

Monitoring the Impact of COVID-19 in Myanmar

Urban Food Retailers – early July 2020 survey round

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Phone interviews were conducted with 426 urban food retail shop owners or managers in Yangon and Mandalay in early July 2020 to understand how their businesses have been affected by the COVID-19 crisis in Myanmar.

Key Findings

- Half of food retailers have experienced challenges due to government restrictions since the start of the COVID-19 crisis and a third experienced challenges in June. Travel restrictions were the most common challenge faced.
- Estimated demand for food products has declined by an average of 30 percent compared to the same time in 2019. Retailers also report a 28 percent year-on-year decline in the number of customers purchasing food and groceries and in the amount of food purchased.
- Safety measures were adopted by 60 percent of shops since the start of the COVID-19 crisis, but only 43 percent of food retailers continued to implement them in June.
- Financial challenges are looming for food retailers – 75 percent expect a decline in revenue compared to the same time in 2019, and those that expect a decline estimate that revenue will fall by an average of 30 percent. One-fifth reported that they used their personal savings to cope with this challenge, but doing so may not be sustainable in the long term.

Recommended Actions

- Under Action 2.1 of the COVID-19 Economic Relief Plan (CERP) of the Myanmar Government, extend the deferral on corporate income, commercial and payroll taxes, and social security contributions for small and medium-sized enterprises beyond the initially targeted industries under CERP.
- Under CERP Action 2.1.1., expand access to working capital loans beyond the initially targeted industries.
- Consider options to increase the liquidity of urban households affected by the COVID-19 crisis under CERP Action 4.1. Doing so will better enable these households to purchase food and other groceries, partially mitigating the financial challenges food retailers face.
- Where possible, continue to ease travel restrictions and ensure the free flow of goods.

Introduction

Traditional family owned retail shops are the backbone of Myanmar's consumer market. As the final node in the grocery supply chain, they sell all types of dry foods, i.e., processed and packaged, condiments, snacks, and beverages to final consumers. To some extent, they also supply basic staple grains, i.e., rice and pulses; dairy products; eggs; kitchen crops; and tobacco and alcohol. About 85 percent of all consumer goods in Myanmar are sold through these shops.¹ In the food and grocery sector, these retail outlets, including wet markets, account for 90 percent of all sales, with the other 10 percent accounted for by fast-growing supermarkets.² Because of the importance of traditional retail outlets in the last mile delivery of a wide variety of foods to consumers, any challenges they encounter from the COVID-19 crisis and corresponding policy responses to contain the virus have important implications for the availability and affordability of food for final consumers.

This policy note is the first in a series of reports presenting results from rounds of a telephone survey of a sample of owners or managers of food retail shops located in the two largest cities in Myanmar, Yangon and Mandalay. The phone surveys are designed to provide a better understanding of the effects of COVID-19 shocks on Myanmar's agri-food marketing system through the perspective of small-scale food retailers in urban areas. This policy note focuses on the demand side and overall business effects of the COVID-19 crisis on these food retailers. Phone interviews were conducted with 426 retail shop owners or managers between 8 and 15 July 2020. Eighty percent of those surveyed were in Yangon, with the rest in Mandalay.

Characteristics of Food Retail Shops

A majority of the food retail shop owners or managers sampled for our survey are women. They employ on average three paid employees – typically, two female and one male – and operate on average for 11 hours per day for six and a half days a week. Their business premises are small, with a mean floor area of about 80 square meters (850 square feet); 65 percent of which is devoted to food or other grocery items. Only a quarter of the surveyed retail outlets were of sufficient size to enable customers to walk around the shop, pick their own items, and then walk to the counter to pay. On average, just over half of all customers who visit these shops purchase food or other grocery items. About two-thirds of the sampled shops are located along crowded and busy commercial streets. More than 70 percent of the shops in our sample have a refrigerator or a freezer.

Effects of COVID-19 Crisis on Food Retail Shops

Restrictions on businesses

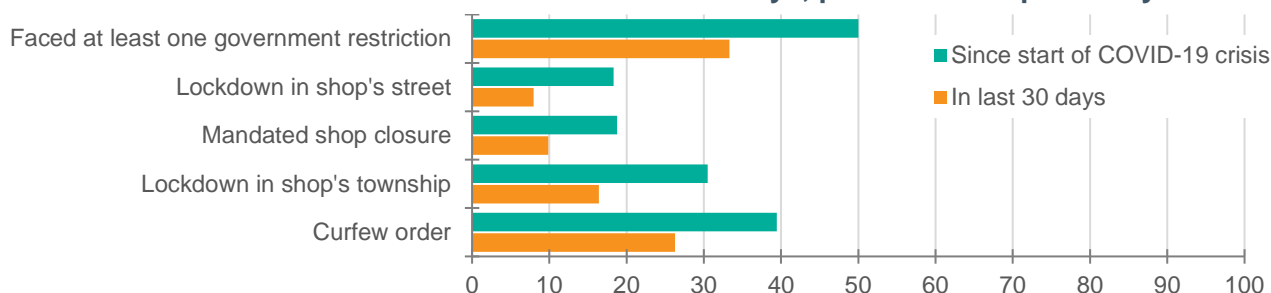
In April 2020, the regional governments of Yangon and Mandalay instituted lockdowns of certain townships within their regions. These closed non-essential businesses and restricted the movement of people within the affected townships. While food retailers were largely exempt from these lockdowns, 30 percent of shops experienced challenges due to a lockdown in their township and 18 percent reported experiencing challenges due to a lockdown of the street on which their shop is located (Figure 1).³ Furthermore, 19 percent of shops were mandated to close at some point since the start of the crisis, and 39 percent experienced challenges due to a curfew order.

¹ King, A. 2020. Taking the temperature of Yangon's mom-and-pop stores. *Myanmar Times*, May 20, 2020. <https://www.mmmtimes.com/news/taking-temperature-yangons-mom-and-pop-stores.html> (Accessed August 8, 2020)

² USDA (United States Department of Agriculture). 2018. *Market Fact Sheet—Myanmar*. USDA-Foreign Agricultural Service (FAS), Global Agricultural Information Network (GAIN) Report number 8026. Washington, DC: USDA.

³ Local authorities temporarily imposed lockdowns on residents and businesses in the immediate area where a confirmed case of COVID-19 had been found.

Figure 1. Food retail shops in Yangon and Mandalay that faced COVID-19 restrictions since the start of the COVID-19 crisis and in the last 30 days, percent of shops surveyed



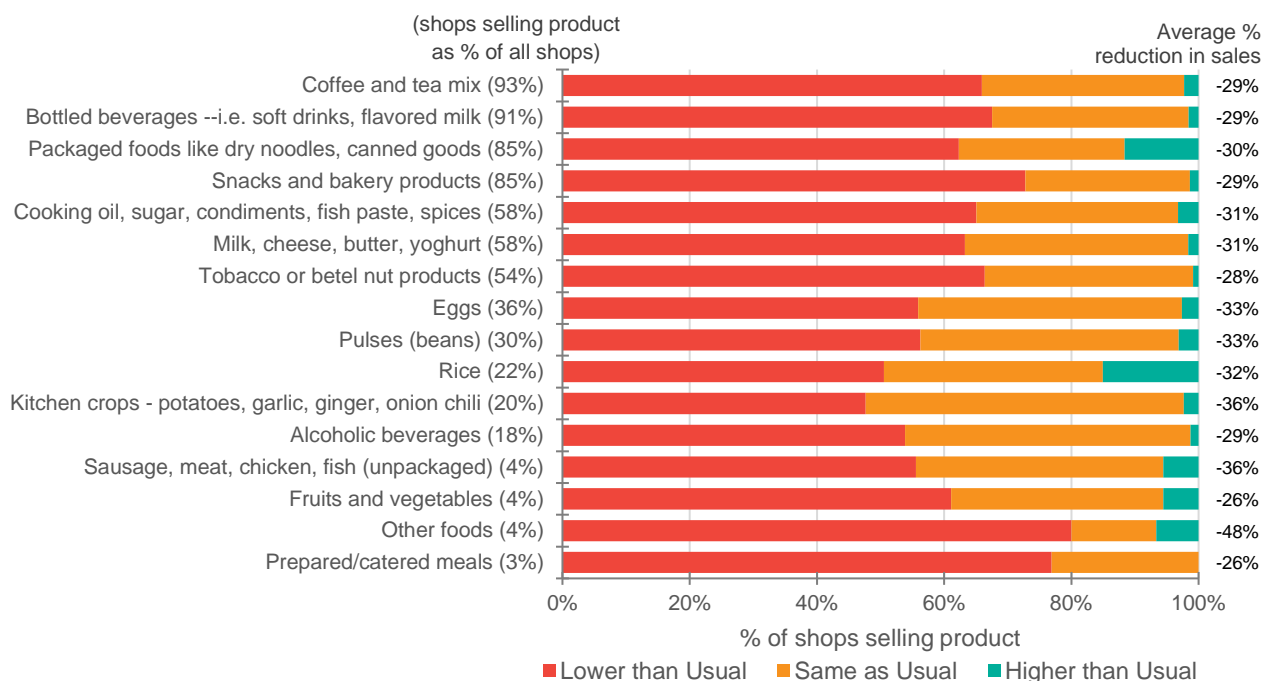
Source: Early July 2020 round of urban food retailers survey. Observations: 426 shops.

Restrictions appear to be easing (Figure 1). Only 16 and 8 percent of shops experienced challenges due to a lockdown in their township or on their shop's street in the last 30 days, and only 16 percent experienced a mandated shop closure in that time. However, a quarter of shops are still experiencing challenges due to curfews. At the time of the survey, 99 percent of the shops surveyed were operating. Those shops that were not currently operating had closed prior to 1 April either due to low demand, health concerns, or a lockdown. The owners or managers of the closed shops reported that they believed they would still be operating if not for COVID-19.

Changes in demand for food products

Figure 2 shows the types of food products sold by these urban retail shops and the reported estimated change in demand for each food product compared to the same time in 2019. Over 85 percent of shops sell coffee and tea; bottled beverages; packaged foods, like dry noodles and canned foods; and snacks or bakery products, like chips, candies, bread, and pastries. Approximately 55 percent of shops carry cooking oil, sugar, and condiments; milk, cheese, butter and yogurt; or tobacco or betel nut products. Only a few of the shops surveyed sold fresh products, like fresh fruits, vegetables, meat, and fish, as these are commonly obtained from wet markets.

Figure 2. Change in demand for specific food products in 2020 compared to the same time in 2019, percentage share of food retail shops selling food product



Source: Early July 2020 round of urban food retailers survey.

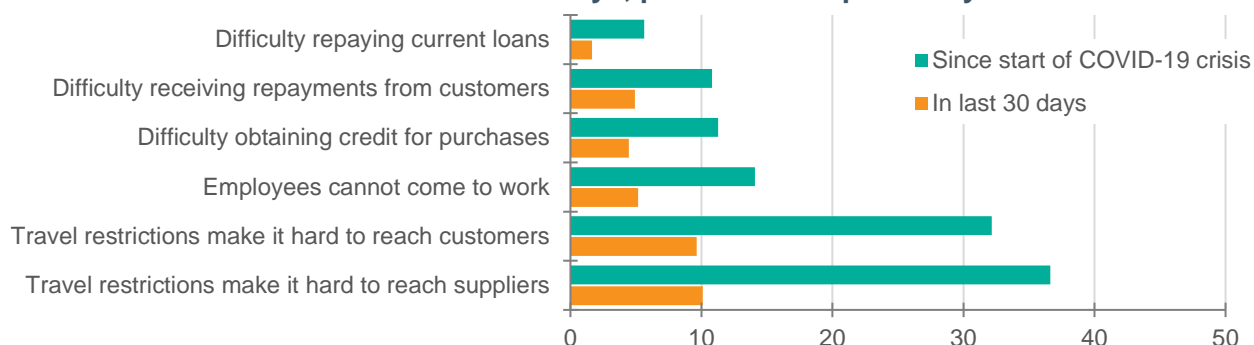
These urban retail shops are experiencing large declines in demand across all food products. At least 50 percent of shop owners or managers reported lower demand for all food products, except for kitchen crops -- potatoes, garlic, ginger, onion, and chili (47 percent). Over 60 percent of shops reported a decline in demand for the seven most common food products. On average, estimated demand for all food products declined by an average of 30 percent. This suggests that consumers may be decreasing their consumption of luxury items, i.e., coffee, tea, or bottled beverages, or may be shifting to cheaper and less convenient sources, i.e., wet markets or wholesale markets.

However, 14 and 12 percent of shops that sell rice and packaged foods, respectively, reported an estimated average 28 percent increase in demand for these products. While more research is needed to explain these increases, it may be that consumers stocked up on these non-perishable goods due to uncertainties caused by the pandemic and the government's response, such as the restrictions on movement or concerns about the availability of food.

COVID-19 related challenges and coping mechanisms

Travel restrictions were the most common challenge that surveyed shops faced (Figure 3). These made it difficult for shop owners and managers to reach suppliers and for customers to come to their shops. As previously noted, travel restrictions appear to be easing and only 10 percent of shops reported experiencing travel restriction-related challenges in the last 30 days. Similarly, 14 percent of shops faced challenges with employees not being able to come to work since the start of the crisis, but that declined to affect only 5 percent of shops in the last 30 days.

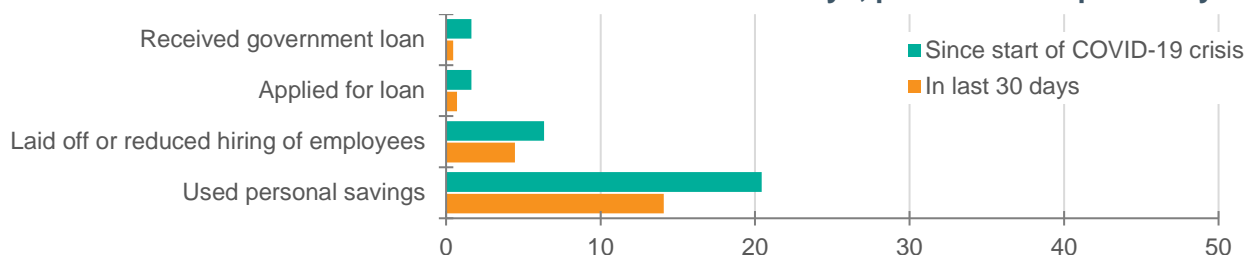
Figure 3. Challenges faced by food retail shops in Yangon and Mandalay since the start of the COVID-19 crisis and in the last 30 days, percent of shops surveyed



Source: Early July 2020 round of urban food retailers survey. Observations: 426 shops.

Financial challenges appear to have improved over the last 30 days. Shops experiencing difficulties with repayments from customers dropped in the last 30 days (Figure 3). While 80 percent of shops reported having loans, a declining share of owners and managers reported difficulty in repaying them.

Figure 4. Means of coping with challenges by food retail shops in Yangon and Mandalay since the start of the COVID-19 crisis and in the last 30 days, percent of shops surveyed



Source: Early July 2020 round of urban food retailers survey. Observations: 426 shops.

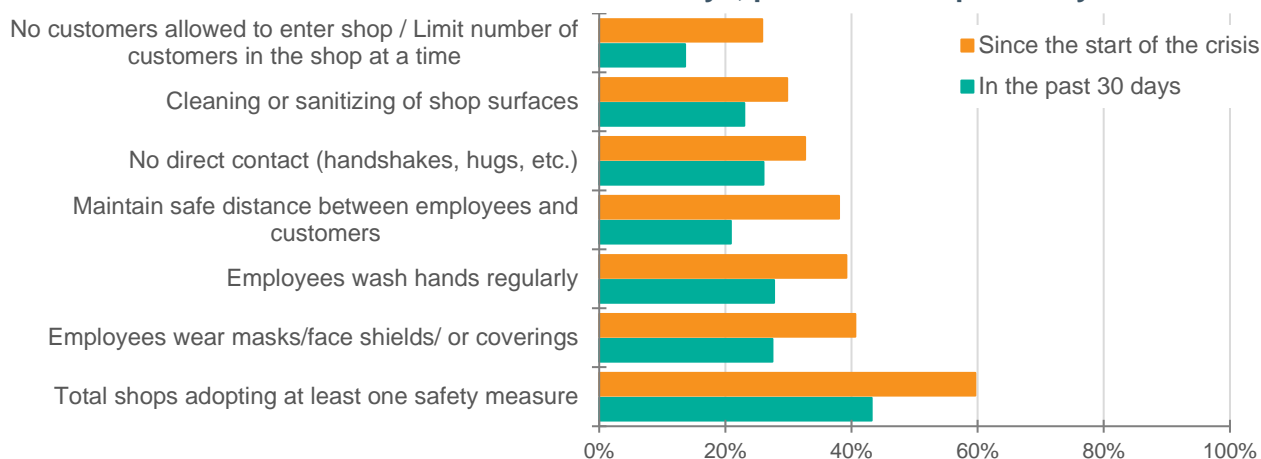
However, Figure 4 shows that 20 percent of those interviewed have been using their personal savings to cope with their financial challenges. While these savings offer some resilience for keeping their shops in business and to withstand the initial COVID-19 related shocks, the extent of this resilience should be explored further in anticipation of a potential second wave of such shocks.

While 11 percent of shops reported that it was difficult to obtain loans for purchases since the start of the crisis, under two percent reported applying for a loan from either formal or informal sources. Only two food retailers reported receiving loans or other financial support from the government. While information was not obtained on the legal status of the food retail shops surveyed, loans may not be accessible to all food retailers, as many shops may operate in the informal sector.

Adoption of safety measures

At least one safety measure was adopted by 60 percent of the food retailers surveyed since the start of the crisis. The most common measures used were requiring employees to wear masks or face shields, wash their hands regularly, and maintain a safe distance from customers (Figure 5). While not asked of all survey respondents, some shops reported extending these most common measures to customers as well. Similarly, about a third of the shops surveyed also limited direct contact between people in their shops, increased cleaning or sanitizing of the shop's surfaces, and restricted entry or the number of customers allowed into the shop at the same time.

Figure 5. Food retail shops in Yangon and Mandalay adopting safety measures since the start of the COVID-19 crisis and in the last 30 days, percent of shops surveyed



Source: Early July 2020 round of urban food retailers survey. Observations: 426 shops.

Notably, 40 percent of shops did not adopt any safety measures. This is well below the adoption rate of safety practices by other enterprises in the agri-food value chain. For comparison, only 10 percent of agricultural input retailers interviewed in a similar survey reported not adopting a safety practice.⁴ Furthermore, dis-adoption has occurred over time. Anecdotally, shops reported recently being less worried about the risk of infection. This may be related to the Yangon and Mandalay governments beginning in mid-May to lift lockdowns and to reduce restrictions. Additionally, at the time of the survey, the last case of local transmission was on 18 May, with any subsequent cases being imported by returning migrants who were under quarantine.

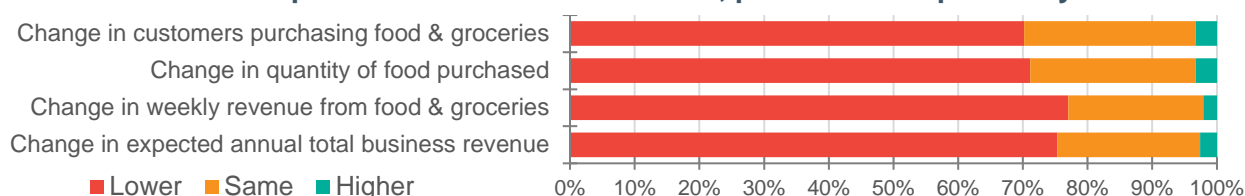
Financial outlook

Over 70 percent of shops reported fewer customers purchasing food and groceries and, on average, customers purchasing smaller quantities of food and groceries compared to the same time in 2019

⁴ Goeb, J.; D. Boughton, and M.K. Maredia. 2020. *Monitoring the impact of COVID-19 in Myanmar: Agricultural input retailers – May 2020 survey round*. IFPRI Myanmar SSP Policy Note 8. Washington, DC: International Food Policy Research Institute (IFPRI).

(Figure 6). The average estimates of the reduction in customers purchasing groceries and of the average quantity of groceries purchased compared to the same time last year are both 28 percent. These lower sales translate into reductions in revenue for these food retailers. Over three-quarters of shop owners or managers reported that weekly food and grocery revenues were down by an average of 29 percent compared to the same time last year. A similar share respondents expect that their overall business revenue in 2020 will be down compared to 2019 and by an average of 30 percent, as food and groceries make up the largest share of their overall revenue.

Figure 6. Perceptions on change in demand for food and groceries purchased and on business revenue compared to the same time in 2019, percent of shops surveyed

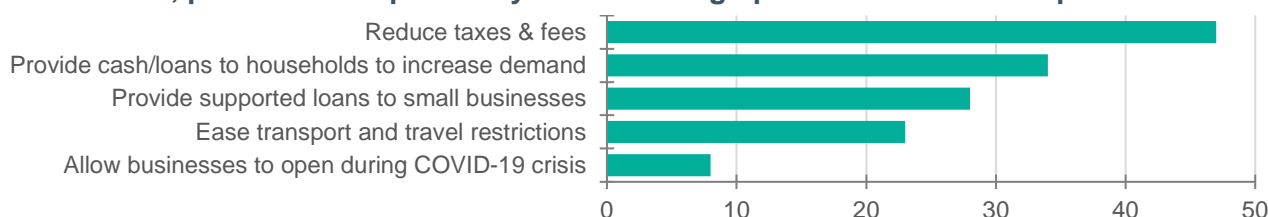


Source: Early July 2020 round of urban food retailers survey. Observations: 426 shops.

Respondents perspectives on policy options

To understand the perspective of the owners and managers of the food retail shops on how the government can help them cope with the COVID-19 economic crisis, we asked respondents to select their two most preferred government policy responses from a list of five options. The options were to reduce taxes, to support people with cash, to provide business loans, to ease transport restrictions, and to allow businesses to stay open. The results are presented in Figure 7.

Figure 7. Policies through which government can help small retail shops in the current situation, percent of shops surveyed mentioning option as one of two top choices



Source: Early July 2020 round of urban food retailers survey. Observations: 426 shops.

Overall, among preferred measures are financial support to small businesses through reduced taxes or provision of government supported loans. One-third of shops supported the government provide cash or loans to households, i.e., their potential customers, to increase demand for food and other groceries, which will keep their businesses going.

Policy Recommendations

Based on observations of the current situation and the perceptions expressed by these food retailers on what actions government might support to help them cope with the COVID-19 economic crisis, we suggest the following short-term policy recommendations, many of which can be implemented under the COVID-19 Economic Relief Plan (CERP) of the Myanmar Government.⁵

⁵ 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.

- Extend under CERP Action 2.1 deferrals on corporate income, commercial and payroll taxes, and social security contributions for small and medium-sized enterprises beyond the initially targeted industries (tourism; the Cut, Make, and Pack garment sector; and hotels).
- Expand access to working capital loans under CERP Action 2.1.1 beyond targeted industries.
- Consider increasing the liquidity of urban households affected by the crisis under CERP Action 4.1. Doing so will enhance these households' ability to purchase food and groceries and may mitigate some of the financial challenges affecting food retailers.
- Where possible, continue to ease travel restrictions and ensure the free flow of goods.

Under CERP 5.1, the Government of Myanmar intends to promote the use of mobile financial payments and the use of e-commerce and social-commerce systems. In addition to looking more closely at food supplier options and credit extended and received by retailers, the next survey round will investigate interest in and constraints to the adoption of such technologies by food retailers and how they might help them better cope with the challenges created by the COVID-19 economic crisis.

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