

Analysis of Contract Farming in Thailand

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ABSTRACT

The objectives of this paper are to review contract farming experiences in Thailand, including the role played by government and to partly evaluate the effectiveness of contract farming as a means to stabilize farmers' income. Can contract farming serve as a strategy for agricultural development? The paper is based on a review of literature as well as the authors' previous and updated field research.

Experiences suggest the need for government to create a favorable environment and infrastructure to encourage investment in agribusiness, effective coordination among concerned parties and increased agricultural production.

The poorest farmers have not been excluded from contract farming but special measures may be needed to gain their full participation in the livestock system. In the long run, small holders will be able to accumulate skill in production and management, thus improving their bargaining power. When increasing demand makes the market more competitive, contract farming may no longer be farmers' best choice.

Key words: Thailand, Contract farming, Marketing development, Access to the market, Government roles

INTRODUCTION

Thailand's agriculture has been diversified to promote export. Diversification was facilitated by the build-up of infrastructure during the early National Economic and Social Development Plans. The resulting expansion of cash crops included cassava, sugar cane, kenaf, maize, etc., for dry land and soybean, peanut and mungbean for both dry land and irrigated land. It was in the 4th Plan (1977–81) that the policy first clearly indicated the promotion of value-added products for export. Agro-industries grew rapidly, especially canned fish, pineapple and tomato products. The Sixth Plan promoted integration of farming and processing and export of high value-added products. Compared to other Asian countries, by early 1990 Thailand probably had the most extensive experience with contract farming and the widest range of crops (Glover, 1992). By the middle of the 7th Plan, the export value of agro-industrial products had reached 78,100 million Baht and had grown to 255,800 million Baht by 2004 (<http://www.ops2.moc.go.th/meeting/ExstrucB.xls>, September 28, 2005), a growth rate of 14% per year.

Over the past three decades, Thailand has experienced a tremendous progress in contract farming. As happened elsewhere, at the beginning, farmers were not aware of their role and responsibility, benefits and limitations of the system while contractors did not recognize growers' problems, constraints and cultural way of life. Consequently, contractors failed to obtain desirable quality in required time and quantity. Misconception by both parties caused