

STRATEGY SUPPORT PROGRAM POLICY NOTE 41

Monitoring the Impact of COVID-19 in Myanmar

Rice millers – October 2020 survey round

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To understand how Myanmar's rice value chain has been affected by the COVID-19 crisis, a series of phone interviews is being conducted with rice millers from Ayeyarwady, Bago, and Yangon. This report presents results from the fourth interview round conducted in October 2020. These results capture the effects of the second wave of COVID-19 related lockdowns that began in September.

Key Findings

- 68 percent of millers reported transportation disruptions to buying paddy in October, while 76 percent reported transportation disruptions to selling milled rice.
- 65 percent of mills reduced their operating time due to COVID-19 policies and 26 percent closed for at least one week.
- Only about half of the millers surveyed required employees to wear masks and only 9 percent maintained safe distances between employees and customers.
- The use of cellphones to coordinate purchases and sales declined, suggesting an increase in the amount of business conducted in-person.
- Prices dropped month-on-month as the monsoon harvest came in. Paddy prices declined 20 percent on average and rice selling prices fell 6 percent. Estimated milling margins increased by 14 percent on average, whereas rice bran and broken rice prices fell by 17 and 10 percent, respectively.

Recommended Actions

- Government should widely promote the use of masks and social distancing, possibly using a targeted communications strategy for industry-specific recommendations. Promoting the use of cellphones to conduct business would also improve safety.
- Government should work quickly to reduce transportation restrictions at all administrative levels—including unofficial restrictions implemented at the sub-regional level. Where deemed necessary, government should be decisive and transparent about what the restrictions are and when and how they will be enforced. Transit of monsoon crops and other essential goods and services should be given exemptions to allow greater unrestricted movement, possibly through a special permitting system.

Introduction

This policy note is the fourth in a series presenting the results from telephone surveys with approximately 500 rice millers in three important rice-growing regions of Myanmar: Ayeyarwady, Bago, and Yangon. Mills are the most important link between farmers and consumers in the rice value chain; any serious shocks to rice mills will impact both rural rice-producing households and urban consumers.

The purpose of this survey series is to better understand how the COVID-19 crisis and the corresponding policy responses are affecting rice processing businesses. The same sample of rice millers has been called monthly starting in July 2020, allowing us to track changes in COVID-19 effects during the monsoon harvests and during the second wave of COVID-19 in Myanmar. The survey will continue through February 2020. This report presents results from the fourth survey round conducted in October 2020.

In the previous policy notes in this series¹, we observed a sharp increase in disruptions to rice demand and paddy supply from transportation restrictions implemented in early September to mitigate the second wave of rising COVID-19 incidence. However, in late September (shortly after the September round of interviews and before the October survey), the Myanmar government implemented more stringent and widespread stay-at-home orders. This policy note shows that these disruptions increased dramatically in the October survey round–76 percent of rice millers experienced disruptions to selling rice and 68 percent experienced disruptions to buying paddy. This report details how millers have responded to these COVID-19 disruptions and tracks the prices of both paddy and rice in October relative to previous months.

We conducted interviews with 470 millers in October (Table 1). With the arrival of the monsoon paddy harvests, there was a large increase in October in the share of mills operating (74 percent) relative to September (60 percent). As we captured more detailed information for these operating mills than for those that were temporarily closed, our analysis focuses on the sub-sample of the 349 respondents with operating mills.

	July	August	septemb	er October
Operating mills	324	252	263	349
Temporarily closed mills	79	119	177	121
Total interviews	403	371	440	470

Table 1. Number of rice millers interviewed, by survey round

Source: Rice millers phone survey - August, September and October 2020 survey rounds

Effects of COVID-19 on the business operations of rice millers

In each survey round, we asked millers about the COVID-19 related disruptions they experienced in the 30 days prior to the interview. Since the start of the survey rounds, the most common disruptions have been in buying paddy and selling rice. Figure 1 shows that these disruptions increased dramatically in October when 68 percent of millers reported disruptions to buying paddy and 76 percent reported disruptions to selling rice. The lockdown policies had other negative effects as well. The government forced 9 percent of mills to close under the new lockdown policies. There were also increases in credit related disruptions. The shares of mills reporting challenges in October in

¹ The results from previous rounds 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*. <u>Myanmar SSP Policy Note 26</u>. Yangon: International Food Policy Research Institute.

Goeb, J., P.P. Zone, and Y. Tang. 2020. Monitoring the Impact of COVID 19 in Myanmar: Rice millers–August 2020 survey round. Myanmar SSP Policy Note 34. Yangon: International Food Policy Research Institute.
 Goeb, J., P.P. Zone, N.L.K. Synt, A. Cho, and Y. Tang. 2020. Monitoring the Impact of COVID 19 in Myanmar: Rice millers–September 2020 survey round. Myanmar SSP Policy Note 37. Yangon: International Food Policy Research Institute.

obtaining new loans (12 percent), less favorable loan terms (8 percent), and collecting repayments from credit lent out to farmers (19 percent) were all higher than the levels observed in the September survey. These effects on credit in October were closer to the levels reported in August.

Figure 1. Disruptions from COVID-19 on rice mills, share of respondents affected by survey round



Source: Rice millers phone survey–August, September, and October 2020 survey rounds

Along with the increase in COVID-19 disruptions came an increase in rice miller adaptations (Figure 2). The most common adaptation reported in the October survey was a reduction in operating hours, implemented by 65 percent of mills, an increase from 42 percent in September. There was also a large increase in the number of mills that closed for at least one week–26 percent in October compared to just 8 percent in September–as the government implemented stay-at-home orders.





Source: Rice millers phone survey-August, September, and October 2020 survey rounds

The average number of days that mills were operating out of the 30 days prior to interviews was 13 in the October survey, which was a three-day decline from 16 days in both August and September (Table 2). This decline occurred despite a seasonal increase in milling activity shown by average daily throughputs increasing in October to 30 metric tons from 27 metric tons in September. However, 44 percent of mills reported lower average daily throughput this year compared to the same time in 2019. Lower rice demand was a contributing factor in the year-on-year decline in throughput, though

factors leading to lower rice yields also likely play a role, such as the effects on the rice crop of adverse weather conditions.

averages by survey round			
	August	September	October

Table 2. Mill operating days,	daily throughput, and numb	per of temporary employe	es hired,
averages by survey round	1		

Average number of days operating in last 30 days	16	16	13
Average daily throughput (metric tons)	25	27	30
Average number of temporary employees hired	15	15	16

Source: Rice millers phone survey-August, September, and October 2020 survey rounds

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The second most common adaptation for millers in the October survey was hiring a different number of workers than usual (64 percent). Mills increased their number of employees in October by hiring one more temporary worker on average than they did in September (Table 2), likely due the seasonal increase in rice milling. The shares of mills that changed suppliers (15 percent) and sales channels (15 percent) also increased from the September survey, though both were lower than the shares reported in August.

For the first month since we began the surveys, safety measures to prevent COVID-19 were not the most common adaptation. The share of millers adopting safety practices was the same in the October survey as in the September survey (62 percent), declining from the level reported in the August survey (71 percent). This is a surprising result given the recent large increase in confirmed COVID-19 cases and the strong government policy response in September and October. This may suggest some fatigue with safety behaviors as fewer mills are taking the important precautions necessary to safely conduct business during the second wave of COVID-19 in Myanmar. There was a large increase in the use of temperature screenings-22 percent in October compared to only 4 percent in September. However, only about half of mills required employees to wear masks and only 9 percent maintained safe distances between employees and customers.

Mills were also less likely to incorporate cellphone use into their business operations in October compared to previous months. In particular, millers were less likely to coordinate paddy purchases and rice sales over the phone. Cellphone adoption for each was 24 percent in October, compared to more than 30 percent in August and September. Together with the overall increase in milling, this result suggests that there has been a large increase in the number of in-person transactions in October, which further underscores the potential risks associated with the decline in safety practices.

In the October survey, we also continued to track the utilization of mills' storage space for different purposes. There was a large decline in the storage area dedicated to paddy due to the influx of the monsoon harvest, with an increase in the storage area allocated to milled rice (Table 3). Mills attributed the latter effect to transportation restrictions and low rice demand. Twenty-one percent of millers were storing rice longer in October compared to the same period in 2019, an increase of 19 percentage points compared with September (Figure 3). The most common reasons for storing rice longer were transportation restrictions (85 percent) and difficulties in finding rice buyers (49 percent).

	August	September	October
Own rice	20	15	23
Other's rice	5	2	8
Paddy	61	44	31
Other purposes	5	10	10
Vacant	9	29	27

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

Source: Rice millers phone survey-August, September, and October 2020 survey rounds

Figure 3. Change in rice storage time relative to the same period in 2019, percentage by survey round



Source: Rice millers phone survey-August, September, and October 2020 survey rounds

Rice and rice byproduct prices

In each survey round, we asked millers to report their paddy purchasing prices and rice sales prices for the most common variety they traded in the 30 days prior to interview. As expected from the supply increase during the monsoon paddy harvest, paddy buying and rice selling prices in October declined compared with September (Table 4). Paddy prices declined 20 percent on average, with the largest decline coming in the most common variety, Sin Thuka, the prices for which dropped 26 percent. Rice selling prices had smaller declines, dropping only 6 percent on average, and, as a result, estimated gross milling margins increased by 14 percent in the October survey. At the variety level, paddy prices dropped and milling margins increased for each of the top seven varieties in our survey. Higher milling margins do not necessarily imply that profits increased, as costs may be higher due to transportation restrictions.

	August		:	September			October		
	Paddy buying price	Rice selling price	Margin	Paddy buying price	Rice selling price	Margin	Paddy buying price	Rice selling price	Margin
Overall	136	247	111	158	264	106	126	247	121
Variety									
Thee Htet Yin	113	208	95	147	241	94	132	240	108
Yadanar Toe	132	216	84	135	221	86	121	216	95
Emata	127	226	100	147	240	93	125	243	118
Yat 90	138	234	97	149	245	96	133	250	117
Sin Thuka	136	242	106	161	263	102	119	232	113
Manawthukha	137	254	117	144	252	108	124	244	120
Paw San Hmwe	176	342	166	213	347	134	191	362	171

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

Source: Rice millers phone survey–August, September, and October 2020 survey rounds Varieties selected have at least 10 observations in the October survey round

The monthly changes in paddy and rice prices in Table 4 may be exhibiting normal seasonal fluctuations. Table 5 helps put these price patterns in context by comparing the month-on-month changes in rice prices from our sample of mills with the retail price changes in Yangon going back to 2018. This is an imperfect comparison as there are separate factors and costs that lead to fluctuations or greater stability at the retail level. However, other things equal, we would expect the price changes to be similar.

The 7 percent rice price increase in September in our data does not align with the seasonal retail price changes in recent years, which mostly show negative month-on-month changes in September. More research is needed to understand what is driving that difference. Nevertheless, the October price changes in our data align with seasonal retail price changes, which generally show price declines in October. The exception is the Paw San Hmwe rice variety in 2020, which shows a 14 percent increase. Our miller data also shows a month-on-month increase for Paw San Hmwe rice (4 percent, Table 4). While there are many contributing factors that drive rice prices, the observed

month-on-month percentage changes for October in our miller survey track well with retail prices and appear generally in the neighborhood of seasonal changes in retail rice prices.

Table 5. Seasonality in rice prices, month-on-month percentage change in rice pricesSeptember and October, comparison to retail prices in 2020, 2019, and 2018

	September	October
Miller phone survey rice sales price changes		
2020 overall	7	-6
Myanmar Rice Federation retail rice sales price changes, by variety		
2020		
Paw San	-2	14
Aye Ma Hta	-5	-7
Nga Sein	0	-4
2019		
Paw San	3	-3
Aye Ma Hta	-5	-3
Nga Sein	0	-4
2018		
Paw San	0	-11
Aye Ma Hta	-2	0
Nga Sein	0	0

Sources: Rice millers phone survey–August, September, and October 2020 survey rounds. Myanmar Rice Federation retail rice prices, Yangon.

Prices of the two main rice byproducts-rice bran and broken rice-also showed month-on-month declines in the October survey (Table 6). Rice bran prices fell by 17 percent on average and broken rice prices fell by 10 percent on average. These changes are likely driven by an increase in supply. However, both prices remain higher than at the same time in 2019. The average price of rice husks-the lowest value byproduct, which is often given away-showed a price increase in the October survey compared to September, but slightly lower prices relative to the same time in 2019. The forthcoming November round of the rice millers phone survey will add detail on byproduct sales to better understand these changes.

Table 6. Average byproduct prices by survey round and compared to 2019, MMK per pyi20202019AugustSeptemberOctoberHusks1601575

315

Broken rice847801722707Source: Rice millers phone survey – August, September, and October 2020 survey rounds

379

Recommendations

Rice bran

335

Policies implemented to curb the spread of COVID-19 in Myanmar had adverse effects on rice millers at the onset of the 2020 monsoon harvest–a critical time for crop marketing. While actions must be taken to limit disease transmission across the country, the continued efficient and safe operations of rice value chains is crucial for both farm households and consumers. The above analysis of data obtained through telephone interviews with 349 active rice mills in Yangon, Ayeyarwady, and Bago in October 2020 shows dramatic disruptions to both paddy buying and rice selling as well as a worrying decline in the adoption of masks and other public health safety precautions. We recommend the two following policy actions:

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- Government should continuously and widely promote face coverings (e.g., masks) and social distancing not only to the public but also specifically to rice millers and other essential businesses. If general safety recommendations are ineffective, government should employ a targeted communication strategy and provide industry-specific recommendations. The share of millers using masks has decreased since August. Though there was an increase in the use of temperature screenings, adoption remained low (22 percent in October). Additionally, temperature screening does not identify asymptomatic cases. Thus, masks and distancing should be promoted to rice millers, farmers, and traders throughout the monsoon harvest period. Promoting the use of cellphones to conduct business would also improve safety.
- Government should work quickly to reduce any transportation restrictions at all administrative levels—including unofficial restrictions implemented at the sub-regional level. Where deemed necessary, government should be decisive and transparent about what the restrictions are and when and how they will be enforced. Transit of monsoon crops and other essential goods and services should be given exemptions to allow more unrestricted movement, possibly through a special permitting system.

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