

“Myanmar: Plugging in to Regional and Global Food Value Chain”

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MYANMAR ECONOMY AT A GLANCE: A RESURGENT FOOD BASKET OF ASIA



Myanmar economy at a glance

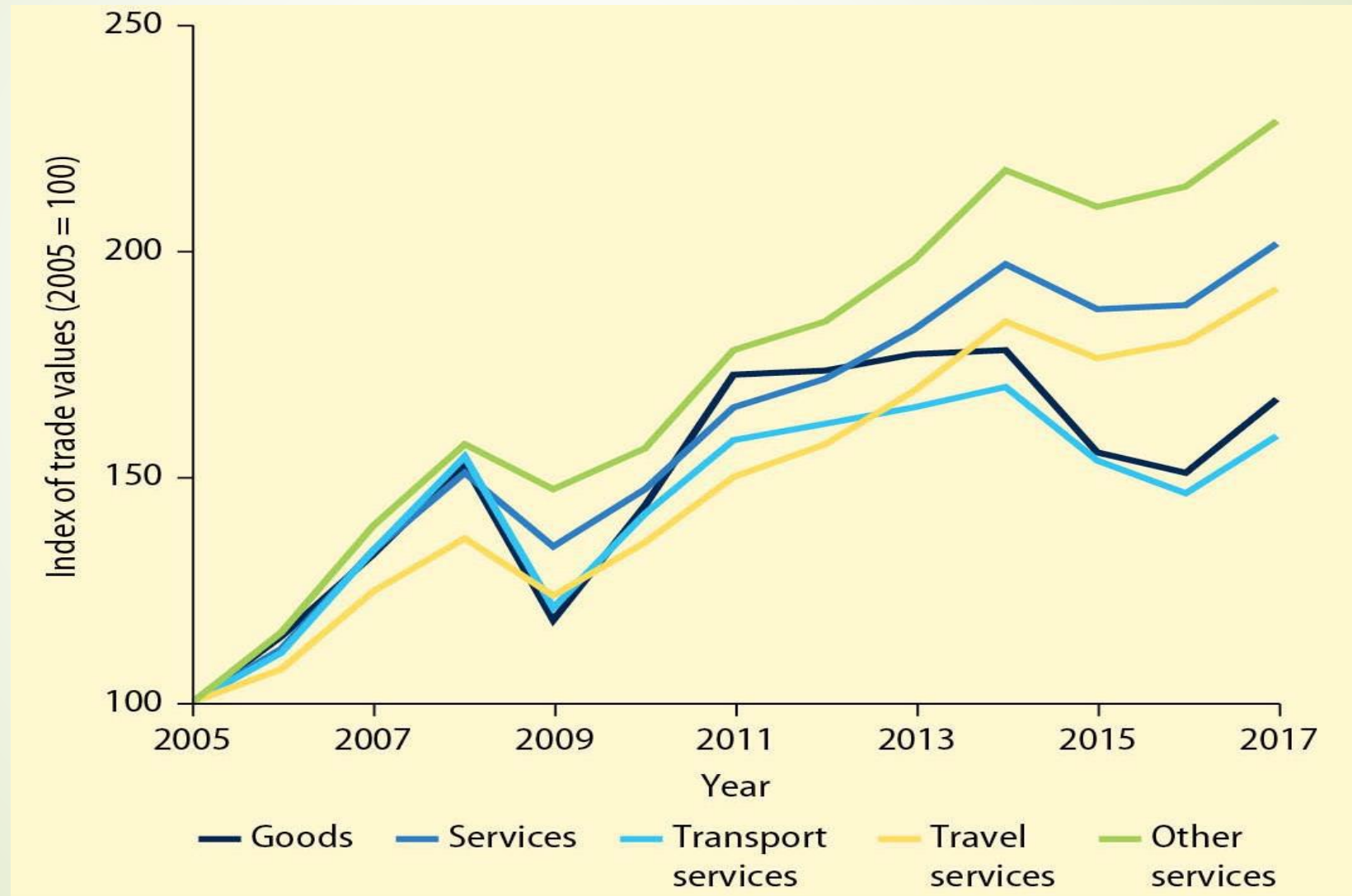
- Myanmar is a lower-middle income economy with population of 53 million. GNI per capita of US\$1,210 in 2017. Strong economic growth translated into a reduction in poverty from 48 to 32 percent between 2005 and 2015.
- Economic growth remains strong by regional and global standards. Myanmar's economy grew at 6.8 percent in 2017/18, driven by strong performance in domestic trade and telecommunications, but offset by slowing growth in manufacturing, construction and transport sectors.
- Real GDP growth is projected to moderate to 6.2 percent in 2018/19.
- The medium-term macroeconomic outlook nevertheless remains positive. Economic growth is set to recover to 6.6 percent by 2020/21, driven by an expected pickup in foreign and domestic investment responding to recent government policy measures.
- Myanmar has positive long-term prospects, reflecting its growing demographic dividend, competitive labor force, and strategic location. Myanmar Sustainable Development Plan: government's policy intent was reflected in recent reforms including implementation of the new Myanmar Companies Law, opening of the insurance sector and wholesale and retail markets to foreign players, services sector liberalization, and loosening restrictions on foreign bank lending.



Recent developments: bright long-term prospects

- ▶ Broad-based pick-up in economic growth – on supply side: growth was driven by a recovery in agriculture (25% of GDP and 49% of employment) as farmers stepped up rice production, agricultural output risen by 2.5% in 2017-18, reversing negative growth 0.4% in 2016-17.
- ▶ Crop production (69% of agricultural output) grew 3.6% supported by paddy and other grain. Livestock and fisheries production grew by 60% year-on-year in October 2017
- ▶ Strong industrial growth especially garments, strong services growth. Manufacturing constitutes 75% of the industry is estimated to have grown by 11% in 2017-18, supported by strong food processing performance and external demand for garments
- ▶ FDI approvals remain high despite a fall last year. Inflation picked up driven by broad money growth and increase in food and fuel prices
- ▶ Myanmar's economy slowing down in 2019 due to domestic and global economic slowdown. Global risks include trade tensions and global financial volatility, high crude oil prices and spillovers from a slowdown in China.

Global trade growth is slowing, especially in goods (World Bank, 2019)





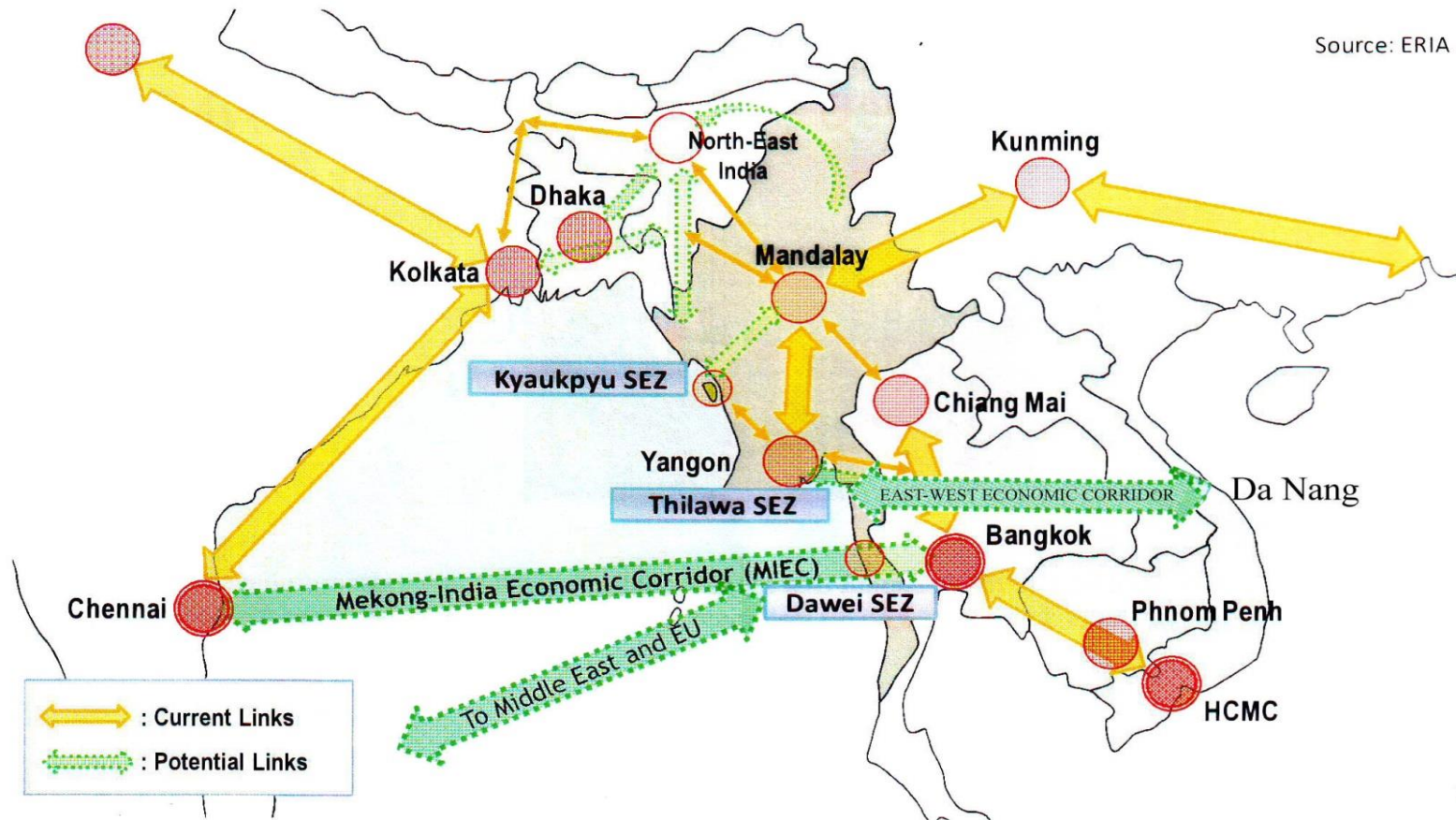
Strategic regional connectivity in Mekong Hub

- ▶ The country is strategically located between the global growth engines of China and India. China-Myanmar Economic Corridor (CMEC) linking South-Eastern China to the Indian Ocean envisages several large infrastructure projects, including Kyaukpyu deep-seaport and SEZ, Kunming Mandalay highway and the oil/gas pipeline from Kyaukpyu, to Kunming.
- ▶ The Sittwe port, seen as an alternative gateway to isolated Northern-Eastern India, has been upgraded with ODA from India and the India-Myanmar-Thailand trilateral highway currently under construction.
- ▶ Mekong Hub: Rapidly expanding economic corridors under China's BRI and Lanchang-Mekong Economic Cooperation as well as ADB GMS Cooperation and Japan-Mekong Initiatives, will make Myanmar more strategically important in connecting Mekong region with South Asia.

Regional connectivity and emerging trends

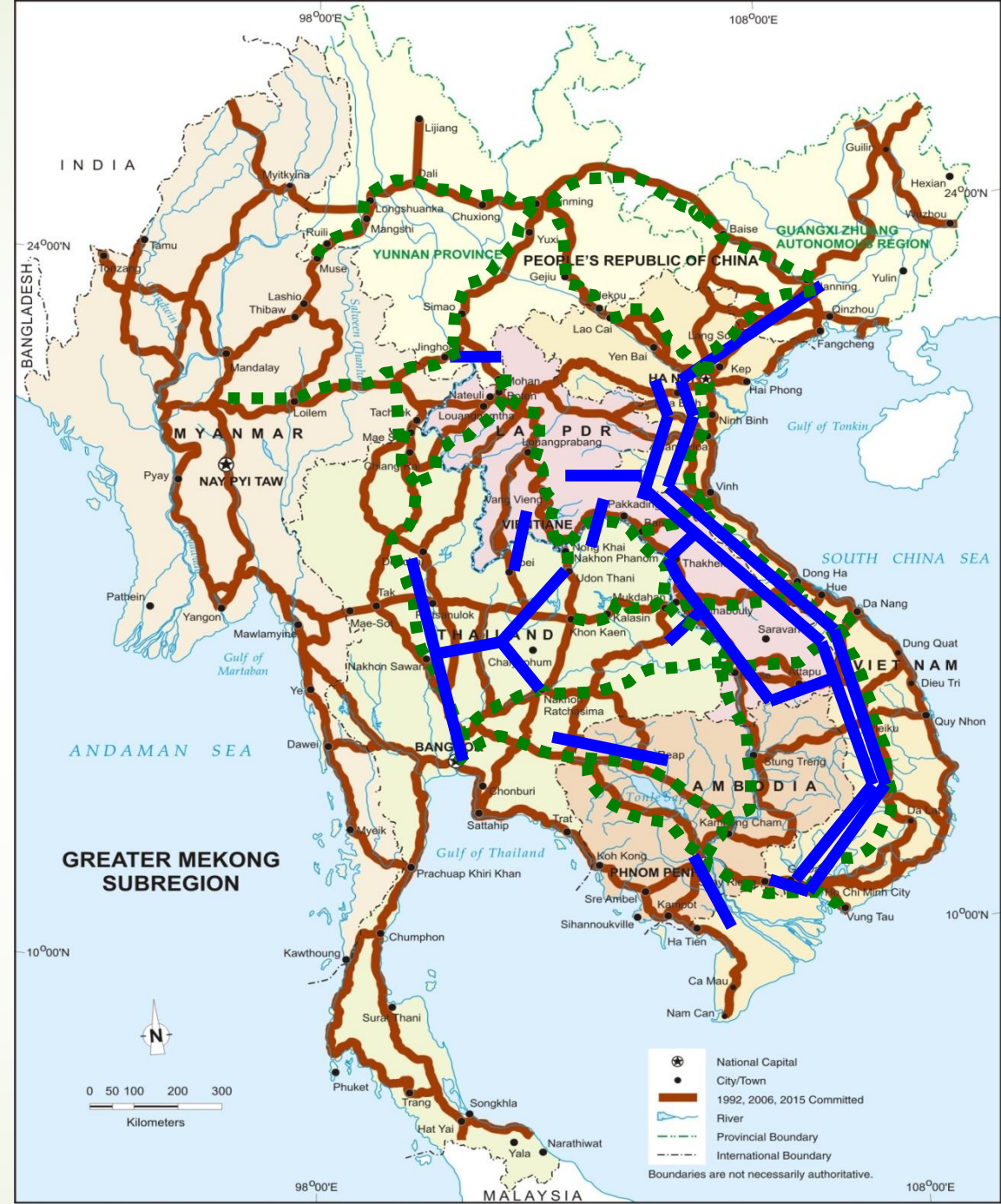


Source: ERIA



GMS Connectivity

-  Roads
-  Telecommunications
-  Power Transmission Line



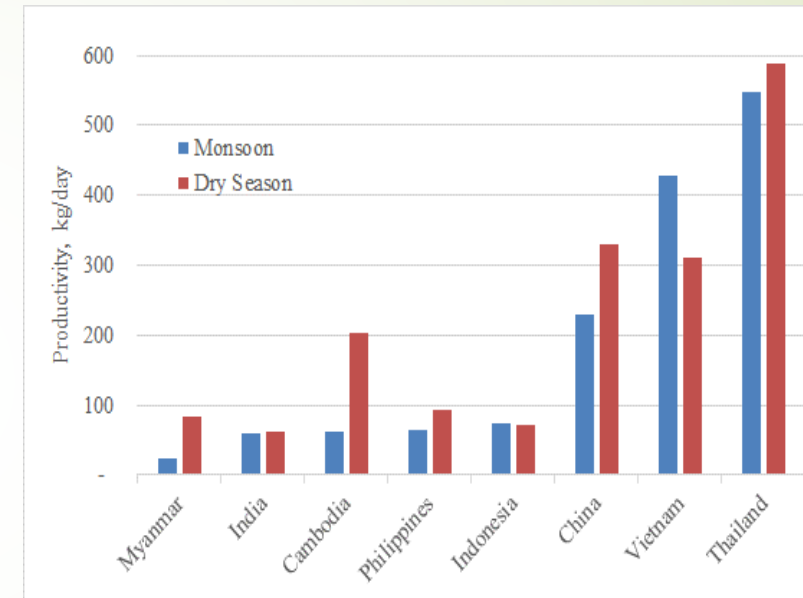


TECHNOLOGY TRANSFER & COMERCIALIZATION: TO PLUG IN
MYANMAR TO GLOBAL AND REGIONAL VALUE CHAIN

Land productivity (paddy yields-
tons/ha) tons/ha

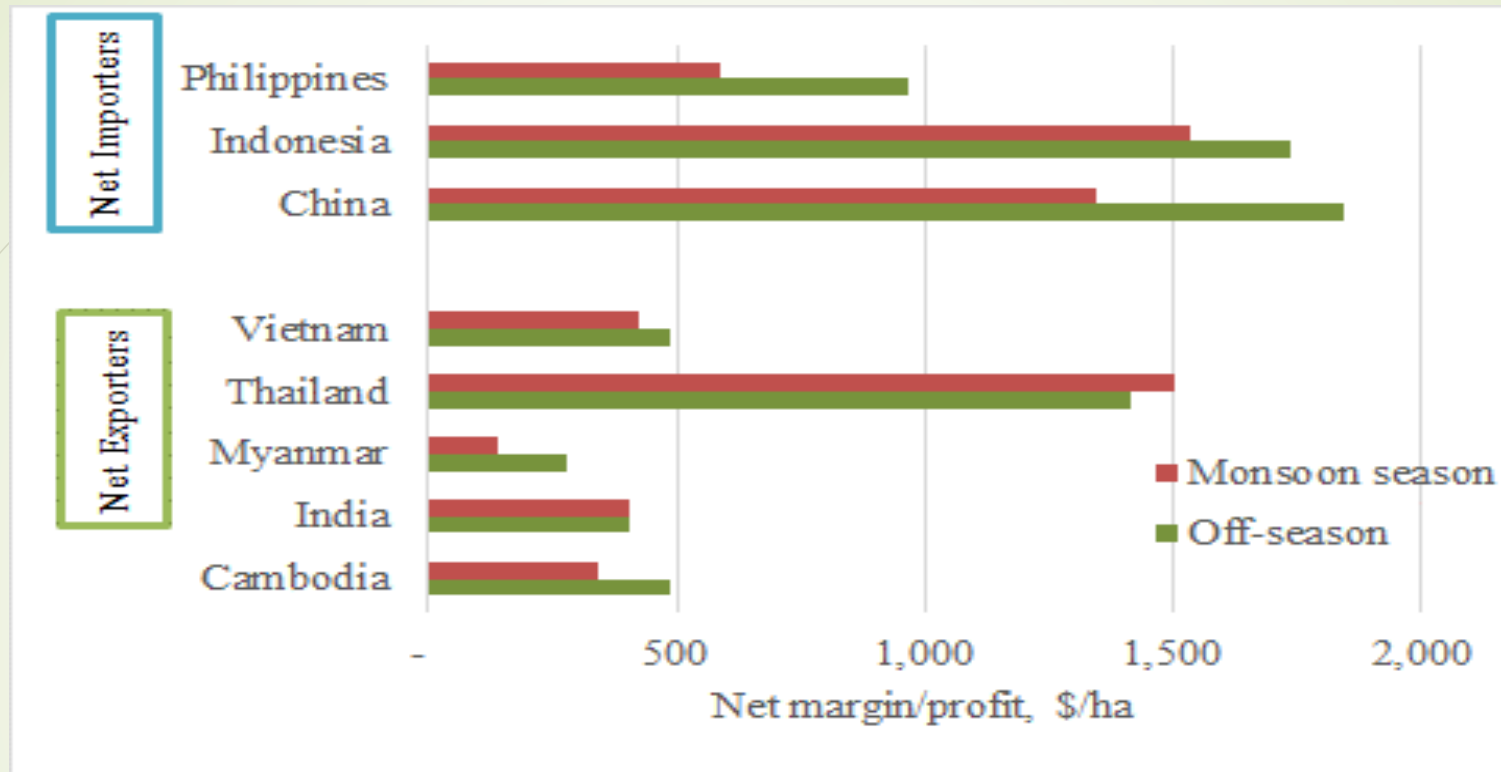
	Average (USDA) 2013/14- 2014/15	Better Farms (Surveys)
Thailand	2.8	5.7
China	6.7	6.6
Vietnam	5.8	6.8
Philippines	3.9	6.3
India	3.6	4.7
Myanmar	2.7	2.7

Labor productivity, (kg of paddy
per day of work), 2013/14



Low Land and Labor Productivity leads to
low profits and low incomes

Source: World Bank/LIFT 2016.

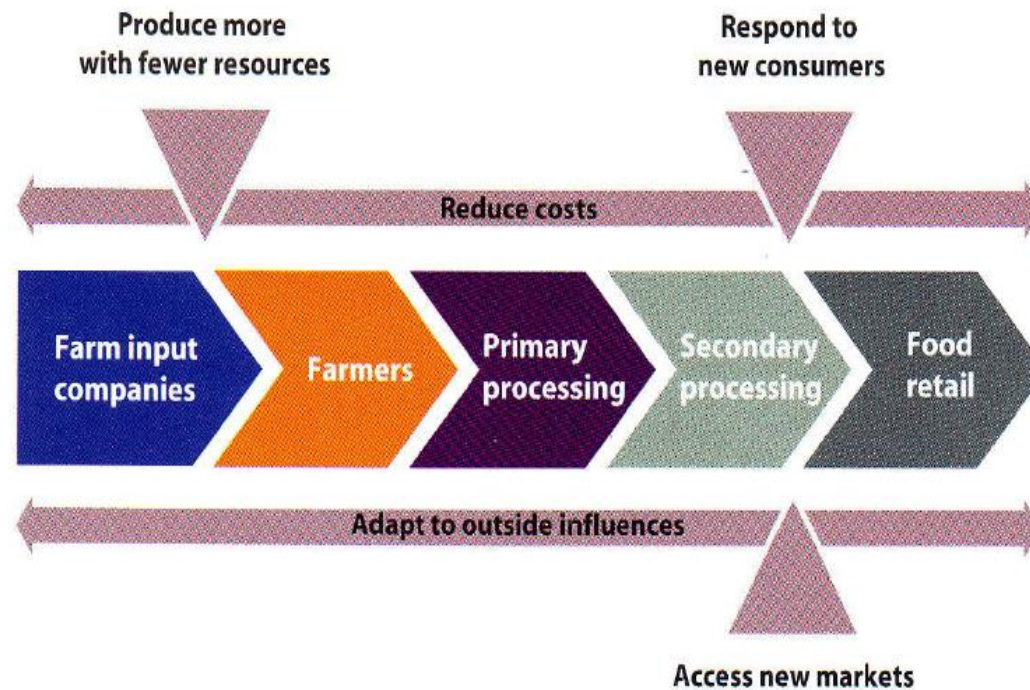


Profits from paddy production, \$/ha, 2013/14

Increasing land and labor productivity in agriculture for higher income

Plug in to global supply chain

Figure 1.2: F&A supply chains are being asked to do more than ever before



Source: Rabobank, 2013



Agrifood Processing: Engine of Modern Food System Development in Myanmar

- ▶ Exporter agricultural commodities as raw products - faq
- ▶ Importer of processed food and ready-to-eat food products importing both formerly and informally through the border
- ▶ Modern agri-food processing industry will bring benefits by:
 1. adding value to raw materials and increasing the income of smallholder producers and national income;
 2. creating new employments both for skilled and unskilled jobs
 3. Attracting illegal migrant skilled-workers working particularly in agri-food industries in neighboring countries to return home
 4. developing agribusiness SMEs in rural areas and slow down the rural-urban migration
 5. promoting young generation agribusiness entrepreneurs - "farming by choice"



Challenges in Myanmar agrifood sector

- Lack of product development and innovation;
- Supply chain institution and infrastructure gaps-lack of primary processing, storage and distribution facilities
- Inadequate link between production and processing;
- Seasonality of operations and low capacity utilization;
- Lack of focus on quality and safety standards



Agriood processing: demand drivers and growth potential in Asia

- Changing demographics – rise in disposable income;
- Increasing urbanization – lifestyle and aspirations;
- Increasing spending on food and products;
- Increasing families with working women
- Demand for functional foods & nutraceuticals;
- Growth of organized retail and private label penetration – retail market liberalization and emergence of supermarkets

Future of Consumption in Fast-Growth Consumer Markets in Asia (WEF)

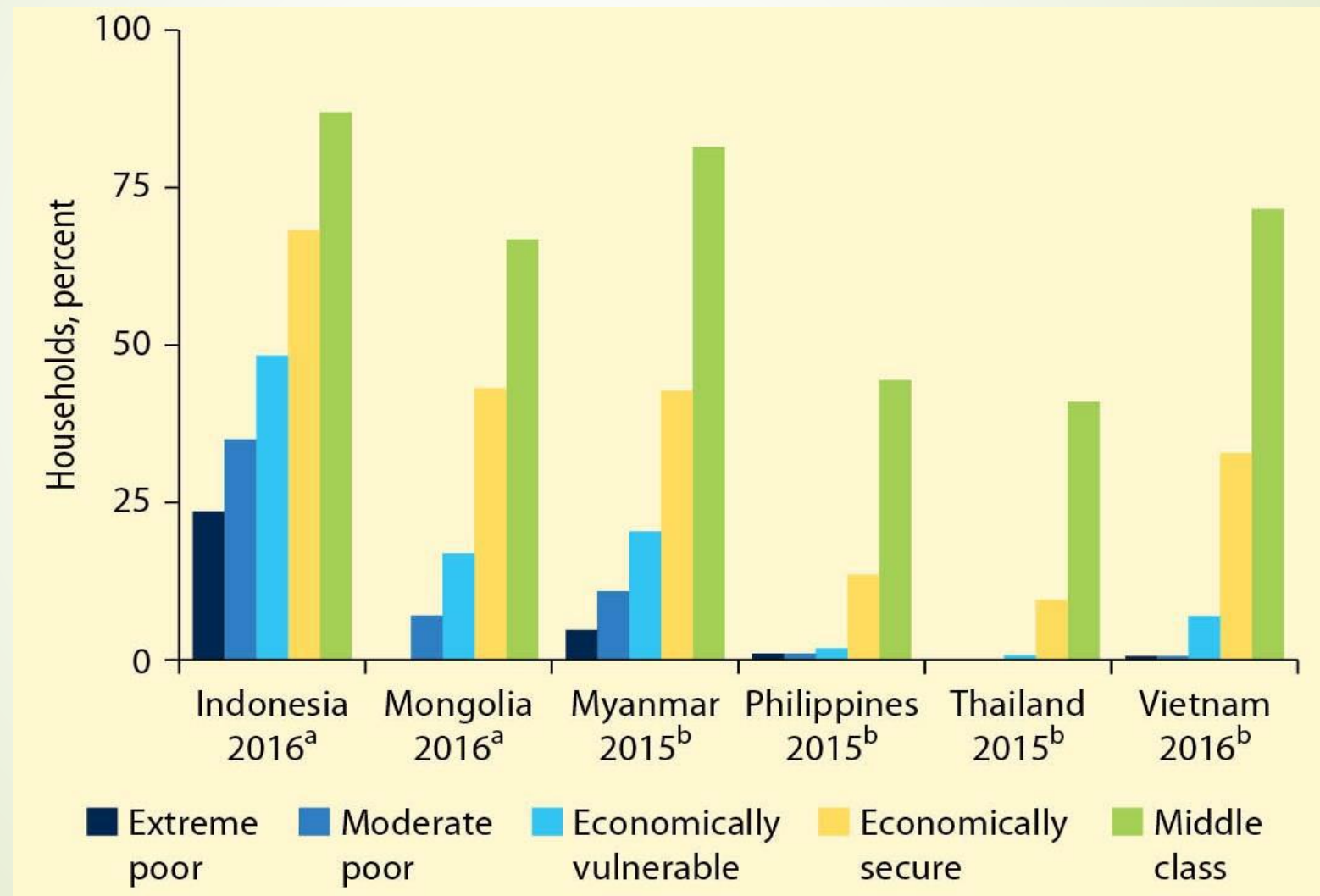
- ▶ The world's largest middle class, fueled by income growth, will reshape consumption. In the coming decade, China's consumption will grow by an average 6% annually to reach RMB 56 trillion (\$8.2 trillion), fuelled by a middle class that will represent an estimated 65% of households.
- ▶ Urbanization will take a new direction. Advances in technology will enable and support this shift, ultimately resulting in better consumption and lifestyles.
- ▶ Growth of the elderly population will create new demands. number of elderly people will pose challenges to economic growth, but it will also create opportunities for products and services tailored to this demographic.
- ▶ The digital generations of the 1990s and 2000s will have higher expectations.
- ▶ “Widgets to digits” will reshape retail on a much wider scale. Technological innovation will propel already robust e-commerce sales. (For example Alibaba, ten cent, wechat in China)



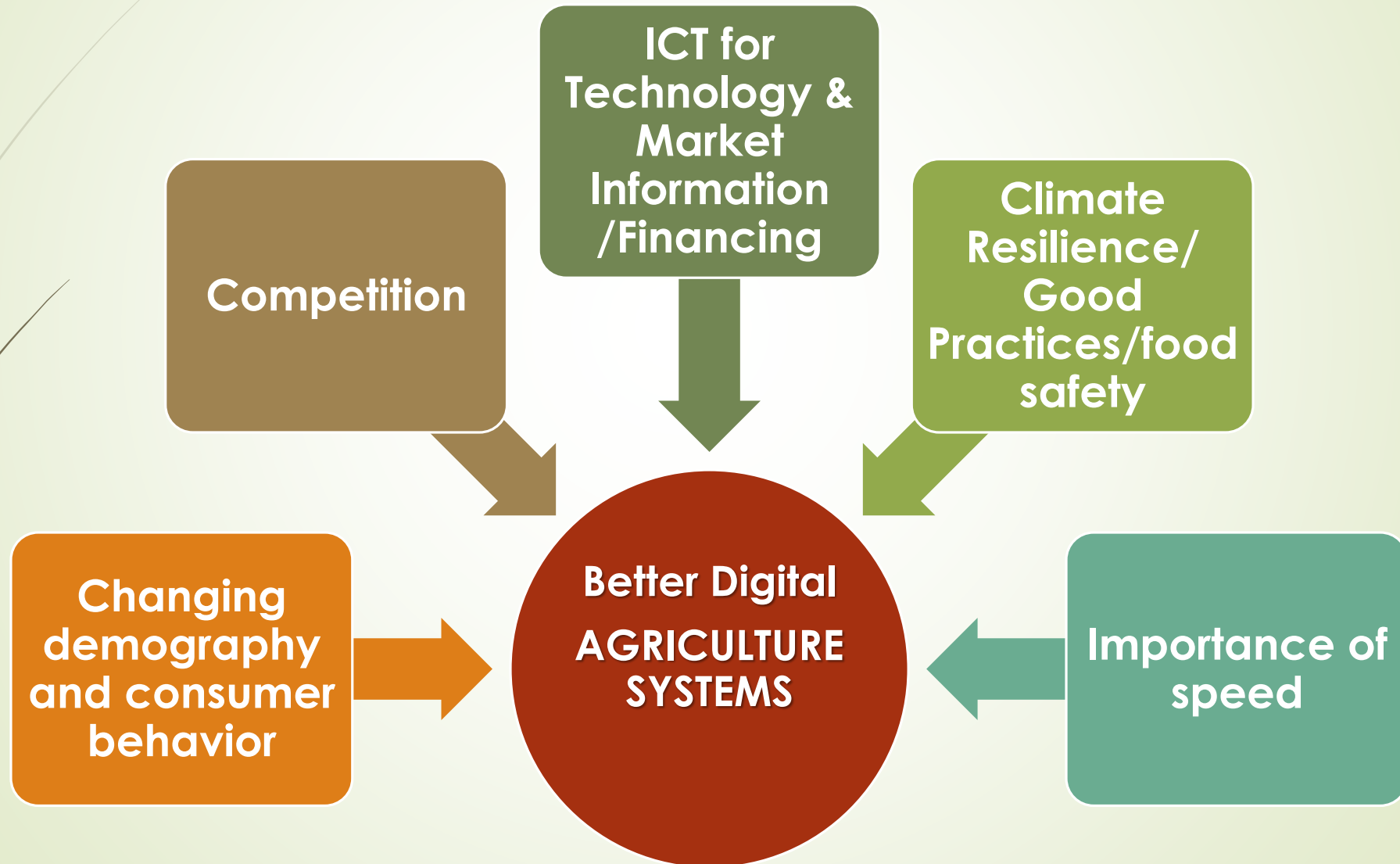
The Fourth Industrial Revolution must not leave farming behind (WEF)

- ▶ The Fourth Industrial Revolution has disrupted industry after industry. Better information flows, lower transaction costs and faster communication have made doing business easier and more efficient, and have proven to be major drivers of economic growth.
- ▶ remoteness of small farms cuts them off from the tsunami of change that has rocked the hotel, taxi, education and banking industries. (digital service platforms and agricultural machinery rental services are mushrooming in recent years)
- ▶ three technologies which show the greatest promise for smallholder supply chains: **intelligence tools (traceability)**, **digital finance** and **mobile-based training**. Each of these three technologies - alone has the potential to make farmers' lives better, by lifting yields, improving suitability and linking farms to markets. The days of ad-hoc and unstructured smallholder supply chains are numbered. we have seen the rise of digital disruption start-ups, conduct technology trials and transform agriculture. (IoT, Ar-VR)

Differences in internet access persist across countries and within them (World Bank, 2019)



Why digital agriculture matters





YOMA GROUP DIVERSIFY TO F&A BUSINESS: MULTI-STAKEHOLDER
PARTNERSHIP FOR VALUE CHAIN DEVELOPMENT



Nurturing our portfolio of investments through strategic partnerships

YOMA FOOD

Leverages knowhow from KFC to build other F&B brands

Develops strategic partnership with leading brands

Builds nationwide network to leverage on FMCG distribution

LEADING INTERNATIONAL AND LOCAL BRANDS

F&B Retail



Franchisee for one of the world's largest QSR brands

BOTTLING



Owns Access Myanmar Distribution Company

DISTRIBUTION & LOGISTICS



Joint ventures with

Kokubu

A leading Japan food distribution company

Metro Group

A leading German specialist in wholesale and food retail

Yoma Metro Myanmar Wholesale JV Company

The current F&B procurement situation in Myanmar ...

- Professional customers are sourcing through a complex mix of Retail, Wholesale & Delivery solutions (partly through more than 100 touch points).
- The current suppliers of professional customers are fragmented and are lacking in food safety & availability.
- Ultra Fresh
Fragmented wet markets with lack of structured distribution & quality
- Dry Food
Mainly driven by local distributors & importers
- Non Food
Almost no production and only importers with limited assortment



METRO Myanmar will bring added value to customers through constant availability, quality and food safety

AVAILABILITY

METRO Myanmar's product assortment will include approximately 3,300 SKU's mainly consisting of ultra fresh and dry food items in addition to non-food items which are consistently available.

QUALITY

METRO's stringent quality standards are met through providing the necessary education and training throughout the whole supply chain - contract farming, food processing and packaging.

FOOD SAFETY

With the proper farmer education, skill building and training paired with support from the relevant Ministries and government agencies, a consistent, efficient and safe food standard can be achieved.

Yoma Heavy Equipment (Case New Holland): farm mechanization from deep plowing, seeding, inter-row cultivation to harvesting



Yoma Zuari Fertilizer Investment

- Yoma Agriculture Company Limited JV agreement with Zuari Chemicals Group, India to produce and distribute granulated and blended compound fertilizers
- Construction timeline – 18 to 24 months
- The compound fertilizers produced will be primarily for Myanmar market with the potential for export

Business Concept

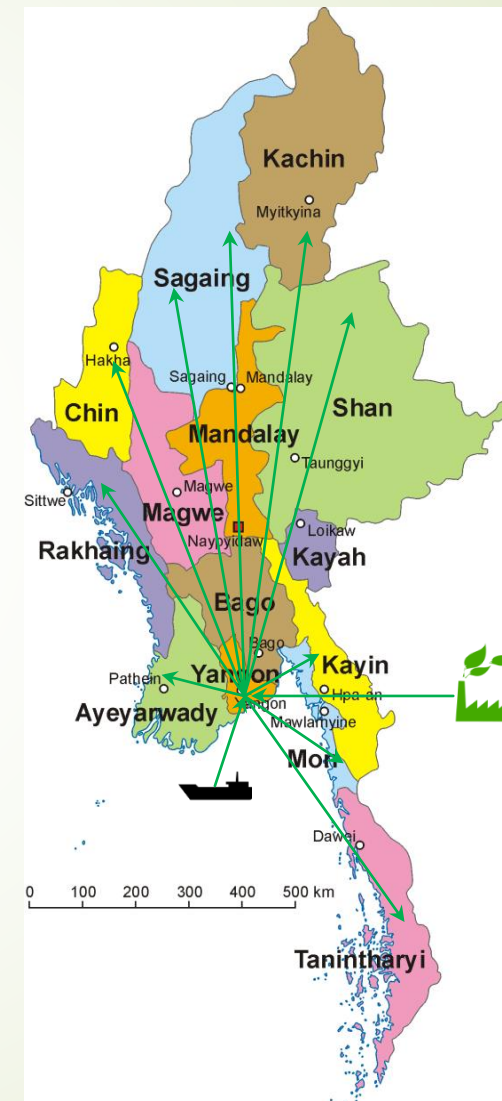
Import of
Key Raw
Material at
Thilawa Port



Granulation
and
Blending at
Thilawa
Factory



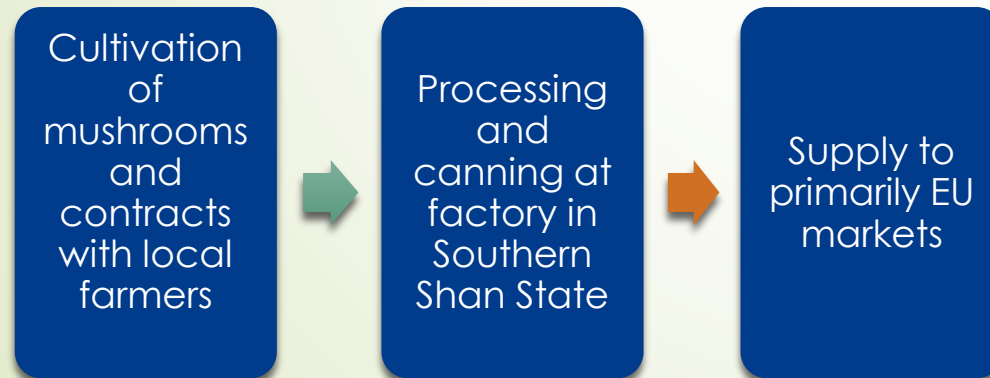
Supply to
Myanmar
and Other
Markets



Myfood JV Vegetables Processing Investment

- ▶ Yoma Agriculture Company Ltd. (YACL) and Hupeden GMBH, Germany set up a JV company MYFOOD to originate, process, and export packaged vegetables to the EU
- ▶ The initial products includes button mushroom and water chestnut; French beans, mandarin oranges, asparagus, and various other types of produce including fruits

Business Concept





From Rice Bowl to Food Basket :
Multi-stakeholder partnership is
key to plug in Myanmar to
regional and global value chain.

Thank you.