

AN ANALYSIS OF MARKETS ACROSS MAGWAY DIVISION – May 2010

Markets

Information was collected from markets in twenty townships across the Magway area. Information was collected on the availability of various foods in the market both historically and currently. This data was complimented by data on prices of food currently available in the market.

Availability

Traders were asked if a particular food item was normally traded in their market by them during the present period (i.e. time of data collection) of the year.

- Almost every market reported that rice, potato, mutton, oil, tomato, pork, chicken and onion were normally traded at the present time of year. Thus cereals, vegetables and meat were usually available and sold across Magway during the month of May.
- Groundnuts, cabbage and charcoal had a slightly lower availability. Approximately 80% of all markets sampled reported these items being usually available in May.
- Maize, peas, sesame and petrol were the items that were reported to be the least available during the month of May. Approximately 50% of all markets did not normally stock these items in May. While the unavailability of crops is due to the seasonality and agricultural cycle of the crop; the unavailability of petrol is probably a yearlong phenomenon.

Traders were then asked if the above items were currently available in the market.

- It is seen that all items that are normally available at this time of year are also currently available. Rice, vegetables, meat and poultry were currently available in at least 95% of the markets.
- Items that depicted low availability were maize, peas, sesame and petrol. This is not a surprising finding as historically the 3 food items are not widely available in Magway during May.
- Cabbage was the only item that showed a marked lowered availability with respect to normal availability. Currently cabbage was available in only 14 of the 20 markets sampled across Magway.

From the data collected, it is clear that markets in Magway sell a variety of food and that most of this food is available / sold in most markets across all townships. At the current time very few items depict show low availability and do so due to seasonality of the crop. The only exception being petrol. The transport costs incurred in obtaining and selling petrol in markets would drive the costs up thus limiting

access and demand for the same. This could be a reason for the lack of availability of petrol in 50% of the sampled markets.

Prices

Prices were collected for currently available items from markets of various townships. A wide variation in prices is seen for most items.

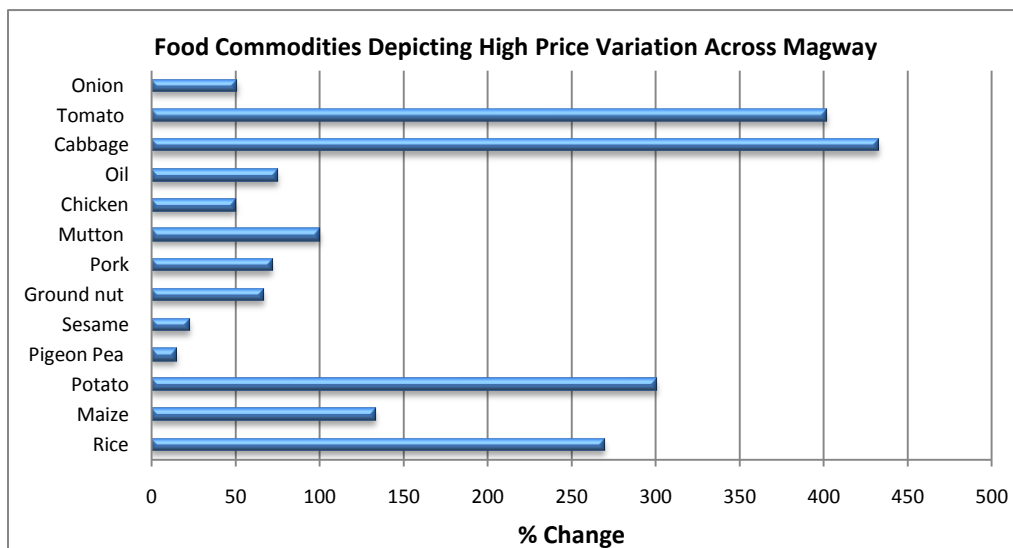
Commodities that saw the highest variation in prices across Magway were

- a) Cabbage – Prices ranged from minimum of 184 Kyats per Kg. to a maximum of 980 Kyats per Kg.

- b) Tomato – Similar to cabbage; tomato prices saw a price fluctuation across

Magway ranging from a minimum of 122 Kyats per Kg. to a maximum of 612 Kyats per Kg.

- c) Rice – Being a staple food, the change in rice prices will have greater repercussions to household food security. The price for a Kg of rice ranged from a minimum of 325 Kyats to a maximum of 1200 Kyats.
- d) Potato – Prices ranging from 306 Kyats to 1225 Kyats for a Kg



Commodities that saw the least variation in prices across Magway were

- a) Pigeon pea
- b) Sesame
- c) Chicken
- d) Onion

Thus the prices of staple foods or foods eaten often by a household such as potato or tomato tend to depict wide variation between markets; such variation being a function of local demand and supply factors.

Disaggregating the data on prices by township the following can be ascertained:

- Rice prices in Chauk Township were more than 50% higher than prices in other townships. While all markets in Chauk depict a higher rice price; the price for a Kg. of rice in Chauk Peth market is extraordinarily high. More information needs to be collected to determine if this is an anomaly or if rice prices are constantly this high in this particular market.
- Food prices in various markets in the townships of Chauk, Yenanchaung were, on average, higher than prices in other townships.
- The food prices for meat and poultry were found to be higher in the markets of Chauk, Pakokku and Yenanchaung.
- The main reason for increase or decrease in sales price was primarily related to bad harvests (leading to lowered food availability which in turn would increase food prices adversely affecting access). Other reasons put forth include the flow of food items into and out of a village to neighboring markets.

Pricing

Respondents were asked about how retail prices were determined in the market.

The most common method of pricing goods was individual retailers determining their own price. This would be determined by the demand and supply forces of the local market and the stock considerations of the seller. This also explains the wide variation in prices seen across markets for the same commodity.

There were very few instances of retailers collectively determining a retail price or even agreeing on a minimum retail price.



Only in the case of pork was a slightly different format for pricing seen. Here, in many cases prices were fixed by the government (local government). In a small percentage of markets, wholesalers would fix the retail price.

Retailers & Wholesalers

Information was also collected on the number of retailers and wholesale traders (who sell to retailers) with respect to three major food commodities; rice, pork and vegetables. Furthermore, information on how prices were determined for the commodity was also collected.

Rice - On average a market had approximately 16 – 17 rice retailers who in turn bought stock from any of 4 wholesalers. However these are average figures and there is a wide variation in number of retailers and wholesalers depending on the size of the market. The number of retailers ranged from just a few to nearly 70 in a single market (Chauk). The townships of Chauk, Magway, Pakokku and Yesagyoo had larger markets reporting a high number of retailers. Similarly the number of wholesalers ranged from one to ten.

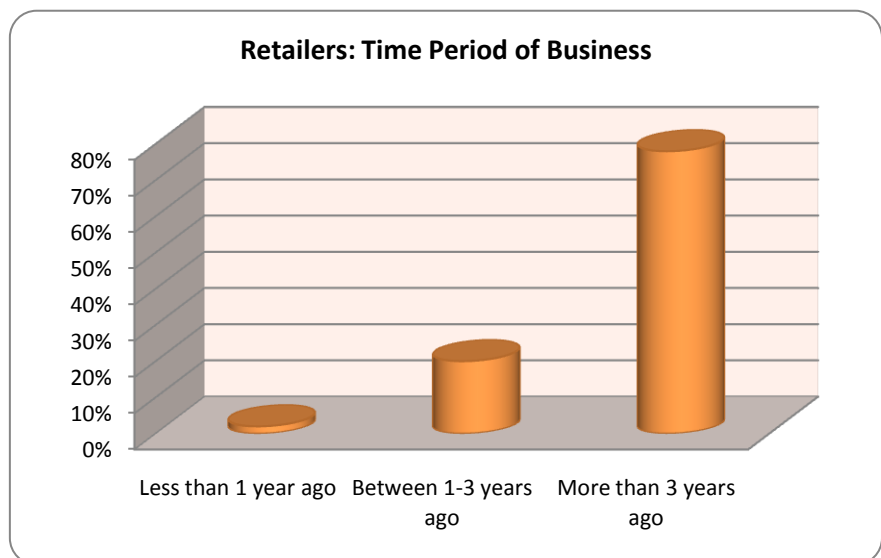
Pork – A relatively fewer number of retailers and wholesalers were involved with Pork. A market on average had between eight and nine retailers selling pork to their customers and these retailers usually were supplied by a single wholesaler. Almost every market sampled reported only one trader who supplied retailers.

Tomato – A larger number of retailers and wholesalers were involved in the sale of tomatoes. On average a market had 30 retailers. The number of wholesalers ranged from one to 15.

The above findings underline the relatively health state of markets across Magway. As was seen above, there is a high availability of items in the market. Now, as can be seen, markets also report a number of wholesalers and retailers selling the same commodity. Thus ensuring competition as well as implying a demand for items enabling multiple retailers to function in the same market,

Other Findings

1. It is seen that most retailers have been selling in their respective markets since a period of 3 years or more. Nearly 80% of all retailers sampled stated that they had been established for a period of 3 years or more. This strengthens the findings reported elsewhere stating that markets are well established.



2. Retailers were asked what the single most important commodity traded by them was. Disaggregating 100 responses from retailers across all markets, it is seen that the most important items were
 - a. Rice (22%)
 - b. Oil (20%)
 - c. Tomato (13%)
 - d. Pork (11%)

3. It was also important to try & ascertain the approximate volume of business enjoyed by a retailer. This would give us a better idea of market strength and potential. While all the findings point to markets being a regular and established factor in Magway, this data would give one an idea of market size.

Retailers were thus asked to provide an estimate of the average number of clients to whom they sold any commodity the day prior to the interview (thus total number of sales in a day)

Sixty five percent (65%) of retailers reported a daily number of sales ranging from 10 – 50 transactions. The number of sellers reporting a large number of sales (more than 50 per day) or very few (less than 10%) were similar – around 17%.

Keeping in mind that the average number of retailers for basic food items ranged from 15 – 30 per market; the fact that the majority of these sellers enjoyed between 10 – 50 sales a day depicts a appreciable amount of traffic in each market.

4. Credit: Both sellers and consumers enjoyed short term credit. Nearly three-fourth of retailers reported obtaining credit from wholesalers and most often the credit period was less than a month and occasionally up to 3 months. The retailers in turn would offer credit for a period of less than a month to their customers.

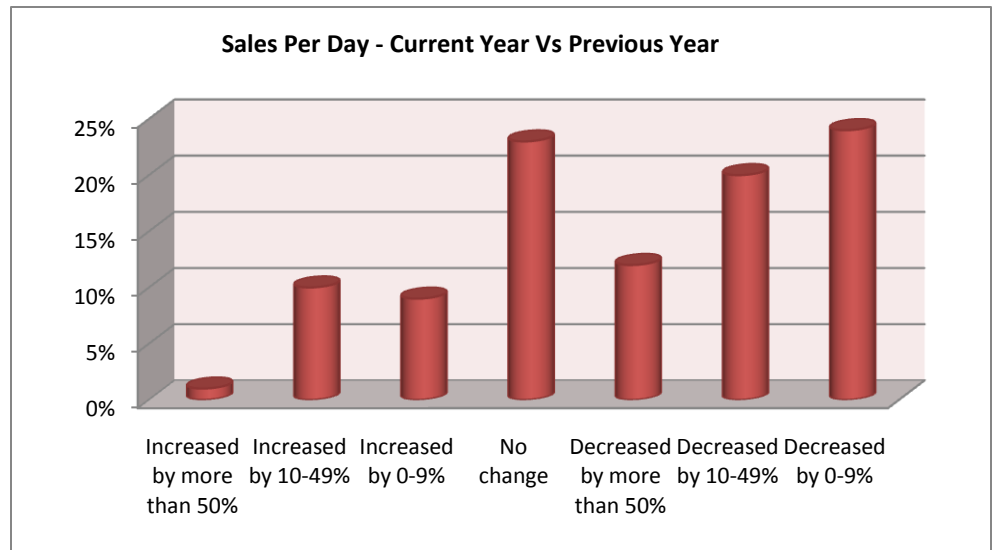
Sales

Sellers were asked if daily sales had increased, decreased or stayed the same compared to the same period a year ago. The results are as under

- a) Increase in sales as compared to the previous year – 21% of sellers
- b) No change in volume of sales between current and previous year – 23%
- c) Decrease in sales as compared to the previous year – 56%

Furthermore, 12% of sellers reported their sales having decreased by more than 50% as compared to the previous year.

The greatest decrease in sales volume was seen in rice sales (especially in Pakokku Township) and the highest increase in number of sales was for the sale of tomato (Chauk and Magway Townships).



The three most important constraints that prevented sellers from increasing sales turnover currently were

- I. Lack of demand (a function of reduced food access). The main reason for decrease in sales was a decrease in demand from local consumers. The main reason for the decrease in demand is the lowered purchasing power of consumers related to low job availability, low incomes and high food prices – all of which restrict household food access (see, WFP Food Security Assessment in Magway Division, December 2009).
- II. Lack of own capital – The lack of capital prevented the seller from being able to buy more food or even a varied number of items and thus being able to increase turnover.
- III. High level of competition in the market – As has been seen previously, there is wide variation in number of retailers in each market and many markets had a high number of retailers.

Conclusion

It is clear from the data that markets in Magway are well defined and established with a large number of retailers and wholesalers involved in appreciable amount of trading (with the majority of sellers being present at the markets for 3 years or more).

The main reason for lowered sales is the lack of demand related to purchasing power rather than any increase in household food production. Similarly the changes in prices are mainly related to reduced food production at the village level.

The markets have the capacity to absorb any increase in trade as at present most markets are seeing far less sales than is normal.

With the above in mind, it is clear that Cash-for-Work Programs have a definite role and function and the conditions are favorable to implement any such program successfully.