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**The Thai Dairy Industry:
Its Development, Land Rights and Use,
and Health of Cattle***

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Abstract

Changes in the economic, demographic and political characteristics of Thailand have had a strong impact on the traditional nature of Thailand's agriculture and livestock industries over the last few decades. This paper outlines the development of the Thai dairy industry and discusses economic factors, including government policies, influencing its development. Land rights have affected its development, eg. the availability of credit to dairy farmers. In addition, the small size of Thai farms and lack of a ready market in land has resulted in small herd sizes. Furthermore, the extensive use of common property resources has implications for resource management and sustainable agricultural development in Thailand. A number of environmental issues are considered, associated with raising dairy cattle and other livestock in Thailand. The growth of the Thai industry highlights the urgency of cattle disease control, especially the control or eradication of particular diseases. The policy implications of this are discussed.

1. Overview

During the past two decades, Thailand has experienced considerable increases in population and income levels which have resulted in a significant increase in demand for meat, milk and milk products. Despite considerable increases in local milk production, the accelerating demand for dairy products still exceeds the available local supply. Inadequate feed supplies and high production costs are constraints on Thai dairy farmers, resulting in low productivity and lost income. Inadequate property rights in Thailand limit the financial resources of farmers which is particularly important for dairy farmers due to the higher costs involved in this sector.

Extensive forest clearing for agricultural purposes has led to overgrazing of pastures, with farmers extensively using communal areas for fodder for their cattle and buffaloes. This has resulted in severe land degradation and other environmental consequences. Overgrazing has led to inadequate nutrition, low breeding performance and an increased susceptibility of animals to disease. Livestock diseases such as FMD are still endemic throughout Thailand and require control

through effective use of vaccination and precautionary measures at the village level.

2. The Development of the Thai Dairy Industry

Historically, milk was never an important product within the Thai culture, and hence the virtual non-existence of dairy cattle until the second half of this century. Traditionally, meat from cattle and buffalo herds was only obtained from retired working animals (Murphy and Tisdell 1995) and surplus income is gained by farmers through the sale of animals for slaughter purposes. In the 1950s, Indian settlers initiated dairying operations in Thailand, with Bangkok being the main market for their milk (Kehren and Tisdell 1996).

The commercial production of dairy cattle in Thailand commenced after the establishment of the Thai Danish Farm and Training Centre at Muek-Lek, which was a joint venture between the Thai and the Danish governments in the early 1960s (Pichet 1991). Another joint venture, the Thai-German Dairy Training and Processing Plant was established in Chiang Mai in 1968, and taken over by the Department of Livestock Development in 1977. Government promotion of milk consumption, in particular as a product for children, resulted in a slow but steady increase in demand throughout the 1970s (ADC 1993). Milk powder as a substitute for mother's milk now represents - in terms of value - a significant proportion of Thailand's milk imports (Chinwala and Umrod 1993).

Due to demand regularly exceeding local supplies, the Thai government established a programme in 1978 to rapidly boost local supply, but the programme had only limited success due to the high cost of local production relative to recombined milk made from cheaper imports. In response, the Thai government founded the Dairy Farming Promotion Organisation (DFPO) for the

development of the local market for milk products as well as the promotion of milk production, and introduced restrictions on the import of fresh milk and milk powders in 1982 (ADC 1993). Imports of dairy products face a range of customs duties and other taxes, with customs duties ranging from 10 per cent of CIF value for milk powders to 60 per cent for cheese (ADC 1993). Apart from decreasing demand for particular market segments, these duties also generate a substantial revenue for the Thai government. Table 1 summarises the rather high customs duties imposed by Thailand on dairy products.

Insert Table 1

Apart from customs duties and taxes, local content requirements apply to imports of milk and milk substitutes (ADC 1993). For each kilogram of imported milk (or milk equivalent), at least two kilograms of locally produced raw milk have to be purchased, which means that at least twenty units of local milk must be purchased for each unit of imported milk powder used in recombined milk production.¹ These regulations ensure that imports of fresh milk are negligible, as imports of milk substitutes are only economic in conjunction with domestic processing operations. However, local content requirements have been eased in recent years, since the local demand for milk has by far exceeded the available local supply (ADC 1993).

During the 1980s, local milk production showed considerable growth (see Table 2) due to these government regulations. An estimate of the total raw milk output today is around 300,000 litres per day. The major provinces of milk production are Chiang Mai (in the North of the country),

¹ In this context, ten kilograms of milk powder are classed as equal to one kilogram of milk equivalent.

Nakhon Pathom, Ratchaburi and Saraburi (all in the Central Plain region). With rising local milk production, Thai dairy herd numbers also experienced a considerable increase, from 13,700 cows in 1982 to over 70,000 by 1990 (ADC 1993). However, the average size of Thai farms is still only about 6 cows, compared with about 30 in Sweden (Uhlen 1996) and 104 in Australia.

Insert Table 2

Thai dairy cattle have relatively low yields, averaging around 9 to 10 litres (per cow) a day. A much higher productivity is the case in Sweden, where a decrease in cow numbers by 45 per cent between 1960 and 1990 resulted in 90 per cent of dairy farms closing, *without* a significant change in the country's total milk production, being at least partly due to increasing technical and scale efficiency (Uhlen 1996). Therefore, serious attempts should be made to enhance Thailand's milk production capacities by increasing scale and improving technical efficiency.

Despite the increase in local milk production, the Thai milk supply is still not sufficient to meet the accelerating demand for milk and dairy products. Only about 20 per cent of dairy products are produced locally and about 80 per cent are supplied via imports. Between 1985 and 1990, aggregate consumption of milk products is believed to have risen from 400,000 to 700,000 tonnes, which is an increase of 75 per cent. In more recent years, this rate of growth has slowed, but still exceeds five per cent per annum in the drinking milk sector. This rapid increase in demand is a result of population growth, increased tourism and higher standards of living. However, milk producers in Thailand face various constraints that impede higher output and productivity levels.

Inadequate feed supplies and high production costs are amongst the most serious problems of

small farmers in Thailand. Low availability of forage and roughage leads to the wide use of concentrates, comprising almost 60 per cent of the on-farm variable costs of production (Kehren and Tisdell 1996). Furthermore, overgrazing of pastures and insufficient funds to purchase improved breeds of dairy cattle have resulted in low productivity and even a widespread problem of infertility of dairy cows. Improvements in feeding and nutrition are crucial for higher milk production levels in Thailand.

3. Land Rights in Thailand

Property rights in land has been a controversial issue in many countries, including Thailand. Land used to be abundant in Thailand, but forest depletion has occurred over the last thirty years largely as a consequence of extensive clearing of land for commercial agriculture. Increased commercialisation resulted in the gradual evolution of private property rights (Feeny 1988, Feder and Feeny 1991).² The 1954 Land code is still the basis for the current system of property rights in Thailand which allows the owner unrestricted sale, transfer and mortgaging.

However, due to deficiencies in the Thai property rights system and its administration and enforcement, private parties are encouraged to overexploit forest resources.³ About 17 million parcels of land in the country have not been accurately surveyed and registered on land title deeds (Jones 1993). Thai farmers living in forest reserves do not possess any property rights in land, even if they have lived there for decades. This means that they do not have any protection against eviction, but more importantly, that their medium- and long-term credit from formal institutions

² For details of the development of property rights in Thailand, see Appendix.

³ For details and examples, see Appendix.

is very restricted, as their land cannot be used as collateral.⁴

Apart from limited borrowing capacity, an obvious consequence of lack of land ownership is increased uncertainty with respect to farmers' benefits from investments for the purpose of improving the farm's productive capacity (Feder 1987). An exception might be the case when agricultural development has not progressed much and land rights are regulated by emerging customs and norms, reducing the uncertainty to some degree. However, with new technology and increased commercialisation, uncertainty is likely to rise again (as a consequence of land disputes). A study by Feder (1987) supported the hypothesis that ownership insecurity due to limited access to credit and a lack of investment incentives leads to lower farm productivity⁵.

Limited financial resources is also a problem for dairy farmers in Thailand. Limited financial resources of small farmers do not allow the purchase of improved breeds of dairy cows. Most small farmers do not have sufficient property as collateral for a bank loan, and dairy cattle are more expensive than other cattle. A difference in price exists between local and improved types of breeds, with improved breeds fetching a considerably higher price. Tables 3 and 4 illustrate the different prices and values of various types of dairy buffaloes and dairy cattle in Thailand, gathered from a survey of 200 small farm households from 17 provinces in the country (Thumrakabood and Morathop 1993).

⁴ For a more detailed explanation, see Appendix.

⁵ Feder (1987) tested this hypothesis by using farm level data from three provinces in Thailand. The results of his econometric analysis showed that titled farmers used significantly higher quantities of variable inputs and obtained higher crop output per unit of land in two of the provinces, whereas in the third province, titled ownership was of lesser significance. The reason for this was that the non-institutional credit market (where collaterals and titles are less important) was well developed in this province, compared with the other provinces studied.

Insert Tables 3 and 4

As can be seen from these tables, the price of both dairy buffaloes and dairy cattle is the highest of all types of livestock. The average number of dairy buffalo per dairy farm was 2, whereas it was 5 for dairy cattle. On average, 14.2 per cent of farmers in this survey raised milking cattle and 6.6 per cent kept dry cows, all of which were improved breeds. It is believed that Thai small farmers raise cattle for family income and buffaloes for draught purposes. According to the survey, the number of cattle purchased has risen, probably due the comparatively higher value of cattle and the decreasing importance of buffalo as draught animal.

4. Sustainable Agricultural Development & Environmental Issues

Deforestation is one of the most serious environmental problems for Thailand. The country's forest area declined from 58 per cent of its total land area in 1960 to only 28 per cent (14.3 million ha) by 1988 (Onchan 1993). Extensive forest clearing took place particularly in the 1970s, and forest land is still diminishing, despite a national ban on logging since 1989. Nationwide infrastructure investments contributed to the large-scale destruction of forests, and over the last three to four decades, the clearing of forest for agriculture resulted in a serious decline in land availability. The expansion of crop land into upland areas has reduced available grazing land and resulted in overgrazing of pastures.

With diminishing pastures, farmers let their cattle graze on the harvested paddy fields in the dry season and along roadsides, on edges of cultivated plots and in forest reserves and other common property or open-access land during the wet season (the crop growing season). Around 70 per

cent of feed supplies for buffalo and cattle are obtained from communal areas (Thummabood and Morathop 1993). The consistency and quality of feed supplies for livestock can, to a large degree, be affected by fluctuating climatic conditions (Murphy and Tisdell 1996). According to a survey of 135 farm households in Northern Thailand (ACIAR 1994), almost 60 per cent of grazing during the wet season occurs on communal fields, and forests are the most important source of feed supplies during that time (see Table 5).

Insert Table 5

Small farmers living in rural areas of Thailand usually practise an integrated farming system, consisting of crops, fishery, horticulture and livestock. Traditionally, the livestock sector has played a complementary, yet substantial role to the subsistence economy by providing additional income and employment opportunities. Cattle (dairy and non-dairy), buffaloes, pigs and poultry are the major types of livestock raised by small farmers in Thailand⁶.

Village livestock are raised in traditional ways in Thailand. While only a small percentage of poultry are confined at night, most cattle and buffaloes are kept under or around the house at night. During the day, most of the poultry are free roaming and many Thai farmers raise them as stray chickens. While women in Thailand usually take care of pigs and poultry, they fulfill fewer duties for the raising and feeding of cattle and buffaloes which are mainly looked after by the males in the household. Dairy cattle are usually managed under stall feeding systems. Milking cows are kept in the milking barn almost all the time, and dry cows and heifers are kept in shady

⁶ Sheep and goats are commonly raised by Muslims in the South of Thailand.

areas, whereas calves are confined together in small cages or milking barns (Kehrer and Tisdell 1996)

Most of the dairy cows are fed with roughages harvested from along the roadside and farmers frequently have to leave their village to find feed for their cattle and buffaloes. They might travel up to 100 kilometres to collect green and dry fodder from communal lands, amounting to around 70 per cent of the animal feed (Thummabood and Morathop 1993). Consequently, overgrazing of communal land has resulted in inadequate nutrition and thereby low breeding performances as well as an increased susceptibility of animals to disease.

Land as an ecosystem is significant in the context of resource management for sustainable development. Land use through crop production has an effect on the soil fertility and thereby on the productivity of the land. In the case of Thailand, the problem of natural resource deterioration has been recognised since the 1960s, and in 1980, it was estimated that over 25 per cent of the total land area had been severely affected by soil erosion, due to deteriorated forest in the uplands (Onchan 1993, Saenjan 1993). This has serious consequences such as droughts, uncontrollable flooding and sedimentation of reservoirs.

Moreover, major land types in Thailand have not been utilized according to their suitability, and more and more poorly-suited land, such as marginal agricultural land⁷, has been used for agricultural purposes (Wattanasarn 1993). Six problem soils have been identified by the

⁷ Marginal agricultural land is land consisting of problem soil which imposes severe limitations on profitable crop production through its physical and chemical characteristics. Soils defined as problem soils are generally not suitable for agriculture (Bhubharuang 1993).

Department of Land Development in Thailand which constitute 56 per cent of the country's area⁸ and research has been initiated for an improvement of these soils.

As a response to Thailand's severe land degradation, a significant proportion of forestry and land resources has been set aside for protection. Twenty-five per cent of Thailand's total land area is reserved for the conservation of forests. Nevertheless, this has not prevented poor farmers from encroaching on forest lands, contributing to natural resource degradation and inhibiting sustainable agricultural development.

Attempts have been made by the Thai government to reverse the deteriorating trend of resource degradation through a variety of programmes, including reforestation, conservation and land development. Although programmes for forest protection and appropriate land use have been implemented for many years, they have had only little success.

A further issue related to the Thai environmental difficulties is the use of highlands, in particular by hilltribes. Many hilltribes live in the mountains in Northern Thailand and recently, vegetable (mainly cabbage) planting has become popular due to good market demand and high prices. The use of many chemical fertilizers and pesticides has resulted in water pollution in the lowland areas. This type of problem is not confined to hilltribes, however, as many farmers do not understand the possible detrimental impact of chemical applications (Onchan and Arunpoo 1991).

The previous analysis indicates that sustainable agricultural development in Thailand is closely

⁸ For further details, see Wattanasarn (1993).

intertwined with various issues, including integrated crop-livestock systems which are implemented by the majority of small farmers. Extensive forest clearing for increased agricultural activities has had implications for farmers raising livestock. Natural resource depletion and environmental degradation have been the results of forest clearing, over-exploitation of natural resources and over-use of chemicals. The interdependence of these factors has to be realized for an effective strategy to solve the country's environmental problems and achieve sustainable agricultural development.

5. Cattle Disease Control and its Policy Implications

The occurrence of animal health diseases has significant implications for livestock production and trade (Tisdell 1994). In rapidly developing countries such as Thailand, livestock diseases result in significant costs at the private as well as the national level. It is important to identify the effect of a disease on production in order to estimate the benefits of a disease control programme (Ellis and James 1979).

Infectious diseases reduce production levels and thereby the income of farmers. They can also limit the export of livestock products. Outbreaks of infectious diseases are quite common in rural Thailand. Moreover, infectious diseases can either occur once and the animal will then be immune against the next outbreak, or they can occur several times, as is the case with foot-and-mouth disease (FMD). With the growing commercialisation of the cattle industry in Thailand, the importance of elimination or at least control of animal diseases also increases.

Diseases of dairy cattle can be classified in three categories ⁹: acute infectious diseases, such as FMD which are followed by recovery or death. In case of recovery, serious secondary bacterial diseases can delay the recovery process and affect lactation. The second type of diseases are chronic diseases, for instance mastitis. These reduce production levels as well as the quality of the milk. Reproductive disorders, such as brucellosis which can lead to abortion and infertility, are the third kind of dairy cattle diseases.

In Thailand, three types of FMD virus were reported during the 1950s and are still endemic throughout the country except for the Southern area, even though control measures for FMD have been implemented since 1956. Table 6 demonstrates details about recent numbers of outbreaks of various types of the FMD virus in Thailand and the number of animals affected. A significant number of outbreaks still stems from one or several unknown virus strains. FMD spreads easily by contact, air and residues.

Insert Table 6

Because Thailand is bordered by four countries, it has been very difficult for the government to control the spread of diseases by animal movement into the country, often transmitted by smuggling animals across the border (Chaisrisongkram 1994, Hanyanum et al. 1994). Furthermore, spread from surrounding villages is also an important source of FMD outbreaks, as livestock mingle while grazing or sharing common water sources (Baldock et al. 1994). A further source of outbreaks is through introduction of infected animals from a market.

⁹ The authors are grateful to Gavin Ramsay for his ideas and comments on this issue.

Maintaining the health of dairy cattle in Thailand can be expected on the whole to be economically more important than maintaining the health of other types of cattle for various reasons. As previously mentioned, the price per head of dairy cattle exceeds the price of all other types of cattle (Thummabood and Morathop 1993). Therefore, any mortality involves greater value foregone than for other cattle. Since all the Thai dairy herds consist of improved breeds, they are liable to be more susceptible to local diseases than local breeds.

Moreover, the productivity of dairy cattle is more susceptible to disease than is the case for animals kept for meat or draught purposes. Milk production in a dairy herd is dependent on regular calving by cows. Diseases such as FMD can result in delayed contraception or abortion, resulting in a loss of income from milk as well as fewer calves available for rearing or sale. This can have a substantial effect on the income of Thai dairy farmers. Furthermore, after some diseases, dairy cattle either cease lactating or have much reduced yield in that lactation.

With some diseases such as FMD, secondary health complications can result in greater economic loss than the prime disease. In the case of FMD, mastitis frequently follows, causing permanent scarring of the mammary glands and thus reduces the future milk production of the animal. Foot lesions (which restrict the animal's grazing area) and mouth lesions (which make eating painful) from FMD can also contribute to a decline in future milk production (James and Ellis 1978)¹⁰. By comparison, most economic losses with beef or draught cattle from many diseases such as FMD (compared to dairy cattle) tend to be transitory. In local breeds in Thailand, mortality from FMD

¹⁰ Schepers and Dijkhuizen (1991) emphasise the necessity of analysing the reliability and consistency of economic estimates of disease controls. Their paper is an analysis of studies calculating the losses of mastitis and profitability of mastitis control since 1970. Only four papers were found that calculated the total economic impact of mastitis and the only item included in the estimates of all papers was changes in milk production.

is very low. Weight loss occurs for a period and animals are too weak for draught purposes, but recovery can be rapid. Some economic loss occurs but the disease is of less economic importance than in dairy cattle.

Considering the previously outlined aspects of animal health diseases of Thai cattle, the following policy implications can be drawn: With increasing dairy cattle numbers and use of improved breeds, Thailand needs for economic reasons to give increasing attention to the control or eradication of FMD. The veterinary costs of keeping dairy cattle are likely to be higher than for non-dairy cattle. On economic grounds, all dairy cattle should be vaccinated against FMD.

Since FMD viruses can be carried in milk this provides an additional reason why all dairy cattle should be vaccinated against such viruses. In the case of dairying, the scope for external effects from FMD are enhanced. In addition, all breeds used for dairying in Thailand are imported improved ones and these are more susceptible to FMD. Effective vaccination requires that the proportion of the herd vaccinated must be as high as possible and that there is as little variation in vaccination coverage between villages as possible (Cleland et al. 1994).

The shared use of common resources is one of the major causes of the spread of FMD. Provision of independent water supplies - if possible - could reduce the frequency of FMD outbreaks. In addition, quarantine of early cases during outbreaks could significantly diminish the incidence of FMD through reduced spread within the village concerned, as well as among villages (Cleland et al. 1996). Since most of the benefits from disease control programmes tend to remain in the rural sector, there is more incentive for farmers to cooperate in the implementation of a programme and possibly reinvest the benefits (James and Ellis 1978).

7. Concluding Comments

Significant increases in income and population levels in Thailand over the last two decades have resulted in local demand for milk and milk products consistently exceeding the available local supply. Various constraints exist on Thai dairy farmers limiting their production capacities, and government regulations were imposed on imports of dairy products in order to support domestic milk production.

Uncertainty regarding land ownership and the deficiencies in the enforcement of the Thai property rights system are still significant problems for farmers. Dairy cattle are more expensive than other cattle and limited financial resources prevent Thai farmers from acquiring improved breeds of dairy cows. Moreover, without title deeds, land cannot be used as collateral for a bank loan.

Extensive forest clearing, overgrazing of pastures and increased use of communal areas for the grazing of cattle have resulted in severe deforestation in Thailand. Communal land use has produced serious natural resource deterioration and has discouraged investment in pasture improvement. Apart from a number of environmental problems, infectious livestock diseases are also quite common in Thailand. Communal grazing and watering of livestock assists the spread of contagious livestock diseases such as FMD. The importance of elimination or control of acute infectious diseases such as FMD is important for Thai dairy farmers. Increases in local milk production can only occur if the health of cattle is maintained through adequate prevention and control measures, including effective vaccination programmes.

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Table 1 - Summary of Thailand's Customs Schedule for Dairy Products

Dairy Product	Ad Valorem Duty Rate
AMF	25%
Butter	20 baht/kg or 60%*
Wholemilk Powder «	25%
Skim Milk Powder	25%
Cheese	
- natural	20 baht/kg or 60%*
- processed	20 baht/kg or 60%*
Condensed Milk »	25%

* Whichever is the higher amount.

« WMP for infants, 10 per cent.

» Sweetened. For unsweetened, 40 per cent.

Source: ADC (1993), p.4

Table 2 - Milk Production in Thailand from Plan 1 (1961) to 1990

National Plan / Year	Milk Production (Tonnes)
Plan 1-4	Na
Plan 5	29,568.96
Plan 6	89,712.75
1988	106,708.85
1989	132,228.27
1990	163,850.66

Source: O.A.E. (1992), p.156

Table 3 - Buffalo in Thailand - Survey Results

Types of animal	% of farms	Local breed (%)	Improved breed (%)	Number of animal (head) per farm	Price per head (\$US)	Total value (\$US)
Young stock						
young male	19	100	0	2	170.2	262.2
young female	20	100	0	2	178.3	319.24
Adult						
breeder bulls	15.9	10	0	2	364.7	709.4
draught males	14.9	94	6	2	373.8	620.0
dairy cows	5.6	17	83	2	396.6	733.3
dried cows	1.0	100	0	1	320.0	320.0
draught cows	24.3	100	-	2	300.6	582.2
Average	100	88	12	2	276.0	499.6

Source: Thummabood and Morathop (1993), p. 34

Table 4 - Dairy Cattle in Thailand - Survey Results

Types of animal	% of farms	Local breed (%)	Improved breed (%)	Number of animal (head) per farm	Price per head (\$US)	Total value (\$US)
Young stock						
young male	22.8	16	84	3	171.4	691.1
young female	33.7	13	87	3	237.4	898.6
Adult						
breeder bulls	16.8	24	76	4	416.9	1,702.9
draught males	2.3	29	71	8	232.0	2,152.0
dairy cows	14.2	0	100	5	791.9	4,202.7
dried cows	6.6	0	100	3	814.1	3,625.9
draught cows	3.6	30	70	4	407.6	1,512
Average	100.0	16	84	4	375.3	1,686.5

Source: Thummabood and Morathop (1993), p. 35

Table 5 - Grazing of Cattle and Buffaloes in Thailand

Season		Public Pasture	Forest	Mountain	Near Water	Roads	Total
Cool	No*	2	12	6	0	3	23
	%	1.5	8.9	4.4	0	2.2	17
Hot	No*	0	7	1	4	0	12
	%	0	5.2	0.7	3	0	8.9
Wet	No*	5	56	13	0	3	77
	%	3.7	41.5	9.6	0	2.2	57

* Number of families reporting

Source: Based on ACIAR (1994)

Table 6 - Foot-and-Mouth Disease Outbreaks in Thailand in 1992

Type	No. of Outbreaks	No. of Cattle Affected	No. of Buffaloes Affected	No. of Pigs Affected
O	54	16,599	7,044	185,685
A	14	5,527	1,476	-
Asia 1	89	30,340	9,854	21,676
Unknown *	39	31,207	4,369	25,491

* Old lesions; virus difficult to isolate or sample was too small.

Source: Hanyanum et. al. (1994), p. 193

Appendix

The Development and Implementation of Property Rights in Thailand

Land used to be abundant in Thailand, and private returns to land clearing for commercial production were sufficient to allow a large expansion in the area under cultivation. Repeated long-distance migrations of settlers into reserved forests has been the consequence of insufficient arable land in Thailand. The population was small and the Thai government paid little attention to formal ownership registration (Feder 1987). Interestingly, when labour was scarce and land abundant, property rights in labour were often defined with much greater precision than property rights in land. In the early nineteenth century, slaves rather than land served as collateral in financial markets.

As a consequence of the opening of Thailand to international trade, however, incentives for production expansion increased significantly and resulted in a rising need for a more secure form of land ownership (Feeny 1982). Due to a gradual increase in the degree of commercialisation of the Thai economy in the first half of the nineteenth century, individual land rights were formalised in the second half of the nineteenth century through the issuance of title deeds. A number of amendments to this legislation took place in order to end frequent land disputes and new laws on land rights were enacted¹. However, land could not be unambiguously identified due to a lack of precise descriptions of land boundaries and negligent record keeping. The present system of land rights in Thailand is based on the 1954 Land Code which recognises individual ownership of specific tracts of land, allowing the owner unrestricted sale, transfer and mortgaging.

¹ See Thomson, Feeny and Oakerson (1992) for a detailed description of the various legislations.

However, the implementation of this legislation has not been carried out properly. As Feeny (1988) explains, all land not claimed within 180 days of the passing of the 1954 Act were supposed to become property of the government. Yet, local administration officials have allowed villagers to continue to file claims for newly cleared areas. Moreover, there is widespread evasion of forestry regulations, as publicly managed forests are exploited for commercial purposes.

These problems occur because of a divergence between the private and social rates of return. Actual practice indicates that many legal and illegal exceptions were made, where local practice overrode national conservation policy². It is estimated that today at least 1.2 million families (which is 20 per cent of Thai farmers) inhabit about one-fifth of the land officially classified as forest reserves (Feder 1987, Hirsch 1990). A further problem is the creation of negative externalities, as some of the costs of land clearing are not borne by the people who are responsible for them, particularly in the case of erosion, flooding and silting.

Traditionally, village life in Thailand was based on kinship systems and communal structures³. In the North of the country, which is subject to persistent depletion of public forests, watershed damage and increased industrial activities, collective management of forest and water resources at the village level dates back to the nineteenth century (Christensen and Rabiñhadana 1994). Although several unwritten principles of land inheritance exist, disputes among relatives over inherited land also arose. According to Ganjanapan (1994), these disputes have increased since the government asked villagers to turn their land documents into title deeds. Landholdings under the system of traditional practices which emphasized the usufruct rights of kinship group members

² For examples of these practices, see Feeny (1988).

³ For further details regarding traditional land transference in villages in Northern Thailand, see Ganjanapan (1994).

were believed to be secure⁴. Disputes now, however, frequently seem to be over inherited land and arise from conflicts between legal and traditional principles of practices.

One of the most crucial disputes stem from the villagers' desire or need to use the land document as collateral. Improved access to institutional credit is one of the major advantages of secure, legally documented land ownership. Most of the Thai farmers living in state-owned, forest reserve areas have had *de facto* possession of the land for many years and consider it their land. Most of them have also been paying taxes which they regard as implicit official recognition of their ownership. However, this is not the case. Since these farmers - who are frequently termed 'squatters' - cannot legally claim ownership of the land, they do not have any protection against eviction to enforce forest reserve boundaries and cannot use their land as loan collateral.

While the eviction risk has been rather low in Thailand (Feder 1987, Feder and Feeny 1991), the limited access to credit is a more serious problem. Formal credit institutions do not accept land as collateral without formal title, but without being able to use their land as loan collateral, squatters' access to medium- and long-term credit from formal institutions is very restricted. Studies have shown that titled farmers frequently use their land as loan collateral, obtaining significantly larger amounts of institutional credit.

⁴ Ganjanapan (1994) describes in detail this system of traditional practices and the difficulties encountered in the conversion of land documents to title deeds.

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