

Voluntary Report – Voluntary - Public Distribution

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Report Name: Burma - Rising Food Prices due to Exchange Rate and Other Challenges

Country: Burma - Union of

Post: Rangoon

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Report Highlights:

The military coup continues to negatively impact Burma's economy, and the value of the Myanmar Kyat hit record lows in September. Arriving shipments, however, are being cleared and are not facing many clearance challenges. The unstable security situation, continued disruptions in the banking sector, and depreciating local currency have contributed to rising costs for imports. This report provides situational updates from Post's July 2021 report.

Background information and initial impacts of the coup are described in Post's original report: "[Impact of Burma Military Coup on Agriculture Sector and Trade](#)," which was published on April 12, 2021. Post published subsequent updates on April 15, 2021 "[Burma - Military Coup Continues to Hamper Agricultural Trade](#)," on May 27, 2021 "[Burma - Shipping Line and Banking Disruptions Continue to Impact Trade](#)," and on July 6, 2021 "[Burma – Trade Continues but Uncertainty Remains High](#)." The last report published on August 19, 2021 was "[Burmese Corn Exports Increased in 2021 Despite COVID-19 and Coup](#)." This report provides a situational update but omits some of the background provided in previous reports.

General Update

The National Unity Government (NUG) Acting President Duwa Lashi La declared a nationwide state of emergency on September 7, 2021, and said that the state of emergency would continue until there was a new elected government. NUG Acting President also declared an indefinite public holiday urging civil servants to stop working. The local People's Defense Forces (PDF), among other anti-military groups, increased their attacks against police and military targets with an uptick in detonations, shootings, and arson, especially targeting township and ward administrators assigned by the State Administrative Council (SAC) in Rangoon and other cities. Over 80 military-owned telecom towers were destroyed nationwide within two weeks after the announcement.

The SAC continues to remove and dismiss government staff who joined the Civil Disobedience Movement (CDM) and arrest PDF forces. The conflicts between SAC and PDF increased in September with several skirmishes in Chin and Kayah State. People are taking extreme precaution when going into the cities. The military regime continues imposing a curfew from 10:00 p.m.- 4:00 a.m. daily.

The Ministry of Health reported that the COVID-19 situation improved in September. As of September 26, 2021, Burma has received 2 million doses of Covidshield, 10 million doses of Sinophran, and 2 million doses of Sinovac. More than 3.7 million of people have received two doses, while more than 3.4 million of people have received just first dose. In addition, Burma finalized a contract to buy 24 million doses of Sinophran from China.

Agricultural and Trade Sector Update

Note: The situation described below is very fluid and is evolving rapidly. This report is intended to paint a picture of the range of obstacles that U.S. products may face based on the most up-to-date information that FAS Rangoon has been able to piece together through a wide range of contacts. It is essential that U.S. companies that are planning shipments to Burma in the near term remain informed of the evolving situation by staying in very close communication with their respective Burmese importers and distributors.

U.S. agricultural shipments continue entering normally, and there are no reports of stuck shipments since the last report. Importers are still placing orders despite increased shipping costs. There are reports of increased shipping times due to the scarcity of direct shipping lines to Rangoon. Most consumer-oriented products are transshipped through in Singapore. Importers

are hesitant to purchase products with short shelf lives and frozen products due to long transit times at connecting ports. The Myanmar Port Authority (MPA) reported that 43 container vessels from 13 shipping lines were scheduled to arrive Yangon in September. The majority of those vessels will arrive at Asia World port (AWP) and Myanmar International Terminals Thilawa (MITT).

The military government will provide loans to the livestock, fish, and shrimp farming sectors with an interest rate of one percent for one year to assist the sectors in recovering from the economic impacts brought on by COVID-19.

Burma and Russia hosted the first business to business meeting virtually to promote bilateral trade and investment cooperation between Burma and Russia. They discussed the following areas in which they could increase cooperation: banking and insurance; agriculture including livestock and fishery; electricity and energy; oil and gas; food processing industry; and mining.

U.S. Agricultural Exports

All U.S. shipments of agricultural products are entering the market normally with no reports of stuck shipments in September. Sources have confirmed that importers are able to clear shipments without any major challenges. Some importers have reported purchasing U.S. products with short shelf lives and frozen products from Thailand due to shipping line challenges.

Importers reported that the prices for containers have increased significantly. Importers are purchasing wheat and soybean meal in bulk shipments due to increased container costs. Burma imports soybean meal from the United States, Brazil, China, India, and Paraguay. China, Thailand, and India have an advantage as they share a land border with Burma and do not have the same shipping concerns as the other countries.

The price for wheat flour has increased 5-10 percent, depending on the type of flour, due to the depreciation of the Myanmar Kyat against the U.S. dollar. Wheat mills are finding it difficult to secure new shipments of wheat due to the fluctuating exchange rate. Major wheat mills in Yangon are operating at 40-50 percent capacity. The demand for wheat flour, however, has not significantly decreased, fueling the price increases.

Agricultural Sector

Rice: Farmers in lower Myanmar have started harvesting the monsoon rice crop (main crop) and are expecting to harvest a large amount of rice in October. The current market prices of monsoon rice (rough) is about 550,000-580,000 Myanmar Kyats (MMK) for 55 lb. The market price for rice (rough) last year was 550,000 - 650,000 MMK for 55 lb weight. The lower market prices are making it hard for farmers to make a profit given higher costs for all inputs, such as fuel, fertilizer, pesticides, and seeds. Most farmers direct seeded and broadcasted during the planting of the monsoon rice crop this year.

The SAC set the price of 100 baskets of rice (rough) at 540,000 kyats (USD 132/MT) as the basic reference price for monsoon rice (rough) and summer rice (rough) crops in MY2021/22 on October 6, 2021. The basic reference price for rice was set at 520,000 kyats per 100 baskets (about USD 152/MT) in MY2020/21 and 500,000 kyats per 100 baskets (USD 147/MT) in MY2019/20. The increase in reference price this year is due to the depreciation of the Myanmar Kyat against the U.S. dollar, transportation difficulties, decreased rice mill operations, and an anticipated smaller second crop production.

Domestic prices for rice were flat in June, however, due to a slowdown in rice export activity and inactive domestic demand. China's closure of the main border crossings has significantly disrupted border trade. In addition, prices for fuel, fertilizers, and chemicals have increased, driving up the production costs for farmers. The scarcity of cash, banking disruptions, and high prices will probably limit how much fertilizer and other inputs farmers can utilize, which could hurt yield.

Corn: Domestic corn prices in Yangon wholesale market increased 40 percent between January and October 2021. Myanmar exporters can export corn to Thailand duty free between February and August every year. Thailand does not allow the import of Myanmar corn between September and January. Myanmar farmers are still seeing better prices during harvest season despite the recent closure of the Thai market due to demand from The Philippines. Corn farmers in Shan and Kayah states are getting 640-650 Kyats per viss¹ (USD195-198/MT) in early October, compared to the 400-430 Kyats per viss that the saw the year before. The increase in prices is due to the doubling of seed and fertilizer prices have from last year and a forecasted 10-20 percent smaller crop from less fertilizer utilization. Farmers are also finding it difficult to get private loans due to cash shortages. The Myanmar Corn Industry requested that SAC provide 200,000 MMK per acre for corn. Several skirmishes between the military and anti-military groups have hindered corn production in some areas such as Kayah and Shan states.

Pulses: Myanmar government sources indicate that the total export value for bean and pulse exports was about USD 1.56 billion in fiscal year 2020/21 (October-September), increasing by 30 percent from last fiscal year's amount of USD 1.2 billion. The majority of bean and pulse exports are Black Matpe, Green pea, and Toorwhole. Burma's Black Matpe and Toorwhole prices increased in September due to an active export demand. Trade sources report that demand for pulses from India increased after pulse production areas in India experience heavy rains.

Livestock: The prices for broiler meat increased 15-20% percent from August to September due to the depreciation of the Myanmar Kyat against the U.S. dollar. Demand for broiler meat, however, remained flat. Demand for eggs decreased making the market price for eggs lower than the cost of production, 2,200 MMK per viss and 2,700 MMK per viss, respectively. The farm gate price for live birds remains slightly higher than the production cost of broilers, 3,300-3,600 MMK per viss and about 3,000 MMK per viss, respectively. Feed prices increased 9-10 percent between June and October 2021 due to increased prices for the raw feed ingredients. In addition, feed distributors are demanding that farmers purchase feed in cash and up front, which is challenging for small- and median-scale farmers.

¹ One viss is equal to 3.6 pounds or 1.63 kilograms.

Cooking Oil: Prices for palm oil increased 25-30 percent from August to September due the depreciation of the Myanmar Kyat against the U.S. dollar. Burma imports around 700,000-800,000 MT of palm oil annually to meet domestic consumption. The Ministry of Commerce and Myanmar Edible Oil Dealers' Association imported palm oil at the Central Bank of Myanmar's reference exchange rate (1,750 MMK per USD) in order to provide cooking oil at a fair price in September. The price of the palm oil imported by the MOC was 3,700 MMK per viss at different locations in Yangon, while the market price is about 4,000 MMK per viss.

Food Processing Sector: More bakeries and restaurants have reopened in September, but demand is flat. The devaluation of the Myanmar Kyat has raised food prices.

Aquaculture: Burma's fishery export dropped over the past months as Thailand and China imposed border trade restrictions. Myanmar exported U.S. \$640 million of aquaculture so far in FY2020/21 (October to July), which is USD110 million less than FY2019/20 (October-September). The Ministry of Agriculture, Livestock, and Irrigation is preparing an action plan to promote the export of frozen meat and aquaculture to help alleviate the challenges that the sectors are facing including limited logistic, difficult cash flow, and a shortage of containers. The SAC approved a project to build one of the largest fish auction markets in Myeik, Tanintharyi Region. The Myeik Corporation Public Company received the 7-year, USD300 million award to build the new fish auction market. The fish auction market will include four parts: a loading/unloading port, refrigerators, factories processing raw materials for finished products, and residential housings. The new fish auction market will cover 2,100 acres and will take 6 years to complete.

Fuel: The prices for fuel Octane 92 Ron increased 70 percent from February to September 2021. Some gas stations in the Ayeyarwady region (Delta area) were closed due to fuel shortages after unreasonably high fuel prices. The Central Bank of Myanmar (CBM), the Ministry of Commerce, and the Myanmar Oil Importers and Distributers Associations collaborated to help gas station offer fuel at below market value. The current market value of fuel is 1,205 MMK per liter, while the gas stations in Rangoon, Mandalay, and Naypyitaw sold fuel at 1,125 MML per liter since September 22.

Banking Sector Update

Several of the banking challenges mentioned in previous reports continue. Private banks continue facing shortages of both U.S. dollars and Myanmar Kyat from a lack of cash flow and slow business activity. Banks continue limiting the amount of cash people can withdraw, and there are still long lines of people waiting to withdraw cash. The commission rate to get cash through the black market decreased to 5-6 percent in September from 12 percent in June. People are buying U.S. dollars and gold when possible, to save the value of their money as the exchange rate continues to fluctuate, which exacerbates the problem of available U.S. dollars in the market. The Myanmar Kyat has depreciated sharply against the U.S. dollar since August, reaching a record 2,500-2,700 MMK per USD on September 28, 2021, at authorized money exchange counters. The Central Bank of Myanmar sold 63 million U.S. dollars between September 13 and 27 at an average exchange rate of 1,750-1,755 MMK per USD. Gold prices also increased from

1.3 million MMK before the coup to more than 2.0 million Kyats in September. Transferring money out of country continues to be a challenge for several importers and traders.

Situation Outlook

As noted above, the situation is very fluid and is evolving rapidly. The unstable security situation and continued banking disruptions have slowed economic activity. The chairman of SAC has for increased domestic production on certain good, which led to surveys to assess the domestic production capacity for different crops including potatoes and oil seed crops. Overall, it is essential for U.S. companies exporting to Burma in the near term remain informed of the evolving situation by staying in very close communication with their respective Burmese importers and distributors.

FAS Rangoon remains available to answer specific questions at agrangoon@usda.gov.

Attachments:

No Attachments.