

Monitoring the Impact of COVID-19 in Myanmar

Rice millers – August 2020 survey round

Joseph Goeb, Phoo Pye Zone, and Yulu Tang

To understand how Myanmar's rice value chain has been affected by the COVID-19 crisis, a series of telephone interviews are being conducted with rice millers from Ayeyarwady, Bago, and Yangon. This report presents results from the second round of interviews conducted with 371 medium and large-scale rice millers in early to mid-August 2020 – prior to the second wave of COVID-19 affecting Myanmar.

Key findings

- 44 percent of rice millers reported challenges buying paddy and 26 percent reported disruptions to rice sales. With the timing of the survey in August, these challenges are unlikely to have been driven by the transportation restrictions that were a challenge earlier in the monsoon season.
- 71 percent of rice mills were using some safety measures, but adoption of social distancing was near zero and use of face coverings decreased 19 percentage points from July.
- 46 percent of mills reported lower daily throughput compared to the same time in 2019. The median decrease among those reporting lower throughput was 30 percent.
- Milling margins increased on average in the August survey compared to July.
- 38 percent of mills applied for new loans in the thirty days prior to interview. However, just 57 percent of those who applied were successful.

Recommended actions

- Continue and expand the government relief loan program offered to small and medium enterprises – Action 2.1.1 under the COVID 19 Economic Relief Plan (CERP) of the Government of Myanmar.
- Coordinate movement and transportation restrictions to ensure that they do not impede monsoon harvest sales. It is essential for their livelihoods that farmers be able to sell their crops. Even before the restrictions put in place to mitigate further transmission during the second wave of COVID-19 infections, millers had difficulty buying paddy.
- Promote safety practices for rice millers, as for all businesses. In particular, face coverings and social distancing for employees and customers should be emphasized. These practices had an alarmingly low adoption rate by millers in August. Low-cost and fast public health information dissemination tools, like Facebook, should be utilized.

Introduction

This is the second policy note in a series presenting the results from telephone surveys with approximately 400 rice millers in three important rice-growing regions of Myanmar: Ayeyarwady, Bago, and Yangon.¹ Mills are the most important link between farms and consumers in the rice value chain. In addition to drying, milling, processing, and storing rice, mills also buy paddy directly from farmers and often provide farmers with inputs on credit. Thus, any shocks to rice mills will impact both rural rice-producing households and urban consumers.

To understand how the COVID-19 crisis and the corresponding policy responses are affecting the business activities of rice mills in Myanmar, we are conducting a panel telephone survey with rice millers. Interviews have been conducted every 30 days starting in July 2020, continuing through the monsoon harvests and ending in November. This report presents the results from the second survey round conducted in August. Interviews were completed by August 22, before a second wave of COVID-19 infections began to spread widely in Myanmar.

The July survey round revealed several important results, including:

- widespread buying and selling disruptions from COVID-19 – over half of the mills interviewed reported experiencing each disruption;
- millers expected drastically lower revenues in 2020 compared to 2019 – over half expected a revenue decline of at least 30 percent; and
- both paddy buying and rice selling prices were slightly higher than the 2019 average, and prices increased more for low-quality varieties than for high-quality varieties.

In the August survey round, we continued to assess general COVID-19 effects on rice millers and business responses. This included tracking changes at specific stages in the operations of the mills – storage, throughput, and buying and selling prices.

Table 1. Number of interviews conducted by survey round

	July	August
Operating mills	324	252
Temporarily closed mills	79	119
Total interviews	403	371

We conducted interviews with 371 mills in August. There was some attrition – 32 fewer mills were interviewed compared to July. We also saw a large increase in the share of mills that were temporarily closed, which is an effect of normal seasonality in the rice value chain as paddy supplies wane until the monsoon harvests. We collected basic data from both operating and closed mills. However, our analysis below focuses on the 252 operating mills.

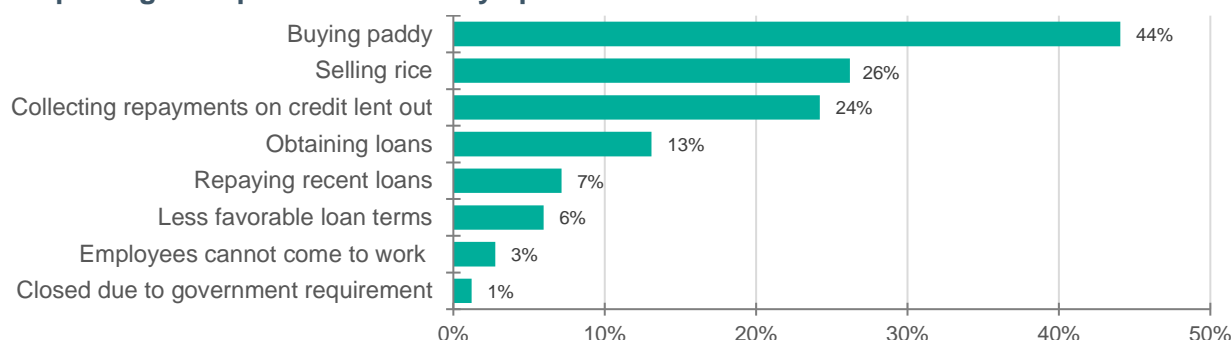
COVID-19 effects on the business operations of rice millers

In the August survey, we continued to track COVID-19 challenges facing rice millers with questions about the disruptions experienced in the 30 days prior to interview. We also asked rice millers about their responses to these disruptions. The largest challenge millers faced in the August survey was buying paddy – 44 percent of rice millers experienced this disruption (Figure 1). Interestingly, many fewer mills were experiencing challenges on the marketing side in selling their milled rice. Only 26 percent of rice millers interviewed reported disruptions to rice sales, which is a dramatic

¹ The results from the first round of the survey are reported in: Goeb, J., P.P. Zone, and Y. Tang. 2020. *Monitoring the Impact of COVID 19 in Myanmar: Rice millers – July 2020 survey round*. [Myanmar SSP Policy Note 26](#). Yangon: International Food Policy Research Institute.

improvement from the July interview where 51 percent of mills experienced sales disruptions. This asymmetry is unlikely to be caused by transportation restrictions, which were mostly lifted at the time of the survey, suggesting other difficulties sourcing paddy that millers perceive to be related to COVID-19 shocks.

Figure 1. Disruptions to rice milling business from COVID 19 crisis, share of respondents reporting disruption in the 30 days prior to interview

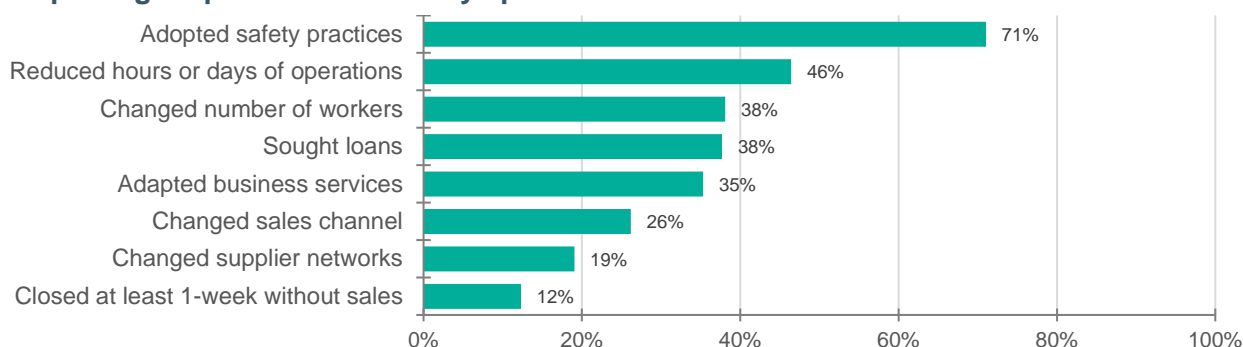


Source: Rice millers telephone survey – August 2020 survey round

In the August survey, government mandated business closures and employee work availability were only minor disruptions to milling operations. However, credit-related disruptions continued to be a challenge. One-quarter of the mills interviewed reported difficulty collecting repayments from credit offered out to farmers. This effect was not unique to rice mills. Other surveys with input retailers and crop traders have shown similar changes, likely related to the dramatic income shocks from the COVID-19 crisis. The next largest difficulties for rice millers were in obtaining new loans, repaying current debts, and less favorable loan terms.

Strikingly, 38 percent of the rice mills interviewed sought new loans in the August survey (Figure 2). The August survey was conducted shortly after the government began accepting applications for the second round of COVID-19 relief loans (CERP Action 2.1.1) that prioritized, among others agricultural businesses. Though many mills applied for these loans, there was some confusion for respondents over which entity was administering the loans. Consequently, we were unable to identify the exact number of relief loan applications. Nevertheless, the share of mills applying for loans increased from the July survey by 10 percentage points. The immediate success rate for loan applicants was low in the August survey at just 56 percent, though there is likely to be a lag between application and receipt of the COVID-19 relief loans.

Figure 2. Rice millers' business responses to the COVID 19 crisis, share of respondents reporting response in the 30 days prior to interview



Source: Rice millers telephone survey – August 2020 survey round

The most common business response to COVID-19 was to adopt safety practices, reported by 71 percent of rice mills in August (Figure 2). This is slightly down from the 83 percent adoption in the

July survey. Table 2 shows a detailed breakdown across both survey rounds of which safety measures millers were employed. Handwashing and face coverings are the most common practices. However, compared to July, adoption was down for both. Adoption of other safety measures in August was almost nil and there were dramatic decreases in maintaining safe distances, conducting temperature screenings, and limiting direct contact. Though the August survey was conducted before the second wave of COVID-19 infections in Myanmar, it is a reminder that safety practices need to be continually encouraged until there is a more permanent solution to infection.

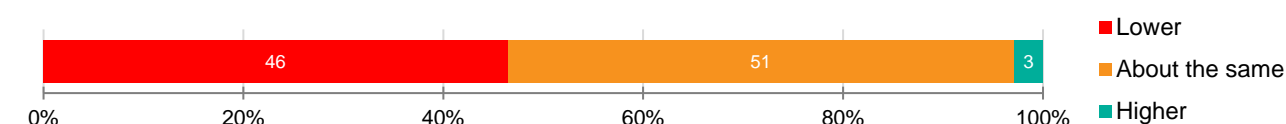
Table 2. Safety measures taken by survey round, percentage share of mills adopting

Safety measures	July	August
Employees wash hands regularly	81	71
Employees wear face coverings	80	61
Cleaning or sanitizing of shop surfaces	4	3
Maintain safe distance	17	1
Temperature screenings	37	1
No direct contact	17	1
Limit number of customers	2	1
Closed entrance(s) to the shop	0	0

Source: Rice millers telephone survey – July and August 2020 survey rounds

The second most common business response to COVID-19 was to decrease mill operating time (Figure 2). The reduction was at least partly due to seasonality. To disentangle seasonality from COVID-19 effects, we asked each mill how its daily throughput in 2020 compared to the same time last year. Though the mills produced about 25 tons of rice per day in the month prior to the August interview, nearly half of the mills reported lower daily throughput compared to the same time in 2019. Only 3 percent reported a higher daily throughput (Figure 3). The median decline among those with lower throughput was 30 percent, suggesting that the reported business responses in Figure 2 are at least partially due to continued COVID-19 shocks and not solely a result of seasonality. For those who responded that throughput was lower this year, 80 percent attributed the decrease to difficulties buying paddy and 54 percent said that there was less demand for milled rice, which aligns with the observations shown in Figure 1 that disruptions in buying paddy were larger than those in selling milled rice. Larger mills were more affected than smaller mills – 57 percent of mills in the highest tercile by milling capacity for our sample reported a year-on-year decline in throughput compared to just 35 percent or mills in the smallest tercile by milling capacity. More research is needed to determine exactly why millers are having difficulties purchasing paddy.

Figure 3. Changes in daily rice throughput volumes in August 2020 compared to the same time in 2019, percentage share of mills



Source: Rice millers telephone survey – August 2020 survey round

Consistent with the decline in throughput, 38 percent of mills reported in the August survey reducing the number of workers they employed. The average number of permanent employees was 6.6, down from 7.7 in the July round. There was an even greater decline in the number of daily casual workers hired – in the August survey, mills hired 15 per day, compared to nearly 20 in the July survey.

Over one third of mills reported adapting how they conducted their business operations and services. This was almost exclusively in the form of using cellphones more to arrange paddy purchases and rice sales. Adoption of mobile banking applications was near zero, however.

Mills did not significantly adjust their storage practices between the July and August survey rounds (Table 3). There was a small decline in vacant storage area and a small increase in storage area devoted to paddy. Rice storage levels were similar.

Table 3. Average allocation of storage space, percentage by survey round

	July	August
Own rice	20	20
Other's rice	7	5
Paddy	59	61
Other purposes	2	5
Vacant	12	9

Source: Rice millers telephone survey – July and August 2020 survey rounds

In the July survey, we found that both paddy purchase prices and milled rice sales prices were higher than the 2019 averages, and that miller margins had decreased for higher priced varieties, but increased for lower priced varieties. In the August survey, we continued to track buying and selling prices at the variety level. On average, paddy buying prices decreased from July to August and rice selling prices increased, resulting in increased miller margins (Table 4). Margins increased for each of the main varieties processed by the mills in our sample, with higher priced varieties showing larger increases between the two survey rounds. In general, these changes may reflect a decrease in competition from fewer mills operating in August. Nonetheless, mills still operating appear to have higher returns, particularly for higher-priced varieties.

Table 4. Average paddy buying prices, rice selling prices, and miller margins, overall and for main varieties, MMK per pound

	August survey			July survey		
	Buying price	Selling price	Margin	Buying price	Selling price	Margin
Overall	136	247	111	144	233	89
Rice variety						
Thee Htet Yin	113	208	95	128	216	88
Yadanar Toe	132	216	84	128	207	79
Emata	127	226	100	140	222	82
Yat 90	138	234	97	135	225	90
Sin Thuka	136	242	106	143	232	88
Manawthukha	137	254	117	139	227	88
Paw San Hmwe	176	342	166	209	329	120

Source: Rice millers telephone survey - July and August 2020 survey rounds
Varieties selected have at least 15 observations in the August survey round

Lastly, in the August survey we asked mills about their planned investments in the coming year and whether they foresee any challenges in executing those plans. Fifty-nine percent of the mills interviewed had plans to purchase new machines. Among those mills planning to invest, the most common machines were color sorters (68 percent), mist polishers (67 percent), and driers (57 percent). Among those not planning to invest, 51 percent said they do not need new machines, while 54 percent said that a lack of financing was their primary constraint to making additional investments. Financing was also a concern among mills planning to make investments – 93 percent said that financing could prevent them from implementing their plans.

Recommendations

The above analysis from telephone interviews conducted in August 2020 with 251 operating rice mills in Yangon, Ayeyarwady, and Bago lead to the following policy recommendations:

- Continue and expand the government relief loan program offered to small and medium enterprises – Action 2.1.1 under the COVID 19 Economic Relief Plan (CERP) of the Government of Myanmar.² There is a clear demand for credit as 38 percent of mills interviewed applied for loans in the August survey round.
- Coordinate movement and transportation restrictions to facilitate sales of monsoon season crops. It is essential for rural livelihoods that farmers are able to sell their monsoon paddy, and even before the lockdowns and restrictions put in place to mitigate further transmission of COVID-19's second wave, millers had difficulty buying paddy.
- Promote safety practices for rice millers and all businesses – in particular, face coverings and social distancing for both employees and customers should be emphasized. The latter had an alarmingly low adoption rate by millers in August. Low-cost and fast information dissemination tools like Facebook should be utilized regularly.

² Government of the Republic of the Union of Myanmar. 2020. *Overcoming as One: COVID-19 Economic Relief Plan*. Nay Pyi Taw: Government of the Republic of the Union of Myanmar.

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