

SNAPSHOT OF MARKET ACTORS' PERSPECTIVES: RAKHINE STATE AGRI. INPUT SUPPLIERS (JULY 2021)

Mercy Corps - Market Analysis Unit

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During July 7-9, 2021, Mercy Corps' Market Analysis Unit (MAU) conducted phone interviews with 23 agricultural input suppliers in Rakhine State to measure the impact of recent events on agricultural supply chains. Data are based on a convenience sample of 9 suppliers from Sittwe Township and 14 suppliers from six additional townships. This snapshot is a follow-up to earlier interviews with retailers published in a November 30, 2020 MAU snapshot.

Key Highlights

- **Two-thirds of respondents reported lower sales in July 2021 compared to last year** for seed, pesticides and both urea and compound fertilizers;
- **Seventy-eight percent of respondents say suppliers require advance cash payment**, although just 49% require advance cash payment of the farmers to whom they sell;
- **One-third of respondents said shipping times for agricultural inputs have slowed** since November 2020, although some also reported faster times for seed shipments;
- **Almost all respondents said high prices and limited cash are major challenges**;
- **Seventy percent of respondents have cash to operate for three months or longer**, however they voiced concerns about their customers' access to cash;
- **More respondents struggled with price increases in July 2021 than November 2020**, although other challenges related to transportation were less frequent in July 2021;
- **Eighty-six percent of respondents expect major challenges from COVID-19** in the remaining paddy season, and two-thirds worry about the impact of political events;
- **Eighty-three percent of respondents expect lower profits in 2021 than 2020**;
- **Most respondents say better access to cash and loans for farmers could help** reduce the challenges faced by agricultural input retailers in Rakhine State.

I. Background

Retailers of agricultural inputs in Central and Northern Rakhine State report that most input sales occur during May-December, with peak sales between June and August. Most input sales span the monsoon paddy season as well as early-season winter vegetable production. Meanwhile, sales are lowest in the region between January and April. During peak-season, most input retailers in the region sell fertilizers and various kinds of vegetable seed, however pesticide sales (and occasionally animal feed) is also not uncommon.¹ All respondents for this snapshot have supplied agricultural inputs for at least three seasons, and all were previously interviewed by the MAU regarding the 2020 season.

II. Business Conditions

Input Sales – Most respondents said sales are down for major agricultural inputs like pesticide, seed and particularly compound fertilizers. Roughly two-thirds of respondents said

¹ See Nov. 30, 2020 MAU Snapshot of agricultural input retailers in Rakhine State.

sales of inputs like seed, pesticide and fertilizer are each lower in July 2021 compared to the same period last year, while the remainder said their sales volumes are the same. Seventy-six percent of respondents reported lower sales for compound fertilizer this year, while roughly two-thirds of respondents said the same of pesticides (68%), seed (65%) and urea fertilizer (62%).

Access to Supply – Up-front cash payments remain the norm for respondents’ purchase and sale of agricultural inputs, although suppliers continue to extend credit to farmers.

More than three-quarters of respondents said their suppliers require up-front cash payment for goods, although just half say they sell to farmers on the same condition.² In both cases, the remainder of respondents said that credit is still extended in some instances but this is heavily dependent on the relationship between the buyer and seller. Roughly half of suppliers said shipping times for most products in July 2021 was the same as this period last year, while about one-third said shipping is slower now and a few said it is faster. The supply of seed stood out somewhat relative to other inputs, with a slightly larger portion of suppliers saying seed shipments have sped up since last year (perhaps due to improved cross-border shipments).

III. Business Challenges

General Challenges – The most commonly-cited challenges for respondents in July included high prices, poor access to cash and low demand from farmers. Virtually all retailers said they are concerned about high prices when ordering from their suppliers. Moreover, 87% said that access to cash is a problem, and 74% said slumping demand is problematic as well. Many respondents also expressed concerns about poor internet access (49%) and transportation (35%). Business closure, poor availability of labor, and poor availability of information about markets (e.g., prices, availability) were each cited by only a handful of respondents as of early-July when the study was conducted.

Access to Cash – Respondents’ concerns about access to cash appear less related to their own access and perhaps more focused on the access of farmers to whom they sell. Three-quarters of respondents said they currently have sufficient access to cash to support their input supply operations. To be fair, 87% of respondents said their own cash access is “a little hard”, however none said it was “very hard” and a few even described their access to cash as “easy.” Seventy percent of respondents said their access to cash is sufficient to support their business for at least three months of operations (which covers the peak-sales period of July-September), while the remainder said they were unsure how long their access to cash would sustain them.

IV. Comparison to November 2020

Compared to November 2020, some price increases were more frequently reported in July 2021, although some concerns related to transportation and demand were less frequent.³

For fertilizers, the portion of respondents reporting lower sales than the year prior was roughly the same in July 2021 (62-76%, depending on type) as in November 2020 (75%). Meanwhile, reports of price increases from a year prior were more frequent for seed (65%) and pesticide (68%) in July 2021, compared to November 2020 (50% and 60%, respectively). On the other hand, some specific challenges were less-frequently reported in July 2021. In particular, concerns

² The study did not ask whether retailers currently accept bank transfers as “cash payment.”

³ Comparisons between July 2021 and November 2020 are provided for general impressions only. It is important to note that the two studies occurred at different periods in the growing season. For example, the November 2020 study occurred much closer to the winter crop season, when demand for vegetable seed is higher.

about transportation were far less frequent in July 2021 (35%) than in November 2020 (75%), and the portion of respondents concerned about poor demand was also lower in July 2021 (74%) compared to November 2020 (92%).⁴

V. Looking Ahead

Expectations of Business Activity – In July 2021, Covid-19 was the largest concern among respondents with respect to the remainder of the growing season, and most expected their profits to be lower than the year prior. Eighty-seven percent of respondents say they expect Covid-19 to present major challenge during the remainder of the paddy season (i.e., through the end of the year), while 61% said they expect political events to create difficulties for their business. Meanwhile, just 17% said they expected weather to present challenges, and none expected difficulties stemming from armed conflict. Overall, 83% of respondents expected lower profits for the 2021 season compared to 2020, while just 4% believe their profits will increase. During the remainder of this season, 30% said they will offer less credit than in 2020, while 43% said they will offer the same level of credit (none said they would expand their credit offerings).

Needed Assistance – Respondents pointed to a number of factors which could improve sales during the remainder of the 2021 season, particularly increased loans farmers for the purchase of agricultural inputs. Virtually all respondents said lifting limits on cash withdrawals at banks would improve input sales, while 83% supported additional loans to farmers. Seventy-four percent of respondents also said they believe improved internet reliability would improve their business environment this season. Although less frequent, many respondents also supported loans to input suppliers themselves (49%) and debt-relief for past loans to either farmers or suppliers (35%).

VI. Implications

Market Stability – The risk that cash-poor farmers default on their credit from input suppliers could cause suppliers to tighten and thereby further reduce sales. Input suppliers unable to supply credit to customers may also be unable to complete sales, and those who do could face increases losses from defaults. Reduced sales could diminish the number of local input retailers in the market, particularly if their own suppliers are not offering them credit.

Agricultural Productivity – Higher prices and reduced sales for agricultural inputs—particularly fertilizers—could lead to poor yields during the 2021 paddy harvest. Reduced yields could pose a threat to food and economic security, particularly in the fourth quarter of the year when many households earn revenue from paddy sales. Moreover, early-season price hikes may motivate farmers to reduce investments by planting fewer acres than normal.

Food Insecurity – If shipping and transportation costs push seed prices upward, households sustained by home gardens may have greater difficulty meeting winter season food needs. Reduced winter crop output may not only reduce the food security of growers but also increase prices for locally-produced products at area markets and place greater burden on pocketbooks generally.

⁴ Some challenges covered in the July 2021 study were not included in November 2020 study, such as internet access and access to cash.

Mercy Corps' Market Analysis Unit (MAU)

The Market Analysis Unit provides development practitioners, policymakers and private sector actors in Myanmar with data and analysis to better understand the present and potential impacts of Covid-19, conflict and other crises on:

- **Household purchasing power**, including coping mechanisms, safety nets and access to basic needs;
- **Supply chains**, including trade, cross-border dynamics and market functionality (particularly as it relates to food systems);
- **Financial services**, including financial services providers, household and business access to finance and remittances; and
- **Labor markets** (formal and informal), with a focus on agricultural labor and low-wage sectors (e.g. construction, food service).

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