

Thailand's Rice Buying Policy Turns Sour

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A Thai farmer shows her rice certificates during a rally to demand the government to speed up the payment for their crops outside the Commerce Ministry in Bangkok Thursday, Feb. 6, 2014. An ambitious rice buying program that Thailand's ruling party hoped would uplift millions of its poor rural supporters may end up helping to bring down the increasingly cornered government. (AP Photo/Apirchart Weerawong)

BANGKOK (AP) — An ambitious [rice buying program](#) [1] that Thailand's ruling party hoped would aid millions of its poor rural supporters may instead help bring down the increasingly cornered government.

Hundreds of farmers from more than 10 provinces converged Thursday on the capital to demand rice payments that are several months overdue after the policy caused ruinous losses. Some have blocked three main highways in the north and the west, while a few hundred in the ruling party's northeastern heartland protested at a provincial government hall.

With the help of populist policies such as the rice pledging scheme, Prime Minister Yingluck Shinawatra's party won a landslide election victory in 2011. But it suffered a self-inflicted and crushing setback late last year by attempting to amnesty Yingluck's elder brother, Thaksin Shinwawatra, so he could return to the kingdom without serving prison time for a corruption conviction.

Ousted as prime minister in a 2006 coup, Thaksin is a highly polarizing figure, beloved in the countryside and loathed in the capital, Bangkok, where military, palace and old money cliques have traditionally held sway over the nation.

The rice crisis could not have come at a worse time for the government, which is reduced to a caretaker administration after street protests sparked by the amnesty bill forced new elections. Official results of the Feb. 2 vote may not be announced for months after protesters in Bangkok prevented some polling places from

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functioning, requiring by-elections. The government is also assailed by numerous court cases and investigations that could result in it being deposed judicially.

Now the ruling party faces the risk that the bedrock of its support, farmers, will turn against it.

"We are going on the streets because we're facing a dead end," said Sombat Roek-anan, a farmer from Ayutthaya province, a stronghold of the ruling Pheu Thai party. "The farmers used to be 100 percent behind the government before the rice scheme, but now it's 50-50."

Rice is Thailand's staple grain and one of its main exports. In hopes of boosting rice prices and increasing rural incomes, the government bought harvests from farmers at about twice the price prevailing in global markets. The program backfired when the Commerce Ministry had difficulties selling the grain overseas as rival exporters such as Vietnam undercut it.

Losses from rice pledging have swelled to \$4.46 billion since the policy was started in 2011, and in a blow to national pride, Thailand lost its spot as the world's top rice exporter in 2012, surpassed by India and Vietnam. The policy also underlined a deep division in Thai society, with Bangkok's white collar classes resenting the largesse directed at the rural poor.

Subsidizing rice has caused "tremendous losses" to the Thai economy, said Somkiat Tangkitvanich, president of Thailand Development Research Institute, a Bangkok think tank. "Most importantly, this scheme cannot help the farmers in a sustainable way."

Critics also say the scheme lacks transparency, has been dogged by corrupt middlemen and smugglers, and benefited farmers with large land holdings rather than poor smallholders. The International Monetary Fund last year called on Thailand to drop the subsidies.

The government's caretaker status restricts its options for raising funds and it is struggling to find 130 billion baht (\$3.9 billion) to pay farmers for the current crop year. It is not selling enough of the grain overseas and Thai banks have refused to lend to the Finance Ministry, which oversees the Commerce Ministry's funding for rice purchases.

Hundreds of employees at Krung Thai Bank protested earlier this week, urging executives to veto loans to the government.

The bank "doesn't want to get involved in corruption," said its president, Vorapak Tanyawong. "But if they want the money to get in the hands of the farmers, 100 percent and not illegally, through a normal transaction by a financial institute, then our bank is ready to consider."

In another blow, a Chinese state enterprise this week canceled a deal to buy 1.2 million tons of Thai rice due to a probe by Thailand's graft police.

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Commerce Minister Niwattumrong Boonsongpaisan said Tuesday the government sold 970,000 tons in January and will invite bids to sell 460,000 tons this month. Yingluck's Facebook said the finance ministry is seeking loans but faces "legal limitations."

The Food and Agriculture Organization predicted the rice stockpile will increase to more than 20 million tons this year. The unusually large inventories have prompted the government to search for new storage sites including warehouses at airports and military bases. Researchers also expressed concern over the declining quality of rice kept in storage for longer than one year.

The Thailand Development Research Institute says the only solution is for the government to dump the rice on the world market to pay more than a million farmers.

Such a move could invite the ire of neighbors such as Vietnam and risk a battle at the World Trade Organization as other rice exporting nations seek remedies for damage to their trade. But the political risks of letting the late payment situation fester might force the government's hand.

"I want to ask Prime Minister Yingluck how she can still eat rice when farmers all over the country are going to starve because they aren't getting paid for the rice they grow," said Walit Charoensombat, a farmer from western Thailand. "What kind of government support is this?"

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