



Myanmar Business Insight Report (2020)

Series I

March 2021

Inya
Economics

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Inya Economics

Private Sector Development Programme

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Contents

Preface	6
Acknowledgement	7
Private Sector Development Programme of Inya Economics	8
Introduction	9
Illustration of Surveyed States and Regions	12
1. Ayeyarwady Region	13
1.1 Rice Mill Business	13
2. Bago Region	20
2.1 Pulses Industry	20
3. Magway Division	24
3.1 Groundnut and Sesame Businesses	24
3.2 Onion Business	26
4. Mandalay Region	28
4.1 Lacquerware Business	28
4.2 Summary of the Weaving Business and Gold Embroidery Industry	31
References	32
Appendix	32

Preface

Inya Economics has published its first Myanmar Business Insight Report (MBIR) in 2020. With the organization funding, the Private Sector Development Programme has led this research. This report is published on an annual basis and study is conducted on businesses in 11 states and regions. This report on businesses in 9 research-eligible states and regions from the aforementioned 11 states and regions will be published in Serie I and Serie II. Serie I consist of the 4 States and regions while Serie II consists of the remaining. In finishing this report, the research team faced its own resource limitations, time restrictions, and the impacts of COVID-19 and the military coup. This report and other consulting and research services, and research reports of Inya Economics can be found on www.inyaeconomics.com, and any suggestions and inquiries can be addressed to inyaeconomics@gmail.com.

This study is intended to support Inya Economics' ultimate goal of Myanmar's economic development.

Pyai Nyein Kyaw

Chairperson

Inya Economics

Acknowledgement

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Private Sector Development Programme of Inya Economics

Established in 2017, Inya Economics created a Business unit intending to offer unique research and necessary services to Myanmar's Businesses. Later in 2019, it was modified as the Private Sector Development Programme (PSD) and currently provides market research, consumer insight, customized research, impact evaluation, and consulting services to businesses. The PSD programme will regularly publish factual analyses such as Industry Analysis, Organization Management, Insights and Blogs on <https://www.inyaeconomics.com>.

Introduction

Despite attempts to boost Myanmar's economic growth through rehabilitation plans since independence, the country has fallen into a turmoil together with the political crisis, making it one of the least developed countries in the world after decades of going through different political systems. In such a period of the country's economic downturn, local business enterprises, where only those of the opportunists can make more fortunes, are likely to be a house without proper shelter. In these circumstances, even the corrupted opportunist is regarded as the business expert. Fair competition is crucial for sustainable economic growth. Corruption and selfishness firmly rooted in the absence of fair competitive practices hinder opportunities for personal development through hard work and ingenuity and that for the growth of private businesses.

Beside the need for social scientific theory to be incorporated into the implementation of government mechanisms, practical understanding of the nature of businesses is necessary to prevent uninvited losses and make rational investment decisions. Efficient allocation of resources is a basic requirement both for the public and private sector with limited resources. Amongst these two sectors, the Private Sector Development Programme of Inya Economics provides specialized research for enterprises which are the key drivers of the private sector development.

Across the regions and states, businesses operate in various environments as proprietorship, partnership, or limited liability company. However, it is still distant to realize the different businesses across the states and regions or the major businesses for the economic development of each state or region.

Although the Myanmar Investment Law provides exemptions and concessions aimed at spurring the rate of enterprises, local and foreign investors, and entrepreneurs face difficulties on why they should rationalize their investment decisions in which business sector in which state or region. Under the current business law and the Myanmar Investment Law, businesses have found themselves to be resilient sometimes - a more positive shift than the past, however, a multitude of obstacles, drawbacks and challenges still lie in the way for businesses in the current age. It is advised to study the business owners' situations who suffered from the impacts of unforeseen events (the COVID-19 pandemic, political instability, and armed conflicts etc.) in conjunction with their usual barriers.

The SWOT analysis framework is adopted to provide strengths and weaknesses, as well as possible opportunities and threats of the new enterprises that manufacture the products which are potential for both domestic and foreign market demand and can improve the states' and regions' economy, and the existing enterprises by sector. This report aims to directly or indirectly benefit not just the business owners, but also the investors, business executives, and entrepreneurs, by providing insights about regional enterprises or enterprises by region and their related business environment.

Research Methodology

MBIR utilizes a SWOT analysis method based on data from the key informant interviews with the business owners in the relevant region and state. The study design is constructed by depending on the region and state GDP data in order to realize the main objectives of this study. Prior to conducting interviews with the selected business owners, a desk research on data regarding the state and region businesses was conducted through media (news, journals, magazines) and from government bulletins and publications, research papers, and reports. Among the 3 major sectors that drive GDP- agriculture, industry and services – the businesses of which sector account for the highest proportion of GDP in each respective state and region are systematically screened and their data were collected.

Sample Collection Process

This research starts with an initial analysis of which sector share the highest percentage of GDP in each region and state among the agricultural, industrial, and service sectors across different regions and states, followed by the qualitative interviews that were held from July to August 2020 with the business owners or the representatives at the senior managing level in 17 business categories in 9 regions and states which accounted for the largest GDP percentage in their respective state or region.

The Non-Probability Sampling method is applied in this report to obtain the necessary information as a result of hindrance in obtaining the precise figures for the total number (number of businesses) and the fixed sample size. Purposive Sampling is used after thoroughly predetermining the sample size of each business sector to be interviewed.

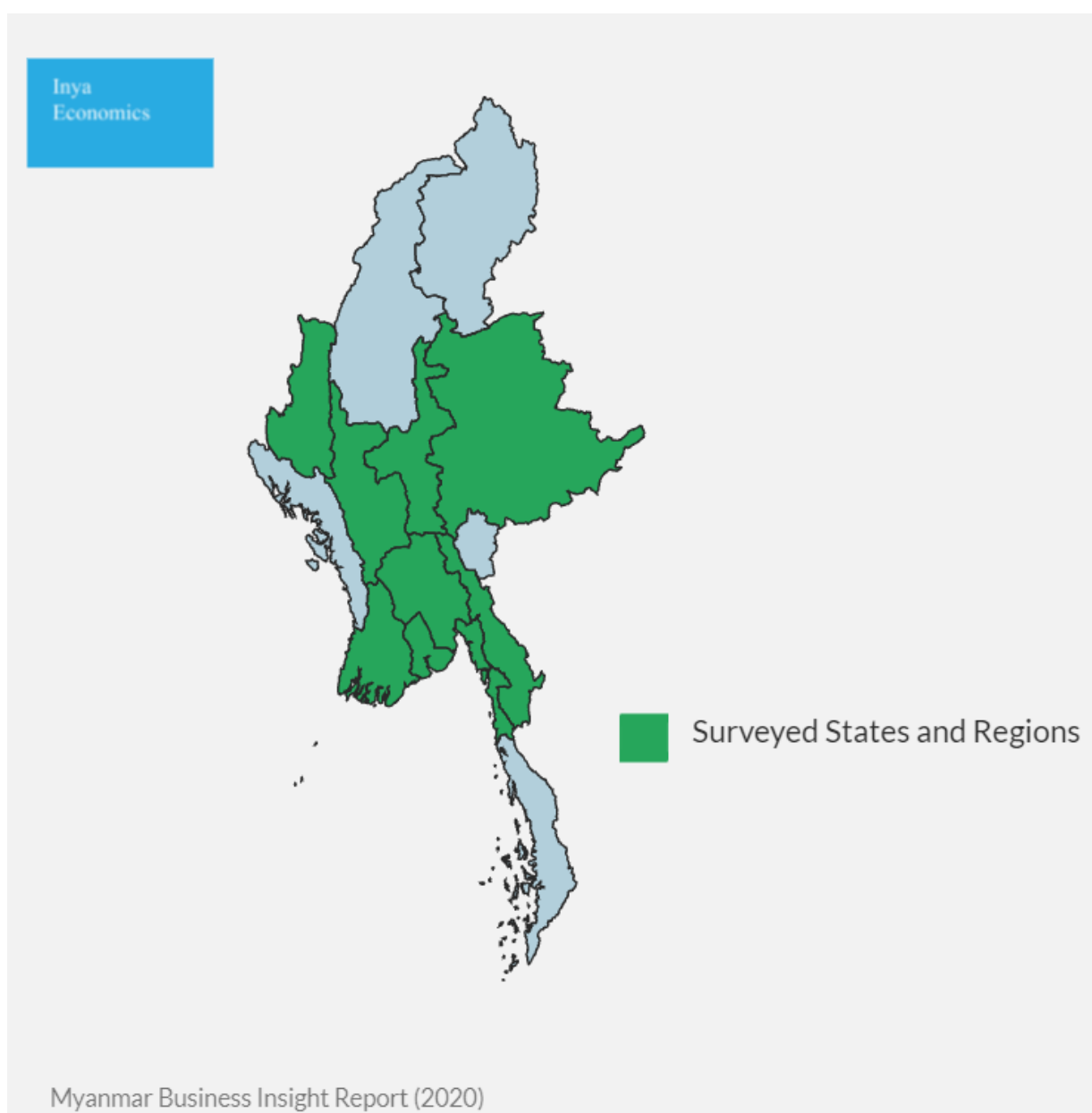
Limitations of the Study

Highly emphasizing on the pilot data collection process, this report does not provide an in-depth study of all existing enterprises within the selected business sectors in different regions and states, hence it acknowledges the need for further investigation. Key informant interviews and desk research were accomplished for 53 businesses within 18 categories.

Sample List for the Surveyed Business Sectors across States and Regions

No	State/Region	Sector	Types of Business	Sample Size
1.	Ayeyarwady Region	Agriculture	Rice Mill business	5
2.	Bago Region	Agriculture	Pulses industry	3
3.	Magway Region	Agriculture	Groundnut, Sesame, and Onion businesses	6
4.	Mandalay Region	Service	Lacquerware business, Weaving business and Gold Embroidery industry	10
5.	Yangon Region	Industry, Service	Garment industry, Food and Beverage service, Electronics industry, Agricultural Machinery Supply business	10
6.	Chin State	Agriculture, Service	Konjac/ Elephant Foot Yam business, Hotel industry	6
7.	Kayin State	Agriculture	Rubber industry	3
8.	Mon State	Agriculture	Rubber industry	3
9.	Shan State	Agriculture	Tea leaf industry, Coffee industry	7
	9 States and Regions	3 major sectors	18 surveyed businesses	Sample Size = 53

Illustration of Surveyed States and Regions



1. Ayeyarwady Region

1.1 Rice Mill Business

Background

Ayeyarwady region focuses on groundnut, sunflower, sesame, mung bean, green gram, pigeon pea, cotton, sugarcane, and corn in the agricultural sector, fisheries and salt production, and livestock. Rice is the region's major business. Ayeyarwady reaps the economic benefits of its close proximity to Yangon region, the main driver of Myanmar's economy, and has to rely on Yangon for domestic demand to a certain degree. Through the SWOT Analysis, this research studies the region's key business: the rice industry.

Strengths of the Rice Industry

The rice produced in Ayeyarwady region is transported nationwide which demonstrates rice as a strongly demanded commodity with a reliable domestic market. For the international market: China has been the dominant exporter since 2011 on the black market, but through the bilateral agreements, it has become a legal trade after 2016. Furthermore, traditional rice sales techniques have gradually changed to shopping centre sales, online sales, and after-sales service techniques.

Weaknesses of the Rice Industry

A quality paradox in the rice industry is the key obstacle in its development. Providing good quality inputs cannot alone address this issue due to the shortcomings in financial sufficiency, technology and equipment quality.

Furthermore, technological and financial assistance from the government and civil society organizations remain inadequate. This incapability of producing high-grade commodity will reduce potential profit in the long run and thus hinder the prospects of business expansion.

Revamping rice quality has many constraints due to the dependence on cheap made-in-China inputs. Even using high-quality inputs will create many uncertainties for the rice market of Myanmar as it relies on China as the sole export market thus creating uncertainties. In such a situation, increasing investments becomes a risky decision for low-income farmers.

Therefore, the most fundamental question is who will buy our rice although it is not an unanswerable question. To grow promising rice seeds which can attract consistent domestic and international demands, which types of rice meet

Commentary (1)

"The business remains unable to expand because we cannot continue the value added. Besides, farmers become so poor that they cannot afford to buy the inputs. We who have money and those who have farmland must collaborate to establish contract farming in order to produce quality raw materials. Then, we can produce good quality products for higher profits. Only after that, we can think about expanding the business. But, in this moment, there is no chance for business expansion." Rice Mill owner (Lapputtar Township, Ayeyarwady Region)

the criteria of the global market and the current customers must be examined first. In order to produce high-demand rice, all segments of the production chain need to be reignited through step-by-step reforms starting from the stage of inputs essential to cultivate to that of exporting to other countries. Neither solely upgrading the cultivation nor agri-loans the costs cannot be a solution.

Commentary (2)

“Almost all of the Rice Mill owners maintain contact with the buyers, collect money and buy rice from the farmers. However, the supply is not enough. For example, even though 10,000 tons of rice are produced, you cannot really buy 10,000 tons. There is a price gap in the storage stage, a big gap of 40,000 MMK or 50,000 MMK for 100 tons. It brings disadvantages when the farmers keep the raw. The price rate changes when many stocks are running out. These changes make us suffer the biggest threats, in particular, capital investment. For example, if two rice mills need 1.6 million tons of rice and 1 million can be stored, the rest will be in control. But now, we are not able to store, and it seems like we are running after it. It is not just mine, but a problem of every rice mill owners.” - Rice mill owner (Phyar Pone Township, Ayeyarwady Region)



News on Singapore-based Agrastar Company's cooperation with Chin Corp Myanmar, Agro-corp International, and RiverWest Capital, and 8 million dollars investment in Dedaye township, Ayeyarwady region which was aimed at the European market

Source: Myanmar Times, 17 May 2017

The weaknesses within the rice industry are not the consequences of the imbalances between supply and demand. It is due to inadequate incentives that promote the production of good grade commodity. Even after the farmers use high-quality inputs in cultivation, the profits are perpetually risky and uncertain, thus leaving little incentive to reform for the better.

Similarly, most rice mill owners cannot afford good quality but expensive rice milling machines which can lead to high-quality raw. Many uncertainties about the anticipated profits from utilizing such high-tech machines provide no incentive for owners to invest on these machines. These consequences lead to the production of low-grade rice and thus more reliance on exporting to China. Therefore, high quality inputs are vital for high-quality outputs.

Therefore, although the inability to acquire high-quality raw materials is a weakness, low

Commentary (3)

“In terms of market competition, Ayeyarwady region's rice market is unable to keep up with the production of the dam irrigated Magway and Sagaing regions. It also has to depend on the weather. Those regions quite produce good quality rice. Therefore, it is difficult to compete against their market.” - Rice mill owner (Myan Aung Township, Ayeyarwady Region)

incentives and difficulty in calculating profits along the production chain, and lack of technological and financial investments constitute the major weaknesses. What makes it worsen is the lack of government and civil society organization interventions. Only when the government, the private sector and their partner organizations cooperate at each level of the value chain, the aforementioned weaknesses can be transformed into strengths.

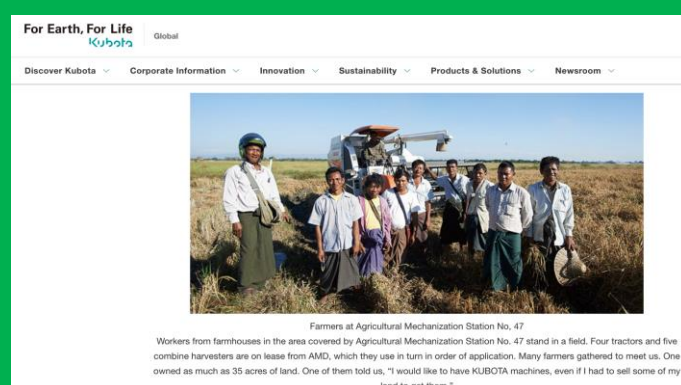
Opportunities of the Rice Industry

A consistent domestic demand serves as the primary opportunity in the rice industry. The government reducing taxes on agriculture-related inputs is creating its own opportunity.

Furthermore, the government loans for the rice mill owners to purchase the good-quality milling equipment is another opportunity. The government should encourage farmers to practice contract farming¹, however, the lack of incentives, and implementation of rules and regulations to solve land disputes create numerous uncertainties.

Commentary (4)

“We don’t import inputs and raw materials by ourselves from abroad. We purchase rice milling machines from those brokers who import. They import from various countries. China, Japan, and other countries. We mainly use Chinese products, although can break down faster, are cheap and can easily buy the spare parts.” - Rice mill owner (Myan Aung Township, Ayeyarwady Region).



In cooperation with the Ministry of Agriculture, Livestock and Irrigation, Thailand-made Kubota agricultural and related equipment have been aided to the farmers.

Source <https://www.kubota.com/global-index/myanmar/05.html>

Consolidating small opportunities is to create an enormous opportunity. Traditionally, the rice mill business is a family business and run by family members. However, according to a study, not only in a farmer family, the children are less likely to take up farming, the same problem exists in rice milling and other related businesses. It highlights the difficulty of the family business role in the long run. Therefore, it is essential to nurture a partnership among the same category of enterprises. Massive opportunities and benefits can be enjoyed if a change is materialized toward collaborative corporate business level circumstances such as collaborative farming, shared investment between the same field of enterprises in purchasing the good-grade rice milling equipment, systematic hiring of employees, and allocating workers based on their expertise.

¹ Click [here](#) to read contract farming on Inya Economics’ website.

Despite family businesses, business partnership with the similar field of enterprises is not a new model to Myanmar's economic environment, but has little success rate. This is mainly due to the inability to build a collaborative partnership, focus on short-term profits, and the inability to solve the disputes clearly, which can turn opportunities into threats.

Opportunity for the rice industry is not limited to financial profit. The rice husk waste produced by the rice mills can be used to produce fuel cells which provide implicit advantages and benefits environmental conservation from one point. An increase in implementation of environmental conservation practices is vital for Ayeyarwady region which is close to the sea and highly prone to unpredictable natural disasters. These practices do not incur costs only from one side, but they will enhance their brand image in return.

Commentary (5)

“Nothing will happen if we rely solely on the domestic market. Only the foreign market will proceed trade. No matter how many machines we use, we can't do anything if the quality of rice, is shoddy. My advice to the rice sector is that it will be nice if the government can accomplish to get good rice seeds that is raw materials.” – Rice mill owner (Maw Kyun Township, Ayeyarwady Region)

Example (1)

Myanmar Agribusiness Public Company Limited (MAPCO) was founded as a public company in 2012. Establishing like a corporate model with the shares of several companies, many profits have been enjoyed and collective leadership style, instead of a sole proprietorship, create more opportunities for the sustainable growth. And this sustainability ensures the profits and opportunities to export the high-quality products.

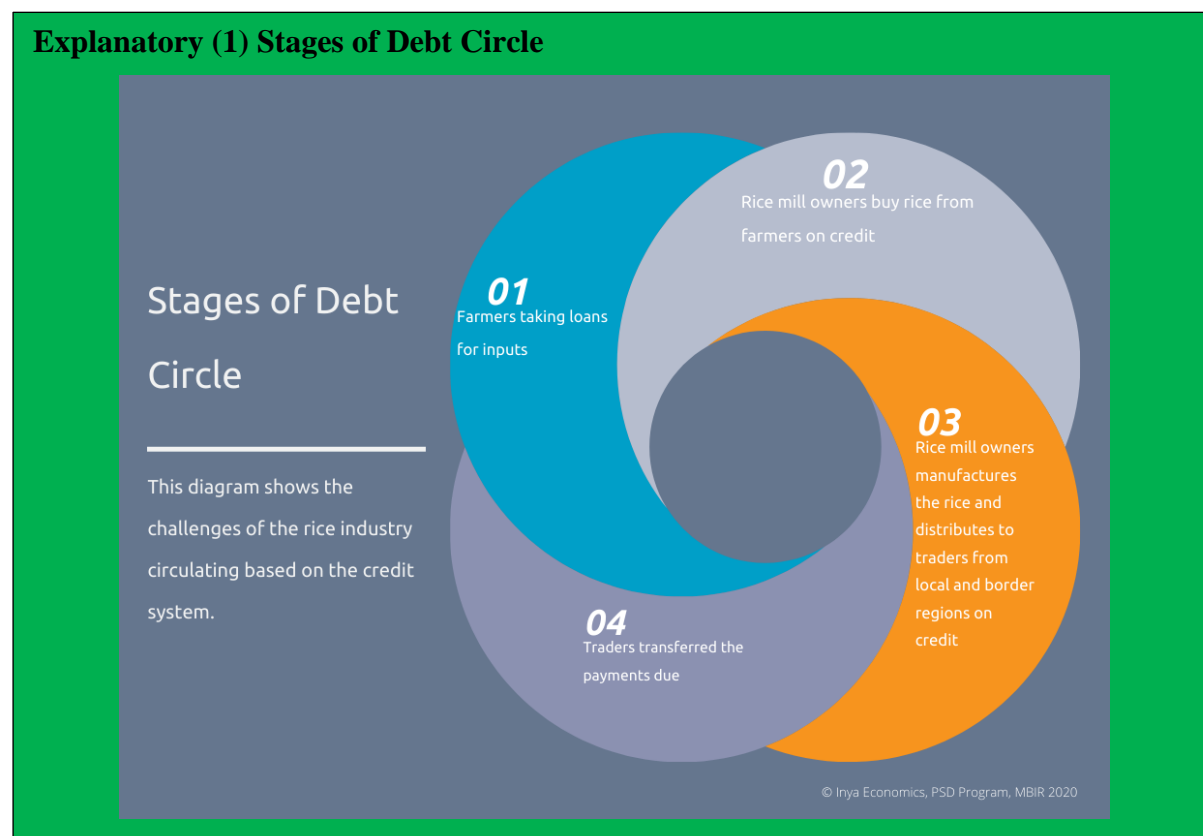


Source - <https://www.mapco.com.mm/>

Threats to the rice industry

Products from the farming industry have limited price reduction, thus generating lower profit. Volatile prices raise the risk nature of the goods, create uncertainties in obtaining profits and demand, and hinder expansion of investment. Moreover, the value chain of rice circulates on a credit system so there is a higher chance of losing money. Especially when exporting to China, the payment is received only after one or two weeks or sometimes one or two months after the goods have arrived in China. Such delays without any protection and insurance cause

frequent money losses. However, since the other markets do not have as much demand as China, the local merchants suffer from China's taking upper hand in demand and credit losses because the trades were not legally binding.



Chinese merchants often commit financial frauds as there are no official payment transferring methods in rice trades. The risks were much higher in the past since the trade was practiced in the black market.

Farmers, who have consistently worked in the rice industry with uncertain profit returns, now face a gradual decline in income which leads to poverty and insolvency. As a result, they can no longer utilize greater quality inputs, and instead emphasize on producing poor quality products. This in turn generates lower profits along the value chain, and the demand of the product becomes risky. Rice is especially a commodity with a very narrow profit margin. So many quantities are required to be sold out for a profit maximization. Depending on the Chinese market who purchase many quantities, there is uncertainty of profit return due to low quality products and high risks. Accordingly, a sole dependence on China is a major threat to Myanmar's rice industry.

Another threat is that enterprises at the various levels of the rice industry remain incapable of penetrating into international markets and remain uncompetitive due to its quality. In such situations, entry of rice mill enterprises

Commentary (6)

“Government departments, NGOs and INGOs and other institutions are related to the businesses. We have a renewable energy project, namely Waste to Energy project, that produces fuel from the rice hulls. I applied and was granted by the Danish INGO, RBS Fund under the title of ‘Waste to Energy’.” - Rice Mill owner (Lapputa Township, Ayeyarwady Region)

backed by foreign investments especially from Singapore pose threats to local business owners. Except for the Chinese market, rice cannot be exported to more profitable markets because of its failure to meet the quality criteria. In conclusion, threats to the rice industry are externally developed.

Suggestions

- (1) **Construct systematically.** Small rice enterprises can establish medium corporations which are capable of collaboration from the stage of production to export. In order to collaborate, professional advice from business consultants are essential. Besides, the government can offer loans to acquire new technologies. Founding the rice industry development centres could provide not just the loans but also techniques, training and market connections from farming system to distribution of the finalised products. These will aid small and medium enterprises (SMES) in acquiring technology to coordinate efficiently. Moreover, the government needs to ease unnecessary procedures and policies.

- (2) **The approach that tackles the whole value chain can solve the problems on the ground.**

As the rice industry circulates on the credit system, loans provided by the government banks, the private banks, and micro finance institutions will not address this problem. Price fluctuation of rice is thin, and it generates relatively low profit along the value chain. In order to produce high quality end products, rice manufacturers do not have enough capital to use inputs that will turn out as expected profits. Therefore, the government, the private business owners, and the experts should cooperate and discuss to find a solution.

Commentary (7)

“Local businessmen can only overcome these challenges if the technology and capital are provided with the low interest rate. The government needs to hold discussions on how to develop the local SMEs and listen to the current challenges. It should also consider to address these issues.” - Rice mill owner (Pyapone Township, Ayeyarwady Region)

- (3) **Research new markets that can enjoy the current quality of rice.** Market research has been a tradition since the U Nu administration, but was repetitive and ineffective. Entering new markets which demand the current rice quality will be a short-term solution. Meanwhile, the government must protect the potential profit gained by exporting the low-quality rice from the possible worse conditions, and stabilize the income of the farmers to an extent. When income has been stabilized along the value chain and risks have been reduced for the time being, the quality of productivity must be steadily upgraded, and foreign markets that demand high quality products must be identified. Government support is crucial in researching international markets.
- (4) **Business owners can offer incentives to convince to use high quality inputs in order to produce high quality raw commodities.** The findings show that the farmers having to purchase the inputs for the rice production bring high risks on the one hand and very low profit returns on the other. Instead, profits and risks should be shared equally. This

will create better coordination and reduce the risks on both sides, for example, if rice mill owners take the responsibility for the necessary inputs for the farmers and loans for such inputs should be provided to both rice mills owners and farmers.

2. Bago Region

2.1 Pulses Industry

Background

Pulse cultivation has been running as traditional family businesses in Bago Region since the early ages. The key demand of Myanmar pulses comes from India, and just like the bean powder, pulses possess high domestic demand.

Strengths of the Pulses Industry

Pulses are the main agricultural products of Myanmar, akin to rice and groundnut. Moreover, it shares a competitive market with other ASEAN countries. Pulses industry is capable of gaining higher profits relative to other agricultural products. Opportunities will prosper along with the government's relaxation on receiving good quality seeds (authorization of the import of bean crops which overseas markets desire.)

Weaknesses of the Pulses Industry

Pulse growers suffer drawbacks in cultivating from the lack of modern machinery due to high capital. On the other spectrum, there are costs of hiring many laborers for growing the pulses in many acres. Moreover, the government approval on the import of basic commodities that can be produced within the country negatively impacts the domestic market. In addition, local business owners cannot afford capital expenditures required to improve the quality of pulses. Although the demand for good quality pulses in the domestic market is increasing, addressing this problem is complicated.

Commentary (8)

"As for the pulses industry, the problem lies in the scarcity of good quality seeds in Myanmar. We cannot buy them. Good-quality seeds are important for cultivation, only then the productivity is good enough to make profits." - Pulses Businessperson (Bago Region)

The weaknesses of the pulses industry are that the good quality of pulses cannot be managed to preserve for the long-term and they are unable to integrate into the international market, just like other essential commodities in Myanmar. Moreover, a dryer manufacture is the main requirement compounded by potential dangers such as the overuse of fertilizers, soil damage and the difficulty to grow other crops. It also needs to adapt to different types of irrigation systems like ground water irrigation and pump-based irrigation as per requirements in order to gain regular access to the agricultural water.

Opportunities of the Pulses Industry

As it is difficult to grow foreign seeds across the country, the seed research support of the Department of Agriculture in Myanmar plays an essential role in obtaining good quality seeds domestically, which further creates the beneficial opportunities both for the local

businesses and the public. Consistent demand from India and Canada is also one opportunity for the pulses industry. Being an export product, the pulse growers will experience many opportunities in the case of successfully producing the seeds that meet the market demand. Furthermore, selling and hiring combine harvesters is one of the potential businesses during the period and the regions when and where irrigation is impossible. The profitability percentage along the value chain in the pulses industry is far greater than that of the rice industry. For instance, the profits per acre of the pulse growers are relatively higher than that of the rice farmers in fair weather. There are many opportunities for pulse seeds, i.e., they facilitate protein that is soil-friendly, and can be easily cultivated and grown under a low amount of water. If the government and private insurance companies are able to work in tandem to promote the crop insurance system, farmers may enjoy higher profits from growing pulses. What is more, there is a potential increasing demand from China.

Threats to the Pulses Industry

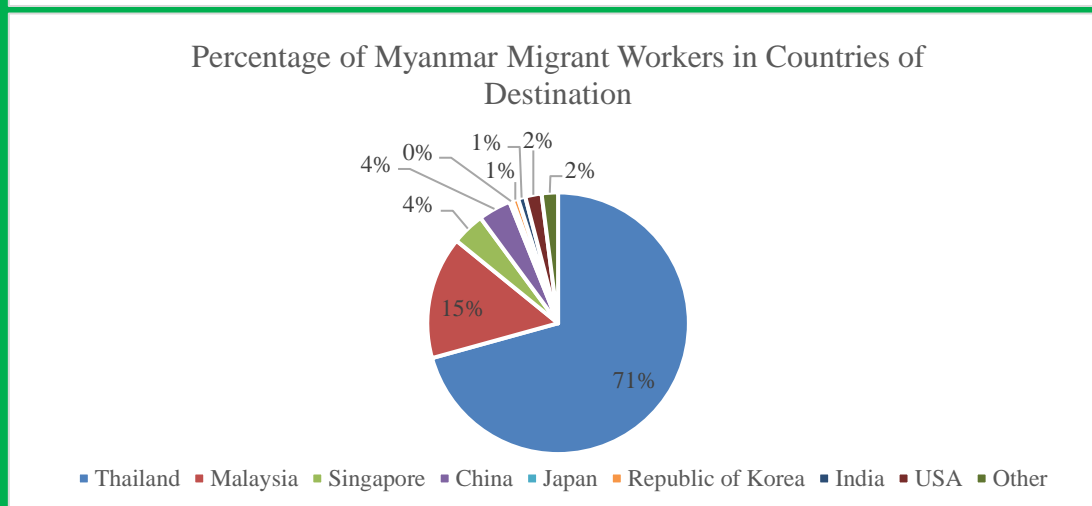
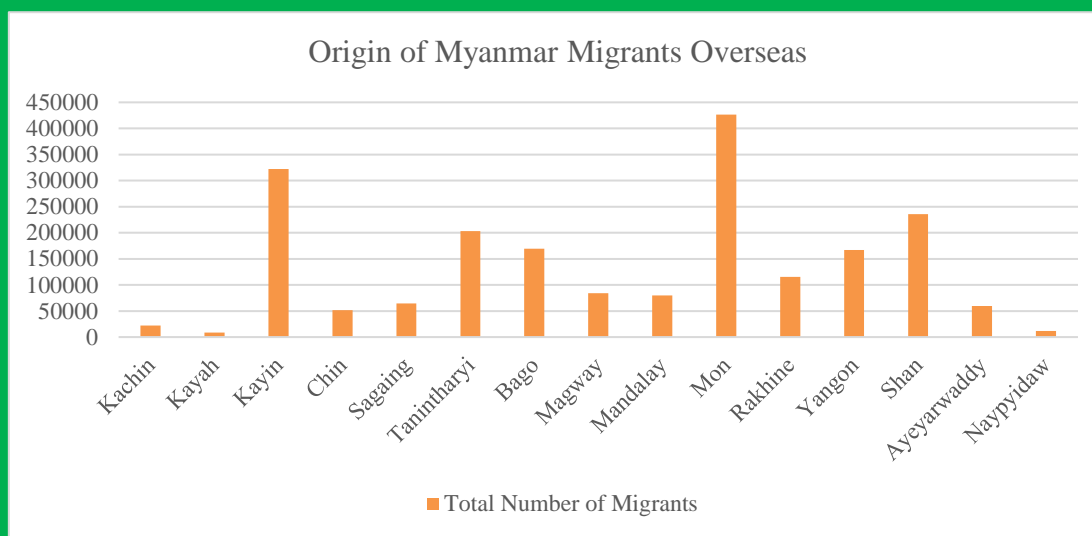
The main threat to the agricultural businesses is dramatic climate changes and natural disasters. Great quality seeds are crucial for the pulses industry. Although pulses are widely grown in the central areas of Myanmar, there are threats like droughts and difficulties in irrigation. Moreover, most agricultural businesses running under the traditional family style is no longer attractive to the youths in the 21st century. Therefore, obstacles like lack of successor are threatening the future operation of these businesses.

As these traditional businesses mostly continue to embrace labour-intensive farming systems, domestic workers in this region migrate abroad due to poverty, shortage of high-paying jobs and the desire for a better future, equipping Bago with the highest migrant worker rate. It also leads to labour shortages across the region. Moreover, Yangon seaport being the only hub to export pulses not only results in logistical burdens for Yangon city but also put limits on the economic development of other regions and states.

The pulses industry in Myanmar is mainly dependent on the international market, similar to the rice sector. Although rice can enjoy a strong domestic market, heavy reliance on India's demand for some pulses is a threat to the pulses industry of Myanmar. Meanwhile, India's self-sufficiency in pulses eventually can pose another threat. Besides, the pulses market is likely to face losses due to the nature of higher price volatility than that of other basic commodities. For an external threat, it can also learn from the chaotic events on the domestic production chain when India placed sudden restrictions on the imports of Myanmar pulses in 2017.

Commentary (9)

“There are no youths in the later periods and younger generations of farmers have moved to the cities. Transformation into industrial agriculture is important as it can develop our agriculture. Therefore, we started doing industrial agriculture.” - Pulses business owner (Bago Region)



Source: International Labour Organization. (2018). Migration data for policy development. Yangon: ILO Liaison Office for Myanmar.

Myanmar enjoys the highest working population (18 - 60 years old) among the ASEAN countries. However, the minimum wage per day (4,800 MMK) of Myanmar is the lowest among the member states, which consequently generate uncertainties in the future of the young people to continue working in the tradition businesses of the country. Accordingly, labour migration to foreign countries results in, leaving Mon State with the highest migrant workers, where the majority is working in Thailand as its average daily minimum wage is three times higher than that of Myanmar.”

Suggestions

- 1. Credible organizations which provide consultations and conduct soil tests to decide which crops should be cultivated for farmers to mitigate the high risks.**
- 2. Corresponding techniques with input costs and profitability and to prevent the overuse of fertilizers.**
- 3. The pulses industry is a promising business with export opportunities not just to India but also to the Middle Eastern countries and China.** Therefore, it is essential to breaking into the markets with possible demands.
- 4. The government needs to provide approvals for imports of appropriate pulse seeds and research support to produce better quality seeds.**

3. Magway Division

3.1 Groundnut and Sesame Businesses

Background

Magway region is located in the central lowland area of Myanmar with a hot and dry weather. Agriculture, petroleum and natural gas are the major business sectors, possessing more than half of the population as the labour force. The agricultural sector highly contributes to the region's GDP where rice, groundnut, sesame, sunflower, varieties of pulses and gardening are the popular enterprises. More than 3 million acres of agricultural land are mainly used to grow rice, corn, groundnut, sesame, green gram, pulses, cotton, sunflower, and sugarcane. Groundnuts in this part of the study are grown in the rainy and cold seasons, producing more than fifty thousand metric tons altogether for two seasons. Normally, groundnuts and sesame are farmed in turns or intercropped. Although groundnuts and sesame are milling into cooking oil, they are still far from being refined into other related products with foreign market demands.

Strengths of the Groundnut and Sesame Businesses

As groundnut and sesame farmers have upgraded their conventional agricultural practices to the modern ones in cultivation, choosing good quality seeds, and packaging, which lead to the outcomes of high productivity. Furthermore, more access to information helps farmers estimate on the types of priority crops. They have started implementing alterations in the usage of manpower and machines in production to increase surplus value which has been particularly helpful. The assistance of officials from related departments aiding farmers with agricultural and artificial breeding technologies is recognized to also be a factor. Contrary to the rice industry, the peanut and sesame industry does not receive as much support but shows great potential in higher productivity catered to an international market. It needs to acknowledge the road advancement, and better telecommunication and internet connectivity as implicit strengths to the groundnut and sesame businesses.

Weaknesses of the Groundnut and Sesame Businesses

The facts that despite being an export good, the industry solely relies on India, as well as only exporting the number of products that are provisioned by the other countries instead of a leading exporter weaken the groundnut and sesame businesses. These problems link with the inability to produce the quality demanded by the overseas markets. The immediate need for this industry is the dryer milling machine since the current mechanisms, equipment and products can no longer increase productivity. There is also a lack of capital investment to meet these needs. Moreover, the failure to produce the value-added items of groundnut, sesame and other related items is a noticeable factor in low domestic demand.

Reluctance in adopting good farming practices serves as the significant drawback. Local institutions need to be strengthened to prevent and predict the danger of destructive pests and the unforeseen weather conditions.

Opportunities of the Groundnut and Sesame Businesses

The increasing foreign market demand by year, the emergence of related associations with the groundnut and sesame which keep regular contact with the farmers by providing necessary assistance, the continuing farming and technological support of the relevant departments and the growth of traditional groundnut snacks are all fundamental opportunities for the continued growth of this market. Another opportunity is that the overseas market demand is promising and there are already connections and export opportunities to Japan, Russia, and Western markets.

Threats to the Groundnut and Sesame Businesses

The high cost of inputs, such as seeds, fertilizers, and equipment, required for the groundnut and sesame production as well as the quality assurance and the shortage of labour force are the major threats. Farmers in developing countries like Myanmar are affected by climate change which is already affecting the whole world in the 21st century. The unpredictability of weather resulting from climate change is one of the key problems for the groundnut and sesame farmers in Magway Region.

Furthermore, the declining quality of land, the bargaining power of traders, and the lack of strong contracts between buyers and sellers are major barriers affecting the entire market environment.

Suggestions

- 1. Use seeds and fertilisers in accordance with the dramatic climate changes, and improve the land to the agricultural soil quality.**
- 2. An adequate irrigation system for the crops must be formulated.**
- 3. Identification of international clients with continuous demands must be carried out.**
- 4. It should also provide opportunities for the market and related businesses to easily gain capital.**
- 5. The growth of small and medium enterprises in the peanut industry is essential.**
- 6. Technical and equipment assistance such as dryer milling machines should be delivered either by the collaborative efforts among the local business owners or the government.**
- 7. Farmers must be aware of the quality specifications of the market demand.**

3.2 Onion Business

Background

Onion is regarded as a vital spice not only in Myanmar but also around the world. It is mainly grown in central Myanmar and remains a crucial commodity for both domestic consumption and export purposes. In 2019- 2020, the production of onions reached nearly one million metric tons, and nearly eighty thousand tons were consumed domestically while the rest twenty thousand tons were exported. In addition, Myanmar's onions are enjoying the market potential to expand into the regional countries of Thailand, Malaysia, Indonesia, Bangladesh, China and South Korea.

Strengths of the onion business

After exporting to Bangladesh in August 2019, Myanmar onions experience potential and profits. Thailand and China, the foreign markets with regular demand, and the domestic markets of Yangon and Mandalay are solid markets for the onion business. Moreover, it is an essential good for the service sector such as restaurants and hotels. Another strength is that the input costs of growing onions is cheaper than other agricultural goods and climate resilient to a certain extent. What is more, it is a commodity which requires little equipment and is of durability.

Commentary (10)

“If we plant other crops in our region, 200,000 MMK or 300,000 MMK is difficult to get as profit, whether it is sesame or groundnut. If we grow onion with our own seeds, the profit is made around 400,000 MMK to 500,000 MMK on one thousand.”- Onion Businessman (Magway region)

Weaknesses of the onion business

The main weaknesses are the unpredictability of supply and demand of the market, the uncertain profits along the value chain, and the risky nature of investments for farmers. Like the other agricultural products, the onion industry is mostly run by the traditional family enterprises, thus leaving little incentive for the next generation to continue operating.

Commentary (11)

“It is not 100% traditional. The agricultural shops also tell us when and how to plant on which soil, and what happens when we do what. About 70% are still practising the traditional methods. Myanmar has lower productivity, compared to other countries. Cultivating 4,000 areas is not easy for us.” - Onion Businessman (Magway region)

Opportunities of the onion business

Being gradually exported to neighbouring countries, onions are enjoying the increasing demand potential. It is less likely to incur losses compared to the other agricultural goods because of its inherent durability. Furthermore, if the market is stable, it is likely to gain more profits than the other agricultural commodities.

Commentary (12)

“Within two years, last year's onions were not good; farmers had to throw them away, and the price reached around 300/400 MMK. At that time, the unexpected import from Bangladesh solved the problem and the trade was doing well for the farmers.” - Onion Businessman (Magway region)

Threats to the onion business

The onions business, although seems to receive more external market demand, is a commodity that mostly relies on the internal market as it is rarely exported. Hence, the main obstacle is the lack of consistent foreign demand.

Commentary (13)

“A lot has changed in this year. A hundred ticals of onion costs 2,500 to 3,000 MMK in January, 2019. Now, the price has dropped to 340/400 MMK after harvesting our monsoon batch onion. Even though it is not the worst price fall, in terms of the investment, the farmers lose around 100.” - Onion Businessman (Magway region)

Commentary (14)

“It is possible to produce 4,000 to 5,000 onions per acre if the technology and other support are well-provided.” - Onion Businessman (Magway region)

Suggestions

The onions business has the highest potential among the agricultural enterprises. Therefore, it requires market research and equipment support. Moreover, onion is a commodity that has strong local demand that is unnecessary to depend on the demand of only one foreign country. Therefore, the more it can expand its international market, the higher it can enjoy long-term profits.

4. Mandalay Region

4.1 Lacquerware Business

Background

Myanmar lacquerware is a century-old handicraft business which has been passed down from generation to generation. It is a business category that depends on the tourism industry. Because of the nature of the lacquerware industry which requires not only raw material but also handicraft expertise, it is in the category of expensive product. Furthermore, the Myanmar Lacquerware business does not possess mass production capabilities. The lacquerware industry is mainly associated with the Small-scale Industries Department and Lacquerware Technology College under the Ministry of Agriculture, Livestock and Irrigation.

The Lacquerware industry which heavily relies on the demand of tourists receives higher demand only during the travel seasons, particularly eight-month duration from April to September. Tourists from Western countries such as Italy, Germany, France, and America purchase the most lacquerware. In Myanmar, the lacquerware businesses lie in Bagan, Kyauk Taw and Kyine Tone. Among them, the business in Bagan is mainly operated.

As a result of the tourism industry, the lacquerware industry enjoyed its finest moment during 1996-2007, and 2011-2012. Despite foreign export markets in Italy, Germany, France, and America, no direct maritime and air cargo shipping causes higher expenses, thus reducing its competitiveness against the other countries.

Strengths of the Lacquerware Business

The announcement of Bagan, where the major lacquerware industry is located, as a World Heritage Site by the United Nations Educational, Scientific and Cultural Organization (UNESCO) attracted international tourists. The Small-scale Industries Department and Lacquerware Technology College (Bagan) under the Ministry of Agriculture, Livestock and Irrigation exhibit as essential components for technical assistance for the lacquerware Industry. The College and the Lacquerware Association have collaborated and facilitated the international exhibitions, competitions, exchange programs, and workshops, and the establishment of the Lacquerware Association brings a closer relationship with the Technology College, opening to more international connections.

The main strength is that the major raw materials for the lacquerware industry including timber, bamboo, resin, and herbs can be obtained domestically. Amongst these raw materials, bamboo, with its fastest regrowth rate, is likely to have the least environmental unfriendly impacts.

The lacquerware business largely depends on the international tourists and the Western market demand. Meanwhile, the demand from China has grown over the recent years.

Weaknesses of the Lacquerware Business

As authentic lacquerware takes nearly 6 months to complete, this business industry has the weakness of being unable to fulfil the oversea demand for mass quantities. Therefore, these

markets are attracted by East Asia countries - Vietnam and Japan where the lacquerware industry is flourishing. Myanmar lacquerware industry, unlike the other countries, is unable to automate the production process, hence handmade cannot be mass produced. Furthermore, the high price of teak wood which is the main ingredient for lacquerware makes the country's lacquerware more expensive compared to other countries' products. Vietnam has used to substitute fibre for lacquerware, but Myanmar does not possess such technology yet. The main weakness is the high shipping cost, and the reason is due to the lack of direct maritime and air cargo transportation to Western countries, instead the products are shipped through Singapore and Taiwan, which in consequence increases the expenses and takes nearly one month for the shipping duration. This factor makes Myanmar lacquerwares more expensive than the other countries and reduces its competitive power.

In the current meantime, the government fails to provide the international market. On the contrary, the international buyers are required to travel to Myanmar to purchase lacquerware products. Myanmar's business industry cannot expand its market internationally. There are many underlying reasons. For example, the Vietnamese government subsidizes 50% of the cost of the exhibition hall and the transportation fees. It remains a weakness that the Myanmar government cannot provide such appropriate support. Rather than the external lacquerware markets in East Asia and Southeast Asia, the industry should identify the high-demand Western market.

The research findings of the Lacquerware Technology College still remain obscure to and inapplicable for the Lacquerware businesses. Domestic demand is thin in the lacquerware industry, and there is also plastic lacquerware which are often bought by the domestic tourists.

Opportunities of the Lacquerware Business

Preparing change in the manufacturing process in accordance with the customer's behavioural change itself is an opportunity. Previously, lacquerwares were produced as kitchenware and home decoration items, but recently they were produced as women's accessories and handmade goods based on the current fashion trends. For example, necklaces, purses, and shirts are now made with lacquer.

Nowadays, the online markets and e-commerce is another market opportunity. Since the COVID-19 outbreak, purchases for the lacquerware have increased online.

Social Media (Facebook) is particularly used for marketing. As a result, the consumers can check the price and the products beforehand, and save time and money as they do not have to go in-person to purchase them.

Furthermore, it required High School diplomas for students in the past, but now the middle school students can apply for Lacquerware Technology College. Moreover, the government provides some relaxation such as free tuition fees and student stipend.

Although the Western countries are the major market for the lacquerware, a gradual increase in Chinese demand is an opportunity as well.

Threats to the Lacquerware Business

The main threat to the Myanmar lacquerware business is political instability. Having to mainly depend on the demand of international tourists, the political situation has a big impact on the lacquerware industry. A decline in the number of tourists resulted from the outbreak of the 2007 uprising and the Rohingya crisis and also affected by the global economic downturn.

When sanctions are imposed due to the domestic political circumstances, the commodity price rises nearly twice, thus rendering Myanmar lacquerware uncompetitive relative to other countries' products. If there is no direct transportation route due to economic sanctions, and products have to be transported via Singapore and Taiwan, the consumer incurs higher transportation costs than the actual product costs. The lack of direct international maritime and air cargo shipping, unlike other lacquerware-manufacturing neighbours such as Cambodia, Thailand, Vietnam, and Japan remain a main threat.

Suggestions

To compete with other lacquerware-manufacturing countries, these suggestions need to be followed.

- (1) Cooperation between the business owners and the government to identify the foreign market, and the government subsidizing the exhibition hall costs.**
- (2) Creating direct transportation routes to high-demand countries.**
- (3) Collaboration between the Lacquerware Technology College and business owners to conduct research and apply the findings.**
- (4) Collaboration between the government and owners to transform the lacquerware industry from handmade to machine-made production.**
- (5) To better attract international tourists and overseas markets, the lacquerware businesses must create new products based on current trends and designs and an easy access domestic market.**
- (6) Market creation for and preservation of lacquerware by the government in order to prevent Myanmar's centuries-old and invaluable lacquerware industry from any possibilities of being threatened with extinction.**

4.2 Summary of the Weaving Business and Gold Embroidery Industry

Businesses like weaving and gold embroidery suffer from minimal foreign market demand, instead mainly rely on the local market. Such businesses are highly concentrated in the central regions of Myanmar. Due to their artistic and technical nature, a shortage of skilled labour and worker turnover level is high. Due to the rising prominence of Myanmar's industrial sector, workers in the handicraft sector have tended to move to the industrial sector which offers relatively higher wages.² In addition, the former industry faced downturns during the COVID-19 pandemic due to its nature of work dependence on the local festivals and ceremonies for demand. Utilizing social media advertising and other digital means is recommended. Weaving and gold embroidery are required to produce the trendy items as the threat of being driven out of the market is increasingly prevalent if they fail to become attuned to the current generation.

² According to this research, the handicraft workers earn an average daily income of 6000 - 10000 kyats and the industrial workers earn an average daily income of 8000 - 12000 kyats. The industrial sector can employ more workers and provide better employee benefits thus resulting in the handicraft workers transferring to the industrial sector.

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Appendix

The major businesses of the states and regions are-

1. Agriculture and related businesses, production, hotel and tourism, transportation, and real estate in the Kachin State.
2. Hotel and tourism, agriculture and related businesses, production, energy, and mining businesses in Kayah State.
3. Agriculture and related businesses, hotel and tourism, production, transportation, and energy businesses in Karen State.
4. Hotel and tourism, energy, agriculture and related businesses, livestock, and urban development and industrial sector in Chin State.
5. Agriculture and related businesses (including agroforestry), livestock and fisheries, production, healthcare services, and eco-tourism in Mon State.
6. Agriculture and related businesses, livestock and fisheries, education services, business for the development of basic infrastructure and transportation, and hotel and tourism in Rakhine State.
7. Hotel and tourism, agriculture and related businesses, energy, production (agriculture-based production), and information and technology businesses in Shan State.
8. Agriculture and related production businesses (value added products), livestock, basic infrastructure, hotel and tourism, and mining businesses in Sagaing Region.
9. Labor-intensive production businesses, hotel and tourism, agriculture and related production businesses (value added products), livestock, and affordable housing development in Mandalay region.
10. Agriculture and related businesses, livestock, energy, production, and hotel and tourism in Magway region.

11. Agriculture and related businesses, livestock and fisheries, production, transportation and logistic service businesses, and education services in Naypyitaw.
12. Energy (solar and electricity generation businesses), industrial zone establishment, natural resort launching, affordable housing construction, and livestock in Bago region.
13. Production (value added and import substitution products), basic infrastructure, information and technology, hotel and tourism, and education services in Yangon region.
14. Agriculture and related businesses, livestock and fisheries, hotel and tourism, transportation, telecommunication, and energy businesses in Ayeyarwady region.
15. Road and bridge construction, energy, livestock and production, natural resources (pearls and mining), and agriculture and related businesses in Tanintharyi region.

The ultimate goal of businesses is profit. Myanmar Business Insight Report (MBIR) supports Myanmar businesses in achieving profits. This report provides a better understanding of the Myanmar business environment for various businesspersons seeking to expand investment in various regions and states, young entrepreneurs attempting to step into the business sector, bureaucratic people in the business mechanism, managers, and economic researchers.

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