Toward Smallholder-led Agricultural Transformation in Myanmar: Beginning A Journey Together

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Goals for presentation

• Familiarize you with AFRE’s work in Myanmar
  • Example of AFRE FSG approach to country-level applied policy research, policy outreach and capacity building

• Introduce an interesting case of delayed agricultural and structural transformation in Southeast Asia
  • 60 years of socialist top-down management
  • 25 years of political repression and international isolation
  • Potential long-term comparative advantage in agriculture in a large regional market
  • Multiple constraints have to be resolved to realize potential
Why Myanmar?

• Opportunity arose in 2012 to extend AFRE’s long history of country programs in Africa into Southeast Asia
  • Having broken off aid in 1988 in response to violent repression, in early 2012 USG / USAID began to re-engage with GOM in response to reform-minded military government led by Thein Sein

• Partnering with countries at a very early stage in political and/or economic transition has generally provided opportunity for a long-term relationship
  • Hence the subtitle of this presentation: “Beginning a Journey Together”
Outline for presentation

1) Historical overview of the project over the past four years
   • How the partnership has evolved

2) Examples of preliminary findings from current research activities

3) Policy engagement with a focus on how history affects scope

4) Conclude by considering
   a) what “success looks like” *if* no major reversal to the political transition
   b) near-term opportunities for AFRE graduate students and faculty to engage
Part 1: Historical overview of the project over the past four years
Three overlapping phases so far...

• Diagnostic phase Oct 2012 – Sep 2014
  • Team of international experts (led by Steve Haggblade, AFRE) together with local think tank MDRI-CESD
  • Government enforcement of paddy production and lack of diversification into higher value crops the key constraint to rural household incomes
  • Limited access to improved technologies or extension
  • Aggravated by very high informal interest rates and natural disasters
  • Dearth of reliable information on ag statistics and rural economy
  • Initial diagnostic work followed by more in-depth studies

• Findings contributed to increased attention to the importance of agriculture as a development pathway
  • USAID included agriculture as a major focus in new country mission portfolio
  • NLD included agriculture as one of six pillars in 2015 election manifesto
Pre-transition phase: mid-2014 to April-2016

- Period covers completion of diagnostic phase up to transfer of power to new government led by NLD following late 2015 elections
- First country-based MSU staff Ben Belton and Tom Reardon supported by Ellen Payongayong (based in Manila)
- Development of a five-year USAID Burma associate award proposal with complementary funding from LIFT
  - Research (evidence gaps to inform policy engagement)
    - Aquaculture value chain diagnostic study
    - Regional rural livelihoods household study in Mon State
  - Capacity building (intensive training program for CESD staff)
  - Policy engagement (government and donors)
Current transition phase: May 2016 – present....

• Intensive outreach to new government to support development of a new agricultural strategy
  – “white paper” entitled “From Rice Bowl to Regional Food Basket”
    • Looks at history of agricultural and rural development in Asia and opportunities created for smallholders by urbanization and income growth
    • Set of policy recommendations organized around “3 pillars” of agricultural transformation
  – Proposal to establish an agricultural policy unit in new Ministry (accepted)

• Ramp up research and dissemination in support of new strategy
  – Household level study in Delta (with and without aquaculture clusters)
  – Planning phase for study of farming systems and value chains in the Dry Zone
Centre for Economic and Social Development staff with MSU Specialist Ellen Payongayong about to set off for field work October, 2016
Part 2: Example of preliminary findings from current research activities
Preliminary research findings on agriculture in the Delta

• Objectives
  – Look at current levels of agricultural and rural transformation in areas close to Yangon with and without aquaculture

• Sample
  – Purposively selected 2 clusters of ‘aquaculture’ and ‘agriculture’ village tracts for comparison, based on spatial concentration of ponds and prevailing crop farming systems
  – Randomly selected ‘enumerations areas’ and households to represent entire populations of both clusters (including non-farm households)
  – Total sample = 1102 HHs in 40 village tracts, representing 37,390 HH
Survey locations
Rapidly accelerating rural-urban migration post-2010

- 16% of HH have migrants
- Average migrant age 20
- 55:45 male/female split
- 70% employed in manufacturing
- 8% international
- Some rural-rural migration from remoter areas for fulltime agricultural work (40% of permanent workers in aquaculture cluster)
- 80% of HH with migrants receive remittances
Real wage increases

Main impact of migration is on rural labour supply and wage rates

Average real daily wage for male agricultural labour (2011-2013)
Adoption of mechanization supported by rental services

Machine Use for Land Preparation

Machine Use for Harvesting

% of households using machinery

2006 2011 2016
Incipient agricultural intensification

Main paddy crop (% of HH reporting)

% of paddy farms applying herbicide

% of HH planting improved rice variety

Paddy yield (baskets/acre)
Access to credit improving due to MFIs and cooperatives

Average rates of interest paid on informal and semi-formal loans fell from 72% in 2011 to 60% in 2016.

Very few output-tied agricultural loans

Share of villages with credit access by source (2011-2016)
Agriculture still the major source of primary employment

Agriculture directly provides >70% of primary employment (plus more in related value chains)

Non-farm employment, and off-farm agricultural work, contribute similar shares of primary employment

Share of primary employment, by type

- Own farm, 42%
- Agri-labor, 29%
- Non-farm occupations, 29%
Part 2: Policy Engagement
History matters (for policy) ....

• Tremendous ethnic diversity developed over 1000+ years (geographic location)
• “Great Britain” managed Burma as an extension of India from late 19th century
  – As in other colonies, hill peoples granted limited autonomy in governance
  – Great Britain managed trade and commerce (teak, rice, oil), Indian staff managed civil administration (including ports and railways), local population rural labor
  – Development of Delta as a rice production zone: world’s largest exporter in early 20th century
  – Indian “chettyars” brought to Burma to provide loans to Burmese smallholder farmers but Great Depression saw widespread bankruptcy and loss of land to chettyar lenders
    – 40 - 60% of rural population became landless laborers
• Most of Burma’s port and other infrastructure destroyed in WW2
• From first day of independence in 1948 until today government faced armed ethnic insurgencies
• Like many newly independent colonies, pursued socialist policies
History matters (cont.)…..

- Extensive nationalization following military takeover in 1962; most foreigners expelled but re-allocation of land did not benefit landless
- All trade and banks managed by government
- All land mapped and classified: farmers obliged to grow paddy
- Farmers obliged to sell quotas of paddy to government (to keep prices low for military and civil servants)
- Political isolation after brutal repression of students and democracy activists in 1988: all universities closed indefinitely
- Aung San Suu Kyi, daughter of General Aung San (“father of independence”), becomes head of NLD and placed under house arrest for 15 years
- Freedom of association banned; movement restricted
- Cyclone Nargis in 2008 left 140,000 dead in the Delta, along with most draft animals and homesteads: government refused international assistance
- General Thein Sein, whose home village was in the Delta, became President in 2011 and embarked on reform. Official acknowledgement of existence of poverty for the first time.
Examples of how historical legacies affect policy today....

- Party now in power has no experience of government at any level
- Government organized in silos with top-down management
- International migration extensive (brain and muscle drain)
  - 2014 census, first in three decades, 10 million people less than expected
  - Rural labor scarcity felt very quickly in response to “structural transformation”
- Acute human and organizational capital deficits
  - All education by rote learning – no critical thinking
  - No farmer associations
  - Extremely limited ag research capacity
- Pervasive fear of foreign influence (especially wrt trade and investment)
- Extensive foreign influence a reality (especially wrt trade and investment)
- Pre-occupation with rice production (not productivity or profitability)
- Historical fear and distrust of authorities (including extension service)
- Absence of any formal rural financial institutions except MADB
- Vicious cycle of indebtedness and high interest rates -> high landlessness and tenure insecurity
Typical policy outreach presentation...

- Why make smallholder-led agricultural transformation a top national economic priority?
- What might agricultural transformation look like in Myanmar context?
- How will it be similar and how will it be different from other country experiences?
- What policies and public investments are needed?
Why make smallholder-led agricultural transformation a top economic policy priority?

• 70% of the population and most of the poor live in rural areas
  • Smaller landholdings and landless more likely to be poor

• Increases in smallholder incomes are a powerful tool for rural poverty reduction
  • Direct effect of higher incomes on smallholder households
  • Smallholder spending on rural goods and services leads to job creation in rural SMEs
  • Increased productivity lowers food prices (most rural families are food purchasers)

• Investment in smallholder transformation will have long-term payoffs
  • Long-term comparative advantage in agriculture due to availability of land, water and neighboring country population of 2.6 billion consumers
  • Increased demand for urban goods and services

• Alternatives to rural growth can have high social costs (forced migration)
What will success look like in Myanmar?

• Smallholder farmers will become smallholder *businesses*
  • Farm and non-farm enterprises with improved access for landless households

• Increases in yield and quality of existing major crops (paddy, pulses, oilseeds)

• Diversification into high-value management-intensive enterprises
  • Aquaculture, meat, vegetables, horticulture

• Increased sales to agribusiness for value-added processing
  • Increased use of contract farming arrangements

• Increased use of improved inputs, irrigation and mechanization services

• Mobile phone use for banking, market information, and extension

• Improved food safety for Myanmar consumers

• Gradual increase in scale of smallholder operations over time
  • Educated children seek off-farm employment and parents retire
  • Exit of unsuccessful smallholders

• Myanmar agricultural products more competitive in regional markets
How will transformation compare to other country experiences?

• Should Myanmar follow example of Japan, Korea and Taiwan and begin with a major land reform (Joe Studwell “How Asia Works”)

• Myanmar has more land and water resources but less labor
  • Rapid mechanization: combine harvester and tractor rental services

• Myanmar has low levels of access to irrigation

• Myanmar has very low levels of investment in research and extension but potential for “catch up”
  • 30 years of agricultural innovation in neighboring countries
  • Myanmar farmers can benefit from ICT revolution

• More rapid growth in demand for high value agricultural production

• Rapid integration regional and global value chains

  -> transformation could be very rapid
Arable land per rural inhabitant (ha/person)

% of arable land equipped for irrigation

What Policies and Investments are Needed

• Secure land rights yes – major land reform program not right away
• Instead focus on enablers of productivity and diversification:
  • Access to upgraded irrigation and land resources
    • Irrigation, water control, leveling, access roads
    • Combined with social investments for remote areas (smallholder plantations)
    • Access to newly developed land may be more beneficial for landless households
• Increased investment and effectiveness of research and extension
  • Agribusiness extension not just production; ICT enabled
• Reform MADB for improved access to agriculture finance for smallholders
• Encourage decentralized approach to agribusiness FDI with complementary public investments in smallholder commercial agriculture
• Strong public statistical data collection and analysis for policy implementation and monitoring
Part 4: Conclusion
What will successful partnership in Myanmar look like from AFRE’s perspective?

- Value of rigorous empirical research recognized by decision makers
- Increased capacity and funding for social science research
  - Faculty at Yezin Agricultural University have 90% teaching load
  - Need significant expansion of faculty at MS and PhD levels
- High frequency of published research by MSU and Myanmar researchers
- Re-allocation and increased effectiveness of Ministry funding in support of smallholder productivity, profitability and resilience to climatic shocks
- Informed debate of agricultural policies and priorities between government, private sector (including farmers)
- Expansion of private investment in upstream, farm, and downstream segments of value chains
- Strong and inclusive rural financial institutions
Opportunities for AFRE grads and faculty

• Grad students
  • Grad assistantship and thesis research
    • Jeff Bloem MS thesis research “Economics of Hope”
  • Summer or post-graduate internships

• Faculty
  • Long-term research/sabbatical position beginning Jan 1
  • Campus-based research collaboration
    • Determinants of diversification / technology change
    • Role of ICT rollout in smallholder farming / value changes
    • Factors affecting contribution of irrigation to smallholder incomes
FINAL TAKEAWAY: AFRE COUNTRY PROGRAMS ARE ABOUT LONG-TERM PARTNERSHIPS

Obama announces end of sanctions at White House Press Conference with ASSK
October 7, 2016