

Monitoring the Impact of COVID-19 in Myanmar

Agricultural Equipment Retailers – July 2020 survey round

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Agricultural equipment retailers (ER) in Myanmar were originally interviewed by telephone in May 2020 and again in June 2020 to determine how their businesses were being affected by COVID-19 related restrictions. The results of those surveys were published in [Myanmar Strategy Support Program Policy Notes 09](#) and [16](#), respectively. To trace the continuing impact of the COVID-19 pandemic on their economic activities, a third phone survey of ERs was done in July 2020. This Note reports on the results of this third survey, as well as changes in the businesses of agricultural equipment retailers since the first and the second surveys.

Key findings

- COVID-19 related challenges for ERs observed in May and June have persisted into July; equipment sales across regions and equipment types have remained considerably lower than in the same month in 2019.
- As the production season progressed, revenue prospects among ERs for 2020 have remained increasingly negative. ERs also continue to be concerned about uncertainty in how the equipment market may be affected.
- Recovering credit from buyers remains one of the primary financial challenges for ERs.
- The extent and nature of these challenges vary somewhat between the Delta and the Dry Zone and between franchise and independent ERs.

Recommended actions

- 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 import processes and 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 to 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 findings from the third round of a rapid phone survey of ERs across Myanmar, updating the findings of surveys of ERs conducted in May and June 2020.¹ As in the first and second rounds 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 third round of interviews was conducted in mid-July 2020 (approximately three weeks after the second survey round) with a total of 75 ERs (Table 1).² Of the respondents in the first and second rounds, 54 participated in the third round. ERs for the third round were identified through the first and second rounds, as well as through snowball sampling methods in which interviewed ERs were asked to suggest other ERs to interview. While this policy note primarily focuses on the 54 ERs that participated in all three rounds of the survey, results of ERs that responded to only one round of the survey are also shown where appropriate.

Of the 75 ERs interviewed in the third round, 45 sell four-wheel tractors. The other 30 ERs sell other agricultural equipment, 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>]

Takeshima H, MT Win, & I Masias. 2020. *Monitoring the impact of COVID-19 in Myanmar: Agricultural equipment retailers - June 2020 survey round*. IFPRI Myanmar SSP Policy Note 16. Washington, DC: International Food Policy Research Institute (IFPRI). [English: <https://ebrary.ifpri.org/digital/collection/p15738coll2/id/133850>]

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 sold	May 2020, Round 1	June 2020, Round 2	July 2020, Round 3	Panel (3-rounds)
Delta	Four-wheel tractors	26	26	21	16
	Other equipment	25	22	20	15
Dry zone	Four-wheel tractors	31	31	24	24
	Other equipment	11	13	10	9
Franchise	Four-wheel tractors	NA	18	22	16
	Other equipment	NA	7	10	7
Independent	Four-wheel tractors	NA	39	23	19
	Other equipment	NA	28	20	12
Total		93	92	75	54

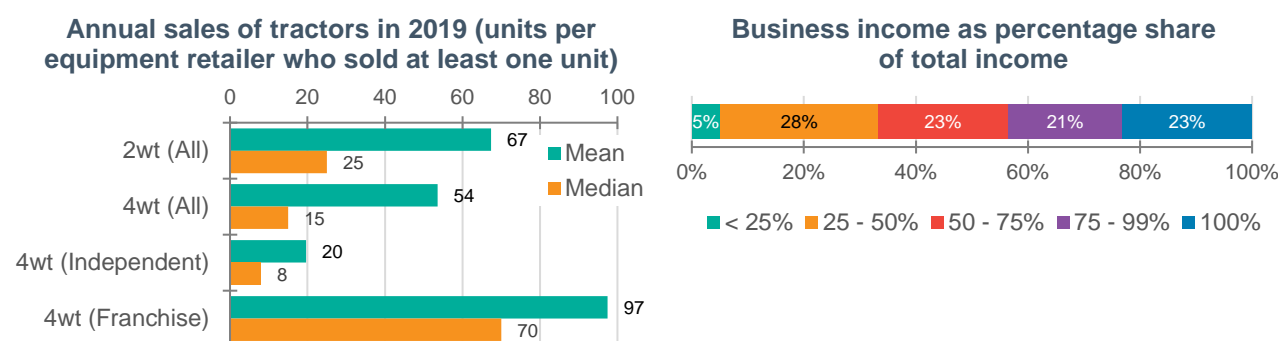
Source: Agricultural Equipment Retailer Phone Surveys, May - July 2020. NA = not applicable (data not collected).

Key Indicators

Characteristics of Interviewed ERs

The basic characteristics of ERs in the first- and second-round samples remained largely the same in the third-round sample. Figure 1 shows additional characteristics for which data was not collected in the first and second rounds. In 2019, interviewed four-wheel tractors ERs sold 54 units and 15 units at mean and median, respectively. Franchise ERs sold more four-wheel tractors than independent ERs did. Similarly, ERs selling two-wheel tractors sold 67 units and 25 units at mean and median, respectively. Most interviewed ERs rely on the equipment sales business as their largest source of income and about a quarter of them rely solely on this business for their income.

Figure 1. Sales and business income shares in 2019 among agricultural equipment retailers interviewed



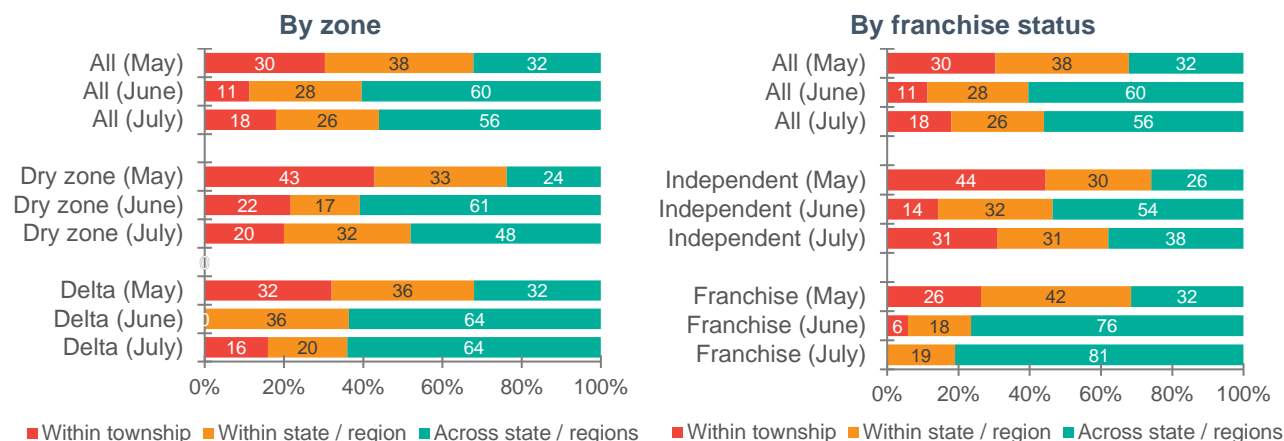
Source: Agricultural Equipment Retailer Phone Survey, May - July 2020.

Note: 4wt = four-wheel tractor; 2wt = two-wheel tractor.

Potential Effects of COVID-19 on Agricultural Equipment Sales

Though the easing of movement restrictions observed in June largely continued in July, some ERs reported reversals (Figure 2). The share of ERs reporting more movement restrictions in July had rebounded levels reported earlier in May, particularly among independent ERs and some of those in the Delta zone.

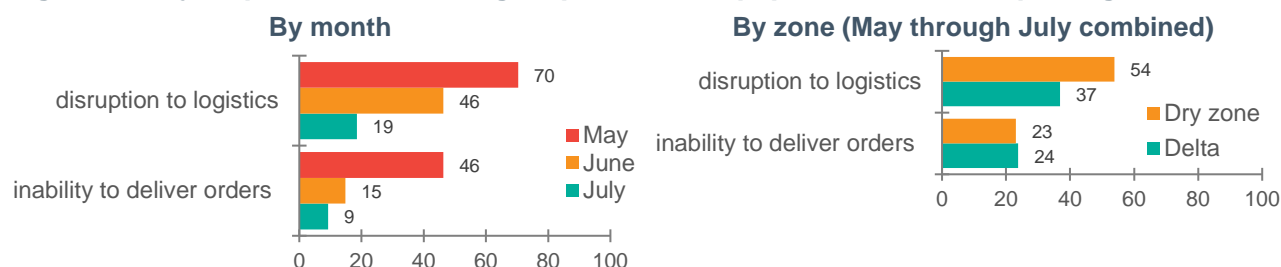
Figure 2. Changes between May and June in the areal extent over which equipment retailers could move agricultural equipment, by zone and franchise types



Source: Agricultural Equipment Retailer Phone Surveys, May - July 2020 – panel sample.

However, the general trend of easing movement restrictions continued to have positive effects on ERs. The share of ERs reporting major operational challenges, such as disruption to logistics and inability to deliver existing orders, declined further in July (Figure 3). These improvements were reported across zones and ER types.

Figure 3. Major operational challenges, percent of equipment retailers reporting

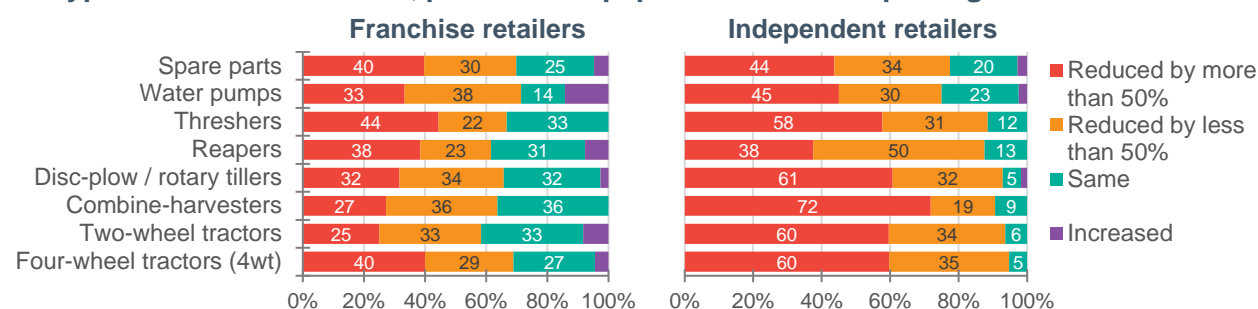


Source: Agricultural Equipment Retailer Phone Surveys, May - July 2020 – panel sample.

However, reduced concerns on logistic disruptions and order deliveries in Figure 3 may also be due to the end of the peak demand season, suggesting that monitoring of operational challenges should continue.

Sales in May through July 2020 compared to May through July 2019. Year-on-year reductions in agricultural equipment sales per ER from May to June 2020 compared with May to June 2019 have persisted into July 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 4. Sales in May through July 2020 compared to May through July 2019, by equipment type and franchise status, percent of equipment retailers reporting



Source: Agricultural Equipment Retailer Phone Surveys, May - July 2020 – panel sample.

Though sales reductions per ER in the May and June surveys may have been partly due to the delayed monsoon cropping season, the persistence of sales reductions in July suggests that the effects of COVID-19 have also been significant. Additionally, while gradual saturation in Myanmar's agricultural equipment market in recent years has depressed the growth of sales per ER, the extent of the reduction reported – often at more than 50 percent year-on-year – seems to exceed this long-term trend. Reduced sales have continued to be particularly more pronounced among independent ERs relative to franchise ERs during the May-July period, especially for four-wheel tractors, two-wheel tractors, combine-harvesters, and disc-plow or rotary tillers (Figure 4). This trend continues to underscore the potential vulnerability of independent ERs to sudden market-wide disruptions, including those related to COVID-19.

Supply-side factors. The availability of equipment has gradually improved from May to July. However, a significant share of ERs continue to face lower availability of machines, attachments, and spare parts (particularly imported ones) compared to the same month in 2019 (Figure 5). The share reporting rising prices for machines and imported attachments or parts, which increased between May and June, somewhat declined in July. These patterns generally hold across states and regions, types of ER, and countries of import. Again, these changes may also partly reflect the end of peak demand seasons. Potential COVID-19 related supply-chain disruptions of imported equipment need continuous monitoring, especially in future peak demand seasons.

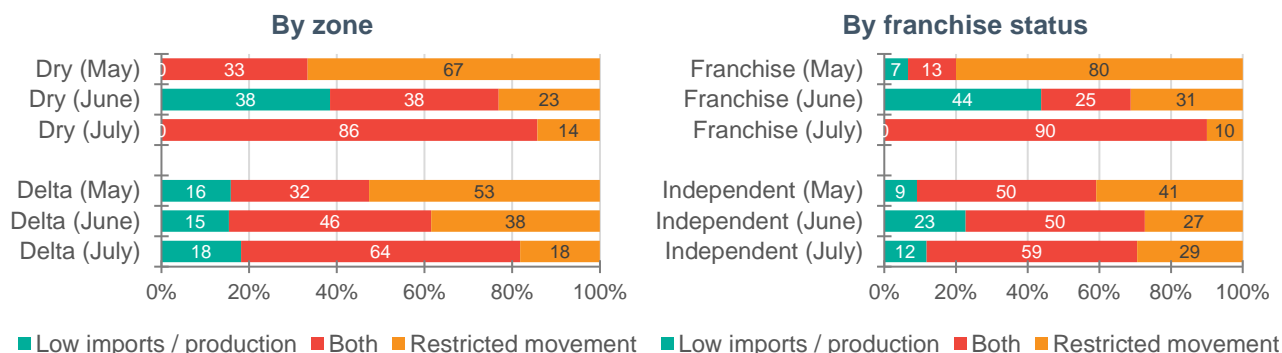
Figure 5. Changes in agricultural equipment availability and prices in May and June 2020 compared to one year earlier, by equipment type



Source: Agricultural Equipment Retailer Phone Surveys, May - July 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, more ERs attributed the challenges to both import/production and movement restrictions, rather than solely to either one of them (Figure 6). This suggests that ERs continue to hold concerns that lower availability and higher costs of equipment may persist in increasingly uncertain ways.

Figure 6. May to July 2020 changes in perceptions on what accounts for recent higher prices and limited availability of agricultural equipment

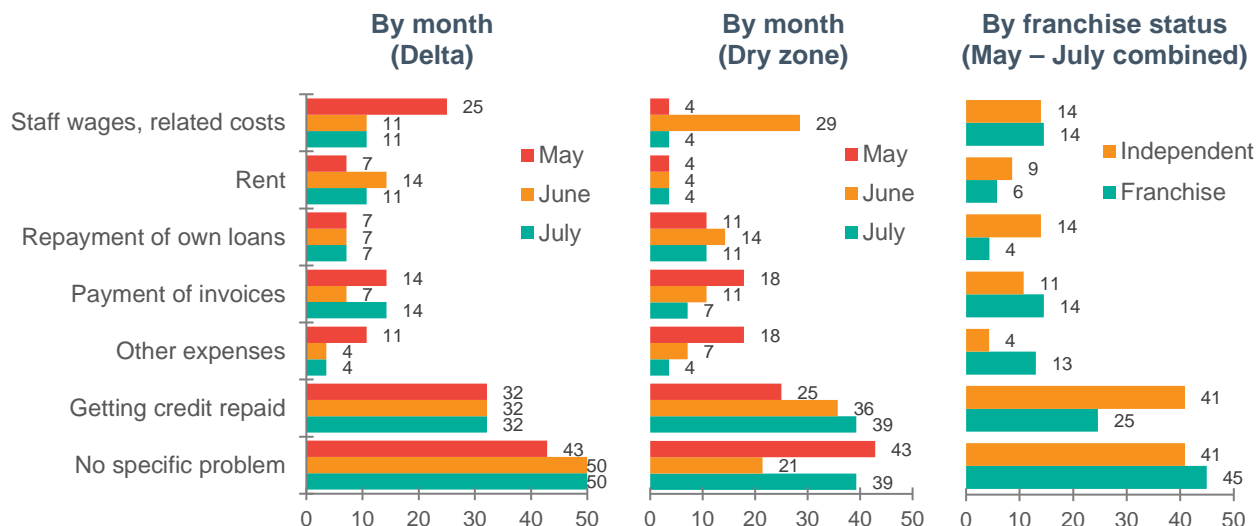


Source: Agricultural Equipment Retailer Phone Surveys, May - July 2020 – panel sample.

Financial effects on business

Financial challenges. The confluence of COVID-19 and weather-related factors continues to affect ERs in many dimensions. Recovering credit or loans given to buyers for the acquisition of machines and other equipment continues to be one of the most important challenges, especially in the Dry Zone (Figure 7). However, the extent of financial challenges between May and July also varied by franchise status. Independent ERs continued to face 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 than do franchise ERs.

Figure 7. Major financial challenges facing equipment retailers, percent of equipment retailers reporting

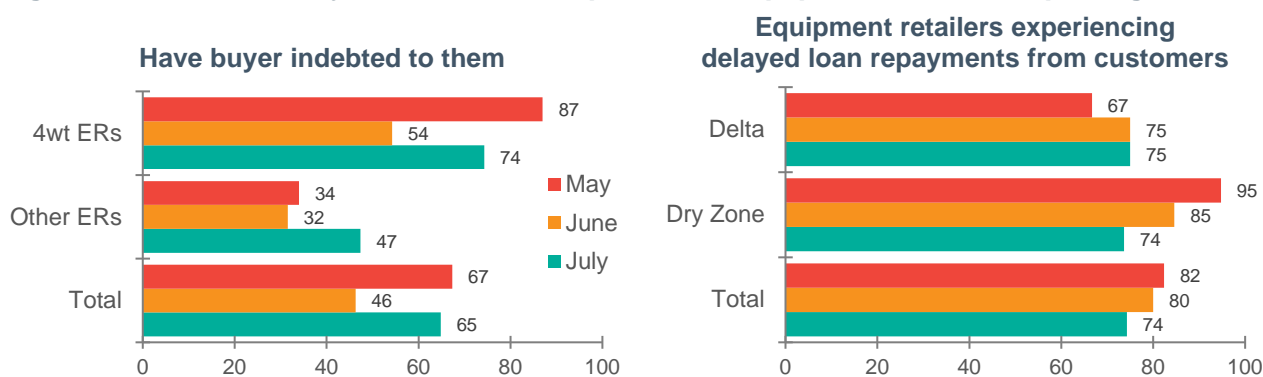


Source: Agricultural Equipment Retailer Phone Surveys, May – July 2020 – panel sample.

Managing staff wages and related labor costs, which was an important issue in the Dry Zone in June, has become less important in July. However, this may also be related to the end of peak demand season and should be monitored continuously.

The persistence of credit recovery challenges in July is concerning. As the peak seasons end, ER customers, including mechanization service providers, will have fewer prospects for earning additional revenues to enable credit repayment to ERs. The share of ERs with indebted customers declined between May and June but resurged in July. A significant majority of ERs (particularly four-wheel tractor sellers) still have outstanding credit that has not yet been collected from customers. A persistently high share of ERs also continues to face delayed repayment from borrowers (Figure 8).

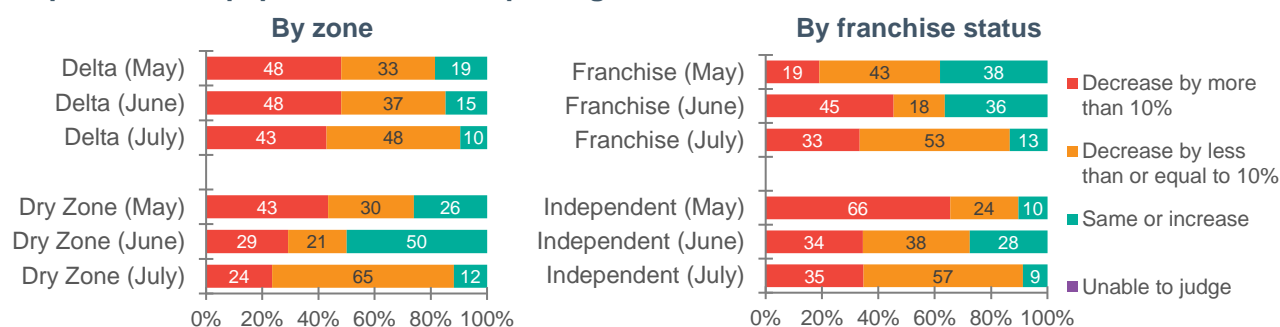
Figure 8. Credit recovery from borrowers, percent of equipment retailers reporting



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

Revenue prospects. Most ERs continue to report that they are pessimistic about their business prospects for 2020. In July, a majority of ERs continued to expect their revenues will be lower in 2020 compared to 2019, and a significant majority expect this decrease to be by more than 10 percent (Figure 9). Furthermore, as the production season progressed, an increasing share of ERs switched their assessment of their business prospects to a “decrease” in revenues. This finding has been particularly pronounced in the Dry Zone, where some ERs initially reported expected improvements in June as the production season started late. However, by July, these positive prospects largely dissipated, indicating that earnings from the peak season since June have been less than expected.

Figure 9. May through July changes in expectations on revenue in 2020 relative to 2019, percent of equipment retailers reporting



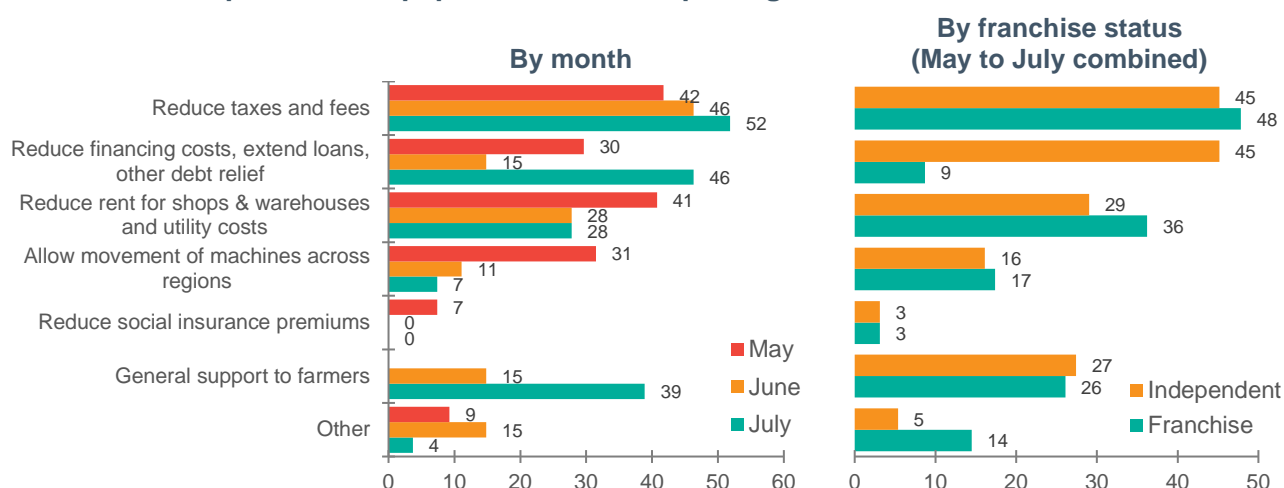
Source: Agricultural Equipment Retailer Phone Surveys, May - July 2020 – panel sample.

Policy Recommendations

As was done in the previous rounds of the ER survey, respondents were asked about their perceptions of effective policies that would be beneficial for their businesses. Preferred measures continue to be financial support through reduced taxes and fees, loan extensions, debt relief, and lower rent (Figure 10). The preference for greater support to farmers has also increased significantly, as such support can also indirectly help ERs for their loan recovery and boost equipment sales in the medium-term. 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 likely to be larger in size and command higher rents than independent ERs. Independent ERs, on the other hand, continue to express greater needs for reducing financing costs, loan extensions, and debt relief, which may not be as easily provided compared to franchise ERs. As peak demand seasons come to an end, these preferences (and their changes over time) are consistent with our finding that

ERs are increasingly concerned about the financial consequence of the lower revenues earned this season.

Figure 10. 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 - July 2020 – panel sample.

Conditions observed on the ground as well as 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 reports on the first and second rounds 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). 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 generally improved but can still be 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 ERs and between zones.

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.

Finally, it remains important to continue monitoring:

- How the financial conditions of ERs change over the next few months and how equipment supply is affected if significant business closures are observed in certain regions;
- How equipment availability and costs change in the coming months for ERs and end-users, and how equipment sales recover; and
- 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.

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