



## Monitoring the Agri-food System in Myanmar

### Agricultural commodity traders – May 2021 survey round

To understand how Myanmar's crop marketing system has been affected by political instability, phone interviews were conducted in May with 78 agricultural commodity traders.

#### Key Findings

- Although there have been modest improvements since the previous survey in March 2021, disruptions to transportation, payments, credit, and telecommunications are still widespread, with 94 percent of interviewed traders in May experiencing at least one business disruption.
- Credit for trading operations is a much more frequently cited difficulty compared to a year ago. Forty percent of traders reported challenges obtaining new credit or loans in May 2021 and 37 percent reported difficulties repaying loans, compared to just 15 percent and 10 percent in May 2020, respectively.
- Although credit demand increased, there has been a decline in credit provision to farmers. The share of traders offering credit dropped by 18 percentage points in May 2021 compared to May 2020, and the average value of credit lent by traders still lending is 30 percent lower. Unwillingness to lend may be related to increased difficulties in loan recovery—48 percent of traders experienced difficulties collecting repayment on credit lent to farmers in May 2021 compared to 27 percent in May 2020.
- There has been a dramatic reduction in adherence to COVID-19 preventive measures compared to the same period a year ago, despite the third wave of the pandemic underway and the presence of new and more contagious variants.
- Cash payments have become increasingly dominant for purchases and sales as bank transfers and mobile payments are rarely being used. The use of the Hundi system has also decreased in recent months.
- Crop volumes traded are down 12 percent compared to a year ago and sesame prices have dropped by one-third their value.

## Introduction

The crop trading segment of Myanmar's food supply chain continues to experience disruptions from the multiple shocks stemming from the political instability initiated in February 2021. The various threats include cash availability and banking sector challenges, increased transportation costs, movement restrictions due to safety concerns, and telecommunications restrictions. To shine light on the continued effects of these disruptions to the agri-food system, we conducted a rapid phone survey with 78 active crop traders who connect farmers to domestic and international markets. 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 are a likely indicator of disruptions to prices for farms and consumers.

This Research Note presents results from a telephone survey of crop traders from Shan, Mandalay, Sagaing, and Magway conducted in late May 2021.<sup>1</sup> The interviewed traders are mostly located in urban areas. The late May phone survey is a continuation of a panel survey with six completed interview rounds beginning in May 2020 and was designed to collect similar data to both the mid-March 2021 and the May 2020 survey rounds. The objectives were twofold: (i) to track changes in crop trading as the political crisis continues to evolve, and (ii) to compare the disruptions experienced by crop traders during the political crisis to those experienced during the early stages of the COVID-19 crisis in 2020.

The analysis below comes from data collected between May 29 and June 1 from 78 active crop traders (Table 1). A variety of crops were traded by our respondents over this period. The most common crops included maize (12 traders, almost exclusively in Shan state) as well as chickpea (11), black sesame (10), butter pea (9), and groundnut (8), all traded only in the Dry Zone regions.

**Table 1. Crop trader interview characteristics in May 2021 by state/region**

	All	Shan	Dry Zone regions		
			Mandalay	Magway	Sagaing
Actively trading in May 2021	78	16	13	20	29
Main crops traded (# of traders)					
Maize	12	11	1	0	0
Chickpea	11	0	2	6	3
Black sesame	10	0	0	1	9
Butter pea	9	0	1	1	7
Groundnut	8	0	5	2	1

Source: Agricultural commodity traders phone survey–May 2021 survey round.

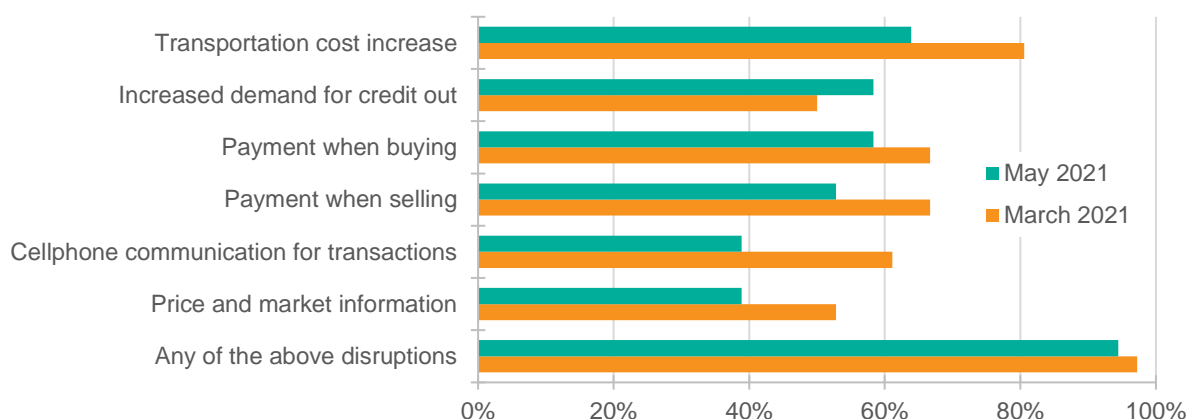
## Crop trader business disruptions

To evaluate the changes in business disruptions for crop traders since the March 2021 survey, we repeated the earlier questions in late May 2021. For direct, trader-level comparisons, we restrict the sample for analysis to only the traders who responded to both the March and May 2021 surveys, though we note that the patterns of disruptions in May 2021 are similar for the full sample. While a similar share of traders experienced disruptions in both periods (94 percent vs. 97 percent), the share experiencing specific types of disruptions decreased (Figure 1). The share reporting higher transportation costs fell to 64 percent compared to 81 percent in March and transport costs were 18 percent higher compared to a year earlier. Payment challenges were also lower in May 2021 than previously but still affected more than half of all traders (58 percent when purchasing and 53 percent

<sup>1</sup> 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.

when selling). Disruptions to cellphone communication and market/price information also fell to 39 percent of respondents due to the partial removal of internet restrictions.

**Figure 1. Comparison of crop trade disruptions between May and March 2021, by percentage of traders**

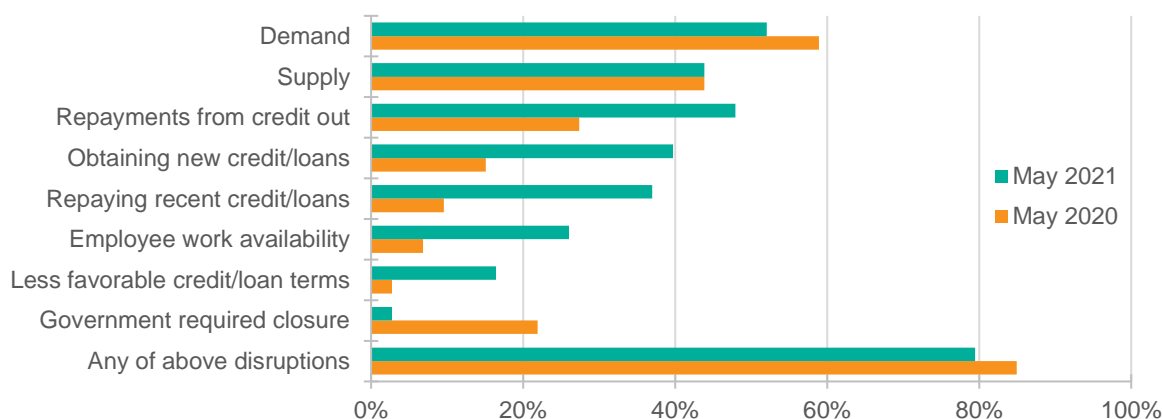


Note: Sample restricted to traders with data in both survey rounds; N=36.

Source: Agricultural commodity traders phone survey–May 2021 and March 2021 survey rounds.

To compare the impacts of the 2021 political instability on crop trade to the early impacts of the first wave of COVID-19, we asked traders whether they had experienced business disruptions for which data were also collected in the May 2020 survey round. Again, we restricted the analysis to traders interviewed in both rounds for more direct comparisons. Despite improvements between March and May 2021, traders still faced a higher incidence of most types of business disruption compared to a year ago (Figure 2). The share of traders facing credit related difficulties increased dramatically compared to a year ago, from 10 percent to 37 percent for repaying loans, from 15 percent to 40 percent for obtaining new loans, and from 27 percent to 48 percent for recovering loans made. Traders also found it more difficult to manage labor, with 26 percent of traders facing low employee availability compared to 7 percent a year ago. The only improvement was in the reduction of mandatory closures related to the COVID-19 pandemic.

**Figure 2. Comparison of crop trade disruptions between May 2021 and May 2020, by percentage of traders**



Notes: Sample restricted to traders with data in both survey rounds; N=73.

Source: Agricultural commodity traders phone survey–May 2021 and May 2020 survey rounds.

To better understand the implications of trader credit disruptions for farmers, we asked detailed questions about trader lending to farmers in May 2021 relative to May 2020. Less than half of traders

are offering credit to farmers now compared to almost two-thirds a year ago (Table 2). Of the traders lending, 58 percent are decreasing the size of their loan portfolio while only 22 percent plan to increase their portfolio. The median amount of credit offered to a given client has stayed constant at approximately 6,000,000 MMK per lender while the average amount of credit per lender declined by 30 percent, which suggests that larger lenders have had the greatest lending contractions.

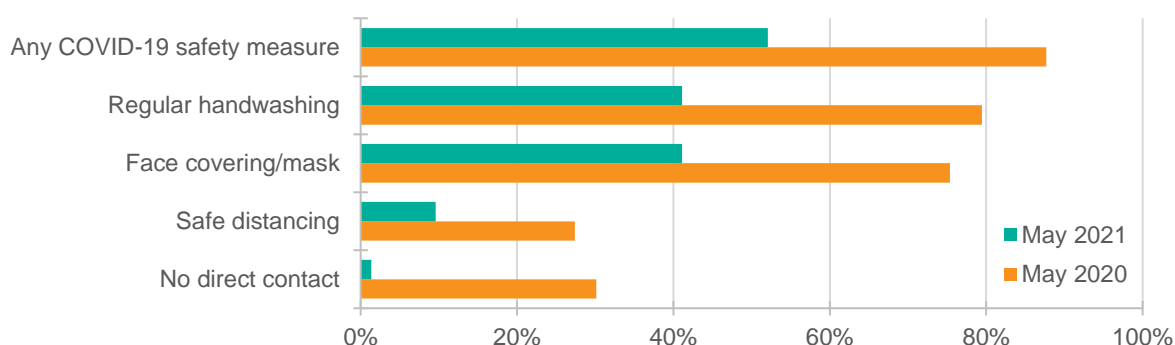
**Table 2. Credit offered to farmers by crop traders, May 2021**

	# or %
Offering credit to farmers (%)	
May 2021	46
May 2020	64
<i>Among traders offering credit (46%; N=36)</i>	
Total credit value lent out to farmers	
Mean ('00,000 MMK)	
May 2021	161
May 2020	232
Median ('00,000 MMK)	
May 2021	60
May 2020	60
Expected change in total credit out to farmers for the monsoon season in 2021 relative to 2020 (%)	
Decrease	58
Similar amount	19
Increase	22
Observations (N)	78

Source: Agricultural commodity traders phone survey–May 2021 survey round.

The number of COVID-19 cases has recently increased in Myanmar and the arrival of more contagious variants has been confirmed. To understand COVID-19 safety practices, we asked traders what, if any, measures they are taking to reduce the probability of spreading the disease. Figure 3 shows comparisons between May 2021 and May 2020 during the first wave. Overall, there has been a dramatic reduction in the adherence to COVID-19 preventive measures, and only 52 percent of traders apply any safety measures (down from 88 percent a year ago). Only 41 percent of traders adhere to face coverings or hand washing in their facilities, compared to 75 percent and 79 percent for these practices a year ago, respectively.

**Figure 3. Comparison of adherence to COVID-19 preventive measures between May 2021 and May 2020, by percentage of traders**



Notes: Sample restricted to traders with data in both survey rounds; N=73.

Source: Agricultural commodity traders phone survey–May 2021 and May 2020 survey rounds.

To monitor how traders are learning about the threats posed by COVID-19 and political unrest, we asked traders about their primary sources of information (Table 3). The primary source of

information for both threats is Facebook, followed by neighbors, friends, and family. The use of government information sources is almost non-existent.

**Table 3. Main information sources for COVID-19 and political unrest, by percentage of traders**

	COVID-19 information (%)		Political unrest information (%)
	May 2021	May 2020	May 2021
<b>Non-government sources</b>			
Neighbors, friends, family	15	11	28
Facebook	56	30	40
Radio	3	0	4
Internet	12	5	6
Television	5	19	15
Other non-government	0	0	6
<b>Government sources</b>			
Facebook page (e.g., MOHS)	5	26	0
GAD	0	4	0
Extension agents	3	4	0
Observations (N)	73	73	78

Source: Agricultural commodity traders phone survey–May 2021 and May 2020 survey rounds.

The March 2021 trader survey documented a large shift in crop trading payment methods during the political unrest, with an increase in cash and Hundi payments and a large decline in bank transfers. Those patterns continued in the May 2021 survey round (Table 4). Cash payments increased even further as the dominant method for both buying (88 percent) and selling (72 percent) whereas Hundi payments declined between May and March but are still well above January 2021 levels.

**Table 4. Payment methods in January, March, and May 2021, by mean percentage share of payments**

	Buying (%)			Selling (%)		
	January 2021	March 2021	May 2021	January 2021	March 2021	May 2021
Cash	63	69	88	44	52	72
Bank transfer in-person	31	2	4	50	8	6
Mobile payment	2	4	0	2	1	2
Hundi	1	19	8	1	30	21

Note: Sample restricted to panel observations common across both rounds; N= 58.

Source: Agricultural commodity traders phone survey–May 2021 and March 2021 survey rounds.

## Crop prices and traded volumes

The main crops actively traded at this time of year are maize, chickpea, and sesame. Maize and chickpea prices are slightly higher than a year ago (5 percent and 8 percent, respectively), though sesame prices have dropped by about one-third compared to a year ago. Overall, trading volumes for all oilseed, pulses, and maize are down 12 percent from a year ago.

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