Myanmar at a Cross Road:  
Small and Medium-scale Farmers (SMFs) or Large-scale Land concessions?

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Myanmar

Our Team

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- L Seng Kham, MDRI-CESD, Myanmar
Objectives

1. To draw evidence from Myanmar & globally on:
   - How to design agbiz models based on SMFs to accelerate growth and poverty reduction
   - How to design large-scale agbiz farm models (if needed) to be sustainable (econ, social, env)

2. To identify strategic policy priorities for tapping agribusiness investments for inclusive growth

3. To draw lessons from successful cases in MY, the region and globally

Economic and Agricultural Policy Objectives

- Agricultural development ➔ top priority for poverty alleviation and rural development
  “Back bone of the Myanmar Economy”

- In 2013, it accounts --- GDP (26%) and employment (62.4%)
  “Critical for inclusive development”

- Develop strategies_channel the benefits of reforms and growth
  ➔ Stimulate agriculture and rural development
  ➔ Priority to fulfill the needs of local consumption
  ➔ Export the surplus of agricultural products to earn foreign exchange
Myanmar Agriculture and Agribusiness: Overall Outlook

<table>
<thead>
<tr>
<th>Strength</th>
<th>Weakness</th>
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<tbody>
<tr>
<td>• Strong markets</td>
<td>• Poor investment climate</td>
</tr>
<tr>
<td>◦ Incomes and urbanization</td>
<td>◦ Infrastructure</td>
</tr>
<tr>
<td>◦ Regional integration</td>
<td>◦ Legacies of previous govs</td>
</tr>
<tr>
<td>◦ Global exports and prices</td>
<td></td>
</tr>
<tr>
<td>• Good resource base (land and water/capita), diversity</td>
<td>• Weak state capacity</td>
</tr>
<tr>
<td>◦ Millions of small and medium scale farmers!</td>
<td>◦ Lack of public goods and services for SMFs</td>
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<tr>
<td>◦ 2.3 Million &gt; 5-50 acres</td>
<td></td>
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<tr>
<td>• Strongest asset</td>
<td>• But.....</td>
</tr>
<tr>
<td>◦ Millions of small and medium scale farmers!</td>
<td>◦ Open borders</td>
</tr>
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<td></td>
<td>◦ Spirit of reform</td>
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<td>◦ Many initiatives</td>
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Land Law and Agribusiness Investment

- since 1988, private sector as major driver of economic growth and employment
- In 1991, government’s strategy to attract substantial new investors and modernize the agricultural sector (marginalize rather than empower SMFs) Large-scale investments in land and agriculture are growing
  - enacted Farm Land Law (2012)
    (Liberalization land use right to be mortgaged, sold, rent, transferred and inherited)
  - Vacant, Fallow and Virgin Land laws (VFVL, 2012),
  - Protection Rights and Enhancing Economic Welfare of Farmers(2013)
  - Foreign investment (FDI) Law (2013)
### Myanmar at a Cross Road

<table>
<thead>
<tr>
<th>AGBIZ: Growth and Poverty Reduction</th>
<th>AGBIZ: Risky Business</th>
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</table>
| - Involves and upgrades value chains based on SMFs  
  - Markets, technology, value chain financing | - Based on large land concessions  
  - Overlaps with rights of existing land users  
  - Creates high inequality in land ownership  
  - Clears forests of HCV |
| - Creates good jobs for a growing rural labor force  
  - Example of Thailand | - Economic risks too if:  
  - Inexperienced investors  
  - Speculation on cheap land?  
  - Example of Cambodia |

### Status of Land Concessions in Myanmar

- Concentrated in Kachin, Taninthary, & Ayarwaddy, Sagaing
- Mainly rubber & oil palm, + Jatropha, s/cane, rice
- Average size of VFV is 6,170 ac  
  - But some above 50K acres (despite rules)
- Allocated 0.5 M ac VFV since 2010

<table>
<thead>
<tr>
<th>Total 4.7 M acres by 5/2013</th>
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<tbody>
<tr>
<td>VFV</td>
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<tr>
<td>0.2</td>
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</table>

Excludes 12,000+ concessions to SMFs in Mon State
Large-Scale Models Sometimes Justified

- **Factors favoring large-scale**
  - Close coordination with processing
  - Demanding market standards
  - Pioneering risks—new crops in new areas

- **Large scale can be inclusive if:**
  - Good jobs, training, technology spillovers, social infrastructure

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**Major Differences in Structures Across Borders, 21st Century**

- **Rubber**
  - CH, TH — SS
  - MY, LA — LS

- **Cassava & sugar**

- **Oil palm**
  - TH — SS
  - MY — LS
Rubber

Myanmar

- Asia—Rapid growth, strong export demand
  - > Asian 90% world rubber & 90% of that smallholder
- Business models MY
  - Independent SMFs selling to processors of RSS
  - Large plantations (> 1000 ac)
    - Directly export

Thailand

- Jump from 3rd to 1st place (ahead of Indonesia and Malaysia)
  - SMFs based economy
- Success in competitiveness (world markets)
  - Fourfold increase in yield
  - Clones distribution make up 80%
- ORRAF to support SMFs; adoption of clonal planting materials
  - Provide grants $750-1450/ha for replanting up to 2.5 ha
  - Funded by cess or rubber sales expenditures from public revenue (R&D)
  - Most efficient parastatal institution
  - Village cooperatives (value adding)

Constraints

- Low yields
  - R&D, extension
  - Access to finance for HY clones
- High price volatility
- Low quality & discounted prices
  - Regulation of standards, price incentives
- Sustainability (deforestation)

Opportunities

- Close large yield gap
- Regulate and upgrade standards
- Build integrated supply chains to the soon-to-be privatized manufacturers
- Look at diversified agro-forestry systems
- Involving SMFs through nucleus estate with ourgrower schemes (upgrading quality)
- Model: Ghana Rubber Estates
Rubber – Options for SMFs

1. State-led
   - Extension, grants for HY clones, processing cooperatives, quality standards (TH)

2. Private-sector led
   - Long-term contract farming (2+3 model)?
   - Short-term contract farming—existing trees

3. Public-private partnership
   - Cess (e.g., 1%), Industry Board, certification of standards

Towards more Efficient and Inclusive Agbiz models

- Attracting investment into Agbiz (including FDI): improve investment climate, infrastructure, etc for both SMEs and ABCs
- Contract Farming (contract that work better for SMFs)
- Foresight and oversight for investors (clear strategic vision)
- Managing Large Land Concession
  - 1. Risks & next step (freeze further land concession: accurate & transparent information)
  - 2. Outgrowers schemes (estate and processors)
  - 3. Guidelines for investors
  - 4. Manage existing land concessions (public data base, monitoring)
- Explore potential of SMFs land concession
  - > 40% of rural families landless or near landless (LIFT, 2012)
  - (Eg. Option: Look at formalizing rights of informal settlers in VFV or forest land)
Conclusion

- Optimistic outlook for AgBiz
  - Strong market prospects
  - Success stories from MY and from the region provide base for + ve development outcomes
- Need for strategy to shift to:
  - AgBiz investments based on incentives and models that work with SMFs
- Recognize key role of government investments to support SMFs (e.g. R&D)
- Strengthening Farmland Governance
  - Land rights of traditional land users (customary land)
  - Awareness campaigns (e.g. land certificates): responsible investors and farmers

Towards Agribusiness models for Inclusive Growth in Myanmar

THANK YOU
Definitions

<table>
<thead>
<tr>
<th>SMFs</th>
<th>Market-oriented small and medium-size farmers</th>
<th>Say &lt; 50 acre but depends on enterprise</th>
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<tbody>
<tr>
<td>SMEs</td>
<td>Small and medium nonfarm enterprises</td>
<td>Say &lt; 100 employees</td>
</tr>
<tr>
<td>ABCs</td>
<td>Agribusiness companies</td>
<td>At least 100 employees (companies—mostly vertically integrated)</td>
</tr>
</tbody>
</table>

Methods

- Assembly & review of available knowledge
  - Reports, ‘gray literature’
  - Secondary data (with caution)
- Meetings and interviews with key stakeholders
  - Private sector, farmers, associations, CSOs, gov officials
- Field visits to 5 states/regions
- Initial findings for discussion today
- Draft report for comments
- Finalization and dissemination events
Oil Palm

**Myanmar**

- Main focus of GoM vegetable oils policy
  - > major source of oils consumed
- Vertically integrated ABCs
  - 500 ha to > 100,000 ha
- Virtually no SMFs

**Thailand**

- World’s 3rd largest producer (1.6 MT > 600,000 ha in 2012)
- Dominance of Independent SMFs (>120,000 SMFs with average land holding 3.9 ha)
- No program to provide land concessions and rising prices for land
- Oil palm dev policy provided significant incentives for investing in processing capacity (double production)
- Hired labor (much from Myanmar)

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Farm Structure and Link between SMFs-ABCs of Selected Commodities

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<tr>
<th>Total Sown Area (ha)</th>
<th>ABCs</th>
<th>ABCs-SMFs</th>
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<tr>
<td></td>
<td>Land Concession (ha)</td>
<td>Non-land</td>
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<tr>
<td>Rubber</td>
<td>581,000</td>
<td>87,389 (15%)</td>
</tr>
<tr>
<td>Oil Palm</td>
<td>144,000</td>
<td>71,809 (64%)</td>
</tr>
</tbody>
</table>

Source: MOAI, 2013

- Increased support of SMFs is needed (R&D, infrastructure for all crops)
- Innovative approaches are needed (high upfront investments for high yielding clones and years to get payback, some of which involve partnerships with ABCs)
Thailand: Case Study of SMF-Based Development

**Growth + Poverty Reduction**

- World’s top exporter of rice, rubber, cassava. In top 3-5 for sugar, F&V, poultry, processed foods

**KEY ELEMENTS OF THAI SUCCESS**

- National commitment to end poverty
- Policy open to trade and markets
  - Strong agribusiness sector
- Public investment and efficient state support
  - Roads, irrigation, extension
- Strong land institutions

![Rural Poverty Chart](chart.png)

% Rural poverty:
- 1988: 80%
- 2000: 60%
- 2011: 40%

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**Principles for Responsible Agricultural Investment**

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<thead>
<tr>
<th>Area of concern</th>
<th>Key Issues</th>
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<tbody>
<tr>
<td>Property rights</td>
<td>- Long established occupancy rights are recognized</td>
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<tr>
<td></td>
<td>- Relevant rights are publicly recorded</td>
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<td>- An accountable &amp; representative structure for local decision-making is in place</td>
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<tr>
<td>Voluntary transfers</td>
<td>- Expropriation not used to transfer land to private interests</td>
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<td>- Processes for transferring land involve informed consent by existing users</td>
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<td>- Proceeds from land transfers are fair and accrue to actual users</td>
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<tr>
<td>Transparency</td>
<td>- Relevant information (land prices, contracts) publicly available</td>
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<td>- Agreements are understood by the parties and can be enforced</td>
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<td></td>
<td>- Public sector responsibilities add value, are clearly assigned, performed effectively</td>
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<td>Economic viability</td>
<td>- Effective mechanisms to check technical viability &amp; economic feasibility in place</td>
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<td>- Investments are consistent with local strategies for development</td>
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<td>- Adherence to agreed terms is monitored and enforced</td>
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<td>Environmental &amp; social sustainability</td>
<td>- Areas unsuitable for agricultural expansion are properly protected</td>
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<tr>
<td></td>
<td>- Environmental policies are clearly defined and adhered to</td>
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<td></td>
<td>- Social safeguards are implemented</td>
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<tr>
<td>Favor Small Scale</td>
<td>Examples</td>
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<tr>
<td>Labor intensive</td>
<td>Hort, dairy, tea</td>
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<td>Efficient land markets</td>
<td>Food staples</td>
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<td></td>
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<tr>
<td>Ability to enforce</td>
<td>Export hort.,</td>
</tr>
<tr>
<td>contracts</td>
<td>oilseeds, poultry</td>
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<tr>
<td>Local knowledge</td>
<td>Food staples</td>
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