

SDC 2018 Annual Meeting Abstracts

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Title: The Pull towards Part-time Farming: A Micro-perspective on Rural Agricultural Transformation in Southeast Asia

Agriculture in the rapidly growing Southeast Asian emerging market economies like Thailand and Vietnam has undergone significant changes during the past decades. However average farms remain small and only a small share of farms invest in the growth of agriculture. Hence, the share of agriculture in total household income is declining. While there is ample literature describing agricultural transformation on the macro-level, micro-level changes in rural employment patterns in the context of structural change are still poorly understood. To undertake micro-economic analysis, longitudinal farm household panel data are needed. The Thailand Vietnam Socio-economic Panel (TVSEP) has established a unique household and village panel with 5 panel waves over a 10 year period between 2007-2016, consisting of 4000 households covering 400 villages in Thailand and Vietnam. The data enables us to gain better insights on micro-scale structural changes of rural households. In this paper, we especially examine the impact of Southeast Asian economic development and off-farm employment opportunities on changes in labour time allocated to farming. We apply a fixed effects model as well as an endogenous switching regression and find that as rural village infrastructures develop and wages in the non-farm sectors increase, smallholder farm households diversify labour out of agriculture and transform into part-time farmers. The regressions reveal that at the meso level for both Thai and Vietnamese households in our sample, at least 75% of their income from non-farm sources significantly increase the respective year's Gross Provincial Product (GPP). The counterfactual analysis reveal that part-time Southeast Asian farmers, earning at least 25% of their income from the non-farm sectors, invest more in farm equipment but move out of traditional production systems like rice farming. We further find that part-time farmers in Thailand also tend to invest more on agricultural intensification when compared to their Vietnamese counterparts. Our results underscore the fact that contrary to the emergence of large farms in the process of agricultural transformation as historically observed in industrialised countries; structural change in agriculture in Southeast Asia is characterized by rural smallholder farmers transitioning into part-time farming enabling investment in agriculture but remaining small-scale.

