

RAPID MARKET ASSESSMENT (JUNE - AUGUST 2021)

BY
MYANMAR AGRICULTURE NETWORK (MAN)

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Background Information

Myanmar's agriculture sector is full of potential, but faces many challenges including a lack of infrastructure, investment and market access. There were efforts to bring the potential to its full result, but many of these efforts have been hindered by the COVID-19 pandemic and the unstable political climate in 2021. In June, July, and August 2021, the pandemic and political situations affected the agricultural market and the economy as a whole causing disruption in the banking and transportation system as well as access to market, loans, and agri-inputs.

The country's economy has also been negatively impacted, with the World Bank forecasting that there will be an 18 percent contraction in 2021, around 1 million jobs could be lost and the share of the population in poverty is likely to more than double in 2022 compared to 2019.¹ Meanwhile, the price of some essential commodities have increased in cities and medicine prices skyrocketed in July while farmers, on the other hand, did not get good prices for their crops due to the disruption in the supply chain. In addition, agri-input prices have also doubled and the farmers can no longer buy the agri-inputs on credit, unlike previous years.

In this situation, Myanmar Agriculture Network (MAN) decided to explore and identify the challenges and problems occurring in the agricultural supply chain - especially in the rice, beans and pulses, coffee, onion, and tea value chains so that the stakeholders can use them as a basis in making decisions for the betterment of the agricultural sector. This is the second Rapid Market Assessment (RMA) that the MAN has produced regarding the market situation in Myanmar - the first RMA being the one MAN produced in collaboration with ICCO and AgriProFocus (available on our website both in [English](#) and [Burmese](#).)

Key Concerns

- ❖ **18 percent** (Forecasted economic contraction)
- ❖ **1 million** (Potential job losses)
- ❖ **3 million** (People in need of humanitarian assistance)
- ❖ **25 million** (half of the country's population risks falling into poverty by 2022)
- ❖ **220,000** (Internally displaced people since 1 February)
- ❖ **70,000 acres** (submerged by the flood)

Source: UNHCR, UNOCHA, UNDP, WFP, World Bank, ECHO, EU

¹ [The World Bank](#)

Methodology

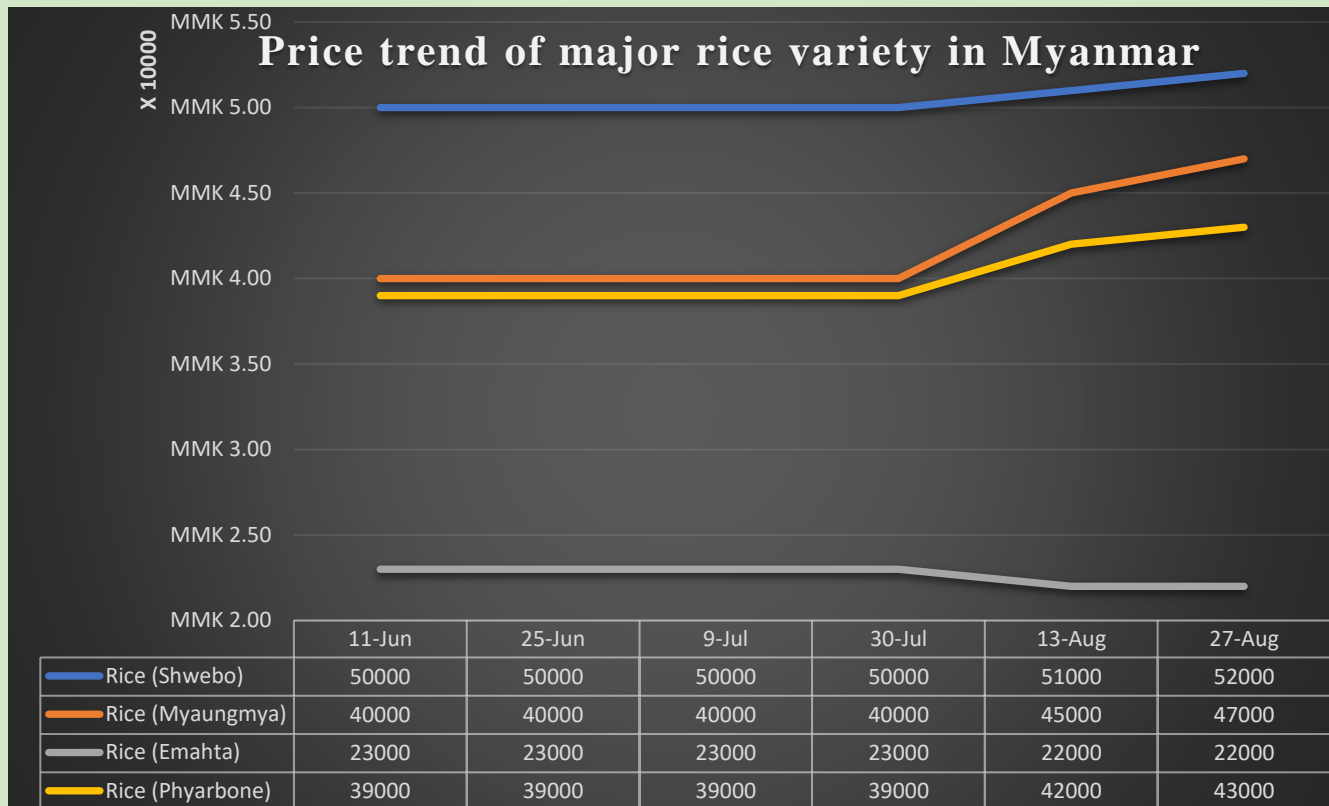
The Myanmar Agriculture Network (MAN) conducted the assessment through interviews with various actors including farmers, traders, exporters, wholesalers, and suppliers from Yangon, Magway, and Sagaing Regions and Shan State within the value chain of rice, beans, and pulses, onion, garlic, tea, and coffee. We chose these commodities for two reasons: accessibility to data and these being the key commodities in the country.

Interviewees were asked about the challenges and market situation in June, July, and August and what they expected in the future. Given the situation of the pandemic, MAN conducted the interviews through phone conversations.

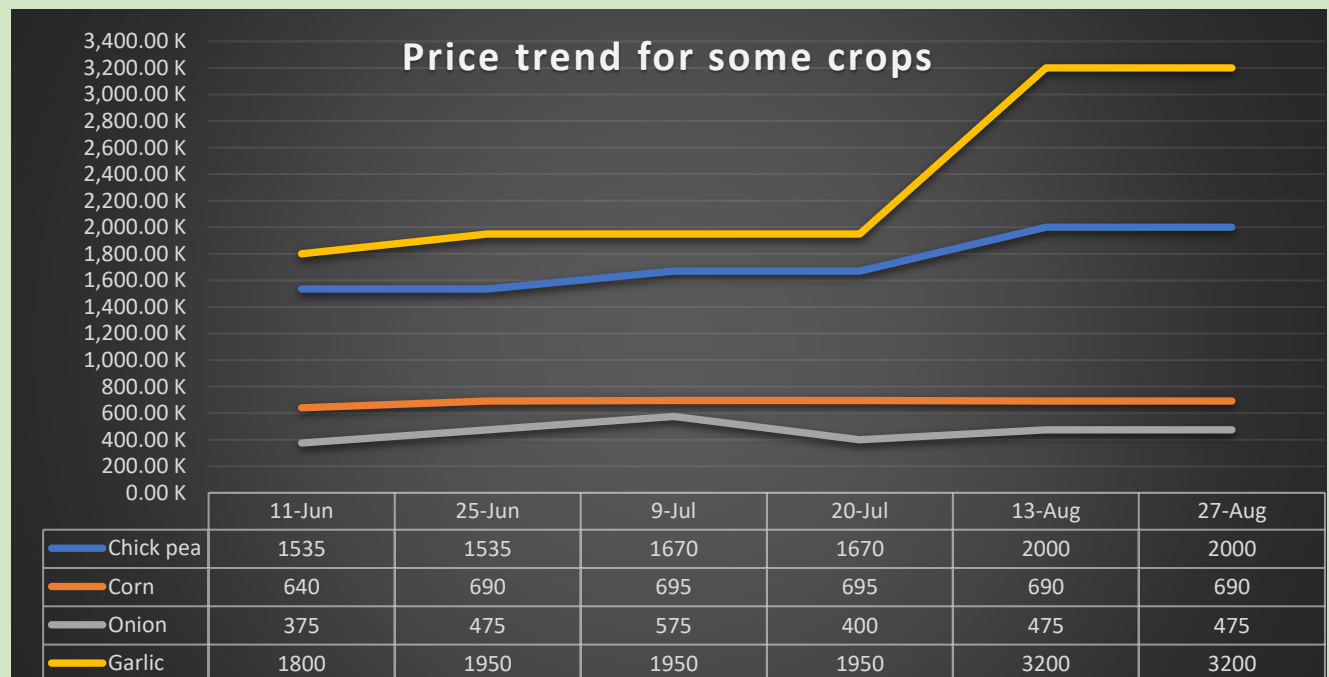
To analyze the price trend, MAN acquired price data from several wholesale markets for June, July, and August 2021 for specific dates with an average of two weeks apart between each date except for late July, when wholesales were closed. However, only the prices from the Bayintnaung Wholesale market are presented here for the sake of reducing pages. For the detailed prices of each wholesale market, please click [here](#). Moreover, we decided to provide simplified findings and recommendations because most of the findings and recommendations are similar across different crops, and providing separate findings and recommendations for each crop can result in repetition.



Price trend of the selected crops (June, July, August 2021)



Price per bag of 1.5 tin (1 tin = 108lb)



Price per viss (1 viss = 1.63 kg/ 3.6 lb)



Price per ton

Price Analysis

The above prices are taken from the Bayintnaung Wholesale Market in Yangon, one of many wholesale markets in the country (you can look up the prices in other wholesale markets [here](#)). The price difference between the wholesale markets ranges from 0.2 to 1 percent and different measurements are used by different wholesales. For example, the Bayintnaung Wholesale measures and prices the chickpea on one viss basis and urad bean on a ton basis while the Mandalay Wholesale measures both chickpea and urad bean on 60 visses basis. (1 viss = 1.63 kg/ 3.6 lbs.) Meanwhile, Pakkoku Wholesale measures the chickpea and pigeon pea on a tin basis. (1 tin = 40.9 L/ 9 gallons) The differences between the prices at the wholesale and

farmers' selling prices range from 1 to 5 percent. In some cases, the prices can differ a huge percentage. The above presented three charts share a similar trend: the prices going up in August. In July, the country was grappling with the third wave of the Covid-19 pandemic, and the State Administrative Council (SAC) adopted preventive measures to control the pandemic and imposed a lockdown in many cities. Many major wholesalers remained closed from 20th July until early August, driving the prices high. The closure of wholesale markets ceased the demand for crops but increased the prices to the consumers. Moreover, Myanmar Kyat depreciation and stronger dollar rate also drove the prices to increase.

Meanwhile, border trade is also struggling both due to the political situation and

COVID-19 preventive measures. For example, hundreds of trucks from Myanmar were stuck at China-Myanmar border trade routes² as well as at Myanmar-Bangladesh Border³ increasing transportation costs, which, in effect, brought down crop prices for farmers in the first week of June. Adding to the challenge, China, Myanmar's biggest trade partner, blocked three border trade posts from its side causing thousands of trucks to be stuck at the border.⁴ This block by China also drove the garlic prices (Kyugote variety) to MMK3,200 in August, almost doubling the price occurred in early July when a viss of garlic was quoted MMK1,800. This is mainly because the garlic imported from China is no longer coming into the domestic market, thus reducing the supply of garlic. But onion, on the other hand, is seeing the second consecutive year of low prices not even

covering the costs as farmers received the price as low as MMK300 per viss despite the onion price at the consumers ranges from MKK 500-600 per vis at wholesale rate and up to MMK800. The beans and pulses prices, especially urad beans and pigeon peas, remained strong because demand from India (Myanmar's largest beans and pulses buyer) remained strong after India scrapped its ban on bean export and allowing more beans and pulses import. The charts above show the prices increasing, but, unfortunately, farmers have already sold their crops when the prices started to climb up.



² [DVB](#)

³ [BeTV Business News](#)

⁴ [BeTV Business News](#)



Findings

Throughout the interviews with the respondents, it was learned that most of the difficulties are shared across different value chains. And many of the challenges are prolonged impact of the pandemic while some others were created by the recent political events. The following are some of the major challenges that farmers, traders, producers, processors, and input suppliers are facing:



❖ **Banking disruption and cash shortage:** The political uncertainty starting in February has had a huge impact on the country's banking industry. Due to the political situation, the banks were forced to close in February and were only able to reopen some branches in March while many of the branches remained closed. However, the banks were unable to satisfy the people's needs to withdraw cash and can only provide up to MMK200,000 per card at ATMs and MMK500,000 per person at the bank. The cash shortage problem is overwhelming as bank users have to wait for hours to withdraw cash from their bank account at the ATM.⁵

⁵ [New York Times](#)

The disruption in the banking system and cash shortage have pressured the agricultural markets as traders and brokers are being careful with their trade due to cash shortage and disruption in the cash flow. Being unable to withdraw cash from the bank account or the transfers has made business transactions difficult. Processors, farm owners, and companies in the agricultural sector are also struggling with the cash shortage as they rely on paying salaries in cash.

“The monsoon grown rice will come in the market in huge amount at once in later September. Farmers will want to make money selling rice while millers and traders do not have cash as the money they have is stuck in the bank. At that time the government subsidy, if initiated, will be beneficial for farmers, millers and traders,”

A rice trader based in Yangon



❖ **Disruption in Transportation:** Disruption in transportation and logistics has been a major challenge since the beginning of the COVID-19 pandemic in Myanmar in early 2020 as both the central and local governments placed preventive measures and travel restrictions. The challenges seemed to ease after the second wave but they emerged again in the wake of the more severe third wave of COVID-19 as preventive measures were put in place.

As a preventive action to curve the spread of the virus, wholesales and mills were also closed for a few weeks that sent shock waves throughout the industry bringing different consequences. For example, sugar prices hit the highest in 40 years as warehouses and sugar mills were closed in late July⁶ while other crops such as onion experienced price drops. Transportation has now become easier but the costs remain high.

⁶ [Eleven Media](#)

In addition to the pandemic, other factors such as flood, political instability and tensions, and border trade posts being blocked by China disrupted the transportation of goods and agricultural products.

There were also some export opportunities. For example, a UK-based company offered to buy 10 containers a month minimum or 200,000 kg per month minimum on a yearly renewable contract.⁷ However, the Myanmar Avocado Producers and Exporters Association decided not to accept the offer due to banking problems.⁸

“Normal trade is now conducted mainly with ASEAN countries because export to EU is hindered by the difficulties to rent containers for the goods. The offer rate for the containers now has increased by five folds increasing cost and reducing profit margins.”

An exporter based in Yangon



❖ **Decreased market access:** Disruption in transportation accompanied by cash shortage and disruption in the banking system lowered the market access for agricultural products. Thus, traders, for instance, even suggested farmers grow watermelon targeting the domestic market after China has closed the border trade posts to curb the spread of COVID-19 with no end date. Although it reopened the border gate, it was for medicine and not for resuming the normal trade.

The country's overall export has dropped by USD 2.7 billion as of 13th August 2021, since the beginning of the 2020-2021 Fiscal Year compared to the same period last fiscal year. However, according to data from the Ministry of Commerce, agricultural exports even increased by USD900.021 million in the same period.⁹ Onion, which saw remunerative prices two years ago thanks strong

⁷ [BETV Business](#)

⁸ [BETV Business](#)

⁹ Despite the ministry's data showing the increased export of agricultural exports, farmers who responded to MAN's interview stated that demand has eased as traders said the disruption in transportation affected their export activities.

export, has been seeing low prices and farmers are now thinking of growing other types of crops.

The coffee growers, processors, and traders, interviewed by MAN, said that the sector is struggling as the demands for coffee have decreased since the beginning of the pandemic because local coffee shops remained closed while exports also decreased as the global coffee supply chain is suffering.¹⁰

“The price is around K200 per viss. We have a stockpile on onion not selling out. I, for example, have 5,000 visses sitting in my house. Two years ago, onion price was good for us and now no one is buying them. I think this is because there is no trading and exports. This is the second year that we can’t sell our onion. Last year, I donated 17,000 viss of onion to an orphanage in Taunggyi because I could not sell them”

An onion farmer from Shan State



❖ **Increased prices of agri-input:** This year, agri-input prices, especially fertilizers, have surged doubling the normal prices. Due to higher prices of agri-input, farmers are unable to use enough fertilizers for their farms. Farmers, interviewed by MAN, said they could only afford to use half of the amount they used to put into the fields in previous years. In addition to higher prices, they could no longer buy the fertilizers on credit, which is paid when the crops are harvested and sold, because the dealers no longer offer the sales of fertilizers on credit due to cash shortage and uncertainty to get the payment in the future.

Agri-input suppliers, whom MAN interviewed, said that there is enough supply in the market and the price increase is due to the higher dollar rate, increased transportation costs, and difficulties in finding ships heading to Myanmar as well as suppliers demanding upfront payment. The price for a bag of fertilizer was around 20,000-25,000 in January this year compared to MMK40,000-50,000 as of August.

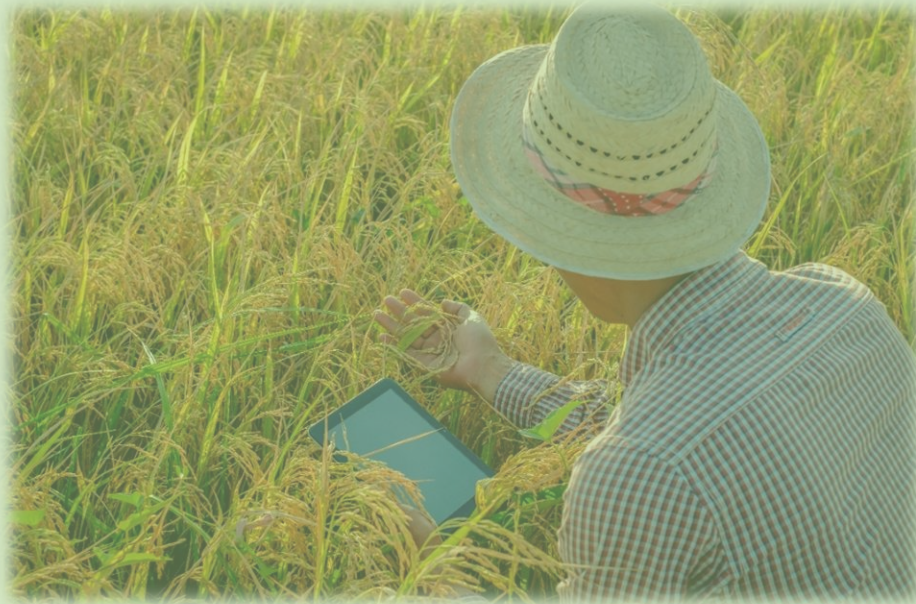
¹⁰ [Bloomberg](#)

“Fertilizer prices have increased gradually since April and now have doubled when we farmers need them. Due to doubled prices, farmers can only use half of the input they used to put into the field. This might lower the yields. Previous years, we could buy the agricultural inputs on credit (i.e., paying when the crops are sold). But now no distributors are offering on credit. Even those whom I am very close with apologized me not to request to buy on credit.”

A farmer from Thonegwa Township, Yangon Region

- ❖ **Loans:** The disruptions in the banking services and cash shortage have made loans less available for farmers. Moreover, due to political beliefs, many farmers chose not to pay back the loan to the Myanmar Agricultural Development Bank at the moment although the loan repayment is now due. Some farmers, who purchased agricultural use machinery under the installment payment, now have to sell or pawn jewelry to pay the loans.





Possible Solutions

- ❖ **Setting a price floor:** There is only one price floor that has been set so far in Myanmar, which is for rice. Other crops also should follow the suit. In June, the Ministry of Commerce held a meeting on setting the price floor for onion¹¹ but the price floor is yet to be announced. According to the local news report, the price floor for rice per 100 tins has been proposed at MMK560,0000.

Year	2018	2019	2020	2021	2022
Floor Price	500,000	500,000	520,000	520,000	560,000 (proposed)

Setting the price floor can provide a safety net for farmers guaranteeing a minimum rate and prevent price manipulation in the value chain.

- ❖ **Contract farming:** The Contract Farming Scheme is a concept introduced to farmers in Myanmar a few years ago and a nationwide contract farming law has yet to be enacted. However, in early 2020, the Standard Operating Procedures (SOP) for Contract Farming at the national level was officially announced. At the regional level, Bago Region has drafted the Contract Farming Law. One major challenge in implementing contract farming nationwide is the uncertainty on how to resolve disputes between the contracting parties.

¹¹ [MRTV](#)

Contract Farming can be successful to help farmers financially; however, awareness-raising campaigns, trust-building campaigns, and clear rules and regulations are needed.

- ❖ **Marketing and creating market:** Farmer clusters or farmer organizations should work on exploring market access and utilizing existing digital platforms to promote or sell their products. More efforts should be put into enabling farmer clusters or local organizations to manage the supply chain from farmers to the market. Setting up local clusters with marketing orientations such as selling and providing delivery services of farm products to local communities and other areas of the country, if possible. This can shorten the supply chain and bring benefits both to primary producers and end consumers.
- ❖ **Providing technical know-how:** Providing farmers the technical know-how from nurturing the crops under Good Agricultural Practices (GAP) to producing value-added products can help boost farmer productivity and income and enable them to produce quality products that can be marketed into the global market.
- ❖ **More investments:** Agricultural sector is the least invested among other sectors in Myanmar representing less than one percent of the total foreign direct investment.¹² Therefore, bringing in more local and foreign investments, whether they are into the upstream or downstream of the agricultural supply chain, can improve Myanmar's agriculture sector and help farmers by creating markets, jobs, and opportunities. Providing tax incentives to responsible agriculture investments can help boost the investment into the agriculture sector.
- ❖ **Reducing procedures to get a permit to import agri-inputs:** Agri-input importers often complain about the long waiting time and excessive procedures to acquire agri-inputs import permits. Reducing procedures and regulations to get a permit can increase the agri-input supply and, in effect, lower the prices.

This RMA is part of the Myanmar Agriculture Network-MAN's market assessment initiative series. Should you wish to engage with Myanmar Agriculture Network in the future, please reach out to the following contact persons:

Naw Rosy Love (*Business Development Manager*)

rosy@man-growasia.org

Min Thu Aung (*Communications Manager*)

minthuaung@man-growasia.org

¹² [Eleven Media](#)