

Monitoring the Impact of COVID-19 in Myanmar

Agricultural Equipment Retailers – January 2021 survey round

Hiroyuki Takeshima, Phoo Pye Zone, and Ian Masias

Agricultural equipment retailers (ER) in Myanmar were originally interviewed by telephone in May, June, July, and November 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](#), [16](#), [18](#), and [38](#), respectively. To trace the continuing impact of the COVID-19 pandemic on their economic activities, a fifth phone survey of ERs was done in January 2021. This policy note reports on the results of this fifth survey round, as well as changes observed since the respondents were interviewed in earlier rounds.

Key findings

- COVID-19 related challenges for ERs observed in earlier periods have generally persisted.
- Equipment sales across regions and equipment types have remained lower than in the same month a year earlier. Revenue expectations among ERs for the current year also remain negative, although there has been some improvement since the November round.
- Concerns over movement restrictions, disruption to logistics, and reduced ability to deliver orders, which significantly intensified between the mid-year and November rounds, largely persisted into January, albeit with some improvements.
- These trends are seen across geographies and across both franchise and independent ERs. The Delta, which experienced worsening conditions in November, saw improvements in January, but returned only to mid-year (summer) levels.

Recommended actions

- Continue minimizing movement restrictions of agricultural equipment retailers and equipment across regions by granting exemptions.
- Continue supporting loans that ERs provide to farmers who buy agricultural equipment. This will also help machine buyers overcome their financial difficulties.
- General support to farmers will also indirectly benefit ERs, especially in motivating equipment purchases for the next production season.
- Continue providing financial support to ERs through reduced taxes, fees, and rents.

Background

Agricultural equipment retailers (ER) play an essential role in meeting the demand for the provision of farmers with a diverse set of machines and equipment at affordable prices 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 inventories. 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 control it have affected key aspects of ER business operations, first immediately following the initial onset of the virus in the country and again in the latter half of 2020 as a second wave of infections swept the country. 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 fifth round of a rapid telephone survey of ERs across Myanmar, updating the findings from four previous rounds conducted in May, June, July, and November 2020.¹ As in the earlier 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 farmer 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 fifth round of interviews was conducted in mid-January 2021 with a total of 49 ERs, all of whom had been interviewed in the November round and 34 of whom had been interviewed at least once in the three earlier survey rounds in 2020 (Table 1).² This policy note primarily focuses on changes for these 34 ERs between information collected from them in the May, June, or July rounds (henceforth, “summer” rounds) and that collected in the November 2020 and January 2021 survey rounds.

Of the 34 ERs, 17 sell four-wheel tractors. The other 17 ERs sell other agricultural equipment, such as combine harvesters, two-wheel tractors, rotary-tillers, reapers, threshers, water pumps, or spare parts. Half of the 34 ERs interviewed reported they 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. [English: <https://ebrary.ifpri.org/digital/collection/p15738coll2/id/133767>; Burmese: <https://ebrary.ifpri.org/digital/collection/p15738coll2/id/133779>];

June 2020 survey round. IFPRI Myanmar SSP Policy Note 16. [English: <https://ebrary.ifpri.org/digital/collection/p15738coll2/id/133850>];

July 2020 survey round. IFPRI Myanmar SSP Policy Note 18. [English: <http://ebrary.ifpri.org/cdm/ref/collection/p15738coll2/id/133865>];

November 2020 survey round. IFPRI Myanmar SSP Policy Note 38. [English: <https://ebrary.ifpri.org/digital/collection/p15738coll2/id/134177>].

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.

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

Categories	Type of equipment sold	Interviewed sometime in May, June, or July 2020	January 2021 (round 5)	Panel sample (summer & round 5)
Delta	Four-wheel tractors	36	11	6
	Other equipment	32	10	8
Dry zone	Four-wheel tractors	38	17	11
	Other equipment	15	11	9
Franchise	Four-wheel tractors	29	9	6
	Other equipment	13	11	11
Independent	Four-wheel tractors	45	19	11
	Other equipment	34	10	6
Total		121	49	34

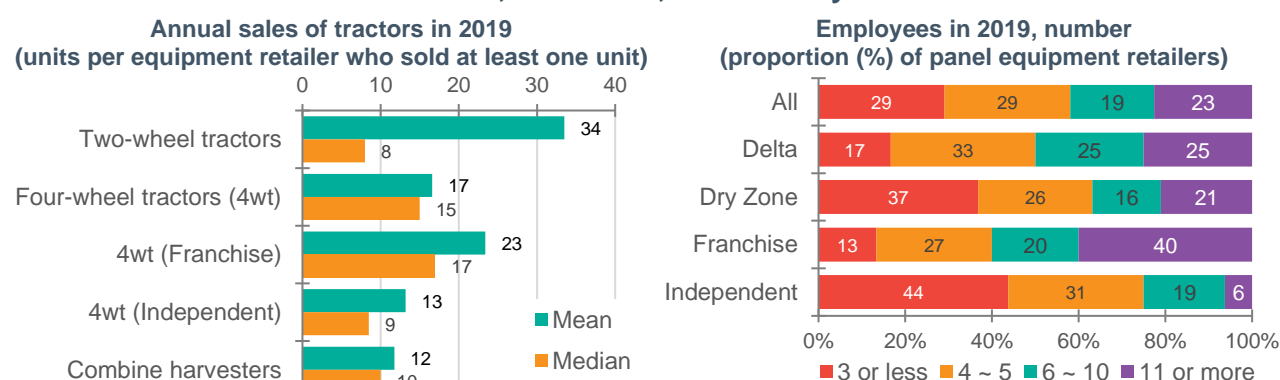
Source: Agricultural Equipment Retailer Phone Surveys, May-July 2020 and January 2021. NA=not applicable (data not collected).

Key Indicators

Characteristics of Interviewed ERs

Figure 1 shows basic characteristics for the 34 panel-ERs. In 2019, the four-wheel tractors ERs interviewed sold 17 and 15 units at the mean and the median, respectively. Franchise ERs sold more four-wheel tractors than did independent ERs. ERs selling two-wheel tractors sold 34 and eight units at the mean and the median, while those selling combine harvesters sold 12 and 10 units at the mean and the median, respectively. Interviewed ERs typically employed five workers or fewer. Delta ERs employed more workers than Dry Zone ERs. Similarly, franchise ERs generally employed more workers than independent ERs.

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



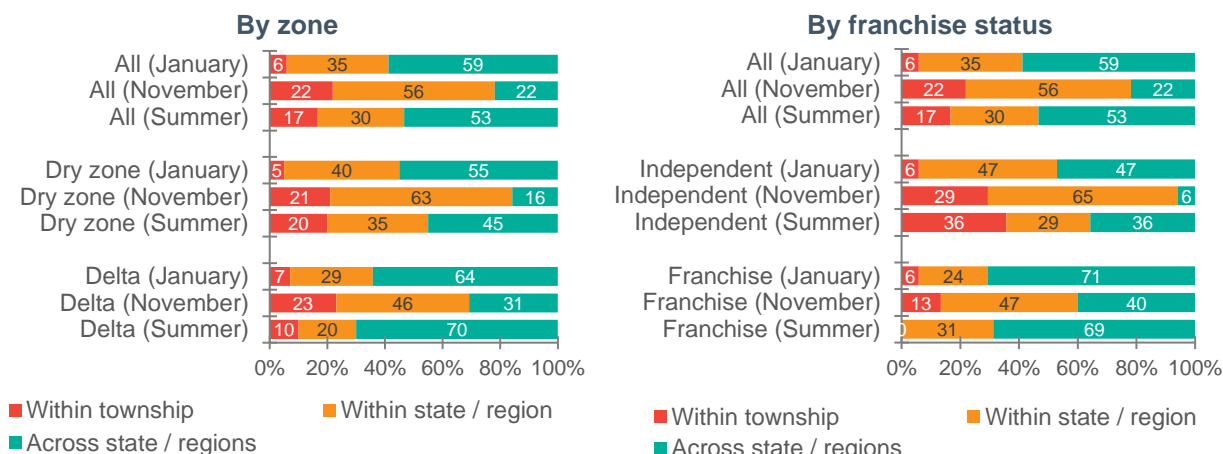
Source: Agricultural Equipment Retailer Phone Survey, May-July 2020, November 2020, and January 2021—panel sample.

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

Potential Effects of COVID-19 on Agricultural Equipment Sales

Movement restrictions, which had intensified between the summer rounds and November 2020, had diminished as of January 2021 to levels similar to the summer (Figure 2). However, the shares of ERs reporting more movement restrictions, particularly restrictions on movement across state or region borders, generally remained higher for ERs in the Dry Zone and for independent ERs.

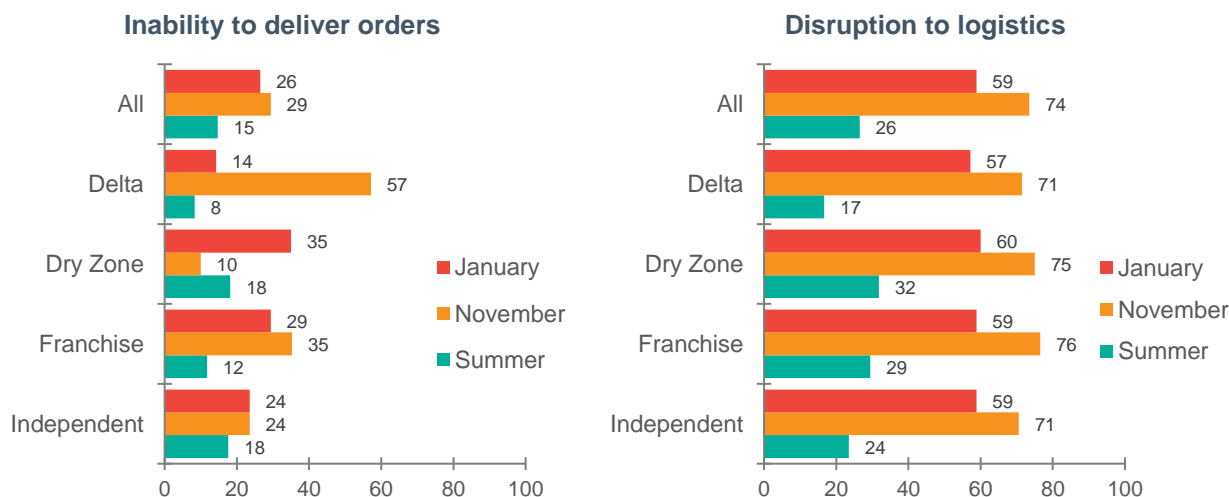
Figure 2. Changes between summer and November in the areal extent over which equipment retailers could move agricultural equipment, by zone and franchise types



Source: Agricultural Equipment Retailer Phone Surveys, May-July 2020, November 2020, and January 2021–panel sample.

While movement restrictions had diminished somewhat as of January 2021, they seem to persistently limit the operations of ERs. The shares of ERs reporting major operational challenges, such as disruption to logistics and an inability to deliver existing orders, increased significantly between the summer rounds and November, and mostly persisted until January 2021, albeit with slight improvements (Figure 3).

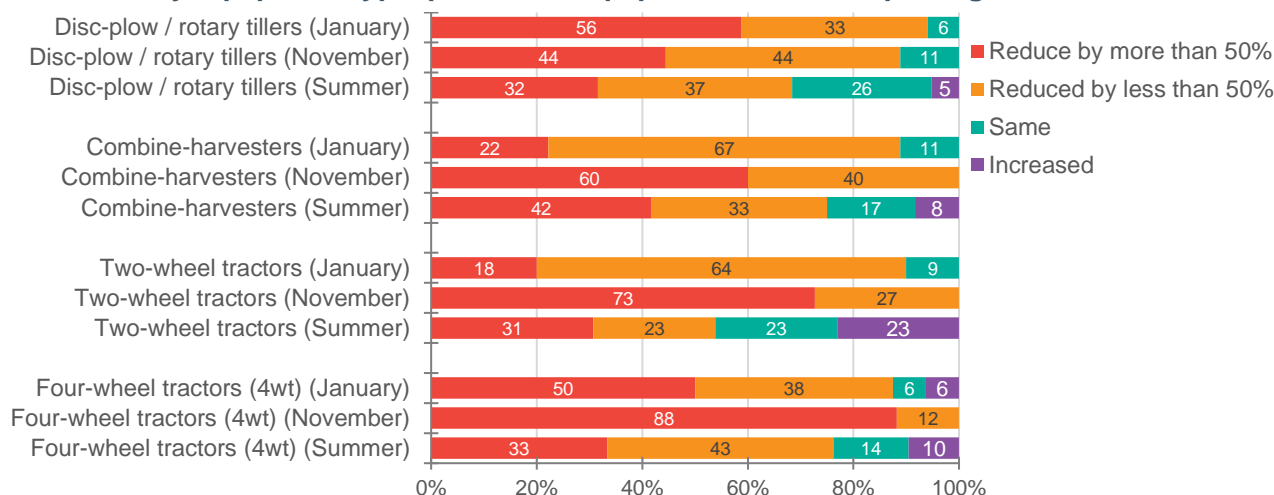
Figure 3. Major operational challenges, percent of equipment retailers reporting, and changes between summer and November rounds



Source: Agricultural Equipment Retailer Phone Surveys, May-July 2020, November 2020, and January 2021–panel sample.

Sales in the summer survey rounds, November 2020, and January 2021 compared to one year earlier. Year-on-year reductions in agricultural equipment sales per ER compared with one year earlier were consistently reported in the summer and November survey rounds, and have persisted into the January round, with only a slight mitigation in severity (Figure 4). Among the 34 panel-ERs interviewed, about 90 percent indicated that their sales of four-wheel tractors, two-wheel tractors, or combine harvesters had been less than the sales registered during the same period a year earlier. Although declining, a significant fraction indicated the reduction had been more than 50 percent. These patterns generally hold for other equipment, like disc-plows or rotary tillers.

Figure 4. Sales in summer 2020, November 2020, and January 2021 compared to one year earlier, by equipment type, percent of equipment retailers reporting



Source: Agricultural Equipment Retailer Phone Surveys, May-July 2020, November 2020, and January 2021—panel sample.

As was reported in the policy notes for the summer rounds, sales reductions per ER in the summer may have been partly due to the delayed monsoon cropping season in 2020. However, the persistence of sales reductions in November and January suggests that the effects have been long-lasting and are likely to have been due partly to COVID-19 given their association with intensifying movement restrictions.

Supply-side factors. In January 2021, a significant share of ERs continues to face generally lower availability and higher prices for machines, attachments, and spare parts (both locally manufactured and imported ones) compared to the same month a year earlier. There has been relatively little improvement since November, which was significantly worse than was the case in the summer survey rounds (Figure 5). These patterns generally hold across states and regions, ER type, and countries of import.

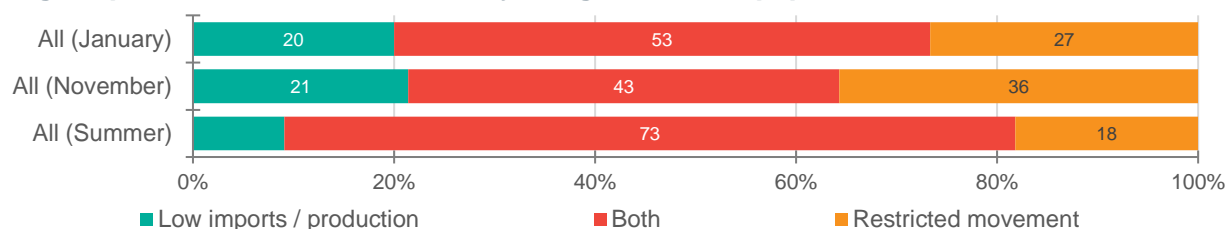
Figure 5. Changes in agricultural equipment availability and prices in summer and November 2020 compared to one year earlier, by equipment type



Source: Agricultural Equipment Retailer Phone Surveys, May-July 2020, November 2020, and January 2021—panel sample.

As to the reasons for generally lower availability and higher prices, the ERs interviewed perceived that these issues stem from a combination of restricted movement of equipment, low levels of equipment importation, and reduced production of locally manufactured parts. As in the November survey round, relatively more ERs in the January round attributed the challenges to movement restrictions than was the case in the summer rounds, rather than to imports or production side constraints (Figure 6).

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

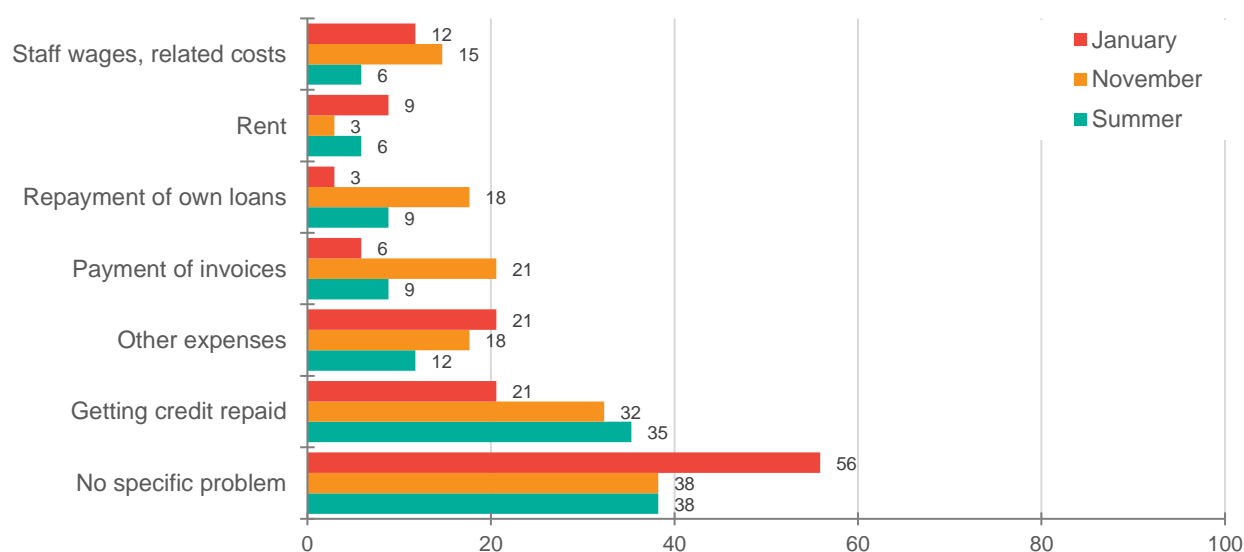


Source: Agricultural Equipment Retailer Phone Surveys, May-July 2020, November 2020, and January 2021—panel sample.

Financial effects on business

Financial challenges. The ERs interviewed continue to report financial challenges on many dimensions, partly due to COVID-19, but also due to other factors, such as weather, albeit with some improvements since November. Recovering credit or loans given to buyers for the acquisition of machines and other equipment continues to be one of the most important challenges ERs reported in the January survey round (Figure 7). Staff wages and related costs also remain an important financial challenge. The share of ERs reporting no financial problems increased somewhat in the January round, as more ERs managed to complete repayment of their own loans or received payment of invoices. However, the financial situation of many ERs should continue to be monitored.

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

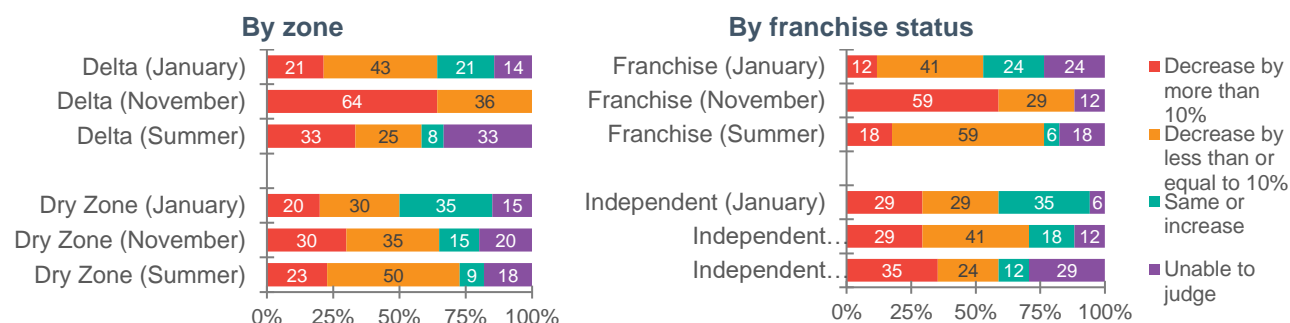


Source: Agricultural Equipment Retailer Phone Surveys, May-July 2020, November 2020, and January 2021—panel sample.

Revenue prospects. As in previous rounds, most ERs continue to report that they are pessimistic about their business prospects for 2021 (Figure 8). The shares of ERs expecting a decline in revenue year-on-year decreased between the November and January survey rounds, while those reporting

expectations of the same or increased revenues somewhat increased. However, most ERs still reported that their revenues continued to decline in 2021, suggesting a pessimistic view for a prolonged period. Monitoring the overall revenues of ERs therefore remains important.

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

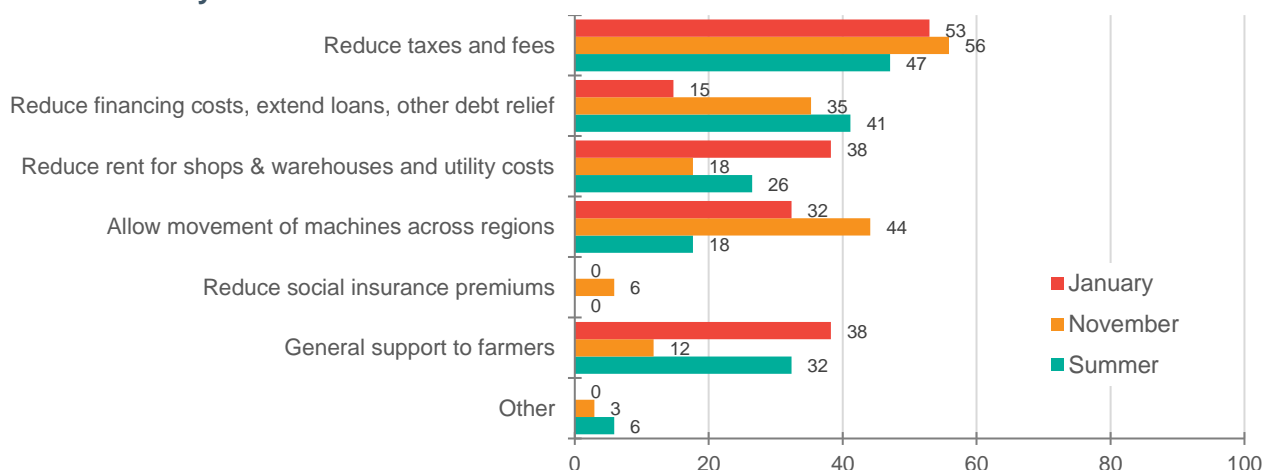


Source: Agricultural Equipment Retailer Phone Surveys, May-July 2020, November 2020, and January 2021–panel sample.

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). Support for reducing rent for shops and warehouses and reducing utility costs has also increased in importance since the November survey round, as the ERs head into a period of relatively low demand for the equipment they sell until the next major production season. Similarly, a significantly higher share of ERs expressed greater needs for providing general support to farmers than did in the November round. This may suggest that, as the major production season ended, ERs are increasingly concerned about the financial conditions of the farmers who are their customers, which can significantly affect the demand for agricultural equipment in the coming major season in 2021. Importantly, allowing the movement of machines across regions also remains a preferred policy option.

Figure 9. Perceptions of effective policies against adverse effects of COVID-19 on their businesses, percent of equipment retailers reporting, changes between summer 2020 and January 2021



Source: Agricultural Equipment Retailer Phone Surveys, May-July 2020, November 2020, and January 2021–panel sample.

As in previous survey rounds, conditions observed on the ground and perceptions expressed by the ERs interviewed in January 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 the policy notes reporting on earlier rounds of the survey:

- Continue efforts to guarantee loans that ERs provide to machine buyers. This recommendation reflects Action 2.1.2 of the COVID-19 Economic Relief Plan (CERP) of the Myanmar Government ³—offer credit guarantee schemes to ease the impact of COVID-19 on private sector firms. As emphasized in previous policy notes, 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.
- While balancing the need for restricting movement to contain COVID-19 spread, it remains important to continue minimizing restrictions for the movement of equipment across regions. Under CERP, 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 the importation processes to promote international trade.

Finally, it remains important to continue monitoring:

- How the financial conditions of ERs, as well as their customers, particularly farmers, change in the next several months as the COVID-19 pandemic and the need for various regulations persist.
- 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.

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.

ABOUT THE AUTHOR(S)

Hiroyuki Takeshima is a Senior Research Fellow in the Development Strategy and Governance Division (DSGD) of the International Food Policy Research Institute (IFPRI), based in Washington, DC. **Phoo Pye Zone** is a Research Analyst in DSGD of IFPRI and **Ian Masias** is a Senior Program Manager in DSGD of IFPRI, both based in Yangon, Myanmar.

ACKNOWLEDGMENTS

This work was undertaken as part of the Myanmar Agricultural Policy Support Activity (MAPSA) led by the International Food Policy Research Institute (IFPRI) and in partnership with Michigan State University (MSU). Funding support for this study was provided by the CGIAR Research Program on Policies, Institutions, and Markets (PIM), the United States Agency of International Development (USAID), and the Livelihoods and Food Security Fund (LIFT). This Policy Note has not gone through IFPRI's standard peer-review procedure. The opinions expressed here belong to the authors, and do not necessarily reflect those of IFPRI, MSU, USAID, LIFT, or CGIAR.

INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE

1201 Eye St, NW | Washington, DC 20005 USA
T. +1-202-862-5600 | F. +1-202-862-5606
ifpri@cgiar.org
www.ifpri.org | www.ifpri.info

IFPRI-MYANMAR

No. 99-E6 U Aung Kein Lane
Than Lwin Road, Bahan Township
Yangon, Myanmar
IFPRI-Myanmar@cgiar.org
www.myanmar.ifpri.info



USAID
FROM THE AMERICAN PEOPLE



The Myanmar Strategy Support Program (Myanmar SSP) is led by the International Food Policy Research Institute (IFPRI) in partnership with Michigan State University (MSU). Funding support for Myanmar SSP is provided by the CGIAR Research Program on Policies, Institutions, and Markets; the Livelihoods and Food Security Fund (LIFT); and the United States Agency for International Development (USAID). This publication has been prepared as an output of Myanmar SSP. It has not been independently peer reviewed. Any opinions expressed here belong to the author(s) and do not necessarily reflect those of IFPRI, MSU, LIFT, USAID, or CGIAR.

© 2021, Copyright remains with the author(s). This publication is licensed for use under a Creative Commons Attribution 4.0 International License (CC BY 4.0). To view this license, visit <https://creativecommons.org/licenses/by/4.0>.

IFPRI is a CGIAR Research Center | A world free of hunger and malnutrition