

Monitoring the Agri-food System in Myanmar

Rice Millers – June 2021 survey round

To understand the effects of recent economic and political disruptions on Myanmar's rice sector, we conducted an additional round of a telephone survey of medium- and large-scale rice millers in June 2021.

Key findings

- There were significant disruptions to Myanmar's rice milling sector during the summer paddy season. Making and receiving payments were the most common problems—experienced by about 80 percent of millers—and 87 percent of millers said the banking sector was the largest challenge.
- Transportation disruptions were also common—70 percent of millers experienced restrictions or curfews and 63 percent had higher transport costs.
- Millers continued to depend heavily on cash in June—94 percent of paddy purchases and 77 percent of rice sales were conducted in cash. Compounding the cash challenges, millers reported 14 percent less working capital in June 2021 than June 2020.
- Summer season rice throughput was 22 percent lower on average in 2021 relative to 2020.
- About half of the interviewed millers provided credit to farmers in 2020 and 68 percent of those mills plan to offer less credit in 2021.
- After fluctuations in January and April 2021, paddy and rice prices were close to their 2020 levels in June 2021. Rice milling margins have been remarkably stable over time.
- Byproduct marketing recovered in June from a decline in April 2021. 85 percent of millers sold rice bran and broken rice close to their 2020 levels and more than 70 percent of those selling reported higher sales quantities than the same period last year.

Looking forward

- Any lingering disruptions from political unrest or COVID-19 will have amplified effects during the upcoming monsoon marketing season which accounts for more than 80 percent of Myanmar's annual rice production.
- Constraints in cash access and banking disruptions are of particular concern, though other challenges to milling operations could also have negative effects for both farmers and consumers.
- Rice milling margins show small fluctuations year-over-year and do not appear to contribute meaningfully to any increased gap between the farmgate and consumers.

Introduction

Rice mills are the most important link in Myanmar's rice value chain. Mills buy paddy from farmers and process it into rice, the primary staple of Myanmar accounting for more than 50 percent of calories consumed in the country. Thus, disruptions to the milling sector have important upstream implications for farm incomes as well as downstream implications for household food security.

In this Research Note, we present results and analysis of recent economic disruptions to rice mills from a June 2021 round of a telephone panel survey of 425 millers in Ayeyarwady, Bago, and Yangon. We examine (i) disruptions caused by the current political and COVID-19 crises; (ii) changes in business operations including throughput, paddy stocks, and credit offered to farmers; (iii) paddy and rice price changes from January to June 2021 with comparisons to 2020; and (iv) byproduct sales and price changes compared to the same period in 2020.

Rice mill sample size and location

From May 30 to June 6, 425 mills were reached via telephone for interview, of which 335 (78 percent) were active and 90 (21 percent) were inactive (Table 1). Similar shares of mills—between 19 and 25 percent—in each region were inactive. Safety due to political instability and normal seasonality were the two main reasons for not being active, cited by 43 percent and 41 percent of the respondents, respectively. Yangon mills were most likely to report instability and least likely to report seasonality. COVID-19 was cited by just 12 percent of all mills.

The Emata rice varieties which are grown under summer irrigation from March to June were the main milled variety for 90 percent of active mills in June. Pawsan was the main milled variety for just 7 percent, with a higher share in Yangon.

Table 1. Rice miller sample, main reasons for inactivity, and main rice varieties by region

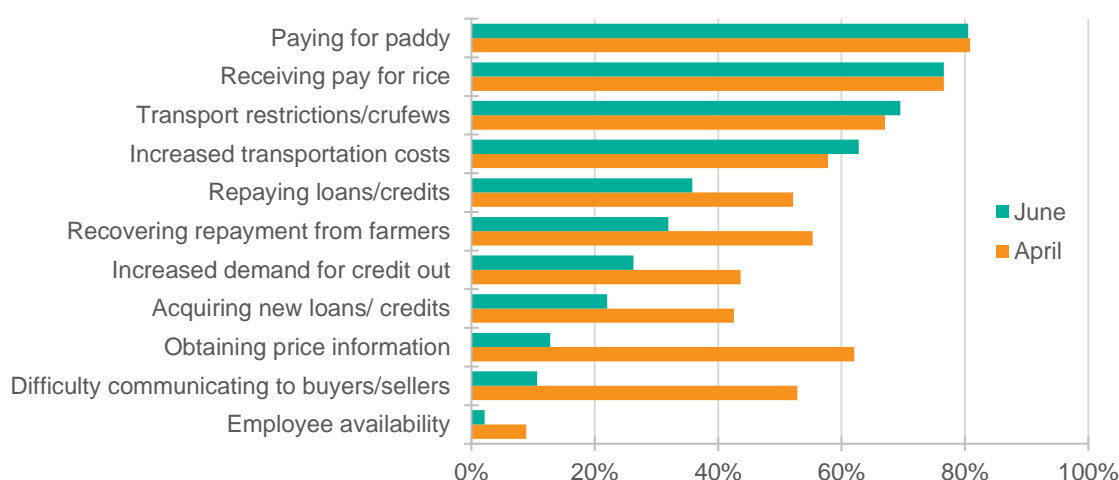
	All	Ayeyarwady	Bago	Yangon
Active in June 2021, number	335	174	111	50
Not active in June 2021, number	90	43	30	17
Total number	425	221	141	67
If not active, main reasons not active				
Safety related to political instability (%)	43	26	53	68
Seasonality (%)	41	45	44	26
COVID-19 (%)	12	17	9	5
If active, main rice variety milled in April				
Emata (%)	90	90	99	59
Pawsan (%)	7	8	0	22
Other (%)	4	3	1	19

Source: Rice miller phone survey–June 2021 survey round.

Disruptions to rice milling

To understand the effects of recent economic disruptions on rice millers, we asked a series of questions about the different types of disruptions that mills experienced in the 30 days prior to the interview. Figure 1 shows comparisons between the April and June survey rounds. The four largest categories of disruptions were related to making/receiving payments and transportation. These show no signs of lessening between April and June. However, other disruption categories show improvements. Multiple credit related disruptions were still prevalent in June but much less common than in April. Additionally, the largest improvements reported were in telecommunications disruptions as internet services were restored albeit with restrictions for many applications and websites.

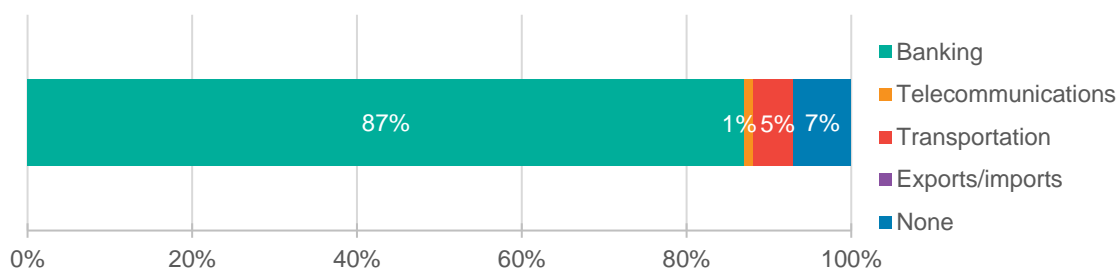
Figure 1. Disruptions experienced by rice millers in 30 days prior to interview, percentage reporting



Note: Sample restricted to the mills responding to both survey rounds (N=282).
Source: Rice miller phone survey–April and June 2021 survey rounds.

To understand the relative impacts of these disruptions, we asked millers to identify which group of disruptions they considered to be the most severe. Disruptions in the banking system stood clearly as the largest problem for rice millers and were reported by 87 percent of respondents. Transportation disruptions, which were reported by a high share of millers in Figure 1, fell to a very distant second with only 5 percent of millers saying they are the most significant.

Figure 2. Most significant business disruption experienced, percentage of rice millers reporting



Source: Rice miller phone survey–June 2021.

Rice milling operations changes in response to disruptions

Rice millers were asked a series of questions to understand how they have responded to the disruptions reported above. Following the large banking sector disruptions, the April 2021 survey showed a shift in payment methods to a heavy reliance on cash.¹ That shift continued into June with 94 percent of paddy purchases and 77 percent of rice sales conducted in cash. Additionally, working capital was 14 percent lower than during the same time in 2020 (Table 2). The result was a decline in summer season throughput by about one-fifth relative to 2020. Paddy stocks were also 25 percent lower in June 2021 compared to one year prior. Further, active millers hired 10 percent fewer temporary workers and median wages were 500 MMK/day lower than in 2020.

¹ Myanmar Agricultural Policy Support Activity. 2021. Monitoring the agri-food system in Myanmar: Rice millers–April 2021 survey round. <https://ebrary.ifpri.org/digital/collection/p15738coll2/id/134420/rec/3>

Table 2. Changes in throughput, working capital, hired workers, and paddy stocks, averages among active mills

	Jun-20	Jun-21	% change
Monthly throughput (MT)	443	350	-21
Summer season throughput (March-May, MT)	1254	984	-22
Working capital ('00,000 MMK)	478	411	-14
Number of permanent workers	7.8	7.6	-3
Number of temporary workers	21	19	-10
Median daily wage for temporary workers	7500	7000	-7
Paddy stocks (50kg bags)	44140	32997	-25

Source: Rice miller phone survey–June 2021.

Mills are typically an important source of informal credit to farmers. About half of the interviewed millers offered credit to farmers during the 2020 calendar year. In June 2021, 22 percent of active millers had credit lent out to farmers (Table 3), 93 percent of whom had some past due or late repayments. However, most millers expect to be fully repaid eventually. Yet, more than two-thirds of the millers that offered credit to farmers in 2020 plan to offer less credit overall in 2021. Lower credit repayment rates and difficulties collecting repayments documented in previous survey rounds could be affecting millers' willingness to extend new credit to farmers.

Table 3. Credit situation in the 2021 monsoon season

	% share
Current credit out to farmers in June 2021	22
Late repayment collection on credit out	93
Expect to be fully repaid eventually	68
Change in total credit offered to farmers in 2021 (47% of sample)*	
Increase	3
No change	29
Decrease	68

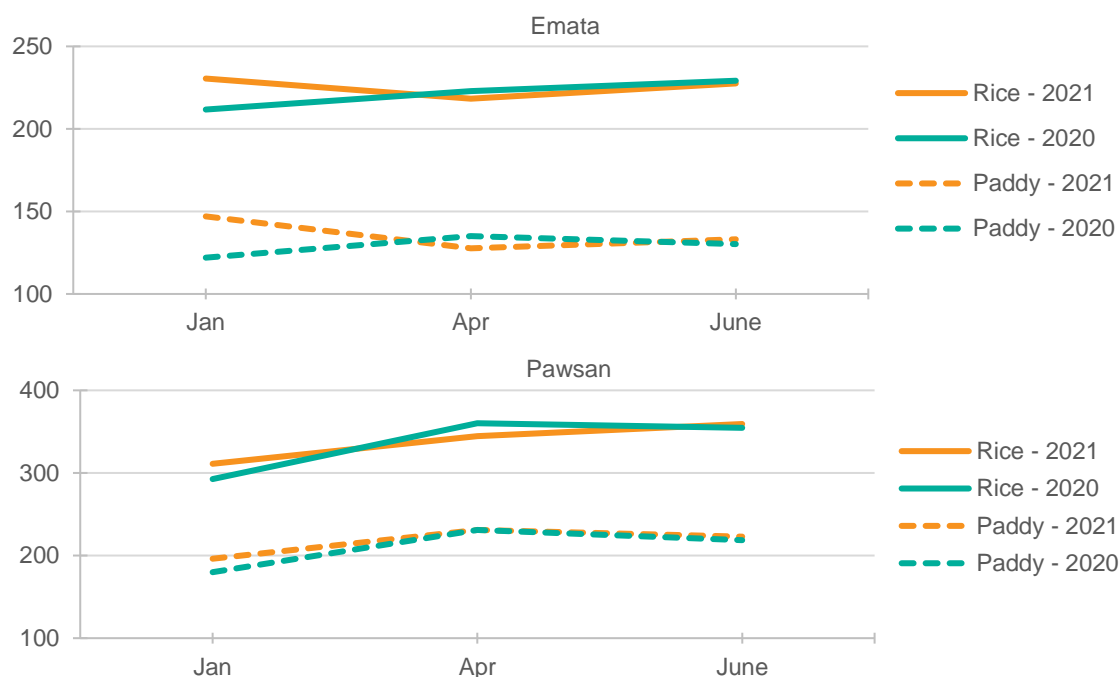
Note: *Compared to 2020, conditional on on offering credit in either year
Source: Rice millers phone survey–June 2021.

Between the April and June survey rounds, a third wave of COVID-19 hit Myanmar. Despite the rise in cases, safety practices were practiced less widely than one year prior. Sixty percent of interviewed millers employed a safety practice to mitigate COVID-19 transmission in early June 2021. Hand washing and face coverings were the most common practices, adopted by 59 percent of millers, compared to 80 percent in July 2020. Other practices were utilized by less than 2 percent of millers. In June 2021, 79 percent of the interviewed millers were either not at all concerned or only a little concerned about COVID-19.

Price changes over time

In the January, April, and June 2021 rounds of the rice miller survey, we tracked changes in prices and milling margins by collecting price data at the time of interview with recall to one year prior (Figure 3). In January 2021, driven partly by increased global prices, both paddy and rice prices were higher than in January 2020. With the onset of widespread insecurity and disruptions, prices fell below their 2020 levels in April. Data from the June 2021 survey show similar prices to those in June 2020. Paddy-to-rice milling margins (rice price minus paddy price) show only minor fluctuations relative to 2020.

Figure 3. Paddy and rice price changes in January, April, and June 2021, Emata and Pawsan, MMK per pound



Source: Rice millers phone survey–January, April, and June 2021 survey rounds.

In addition to milled rice, sales of milling byproducts—primarily broken rice and rice bran sold mostly as feed for livestock, poultry, and fish—are important to financial viability.² Byproduct marketing showed encouraging signs of recovery in June 2021 after significant declines in April (Table 4). Shares of millers selling byproducts rose to near 2020 levels and about 70 percent of interviewed millers reported higher sales volumes in June 2021 than during the same time in 2020.

Table 4. Byproduct sales and prices in January, April, and June 2021

	Broken rice			Rice bran		
	January	April	June	January	April	June
Share of mills selling						
2021 (%)	85	56	85	83	55	85
2020 (%)	92	92	89	92	92	88
Change (%)	-7	-36	-4	-9	-36	-3
Price (MMK/lb)						
2021	176	161	166	114	100	104
2020	161	167	166	115	114	117
Change (%)	9	-4	0	-1	-12	-11
Change in sales volume, year over year						
Increase (%)	31	15	71	30	13	72
Decrease (%)	9	40	5	5	53	5
Same (%)	60	45	24	65	34	23

Source: Rice millers phone survey–January, April, and June 2021 survey rounds.

² Myanmar Agriculture Policy Support Activity (MAPSA). 2021. Agro-processing, food prices, and COVID-19 shocks: Evidence from Myanmar's rice mills. Myanmar SSP Working Paper 09. Washington, DC: International Food Policy Research Institute (IFPRI). <https://doi.org/10.2499/p15738coll2.134311>

Looking forward

There were significant disruptions to Myanmar's rice milling sector during the summer season. Making and receiving payments were the most common problems and the banking sector is the biggest challenge overall. Transportation disruptions were also common. Ultimately, millers reported lower overall throughput in the 2021 summer season relative to 2020.

Rice mills are currently in a low season ahead of the crucial monsoon harvests which account for more than 80 percent of Myanmar's annual rice production. Millers reported lower credit volumes extended to farmers which, together with higher input costs, may lead to reduced input use and lower monsoon yields.

Any lingering disruptions from political unrest or COVID-19 will have amplified effects during the much larger monsoon marketing season, potentially leading to lower prices received by farmers and higher rice prices paid by consumers. Rice mills do not appear to have contributed meaningfully to any increased gap between the farmgate and consumers as milling margins for Emata rice have remained relatively stable over time.

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