5.5 Fresh Longan Marketing and Reference Market: A Case of Longan Grown in Northern Thailand

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5.5.1 Introduction

Longan plays an important role in developing sustainable production systems for the mountainous regions of Southeast Asia. It is a fruit grown at higher altitudes, mostly inhabited by poor farmers and ethnic minorities. In Thailand, 95% of an overall production area of 98 thousand ha is concentrated in the north, yielding approximately 212 thousand tons of longan in 2003. Despite its importance as the income source of northern growers, however, a short harvesting season and its highly perishable nature create a large, concentrated flow of supply to the market, depressing farm prices and farmers’ income. Despite existing market links between production areas and consumers throughout the country, the influence of the central wholesale market in Bangkok plays a major role in dominating the wholesale markets in production areas. This paper sets out to examine the integration between wholesale markets in Bangkok and Chiang Mai. Focusing on price differences and variations, a daily recorded price of E-door variety, grade Jumbo longan in both markets between 16th July and 31st August 2002 was employed in this study. Following the introduction, the second section briefly reviews the marketing flow of longan grown in the north. The third section discusses price fluctuations in the two markets and marketing margins. The fourth section demonstrates the econometric results of market integration tests and the last section presents the conclusions.

5.5.2 Marketing Flow of Longan Grown in the North

Fresh longan grown in the north is supplied to both domestic and export markets. It is also supplied in fresh and processed forms.
OAE (1997) reported that fresh longan exports account for around 30% of the total supply. The major importing countries of Thai fresh longan are Hong Kong, Malaysia, and Indonesia. Domestic demand for fresh longan consumption represents around 33% of total production. The rest represents the demand for processed longan, particularly dry, canned and frozen.

Since longan growers are small farmers, they have relatively less bargaining power in selling their fruit. ISVILANONDA et al. (2002) found that few growers sell their fruit directly to either retailers or consumers. The majority of them channel their produce to either local or district assemblers. Farmers normally sell by weight in either mixed or separated grades. Sale by plot took place in the past, but has become less common in recent years. Contractual selling during flowering still occurs, particularly in remote areas where transportation is difficult. Except for sales by weight, where harvesting costs are deducted from the buying price, the assembler carries the harvesting costs.

Local assemblers mostly live in the village. They sometimes act as an agent for district assemblers. Having lived in the village for a long time, the local assemblers can monitor longan supply information from villagers or growers in the production area. They also negotiate with growers on their decision to sell. Since most local assemblers have a market network with district assemblers, they often check daily demand from the assemblers and arrange with them for delivering the supply. Some local assemblers may act as an agent for procuring supplies for processors or exporters. Many local assemblers receive credit from the district assemblers for collecting and procuring the fruit supply.

In practice, district assemblers collect the longan supply from local assemblers and their agents. Given their better market price information from upstream and downstream market links, the district assemblers arrange for collection of the supply with their agents by informing them of the daily buying price. They sometimes agree to support agents by paying transportation costs per kg of the amount supplied.

Re-grading is sometimes performed again at the district assembly market, particularly for those who are exporters or exporters’ agents. At the market, four grades of fresh longan are commonly found; AA, A, B and C, which correspond to jumbo,