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Burma - Union of

Grain and Feed Annual

Annual 2012

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Report Highlights:
BM2001 In MY 2011/2012, Burma's rice paddy production will increase 2.7 percent to16.9 million metric tons (MMT) and exports will decrease 23 percent to 0.6 MMT due to a deteriorating trading environment, from MY2010/2011. Corn production will increase by five percent due to strong domestic feed and Chinese demand. In MY 2010/2011, Burma imported the first shipments of U.S. wheat since 2001, totaling 20 thousand metric tons (TMT), and these are expected to double to 40 TMT by MY2011/2012. In MY 2011/12 beans and pulses' exports are estimated to increase 10 percent to 1.2 MMT from MY 2010/2011 due to a strong demand from China and India.

Executive Summary:

In MY 2011/2012, paddy production will increase to 16.9 MMT from 16.4 MMT in MY 2010/11, an increase of 2.7 percent. Production area will decrease from 7 million HA to 6.5 million HA, a seven percent decrease in area, as farmers shift their cultivation preferences to beans and pulses during the dry season and others exit farming due to prevailing low prices. Burmese rice exports are estimated to decrease 23 percent from 778,400 MT to 600,000 MT, due to a deteriorating trading environment.

In MY 2012/13 Burma's corn production is forecast to increase from 1.3 MMT to 1.5 MMT as the growing area will increase 1.3 percent from 380,000 to 385,000 HA and the average yield will increase 15 percent from 3.4 MT/HA to 3.9 MT/HA driven by high demand from domestic feed mills and China.

In MY 2010/2011, Burma imported the first shipments of U.S. wheat since 2001, totaling 20 thousand metric tons (TMT), and U.S. exports are expected to double to 40 TMT by MY2011/2012.

In MY 2012/2013, Burma's bean and pulse production is estimated at 4.7 MMT up 5.5 percent from 4.5 MMT in MY2011/12 due to an increase in production area of 1.2 percent and as yields normalize as weather conditions improve. Burma will export 1.4 MMT of beans and pulses.

Commodities:

Rice, Milled

Corn

Wheat

Author Defined:

I. Rice Milled

Rice, Milled Burma (Myanmar)	2010/2011		2011/2012		2012/2013		
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	7,000	7,000	6,685	6,500		6,500	(1000 HA)
Beginning Stocks	296	296	396	254		486	(1000 MT)
Milled Production	10,750	10,528	10,500	10,816		11,094	(1000 MT)
Rough Production	18,534	16,450	18,103	16,900		17,334	(1000 MT)
Milling Rate (.9999)	0.58	0.64	0.58	0.64		0.64	(1000 MT)
MY Imports	0	0	0	0		0	(1000 MT)
TY Imports	0	0	0	0		0	(1000 MT)
TY Imp. from U.S.	0	0	0	0		0	(1000 MT)
Total Supply	11,046	10,824	10,896	11,070		11,580	(1000

							MT)
MY Exports	750	778	750	600		750	(1000 MT)
TY Exports	750	778	750	600		750	(1000 MT)
Consumption and Residual	9,900	9,792	10,000	9,984		10,630	(1000 MT)
Ending Stocks	396	254	146	486		200	(1000 MT)
Total Distribution	11,046	10,824	10,896	11,070		11,580	(1000 MT)
Yield (Rough)	3	2.35	3	2.6		2.667	(MT/HA)
TS=TD		0		0		0	

Production

In MY 2011/2012, paddy production will increase to 16.9 MMT from 16.4 MMT in MY 2010/11, an increase of 2.7 percent. Production area will decrease from 7 million HA to 6.5 million HA, a seven percent decrease in area, as farmers shift their cultivation preferences to beans and pulses during the dry season and others exit farming due to prevailing low prices. The decrease in area will be more than compensated by an increase in yields as the more marginal farmers will abandon production and weather conditions and yields return to normal.

Burma's rice production system is plagued by a series of internal and external shocks. The downward global price spiral has hit Burmese farmers hard as these are currently selling rice at or under production cost. The lack of government support has put it at a competitive disadvantage with some of its ASEAN counterparts, as Thai and Vietnamese farmers are receiving government support to compensate for lower prices. Although the new government announced a strategy of increasing agricultural production through increased investment in technology, it has been a misguided policy as the Minister of Agriculture and Irrigation has tried to introduce an untested hybrid rice variety throughout the country with abysmal results. In addition, the agricultural development companies (ADC), which had shown promises as an alternative to financing, have cut back loans from $100 million in MY2010/2011 to $25 million in MY2011/2012 as these have been facing a growing portfolio of bad loans. However, their financing has improved the milling infrastructure as the number of rice mills increased from 225 to 1230, rice polishers from 10 to 28 and color sorters from 1 to 9 since 2009. These improvements should advance post-harvest quality and loss reduction.

In MY2010/2011, Post adjusted production down to 16.4 MMT from 18.5 MMT as yields were reduced 11 percent from 2.65 MT/HA to 2.35 MT/HA due to widespread flooding in last year's abnormal monsoon season.

In MY 2012/2013 production is expected to increase to 17.3 MMT or a 2.6 percent increase from MY 2011/2012. Expected yields should increase by 2.6 percent as investment and post-harvesting practices improve.

Consumption

In MY2011/12 total consumption is estimated to be 9.98 MMT of milled rice and for MY2012/2013 at 10.63 MMT. The assumptions used are a 2 percent population growth rate, a per capita consumption of 250 kg/year for the 61.2 million Burmese in 2011, and 103 KG/HA of seed usage.

Trade

In MY 2011-2012, Burmese rice exports are estimated to decrease 23 percent from 778,400 MT to 600,000 MT. Burma's exports have been hit especially hard by the reemergence of India in the non-basmati trade, as it's lost market share in its traditional markets of Bangladesh and West Africa. For the first 8 months of MY2010/2011, the pace of exports was 77,000 MT/month however once India reemerged in September of 2011 the pace dropped almost by half to 39,000 MT/month. Post expects this trend to continue through MY 2011/2012.

In MY 2010/2011, Burma's rice exports accounted for 778,400 tons a 75 percent increase from 2009/2010. Although exporters faced an appreciating currency with respect to the dollar, the government provided relief by reducing the export tax burden from ten percent to two percent, which helped boost exports. Nonetheless, India's reemergence in the non-basmati trade slowed Burmese exports significantly in the last trimester of MY 2010/2011. Burma's main market remains West Africa with 51 percent of total exports going there.

Production Policy

The new Minister of Agriculture and Irrigation introduced a policy of increasing production through the increase in the use of technology. The minister introduced a hybrid rice variety without previously being tested in the different regions in Burma. He has required each township to plant 100 hectares, for a total of 36,000 hectares. However the results have been disappointing as the promised 10 MT/HA have not materialized, nevertheless the Minister seems adamant in pursuing this policy.

Export Policy

In August of 2010, the Burmese kyat started appreciating against the dollar. By January of 2011, the kyat had appreciated by 20 percent to an exchange rate of kyat 800/$ from kyat 1000/$. The kyat continued to appreciate and by June of 2011 it had appreciated to 730/$. This appreciation put severe pressure on exporters as they were becoming less and less competitive. In light of this situation, on July 7, 2011, the government reduced the export tax from 10 percent to two percent for a year. However, due to the deteriorating trade environment exporters are lobbying the government to extend this tax break until conditions improve.

II. Corn

Corn Burma (Myanmar)	2010/2011		2011/2012		2012/2013		
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	375	375	380	380		385	(1000 HA)
Beginning Stocks	23	23	73	23		23	(1000 MT)
Production	1,250	1,250	1,300	1,300		1,500	(1000 MT)
MY Imports	0		0				(1000 MT)
TY Imports	0		0				(1000 MT)

TY Imp. from U.S.	0		0				(1000 MT)
Total Supply	1,273	1,273	1,373	1,323		1,523	(1000 MT)
MY Exports	300	174	350	200		300	(1000 MT)
TY Exports	300	174	350	200		300	(1000 MT)
Feed and Residual	800	976	850	1,000		1,100	(1000 MT)
FSI Consumption	100	100	100	100		100	(1000 MT)
Total Consumption	900	1,076	950	1,100		1,200	(1000 MT)
Ending Stocks	73	23	73	23		23	(1000 MT)
Total Distribution	1,273	1,273	1,373	1,323		1,523	(1000 MT)
Yield	3	3.3333	3	3.4211		3.8961	(MT/HA)
TS=TD		0		0		0	

Production

The area for corn production in Burma continues to increase due to increased demand in the domestic feed industry and demand from China. This increase has been accentuated in the Shan State, which is strategically located along the Chinese border. Yields have also progressively increased due to an increase in the use of hybrid seeds which have been aggressively introduced into Burma by private companies such as Charoen Pokphand Group from Thailand. The current yield of traditional corn is just around 0.8MT/HA, however with hybrid corn farmers are readily attaining 4.0 MT/HA as. Thus the average yield for MY 2011/12 is estimated to be 3.4 MT/HA. Since most of the hybrid corn area is rain fed, and the low use of inputs, yields remain lower than the potential yield of 5 MT/HA.

In MY 2012/13 Burma's corn production is forecast to increase from 1.3 MMT to 1.5 MMT as the growing area will increase 1.3 percent from 380,000 to 385,000 HA and the average yield will increase 15 percent from 3.4 MT/HA to 3.9 MT/HA driven by high demand from domestic feed mills and China, and as farmers are engaging in contract farming which allows for the use of good inputs. IN MY 2011/2012 production increased four percent from 1.25 MMT in MY 2010/2011 to 1.3 MMT in MY2011/2012.

Consumption

In MY 2012/13, domestic consumption is forecast to grow by 9 percent to 1.2 MMT from MY 2011/2012. The consumption for feed is estimated to be 75 percent of the total production, as livestock and aquaculture producers are increasingly substituting traditional feeding techniques for compound feeds. Most of the corn goes to commercial feed mills in Rangoon, Mandalay and Shan State where feed stuffs for fish, pork, cows, and chickens are produced for use in contract animal farming systems. Additionally, in some hill regions and some parts of the dry regions, corn is used as a staple food and also as a substitute for rice when it becomes too scarce or expensive.

Trade

In MY 2011/12, Burma's corn exports will increase 15 percent to 200,000 MT due to higher demand from domestic feed mills and from China.

In 2010/2011, 50 percent of the total exports went to China as demand remains strong. However, most of this commerce goes through border trade which at many times it is unaccounted for, due to the proximity of the largest producing area in Burma, the Shan State, with China. In addition Indonesia and Malaysia are the leading destinations of Burmese exports in ASEAN accounting for 44 percent of total exports or 77,000 MT.

III. Wheat

Wheat Burma (Myanmar)	2010/2011		2011/2012		2012/2013		
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Harvested	105	105	105	105		105	(1000 HA)
Beginning Stocks	0	0	0	0		0	(1000 MT)
Production	180	180	185	185		185	(1000 MT)
MY Imports	216	184	200	190		205	(1000 MT)
TY Imports	216	184	200	190		205	(1000 MT)
TY Imp. from U.S.	28	20	0	40		45	(1000 MT)
Total Supply	396	364	385	375		390	(1000 MT)
MY Exports	0	0	0	0		0	(1000 MT)
TY Exports	0	0	0	0		0	(1000 MT)
Feed and Residual	0	0	0	0		0	(1000 MT)
FSI Consumption	396	364	385	375		390	(1000 MT)
Total Consumption	396	364	385	375		390	(1000 MT)
Ending Stocks	0	0	0	0		0	(1000 MT)
Total Distribution	396	364	385	375		390	(1000 MT)
Yield	2	1.7143	2	1.76		1.76	(MT/HA)

Production

Wheat production in Burma is done at a subsistence level in the Sagaing Division and the Shan State where farmers grow wheat using the seeds from the harvested grain. In addition, these regions have scarce rainfall, which is unpredictable and uncertain, thus the yields are marginal between 1.6 MT/HA to 1.7 MT/HA.

In MY 2011/12, Burma will produce 190,000 MT of wheat from 105,000 HA. In MY 2012/2013 production will remain the same as farmers have not changed their farming methods to increase productivity. Additionally, wheat production is limited by geographical conditions; production should remain stable in the foreseeable future.

Consumption

Overall consumption of wheat flour in 2012/13 is forecast to increase four percent to 390 MT from 375 MT in 2011/12 due to increased population growth.

Trade

In MY 2010/2011, Burma imported the first shipments of U.S. wheat since 2001, totaling 20 thousand metric tons (TMT). In MY2011/2012 total wheat imports from the US are expected to double to 40 TMT from MY2010/2011.

In MY2011/ 2012, Burma will import 200,000 MT of wheat out 40,000 MT are expected to come from the US. The leading private companies who are the main wheat importers are Diamond Star and OK Brothers, both in Rangoon.

VI. Beans and Pulses

Beans and Pulses Burma (Myanmar)	2010		2011		2012	
	2010/2011		2011/2012		2012/2013	
	Post	New Post	Post	New Post	Post	New Post
		Data		Data		**Data**
Area Harvested	4,400	4,000	4,000	4,050	4,050	4,100
Beginning Stocks	0	0	0	0	0	0
Production	5,300	4,247	4,500	4,455	4,750	4,700
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY imp. From U.S.	0	0	0	0	0	0
Total Supply	5,300	4,247	4,500	4,455	4,750	4,700
MY Exports	1,750	1,089	1,500	1,200	1,550	1,400
TY Exports	1,750	1,089	1,500	1,200	1,550	1,400
Feed Consumption	3,550	3,158	3,000	3,255	3,200	3,300
FSI Consumption	0	0	0	0	0	0
Total Consumption	3,550	3,158	3,000	3,255	3,200	3,300
Ending Stocks	0	0	0	0	0	0
Total Distribution	5,300	4,247	4,500	4,455	4,750	4,700
Yield	1.2	1.0	1.1	1.1	1.2	1.2

Production

Beans and pulses production in Burma is mainly based on residual soil moisture left from the monsoon season after the main rice crop has been harvested; the yields are between 1.1 to 1.2 MT/HA. Likewise wheat production, farmers use the grain from their harvest as seeds, as such yield and quality of grain size is poor and Burmese exporters are usually penalized in the world market due to the grain's low quality. In order to tackle this problem, traders are establishing beans and peas grader and grinder machines using Indian technology. The increase in the number of grinders increased from 328 in

MY2009/2010 to 464 in MY 2010/-2011. Additionally, the number of graders increased from 115 in MY2009/10 to 211 in MY2010/11.

In MY 2012/2013, Burma's bean and pulse production is estimated at 4.7 MMT up 5.5 percent from 4.5 MMT in MY2011/12 due to an increase in production area of 1.2 percent. Many farmers are opting for beans and pulses cultivation during the dry season instead of rice, as returns are more favorable

In MY 2011/12, Burma produced 4.5 MMT of beans and pulses up 5.0 percent from MY 2010/2011 due to increased cultivation area in place of summer rice, which has become less profitable for the farmer. However, due to unusual rainfall during planting season and especially at the harvest time in MY 2010/ average yield was reduced by 8 percent to 1.1 from 1.2. MT/HA.

Consumption

In MY 2012/2013, consumption is expected to increase 1.4 percent to 3.3 MMT. The slowdown in consumption is attributable to substitution in compound feeds as feed mills are increasingly importing soybean meal to substitute for beans and pulses.

In MY 2011/2012, the consumption of beans and pulses increased 3.1 percent from MY 2010/11 *to 3.3 MMT* due to increased feeds as they use very little soybean.

Trade

In MY 2012/13 Burma's bean and pulse exports are forecast to reach 1.4 million tons, which will increase 17 percent from MY 2011/2012 due to greater supplies from increasing yields and a larger production area.

In MY 2011/12, India remains the largest buyer accounting for 80 percent of the total exports. However, demand from China has been increasing and has captured 16 percent of the market.

The trading environment has been looking up for exporters as the kyat reversed its upward trend against the dollar since September of 2011 by depreciating 10 percent with respect to from kyat 730/$ to kyat 800/$. However, farmers are facing challenges due to lower prices in the international markets and relatively strong kyat inside the country for more than a year.

Policy

No policy in place, beans and pulses are ruled by free market fundamentals.

End of Report