



Monitoring the Agri-food System in Myanmar

Agricultural Crop Traders – April 2023 survey

To document changes in the mid-stream of Myanmar's food value chains, a phone survey of commodity traders was conducted in April 2023 with a sample of 304 traders in 14 states and regions.

Key Findings

- Continuing trends from 2022, transportation disruptions and higher costs continue to be the most prevalent and the most impactful challenges facing crop traders in April 2023. Transport costs are 44 percent higher than a year ago and almost half of traders had difficulties accessing fuel, nearly doubling the share from one year prior.
- In-person bank transfers have increased to 34 percent of crop sales, up from just 16 percent in 2022. However, average values of credit lent out to farmers and credit taken in by traders increased by more than 10 percent from 2022.
- Lastly, crop prices, already high in 2022 after the start of the Russia-Ukraine War, have continued an upward trend, with Myanmar price increases outpacing global markets. However, local trading margins (as percentages of sales prices) have declined slightly since 2021, signaling continued competitiveness in crop trading.

Looking Ahead

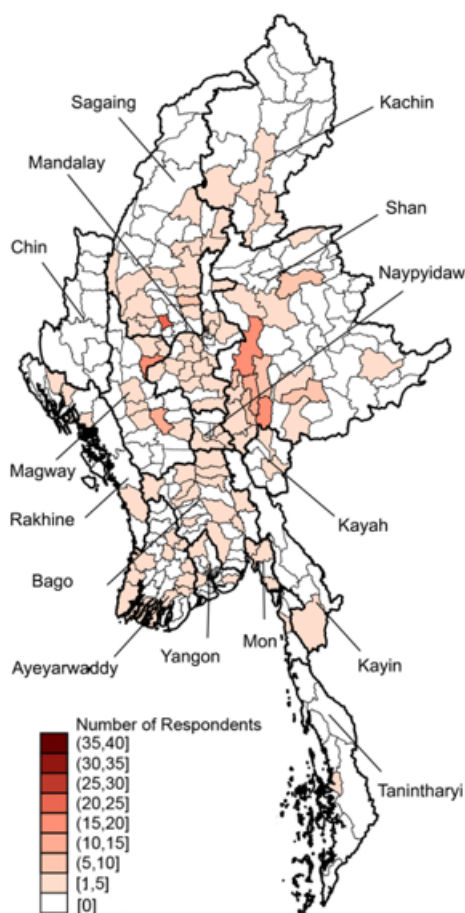
- High crop prices may encourage investment in productive inputs and area expansions, hopefully leading to secure production in the 2023 monsoon. Conversely, higher prices are a negative for consumers, and continued difficulties and increased costs in transport will lead to wider price gaps between farmers and consumers and negative welfare effects.
- For traders, high prices necessitate greater working capital. Improving access to capital and alleviating banking restrictions will further improve trade efficiency.
- Lastly, export markets continue to be important for Myanmar's agrifood system as important marketing channels that can stabilize prices from domestic demand shocks. Increased export demand can also increase domestic prices, which is a negative for consumers. Policies introduced to track exports more closely and bolster foreign currency reserves may add frictions to international crop trade that have knock-on effects through crop value chains.



Background

Crop traders serve as the essential link between farms and food processors, exporters, commodity exchange centers, and urban food markets in the mid-stream of Myanmar's agrifood value chains. Frictions and disruptions in crop trading widen the gap between farmers and consumers, affecting both farmer welfare through market access and crop prices, and urban consumer welfare through food prices.

Figure 1. Crop trader sample



Source: Traders phone survey – April 2023 round

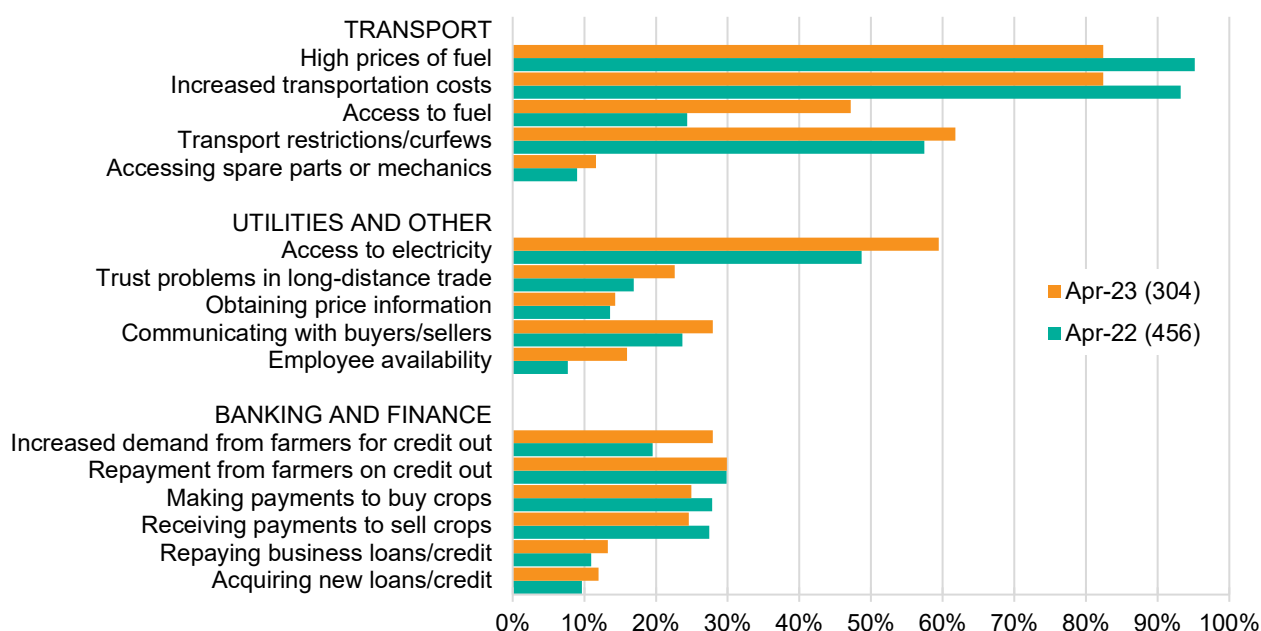
This Research Note presents results from a telephone survey of 304 crop traders from 104 townships conducted in April 2023 (Figure 1). Our sample includes wholesalers that buy, store, grade, and sell commodities as well as brokers that facilitate crop sales on commission. Importantly, our sample consists of domestic traders and does not include exporters. The April 2023 survey is a 9th round of a panel survey that began in May 2020. This note presents a snapshot of the crop trading segment of Myanmar's food supply chain and captures information on business disruptions and challenges, credit and finance in crop trading, and crop prices and trade volumes.

Although the sample has wide coverage, it is not statistically representative. This survey round has significant attrition of about 30 percent from the April 2022 round, but the attrition is spread throughout all states/regions and does not regionally bias comparisons across the rounds. In this note, we present results from all interviewed traders, but we note that similar analysis using only the common sample of traders across both 2022 and 2023 interviews produce similar results.

Trading Disruptions

To document and understand business challenges in the trading sector, we ask traders whether they have experienced a series of disruptions. Transportation disruptions continue to be the most prevalent for traders with more than 80 percent reporting issues from high fuel prices and increased transport costs, and more than 60 percent affected by transportation restrictions (Figure 2). Fuel access issues increased markedly to 47 percent in 2023 from 24 percent in 2022. Electricity access disruptions – another common problem – also increased in 2023 relative to a year prior. A number of banking and finance disruptions are reported by more than 20 percent of traders including issues both in credit lent out to farmers and credit taken in by traders.

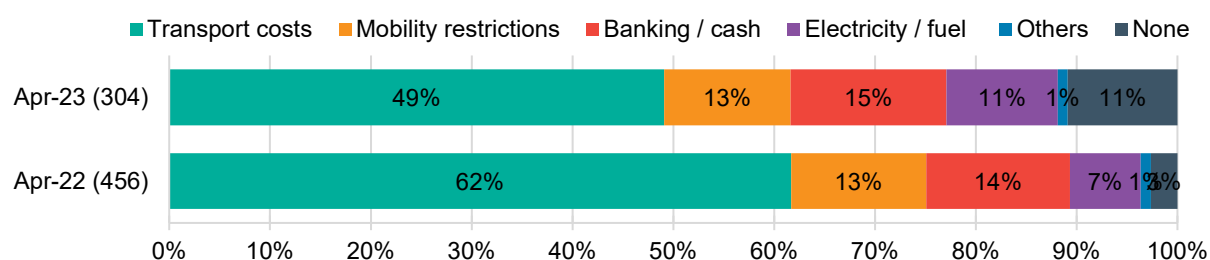
Figure 2. Disruptions experienced by traders in April 2022 and April 2023, percentage reporting



Sources: Traders phone survey–April 2022 round and April 2023 round

To better understand the impacts of these disruptions we also ask traders to report which category of disruption is the most significant to their business in the last 30 days (Figure 3). We see very similar patterns in April 2023 and April 2022, with transport costs being the most impactful, followed by banking, mobility restrictions, and electricity/fuel access each with similar shares. Below we provide more detail on the key disruptions.

Figure 3. Most significant disruption experienced by traders in April 2022 and April 2023, percentage reporting



Sources: Traders phone survey–April 2022 round and April 2023 round

Transport

To look more closely at the nature of transport disruptions, we asked additional questions to those traders that experienced a transport related disruption. We see that disruptions are most common at the township and State/Region level (more than 80 percent each) but less common at localized village levels (only 24 percent in April 2023), though village level transport disruptions have increased in the past year (Table 1). There are also some large changes in the types of reported transport disruptions. More traders reported roadblocks this year – 65 percent, up from 47 percent last year. However, there are apparent improvements in curfew restrictions and in safety issues during transport. Lastly, although year-on-year price increases in fuel and transport are smaller this year

compared to last year, costs are still 44 percent higher than a year ago and 95 percent reported more expensive transport as type of disruption, up from 84 percent last year.

Table 1. Transportation disruption detail: level, type of disruptions, and changes in costs, April 2022 and April 2023

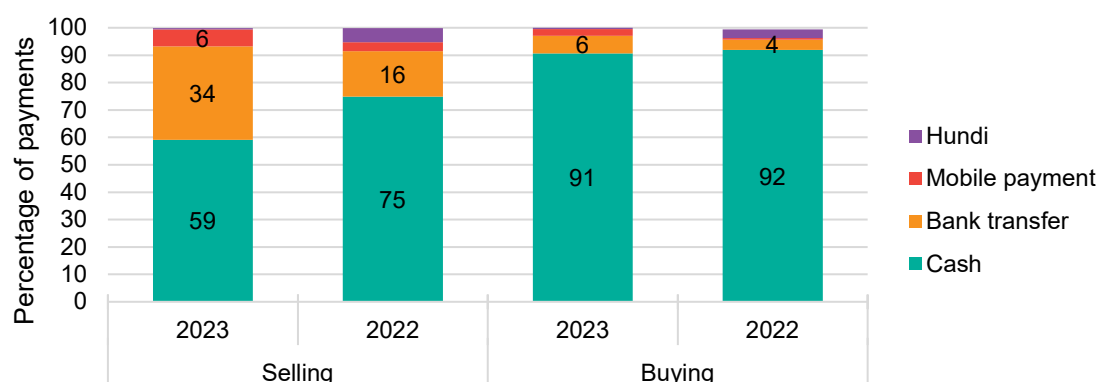
	Apr-22 (456)	Apr-23 (304)
Level of disruptions, share reporting among those experiencing disruptions		
State/region (%)	77	81
Township (%)	82	82
Village (%)	17	24
Type of disruptions, share reporting among those experiencing disruptions		
Roadblock/check point (%)	47	65
Curfews (%)	62	32
Transport more expensive (%)	84	95
Possible safety issues during transport (%)	40	25
Year-on-year changes in costs, mean		
Transport costs (%)	74	44
Fuel costs (%)	168	27

Source: Traders phone survey–April 2023 round

Banking and finance

Challenges with the banking sector spiked in 2021 but have declined slowly through 2022 and into 2023. Still, banking and cash issues have persisted with about 15 percent of traders citing those challenges as the most important in April 2023, and most crop transactions are still conducted in cash (Figure 4). However, in-person bank transfers as a way of receiving payment for crop sales are back in a big way, accounting for about a third of all sales transactions in April 2023, more than double the share in April 2022. Hundi payments, which spiked during bank closures, are now down near zero for both buying and selling crops.

Figure 4. Form of payment for selling and buying crops in April 2023 and April 2022, percentage of payments



Source: Traders phone survey–April 2022 and April 2023 rounds

With rising crop prices, traders need to increase their working capital to make crop purchases. Nine percent of wholesalers increased the credit they took in by April 2023 relative to one year prior, and the average change in credit taken in was 11 percent (Table 2). The main sources are private banks, followed by other traders and family and friends and the credit was not used for capital investments, rather it was taken to finance purchases.

Table 2. Changes in credit (lent out and taken in) in April 2023 relative to April 2022

	Credit lent out		Loans taken in	
	Wholesale- ers (219)	Brokers (85)	Wholesale- ers (219)	Brokers (85)
<i>Change in credit this year relative to last year</i>				
Increase (%)	30	18	9	6
Decrease (%)	6	9	1	6
Similar (%)	26	20	13	11
No credit in either year (%)	37	53	76	78
Mean change amount in credit (%)	+13	+4	+11	-7

Source: Traders phone survey–April 2023 round

Traders also increased their credit lent out to farmers during the 2022 monsoon season, relative to the 2021 season; 30 percent of all wholesalers increased the credit provided to farmers, compared to just 6 percent that decreased it, and the average change in credit amount was 13 percent among those lending. This likely reflects the increased input costs during the 2022 monsoon and continued competition among traders for crop purchases. Eighteen percent of traders lending to farmers expect to be repaid fully in 2024, while 9 percent do not expect full repayment.

Crop Prices and Trading in April Compared to Last Year

A final but important component of each survey is tracking crop prices and trade volumes. Crop prices are consistently up in April 2023 relative to one year prior, though the magnitudes vary across crops (Table 3). Maize price increases are smaller than other crops, though maize has shown robust price growth and especially so in early 2022 following the start of the Russia-Ukraine war. Rice on the other hand has seen large price increases in the past year. The leading reasons given by traders for price increases are increased costs of fuel and transportation and political instability.

Table 3. Year-on-year changes in buying and selling prices and crop volumes

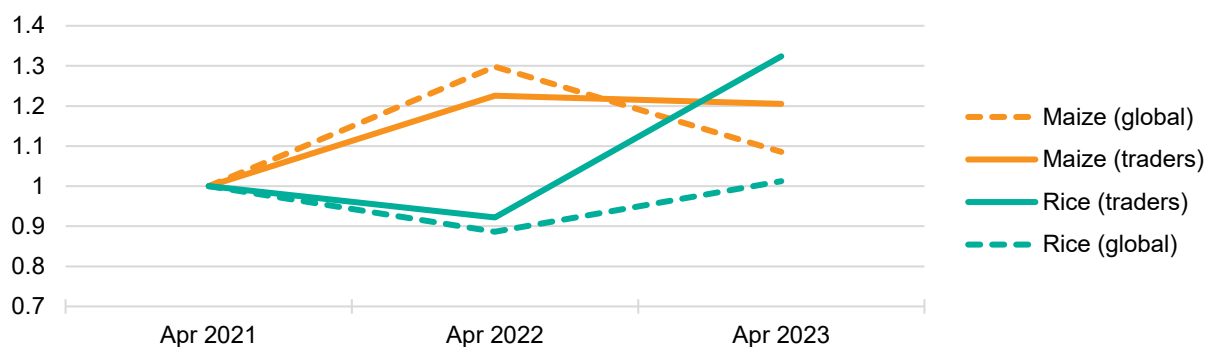
	Change in prices				Change in monsoon trade volumes
	Nominal (MMK)		USD		
	Buying	Selling	Buying	Selling	
Rice (%)	87	67	64	47	5
Maize (%)	17	12	3	-2	-3
Sesame (%)	46	45	28	27	14
Chickpea (%)	68	61	48	42	7
Pigeon pea (%)	65	63	45	44	4

Source: Traders phone survey–April 2023 round

Note: Crops with less than 10 observations excluded from table. USD prices are calculated using CBM official exchange rates. Top 5 percent of volume change observations trimmed.

While nominal prices in Myanmar Kyat are higher in 2023 than in 2022, the increases reflect the devaluation of the Kyat relative to USD. Rice and maize are exported in large quantities, and their USD price changes (using the CBM official exchange rates) track at least directionally with global prices (Figure 5). While both rice and maize prices in 2023 relative to 2021 are above the global markets, this is partly reflecting the official exchange rates being held artificially below market rates. Local declines in supply may also be contributing to lower prices, though traded volumes have mostly increased.

Figure 5. Maize and rice price indices for Myanmar traders and global markets in USD prices, April 2021-April 2023, normalized so April 2021 equals 1

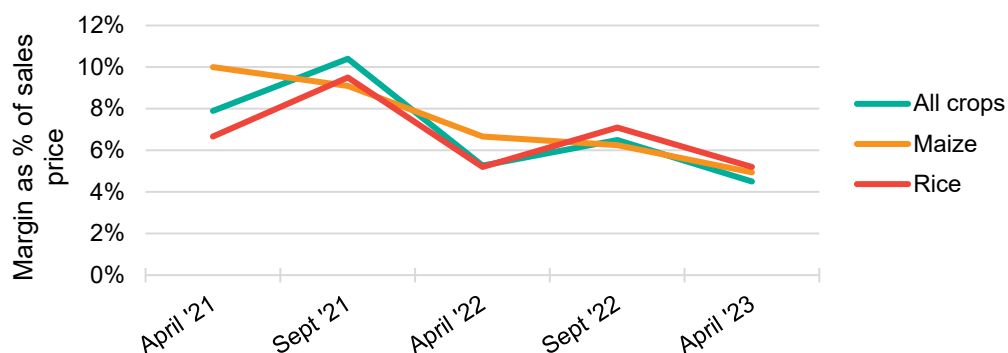


Source: Traders phone survey–April 2023 round

Note: Global prices are from World Bank Pink Sheets. Conversions to USD done at CBM official rates.

With data on both buying and selling prices over time we can also track trading margins. In relative terms as percentages of sales prices, margins have declined slightly since April 2021 (Figure 6). This indicates continued competitiveness in local crop marketing as traders are not extracting larger than normal margins. We note however that most traders report buying and selling prices from the same township, meaning that these margins do not reflect broader distribution margins that account for higher transportation costs as crops are shipped across Myanmar.

Figure 6. Trading margins as a percentage of sales prices, April 2021-April 2023



Source: Traders phone survey–April 2023, September 2022, and April 2022 rounds

Looking ahead

Crop prices, already high in 2022 after the start of the Russia-Ukraine War, have continued an upward trend. This is good for farmers and may encourage continued investment in productive inputs and area expansions, hopefully leading to secure production in the 2023 monsoon. Conversely, higher prices are a negative for consumers. As transport disruptions continue to be prevalent and transport costs continue to rise, spatial arbitrage becomes more difficult and more expensive leading to wider price gaps between farmers and consumers. Further, higher prices necessitate increased working capital for traders to maintain volumes. Improving access to capital and alleviating banking restrictions will further improve trade efficiency.

Lastly, export markets continue to be important for Myanmar's agrifood system as important marketing channels that can stabilize prices from domestic demand shocks. Increased export demand can also increase domestic prices, which is a negative for consumers. Policies introduced to track exports more closely and bolster foreign currency reserves may add frictions to international crop trade that have knock-on effects through crop value chains.

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