Agriculture in Myanmar struggles to grow to its potential

Myanmar | Agriculture   Economic News Update

Text size + –

Recommend

25 Feb 2015

Higher levels of investment and access to credit are essential for the development of Myanmar's agriculture sector to reach its full potential, according to experts.

Agriculture continues to be the mainstay of Myanmar's economy, despite the increase in industrial and mining activity over recent years. It is estimated that the sector accounts for around 45% of GDP, while providing employment for 70% of the workforce.

However, returns to farmers remain extremely low. Per capita agricultural income is the lowest in Asia, according to a report issued by the Organisation for Economic Co-operation and Development (OECD), currently standing at around MK202,000 ($200) a year. This compares to a national GDP per capita of MK1.1m ($1100). Rural income levels can be improved only by modernising the sector and raising output, according to the report, released in January.

Although Myanmar's agriculture sector has potential for expansion – thanks to its fertile land and water resources – reforms need to be enacted for these advantages to be fully capitalised on, said the OECD. A key recommendation of the report is the expansion of the value-added components of the sector, such as processing, transportation, technical assistance, marketing and logistics, as well as building links to complementary non-agricultural activities.

"Myanmar will need to upgrade its agricultural sector and develop a modern agri-food eco-system in order to meet the changing demand and market opportunities for high-value and quality agri-food products over the coming years," said the report. Investments in processing would allow Myanmar to gain greater returns from its agricultural production and boost export opportunities.

Credit where credit is due

Another major obstacle to development is a lack of access to finance. According to OECD estimates, only 2.5% of loans in Myanmar go to the rural sector, with some segments – such as landless farmers – cut off from all formal financial services.

The lack of access to capital, especially in the form of medium- and long-term loans, is a constraint on investments needed to improve output and diversify toward higher value added products, the report said. "Increasing access to finance in rural areas and improving farmer skills will be vital to boosting farm productivity, freeing up workers for manufacturing and services," said OECD deputy secretary-general Rintaro Tamaki.

The findings of a study conducted by the World Bank support the conclusions of the OECD, saying that access to credit may help lift agricultural incomes. The report, published mid-December, added that the government and its development partners need to help farmers diversify, increase productivity and raise incomes through increasing rice yields among other measures, with rice accounting for a third of the total crop area.

The government has acknowledged the need to provide greater loan support to the agriculture sector. But, it has struggled to allocate additional funding, apart from shorter term finance under existing programmes, which release funds at set times of the year, with the credits repayable after the wet or dry season harvests.

Related Content

Featured Sectors in Myanmar:

- Myanmar Energy
- Myanmar Industry
- Myanmar ICT
- Myanmar Construction
- Myanmar Tourism

Featured Countries in Agriculture:

- Nigeria Agriculture
- Gabon Agriculture
- Ghana Agriculture
- Indonesia Agriculture
- Thailand Agriculture

A further issue is that the limited banking sector is wary of extending credit to farmers due to the cyclic nature of agricultural earnings making it difficult for regular repayments on loans.

However, the financial system in Myanmar is slowly expanding. The country is opening its doors to foreign banks, granting nine lenders preliminary approval to begin operations late last year. Another area of support may come from microfinance institutions. which can assist in meeting some of the farmers' short to medium term needs.

Solutions are also coming from the private sector. In February, an Indian-based agri logistics company Sohan Lal Commodity Management (SLCM) announced a deal with local lender Yoma Bank which will enable it to extend financial solutions support to farmers, processors and agriculture exchanges in Myanmar.

Land limits

Efforts to boost production are also constrained by the limited amount of suitable land available for farming. Most farms are relatively small – less than two hectares – which provide only subsistence living for the owners.

The UN's Food and Agriculture Organisation (FAO) estimates that only 18% of the country's total area is being farmed, with at least another 5.7m hectares available for primary production but not in use. Almost half of Myanmar's land mass is heavily forested and unsuitable for cultivation, according to a report by the Asia Development Bank (ABD), while more of the country's land is either too rugged or otherwise not compatible with agriculture.

Opening up virgin land could help raise agriculture incomes, but agriculture also has to compete with the spread of industry, mining and urban sprawl for land. Myanmar's extensive programme of dam construction, which will help to provide water security and increase access to electricity, has inundated up to 400,000 hectares of forest and arable land, according to estimates.