Two Excerpts from "The Factbook on Rice"

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In July, TDRI will publish "The FactBook on Rice" (in Thai) which is aimed at the policy community. The following are excerpts taken from the book

SHOULD WE LIE OUR RICE STATISTICS?

Each year, the Office of Agricultural Economics at the Ministry of Agriculture and Agricultural Cooperatives comes out with Thai rice production estimates. These estimates are widely publicized and used by various government offices and by traders to plan activities and trading positions. The Internal Trade Department and Business Economics Department at the Ministry of Commerce also collect and provide data on internal prices at various locations, at both the wholesale and retail levels. Finally, the Rice Subcommittee of the Board of Trade (BOT) (which is composed of rice exporters) meets every Wednesday and announces export prices for various grades of Thai rice. At one time, these BOT announced prices were used by the Ministry of Commerce as minimum prices – any exporter selling rice below these prices would not be granted a license. This measure was easily circumvented by an offending exporter remitting illegal discounts through black-market, foreign-exchange transactions. In any case, this minimum-price measure is now moribund.

All the data thus made available have an impact on the income of many groups involved in the domestic rice trade. More importantly, they may affect Thai interests in the international economic arena. For example:

- In bumper crop years, to let the world know that Thailand has a lot of rice to unload on the world market may allow foreign buyers to depress the price they are willing to pay.
- If the export prices determined by the Rice Subcommittee of the Board of Trade in any way reflect reality, rival exporting-country governments could use them to set prices for their rice, and could use our prices to undersell Thai rice. Further, under its Food Security Act, the U.S. government must announce a "world price" every week; this price is then used to value the rice the government has in stock and that it wishes to unload. Any price reduction that Thailand may offer will be matched to the same extent (unless it can keep that reduction secret).

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WHERE DO ALL OUR RICE EXPORTS COME FROM?

During the triennium 1976-1978, Thailand exported an average of 2.2 million tons of rice. Only eight years later, in the period 1984-1986, the export volume almost doubled to an average of 4.3 million tons. In fact, in every year since 1984, rice exports never fell below 4 million tons. Such an export level is unprecedented in history. Where does all of this rice come from?

Since we are dealing with exports, we need to consider only nonglutinous rice. (Actually, Thailand does export some glutinous rice, but the annual export volume of 100,000 to 150,000 tons is quite small relative to the country's total production of about 3-4 million tons). Between 1976-78 to 1984-86, Thailand increased its export volume of nonglutinous rice by 2.26 million tons. The sources of this increase are a 2.36 million-ton increase in production, a 0.2 million-ton decrease in apparent consumption and a 0.3 million-ton increase in seed use (see Table 1).

At first glance, these figures appear to indicate that the key to increased exports is increased production. But Thai rice production increased steadily over the previous two decades without any such dramatic surge in exports. True, production growth between 1976-78 and 1984-86 was 3.6 percent per annum, higher than the 3.1 percent rate between 1961-63 and 1976-78, but inadequate to explain the export surge in the latter period.

The major change in the period since 1976-78 has been that the per capita consumption of rice has declined. Had the average Thai consumed rice at the same rate in 1984-86 as an eater did in 1976-78, the domestic demand for rice would be higher by 824,000 tons. Instead, between the two dates, rice consumption has fallen by as much as 20 percent. The increase in exports that has become possible is larger than the volume demanded by any single overseas market.

Interestingly, the per capita consumption of glutinous rice did not decline, but increased by 11 percent between 1976-78 and 1984-86. It is not clear why consumption of the two kinds of rice moved in opposite

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Should We Lie With Our Rice Statistics?

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Three alternative strategies may be used to release data:

(1) Be completely honest and release the most accurate data possible;

(2) Keep all information secret. Release whatever data there are only to a select few concerned officials; or

(3) Issue misleading information to confuse foreign buyers and competitors.

Actually, strategies (2) and (3) are not that different. Thus, from about the beginning of 1985 to the beginning of 1989, the Rice Subcommittee provided very misleading information concerning export prices. This misinformation was not used at all by the U.S. in estimating the "world price." Thus, misleading information and ignorance are equivalent, a lesson taught us 2,000 years ago by Aesop in his fable of the shepherd.

The question still remains as to what the government should do about providing or not providing information. Let us first consider information on production levels. If decisions on export levels are made by the Foreign Trade Department of the Ministry of Commerce (as they were when export levels were set by quota), then the Department had to have the most accurate information on hand to make the best decisions. If, at that time, the Department could keep the information totally secret, it could possibly use that information to extract better prices from foreign buyers. If, however, some traders had the inside track on this information, they could have used it to exploit other traders or farmers who were not privy to the information. Furthermore, to enable the Foreign Trade Department to keep its information secret, departmental access must be confined to a very small number of personnel. Even if (in order to maximize the return to country) trading decisions were to be confined to a small number of very select and able personnel not subject to checks and balances, major errors could be made, as such decisions are ultimately subjective judgments.

In any case, the government gave up the quota system on rice exports in 1983. Consequently, it is now the exporters who decide upon the volume of rice to be exported. If this is so, they should be equipped with the best data possible in order to make the best decisions. "Best" decisions here imply not only that exporters' profits will be better – because they will trade more smartly. But, more importantly, these decisions should lead to more stable domestic prices because there will be less chance that exporters will end up exporting too much or too little rice.

Let us now turn to price information. As already pointed out, the information passed out by the Rice Subcommittee is now not much believed. This has not hurt Thailand (although it has made life difficult for researchers), but it has not helped the country either. Competitors and would-be buyers now rely on information from buyers who have concluded deals with Thai exporters. Buyers have been forthcoming with that information, at least at times when prices are falling, because they can use the prices to bargain harder with suppliers and also because they can create an atmosphere for a further fall in prices. Some buyers buy on tender, and information on the winning bids is, in any case, public. Indeed, information from the buyers has been the main source of data for the U.S. government in its determination of the "world price."

Where Do All Our Rice Exports Come From?

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directions. A tentative reason is that glutinous rice consumption has been confined to the rural people of the North and Northeast (they are among the poorer groups in the country and their incomes may have fallen during the period) while nonglutinous rice eaters are among the more prosperous in the Kingdom whose incomes have generally increased. As the Thai rice consumption rate is already very high, one would expect income increases to lead to diet diversification away from rice and income declines to lead to increased dependence on rice.

Table 1 Decomposition of changes in export, production, and consumption of nonglutinous and glutinous rice in Thailand from average 1976-78 to average 1984-86

(000 ton rice)

	Nonglutinous Rice	Glutinous Rice
Export Quantity average 1984-86	4,333.6	142.0
Export Quantity average 1976-78	2,075.6	114.1
Export Quantity Increase	2,258.0	27.9
Distribution of incremental rice production	2,355.0	874.3
Increase (decrease) in Seeding (rice equivalent)	334.0	(7.7)
Increase (decrease) in Consumption	(237.0)	854.1
Increase in Export	2,258.0	27.9
Factors accounting for change in domestic consumption	(237.0)	854.1
Population increase	797.8	543.2
Increase (decrease) in per capita consumption	(1,034.8)	310.9

Sources:
- Export data are quoted from Department of Customs, Ministry of Finance. Production data are from the Office of Agricultural Economics, MOAC. Domestic consumption is the residual of Production-Export-Paddy reserve for seeding (equivalent to rice basis).
- Quantity of paddy reserved for seeding is estimated by multiplying the next three years average of cultivated area by 12 kilograms of paddy.
- Population data are the estimated figures released by the NESDB.