

# SNAPSHOT OF FARMERS' PERSPECTIVES: PADDY AND WINTER CROPS (JANUARY 6-9, 2021)

## Mercy Corps - Market Analysis Unit

January 27<sup>th</sup>, 2021

*Local agricultural production is critical to livelihoods and food security in Rakhine State. To better understand production challenges, Mercy Corps' Market Analysis Unit (MAU) interviewed farmers about the 2020 paddy and winter crop seasons. Data collection included phone interviews during January 6-9 as well as key informant interviews (KIIs) the following week. The study used a convenience sample of 162 farmers (74% paddy farmers and 96% winter crop farmers) from six townships, including Kyauktaw, Minbya, Mrauk U, Pauktaw, Ponnagyun and Sittwe. The data represent a fourth-round panel of the same respondents interviewed monthly since October.*

### Key Highlights

- **Challenges from COVID and conflict declined for a second straight month** as farmers observed less military activity and confidence in the pandemic response grew.
- **One in five respondents expected challenges from pests to worsen in January** amid unusually mild temperatures and the approaching winter crop harvest.
- **Half of respondents struggled to find farm labor and some suffered lost yields** amid a tough labor market and workers' concerns about landmines.
- **Respondents reported 3-5% higher paddy prices in January**, and one-third said they expected better 2020 profits than 2019 (one-third also expected worse profits).
- **Half of winter crop farmers sold yields in January, boosted by improved mobility** which increasingly enabled traders to reach villages.
- **Many winter crop farmers (42%) expected oversupply and falling prices next month** as peak-harvest sets in during late-January and February.
- **Persistent labor shortages will not likely be solved by ceasefire alone** but will instead require responses to displacement, landmines and other root causes.
- **Winter crop profits are likely to drop off slightly in February as supply increases.**

### I. Livelihood Challenges and Expectations

**For a second consecutive month, fewer farmers reported challenges from conflict and COVID, although some voiced rising concerns about pests.** The portion of respondents citing challenges from conflict, COVID and weather each fell an additional 15-20% by early-January, such that less than half of all respondents cited any one of these as a major challenge (Chart 1). The portion affected by pests fell less dramatically, making this the most widely-cited challenge (34%) followed by COVID (31%). In KIIs, farmers said various pests and bacteria affected chili, gourd, eggplant and long bean, with one respondent expecting to lose 20-25% of his yield. Such cases were isolated, but several said unusually warm winter weather could make matters worse. Indeed, the portion of respondents expecting pests to worsen by February rose from 16% to 22%—the first rising concern since November. On the other hand, optimism around conflict and COVID persisted. A larger portion of respondents expected challenges from conflict to plateau leading into February, and just 5% expected them to worsen (down from 18% in December).<sup>1</sup> In

<sup>1</sup> Nonresponse was again quite high (35-45%) for questions asking respondents to forecast into the future.

KIIs, farmers based their optimism on media reports of a ceasefire but also direct observation of reduced military operations and artillery use. Respondents also said impacts from COVID waned as government restrictions eased, public awareness grew and commerce normalized.

**Three-quarters of farmers (74%) continued to face at least one specific livelihood challenge in early-January, although far fewer struggled with inputs, sales or transportation.** The portion of respondents citing each of these fell 15-25% since early-December, with transportation again improving the most (Chart 3). Labor-related challenges were still the most common challenge, with the portion citing labor challenges holding steady at 50% (the portion struggling to find female and male labor remained at 38% and 54%, respectively). In KIIs, farmers said labor demand remains high due to winter crop harvest, particularly for chili-picking. Several respondents said injuries to workers from landmines in December continued to suppress labor supply due to fear of injury, with one saying labor shortages delayed her harvest and reduced yields by 10%. Yet respondents also detailed improved movement and transportation. One respondent said times for checkpoint-crossings entering Sittwe town had fallen since December as conflict remained paused. Looking to February, fewer than 10% of respondents expected input access, transportation or sales challenges. Optimism about labor also rose slightly, with 36% expecting difficulties (down 10% since December).

## II. Paddy Sales and Challenges

*Second-round interviews with 120 paddy farmers last interviewed in December provided a snapshot of paddy sales and challenges for the 2020 harvest.*

**Paddy Sales – With half of all respondents now selling the 2020 harvest, farmers reported slightly rising prices and profit expectations roughly similar to the 2019 season.** By early-January, 83% of paddy farmers had finished harvesting, and the remainder expected to finish within the month (8% said conflict would prohibit harvesting some portion of their paddy land). Fifty-one percent of respondents had not yet begun selling paddy as of early-January, citing low prices (33%), the desire to retain paddy for consumption (20%), or ongoing harvest or post-harvest activities (18%). Among those who did sell, sales channels were unchanged from December, with 64% selling paddy to traders. The median price reported by farmers rose 3-5% from December to January, with short-duration paddy at 4800 MMK/basket and long-duration paddy at 5100 MMK/basket. When asked to compare expected profits from the 2020 season against 2019, 38% expected better profits in 2020 while similar portions expected profits to be worse (36%) or the same (27%). In KIIs, farmers described COVID as less impactful on the season than one might expect. Although COVID-related restrictions indeed reduced input access—particularly in August and September amid rising cases—farmers emphasized the negative impacts of weather and conflict during land preparation and cultivation.

**Paddy Sales Challenges – Slightly fewer farmers faced challenges selling paddy in early-January than early-December, with 53% citing at least one challenge.** The portion of respondents who faced challenges related to price and demand held steady at 35-45%, while the portion facing challenging movement or transportation each fell below 10% (Chart 4). In KIIs, several respondents were pleasantly surprised that their past concerns did not materialize, with some reporting an increase in paddy prices of up to 10% during the month. However, several others said supply increases allowed traders to insist on measuring sales with higher-volume baskets which effectively lowered prices. Many farmers adapted by selling at discounted prices (87%), while others stored more paddy to wait out the market (42%) and/or traveled to find new buyers (35%). In KIIs, respondents said they made sales in spite of challenges because they

needed cash to settle debt taken on during cultivation. One Kyauktaw respondent also said he had no space to store paddy after his home was damaged by conflict in 2020. The challenges respondents expected for the coming month largely mirrored those experienced last month, with price and demand being most prevalent.

### III. Winter Crop Sales and Challenges

*Second-round interviews with 156 winter crop farmers last interviewed in December provided a snapshot of the winter season currently underway.<sup>2</sup>*

**Winter Crop Sales – By early-January, 56% of winter crop farmers had begun to harvest and sell crops, up from one-third in December.** Virtually all respondents expected to begin harvesting by late-January and to continue harvesting throughout February.<sup>3</sup> Among those already selling, the portion who sold primarily to traders rose from half to two-thirds in January, with just 27% opting for town or village markets (down from 41% in December). KIIs with respondents suggest that this shift in sales channels is likely due to improved movement and transportation among traders (see below), owing to the recent decline in challenges from conflict and COVID. Overall, the portion of the harvest which respondents planned to sell remained unchanged, with 78% of respondents planning to sell “most” of their yield.

**Winter Crop Sales Challenges – Forty-four percent of farmers who sold winter crops in early-January reported sales challenges, down from nearly three-quarters in early-December.** Price-related challenges continued to affect 39% of sellers, yet the portion citing demand challenges fell from 30% to just 16%. Most significantly, the portion of respondents experiencing movement challenges fell dramatically from 50% in December to just 7% in January. In KIIs, respondents described various improvements in movement (discussed above), from speedier checkpoints to reduced risk of encountering conflict. Yet these difficulties have not dissipated entirely, as one Ponnagyun respondent said he continues to avoid Rathedaung Township markets due to checkpoints. Meanwhile, the persistence of price-related challenges appears tied to the arrival of peak winter crop harvest and new supply. For instance, respondents said greater supply had reduced prices for items like squash, pumpkin and long bean by 15-50% since December. While KIIs suggested that overall winter crop prices remained acceptable, concerns about rising supply and falling prices lingered. Looking to early-February, the most common concerns cited by farmers related to price (42%) and demand (20%).

### IV. Implications

**Market Functionality – Cautious but ever-growing optimism about the current ceasefire may eventually yield long-run improvements to market functionality in Central and Normal Rakhine State.** Paddy and winter crop farmers continue to express cautious confidence in input supply, transportation, and market infrastructure. Meanwhile, concerns about COVID have waned as well (justified or not). If this optimism is sustained, it could eventually give rise not only to better sales but also increased lending, investment and other positive developments in Central and Northern Rakhine State’s agricultural sector.

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<sup>2</sup> A more in-depth profile of the winter crop respondents is provided in the Dec. 16 Farmer Snapshot. In general, as of November respondents said they planned to grow chili (67%), long bean (56%) or eggplant (52%), while 20-30% also planned to grow ladyfinger, bottle gourd, bitter gourd, or cucumber.

<sup>3</sup> Eighty-one percent of winter crop farmers plan to conclude their harvest in March, while 12% will cultivate garden crops year-round.

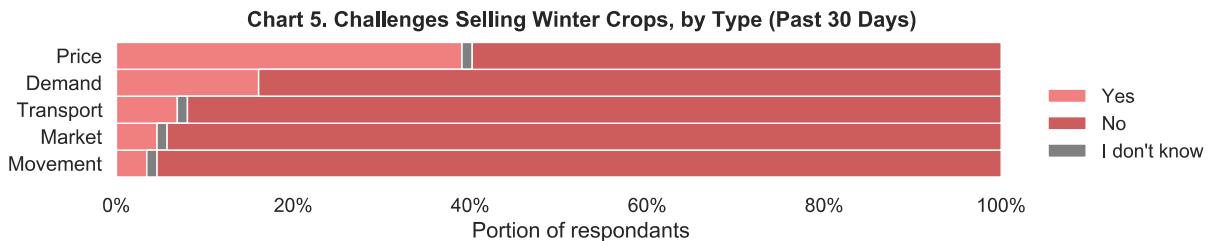
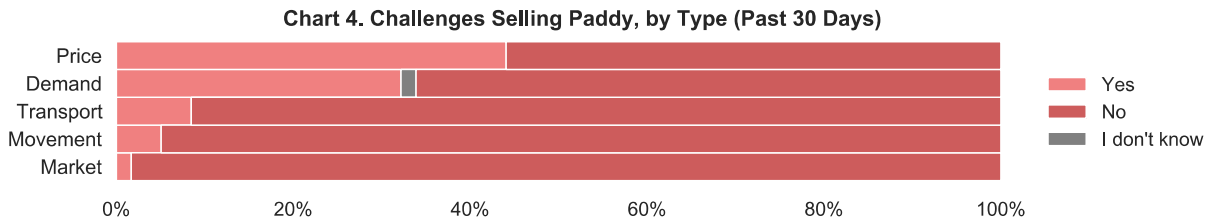
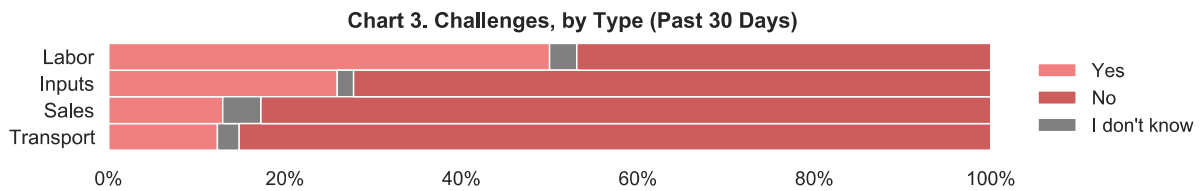
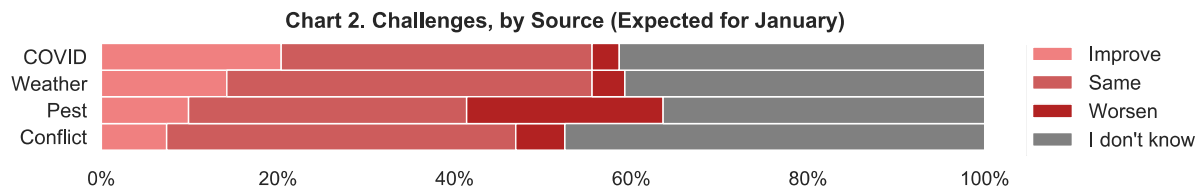
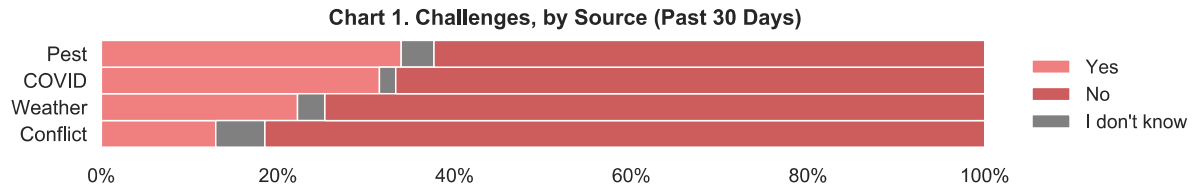
**Labor Supply** – Two months into a ceasefire which has helped improve some aspects of local markets, labor supply shortages continue, indicating that more profound interventions may be needed to address long-term workforce issues. Improvements in transportation and movement have not yet translated into increased labor supply in Central and Northern Rakhine State. Because labor shortages are fueled not only by active military operations but also displacement, immigration and the perpetual threat of landmines, even a lasting ceasefire is likely insufficient to alleviate labor shortages.

**Winter Crop Profits** – Improved mobility appears to have pushed more winter crop farmers to sell to traders in January, potentially boosting household earnings if prices are good. This report did not study winter crop prices, per se, but anecdotally farmers report receiving better prices from traders than from village markets. As such, this shift in sales channels—enabled largely by reduced conflict—could translate into higher earnings for households.

**Winter Crop Supply** – As peak winter crop harvest sets in, higher shoulder-season prices will likely begin to slide in coming months and fewer farmers will find profits and sales more difficult to come by. So far demand appears robust, but perennial oversupply of common crops like eggplant and long bean is inevitable (and the risk that COVID may have diminished the household purchasing power is still possible). In February, more farmers are likely to encounter lower prices for winter crops and tougher market conditions.

## V. Selected Charts

The below charts summarize responses pertaining to sources of past livelihood challenges (Charts 1 and 3), expected livelihood challenges (Chart 2), and past challenges related specifically to paddy and winter crop sales (Charts 4 and 5).



## **Mercy Corps' Market Analysis Unit (MAU)**

The Market Analysis Unit provides development practitioners and policymakers operating in Rakhine State with data and analysis to better understand the present and potential impacts of COVID-19, conflict and other crises on:

- **Household purchasing power, coping mechanisms and access to basic needs;**
- **Value chains**, including **trade** (ag. Inputs, machinery, supply), **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 (construction, factories, food services).

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