

# The Role of Agribusiness in Advisory and Marketing Services in Myanmar

**Z.M. Win**

Business Management Specialist, Fertilizer Sector Improvement Project, Myanmar

## Abstract

The Fertilizer Sector Improvement (FSI) project has provided training on business management and agricultural-related products and technologies to agro-input retailers in the project regions (Ayeyarwaddy, Bago, and Yangon) and in Southern Shan State since March 2016. As of August 2017, the project trained 205 agro-input retailers. The training was developed to provide retailers with a broad understanding of small business management and subject-specific knowledge in their business areas. As the interface with farmers, dealers have the potential to provide technical advice to farmers on their products for sale and the products' use. This helps farmers choose the right quantity and the right quality products for their farms.

To determine the impact of such training programs on the businesses of the agro-input retailers, FSI conducted a sample survey in the project regions and in Southern Shan. The result indicated that no retailers understood the costs analysis in the project regions before training, and only 18.5% understood it before training in Southern Shan. After training, 6.7-50% of trained retailers in the project regions enhanced their recordkeeping, and 7.4% in Southern Shan transformed from their traditional bookkeeping. The market share increased, on average, by 13.64 villages and 170.13 farmers after training in the project regions and 2.22 villages and 92.96 farmers in Southern Shan. The trained retailers are now able to calculate their net profit accurately. From 93.3% to 100% of trainees now keep inventory records in the project regions. In Shan, 92.6% keep good inventory records. About 40-64.3% in the project regions and 66.7% in Shan did not know Syngenta's "five golden rules" or systematically wear personal protective equipment (PPE) before training. Those sampled were divided into five categories based on how many farmers they shared information with: 1-10 farmers, 11-20, 21-30, 31-40, and 41-50. About 35.7-50% of trained dealers in the project regions and 33.3% in Shan shared the five golden rules with 41-50 farmers after training.

## Introduction

Agriculture is the second largest source of export commodities and the most important sector for the country's economy. The sector is an important growth engine for rural development. Rice is the country's primary agricultural product, which accounts for nearly 60% of production value. In Myanmar, 70% of the country's population lives in rural areas depending on farmland and forests for their livelihoods.<sup>1</sup> Agriculture sector growth is the government's top priority for poverty elimination in the country. However, by March 2016,<sup>2</sup> Foreign Direct Investment (FDI) in the agriculture sector only accounted for 0.4% of the total FDI, with 19 foreign enterprises

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<sup>1</sup> <https://www.export.gov/apex/article2?id=Burma-Agriculture>.

<sup>2</sup> [http://www.fao.org/fileadmin/user\\_upload/faoweb/docs/MM3/Statements/Myanmar.pdf](http://www.fao.org/fileadmin/user_upload/faoweb/docs/MM3/Statements/Myanmar.pdf).

investing an approved value of U.S. \$250 million. Due to natural disasters, such as flooding, and unfavorable weather conditions, agriculture exports as a percentage of total exports have declined over the past few years.

According to the Myanmar government, the agriculture sector constitutes 41% of the country's total gross domestic product (GDP) and 11% of foreign exchange earnings.<sup>1</sup> Its potential for growth is higher than any other ASEAN country.<sup>1</sup> However, to achieve this potential, yield and product quality improvement is required. To achieve and sustain the yield, fertilizers become a critical farm input.

There are over 5,200 agro-input retailers registered with the Land Use Division of the Department of Agriculture. In his survey of retailers in the regions of Yangon, Ayeyarwady, and Bago, Ian Gregory (FSI Retailers Survey March 2015)<sup>3</sup> divided retailers into four categories based on the volume of annual fertilizer sales: (1) area distributors with annual sales of more than 100,000 50-kg bags; (2) large agro-dealers with annual sales of between 20,000 and 100,000 bags; (3) medium agro-dealers with annual sales of between 1,000 and 20,000 bags; and (4) small agro-dealers with less than 1,000 bags in annual sales. With the exception of the distributors, all expressed lack of finance as their biggest constraint followed by lack of product knowledge and capacity to provide advice to farmers. This paper will only deal with the role of agribusiness in providing advisory and marketing services, in particular the services around soil fertility and fertilizer management.

IFDC's FSI project is funded by the United States Agency for International Development (USAID). Its target areas are Yangon, Ayeyarwady and Bago, with a pilot project shared between FSI and Syngenta in Southern Shan State. The project includes a component to address fertilizer retailer capacity, such that retailers are able to begin providing advisory services and a range of higher quality products. IFDC also manages the Dry Zone Agro-input and Farm Services project funded by the Livelihoods and Food Security Trust Fund (LIFT) with activities in Pakokku, Yesagyo, Taung thar, Myingyan, Natogyi, and Mahlaing townships, designed to support service providers' and retailers in order to strengthen their business and asset base, as well as improve both public and private extension services available to the Dry Zone farmers.

This paper will focus on the role of agro-input retailers selling fertilizer in the FSI project area and trained by IFDC over the period 2015-2017.

## **An Analysis of the Fertilizer Market in Myanmar**

Fertilizer is imported in two ways: overland by truck or by sea through the Yangon port. The majority of overland imports, consisting mainly of urea, triple superphosphate and NPK compounds from China enter through the border crossing at Muse in Shan State. Products from Thailand are imported through Myadwaddy in Kayin State and fertilizer from India through various border crossings in the northwest. Supply advantages for Myanmar include the access to Chinese urea at border prices that are below international norms, access to a wide range of products on the international market, including imports from Thailand, Malaysia, Vietnam, the Arabian Gulf and India, and well-established fertilizer importers.<sup>3</sup> All fertilizer in Myanmar must be registered. There are 3,567 fertilizer products registered with the Land Use

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<sup>3</sup> Fertilizer Sector Improvement Project. Retailer Survey. March 2015.

Division of the Department of Agriculture. This number changes year by year, as each brand of each product requires separate registration.

Myanmar imports about 85% of its chemical fertilizers from China and Thailand and produces domestically 15% of the fertilizers used. Organic fertilizers can be found in the market, but farmers prefer chemical fertilizers which offer higher yields.<sup>3</sup>

Myanmar has five ammonia urea plants using domestic natural gas as feedstock. However, only three are currently operating, one in northern Magway Division, one in southern Rakhine State, and one in Yangon Region. Gregory et al. reported total annual production has fluctuated between 35,300 mt urea and 208,600 mt during 2010-2014. Fluctuations are due to availability of natural gas, continuity of natural gas supply, age of plants with low energy efficiency and small design capacity. Myanmar relies on urea imports for over 70% of the urea supply with the bulk of this coming from China.<sup>3</sup>

The industry in Myanmar is dominated by a few importers/distributors, such as Myanmar Awba, Aventine (Capital Diamond Stars Group), Golden Lion, Golden Dragon, Shu San, Wisara, Myanmar Kaung Thuka, CP, Golden Key, Supreme Bio-Tech, JJ Pun, Marubeni, Shan Maw Myae, Malarmyine, etc.

### **Fertilizer Retailer Market Analysis in Myanmar**

Retail shops sell more than just fertilizer, often seed, pesticides and small hardware. What they stock is personal choice to satisfy their own business needs or the needs of their customers. Farmers' needs can be influenced on a local basis and dealers are selling with very competitive prices. According to the Land Use Division (LUD) records, there were 3,093 registered retailers in 2014 and this had increased to 5,200 in 2017. There are at least two to seven shops<sup>3</sup> in the same vicinity selling similar products; thus, there is a need to build customer loyalty. With the increase in the number of registered shops, new shops are taking a market share and dealers must compete much more than before. Indeed, the market is mainly affected by the importers and their own marketing of their brands

Most agro-input retailers are running their business as a family-owned business. There is no financial assistance currently available for Agro-Input retailers, as there are no monetary institutions to support unsecured loans or to provide seasonal credits to agro-input retailers under the government's monetary laws in Myanmar. Likewise, there are no official financial institutions currently available to support business expansion. This would indicate that small and medium entrepreneur development is quite a tough business to sustain and there is no window for long-term growth. Fertilizer shops, referred to as dealers or retailers, are officially registered with the LUD of the Department of Agriculture.

For a dealer to achieve a competitive advantage over a rival, they need a cost advantage and/or a differentiation advantage. But dealers' lack of knowledge in products and running their businesses with traditional practices continue to be a problem. However, if dealers have more knowledge about the goods being sold and were delivering high-quality services, it would be more attractive to their farmer customers and they would stand over competitors on the other hand. This would be a win-win business solution for both dealers and their customers. Retailers are residents within the catchment of their market. Their survival depends on their reputation and the resources available to them.

**Table 1. Registered Fertilizer Dealers 2016-2017 in Myanmar**

Region / States	Numbers of Shops
Kachin State	182
Kayah State	37
Kayin State	86
Chin State	0
Sagaing Region	584
Tanintharyi Region	56
Bago Region	722
Magway Region	376
Mandalay Region (Mandalay 778, Naypyidaw 83)	861
Mon State	274
Rakhine State	147
Yangon Region	309
Shan States (North 141, South 482, East 20)	643
Ayeyarwady Region	923
<b>Total</b>	<b>5,200</b>

### The Role of Retailers in Fertilizer Advisory and Market Services

FSI sees the retail outlets in townships and village tracts as the final point in the supply chain from port to farm. The Fertilizer Law requires them to be licensed if retailers sell more than 100 50-kg bags per year and the products on sale must be registered. The authority for inspection and quality control rests with the LUD of DOA but farmers and retailers can request sampling of products if they suspect adulteration. Therefore, FSI sees the retailers not just as a point of sale, but also as a functionary in quality control and farm advisory services to ensure farmers get the right product at the right time.

IFDC started to launch the Agro-Input Retailers Training Program in the project regions in March 2016. The training program is a six-day residential training with six half days of business management and six half days of technical training covering plant protection, soil fertility, and fertilizer management. However, not all are willing to take on the role as a farm advisory service as a way of working closer with their farmers.

#### Domestic Urea Capacity and Production in Myanmar

1. Sale Factory (Japan Made)
2. Kyung Chaung Factory (Germany Made)
3. Kyaw Zwa Factory (Germany Made)
4. Myaungtaga Factory (China Made)
5. Kan Gyi Daunt Factory (China Made)

#### Total Production

2014-2015	166,017.28 mt
2015-2016	130,431.25 mt
2016-2017	82,502.15 mt

**Figure 1. Domestic urea plant locations with total production volumes**

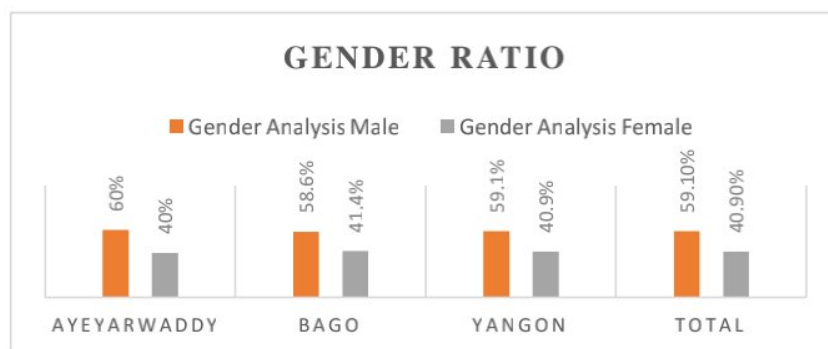
There are those who think their business generates good sales revenues and feel they have no need to learn from others. However, those willing to grow their businesses are joining the training. This program helps entrepreneurs define their business plans, in order to improve their chances for obtaining venture funding, and for creating concrete marketing deliverables to promote their original ideas. IFDC seeks to help small businesses at various stages of their development.

If the agro-input dealers can provide advisory services that meet with customers' expectations, it would be of mutual benefit for both farmers and retailers. For this, the FSI and Dry Zone projects have launched retailer training programs that are helping to develop the business management and technical capacity among selected retailers in target townships since March 2016. Today, FSI has trained 161 retailers (49% women), seven service contractors (all male, 5%), 11 briquette machine owners (57% women) and 30 DOA/DAR staff (60% women) completely. The Dry Zone Agro-Input and Farm Services project has trained 55 retailers (27% women) since May 2016.

### The Impact of Retailer Training

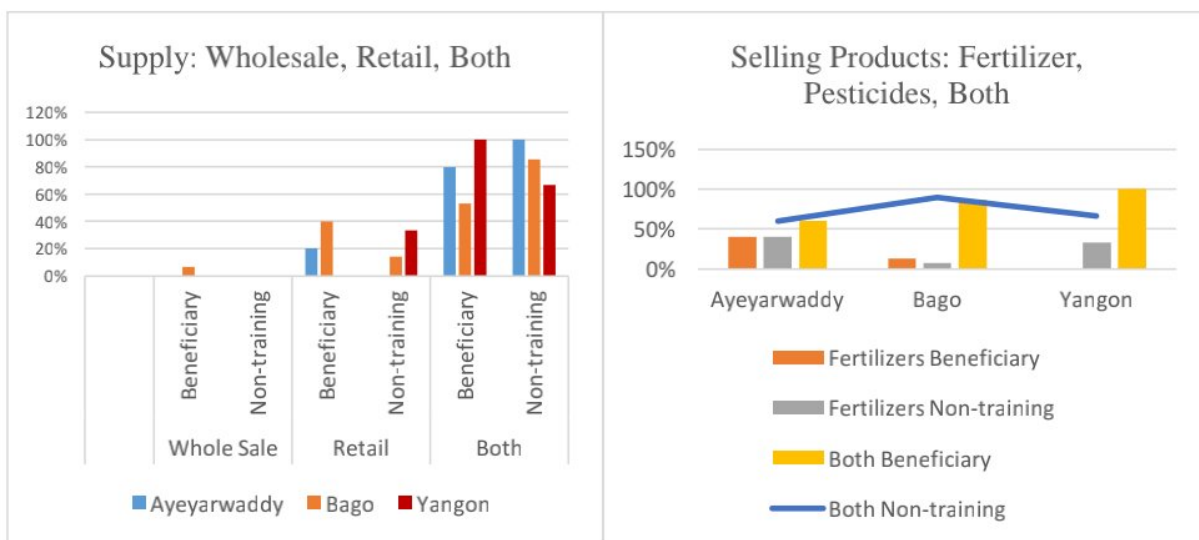
In the FSI training, not only business management topics are covered but also agricultural product knowledge technology is being delivered by Syngenta crop protection trainers, who provide training on occupational health and safety when handling plant protection products. IFDC also provides training and on-farm advisory services, plant nutrition, and fertilizer management.

This paper reports the impact the FSI training is having on retailers, referred to as beneficiaries, both before and after the training, and also in comparison with dealers who have not received the FSI training. The data analysis is based on three batches, both in the project regions and in Southern Shan. A random sample of 22 retailer trainees (male 13, female 9) and non-trainees in project regions and 27 trainees (male 12, female 15) and 18 non-trainees (male 8, female 10) in Southern Shan.



**Figure 2. Gender ratio in FSI project regions.**

Medium-sized businesses (1,000-20,000 bags, 50-kg) and larger were keen to attend the training and did ask for further business assistance after training. However, the small sales volume retailers declined to come to training, giving reasons like having children, working for household chores, taking care of elderly parents, etc. In FSI project regions, we did surveys for gender ratio in Ayeyarwady (female 40%, male 60%), in Bago (female 41.4%, male 58.6%), and in Yangon (40.9% female, 59.1% male), and it was the same as non-training ratio.



**Figure 3. Supply-wholesale, retail or both.**

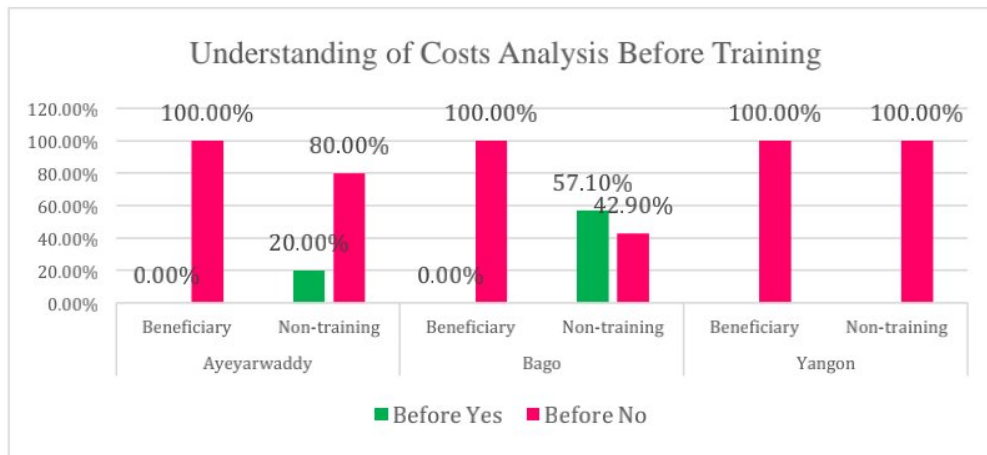
**Figure 4. Selling products.**

Then we studied the supply chain, such as wholesale, retail, or both, between beneficiaries and non-training retailers. No wholesale was found in both the beneficiaries and non-training groups in Ayeyarwaddy and in Yangon. We did not see non-training as wholesale but 6.7% of beneficiaries run wholesale in Bago.

When we analyzed the products sold, like fertilizers, pesticides or both, between the beneficiaries and non-training groups, both were selling 40% only fertilizer and 60% were selling both fertilizers and pesticides. No results were found of retailers selling only pesticides in the project regions. In Bago, 13.3% of beneficiaries and 7.1% of the non-training group sold fertilizer and 86.7% of beneficiaries and 89.7% of the non-training group sold both fertilizer and pesticide. In Yangon, 100% of beneficiaries and 66.7% of non-training group sold both fertilizer and pesticide, but 33.3% of the non-training group sold only fertilizer.

### (1) Understanding of Costs Analysis

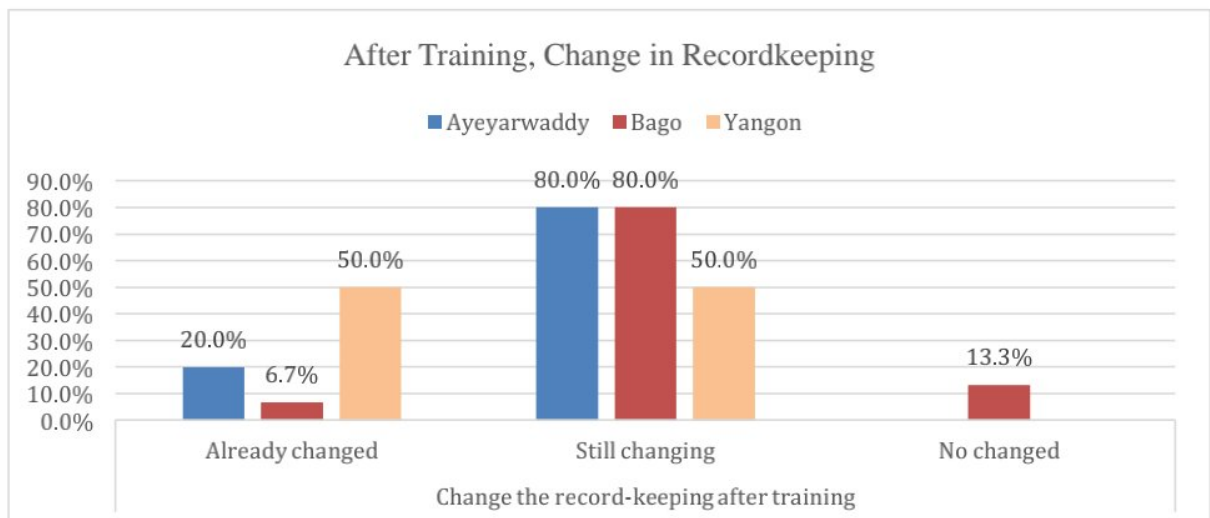
No beneficiaries understood the costs analysis in the project regions before training. Eighty percent of the non-training group in Ayeyarwaddy, 78.6% in Bago and 100% in Yangon did not know. Twenty percent of the non-training group in Ayeyarwaddy and 21.4% of non-training group in Bago confirmed they knew. However, we found none of the non-training group had an understanding of the role of fixed costs and variable costs in their businesses.



**Figure 5. Understanding of costs analysis.**

### (2) Change the Recordkeeping After Training (Only Beneficiaries)

In the project regions, 20% of beneficiaries in Ayeyarwaddy, 6.7% in Bago, and 50% in Yangon have already changed their recordkeeping. Eighty percent of beneficiaries in Ayeyarwaddy and Bago and 50% in Yangon are still in the process of changing their recordkeeping at their shops. However, 13.3% of beneficiaries in Bago were unchanged. A beneficiary said he was working for seed production in his farmlands after returning from training.



**Figure 6. Change in recordkeeping after training.**

### (3) The Status Of Market Share

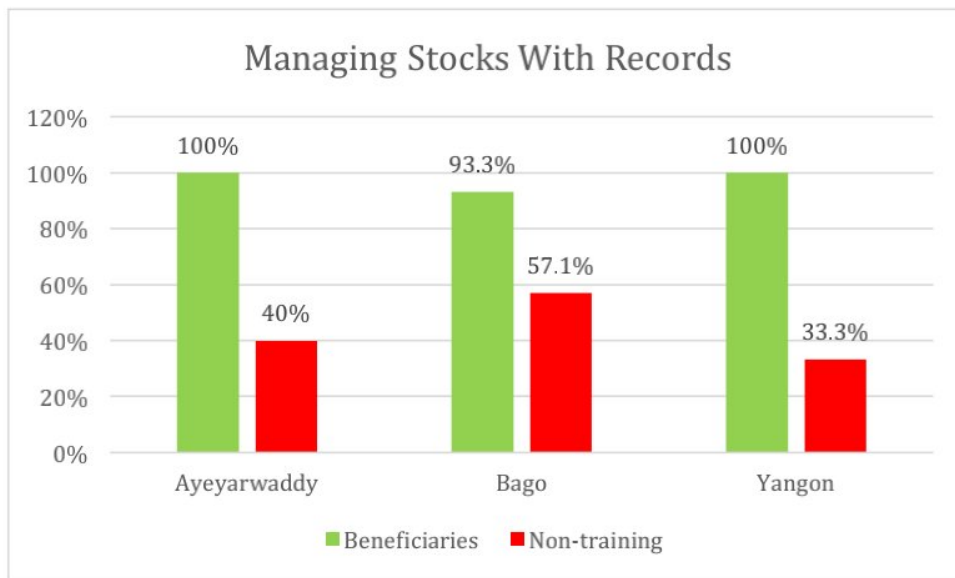
FSI sees the retail outlets in townships and villages tracts as the final point in the supply chain from port to farm. The market share increased on average by 13.64 villages and 170.13 farmers after receiving training in the project regions. After training, beneficiaries provide better quality products and services to farmers, and their market is increasing. Also, they have made the business records and can give the actual data when we conducted survey.

#### (4) Understanding of Net Profit

Beneficiaries calculated the net profit after deduction of all costs including fixed costs while those not trained did not. Regarding the understanding of costs analysis, 80% of the non-training group in Ayeyarwady, 78.6% in Bago, and 100% in Yangon did not know about the fixed costs. As a result, all of the control group overestimated their net profit.

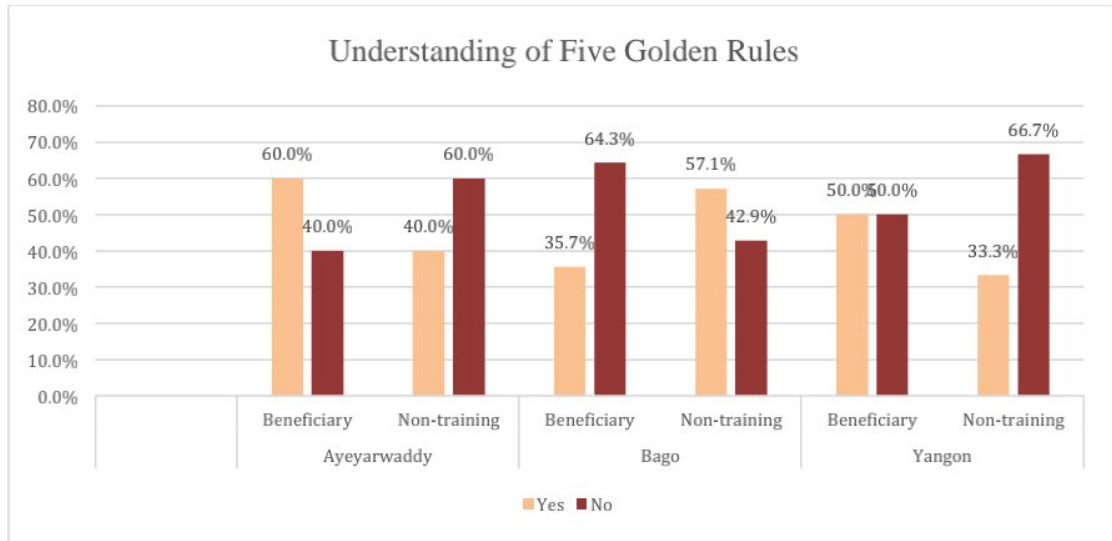
#### (5) Managing Stocks with Records

One-hundred percent of beneficiaries in Ayeyarwady and Yangon, and 93.3% in Bago are keeping good records after the training. In contrast, we found only 40% of non-training retailers in Ayeyarwaddy, 57.1% in Bago, and 33.3% in Yangon are keeping good records.



**Figure 7. Keeping stocks with records in good order.**

## (6) Understanding of Five Golden Rules (Wearing Personal Protective Equipment)

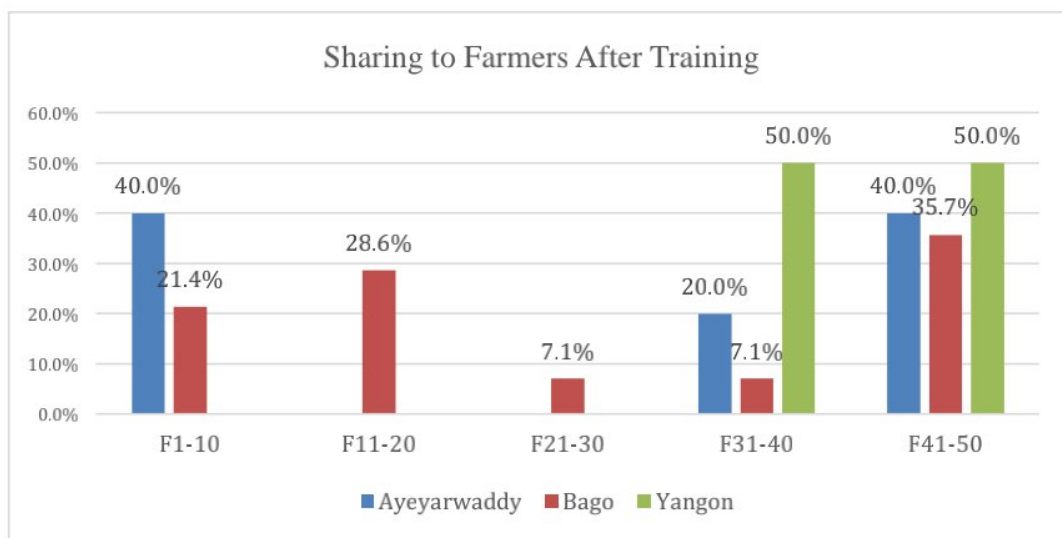


**Figure 8. Understanding of five golden rules.**

We asked what dealers understood about wearing Personal Protective Equipment (PPE) dress when handling pesticide-related products in the project regions. Forty percent of beneficiaries and 60% of the non-training retailers in Ayeyarwady, 64.3% of beneficiaries and 42.9% of non-training retailers in Bago and 50% of the beneficiaries and 66.7% of non-training retailers in Yangon did not know these rules before the training. After the training, the beneficiaries reported knowing all the right ways to use pesticides.

## (7) Sharing Five Golden Rules with Farmers

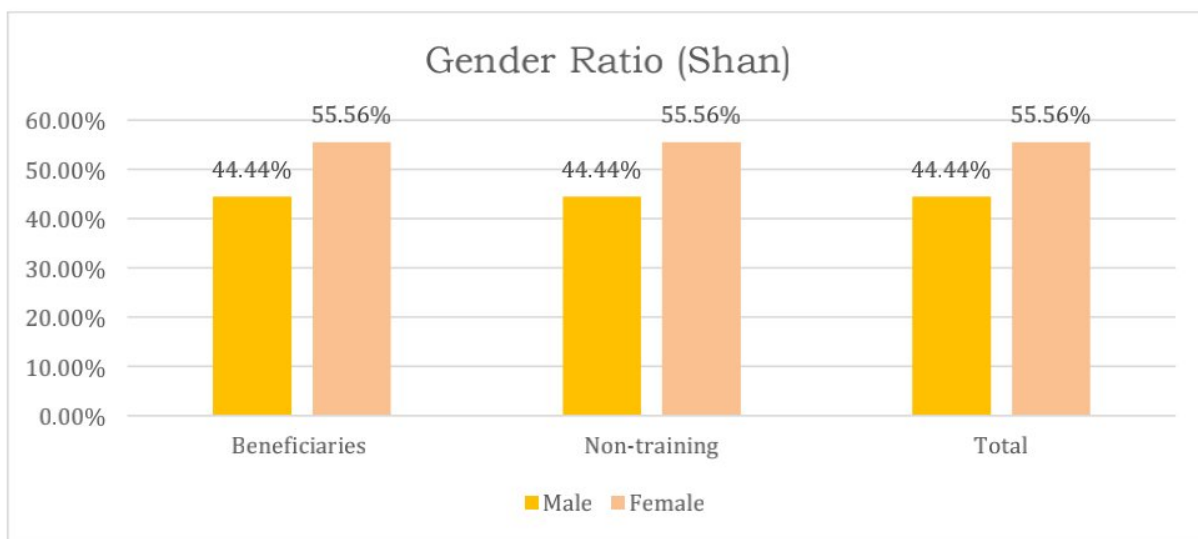
After understanding the five golden rules, those sampled were counted in five categories as those sharing with 1-10 farmers, 11-20, 21-30, 31-40, and 41-50. Forty percent in Ayeyarwady, 35.7% in Bago, and 50% in Yangon reported they have shared the five golden rules with 41-50 farmers after training.



**Figure 9. Sharing five golden rules to farmers after training.**

## Southern Shan Analysis

When we conducted the survey, 37.0% of beneficiaries and 44.4% of non-training retailers were selling fertilizer and 14.8% of beneficiaries and 5.6% of non-training reported they were selling pesticides. Both fertilizer and pesticides were sold by 48.1% of beneficiaries and 50.0% of the non-training retailers. Gender ratios are seen in the figure below.



**Figure 10. Shan gender ratio.**

Comparing the type of business of the beneficiaries and the non-training retailers, 3.7% and 5.6% were wholesalers, 48.1% and 33.3% were retailers, and 48.1% and 61.1% reported being both wholesalers and retailers, respectively.

### (1) Understanding of cost analysis

We found 18.5% of beneficiaries and 16.7% of the non-training retailers understood costs analysis. While 81.5% of beneficiaries confirmed they knew this after participating in the FSI training. On the other hand, 83.3% of the non-training retailers did not know about costs analysis and they said they would come to future trainings to learn about it.

### (2) Change in Recordkeeping After Training (Only Beneficiaries)

Regarding improving recordkeeping, 7.4% of beneficiaries have already changed the basic accounting format, 88.9% are in the process of transformation, and 3.7% have not changed.

### (3) The Status of Market Share

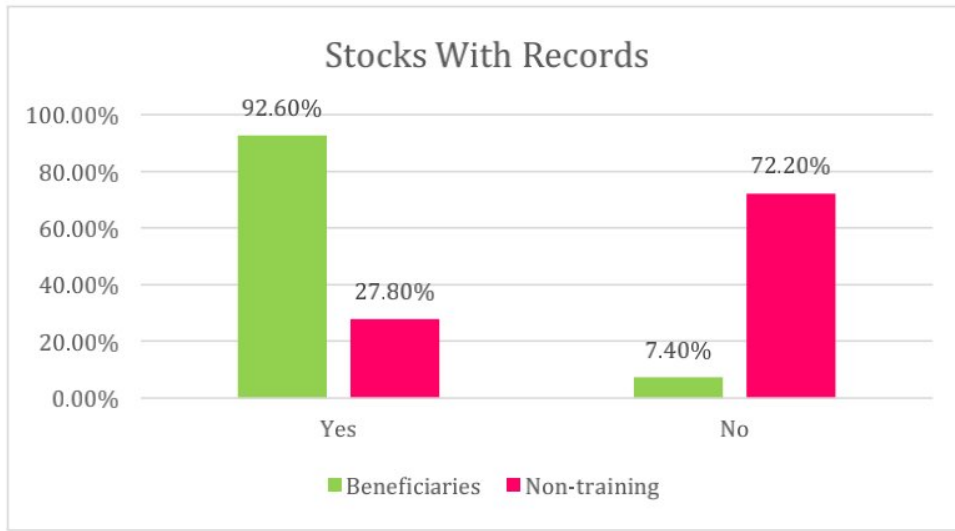
Today, agro-input shops are operating in a very competitive market, and it is gradually increasing within each of the townships. Generally, farmers have little knowledge of the best agricultural practices, and this is where the competitive edge is possible – offering technical advice on their products at the time of sale. For beneficiaries, there was an increase of 2.22 villages and 92.96 farmer customers after training in Shan. For non-training retailers, they did not have records and could not respond to the question yet. Generally, farmers are aware of product brand but have little knowledge of the best agricultural practices and can't select a suitable product for

themselves. In this situation, the retailers need to know about their products, so they can advise farmers according to the right product for the right crop with the right price.

#### (4) Understanding of Net Profit

As mentioned above, non-training retailers did not know the fixed costs performance in their business. Only beneficiaries calculated the net profit after deduction of all costs including fixed costs. As a result, all of the control group overestimated their net profit.

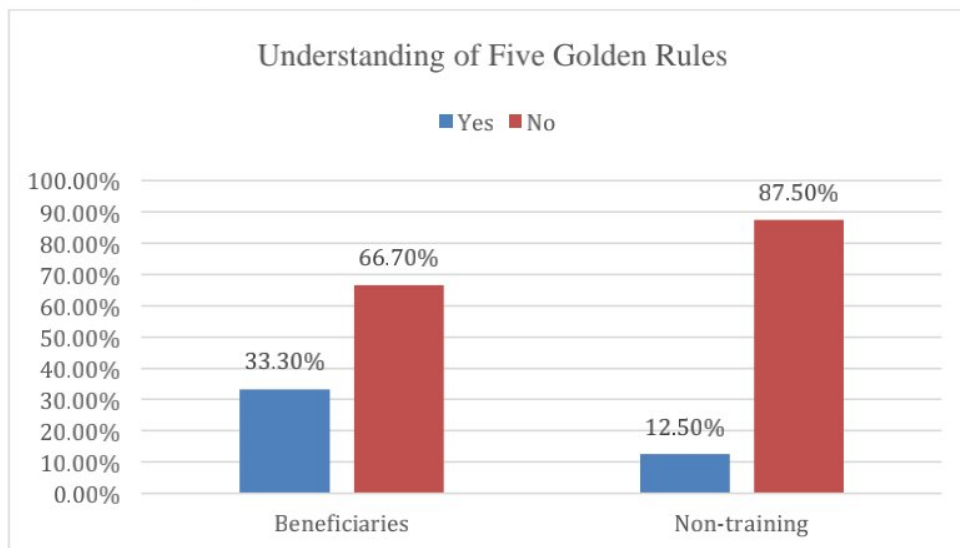
#### (5) Managing Stocks with Records



**Figure 11. Stocks with records after training.**

Regarding managing stocks, 92.6% of beneficiaries and 27.8% of non-training retailers keep their stock in good order using records. Non-training retailers (72.2%) did not know how to manage stocks.

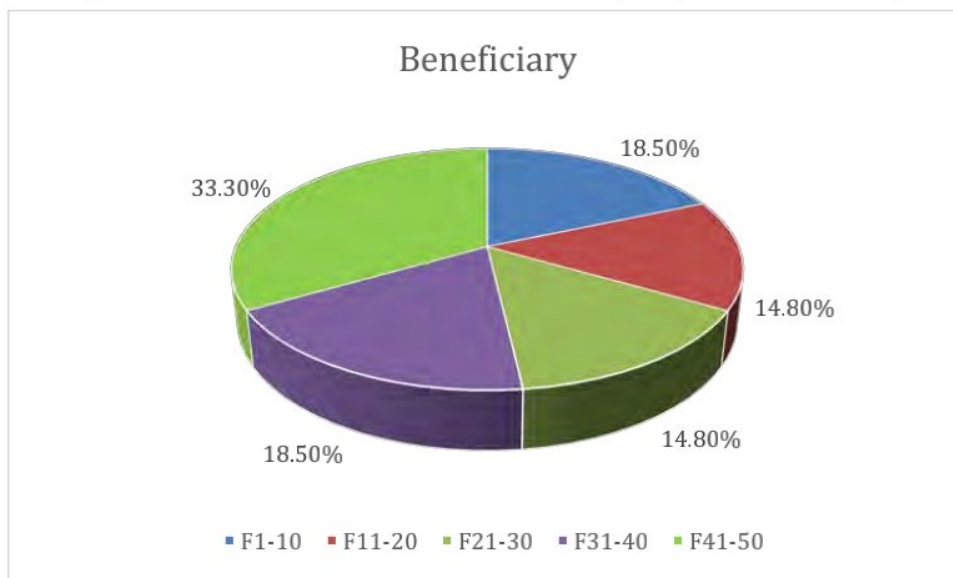
#### (6) Understanding of Five Golden Rules



**Figure 12. Understanding of five golden rules.**

Before training, 66.7% of beneficiaries confirmed not knowing about the five golden rules (wearing PPE dress systematically). Apart from this, 87.5% of the non-training retailers did not know this as well.

### (7) Sharing Five Golden Rules with Farmers (Only Beneficiaries)



**Figure 13. Sharing five golden rules after training.**

After having training, 18.5% of beneficiaries shared the five golden rules with 1-10 farmers, and 14.8% of beneficiaries shared this with 11-20 farmers and with 21-30 farmers. Also, 18.5% of beneficiaries confirmed they shared this with 31-40 farmers. As shown above, 33.3% of beneficiaries shared their knowledge with 41-50 farmers.

### Conclusion

This survey indicated that agro-input dealers are running under traditional practices in doing business and they did not know where or how to learn about business development before coming to the FSI retailer training. In fact, the agro-input product suppliers are the same for all shops. So, product features are the same and prices are also very competitive. Increasingly in a number of shops, they lack knowledge in differentiating between one product and another and do not know how to deliver their services. Services are an intangible product that offers prospects for a specific, superior result. It makes the customers walk away feeling good about their purchase. They realized more competition in the marketplace year over year but they are also working as usual in the daily routine, not having a business plan for long-term growth, not knowing how to sustain their business over competitors, and not understanding how to expand business as well.

In this situation, IFDC encourages retailers to offer customers a value on top of straight product purchase. Service marketing often requires more explanation as why the customer needs the products and how they works. IFDC plans to train 180 dealers in the FSI regions (Yangon, Bago and Ayeyarwady), 55 dealers in six Dry Zone townships, and 300 dealers in Southern Shan over three to five years.

If dealers can use their advisory services to add value to product sales, then they will achieve a competitive edge. They can become a one-stop shop for products and

advice. After having the IFDC training, participating retailers could see the window of opportunity for their business sustainability and could begin to control the competitive market in their region. To be able to increase market share or experience business expansion, their recordkeeping systems can give them the required information needed to support them making not only informed decisions but also accurate decisions for their businesses' future growth in the competitive marketplace. Due to now knowing their fixed costs, businesses can accurately calculate their net profits for each growing season and, thus, they can be well-positioned for planning for future growing seasons. All trainees said this program has benefited their business and has helped position them better for the future.

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