

Voluntary Report – Voluntary - Public Distribution

Date: May 26, 2021

Report Number: BM2021-0018

Report Name: Shipping Line and Banking Disruptions Continue to Impact Trade

Country: Burma - Union of

Post: Rangoon

Report Category: Agricultural Situation, Grain and Feed

Prepared By: FAS Rangoon Staff

Approved By: Lisa Ahramjian

Report Highlights:

The February 1, 2021, military coup continues to negatively impact Burma's economy. While arriving shipments can be cleared relatively normally, the number of arriving vessels remains low and disruptions in the banking sector and the inability to place new orders for imported products continue to dampen trade. This report provides situational updates from Post's April 12, 2021 report.

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. 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 an updated report on April 15, 2021, "[Burma - Military Coup Continues to Hamper Agricultural Trade](#)." This report provides a situational update but omits some of the background provided in previous reports.

Civil Disobedience Movement and the Military Regime's Response

A majority of the Burmese people oppose the military coup and support the Civil Disobedience Movement in some way to put pressure on the military. In response, the military has implemented a range of increasingly violent tactics of intimidation. The regime continues to arrest protesters, including professors and celebrities. In addition, many government staff who were on strike as part of the Civil Disobedience Movement have been dismissed or temporarily suspended after a written warning to return to work by a certain date. At the same time, the ministries are releasing new vacancy announcements to hire new staff. The regime is trying to reopen schools in June and will announce the timeline to apply to several universities for the students who recently passed the matriculation exams. However, parents hesitate to send their children to school, especially now that there are several explosions every day in Rangoon and Mandalay (Burma's second-largest city).

While a daily curfew remains, the military regime reduced it to 10:00 p.m. – 4:00 a.m. daily. Fixed internet connections, which had been blocked from 1:00 – 9:00 a.m. daily, are now available 24 hours per day. At least some mobile internet data is now available, although service remains limited and is not available to all subscribers.

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.

Similar to the April 2021 report, FAS Rangoon is currently not aware of any U.S. agricultural shipments that remain stuck at the port. On April 22, the Myanmar Port Authority held a meeting to discuss container requirements for the export and planned arrival of containers to facilitate port operations. Subsequently, updated clearance procedures and importers' ability to make advanced bookings with logistics companies helped clear containers efficiently. In addition, sources confirmed that the respective government agencies relaxed some import procedures due to the shortage of government staff. Many shipping lines have not returned to Burma after experiencing costly disruptions in February. Sources indicate that shipping lines do not trust the ports' ability to clear containers, plus they have no contracts for return trip (due in part to a container shortage). Accordingly, the shipping cost increased 2-3 times and many importers are unable to place new orders due to shipping line disruptions. In addition, due to

lack of confidence in the Burma situation, importers are being asked to make the full payment even before loading instead of after receiving the bill of lading.

Starting on May 1, importers have to pay a 2 percent withholding tax, which was waived for one year (April 2020-April 2021). Widespread bank closures also continue to complicate the payment of tariffs, taxes, and fees. In addition, the regime temporarily banned the import of beverages, coffee mix and tea mixes, instant coffee, condensed milk, and evaporated milk through all border trade points starting from May 1, 2021. The stated reason was the lack of ability to conduct food safety inspections. However, the import of those items may continue via sea freight.

Impact on U.S. Agricultural Exports

Fortunately, all U.S. shipment were cleared in April and, as stated above, Post is not aware of any U.S. products stuck at the port. However, importers cannot place new orders due to the scarcity of shipping lines and high shipping costs. They have been largely unable to place new orders since the end of March. Sources indicate that some orders with U.S. suppliers have been cancelled after shipping lines denied shipments to Burma. This has the largest impact on U.S. soybean meal (exports valued at \$92 million in 2020), especially since feed mills are seeking to expand production closer to normal levels in June. Importers are reportedly seeking to source soybean meal from South America due to this situation.

Since Burma is dependent on imported wheat and importers are struggling to place new orders, wheat millers reduced their operating hours and production by 50 percent. U.S. wheat exports to Burma were valued \$28 million in 2020. Reduced production will also create a shortage of wheat bran, which is used as livestock feed.

Impact on Agricultural Sector

The domestic prices for rice have been flat in May and is forecast to decrease due to poor exports amid COVID-19-related border closures in China and the new crop entering the market. The price of urea fertilizer, which is largely imported and subject to the trade disruptions described above, increased 40 percent from the previous year. In addition, the farmers have to pay with cash down payments, which is not typical. For additional updates on the rice sector, please refer to [Post's monthly rice reports](#).

In May, the prices for broiler meat increased 25-30 percent from April due to increased feed prices and transportation costs. Sources confirmed that the prices for broiler feed increased 35-40 percent due to increasing prices for raw feed. Due to the scarcity of cash, with the banking disruptions, farmers have to buy feed with cash and some small and medium-sized producers had to shut down, which resulted in decreased production. The domestic wholesale prices for soybean cake increased 8-10 percent from April to May due to shortage of the domestic supply and suspended imports of soybean meal. Similarly, the consumption of broiler meat and eggs decreased due to lack of cash among consumers and an increased unemployment rate. Eggs are mainly consumed by lower income laborers who typically work in several industrial zones in Rangoon. The supply of live birds entering to the Mingalar Taung Nyunt poultry wholesale center in Rangoon daily has decreased by almost 40 percent when compared to pre-COVID-19 levels. This downward trend has been exacerbated by the coup, especially due to consumers' lack of access to cash.

Reduced demand for livestock products also directly reduces demand for livestock feed, which resulted in reduced feed mill operations. In addition, many laborers went back to their villages in March amid increased violence. Some laborers have come back to work and the feed mills restarted the operation in last week of April with limited production. As noted above, millers are expected to increase their production in June.

Burma's corn export to Thailand is ongoing due to the demand from Thailand with a 5 percent price increase from January to May (from \$178 to \$215 per metric ton (MT)). For detailed analysis of the production, supply, and distribution of rice, corn, and wheat in Burma, please refer to FAS Rangoon's recent [Grain and Feed Annual report](#).

Produce

Mangoes are currently in season in Burma, which exports to China through the border. Only the Kyin San Kyawt and Wanding border gates are open and mango trucks are prioritized to cross (along with the melons trucks). The transportation cost of vegetables from production areas has risen due to increasing fuel prices, which increased 30-40 percent from March to May.

Cooking Oil

The major cooking oil imports are palm oil from Indonesia and Malaysia, 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. Burma imports 700,000-800,000 MT of palm oil annually, which is widely consumed by lower-income households. Prices have reportedly increased about 20-25 percent from April to May due to increased commodity prices, limited transportation, and difficulty of making international payments. The military is planning to auction reserved palm oil (12,000 MT) in May to increase the domestic supply and to control prices.

Impact on Food Processing Sector

Only a small number of bakeries and restaurants are open and some local food processing businesses are restarting operations with limited production. After going back to their villages due to increased violence, some laborers came back to resume work in industrial zones, but these factories are not at full operations and can only provide limited employment. In addition, some laborers decided not to come back and to just stay with family due to lack of confidence in security in Rangoon and changed jobs.

Impact on Retail Sector

While there have been some food distribution limitations to all food retail operations, the specific impact has largely depended on the security situation around the retail location, whether it is a dry good or perishable product, and the amount of labor required to facilitate the delivery. Currently, food deliveries services have returned to normal in the areas that have a stable security situation. However, there are explosions every day in Rangoon and many consumers are opting for food delivery services, which are attempting to continue operations daily. Supermarkets extended their opening hours in early May, with some closing by 5:30 p.m. and others by 7:30 p.m.

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. After being largely closed since February 8, banks have slowly increased operations due to heavy pressure from the regime but without sufficient cash. Private banks are disbursing money 2,000,000 MMK (US\$ 1,197) per person and 20,000,000 MMK (US\$ 11,980) per company per week with phone call appointments. Only 200,000 MMK per card per week can be withdrawn from the ATM machines. When combined with major liquidity constraints, limitations of this system have resulted in citizens facing shortages of Myanmar Kyat in-hand. There is now a black market for cash, which has up to a 10 percent commission.

These disruptions in the banking sector are currently the biggest problem, both for businesses and for consumers. Due to the lack of confidence on banking system, and devaluation of Myanmar currency, citizens are trying to save foreign currency and gold, resulting in significant increases in the price of U.S. dollars and gold in May. The currency exchange rate reached a record of 1,700-1,730 MMK/ US\$ on May 12 and the Central Bank of Myanmar sold 21 million U.S. dollars during May 1-20 to control the prices. As a result, the price for \$US decreased to 1,600-1615 MMK on May 26. Due the lack of cash flow with slow business activities and daily cash withdrawals by customers, the private banks are facing the shortage of both US\$ and Myanmar Kyats. To support the private banks, the central bank of Myanmar reduced the percentage of Minimum Reserve Requirement for the private banks from 3.5 percent to 3.0 percent of total deposits by customers on May 7.

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, with additional rounds of sanctions tied to the military's actions. Individuals and companies subject to U.S. sanctions are listed at <https://sanctionssearch.ofac.treas.gov> by searching under the program "BURMA-EO14014."

Situation Outlook

As noted above, the situation is very fluid and is evolving rapidly. While previously stuck U.S. agricultural shipments have been cleared, the continued inability for importers to place new orders is a cause for concern. In addition, the security situation remains unstable and banking disruptions have reduced the ability for consumers and businesses to make purchases. It is 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. 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.