

MARKET STRUCTURE AND COMPETITIVE BEHAVIOR OF THAILAND'S CANNABIS CULTIVATION INDUSTRY

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ABSTRACT

The legalization of cannabis for medical and industrial use in Thailand in 2019 sparked growth in the cannabis cultivation sector. This transformative shift led to changes in market dynamics, influencing the industry's competitive behavior. This study examines the market structure and competitive behavior of Thailand's cannabis cultivation sector from 2019 to 2021, post-decriminalization. It assesses the market structure, focusing on the industry concentration and competitive dynamics, using the Herfindahl-Hirschman Index (HHI) to quantify cannabis cultivation area concentration. Results show an annual increase in the number of market firms, notably in 2021, with community enterprises surging by 291 since 2019. Cannabis cultivation expanded across all regions, indicating heightened market competition, and midstream-downstream industries were significantly related to cannabis farm presence in each district (P-value 0.004). HHI analysis reveals an average of 3,259.23 from 2019 to 2021, identifying a deconcentrated market in 2021, with increasing competition rates yearly. Findings suggest market behavior characterized by rising competition, expanding firms especially community enterprises and widespread cannabis cultivation farm distribution nationwide.

Keywords: Cannabis Cultivation, Competitive Behavior, Market Structure, HHI

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