

Voluntary Report – Voluntary - Public Distribution

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Report Name: Burma Corn Production Supply and Demand

Country: Burma - Union of

Post: Rangoon

Report Category: Grain and Feed

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Report Highlights:

FAS Rangoon forecasts Burma's corn production lower due to rising production costs, unstable security conditions in some production areas, and unfavorable weather especially in Shan State. Domestic feed consumption in marketing year (MY) 2022/23 will be higher than the previous year but still below average consumption before the pandemic. Corn prices fluctuated in 2022 due to changes in trade policies, restrictions on exports, and changes to foreign currency management. China approved the registration of 87 Burmese companies to officially export corn to China. FAS Rangoon forecasts Burma's corn exports to grow in MY 2023/24 with the expectation of strong demand from China, Thailand, Vietnam, and Philippines.

I. Production

FAS Rangoon forecasts Burma's corn production lower in MY 2022/23 due to a smaller production of area, especially in conflict areas such as Sagaing Region, Kayah State, and Chin State, and unfavorable weather conditions. Shan State experienced less rainfall in the early stages of the production season resulting in a smaller crop. Conflicts in the Sagaing Region and Kayah State forced farmers to leave their farmland and prevented them from farming. The Department of Agriculture (DOA) reported that the monsoon season corn production area in MY 2022/23 dropped by 32 percent in Kayah State and 25 percent in Sagaing region. In addition, some corn farmers in the Ayeyarwady region have switched from corn production to chili, beans, and pulse production due to high production costs during the winter season, resulting in a 25 percent reduction in winter season corn production in Ayeyarwady in MY 2022/23. The terrain in Ayeyarwady is suitable for other crops, making it easier for farmers to adjust based on market conditions. Farmers in Shan State, however, have increased their planting area in MY 2022/23 as the price of corn has risen. Shan State's terrain is not suitable for other crops.

Farmers had harvested the majority of the main corn crop by the end of December 2022. The DOA, along with farmers, is forecasting the yield for monsoon crop lower by 10-15 percent. Burma's corn yield had been increasing since MY 2020/21 due to better seed qualities and more utilization of fertilizers. Farmers reported that the main monsoon corn crop yield was 2.5-4.0 metric tons per hectare (MT/Ha) and the yield for the second winter crop was 4.5-5.5 MT/Ha on average between 2019 and 2020. However, farmers are anticipating smaller yields per unit area of corn in MY 2022/23 from reduced fertilizer utilization from higher prices and unfavorable weather. The cost of Urea doubled in August 2022, forcing many farmers to use less in their fields. Large farmers are continuing to use Urea but have reduced the application rate per acre, while the price of Urea has forced small farmers to switch to cheaper alternatives that are not as effective. The DOA has encouraged farmers to use EM bokashi compost. A trial using EM bokashi compost showed positive results with yield in Southern Shan State (SSS). Farmers have also reported that there was low rain fall during the early stages of growth, limiting the corn's growth in some places in SSS and Naung Cho, Northern Shan State.

The Myanmar Corn Industrial Association is offering a production financing program with the support of private banks and traders to help farmers with the higher production costs. Private banks will provide farmers with loans with a 12 percent interest rate and traders will promise to buy the corn after harvest.

Burma's hybrid corn seed demand is 8,000-10,000 MT annually. Seed prices increased in MY 2022/23 due to difficulties in importing seed. Almost all farmers use hybrid corn seeds imported from Thailand that have good yields. Most of the seed companies in the country are owned by foreign investors from Thailand and China. Major players in the corn seed market are Charoen Pokphand (CP Group), Ayeyarwady seed, Aventine Limited, Seven Tiger Group, Syngenta and Corteva. The hybrid seeds commonly grown in Burma are CP 808, CP 111, Cp 112, GT 722, GT 822, P 4546, 137,339. Farmers usually plant 5-10 kilogram of seed per acre.

II. Consumption and Trade

Burma's domestic livestock industry and other industrial uses consume about half of Burma's corn production, while the remaining is for export. The Myanmar Livestock Federation reports that approximately 70 percent of the raw livestock feed demand comes from the poultry sector and 25 percent from the swine sector. Domestic corn constitutes 35-45 percent of total feed composition in the poultry sector, depending on the age of the animal, nutrition formula of the feed mill, feeding methods, and domestic prices.

The COVID-19 pandemic and the military coup hit the livestock industry hard with production shrinking in MY 2021/2022. Breeding farms have reduced their day-old chick production due to low domestic demand for poultry meat, high input costs, and an unstable electricity supply. Feed millers are requiring farmers to purchase feed with cash instead of on credit due to the unstable banking system. Some small and median poultry farms have had to close, and only large farms that receive foreign direct investment and that are vertically integrated are able to stay in operation.

The decrease in foreign and domestic tourists has also lowered the demand for meat and eggs. More than 4 million foreign tourists came to Burma between October 2018 and September 2019. However, foreign tourist arrivals dropped to 2 million in 2019/20 due to the COVID-19 pandemic and dropped again to 130,000 in 2020/21 due to the military coup. Shrinking incomes and a high unemployment rate have also contributed to decreased domestic demand for meat and eggs. Domestic consumption of corn dropped by 40-50 percent in MY2021/22. However, Post does forecast domestic consumption for feed higher in MY2022/23 in line with the recovery of the livestock industry. There are signs of improvement in the Burmese economy as private banks have started resuming regular business in mid-2022, with some restrictions, and some restaurants, cafés, and bakeries have restarted their business in 2022. Despite the positive forecast, neither the livestock sector nor corn consumption will reach pre-COVID-19 levels in the next year. Post forecasts local feed corn demand below average consumption between 500,000-600,000 MT in MY2022/23.

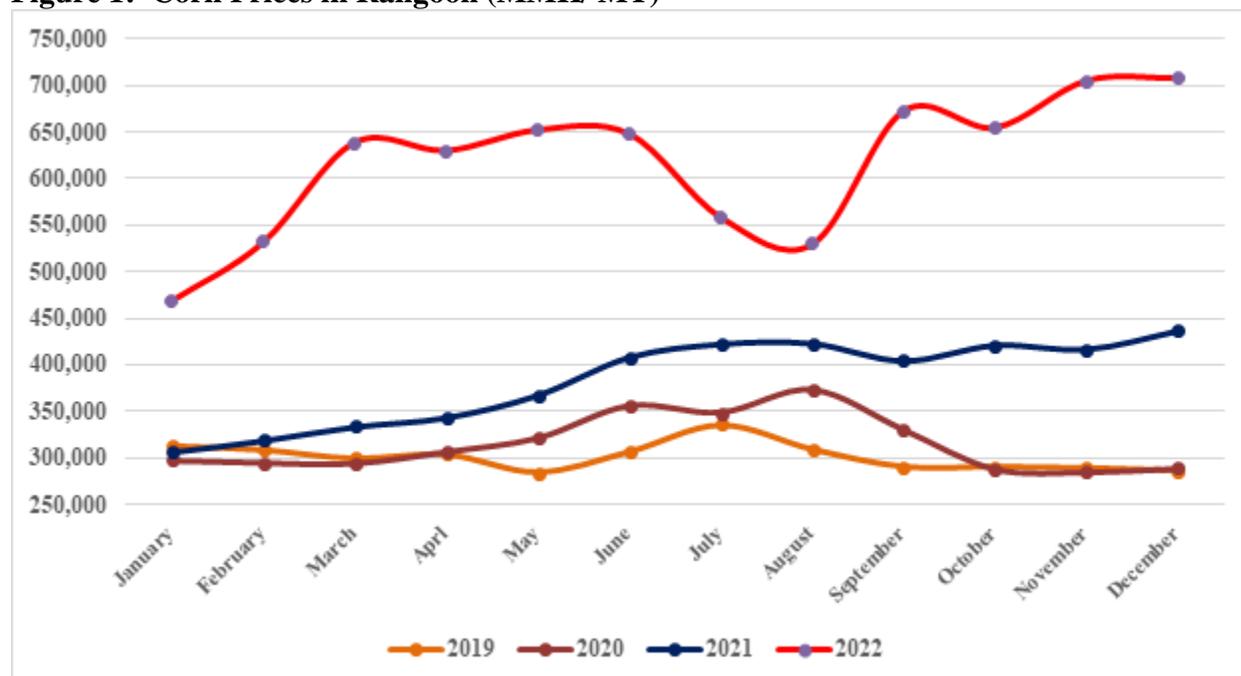
III. Prices

Yellow corn prices have increased since 2020 and reached a record high in 2022 as there is high demand for corn from Burma's trading partners. Domestic prices for yellow corn tend to be higher in June, July, and August but then drop in October with the arrival of new supplies. Domestic prices, however, continued increasing in October, November, and December 2022 even during harvest time. Yellow corn prices reached record highs in December 2022 at 1,152 MMK/viss (See Figure 2.2), which is 62 percent higher than the price at the end of December 2021. Most local feed millers have limited storage capacity and usually hold one to two months of usage in stock.

Changes in export regulations, foreign currency management, and the devaluation of the local currency made corn prices unstable in 2022. Export demand for corn heavily influences domestic corn prices. Domestic corn prices have been rising since early 2022 due to robust demand from the Philippines, Vietnam, and Thailand, along with the devaluation of the Myanmar kyat. Corn exports dropped 30-40 percent in July 2022 due to restrictions on foreign currency and a

shortened period of validity for export license, which ultimately led to lower domestic prices. The prices dropped so low that traders were selling corn at prices below their purchasing price. The Central Bank of Myanmar (CMB) relaxed some of the currency and export requirements in mid-August that encouraged more exports, which also increased domestic prices.¹ However, domestic prices dropped again in October when new crop supplies started entering the market. The prices, however, increased in November due active demand from China and normal trade.

Figure 1: Corn Prices in Rangoon (MMK/ MT)



IV. Trade Policy

Traders send the majority of the corn grown in SSS to feed mills in Yangon and Mandalay for export to Thailand, while traders export corn grown in Northern Shan State to China. The military government has placed strict controls governing the export of agricultural products. On July 02, 2022, the military government required exporters to only trade in U.S. dollars when exporting corn, beans and pulses, and oilseed through the border.² Exporters could previously trade in Thai baht and Chinese yuan. In addition, the Department of Commerce required exporters to get an export license to ship corn through the border.³ These new requirements and the large difference between the reference exchange rate of the Myanmar kyat and the U.S. dollar and the market exchange rate resulted in a large drop in Burmese corn exports in July 2022. The volume of cross border trade dropped 30-40 percent from June to July.

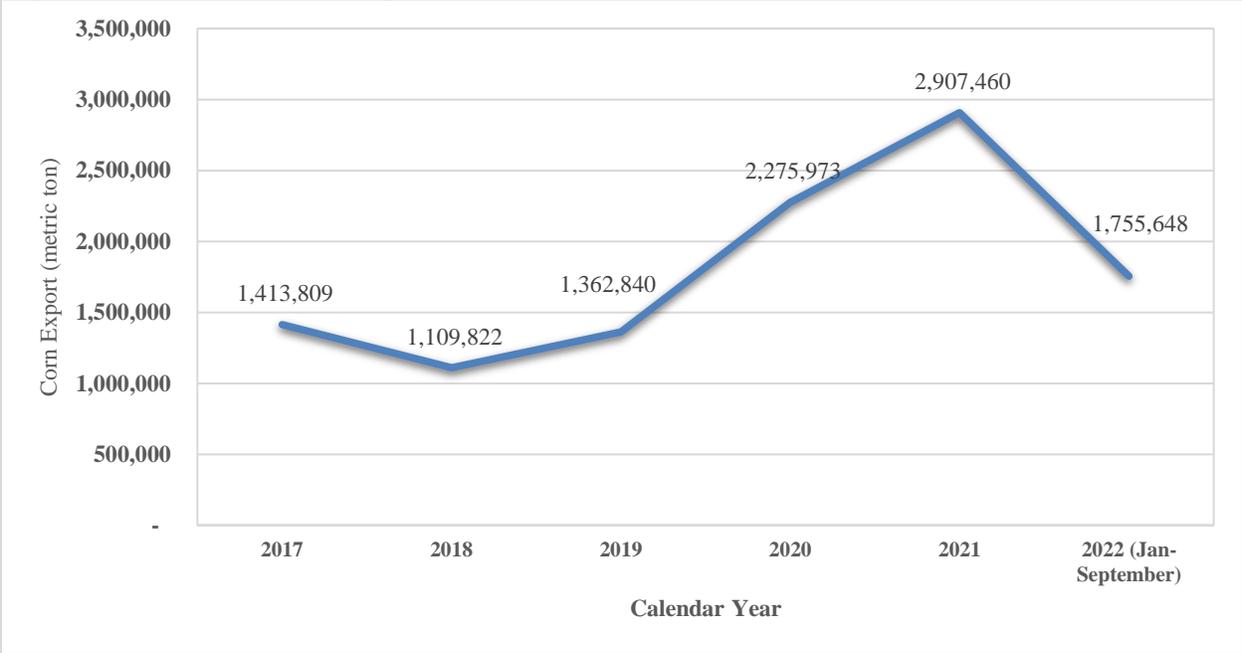
¹ Unofficial translation allowing exporters to keep a 35 percent of their export earnings in U.S. dollar - <https://www.lincolnmyanmar.com/wp-content/uploads/2022/08/CBM-Letter-1-paka-1956.pdf>.

² Unofficial translation of Burmese current requirement on exports – <https://www.lincolnmyanmar.com/wp-content/uploads/2022/07/Export-of-rice-pulses-corn-and-oilseeds-only-for-USD.pdf>.

³ Unofficial translation of the export license requirement - <https://www.lincolnmyanmar.com/wp-content/uploads/2022/07/Myawaddy-letter-14-7-2022-i.pdf>.

Burma’s largest export markets for its corn production is China and Thailand. Thailand’s large livestock sector fuels its demand for feed inputs. Burma exported more than 1.25 million metric tons of corn to Thailand between October 2021 and June 2022. A lot of the trade that enters China from Burma enters through unofficial channels. China suspended corn imports from Burma in 2019 to restrict informal imports. Burma and China signed a sanitary and phytosanitary (SPS) protocol to enable the export of Burmese corn and corn silage to China on January 31, 2022. According to the SPS protocol, Burmese companies must register at the General Administration of Customs of the People’s Republic of China (GACC). In September, GACC approved the registration of 87 Burma companies to export corn officially to China.

Figure 2: Burma’s Corn Exports (metric ton)



Source: Ministry of Commerce

Attachments:

No Attachments.