

FOOD AND BEVERAGES SECTOR BRIEF

MYANMAR



Country Overview



Myanmar, or officially the Republic of the Union of Myanmar is the largest South East Asian country on the mainland, with 676,578 km². The country's population is about 53 million, its capital is Naypyidaw, though the largest city is Yangon, previously known as Rangoon. Myanmar has been a member of the ASEAN cooperation since 1997.









Myanmar is a lower-middle income economy, and had a strong economic growth in the last decade, which has resulted in a reduction of poverty from 48% to around 25% of the population.

The medium-term macroeconomic outlook remains positive in spite of the global pandemic, and the country's strong ties with China, due to the performance of domestic trade and telecommunications, even if the growth of manufacturing and construction slows down over the next 1-3 years. Myanmar has a Sustainable Development Plan, which includes a new companies' law, a liberalised banking and insurance sector, as well as opening the wholesale and retail markets to foreign players. (World Bank report on Myanmar 2018).

The latest months, especially the October-January period was strong thanks to improvement of the manufacturing sector, but this growth was undermined by the COVID-19 pandemic, which severely dented economic momentum in H1. The garment sector suffered from weak demand abroad and supply-chain disruptions, hitting employment and causing factories to suspend operations. Moreover, tourism was choked off by travel restrictions. Recently there have been more positive developments: The manufacturing PMI rose sharply in June amid higher output and new orders, while in late June the IMF approved US\$ 357 million in emergency assistance to aid the deteriorated fiscal and current account positions.



THE LATEST ECONOMIC FIGURES ARE SHOWN IN THIS TABLE:

Indicator	 Population (million)	 GDP per capita (USD)	 Economic growth (GDP annual variation, %)	 Unemployment rate (%)	 Inflation rate (%)	 Trade balance (billion USD)	 Exports (billion USD)	 Imports (billion USD)
2016	52.3	1,157	5.9	4.0	7.0	-3.6	9.2	12.8
2017	52.6	1,166	5.8	4.0	4.6	-5.8	9.8	15.6
2018	52.8	1,217	6.4	4.0	6.9	-4.3	11.1	15.4
2019	53.0	1,305	6.8	-	8.8	-	-	-

Sector Overview



Trends and commercialisation

Myanmar's food and beverages sector is on its way to commercialisation and internationalisation. New companies, established by locals and foreign investors, are emerging around the country, new segments of food processing and manufacturing are thriving, and some of them are able to cross the border with their products and services.

At least 63% of the total registered companies are active in the food and beverages sector, with more than 25,000 SMEs. The largest segments by the number of businesses are confectionery, noodles, cooking oil, soft drinks, alcohol and beer production.

Confectionery

Similar to South East Asian countries, people in Myanmar consume a wide range of snacks and bakery products. Local and international brands are both present and popular. According to statistics from Facebook, the fastest growing brands are Gery Myanmar, Keenji Land, Wasuka, Nabati Myanmar, and Kidlac Myanmar. To understand business processes in the country, it is worth noticing that the largest local confectionery company, Mason, has been bought by Korean giant Lotte Confectionery. Experts foresee more mergers and acquisitions on the market.

Edible oil

Edible oil production is clustered in Myanmar's Central Dry Zone, where most of the mills are operating, some in urban centres, some in more remote rural areas. The most important crop processed is groundnut, followed by sesame, which is mainly milled in the rural facilities. The domestic mill sector utilises only a small share of the country's oilseed production, while the majority is exported. Therefore, the volume of groundnut and sesame processed by mills is decreasing, which leads to market concentration among the millers.

The other difference between urban and rural mills is that the larger facilities earn income by adding value to purchased oilseeds, smaller mills provide custom milling services to farmers for a fee.

The main obstacle to further development in the sector is the lack of export opportunity. Most of the oil produced in Myanmar is sold locally, often in form of oilcake. Production facilities use outdated equipment, which is not helping them to increase their productivity and competitiveness on the foreign markets.

Meat and Processed Meat

The average per capita consumption of processed meat is only 1.1kg, and although the market is expected to grow by 5.8% annually between 2020-2025, the total revenue in 2019 was only US\$ 193 million. The fresh meat segment is larger, with 3.9kg consumption per capita per annum and a US\$ 1,213 million in revenue.

Soft drinks

The soft drink market is thriving in Myanmar, with juices and carbonated drinks being the main categories. Large multinationals, such as Coca-Cola and Pepsi, are dominating the segment, but the number of smaller local producers is growing. The highest growth potential is linked to energy drinks, as the younger generation has changed from the traditional pattern of consumer preferences.

Alcoholic drinks

Import of spirits has been tightly restricted in Myanmar since 1962. Import of wines was allowed again in 2015, but only hotels and duty-free outlets have been allowed to import spirits and beer. The Ministry of Commerce recently announced an amendment to the import probation list, aiming to encourage importers to use better quality products and to prevent illegal trade.

Regarding beer production, some of the world's leading brands and local breweries are forming joint ventures in order to compete for the growing market. Consumption is growing steadily, and the market-size of Myanmar is expected to attract more investors.

Milk and milk products

Traditionally, milk has not been an important part of the average diet in Myanmar, but as the country has developed and consumers' purchasing power has increased, so has milk and milk products consumption. Supermarkets now stock a wide range of dairy products, such as yoghurt, cheese, buttermilk, butter and milk powder and condensed milk. Long shelf-life products are more popular, and most of them are imported. Local production has just started, but innovative small-scale manufacturers see the niche on the market.

Retail

Food bought in groceries and eating-outlets, together with personal care products, account for 47% of average monthly consumer expenditure in Myanmar. According to Oxford Business Group, the retail sector has grown by 15% since 2015. The Myanmar Retailers Association add that further growth will be led by the technological evolution the sector will go through.

Restaurants

According to the Myanmar Restaurant Association, strong growth in the HORECA segment was a result of the rise in the tourism sector, before the COVID-19 pandemic. International restaurant chains have set up their business in Myanmar over the last decade, but most of the locals consume their meals at street food stalls. On the other hand, there is a very slow expansion of local restaurant chains abroad: Feel International Group, the largest chain in Myanmar, opened its first Burmese restaurant in Bangkok, Thailand, in 2019.

Fast food

Increasing disposable income, combined with a large market, increasing fast food demands and ongoing economic reforms are attracting food and drinks companies into the country. Changing lifestyles and increasing female employment also makes the fast-food industry more appealing to foreign investment. With an already successful business model elsewhere, franchising becomes an increasingly well-known business expansion strategy. Popular foreign fast-food chains include KFC, Lotteria, Pizza Hut, Burger King, Marry Brown, The Pizza Company, Ya Kun Coffee & Toast, J'Donuts, Gloria Jean's Coffees, Gong Cha, etc.

Digitalization

The digitalisation of Myanmar food and beverages sector can be regarded as separate from online sales or e-marketplaces. There are a dozen local IT-companies targeting the food and beverages sector with online warehousing, inventories, logistics or delivery solutions. The COVID-19 pandemic has the potential to speed up the implementation of such technologies and solutions.

Opportunities and challenges

Myanmar has abundant natural resources, with adequate human capital, government support for food manufacturing and tourism sectors, and a political and economic opening that has made accessing international markets easier. Raw materials are available at reasonable costs, and the logistics sector has been developing rapidly. Local farmers and manufacturers seem to understand their mutual engagement, which has the potential to improve productivity on both sides.

However, there are challenges to overcome. There is low production capacity in newly established micro- and small companies, a lack of modern production equipment and up-to-date management practices and skilled managers. Internationalisation of the companies has only started, and businesses have to face harsh competition on foreign markets, with no established brands and the lack of awareness of international standards, norms, and consumer expectations.

Myanmar's geographical proximity to some of the biggest food importers, such as China, India, and Bangladesh, is an opportunity for Myanmar. There is a high potential to set-up food manufacturing companies, and foreign investors will be ready to start their ventures in the country.

On the domestic market, regulatory bodies can benefit from focusing on compliance with international norms, for example through control on imported food, with increased testing, and an accreditation process, and regulate the competition between international brands. These measures may help local SMEs and consumers alike.

Regulations



The food and beverages sector is regulated by the national Food Law, which was adopted by Myanmar in 1997. Alongside it, the National Drug Law serves as a base of food security legislation. There are several other pieces of legislation that are relevant for the food and beverages sector, including Fish Farming Law, Veterinary Health and Development Law, Infection Controlling and Protection Law. Texts of these important regulations can be found through the Myanmar Law Library.

Tariffs

Myanmar's tariff system is based upon the ASEAN Trade in Goods Agreement (ATIGA), which in turn is based on the HS (Harmonized System) Nomenclature. Imports from ASEAN member states enjoy a preferential tariff rate under the above-mentioned agreement, all these tariff lines are duty free or have rates lower than MFN rates. A useful source of information is the Myanmar Trade Portal, where one can find tariff rates for a range of commodities.

Myanmar generally levies tariffs that are lower than those of other countries in the region, and the tariff range is from 0 to 40% with luxury goods subject to the highest tariffs. The Customs Department uses its own guidelines to determine the value of imports. Prices in the guidelines are based on the price of these goods in Myanmar, which can be substantially different from the price in the country of origin.

Rules of origin

Rules of origin are the criteria applied to determine the national source of a product. Non-preferential and preferential rules can be applied. The first applies to most of the commercial policy measures, such as anti-dumping duties, countervailing duties, trade embargoes, quantitative restrictions, etc. Criteria can be for example, tariff shifts at the four-digit level, or using descriptions like "wholly obtained" or "substantially transformed". Preferential rules of origin determine whether an imported good qualifies for no or reduced tariff.

As a member of ASEAN, Myanmar has free trade agreements with Australia and New Zealand, China, India, Japan and Korea. Myanmar has signed the GSTP (Global System of Trade Preferences) and the BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation).

To prove that an imported good falls under preferential tariff treatment, a certificate of origin is used. From an ASEAN country, this document is widely known as Form D (ASEAN certificate of origin), issued by a government authority of the exporting member state. In Myanmar, the receiving authority is Myanmar Customs, which can accept or deny any preferential documents. The non-preferential certificate of origin is issued by the Union of Myanmar Federation of Chamber of Commerce and Industry.

Non-tariff measures in Myanmar

These are policy measures different from customs tariffs, and include all regulations that can have an economic effect on international trade in goods, change the quantity traded, alter prices, or otherwise restrict trade. The typical NTMs, especially regarding agri-food products, are:

- Sanitary and phytosanitary measures
- Technical barriers to trade
- Pre-shipment inspection
- Non-automatic licencing, prohibition, and quantity control
- Price-control measures, including additional taxes and charges
- Distribution restrictions or restrictions on post-sales services
- Subsidies, excluding export subsidies
- Government procurement restrictions, such as only locally registered legal entities can apply.

The Myanmar Trade Portal's HS number search can be used to determine if specific licences are required and the procedure to get them. On the same website, there a „Measures and Procedures“ section, where applicable NTMs can be found. The ASEAN Trade Repository (ATR) website can be also used to find out non-tariff regulations in force.

Other useful sources on the web:

Customs Department: www.myanmarcustoms.gov.mm/

Union Attorney General's Office: www.oag.gov.mm

Ministry of Commerce: www.commerce.gov.mm





Successfully establishing a business in Myanmar has always been challenging for foreigners, but as it is a lucrative and growing market, an increasing number of exporters are trying to enter. Newcomers should focus on finding the right local partner, either a distributor or direct buyer, and are advised to seek professional assistance in building their business networks in Myanmar.

MYANTRADE

In Myanmar, the national trade promotion institutions are fairly new organisations that were established to meet the export development goals of the government. Exporters may seek experienced business partners, or reliable local counterparts to be able to enter the market. As Myanmar's economic opening has just started, too little relevant and reliable information is available for SMEs.

The government of Myanmar, following international practices, launched the Myanmar Trade Promotion Organisation (MYANTRADE) on the 1st of April 2016. The new trade promotion organisation's main goal is to increase trade and exports of Myanmar, by building capacities of local companies for effective competition in regional and global markets.

The main objectives of MYANTRADE are to promote Myanmar exporters in international markets, do market research to help Myanmar companies, to introduce them to foreign buyers. MYANTRADE also does country and sector promotion overseas. For foreign SMEs willing to cooperate with partners from Myanmar, either importers or exporters, the export promotion agency has two useful tools on its website:

- Virtual marketplace: <https://www.myantrade.gov.mm/marketplace>
- Supplier finder: <https://www.myantrade.gov.mm/directory>

Myanmar International Trade Centre

A fairly new organisation, opened in March 2019 in Yangon, Myanmar International Trade Centre is a joint structure of the Myanmar Arts and Crafts Association and the Union of Myanmar Federation of Chambers of Commerce and Industry. It has a blog-style website, <https://mitcygn.blogspot.com>, which contains useful information, while the trade centre itself organises training and workshops for local small businesses.

Chambers of Commerce and Industry

The Union of Myanmar Federation of Chambers of Commerce and Industry is a more traditional institution regarding trade promotion and business networking. With its aim of strengthening Myanmar businesses, the Chambers provide local practical information and assistance in doing business, with a focus on training and local networking. More information can be found on <https://www.umfcci.com.mm/>

Myanmar National Brand

MYANTRADE, the Myanmar International Trade Centre and the Ministry of Commerce are supporting the Myanmar National Brand, a new attempt at country promotion. The brand can be used by manufacturers and service providers as well, assuring the buyers of trusted quality. The logo can be found on labels and packaging of companies participating in this initiative. For certified services it will appear as signage where service is rendered.



Trade fairs and agrifood product shows

There are a few trade events in Myanmar every year, though most local traders take part in other events in Singapore, Bangkok or Hong Kong, and it is often easier to meet them on these occasions.

Myanfood Myanhotel and Myanmar Foodbev are two more food and beverages focused trade fairs.

Trade channels

It has been only a decade since large retailers and multinational brands like Coca-Cola in 2012, and Burger King in 2014 entered the Myanmar market, and the retail-landscape has changed dramatically. Now more than 50% of the people in the cities visit a supermarket style grocery and other retail shops every week. The retail sector grew by a double-digit rate in most of the 2010s', and the new decade brought about the same retail structure with the same problems as in other ASEAN nations.

Based on these figures, the prospects for retail e-commerce in Myanmar are promising, though there are a few large obstacles to further expansion. There are insufficient regulations on customer protection and a lack of payment options, as most of the population does not have a registered bank account, and use of credit cards is rare. The development of mobile payment options will solve the problem eventually, but the rapid expansion of e-commerce is yet to start.

Recommendations and Trends



Myanmar has a lot to offer to foreign companies, especially large multinationals, and a large agricultural base, raw materials, cuisine and culture are all supporting development, with certain segments experiencing considerable growth in the last decade. To maintain this growth in an ecologically and economically sustainable way, the country's policy and the market players could benefit from adapting to recent challenges:

- Myanmar has an amazingly diverse natural resource base, which should be sustainably used. Consumers on the high-purchasing markets, as well as other players in international trade will focus on Myanmar's natural resource management.
- International trends show that traditional food and food-processing will have an extra value for end-consumers. Myanmar should build on its unique character, special ingredients, such as groundnut or sesame, and historical traditions. But this extra revenue can only be reached if it is supported by an effective branding and marketing campaign. National trade promotion institutions, especially MYANTRADE, should be strengthened.
- Incentives given to foreign investors should be paired with sustainability requirements. At the time of their market entry, is when the government can negotiate the terms and conditions.
- Large retail chains may try to procure goods directly from the manufacturers, but smaller ASEAN exporters targeting Myanmar are advised to look for a local distribution partner. Administration and local business knowledge are crucial for successful market entry.