

SNAPSHOT OF MARKET ACTORS' PERSPECTIVES: LOIKAW TOWNSHIP RETAILERS (JUNE 18-21, 2021)

Mercy Corps - Market Analysis Unit

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During June 19-21, 2021, Mercy Corps' Market Analysis Unit (MAU) conducted phone interviews with retailers of consumer goods in Southeastern Myanmar. The questions focused on operating environment, inventory and prices. Data are based on KIIs with 13 retailers, primarily in Loikaw Township. This included ten retailers of various products in Loikaw as well as one rice retailer each in Loikaw and Demoso Townships (Kayah State) and Pekon Township (Shan State).

Key Highlights

- **Many Loikaw retailers have resumed operations since around early-June**, although most operate only in mornings and they close when tensions rise;
- **Most retailers report sales reductions of 60% or more in recent weeks**;
- **Few retailers have so far received new supply from central Myanmar in June**;
- **Transportation costs have risen as much as 50% in recent weeks**, and retailers say food and medicines from central Myanmar are often prevented from passing checkpoints;
- **In Loikaw, remaining inventories have dwindled, particularly for rice and pulses** but also medicines and shelter products;
- **In recent weeks, prices have risen for imported medicines (30-60%), hygiene products (15-30%), shelter products (15-25%) and plasticware (20%)**;
- **Monsoon vegetables and small volumes of local paddy remain available**, although shipping these from villages to town is difficult due to security concerns;
- **Cash and credit systems remain dysfunctional**, with requirements of cash-down and unfulfilled credit obligations straining market systems.

I. Background

Tensions in Kayah State and neighboring parts of Shan State have remained high since armed clashes began in Demoso and Pekon Townships in late-May. Those clashes left dozens dead and set in motion widespread displacement across the region.¹ The displaced persons have hailed not only from Moebye in Pekon Township but also elsewhere in Demoso and Loikaw Townships. The result has been a growing humanitarian crisis in the region as thousands of displaced persons lack food, shelter and basic security.² Town-based commerce largely ground to a halt as a result of these events, as many residents fled town centers. While recent reports suggest some resumption of retail activity, markets remain highly dysfunctional as the current security situation continues to constrain retailers and deter consumers.

All of the Loikaw retailers interviewed have been in operation since the start of June, however they now operate only in the mornings due to security concerns. All eleven Loikaw retailers interviewed were actively retailing at the time of writing, as was one rice retailer in Pekon Township. The only respondent in Demoso Township (rice retailer) has not resumed operations

¹ The Irrawaddy. May 23, 2021. "Around 40 Myanmar Junta Troops Killed in Kayah State."

² The Irrawaddy. May 26, 2021. "More than 70,000 People Displaced as Fighting Rages in Eastern Myanmar."

since late-May due to safety concerns. In Loikaw Township, many retailers paused operations for roughly a week following the clashes in Moebye and resumed around the start of June. Operating hours have been significantly curtailed, and most retailers function just four-to-six hours per day starting from 6am. Loikaw retailers typically close by 10am (instead of 6pm) or operate until 1pm if conditions allow. One retailer also closed during three days in June due to safety concerns.

II. Change in Sales

All retailers reported reduced sales, with most describing a drop of 60-70%. In recent weeks, rice retailers reported 80% and 70% reductions in customer traffic in Loikaw and Pekon Township, respectively. The Pekon retailer said that while household customers have dropped off precipitously, resellers continue to purchase and distribute his products (as a result, his sales have fallen about 30%). In Loikaw, large reductions in sales were reported by one retailer each of peanut oil (75%), NFIs (70%), and vegetables (65%). While all retailers reported reduced sales, a few reported smaller reductions. Two retailers of shelter materials reported 60% and 10% sales reductions, while two retailers of pulses reported 65% and 10% reductions. Two medicine retailers reported 65% and 33% reductions in sales, and one retailer of dried fish reported a 25% reduction.

III. Current Inventory and Prices

Current Inventory – Retailers of various products report badly diminished inventories, due to difficulties importing new supplies from central Myanmar. Retailers of rice and pulses reported receiving no new supply shipments of these goods for at least two weeks prior to interviews, which has caused inventories to wither. As a result, one Loikaw rice retailer who typically sells five varieties of rice supplied from Yangon and Shwe Bo said his inventories are depleted for three of these, and he now sells only a high-priced Paw San (50,000 MMK/50kg bag) and a medium-priced local Shan rice (30,000 MMK/50kg bag).³ Some smaller items—including plasticware and medicines—have been imported discretely in passenger cars which are allowed past checkpoints. In addition to difficulty restocking inventories, some retailers also worry about their ability to distribute remaining inventories. For example, one retailer of medicines worried that current inventory may expire before it can be sold.⁴ Despite these challenges, small supplies of local paddy and monsoon vegetables remain available locally, albeit with the challenge of sourcing them safely from villages (see Section IV). A shortlist of products which retailers say are in high-demand but short-supply are listed in Table 1.

Table 1. Products with Particularly Limited Inventory

Dry Goods	Medicines ⁵	Shelter	Other
Lentils	Betaxin	Flashlight	Fish paste
Rice (various)	Betamethasone	Batteries	Meat substitutes (soy)
Chickpeas	Amlong	Blankets	Medical gloves
	Becotin	Plastic tarps	

Change in Prices – Most retailers say they continue to offer remaining inventory at the same price in recent weeks, although some report rising prices for newly-imported goods. Many retailers have not received new supply shipments since late-May and say they have not

³ This retailer would typically sell a cheaper rice variety for 23,000-24,000 MMK/50kg bag. It is out of stock now.

⁴ This retailer also said some medicines were already difficult to acquire as early as February.

⁵ Amlong is often prescribed to individuals with hypertension, while betamethasone is used to treat skin irritation. Betaxin and Becotin are vitamin supplements.

raised prices for rice or pulses. While inventories of these goods have dwindled, so too have customers, who have little cash and remain wary of travel from village to town (see Section V). One vegetable retailer interviewed also said prices for local vegetables have held stable in recent weeks, as supplies of monsoon vegetables remain available locally. That said, medicines, shelter goods and other NFIs have seen rising prices. For example, retailers say prices have risen in recent weeks for medicines (30-60%), tarps (15-25%), plasticware (20%), soap (30%), and toothpaste (15%). Current prices for selected products are listed in Table 2.

IV. Operational Challenges

Rising Transportation Costs – Rising transportation costs were the most common concern among respondents, with some estimating a 50% increase in the past month. Retailers of all product types said transportation costs are rising, and three in Loikaw said that a crate which recently shipped for 2000 MMK now costs 3000 MMK to move. Retailers say cost increases are driven in part by the prohibition on shipping trucks at checkpoints, forcing inventory into smaller passenger vehicles. One Loikaw retailer also said her suppliers will now ship only as far as Pinlaung Township (90km northwest of Loikaw by car, in Southern Shan) and she must coordinate onward shipping at added cost.

Limited Access to Supply – Limited access to goods shipped from central Myanmar has reduced supplies, particularly for dried foods, medicines and some shelter products. One retailer of pulses said he has been unable to acquire additional inventory from his supplier in Mandalay since late-May, as did one rice retailer who sells inexpensive rice varieties imported from Yangon and Shwe Bo. According to retailers, the contributors to supply disruptions include prohibition on shipments by armed actors, safety concerns by transportation providers, and the rising transportation costs that result from these factors. As mentioned above, supply of vegetables and local paddy (small volumes) remain available. For example, one rice retailer in Demoso Township who owns a mill continues to acquire small amounts of local paddy, although even this is limited by farmers' reticence to deliver paddy in the current security environment.

Other Challenges – Retailers cited a variety of other difficulties, including limited market hours, nonpayment from debtors, electricity cuts and rental costs. Retailers struggle with the same financial issues that plague the rest of Myanmar, namely poor access to cash and credit. Several retailers also reported incidents of nonpayment from customers who held credit with them, further complicating their own ability to purchase inventory with cash-down. Retailers say that narrow market hours limit customer access and reduce sales, and several said that unreliable electrical access has caused them to remain closed for extended periods since May. One said she has begun worrying about rent payments for her store location, given poor revenue.

V. Customer Concerns

Retailers also conveyed concerns voiced by their customers, which first and foremost included personal safety while traveling to market but also other consumer-related issues. Safe travel is the primary concern of customers, as market visits still feel very unsafe for most, and particularly those who must travel from distant villages. As throughout Myanmar, customers also lack sufficient cash at a time when retailers have halted purchases on credit (retailers say very few use mobile banking services). Customers also conveyed concerns about limited choice in products—and rising prices—since supplies began tapering off in late-May. Finally, retailers say customers are rushed during a narrower purchasing window (i.e., 6-10am) and anxious about their exposure to safety and security risks.

VI. Implications

Market Functionality – Although there has been some resumption of retail activity in Loikaw, fundamental challenges remain unresolved suggesting disruptions may persist. Retailers have cautiously resumed operations, yet many customers remain unable to purchase goods or unwilling to risk travel. Coupled with supply limitations tied to armed conflict in the region, normal market conditions seem unlikely to return soon without improvements in security.

Business Survival – Extended disruptions to the business environment could jeopardize the long-term health of business in Loikaw and the region generally. The longer retailers and other businesses remain closed due to conflict, the greater challenges they may face in resuming operations later. Some portion of businesses, which remain closed indefinitely, may be unable to reopen if or when conditions eventually improve.

Deepening Food and Health Crisis – Diminishing inventories of imported essential foods like rice and pulses—and limited new supplies—could place extraordinary strain on food systems in the region. This is compounded by limited access to medicines and key shelter materials. If conditions persist this could lead to a further deterioration of food security and health conditions in the region.

Support Modality – Diminished local inventories of essential goods suggest that food assistance may have greater impact than cash-based assistance, at least until supply resumes. Assuming it is possible to move food into the region, direct support to households in the form of food assistance could be most effective. That said, by all accounts both households and business also remain in dire need of cash to purchase what goods remain available.

Table 2. Current Retail Prices (Loikaw)

Category	Product	Unit	Township	Price (MMK)
NFIs	Plastic container	piece	Loikaw	17,500
	Toothpaste (Signal brand)	piece	Loikaw	1,500
	Soap	piece	Loikaw	650
Shelter Products	Plastic tarp (thick)	yard	Loikaw	1,400
	Plastic tarp (med)	yard	Loikaw	1,200
	Plastic tarp (thin)	yard	Loikaw	1,200
Medicines	Biogesic	package	Loikaw	500
	Decolgen	package	Loikaw	850
	Oramin-G	package	Loikaw	1,500
Vegetables	Tomato	viss	Loikaw	1,800
	Watercress	10 bundles	Loikaw	800
	Long bean	1 bundle	Loikaw	800
	Eggplant	viss	Loikaw	14,000
	Straw mushroom	viss	Loikaw	9,000
	Eroki mushroom	viss	Loikaw	9,500
Pulses	Chickpea	viss	Loikaw	2,500
	Garden pea	viss	Loikaw	1,800
	Lentils	viss	Loikaw	4,200
Meat / Fish	Meat substitute (soy)	viss	Loikaw	4,500
	Nga yang (dried catfish)	viss	Loikaw	20,000
	Dried shrimp	viss	Loikaw	15,000
	Nga Takhon (dried ribbon fish)	viss	Loikaw	8,000
	Fish paste (best quality)	viss	Loikaw	6,000
	Fish paste (medium quality)	viss	Loikaw	4,000
	Fish paste (low quality)	viss	Loikaw	2,000
Rice	Paw San	50kg bag	Loikaw	50,000
	Local Shan variety	50kg bag	Loikaw	30,000
	Local Shan variety	50kg bag	Pekon	31,000
	Manawthuka	50kg bag	Pekon	31,000
	Ngasein	50kg bag	Pekon	23,000

Mercy Corps' Market Analysis Unit (MAU)

The Market Analysis Unit provides humanitarian and development practitioners, policymakers, and private sector actors in Myanmar with data and analysis to better understand the present and potential impacts of Covid-19, conflict, and other crises on:

- **Household purchasing power**, including coping mechanisms, safety nets and access to basic needs;
- **Supply chains**, including trade, cross-border dynamics and market functionality (particularly as it relates to food systems);
- **Financial services**, including financial services providers, household and business access to finance and remittances; and
- **Labor markets** (formal and informal), with a focus on agricultural labor and low-wage sectors (e.g. construction, food service).

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