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Burma - Union of

Grain and Feed Annual

2018 Annual Report

Approved By:

Rachel Nelson, Agricultural Affairs Officer

Prepared By:

Swe Mon Aung, Agricultural Specialist

Report Highlights:

Production of rice and corn in Burma is forecast to increase in MY 2017/18 due to increased farm mechanization and use of higher yielding seeds. Rice exports are expected to rise to 3.1 million metric tons in MY 2018/19 due to stronger demand from China and the European Union. Corn exports are also likely to expand in line with continued demand from China. Wheat imports are expected to grow in response to rising demand from the bakery sector.

Commodities:

Rice, Milled

Corn

Wheat

Executive Summary: The information contained in this report was obtained from a variety of sources including field travel, government and private sector publications, and interviews with officials from the Department of Agriculture (DOA), traders, and farmers.

Rice production is forecast to increase by 4.4 percent in Marketing Year (MY) 2017/18 due to expectations of more favorable weather, high price incentives, and increased use of farm machinery. Burma's rice exports are forecast to decrease by 10 percent in 2017/18 in anticipation of lower old crop supply.

Corn production in Burma (also called Myanmar) is expected to increase by 2 percent in MY 2017/18 due to expansion of both monsoon season main crop and dry season corn growing areas, particularly in Shan State (eastern part of the country), central dry zone and delta region (lower part of Burma), and the replacement of pulses with corn. Burma's corn exports in MY 2017/18 is likely to increase 3.4 percent as a result of robust demand from China and an anticipated easing of border inspections along the Burma and China border.

Wheat production in Burma is limited and increasing demand is expected to be met with imports. Wheat imports are expected to increase 13 percent MY 2017/18 as a result of changing consumer preferences and resulting higher domestic demand.

I. Rice

Rice, Milled Market Begin Year Burma (Myanmar)	2016/2017		2017/2018		2018/2019	
	Jan 2017		Jan 2018		Jan 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7030	7030	7100	7100	0	7150
Beginning Stocks	1241	1241	601	301	0	311
Milled Production	12650	12650	12950	13200	0	13400
Rough Production	19766	19766	20234	20625	0	20937
Milling Rate (.9999)	6400	6400	6400	6400	0	0
MY Imports	10	10	10	10	0	10
TY Imports	10	10	10	10	0	10
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	13901	13901	13561	13511	0	13721
MY Exports	3200	3350	3300	3000	0	3100
TY Exports	3200	3350	3300	3000	0	3100
Consumption and Residual	10100	10250	10000	10200	0	10200
Ending Stocks	601	301	261	311	0	421
Total Distribution	13901	13901	13561	13511	0	13721
Yield (Rough)	2.8117	2.8117	2.8499	2.9049	0	2.9283
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

Rice production is forecast to increase to 13.2 MMT in MY 2017/18 from 12.65 MMT in MY 2016/17 due mainly to favorable weather and the expectation of more irrigated water being provided for farmers. In MY 2018/2019, rice production is forecast to rebound to 13.4 MMT in anticipation of more price incentives, utilization of high yielding seeds, greater farm mechanization, and replacement of rice for pulses are due to low pulse prices resulting from an Indian pulse import ban in August 2017. Growth will also be propelled by robust rice export demand and more loans for Agricultural related small and median enterprise (SME) in 2018.

According to Department of Agriculture (DOA) statistics, the Ayeyarwady region covers about 28 percent of total paddy (rice) production, followed by the Bago region at about 17 percent and the Sagaing region at 12 percent. According to the Department of Agriculture, national average yields for monsoon paddy (rice) were about 3.8 MT/Ha and for summer paddy were 4.6 MT/Ha in 2016/17 (See Table).

Department of Agriculture's Farm Mechanization Division introduced small combine harvesters in 1996 and utilization of farm machinery and equipment increased in both States and Private sectors (See Table III). Farmers receive support to buy farm machines with hired pushed system by both cooperatives and private rice companies.

Consumption

The domestic consumption of milled rice is expected to decrease to 10.25 MMT in MY 2016/17 and 10.2 MMT in MY 2017/2018 due to changing eating habits, geared towards more bakery and fast food restaurants, especially in Yangon, Mandalay, Bagan and Naypyitaw.

Trade

Rice exports in MY 2017/18 are expected decreased to 3.0 MMT in 2017/18 from 3.35 MMT in MY 2016/17 as a result of lower stocks from 2016/2017 crops. Burma exported 3.35 MMT of rice in MY 2016/17 as a result of more export demand from the EU and African countries, and easing of Chinese government inspections along the border. Burma exported 3.35 MMT of rice to 60 countries in MY 2017/18 and extended sales to 22 new countries, to reach the highest export volume in 55 years. It was noted that non-border (official trade) has increased from 27 percent of total exports in 2014/15 to 50 percent in MY 2016/17 as a result of trade with the new African markets and additional rice purchasing agreements with Bangladesh, and Sri Lanka in 2017. Post forecasts rice exports in MY 2018/19 to increase to 3.1 MMT with the expectation of more production in line with anticipated higher demand from China and the EU countries. Burma exported rice to 60 countries in MY2017/18.

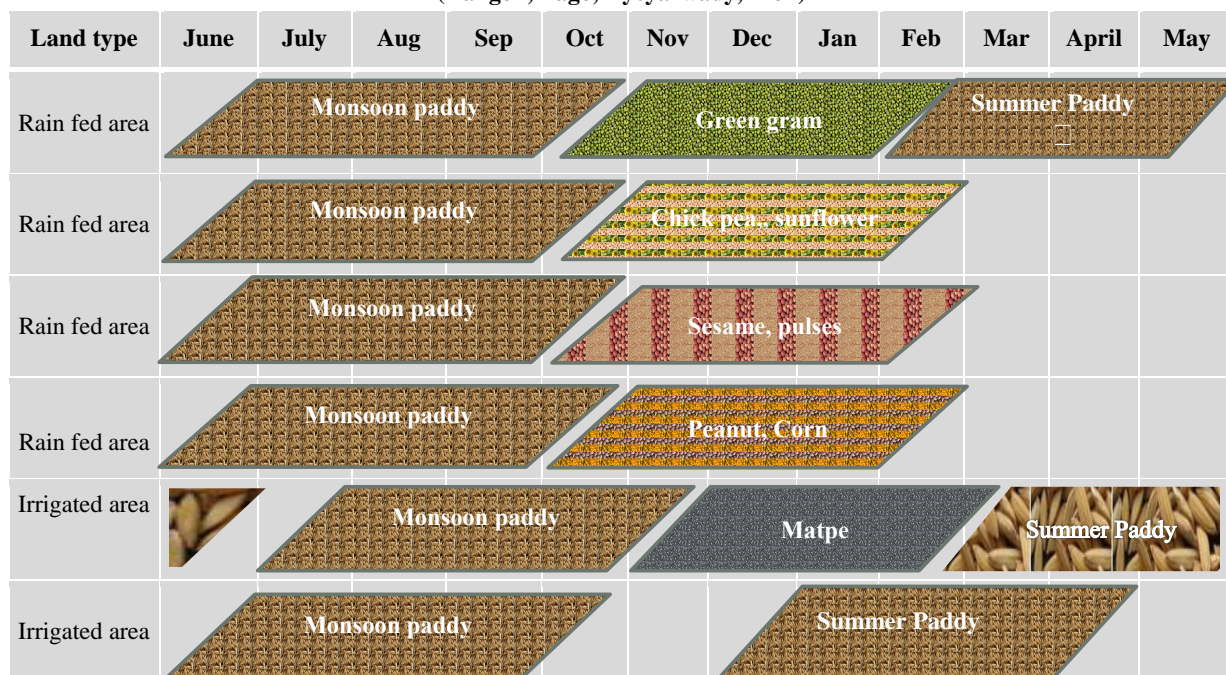
Sown areas for Rice, Corn and Wheat in Burma, 2017/18

Sr.	Region/state	Rice (000'Ha)				Corn (000'Ha)		Wheat (000'Ha)	
		Monsoon	Summer	Sown area	%	Sown area	%	Sown area	%
1	Naypyitaw	68	6	74	1.05	7.3	1.47		
2	Kachin	179	2	181	2.57	27.0	5.42	0.03	0.03
3	Kayah	37	2	39	0.55	23.6	4.74		
4	Kayin	189	46	236	3.34	21.4	4.30		
5	Chin	33	0	33	0.47	17.3	3.47	0.27	0.32
6	Sagaing	730	129	859	12.15	78.3	15.72	66.11	76.38
7	Taninthari	99	4	103	1.46	0.1	0.02		
8	Bago	1,080	88	1,168	16.53	3.2	0.64		
9	Magwe	279	23	302	4.27	24.9	5.00	0.32	0.37
10	Mandalay	216	45	260	3.69	15.2	3.04	4.61	5.33
11	Mon	279	18	297	4.21				
12	Rakhaine	447	4	451	6.38	0.0	0.00		
13	Yangon	469	72	541	7.66	0.1	0.02		
14	Shan	518	16	534	7.55	269.1	53.99	15.21	17.57
	Southern Shan	227	9	235	3.33	106.1	21.30	8.22	9.49
	Nothern Shan	177	3	179	2.54	148.1	29.72	6.99	8.08
	Eastern Shan	114	5	119	1.68	14.8	2.98		
15	Ayeyarwady	1,450	538	1,988	28.13	10.8	2.17		
	Union	6,074	992	7,066		498.31		87	
	Average Yield (MT/Ha)			3.85		4		1.50	

Source: Department of Agriculture, MoALI

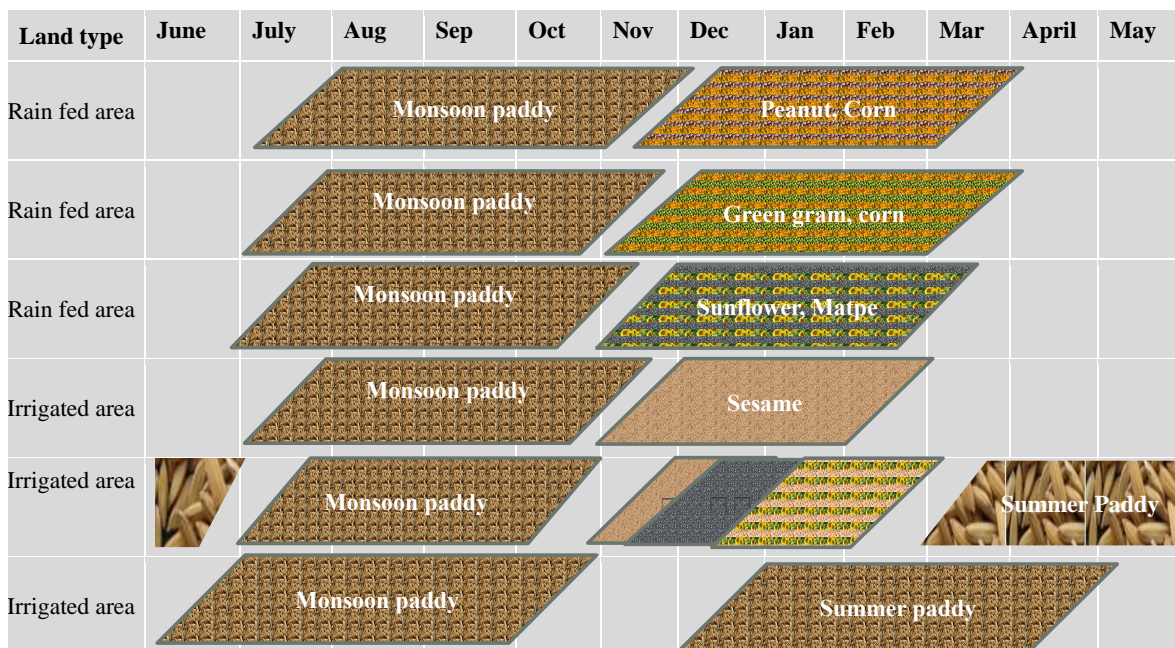
For Myanmar Map, please visit to http://dwms.fao.org/atlas/myanmar/atlas_en.htm

Rice based Crop calendar and cropping pattern in Lower Myanmar
(Yangon, Bago, Ayeyarwady, Mon)



Source: Department of Agriculture, MoALI

Rice based Crop calendar and cropping pattern in Central Myanmar
(Mandalay, Sagaing and Magwe)



Source: Department of Agriculture, MoALI

Utilization of Farm Machinery in Burma

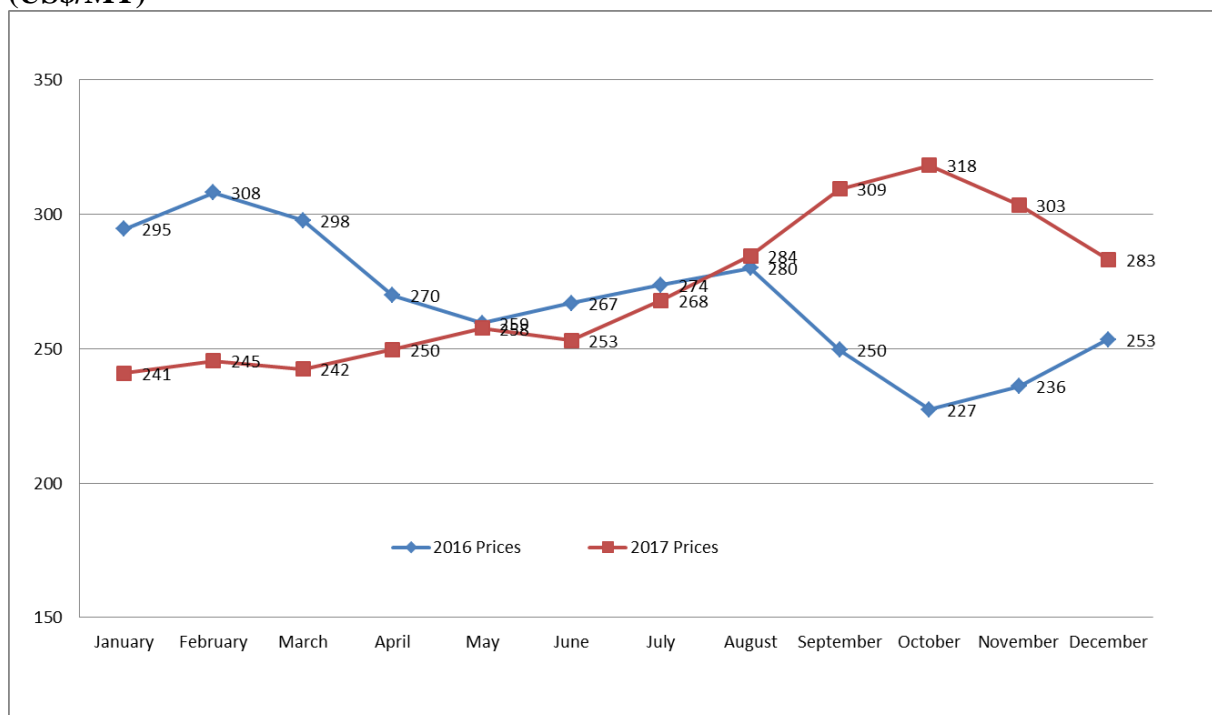
Types of farm Machines	2013/14	2014/15	2016/17	2017/18 (Projected)
Power tiller	257,971	286,097	300,247	305,000
Cultivating Roller Boat	5,403	6,065	7,467	9,000
Tresher	55,104	61,793	61,997	65,000
Combine Harvester	668	1,680	2,521	3,000
Transplant	122	169	286	350

Source: Department of Farm Mechanization, MoALI

Price

According to trade sources, average domestic wholesale prices for Emata rice in 2017/2018 are higher than the prices in MY 2016/17. Low grade Emata rice prices in MY 2016/17 started at US\$241/MT and have increased steadily until August and then sharply in September, in line with robust export demand.

Monthly average domestic wholesale prices for Emata rice (low grade) in 2016/2017 (US\$/MT)



Source: etrade Myanmar

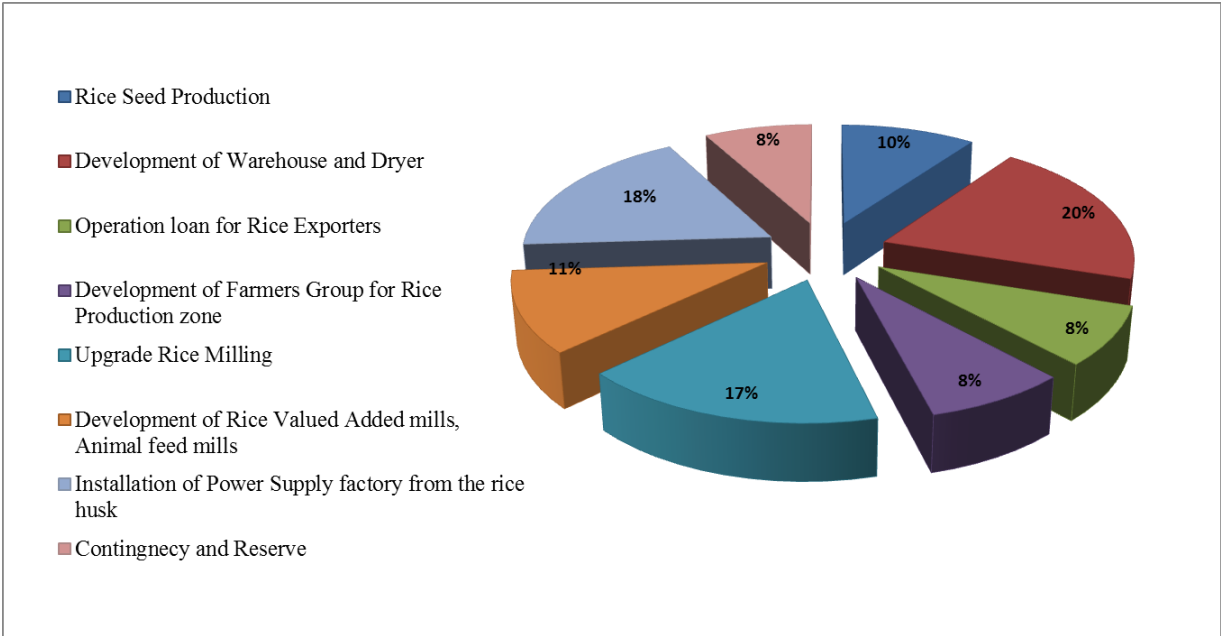
Currency exchange rate: 1 US\$ =1,320 kyats

Note: Rice in Burma is sold in 108 pound (lb) bags

Production Policy

The Myanmar Agricultural Development Bank (MADB), a government enterprise, currently provides limited seasonal crop production loans to rice farmers, totaling more than 730 billion kyats (US\$ 594 million). The MADB provides credit for rice farmers of up to 150,000 kyat (US\$115) for maximum 10 acres with an 8% interest rate. Farmers can also access credit from other sources i.e. cooperatives, the Myanmar Rice Federation and NGOs. The government also rents farm machinery to farmers for a nominal fee. The Department of Agriculture distributed 1,900 MT of paddy seed to famers in 2016/17.

The Government announced that it would provide more than US\$ 45 Million (Kyats 60 billions) in January 2018 for agricultural related SMEs, and the distribution of loans for the rice sector is shown in the chart below. In addition to SME loans, the Myanmar Rice Federation announced the reference price for certain quality paddy of US\$189/ MT (MMK 250,000/ MT) on March 6, 2018 during the Myanmar Rice Stakeholder Forum in Naypyitaw. It is not yet clear how this reference price will be enforced or supported by the Government, if at all.



Source: Myanmar Rice Federation

II. Corn

Corn Market Begin Year Burma (Myanmar)	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	520	520	530	530	0	540
Beginning Stocks	48	48	53	33	0	68
Production	2100	2200	2200	2250	0	2300
MY Imports	5	5	0	5	0	5
TY Imports	5	5	0	5	0	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2153	2253	2253	2288	0	2373
MY Exports	1100	1450	1200	1500	0	1500
TY Exports	1100	1450	1200	1500	0	1500
Feed and Residual	900	700	900	650	0	650
FSI Consumption	100	70	100	70	0	70
Total Consumption	1000	770	1000	720	0	720
Ending Stocks	53	33	53	68	0	153
Total Distribution	2153	2253	2253	2288	0	2373
Yield	4.0385	4.2308	4.1509	4.2453	0	4.2593
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

Corn production in Burma is expected to increase to 2.25 MMT in MY 2017/18 and 2.3 MMT in MY 2018/19 due to the expansion of both rain fed and winter corn growing areas, particularly in Shan State (eastern part of the country), and due to the replacement of pulse areas with corn in the delta and central dry zone after India's ban on pulses import. Strong domestic corn prices in 2017 also could encourage increased production in My 2018/19. Farmers primarily use high-yield hybrid seeds, which account for more than 85 percent of corn production. Hybrid corn seeds are provided by Thailand, China, and Vietnam based companies, such as CP, Seed Asia, Ayeyarwady, Seven Tiger, etc., mostly through contract farming. About 52 percent of Burma's corn production area is located in Shan State (eastern region of the country) in 2016/17.

Feed Consumption

Domestic corn demand in MY 2018/19 and in MY 2016/17 is expected to slow down as result of reduced poultry feed demand after an outbreak of AI in August-September 2017, and more utilization of DDGS and soybean meal in feed rations. According to one trade source, the poultry sector increased by 15 percent in 2016 and only 5 percent in 2017 due to Avian Influenza (AI) outbreak in 2017. Myanmar total feed demand is about 2.5MMT in 2017 and about 50 percent is consumed by the poultry sector. Formulated feed is only 50 percent and the rest is home-mixed feed. **Trade**

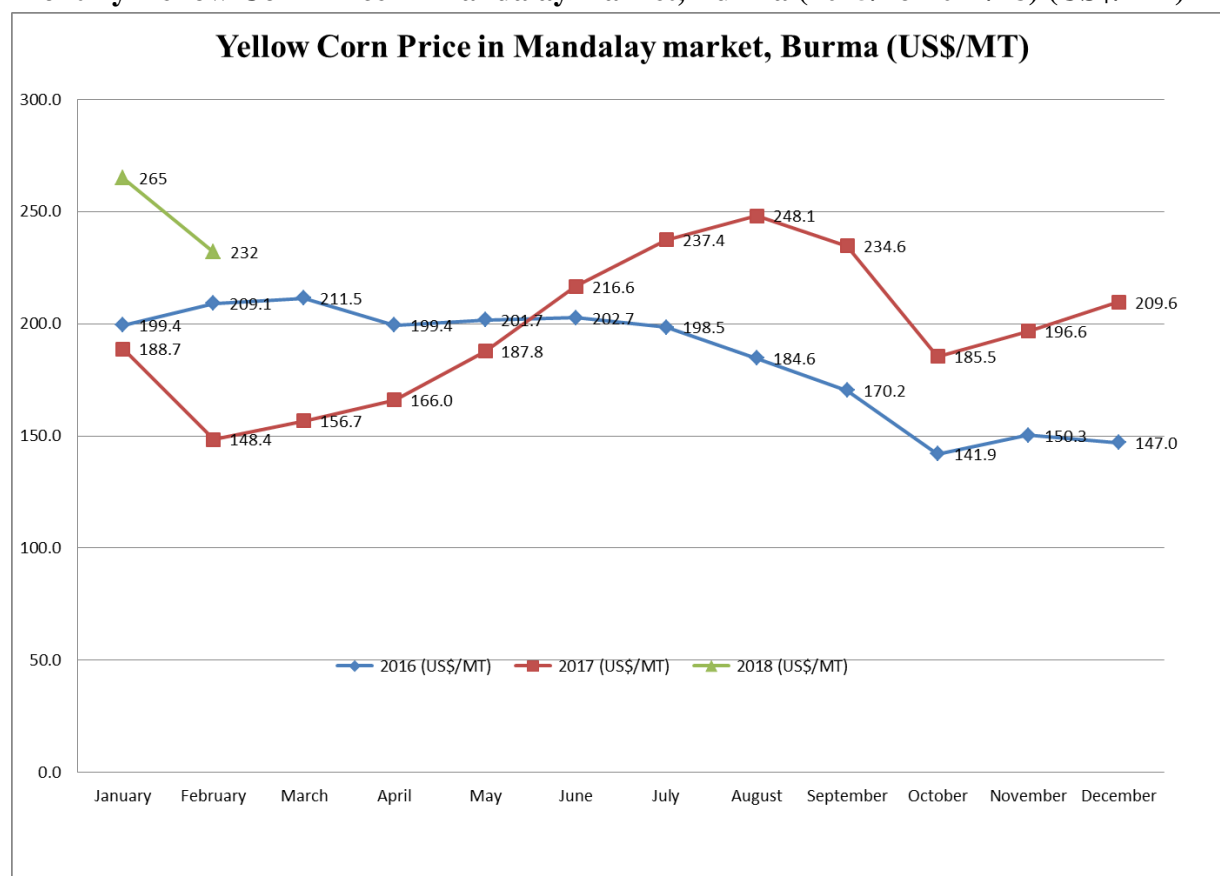
Burma corn exports in MY 2017/18 and MY 2018/19 are forecast to increased 1.5 MMT in anticipation of robust trade with China. In MY 2017/18, according to government and trade sources, almost 92

percent of Burma's corn exports took place along the border between Burma and China. The remaining 8 percent was exported to Singapore, Malaysia, the Philippines, Vietnam, Taiwan and Hong Kong. According to trade source, the poultry sector increased by 15 percent in 2016 and only 5 percent in 2017 due to Avian Influenza (AI) outbreak in 2017

Prices

Corn prices started high from June 2017 and reached their highest levels in January 2018 as a result of continuous strong demand from China. Due to high domestic prices, feed millers and livestock industries are considering to import corn from other countries.

Monthly Yellow Corn Price in Mandalay market, Burma (2015/16-2017/18) (US\$/MT)



Source: etrade Myanmar

Currency exchange rate: 1 US\$ =1,320 kyats

Policy

The government does not provide any subsidies to corn farmers however it provides technical assistant such as GAP training during the corn growing season. The Ministry of Agriculture, Livestock and Irrigation (MOALI) has developed corn seed varieties for research and distributes about 75- 90 MT of corn seed per year. There are no trade restrictions for corn exports; however, permits are required for the export of corn.

III. Wheat

Wheat Market Begin Year Burma (Myanmar)	2016/2017		2017/2018		2018/2019	
	Jul 2016		Jul 2017		Jul 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	100	100	95	87	0	85
Beginning Stocks	95	95	132	45	0	40
Production	180	180	170	135	0	130
MY Imports	482	450	550	510	0	530
TY Imports	482	450	550	510	0	530
TY Imp. from U.S.	38	30	0	33	0	35
Total Supply	757	725	852	690	0	700
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	0	0	0	0	0	0
FSI Consumption	625	620	675	650	0	675
Total Consumption	625	620	675	650	0	675
Ending Stocks	132	45	177	40	0	25
Total Distribution	757	665	852	690	0	700
Yield	1.8	1.8	1.7895	1.5517	0	1.5294
(1000 HA) ,(1000 MT) ,(MT/HA)						

Production

Wheat production in Burma is expected to decrease to 135,000 MT in MY 2017/18 and 130,000 in MY 2018/19 due to the limited areas suitable for wheat cultivation, late rainfall in Shan State, and poor price incentives compared to other crops such as chick pea, coriander seed and sweet potato. Wheat is mainly grown in saline areas of the central dry zone where other crops cannot be grown. Farmers still grow wheat primarily for animal feed and subsistence use.

Consumption

Consumption of wheat flour is expected to continue to grow in MY 2017/18 and MY 2018/19 due to changing lifestyles that incorporate more convenience food, especially by young people. New bakeries, cafes and fast food shops around the country are fueling the demand for snack and baked goods derived from wheat flour. According to major wheat mills (U Kyu and Diamond Star), about 44 percent of total wheat flour is utilizing for making noodles, 34 percent is utilizing for the bakery sectors and 22 percent is used for others and general purposes such as wheat-based food for breakfast. Although there are small scale flour mills in central and upper Burma, the key players in the domestic wheat industry are the U Kyu Family Group, Capital Diamond Star and Htun Myittar companies, which are all located in Rangoon. Together, these three companies hold 85 percent share of the Burma wheat market. There are

about 25 wheat flour mills in Mandalay (central part of country), using around 30-60MT/day of mostly local wheat grain, according to demand.

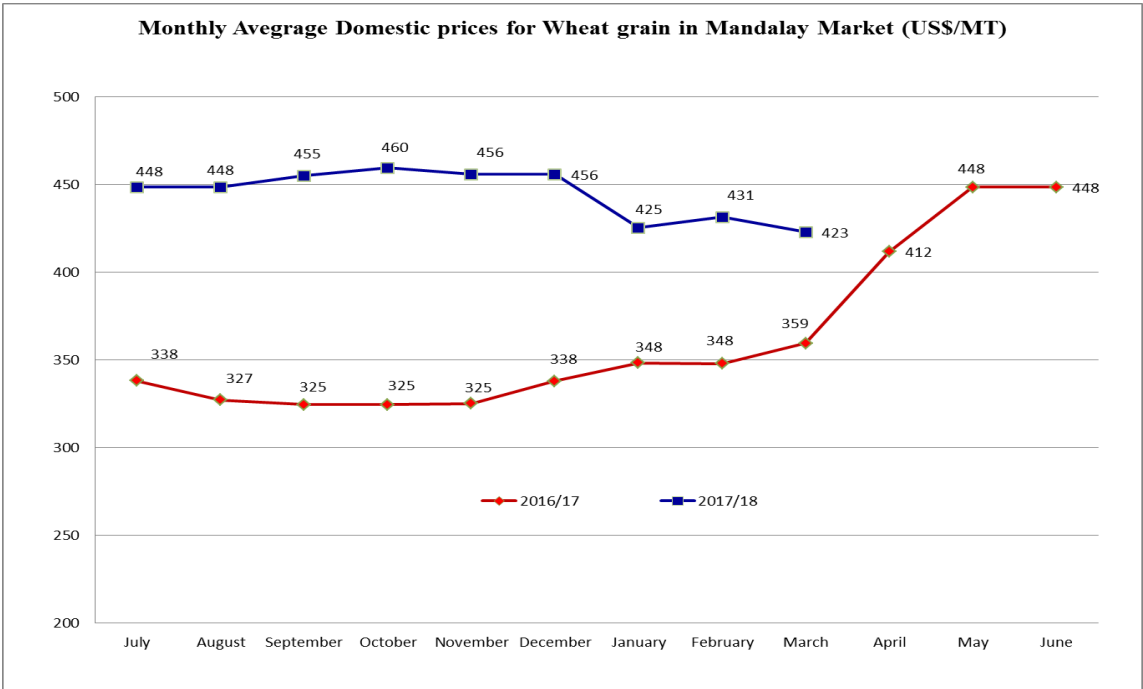
Trade

Wheat imports are expected to climb to 510,000 MT in MY 2017/18 and 530,000 MT in MY 2018/19. Burma imports wheat grain and flour from Australia, the United States, Ukraine, Moldova, Austria, Thailand, China, India, Malaysia, Indonesia, Vietnam, the Philippines, Singapore and Korea. Australia accounts for 75 percent of total wheat grain imports. Due to strong domestic demand, some companies such as Grand Royal Whisky entered the wheat business and started to import wheat flour. Wilmar Myanmar Limited is another major wheat flour importer.

Prices

Domestic wheat prices totally depend on demand from the mills in the Mandalay area, as they use local wheat. Domestic wholesale prices of wheat grain increased in 2017 compared to the prices in 2016 due to low domestic wheat production and high demand from the small mills in Mandalay. U Kyu family and Capital Diamond Star imported wheat grain to us for their own mills.

Monthly Average Domestic Prices for Wheat grain in Mandalay Market (US\$/MT)



Source: etrade Myanmar
Currency exchange rate: 1 US\$ =1,320 kyats

Policy

The government does not have any support programs for wheat producers; however, it does conduct wheat variety trials with contract farmers and disseminates the results publicly. There are no trade restrictions for wheat imports; however, permits are required for the import of wheat.

Import Tariff in Burma

Commodity	Purpose	Unit of Quantity	MFN Rate (%)
Rice	Consumption	kg	5
Rice seed	Sowing	kg	0
Wheat Grain	Consumption	kg	0
Wheat Flour	Consumption	kg	5
Corn Seed	Sowing	kg	0
Corn Flour	Consumption	kg	5
Beans and Pulses	Consumption	kg	15
Beans and Pulses	Sowing	kg	0

Source: Myanmar Customs Department