

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

Duncan Boughton, Ben Belton, Aung Hein and Ellen Payongayong  
Department of Agricultural, Food and Resource Economics (AFRE)  
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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

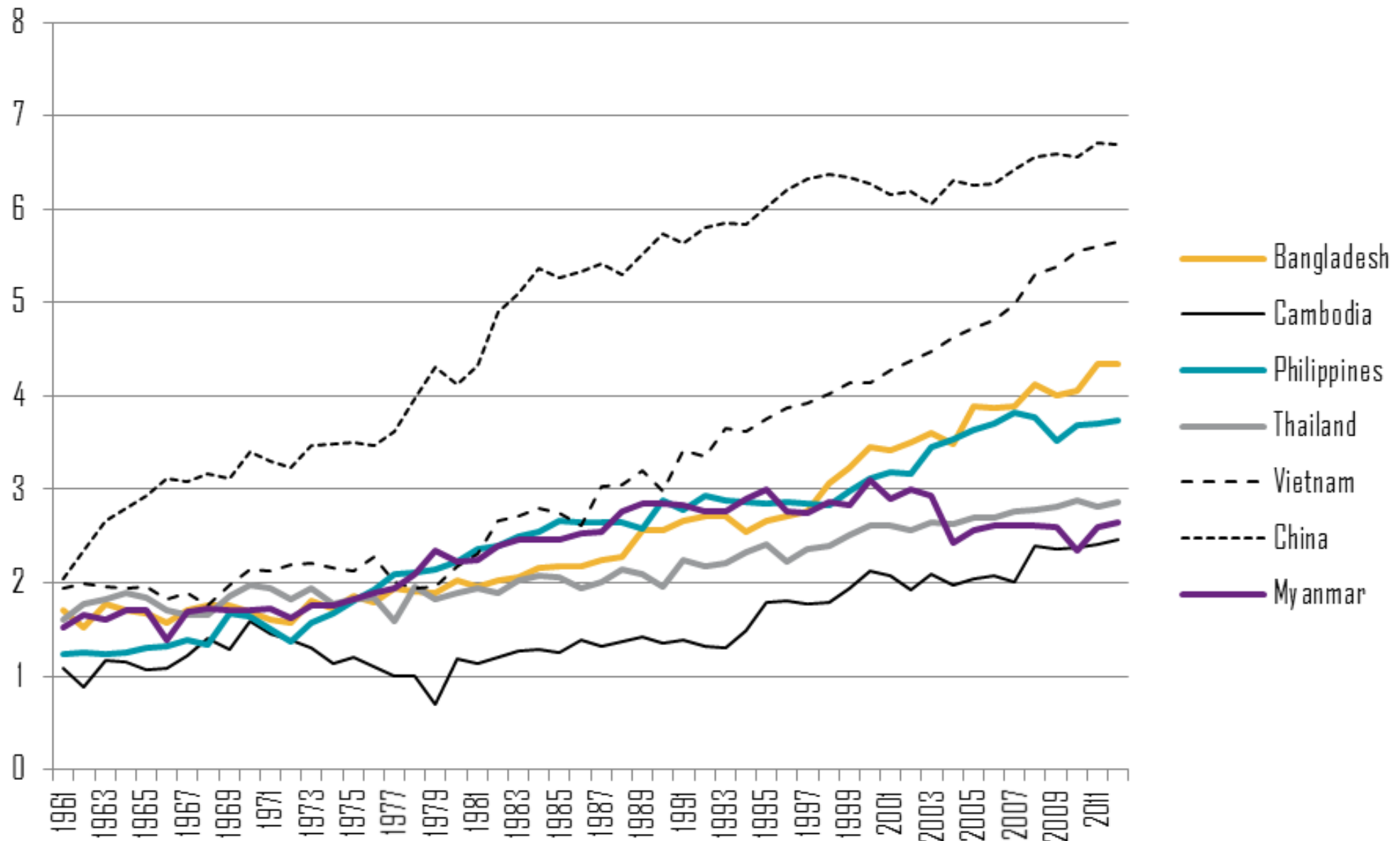
- 1) Historical overview of the project over the past four years
  - How the partnership has evolved
- 2) Examples of preliminary findings from current research activities
- 3) Policy engagement with a focus on how history affects scope
- 4) Conclude by considering
  - a) what “success looks like” \*if\* 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

Rice Yield (tons / hectare)



**MSU Faculty with US Ambassador to Burma, USAID Mission Director  
and Aung San Suu Kyi, June 2013**





# 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

# Agriculture Policy Working Group, September 2016





**Centre for Economic and Social Development staff with MSU Specialist  
Ellen Payongayong about to set off for field work October, 2016**

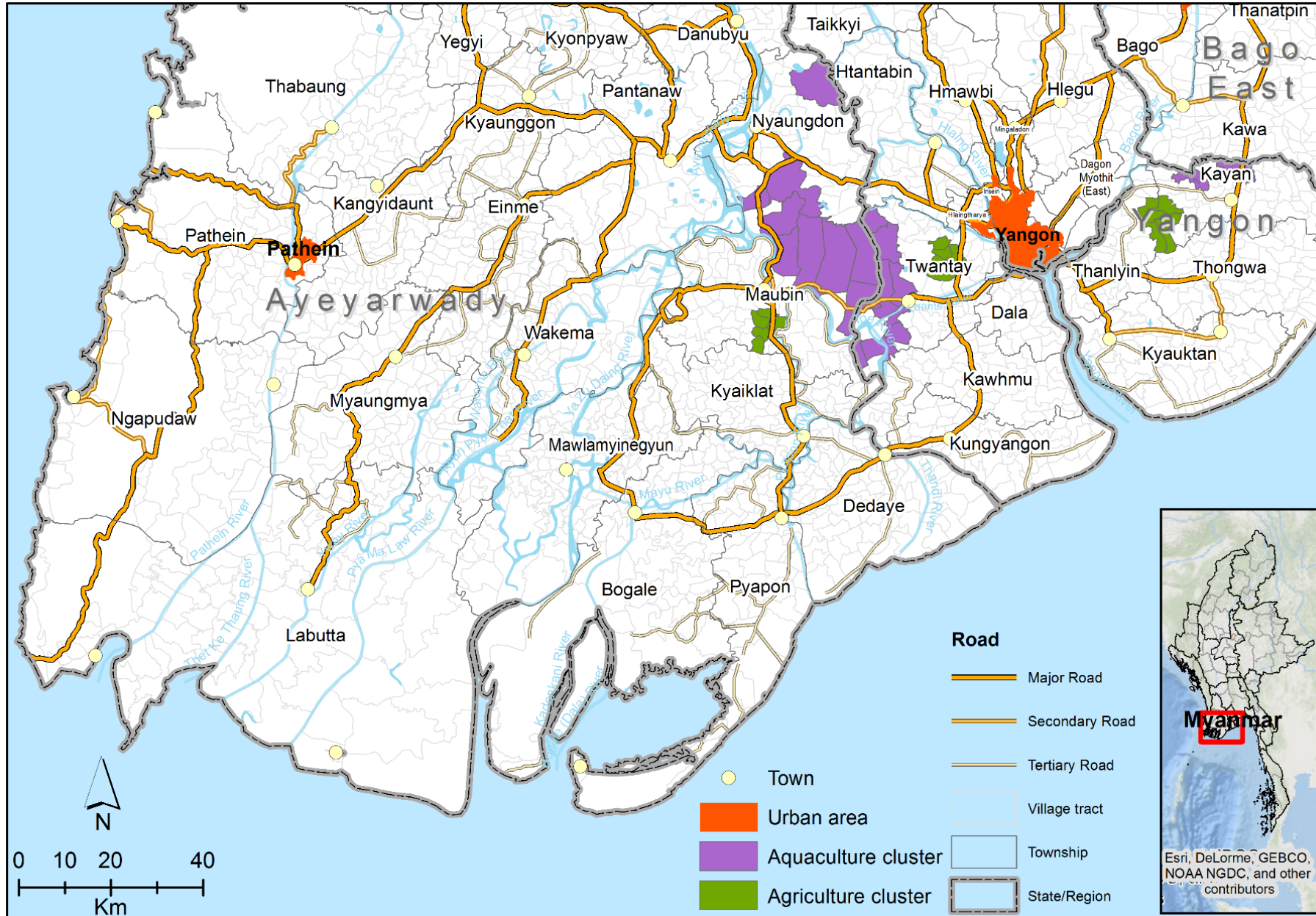


## **Part 2: Example of preliminary findings from current research activities**

# Preliminary research findings on agriculture in the Delta

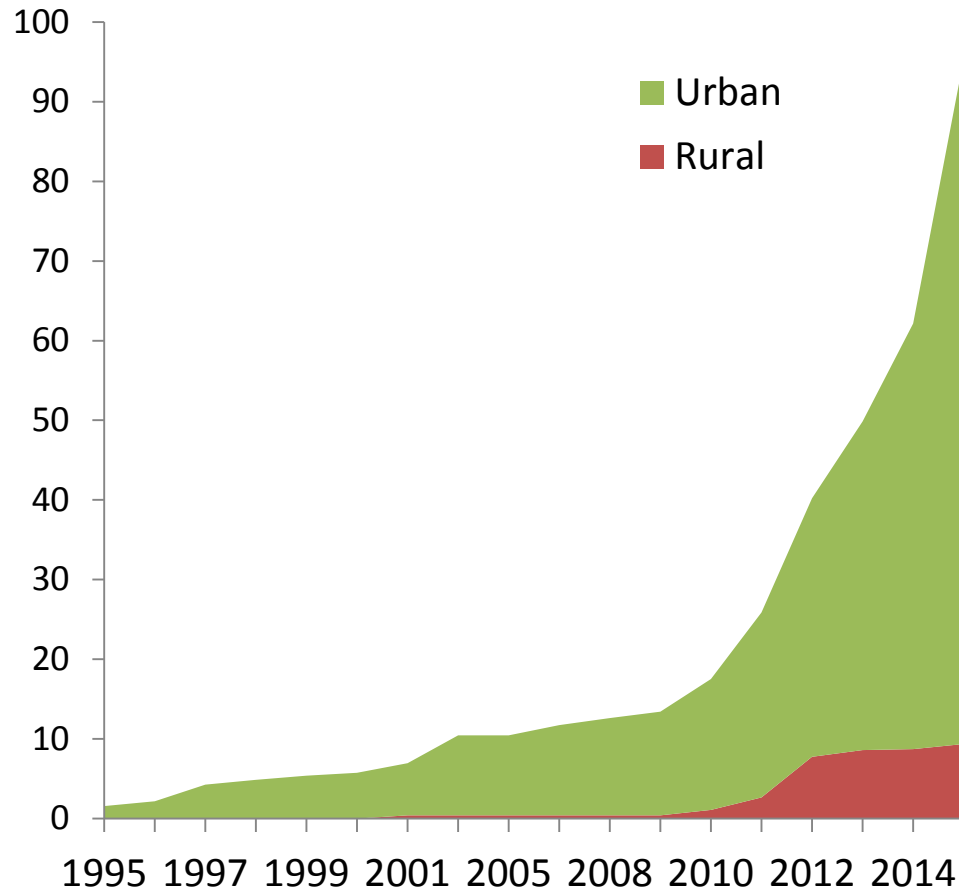
- Objectives
  - Look at current levels of agricultural and rural transformation in areas close to Yangon with and without aquaculture
- Sample
  - Purposively selected 2 clusters of 'aquaculture' and 'agriculture' village tracts for comparison, based on spatial concentration of ponds and prevailing 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

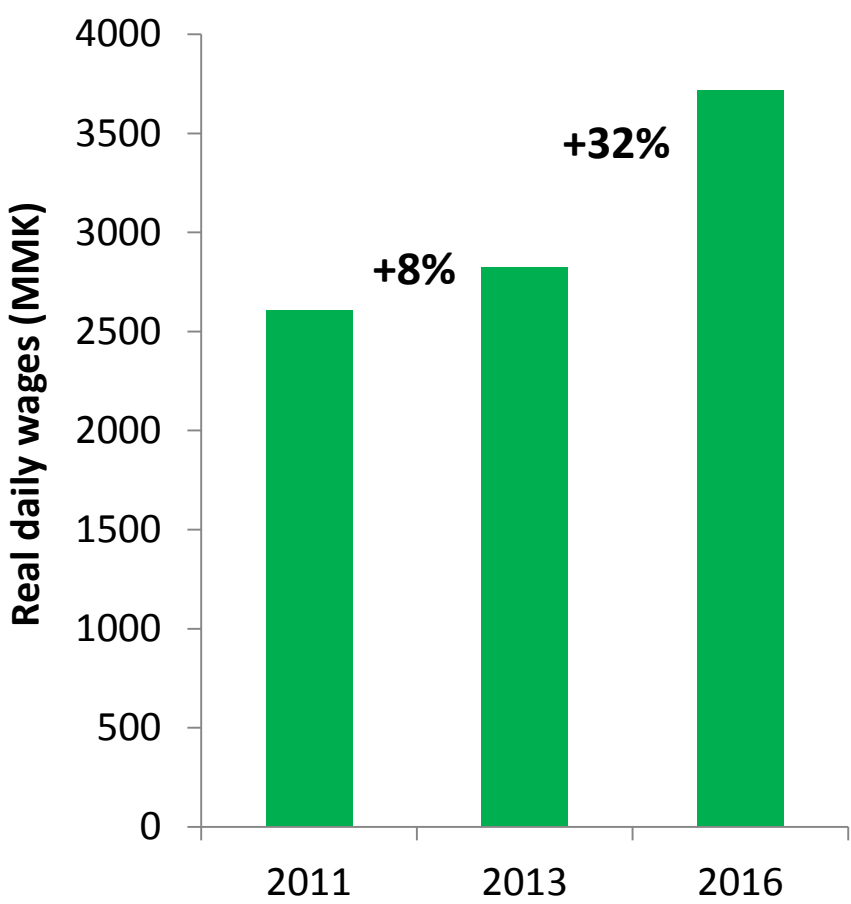


The cumulative share of current migrants by year (%)

- 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



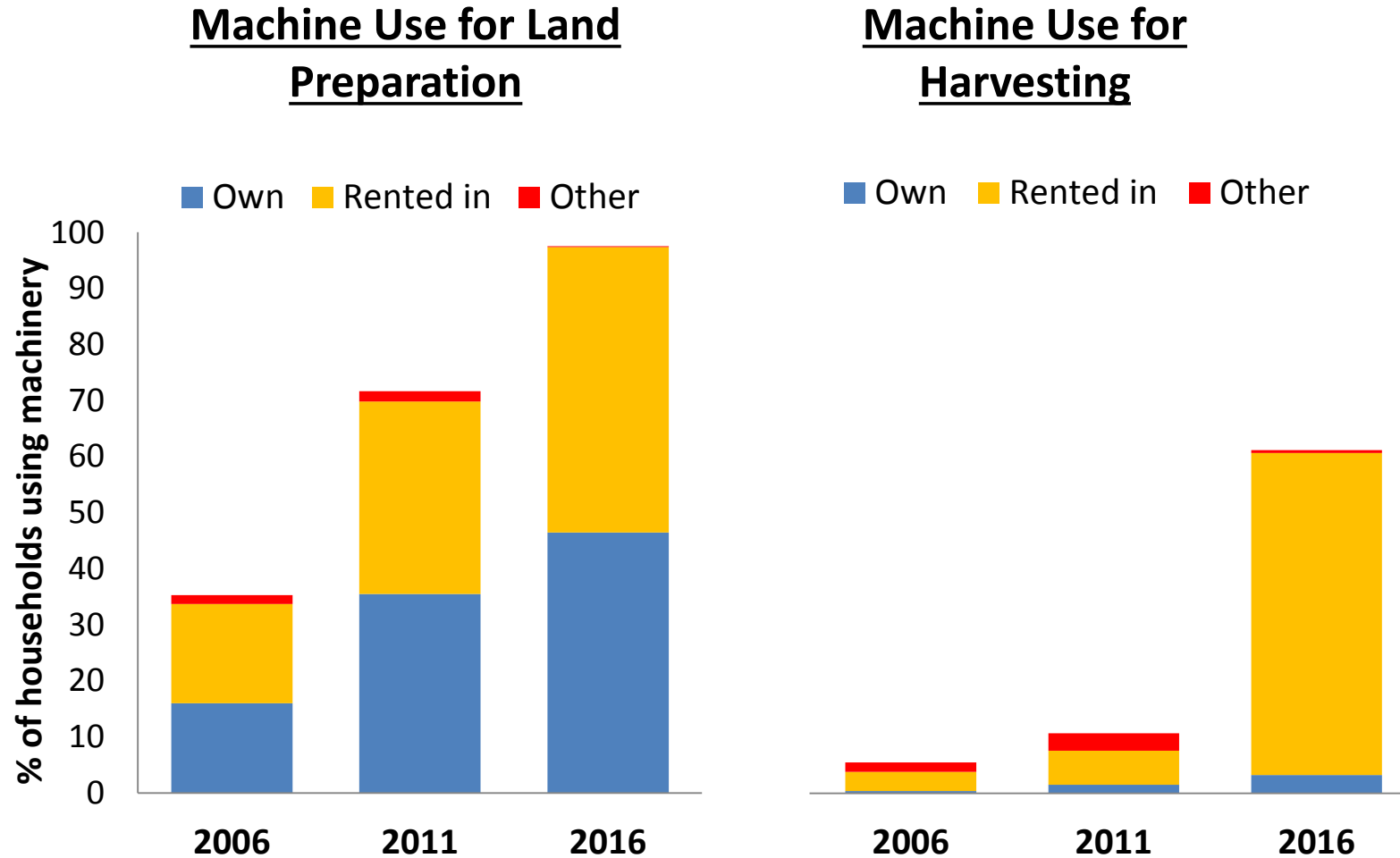
# Real wage increases



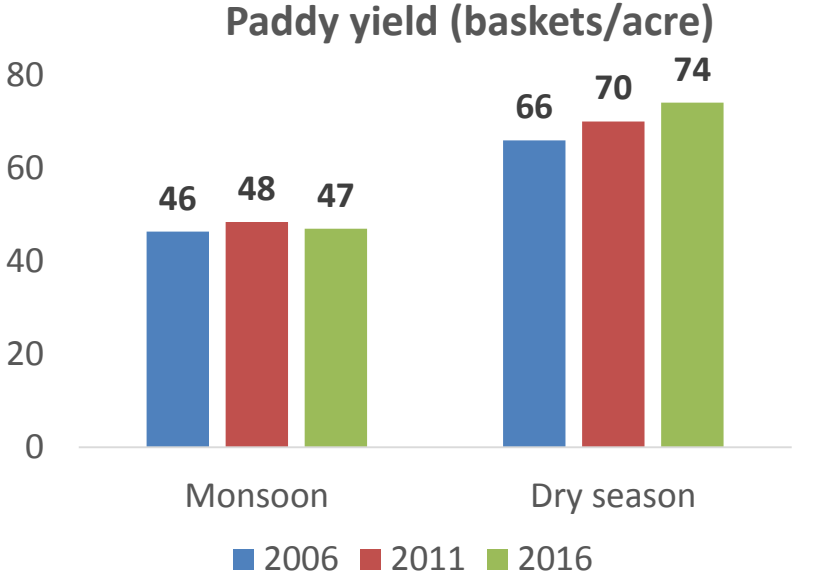
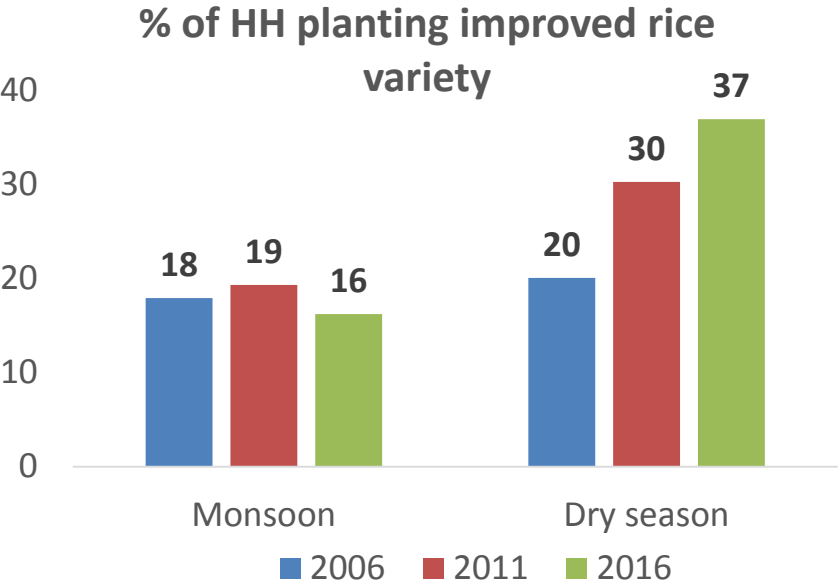
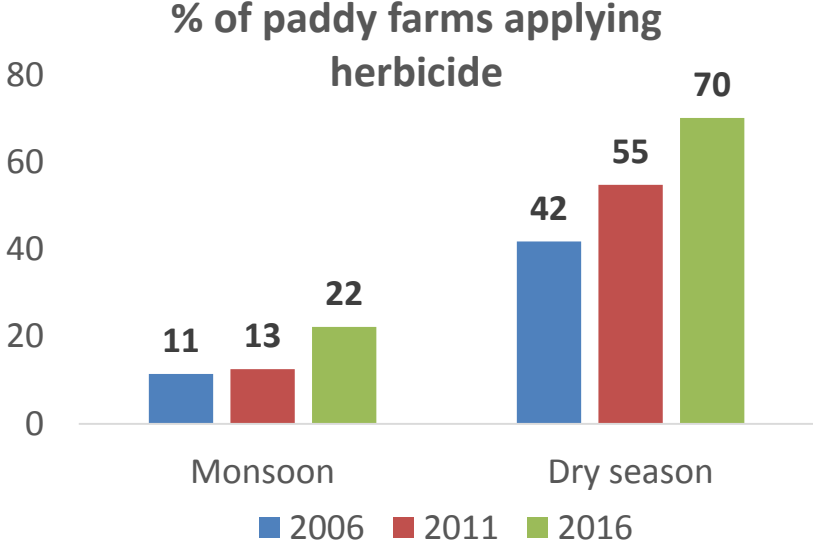
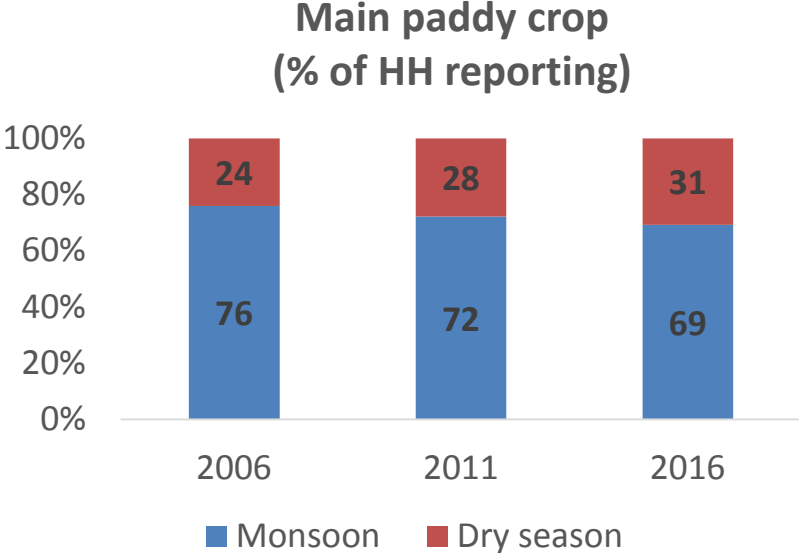
Main impact of migration is on rural labour supply and wage rates

**Average real daily wage for male agricultural labour (2011-2013)**

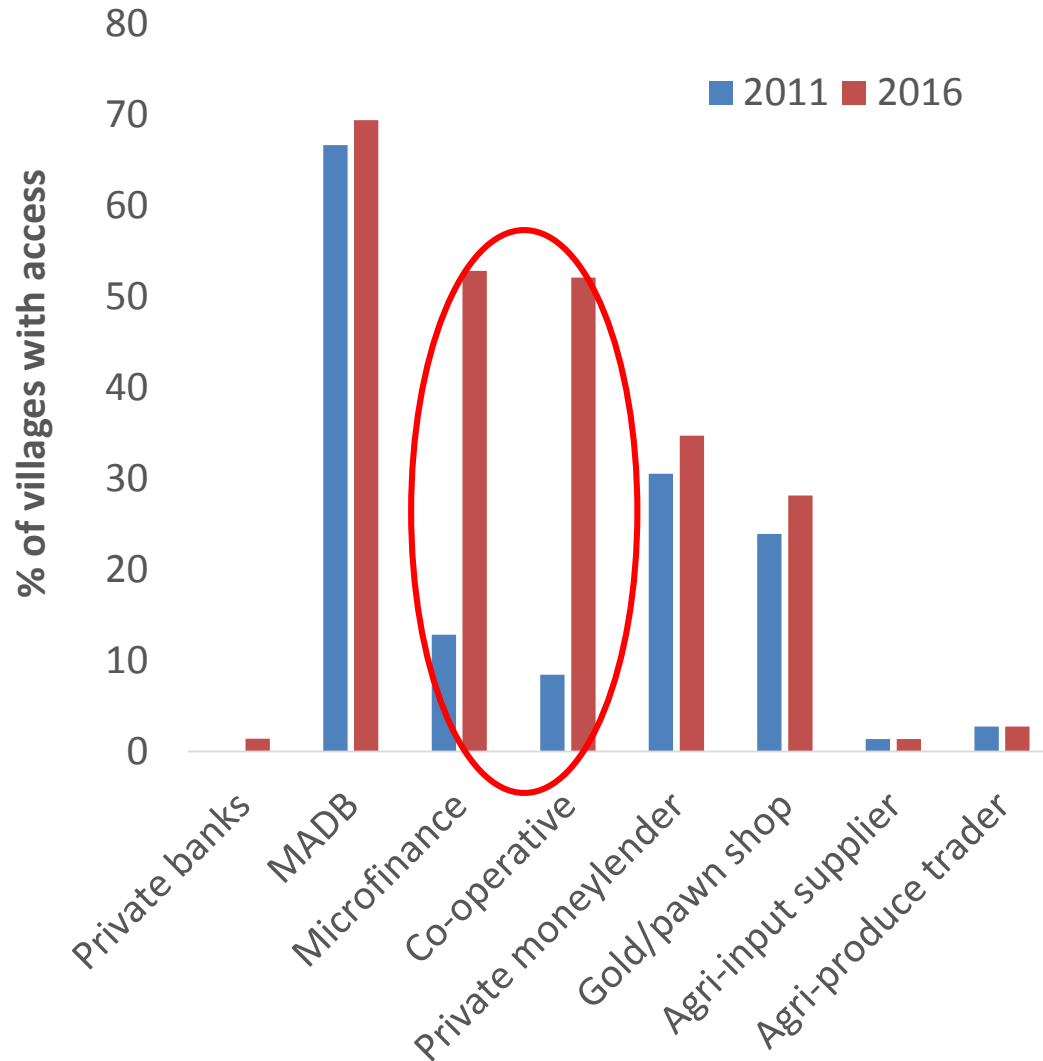
# Adoption of mechanization supported by rental services



# Incipient agricultural intensification



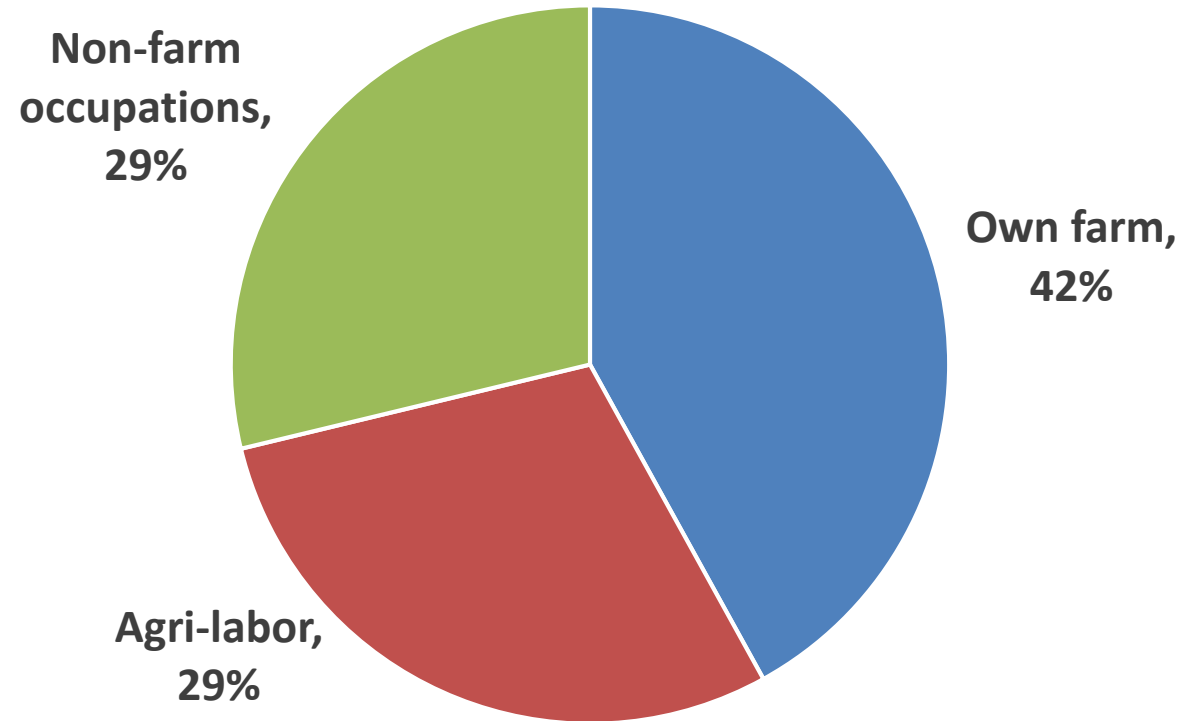
# Sources of credit diversifying



- 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



Share of primary employment, by type

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

# **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 19<sup>th</sup> 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 20<sup>th</sup> century
  - Indian “chettys” brought to Burma to provide loans to Burmese smallholder farmers but Great Depression saw widespread bankruptcy and loss of land to chetty 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?

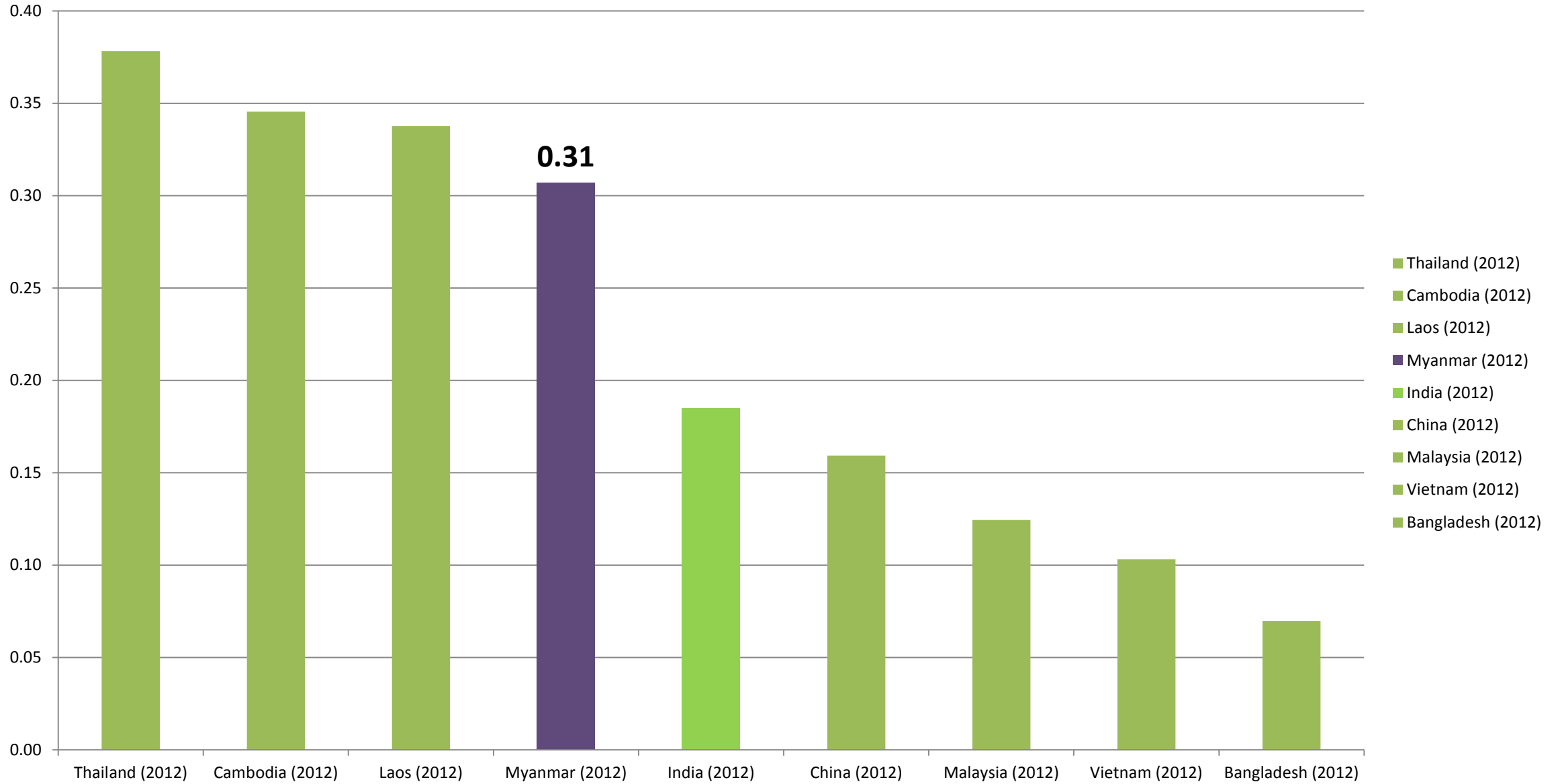
- Smallholder farmers will become smallholder ***businesses***
  - Farm and non-farm enterprises with improved access for landless households
- Increases in yield and quality of existing major crops (paddy, pulses, oilseeds)
- Diversification into high-value management-intensive enterprises
  - Aquaculture, 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?

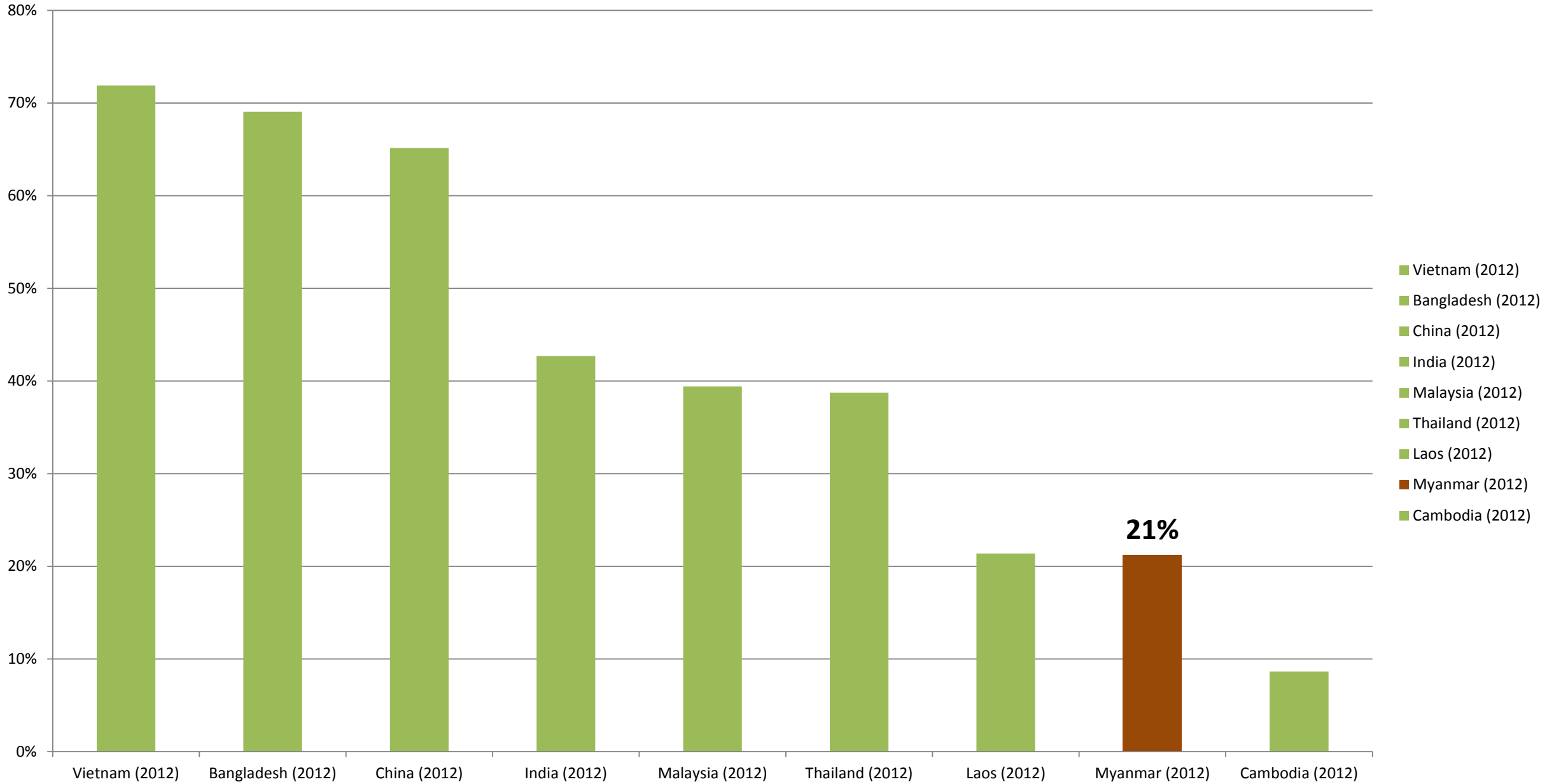
- Should Myanmar follow example of Japan, Korea and Taiwan and begin with a major land reform (Joe Studwell “How Asia Works”)
- Myanmar has more land and water resources but less labor
  - Rapid mechanization: combine harvester and tractor rental services
- Myanmar has low levels of access to irrigation
- 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**