



Myanmars High Rice Price Volatility Increases Poverty Risk but Requires Careful Management

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A new study by the World Bank finds that rice price volatility in Myanmar is the highest among net rice exporting countries in Asia, preventing Myanmar's rice farmers from earning high profits and keeping many families at or close to poverty income levels. Rice prices have also risen by 40 percent between 2009-2013, increasing pressure on Myanmar's overall food security and export competitiveness, according to the recent World Bank report "Myanmar: Rice Price Volatility and Poverty Reduction." Agriculture is at the heart of poverty reduction in Myanmar. Changes in rice prices affect nearly 50% of the population whose livelihood depends on rice production," said Abdoulaye Seck, the World Bank's country manager in Myanmar. "A majority of rural population lives close to the poverty line and spends more than 60% of their incomes on food. Even temporary increase in rice prices reduces real income and households spending on health, education or more nutritious food. Rice price volatility, indeed, should concern everyone in Myanmar." Price volatility in Myanmar is mostly driven by heavy concentration of paddy production in just two months of a marketing year - November and December. Fragmented seed market, poor roads, weak phone coverage, unreliable market information, low export diversification, and high costs for rice mills to maintain rice stocks amplify these price fluctuations even further. Addressing price volatility requires a good assessment of the actual situation because rice production is seasonal and price volatility is inherent in agricultural markets," said Sergiy Zorya, a World Bank senior agricultural economist, a lead author of the report. "Stable prices per se do not generate long-term agricultural growth if it is achieved through shortsighted policies. Short-term measures such as export restrictions, minimum farm prices or government-owned stocks might reduce some volatility but rarely produce positive outcomes for food security and poverty reduction in the long term." Slideshow-Myanmar: Rice Farmers and the Cycle of Poverty
Price volatility in Myanmar could be reduced by spreading rice production more evenly over the marketing year, according to the report. Lower costs of doing business and improved access to finance for rice mills and traders would reduce storage costs and increase private stocks, acting to smooth price fluctuations. Investments in rural roads and telecom infrastructure would increase market integration and help stabilize rice prices in a market-friendly manner. Any strategy for stabilizing rice price volatility has to address its structural causes," said Ulrich Zachau, the World Bank's country director for Myanmar. "International experience shows that there is a significant trade-off between lowering price volatility with short-term measures and maintaining price competitiveness. Long-term structural issues can be solved only through investments in agriculture and infrastructure, improved business environment, and social safety nets. Open trade policy should be the one and foremost policy goal for Myanmar." The World Bank has produced a series of reports on Myanmar's rice cultivation and industry as part of its overall technical assistance to the country. Further information on "Myanmar: Rice Price Volatility and Poverty Reduction" can be accessed online.
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