

MYANMAR EDIBLE OIL CORPS SUB-SECTOR

Industry Analysis

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LAND USE OF MYANMAR (2007-2008)

Sr.	Type of Land	Area (000 ha)	Percentage %
1	Net Sown Area	11,670	17.2 %
2	Fallow Land	256	0.4 %
3	Cultivable Waste Land	5,753	8.5 %
4	Reserved Forests	17,429	25.8 %
5	Other Forests	16,006	23.7 %
6	Others (not suitable for crop land)	16,545	24.4%
Total		67,659	100 %

OILSEED CROP PRODUCTION



Major Oil seed crop cultivating areas are

- Ayeyarwady,
- Sagaing,
- Mandalay,
- Magwe Division and
- Shan State.

Location
Latitude : 9 32 ' - 28 31'
Longitude : 92 10' - 101 11'

Land frontier :

with Thailand	2099 km
with Laos	235 km
with China	2227 km
with Bangladesh	272 km
with India	1453 km

Sea frontier :

Rakhine coastline	713 km
Delta coastline	438 km
Tanintharyi coastline	1078 km

OIL PROCESSORS

- Over 3500 oil mills in Myanmar
 - Approximately 2500 mills (Small scale; <25HP; 0.5 tonne/8 hours)
 - Approximately 800 mills (Medium scale; 25-50HP ; 2.25 tonne/8 hours)
 - Approximately 200 mills (Large scale; >50HP; 12 tonne/8 hours)
 - 22 Solvent plants (19 Public & 3 Private)

LOCAL PROCESSORS' SUPPLY CHAIN








- Farmers supply the harvest crops to collectors (Crop traders).
- Collectors supply the crops directly to processors or indirectly through trading agents.
- Processors purchase the crops needed for processing through Collectors or trading agents.
- The finished goods (edible oil) is distributed to consumers through distributors such as wholesalers, retailer, supermarkets and door to door etc.





DIFFERENT TYPES OF CROPS USED BY MYANMAR OIL PROCESSORS

- Commonly used crops in Myanmar by local processors:
 - Goundnut
 - High demand groundnut variety (Hand pick for snack production/consumption) for informal trading through borders
 - SP121
 - Magway-12
 - Sultani varity
 - Pin Pyant (6 months varity)
 - Pin Pyant (4 months varity)
 - Colour sesame
 - Red, brown, yellow and mixed colour
 - Sunflower
 - Mustard
 - Niger
 - Soybean

OIL SEED CROP PRODUCTION (2009-10)

Crop	Sown Area (^{'000} ha)	Yield (kg/ha)	Production (^{'000} Mt)
Groundnut 	866	1,116.60	967
Sesame 	1,634	530.63	867
Sunflower 	882	886.62	782
Mustard 	100	810.00	81
Niger 	156	673.07	105

OTHER POTENTIAL SOURCES

1.	Soybean		258,000	mt
			171,000	ha
2.	Rice Bran		31.45	mil mt
			8.09	mil ha
3.	Cotton Seed		308,000	mt
			368,000	ha
4.	Palm Oil		244,000	fruit branch
			112,000	ha

ESTIMATION OF EDIBLE OIL SUFFICIENCY (BASED ON 2009-2010 PRODUCTION)

1.	Population	60	mil
2.	a) Annual total consumption (@ 10 kg/person/year)	600,000	mt
	b) Industries & Restaurant uses	250,000	mt
	Total Requirements per year	850,000	mt
3.	Total Domestic Production (@ 60% of total production for crushing and less export & other uses)	580,000	mt
4.	Annual Import Requirement (2) – (3) = (4)	270,000	mt

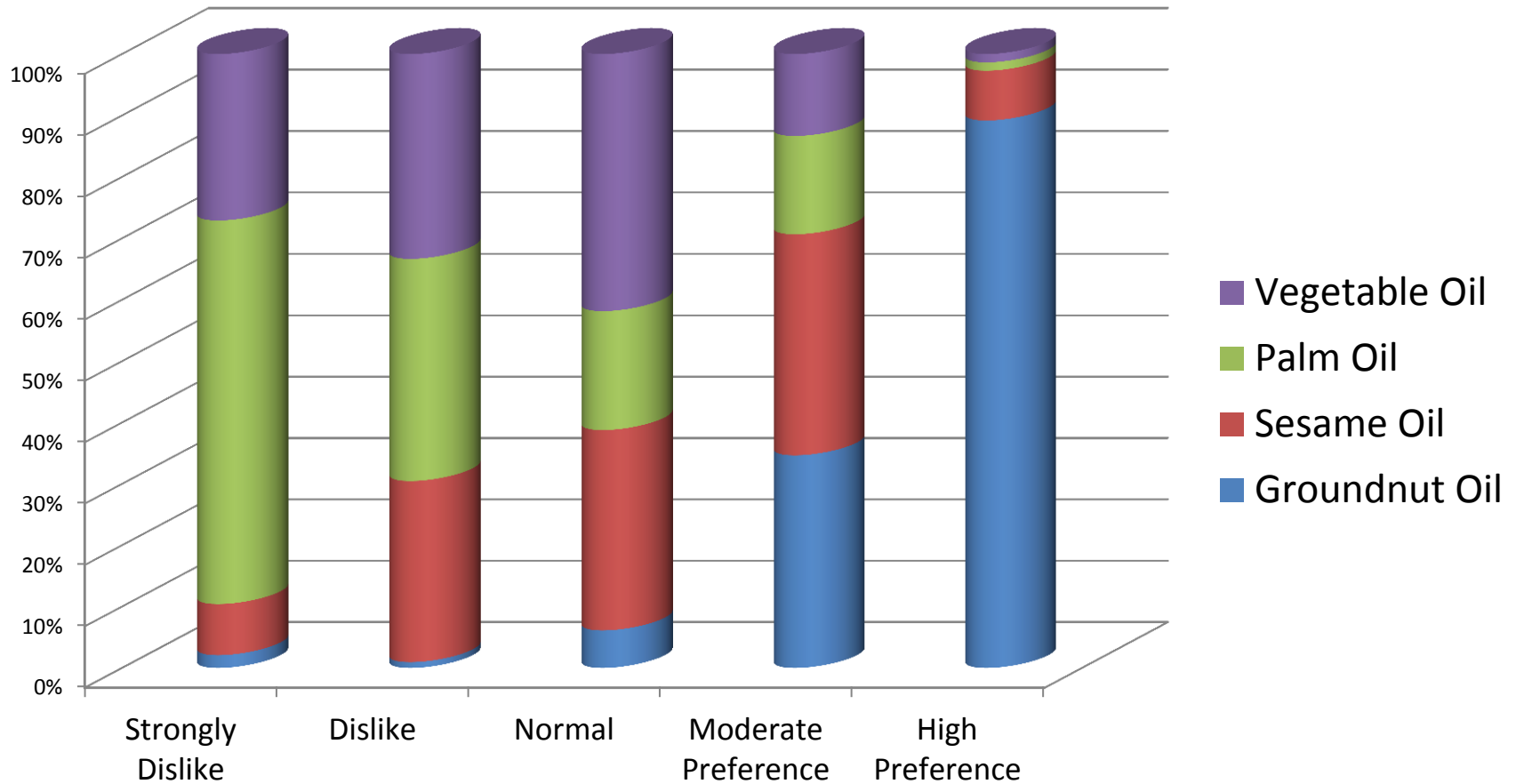
CUSTOMER PREFERENCE SURVEY

- Conducted in Yangon, Mandalay and Mawlamyine in October and November 2010.
- Covered 900 households – Yangon (500), Mandalay (250) and Mawlamyine (150) in 17 different townships and 90 different wards.
- Targeted female housewives with the age range from 25~50 year old.

DEGREE OF PREFERENCE ON DIFFERENT TYPES OF EDIBLE OIL

Type	Strongly Dislike	Dislike	Normal	Moderate Preference	High Preference
Groundnut Oil	1%	1%	6%	26%	66%
Sesame Oil	4%	31%	32%	27%	6%
Palm Oil	30%	38%	19%	12%	1%
Vegetable Oil	13%	35%	41%	10%	1%

DEGREE OF PREFERENCE IN DIFFERENT TYPES OF EDIBLE OIL



CONSUMERS' PREFERENCE ON DIFFERENT EDIBLE OIL TYPE

	Groundnut Oil	Sesame Oil	Palm Oil	Vegetable Oil	Soy Bean Oil	Sunflower Oil	Olive Oil	No Preference
Taste	97%	19%	3%	5%	2%	1%	2%	
Aroma	92%	34%	2%	2%	2%	3%	3%	
Affordability	4%	2%	96%	5%	0%	0%	0%	1%
Nutritious	90%	10%	1%	4%	2%	1%	1%	5%
Suitable to Health	90%	18%	1%	5%	2%	1%	2%	1%

CUSTOMER PREFERENCE

- Groundnut oil is accessed to be the highest consumer preference.
- Palm oil is accessed to be the lowest consumer preference.

FACTORS IMPACTING LOCAL OIL PROCESSING

- Intrinsic Factors
 - Technological barrier
 - Under developed research and strategy
 - Scarce resources-Electrical Power Supply
- Extrinsic Factors
 - Import
 - Heavy importation of substitute edible oil
 - Export
 - Formal and informal exportation

INTRINSIC FACTORS – TECHNOLOGICAL FACTORS

- Of approximately 3,500 mills, less than half of the mills are in operation.
- Less than 200 mills could produce <12 tons per 8 hour working day.
- Most of the oil processing mills lack sophistication and efficiency.
 - Majority of the mills are produced in China and locally assembled in Myanmar.
 - Production Output efficiency is very low.
 - Inferior production quality and production capacity.
- Oil residue in oil cakes are very high (7~12%) and the quality of oil cakes are inferior.
- Modernization of edible oil industry will substantially increase the edible oil production and then quality of export.

INTRINSIC FACTOR - UNDER DEVELOPED RESEARCH & STRATEGY

- Many processors operate with many years of experience in the family business.
- In general, lack proper research of the market and little improvement to traditional method.
- There is no internally driven cooperation among processors and sharing of knowledge to improve research and development area.
 - Not ready for mainstream international market

INTRINSIC FACTOR - ELECTRICAL POWER SUPPLY

- Unstable electrical power supply is one of the biggest issues for processors.
- During blackouts, the processors have to use the diesel generator to operate the mills.
- Power generated diesel generator is 4 times higher than that of EPC (200 kyats per 1KWH versus 50 kyats per 1KWH) → Drives up the production cost and ultimately leaves the local supply less competitive.

EXTRINSIC FACTOR – INTENSE COMPETITION

- Local processors face competition on two levels besides competition among themselves
 - Raw material acquisition
 - Import of other edible oil
 - Especially Palm Oil

EXTRINSIC FACTOR – EXPORTING FORMAL AND INFORMAL

- Indirect Competitors (Competition on raw material)
 - Exporters (Groundnuts and sesame seeds)
 - Indirect export (Border Export)
- Better quality crops such as hand-picked groundnut, without shell, is highly in demand by bordering countries through informal border trade.
- Informal trade – Pushed raw materials price up in local markets.

EXTRINSIC FACTOR – IMPORTING OTHER SUBSTITUTES

- Direct Competitors
 - Imported brands
 - Imported Palm Oil
 - Palm oil is the highest demand due to its low price in local market.
 - Average price for groundnut oil = 3650
 - Average price for palm oil = 2625
 - Price of pure groundnut oil is 39% higher than that of palm oil
 - Groundnut oil demand is highly affected by its high price.
 - Border import of packaged brands

ANNUAL PALM OIL IMPORT (2004 – 2009)

No.	Years	Unit	Qty	Value-USD IN MIL
1	2004-2005	MT	161,802.67	80.34
2	2005-2006	MT	176,459.18	75.96
3	2006-2007	MT	167,780.29	74.27
4	2007-2008	MT	319,211.87	203.07
5	2008-2009	MT	245,798.96	260.30
6	2009-2010	MT	283,638.61	291.00

EXPORT OF OIL SEED & IMPORT OF EDIBLE OIL

Export of Oil Seeds

(2006-07 to 2008-09 Avg)

- Sesame Seeds
(Normal trade & border trade)

107,000 Mt

127 million US\$

- Niger Seeds

3,573 Mt

2.58 million US\$

Import of Palm Oil

(2004-05 to 2009-10 Avg)

226,000 Mt

164 million US\$

RECOMMENDATION

- Regulations on the whole edible oil business has DOUBLE HEADED SWORD effect.
- Protecting one aspect of the sector can negatively effect the other aspect of the sector
 - For example, restriction on export of crops to promote local edible oil production will have serious impact on the exporting sector and income of farmers.
- Check and balance is needed in regulation.

FUTURE POTENTIAL

- Future potential for edible oil production in Myanmar is very high.
- There is plenty of room to expand the present area and yield.
 - a) new edible oil crops such as soybean, safflower, corn can be developed within a short period.
 - b) utilization of by-products (bran and cotton seed) and reduction of waste (residue in cakes)
- Myanmar could become not only self sufficiency but also "Oil Pot" of Asia.



THANK YOU FOR YOUR KIND ATTENTION!