

ADAMS INTERNATIONAL

A Tobacco Growing and Marketing
Joint Venture in the Northeast
and North of Thailand

Volume III

I

Country Background

The northeast of Thailand is the most backward region of the country and the north is the most politically imperiled. Both are, therefore, areas in which economic development is imperative and presents special problems.

The case history of Adams International is significant because the company knowingly and deliberately addressed this challenge.

II

Company Background

Adams International is a joint venture of a Thai-Chinese family company and the W. A. Adams Company Inc. of Durham, North Carolina. The US parent company's involvement with Thailand dates back to the late 1950s when it became involved with the export of Thai tobacco, then totally controlled by the government's Thai Tobacco Monopoly (TTM). The joint venture was formed in 1969, and began operations by exporting Thai flue-cured tobacco to Japan. In the years following, the joint venture made substantial investments in a redrying factory and in a network of buying stations in the north of the country. The joint venture also helped the government monopoly in exporting its surplus tobacco to Japan, Korea, and the US.

History

The big leap forward came in 1974 when Philip Morris Inc. became interested in Thailand's oriental tobacco, a blend tobacco known as Thai Turkish which, at the time, constituted only a small percentage of Thai tobacco production.

A letter written by the Chairman of Adams International, Kosol Chongsuknirandr, to the Thai Tobacco Monopoly in August 1976 delineates the importance of this event and lays out the company's plans based on this new major market:

"Early in 1974, an official from Philip Morris Inc., one of the world's biggest cigarette manufacturers, visited us in Bangkok, and took an interest in the Thai Turkish sample we showed to him. A trial order of over 50 tons was shipped to Philip Morris that year, and this company was basically satisfied with the quality of our tobacco which we, with the cooperation of TTM, have improved over the years.

"Philip Morris advised us that being one of the biggest cigarette manufacturers in the world, they could buy all the Thai Turkish that Thailand can produce, provided the increases in quantity and price are regulated to avoid violent fluctuation. They insisted, therefore, that we should:

1. Invest in proper manipulation machineries to extract the sand out of the tobacco.
2. Maintain and improve its quality and grading standards.
3. Ensure availability of land and farmers so that production can be increased yearly.
4. Assure that we supply to Philip Morris on first priority basis.
5. Assure no big price fluctuation.

"We wish to point out that up till then the only exports from Thailand carried out by us alone were less than 100 tons yearly, and that there have been no other buyers of substance in the international market. This commitment from Philip Morris was exactly what we needed to put Thailand on the map of Oriental tobacco producers--a supplier to a world-renowned company that buys over 50,000 tons of Oriental tobaccos annually."

In the two years following, the company responded to this new market opportunity with a seven-point action plan outlined below--again, in the words of the chairman.

"In 1974 and 1975, we:

1. Bought and expanded our tobacco manipulation plant in Ban Thai to ensure ample proper storage space for tobacco.

2. Imported from Greece one line of manipulation machines in 1974, and an additional line in 1975. Our facilities are now proclaimed to be the most modern outside of Greece.
3. Applied for and were granted a promotional certificate by the Board of Investments.
4. Applied for and were granted by the IFCT (a Thai industrial development bank) a loan of 5.6 million bahts (B23:US\$1) to expand our factory and storage facilities.
5. Requested and received full cooperation from TTM to increase production of Thai Turkish from existing TTM framers, and succeeded in increasing the production by more than 500% in two years. We bought, through TTM, for export 80 tons in 1974, 750 tons in 1975 and 1,700 tons in 1976.
6. Contacted and received full cooperation from the Public Welfare Department to introduce tobacco plantings in several big self-help settlements in different provinces in the northeast.
7. Introduced new Oriental tobacco varieties with seeds from Greece and Turkey."

Lessons Learned

In his letter to TTM, the Adams International chairman summarizes the lessons learned in these two years, and lays out plans and a strategy for the next five:

"Our experience in expanding production shows that in areas where farmers have been planting tobacco for TTM and ourselves, the results are satisfactory; but in areas where farmers have little experience in producing Thai Turkish, the results are very poor. There is need, therefore, for our carrying out an integrated program to train and encourage more experienced farmers."

The Five Year Plan

	<u>1976/77</u>	<u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>
Production targets (in metric tons)	4,000	5,500	7,000	9,000	12,000
Ban Thai/Roi-Et Staff	20	30	40	50	60
Seasonal Workers	800	1200	1600	2000	2200
Agriculture Staff	250	325	425	525	650
Raiage (Rai=0.4 acres) under Cultivation	23,000	32,000	40,000	50,000	69,000
Farmers	15,000	20,000	23,000	26,000	28,000
Income to Farmers (Baht in Million)	66	99	140	198	288

Company Investment (Baht in Million)	4	10	20	10	4
Earnings in Foreign Exch. (Baht in Million)	96	144	200	280	400

The Program:

"We divide our territories into three main regions: TTM, Northern and Southern.

"In the TTM region are those areas in Roi-et, Mahasarakam and Khon Aen, where farmers have been producing tobacco for years. In the Northern region are those areas north of our factory in Ban Thai; in the Southern region are the areas south of our factory. Each region is supervised by a fully qualified agronomist under the over-all direction of our Agriculture Manager. Under the agronomists are head village inspectors who supervise the work of a team of village inspectors. It is estimated that production per rai is averaged at 175 kilograms, and each village inspector can efficiently supervise 100 rais initially. Each village inspector is also provided a motorcycle by the company for easier contacts with farmers.

"We plan to increase our team of village inspectors according to the following schedule:

<u>1976/77</u>	<u>1977/78</u>	<u>1978/79</u>	<u>1979/80</u>	<u>1980/81</u>
250	325	425	525	650

Each inspector is properly trained to advise farmers on all technical aspects of planting, curing, baling and grading. He also has to motivate farmers to keep up with their work so that prior efforts and investments in agricultural materials will not be wasted due to negligence or laziness. Therefore the village inspector is more than an advisor to the farmers.

All agricultural materials necessary to produce a tobacco crop will be supplied by us to the farmers on a credit basis, cost of which is to be deducted from tobacco purchase proceeds. This is necessary to ensure the use of correct fertilizer and insecticides. At present, farmers in TTM areas pack their tobaccos in small bales of two kilos. This proves hard to handle as we have to repack every kilo in larger bales for proper storage. Thus, new farmers under our direct supervision have been taught to grade tobacco properly and pack each grade in bales of 12 to 15 kilos. We hope that in due course old farmers can be converted into this type of packing."

Factory Operations:

"One of the most important aspects of Oriental tobacco operation is to ensure sufficient storage space for tobacco. Because of the delicate nature of the tobacco, each bale must be carefully stored to

ensure proper air circulation through the tobacco. Also, there should not be too much pressure on the bales. Therefore bales should not be stacked too high, i.e., more than four bales at a time.

"At present, we have space to store up to 2,000 metric tons of tobacco, or approximately 16,000 square meters, fully covered, in ventilated areas. A further 25 rais of land at the back of our present factory compound has been purchased for building more warehouses as our production increases each year.

"After the tobacco is bought, it is imperative to store it for at least two months before manipulation, to ensure that the first fermentation will take place. Our current manipulation capacity consists of two manipulation lines with three automatic packers. This means we can manipulate and pack 2,000 tons in five months, working two shifts for the last three months. Our plan is to increase to one more line of manipulation machines in 1977, and another in 1978, with corresponding increase in automatic packers each year. Concurrently we shall build a new factory in 1978 in Roi-Et, starting off with one line, then two lines, to take care of tobaccos produced in nearby provinces.

"Regarding manpower, we are currently employing a full-time staff of 20 to run the office and factory, supervising 800 seasonal workers. Full-time staff will be increased to 70 and workers will be increased to 2,200 by 1980/81, the last year of our five-year plan. Here, we think we are contributing much to the economy of the northeast by providing employment opportunities to local residents."

Facilities:

"The bulk of our present purchase has been handled through TTM. With the anticipated increase in volume, we will construct buying stations at strategically located points in each province to service the farmers. We have already opened an office in Roi-Et due to heavy volume of tobacco anticipated from this province. This office serves as a base for our team of village inspectors in the TTM region. Other offices will be established as the need arises."

Training Programs:

"With our personnel requirements increasing year by year as our Plan develops, it is clear that the training of people to staff various positions is the key to the success of the plan. We have therefore established on a regular basis:

1. An agricultural school for village inspectors.
2. A class for tobacco grading.

"The first class for village inspectors started on July 19, 1976. The students were recruited by sending letters to universities and

agriculture colleges in the northeast requesting recommendations of good students to participate in our school. Our representatives then went to these colleges and interviewed the students. The response from the colleges was very favorable, and we had no difficulty in recruiting our first 60 students. The students are paid a monthly stipend plus free board and food allowance on a daily basis to attend our school, at a total cost of about 2,300 bahts per student per month. The course itself runs for six weeks during which time the students will learn every aspect of tobacco planting and handling. Students will start their own seed beds and experimental plots as the course progresses to gain practical experience on the materials covered in the lectures. Field trips are also organized, paying particular attention to the many aspects of contacts with farmers.

"The school will run continually every year to train an increasing number of village inspectors. That number will reach 650 by 1980/81.

"Concurrently, grading classes are being conducted by our chief tobacco expert to teach our staff and workers the basic elements of tobacco grading. This course is being conducted on an informal basis, e.g., class starts when the situation requires and normally lasts for two days."

Outreach Program:

"Apart from the training of our staff to help the farmers, we are going to carry out consistent programs to recruit as many farmers as possible. In areas where the soil is not rich enough for other crops, farmers usually prefer to grow crops like tapioca and jute which need less intensive labor than Thai Turkish. But it has been found that while tapioca may yield the farmers 1,000 bahts per rai, Thai Turkish may bring an income of 4,000 bahts per rai for four months work. To encourage more farmers to grow Thai Turkish, we intend to stage competitions and award prizes to more productive farmers. Furthermore, we shall encourage social welfare activities in educational and religious functions in the villages in order to foster a community spirit in these areas.

"In carrying out the above programs, we think we are bringing in foreign investment and helping to improve the economic conditions of the country."

III

Current Operations

Company Philosophy

The company's culture is shaped by the chairman, who is both a Chinese scholar and a businessman with half a century of international experience. His basic philosophy is:

"Listen; don't argue. Hear what others have to say, and be ready to change your own ideas and your own ways. If you know how to listen, what others say can only benefit you. In my long life, I have not met anyone who could not teach me something."

Scope

The company's production area is spread over regions that are roughly the size of South Carolina, and contain some 16 million persons. In 1982, so far the best year in tobacco production in the company's history, more than 40,000 farm families were engaged in agricultural activity connected with the company. In Thailand, this is the equivalent of about 200,000 persons.

Managerial Strategy

The managerial pyramid of this enterprise starts with the Board of Directors, the technical consultants that advise and line managers that report directly to this Board. Next down the line are Field Managers, one for the North and one for the Northeast. Reporting to the Field Manager is a Regional Manager who is responsible for the network of buying stations, and who has reporting to him a Station Manager who supervises the warehousing, cleaning and packing facilities. Reporting to the Station Manager are Head Inspectors who are responsible for farmers in 5-7 villages. The vital last link in the managerial chain is the Village Inspector, who deals with the farmers on a daily basis. Depending on the size of the village, a village inspector is responsible for 1-3 villages.

In 1983, the company had 600 village inspectors. When operations began in 1976, the company recruited all its village inspectors from agricultural colleges and, after some training, assigned them to the

field. Within a year, half of the original crop of 60 had quit. As one of the field managers, who had been with the company from the outset, put it: "They wanted to get away from the sun and the rice to a desk job in an office with regular pay and no demanding challenges." The remaining half were fired by the company because they turned out to be unable to do the job.

The field manager explains:

"They were too young to deal with the farmers. The farmers didn't respect them, didn't listen to them. Also, when they went to the village, their tendency was to go to the headman's house and go to sleep rather than visit with the farmers in their fields or their homes and give them advice. Finally, and understandably, but it didn't help, their tendency was to look for the prettiest girl in the village rather than the best farmer."

With this experience under its belt, the company did a 180 degree turn in its management practice. Instead of combing agricultural schools for the most suitable students, it combed the villages for the most suitable farmers. Often, but not always, these were the village headmen. The company then trained these men in the tobacco-growing specifics and, when necessary, in the minimum literacy required.

As a follow-through, the company set up a system of continued on-the-job training, which includes a road show complete with slides, cut-outs and tests, as well as ongoing seminars.

In addition, the company supplies the village inspectors with such hands-on teaching tools as a wall calendar in which each month is illustrated with pictures that show exactly what the farmer needs to do about his tobacco crop during that month. The pictures illustrate how to do it right and how to do it wrong, and how the farmer can tell the difference.

A comparable educational approach at this level has each seed packet the village inspector hands his farmer wrapped in a cover printed with pictorial instructions on how to make a seed bed.

In addition to instructing farmers on the most useful agricultural techniques, and keeping them current on the latest agricultural developments (some conventional wisdom to the contrary notwithstanding, agricultural techniques change rapidly), village inspectors conduct field demonstrations with farmers on the farmer's own land.

Recruiting village inspectors from among the farmers themselves has proven to be a highly successful management approach. As a result, a comparable system is now applied up the line, i.e., head inspectors are recruited from among the best village inspectors, and station managers are recruited from among the best head inspectors.

At the regional level, managers are recruited either from TTM or--in two cases--are former US Peace Corps volunteers who know and love Thailand, speak fluent Thai, and, with company encouragement, have acquired the appropriate academic and business experience.

Technical Strategy

The major technical change the company has introduced in its strategy involves keeping track of its input/output cycle.

The company provides the farmer with all the inputs he needs, on credit, with no interest. These inputs can consist of as many as 16 items ranging from fertilizer, lime, insecticide and fungicide to spray pumps, water cans, plastic sheet, twine, needles and burlap. The tobacco delivered by the farmers, in turn, has a dozen gradations, each with a different price. With 40,000 farmers receiving inputs and delivering

product, record-keeping is a serious accounting task. One of the company's field managers, a former Peace Corps volunteer with an interest in computers, decided to address that problem. With the help of one of the company's directors, who had friends at Jet Propulsion Labs in California, a company was formed in the Silaon Valley which, after a couple of years, came up with a small multi-user computer, appropriately called Discovery Multiprocessor. By 1983, that multiprocessor was not only keeping the company's 40,000 accounts in good order; it also handled all the company's other internal computing needs. In addition, Adams International organized a network of 70 dealers around the world, who sell this same multiprocessor. They comprise a new affiliate of Adams International, called Action Computers (Thailand).

The company is also making technical changes in its product line. It is encouraging the farmers who produce tobacco to engage in crop diversification. For example, the company has developed a peanut that is a Thai variety of what the company calls "the Carter peanut". Also from the US, it has adapted a sunflower seed variety for Thailand. Using Australian and US stock, it has come up with a hybrid sorghum. Using a Japanese stock, it has developed a corn hybrid. And using stock from China, Honk Kong and Taiwan, it has developed a sesame variety for Thailand. The company's newest thrust involves tomato seeds and the creation of luceana for the production of fish meal.

The product diversification program has two purposes. One, designed for optimum production of tobacco, is to provide a rotation crop that feeds back into the soil the nutrients that tobacco uses up. The other purpose is to increase the farmer's income and spread his risks of dependency on any single product market.

Social Strategy

To the company, it was clear from the outset that it could get neither the quality nor the quantity of product it required without a comprehensive outreach program (as outlined in the chairman's letter). The company also organizes social activities involving the farmers with whom it has relationships. It sponsors a harvest festival at each of its buying stations in August-September, and offers a sizable cash prize to the farmer with the best quality-record in each of ten production areas. In another facet of community involvement, the company's regional manager in the northeast teaches a course on Oriental tobacco at the local agricultural college; supplies equipment and training to local vocational schools; and contributes sports equipment to local primary and secondary schools.

Payoff

The payoff has been substantial for everyone involved in the undertaking. For the company itself, growth is indicated by the fact that it began operations with 4 employees and now has 700. Oriental tobacco constitutes about 50% of company sales and contributes 50% plus to corporate profits.

The payoff is quantified in detail, for the years 1974 through the harvest of 1983, in the figures listed below. They cover crop results in both volume and value, workers employed and their salaries; the number of farmers connected with the venture, and the acreage worked; income for the farmer; and total sales and profit margins for the company, with a separate breakout for exports. (1983 was a shake-out year for the industry, caused in large part by the fact that the EEC gave such preferential treatment to oriental tobacco from Greece and Turkey that Thai tobacco lost its previous price advantage in the EEC market.)

CROP	KILOS	AVE. PRICE	AMOUNT	WORKERS	RATE	DAYS
1974	95,154	12.12	1,153,266	125	23	90
1975	760,250	14.20	10,795,550	350	27	120
1976	1,702,900	15.32	26,088,428	560	29	150
1977	3,070,200	16.54	50,781,108	730	32	170
1978	4,698,200	16.02	75,265,164	850	36	230
1979	2,197,300	18.03	39,617,319	750	39	180
1980	3,222,570	20.15	64,938,413	930	42	200
1981	4,501,650	20.92	94,174,518	1,100	53	180
1982	6,895,950	23.74	163,709,853	1,200	56	180
1983	4,589,073	25.50	117,021,362	1,050	60	180
	<u>31,733,427</u>	<u>20.28</u>	<u>643,544,980</u>			

	EMPLOYEES	AVE. SAL.	TOTAL WAGES	FARMER+WORKER	IN \$
1974	5	1,510	356,900	1,510,166	71,913
1975	21	1,740	1,609,020	12,404,570	590,694
1976	196	1,980	7,481,040	33,569,468	1,598,546
1977	238	2,210	10,808,940	61,590,048	2,932,859
1978	560	2,540	25,529,200	100,794,364	4,799,732
1979	423	2,780	20,552,220	60,169,539	2,865,216
1980	515	3,310	29,972,450	94,910,863	4,519,565
1981	631	3,800	41,665,400	135,839,918	5,906,083
1982	526	4,260	41,225,880	204,935,733	8,910,249
1983	495	4,600	40,941,000	157,962,362	6,867,929
			<u>220,142,050</u>	<u>863,687,030</u>	<u>39,062,786</u>

CROP	FARMERS	RAI	AVE. INCOME	RAI/FARM	INC/RAI
1974	982	654	1,174	0.67	1,763
1975	6,000	4,400	1,799	0.73	2,454
1976	13,450	9,800	1,940	0.73	2,662
1977	24,550	17,700	2,068	0.72	2,869
1978	39,950	28,000	1,884	0.70	2,688
1979	32,550	36,500	1,217	1.12	1,085
1980	37,400	39,000	1,736	1.04	1,665
1981	39,700	42,400	2,372	1.07	2,221
1982	40,450	43,100	4,047	1.07	3,798
1983	27,263	32,379	4,292	1.19	3,614

CROP	KILOS BOT	YIELD	KILOS EXPORTED	PRICE	COST	MARGIN
1974	95,154	73.51%	69,984	\$1.35	\$1.29	4.4%
1975	760,250	76.23%	579,539	1.45	1.28	11.7%
1976	1,702,900	76.89%	1,309,360	1.63	1.45	11.0%
1977	3,070,200	79.95%	2,454,625	1.72	1.52	11.6%
1978	4,698,200	74.36%	3,493,582	1.69	1.72	-1.8%
1979	2,197,300	81.53%	1,791,459	2.15	1.92	10.7%
1980	3,222,750	82.54%	2,660,058	2.21	1.98	10.4%
1981	4,501,650	83.10%	3,740,871	2.42	2.16	10.7%
1982	6,895,950	84.10%	5,799,494	2.33	2.18	6.4%
1983	4,589,073	87.54%	4,017,275	2.31	2.20	4.8%
	<u>31,733,427</u>	<u>81.67%</u>	<u>25,916,211</u>	<u>\$2.11</u>	<u>\$1.98</u>	<u>7.4%</u>

	<u>\$ SALES</u>	<u>\$ PROFIT</u>	<u>BAHT</u>
1974	94,429	4,197	88,134
1975	840,331	98,522	2,068,953
1976	2,134,256	235,685	4,949,380
1977	4,221,955	490,925	10,309,425
1978	5,904,153	-104,807	-2,200,956
1979	3,851,636	412,035	8,652,745
1980	5,878,728	611,813	12,848,079
1981	9,052,908	972,626	22,370,409
1982	13,512,821	869,924	20,008,254
1983	9,279,904	441,900	10,163,704
	<u>54,771,121</u>	<u>4,032,820</u>	<u>89,258,128</u>

For the buyers, i.e., primarily Philip Morris, the payoff has been a supply of tobacco for blending purposes at an initial price approximately 30% lower than that of traditional suppliers in Turkey and Greece. This picture has changed recently as a result of agricultural policies in the European Economic Community. The EEC now offers subsidies to Greek tobacco producers, which make it possible for Greece to cut its price to roughly the Thai level and, for competitive reasons, Turkey has matched the Greek cuts. The expectation--and the hope--in Thailand is that, as the world economy improves, demand will pick up, providing adequate markets for Thailand as well as for Greece and Turkey. In the interim, the company is integrating the diversification program for farmers into its own operations.

Cost

The company estimates its total investment for the 10 years (1974-83) at about \$3 million. This includes fixed assets such as machinery, warehouses, and buying stations. Of this investment, about 20% has been allocated to extension services. In addition, the cost of operating the buying stations and paying the salaries of village inspectors now total about \$500,000 a year.

IV

Relationships With The Farmer

Relations with the farmer are ongoing and their production and outreach elements have been described. A typical farm family, visited by the researcher, lives in a two-story house of brick and wood, with a good roof, a few domestic animals, and a vegetable garden. The household consists of husband, wife, three sons, and three daughters. Two of the daughters are married and there are three grandchildren, all of whom live in the family compound. The two younger sons, 21 and 18, attend a commercial school in the nearby provincial capital, and the father works as a teacher at the village elementary school. The farming is done by the mother and the oldest son, with the husband helping on weekends and everyone else pitching in as required. The family grows rice (the traditional crop of the region), chile, cotton, and tobacco. It has grown tobacco for ten years, starting with Virginia tobacco, then switching to the new Oriental crop. The Oriental tobacco, the family reports, requires more and harder work, but also pays a higher price. Citing the economics of its activity, the family notes that rice brought in an income of B900 per rai gross, while tobacco produces a net of B4,000 plus.

Discussing its relationship with the company, the family cited the fact that it gets all its input from the company on credit, interest free, and of guaranteed quality, and that the company buys its entire crop. In addition, it refers to the frequent visits of the village inspector, and his hands-on help with the tobacco crop, contrasting this with the extension agent for peanuts who is sent by the government:

"The Adams agent comes once or twice a week the year round. The peanut agent comes twice a month and only during the season. With the Adams agent I can discuss all my problems and plans; the peanut agent is interested only in peanuts."

This farm family also notes a particular form of off-farm employment provided by the tobacco production process. Tobacco has to be strung, a task requiring primarily manual dexterity. Experience has shown that children can do this faster and better than adults. Payment for each string is 25 satang (satang 100: B1) and school children of farm families are delighted with this opportunity to earn a little income of their own. It appears to fulfill a function comparable to a newspaper route or babysitting for US school children. The Thai farm family visited reports that the children spend their money on candy and books.

V

Relationships With the Government and Other Agencies

The company maintains a close working relationship with the Thai Tobacco Monopoly for whom it acts, in effect, as an export arm. In addition, company technicians meet with their opposite numbers at the TTM and exchange technology and know-how. Unlike Adams International, which is actively and increasingly involved in crop diversification, TTM deals with tobacco only. In the tobacco sector, the two systems are essentially parallel: an arrangement that suits both TTM and the company.

TTM sees, as its major problem in the northeast, the lack of irrigation; and would like to see AID assistance in this area, particularly in digging wells at the village level.

Adams International maintains watchful diplomatic relations with the Thai government's Excise Department, which sets a minimum price for

tobacco each year. That price is unrelated to the world market price. It is set by the Excise Department in Bangkok, on the basis of production costs for the farmer, which include inputs, land cost, labor, climate and soil conditions, and allow for a profit of B3,000 per rai.

The company also cultivates connections with farmers' clubs which exist in large villages and small towns. These clubs are social centers in which farmers discuss their problems. Problems that the farmers cannot deal with themselves (for example, new plant diseases), these clubs bring to the governor's or mayor's office. For tobacco-growing problems, they come to Adams.

While there are some farmer cooperatives in Thailand (primarily for rice), none exist for tobacco farmers. The company would like to work with such co-ops, but does not feel that it can itself play a role in creating them.

The government maintains a bank for agricultural cooperatives which makes loans at a subsidized interest rate of 8%. Typically, farmers apply for such loans in groups and guarantee each other's loans. Tobacco farmers do not use these financial institutions since a) all inputs are furnished by the company on a credit basis with no interest; and b) no cooperatives exist in the tobacco farming sector.

VI

Policy Implications

For the Company

The company perceives two major policy implications in its operation. The first is a managerial approach formulated by the chairman in the maxim: "You have to deal with the farmer not only as a producer, but as a person."

The second is that agricultural ventures in Thailand are conducted most effectively as joint ventures in the private sector. Indeed, the company is looking for joint venture partners in other product areas, where the outside partner can contribute techniques and/or markets while the Thai company contributes its proven know-how in working with Thai farmers, Thai bankers, and the Thai government.

For the Host Country

The company feels that the Thai government should take a more active role in helping to market Thai agricultural products in the other ASEAN countries. Particularly, it could push for a reduction in the tariff for Oriental tobacco. The current tariff for Thai tobacco in the other ASEAN countries is set at the same rate as tobacco coming from Greece and Turkey. In contrast, the EEC levies no import duty on Turkish and Greek tobaccos, but does have a duty for Thai tobacco. In the EEC, the company feels, the Thai government could argue for lowering the duties on Thai tobacco.

For the Donor Country

The policy recommendations that emerged from this case study were, in addition to supplying aid and expertise on a government-to-government level for irrigation systems in the dry northeast, AID help would be most welcome and most effective in stimulating and assisting private sector cooperation in agriculture and agribusiness.