

Agriculture: Engine of Rural Economic Growth in Myanmar

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Why focus on rural economic growth?

- Agriculture makes many contributions to the economy:
 - Food and nutrition security
 - Environmental services
 - Raw materials for added value processing
 - Source of export earnings
 - Beans and pulse exports earn more than \$1 billion per year
 - Engine to power growth of the rural economy
- Why focus on rural economic growth?
 - Most of Myanmar's poor people live in rural areas
 - Most rural poor depend directly or indirectly on agriculture for income

How does agriculture drive the rural economy?

- Direct employment and income generation on the farm
- Indirect demand agricultural inputs and services
 - seed, fertilizer, tractor repairs, transport
- Consumption expenditures by farm households
 - house construction, school fees, medical services, transport, personal services
- **1 million kyat of agricultural income generates an *additional* 600,000 to 800,000 kyat in rural nonfarm income**
 - Example: Bangladesh green revolution 1980s and 1990s. Rice production doubled. Stimulates demand for 750,000 shallow tubewells, 1 million treadle pumps, 50,000 paddy mills, 80,000 small traders, 160,000 rural mechanics
- Agriculture has potential for long-term expansion due to land and water resources and large regional markets (2.6 billion consumers)

How can agricultural incomes increase?

- Increase productivity (e.g., increasing number of baskets of paddy or pulses per acre cultivated)
 - Use of improved varieties or breeds of fish/livestock
 - Improved water and soil fertility management
 - Improved weed, pest and disease management
- Improvement in quality of produce
- Increase production of high value crops or livestock (e.g., pulses, fruits and vegetables, fish)
- Increase scale of production
 - Difficult in densely populated areas with high proportion of landless HH

Why use a regional approach to increasing agricultural incomes?

- Different regions have different production and market opportunities
 - Altitude, water access, market access
- Example of Mon State with 3 distinct agro-ecologies:
 - Upland – increase profitability of rubber; diversification into fruit/vegetables
 - Lowland – increase productivity of rice production; diversification into aquaculture
 - Coastal – improve management of marine capture; improve infrastructure for access to employment
- Example of Yangon
 - Potential to expand smallholder commercial aquaculture
 - Potential to expand high value processed pulses

Aquaculture as an opportunity for smallholders

- High profit and employment per acre compared to crops
- Rapid growth (Yangon has 30% of national pond area)
- Mainly large farmers at present
- Smallholder participation could increase dramatically with:
 - Freedom to convert paddy land to ponds
 - Access to credit and technical support
- Smallholder participation will increase incomes for local businesses
- Potential to improve aquaculture incomes through
 - lower feed costs (only one company at present)
 - diversification of species, and
 - improved technology

Government has a very important role

- Make improved agricultural technologies available to farmers
 - Invest in agricultural research to improve varieties
 - Encourage domestic and foreign investment in seed sector
 - Promote smallholder access to small scale irrigation and mechanization
 - Re-organize extension services to earn farmer trust
 - Improve agricultural statistics to monitor development of sector over time
- Improve agricultural finance for farmers and input companies
 - Reform ADB to be an effective and responsible financial partner
 - Medium-term finance for irrigation and farm equipment
- Ensure land tenure security
 - Secure tenure rights
 - Allow farmers choice of farm enterprise to have a mix of paddy and high value activities
 - Flexibility to rent or sell land to permit farm size increase over time

Sound macro-economic, trade and investment policies (enabling environment)

- Flexible exchange rates
 - Important for farm prices and farmer incentives to invest in modern technology
- Investment in rural roads and electricity
 - Expansion of market opportunities and lower cost supply chains
 - Important for rural growth multipliers
- Encourage foreign direct investment in input supply and value added processing
- Trade facilitation
- Encourage market competition
- Avoid price controls on agricultural products

Thank You

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