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Monitoring the Impact of COVID-19 in Myanmar

Agricultural Commodity Traders – synopsis of results from three survey rounds through early August 2020

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To understand how Myanmar's crop marketing system has been affected by the COVID-19 crisis, phone interviews were conducted with more than 100 agricultural commodity traders roughly every 30 days from late May until early August 2020. A round of qualitative interviews was also conducted with key informants on land-trading routes to China, Thailand, and India.

Key findings

- Traders who reported that the pandemic is affecting their business in any way declined from 77 percent in late May to 43 percent in early August. Buying and marketing challenges were the most common disruptions reported in early August, followed by difficulties in collecting repayments on credit lent out to farmers. Increasing numbers of traders also reported difficulties in obtaining new loans or credit for their business.
- Higher shares of traders reported year-on-year decreases both in credit provision and in wholesale trading volumes in August compared to June.
- More traders report a decrease in competition than an increase since the crisis began.
- Crop buying and selling prices have been stable on average between April and August.
- Border gate closures at the China (Muse), Thailand (Myawaddy), and India (Tamu) borders have resulted in drastic reductions in overland exports of agricultural commodities since March 2020. Key informants said that there has been almost no crop trading to China and India, while exports to Thailand are down over half compared to a year ago.

Recommended actions

- Coordinate domestic transport restrictions put in place in response to the recent second wave of COVID-19 to allow continued domestic trade of agricultural commodities.
- Facilitate safe exports of agricultural commodities. This should be done with formal agreements and government investments in monitoring and infrastructure. If borders remain closed into the monsoon harvest season later in 2020, farmers should expect to receive poor prices for their crops.
- Quickly expand the provision of loans for working capital to crop traders (CERP Action 2.1.1). This will enable traders to continue their buying activities through the coming harvest and prevent a possible decline in competition in the sector.
- Continue the waiver of the 2 percent withholding tax for crop traders (CERP Action 2.1.3).

Introduction

Crop traders comprise the mid-stream of Myanmar's food supply chain. They form important links between farms and food processors, exporters, commodity exchange centers, and urban food markets. Many traders have strong and direct ties to farmers and any challenges that traders face due to the COVID-19 crisis will also be felt upstream on farmers through their post-harvest crop marketing activities and the prices they receive for their crops and potentially through access to agricultural inputs on credit. Challenges to crop trading will also have effects on the food system downstream (e.g., processors) and, ultimately, on consumers.

In this policy note, we present results from three rounds of a panel telephone survey of crop traders from Shan, Mandalay, Sagaing, and Magway.[1] The phone surveys are designed to better understand the effects of COVID-19 shocks on Myanmar's agri-food marketing system. In previous Policy Notes, we shared results on individual rounds of the crop traders phone survey.[2] This policy note is more comprehensive and examines data from all three rounds to understand the effects of the COVID-19 crisis on crop traders throughout the monsoon season from late May to early August. To supplement the panel survey, we also conducted qualitative phone interviews with six key informants at major trade points with China (Muse), India (Tamu), and Thailand (Myawaddy). These interviews provide more detail on the extent of disruptions to cross-border agricultural trade stemming from the COVID-19 crisis.

Effects of the COVID-19 crisis on crop traders

To understand the effects of COVID-19 on crop traders, we asked a series of questions on the different types of disruptions that traders experienced. The first survey in late May captured disruptions from the start of the crisis until the survey, with each subsequent round asking about disruptions in the 30-days prior to interview. The late May survey captured substantial disruptions from COVID-19, particularly to crop buying and selling with 56 percent and 47 percent of traders experiencing them, respectively (Figure 1). By early August, COVID-19 related disruptions affected fewer traders – the percentage of traders who reported that the global pandemic was affecting their business in any way declined from 77 percent in late May to 43 percent. However, one-third and one-half of traders reported disruptions in early August to crop selling and buying, respectively.

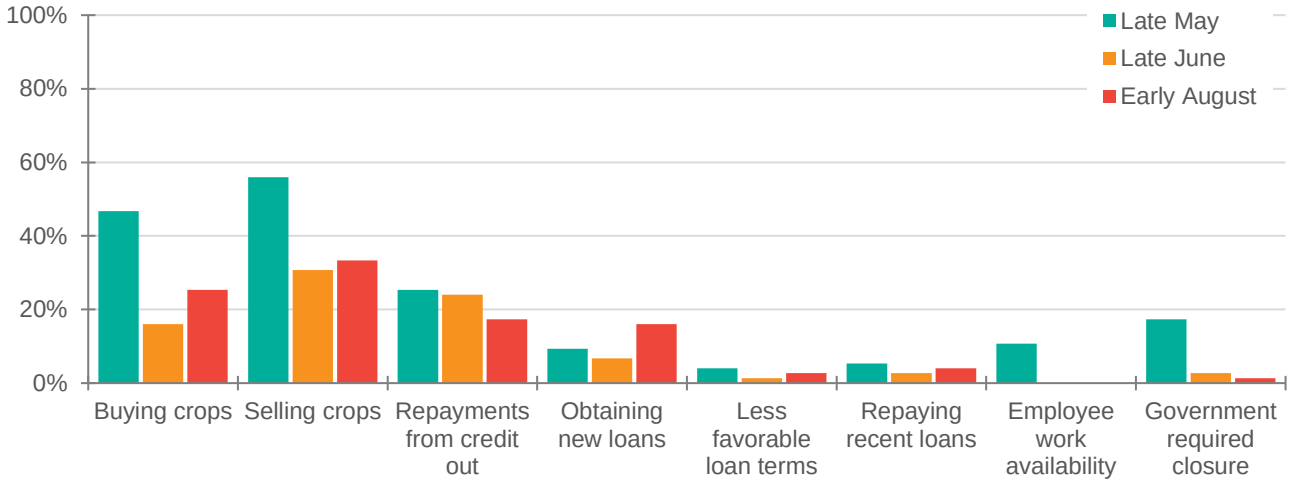
After buying and marketing disruptions, collecting repayments from credit lent out to farmers (17 percent) was the third most common disruption in early August. There has been relatively little decline in the numbers of traders facing this problem since late May, when a quarter of the traders reported experiencing it.

Interestingly, the share of traders reporting difficulties obtaining new loans or credit increased from 9 percent in late May to 16 percent in early August. These effects of COVID-19 on credit – both collecting repayment and on obtaining new credit – appear to be ongoing and may last into the coming monsoon harvest. In contrast, employee work availability and government required closures were problems for traders in late May, but were no longer issues by early August.

[1] 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.

[2] The Policy Notes reporting on the previous rounds of the agricultural commodity traders phone survey are:
- 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*. Myanmar SSP Policy Note 10. Yangon: International Food Policy Research Institute. https://doi.org/10.2499/p15738coll2.133792
- Goeb, J., A.M. Zu, N.L.K. Synt, P.P. Zone, D. Boughton, and M.K. Maredia. 2020. *Monitoring the impact of COVID 19 in Myanmar: Agricultural commodity traders – late June 2020*. Myanmar SSP Policy Note 23. Yangon: International Food Policy Research Institute. https://doi.org/10.2499/p15738coll2.133952

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

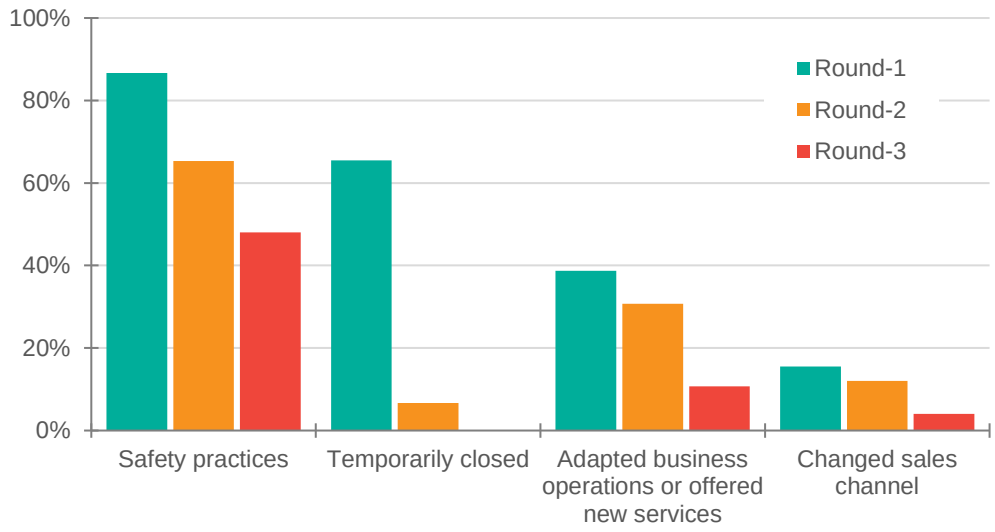


Source: Trader phone surveys, May, June, and August 2020

Trader responses to COVID-19 shocks

In each survey round, we also asked traders a series of questions to understand how they have responded to COVID-19 disruptions. The most common response by traders in every survey round has been to adopt safety practices to curb the spread of COVID-19. However, the share of traders doing so has dropped from 87 percent in late May to just 48 percent in early August (Figure 2).

Figure 2. Trader responses to the effects of COVID-19 by survey round, percent of traders



Source: Trader phone surveys, May, June, and August 2020

The second most common response has been to adapt their business practices. This has mostly been done through an increase in mobile phone use to coordinate sales and purchases. However, this share has also declined over time.

Marketing channels appear to have stabilized in early August as only 4 percent of respondents reported in August changing their sales channel due to COVID-19 disruptions, down from 16 percent in late May. In late May, 66 percent of traders described that their trading business closed for a week but that share declined to 7 percent in late June. No traders reported having done so in early August.

Additional questions about COVID-19 responses in the early August survey revealed that 18 percent of traders had to delay payments to sellers since the start of the crisis. Of those traders, 78 percent had to make delayed payments in the 30 days prior to interview. In qualitative interviews, traders reported that they were much more likely to use their own cash and savings to finance purchases, even when payments were late.

We also asked questions in each survey round to capture labor effects. As with other responses, the share of traders laying off permanent workers declined in each survey round – only 2 percent of respondents reported having done so in the early August round. There have been larger changes to temporary labor across the surveys with the average number of casual workers hired decreasing from 3.1 in late May to 1.6 in early August. The decline is likely attributable to the agricultural calendar and a general decline in trading activities, rather than to COVID-19.

Trading activities and prices

In each survey round, we asked traders for the highest and lowing buying and selling prices for their main crop traded in the prior 30 days. This allowed us to capture price volatility and trader margins over time. There were more than fifteen "main" crops traded in each survey round. To make price data comparable across crops and measurement units, we calculated price ratios to put trader margins and price differences in percentage terms.

- The margin ratio in Table 1 represents the trader's margin (selling price minus buying price) in percentage terms of their buying price. Higher values imply higher margins and greater profits, other things equal.
- The buying and selling price volatility ratios represent price variation (highest price – lowest price) in the previous 30 days as a percentage of the low price.[3] Values of zero imply a constant price for the 30 days before interview, while higher values imply more unstable prices with larger gaps between the high and low prices.

All price comparisons are for the same unprocessed agricultural commodity. As our phone surveys do not capture information before the pandemic, we are unable to disentangle the effects of COVID-19 from other effects like seasonal variation. However, comparisons across the survey rounds provide three insights:

Table 1. Trader margins and buying and selling price volatility estimates, by survey round and by state / region

	Survey round			State or Region			
	Late May	Late June	Early August	Shan	Mandalay	Sagaing	Magway
Margin ratio[1]							
Mean	0.12	0.09	0.06	0.15	0.11	0.01	0.05
Median	0.07	0.10	0.04	0.11	0.07	0.02	0.05
Buying price volatility ratio[2]							
Mean	0.17	0.16	0.17	0.21	0.16	0.11	0.14
Median	0.10	0.09	0.10	0.13	0.10	0.08	0.07
Selling price volatility ratio[2]							
Mean	0.13	0.16	0.15	0.19	0.13	0.13	0.13
Median	0.08	0.10	0.08	0.13	0.10	0.06	0.07

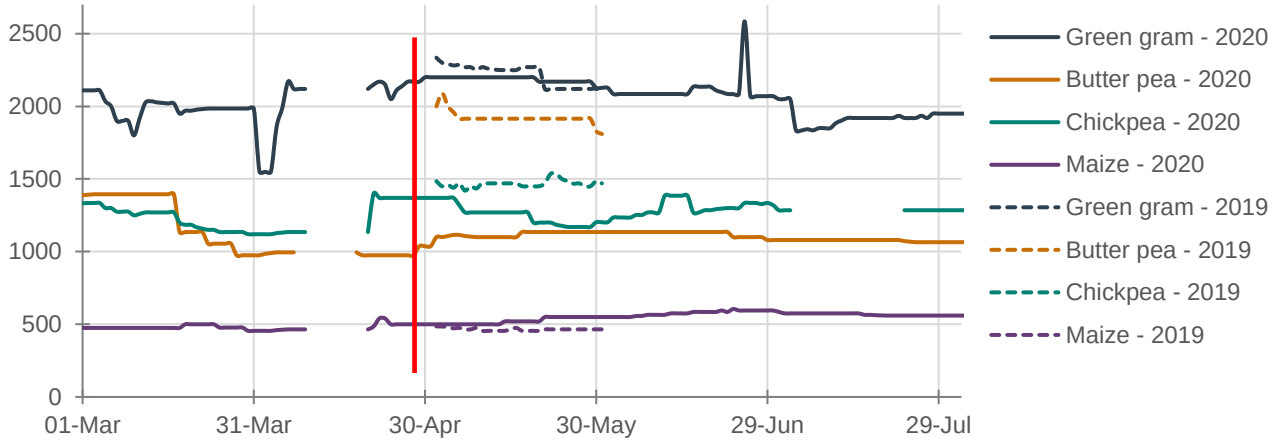
Source: Author's calculations from trader phone surveys, 2020
[1] Margin ratio = (selling price - buying price) / buying price
[2] Volatility ratios = (high price - low price) / low price

[3] We also calculated these ratios holding fixed the volume units. The patterns in the results were similar.

First, trader margins decreased each survey round and mean margins were significantly lower in early August than they were in late May (Table 1). These lower returns to trading are consistent with the fact that many traders paused operations in July and August before beginning again in the lead-up to the monsoon harvest.

Second, over the three months of phone surveys, commodity buying prices (typically at the farm gate) and selling prices (typically at commodity exchange centers) have been stable on average. Buying prices were slightly more volatile than selling prices, though the averages of both volatility ratios were stable across survey rounds. This is largely confirmed by trading price data for maize and pulses in Yangon. Figure 3 shows trading prices for selected crops at the Yangon Commodity Exchange Center for the period from March to July 2020. The phone survey recall period extends back to late April (marked by the red line in Figure 3), so misses some price declines and volatility in March and April. Since then, trading prices have not been volatile except for green gram in late June and early July. Figure 3 also shows trading prices for May 2019 (dashed lines). These year-on-year comparisons further confirm our phone survey results (from round 2) which showed that maize prices are (slightly) higher in 2020 than they were in 2019, but prices for other crops are the same (green gram) or lower (butter pea and chickpea).

Figure 3. Yangon Commodity Exchange Center prices for green gram, butter pea, chickpea, and maize, April and May 2019 and March to July 2020, MMK/viss

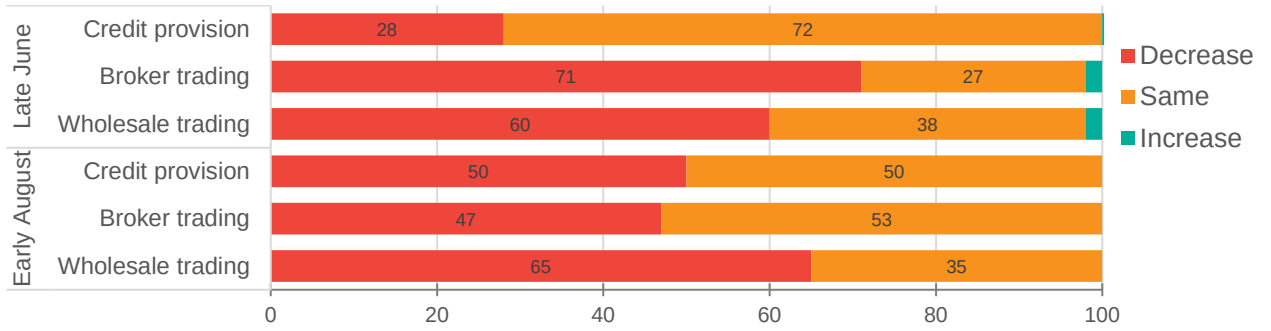


Source: Myanmar Pulses, Beans, and Sesame Seeds Merchants Association
Note: 'Viss' is a traditional unit of mass in Myanmar equivalent to 1.63 kg. In mid-2020, MMK 1,375 ≈ USD 1.00.

A third result from Table 1 is that there is some regional variation in both margins and volatilities. Traders in Shan state had the highest margins, largely due to strong maize prices. Sagaing and Mandalay traders have had small average margins, largely driven by low sesame prices. Shan traders have also experienced the greatest volatility in both selling and buying prices.

To put our results from the 2020 monsoon season in context, we asked traders about their wholesale and broker trading and credit provision activities compared to the same time in 2019. In general, levels of these activities are down compared to 2019 (Figure 4). Comparing the late June and early August survey rounds does not offer much promise for any recovery in trading activities over the monsoon growing season. Both credit provision and wholesale trading have higher shares of traders reporting year-on-year decreases in August than in June. Broker trading – the dominant activity for traders from the Dry Zone regions – shows a modest improvement, though nearly half of traders still reported lower broker trading in the early August survey round compared to 2019.

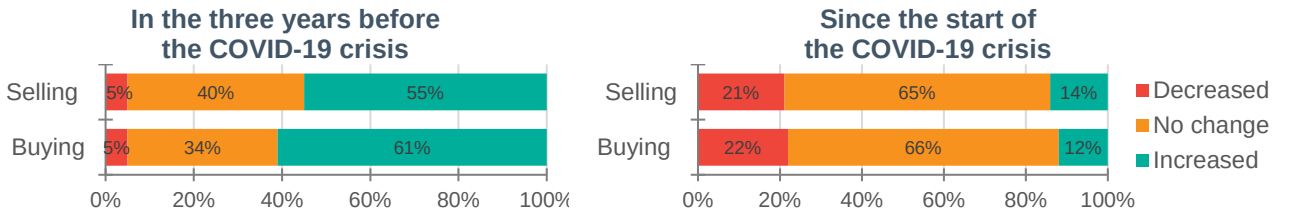
Figure 4. Reported change in business activity between late June and early August 2020 compared to the same time in 2019, percent of traders



Source: Trader phone surveys, late June and early August 2020

To understand the effects of COVID-19 on competition among crop traders, we asked respondents for their opinion on how competition had changed since the start of the COVID-19 crisis. For reference and to place recent trends in context, we also asked about perceived changes in the three years prior. Most traders perceived increases in competition for both buying and selling in the three years prior to the COVID-19 crisis (61 percent and 55 percent, respectively; Figure 5). Since the start of the crisis, about two-thirds of traders perceived no changes in competition levels for buying or selling. Moreover, more traders noticed a decrease in competition than an increase. For farmers, a decrease in trading competition would represent a decline in market access and a decrease in bargaining power on prices. It will be important to monitor whether these perceived changes in competition since the start of the COVID-19 crisis persist into the monsoon harvest season.

Figure 5. Perceived changes in competition in the three years prior to COVID-19 and since the start of the COVID-19 crisis



Source: Trader phone surveys, late June and early August 2020

Border trade – qualitative interviews

An overarching challenge for Myanmar's traders throughout the COVID-19 crisis has been a decline in overland exports. While sea shipments have been relatively undisturbed, border trade has experienced large disruptions as the governments of Myanmar's neighbors have placed restrictions on movement across borders to curb the spread of COVID-19. For more information on the nature and timing of border trade disruptions from COVID-19, we conducted qualitative phone interviews with six key informants at major trade points with China (Muse), India (Tamu), and Thailand (Myawaddy).[4] We interviewed two traders at each border crossing. While the sample is small, the respondents were well-informed on both formal and informal trade activities at their respective borders. Each respondent exports crops either through contracts with exporting companies or through direct contacts in the importing country, and were either large-scale traders operating year-round or well-connected members of trader groups. Table 2 summarizes the main crops traded by

[4] Each respondent was a crop trader that either exports crops directly through formal or informal trade routes or indirectly through contracts with exporting companies.

our respondents and the changes they perceived in cross-border crop trade volumes by month in 2020 compared to the same month in 2019.

Table 2. Main crops traded and reported border trade volume by month in 2020 compared to 2019, by border country

Border	Main crops traded by respondents	Reported border trade volume by month in 2020, as a percentage of 2019 trade volume							
		Jan	Feb	March	April	May	June	July	August
China (Muse)	Rice and maize	40*	40*	30*	15*	0	0	5*	0
Thailand (Myawaddy)	Maize, onions, and beans	50	50	50	20	50	50	20	20
India (Tamu)	Beans and pulses	73*	73*	0	0	0	0	0	0

Source: Trader qualitative phone survey, July 2020
* Denotes months for which estimates differed across respondents. We report the average of the two estimates.

At the Muse border crossing with China, year-on-year trading has been lower in every month of 2020. Early in the year, this was caused by restrictions on maize and rice export quotas to China unrelated to COVID-19. Beginning in March, both Myanmar and China placed further restrictions on trade in response to COVID-19. In April, both formal and informal trading routes were shut down completely. By August, trade had not yet continued, even through informal Thanlwin River ports.

At the Myawaddy border crossing with Thailand, an estimated 60 percent of trading is historically conducted through informal routes.[5] However, the Thai and Myanmar governments made efforts to limit informal trade before the COVID-19 crisis, resulting in 50 percent lower agricultural commodity trade volumes between January and March 2020. In April, nearly all cross-border trade was brought to a halt as all but one of the trade routes had been completely closed. While restrictions are still enforced, traders have been able to export small quantities to Thailand through Thai buyers that enter Myanmar and return with agricultural commodities. Nonetheless, our informants estimated that trade volumes were still down 80 percent year-on-year in August.

Trade restrictions have been more complete at the Tamu border crossing with India. In January and February 2020, lower demand from India led to lower crop trading volumes compared to 2019. But, in March 2020 the border was completely closed to goods and people, and the traders we interviewed reported that there have been no exports since. There is very little informal trade at the Tamu border, so traders have no way around the official border closings.

The qualitative interviews highlight the magnitude of the disruptions faced by agricultural commodity traders involved in cross-border trade due to COVID-19 restrictions. None of the respondents expects these restrictions to be lifted in time for the coming monsoon harvest. Decreased export demand for Myanmar's agricultural commodities will put downward pressure on prices and have negative effects on Myanmar's rural economies that already are hard hit by the COVID-19 crisis.

Recommended actions

With the above results from three rounds of phone surveys with agricultural commodity traders from Shan, Mandalay, Sagaing, and Magway and qualitative interviews with six key informants at border crossings for overland exports to China (Muse), India (Tamu), and Thailand (Myawaddy), we arrive at the following recommendations for the Myanmar government:

[5] Han, N.B., and T. Kean. (2020, June 7). *On the Thai-Myanmar border, COVID-19 closes a billion-dollar racket*. Frontier Myanmar. https://www.frontiermyanmar.net/en/on-the-thai-myanmar-border-COVID-19-closes-a-billion-dollar-racket/

- Coordinate domestic transport restrictions in response to the recent second wave of COVID-19 infections to allow continued domestic trade of agricultural commodities. With additional COVID-19 income shocks facing rural households, it is essential that farmers have access to markets to sell their monsoon harvests.
- Facilitate safe exports of agricultural commodities through the main overland trade routes with China, Thailand, and India. To maintain and emphasize safety, this should be done with formal agreements and government investments in monitoring and infrastructure (e.g., in storage facilities). If current border closures extend into the monsoon harvest season, the situation will negatively affect traders and reduce the prices farmers receive for their crops.
- Quickly expand the provision of loans for working capital to crop traders (Action 2.1.1 of the COVID 19 Economic Relief Plan (CERP) of the Government of Myanmar).[6] This could help traders continue their buying activities through the coming monsoon harvest and prevent a possible decline in competition in the sector.
- Continue the waiver of the 2 percent withholding tax for crop traders (CERP Action 2.1.3).

[6] 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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