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Risk Management Strategies in Agriculture: A Case Study of Swine Producers in Thailand

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Abstract

Risk is an inevitable and important feature farm business. The consequences of decisions or events in farming are often not known with certainty until after those decisions or events occur, resulting in outcomes that may be better or worse than expected. Whereas, Thailand is an important world net food exporter and the agriculture sector employs about half of the countries labour force. But, pork is produced mainly for domestic consumption, only 1 percent of the total output is exported due to many constraints within the industry.

Keeping the prevailing situations in mind, research questions have been raised: 1) What degree does risk matter to the swine producers in northern Thailand? 2) What are the relationship patterns of risk sources and risk management strategies? 3) What are the factors that influence risk sources and the use of risk management strategies?

The study applied multi-stage sampling method to obtain data at 95 percent confidence level and used many types of analysis which include descriptive analysis, profitability analysis, risk attitude analysis, factor analysis and OLS multiple regression analysis.

There were 408 respondents from the provinces of Chiang Mai (218), Lam Phun (46), and Chiang Rai (144) participated in this survey. The study results show that 27 percent of them raise pigs for family consumption (non-commercial) and the rest 73 percent are raising pigs purely for family income (commercial). Non-commercial farmers hold average number of pigs much less ($p < 0.01$) than the commercial farmers *i.e.* for breeding sow, boar, feeding hog and total pig with 39, 1, 330, 370 heads respectively. Besides, there are significant differences in pig farm practices and management of feed use, vaccination, stable organisation, waste handling, personal management, procurement of production inputs, swine farm performance and pig marketing.

Swine farming is profitable business in Thailand for long term investment, though pig price is greatly fluctuated and the swine producers are low risk averter. The most important risk factor is price and production factor. Farm specialisation is the most important strategy using to mitigate risk among the commercial swine producers and it is affected by farm organisations and risk sources.

Keywords: Risk attitude, risk management, risk sources, swine