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Is Agriculture a Good Shock Absorber for Economic Crisis? Evidence from a Rural Village in Thailand

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Abstract

Rural villages in emerging market economies such as Thailand have undergone dramatic changes in the last decades. Periods of continued economic growth encouraged diversification out of agriculture for risk reduction. Thai villages are now characterised by a high dependence ratio as much of the labour force migrated to urban industrial centres. Hence, village families transform into multi-location households which rely on off-farm income and remittances while dependence on land and agriculture declines. However, during economic crises migrants may partly mitigate the effects of macroeconomic shocks through reverse migration to their natal households. This can pose a major challenge for rural villages, especially since many households may have de-intensified agricultural enterprises, which tend to reduce the demand for labour and employment opportunities in rural areas.

The paper analyses the role of agriculture in times of economic crises and is based on an in-depth case study of a poor rural village located some 350 km North of Bangkok. A unique panel data set including a complete village census of the 70 households in 2008 and 2009. In addition in 2009 all 225 village inhabitants including 80 family members who temporarily migrated to urban areas were interviewed. Major variables of the survey are household member characteristics, income sources, amount of borrowing and debt, shocks experienced, information exchange patterns and instrumental support structures.

Using an extended household model to incorporate the urban sub-locations as a theoretical framework we compare livelihood strategies and risk mitigation measures of different household types, namely traditional farm households and multi-location households.

Results show that migrants maintain strong social ties with their natal village and are often reluctant to develop new networks. Thus, the agricultural households perform in the short run an important safeguarding role since migrants rather return to the rural regions than relying on friends or colleagues in the urban centres. However, in the long run an intensification of agricultural production would require high initial investment costs in order to build irrigation systems for instance and could probably still not offer enough job opportunities and even out the decline in remittances and off-farm income.

Keywords: Agriculture, economic crisis, household models, migration, rural urban relations, Thailand