

Thai Cane Farmers' Responses to Sugar Policy Reforms: An Intentions Survey

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Abstract : Thailand has become the world's fourth largest sugarcane producer and second largest sugar exporter. While there have been a number of drivers of this growth, the primary driver has been wide-ranging government support measures. Recently, the Thai government has emphasized the need for policy reform as part of a broader industry restructuring to bring the sector up-to-date with the current and future developments in the international sugar market. Because of the sectors historical dependence on government support, any such reform is likely to have a very significant impact on the fortunes of Thai cane farmers. This study explores the impact of three policy scenarios, representing a spectrum of policy approaches, on Thai cane producers. These reform scenarios were designed in consultation with policy makers and academics working in the cane sector. Scenario 1 captures the current 'government proposal' for policy reform. This scenario removes certain domestic production subsidies but seeks to maintain as much support as is permissible under current WTO rules. The second scenario, 'protectionism', maintains the current internal market producer supports, but otherwise complies with international (WTO) commitments. Third, the 'libertarian scenario' removes all production support and market interventions, trade and domestic consumption distortions. Most important driver of producer behaviour in all of the scenarios is the producer price of cane. Cane price is obviously highest under the protectionism scenario, followed by government proposal and libertarian scenarios, respectively. Likely producer responses to these three policy scenarios was determined by means of a large-scale survey of cane farmers. The sample was stratified by size group and quotas filled by size group and region. One scenario was presented to each of three sub-samples, consisting of approx.150 farmers. Total sample size was 462 farms. Data was collected by face-to-face interview between June and August 2019. There was a marked difference in farmer response to the three scenarios. Farmers in the 'Protectionism' scenario, which maintains the highest cane price and those who farm larger cane areas are more likely to continue cane farming. The libertarian scenario is likely to result in the greatest losses in terms of cane production volume broadly double that of the 'protectionism' scenario, primarily due to farmers quitting cane production altogether. Over half of loss cane production volume comes from medium-size farm, i.e. the largest and smallest producers are the most resilient. This result is likely due to the fact that the medium size group are large enough to require hired labour but lack the economies of scale of the largest farms. Over all size groups the farms most heavily specialized in cane production, i.e. those devoting 26-50% of arable land to cane, are also the most vulnerable, with 70% of all farmers quitting cane production coming from this group. This investigation suggests that cane price is the most significant determinant of farmer behaviour. Also, that where scenarios drive significantly lower cane price, policy makers should target support towards mid-sized producers, with policies that encourage efficiency gains and diversification into alternative agricultural crops.

Keywords : farmer intentions, farm survey, policy reform, Thai cane production

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