

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Rice Merchants Operating in Myanmar Under Investigation for High Rice Prices

**Country:** Burma - Union of

**Post:** Rangoon

**Report Category:** Agricultural Situation, Agriculture in the News, Grain and Feed

**Prepared By:** FAS Staff

**Approved By:** Jennifer Lappin

**Report Highlights:**

The Burmese military regime is intervening in the rice market to control higher prices. The regime detained dozens of domestic and foreign rice merchants and representatives from supermarkets and has pledged to prosecute traders who were selling rice at 51-70 percent higher than the regime-set reference prices. Wholesale prices dropped after the investigations and the Myanmar Rice Federation (MRF) notified retailers to sell at regime-set reference prices. Contacts in Myanmar have relayed that rice exports are diminishing due to these actions; however, this is expected to be temporary.

## **The Burmese Military Regime Enforces Set Prices in Surprise Rice Investigations**

The regime detained and interrogated the president and the vice-president of the Myanmar Rice Federation (MRF), other domestic and foreign rice merchants, including rice millers, traders, exporters, on June 21 for selling rice at prices higher than the regime-set reference prices. Several owners of supermarkets were also arrested due to selling rice at prices higher than the regime-set prices. On June 30, the regime announced that the authority investigated 58 rice merchants from 102 warehouses, 25 rice mills, and 7 shops. Government investigators then announced their findings in the media: 51 rice traders sold rice at price at 10-30 percent higher than the reference prices and seven rice traders sold at 31-70 percent higher than the reference prices. In addition to in-person inspections, the regime also investigated prices by phone to millers and traders.

The regime also canvassed retail operations from small stores to larger supermarkets, primarily in Rangoon and Mandalay cities, inspecting the selling prices for rice packages. The authorities canvassed 53 supermarkets and mini-marts, identifying all as non-compliant, with 31 supermarkets as having sold at prices 20-50 percent higher than the reasonable price set by MRF and 22 supermarkets including leading retailers. Leading retailers Aeon Orange, One Stop Mart and Citymart allegedly sold product with prices at 51-70 percent higher than the “reasonable” or set prices made by the MRF. The regime pledged to fine and tax retailers who sold rice at 10-50 percent higher than the set price and to prosecute the rice merchants and supermarkets who sold rice at 51-70 percent higher than the set price.

## **High Inflation for a Top Dietary Staple and Burmese Export**

The regime’s intervention in the rice market in June comes at a time of unabated rising prices throughout the country on nearly all goods. Rice, the largest dietary staple and second largest agricultural export, has seen prices double in the last 18 months [see Appendix]. Within Rakhine State, a major conflict area, prices are more than double that of prices in the capital Rangoon and there are shortages and increasing food insecurity.

Inflation is driven by a variety of factors intertwined with the post-coup conflict and regime governance, including: higher production costs and scarcity of inputs and machinery; the depreciating Myanmar Kyat exacerbating the high costs of globally-sourced inputs; conflict-related labor shortages and corresponding rising labor costs; insufficient electricity supplies affecting milling; uncertainty of future prices for both consumers and also for rice value-chain stakeholders regularly encountering changing regime-controlled import/export rules; and stockholding and speculation. Many Burmese citizens have been trading down in the quality of rice they now purchase and food insecurity is rising.

In September 2023, the regime’s Department of Consumer Affairs coordinated with the MRF to increase enforcement of monthly reference prices for rice throughout the rice supply chain, attempting to enforce price stability. The MRF has since encouraged the rice companies, millers, and traders to sell rice with “reasonable” market prices. MRF has this set price as 5-10 percent price difference between retail and wholesale rice market and 10-20 percent price difference for rice packages at supermarkets and mini marts. Despite the measures, rice prices remained considerably higher than these “reasonable” set prices, particularly at retail outlets and for higher-quality rice.

Anecdotally, owners of supermarkets expressed surprise by the raids, having interpreted policy moves to be targeted further down the value chain with the wholesalers. Retail sources conveyed that the gap between reference prices and the actual prices of higher quality rice makes it all but impossible to legally sell higher quality rice on the market. According to rice contacts, the regime targeted the retailers (both supermarkets and mini mart retailers) and the large suppliers serving this segment of the market with high-quality aromatic Shwe Bo Pawsan and other Paw San varieties. These smaller packages have the highest markups.

### **After the Rice Raids:**

Despite the surprise investigations, there are still some retail outlets that have higher prices, but overall prices have come down in the regime-controlled areas. Wholesale prices for rice in the domestic market dropped 10-15 percent, but the corresponding quality of rice at that price has also diminished. Consumers within the regime-controlled area have welcomed the price reduction, but some have concerns for the quality available to them now. Trading has slowed.

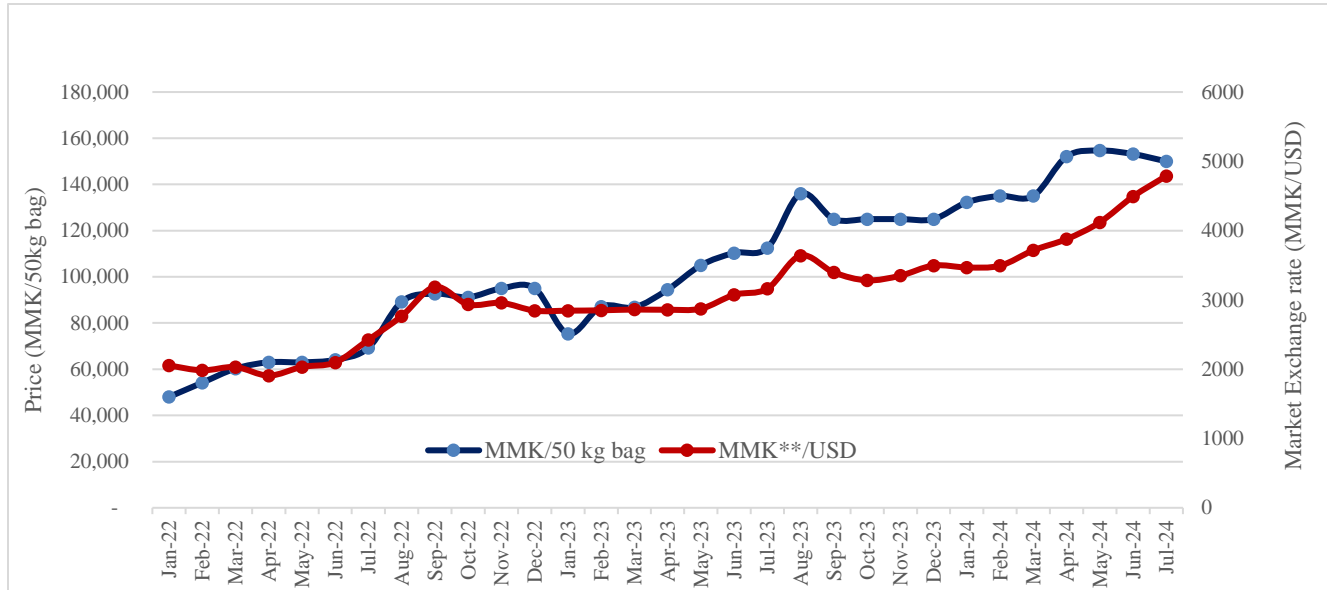
On July 1, the MRF announced a door-to-door rice selling program for high-quality aromatic varieties Shwe Bo Pawsan and Ayeyarwady Pawsan, to shorten the supply chain for consumers, rather than the MRF exclusively selling rice at the rice-trading centers. The MRF also published a list of 33 retail shops to order rice through this door-to-door program. On July 8, the MRF published a notification for retailers to sell the rice with the reference price ranges. The Chair of the Free Farmers Association, a popular farmer association from the Ayeyarwady region, gave an interview recommending the re-launch of reserve rice procurement program to control prices.

As for production forecasts – these market moves are unlikely to affect rice production for Marketing Year (MY) 2024/25. Production is expected to increase due to high price incentives from last year, especially in areas outside the conflict zone. Yet, all of the production challenges remain.

In the short-term, Burma's exports may temporary slow due to slow domestic rice trading with current political developments.

**Appendix:**

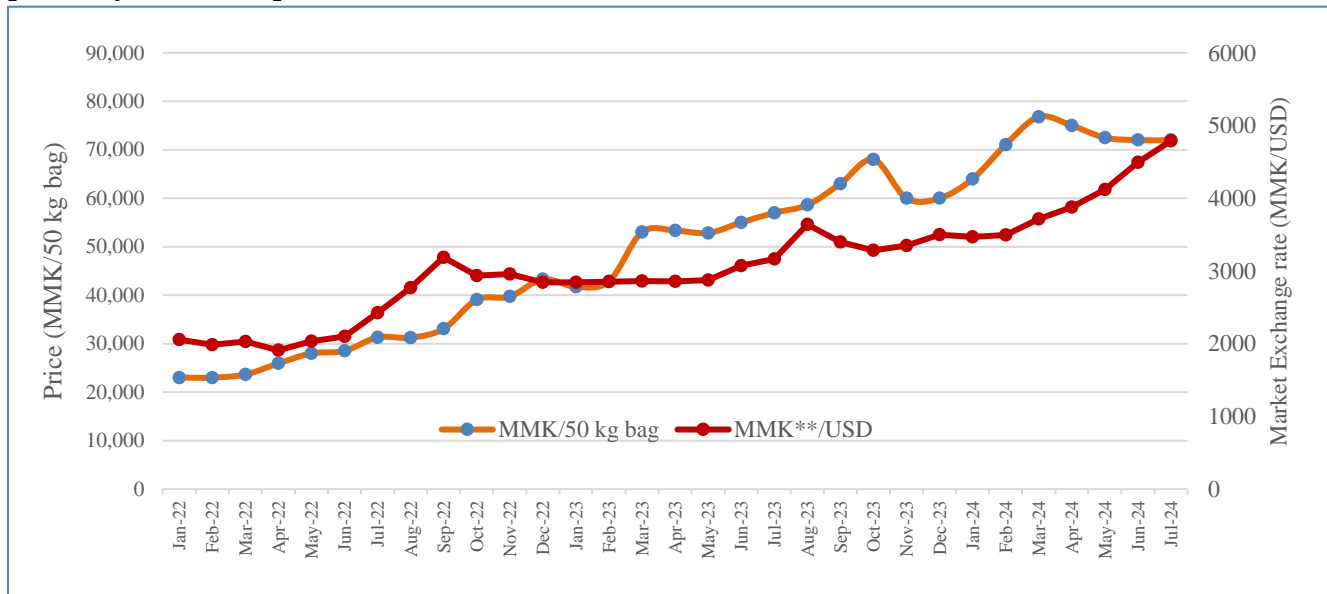
**Figure 1. Monthly Wholesale Price for Shwe Bo Pawsan ( MMK/50kg Bag), a high-quality, medium-grain, fragrant white rice with zero breakage, primarily for domestic consumption**



Source: Myanmar Rice Federation

\*\*Note: Myanmar Kyat is MMK. The USD currency conversion [red line] reflects the MMK market exchange rate, as a monthly average. The regime also had an official currency exchange for some of this timeframe--that rate is excluded here.

**Figure 2. Monthly Wholesale Price for Emata 25 percent broken (MMK/50kg Bag), a long-grain white rice, primarily used for exports**



Source: Myanmar Rice Federation

\*\*Note: see above.

**Attachments:**

No Attachments.