



MYANMAR

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Evolving Exchange Rates, International Prices, and Agricultural Incentives in Myanmar

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Key Findings

Myanmar's multiple exchange rate framework, introduced in mid-2022, has substantially affected agricultural incentives. By requiring exporters to convert part of their foreign exchange earnings at below-market exchange rates, the system depressed domestic prices of export crops. At the same time, foreign exchange shortages and import restrictions increased the cost of imported agricultural inputs. Both exchange rate regulations and international agricultural prices, however, have changed substantially over the past four years. This note examines how these changes have affected domestic agricultural prices and the incentives facing producers and traders during the current monsoon season. We find three main results:

- ▶ **The implicit export tax and export margins have declined substantially, bringing local prices closer to international prices.** The implicit export tax – the wedge between the international prices converted at formal and parallel exchange rates – was high when the multiple exchange rate framework was introduced but has since declined, reflecting changes in the share of export earnings that exporters are required to surrender at below-market exchange rates. At the same time, the exchange rate regime has compressed export margins, in some cases to zero or below, contributing to a reorganization of agricultural export markets. Foreign exchange shortages and the “Export First Policy” appear to have encouraged agricultural exporters to partner with importers that can access foreign exchange at more favorable rates. Such arrangements allow some agricultural exporters to mitigate the effects of the implicit export tax and remain active despite low or negative margins from exporting directly.
- ▶ **Import restrictions and foreign exchange constraints have increased the domestic prices of imported agricultural inputs.** Urea – the most important inorganic fertilizer used in the country – has, however, remained broadly aligned with international prices, partly because of the government's fertilizer reference-price system. The system appears to have limited increases in urea prices for farmers, although it has also constrained the margins of agro-input retailers.
- ▶ **The profitability of fertilizer use has deteriorated substantially.** Although fertilizer-use incentives remain better than during the initial period of the Russia–Ukraine war, they are significantly worse than in most recent years. Moreover, fertilizer is only one component of farmers' production costs. Sharp increases in mechanization costs, driven by higher fuel prices, and in agricultural wage rates, associated with substantial outmigration, suggest that overall farm incomes during the current monsoon season are under considerable pressure.

Introduction

Myanmar has experienced substantial growth in international agricultural trade over the past several decades (Boughton et al., 2024). The performance of this trade, however, depends not only on international market conditions but also on domestic trade policies, foreign exchange regulations, and access to imported inputs. Two developments have been particularly important since 2022. First, Myanmar introduced a multiple exchange rate framework alongside increasingly stringent trade-licensing as well as an “Export First Policy” (World Bank, 2026). These policies have affected both the returns to agricultural exports and the cost of imported agricultural inputs. Second, international prices for agricultural commodities and inputs have fluctuated considerably in recent years, reflecting global supply and demand conditions as well as international conflicts, including the Russia–Ukraine war and the 2026 conflict involving Iran.

This note examines how changes in Myanmar’s exchange rate regime and international agricultural prices have affected domestic prices and agricultural incentives. We focus on three major agricultural export commodities—rice, maize, and black gram—and on urea, the most widely used inorganic fertilizer in Myanmar. We first describe the evolution of the exchange rate framework and its implications for agricultural exports. We then compare domestic and international prices for major export crops and fertilizer before assessing what these developments imply for incentives to use fertilizer and, more broadly, for farm profitability.

Changes in Myanmar’s exchange rate regime

The government has repeatedly changed Myanmar’s exchange rate policies since the beginning of 2022, with important implications for agricultural export and import incentives (Table 1). Following the military takeover and until April 2022, no new mandatory foreign exchange conversion requirements were imposed on export earnings. In April 2022, however, exporters were required to convert their foreign exchange earnings into Myanmar kyat (MMK) at the official Central Bank of Myanmar (CBM) exchange rate of 1,800 MMK per US dollar. This rate was increased to 2,100 MMK per US dollar in August 2022 but remained substantially below the parallel market exchange rate. In April 2022, exporters were required to convert 65 percent of their foreign exchange earnings at the fixed official exchange rate. The requirement was subsequently extended to land-border trade in August 2022. The share subject to the below-market conversion rate was gradually reduced thereafter: from 65 percent to 50 percent in July 2023, to 35 percent in December 2023, to 25 percent in August 2024, and to 15 percent in January 2026. The remaining foreign exchange earnings could be exchanged at market-related rates. From July 2023, exporters were required to use the newly established online trading platform rather than the unofficial market for the relevant share of their earnings. In practice, rates on the online platform have generally remained below parallel market rates.¹ Moreover, from September 2024, the government reintroduced an “Export First Policy”², requiring importers to provide evidence of export earnings to obtain import licenses. Although intended to prioritize scarce foreign exchange for exports, the policy has tied access to import licenses to the availability of export earnings (World Bank, 2026). Importers that do not generate sufficient export proceeds must consequently obtain foreign currency from exporters to finance their imports. This

¹ The Central Bank of Myanmar set up an online Foreign Exchange Management System (FEMS) to manage foreign exchange transactions for import and export activities.

² The Export First Policy had previously been in place for about 15 years. It was introduced following the Asian financial crisis in 1997 and abolished during the major economic reforms of 2012. Under the policy, imports were required to be financed by export earnings; its termination contributed to a surge in imports (IMF, 2012).

has created an additional transaction and foreign-exchange cost for importers and strengthened linkages between export and import activities.

Table 1. Major changes in Myanmar’s foreign exchange regulations affecting export earnings, 2022–2026

Date	Reference No.	Policies
03-04-2022	No. 12/2022	100% of foreign export earnings to be converted into Myanmar MMK at official CBM rate. Provides that foreign currency earned by Myanmar residents must be deposited in AD banks and converted into MMK within one working day of receipt.
05-08-2022	No. 36/2022	65% of export earnings to be converted to MMK at 2100 rate for all exports [start of 65:35 rate for all]
16-08-2022	FE-1/PaKa/1956	35% of export earnings to be used within one month, either through “payment for self” or “sell to bank” or “sell to others”
18-11-2022	1415/2022	Rice export from MRF – export earnings to be 65/35
02-12-2022	FE-1/PaKa/3602	Border trade to be 65/35
30-12-2022	FE-1/2861	For companies with more than 35% FDI, for agriculture and livestock exports, if its value added 100% exempt and if not 65/35.
28-02-2023	FE-1/3473	For rice, for both normal and border trade, all export earnings to be 65/35
13-07-2023	No. 15/2023	Export earnings to be converted to MMK changes from 65% to 50%; online trading rate introduced. Exporters need to convert portion of their earnings with this rate (no longer with unofficial rate) and the rest with CBM’s rate 2100 [start of 50:50 rate]
06-12-2023	No. 26/2023	Export earnings to be converted to MMK changes from 50% to 35% at CBM’s rate [start of 35:65 rate]
07-08-2024	No. 37/2024	Export earnings to be converted to MMK change from 35% to 25% [start of 25:75 rate]
07-01-2026	No. 2/2026	Export earnings to be converted to MMK change from 25% to 15% [start of 15:85 rate]

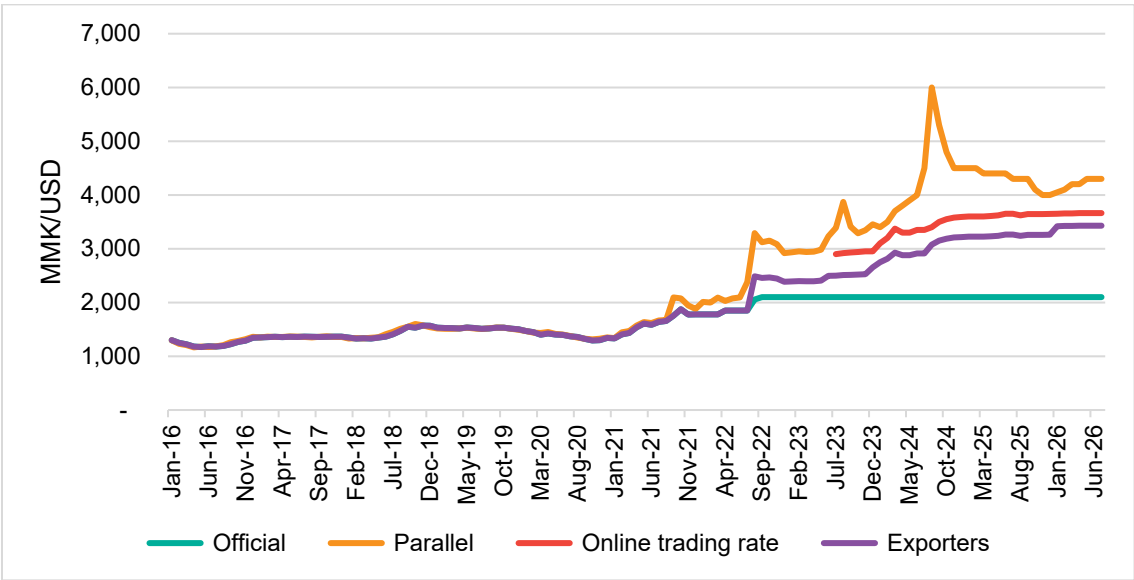
Source: Myanmar State Administration Council/State Security and Peace Commission. The references are the Central Bank of Myanmar (CBM)’s official notifications regarding export earnings. Myanmar kyat (MMK). Myanmar Rice Federation (MRF). Foreign Direct Investment (FDI).

Exchange rates and agricultural exports

Figure 1 shows the official exchange rate, the parallel market rate, the online platform rate, and the effective exchange rate faced by exporters. The differences between these rates illustrate the magnitude and evolution of the implicit tax imposed on exporters through mandatory foreign exchange conversion.

Comparing the parallel market rate with the effective exchange rate faced by exporters, we estimate that the average implicit tax was approximately 24 percent between May 2022 and July 2026. The implicit tax was highest in 2024, when the effective exchange rate differed from the parallel market rate by almost 50 percent in August. This reflected the sharp depreciation of the kyat between June and August 2024. The gap subsequently narrowed, partly as a result of tighter trade restrictions and the gradual reduction in the share of export earnings subject to the below-market conversion rate. By the first half of 2026, the implicit tax had fallen to approximately 19 percent. Importers faced a different set of incentives. They generally had to access foreign exchange at rates closer to those prevailing on the online trading platform. However, because trading on the platform has been constrained, importers have often had to rely on the parallel market to obtain foreign exchange (World Bank, 2025).

Figure 1. Exchange rate, January 2016 – July 2026



Source: CBM and World Bank (2026)

A key implication of the exchange rate regime is that domestic prices of export crops would be expected to fall relative to international prices when exporters are required to surrender foreign exchange at below-market exchange rates. When the official exchange rate is below the market-clearing rate, demand for foreign exchange exceeds its supply at the regulated rate. Exporters may therefore accept lower margins on exports in order to obtain foreign exchange that can subsequently be used for more profitable import activities (Tamru et al., 2021; Anderson et al., 2008). Alternatively, if informal export and import markets are sufficiently widespread and difficult to control, changes in the formal exchange rate regime may have little effect on domestic prices. The magnitude of the impact therefore depends critically on how effectively foreign exchange and trade regulations are implemented.

Data

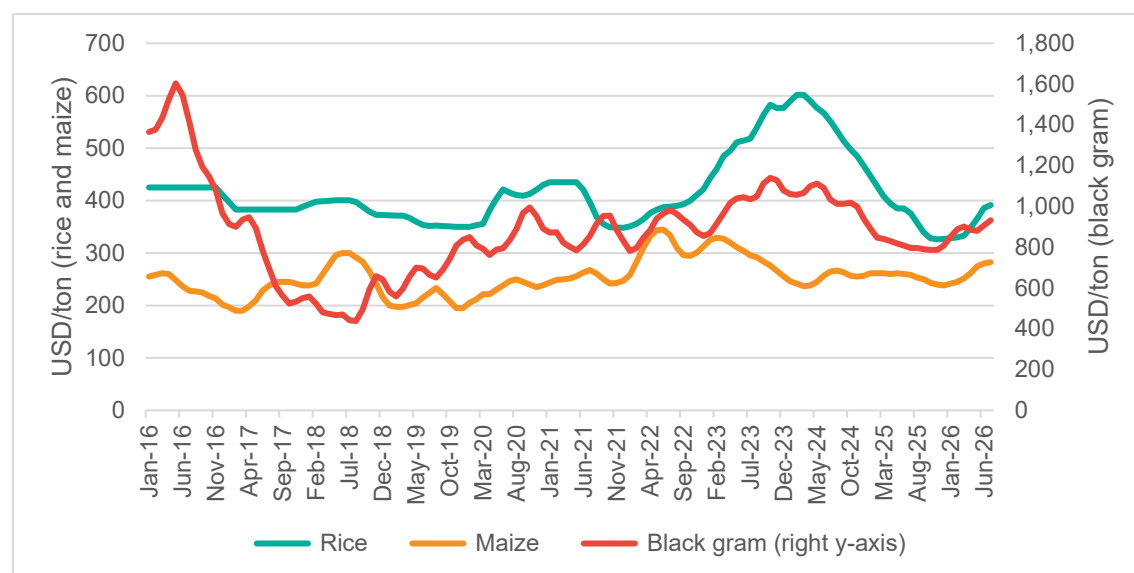
We combine secondary data on international and domestic wholesale prices. For rice, domestic wholesale prices are obtained from Myanmar Rice, a Facebook page operated by the Myanmar Rice Traders' Association, which reports prices from the Wadan wholesale market in Yangon. Rice free-on-board (FOB) prices are obtained from the Myanmar Rice Federation. For maize and black gram, domestic wholesale prices are obtained from the Mandalay Commodity Exchange Center, while FOB prices are sourced from

the Yangon Region Chamber of Commerce and Industry (YRCCI). Domestic fertilizer prices are obtained from the Market Information System of the Ministry of Agriculture, Livestock and Irrigation, while international fertilizer prices for Thailand and the Middle East are obtained from the Thailand Office of Agricultural Economics and the World Bank³, respectively.

Agricultural export prices: rice, black gram, and maize

We examine the evolution of domestic prices for three major agricultural export commodities—rice, black gram, and maize—and compare them with international prices. For rice, we focus on Emata, one of Myanmar’s major export varieties. Figure 2 shows the evolution of international prices over the past decade. International rice prices were relatively stable for much of the period, but increased sharply in 2024, largely because of India’s rice export restrictions and concerns about production associated with El Niño (Glauber and Mamun, 2024). Black gram prices were particularly high in 2016 and 2017, reflecting production shortages in India caused by adverse weather and the resulting increase in Indian import demand (World Bank and LIFT, 2019). Prices fell sharply in 2018 but have generally increased since then. International maize prices were also relatively high in 2022 and 2023, reflecting low global stocks and disruptions to Ukrainian exports following the outbreak of the Russia–Ukraine war (USDA, 2022).

Figure 2. International prices for rice, maize, and black gram; nominal USD; January 2016 – July 2026; 3-month moving average



Source: Myanmar Rice and YRCCI

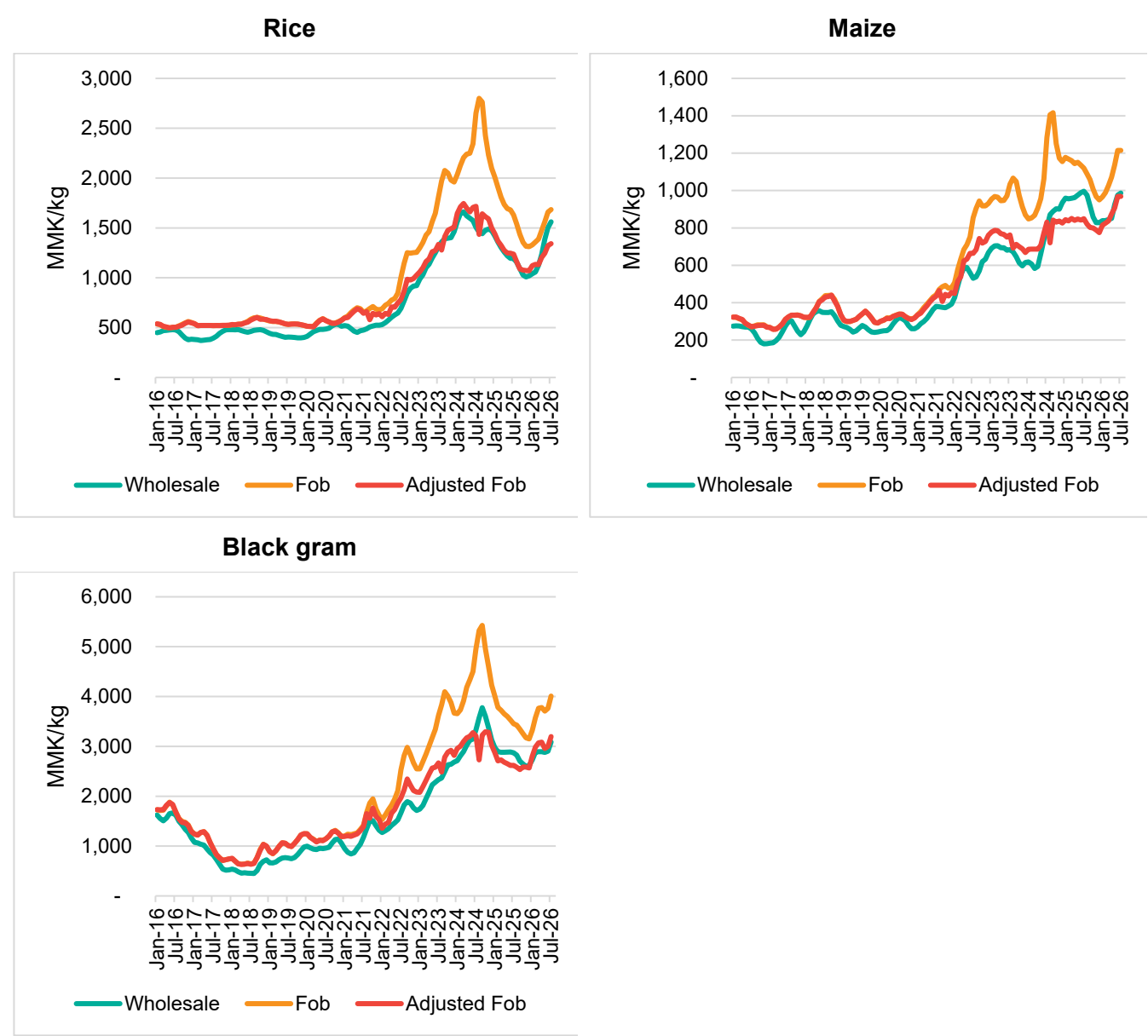
We next compare domestic wholesale prices with FOB prices expressed in MMK (Figure 3). Before the introduction of the new exchange rate regime in April 2022, FOB prices were substantially higher than domestic wholesale prices. This difference largely reflects the costs of accessing international markets, including certification, additional processing⁴, transportation, and other export costs. We also calculate an “adjusted” FOB price using the effective exchange rate imposed on exporters since the start of the new exchange rate regime. This adjusted price increases over time, but less rapidly than the FOB price

³ Urea prices were until March 2022 reported for Ukraine (Black Sea). Afterwards, they are FOB prices Black Sea.

⁴ Rice for export is typically polished twice while local rice is only polished once.

converted at the parallel market exchange rate. The relatively close relationship between domestic wholesale prices and adjusted FOB prices suggests that domestic agricultural prices responded to the formal exchange rate regime and that the authorities were able to limit the extent to which informal foreign exchange markets influenced domestic crop prices.⁵

Figure 3. Crop prices (wholesale, FOB at parallel exchange rates, and adjusted FOB at imposed exchange rates), January 2016 – July 2026

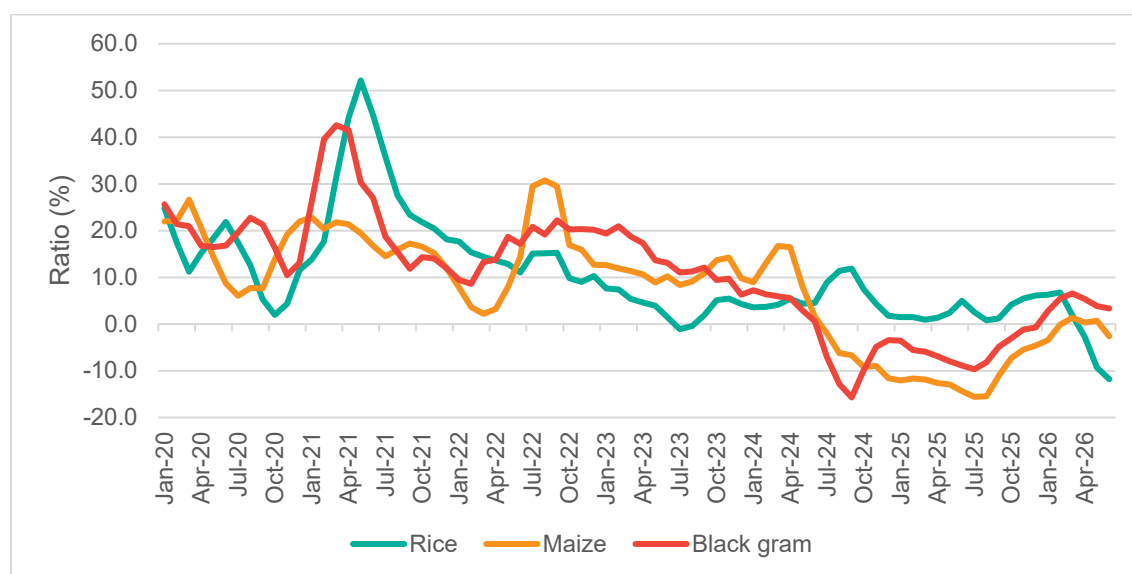


Source: Authors' calculations

⁵ Despite this implicit export tax because of the exchange rate regime, we still see significant inflation of rice prices on the local wholesale market in Yangon, with prices of rice being more than three times higher in the middle of 2024 compared to the beginning of 2021.

The gap between domestic wholesale prices and adjusted FOB prices has nevertheless narrowed over time, indicating increasingly compressed—and in some cases negative—export margins (Figure 4). The ratio of adjusted FOB prices to domestic wholesale prices was 13, 16, and 18 percent higher for rice, maize, and black gram, respectively, in 2020. By 2026, these margins had fallen to –3 percent for rice, –1 percent for maize, and 4 percent for black gram. We see especially a steep drop mid-2024 for black gram and maize after the introduction of the “Export First Policy”. The increasingly low margins appear to have contributed to changes in the organization of international agricultural trade. Importers have increasingly partnered with agricultural exporters or begun exporting themselves in order to obtain foreign exchange (World Bank, 2025; USDA, 2025).⁶ These margin calculations therefore suggest that agricultural exporters without access to such arrangements may no longer be able to export profitably. Similar responses to managed exchange rate regimes and foreign exchange controls have been documented in other countries (Tamru et al., 2021; Anderson et al., 2006 and 2008).

Figure 4. Gross profitability ratio for exporters (ratio of adjusted FOB over wholesale prices)⁷



Source: Authors' calculations, online rates reported by the Central Bank of Myanmar

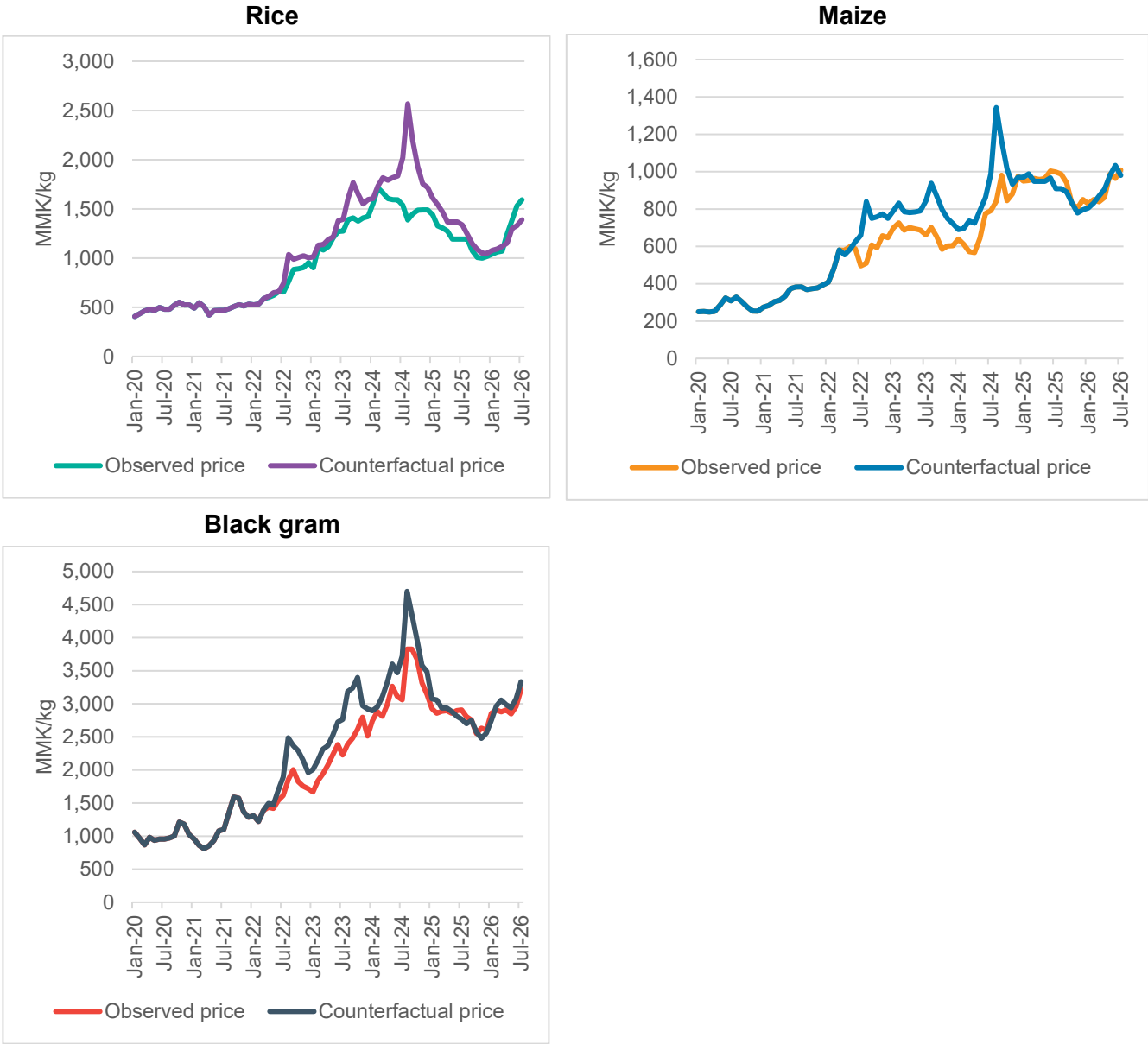
The gradual improvement in the effective exchange rate faced by exporters, together with the decline in export margins, has resulted in domestic crop prices becoming increasingly aligned with international prices. To illustrate this change, we construct a counterfactual price series based on the average domestic wholesale-to-FOB price ratio observed between January 2016 and March 2022, i.e., before the introduction of the new exchange rate regime. We apply this historical relationship to the post-2022 period and calculate the corresponding FOB price using the parallel market exchange rate. This counterfactual represents an approximate scenario in which the pre-2022 relationship between domestic and international prices had continued in the absence of changes in the foreign exchange regime. Figure 5 compares these counterfactual prices with observed domestic prices. A substantial gap emerged immediately following the introduction of the multiple exchange rate regime. The average gap between observed and counterfactual prices ranged from approximately 16 to 22 percent across the three crops.

⁶ However, exporters sometimes have also difficulty finding importers to partner with because the issuance of import licenses is highly restrictive.

⁷ Not accounting for export costs.

Since the beginning of 2025, however, this gap has largely disappeared. This appears to reflect both the gradual reduction in the share of export earnings subject to the below-market exchange rate and the compression of export margins.

Figure 5. Observed prices versus counterfactual prices (estimated/projected domestic prices under pre-2022 conditions)



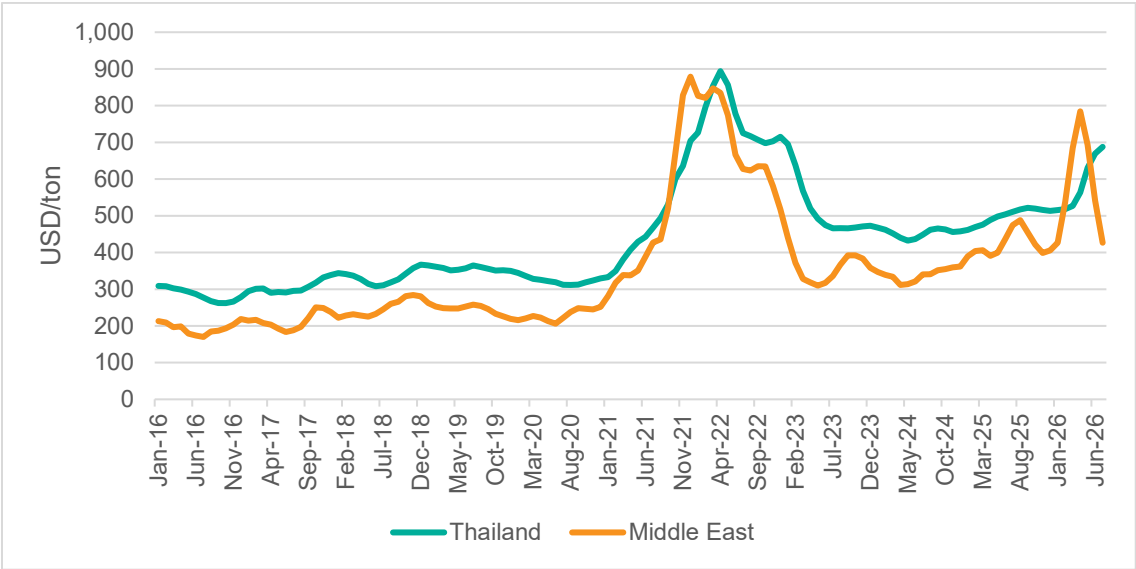
Source: Authors' calculations

Agricultural imports: fertilizer

Figure 6 examines trends in the cost of imported agricultural inputs. We focus on inorganic fertilizer, the most important commercial agricultural input used by farmers in Myanmar (Minten et al., 2024), and specifically on urea, the country's most widely used fertilizer. Because reliable FOB import prices for Myanmar are not available, we compare domestic wholesale prices with international prices in the Middle

East—the main source of Myanmar’s imported fertilizer (Masias et al., 2026)—and with prices in neighboring Thailand. International prices are converted into MMK using both the parallel market exchange rate and the exchange rate on the online trading platform. International urea prices have been highly volatile in recent years (Figure 6), reflecting major international shocks, including the Russia–Ukraine war during 2022–2023 and the conflict involving Iran in 2026.

Figure 6. International urea prices (Thailand and Middle East), January 2016 – July 2026, 3-month moving average

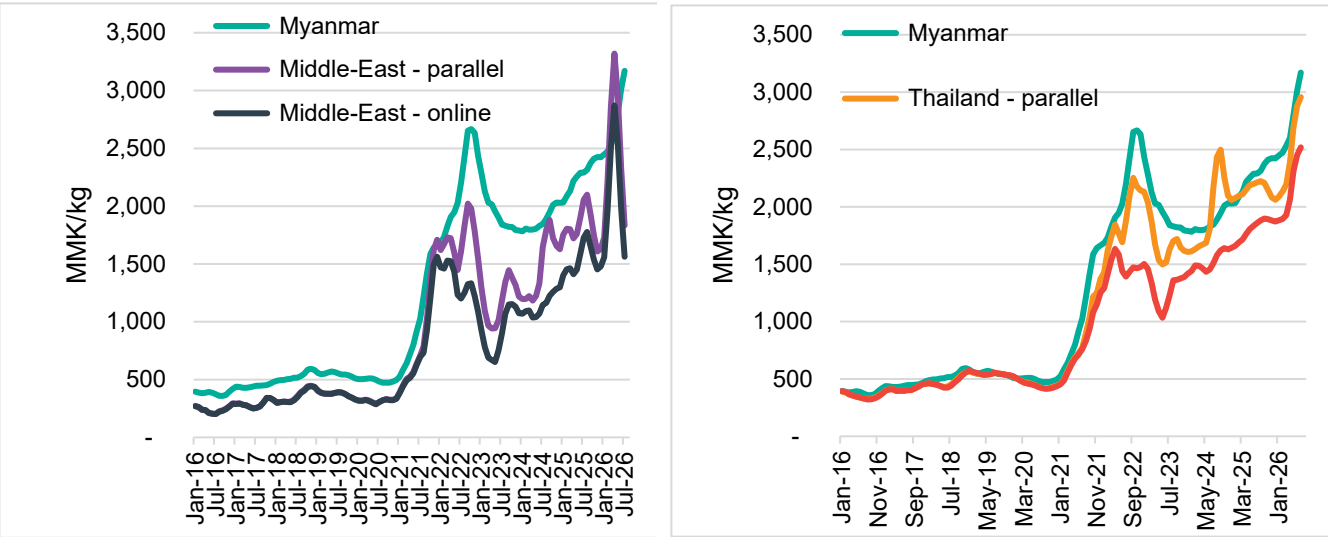


Source: World Bank and Thailand Office of Agricultural Economics

When domestic fertilizer prices are compared with international prices using the parallel and online-platform exchange rates, a substantial divergence emerges after the beginning of 2022. Using the online-platform exchange rate, domestic prices imply relatively large margins and potentially substantial rents for firms able to obtain foreign exchange at the preferential rate. The gap is considerably smaller when domestic prices are compared using the parallel exchange rate. Using the parallel exchange rate, Myanmar’s urea prices were on average about 9 percent higher than prices in Thailand between May 2022 and July 2026, broadly similar to the difference observed before the introduction of the multiple exchange rate system. This suggests that, despite the substantial foreign exchange and import constraints facing the agricultural sector, urea prices have remained relatively closely linked to international prices.

In mid-2024, amid foreign exchange shortages, import restrictions, and increased volatility in international fertilizer prices, the government introduced periodically announced reference prices for fertilizer. The Yangon reference price for urea was initially set at 73,000 MMK per 50-kg bag in June 2024. The reference-price system appears to have played an important role in containing domestic urea price increases and maintaining prices relatively close to international levels. However, maintaining these reference prices may have constrained margins for agro-input retailers, particularly when international prices or domestic costs increased. Agro-input retailers may have sought to protect their margins by diversifying toward other agricultural inputs and activities that are not subject to comparable reference-price controls. Ultimately, farmers would not necessarily be able to avoid the broader increase in production costs.

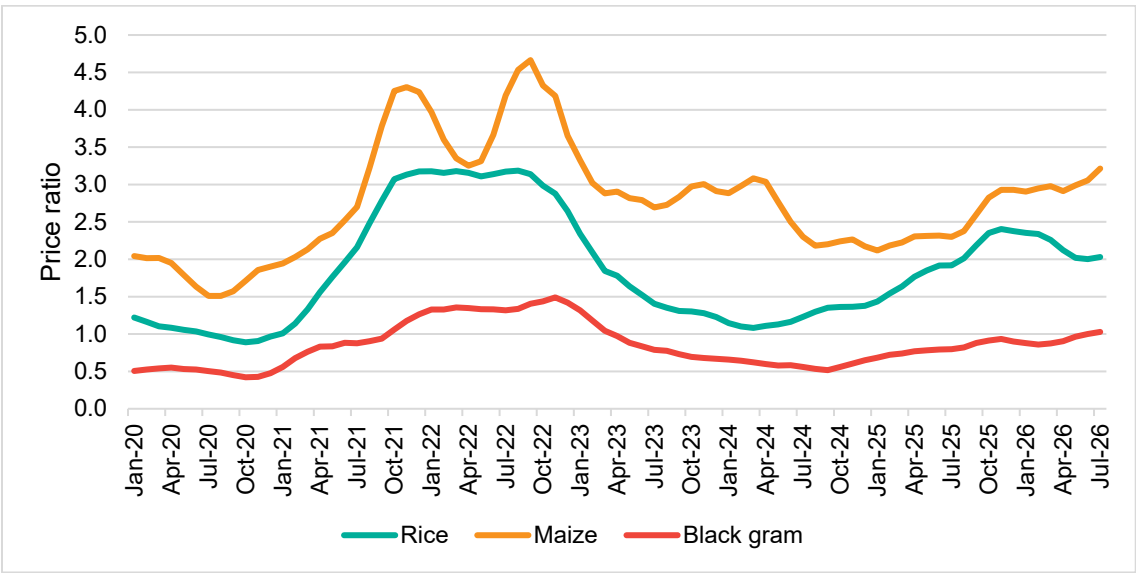
Figure 7. Urea prices (Middle East, Thailand and Myanmar), January 2016 – July 2026, 3-month moving average



Source: Authors' calculations

The ratio of fertilizer prices to crop prices provides an important indicator of the economic incentives for fertilizer use. Figure 8 shows how these incentives have changed over time. Following the outbreak of the conflict involving Iran, concerns emerged that fertilizer-use incentives—particularly in Asia—could deteriorate sharply because of rapid increases in fertilizer prices combined with relatively limited increases in crop prices (Arita and Glauber, 2026). Our data indicate that fertilizer-use incentives in Myanmar have indeed deteriorated substantially in recent months. The fertilizer-to-crop price ratio is considerably less favorable than in most previous years, although it remains more favorable than during the initial period of the Russia–Ukraine war.

Figure 8. Fertilizer (urea) versus crop price ratios Myanmar, 3-month moving average, January 2020 – July 2026



Source: Authors' calculations

Fertilizer, however, is only one component of farmers' production costs. Other major costs have also increased substantially. In particular, mechanization costs have risen with higher fuel prices, while agricultural wage rates have increased amid substantial outmigration and resulting labor shortages (Win and Minten, 2026). Consequently, even though fertilizer prices have remained relatively closely linked to international prices, the combined increase in input costs suggests that overall farm profitability is likely to be under considerable pressure during the current monsoon season. This raises concerns not only about farmers' profitability but also about input use and agricultural production in the coming season. If high production costs are not matched by sufficiently higher crop prices, farmers may respond by reducing fertilizer application, mechanization, or other purchased inputs. Monitoring both input prices and farm-level production costs will therefore be important for assessing the evolution of agricultural production incentives and incomes in Myanmar.

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