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Agricultural Marketing Reform and Rural Economy in Myanmar

The Successful Side of the Reform

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Abstract: The purpose of this paper is to examine the impact of marketing reforms implemented in the late 1980s in Myanmar. Particular emphasis is placed on the impact of the reform on the rural economy and its participants, namely farmers, landless laborers and marketing intermediaries. The reform had a positive effect on all these participants through the creation of employment opportunities and increased income. The driving force of this success was “market forces,” generating virtuous cycles in the transition economy. At the same time, the “absence of bad policy” is emphasized as a key for the success in the context of Myanmar, where excessive and murky government intervention often resulted in failure to induce private sector development.

I. Introduction

Agricultural marketing reform in 1987–88 was the very first measure taken in the process of the transition to a market economy in Myanmar (Burma). At the same time, it was the sole reform measure adopted in the agricultural sector under the present regime.¹ The major feature of the reform was a reduction of the state’s intervention in the marketing of major agricultural commodities. It marked the end of the so-called “Burmese way to Socialism” which had been in place for over a quarter of a century. It is extremely symbolic that the reform efforts began in the agriculture sector, which is the mainstay of the Myanmar economy. The agriculture sector (the crop sector alone) accounted for 35.2 % of GDP and 62.8% of the labor force as of 1997/98 (ADB , 2001) .²

If we postulate that one of goals of marketing reforms in general is the transformation of the production and marketing system into a market-oriented one, the experience of Myanmar is rather mixed. The most “positive” response to the reform can be found in the area of pulses and beans. Table 1 shows changes of the sown acreage of pulses. It shows a clear increase in the sown acres in 1990s, which is quite dramatic in comparison to other major pulse/beans producing countries.

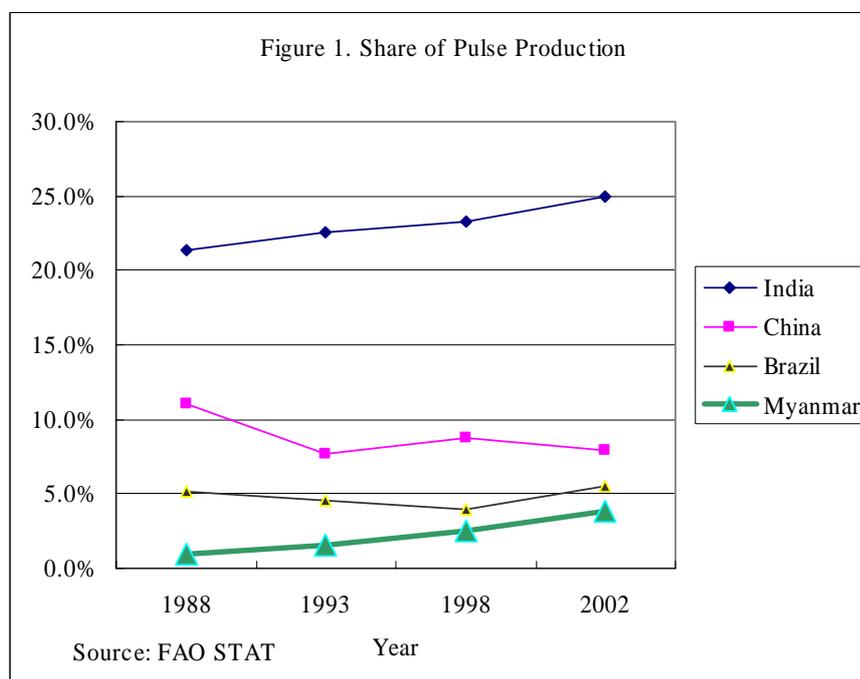
Table 1. Changes of Sown Area for Pulses
of Major Producing Countries

	70's	80's	90's
World	-5.2%	11.4%	-1.1%
China	-28.7%	-30.0%	-11.7%
Australia	272.2%	636.5%	60.1%
India	2.5%	2.2%	-9.7%
Pakistan	22.9%	3.1%	-16.1%
USA	28.2%	2.7%	-14.9%
Bangladesh	117.1%	-24.9%	-32.5%
Brazil	30.7%	0.1%	-8.5%
Mexico	-12.9%	29.0%	-26.6%
Myanmar	-8.0%	26.3%	247.8%

Source: FAO STAT

¹ The present regime is called the SPDC (State and Peace Development Council). It was reorganized in 1997 from the SLORC (State Law and Order Restoration Council), established in 1988.

² The structure has not basically changed much since Independence in 1948.



As a result, Myanmar's share in world production of pulses increased throughout the 1990s (Figure1). Among the various pulses and beans produced in Myanmar, black grams, green grams and pigeon peas are the major exports, and their main destination is India. Pulses have also become the prime foreign exchange earner among agricultural commodities, accounting for 72% in 2000/01 (Table2).

Table 2. Changes of Agricultural and Pulse Exports

	1985/86	1989/90	1990/91	1992/93	1994/95	1996/97	1998/99	2000/01
Agricultural Export Value (Million Kyats)	1,126	432	942	1,299	2,478	1,981	1890	2312
Share in Total Export Value	43.9%	15.2%	31.9%	36.2%	45.8%	36.1%	28.0%	18.9%
Pulse Export								
Volume (10,000 tons)	8.9	5.6	19.5	44.9	42.5	59.5	62.2	83.1
Value (Million Kyats)	238	123	515	667	799	1,272	1135	1658
Share in Total Agricultural Export	21.1%	28.5%	54.7%	51.3%	32.2%	64.2%	60.1%	71.7%

Source: 1985/86-1993/94 Statistical Yearbook 1998
1994/95-2000/01 Statistical Yearbook 2001

This contrasts sharply with crops such as paddy/rice, cotton and sugarcane, where the liberalization policy had to be modified, with a re-imposition of state controls, due to the food security or budgetary concerns.³ As a result, the response in the latter category of the crops has been rather weak.

To simplify the argument, this paper's focus is on the most positive side of the reform, namely the cases of pulses and beans, one of the few areas that generated a successful outcome. The objective is to demonstrate the effects of marketing reforms for pulses and beans on the development of the rural economy. Specific attention is given to the diffusion of the new production system and income creation both for farmers and non-farmers and the development of the rural marketing system. The discussion is based on the findings of a field survey conducted in one of the newly developed producing areas from 1998 to 2003. It shows the potential of Myanmar's rural economy to generate a positive reform outcome. It is also expected to provide some insights for other crops that still face problems stemming from the socialist legacy.

This paper is organized as follows. In Section II, we explain the nature of the agricultural marketing reform, together with details on the specific reform measures, in order to provide general information on the system transformation. Section III provides a detailed examination of the impact of the reform on the rural economy. In Section IV, we explore the factors that induced the "positive" response to the reform. The final section tries to draw some policy implication for the general agriculture sector reform in the context of Myanmar.

II. The Nature of Agricultural Marketing Reform

The system before the reform

During the socialist regime, the state control over agricultural marketing ranked as a prime component of the agricultural policies (Takahashi 1992). No private trade was allowed. Farmers had

³ Reversal or incomplete policy reform during the implementation phase has frequently been observed in other countries. See Kheralla et.al (1994).

to sell a prescribed amount at the official price, which was designed to absorb almost all the marketable surplus (compulsory delivery system) (Saito 1981, Mya Than and Nishizawa 1990). The objective of the state monopoly was threefold: to maintain food security, gain foreign exchange earnings and achieve the “Burmanization” of marketing channels, which were once dominated by other ethnic groups. Behind the system was a strong political/economical belief, that existed within the government, that control over the production and marketing of rice and other major agricultural commodities would be the key to staying in power. Therefore, every measure was taken to sustain the monopoly over the domestic and external marketing of these major commodities. For example, farmers were basically given no freedom of crop choice, to prevent them from switching to crops without any quota requirements. Farmers were sometimes threatened with the loss of their tillage rights⁴ if they failed to meet the quota. Traders who managed to operate in the parallel market faced stiff regulations from time to time.

Motivation

The government’s motivation for the marketing reform lied in the following two aspects. One was the long-term stagnation of the agricultural sector. This was especially evident in paddy production, where the export levels of the colonial period had not been maintained.⁵ It was natural that the state monopoly worked as a disincentive for farmers to increase production or to improve quality, since any potential surplus was absorbed by the government at fixed price. The second was the difficulty faced by the responsible state agency, as shown by its cumulative deficit (Tin Soe 1994, 21) and inability to achieve annual procurement targets. However, it is questionable whether the Socialist government had any intention to promote the commercialization of agriculture or to promote the private sector aggressively at that stage. As evident by the demonetization carried out one month after the liberalization of agricultural marketing, the motivation seems not to have been very positive in

⁴ The state land ownership was another measure agricultural policy. Officially, farmers cannot own the land. They are granted tillage right. However, as a reality, as long as the household continues the cultivation, the right can be inherited. Moreover, the “illegal” transfer of the right seems to be also increasing among farmers in the area where the commercialization of agricultural production proceeds.

⁵ The peak of rice exports was in the 1930’s, when they reached 3 million tons per year. However, during the Socialist system, it was around 300,000 to 400,000 tons per year.

nature. It may have been a more passive one, namely, the abandonment of the previous institutional setting.

Contents of the Reform

The agricultural marketing reform proceeded in two steps. One was domestic marketing reform, in 1987. The second was export liberalization in 1988.

The first step, domestic marketing reform, had two components. The first was the abolition of the compulsory delivery system. This meant that farmers no longer had to sell their produce to the government. Instead, they could sell it freely in the market at prevailing market prices. The second component was the admission of private traders in agricultural marketing. Basically, no legal regulation was introduced to prevent them from engaging in every stage of trading.⁶

Under the second step, private traders gained permission to export commodities freely upon registration as exporter.

These two steps were literally applied to pulses and beans, culinary crops, and some oil seeds crops. This stands in great contrast to other crops such as paddy/rice. We will not go into the details, but for paddy/rice, the procurement system was revived with fewer quotas, and no private exports was allowed. Some other crops also saw the imposition of sudden export regulations without any advance notice, leading to the disruption of the market.⁷

III. The Impact of the Reform on the Rural Economy

This section will take a closer look at the responses of the participants of the rural economy towards the marketing reform in one of the major pulse (green gram) producing areas, township “T” in Lower Myanmar. “Participants” here refers to those who constitute the economy and who are potentially under the influence of a particular policy, either directly or indirectly. In the context of Myanmar’s

⁶ In the initial years, wholesalers were required to apply for trading licenses. However, it soon became nominal and there is no registration requirement at the wholesaler level at present.

⁷ A good example was sesame. A sudden export ban in 1998 caused a drastic price drop, and farmers and traders suffered.

rural society, the producers, landless laborers and marketing intermediaries (traders or agents) make up the participants. There is no need to explain why farmers and marketing intermediaries are “participants” in this context, but agricultural laborers may require some explanation.

One of the striking characteristics of rural Myanmar is the existence of a large population of landless labor households. They have no tillage rights and their main income source is agricultural labor. No official statistics is available on the size of this class, but various field surveys estimate landless households to account for 40-50% of the rural population. This class is regarded as the poorest segment of the rural population in Myanmar. As their livelihoods depend on the agricultural labor, any change in the agricultural production system has a potential impact on them.

The field surveys were conducted in township T,⁸ two hours by car from the capital, Yangon. It is a typical rural area in Lower Myanmar, where initial development as agricultural area occurred during the Colonial Period. During the 1990s, township T has become one of the major producing areas of green gram, one of the major exported pulses.

Before the spread of green gram, the area was a mono-crop paddy producing area. In the dry season, crops for home consumption such as groundnut and sunflower, were cultivated on a limited scale. Paddy was the only crop that could potentially provide some cash income to farmers, but due to the large volume required for home consumption and wage payments together with the state procurement quota, the commercialization of agriculture was hardly possible at the time.

With the spread of pulse cultivation, the agricultural calendar of township T changed to that shown in Figure 2. Rain fed paddy continues to be grown in the Monsoon season as before (May to November) and this is followed by pulse cultivation (November-February). The initial introduction of pulse occurred around 1984, by a government agency, as a means to test production by some farmers. However, it did not spread at the time due to the lack of a market.

By contrast, since the early 1990s, following the marketing reform, the sown acreage has increased dramatically, as shown in Figure 3. The author would like to emphasize that there is no government enforcement behind this rapid spread of sown acreage; it has been fueled by farmers’ voluntary

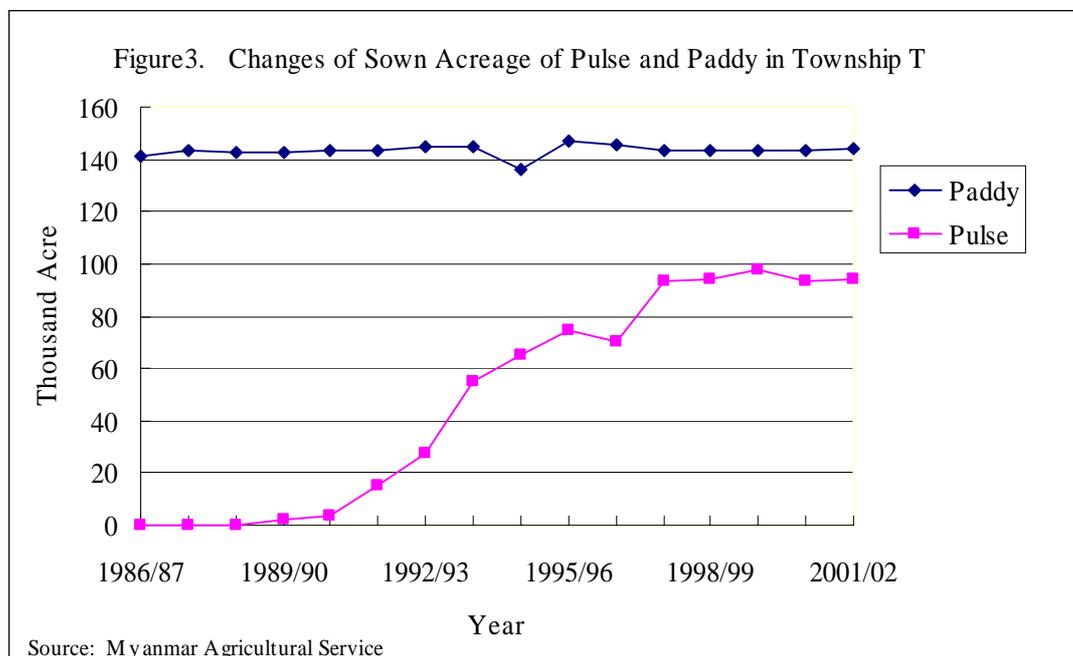
⁸ This section is based on Okamoto (2001; 2003 ; forthcoming). The field survey was conducted for farm households (138 sample), traders (41 samples) and landless labor households (115 households) during the period of 1998-2003.

decisions to adopt the crop.

Figure 2. Agricultural Calendar and Major Farm Employment Opportunities

Season	Month	Paddy	Green Gram	Seasonal Laborer	Daily laborer (Male)	Daily Laborer (Female)				
Monsoon	April	Land Preparation		Monsoon Laborer	(Paddy) Land preparation					
	May									
	June	(Broadcasting) Transplanting			(Paddy) Uprooting of seedlings		(Paddy) Transplanting			
	July									
	August									
	September	Fertilizing (Fertilizing, if necessary)								
	October	Harvesting					(Paddy) Harvesting	(Paddy) Harvesting		
	Dry	November			Threshing / Winnowing		Land preparation	Winter Laborer	(Paddy) Winnowing	
		December					(Dispersion of Pesticides, if necessary)			
		January								
February		Harvesting	(Green Gram) Harvesting	(Green Gram) Harvesting						
March		Threshing								

Source: Field Survey (1998-2003).



Impact on Farmers

Three prominent features can be observed in the farmers' cultivation of pulse in township T. The first is the wide usage of four-wheel tractors for land preparation. The key to achieving high yield is the broadcasting of the seed before the residual moisture in the soil diminishes. Therefore, farmers use four-wheel tractors to complete the operation as quickly as possible. The tractors are even operated 24 hours a day during the busiest season. Nowhere else in Myanmar we can observe such a wide usage of agricultural machinery as in township T.⁹

The second one is the low or even absence of yield for the first few years of cultivation. This is because of the lack of necessary bacteria in the soil. It increases after a few years of cultivation. In other words, farmers cannot expect any profit, and even face a loss in some cases in the initial phase. Farmers in township T accommodate this initial loss by increasing the sown acreage gradually, year by year.

The third feature is that there is no clear difference in farm size for the timing of the adoption of the new crop. If we assume that large farmers are better off than small farmers, this fact means that

⁹ For paddy cultivation, bullocks are still the major means of land preparation.

poorer farmers can also take advantage of new crops.

Why did the farmers respond so quickly despite the requirement for the use of tractors, which supposedly require a higher cost and entail a risk of loss for the initial years? Those familiar with Myanmar's policy orientation may suspect that it was due to government enforcement. However, as we emphasized earlier, the government did not provide any "guidance"¹⁰ regarding pulse production. The prime reason for farmers' quick response is obviously the good return for pulse cultivation in the mid and long term. Table 3 is a comparison of the cost and return of paddy and pulse production. The net revenue for pulse is 1.4 times higher than paddy and 1.9 times higher in terms of cash income. It is surely an attractive crop for farmers, as it creates an additional (cash) income without affecting the cultivation of paddy.¹¹

Then, more specifically, what were the supporting factors that enabled farmers to adopt the new crop so quickly? The author finds two factors to be important. One is the development of a production factor market, namely the formation of the tractor rental market. As indicated above, tractor usage was crucial for pulse cultivation in township T. Farmers who do not own a tractor can hire one on an acre basis without any time delay. Moreover, farmers can pay the rental cost after the harvest. This arrangement is widely observed at present. It means that farmers can start cultivating pulse with little initial investment. The rate for deferred payments for a tractor is slightly higher than on a cash basis. It is a kind of credit provision, with interest of 8-10% per month (this interest rate matches the prevailing interest rate in the informal credit market in Myanmar). The persistent difficulty caused by a lack of credit access in rural areas is relieved in this case.

Another factor is the development of rural marketing systems. This will be discussed in more detail later, but the rapid growth of marketing intermediaries facilitated the commercial production of pulse in township T. During the harvesting season, temporary purchasing depots are established in every corner of the township. This is another phenomenon that can hardly be observed in other parts of Myanmar. Farmers can choose the buyers who offer the most competitive price. Some can even

¹⁰ There are still cases where the government forces farmers to cultivate certain crops such as paddy or cotton in the name of "guidance" or "plans," regardless of the farmers' preference.

¹¹ In a narrow sense, pulse cultivation slightly affects paddy production, as farmers delay their post-harvest paddy operations until they finish land preparations for pulse. There may be some loss of paddy during this period, especially if it rains.

obtain advance payment for crops before the harvest without any interest rate, as the traders want to be sure that they have produce for sale. This advance payment contributes to covering

Table 3. Comparison of Cost and Revenue of Pulse and Paddy Production

(Year 1998/99)

(1) General Condition (No of Samples 13)

	Pulse	Paddy
Sown Area(ha)	4.4	4.7
Yield per Acre(ton per ha)	0.7	2.7
Unit Cost (Kyat/kg)	96.6	23.6

(2) Cost and Revenue per ha

Unit: Kyat

	Pulse		Paddy	
	Value	Share	Value	Share
Current Input Cost	10,284	38.0%	7,155	22.3%
Seed	7,832	29.0%	3,483	10.9%
Chemical Fertilizer	2,044	7.6%	3,541	11.0%
Pesticide	407	1.5%	131	0.4%
Labor Cost	8,928	33.0%	16,163	50.4%
Hired Labor	7,368	27.2%	11,440	35.7%
Family Labor	1,560	5.8%	4,723	14.7%
Capital Cost	7,832	29.0%	7,251	22.6%
Tractor	6,551	24.2%	219	0.7%
Bullocks	1,281	4.7%	7,032	21.9%
Interest Payment	0	0.0%	1,502	4.7%
Total Cost (+ +)	27,044	100.0%	32,072	100.0%
Gross Revenue	71,859		63,625	
Net Revenue (-)	44,815		31,553	

(3) Cash Income and Expenditure per ha

Unit: Kyat

	Pulse	Paddy
Cash Revenue	64,175	41,835
Cash Expenditure	16,370	16,835
Cash Net Revenue (-)	47,805	25,000

(4) Average Household Income

Unit: Kyat

	Pulse	Paddy
Gross Revenue	314,312	296,332
Total Cost	118,292	149,374
Operator's Surplus (-)	196,020	146,959
Family Labor	6,826	21,999
Income (+)	202,846	168,957

Note1: The unit commonly used for area in Myanmar is the acre. However, it is converted to ha in this table.

Note2: The measurement unit commonly used for agricultural produce is the basket in Myanmar.

One basket equals 32.7kg for pulse and 20.9 kg for paddy.

Note3: Items for the Cash Expenditure are chemical fertilizer, pesticide, tractor, hired Labor and interest payment.

Note4: The detail assumptions for the imputation of cost are omitted here.

Source: Field Survey (1998-99).

the harvesting cost, which is the largest cash expenditure in pulse production (see Table 3).

Impact on Landless Laborers

The impact on landless laborers is evident as an increase in employment opportunities of harvesting of pulse.¹² Before the expansion of pulse cultivation, there were few employment opportunities after post harvesting operations of paddy, either in farm and non-farm areas. Some male laborers found employment collecting fuel wood or repairing roofs or digging ponds from time to time, but most female laborers had nothing but to stay at home. However, according to the survey, the spread of pulse production has generated almost 30 days of constant employment for both males and females, mainly in February. Whatever main occupation of the household, the redundant laborers in the households, and even the children, can make full use of these opportunities, contributing to smoothening the annual income flow for the household.

It also gives these laborers access to credit. Many landless laborers receive advance wages, as their weak economic background hinders access to informal credit from relatives or friends. If we calculate the interest rate on these advance payments, it can reach 25-75% per month.¹³ Nevertheless, they have to depend on these wage advances to survive. The advances are currently widely observed for the harvesting operation of pulses. As long as these agricultural laborers have to depend on this arrangement, the emergence of additional opportunities for credit access by pulse production deserves positive assessment.

Taking a look at income sources according to the income level (Table 4), we see that income from pulse harvesting accounts for 4.0% of the total income on average and that it is the highest (17.2%) for the poorest strata of households. It is clear here that among agricultural laborers, the poorest segments are the main beneficiaries from the increase of employment opportunities created by pulse operations.

¹² The harvesting season of pulse in township T is from February to March.

¹³ The normal informal interest rate observed is 5-10% per month.

Table 4. Income Sources of Landless Laborer Households (%) (Year 2002)

Income Level (Thousand Kyat)	No of Samples	Agricultural Daily Labor			Seasonal Labor	Agri. Labor Total	Non-Agri. Daily Labor	Other
		Paddy	Green Gram	Total				
Under 100	8	55.8	17.2	73.0	8.5	81.5	19.1	-0.7
100 -200	23	29.5	9.9	39.5	10.6	50.1	12.8	37.1
200-300	31	9.8	3.1	12.8	46.1	58.9	1.7	39.4
300-400	27	5.6	2.1	7.7	73.0	80.7	5.2	14.1
400-500	13	7.9	3.0	11.0	74.2	85.2	2.0	12.8
Over 500	13	8.3	4.0	12.3	53.4	65.7	5.9	28.4
Household Average	115	10.7	4.0	14.7	50.6	65.3	5.0	29.6

Note1: Other includes shop keeping, peddling, livestock income, garden products sale, remittances, shop/mill worker, etc.

Note2: The negative sign for other income shows the loss from livestock income.

Source: Field Survey (Jan. 2003)

Impact on Marketing Agents

The response of marketing agents can be seen in their active entry into pulse trading after the reform. Table 5 shows the entry year of marketing intermediaries. These intermediaries can be broadly categorized into two groups: primary collectors and town wholesalers. Primary collectors are brokers or agents who collect pulse at the farm gate or at temporary purchasing depots. Town wholesalers buy pulses from primary collectors or farmers and sell them to wholesalers/exporters in Yangon. With only a few exceptions,¹⁴ they started their businesses after 1987. This phenomena of active entry of marketing intermediaries after liberalization coincides with the experiences of other developing countries (Kherallan et.al 2002,155; Barret 1994,468; 1997,771) .

¹⁴ These three wholesalers are of Chinese origin, and were making a livelihood by trading even during the Socialist period. The biggest wholesalers in township T also have rice mills and milled government paddy during the Socialist period. One said, "I was a mere public servant at that time," but in this way he survived and accumulated capital for the expansion of his business.

Table 5. Entry Year of Marketing Intermediaries in Township T

Year	Primary Collectors			Wholesalers		
	Total	GG	GG+Rice	Total	GG	GG+Rice
1954				1		1
1974				1		1
1983				1		1
1987				2	1	1
1988						
1989	1		1	2	1	1
1990	3	1	2			
1991	3	1	2	1	1	
1992				2	2	
1993	2	2				
1994	2	2		2		2
1995	4	4		2	1	1
1996	1	1				
1997	2	1	1	1	1	
1998	3	3		1		1
1999	4	3	1			
Number of Samples	25	18	7	16	7	9

Source: Field Survey (1999)

The primary collectors are mostly relatively well-off farmers who do it as a side business during the agricultural off-season. There are two categories of wholesalers: those whose main occupation is basically trading, and those who are doing it as a side business. The former group was dealing with other commodities, such as rice or dry commodities and either added pulse as a new item, or completely shifted to it. Table 6 shows estimated incomes from pulse marketing for both primary collectors and wholesalers, based on the field survey. Compared to the net revenue from the production of pulse shown in Table 3, the income from marketing is not negligible for primary collectors. For the average primary collectors, it is 2.2-4.5 times of one hector production of pulse. The level of the income for wholesalers clearly proves the attractiveness of the business, as the average income ranges 8.9 - 44.6 times of the net revenue from one hector production.

Table 6. Income Estimates of Marketing

Income (Thousand Kyats)	Primary Collectors (22 Samples)	Wholesalers (15 Samples)	
	Net margin =25 k/basket	Net margin =30 k/basket	Net margin =100 k/basket
~ 100	12	3	
100 ~ 200	7	1	2
200 ~ 300	1	1	1
300 ~ 400	1		
400 ~ 500		6	
500 ~ 600	1	1	
600 ~ 700			1
700 ~ 800			1
800 ~ 900			
900 ~ 1000			
1000 ~ 2000		1	7
4000 ~ 5000		2	1
15000			2

Note: 1 basket of pulse is 32.7 kg.

Source: Field Survey (1998-99)

As in other developing countries, access to capital is the major barrier to the entry (Christensen and Stackhouse, 1989 ; Barret, 1997) and sustenance of the marketing business in rural areas, because the majority do not have access to formal financial institutions. This is especially true for the first stage of the marketing channel, the primary collectors. In the worst cases, they have to use their own funds¹⁵ or search for someone to co-fund the business. However, this constraint seems to have eased to some extent due to capital circulation derived from the increasing demand for pulse, or the provision of working capital by upper marketing agents at no interest. When the primary collectors gain a “good reputation” or some trust from wholesalers, the wholesalers become willing to provide them with working capital, and this enables them to increase their turnover. The wholesalers themselves also can expand the turnover beyond their own funds or borrowing capacity from friends or relatives,¹⁶ by contracting to be an agent for export companies in Yangon. A clear capital flow from the export market is observed, which invigorates and develops the rural marketing system in township T.

¹⁵ This is why the most of the primary collectors were well-off farmers. At the same time, this hinders those with a weak economic base, such as agricultural laborers or marginal farmers, in entering the business.

¹⁶ Only 1 out of the 16 sample wholesalers had borrowing from banks. The rest depended on informal sources.

IV. Some Insights and Policy Implications

As we saw in the previous sections, market forces drove the success of the marketing reform for pulses in Myanmar. These forces generated a virtuous circle in the sphere of production and marketing, and accelerated the formation of prominent production areas.

The remarkable features of the impact of the reform can be summarized as follow:

- 1) It was successful in creating employment and income for the majority of the rural population. All of the participants – producers, marketing intermediaries and landless laborers – gained benefits; in other words, there were no losers in this process and it contributed to raising the general economic level of the particular area.
- 2) However, the income generated by pulse production was not high enough to allow the poorest segment of rural population to escape from persistent poverty. At the same time, the improvement of the income distribution is ambiguous. Although the landless laborers, especially the poorest strata, could also gain additional income source, it seems that the benefits to farmers and marketing intermediaries were larger.

What, then, were the factors behind the success? Firstly, it is undeniable that the existence of an export market was important as an initial condition. India's demand for pulse imports is still increasing, reflecting changes in its domestic production trend (Rangi, Kaur and Kaur, 2002). It is undeniable that the existence of a big neighbor market pushed Myanmar's pulse production forward. It is also true that direct access to the export market improved the terms of trade of pulses for Myanmar farmers, as the price of the alternative main crop, rice, has been kept low under the private export prohibition.

The second factor is the nature of the crop itself. Pulse is a genuine cash crop, and is not heavily consumed domestically. This fact may have generated competition with the food crop (paddy), as is often debated in cases in Africa (Dorosh and Haggblade 1993; Goetz 1993; von Braun *et.al* 1994, Chap 3; Govereh and Jayne 2003). The introduction of pulse represented an intensification of land utilization (from mono-cropping to double cropping), but there seemed to have no evident adverse effects on the first crop, paddy, from the introduction of the second crop. Dosage of inputs (chemical

fertilizer) and labor utilization into paddy production was maintained at the previous level. Farmers were able to earn cash incomes without risking their food security.¹⁷ The fact that the pulse is a cash crop with little political importance also contributed to having the government uphold a basic stance for non-intervention, as will be discussed later.

The nature of the crop in terms of production technology was also a contributing factor. It is basically not complicated, and most farmers can adopt it rather easily. At the same time, although the fact that sowing is done by tractors, the development of a rental market together with new payment arrangements enabled almost every stratum of farmers to start pulse cultivation. At the same time, it did not generally displace labor with capital, and rather created additional labor demand (harvesting work) in the job-scarce period. Therefore, it had a spillover effect on the welfare of landless laborers in the area.

Thirdly, the development of infrastructure during the 1990s can be cited as a supporting factor. Even under the Socialist regime, minimum infrastructure existed in Myanmar, unlike in African countries where poor infrastructure was often an obstacle to the wide area marketing (Kheralla 2002, 155). Since the beginning of the 1990s, the government was making efforts to develop road networks despite its poor financial resources. In the case of township T, the construction of a bridge to Yangon in 1993 facilitated road transportation to the central marketing point.¹⁸

In addition to the transportation infrastructure, the establishment of marketing centers is worth noting. A commodity trading center was established in the outskirts of Yangon in the early 1990s, and many wholesalers scattered in Yangon moved their shops to the trading center. The real motivation of the (local) government seems to have been the easing of traffic jams and facilitation of tax collection.¹⁹ However, it is true that this development helped the accumulation and dissemination of marketing information, including on prices. Rural marketing intermediaries, such as those in

¹⁷ However, there is a tendency among farmers to cut corners on the post harvest processing for paddy. They put the sowing of pulse ahead of the post harvest processing of paddy, as it is very important to complete it in order to be assured of a high yield. It may lead to a decrease of the paddy yield and quality deterioration as the paddy in the field faces is occasionally subjected to rain. This attitude of farmers derives from the nature of paddy, which is mainly for home consumption and procurement, and less so for market sale.

¹⁸ Before the construction of the bridge, the main transportation means was by waterways.

¹⁹ Traders themselves basically carry out the maintenance of the center, and the municipal government of Yangon does not provide much resources for its improvement.

township T, depend on marketing information from these centers for their daily business, contributing to the smooth formation of the rural marketing system.

Lastly, but most importantly, the author would like to emphasize “the absence of *bad* policy” for the success of the reform process in this case. Von Braun and Kennedy point out that the negative result of a reform can sometimes be attributed not to the absence of “good policies” but to the presence of “bad policies” (Von Braun et al. 1994, 375). The success of the reform here seems not to be due to presence of good policy but rather due to the absence of bad policy during the process of reform. As argued by Staatz and others, marketing reform is not a one-shot event, but rather should be regarded as a “process” (Staatz, Dione, and Dembele 1989, 715). This particular reform effort was not necessarily initiated to achieve commercialization of agriculture. The government stance was rather passive. However, this passive or indifferent stance turned out to lead to the non-introduction of “bad” policies that might have hindered the functioning of the market. As a consequence, the reform process for pulses could proceed under free market activity. This government attitude can be characterized as “unintentional *laissez-faire*.”

The author is not insisting that “the market solves every problem,” and this lesson cannot be necessarily applied to every other country. However, in the context of Myanmar, this case can be positively evaluated. As many observers have noted, pervasive “bad” economic policies, especially macro economic policies, resulted in the failure to gain the merit of the market mechanism throughout the 1990’s in Myanmar²⁰.

Two policy implications can be drawn for Myanmar’s reform efforts. Firstly, the private sector in Myanmar has the potential to generate virtuous cycles once the appropriate policy environment is provided. Secondly, even though the government could have played a more positive role in

²⁰ The government often utilizes the old interventionist approach, mainly originated from its distrust of the private sector. This is somewhat similar to the situation in post-independence Africa, where there is distrust and lack of confidence in the ability of the private sector (Kheralla 2002, 15). What makes the situation worse in the case of Myanmar is that the policy formation is done in a “black box” and is unpredictable and uncertain. Even for pulses, the deficit-suffering government once tried to intervene in marketing to capture profits from exports, by reviving the procurement scheme in the late 1990s. This trial eventually resulted in a complete failure, and had no substantial effect on pulse production and marketing. It was due to the lack of the preparation of the government side together with calm resistance by farmers. Some farmers underreported the actual yield or sown acreage to avoid the procurement quota. As a result, the government could not gather the planned amount. This anecdote tells us that government was always ready to intervene in a negative way.

introducing and enhancing the market mechanism in the economy, it can nevertheless be praised for not introducing “bad” policies in connection with pulses or that might have hampered the development of the private sector. This argument is quite valid for the present economic management of the Myanmar government, with its strong tendency to utilize old socialist policy tools even today.

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