

Voluntary Report – Voluntary - Public Distribution

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Report Name: Burma - Trade Continues but Uncertainty Remains High

Country: Burma - Union of

Post: Rangoon

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Prepared By: FAS Rangoon Staff

Approved By: Eric Mullis

Report Highlights:

The military coup continues to negatively impact Burma's economy. Arriving shipments, however, are being cleared, and trade is continuing in some fashion or another. The current unstable security situation, continued disruptions in the banking sector, Burma's third wave of COVID-19, and logistical challenges are but a few of the ongoing obstacles that impedes economic stability in Burma. This report provides situational updates from Post's May 2021 report.

On February 1, 2021, the Burmese military took-over the country and Burmese State Counsellor Aung San Suu Kyi, leader of Burma's ruling party, and Burmese President Win Myint, the duly elected head of government, were detained. Background information and initial impacts of the coup are described in Post's original report: "[Impact of Burma Military Coup on Agriculture Sector and Trade](#)," which was published on April 12, 2021. Post published subsequent updates on April 15, 2021 "[Burma - Military Coup Continues to Hamper Agricultural Trade](#)" and on May 27, 2021 "[Burma - Shipping Line and Banking Disruptions Continue to Impact Trade](#)." This report provides a situational update but omits some of the background provided in previous reports

General Update

The large support for the Civil Disobedience Movement (CDM) continues putting pressure on the military. The military has implemented a range of increasingly violent tactics of intimidation in response to the CDM. The regime continues to arrest protesters, including professors and celebrities. Many government staff who were on strike as part of the CDM have been dismissed or temporarily suspended after a written warning to return to work. More than 2,000 officials were removed from the Department of Agriculture.

The People's Defense Force (PDF), among other anti-military groups, continue to target police and military targets with an uptick in detonations, shootings, and arson, especially targeting township and ward administrators assigned by the State Administrative Council (SAC) in Rangoon and other cities. The conflicts between SAC and PDF have increased in June even though there are not that many protests in Rangoon and Mandalay. Citizens take extreme precaution when going into the cities to do their daily business.

The military opened schools in June, but parents are hesitant to send their children to school, especially now that there is an increase in daily bomb explosions in Rangoon and Mandalay (Burma's second-largest city). The military regime imposes a curfew from 10:00 p.m.- 4:00 a.m. daily.

The COVID-19 situation in Burma has worsened. Testing and other preventative measures decreased sharply after the February 1st coup. The Ministry of Health and Sports has designated a recent outbreak in Chin State and in the Sagaing Region as Burma's third wave of COVID-19. The number of new cases is increasing daily, and the public vaccination program has suffered since the coup. The new wave of COVID-19, possibly attributed to the Delta variant from India, could further exacerbate the already unstable situation in Burma.

Agricultural and Trade Sector Update

Note: The situation described below is very fluid and is evolving rapidly. This report is intended to paint a picture of the range of obstacles that U.S. products may face based on the most up-to-date information that FAS Rangoon has been able to piece together through a wide range of contacts. It is essential that U.S. companies that are planning shipments to Burma in the near term remain informed of the evolving situation by staying in very close communication with their respective Burmese importers and distributors.

U.S. agricultural shipments continue entering normally, with no stuck shipments having been reported since the last report. Many shipping lines, however, have not returned to Burma after experiencing costly disruptions in February. The lack of shipping lines is causing problems for incoming and outgoing shipments due to a shortage of containers. Some importers can place new orders even though this problem continues to persist. There is a backlog of products waiting to be exported (e.g., seafood, rice, and frozen vegetables) since the number of containers coming in is insufficient to meet the large number of products waiting to be exported.

Maersk Line Myanmar (Sealand Maersk) launched three new larger container vessels, namely Maersk Norberg, Maersk Narvik, and Maersk Nesna, to reduce the backlog of products waiting to be exported. A launching ceremony for these vessels was held on June 10, 2021, at the Myanmar Industrial Port (MIP), even though Maersk Norberg had already started its operation previously. MIP reported that the three new vessels can carry 1,750 TEU (21,000 MT) each. The addition of these container vessels is expected to reduce the freight rate as products waiting to be exported will not have to sit in storage as long. The Myanmar Port Authority (MPA) did report that arriving ships and cargo handling have picked up since May, and up to 40 container vessels are scheduled to enter service in June.

Widespread bank closures continue to complicate the payment of tariffs, taxes, and fees. Companies and factories struggle to pay salaries. A garment factory from the Hlaing Thar Yar industrial zone recently closed due to its inability to effectively process transactions, such as paying salaries.

U.S. Agricultural Exports

All U.S. shipments of agricultural products are entering the market normally with no reports of stuck shipments in June. Sources have confirmed that importers are now able to place new orders of U.S. agricultural products such as soybean meal, wheat, and French fries. Some shipments are scheduled to arrive in July. The uncertainty and the frequent changes in arrival dates of U.S. shipments have led some importers to purchase products from other sources, such as soybean meal from Bolivia, Brazil, Paraguay, Thailand, and some from China while the prices are competitive. China and Thailand have an advantage as they share a land border with Burma and don't have the same shipping concerns as the other countries.

Wheat importers are looking to bring in bulk wheat shipments since the shipping container shortage is making it difficult to secure enough containers. Sources confirmed that new U.S. bulk wheat vessels are scheduled to arrive in June, July, September, and October. Fruit importers continue struggling to schedule new shipments and are reportedly importing U.S. fruits from Thailand.

Agricultural Sector

Rice: Domestic prices for rice increased in May due to the depreciation of the Myanmar Kyats against the U.S. dollar, transportation difficulties, an anticipated smaller second crop production, and active purchasing by exporters to export rice to Bangladesh. Domestic prices for rice were flat in June, however, due to a slowdown in rice export activity and inactive domestic demand. China's closure of the main border crossings has significantly disrupted border trade. In addition, prices for fuel, fertilizers, and chemicals have increased, driving up the production costs for farmers. The scarcity of

cash, banking disruptions, and high prices will probably limit how much fertilizer and other inputs farmers can utilize, which could hurt yield.

Corn: Domestic corn prices increased 40 percent between January and June, reaching USD 177-252/metric ton (MT) in June due to strong exports. The majority of Burma's corn exports are to Thailand, with some exports heading to China. Burma also continues exporting corn to Vietnam, Philippines, India, Malaysia, and Singapore via sea freight. Traders are increasingly resorting to the old system of Hundi payments due to the disruptions in the banking system, and some exporters have set up bank accounts in Thailand and China border cities to facilitate payments. Hundi payments are an informal money transfer system that usually involves a network of trusted individuals and companies to help transfer money in and out of the country.

Pulses: Burma's Black Mapte and Toorwhole prices increased 20 percent and 12 percent, respectively, after India removed the import quota for beans and pulses. Demand for beans and pulses increased suddenly as India is currently facing supply shortages. Post forecast Burma's pulses production could be increased in MY2021/22.

Livestock: The prices for broiler meat decreased 15 percent in June due to low domestic demand as fewer people are shopping at wet markets due to heavy rains in June, while egg prices are increasing. Feed prices increased 20 percent between March and June in line with the increase in the price of feed ingredients. Feed distributors are demanding that feed be purchased in cash up front, which is challenging for small and median scale farmers. Only the large farmers are able to operate the farming.

For detailed analysis of the production, supply, and distribution of rice, corn, and wheat in Burma, please refer to FAS Rangoon's recent [Grain and Feed Annual report](#).

Cooking Oil: Prices for palm oil decreased about 20 percent in June with the start of the local harvest season.

Food Processing Sector: More bakeries and restaurants have reopened in June, and some local food processing facilities are restarting operations with limited production.

Banking Sector Update

Banking challenges continue with no changes in the amount of cash people are allowed to withdraw, and there continues to be long lines to withdraw cash. The commission rate to get cash through the black market increased from 10 percent in April to as high as 12 percent in June. The private banks are offering special accounts with high interest rate to help with the shortage of Myanmar Kyats. Private banks are facing shortages of both U.S. dollars and Myanmar Kyats due to the lack of cash flow and slow business activity. People with the special account can withdraw an unlimited amount of cash from the account.

Situation Outlook

As noted above, the situation is very fluid and is evolving rapidly. The security situation remains unstable and banking disruptions have reduced the ability for consumers and businesses to make

purchases. It is difficult to predict future policy changes and outcomes, as well as the overall resilience of an economy and agricultural sector still reeling from COVID-19. Overall, it is essential that U.S. companies that are planning shipments to Burma in the near term remain informed of the evolving situation by staying in very close communication with their respective Burmese importers and distributors. FAS Rangoon remains available to answer specific questions at agrangoon@usda.gov.

End of Report.

Attachments:

No Attachments.