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Report Name: Grain and Feed Annual

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Post: Rangoon

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Report Highlights:

FAS Rangoon (Post) forecasts Burma's rice exports, corn exports, and wheat import smaller in MY 2023/24. Exporters and importers continue to face a lot of uncertainties with the continuing changing policies on export/import procedures and foreign currency controls.

Executive Summary:

FAS Rangoon (Post) forecasts rice production in Burma (also called Myanmar) to recover in marketing year (MY) 2023/24. Attractive market prices in MY 2023/24 will encourage farmers to increase rice acreage despite higher production costs and changing export and foreign currency regulations, which led to reduced exports and production in MY2022/23. Changes in export regulations and controls on export earnings will, however, keep rice exports lower in MY2023/24. The same regulations and controls reduced Burma's rice exports 9 percent in MY2022/23 from the previous year despite the opening of the Burma-China border gates. Low domestic production in MY2022/23, active domestic demand, high transportation costs, the depreciation of Myanmar kyat, and limited milling operations will increase domestic prices for rice in MY 2023/24.

Post forecasts Burma's corn production lower due to high production costs, slow exports, and lack of security in some corn production areas. Post forecasts Burma's corn export to be 2.1 million metric tons in MY 2023/24 and 2022/23 due to changes in export regulations.

Post forecasts wheat production in Burma unchanged at 75 thousand metric tons in MY2023/24 and MY2022/23. A lack of quality seeds and low government investment in promoting production will maintain production at its current level. Domestic prices for wheat were higher in 2022 due to high global prices, lower imports, high transportation costs, and the depreciation of Myanmar kyat. Post anticipates Burma's wheat imports and consumption to be flat in MY2023/24 due to changes in import regulations, reduced milling operation due to insufficient electricity, and the suspension of wheat trade to conflict areas. While U.S. wheat exports to Burma have been growing with significant market share gains, U.S. wheat faces competition from Australian wheat that enjoys duty-free access under a free trade agreement.

1. Rice

Table 1.1: Burma's Rice Production, Supply, and Distribution

Rice, Milled	2021/2022		2022/2023		2023/2024	
Market Year Begins	Jan 2022		Jan 2023		Jan 2024	
Burma (Myanmar)	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	6900	7000	6900	6800	0	7000
Beginning Stocks (1000 MT)	1314	1314	903	1166	0	568
Milled Production (1000 MT)	12352	12400	12500	11800	0	12500
Rough Production (1000 MT)	19300	19375	19531	18438	0	19531
Milling Rate (.9999) (1000 MT)	6400	6400	6400	6400	0	6400
MY Imports (1000 MT)	2	2	2	2	0	2
TY Imports (1000 MT)	2	2	2	2	0	2
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	13668	13716	13405	12968	0	13070
MY Exports (1000 MT)	2365	2200	2400	2000	0	2000
TY Exports (1000 MT)	2365	2200	2400	2000	0	2000
Consumption and Residual (1000 MT)	10400	10350	10300	10400	0	10400
Ending Stocks (1000 MT)	903	1166	705	568	0	670
Total Distribution (1000 MT)	13668	13716	13405	12968	0	13070
Yield (Rough) (MT/HA)	2.7971	2.7679	2.8306	2.7115	0	2.7901
(1000 HA), (1000 MT), (MT/HA)						
MY = Marketing Year, begins with the month listed at the top of each column						
TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2023/2024 = January 2024 - December 2024						

Source: Post calculations based on interviews with the Myanmar Rice Federation, the Department of Agriculture, and the Ministry of Commerce

1.1 Production

Post forecasts MY 2023/24 rice production at 12.5 million metric tons (MMT) with an increase in rice acreage following high rice prices. Recent attractive market prices will encourage farmers to increase planting despite high fertilizer cost in MY 2023/24. The cost for agricultural inputs, such as of fertilizers, chemicals, fuel, and seeds, have increased since MY 2021/22 due to the depreciation of the Myanmar kyat against the U.S. dollar, the current political crisis, and the continued economic impacts of COVID-19. The price for urea significantly increased during Russia- Ukraine war.

Post's forecast for MY2022/23 rice production is 11.8 MMT, down more than 3 percent from MY 2021/22 mainly due to smaller planting areas, especially in conflict areas such as Sagaing region, Magway region, Chin, Kayah, Kayin, and Rakhine States, and lower yields. Rice millers reduced milling hours and storage of rough rice (paddy) stocks in MY2022/23 due to unstable rice prices, an inconsistent supply of electricity, and high fuel cost. Market prices for rough Emata rice (paddy) were 750,000-850,000 Myanmar kyat (MMK)/MT(\$178-202/MT) in March 2023, which were significantly higher than the reference prices of 315,000 MMK/MT due to declining stocks and an anticipated lower production.

The Ministry of Agriculture, Livestock, and Irrigation (MOALI) provided 200,000 MMK credit per acre for the second rice crop in MY 2022/23 due to limited access to financing options for farmers. In order to receive the credit, Department of Agriculture, producers, agricultural input suppliers, and processors must work together. The farmers receive 200,000 MMK in inputs from the agricultural input suppliers, and then gives the equivalent value in rough rice to the millers within six months. The government pays the agricultural input suppliers for the inputs. The government approved 170 billion MMK from the national economic development fund for the agricultural sector. The government will make the credit available for the 770,000 acres (311,740 Ha) of rice and 48,000 acres (19,433 Ha) of beans and pulses in seven regions and states in second crop in MY 2022/23.

Post revised MY 2021/22 production to 12.6 million metric tons. The price for urea increased 30-40 percent during the MY2020/21 monsoon rice crop and more than doubled during the second rice crop season. Imports of urea fertilizer, which is mainly used in rice cultivation, declined about 73 percent from 2020 to 2022 (January-December).¹

Posts forecasts lower yields in MY 2022/23 as farmers used significantly less fertilizer in the main-season rice crop; however, farmers are likely to use normal rates of fertilizer in the second rice crop due to attractive market prices. In addition, many farmers either abandoned or left only a few to manage their farms in conflict areas for safety issues during the main-season rice crop in MY 2022/23, which dramatically affected yield rates as the farmers who remained could not properly manage all the acreage. Farmers are doing more direct seeding and broadcasting methods in rice cultivation due to higher labor costs, scarcity of labor and uncertain water availability. Land preparation and rice harvesting are mostly done by machine.

1.2 Consumption

Post forecasts overall rice consumption flat at 10.4 MMT in MY 2023/24. Burmese people are eating more rice, generally, due to a slow economy and higher prices for other foods. Many young adults, however, are leaving the country to find better opportunities of employment. In addition, the continued closure of some hotels and limited foreign tourism are also keeping overall consumption flat. Consumption of broken rice in the livestock sector is also slow due to continued reductions in poultry and swine production following the pandemic and coup. Broken rice and yellow corn are the largest sources of starch and energy in animal feed. The amount of each used in feed production depends on market prices. Smaller livestock producers, including

¹ Trade Data Monitor, LLC

backyard farms, are the main consumers of broken rice. Post also kept rice consumption flat at 10.40 MMT in MY 2022/23 but revised consumption in MY 2021/22 up to 10.35 MMT. Rice is a significant part of the staple diet in Burma. People who live in rural Burma (70 percent of the population) consume rice three times per day, with per capita consumption at 170 kg per year. In urban areas (30 percent of the population), most people consume rice twice a day, with per capita consumption at 145 kg per year. The Myanmar Rice Federation found that the country's average per capita rice consumption was 155 kg in 2016. However, per capita consumption may vary by region and ethnic groups.

Food manufacturers use broken rice and other lower quality rice to make rice noodles and traditional Burmese snacks, which are more common in rural areas. Distilleries and feed manufacturers also use broken rice. Burma plants more than 100 varieties of rice in 3 main categories, including Emata (long grain), Pawsan (median and round), and Ngasein. High and some middle-class Burmese consume superior quality Pawsan varieties, which is seven percent of total rice production, including the premium Shwe Bo Pawsan. Low and some middle-class Burmese consume other types of super quality Paw San, high quality long grain, and median grain rice. Emata 25 percent broken rice is the largest variety exported by volume. Food manufacturers mainly use Ngasein rice to make noodles and traditional rice snacks.

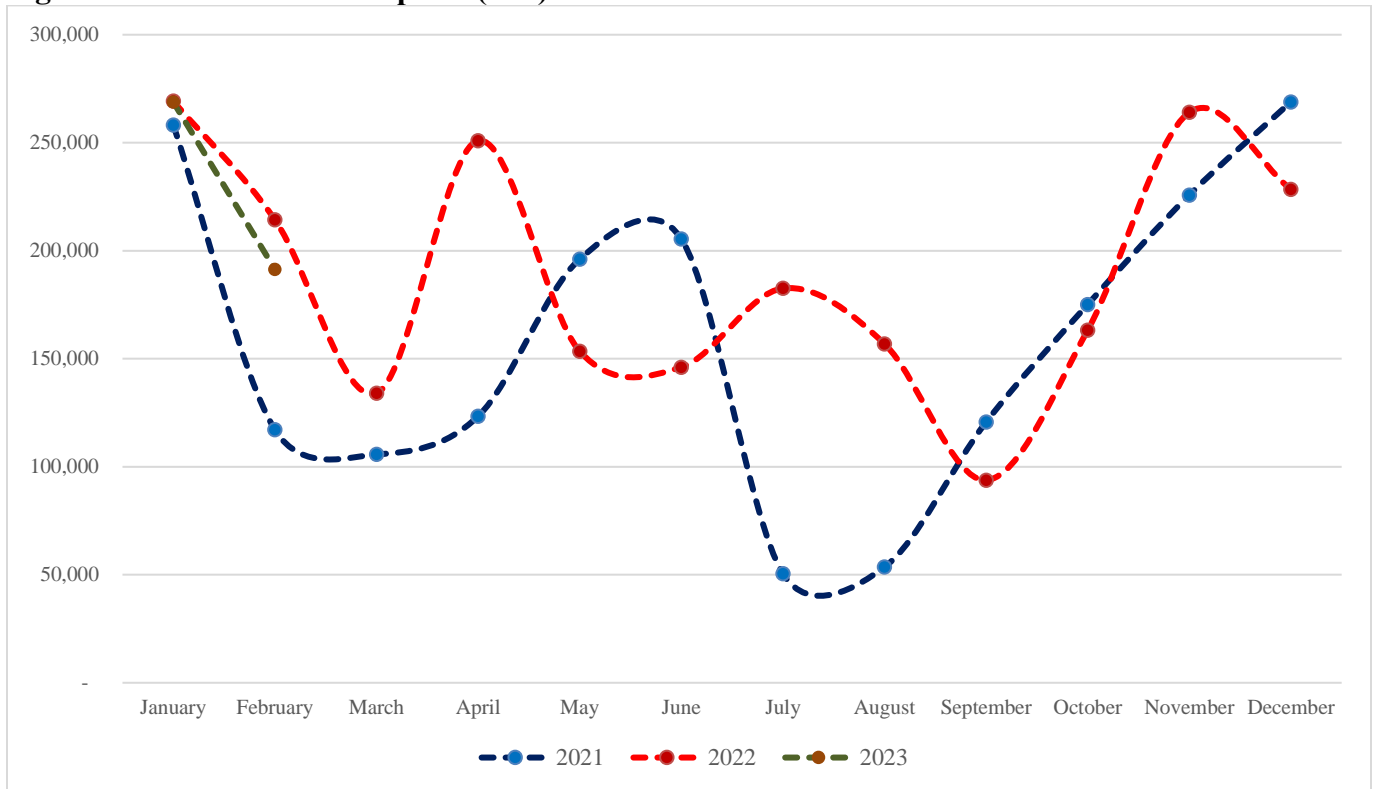
1.3 Trade

Post forecasts Burma's MY 2023/24 rice exports flat at 2.0 MMT. Relatively low stocks, high domestic prices, and changing export policies, especially at border check points, will keep rice exports flat in 2024. The Department of Trade (DOT) and the Central Bank of Myanmar (CBM) have released several announcements relating to export policies between April and August 2022 (please see the policy section for more detail). The continuous changing of export regulations and policies on export earnings have hindered exports.

Rice exporters who conduct maritime trade must exchange 65 percent of all export earnings into Myanmar kyat at the Central Bank fixed exchange rate, which is on average 36 percent lower than the market exchange rate. On March 1, 2023, rice exporters who trade at the border must also adhere to this policy. However, border traders are able to trade in Thai baht and Chinese yuan, whereas maritime trade must use U.S. dollars. CBM does set daily reference exchange rates for Thai baht and Chinese yuan. The reference exchange rate of Chinese yuan against the Myanmar kyat is usually 35-38 percent lower than the market exchange rate.

The General Administration of Chinese Customs (GACC) had approved 62 rice exporting companies as of December 2022. Despite the large number of eligible exporting companies, restrictions on export earnings and high prices for rice will adversely affect rice and broken rice exports. In February 2023, only 52 of the eligible 62 rice exporting companies were exporting rice and broken rice. China, Philippines, Bangladesh, and Sri Lanka are the major buyers of head rice, and the EU is the largest buyer of broken rice.

Figure 1.1: Burma's Rice Exports (MT)



Source: Ministry of Commerce, Myanmar rice Federation

1.4 Prices

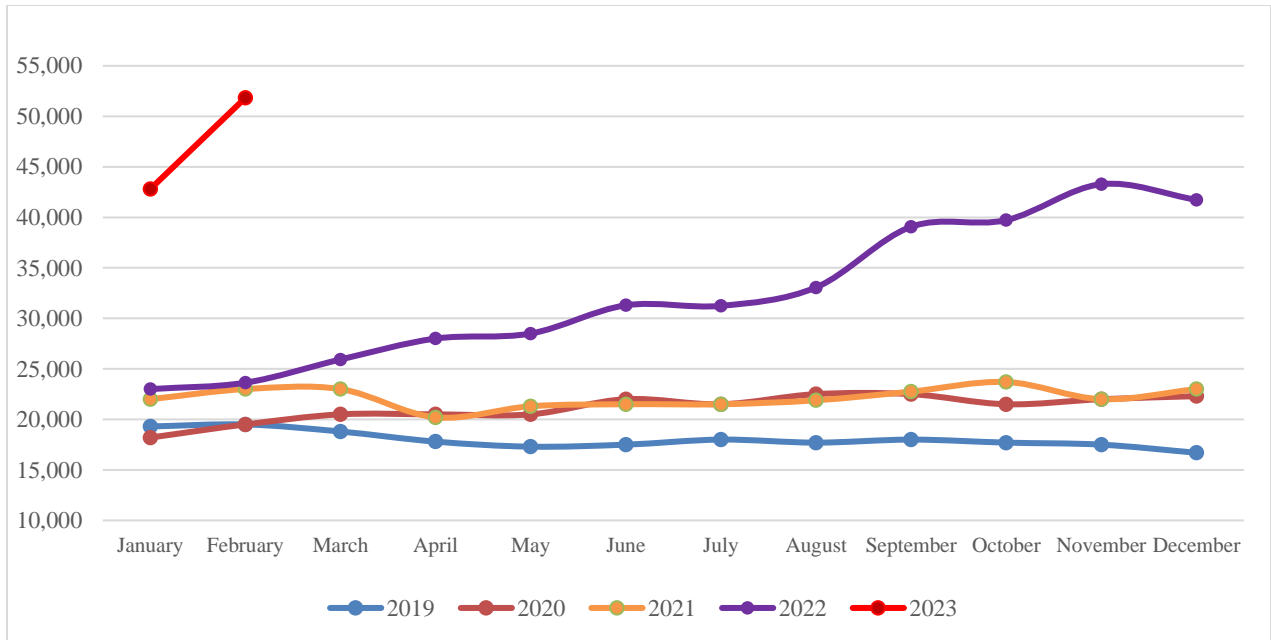
Average domestic wholesale prices of rice usually drop when new supplies enter the market in November from the main crop and rise at the end of February before the harvest of the second crop. Average domestic wholesale prices for both Emata 25 percent broken rice and Shwe Bo Pawsan increased in September 2022 due to the devaluation of the local currency, declining stocks in the domestic market, and an expected smaller main crop production in MY 2022/23. Shwe Bo Pawsan is generally the most common variety grown during the main crop season. Some farmers in certain areas (e.g., Sagaing region) had to leave their farms and homes due to lack of security and continued fighting between military and anti-military groups. Other farmers sold all their stock right after harvest due to market and security uncertainties. The fighting has resulted in some villages suffering severe damage, including some rice fields. The continuing conflict has created a lot of uncertainty in the market and is one of the main contributors to high prices.

The reopening of the Burma-China land border also contributed to high prices as there was a sudden increase in demand from China. However, recent policies changes could diminish demand for Burmese rice. Since February 23, 2023, exporters are required to convert 65 percent of their export earnings into Myanmar kyat at the reference exchange rate set by the Central Bank of Myanmar (CBM), which continues to be lower than the market exchange rate. Traders

at the border confirmed that they are losing about 10,000 MMK (~ \$ 5) per bag (50 kg) due to this rule.

The Myanmar Rice Federation (MRF) has been selling Emata 10 percent broken rice at reduced prices (2,000 MMK/Kg) to low-income people such as factory labors and staff families in Yangon.

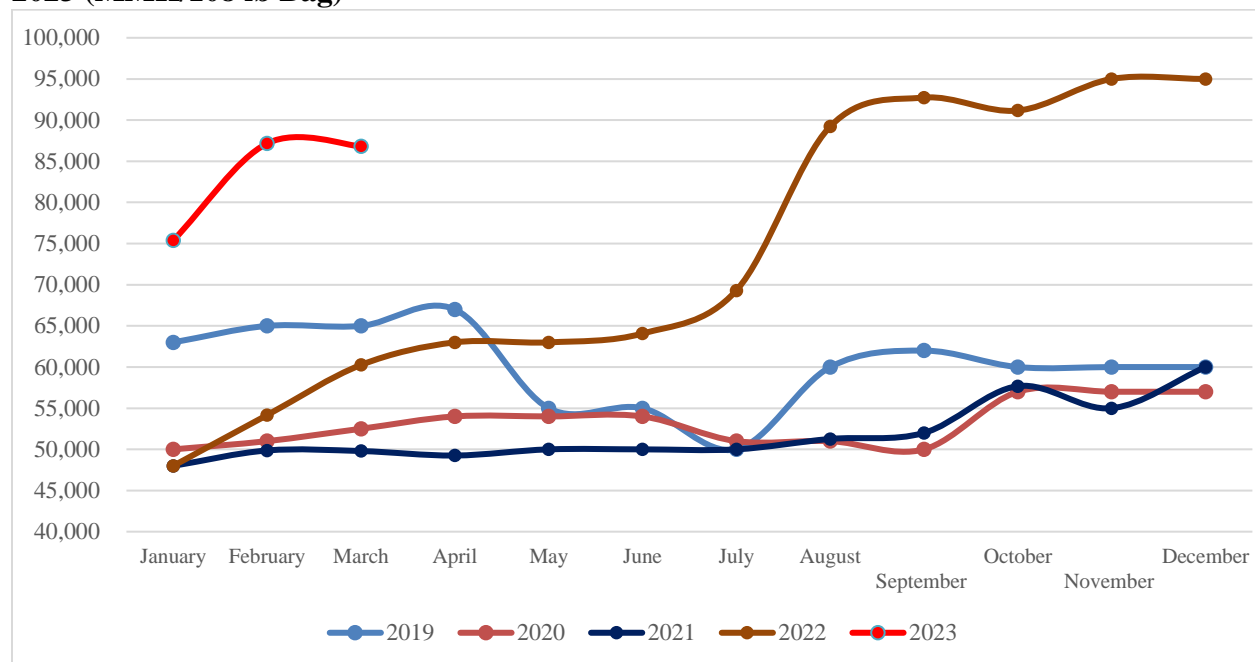
Figure 1.2: Average Monthly Wholesale Prices for Emata 25 Percent Broken (low grade) Rice (MMK/108 lb Bag)



Source: Myanmar Rice Federation

Note: MMK: Myanmar Kyats

Figure 1.3: Average Monthly Domestic Wholesale Prices for Shwe Bo Pawsan Rice, 2019 - 2023 (MMK/108 lb Bag)



Source: Myanmar Rice Federation

Note: MMK: Myanmar Kyats

1.5 Policy

Burma set the floor price for rough rice (paddy) at 630,000 MMK for every 100 baskets, roughly \$150/MT (1 basket weighs 46 lb of paddy rice), for the 2022 monsoon and 2023 summer seasons that have a 14 percent moisture content and met established minimum quality criteria. The government provides seasonal farm loans and short- and long-term credit for agricultural crops (e.g., rice, oilseeds, pulses, and beans), but the amount of credit varies by the commodity and season. The Myanmar Agricultural Development Bank (MADB) also provides credit for rice farmers of up to 150,000 Myanmar kyat (\$110) for a maximum of 10 acres with a 5 percent interest rate. This government-provided farm credit is roughly 20-25 percent of the cost of production. Most farmers must seek credit from additional sources. Farmers can also access loans from the Japan International Cooperation Agency (JICA) and the Myanmar Economic Bank (MEB). Due to high fertilizer costs, credit access has become one of the most important factors in helping farmers continue producing rice. The DOA implemented a contract farming system between rice farmers, fertilizer providers, and rice millers in 2022 providing them with 200,000 MMK/acre in additional financing (please see detail in production section).

MADB provides farm loans for the winter crop season (the second week of November to January), which must be paid off by the following September. In addition, the government will disburse farm loans for the pre-monsoon cultivation season between early January and the end of March, which farmers must pay off by the following February. MADB disburses the agricultural loan for the monsoon crop from May to September, and the deadline for repayment is in April the following year. Farmers who have not paid off previous loans are not eligible for new ones.

MABD provided 402 billion MMK for one million hectares of monsoon rice in MY 2022/23 with a 5 percent interest rate. The loan providers also reduced the interest rate for the annual agricultural loans provided by MADB, JICA two-step loan, and the Myanmar Economic Bank (MEB) loan). The Burmese government usually does not control the volume of rice exports and encourages the export of agricultural products. However, the Burmese government does require rice exporters to obtain an export license to export rice and broken rice.

The Burmese government approved the use of the U.S. dollar, Thai baht, and Chinese yuan when trading at border check points in November 2022. The Burmese government also started requiring importers to submit evidence that the money used to purchase imports came from money earned from exporting (export/import newsletter 10/2022). The Department of Trade will only issue an import license that does not exceed the verified amount of income earned from exporting.

1.6 Marketing

Farmers sell rice (rough) to rice millers directly through contract farming or through local collectors. Most of the local collectors are sent by rice millers. The rice millers then sell to rice wholesalers or sell directly to exporters. Wholesalers then distribute the rice to retail shops and department stores. Most farmers must sell their rice immediately after harvest to pay back farm loans and to get cash for their home expenditures. Usually, there are some large farmers who decide to store rice and wait for higher prices. Some large agribusiness companies are operating in the whole supply chain (e.g., planting, milling, and trading). Some non-rice trading companies are entering the rice trade market due to current import licensing requirements (see Section 1.5 Policy), high prices, and strong export activities.

There are two main rice trading centers, the Bayintnaung rice trading center and the Wardan rice trading center, and both are in Yangon. The Wardan rice trading center mostly manages rice from the delta region and distributes its rice to the local market or China. The Bayintnaung rice trading center mostly manages rice from Bago and Yangon and exports most of its rice. The standard weight for one basket is 46 lb with 14 percent moisture content. Since farmers usually sell the rice (rough) immediately after harvest, the moisture content is usually higher than 14 percent. Buyers often offer lower prices than market prices and use a different weight measurement (e.g., 50-52 lb per basket) due to the higher moisture content.

2. Corn

Table 2.1: Burma's Corn Production, Supply, and Distribution

Corn Market Year Begins	2021/2022		2022/2023		2023/2024	
	Oct 2021		Oct 2022		Oct 2023	
Burma (Myanmar)	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	670	670	680	650	0	650
Beginning Stocks (1000 MT)	47	47	61	309	0	319
Production (1000 MT)	2900	2900	2950	2650	0	2650
MY Imports (1000 MT)	14	12	5	10	0	0
TY Imports (1000 MT)	14	12	5	10	0	0
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	2961	2959	3016	2969	0	2969
MY Exports (1000 MT)	2450	2200	2450	2100	0	2100
TY Exports (1000 MT)	2450	2200	2450	2100	0	2100
Feed and Residual (1000 MT)	400	400	400	500	0	550
FSI Consumption (1000 MT)	50	50	50	50	0	50
Total Consumption (1000 MT)	450	450	450	550	0	600
Ending Stocks (1000 MT)	61	309	116	319	0	269
Total Distribution (1000 MT)	2961	2959	3016	2969	0	2969
Yield (MT/HA)	4.3284	4.3284	4.3382	4.0769	0	4.0769

(1000 HA), (1000 MT) ,(MT/HA)
 MY = Marketing Year, begins with the month listed at the top of each column
 TY = Trade Year, which for Corn begins in October for all countries. TY 2023/2024 = October 2023 - September 2024

Source: Post calculation based on interviews with the Myanmar Rice Federation, Department of Agriculture and Ministry of Commerce

2.1 Production

Post forecast Burma's corn production lower in MY 2023/24 due to high production cost, low utilization of fertilizers, and planting difficulty in conflict areas. Demand for corn will remain below average due to reduced exports and less demand from the livestock sector. The continued changes in export policies, and difficulties in getting export licenses are also contributing to less demand for Burmese corn, thereby reducing domestic corn prices and discouraging some farmers from planting.

Post estimates Burma's corn production lower in MY 2022/23 due to a smaller production area, especially in conflict areas (e.g., Sagaing region, Kayah State, and Chin State) and unfavorable weather conditions. Shan State experienced less rainfall in the early stages of production resulting in a smaller crop. Conflicts in the Sagaing Region and Kayah State forced farmers to

leave their farmland and prevented them from farming. The Department of Agriculture (DOA) reported that the monsoon season corn production area in MY 2022/23 dropped by 14 percent in Kayah State and 24 percent in the Sagaing region.

Some corn farmers in the Ayeyarwady region started producing chili, beans, and pulses instead of corn due to high production costs and lower margins during the winter season, resulting in a 25 percent reduction in winter season corn production in Ayeyarwady in MY 2022/23. The terrain in Ayeyarwady is suitable for other crops, making it easier for farmers to adjust based on market conditions. Farmers in Shan State, however, have increased their planting area in MY 2022/23 as the price of corn has risen. Corn is cultivated in hilly areas of Shan State, while other crops, such as rice, sunflower, vegetable, soybean, and potato, are planted in flat areas Shan State.

Farmers typically use 100-250 kg/acre of fertilizer per acre during the second crop (dry season corn). The main producing areas for monsoon season corn are Shan State, Kachin State, Kayah State, and Sagaing region, while the main producing area for dry season corn is the Ayeyarwady region. Farmers reported that the main monsoon corn crop yield was 2.5-4.0 metric tons per hectare (MT/Ha) and the yield for the second winter crop was 4.5-5.5 MT/Ha on average between 2019 and 2020. However, farmers are anticipating smaller yields per unit area of corn in MY 2022/23 from reduced fertilizer utilization from higher prices and unfavorable weather.

Rainfall, seed quality, and fertilizer are the main factors in determining the yield. Monsoon season crop relies solely on rainfall. Farmers only harvest about 15-20 percent of corn production with machines, while they thresh all corn mechanically. Almost all corn cultivated in Burma is from hybrid seed, largely imported from Thailand. Major players in the corn seed market are Charoen Pokphand (CP Group), Myama Awba Group, Aventine Limited, and Seven Tiger Group. CP and Myanmar Awba group cover about 85 percent of corn seed market share. Burmese corn farmers plant more than 10,000 MT of seed annually and purchase the seed from local seed producers, seed importers, and small amount from the government. Trade sources confirmed that corn production in Kayin State uses seed imported from Thailand. Government seed producing farms only provide 7-8 percent of the total seed demand. The Myanmar Corn Industrial Association is offering a production financing program with the support of private banks and traders to help farmers with higher production costs. Private banks will provide farmers with loans with a 12 percent interest rate and traders will promise to buy the corn after harvest.

2.2 Feed Consumption

Post forecasts domestic consumption for feed higher in MY2023/24 in line with the recovery of the livestock industry especially swine industry. Post forecasts local feed and residual corn demand higher in MY2023/24 at 550,000 MT due to the continued development of the swine industry. Industry source reported that the swine production should grow 6-6.5 percent in MY 2022/23. However, the demand remains below average consumption because of high prices for complete feed and weak demand from the poultry industry. The Myanmar Livestock Federation reports that approximately 70 percent of the raw livestock feed demand comes from the poultry sector and 25 percent from the swine sector. Domestic corn constitutes 35-45 percent of total

feed composition in the poultry complete feed sector, depending on the age of the animal, nutrition formula of the feed mill, feeding methods, and domestic prices.

Higher prices from increased costs for fuel and inputs, reduced purchasing power, and unstable electricity supply have all contributed to decreased domestic demand for meat and eggs. The decrease in foreign and domestic tourists, has also lowered the demand for meat and eggs. Due to current economic challenges and security concerns, several young people are leaving country in search of better employment opportunities, which is also driving the demand of meat and egg lower.

The price for corn has increased 45 percent from 2021 to 2022 due to strong export demand from Thailand, Philippines, China, and Vietnam. Some feed mills are using more broken rice and sorghum in their feed formulation due to the high prices of corn. In addition, breeding farms have reduced their day-old chick production due to low domestic demand for poultry meat, high input costs, and an inconsistent power supply. Feed millers are requiring farmers to purchase feed with cash instead of on credit due to the unstable banking system. Feed prices increased 60-65 percent within one year (February 2022- February 2023). These challenges are making some small and median poultry farms close, and only large, vertically integrated farms that receive foreign direct investment are able to stay in operation. Sources have confirmed that FDI companies are expanding their operations to include the entire supply chain, from the hatchery to the market.

2.3 Trade

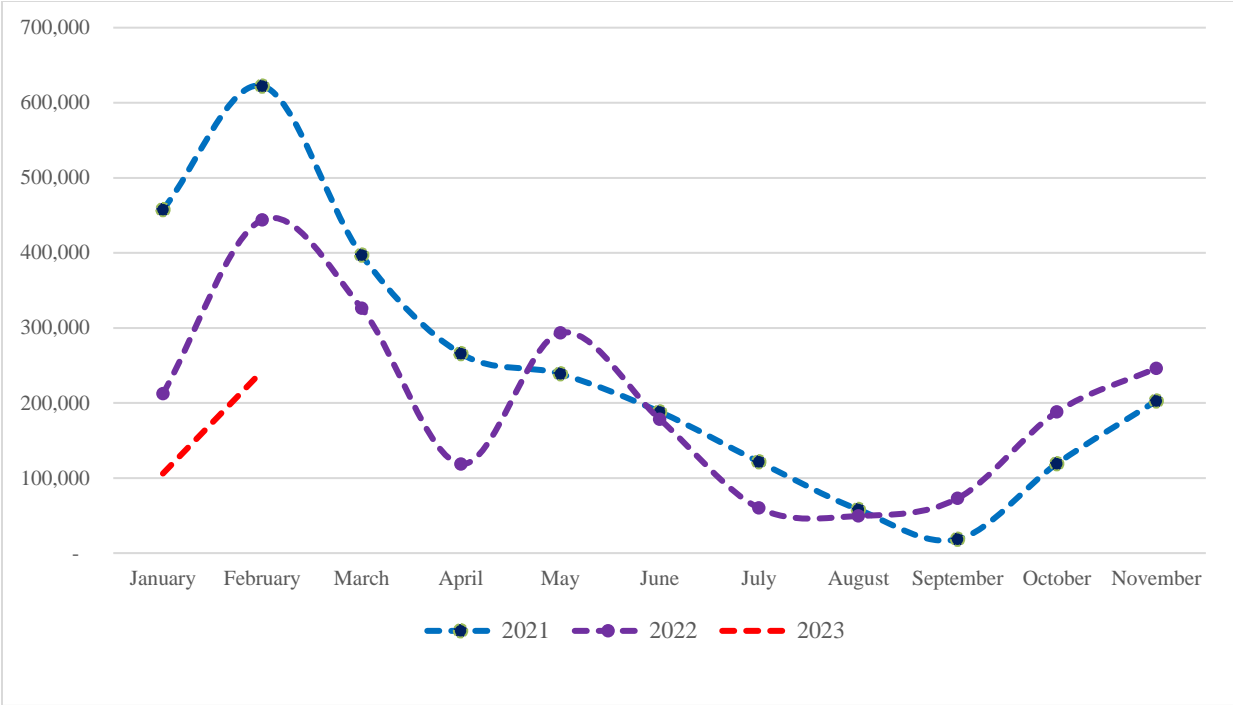
Post forecasts Burma's corn exports at 2.1 MMT in MY2023/24 due to an anticipated smaller production in MY2022/23 and changing of export regulations. According to the ASEAN Free Trade Area, Thailand allows duty-free imports of corn through the border from February to August. However, importers must pay a 73 percent tariff from September to January. Burma exports split corn to Thailand after the duty-free period. Conflicts between the Junta and Karen National Union (KNU), the primary road to Myawady (border trade city with Thailand), forced the closure of the border at end of March, suspending trade between the two countries. Some corn trucks were damaged or destroyed during that period. KNU advised truckers to not use the Myawady-Kawkareik road from March 27. Burma's corn export also sharply declined in April due to new export licensing requirements.

The DOT revised the FOB tax rate from \$310 to \$320/MT in June 2022. Traders at the border must use the advanced telegraphic transfer (TT) payment system, which is causing more problems for Burmese exporters. Exporters who trade at the border must deposit their export earnings in the account in advance, but most buyers do not want to pay for the product in advance. Traders can trade in U.S. dollars, Thai baht, and Chinese Yuan at the border. The volume of corn exports plunged in July and August 2022 due to instructions for utilizing USD to make payments and advanced payment method for the export at border trade.

Burma's largest export markets for corn are China, Thailand, Philippines, and Vietnam. Thailand's large livestock sector fuels its demand for feed inputs. Thailand's demand reached 1.8

MMT in MY 2020/21 but declined to 1.4 MMT in MY 2021/22. Burma exported 330 MT of duty-free corn silage (maize silage) to China in 2022.

Figure 2.1. Burma’s Corn Exports (MT)

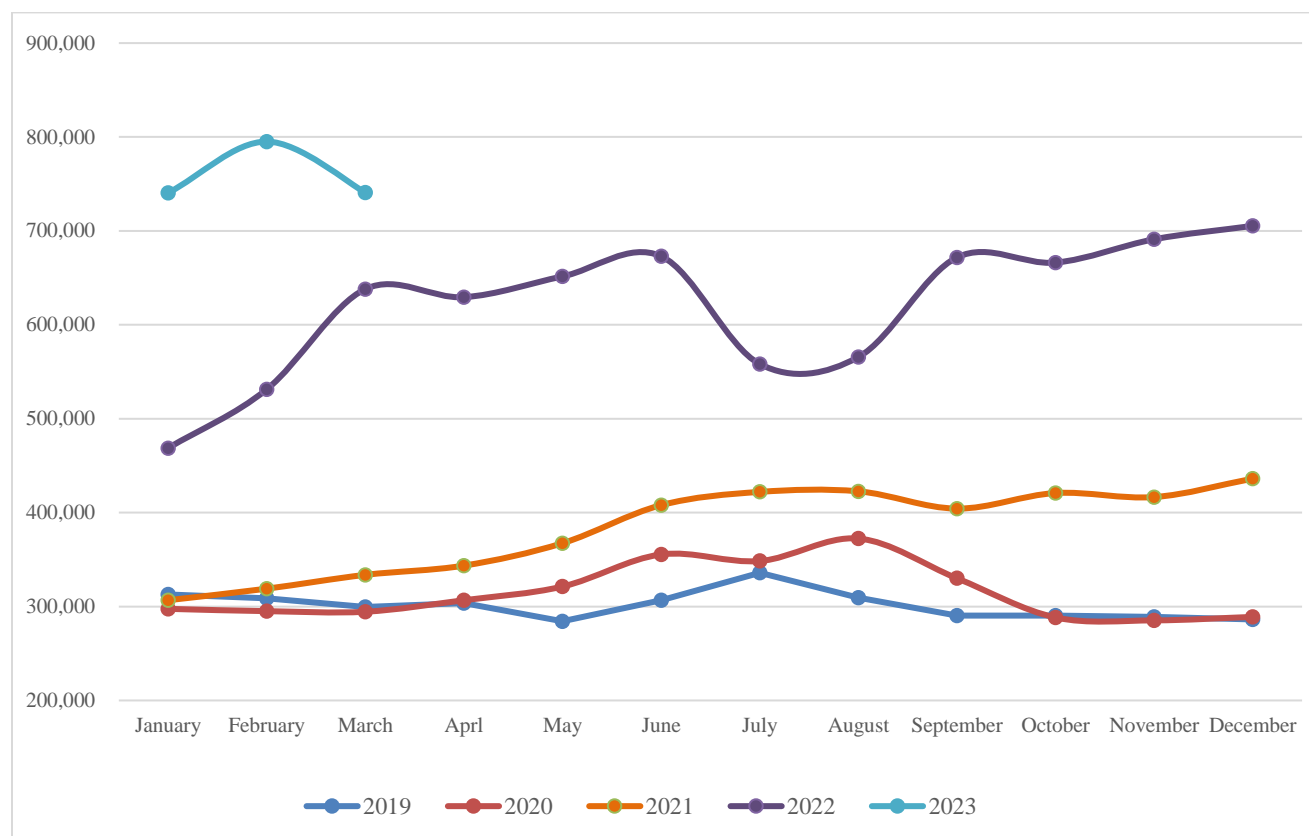


Source: Myantrade Monthly Newsletter, Ministry of Commerce

2.4 Prices

High demand from Burma’s trading partners and an expected low production in MY 2022/23 increased yellow corn prices in 2022. Yellow corn prices reached record highs in March 2022 at 438,666 MMK/MT (See Figure 2.2), which is 43 percent higher than the price at the end of December 2021. Domestic prices for yellow corn declined between June and July 2022 due to reduced exports. Burma’s domestic corn prices strongly depends on export demand. Changing regulations on foreign exchange management, restrictions on export earnings, and supply chain issues have negatively impacted the export demand for Burma’s corn.

Figure 2.2. Monthly Domestic Wholesale Prices for Yellow Corn Bayintnaung Market, Yangon, (MMK/MT)



Source: etrademyanmar.com

Note: MMK: Myanmar Kyats

2.5 Policy

The Department of Agriculture provides technical assistance, such as training via extension agents on Good Agricultural Practices (GAP) and pest and disease control, during the growing season. According to the SPS protocol, Myanmar companies must register at the General Administration of Customs of the People’s Republic of China (GACC) if they wish to export to China. Inspectors from the Department of Consumer’s Affairs and from the Myanmar Product Inspection and Testing Service Limited (MITS) conducted field inspections to confirm the product meets the requirements of the SPS protocol negotiated with China. There are currently 133 warehouses and 59 dryers between 112 companies that the GACC has approved.

The Burmese Ministry of Commerce announced that yellow corn seed (maize), sorghum, corn flour, and cracked corn will require an export license starting April 1, 2022. The CBM required that all foreign currency coming from abroad via maritime trade must be converted to Myanmar kyat and transferred to an account within one working day in early April 2022. The DOT expanded the requirement in July 2022 to all payments for the exports of pulses, corn, and oilseed crops via maritime and border trade. Most trade at the border had been done at market

exchange rates in Chinese yuan and Thai baht. The problem is that the reference exchange rate from CBM was much lower than market exchange rates, discouraging buyers from placing orders. The export of pulses, corn, and oilseed crops through the border stopped between July and November 2022 because of this policy.

Foreign currency controls on exports have halted exports of several commodities with exporters unable to get export licenses. The volume of cross border trade dropped 30-40 percent in July 2022. The requirement to deposit exporter earnings in advance into the advanced TT payment system is very restricting for small and median size exporters. Only large exporters are able to comply with this requirement. Traders who do not have sufficient U.S. dollars are finding it difficult to obtain export licenses.

CBM did revise its reference exchange rate from 1,850 to 2,100 MMK/USD on August 5, 2022. Trades must adhere to the 65/35 rule on export earnings. Exporters must convert 65 percent of their export earnings into Myanmar kyat at the CMB fixed exchange rate for U.S. dollars or the daily reference exchange rates for Thai baht and Chinese yuan. Their operating costs, however, are based on the market rate. In addition, DOT is testing out a vehicle monitoring system using a QR code for agricultural products trading (e.g., rice, corn, sesame, beans, and pulses, rubber aquaculture products) at the border. Exporters receive the QR code online after they obtain an export license. The trial period was from February 1-10. Exporters have already confirmed that they are facing challenges with the increased procedures and expenses.

3. Wheat

Table 3.1: Burma's Wheat Production, Supply, and Distribution

Wheat Market Year Begins Burma (Myanmar)	2021/2022		2022/2023		2023/2024	
	Jul 2021		Jul 2022		Jul 2023	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	70	58	70	58	0	58
Beginning Stocks (1000 MT)	81	81	65	81	0	61
Production (1000 MT)	100	80	100	80	0	80
MY Imports (1000 MT)	476	420	450	400	0	400
TY Imports (1000 MT)	476	420	450	400	0	400
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	657	581	615	561	0	541
MY Exports (1000 MT)	2	0	0	0	0	0
TY Exports (1000 MT)	2	0	0	0	0	0
Feed and Residual (1000 MT)	0	0	0	0	0	0
FSI Consumption (1000 MT)	590	500	565	500	0	500
Total Consumption (1000 MT)	590	500	565	500	0	500
Ending Stocks (1000 MT)	65	81	50	61	0	41
Total Distribution (1000 MT)	657	581	615	561	0	541
Yield (MT/HA)	1.4286	1.3793	1.4286	1.3793	0	1.3793

(1000 HA),(1000 MT) ,(MT/HA)

MY = Marketing Year, begins with the month listed at the top of each column

TY = Trade Year, which for Wheat begins in July for all countries. TY 2023/2024 = July 2023 - June 2024

Source: Post Calculation based on information from the Ministry of Commerce, the Department of Agriculture, and interviews with industry sources.

3.1 Production

Post forecasts MY 2023/24 wheat production flat at 80,000 MT. Decreased domestic demand, lack of good quality seeds, low government interest in supporting wheat production, and high cost of production from rising fuel and fertilizer prices will keep wheat production below average. Wheat is one of the most important crops after rice and corn. Major wheat growing areas are Shan State, Sagaing region, and Mandalay region. The Sagaing region accounts for more than 76 percent of total production, followed by Shan State at 20 percent, and Mandalay at 4 percent. Farmers typically plant wheat between October and November and harvest it between January and March.

3.2 Consumption

Post forecasts wheat consumption down at 500 MT in MY 2023/24, due to high prices, reduced operation by wheat mills, and supply chain challenges in conflict areas. Industry sources confirm that a lot of wheat flour is entering the market informally from India. Wheat mills are reducing their operating hours due to inconsistent electricity and challenges in importing wheat grain. Wheat millers have suspended distribution or reduced the volume they sell to conflict areas within the country due to safety concerns and transportation challenges. Imported wheat flour from India is relatively cheaper than wheat flour produced by local mills. Only FDI mills, such as Diamond Star and Wilmar, are competing with Indian flour. There are four major wheat mill businesses (i.e., U Kyu Family Group, Lluvia -under the umbrella of Capital Diamond Star, Htun Myittar companies, and Wilmar Myanmar) who operate large wheat mills. Even these bigger wheat milling companies have reduced their operations by about 40-50 percent since 2021.

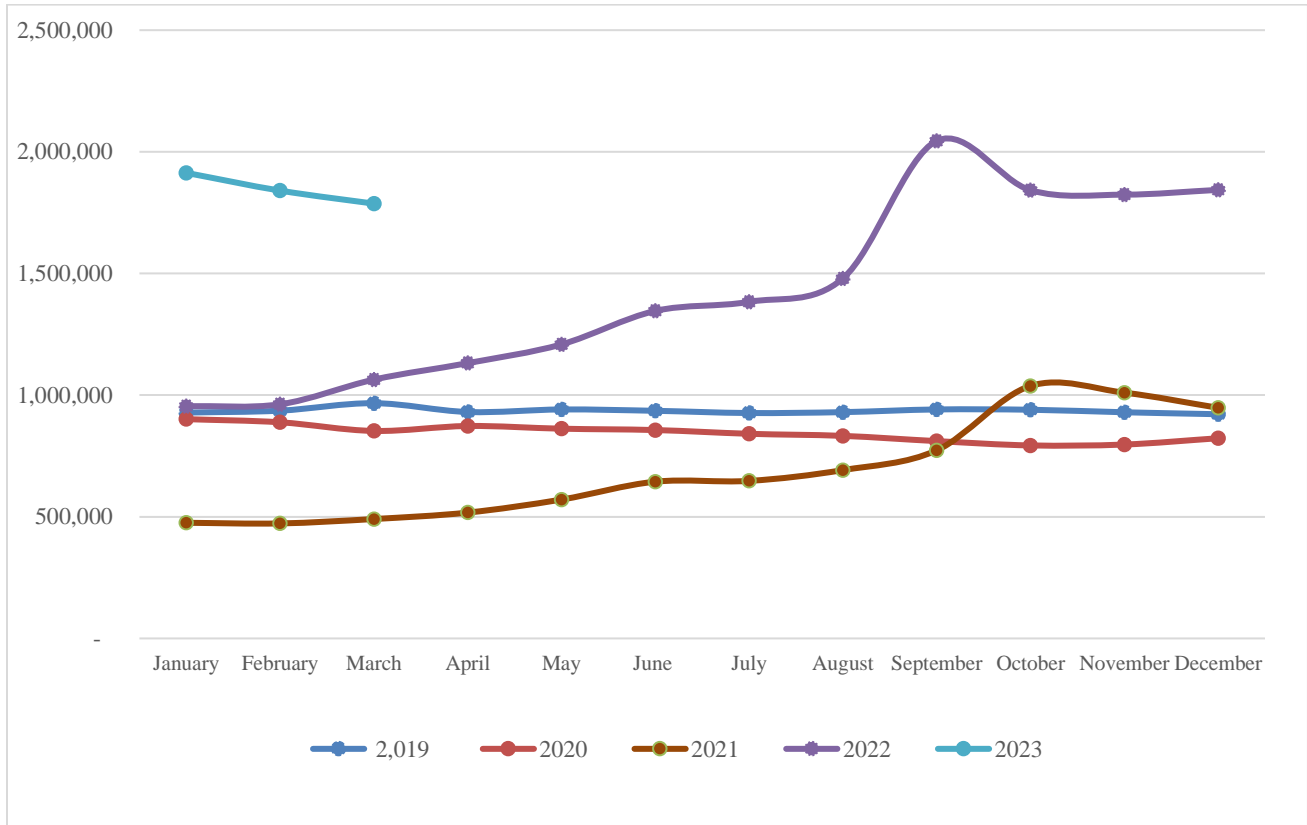
3.3 Trade

Post forecasts wheat imports at 400,000 MT in MY 2023/24 due to slow domestic demand, higher world prices, import licensing challenges, policy changes on importation. Burma mainly imports wheat grain from Australia, Canada, India, Thailand, and the United States. In MY 2021/22, Australia supplied 63 percent of Burma's total wheat grain imports. Australia wheat benefits from zero duties under the ASEAN-Australia-New Zealand Free Trade Area. Wheat importers must obtain an import license that usually takes between one to two months to get; however, it often takes even longer for some wheat importers to get their license.

3.4 Prices

Domestic prices for wheat doubled in March 2022 compared to the same period last year due to low milled wheat production, high fuel and transportation costs, the depreciation of the Myanmar kyat against the U.S. dollar, and the conflict in Ukraine. Domestic wholesale prices for wheat gradually increased between August and September 2022 and sharply increased in October due to reduced stocks. Prices for imported wheat flour vary according to the type of wheat flour but are usually cheaper and of higher quality than locally produced wheat. Domestic wheat prices mostly depend on demand from the mills in Mandalay, Sagaing, and Shan State since they primarily use local wheat. However, current world prices for wheat increased due to the conflict in Ukraine. The influx of Indian wheat flour in the market reduced domestic prices for wheat in March 2022.

Figure 3.1 Average Domestic Price for Wheat Grain in Mandalay Market (MMK/MT),



Source: etrademyanmar.com

Note: MMK: Myanmar Kyats

3.5 Policy

The military regime is seeking to reduce imports of “non-essential” products to save foreign currency in order to reduce the current trade deficit. Wheat importers are required to apply for an import license; however, there are no trade restrictions on the volume of wheat imports. Foreign currency controls implemented by the government have limited the ability of importers to secure foreign currency to purchase goods. The CBM requires importers to buy U.S. dollars at the CBM; however, the CBM does not always have enough U.S. dollars to meet the demand of importers. CBM prioritizes U.S. dollars for the import of fuel, edible oil, pharmaceuticals, and medical devices. Importers have been unable to obtain import licenses due to the lack of U.S. dollars from time to time. The Ministry of Commerce (MOC) has also revised the application process for import licenses making it harder for importers to obtain them and use them.

The DOT is now requiring importers to have an import license before the product leaves the exporting country, making it harder for wheat importers to secure contracts in time and have to reapply for a license if the shipment is delayed. Importers also must use earnings from exports to procure wheat for import, forcing some wheat importers to start exporting other products, such as rice. The Myanmar customs department revised the import tariffs of some products in October 2022, but the import tariff for wheat grain and flour remained unchanged.

Table 4. Import Tariff in Burma

Commodity	Purpose	Unit of Quantity	MFN Rate (%)
Rice	Consumption	kg	5
Rice seed	Sowing	kg	0
Wheat Grain	Consumption	kg	0
Wheat Flour	Consumption	kg	5
Corn Seed	Sowing	kg	0
Corn Flour	Consumption	kg	5

Source: Myanmar Customs Department

Attachments:

No Attachments