

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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Objectives

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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

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- 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

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Strength

- **Strong markets**
 - Incomes and urbanization
 - Regional integration
 - Global exports and prices
- **Good resource base (land and water/capita), diversity**
- **Strongest asset**
 - Millions of small and medium scale farmers!
 - 2.3 Million > 5-50 acres

Weakness

- **Poor investment climate**
 - Infrastructure
 - Legacies of previous govts
- **Weak state capacity**
 - Lack of public goods and services for SMFs
- **But.....**
 - Open borders
 - Spirit of reform
 - ✦ Many initiatives

Land Law and Agribusiness Investment

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□ 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

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AGBIZ: Growth and Poverty Reduction

- Involves and upgrades value chains based on SMFs
 - Markets, technology, value chain financing
- Creates good jobs for a growing rural labor force
- Example of Thailand

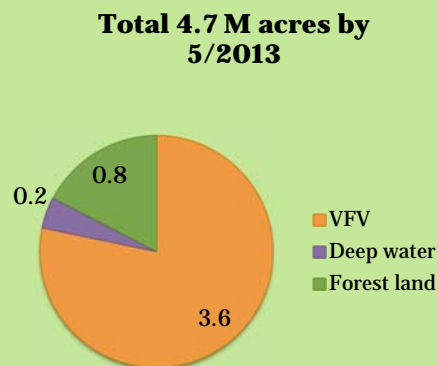
AGBIZ: Risky Business

- Based on large land concessions
 - Overlaps with rights of existing land users
 - Creates high inequality in land ownership
 - Clears forests of HCV
- Economic risks too if:
 - Inexperienced investors
 - Speculation on cheap land?
- Example of Cambodia

Status of Land Concessions in Myanmar

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- 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



Excludes 12,000+ concessions to SMFs in Mon State

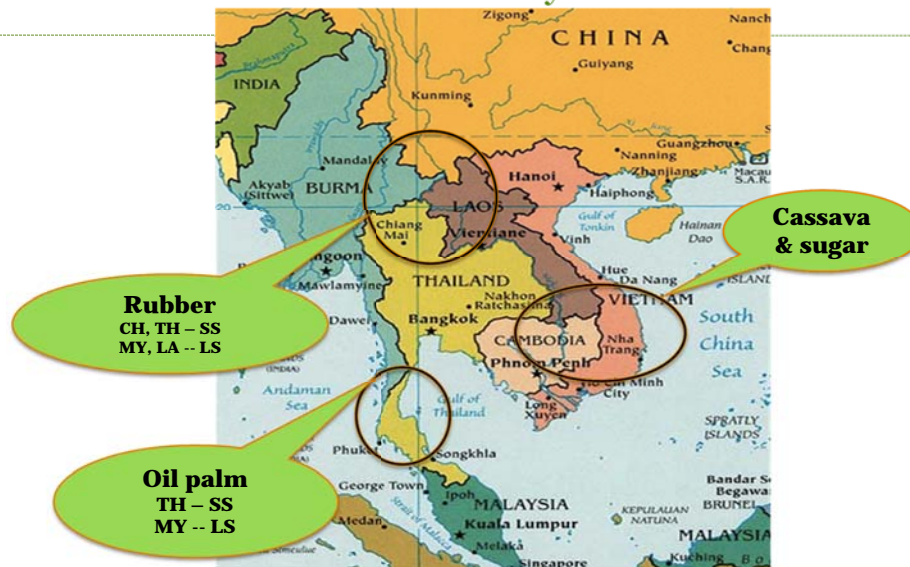
Large-Scale Models Sometimes Justified

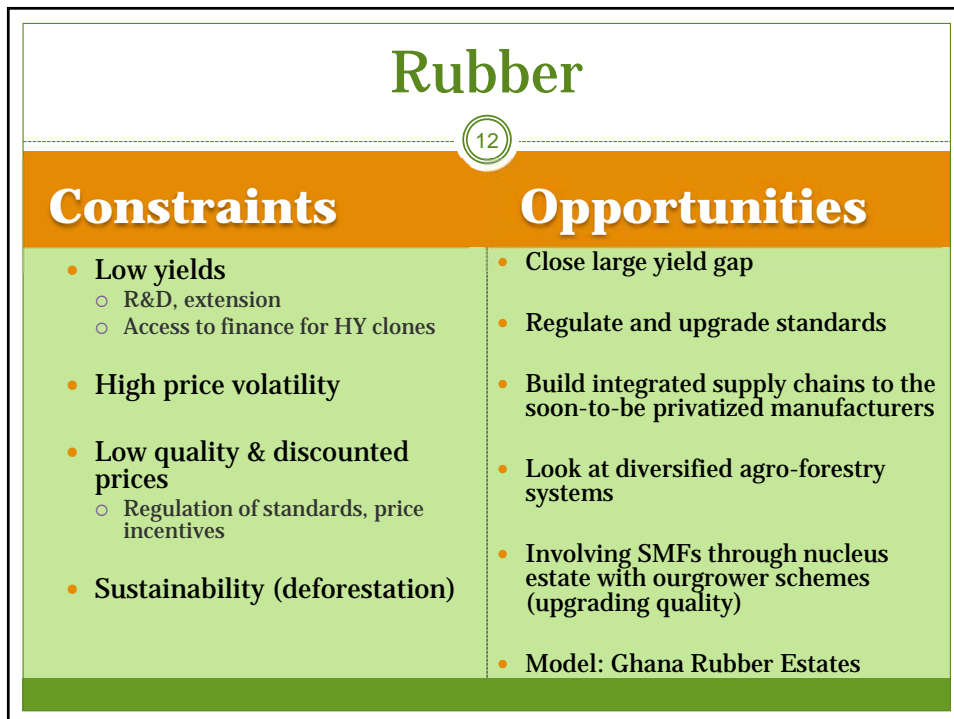
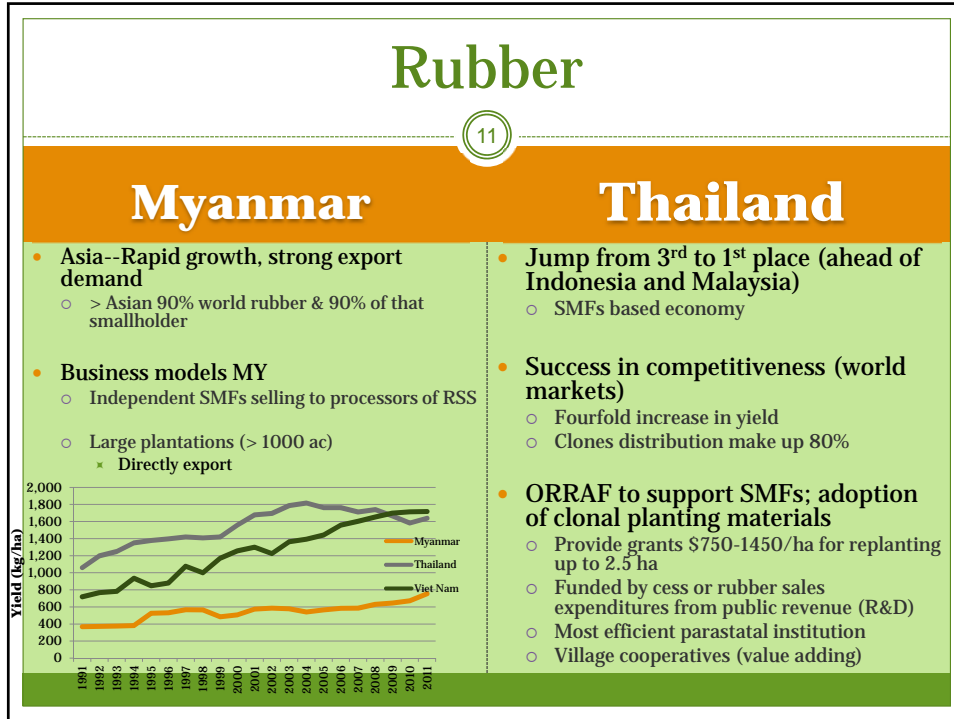
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- **Factors favoring large-scale**
 - Close coordination with processing
 - Demanding market standards
 - Pioneering risks—new crops in new areas

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

Major Differences in Structures Across Borders, 21st Century





Rubber – Options for SMFs

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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

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- **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

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- **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

Extra

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Definitions

SMFs	Market-oriented small and medium-size farmers	Say < 50 acre but depends on enterprise
SMEs	Small and medium nonfarm enterprises	Say < 100 employees
ABCs	Agribusiness companies	At least 100 employees (companies—mostly vertically integrated)

Methods

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- **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**

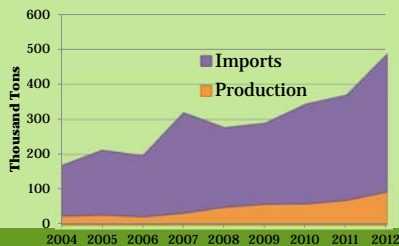
Oil Palm

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Myanmar

Thailand

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



- 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)

Farm Structure and Link between SMFs-ABCs of Selected Commodities

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	Total Sown Area (ha)	ABCs		ABCs-SMFs
		Land Concession (ha)	Non-land	
Rubber	581,000	87,389 (15%)	Factories & services	Contract Farming (potential for short term high quality product)
Oil Palm	144,000	71,809 (64%)	oil mills	Potential

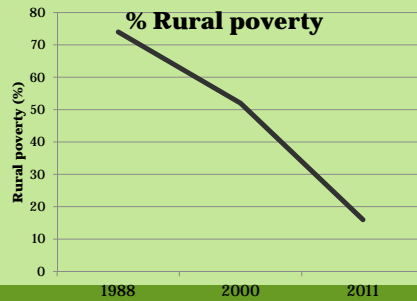
Source: MOAI, 2013

- 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 SUCCES

- 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

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Principles for Responsible Agricultural Investment

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Area of concern	Key Issues
Property rights	<ul style="list-style-type: none"> • Long established occupancy rights are recognized • Relevant rights are publicly recorded • An accountable & representative structure for local decision-making is in place
Voluntary transfers	<ul style="list-style-type: none"> • Expropriation not used to transfer land to private interests • Processes for transferring land involve informed consent by existing users • Proceeds from land transfers are fair and accrue to actual users
Transparency	<ul style="list-style-type: none"> • Relevant information (land prices, contracts) publicly available • Agreements are understood by the parties and can be enforced • Public sector responsibilities add value, are clearly assigned, performed effectively
Economic viability	<ul style="list-style-type: none"> • Effective mechanisms to check technical viability & economic feasibility in place • Investments are consistent with local strategies for development • Adherence to agreed terms is monitored and enforced
Environmental & social sustainability	<ul style="list-style-type: none"> • Areas unsuitable for agricultural expansion are properly protected • Environmental policies are clearly defined and adhered to • Social safeguards are implemented

Key Determinants of Business Models: Relative Transactions Costs

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Favor Small Scale	Examples	Favor Large Scale	Examples
Labor intensive	Hort, dairy, tea	Coordination with processing/shipping	Sugar, oil palm, tea, hort exports
Efficient land markets	Food staples	Compliance with standards/traceability	Export hort., ethanol
Ability to enforce contracts	Export hort., oilseeds, poultry	Pioneering risks	New crops, new areas
Local knowledge	Food staples	Access to finance for high initial fixed K	Greenhouse hort, irrigated rice