

FACTORS INFLUENCING THE ADOPTION OF IFFO RS STANDARD BY
FISHMEAL PRODUCERS: A CASE STUDY OF THAILAND

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ABSTRACT

Now that consumers in western society care more about the origins of what they eat, unsustainable practices in Thai fisheries do not only harm Thai marine ecosystem, but they also cause some trouble for downstream businesses in the fishery supply chain such as fishmeal producers that use fish to make fishmeal and sell it to animal feed mills. These fishmeal producers are accused of being part of the problems because they buy and create demand for these fish. Therefore, they are pressured by their first tier buyers – animal feed mills – which are pressured by buyers from the US and EU to have sustainable standards or guidelines to prevent fish from unsustainable sources from getting into the supply chain.

Although IFFO Responsible Supply of Fishmeal and Fish Oil Standard (IFFO RS) can be used as a tool to prevent fishmeal producers from using irresponsibly sourced raw materials, and has been introduced to Thai fishmeal producers a few years ago, the adoption of the standard among Thai fishmeal producers is extremely low despite the financial incentives given by some animal feed mills. This phenomenon is intriguing and worth studying to understand the reason why financial incentives cannot

attract Thai fishmeal producers to adopt the IFFO RS standard even though much literature has shown that a price premium is one of the benefits that encourage producers to adopt voluntary standards.

Thus, this study aims to identify the factors that influence Thai fishmeal producers to, or not to, adopt the standard by achieving two objectives: 1) identify drivers, barriers, and perception of Thai fishmeal producers that affect the adoption of IFFO RS standard, and 2) understand how other stakeholders in the fishmeal supply chain affect the adoption of IFFO RS standard by Thai fishmeal producers. This study uses a case study approach to capture the complexity of the case in Thailand. The author divides the case into two parts based on the objectives. The key issues in the first part are drivers, barriers, and perception related to the standard adoption while the key issues in the part II are requirements of the IFFO RS standard, perception of other stakeholders regarding the standard adoption, and bargaining power in the supply chain. Methods used in this study include data-content analysis and semi-structured, in-depth interviews with fishmeal producers and other stakeholders. In the first part, the author interviews 16 fishmeal producers at nine provinces in Thailand while in the second part, two animal feed mills, one broker, one NGO, and one government agency were interviewed

The results from part I show that that the drivers of the IFFO RS standard adoption are 1) the owners' or managers' positive perceptions of the standard, 2) customer demands, 3) a price premium, and 4) brand image. And there are six barriers to the adoption namely 1) type of main raw materials, 2) the owners' or managers' negative perceptions of the standard, 3) the owners' or managers' lack of knowledge about the standard, 4) size of fishmeal producers, 5) lack of support from the government, and 6) administrative incapacity. However, the author concludes that the

type of main raw materials that the fishmeal producers use is the most influential factor that prevents many of them from adopting the IFFO RS standard. This is because without raw materials from sources compliant to the standard, fishmeal producers cannot produce IFFO RS approved fishmeal. And no Thai fisheries comply with the IFFO RS standard, so fish from these sources are not certifiable.

The results from part II show that factors affecting the IFFO RS standard adoption exist beyond business operations. The IFFO RS Standard needs collaboration from suppliers, buyers and the government while most of these other stakeholders who were interviewed perceive that the IFFO RS standard is unnecessary or not suitable for fishmeal producers in Thailand. Therefore, when we look at the demands for the IFFO RS standard, it is limited to only fishmeal producers supplying their products to animal feed mills which sell their products to farms aiming to export their products to the EU and US markets. In turn, fishmeal producers supplying to brokers or animal feed mills that have final customers in non-EU&US markets are not demanded by their direct customers for the IFFO RS standard adoption.

This results make us understand why only two fishmeal producers adopted the IFFO RS standard at that time, and why other fishmeal producers did not adopt the standard despite the price premium offered to them. This is because on the supply side, compliant raw materials are limited, whereas on the demand side, no demand from customers except from one animal feed mill which has final customers in the EU and US markets. Hence, solely providing financial incentives such as a price premium to Thai fishmeal producers is insufficient to encourage them to adopt the IFFO RS standard. Helping the producers overcome this barrier is more critical than providing incentives. This means that the Thai government has to manage and conserve Thai

fisheries more efficiently and transparently, and emphasizes the environmental responsibility of all stakeholders in order to prevent overfishing and IUU fisheries. Also, as we learn that factors affecting the IFFO RS standard adoption exist beyond business operations, and collaboration among various stakeholders is necessary for the adoption of the standard. Besides, to encourage the IFFO RS standard adoption, benefits of all the stakeholders should be considered.

Keywords: fishmeal producer, IFFO RS, third-party standard, standard adoption, Thailand