

CHAPTER SEVEN

BOOM AND BUST: CYCLES OF TRADE AND PROSPERITY



"There is no port town on the east coast of the southern peninsula as good as Pak Phanang."

King Rama V in a letter to the Crown Prince
July 9, 1905

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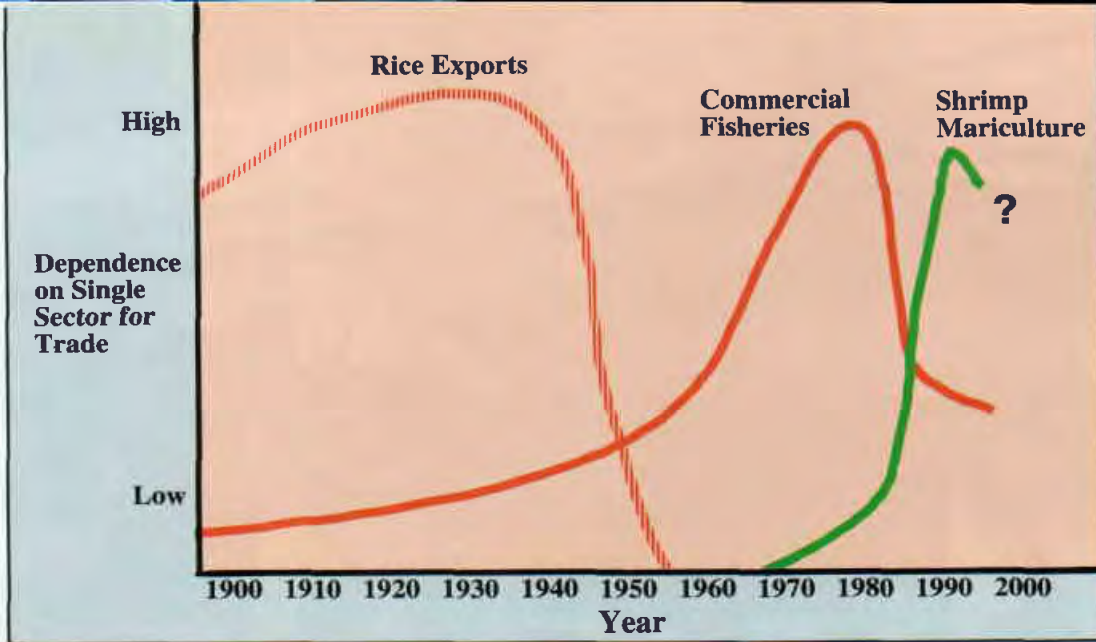


Figure 7.1. Pak Phanang cycle of prosperity.

One of the main reasons that Pak Phanang was chosen by CORIN was that the Province of Nakhon Si Thammarat, of which it is a part, had been identified as one of the most economically depressed areas in Thailand during the mid 1980s. Though it was once one of the most prosperous areas in Thailand. A town that had a post office built in 1912 as well as a courthouse and many bank branch offices fifty years ago does not suggest an impoverished provincial settlement. But in the 1970s a socioeconomic survey of Thailand's small scale fishermen found they earned far less than their counterparts in other areas. In the 1980s, banks saw Pak Phanang as a poor investment risk. The port, once the busiest in the south, appeared abandoned when half its fishing fleet moved to Songkhla. The people, proud of their industriousness and independence, suffered high unemployment and high crime rates. Recognizing the economic difficulties besetting the area, the national government has spent

millions of baht on a variety of assistance projects.

Suddenly in 1987 the "gold rush" of intensive shrimp farming started. Within three years, nearly 57 km sq of mangroves and rice paddies were converted to shrimp ponds. In Pak Phanang District the number of shrimp farm owners rose 10 folds in two years. Multinational corporations invested in shrimp farming and farmers got rich almost overnight. In 1987 the Department of Fisheries subsidized a shrimp farming cooperative in nearby Pak Nakhon that set up 134 shrimp pond owners within one year. However, the boom was already waning. Forty independent shrimp farmers, neighbors to the new cooperative, abandoned their ponds in 1987 when water quality problems killed their shrimp. Extreme swings of fortune are characteristic of the recent history of the Pak Phanang area, as illustrated in Figure 7.1.





Rice trade in Pak Phanang.

RICE PRODUCTION AND EXPORT TRADE

Almost hundred years ago, Pak Phanang was the main port and hub of transportation for Nakhon Si Thammarat, the commercial and cultural center of Southern Thailand. It handled so much trade that the ruler of Nakhon Si Thammarat decreed that special coins be made and used in Pak Phanang. Old Chinese coins found in the area suggest that Pak Phanang was an important port since at least the mid 1800s, when, during the reign of King Rama III, Thailand was the largest, most powerful empire in Southeast Asia. After Thailand opened its doors to large scale foreign trade in 1850 and abolished slavery, rice production expanded dramatically and Thailand exported rice to vast markets in China and India. There is historical evidence that, from 1900-1950, Pak Phanang was the major rice shipping port in southeast

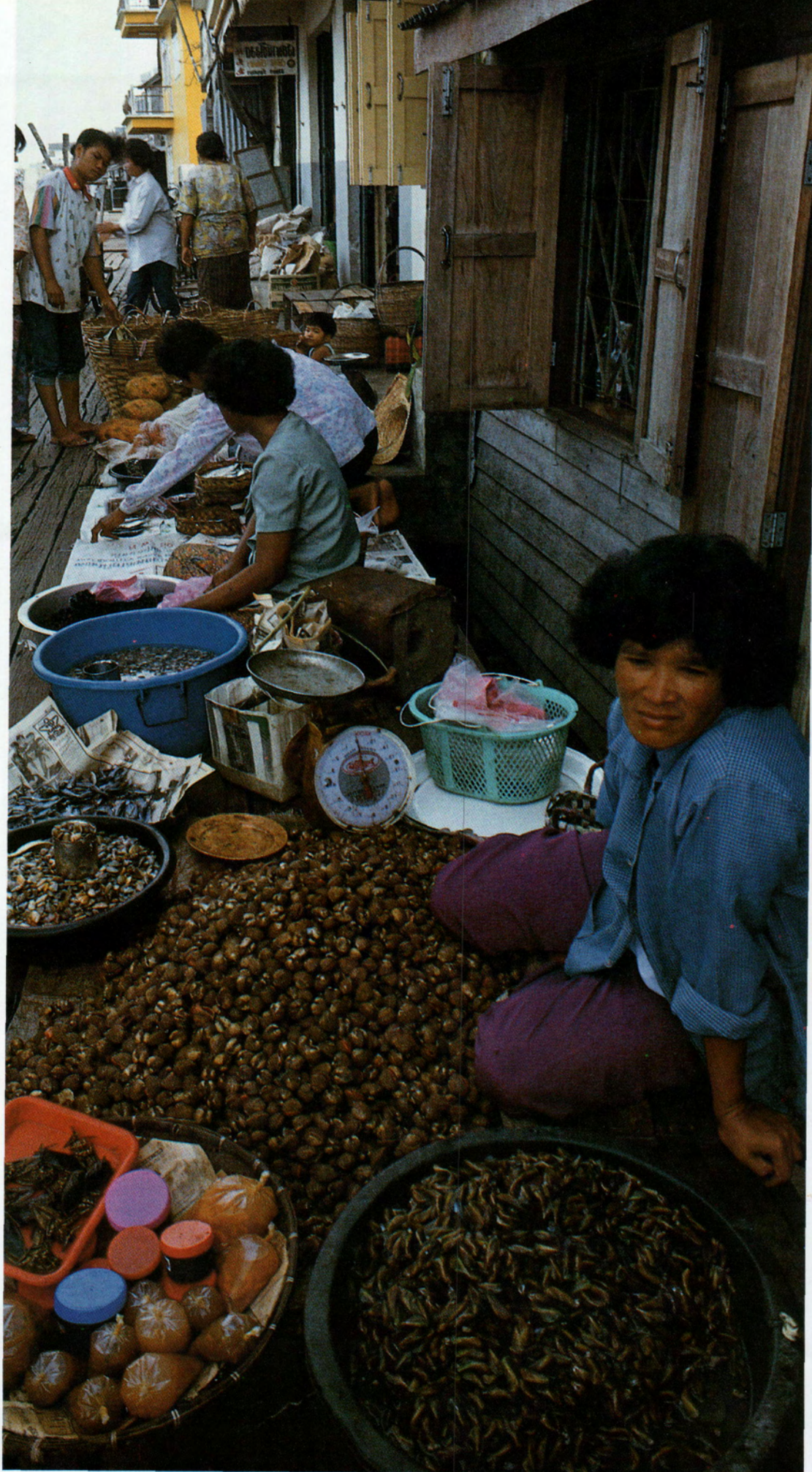
Thailand. The area was blessed with a combination of natural resources: fertile lowlands easily converted to extensive rice fields, productive fisheries, adequate fresh water, and excellent clay for brick making. It was also a prime location for a port, midway along the Malay Peninsula where one of the longest navigable rivers in southern Thailand meets a protected bay. Pak Phanang was prospering, with a population of over 46,000 people, according to the letter of Rama V to his son in 1905. Rice was produced in lowlands throughout the region and exported from the port. The King observed 31 large Chinese and Malay merchant ships in the port doing a brisk trade. Many hundreds of smaller merchant vessels traded between the port and the provincial capital of Nakhon Si Thammarat and beyond to Ron Phibun district. At the time of the King's visit, the town of Pak Phanang was so prosperous that the taxes it generated were only 20,000 baht less than the taxes from the entire province of Songkhla



Business was booming in Pak Phanang during the first part of the 20th century.

The rice trade ended quickly with the onset of World War II and the invasion of Pak Phanang by the Japanese troop in 1941. A road was constructed between Pak Phanang and Nakhon Si Thammarat, and after the war, during the period of modernization, commercial transportation shifted from the sea to the land. The prosperity of the port declined. Economic conditions became even worse when the government instituted a monopoly on rice trade in 1955. The large rice mills on the river were abandoned because they were no longer profitable. Typhoon Harriet, in 1962, brought high winds, flooding and a storm surge that killed 1,000 people, destroyed the village on Laem Talumpuk, ruined the houses in Pak Phanang with 4 meters of flooding river water, silted in rice paddies, and destroyed the crop. Regional rice production declined for several years. And the economy of the area "went bust."





*Local market of
Pak Phanang.*

THE COMMERCIAL FISHING BOOM

Impoverished rice farmers throughout the area turned to harvest another great natural resource of Pak Phanang, the abundant fish and shellfish in the Bay and the Gulf. Nearshore fishing was so lucrative that by 1957 the first offshore trawler was built. In the next twenty years, the commercial fishing fleet expanded to include more than 1,000 large offshore trawlers. Fish meal factories were constructed along the river as the rice mills were abandoned. Nearshore fishing in the bay intensified with the introduction of new technologies: fish nets, purse seines, push nets, and finally lift nets.

But, by the mid 1970s, the fish catch started to decline. The bay that used to yield "*thigh sized fish*," according to a resident of Laem Talumpuk, produced only "*arm sized fish*." Eventually the size, the abundance and the diversity of the catch declined drastically. By 1990, the bay fishery lift-nets yielded only 2-5 kg per day, compared to 10 kg per hour ten years earlier. Starting in 1978 the offshore

fishing fleet responded to overfishing in the Gulf and shoaling of the bay, and a large number of vessels moved to Songkhla to take advantage of new government subsidized fish port facilities and better market prices. With the loss of much of the fishing fleet the people of Pak Phanang once again suffered an economic decline. Several years of drought and the catastrophic flood of November 1988, made the situation even worse, because rice production also suffered despite government investment in large, expensive irrigation projects throughout the watershed and the introduction of new rice farming methods. The flood, made worse by deforestation of the upper watershed, carried great quantities of silt down from the hill sides, smothering the rice paddies in the lowlands. Over the next two years, the drought increased salt water intrusion, poisoning rice fields near the coast and drinking water supplies. Throughout the cycles of boom and bust, people have moved away when the economy soured. As a result, in 1989, the population of the town of Pak Phanang was only 16,677, less than that of what it was in 1905.





THE SHRIMP FARMING BOOM

Now, shrimp aquaculture is creating a new economic boom. Independent shrimp farmers were doing low intensity shrimp farming in the region for many years, especially in Pak Nakhon along the western side of the bay. But with the onset of intensive shrimp farming in 1987, a surge of prosperity has come back to the region. Shrimp

farming is creating a network of alternative employment with wages much better than rice farming or fishing. Shrimp farming yields approximately 1,800-2,700 baht per year profit per rai of pond according to CORIN interviewers. Large corporations and the Thai government are investing millions in shrimp farm construction. People are driven to intensive shrimp farming to make a quick profit before the environmental costs catch up. In Ranot district, just





south of Pak Phanang, per capita income increased four fold in two years, from 6,000 to 25,000 baht per month and prawn farmers who got started early increased their income ten folds.

The shrimp "gold rush" occurring in Pak Phanang reflects the situation all over Thailand. For the three years following the start of intensive farming of black tiger shrimp (*Penaeus monodon*) in 1987, on average, one rai of coastal land was converted to shrimp ponds

every minute in Thailand. Prawn culture has been expanding at 30% per year and Thailand is now the second largest exporter in the world, producing 100,000 tons per year for export to Japan, USA and Europe. In southern Thailand, the shrimp farmer harvests an average of 1 ton per rai per year, at a stocking level of 30-50 shrimp per meter square. Income averages 150,000 baht per ton of large shrimp. Large well-managed farms can produce 20 tons per crop per hectare.





Uncontrolled expansion of shrimp farming is accompanied by environmental problems: degraded water quality from waste water discharges, salt water intrusion into rice paddies or drinking water supplies and exacerbated flood hazards, where high dykes around the ponds prevent flood waters from flowing out over the low lying coastal lands as they normally would. The people of Pak Phanang have learned, as Khun Seree said at the CORIN workshop: "*Shrimp can eat your land.*" The water quality problems associated with poorly planned and managed shrimp farming are such that the average productive life span of a shrimp farm may be only 3-5 years in the Pak Phanang region. There is a gathering sense of boom, that shrimp farming now is on the

verge of collapse. As ponds are abandoned, a moonscape of craters and economic depression is left behind.

FINDING A PATH FROM A "BOOM / BUST" ECONOMY TO A SUSTAINABLE ECONOMY

This, then, is the challenge: How should the people and their government plan for the future of Pak Phanang in such a way that the extremes of boom and bust are avoided and prosperity for the local people is sustained over the long term?