

Rapid Market Appraisal: Bannu



*The impact of displacement from North
Waziristan in District Bannu*

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FOOD SECURITY CLUSTER
Strengthening Humanitarian Response



World Food Programme



OXFAM



**Food and Agriculture Organization
of the United Nations**

Rapid Market Appraisal

The impact of displacement from North Waziristan in District Bannu

HIGHLIGHTS

- Findings from the Rapid Market Appraisal in Bannu suggest that the presence of current assistance/modalities (cash and food) do not have an adverse impact on market activity.
- The overall supply condition of most commodities was found to be comfortable with the supply of these commodities sufficient to meet current market demand.
- The price of cereals (wheat flour) was 13 percent lower compared to its price three months ago, and 5 percent lower compared to the previous month. This trend is in line with the cereal price trend at the national level. However, traders reported a significant increase in non-cereal food prices. This is attributed to the *Ramzan* period and to the increase in demand resulting from the arrival of NWA IDPs in Bannu.
- 41 percent of traders reported that the demand for livestock fodder increased; 44 percent reported no change, the remaining 15 percent of traders noted a decrease in the demand.
- Approximately 47 percent of traders reported the transport costs were much higher compared to one year ago, whereas 35 percent reported no change.
- Approximately 88 percent of traders were found to have sufficient capacity to meet an increase in demand from the market.
- 42 percent of traders reported evidence of distress selling of assets by IDPs in the local markets: traders observed IDPs selling their livestock at an average price that was 31 percent lower than the market price. No significant impact was observed on the local labor market after the arrival of IDPs.

Background

Following the launch of the Army's offensive in FATA's North Waziristan Agency (NWA), an estimated 900,000 people were reportedly displaced from their homes into neighboring KP province. The majority of the displaced population have sought refuge in District Bannu (more than 80% of the total) and other neighboring districts. Some families have travelled further afield to Punjab, Sindh and Balochistan provinces to live with relatives or friends. In response to the massive displacement, the Government announced a cash compensation to support North Waziristan's displaced population meet their basic needs for accommodation, food and health care.

Due to the scope and magnitude of the crisis, the Government requested the UN and its humanitarian

partners to extend their support to North Waziristan's displaced population. Different assistance packages have been announced by various actors: food and financial assistance were provided to IDPs when they registered during the first round of distributions. In addition, there have been cash disbursements provided by the Federal and Provincial governments, distribution of food assistance, shelter and non-food items provided by several UN agencies and national and international organizations.

It is crucial, in light of the various interventions and forms of assistance now being provided to the displaced population within local host communities in Bannu and surrounding areas, to assess and monitor any potential impact that the cash, food and non-food items may have on local market behavior and demand and supply conditions. The World Food Programme

conducted a rapid appraisal of local markets in Bannu in coordination with FAO, OXFAM and the Food Security Cluster (KP). Local NGOs - SHARED, LHO, FRDP, AMAN and BEST- contributed to this assessment by providing enumerators for data collection.

Follow up appraisal is planned in September to monitor market behavior and capacity over time.

Objectives

The following are the principal objectives of the rapid market appraisal:

1. To provide a baseline of the market situation and behavior and subsequently inform WFP's assistance planning and programming in the given context.
2. To observe the impact of cash and/or food distribution on the markets.

Methodology

The study is based on a field survey of the markets in each of the union councils in Bannu and conducted by surveyors, mobilized by WFP's cooperating partners in the area. In each market, five traders were randomly selected (ratio of wholesalers and retailers, 3:2). The survey began on July 8, 2014 and completed on July 12, 2014. District Bannu is a relatively rural district populated with small markets at the UC level and no mega market structures. Mega markets are found only in *tehsil* headquarters. A total of 165 traders were interviewed across all the union councils in Bannu; out of these 55 (33 percent) were wholesalers, the rest were retailers.

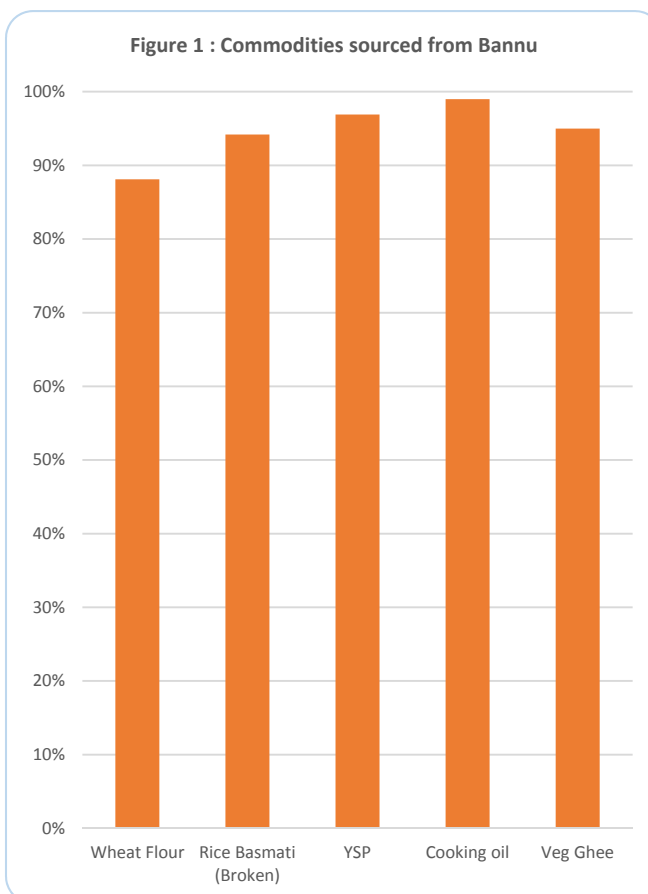
Key Findings

Food Availability

The survey findings suggest that the current modalities in use (cash or food) do not have an adverse impact on the market's activities. The overall supply condition of most commodities was found to be comfortable, where the supply of key commodities was sufficient to meet current market demands.

Traders were asked about their main supply locations, and according to the assessment, for the major food commodities the main supply location for almost all traders was the same: District Bannu. Figure 1 shows that the majority (90%) of traders purchased the

majority of their food commodities from the big traders and suppliers within the district. Supply from within the district was also more common among retailers than wholesalers, with some 90 percent sourcing their commodities from big traders within the district; others sourced commodities from traders outside the district. Among wholesalers, around 15-20 percent sourced commodities from big traders outside the district or province. A stable supply of commodities from within and outside district/province indicates a steady availability of food supply. Apart from their sources of



supply, traders were also asked if the supply of essential food commodities had increased, decreased or remained the same and the reasons for any change in the supply conditions.

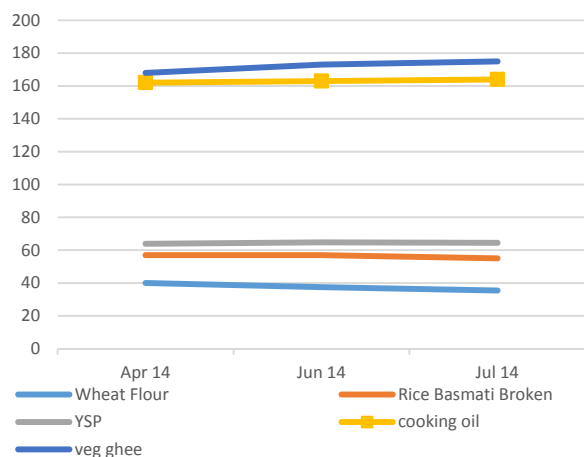
Market Integration

District Bannu is mostly a rural district where the markets are relatively small. The market price trend analysis shows that for the most part, markets are strongly integrated with only a few small variations in the prices of essential food commodities seen in

outlying rural markets. For instance the price of wheat flour was found more or less the same across all the markets of the district. The price trend for wheat flour was also found to be very much in line with the national trend: the price for wheat flour was 11 percent lower compared to its price three months ago, and 5 percent lower compared to the previous month.

With respect to non-cereal commodities, traders reported a steep increase in prices. The most significant

Figure 2 : Price trend of major food commodities

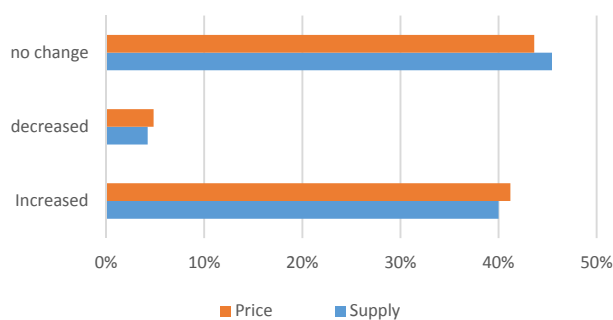


reason cited for the change in non-cereal food commodities was the Ramzan period, while some traders also attributed the price increase to the arrival of IDPs and the resultant increase in demand. Price outlook perspectives for the coming three months were also solicited from traders, and about half did not expect any change in price while 35 percent responded that prices are likely to increase over that period. Only 10 percent of traders reported that prices are likely to decrease in the coming three months.

Fodder Supply and Demand Conditions

The survey also looked at the availability of different types of fodder and their recent price patterns. The purpose of this analysis was to assess any changes in the supply and demand conditions of fodder given that many IDPs displaced from NWA arrived in Bannu with their livestock. The analysis shows the current supply of fodder meets current demand; 40 percent of traders involved in the fodder business reported that the supply of fodder has increased while 45 percent

Figure3 : Change in fodder supply and prices



reported no change. When asked about changes in the price of fodder, the same proportion of traders (45 percent) stated that some types of fodder have increased in price.

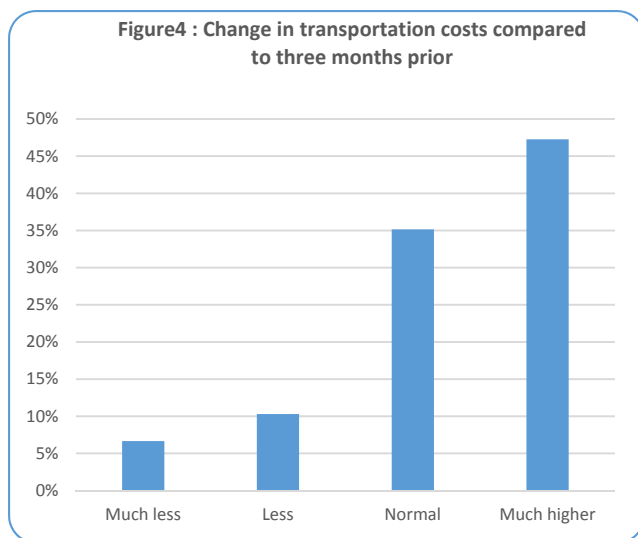
Sources of Price Information

Some 37 percent of surveyed traders responded - when asked about their source for pricing information - that prices are set by the Government and Union Council authorities, while 31 percent stated that they obtained price information from the traders in the main urban markets. Another 25 percent responded that prices are set by the traders' association. The traders' association is an informal union within the market which looks after the interests of shopkeepers and traders. A marginal price differential was observed depending on the sources of price information for major food commodities¹. For instance, in the case of wheat flour, those who obtained price information from the trade association, the price was PKR 2 per kilo higher than those who obtained prices from the Government. A differential like this is to be expected in rural areas like Bannu.

Changes in Transportation Cost

Transportation costs impact the prices of commodities especially in hard to reach, outlying rural areas where increases in transportation costs are the key contributing factor in the increase in commodity prices. Traders were asked whether they noticed a change in the transportation costs over the last three months. Almost half of the surveyed traders (47%) responded that the transportation costs are much higher; for 35 percent reported little or no change and about 17 percent responded that the cost decreased over the

¹ Wheat flour, broken basmati rice, yellow split peas, cooking oil & veg ghee

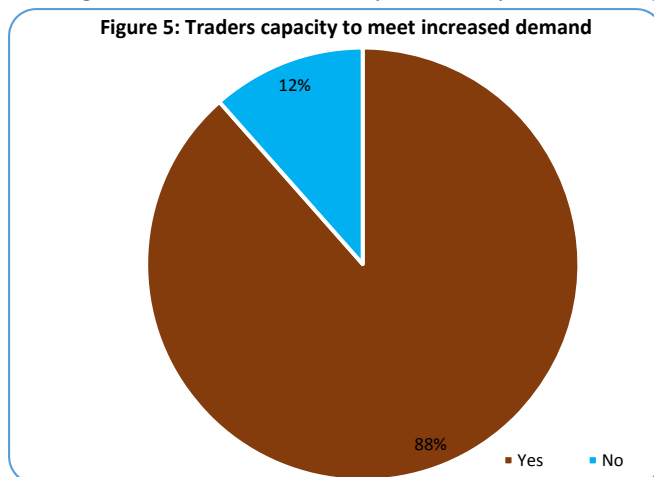


same period. Between retailers and wholesalers, the burden of higher transportation costs was felt primarily by retailers; 45 percent of retailers reported transportation costs as much higher.

Market Response Capacity

One of the secondary objectives of this survey was to assess the potential of the market to meet an increase in demand in cases where people have increased access to cash income, or other reasons. By and large, the surveyed traders were found to have sufficient capacity to meet the increased demand. About 88 percent said they would be able to meet additional demand due to an increase in income among the people or any other reason.

Among wholesalers around 93 percent reported having



the capacity to increase their supply, while 86 percent of retailers were able to cater for the increased demand. In addition, traders who could arrange for

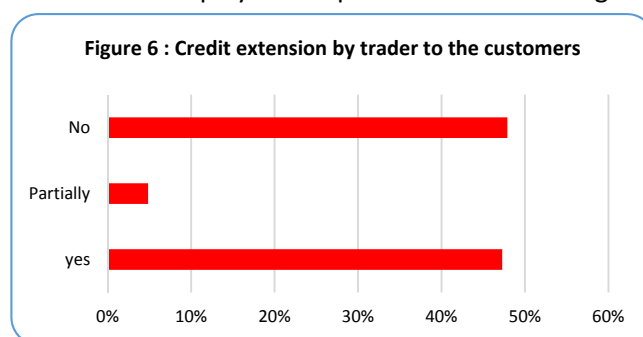
food items in case of increased demand, were also asked how much, in percentage terms, they would be able to increase their supply. On average, traders reported the ability to increase supply by about 40 percent of their current capacity. Wholesalers reported relatively better capacity to increase supply (on average by 42 percent) compared to the retailers (on average by 38 percent) in the case of an increase in demand.

Distress Selling of Live Animals

Distress selling of assets, especially of livestock, is a common phenomenon during emergencies. This survey included questions to gather evidence of distress selling of live animals. Around 42 percent of traders reported evidence of distress selling of livestock by IDPs at an average price 31 percent below the market price.

Access to Credit

Access to credit plays an important role in the regular



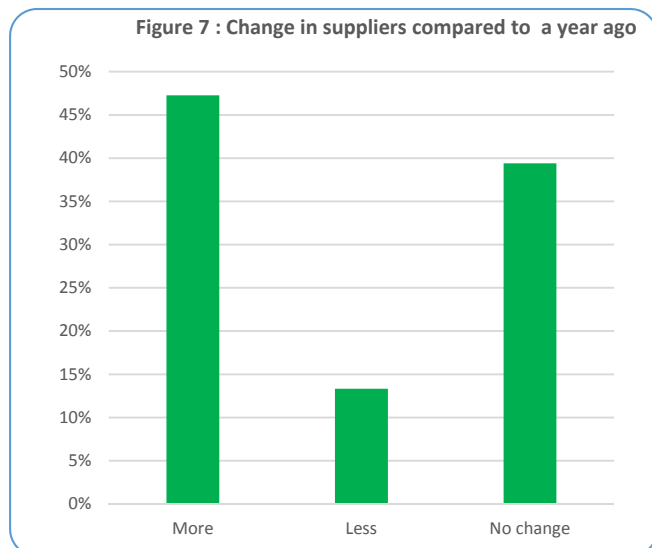
functioning of a market as it is common practice for many traders to buy and sell on credit. Thus the survey included questions on measuring traders' access to or extension of credit to customers. Of all the traders surveyed, about half responded that they extend credit to their customers. Traders were also asked for the share of sales conducted on credit (as a percentage of total sales). To assess this, they were asked how many sales were made on credit during the last month.

For all the traders surveyed, on average, 30 percent of the prior month's sales were made on credit. Among wholesalers and retailers equally, about half were extending lines of credit to their customers. Similarly, the traders were also asked if they purchased commodities on credit from their suppliers in the main markets. About 64 percent of the surveyed traders responded that they purchased commodities on credit,

although more common among retailers; 63 percent of them reported purchasing commodities with credit, whereas 58 percent of the surveyed wholesalers had access to credit for purchasing commodities.

Change in Suppliers

The number of suppliers for the traders is an indication of a smooth supply of commodities, and indirectly, food availability. In order to assess the supply situation, traders were asked if they had more, less or the same



suppliers as they did a year ago. For almost 86 percent of traders the number of suppliers had either increased or remained the same over the period in question. Out of which, 47 percent of traders reported that the number of suppliers had increased compared to last year, whereas 39 percent reported “no change” in their suppliers, i.e. they purchased commodities from the same suppliers they used to purchase from a year ago. For about half of the surveyed wholesalers, the number of suppliers increased, whereas around 42 percent of the total retailers reported an increase in the number of suppliers.

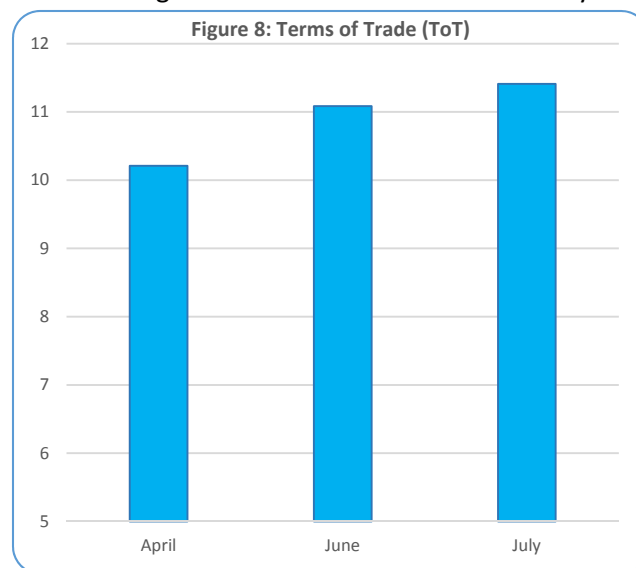
Storage Capacity

The survey also assessed the storage capacity of the surveyed traders which is an important indicator to inform the feasibility of future cash programming. For this indicator, the current, as well as total capacity, of the traders were assessed. The current capacity refers

to the stocks the trader had in their shops at the time of the interview, and the total storage capacity is the maximum stock a trader can store (on or off site). The average current capacity was found to be around 239 mounds and the average total storage capacity of traders was found to be 251 mounds² for major food commodities³. In addition, in order to assess the restocking period, traders were also asked for the duration, in number of days that their current stock would last given with the current level of demand. The analysis shows that the current stocks were sufficient for an average of 15 days of sales.

Terms of Trade (ToT)⁴

During the survey the traders were asked if the arrival of the NWA IDPs had any impact on the local labor markets. The analysis shows that the arrival of the IDPs did not have any significant impact on the local labor market. The Terms of Trade (ToT) between daily wage rate and wheat flour is an important indicator for measuring purchasing capacity of poor and vulnerable households. Therefore, information on the daily unskilled wage labour rate was collected to analyze the



ToT and its implication on purchasing power. The average income of an unskilled laborer was found to be PKR 388 per day. Taking the income of the unskilled wage laborer as a constant, the ToT for wheat flour has been calculated based on the wheat flour price data for June and April in 2014. The analysis indicates a gradual

² One mound equals to 40 kg

³ Wheat flour, rice basmati broken, yellow split peas, vegetable ghee, cooking oil

⁴ Amount of wheat flour that could be purchased with a day's wage of an unskilled labour

increase in ToT (Figure 8). In July an unskilled laborer could buy 11.5 Kg of wheat flour with one days wage, which is about 12 percent higher compared to its level in April (10 Kg), and 3 percent higher again than in June (11 Kg). The increase in the ToT is attributed to the decline in the price of wheat flour.

Conclusion and Recommendations

- The findings of this appraisal indicate that the current assistance modalities (cash and food) have not shown an adverse or undue impact on the market's activities.
- Markets remain fully competitive and the supply of essential food commodities is comfortably secure.
- The prices of essential food commodities are closely aligned with national level trends and no unusual increase in demand was observed.
- That said, market conditions in terms of availability and commodity pricing require ongoing and regular monitoring to stay well informed of market behavior changes that may emerge in order to effectively inform future planning and programme implementation modalities.
- Under the circumstances, cash or voucher programming in the area of operation seems feasible, however, before the implementation of any such intervention, further assessment is needed for a better understanding of household food security status and implementation aspects of cash/voucher interventions, , given that the scope of this appraisal was limited to the situation for the market and traders.