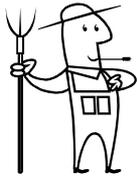


# Equity, competition and supporting structures<sup>1</sup>

Lena Örnberg, PhD in Economic History  
Lund University School of Economics and Management  
(Draft)

## From Blekinge to San Sai



In September 1946 my grandfather bought Smedamåla, a small forest farm of 45 hectare (281 rai) in Blekinge County in Southern Sweden. The neighbours considered it to be a bad purchase, since the former owner had cut down most of the trees. At that time my father was sixteen years old, had less than a year left in secondary school and was planning to become an architect. During a few months he commuted the 20 kilometres from Smedamåla to the school in Ronneby. He prepared the morning's homework on the bus and the afternoon's homework during the lunch break, with reasonable results. But for Christmas he dropped out of school to become a fulltime farmer. He felt like he had come to paradise. My father has experienced the Swedish agricultural sector's transformation from basic support for the majority to specialised production for a minority. He could be classified both as an entrepreneur and as a conservative, depending on when and how his choices are valued.

In Blekinge in 1946 it was still easy to hire labour for the harvest, and most of the work was done by hand. At the end of the 1960s, the labour force was needed in the industrial sector, and the small farms that weren't closed down were mechanised. This is roughly the stage where the farmers in San Sai district in Northern Thailand are today. Conditions are not exactly the same in Sai Sai as in Blekinge, but the process is similar.

Some of the farmers in San Sai are more independent and hold themselves in higher esteem than what is considered to be customary in Thailand. They challenge the state's extension officers as well as the companies, and they take active part in the transformation process rather than being merely followers. That I have chosen to focus on this group of farmers, instead of those who may think that there are no alternatives, could possibly be explained by the fact that I have a father who chose to be a farmer himself. This does not make it less interesting to dig deeper among the mechanisms behind the possibilities to do purposeful choices, the ability to act according to these choices and, furthermore, make sure that these acts give result.

## Farmers in San Sai are empowered

The outstanding feature of San Sai is that there is relative equity between and within different groups. This in turn promotes collaboration on different levels and in different constellations. Everybody doesn't participate all the time, but when it is profitable. This is the point – the different types of collaboration are based on free will and on individual, or the households', need. They are not at result of economic necessity nor a historically or culturally stipulated solidarity. Accordingly it is also a type of collaboration that is compatible with a modern, diversified and globally directed economy.

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<sup>1</sup> This paper is a rough translation of chapter six (the final chapter) in my PhD thesis in economic history: Farmer's Choice - Systems, interaction and supporting structures during the modernisation process in Northern Thailand, written in Swedish (Örnberg 2008). The thesis is based on a study of contract farming of potatoes in Chiang Mai, conducted during the years 1993 to 1997. See Appendix for an outline of the thesis. Comments are welcome: [Lena.ornberg@ehl.lu.se](mailto:Lena.ornberg@ehl.lu.se)

Collaboration of various forms can create space of action for the individual and it can also contribute to a positive economic result. How the breeding ground for collaboration has arisen is another issue. One enthusiast will find it difficult to start a movement in an unfavourable environment. Individuals can be inefficient because they lack individual drive, or because the context they act in is impregnable to their actions, because they are weaker than other actors they meet, or because they do not master the tools needed to put demands into results in the prevailing system. But if the existing structure already is favourable, and if there are people around who also know how to manage it becomes easier. In San Sai it is easier.

Speaking in terms of social capital: There is both bonding and bridging social capital (Putnam 2000). Village unity and solidarity within the farmer-groups is a form of bonding social capital. Bridging social capital is found in the outward relations, to the companies, to the extension officers and to the middlemen. These two types of social capital complement each other in San Sai. However, if there is no outward openness, as there is in San Sai, bonding social capital can be excluding. There is a greater risk for this to happen in a society where there is no equity and where there are substantial differences between groups.<sup>2</sup> In San Sai relative equity is prevalent and it is an obvious presumption that this a positive influence on the economic development in the district. But there is no evident prescription for how this has come about. I will discuss the relative equity, and how it has developed, in relation to two other factors: competition and supporting structures. The foundation of a relatively equal society was created already in the 1930s. But what happened at this time is not sufficient to explain later development. The process should rather be seen as an interaction between different groups competing for power and prestige. It is a frail balance – it could as well have tipped over for impoverishment rather than development.

## **Equity constitutes the basis**

Contacts are cultivated in San Sai both lengthwise and crosswise. Networks are not confined only to the villages, but stretch well beyond village boundaries. Many networks are also relatively open, meaning that more people can be included. Closed networks certainly have an inner dynamics, but since they are excluding one can assume that linkage effects are limited. The traditional Thai society is assumed to be strictly hierarchical, that is, vertical relations dominate. In San Sai hierarchies have gradually been broken down, opening up opportunities for more people to participate in the economy.

I would say that the main reason behind the San Sai farmers' relatively wide room of action is that relative economic and social equity exist, on a more general level. Equity in this context means equal access to opportunities, implying both political and social influence. The two concepts equality and equity are very closely related. Broadly defined, equality means that all individuals have the same value. Equality is the state that should be reached, while equity is more about initial resource allocation, and sometimes redistribution.

Both concepts are included in the model for agriculture-led development, which in turn is a part of the broader development discussion on growth with equity.<sup>3</sup> Oshima's idea is that the Thai economics development is comparable to the agriculture-led growth in Japan and Taiwan.<sup>4</sup>

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<sup>2</sup> See Callahan 2005, for a discussion about the negative sides of social capital.

<sup>3</sup> The assumption behind growth with equity is that a more even distribution of resources and access to opportunities taken together will lead to higher efficiency and economics growth. If resources are added to an unequal society there is a great risk that old power positions are strengthened and that parts of the populations are excluded from participation in the economy. See World Development Report 2006 for a discussion about growth with equity.

<sup>4</sup> Oshima 1987, Örnberg 1994.

## Is Oshima's model valid for Thailand?

The land reforms in Japan and Taiwan implied both redistribution of economic resources and democratisation. The landed elite disappeared and the former tenants were upgraded to owner-operators, with equally large (or small) land holdings. After the reform the farmers worked for themselves rather than for a land owner, leading to a higher motivation to develop and diversify the production. The disappearance of the elite also brought about decreased conflicts on the countryside (Oshima 1987:111, 150, Amsden 1979).

It is obvious that many of the mechanisms that Oshima's model are built upon exist and act together in San Sai. I don't think San Sai is an exception. But at the same time it is hard to come to the general conclusion that Oshima's model explains the economic development in entire Thailand. The problem with his model is that he puts too much faith in land distribution and in the state's capability to start the process. In Oshima's model state investments at an initial state can set running a process leading to increased productivity within agriculture, subsequently leading to linkages to small-scale industries directed to the domestic market. This has happened in San Sai. I am convinced that efforts for agricultural development have positive outcome in a country with a large agricultural sector. But changes occur as much from below as from the top, and the tension between the formal and identifiable institutions and the informal and elusive ditto must be incorporated in the analysis.

If the purpose is to promote a dynamic development of the family farms, something that historically has been an important prerequisite for sustainable economic development in countries with a large agricultural sector, state investments and redistribution of production means are not enough. It worked in Japan and in Taiwan, since there were no alternative ways to earn a living. What is important to remember, in these cases, is that the massive land reforms also entailed an immense enfeeblement of the elite. When comparing San Sai with the nearby district Mae Taeng it is obvious that remaining hierarchies can be an obstacle to economic growth.

## Hierarchies prevent mobility

Why do farmers in San Sai cooperate when they don't in Mae Taeng? And how come creative solutions to problems occur in San Sai when the same problems in other places would lead to resignation? Mae Taeng district is situated just North of San Sai, and the farmers here have cultivated potatoes – on contract as well as for direct consumption – as long as the farmers in San Sai. Mae Taeng seems to be more like the traditional Thai countryside, where patron-client relations dominate, and where everyone attends to their own business. I will say “seems to”, since my data from Mae Taeng is limited. The network in San Sai is tartan in contrast to the traditional striped. The vertical relations are still there, but they are being challenged by horizontal relations. This in turn has the effect that individuals have a larger acting space in San Sai.

Figure 1



Source: Wikipedia

The network in San Sai is tartan in contrast to the traditional striped. The vertical relations are still there, but they are being challenged by horizontal relations. This in turn has the effect that individuals have a larger acting space in San Sai.

San Sai and Mae Taeng will serve as ideal types here, to highlight what can be seen as typical in the respective area, and further to what it is that contribute towards a wider room of action for farmers. I have no pretension to give a comprehensive picture of the both districts in this context. Besides, the border between the districts is fluid. Mae Taeng is situated just north of San Sai and is, to a much larger extent than San Sai, a forested district, see figure 1. In Mae Taeng there

lived barely 57 persons per square kilometre in 1995, in San Sai slightly more than 303. And the total area for agricultural use has increased in Mae Taeng right to the 1990s, in contrast to San Sai.

Thus, Mae Taeng is in area where oversupply of arable land has continued (NSO, *Agricultural Census 1963, 1978, 1993*). Despite this a large share of the farmers are tenants, not owning the land they cultivate. According to Anan this structure has remained since the early 1900s. Just like in the districts close to the city Chiang Mai, a number of families seized large land areas close to the road stretching to Mae Taeng. These families did not farm the land themselves, but traded in cattle (Anan 1984:202). A major part of Mae Taeng is also classified as a land reform area today, meaning that property rights are not securely defined as in San Sai. This is more important than the land distribution and the division among tenants and owner-operators. There are plenty of tenants in San Sai as well, and a multitude of tenancy contracts, but the farmers' right to cultivate the land is clearly and distinctly defined.

Chayan uses a centre-periphery perspective in his study of a village in Mae Taeng, and he concludes that inhabitants' relative passivity to a large extent can be explained by the uneven distribution of the means of production, land and capital (1980, 1984). It is, above all, about farmers being dependent on people higher in the hierarchy to get access to the means of production. This does not exclude farmers of small means trying to alter their situation. The farmers in Chayan's study had made several attempts to secure their property rights to the land, but without arriving at any result. The bureaucrats who were stationed in the district were seen either as passive or corrupt. Because of this the farmers avoided the state's representatives as much as possible, since they expected nothing but trouble from them. They neither challenge the system, nor try to find ways to cooperate, but avoid it. It was also characteristic for this village that university students, like Chayan, were looked upon with suspicion, since many students had been active in the democratic movement 1973-76. Many of the young people in the village were village scouts, i.e. belonged to a right-wing and nationalistic organisation that was strong during the 1970s. The struggle against communism was intense in the countryside during this period. Thus, seeing students as enemies could be a manifestation of the prevailing spirit of the time, and does not necessarily have to be true today.<sup>5</sup>

Neher (1986) came to similar conclusions as Chayan, about the farmers' relation to the elite, in the village he studies in Mae Taeng in the mid-1980s. While he found that the patron-client relations were about to break down in the village in San Sai, they still prevailed in poorer village in Mae Taeng. Budsara (2007), finally, has recently made a study of contract farming in Mae Taeng (however, not on potatoes but maize) and she comes to the conclusion that the patron-client relations have been strengthened further by the contract farming.

During my own interviews in Mae Taeng 1995 I observed that fewer potato farmers in this district were members of formal groups. They had contracts with the traditional middlemen instead, via the natural leaders in the village.

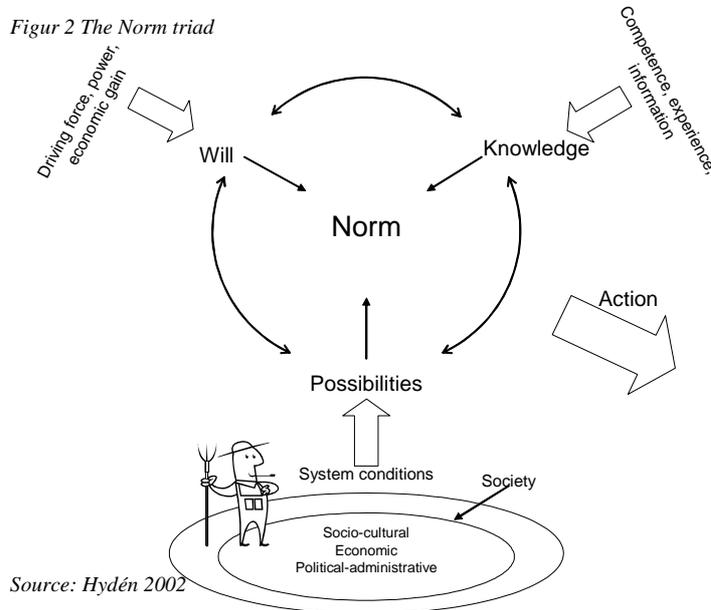
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<sup>5</sup> The village scout movement was founded in the beginning of the 1970s, as a part of the state's fights against communism in the countryside. The greatest efforts to recruit young people were made in less developed villages in the forest areas, where the threat of communism was seen to be strongest (Muecke 1980).

And there was no competition between the middlemen, as in San Sai. Rather, it was the middlemen who jointly decided how much they should charge for the seeds and which price they would offer for the farmers' harvest. In Mae Taeng it also happened that farmers chose to sell the crop in the green, i.e. before it was harvested. The risk is a bit lower, but so is the price. No farmer in San Sai ever sold the crop before it was harvested. Another striking

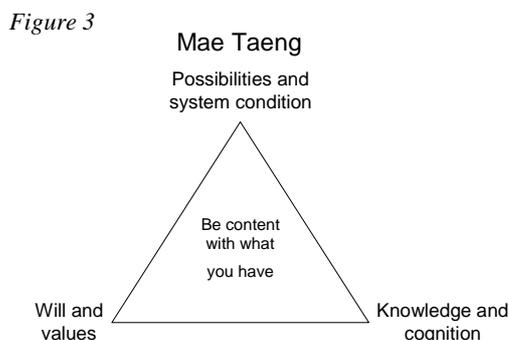
difference was that many of the farmers who were interviewed in the survey 1995 did not have a clue about which company they had a contract with. There were farmers in San Sai also who did not know this, but they were fewer. Mae Taeng also remained an agrarian society to a great extent, where farmers grew a limited number of crops, using similar methods. The local middlemen's occupation was also the same, meaning that they could keep their respective territory.

According to the norm triad, illustrated in figure 2, the individual's actions are guided by the interplay between the three factors will, knowledge and possibilities



(Hydén 2002). Will consists of the motives and values that are guiding our acting, such as power, personal interest and economic gain. Knowledge comprises how we see and comprehend the world, and this in turn depends on education, competence and experience. Possibilities, finally, are governed by the natural, socio-cultural, economic, political administrative systems that make up society.

Which rule of action is assumed to dominate among the farmers in Mae Taeng? Probably the same as the one I assume was in force in the Swedish farming society, before the transformation started fully, and more than the already privileged gained access to possibilities: "Be content with what you have". Does this imply that farmers in Mae Taeng really are content? I doubt that. But maybe they, to a smaller extent than the farmers in San Sai, believe that they have the possibility to make things change and therefore refrain from acting for change.



The relation between possibilities, will and knowledge is illustrated in figure 3 in a stylized form. By turning the model around, placing possibilities and systems' conditions on top, I would like to show that these are – in the case of Mae Taeng - superior the individual factors will and knowledge. The socio-cultural, economic and political administrative systems are intertwined in this context, meaning that the economic and political power could be with the same persons. The patron-client relationship still influences the farmers' room of action.

Organisations, such as farmer-groups languish away in Mae Taeng, but this does not mean that the state has not tried to initiate them there as well as in other districts. One of the extension officers in San Sai had his own explanation to why the state has not succeeded in Mae Taeng. According to him nobody dares to challenge the local – and armed – bosses that rule the district. Strong farmer-groups would be a threat to their control of the trade. I haven't had this story verified; hence I cannot guarantee for certain that it is true.

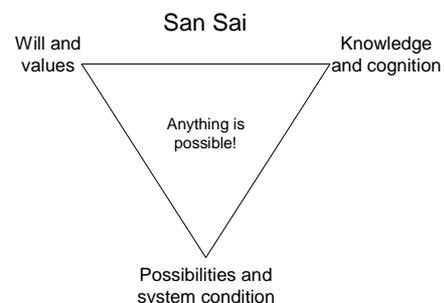
San Sai is a lowland district to a much larger extent than Mae Taeng, and most of the villages where potatoes are grown are situated to the east of the river Ping, close to road that is connecting Chiang Mai with the Northern district Phrao. Cultivation of potatoes is spread over the whole district, but is mostly concentrated in *tambon* Mae Faek Mai and Mae Faek. The share of agriculture is also highest in these two *tambon* (Vanpen 1986:63).

Farmers in San Sai cooperate in farmer-groups; women in the house-wife group produce potato chips, and there are two cooperatives involved in the potato business, each in its own way. Farmers change company and middlemen without hesitation. Bönderna byter företag och uppköpare utan större betänkligheter. They change crop to, as far as that goes, if they find something that could provide a higher income. The different roles are flexible – you could be a farmer, broker, cooperative member, and entrepreneur at the same time. Which is the prevalent norm among the independent small scale farmers in San Sai? “Anything is possible!”

For San Sai I would say that the individual elements of the norm triad – will and knowledge – are superior to the limits put up by the systems, meaning that the farmers' room of action is wide. See figure 4. It is not the least important that farmers themselves perceive that it is possible to alter their situation. The individual elements in the model, will/values and knowledge/cognition, are moreover characterized by the prerequisites and motives that people carry along since early age. These motives take various forms of expression depending on the context in which they thrive. In an area where the networks have few points of intersection, such as in a society dominated by hierarchies, there are less flexibility and it is harder for individuals to move upwards unless they belong to the right group from the start. In San Sai there is a wide range of opportunities to choose from – one can move sideways or diagonally, which gives great flexibility. And I mean that this can have the result that a person with both ambition and abilities chose to use these in interaction with others, to a larger extent than in a society with a fixed structure. The study has shown that there are no clear boundaries between different roles in San Sai, neither economically or socially. This is rewarding for entrepreneurs, giving them ample opportunities to find partners for cooperation and to test ideas. The entrepreneurs, acting as forerunners, can persuade other farmers to follow suit. The process is also made easier by the fact that the farmers are not dependent of middlemen or anybody else. It is not necessary for all farmers to take own initiatives, it is sufficient to be open for ideas or methods tested by someone else.

There are no sharp boundaries between different roles in San Sai, and this has contributed towards breaking down the traditional hierarchies, the patron-client relationships. There are still economic and social differences, but hierarchies do not dominate any longer. More equal and businesslike relationships – to companies, to other farmers, to extension officers and to others who can supply knowledge – are of greater importance for the farmers' economic decisions in San Sai. As for the economic transformation process in San Sai and the farmers' ability to take advantage of the opportunities created by this process, I would say that

Figure 4



both horizontal and vertical relations are important. Farmer-groups and cooperatives, building on horizontal relations, have contributed to a better dissemination of information and knowledge. Apart from this there are informal horizontal networks in some villages leading to an almost automatic diffusion of information. The vertical relations are those between farmers and middlemen, between farmers, group leaders and companies, and between farmers and bureaucrats on different levels. The cooperatives are also a part of the vertical relations, where the leaders are the link between the members and the companies.

### **Equity, competition and supporting structures**

The networks create opportunities for more people and with this the prerequisites are improving for the modernisation and globalisation to lead to development rather than impoverishment. What is it that makes the networks, both the formal and informal, to grow and prosper precisely in San Sai? I have already stated that the relative equity in San Sai promotes cooperation and consequently the individual's room of action and ability to act in relation to norms and systems. How has it arisen? The changes in the 1930s - when the state made investments in irrigation, education and support for land settlement – laid a foundation. The natural conditions for agricultural production were already in place, and migration to the district increased. But this is not a sufficient explanation to why the hierarchies are less dominating in the district. Equity has developed in interaction with two other factors, jointly strengthening the networks and consequently the individual's room of action and ability to act in relation to norms and systems. Equity has developed and strengthened in relation to two other factors: competition and supporting structures.

Competition at various levels in San Sai has prevented any group, or type of leader, to dominate, at least for a longer period. This implies that there is room for other types of activities. If one type of cooperation fails, another could be created. The advantage of competition was clear during the years of expansion of contract farming in San Sai. The farmers quickly learned which company offered the best terms, and they also managed to renegotiate the fixed price for the crop.

Competition is also beneficial within the state structure, where competition between different departments and between the interest groups that are trying to influence the state to their advantage, makes sure that groups seldom manages to obtain permanent support or dominance (Christensen et al 1992). On the local level, and from the farmers' perspective, competition provides space for different types of cooperation. Those who want to cooperative with the big company Frito-Lay do so, and those who prefer to start their own small-scale business do so. And collaborations that no longer have purpose fade away. The dynamism in the network is a result of competing activities on the horizontal as well as on the vertical level.

Supporting structures is a concept connected with the discussion about the norm triad (Wickenberg 1999, 2004). Per Wickenberg use the concept supporting structures in his thesis about environmental work in Swedish Schools, and brings up several examples of what these can include: engaging key actors, active support from the management, infrastructure in the form of school buildings that provide space for own social arenas for communication, external persons and resources that can be mobilised, as well as various types of goal and policy documents (Wickenberg 1999:507). Obviously, supporting structures can encompass a lot of things. What I mean by supporting structures in this context are, above all, the channels for distribution of knowledge and information that have been built up in San Sai during a long time, with help from the state. This is manifested in well functioning agricultural extension service, state-initiated farmer-organisations and cooperation with the agricultural university in Mae Jo. But even though the state has been influential in building up the resources used by

the farmers it does not mean that local bureaucrats are in full control. On the contrary, they will have to stand being challenged by the same means they use themselves.

The three factors – equity, competition and supporting structures – jointly have a positive impact upon the farmers' room of action. Equity forms the basis, but is dependent on the other factors for maintenance and development. The question on how equity has developed from the start is complicated. One possible explanation lies in the initial land distribution. The land settlement cooperative's project, started in the beginning of the 1930s made many new farmers settle in San Sai.<sup>6</sup> Those who participated in the project gained full property rights to the land after a few years, and a diversified agricultural economy evolved.

Farmers moved in to Mae Taeng as well, and in this district there were also much larger areas of uncultivated land. But in Mae Taeng there was already an established trade in cattle, and the farmers who settled in this district became dependent on those who controlled the trade. In a micro perspective this can be seen as reflection of the differences in development between North and South America, where the landed elite in South America hampered the economic development by possessing the political as well as the economic power. In North America, on the other hand, access to opportunities was more evenly distributed from the start (Sokoloff & Engerman 2000).

Another possibility is that the equity arose initially because the state was there first. In an area without a ruling power there is a greater risk that local leaders seize control (Ananya & Nipon 1991). The state arrived early to San Sai, and by that checked the establishment of an alternative power structure.

### **Absence of an elite is as important as controlling the land**

Pan, a retired farmer in Ban Klang Phattana, thinks that agricultural extension officers are good, but since the farmers in the village already know more about agriculture than the officers they don't have to come so often. Ban Klang Phattana is situated in tambon Mae Faek Mai, in the northern part of San Sai. The Potato Growers' Cooperative is nearby, and in the neighbouring village is the housewives' group that in recent years has started its own production of potato chips. Almost everyone in Ban Klang Phattana is related to one another. It is a rather small village, with roughly 350 inhabitants. When there is a meeting everybody comes, Pan's son-in-law told me. He is one of many entrepreneurs in the village, who previously used to be a potato grower, but now manages an insect farm in Mae Jo. By the end of the 1990s most farmers in Ban Klang Phattana grew potatoes, and three different companies were had contracts with the farmers in the village. Ban Klang Phattana is a traditional village in the sense that the matriarchy persists. Many women remain in the village and men move in as they marry one of them.

The strict hierarchies that are said to dominate Thai society are not obvious here. The absence of hierarchies could be a result of a more advanced economic development, evoking more businesslike relations and lessening the need for clientism. But I believe that the explanation has deeper roots. The absence of an unchallenged elite is of vital importance for the equality. And the lack of an obvious elite in many of the villages in San Sai is closely connected to the land distribution and the type of land ownership. Many of the villages in San Sai were established during the 1930s. Some of them with the help of the Land Settlement Cooperative and other, like Ban Klang Phattana, in the areas close to the cooperative's area. The villages expanded as more relatives moved in (Kirsch 1981, Dusit & Somkid 1990). A

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<sup>6</sup> Participating farmers were given 15-30 rai per household, as well as credit for housing and land clearance. When the land was in full cultivation and the loan was paid back, farmers could apply for full ownership. This was the first Land Settlement Cooperative in Thailand, and apparently one of the most successful (Kirsch 1981).

foundation for more equal structure was laid in these villages, later contributing to the development of the networks. The differences in land ownership that are visible today occurred later, as some families have divided the land among the children and others have bought land to get bigger land holdings.

How important is it to own the land you cultivate? Many farmers in San Sai own their land, but there are also many potato farmers who are merely tenants, and several farmers combine cultivation on owned and rented land. There is also an abundance of prices and arrangements for tenancy; some pay 50% of the rice crop during the rainy season, others pay in cash. The price of tenancy varies from 1000 to 4000 baht per *rai*. There is no clear-cut connection between type of ownership and income, since many tenant potato growers have higher income than the landowners.<sup>7</sup> The formal credit system via BAAC (*Bank for Agriculture and Cooperatives*) is open also for farmers in San Sai who do not own their land – they can borrow money by forming credit groups. Typically, a common argument for the necessity of owning the land is that it is required to get access to the formal credit system.<sup>8</sup>

The significance of land ownership is at another level rather than the strictly economical. There are two types of tenants: those who have rented their land for generations and those who rent land from relatives or neighbours while waiting for the opportunity to inherit or buy a plot of land. In the first case it is an established ownership structure and the second case it is related to the life cycle of specific households.

The latter type dominates in the villages in the upper part of San Sai (tambon Mae Faek Mai). Further south in the district, closer to Chiang Mai, there are some older villages where most farmers still are tenants. In this area the structure has been the same since the late 1800s, and a small group of landowners has kept the control of the land. Most land owners live in town. The land rent is not higher in the villages where the land is owned by the old aristocratic families than in other villages, related to the income that can be earned from cultivation of potatoes. In case of share cropping it is only applicable during the rainy season; the surplus from the dry season cultivation goes fully to the tenant.

Seen from an equity perspective the presence of a dominant elite can be as important as the economic risk of losing access to the rented land. I cannot say for sure that division in different roles is more strictly defined in the villages dominated by tenants than in the villages where ownership is more mixed. A more thorough study is needed to settle that. But it could be so. Cultivation of potatoes had practically ceased in one of the tenant villages in 1995; most inhabitants worked outside the village during the dry season. The man who had been group leader before was also one of the few major land owner who lived in the village, a rather wealthy man. The major reason to why the farmers had stopped growing potatoes in this village was that the group members weren't satisfied with the leader. Rather than dismiss him and chose a new leader they stopped growing potatoes. This is a presumed common strategy in Thailand, where men from the elite naturally take a leading position. Rather than openly confronting the leader on dislikes, one gives up the entire organisation (Akin 1980). Two years later, 1997, potato cultivation expanded again in this village, and a new leader from the neighbouring village had taken over.

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<sup>7</sup> See Lipton (1985) for a discussion about the relation between land ownership and welfare.

<sup>8</sup> The significance of land ownership is tested empirically in a Thai study from 1988. The results show that it is easier for farmers with an ownership document to obtain formal credit and that productivity is higher (Feder et al 1988). It is, however, difficult to relate this investigation to the conditions in San Sai, since the study is based on a comparison between squatters in an area classified as a forest reserve and farmers who have documents of full ownership (NS4 or NS3). The farmers who are squatters can never obtain full property rights even if they have cultivated their land as long as the farmers outside the forest reserve areas. This implies that the landholdings never can have equal value, since land in the forest area cannot be sold.

An interesting phenomenon in many of the villages in the upper part of San Sai, and an additional illustration of flexibility and floating roles, is that the traditional form of labour exchange had been replaced by wage labour at a fixed rate. Farmers work on other farms in the village for 120 baht per day. And when they need extra help on their own farm they hire neighbours at the same rate. The help is the same, but the system is more flexible as equal exchange is not needed. Traditional labour exchange can be difficult to fit in to modern agriculture, as it requires a lot of coordination. This type of wage labour could be seen as an old institution in a new and different form. And those who claim that economic development commercialisation of agriculture inevitably leads to decay of village unity are proven false. Some farmers stick to the old type of labour exchange: Manit in Ban Kaw Mung, 60 years old and belonging to the older generation of farmers, exchange labour with friend and neighbour without use of any money.

Summing up I would say that relative equity and floating roles are prevailing in the whole district, but most prominent in the newer villages, those that were established in the 1930s and where most farmers own their land. Floating roles, i.e. when there are no strict boundaries between who is a land owner, tenant, middleman, wage labourer or entrepreneur, are to some extent dependent on a higher income level than in many other parts of Thailand. But it needs to be said again: this is not about large-scale farmers. Farmers in San Sai definitely have more in common with forest farmers in Blekinge than with Scanian farmers.<sup>9</sup> Marginals were small and it was normally necessary to have more than one source of income in the household to make both ends meet.

Farmers in San Sai only care about making money, one of the company representatives said to me. As in 1995, when several contract farmers returned the seed to NS Farmin the beginning of the season and signed a contract with Siam Snack instead, only to get access to seed of the Atlantic variety, that had turned out to give a more abundant crop. They change because they can. One important explanation to the success in San Sai is that there is a supply of many possible crops, companies, buyers, and organisations to choose from. And competition between these brings about increasing opportunities for cooperation.

### **Competition creates more room for farmers**

In what way can networks arise and prosper by aspiration for increased individual income, and by competition between people and groups? It could be seen as a paradox that collaborations can thrive in a society characterized by competition and striving for individual success. It is, however, easy to understand the function of collaborations from an individual and institutional perspective, since they act as a way to overcome obstacles in the market and to decrease transaction costs. The survival of the collaborations is explained by their function. Competition also implies that farmers have the possibility to enter and exit various types of collaborations, which gives flexibility and room for change.

There is competition in several fields in San Sai. Firstly, competition between the different firms was of vital importance during the expansion phase in mid-1990s. Since there were several companies in the district, eager to attract contract farmers, the farmer-organisations and the farmers' bargaining position could grow stronger. Secondly it has been important that the farmers have many middlemen to choose from. Traditionally, private buyers have had a key position in Thailand, to provide information about new products, activities and markets. The middlemen have at times been given the role as scapegoats, being

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<sup>9</sup> For those of you who are not familiar with Swedish agricultural history: The wealthiest farmers were found on the fertile Scanian plain in the southernmost part of the country, while farmers in the Blekinge forest had to struggle on meagre and stony soil. On the other hand, farmers in Blekinge were independent and did not have to deal with a landed elite.

blamed for the farmers' hardship. Middlemen are supposed to use their position to gain a large share of the production surplus.<sup>10</sup> In San Sai there are many middlemen, sometimes several in the same village, and it is not considered strange to change. Hence, farmers don't depend on one person to get access to information.

In the same way as there is competition between buyers, there are many types of leaders. To link up with the section on equity above: One could say that the farmers' achievement in San Sai depends as much on the disruption of the elite as on the farmers' unity. Leaders and entrepreneurs have different ways to reach success – some have moved to the industrial sector, others have started their own business, and some are employed by the potato companies. Controlling the farmers' production surplus is no longer the only way to make money. Not all leaders in San Sai are good people. But since there are many of the some kind it is difficult for the selfish to take too much space.

The Potato growers' cooperatives had a difficult time with its leaders during the first years, when the potato price was high and when cultivation of Spunta could give a really high income. Bunsri, the president of the cooperative, told me in 1997 how many of the early members of the leading committee, i.e. those who founded the cooperative, did what ever they could to enrich themselves. They took the cooperative's money for their own business, and they fabricated false member lists to get a higher share of seed for themselves. Cheating with name lists probably still occurs to some extent, but the corrupt members have been forced to quit. A new generation of members entered the cooperative after a couple of years, and they managed to push out the older ones.

When discussing informal institutions, the concept charisma is useful. The concept emanates from Weber, who defines it as "devotion to sanctity, heroism or exemplary character of an individual person, and of the normative patterns or order revealed or ordained by him" (Weber 1947:242).<sup>11</sup> There is an obvious connection between clientism and charisma. It is necessary to have an unequal and hierarchic system to build a leadership on charisma. A charisma leader possess an indisputable authority, which is more difficult to maintain in an equal society where divergent opinions easily can come out in the open and where there are several potential leader competing with each other. There have been plenty of charismatic leaders through Thai history, even though have not always had the exemplary character Weber refers to. Thai local leaders or godfathers - *nak leng*, *chao pho*, or *suea* – who where both feared and admired by their neighbours, have all the characteristic feature charisma (Keyes 1983, McVey 2000, Ananya & Nipon 1991).

There is some competition also between the cooperatives in San Sai. The Potato Growers' Cooperative has become more business-like and has widened its relationship with Frito-Lay. The Land Settlement Cooperative has moved in another direction and has chosen to work with the smaller companies and to support the farmers' own production of potato chips (Singh 2003, Aree et al 2007).

The significance of the market should not be underestimated either – much of what has arisen in San Sai since the late 1980s is due to the growing market for potato chips. That is not to say that farmers in San Sai still would have been on the same old spot if snack consumption hadn't increased. Their ability to utilize the product distinguishes them from potato growers in many other places. Small potatoes are kept for seed for the next season. This is not done in Fang, where farmers instead complain about FritoLay only buying the big potatoes (Wedell Andersen). Already in 1997 there was a middleman in Ban Klang Phattana

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<sup>10</sup> See Rigg 1986 and Ammar 1978, who don't agree with this.

<sup>11</sup> Göran Hydén classifies informal institutions on whether they are based on open or closed relations, and on vertical or horizontal relations (G. Hydén 2004). Clientism, or the patron/client system is built on a closed and vertical relation between two persons, where one offers protection and the other offers his services. Charisma is characterised by a vertical and open relation.

who took care of and resold the damages and small potatoes that were rejected by the companies. And nowadays the defect potatoes form part of the raw material used for the housewife's group's small-scale chip production.

A final area where there is competition, to the farmers' advantage, is between the local authorities. San Sai is already a developed district, and therefore there are good prospects that that additional development investment should give a positive result. Hence it is in the bureaucrats' interest to help, since successful projects can lead to both prestige and increased budget allowance.

### **The state is supportive, but gets challenged**

The Thai state invested early in irrigation, education and infrastructure in San Sai. Some periods have been particularly important: In the 1930s the Land Settlement Cooperative started its operations, the irrigation dam was completed and the agricultural college – that later became Mae Jo University – started (Kirsch 1981, Dusit & Somkid 1990). Many new crops, besides potatoes, were introduced in the end of the 1950s (Bourne 1989, Kung 1974). The major undertaking was made in the highlands, as a way to decrease cultivation of opium, but a positive side effect was increased diversification also in the lowland districts. With the introduction of potatoes in the late 1950s the farmers established a relation with the local state representatives, since individual import of seed – possible in the early years of potato cultivation – demanded contact with the bureaucrats.<sup>12</sup> Many new farmer-groups were established in the 1970s, on the local extension officers' initiative, leading to a deeper relation between farmers and local bureaucrats.<sup>13</sup> The state became engaged in the development of contract farming of potatoes in the mid-1980s, and this led to a broadened relation between state and farmers. Many new farmers became involved in potato cultivation and during the first years all contracts were coordinated through the district office of agricultural extension.

How come the state has invested so much in this particular district? Farmers in San Sai were insubordinate and disturbing at an early state, and one possible explanation to the large investments made here in the early 1930s could be that the state wanted to restrain further rebellion. The leader for one of the major rebellions in Northern Thailand, Chiang Mai rebellion 1889, came from the part in San Sai where the Land Settlement cooperative later was established, tambon Nong Chom. Phraya Prapsonghkham was a local administrative leader in the district, something like a *nai amphur*. He was well-known and respected, and had also been responsible for collecting taxes, before tax-farming and payment in cash was introduced by the central government. The new taxes on betel nuts and betel leaves were determined on the number of trees instead of the actual harvest. And furthermore, since taxes were collected before the harvest was sold, many farmers found it difficult to pay. Those who could not pay directly were punished, infuriating both farmers and Phraya Prapsonghkham. What started as a protest against taxes soon developed into a massive rebellion against the central government in Bangkok. The rebellion was rapidly beaten down, but the Bangkok regime hereafter proceeded more slowly in its attempts to centralise the administration (Sarassawadee 2005:191, Ramsay 1979, Tanabe 1984).

The population in the villages that were drawn into the rebellion 1889 were primarily *khoen*, and had been moved to San Sai in the beginning of the 19<sup>th</sup> century, as a part of the

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<sup>12</sup> The Potato Growers' Cooperative has, since 1988, solely right to import seed for fresh market potatoes. Import of seed for contract farming potatoes is handled by the companies. Both parts need an import certificate, issued by the Public Warehouse Organisation in Bangkok, an organisation within the Ministry of Commerce.

<sup>13</sup> This was part of the Training and Visit-system, initiated and financed by the World Bank in the 1970s (Judd 1989).

repopulation of Chiang Mai.<sup>14</sup> The farmers' land was confiscated, when the rebellion was over, and all participating farmers became slaves (Sarassawadee 2005, Tanabe 1984). It is not unreasonable that it was during this period that a number of aristocrat families seized a large part of the land in San Sai.<sup>15</sup> In the 1920s the farmers protested again, when a Chinese entrepreneur tried to enforce the farmers to pay high irrigation fees. No rebellion this time, but the farmers chose to develop their own irrigation system instead (Anan 1984:97, 170).

Trying to prevent protests by promoting economic development, could be one explanation for early support by the state. Or, it could have been the land-owning aristocratic families that were making a case for resources for agricultural development. Finally, development efforts could have been done in San Sai simply because the natural preconditions for agricultural production already were advantageous, and any investments were likely to provide positive results. Whatever the reason was, state presence was early in the district, resulting in a pluralist society with a great deal of individual freedom. In other parts of the Thai countryside the state presence has been late, giving more room for local bosses (*nak leng* and *suea*) to take over (Ananya and Nipon 1991).

Through continuous work on local level, a positive spiral has arisen in cooperation between state and farmers, although it is not totally free from disputes. When disagreements arise, they are generally solved by negotiations and discussions rather than confrontation. Putnam (1996) means that a horizontal structure is needed for state investments to work and social capital to grow. With that argument in mind one can assume that the fertile soil already was in place in San Sai and that the efforts carried out lead to a positive development spiral.

### **Development or impoverishment?**

My conclusion is that given the local context prevalent in San Sai, there is a higher than normal probability that farmers deliberately and consciously chose to remain within the agricultural sector. However, farmers are not any different in San Sai. Just as in any other places there are entrepreneurs who are willing to take risks and to test new methods and crops. You can also find the curious but more cautious farmers, who gladly test novelties if only someone else first has proven it worthwhile. And there are the passive farmers who need quite a lot of persuasion to change track.

However, these three groups of farmers act in a context where conditions are created for a positive development for agriculture, rather than impoverishment. This will most likely help the entrepreneurs to find more possibilities to exploit, the cautious farmers accept innovations a bit faster, and the passive may chose to keep up rather than to quit.

### **Back to Blekinge**

In the local context where I grew up, the countryside in Blekinge, the agricultural transformation phase was already complete. But which of the three farmer types was my father? I mentioned earlier that he could be seen both as an entrepreneur and a reactionary, depending on when and how one look at his choices. In the beginning of his career he and my grandfather were definitely entrepreneurs. They were the first in the neighbourhood to buy a tractor, a grey Ferguson. During the next years, before the other farmers had caught up, my father and his tractor was hired to plough on the neighbouring farms.<sup>16</sup> Doing this provided an

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<sup>14</sup> Chiang Mai was abandoned in 1776 because of war with Burma. King Kawila started rebuilding and repopulating the city in 1782, by moving people from the Northern district (Sarassawadee 2005).

<sup>15</sup> In many villages in San Sai the farmers have been tenants for several generations. The administrative reforms in the late 1800s lead to decreased power and income for the members of the local aristocracy in Chiang Mai. A new way to gain income was to seize control of large land areas, and live on the rent (Anan 1984).

<sup>16</sup> Ferguson's tractor was equipped with hydraulics, meaning that the tractor and the connected machine worked together as a unit. The older tractor could only tug the machines and were inefficient and heavy to steer.

extra income, but it was also a good way to gain knowledge about new methods. My father – who never had any formal agricultural training – observed and asked and learned and tested. In 1955 my father had bought one-year old three plants, to transplant and resell. They died from drought, all of them. This led up to his decision to buy an irrigation system, with pump and pipes, later contributing to exceptionally high potato yields, saving the family economy more than once. The neighbours were sceptic to the use of an irrigation system and meant the water in the stream would dry out. A few years later all farmers by the stream had their own irrigation systems and there was water enough for everyone.

In the 1970s many farmers in Blekinge built large plants for hog breeding. My parents kept it small-scale, with wooden stalls. Not making any investments was a conscious choice, since they did not want us three daughters to be pressured to take over an expensive business. But it could also be interpreted differently, like if my parents now had changed from being entrepreneurs to becoming reactionary. None of us daughters got any agricultural education, nor, as far as that goes, married a farmer. One of my cousins rented the fields, and the forest has my brother-in-law and my sister – who eventually took over the farm – taken care of during the week-ends. And now my nephew, with an advanced forest education, has his own family and is ready to take over. Small scale farming lives on in Blekinge, although in a different form than in the 1940s, when my father came to Smedamåla.

### **What will the children do?**

How will the next generation choose? I don't know because I talked to and observed the already active farmers. None of the farmers I interviewed in San Sai expected their children to choose the same occupation. Some were hoping they would do so, but most of them actually meant that it was up to the children to decide. This indicates that there is no social pressure on the children to take over the land and become farmers. Just like when I grew up the farmers' sons and daughters have access to education and can make their own choices. It is no longer evident that they should have the same profession as their parents. Some of the future farmers in San Sai will probably be like Rangsan. He has a university education from Mae Jo and a full time job as bureaucrat. He also rents three rai of land to cultivate potatoes. He saves money to buy his own land and plans to grow flowers in the future. And he is not a victim.

The gap between city and countryside sometimes seems infinite in Thailand. The difference between folks and gentry persists. In the mid-1800s the Bangkok aristocracy strived to show that they were civilised, in contrast to the uneducated country folks, *chaobannok*, and the uneducable mountain people, *chaopa* (Thongchai 2000:536). Outside Thammasat in 1976 village scouts from the countryside fought protesting students, side by side with the military (Muecke 1980). And in 2008 the *People's Alliance for Democracy* built barricades in the streets of Bangkok, protesting against the rural population's obstinacy in voting for the wrong politicians. The absence of sharp boundaries between different groups of people in San Sai brings hope.

### **Summing up**

What I have shown is how different factors act together and influence the farmers' choice. I suggested in beginning that the prevalent norm among farmers in San Sai is "Anything is possible!". Naturally this should not be seen as the personal norm for all people in the district, but rather something that could be valid for groups of farmers on an overall level. Relative equity on a social as well as on an economic level, combined with competition between individuals, organisations and groups, prevent people from gaining too much power. Supporting structures facilitate cooperation and make it possible to take advantage of opportunities within the agricultural sector. This taken together promotes development rather than impoverishment.

The explanation to why there is openness, flexibility and relative equity in San Sai today is easy to tell, but probably a lot more complicated to duplicate in a different context. It is necessary to go back to the 1930s to understand today's structure in San Sai. The state made a number of major investments in the region, leading to improved conditions for profitable agricultural production, and to the moving in of new people into the district. Land distribution became more even in parts of the district, partly because of the activities of a successful Land Settlement cooperative. The events in San Sai in the 1930s made the hierarchical structure to falter just a little, and later development has reinforced the mobility between and within different groups of people.

There are people who want to use their position to take advantage of others in San Sai as well, but since there is competition, and because farmers are not dependent on them to make a living, there is less room for full-scale patrons to develop. They, like the state's local representatives must learn to be challenged. The cooperation between state and farmers over the years has evolved into a relationship where the state at a local level is more supportive than controlling. Potatoes has always been a crop subject to state control, in so far as most of the seed used is imported and that this import has to go through the Ministry of Commerce. This has contributed to the long-term development of a relationship between farmers and bureaucrats. The promotion of farmer-groups in the 1970s laid the foundation of a structure which could be utilized during the years of expansion of contract farming in the district. When more farmers became involved in contract farming the relationship between bureaucrats and farmers was broadened.

Competition has brought about equality and flexibility on several fronts. The growing market for chips led to the establishment of more companies in the district, and farmers were able to build skills in managing both business and the market. There are many buyers, or middlemen, in the district, and this has also benefited the potato growers, as they are not dependent on the relationship of a single person for their economic activities. There is also competition within and between the different organizations and government offices, discouraging the abuse of power. Economic development benefits from equality and mobility, even farmers with small assets can be included, living and acting in such a context.

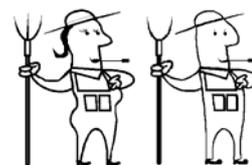
The model for agriculture-led development - the starting point for the study – is a model for structural change, building on an inner dynamics in the agricultural sector. If there is no dynamic the state must make sure that it is created, by adding resources to the agricultural sector. I thought, maybe it isn't so simple, carefully took step into the deep lake of empiricism, took a deep breath and had a look of what was hiding beneath the surface. And I came up with a differently angled perspective.

### **To be continued...**

What are the implications for further research? The results have implications for research on three different levels: About farmers, about agrarian systems and about Thailand. The farmer – who shall not be seen as belonging to a race of his own – has been placed in relation to the agrarian system, which has been placed in Thailand. Katherine Bowie has recently analysed women's political role in a village in Northern Thailand, and rejects the prevalent idea that women's influence is limited to the daily household economy. In general women don't candidate for local political positions, and they are not visible in debates. But they are of vital importance for the result – few men could win an election without the support from the wife and her network (Bowie 2008).

The Chedi Mae Khrua House Wife's Group's production of potato chips illustrates how women can take on a larger role in the economy. But even here it is teamwork – in this case the chairman's husband was acting in the background as advisor and with access to a wider economic network. In my study I have discussed the farmer's own system, and the farmer has

implicitly been understood as the same as the household. An interesting area for further research would be to break down the household level, and discuss the interplay between husband and wife in the agricultural society, seen in relation to ongoing transformation process and the surrounding society. I'll be back.



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## **Appendix: A brief outline of the PhD thesis**

There is a variety of options on the Thai countryside today, especially in an area like San Sai in northern Thailand, situated in the vicinity of a city. Farmers can choose to be prime movers in the development process, by exploiting the opportunities provided by a changing market, or they can choose to carefully study the results of those who dare to go first and then follow. They can also leave the countryside and search for a living in the city. What are the arguments for staying within the agricultural sector? The distance to the market is decreasing, not only as a result of better roads, but also because the information flow has increased. As the economy grows, the demand for new products is increasing, creating opportunities for those who want

to invest in agriculture. But it has also become more difficult to be a farmer in Thailand today. Modern agriculture requires expensive input, living expenses are increasing, and labour has become scarce.

## Purpose

The aim of the study is to construct a system, where the outer framework is defined by the potato industry. Within this framework, the farmer and the other actors – the companies and the state – interact during the influence of resource endowments, and formal and informal institutions. The aim of the construction of the system is to arrive at an understanding of the farmer's world, and the different factors that influence the economic choices.

A general argument is that a relatively high degree of equity and flexibility creates a breeding ground for cooperation and new forms of organisation, which in turn qualifies for development rather than impoverishment. In the area in Northern Thailand where the study is made many farmers have managed to make profitable choices. Focus is on a group of farmers who already are empowered.

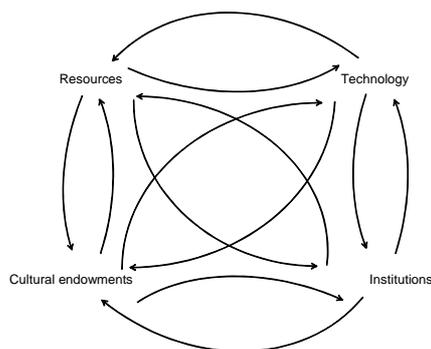
The methodology used in the study is qualitative, and the general picture of the farmer's system is built up by a discussion about socio-cultural, political, and economic factors.

Through the study, I make short references to Blekinge county in Sweden, where I grew up, and where my father was a contract farmer of potatoes for the Swedish starch industry, from the late 1940s until the late 1980s, when he retired. The purpose of making references to Sweden in study about Thailand is twofold: I want to further clarify my own frame of reference for the reader, and I also want to show that the processes in Sweden in the 1950s are similar to the processes in Thailand today. Furthermore there are many similarities between small-scale farmers in Blekinge and San Sai.

## Theories and models

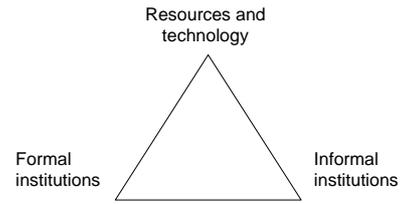
Three different theoretical models are discussed: Oshima's model of agriculture-led development, Hayami/Ruttan's model of induced innovation, and Hydén's norm triad (Oshima 1987, Hayami & Ruttan 1985, Hydén 2002). Oshima's model of agriculture-led development is an explanatory model as well as a strategy for development. He is not the only one who has discussed agriculture-led development, but he has stated that the model can explain Thailand's economic development (Adelman 1984, Mellor 1986, 1995). Oshima's model was the starting point for the work, and a modified version of Hayami/Ruttan's model, is used to discuss the different factors that influence the individual's economic choices.

Early in the process it became clear that cooperation between people seemed to work better in San Sai than elsewhere. In order to understand the institutions, namely the rules that govern and facilitate coordination between people, Hayami and Ruttan's model for technological and institutional change was brought into the analysis. In their model, institutions can be developed through changes in resource endowments, technology, and cultural endowments.

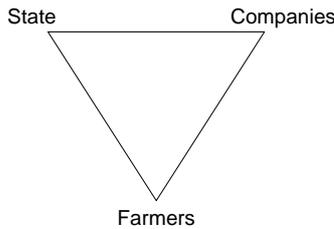


Growing imbalance in resource allocation due to institutional constraints generated by economic growth creates incentives for leading actors to act for institutional innovation (Ruttan 2006). The model brings up the interaction between the various components of a system. But the informal institutions, or cultural endowments as Hayami and Ruttan choose to call them, are left without further analysis.

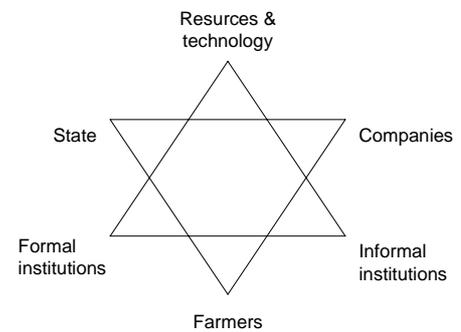
In the study, Hayami and Ruttan's model is transformed to make it more operational. Access to technology and technological development is of minor importance in the study, therefore resources and technology was united to one factor. I also prefer to use the concept informal institutions instead of cultural endowments, which is more in line with Douglass North's definition (North 1991).



Hayami and Ruttan themselves note that a theory of action is missing in their model, i.e what makes the farmers, scientists and planners see the changes in their environment, and then act for changing institutions and technology (Ruttan and Hayami, 1995). To be able to handle this, it is necessary to elucidate the role of the actors.



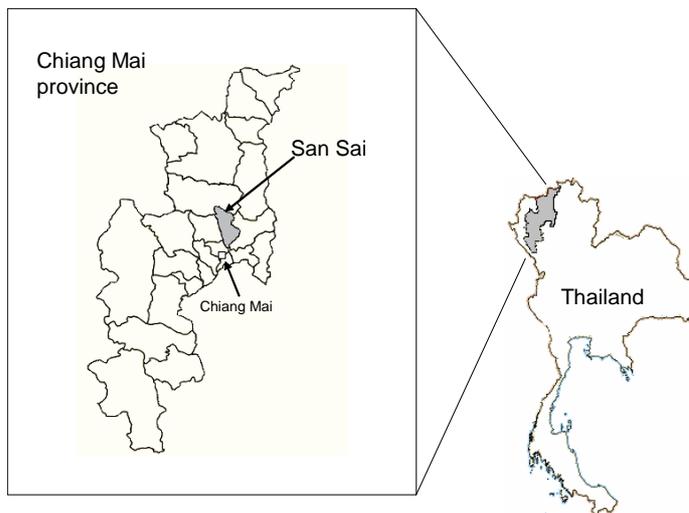
The two triangles are then put together into a model, which is used in the study to discuss the different factors that influence the farmers' action and choices.



The norm triad, finally, was brought into the analysis to deepen the discussion about the informal institutions, how they influence the farmers' room of action and how they interact with the economic, socio-cultural and political-administrative systems that form the local society. The norm triad is used in the final chapter of the thesis for a comparison of San Sai and Mae Taeng. By giving priority to various components of the model it is shown how the systems are preservative in Mae Taeng and developing in San Sai.

## The study

The major part of the interviews that form part of the material are made in San Sai, one of twenty-four districts (*amphoe*) in Chiang Mai province in Northern Thailand. San Sai is situated a few kilometres north of the city Chiang Mai, and is a lowland district that to some extent is urbanised (see figure to the left). San Sai is divided in twelve (*tambon*), and I have talked to farmers in five different *och tambon*, where potatoes is an important crop. Potatoes can not be grown everywhere. Sandy soil is preferable, and that is what there is in a large part of San Sai.



There are 116 villages in the

district and I have interviewed farmers in ten of these. The major sub-districts for potato cultivation, from north to south are: Mae Faek, Mae Faek Mai, Nong Harn, Nong Chom. Potatoes are grown in Pa Phai as well, a *tambon* a bit more to the east. Mae Faek Mai and Mae Faek have the highest share of agriculture. See map to the right, showing where the sub-districts and villages are situated in San Sai.

### *Development of the potato industry*

Many studies on contract farming put too much emphasis on the organisation form and the contracts, while local economic and social factors are underestimated. The significance of the local context is clear in this study. The expansion of the potato industry has helped farmers to gain broader and deeper competence on how to manoeuvre in the economic environment and take advantage of opportunities.

Although agriculture has declined in northern Thailand for the benefit of industries and settlement, the potato industry shows no signs of decline. Rather the opposite; potato cultivation expanded considerably over the years during the 1990s when the study was conducted, and has continued to grow since then. This is due to a soaring domestic demand for potato chips.

The years 1994 to 1997, when the study was conducted, was a formative period for the potatoes industry. During these years the market structure changed from oligopoly, to a high degree of competition and then back to oligopoly again. During the cultivation season 1993-1994 a Thai company, NS Farm, dominated the market in San Sai and decided the guaranteed price paid to the farmers. The following year the lucrative potato industry had attracted many more companies to the district. The increased competition had important implications for the farmers on two levels: They acquired a stronger bargaining position and the local state officials gradually lost their previous control over the potato industry.

In 1997 the market structure had changed again, as a U.S. company, Frito-Lay, had purchased the NS Farm and had crowded out many of the smaller companies. During the years of competition, however, the farmers in San Sai managed to build a stronger position, with the help of their own organization. They also acquired useful knowledge of the functioning of the market, providing a base for later entrepreneurial development.



## **The chapters**

Chapter two is the methodological chapter of the thesis and describes my own choices. Not why I chose to start a PhD-project, but rather the choices I had in front of me when I was

about to conduct the first field survey, and not the least when it was time to analyse the material. A major part of the chapter of the chapter is devoted to describe the research process, i e my own frame of reference and the different steps from choice of problem to study to presentation of the results. The most time-consuming part of the process has been to reformulate the research question and the purpose, and to find the appropriate models to present and analyse the material collected during the field studies. The three models presented above are discussed in chapter two.

Chapter three is written in a historical perspective, and the purpose is to show the fundamental features of the farmers' society, with emphasis on their relation to the elite. It is motivated to go far back in history, since lingering structures still influence the farmer's choices today.

Chapter four is about the relation between the state and the farmers. It is shown that the structure that has developed in San Sai since the 1930s is more supporting than controlling. The development of the farmers' organisations – farmer-groups and cooperatives – is discussed. I also discuss the state's agricultural policy, as well as the fact that the state sometimes competes with itself.

Chapter five deals with the development of the potato industry, how it has changed since the start in 1988, and during the years of the field surveys 1994-1997. The development in recent years is also discussed. The economic rationality of contract farming is analysed from a transaction cost perspective, and I discuss in why farmers in San Sai have chosen to become contract farmers and in what ways it have been beneficial to them.

In chapter six finally, which is the same as the paper above, I identify the characteristic of farmers in San Sai, how come they have a wide room of action, how this is manifested, and how this is connected with the factors discussed in the previous chapters.