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## Burma

### Trade Policy Monitoring

### Major Agricultural Exports Stopped

### 2004

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**Report Highlights:**

Burma halted all exports of rice, corn, sesame seeds, garlic, onions, and chili peppers on a "temporary basis." The measure was announced the day after the Government of Burma (GOB) announced it was ceasing the distribution of subsidized rice and cooking oil to GOB employees. Instead it would institute a monthly welfare stipend of 5,000 kyat. This move disrupts the fledgling private sector trade in rice exports, which was liberalized last April.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
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## OVERVIEW

On January 2, 2004, the Government of Burma (GOB) announced to exporters a suspension of exports for rice, garlic, onion, chili peppers, sesame seeds, and corn. This decision was made at the Trade Council meeting, and was labeled as a "temporary measure". This announcement came on the heels of an announcement made the day before that the government was stopping monthly distribution of subsidized rice and cooking oil to GOB employees but instead will compensate them with a monthly salary increase, effective that day. Regardless of their rank, each GOB employee will receive an additional 5,000 kyat (850 kyat = \$1.00 U.S. approximately) each month as a welfare payment, excluding daily wage employees.

It was learned that the GOB feared that market traders will take advantage of the abolishment of subsidized rice and oil distribution to GOB employees and increase prices of these basic commodities. To keep prices down, the GOB "temporarily" halted the exports of a group of staple food commodities, rice being the leading export crop among them.

Previously, GOB distributed subsidized rice and cooking oil allotments monthly to GOB employees. Most of these employees would then resell these subsidized items onto the market to procure better quality rice or cooking oil or to generate cash. This practice has had considerable impact on the domestic market, as rice and cooking oil prices would soften that week when the GOB distribution occurred. On occasion the GOB would attempt to modulate rice and cooking oil price fluctuations by distributing two to three month's worth of quota rice and cooking oil to employees when prices were climbing. The GOB also distributed selected amounts of rice and cooking oil at lower than market prices in the poor sections of Rangoon through the Rice Traders Association and Edible Oil Traders Association.

Exporters are acquainted with off and on export closures for oil crops and onions but had never experienced this situation previously with rice. Exporters were caught in the middle, with cargoes ready for loading being refused on January 1st. Cargoes which had loaded more than half of the sales commitment were permitted to finish loading, but all others were ordered to stop and unload. Exporters were shocked, bewildered, and had no clue on how long this temporary measure will last. Rumors ranged from a two-week suspension up to six months. One rumor postulated that corn and sesame seeds would be among the first crops released from this hold.

## IMPACT

The impact of this move is seen most heavily in sesame seed prices. Sesame seed prices as compared to December's price of kyat 1,278,953 per metric ton decreased by 13 percent. Sesame fetches about US\$ 200 per metric ton in the world market and exporters were caught with 4,400 metric tons of export-ready cargo. Sesame can be stored for a longer period but when milled after a long storage will lose its aroma. Sesame as a domestic oil cannot compete with palm oil imported from Malaysia. Sesame and peanut oils (both domestically produced) are expensive compared to the imported palm oil and the market is only for those who can afford it. Normally, the majority of Burmese consume imported palm oil or a mixed palm/sunflower/peanut/sesame oil blend that is much cheaper than the pure peanut or sesame oils. Pricing per pound for sesame oil was kyat 363 whereas imported palm oil was only kyat 319.

Rice is also impacted severely, with some immediate pricing impacts but more long-term impact from an increase in confusion that will stymie the development of private rice trading. Rice exports were liberalized last April, but they have been slow to develop, as private

exporters were not certain of the conditions for export. The GOB has only recently provided the details on how to export under the new rice export regime and traders were taking their first steps when the trade stoppage occurred. This step is a big blow to private exporters who are trying to gain credibility in the world rice market. Traders who were procuring paddy (unmilled rice) for export and storing it for future milling are at a loss. The Ehmata variety rice price per kilo decreased by 6 percent as compared to December's price of kyat 91 per kilo, while the paddy price per metric ton decreased by 9 percent compared to December's price of kyat 107,131 per metric ton. Paddy and rice prices in the domestic market should continue to fall. If paddy prices should decline steeply, many farmers plan to hold onto their crops and release them when prices are more favorable. As soon as the GOB removes the suspension and reinstates rice exports, prices in the domestic market should rebound as exporters start again to fulfill their sales commitments, assuming no cancellations in the meantime.

Some of the exporters were able to beat the suspension by getting shipments out on December 31, 2003, but most of them were caught with commitments to be shipped out in January, some with vessels waiting to be loaded. Since it is uncertain how long this temporary measure will last, exporters are caught in a dilemma. The big question raised by the sudden trade stoppage is how long the vessels in port should wait and who will pay for the demurrage.

On corn there were about 2,400 metric tons suspended at the port for export and about 10,000 metric tons that were in the hands of exporters ready for export. Corn export sales were brisk and Burma's corn normally fetches about US\$ 100 ++ depending upon the quality. Burma exports an average of about 100,000 metric tons annually, with Bangladesh and Malaysia as the major markets. Burma officially exports about 20 percent of production and a considerable amount passes illegally into Thailand and China. Corn prices decreased by 9 percent per metric ton compared to December's price of kyat 192,225 per metric ton. Corn exporters are in a difficult position with this measure since Burmese corn cannot be stored for longer periods due to higher moisture contents that bring increased presence of aflatoxin. Corn exporters also do not have adequate storage space to handle the stock. Corn prices should be further weakening in the domestic market but it is quite doubtful that lowered corn prices will have any impact on lower prices for animal protein. The domestic livestock sector uses a small amount of corn in their animal feed. Most of the livestock feed consists of broken rice, rice bran, dried fish, and oilcakes. Poultry meat, eggs and fish prices remain relatively stable in the domestic market.

Onions, garlic and chili pepper prices weakened compared to December's prices, but shutting off exports of these items is not having a great effect on prices. These commodities are not essential and consumers can substitute or decrease consumption. Normally this is the time for the new crop for onions with old stock nearly being depleted. Prices tend to rise in these months for old crop, as the new crop is still wet and cannot be stored for longer periods. Onions prices have decreased by 6 percent per kilo as compared to December's price of kyat 326 per kilo. Garlic and chili pepper pricing was unavailable.

The impact of this measure hurts the economy as a whole. This is the major harvest season for the trade-blocked items, and normally farmers are financially better off at this time of year as a result. Most of the pagoda festivals are held during these months because of the spending power of the farmers. It was stated in a business journal affiliated with the GOB's Military Intelligence Unit that due to the temporary closure of exports, there might be a decrease in the acreage of these crops next year. If this comes to pass, it will affect the foreign earnings of the nation, since rice and corn, apart from beans and pulses, are the top foreign exchange earners for the GOB.

In Rangoon most of the container trucks stand idle at the port, since there are no cargoes to ship overland. Trucks carrying onions, chilies, maize, garlic and rice are being turned back from the border areas since the closure of exports also includes border trade. Since transport charges are expensive across the country, traders have no choice but to sell their commodities at the prevailing price in the border trade towns since they will incur heavy losses if they return carrying these cargoes. If there is no market for these commodities or the border town market cannot absorb the commodities, some of these traders will take complete losses, especially on the perishable fresh onions.

In The Myanmar Times and Business review Volume 10, No: 185, dated September 29-October 5, 2003, the GOB announced that it plans to buy 1.4 million metric tons of paddy from the monsoon crop harvest beginning in November to supply to the special forces. The article said that the GOB would buy paddy from traders at prevailing market prices. Nevertheless, although paddy-purchasing committees have been formed under the Rice Procurement Supervisory Central Committee, the purchase price for this paddy has not been approved and the status of the procurement is in limbo. Additionally, the Myanmar Rice Trading Leading Committee (MRTLTC) set a target to procure 862,000 metric tons of paddy for export on 2004. With the liberalization of rice exporting in April of last year, the private sector had been beginning to respond to the opportunity and put together an increasing volume of exports. It is possible that this trade stoppage measure included rice to depress the paddy/rice prices in the domestic market primarily in order for traders to procure paddy/rice at reduced prices for the GOB, as well as for exports.

End of Report.