

# Policy Decision Making in Theory and in Practice: *The Eggs Story*

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## Abstract

This study case is related to policy decision making, which is occurring during the finalization of the policy making process – policy evaluation and review steps. The case mentioned about the egg price crisis occurring during the mid 2010 extending through the beginning of 2011 in Thailand. The Thai government had already proposed and implemented various policies aimed at controlling the economic situation, such as selling eggs by weight, putting eggs on the list of controlled goods, and open markets for the importation of laying hen breeders. Thus far, however, the outcome was not what the government had expected because egg prices remained high. This situation was particularly worrisome because of the longstanding tendency of the Thai public to use egg prices as an indicator of the government's ability to manage the country's economy. There were also many criticisms regarding these policies, as well as their ineffectiveness in reducing egg price inflation. As a result, the government was in the need of evaluating its implemented policies and reviewing what to do to solve the problem: keeping and implementing all the policies, adjusting the existing policies, or eliminating all or some of the policies.

**Keywords:** Egg Price Crisis, Selling Eggs by Weight, Policy Decision Making, Policy Evaluation and Review

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# การตัดสินใจเชิงนโยบาย มุมมองทางทฤษฎีและปฏิบัติ: กรณีศึกษา นโยบายราคาไข่

เกษมสานต์ โชติชาครพันธุ์

## บทคัดย่อ

กรณีศึกษานี้ เป็นการตัดสินใจเชิงนโยบาย ซึ่งเป็นกระบวนการต่อเนื่องภายหลังจากที่นโยบายของรัฐบาลได้ถูกนำไปใช้ เริ่มต้นจากวิกฤตการณ์ราคาไข่ไก่ในประเทศที่สูงอย่างต่อเนื่อง ตั้งแต่กลางปี พ.ศ. 2553 ถึง ต้นปี พ.ศ. 2554 จนเกิดการตั้งคำถามจากประชาชนต่อรัฐบาลผู้บริหารประเทศ ในขณะนั้น ซึ่งราคาไข่ไก่ในสายตาประชาชน จะถูกมองว่าเป็นดัชนีชี้วัดความสามารถในการบริหารประเทศของรัฐบาลทุกยุคทุกสมัย ทำให้รัฐบาลให้ความสำคัญกับเรื่องราคาไข่ไก่นี้อย่างเร่งด่วน ด้วยการออกนโยบายปรับเปลี่ยนการขายไข่ไก่จากเดิมที่ขายเป็นฟองมาเป็นการขายแบบซังก็โลกรัม อีกทั้งขึ้นทะเบียนไข่ไก่เป็นสินค้าควบคุมโดยกระทรวงพาณิชย์ นอกจากนี้ ยังได้เปิดเสรีนำเข้า พ่อพันธุ์แม่พันธุ์ไข่ไก่เพื่อแก้ไขปัญหาการขาดแคลนพ่อแม่พันธุ์ไข่ไก่ นโยบายเหล่านี้ได้รับการวิพากษ์วิจารณ์อย่างมากในหมู่ประชาชน ผู้ที่อยู่ในอุตสาหกรรมการผลิตและการค้าไข่ไก่ นักการเมือง นักวิชาการ และสื่อมวลชน ทั้งที่เห็นด้วยและไม่เห็นด้วยกับนโยบายดังกล่าว หากทว่านโยบายต่าง ๆ ที่ได้ดำเนินการไปแล้วนั้น มิได้ส่งผลทำให้ราคาไข่ไก่ลดลงอย่างที่รัฐบาลคาดการณ์ไว้ จึงทำให้รัฐบาลต้องมีการวิเคราะห์และทบทวนนโยบาย และต้องตัดสินใจอีกครั้งว่าจะดำเนินนโยบายต่อไปอย่างไร

**คำสำคัญ:** วิกฤตการณ์ราคาไข่ไก่ การขายไข่ไก่เป็นกิโลกรัม กระบวนการตัดสินใจเชิงนโยบาย การประเมินผลและการทบทวนนโยบาย

Mr. Saroj Maeteetham, Deputy Minister and Supervisor of Consumer Products at the Ministry of Commerce, was alone in his office thinking about the report on egg price inflation and the public's rising frustration and dissatisfaction. Despite the government's earlier policy decision to combat rising egg prices by implementing a *sell-by-weight* scheme in order to reduce the processing expenses of separating eggs by their sizes, prices had not declined by the projected 0.05-0.10 baht per unit. To the contrary, prices over the course of the past ten months had actually risen by approximately 60 percent.<sup>i</sup> Even earlier policy measures taken in mid-2010 – e.g., including suggesting an ex-gate and retail eggs prices and providing an open market for importation of laying hen breeders – had thus far failed to make a dent in egg prices. Hence, the as-yet unanswered question in Mr. Maeteetham's mind was whether the problem had been tackled at the right spot, with the market simply needing time to adjust before any tangible results would be evident, or whether the policy initiatives to date had simply been ill-advised from the outset, with the desired results likely to remain elusive for some time to come.

It was becoming a matter of some urgency to know the answer to this query and take whatever follow-on actions as might be indicated. Not only was a cabinet meeting scheduled for the next day, when his superior, the Minister for Commerce, was certain to be questioned about progress of this issue, the matter of rising egg prices had become topic of major concern and discourse throughout Thai society – i.e., from the public at large, to the media outlets, the academic community, laying hen farmers and retailers, and politicians on both sides of the parliamentary aisles. Given the long association of movements in egg prices with public assessments of the effectiveness of government in managing the economy, it was absolutely critical to sort this out before the upcoming Parliamentary session, which was scheduled to convene in a couple of weeks. The opposition would surely seize on the issue to an attempt to discredit the government by alleging its abject failure to control price inflation in such a vital consumer necessity. What advice, Mr. Maeteetham wondered, should he offer to alleviate a problem that was fast becoming a crisis impacting individual households and businesses?

## **Impacts of the 2008-2009 Economic Crises and the Government's Responses**

As a liberalized economy driven by international trade and investment and tourist, Thailand had been hit hard by the world economic crisis that arose in the aftermath of the dramatic 2008 upward surge in oil prices and the 2008-09 U.S. and European financial crises.<sup>ii</sup> The

unprecedented leap in oil prices had ricocheted across the Thai economy and impacted price levels in every sector, just as it had in Thailand's U.S. and European trading partners. However, because Thai commercial banks, unlike their American and European, had not invested heavily in bonds with sub-prime credits, the major impact of the world economic crisis *per se* was felt not at the level of financial institutions (as it had been in the U.S. and Europe), but rather at the level of domestic employment and price stability.

### **Unemployment Effects**

Thailand had long enjoyed an export-oriented economy, with the export sector accounting for nearly three-quarters of the country's GDP in 2008. With the U.S., Europe, and Japan – whose aggregate consumption constituted 48 percent of the world economy<sup>iii</sup> – being its main trading partners, the leveling off and then sharp decline in consumption in those markets in the aftermath of the global economic meltdown had a pronounced impact on domestic employment in Thailand. In 2008, the unemployed numbered 540,000 persons. However, as the value of exports in dollar terms shrank from 72.1 percent of GDP in 2008<sup>iv</sup> to just 26.5 in 2009, the National Statistical Office projected 880,000 persons being unemployed in January 2009, a nearly 63 percent increase from the 2008 unemployment number. Further, 320,000 persons out of the January 2009 number were from manufacturing sector.<sup>v</sup>

### **Inflation Effects**

Since prices of most products in the market were related to oil price, when the oil price inflated, the prices of other commodities went up accordingly.<sup>vi</sup> Consequently, by mid-2010, some 400 consumer goods on the list of products whose prices were controlled by the government were in the queue awaiting an upward adjustment in price. The Ministry of Commerce had already intervened with freezes on all of those consumer goods prices in order to control the cost of living,<sup>vii</sup> while some goods not under the control of the Ministry had had their prices adjusted already.

However, the raising of prices on consumer products also affected the inflation rate, which was reported at 3.8 percent during the first quarter of 2010. From there, it had continued to increase for 6 consecutive months, driven mostly by the 4.4 percent increase in the food and drink index (which included rice, flour and flour products, meat, eggs and dairy produce, vegetable and fruits and non-alcohol drinks).<sup>viii</sup>

## Governmental Responses to Rising Unemployment and Inflation

The ever-increasing rates of both unemployment and inflation were an explosive combination – one that had been a matter of much concern to Democratic government of Prime Minister Abhisit Vejjajiva. Aware that retention of the reins of power at the next general election would be all but impossible were such a situation to persist, the Abhisit administration commenced to make the tackling of unemployment and inflation priority items on their national agenda.

On the unemployment front, the Abhisit government, acting on a proposal put forth by the Ministry of Labor, adopted the so-called “*Three Reduces, Three Increases*” strategy for addressing rising unemployment crisis. The action initiatives entailed in the strategy are set forth in the Table below.

<i>The “Three Reduces”:</i>	<i>The “Three Increases”:</i>
1. Reduce the unemployment rate from 1 million to 700 or 800 thousand people	1. Increase money in circulation to enable employers to continue to employ workers.
2. Reduce the transferring of labor from agriculture sector to industrial sector.	2. Increase job options for those who stay in the agriculture sector.
3. Reduce the cost of living – e.g., through the provision of free public transport, water, electricity and low price consumer goods.	3. Increase vocational training programs offered by government agencies. <sup>ix</sup>

Additional governmental support came in the form of loans for 300,000 new college and university graduates to start up businesses back in their hometowns.<sup>x</sup> The Ministry of Industry provided financial support for new entrepreneurs and small businesses so they could continue hiring staffs.<sup>xi</sup> In consequence of these and other actions, the unemployment rate decreased – so much so that when the Thai economy recovered in sync with the world economy in 2010, a labor *shortage* developed as the unemployed who had moved to agricultural sector and/or started their own businesses could not be induced to return to jobs in industry.<sup>xii</sup>

On the inflation front, the government tried to tackle the problem at its source – i.e., the unprecedented increases in oil prices. One strategy had been to encourage the increased development and usage of alternative energy, a scheme that was included in the country roadmap for a long-term alternative energy supply for 15 years (2008-2022).<sup>xiii</sup> As part of this

strategy, farmers were supported in efforts to grow crops that could be turned into alternative energy, such as sugarcane, cassava, palm oil and corn.

As of mid-2010, the scheme had met with mixed results, including higher vegetable prices as land that would otherwise be farmed for food-for-consumption was planted with “food-for-fuel.”<sup>xiv</sup> Further, despite many farmers having shifted to palm plantations to supply palm oil for the production of biodiesel fuel,<sup>xv</sup> a combination of insufficient acreage planted and the 2010 monsoon floods had thrown this scheme far off track – resulting in a continued shortage of palm oil, despite having twice resorted to the importation of raw palm oil from overseas.<sup>xvi</sup>

Natural disasters such as heavy seasonal flooding, intense heat waves, and drought were additional key factors that continued to periodically besiege the agricultural sector. They had the effect of severely complicating, sometimes even defeating, attempts to control inflation by reducing the energy-cost component of production and transportation through use of alternative fuels. For example, the 2010 *floods* that occurred from mid-October to early November 2010, caused extensive damage to many vegetable-growing areas, resulting in price increases of anywhere from 100 to 200 percent for many vegetables.<sup>xvii</sup> Similarly, a subsequent 2010 *heat wave* in Northeastern Thailand precipitated reduced milk production by cattle milk suffering from 37-39 degree Celsius temperatures. With their production costs spiraling upward due to increased water and animal feed costs, and their retail prices frozen at 15 baht per kilogram, dairy cattle farmers were trapped in an untenable situation.<sup>xviii</sup>

Droughts, too, had occasionally wreaked havoc on price stability, farm income, and living costs through their impact on the quantity (and, to a lesser extent, quality) of production. For example, as pointed out by the Chairperson of the Egg Production, Retailers and Exporters Society, the drought in 2010<sup>xix</sup> led to a lower production of eggs. Laying hens were stressed, ate less and therefore produced fewer eggs. The result was an extended period in which there was a pronounced shortage of eggs, with a consequent increase in egg prices.<sup>xx</sup> Because eggs were a major staple in the diet of most Thais, whether rich or poor, the shortage of eggs -- whether due to drought or floods or heat waves -- and the resultant soaring prices was a situation that no Thai government could afford to allow to persist indefinitely.<sup>xxi</sup>

## **An Overview of the History and Structure of Egg Production in Thailand**

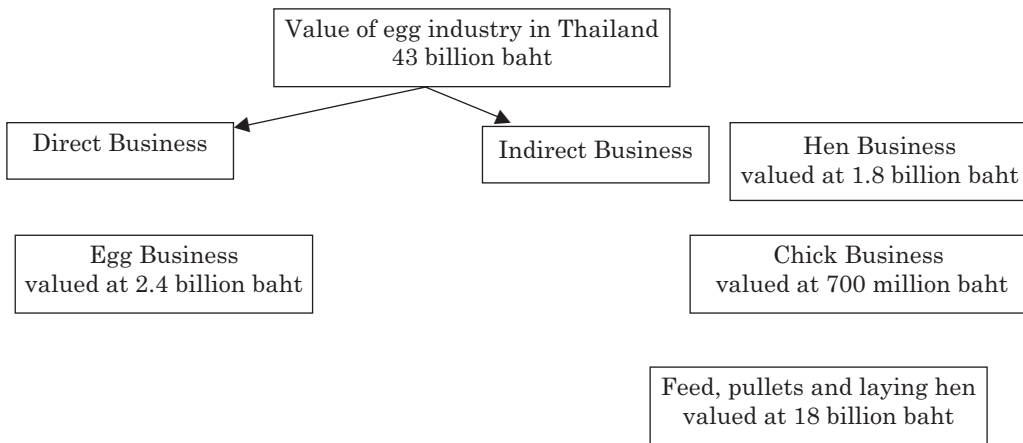
### **Origins and Current Status of the Egg Industry in Thailand**

In the past, chicken farming in Thailand had been largely for consumption within families or communities only. The farms were usually of the “free-range” type, where the fowl -- most often popular breeds such as the bantam and other domestic fowls -- were free to ambulate here and there across the farmer’s plot. Although the Leghorn breed was introduced into the country for commercial farming purposes in 1924, for nearly two decades thereafter, growth of the business was unremarkable due to the lack of vaccines to prevent diseases in egg laying hens.

Things began to change beginning with the 1941 research collaboration between Kasetsart University and the Department of Livestock of the Ministry of Agriculture, aimed at accelerating egg production in many chicken breeds. That was the beginning of competition to develop the most productive egg laying hens in Thailand. The East Asian War interrupted the thrust for high egg production, but the effort continued in earnest after the War, as the Thai government resumed and increased its support for and promotion of laying hen farming.

Notwithstanding this support, laying hen farming, though very popular, remained a small-scale endeavor geared toward household consumption until 1951-1952, when success was achieved in breeding high-yield egg-laying hens with the ability to cope with the Thai climate. This was followed up by the United Nations Food and Agriculture Organization (FAO), who also supported commercial laying hen farming, and provided experts on laying hens and related diseases to teach Thai farmers.<sup>xxii</sup>

From those modest origins, laying hen farming in Thailand became the large commercial and export industry that it was today. In 2009, the value of the egg industry in Thailand stood at 43 billion baht, comprised as follows: direct business, 2.4 billion baht; indirect businesses (e.g., trading of baby chicks), 700 million baht; trading of hens, 1,800 million baht; and feed, pullets, and laying hen, 1,800 million baht<sup>xx iii</sup> (see Figure 1). It was a somewhat high value industry in terms of domestic cash flow, even though the GDP value per se was not very high.



Source: Anek Boon-noon, 2010

**Figure 1: The Value of Egg Production Industry in Thailand in 2009**

Moreover, with egg production of approximately 10,000 million eggs per year as of early 2010, Thailand had achieved the distinction of being the world's seventh largest egg producer (see Table 1). Domestic consumption, at an average 165 eggs per person per year, continued to lag behind egg consumption in select other developed and developing countries, but as shown in Table 2, was on the rise.<sup>xxiv</sup>

**Table 1: World Egg Producers**

Unit: millions

List	Country	2007	2008	2009	2010(p)	2011(f)	Ratio 2011(%)
1	China	439,387	448,311	462,792	477,740	490,307	43.13
2	Europe (27)	109,710	111,939	111,900	111,900	111,816	9.84
3	USA	90,236	89,361	89,629	89,897	89,596	7.88
4	India	45,390	46,540	48,554	50,656	52,394	4.61
5	Japan	42,925	43,412	43,495	43,577	43,866	3.86
6	Brazil	28,730	27,583	27,782	27,983	28,185	2.48
7	Thai	10,688	11,258	10,585	10,800	11,455	1.00
	Others	294,956	291,952	299,556	306,887	309,252	27.20
	World Total	1,062,022	1,070,356	1,094,566	1,119,440	1,136,871	100.0

Note: (p) Primary source and (f) future estimation by Office of Economic Advisors of Charoen Pokaphand Group

Source: Adapted from Dr. Pornsri Laowrujisawad presentation retrieved from Prince of Songkhla University website, <http://www.natres.psu.ac.th/studentaffairsunit/news-work/sarup/pornsri.ppt#390> on November 30, 2011.



**Table 2: Egg Consumption in Selected Countries**

Unit: number of eggs per person per year

Country	2007	2008	2009	2010(p)	2011(f)
China	333	338	347	356	364
Europe (27)	233	238	239	240	241
India	40	41	42	43	44
Brazil	148	139	138	137	139
USA	298	292	290	288	288
Japan	337	341	342	343	343
Thai	162	168	160	165	165

*Note:* (p) primary source and (f) future estimation by Office of Economic Advisors of Charoen Pokaphand Group

*Source:* Adapted from Dr. Pornsri Laowrujisawad presentation retrieved from Prince of Songkhla University website, <http://www.natres.psu.ac.th/studentaffairsunit/news-work/sarup/pornsri.ppt#390> on November 30, 2011.

### Prerequisites for Successful Laying Hen Farming

Although economies of scale yielded significant financial advantages, the fact remained that laying hen farming was accessible to nearly any farmer able to set aside a minimum of land for a chicken coop. As an initial step, farmers had to select the size of farm appropriate to their experience levels, budget, and choice of entry point. Entry points dictated both the magnitude of the required investment in stock as well as the level of risk that farmers assumed during the period leading up the time when the hens began producing eggs. Hens farming could be started at any one of three stages.

1. With one-day-old baby chicks: This stage did not cost much because baby chicks were cheap. However, because it took 22 weeks before the chicks would grow to become egg-laying hens, farmers had to bear the risk that they might die during this early stage.

2. With 6-week or 8-month-old hens from a nursery: This was a popular method because hens at this age were still not expensive and could be fed with cheap, low-quality feed.

3. With pullets: This entry-point entailed high investment costs because pullets were expensive; however, pullets reduced the required nurturing time before egg production began.<sup>xxv</sup>

A well-prepared coop could help increase egg production. The farm had to be well ventilated, with water and feed rows, along with a battery cage. Around 2-4 weeks prior to egg laying time, the feed and water for the pullets should be increased along with provision of vitamins and antibiotics

to prevent diseases during relocation. The coop was supposed to be cleaned and sterilized both inside and outside two weeks before bringing in the hens. It was best to relocate the birds when the weather was cool in order to avoid any factors that might scare or stress them. Ordinarily, some time was required for the hens to adjust to the new environment as well.<sup>xxvi</sup>

Other factors that could directly impact the egg laying performance included the following:

1. *Temperature*: A suitable temperature for high egg yield was about 1-27 degree Celsius.

2. *Ventilation*: Good ventilation helped release heat and contaminated air, as well as reduced bacteria.

3. *Lighting*: The proper amount of lighting was critical to maximum egg production and life span, with a longer period of lighting rising in concert with the birds' age until the total amount of light reached 16 hours per day for hens at age 6 to 22 weeks.

4. *Relative humidity*: A suitable relative humidity was at 50-80 percent; but, with Thailand's high humidity during the rainy season, the coop also needed a fanning system to release both heat and humidity.

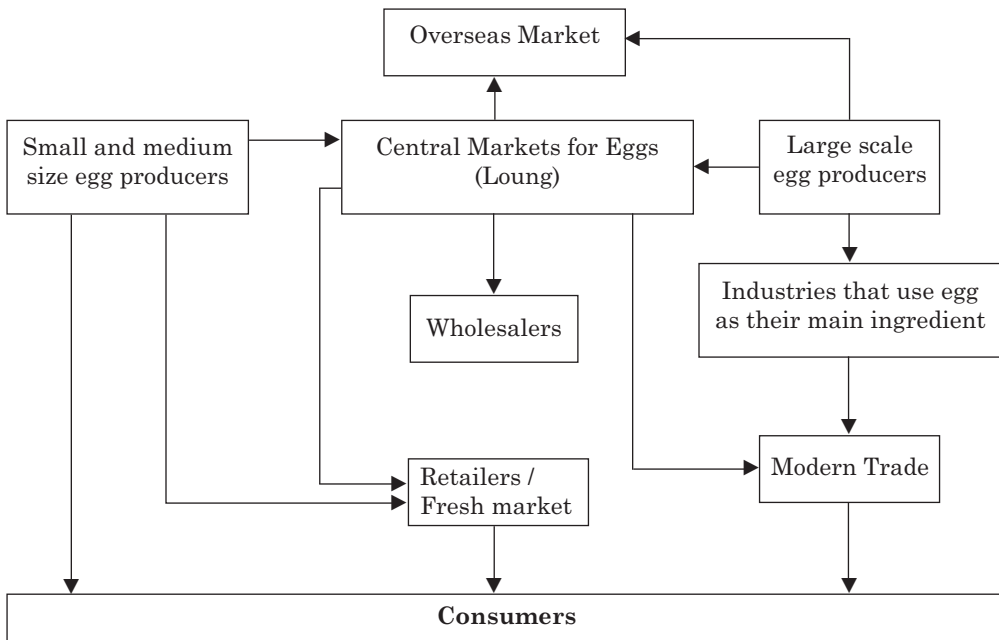
5. *Feed for laying hens*: As food constituted 60 percent of the total production cost, it was important to select the appropriate feed for both the hens' age and the weather. For example, in the hot season, when hens ate less, their diet should contain a higher proportion of protein. In the cold season, when they ate more, the protein in their diet could be reduced to save cost.<sup>xxvii</sup>

6. *Water*: Providing the proper amount of water was also critical. For example, with water comprising 85 percent of their body weight, 1-day-old baby chicks could die if they lost just 10 percent of their water.<sup>xxviii</sup>

Good management was the all-important central factor in production cost control and risk management. These outcomes were, in turn, requisite for the ongoing success of the enterprise.

### **Structure of the Egg Industry in Thailand**

As the industry had evolved since the outset of Thai commercial laying hen farming in the 1950s, it came to be comprised of two main groups of market participants, *egg producers* and *egg traders*. As shown in Figure 2 below, each of these groups could, in turn, be further sub-divided based on their organizational or enterprise characteristics.



Source: Suchon (1999:20)

**Figure 2: The Structure of Egg Producers and Traders in the Industry in Thailand**

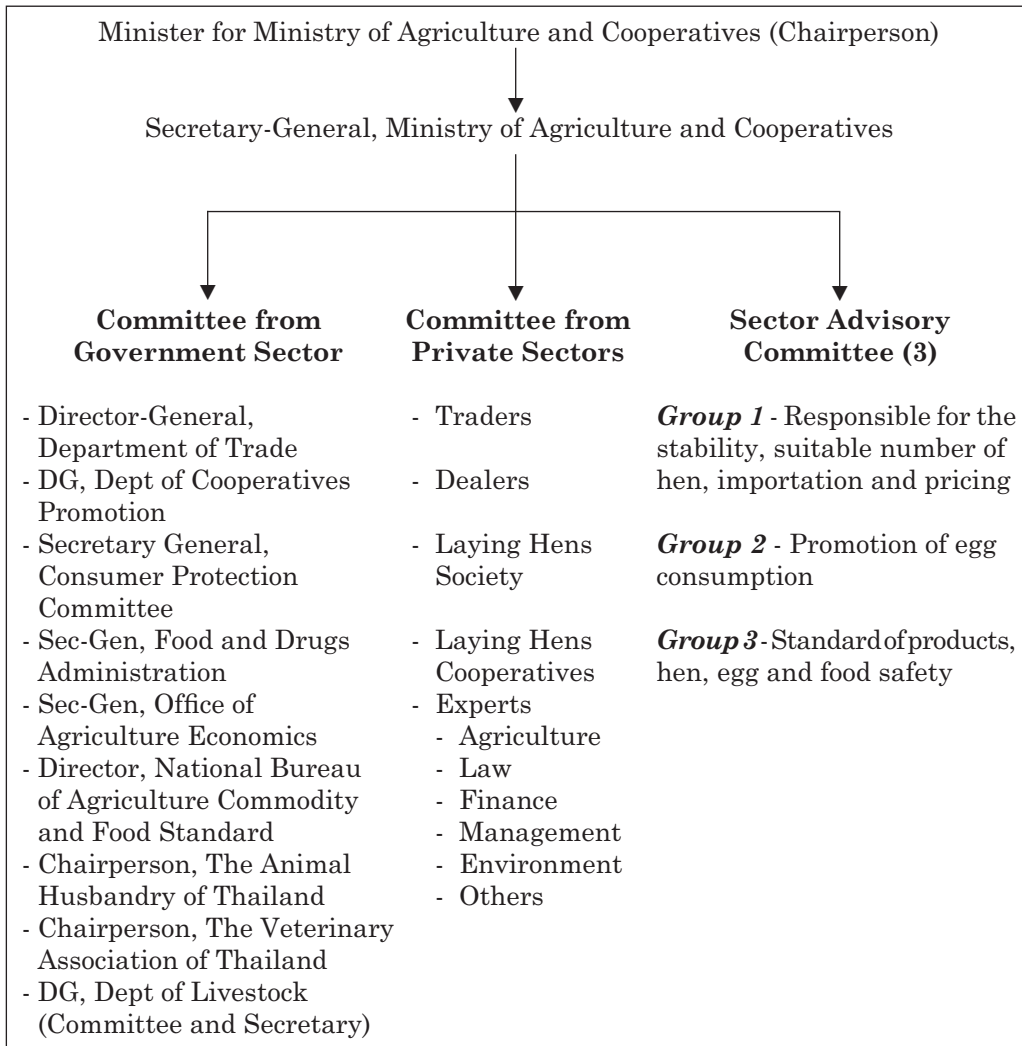
The *egg producer* group consisted of three distinct entities – the Association of Hen-Egg Farmers, Traders, and Exporters; the Laying Hens Association; and, a myriad of independent producers comprised of small- to medium-scale farmers. The Association of Egg Farmers, Traders, and Exporters -- the largest group in terms of volume of eggs produced, traded, and exported – was comprised of 37 members: 27 large-scale egg farmers, 4 central markets, (known as “Loung”), 2 exporters, and 3 Layer Farmer Cooperatives – the Layer Farmer Cooperative Chiangmai-Lumphun Ltd., Layer Farmer Cooperative Chonburi Ltd., and Layer Farmer Cooperative Phad-Reu Ltd. The Association of Egg Farmers, Traders, and Exporters and the Laying Hens Association clusters embraced 65 percent of all Thai farmers, while the independent operators comprised the remaining nearly 35 percent of the producer group.

Similarly, the *egg trader* group consisted of three groupings, differentiated largely on the basis of not only market function, but scope and scale as well. The first was central market (Loung) and fresh market participants who were involved in both the wholesale and retail segments of the business. The second group was the “modern trade” establishments,

such as large supermarkets like Tops, Tesco Lotus, and Big C. The third group consisted of food services establishments, such as those that catered food to hospitals, hotels, and similar establishments.<sup>xxix</sup>

### **The Mission, Roles, and Structure of the Egg Board**

In 2006, in the quest to increase the capacity of egg production, the government had established an industry oversight body, the Egg Board, under the Office of Prime Minister, with the Minister and Secretary-General of the Ministry of Agriculture and Cooperatives as the appointed chairperson and vice chairperson, respectively. The board committee was comprised of government agencies, traders, and members of the Laying Hen Farming Society and Laying Hen Farmers Cooperative, in addition to experts in agriculture, law, finance, marketing, management and environment. There were also another three sets of advisors (see Figure 3).

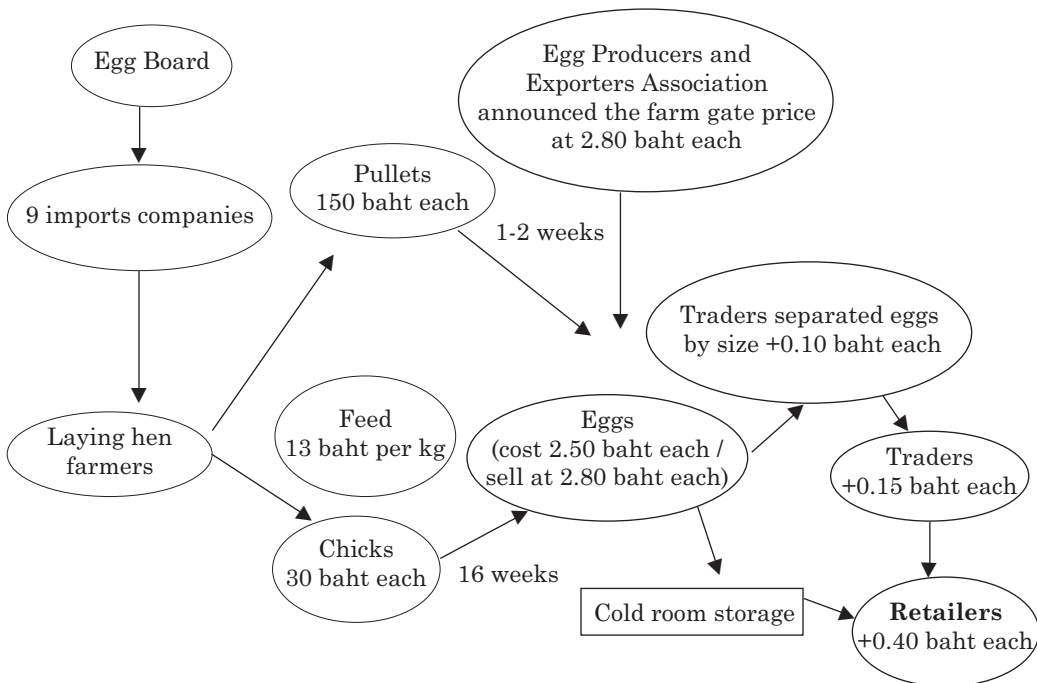


Source: Krungthep Thurakij Newspaper, 7 June 2010

**Figure 3: Egg Board**

The mission of the Egg Board was quite comprehensive: To facilitate increased egg production through the development of measures to solve any problems related to egg production.<sup>xxx</sup> The Board was granted the authority to control all aspects of egg production, as well as to monitor egg products with respect to production quality and food safety. The Board was also empowered to promulgate measures for importing layer breeders and promoting egg consumption.<sup>xxxi</sup>

The Egg Board, in conjunction with producers and traders played a pivotal role in the determination of egg prices. Specifically, the calculation of egg prices began with the Board, who set the quota for importation of breeders and then distributed the import authorizations among the importers. The importers then bred baby chicks and pullets and sold them, together with hen feeds, to laying hens farmers. When the hens began producing, a group of egg traders would set the farm gate price on a daily basis. The eggs were sold in mixed sizes, ranging from the largest (size 0) to the smallest (size 6). Traders separated the eggs according their sizes and distributed them to wholesalers who, in turn, sold them to retailers. When situations of over-supply arose, some egg producer clusters, who intended to manipulate the egg price to prevent excessively low egg prices,<sup>xxxii</sup> kept the products in cold storage for later distribution when the market price recovered.<sup>xxxiii</sup> (Figure 4 below depicts the egg pricing structure in Thailand in 2010.)



Source: Prachachart Thurakij Newspaper, 1-4 July 2010

**Figure 4: The Egg Pricing Structure in Thailand in 2010**

Structurally, egg pricing was governed by the same interactions among supply and demand that dictated the pricing of other agricultural commodities. For example, when egg prices in overseas markets were high, wholesalers and exporters would buy up domestic egg production for export purposes. As a result, the prices in the domestic market would rise. If the price of eggs in overseas markets was low, traders would negotiate down the prices paid to farmers.

The several types of participants in the egg industry had varying degrees of market power, a fact that could potentially have a non-trivial impact on egg prices. For example, central markets (Loung) were well organized, involved in large scale-trading, and held the largest stocks of eggs because they bought from all farmers. Thus, Loung's negotiation power was extremely high, in particular when buying from farmers and selling to markets.<sup>xxxiv</sup> Because of this, the large-scale farmers had found it prudent to attempt to acquire countervailing power by grouping together as the Association of Hen-Egg Farmers, Traders, and Exporters and the Laying Hen Associations to strengthen their own bargaining power.<sup>xxxv</sup>

## **The Egg Price Crisis of 2009-2010**

Over the course of the past decade, 2001-2010, the domestic prices of eggs in most of the developed countries had not been fluctuated much. However, in the Asian market, prices had risen by almost 100 percent over the same time period.<sup>xxxvi</sup> In the case of Thailand, the price of the largest size egg (i.e., size "0") had increased sharply, going from 2.07 baht in 2001 to 6.00 baht at its highest point in 2010. At an average price of 3.33 baht each in 2010, the price of eggs had increased nearly 40 percent over the average price of 2.40 baht in 2001, ten years earlier.<sup>xxxvii</sup>

By early 2010 when inflated egg prices were at an all-time high, the rising chorus of business and consumer complaints had reached a crescendo. For example, bakers, for whom eggs were a main ingredient in bread making, were imploring the government to solve the problem of ever-rising egg prices, which had gone from 80 baht for a "plate (30 eggs) to 100 baht, while the selling price of bread remained the same. The situation reached a point where some bakers had to stop selling bread temporarily due to the high production cost.<sup>xxxviii</sup> Similarly, egg vendors in some produce markets in Bangkok were complaining that the high prices of eggs were severely depressing their sales, and therefore their incomes.<sup>xxxix</sup> Representatives of associations of laying hen farmers had begun to petition provincial governments concerning the increasingly difficult situation confronting them as middle men. Pointing out that the eggs that they sold to traders for 2.70-2.80 baht each were then sold by traders for 4-6 baht each in the

market, they opined that earned only 0.10-0.20 baht per egg, most which had to be used to pay for expensive poultry feed.<sup>xi</sup>

Indeed, the situation had become so alarming by mid-2010 that individual Cabinet members had taken to sharing their own outrage from experiences in which they had paid what they viewed as exorbitant prices for eggs. For example, at a 29 June 2010 Cabinet meeting, a Bangkok MP expressed his personal disgust over a recent experience in paying as much as 4 baht per egg – a sharing that prompted the Deputy Minister of the Interior to add that people in Nakorn Ratchasima Province were complaining about having to pay as much as 6 baht per egg. Such prices, the Cabinet agreed, were placing eggs beyond people's financial means and thus preventing them from buying eggs.

### **Factors Influencing Recent Movements in the Price of Eggs**

There had been many factors involved in the changes in egg prices in the Thai market over the course of the past several years. Some of these involved imbalances in the supply and demand of breeder chickens (known as “breeders”), with some imbalances having been precipitated by government attempts to eliminate breeder shortages, while other imbalances had been the result of outbreaks of disease in the breeding stocks. More specifically, to correct the shortage of breeders that had existed in the past, the government had authorized nearly unlimited importation of breeders prior to 2002.<sup>xii</sup> The result was a subsequent over-supply of eggs in the market -- which said over-supply was exacerbated by a concomitant reduction in egg consumption driven by, first, health scares concerning eggs being a chief culprit in artery blockages and later, in 2004, by the Bird Flu H5N1 viral outbreak that severely depressed the consumption of all chicken products, including eggs.<sup>xiii</sup> The artery blockage scare by itself was estimated to have reduced consumption by almost 14 percent as consumption went from 145 (in 2003) to 125 (in 2004) eggs per person per year.<sup>xiiii</sup>

Further, with the Bird Flu epidemic having reduced the number of laying hens from 40 million in early 2004, to 24 million in mid 2004,<sup>xliv</sup> scores of small- and medium-scale laying hen farmers were forced to leave the industry. Thus, an imbalance in egg production and consumption had recurred in the market, prompting the government to step in to mitigate the imbalance through founding the Egg Board to oversee the egg industry in 2006. Only nine qualified breeder importers remained during the period, 2006-2009. In an attempt to bring supply and demand back in equilibrium, in 2006, the Egg board set lower breeder importation quotas, limiting the quantity to around 400,000 breeders per year. However, the authorized companies actually ended up importing less than the authorized quota



(i.e., 360,000 breeders versus the 400,000 authorized) in the last couple years, thus precipitating another round of imbalance in the supply and demand of breeders.<sup>xlv,xlvi</sup> (Table 3 below contains information on the number of imported and locally supplied laying hen breeders in Thailand, 2006-2010.)

**Table 3: The Number of Laying Hen Breeder “Quota” in Thailand, 2006-2010 (Number of Imported Breeders Quota Plus the Breeders Produced by Department of Livestock)**

No.	Companies	Number of Breeders
1	Charoen Pokaphand Food PLC	164,160
2	Betterfood Company Limited	60,480
3	Leamthong Farm PLC.	57,809
4	Pankern Charoen Farm PLC.	33,120
5	Krungthai Farm PLC.	27,872
6	United Feeding PLC.	21,000
7	Yousoong Ar-harn-sat PLC	12,000
8	Udomchai Farm	3,360
9	Chonburi Laying Hens Cooperatives	21,120
	<b>Import Quota</b>	<b>400,921</b>
	Department of Livestock Products	4,800
	<b>Total</b>	<b>405,721</b>

Source: Prachachart Thurakij Newspaper, 1-4 July 2010

As for sustaining the balance of demand and supply of the egg production, the Egg Board, in 2009, decided to act to reduce the production to bring egg production in equilibrium with domestic egg consumption demand at 26-27million per day.<sup>xlvi</sup> In the end, however, actual egg production, at 24-25 million per day, ended up falling substantially short of the target due to the outbreak and spread of the Infectious Bronchitis Virus and Newcastle disease during 2009-10.<sup>xlvi</sup>

In brief, among the principal factors and forces propelling the upward movement in egg prices over the past decade had been a succession of phenomena -- i.e., weather patterns (e.g., drought, flood, and depressions.<sup>xlvi</sup>), outbreaks of poultry diseases, and missteps in actions designed to keep egg supply in equilibrium with egg demand through management of import licenses and quotas for breeders. Additionally, movements (usually upward) in the cost of the factors of production in the laying hen farming business (e.g., breeder and poultry feed prices), had occasionally had dramatic impacts on egg prices at the wholesale and retail levels. For example, in 2009-2010, the price of hens that were bred from imported breeders was

double the usual price. Baby chicks that formerly cost 17-18 baht each, went up to 30 baht within a period of 6 months.<sup>li</sup> Pullets that used to cost 110-120 baht each, went up to 150-160 baht.<sup>lii</sup>

Particularly noteworthy was the fact that baby chicks and pullets were sold with feed as a compulsory bundle by the authorized imported breeder conglomerates.<sup>liii</sup> The egg-hen feed was accounted for around 74 percent of the hen-egg laying farmer's production cost,<sup>liv</sup> thus there was little room for the hen-egg laying farmers to manage the production cost.

In consequence of the multiplicity of factors and forces that played a role in *profitable* laying hen farming, the business tended to be a costly one, at least in relation to the magnitude of the return from any given quantity of eggs produced and sold. This fact itself, combined with the periodic imbalances in supply and demand, tended to contribute to the trend toward ever-higher egg prices.

### The Impact of Egg Prices on Perceived Governmental Effectiveness

Traditionally, in Thailand, egg prices had been seen as a prime reflector of government's efficiency in solving economic problems.<sup>lv</sup> A government's popularity tended to track fluctuations in the price of eggs;<sup>lvi</sup> with the media often publishing comparative lists of egg prices in each successive government (see Table 4).

**Table 4: The Average Price of Largest Egg (Size 0) in Each Government, 1976-2009**

Year	Prime Minister and Their Nicknames	Average Price (Baht)
1976	Mom Rajawongse Kukrit (Khai Khun Chai)	1.50
1979	General Kraingsak Chomanan (Khai Kriang Sak)	1.60
1981	General Prem Tinsulanonda (Khai Pah Prem)	1.26
1987	General Prem Tinsulanonda (Khai Pah Prem)	1.80
1990	General Chartichai Choonhavan (Khai Nah Chart)	1.95
1991	Anand Panyarachun (Khai Anand)	1.00
1993	Chuan Leekpai (Khai Khun Chuan)	2.17
2004	Police LT. Colonel Thaksin Shinawatra (Khai Meaw)	2.80
2007	General Surayud Chulanont (Khai Big Add)	3.00
2008	Samak Sundaravej (Khai Samak)	3.00
2009	Abhisit Vejjajiva (Khai Mark)	3.30

Note: 1 USD = 30.1897 on 4 January 2011

Source: ASTV Poo Jadkarn Daily, June 23, 2010

Confronted with the inescapable reality that his government's popularity -- and thus re-election prospects -- would likely be inversely linked to the direction of the price movements of eggs, Prime Minister Abhisit had thus resolved that the 29 June 2010 Cabinet meeting was the place and time to tackle the problem head on. The intention had been to put in motion a process by which to surface the root cause(s) of the relentless egg price increases, so that the appropriate steps could be taken to ameliorate the situation. Thus, the 29 June 2010 Cabinet meeting was the starting point for in-depth discussion and problem-solving on the matter of inflated egg prices.

## **Government Attempts to Solve the Problem of High Egg Prices**

At the June 2010 meeting, the Prime Minister had assigned responsibility for working on the egg price issue to a team comprised of representatives from the Ministry of Commerce, the Department of Livestock of the Ministry of Agriculture and Cooperatives, the Secretary of the Prime Minister's Office, in addition to several experts. With information provided by the Ministry of Commerce, the team was to find out whether the egg price problem was rooted in increased production costs or in some flaw in the overall management structure of the Egg Board, and then develop measures to solve the problem in 3 steps – i.e., immediate action(s), short-term plan and intermediate-term plan.<sup>lviii</sup>

### **Preliminary Steps: Key Stakeholder Consultations**

As the supervisor for consumer products at the Ministry of Commerce, the Deputy Minister Saroj Maeteetham, had earlier been tapped by the Minister to monitor and chair meetings on the high egg price situation. Hence, after the 29 June 2010 Cabinet meeting, Mr. Saroj held a meeting with representatives of key stakeholder groups of the situation – e.g., large-scale laying hen farmers, traders, retailers (modern trade) and representatives from fresh markets – to discuss insights into the egg price situation and to solicit ideas for measures that might alleviate the burden on consumers.<sup>lix</sup> An important finding that emerged from this meeting was the fact that egg prices had been adjusted during May-June 2010, with the farm gate price for unsorted size eggs have risen from 2.50 baht per piece to 2.80 baht. The retail price also moved up as a result of that, with for example size 3 eggs increasing from 2.80-2.90 baht each to 3.10-3.20 baht.<sup>lx</sup> Hence, at the 13 July 2010 Cabinet meeting, the Ministry of Commerce proposed that, as an immediate action, cooperation be sought from farmers to set the farm gate price at no more than 2.80 baht per egg.<sup>lxi</sup> In addition, the Ministry asked traders, exporters, large-scale

farmers, and laying hen farmers to sell eggs directly to consumers through modern establishments, such as large supermarkets like Macro, Big-C, Tesco-Lotus, and Tops' Supermarket, which had 339 branches altogether over the country. In addition, the Ministry of Commerce offered consumers low price eggs at "*Khai Gai Thong Fah Project*" (Blue Flag Egg Project) carried out at locations assigned by the Department of Internal Trade in all 75 provinces of the country.<sup>lxiii</sup>

Continuing the diagnostic phase and gathering of problem amelioration ideas, the Secretary of Prime Minister's Office had a meeting with the Egg Board shortly after the June 2010 Cabinet meeting. From this discussion had come an order by the Egg Board to extend the lives of hens in closed farms from 78 weeks to 82 weeks in order to increase the quantity of eggs in the market during that period. Further, the Board decreed that egg exports should be halted, unless a company had already made an agreement prior to the date of the Board's action.<sup>lxiii</sup>

For a short-term plan, the Department of Livestock, at the behest of the Egg Board, agreed to undertake to provide 50,000 baby chicks to small-scale farmers and lower the price of chicks from 30 baht to 28 baht each, and pullets from 154 baht to 149 baht each. Finally, the intermediate-term plan, to be completed within 60 days,<sup>lxiv</sup> was for the Department of Livestock and Kasetsart University to study the Egg Board Structure, with the aim of improving its managerial effectiveness and organizational efficiency.

The Pracha Wiwat Working Group – a social welfare scheme team charged with tackling the high cost of living problem, including egg-price inflation -- had also invited the chairperson of the Laying Hen Farmers Society, an expert with 30 years experience in the egg business, for a discussion and information sharing.<sup>lxv</sup> The principal outcome of this meeting was a request that the government reduce egg production costs – e.g., reduce the feed tax and the electricity fee -- which, in turn, would help drive down both the wholesale and retail prices of eggs. More innovatively, the expert also proposed a trial project in which eggs would be marketed by their weight in kilograms instead of by the piece.<sup>lxvi</sup> This same approach, he pointed out, was used once during the administration of General Chartchai Choonhavan, but was abandoned after two unsuccessful years due to lack of support from the government. But, this time, he believed that the scheme could be a success with adequate government and consumer support. He mentioned that other countries -- such as China, Indonesia, Malaysia, Denmark and Sweden – were also using the egg weighing method.<sup>lxvii</sup>

The House Standing Committee on Agriculture and Cooperatives had also been monitoring the situation during the past 3-4 months and came forth with the suggestion that the problem of high egg prices derived from the “oligopoly” in the importation of breeders and feed by conglomerated companies, such as Charoen Pokaphan PLC. As it happened, Charoen Pokaphan PLC, which was the largest food industry conglomerate in Thailand and one of the largest in the world, was also represented on the problem solving committee. Concerned that such involvement might give the conglomerate an unfair competitive advantage, the Standing Committee had asked Prime Minister Abhisit to disband the Egg Board, as well as open the market on importation of breeders, to encourage competition in free trade.<sup>lxviii</sup>

After the Cabinet had listened to all stakeholders’ suggestions and views, it began imploring the relevant ministries accelerate the problem solving as the information gathering and consultation with stakeholders had already taken a long time. Further delay in the government’s initiation of concrete actions to resolve the problem of accelerating egg prices would likely result in negative views of the government, as well as questions concerning its ability to manage the country’s economy.

### **Attempted Solution: Instituting an Open Market for Importation of Laying Hen Breeders**

Per the recommendation of the House Standing Committee on Agriculture and Cooperatives, the initial action taken by the Cabinet had been aimed at increasing the number of importers of breeders. In addition to the Standing Committee, others had complained about the “oligopoly” of breeder importation by the limited number of establishments authorized to import chicks and pullet, as well as fluctuations in the prices of chicks and pullets. To address these complaints, the Cabinet decided on 13 July 2010 to allow the Ministry of Agriculture and Cooperatives to open the market for importation of laying hen breeders. This action was aimed at reducing the breeder shortage,<sup>lxix</sup> which affected the purchasing price of chicks and pullets and made it difficult for farmers to control their production cost.

Interested parties were required to submit requests for consideration and approval. By early 2011, many interested importers had submitted such requests to the Department of Livestock, but only 13 of those were approved. Together with the existing 9 breeder importers, these newly authorized importers brought the total number of authorized imported breeder companies to 22 in 2011.<sup>lxx</sup>

### ***Stakeholder Reactions to the Proposed Open Market Policy for Importation***

This policy initiative was met with both favorable and unfavorable reactions from stakeholders. The chief executive officer of one medium-size producer company applauded the open market plan, asserting that the importation of breeders should not be oligopolized by the just 9 companies. Small scale farmers should be given an opportunity to import breeders as well, he argued. Their 5% share of breeder imports was miniscule, compared to that of the 9 dominant companies. As for the counter-argument that an open market for importation of breeders would lead to an over-supply of eggs in the market and thus precipitous price declines, his view was that farmers would have to find ways to adjust in order to compete, and that in any case consumers would benefit from lower egg prices.<sup>lxxi</sup>

Some stakeholders, however, maintained that an open market would not solve the “oligopoly” problem, but instead merely provided opportunities for the dominant companies to breed more hens and produce more eggs for the market.<sup>lxxii</sup> They would remain the key players in the industry. The market liberalization would mean that the companies linked to those with import quotas would also seek import authorization, thus providing the dominant players to have even larger import quotas. This would not solve the “oligopoly” of breeder problem because, as the Egg Board explained, all major importers wanted to import more breeders – meaning that an open market would merely increase small-scale farmers’ disadvantage and suffering.<sup>lxxiii</sup>

Joining in, the Chairperson of the Laying Hen Farmers Society averred that the open market for the importation scheme could bestow a negative effect on the egg industry in the long-run,<sup>lxxiv</sup> as new breeding farmers would need to inject high capital investment in the breeding processes and equipments, i.e., incubating room, hatchery, coop for breeders, ventilating system, food, vaccination, etc. Therefore, liquidity was one of the key success factors for survival in the breeding business. Further, the big farmers’ economies of scale gave the considerable advantage over the small- and medium-scale farmers – a fact that largely accounted for the short longevity of small- and medium-scale breeding farmers in the business. As a result, the breeding industry continued to be dominated by the large-scale farmers.<sup>lxxv</sup> However, the existing 9 importers felt that the open market scheme could liberalize the egg business, so they could freely compete. Besides, they believed only small amount of laying farmers were capable of importing the breeders. In their view, small- and medium-size laying farmers would eventually be dependent on the existing 9 conglomerates that had long dominated the business.<sup>lxxvi</sup>

## ***Outcomes***

Even before the open market for breeder importation commenced, it began to have an impact. Specifically, in *anticipation* that the launch of the open market would result in lower prices for baby chicks, some egg hen laying farmers opted to cancel their baby chick buying reservations with the existing 9 breeder importers. With farmers now able to choose whether or not to buy baby chicks bundled together with the feed, prices of baby chicks and pullets slid immediately from 30 to 25 baht per chick and from 154 to 144 baht for each pullet.<sup>lxxvii</sup> Despite this positive sign, *long-term* prospects for a continuation of such price declines were cast in doubt by the fact that three of the companies who submitted requests for import authorization to the Department of Livestock came from the previous 9 importers.<sup>lxxviii</sup> This development suggested that with respect to domination of the industry (including pricing), not much was likely to change under the open market scheme.

## **Attempted Solution: Listing Eggs under Controlled Goods**

Meanwhile, egg prices had continued their relentless upward march, hitting the highest prices in history in June 2010 (i.e., 6 baht per egg).<sup>lxxix</sup> The Ministry of Commerce responded with an attempt to both freeze the price and suggest a suitable market price that would reduce the burden for consumers. However, those suggestions were not followed. Some traders, attempting to take advantage of the situation, even *lifted up* their prices. The Ministry of Commerce thereafter decided to put eggs on the list of controlled goods, so that they could be monitored and controlled.<sup>lxxx</sup> On 18 January 2011, the Central Committee on Prices of Goods and Services agreed to include eggs on the list of controlled goods,<sup>lxxxii</sup> where it joined 41 other controlled goods and services. The Committee explained that eggs were the most popular source of protein and that therefore it was necessary to control both the price and quality.<sup>lxxxii</sup> The law specified that henceforth vendors had to show egg prices by both weight and unit. Breach of the law could bring offenders a 7-year jail term or a 140,000 baht fine or both, according to the Prices of Goods and Services Act, B.E. 2542 (1999).<sup>lxxxiii</sup>

## ***Stakeholder Reactions to the Proposed Listing of Eggs under Controlled Goods***

The listing of eggs as controlled goods had met with lukewarm industry and public support. As explained by a laying hen farmer in Ayuthaya Province, to control egg prices while leaving production input costs – e.g., feed, labor, management, etc. – to continue to rise in line with supply and demand forces was to create an untenable situation for

small-scale farmers. They would end up incurring ongoing operating losses – losses that might be bearable for a short period, but that would ultimately force them out, leaving the production side of the business to a few large-scale, high-capital establishments. This group, he averred, would then have near-total market control.<sup>lxxxiv</sup>

These views were echoed by a journalist from the *Post Today* newspaper who made a similar comment. He allowed that attempts to meet people's expectations that the government should solve their debt and commodity price problems by placing controls on agricultural products such as vegetables, pork, chicken and eggs was problem solving at the *end* of the supply chain. To effectively address the problem of expensive agricultural products such as eggs, he had asserted, the matter had to be solved at the *structural* level. He had gone on to state that the specific problems to be solved were the price of breeders, feed, fertilizers, medicines and marketing channels. If this could be done, then small- and large-scale farmers and traders, as well as wholesalers and retailers could survive and compete in a fair manner. When there was a transparency in the process, he had concluded, the public would accept the situation even though the result might be a higher price than the current one.<sup>lxxxv</sup>

The minority point of view – i.e., those supporting the listing of eggs as a controlled product – was championed by *The Nation* newspaper, among a limited number of influential others. Through its editorial voice, *The Nation* came out in agreement with government on the control of egg prices by virtue of the fact that 5 major producers controlled fully 60% of the total production. Such overwhelming dominance of the production side of the supply-demand equation conferred on the major producers an easy ability to manipulate egg prices. Thus, it was argued that the control of egg prices **ex-gate** and **retail** would make it more difficult for those companies to “oligopolize” the market.

### **Outcomes**

The echo of listing eggs as the controlled goods was that many hen-egg laying farmers decided to attenuate the lives of hens and close down their farms because of unbearable increased production costs in the face of a fixed, government-mandated selling price.<sup>lxxxvi</sup> This had the effect of worsening the imbalance in egg supply and demand, as supply declined in concert with the loss of egg producers in the production chain. Consequently, the price of eggs in markets in the Bangkok area further inflated as a result of an egg shortage, with the largest size egg (i.e., size 0) now selling at 3.90 baht per unit.<sup>lxxxvii</sup>



### Attempted Solution: Selling Eggs by Weight

Finally, as the new year arrived, with no amelioration of egg prices in sight, the Cabinet announced on January 11, 2011 a policy to implement a pilot program on selling eggs by kilo<sup>lxxxviii</sup> to reduce the labor costs incurred in the sizing process. The Egg Traders Association, who bought eggs from the farmers and separated them according the sizes before passing them onto retailers, was involved in the discussion and agreed to follow the scheme.<sup>lxxxix</sup> Initially, the trial period was to take 3 months beginning from 1 February 2011, with the venues being the fresh markets in Bangkok and surrounding suburban areas. The farm gate price was set at 43-45 baht per kilogram, including the management, logistic, package and damage costs. The retail price for mixed size eggs was set at 50-52 baht, which was estimated to reflect a 2-3 baht per kilogram reduction (i.e., 0.10-0.20 baht each) in the cost of separation. This aspect of the pricing scheme was also aimed indirectly at solving the problem of vendors mixing small and large size eggs when selling by size (the regular selling method) to gain more profits.

During the trial period, the existing method for selling eggs was to remain in effect. That is, the public was offered a choice: continue to buy eggs by size or switch to buying them by weight in kilograms. Further, each farm that participated in the trial was requested to contribute 20% of their products to join the egg weighing scheme, while the remaining 80% could be sold the usual way.<sup>xc</sup> As shown in Table 5 below, the weighing method yielded a lower price for purchases of size 1 and higher, but fewer eggs when purchasing size 0 (the largest size) because of the higher weight of size 0 eggs.<sup>xc1</sup>

**Table 5: Comparing the Price of Egg Selling by Unit and by Kilogram**

Egg Size	Weight of Egg per Unit	Number of Eggs per Kilogram	Price per Unit (by Kilogram) (Baht)	Price per Unit (Baht)	Comparison (Baht)
0	≥ 70 g.	13.8	3.14	3.10	+0.04
1	65-69 g.	14.8	2.92	3.00	- 0.08
2	60-64 g.	16.0	2.71	2.90	- 0.19
3	55-59 g.	17.4	2.49	2.80	- 0.31
4	50-54 g.	19.0	2.27	2.70	- 0.43
5	45-49 g.	22.0	2.06	2.60	- 0.54
6	≤ 44 g.	23.8	2.18	2.30	- 0.12

*Note:* Egg price = 52 baht per kilogram

*Source:* Krungthep Thurakij Online, Online Daily Newspaper, retrieved from <http://www.bangkokbiznews.com/home/detail/business/business/20110120/372808> on June 17, 2011

### ***Stakeholder Reactions to the Proposed Egg Weighing Method of Pricing Eggs***

There had been a wide range of favorable and unfavorable responses to the new pricing scheme from both supply side and demand side entities. Noteworthy, most of the reactions had been either lukewarm or outright negative.

*Supply Side Entities:* On a moderately positive note, the Laying Hen Farmers Society agreed in principle that in the long term the weighing method should reduce egg prices by 0.05-0.10 baht per piece.<sup>xcii</sup> But, they also pointed out its ultimate success would depend on the farmers, traders and consumers. On the more negative side, the vice president of the Egg Traders and Exporters Association, Ayuthaya Province, stated his disagreement with this approach because retailers bought mix sizes eggs from traders and it was difficult for them to set the price for each size. Further, citing a survey that had shown that the amount of money spent on eggs was small compared to other consumption expenses, he went on to suggest that if government wanted to alleviate the high cost of living it should encourage people to spend less on luxury items such as mobile phone services.<sup>xciii</sup> Picking up on the same general them, retailers at Yah Mo fresh market in Nakorn Ratchasima Province voiced their disagreement, noting that the weighing scheme did not lower the price sufficiently to make a noticeable difference. Also, they allowed, the cost of eggs left over due to damage in the weighing process would end up being borne by them, the retailers.

*The General Public:* The negative reactions did not end there. To the contrary, other voices entered the fray, with all manner of reservations and objections. For example, one respondent expressed the concern that a shift to selling eggs by weight would put the laborers who formerly separated eggs for sale by size out of their jobs.<sup>xciv</sup> Separately, a trade expert advanced the view that weighing eggs for sale by size made the trading system in Thailand seem “back dated.” Additionally, the separation of eggs by size added value to the product, but weighing the egg had devalued it.<sup>xcv</sup> Another academic commented that the scheme should be abolished because it was difficult in practice and might even encourage unscrupulous egg producers to develop thick-shell eggs in order to increase the weight. The weighing system, in his view, was merely a diversion – an illusion -- to avoid facing the actual problem. It might give the impression that eggs were cheaper, while in fact the price remained the same. Along these same lines were the views of some that in introducing a scheme that made egg prices *seem* cheaper, the government – aware that the public saw egg prices as a measure of a government’s to manage economic

problems – was perpetrating a ruse in the hope that high egg prices would not affect their popularity.<sup>xcvi</sup>

Additional public reactions were surfaced by several opinion research organizations. One such poll was a survey of approximately 1,100 respondents from Bangkok and nearby provinces during 22-23 January 2011,<sup>xcvii</sup> prior to the 1 February 2011 commencement of weighing egg trial period. The survey found that of the 94.6% of the respondents who had heard of the new scheme, nearly half (47.9%) viewed it as a “strange,” but nonetheless “fair to all parties involved.” Nearly 43% thought the policy “laughable” and felt that it should not be put into practice, while 9.3% stated that it was a “disappointment.” Moreover, the survey found that Prime Minister Abhisit’s popularity had shrunk to 22.4%, with only 14.9% of the respondents reporting that they liked the Prime Minister *more* because of this policy.<sup>xcviii</sup> (See Tables 6-7)

**Table 6: Public Opinion on the Policy**

Public Opinion on “Egg by Kilogram” Pricing Scheme of Abhisit Government	
Strange and should be fair to everyone	47.9
Laughable, Not possible, Nonsense	42.8
Other, (for example, make it worse for the public, disappointing)	9.3
Total	100.0

Source: Ministry Operation Centre, Ministry of Education

**Table 7: The Impact on Prime Minister Abhisit’s Popularity**

Egg by Kilogram and Its Impact on Prime Minister Abhisit’s Popularity	
Like him more than before	14.9
Like him as much as before	32.4
Like him as little as before	30.0
Like him less	22.4
Total	100.0

Source: Ministry Operation Centre, Ministry of Education

A second survey was conducted by Dusit Poll (Rajabhat Suan Dusit University) during 20-22 January 2011. Their poll of nearly 1,300 respondents in Bangkok and nearby provinces,<sup>xcix</sup> revealed that more than half (56.63%) of the sample population saw the new scheme as having more negative impacts than positive ones. Moreover, nearly two-thirds of them (66.29%) disagreed with the weighing eggs policy.<sup>c</sup> (See Tables 8-10)

**Table 8: The Good and Bad Points of the “Egg by Kilogram” Policy**

<b>Public Opinion on ‘Egg by Kilogram’ ; Strong and Weak Points</b>	
<b><i>Strong Points</i></b>	
Reduce the process and expenses on separating eggs by sizes	47.54%
Consumers can buy at cheaper price with the same standard	28.11%
Get eggs in different sizes	24.35%
<b><i>Weak Points</i></b>	
Difficult for both buyers and shop keepers	43.31%
Buyers might be cheated on the scale	40.09%
Facing problem of money changes if the eggs are less or slightly more than the exact kilogram	16.60%

Source: Siam Raht Newspaper, 24 January 2011

**Table 9: Comparing the Strong and the Weak Points of “Egg by Kilogram” Policy**

<b>Comparing the Strong Points and Weak Points of ‘Egg by Kilogram’ Policy</b>	
There are more weak points	56.63%
Similar between strong and weak points	29.52%
There are more strong points	13.85%

Source: Siam Raht Newspaper, 24 January 2011

**Table 10: Public agreed or disagreed with the Policy**

<b>The Public agreed with the Policy or not</b>	
Disagree	66.29%
Not sure	21.65%
Agree	12.06%

Source: Siam Raht Newspaper, 24 January 2011

## ***Outcomes***

Notwithstanding the findings of the several opinion research surveys, the Ministry of Commerce had proceeded with the pilot program, albeit for just two weeks during which the situation was monitored and evaluated. It was found that the customers who shopped at the 30 fresh markets included in the pilot Bangkok and nearby suburbs were not interested in the scheme. On the first day of the pilot, many consumers asked about it and tried weighing the eggs but did not actually use this method when buying. A few days later, shops reported selling eggs by weight to just 1-2 customers, with the average purchase being 1-2 kilogram. During interviews, customers said that the method was inconvenient and took a lot of time. Market vendors continued to express their pre-implementation disagreement with the method, opining that some eggs were damaged in the selection process.<sup>ci</sup>

By the second week of the pilot, an appreciable segment of the pilot market had altogether abandoned the weighing method. In fact, of the 30 markets with an initial 100 egg-selling shops, only 13 shops were found to still be selling eggs using both the weighing method and the old ones. In 7 markets, it was found there was just one shop per market that had fully adopted the new approach and changed to the weighing method only.<sup>cii</sup>

## **Meanwhile the Clock Was Ticking**

It was now decision-making time. In a couple of hours' time, Mr. Maeteetham was scheduled to meet with the Minister of Commerce to debrief him on the latest developments, preparatory to the Cabinet meeting of the following day, when the Prime Minister would ask for a full report, as well as recommendations, concerning the situation of escalating egg prices. What should he propose to the Minister, Mr. Maeteetham, wondered to himself: continue, abolish or adjust the policies, with respect to the open market for the breeder importation, the listing eggs under controlled goods, and the selling eggs by weight?

## Endnotes

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