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Tractor Service Providers in Myanmar

Early Insights from the 2026 Monsoon Season

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This note presents results from a July 2026 phone survey of 291 tractor service providers (TSPs)—who play a vital role in enabling timely land preparation and planting—offering early insights into the 2026 monsoon season.

Key Findings

- ▶ **Acres prepared by TSPs declined by 18 percent** compared to the previous monsoon season (24 percent in the Dry Zone, 11 percent in the Delta), with weaker demand reported by 58 percent of TSPs and attributed almost entirely to fuel costs and availability.
- ▶ **Fuel constrained what TSPs could deliver.** Nearly half (48 percent) operated below capacity, and 23 percent were unable to operate at all for a period during the season, averaging around 20 days. Fuel purchased outside official channels costs about 25 percent more than at official stations.
- ▶ **Nominal service charges rose by an average of 44 percent**, which TSPs attributed almost entirely to fuel. Diesel costs rose at more than twice that pace, suggesting TSPs recovered only part of the increase from their customers.
- ▶ **Most TSPs (89 percent) extended credit for their services to their clients**, always without interest, and 46 percent provided more assistance than in the previous season. Formal credit appears largely unavailable to TSPs.
- ▶ **Revenue fell for 68 percent of TSPs while costs rose for 64 percent.** Cash flow problems affected 30 percent, who coped mainly by drawing on other income and selling assets. Even so, those under financial pressure continued to extend credit to farmers.

Recommended Actions

- ▶ **Improve fuel access for mechanization services** through priority allocation of rationed fuel during the planting window and more predictable supply at official stations.
- ▶ **De-risk credit for mechanization services** by sharing repayment risks or expanding access to affordable credit for both farmers and service providers.
- ▶ **Stabilize machinery, spare parts, and repair costs and availability** by facilitating imports, easing access to foreign exchange, and supporting local repair capacity.
- ▶ **Support training and retention of machine operators** to address shortages driven by outmigration.

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 2026 monsoon season is unfolding amid multiple overlapping crises. Farmers face an environment shaped by persistent climate risks, including an anticipated El Niño, ongoing conflict, labor shortages and uncertainty in global rice markets, all of which influence cultivation decisions. Moreover, the war in Iran has compounded these pressures by driving up fuel and fertilizer prices worldwide, raising the cost of land preparation for TSPs and of crop production more broadly (Masias et al., 2026). 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 14 and July 30, 2026, and asked 291 TSPs to reflect on their experiences during the 2026 monsoon planting season. The analysis in this note presents findings separately for the Dry Zone (151 TSPs) and the Delta (136 TSPs), while the four 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

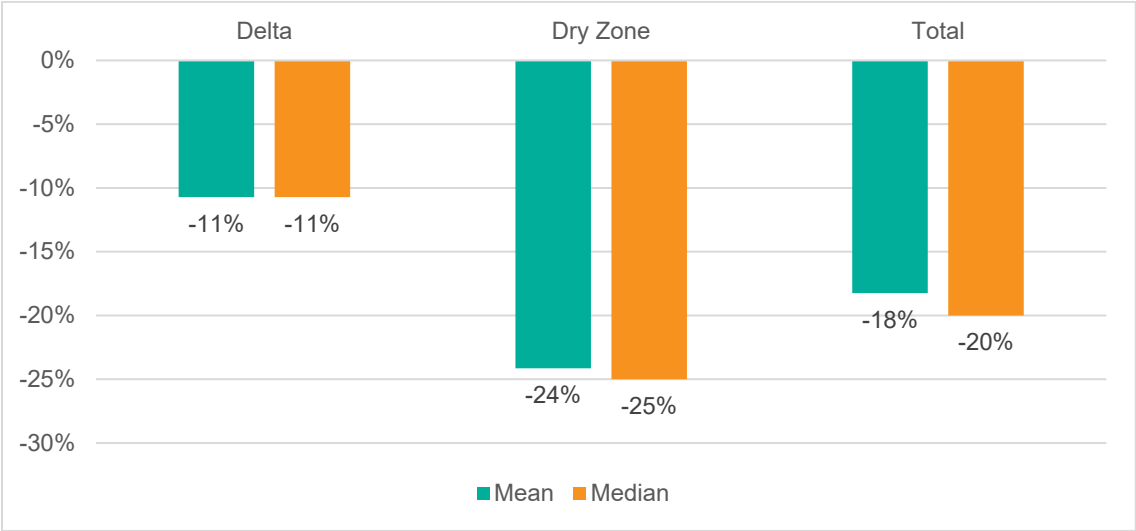
Agro-ecological Zone	TSPs
Delta	136
- Ayeyarwady	107
- Bago	28
- Yangon	1
Dry Zone	151
- Magway	135
- Mandalay	11
- Nay Pyi Taw	2
- Sagaing	3
Hills	4
- Kayin	4
Total	291

Source: Tractor Service Provider Survey, July 2026.

Demand for Land Preparation Services

TSPs prepared fewer acres in 2026 than in the previous monsoon season. Figure 1 shows the percent change in acres prepared by TSPs between the 2025 and 2026 monsoon seasons.¹ On average, TSPs in the Delta reported an 11 percent decline in acres prepared, while in the Dry Zone the average decline was 24 percent. For the overall sample, the mean decrease was 18 percent, with a slightly higher median decline of 20 percent.

Figure 1. Percent change in acres prepared by TSPs between the 2025 and 2026 monsoon seasons, by agro-ecological zone

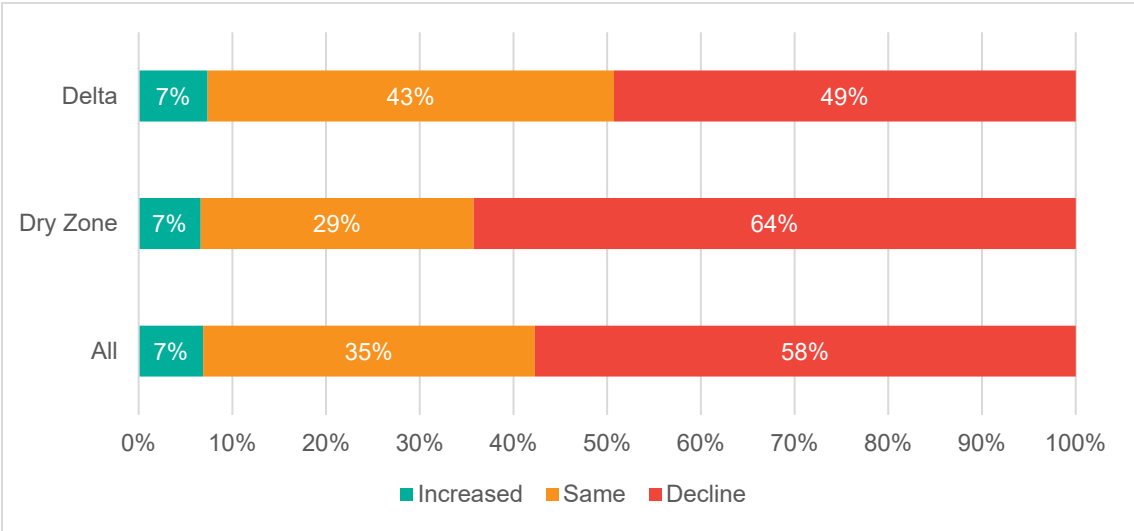


Source: Authors calculations from the Tractor Service Provider Survey, July 2026.

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 (58 percent in the overall sample) reported reduced demand compared to last year, while 35 percent said demand stayed the same and only 7 percent reported an increase. The share of TSPs reporting reduced demand was higher in the Dry Zone (64 percent) than in the Delta (49 percent), consistent with the pattern observed in acres prepared.

¹ The change in area prepared by surveyed TSPs refers to four-wheeled tractors services only. Farmers may have shifted to other land preparation areas, and therefore this does not imply an equivalent decline in cultivated area.

Figure 2. Percent change in demand for land preparation services between the 2025 and 2026 monsoon seasons, by agro-ecological zone



Source: Authors calculations from the Tractor Service Provider Survey, July 2026.

Perceived reasons for reduced demand

Table 2 shows that fuel costs and/or availability were the most frequently cited reason among TSPs that reported reduced demand. The issue was slightly more pronounced in the Delta, where 97 percent of TSPs identified fuel costs and/or availability compared to 89 percent in the Dry Zone. Notably, 3 percent reported their customers switched to other land preparation methods. This share may understate substitution away from tractor services, as respondents identified a single primary reason and farmers may have switched methods in response to higher fuel costs.

Table 2. Perceived reasons for reduced demand for land preparation services by TSPs between the 2025 and 2026 monsoon seasons, by agro-ecological zone

	Unit	Delta	Dry Zone	All
Fuel costs and/or availability	%	97	89	92
Poor price incentives / low rice prices	%	0	2	1
Insecurity or conflict	%	0	1	1
High input costs (e.g. seeds, fertilizer)	%	0	2	1
Farmers' financial difficulties	%	0	1	1
Lack of input availability	%	0	0	0
Switch to other methods (e.g., draught animals)	%	3	3	3
Climate-related disruptions (e.g., flooding)	%	0	1	1
Number of Observations	N	67	97	168

Source: Authors calculations from the Tractor Service Provider Survey, July 2026.

Burning of fields or crop residue may reduce the number of tractor passes needed for land preparation, and it appears to have become more common in the Delta this season (Table 3). Overall, burning occurred among the customers of 6 percent of TSPs, with the practice notably more common in the Delta (11 percent) than in the Dry Zone (2 percent). In most cases this represented a new development: 10 percent of Delta TSPs reported burning that had not occurred in the previous season, compared to 1 percent who said burning occurred at a similar level in both seasons. The difference across zones may reflect the alternatives available to farmers. In the Dry Zone, 64 percent of farmers used draught animals for monsoon paddy cultivation in 2025, compared to 15 percent in the Delta (Aung and Minten, 2026), giving Dry Zone farmers a more readily available alternative.

Table 3. Burning of fields or crop residue as an alternative to tractor services, by agro-ecological zone

	Unit	Delta	Dry Zone	All
Happened this season, but not last season	%	10	1	5
Happened this season and last season	%	1	1	1
Did not happen	%	87	97	92
Doesn't know	%	2	0	1
Number of Observations	N	136	151	291

Source: Authors calculations from the Tractor Service Provider Survey, July 2026.

Changes in service intensity

Farmers may also reduce demand by forgoing one or more steps in the typical land preparation process, with likely implications for yields. Land preparation by TSPs ideally follows a sequence: land levelling to even out the field, primary tillage to break up hard soils and residue left after the previous harvest, harrowing to grind down the resulting soil clods, and rotary tilling as a finishing step to prepare a uniform seedbed. Practice varies by crop and field conditions, and not all steps are used everywhere. Table 4 shows the number of services for which TSPs served a smaller share of their customers in 2026 compared to 2025.

Table 4. Tractor service providers reporting fewer customers served, by number of land preparation services and agro-ecological zone

Number of Services with Fewer Customers Served	Unit	Delta	Dry Zone	All
0	%	65	66	66
1	%	18	13	15
2	%	10	11	10
3	%	7	9	8
4	%	1	1	1
Number of Observations	N	136	151	291

Source: Authors calculations from the Tractor Service Provider Survey, July 2026.

About a third of TSPs (34 percent) served a smaller share of their customers for at least one service, with similar levels across agro-ecological zones. For 15 percent of TSPs the share fell for a single service and for 10 percent for two, while 9 percent reported a smaller share for three or more. Declines in a single service were somewhat more common in the Delta (18 percent) than the Dry Zone (13 percent), while declines in more than one service were slightly more common in the Dry Zone.

Operating Constraints and Service Delivery

Capacity utilization

Nearly half of TSPs (48 percent) reported that they did not operate at full capacity and could have taken on more customers, with this more common in the Dry Zone (52 percent) than the Delta (43 percent) (Table 5). Among these TSPs, 66 percent attributed this to insufficient customer demand, while 80 percent cited difficulties finding fuel or its high cost. A smaller share (7 percent) cited concerns for personal safety, while few pointed to movement restrictions, machine breakdowns, or operator shortages.

Table 5. Capacity utilization and reasons for not operating at full capacity among TSPs during the 2026 monsoon season, by agro-ecological zone

	Unit	Delta	Dry Zone	All
TSPs not operating at full capacity	%	43	52	48
<u>Reasons for not operating at full capacity</u>				
Not enough customer demand	%	66	67	66
Administrative or security blockages (e.g., road closures, checkpoints, restricted zones)	%	0	1	1
Road damage or weather conditions (e.g., flooding, landslides, damaged bridges)	%	0	0	0
Difficulties finding fuel/high cost of fuel	%	81	78	80
Machine breakdown or maintenance issues	%	0	4	2
Shortage of operators	%	0	3	1
Difficulties finding carrier trucks/haulers to move equipment	%	2	0	1
Concerns for personal safety	%	7	8	7
Personal or family reasons	%	2	0	1
Number of Observations	N	136	151	291

Note: The number of observations refers to the full sample. Percentages in the panels below the first row are calculated among the subsample of TSPs reporting that condition.

Source: Authors calculations from the Tractor Service Provider Survey, July 2026.

Fuel access and costs

Fuel shortages and rising prices affected TSPs throughout the 2026 monsoon season. Myanmar has rationed fuel purchases and set prices administratively since March 2026.² Even so, most TSPs continued to source fuel through official channels (Table 6). Roughly two-thirds (64 percent) purchased all or

² See Global New Light of Myanmar. 2026. MoE announcement on fuel distribution and pricing. <https://www.gnlm.com.mm/moe-announcement-on-fuel-distribution-and-pricing/>

almost all of their fuel from official stations. A further 25 percent sourced mostly from official stations with some from open or black market sources, and 7 percent drew about equally from both. Only 5 percent relied primarily on open or black market sources, 7 percent in the Dry Zone and 2 percent in the Delta.

Table 6. Fuel sourcing, prices, and operations halted by fuel unavailability among TSPs during the 2026 monsoon season, by agro-ecological zone

	Unit	Delta	Dry Zone	All
<u>Fuel Source</u>				
All or almost all official stations	%	64	64	64
Mostly official stations	%	27	23	25
About equal	%	7	7	7
Mostly open/black market	%	1	6	4
All or almost all open/black market	%	1	1	1
<u>Operations halted by fuel unavailability</u>				
TSPs unable to operate due to lack of fuel	%	17	29	23
Days unable to operate, mean	Days	19	20	20
Days unable to operate, median	Days	15	20	15
<u>Diesel Price</u>				
Official station, mean	MMK/Liter	6,455	5,790	6,141
Official station, median	MMK/Liter	6,000	5,500	6,000
Open/Black market, mean	MMK/Liter	7,898	7,469	7,697
Open/Black market, median	MMK/Liter	7,250	7,000	7,500
Number of Observations	N	136	151	291

Source: Authors calculations from the Tractor Service Provider Survey, July 2026.

Fuel shortages also halted operations, with 23 percent of TSPs reporting they were unable to operate at some point during the season because fuel was unavailable. This was more common in the Dry Zone (29 percent) than the Delta (17 percent). Among those affected, the mean number of days lost was 20 in the Dry Zone and 19 in the Delta.

Fuel purchased outside official channels carried a substantial premium. TSPs paid a mean of MMK 6,141 per liter at official stations, compared to MMK 7,697 on the open or black market, a difference of about 25 percent. Prices were somewhat higher in the Delta than the Dry Zone for both official and open/black market fuel, though the premium for open market purchases was similar in both zones.

Geographic operating area

Movement restrictions eased relative to the previous season. In the overall sample, 27 percent of TSPs reported being restricted from operating in a larger geographic area, down from 40 percent in 2025,³ with

³ See Masias, I.; Htar, M.T.; and Oo, T. 2025. Tractor service providers in Myanmar: Early insights from the 2025 monsoon season. Myanmar SSP Research Note 124. Washington, DC: International Food Policy Research Institute. <https://hdl.handle.net/10568/176592>

similar shares in the Delta (26 percent) and the Dry Zone (28 percent) (Table 7). Despite these restrictions, 92 percent of TSPs operated within the same geographic areas as in 2025, with 8 percent reducing them.

Difficulties finding fuel were again the most commonly reported constraint, cited by 91 percent of restricted TSPs. Last monsoon season, mobility was limited primarily by security-related barriers. Administrative or security blockages, such as road closures, checkpoints, and restricted zones, remained the second most common constraint at 33 percent, followed by active conflict or security concerns at 19 percent, concentrated in the Dry Zone (33 percent) rather than the Delta (3 percent). Fees for crossing administrative borders were reported by 13 percent and road damage or weather conditions by 9 percent, the latter almost entirely in the Delta.

Table 7. Geographic operating restrictions and types of restrictions faced by TSPs in the 2026 monsoon season, by agro-ecological zone

	Unit	Delta	Dry Zone	All
TSPs restricted from operating in a larger geographic area	%	26	28	27
<u>Types of restrictions preventing TSPs from operating in a larger geographic area</u>				
Administrative or security blockages (e.g., road closures, checkpoints, restricted zones)	%	31	36	33
Road damage or weather conditions (e.g., flooding, landslides, damaged bridges)	%	17	2	9
Fees for crossing administrative borders	%	17	7	13
Curfews, stay-at-home orders, or martial law	%	0	0	0
Special permissions required to enter/exit certain areas	%	11	7	9
Active conflict or security concerns (e.g., land mines)	%	3	33	19
Difficulties finding fuel	%	89	93	91
Difficulties finding operators willing to travel	%	0	2	1
Need to switch operators along the route to comply with restrictions	%	0	0	0
Difficulties finding carrier trucks/haulers to move equipment	%	3	0	1
Number of Observations	N	136	151	291

Note: The number of observations refers to the full sample. Percentages in the panels below the first row are calculated among the subsample of TSPs reporting that condition.

Source: Authors calculations from the Tractor Service Provider Survey, July 2026.

Timeliness of land preparation

Timely land preparation matters because it determines when farmers can plant, and planting outside the optimal window can reduce yields. Most TSPs reported providing services on schedule, with 80 percent saying their timing was the same as a normal year and 10 percent saying it was earlier. Ten percent reported their services were later than normal, more often in the Dry Zone (13 percent) than the Delta (7 percent). Even so, 56 percent reported that some of their customers had to wait longer for services than last year because of difficulties they faced, and a further 4 percent said most of their customers did.

Table 8. Timeliness of tractor services and customers experiencing longer waits during the 2026 monsoon season, by agro-ecological zone

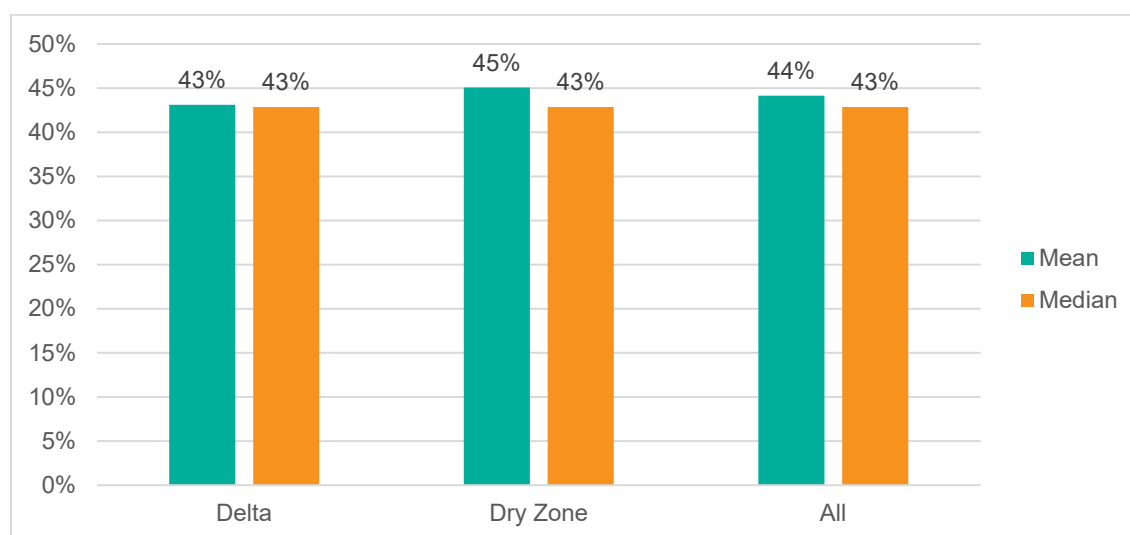
	Unit	Delta	Dry Zone	All
<u>Timeliness of service compared to a normal year</u>				
Later than normal	%	7	13	10
Same as normal	%	83	76	80
Earlier than normal	%	10	11	10
<u>Customers waiting longer than last year</u>				
Most of them	%	2	6	4
Some of them	%	54	59	56
None of them	%	43	35	40
Number of Observations	N	136	151	291

Source: Authors calculations from the Tractor Service Provider Survey, July 2026.

Service charges and financial assistance

Average charges for 4-wheel tractor services in 2026 were typically between MMK 89,000 and 95,000 per acre for land preparation. In the overall sample, the mean rose from MMK 64,800 per acre in 2025 to MMK 92,520 in 2026. In the Dry Zone, average charges increased from MMK 62,430 to MMK 89,370, and in the Delta from MMK 66,880 to MMK 95,090. When expressed in percentage terms, charges increased by an average of 44 percent in the overall sample, with 45 percent in the Dry Zone and 43 percent in the Delta (Figure 3). Of the TSPs that reported a rate change, almost all attributed it to fuel: 89 percent cited fuel costs at the official rate and 11 percent cited fuel availability or black market prices.

Figure 3. Percent change in nominal service charges per acre for land preparation by TSPs between the 2025 and 2026 monsoon seasons, by agro-ecological zone



Source: Authors calculations from the Tractor Service Provider Survey, July 2026.

With charges rising sharply, farmers more often turned to TSPs for help covering the cost of land preparation. Nearly half of TSPs (48 percent) reported being asked for more financial assistance than in 2025, and 46 percent provided more than they had in the previous monsoon season (Table 9). About one-third of respondents reported being asked for assistance frequently, and another 43 percent said it was sometimes requested. Fewer than 10 percent said they were never approached. Requests were slightly more common in the Delta, where 38 percent of TSPs said farmers frequently asked for support, compared to 34 percent in the Dry Zone.

Table 9. Financial assistance provided by TSPs to farmers during the 2026 monsoon season, by agro-ecological zone

	Unit	Delta	Dry Zone	All
TSPs received more requests for financial assistance compared to previous year	%	49	48	48
TSPs provided more financial assistance compared to previous year	%	47	45	46
<u>Frequency with which TSPs reported being asked for financial assistance by farmers</u>				
Frequently	%	38	34	35
Sometimes	%	40	43	43
Rarely	%	14	14	14
Never	%	8	9	9
<u>Frequency with which TSPs provided financial assistance when asked</u>				
Always	%	15	16	15
Most of the time	%	40	38	39
Sometimes	%	26	24	25
Rarely	%	11	12	11
Never	%	9	10	9
<u>Financial assistance provided by TSPs when supporting farmers</u>				
Service provided on credit	%	89	89	89
Reduced service fees for certain customers	%	29	22	25
Accepted in-kind payments	%	11	9	10
Provided additional farm inputs or services	%	0	0	0
<u>Share of customers allowed to pay late</u>				
Greater than 75%	%	33	25	29
51 – 75%	%	37	49	42
25 – 50%	%	21	19	20
Less than 25%	%	9	7	8
Number of Observations	N	136	151	291

Note: Percentages are calculated for the full sample, except for the panel on financial assistance provided and share of customers allowed to pay late, which are a sub-sample of those that provide financial assistance and those that allow customers to pay late respectively.
Source: Authors calculations from the Tractor Service Provider Survey, July 2026.

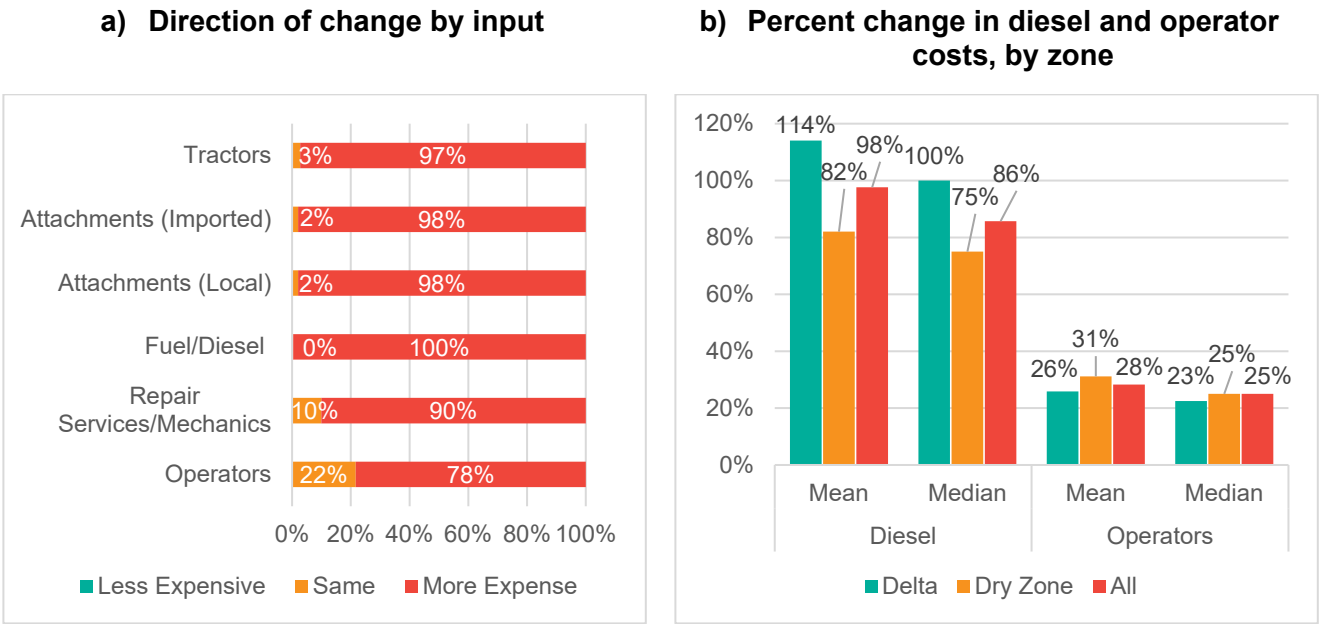
When farmers requested support, most TSPs were willing to provide it. In the overall sample, 79 percent offered assistance at least some of the time, and over half said they did so most of the time or always (54 percent in the Dry Zone, 55 percent in the Delta, and 54 percent overall). By contrast, about one in five respondents said they rarely or never provided help (22 percent in the Dry Zone, 20 percent in the Delta, and 20 percent overall).

The main form of assistance TSPs provided was extending services on credit (89 percent). Reduced service fees for certain customers were reported by 25 percent, up from 11 percent in the previous monsoon season, while other forms of assistance were reported at similar levels to last year. Among those offering credit, most did so broadly: 71 percent of TSPs said they allowed at least half of their customers to pay late, and 29 percent reported that more than 75 percent of their customers delayed payment. None of the TSPs that provided financial assistance charged interest on late payments.

Input Costs and Availability

Costs rose across every input TSPs depend on (Figure 4). All TSPs reported higher diesel costs than in the previous monsoon season, and nearly all reported higher prices for tractors (97 percent), imported attachments (98 percent), and locally sourced attachments (98 percent). Repair services and mechanics were more expensive for 90 percent of respondents, and operator costs rose for 78 percent. TSPs reported that diesel costs rose by an average of 98 percent, with a larger increase in the Delta (114 percent) than the Dry Zone (82 percent). Operator costs rose by 28 percent on average, with slightly higher increases in the Dry Zone (31 percent) than in the Delta (26 percent).

Figure 4. Changes in input costs reported by TSPs between the 2025 and 2026 monsoon seasons



Source: Authors calculations from the Tractor Service Provider Survey, July 2026.

Availability also worsened for machinery and parts, though less severely than for fuel (Figure 5). Roughly a third of TSPs reported reduced availability of imported attachments (33 percent), with similar shares for tractors (29 percent) and locally sourced attachments (26 percent). Fewer reported reduced access to repair services and mechanics (18 percent) or operators (13 percent). Over 80 percent reported that diesel was less available than in the previous monsoon season. Almost no TSPs reported improved availability for any input.

Figure 5. Share of TSPs reporting reduced availability of inputs between the 2025 and 2026 monsoon seasons



Source: Authors calculations from the Tractor Service Provider Survey, July 2026.

Labor shortages affected 24 percent of TSPs, with nearly twice as many reporting shortages in the Dry Zone (31 percent) as in the Delta (16 percent) (Table 10). Among those affected, shortages were mostly for machine operators (80 percent), followed by casual labor (14 percent) and mechanics (6 percent). Outmigration was the dominant reason, cited by 83 percent, well ahead of security concerns or conflict (23 percent), a lack of necessary skills among available labor (14 percent), and transport or access difficulties (6 percent). To cope, 54 percent worked longer hours themselves or relied on family labor, more common in the Dry Zone (57 percent) than the Delta (45 percent), while 41 percent raised wages, more common in the Delta (55 percent) than the Dry Zone (36 percent).

Table 10. Labor shortages and perceived reasons reported by TSPs during the 2026 monsoon season, by agro-ecological zone

	Unit	Delta	Dry Zone	All
TSPs reporting labor shortages	%	16	31	24
<u>Type of labor shortage</u>				
Operators	%	95	72	80
Mechanics	%	0	9	6
Casual Labor	%	5	19	14
<u>Perceived reasons for labor shortages</u>				
Outmigration of skilled labor	%	86	83	83
Security concerns or conflict	%	5	32	23
Higher wages offered elsewhere	%	0	0	0
Transport or access difficulties	%	0	9	6
Available labor lacks necessary skills	%	14	13	14
<u>Responses to labor shortages</u>				
Increase wages	%	55	36	41
Work longer hours myself or use family labor	%	45	57	54
Delay or reschedule service delivery	%	0	2	1
Outsource work to other service providers	%	0	2	1
Reduce the number of services provided	%	0	2	1
Number of Observations	N	136	151	291

Note: The number of observations refers to the full sample. Percentages in the panels below the first row are calculated among the subsample of TSPs reporting that condition.

Source: Authors calculations from the Tractor Service Provider Survey, July 2026.

Financial Health

Revenue and costs

Revenue fell for most TSPs while costs rose. Over two-thirds (68 percent) reported lower revenue than in the previous monsoon season, with 40 percent reporting declines of more than 10 percent. At the same time, 64 percent faced higher operating costs, including 30 percent whose costs rose by more than 10 percent. Only 9 percent reported higher revenue (Table 11). Fuel was by far the largest operating expense, identified by 94 percent of TSPs, followed by spare parts and repairs (6 percent).

Nearly half (43 percent) reported both falling revenue and rising costs, and the most common single combination, reported by 19 percent, was a revenue decline of more than 10 percent alongside a cost increase of more than 10 percent. Meanwhile, 25 percent saw revenue fall while costs also declined or held steady.

Table 11. Share of TSPs reporting changes in revenue and operating costs between the 2025 and 2026 monsoon seasons

Revenue	Costs						Total
		Increased by > 10 %	Increased by < 10%	Same	Decreased by < 10%	Decreased by > 10%	
	Increased by > 10 %	1%	0%	0%	0%	0%	
	Increased by < 10%	3%	4%	1%	0%	0%	
	Same	2%	11%	10%	0%	0%	
	Decreased by < 10%	5%	15%	6%	2%	0%	
	Decreased by > 10%	19%	4%	5%	4%	8%	
	Total	30%	34%	22%	6%	8%	

Note: Percentages based on 284 responses. 7 Respondents stated they did not know.

Source: Authors calculations from the Tractor Service Provider Survey, July 2026.

Cash flow and borrowing

Cash flow problems affected 30 percent of TSPs during the 2026 monsoon season, with similar shares in the Dry Zone (33 percent) and the Delta (27 percent) (Table 12). To cope, three-quarters (75 percent) drew on income from another source and about half (49 percent) sold assets, the latter considerably more common in the Delta (65 percent) than the Dry Zone (38 percent). Smaller shares took out a loan or borrowed money (14 percent), purchased fuel or inputs on credit (13 percent), or reduced their service area or number of jobs (9 percent).

Table 12. Cash flow problems and coping mechanisms of TSPs during the 2026 monsoon season, by agro-ecological zone

	Unit	Delta	Dry Zone	All
TSPs reporting cash flow problems	%	27	33	30
<u>Coping mechanisms reported</u>				
Delay fuel or input purchases	%	3	2	2
Purchase fuel or inputs on credit	%	19	8	13
Took out a loan or borrowed money	%	5	20	14
Delayed payments to workers	%	0	0	0
Reduced service area or number of jobs	%	3	14	9
Sold assets	%	65	38	49
Used income from another source	%	78	72	75
Number of Observations	N	136	151	291

Note: The number of observations refers to the full sample. Percentages in the panels below the first row are calculated among the subsample of TSPs reporting that condition. Source: Authors calculations from the Tractor Service Provider Survey, July 2026.

Only one of the 291 TSPs surveyed applied for a formal loan, and received only part of what was sought. Borrowing was otherwise informal. Among the 43 TSPs that took an informal loan, 86 percent borrowed from friends or family and 21 percent from local money lenders. Over half (57 percent) were behind on their loan payments, and a similar share expected repayment to be difficult or very difficult.

TSPs continued to support farmers even while under financial pressure themselves. Among the 87 TSPs reporting cash flow problems, 87 percent provided financial assistance to farmers most of the time or always. The same held for those who had borrowed, with 70 percent of the 43 informal borrowers and almost all of the TSPs behind on loan repayments continuing to provide assistance.

Discussion

Fuel was the primary constraint for TSPs in the 2026 monsoon planting season, driven by global supply disruptions following the war in Iran. Acres prepared declined by 18 percent overall, with a steeper fall in the Dry Zone than the Delta. Weaker demand was reported by a majority of TSPs and attributed almost entirely to fuel costs and availability. Fuel also limited what TSPs could deliver, with nearly half operating below capacity and roughly a quarter unable to operate for a stretch of the season. Fewer TSPs were limited in their operating areas compared to last year, and for those who were, fuel rather than security checkpoints or conflict was the main reason. A small number of TSPs in the Delta also reported customers burning fields or crop residue, which had not occurred there in the previous season.

Nominal service charges rose sharply, which TSPs attributed almost entirely to fuel. Diesel costs rose by considerably more over the same period. Farmers' requests for assistance to help cover service charges became more frequent, and TSPs responded by extending more credit, without interest, and by reducing fees for particular customers more often than in the previous season. In doing so, TSPs remain a vital source of informal credit for farmers, enabling them to access essential services. However, this also ties their financial position to those farmers and places the risk of nonpayment on TSPs. That risk is heightened this season, as fertilizer costs and availability have also been affected by the war in Iran, leaving uncertainty over farmers' yields and their capacity to repay.

Revenues fell for over two-thirds of TSPs while costs rose for nearly as many. Those facing cash flow problems turned mainly to selling assets and drawing on other income rather than to borrowing, and formal credit appears largely unavailable to these businesses. Among the smaller number who did borrow, most expected repayment to be difficult.

Maintaining the operation of tractor service providers is essential for the functioning of Myanmar's agri-food system, as they enable farmers to prepare land and plant on time. The following recommendations are offered to support the continued viability of these services

- **Improve fuel access for mechanization services:** Fuel shortages halted operations for roughly a quarter of TSPs and left nearly half operating below capacity. Prioritizing allocation of rationed fuel to agricultural service providers, and improving the predictability of supply at official stations, would reduce these disruptions and limit reliance on higher-priced informal channels. The same will apply at harvest, when combine harvester service providers face a narrower window for timely service and must cover larger areas to recoup the cost of their machines, making fuel access over the coming months a continuing concern.
- **De-risk credit for mechanization services:** TSPs have become a vital source of informal credit for farmers, allowing most to pay later and without interest, even when facing their own cash flow

difficulties. Formal credit appears largely unavailable to these businesses. Mechanisms to share or reduce the risk of delayed or missed payments, such as partial guarantee schemes, or expanding access to affordable credit for both farmers and service providers through formal channels, would ease the burden on TSPs while sustaining farmer access to services.

- **Stabilize machinery, spare parts, and repair costs and availability:** Nearly all TSPs reported higher prices for tractors, attachments, and repair services, and a third reported reduced availability of imported attachments. Facilitating imports, easing access to foreign exchange, and improving distribution networks would help contain costs. Supporting local repair capacity, through mechanic training and spare parts supply chains, would reduce maintenance costs and extend machine lifespans.
- **Support the training and retention of machine operators:** Operator shortages affected a quarter of TSPs this season, driven primarily by outmigration. Training programs that build a broader pool of qualified operators, with an emphasis on machine maintenance, service quality, and safety, would help sustain service provision as experienced operators leave.

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