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Report Name: Impact of Burma Military Coup on Agriculture Sector and Trade

Country: Burma - Union of

Post: Rangoon

Report Category: Agricultural Situation, Detained Shipments, Grain and Feed, Livestock and Products, Oilseeds and Products, Potatoes and Potato Products

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Report Highlights:

Since Burma initiated a series of political and economic reforms in 2011, U.S. agricultural exports have grown over 80-fold, reaching a record \$174 million in 2019 and \$167 million in 2020. However, the February 1, 2021 coup d'état and country-wide peaceful protests in opposition to the military's actions, and the military's increasingly violent response, have crippled the logistics sector and led to closures and delays in the trade and banking sectors. Collectively, this creates vast uncertainties for U.S. agricultural exports to Burma.

On February 1, 2021, Burmese State Counsellor Aung San Suu Kyi, leader of Burma's ruling party, and Burmese President Win Myint, the duly elected head of government, were deposed in a military coup d'état. The military dismissed Parliament, instead created the State Administrative Council, and announced new Union Ministers starting on February 1. The military regime declared a one-year state of emergency after which it pledges to hold elections. It is widely believed that the military regime will not hold elections at that time. The United States, the United Nations, and like-minded countries have condemned the coup and the military's use of violence in suppressing protests.

Recent History of Burma

Burma (also called Myanmar) was previously under a military dictatorship for almost 50 years, with Aung San Suu Kyi being held under house arrest for approximately 15 of those years. Burma underwent a series of political and economic reforms starting in 2011, resulting in the lifting of sanctions imposed by numerous Western governments, including the United States. In November 2015, national elections ushered in a new era for Burma, as the National League for Democracy (NLD) won a supermajority of seats in the combined National Parliament. Aung San Suu Kyi, who won the Nobel Peace Prize in 1991, became State Counselor (equivalent to Prime Minister and de facto head of government). While the international community criticized the military and her government's handling of the Rohingya crisis (starting in 2017), she is widely revered in Burma. In the November 8, 2020 national elections, she was duly elected with an even greater supermajority than in 2015. Prior to the February 1 coup, the military increasingly sought to delegitimize the election results in heated discussions with the NLD-appointed Union Election Commission. Following the coup, the military-appointed Union Election Commission declared that the election results are no longer valid, citing fraud but offering no evidence.

Civil Disobedience Movement and the Military Regime's Response

A majority of the Burmese people are angry and support the Civil Disobedience Movement in some way. Forms of protest have been peaceful, and have include labor strikes, a boycott campaign for military-affiliated products, daily public protests, and nightly pot-banging campaigns. The labor strikes are almost certainly intended to cripple government services and the economic sector in order to put pressure on the military. Specific impacts on various sectors related to agricultural trade are described below. The NLD has also set up a shadow government, including elected parliamentarians; there are warrants out for their arrest.

The military set a daily curfew of 8pm – 4am and banned the gathering of more than five people, providing a justification to arrest protesters. In addition, the military blocks the internet from 1:00 – 9:00 a.m. daily and has also blocked several social media, messaging, and news outlets. The military has implemented a range of increasingly violent tactics of intimidation. Starting on February 28, protests have been met with harsher police tactics, including the use of flashbangs and firearms to disperse crowds in a number of locations in Rangoon and other cities.

Impact on Agricultural and Trade Sector

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.

While the first few days of the coup did not lead to largescale disruptions in a stunned nation, the start of the Civil Disobedience Movement led to almost all import and export operations to be suspended on February 5. The level of participation in the Civil Disobedience Movement has differed by Ministry, with some departments within the Ministry of Agriculture, Livestock, and Irrigation especially crippled by labor strikes, leading to severely delayed issuance of import and export documentation. For example, the Livestock Breeding and Veterinary Department is not able to provide Import Recommendations and Health Certificates, except for departing expatriates' pets. Similarly, the Myanmar Food and Drug Administration's limited staffing has caused it to focus on reviewing existing applications for Import Recommendations (similar to product registration); it is not currently accepting new applications for Import Recommendations or Import Health Certificates. The customs office is opened and partially operating, although it is a focus area for protesters.

The Myanmar Port Authority office is open, but there is a lack of drivers and other logistics providers to move containers. As of February 24, 2021, there were more than 10,000 containers stuck at the Asia World port, which is responsible for about 40 percent of total container arrivals. This has led to the temporary suspension of a Japanese-owned shipping line that runs between Singapore and Rangoon. Importers that were already paying higher shipping costs during the COVID-19 period are now subject to even higher fees since there isn't sufficient staff at the ports to unload containers in a timely manner and at least some containers are departing Rangoon empty.

In effort to get trade flowing, on February 20, the military created a steering committee for trade facilitation. Chaired by the State Administration Council, other members of the committee are Union Ministers (e.g., Ministry of Commerce) or Deputy Ministers (e.g., Ministry of Agriculture, Livestock, and Irrigation). The committee is tasked with resuming trade at ports, airports, and border trade posts. This includes coordination with the private sector, management of banks, and the formation of a One Stop Service Center. While some details are still unclear, the One Stop Service Center appears to be a single window-type system in which importers bring all documents to the customs office in order to get all required clearances from relevant ministries. Early reports indicate that some containers began to be cleared via this system on March 2 and that approximately 200 containers were released on March 4. Sources indicate that stuck containers are being cleared during the nationwide curfew (8pm – 4am), with food and other perishable products being prioritized. However, companies that participate in this process risk being publicly shamed on social media for going against the Civil Disobedience Movement, which presents reputational risks for U.S. products. While there are many importers that are requesting that containers be released via this process, it appears that, at least initially, not all requests are being granted. It is possible that priority may be given for large shipments, especially those that are required inputs for local value chains (e.g., U.S. soybean meal for the livestock sector).

There are emerging concerns that importers that cannot get shipments cleared could abandon them, with lack of clarity on who would be financially responsible. Widespread bank closures have also led to widespread challenges in paying tariffs, taxes, and fees. Customs is reportedly accepting IOUs in some cases and the military-owned banks are encouraging companies to create new accounts to facilitate transactions (see Impacts on Banking Sector section below). On March 1, 2021, the Myanmar Container Truck Association announced it was going back to work and prioritizing the movement of food and medicine, although the widespread trucker strike is reportedly the key factor preventing the movement of goods at this time. Sources indicate that companies that want to move containers are offering their own drivers.

Impact on U.S. Agricultural Exports

Since Burma initiated a series of political and economic reforms in 2011, U.S. agricultural exports have grown over 80-fold, reaching a record \$174 million in 2019 (see Figure 1). In 2020, U.S. agricultural exports decreased four percent to reach \$167 million, largely due to an almost complete lack of tourism, the departure of many expatriates due to COVID-19, and other pandemic-related disruptions. Livestock feed ingredients, including soybean meal, soybeans, distiller’s dried grains with solubles (DDGs), and corn gluten meal, represented approximately 74 percent of total exports (see Figure 2).

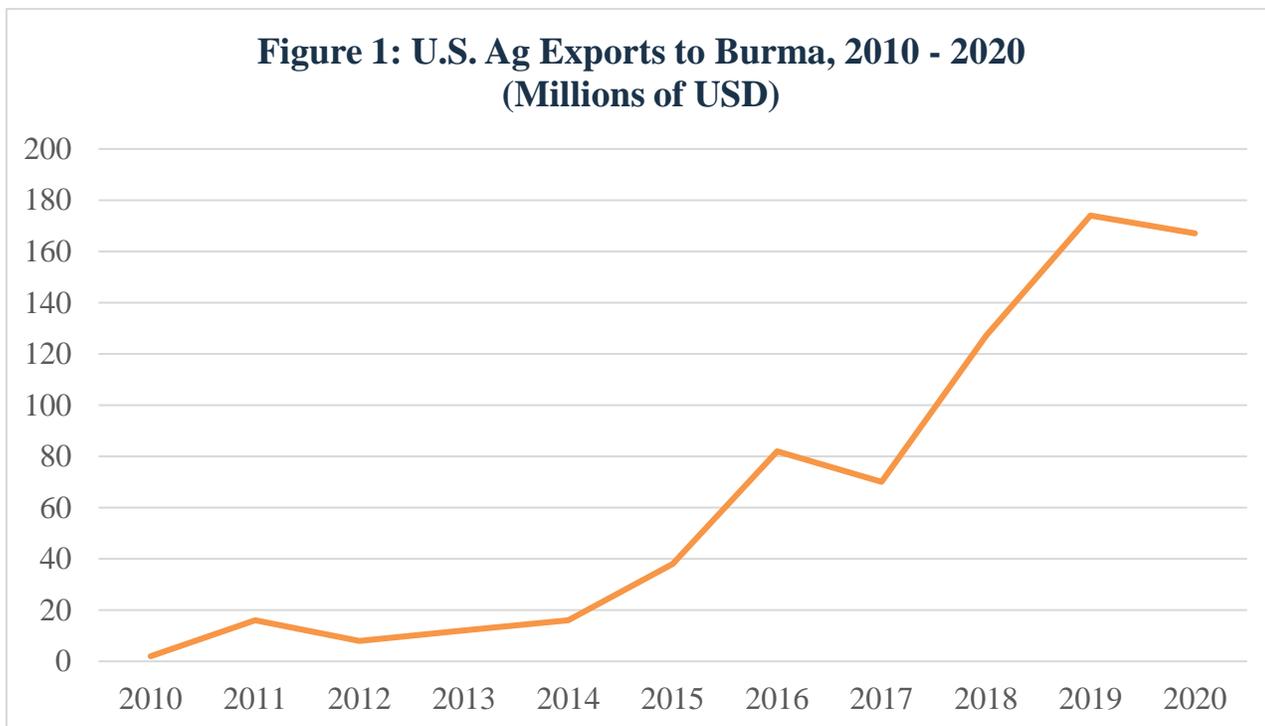
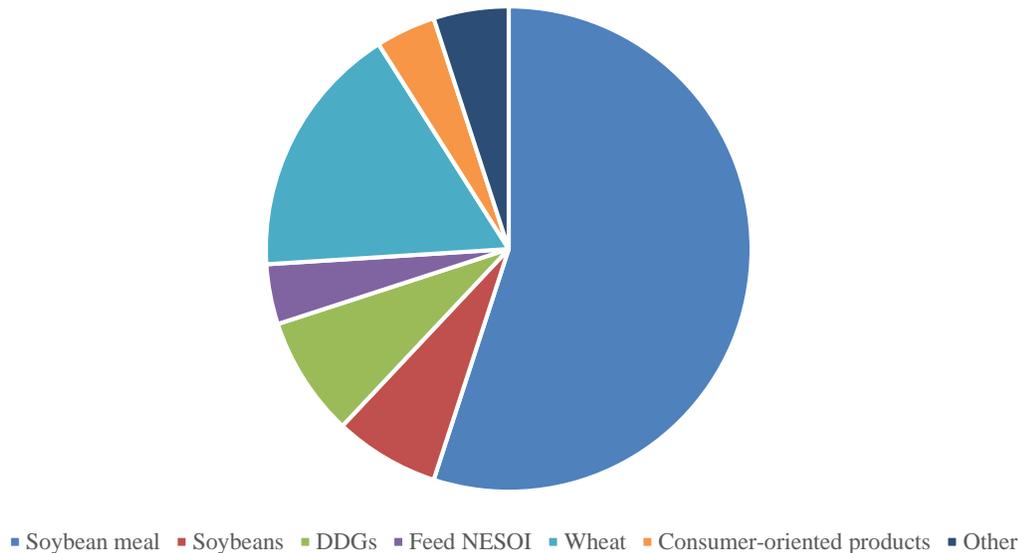


Figure 2: 2020 U.S. Agricultural Exports to Burma



To date, sources indicate that approximately 10,000 metric tons (MT) of U.S. soybean meal and 2,500 MT of DDGs are stuck at the port and are expected to be released via the One Stop Service Center. In addition, sources indicate the arrival of U.S. potato products has been delayed and additional livestock feed ingredients are on the water. The situation remains fluid and uncertain, with concerns of both reputational risk and financial consequences of shipments during this period.

Impact on Local Agricultural Sector

The agricultural sector employs approximately 70 percent of Burmese population and food prices are a key factor affecting food and nutrition security for poor urban and rural households in this Least Developed Country. The Burmese economy was already hit hard by COVID-19, especially impacting these vulnerable households. A U.S. Agency for International Development-funded assessment of the military coup's impact indicates that the disruptions in the banking sector, including of microfinance institutions widely used in the agricultural sector, have resulted in limited access to cash and loans required to start the agricultural season. This includes limited ability to purchase inputs (which are also affected by the distribution disruptions). In addition, prices for basic food items, including rice and cooking oil, have reportedly increased by 10 – 15 percent on average. Retail prices of palm oil, which is widely consumed by lower-income households, have reportedly doubled in some areas. Due to the daily curfew, small shop owners and laborers have to limit their hours and are reporting reduced incomes. In addition, agricultural producers, especially in vegetable and seafood value chains, are facing transportation constraints and decreased demand.

Burma is self-sufficient in rice, its staple crop, and typically exports approximately 15-20 percent of its annual production. While rice yields are expected to again be low this year due to low rainfall and irrigation capacity, the military is expected to use monthly export quotas, as it did last year due to COVID-19 concerns, to control prices and manage stocks. Additional information about rice export forecasts and other information is available at <https://www.fas.usda.gov/data/burma-rice-trade-monthly>.

Burma is dependent on imported livestock feed ingredients, primarily U.S. soybean meal and, increasingly, DDGs, for its growing poultry, swine, and aquaculture sectors. FAS Rangoon is currently preparing its annual grain and feed annual report, which will provide insights on the rice, corn, and wheat sectors, including how they are affected by the military coup.

The military appears to be pushing for self-sufficiency in basic foodstuffs, even though this approach is widely critiqued by economists as a misguided approach to food security. There are initial calls to promote the agriculture sector and avoid “unnecessary” imports to reduce the trade deficit. An initial area of focus appears to be on replacing cooking oil imports with local products. U.S. cooking oil exports to Burma are very low (valued at \$36,000 in 2020, \$4,000 in 2019). The major cooking oil imports are palm oil from Indonesia valued at \$593 million in 2020. While Burma produces corn and soybeans, it is not a competitive producer of either and there has been high demand for corn exports to Thailand in the past two years. In addition, processing facilities are limited and palm oil imports have been a fairly low-cost option.

Impact on Retail Sector

To date, while food distribution has been impacted along with the widespread logistics disruptions, the retail sector has been relatively resilient. All supermarkets are now closed by 5:00 p.m., with earlier closures reported in recent days. Retail outlets are still relatively well-stocked, with reduced availability of some imported items. City Mart, the grocery chain with the most imported products, including the widest variety of U.S. food and beverages in-country, reports that it has less than a two-month supply. MAKRO Myanmar, a 100 percent foreign direct investment from Thailand, is unfortunately on some Civil Disobedience Movement-created boycott lists since they rent land owned by the military. This new retailer has collaborated with FAS Rangoon and USDA Cooperators; they sell U.S. beef, potatoes, cheese, and various processed foods. Carrefour entered the market in October 2020, currently operating 15 shops under the Easy Mart brand plus an e-commerce site. They planned to open two, larger supermarkets later in 2021, but the future of that endeavor is uncertain due to the current situation.

Impact on Hotel, Restaurant, and Tourism Sector

As with other travel destinations worldwide, Burma’s growing tourism sector was already crippled by the COVID-19 pandemic. Hotels that previously welcomed eco-tourists seeking the road less traveled (and high-value U.S. food and beverages) instead served as quarantine hotels for returning nationals and the small number of approved foreigners. A major luxury hotel announced in January 2021 that it would be closed for nine months (e.g., planning to reopen for the October – February high travel season) while others have been closed since spring 2020. With the coup on top of COVID-19, there are reports of staff at hotels and other tourism-related businesses having either lost their jobs or taking leave without pay. Just as COVID-19 positivity rates continued to fall, large-scale protests and lack of social distancing have led to increased concerns about COVID-19 transmission. The U.S. Department of State escalated the travel advisory for Burma to Level 4: Do Not Travel on February 14, 2021.

Impact on Foreign Investment

Following the coup, Japan’s Kirin Holdings announced that it will stop two joint ventures with military-owned breweries within one year. Kirin had previously purchased U.S. hops products ranging from

\$250,000 to \$500,000 over the past two years. The garment sector, already hard-hit by COVID-19 temporary closures, is now crippled with Chinese, Korean, and Hong Kong cut, make, pack (CMP) investments being redirected to Cambodia and other markets. In addition, Suzuki stopped its production in Burma and Thailand's Amata stopped a billion-dollar industrial investment, collectively resulting in 10,000 laborers losing their jobs. Many U.S. companies operating in Burma are considering whether their footprint should be adjusted as well. The suspension of some foreign investment is already being felt by micro, small, and medium enterprises, which were planning to export a variety of agricultural products under contracts that have since been cancelled.

Impact on Flight Availability

Since March 2020, commercial international flight arrivals have been banned due to COVID-19. Those in Burma who wished to depart could do so via limited "relief flights," which would arrive with Burmese passengers returning home and depart as quasi-commercial flights. Entry by foreigners has to be specifically approved by the government and typically happened via a weekly World Food Program medical supplies flight from Kuala Lumpur. The already meager flight options have been severely reduced following the military coup. The military closed the airport entirely from February 1-3, 2021. It then resumed the previous allowance of cargo flights, and limited domestic and international relief flights (see Fuel section below).

Impact on Banking Sector

In Burma, the banking sector is composed of military-owned banks, domestic banks not affiliated with the military, and a small number international banks that entered the market in recent years. The Central Bank of Myanmar, now under military-installed leadership, implemented withdrawal limits for businesses (equivalent to approximately \$14,180) and individuals (equivalent to approximately \$1,418) on March 1. Banks have largely been closed since February 8 and a majority of ATMs are reportedly out of money, placing considerable stress on the local economy. The military authorities' daily internet shut-downs, the Civil Disobedience Movement, and probable shortage of cash have collectively hindered the ability to replenish ATMs. The military regime has threatened nationalization to encourage private banks to force their employees to end their participation in the Civil Disobedience Movement. When and if banks fully reopen there is likely to be a high customer demand for withdrawals, which Myanmar's already fragile banks may be unable to meet. Myanmar lacks a deposit insurance system or means to halt a bank run other than by just closing the banks or limiting transactions. These issues are causing major concerns, especially for small and medium-sized businesses, and may cause businesses to limit operations or shut down, especially if they cannot make payroll. It is widely thought that most people are hoarding money as a mitigation strategy to respond to the unpredictable situation. The cash shortage will likely lead to printing money, which would invite rapid inflation. The Myanmar Kyat has depreciated by about 10 percent since February 1, which affects prices of all commodities and trade.

Impact on Fuel

Depending on the source, there is sufficient fuel to last between a few weeks to two months, and the military regime is likely having to look to other sources. A lack of fuel could prevent the transportation of U.S. goods, including U.S. soybean meal, wheat, and DDGs from being delivered to mills and then onward to farms. While the major provider of jet fuel announced that it will not operate in Burma

following the coup, the military reportedly holds sufficient stores of jet fuel. The current amount of jet fuel is reportedly not limiting flights at this time.

Restrictions on U.S. Government Assistance Programs

The Biden Administration's designation of the military's action on February 1, 2021 as a coup was followed by a U.S. interagency review of U.S. foreign assistance in Burma. Following this review, the U.S. Government issued Interim Guidance regarding which activities would continue in Burma. In general, assistance activities with the private sector and civil society may continue. However, activities that assist the military regime must halt with very limited exceptions for lifesaving and humanitarian assistance. These restrictions severely constrict FAS Rangoon's existing and proposed capacity building programs, the majority of which worked directly with the government.

Restrictions on USDA Cooperator Activities

FAS-funded USDA cooperator activities in Burma—including but not limited to those funded through the Agricultural Trade Promotion Program, Foreign Market Development Program, and Market Access Program—are subject to the same restrictions as other U.S. Government programs. Most USDA Cooperator activities in Burma are focused on the private sector (e.g., trade servicing, technical assistance to feed and wheat mills, online and in-person promotions, and educational activities) and can continue as long as they avoid companies and individuals with military ties. In addition, USDA Cooperators should avoid large activities that would garner substantial press attention. FAS Rangoon held a virtual meeting with USDA Cooperators on February 24, 2021 to provide an overview of the current situation, trade impact, and restrictions on USDA Cooperator activities.

U.S. Sanctions

On February 11, 2021, President Biden signed an [Executive Order on Blocking Property with Respect to the Situation in Burma](#), which provides broad authority for sanctions to hold the military accountable for its actions. Immediately thereafter, the Biden administration launched a new sanctions regime, initially designating 10 individuals and three entities connected to the military apparatus responsible for the coup (for details, please see the [U.S. Department of Treasury's press release](#)). On February 22, 2021, the U.S. Department of Treasury [added two key members of the military regime](#) to its Specially Designated Nationals (SDN) list. Additional sanctions are being contemplated and would be tied to future escalation by the military. All individuals that become subject to sanctions will be added to the SDN list. For an updated list, visit <https://sanctionssearch.ofac.treas.gov> and search under the program "BURMA-EO14014."

U.S. Export Controls

On February 11, 2021, the U.S. Department of Commerce's Bureau of Industry and Security (BIS) implemented a [series of restrictions](#) on exports of sensitive items to Burma in response to the coup and [implemented new export controls](#) on March 4. Sensitive items, such as nuclear materials, telecommunications equipment, and toxins, required an export license to be issued by BIS prior to the February 1, 2021 coup; BIS has since suspended certain export license exemptions previously available to Burma. These sensitive items, detailed in the [Export Administration Regulations](#), generally do not

include agricultural products. U.S. agricultural exports to Burma are not expected to be affected by these restrictions.

U.S. Embassy Operations

Due to the deteriorating security situation, on February 14, 2021, the State Department approved authorized departure (AD) for Mission Burma eligible family members and for non-emergency personnel, as determined by the Chief of Mission. A charter flight carrying Mission personnel going on authorized departure departed the morning of February 28 with 33 Chief of Mission personnel and family members and 94 private U.S. citizens. The Embassy continues to monitor the evolving situation closely.

Situation Outlook

As noted above, the situation is very fluid and is evolving rapidly. It is therefore difficult to predict future policy changes and outcomes, as well as the overall resilience of an economy and agricultural sector still reeling from COVID-19. The military appointed a Minister of Agriculture, Livestock, and Irrigation that was a former Director General of the same Ministry and advisor to a private company and the Myanmar Rice Federation, and holds a Masters in Science in agricultural economics from a U.S. land grant university. This provides assurances to many in the agricultural sector that major, unwanted changes will not occur. The emerging narrative to avoid “unnecessary” agricultural imports is problematic and is more likely to cause hurdles for some U.S. consumer-oriented products. However, in the eyes of most Burmese people, the United States has been their closest ally during the coup. Therefore, many consumers are likely to increasingly embrace U.S. branded products after the current situation is resolved. Local wheat millers and feed mills are dependent on imported products, increasingly of U.S. origin, to satisfy the demand for wheat, livestock, and aquaculture products, which will likely help facilitate the clearance of such products, while still being met with substantial delays that may deteriorate product quality. Overall, 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. FAS Rangoon remains available to answer specific questions at agrangoon@usda.gov.

Attachments:

No Attachments.