 2012-22 GMS

Strategic Framework and the GMS tourism strategic projects being implemented in 2012-2014.

e. **METCO Support:** Encourage the Mekong Tourism Coordination Office to adopt the Organic EWEC Eco-Tourism Cluster as an integral part of its eco-tourism promotional activities for the EWEC, specifically as part of its technical assistance to develop an integrated EWEC tourism development plan combining management, capacity building, infrastructure and superstructure, socio economic and cultural needs.



## C. Management and Organization

### 1. Management

The Organic EWEC Eco-Tourism Cluster will initially be headed by the two lead eco-tourism organic farm sites, namely, Tra Que Herb Village and Khao Kho Talaypu Natural Farm.

### 2. Organization

a. **Overview:** Figure A.1 provides a visual representation of the organization structure of the Organic EWEC Eco-Tourism Cluster.

- Core cluster eco-tourism farms are (a) Tra Que Herb Village, and (b) Khao Kho Talaypu Natural Farm.
- Secondary cluster farms are (a) Organic Farm in Bach Ma National Park, (b) Ob Ob Farm-Stay, (c) future sites from the Savannakhet-Mukdahan eco-tourism zone and the Mae Sot-Mak-Phitsanulok zone.
- Support groups include:
  - Asian Development Bank, through its GMS Tourism Development flagship initiative.

- Mekong Tourism Coordination Office (METCO), through its technical assistance for EWEC tourism.
- EWEC provincial Chambers of Commerce and Industry (CCIs).

b. **Monitoring and Evaluation (M&E):** It is important at the outset of the cluster's establishment to provide for ongoing monitoring and evaluation (M&E) analysis. Following the establishment of the cluster, a committee will need to be formed and an official made responsible for the preparation of recurrent M&E measurement indicators. If METCO becomes actively involved with the support of the cluster, the activity could be carried out through that office.

**ANNEX H: MEMORANDUM OF AGREEMENT FOR 'ORGANIC EWEC' ECO-TOURISM CLUSTER**

MEMORANDUM OF AGREEMENT  
BETWEEN  
ORGANIC TRA QUE HERB VILLAGE  
AND  
KHAOKHO TALAYPU CO., LTD  
FOR THE ESTABLISHMENT OF  
ORGANIC EWEC ECO-TOURISM CLUSTER

This Memorandum of Agreement is entered into on the twenty-first day of October 2011

BETWEEN

Organic Tra Que Herb Village of Quang Nam Province, Vietnam

AND

Khaokho Talaypu Co., Ltd of Phetchabun, Thailand

**1. INTENTION**

Organic Tra Que Herb Village of Quang Nam Province, Vietnam, and Khaokho Talaypu Company of Phetchabun, Thailand intend to strengthen their eco-tourism activities related to organic agriculture by establishing the *Organic EWEC Eco-Tourism Cluster* to enhance the competitiveness of its members and improve the livelihoods of members and surrounding communities.

**2. OBJECTIVE**

The objective of the Organic EWEC Eco-Tourism Cluster is to act as a business cluster designed to work across its constituent member organizations to coordinate and promote joint actions, technical assistance and knowledge transfer and networking, together with participating in joint projects for the marketing and promotion member facilities as a single destination for eco-tourism.

**Constituent Core Members:** The constituent core member organizations are as follows:

- Organic Tra Que Herb Village
- Khaokho Talaypu Company

**Mission Statement:** Organic EWEC Eco-Tourism Cluster is dedicated to sustainable organic agriculture and eco-tourism in a way that provides a high-profile demonstration of a fully integrated approach to producing and marketing organic products and related tourism services as a single destination.

**Vision:** Improved livelihoods for farmers and other cluster members through organic agriculture and environmentally sustainable tourism.

**Goals:** A model of sustainable organic agriculture and eco-tourism that provides a high-profile demonstration of a fully integrated approach to producing and marketing organic products and related tourism services in a way that:

- a. ensures value added to farm activities based on fair trade practices;
- b. promotes sustainability of the cluster's activities;
- c. improves the health and wellbeing of consumers;
- d. support investment in sustainable tourism activities by providing high-profile demonstration activities to others along the Corridor;
- e. improve the livelihoods of adjacent communities by attracting tourists to the area; and
- f. help distribute the benefits of eco-tourism along the Corridor in an equitable manner so that everyone benefits.

**Operational Strategy:** Strengthen linkages among members under a *single destination* operational strategy and encourage knowledge transfer among members in lodging, travel operations and other support service areas of eco-tourism, thereby raising the overall international competitiveness of the cluster.

**Action Plan:** The near-term actionable areas of the Organic EWEC Eco-Tourism Cluster are as follows:

a. **Eco-Tourist Circuit Loop:** Drive tourism traffic from popular sites to lesser traveled areas, emphasizing transnational tourism zones in areas where tourism development has the potential to significantly impact on living standards of the surrounding population and encourage improved living standards.

b. **Brand Recognition:** Actively promote *Organic EWEC Eco-Tourism* (possibly under a more marketable name) as a single destination for eco-tourism and organic farming agricultural products.

c. **Markets:** Broaden the cluster's existing market through aggressive marketing practices, high-end branding designs, and promotion of eco-tourism in tourism exhibits and shows.

d. **ADB Support:** Encourage the Asian Development Bank to incorporate the Organic EWEC Eco-Tourism Cluster into their cluster is part of the *GMS Tourism Development* flagship initiative, and make the cluster part of the 2012-22 GMS

Strategic Framework and the GMS tourism strategic projects being implemented in 2012-2014.

- e. **METCO Support:** Encourage the Mekong Tourism Coordination Office to adopt the Organic EWEC Eco-Tourism Cluster as an integral part of its eco-tourism promotional activities for the EWEC, specifically as part of its technical assistance to develop an integrated EWEC tourism development plan combining management, capacity building, infrastructure and superstructure, socio economic and cultural needs.

### 3. CONSTITUTION OF THE CLUSTER

Organic EWEC Eco-Tourism Cluster is hereby constituted under this Memorandum of Agreement. In Thailand, it will be registered with the Ministry of Commerce (MOC). According to the rules and procedures established through the Thailand Board of Investors (BOI). In Vietnam, it will be registered with the Business Registration Office of the Department of Planning and Investment . All profits, if any, will be either distributed to cluster members on the basis of an agreed-upon remuneration rate, or reinvested into the cluster’s work program of activities.

### 4. SCOPE OF COOPERATION AND EXECUTION MODALITY

The Cooperation will relate to:

- a. Collaboration in the medium to long-term planning and execution of the cluster;
- b. Promotion and marketing of cluster members as a single destination;
- c. Encourage networking activities among member farms along the Corridor;
- d. Monitoring and evaluation of the cluster’s performance on a recurrent basis.

Details of the cooperation activities are explained further in the following sections.

#### 4.1 Collaboration in Planning and Execution of Cluster

The Organic Tra Que Herb Village and Khaokho Talaypu Company will endeavor to collaborate in the medium to long-term planning and execution of the Organic EWEC Eco-Tourism Cluster in order to achieve the stated objectives specified in this Memorandum of Agreement with respect to the Cluster’s Mission Statement, Vision, Goals, Operational Strategy and Action Plan. The Management Team will consist of the Head of the Organic Tra Que Herb Village and the General Manager of Khaokho Talaypu Company.

#### 4.2 Single Destination

Cluster members will market and promote Organic EWEC Eco-Tourism as a single destination of high-quality and environmentally sustainable eco-tourism facilities. Branding of eco-tourism activities along the Corridor will be based on a platform of “***organic farming, environmentally friendly, sustainable livelihoods***”

### **4.3 Networking Activities**

The core member will seek support from the ADB through its GMS Tourism Development program, METCO through its EWEC technical support activities, and the Chambers of Commerce and Industry along the EWEC provinces.

### **4.4 Monitoring and Evaluation**

This service will be arranged through a committee formed by the cluster members. An officer of the committee will be designated to carry out regular monitoring and evaluation assessments based on established benchmarks and measures of tourism activities in the member farm entities. In the event that METCO becomes actively involved with the support of the cluster, the activity could be carried out through that office

## **5 GENERAL PROVISIONS**

This Memorandum of Agreement (MOA) shall become effective as of the date of signing by both parties for the areas and aspects covered above. The initial period of validation of this MOA will be three years, extendable or able to be terminated on the mutual consent of both parties.

## **6 MOU ADMINISTRATORS**

Said as otherwise provided in the MOA all actions to be taken and all notices to be given or taken by the Head of the Organic Tra Que Herb Village, Quang Nam Province, Vietnam, or his authorized representative, and by the General Manager of Khaokho Talaypu Company, Phetchabun Province, Thailand, or his authorized representative.

## **7 ARBITRATIONS**

This MOA is based on mutual trust and confidence. Both of the parties agree to carry out the assignments in good faith. Differences of opinion, if any, arising out of and in connection with this MOA will be settled on the basis of mutual consultations between MOA administrators.

**IN WITNESS HEREOF**, the authorized signatories of both of the parties to the MOA hereto have set out their hands the day, month, year first above written.

For and on behalf of:

For and on behalf of:

Tra Que Herb Village  
Quang Nam Province, Thailand

Khaokho Talaypu Co.Ltd.  
Phetchabun Province, Thailand

Represented by:

Represented by:

[name and signature]

[name and signature]

Head of  
Tra Que Herb Village

General Manager  
Khaokho Talaypu Co.Ltd.

WITNESSES

WITNESSES

(7) [signature]

(1) [signature]

(8) [signature]

(2) [signature]



## ANNEX I: CONSULTATIONS AND WORKSHOP PARTICIPANTS

### A. Stakeholder Consultations

Date	Name	Position & Institution	Contact Details
<b>Thailand</b>			
7 March	Mr. Niyom Wairatpanij	Deputy Chairman, Board of Trade of Thailand	6681 888 5005 Siriniyom_99@yahoo.cm
8 March	Ms. Rachanee Sonkanok	Director of , Office of Agriculture Economic, Ministry of Agriculture	662 579 6085
10 March	Mr. Ralph C. Houtman	FAO, United Nation	6686 553 1147 ralph.houtman@fao.com
11 March	Dr.Porametee Vimolsiri	Deputy Secretary General, NESDB	662 280 2745 porametee@nesdb.go.th
11 March	Mr. Visit Limprana	Deputy Chairman, Agro-Industry Units, The Federation of Thai Industry	662 345 1000 visit@nquansoon.com
14 March	Ms.Naruemon Leesirikul	Vice Chairman The Khon Kaen CC. Industry and Agriculture Department	6681 739 6414 Great_computer@hotmail.com
15 March	Ms. Ketsara Supatrahilpol	President of Suwannabumi Organic Co.,	6681 670 3453
15 March	Mr. Somjit Paohom	President of Ban Mor, Sam Sung Organic Vegetable Group	6681 263 7241
16 March	Associate Prof. Dr. Supatra Chadbunchacha i	Faculty of Phamaceutical Sciences, Khon Kaen University	6681 844 4031 supatra@kku.ac.th
16 March	Mr. Somkid Lekekart	Chairman of Kalasin CC.	6681 798 2020 Pokkc_2000@hotmail.com
16 March	Mr. Vinit Tidphanaj	President of Kalasin Organic Vegetable Networks	6684 321 6553, 6683 371 6498
16 March	Ms. Nitaya	Officer of Pupor Local Municipal	6681 974 0962
16 March	Mr. Tipmanee Raomara	Committee of Organic Vegetable Group, Tambon Kut Don, Ampur Huay Mek.	6689 275 8601
16 March	Mr. Vitee Raomara	Member of T. Kut Don Organic Farmer Group	6686 229 4769
17 March	Ms.Rungnapa Jarnpo	Coordination Officer of Organic Vegetable Group of Ampur Vieng Kao	6685 011 6910
17 March	Mr. Thonginn	Organic Farmer in Ampur	-

Date	Name	Position & Institution	Contact Details
	Kumkangee	Vieng Kao	
17 March	Mr. Rachan Kitpo	Local of Public Health Dept. Ampur Nong Ruea	6685 010 2868
17 March	Mr. Somree Rontthong	Organic Farmer in Ampur Nong Ruea	6687 438 1842
17 March	Mr. Paspardon Neampradit	General Manager Trade Center of Agricultural Produces & Exporting	6681 871 4901
18 March		Central Laboratory (Thailand Co., Ltd)	
<b>Lao PDR</b>			
21 March	Mr.Srisomphu Douangkhan	“Sustainable Natural Resource Management& Productivity Enhancement Project” ADB & IFAD	85620 556 67857
21 March	Mr. Boonrump Siriprasert	Instructor, Agriculture and Forestry College	85620 260 4409
21 March	Mr. Somnuk Soumano	Director of Agricultural & Forestry Savannakhet , Ministry of Agricultural & Forestry	85620 564 5268
21 March	Ms.Pornsawan Srisawad	Deputy Director of Agricultural Section,Savannakhet	85620 5655 7646
21 March	Mr. Boonrae Kanewong	Director of Agricultural Promotion Center	856277 7958 0766
21 March		Head of Organic cultivation division, Agriculture Promotion Center	
22 March	Mr. Kaew Manu	President of Vientiane Organic Farm Network	85620 9844 5087
22 March	Ms. Buaban Kammawong	Officer of Savannakhet Agriculture Section	85620 2261 0856
23 March	Ms. TangOnn	Vegetable Farmer, Seno City, Utumporn District,	-
23 March	Mr. Suli	Organic Watermelon Farmer , Ban Nong Pak Song, Archsapangthong District	
24 March	Mr. Thongsri	President of Organic farming, Network in Vientiene	85620 5505 0614
24 March	Mr.Leuangxay Bounxokvan	Vice President of Savannakhet CCI	85620 212 7777 Savannakhetlao@gmail.com
24 March	Mr. Visay Somchaleun	Director of Export-Import & Agriculture Promotion, Savannakhet CCI.	856202 5564 3756 <a href="mailto:savannakhetlao@gmail.com">savannakhetlao@gmail.com</a>
24 March	Mr. Komkrit	Office Manager, Pai Nyen Organic Fertilizer Co.,	85620 9868 8884
24 March	Mr. Ti	Mushroom Farmer, Ban Chaimongkol , Utumporn District	85620 9975 1957

Date	Name	Position & Institution	Contact Details
<b>Vietnam</b>			
28 March	Mr. Vu Ngoc Tien	Assistant FAO Representative, FAO, Vietnam,	844 3942 4280, <a href="mailto:Tien.vungoc@fao.org">Tien.vungoc@fao.org</a>
28 March	Ms. Nguyen Thi Huong	National Programme Officer, , FAO Vietnam	(Off) 844 39 424208, ext 40. (M) 0916 046 076
28 March	Ms. Pham Ngoc Tram	Senior Advisor Inclusive Business, SNV, Vietnam	(Off)844 3846 3791 ext .110, (M) 84 988 80 732 <a href="mailto:tphamngoc@snvworld.org">tphamngoc@snvworld.org</a>
28 March	Mr. Nguyen Hung Cuong	Advisor Agricultural and Forest Product Programme, SNV, Vietnam.	(Off)844 3846 3791 ext .114, (M)84 985 958185 <a href="mailto:cnguyenhung@snvworld.org">cnguyenhung@snvworld.org</a>
28 March	Mr. Daniel Vanlenghi	Country Director, HALVETAS, Vietnam	(M)84 90400 6880 <a href="mailto:Daniel.valenghi@helvetas.org">Daniel.valenghi@helvetas.org</a>
30 March	Mr. Nguyen Hoang	Chief of service & Agriculture Collective Cooperation of Tra Que Herb village	Tel. 0905 0280421, Tel. 0395002105, Email: <a href="mailto:Nguyenhoang-223432006@yahoo.com">Nguyenhoang-223432006@yahoo.com</a>
30 March	Mr. Ho Ky Minh	Director of Danang Institute for Socio-Economic Development	(M) 0 84 905 105 678 <a href="mailto:minhkhk@danang.gov.vn">minhkhk@danang.gov.vn</a>
30 March	Mr. Nguyen Phu Ban	Chairman of Danang City farmer Association	Tel. 0905 047 547, <a href="mailto:nguyenphuban@gmail.com">nguyenphuban@gmail.com</a>
30 March	Mr. Hong Thi Trinh	Chief Executive of Ha Vang Farmer Association	0905 533 0877 <a href="mailto:hoinongdanhodvang@gmail.com">hoinongdanhodvang@gmail.com</a>
31 March	Mr. Thai Van Quang	Chief of Technical Division, Danang Department of Agriculture and rural development	(Off) 0511 383 5522 (M) 0913 409 10 <a href="mailto:thaiquangstsnl@gmail.com">thaiquangstsnl@gmail.com</a>
31 March	Mr. Nguyen Xuan Thieu	Vice Chairman of Hue Farmer Association	(Off) 054 353 0291 (M) 0913 495810 <a href="mailto:hoangnhuphat@gmail.com">hoangnhuphat@gmail.com</a>
31 March	Mr Hoang Nhu Phat	Head of Economic Department	054 538 621 <a href="mailto:hoangnhuphat@gmail.com">hoangnhuphat@gmail.com</a>
31 March	Mr. Nguyen Qinh Dinh	Collector, Distributor, & Head of Hoa Chau farmer Cooperative	Tel. 0543559594 01222484533

