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“Resilience of agricultural systems against crises”

Is There a Future for Agriculture in Rural Villages in Northeast Thailand?

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Abstract

The importance of agriculture in rural villages in emerging market economies like Thailand is declining. As a result of rural-urban migration rural livelihoods are diversifying and the rural population tends to rely on remittances from migrant household members as a main source of household income. At the same time they use their agricultural resource base only as a safety net. As a result, agriculture is neglected by many village households, although there is potential for agricultural entrepreneurship in the course of rising prices for agricultural commodities as for example rubber.

Drawing upon a unique set of household panel data from three provinces in Northeast Thailand, collected from some 2,000 households between 2007 and 2010, this paper investigates investment in agriculture by rural households. A double hurdle model is used to account for zero inflated data as well as for possible differences in the determinants for the decision to invest and the amount of investment.

Results show that only one third of the households have made investments in agriculture and most of these are on a small scale of not more than 400\$. Non-investors in agriculture tend to be potentially marginalised households with female or older household heads. Factors that positively affect the probability of investment in agriculture are farm size, household wealth and income. Diversification in wage and self-employment as well as shock experiences discourage investments. The investment volume is influenced by farm size, household wealth, education of the HH head, savings, additional off-farm income and the number of household members working in agriculture.

Our findings suggest that most rural households in Northeast Thailand neglect agriculture. Farm investments are only made by a few wealthy households with the consequence that the already existing inequality in wealth is likely to increase further, which could lead to social problems and the impairment of village development in the long run.

Keywords: Double hurdle model, farm investments, rural development, rural households, Thailand