



## Monitoring the Agri-food System in Myanmar

### Agricultural Crop Traders – March 2022 survey

To understand the effects of COVID-19 and political instability on Myanmar's crop trade sector, a phone survey of commodity traders was conducted in March 2022 with an expanded sample of 456 traders in 14 states and regions.

#### Key Findings

- More than 90 percent of traders reported increased transport costs, up by 74 percent on average over the past year, driven by fuel price increases of 168 percent. Transport cost increases were aggravated by curfews and check points related to the security situation. As a consequence, 30 percent of traders experienced difficulty contracting transport services.
- Compared to the same period last year farm prices have increased for maize (78 percent), pulses (41 percent to 55 percent) and oilseeds (27 percent to 32 percent) due to export demand and depreciation of the Myanmar Kyat. This will provide incentives to farmers in the Dry Zone and Hilly/Mountainous areas. Paddy prices at the end of March have increased by a lesser amount (23 percent), not enough to offset increases in the cost of chemical fertilizer (expected to rise by 50 percent in the coming monsoon season) and mechanization services.
- Higher farmgate prices combined with modestly increased trading volumes imply greater working capital requirements for traders. Only a small proportion have increased their lending balance sheets given uncertainty about length of time for repayment.

#### Looking Ahead

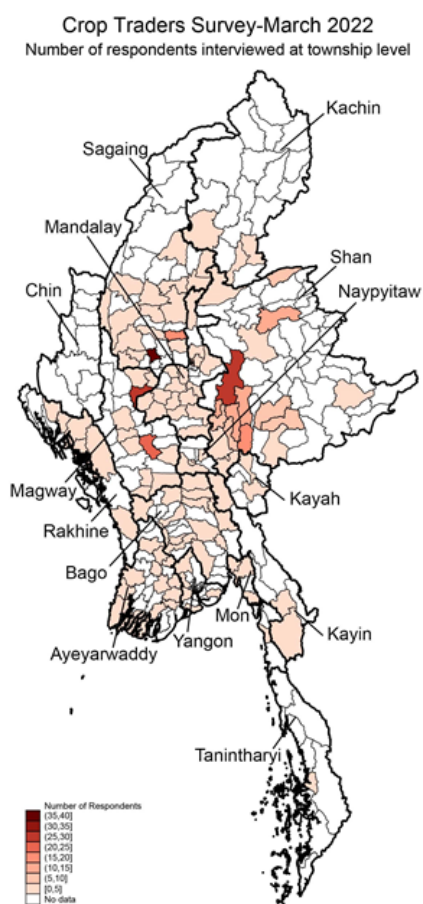
- Consumer prices will continue to rise steeply due to higher farm gate prices and transportation costs. Vegetable oil prices will be very high due to the combination of the Ukraine conflict and the Indonesian palm oil export ban. Increases in chickpea prices limit the options for poor consumers to maintain protein consumption by substituting away from meat and eggs to pulses. The majority of Myanmar households are now vulnerable to protein deficiency and the majority of children to Vitamin A deficiency.
- The March 2022 survey round took place before the new foreign exchange restrictions were implemented, requiring exporters to convert all foreign exchange earnings into Myanmar Kyat within 24 hours at the official rate. The difference between the official and parallel market rate is effectively an export tax that will be passed on to farmers, reducing their profitability. This can be avoided by allowing agricultural exporters to maintain foreign currency accounts.

## Background

Crop traders comprise the mid-stream of Myanmar's food supply chain and serve as the essential link between farms and food processors, exporters, commodity exchange centers, and urban food markets. Thus, frictions and disruptions in the mid-stream caused by political instability and COVID-19 will likely affect farmers through market access and crop prices and urban consumers through food prices.

This Research Note presents results from a telephone survey of 456 crop traders from 122 townships in 14 states/regions conducted between March 24 and April 4, 2022 (Figure 1). We use a broad definition of traders that includes wholesalers that buy, store, grade, and sell commodities as well as brokers that facilitate crop sales on commissions and we separate the two types in the analysis below. The March survey is a continuation of a panel survey that has completed 7 rounds since May 2020. In this round, we expanded the sample to achieve a higher number of observations and wider geographic coverage. This note presents a snapshot of the crop trading segment of Myanmar's food supply chain one year after the political instability initiated in February 2021. The objectives of the survey were (i) to continue to track key disruptions to crop trade such as continued surges in transport costs and increased fuel prices; (ii) to provide detail on credit lent out to farmers and credit taken in by traders, and (iii) to collect price data and trading volumes for major crops. To understand changes since the coup, we asked traders to recall information on employment, trading volumes, crop prices, and transportation from the same time last year (March 2021). We compare contemporary data from 2022 to recalled data from 2021 for the analysis, and findings are shown as percent changes.

**Figure 1. Map of crop trader sample**



Source: Traders phone survey–March 2022 round

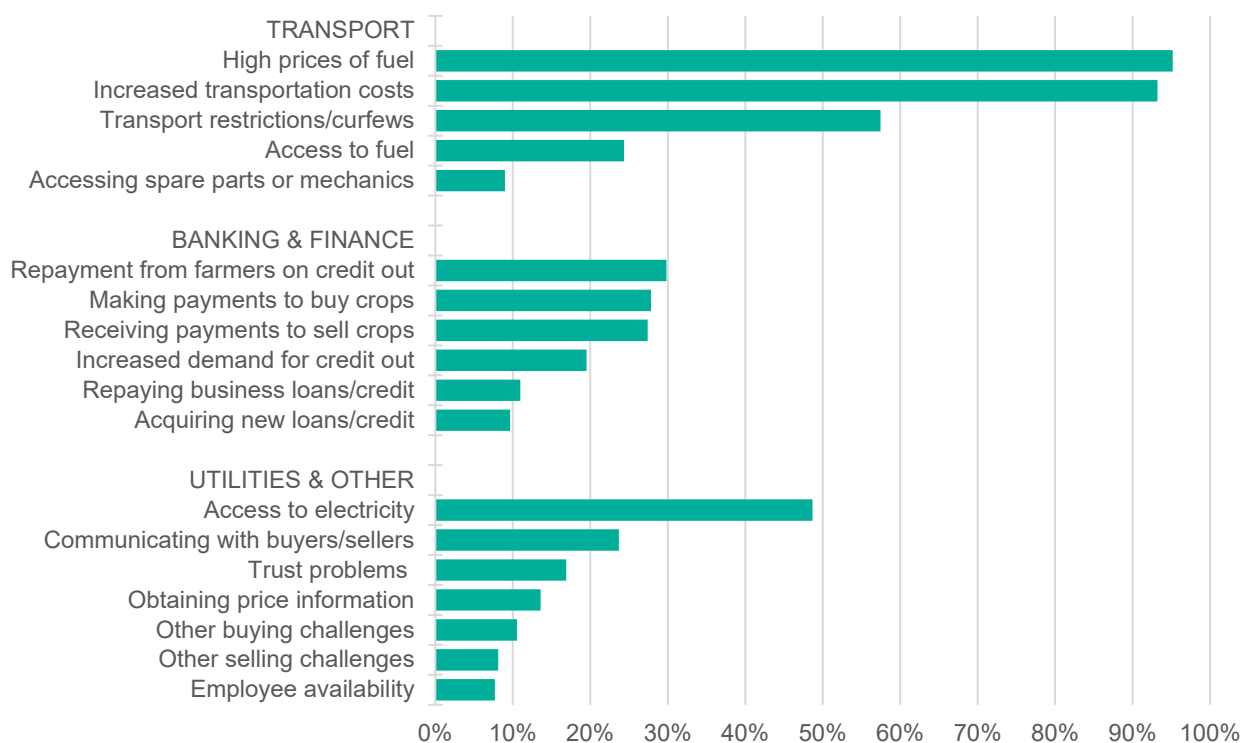
**Table 1. Traders sample descriptives**

	All	Type of trader	
		Wholesalers & Retailers	Brokers & Agents
N	456	320	136
Urban (%)	64	63	64
Completed high school (%)	55	50	68
Female (%)	23	24	19
Average years trading	15	14.8	15.7
Keep written records (%)	88	88	86
Type of trader			
Wholesaler (%)	66	94	-
Retailer (%)	4	5	-
Exporter (%)	0	1	-
Broker (%)	28	-	93
Agent (%)	2	-	7

Source: Traders phone survey–March 2022 round

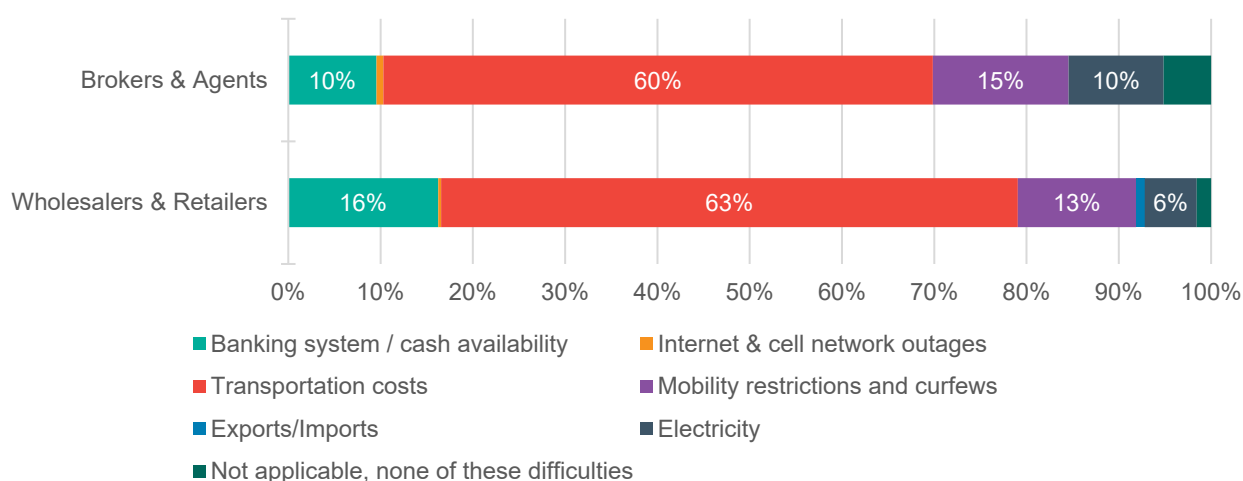
## Trading Disruptions

Disruptions experienced by traders in March 2022 are presented in Figure 2. More than 90 percent of traders reported increased transport costs, closely associated with fuel costs. These cost increases were aggravated by curfews and check points related to the security situation. Besides, transport, half of traders experienced electricity disruptions. Thirty percent of traders continued to experience banking sector disruptions that affected payments in and out, as well as delayed credit repayment. As shown in Figure 3, transport costs were the single most commonly cited problem.

**Figure 2. Disruptions Experienced by Traders in March 2022, percentage reporting**

Sources: Traders phone survey–March 2022 round

**Figure 3. Most Significant Disruption Experienced by Traders in March 2022, percentage reporting**



Sources: Traders phone survey–March 2022 round

## Transport

Looking more closely at the nature of transport disruptions, we see that average costs of transport has increased by 74 percent over the past year, driven by reported fuel price increases of 168 percent (Table 2). Over a third of traders have experienced difficulty contracting transport services as the market for transportation services adapts to these changes, compounded by uncertainties over delays and costs related to security. The problem is more often experienced by wholesalers and retailers who transport on main roads over longer distances relative to brokers and agents.

**Table 2. Transportation detail**

	Type of trader		
	All	Wholesalers & Retailers	Brokers & Agents
Share using transport (%)	79	88	58
Usual location for transport			
Within township (%)	33	31	46
Different township (%)	29	28	32
Different State/Region (%)	37	41	23
Share having a harder time finding transport (%)	35	36	29
Mean changes in costs			
Transport costs (%)	74	76	67
Fuel costs (%)	168	170	166

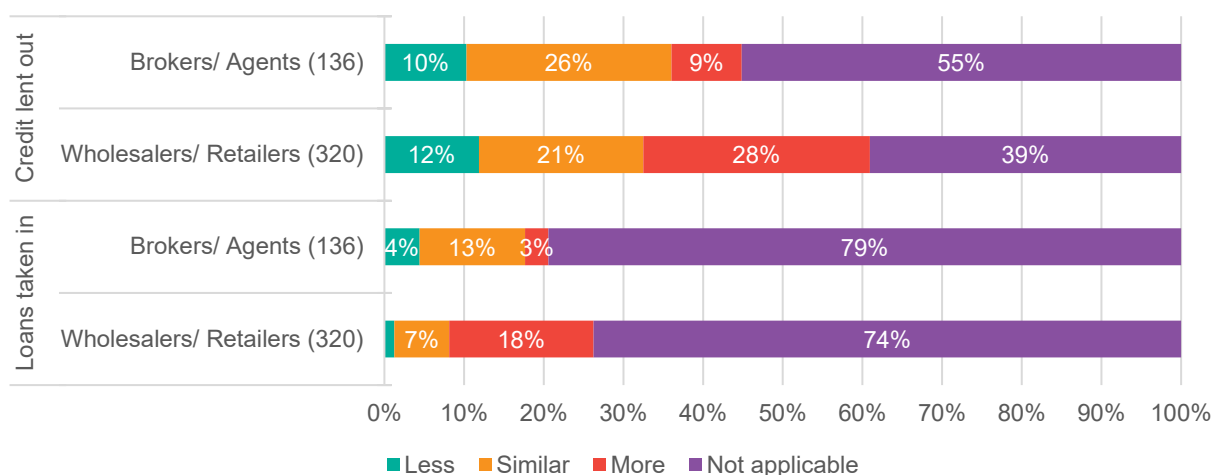
Source: Traders phone survey–March 2022 round

## Banking and finance

The March 2022 survey round took place before new foreign exchange restrictions were implemented, requiring exporters to convert all foreign exchange earnings into Myanmar Kyat within 24 hours at the official rate. The difference between the official and parallel market rate is effectively an export tax that will be passed on to farmers to the extent that Myanmar's exports do not affect international prices. Cash is still the dominant mode of payment, accounting for 75 percent of crop sales, 92 percent of purchases, and 88 percent of brokerage fee payments.

In terms of lending, 18 percent of traders took on credit and 28 percent lent more credit out (Figure 4). This is a reflection of the higher financing volume required to trade similar quantities of produce at higher prices (discussed further below). As the nature of trade credit involves revolving loans, only 46 percent of traders who have lent money have either been repaid or expect to be fully repaid in the current year, while only 29 percent of traders who have borrowed money have either repaid or expect to repay (Table 3). Almost all borrowers expect to be able to repay eventually, but 7 percent of lenders expect they will not be fully repaid.

**Figure 4. Changes in lending and loans to the same period in 2021, percentage of traders**



Source: Traders phone survey–March 2022 round

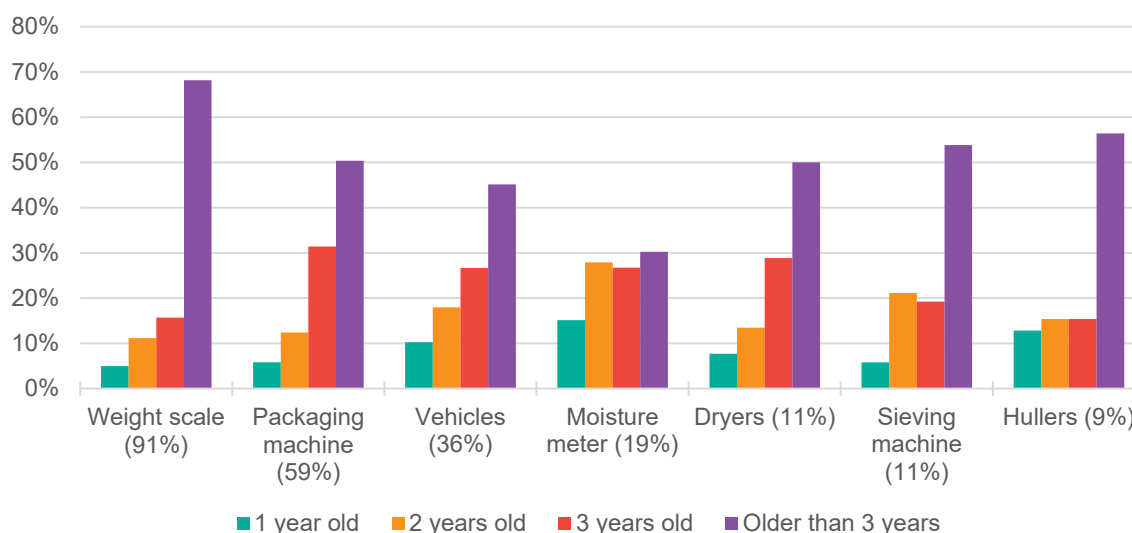
**Table 3. Transportation detail**

	Lent out (%)	Borrowed (%)
Already repaid all	9	7
Repay in 2022	37	22
Repay in 2023	48	70
Won't be fully repaid/won't be able to repay	7	1

Source: Traders phone survey–March 2022 round

The current turbulence and uncertainty in the trading sector is reflected in low levels of investment in equipment (Figure 5). The majority of equipment is 3 years old or more, indicating limited replacement of depreciated items or expansion of capacity. Age distributions of various machines show that investments in equipment declined following the disruptions related to the COVID-19 pandemic in 2020, but investments further declined following political instability in February 2021.

**Figure 5. Age distributions of machines owned by traders**



Source: Traders phone survey–March 2022 round

## Crop Trading in March Compared to Last Year

Prices for maize, pulses and groundnut have increased compared to a year ago, along with a modest increase in trading volumes (Table 4). Note that trader prices – both buying and selling – reflect intermediate changes in the supply chain and price changes for consumers are likely higher as increasing costs widen the gap between farmers and consumers. Prices paid by traders for maize have increased by 78 percent, reflecting strong export demand from Thailand combined with depreciation of the Myanmar Kyat relative to Thai Baht. Similarly, pulse prices are much higher driven by extension of the import quota period by India and depreciation of the Myanmar Kyat relative to the Indian Rupee. Pigeon pea and Black Gram prices have risen by 58 percent and 53 percent respectively. Although chickpea is mainly consumed domestically, prices have also increased by 41 percent. Paddy prices have risen to a smaller extent, by 23 percent on average, as international prices for rice have been more stable than pulses and oilseeds. With selling prices increasing by smaller percentages than buying prices, marketing margins have declined, but are still large in absolute terms due to higher transportation costs. This reflects a high level of competition in the trading sector.

**Table 4. Average year-on-year changes in buying and selling prices and crop volumes**

	N	Change in prices		Change in trade volume (%)
		Buying (%)	Selling (%)	
All crops	456	54	48	15
Change by crop				
Maize	123	78	74	10
Paddy/Milled rice	82	23	16	8
Chickpea	49	41	34	15
Pigeon pea	38	58	49	28
Groundnut	34	32	33	23
Lab Lab Bean	20	93	85	21
Black gram	15	53	43	33

Source: Traders phone survey–March 2022 round

Note: \*Crops with less than 15 observations excluded from table. Top 5 percent of volume change observations trimmed. Observed price changes follow general patterns observed from other data sources.



## Looking ahead

Higher farm gate prices for maize, pulses and oilseeds will motivate farmers to expand cultivation of these crops in the coming monsoon season. In the case of maize, higher prices will help offset the higher costs of chemical fertilizer and hybrid seed. The price trends are favorable for farmers in the Dry Zone, Hills/Mountains agro-ecological zones. Paddy prices, by contrast, have not risen sufficiently to offset the rise in fertilizer prices, which are expected to increase by 50 percent again this monsoon season compared to last season. Farmers in the Delta will have less incentive to invest in rice production in the coming monsoon. Subsidies for mechanization services could help improve the paddy profitability outlook from the farmers' perspective. It will be important to encourage India to continue to relax import restrictions on pulses to maintain incentives for post-monsoon pulse production. It is equally important that incentives for farmers are not undermined by the recent foreign exchange restrictions that effectively tax exports by the difference between the official and parallel exchange rates. This could be avoided by allowing exporters to keep foreign exchange earnings.

Increases in the price of maize will continue to impact feed prices for poultry, driving meat and egg prices higher for consumers. Soaring international prices for vegetable oil, driven by the Ukraine conflict and Indonesia's palm oil export ban, guarantee that consumers will face much higher retail prices for vegetable oil which is essential for Vitamin A absorption. The increase in chickpea prices limit the potential for food budget savings by substituting from eggs and meat to vegetable protein sources. An ever-increasing proportion of Myanmar consumers will not be able to afford an adequate diet. Vitamin A supplementation, whether through fortified rice or distribution of supplements to households with young children, is essential to avoid long-term consequences of vitamin A deficiency.

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### INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE

1201 Eye St, NW | Washington, DC 20005 USA  
T. +1-202-862-5600 | F. +1-202-862-5606  
ifpri@cgiar.org  
www.ifpri.org | www.ifpri.info

### IFPRI-MYANMAR

IFPRI-Myanmar@cgiar.org  
www.myanmar.ifpri.info



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