



Myanmar Agro-Business

December 2018

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Executive Summary

The agriculture sector dominates Myanmar's economy, with various untapped agro-business opportunities, especially in the rice and seafood industry. Meanwhile, it is important to know key challenges before entering this attractive market.

Attractiveness of Myanmar agro-business

- Highest contribution to the economy compared to those of regional peers
- Positive macroeconomic indicators in Myanmar
- ↳ Fast growing exports
- ↳ Changing consumer demand along with a higher number of affluent population
- Abundant resources and cheap labor

Opportunities & products

- Traditional method still dominant, whether for rice, seafood, beans & pulses or meat & poultry segment
- ↳ **Beans and Pulses:** Production of high value-added products for exports
- ↳ **Rice:** Full-scale rice mills for exporting rice from Myanmar
- ↳ **Seafood:** Target cold processing plants and cold storage
- ↳ **Poultry and Meat:** Modern and large-scale production system

Challenges

- Investment restrictions
- Underdeveloped infrastructures
- Inefficient trade & investment procedures
- Myanmar products perceived to have low quality



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Myanmar Agro-Business Sector Overview

Opportunities in different agriculture segments

■ **Beans and Pulses**

■ **Rice**

■ **Seafood**

■ **Poultry and Meat**

Summary and Recommendation

KASIKORNBANK Support



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Myanmar Agro-Business Sector Overview

Opportunities in different agriculture segments

- Bean and Pulse

- Rice

- Seafood

- Poultry and Meat

Summary and Recommendation

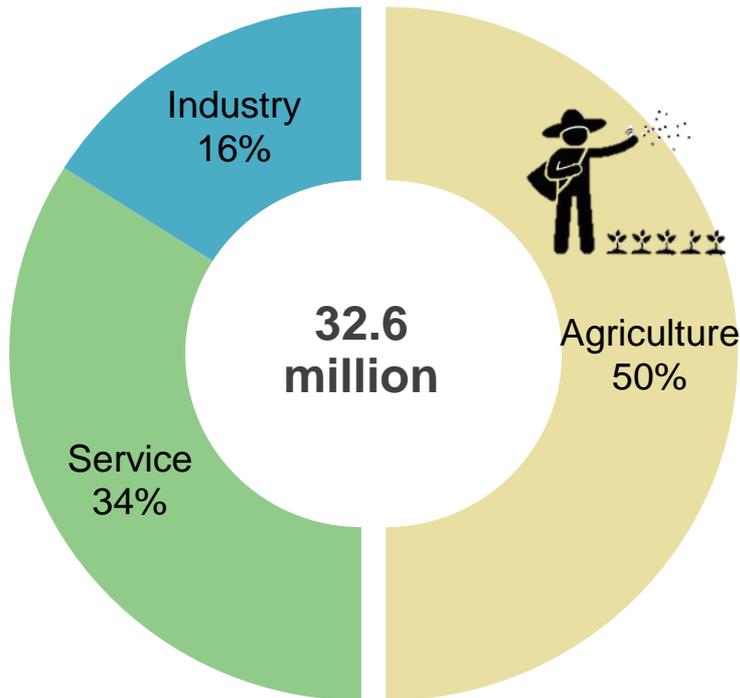
KASIKORNBANK Support

Myanmar Agro-Business Overview

Agriculture remains the backbone of Myanmar's economy. As the country is heavily dependent on the agriculture sector in terms of income and employment contribution.

Myanmar's employment 2018

(% of total employment)

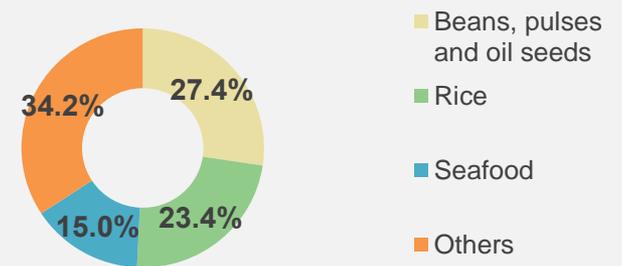


1 The agriculture sector employs **half of the total employment** in Myanmar.

2 The agriculture sector contributed **26.2% to Myanmar's total GDP in 2017**, the highest share compared to regional peers.

This is expected to continue given continuous improvement in infrastructure.

3 Myanmar's exports are **predominantly agricultural products** - 32% of total exports, valued at USD 14 billion, with strong growth of 13%.

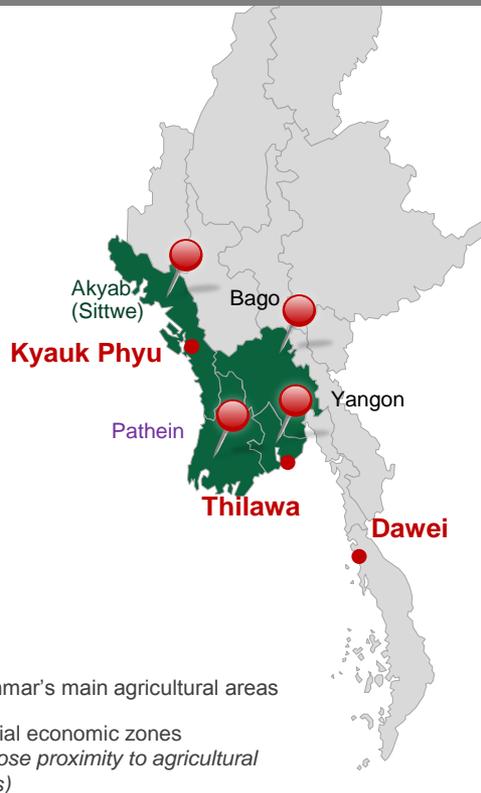


Note: Labor cost accounts for approximately 17.4% of agricultural production cost in Thailand.

Myanmar Agro-Business Trends

Agro-Business in Myanmar is seeing growth potential, owing to the country's abundant natural resources. Also, Myanmar has eased FDI restrictions and provided investment incentives in special economic zones to attract more FDI.

Strategic Locations for Agro-Business



Improved areas

Key policies and incentives



Foreign Business Registration

Since 2016, foreign investors have been allowed to invest up to 80% in agro-business (Myanmar investor's minimum direct shareholding in a joint venture is 20%).

Previously, foreigners were allowed to invest only 40%.



Investment Incentives

- All agricultural exports are exempted from commercial tax.
- Investors in special economic zones are exempted from corporate income tax for 7 years from the commencement and are exempted from customs duties on imports of raw materials and machinery for production.

Myanmar Agro-Business Opportunity

Agro-business potential opportunities lie in Myanmar's most valuable export crops and livestock including beans and pulses, rice, seafood and poultry.



Beans and Pulses



Rice

Myanmar's most
valuable export crops
and livestock



Seafood



Poultry

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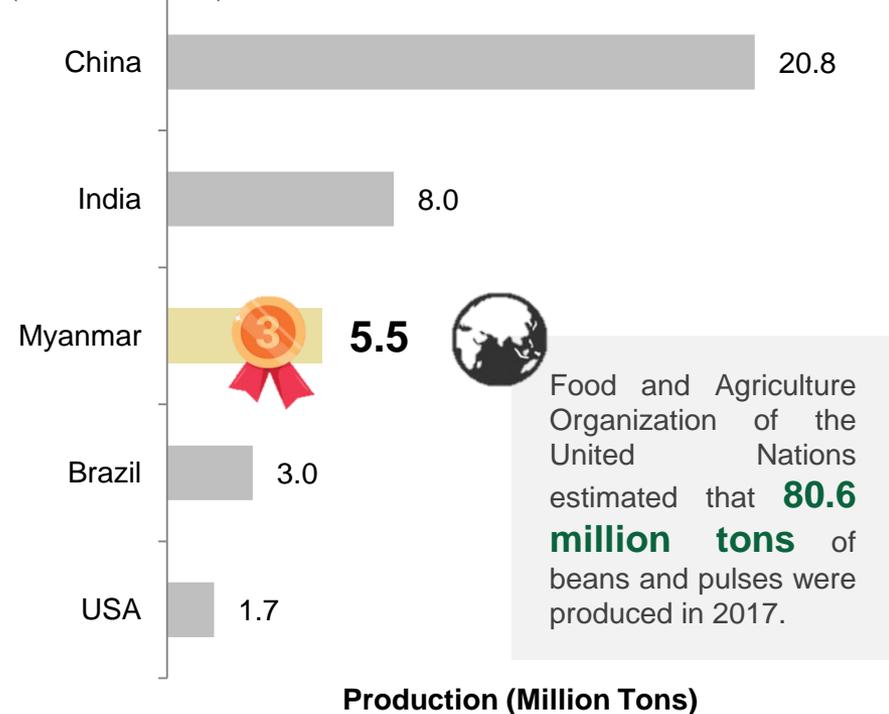
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Bean & Pulse Industry Overview

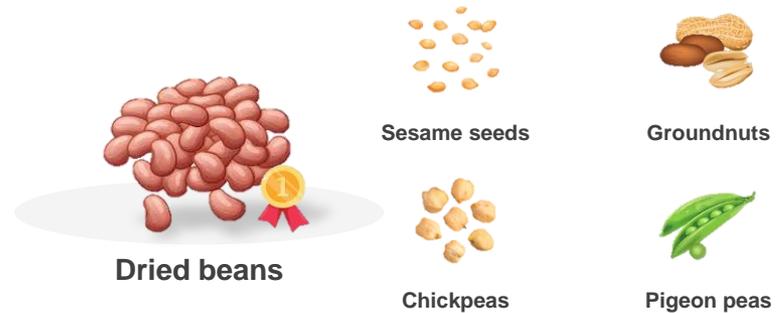
As of 2019, Myanmar ranks as the 3rd largest producer of dried beans and pulses in the world. The country's main bean and pulse products are dried beans, sesame seeds, pigeon peas, chickpeas and groundnuts.

The World's Top Bean and Pulse Producing Countries

(Tons, as of 2017)



Myanmar's top producing products



Myanmar is also a large producer of **black grams (black matpe)** and **green grams (mung beans)**.

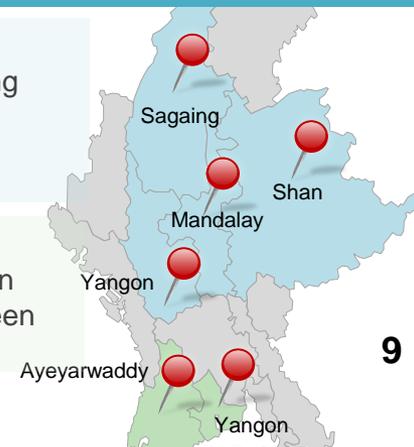
Strategic Locations

Central plain areas

Grown as monsoon crops including pigeon peas, chickpeas, sesame seeds, groundnuts, green grams

Delta region

Grown after the harvest of the main rice crop such as black grams, green grams

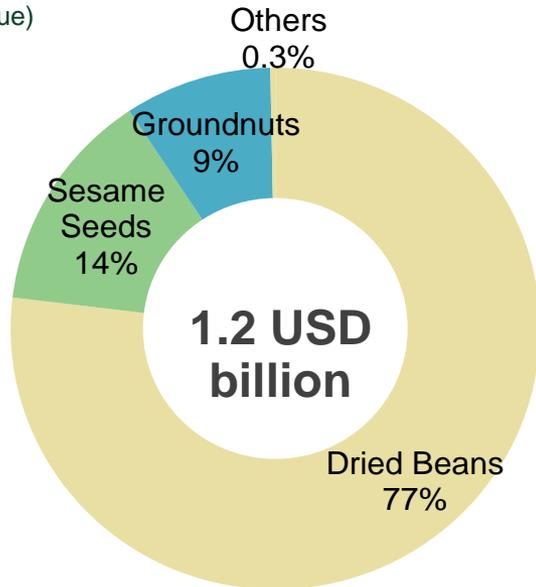


Bean & Pulse Trade Overview

Myanmar's top three exported bean and pulse products are unprocessed dried beans, sesame seeds and groundnuts. The country's main export destinations are their neighboring countries including China, India and Thailand.

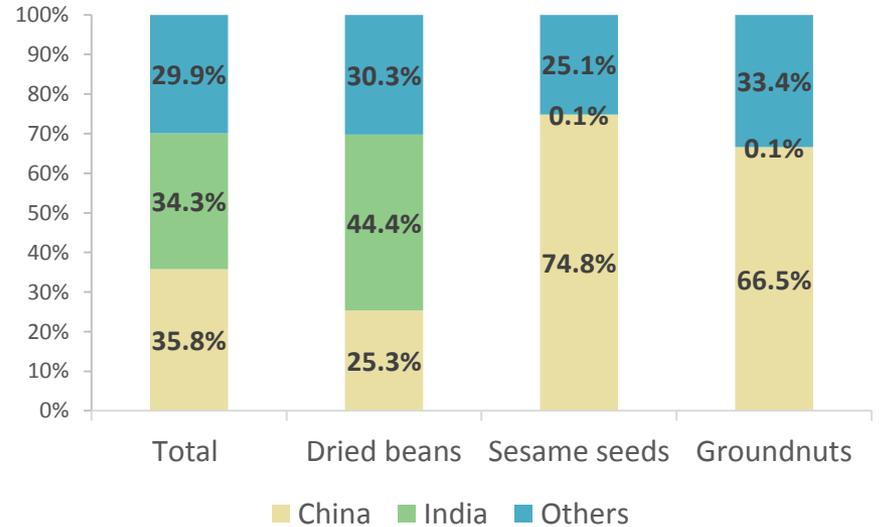
Myanmar bean and pulse exports 2017

(by market value)



- Dried beans accounted for over 75% of total bean and pulse exports from Myanmar.
- Less than 1% of total pulse and bean exports from Myanmar involved value-added products such as roasted nuts and frozen beans.

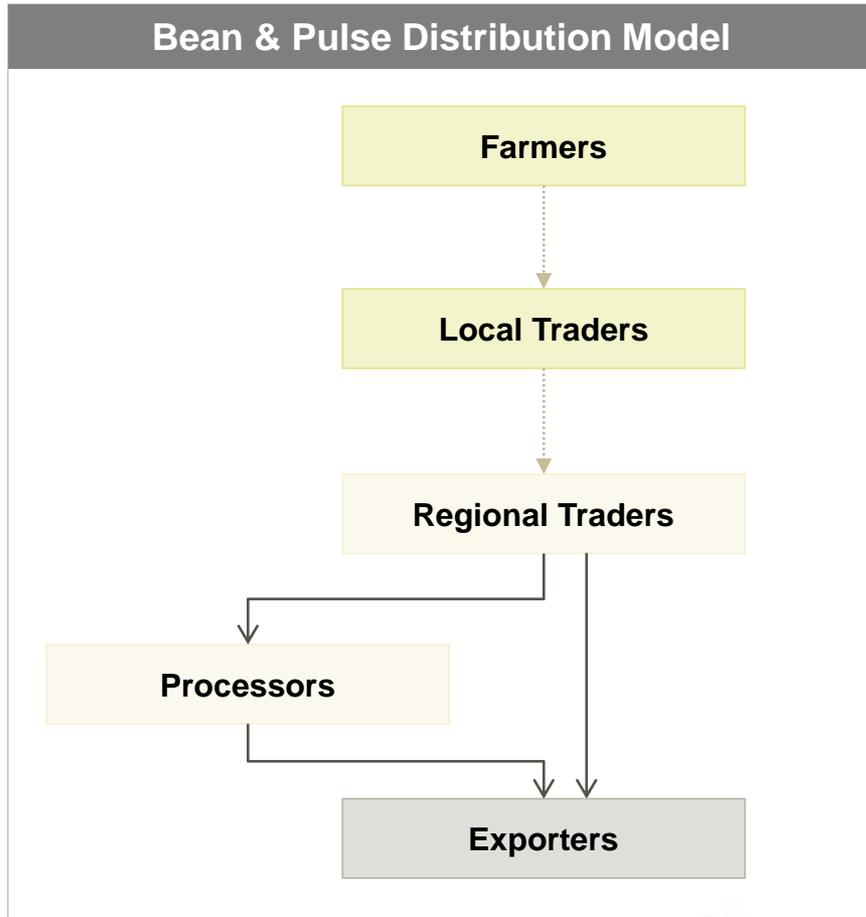
Myanmar's main export destinations



- Myanmar's exports are highly concentrated in a handful of markets, mainly China and India.
- Large amount of beans and pulses are exported from Myanmar through borders to China, India and Thailand, where they are processed for either domestic consumption or re-export.

Bean & Pulse Industry Distribution Channels

Foreign investors can successfully become bean and pulse processors in Myanmar. The bean and pulse sector offers growth prospects for specialized processors and experienced exporters. Myanmar is in need of processing plants and qualified exporters who can meet international standards.



Characteristics of Each Distribution Channel

Farmers/ Local Traders

- Local traders purchase crops from farmers and sell the merchandise to large terminal market traders in Yangon and Mandalay.

Regional Traders/ Processors

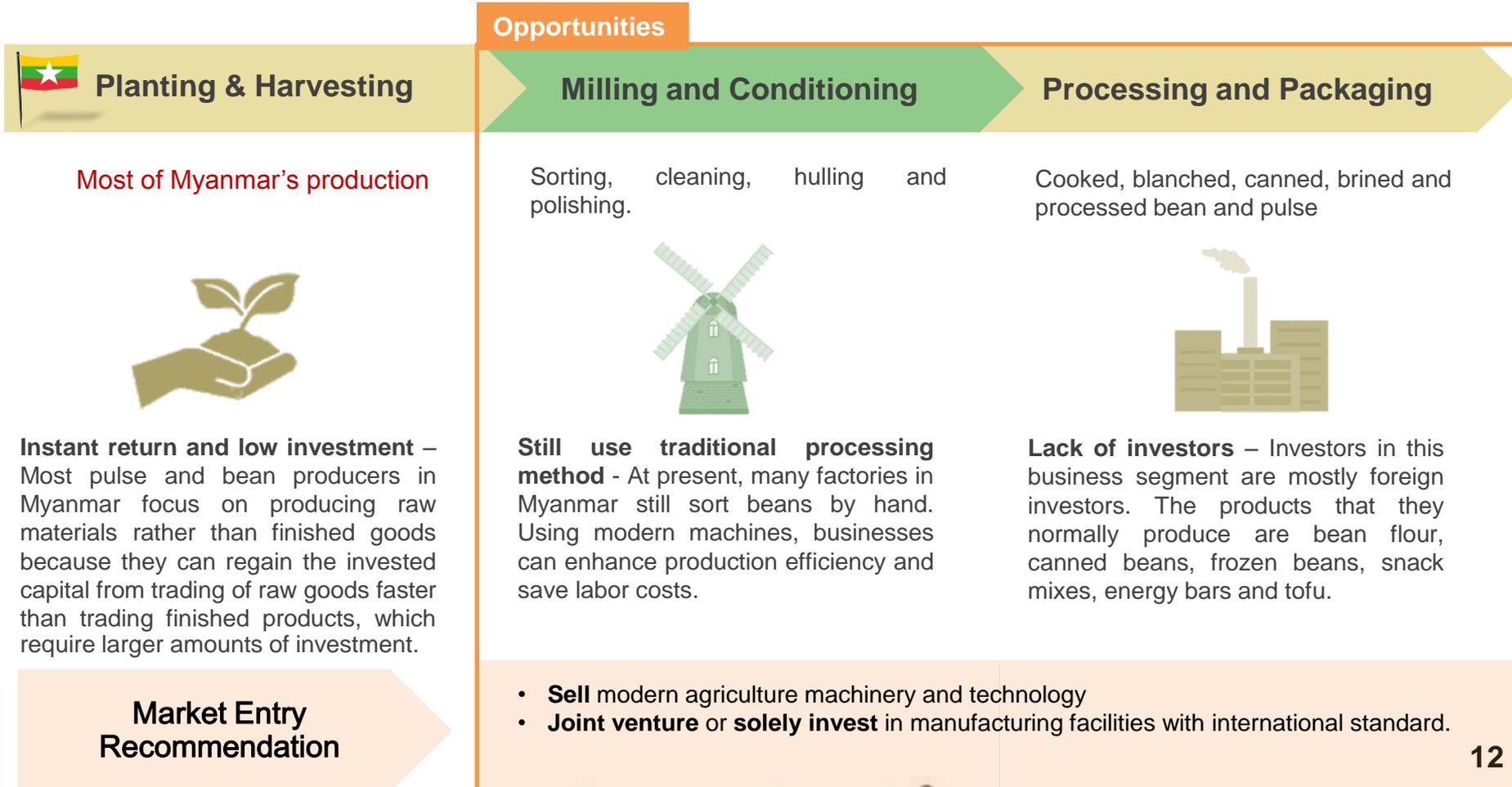
- Large wholesalers and exporters purchase goods directly from traders in Yangon or Mandalay or through commodity exchange centers.
- Wholesalers then sell beans and pulses to domestic value-added processors, which may sell processed products to exporters.

Exporters

- There is a small number of exporters who can comply with international standards (most of them are foreign export firms).
- Foreign investors should aim at processing facilities that meet international standards.

Bean & Pulse Industry Opportunities

Most bean and pulse producers in Myanmar sell raw goods, as local producers lack funding, technology, and know-how. This offers market opportunities for value-added production.



Bean & Pulse Industry Summary and Recommendation

Opportunities

- Target higher value-added products, rather than raw goods
- Invest in high value-added facilities that produce high quality products with international standards

Products

- Milled beans and pulses
- Value-added bean and pulses products such as roasted nuts
 - Snack mixes
 - Frozen beans

Targeted Markets

- Export market
 - India, China, Middle East, ASEAN, US
- Domestic market
 - Large cities (i.e. Yangon, Mandalay)

Challenges facing rice milling operations in Myanmar

Supply-side

- Lack of quality seed supply & production
- Limited production planning and support
- Limited data analysis & planning to manage agricultural production
- Low uptake of modern cultivation techniques
- Low use of modern cultivation technique leads to low productivity

Business environment

- **Price volatility**
- **High and volatile transport costs:** Tedious administrative procedure and logistics delays.
- **Poor logistics system and low quality of infrastructure:** Low quality of roads increases costs of transportation in Myanmar
- **Limited production facilities:** Myanmar has low milling and processing facilities

Export market

- **Import restrictions:** India imposed temporary import ban on Myanmar's pulses and beans last year.
- **Lack of quality standards and food safety control**
- **Inefficient trade regulations:** Outdated trade regulations and inadequate export finance.
- **Limited and inefficient export promotion:** Leading to high concentration of pulse, bean exports to traditional markets (India and China).



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Myanmar Agro-Business Sector Overview

Opportunities in different agriculture segments

Bean and Pulse

Rice

Seafood

Poultry and Meat

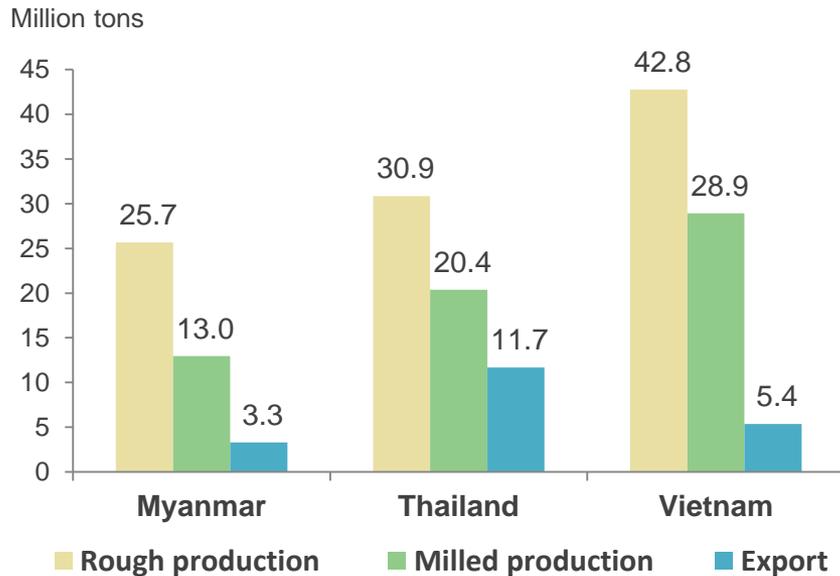
Summary and Recommendation

KASIKORNBANK Support

Rice Industry Overview (1/2)

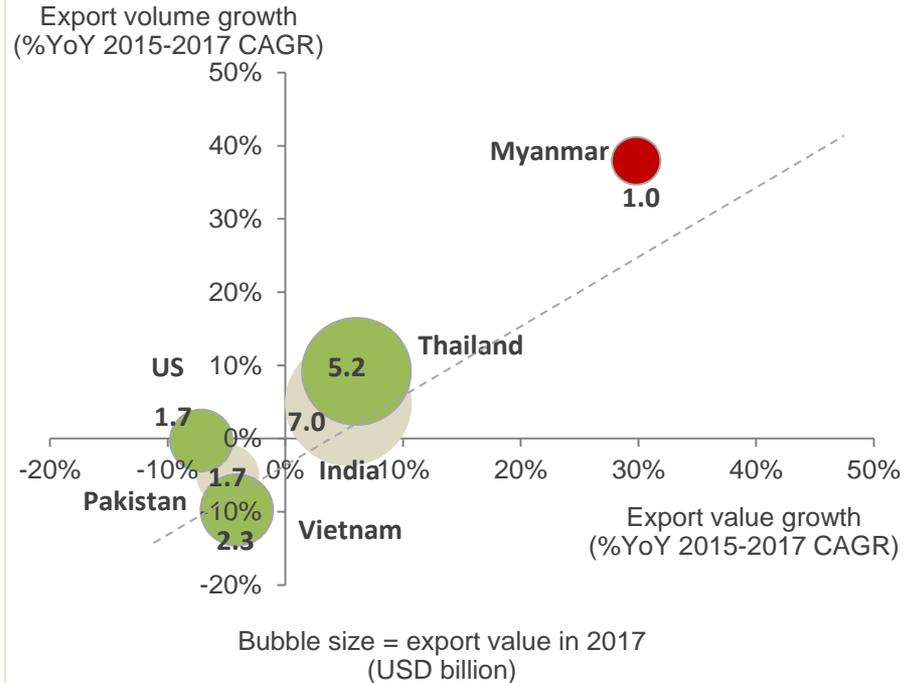
Rice exports also have high growth potential given the high demand for rice in the global market

Rice production capability



- **Low milled rice production:** Around 50% of rough production (vs. 66% in Thailand)
- **Low rice exports:** Only 26% of milled rice production contributed to exports (vs. 57% of milled rice for Thailand in 2017)

Rice exports and growth



- **Despite low volume of rice exports,** outbound shipment of rice has been growing rapidly.

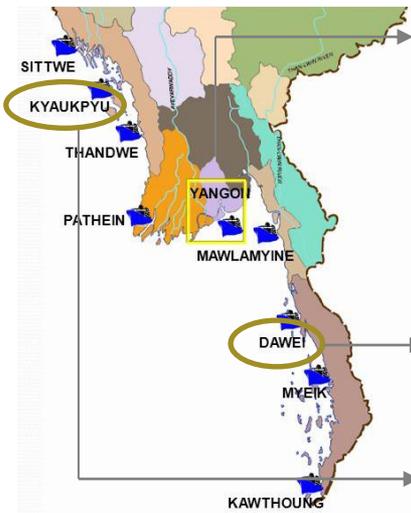
Rice Industry Overview (2/2)

Port capacity expansion & duty-free access can drive Myanmar's rice export market

Export via sea grows to 48% of total exports in 2017, thanks to the expanding rice market

Dawei & Kyauk Phyu port are under development to expand overall capacity - to handle congestion amid surging demand for rice exports

Ports in Myanmar:



Yangon port currently handles 90% of all import/export maritime cargos

Dawei port will become Southeast Asia's largest industrial & trade zone (with capacity = 250 million tons)

Kyaukphyu port can shorten the sailing distance between the Indian Ocean and China's east coast by about 5,000 km

Myanmar enjoys duty-free due to LDC status that drives its exports to major markets

Myanmar



Myanmar rice exporters can take full advantage of **duty-free access to both the EU and US markets** under preferential treatment for least developed countries (LDC).

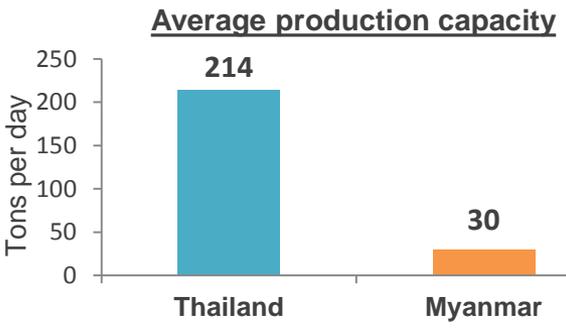
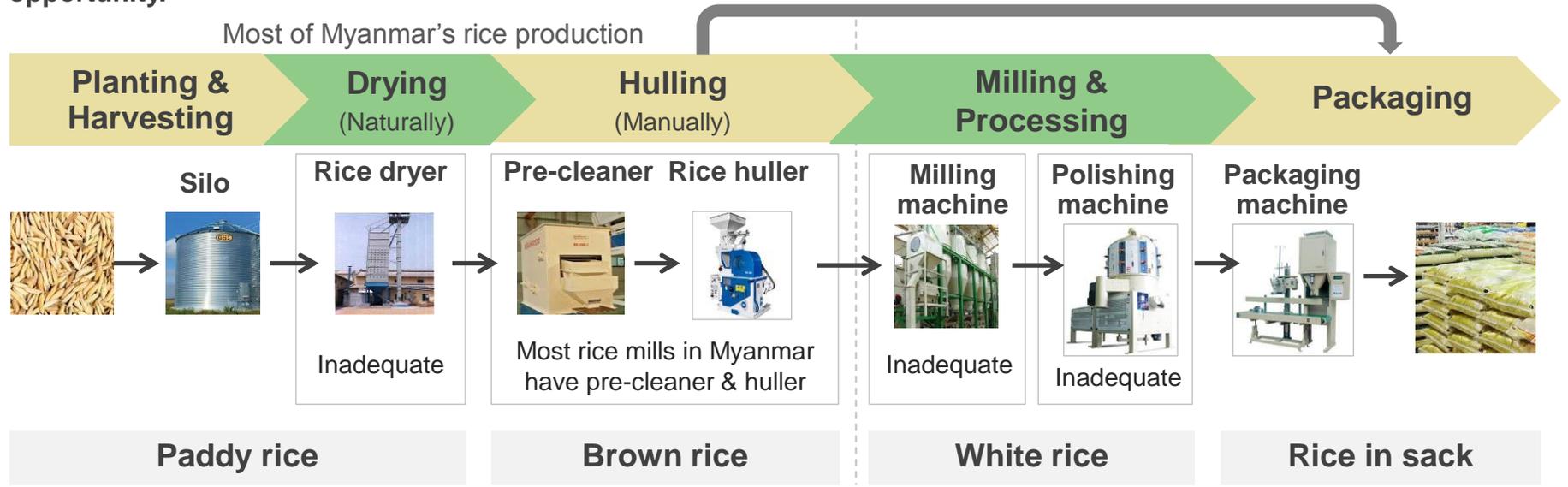
Thailand



- Thai export to the EU **does not** have any trade privileges.
- The US Generalized System of Preferences (GSP) tax benefits for Thailand do **not include rice**.

Rice Industry Opportunity

Myanmar's rice production is mainly based on traditional method. Most rice mills in Myanmar have rice pre-cleaner and rice huller but no dryer, milling machine or polishing machine. Full-scale rice milling presents a good investment opportunity.



- Average production capacity of Myanmar's rice mills is significantly lower than that of Thailand.
- Moving away from traditional farming, investment in full-scale rice milling drives **productivity, quality and economies of scale**, possibly generating higher returns for investors.

Rice Industry - Rice Mill Production Hub

The delta area is suitable for establishing rice mills

Where to establish rice mills?



The **Delta Area** (65% of total harvested rice area in Myanmar) is the top location to operate rice mills due to proximity to paddy areas and ports:

- **Sagaing** : where irrigated paddy system is available
- **Ayeyarwady** : contributes water to rain-fed paddy in delta area
- **Bago**
- **Yangon**

Contract farming with farmers ideal location is important to ensure consistent supply and quality



Foreign firms that have invested in rice mills

China



- Investment year : 2015
- Location: Ayeyarwady

Japan



- Investment year : 2013
- Location: Yangon, Bago and Ayeyarwady

Singapore



- Investment year : 2017
- Location: Ayeyarwady

South Korea



- Investment year : 2017
- Location: Yangon

Rice Industry Summary and Recommendation

Opportunities

- Investment in full-scale rice mills
- Contract farming
- Export of rice

Products

- Milled rice
- ↳ Average & High quality

Targeted Markets

- China
- EU & US (high quality)
- Africa
- ASEAN

Challenges to operate rice mills in Myanmar

Farming

- Relatively low rice yields due to **low productivity**

- ↳
 - Poor quality seeds
 - Low level of farming machinery
 - Poor water management
 - Poor quality of fertilizer
 - Lack of farmers' credit

Milling

Input

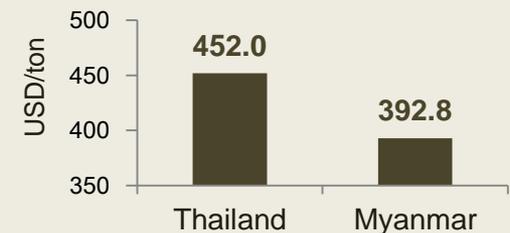
- Paddy price volatility
- Inconsistent electricity supply
- Lack of skilled labor

Output

- Inefficient milling machines lead to
- Low quality output
 - High % of broken rice

Export

- High logistics & handling costs
- Inconsistency of quality & supply
- Volatile export prices





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Seafood Industry Overview (1/2)

Capture-based aquaculture has ample room for growth

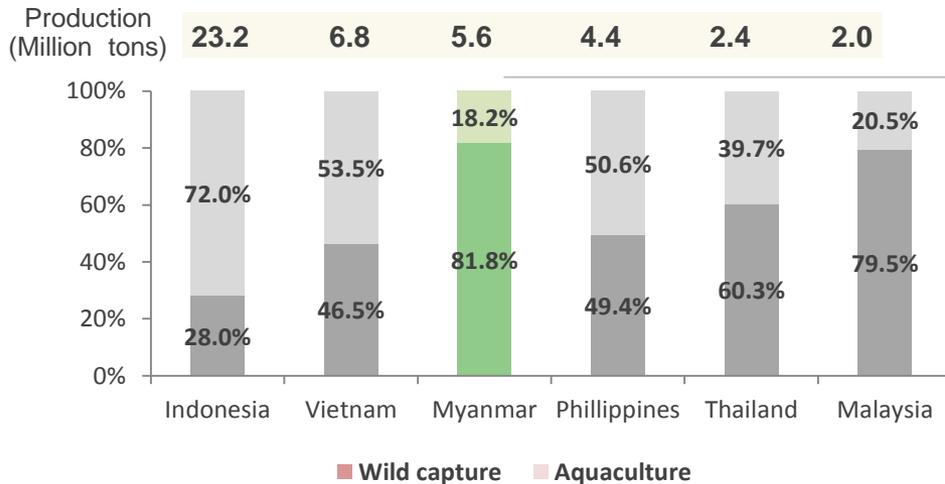
Myanmar's seafood production is dominated by wild capture

Myanmar is the **3rd largest producer in Southeast Asia.**

(Total production of 5.6 million tons in 2016)

- **Wild capture** contributes 82% to Myanmar's total seafood production – 9th largest wild capture producer in the world (2016)
- **Aquaculture** remains less developed compared to other countries in the region, with ample room to grow.

Total production classified by type of capture (2016)



Top Aquaculture locations

Ayeyarwady
Yangon
Bago

Rhakine
Yangon
Ayeyarwady
Mon
Tanintharyu

Freshwater fish
(i.e. carp, catfish)

Marine fish, giant tiger prawn, giant river prawn, and shrimp farming

Top aquaculture products

Highest income generating

Giant tiger prawn, Roho, carp

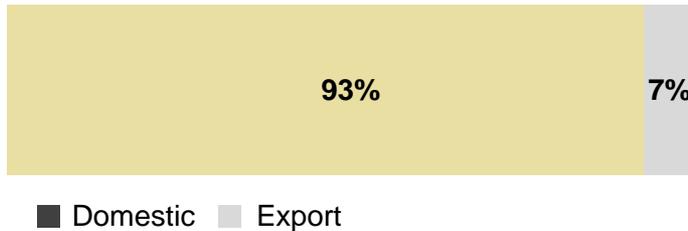
Highest value per ton

Giant tiger prawn, mud crab

Seafood Industry Overview (2/2)

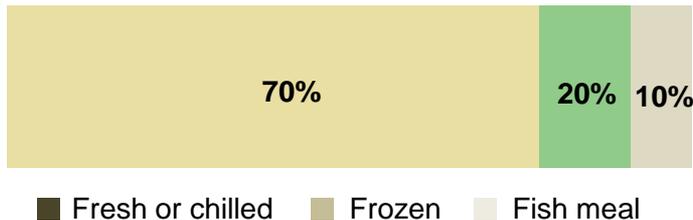
At present, the seafood produced in Myanmar is largely for the domestic market.

Production purposes



- More than 90% of fish is consumed domestically. Therefore, Myanmar has relatively high per capita fish consumption.
- Myanmar’s per capita fish consumption is 30 kg., which is higher than the average of developed countries at 25 kg. and LDCs at 13kg.

Types of Fish



- 70% of fish is processed into fresh mainly to meet domestic demand.
- This is significantly higher than other countries in the region. (44% in Thailand)

Opportunities in Seafood Industry

Opportunities lie in the seafood processing and cold storage businesses

Capture

1. Seafood Processing

2. Exports



Foreign investors

- Restricted to invest in fresh water fisheries (wild capture).
- Allowed to invest in aquaculture & marine fisheries only upon approval from Myanmar's Ministry of Agriculture.

Primary



Fresh seafood



Frozen seafood

- **Primary processing:** cutting, filleting, picking, peeling, washing, chilling, packing, heading and gutting.

Secondary



Cooked / packaged seafood

- **Secondary processing:** smoking, cooking, freezing, canning, deboning, breading, vacuum and controlled packaging



Seafood Export Agent



Seafood Transportation Specialist



Processing plant



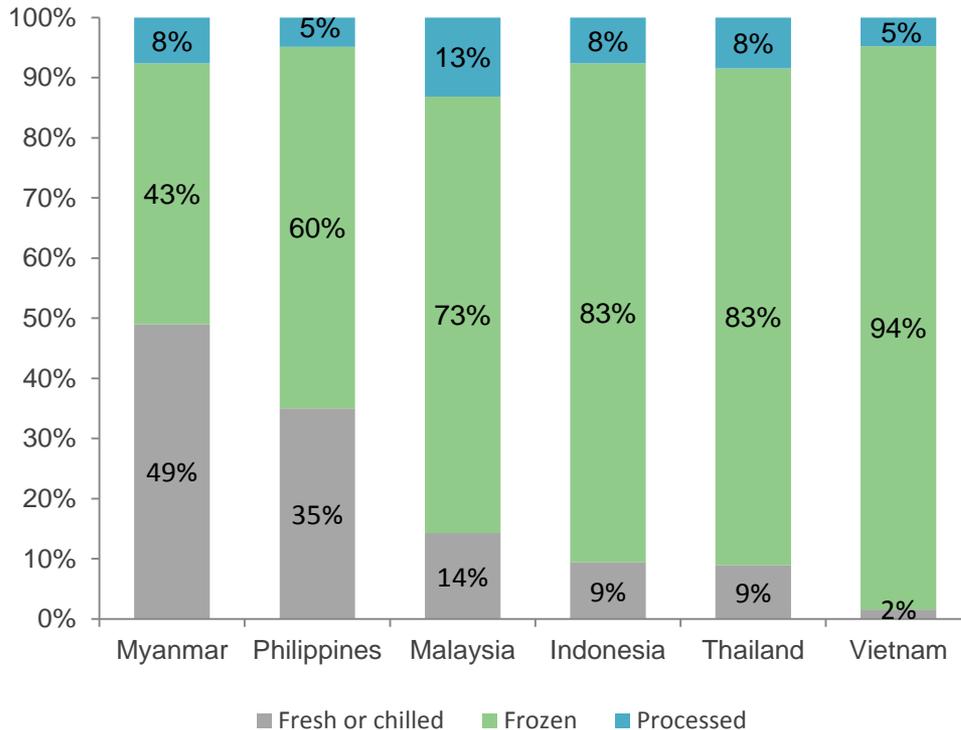
Cold storage

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Opportunities in Seafood Industry – Seafood Processing

Compared to more advanced seafood exporters, such as Vietnam and Thailand, Myanmar has the potential to produce higher value added products, e.g., frozen seafood, for exports.

Share of Myanmar’s processed seafood output



Opportunity for higher value added production (secondary processing)

- There are **117 cold storage processing plants**, mostly producing **frozen raw fishery products**
- **Only some have been producing value-added products**, such as frozen, cooked, peeled prawn and frozen crumbed prawn cutlet.
- Currently, **only 20 processing establishments have been approved to export fishery products to the EU**. Only frozen wild caught fishery products are exported to the EU.
- Exporters should target **frozen and processed products**, which have higher value and focus on quality and food safety that will help them to enter other major markets .

Note: To operate the seafood processing business, an extensive network of refrigerated handling, transport and storage is required.

Opportunities in Seafood Industry - Exports

Myanmar's seafood exports have bright prospects. Myanmar mainly ships seafood products to Thailand and China.

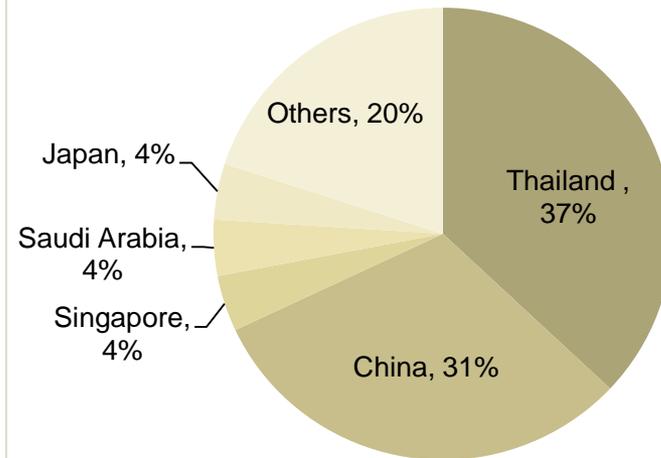
Regional's fastest growing in seafood exports



Myanmar could potentially double its income from fishery exports, generating around \$1 billion per year over the next three years.

Potential to export to Thailand and China

Myanmar's seafood exports by destination (2017)



Myanmar's seafood exports to Western countries (i.e. US and EU) are still limited due to their high food safety standards. Nonetheless, its seafood exports have grown rapidly in recent years.

Seafood Industry - Summary and Recommendations

Opportunities

- Contract farming in aquaculture
 - ↳ Shrimp, crab farming 
- Seafood processing
- Cold chain (cold storage and refrigerated trucks)
- Exports

Products

- Frozen food
- Processed seafood
- Packaged seafood (ready meals)

Target Markets

- Export markets
 - ↳ China, US, EU, Japan, South Korea, ASEAN countries
- Domestic market
 - ↳ Large cities (i.e. Yangon and Mandalay)

Challenges to operate rice mills in Myanmar

Aquaculture

- **Disease outbreaks:** Weak bio-security and poor management.
- **Limited technology:** Limited usage of modern farming techniques, pelleted feeds and fertilizers.
- **Lack of pond management**
- **Recurring natural disasters**
- **Strict regulations:** Strict controls on investment.

Processing

- **Inconsistent electricity supply**
- **Lack of raw materials**
- **Low quality of infrastructure:** Poor road quality

Export

- **Import restrictions:** Saudi Arabia has imposed a temporary suspension on fish & prawn imports from Myanmar.
- **Potential sanctions by EU and US:** The EU may revoke GSP trade privileges granted to Myanmar.
- **Strict quality & safety measures:** Fishery products must have proper health certificates for export to major markets.



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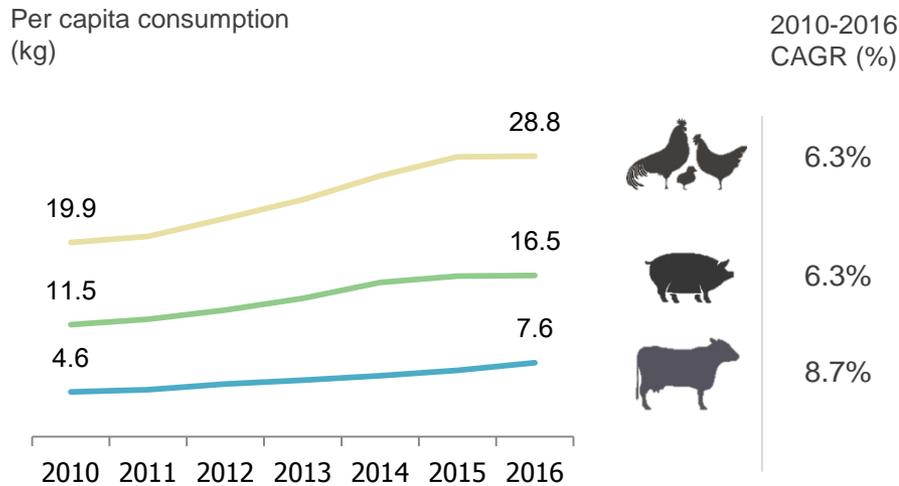
Summary and Recommendation

KASIKORNBANK Support

Poultry & Meat Industry Overview (1/3)

At present, Myanmar has growing demand for poultry and meat products. But, domestic production is inadequate, leading to skyrocketing growth in poultry and meat imports.

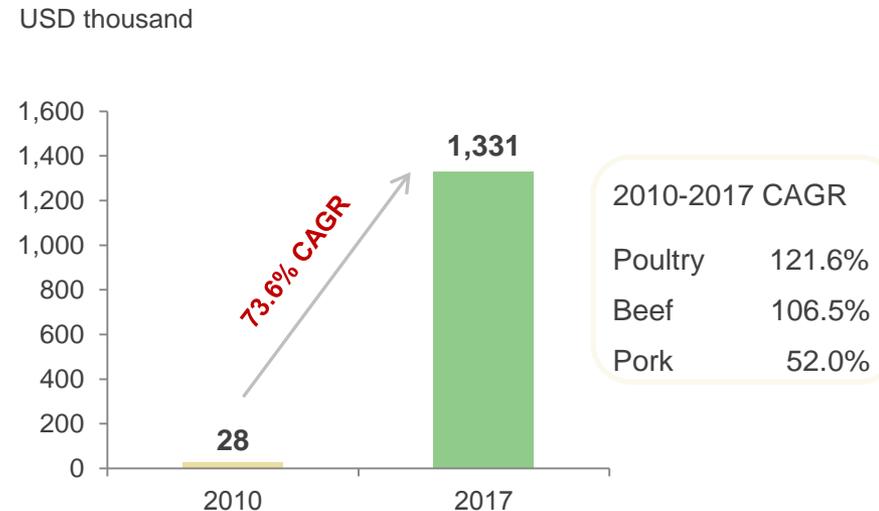
Myanmar poultry and meat consumption



Chicken is the most popular in Myanmar while beef consumption is growing at the fastest pace.

- **Demand for poultry and meat is growing.** Demand for poultry and meat is projected to escalate in line with growing disposable income, middle class and urbanization.
- **Demand for poultry meat is expected to double** within the next 3-5 years, which will require significant investment in hatcheries, farming and further processing capacity.

Myanmar's poultry and meat product imports



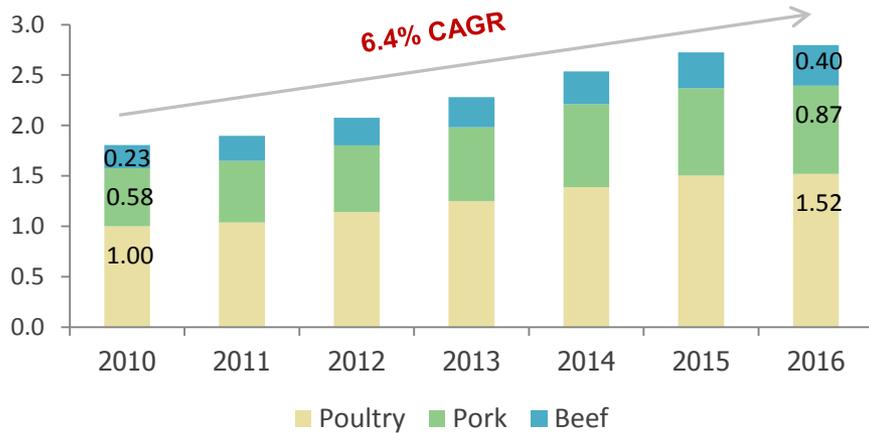
- Myanmar's meat imports have grown substantially to **meet domestic demand.**
- Moreover, **high-end hotels and international visitors are driving the demand** for imported meat products as their quality is perceived to be superior.

Poultry & Meat Industry Overview (2/3)

Meat production in Myanmar has increased rapidly, thanks to growing foreign investment in the sector.

Poultry and Meat Production Capacity

Million tons



- Due to high demand, **poultry production accounted for around 54.4% of Myanmar's total meat output in 2016.**
- **Poultry farming is concentrated in Shan, Mandalay, Sagaing, Yangon, Bago, and Ayeyarwaddy regions**, which are rice producing areas with abundant and less costly feed resources.
- **The central dry zone of Myanmar is an important area for livestock (non-poultry) production** due to relatively low probability of draught and other extreme weather conditions.

Key Poultry and Meat Foreign Players

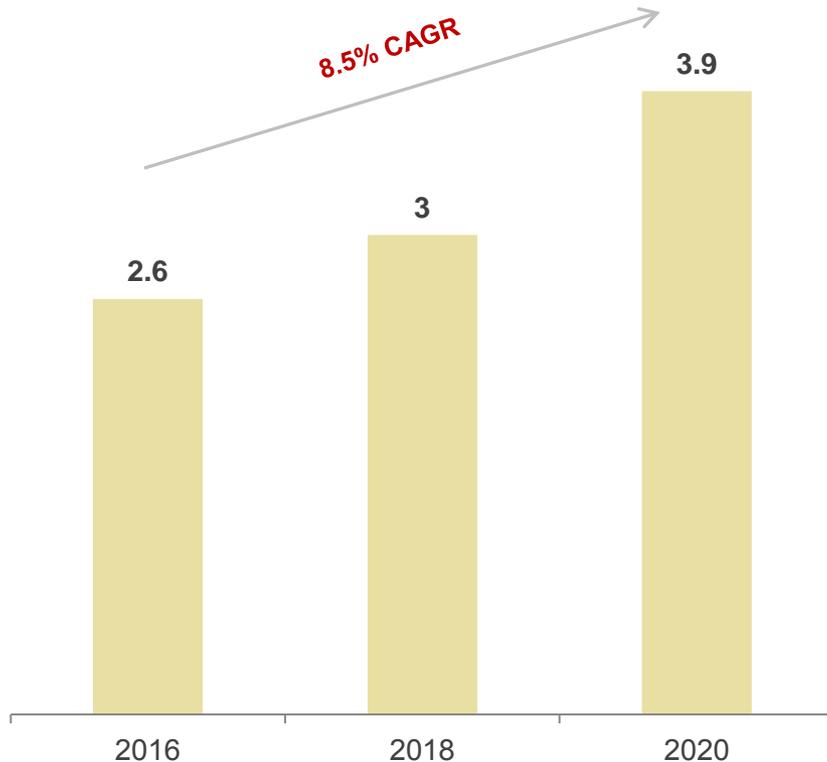
Thailand		Animal feed, poultry and pig farming, meat processing
Singapore		Poultry feed, poultry farming, poultry meat processing
South Korea		Animal feed, pig and poultry farming, meat processing
		Animal feed
China		Poultry feed, poultry farming, poultry meat processing
Netherlands		Animal feeds

Poultry & Meat Industry Overview (3/3)

In line with the growing investment in Myanmar’s poultry and meat industry, demand for animal feed products has increased rapidly. However, due to limited technology and know-how, the expansion of domestic feed production is currently critical.

Animal Feed Demand Estimation

Million tons



- **Poultry farming is the largest user of animal feeds**, contributing approximately 56.7% of total feed demand in Myanmar in 2018. Meanwhile, 20% of total feed demand comes from the swine industry.
- **Myanmar’s feed sector is led by foreign companies**, which hold about 60% share of domestic sales in Myanmar. However, domestic production of animal feeds remains insufficient amid growing demand.

Interesting Facts

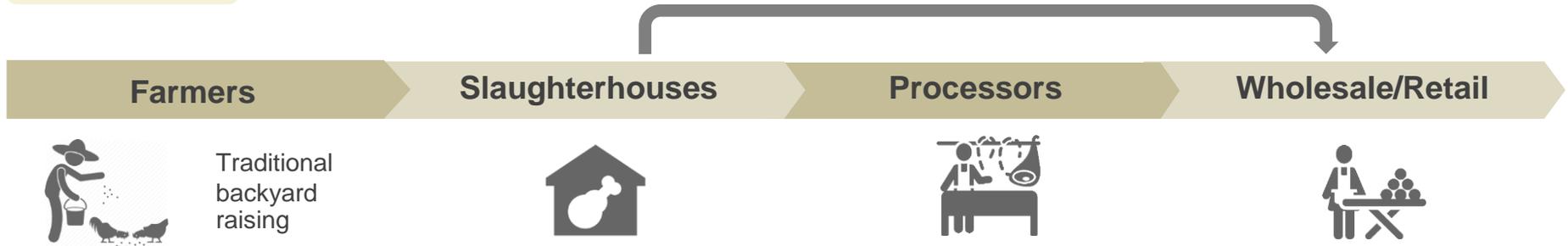
- **The major raw materials used for feed production in Myanmar** are broken rice, yellow corn, wheat, rice bran, wheat bran, soybean meal, sunflower meal, bone meal, corn distiller’s dried grains with soluble (DDGS), oil cakes, and fishmeal.
- Due to the availability of certain region-specific raw materials, **livestock farms in southern Myanmar use more broken rice while those in the northern region use more yellow corn.**
- **Soybean and wheat have to be imported into Myanmar** to produce soybean cake and soybean meal to meet commercial livestock producers’ needs.

Poultry & Meat Industry Opportunities

Despite growing investing from foreign firms, there are still vast opportunities in every part of the poultry and meat supply chains as a majority of local producers continue to use traditional methods.

Traditional

Livestock industry in Myanmar has been dominated by traditional and small-scale production.



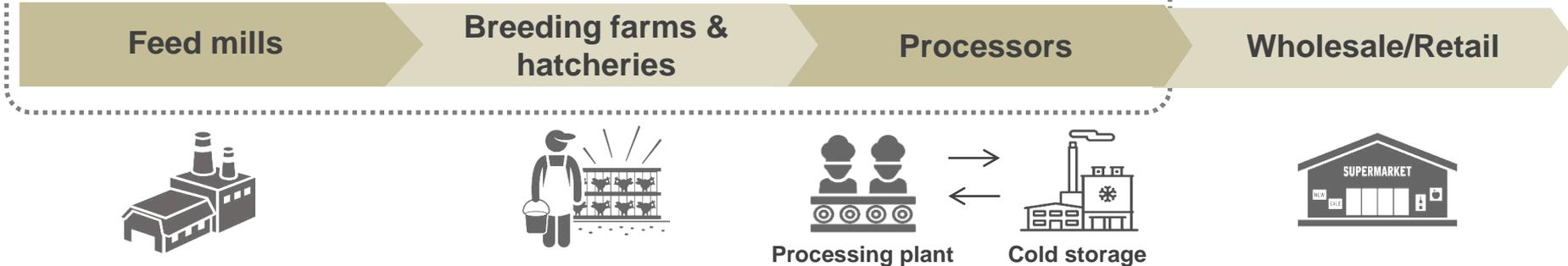
Traditional backyard raising

Opportunities

Modern

There has been growing presence of modern and large-scale production systems.

Most of the large-scale plants do integrated businesses.



• Contract farming has emerged as the main business model, mainly led by Myanmar CP.

Poultry & Meat Industry - Summary and Recommendations

Opportunities

- For small players
Animal feeds (relatively low barriers to entry) and cold chain
- For large players
Integrated business e.g. animal feeds, poultry and pig farming, meat processing and cold chain

Products

- Poultry meat
- Pork meat
- Processed meat (i.e. ham)
- Ready meals

Target Markets

- Domestic market
- Modern retail

Challenges to operate poultry and meat business in Myanmar

Farming

- **Lack of some raw materials in domestic market:** maize & soybean (key raw materials of animal feed).
- **Volatile import prices of raw materials.**
- **Lack of disease controls and veterinary services** often leads to bio-security problem.
- **Lack of access to grazing lands** due to Myanmar's strict land ownership law.
- **Unsuitable climate for raising pigs and cattle.**

Meat processing

- **Lack of production facilities** to support large-scale production.
- **Low health & hygiene standards:** Myanmar ranked the lowest in the region on food safety.
- **Lack of cold chain infrastructure** to transport perishable items.
- **High transaction and logistics cost** due inefficient transportation methods and low-quality infrastructure.



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Opportunities in different agriculture segments

Rice

Seafood

Bean and Pulse

Poultry and Meat

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KASIKORNBANK Support

Summary and Strategic Recommendations

Investment opportunities in Myanmar's Agro-Business mainly lie in value-added products.

	Beans and Pulses	Rice	Seafood	Poultry and Meat
Opportunities	<ul style="list-style-type: none"> Target higher value-added products, rather than raw materials. Invest in facilities or production that produce high quality products that meet and international standards. 	<ul style="list-style-type: none"> Investment in full-scale rice mill Contract farming Export 	<ul style="list-style-type: none"> Contract farming in aquaculture (shrimp, crab farming) Seafood processing Cold chain (cold storage and refrigerated trucks) Export 	<ul style="list-style-type: none"> For small players Animal feeds (relatively low barriers to entry), cold chain For large players Integrated business e.g. animal feeds, poultry and pig farming, meat processing and cold chain
Potential Investment/ Products	<ul style="list-style-type: none"> Milled beans and pulses Roasted nuts Snack mixes Frozen beans 	<ul style="list-style-type: none"> Milled rice 	<ul style="list-style-type: none"> Frozen food Processed seafood Packaged seafood (ready meals) 	<ul style="list-style-type: none"> Poultry meat Pork meat Processed meat (i.e. ham) Ready meals
Targeted Market	<ul style="list-style-type: none"> Export market - India, China, Middle East, ASEAN, US Domestic market 	<ul style="list-style-type: none"> China EU & US (high quality) Africa ASEAN 	<ul style="list-style-type: none"> Export markets - China, US, EU, Japan, South Korea, ASEAN countries Domestic market 	<ul style="list-style-type: none"> Domestic market



Content

Myanmar Agro-Business Sector Overview

Opportunities in different agriculture segments

Rice

Seafood

Bean and Pulse

Poultry and Meat

Summary and Recommendation

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AEC+ BUSINESS ADVISORY

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About AEC+ Business Advisory

The AEC+ Business Advisory is set up by KASIKORNBANK to support businesses in their regional expansion across the ASEAN+3 market by providing local market intelligence and strategic business advice.

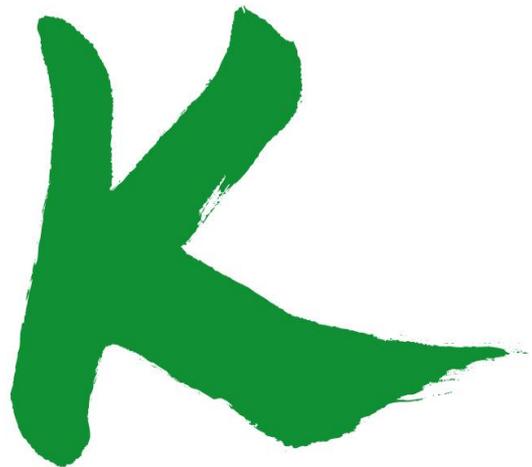
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