



# **RICE BUSINESS DEVELOPMENT IN MYANMAR: Towards Comprehensive Agriculture and Rural Development**

**Dr Soe Tun – Joint Secretary General MRF/Executive Director MAPCO**

**Ye Min Aung – Secretary General MRF/Managing Director MAPCO**

**Dr Larry Wong – Senior Advisor MRF/Visiting Fellow ISIS Malaysia**

**NESAC-KRC-APAP ‘Business as Partner in Development’ Workshop**

**1 June 2014, Aye Thar Yar Resort, Taunggyi, Myanmar**

# OUTLINE:



- 1. INTRODUCTION**
- 2. BACKGROUND – Resource endowment, overview of rice sector, historical development and performance**
- 3. OVERVIEW OF RICE BUSINESS DEVELOPMENT – Supply Chain Management Approach, New Vision, MRJA/MRF, MAPCO**
- 4. MAJOR ISSUES DISTILLED – with respect to comprehensive agriculture and rural development**
- 5. THE WAY FORWARD – Key Take Home Messages**
- 6. CONCLUSION**

# INTRODUCTION:



- ***Purpose:*** Provide an appreciation of the dynamics, challenges and response in **Rice Business Development** and the increasing **role of the private sector** and **PPP arrangements** with a **MRF and MAPCO** slant.
- ***Underlying theme:*** It is crucial to have **public and policy dialogue** so as to understand the **new dynamics and challenges** in **Rice Business Development** and its role as a **partner in the overall development** of Myanmar

# MYANMAR'S RESOURCE ENDOWMENT:

Largest continental ASEAN member country – 67.6 mil ha – 1,900 km coastline

## A. Lower Myanmar

1. Delta region

2. Coastal region

## B. Upper Myanmar

3. Central dry zone region

4. Mountainous region

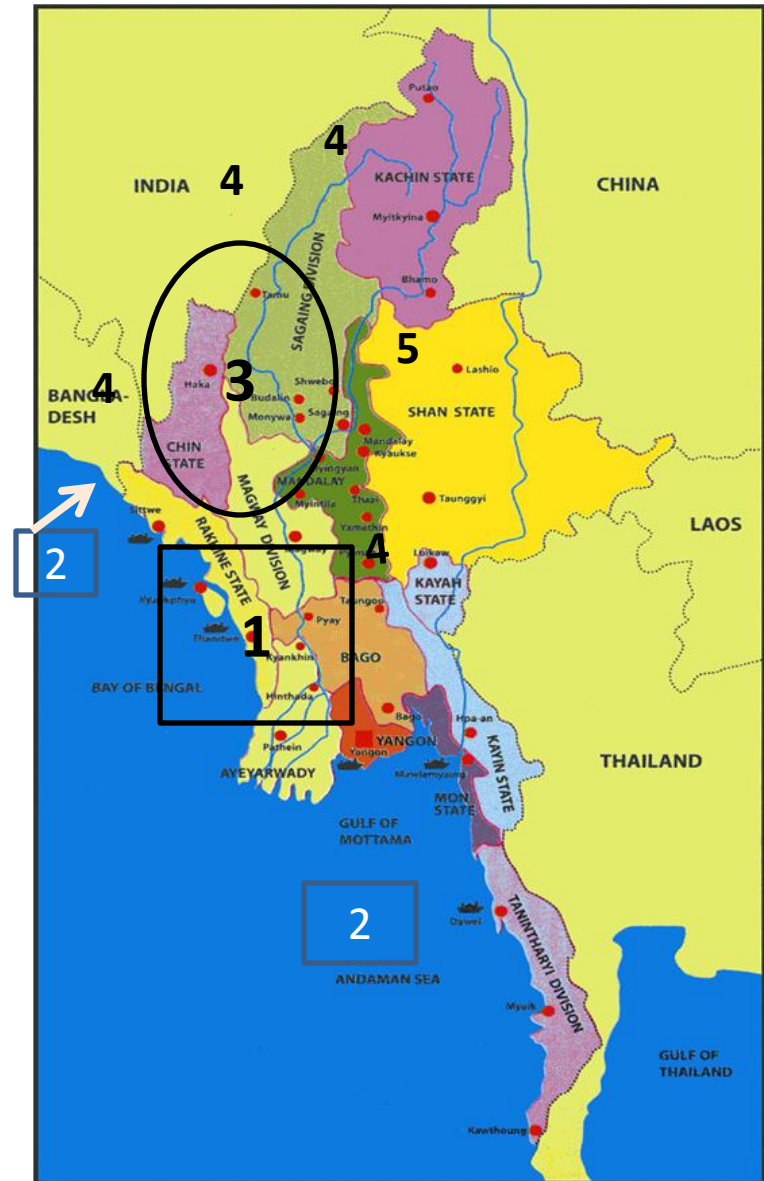
5. Shan Plateau

Wide ranging agro-climatic zones and abundant water resources (3 of 4 major rivers originate within own border) – can grow crops ranging from tropical to moderate temperate – **rice** (50% cropped area), **pulses** (20%), **oil seeds** (15%), **maize**, **cotton**, **sugar cane**, **rubber**, **vegetables**, **tropical fruits** – also coffee and tea

Also **Livestock** and **Fisheries**

Virgin and fallow land – 5.67 mil ha plus Forest land – 33.6 mil ha – underscoring

**Myanmar's reputation of having significant land frontier**





**4 Major Rivers (of which 3 originates within own border) and many rivers and creeks flow into or join the major rivers**



## Sagaing Region

Crop Season	Planting Area (acres million)
Monsoon Paddy	16
Summer Paddy	3
<b>Total</b>	<b>19</b>

## Rakhine State

## East & West Bago Region

## Ayeyarwaddy Delta Region

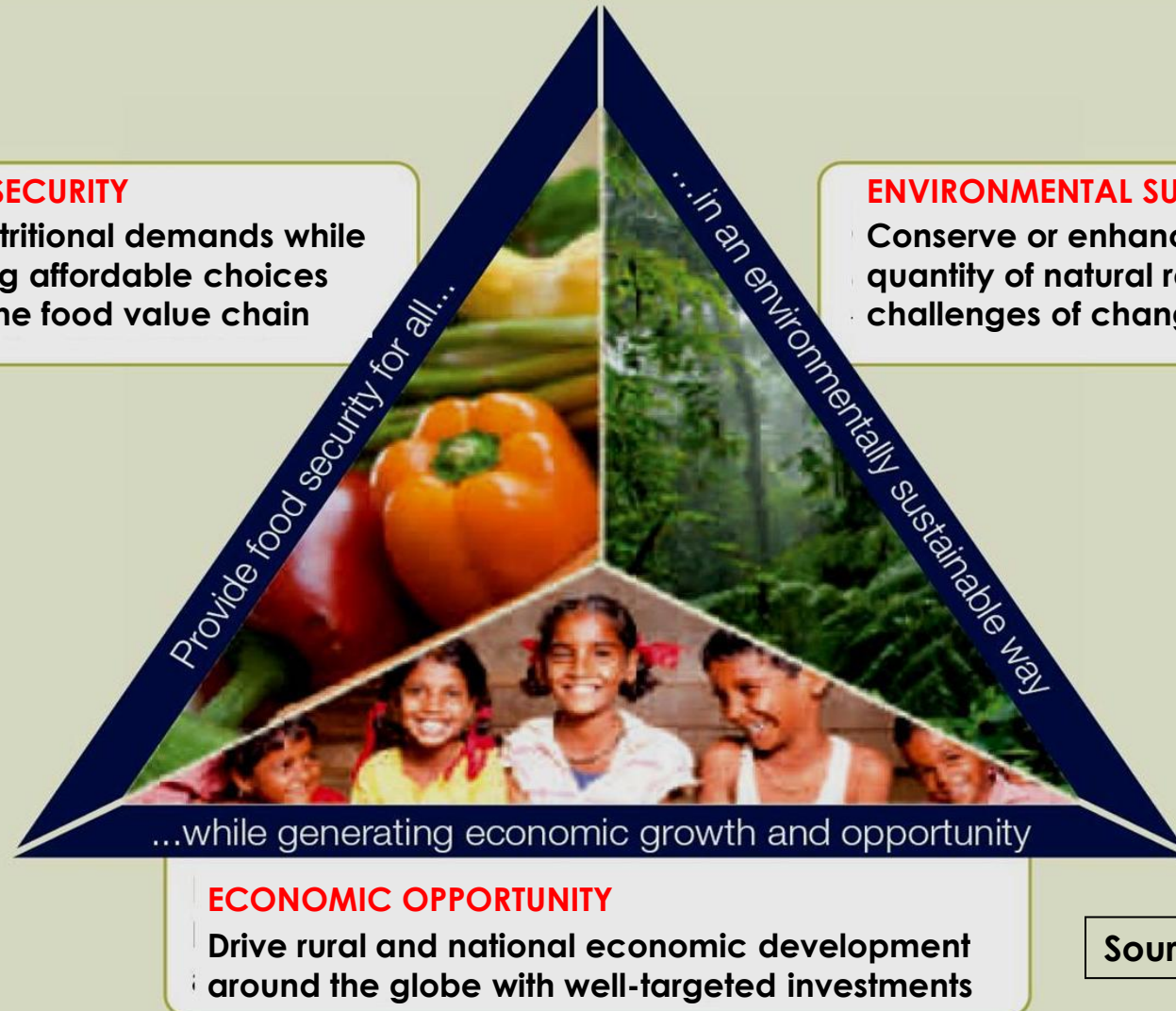
## Four Major Rice Granaries in Myanmar

	MT (million)
Paddy Production	35
Milled Rice	13-14
Export (2012)	1.4
Border Trade	0.5-1
National Surplus	2-3
Per capita Consumption	
Urban	120-130 (kg)
Rural	200-210 (kg)

# 'Realizing a New Vision for Agriculture' at National and State/Region Levels

## – (Agriculture Productivity & Natural Resource Management)

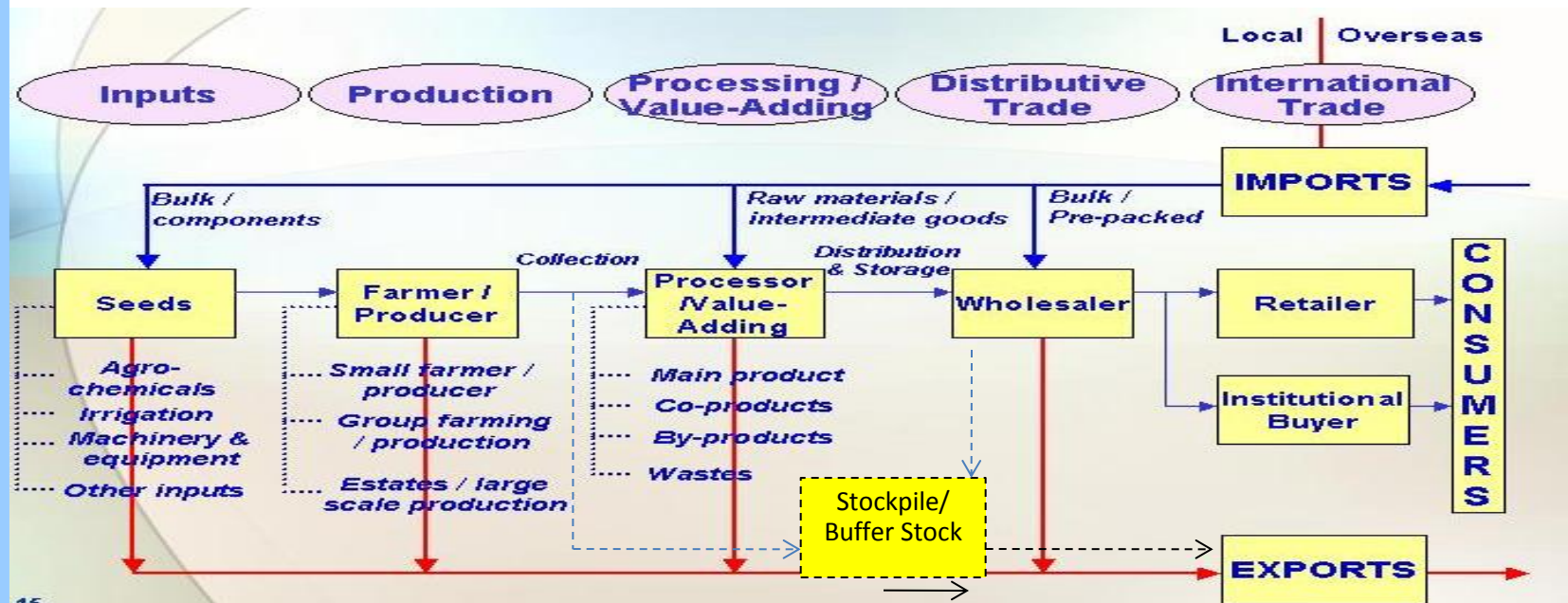
A global agriculture system that harnesses the power of markets and multi-stakeholder collaboration to feed the world, protect our planet and create prosperity



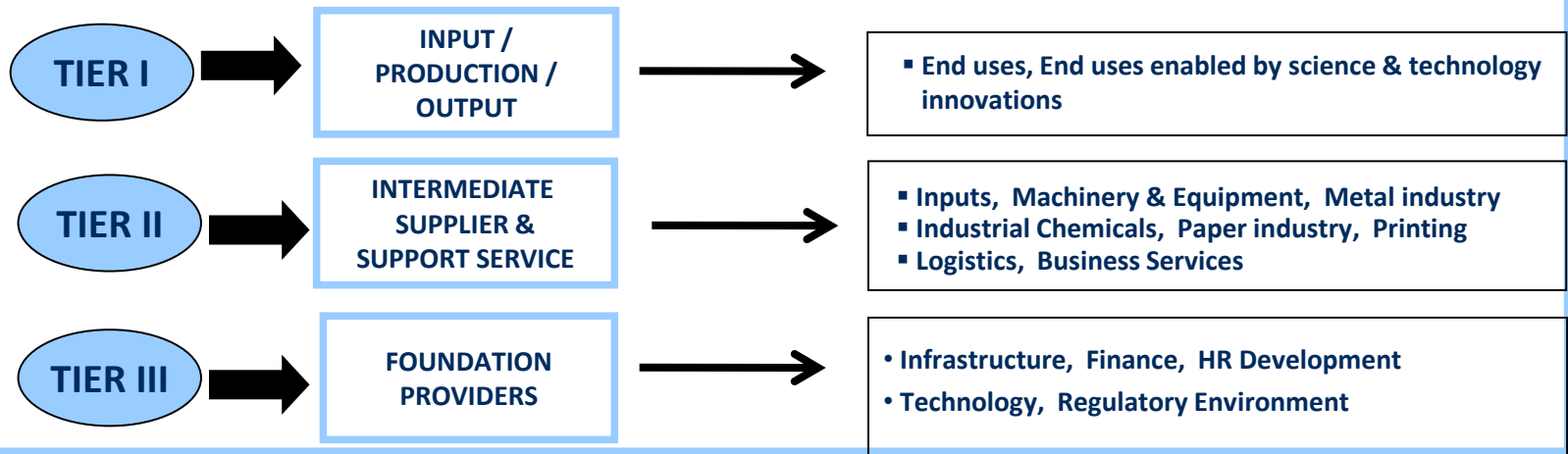
Source: WEF, 2010



# HOLISTIC SUPPLY CHAIN MANAGEMENT APPROACH – Economic Activities Along Supply Chain: basis for Agriculture as ‘Engine of Growth’

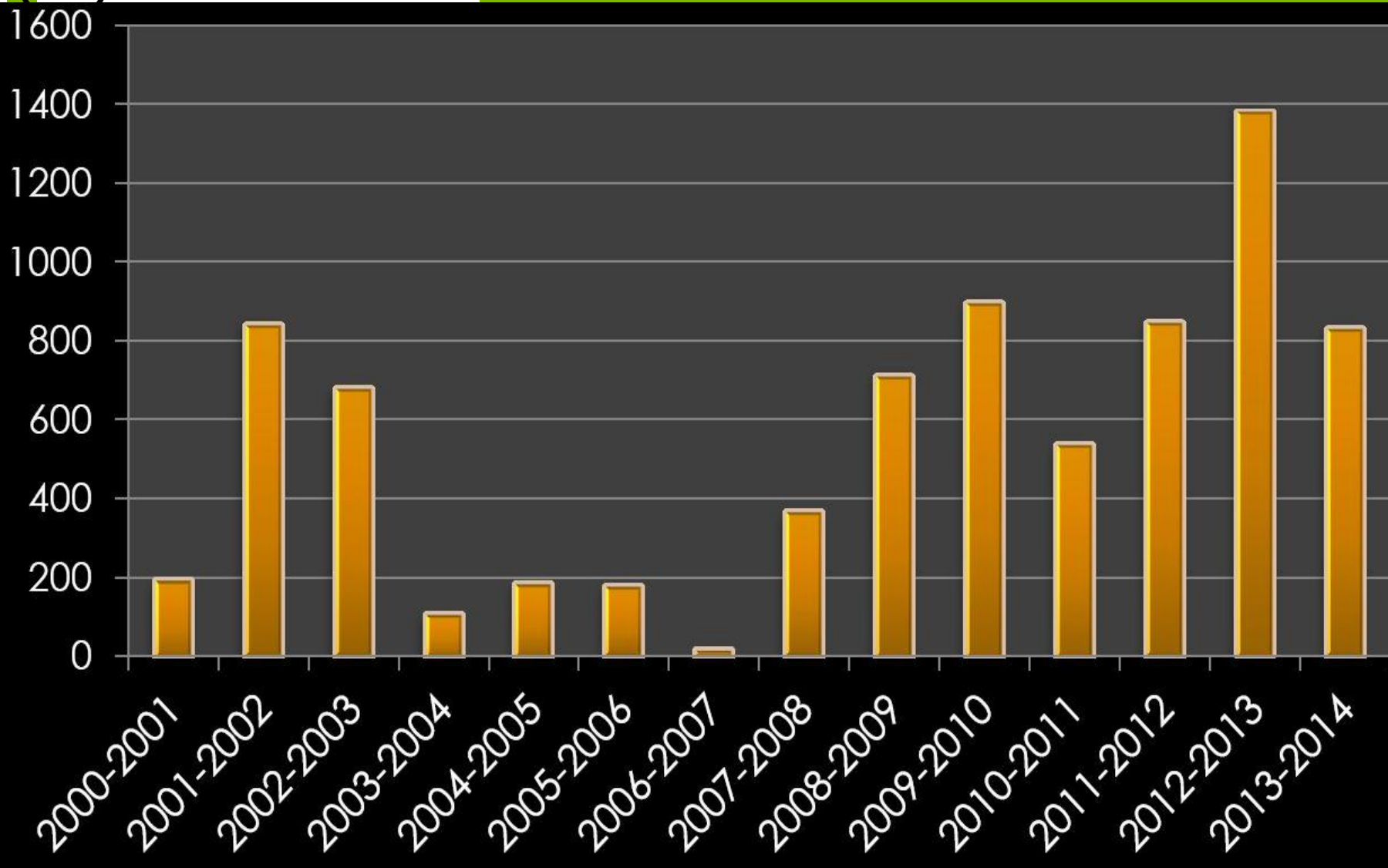


## CURRENT/FUTURE OPPORTUNITIES



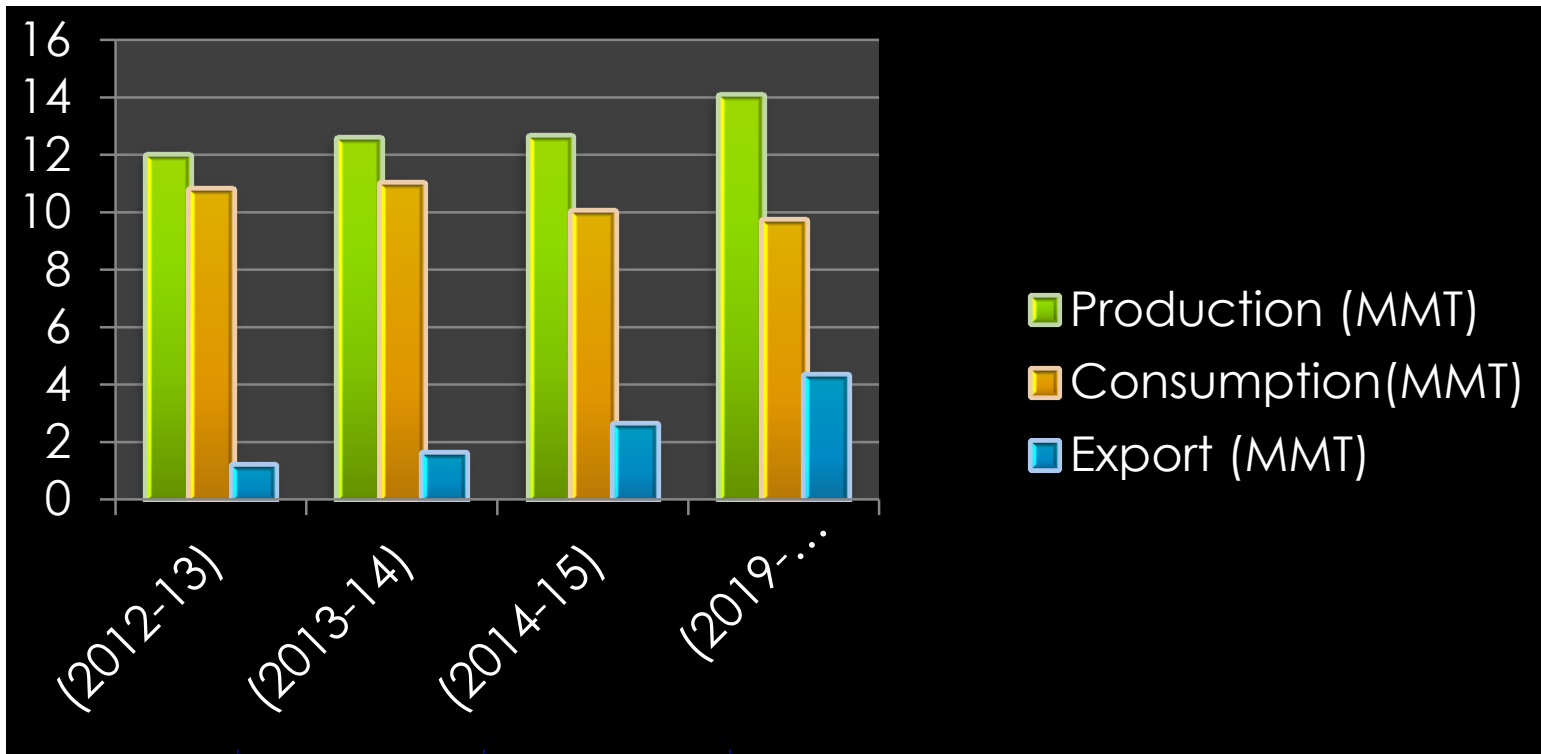
# Myanmar Rice Export (From 2000-2001 to 2013-2014 Jan 14)

M/T  
(000)





# PRESENT AND FUTURE OUTLOOK: RICE PRODUCTION, CONSUMPTION AND EXPORT



	Production (MMT)	Consumption(MMT)	Export (MMT)
(2012-13)	11.97	10.8	1.17
(2013-14)	12.58	10.98	1.6
(2014-15)	12.65	10.04	2.6
(2019-2020)	14.05	9.71	4.3

	2012-2013	2013-2014	2014-2015	2019-2020
Consumption	180 kg	180 kg	162 kg	145.8 kg
Sown Acres	19 million	18.5 million	17.57 million	14.05 million
Population	60 million	61 million	62 million	67 million
Per Acre Production	0.63 MT	0.68 MT	0.72 MT	1 MT

# Recently, the Export has Started to Recover

Myanmar: Recent rice exports, '000 tons

	2010	2011	2012	2013
Formal	485	816	605	600
Informal/ border	4	6	684	800
Total	489	821	1,289	1,400



Africa

China

Source: Ministry of Commerce (MOC) and Slayton & Associates.

# Triggers to Higher Export Were:

- Dropping the requirement for permits to transport rice to areas near the border
- Reducing the export tax from 10% to 2% and then suspending it
- Unifying the official and parallel currency markets
- No longer setting minimum export prices
- Dropping the requirement that exporters to have in stock 50 percent of the rice for which an export license is sought
- No longer giving the Rice Specialized Companies a priority in obtaining export licenses (i.e. excluding/restricting others)

# EXPORT PERSPECTIVE: Opportunity #1: World Rice Market is Growing

## World rice trade, million tons

Decades	Quantity
1970s	8.8
1980s	11.9
1990s	18.2
2000s	27.9
2010	31.6
2011	36.2
2012	39.1
2013 (forecast)	38.1

Source: USDA (June 2013).

## Asian Dev. Bank Projections 2010-2021:

- Global rice consumption increase 1.14% per year
- Global rice trade increase 2.27% per

# Opportunity #2: EU Market and EBA

Estimate of the EU rice imports, '000 tons

Quality	Volume
Basmati	450
Jasmine	250
White broken	400
High grade white and parboiled	400

Source: Slayton & Associates.

## Everything but Arms Agreement (EBA)

- 0% import tariff (worth \$228/ton)
- Quota-free
- Large market
- Only Cambodia has the same EBA access



# Opportunity #3: China

**Double-Digit Increase in Farm Support Price Drives Domestic Rice Prices UP, ...**

China: Early rice crop paddy support price, \$/ton

	Price
2010	273
2011	316
2012	381
2013	436

**More demand from Myanmar because Conflict between Vietnam and China, ...**

*Source: USDA.*

**Stimulating Import (in Spite of Good Crops)**

China Rice Import, '000 tons

Av. 2005-09	468
2008	296
2009	338
2010	366
2011	578
2012 (official)	2,345
2012 (border)	670

*Source: World Trade Atlas*

# Challenges:

- ❖ Myanmar rice exports focuses on low grade 25% segment – small and declining segment
- ❖ Going to face strong competition from Cambodia (also eligible for EBA from EU) and Vietnam
- ❖ Poor product quality arises from traditional method of production coupled with poor and outdated milling facilities
- ❖ Poor infrastructure (electricity, logistics, communication, handling costs at ports – higher freight charges)
- ❖ Weak or absence of financing , banking and insurance
- ❖ Role of Government still important – especially in provision of public goods and acting as enabler

# RICE REFORM & LEGISLATION:



- In **1988-89**, Centrally Planned Economic system ended
  - State adopted Market Oriented Economic System
- In **2003**, Rice Export by Private Sector is allowed
  - MAPT rolled back involvement in BOTH Domestic and Export markets
- In **2011**, Export tax on Private Sector was reduced from 10% to 2%

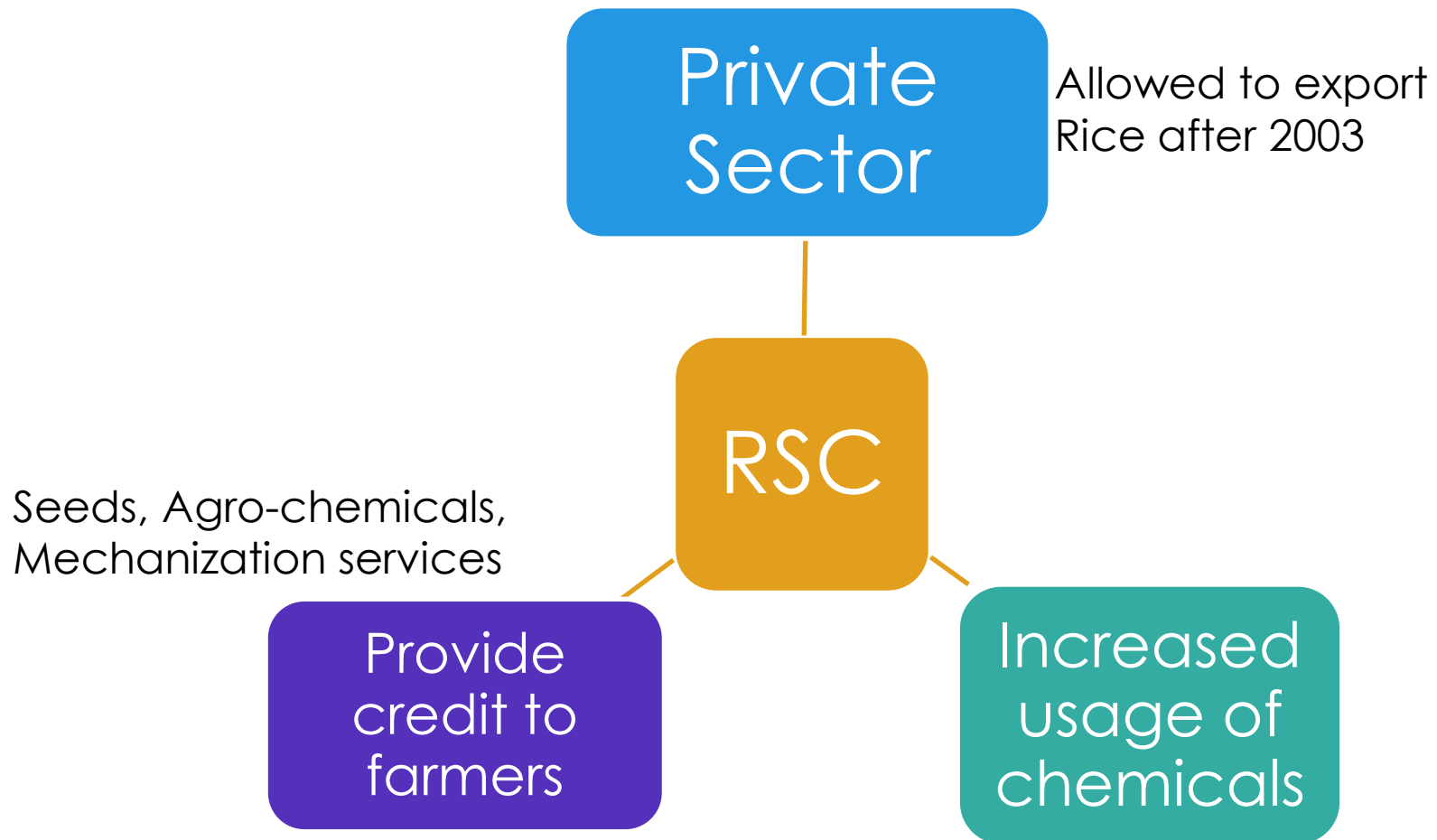
Plant Pest Quarantine Law	1990
Pesticide Law	1993
Fertilizer Law	2000
Farmland Law	2012
Virgin & Fallow Land Law	2012
Seed Law	2013
Farmer Protection Act	2013

## OTHER SIGNIFICANT REFORMS:



EVENT	YEAR
Formation of Rice Specialization Companies (RSC)	2008
Formation of Myanmar Rice Federation (formerly Myanmar Rice Industry Association, MRIA)	2010
Formation of the Myanmar Agribusiness Public Corporation (MAPCO)	2012

# Rice Specialization Companies





# PRIVATE SECTOR – MYANMAR RICE INDUSTRY



Myanmar Rice Federation (MRF)



Farmers Assoc  
(MFA)

Millers Assoc  
(MRMA)

Traders Assoc  
(MPRTA)

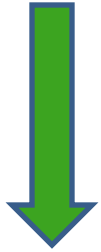
Producers  
Assoc  
(MPPA)

Companies  
MAPCO, Rice  
Specialization  
Companies/Exporters

MRF has branch offices in all States and Regions.



## Three Pillars of MAPCO – Corporate Core Agendas



MAPCO is a business arm of MRF, covering not only rice but also other agribusinesses, and is formed to mobilize investment in agriculture and agro-based industries.

### Food Security

- Sustainable Food Security
- National Stockpile management
- Effective & Efficient Coordination along Supply Chain, Value Chain
- Food Safety & Environment Conservation

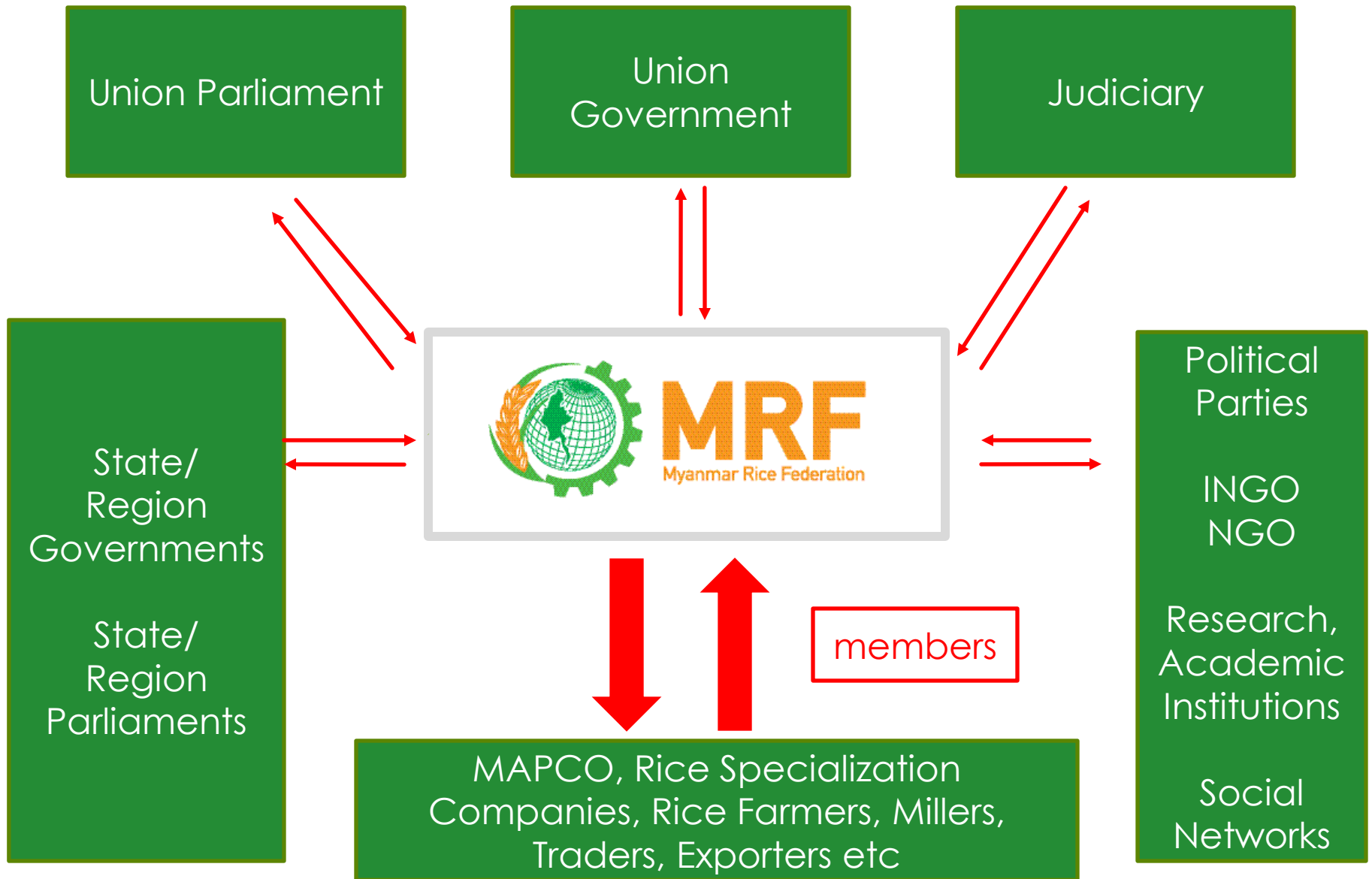
### Business Operations

- Domestic & International Trade
- Investment in Agribusiness Sector
- Contract Farming
- Fertilizer Distribution
- Seed Production & Distribution
- Infrastructure & Logistical Development
- Agricultural or Farmers' Bank
- Special Industrial Projects

### Sustainable Market Development

- Market Harmony & Sustainability
- Policy advocacy to Government
- Price & Supply Stabilization (Buffer Stock Practices)
- Commodity Exchange Centers (COMEx)

# Promoting the interest and welfare of members – Effective & Efficient Coordination & Cooperation



# KEY PRIORITY AREAS FOR RICE DEVELOPMENT ACTION PLAN

Promote Role  
of Market &  
Trade, Support  
Agribusinesses



Contract  
farming



Investment in  
Food & Energy  
Processing

Nationwide implementation of High Quality Variety Zones, High Yield Variety Zones, Seed Production Zones in 2013-2014 and 2014-2015

(Rice-based) Integrated Food & Energy Production Complexes

- ❖ 4 Projects in 2013-2014
- ❖ 11 Projects by 2019-2020
- ❖ Commodity Warehouses
- ❖ Agribusiness Services Center (ASC)

# MRF's Strategy to Implement New Vision for Agribusiness in Myanmar: Value Addition, Integrated Food and Energy Production, Comprehensive Supply Chain Management & Private-Public Partnership as Main Drivers



- **Farming as a livelihood --> Farming as a business**  
(transition from small scale to commercial scale by introducing Forward Sales Contract (FSC) and by implementing Contract Farming Schemes, by establishing Commodity Exchange & Wholesale Centers – “commodity futures” market in near future and by promoting the innovative use of farm machinery and equipment rental service )
- **Rice Processing/Rice Milling --> Food and Energy Production**  
(Change from rice milling to Food and Energy Production- Investment in Processing Complexes which integrate the different value addition components for all the by-products, including rice husk fired power plant, quality rice production & sustaining the better level of national competitiveness)
- **Business As Usual Model --> Strategic Promotion of the roles of trade and market**  
(Price and Supply Stabilization, Selective Intervention and Smart Subsidies, Trade Promotion by G-to-G arranged - B-to-B execution)
- **Private-Public Partnership --> Productive & Effective Market-based Policies; Promotion of Equality & Justice** at Land related matters; Strong macroeconomic environment that prioritizes Agribusiness; Competitive Exchange Rate; Focus, Coordination and Cooperation in R & D activities



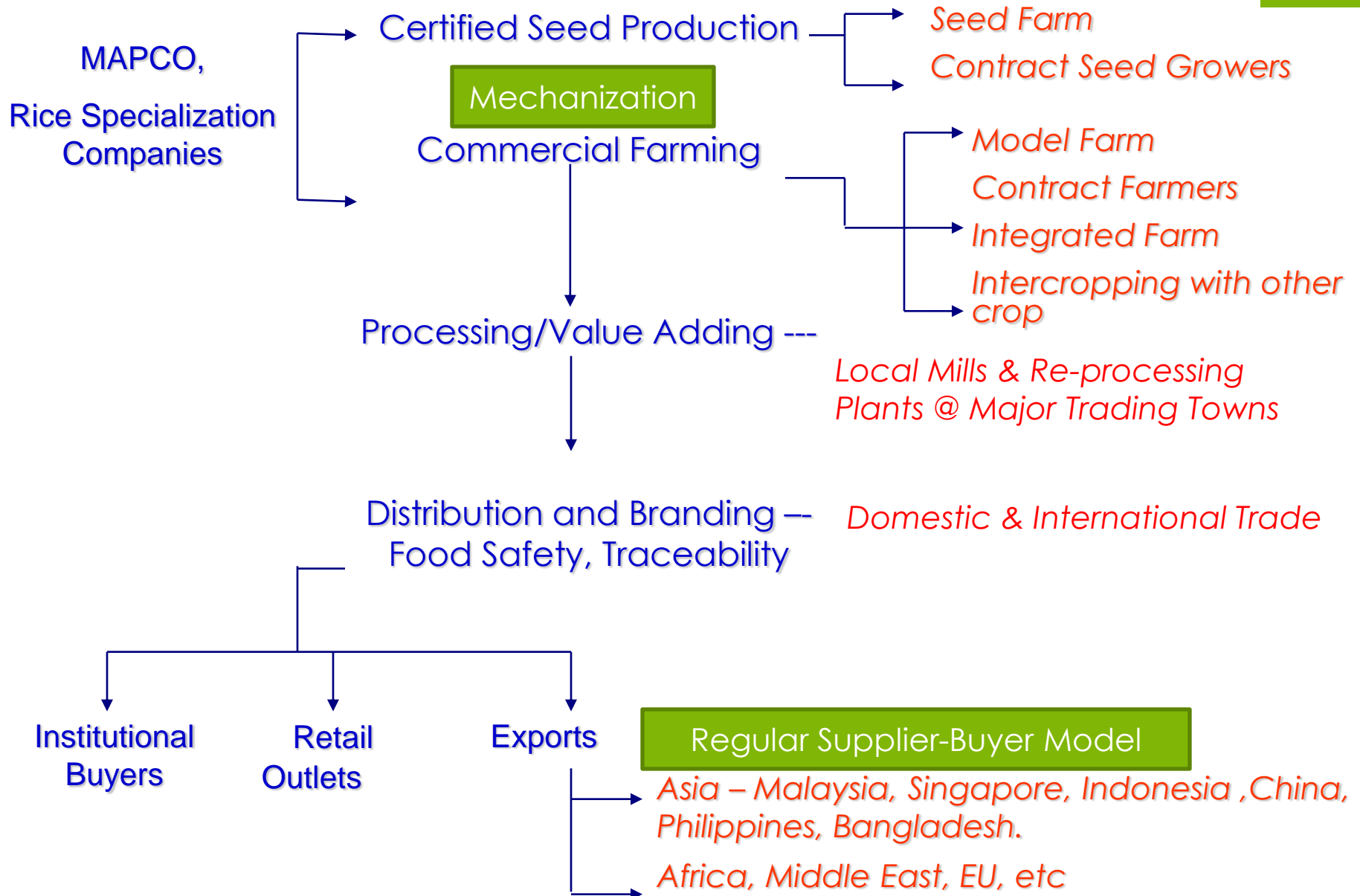


# The Road to Faster, Comprehensive & Sustainable Rural Development: Rice Industry as Major Driving Force

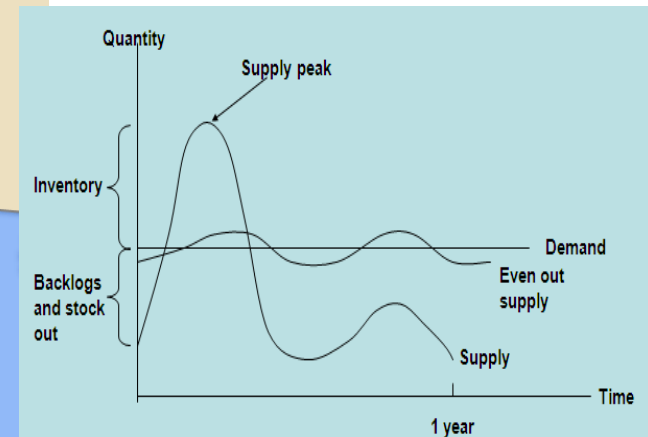
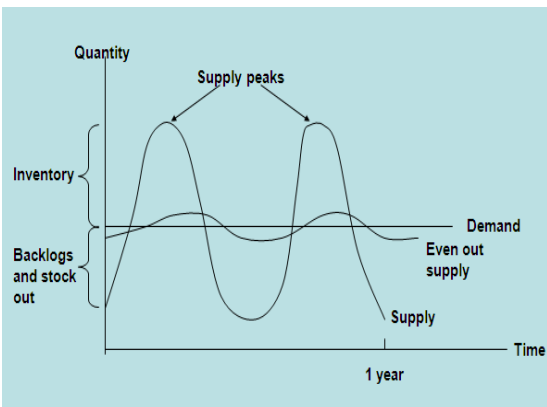
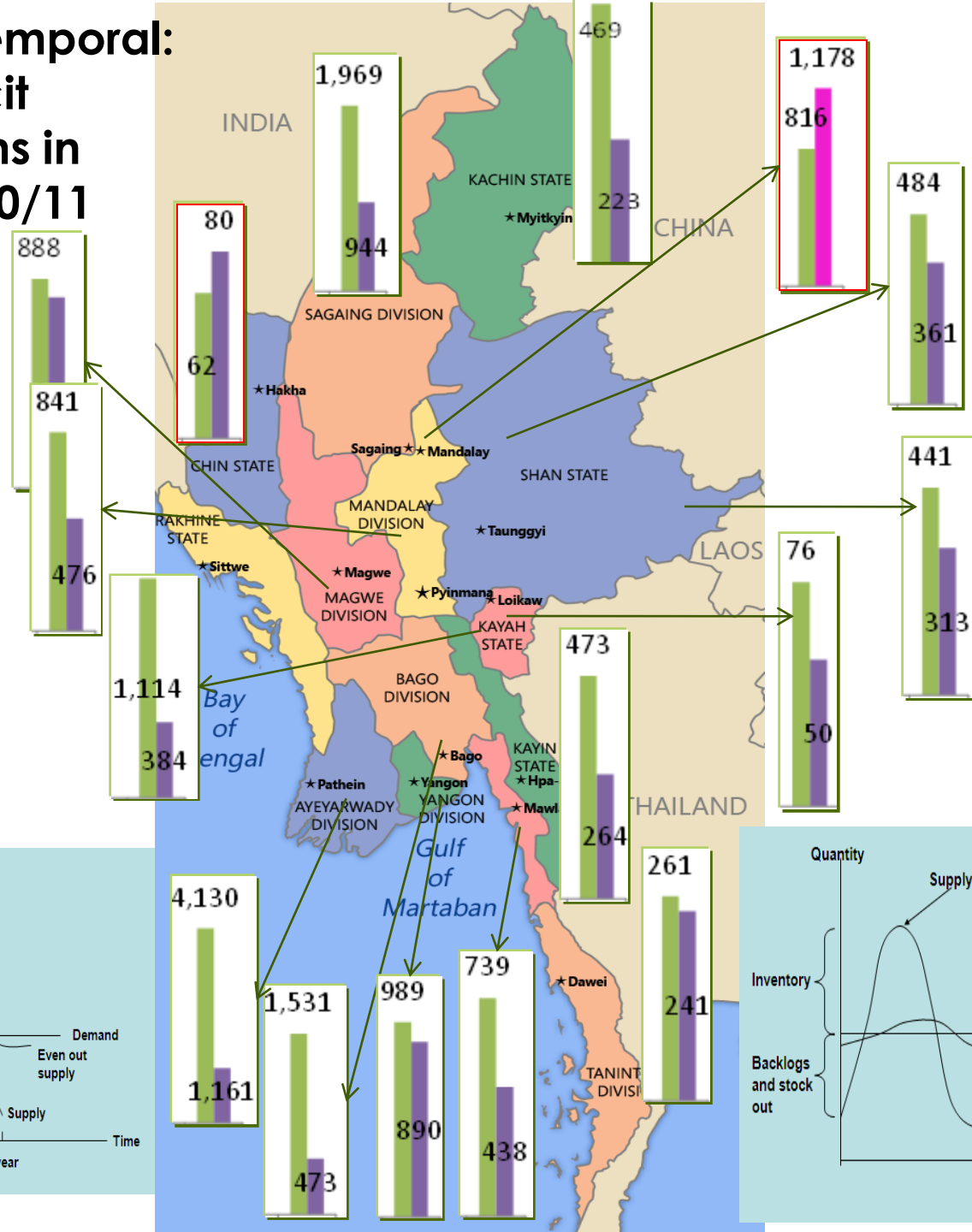
## Three Complementary Elements:

1. Accelerated output growth (per acre yield -intensification) through technological support, access to working capital, and price incentive effects designed to **raise the productivity of small farmers**
2. Stimulating Domestic and International **Demand** for various **quality/grades of rice** & Attracting Private Sector **Investment** (FDI AND PDI) in Processing/Reprocessing into **higher value end-users** targeted at **expanding markets**
3. Diversify to higher value produce **requiring less land** and capable of **generating more employment and income** (moving up the value ladder)- including livestock, aquaculture, flowers, vegetables and fruits

# SUPPLY CHAIN MANAGEMENT – STRATEGIC PLAN



# Spatial and Temporal: Surplus & Deficit States/Divisions in Myanmar 2010/11



# EXISTING RICE SUPPLY CHAIN IN MYANMAR

## Input

Certified seed  
(only Govt.)

Chemical  
fertilizer and  
pesticide  
(Private  
companies)

### Farm machineries

- landpreparation
- Threshers
- harvesters
- water pumping engines

Agri-support  
service  
(Public sector)

Irrigation,  
Drainage and  
flood  
prevention  
Dam-  
(Govt.)

## Paddy production

Farmers  
No. farm family-  
2146000  
Paddy land =  
13.28 m acres

Paddy  
collector

Farmers  
working with rice  
leading  
companies

## Rice processing

### RICE MILLS

Huller rice mill-15477  
Big rice mill – 1220 (15 tonnes per day)  
Modern new rice mill -22  
Parboiled rice mills-6

Rice bran

Milled rice  
White rice)

Broken  
rice

Parboiled rice

Rice snack /Liquor

Animal  
feed and  
fish farms

Rice Exchange  
Center (REXC)in  
Yangon Bayint  
Naung Wholesale  
Market

Exporters'  
warehouse

Prepared  
for export

Local rice  
exporters

F.o.b. YGN

Local rice  
exporter

Rice traders  
(Intermediaries) in Muse

Shweli (Ruili) in  
China (border  
trade)

REXC  
Wadan,  
Yangon River

Wholesalers in Yangon  
Bayint Naung  
Wholesale Market  
(YBNWM)

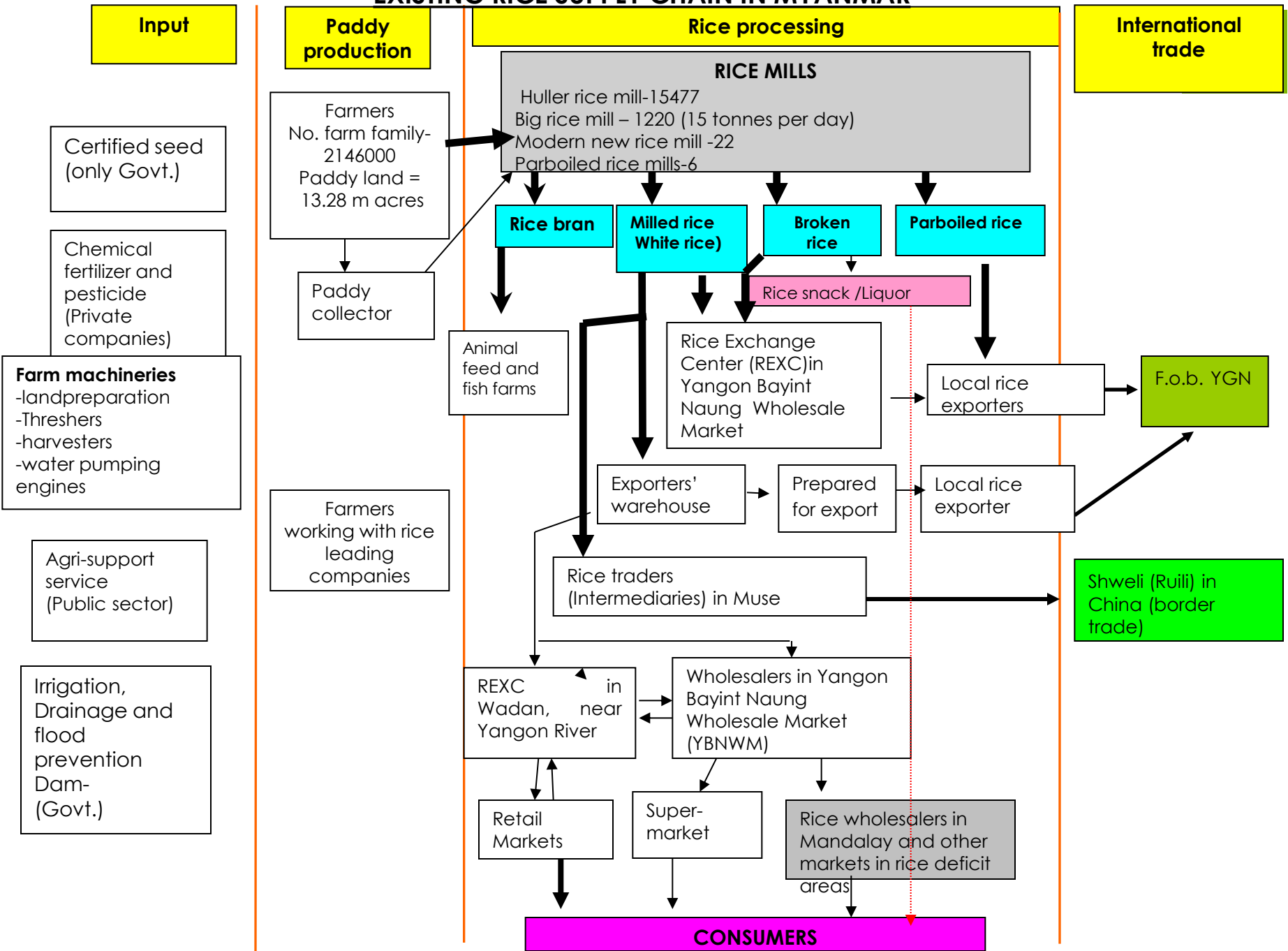
Retail  
Markets

Super-  
market

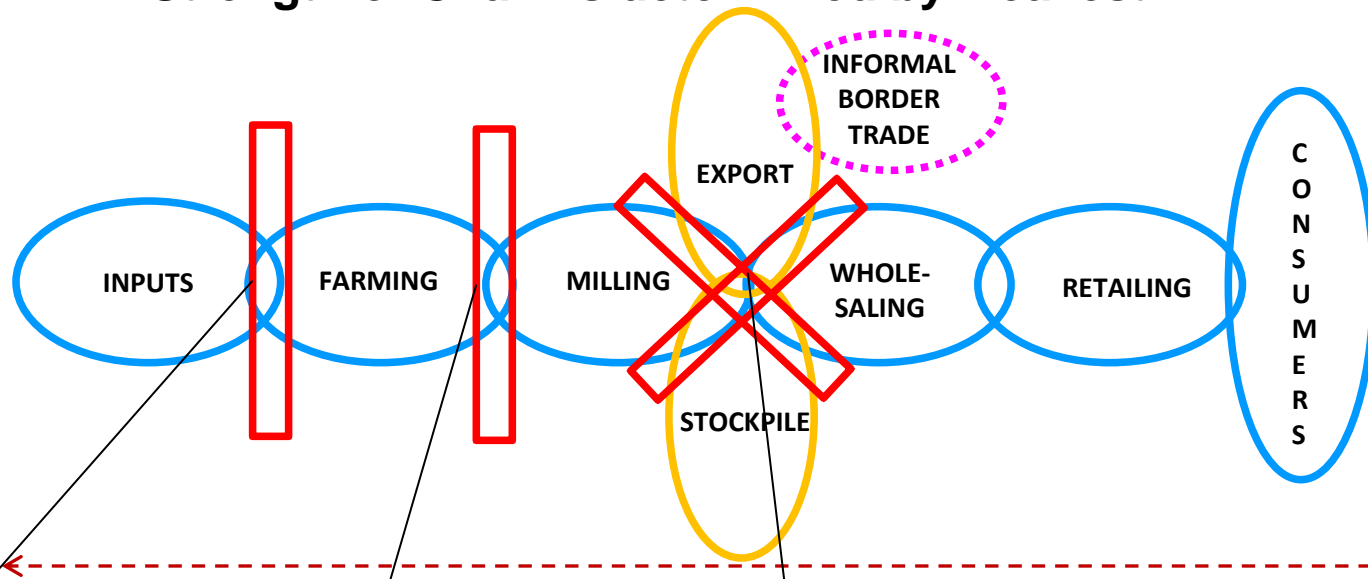
Rice wholesalers in  
Mandalay and other  
markets in rice deficit  
areas

## CONSUMERS

## International trade



# Prioritizing and sequencing interventions – Myanmar Rice Supply Chain : Strength of Chain is determined by weakest link



## WEAK LINK 1

- Poor **purity & quality of seeds** – mainly farm saved seeds
- Low level of inputs
- Poor **water management**
- Poor **quality of fertilizers** – fake & adulterated
- **Misuse of pesticides** - beginning
- Weak **extension service**
- Lack of formal **credit**
- Poor infrastructure **farm roads**
- **Labour shortage** – especially at planting and harvesting

## WEAK LINK 2

- Cultural practice leads to 'sun-cracking' – **high broken**s
- Lack of proper **drying & storage facilities** at mills, especially for **summer crop**
- Lack of development of other **end-uses** of rice and rice by-products
- High **processing cost** – inconsistent electricity supply
- Lack of **Financing** - most mills operating under capacity
- Low **quality output** – improved somewhat with recent new and upgraded mills

## WEAK LINK 3

- Exports – **inconsistency of quality and supply**
- Dependency on **African market**
- poor understanding of dynamics of international markets
- Increasing **border trade** – especially to China, Myanmar side legal but China side informal/illegal
- **Stockpiling** – with MRF/MAPCO – needs monitoring & evaluation
- High **transaction costs** - transportation, logistics and handling costs

## WEAK LINK 4

- Data **quality & consistency** problem - overstated production - difficult to plan and difficult to attract investments
- Little or no **sharing of data/information along supply chain**
- **Financing issue** along entire supply chain



## **Weak Link 1**

- Strengthen input markets for and promote proper usage of quality/certified seeds, fertilizers and pesticides through targeted investments and enforcement of regulation
- Increase public investments in research and extension, and organization of smallholders and their subsequent integration

## **Weak Link 2**

- Proactively, attract FDI /DPI/JV in strategic and integrated processing
- Extension to Rice Bran Oil & other high value end uses

## **Weak Link 3**

- Improve Rice Stock Pile & Buffer Stock operation
- Reduce costs associated with exports through enhanced port and border trade facilities, and greater efficiency of regulation

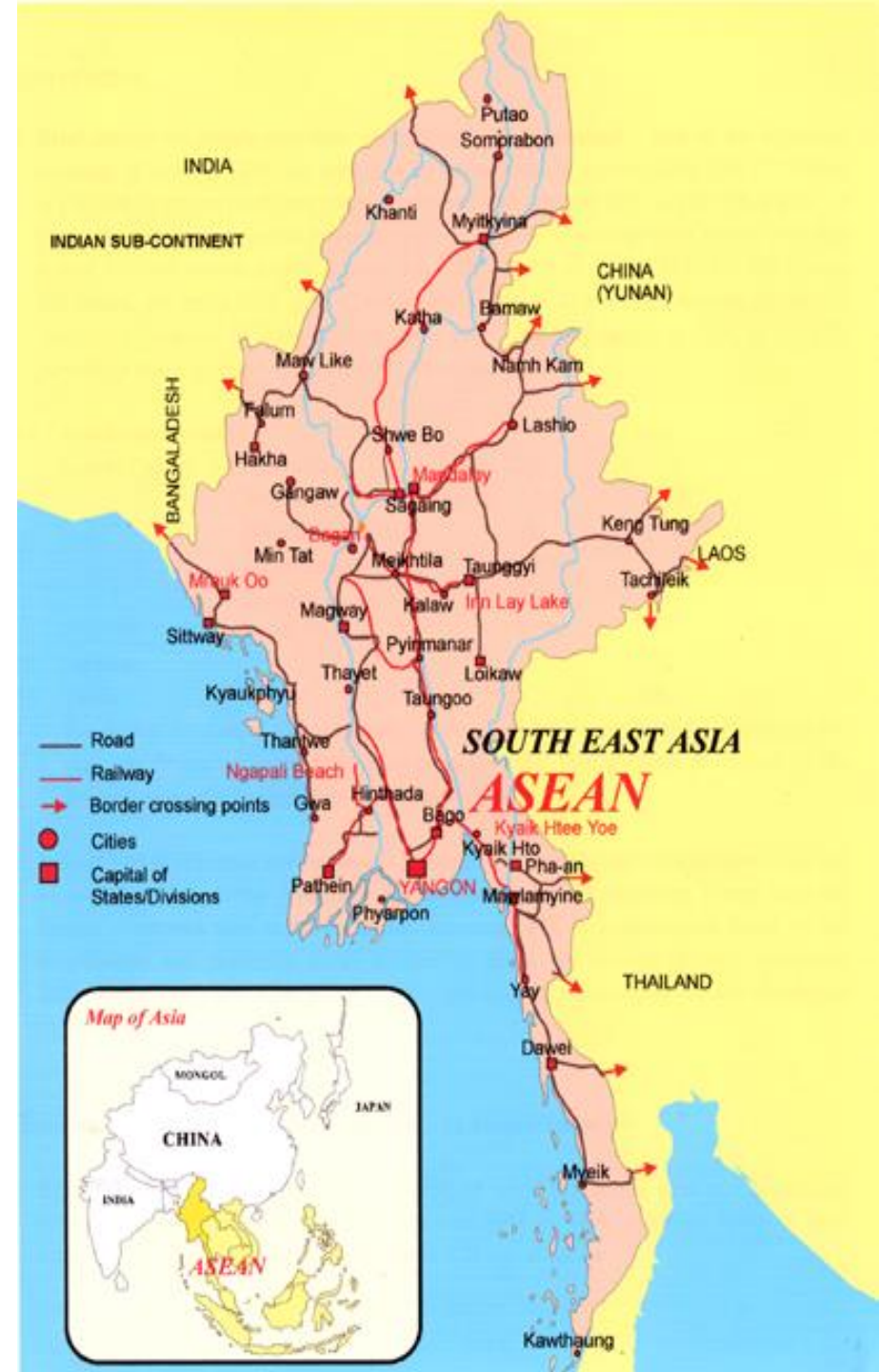
## **Weak Link 4**

- Reform agricultural data collection and information sharing to enable evidence-based policies as well as attract strategic investments.
- Pilot a weather index-based insurance scheme coupled with a warehouse receipt financing scheme

# INFRASTRUCTURE – Strategic Border Posts/Crossings (15)

## Key Border posts:

- a) Muse – China (Link to Lashio-Mandalay—Monywa-Tamu in India)
- b) Tachileik – Thailand (Link to Keng Tung-Taunggyi)
- c) Myawaddy – Thailand (Link to Pha'an)





Organized border trade  
especially to China

Border  
Trade

FUTURE  
PROSPECTS

- Low chemicals
- Traceability
- Certified safe

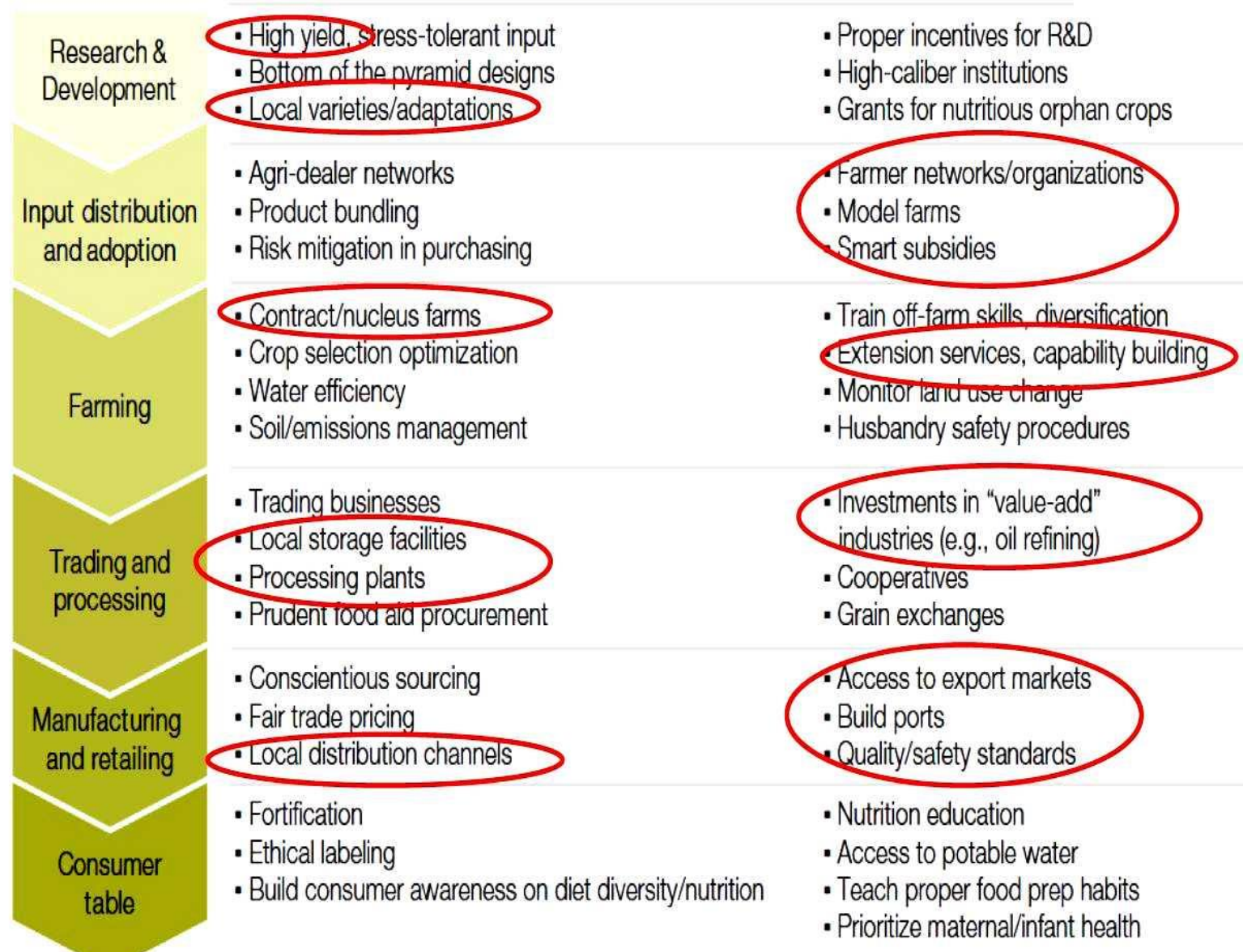
Policy  
issues

Green  
Food

- Strengthening weak links
- Coordinated reforms
- Restructuring of Rice Industry

# Stakeholders are already engaging on many interventions

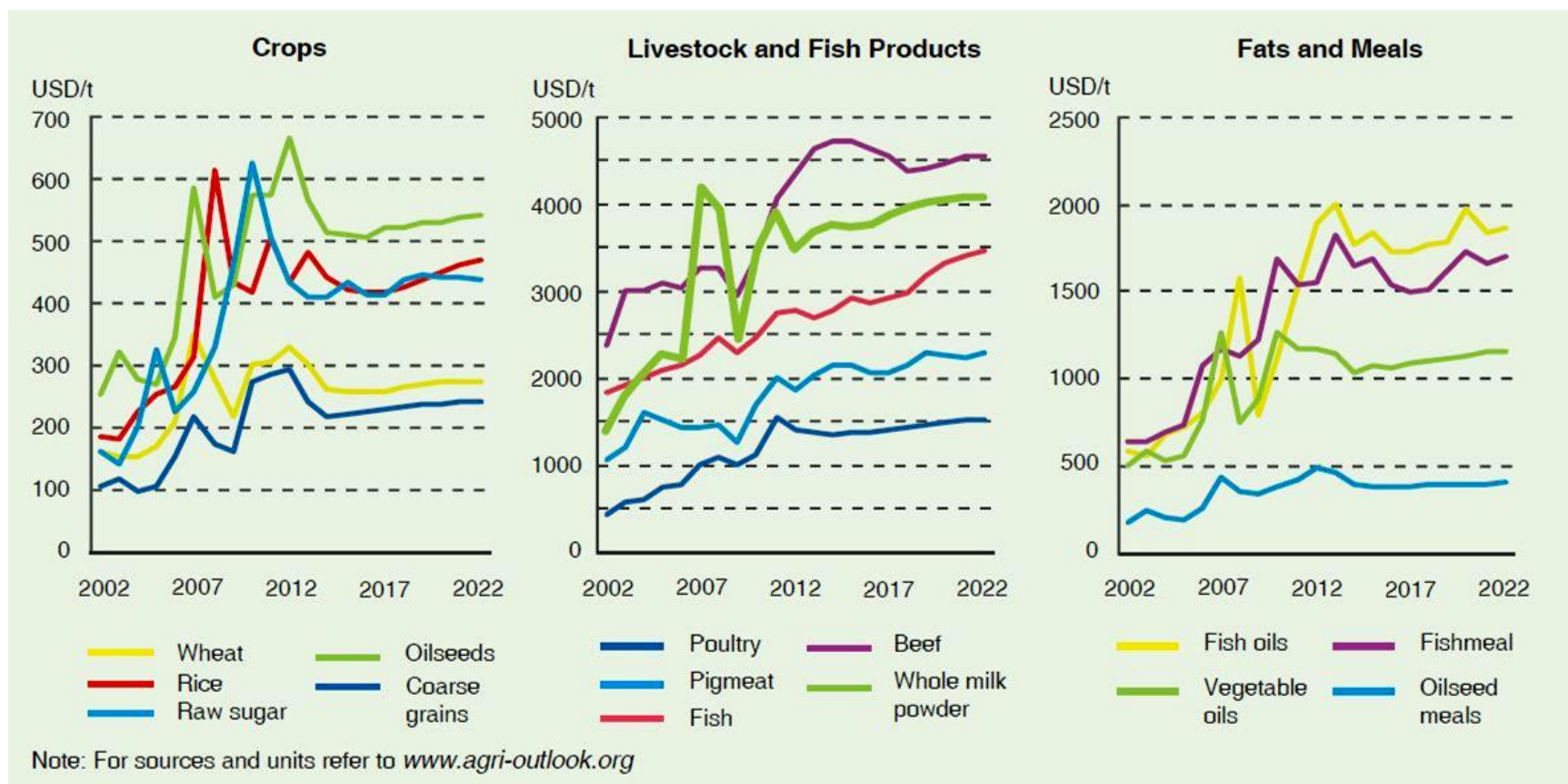
## Specific interventions in the value chain



Source: Myanmar Rice Federation - Key Red Circle Areas need more focus and support



## Price trends for agriculture and fish commodities to 2022 (nominal)



Source: OECD-FAO Agriculture Outlook 2013-2022

Price trends serve as guide for **investments** and putting in **hard and soft infrastructure** for the different subsectors. Need to build in **flexibility** – flexible specialization. **Oilseeds, meat and fish more favourable** than for rice. So for rice need to target markets and move to higher quality rice. Recall '**moving up the value ladder**'.

# KEY TAKE-HOME MESSAGES:

- Rice Business Development – increasingly **more complex, multi-scale and interdependent** – so, need to continuously **(re)address dynamics and emerging challenges in a more holistic manner**
- Need **trans-disciplinary, multi-centric, networked solutions** factoring in supply chains and trading networks and dynamics rather than **isolated solutions** aimed at just one problem or level of supply chain (especially production-centric)
- Myanmar have made significant progress in **strengthening its rice supply chains** with a **evolving 'institutional' structure of Private-Public-Partnership** recently, with the private sector, especially **Rice Specialization Companies and MAPCO**, in leading role with close enabling support and collaboration of **MOAI, MOC and other institutions**. Much more to be achieved, together.
- Guided by the **new dynamics**, we should be on the lookout for **innovative ways** of structuring and conducting business through a **system of piloting initiatives** to address **prioritised weakness and opportunities**, and moving in **tandem** (public, private and civil society) to **up-scale and replicate** successful ones and then have the **discipline to make on course corrections**.
- Myanmar can and should build on these past gains by **drawing from other countries' experience** and craft its **own unique Rice Business Development Model** geared towards **comprehensive agriculture and rural development**

## Conclusion:



Stemming from the above, it is clear that **Myanmar Rice Business has come a long way, but has a long way yet to go.** There is so much to be **achieved, together** as we move into a more globalized and liberalized trading environment as well as a more integrated ASEAN and GMS in the 21<sup>st</sup> century.

As always, the **challenge is in getting the 'basics' and 'balance' right** as well ensure the buying in and taking **ownership of initiatives planned by the key stakeholders**, especially the **public and private sectors at the macro, meso, and micro levels**. Hopefully, our presentation can stimulate active discussion at this workshop and beyond.



**THANK YOU!**

**Kye Zu Tin Ba De !**