TIMELESS RITUAL: Rice seedlings being planted in farmer Tint Sein's paddy in the Irrawaddy, Delta. REUTERS/Soe Zeya Tun

Discontent is spreading in Myanmar's beaten-down farm belt as promised changes come too slowly - or backfire.

Down on the farm

BY JASON SZEP

LAKAPON, MYANMAR, AUGUST 9, 2012

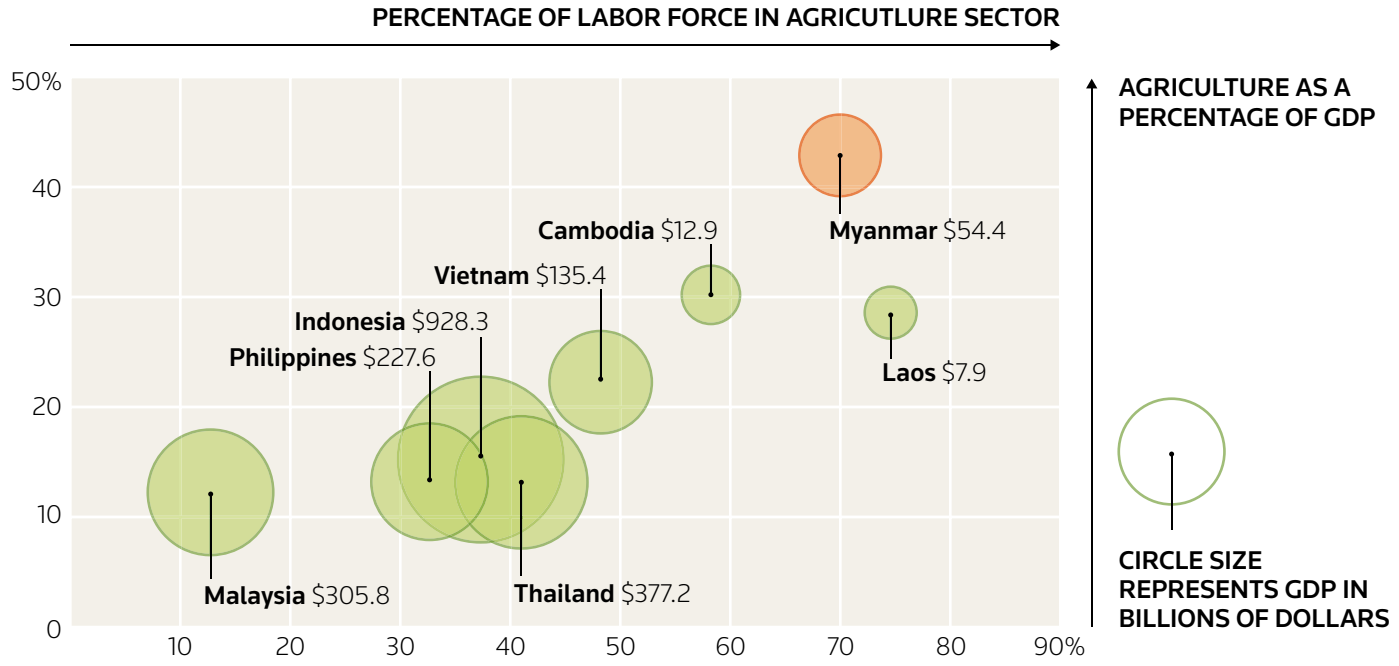
In a timeless ritual here in Myanmar's rice basket, labourers in bamboo hats scattered seeds in calf-deep water and cajoled oxen through the thick mud.

From his thatch-roofed hut, 62-year-old farmer Tint Sein studied the bucolic scene anxiously. Trapped in debt to black-market lenders, he says he has begun to skip meals to save money for his family of four. The emerald-green rice fields that sustained generations of his clan are no longer profitable.

The arithmetic is remorseless. The 10-acre spread earns him an average $4 daily, but his costs are $6, yielding a bottom-line loss of $2, day after day. "I can-

Farming heartlands

Myanmar is heavily reliant upon agriculture where the sector accounts for 43 percent of its economy and 70 percent of its workforce. A look at where it stands versus select Southeast Asian economies.



NOTE: GDP = 2012 estimates. Composition of GDP = 2011 estimates. Labor force estimates = Myanmar (2001), Malaysia (2005), Cambodia (2009), Indonesia, Laos and Philippines (2010), Thailand and Vietnam (2011).

Sources: International Monetary Fund, CIA World Factbook, USDA Foreign Agricultural Service, Myanmar's Chambers of Commerce and Industry.

not live on this income," he says.

That leaves Tint Sein a painful choice: Abandon the farm to join the swelling ranks of Myanmar's landless farmers - or hope that his nation's new reformist government will revive the farm belt's fortunes.

Change is sweeping Myanmar. In 12 months of reforms, the former military junta has embraced an economic and political opening that has won praise from Washington to Tokyo.

But change is coming too slowly, or in the wrong forms, to the place where the great majority of Myanmar's people live: the farming heartland, which once led the world in rice exports before withering under half a century of military dictatorship.

Interviews with more than a dozen farmers and a journey across the fertile Irrawaddy Delta reveal the extent of the desperation.

Falls in the price of rice, Myanmar's main crop, have left many farmers suffering sharp losses and piling up debt at steep interest. Most are either unaware of reforms or, in some cases, fear them, including new legislation that could accelerate "land grabs" by entrepreneurs.

Senior government officials say farmers will be at the center of a coming wave of reforms. After freeing hundreds of dissidents, loosening restrictions on the political opposition and winning an easing of Western sanctions, they say they now intend to bring about a rural renaissance.

Their first steps haven't been promising. Farmers have hit the streets to protest land confiscation and ownership disputes under new laws intended as reforms. Farmers classified as "landless" are on the rise. The rice industry's forecasts of a strong increase in exports is failing to materialize.

At stake is the success of the "new Myanmar." Myanmar's leaders are hoping to show the world — and foreign investors — that they are moving forward after decades of military misrule and Soviet-style central planning. Seventy percent of Myanmar's 60 million people live on farms. The next reforms could determine how many migrate to urban slums, creating a new underclass and potential source of instability.

A PAST OF PLENTY

Under British colonial rule in the early 20th century, Myanmar - then known as Burma - produced half of the world's exports of rice. Even then, farmers rarely reaped the rewards.

SWEPT AWAY: Win Zaw (left) and his wife (right) lost everything when Cyclone Nargis swept over the Irrawaddy Delta in 2008. Now they live in a hut near Shan-su town, joining the growing number of landless farmers in the country also known as Burma. **REUTERS/DAMIR SAGOLJ**

Chettiars, a wealthy ethnic Indian caste, dominated farm lending after Britain made the country effectively a province of India in 1886. By the 1930s, they owned a quarter of the best land, either outright or through mortgages.

When the Japanese invaded in 1942, most Chettiars fled back to India. Farmers briefly took over the land until a military coup in 1962 ushered in a disastrous "Burmese Way to Socialism." The state banned private ownership, redistributed farms and imposed production quotas. Farmers struggled.

Myanmar's neighbors prospered. Thailand is now the world's top exporter of rice and rubber, and the second-biggest in sugar.

Still, the Burmese heartlands remain among Asia's most fertile, producing a trove of crops: from rice and beans to oil seeds, maize, rubber, sugarcane and tropical fruit.

The plight of today's farmers isn't lost on the new government in the capital Naypyitaw. A landslide win by the opposition party of Nobel Peace laureate Aung San Suu Kyi in April by-elections sent a clear message to the ruling Union Solidarity and Development Party. The military-backed USDP cannot win the 2015 general election without the support of farmers, the country's biggest constituency.

"Our biggest challenge is turning around the rural sector," said Tin Naing Thein, minister of national planning and economic development, who gave Reuters a preview of specific reforms that have yet to be made public.

Rural reform, said Tin Naing Thein, will consist mainly of increasing access to high-quality seeds, expanding credit through a new private agriculture bank, and diversifying crops in villages. Farmers will be encouraged to cultivate a second crop, such as mangos or bananas, to create another source of income. Factories, he said, would be built in rural areas to produce juice and other "value added" products from those second crops.

"Out of agriculture we can develop an industrial sector," he said.

Some fear this will encourage big companies to drive small farmers off their land. Two new bills - the Farmland Law and the Vacant, Fallow and Virgin Lands Management Bill - already face criticism from farm activists for creating more opportunities for the state to take over land.

> "The government never takes the trouble to think of us."
>
> **Win Zaw**
> Motorbike taxi driver

Another initiative – improving seed technology – is off to a rocky start. The introduction of an untested Chinese hybrid rice variety into much of the country produced "abysmal results," the U.S. agricultural attache wrote in a recent report. The seeds in many cases haven't worked, say farmers, producing low yields and making crops more susceptible to pests and disease.

Nor are exports thriving. The U.S. attache forecast a 23 percent drop in Myanmar's rice exports this year, hurt by a resumption of exports from India that increased supplies and hurt prices across Asia. Myanmar's rice industry had predicted in January exports would double to 1.5 million tonnes this year.

Rice farmer Tint Sein says he knows Myanmar is reforming, but has yet to see the evidence.

Centuries have barely changed life in villages like Lakapon. There is no internet connectivity, and almost nobody owns a mobile phone. Men till the fields with ox-drawn plows and hand-made scythes.

Tint Sein's earnings of 3,500 kyat ($4) a day are wiped out by his 5,000 kyat in costs,

including food for his wife and two grown children. He weaves bamboo baskets for extra money. When business is good, he can sell 10 baskets a day at 600 kyat (68 cents) each, but weeks go by without a customer.

To get by, he borrows from black-market lenders at 10 percent interest a month. He owes 300,000 kyat ($340) - and must borrow from a state bank just to pay the interest. "We are sinking in the debt," says his wife.

If Tint Sein had spare cash, he says, he would buy a power tractor. Instead, he relies on his four oxen and his 20-year-old son. His 15-year-old daughter is a seamstress at a nearby garment shop.

The family home, a two-room bamboo hut on stilts, has no chairs, tables or couch. In the evening, the family usually huddles around an open-pit fire outside for light. Three-quarters of Burmese homes are off the electrical grid. The village's only access to electricity is from a neighbor with a diesel generator. He offers power from 6 p.m. to 10 p.m., for 17 cents a month per light bulb.

If Tint Sein has a good harvest, he'll buy electricity, but these days it's beyond reach. Money is so tight that he sometimes cuts back on food. Instead of chicken, fish or pork, they eat watercress, rice and fish paste. "Sometimes that's all we can afford," he says.

He waves off a question about politics, a taboo for decades under army rule. His village is led by a chief hand-picked by the ruling military-backed party, despite new legislation meant to end that practice. The "Ward of Village Tract Administration Bill" rewrites old socialist-era laws to allow the election of local representatives and officials by secret ballot.

Local authorities say they are awaiting new rules on how to implement it. For now, villagers keep quiet on the subject.

Many farmers remain skeptical because of the government's last big test in the farm belt: Cyclone Nargis, which struck four years ago.

It was Myanmar's worst natural disaster, killing more than 130,000 people. The junta was slow to aid the disaster areas and had to turn to foreign donors to feed the populace. Today's reformist government includes many retired generals of the former junta.

One impact of the disaster was a rise in landlessness. Win Zaw, 51, said his home village of Shan-su was ruined by Nargis. He sold off his rice farm so he could afford to rebuild and became a motor-bike taxi driver in the village. He now earns about 1,000 kyat ($1.13) a day after costs.

"The government never takes the trouble to think of us," said Win Zaw. "We don't have time to think about politics."

SETBACKS: Landless farmers and their families are showing up in growing numbers in migrant camps such as this one on the outskirts of Yangon. Below: If Myanmar upgraded mills such as this one run by Than Lwin in Gohnyindan town, which runs on biofuel from rice chaff, the country could once again become a key rice exporter. **REUTERS/DAMIR SAGOLJ**

RURAL AWAKENING: The government says planned reforms could make Myanmar a top rice exporter again. But mills (top and right) such as this one in Kyaiklat must be upgraded, and farmers such as Aye Thant, whose baby is shown sleeping in a hammock, need better seeds and technology.
REUTERS /DAMIR SAGOLJ

SCRAPING BY: Tint Sein's 10-acre farm in Lakapon is not profitable, so he weaves baskets and his daughter sews to bring in extra income. Their spartan house, like most in rural Myanmar, has no electricity.
REUTERS SOE ZEYA TUN

A year after Nargis, the military eased rules on farm lending to free up loans. This allowed local tycoons, millers and traders to set up 54 agriculture development companies, or ADCs, to extend credit at interest rates of 2 percent.

These swiftly ran into trouble. Many farmers defaulted when crop prices languished below production costs. More than 80 percent of the ADCs stopped lending, says Myo Thuya Aye, managing director of Ayeyar Wun Trading Co Ltd, an ADC. Farmers can obtain loans of 50,000 kyat ($56) per acre from the state agricultural bank - only half of what is needed to cultivate an acre.

Broke, many farmers simply leave the farm, often finding work in factories and constructions sites in Thailand, Singapore and Malaysia. This diaspora is now estimated at three million people and continues to swell as rural conditions deteriorate. About 30 percent of the rural population is classified as "landless," the Asian Development Bank said in a June study.

Thaung Myint, a 48-year-old former soldier, lost his farm after racking up loans. He has been living for six months with about 300 squatters in a slum of bamboo huts, with no running water and no elec-

tricity, outside Yangon's Hlaing Thayar industrial zone.

Thaung Myint, his wife and their five children sleep, cook and eat in a tiny hut next to a factory that makes tractor parts. On a small scratch of land, he grows watercress and other vegetables to sell in the slum.

In late June, 22 of the squatters pleaded guilty in court to trespassing on a block of empty land about 90 meters (300 feet) wide. Thaung Myint fears he will be forced to move but doesn't know where to go.

"There are not many options for us, so we live here," he says.

"A BETTER LIFE"

Not everyone is flailing. Ten years ago, a frustrated Aye Thant left his village of Kyaiklat in the heart of the delta and traveled by bus to the Agriculture Ministry in Yangon. He wanted answers. How could he turn around his crops? How could he save his family's farm? A local official set up a meeting.

He was told he needed better seeds and was taught how to cultivate them. He developed his own seeds and sold them. They were a hit. Today, the 34-year-old is the richest farmer in his village, earning 5 million kyat ($5,600) a year.

His spacious brick townhouse boasts a television set and a DVD player. He drives a "Super Mandalar," a Burmese-made replica of the World War Two-era Willy jeep. Yet he hopes his two children, aged 10 and 12, never work on the farm. "I hope they can have a better life," he said.

Further along a pockmarked road, a few villages away, forty-year-old farmer and miller Than Lwin uses rice husks as a biofuel to run a mill. His riverside mill and 40-acre farm generate about 50,000 kyat ($54) a day, enough to pay four workers and turn a profit. But his equipment is more than 20 years old, a reminder of Myanmar's antiquated infrastructure — from poor irrigation to Southeast Asia's worst roads.

"So far, people have not felt the impact of the political changes. It has had no real impact," he said through betel nut-stained teeth.

Trucking rice from Pathein, a major rice village in the Irrawaddy delta, to the commercial capital Yangon, just 193 kilometers (120 miles) away, is costlier than shipping it from Yangon to Singapore, 2,500 kilometers (1,550 miles) to the south, says Ye Min Aung, secretary General of the Myanmar Rice Industry Association.

Upgrading all of Myanmar's mills would cost half a billion dollars, he adds, a fix he says would immediately boost exports. Nineteenth-century steam engines power some farmers' mills.

"If we can correct the milling sector, we can easily export 3 to 4 million without even looking at the production side," Ye Min Aung said, up from 778,000 tons in 2011. That would put Myanmar back among the world's top five rice-exporting nations.

The sharpest tensions in the countryside hinge on alleged land grabs, in which the government and private developers are forcing farmers to leave their property for little or no compensation.

The Asian Legal Resource Centre, a human-rights watchdog based in Hong Kong, urged the United Nations in June to help prevent an "epidemic of land grabbing" in Myanmar by pressuring the government to amend a clause in the new Farmland Law that allows the state to expropriate land in the "national interest."

In July, about 200 farmers protested on the outskirts of Yangon, saying their land was seized by property company Zaykabar. Its chairman, Khin Shwe, is a member of the upper house of parliament and listed under U.S. and European sanctions for links to the former junta. He says Zaykabar's use of the land is legal.

In the city of Meiktila, in Myanmar's central dry zone, about 30 farmers demonstrated from July 11 to July 13 against what they say is the seizure of their rice farms for a highway between Yangon and Mandalay, the country's two biggest cities.

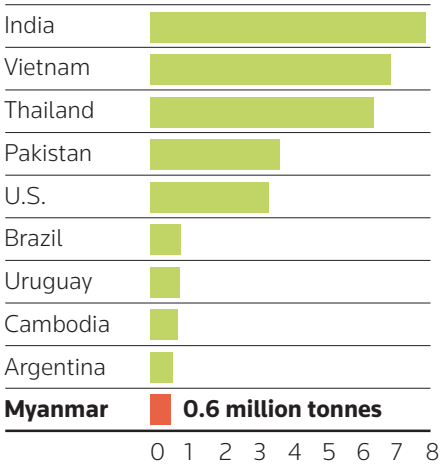
Thaung Tin says she was forced to sell

Global rice trade

Myanmar is a key exporter of the staple

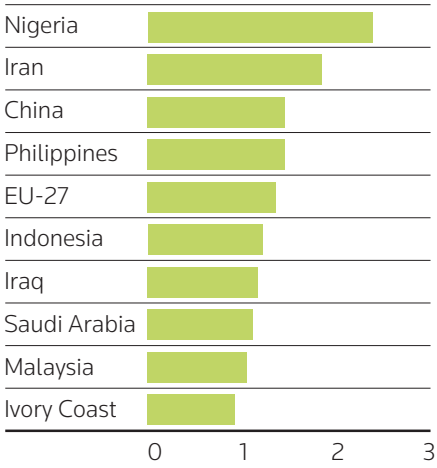
TOP EXPORTERS

Million tonnes (2012 forecast)



TOP IMPORTERS

Million tonnes (2012 forecast)



NOTE: Forecast data as of July, 2012.
Source: USDA Foreign Agriculture Service

NEXT GENERATION: Farms, such as Tint Sein's, have been in the family for generations. But Tint Sein, like many others in rural Myanmar, is sinking deeper into debt and in danger of losing his land. **REUTERS SOE ZEYA TUN**

her family's 4.5 acres to a company against her will. She was rotating crops of beans and pulses in a Burmese system known as taungya, in which land is regularly left fallow. If the state decides a farmer is not using the land, it can be seized under the Vacant, Fallow and Virgin Lands Management Bill. That's what happened to her, she said.

"One year ago, after the bean season, the company said this is unused land. They planted palm trees there and asked me to sell it. And I had to sell it even though I didn't want to," she said. "Now I have to work on other people's farms. I want my land back."

> "Now I have to work on other people's land. I want my land back."
>
> **Thaung Tin**
> Displaced farmer

Sein Win, an official with the Ministry of Construction, said farmers will be compensated and the highway will benefit many villages, including the displaced farmers.

"We'll face small problems like this whenever government wants to make a big project," he said.

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