

Rice Trading and Prospect of Rice Export in Myanmar

Htay Htay Lwin¹, Marlar Nyunt², and Aung Kyaw Khaing³

Abstract

This study explores the Rice Industry in Myanmar. It focuses on rice trading policy in Myanmar, rice market situation such as price, comparisons between countries, importing and exporting of rice, relating rules and regulations, and functions of Myanmar Rice Traders' Association (once known as Myanmar Rice and Paddy Wholesalers Association, MRPWA). The study is based on direct observation and individual views from different sources. This paper also tries to present the analysis on current situation and some policy recommendations.

Keywords: MRTA , rice market, rice industry, rice trading,

1. Introduction

The office of Myanmar Rice Traders' Association (MRTA) is situated at the corner of Wardan Street and Strand Road. This is also the place where wholesale dealers have been trading rice in practice. Wholesale dealers of rice have been actually in operation with Myanmar rice trading.

Rice is not only staple food for Myanmar people but also sensitive political crop for the nation. In Myanmar, several experiences were met with severely falling price of rice in 1930, shortage of reserved rice in 1967, and food insufficiency in 1988. Thus, there are big challenges for policy makers to handle rice industry correctly and smoothly. Smooth and correct handling of rice industry will help to have better circumstances in transforming the country into industrialized one. Exporting of rice enables the country to earn more foreign currencies.

Before Second World War and following decades after the independence, Myanmar has enjoyed the status as one of the world leading rice exporting countries, exporting more than half quota of total world trade's amount which is about 6 millions metric tons per year⁴. The contributing factors to increase rice production then were lack of trade barriers within the market of British Empire, cheap labour force from neighbouring India, and the government supporting in building infrastructures such as transportation, irrigation, land used extension and the importation of quality rice.

¹ Professor. Head of Department, Department of Applied Economics, Yangon Institute of Economics.

² Candidate, EMPA 6th Batch

³ Candidate, EMPA 6th Batch

⁴ Myanmar Rice Traders' Association

2. Rice Trading Policy

Government has adopted a new policy for rice trading on the 23rd April 2003. This policy allows free trade in rice selling for the benefit of farmers and the public, increases market economies and encourages power of farmers and nation's traders. The aims of new policy are:

- (a) to increase the productivity of agricultural sector.
- (b) to consume with fair price in market.
- (c) to have foreign currency from exporting surplus rice.

For monitoring the rice trading, government has formed a leading group which consists of Prime Minister, the chairman, and four ministers of Agriculture, Industry 1, Commerce, and Energy. They are responsible for rice trading, planning, giving instructions to organize the group which requires smooth trading, coordination and cooperation among traders and farmers, supervising export policy, giving guidelines for the improvement of production, and solving problems in trading. This leading group is authorized for⁵:

- (a) having influence to organize the rice selling groups.
- (b) the policy announcement of trading.
- (c) deleting, modification and restructuring on unfair groups.
- (d) limiting to export.
- (e) adjusting unfair prices.
- (f) laid down policy for expanded structure groups.
- (g) reporting of rules and regulations on rice selling.

3. Rice Market Situation

The following table shows rice market situation in Myanmar in 2008 (in terms of four main items such as Pawsan, Pawkywe, Eaimahta, and Ngasein.)

⁵ Myanmar Rice Traders' Association (MRTA)

Table (1) Monthly Price in Local Market (2008)

(Kyats / 108 lbs bag)													
No	Items	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	Pawsan	18700	18900	18900	19500	25000	24800	24800	24500	24500	24500	24500	24500
2	Pawkywe	15700	15700	15700	15700	23000	22800	22800	22500	22200	22200	21000	19500
3	Eaimahta	13500	13500	13500	13500	19500	15800	15800	15500	15200	15200	14500	13500
4	Ngasain	12200	12400	12400	12400	16500	15000	13500	13500	13200	13200	12500	10000

Source - Myanmar Rice Traders' Association

Table (2) shows export price of rice (in terms of Eaimahta) difference between Myanmar and some neighbour countries.

Table (2) Comparison with Other Countries

Countries	Eaimahta 1 bag (Kyats)	1 metric ton (Kyats)	1 metric ton FOB (US \$)
Thai	20,300	416,000	290
Vietnam	19,950	399,000	285
Pakistan	18,550	371,000	265
Myanmar	14,500	290,000	207

Source - UMFCCI, Myanmar.

Table (3) shows that, major rice producing countries are in order of their ranks with their rice producing in million tons.

Table (3) Major Rice Producing Countries (2008-2009)

Rank in Order	Country	Milled rice in million tons
1	China	130.90
2	India	97.50
3	Indonesia	36.25
4	Bangladesh	29.60
5	Vietnam	23.50
6	Thailand	19.50
7	<i>Myanmar</i>	<i>16.74</i>
8	Philippines	10.20
9	Brazil	8.29
10	Japan	8.00

Source - Ministry of Commerce, Myanmar

Major rice exporters in 2008-2009 are Thailand, Vietnam, India, China, Uruguay, Brazil, Argentina, Egypt, Myanmar and Cambodia. Their exporting of rice in million tons is shown in Table (4) below;

Table (4) Major Rice Exporters (2008-2009)

Sr. no.	Rice exporters in order (Milled)	Million tons
1	Thailand	10.00
2	Vietnam	4.75
3	India	2.95
4	China	1.00
5	Uruguay	0.77
6	Brazil, Argentina, Egypt & Myanmar	0.45
7	Cambodia	0.40

Source - Ministry of Commerce, Myanmar

Major rice importers and their 2008-2009 imports of rice can also be seen in the Table (5).

Table (5) Major Rice Importers (2008-2009)

Sr. No.	Rice Importers in order (Milled)	Million tons
1	Philippines	2.5
2	Nigeria	1.6
3	Bangladesh	1.2
4	EU , Iran	1.1
5	Saudi Arabia	1.01
6	Cote d' Ivorie	0.98
7	Iraq	0.97

SOURCE – Ministry of Commerce, Myanmar

The natural disaster, Cyclone Nargis destructed the wide area of Myanmar paddy land on the 2nd May of 2008. Since most of the crops were flooded and destroyed, price of rice became abruptly climbed after that period. However, the prices of Eaimahta and Ngasain fell down to the normal condition in June ~ July, 2008 because of new crops were harvested during this period. As Pawsan and Pawkywe, which are able to be grown only in the Irrawaddy Division can be harvested just once a year, its` prices will be high until the next harvest time.

Rules and Regulations

According to the new rice trading policy, free buying and selling can be made by any nationality without government`s interventions. Price should be market prevailing price. A group or cartels are not allowed to influence on the market to prevent monopolistic characters. Not only the government owned rice mills but also private rice mills can produce rice. In order to have high quality rice, modernized and advanced rice mills are allowed to establish. State owned rice mills, storage buildings and land are allowed to rent. Export can be operated under the instructions of the leading group. However, only when, while production exceeds the domestic consumption, surplus should be exported. From the export earning, government shall collect the 10 % for import tax and the rest will be shared by 50-50 between the government and traders. Then the government has to refund the amount that the traders invested for such 50 % .

Myanmar Rice Traders' Association

Myanmar Rice and Paddy Wholesalers Association (MRPWA) was established on the 6th April, 1992. The office of the Ministry of Commerce reformed this association on the 2nd April, 1993 and changed its name as Myanmar Rice Traders' Association (MRTA). This association includes:

Board of Chairpersons	3 members
Central Executive Committee	29 members
Executive Committee	35 members
Branch Association (State and Division)	15 branches
Branch Association (District level)	53 branches
Township level branch	238 branches
Total members	12,652 members

The association has formed five executive committees:

- (1) Myanmar Wholesale Trading Market Committee
- (2) Administrative Committee
- (3) Organizing Committee
- (4) Finance Committee and
- (5) Research and Foreign Relation Committee.

Limitations

The following qualifications are needed to participate into the Rice Wholesale Trading Market:

- (1) member of Rice Traders' Association
- (2) Actually Trading rice.
- (3) observing rules and regulations of Rice Wholesale Trading Market
- (4) Age 18 and above shall be entitled to contract
- (5) able to make payments on member fees, annual fees and other fees occasionally
- (6) collected by the association
- (7) granting to follow the aims and targets of Wholesale Rice Trading Market

4. Objectives of Myanmar Rice Traders' Association (MRTA)

The objectives of the MRTA are⁶:

- (1) To play a leading role in enabling traders to apply means and ways which are in conformity with the advancing era in running business fairly.
- (2) To develop economic and social situation of the rice growers and producers and increase productivity.
- (3) To strive to boost internal and external trade of rice and rice-based products and to find more markets.

⁶ Myanmar Rice Traders' Association

- (4) To consolidate unity among the rice traders to enable them to serve the interest of the nation and the people orderly and dutifully.
- (5) To actively cooperate with State institutions to stabilize rice prices.
- (6) To join hands with the State institutions and NGOs to implement economic policies laid down by the State.
- (7) To study and assess rice trade and market conditions occasionally and to present suggestions to State institutions. To coordinate with rice millers to develop mill technology and to minimize loss and wastage.
- (8) To constantly study the rice market information and technologies and to disseminate knowledge to members and to conduct research.
- (9) To solve occasionally occurred trade disputes through peaceful means.
- (10) To render social assistance to members.

Opportunities

The establishment of Myanmar Rice Traders' Association (MRTA) tends to have a good inter-relationship each other among individual traders and lead to have rapid information. Activities of Association has been encouraging the prevention of monopolistic characters, market distortion or failures, inequity to access information and so on.

According to the paper of "Market Preference by Ministry of Commerce", potential rice markets are Bangladesh, African countries, Sri Lanka, N. Korea, Middle East (GCC) countries and East Europe. Previous times, Myanmar's steam-rice had some market share in South Asia countries.

Condition of Domestic market

Due to the Cyclone Nargis, main production areas of rice (around Irrawaddy Division) were almost totally damaged and most of farmers, millers and traders were collapsed. Some may salvaged and survived by their own strength but many still remained. On the other hand, in accordance with the financial crisis, rice demand in world market decrease decreasing and overall rice prices became declined. Thus, farmers came to feel lack of interesting in their production due to the low price. They are not able to keep investing large amount in the production sector. By viewing of excess production, lack of demand in world rice market and most of the farmers feels worried about the falling price.

Existing Resources

In Myanmar, about 70 % of the populations are living in rural areas relying on the agricultural sector for their livelihood and main source of income. So Myanmar owns huge labour force available for agricultural sector with reasonably low wages. Moreover, in Myanmar there is an ample of land resources also with reaching up to 19 million acres; 16 million acres for raining season cultivation and 3 million acres for dry season cultivation increasing the total production up to 1300 millions bushels. With current demographic trend, Myanmar consumes about 800 millions bushels and leaving remaining balance of 500 million bushels at disposal for export.

FAO estimated that Myanmar has 5 millions tons more than domestic consumption. However the export record high was low in 2008 plunging to 300,000 Metric tons. Though it is understandable in the situation facing the natural disaster in May' 2008, the high record in the first decade of 21st century is 2001- 2002 reaching about one million Metric tons (908,000). All the rice exporting countries in the region of South East Asia once behind Myanmar surpassed their export quota in world market.

The question should be raised as “why does not the industry boom?” despite the good prospects with land and human resources, and despite the strong political will boost the industry. It is learnt that the following contributing factors made the industry to lagging behind other countries; falling production, quality of rice to meet the world market, limited market due to the sanction, and the need to review on current policies.

Factors Affecting Production

It is to think that two factors may contribute the falling of production; (1) slower access to machinery and the technology of rice cultivation and (2) absence of using good quality seeds. Majority of farmers are still using traditional method of cultivation by using cattle to plough and natural fertilizer to treat the land and the seeds they collected are only from their previous harvest. With the arrangement of Industrial Agriculture Department many tractors were imported in order to boost the industry during 1970s and 1980s, but most farmers still reluctant to use them.

Global Rice Market and Regional Cooperation

During May 2008, by collaborating with other major rice exporting countries in the region to set common price and form rice cartel and to help settle the world food crisis and increases the income of farmers, the impact of Cyclone Nargis led virtually to restrict the export of rice and which have direct negative impact on farmers' incomes. Though government now permits about 300,000 Metric tons of rice to export and world price of rice fell because of the global financial crisis and the quality of Myanmar rice.

It is to think that the following factors are contributing to the decrease of rice production and export; there is need of good seeds which will yield production raised. There is not enough supply of good quality seeds both in private and public sectors. Most farmers used the seeds from the previous harvest season.

Most farmers were limited or no access to capital. Moreover, most of the farmers have lack of capital for input in firming and production such as fertilizers, tractors etc. The Government and private sector should work together to fill this gap of insufficiency credit for farmers.

Another contributing factors for the current situation is the quality of mills. Most of the private and public mills are urgent need to overhaul and modernize to have better quality of rice. There are quite rare of mills able to produce export quality rice.

5. Policy Review

Realizing the need of better policy to develop the industry, government set the three objectives to increase production, to have stable and fair price for consumers, and to increase foreign currency by increasing rice export. To reach these objectives, government formulates the policies on purchase, production and sales based on the three basic principles of rice production and trades.

- (1) to go along with market oriented economy.
- (2) to keep momentum on country's main industry which is rice trading in order to help the tranquility of the country, and
- (3) to be able to trade quality rice by using modern technology.

6. Conclusion

The following recommendations and suggestions should be made for the rice industry of Myanmar;

- (1) It is needed to import the machinery which will help in either growing the crop or harvesting purposes also.
- (2) A policy should be formulated to encourage research in agriculture in which the newly found technology and methods are set and distribute then transferred to the farmers.
- (3) The government policy needs to be stable and consistent especially government intervention in the market and price setting, and restriction on export, etc.
- (4) It is needed to review the existing and change where necessary especially coherence among formulation, implementation and evaluation.
- (5) The land ownership law needs to be legislated as an incentive to farmers (eg. In Vietnam law permits at least 30 years of land ownership.)
- (6) There should be having good enforcement on black market export.
- (7) There should be having reliable financial institutions. (As now it is mostly rely on Singapore based Bank for export and import. transactions)
- (8) Investment in agricultural sector should be attracted.
- (9) Myanmar companies need international exposures, knowledge and network on global market.
- (10) A better system to monitor and control the quality of rice is needed.
- (11) In addition, to have the qualified rice for export by maintaining and upgrading the quality control on the whole process of production.

Acknowledgements

First and foremost, we would like to appreciate that it was a great opportunity to have a broad presentation by responsible personnel from Myanmar Rice Trading Association and meeting many wholesale dealers actually trading rice. With the sharing of their knowledge and experiences we all came to realize how Myanmar Rice Industry is going on and introducing the World Rice Market situation.

We must say special thanks to Col. Than Htut who introduced us to MRTA and also thanks to all the students of EMPA 6th batch for their efforts on gathering information, holding discussions and presentations for this paper.