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Two Plan B Reports

DEVELOPMENT OF AGRICULTURAL COOPERATIVES IN THAILAND

and

THE EFFECT OF COMBINATION COMPANIES

ON ELECTRICITY RATE STRUCTURES

IN THE UNITED STATES

DEVELOPMENT OF AGRICULTURAL COOPERATIVES IN THAILAND

by

Wirote Manopimoke

Report No. 1 submitted in partial fulfillment
of the requirements for the degree

of

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Plan B

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CHAPTER I

Introduction

The seed of cooperatives was first brought to Thailand by Sir Bernard Hunter, the British banker, in 1914. Because of his suggestion, the first cooperative society was established in Phitsanulok Province in the northern part of Thailand, on February 26, 1916, along the lines of the Raiffeisen model, or what is known as the "village credit cooperative." The government at that time was still an absolute monarchy under the reign of King Rama VI. It desired, however, to relieve farmers from severe indebtedness and to enable them to expand their rice production, which was at that time becoming more and more important in earning foreign exchange. During the initial stages of cooperative development, the government directly provided cooperatives with funds to be loaned to members.

The success of the first small credit society through the basic principles of thrift, mutual help and self-help led to a moderate but sound expansion of this type of cooperative after a constitutional government was formed in June 1932.¹ Since then other types of cooperatives have been given their place, forming a movement of both producers and consumers in the kingdom.

¹Thailand was changed from an absolute monarchy to a constitutional monarchy by revolution.

Certain disadvantages were experienced by the cooperative movement in Thailand between the years 1947-1952.² This was due to a rather hasty expansion of certain types of cooperative societies during that period as a result of political demands. This resulted in the organization of some hundreds of societies each year during that period. (In 1949, registration was awarded to 1,109 credit societies and to 70 other societies, or a total 1,179, the highest number of societies registered in one year).³ Certain problems arising from such a hasty push of work supported by inadequate experience of cooperative officials have been found in the movement. These problems of hasty organization and inadequate experience retard the work of certain types of cooperatives.

In order to create viable cooperatives on the district or local level, the government of Thailand through the Ministry of National Development has worked since 1969 to amalgamate the small village credit cooperatives into bigger units called "agricultural cooperatives."

This paper presents the cooperative movement in the introduction. The second chapter outlines cooperative policy under the National Economic and Social Development Plan including the Cooperative League of Thailand (CLT), the Cooperative Marketing and Purchasing Federation of Thailand (CMPF), and the Bank of Agriculture and Agricultural Cooperatives (BACC), all of which were established to promote the multi-purpose cooperatives. The structure of cooperatives in

²Cooperatives Promotion Department, The Cooperative Movement in Thailand, (Bangkok: The Cooperative Marketing and Purchasing Federation of Thailand, Printing, 1974), p. 2.

³Ibid., p. 3.

Thailand is outlined in the third chapter. The fourth chapter describes the economic activities of agricultural cooperatives. The fifth chapter explains the role of agricultural cooperatives in agricultural development in Thailand. The final chapter includes some conclusions and the future outlook of agricultural cooperatives in Thailand.

Because of limited and incomplete data relating to the analysis of economic activities of cooperatives, an in-depth study of cooperatives was not feasible. To some extent I face the same problem that Ingram states in his Economic Changes in Thailand: "The economist who wishes to study the economy of Thailand is faced with the same dilemma, he can proceed to use questionable statistics to draw questionable conclusions, or he can do nothing, except possibly to rely on impressions gained from personal observations."⁴

⁴James C. Ingram, Economic Changes in Thailand, 1850-1970 (California: Stanford University, 1971), p. 221.

CHAPTER II

Agricultural Cooperatives and
National Economic and Social Development Plan

Like many Southeast Asia countries, public policy in Thailand has become increasingly concerned with the development of subnational areas. The past record of national economic growth and upward change in level of aggregate income have tended to generate regional disparities in the level of economic welfare. This phenomenon in Thailand seems to confirm the theoretical proposition that when a nation achieves rapid economic growth, regional income inequality increases unless deliberate spatial reallocation of resources is implemented to redress the inter-regional imbalance. These regional gaps in economic development have grown ever wider in recent years between the rural and urban areas in Thailand.

In October 1958, the government under Prime Minister Sarit Tanarat announced that one of the top priority goals of his government was to unfold a new economic development program for the nation. The National Economic Development Board (NEDB), charged with central planning functions, was created in July 1959.⁵

The First Six-Year Plan (1961-1966) and the Second Five-Year Plan (1967-1971) were formulated and implemented during the decade of the 1960's with the objective aimed at the overall economic structure. Both plans were basically a medium-term public expenditure program to realize

⁵Ibid., p. 50.

overall development objectives. The current Third Plan (1972-1976) was prepared and launched when the Thai economy was undergoing a process of adjustment from the rapid growth of the 1930's to a slower pace with a deteriorating external economic position. These depressive effects were amplified by pessimistic views of private investors due to uncertainty concerning the growth of the economy.

Agricultural cooperative policy
under national economic and social development plan

As mentioned before, the failure of many cooperatives in Thailand led to the amalgamation of the small village credit cooperative into agricultural cooperatives in 1969. Agricultural cooperatives were promulgated in the Second National Economic and Social Development Plan 1967-1971, Annual Plan 1969, on page 74-75 as follows:

1.4.6. Cooperatives

The policy in 1968 to promote cooperatives on a self-help basis proved very effective, particularly in Land Improvement Cooperatives (which number 161 units), Credit Production Cooperatives (14 units), and Rice Sale Cooperatives (70 units). However, at present, the characteristic of these cooperatives is toward a single purpose activity which cannot provide service for members to a full economic extent. Further policy will therefore put emphasis on improvement and amalgamation of these single-purpose cooperatives into multi-purpose ones.⁶

The policy concerning agricultural cooperatives as outlined in

⁶The National Economic Development Board, The Second National Economic and Social Development Plan (1967-1971), Annual Plan 1969 (Bangkok: Government House Printing Office, 1968), pp. 74-75.

the Third National Plan, page 134-135, is as follows:

Policies

1. In the Third Plan, activities of multi-purpose cooperatives will be strengthened and expanded in 17 selected irrigation projects. The major projects are the Bigger Chao Phraya, Lam Praplerng, Lam Pao, Nam Pong, and Phetchburi.⁷ In these projects the Ministries and Developments concerned will coordinate their activities through the multi-purpose cooperatives. The operations of the multi-purpose cooperative at Amphoe Saphaya⁸ is an example of the kind of coordinated action that is possible.
2. Policy during the Third Plan calls for establishing larger and more efficient units by grouping small credit cooperatives. The Rice Marketing Cooperatives will be strengthened by providing greater support for those engaged in rice milling and creating new warehouse and silo cooperatives.
3. During the Third Plan, support will be given to the applications of credit and market cooperatives for loans from banking institutions.
4. The activities of Land Settlement Cooperatives, Land Hire-Purchase Cooperatives, and Land Acquisition Fund will be expanded.
5. Continued support will be given to the work of the Cooperative League in extending training service to cooperatives, in order that they will, as quickly as possible, be in a position to handle their own affairs.
6. The Plan calls for the combining of farmer groups that are not in the cooperative movement into legal associations at the Amphoe level. Legislation will be brought forward in 1971 to make such associations legal entities and to permit them to apply for a cooperative charter if they meet the requirements.⁹

⁷Chao Phraya, Lam Praplerng, Lam Pao, and Nam Pong are the names of the rivers.

⁸Phetchburi is the name of a province.

⁹The National Economic Development Board, The Third National Economic and Social Development Plan (1972-1976) (Bangkok: Government House Printing Office, 1973), pp. 134-135.

Because of the problems which occurred during the latter part of the 1960's, the amalgamation of small cooperatives into bigger units was promulgated in the Annual Plan 1969. The problems included a steep rise in the level of U.S. military expenditures in Thailand, sharp changes in prices of major Thai exports, and rising consumer prices. The economic climate of this period required the adoption of higher growth targets than the First Plan. Therefore, the cooperative policy was reviewed to form a new structure in order to help increase productivity. The agricultural cooperative or multi-purpose cooperative was a new hope of Thailand in helping to develop the country.

The Cooperative League of Thailand (CLT)

The Cooperative League of Thailand is a semi-government organization created for the purpose of promoting the cooperative movement under the authority of the Cooperative Act of B.E. 2511 (1968) which reads:

A Cooperative League of Thailand shall be created in order to give aid and assistance to cooperative societies on education and training, as well as cooperative development.¹⁰

CLT was registered on February 26, 1968. It operated on a temporary basis until December 25, 1968. After the League became functional, much of the responsibility for the education of cooperative members and also management training for cooperative employees was transferred from the government to the League.

¹⁰Cooperative Promotion Department, The Cooperative League of Thailand (Bangkok: The Cooperative Marketing and Purchasing Federation of Thailand, 1974), p. 1.

The Cooperative Marketing and
Purchasing Federation of Thailand (CMPF)

CMPF serves as a national federation of almost all agricultural cooperatives for their business dealings. CMPF undertakes bulk purchases of both agricultural input and consumers' goods to supply to their affiliates. It imports directly such goods as fertilizer and light farm machinery, and exports such farm products as maize, sorghum, and black beans collected from member cooperatives. Its foreign trade has been done mainly with the Japanese agricultural cooperative movement. The federation operates three large warehouses and a wharf rented from the government. Since 1970 it has cooperated with the Japanese agricultural cooperative movement in the Thai-Japanese Chemical Co. Ltd., which was founded to produce or pack various kinds of pesticides and insecticides to supply to farmers.

The Cooperative Marketing and Purchasing Federation of Thailand was established on August 22, 1969.¹¹

Bank of Agriculture and Agricultural Cooperatives (BACC)

BACC was established under the Bank for Agriculture and Agricultural Cooperatives Act B.E. 2509, and began operations in November 1969.¹² The BACC replaced and at the same time expanded the focus of the former Bank of Cooperatives. The origin of government credit assistance to farmers dates back to 1961 when the first credit was established with the objective of relieving farmers from heavy debts

¹¹General Administration Department, A Brief Report of CMPF (Bangkok: The Cooperative Marketing and Purchasing Federation of Thailand, 1974), p. 2.

¹²Marcus D. Ingle, Bank for Agriculture and Agricultural Cooperatives, et. al. USAID (Bangkok: Government Printing House Office, 1972), p. 12.

and exorbitant interest rates. After the revolution in 1932, the Royal Thai Government administered an accelerated program for agricultural credit. The Bank of Cooperatives was established in 1947 to provide credit to these agricultural credit associations.

The Bank of Cooperatives was replaced by BACC, following observations about it made by the USOM while developing agricultural credit legislation. They were as follows:

The reasons for this situation include: (a) the failure to build up a staff trained in the technical aspects of credit procedures; (b) the essentially social character of credit operations with loans made exclusively to small farmers who have neither the actual nor potential capacity to repay their loans; (c) the use of most of the credit for consumptive rather than productive purposes; (d) the failure of members to undertake their responsibility for loan appraisal or recovery; and, (e) the fact that although the Bank of Cooperatives has the form and structure of a bank, it performs only bookkeeping and cashier functions. The consequence has been that the resources of the system are becoming increasingly frozen in circumstances which make it almost inevitable that additional resources would also soon become frozen.¹³

¹³Ibid., p. 6.

CHAPTER III

Structure of Agricultural Cooperatives in Thailand

The structure of agricultural cooperatives in Thailand is three-tiered, with a primary society at the Amphoe level, a secondary society at the Changwat level, and the apex society at the national level.¹⁴

The Amphoe level is comprised of individual farmers at the district or local level. The society is divided into various groups of farmers ranging from 5 - 30 groups. The main function of such a society is the provision of credit and other services to the members: marketing, farm supplies, farm extension, processing, water management, and funeral services.

The Changwat level is comprised of at least three or more societies in particular areas joined together. This society functions similar to that of the Amphoe level, but on a larger scale. Special processing activities are undertaken by the federation, such as rice milling, tapioca processing, feed mixing, etc.

The national level is comprised of the Amphoe and Changwat levels. At present CMPF is the apex society of agricultural cooperatives in Thailand. The main activity of the society is focused on agricultural cooperative business: farm marketing, farm supplies, providing credit for marketing, including exporting and importing.

¹⁴Amphoe level - district level; Changwat level - provincial level.

There are other related functions at the national level, such as BACC and CLT. The structure of cooperative organization in Thailand is shown in the following figure.

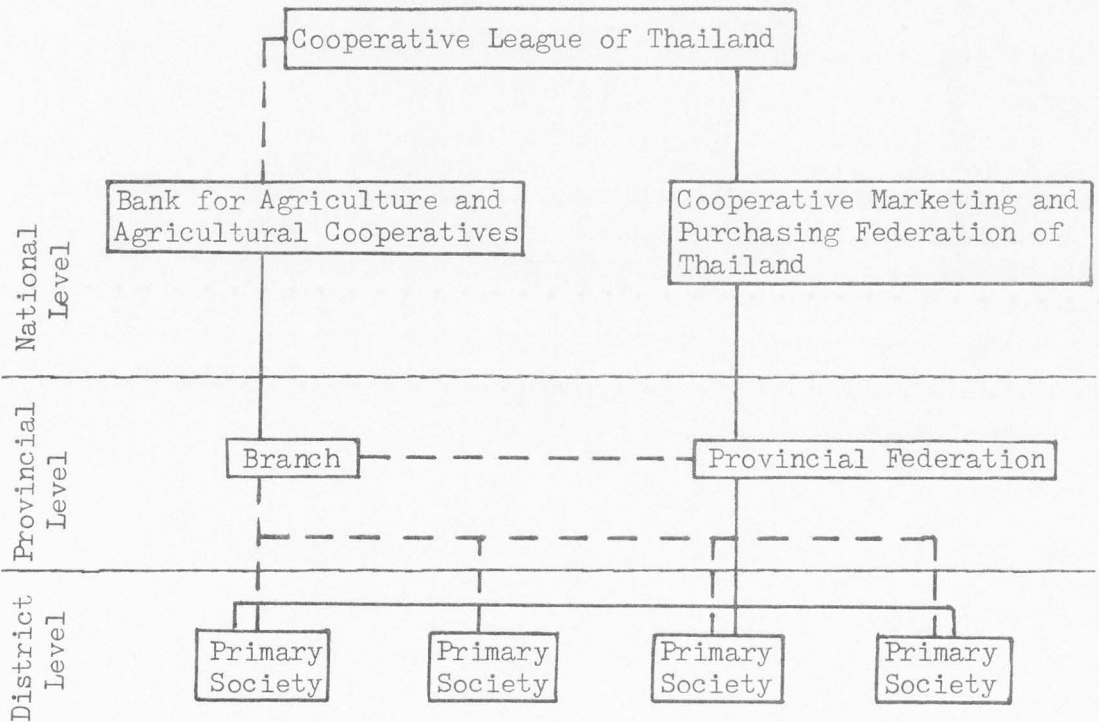


Figure 1. Structure of agricultural cooperatives in Thailand.¹⁵

Types of agricultural cooperatives in Thailand

There are five types as follows:

1. Village credit cooperatives: A village cooperative, or an unlimited liability cooperative is the oldest of agricultural cooperatives in Thailand. It serves small farmers residing in one or two adjoining villages for purposes of maintaining their mutual acquaintance and the principle of joint responsibility. Each cooperative is

¹⁵The Cooperative Movement in Thailand, CLT, 1974.

administered by a board of directors elected annually in a general meeting. Its main objective is to extend to the members short-term and intermediate-term loans for general farm purposes and refinancing of old debts.

2. Agricultural cooperatives (amalgamated): The small credit cooperatives which have already been merged, or are to be merged into limited liability agricultural cooperatives, are improving their working procedures along the line mentioned in 3.

3. Agricultural cooperatives (newly established): Agricultural cooperatives with limited liability are now functioning. Members are required to hold share capital in their society in proportion to the amount of money loaned to them. The size of this cooperative is larger both in terms of membership and area of operations, in order to ensure a large volume of business so that it can have its own office and paid employees. They extend to members only short-term loans for seasonal farm operations, and medium-term loans for land improvement and other capital items, including a limited amount for refinancing old farm debts.

4. Agricultural marketing cooperatives: Agricultural marketing cooperatives have been developed since 1938 to serve the need of the farmer members for marketing of their products. Most of the members are also members of the credit cooperatives. All marketing cooperatives were organized on the product basis with limited liability.

5. Land improvement cooperatives: The main purpose of land improvement cooperatives is to organize farmers to develop minor irrigation systems at the farm level, and to encourage usage of water

resource for increasing production and minimizing the waste of water. Since the water supply is limited and cannot be given without restriction, the society has to regulate the time of supply by a strict rotation plan, giving notice in advance of the exact period during which the member may draw water. Observation of the water rule is normally supervised by committeemen or inspectors entrusted by the committee.

Organization of agricultural cooperatives

A cooperative consists of all members who are eligible to attend and vote at the general meetings. Members at the general meeting elect the board of directors. The board of directors is responsible for formulating policy, general decision-making, as well as the appointment of the manager of the cooperative.

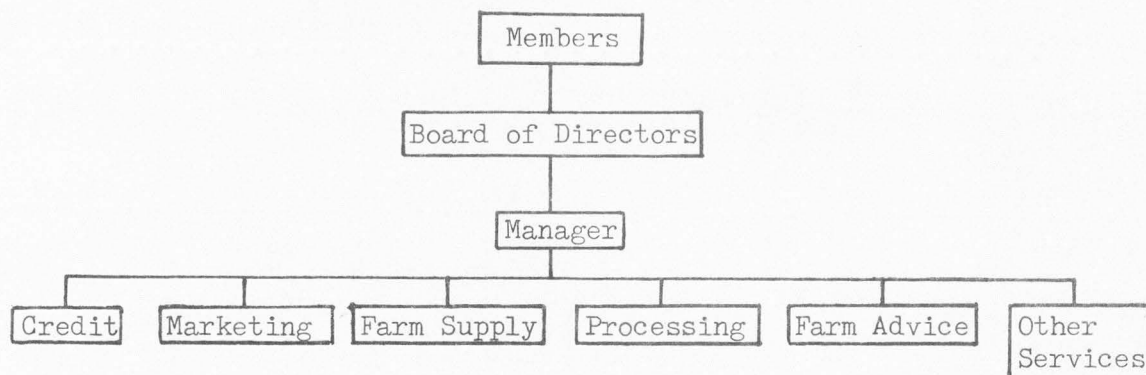


Figure 2. Organizational structure of individual agricultural cooperatives.¹⁶

In 1974, the CLT report indicated that there were 771 agricultural cooperatives in Thailand with a total membership of 324,034 persons (families) (See Table I).

¹⁶Predit Machima, Agricultural Cooperatives in Thailand, CLT, 1974.

Table 1. Number of societies, number of members, and members per society, agricultural cooperatives, Thailand 1974*

Type of Agric. Cooperative	No. of Soc.	Membership	Member Per Soc.
Village Credit Cooperative	49	1,207	26
Agricultural Cooperative (Amalgamated)	382	165,874	342
Agricultural Cooperative (Newly Established)	81	33,109	409
Agricultural Marketing	73	50,080	686
Land Improvement	186	73,768	397
Total	771	324,043	420

*Pradit Machima, Agricultural Cooperatives in Thailand, CLT, 1974

Regional division

Agricultural cooperatives are divided into nine areas as follows:

Area I: Bangkok, Nonthaburi, Pathomthani, Ayuthaya, Lopburi, Saraburi.

Area II: Cha-Choengsao, Chanthaburi, Chonburi, Trang, Rayong, Prachinburi, Nakhornnayok, Samutprakarn.

Area III: Nakhornratchasima, Chayaphum, Burirum, Surin, Srisakat, Ubonratchathani, Yasothorn, Roi-et.

Area IV: Udonthani, Nongkhai, Khon-kean, Loei, Mahasarakham, Kalasin, Sakonnakhorn, Nakornpahom.

Area V: Lampang, Chiangmai, Lamphun, Chiangrai, Maehogsorn.

Area VI: Phitsanulok, Sukho-Thai, Phetchbun, Phichit, Uttar-
adit, Phare, Nan.

Area VII: Nakhornsawan, Kamphaengphet, Tak, Utthai-thani,
Chai-nat, Signhburi, Aungthong.

Area VIII: Samutsakorn, Samutsongkharm, Nakhornpathorm, Suphan-
buri, Kanchanaburi, Ratburi, Pectburi, Prachuapkirikhan.

Area IX: Nakhonsrithamarat, Champorn, Surathani, Phatalung,
Trang, Songkhla, Pattani, Nara-thiwat, Satun, Krabi,
Phang-nga, Phuket, Yala, Ranong.¹⁷

Working capital

The main source of working capital are drawn from:

- 1) Share capital
- 2) Reserve funds
- 3) Borrowing
- 4) Deposits, and
- 5) Other

The 1970-1972 study of working capital by CLT showed the following-
ing amounts and sources of working capital (See Table 2).

¹⁷Pradit Machima, Nongluk Mani, and Amphai Lungphiroum, The Progression of Agricultural Cooperatives During 1970-72 (Bangkok: The Cooperative Marketing and Purchasing Federation of Thailand, 1974), pp. 27-28.

Table 2. Working capital classified by capital per agricultural cooperative, Thailand 1970-1972 *

Area	Share Capital			Reserves			Other Funds			Borrowing			Deposits			TOTAL		
	'70	'71	'72	'70	'71	'72	'70	'71	'72	'70	'71	'72	'70	'71	'72	'70	'71	'72
1	8,580	11,104	13,113	45,055	43,325	43,310	1,979	2,701	5,313	9,180	28,675	28,559	759	796	2,019	65,481	86,601	92,314
2	1,842	11,669	13,416	6,111	33,449	35,728	285	2,950	4,536	2,583	29,021	23,450	121	1,654	2,479	10,942	78,643	75,589
3	5,308	6,771	8,605	21,950	19,489	20,239	929	1,023	1,902	5,453	18,188	24,373	1,281	356	413	34,921	45,827	55,532
4	5,108	6,318	7,630	17,369	17,134	17,052	980	1,331	2,722	9,787	16,997	24,135	1,240	361	390	34,484	42,144	51,920
5	6,817	10,671	11,625	22,269	23,064	23,457	950	1,337	1,187	8,403	22,052	20,583	1,561	479	843	40,000	57,606	57,695
6	6,945	9,682	11,480	20,925	22,393	23,232	624	1,403	2,410	10,005	28,249	29,325	1,389	427	1,086	39,735	62,154	67,533
7	7,939	9,831	12,400	28,959	25,696	26,346	1,826	2,315	3,043	10,806	27,408	30,069	1,462	1,161	3,343	51,074	66,411	75,201
8	10,363	10,929	12,498	26,432	25,354	24,679	1,082	2,340	3,324	21,567	25,811	42,655	808	1,665	2,886	60,252	66,099	75,042
9	6,413	9,010	8,627	16,730	15,007	15,463	894	8,724	1,787	11,557	23,541	15,543	1,230	938	1,038	36,824	57,200	42,498
Average	6,586	9,182	10,703	22,741	24,233	24,605	1,107	2,167	2,933	10,226	23,592	25,365	1,079	781	1,470	37,698	59,955	64,677
Percentage	15.78	15.37	16.47	54.48	40.42	37.9	2.65	3.62	4.4	24.5	39.35	39.0	2.59	1.30	2.2	100	100	100

*Ibid., pp. 30, 35, and 40.

CHAPTER IV

Economic Activities

Adlowe Larson mentions about the activities of cooperatives in Universalities of Cooperation from Agricultural Cooperatives and Markets in Developing Countries as follows:

The cooperatives may aid in the accumulation of capital in several different ways, including pooling or accumulating the investments of different cooperative members. More significantly, however, it aids by building their original investment into much more valuable resources and ultimately building not only a better, more valuable, cooperative facility, but also return significant rebates to member-patrons. Indirectly, the cooperative may help to establish credit system agencies which permit greater productive investment of accumulated capital funds.¹⁸

According to the above paragraph, the cooperative should be the institute to grant the capital to the members investing in their land.

Lending operation

Dr. Udhis Narksawasdi, Kasetsart University, classifies sources of supply of agricultural credit to farmers in Thailand as follows:

1. Private money lenders
 - a. Agricultural money lenders
 - b. Professional money lenders
 - c. Non-professional money lenders
2. Landlords
3. Relatives

¹⁸ Adlowe Larson, "Universalities of Cooperation," in Agricultural Cooperatives and Market in Developing Countries, eds. by Kurt R. Anshel, Russel H. Brannon, and Eldon D. Smith (New York: Frederick A. Praeger, Inc., 1969), p. 34.

4. Traders
5. Cooperatives
6. Commercial banks
7. Government
8. Others¹⁹

The problem of debt is the problem of interest rates. The legal maximum is 15 percent, but it is commonly known that private loans carry rates up to 36 percent while loans involving payment in kind sometimes carry interest rates of 60 to 120 percent per annum. On the other hand, many loans obtained from relatives and friends carry no interest at all. One farmer may get an interest free loan while his neighbor has to take an advance on his crop which involves paying 100 percent interest.

It is widely recognized that the cooperatively managed farm credit can have the following advantages over individually administered credit: a) reduction in the costs of supervision and assistance, b) efficiency in administration by providing stimuli for group control and sanction for non-compliance, and c) opportunities for building economic and social infrastructure as well as farm capital on a community wide basis.²⁰

The credit system of the Thai Agricultural Cooperative uses member's land as collateral. The loan must not exceed 60 percent of the land value. In addition, there must be two other members who will take full responsibility for the loan. An interest rate of 12% also

¹⁹ Dr. Udhis Narkswasdi, Agricultural Credit System in Certain Countries (Bangkok: Government House Printing Office, 1963), p. 46.

²⁰ Phibul Changrien, Evaluation of Agricultural Development in Thailand (Bangkok: Thai Watana Panit, 1973), p. 102.

encourages thrift and savings through acceptance of deposits from the members. Non-members cannot enjoy the facility of the cooperative as it is restricted to members by cooperative law. And, as mentioned before, agricultural cooperatives provide only short-term loans (less than 18 months) and medium-term loans (3 - 5 years). According to a CLT study, agricultural cooperatives provided short-term loans and medium-term loans during 1970-1972 by area as shown in Table 3.

The average short-term and medium-term loan increased in size every year. This implies an increase in funds available for loans to local members. However, this does not indicate that all of the members will benefit because of the restriction that loans be secured with the mortgage of the land. In Thailand the wealthy people are very fond of buying land for speculative purpose, especially in the period of rising prices. The purchase of land is only the exchange of assets between the buyer and the seller. It has nothing to do with the increase in real investment. As a result, there are still many tenant farmers in Thailand who have no land to mortgage to secure loans.

Loan repayment

Dishonesty is a major handicap to cooperatives. It is gratifying that the overall repayment experience of agricultural cooperatives has improved remarkably. This may be evidence that the cooperative is a workable organization through which funds can be loaned to needy farmers. A comparison of repayments due and repayments actually made by members of cooperatives during 1970-72 is shown in Table 4.

Table 3. Short-term and medium-term loans per society, by area, agricultural cooperatives, Thailand 1970-1972*

Year Area	1970		1971		1972	
	Short-term	Medium-term	Short-term	Medium-term	Short-term	Medium-term
1	6,126	12,174	10,287	36,556	7,322	42,455
2	5,209	19,026	8,312	51,303	7,859	42,145
3	4,658	12,220	7,221	25,206	11,179	28,003
4	1,461	10,933	2,432	25,174	3,683	31,002
5	2,258	9,789	6,537	34,261	2,279	38,807
6	980	8,638	9,954	32,563	12,741	44,476
7	5,926	14,739	9,563	37,325	10,777	36,928
8	9,604	22,448	9,719	23,946	10,290	36,928
9	1,927	15,942	1,739	34,031	2,391	25,927
Average	5,258	14,307	7,241	32,018	7,728	35,089

* Developed from Table 3 in 1970, 1971, and 1972, The Progression of Agricultural Cooperatives During 1970-1972, CLT, 1974, pp. 32, 24, and 36.

Table 4. Loan repayments due compared with repayments actually made by members, agricultural cooperatives, Thailand 1970-1972 *

Area	Repayments due			Actual repayments			Percent due repaid		
	1970	1971	1972	1970	1971	1972	1970	1971	1972
1	56,846	68,318	8,084	18,510	28,904	38,622	32.55	42.31	47.80
2	43,620	65,839	79,494	24,058	36,280	43,185	55.15	55.10	54.33
3	47,860	53,385	62,748	31,086	20,596	28,666	64.95	38.58	45.68
4	30,806	37,328	45,325	11,452	15,126	19,247	37.18	40.52	42.68
5	37,590	61,433	69,574	14,573	30,170	36,520	38.77	49.11	52.49
6	46,279	59,356	73,436	18,774	28,842	32,052	40.57	48.59	43.70
7	52,413	62,124	80,519	13,601	30,962	33,042	25.95	49.84	53.47
8	61,616	67,141	79,869	21,442	24,542	33,056	34.80	36.55	52.67
9	40,547	53,301	52,556	13,723	22,196	22,628	33.58	41.64	46.37
Average	46,517	57,097	67,324	18,714	25,450	32,741	40.23	44.57	48.63

* Developed from Table 2 in 1970, 1971, and 1972, The Progression of Agricultural Cooperatives During 1970-72, CLT, 1974.

Income and net profit

In general, farmers have to borrow money from time to time, but many of them do regularly. The heavy indebtedness of farmers often retards the economic growth of the country, especially if it is made mainly for consumption. One factor that holds farmers under continual indebtedness is the high interest rate on non-institutional sources of agricultural credit. It seems that the more they work, the more some are in debt, since they have to pay back at such high rates of interest. To retard this problem, agricultural cooperatives provided loans to members at low interest rates. Because of the demand in lending is very high, according to the poverty of the farmers, more than 90 percent of the agricultural cooperatives came from lending businesses as shown in Table 5.

Dividends are one way to motivate members to continue their membership in the society. The CLT study reveals that during 1970-72, net profit per member increased. The increase in net profit implies an improvement in agricultural cooperative structure, and not in the number of societies as in the previous stage, but the synchronization of the two. Net profit per cooperative and per member during 1970-72 is shown in Table 6.

Table 5. Income and percentage of agricultural cooperative income, Thailand 1970-1972*

Area	1970				1971				1972			
	Interest	%	Other	%	Interest	%	Other	%	Interest	%	Other	%
1	6,897	96.95	216	3.05	10,563	94.99	557	5.01	12,490	96.94	394	3.06
2	7,280	92.91	580	7.39	11,251	95.61	516	4.39	13,550	91.85	1,220	8.15
3	4,642	96.59	163	3.41	8,047	96.19	318	3.81	10,158	95.55	473	4.45
4	3,972	96.90	127	3.10	6,170	97.62	150	2.38	7,953	96.51	287	3.49
5	5,740	99.15	52	0.85	10,827	96.68	371	3.32	12,335	97.72	289	3.28
6	5,705	95.87	697	4.13	9,069	97.07	273	2.93	11,045	93.12	816	6.88
7	7,139	99.52	34	0.48	9,718	98.05	192	1.95	11,422	89.05	1,405	10.95
8	8,757	96.44	323	3.56	10,089	78.86	2,704	21.14	12,060	96.30	464	3.70
9	6,269	97.75	143	1.25	9,254	95.39	447	4.61	9,047	96.25	352	3.75
Average	6,244	96.68	115	3.31	9,132	94.09	573	5.91	10,841	94.69	608	5.31

*Developed from Table 5 in 1970, 1971, and 1972, The Progression of Agricultural Cooperatives During 1970-72, CLT, 1974.

Table 6. Net profit per agricultural cooperative and per member by area, Thailand 1970-1972*

Area	1970			1971			1972		
	No.	Per Coop.	Per Member	No.	Per Coop.	Per Member	No.	Per Coop.	Per Member
1	349	3,632	10	333	4,565	14	343	4,884	14
2	462	3,071	6	458	4,185	9	475	5,130	11
3	578	1,668	3	495	2,513	5	503	3,196	6
4	418	1,507	4	491	2,028	5	404	2,420	6
5	423	1,665	4	552	3,441	6	436	3,895	9
6	422	2,160	5	415	3,045	7	447	3,414	7
7	482	2,927	8	416	3,090	7	440	3,986	9
8	408	2,860	7	429	2,860	7	506	3,337	6
9	443	1,498	3	542	2,326	4	466	2,381	5
Average	434	2,317	5	443	3,010	7	406	3,514	8

*Developed From Table 7 in 1970, 1971, and 1972, The Progression of Agricultural Cooperatives During 1970-72, CLT, 1974.

CHAPTER V

Role of Agricultural Cooperatives

In Agricultural Development in Thailand

Thailand seems to be in the midst of a crisis. There is an external security crisis in neighboring countries. However, these appear to be an internal security crisis. There are shifts in balance of payments and foreign exchange reserve holdings. The citizens have increased expectations and social services that are not being met. At the risk of criticism for calling every problem a crisis, Thailand is also approaching a crisis situation in agriculture.

Impediment of agricultural progress in Thailand

The most pervasive obstacle to agricultural progress is poverty. The farmers who produce the bulk of food have been living in an environment of severe poverty for centuries, and many of these environmental conditions have become so institutionalized they function as formidable obstacles to agricultural progress in general. They are so deeply embedded in the local economic system and power structure that farmers cannot overcome them by individual effort.

First, let us look at the progress retarding the effect of poverty from the production side. Poverty creates many severe obstacles to increase production. Hunger and malnutrition reduce man's health and physical energy, his work capacity, and even his

mental alertness. Lack of education keeps him ignorant and in a weak position vis-a-vis employee, landlord, creditor, and merchant, which discourages him from taking initiative in technological innovation. He feels that he would get little, if anything, from increased production because of his weak bargaining position. Poverty not only saps the people's will and ability to produce, but also holds down the productive effort of the well-to-do worker by depressing the demand for goods and services.

The tenancy condition is the next obstacle that impedes agricultural development. Under tenancy conditions the five obstacles are:

1. Farmers have little or no incentive to increase production, especially under crop-share renting; the return from any extra effort the tenant makes, he must share with the landlord.
2. Farmers have no suitable access to production credit only at the will of the landlord and at very high interest rates.
3. Managerial responsibility is divided between tenant and landlord, and the landlord is rarely development-oriented.
4. The tenant's occupancy and livelihood is insecure as the landlord can dismiss him more or less at will and find another tenant instantly. This discourages the tenant to improve the land, housing, and other facilities for better production and living conditions.
5. The tenant's social status in the community is low, and impairs his participation in affairs and in his access to school, marketing, and other facilities. Landlords tend to oppose the development of cooperatives and tenants' access to them because they reduce the landlords' and merchants' bargaining power in the market.²¹

²¹Rainer Schickele, Agrarian Revolution and Economic Progress (New York: Frederick A. Praeger, Inc., 1969), p. 165.

The land-tenure structure which impedes agricultural progress is characterized by many landlords. It is a natural desire of landlords to maintain the status quo and to resist changes that would weaken their power. For this reason, an appeal to landlords for giving more entrepreneurial freedom, more security of occupancy, and a larger share of the crop, cannot be effective as long as landlords feel that the status quo can be maintained. For the same simple reason, landlords usually oppose attempts to strengthen the bargaining position of tenants and farm workers to organize cooperatives.

The landlord, creditor, and merchant are always the same person, that is, a middleman. This man not only buys and sells agricultural products, but he also lends money, advances supplies, owns and rents land, sells and imports merchandise, and transports goods in both directions. Many agricultural problems of Thailand are tied up with the system and methods of this man.

Agricultural cooperatives:
the implementation of the agricultural development

The agricultural cooperatives in which the policy line is summarized by Dr. Phibul Changrien in "Evaluation of Agricultural Development in Thailand (1961-1976)" as follows:

1. To enable the farmers to organize themselves in a form of a large-sized multi-purpose cooperative for the purpose of increasing rice and upland crops production as determined by soil capability and market requirements. At the first stage, all the Cooperative Departments concerned will provide guidance and training to cooperative members on producing, marketing, and administration aspects. This will be a foundation for the cooperative society to be able to carry on by itself within the appropriate length of time.

- 2. To convince farmers to have understanding and faith in the cooperative, the key is to help the members to earn more than what they are getting at the present time. During the third plan period, assisting the farmers on securing the credit relevant with the producing condition of each individual cooperative member at each locality will be fully supported. It shall also provide guidance on the production techniques, improvement of the irrigation system, economic use of water, study of soil capacity, promotion of fertilizer application and uses, recommended seeds, and improved marketing.²²

It hopes that the reorganization of agricultural cooperatives to a bigger unit will allow it to increase the production and to give an alternative market outlet for the members. For the large scale unit, the cooperative may aid in the agricultural development in the following ways:

- 1. Instead of training millions of individual farmers in scientific farming, some thousand managers have to be trained.
- 2. A large-scale unit is more efficient because full advantage can be taken of operation.
- 3. Marketing and quantity control of farm products can be achieved more efficiently.
- 4. Planning of agricultural production in accordance with national requirements can be more effectively implemented through the control over a relatively few large agricultural organization units.

The agricultural cooperative activities under the national plan include credit, production, storage, and marketing. However, from

²²Changrien, p. 102.

Table 5 it was pointed out that more than 90 percent of the business by the cooperatives came from lending. Indebtedness is the most serious problem in agriculture. Lack of capital creates the low production problem, lack of bargaining power in the market, and pervasive poverty. Usually, a middleman advances a loan to a farmer on the security of his crop, if not his land, which, in effect, binds the farmers to this middleman. If the farmer sells his crop elsewhere, the middleman will not extend anymore credit since the farmer has shifted his collateral security from his old middleman to someone else. This makes interest and repayment collection much more cumbersome for the middleman. The result is that the middlemen tend to respect each others' clientele, and farmers have no choice but to continue selling their crops to the same middleman. The farmer is often in continuous debt to his middleman; when his food supply runs out before the next harvest, he must borrow to survive. When he sells his crop, part of it goes for repaying his loan -- often at very high interest rates -- and the rate may, again, not be enough to tide him over the whole crop year.

For the above reason, the farmers would have no will to increase their production. The cooperatives which provide the loan with the low interest rate give an alternative market outlet and encourage them to increase their production. That is the way to develop agriculture overall. Otherwise, cooperatives strengthen bargaining power of farmers in the market. Without a cooperative, he has no other choice than selling to middlemen, by the system as mentioned above. Under such conditions, particularly if he is illiterate

and cannot check the middleman's accounting, he can only accept any price offered to him.

By my own experience, there have been many failures of cooperatives which were set up with the greatest hopes. In the last two years, I interviewed a farmer in doing research which had the purpose to know the farmer's opinion in establishing an agricultural cooperative in the southern part of Thailand. He had been a member in an agricultural cooperative in another province before. He revealed that he did not want to be a member in any cooperative anymore because the manager embezzled money from the cooperative. This story is true, so it is no wonder that the data revealed by CLT research in 1973 (shown in Table 7) points out that the farmers still have a lack of confidence in agricultural cooperatives.

Table 7. Members' opinions of the achievement and progress of agricultural cooperatives, by region, Thailand, 1973*

Region	Achievement			Progress		
	Very Well	Not Very Well	Not At All	Very Well	Not Very Well	Not At All
Center	3.8	53.8	42.4	-	95.8	4.2
North	1.2	53.1	45.7	-	76.0	24.0
Northeast	8.7	60.9	30.4	8.7	65.2	26.1
South	-	64.1	35.9	-	100.0	-
Average	3.5	57.9	38.6	2.2	84.2	13.6

*Machima, P., The Obstacle in Cooperative Activities (Bangkok: The Government House Printing Office, 1973), p. 40.

Hence, the agricultural cooperatives in multi-purpose form still have a long way to go in implementation of agricultural development in Thailand when looked at from this point of view.

CHAPTER VI

Summary and Recommendations

It has been six decades since cooperatives were established in Thailand. Development of cooperatives goes very slowly due to political and economic problems. From 1916, the number of societies expanded rapidly, but the development of the cooperatives did not improve. Until the 1960's, because of economic depletion, the cooperative policy was plugged into the National Plan, and an agricultural cooperative in the multi-purpose form was set up. However, most of the cooperatives' business is still a lending business, much like a credit cooperative's business. Nevertheless, that is of great benefit to the members with which to attack the indebtedness, which is a serious problem. Stories of cooperatives nowadays still abound with incompetent managers, corruption, and clerks disappearing with the till, of farmers continuing to patronize the middlemen, of government subsidies for the farmers and accepting poor quality products or getting management snarled up with red tape. So, what conclusions can be drawn from this?

From my point of view, the survival of the agricultural cooperative depends upon the political atmosphere. Because the agricultural products are elastic to the demand, government policy is necessary to the intensive farmer in fluctuation of price of production. The short supply of capital is the most urgent problem that Thai farmers have faced for a long time, and government is the only source that

has large amounts of money to invest. For the future, the government role has to be considered, because the government is the important institute in cooperative development, as Gita Sing states:

For the success of the cooperative, a responsible, responsive, democratic form of government is necessary, as it alone creates an atmosphere for the development of individual initiative and sense of responsibility. It is not uncommon that some governments profess to be democratic, but for all practical purposes, their function, more or less, is like a totalitarian government, controlling the total life of the people through the help of legal compulsion. They plan from above and try to execute it through compulsion of one kind or another.²³

The cooperative in Thailand was established under absolute monarchy. In 1932, the revolution took place to change Thailand to be a constitutional monarchy; after that the country was run by a military government until October 14, 1973, when the students demonstrated. Thailand now has an elected government as of January, 1975. A democratic government of elected officials is the new hope that shines from the apex to the agricultural cooperatives. Furthermore, most of the political parties accept the cooperatives as the only way in which they can distribute income to the people in the rural area. The younger generation is also the new hope for agricultural cooperatives. Most of them are aware of the gap between urban and rural areas and see it as a serious problem. It is no doubt that if you go to Thailand today, you will see young people working alongside the farmers in the village.

²³Larson, p. 29.

Recommendations

1. At the present time as in the past, the agricultural cooperative still lacks meaningful planning. There is an urgent need for regional planning which will benefit the members directly. In order to have a meaningful plan, certain areas of marketing, financial needs, factors of production, etc., have to be considered. The product will increasingly become a motivation for the farmers to enroll in the membership of the cooperative.

2. In considering the structure of the present cooperative, it is a good one but it still lacks many factors such as storage, inefficiency of marketing in the village level, and the low yield per rai²⁴ of production.

3. The bureaucratic role is another serious contemporary problem. The government has to encourage farmers to become involved in the implementation of the cooperative. The reward for one who submits a good plan would be a good way to motivate him (and others) in expressing constructive ideas.

4. To strengthen farmers' understanding of the organization of the cooperative, education and communication should be emphasized. The cooperative principle should be taught in school as it would not only benefit the agricultural cooperative but others as well. The cooperative club is one way for children to practice to be a good member in the future. Radio, because it is far-reaching, could produce interesting programs about the cooperatives to better educate the people in the rural areas.

²⁴ One hectare = 6.25 rais.

5. A program of cooperatives for enlistment in the military could be implemented where new technologies and marketing functions could be taught.

6. Accelerate road construction programs at the village level in order to facilitate transportation and reduce marketing costs.

7. A progressive land tax system should be introduced to the non-agricultural land owners. The revenue from this tax should be used for the development and welfare of the local farmers. The progressive tax rate will force landlords to sell their land.

8. To promote the commercial banks and other financial institutions to lend capital to the cooperatives. However, it has to have some special incentive measures for the success of the project.

I would like to repeat my confidence that cooperatives can be made to succeed if someone is willing to pay the costs. Government has many policies available for fostering cooperatives, including subsidies, preferential purchases for military and the institutional use, and the tax concession. Ultimately, cooperatives can become viable self-supporting enterprises. The basic problem is to decide for what purpose cooperatives are needed and to design measures that will result in the healthy, independent enterprise, rather than the sickly, dependent public ward.

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