

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **Burma - Union of**

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### **Exporter Guide Report 2012**

**Report Categories:**

Exporter Guide

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**Report Highlights:**

TH2062: Burma is the largest country in mainland Southeast Asia Region and with an advantages strategic location, the country is proximity to the markets of China and India. The country's 2012 GDP is estimated to be at 6 percent. Burma's retail and HRI market is expected to grow significantly as the young and sizable population of 60 million increases their purchasing power and the booming of tourism industry. The modern retail markets and food service will remain the ideal entry points for U.S. exporters.

## General Information:

### Section I. Market Overview

Burma is the largest country in mainland Southeast Asia Region with a land area of 676,577 sq. km. The country is bordered in the west and north-west by Bangladesh and India respectively and by 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 great 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 from mid-October to mid-May and the rainy season from mid-May to mid-October. The population of Burma is estimated at 60 million and ethnically mixed with Burmans (68 percent), Shan (9 percent), Karen (7 percent), Rakhine (4 percent), Mon (2 percent), and some Chinese (3 percent). Approximately 85-90 percent of the people are Buddhists. The national language is Burmese; however, English is widely spoken for business in Rangoon.



While rich in resources, Burma's development is impeded by its politics. Many of the people live in the countryside and agriculture accounts for a significant percentage of the country's Gross Domestic Product (GDP). Crops include rice, pulses, beans, sesame, groundnuts and sugarcane. Teak wood is also the country's other main export. The country has significant resources of zinc, tin, copper, gemstones, silver, oil and coal and is emerging as a new frontier in various industries such as mining, oil and gas, telecommunications, agriculture, and tourism. The country's GDP is estimated to be in the range of \$40 to 50 billion, with an export to GDP of about 25 percent. As per IMF forecast, the 2012 growth is estimated to be at 6 percent, which depends heavily on the country's ability to deliver on economic reforms leading to increased investment flows and commodity exports.

Burma is a member of World Trade Organization and became a member of ASEAN in July, 1997. Since then, Burma has strengthened its trade relations with neighboring countries. The trade shares of its five neighboring countries, China, India, Malaysia, Singapore, and Thailand. The country exported about 850,000 tons of rice in the 2011-12 fiscal year, earning about US\$324 million and set an export target of one million tons for the 2012-13 financial year as per Myanmar Rice Industry Association

(MRIA), however it will fall short of meeting its goal as exports have lagged behind due to India's reemergence in the non-Basmati trade. FAS forecasts that Burma will be able to export 500,000 tons in 2012. Wood processing products occupied about 10 percent of the total export of Burma, of which 70 percent has been occupied by logs and other primary products. Burma is one of the leading teak supplier countries all over the world and owned 75 percent of the market share. The country has been exporting a variety of teak-applied furniture, flooring materials and other wood processing products to countries in Asia such as Thailand, Singapore, Hong Kong, India, and Japan.

Burma is changing in the democratization process and restrictions on doing business are being relaxed, creating huge opportunities for foreign business investment. The US and the EU have suspended sanctions for a year, and it will be up to the Burmese Government to follow through its promises of a fully fledged democracy under which human rights are observed. The suspension in sanctions now allows U.S. citizens and businesses to invest in Burma and export Burmese products into the U.S. market. Additionally, the country is now under the process of amending Foreign Investment Law that would no longer require foreign companies to establish partnerships with Burmese firms and would grant a five-year tax exemption. Under the amended law, foreign companies would have the choice to either set up shop on their own or establish joint ventures with local firms or government agencies. However, the bill will be re-examined by the Parliament in July, and is expected to be ratified by September. According to Burma's official statistics, total foreign investment in Burma reached \$40.43 billion in 458 projects as of January 2012 and China rank the first with \$13.95 billion followed by Thailand with \$9.57 billion.

List of the amount of Foreign Direct Investment (FDI) in Burma (1998-2012)

Rank	Country	Total Company	Amount (\$ in million)
1	China	33	13,947.15
2	Thailand	61	9,568.09
3	Hong Kong	38	6,308.50
4	South Korea	49	2,941.29
5	UK	51	2,660.59
6	Singapore	72	1,804.01
7	Malaysia	39	977.46
8	France	2	469.00
9	USA	15	243.57
10	Indonesia	12	241.50

Nay Pyi Taw is the new capital of Myanmar but Rangoon is still considered to business center and the most important city. Most businesses focus mainly on the Rangoon market, which is the largest consumer market of Burma with a population of more than 5 million people and high purchasing power. The GDP of the Rangoon Division alone accounts for 20 percent of the country's economy. The city has the largest port, handling about 90 percent of Burma's international trade.

Burmese currency is known as kyat. The country began to float the national currency (kyat) on April 1, 2012. The float 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 equal to a dollar. Currently, US\$1 is equivalent to approximately 849 Kyats.

Burma's average middle class monthly income is about US\$ 400, but overall it has a yearly per capita GDP on a PPP basis of \$1300, the lowest in SE Asia.

The majority of people spend 70 percent of their income on food. The staple food is rice in Burma. The Burmese loves to have rice with curries, which some are spicy and normally contain a lot of oil. A condiment made from preserved/dried fish or prawn and chili powder serving with boiled vegetables as well as a soup of mixed vegetables accompanies most meals. Noodle dishes are popular, often with chicken. Beef is not popular among locals due to religious belief. Tea and coffee are popular drink usually with milk and sugar.

#### Advantages:

- Advantages strategic location, the country is proximity to the markets of China with over 1.3 billion population and India with over 1.2 billion population.
- Strong untapped market of 60 million and a rapidly increasing middle class population.
- 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 US, EU, and Canada is a positive signal and importance for encouraging economic development and foreign investment in Burma.
- Member of ASEAN Economic Community, which in itself requires countries to harmonize regulations and standards in order to facilitate trade.
- Increasing of number of tourists and expatriates, which are targets for U.S. products.
- Growing of western format retail market.
- High potential for country's strong economic growth due to the country's rich natural resources, low cost labor force, attractive tourist destinations, and high interest from Western countries to invest.
- At present, manufacturing is currently largely based on processing agricultural crops, timber, and minerals. Due to an increase in demand of food products, high potential for future expansion of domestic and export-oriented food manufacturing sector, which leads to an increase in demand of food ingredients.
- Growth in bakery shops has provided the opportunity for U.S. bakery ingredients.
- Many Burmese retain a positive view of the US despite the sanctions.

#### Challenges:

- Stiff competition from other Asian high valued food exporting 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.
- A shortage and unstable power supply limits the type of retailers and food service providers to maintain quality and quantity of chilled and frozen products.
- Small presence of U.S. high valued products and low awareness of U.S. products.
- Limited knowledge of the Burmese 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, competitors, preferences, and trends.

- Be aware also of the fact that limited government 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 very expensive, need to consider alternatives when shipping from Rangoon to the provinces such as commercial bus or ships.

- Localize your products: verifying consumers' preferences, matching your products for local tastes, and setting your products' price to be very competitive.

- U.S. exporters should locate 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 foods to Burma. Many U.S. products are consolidated by Singaporean importers.

- Successful U.S. exporters must provide reliable product availability, consistently quality, technical support, and accurately responding to inquiries within 24 hours as Australia and New Zealand are just a phone call away in a similar time zone.

- The product should be packed and shipped for a tropical climate and have clear storage instructions, especially in a country without 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.

- Study the most recent Food and Agriculture Import Regulations and Standards (FAIRS) Report for Burma. This concise document - covering food laws, labeling requirements, food additive regulations, pesticide and other contaminants, import procedure and other key regulations, requirements and specific standards-should be required reading for all exporters and is available on the internet at <http://www.fas.usda.gov/>

- Contact the Foreign Agricultural Service in the U.S. Embassy, Bangkok (agbangkok@fas.usda.gov) with any questions on issues such as standards, tariffs, regulations, labeling, or other concerns.

### **Section III. Market Sector Structure and Trends**

#### Retail Sector

Burma's retail market value is estimated to be around 15 percent of the country's GDP or \$7.5 billion and 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 market and modern retail market, which a ratio of 90:10. The rise and growth of supermarkets in Burma, especially in Rangoon, is mainly attributed to a growing middle and expatriate class as a result from investments in the mineral and natural gas sectors, and from expatriates returning home as the political situation improves. This has allowed for a growing demand for a wide range of food and beverages, especially imported products; a tailored service; convenience; and the comfort of the shopping experience provided. The imported food distribution network in Burma is through importers/distributors and retailers. In

Rangoon in particular, the modern distribution sector includes a hypermarket and supermarkets owned by local business operators.



Photos: Modern vs. traditional markets in Burma

The modern retail trades in Burma 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 hypermarket are City Mart Supermarket and Ocean Supercenter owned and operated by City Mart Holding, Orange Supermarket by Creation (Burma), and Capital Hypermarket by Capital Diamond Star Group. Most of the supermarket outlets are located in Rangoon with a few outlets in Mandalay and Nay Pyi Taw and their customer base are upper and middle class locals, expatriates, hotels, and restaurants. 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 (although in 2011 Burma imported over \$80 million of coffee mostly from Brazil). The returning customers visit the stores about 3-4 times a week, with an average of \$5 spent per visit.



Photos: A variety of assorted products are available at Burma's modern retail markets.

Even though the country has been under sanctions by many countries including the US, a range of U.S. shelf stable grocery products such as snacks, breakfast cereals, jams, and some fresh fruits are available in the retail market. The import of these U.S. food items is currently done through Singapore. However, after the easing of sanctions and expectations of a modern financial system in place, importers are now looking to import the products directly. To capitalize on this development, U.S. exporters should consider pricing alternatives, shelf life training, and influencing consumer preferences. The modern retail markets and food service will remain the ideal entry points for U.S. exporters.

Rangoon is the hub of all imports, and from Rangoon the products are distributed through highway bus as transportation remains extremely expensive. Most of the products make it to one of the following population centers: Bagan, Mandalay, Taunggyi, and Nay Pyi Taw. For frozen products, the distributor will use dry ice to maintain good quality of products. Highway bus fare is cheaper than other transportation charges.

Due to the government's measure 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

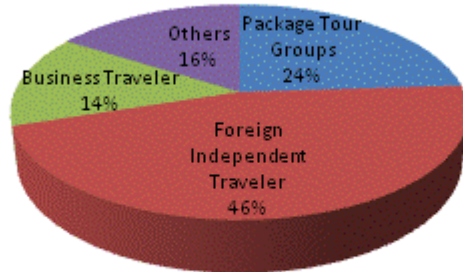
outlets in Myanmar, especially in Rangoon in a joint venture with a local partner and expect to open their first store by the end of 2012.

**HRI**

With more than 50 percent of the land covered in natural forests and one of SE Asia last vestiges of traditional hill-tribe life, Burma draws a number of tourists interested in eco- and cultural- tourism. With the changing political climate this is rapidly translating in increased tourism. Currently, 1,500 tourists are arriving each day in Burma’s four international airports, an increase of one-third from 2011. Tourists mainly passed through Rangoon, Nay Pyi Taw, Mandalay and Nyaung Oo international airports, according to an article in the Weekly Eleven News Journal. Tourist arrivals are expected to reach 1.5 million in 2012. According to statistics of the Ministry of Hotels and Tourism, the number of tourist arrivals amounted to 816,365 in 2011, with an increase rate of 3.14 percent over 2010.

According to the Myanmar Tourism Promotion Board, only first two months of 2012 showed 98,486 arrivals came mainly from North America, West Europe, East Europe, Africa, Middle East, Asia, Australia and New Zealand. As of February 2012, Burma had a total of 739 hotels including 22 foreign-invested hotels and four joint-venture hotels. The country earned US\$ 319 million in 2011 from hotel and tourism sector, up 26 percent from \$254 million in 2010. However, due to a high demand of hotel rooms, the room rates in 4-5 star hotels have increased dramatically from around \$70 to up to \$300 per night. In addition, a severe shortage of hotel rooms, especially in Rangoon, has limited the number of arrivals. Endless number of tourists are waiting to Burma, as the New York Times ranked it as the third destination to travel in 2012 out of 45. It is expected that the supply of hotel rooms in Rangoon will increase by 20-25 percent in the next two years to 10,000 rooms from the current 8,000 rooms.

**Types of Tourists Visit Burma**



**Tourism Statistics**

Year	2007	2008	2009	2010
Total Revenue (US\$)	182M	165M	196M	254M
Average Spending/Person/Day (US\$)	98	95	95	102
Average Length of Stay (days)	7.5	9.0	8.5	8.0

Source: Myanmar Ministry of Hotels and Tourism

Food and beverage sales in hotels account for about 30 percent of total revenues. Imported products that

are currently offered by the hotels at their restaurant outlets are 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 American wines. A high clientele base is high income locals that dine out with their families on weekends and with business associates during weekdays. Opportunities in this sector abound and it has been noticeable as modern bakeries and ethnic foreign restaurants (Indian, Chinese, Thai, Japanese, Italian, and Korean) have increased noticeably in recent years.



Photos: Bakery shops in Rangoon

This market segment offers great sales opportunities for U.S. high-value food products to serve this growing food service market, as the Myanmar government is expected to launch more than 50 hotels across the country over the next two years. In addition, high demand for a number of hotels in Burma is expected also from the country will be the site of the Southeast Asian Games (SEA Games) 2013 and the ASEAN Summit 2014. Singapore is the biggest foreign investor in Burma's hotel and tourism industry, running the Sedona Hotel and Park Royal Hotel in Rangoon. Other major foreign investors come from Thailand, China, Japan, Hong Kong, Malaysia and United Kingdom. At present, there are 22 foreign-invested hotels, nine government-owned hotels and 678 private hotels, about 25,000 hotel rooms nationwide. In addition, the country has announced a number of measures to boost tourism including a plan to upgrade the Yangon International Airport to accommodate more planes and passengers. This will translate into opportunities in the airline and cruise catering businesses for U.S. exporters to meet the exploding tourism sector that is prompting a huge increase in international and domestic flights for Western tourists. At present, there are five Burmese carriers and 16 international airlines operate out of Yangon International Airport.

### Food Processing

Food Processing Industry in Burma consists of milling and manufacturing of sugar, beer, soft drinks, instant coffee, and other food products. Burma also exports rice and frozen seafood. However, most food products produced in Burma are sold in the domestic market. The food manufacturing industry in Burma is still very limited and under developing stage due to underdeveloped industrial infrastructure and difficulties in procuring food materials. Some of the popular products are candies, ice cream, bakery products and nutritional supplements.

### **Entry Strategy to Retail and HRI Market**

The best method for U.S. exporters is to contact supermarkets and hypermarkets directly as most of



them do have their own import division. For HRI market, appointing local importers or agents will best meets the needs of the exporter. U.S. exporters should be aware that hotels and restaurants do not import products by themselves and rely mostly on importers and retailers for imported products.

The distribution channel for retail and HRI markets in Burma normally begins with importers and retailers and then direct to retail and restaurant outlets. The foodstuffs will be kept in the importers' warehouse. The imported food products are imported into Burma through three major channels, which are sea freight through Yangon Port, air freight through Yangon International Airport and through border trade mainly from China and Thailand. Due to the limitation of Yangon port, which is a river port which does not expand nor accommodates large vessels, all incoming sea freight shipment of imported products needs to be transshipped 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 in the dry season. The allowable length of 167 meters is also a constraint for large vessels.



Source: JETRO

However, the government has approved plans to develop a large port and industrial estate in Dawei in the South of Burma by 2015 in the country's southeast. The capacity of the Dawei Port is planned to be

able to handle upward of 100 million metric tons of products a year. Additionally, both India and China are developing deep seawater ports in Rakhine State. The move is seen more as a rush to capitalize on resources for landlocked North East India, and Yunnan Province in China. Either way, it will boost development and opportunities in Western Burma.

### 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, 2007-2011

Economic Indicator	2007	2008	2009	2010	2011
GDP growth (% change per year)	5.5	3.6	5.1	5.3	5.5
CPI (% change per year)	32.9	22.5	8.2	7.3	4.2
Unemployment rate (%)	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
Import growth (% change per year)	88.0	25.6	1.9	15.8	23.8
Exchange rate (Kyats/\$1)	1,156.28	917.47	918.38	841.54	849.54
Population in millions	60.62 (2011)				
Annual population growth rate (%)	1.3 (2009-2011)				
Adult literacy rate (%)	92.7 (2011)				
Population in urban areas (%)	34.3 (2011)				
GDP per capita	\$804 (2011)				

Source: ADB, IMF, and Euromonitor

### 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 Burma and Thailand and would be pleased to assist in facilitating U.S. exports and entry to the Burmese market. Questions or comments regarding this report should be

directed to following:

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End of the Report.