

# Monitoring the Impact of COVID-19 in Myanmar

## Agricultural Equipment Retailers – November 2020 survey round

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Agricultural equipment retailers (ER) in Myanmar were originally interviewed by telephone in May, June, and July 2020 to determine how their businesses were being affected by COVID-19 related restrictions. The results of those survey rounds were published in Myanmar Strategy Support Program Policy Notes [09](#), [16](#), and [18](#), respectively. To trace the continuing impact of the COVID-19 pandemic on their economic activities, a fourth round of the phone survey of ERs was done in November 2020. This policy note reports on the results of the fourth round, as well as changes observed since the respondents were interviewed in earlier survey rounds.

### Key findings

- COVID-19 related challenges for ERs that were observed earlier in the year have generally persisted into November; equipment sales across regions and equipment types have remained lower than in the same month in 2019 and were generally aggravated in November. Revenue expectations among ERs for 2020 also remain negative.
- Compared to earlier in the year, with the restrictions associated with the second wave of COVID-19 infections, concerns have significantly intensified regarding movement restrictions, disruption to logistics, and reduced ability to deliver orders.
- These trends are seen generally across all geographies and to both franchise and independent ERs. However, conditions have particularly been aggravated in the Delta in November.

### Recommended actions

- Minimize movement restrictions on agricultural equipment retailers and equipment across regions, including the Delta, by granting exemptions.
- Continue supporting loans that ERs provide to farmers who buy agricultural equipment. This also will help machine buyers overcome their financial difficulties. General support to farmers, especially in the Dry Zone, will also indirectly benefit ERs in this regard.
- Continue providing financial support to ERs through reduced taxes, fees, and rents; loan extensions; and debt relief.

## Background

Agricultural equipment retailers (ER) play an essential role in meeting the demand from farmers 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 country's policy responses have affected key aspects of ER business operations, first immediately following the initial onset of the virus in the country and then again in the latter half of 2020 after the second wave of the pandemic affected the country. Measures to support ERs and to ensure that buyers have access to equipment and associated services should be guided by an understanding of the situation on the ground. This policy note covers findings from the fourth round of a rapid telephone survey of ERs across Myanmar and updates findings of ER survey rounds conducted earlier in May, June, and July 2020.<sup>1</sup> As in the earlier rounds, 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 that ERs are facing? How are ERs 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 location, size, or type of equipment handled?
- What issues related to agricultural equipment supply need to be monitored over the next few months?

The fourth round of interviews was conducted in mid-November 2020 with a total of 63 ERs, all of whom had been interviewed at least once earlier in the year (Table 1).<sup>2</sup> This policy note primarily focuses on changes for these 63 ERs between information collected from them in those earlier survey rounds (henceforth, “summer” rounds) and that collected in the fourth survey round.

Of the 63 ERs interviewed in the fourth round, 40 sell four-wheel tractors. The other 23 ERs sell other agricultural equipment, such as combine harvesters, two-wheel tractors, rotary-tillers, reapers, threshers, water pumps, or spare parts. About half of the 63 ERs interviewed reported they are franchise ERs.

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<sup>1</sup> 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>]

Takeshima H, MT Win, & I Masias. 2020. *Monitoring the impact of COVID-19 in Myanmar: Agricultural equipment retailers - July 2020 survey round*. IFPRI Myanmar SSP Policy Note 18. Washington, DC: International Food Policy Research Institute (IFPRI).  
[English: <http://ebrary.ifpri.org/cdm/ref/collection/p15738coll2/id/133865>]

<sup>2</sup> 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	Interviewed in at least one round in May, June, or July 2020	November 2020, round 4
<b>Delta</b>	Four-wheel tractors	36	18
	Other equipment	32	12
<b>Dry zone</b>	Four-wheel tractors	38	22
	Other equipment	15	11
<b>Franchise</b>	Four-wheel tractors	31	22
	Other equipment	13	12
<b>Independent</b>	Four-wheel tractors	43	18
	Other equipment	34	11
<b>Total</b>		<b>121</b>	<b>63</b>

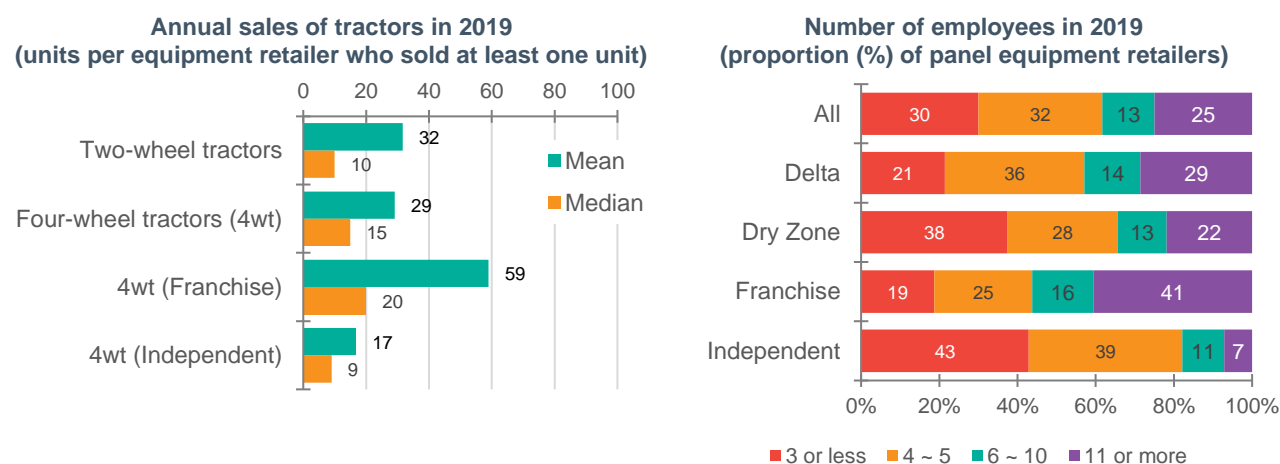
Source: Agricultural Equipment Retailer Phone Surveys, May, June, July, and November 2020.

## Key Indicators

### Characteristics of Interviewed ERs

Figure 1 shows basic characteristics for the 63 ERs. In 2019, the four-wheel tractor ERs that were interviewed sold 29 units and 15 units at mean and median, respectively. Franchise ERs sold more four-wheel tractors than did independent ERs. ERs selling two-wheel tractors sold 32 units and 10 units at mean and median, respectively. Most interviewed ERs employed five workers or fewer. Delta ERs employed more workers than Dry Zone ERs. Similarly, franchise ERs generally employed more workers than do independent ERs.

**Figure 1. Sales and number of employees in 2019 among panel agricultural equipment retailers interviewed in both summer and November rounds**



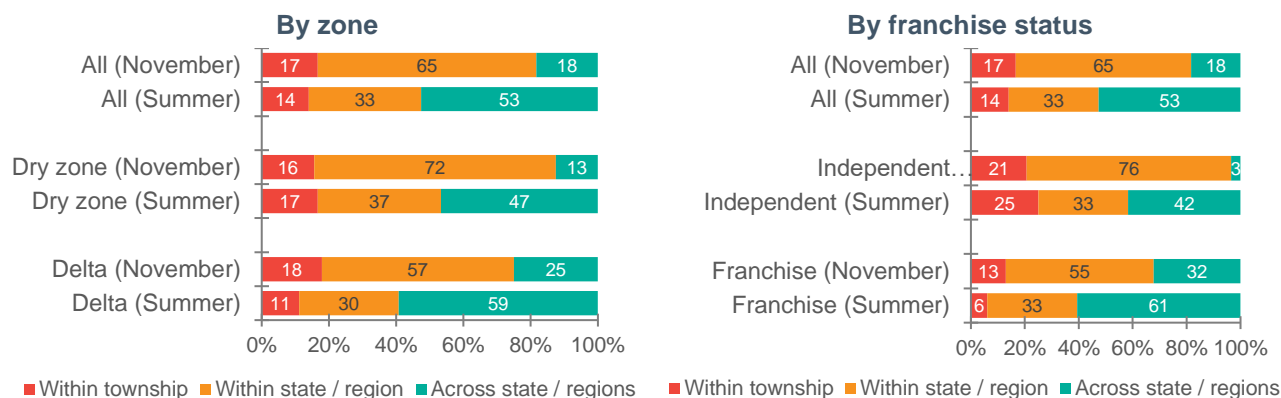
Source: Agricultural Equipment Retailer Phone Survey, May - July and November 2020 – panel sample.

Note: 4wt = four-wheel tractor.

### Potential Effects of COVID-19 on Agricultural Equipment Sales

**Movement restrictions** seem to have intensified since the summer (Figure 2). The share of ERs reporting in November greater movement restrictions (across states or regions) than was the case in the summer increased in the Delta and the Dry Zone for both independent and franchise ERs.

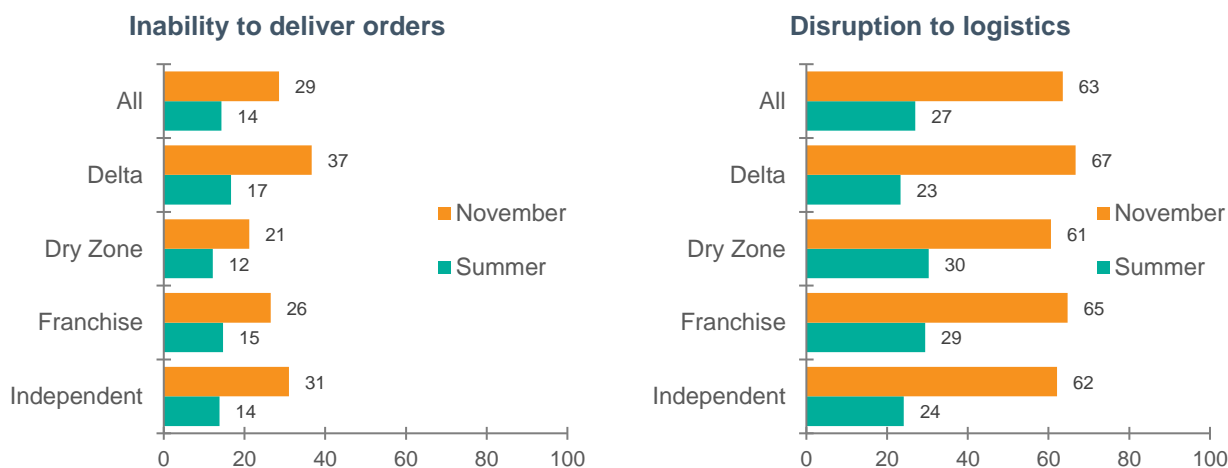
**Figure 2. Changes between summer and November in the areal extent over which equipment retailers could move agricultural equipment, by zone and franchise types**



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

These movement restrictions seem to be significantly limiting the operations of ERs. The shares of ERs reporting major operational challenges, such as disruption to logistics and inability to deliver existing orders, increased significantly in November compared to the summer survey rounds (Figure 3). These challenges were reported across geographies and ER types.

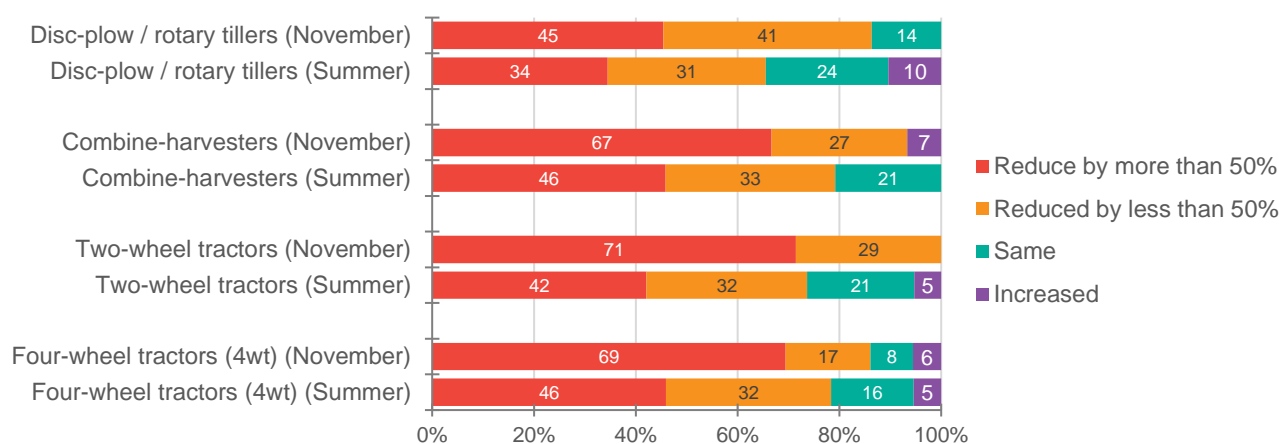
**Figure 3. Major operational challenges, percent of equipment retailers reporting, and changes between summer and November rounds**



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

**Sales in the summer and November 2020 compared to the summer and November 2019.** Year-on-year reductions in agricultural equipment sales in 2020 compared with 2019 were consistently reported in the summer survey rounds. These reductions have persisted and were generally reported to have been aggravated in the November survey round (Figure 4). Among the 63 panel ERs interviewed, about 80 percent indicated that their sales of four-wheel tractors, two-wheel tractors, and combine harvesters had been less than the sales registered during the same period in 2019. In the summer, almost half of ERs reported that the reduction in sales that they had experienced had been more than 50 percent. These shares increased to about 70 percent in the November survey round. These patterns also hold, albeit to a lesser extent, for other equipment, such as disc-plows or rotary tillers.

**Figure 4. Sales in summer and November 2020 compared to summer and November 2019, by equipment type, percent of equipment retailers reporting**



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

As was reported in the policy notes for the earlier ER survey rounds, sales reductions per ER in the summer may have been partly due to the delayed monsoon cropping season. However, the persistence of sales reductions in November suggests that the effects have been long-lasting and are likely to have been partly due to COVID-19 given their association with intensifying movement restrictions. Also, as mentioned in the policy notes for earlier rounds, 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. The patterns of expanding levels of sales reduction in November, as displayed in Figure 4, hold consistently across zones, as well as for both franchise and independent ERs.

**Supply-side factors.** A significant share of ERs continues to face generally lower availability and higher prices for machines, attachments, and spare parts (particularly imported ones) compared to the same month in 2019. There has been relatively little improvement since earlier survey rounds (Figure 5). The shares of ERs reporting reduced availability of locally manufactured attachments or spare parts increased in November. These patterns generally hold across states and regions, ER type, and country of import.

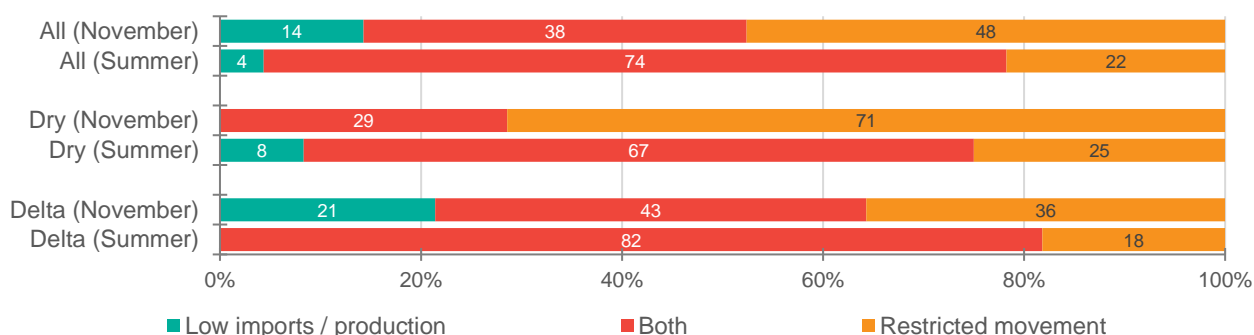
**Figure 5. Changes in agricultural equipment availability and prices in summer and November 2020 compared to one year earlier, by equipment type**



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

As to the reasons for generally lower availability and higher prices, the ERs interviewed continue to perceive that this stems from a combination of restrictions on movement of equipment, low levels of equipment importation, and reduced production of locally manufactured parts. However, in the November survey, more ERs (particularly those in the Dry Zone) attributed the challenges to movement restrictions, rather than to imports or production constraints (Figure 6). In the Delta, imports and production were often-cited reasons, though movement restrictions are increasingly considered to be binding. Overall, movement restrictions are of increasing concern to ERs.

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

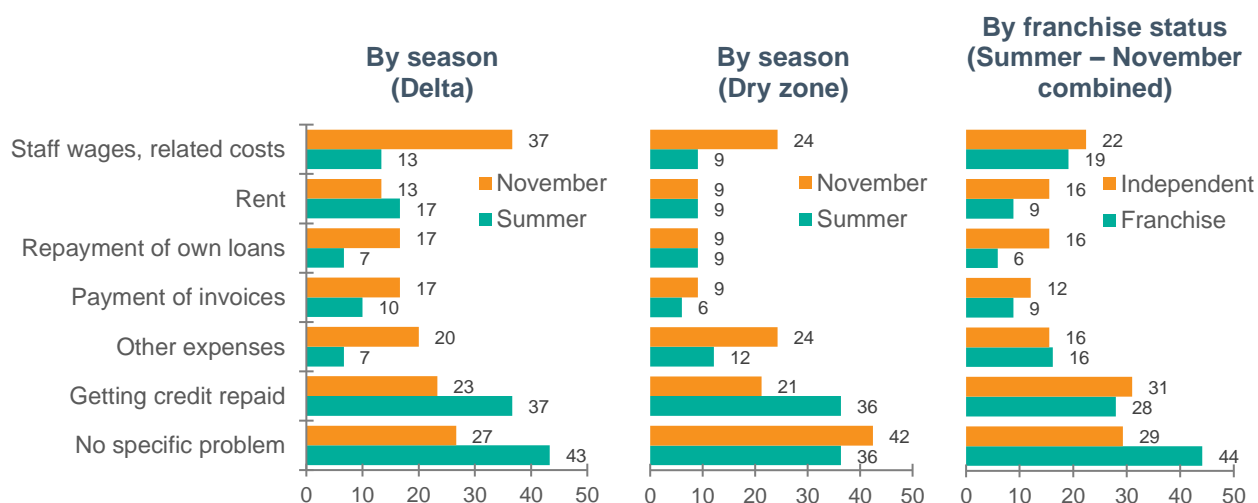


Source: Agricultural Equipment Retailer Phone Surveys, May - July and November 2020 – panel sample.

### Financial effects on business

**Financial challenges.** Interviewed ERs continue to report financial challenges on many dimensions, partly due to COVID-19, but also due to other factors, such as weather. Recovering loans or other credit given to buyers for the acquisition of machines and other equipment, which was a major challenge for ERs in the summer, continues to be one of the most important challenges reported in the November survey round (Figure 7). In November, staff wages and related costs have also become an important financial challenge. While relatively few ERs indicated actual worker shortages (not shown here), these responses suggest that ERs are facing more pleas from workers for financial support. The share of ERs reporting no financial problems has declined significantly, further suggesting potentially aggravating financial challenges for ERs. In both the summer and November survey rounds, independent ERs have continued to face greater overall financial challenges.

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

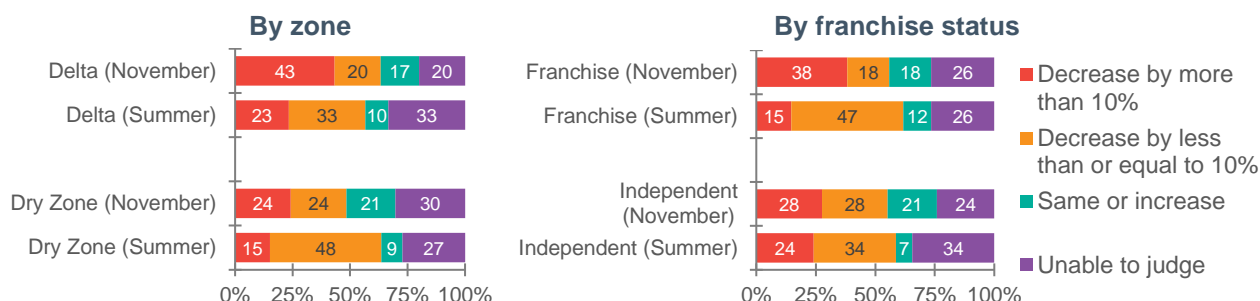


Source: Agricultural Equipment Retailer Phone Surveys, May – July and November 2020 – panel sample.



**Revenue prospects.** As in summer survey rounds, most ERs continue to report that they are pessimistic about their business prospects for 2020. It is particularly concerning that the proportions of ERs in the Delta and franchise ERs expecting more than a 10 percent decrease in revenue increased from 20 percent in the summer rounds to around 40 percent in November round (Figure 8). While slightly higher shares of ERs also reported prospects of the same or increased revenues relative to 2019, these responses may also reflect a greater reduction in the market shares of other ERs. Monitoring the overall revenues of ERs therefore remains important.

**Figure 8. Summer through November changes in expectations on revenue in 2020 relative to 2019, percent of equipment retailers reporting, by zones and franchise status**

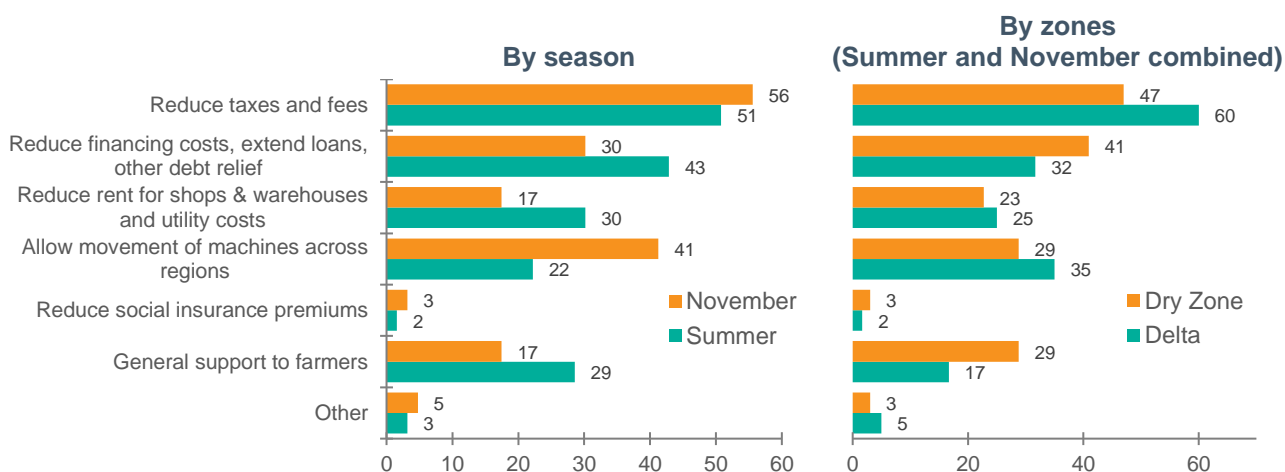


Source: Agricultural Equipment Retailer Phone Surveys, May - July and November 2020 – panel sample.

## Policy Recommendations

As was done in previous rounds of the ER survey, respondents were asked about their perceptions of effective policies that would be beneficial for their businesses. The preferred measure continues to be financial support through reduced taxes and fees (Figure 9). However, allowing the movement of machines across regions rose in priority in November, consistent with the aforementioned growing perceptions about the adverse effects of movement restrictions expressed by ERs. While preferences for other policies have received relatively reduced urgency compared with movement restrictions, significant shares of ERs still expressed preferences for support for loan extensions, debt relief, and lower rent. These patterns largely held across franchise status. Across geographies, more Delta ERs continue to express the need for reduced taxes and fees, as well as reduced financing costs and reduced movement restrictions. Dry Zone ERs prefer a similar set of policies and continue to express greater needs for providing general support to farmers.

**Figure 9. Perceptions of effective policies against adverse COVID-19 effects on businesses, percent of equipment retailers reporting, changes between summer and November**



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

As in the earlier survey rounds, conditions observed on the ground, as well as perceptions expressed by the ERs interviewed in November regarding government actions to enable them to better weather the current COVID-19 related economic crisis, suggest the following short-term policy recommendations. Several of these recommendations were stressed in reports on the earlier rounds of the survey:

- While balancing the need for restricting movement to contain COVID-19 spread, minimize restrictions on the movement of equipment across regions. These restrictions have significantly worsened for ERs in recent 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.
- Where significant reductions or disruptions in imported equipment are reported, reduce bottlenecks by facilitating the importation of agricultural equipment in line with CERP Action 2.4.2—facilitating importation processes to promote international trade.<sup>3</sup>
- Guarantee ER loans 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—offer credit guarantee schemes to ease COVID-19's impact on private sector firms. Additionally, most ERs are likely to be classified as 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. Such measures fall under CERP Action 2.1.3, which proposes deferred tax payments and increased tax waivers.
- Maintain flexibility in these support measures, as the challenges faced by ERs can vary between franchise and independent ERs and between zones.

Finally, it remains important to continue monitoring:

- How movement restrictions and financial conditions of ERs change in the coming months.
- How equipment supply is affected if significant business closures among agricultural equipment retailers are observed in certain regions.
- How equipment availability and costs change in the coming months for ERs and end-users, and how equipment sales respond.
- 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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<sup>3</sup> 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.



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