



Myanmar Market NewsBrews - 15 February 2018

Myanmar - a rising coffee market in South Asia

- **Local market:** Harvest is in full swing! The harvest started one month earlier, with pickings in November. In early January, harvesting was interrupted by three days of heavy rains that was leading to a delay of the drying process. Farmers were not prepared to protect their coffee cherries against the rain. After that incident and loss of the first lots, producers equipped their drying facilities with shelters.

The gate price for fresh cherries remains unchanged to prior year, at 900-1000 kyats/viss (US 0.41 ct/lb). At the same time, FOB prices went up from 0.25-50 ct/lb. Exporters are explaining the rising production costs with the increasing cost of labour, a correction of the basic daily salary of workers at K4800 or K600 per hour (3.5 USD/day) that was announced by the government at the beginning of this year. The current FOB price ranges between US 2.50-3.30 ct/lb. Lately, some activity was already seen in the internal market. Flow of parchment started only a few days ago.

Myanmar is a new origin and an attractive travel destination: The first coffee buyer tours kicked-off in January. There were some interesting stakeholders coming back to Myanmar, such *Blue Bottle*, who bought coffee from Sin Net Chaung Community in 2017. In addition to US and European buyers, rising interest from the South Asian subregion can be observed. Good demand for gourmet coffees noticed. Chin and Mandalay coffees cupped particularly well. With the rising consumption of specialty coffee in neighboring countries Thailand and China, demand for Myanmar Arabica is rapidly increasing.

Coffee shops in Myanmar are gaining a momentum: Yangon is on the way to become a second "Gangneung". Putting new coffee business together remains though, but coffee is definitely one promising sector where local, and Asian investors look for opportunities. Although purchasing power in Myanmar is still limited, the young generation likes to have a great cup of "Joe". While drinking coffee in chains such as "Gloria Jeans" or the Thai chains "Caffea", young people are saying to long for Starbucks' arrival to Myanmar. Most of the local coffee shops are using more than 70% Myanmar beans, the rest of the coffee is being imported. There are still barriers to import directly, so that most coffee shops do buy roasted bean from abroad.

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- **Export Market:** Export business is competing with the rising local demand. As some of the bigger local estate holders do also run their own coffee business (roasting/coffee shops) exports have moved to a “needs only” pace of business. Exporters are saying to see buyers from the West to be more hesitant to buy because of the ongoing conflict situation in Rakhine State. One of the biggest buyers - Starbucks - entirely stopped buying Myanmar coffee this year.

The Mandalay Coffee Group (MCG), one of the largest exporter in the country. The mill was installed in 2014 and gradually upgraded with new facilities. The mill includes more than 50 stakeholders, most of them are estate farmers from the nearby area in Pwin Oo Lwin (Mandalay region). The majority of coffees sold are specialty coffees (SCAA 82 - 87+).

Myanmar coffee will be traded during the upcoming months, but business may be more limited unless there is a change in price. First shipments are awaiting for April.

- **Myanmar regional updates:**

First pickings are usually happening in Mandalay region, followed by Shan and Chin State. While competition is fierce in Shan State - Myanmar’s cradle for specialty - new regions are popping up on the map. In Kayin State (Taundanggy, Taungoo), the government is planning to expand 3000 acres for robusta plantations in the upcoming years. In the southwest of the country, [Yoma](#) expanded coffee by investing 40 mio. for Robusta coffee cultivation, hoping the frontier economy has the potential to develop a strong coffee industry.

- **Currency**

Myanmar Kyat had been oscillating around 1325-1330 in the second week of February. The break was taken more as a signal of USD weakness than Myanmar strengths. The Central Bank of Myanmar (CBM) will not revise the interest rates on bank deposits, borrowings and government treasury bonds, CBM Vice-Governor U Soe Thein told the media at the end of January. Currently, the Central Bank Rate is 10 percent per annum.

Exchange Rate: 1 USD = 1323 MMK

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