

Monitoring the Agri-food System in Myanmar

Agricultural Crop Traders – August 2022 survey

To capture disruptions and coping strategies in Myanmar's crops trade sector, a phone survey was conducted in August 2022 with a sample of 359 commodity traders in 14 states and regions.

Key Findings

- Traders report large year-over-year price increases for all crops. Average rice prices are about 41 percent higher than August 2021; groundnut prices are about 80 percent higher; and sesame, maize, and chickpea prices are at least 40 percent higher. Most of the price increases are attributable to the devaluation of the kyat and rising global prices, but local trade disruptions and demand and supply shifts also contribute.
- Transportation disruptions continue to be the most salient. Nearly 90 percent of traders reported higher fuel and transport costs, and more than 50 percent reported difficulty accessing fuel and movement restrictions. Higher transportation costs were the most common reason given for overall crop price increases.
- While the sample contains only a few exporters, rapidly changing foreign exchange and export policies have directly disrupted crop trade. Nearly 14 percent of traders changed their crops traded as a result of these policies, and 33 percent reported the policies as main reason for price changes.
- Despite rising crop and transport prices, trader margins as a percentage of buying prices have declined in the past year. The trading sector is proving to be resilient and competitive, and trading margins are not contributing to increased consumer prices.

Looking ahead

- With the monsoon marketing season beginning, higher crop prices are good for farmers as they try to recover higher production costs. However, the high prices are a burden for consumers, and may impact food security.
- Transportation costs and disruptions continue to affect inter-regional trade and they drive a wedge between producer and consumer prices, with large welfare costs for the country as a whole.
- Unstable export and foreign exchange policies create uncertainty in the import and export market with negative effects on both producers and traders.

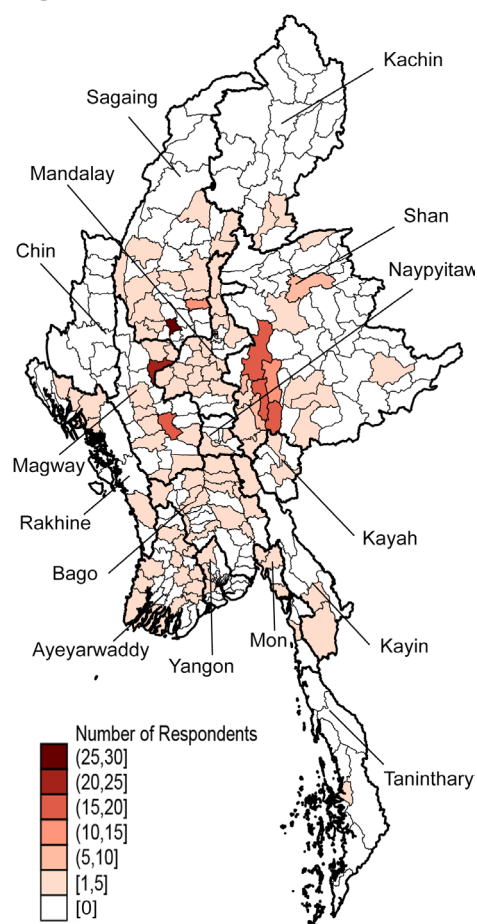
Background

Crop traders are important actors in the mid-stream of Myanmar's food supply chains serving as the essential link between farms and food processors, exporters, commodity exchange centers, and urban food markets. Disruptions in the mid-stream brought on by political instability and COVID-19 will likely have an impact on both farmers and urban consumers through market access and crop pricing.

This is the eighth Research Note in a series that has monitored the impacts of COVID-19 and political instability on crop traders in Myanmar through telephone surveys since May 2020. This Research Note presents results from 359 interviews conducted between August 24th and September 5th, 2022 including (i) general and major disruptions caused by the political crisis (ii) perceived impacts resulting from transportation restrictions and recent changes in foreign currency regulations; (iii) changes in crop prices, trading volumes, transport costs, and fuel prices; (iv) detail on credit lent out to farmers and credit taken in by traders.

The sample covers 111 townships in 14 states and regions (Figure 1). Traders from Shan State comprise the largest share in our sample (32 percent) followed by Magway (17 percent), Sagaing (17 percent), and Mandalay (15 percent). Wholesalers who purchase, store, grade, and sell commodities account for nearly three quarters of the sample. The other quarter is brokers and agents who facilitate crop transactions on commission. We split the two groups in the analysis and compare contemporary data from 2022 to recalled data from 2021. Results are shown as percentage changes.

Figure 1. Map of crop trader sample



Source: Traders phone survey–August 2022 round

Table 1. Traders sample description

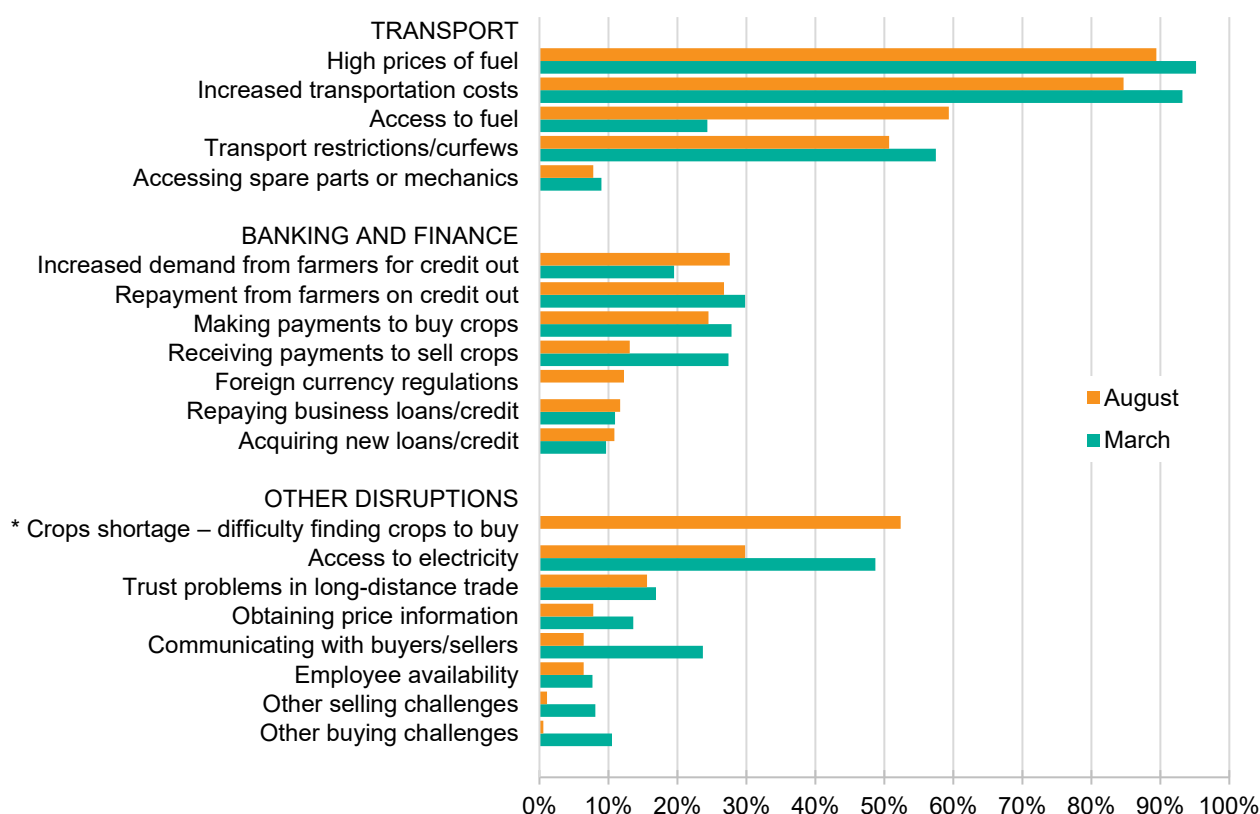
	All
N	359
Wholesalers and retailers	74%
Brokers and agents	26%
Urban	63%
Completed high school	38%
Female	23%
Average years trading	15
Keep written records	86%
Salaried employee number	2
Temporary employee number	4.6

Source: Traders phone survey–August 2022 round

Trading Disruptions

We asked crop traders a series of questions on different disruptions faced in the 30 days prior to the interview to evaluate the effect of the pandemic and political instability over time. As in the March survey, transportation disruptions were pervasive in August with increased transportation costs (89 percent) and high prices of fuel (85 percent) being the highest reported disruptions (Figure 2). Reflecting the national fuel shortage, the share of traders reporting difficulty in accessing fuel increased by 35 percentage points in August (59 percent) relative to March (24 percent).

Figure 2. Disruptions experienced by traders in August and March 2022, percentage reporting



Sources: Traders phone survey–August and March 2022 rounds

* This question was not directly asked in the March survey round and hence difficult to interpret until future rounds are completed.

Traders also continue to experience high levels of mobility restrictions due to checkpoints, curfews and other regional directives as conflicts arise in remote parts of the country and local authorities strengthen administrative controls.

Banking and finance disruptions in August were mostly similar to March with the exceptions being an increase in demand for credit out from farmers, and a decline in issues receiving payment for crops sold. Collecting repayment from credit lent to farmers and difficulties paying farmers for crops are reported by about one quarter of the traders.

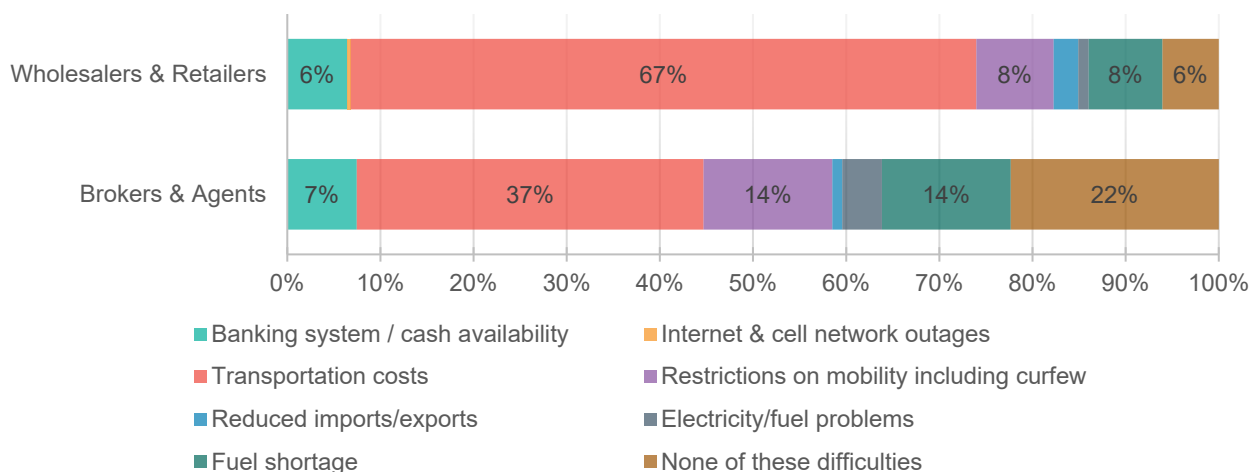
On April 3, the Central Bank of Myanmar set the exchange rate at 1,850 MMK per USD and required that local banks and other holders of foreign currency convert their deposits and overseas remittances into Myanmar kyat. Several changes to this regulation were made over the months leading up to August, most recently setting the reference rate at 2,100 MMK and exempting certain international companies and corporations. The large discrepancy between CBM reference rate and informal market rates was a serious financial blow to importers and exporters while the iterations of the orders created uncertainty in the markets.

When we asked our traders if foreign currency regulations caused disruption, only twelve percent directly cited the regulation as the problem. However, our sample contains very few traders that are directly involved in exports. The traders that reported disruptions from the currency regulations reported increases in operating costs, crop prices, and fuel prices along with a decline in exports. In separate questions, 14 percent of all traders said they changed the types of crops they traded as a result of the currency regulations, and the regulations were a common reason cited for changes in prices (Figure 5 below).

Disruptions to electricity and communications show large declines since March. However, we added a question in the August survey to directly ask about difficulties finding crops to buy. Strikingly, half of the traders reported this as an issue.

As a follow-up to these disruptions, we further asked traders to identify the most significant problem that they are facing. Transportation disruptions again are the most common (Figure 3), particularly for wholesalers that are more often responsible for moving crops. Even for brokers, transportation costs and restrictions account for over half of all responses. Banking disruptions are a lesser problem, cited by less than 10 percent of both traders and wholesalers.

Figure 3. Most Significant Disruption Experienced by Traders in August 2022, percentage reporting



Sources: Traders phone survey–August 2022 round

Transport detail

Reported costs of fuel and transport have increased by 113 percent and 98 percent respectively over the year to August 2022 (Table 2). Among the traders using transport, nearly a third of traders had trouble contracting transport services, whereas two thirds of traders had difficulties accessing fuel. When probed on how they plan to cope with fuel shortages and high prices, the most popular option among both wholesalers and brokers was to cut non-essential fuel expenses. Using more hired transport was the second most preferred coping mechanism.

Table 2. Disruptions in transport in the 30 days prior to interview

	Type of trader		
	All	Wholesalers & Retailers	Brokers & Agents
Share using transport (%)	52	59	33
<i>Usual location for transport among those using</i>			
Within township (%)	41	39	48
Different township (%)	29	30	26
Different State/Region (%)	26	31	26
Share having a harder time finding transport among those using transport (%)	33	32	40
Share having difficulties buying fuel among those using transport (%)	61	64	51
<i>Mean changes in costs (Aug '22 from Aug '21)</i>			
Fuel costs (%)	113	110	127
Transport costs (%)	98	98	99
<i>Coping mechanisms for fuel shortages among those with difficulties buying</i>			
Using more hired transport (%)	33	33	19
Temporarily suspend the operation (%)	7	5	13
Cut expenses on non-essential spending on fuel (%)	83	84	79

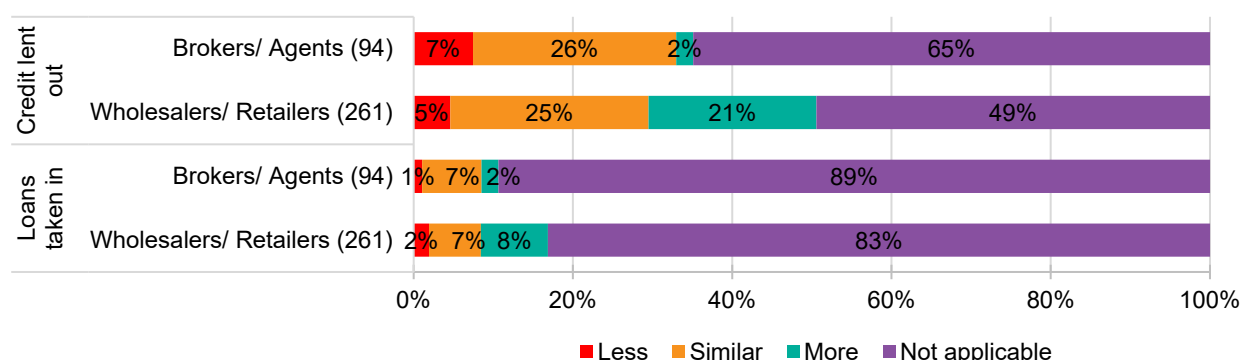
Source: Traders phone survey–August 2022 round

Banking and finance

Cash transactions continue to dominate crop trading; 94 percent of crop sales were in cash, along with 75 percent of crop purchases, and 91 percent of brokerage fees payments. In-person bank transfers for buying crops have increased noticeably over the past year to 23 percent of transactions.

Despite the documented disruptions to finance and business, only 5 percent of wholesalers and 7 percent of brokers reported a decline in the value of credit lent out (Figure 4). A quarter of wholesalers had similar lending to last year, while 21 percent reported an increase in value and 49 percent did not have any credit lent out in either year. Most of the traders who have lent out expect to be fully repaid in 2022, though 17 percent do not expect to ever be fully repaid. Few traders took in credit or loans in August 2022, but among those that did most had similar or higher values than one year prior. 49 percent of traders who have borrowed credit expect to repay in 2022, and 27 percent of them expect to repay in 2023.

Figure 4. Changes in the value of credit lent out and loans taken in, August 2022 vs August 2021, % of traders



Source: Traders phone survey–August 2021 and 2022 rounds

Crop Prices and Security

Traders reported large price increases for all crops in August 2022 relative to 2021 (Table 3). Prices of sesame, which is exported and pressed into oil for local consumption, increased by about 50 percent. Protein rich chickpeas, also consumed locally and exported, increased by about 60 percent. Substitution effects likely affect both crops as consumers shift away from high priced oils and animal proteins. Groundnut, which is exported, pressed into oil, and high in protein has seen the largest price increase of about 80 percent. Prices of rice, far and away the most important crop for consumers and also an important export crop, have also risen by 41 percent. Maize prices continued their rising trajectory on the back of strong export demand to Thailand.

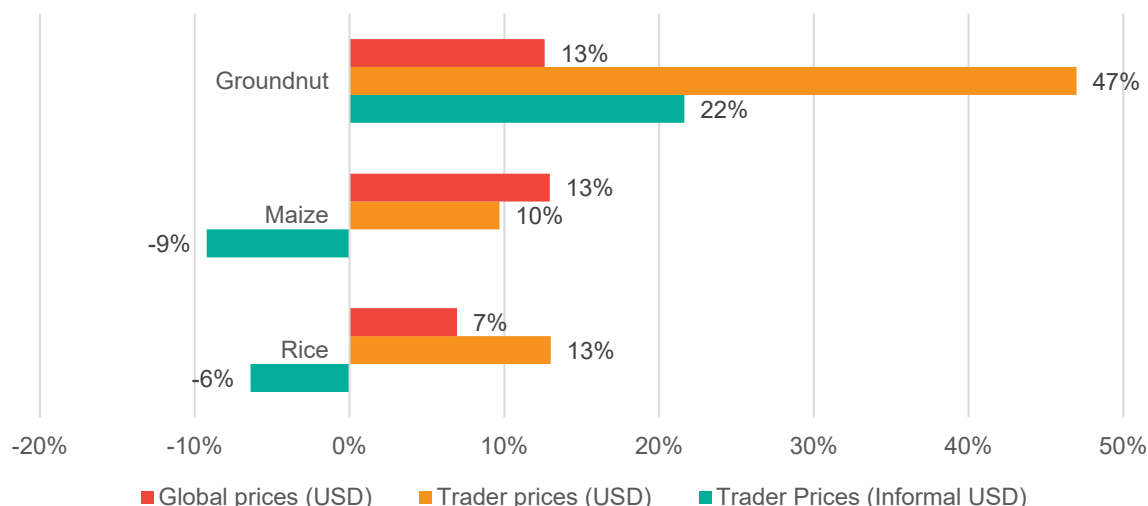
Table 3. Year-on-year changes in nominal buying and selling prices and margins, means

	Change in prices				Brokers/agents	
	Wholesalers/retailers				N	Brokered price (%)
	N	Buying (%)	Selling (%)	Margin (%)		
<i>All crops</i>	261	57	44	-19	94	61
<i>Change by crop</i>						
Maize	80	39	33	-22	18	57
Paddy	46	59	-	-	6	51
Rice	30	-	41	-	2	44
Sesame	31	49	48	-15	18	49
Groundnut	13	82	77	-10	17	89
Chickpea	14	40	32	-21	6	64
Green gram	10	32	25	-32	9	44

Source: Traders phone survey–August 2022 round. Only crops with 15 total observations shown.

The rapid MMK depreciation is a large factor in the price increases, especially for crops strongly linked to export markets. Exchange rates in August 2022 and August 2021 show that MMK lost 25 percent of its value against the USD and 10 percent of its value against the Thai Baht at the CBM official rates, but the MMK lost 51 percent against USD at the informal parallel exchange rate. At the official exchange rate, the year-on-year price increases for groundnuts and rice in Myanmar far outpace global markets while maize price changes are slightly below the global changes (Figure 5). However, at the informal exchange rates (the more accurate market value of the kyat), USD maize and rice prices have declined year-on-year though groundnut prices are still above last year. The widening gap between domestic and international market prices for maize and rice (both exported in large quantities) aligns with rising transport costs along with trade or market disruptions. Groundnuts differ from maize and rice as a smaller share of production is exported, and domestic demand has increased substantially following broad disruptions in the edible oil markets.

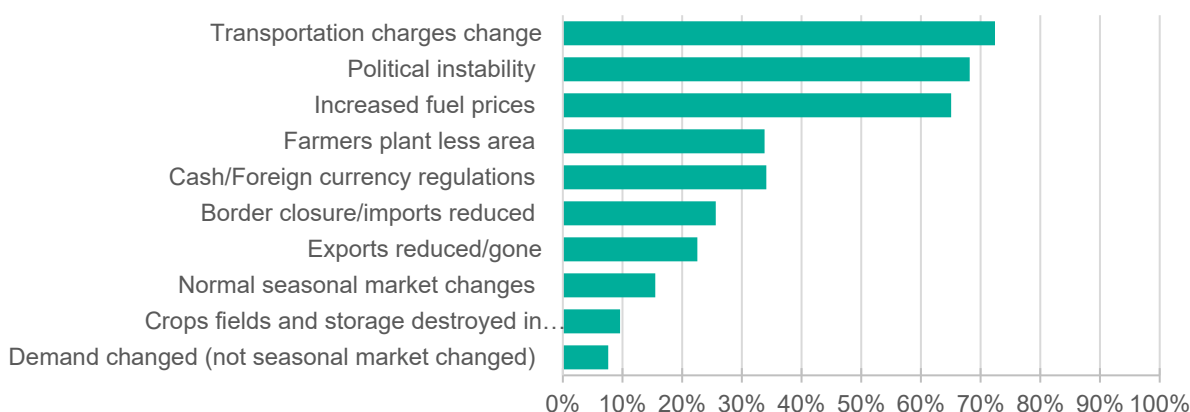
Figure 5. Year-on-year percentage changes in USD equivalent prices, traders and global



Source: Traders phone survey–August 2022 round; World Bank Pink Sheet prices
 Trader prices are converted to USD at official CBM exchange rates and informal market exchange rates.

As a follow-up to crop price questions, traders were asked what they thought to be the main reasons behind the price changes (Figure 5). Transportation charges (72 percent), political instability (68 percent), and increased fuel prices (65 percent) were the main reasons given for price changes, while one third of traders cited the foreign currency regulations and a lower area of crops planted.

Figure 5. Reasons for price changes



Source: Traders phone survey–August 2022 round

Finally, we asked crop traders to rank the level of security that they perceived as well as presence of conflicts in their communities and displacement during the past 30 days. The share of respondents reporting their safety as insecure and very insecure has climbed by 14 percentage points in the Dry Zone since the March round while perceived insecurity slightly dropped in other regions. Conflicts and displacements show small increases compared to five months ago. Overall, disruptions of various forms have reduced traders' financial status as the reported months of survival on savings have reduced by 33 percent from an average 15 months in March to 10 months in August.

Table 4. Changes in the level of security

	Mar-22	Aug-22
Share reporting insecurity nearby		
<i>Hills (%)</i>	35	33
<i>Dry (%)</i>	45	59
<i>Delta (%)</i>	40	33
Presence of conflicts near village (%)	22	25
Share displaced by conflicts (%)	7	8
No of days being displaced, conditional mean	6	9

Source: Traders phone survey–August 2022 round

Looking ahead

With the main monsoon marketing season beginning, higher crop prices are a positive for farmers as they try to recover higher production costs. However, high food prices are a burden for consumers, with potential impacts on food security.

Overall, Myanmar's crop trade sector appears to be competitive and resilient in the face of multiple disruptions and policy changes. Still, transportation costs and disruptions continue to affect inter-regional trade and drive a wedge between producer and consumer prices, with large welfare costs for the country.

Finally, unstable export and foreign exchange policies create uncertainty in the market for imported and exported commodities with negative effects on both producers and traders.

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