



Quarterly Market and Food Price Update

Highlights

- **The price of a basic food basket exceeded 100% of wage labour incomes in Buthidaung (NRS), Pakokku (Magway) and Madupi (Chin), indicating severe food access issues in these areas.** Townships where average food basket costs exceeded 75% of wage labour incomes included Muangdaw and Rathedaung (NRS).
- **An analysis of changes in the affordability of an average food basket indicates general deteriorations in purchasing power since the first quarter of 2011.** The most notable deteriorations occurred in Madupi, Pakkoku and Momauk.
- **Observed deteriorations in purchasing power were largely due to significant increases in rice prices.** Declining wages and/or days worked, however, were either key contributing factors (Madupi) or the main reasons for deteriorating purchasing power (Kutkai, Hsihseng and Pakkoku) in certain townships.
- **The price of low quality rice (defined as at least 25% broken) increased 6% from the first quarter of 2011.** The largest increases were observed in Kachin State (47% in Momauk), Magway (26% in Gangaw), 22% in Laukai (Laukai), 21% in Buthidaung and Maungdaw (Northern Rakhine State), 14% in Matupi (Chin State) and 14% in Kutkai (Shan State).
- **Daily unskilled wage labour rates increased by 5% from the first quarter of 2011, while the number of days employed per week dropped 3%.** Wage rates increased most significantly in Northern Shan State (Muse, Konkyan and Yesagyo) while days worked dropped most dramatically in Chin State (Madupi).
- **Prices of maize and pulses remained stable or only slightly increased in the second quarter while common cooking oils increased by 3-14%.** Palm oil showed the largest increase in price (of 14%) while groundnut oil showed the least (3%).
- **General household food access and overall food security status to remain a concern in Quarter 3.** Estimates as to when the food security situation will improve will only be clear once prospects for the 2011 harvest are known.

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The World Food Programme (WFP) collects market price information on a series of key commodities on a monthly basis in more than 50 markets scattered throughout each of WFP's operational areas. Reports are released on a quarterly basis. Correspondence should be addressed to:

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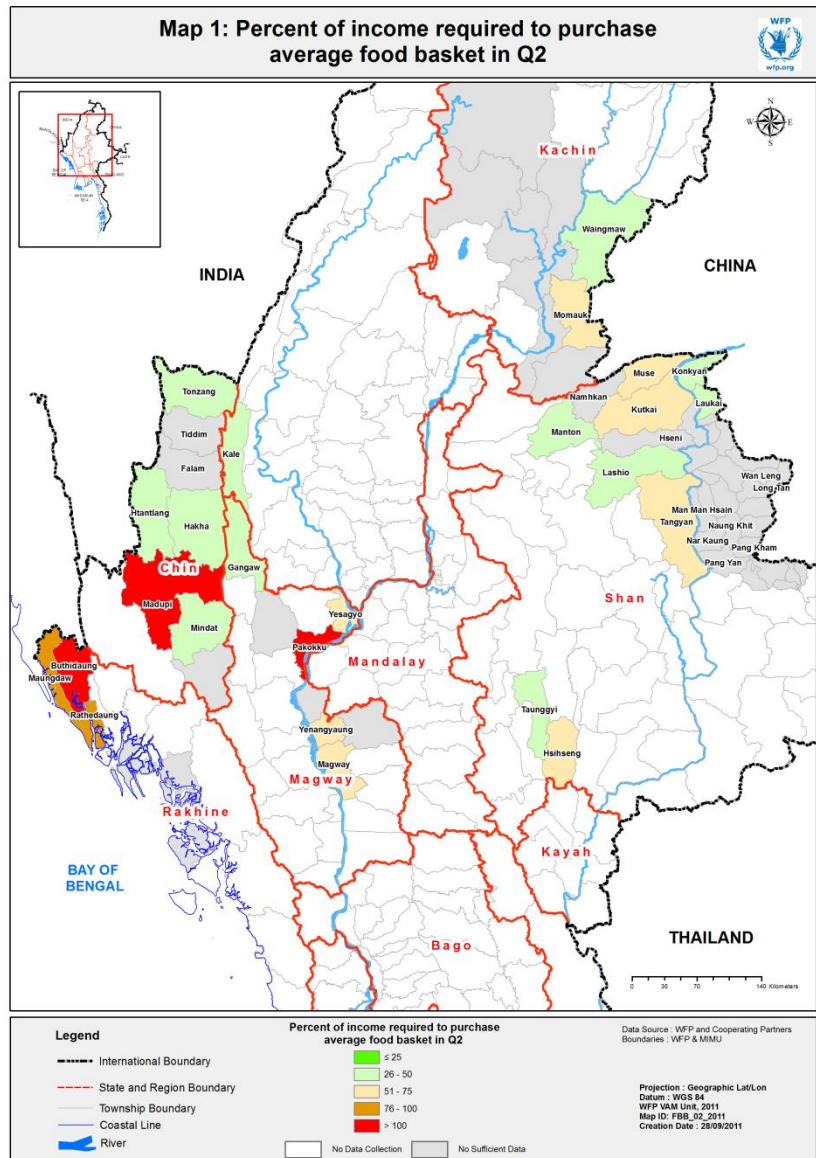
AFFORDABILITY OF BASIC FOOD BASKET

In the second quarter of 2011, the price of a basic food basket (defined as 0.5Kgs of rice per person per day plus additional 30% expenditure on other food items, i.e. pulses, vegetables, meats etc) was 50% or more of average wage labour incomes in almost two-thirds of townships where data was available. As Map 1 indicates, purchasing power was particularly low (>75% of wage labour income) in Muangdaw, Rathedaung and Buthidaung in Northern Rakhine State (NRS), Pakokku in Magway and Madupi in Chin. Notably, the price of a basic food basket exceeded wage labour incomes in Buthidaung, Pakokku and Madupi, indicating severe food access issues in these areas.

As Map 2 indicates, the ability of households to purchase basic food needs deteriorated from the first to the second quarter of 2011 in approximately 30% of assessed townships. Increasing low quality rice prices (defined as at least 25% broken) from the first to second quarter were the primary reason for this though in certain cases declining wages and/or days worked were either key contributing factors (Madupi) or the main reason for observed deteriorations (Kutkai, Hsihseng and Pokkoku). The townships with particularly concerning declines in purchasing power (>50% increase) included Madupi, Pakkoku, and Momauk.

MAIN COMMODITY PRICES

The price of low quality rice increased 6% on average in the second quarter while cooking oil (palm, groundnut and fat)



increased between 3-14%. Maize and pulse prices, on the other hand, remained stable or showed only slight increases.

Reflecting the increased demand for labour during the planting season, wage rates increased as

well by 5%. The number of days worked, however, declined slightly (by 3%). The combination of increased wages and declines in days worked seems counterintuitive, however it may be explained by increased

Changes in the affordability of an average food basket were calculated as follows:

Weekly Income - Total cost of an average food basket

Weekly Income = [number of income earners] x [number of days of employment] x [daily unskilled wage rates].

Total cost of an average food basket = ([0.5 kg cheap rice price] x [number of persons per household] x [seven days per week])/0.70.

Please note, the total cost of an average food basket is divided by 0.70 as it is assumed that rice accounts for 70% of food basket costs for poor households.

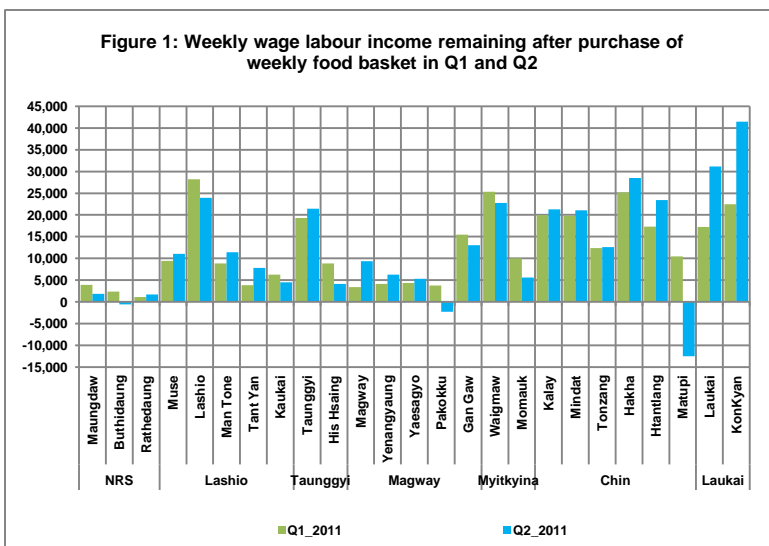
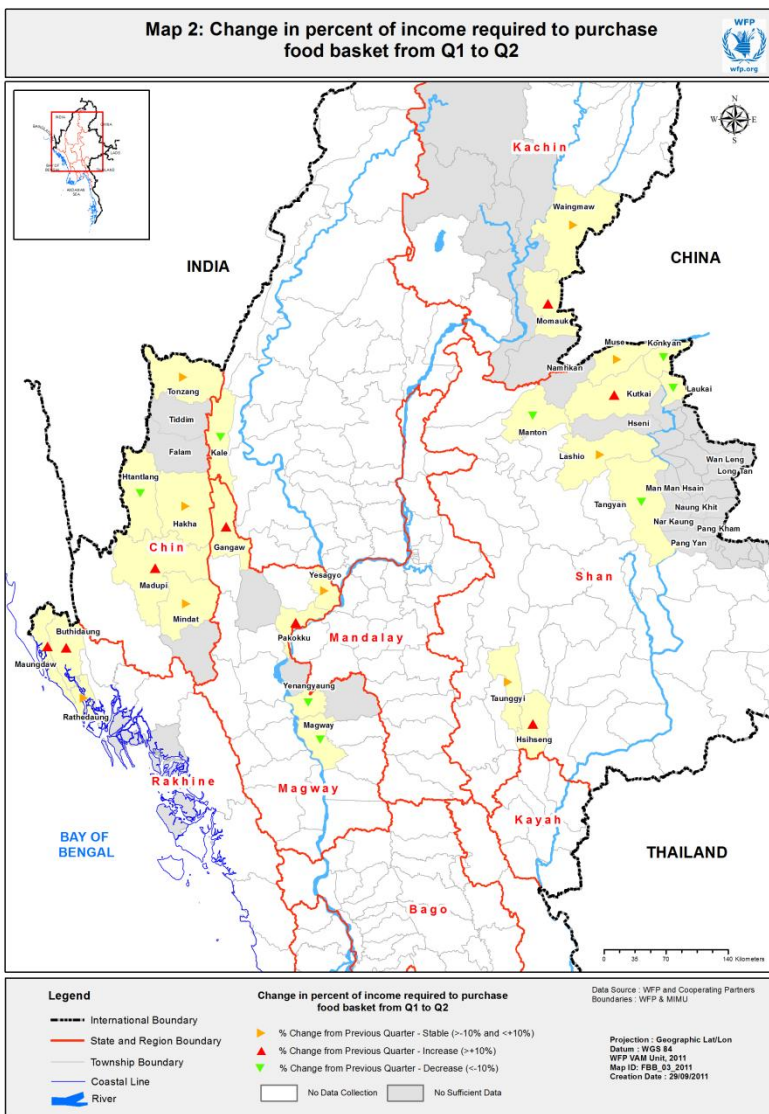
competition for wage labour activities or by the fact that many wage labourers are also small farmers and thus tend to their own farms during these periods rather than search for external work. The end result of higher rice prices, higher wages and fewer days worked, however, is a decline in household purchasing power and a general deterioration in household food access.

Trends in rice prices

As stated above, the price of low quality rice increased 6% in the second quarter of 2011. Observed price increases were likely related to seasonality, as the hunger gap in Myanmar generally begins in May or June. Beginning in these months, rice stocks from previous harvests start to dwindle, forcing households to rely more heavily on food purchases.

Map 3 shows how rice prices have changed since the first quarter of 2011. Overall, the largest increases were observed in Kachin State (47% in Momauk), Magway (26% in Gangaw), Laukai (22% in Laukai), NRS (21% in Buthidaung and Maungdaw) and Chin (14% in Madupi). Prices remained stable or declined somewhat in the Dry Zone and Southern Shan State. Rice prices in each WFP operational area are discussed in more detail below:

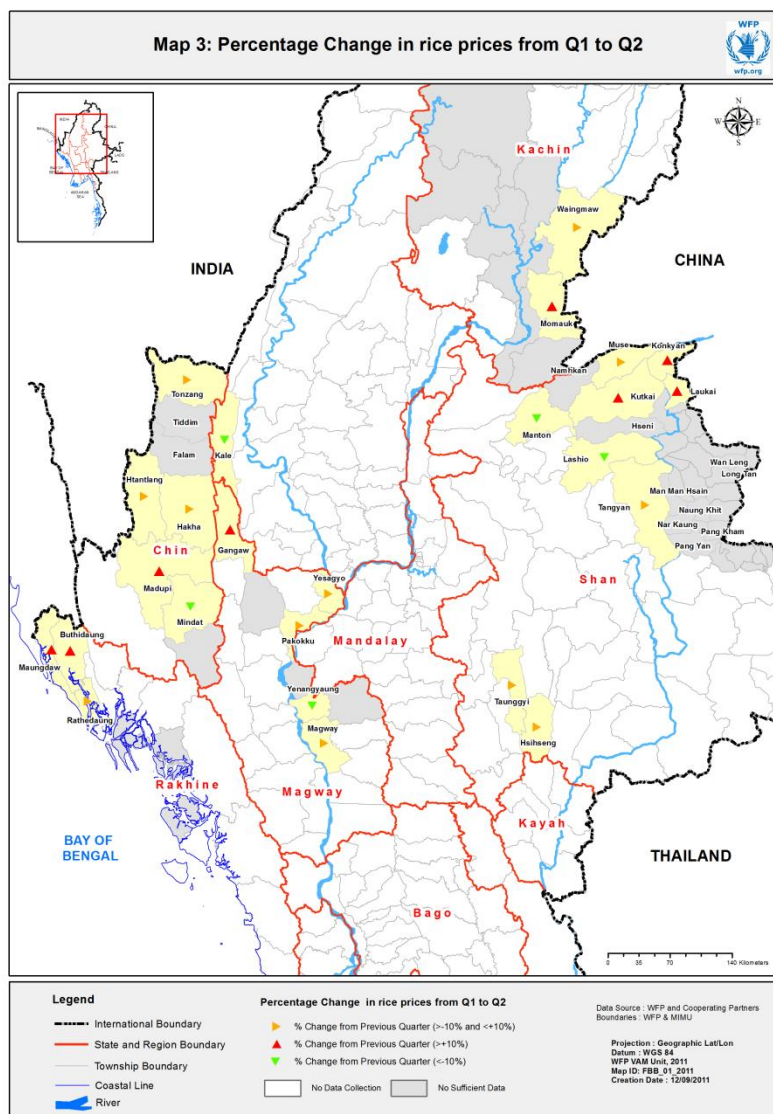
Northern Rakhine State: In NRS, the price of rice increased 16% from the first quarter of 2011. The price of rice also increased throughout the second quarter with price in June 12% higher than April (292 Kyat/Kg compared to 261). The largest increase in rice prices since the first quarter were observed in Taungpyoletwea (38%) and Taung Bazaar (27%).



Increases of 15% or more were also observed in Nyaung Chaung (23%), Inn Din (18%), Maungdaw (22%) and Kyein Chaung (17%).

Northern Shan State- Lashio and Laukai Area: In Northern Shan State, the price of low quality rice increased 3% in the Lashio area and 23% in the Laukai/ Kokang area. As in NRS, increases were observed throughout the second quarter as well, with prices in June 3 and 12% higher than April in Lashio and Luakai respectively. Overall, from the first to second quarter, the largest increases in Lashio were observed in Mone Yar (24%) and Mone Koe (15%), though notably prices decreased significantly in Manton (-21%) and Lashio (-11%). In the Luakia/ Kokang area, prices increased by close to 40% in Konkyan and by more than 20% in Man Ton Pa, Par Sin Kyaw, Tar Shwe Tang, Shin Pin Kai, Honai and Mor Tai. Importantly, households in Laukai use Chinese Yuan as the main currency. As the Kyat has been strengthening in relation to the Yuan, the magnitude of price increases is actually understated when converted to Kyat.

Southern Shan State (Taunggyi Area) and the Dry Zone (Magway Region): Defying national trends, low quality rice prices in Southern Shan State and the Dry Zone actually decreased from the first to second quarter, by approximately 2% in both areas. In Southern Shan State, none of the assessed market places registered price increases, with 2 of 3 measuring decreases and the final showing no change. The largest decrease (-4%) was observed in Site Kaung. In the Dry Zone, all markets showed price decreases, with the largest



decrease (11%) seen in Yenanchaung.

Kachin State: In Kachin, rice prices increased by 11% on average from the first to second quarter, with continued increases of 7% observed from April to June. The largest increases were observed in Momauk (close to 50%). At least 15% increases were also observed in both Sai Law and Wai Maw.

Chin State (& Gangaw): Rice prices increased by 4% in Chin State, though trends varied significantly

by market. Overall, markets in two townships (Gangaw and Matupi) show significant price increases of 26 and 3% respectively, while markets in 4 townships (Kale, Tonzag, Mindat and Thantlang) show price decreases.

Trends in maize, pulses and cooking oil prices

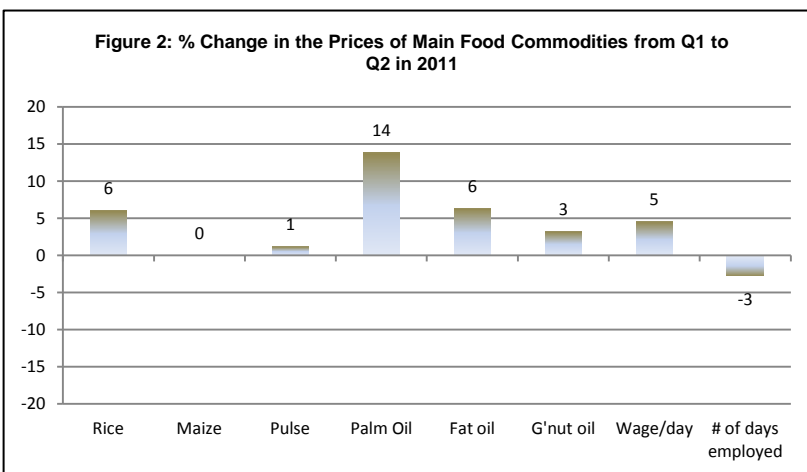
Maize: While maize is consumed largely as a snack in many parts of Myanmar, it is an important staple food item in certain parts of Chin and Shan States. Overall, maize

price showed no change from the first quarter, remaining at 221 Kyat/ Kg on average. Significant increases in price, however, were observed in Chin State (22%), Laukai (6%) and Taunggyi (21%). The most significant increases were observed in Thantlang (53%) and Matupi (13%) in Chin State, while prices increased in Laukai and Hsihseng townships by 27 and 21% respectively.

Pulses: Pulse prices increased by 1% from the first quarter. The largest increases in pulse prices were observed in Chin (10%) and the Laukai/ Kokang area in Northern Shan State (7%). By contrast, pulse prices decreased in both NRS (-3%) and Kachin (-6%).

Cooking Oil: The types of cooking oil utilized in Myanmar varies by region of the country. Overall, palm oil is the predominant cooking oil in Chin, Kachin and Rakhine States, while animal fats are used in Northern Shan State (Lashio area and Laukai). Groundnut oil, by contrast, is used in the Dry Zone and Southern Shan State. In terms of consumption, oils are important components of household meals throughout Myanmar, though cooking oils are consumed less frequently on average in Rakhine and Chin States. Trends in cooking oil prices are examined below by type of cooking oil:

Palm Oil— As Figure 2 indicates, palm oil prices in the second quarter increased by 14%, more than any other cooking oil. Overall, prices increased by 27% in NRS, 13% in Kachin and 8% in Chin. The townships with the largest increases included Rathedaung (57%) and Maungdaw (27%) in NRS and Thantlang (18%) in Chin.



Fat/Oil— The price of fat increased by just over 6% in the second quarter. The size of observed price increases were similar in the Lashio and Laukai areas, with 5 and 8.5% increases observed respectively. The largest price increases were observed in the townships of Kutkai (16%) and Konkyan (15%). By contrast, prices decreased significantly in Lashio township (-8%) and remained stable in Laukai (-0.1%).

Groundnut oil—Groundnut oil prices increased by only 3% in the second quarter, with largest increases observed in Southern Shan State (6%) rather than the Dry Zone (1%).

Trends in wage labour rates and days worked

Daily unskilled wage labour rates increased by 5% from the first to second quarter of 2011, while the number of days employed per week dropped 3%. Daily wages and employment opportunities in WFP operational areas are discussed in more detail below:

Northern Rakhine State: In NRS, the average daily wage for male unskilled workers was 2,007 Kyat and the average number of days

worked per week was 3.7, representing a 3% and 1% decline respectively from the first to the second quarter. Trends varied by township however. In terms of daily wages, Rathedaung and Buthidaung townships reported a 6-9% decline, while Maungdaw reported a 2% increase. In terms of average number of days employed, Maungdaw and Buthidaung townships reported a 4-6% decline, while Rathedaung reported a 14% increase.

Northern Shan State – Lashio and Luakia/ Kokang Areas: In Northern Shan State, both daily wages and average number of days employed increased significantly from the first quarter to the second. Overall, in Lashio operational area, the average daily wage for male unskilled workers was 3,021 Kyat and the average number of days was 3.8. This represents an increase from the first quarter to the second of 23 and 1% respectively. In Laukai, the average daily wage was 3,977 Kyat and the average days worked was 5.2. This represents an increase of 18 and 22% respectively from the first to the second quarter. Wages increased most significantly in Muse (48%) and Konkyan (20%)

while days worked increased most significantly in Laukai and Konkyan townships (23 and 22% respectively).

Southern Shan State (Taunggyi Area) and the Dry Zone (Magway Region):

In Southern Shan State, both wages and days worked decreased substantially from the first quarter to the second, with workers earning only 2,000 Kyat per day and working only 3.4 days (a 9% decrease since the first quarter) per week (a full half day less than in the first quarter). Hsihseng Township was responsible for these declines, as wage rates and days worked declined by 17 and 20% respectively. In the Dry Zone, wages and number of days employed increased, by 1 and 7% respectively, however increases were not uniform across townships. Overall, Yesagyo township reported a 21% increase in wages while Magway reported a 44% increase in days worked. By contrast, Pakkoku reported an 18 and 25% decline in daily wages and days worked respectively. In Magway, daily workers received 1,717 Kyat per day, on average, and worked 4.2 days per week.

Kachin State: In Kachin State, daily wages reportedly declined slightly from the first to the second quarter by 0.8% while days worked declined by 5%. The most substantial declines were observed in Waingmaw. Overall, the average daily wage for workers in Kachin was 4,000 Kyat and the average number of days worked was 3.9.

Chin State (& Gangaw): In Chin State, the average daily wage was 2,648 Kyat while the average

number of days worked was 4.6. This represents a 6% increase in wages and a 22% decrease in the number of days worked. The largest declines in the number of days worked was seen in Matupi,

where days worked declined from 4 to 0. This was related to a decline in work opportunities coupled with a reduction in WFP Food For Work (FFW) activities.

Map 4: Percent of income required to purchase food basket by month in Q2

