

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Burma - Union of

Exporter Guide

2013

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Report Highlights:

BM4001: This guide serves as a resource for U.S. companies seeking to do business in Myanmar and provides practical tips and information on local business practices, consumer preferences and trends, food standards and regulations, and import and inspection procedures.

Post:
Rangoon

Executive Summary:
Section I. Market Overview

The Republic of the Union of Myanmar (Myanmar), also known as Burma, is the second largest country in the Southeast Asia Region with a land area of approximately 677, 000 square kilometers. The country is bordered in the west and north-west by Bangladesh and India, China in the north, and Laos and Thailand in the east. To the south, Burma shares coastal waters of the Bay of Bengal and the Andaman Sea with Malaysia and Singapore. This geographic advantage provides an opportunity for the country to become a major shipping hub in the future as it is currently developing deep sea ports in Rakhine and Myeik. Central and Southern Burma have a tropical climate similar to Thailand, with the dry season occurring from mid-October to mid-May and the rainy season from mid-May to mid-October.



Figure 1: Map of Myanmar and neighboring Countries

Myanmar's population is estimated at 63 million consisting of Myanmar (68 percent), Shan (9 percent), Karen (7 percent), Rakhine (4 percent), Mon (2 percent), and Chinese (3 percent). Approximately 85-90 percent of the population is Buddhists. The national language is Burmese, however, English is widely spoken for business in Rangoon.



Figure 2. Ethnic Group of Burma

While rich in resources, Burma's development is impeded by its politics. Burma's national parliament and 14 regional and state assemblies convened in late January 2011 and completed a first full term in 2012 since the formal end of military rule.

Market Overview

Myanmar has gradually moved toward increased democratization and has lifted many restrictions creating many opportunities for foreign businesses. The United States (U.S.) and the European Union (EU) have suspended their sanctions. In Fiscal Year 2013 (April 1, 2012-March 31, 2013), Myanmar agricultural exports totaled US\$9 billion. These exports are categorized in two segments, US\$7 billion through non-border trade (non-China trade) and US\$2 billion via border trade (trade with China).

About 70 % of the total population lives in the countryside and 54 percent are employed in the agricultural sector. The livestock, fishery and forestry sector contributes about 43% of the country's Gross Domestic Product GDP (2012) and generates 16.37% of total export earnings. Major exporting crops include rice, pulses, maize, sesame, and Teak wood. The country also has significant reserves of zinc, tin, copper, gemstones, silver, oil, and coal. Furthermore, it is emerging as a new frontier in various industries such as mining, oil and gas, telecommunications, and tourism. According to the World Bank, Myanmar's GDP is about US\$50 billion and its growth rate in 2012 was around 6.4 percent. GDP per capita is estimated between \$800-\$1,000. In 2013, Myanmar's GDP is expected to be around 6 percent due to stronger business confidence and increased investments. Myanmar is a member of the World Trade Organization and became a member of the Association of Southeast Asian

Nations (ASEAN) in 1997. Burma has strong trade relations with its neighboring countries including China, India, Malaysia, Singapore, and Thailand.

Myanmar's largest agricultural export is rice. In Fiscal Year 2013 (FY 2013), Myanmar exported about 1,396,800 tons of rice with a value of about US\$544 million. Myanmar is also a large exporter of wood products making up 7 percent of Myanmar's total exports. Eleven Media Group reported that Myanmar exported 371,000 metric tons of teak in 2011-2012 and owns 75 percent share of the world's Teak market. The country has been exporting a variety of teak-applied furniture, flooring materials and other wood processing products to countries such as Thailand, Singapore, Hong Kong, India, and Japan.

According to Myanmar's official statistics (DICA), total foreign investment in Burma reached \$44 billion as of November 2013. The power sector accounted for the highest investment followed by the oil and gas sector (see Table 1). By Country, China ranks as the top foreign investor with US\$14 billion followed by Thailand with US\$9.9 billion (see Table 2). Foreign direct investment this year has risen sharply from 3.7 % to 5.2 % in the same period (Thuyaswiss data base). The New Foreign Investment Law was approved in November 2012. Increase in investments could help develop and strengthen Myanmar's agricultural related industries such as rice, cotton, sugar, rubber, aquaculture, etc.

Table 1. Foreign Investment of Permitted Enterprises as of 30, November 2013 (US\$ in Million)

Sr.	Particulars	Permitted Enterprises		
		No.	Approved Amount	%
1	Power	7	19,284.43	43.71
2	Oil and Gas	115	14,372.27	32.57
3	Manufacturing	293	3,480.01	7.88
4	Mining	68	2,833.73	6.42
5	Hotel and Tourism	51	1,797.92	4.07
6	Real Estate	22	1,229.15	79
7	Livestock & Fisheries	26	347.47	0.79
8	Transport & Communication	16	313.91	0.71
9	Industrial Estate	3	193.13	0.44
10	Agriculture	12	191.96	0.44
11	Other Services	12	41.89	0.09
12	Construction	2	37.77	0.09
	Total	627	44,123.68	100.00

Table 2. Permitted Foreign Direct Investment (FDI) in Myanmar as of 30 Nov 2013 (By Sectors) (US\$ in Million)

Sr.	Particulars	Permitted Enterprises
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		No.	Approved Amount	%
1	China	53	14,195.91	32.17
2	Thailand	69	9,984.01	22.62
3	Hong Kong	62	6,461.50	14.64
4	U.K*	63	3,059.12	6.93
5	Republic of Korea*	84	3,044.68	6.90
6	Singapore	98	2,796.98	6.34
7	Malaysia	46	1,625.86	3.68
8	Viet Nam***	6	511.19	1.16
9	France	3	474.36	1.08
10	Japan	40	292.42	0.66
11	India	9	283.10	0.64
12	The Netherlands	7	249.14	0.56
13	U.S.A	15	243.57	0.55
14	Indonesia	12	241.50	0.55
15	Philippine	2	146.67	0.33
16	Australia	15	99.78	0.23
17	Russia Federation	2	94.00	0.21
18	Austria	2	72.50	0.16
19	Panama	2	55.10	0.12
20	United Arab Emirates	2	45.50	0.10
21	Canada	16	41.88	0.09
22	Mauritius	2	30.58	0.07
23	Germany	2	17.50	0.04
24	Republic of Liberia**	2	14.60	0.03
25	Denmark	1	13.37	0.03
26	Cyprus	1	5.25	0.01
27	Luxembourg	1	5.20	0.01
28	Macau	2	4.40	0.01
29	Brunei Darussalam	3	4.27	0.01
30	Switzerland	1	3.38	0.01
31	Bangladesh	2	2.96	0.01
32	Israel	1	2.40	0.01
33	Sri Lanka	1	1.00	0.00
	Total	627	44,123.68	100.00

*British Overseas Territories

**The name and promoter and principal organization are changed from Singapore to Republic of Liberia.

Nay Pyi Taw is the new capital of Myanmar, but Rangoon is still considered to be the business center and the most important city with a population of more than 1.25 million. Most businesses focus mainly on the Rangoon market, which is the largest consumer market in Myanmar. Rangoon generates more than 20 percent of the country's revenues and it has the largest port handling about 90 percent of

Myanmar's international trade activities.

Myanmar's currency is known as kyat (pronounced Jyat). The country began to float the kyat in April 2012 and is being managed through currency auctions with 11 authorized banks. This change ends 35 years of pegging the currency to the International Monetary Fund's (IMF) special drawing rights, in which 6.4 kyat is equivalent to a U.S. dollar. According to Central bank Officials, the weakening of the kyat against the US dollar in past year (6.5 kyat/USD) has further increased inflation. The dollar now trades for about 985 kyat/US\$1 in December 2013. Myanmar's monthly income is about US\$400, but overall it has a yearly per capita GDP on a PPP basis of \$1,490, the lowest in SE Asia (source: IMF).

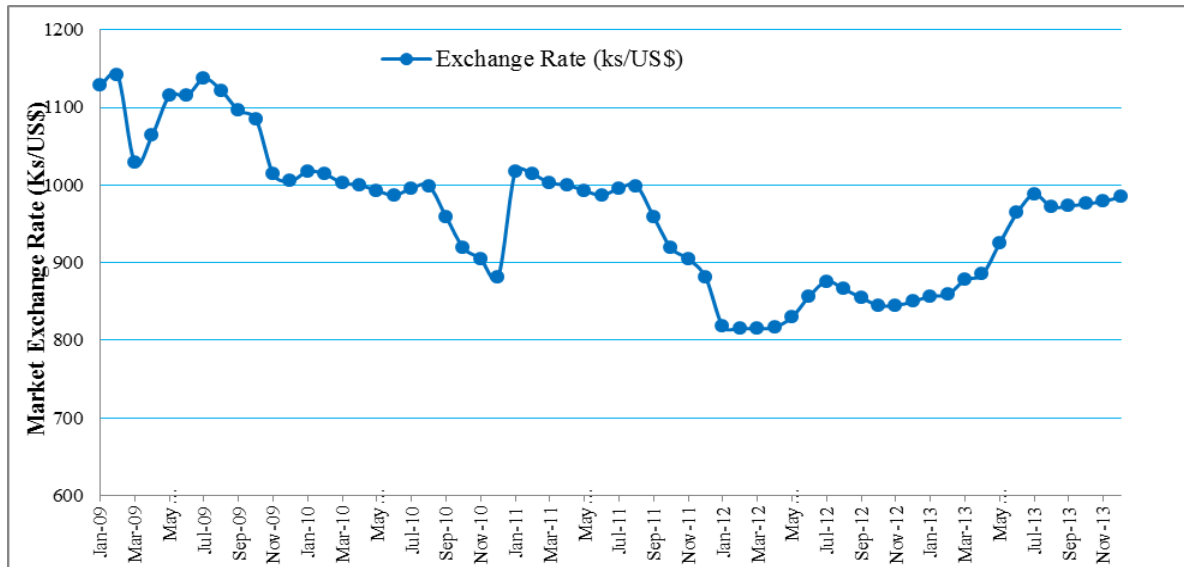


Figure 3. Market Exchange Rate in Yangon (Jan, 2009 – Nov, 2013)

Source: MOC and www.etrademyanmar.net

Myanmar has a network of 41 airports, including 3 international airports that are capable of handling 747-class aircraft. In mid-2013, seven national airlines were in operation with 32,106 scheduled domestic departures. Collectively, Yangon, Mandalay, Heho, Bagan, and Thandwe airports handle 85% of all domestic flights, however they are frequently overcrowded and require upgrades.

The majority of the population spends 70 percent of their income on food. Myanmar's staple food is rice, which locals love to mix with curries that are spicy and normally cooked in oil. A condiment made from preserved/dried fish or prawn and chili powder is usually served with boiled vegetables along with a soup of mixed vegetables. Noodle dishes are also popular and are often mixed with chicken. Beef is not popular among locals due to religious reasons. Tea and coffee are popular drinks that are usually mixed with milk and sugar.

Advantages:

- Strategically located between two large emerging market economies (China and India) with populations totaling more than 1.3 billion 1.2 billion.
- Strong untapped market of more than 60 million people and a rapidly increasing middle class.

- Large number of unemployed population provides sufficient labor force necessary for the growth of a basic manufacturing sector, which will constitute a sizable consumer market.
- The easing of sanctions by the U.S. and the EU is a positive signal and important for encouraging economic development and foreign investments in Myanmar.
- Member of ASEAN Economic Community, which in itself requires countries to harmonize regulations and standards in order to facilitate trade.
- Increasing number of tourists and expatriates, which are targets for U.S. products.
- Growing number of western styled retail food markets.
- Good potential for strong economic growth due to the country's rich natural resources, low cost labor force, and attractive tourist destinations.
- Good potential for future expansion of domestic and export-oriented food manufacturing sector, which could lead to an increase in demand for food ingredients.
- Growth in bakery shops provides new opportunities for U.S. bakery ingredients.
- Myanmar's population retains a positive view of the United States.

Challenges:

- Stiff competition from other Asian countries such as China, Japan, Singapore, South Korea, and Thailand.
- Low disposable income, compounded by low skills and high illiteracy rate.
- Underdeveloped logistical and financial infrastructure and high transportation and port costs.
- Shortage and unstable power generation makes it challenging to maintain quality and quantity of chilled and frozen products.
- Low awareness of U.S. products.
- Limited knowledge of the Myanmar market among U.S. exporters.

Section II. Exporter Business Tips

- It is essential to visit the market to conduct market research for product testing, price comparisons, competitor analysis, preferences, and trends.

- Be aware that limited official import statistics and market information is available. The best approach is to contact the importers directly as they are familiar with customers' tastes, preference, and requirements as well as feasible quantities.

- Transportation is costly, thus, alternatives need to be considered when shipping from Rangoon and to other provinces (i.e., commercial bus or ships).

- Localize your products, verify consumers' preferences, match products for local tastes, and set product prices competitively.

- U.S. exporters should choose the best distribution channel (e.g. local importers, distributors, supermarkets, etc.) and establish a good relationship with them as they are very useful in facilitating and promoting exports of U.S. consumer-ready food products to Myanmar. (Note: many U.S. products are consolidated by Singaporean importers).

- Successful U.S. exporters must provide reliable product availability, consistently quality, technical support, and accurately respond to inquiries within 24 hours as competitors from Australia and New Zealand are just a phone call away and in similar time zones.
- The product should be packed and shipped for a tropical climate and have clear storage instructions, especially in a country with limited energy sufficiency.
- Be patient and think long term. It is not unusual to visit the market 2-3 times before details are finalized.
- Contact the Foreign Agricultural Service in the U.S. Embassy, Rangoon (AungSW@state.gov) with any questions on issues such as standards, tariffs, regulations, labeling or other concerns.

Section III. Market Sector Structure and Trends

Retail Sector

Myanmar's retail market value is estimated to be around 15 percent of the country's GDP or \$7.5 billion. It is expected to grow significantly as the young and sizable population of 60 million increases their purchasing power. The country's retail market is made up of traditional and modern retail food markets. The rise and growth of supermarkets in Myanmar, especially in Rangoon, is mainly attributed to a growing middle income consumer segment and expatriates working in the mineral and natural gas sectors. Myanmar citizens returning from abroad have also contributed to these changing demographics. This has increased demand for a wider range of food and beverage products, especially imported products. The imported food distribution network in Myanmar primarily flows through importers/distributors and retailers. In Rangoon in particular, the modern distribution sector includes hypermarkets and supermarkets owned by local business operators.





Photos: Modern vs. traditional markets in Burma

The modern retail food stores in Myanmar are dominated by a few players who import directly mainly through agents in Singapore and currently carry a large selection of quality imported products. The main modern supermarkets and hypermarkets are City Mart Supermarket and Ocean Supercenter, which are owned and operated by City Mart Holding, Orange Supermarket by Creation, and Capital Hypermarket by the Capital Diamond Star Group, and Sein Gay Har supermarket. Most of the supermarket outlets are located in Rangoon with a few outlets in Mandalay. Nay Pyi Taw has two Ocean supermarkets and one Capital Hypermart and their customer base are upper and middle class locals, expatriates, hotels, and restaurants. Nyaung Oo supermarket in Bagan is located one of the main tourist areas, however, supermarket choices are limited. A wide range of imported food and beverages are available in these retail stores. However, local brands of alcohol beverages, instant coffee, and cookie assortments dominate the shelf space for these product categories.



Photo: Variety of assorted products is available at Myanmar's modern retail food markets.

U.S. grocery products such as snacks, breakfast cereals, jams, and some fresh fruits are available in Myanmar's retail food markets. The import of these U.S. food items is currently done through Singapore. The easing of international sanctions and the expectation of an improvement in its modern financial system has importers thinking about importing international products directly.

To capitalize on the growing opportunities in Myanmar, U.S. exporters should consider marketing strategies such as pricing alternatives, shelf life training, and influencing consumer preferences. The modern retail markets and food service establishments will remain the ideal entry points for U.S.

exporters.

Rangoon is the hub of all imports, and from Rangoon the products are distributed throughout the country via bus. It is important to note that transportation remains extremely expensive, especially to other population centers such as Bagan, Mandalay, Taunggyi, and Nay Pyi Taw. For frozen products, the distributor will use dry ice to maintain the quality of the products. Highway bus fare is cheaper than other transportation charges.

Due to the government's incentives to stimulate foreign investment, the Japanese convenience store chain, Lawson Inc. and Seven & I Holdings, who own the 7-Eleven chain, have announced plans to open outlets in Myanmar, especially in Rangoon through a joint venture with a local partner. The first store opened at the end of 2012.

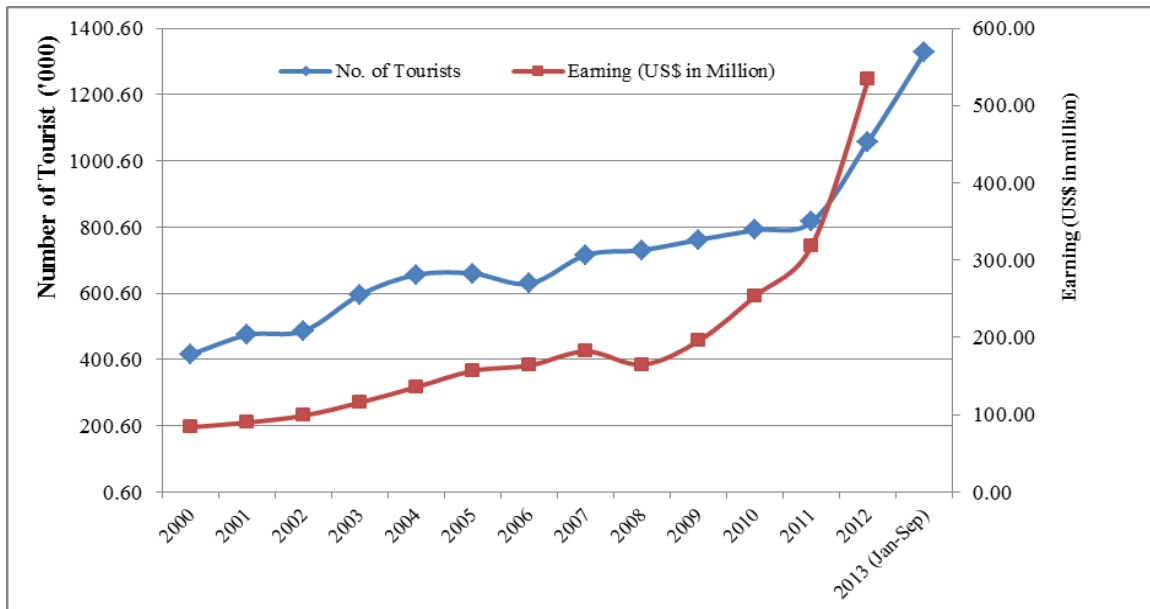
HRI

With more than 50 percent of the land covered in natural forests and one of Southeast Asia's last vestiges of traditional hill-tribe life, Myanmar draws a large number of tourists interested in eco- and cultural-tourism. With the changing political climate, this sector is rapidly growing. Tourists mainly pass through Rangoon, Nay Pyi Taw, Mandalay and Nyaung Oo (Bagan) international airports to enter Myanmar. According to Myanmar's Ministry of Hotels and Tourism, the number of tourist arrivals totaled 1.3 million between January and September 2013, which is higher than the total tourist arrival in 2012 (1 million); (see Table 3) .

Table 3. Tourist Arrival to Myanmar (September 2008-13)

	2008	2009	2010	2011	2012	2013 (Jan-Sep)
Yangon Entry Point	187,766	234,417	297,246	364,743	559,610	
Mandalay	5,553	8,862	13,442	20,912	32,521	
Nay Pyi Taw Gateway				5521	1250	
Border Tourism	537,911	519,269	480,817	425,193	465,614	
Total	731,230	762,547	791,505	816,369	1,058,995	1,328,025

Source: Ministry of Hotel and Tourism



Source: Ministry of Hotel and Tourism

Figure 4: Tourist Arrival and Earning (September 2000-2013)

Myanmar generated more than US\$534 million in 2012 from the hotel and tourism sector, up 67 percent from US\$319 million in 2011 (Figure 3). However, due to a high demand of hotel rooms, the room rates in 4-5 star hotels increased dramatically from around \$120 to up to \$300 per night. A severe shortage of hotel rooms, especially in Rangoon, has limited the number of tourist arrivals. Master card and visa are accepted in international hotels.

Food and beverage sales in hotels account for about 30 percent of its total revenues. Imported products that are currently offered in Myanmar hotels include: Norwegian salmon, Chilean salmon roe, New Zealand mussels, Australian/New Zealand beef and lamb, cheeses from Australia, New Zealand, and Switzerland; wines from Australia, France, Italy, and South Africa but very few products from the United States.

Affluent Myanmar citizens like to dine out with their families on weekends and with business associates during weekdays. Opportunities in this sector abound, especially in modern bakeries and ethnic foreign restaurants. (Indian, Chinese, Thai, Japanese, Italian, and Korean tourists have increased noticeably in recent years).

The tourism sector offer great sales opportunities for U.S. high-value food products. The Myanmar government is expected to build more than 50 hotels across the country over the next two years. Singapore is the biggest foreign investor in Myanmar's hotel and tourism sector. Other major foreign investors include Thailand, China, Japan, Hong Kong, Malaysia and the United Kingdom. Myanmar's government plans to upgrade the Yangon International Airport to accommodate more planes and passengers, which is expected to increase opportunities in the airline and cruise catering sectors for U.S. exporters.

Food Processing

Myanmar's food manufacturing industry is still in its developing stage and is beset with difficulties in procuring food products. Its food processing sector consists mainly of sugar, beer, soft drinks, instant coffee, etc. Myanmar also exports rice and frozen seafood. However, most food products produced in Myanmar are sold in the domestic market. Some of the popular local products are candies, ice cream, bakery products, and nutritional supplements.

Entry Strategy to Retail and HRI Market

The best market entry method for U.S. exporters is to contact supermarkets and hypermarkets directly as most of them have their own import division. To enter Myanmar's HRI sector, selecting trustworthy local importers or agents is the best option. U.S. exporters should also be aware that hotels and restaurants do not import products themselves, but rely mostly on importers and retailers.

The HRI distribution channel in Myanmar normally begins with importers and retailers and then to retail and restaurant outlets. The foodstuffs will be kept in importers' warehouses. The imported food products are imported into Myanmar through three major channels, which are sea freight through Yangon Port, air freight through Yangon International Airport, and through border trade channels mainly from China and Thailand. The shallow waters of the port in Yangon cannot accommodate large vessels. Consequently, all incoming sea freight shipment of imported products needs to be transhipped in Singapore. The port's berth allowance depth is only 9 meters and a vessel's maximum permissible draft is subject to the depth of the inner bar, which is shallow during the dry season. The allowable length of 167 meters is also a constraint for large vessels.



Source: JETRO

The government has approved plans to develop a large port and industrial estate in Dawei in the southern part of the country by 2015. The capacity of the Dawei Port is expected to be able to handle upwards of 100 million metric tons of products a year. Additionally, both India and China are developing deep seawater ports in the Rakhine State.

Best Market Prospects

The best market prospects for U.S. suppliers include fresh fruits (apples, cherries, grapes, and berries), nuts (almonds, walnuts, hazel nuts, and pistachios), dried fruits (raisin), breakfast cereal, frozen seafood, fruit juices, canned foods, jam, candy, chocolate, chocolate milk mix, dairy products (cheese, cheese spread, cream cheese, whipped cream, cheese sticks, cheese dip and ice-cream, condensed milk, yogurts, and milk), pie fillings, processed meat, snack foods, and wine.

The best-selling U.S. food products are apples, frozen fries, potato chips, breakfast cereal, cookies, and

instant coffee.

Products that are not currently present in the market in significant quantities, but have good sales potential are American beers and wines, fresh fruits such as cherries, grapes, and berries, dairy products (cheese, UHT milk, yogurts, and whipped cream), frozen vegetables, beef, turkey, processed meat, pie fillings, dried fruits, nuts, canned fruits, pickles, seafood including lobster, Alaska King crab legs, scallops, confectionary, soup, cookies, biscuits and wafers, fruit juice, and jams.

Burma: Economic Indicators, 2007-2012

Economic Indicator	2007	2008	2009	2010	2011	2012
GDP growth (% change per year)	5.5	3.6	5.1	5.3	5.5	6.4
CPI (% change per year)	32.9	22.5	8.2	7.3	4.2	1.14
Unemployment rate (%)	4.0	4.0	4.0	4.0	4.0	4.0
Fiscal balance (% of GDP)	(3.8)	(2.4)	(4.8)	(5.7)	(5.5)	
Export growth (% change per year)	23.9	12.3	1.4	25.8	10.1	-3.7
Import growth (% change per year)	88.0	25.6	1.9	15.8	23.8	1.4
Exchange rate (Kyats/\$1)	1,156.28	917.47	918.38	841.54	849.54	980.64 (as of Dec, 2012)
Population in millions	63(2012)					
Annual population growth rate (%)	1.1 (2011)					
Adult literacy rate (%)	92.7 (2011)					
Population in urban areas (%)	34.3 (2011)					
GDP per capita	\$868 (2012)					

Source: Global Finance (<http://www.quandl.com/economics/myanmar-all-economic-indicators>), CSO.

Section IV. Key Contacts & Further Information

U.S. Department of Agriculture, Foreign Agricultural Service

The Foreign Agricultural Service in Bangkok maintains current information covering food and agricultural import opportunities in Myanmar and Thailand. Questions or comments regarding this report should be directed to following:

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