

TOWARD A BETTER LONGAN PRICING POLICY - CASE STUDY OF CHIANG MAI AND LUMPHUN PROVINCES, THAILAND

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(Photo sources: left photo taken from a research respondent, right photo was taken by the author)

Executive Summary

This policy brief concluded that increasing the production efficiency and raising the longan product quality is not the way to solve the pricing issue as well as maintain good prices. The policy brief found that policy gaps are in fulfilling those policies and the policy gaps can be filled with new suggested policies. This policy brief selected four related policies and evaluated them, namely, GAP (Good Agriculture Practice), YSF (Young Smart Farmers project), “Help

Farmers” project (“ช่วยเหลือพี่น้องเกษตรกร”) during Covid and Early Harvest Project under FTA (China-Thailand). The author argues that current policies could partially increase the quality of longan and promote the production efficiency, however, those policies lack effectiveness, efficiency, responsiveness and fairness in fulfillment of the policy in touching on the root cause of the pricing issue. This policy brief focuses only on the longan farmers’ solution of farm gate price, but not Chinese enterprises on the market prices.

Longan Pricing Issue and Its Root

Causes

Fluctuation of the goods’ price is a normal thing due to the market being the invisible hand, however, the continuous dropping of the price matters when the product has been transformed from a rare fruit to an important cash crop of local. Longan is an essential cash crop in northern Thailand. The northern Thailand longan reached 80-90% of exports to China (Shao, 2022). Thailand has an essential role in the longan production as the second largest producer of longans in the world, after China. Its export value is 16 billion baht, including 12 billion baht to the Chinese market (Thai PBS, 2021). China has vast consumption group and great purchasing power on longan and longan processing products due to the particular cultural meaning and health care function over different age groups of people (Shao, 2022).

However, longan prices have been dropping for more than 30 years. The conflicts became severe since 2012, 300 longan farmers used 50 vehicles to block the road to the Chiang Rai city hall demanding the government address the hike longan prices (The Nation). Before 2017, the longan price was only one baht per kilogramme (Charoenkiatpakul, 2017).

The price here means farm gate price, which is the selling price from longan farmers. As shown in Table 1 the price comparison below, the regular longan farm gate price is three times different from the price when the longan has been oversupplied.

Grade and Size	Normal Price (Baht)	Oversupply Price (Baht) (2008/2009)
AA: More than 2.8 CM	30	10
A: 2.2-2.7CM	19	5
B: 2-2.2CM	11	3
C: less than 2CM	No data	1

Source: Office of Agriculture Economics, 2010

Table 1: longan price comparison between the regular longan price and the price in the oversupply scenario.

(*CM refers to the unit of longan fruit diameters)

The causes why longan price has been continuously decreasing is the low quality of the longan, low production efficiency, fluctuation of the yield, and lack of skills and knowledge on taking care of longan orchard, oversupply of longan production, over rely on single market (China). Moreover, lack of sufficient government assistance is crucial to cause the longan price to drop dramatically.

According to the Senate Economic, Commercial and Industrial Committee’s report in 2012, the major cause for decreasing price of Thai fruits is because of the low quality of the fruits, low production efficiency of longan plantations. The Thai government does not provide enough help

and has no clear law regulations on fruit standard on Thai fruits’ quality, and export purpose. Government fails to provide sufficient support when market failure happens. Other related factor is free trade between Thailand and other countries. It’s connected to the production materials, such as land, invested capital, fertilizer and labor cost, lack of related knowledge and technology.

Kuanpoth et, al. (2005) also commented that middlemen and associations control the market and the price. The study on support mechanisms and regulation of low longan prices highlighted that fair price to farmers could not be guaranteed because middlemen already control the market. Moreover, those middlemen took the financial support for longan production that government agencies release because they have huge capital support. However, small-scale farmers cannot access these funds. At this point, only farmer groups founded by leaders with a close



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relationship to local and national level politicians had access to these funds.

Office of Agriculture Economics (2010) reported that the market fails and low prices due to the oversupply of longan. Thai Government then therefore spent many budgets to solve the problem. Subsidies from the government, farmers' training, experimental areas of longan orchard setting, the young farmers' practice. They spend billions of money each year on these factors which are not the root cause. Not only cannot the solution reduce the problem, but also even worse, the corruption candles happened accordingly.

The related stakeholders in the supply chain are middlemen, longan and related products exporters, fresh markets or retail and consumers who face different costs and risk. We need to pay serious attention to this issue because we are consumers, which is an important part of the supply chain on the demand side.

	Longan farmers	Longan exporters	Retails/fresh markets
Cost	1 Fertilizer cost, labor cost, pesticide, water, land. 2. Farm loan.	Transportation, labor, etc,	-
Risk	Natural disasters etc.	timing of harvest, China's Customs, Natural disasters.	1. freshness of longan. 2. Transportation
Weaknesses	1. low quality of the longan, 2. low production efficiency, 3. fluctuation of the yield. 4. lack of skills and knowledge on taking care of longan orchard)	1. Oversupply of longan, 2. Over rely on single market (China)	-

Table 2 The comparison of cost, risk and weaknesses of longan farmers, longan exporters and retails/fresh markets of northern Thailand.

Therefore, in order to strengthen the quality of longan and longan plantation skills, Thai governments including central and local government have taken several policies to help with it.

Identifying Gaps in Existing Policies on Longan Pricing Issue

Based on the above reasons, in order to strengthen Thai agriculture and farmers, the Thai government took several actions on it and spent thousands and millions on the issue. Thai government made plans to strengthen their agriculture sector at national and local levels.

National agriculture policy. In the Framework to Develop and Strengthen Agriculture Sector. National Plan 11th 2012-2016. "1.1.2. strengthen farmers." "1.1.4 Promote farming in the form of enterprise network development (cluster)" ... "1.1.5 food and energy safety". "1.1.6 creative agriculture". "1.1.7 green



and cool agricultural economy” “1.1.8 cooperation and international agreements”.”1.1.9 preparing agricultural personal development”.

The Provincial Plan of Northern Thailand on Agricultural Economy in 2012 follows the 11th national plan (2012-2016). “Strategy 1: production food chain security management.” “Strategy 2: Building security in agricultural occupations.” “Strategy 3: enhance the efficiency of the integration of provincial agricultural development strategies into practice.”

Based on the national plan and provincial strategies, four related policies or projects are being chosen in this policy brief to evaluate. GAP (Good Agriculture Practice) is the Thai nationwide project that is part of an international certification program that provides an international certificate based on related agriculture activity training. The agricultural product could be exported to overseas markets once the agricultural farmer received the GAP certificate. It started in 2003 (Laosutsan, et, al., 2018). “Young Smart Farmer” project (YSF) is the national policy that aims to strengthen Thai agricultural young farmers aged 17-45. It is under the Thai national plan “Industry 4.0” that leading Thailand enters an advanced information age. “Young smart farmer” project aims to help new generations of farmers use big data, advanced technology, highly skilled farming activities to get high yield and high-quality agriculture products (Jansuwan & Zander, 2021). Thai government also provides subsidies to farmers to reduce the economic loss during the covid time in 2021, it offered 1000 Baht/Rai cash to Thai farmers, namely, “Help Farmers” project. “Early Harvest Project” (China-Thailand) is an agreement between China and Thailand on agricultural products trading. It started in 2003, The free trade agreement reduced tariffs on 7,881 product categories, or 90 percent of imported goods, to zero (BPOC, 2016).

Based on Dunn (2018)’s theory, four criteria are used in this policy brief to evaluate the existing policies, namely, effectiveness (Does it have a valued outcome or not?), efficiency (Does the policy solve the problem in a timely and costly way?), responsiveness (Does it satisfy the key stakeholders’ needs?) and fairness (Does its equal distribution of outcomes and impact?).

Criteria	GAP (Good Agriculture Practice)	YSF (Young Smart Farmers project)	“Help farmers” subsidies during covid times (“ช่วยเหลือพี่น้องเกษตรกร”)	Early Harvest Project under FTA (China-Thailand)
Does it have a valued outcome or not? (Effectiveness)	“Have to join, but too much training”, “It helps” “Farmers join because it’s necessary”	“My child does not like to do farming”, “Young farmers are active”, “It might help, but no clear plan on next step”.	“Yes, I received the money, but it does not really help”, “Yes, it might help”, “Do not know about the details”	“Do not know about it”, “it might help”,
Does the policy solve the problem in a timely and costly way? (Efficiency)	“Too much training, it spends a lot of time”, “Government use budget to do that”, “Thai government support it”	“Not really”, “Have not received any result yet”, “Yes, young generations have passion”	“Not really help due to my longan plantation having high cost/investment”, “I think so”, “Yes, at least farmers get some money to reduce the economic loss”	“No idea”, “I do not know”
Does it satisfy the key stakeholders’ needs? (Responsiveness)	“Yes, a bit”, “Yes, agricultural products can be exported overseas if farmers get the certificate”, “Yes, it helps, but farmers are not really willing to receive the training”	“Not really”, “Yes, in the long run”, “It helps the plantation of other crops, but not longan plantation”	“Yes, but not much”, “Yes, it helps”, “Yes, but maybe not much”	“It might help with the exporters or traders”, “Do not know about this”
Does its equal distribution of outcomes and impact? (Fairness)	“No idea”, “Yes, the customers will entrust the products if it has the GAP logo or certificate”	“We are trying to involve people who are interested”, “Yes, but it is not continuous”	“Yes”, “I think so”, “Fair in terms of farmers’ economic loss, but not price of longan”, “maybe”	“Maybe only traders/exporters”, “No idea”

Table 3 shows the feedback from groups of people related to longan pricing issue over the four projects evaluation according to the four criteria, such as, Thai longan farmers and longan orchard owners, agriculture associations and longan exporters. Most of them agreed that the current policies are not truly helpful to the longan farmers and the pricing issue, even the longan farmers themselves agreed so.

The reasons behind the low longan price in Northern Thailand are the low quality of the longan, low production efficiency, fluctuation of the yield, and lack of skills and knowledge in taking care of longan orchard, oversupply of longan production, over-relying on a single market (China). Moreover, insufficient government help is another crucial factor in the longan price. Therefore, this policy brief concluded that increasing the production efficiency and raising the longan product quality is not the only way to solve the pricing issue and keep the longan price stable. This policy brief found that there are policy gaps in fulfilling those policies, namely, low-effectiveness, inefficiency, irresponsive and unfairness of the policies. The Thai rotation of the bureaucracy system requires changing the department leaders, which causes the discontinuity of the policy and projects. It leads to the ineffectiveness of the policy. The conflicts between short-term and long-term national development strategies caused the inefficiency of the policies. The top-down policy approach does not meet farmers' needs which caused the response of the policy, farmers lack the passion for changing to adapt

themselves to this world. The lack of enough network or connection between longan farmers and other actors caused the unfairness of the policy.

Therefore, this policy brief suggests that Thailand should stop the cash provision approach policies, adjust the current policies into the more practical ways for farmers, and build more efficient network to farmers, especially in the context of northern Thailand, most of the longan plantation are small-scale farming, and scattered growing in different provinces at northern, Thailand, especially, Chiang Mai province and Lumphun province. The new policy should build the driving force for longan farmers to have the passion for changing to adapt themselves to the new age of the longan industry.

New Policy Recommendations

Hence, the research provides some policy recommendations to the policy makers as follows:

1. Moderately increase the longan farm gate price to raise farmers' enthusiasm on longan plantation when longan price drops lower than average level. The Central government should use the power to maintain the price level of the agricultural products to build the confidence of farmers on longan plantations. It also helps to maintain the balance of the fruit supply chain in the northern part of the country. Longan farmers would cut down the longan trees and grow other fruits if the

longan plantation could not guarantee their livelihood. Then it would impact other fruits' supply chains, such as coconut, mango and other "easier to grow" fruits. Would those fruits be oversupplied by then? Therefore, maintaining the price at an average level is necessary to prevent the longan price drops too much and social insecurity. Strength farmers in their commitment to agriculture and learning experience from neighboring countries is necessary.

2. Remain specific policies to ensure the continuous development of government agencies' policies or projects. Most of the stakeholders who are related to longan pricing issue agreed that the government benefit farmers promote, however, those policies are always changed when the department changed its leader due to the rotation system. Therefore, it is necessary for the agriculture-related government agencies to retain their project and even change the leadership.
3. Develop precision agriculture, multi-function, multi-layer ecological farms in terms of sufficient use of technology, human resources and land, water resource to increase the income for farmers, such as the "Fish farming in rice fields" and "chicken farming in orchards" green eco-farm model. China has its experience with this, and the farmers

succeeded with this model (Agriculture and Farming, 2017).

4. Explore the multi-channels to expand the market of longan to solve the oversupply of longan production, and single market issue. The multi-channels include domestic and international markets and E-commerce. Now, northern and southern Thailand has the "exchange goods" program, for example, using the longan in northern to exchange for seafood in southern. In addition, the processed longan combined with other Thai deserts as one product sold at the convenience chain stores, such as 7-11 is also an excellent way to solve the oversupply issue of longan (the example is given with the picture on the cover page in this policy brief). However, Thailand could have more channels, such as exploring the market in western countries. Using social media to drive consumption habits, invite the internet celebrities to review longan fruits to achieve the "celebrity effect" with longan marketing. Moreover, processing the longan fruit and adding the processed longan fruits into the western breakfast is another way to open the market of western countries or other parts of the world.
5. Strengthen the cooperation among longan farmer groups, agricultural associations, and educational institutes on the longan new

species research, high added-value products, and longan fruit waste. Strengthen the academic and research power of educational institutes, such as CMU, MJU, and build international networks among educational institutes. Educational institutes are places full of energy, connection and opportunities. Especially strengthening the cross faculty and cross-disciplinary communications, such as, faculty of Agricultural, faculty of Social Science, faculty of Food Science and technology to achieve the multi-facets development of longan research.

6. Build the regional and international networks on agriculture skills, technology and market network. Build the regional food traceability system on food security in regional and sub-regional cooperation. Set the Thai longan standard of export to other countries in the process of regional cooperation, such as RCEP and Mekong-Lancang cooperation. Even though the young generation of longan farmers would like to join the country's plan on young smart farmers, they still have certain fear in their hearts due to future concern. Therefore, ensuring the network and market is essential in this case to guarantee the future agriculture sector of Thailand.

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