

Integration of Myanmar Domestic Agricultural Marketing into ASEAN

Nyein Nyein Thaung
Yezin Agricultural University, Pyinmana, Myanmar

The study of domestic marketing clarifies the role of various traders and processors to identify the marketing channels and major trade flows that provide on an inventory of the physical marketing infrastructure. This paper focuses mainly on the marketing efforts of farmers and collectors for wholesale trade in the major markets of Yangon and Mandalay. Market-oriented policy reform measures that had a major positive influence on the agricultural sector were the lifting of restrictions on private sector participation in trade. The strategic objective of ASEAN Free Trade Area or AFTA is to integrate the ASEAN economies into a single production unit and to promote the greater economic efficiency, productivity, and competitiveness.

INTRODUCTION

Agricultural sector is the dominant sector in Myanmar economy. Generally speaking, agricultural marketing can play a vital role in generating rural income as well as national income through production and widening the income earning opportunities.

Agricultural marketing system was regulated by the State under the centrally planned economic system lasting about a quarter of century. In 1988, the government adopted the market oriented economic policies, gradually withdrawing from direct involvement in agricultural marketing.

According to Myanmar S Austria¹, there are three factors and forces that drive economic integration in ASEAN. They are:

- **market-led process** through the international production sharing of multinational companies (MNCs),
- **Institutional –led process** through the free trade and investment agreements, and
- **Private-led process** through with the role of national and local government being limited to facilitating business through appropriate policy frameworks and investment promotion.

The economic integration in ASEAN plays an important role in enhancing economic cooperation. The main objective of ASEAN is the development of a free trade area between its members. Under the Treaty of Amity and Cooperation (TAC) signed at the First ASEAN Summit in 1976, member countries are bound to distribute economic growth among the Southeast Asia region are bound to distribute economic growth among the Southeast Asia region. It was only in 1992 that the member countries signed an agreement on the reduction of tariffs and non-tariff barriers and the creation of ASEAN Free Trade Area or AFTA in order to enhance cooperation among member's countries. The strategic objective of AFTA is to integrate the ASEAN economies into a single production unit. It was also intended to promote greater economic efficiency, productivity, and competitiveness.

Rice Marketing

Rice is the most important crop in Myanmar. The reason is that it is staple food for 52 million people of the country and one of the export items of the country²

For the country as a whole, rice is surplus however Central Myanmar and hilly region area are still deficit. Thus, rice from surplus area of Lower Myanmar is marketed to deficit area. Put another way, the inter-State/ Division trade can be found in Present domestic marketing system.

Previous National Rice Policy (NRP) and Rice Marketing

The following outcomes can be found in rice marketing:

- Farmers sold their quota (Fixed amount quality) to the state, not selling the quality. The main reason is that the state's paddy purchasing price is rather low compared to market price.
- Local traders and millers relied on only domestic rice marketing and were not enthusiastic to develop rice mills, better storage facilities, quality rice production and marketing and international rice market information due to monopoly of rice export policy.
- Trading partners can be reluctant to buy Myanmar rice due to irregular supply and the country's reputation on world market can be jeopardized. The reason is that the country's rice export volume showed fluctuation through the market-oriented economy period. Based on the time-series data from 1988-89 to 2007-09, the quality of rice traded to international market was in the range of 0.24 to 1.34 million metric ton. The highest export volume of rice in terms of 1 million metric ton can be found in 1994-95 and 2001-02, the remaining years were below 0.26 million metric ton.³

Present National Rice Policy (NRP) and Rice Marketing

Myanmar, one of the ASEAN member countries, follows the ASEAN Free Trade Agreement. All member countries practice the market-oriented economic policy to develop the nation.

Myanmar government evaluates previous rice trade policy and pricing policy and abolished its monopoly of rice export in 2003 and allowed to private sector for rice export. At the same time, paddy purchased from farmers with fixed price is brought to an end in 2003-04 crop season.

With regard to domestic marketing, local traders and rice millers had better marketing experience such as local consumer preference, market demand, seasonal price fluctuation, temporal and spatial arbitrage, marketing cost and margin. Based on the market reconnaissance, transport cost is major share of marketing cost, depending on the fluctuation of fuel price, road condition, too much official fees along the highway from markets in main producing area to wholesale markets in urban area and increased buying the marketing chain from farmer to consumer. As a result, low-income consumers in urban area do not need to spend on much money for their staple food of rice. In addition to that, surplus of money from purchasing of rice can afford buying more meat, vegetables and fruits for daily diet. (Kyaw M., & Aung H., 2005).

Arrangement and Development

Based on the historical information, rice export monopolized by the state accounted for 40 years, from 1963 to 2002. Put another way, traders and millers do not have long-lasting experiences in external trade. Thus, Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) made local training programs for traders and millers with the technical cooperation of Ministry of Trade and Ministry of Agriculture and Irrigation for the development of rice export marketing.

Challenges

Due to abruptly changed NRP, local traders and rice millers meet the constraints which are:

- For domestic rice marketing traders rely on local rice mills owned by private sector. To meet the buyers' demand of rice quality, private sector has not much modern rice mills. In the long-term,

development of rice mills will be invested by private sector from profit margin of foreign exchange currency.

- Because of the trade liberalization of pulses, local traders and exporters utilized their investment in pulses marketing. When the government liberalizes the rice export, the private sector requires more finance for internal and external trade. To overcome the financial constraint, efficient banking system is essential for traders and exporters to borrow the finance by means of pledge and short-term and long-term loan and to transfer the sale value and buying value for external trade for active functioning in rice marketing.
- To compete with rice exporting countries, provision of agro-inputs, small-scale machineries, research and development program, post-harvest technology and market research will be given to first priority for the development of rice marketing.

Recommendation on Policy Adjustment, Reform and Its Implication

Rice producers, traders and government will benefit due to liberalization of NRP. However, the following key points are necessary to development the country's rice industry;

- Based on the present NRP, price of paddy is determined by the supply and demand such as requirement of domestic utilization and external trade.
- For instance, if supply of the country's rice production exceeds than demand of domestic and export market, paddy price will go down in the domestic markets.
- The another possible thing is that if rice price in international market will decline or reaching the self-sufficiency level. For example of Malaysia or level of rice consumption will reduce in rice importing countries due to the increase of individual income, it will influence on the rice exporting countries.
- To protect rice farmers, the guarantee price should be set in domestic market to cover the actual cost of cultivation depending on paddy variety and different rice purchased by no one in domestic markets, the government take responsible to purchase excess supply for buffer stocks. If it is not, rice farmers will encounter in negative margin due to decline rice price.
- To protected low income consumers in urban area, if the rice price increase sharply due to excess demand or seasonal fluctuation, rice from buffer stocks should be handling cost, storage cost, transport cost and capital cost should be added, not to deficit the government budget.
- For the benefit of rice farmers and consumers, rice production level, domestic market demand and sale contract volume with buyer countries should be adjusted. The reason is that if rice export volume exceeds than the country's surplus situation, it will inevitably lead to higher price in domestic market. In run, if the rice surplus volume exceeds than quality demanded by exporters, rice price in domestic market will fell sharply. (Kyaw M., & Aung H., (2005).
- Stability of rice price at reasonable level to benefit both farmers and consumers is essential.

Future Aspect

Due to adoption of trade liberalization of rice policy, the country's rice production and marketing will be success by adjusting of necessary reform measures.

Under the present National Rice Policy, rice farmers and intermediaries such as wholesalers, rice millers and local exporters have new opportunities for rice marketing which are;

- Farmers can more increase income and do not need to sell paddy quota with fixed price to trade ministry. And farm-gate price of paddy is determined by supply and domestic and export demand.
- Wholesalers, rice millers and exporters will endeavor to supply competitively depending on the demand of internal and external trade.
- Traders will do more investment for the establishment of modern rice mills, good storage facilities and provision of agro-inputs such as chemical fertilizer, pesticide and small-scale machineries etc.. For rice production.

- Contract farming for quality rice production and marketing activities can promote in the country's rice economy production in line with market demand such as chosen better quality seed for production, attention on quality control and field flossed etc.

MAIZE MARKETING

Next to staple food of rice, maize is important crop for local poultry farms and export market. At present, it is demand by poultry farm business to supply domestic meat requirement. Besides, a small volume of maize is traded to the neighboring countries such as Bangladesh, Vietnam, Malaysia and Singapore.

Maize is not used for direct human consumption in Myanmar. Consumers in this country do not buy maize rather than the products made from Maize, namely chicken (white meat). Based on economic term, the term of maize is called derived demand.

Due to change of consumption pattern, demand of meat is growing in urban area depending on increase of individual income. In addition to that, local traders find out the market opportunity for external trade. Thus, maize production and marketing increased dramatically during the market-oriented economy period.

To develop the maize production, national researchers released hybrid variety for main producing areas. And CP Group Company based on Thailand provides hybrid seed to farmers who involve in its contract farming located in Southern Shan state, one of the hilly region areas in Myanmar. Besides, its hybrid seeds are marketed to maize farmers. Based on economic impact on maize production, hybrid variety is widely adopted in main producing area and the area planted to hybrid maize is accounted for 35 percent of national total.

In Myanmar, the area planted to maize in 1987-88 is accounted for 0.16 million hectares and reached 0.25 million hectares in 2007-08.⁴ Put another way, maize sown area increased about two times during the short-term period and thanks to market-oriented economic policy.

Future Aspect

Maize is potential for area expansion depending on the country's different agro-ecological zones. At present, maize sown area cultivated in the rainy season or monsoon season constitutes 80 percent of national and the rest of 20 percent is sown in the cool season. Due to increase of market demand, it is expected that the area planted to maize is estimated around 1 million acres during the short time period.

OILSEEDS CROP MARKETING AND EDIBLE OIL MARKETING

Consumers in this country consider that edible oil is the second most important commodity after the staple food of rice. To provide edible oil for the requirement of domestic consumption, there are five kinds of oilseeds crop such as groundnut, sesame, sunflower, niger and mustard which are grown depending on the country's different agro-ecological zones. The same crop can be produced in different season. For example, sesame is wide sown as rainy season crop in the central dry zone area located in Central Myanmar and is grown as cool season is delta region of Lower Myanmar.

In addition, oil palm plantation program invested by private sector is implemented in Southern part of the country located nearby Thailand border, which has equatorial climate. The main reason is to provide raw material for industrial purpose and edible oil consumption.

Due to area expansion and yield increase, the country's edible oil production increased substantially. However, it is not fully sufficient yet for domestic utilization. To bridge the gap between supply and demand, palm oil is imported from neighboring countries, mainly from Malaysia. Of the oilseeds crop, a small volume of sesame is traded to Japan market by oversea and to China by means of border trade. As for Niger, it is exported for bird feed depending on market demand.

Policy Adjustment on Sesame Export Ban

Based on the market survey, in lower Myanmar, groundnut oil is the most preferred and in central Myanmar (Central dry zone region) sesame. In local markets, groundnut oil is the most expensive while the imported palm oil is the cheapest. Consumer choice of edible oil is highly related to preference, individual income and health concern. Generally speaking, low-income consumers mainly rely on imported palm oil. From the standpoint of health purpose, some consumers prefer edible oil which has less content of cholesterol and avoid consuming oily curry for their daily diet.

Sesame oil is mainly preferred in main producing area of central dry zone area. If rainy season production reduces substantially due to adverse weather condition during the season, the government bans on sesame export, not to occur soaring price in domestic market. However, sesame oil is heartily consumed in central dry zone area. (Ministry of Agricultural and Irrigation., (2007).

Generally speaking, the private sector makes prior agreement of sale contract with buyer countries for sesame export before rainy season harvesting. However, government put ban on the export of sesame, the private sector encounters to supply it in accordance with buyer demand and loses the market opportunity. From the trading partner side, buying of Myanmar sesame is not uncertain and regular supply. Because of these reasons, trading policy should be reformed to increase trading opportunity and national income.

Policy Adjustment on Import Palm Oil

The government endeavors for the self-sufficiency of edible oil by means of area expansion of oilseeds crop and oil palm and increase of yield by providing technology and extension service through the country.

Based on market-economy policy, food self-sufficiency looks only at national production as the sole source of supply, while food security takes into account commercial imports and food aids as possible source of commodity supply.⁵ On the production side, government makes effort to increase edible oil production and provides technology and extension service to farmers.

On the supply side, palm oil is imported depending on the domestic requirement. In this case, the following key points are important;

- With regard to imported palm oil, supply volume influences the domestic oilseeds crop production and prices of local produce of edible oil.
- Over supply of palm oil is leading to decrease price for local produce of edible oil. By contrast, if quantity of palm oil supplied to domestic market is low compared to quantity demanded, prices of all kinds of edible oil are on the rise.
- Generally, price of edible oil goes down in local markets, which depress prices of oilseeds crop. This event is disincentive for farmers.
- Normally, prices of oilseeds crop go down when newly harvested oilseeds crop begin to enter the market.
- At that time, if palm oil supplied to the market is more than quantity demanded or oversupply situation, prices of edible oil decrease sharply. Farmers sell their produce with low price to traders and oil millers. Generally, most small farmers sell part of their produce at harvesting time and cannot wait substantial price rise due to financial constraint. However, large farmers store their crop to obtain better price in later season.
- As mention above, edible oil price is decreasing due to oversupply of palm oil. At that time, if farmers have bumper crop on account of favorable weather condition in rainy production season period profit margin return to farmers tends to be low compared to green gram farmers.
- Another event is that the country's production level of rainy season sesame and groundnut reduce because of unfavorable weather condition. In the meantime, imported volume of palm oil supplied to the market has become low, leading to a steep price increase in local market, which suffer to low-income consumers.
- How to supply imported volume of palm oil to local markets is important issue. Volume of imported palm oil supplied to local markets should be increased when the production level of

rainy oilseeds crop reduce on account of unfavorable weather condition. During the planting time of rainy season oil seeds crop, more volume of palm oil should be imported to be stable of edible oil price in domestic market. By contrast, supply of palm oil should be reduced a little bit when newly harvested oilseeds crop begins to enter the market.

- Farmers do not know the comparative advantages theory. In practice, most farmers follow the market opportunity. Thus they will choose which crops are better returns for them if soil and agro-ecological conditions are suitable.
- Due to increase of sesame seed price in local markets, traders could not afford to purchase sesame seeds for export. The reason is that sesame price in the domestic market was above the export market price, which was offered by Japanese buyer. To be clear the fact, the following table shows the comparison of domestic market price of sesame and export market price.
- The most important thing is that reduction in imported volume palm oil effects to increase prices of edible oil and oilseeds crop in local market. (Ministry of Agricultural and Irrigation, 2007).

SOYBEAN MARKETING

The demand for soybean in this country has been on the increase. The reason is that, it is marketed as bean curd, soybean milk, fermented soybean, soybean sauce and roasted soybean for domestic consumption. After the year 2000, it is famous crop among fish and prawn farming business to use soybean cake as feed. In Myanmar, soybean is known as one of pulses while it is categorized under oilseeds crop in other countries.

In domestic market, groundnut and sesame cake is widely used for feed. At present, soybean cake is more demanded from fish and prawn farming. It is learnt that if groundnut and sesame cake is more used to meet the nutritional requirement, fish has become more fat content which is not attractive to trading partner from buyer countries. Under these circumstances, the private sector introduced soybean mills for the production of soybean cake and soybean oil. Ads for mill, there are four soybean mills started to supply the oil to super markets in Yangon City and other large towns.

Consumers in this country prefer the groundnut oil, sesame oil and imported palm oil. Thus, soybean oil is new product among consumers and traders in local markets. To be well known among consumers, the advertisement, which is attractive to its branding product of soybean oil, is found that it has no cholesterol content compared to palm oil. In addition to that, it should be consumed for those people who wish to prevent the hypertension and heart disease. Some consumers try to purchase soybean oil due to attractiveness of advertisement however its price is below the groundnut oil and is above the imported palm oil. (Kyaw M., (2006)).

As noted earlier, soybean cake is demand from local business of fish and prawn farming as raw material to produce feed pellets. The main reason is it has 40 percent of protein content, the highest content among pulses.

In domestic market, prices of groundnut and sesame cake are below the price of groundnut without shell and sesame seed. By contrast, price of soybean cake is more expensive compared marketed soybean. Because of this, most poultry farms rely on groundnut and sesame cake instead of soybean cake due to soaring price in domestic market.

Future Aspect

With a view of development of the soybean production and marketing, ASEAN member countries are required to cooperate research and development program. And investors from ASEAN member countries can collaborate with Myanmar for soybean production, processing and marketing.

PULSES MARKETING

People in Myanmar consume pulses as protein source for the daily diet. Many types of pulses such as chickpea, lablab bean, soybean, pigeon pea and garden pea etc are important of local consumption. The country's export volume is amounted to 1 million metric ton. Due to significantly changes of production and marketing, the country stands at leading country among ASEAN member countries.(Ministry of Agriculture and Irrigation., (2008).

Challenges

Major buyer of Myanmar pulse is India market, especially for pigeon pea, black gram and green gram. Quality demanded by India market is F.A.Q standard while other markets prefer S.Q which can fetch a good price compared to India market.

At times, quality demanded by India market influence domestic wholesale price and export market price. Thus, the country's pulses production requires changing from quality to quality production to compete with other exporting countries.

For long-term research and development program should be strengthen to develop pulses production and marketing.

VEGETABLES AND FRUIT MARKETING

Vegetable are perishable crop and cultivated mainly for domestic consumption. In Myanmar, vegetables can be grouped into two namely lowland and highland produce according to the origin of produce. Based on the agro-ecological zone, tomato, cauliflower, cabbage and carrot can be produced as rainy season crop in highland area and these crops can be grown as cool season crop in lowland area. The prominent lowland vegetables are ladyfinger, eggplant, cucumber, green chili, snake guard, baby corn and bottle gourd etc. Some vegetables are seasonally supplied to local market and some can be found throughout the year.

The market price fluctuates widely depending on the day-to-day supply and demand volume. At times, oversupply will force down market price quite abruptly. Due to attractiveness of tourism business, off-season production of vegetables and high-value vegetables are demanded by hotels and restaurant. For example, squash and sweet pepper etc are produced in the surrounding areas of Yangon City and Pyin Oo Lwin in Mandalay Division.(Kyaw M, 2006).

Fruit production is also mainly targeted for domestic consumption. Some fruits such as mango, plum, watermelon and muskmelon are exported to China by means of border trade. The prominent highland produce of fruits are mandarin, pear, apple and avocado etc and lowland produce of fruits are banana, durian, mango, Pomelo, Mangosteen, Rambutan, Pulm , Custard apple and Musk melon etc.

Generally speaking, the price pattern of seasonal vegetables and fruits show higher price at that start of the season due to less supply. Put another way, earlier crop nearly always obtain the highest price. After that, prices go down at that peak season because of increase supply in the market and increase again at the end of season but not to the same level as at the start.

Future Aspect

As for some vegetables and fruits, local agro-processors produce branding product such as dehydrate cabbage, canning product of baby corn, pineapple, chili sauce and tomato sauce etc. For example, dehydrated cabbages are marketed to Korea based on buyer demand. Most agro-processors collect the crop at the peak season and produce their branding product for domestic market.

In Myanmar, central wholesale markets in Yangon and Mandalay City have not cold storage facilities for vegetables and fruits. It is one of the factors for price fluctuation in local market. The reason is that if day to day supply volume exceed than quality demanded, the price decline sharply in the market. Thus farmers and traders encounter negative margin due to price fluctuation. And losses are occurred due to

long distance transportation and lack of cold storage transportation. At the same time, technology advantages of cold storage facilities are not experienced for farmers and traders. For these areas, investors who desire to collaborate with Myanmar can do because different kinds of highland and lowland produce of vegetables and fruits can be produced in this country due to endowment of agro-ecological zones. If vegetables and fruits can be more export, up-to-date market information cold storage facilities and advance technology such as production, grading, packing and quality are required for the development of vegetables and fruit marketing.

PRESENT MARKET INFORMATION SYSTEM

Trader can obtain market information from different sources, which are;

- Local traders go to Trader Association for agricultural marketing and find out market information to decide buying or selling, temporal arbitrage and special arbitrage. Thus, local traders receive market information from Traders' Association.
- Some trader association gather wholesale prices of agricultural commodities which are marketed in the compound of the association and some associations distribute their farmers at cost. Some members purchase market information sheet for their friend who do not come to trader association and for their trading partners.
- Traders exchange market information from large-scale and small scale wholesalers or collectors in main producing areas by telephone and fax.
- Traders can find out the Weekly Agri-business News publish by MIS project which is established by MOAI.
- Traders who have good facilities of internet or e-mail can find out local market information from e Trade Myanmar website and export market information.
- As for farmers, market information relies on the weekly Agri-Business News, neighboring farmers who come back from the nearest town and transporter such as bus or boat driver. Generally speaking, dissemination of market information for farmers are not fully provide under the present market information system.(Kyaw M., 2006)

Future Aspect

FAO establish Agricultural Food and Marketing Association (AFMA) in Thailand which can organize its member countries of ASEAN to exchange local wholesale price of information for the development for production and marketing and which country is more demanded during the marketing year. Thus, MIS in ASEAN member countries should be exchanged market information experiences and local market price.

CONCLUSION

In market-oriented economy, crop production in line with market demand is important. If production is done without consideration of marketing aspect, extension service, costly agro-inputs and valuable resource could be wasted.

If farmer know current historical information, they can plan production depending on market demand and will receive good market price by providing the requirement of market such as quality and quantity.

Market information can also help the farmer to decide when to sell or for how long to store their crops and market their production in terms of crops, varieties, quality and time of harvesting more market-oriented.

The political instability undermines both internal and external efforts to stimulate economic activity in Myanmar. The ruling Government is greatly responsible for reforming and restoring the political and economic stability. From my point of view, we really need a way out in order to be able to help the government improve economic integration in ASEAN in a way that leads to economic growth of Myanmar.

ENDNOTES

¹ www.aseansec.org/Lens%20-%20Myrna.pdf

² Source: Statistical Year Book, 2008, Yangon, Myanmar

³ Source: Statistical Year Book, 2008, Yangon, Myanmar

⁴ Source: Statistical Year Book, 2008, Yangon, Myanmar

⁵ Source: Implication of economic policy for food security, P-22, FAO).

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