

Monitoring the Impact of COVID-19 in Myanmar

Agricultural Equipment Retailers – June 2020 survey round

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Agricultural equipment retailers (ER) in Myanmar were originally interviewed by telephone in late May 2020 to determine how their businesses were being affected by COVID-19 related restrictions. The results of that survey were published in [Myanmar Strategy Support Program Policy Note 09](#). To trace the continuing impact of the COVID-19 pandemic on their economic activities, a second phone survey of ERs was done in late June 2020. This Policy Note reports on the results of this second survey.

Key findings

- COVID-19 related challenges for ERs observed in May have persisted into June; equipment sales across regions and types of equipment have remained considerably lower than in the same month in 2019
- As in May, revenue prospects among ERs for 2020 remain negative
- Recovering credit from buyers, one of the primary financial challenges for ERs, has further worsened since May
- The extent and nature of these challenges vary somewhat between the Delta and the Dry Zone and between franchise and independent ERs
- These challenges persist despite easing of movement restrictions since May, which mitigated disruptions in agricultural equipment supply logistics

Recommended actions

- Extend import process facilitation measures to agricultural equipment
- Guarantee loans that ERs provide to farmers who buy agricultural equipment. This will also help machine buyers overcome their financial difficulties.
- Provide financial support to ERs through reduced taxes, fees, and rents; loan extensions; and debt relief
- Continue facilitating the movement of agricultural equipment across regions
- Maintain flexibility in support measures, as the nature of the challenges faced by ERs can vary between zones and between franchise and independent retailers

Background

Agricultural equipment retailers (ER) play an essential role in meeting the demand for the provision of a diverse set of machines and equipment at affordable prices which are needed for the heterogeneous agricultural production environments in Myanmar. The business operations of ERs can be particularly sensitive to bottlenecks in trade flows and internal logistical disruptions that affect their inventory management. Given their close linkages with mechanization service providers, the financial and supply challenges that ERs face can have repercussions on the provision of mechanization services as well.

The COVID-19 pandemic in Myanmar and the policy responses to it have affected key aspects of ER business operations. Measures to support ERs and to ensure the access of buyers to their equipment and services should be guided by an understanding of the situation on the ground. This policy note covers the findings from a second round of a rapid phone survey of ERs across Myanmar, updating an earlier survey conducted in May 2020.¹ As in the first round of the survey, this policy note sheds light on the following questions:

- To what extent have the operations of ERs been restricted by COVID-19 related regulations?
- How do equipment sales in recent months compare to one year ago?
- How do equipment prices and availability compare to one year ago?
- What are the key financial challenges ERs are facing? How are they coping with them?
- What are current business revenue trends?
- What short-term policy recommendations would best enable ERs to meet the demand for agricultural equipment? How might these recommendations vary across businesses by types of equipment handled, location, or size?
- What issues related to the supply of agricultural equipment need to be monitored over the next few months?

The second-round interviews were conducted between 24 and 27 June 2020 (approximately four weeks after the first survey round), with a total of 92 ERs (Table 1).² Among the 93 first round respondents, 64 participated in the second round. ERs for the second round were identified from the first round, as well as using snowball sampling methods in which ERs that were interviewed were asked to suggest other ERs to interview. While this policy note primarily focuses on the 64 ERs that participated in both the first and second round of the survey, results that include ERs that only responded to one round of the survey are also shown where appropriate.

Of the 92 ERs interviewed in the second round, 57 sell four-wheel tractors. The other 35 ERs sell other agricultural equipment ("other ERs"), such as combine harvesters, two-wheel tractors, rotary-tillers, reapers, threshers, water pumps, or spare parts. Twenty-five of the ERs interviewed are franchise ERs.

¹ Takeshima H, MT Win, & I Masias. 2020. *Monitoring the impact of COVID-19 in Myanmar: Agricultural equipment retailers - May 2020 survey round*. IFPRI Myanmar SSP Policy Note 09. Washington, DC: International Food Policy Research Institute (IFPRI).
[English: <https://ebrary.ifpri.org/digital/collection/p15738coll2/id/133767>;
Burmese: <https://ebrary.ifpri.org/digital/collection/p15738coll2/id/133779>]

² Note that the sample of agricultural equipment retailers is not representative of states and regions nor of equipment retailers across Myanmar. We discuss some heterogeneity in the equipment retailers across these dimensions, where appropriate, to highlight the potential importance of machine or region and state-specific support measures. Such heterogeneity is highlighted when differences are statistically significant ($p < 0.10$).

Table 1. Equipment retailers surveyed by zone, franchise status, and type of equipment sold

Categories	Type of equipment	May 2020, Round 1	June 2020, Round 2	Panel
Delta	Four-wheel tractors	26	26	16
	Other equipment	25	22	15
Dry zone	Four-wheel tractors	31	31	24
	Other equipment	11	13	9
Franchise	Four-wheel tractors	NA	18	10
	Other equipment	NA	7	6
Independent	Four-wheel tractors	NA	39	30
	Other equipment	NA	28	18
Total		93	92	64

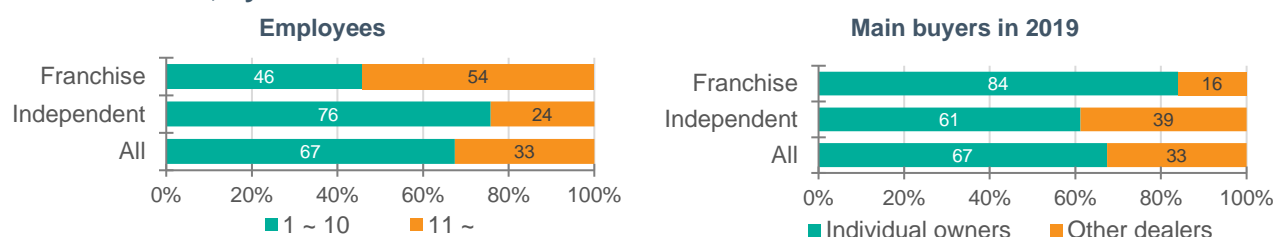
Source: Agricultural Equipment Retailer Phone Surveys, May 2020 and June 2020. NA = not applicable (data not collected).

Key Indicators

Characteristics of Interviewed ERs

The basic characteristics of ERs in the first-round sample remained largely the same in the second-round sample. Figure 1 further shows characteristics differentiated by the franchise status of ERs, for which data was not collected in the first round. Franchise ERs employ more workers than do independent ERs. A majority of interviewed ERs sell mainly to individual equipment owners, although some ERs sell mainly to other ERs. Franchise ERs sell predominantly to individual owners, while independent ERs sell relatively more to other ERs.

Figure 1. Employee numbers and main buyers of agricultural equipment retailers interviewed, by franchise status

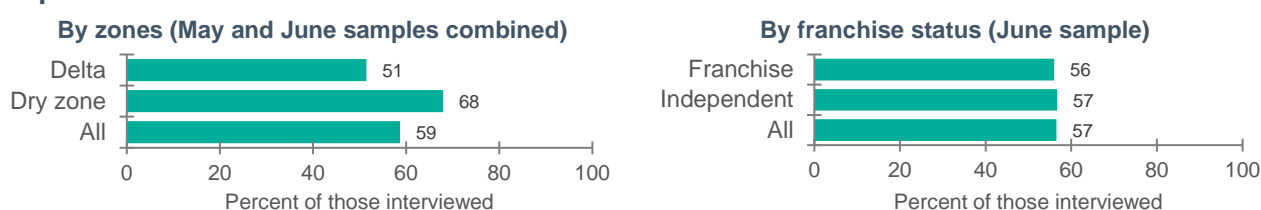


Source: Agricultural Equipment Retailer Phone Survey, June 2020.

Potential Effects of COVID-19 on Agricultural Equipment Sales

Restrictions on business. A majority of ERs experienced a shutdown of their operations at some point due to COVID-19 (Figure 2). Combining the first and second round samples, we found that ERs in the Dry Zone were more likely to have experienced a ban on conducting their business, reflecting variations in how strictly restrictions were imposed in different zones. As franchise and independent ERs are evenly distributed across zones, equal shares experienced business closures.

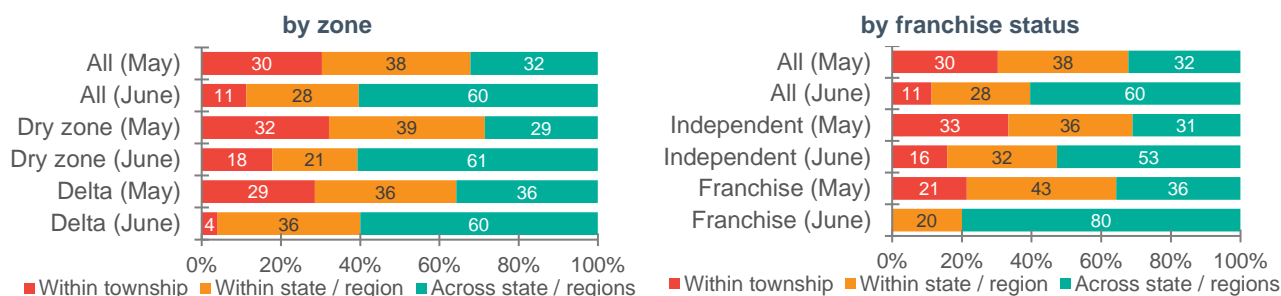
Figure 2. Agricultural equipment retailers reporting having closed their business at some point due to COVID-19 related restrictions



Source: Agricultural Equipment Retailer Phone Surveys, May 2020 and June 2020.

The easing of movement restrictions has been one of the positive changes since May (Figure 3). In May, a majority of the ERs reported movement restrictions within their respective states or region. However, by June, a majority reported that they were allowed to operate across states or regions. This easing of restrictions was experienced across zones and across ERs of different franchise statuses.

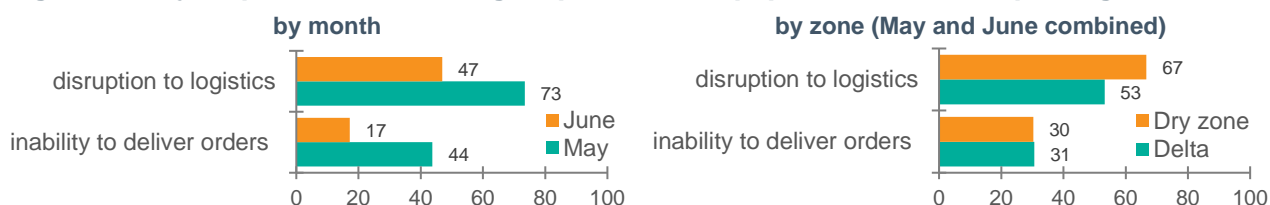
Figure 3. Changes between May and June in the areal extent over which equipment retailers could move agricultural equipment, by zone and franchise types



Source: Agricultural Equipment Retailer Phone Surveys, May 2020 and June 2020 – panel sample.

The eased restrictions on movement have had positive effects among ERs. The share of ERs reporting major operational challenges, such as disruption to logistics and inability to deliver existing orders, declined between May and June (Figure 4). These improvements were reported both across zones and by types of ERs.

Figure 4. Major operational challenges, percent of equipment retailers reporting

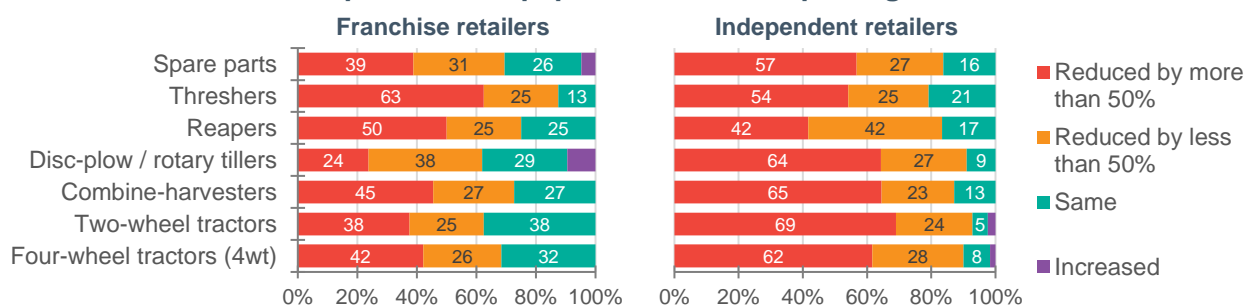


Source: Agricultural Equipment Retailer Phone Surveys, May 2020 and June 2020 – panel sample.

However, even in June, about half of ERs still consider the disruption to logistics to be a serious challenge, indicating further scope for improvements and need for continuous monitoring. In particular, more ERs in the Dry Zone have consistently expressed concerns about the disruption to the logistics of their business operations throughout May and June. As was described in the report on the May survey round, this may be because many ERs are located far from national borders.

Sales in May and June 2020 compared to May and June 2019. Year-on-year reductions in agricultural equipment sales per ER in May 2020 compared to May 2019, as reported in the results of the May survey round, have largely persisted into June with little sign of recovery. A significant majority of ERs continue to indicate that their sales were less than half of the sales registered during the same period in 2019.

Figure 5. Sales in May and June 2020 compared to May and June 2019, by equipment type and franchise status, percent of equipment retailers reporting

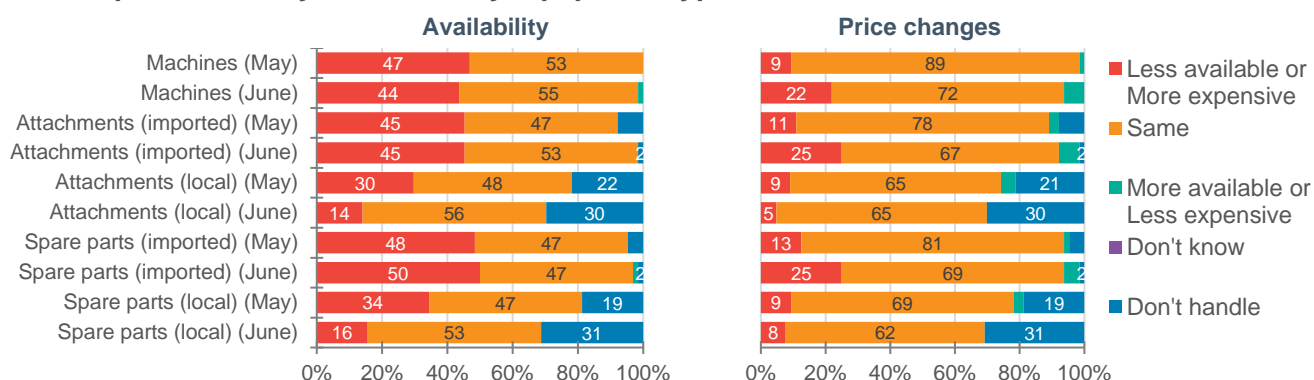


Source: Agricultural Equipment Retailer Phone Surveys, May 2020 and June 2020 – panel sample.

As in the report on the first survey round in May 2020, sales reductions per ER may be partly due to the delayed monsoon cropping season or gradual saturation in Myanmar's agricultural equipment market. The possible effects of COVID-19 continue to warrant further investigations. Furthermore, reduced sales have been found to be particularly more pronounced among independent ERs relative to franchise ERs during the May-June period, especially for four-wheel tractors, two-wheel tractors, combine-harvesters, and disc-plow or rotary tillers (Figure 5). This may be due to the vulnerability of independent ERs to sudden market-wide disruptions, including those related to COVID-19. In addition, because relatively more independent ERs sell to other ERs rather than to individual owners (Figure 1), both supply- and demand-side factors behind these sales reductions need to be monitored.

Supply-side factors. Reduced availability of equipment reported in May has largely persisted into June. Approximately half of panel ERs continue to face lower availability of machines, attachments, and spare parts (particularly imported ones) compared to the same month in 2019 (Figure 6). While the share reporting reduced availability declined somewhat for locally manufactured attachments or spare parts, the change has been offset by an increased share of ERs who simply stopped handling this equipment. The share reporting rising prices for machines and imported attachments/parts has increased since May as well. These patterns generally hold across states and regions, types of ERs, and countries of imports. While underlying mechanisms must be examined more closely in separate studies, these patterns suggest that cost increases due to potential COVID-19 related supply-chain disruptions of imported equipment may affect Myanmar's ERs for some time.

Figure 6. Changes in agricultural equipment availability and prices in May and June 2020 compared to one year earlier, by equipment type

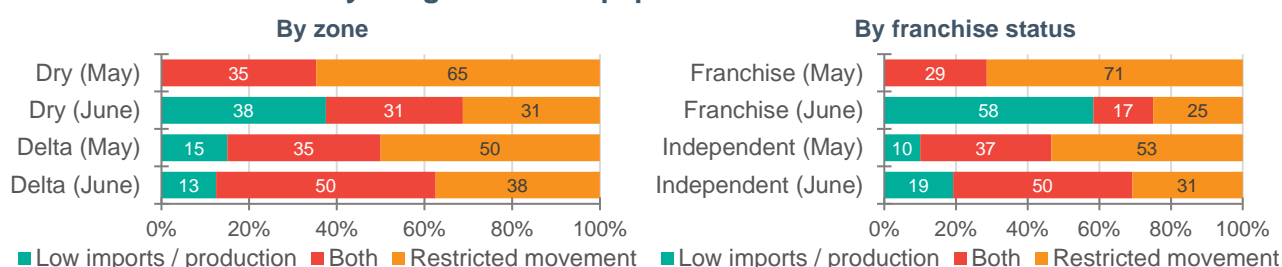


Source: Agricultural Equipment Retailer Phone Surveys, May 2020 and June 2020 – panel sample.

ERs continue to perceive that lower availability and higher prices, where observed, are due to the combination of restricted movement of equipment, low levels of equipment importation in recent months, and reduced production of locally manufactured parts. However, consistent with earlier

figures, by June more ERs seem to attribute the challenges to imports and production rather than solely to restrictions on movement (Figure 7). Relative concerns over imports and production shortages have particularly risen since May in the Dry Zone and among franchise ERs. This suggests that fewer import-related mitigation measures might have been provided to ERs in the Dry Zone ERs, which import relatively more of their equipment through channels outside of Yangon.

Figure 7. May and June changes in perceptions on what accounts for recent higher prices and limited availability of agricultural equipment



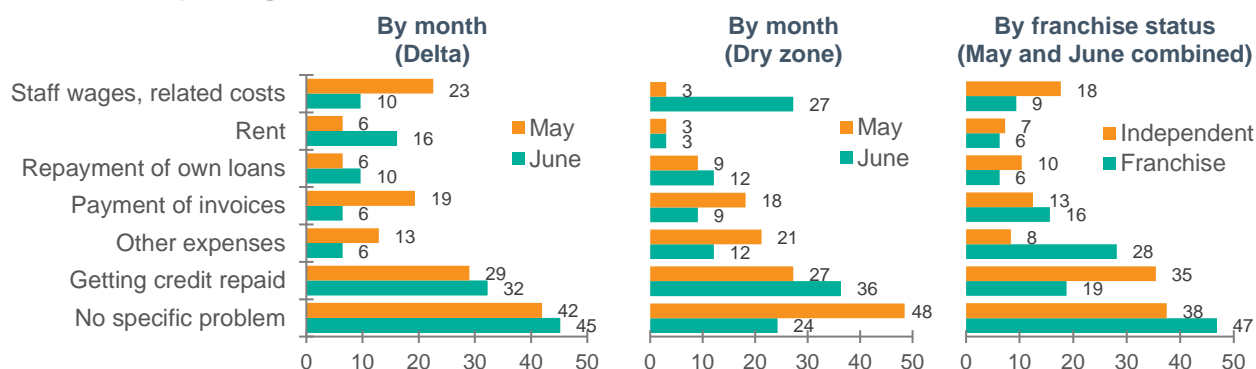
Source: Agricultural Equipment Retailer Phone Surveys, May 2020 and June 2020 – panel sample.

Financial effects on business

Financial challenges. The confluence of COVID-19 and weather-related factors continues to affect ERs in many dimensions in 2020. Recovering credit or loans given to buyers for the acquisition of machines and other equipment was one of the most important challenges in May and has remained so in June (Figure 8). Compared to May, a greater share of ERs in the Dry Zone reported in June financial challenges, such as credit recovery and managing staff wages or related labor costs. Restrictions on workers' movement and lower demand for mechanization services in the Dry Zone in recent months are likely to have affected the loan repayment ability of mechanization service providers – loans that often are owed to the ERs. Throughout May and June, the extent of financial challenges also varied by franchise status. Independent ERs faced more credit recovery challenges, potentially because these ERs may offer credit in more informal ways without collateral or have limited capacity for assessing the creditworthiness of buyers.

Other reported challenges (e.g., payment of invoices received by the ER or repayment of own loans), remain relatively less urgent in June. However, as it was in May, this may be simply because other financial challenges are more threatening to their businesses at this time.

Figure 8. Major financial challenges facing equipment retailers, percent of equipment retailers reporting

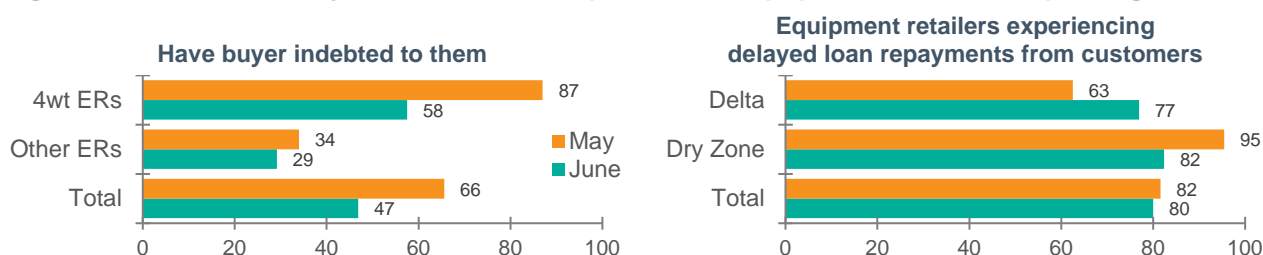


Source: Agricultural Equipment Retailer Phone Surveys, May 2020 and June 2020 – panel sample.

The share of ERs with indebted customers has declined since May, potentially because equipment owners have started earning incomes as the production season started more widely across the country (Figure 9). However, roughly half of ERs interviewed in June (particularly among

four-wheel tractors sellers) still have outstanding credit that has not yet been collected from customers. These retailers continue to face delayed repayment from borrowers. Since May, the share of retailers with delayed repayments from borrowers has risen in the Delta (Figure 9).

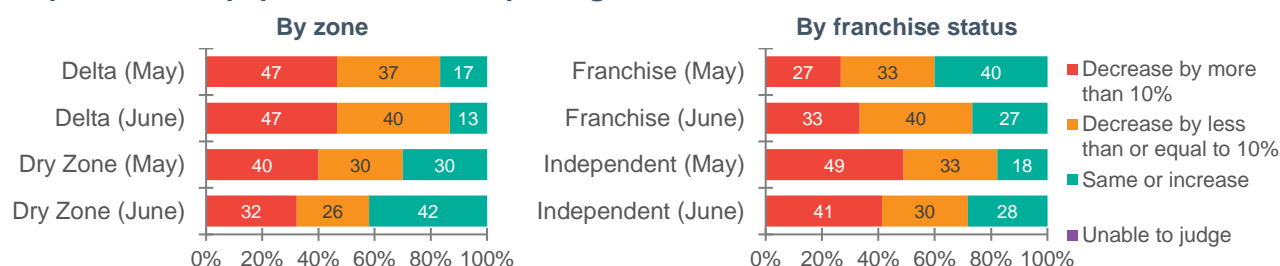
Figure 9. Credit recovery from borrowers, percent of equipment retailers reporting



Source: Agricultural Equipment Retailer Phone Surveys, May 2020 and June 2020 – panel sample.
Note: 4wt ER = four-wheel tractor equipment retailer.

Revenue prospects. In both the May and June surveys, most ERs reported that they were pessimistic about their business prospects. A majority of ERs continued in June to expect their revenues would be lower in 2020 compared to 2019, and a significant majority of them expect this decrease to be by more than 10 percent (Figure 10). While the prospects in June among independent ERs have marginally improved compared to those in May, these improvements have been from a very pessimistic baseline. Revenue prospects have also marginally improved in the Dry Zone; compared to the Delta, where the peak season already ended. Expectations in the Dry Zone may be higher as the easing of movement restrictions and reduced logistical disruptions in June might have provided hope for recouping revenues from the late demand that emerged in 2020. However, even in the Dry Zone, a majority of ERs reported in June that they expected reduced revenue for 2020.

Figure 10. May and June changes in expectations on revenue in 2020 relative to 2019, percent of equipment retailers reporting

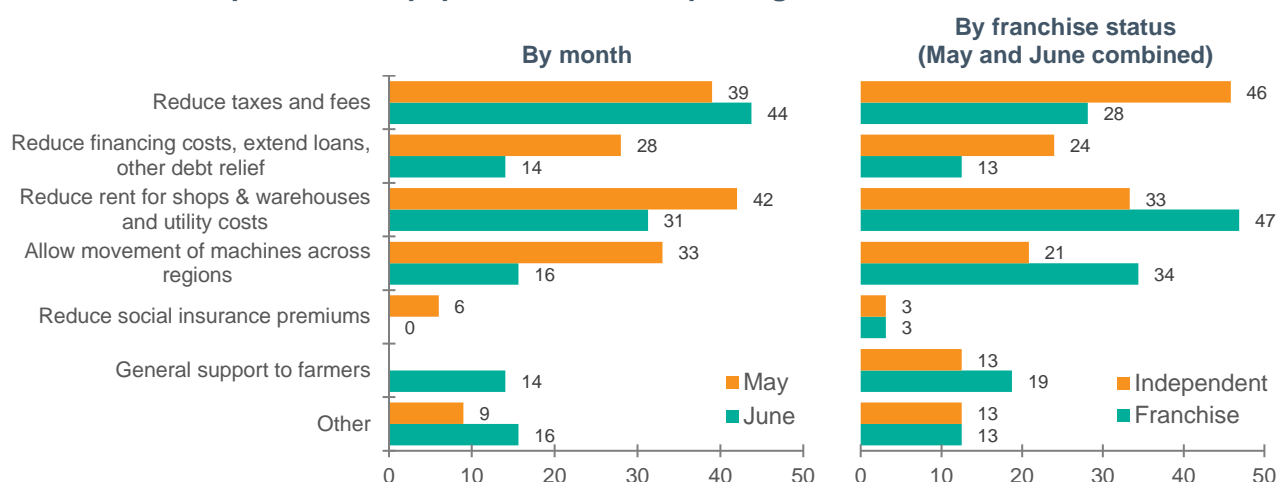


Source: Agricultural Equipment Retailer Phone Surveys, May 2020 and June 2020 – panel sample.

Policy Recommendations

In both rounds of the survey of ERs, respondents were asked about their perceptions on effective policies that would be beneficial for their businesses. Preferred measures continue to be financial support through reduced taxes and fees, lower rent, extensions of loans, and debt relief (Figure 11). Reflecting the easing of movement restrictions that began in June, relatively fewer ERs stated in the June survey that further lifting of movement restrictions for machines across regions was needed. These patterns largely held across zones. Across franchise status, more franchise ERs continue to express the need for reduced rent for their shops or warehouses, which are more likely to be larger in size and command higher rents than is the case for independent ERs. Independent ERs, on the other hand, continue to express greater need for more general tax and fee reductions relevant for ER businesses. They also express greater need for reducing financing costs, loan extensions, and debt relief, which may not be as easily provided compared to franchise ERs.

Figure 11. Perceptions of effective policies against adverse effects of COVID-19 on their businesses, percent of equipment retailers reporting



Source: Agricultural Equipment Retailer Phone Surveys, May 2020 and June 2020 – panel sample.

Conditions observed on the ground as well as the perceptions expressed by the ERs interviewed on what actions government might support to enable ERs to better weather the current COVID-19 related economic crisis suggest the following short-term policy recommendations. Several of these were stressed in the earlier report on the first round of the survey:

- Where significant reductions or disruptions in imported equipment are reported, reduce bottlenecks by facilitating the importation of agricultural equipment in line with Action 2.4.2 of the COVID-19 Economic Relief Plan (CERP) of the Myanmar Government³ – facilitating importation processes to promote international trade.
- Guarantee loans that ERs provide to machine buyers. This will, in turn, help machine buyers overcome their own financial difficulties during this period. This recommendation reflects CERP Action 2.1.2 – offering credit guarantee schemes to ease the impact COVID-19 on private sector firms. In addition, most ERs are likely to fall under small and medium enterprises. Therefore, support measures for ERs can be a component of CERP Action 2.1.6 on financial support for small and medium enterprises.
- Continue providing ERs with temporary relief on taxes or financing costs (particularly independent ERs), and support for rent payments (particularly franchise ERs). This especially is needed by larger ERs who employ more workers. Such measures fall under CERP Action 2.1.3, which proposes deferred tax payments and increased tax waivers.
- Continue streamlining the movement of equipment across regions, which has improved since May but can still is an element of uncertainty for ERs depending on how the COVID-19 epidemic evolves in Myanmar in coming months. Under the COVID-19 Economic Relief Plan (CERP) of the Myanmar Government, any restrictions on the business activities of ERs should be applied appropriately and uniformly.
- Maintain flexibility in these support measures, as the challenges faced by ERs can vary between franchise and independent retailers and between zones.

Finally, it remains important to continue monitoring:

³ Government of the Republic of the Union of Myanmar. (2020). *Overcoming as One: COVID-19 Economic Relief Plan*. Government of the Republic of the Union of Myanmar, Nay Pyi Taw.

- How equipment availability and costs change in coming months for agricultural equipment retailers, as well as for end-users, and how the sales of equipment recover;
- How the international flow of machines and equipment continues to be affected by economic challenges and policies in China, Thailand, India and other countries exporting agricultural equipment to Myanmar; and
- How various other expenses (rent, labor costs, etc.) for equipment-retailers change in coming months.

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