



# Quarterly Market and Food Price Update

## Highlights

- In the third quarter, food access concerns remain high in Chin and NRS and are increasing in Kachin, Southern Shan State and Northern Shan State.** Insecurity is affecting food access in Kachin (Momauk and surrounding townships) and Northern Shan State (Manton and Kutkai) while continuing rains are flooding paddy fields and endangering the upcoming harvest in Southern Shan State (Taunggyi/ Hsihseng townships).
- The price of a basic food basket exceeded 100% of wage labour incomes in Maungdaw (NRS) and Madupi (Chin), indicating severe food access issues in these areas.** Townships where average food basket costs exceeded 75% of wage labour incomes included Rathedaung and Buthidaung (NRS) as well as Pakokku (the Dry Zone).
- An analysis of changes in purchasing power indicates a general stabilization from the second to third quarters in 2011.** Notable deteriorations, however, were observed in Rathedaung and Maungdaw townships (NRS) as well as Manton, Konkyan and Laukai townships (Northern Shan State).
- Observed deteriorations in purchasing power were due to significant increases in rice prices alongside declining wages and/or days worked.**
- The price of low quality rice (defined as at least 25% broken) increased 4% from the first quarter of 2011, while daily wages and days worked declined 1 and 2% respectively.** The largest increases in rice prices were observed in Manton and Laukai (Northern Shan State), Hsihseng (Southern Shan State) and Rathedaung (NRS). The largest declines in wages and days worked was seen in Laukai and Konkyan townships.
- Maize prices increased in the third quarter while pulse and cooking oil prices declined.** Maize prices increased by 7% while pulses and cooking oil prices declined 2 and 5% respectively. In terms of cooking oil, palm oil showed the largest declines (11%) while fat oil actually showed a slight increase (1%).

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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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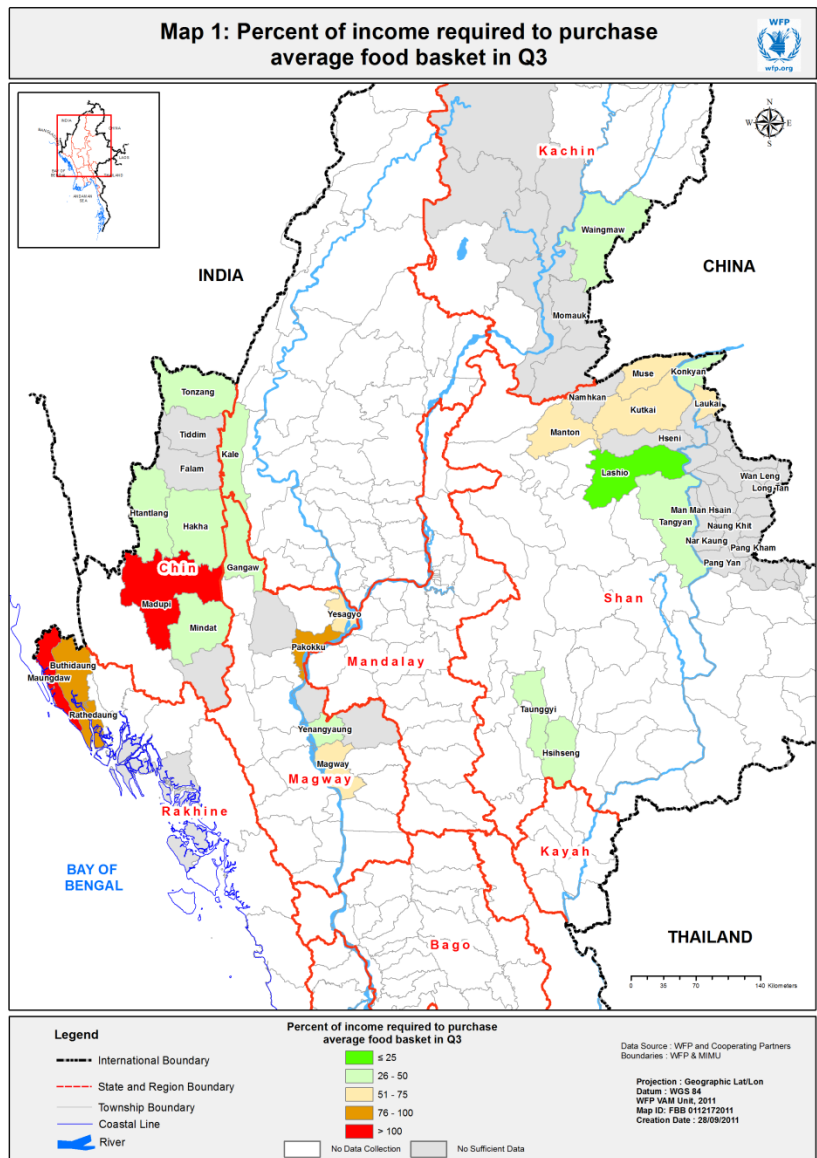
## AFFORDABILITY OF BASIC FOOD BASKET

In the third 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 one-half of townships where data was available. This represents a slight improvement from quarter 2, when the same situation was seen in close to two-thirds of townships.

As Map 1 indicates, purchasing power was particularly low (>75% of wage labour income) in Maungdaw, Rathedaung and Buthidaung in Northern Rakhine State (NRS), Madupi in Chin and Pakokku in the Dry Zone. Notably, the price of a basic food basket exceeded wage labour incomes in Maungdaw and Madupi, indicating severe food access issues in these areas. This represents a continuing problem in both NRS and parts of southern Chin, as second quarter data also revealed that close to or more of than 100% of income was required to purchase a basic food basket in both areas.

As Map 2 indicates, purchasing power deteriorated in the third quarter of 2011 in approximately 30% of assessed townships. Examined by township, significant declines in purchasing power were observed in Rathedaung and Maungdaw in NRS, Magway in the Dry Zone and Manton, Konkyan and Laukai in Northern Shan State. The most concerning deterioration (>50% increase) was seen in Laukai.

Observed deteriorations were the result of increasing low quality rice



prices as well as declining wages and/or days worked.

## MAIN COMMODITY PRICES

The price of low quality rice increased by 4% in the third

quarter. This follows a 6% increase from the first to second quarters. Maize prices, which remained stable in the first and second quarters, increased by 7% in the third quarter. Pulse prices, on the

**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 low quality 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.

**[Low quality rice is defined as rice that is at least 25% broken]**

other hand, continued to show little variation. Cooking oil (palm, groundnut and fat) prices, which have increased consistently since the first quarter, decreased by 5% in the third quarter. Palm oil showed the largest decrease of 11%.

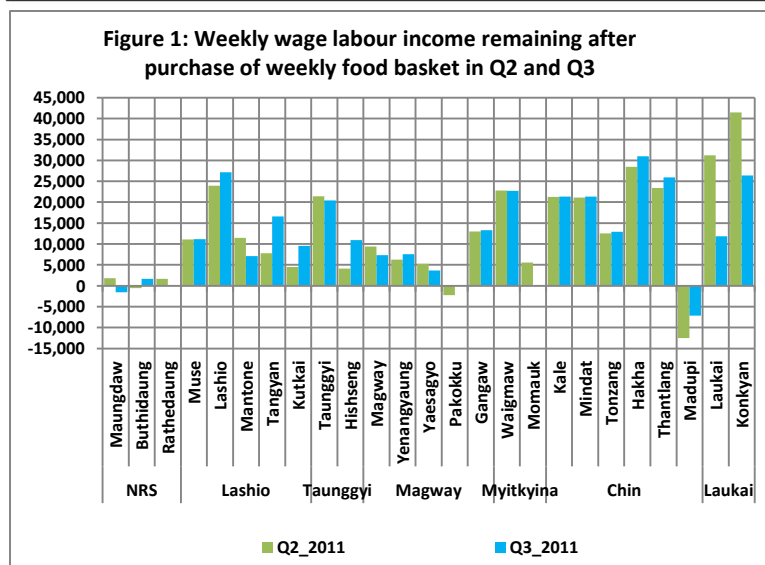
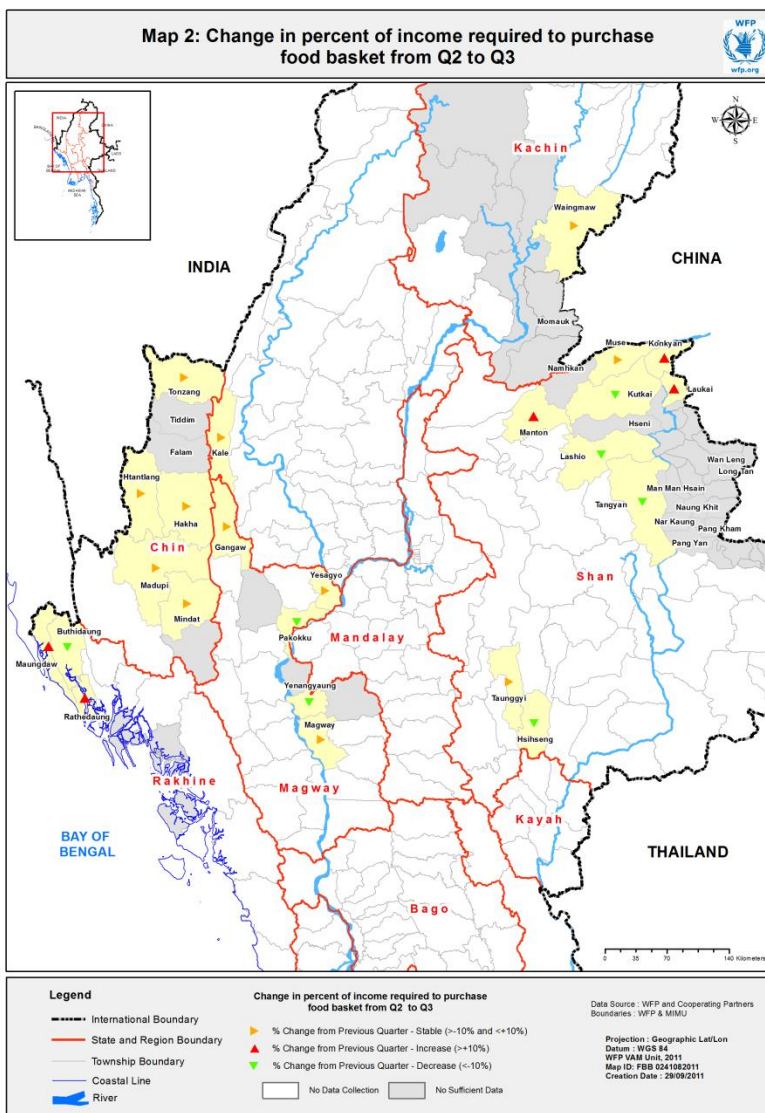
Reflecting the cessation of planting and weeding seasons, wage rates and days worked declined in the third quarter by 1 and 2% respectively.

### Trends in rice prices

As stated above, the price of low quality rice increased 4% in the third quarter of 2011. Rice prices are not likely show any broad declines until the harvest, in either late October or November.

Map 3 shows how rice prices have evolved from the second to third quarters. Prices increased significantly in Manton and Laukai in Northern Shan State, Hsihseng in Southern Shan State and Rathedaung in Northern Rakhine State (NRS). Prices remained relatively stable in other areas, while significant decreases were seen throughout the Dry Zone. Rice prices in each WFP operational area are discussed in more detail below:

**Northern Rakhine State:** In NRS, the price of rice increased 8% from the second quarter. This increase is on top of the 16% increase seen in quarter 2 and represents a 24% increase since January. Prices have remained stable throughout the third quarter, however, indicating that seasonal price increases have likely reached their peak. This may be due in part to summer paddy harvests which occurred in June/July. Examined by township, prices increased from the second

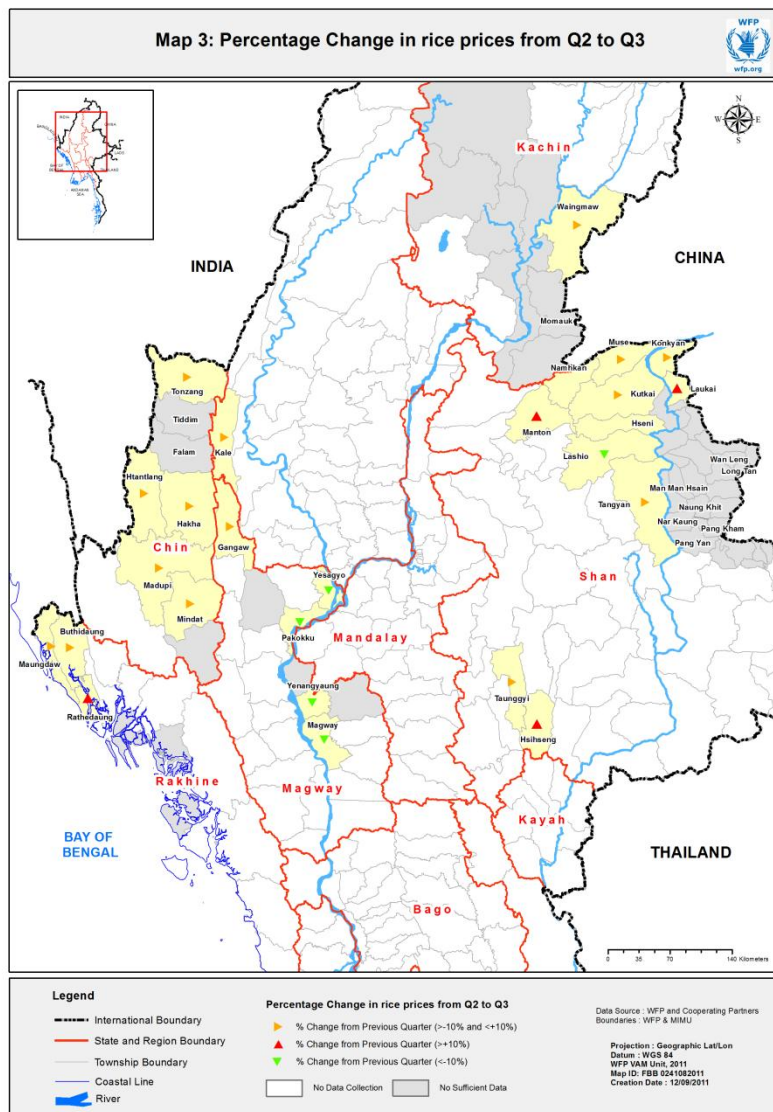


to third quarter by over 10% in Rathedaung, by 8% in Maungdaw and by 6% in Buthidaung.

**Northern Shan State- Lashio and Laukai Area:** The price of low quality rice increased 3% in the third quarter in the Lashio area and 13% in the Laukai/ Kokang area. As in NRS, price increases continue previous trends observed from the first to second quarter. Overall, third quarter prices were 36% higher than first quarter prices in the Kokang/ Laukai area and 5% higher in the Lashio area. The most significant increases in the third quarter were in Manton (15%) and Laukai (28%) townships. Insecurity is blamed for price increases in Manton while poor road conditions due to extensive rains are the reported causes in Laukai. Only markets in Lashio township reported declining rice prices in the third quarter. This was attributed to declining exports/ more abundant stocks.

Importantly, households in Laukai and Konkyan townships 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):** While rice prices largely remained stable in the first and second quarters, significant increases were observed in the third quarter. Overall, average rice prices were 17% higher than second quarter prices and 13% higher than the first quarter prices. Overall, prices increased 21% in Hsihseng township and close to 9% in Taunggyi.



Observed price increases in the present quarter were largely attributed to seasonal factors, namely typical low stocks during the monsoon season. Reports from the area, however, suggest an increasing concern over the health of the coming rice harvest. Many paddies are reportedly flooded due to unusually prolonged rains, raising concerns that the price of rice will continue to increase for the rest of the year.

**The Dry Zone (Magway Region):** Rice prices declined significantly

(15%) in the Dry Zone in the third quarter. Declines were due to the summer paddy harvests which took place in July. Overall, the largest declines were seen in Yesagyo (17%) and Pakokku (17%).

**Kachin State:** Third quarter market and food price information was difficult to access given the resumption of fighting in June. Insecurity made it impossible to visit markets in Momauk and reduced the number of accessible markets in Waingmaw. Thus comparisons shown below include

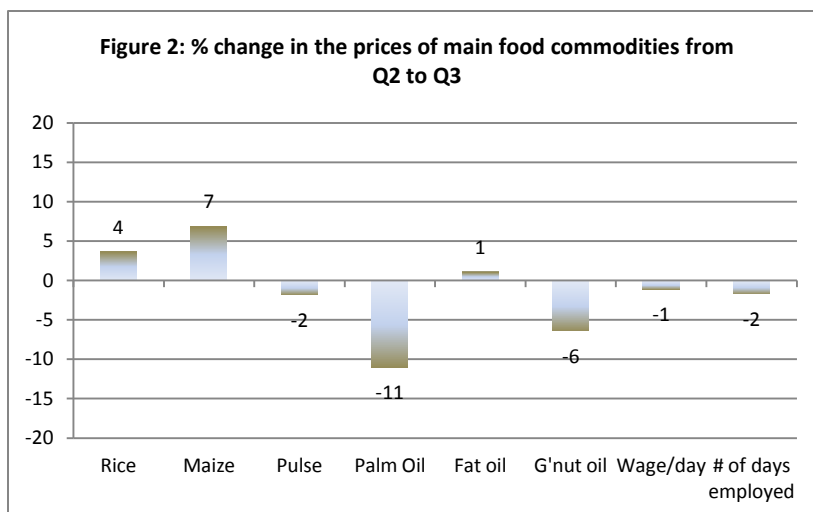
only accessible and relatively secure markets, likely understating the impact that the resumption of fighting has had on food prices and overall food access.

Amongst accessible markets in Waingmaw, rice prices increased by 4% on average from the second quarter and by over 10% from the first quarter. The largest increases in the third quarter (of 8%) were observed in Sadung and Sai Law towns.

**Chin State (& Gangaw):** Rice prices declined 2% in the third quarter in Chin, leaving third quarter prices virtually the same as first quarter prices. The most significant decline (of 5%) was observed in Madupi, though third quarter prices here remain 6% higher than first quarter prices. Also, prices in Lungngo village in Madupi show consistent increases throughout the year with prices rising close to 46% from the first to third quarters. Reports from the area suggest that this is largely due to poor road conditions and difficult transportation of commodities.

#### 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 prices showed a 7% increase from the second quarter, with the most significant price increases observed in Chin (16%) and Magway (16%). Notably prices in Chin have consistently increased since the first quarter with September prices 61% higher than January prices and third quarter prices 37% higher than first quarter prices. The most significant price increases were observed in Htantlang, with third



quarter prices 44% higher than first quarter prices. Prices in Magway show similar trends, with third quarter prices 33% higher than first quarter prices. Trends are less clear in other areas.

**Pulses:** Pulse prices have remained generally stable since the first quarter, increasing by 1% in the second quarter and declining by 2% in the third. The most significant changes from the second to third quarter were observed in Kachin (Waingmaw) and Northern Shan state (Laukai) which showed an 8.3% increase and an 8.6% decrease respectively.

**Cooking Oil:** The types of cooking oil utilized in Myanmar varies by region. 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 decreased by 11% in the third quarter. Overall prices decreased in Chin and NRS by 1 and 12% respectively. In Chin, prices decreased most significantly in the north (Tonzag) and increased in the south (Madupi). In NRS prices decreased in all three townships by more than 10%. In Kachin, decreases were observed in the only two accessible markets in Waingmaw, but this does not adequately represent the situation in more insecure areas.

**Fat/Oil—** The price of fat/oil stayed relatively stable in the third quarter, increasing only 1% since the second quarter. In Northern Shan state, where fat/oil is most often consumed, prices increased 12% in Laukai and declined 5% in the Lashio area. Like rice prices, fat/oil prices increased in Laukai and Konkyan given deterioration in road conditions and market access. In the Lashio area, the largest decreases were seen in Lashio and Muse townships. Here fat/oil prices decreased 16 and 6% respectively.

**Groundnut oil**—Groundnut oil prices decreased by 6% in the second quarter. In Southern Shan State and the Dry Zone, prices declined by 2 and 10% respectively. Declines in prices were most significant from July to August, corresponding with groundnut harvests. Prices should continue to decline given the second groundnut harvest expected in October.

### Trends in wage labour rates and days worked

Corresponding with the end of the planting and weeding seasons, daily wages and number of days worked showed slight declines (of 1 and 2% respectively) in the third quarter. 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 1,987 Kyat and the average number of days worked per week was 3.5, representing only a slight decrease from quarter 2 (<1 and 2% respectively).

Trends varied by township however. Rathedaung and Maungdaw both reported declines in wages and days worked while Buthidaung defied these trends, showing improvements in both. Daily wages and days worked declined 3 and 4% in Rathedaung and 5 and 16% in Maungdaw. By contrast, daily wages and days worked increased 12 and 21% in Buthidaung.

**Northern Shan State – Lashio and Luakia/ Kokang Areas:** In Northern Shan State, daily wages and average number of days

employed remained stable or increased significantly in the Lashio area while declining significantly in Laukai and Konkyan townships. Overall, in the Lashio area, the average daily wage for male unskilled workers was 3,220 Kyat and the average number of days worked was 3.8. In terms of daily wages, this represents an increase of 9% from the second to third quarter. Days worked remained unchanged.

In the Lashio area wages and days worked increased most significantly in Tangyan (31 and 15% respectively). Notably, the only township that showed a decline in wages was Manton. This was likely related to ongoing security problems.

In the Kokang/ Laukai area, the average daily wage was 3,520 Kyat and the average days worked was 4.1. This represents a significant decrease of 11 and 20% respectively in the third quarter.

**Southern Shan State (Taunggyi Area):** In Southern Shan State, both wages and days worked increased significantly in the third quarter. Overall, daily wage labourers earned 2,222 Kyat per day and worked 4.3 days per week, representing an 11 and 26% increase in the third quarter respectively. Hsihseng Township was responsible for these improvements, as wage rates and days worked increased by 20 and 50% respectively.

**The Dry Zone (Magway Region):** In the Dry Zone, wages remained constant while days worked declined by 8%. Wages did not decline dramatically in any township though slight declines were seen in Yesagyo township.

Interestingly, the most significant declines in days worked were also seen in Yesagyo (23%). Reasons for these declines were not immediately apparent. Notably, Pakokku township, which was one area of concern last quarter (given that wage labour income was not sufficient to cover food basket costs), showed little improvement with average food costs more than 100% of wage labour income for August and September and almost 100% of wage labour on average for the quarter (98%).

**Kachin State:** Accessible markets in Waingmaw show a largely stable situation in the third quarter with wages declining only 4% and days worked remaining unchanged. This, however, does not represent the true situation in surrounding, less stable areas. In Momauk and other surrounding townships, for instance, there are anecdotal reports that most agricultural and wage labour activities have been suspended due to ongoing insecurity. This does not bode well for the forthcoming harvests nor for food accessibility in the near term.

**Chin State (& Gangaw):** In Chin State, the average daily wage remained mostly unchanged from quarter 2 at 2,722 Kyat while the average number of days worked increased 7%. Improvements in days worked were observed most notably in Madupi, though the improvement was not significant enough to ensure that daily wages were sufficient to meet basic food needs.

**Map 4: Percent of income required to purchase food basket by month in Q3**

