

FIRST YEAR OF THE BANK FOR AGRICULTURE
AND AGRICULTURAL CO-OPERATIVES

INTRODUCTION

The Bank for Agriculture and Agricultural Co-operatives was established in September 1966 to replace the former Bank for Co-operatives. The primary objective of this new Bank is to provide a constantly expanding agricultural credit service. The merging of the Bank for Co-operatives with the Bank for Agriculture and Agricultural Co-operatives was completed within 40 days. Then, the latter has been functioning since November 1966, carrying out the lending operations through agricultural co-operatives, and directly to individual farmers who are not members of credit co-operatives.

The authorized capital of the Bank is one billion Baht of which 242.6 million Baht has already been paid up by the Ministry of Finance, and 6.3 million Baht by Co-operatives. (Baht 20 = US\$ 1.) The authorized share-holders are the Ministry of Finance, co-operatives, farmers, and other persons subject to the Regulations of the Bank.

Its Board of Directors is appointed by the Council of Ministers, consisting of the Under-Secretary of Finance as Chairman, the Under-Secretary of Agriculture as Vice-Chairman, and competent representatives from the agencies directly concerned with agricultural finance and the promotion of agricultural production.

The Bank for Agriculture and Agricultural Co-operatives is now still in its infant stage coping with heavy operational engagements with relatively limited staff.

Its statement of condition, as of December 31, 1967, is given on page 2.

Statement of Condition, December 31, 1967

Compared with Previous Year

Resources

| | <u>1966</u> (Million Baht) | <u>1967</u> (Million Baht) |
|----------------------------------------------|-------------------------------|-------------------------------|
| Cash and Due from Banks | 125.3 | 85.9 |
| Loans to Agricultural Co-operatives | 217.3 | 265.2 |
| Loans to Individual Farmers | - | 111.2 |
| Building, Furniture, Fixtures, and Equipment | .9 | 5.8 |
| Interest Receivable | - | 4.6 |
| Other Resources | 11.6 | 1.0 |
| Total Resources | <u>355.1</u> | <u>473.7</u> |

Liabilities

| | | |
|-----------------------------|--------------|--------------|
| Capital Stock: | | |
| Held by Ministry of Finance | 83.9 | 242.6 |
| Held by Co-operatives | <u>6.1</u> | <u>6.3</u> |
| | 90.0 | 248.9 |
| Surplus | 52.7 | 54.3 |
| Undivided Profits | .4 | 1.1 |
| Net Earnings for the Year | 4.2 | 9.5 |
| Deposits | 34.6 | 52.4 |
| Loans payable | 144.5 | 89.7 |
| Other Liabilities | 28.7 | 17.8 |
| Total Liabilities | <u>355.1</u> | <u>473.7</u> |

LOANS TO AGRICULTURAL CO-OPERATIVES

In 1967 the Bank made fresh advances to agricultural co-operatives amounting to a sum of Baht 143.8 million, compared with Baht 78.1 million in 1966. The latter in turn loaned the fund to farmer-members for general farm purposes. The total amount of loans outstanding from the Bank to 9,579 village credit co-operatives, 10 production credit co-operatives, 12 land improvement co-operatives, and 6 paddy marketing co-operatives, as of the end of 1967, was Baht 265.2 million.

Repayments made by agricultural co-operatives in 1967 amounted to Baht 122.3 million (53% of outstandings), against Baht 103.0 million (49% of outstandings) in 1966.

LOANS TO INDIVIDUAL FARMERS

It should be mentioned that the Bank prefers to operate through agricultural co-operatives, but where no such co-operative exists, loans are made by the Bank branches directly to individual farmers.

From December 1966 through July 1967, the Bank set up 15 provincial branches to provide credit service closer to farmers in the areas. In April and May 1968 we are setting up 10 more provincial branches.

In order to supply credit for the purpose of increasing production in the true sense of the term, each branch confines its lending operations to selected areas where feasibilities and desire to increase agricultural production exist. In such area there should be an active agricultural extension service ready to carry out an agricultural education program among the Bank clientele. Loans are made primarily to small farmers who produce commodities principally for sale, rather than to subsistent ones.

As one means of making their services more readily accessible, the Bank branches have set up field offices at the district level. The functions of such office, among other things, include clientele investigation and selection, loan application investigation, co-operation with local extension personnel in giving technical guidance to client-borrowers, credit supervision, credit education among clientele.

Mobile units are dispatched by the Bank branches to provide farmers in the more remote areas with loan disbursement, loan repayment, and deposit services, from time to time, particularly before planting season and after harvest.

In 1967, all fifteen operating branches, serving 95 districts, made 40,634 short-term production loans in an aggregate sum of Baht 60,062,360, averaging Baht 1,478 to 35,839 farmer-clients. The particulars of these loans by product classification are furnished below:

| | Amount | |
|-----------------------------------|------------|--------|
| | Baht | % |
| Rice (620,524 rai ^{1/}) | 33,131,940 | 55.16 |
| Corn (136,438 rai) | 8,586,580 | 14.30 |
| Tapioca (34,141 rai) | 3,109,050 | 5.18 |
| Cotton (27,428 rai) | 3,039,020 | 5.06 |
| Other upland crops (71,352 rai) | 6,778,900 | 11.29 |
| Orchard (7,512 rai) | 1,030,060 | 1.71 |
| Piggery | 3,460,840 | 5.76 |
| poultry | 836,770 | 1.39 |
| Others | 89,200 | 0.15 |
| Total | 60,062,360 | 100.00 |

1/ One rai = .395 acre or .16 hectare

In 1967, 20,700 medium-term loans for Baht 61,197,080, being an average of Baht 2,960, were made by the Bank branches to 35,839 farmer-clients. Their purposes are for purchase of buffaloes, water pumps, land clearing, minor land improvement, etc.

By the end of crop year, March 31, 1967, 36,823 loans of Baht 63,473,340 fell due, and repayments of 35,871 loans amounting to Baht 61,524,330 were punctually made, being 97% of maturities.

Bank for Agriculture and
Agricultural Co-operatives
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