

COMPLETION REPORT

Comparative Study of Contract Farming and Sustainable Agriculture in developed country and less developed country: Patterns, Impact, and Policy Implications: In case of Japan, Thailand and Lao PDR

Dr. Supaporn Pongchompu (+3)

Assistant Professor

Faculty of Agriculture

Khonkaen University

Contract farming in less developed countries and in developed countries differ in that either contract farming or agricultural cooperatives are representative of vertical coordination between farmers and firms. This study examines the performance of contract farming arrangements and is based on a review of the literature; publication and studies, as well as previous and updated field research and field surveys. The field surveys were conducted on 110 Lao PDR farmers and on 80 Thailand farmers. Also, Japanese agricultural cooperatives in Tottori were visited. The results have shown that the contract farming and agricultural cooperatives are forms of vertical coordination that can help the small farmers, who need capital and technical assistance, as well as those who need greater access to markets and to credit, especially the small holders in Thailand and in the Laos PDR. In other words, contract farming can be seen as a way of reducing production costs for firms and farmers. In Lao PDR, the farmers were able to improve their families' lives, and approximately 57% of the farmers involved in contract farming had better living standards which is consistent with Singh (2002) while in Thailand 82% of farmers gained the higher income as noted in the studies of Glover and Kusterer, 1990 and BIRTHAL, et al., 2005. Thus, it can be deduced that the contract farming in Thailand has been rather successful and has produced a more reliable income than in Lao PDR, although it has emerged with debt. It is obvious that the government should provide better marketing information and play a greater role in supporting farmers, who are participating in contract farming, especially in the areas of farm skills and farm knowledge through farm extension, as well as through farm credit in Laos PDR. The risks of production are that many farmers in Lao PDR lack knowledge and understanding about growing sugarcane. Since many of these farmers have never grown any sugarcane before, they are at risk of not finding suitable land having the appropriate weather conditions. Similarly, in Thailand although the contract is income insurance, the stability of the market according to Glover (1984) and Cai, et al. (2008) does not guarantee other risks, such as climate, sweetness, and quality throughout the process which can affect the price. If the climate is in a period of drought, it can impact the yield reducing it up to 60% (Robertson et al., 1999). Moreover, an adequate amount of water is required by sugarcane plants because surplus water results in the sugar cane being short and full of water, and too little can prevent the growth of sugarcane. These factors can lead to reduced quality and quantity of sugarcane production, and can cause lots of debts arising from the factory loans. On the other hand, JA's provide not only agricultural services, but also services for daily life. It is vital for empowering and improving small farmers' access to the markets. However, JA have high input costs and charge high interest rates, which has given rise to lower gains and lower returns for farmers, as compared to returns from other marketing sources. In addition, the JA is more involved with non-agricultural activities, such as banking and insurance. Thus, JA should become a stronger link to help farmers and should give farmers a chance to access the open market.

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