

Farmers Remain Unpaid by BAAC

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The Bank for Agriculture and Agricultural Cooperatives or BAAC in Thailand reportedly has 55 billion baht in liquid assets but its board still refuses to advance money to unpaid farmers who pledged paddy for the current main crop.

This latest development seems to send a message that Thailand's so-called caretaker government is hitting a wall in looking for funds to pay off the farmers under its rice pledging scheme.

Everything seems unclear even though the cabinet's resolution requires the bank to pay off the farmers. The bank's board still reportedly insisted that it will not pay advances to the farmers. During the first two harvest years of the pledging scheme, which started from the 2011-2012 seasons, the BAAC has already paid about 180 billion baht in advances to farmers for the pledged paddy. The scheme is a key Pheu Thai party policy which helped win a landslide victory in the 2011 election. Now it is facing a deadlock after delays to payments to farmers who pledged paddy for the main crop which runs from October to the end of February.

The country's caretaker government lacks the authority to allow the bank to borrow money because this would breach election regulations. Meanwhile the income from rice sales by the Commerce industry is insufficient. The ministry has already paid 180 billion baht which was received from releasing rice in stockpiles back to the BAAC.

Because of these developments, farmers have been staging rallies from Phichit and Kamphaeng Phet provinces, as well as farmers from a province called Phitsanulok. The farmer demonstrators demanded that the caretaker government pay them the money owed to them and the government has promised to pay them if they stop their rallies. For some time, they called off their demonstrations but since they have yet to be paid, they are again staging new protests.

The Bangkok Post reported that for the main crop of the 2013-14 harvest year, about 9 million tons of paddy worth 95 billion baht have been pledged but only 51 billion baht has been paid to farmers.

A source told the Bangkok Post that less than 20 billion baht is available at the bank to pay the farmers and money is expected to run out soon. The BAAC labor chief Prasit Pahome said the union could take legal action including an injunction to sabotage the government's efforts to use the bank's liquidity for advance payments to farmers.

According to Mr. Prasit, the bank's board must take responsibility if it allows the bank to pay advances to farmers. Such an action would be considered as incorrect use of liquidity. Using additional liquidity to finance the scheme could lose the depositors' confidence which can possibly lead to a bank run.

Meanwhile, Deputy Prime Minister and Commerce Minister Niwatthamrong Bunsingphaisan of Thailand's caretaker government said the BAAC should pay advances to farmers as the caretaker cabinet has already approved borrowing the money amounting to 130 billion baht. The Election commission is now considering the plan to borrow 130 billion baht and will decide if the government can proceed. The bank is required to use liquidity to pay advances when the Commerce Ministry awaits for the money from new rice sales. The ministry will hold a new auction to sell 150,000 tons of rice through the Agricultural Futures Exchange of Thailand.

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