

## The Effect of Resource Misallocation on the Productivity of Rice Farming in Thailand: Evidence from Household-Level Data

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**Abstract :** Resource misallocation is known to be prevalent in many countries. Such misallocation in the manufacturing sector is large and has a considerable negative effect on aggregate productivity. Thailand is one of the countries having large resource misallocation in the manufacturing sector. Resource misallocation is also known to be widespread in the agricultural sector. It is, therefore, likely that resource misallocation exists in the agricultural sector of Thailand as well. This study aims to evaluate the extent of resource misallocation in Thai rice farming. Using household-level data from 2013 Thai Agricultural Census, this study calculates farm total factor productivity (TFP) controlling for land quality and rain. Similar to the case of Malawi, marginal products of land and capital are found to be related to farm TFP implying large resource misallocation. The output gain from a reallocation of resources to their best use is 67 percent. The gain from reallocation is highest for farms in the southern region and followed by the northeastern region.

**Keywords :** agriculture, misallocation, productivity, rice

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