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Rice Market Integration in Myanmar

THEINGI MYINT, SIEGFRIED BAUER

Justus-Liebig-University Giessen, Project and Regional Planning, Germany

Abstract

Rice production is the most important backbone of the economy of Myanmar as rice is a staple food and major export item. Myanmar agricultural marketing system was controlled by the government under the centrally planned economy lasting about a quarter of century. The major economic changes have significant implications on Myanmar agriculture. The drastic political and economic transition in the later part of 1988 coincide the post-crisis years for agricultural commodity exporters and later with the establishment of World Trade Organisation with Myanmar as the member. The government had introduced the free market economic system and allowed farmers to cultivate crops by their choice and to process, transportation, and marketing and trade almost all the agricultural products with only exception of the rice export. The functioning of rice marketing system is highly related to the national rice policy. Therefore, parallel markets by government intervention and spatial trade can be found in domestic marketing system. The objective of this paper is to appraise the long-term performance of the domestic rice market by evaluating the degree of spatial market integration.

The chosen method is the co-integration; the first step is to test whether the series are stationary by using the Augmented Dickey—Fuller (ADF) method. Then, test for co-integration using the two-step, residual-based test developed by Engle and Granger (1987). Result shows that Myanmar rice markets are integrated under the current political situation. Therefore, rice price in one market is just a translation of the price in the other market, implying that price changes are the same. The presence of co-integration between rice price series is indicative of strong interdependence; its absence indicates market segmentation. However, overall performance of rice market for long run is affected not only by the direct link of marketing system but also the microeconomic policies. It clearly depends on both the macroeconomic environment and the development of infrastructure of Myanmar.

Keywords: Centrally planned economy, co-integration, free market economic system, market segmentation, Myanmar, national rice policy, parallel market, spatial trade, stationary