

FOOD SECURITY SNAPSHOTS

Rice Sector Myanmar



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Rice in Myanmar

Stretching from the Southern tip of China to the South of the Andaman Sea in the Indian Ocean, Myanmar boasts of large tracts of arable land, fertile soils, natural supply of oil and gas, and precious stones. Its rich natural endowments make it the perfect ground for agriculture to prosper. Agriculture continues to be a pillar of the country's economic growth, but the sector experienced negative growth rates in 2010 and 2011 as the country attempted to strengthen its industry and services sectors. Of all its agricultural products, **rice is considered the main crop**, accounting for 70% of the total cultivated area and contributing 30% of total agriculture production. The Government has targeted rice exports of 2 million tons by 2014/2015, and 4 million tons by 2019/2020, but has yet to meet these targets.



Small-holder farmers need support in modernizing rice mills to improve productivity

Rice Production Problems

Low yield and productivity dampen the prospects of increased rice production, with rice paddies yielding only 3.84 t/Ha in 2013, far behind Viet Nam's 5.57 t/Ha and Lao's 3.88 t/Ha. While domestic demand for rice has been increasing year to year, its rice exports have been significantly slashed from around 867,000 tons in 2011 to only 455,000 tons in 2012. Total export value of rice plummeted by more than half from around US\$337 million in 2011 to US\$152 million in 2012.

Domestic price volatility has also been a problem, with the price of rice increasing by 40% within the 2009-2013 period alone. Price volatility is often the result of the narrow window of paddy production, fragmented seeds markets, and poor roads, among others. In a rice-dependent country where 25% of the population are poor, and where 60% of household incomes are allocated to food, these **price spikes exacerbate hunger and food insecurity**, making rice more unaffordable to the country's poor. The Government often resorted to enforcing rice export bans to control domestic prices and funnel rice supply to the domestic market, much to the detriment to the country's exporters.

The export market opens opportunities for trade with the People's Republic of China and the European Union (EU). Myanmar, however, **needs to improve rice quality**. More than 90% of recent exports from Myanmar have been low-quality rice, a practice that may no longer be feasible in the near future. Import demand for rice is veering toward higher quality varieties which now represent over half of world trade. Competition is also stiff with neighboring countries like Viet Nam and Cambodia who are already producing higher quality rice and penetrating more of the world market.

Inadequate infrastructure like farm to market roads, outdated and ageing rice mills, costly and unstable supply of power, and lack of appropriate irrigation facilities all combine to stifle the productivity of the agriculture sector. Myanmar has one of the **lowest road densities** in the region thereby limiting not only the access of farmers to markets, but, also the customers' access to food products. **Seed distribution systems are weak and post-harvest storage facilities are lacking** in villages, making it impossible for farmers to store their harvest to sell later when prices increase. **Access to longer term credit** is also lacking and inhibits the farmers' ability to procure needed farm inputs.

The sector is in **need of investments to improve infrastructure and productivity**. However, incentives for investors are far and few in between. An investment law requiring special approval for joint ventures with foreign investors limits foreign direct investments in the country. Those who are able to invest face **high transaction costs**. Export procedures alone are estimated to \$8.50 per ton, much higher than Viet Nam's and Thailand's. Certain practices, such as the requirement for exporters to pay a 2% "advance income tax" discourage potential investors. **Transport costs are high**, with Yangon port being one of the most expensive in the world and clocking in high delay rates. Poor quality roads further add to delays and business costs. While there are no official rice export bans in Myanmar, export bans are usually deployed when domestic prices of rice reach high levels. This unpredictability has lowered the confidence of importing countries as they are not necessarily assured of receiving the rice they contracted for. For their part, exporters, domestic millers, and farmers, are sometimes compelled to sell rice at below-market prices.

AGRICULTURE SECTOR STATISTICS



Addressing the Issues

The Government of the Union of Myanmar has long recognized food security as an essential element of its agricultural policy. The **agricultural sector itself has focused on two main areas: the commercialization of agriculture and maintaining food security.** A national plan of action for food and nutrition was set in place.

While there seems to be a **lack of a comprehensive national rice policy** for this once leading rice exporter in the world, several policies have been endorsed to jumpstart the country's agriculture sector. The controversial **"Protecting Rights and Enhancing Economic Welfare of Farmers Law"** was enacted in 2013. Its price support mechanism has been critiqued for fears of resulting to market distortions and inefficient decision making by farmers, traders, and customers. The country has also put in place a network of agricultural research institutions, with the Department of Agricultural Research overseeing seven major research centers and 17 satellite farms covering various crops, including rice.

Development organizations have also collaborated through the Livelihoods and Food Security Trust Fund (LIFT), a multi-donor fund managed by the UNOPS to improve the lives and prospects of poor and vulnerable people in rural Myanmar. The United States, through USAID, participates in the fund by leveraging the work of international research institutes to improve agricultural productivity and reduce hunger and poverty in Myanmar. USAID also contributes to capacity building of universities and research institutions to conduct research in agriculture, nutrition and food policy through linkages with U.S. universities and the private sector.

Moving Forward

The export market for rice is growing, especially in EU and China. The EU's "Everything but Arms Agreement" could potentially open EU's market for duty-free imports from Myanmar, while China is beginning to be a large net importer of rice. Already, unofficial rice trade along the borders of China and Myanmar are beginning to pick up, and could potentially grow into a more official trading partnership between the two countries. Myanmar can latch on these opportunities and bring additional revenue to its farmers, and rural dwellers. However, to successfully penetrate these markets and compete with neighboring Viet Nam and Cambodia, Myanmar has to **focus on improving the quality of its rice and the productivity of its rice farms.**

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NATIONAL PLAN OF ACTION FOR FOOD AND NUTRITION (2011-2015)

"ensuring adequate access to, and utilization of food that is safe, adequate, and well-balanced on a long term basis in order to enhance the physical and mental development of the people of Myanmar"



Food security for the future generation remains a challenge

Investments in infrastructure are critical in improving the various processes in the value chain. Endowed with bountiful water resources, **improved water management techniques and technology** will greatly improve irrigation systems and ensure the sustainable use of water resources. Investments in roads and ports will increase the market access of producers, cut delays in delivery times, and help decrease transportation costs. The **modernization of rice mills** will be crucial to producing higher quality rice for export. The old dilapidated rice mills can no longer produce rice in the quantities and quality required by the export market. **Post-harvest facilities and storage** will be also be essential in cutting down post-harvest losses and in providing farmers the opportunity to store their produce and sell them when prices are higher in the future.

There is huge potential to **developing other power sources** besides hydropower to ensure the steady and cheaper source of electricity to efficiently and sustainably operate the mills.

Policies and procedures need to be reviewed, especially in line with **improving the business climate.** Cutting down the red tape, lowering transaction costs, and opening up the sector to external investors could encourage investments to flow into the agriculture sector. This is especially true in the areas of rice milling, warehousing, and trading, which could benefit from higher productivity arising from increased investments.

It is recommended that **export bans be avoided,** if possible, as they affect the competitiveness of Myanmar rice and the income of farmers, millers, and exporters. Instead, export licenses should be honored once issued, and should not be affected by export bans to help establish the credibility of Myanmar's rice exporters. In lieu of the export ban to control the domestic prices of rice, the Government could consider giving **social safety nets to the poor** who will find it burdensome to purchase rice at higher domestic prices.

Access to credit is also limited, with commercial loans given a maximum of 12 months before repayment. An extension of loan payment periods, and the type of assets accepted as collateral could be further broadened, and the **range of banking services for agriculture and agribusiness expanded** to widen the financial access of those in the agriculture sector, especially those in rice production.

PROTECTING RIGHTS AND ENHANCING ECONOMIC WELFARE OF FARMERS LAW

- provide adequate loans and grants for farmers
- support R&D, farmer extension, and infrastructure investments
- set a fair price in the marketplace for farmers