

AGRI FINANCE IN MYANMAR

April 21, 2022

Overview of Myanmar agriculture Sector



People living in Myanmar rural areas



Population under poverty Line



Smallholder farming families in Myanmar



Land Area devoted to Agriculture



Population in Agriculture employment



Agriculture sector contribution to Country GDP

Source: UNCDF Shift and MAN reports

Myanmar's farmers are excluded from Access to Finance

Large rural population

70%

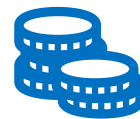
of Myanmar's workforce is employed in agriculture



Limited supply of credit

3%

of loans go to agriculture, despite it being 38% of GDP



Majority excluded

63%

of farmers cannot access regulated sources of credit

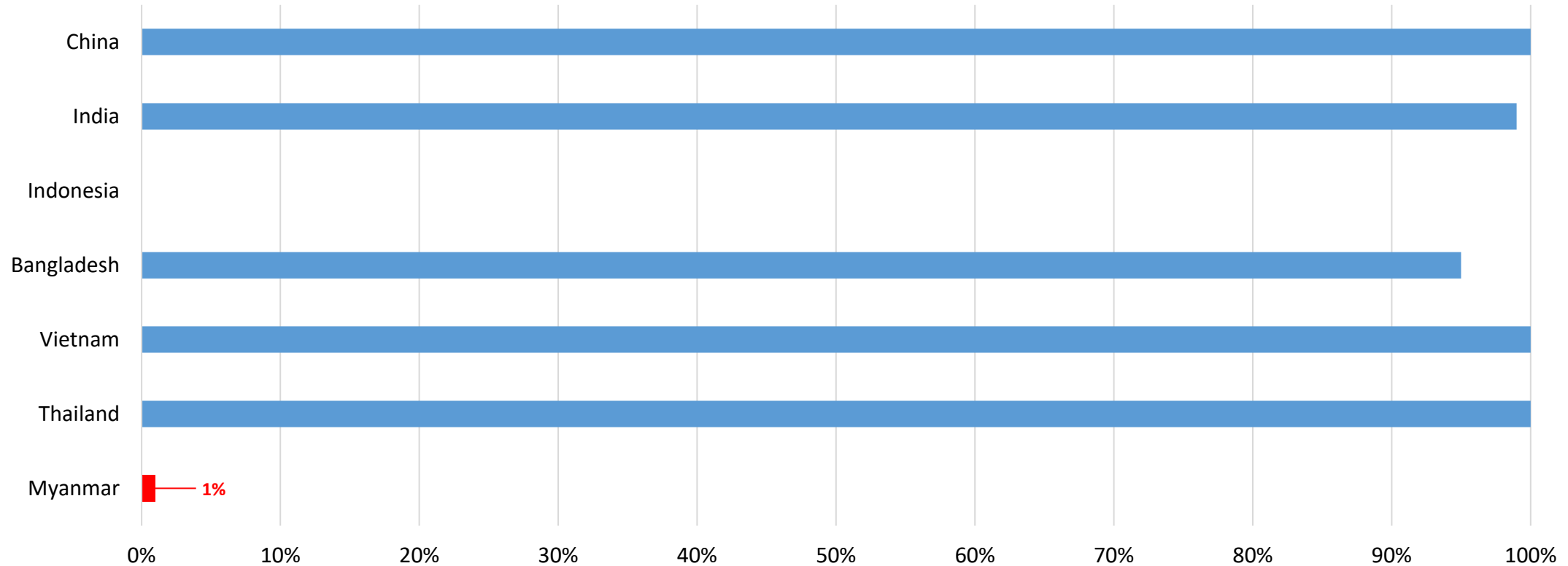


Estimated financing gap is over USD 4Bn

Sources: Food and Agriculture Organization of the United Nations (2019), "[Myanmar at a glance](#)"; Schellhase, J., and L. Sun (2017), [The Banking Sector in Myanmar: An Assessment of Recent Progress](#), The Milken Institute, p. 24; Finmark Trust and UNCDF (2018), [Myanmar: Financial Inclusion Country Update 2018](#), p. 14.

Without financial service, farmers lack the capital to adopt technology...

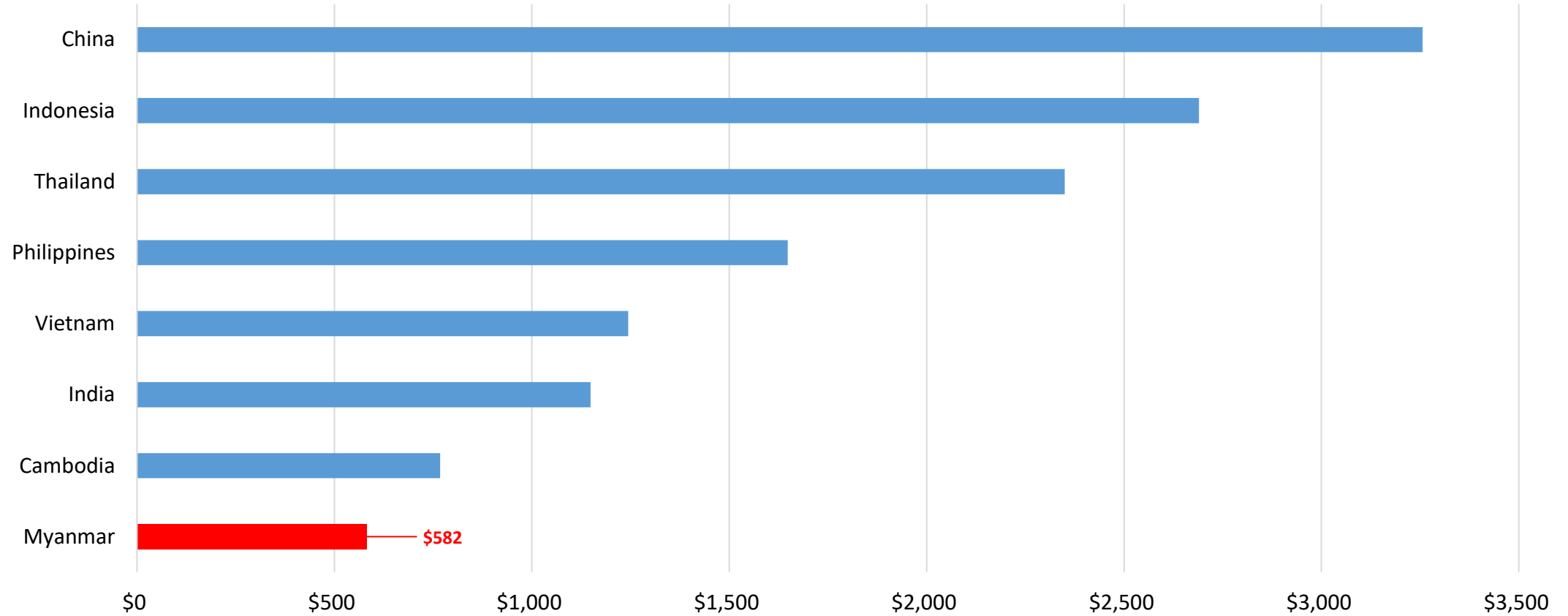
Share of farmers using combine harvester/threshers, top seven rice-producing countries



Source: Nipuna Rice (2019), "[Major Rice Producing Nations](#)"; Parvez, S. (2018), "[Today's Farming: Up to 90 pc mechanized](#)", *The Daily Star*; World Bank (2016), [Myanmar: Analysis of Farm Production Economics](#), p. 16.

... which keeps farm productivity low...

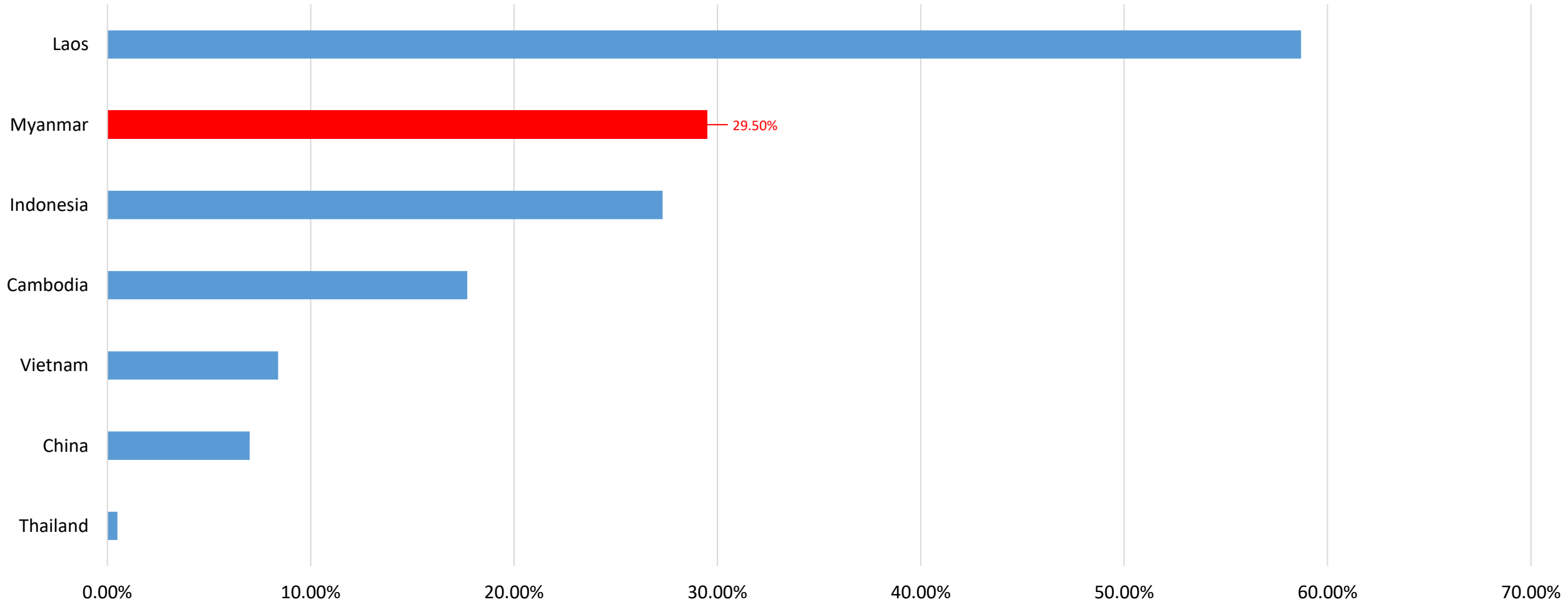
Gross paddy revenue per hectare farmed (US\$),
selected South-East Asian countries



Source: World Bank (2016), [Myanmar: Analysis of Farm Production Economics](#), p. 47.

... and leaves poverty rates high

Share of population below US\$3.20/day poverty line,
selected South-East Asian countries



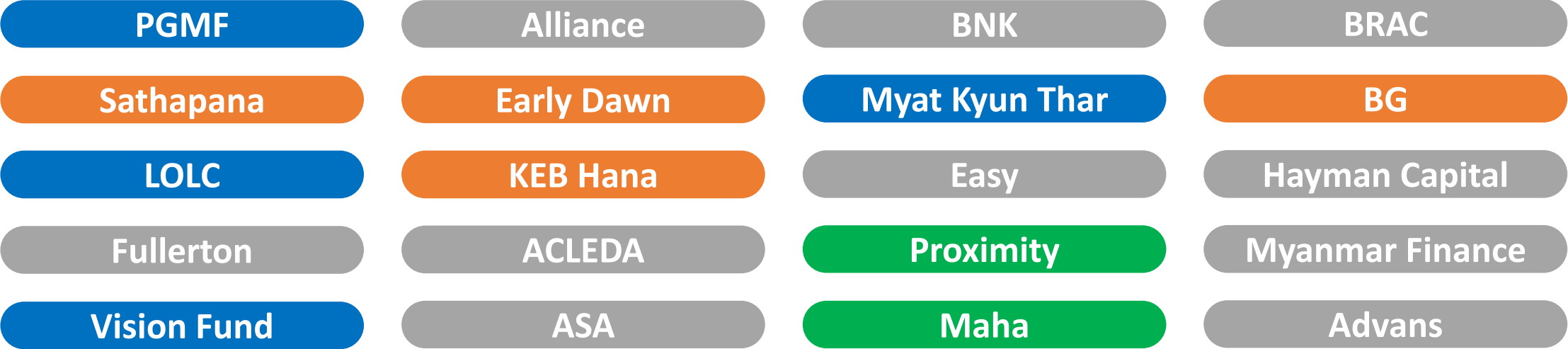
Source: UNDATA (2019), "[Poverty Headcount Ratio at \\$3.20/day \(2011 PPP\) \(% of population\)](#)".

Agri-focus among Myanmar FIs

Only two MFIs give 90%+ of portfolio to farmers

LEGEND

- 90%+ portfolio to farmers
- 50%+ portfolio to rural areas
- Presence in rural areas
- Focused on urban areas



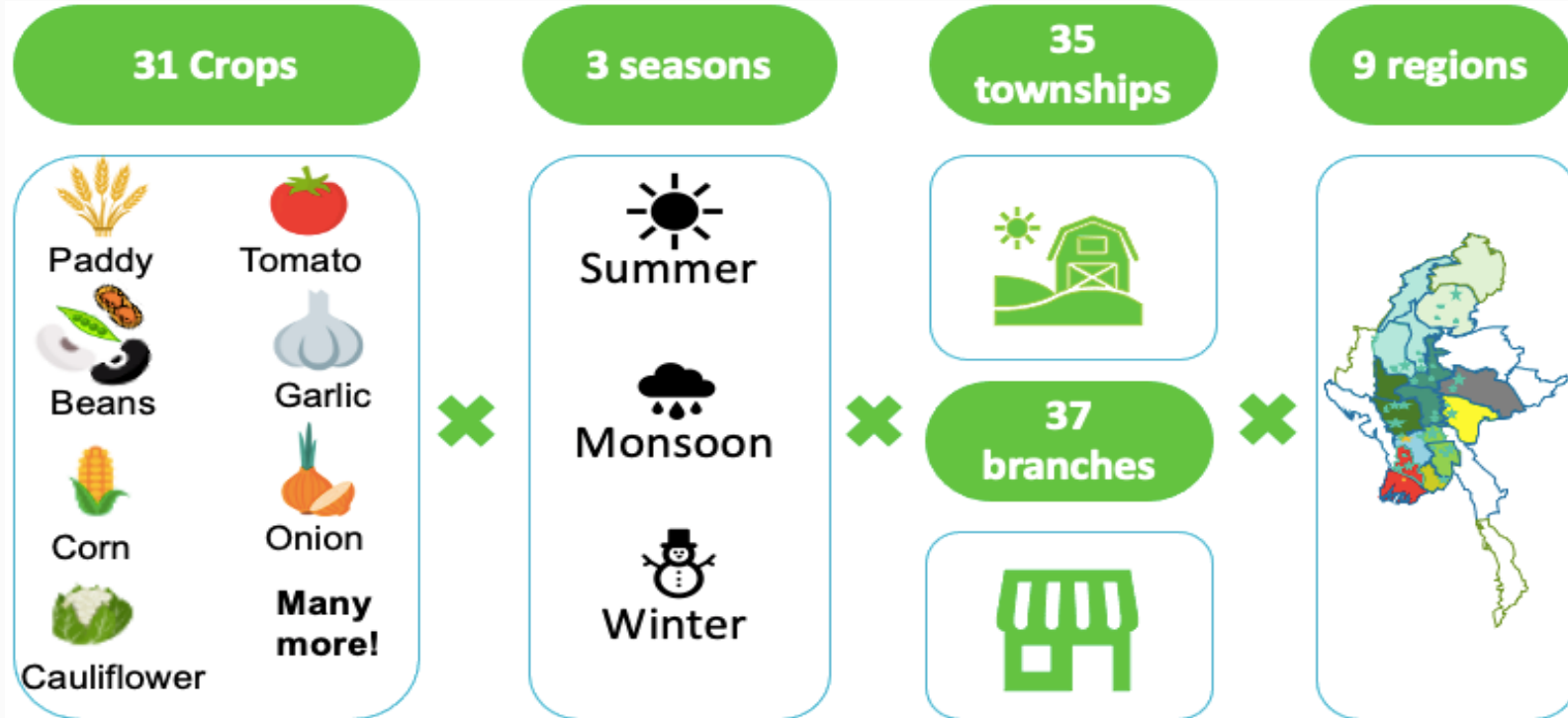
MADB is the only State-Owned Bank that focus on Agriculture; Over 90% of MADB loans is for Paddy; The ticket size of MADB loans is fixed based on land holding and is not enough to cover the cost of cultivation.

MAHA AGRICULTURE MICROFINANCE

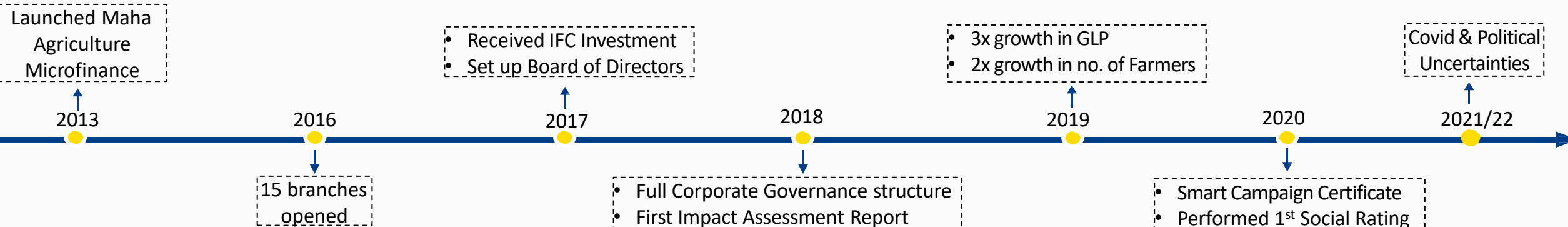
Company Overview

- ❑ Founded by Myanmar Awba Group (MAG)
- ❑ International Finance Corporation (IFC) is minority shareholder
- ❑ Maha offers 4 credit products to its customers:
 - ✓ Agriculture Loans
 - ✓ MSME Loans
 - ✓ Vendor Loans
 - ✓ Livestock loans
- ❑ 37 branches across 9 regions in Myanmar
- ❑ Maha follows individual lending model
- ❑ Over 99% of portfolio is Agriculture loans
- ❑ Workforce of ~300, with 61% women
- ❑ More than 80,000 farming families served

100% Rural Loans



Company Timeline



Current Situation of MFI Sector

1. Negative portfolio growth for MFIs:

- Severe disruptions of businesses – with field staff prevented from coming to work, customers missing scheduled repayments
- Increase in non-performing loans, risking regulatory covenants default
- Constant threat to MFIs' financial stability and their capacities to offer affordable funding to agricultural producers
- MFIs are reducing the size of each loan, and is stopping renewing all clients, which increases their risks
- High Loan write-offs

2. Rise in financing from informal sector:

- Informal borrowings typically cost 5-10% of monthly interest rate to farmers
- Farmers pay up to 8-10% of the value of their harvest to brokers who lend them money to help fund planting

3. Customer related risk posing threats to MFIs:

- Increasing cost of input
- Increasing demand of new loans with increase ticket size
- Partial payment by brokers to farmers after buying of agricultural produces
- Many smallholder farmers are cash constrained while credit markets for farm input purchases are in disarray
- Farmers invested less in inputs for the 2021 monsoon season due to the higher cost (especially fertilizer)
- Lower profitability for farmers with uncertainty concerning output markets

4. Lenders Support for MFIs:

- No fresh fundings from international lenders
- Deferment of lender's repayments becoming challenging
- USD Depreciation

Impact on farmers livelihood

1. Squeezed on all sides by:
 - a) lower earnings
 - b) higher costs
 - c) delayed access to markets
 - d) shortage of affordable finance
 - e) slow payments for last season's crops

2. With shortage of finance:
 - a) the small holder farmers have become vulnerable as most of them couldn't cultivate crops
 - b) impacting the household income
 - c) increasing cost of input has further squeezed the cultivating land

3. Without adequate working capital loans:
 - a) farmers economize on fertilizers and other valuable agricultural inputs
 - b) lowering their crop yields and incomes
 - c) hire fewer day labourers
 - d) creating further distress for landless workers and rural economies
 - e) lesser quantity and lower quality of inputs
 - f) post-monsoon production season are under threat due to inaccessibility of affordable loans

4. A higher-priced informal lending

5. Volatile Crop prices

6. Small holder farmers are shifting to subsistence farming

Missing Support International Lenders!

1. MFIs are facing severe disruptions to their businesses due to shortage of funds
2. Expectation from international lenders is timely repayment of loans
3. MFIs are running out of funds to support farmers and the need for offshore lenders' support is **NOW**
4. MFIs are in a troublesome situation with no fresh funding from international and local lenders
5. Repayment obligation to offshore lenders create a bigger gap with risk of portfolio reduction for MFI
6. Need of the hour is renewed sources of financing for MFIs

THANK YOU