

Success Factors for Smallholder Rice Production in Thailand

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Outline

- ▶ World Market Share of Thai Rice
- ▶ Thailand's Rice Production Profile
- ▶ Success Factors for Smallholders in Thai Rice Production

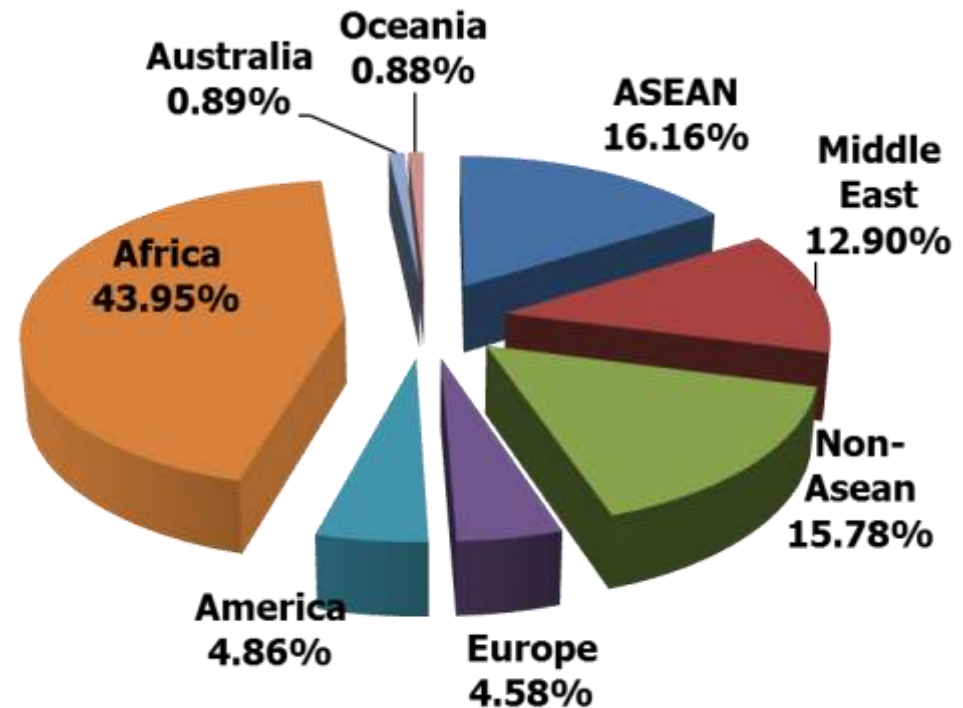
World Market Share of Thai Rice

➔ The contribution of Thai rice for the world market

➔ Half of the production is exported. Thailand is ranked No.1 in international rice market. Its export shares about 28% (10 million ton) of the world rice trade (35 million ton).

➔ Thai rice is mostly export to Africa continent in terms of parboil rice.

➔ Destination markets of Thai rice by regions in 2011



Thailand's Rice Production Profile

➔ The importance of rice

☞ Rice is Thailand staple food and produced by smallholder farmers with average farm size about 3 ha/HH.

☞ About 65% of farm HH (5.8 Million HH) engage in rice farming.

☞ Planted rice area in Thailand was 12.6 million ha or about 56% of arable land. Its production is about 20 million ton of milled rice.

➔ Farming Situation



☞ Rainfed rice region is in Northeast mostly grows local varieties with low yield.

☞ Commercial rice production is in Central Plain and Lower North .Two rice crops with HYVs are commonly found in these regions.

Items	2011 Annual ave.	Dry season share
Area (million ha)	12.56	21.23%
Production(million ton)	31.47	35.30%
Yield(ton.ha)	2.51	4.16ton/ha

Success Factors for Smallholders in Rice Production

➤ Looking back for rice market development and production expansion.

➤ Because rice was shortage for Asian countries in the old day. Asian rice trading earned large profit, especially during the crisis.

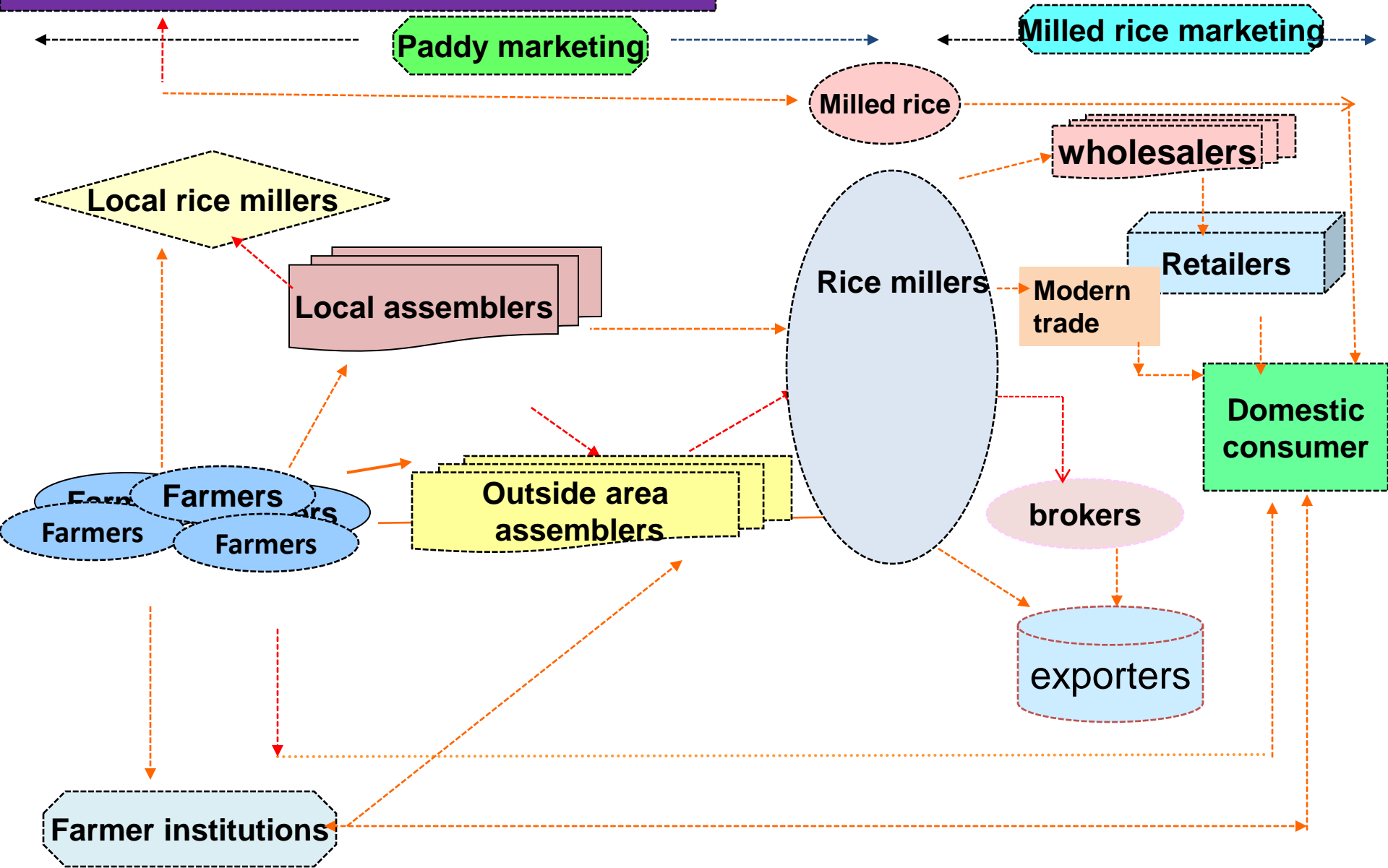
➤ Rising demand for rice export encouraged development in domestic rice marketing activities as well as inducing rice area expansion. Canals in central plain were developed for transportation, including for rice transportation.

➤ Private rice mills, local traders, and exporters were encouraged to operate beside the competitive environment.

➤ Recently, there were about 1,535 mills (large and medium scales) with the total capacity 67 million ton per annual or ave. of 120 ton a day. About 194 private exporters are actively engaged in rice trading.



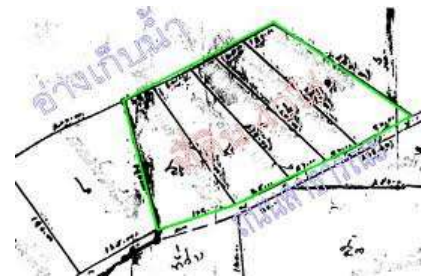
⇒ The Rice Marketing Channels



➔ Ensuring the private land ownership creating a development in farm land market and smallholder response

➔ A development of private property rights for ensuring land ownership more than a century ago encouraged smallholder farmers to settle in remote areas and occupied new land for farming.

➔ Land document or title deed has been previously used as a collateral for borrowing money from informal sources.



Success Factors for Smallholders in Rice Production

➤ Agricultural infrastructure development driving farm profit and inducing new technology adoption

➤ Since early 1960, basic infrastructure improvement as a part of the country's development plans has stimulated smallholder farmers to adopt new cultivation technology, particularly HYVs and chemical fertilizer.

➤ Increase in productivity and rice cropping intensity inevitably raised farm profit. However, high wage rate and short of hired labor supply led farmer to adopt labor saving technology, including mechanization.

➤ An emerging market for farm machines services was help farmers to reduce the hired labor cost as a result of high wage rate. The services are available throughout the country at very reasonable cost and relatively cheaper to use hired labor.



➔ Establishing formal farm credit helping farmers access to loan at a cheaper cost.

➔ Previously farm credit was provided by informal lenders, particularly merchants in villages charging very high interest rate.

➔ Establishing the BAAC in 1966 by government was a crucial change for farm credit market. Since then the share of informal lenders were enormously declined within a few decades. A reasonable interest rate charges (7-10%) by the institutional lenders help farmers reducing the risk of loss of their land ownership. Currently, 65% of farm credit is provided by formal institution.

➔ In 2011, the BAAC has 2,098 branches throughout the country. The bank provided total credit in the amount of 20,610 million US\$ covering 4.67 million farm HH. and 1,097 agricultural cooperatives.



➔ Open up market opportunity for Off-farm and non-farm employment

➔ In Thailand, rice is not the only income sources of smallholders . Since rice is an easy crop, many farmers have other off-farm and non-farm activities for their incomes.

➔ A higher development of non-agricultural sector in the past few decades also helped to improve the employment opportunity since significant number of their family member left villages and worked in the non-farm sector, sending the remittance back home.

➔ Percentage share of Farm household income in 20091/

Items	HH. Income structure(%)
Agriculture	45.1
-Rice	21.3
-other	23.8
Non-agriculture	54.9
-non-farm employment	9.6
-other	45.3
Total	100.00
HH. Annual income(US\$)	8,345
Ave.Farm size(ha)	3.5

Note: 1/ survey of farmers in Central plain and Northeast for 240 samples. Source: Sakondhavat (2012)



Thank you

