

POLITICS OF RICE IN THAILAND: POLICIES, ISSUES AND ECONOMIC

CONFLICTS

BY

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The story of rice is more dramatic than martial-art Chinese movies. Anyone who is stupid will be dead. I was stupid so I was dead.

Commerce Minister Kosol Krairerk, in an interview on January 20, 1986, shortly after a rice crisis forced him to resign.

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1. Introduction

Conflicts over paddy and rice price policies in Thailand have almost invariably turned into important annual political events which in some years could have escalated into serious crises threatening the government stability as shown in the latest case in the 1985/86 planting season. But more significantly, such conflicts provide us with clear insights into the development of the Thai political economy over the years and its impact on the distribution of the costs (burdens) and benefits among various classes and groups in society. This is particularly so when various government measures and institutional instruments have been constantly changed to obtain optimal results from the rice policies. Conflicts over the prices of rice were once described by a veteran rice trader as similar to a "lug-of-war". In this game, the farmers pull one side of the rope, and the consumers the other side. But the spectators, rice sellers, exporters and the umpires composed of government officials in charge of implementing the policies also join the game, helping one side or the other as they see fitting with their interests. (Pathaichan, S. 1974:104-5.) Such a portrayal

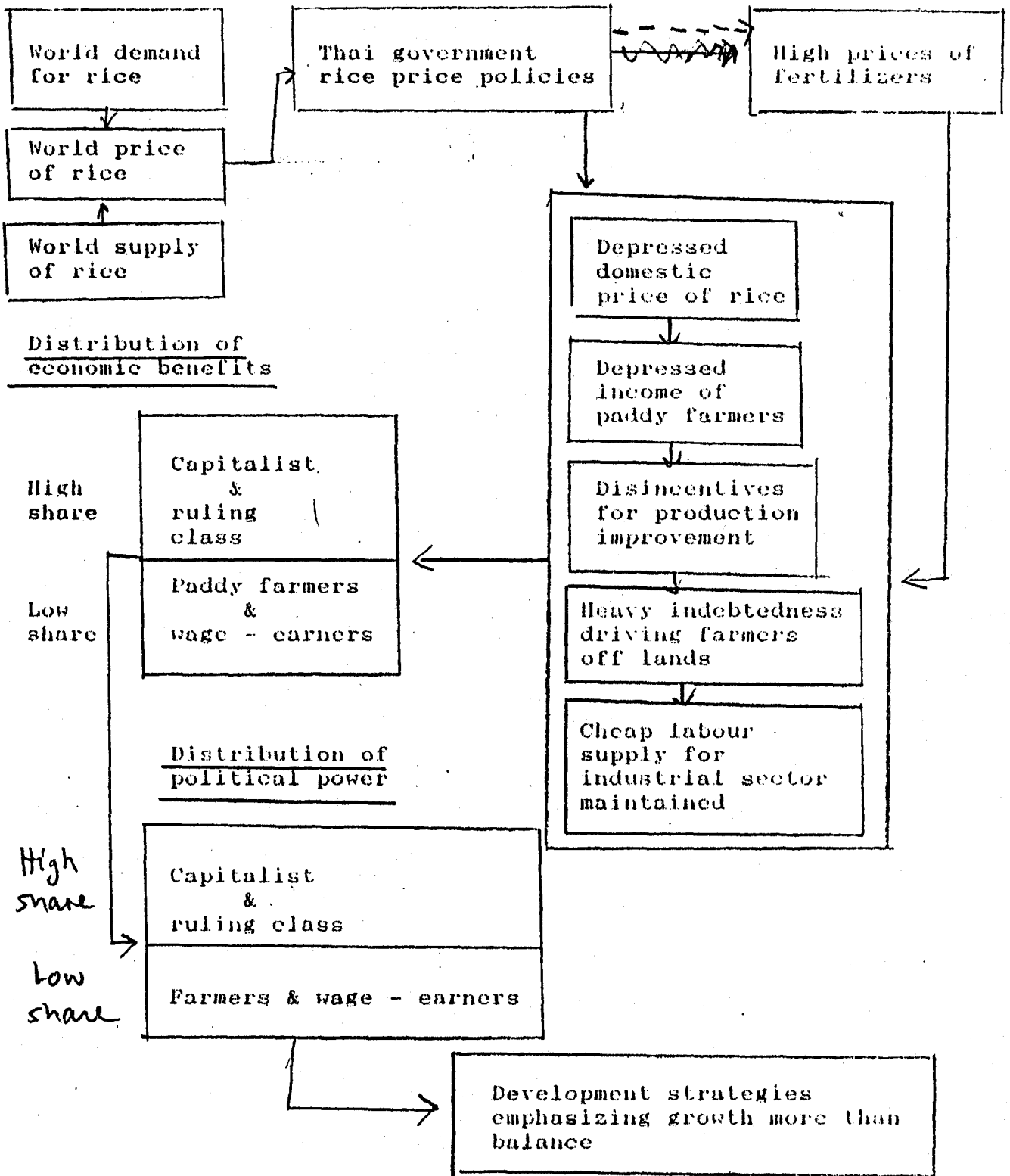
of the conflict over rice policies is not quite accurate because in the actual game, the so-called "spectators" are in fact serious players. What is really true, as it has been historically shown, is that both paddy farmers and urban consumers, especially wage-earners, end up as major losers, while other players and the umpires themselves emerge as net winners. The rule of the game as embedded in the politico-economic power structure always works against the interests of poor farmers.

Indeed, politics of rice in Thailand has followed a pattern set by a power structure in which paddy farmers and wage-earners are put in a disadvantaged position vis-a-vis the capitalist and ruling classes. To understand this structure is to understand why the government policies on paddy and rice prices have been, and continue to be, formulated in such a way that paddy farmers and wage-earners are the losers, and rice millers, rice sellers, rice exporters and other middlemen, and the bureaucrats and politicians are major beneficiaries. Such a pattern of uneven distribution of economic wealth is the consequence of, and is reinforced by a similar uneven share of political power. This situation, in a broader context, has in turn resulted in past development strategies which had given priority to rapid over balanced growth, the strategies which have helped to enhance the status quo of the elite groups. Politics of rice in Thailand can thus be also studied as a good case of the political economy of development of Thailand.

The following diagram provides an overall picture of how the above arguments are hung together:

(put Diagram 1 here)

**DIAGRAM I**  
**THE STRUCTURE OF THE POLITICAL ECONOMY OF RICE**  
**IN THAILAND**



As shown in Diagram 1, the world price of rice determines the domestic prices of Thai rice. That by itself is not as surprising as the fact that historically the world prices of rice have always been higher than the domestic ones. Factors explaining such discrepancies are the various government policy instruments to keep the domestic prices of rice far below the world level. They include the export taxes, the controversial "rice premium" (officially not treated as a tax but a kind of fee to be paid as a price for obtaining an export licence), quota allocation, and rice reserve (stocks) requirements. These policy instruments the application of which have been adjusted to suit changing circumstances, are invariably aimed at assuring that there will be an adequate supply of rice at cheaper prices for urban consumers among whom are poor wage-earners. Since rice is a basic wage good for these workers, its low price benefits the industrialists who can pay wages based on the cost of living determined largely by the price of rice. Cheap domestic prices of rice means low wages for workers who migrate from the farms.

The depressed domestic prices of rice which result in the depressed paddy farmers' income have created a situation in which paddy farmers have been kept in perpetual poverty. Most farmers have been deprived of their own savings and have incurred heavy debts. They have had to pay such exorbitant interest rates which have been quite exploitative as they have been charged beyond the risk and the high cost of debt management.

Also the high prices of fertilizers have acted as great disincentives for rice farmers to adopt new technology to improve their production.

Caught in this vicious circle which has kept them in absolute poverty, the farmers have chosen to retreat from their lands to seek other means of survival in the urban centers, resulting in a big pool of supply of cheap labor in the cities. Furthermore, the availability of an adequate supply of cheap rice will ensure for the ruling classes that the masses would not revolt as they did in some years when there was a shortage of rice, causing political crisis.

As the structure of the rice economy has worked for the advantage of the capitalists and ruling elites, it is not surprising that they are the ones who have the largest share in the distribution of wealth and power. Naturally, they have chosen the economic development strategies which have given more emphasis to rapid than to balanced growth. As a result, the regressive policy on domestic prices of rice has been kept intact. Despite the awareness of the ruling class of the "mistakes" of past development strategies, and of their attempts to redress the grievances of paddy farmers in recent years, the old politico-economic structure has remained basically unchanged. And as we will demonstrate later, all the government policy instruments continue, as in the past, to work for the benefits of the capitalist and ruling classes; and it is the farmers who carry major burdens, and the wage earners who are deprived of their rightful and decent pays.

For our purpose, the politics of rice in Thailand will be studied in a chronological order covering three major periods, namely, the period before the conclusion of the Bowring Treaty in 1856; the period from 1856-1932 which marks the end of the

Absolute Monarchy, and the development after 1932. The last period will be divided into four more periods: one from 1932 to the end of World War II in 1945, the 1946-73 period, the 1973-76 period which saw a brief surge of political freedom, and the last from 1977 to early 1987. Some detail of the rice crisis in 1985-86 will be given. The last part of the chapter will discuss the economic development consequences of the government rice price policies.

## II. Paddy Farmers and Their Status Before 1856

Rice cultivation had been concentrated in the Chao Phya flood plains since the fourteenth century, and had rapidly expanded to the delta in the early nineteenth century in response to foreign trade.

Because of the sparse population of the Kingdom of Ayutthaya during the fourteenth and fifteenth centuries, the concentration of this Kingdom during the said period had resulted in the continuous flows of war slaves to the plains. These slaves and their families constituted the bulk of rice growers in the Central Plains. Most were removed from the North and from Cambodia (Sayswang, P., 1978: 8). There were reports as documented by Portuguese travellers in early sixteenth century that Thailand had exported rice to Malacca (Neilink-Roelofs, 1962: pp. 72-73). Another reason for the removal of the people from other areas to the Chao Phya Plains was to replenish the loss of population in the country's regular wars with Burma which lasted from early sixteenth century to about the second decade of the seventeenth century.

The consequences of the wars had led to a strong emergence of feudal lords. Citizens and new settlers were classified under



the "nai" (master). This system of manpower control had resulted in the restricted movement of the people to open up new cultivating land. Although from the seventeenth century to the last days of Ayutthaya (1767) there were no major wars, strong regulations to restrict population movements were imposed for fear of revolt. The normal relationship between the court and the citizen was through regular conscription to serve public works in most peacetime.

As observed by Van Vliet, Siam exported rice to Java during 1624-26 to meet the shortage there (Smith, G.V. 1974: 239), but rice was not a major export item compared with deerskins, sappor woods, pepper and salpetre. Towards the end of Ayutthaya, rice was a regular item of export to China and was the top foreign exchange earner for Siam then as it is to remain so to the present. By 1750 several hundred thousands of piculs of rice were exported to China (Canton), (Veeraphol, S:1977).

Unfortunately, the increasing wealth of the Kingdom through the export of rice during the period was made possible at the cost of increasing debt slaves in Siam. As early as 1686, the Iranian emissary observed that debt slaves abounded and possessing debt slaves was only means by which the enterprising people enriched themselves. (O'Kane, J., 1972:131). Because of the lucrative rice trade, many townships sprang up during the said period. Many canals were constructed. As many as 30,000 corvee labourers were conscripted for the purpose. (Saysawang, P., 1978:12)

After the fall of Ayutthaya in 1767, the population were scattered everywhere. Those in the Central Plains were replenished mainly by migrants from other areas. Malloch estimated

that in 1849, in the early Ratanakosin Period, the population in the area was 3.6 million (Malloch, 1852). Paddy production during this period was estimated to be 700,000 kwien (1 kwien = 1 tonne), but only 2 per cent were exported.

The social structure of Siam in the nineteenth century was inherited more or less from the one along the line of Ayutthaya Period. The so-called "Sakdina" system which graded the social ranks of people through the symbolic entitlement of land ownership had practically divided the people into two social classes--the ruling elites composing of government officials and the royal families, and the commoners, slaves and beggars. The lowest rank government official was entitled to 400 rai of farmland, and had a status of a "nai" (master). Commoners, or "prai" were entitled to 25 rai of farmland, though they were in fact allowed to cultivate less than 15 rai of their own land (Saysawang, P., 1978:32). It was noticeable that the King as the "Lord of Life" and "Lord of Land" theoretically owned all the land in the Kingdom. The ruling elites who had high sakdina ranks of up to 10,000 rai for high-ranking officials and 20,000 rai for the King's brothers, also actually owned vast areas of land for which they had the "prai luang" who registered to work directly for the government, and "prai som" who worked under the "nai", to work in the farms for them.

Exploitation of "prai" who composed practically of all paddy farmers was quite heavy. Prai luang worked alternate months for the government and thus simply had no time to work on their own farms. For Prai som he could retain one third of his products for seeding and his family's consumption. The other

two thirds was taken by "nai" - one third for his own use, and the other third to be transferred to the government (Quaritch Wales, H.G., 1934:71). Heavy tax in the form of corvee forced many farmers into debts, and they sometimes turned themselves into debt slaves to avoid hard labour (Vella, W.F., 1955:329-30).

Apart from regular services during peacetime, farmers were conscripted to fight in various wars and to give special provisions for war supply. From 1785-1854, a period of 69 years, Siam had been involved in 37 years of wars. Although not all farmers were engaged in the wars, they suffered special hardship, especially those living in the areas affected by fightings (Langmorya, S., 1978:25-37).

Compared with the Chinese immigrants who Mollach estimated to account for 31 per cent of the population in 1849, Siamese farmers were treated unfairly. If a farmer wanted to pay in lieu of his service, he was required to pay the annual rate of 18 baht (Langmorya, S., 1978:38), while a Chinese who enjoyed freedom of travel was levied only 4.25 baht for every three years. (Skinner, W.G., 1957:97).

But more graphic was the exploitative nature of the land taxes imposed on farmers which had put them in perpetual poverty and even in slave bondage. Farmers who owned the lands were required to pay land tax ranging from 1.50 to 2.00 baht depending on the size of their holdings. During that time the price of paddy was 10 baht per kwien, and the average production was three rai per kwien (Subwattana, T., 1978). Therefore, the average income of a paddy farmer was only 50 baht while they had to pay taxes of 17.50 baht, leaving 32.50 baht income annually for the

whole family. Because of the heavy land taxes levied on farmers, they had become debt slaves, especially in the years of bad harvest. Pallegoix observed in 1854 that slaves consisted of one fourth of the whole population of Siam (Pallegoix, Ngr., 1854: 14). This number represented up to almost 60 per cent of Siamese citizens of ethnic Thai who constituted about 42 per cent of the settlers in the Central Plains.

This low status of paddy farmers was to be maintained even after the country was opened up for foreign trade and rice production was rapidly expanded after the Bowring Treaty in 1856. Farmers would continue to be on the short end of the rice trade.

### III. Continued Exploitation after 1856

Before Siam was opened up to outside trade as the result of the Bowring Treaty concluded with Britain in 1856, export of rice was about 2 per cent of the total production and was the prerogative of the government. Rice exports were allowed only during the surplus years. For instance, during 1833-46, the export of rice was banned because sizeable supplies which were needed for about 50,000 troops mobilized for the military campaigns in Cambodia had pushed up the price of rice. After the return of troops in 1846, the price of rice had dropped gradually, and the export of rice was necessary to get rid of the surplus, and the export ban was lifted in 1851 (Sayswang, P., 1978:39-40). The lifting of this ban served as a "signal" to the West that Thailand which it had pressured to liberalize trade, was ready for the "opening up" policy. (Siamwala, A., 1975:11).

After the conclusion of the Bowring Treaty in 1856

exports of rice started to increase sharply. The initial exports of 1,169,000 piculs during 1857-60, was increased to 6,167,000 piculs during 1886-90, more than a five - fold increase within the period of 30 years. (Sayswang, P. 1978:42). Exports had increased from 17 per cent to 47 per cent of total production during the said period. Rice farming in Thailand had been completely transformed from self-sufficiency into a commercialized activity.

Such rapid expansion of rice production and exports could not be accomplished without the increase in the land for cultivation. The first measure was to expand cultivation through tax incentives. The government in a 1857 decree gave a special treatment for newly cultivated land. Both na kuko (the upper farm land), and na fang loi (the lower farm land) were exempted from taxes on the first year. For the three following years, a half tax rate was applied for na kuko, while two-thirds of the tax rate was applied for na fang loi. Full tax would be charged thereafter (Ingram, J.C., 1955:33-4). On top of this tax incentive, new canals were dug in order to open up new land for rice cultivation and to improve land productivity for the existing rice fields. It was reported in the Bangkok Calendar for 1871 that five great canals were dug. The canals, each 17 miles long or longer, went through thousands of acres of the richest rice fields.

The expansion of cultivating rice land would have not been possible without the release of labour force from the feudal lords for rice farming. In 1874, a decree was proclaimed to abolish slavery, and men under bondage were gradually released to the status of "prai" or free men. This decree had generally

brought about one-step improvement in the social status of sizeable numbers of farmers.

Unfortunately, the general economic status of farmers was not much improved. The major problems were land ownership and the increasing monetization of the Thai economy which forced farmers to earn more cash for their products. The cash system was to bring great hardships to farmers when Siam was brought into the orbit of world capitalism, and when the world prices of rice were to greatly affect their livelihood later on.

The problem of land ownership stemmed from the situation that most of the fertile lands were already occupied by royal families and noblemen. Small farmers could only occupy less fertile lands far away from water irrigation and canal transportation. Their costs of production and transportation were much higher than those who owned the fertile lands. Living far away among many other poor farmers, their lives and property security were threatened by crimes and robberies. (Suriyanuwat, Phraya 1975:86.) Every time a new canal was dug, royal families were given the privilege to buy very big pieces of choice lands along both sides of the canals. Small farmers were removed from their original lands to the areas further away from the canals. At the time of the digging of canals by the Siam Canals Company during 1892 and 1901, royal families, noblemen and government officials were hurriedly buying the land for speculation or for rent. Among 691 owners who owned 235,822 rai of farmland, 5 per cent of them owned 113,539 rai or about 48.1 per cent of the total area (Asaway, S.

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1987)

During this period, the original feudal lords had

gradually transformed themselves into absentee landlords. Renting out lands to farmers was the most profitable activity. The rental rate then ranged from 9-10 baht per rai to that of 1-2 baht for the faraway land. Their rental rate amounted to 12 to 24 per cent of the yield per rai. On top of the rent, in 1905 land taxes were collected at the rate ranging from 0.33 baht to one baht depending on the quality of farmland. The tax added to the production cost of farmer ranging from 16 to 30 per cent of the yield per rai. The trick adopted by these landlords was to invite farmers to work on their land on a rent-free basis. After the farmers moved in and cleared the land, landlords started charging them the rental rate of 1-2 baht per rai, though the whole land was originally bought at the price of 4 baht per rai only. As the rate of settlement was increased, the rental rate for farmer settlers would increase to 3-4 baht. By the time these poor farmers were well settled they had no other way out except <sup>to</sup> ~~at~~ pay the demanded rent. This high rate of rent can be viewed as an exploitative instrument to absorb surplus from rice farmers. (Langmorya, S., 1978:155-72). As a result of these projectable activities land price in Rangsit area increased very rapidly from one baht per rai in 1880 to 37.5 baht per rai in 1904. (Johnson, D. B., 1976:59-60). For the best plot of land in the middle of the canal system the price was around 80 baht per rai.

The real problem of small paddy farmers under the Absolute Monarchy was that they were very weak politically. None of the ruling elites would want to represent their interests soon after the feudal lords had transformed themselves into absentee landlords. The lack of strong political force resulted in no long-term plan

for the improvement of the welfare of paddy farmers by the government.

One major piece of evidence which showed the ruling elites' lack of concern for the welfare of small farmers was the combined forces which opposed a project to construct an elaborate irrigation system which could have brought a long-term overall improvement to the Central Plains. The plan for the project was drawn up by J.H. Van der Heide, a Dutch irrigation expert hired for the purpose in 1902. In his report published in 1903 (Van der Heide, J.H., 1903), Van der Heide proposed to construct a barrage across the Chao Phya River at Chainat to bring a great river under control, and to channel water into vast areas of rice fields through many connected small irrigation systems.

The Siamese Government's British Financial Adviser, W.F.F. Williamson strongly opposed the project on grounds of insufficient fund though the real motive could have been the fear of the improvement of the economic position of Siam and the Thai people in general. Williamson also feared that the project would probably enhance the political influence of The Netherlands over Siam, the situation which would be in direct conflict with British interests. But more importantly, two main political groups in the country, the military and the Interior whose major concern was with national security, also did not want to support the project. The project was as well rejected on the ground that it could not pay for itself in a short period--the standard judgment for all government investment projects then. Not to be overlooked also was the opposition of the influential landlords in Rangsit who feared that the improvement of farmlands in other areas could have drawn settler farmers



away from their farmlands thus depriving them of the good income from rent. It is doubtful whether even if farmers had been a strong political group, they could have pushed the project through against the opposition of all these combined forces of vested interests. In retrospect, the failure to carry out this project reflected the short-sighted policy and the lack of welfare consideration on the part of the government. This irrigation project had suffered from a considerable delay for 47 years. In 1950 under the constitutional monarchy, the project was funded by a World Bank loan of 18,000,000 baht.

The lack of government interest in improving the livelihood of small farmers was also reflected in its budget allocation during 1894-1906. While the average share of the Ministries of Defence, Interior and Transportation and Communications were 17.3%, 15% and 12.7% respectively, the share of the Ministry of Agriculture was only 3.4% (Ministry of Finance, 1916:38-9). It should be noted that the high budget of the Ministry of Transportation and Communications resulted from the policy of strong centralized control for "security" purpose and the major concern for quick returns on investments.

Another example indicating the government's unsympathetic attitude towards farmers is the case in 1906 which saw many farmers in Rangsit areas leave their farmland. Going back to 1900, rice exports began to increase dramatically. The average rate of export increase during 1900-04 was almost 7 per cent while the price had increased by 20 per cent. The rapid increase in the price was partly due to the devaluation of the baht currency which was then on the silver standard. Rice exports kept on growing at the

annual rate of 6 per cent during 1905-09, but the price of rice ceased to rise. Farmers began to suffer from the rising cost of living because of the devalued baht, though they were compensated by the rice price increase. As soon as the price of rice ceased to increase the farmers found themselves in greater troubles since the rent and the tax had gone up at a more rapid rate than the price of rice. In 1904, the tax for na kuko increased from 0.25 baht to the new range of 0.375 baht to 1.00 baht per rai. The tax for na fang loi increased from 0.375 baht to a new range of 0.469 baht to 1.25 baht. (Langmorya, S., 1978:261). On top of that, cattle taxes were increased from 0.50 baht per head to 4.00 baht.

As farmers began to desert their lands, the government sent an investigation team to find out the problems. Apart from high rental rate and high tax rates, other problems reported were unfair treatment by the landlords and the increasing rate of thefts and robberies and disputes over irrigation. (Langmorya, S. 1978:456-7). The government was slow in finding the means to tackle the problems. It was already 10 December 1907 when it decided to hold a farmer meeting for the first time; but among those 33 farmers who turned up, nearly all were landlords and wealthy men from Bangkok, both Thai and foreigners. Earlier, 36 farmers in rangsit sent a submission to the government requesting for loans ranging from 20 to 200 baht per family. The total amount requested was 2,510 baht only. The government responded by studying the feasibility of setting up a farmer credit institution the way it was operated in Egypt instead. At the "farmer" meeting, the resolutions reached were not

surprisingly compatible. They felt the farmers were in debts because of their extravagances. They did not save for the lean years and also enjoyed gambling. The credit institution proposed should not be set up. Savings bank for farmers should be a more desirable solution.

On the criticism that farmers enjoyed gambling, it is fair to say that it was the original government policy to raise its revenue by encouraging gambling after the conclusion of the Bowring Treaty. In 1892 the government revenue from opium and gambling farm was almost 44 per cent of the total government revenue. Though this amount was reduced to 28 per cent in 1906, it constituted a very high proportion in the total revenue. Farmers who were subject to various kinds of risks and uncertainties had found that gambling did not increase their risk margin more than what they had to take everyday in their usual occupation.

Another case which showed the poor attitude of the government towards farmers occurred in 1919. The government had found that farmers in certain areas of Rangsit had to use their land as a collateral to their loan from private money-lenders and were charged up to 30 per cent of interest rate as against the normal official lending rate of only 7.5 per cent. It was suggested then that the government should loan the money to farmers using their land as collateral and charge them 15 per cent rate of interest. This idea was very much welcomed by government officials. (Langmorya, S., 1987:494.)

Tenant farmers had another disadvantage in renting the land. In 1900, a law on rental organization was passed which clearly protected the interests of the landlords by subjecting

farmers who failed to pay rent to one of the following punishments:

(1) They would not be allowed to work on the farmland until the rent is paid, or (2) All their properties are to be confiscated and sold through auctions to cover the rental and auction costs, or (3) they must work in lieu of money payment to the government with the deduction allowance of 0.25 baht a day until the rental debt is paid.

Apart from the negative attitude of the government towards them, farmers also faced other forms of hostility: exploitation by middlemen which was so common then as now, corrupt government officials which was another standard story, and natural catastrophes such as drought and flood, as those major ones occurring during 1910-14 because of the lack of good water control system.

All in all, during the fast expansion of the rice trade up to 1910 and in spite of the increase in the exports and in the price of rice, the only improvement that small farmers gained was the relief from corvee requirement. The system was replaced by a regular military conscription. Slaves gained freedom for the first time after their long bondage. Unfortunately, the economic status of subsistence farmers were not much improved than the serfs in the medieval period of Europe because they were exploited to the bone. Only a few fortunate ones had made their gains from the system that was quite hostile to them.

Lack of incentives for the improvement of farmlands on the part of both the absentee landlords and tenant farmers, together with the fact that increases in rice production were made from the expansion into poorer arable land, not through the application of new technology, the average yield per rai

had declined steadily, as shown in the statistics below:

<u>Year</u>	<u>Yield per rai (k.g.)</u>
1907-16	288
1917-26	287
1927-36	261

(Source: Ministry of Agriculture, Division of Agricultural Economics, Agricultural Statistics of Thailand 1962, pp. 39-40.)

Some improvement was made after farmers were faced with five consecutive years of flood and drought during 1910-14. Rice exports and the price of rice increased steadily and reached the peak in 1919. During 1914-17 the price of rice per picul was 5.5 to 7.5 baht. In 1918 the price was increased to 9-11 baht and further to 14 baht in December. The price in June 1919 was 34 baht. The increase in the price of rice during this period was partly due to the First World War. Because the high price of export rice was endangering domestic food supply, in June 1919 rice export was prohibited. The high price of rice in 1919 was in part due to crop failure which developed into a crisis in that year and had a great negative impact on the government finance for many years afterwards.

During 1920-24 rice production continued to increase at the rate of 2 per cent but, unfortunately, the price of rice dropped by almost 6 per cent during the period resulting from the termination of the war. Problems of tenancy became widespread in early 1930s. A study by Zimmerman indicates that the number of peasants without land ranged from 14 per cent in Southern Thailand, to about 27 per cent in the North, and 36 per cent in the Central Plains. (Zimmerman, C.C., 1931:18) Since 1925, the price of rice began to soar sharply again at the average

annual rate of 6 per cent. During this time medium-sized farmers and landlords were quite prosperous. As N.C. Sithiporn Kridakara observed:

Some even bought Model T. Fords. About that time an energetic young man, Thien Lai of the Karnasut family, began pushing the sale of small Fairbanks Morse engines to drive the dragon wheel pums (rahad), then in general use, and they caught on! Groups of farmers used to come into town toting bags of baht coins and paying down cash for these engines."(Kridakara, S., 1970:15).

This happy occasion died down when crops were severely damaged in 1930s, compounded by the Great Depression. Most farmers lost their savings as shown by 76 million baht worth of gold exported in the thirties (Kridakara, S., 1970:16). The Great Depression in the 1930s had some contributive effect in bringing to an end the Absolute Monarchy.

It should be noted that not only neglect and lack of seriousness on the part of government officials, but also the conflicts and lack of coordination among themselves had hampered efforts to help rice farmers. As Langmorya described the situation during the reign of King Chulalongkorn (1868-1910), officials at the lower level in the provinces were contented with only sending good reports to their superiors and avoided reporting the problems and situations which required assistance. Their reports were thus mostly unreliable. This lack of seriousness was also evident at the top level as when the Ministry of Interior refused to give police protection to the Siam Canals Company which was building barrages in two villages in Rangsit which were harassed by criminal gangs.

Most serious were the conflicts and lack of coordination among various government agencies responsible for the aid of rice

farmers. Langmorya (1978:470-81) told of conflicts between Chao Phraya Surasakmontri, Minister of Agriculture and some members of the royal families which had blocked the work of the ministry, resulting in the minister being forced to resign and King Rama V deciding to abolish the ministry by temporarily incorporating it with the Ministry of Treasury. Even when the ministry was re-established, it was beset with the same problems of conflicts which also involved the King himself and foreign advisors. The conflicts were of the nature of bureaucratic infightings, but they produced wide-ranging adverse effects. Not only farmers had suffered, but also Thailand's rice exports.

Corruption by officials sent out to settle the disputes among farmers was quite common. At the lower level and in the provinces, officials' harassments of farmers, their lack of attention, factionalism and conflicts of interests had inflicted more hardships on farmers. The failure to maintain law and order, arrests on false charges, forced payment of land taxes, all these and similar actions had caused further sufferings to farmers.

During 1856 - 1932, although the government learned of the problems and hardships of farmers from official reports, it did very little to help them. Most of the government policies, and sometimes the kinds of assistance given, were not relevant to the problems faced. There was also confusion in the land ownership system, and the state still occupied large portions of arable land which it refused to give to farmers.

Farming technology was left undeveloped. No attention was given to the improvements of seeding, and an agricultural school set up was geared for book-learning and only for children

of well-to-do families, not practical training of children of poor farmers. Provincial officials assigned to help farmers improve their techniques merely sent in perfunctory reports on production results. A seed farm set up in Rangsit in 1916 was a failure.

Most serious was the problem of the lack of fund, and the state knew of this need of farmers. The idea to set up a bank for farmers was pondered since towards the last days of the Fifth Reign, but the first bank to be established was the Siam Commercial Bank which catered to the need of the rich and the businessmen in the city. The cooperative system introduced in the reign of King Wachirawut (1910 - 25) was also unsuccessful as only farmers who owned their land were to benefit from the loans given by the cooperatives. In 1931 there was an idea to set up banks in various monthons (circles) to help farmers, but again it was not implemented.

On the rice trade, domestically the state did not pay enough attention to the disadvantage of farmers in selling their paddy. The problems which the farmers faced in selling paddy since the Fifth Reign have remained to the present. Prices of paddy were heavily depressed by middlemen who used various kinds of tricks to exploit farmers.

In the export of rice, the period from 1868 - 1931 saw free trade in rice because of the government's desire to export as much as possible to earn enough foreign exchange to finance its modernization projects. Taxes from the export of rice were however used for other purposes than for helping improve the lot of farmers. As a result, farmers benefitted very little from



this free trade of rice. Moreover, rice farmers had to shoulder heavy burdens from having to pay farm taxes, which in 1906 increased by 300 percent. They had to pay registration taxes for cattle, and also the boat taxes which they should not have paid at all. The change to gold standard caused the rise in the cost of living, yet farmers could sell their paddy at lower prices still. The levy of capitation taxes and the corvee caused similar financial hardships to farmers and their families. It was the rice crisis caused by drought in 1919 which prompted the government to pay attention to the irrigation projects (Subwattana, T., 1978: 263-79.)

Because of many hardships placed on small farmers described earlier, six farmers revolts were recorded in Siamese history. Three revolts took place in the Northeast in 1895, 1901 - 02, the most difficult time for small farmers, and the last one in 1924, the last year of the bad time in early 1920s. Two revolts were in the North, one in 1889 and the other in 1902. The revolts in the South occurred during 1909 - 11 (Kaewthep, K., 1983:63-6). Observe that 1900 - 10 were the hardest years for Siamese small farmers. And when the Communist movement was formed in Siam in 1930 its leaders issued a draft statement in a Marxist style basing its appeal on some factual situations. It said the ruling power of the royal family was based on the economic foundation that they were large land owners (Watson, B.A., 1974:64).

Not surprisingly, the hardships imposed on small farmers were used in the argument of the People's Party at the time of their overthrow of the Absolute Monarchy. Their first declaration was quite strong. It reads as follows:

Dear People,

... The monarchic government always considered people as slaves and treated them like animals. Therefore, instead of helping people, they exploit them ..."

Dear People,

This land is ours and does not belong to the King as we had been deceived. Our ancestors protected this land and maintained independence from enemies. Royal families only took opportunity to exploit us ... (Saipradit, K., 1978:245-60)

#### IV. Improvement Efforts, 1932 - 44

Although the period between 1932 - 44 was a rather short one, it was quite significant in that the overthrow of the Absolute Monarchy in June 1932 had brought noticeable changes in government policies for the improvement in the livelihood of paddy farmers. Among many factors, the coup of 1932 was partially motivated by two severe incidents of crop failure during 1919 - 20 and the Great Depression in the early 1930s. These two incidents not only increased the debts of the farmers, but also made the existing debts more onerous resulting in more severe problem of tenancy (Ingram, J.C. 1955:66). Against this background, it is not difficult to understand why in their first declaration, the People's Party came out with a strong statement condemning the monarchy. However, the People's Party was composed mostly of elites of middle-class and high-class background, most of whom having personal grievances against the Absolute Monarchy rather than strong ideological commitments. Also, the coup was organized in such a secrecy that there was no mass base of support, especially from the farmers. Therefore, any programmes to improve the livelihood of farmers on a permanent basis which required structural changes such as proposed in the economic plan of Dr. Pridi Bhanomyong,

considered the brain of the People's Party, would be rejected, as they were, as there was no strong force of support from the masses, in spite of the benefit the programmes would have definitely brought to the great majority of the people.

One major improvement for farmers during the conservative regime of Phraya Manopakorn (June 1932 - March 1933) was the suspension of land tax (Vella, W.F., 1955:374). This action was followed by Dr. Pridi's proposal calling for drastic economic reforms of the country. (Bhanomyong, P. 1983:167-243). This proposal was a remarkable document. The benefits that would have directly accrued to rice farmers were the systems of land reform and the strengthening of cooperative movements. As Vella commented:

Their [The People's Party's] proposal seems to have been made in good faith and they asked that it be acted upon democratically. Their aim was to provide a permanent solution for economic ills of the country - in particular, to relieve the distress of the farm population, especially the farmers in the central plains area (from which Pridi came), where commercialized agriculture was prevalent and where the depression had aggravated already existing problems of rural debts and tenant farming."

(Vella, W.F., 1955:377)

The proposal was charged by King Prachadhipok and Phraya Manopakorn as being communistic. During the charge, the liberal elements in the People's Party remained quiet. There was no strong movement to support the proposal at the grassroots level. Finally Dr. Pridi was pressured to leave the country. Not until after the coup of June 1933 to overthrow Phraya Manopakorn by Phraya Phahon, on the insistence of liberal elements of the National Assembly, Pridi was recalled home, but he was not given

a government position until September 1934, after a special commission named by Phraya Phahon had cleared him of the communist charges.

The conservative government of Phraya Manopakorn was fully aware of the situation faced by rice farmers. In a report to the Assembly on the achievements of the People's Party in the few months before the promulgation of the first permanent constitution on 10 December 1932, Phraya Manopakorn said the effects of the Great Depression still remained. The price of rice had dropped, farmers had suffered great hardships, workers were jobless, and the whole country was poor. (Charumancee, N., 1976:56-7). As said earlier, his government took one measure to help farmers. It suspended land tax.

During the Phahon regime (June 1933 - December 1938) which declared it had a definite policy to urgently help rice farmers, especially to make them solvent, some improvements were made for Thai rice farmers. Apart from the suspension of the land tax during the Manopakorn regime, there was a series of tax reductions. The government declared excessive charge of interest rate punishable by law, and enacted a legislation forbidding the seizure of farmer's crops and cattle to pay for debts. This piece of legislation was aimed at repealing the law on rental organization passed in 1900 to the advantage of landlords.

In 1933, the price of rice dropped sharply. It remained as low as 2.72 baht per picul in November and 2.76 baht per picul in December. The Cabinet decided to send teams to Europe, South America and Asia, to find more markets for Thai rice, but the Ministry of Economic Affairs objected to the plan, arguing

that such a move would have had little effect in lifting the price of rice. In fact, Thai rice exports to China almost stopped when the Chinese Government increased import duties on rice five times as a retaliation against the alleged hostile policy of the Thai Government towards local Chinese.

On rice production, cable reports from 60 provinces reaching the government in January 1934 showed extensive damage of rice crops.

The government also took other measures to ease the farmers' hardships. They included distribution and loaning of rice seedings and the establishment of more cooperatives during 1935 - 38. Another measure to limit rice cultivating areas was proposed but it was not acted upon. The government also set up an emergency fund using an original amount of 90,000 baht to start it in order to help farmers.

It was to be noted that Mr. Raymond B. Stevens, a foreign advisor, had reminded the government that Thailand was not in any political, economic and financial position to influence the world price of rice. The best it could do was to organize its economic system especially with regard to rice production. This warning is still relevant to the rice trade situation at present.

The Phahon government did try to find more foreign markets for Thai rice by attempting to establish economic contacts with Poland and Cuba, but it did not succeed; and in the case of Cuba, the efforts were even blocked by American rice dealers. (Conflicts over the world rice trade between Thailand and the United States have taken a more open and serious form in the 1980s.)

In 1937, Mr. W.A.M. Doll, Financial Advisor to the government estimated that only half of the export price of rice was paid to rice farmers. Millers, exporters and middlemen received the other half. Of all, middlemen between growers and millers probably took the largest share. In 1938, the government set up the Thai Rice Co. by taking over ten large Chinese mills in order to reduce monopolistic power of millers and exporters but without much success. (A successor to this company still exists today, but its operation is in a limbo). The government had also periodically announced plans to build silos throughout the country. Unfortunately, little had been done to implement the plans. (The silo construction plans are still much alive in the current discussions as a measure to help farmers store their paddy crops for sale when prices are good).

Overall, the Phahon government had achieved some moderate success in easing the hardships of farmers despite serious economic conditions due to the Great Depression and the political limitations it faced (Chatasing, R. 1978:294-319).

Colonel Plaek Phibunsongkram, one of the leading promoters of the People's Party came to power after the resignation of Phraya Phahon in December 1938. Phibun who later was promoted to the rank of Field Marshal after Indochina War, was influenced by National Socialism as practiced in Nazi Germany, Fascist Italy and in Japan. He led the country into World War II on the Japanese side and was ousted in July 1944, after the Allies had driven Japan out of most Southeast Asian countries. During his regime, Phibun's main occupation was to transform Thailand into a strong military state with some degree of modernization through the promotion of ultra-

nationalism under his dictatorial guidance. The country's name was changed from Siam to Thailand for the first time. Many problems on cultural changes to make the Thai more westernized were imposed. Phibun did not have much time to promote the welfare of rice farmers, and in contrast to the more liberal regime of Phraya Phahon, his regime had shown less concern for the improvement of the farmers' livelihood. This contrast in their respective attitudes towards farmers between liberal and dictatorial regimes could be seen again between Sarit and Thanom - Prapass dictatorial regimes in power from February 1959 to 14 October 1973, and the liberal regimes during October 1973 to October 1976. Historically, liberal regimes have demonstrated relatively more concern for the welfare of farmers.

During 1932 - 44, there had been some steady increase in rice production from about 54 million piculs to 58 million piculs. Prices of rice rose steadily from 3.5 baht per picul during 1930 - 34 to 3.7 baht per picul during 1934 - 35. The price increase more than doubled during 1940 - 44 as a result of the rapid increase in the price of rice during war time. Since the 1932 coup up to the end of World War II, it could be said that Thai farmers for the first time had more opportunity to improve their gains from rice farming as some burdens imposed on them were relieved. But once the war was over, farmers again suffered.

V: The Post - War Years, 1945 - 55

After Field Marshal Phibun was ousted in July 1944, Khuang Abhaiwongse, also a leader of the People's Party, became Prime Minister. The Khuang Government was succeeded by the Tawee Bunyaket Government in August 1945. As soon as the war

ended in 1945, Tawee was replaced by M.R. Seni Pramoj. All these governments, though short-lived, were liberal conservative in their nature. Naturally they represented more the interests of the middle-class elites than those of farmers. It was M.R. Seni who signed the peace treaty with the Allies (known officially as the Formal Agreement of January 1946 with the United Kingdom and India), which forced the Thai government to supply 1.5 million tonnes of rice free of charge as war reparations.

Thai agreement was the starting point of the government's entry into the rice trade, and it was to impose the hard burdens on farmers which they have had to carry with them up to the present. Clearly only the government had the capacity to buy rice locally at the average price of 15 - 16 pounds per tonne while the world price then was 40 pounds per tonne. The prices of rice in neighbouring Malaya were much higher, ranging from 200 to 500 pounds per tonne. As soon as rice started moving out of the country, there was a great drain on the government budget. At the same time the pressure on government to acquire foreign exchanges to pay for the most essential rehabilitation imports had led it to pass its financial burden on to farmers by depressing domestic prices of rice. Export of rice by private trade was banned. To have the sole right to export rice, the government set up a new Rice Office for the purpose.

After M.R. Seni resigned, Khuang was back as Prime Minister for three more months until March 1946 when Pridi who was the Regent then, stepped down to assume the office of the Prime Minister. Because of widespread corruption caused by increases in the cost of living as the price of rice rose in



comparison with the meagre salaries received by civil servants, and the assassination of King Ananda Mahidol on June 9, 1946, Pridi was forced to resign. His supporter, Rear Admiral Thuwan Thamrong Nawasawat succeeded him from August 1946 to November 1947. Pridi was very much behind the country's economic policy throughout the whole period. During the 18 months of high political instability, Pridi and Thamrong had made some improvements for the country and the farmers.

There were constant renegotiations on the delivery of rice as reparations because the Thai government could not, and did not want, to fulfill the obligations imposed by the treaty. Finally, in August 1947, the country was permitted by the Allies to export rice at the same price received by other exporters from the Allies but which was still below the full market price.

In early 1946, the exchange rate between the baht and pound sterling was regulated at 40 baht per pound. At this rate the baht was said to be overvalued by 50 per cent, and it caused active trading activities in the black market. In 1947, the government adopted the multiple exchange rate system. For non-traditional export goods, traders were permitted to sell the foreign exchange in the market for 60 baht per pound. However, rice exporters were to surrender the entire export proceeds to the Bank of Thailand which was quoting 40 baht per pound. That amounted to 33.3 per cent tax on rice farmers, although the practice was considered necessary when the country was in great need for foreign exchanges. Meanwhile, to continue with the policy to help strengthen the cooperative movement, a Bank for Cooperatives was set up in 1947. The government could not do much to help

farmers during that critical time, but the establishment of the bank at least showed its good intentions to alleviate some economic burdens of the people, and to a lesser extent, of rice farmers.

The coup on 9 November 1947 by a group of army officers led by Gen Phin Chunhavan toppled the Thamrong Nawasawat Government. One of the major reasons cited by the coup promoters in the first announcement they issued was the government failure to solve the problem of rice shortage which had become critical.

As background to this political event, it may be said that rice production after the war did not improve much. The amounts of rice produced remained more or less the same or even decreased over the years, while the numbers of consumers increased. In 1937 Thailand had a population of over 14,440,000. By 1947, the number had increased to over 17,400,000. In 1939, about 4.5 million tonnes of paddy were produced, with about 1.2 million tonnes of rice exported. In 1947, over 5.5 million tonnes were produced, but the amounts exported decreased to a little over 384,000 tonnes. The delivery of rice to the Allies under the Formal Agreement was partly responsible for the shortage. As a result, the government in 1946 was forced to enact two legislations, one to prevent rice hoarding, and the other to regulate rice trading, in order to control the movements of rice within the country and to make sure that the government got hold of enough rice to honor its war reparation obligations.

The Thamrong Nawasawat Government had come under heavy criticism from the Democrat Party and the general public for the severe rice shortage in the city. People were seen queuing to buy rice, and only poor grade of the staple was available:

Newspapers reported in August 1947 that about 2,000 workers marched to the Prime Minister's Office to ask for rice. Corruption was widespread in the distribution of rice, and rice smuggles could not be stopped as the prices outside the country were 10-20 times higher. As the cost of living soared, a sack of rice which sold in 1941 for 8-10 baht, cost 170-190 baht in 1947. Prices of other commodities also rose sharply by 10-15 times (Tantikul, S., 1972:26-34.)

After the coup, Khuang was temporarily installed as Prime Minister. Six months later he was forced to resign by the same group of army officers who staged the coup. Field Marshal Phibun returned as the Prime Minister. This time his regime was to last until September 1957.

As usual, Field Marshal Phibun enjoyed his dictatorial role. He had no strong intention to relieve the burden imposed on farmers. By 1948, Thailand was allowed to sell rice to all countries at the going world prices. If the government had really wanted to improve the welfare of rice farmers, it should have done two things. First, it should have abolished the Rice Office. Secondly, it should have revamped the multiple exchange rate system. Had these two measures been carried out, rice farmers could have regained its pre-war position. Unfortunately, the two measures had been retained, if only as the means to earn revenues for the government. The Rice Office in particular was used as the means to reward Field Marshal Phibun's supporters so that they could find ways to earn extra income through irregularities. It was not until 1954 that the Rice Office was closed. The multiple exchange rate system was abolished in 1955. The period coincided

with the gradual weakening of Phibun's political position, while the two major contesting supporters of his regime, Police Gen Phao Siyanond and Gen Sarit Thanarat were waiting in the rear, each looking for the opportunity to seize power from one another to succeed Phibun.

One useful project launched by the Phibunsongkram Government was the construction of the irrigation system in the Central Plains. In 1948 fifteen projects were under construction. The Great Chainat Project was finally undertaken during this period. Another possible contribution of Phibun was his introduction of an important piece of legislation which would have benefitted farmers, as it aimed at limiting landholding for agricultural purpose up to 50 rai. The idea was to prevent the concentration of land in the hands of big landlords. Unfortunately, this piece of legislation was dismantled by Field Marshal Sarit in 1958 on the ground that it would be a major obstacle to the country's economic development. Upon Sarit's death, it was revealed that he himself had accumulated thousand rai of land during his five years in power.

Because of corruption and briberies in the licensing of rice exporting, as the Rice Office could not handle all the rice export by itself, rice "premium" was introduced in 1950 as a condition to obtain export licences. The premium was actually proposed by more honest civil servants, but it turned out later to be one of the most severe taxes ever imposed on rice farmers, and there had been continuous call for its abolition since. In fact, the Rice Office was closed down partly because of the efficient collection of the rice premium. On 30 December 1954,

the premium system was regularized in that there were official schedules on the rates. When the rates were changed, they were always officially announced. The multiple exchange rate system which was another form of tax on rice farmers was dropped since the revenue lost from the system could be recovered sufficiently by the increase in the rate of rice premium (Siamwalla, A.; and Wongtrangan, K., 1985:2-3).

Approaching 1957, it was quite evident for both Field Marshal Phibun and Police Gen Phao that Gen Sarit had received increasing support from the U.S. Government especially from its Department of Defense. Evidence suggested that Phibun and Phao planned to seek some support from such socialist countries as the U.S.S.R. and the People's Republic of China to counter the American influence. Progressive journalists, labour leaders and students were secretly encouraged to accept invitations to tour these two countries. Sarit was finally successful in seizing power in September 1957. Phibun and Phao were forced to leave the country and they had never returned.

Similar lessons can be drawn for rice farmers during the 1954-57 period, when they had been heavily exploited through various kinds of taxes. Siamwalla argued that the amount of taxes collected from farmers in various forms ranged from 166 million baht in 1948 to 1,257 million baht in 1953, or a total of 3,084 million baht collected during the said period. The amount of annual collection in 1948 was 9.8 per cent of the government revenue and it was increased to 32 per cent in 1953. (Siamwalla, A., 1975:145.) The last figure represented a sizeable revenue for the government, the amount that rice farmers

did not have to pay prior to the war. Towards the end of Phibun's regime when he wanted to be seen as supporting democracy, farmers started to make some gains from his limiting land holding legislation. Unfortunately, it had been proven too late.

#### VI. "Bureaucratic Polity" and Rice Farmers, 1957-73

When Field Marshal Sarit died on 8 December 1963, his successors, Field Marshal Thanom Kittikachorn and Gen Prapass Charusathira followed closely in his foot steps until they were overthrown by the student-led popular uprising on 14 October, 1973. In terms of political freedom and democracy, 1957-73 was the real dark age. More importantly, as the dictatorial regimes lasted for so long, the power of the government technocrats was at its peak. They were the ones who directed government policies, leading to the strong emergence of a full-fledged form of "bureaucratic polity". There was no parliamentary opposition. The electronic media were officially owned or controlled, and newspapers were not a strong source of challenge. As the government had the prerogative to decide what policies and their implications would be good for the people or for themselves, not surprisingly all government measures to regulate the domestic prices of rice and to collect revenues through various forms of taxes on rice continued throughout the period without strong opposition.

Actually, the policies regarding the prices of rice had been perceptibly changed since 1955 and 1956. As said earlier, the multiple exchange rate system was abolished, and definite rice premium rates were charged instead of the license charges for export quotas. Newly introduced was a control on the export

volumes, including outright ban on exports. In order to facilitate exports whenever it was needed, the government was equipped with a policy instrument of government-to-government sales. On top of these measures, advance rate of 5 per cent were charged on the value of rice exports.

Since Field Marshal Sarit come to power with the strong support of the U.S. government, his main interest was not the welfare of rice farmers. He ran the country the way he was advised by American officials. The explicit policy of the U.S. at that time was to fight Communism in Asia and the Far East. The strategies adopted by the U.S. government were to increase military might as well as step up economic development in the region.

On the economic front, a World Bank mission was sent to Thailand in 1958 and published its proposed outline of development programmes for Thailand in 1959 (International Bank for Reconstruction and Development, 1960). The document was used by the Thai government as the basic guideline for economic development planning. The First National Economic Development Plan was drawn in 1961. The Plan consisted of two phases, 1961-63 and 1964-66. The Second and Third Plans covered the period 1967-76. The three plans basically gave strong emphasis to industrial development, especially import substitution industries. The First Plan emphasized the construction of infrastructures such as dams for hydro-electric purposes and highways for tactical and logistical purposes.

Massive road construction under the First and Second Plans had the effect of driving small farmers off their lands, a situation similar to the time when canals were dug in the

Region during 1888-1914. Every time there was a plan to cut a new road, lands on both sides of the road were reserved or bought up cheaply by high officials and business men from Bangkok, or by provincial landlords, before the road was cut. After the road was completed, small farmers were simply forced to move to new unoccupied areas. It was estimated that during 1959-63, farmers lost their lands from hire purchases and collateral loans up to 172,869 rai from 7,016 land titles worth a total value of 347.3 million baht. During 1967-1973 farmers in the Central Plains lost their land in the same manner which amounted to 92,401 rai from 2,598 land titles at a total value of 251.2 million baht (Chiengkul, W., 1982:112)

The industrial development plan depended for its success on the abundant supply of cheap labour. The low wage was made possible by keeping domestic price of rice at low level. At the same time rice farmers were taxed quite heavily by an assortment of tax measures--premiums, export duty, quota system, and other forms of restrictions introduced later.

The premium charges were varied by the rice grades and by specific times of the year. The range of charges was from 890 baht per tonne on 10 December 1959, to 2,070 baht per tonne in March 1968 for 100 per cent white rice; and it was from 450 baht per tonne to 1,270 baht <sup>per</sup> tonne for broken rice A - I Super during the said period (Ingram, J.C., 1971:245). Revenues collected by the government from both export taxes and rice premiums amounted to 19.8 per cent of the total government revenues in 1957 and decreased to a little more than 10 per cent up to 1966. This amount represented a sizeable revenue to the government especially during the investment



in the construction of infrastructures during the First Plan (1961-66). The revenue lost by farmers was calculated to be more than the amount collected by the government. Both the export duty and the premium contributed to the depressed domestic price of rice. This income lost was equivalent to the difference between export price and sometimes price multiplied by about half of the domestic amount of rice consumed by non-farm population. This part was even larger than the revenue collected directly by the government.

The revenue lost to rice farmers contributed to the low urban wage rate. The low wage policy would in turn reinforce industrial development policy designed by the government. Therefore, the industrialization during the said period was achieved at the cost of impoverishing rice farmers. Kridakara calculated that based on late 1960s figures, it has been shown that an average rice farmers whose income was around 16,424 baht had to pay 3,600 baht for premium. This amount represented 21 per cent of his total income. This tax rate should be applied to those whose income range was in the bracket 100,000-150,000 baht, after deductions of 10,000 baht for the tax payer and his family (Kridakara, S., 1970:45).

The other form of tax on rice farmers introduced in 1962 was the reserve ratio requirement. Towards the end of 1961 and early 1962 when Thailand exported a record amount of rice because of the high world prices which resulted in the rise in domestic prices, the government intervened in the rice market by controlling exports, raising premium rates and requiring exporters to deliver an amount of rice for reserve at the ratio of 15 per

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cent of the amount exported. / Exporters were forced to supply rice to the government at cheap prices. The measure was enforced on 19 March 1962. The reserve rice supplied then was given to the Public Warehouse Organization (PWO) to sell to urban consumers, particularly civil servants. It was lifted in December that year when the new crop of rice came out and paddy price was declining. But it was imposed again in 1966 when rice production was poor and there were signs of a possible rice shortage which could affect the livelihood of city people.

In the 1970s, the circulation of reserve rice was made wider to urban population. Half of it was distributed in Bangkok and the other half was transported back to provincial towns. Naturally this requirement added more cost to exporters, and inevitably the cost was passed to paddy farmers. This is another way of subsidizing richer urban consumers at the cost of poor rice farmers.

When rice shortage was critical in 1973 the reserve ratio had been adjusted 10 times and in the last adjustment in December that year, the ratio was 1:1. The total amounts of reserve rice supplied by exporters were 3,729,494 sacks (a sack contains 100 kilogrammes of rice). The reserve rice requirement continued at a ratio of 50 per cent from 1978-82. Thanks to the sharp drop in the world prices of rice that year, it was abolished.

All these policies which worked against the interest of rice farmers were proposed by the technocrats. They were adopted by the dictatorial regimes and continued without much opposition. Small groups of opposition, mostly academics, emerged in mid-1960s. Among them were Dan Usher, Chaiyong Chuchart, Sopin Tongpan,

Melvin N. Wagner, Phairach Krisanamis, Sura Sanittanont, and the most prominent of all, M.C. Sithiporn Kridakara. Unfortunately, the majority of rice farmers were unconscious of the very unfair treatment they had received. The few who were aware were quite weak and had no means of making their voices heard. The opposition was more or less in the form of academic exercise and gained only little attention from the government.

The downfall of Thanom-Prapass regime in 1973 was due partly to the rice crisis during 1972-73. In early 1972 there was a rapid upsurge in rice export. Rice prices were beginning to spiral. It was estimated that the export surplus was running low. The government was about to stop private export, but it mistakenly concluded some extremely large sales on the government-to-government basis, particularly to Indonesia. As the news reached the market, prices began to climb up very rapidly. The government reacted by selling rice out of the reserve stocks at the price below the market price. Towards the end of 1972, as the old rice was about to disappear from the market and part of the new crop was still in the fields and some with rice millers, the crisis became much severe. Even after the new crop started flowing into the market the crisis remained. This was because of the speculation that the new supply of rice would only last until July 1973. People lined up to buy cheap rice and the lines became longer each day. The government declared it would ban the export of rice. Soon the export of rice was banned, and the amount of rice reserve requirement was adjusted up at a ratio of 100 per cent in June. In July, the ratio was raised to 200 per cent! The supply of reserve rice came to a complete halt, and

the reserve dwindled. Rice disappeared from the market. This led to the panic of individual consumers who started hoarding rice for their own consumption by buying from the free market as well. Rice was also smuggled out through Malaysian borders.

Finally, Col. Narong Kittikachorn, a son of Field Marshal Thanom and a son-in-law of Field Marshal Prapass, who at that time was a deputy Secretary-General of the Board for the Inspection and Follow-up of Government Operations (BIFGO) was given the government emergency power declared by his father under Article 17 of the Constitution, to seize and confiscate rice hoarded in Bangkok. In four days of warehouse raids in June, 134,000 tonnes of rice were seized. Actually, this amount only represented a small normal flow of rice from the North through Bangkok to the South. Whether because of the confiscation of rice by the BIFGO or the second crop (500,000 tonnes) which came out to the market, the mid-1973 rice crisis disappeared in August 1973.

However, a new crisis started on other fronts. Students started a city-wide campaign against Japanese imports in 1972, followed by the so-called "Thung Yai" scandal in which government officials were caught using government helicopters for their hunting pleasure in the National Reserve Forest. The incident was followed by a protest by students against unjust dismissals of nine student leaders of Ramkhamheang University. These students were responsible for publishing a satire on the scandal in the students newspaper. The protest developed into a demand for the completion of a new constitution the drafting of which had dragged on for more than a decade. This last protest gained

strength and turned into a massive student movement in October 1973 which finally led to the overthrow of the Thanom-Prapass-Narong regime in the middle of the month. Protesters also used the issue of the government's management of the rice policy to gain public sympathy.

VII. "Democratic Respite," 1973-76.

The downfall of the Sarit and Thanom-Prapass dictatorial regimes after a lengthy period of 14 years in power led to the emergence of a brief period for the restoration of freedom from 1973-76. During this period, rice farmers had the opportunity to voice their grievances more than any time in history. Unfortunately their grievances were often met with responses which were symbolic in style and subtlety from the ruling groups.

Soon after the October 14 event, Thailand was run by the caretaker government of Mr. Sanya Dharmmasakdi. During that time the first oil crisis known as the "oil shock" caused by the actions of OPEC countries began to hit the world community for the first time. Export price of rice meanwhile continued its upward trend since 1972, increasing from 2,101 baht per tonne in 1972 to 4,235 baht per tonne in 1973 and rising to 9,500 baht per tonne in 1974. In that year, Thai rice farmers were charged exorbitant tax rates in the form of rice premium and export duty which amounted to 5,727 baht per tonne. The rate of premium 5,100 baht per tonne, the highest rate ever collected in the history of premium collection. Such rate was levied while the wholesale price of rice in Bangkok was only 3,773 baht per tonne. The premium rate charged was about 110 per cent, the highest export tax in the world. The amount of premium

collected by the government in that single year alone rose to 8 per cent of the government revenue after its lowest record of 0.1 per cent in 1973. Finally, the government adopted the quota restriction on rice exports. This severe action caused widespread discontent among farmers. Students began to join forces with them. Not realizing that the government robbed a great portion of their earnings through rice premium, hundreds of farmers from various provinces staged their protest in Bangkok on 1 March 1974 at Sanam Luang. Not surprisingly, instead of demanding for the abolition of rice premium, they demanded the government to declare the support price of 3,000 baht per tonne of paddy. The paddy price demanded by farmers was still very low in comparison with the going world price. Compared with the sharp increase in the price of fertilizer caused by the rapid increase in the price of oils and other costs of living, farmers were still net losers at the demanded support price of 3,000 baht per tonne of paddy.

In May 1974, another wave of farmers gathered in Bangkok to demand the government to help them with their heavy indebtedness and to regain for them the lands they had lost to money-lenders by various tricks. The government set up the Committee to Investigate the Indebtedness of Farmers (CIIF). The CIIF was actually equipped with no real power to solve the acute land problems of farmers. In June 1974 thousands of farmers staged another protest which stemmed from the ineffectiveness of this committee. According to the CIIF's own report released in June 1974, 12,800 grievances had been submitted by farmers in nine provinces covering the areas of 213,000 rai (Luther, H.U., 1978: 871). By the end of September 1974, 52,015 grievances reached

the CIIF. At the same time the CIIF could deal with only 1,635 cases. The Secretary-General of the CIIF admitted openly that most of the grievances were valid. The CIIF also could settle only one case for a farmer to regain his land (Samudavanija, C., 1980:10).

Frustrated by the slow action taken by the government, farmers staged their protest in Bangkok again on 19 November 1974. This time the independent Farmers Union of Thailand (FUT) was formed for the first time. During that time, few pieces of legislations were passed aiming at relieving the plight of farmers, but most of them were rather symbolic. Nevertheless they all showed a genuine concern of the government that the forces of farmer movements could really threaten its stability. Among the legislations enacted were Land Management Act which developed into the Land Reform Act in 1975, the Rental Control Act, first enacted in 1950 in the time of Field Marshal Phibun and reintroduced with some modifications in 1974. More interesting was a new policy to put the rice premiums collected from farmers in a trust fund under the Farmers Aid Fund (FAF) Act. But these actions by the government resulted in no real gains for farmers. The Land Reform Act had limited usefulness to farmers because it only involved small pieces of land. After 6 October 1976, the Land Reform Office was only interested in the resettlement of war veterans in strategic areas for security purposes. The Rental Control Act became effective after 6 October 1976. At present, the FAF still survives but it has few records of direct assistance given to rice farmers. In fact, money from the fund was often used for other purposes of no direct benefit to farmers (Thanapornpan, R., 1983).

M.R. Kukrit Pramoj succeeded Mr. Sanya as Prime Minister in early 1975. This government proved to be more deceitful than its predecessor. First, it announced the much-heralded policy to channel the government fund into rural areas, a scheme which was officially known as Rural Development and Employment Stimulation during Dry Season. The amount allocated was 2,500 million baht. It became the Commune Council Development Project in 1976 which received 3,500 million baht allocation.

This project itself provided some monetary gains to farmers. However, large portions of the money were in the hands of local government officials, local sub-contractors, commune and village chiefs, and only a small amount trickled down to farmers. On the other hand, it had created so many cases of local conflicts. A number of people were killed because they intervened in, or exposed the illegal practices in the use of the fund. Many others were arrested on Communist or other subversive charges. The true gainer from this project was M.R. Kukrit's own Social Action Party whose popularity rose very quickly as evident in the second polls in early 1976. It was indeed an undignified way of using the treasury reserve for political campaign purposes. The abolition of rice premium would have provided a more direct benefit to rice farmers.

In 1975, rice production dropped due to the rapid increase in the price of fertilizer. In 1974 the price index of fertilizer increased from 100 in 1973 to 153; it rose further to 188 in 1975 and 208 in 1976. At the same time the world price of rice also dropped from 9,500 baht per tonne in 1974 to 6,152 baht



per tonne in 1975. The domestic price of rice also dropped from 3,775 baht per tonne in 1974 to 3,723 baht per tonne in 1975. Prime Minister Kukrit offered the support price of 2,500 baht per tonne of paddy to placate the farmers. Meanwhile, urban workers complained about the increase in the price of rice sold in the city, but instead of demanding higher wages they blamed the "exploitative" middlemen. The government thus could get away with little blame on its part as the main attack was directed elsewhere.

At the same time, the farmers' movements gained alliances in the workers and students who formed a new force known as "Sam Prasan" (Three United Front). The strength of this force was responsible for the collapse of the Kukrit Government towards the beginning of 1976. The extra-legal groups backed by the military which was in turn backed by the U.S. Government considered Kukrit's government too weak to deal decisively with the farmers. Terror campaigns and scare tactics were adopted by these rightwing groups against farmer groups. From March 1975 to July 1976, 17 farmer leaders were killed and the authorities were unable to arrest the killers. After the formation of the Farmers Union of Thailand (FUT), farmer leaders declared that they would not come back to seek help from the government any more and would wage their own struggles in their own areas. This declaration helped intensify the terror campaigns until 6 October 1976, when 25 more farmer leaders were killed. Many of them were forced to join the armed insurgents led by the Communist Party of Thailand (CPT) in the jungles prior to the 6 October 1976 massacre of students on Thammasat University ground. The last farmer leader from the FUT was shot dead on 21 July 1979, bringing the total number of farmer

leaders killed to 48. (Kaewthep, K., 1987:161-4).

In 1976 the export price of rice dropped further from 6,125 baht per tonne to only 4,358 baht while the price of fertilizer in 1975 kept on increasing from the index of 153 in 1974 to 188. The domestic price of rice was kept at 3,822 baht per tonne resulting in the sharp reduction of rice premium. Its significance rapidly diminished.

During the short period of the Seni Pramoj Government (from 1 June to 6 October 1976), one measure adopted in the right direction to help farmers was to supply them with cheap fertilizer. In 1976, the price index of fertilizer dropped from 208 to 135. The domestic price of rice started to pick up again to 4,107 baht per tonne in August and September 1976, respectively.

On the political front, 1976 was the year which saw internal political conflicts reach their high point. There were several attempts made implicitly by the military-backed groups to overthrow the elected government led by M.R. Seni then. Finally they succeeded in installing a civilian authoritarian regime of Mr. Tanin Kraivixien after the October 6, 1976 massacre. After that date, more farmers, workers, students and intellectuals fled to the jungles to join the armed struggles led by the CPT.

#### VIII. "Dark Age" to "Half Democracy", 1977-87

The Tanin Government's main preoccupation was the suppression of communism. Its suppressive actions had alienated a large number of educated people and led to a quick deterioration of the political situation. After less than a year in power the Tanin Government was overthrown by a military group led by Gen

Kriangsak Chamanan on 20 October 1977. Gen Kriangsak was himself forced to resign on charges of economic mismanagement on 29 February 1980. Gen Prem Tinsulanonda succeeded him and formed the government with the help of the elected political parties which were implicitly forced by the military groups to choose him as Prime Minister. Having formed his fifth government in August 1986, Gen Prem had been in power longer than any of his predecessor since Field Marshal Thanom Kittikachorn.

During its one year in power, the Tanin Government's record concerning rice trade was to put a temporary ban on rice export in October and November 1976 simply because the domestic price of rice became too high due to the large outflow of rice during the Seni Pramoj Government. Gen Kriangsak who replaced Mr. Tanin used another tactic to handle the rice situation. The country suffered from a severe drought in early 1978, a few months after he came to power. He started the popular action by allocating 1,600 million baht from the treasury reserve as a special fund to finance the project "Rural Rehabilitation of the Areas Affected by Natural Catastrophes". The main purpose of this project was to prevent undesirable social and political problems resulting from the severe economic conditions of the rural poor. As such the project gave more emphasis to the government security than to the improvement of the people's welfare. During that time, the struggles led by the CPT in certain rural pockets had intensified. (Puntasen, A., 1998: 325-6). In general the policy to regulate the prices of rice was completely back in the hands of the technocrats.

At this point it is useful to understand the whole benefit

structure from various government policy instruments on the rice export. This understanding is crucial for the explanation of all political forces that work against the interests of rice farmers.

Actually, since the government started to collect the rice premium, the Department of Foreign Trade in the Ministry of Commerce has the power to sell rice on the G-to-G basis with the special privilege that the premium charge on the government rice trade is rated at the Department's discretion. The minimum charge should however not be less than a token one baht per tonne, and the Department has always used its discretionary power to charge the rate of one baht of rice premium per tonne on all of its G-to-G sales. At the same time, it has set up a profit-making unit called the Rice Account Unit (RAU) within the Department to handle all money transactions. Because of its premium exemption privilege, the RAU always demonstrated profits from its trading activities. Therefore, this business enterprise has never been questioned by Parliament, as most of the profit-making enterprises of the Government have always registered losses. In 1974 when the premium rate of 5,100 baht per tonne was charged to rice export, this unit recorded the high net profit of 1,100.5 million baht. (Siamwalla, A. and Wongtrangan, K., 1985: 6). Therefore, the premium charged by the Ministry of Commerce provides additional incentives to the government officials to have some free hands in manipulating rice trade especially the G-to-G sales. It also provides them with the opportunity to earn income outside the normal budget allocation. This extra channel of income earnings provides government officials with the opportunity to find the way to spend the money at their own discretion. Naturally, those

in the Department of Foreign Trade are among the strongest advocates of rice premium collection, because it coincided with their vested interests in this policy instrument.

Since the passing of the Farmers Fund Aid Act in 1974, rice farmers have encountered more supporters of rice premium who are government officials. This Fund is supported by the premium collected by the Department of Foreign Trade. The premium is passed to the Fund after the collection without having to go to the Ministry of Finance first. The chairman of the board of this Fund is the Minister of Agriculture and Cooperatives and the secretary is the Permanent Undersecretary of the same ministry (Siamwalla, A., and Wongtrangan, K. 1985:4). The Fund virtually provides an extra budgetary resource at the disposal of the ministry. It is not therefore much surprising that the Ministry of Agriculture and Cooperatives has become another strong advocate of rice premium. (Thanapornpan, R., 1987)

Because of large vested interests in these two ministries, they are the two most coveted Cabinet portfolios for political parties.

To indicate its good intention towards rice farmers, the government has created two organizations to handle the buying and selling of rice. The first one is the Public Warehouse Organization (PWO) under the Department of Internal Trade, Ministry of Commerce. The main function of the PWO is to sell cheap reserve rice to urban consumers. At the same time, it also acts as government agent in buying rice into stocks under the occasional policy of rice support price programme. The other organization is the Marketing Organization for Farmers (MOF). This organization

is under the Ministry of Agriculture and Cooperatives. Its main responsibility is to supply cheap fertilizer to farmers and to receive payment from farmers in the form of paddy at the going price. The MOF receives loan support from the FAF while the PWO receives some support from the Rice Account Unit.

These two organizations have proved highly inefficient in their operations and have incurred losses most of the time. They have greatly wasted the implicit taxes collected from farmers, namely, rice premium and required rice reserve. Farmers also benefitted proportionally less from their trading activities. In a study of the operation of the MOF in the 1982/83 planting season, it was calculated that exporters and millers altogether received the highest profits, of around 54 per cent from rice trading; government officials and policy-makers 27 per cent; and farmer leaders and "lucky farmers", the rest 19 per cent. (Pinthong, C., 1984: 166-87).

Another obstacle to rice exports is the export duty. This helps suppress the domestic price of rice at the same time that it provides revenues to the Ministry of Finance. The main beneficiaries in this case are the Ministry of Finance and non-rice farmer consumers.

Yet other obstacles are rice quota and stock requirement. The main purpose of the rice quota is to provide quota to specific rice exporters in order to effectively regulate the amount of export for the full control of the domestic price of rice. The other purpose of the rice quota as well as the stock requirement is to limit competition among exporters. It is often argued that free rice trade would result in the cut-throat competition among

many exporters, thus lowering the export price of rice. The stock requirement is also the instrument to support the quota system, that is, exporters who carry the larger amount of stocks are given larger export quotas. This practice has the effect of enhancing the position of big exporters, though the gain from the high price of exported rice will not be passed back to rice farmers but will be retained among exporters as extra benefits known to economists as "economic rent." This economic rent will be finally shared by the government officials who have powers to allocate export quotas to exporters and the exporters themselves. Obviously, all these people will not support the abolition of rice trade barriers.

(Put Diagram II here)

From Diagram II, it is quite evident that only a small portion of all the surplus taken from rice farmers re-circulate back to them. The rest are shared among major beneficiaries. It is also quite obvious, as shown in the power structure in Diagram III, that political parties receive support from the bankers, technocrats and other ruling elites. In turn, bankers have some control over exporters and millers; and the exporters themselves have some control over millers.

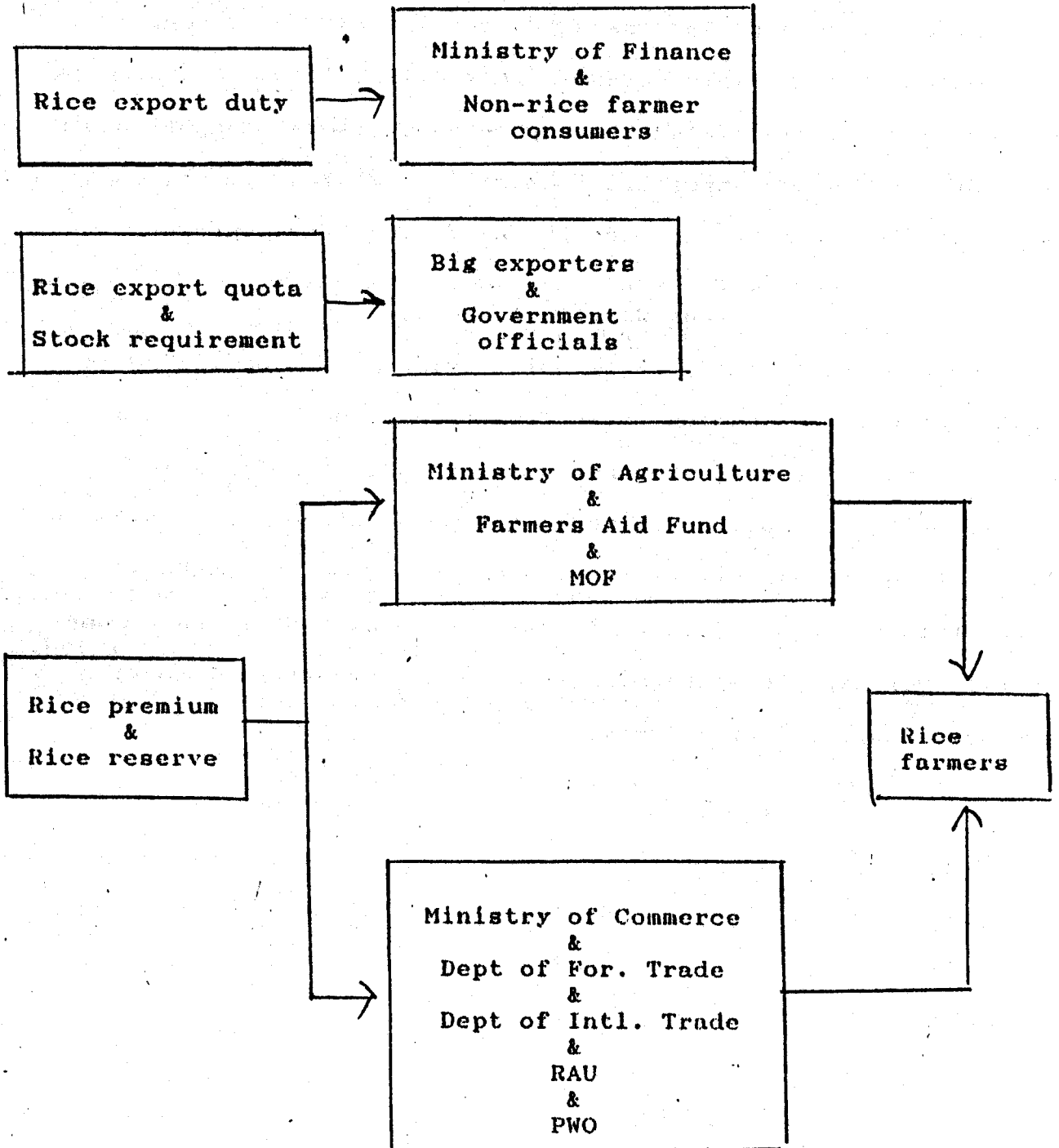
DIAGRAM II

BENEFIT STRUCTURE FROM RICE EXPORT TRADE RESULTING FROM GOVERNMENT POLICY INSTRUMENTS

Policy Instruments

Major Beneficiaries

Small Beneficiaries





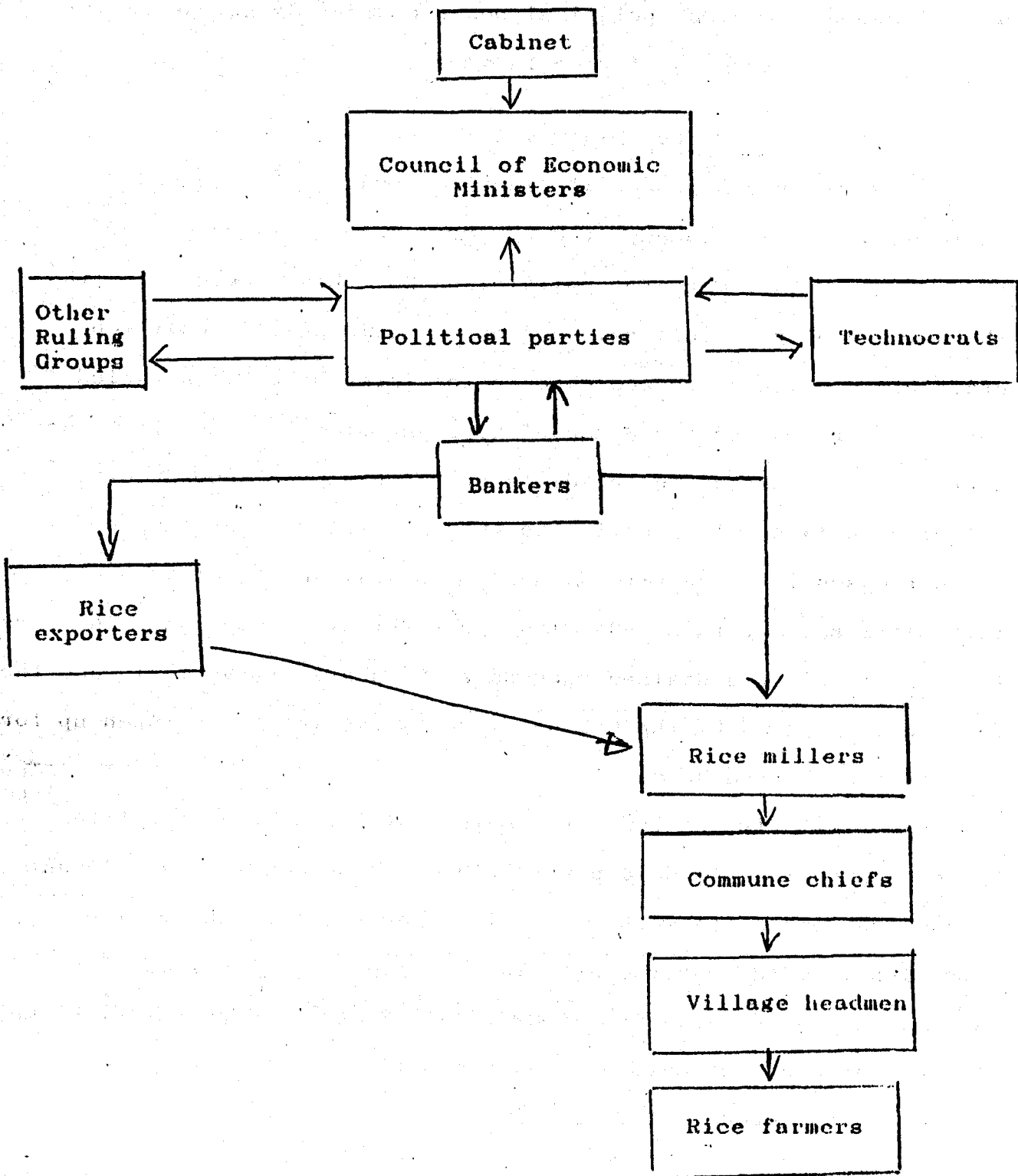
Millers, on the other hand, have control over the commune chiefs and village headmen and rice farmers. Rice millers and rich farmers are also the power base of politicians. Top politicians who can muster the real political power however do not necessarily represent the interests of rice farmers.

(Put Diagram III here)

With regards to politicians, a study of the records of achievements of Parliament from 22 April 1979 to 19 March 1983 shows clearly that very few politicians have been concerned with the welfare of rice farmers. During the said period, only four draft bills which expressed concern for farmers had been tabled for consideration of the House of Representatives. The first was a proposal to compromise the debts of farmers, the second to establish a farmers' council, the third to set up a special court to hear cases involved with farmers disputes, and the fourth one to forbid the sale of farmlands with the right of redemption. The first three draft bills contained proposals which are impractical, and the last one, proposed by the Cabinet itself, has yet to be taken up for deliberation by the House.

Similarly, of the total number of 280 motions submitted by the MPs during the said period, 19 could be considered relevant to the problems of farmers, and only a few received any serious attention from the government. In the same way, of all the 719 interpellations entered by the MPs, only 21 touched on the problems of rice farmers, but only one, on the price-lifting scheme for paddy, was answered by the Minister of Commerce in the House in 1979.

DIAGRAM III  
POWER STRUCTURE OF MAJOR POLITICAL FORCES  
IN THAILAND



Such poor records of the House of Representatives on matters concerned with the welfare of rice farmers testified either to the lack of serious concern on the part of the MPs for the welfare of farmers, or to their political weakness vis-a-vis the Executive Branch.

From October 1977, to February 1980, when Gen Kriangsak was Prime Minister, not much change was made in the rice policy instruments. Government officials merely manipulated several policy instruments they had at their disposal in order to regulate the outflow of rice and its price at the time of surplus and shortage. Gen Kriangsak did declare 1979 the Agriculturalists Year as a symbolic gesture. However, one event worth noting was the embargo of rice sale to Iran and the U.S.S.R. on 30 January 1980. The embargo was imposed as a result of the political conflict between Iran and the U.S.A., and the latter's request for Thailand to join in a boycott against the U.S.S.R. in its invasion of Afghanistan. This action indicates that rice as a commodity can be used as a tool to accommodate the government's foreign policy. In this particular case, Thailand gave full support to the U.S. Government in both incidents.

Since Gen Prem took office upon the resignation of Gen Kriangsak, some changes had been made in the government attempt to improve the living conditions of rice farmers. This attempt was part of the major change in the policy to combat the communist movement led by the CPT, as the consequence of the Order of 66/23 which changed the major tactic to combat the Communists by political actions rather than pure military operations. The order redirected the rural development policy of the government

from the original emphasis on the suppression of Communism to that of a more sincere commitment to the improvement of the welfare of the rural people. In his statements made on various occasions, Gen Prem admitted openly that past development strategies had failed. He saw that past development efforts have made capitalists and businessmen become richer but rural masses poorer. Future rural development, he said, must lead to self-independence of farmers and their communities (Puntasen, A., 1985:35)

Gen Prem announced in 1980 that 1981 would be the Year of Farmers. On 1 September 1980 the government declared the support price of paddy at 3,500 baht per tonne. (The support price announced in October 1985 was only 3,000 baht). The PWO was activated for the first time to accumulate its stocks by buying rice at the supported price. In 1982, the government managed to do two things to reduce obstacles against the export of rice: It abandoned the rice reserve requirement, and significantly reduced the rice premium. In 1981, the total amount of premium collected was 1,662 million baht. It was reduced to 602.4 million baht in 1982. The rate of premium charged which dropped gradually from the highest rate of 5,100 baht per tonne in 1971 to 1,000 baht per tonne in 1975 was finally reduced to 200 baht per tonne in 1983 and remained at this level up to January 1986.

After the big fanfare during 1980-81, enthusiasm to help farmers soon died down. Part of the explanation lied on the defeat of the CPT, not as a direct result of the implementation of the Order of 66/23 but as a result of the increase in the intensity of the Indochina conflict. It can however be

said that in general there has been an improvement in the status of rice farmers since Gen Prem took office in 1980, though not all the credit should go to the government. The gradual deterioration in the export prices of rice after 1981 was also a contributive factor. The export price of rice had dropped from 6,969 baht per tonne in 1980 to 5,616 baht per tonne in 1984. Overall, despite the 1985/86 rice crisis, Gen Prem has been quite effective in executing his policy to help farmers. Part of the problem before and during the crisis stemmed from the Social Action Party, a partner in the coalition government.

In 1984, Mr. Kosol Krairerk, Minister of Commerce of the Social Action Party, reintroduced the quota system used only in 1974 when the world price of rice was the highest (9,500 baht per tonne). He took this action when his plan in late 1983 to sell paddy direct to Europe for milling there, in his desperate attempt to lift the price of paddy, was vehemently protested by various groups, especially rice millers, who feared that it would have caused a great harm to the country's rice industry as a whole. The reintroduction of the quota system was done while the price of rice was at the record low at 5,616 baht per tonne. On top of that the stock requirement was similarly reintroduced as a basis for the allocation of export quota. These two measures would have had the effect of depressing the domestic price of rice because of the increasing monopolistic power of rice exporters. This in turn would have created excessive profits in the form of "economic rent" to exporters, and would have given rise to favoured treatment and irregular practice by government officials. Because of the rapid decrease in the price of rice, the government decided to cut

the export duty for the first time from 5 per cent to 2.5 per cent and completely abolished it in September 1985. The reserve requirement ratio has ceased since 1983. But these barriers had not been abolished without a crisis which deserves some detailed study to show its political implications.

#### IX. The 1985-86 Rice Crisis: A Case Study

Reassured of his power after the second abortive coup against his government on 9 September 1985, Prime Minister Prem left for a two-week tour of the United States and Europe on 24 September 1985. In the Cabinet meeting a day earlier, Gen Prem assigned his deputy, Mr. Bhichai Rattakul, a leader of the Democrat Party, a partner in the coalition government, to prepare all the necessary solutions for the annual paddy and rice problems. The Prime Minister told Mr. Bhichai that he would come back to decide on the issues involved which he hoped would be of purely "economic nature". At that time a new rice crisis was already brewing. Rice exporters had called on the government to reduce export taxes for rice and if possible, also to abolish premiums for certain grades of rice, the quota system and the stock requirement. They were calling, in short, for a free rice trade. The rice committee of the Board of Trade of Thailand met at the Rice Exporters Association on 18 September 1985 and resolved to propose to the government's Rice Price Maintenance Committee chaired by Commerce Minister Kosol to abolish all barriers to rice export trade. On the same day, Mr. Kosol declared he was all against the abolition of the controversial rice premiums and stock requirement. The conflict began to emerge into a clear

pattern. The 23 September 1985 Cabinet meeting agreed to scrap only the export tax of 2.5 per cent levied by the Customs Department. But the rice premium and the stock requirement would remain.

On the other fronts, the central committee of farmer groups from eight provinces convened in Suphanburi Province, the stronghold of the Opposition Chart Thai Party. The meeting voiced its concern over the plunge in the prices of dry-season (na prang) paddy which were then as low as 1,800 - 1,900 baht per kwien. The price of the wet-season (na pi) paddy also dropped from 3,300 baht per kwien to 3,000 baht. The farmer groups decided to appeal to the government to find urgent measures to help them. At the same time academics who were following the rice situations closely urged the government to abolish rice export taxes, rice premiums and rice stock system to reduce the exporting cost which they said was responsible for the depressed price of paddy. Some MPs from the Social Action Party also denounced the Commerce Ministry's rice stock system as a failure.

The height of the conflict came when 11 Cabinet Ministers belonging to the Social Action Party met at the residence of party leader, M.R. Kukrit Pramoj, on 1 October 1985 and adopted a resolution calling for the government to guarantee the floor price of paddy for the 1985/86 planting season. New paddy crops were due to be harvested in November 1985. The SAP Ministers threatened to pull out from the coalition if their call was ignored. Other SAP MPs later joined the move. But opposition to SAP's proposal came immediately from the Chart Thai Party which condemned the move as politically motivated to gain popularity among farmers.

Other Ministers not affiliated with parties also voiced their disagreement. They said the price guarantee policy did not work in the past and the government did not have enough money nor adequate administrative machinery to implement the policy.

Things moved quickly. Prime Minister Prem was kept constantly monitored of SAP movements. Meanwhile, Dr. Virabhongse Ramankura, a close economic adviser to the Prime Minister came out strongly against the price guarantee, arguing that in the past very few farmers had gained from the scheme. The major groups who had benefitted were influential rice millers and exporters. Besides, he said the country would incur huge debts from having to borrow the money for the purpose.

Meanwhile, Commerce Minister Kosol declared his Social Action Party was serious in pursuing the paddy price guarantee policy, arguing: "The government has to shoulder the loss in order to help farmers." (Maticon, 8 January 1986: 2). But he insisted that he opposed any attempt to abolish the rice premium and stock requirement because their abolition would bring disastrous results. "Somebody else will have to do it, not me," he said. (Maticon, 8 January 1986: 2). Anxiously, Prime Minister Prem called from London to ask Mr. Narong Wongwan, Minister of Agriculture and Cooperatives about the pending move to guarantee the floor price of paddy. A group of about 30 SAP MPs then met with representatives of the rice mills associations who agreed to buy a kwien of paddy at 3,300 baht on conditions that they receive low interest loans from the government.

By the time Gen Prem returned from his trip on 10 October



1985 the Social Action Party had already settled on a package of measures to implement its new rice policy. These measures were taken up for discussion by the Council of Economic Ministers on 14 October 1985. The meeting, chaired by Gen Prem, was a heated one, lasting for more than five hours, but there was no solution. A task force was set up to study further details of SAP proposals. On the next day Mr. Kosol denounced Dr. Virabhongse who strongly opposed Mr. Kosol in the meeting. Other SAP MPs urged Prime Minister Prem to dismiss his economic adviser. The Social Action Party convened another meeting of its Cabinet Ministers to map out the next moves.

On 17 October 1985 the Committee on Rice Policy for the 1985/86 planting season met at the Ministry of Commerce for eight hours and agreed to settle for a 3,000 baht per kwien guarantee price for paddy (5% grade), and to enforce the measure with two legislations, the Act of Commodity Prices Control and Anti-Monopoly and the Rice Trade Act. The rice mills which agreed to join the scheme and received low-interest loans could face jail terms and fines if they refused to buy paddy from farmers at the guarantee price. The millers would receive loans at 9 per cent rate instead of the ordinary 15.5 per cent from commercial banks to buy paddy. Rice premiums and rice stock requirement would be maintained.

The Chart Thai Party which had been agitating farmers and had taken other moves also proposed its own measures to solve the price problems to Prime Minister Prem. A group of economists from Thammasat University issued a declaration denouncing the price guarantee scheme and calling for the abolition of rice premiums and

rice stocks.

Minister Kosol won the first round of the fight when the Economic Ministers on 21 October 1985 approved his price-lifting measure, to be put into force on 1 December 1985 with most of the money for the purpose to come from the Farmers Aid Fund. About 3 million tonnes of paddy were expected to be sold by farmers at the guarantee price of 3,000 baht per kwien (5% grade). This price still did not satisfy most of the SAP MPs who told Mr. Kosol they wanted it to be 3,300 baht per kwien. Farmer groups also expressed their dissatisfaction with the newly-set price.

The situation was heading for the final stage of the crisis when the guarantee price failed after a few days of implementation. On 9 December 1985 a group of about 1,500 farmers from Suphanburi, Chainat, Angthong, Singburi gathered in Si Prachan District of Suphanburi, to protest against the low price of paddy. They complained that rice mills were trying to depress paddy price further. At the same time, rice mills in many provinces in the Northeast postponed their decisions to join the rice price guarantee scheme on the grounds that commercial banks refused to give them loan credits. Farmers agitated more. A group of them from Chacheongsao Province met with Mr. Kosol to complain about the failure of the scheme. Prime Minister Prem ordered all government agencies concerned to coordinate their operations in implementing the scheme, but he refused to meet farmer representatives who demanded to see him. On 20 December 1985 Minister Kosol started to complain that his scheme did not get the cooperation from the Bank of Thailand, commercial banks, and particularly from the Ministry of Agriculture and Cooperatives.

On 24 December 1985 the Chart Thai Party announced it would call on the Prime Minister to sack Mr. Kosol for the failure of his policy. The party alleged there was corruption involving commercial banks which joined the price guarantee scheme.

Towards the end of 1985 and in early January 1986 farmer groups began to move. On 29 December 1985 about 1,000 of them in Kamphaengphet gathered to discuss the low price of paddy. On 2 January 1986, 70 farmer representatives from Phitsanulok, Chainat, Angthong, Singburi and Suphanburi met at the home of Mr. Praput Potisuthon, a Chart Thai MP from Suphanburi, and voted to "march" farmer groups down to Bangkok on 6 January 1986. Their target was the Ministry of Commerce. Meanwhile, some rice mills started to attack the Ministry and rice exporters for buying milled rice from them at lower prices, and threatened to withdraw from the scheme.

On 6 January 1986 about 3,000 farmers massed at the Royal Plaza near the Government House. A twist to the event was that a group of pineapple growers from Phetchaburi suddenly came to join with many truckloads of ripe pineapples which they scattered all over the area around the Government House. The pineapple growers were alleged to come to thwart Chart Thai's attempt to discredit Prime Minister Prem. The man behind them was said to be Col. Phol Roengprasertvit, MP from Uthai Thani who owned a pineapple canning factory in Phetchaburi.

Although the farmers' protest in front of Government House was over in a few days, the discontent of farmers had spread. Both farmers and rice millers blamed the government for failing to implement the measures. Price of paddy fell to 2,300-2,400 baht per kwien (5% grade) in some areas. There was a call for a Cabinet

reshuffle. Minister Kosol "drew a deadline" for himself. He said if he could not boost the price of paddy by 15 January 1986 he would step down. And on 13 January 1986 he tendered his resignation to be effective on 16 January. In a eight - page statement he issued, Mr. Kosol said politics partly contributed to the failure of his rice policy, but he insisted that the future would prove his policy to keep rice premiums and rice stocks correct. In an interview later on, Mr. Kosol said he wanted to remind any future Commerce Minister that "The story of rice is more dramatic than martial-art Chinese movies. Anyone who is stupid will be dead. I was stupid so I was dead." (Naew Na, 21 January 1986:16)

The Cabinet reshuffle which finally came affected only the Social Action Party. Mr. Kosol was replaced by Mr. Surat Osathanukroh, a former Deputy Interior Minister. The new Commerce Minister immediately dismantled Mr. Kosol's measures. He abolished the paddy price-lifting programme, rescinded the enforcement of the two laws which caused rice millers to be reluctant to join the scheme. They now had the choice to join or not to join in other supplementary measures to help farmers. Also abolished were the export quota system, the collection of premiums of medium and low grade rice, i.e., those lower than 10 per cent. He relaxed the stockholding requirement from 2,000 tonnes to less than that amount, but four groups of rice exporters who had the privileges to sell in government-specified rice markets were still required to stock altogether 80,000 tonnes of rice at all time. Mr. Surat said his measures were tantamount to setting the rice trade free.

There were some problems of adjustments at the beginning of this political change. Farmers still complained of low paddy

price. Rice millers who joined Mr. Kosol's scheme protested at their losses. But by all indications the rice crisis for 1985/86 season was over.

#### X. Rice Situation in the 1986/87 Season

The Fifth Prem Government faced a less severe rice situation. Soon after its installation in August 1986, it adopted a number of measures which succeeded in depoliticizing the issue of paddy and rice prices. Luck also played a part.

The government appointed a national-level body called the Rice Policies and Measures Committee chaired by an honest Deputy Prime Minister, Admiral Sondhi Boonyachai, who once was affiliated with the Prachakorn Thai Party. Admiral Sondhi, now a neutral party, has often been criticized for his lack of knowledge of the economics of rice, but he has managed to keep party politics out of the rice issue.

The Rice Policies and Measures Committee has been made a sole organization to supervise the works of various government agencies charged with the responsibilities to tackle different aspects of the rice economy--from production to export.

Admiral Sondhi has successfully resisted attempts by political parties and pressure groups who tried to force the government to declare a support price or target price for paddy buying. The fact that the highly corrupt and unprofitable Public Warehouse Organization under the Ministry of Commerce and the Marketing Organization for Farmers under the Ministry of Agriculture and Cooperatives had been kept out of the new policy set-up has made the government become less a target of attack. Also the

low production of paddy for the 1986/87 planting season due to drought which has brought down the crop yields by nearly two million tonnes, has also helped to shore up the prices of paddy and rice.

Among the measures introduced by the government to lift up the price of paddy, the most successful was the paddy pledging scheme introduced by the Bank for Agriculture and Agricultural Cooperatives (BAAC), which works this way: Provided with a 5,000 million baht loan credit from the Bank of Thailand at a 1 per cent interest rate to launch the scheme, the BAAC loaned out the money to paddy farmers at a rate of 3 per cent per annum for a period of six months, from January-June 1987. The loans given would be up to 80 per cent of the going market value of paddy crop which were pledged to the bank as collateral. This scheme was aimed at helping farmers to slow down the sale of paddy in the early period of the harvest season when prices would be low. The farmers would keep the pledged or mortgaged paddy at their own barns, thus saving the transportation cost. When the prices of paddy later improved, they could ask for the bank's permission to sell it and repay the loans.

Prices of paddy as a result have improved and sustained to the satisfaction of farmers who had some cash to spend while waiting for the right time to sell their paddy. Prices of various grades of rice, even glutinous rice, have risen higher than the previous 1985/86 season. For example, 5 per cent grade paddy has been sold at the average 2,500-3,000 baht per tonne. Attempts by the Ministry of Commerce to expedite the shipments of large quantities of export rice and to buy rice into stocks, have also

helped keep the price of rice high. As of the end of March 1987, rice price has become no serious political issue, only occasionally raised by some critics who wanted to see farmers get a better deal, though they have been fully aware of the strong competition from the American rice in the world market which prevents Thailand to increase its export price of rice.

Low production of rice in such major exporting countries as Burma and Pakistan have, in addition, helped Thai rice to compete relatively favourably in the world.

There is however an increasing awareness especially among farmers, that rice growing has become no longer profitable and they have been encouraged to grow other cash crops or to turn to dairy farming, for example, to supplement their income, if not to totally substitute for rice farming.

The price of rice will continue to be a political issue, but its significance will greatly diminish since the obstacles to rice exports are now reduced to only a very few unimportant ones. Reintroduction of severe measures cannot be done easily under an elected regime. Other factors will contribute to the decrease in the importance of the politics of rice including the gradual decline in its ranking in the export list of the country.

#### XI. Conclusions: Development Consequences of the Past Policy.

The present uneven development pattern of the Thai economy indicates the failure of previous development plans. Unfortunately the Thai government tends to explain this failure in terms of the uneven allocation of resources in its development efforts. As shown in Diagram I, the plan to suppress the domestic price of rice is

fully consistent with the development plans suggested to the Thai government by the United States as part of the total package to stop the rising in the popularity of the socialist ideology in the 1950s when the cold war between the East and the West was at its highest intensity. Modernization theories of development were presented as the alternative to socialism. However, without the policy to suppress the domestic price of rice, the result could have turned out differently.

It has been shown time and again that every time the domestic price of rice has gone up due to the good export price, there will be a temporary boom in the rural sector of the national economy. The expansion of the rural economy in turn helps to stimulate urban activities especially manufacturing industries and services. In economic terms, the size of a multiplier will be larger than if otherwise. This is because income from the good price of rice will flow throughout the whole economy. In the case of suppressed domestic price of rice, a smaller amount of money is left to rice farmers, and less economic activities will be generated in the urban sector. Thus, any constraint imposed on the export of rice to suppress domestic price of rice will promote unbalanced growth. At the same time this measure will also serve as a barrier against the overall growth of the whole economy.

From 1947-84, the government has collected 62,647 million baht, at the 1976 price, of premium and export duty from rice farmers. (See Appendix I). Of course this figure underestimates the total monetary value since it excludes the benefit made by the Rice Account Unit of the Department of Foreign Trade, Ministry of Commerce, from its premium exemption privilege in the G-to-G rice



trade. If this amount is included, the total export tax collection will not be less than 100,000 million baht at the 1976 price during the said period. Given the fact that export is normally less than half of non-rice farmer domestic consumption, the real earnings made by rice farmers during such a period would not be less than 300 billion baht at the 1976 price. This figure only represents a low estimate because it does not include other factors that cause the depressed domestic price of rice such as the reserve ratio requirement, export quota and the straightforward ban on rice exports and the stock requirement which give rise to the increased monopoly power of rice exporters. This 300 billion baht earnings lost by rice farmers during the past 38 years are equivalent to the total expenditure on the economic sector from the First National Economic Development Plan to the Fifth (1961-86). This indicates how large is the magnitude of income lost by rice farmers during the past four decades. (See Appendix II)

Apart from the imbalanced growth resulting from the discriminatory tax policy against rice farmers, other consequences of this policy are land-intensive use in rice cultivation and slow adaptation of modern technology especially in farm mechanization and the application of chemical fertilizer (See Appendix III). The two factors have contributed to the rapid disappearance of forest lands. This in turn has caused the rapid disappearance of major water resources, soil erosion, more frequent drought and flood and rapid depletion in soil nutrients. These factors will contribute to the decrease in the yield per unit of farmland as a result of the increasing cost of production. The fact that the domestic price of rice has been suppressed for so long has resulted

in the slow growth in the Thai rice supply to the world market. This factor has contributed to the long period of high price of rice in the world market, which has induced many countries to try to achieve self-sufficiency in rice production as in the case of Indonesia, once a major importer of Thai rice, and many others to produce surplus for export. The contemporary result is quite disastrous for the Thai farmers and the whole Thai economy. It explains the situation of the glut of rice in the world, a factor that has driven the world price of rice to a persistently low level. At the same time the cost of rice production has increased. These two opposing trends have put a great pressure on the Thai government to continue to dismantle many rice export barriers discussed earlier.

Frequent crises of the price of rice in the past will develop into an annual crisis in the future still. Without any far-sighted policy on this issue by the Thai government, political debates and manipulations resulting from the low price of rice will continue. It may be said in conclusion that the degree of democracy in Thailand can simply be measured by the welfare of rice farmers. So long as the Thai rice farmers are still in constant difficulties, there will be no hope for true democracy in Thailand.

## APPENDIX I

TABLE 1: RICE PREMIUM AND EXPORT DUTY AND PRICE INDEX

Year	Rice Premium (million baht)	Export Duty (million baht)	Total Export Tax (million baht)	Total Export Tax Price Index	(1976 price)
1947	32	-	1.66	20.8	154
1948	166	-	166	23.1	719
1949	340	-	340	26.6	1,328
1950	180	-	180	28.4	634
1951	170	-	170	31.5	540
1952	365	74	493	39.2	1,247
1953	807	135	942	38.7	2,434
1954	586	105	691	38.8	1,781
1955	441	148	589	40.6	1,451
1956	842	139	963	43.0	2,240
1957	840	193	1,033	45.6	2,265
1958	812	130	942	48.2	1,954
1959	756	126	882	45.9	1,922
1960	745	143	888	45.6	1,947
1961	872	189	1,061	48.9	2,170
1962	753	161	914	51.9	1,764
1963	819	172	991	48.7	2,035
1964	1,238	202	1,440	45.8	3,144
1965	1,192	197	1,389	47.0	2,955
1966	995	182	1,177	53.7	2,192
1967	995	199	1,194	57.8	2,166
1968	1,268	173	1,441	58.9	2,447
1969	1,037	139	1,176	60.3	1,950
1970	540	121	661	60.2	1,092

1	225	144	369	60.5	610
2	158	188	346	63.5	545
3	333	148	581	73.4	792
4	3,123	651	3,774	91.2	4,138
5	371	500	871	96.0	907
6	5	393	398	100.0	389
7	557	459	1,016	107.6	944
8	1,108	524	1,632	116.1	1,406
9	1,472	670	2,142	127.6	1,679
0	1,459	909	2,368	152.7	1,551
1	1,662	1,286	1,948	172.1	1,132
2	602	1,088	1,690	181.1	933
3	707	839	1,546	187.9	823
4	390	518	908	189.5	429

Source: Department of Foreign Trade, Ministry of Commerce; Department of the Royal Thai Customs, Ministry of Finance, and the Bank of Thailand Annual Reports.

## APPENDIX II

TABLE II : TOTAL GOVERNMENT EXPENDITURE AND ITS EXPENDITURE ON ECONOMIC SECTOR

Year	Total Expenditure (million baht)	Total Expenditure (1976 price) (million baht)	Total Government Expenditure (in 1975 price)	Total Government Expenditure on Economic Sector (in 1976 price)
1961	7,500	15,341		
1962	8,513	16,980		
1963	9,616	19,745		
1964	10,452	22,821		
1965	12,475	26,543	First Plan	First Plan
1966	14,296	26,622	128,052	32,379
1967	16,511	28,566		
1968	19,326	32,812	Second Plan	Second Plan
1969	21,171	35,109		
1970	24,289	40,347		
1971	27,188	44,905	181,739	52,523
1972	28,823	45,391		
1973	32,481	44,252	Third Plan	Third Plan
1974	36,182	39,673		
1975	46,484	48,421		
1976	59,420	59,420	237,157	54,546
1977	66,414	61,723		
1978	77,908	67,104	Fourth Plan	Fourth Plan
1979	91,823	71,962		
1980	121,214	79,380	357,637	82,257
1981	133,323	77,468		
1982	157,178	86,791	Fifth Plan	Fifth Plan
1983	166,847	88,796	(First Three Years)	(First Three Years)
1984	181,752	95,911	271,498	54,300
			Total	276,023

Source : Budget Bureau, Annual Budgets, Bank of Thailand.

APPENDIX III  
TABLE III - A  
AREA PLANTED OF RICE

Year	Area Planted (Thousand Rai)	Annual Average Rate of Growth (per cent)	Overall Annual Average Rate of Growth (per cent)
1940	23,974	3.7	2.2
1950	34,625	0.9	
1960	37,909		
1970	47,400	2.3	
1980	58,971	2.2	

Sources : Department of Rice; from 1940 to 1960 Office of Agricultural Economics, Ministry of Agriculture, Agricultural Statistics of Thailand.

(From the Table above, it is quite clear that the area planted of rice has increased over time. However, such increase is not at the reduction in area planted of other major crops. Table III - B will demonstrate such evidence. Consequently, the expansion of the area planted of rice must be achieved at the reduction of forest land.)

TABLE III - B  
 AREA PLANTED OF RICE, MAIZE, SUGARCANE, CASSAVA

(thousand rai)

Crop - Year	Rice	Maize	Sugarcane	Cassava
1965/66	40,961	3,605	883	637
1966/67	46,454	4,083	778	814
1967/68	41,612	4,138	935	880
1968/69	45,173	4,193	1,137	1,066
1969/70	47,400	4,248	739	1,193
1970/71	47,460	5,180	562	1,403
1971/72	47,403	6,368	991	1,384
1972/73	45,931	6,231	1,133	2,039
1973/74	52,270	7,172	1,616	2,725
1974/75	49,889	7,749	1,935	3,000
1975/76	55,602	8,200	2,444	2,969
1976/77	53,595	8,029	3,119	4,327
1977/78	56,444	7,534	3,541	5,293
1978/79	62,485	8,661	3,190	7,282
1979/80	58,971	9,529	2,730	5,286

Source : Pannayotou, T. et.al Food Policy Analysis in Thailand, (Agricultural Development Council, Bangkok, 1985) Table 6, p. 34.

(Because increase in rice production is achieved through expansion of cultivated area and not much through the introduction of modern production technology, the result is the low rate of fertilizer utilization of farmers.)

TABLE III - C  
RATE OF FERTILIZER USE IN SELECTED COUNTRIES

(kg./hectare)

Country	1964	1966	1968	1970	1972	1974	1979/8
Developed countries	71.0	82.4	88.1	94.6	100.4	91.6	-
Developing countries	6.2	8.0	10.0	13.3	16.9	18.8	-
Japan	310.3	357.1	389.5	372.6	362.8	374.9	-
South Korea	166.1	184.6	206.3	241.6	272.1	350.4	380.0
Singapore	171.4	192.3	250.0	250.0	272.7	333.3	-
West Malaysia	20.3	30.3	31.2	53.9	66.9	103.2	104.0
Philippines	10.9	12.8	16.8	24.4	19.0	27.7	34.0
Indonesia	4.7	8.2	15.1	13.1	24.5	29.5	54.0
Thailand	2.4	5.0	7.4	6.0	11.6	13.4	17.0

Source : Panayotou, T. et. al Food Policy Analysis in Thailand. (Agricultural Development Council; Bangkok, 1985) Table 20 p. 44.

(Observe in Table III - C that the rate of fertilizer use in Thailand is the lowest in the ASEAN region. The rate is also lower than the average rate of developing countries. Consequently, yield per rai in Thailand gradually diminished. The increase in yield per rai is only a recent phenomenon resulting from the increased utilization of fertilizer. Nevertheless, the recent record is still lower than the 1906-09 years. (See Table III - D).



TABLE III - D  
YIELD PER RAI

Year	Yield (kg./rai)
1906-09	295
1914-17	264
1921-23	272
1930-33	236
1940-43	189
1948-50	203
1957-58	208
1963-64	275
1975-76	276

Source : Phipatseritham. K, "Land Problem and the Assistance of Thai Farmers in the Project in Response to the Government Policy: Year of the Farmers," Faculty of economics, Thammasat University, Bangkok, February 1979, Table 7. p. 5-19.