

# **MC/WHH Lesson Learned on UPGRADE OF RICE MILL**

## Selected Subjects for Presentation at workshop

- **ADRA** – Aquaculture Approach
- **AYO**–Winter Crop with LEAD
- **AVSI** – Approach in agri cooperative formation
- **Gret2** – Hire Purchase System; Inventory Credit with WHH - PFS
- **IRRI** – Post-harvest learning alliance study findings
- **LEAD**–Winter Crop with AYO
- **MC 2**– **Contract Farming; Upgrade of mills compared with WHH**
- **MSN** – Efficient Stove production and marketing
- **NAG** – Fishery support ( ?? )
- **PACT** – Agriculture loan timing and repayment
- **PD2** – Approach in infrastructure support; Double Cropping;
- **RDA** – Rice Quality Seed Production and Marketing
- **TDC2** – Social protection fund; Flower production & Eel fattening with ADRA aqua approach
- **WHH** – VDC revolving fund; PFS with Gret – Inventory Credit; Millers support to be compared with MC upgrade of mills; Banana production approach

## BACKGROUND (Mercy Corps)

- **Quality of milled rice** from Laputta rice mills is poorer than those from Myaung Mya resulting in low sale price for farmers.
- MC and AYO looked for suitable rice mills to provide grant to upgrade the rice mills
- Provide cash grant to **30 rice mills in the first round** intervention and **18 mills** (indirectly through FPE) in **second round intervention**.

## First round intervention (Mercy Corps)

MC organized a **business planning training** for mill owners and invited about **40** rice mills which are dealt by MC farmers

Of these, **37** rice mill owners attended the business planning training and **34** mill owners **submitted their business plan** and proposed budget.

Selection committee selected **30 rice mills** for cash grant.

## First round intervention (Continued)

Mill technician, MC Engineer and Program team go around **30 rice mills** and check their proposed plan of renovation, budget request and existing framework

MC provided **75%** of total budget requested and rice millers have to add the rest **25%**.

Total grant amount for 30 rice mills is **122,135 USD** in the first round.

# HAPPY RICE MILLER



## Second round intervention

- MC and AYO noticed that we still see a need to address the constraint of the **low quality milled rice** and how to better engage miller and farmers to address the constraint.
- MC and FPE signed **18 contracts** for rice mill upgrade cash grant
- MC provided **cash grant to respective FPE**.
- FPE used this grant to deliver as a **loan to respective rice miller**.
- FPE and rice miller signed **loan contract** for delivery of the grant in witness of Village Tract Administrator.
- A **lawyer** from MC market development team made sure the **wordings** in the contract are strong enough for legal action whenever necessary.
- FPE used legal **revenue stamp paper** for loan contract

Main points of loan contract are –

- Rice miller has to **pay back** the loan to FPE in **two tranche**.
- Monthly interest rate for the loan is **1%**.
- **First repayment** to FPE is at 6 months after signing of loan contract. (50% of loan amount + 6 months interest)
- **Second repayment** to FPE is at 12 months after signing of loan contract (50% of loan amount + 6 months interest)
- MC Program team **facilitated FPE how to use repayment** for group based purpose.
- In August, 2014 all 18 rice millers have paid back first round repayment to respective FPE.



## Background WHH

- 6 out of the 13 identified rice mills in the project area finally received support to **modernize their equipment** after technical inventory and recommendation by a contracted rice mill technician.
- Main problems discovered were **inefficient and expensive power supply systems**, it was found that some of the mills are underpowered.
- Outdated equipment like **milling stones, polisher and missing sieve systems** have been identified as main causes for low quality.

- Local farmers had gone to the upgraded rice mills far from their villages, which resulted in high transport cost and waste of time and labor.
- Contracts made between rice millers and project:
  - Project provided in kind support.
  - 100% payback system with 1% interest rate to rice millers' bank accounts.
- Total project support in kind amount is 32,147,374 (32.1 million MMK)

# WHH Intervention

- WHH had provided only **in kinds support** to rice mills' equipment according to individual requirements.
- **Quotation process** was made and selected by rice millers' representatives.
- Every rice millers had **contributed 25%** in repairing. WHH made contracts between rice millers and project responsible person for agreements on project in kind support and payback system with 1% interest rate to rice millers' bank accounts.
- All rice **millers had provided technician fee** survey in villages, rice mill equipment's **purchasing, and transportation fee**.
- Mill owners appreciated the check of the mills by **external technician** and followed the advice of the technician after cross checking.
- Quality rice allows direct sale to market, project is planning to support linkages with Phya Pone, Yangon market.

# Comparison between approaches of WHH and Mercy Corps

Particulars	Welthungerhilfe (WHH)	Mercy Corps (First round)	Mercy Corps (2nd round)
Started date of project support	11-Sep-13	26-Oct-12	31-Jan-14
# worked rice mills / contacted	6/13 (2 are medium 5 tons/day & 4 small 2 tons/day)	30 / 34 1 large (20+ tons/ day), 9 medium (5-8 tons/day), & 20 small (1-5 tons/day).	18 / 30 (1 cancel)
Supported amount per rice mill	2.1 – 11.1 million MMK	1-15 million MMK	2-3 million MMK
Supported total amount	32.1 million MMK (32,147,374 MMK)	97,708,013 MMK	42,000,000 MMK
		122,135 UDS (800)	42,000 USD (1000)

<p>Type of Support to Millers</p>	<p>Business Plan (11 rice millers participated), three days workshop and in kind of mill equipment</p>	<ul style="list-style-type: none"> <li>* <b>Business Plan Training</b> (34 rice millers participated)</li> <li>* Assessed 30 rice mills by hired <b>mill technician</b></li> <li>* <b>Scoring System</b> (selection committee including vice Chairman of MRA)</li> <li>* <a href="#">..\..\Rice mill\Scoring Chart for rice mills - Ranking.xlsx</a></li> </ul>	<ul style="list-style-type: none"> <li>* Activity orientation meeting</li> <li>* Submission of <b>proposed activity</b></li> <li>* Selected from on-going project (current rice mills)</li> <li>* <b>Recommendation of MRA</b></li> <li>* <b>Recommendation of FPE</b></li> <li>* Performance in the first round</li> </ul>
<p>Type of support to the farmers</p>	<p>Indirectly support are negotiated between millers and consumers for reduction milling cost per basket and repaid rice husk to consumers.</p>	<ul style="list-style-type: none"> <li>* Milling record booklet</li> <li>* Provide member list to respective rice mill</li> </ul>	<ul style="list-style-type: none"> <li>* Facilitate FPE how to provide loan to Rice millers.</li> <li>* Provide guideline for <b>how to use repayment</b> from rice millers</li> <li>* Facilitate preparation of contracts for loan and revolving fund.</li> <li>* Facilitate <b>linkage</b> between input Company for fertilizer banking system.</li> </ul>

<p>Transaction of support</p>	<p>In-kind support to rice mill owners, quotation and selected by rice millers, hire mill technician and contract protocols</p>	<p><b>Direct cash grant</b> to rice mill owner (75% of total cost confirmed by technical team)</p>	<ul style="list-style-type: none"> <li>* Provided grant to FPE</li> <li>* FPE uses grant for loaning to rice miller with legal loan contract by using revenue stamp</li> </ul>
<p>Repayment / interest rate / protocol</p>	<p>100% repayment with 1% per month interest rate as deposit into the bank account which operate by two rice mill owner and a staff from WHH and contracts protocols</p>	<p>Miller commits a number of <b>discount services</b> during project lifetime period (see below)</p>	<ul style="list-style-type: none"> <li>* Miller commits to a number of discount services during project lifetime period (see below)</li> <li>* <b>100% repayment with 1% per month interest rate</b>; two of equal six monthly reimbursements to FPE groups.</li> </ul>

<p>Utilization of repayment</p>	<p>The repayment fund will be utilized for proposed agriculture activities near by some selected CBOs 1% interest fund direct to respective rice mill's VDC revolving fund.</p>	<p><b>No cash repayment</b> but some services must be provided.</p>	<ul style="list-style-type: none"> <li>* Group <b>committee</b> has to <b>manage</b> the repayment for all members.</li> <li>* Team provides guideline</li> <li>* Used as <b>rice trading fund, fertilizer revolving fund, etc.</b></li> </ul>
<p>Result of rice mill upgrading</p>	<p>Benefited rice mills have increase about 30% of milling capacity and standard quality rice traded to Pyha Pone and Yangon markets</p>	<ul style="list-style-type: none"> <li>* Increase quality of milled rice meeting the standard of Laputta market.</li> <li>* In average <b>27% increase in milling capacity</b> and <b>14% increase in milling out turn.</b></li> </ul>	<ul style="list-style-type: none"> <li>* <b>Increase business capacity</b> of rice miller</li> <li>* <b>increase purchasing power</b> of rice millers resulted in <b>price competition</b> between millers and brokers benefiting to the farmers.</li> </ul>

<p>Improved condition for local farmers</p>	<p>Maintained the agreement between the project, CBO (VDC) and rice millers</p>	<p>Overall increased sales on product as result of Improved Miller's Services (for 3yrs) such as:</p> <ul style="list-style-type: none"> <li>- <b>Discounts</b> on milling charges (from 29%-43%)</li> <li>- rice <b>storage space</b> available at no charge;</li> <li>- <b>free transport</b> from FPE collection point to mills</li> <li>- <b>return of all by-products</b> such as bran husks and broken rice</li> </ul>
		<ul style="list-style-type: none"> <li>* Farmer groups get loan repayment from Millers with 1% interest</li> <li>* Loan repayment used as revolving fund for fertilizer and rice business fund.</li> </ul>



Others

Yield of quality rice milling increase (more rice out turn), Market assessment both for farmers and rice millers, Quality monitoring and evaluation by technician and staff, Increase job opportunities due to higher capacity of rice mill

\* **Landless** who get paid by farmers in paddy for their labor - also benefit for discount milling.

\* Millers passed on benefits to **1,349 FPE** members through **40,768 baskets (14,126,729 kyats)** in additional profits

\* The intervention **attracted more rice millers** who want to learn how to cooperate with farmer groups.

- **FPE Decision making was greater** in the second round than in the first round because the FPE was **less involved in the design of first round** intervention. (e.g. Some rice millers didn't follow their contribution plan and farmers has no right to complaint)
- **The largest rice miller** (60+ ton/day) did not deal directly with FPE but through brokers in the first intervention. In the second intervention, the miller **is one of the actor of contract farming** and now deal directly with farmers.

- In Laputta, an isolated area, there are many old model rice mills. It was important that **mill technician has to be familiar with old model rice mill.**
- Learning from two interventions, **FPE should be trained earlier** in the intervention on negotiating and business concepts.
- Some **indirect effects** are not measurable such as improvement in milled rice quality (milled rice from small rice mills gained **better eating quality and able to sell in Laputta market** after renovation).

In the second round

- **Benefits go equally** to both parties (FPE and Rice miller)
- FPE needs guidance from Mercy Corps to use the payback money effectively (easy to monitor).
- Pay back money encourage FPE to start **rice trading business** or **fertilizer purchasing business**

- ***Lessons learned on rice mill upgrading:***
- Individual rice mill **Business plan** was based on the requirement of rice mill and its upgrading.
- Process of **installation was delayed** because of limited technical sources for installation.
- Many small farmers could not produce quality rice, while the rice mill owners and **big farmers have high profit**.
- Some rice millers do not start milling under 3 baskets of paddy (**not milling for farmers' auto-consumption**)
- Still, local farmers benefit from **lower milling costs** than before.
- **Link with local PFS** could increase both rice mills capacity utilization and farmers access to high quality rice markets.

# WHH lesson learned

- Most farmers had sold out their paddy with current price directly after harvest, so had no more paddy for milling to quality rice.
- In salty area, rice mills have low capacity of paddy milling due to mono cropping. As a result, they delay payment.
- Both rice mill technician and rice millers had no expertise in installation of equipment, so the rice mills' upgrading was delayed and finished very late.

Thank you