



## Monitoring the Agri-food System in Myanmar

### Agricultural Crop Traders – September 2021 survey

To understand the effects of COVID-19 and political instability on Myanmar's crop trade sector, a phone survey of commodity traders was conducted in September 2021.

#### Key Findings

- The most significant disruptions to crop trading in September were in banking and transportation. Sixty percent of respondents reported higher transportation costs and 47 percent reported difficulties making and receiving payments for crops, respectively.
- Sixty-one percent of traders reported difficulties collecting repayment from farmers on credit lent out. Although over half the sample offered credit to farmers in the 2021 monsoon season, there was an 8 percent decline relative to the 2020 monsoon season. Overall, 37 percent of traders do not expect full repayment before the 2022 monsoon season.
- There was also a 9 percent decline in the share of traders taking credit in during the 2021 monsoon season (15 percent) relative to 2020 (24 percent) and 44 percent of the traders taking credit do not expect to fully repay these debts before the 2022 monsoon season.
- Sixty-three percent of traders reported lower overall trade volumes in September 2021 relative to the same time in 2020. For the main crop traded, average daily turnover was down by 5 percent and storage volumes were down by 6 percent.
- Hired transportation costs increased by an average of 23 percent relative to September 2020 and 56 percent of traders reported fewer trips to buy crops.

#### Looking ahead

- If these hurdles persist into the monsoon marketing season, they will present challenges to farmers as they try to sell their harvests. Indeed, there are already signs of reduced marketing opportunities in September going into the harvest season. Removal of curfews and travel restrictions at each administrative level would lessen some of the marketing challenges.
- Delayed repayment of farmer credit combined with a heavy dependency on cash for transactions may lead to a cycle of reduced credit to farmers for winter and summer seasons.

## Background

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 caused by political instability and COVID-19 will likely affect both farmers—through market access and crop prices—and urban consumers—through food prices.

This Research Note presents results from a telephone survey of crop traders from Shan, Mandalay, Sagaing, and Magway conducted in late September 2021.<sup>1</sup> The September survey is the eighth round of a panel that began in May 2020 to track the effects of COVID-19 on crop trade. This note presents a snapshot of the crop trading segment of Myanmar's food supply chain shortly before the main monsoon crop marketing season. The objectives of the survey were (i) to continue to track key disruptions to crop trade; (ii) to provide detail on credit out to farmers and credit taken in during the 2021 monsoon season relative to 2020 and 2019; and (iii) to provide a snapshot of crop trader operations leading into the monsoon marketing season.

Between September 25 and 29, we reached 98 crop traders for interview (Table 1). However, 36 (37 percent) were not actively trading crops in the 30 days prior. September is normally a low season in crop trade, as monsoon harvests have not yet come in, and indeed 44 percent of those not trading cited normal seasonality. However, the share of inactive traders is higher than August last year when only 23 percent were inactive. In September 2021, 41 percent of inactive traders cited COVID-19 as the main reason for not operating.

**Table 1. Crop trader sample by agro-ecological zone**

	All	Shan	Mandalay	Sagaing	Magway
Trading in last 30 days	62	7	17	13	25
Not trading last 30 days	36	11	10	10	5

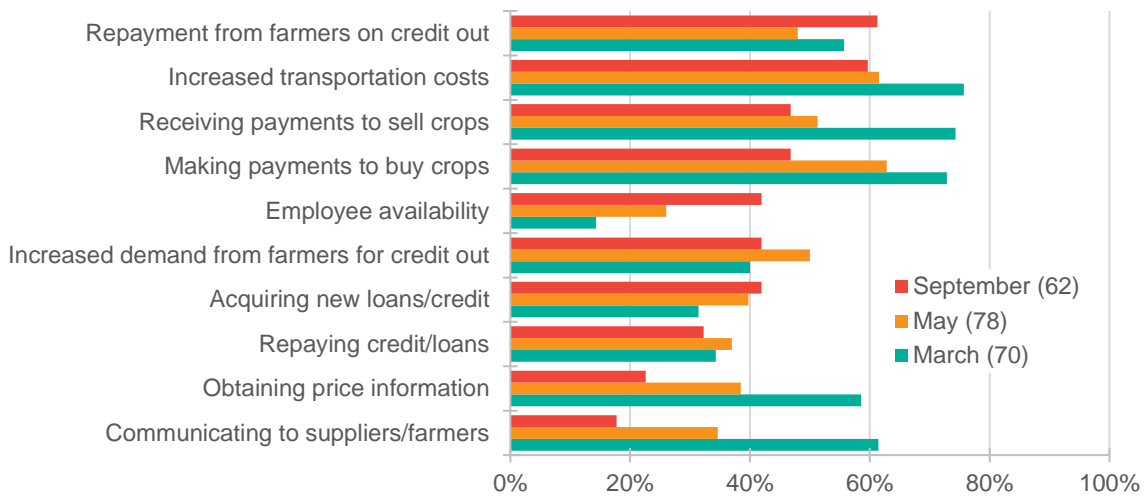
Source: Traders phone survey—September 2021 round

## Trading disruptions and responses

To assess the business disruptions for crop traders in September 2021, we asked yes/no questions on a range of business disruptions (Figure 1). Repayment of credit provided to farmers was the most frequently cited disruption in September (61 percent), higher than in both the May and March survey rounds. The second most frequently cited disruption was increased transportation costs (60 percent) which remained at a similar level to May. Payment challenges—both in buying and selling crops—persisted in September (47 percent each). Disruptions to employee availability increased sharply (42 percent) from May (26 percent) and March (14 percent) following the third wave of COVID-19, while difficulties obtaining new credit/loans also increased (42 percent) slightly from prior rounds.

<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.

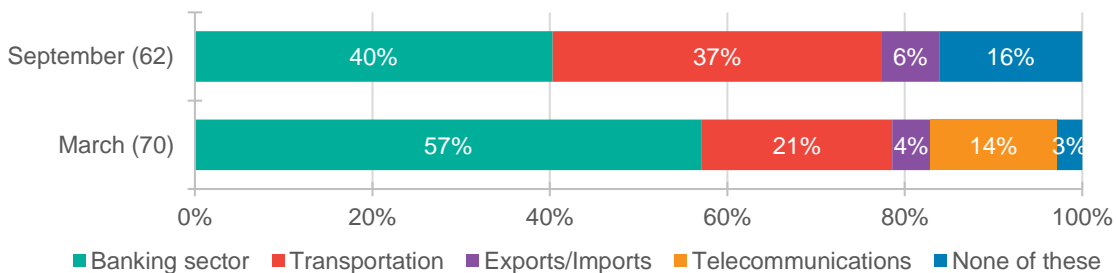
**Figure 1. Disruptions experienced by crop traders by month, percentage reporting**



Sources: Traders phone survey—March, May, and September 2021 rounds

To help identify which categories of disruptions were having the largest impact on trading business, we asked crop traders which disruption was the most significant. In September, problems in the banking sector (40 percent) and in transportation (37 percent) received similar response shares. This is a slight shift from March when slowdowns in banking sector were the dominant disruption (57 percent). The shift likely represents an increase in transportation costs and restrictions stemming from COVID-19’s third wave rather than any significant improvements in the banking sector.

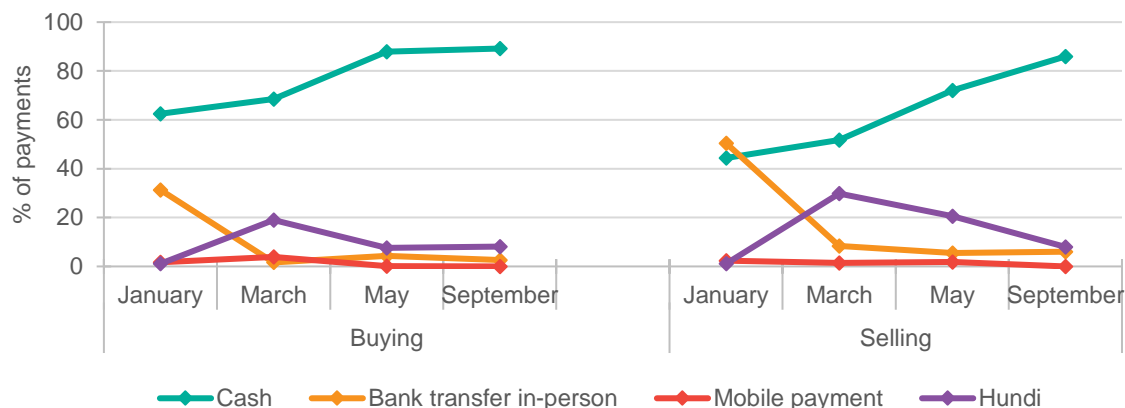
**Figure 2. Most significant disruption experienced by crop traders by month, percentage reporting**



Sources: Traders phone survey—March, May, and September 2021 rounds

The continued banking system difficulties are reflected in the high share of payments to suppliers made in cash (Figure 3). Reliance on cash continued its upward trajectory since January with 89 percent of all crop purchases conducted in cash along with 86 percent of all crop sales—a large jump by 14 percent points relative to May. In-person bank transfers—the leading payment method for selling prior to the banking sector collapse—have not improved since March and accounted for only 3 percent of purchases and 6 percent of sales transactions in September. For traders who normally make large transfers, mobile banking remains a problem since banks limit daily transaction amounts. Hundi payments have seen a sharp decline for sales since March and May. This may reflect high fees for Hundi payments amid the broader economic decline.

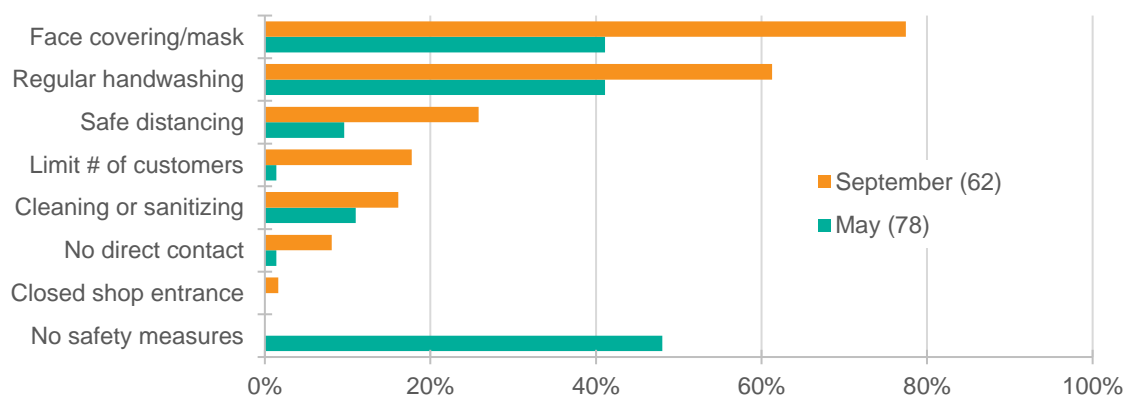
**Figure 3. Payment methods for buying and selling by survey round, average percentage of payments**



Sources: Traders phone survey—March, May, and September 2021 rounds

Following the third wave of COVID-19, traders were much more likely to implement preventative safety measures in September (Figure 4). For the first time since our surveys began during the first wave, all traders adopted at least one safety practice. The share of traders that practiced each safety measure increased from May, and face coverings (77 percent) and regular handwashing (61 percent) were the most common safety measures.

**Figure 4. COVID-19 prevention measures, percentage adopting**



Sources: Traders phone survey – May and September 2021 rounds

### Monsoon season credit

Previous phone surveys with crop traders as well as with input retailers and rice millers identified farmer credit as an area for concern for the 2021 monsoon season<sup>2</sup>. Agribusinesses play an important role in providing inputs and cash to farmers on credit for their monsoon season investments. During the 2021 monsoon season, however, rising input costs (see footnote) along with cash shortages (from banking sector disruptions) and operational disruptions posed challenges to the provision of farm credit. In the September survey, we asked recall questions to crop traders about

<sup>2</sup> Myanmar Agriculture Policy Support Activity (MAPSA). 2021. Monitoring the agri-food system in Myanmar: Rice millers—June 2021 survey round. Myanmar SSP Research Note 60. Washington, DC: International Food Policy Research Institute (IFPRI). <https://doi.org/10.2499/p15738coll2.134525>

Myanmar Agriculture Policy Support Activity (MAPSA). 2021. Monitoring the agri-food system in Myanmar: Agricultural commodity traders—May 2021 survey round. Myanmar SSP Research Note 58. Washington, DC: International Food Policy Research Institute (IFPRI). <https://doi.org/10.2499/p15738coll2.134462>

Myanmar Agriculture Policy Support Activity (MAPSA). 2021. Monitoring the agri-food system in Myanmar: Agricultural input retailers—June 2021 survey round. Myanmar SSP Research Note 57. Washington, DC: International Food Policy Research Institute (IFPRI). <https://doi.org/10.2499/p15738coll2.134457>

credit over the full monsoon production season along with comparisons to 2020 and 2019. There are four key results for monsoon season credit (Table 2).

**Table 2. Monsoon season credit out and credit in, 2019-2021**

	2021	2020	2019
<b>Monsoon season credit out to farmers</b>			
Providing credit to farmers (%)	52	60	56
<b>Conditional total value ('00,000 MMK)</b>			
Average	295	269	263
Median	150	150	150
Average share of credit not yet repaid (%)	82		
<b>When do you expect full repayment? (%)</b>			
Before 2022 monsoon	63		
Next monsoon season or later	37		
<b>Monsoon season credit or loans taken in</b>			
Receiving credit/loans (%)	15	24	24
<b>Conditional total value ('00,000 MMK)</b>			
Average	967	897	960
Median	600	200	200
Average share of credit/loans not yet repaid (%)	100		
<b>When do you expect to fully repay? (%)</b>			
Before 2022 monsoon	56		
Next monsoon season or later	44		

Source: Traders phone survey—September 2021 round

First, although 52 percent of traders offered credit in 2021, there was an 8 percent decline relative to 2020 and 4 percent relative to 2019. This is not due to lower demand; in March, May, and September survey rounds at least 40 percent of traders reported an increase in demand for credit from farmers (Figure 1). Thus, the decline reflects a lower willingness or ability of traders to offer credit. Conditional on offering credit, the average value of credit provided increased in 2021 relative to 2020 and 2019, while the median stayed the same.

Second, 82 percent of the credit value provided has not yet been repaid and, although usual repayment cycles come upon harvest of monsoon crops, 37 percent of our sample do not expect full repayment until after the start of next monsoon season. Longer credit durations may thus have impacts extending into winter, summer, and even next monsoon season lending.

Third, there were parallel trends in credit obtained by traders. The share of traders taking new credit fell by 9 percentage points in the 2021 monsoon season relative to 2020 and 2019. The conditional average amount obtained by traders increased in 2021 relative to 2020, but was similar to 2019, and the median amount increased in 2021.

Fourth, none of the 2021 monsoon season credit obtained by traders has been repaid and 44 percent expect full repayment to happen after the start of the 2022 monsoon. This again points to continued challenges extending beyond this monsoon harvest season.

## Crop trading in September

The last objective of the September round of the crop traders survey was to provide a glimpse into crop trader operations heading into the important monsoon marketing season. Table 3 provides an overview of crop trading with recall data comparisons to the same time in 2020. Crop traders reported being more diversified in September 2021, trading 2.7 different crops on average compared to 1.6 in September 2020. This is driven by traders in the Dry Zone trading more pulses and oilseeds for

which trade has expanded in 2021 from increased exports to India. However, 63 percent of traders reported lower overall traded volumes and only 7 percent reported an increase. Focusing on the highest volume crop for each trader, average daily turnover was reported to be 6 percent lower in 2021 relative to the same time last year. Average reported storage volumes also declined by 5 percentage points on average. Thus, crop trade activity was generally lower going into the monsoon harvest season this year than last year.

**Table 3. Crop trading and transportation in September 2021 compared to September 2020**

	# or %
Average number of crops traded among those trading	
September 2021	2.7
September 2020	1.6
Change in total crop trading compared to September 2020 (%)	
Increase	7
Decrease	63
Same	31
Highest volume crop	
Average change in stored volume compared to September 2020 (%)	-5
Average change in daily turnover compared to September 2020 (%)	-6
Transportation	
Average change in hired transport costs compared to September 2020 (%)	23
Change in number of buying trips compared to September 2020 (%)	
Increase	10
Decrease	56
Same	34

Source: Traders phone survey–September 2021 round

As indicated in Figure 1, transportation disruptions were an important factor in the trade decrease. Average costs of hired transport increased by 23 percent relative to September 2020 and over half of our sample (56 percent) reported fewer trips to buy crops, while only 10 percent reported an increase. This indicates a decline in marketing opportunities for farmers.

Although we have relatively few price observations per crop, sales prices of the main crops traded were on average 13 to 15 percent higher this year compared to last year. In particular, sesame and maize prices have increased from last year, though other pulses and oilseeds have also seen price increases. These year-on-year price increases likely reflect expanded export opportunities and rising world food prices.

## Looking ahead

In September, crop traders continued to contend with multiple disruptions, most notably in banking and transportation. If these hurdles persist into the monsoon marketing season, they will present challenges to farmers as they try to sell their harvests. Indeed, there are already signs of reduced marketing opportunities in September going into the harvest season. Removal of curfews and travel restrictions at each administrative level would at least lessen some of the marketing challenges.

Traders also faced considerable challenges related to credit during the 2021 monsoon season, with fewer traders both offering credit out and taking credit in relative to 2020 and 2019. While monsoon harvests will allow many farmers to repay credit, which will also allow traders to repay some of their debts, many traders do not expect full repayment until the 2022 monsoon season or later. Delayed repayments together with a heavy dependency on cash for transactions and the

continued closure of banks for in-person transfers, may lead to a cycle of reduced credit to farmers for the winter and summer seasons.

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### INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE

1201 Eye St, NW | Washington, DC 20005 USA  
T. +1-202-862-5600 | F. +1-202-862-5606  
ifpri@cgiar.org  
www.ifpri.org | www.ifpri.info

### IFPRI-MYANMAR

No. 99-E6 U Aung Kein Lane  
Than Lwin Road, Bahan Township  
Yangon, Myanmar  
IFPRI-Myanmar@cgiar.org  
www.myanmar.ifpri.info



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