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Tractor Service Providers in Myanmar

Early Insights from the 2025 Monsoon Season

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This note presents results from a July–August 2025 phone survey of 401 tractor service providers (TSPs)—who play a vital role in enabling timely land preparation and planting—offering early insights into the 2025 monsoon season.

Key Findings

- **Acres prepared by TSPs declined by 12 percent** compared to the previous year (11 percent in the Dry Zone, 17 percent in the Delta), largely reflecting weaker rice price incentives in the Delta and insecurity in the Dry Zone.
- **Lower demand for services was reported by 55 percent of TSPs** compared to the previous year, and 40 percent faced operating restrictions, mainly due to security-related movement constraints – including new restrictions in Ayeyarwady.
- **Nominal service charges rose by an average of 16 percent from the previous year**, driven by rising costs of fuel, repairs, and operators, along with reduced availability of these inputs.
- **Most TSPs (87 percent) extended credit to their clients**, usually without interest, making them an important source of informal credit for farmers.
- **Cash flow problems affected 31 percent of TSPs,** driven by declining revenues (50 percent) and rising operating costs (65 percent). Many coped by borrowing or selling assets. With high inflation, service charges likely failed to rise in real terms, adding to the financial pressures they faced.

Recommended Actions

- **De-risk credit for mechanization services** by sharing repayment risks or expanding access to affordable credit for farmers, reducing the financial burden on TSPs while maintaining access to services.
- **Improve mobility and security for TSP operations** through greater transparency at checkpoints, fewer required permissions, and safer roads in conflict-affected areas.
- **Stabilize fuel and machinery costs and availability** by facilitating imports, easing access to foreign exchange, and strengthening distribution networks to reduce operating pressures on TSPs.
- **Support training and retention of machine operators** to address widespread shortages driven by outmigration and insecurity, ensuring service quality and machine upkeep.

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Background

Tractor service providers (TSPs) play a vital role in Myanmar's agrifood system, enabling smallholder farmers to prepare land and plant crops on time. These businesses are capital intensive, relying on steady demand for their services to cover the high costs of machines, fuel, and labor. Their financial health is therefore closely tied to broader conditions in agriculture and the economy.

The 2025 monsoon season is unfolding amid multiple overlapping crises. Farmers face an environment shaped by persistent climate risks, the aftereffects of a recent earthquake, ongoing conflict, labor shortages and uncertainty in global rice markets, all of which influence cultivation decisions. In this context, monitoring TSPs offers an early indication of how the season began, as demand for land preparation is among the first signals of agricultural activity. This research note draws on a survey of TSPs to provide those early insights while also examining their overall financial position.

This survey was conducted between July 26 and August 3, 2025, and asked 401 TSPs to reflect on their experiences during the 2025 monsoon planting season.[1] The analysis in this note presents findings separately for the Dry Zone (202 TSPs) and the Delta (196 TSPs), while the three respondents from the Hills are included only in the overall sample. Although the sample is not statistically representative, it provides valuable insights into the conditions and challenges facing TSPs. Table 1 shows the sample distribution by agro-ecological zone.

Table 1. Sample of TSPs, by agro-ecological zone

Agro-ecological Zone	TSPs
Dry Zone	202
Delta	196
Hills	3
Total	**401**

Source: Tractor Service Provider Survey, July 2025.

Demand for Land Preparation Services

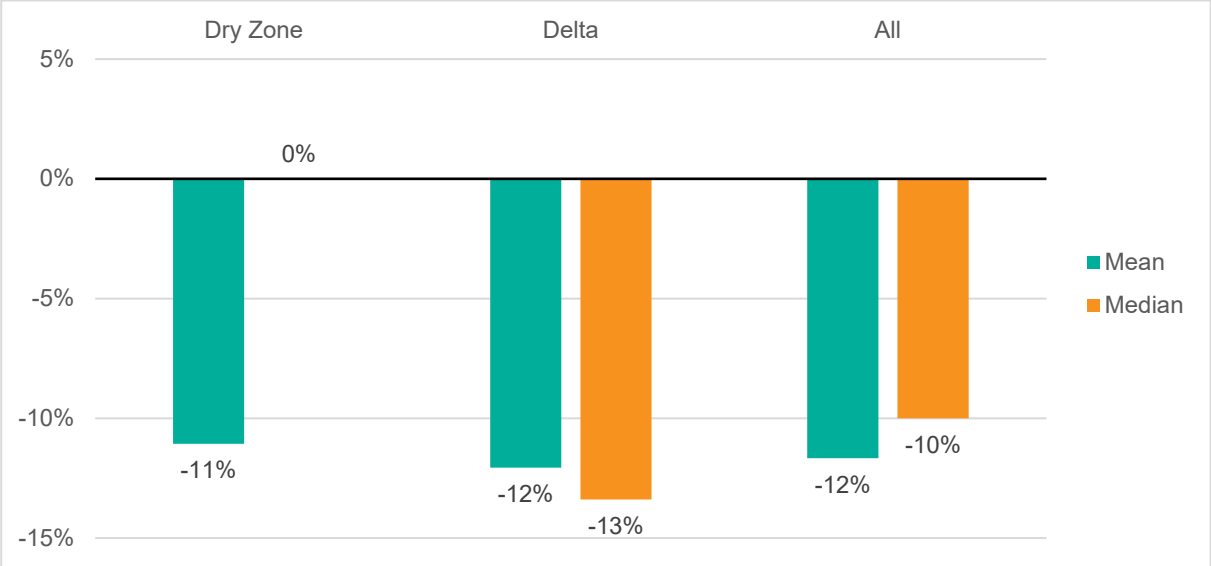
TSPs prepared fewer acres in 2025 than in the previous monsoon season. In the Dry Zone, the mean fell from 235 acres in 2024 to 198 acres in 2025, while in the Delta it declined from 369 acres to 307 acres. In the overall sample, the average area prepared decreased from 300 acres to 250 acres. Median figures show a similar pattern, with TSPs in the Dry Zone reporting a drop from 200 to 150 acres, in the Delta from 300 to 250 acres, and in the overall sample from 250 to 200 acres.

Figure 1 shows these changes in relative terms. On average, TSPs in the Dry Zone reported an 11 percent decline in acres prepared, while in the Delta the average decline was 12 percent. For the overall sample, the mean decrease was 12 percent. Medians, however, suggest more pronounced reductions: a 13 percent decline in the Delta and a 10 percent decline in the overall sample, compared with no change in the Dry Zone median. This divergence between mean and median in the Dry Zone indicates considerable variation among TSPs, with some maintaining their coverage while others experienced significant contractions. The recent earthquake, however, does not appear to have been a factor (Table 2).[2]

[1] This is the 13th round of the mechanization service provider survey, which has been carried out regularly since 2020.

[2] Percentage changes are calculated as the average rate of change reported by each individual TSP, which does not always align with the change in the overall mean or median acres prepared.

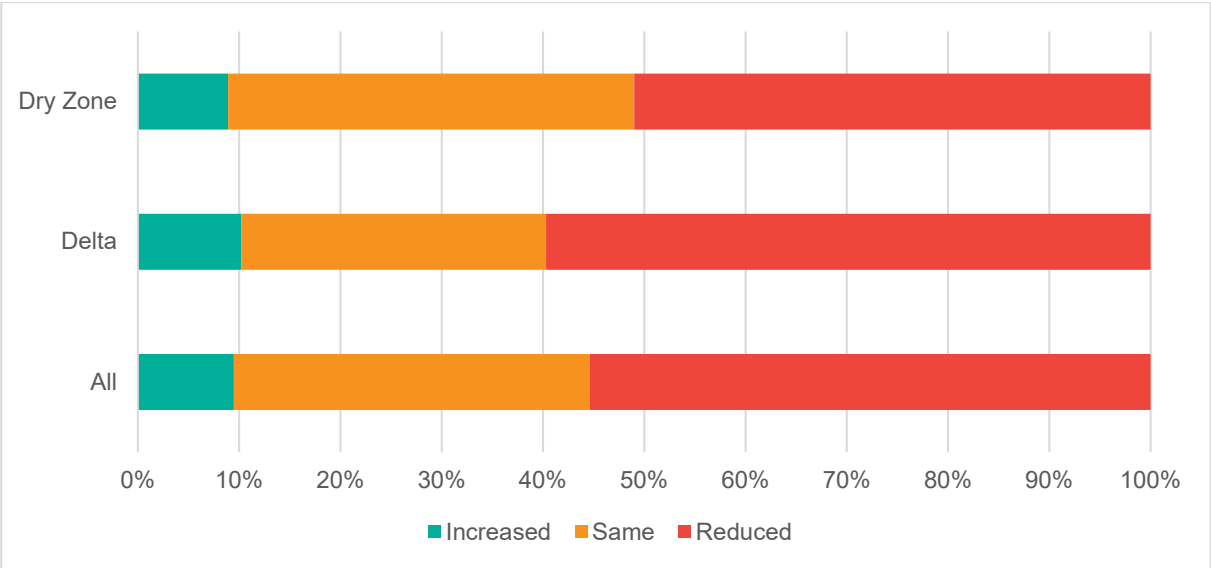
Figure 1. Percent change in acres prepared by TSPs between the 2024 and 2025 monsoon seasons, by agro-ecological zone



Source: Authors calculations from the Tractor Service Provider Survey, July 2025.

These reductions in acres prepared are consistent with TSPs' own reports of weaker demand for land preparation services. As shown in Figure 2, a majority of TSPs (55 percent in the overall sample) reported reduced demand compared to last year, while 35 percent said demand stayed the same and only 9 percent reported an increase. The share of TSPs reporting reduced demand was higher in the Delta (60 percent) than in the Dry Zone (51 percent), consistent with the pattern observed in acres prepared. Roughly ten percent of TSPs in either zone reported higher demand.

Figure 2. Percent change in demand for land preparation services between the 2024 and 2025 monsoon seasons, by agro-ecological zone



Source: Authors calculations from the Tractor Service Provider Survey, July 2025.

Table 2 shows that poor price incentives, particularly lower rice prices, were the most frequently cited reason for reduced demand. This comes against the backdrop of sharply weaker rice prices in 2025. International prices fell to their lowest real price level in 15 years, while Myanmar's dual exchange rate system and rising marketing costs further depressed farmgate prices, leaving farmers

with fewer incentives to cultivate.[3] The issue was especially pronounced in the Delta, where 40 percent of TSPs identified low prices compared to 23 percent in the Dry Zone. This may reflect the Delta's more market-oriented farming systems, where weaker prices are more likely to influence cultivation decisions.

Table 2. Perceived reasons for reduced demand for land preparation services by TSPs between the 2024 and 2025 monsoon seasons, by agro-ecological zone

	Dry Zone (%)	Delta (%)	All (%)
Poor price incentives / low rice prices	23	40	32
Insecurity or conflict	44	20	31
High input costs	5	7	6
Farmers' financial difficulties	22	26	24
Lack of input availability	8	3	5
Switch to other methods (e.g., draught animals)	2	1	1
Earthquake-related disruptions	0	0	0
Climate-related disruptions (e.g., flooding)	12	21	16

Source: Authors calculations from the Tractor Service Provider Survey, July 2025.

Conflict was another important factor, particularly in the Dry Zone where 44 percent of TSPs pointed to insecurity as the primary reason for reduced demand. While insecurity has persisted there for years, it is a more recent development in parts of the Delta. In Ayeyarwaddy, 29 percent cited conflict as a constraint, showing that the country's primary rice-growing region is now exposed to the impacts of insecurity. Farmers' financial difficulties were also reported across both zones, mentioned by about a quarter of respondents in the overall sample. Climate-related disruptions were cited more often in the Delta (21 percent) than in the Dry Zone (12 percent), with heavy rains in the Delta disrupting cultivation during this period. In addition, several respondents in the Delta raised pest problems—particularly snails—as an important reason for reduced cultivation, even though this was not included as a formal response option.

Restrictions on movement were a significant challenge for TSPs in 2025, largely linked to conflict and insecurity. In the overall sample, 40 percent of TSPs reported being restricted from operating in a larger geographic area, with similar shares in both the Dry Zone and the Delta (Table 3).

Table 3. Geographic operating restrictions and types of restrictions faced by TSPs in the 2025 monsoon season, by agro-ecological zone

	Dry Zone (%)	Delta (%)	All (%)
TSPs restricted from operating in a larger geographic area	40	40	40
Types of restrictions preventing TSPs from operating in a larger geographic area			
Administrative or security blockages (e.g., road closures, checkpoints, restricted zones)	79	77	78
Road damage or weather conditions (e.g., flooding, landslides, damaged bridges)	2	4	3
Fees for crossing administrative borders	25	21	23
Curfews, stay-at-home orders, or martial law	1	6	4
Special permissions required to enter/exit certain areas	4	15	9
Active conflict or security concerns (e.g., land mines)	28	21	25
Difficulties finding fuel	7	6	7
Difficulties finding operators willing to travel	1	4	3
Need to switch operators along the route to comply with restrictions	2	0	1
Difficulties finding carrier trucks/haulers to move equipment	1	1	1

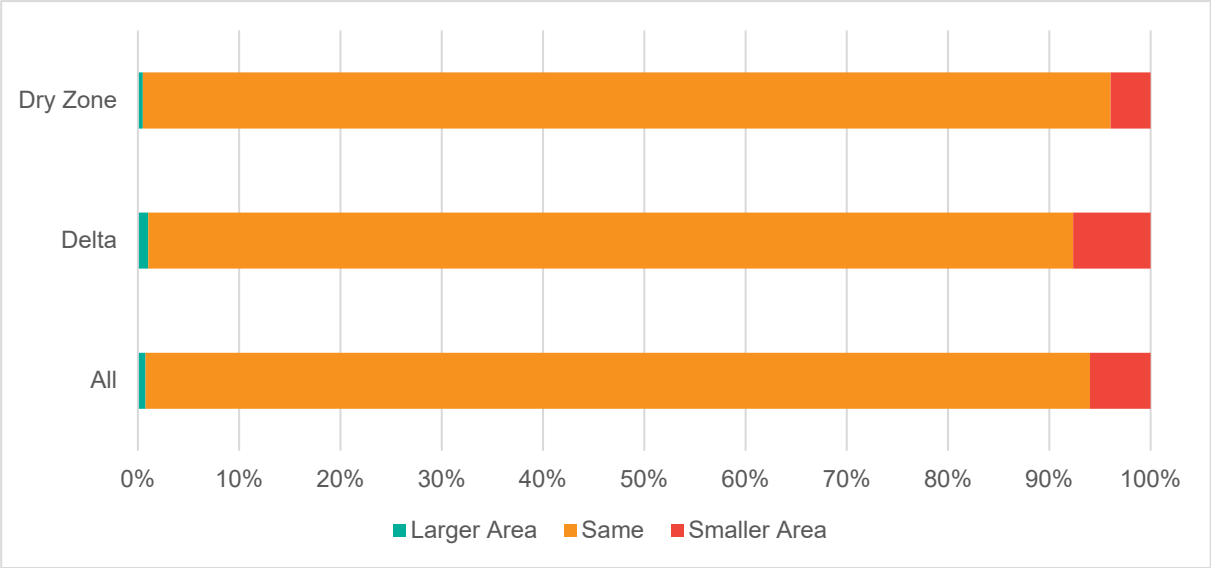
Source: Authors calculations from the Tractor Service Provider Survey, July 2025.

[3] Minten, Bart; Aung, Zin Wai; Htar, May Thet; and Masias, Ian. 2025. Global rice price declines and expected effects on monsoon paddy farming: Insights from key informants. Myanmar SSP Research Note 121. Washington, DC: International Food Policy Research Institute. https://hdl.handle.net/10568/175338

The most common reason for these restrictions was administrative or security blockages—such as road closures, checkpoints, and restricted zones—cited by 78 percent of respondents. Nearly one-quarter of TSPs also reported fees for crossing administrative borders, which often accompany such blockages. Active conflict itself was another major factor, reported by 25 percent of respondents, with a higher share in the Dry Zone (28 percent) than in the Delta (21 percent). In the Delta, 15 percent reported needing special permissions to enter or exit certain areas, all in Ayeyarwady, likely reflecting increased security measures linked to anticipated military operations. By contrast, logistical challenges such as fuel availability, finding operators, or arranging transport were mentioned by only a handful of respondents, suggesting that mobility constraints were primarily driven by insecurity rather than supply bottlenecks.

Despite these restrictions, most TSPs continued to operate within the same geographic areas as in 2024 (Figure 3). In the overall sample, over 90 percent reported no change in their service areas, while only a small share contracted. The Delta saw slightly more reduction than the Dry Zone (8 percent versus 4 percent). However, this does not appear to be linked to conflict or insecurity in the Delta, as fewer than half reported operating restrictions and none of those cited conflict. Instead, the reductions may reflect the economic situation, with weaker demand for land preparation services leaving TSPs less inclined to expand their geographic reach.

Figure 3. Percent change in geographic operating area of TSPs between the 2024 and 2025 monsoon seasons, by agro-ecological zone



Source: Authors calculations from the Tractor Service Provider Survey, July 2025.

Service Charges and Financial Support for Farmers

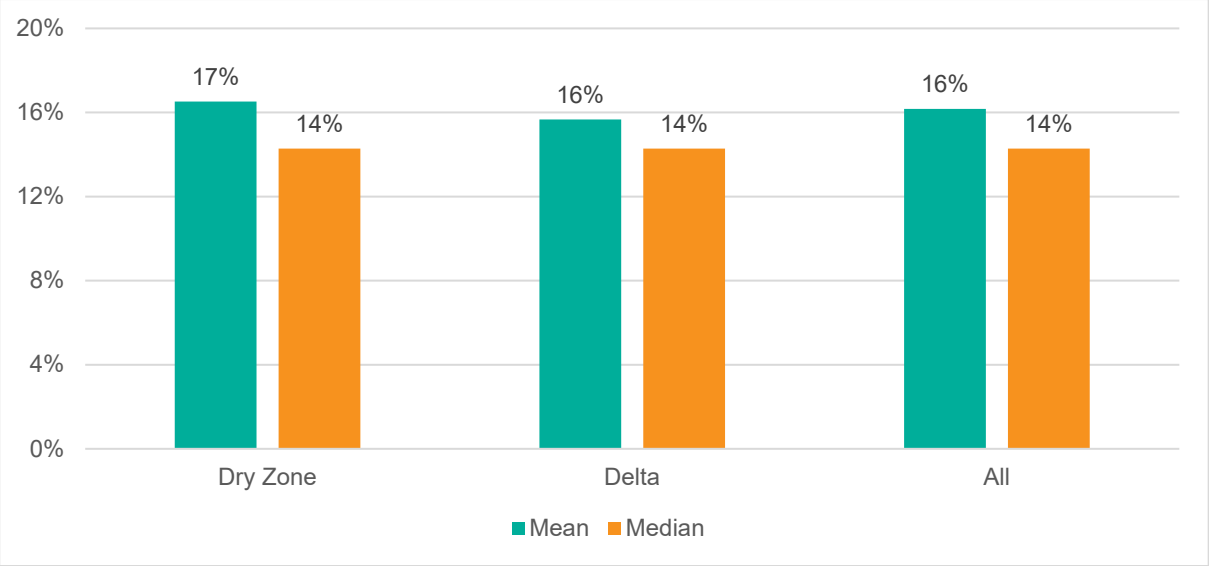
Average charges in 2025 were typically between MMK 65,000 and 70,000 per acre for land preparation. In the overall sample, the mean rose from MMK 58,280 per acre in 2024 to MMK 67,010 in 2025. In the Dry Zone, average charges increased from MMK 56,150 to MMK 64,780, and in the Delta from MMK 60,380 to MMK 69,080. When expressed in percentage terms, charges increased by an average of 16 percent in the overall sample, with 17 percent in the Dry Zone and 16 percent in the Delta (Figure 4).[4] However, given Myanmar's high inflation,[5] these nominal increases may

[4] Percentage changes are calculated as the average rate of change reported by each individual TSP, which does not always align with the change in the overall mean or median service charge.

[5] Headline inflation rose to 34.1 percent over the year to April 2025 (World Bank. 2025. Myanmar Economic Monitor, June 2025).

have translated into flat or even declining service charges in real terms, suggesting that weak demand may have limited TSPs' ability to raise rates further.

Figure 4. Percent change in nominal service charges per acre for land preparation by TSPs between the 2024 and 2025 monsoon seasons, by agro-ecological zone



Source: Authors calculations from the Tractor Service Provider Survey, July 2025.

With service charges rising, many farmers turned to TSPs for financial assistance to cover the cost of land preparation. About one-third of respondents reported being asked for assistance frequently, and another 43 percent said it was sometimes requested (Table 5). Fewer than 10 percent said they were never approached. Requests for assistance were more common in the Delta, where 39 percent of TSPs said farmers frequently asked for support, compared to 27 percent in the Dry Zone. At the same time, 25 percent of Delta respondents and 22 percent in the Dry Zone said farmers rarely or never asked for help. Taken together, these patterns suggest that demand for assistance in the Dry Zone was more uniform, while in the Delta it was more polarized—some farmers relied heavily on support, while others managed without it.

When farmers requested support, most TSPs were willing to provide it. In the overall sample, 77 percent offered assistance at least some of the time, and almost half said they did so most of the time or always (41 percent in the Dry Zone, 52 percent in the Delta, and 46 percent overall). By contrast, only about one in five respondents said they rarely or never provided help (24 percent in the Dry Zone, 20 percent in the Delta, and 22 percent overall). Financial support was more consistently available in the Delta, where a higher share of TSPs reported providing assistance frequently. Notably, even TSPs facing their own financial challenges—such as cash flow problems or difficulty repaying loans—continued to extend help to farmers, reflecting how essential this support is to sustaining farmers' ability to pay and, in turn, helping sustain demand for TSP services.

Table 4. Financial assistance provided by TSPs to farmers during the 2025 monsoon season, by agro-ecological zone

	Dry Zone (%)	Delta (%)	All (%)
Frequency with which TSPs reported being asked for financial assistance by farmers			
Frequently	27	39	33
Sometimes	50	36	43
Rarely	15	14	15
Never	7	11	9
Frequency with which TSPs provided financial assistance when asked			
Always	14	21	17
Most of the time	27	31	29
Sometimes	35	28	31
Rarely	16	12	14
Never	8	8	8
Financial assistance provided by TSPs when supporting farmers			
Service provided on credit	88	87	87
Reduced service fees for certain customers	11	10	11
Accepted in-kind payments	6	7	6
Provided additional farm inputs or services	0	1	0
None	8	8	8
Share of customers allowed to pay late (on credit)			
Greater than 75%	28	27	28
51 – 75%	32	28	30
25 – 50 %	13	19	16
Less than 25%	15	13	14
None	12	13	13

Source: Authors calculations from the Tractor Service Provider Survey, July 2025.

The main form of assistance TSPs provided was extending services on credit (87 percent). Among those offering credit, most did so broadly: 57 percent of TSPs said they allowed at least half of their customers to pay late, and 28 percent reported that more than 75 percent of their customers delayed payment. Importantly, this credit was typically provided without additional cost—96 percent of respondents said they did not charge interest on late payments. These findings underscore that, much like agro-input retailers,[6] TSPs are a vital source of informal credit for farmers, enabling them to access essential services even when cash is scarce.

Availability, Costs, and Financial Health of TSPs

TSPs continued to face rising costs across nearly every input they depend on (Figure 5a). Fuel was a major expense: 76 percent reported higher prices compared to last year, with the median cost reaching MMK 3,500 per liter. Operator wages also climbed, with 84 percent of TSPs citing increases; the median cost stood at MMK 5,000 per hour in the overall sample and in the Dry Zone, rising to MMK 6,000 in the Delta. Repair services and mechanics showed a similar pattern, with 87 percent of respondents reporting higher costs. The median cost of seasonal maintenance was about MMK 1,500,000 per machine.

Tractors themselves became more expensive for 89 percent of TSPs, while 91 percent reported higher prices for imported spare parts and 92 percent for locally sourced parts. Together, these rising costs highlight the multiple financial pressures TSPs faced during the 2025 monsoon season.

[6] Goeb, Joseph; Minten, Bart; van Asselt, Joanna; Reardon, Thomas; Aung, Zin Wai; and Htar, May Thet. 2025. The emerging one-stop shop in agricultural value chains: Agro-input retailers in Myanmar. Myanmar SSP Working Paper 70. Washington, DC: International Food Policy Research Institute. https://hdl.handle.net/10568/176165

At the same time, availability has worsened for a sizeable share of TSPs, though most reported conditions were unchanged from last year. Fuel shortages were the most frequently mentioned, with 30 percent of respondents saying availability had declined. Similar shares pointed to reduced access to repair services and mechanics (28 percent) and to operators (28 percent). These inputs are particularly critical because they represent immediate operating needs for TSPs, in contrast to tractors and spare parts—which are less frequently replaced—where fewer respondents cited shortages (16 percent for tractors, 20 percent for imported parts, and 19 percent for local parts).

Figure 5. Share of TSPs reporting higher prices and reduced availability between the 2024 and 2025 monsoon seasons

Source: Authors calculations from the Tractor Service Provider Survey, July 2025.

Table 5. Labor shortages and perceived reasons reported by TSPs during the 2025 monsoon season, by agro-ecological zone

	Dry Zone (%)	Delta (%)	All (%)
TSPs reporting labor shortages	**64**	**66**	**65**
Type of labor shortage			
Operators	93	95	94
Mechanics	3	0	1
Casual labor	4	5	5
Perceived reasons for labor shortage			
Outmigration of skilled labor	51	65	58
Security concerns or conflict	67	47	57
Higher wages offered elsewhere	10	6	9
Transport or access difficulties	29	18	24
Available labor lacks necessary skills	3	12	7

Source: Authors calculations from the Tractor Service Provider Survey, July 2025.

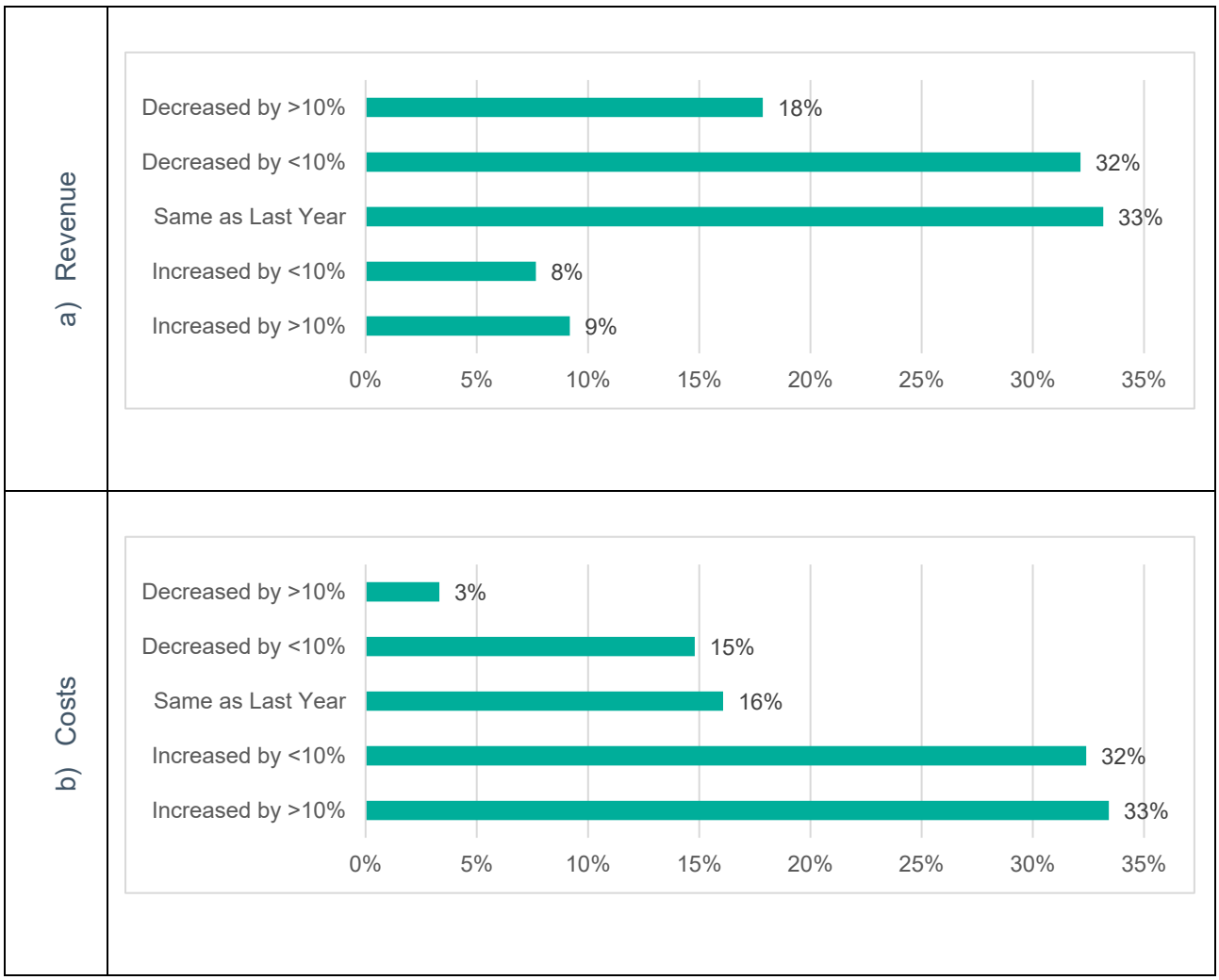
Labor shortages remain a major challenge across Myanmar's agriculture, and TSPs were no exception during the 2025 monsoon season (Table 6). In the overall sample, 65 percent of respondents reported problems finding labor, almost always for operators (94 percent), while only a handful mentioned shortages of casual labor (5 percent). The reasons for these shortages varied across regions. Outmigration of skilled workers was cited by 58 percent of respondents, particularly in the Delta (65 percent). Security concerns and conflict were also major factors, especially in the Dry Zone where 67 percent of TSPs identified them as a constraint compared to about half in the Delta (47 percent). Transport and access difficulties were mentioned by about one-quarter of

respondents, largely in the Dry Zone (29 percent) compared to the Delta (18 percent). Only a small share attributed shortages to higher wages elsewhere (9 percent) or to a lack of skills among available labor (7 percent).

Rising operating costs continued to squeeze TSPs during the 2025 monsoon season (Figure 6b). Overall, 65 percent of respondents reported higher costs compared to last year, with roughly equal shares saying they rose by more than 10 percent (33 percent) or by less than 10 percent (32 percent). Only 18 percent said their costs declined. Fuel was by far the largest operating expense, identified by 78 percent of respondents, followed by spare parts and repairs (20 percent).

On the revenue side, half of all TSPs said their earnings fell compared to 2024, with 18 percent reporting declines of more than 10 percent and 32 percent reporting declines of less than 10 percent (Figure 6a). Just 17 percent reported increases, while one-third said revenues stayed the same. This divergence between rising costs and lagging revenues highlights the pressure TSPs faced in managing their operations during the 2025 monsoon season.

Figure 6. Percent change in revenue and operating costs of TSPs between the 2024 and 2025 monsoon seasons



Source: Authors calculations from the Tractor Service Provider Survey, July 2025.

The strain of rising costs, falling or stagnant revenues, and delayed payments from farmers contributed to cash flow difficulties for 31 percent of TSPs (Table 7). Problems were more common in the Delta (34 percent) than in the Dry Zone (28 percent), mirroring the higher demand for financial assistance that TSPs in the Delta had already reported.

To cope with these cash flow problems, the most common strategy was borrowing—40 percent of affected TSPs reported taking out a loan or borrowing money. About one-third (33 percent) said they sold assets, with this response more common in the Dry Zone (39 percent) than in the Delta (27 percent). Purchasing fuel or inputs on credit and relying on income from another source were each reported by 26 percent of respondents, but drawing on other income was more prevalent in the Delta (31 percent) than in the Dry Zone (21 percent). Smaller shares delayed purchases of fuel or inputs (16 percent), while very few reduced their service area (2 percent) or delayed payments to workers (5 percent).

Table 6. Cash flow problems and coping mechanisms of TSPs during the 2025 monsoon season, by agro-ecological zone

	Dry Zone (%)	Delta (%)	All (%)
TSPs reporting cash flow problems during the 2025 monsoon season	28	34	31
Coping mechanisms reported			
Delay fuel or input purchases	25	9	16
Purchase fuel or inputs on credits	23	27	26
Took out a loan or borrowed money	41	39	40
Delayed payment to workers	7	2	5
Reduced service area or number of jobs	0	5	2
Sold assets	38	29	33
Used income from another source	20	32	26

Source: Authors calculations from the Tractor Service Provider Survey, July 2025.

Discussion

TSPs faced many pressures in the 2025 monsoon planting season. Demand for land preparation declined compared to last year, with particularly sharp contractions in the Delta. Weaker price incentives, linked to falling international rice prices, appear to have been an important factor behind this slowdown. Conflict and insecurity also constrained operations, especially in the Dry Zone, while Delta respondents cited climate disruptions and pests such as snails. Movement restrictions further limited service provision, with a significant share of TSPs reporting blockages, fees, or permissions that restricted mobility. This was a particularly concerning development in Ayeyarwady, Myanmar's primary rice-growing region, where TSPs reported new security-related barriers. Together, these factors left TSPs with 12 percent fewer acres to prepare and reduced demand for their services.

At the same time, service charges rose substantially. Most TSPs reported charging rates 16 percent higher than last year. With higher charges, farmers more frequently requested financial assistance to pay for services, and TSPs responded by extending credit. Eighty-seven percent of TSPs allowed customers to pay later and largely without interest. In doing so, TSPs—much like agro-input retailers—have become a vital source of informal credit for farmers. But this also ties their financial position directly to that of their clients, exposing them to cash flow pressures and the risk of nonpayment.

The financial health of TSPs is under increasing strain. Most faced rising input costs—notably for fuel, repairs, and operators—alongside worsening availability of key services. Half reported declining revenues, while nearly one-third faced cash flow problems, often resorting to borrowing or selling assets to cope. Even where service charges increased in nominal terms, high inflation meant that rates likely declined in real terms, limiting the ability of TSPs to offset these rising expenses. This points to the fragility of the service provider model: TSPs are extending credit to farmers while relying on borrowing and asset sales themselves, leaving the system vulnerable to shocks.

Maintaining the operation of tractor service providers is essential for the functioning of Myanmar's agrifood system, as they enable timely land preparation and provide a critical source of credit for farmers. The following recommendations are offered to support the continued viability of these services.

- **De-risk credit for mechanization services:** TSPs have become a vital source of informal credit for farmers, allowing most to pay later and often without interest. Mechanisms to share or reduce the risk of delayed or missed payments—such as partial guarantee schemes—or expanding farmers' access to affordable credit through formal channels would ease the burden on TSPs while sustaining farmer access to services.
- **Improve mobility and security for TSP operations**: Conflict and movement restrictions continue to constrain operations, particularly in the Dry Zone. Increasing transparency at checkpoints, reducing the need for permissions, and addressing insecurity on rural roads could ease some of these barriers.
- **Stabilize fuel and machinery costs and availability**: Fuel, tractors, spare parts, and repair services remain among the largest expenses and constraints for TSPs. Facilitating imports, easing access to foreign exchange, and improving distribution networks would help contain costs and ensure that essential inputs and services remain available.
- **Support the training and retention of machine operators**: Operator shortages remain widespread, driven by outmigration and insecurity. Training programs can help rebuild the pool of skilled operators, with an emphasis on service quality, safety, and machine maintenance.

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