



Monitoring the Impact of COVID-19 in Myanmar

Agricultural Commodity Traders – May 2020

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Summary

- 154 crop traders in Shan, Mandalay, Sagaing, and Magway were interviewed by phone between 18 and 31 May 2020 to understand how crop marketing has been affected by the COVID-19 crisis.
- 77 percent of traders surveyed have experienced at least one type of disruption due to COVID-19. Large effects were reported both upstream, with difficulties in buying crops, and downstream, with difficulties in selling crops.
- Formal and informal lending has decreased. One-third of traders still offering credit to farmers reported a decrease in lending this year compared to 2019.
- 55 percent of traders reported lower prices this year compared to last. Oilseed and pulse prices have declined significantly. However, maize prices have increased.
- Overall, traders are experiencing dramatic drops in revenues: 42 percent expect revenues to be at least 25 percent lower in 2020 relative to 2019.
- 28 percent of traders cited travel restrictions as the main reason for decreased trading volumes this year compared to 2019.

Recommendations

- Local and national governments should continue to lift transport restrictions affecting agricultural commodities. This will improve business conditions for traders, while mitigating effects of COVID-19 for both farmers and consumers.
- Government should help fill credit gaps for both farmers – to enable them to acquire inputs – and traders – to enable continued investments in trade.
- Lastly, government should disseminate market information and encourage information sharing among traders and between traders and farmers.

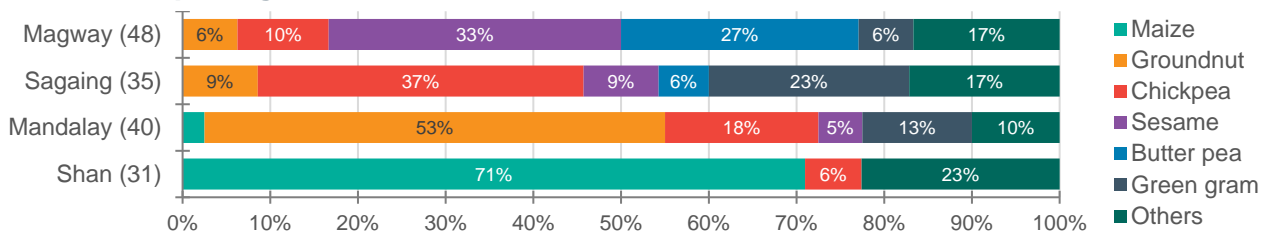
Introduction

Crop traders comprise the mid-stream of Myanmar's food supply chain. They form important links between farms and food processors, exporters, and other downstream actors. Because they are close to the farmgate on the supply chain – many purchase agricultural commodities directly from farmers – any additional challenges to traders presented by the COVID-19 crisis and corresponding policy responses have important implications for the crop marketing channels farmers use and for the prices they receive for their crops. Further, challenges or changes to crop trading will have effects on the food system downstream and, ultimately, on consumers.

Traders either carry out or facilitate the sales, transport, and purchases of raw agricultural commodities. Thus, they may be negatively affected by the travel and transport restrictions imposed to mitigate the spread of COVID-19 as well as other policy measures that restrict exports or affect food retail channels to consumers. This research note seeks to help the Ministry of Agriculture, Livestock and Irrigation (MOALI) of the Government of Myanmar and agricultural sector stakeholders understand the effects of recent COVID-19 shocks on Myanmar's agri-food marketing system through the perspective of crop traders. We conducted a phone survey with 154 crop traders to (i) understand the challenges of COVID-19 shocks to both their upstream and downstream operations, (ii) learn about adaptations and changes they are making in response to those challenges, and (iii) track recent (two weeks) and longer-term (last year) changes in the buying and selling prices of the commodities they trade.

Phone interviews were conducted between 28 and 31 May 2020 with a sample of traders identified from previous MSU-IFPRI studies implemented in the Central Dry Zone in 2017 focused on pulses and oilseeds (Belton and Mather 2018) and in Shan State in 2018 focused on maize (Cho and Belton 2019). We use a broad definition of traders that includes wholesalers that buy, store, grade, and sell commodities and brokers that facilitate crop sales on commissions. Many traders operate seasonally, so we limited our sample to those that actively traded any crops in the two-weeks prior to the interview. Our sample consists of 154 traders; 31 from Shan state, 40 from Mandalay, 35 from Sagaing, and 48 from Magway. Figure 1 shows the main crops traded by state/region in the two-weeks prior to the survey. Maize is the dominant crop in the Shan state sample, while various oilseeds and pulses are the dominant crops traded in the three Dry Zone regions. In the Dry Zone, most traders trade multiple crops with variation across seasons (Belton and Mather 2018).

Figure 1. Main crops reported traded in the past two weeks by state/region, percent of traders reporting



Source: Trader phone survey, May 2020

Table 1 highlights some of the key characteristics of our sample. A clear majority of wholesalers buy directly from farmers (84 percent) and the majority of all traders sell on to other traders (68 percent). About half of our sample (49 percent) operate primarily as brokers selling crops on commissions. Twenty-five percent of our sample are exporters themselves or sell in border towns directly to exporters, and 21 percent offer credit out to farmers.

Table 1. Characteristics of sample of traders, percentage share

	All traders	Wholesalers	Brokers
Female	17	20	13
Registered business	84	87	81
Buy primarily from farmers ^a	-	84	-
Sells primarily to traders	68	54	83
Exporters ^b	25	35	13
Offers credit to customers	21	30	12
Observations	154	79	75

Source: Traders phone survey, May 2020

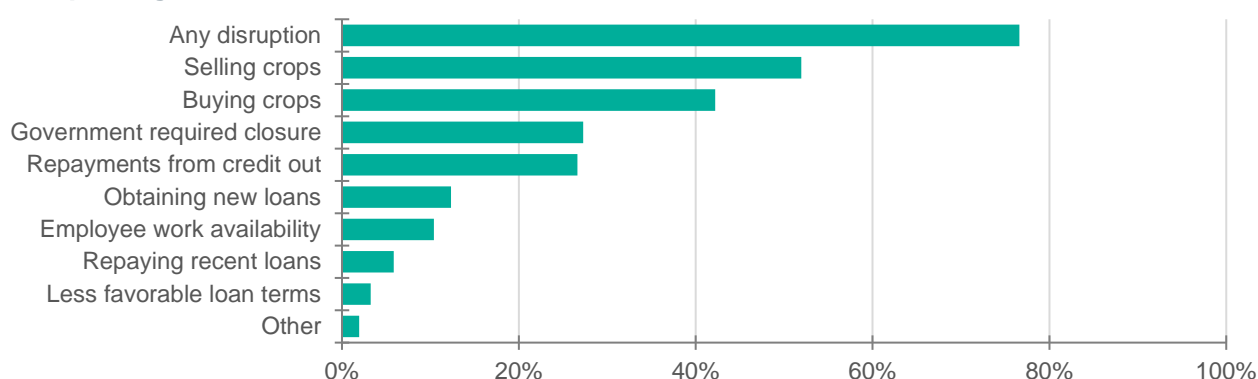
^a Restricted to only those that buy (purchase) crops. Excludes brokers.

^b Exporters defined as those with sales to a buyer in another country or to an exporter at a border to another country.

Effects of COVID-19 crisis on traders

To understand the effects of the COVID-19 crisis on their businesses, we asked traders a series of high-level questions. To add detail and depth, we then asked supplementary questions on key topics including prices, transportation, and credit. Because seasonal differences may drive reported changes in the short-term, we asked traders to recall back to the same period in 2019.

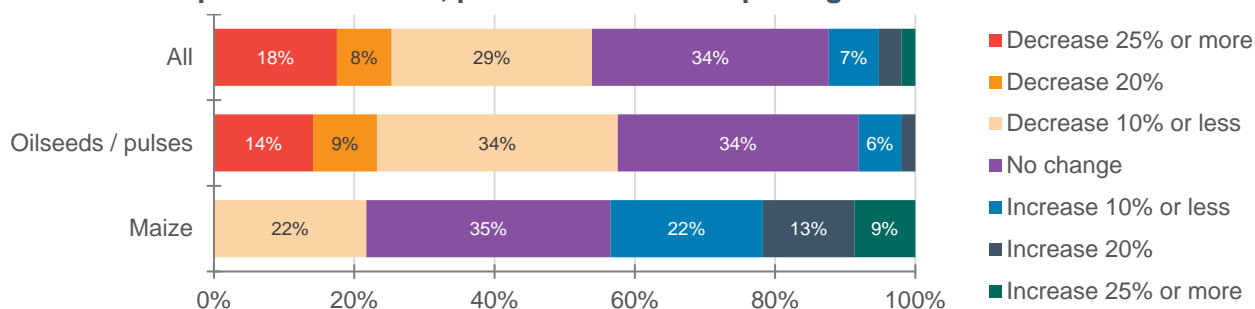
Figure 2 shows that 77 percent of traders reported that the COVID-19 crisis has impacted their business in some way. There have been major disruptions in their operations both downstream – 52 percent of traders reported challenges in selling crops – and upstream – 42 percent reported disruptions in buying crops. Overall, 80 percent of traders reported lower trading volumes in May 2019 compared to May 2020. The main reason cited for the decrease in trading was changed demand or lower prices stemming from changes to marketing channels downstream.

Figure 2. Effects of COVID-19 on agricultural traders in Myanmar, percent of traders reporting

Source: Trader phone survey, May 2020

Fifty-five percent of traders interviewed reported lower selling prices for their main crop in May 2020 compared to 2019 (Figure 3). There is a stark contrast in price changes between oilseed/pulses and maize. Forty-four percent of maize traders reported year-over-year price increases compared to only 8 percent of traders of oilseed/pulses. The maize price increase does not stem from COVID-19 effects. Rather, it appears that the market has adjusted to very low maize prices in 2019 caused by a maize import ban imposed by China.

Figure 3. Reported main crop price changes in May 2020 relative to the same time in 2019 for oilseed/pulses and maize, percent of traders reporting



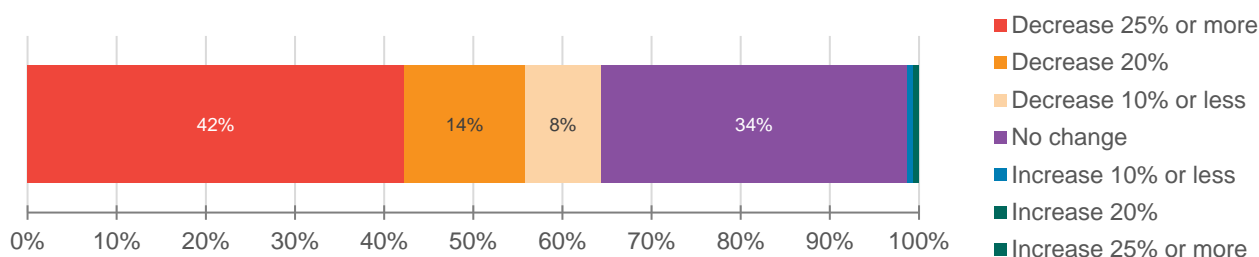
Source: Trader phone survey, May 2020

Travel restrictions could play a role in the lower prices by causing downstream demand shifts from consumers. However, they also had a direct effect through a decrease in trading activity: 28 percent of traders cited travel restrictions as the main reason for decreased trading volumes this year compared to last. However, that is likely to be an underestimate of the true effect as not all traders are directly responsible for the transport of the crops they buy or sell. Many brokers coordinate sales locally and do not take direct responsibility for transporting crops. Thirty-eight percent of our sample did not hire any transportation in the two weeks prior to our survey. Still, the direct effects of COVID-19 on transportation are noteworthy – for the 62 percent that did hire transport, 27 percent reported that transport was harder to find or less reliable this year compared to last year.

In addition to the upstream and downstream effects, the COVID-19 crisis response also led 27 percent of traders to close for an extended period due to government mandates and a similar share reported difficulties in collecting repayments from credit lent out (Figure 2). The latter effect has serious implications for farmers as informal credit from traders is an important component of how many farmers access agricultural inputs, particularly in Shan state (Cho and Belton 2019). Thirty-three percent of traders that are still offering credit to farmers reported a decrease in lending this year compared to 2019. More formal credit channels are also affected. Twelve percent of traders reported difficulty acquiring new loans, which may hinder investment in facilities and equipment and slow the modernization of crop trading in Myanmar.

A result of the challenges posed by COVID-19 and the restrictions and regulations established to control its spread, traders expect lower revenues in 2020 compared to 2019. Figure 4 presents the bleak expectations of traders – 42 percent expect revenues to be at least 25 percent lower in 2020 than they were in 2019.

Figure 4. Trader expected revenue in 2020 compared to 2019, percent of traders reporting



Source: Trader phone survey, May 2020

Trader responses to COVID-19

To learn about how traders have responded and adapted to the COVID-19 crisis, we asked a series of general high-level questions, with follow-up questions to add detail. Safety practices, business responses and adaptations, and hiring employees were areas of emphasis.

Traders have responded to the COVID-19 crises in several ways. The most prevalent response has been to implement safety practices to reduce the probability of contracting and transmitting the virus. Eighty-eight percent of traders adopted at least one safety practice (Figure 5) with the most common strategies being regularly washing hands (77 percent) and wearing face coverings (69 percent). After safety practices, the next most common response was a non-mandated closing of business operations for at least one week. This was employed by 51 percent of traders, while 9 percent of traders otherwise reduced their hours or days of operation.

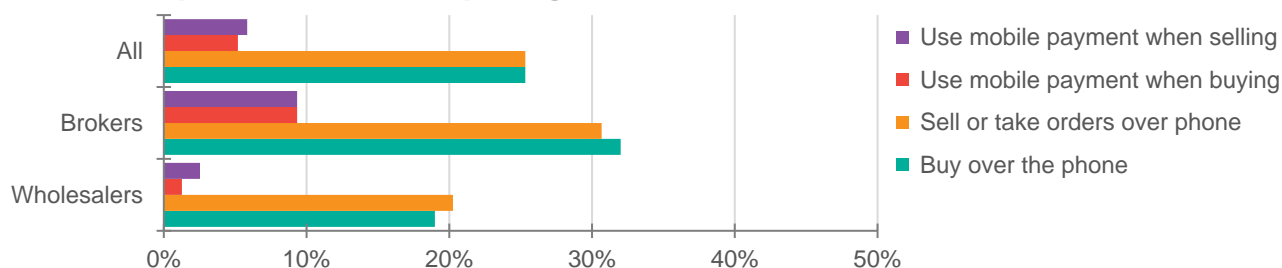
Figure 5. Trader responses to the COVID-19 crisis, percent of traders reporting



Source: Trader phone survey, May 2020

The third most common response by traders was to adapt their business operations (31 percent, Figure 5), primarily through the use of mobile phones. Interestingly, brokers were much more likely than wholesalers to implement these changes (Figure 6), though this is at least partially due to a lower pre-COVID-19 use rate of mobile phones for business. Relatively few traders have responded by changing their sales channels (12 percent) or suppliers (5 percent, Figure 5). Wholesalers appear to have more dynamic sales channels, as 34 percent have changed the type of buyer for their main crop this year relative to last year, compared to just 12 percent of brokers.

Figure 6. Mobile phone adaptations by traders to COVID-19 effects, by wholesalers and brokers, percent of traders reporting



Source: Trader phone survey, May 2020

Policy recommendation and indicators to monitor

Similar to other recent surveys focused on input suppliers and mechanization service providers, the results of this rapid phone survey of traders and the above analysis lead us to recommend that restrictions on the transport of agricultural commodities in Myanmar should be removed (Goeb et al.

2020; Takeshima et al. 2020). The formal transportation restrictions have been formally reduced since the survey in May, but in practice, local restrictions may still be in place. Our results show that these transportation restrictions have decreased trader activity. A dynamic and fluid supply chain can instill a sense of predictability in the market, which can reduce price volatility both at the farmgate and for consumers. Travel restrictions add frictions that may have negative consequences both upstream and downstream in the food system – upstream as farmers face hardships marketing their crops and receive lower prices, and downstream as higher transportation costs and marketing inefficiencies likely lead to higher food prices for consumers.

In addition to lifting local transportation restrictions, wide dissemination of information on prices and markets can also help reduce supply chain frictions. Thus, information sharing should be facilitated and encouraged for both farmers and traders to help ease challenges in finding sales channels. Facebook is already an important source of information for traders and might be a low-cost tool to share market information more broadly.

Lastly, COVID-19 has created credit and lending gaps as traders are both less likely to offer inputs to farmers on credit and more likely to have difficulty obtaining new credit themselves. Cash and loan support to farmers under Action 2.1.7 of the COVID 19 Economic Relief Plan (CERP) (GoM 2020) of the government and improved financial access for small enterprises under CERP Action 2.1.1 would help bridge these credit gaps and increase food production and allow continued investment and modernization of the trading sector.

Our phone survey results also present several important indicators to track as traders continue to adapt to the COVID-19 crisis, including:

- Buying and selling prices and crop trade volumes and how they change with any policy changes;
- Level of participation by traders in agricultural markets, monitoring whether there are any signs of concentration in the sector as trader revenues fall; and
- Increasing use of cellphones as a tool for trading businesses to adapt to the COVID-19 crisis and whether traders continue to engage in e-commerce as things get back to normal or as policies change.

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