



Monitoring the impact of COVID-19 in Myanmar

Agricultural commodity traders – late June 2020 survey round

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To understand how Myanmar's crop marketing system has been affected by the COVID-19 crisis, a series of phone interviews are being conducted with agricultural commodity traders from Shan, Mandalay, Sagaing, and Magway. This report presents results from the second round of interviews conducted between 29 June and 1 July 2020 with 107 traders.

Key findings

- Just over half of the traders interviewed were still experiencing business disruptions from the COVID-19 crisis. The main disruption was on the demand side with difficulties selling crops – particularly for traders in Mandalay and Magway trading sesame and pulses.
- Difficulty collecting repayments on credit provided to farmers was a disruption reported by almost one-quarter of traders. While informal credit provision is an important part of the trading business, traders are decreasing the share of customers to whom they offer credit.
- Almost two-thirds of wholesale traders are storing crops longer this year compared to last year, largely due to current low crop prices.
- In response to COVID-19 risks and restrictions, traders have increased mobile phone use, including an increase in the use of mobile payments.

Recommended actions

- Movement restrictions should continue to be relaxed, as these constrain trade in agricultural commodities in Myanmar. Most of these restrictions are being implemented at local levels. If lockdowns become necessary in the future, governments should coordinate their policies to allow movement of essential goods, such as agricultural crops.
- Government should formalize agricultural trade agreements and promote crop exports to Myanmar's neighbors. Many traders reported that uncertainties around cross-border trade depress prices and affect the entire crop marketing system.
- Cash support to farmers – Action 2.1.7(b) under the COVID-19 Economic Relief Plan (CERP) of the Government of Myanmar – also will support traders through increased repayments of the inputs farmers received on credit.
- Government should facilitate the continued growth of mobile phone use among traders.

Introduction

Crop traders comprise the mid-stream of Myanmar's food supply chain, forming important links between farms and food processors, exporters, commodity exchange centers, and urban food markets. Traders engage in a variety of business activities ranging from wholesalers that buy, store, grade, and sell commodities to brokers that facilitate crop sales on commissions. Many traders have strong and direct ties to farmers, often providing farmers with agricultural inputs on credit to strengthen relationships and to build business later in the year when crops are harvested and sold. These connections to the farm have important implications for any challenges that traders face due to the COVID-19 crisis. Effects on traders will also be felt upstream by farmers through both their post-harvest crop marketing activities, including the prices they receive for their crops, and potentially through access to agricultural inputs on credit. Furthermore, challenges to crop trading will also have effects on the food system downstream and, ultimately, on consumers.

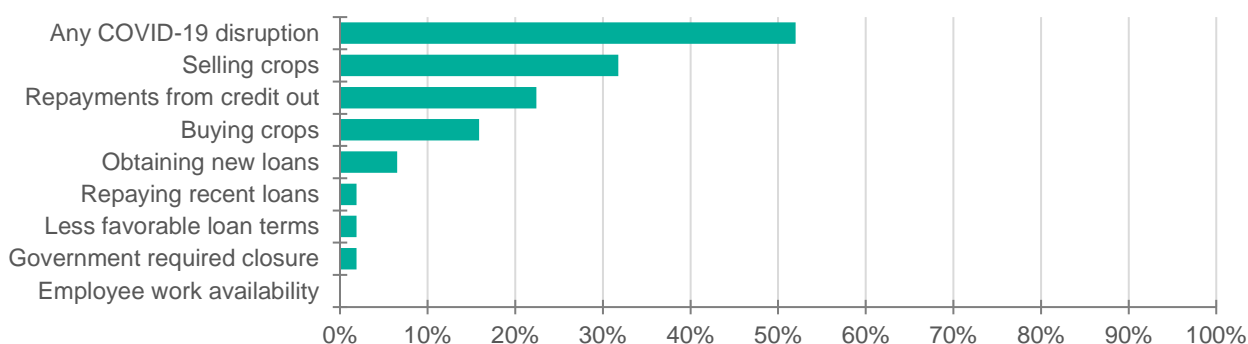
This is the second policy note in a series presenting results from phone surveys tracking a sample of crop traders across Myanmar. The surveys are designed to better understand the effects of COVID-19 shocks on Myanmar's agri-food marketing system. This Policy Note builds on the results from the first round of the survey of crop traders.¹ This second round of the survey also added questions on two key themes from the first-round report – credit offered out by traders to farmers and trader's use of mobile phones.

Phone interviews were conducted with the same sample of traders from Shan, Mandalay, Sagaing, and Magway who had responded to the first round of the survey in May. Interviews for the second round were conducted between 29 June and 1 July 2020 with 107 of the 154 traders that had been interviewed in the first round. To supplement the quantitative interviews, we selected four traders from each of the four states to conduct more detailed qualitative interviews over the telephone. These 16 interviews add context and details around the themes presented in this report.

Effects of the COVID-19 crisis on traders

To understand the effects of the COVID-19 crisis on crop trading, we asked traders a series of questions on their business experiences over the 30 days prior to the interview. To add detail and depth, we then asked supplementary questions on key topics, including on prices, transportation, and credit. Because seasonal differences may drive reported changes in the short-term, we asked traders to compare their current business operations to the same period in 2019.

Figure 1. Effects of COVID-19 on agricultural traders in Myanmar in the 30 days prior to interview, percent of traders reporting



Source: Trader phone survey – June 2020

¹ Goeb, J., D. Boughton, M.K. Maredia, A.M. Zu, and N.L.K. Synt. 2020. *Monitoring the impact of COVID-19 in Myanmar: Agricultural commodity traders - May 2020 survey round*. [Myanmar SSP Policy Note 10](#). Washington, DC: IFPRI.

Figure 1 shows that just over half of traders were still experiencing COVID-19 related disruptions in late June and early July. The biggest hurdle for traders in the month prior to the interview, experienced by almost one-third of traders, was lower demand and difficulty selling crops. However, this effect does not appear to be affecting all crops in our sample areas of the Dry Zone and Shan. Wholesalers in Mandalay and Magway most commonly reported being affected by demand difficulties in June.

Table 1. Largest challenges since the start of the COVID-19 crisis and changes in those challenges in the past month, percent of traders reporting

	Largest challenges since the start of COVID-19 crisis		Changes in challenges in past month, for those reporting challenge			
			Decreasing		No change	Increasing
	1 st	2 nd	No longer a challenge	Still a challenge		
No challenges at all from COVID-19 crisis	5	12	-	-	-	-
Transport restrictions	23	30	67	32	2	0
Lower demand or lower crop prices	38	28	17	49	31	3
Receiving repayments from credit to farmers	5	8	21	57	21	0
Receiving inputs on credit from suppliers	0	1	0	100	0	0
Receiving other loans	2	0	0	50	50	0
Government required closure	26	17	93	7	0	0
Government required lockdown	1	2	100	0	0	0
Government required curfew	0	1	0	100	0	0

Source: Trader phone survey – June 2020

Table 1 shows that low crop demand has been the largest disruption overall since the start of the crisis with 66 percent of traders citing it as the first or second largest disruption. Traders experienced challenges in both export and local markets. In our qualitative interviews, traders reported that trade flows have been slow because of closures at various border crossings with neighboring countries. Moreover, they stated that domestic demand had fallen sharply due to COVID-19 related movement restrictions and cancellations of celebrations and holidays. Closures of many urban restaurants and hotels also was noted as a factor in reduced demand. However, Table 1 shows that demand improved in June compared to earlier in the crisis. About two-thirds of traders that reported low crop demand as a principal challenge also noted that the challenge decreased in June. This is consistent with other surveys showing relatively stable crop prices later in the monsoon season.

Traders are experiencing difficulties collecting repayments on credit lent to farmers. This was the second most common disruption experienced in the 30 days prior to interview with 22 percent of traders experiencing this disruption (Figure 1). However, most traders do not see credit repayment as one of the main challenges overall from the COVID-19 crisis; only 13 percent of traders cited credit repayment as the first or second largest disruption from COVID-19 (Table 1). For those traders citing it as a major challenge, 78 percent say that credit repayment challenges have lessened in the prior 30 days, though 21 percent say there has been no improvement.

Table 2 offers more details on the credit offered by traders in our sample. Thirty-eight percent of traders offered credit to their customers in June 2020. This credit is offered almost exclusively to farmers in the form of inputs, but not all traders work directly with farmers. Traders that offered credit in June 2020 did so for multiple crops – three on average – and 26 percent offered credit for more crops in 2020 compared to 2019, suggesting an expansion in the offer of credit to farmers. However, 26 percent of traders offering credit also reported a decrease in the share of customers to whom they offered credit, suggesting a contraction in the total value of credit offered. These two statements do not necessarily contradict each other. If traders restrict to whom they offer credit, but those

farmers deemed creditworthy grow a variety of crops, traders can simultaneously decrease their customers to whom they offer credit while increasing the number of crops for which credit is offered. Interestingly, despite these changes, traders did not change the rate of interest they charged for credit lent out. The median interest fee for one 50 kg bag of fertilizer provided on credit was 2,000 MMK, and 97 percent of traders offering inputs on credit reported no change in the interest that they charged farmers compared to 2019.

Table 2. Trader credit-out detail

Credit-out characteristic	
Traders offering credit in June 2020, %	38
Crops for which credit provided in June 2020, conditional on offering any credit, number	3
Change in number of crops for which credit provided, June 2020 to June 2019	
Increase in number of crops,% of traders	26
No change, % of traders	72
Decrease in number of crops, % of traders	3
Customers to whom credit is offered in June 2020, conditional on trader offering credit at all, % of customers	32
Change in June 2020 compared to June 2019	
Increase in share of customers offered credit,% of traders	3
No change,% of traders	72
Decrease in share of customers offered credit,% of traders	26
Traders charging interest on credit-out, %	73
Median interest charged for one 50 kg bag of fertilizer	2000 MMK
Change in interest rate June 2020 compared to June 2019	
Increase in interest rate,% of traders	0
No change, % of traders	97
Decrease in interest rate, % of traders	3

Source: Trader phone survey – June 2020

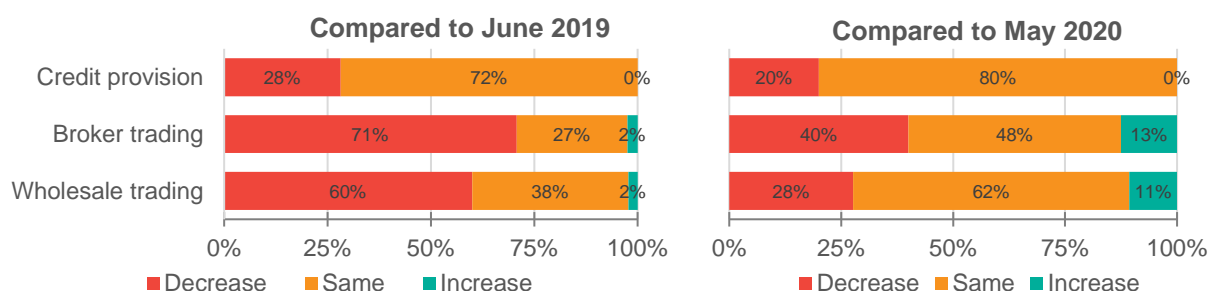
The third most common disruption experienced in the last 30 days was difficulty buying crops (16 percent, Figure 1). Transport restrictions have been the major driver of these challenges. Table 1 shows that transport restrictions are the second largest challenge traders have faced since the start of the COVID-19 crisis with over half of traders reporting transport restrictions as the first or second largest challenge.

Interestingly, the effects of transport restrictions are not consistent within states/regions or even within townships. Transport restrictions have had the largest effect on traders in Shan state, where 75 percent of traders listed them as a main challenge. However, even within Shan state, some traders report no difficulties. Our qualitative interviews suggest that the implementation of transport restrictions and curfews vary even at the township level. Where transport restrictions are in place, traders reported difficulties transport crops from the village to the city, which disrupts both buying and selling.

Only 2 percent of interviewed traders had to close due to requirements of government in June. However, traders revealed that Commodity Exchange Centers in Mandalay closed trading for some crops for at least one week, which negatively affected their businesses. Sesame trade was particularly affected, with traders reporting lower prices as a result.

Figure 2 presents the changes in business by activity in June 2020 compared to June 2019, one year earlier, and compared to May 2020. Crop trading decreased dramatically compared to 2019 both for wholesale traders who buy crops and resell them and for brokers who trade crops on commission: 60 percent of wholesalers and 71 percent of brokers reported that their trading activities were lower in June 2020 compared to June 2019. Consistent with Table 2, Figure 2 shows that credit offered also decreased, though the change was smaller than the decrease for trading activities.

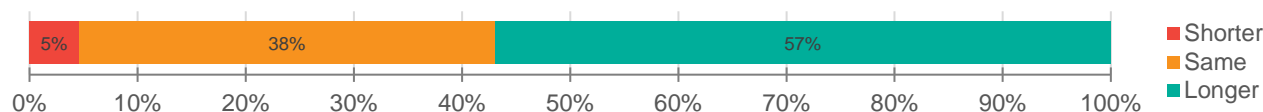
Figure 2. Changes in business activities in June 2020 compared to June 2019 and May 2020, shares of traders



Source: Trader phone survey – June 2020

For the most part, business activity either declined or stayed the same in June 2020 compared to May 2020. This is mostly normal seasonality. As the monsoon season progresses, we expect a large drop in crop trading until the monsoon harvest, when activity will increase again.

Figure 3. Changes in crop storage times in June 2020 compared to same time last year



Source: Trader phone survey – June 2020

Figure 3 shows that 57 percent of wholesale traders are storing crops longer this year compared to the same period last year. Increased storage times were largely driven by weak demand and lower prices experienced early in the COVID-19 crisis – traders are holding crops for longer periods in hopes of a price increase. Our qualitative interviews revealed a similar story as traders indicated that they expect prices to increase soon.

Trader responses to the COVID-19 crisis

Our June round of phone surveys assessed trader responses to COVID-19 at any point since the start of the crisis. To continue to monitor trader responses to COVID-19 in the late June and early July survey round, we asked about their behaviors and practices over the 30-days prior to interview. Compared to responses surveyed in June, safety practices such as washing hands, wearing masks or face shields, and maintaining social distancing were the most widely stated response (Table 3). Sixty-five percent of traders were practicing safety measures, though traders in Shan state showed a very low adoption of safety practices with only 33 percent taking any extra safety precaution.

Table 3. Trader responses to COVID-19 effects by state/region, percent of traders

Traders responding to COVID-19 by...	All	Shan	Mandalay	Sagaing	Magway
Closing at least one week without sales	11	0	24	26	0
Reducing hours or days of operations	0	0	0	0	0
Seeking loans	2	0	8	0	0
Changing supplier networks	8	4	8	9	12
Changing sales channel	11	4	16	13	12
Adopted safety practices	65	33	80	78	71
Adapted business operations or offered new services	26	42	20	17	26
Number of traders	106	24	25	23	34

Source: Traders phone survey – June 2020

The second most common response, employed by 26 percent of traders, was adapting business operations or offering new services. Shan state has the largest percentage share of traders

(42 percent) who employed adaptations in operations and services. In Mandalay and Sagaing, 24 and 26 percent of traders, respectively, voluntarily closed for at least one week in June.

Regarding seeking loans, Mandalay is the only state where traders sought some form of loans, although the share that did so was low (8 percent, Table 3). Lack of awareness of available funding may have contributed to the low response of traders in seeking loans. Even though most traders responded that they have not sought loans, a few traders in Mandalay and Magway regions where Commodity Exchange Centers are helping with the paperwork process for applying for loans, mentioned plans to apply to the COVID-relief fund during our qualitative interview in late June and early July. The fund allows small- and medium-sized enterprises, such as traders and retailers, to obtain loans from the government with 1 percent interest per annum. The explicit aim of the loan fund is to mitigate COVID-19 impacts on businesses.

None of the traders from the four states in our sample reported reducing hours or days of operation in June due to COVID-19. In May, 8 percent of traders reported having reduced their hours of operation.

In terms of business or service adaptations, traders from all four states increased cellphone use for buying and selling (Table 4). Traders from all states reported using mobile payments, e.g., WaveMoney, for buying and selling, and the share of traders who employed the practice was 6 percent on average across the states. Shan state had the highest adoption of mobile payments for selling crops with 17 percent of traders reported doing so.

Table 4. Business or service adaptations reported, percent of traders

Business practice or service adapted	All	Shan	Mandalay	Sagaing	Magway
Buy over the phone	21	29	20	13	24
Sell or take orders over phone	18	21	12	17	21
Offer delivery service	2	8	0	0	0
Use mobile payment when buying	6	4	8	4	6
Use mobile payment when selling	7	17	8	4	3
Other	0	0	0	0	0

Source: Traders phone survey – June 2020

Table 5 provides more details on mobile phone use amongst traders. The most common use of cellphones is checking crop prices, which traders do hourly on average. The next most common use is coordinating sales over the phone – coordinating with buyers is slightly more common than coordinating with sellers. Mobile phone use to actually make payments is noticeably lower, but about one-quarter of wholesalers sold crops through mobile payment applications and 30 percent of brokers received some fees or commissions through mobile payment. For all categories, the use rates this year are equal to or higher than a year ago. Moreover, the share of traders increasing their usage of mobile phones in their business this year outweighs those that have decreased use.

From our qualitative interviews, we learned that there are further technological adaptations by traders in using cellphones. Due to movement restrictions and fear of the virus, some traders, especially medium and large scale traders, have increased the use of Viber and Facebook Messenger to send or receive images of product samples for quality inspection, which was normally done in-person prior to COVID-19, as well as mobile payment apps such as WaveMoney and WeChat to make payments. When it comes to small-scale traders, the increased use of technology was not often reported – their clientele includes mainly farmers for whom in-person communications are preferred.

Table 5. Mobile phone use by trader in June 2020 compared to the same time in 2019, percent of traders

	Share using mobile phones for task this year	Mean use rate this year (all)	Mean use rate same time in 2019 (all)	Change in use rate in 2020 compared to same time in 2019 (all)		
				Less	Same	More
Coordinated with seller using mobile phone	63	29	22	5	64	29
Coordinated with buyer using mobile phone	71	37	28	4	62	35
Mobile payment to purchase a crop ¹	10	1	1	2	92	6
Mobile payment to sell a crop ¹	24	8	5	4	82	14
Mobile payment to receive commission ²	30	10	4	0	82	18
Check crop prices	86	Hourly	Hourly	2	76	22

Source: Traders phone survey – June 2020

¹Wholesalers only

²Brokers only

Regarding their feedback on whether they will continue the increased use of technology after COVID-19, traders' responses were positive. None of the traders using cellphones for mobile payments expect to reduce their use of the technology next year and more than 20 percent expect their use of mobile payments to increase.

Policy recommendations

From the above analysis, we arrive at the following four recommendations to mitigate the impacts of the COVID-19 crisis for crop traders.

- First, government should continue to relax restrictions that hinder the movement of agricultural commodities in Myanmar. Our results suggest that these restrictions are being implemented at local levels and, if more lockdowns are necessary in the future, governments should coordinate their policies to allow movement of essential goods, such as agricultural crops.
- Second, government should work to formalize agricultural trade agreements and to facilitate crop exports through the land borders to Myanmar's neighbors. Many traders reported that uncertainties around border trade depress prices and affect the entire crop marketing system.
- Third, government should provide cash support to farmers – Action 2.1.7(b) under the COVID 19 Economic Relief Plan (CERP) of the Government of Myanmar.² This would support traders through increased repayment by farmers of the inputs that they received from the traders on credit – a persistent challenge faced by traders.
- Finally, promote the continued growth of mobile phone use among traders, particularly for mobile payments.

² Government of the Republic of the Union of Myanmar. 2020. *Overcoming as One: COVID-19 Economic Relief Plan*. Nay Pyi Taw: Government of the Republic of the Union of Myanmar.

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