



Charter Granted 7 August 1961

SOUTH WIND

THE ROTARY CLUB OF BANGKOK SOUTH

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Meetings:
Friday
12.15 pm.

President Michael Schulz
President Elect Michael Doyle
Immediate Past President Nick Pisalyaput
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Secretary Vitool Tantianunanont • Fund Raising Douglas Riach • Treasurer Nathan Christoff
Communications Tim Cornwall • Administration Stuart Lucani • Service Projects Chris Thatcher
Rotary Foundation Rakesh Sodhia • Sergeant-at-Arms Adrian Topham

Olivier-Christian Thon Life is too short to drink bad wine

No 2521

28 February 2014

Vuttiphol Wanglee Update on the Rice Pledging Scheme



Eight months ago, Khun Vuttiphol came to our club to predict disaster. On Friday, he returned with the bittersweet pleasure of being proven right.

He took us through the justification given for the policy at its outset, the ways in which the calculation went wrong, how the operations of the scheme were abused by political office holders and their trading protégés, the financial impasse in which the government now finds itself and the “now what ?” bit. Of course the concept was to corner and move the market in internationally traded rice.

Three years ago Thailand provided about 25% of the traded volumes. If, by temporarily withholding that rice from the market, Thailand could raise the world price, the rice bought at high prices from the farmers could be sold on the world market

without a loss. Win-win for Thailand.

Politicians were quoted as planning a cartel with Vietnam and India to protect the manoeuvre, reassuring voters that, even if export volumes dropped a little the total revenues would increase and assuring that the high quality of Thai rice would ensure that buyers would keep coming.

Which would have been a sort-of legitimate gamble had this been a speculator playing with his own money. But this was tax-payer’s money. And a speculator would have been clever enough to prepare a loss-cutting exit strategy should the plan fail. It all went terribly wrong. Production rose world-wide and prices for rice fell instead of rising.

Thai export tonnage and revenues fell dramatically, from 5.9B Baht in 2011 to 4B in 2013. Warehoused stocks rose to (approx.) 15 million tonnes.

Such rice as was sold, whether export or domestic, was sold at a price way below the buying price.

There was and is no exit strategy. If we take no action the stocks will rise unendingly, the losses too, and the rice will rot losing all value. If we start a panic sale the world price will plummet, with (old) Thai rice at a discount to that, and the losses will be enormous.

As that situation was too horrible to contemplate, the government looked away, denied losses which had not yet been realised, and hoped for a miracle.

But what was really entertaining in Vuttiphol’s account of this tragi-comedy is the role of cupidity aggravating the result of stupidity

We all knew that the Thai Government has also bought a significant proportion of the smuggled rice exports of neighbouring countries too, but apparently it’s in the selling of the rice, rather than in the buying of it, that things get really profitable

Vuttiphol outlined three schemes showing how things could go. The details were complicated but the principle is the same.

Rice is sold from stock to friendly businessmen at prices well below the market price which, remember, is itself well below the purchase price. The justification for the low price is that this rice is to be exported on a Government to Government deal, is to be packaged and resold to the poor at low prices, or whatever other reason may seem fit.

Documentation is duly provided to show that this happened.

In fact the rice is sold to another friend, and perhaps to a third, finishing with a rice miller who sells it back to the Government at the high rate paid to farmers.

Continued on Page 2



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Golf...



P Michael, PP Ole and Fund Raising Director Dougie celebrating a 602,500 Baht golf success....

Continued from Page 1

To ensure that legitimate merchants do not get in on these below market rates, sales from Government warehouse are without any guarantee as to the grade or condition of the rice which is "as seen". Thus useless to anyone wanting to really use or re-sell.

But if you are only going to book the same rice into the same warehouse again, no problem at all!

So elegant! So profitable (about 60% margin) So easy! And in fact so easy to check and foil. But of course if one has cover from on high, it's never going to be checked anyway, so why bother.

Away from the fun and games, the miracle is looking less and less probable. The losses on the scheme are becoming less unclear. On an accrual basis around 200B Baht for the 2012 crop and a total of 600B Baht to date.

Anticorruption investigations targeting the Prime Minister and 17 colleagues for complicity or, at the least, negligence, are under way.

In addition, the Government is running out of cash. The failure to sell the expensively purchased rice has left a cash-flow deficit around 120B Baht on the 2013 crop. Few financial institutions are prepared to lend money to them for this purpose.

The warehoused stock is deteriorating. What's worse, Vuttiphol doesn't have an exit strategy to propose either!

He points out that the scheme has actually succeeded in increasing the income of the Thai rice farmers, or at least many of them, but accepts that they will mostly be ruined this year if the Government cannot pay the 2013 crop soon.

And he points out what could / should have been done instead of the Rice Scheme as it stands – Income Guarantees making up for shortfalls in the rice price below an average. But as for "Now what?" No answer... Not reassuring.

Article by PP John Quarmby



IPP (Intensely Pleased Papa) Nick and the new addition to his family little Metta...



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Khun Khob's Club Almanac # 2521 – 28 February 2014

Happy Birthdays

Heinz Knoke March 2
Lalit Kumar March 4
Poul Weber March 5

Attendance for 21 Feb 2014: 74%

Present 38, Make-up 21, Absent 22,
Exemption 27, Total 108

Visiting for 21 February 2014

Local

Alex Paufler RC Bangkok
AG Ateep Maskati RC Bangkok
Pornchai Wessatada RC Bangkok
P Santi Chaterjee RC Bangkok

Overseas

Arthur Winter RC One, Chicago, USA
Eli Kenner RC Jerusalem, Israel
John Chirgwin RC Martha's Vineyard, USA

Invited Guests

Alex Baechtold
Carlo Crosetto
David Shackleton
Dylan Jenkins
James Burnett
Mark Schnier
Patrick Gauvain

Introduced by

PP Philip Baechtold
Chip Bowness
PP John Quarmby
Ron Livingston
Steve Cook
IPP Nick Pisalyaput
PP Niti Meyer

Recent Makeups

RC Dubai, 10/02/14: Sievert Larsson
RC Bangkok, 13/02/14: AG Andrew MacPherson
RC Bangkok, 18/02/14: AG Andrew MacPherson, CP Geoff Carter
RC Bangkok, 20/02/14: PP Mark Butters

Makeup credits

Polio Plus, 12/02/14: AG Andrew MacPherson, PP Krit Wong, PP Mark Butters, P Michael Schulz, Yongyuth Tirachaimongkol

TRF, 12/02/14: PP Don Lavoie, Krin Charnmaytesakul, Manu Mekdhanasarn, IPP Nick Pisalyaput, Rakesh Sodhia, Rui Belo, Suhendra Kosim, Yod Tantianunanont

PHF Dinner, 13/02/14: Adrian Topham, PDG Alex Mavro, AG Andrew MacPherson, Chip Bowness, Dana Caron, Dean Outerson, PP Don Lavoie, Douglas Riach, Finbarr O'Connor, PP Graham Brain, Jon Plate, PP Krit Wong, Marcel Dubbelman, PE Mike Doyle, P Michael Schulz, PN Narain Suradejvibul, IPP Nick Pisalyaput, PP Ole Madsen, Oldrich Capek, Poul Weber, Prasert Mangkornkarn, Rudy van der Hoeven, Ron Livingston, Rui Belo, PP Sean Brady, Stuart Lucani, Suhendra Kosim, Tim Cornwall, PP Vichai Tantrativud, Yod Tantianunanont



Club Calendar

7 March 2014 – Luncheon

Dr M Chase Schneier

Cause and effect: A better understanding of life and health

14 March 2014 – Luncheon

Kasit Piromya

Special Dates to Remember

Sunday, 9 March 2014

16.00 to 20.00

Chez IPP Nick

Charity BBQ and Fellowship

Thursday, 13 March 2014

Kids Day Out

Saturday, 28 June 2014

Installation Ball

Dusit Thani Hotel

For Bangkok South Events

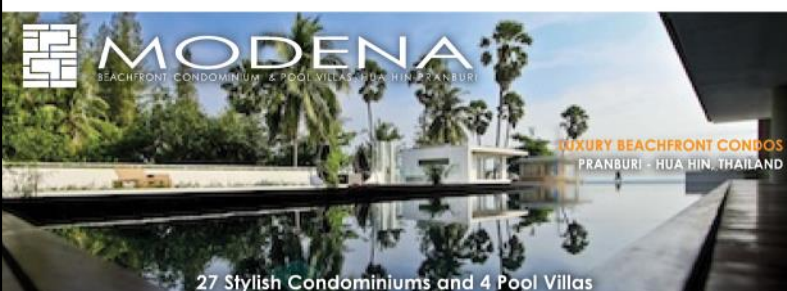
rotarybangkoksouth.org/calendar-of-events

Board, 17/02/14: Adrian Topham, Chris

Thatcher, Dana Edward Caron, Dean Outerson, Douglas Riach, P Michael Schulz, PE Mike Doyle, Nathan Christoff, IPP Nick Pisalyaput, Rakesh Sodhia, Stuart Lucani, Tim Cornwall, Vitool Tantianunanont

Golf, 20/02/14: Adrian Topham, AG Andrew MacPherson, Arie Bloed, Chip Bowness, Dana Caron,

Dean Outerson, PP Don Lavoie, Douglas Riach, Elmar Lins, Finbarr O'Connor, CP Geoffrey Cater, Gerard Geraets, PP John Quarmby, Juergen Bernhold, Lalit Kumar, Leo Alexandersen, Marcel Dubbelman, Marco Casanova, Mark Shaw, Michael Ellis, P Michael Schulz, Nathan Christoff, PP Nigel Hardy, PP Ole Madsen, Prasert Mangkornkarn, Rakesh Sodhia, Ravi Sehgal, Rod Vergara, Ronald Livingston, Rudy van der Hoeven, Sievert Larsson, Stuart Baker, Stuart Lucani, Suhendra Kosim, Thanakorn Telan, Tim Cornwall, PP Vichai Tantrativud, Wolfgang Minderjahn



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