

Developing a Fairtrade rice supply chain from Myanmar: achievements, challenges, lessons

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Abstract

Traidcraft Exchange and its sister business Traidcraft plc have been developing Fair Trade supply chains for over three decades. As core certified 'Fairtrade' products have become mainstream in UK markets since the late 1990s, Traidcraft Exchange has focused energies on bringing innovative supply chains and small-producer organisations into the wider Fair Trade system. The case study presented here is of rice sourced from smallholder farmers in Myanmar's Ayeyarwady region: the world's first Fairtrade product from Myanmar. The case study illustrates how Traidcraft Exchange's explicit focus on small producers and innovating new supply chains from 'left behind' communities can work in practice. It explains challenges faced at both the supplier and market end. It seeks to show how broader programmatic aims to strengthen small producer skills and organisational capacity to engage with trade on fairer terms can mitigate risks associated with export trade to the challenging UK market.

Keywords: rice; paddy; Myanmar; Burma; farmers; small producers; smallholders; Fairtrade; Fair Trade

Introduction

Traidcraft Exchange and its sister business Traidcraft plc have been developing Fair Trade supply chains for over three decades. As documented in a previous volume of the *Journal of Fair Trade* (Williams, 2020), as core certified 'Fairtrade' products such as coffee, cocoa, tea and bananas have become mainstream in UK markets since the late 1990s, Traidcraft Exchange has focused energies on bringing new supply chains and small-producer organisations into the wider Fair Trade system, including from underrepresented communities. This has included working with Fairtrade certification (as overseen by Fairtrade International), but also with other schemes and models as appropriate.¹ This case study focuses on the development of a rice supply chain with smallholder farmers in Myanmar's Ayeyarwady region. It illustrates how Traidcraft Exchange's explicit focus on small producers and innovating new supply chains from 'left behind' communities can work in practice. It explains challenges faced at both the supplier and market end. It seeks to show how broader programmatic aims to strengthen small producer skills and organisational capacity to engage with trade on fairer terms can work to counter-balance risks faced in the export of Fairtrade products to challenging markets. Lessons learnt on leveraging strategic opportunities available in the broader trade context, and on the value of collaboration between diverse actors, may be of relevance to other actors exploring opportunities in 'atypical Fair Trade'.

¹ Throughout the article, 'Fair Trade' is used to refer to the wider movement seeking to make trade fairer. 'Fairtrade' is used to refer to the certification scheme overseen by Fairtrade International, which constitutes one part of this wider movement.

A business need and a Fair Trade opportunity

From 2009 to 2018 Fairtrade rice was a key ingredient in Traidcraft plc's 'Geobar' (cereal bar) range. Until 2013, long grain rice was sourced from two suppliers in Thailand; however, this changed when the suppliers each independently adjusted their business strategies. One supplier felt the Thai government's new rice policy provided a sufficiently stable and well remunerated market nationally and decided not to renew its Fairtrade certification. The other decided to focus on higher value jasmine rice and to phase out long grain. As a result of these changes, in 2013 it became imperative that Traidcraft plc find a new supplier for this key ingredient in one of its leading product ranges. Around the same time Traidcraft Exchange was considering whether and how to engage in new activities in Myanmar as the country underwent political and economic transition; and opened up to international trade. EU trade sanctions were eliminated in early 2013 and the country was able to access the EU market on preferential terms as a 'Least Developed Country'.

Myanmar is one of Asia's poorest countries, ranked 145th on the Human Development Index (UNDP, 2019). Prior to 1962, Burma, as it was then known, was one of the world's largest rice exporters. Although subsequent political developments left it largely excluded from world trade, rice production continued to dominate agriculture: paddy constitutes around half of all cropped area (USAID et al., 2013). However, multiple issues hamper agricultural growth and contribute to high rates of hunger and malnutrition. Prices for paddy are low immediately after harvest, while input costs are high. High interest rates for informal sector credit (5–30 per cent per month) eat into farmers' profits; private companies aggressively promote pesticides with little information on correct usage; irregular rainfall and poor water management contribute to flooding and droughts (USAID et al., 2013). Having worked successfully with smallholder farmers elsewhere in Traidcraft Exchange's South Asia programme, and with Traidcraft plc's need for a new rice supplier and an interest in bringing Fairtrade to Myanmar for the first time, Traidcraft set out to explore supply chain development activities.

Supply Chain Development

In 2013–14 Traidcraft began working with a local civil society organisation in Ayeyarwady region. Ayeyarwady is known for its rice production, but fares poorly on socio-economic indicators. Oxford Poverty & Human Development Initiative's (OPHI's) multi-dimensional poverty index (MPI) integrates the incidence and intensity of poverty across the dimensions of health, education and living standards. On this index Ayeyarwady is one of Myanmar's poorest sub-national regions, with 50.8 per cent of the population living in multi-dimensional poverty, and 20.4 per cent in severe multidimensional poverty, see Table 1 (OPHI, 2020). Of the sub-national regions, only violence-affected Rakhine scores worse.

Traidcraft and its partner initiated a pilot project with paddy farmers in one village in Ayeyarwady and over a period of four years expanded the work to three additional villages, reaching 235 smallholder households in total. The villages are all in ethnic Karen communities: an ethnic, religious and linguistic minority. Adapting

Table 1 Multi-dimensional poverty in selected regions, Myanmar

Region	MPI score	Incidence: % of population that is multi-dimensionally poor	Average intensity: avg. % of dimensions in which poor people are deprived	Severe poverty: % of pop. deprived in 50–100% of weighted indicators
National	0.176	38.3	45.9	13.8
Urban	0.050	11.9	41.8	2.9
Rural	0.221	47.8	46.3	17.8
Ayeyarwady	0.237	50.8	46.6	20.4
Rakhine	0.302	58.6	51.6	30.2

successful models from the Traidcraft Exchange South Asia programme, the work has included the formation and organisational development of 'Small Producer Organisations', village-level farmers' groups. The purpose was to build strong, well governed and managed, representative organisations. This was necessary for Fairtrade certification, but more importantly to ensure ongoing sustainability. The work had dual intentions of building a new Fairtrade rice supply chain, but also supporting the farmers' organisations to access the domestic market.

One of the first challenges was to overcome the legacy of the past. The governing regime of 1962–88 had forced farmers into co-operatives, and there was a feeling that these institutions were vehicles for control and exploitation. Compounding this, Traidcraft Exchange and partner staff sensed a culture of fear amongst farmers that led to low self-confidence in their ability to take decisions based on their own interests. Partner staff worked closely with farmers to gradually overcome these legacies. Technical training and ongoing support was also provided to address low levels of knowledge on key issues, such as: good agricultural practices including safe and effective use of agri-chemicals, child labour, documentation, book-keeping and Fairtrade requirements.

Building a sustainable supply chain also required investment in local storage and milling. Both were required to support market access and to enhance food security. Small-scale rice mills in target villages were supported to repair and upgrade machinery. Establishing producer-run revolving savings/loans schemes and accessing government agricultural loans enabled farmers to store paddy or milled rice until prices had risen following the initial post-harvest glut in local markets. Linking farmers' organisations to government agricultural services was important to ensure ongoing support. This included training on improved seed varieties which proved critical as the work developed. Partners found these new varieties increased productivity by 15–20 per cent and reduced fertiliser use; they are also crucial for export markets that demand high-quality and homogeneous rice varieties.

An exposure visit to Thailand proved an important step in the process of building the supply chain. Farmers visited one of Traidcraft's former suppliers to understand the export process and to hear about the benefits and challenges of working collectively in farmer-led organisations. They also visited a Fairtrade Operator that facilitates rice exports to Fair Trade businesses across Europe. This strengthened farmers' understanding of quality requirements, traceability, documentation and helped build relationships with this critical supply chain player. In 2016 the first farmers' organisation applied for Fairtrade certification.

Certification, Export and the UK Market

A Fairtrade audit of the Moe Goke Small Producers Organisation took place in March 2017: certification was awarded in June. Plans were developed to export the first container of rice following the November–December harvest. Farmers supplied 44 tonnes of harvested paddy which was then milled in the regional capital, producing 20 tonnes of Fairtrade long grain rice (60% full grain, 40% broken). This was packed in a food-grade shipping container and exported. With the supply chain facilitated by the Fairtrade Operator in Bangkok, the world's first Fairtrade product from Myanmar arrived in north-east England in April 2018.

As described elsewhere (Williams, 2020), Traidcraft plc sells its products via a number of channels which include both business-to-business and business-to-consumer. Unfortunately, in 2018 Traidcraft plc faced a critical juncture in its history. In order to sustain trading; and following a process of consultation with staff and stakeholders, the business downsized and consolidated its product offering. The Myanmar rice supply chain had been developed to provide this key ingredient for the Geobar range. Geobar, the UK's first composite Fairtrade product, was launched by Traidcraft in 1999. In subsequent years the market for cereal bars pioneered by Geobar boomed, but in this more crowded market-place and with the UK retail environment worsening during 2018, it became clear that the sub-brand had reached the end of its days. As part of the business consolidation, Geobar was phased out, leaving several tonnes of Fairtrade rice from Myanmar sitting in the

Traidcraft warehouse. However, Traidcraft saw a new opportunity here and took the decision to separate out the full grains and repackage these into 500g bags for direct sale to consumers as part of its 'store cupboard staples' range.

Achievements, Challenges and Lessons

As described, the challenging retail environment in the UK had a serious impact on the newly developed Fairtrade rice supply chain from Myanmar. Traidcraft promoted the supply chain to other Fair Trade businesses in Europe, but with no success. Nonetheless, the benefits from just one season of Fairtrade sales enabled the Small Producers Organisation in Ayeyarwady to make significant and strategic investments in their future. The new Fairtrade standard for Myanmar rice set the minimum price at the same level as that of Thailand jasmine rice. Therefore, the farmers received a significantly higher price than they would have received selling rice to the non-Fairtrade market: USD 381 per tonne compared to 240 per tonne. As a result of the improved price, the farmers' organisation was able to increase the money available to members in its revolving fund, improve environmental management practices, invest in a new office and meeting room, and crucially, to invest in becoming propagators of the improved rice seed variety endorsed by government extension services. Government services now purchase this seed from the farmers' organisation, as well as from three other farmers' organisations established in neighbouring villages through the project. This provides a significant new income stream for the farmers' organisations, as well as a means of strengthening their relationship with this key value chain actor that continues to support the farmers' organisations with training.

The smallholder farmers involved in the first Fairtrade supply chain from Myanmar continue to work together in their producer organisations, utilising their revolving funds for the working capital required for paddy production and increasing their sales in local markets. A second-tier producer organisation has been formed to represent the interests of their four village-level organisations established through the collaboration with Traidcraft Exchange. This organisation is looking for new markets for its producers and leveraging economies of scale in bulk purchasing of inputs. Traidcraft Exchange's local partner continues to support the producer organisations.

The mixed outcomes of the work point to two important and linked lessons for Traidcraft Exchange and other actors investing in new supply chain development. First, there is the need to understand the wider context in which trade operates and leverage strategic opportunities therein. Secondly, there is the value of working collaboratively through diverse partnerships. With reference to the first lesson, preferential trade arrangements opened up export opportunities for Myanmar's rice producers, and improved agricultural practices enabled farmers to become propagators of specific rice varieties endorsed by government services, thereby strengthening the sustainability of newly formed producer institutions and diversifying incomes. With reference to the second lesson, collaboration brings different actors with different capabilities to the table. For Traidcraft plc to build a Fairtrade rice supply chain from Myanmar, partnership with local civil society and with Traidcraft Exchange (its sister NGO) was essential for producer-support activities, including mobilisation of producer organisations and support to ensure these achieved broader livelihood strengthening and sustainability aims. Integrating recently formed producer organisations with established and experienced supply chain players enabled the newer players to learn from the experience of others. And finally, partnership with government institutions was critical to longer term sustainability through leveraging local market opportunities. These two lessons proved critical as the retail sector in the UK weakened, eliminating the original market opportunity that had prompted the work five years earlier. As the case study illustrates, developing supply chains in contexts where people have been 'left behind' is often high risk: it is critical to ensure that programmes seeking to do so encompass broader aims that include supporting small producer capacity to engage with trade on fairer terms through strengthened skills and organisational capacity.

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