

## Interview with Drew Johnson,

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"The government of Myanmar, historically had its focus on the rice sector. At one time the country was the leading exporter of rice in the entire world. Farmers were required to grow rice on their land as a food security measure. Other crops, cash crops and crops like horticulture were de-prioritized in favor of a rice economy that fed the populace. Some of the result to that is that there's been very low investment in other agricultural sectors. Just in recent years farmers have gotten more flexibility in terms of the crops that they're allowed to grow. In the past we've often said it's moved from rice bowl to food basket, and the diet of Myanmar people is starting to reflect that as well. Vegetables have become an important and growing part of the diet here. "

"One of the projects that we're working on at Mercy Corps - Myanmar is the **Making Vegetable Markets Work** Program that is funded by the Livelihoods and Food Security Trust, a consortium of donors throughout the world. This program works to improve the vegetable market chain throughout the country and improve the incomes of 15,000 small holder farmers in Myanmar. "

"We're focused in two states within the country: Southern Shan State, a traditional hilly region with a lot of vegetable cultivation; and Rakhine State, in the western part of the country, which has traditionally been focused on paddy production. What we're doing through this project is we've taken a market systems development approach. "

"Market systems development approach means that we're working through the different market actors in the market to create sustainable change. What that looks like is working through private sector companies whether they're input companies or seed companies, working with the government, working with civil society, and helping them to shape the future of the vegetable value chain, so that it's more inclusive and farmers increase their incomes. "

### **Objectives**

"When we looked at the projects we had a couple concrete objectives in mind. First, we wanted to increase the incomes of 15,000 farmers Second, we wanted to work with the market players to develop more inclusive products and services. Market players, for example, a seed company such as East-West Seed, we wanted to work with them to hone their approach and hone their business model so that they would be better including small holder farmers into that. "

## **Partnering with EWS**

"Based on the work that East-West Seed has done in other Southeast Asian companies, we recognize them as a leader in inclusive business specifically around providing extension services to small holder farmers. To help farmers move from traditional practices to more modern practices, we identified East-West Seed as critical to that process, and we involved them as one of the main partners in the program. "

## **Area selection**

"The target and geography was something of a negotiation. East-West Seed, as a private sector company, has its own priorities in terms of where it wants to do business, where it sees the market growing, and it wants its brand to be out there. Mercy Corps has its priorities and the donor has its own priorities in terms of geography. So it was just a matching up of those different geographies and seeing what the overlap is, and then negotiating in terms of where the project would be implemented. "

"When selecting East-West as a partner we identified two things that made them valuable to the program, first, as an input provider of seeds that could help farmers increase their incomes Using improved hybrid seeds and moving away from traditional varieties could improve their yields and improve their productivity and income. That's one thing. We saw that as a business, this service they were offering was very sound".

"The second thing is their extension services that they were proposing for the project was not a traditional product push extension service. What I mean by that is just a promotional aspect, going out there in the communities and giving out free products, and only pushing the product that you are selling as a company. Instead East-West Seed was more committed to providing a holistic extension around key agricultural concepts such as land preparation, seed preparation, pest and disease. "

## **Results**

"The Making Vegetable Markets Work program is a three-year long program and we are about two-and-a-half years into the program so far. To date so far, through our partnership with the private sector, we have brought improved technology and services to more than 12,000 farmers. This would be the adoption of new practices, the availability of extension services, and the purchase of new technology that helps farmers. That's one area.

A second area is around the policy environment. The program has formed the vegetable sector acceleration task force or what we call VSAT. VSAT is a convening of stakeholders to help engage the government around policy sector reform, so partners such as Syngenta, OBA Company, the Ministry of Agriculture, Irrigation, and Livestock are all members and convene to talk about topics such as the wholesale market laws and policies, the seed sector laws. That's the second thing. "

"The third thing is the number of businesses that have improved added more inclusive business models. We've been working with more than 15 businesses on the program, and those businesses have contributed to the 12,000 farmers who adopted new technologies and services. "

"In terms of income, at the end of the day this is all about income increase, so at the end of the day that's what we're trying to measure. At the mid-line, we saw 20% of farmers had increased their income by 50% or more. Looking at the end line, we hope that it's more than 75% of farmers are increasing their income by 50% or more."

### **Exit strategy**

"In terms of sustainability of the program, it's really fundamental that private sector actors or the other market actors take on these new practices so that after the program they continue. For example, we've introduced a new technology around drip irrigation and we hope that company enter the market. We believe all those to be evaluated that they will continue selling the product after the program ends."

"One area I think that still needs more work to be proven is around extension services. Farmers in Myanmar are unwilling right now to pay for extension services. As a result companies that are offering extension services such as OBA, such as Asiatic, such as East-West Seed are doing it as a market entry tactic to get their name out in the community, to establish relationships with the community, and absolutely it does benefit the community, but the long term sustainability and integration into the long term business model once people know about these companies is I think still something that needs to be explored further."

"The willingness to pay for extension services, depends a bit on market maturity and the level of commercialization of the agricultural community. If farmers have big commercial farms or bigger commercial farms, if they have extra revenue to spend and see the value and extension services, they may be willing to pay for advice and knowledge. Right now in Myanmar that's not something that farmers are willing to do. But if there are models for extension that can be delivered more cheaply, for example through mobile phone or can be more tied to products and services for example on machinery, I think that's something that has a higher potential to be successful."

### **Market Linkage**

"The market linkage on the output side of the vegetable value chain is very challenging. Vegetables, of course, are a highly fragile, highly perishable crop. It's very critical that they move from the farm gate to the plate quickly. In Myanmar right now almost all the vegetable consumption is domestic and it's almost all fresh. There are very few processors or exporters working in vegetable markets."

"One of the big challenges for the program is how to engage this market system. It's highly fragmented; made of up collectors, transporters, traders, brokers, wholesalers that perform vital functions in the marketplace, but are all small players. As the vegetables filter through this chain there are lost value from spoilage and from mishandling. There are cuts being taken from each of the players for profit, and there, in general, is a lot of ambiguity about how the chain works because there are so many steps in between."

"In the future there is a lot of potential for better market linkages for Myanmar vegetable farmers: first, around exports to China, to India, to Thailand, as well as to Europe; second, processing, moving from almost a fresh market and processing some vegetables which will help smooth some of the price volatility in the system today; and then third, reducing some of the wastage in the chain through better standards, better transport, better handling, and then implementation of technologies like cold storage."

### **Lessons learned**

"One thing that constantly comes up in market system development is the need for longer projects I think donors and non-profits should not be afraid of being honest with ourselves in recognizing the time it takes to change the market system."

"The second thing that is important to keep in mind is this idea of crowding in. That's the idea that if you work successfully with one market player and demonstrate a business model that works for the business, that other businesses will come in and mimic that. It's a natural market tendency."

"The project should not be unwilling to pick one or two market players that they think are leading thinkers, willing to innovate, willing to take risks, and working with them in refining a more inclusive business model that benefits the company because others will follow. The program is not about just that one company changing their business. It's about other players that come in to compete and try to replicate what's going on."

Text below is from the same interview but not in the video.

### **Doing Business**

"In terms of doing business in Myanmar, the country remains one of the hardest in the world. It's consistently ranked as one of the most difficult places to invest. I think while there is a lot of great, positive stories about economic growth in Myanmar, there are still significant reforms that have to take place in the political and economic institutions; the rules, the regulations that will facilitate easier investment in the country. While CEOs, COOs might read in The Economist about how growth is at 8.5%, people also need to realize the hurdles that need to be overcome to be able to take part in a growing market like Myanmar are still significant."

### **Output Market**

"To date, the Making Vegetable Markets Program has really focused on the input market side, so equipping farmers with the skills and technologies that they need to increase their productivity so that they increase their income. On the output market side, we have done some work. It's been limited and we've had a lot of challenges with that work. This output market portion of the program remains a struggle for us, and I think looking ahead in the future it's something that we would want to focus on more. Aspect of market development

programs is the length of the program, and to create sustainable change within a market system takes time. What we've seen is that the results are not even across the years of the program "

"In the first few years of the program you are assessing the market system, talking with market players, and forming and negotiating contracts and deals about how you work together. The first year or 18 months of the program a lot of the work was focused on that area. In the second half of the program we've seen results accelerate. Once those dealers are in place there's alignment around what needs to be accomplished, results start happening in the field. As a result of that you almost see kind of a hockey stick type of results pattern where there's an exponential growth as the program goes along."

### **Project Finance**

"When we designed the Making Vegetable Markets Work Program we had a budget line item for what we call market interventions. This is a pot of money that can be used to partner with the private sector to create more inclusive models. It's required of the program then to go out and identify the different market players and identify deals that we can do together that involve co-share between the player and the project which try to achieve the project goals."

"There are a couple different things that we look for in deals like this. First, it has to be in supporting our goals of our project. In the case of Making Vegetable Markets Work, we want to increase income of farmers. We want to change the policy environment around vegetables."

"The second thing is around co-share from the company. We're not in the business of just contracting out companies like East-West Seed to do some work, so we won't pay for them to do everything that they're doing."

"The third thing is we look at additionally, and by that we mean if the company is going to do this already, then we don't need to step in as a program to help them do that. Now that's very tricky. I think it's more kind of an art than a science, because who's to say what the sector will do by itself? Of course the private sector companies are excellent at negotiating and they are excellent at positioning themselves in the space. "

"In terms of the co-share or co-investment of all between the project and a private company, we're trying to use smart subsidies. The program will try to invest in things that we believe that will push the project forward, but will not make the company reliant on funding in the future. For example, that could mean co-investing around one time investment costs rather than operational cost, so helping to set up a team or a physical structure so that the private sector partner can do a type of business, but not in getting involved in the operational aspects and the operational cost. That's one thing."

"The second thing around smart subsidies would be around funding, capacity building, or training; some of these more, I say, softer elements that private sector often values, but might not be willing to invest in."