

Thailand's Rice Pledging Schemes in Trouble

*Ronald G. Mangubat
Information officer of FFTC*

As peoples of the world remain at the edge of their seats waiting for developments to unfold in the continuing political crisis in Thailand, the liquidity-crunched rice-pledging scheme in this country seem to be headed at a crossroads. As of now, all activities related to it have been put on hold as anti-government protesters march on the streets and the Thais wait for the formation of a new government.

The Pheu Thai-led caretaker government has failed to find money to pay what has been pledged to farmers, many of whom have been waiting to be paid since October. To date, no assurance has been announced as to how long the farmers can tolerate the payment delays, something which observers believe can trigger another farmers' roadblock.

Eminent developmental organizations such as the World Bank and the International Monetary Fund have criticized the Thai caretaker government for this non-payment, but it can no longer ignore the millions of farmers who form the great bulk of Pheu Thai's voting base.

Recently, Caretaker Commerce Minister Niwatthamrong Bunsongphaisan promised that farmers who pledged rice under the 2013-2014 main crop will be paid in December. In fact, caretaker Deputy Prime Minister and Finance Kittiratt Na-Ranong has called an emergency meeting with finance ministry officials in a bid to fund the major rice pledging scheme. Taking the responsibility himself, the Deputy Prime Minister and Finance Minister will demand the Public Debt Management Office to reconsider launching a 13-billion-baht bond offering that was cancelled earlier due to its high costs.

An official said in spite of whatever Mr. Kittiratt says, the fact remains that the government is prohibited by electoral regulations to use state human and financial resources, in whatever way, ahead of a fresh election.

A source added that the legality of the issue will all depend on the Electoral Commission. Senior Finance Ministry officials have refused to sign their names to guarantees credit for the Bank for Agriculture and Agricultural Cooperatives (BAAC) for fear they will be violating election law.

One of the involved officials as quoted by the Bangkok Post recently said: "No one dares sign off for back up borrowing deals for state schemes. This could possible lead to the Pheu Thai Party being dissolved.

Since the government has exceeded the ceiling of 500 billion set by the cabinet since the scheme started and spent up to 680 billion baht over the past two years, inaction by officials during this time of political crisis could be the last straw for the rice subsidy.

Without the national rice policy committee's approval to widen the 500-billion-baht limit, the BAAC has refused to use its own liquidity to advance money for farmers. The flagship rice subsidy has long been in financial trouble since before the House was dissolved due to its 40% above-market pledging prices that have made it impossible to sell the rice stocks without suffering a huge loss.

Meanwhile, the Commerce Ministry, which is responsible for disposing of staple rice, has been unable to do its job, as the government has kept the rice stored for long periods while waiting for better prices.

The caretaker government now faces a huge pressure to find money for farmers who pledged their rice under the 2013-2014 crop season. Some farmers have already received payment since November 14, but many others remain unpaid.

Even while the caretaker government has vowed to lower the outstanding expenses incurred from previous crops to 500 billion baht, the ongoing scheme will surely cost more with the current main crop estimated at 270 billion baht.

One solution seen is for the Commerce Ministry to sell at least 270 billion baht worth of rice this fiscal year to keep the outstanding spending under the ceiling. But since the scheme started, it has only sold only 200 billion baht worth of rice.

Despite the purchasing agreements with other governments having been made before the House dissolution, the rice deals have been perceived as doubtful as well as the legitimacy of the caretaker minister. According to the Bangkok Post, the easiest move would be for the caretaker government to extend the ceiling of outstanding expenses and allocate 100 billion baht for loans from the BAAC for the former government's rice subsidies, which would wipe out the debt in five years. But since the Yingluck government came in, only 20 billion baht has been paid in three years.

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