

# The Essential Role of Agriculture in Myanmar's Economic Transition

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Ministry of National Planning and Economic Development

Nay Pyi Taw, January 20, 2016



# Why is agriculture important for a successful transition?

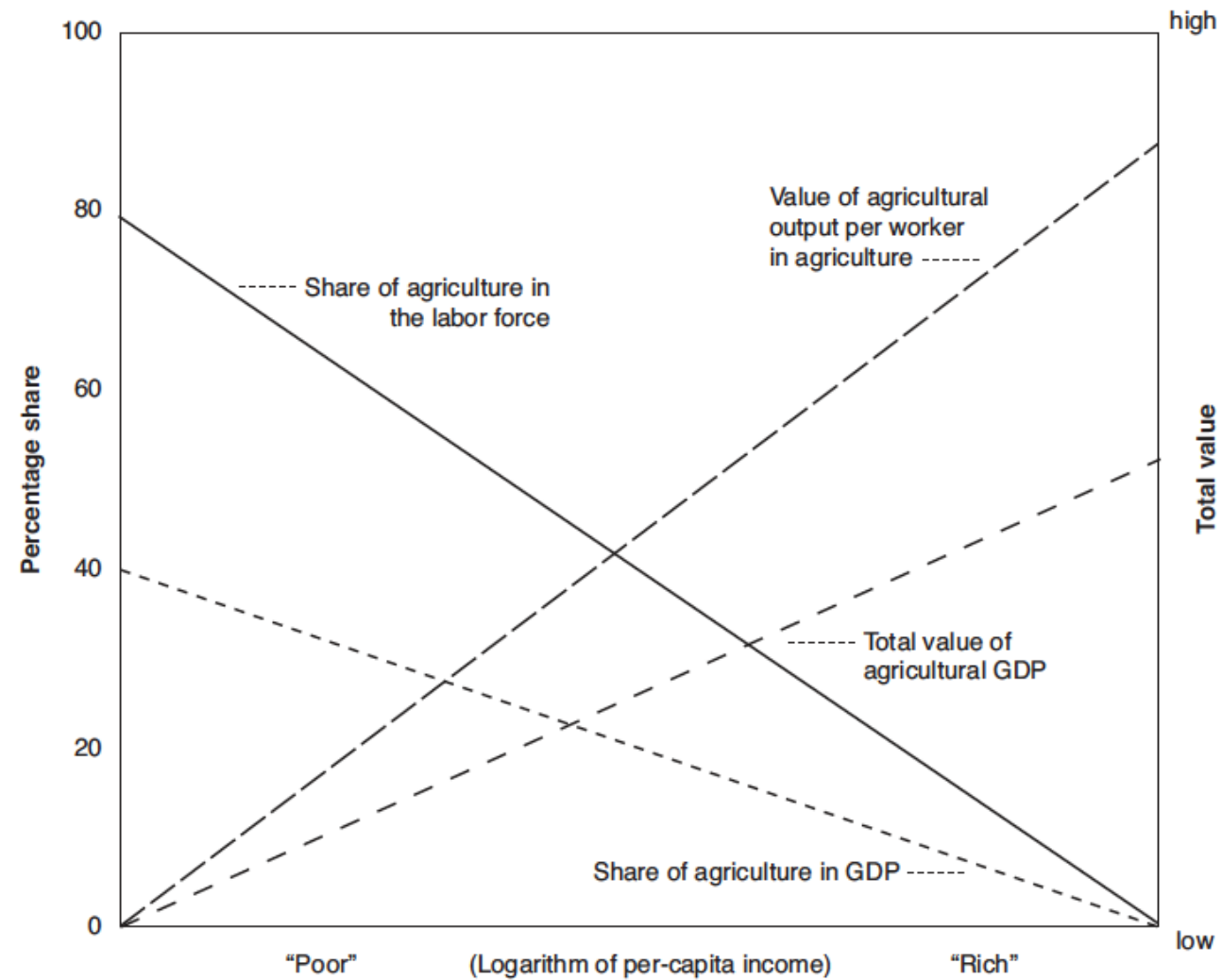
## Outline of presentation

- Typical transformation pathway for agriculture and the food system during economic transition
- Agriculture's role in promoting rural economic growth and reducing income inequality
- Agriculture's role in facilitating growth in other sectors of the economy
- How-to's of improving agricultural incomes
- What should government do to ensure Myanmar agriculture is dynamic and competitive
  - Regional perspective
  - Union perspective

# Typical agriculture and food system transformation in economic transition

- Diet changes and agriculture becomes more diversified
  - As incomes grow consumers spend more on meat, fish, fruit - less on rice
- Increased share of agricultural GDP is generated off-farm
  - Farm inputs and services (seeds, fertilizer, mechanization)
  - Food processing and distribution
- Agriculture's contribution to GDP, employment and trade will grow more slowly relative to other sectors of the economy BUT
- Myanmar has a potential long-term competitive advantage in agriculture
  - Abundant land and water resources
  - Large regional markets (2.6 billion consumers) with growing food demand

# TRENDS IN AGRICULTURAL OUTPUT DURING THE COURSE OF THE STRUCTURAL TRANSFORMATION FROM “POOR” TO “RICH”



# Agriculture's key role in promoting rural economic growth

- Most of Myanmar's poor people live in rural areas
  - Most rural poor depend directly or indirectly on agriculture for income (farm production, on-farm employment, off-farm SME employment)
  - Not everyone migrates out of rural areas and their livelihoods need to be improved
- Incomes rise faster in urban areas during economic transition
  - Risk of rising income inequality between rural and urban areas
- Increased farm incomes have a multiplier effect on rural economy
  - 1 million kyat of agricultural income generates an *additional* 600,000 to 800,000 kyat in rural nonfarm income

***Agriculture has a critical role to***

***i) lift millions of rural poor out of poverty, and***

***ii) reduce the income gap between rural and urban populations***

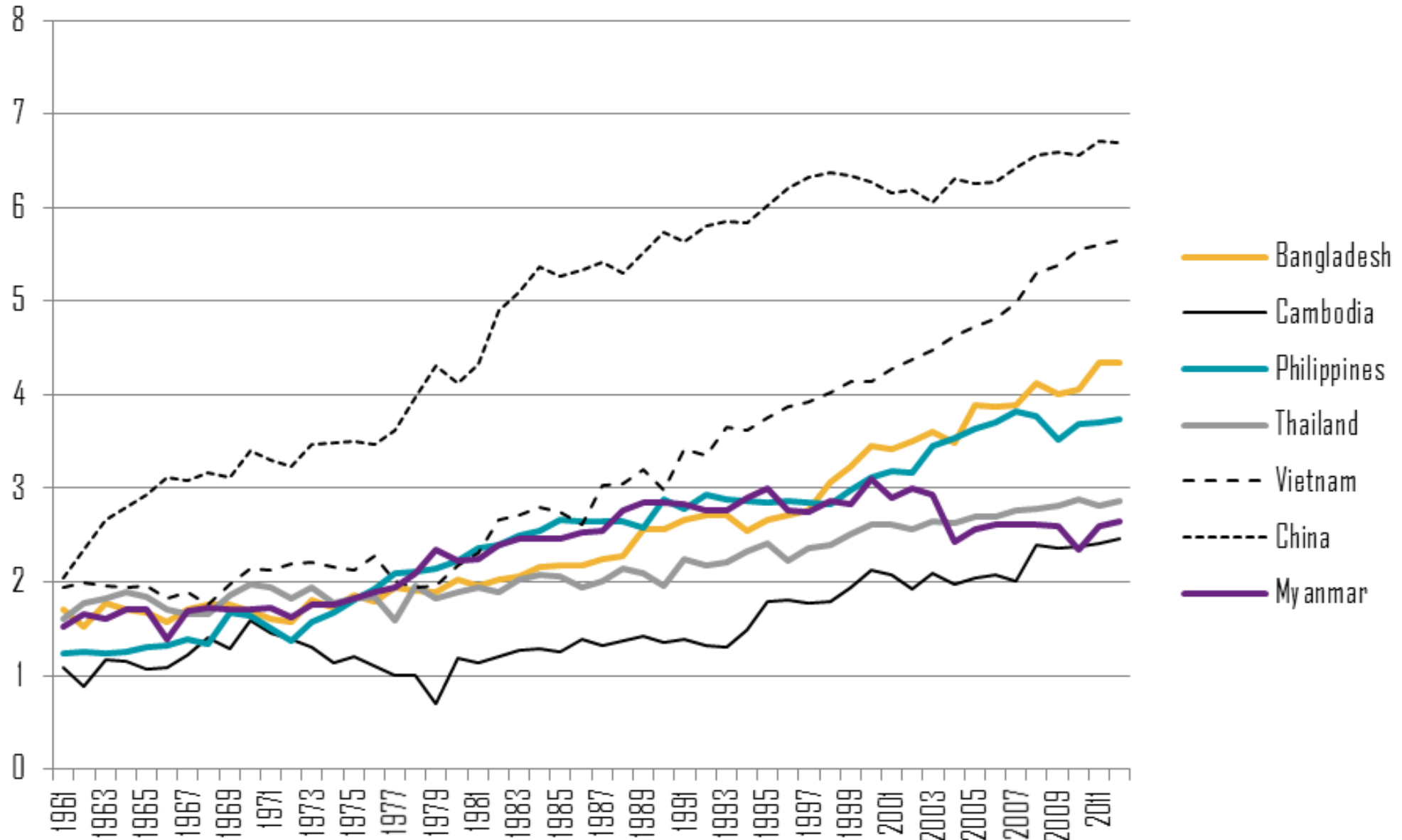
# Agriculture facilitates growth of other sectors of the economy

- Food and nutrition security
  - Low wage inflation, improved educational outcomes
  - Stunting, underweight and obesity can co-exist during nutritional transition
- Engine to power growth of the rural economy
- Environmental services
- Raw materials for added value processing
- Source of export earnings
  - Beans and pulse exports earn more than \$1 billion per year

# How can agricultural incomes increase?

- Increase productivity (e.g., increasing number of baskets of paddy or pulses per acre cultivated)
  - Use of improved varieties or breeds of fish/livestock
  - Improved water and soil fertility management
  - Improved weed, pest and disease management
- Improvement in quality of produce
- Increase production of high value crops or livestock (e.g., pulses, fruits and vegetables, fish)
- Increase scale of production
  - Difficult in densely populated areas with high proportion of landless HH

Rice Yield (tons / hectare)





# Example of aquaculture as an opportunity for smallholders

- High profit and employment per acre compared to crops
- Rapid growth (Yangon has 30% of national pond area)
- Mainly large farmers at present
- Smallholder participation could increase dramatically with:
  - Freedom to convert paddy land to ponds
  - Access to credit and technical support
- Smallholder participation will increase incomes for local businesses
- Potential to improve aquaculture incomes through
  - Lower feed costs (only one company at present)
  - Diversification of species, and
  - Improved technology

# Government's role in promoting a dynamic agriculture: land & finance

- Increase investment on land by strengthening land tenure security
  - Secure tenure rights
  - Allow farmers choice of farm enterprise to have a mix of paddy and high value activities
  - Flexibility to rent or sell land to facilitate efficient allocation of land to actual users
- Improve agricultural finance for farmers and input companies
  - Reform ADB to be an effective and responsible financial partner
  - Medium-term finance for irrigation and farm equipment

# Government's role in promoting a dynamic agriculture: technology, information and data

- Make improved agricultural technologies available to farmers
  - Invest in agricultural research to improve varieties
  - Encourage domestic and foreign investment in seed sector
  - Promote smallholder access to small scale irrigation and mechanization
  - Re-organize extension services to earn farmer trust
- Improve farmers and traders access to information
  - Price
  - Buyers and sellers
  - Weather
- Improve agricultural statistics to monitor development of sector over time

# Importance of a regional approach to increasing agricultural-led rural growth

- Different regions have different production and market opportunities
  - Altitude, water access, market access
- Example of Mon State with 3 distinct agro-ecologies:
  - Upland – increase profitability of rubber; diversification into fruit/vegetables
  - Lowland – increase productivity of rice production; diversification into aquaculture and more profitable crops such as beans/pulses
  - Coastal – improve management of marine capture; improve infrastructure for access to employment
- Need to strengthen planning, statistics and extension services at regional level

# Sound macro-economic, trade and investment policies (enabling environment)

- Flexible exchange rates
  - Important for farm prices and farmer incentives to invest in modern technology
- Investment in rural roads and electricity
  - Expansion of market opportunities and lower cost supply chains
  - Important for rural growth multipliers
- Encourage foreign direct investment in input supply and value added processing
- Trade facilitation
- Encourage market competition and market diversification
- Avoid price controls on agricultural products
- Help set quality and safety standards, and monitoring institutions
  - At inputs segment, monitoring of herbicides, pesticides and fertilizers import, sale and usage
  - At downstream segment, quality and safety assurances to both domestic and international consumers

Thank You

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