


# Mizzima Myanmar News and Insight

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Development News

By Susan Cunningham

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**As Myanmar looks to develop, a value-added revolution is needed in the countryside**



Farmers in Bago region. Photo: Hong Sar/Mizzima

Agriculture must be at the forefront of Myanmar's anti-poverty strategies not only because close to 70% of Myanmar's population live in rural areas: of the total number of poor people, 84% reside in the countryside. More than half the workforce is employed in agriculture, yet the majority of farmers own less than 10 acres of planting land and lack access to electricity and clean drinking water.

These stark statistics from UNDP highlight what could arguably be termed the elephant in the room – the need to upgrade Myanmar's agricultural sector but ideally in a sustainable way.

One man understands the challenges particularly well. **Tin Htut Oo**, an agricultural economist, retired as director-general of agricultural planning in the Ministry of Agriculture, Livestock and Irrigation (MOALI) in 2009. He is CEO of Agribusiness and Rural Development Consultants and chairman of the Agriculture Group of Yoma Strategic Holdings.

A former advisor to President Thein Sein, as the chairman of the National Economic & Social Advisory Council beginning in 2012, he led a working group that drafted a policy paper, entitled "From Rice Bowl to Food Basket," outlining pathways for modernization of the country's agricultural and food sector. Earlier this year, group members presented the proposals to key ministers and officials in the agriculture, commerce, and planning and finance ministries and to the Pyithu Hluttaw's Agriculture, Livestock and Fishery Development Committee. MOALI, now headed by Dr Aung Thu, Union Minister for Agriculture, Livestock and Irrigation, "is using it as one of the main references for its current agricultural policy making," Tin Htut Oo said.

Tin Htut Oo sat down to discuss with **Mizzima Weekly** a range of issues that would help the agricultural sector including crop diversification, adding value at home, export standards and the surprising and growing farm labour shortage.

Here are some highlights:

**Two big mistakes of the old government's agricultural policies:** First, every area of the country had to have sufficient rice and the price everywhere had to be the same. It was a typical socialist policy. There was too much emphasis on rice. Second, there had to be rice self-sufficiency in all regions and states. It's quite contrary to the market economy.

The Green Revolution: The thrust of the Green Revolution was to grow more. A demand-led agricultural system produces what the market needs. We have to increase the productivity of land and workers. Rural wages are rising but the profitability of Myanmar farming is in decline.

**On policy, past and present:** In the past, rice was designated as the national crop. If farmers had irrigation, they had to grow two crops of rice. For more than a decade, the policy has been relaxed: you can choose the second crop, though with rain-fed agriculture – less than 20% of the land is irrigated—the choice is quite limited ... There is still no clear policy statement giving farmers a clear choice ...

**The most common second crop is beans.** Beans have become a cash crop. We export more than a million tonnes a year, mostly to India. It's also easy to adapt the land and sow beans after a rice crop. The next choice is edible seeds – like sesame, groundnuts and sunflower. Finally, there are industrial crops like cotton and sugar, maybe a little coffee. Fruits and vegetables are neglected. Tea is important too. The idea is that we need to diversify agriculture.

Farmers in the dry zone can grow rice in the rainy season. Their big second crop is sesame. They can get \$2,000 a tonne for that versus \$600 to \$800 a tonne for rice. We should be asking, "Which crop will provide the most profit to farmers while saving our rich environment for the future?" We have to look at comparative advantage and competitive advantage. Those in the dry zone can buy rice from delta areas.

**Choice of crops is always limited:** "Freedom of choice is easier to say than to practice. In rainfed areas, you have no control over water. If the field is flooded, you have to grow padi. If your neighbours are growing rice around you, you are restricted in your choice. Without irrigation, you cannot grow a second crop."

**Why the goal of becoming once again the world's rice basket is wrong:** "If Myanmar emerged as the top exporter of rice and if farmers get rich, why not? But if farmers remain poor, what's the point? ... China's policy is to reduce the rice-growing area. Vietnam has the target of being rice self-sufficient; it also has among the world's highest use of agro-chemicals.

"So what if padi production goes down as a result? We can import rice. Both Indian and Thailand have large surpluses now. But I don't think that will happen. If the price is good, you can't stop farmers growing rice. What is important is a market-efficient system."

**Myanmar farmers will respond to foreign demand:** "In this region, market demand is very important. That will decide whether the crop is rice. Despite the global economic

slowdown, Asian economies are still growing, especially China and India, so per capita income is still growing. Another factor is rural migration to urban areas. As incomes get higher, diet patterns change; people eat less grains, like rice and wheat. They eat more dairy, fruits, vegetables and meat. They use more cooking oil. Soybeans and corn are becoming more common crops because they are used to feed pigs and chickens."

**Updating soft and hard infrastructure:** "There are no labs in Myanmar to test for pesticide residues or agro-chemicals. Same with fertilizer. Are they in accord with specifications? We have laws but there's no enforcement. We don't know what's in the market. I see a lot of fake fertilizer and banned pesticides in the market. We need more trained people and facilities to test chemicals, and education of wholesalers and retailers and farmers.

First, the government must have a strategy. What can they afford? Then they can try to get bi-lateral loans and grants to upgrade. The private sector has a role too. When companies promote fertilizer, they should advise on dosage. That's transferring technology."

**The extension service to farmers is understaffed and under-financed.** "The bottom line: extension service is under capacity. The agents' roles and responsibilities are quite diverse. We need to update expertise on soil, crops, water management and fertilizer. Right now, an agent takes care of 5,000, 6,000 acres. They don't even have bicycles or motorbikes. And there is no extension service for livestock and fisheries. An animal husbandry degree programme just started two years ago."

**The constitution mandates mechanization:** "There's under-investment in agricultural research, including livestock and fisheries. An animal husbandry degree programme just started two years ago. While a diploma is possible, there's no degree in agricultural engineering. How can we move to mechanization without these people? The constitution clearly spells out that agriculture should be mechanized.

"Meanwhile, people are already leaving the land and there is a labour shortage on farms. We have these farm machinery companies coming here and promoting their products, but they are importing their management level from other countries. Where do we get technicians for after-sales service and repairs? The best thing is to invest at the in-country vocational level. We do have vocational schools. The students just need more training. I suggest a public-private partnership. A machinery company, like a John Deere, would be interested in training at the technician level. The public and private sectors could both play a role."

**Myanmar needs to participate in the global value chain:** Right now, Myanmar exports raw commodities like rice, corns and beans because we don't have any

processing facilities. A good example is with vegetables. Farmers in Shan State say they can produce more tomatoes, mushrooms and cabbage. We could export them to Europe and enjoy GSP [General System of Preferences; because Myanmar is a low-income country, its products can enter duty free]. We need infrastructure, including electricity, to do that.

"It's not as easy as it used to be for small growers to plug into export markets. We can't export directly nowadays because there are so many consumer demands. You have to meet the EU GAP [good agricultural practices] standards, Japan's GAP, the US GAP. Then there are phyto-sanitation regulations. That's why you need to join up with a Unilever or Nestle and they will take care of all the certification. We need to plug into enterprises with market access and standards ... We don't need FDI just for the money but also for [overseas] market access.

"We worry about cabbage and cauliflower because it's very difficult to clean pesticides from them. Without proper certification, they will soon be difficult to sell even domestically."

**Processing plants can be rural job generators.** "If we want to invest to produce [animal] feed products, we need to invest in all these standards, instead of exporting soybeans to Indonesia where the value is added there. For a farmer, when there is a local processing plant, there is less volatility. The farmer knows the price he will get. Processing plants also mean job creation in rural areas. Food processing industries cannot be in Yangon. They have to be in the vicinity of the growers. One sugar mill producing 3,000 tonnes a day could employ 200 to 300 people.

"All the FDI is in minerals and oil and gas, industries that don't create many jobs. Not even 1% of FDI is invested in agriculture and fisheries."

**Food factories need more government incentives.** "Government policy must be very clear. What kind of support can processing factories expect at the union and state level? The government needs to provide more incentives to these industries. It is a risky business. There was a recent change of law allowing 100% FDI in seed production. Dutch firm East-West Seeds was the first to take advantage of it. Pepsi is interested in growing potatoes here that it could export to Thailand. Turmeric and ginger would be good products for processing. So would black peppers.

"It's probably best to decentralize and let states provide incentives – maybe offer roads and electricity. Perhaps if the investment is less than \$10 million, let states and regional governments decide. The factory still has to meet national and international standards."

**"As a latecomer, we can try to avoid the mistakes of other countries and perhaps leapfrog. This is the age of knowledge." Ω**