

Informal Market Assessment Report
June 4, 2009

Background:

Over the last few weeks, the formal market milk processors have reduced purchase of liquid milk from Bangladeshi farmers. Four big processors such as Milk Vita, BRAC, Rangpur Dairy and PRAN have also reduced milk intake through their chilling plants in the north. They have also dropped the price of liquid milk by around 4 – 6 BDT / litre over the last few weeks. From different media source such as TV, Newspaper it has been discovered that the situation is driven by the following factors: assume

- Reduced TAX on imported powder milk by the government.
- Low priced powder and liquid imported milk from India.
- Stocked powder milk of MilkVita and BRAC.
- Declined market demand of liquid milk.
- Counterfeit milk producing factories.
- Lowest price of stocked powder milk (during melamine disaster) globally.

As a result of that crisis the demand for liquid milk market which was channeled through formal market has reduced dramatically. There is no concrete data of how different processors reduced their collection and price of milk. But the project staffs have discussed with the collectors and chilling plant operators and it has been discovered that most of the processors reduced their price and collection dramatically. The reduction varies from place to place depending on the quality of milk. Milk Vita is now collecting milk 3-4 days a week. PRAN and BRAC reduced their collection by 200-600 liters in each chilling plant. Moreover, in some places they are not taking milk which contents low fat rate. Rangpur Dairy reduced their collection to 1000 liters which was previously recorded as 12000-15000 liters. Formal processors are also cutting their regular buying price by BDT 6-8/liters. Certainly this has a negative consequence on the farmers as the Strengthening The Dairy Value Chain (SDVC) project has been encouraging them to sell milk into formal market channels but there is no clear evidence of how much. From the below table we will get an idea of how the formal milk market distorted within a month.

Fat %	Fat at 3%		Fat at 4%	
	Previous (March09)	Current (April 09)	Previous (March 09)	Current (April 09)
Processors				
BRAC	23	18	25	20
Milk Vita	21-22	20	25-26	20
PRAN	23	18-20 flat	26	18-20 flat
RD	28	21	30	22
Informal Market	25-35 (flat)	18-28 (flat)		

During the startup of SDVC project decided to focus on the formal market channels (largely the processing companies) rather than the informal market and linking the producers group to formal market for easy access and better price and facilities. This was predicated on the notion that these companies would be able to provide a more stable market for the farmers' milk, be able to absorb large volumes in more cost-effective transactions, as well as be the best option to enable farmers to access feed, fodder, vet services and AI in advance and then make deductions from milk delivered.

However, this recent incident as well as the difficulty presented by none of the processors having their own exclusive 'milk sheds' and therefore their lack of willingness to make upstream investments in the sector suggests that relying exclusively on the formal market is probably not a good idea.

Therefore, the project should invest in learning more about the informal markets in their regions and seek to develop arrangements with some of the larger milk buyers (sweet shops, tea shops) to buy milk from the groups as well. However all this is not to suggest that SDVC is giving up on the formal market; this should still be the dominant market channel the project seeks to establish for the farmers' milk because there are numerous benefits that can be harnessed through this.

Informal Market Assessment

Recently our Technical Advisor Mr. Farouk Jiwa, who provide technical assistance for SDVC project has visited some of the producers, chilling plants in Bogra and Rangpur region. While talking with the SDVC staff, chilling plant operators and producer came to know about the situation of current market price and demand fall. From his recommendation SDVC team has been decided to conduct an informal market assessment to find a track to connect the affected learning groups who were supplying milk to the formal market and facing difficulties to market their product due to very low price (18-20 BDT/liter) and reduction in milk collection 3-4 days/week. This assessment will not only support the affected group to dispose of the current milk market crisis but also aid them to bargain with the price of the formal market near future.

Objective:

The informal market assessment has been conducted in five districts of Rangpur region (Palashbari, Mithapukur, Kurigram, Parbatipur and Sayedpur). The major objectives of the study were as follows:

- Detecting the affected SDVC producer groups in Rangpur region.
- Identifying the community production and distribution information such as bulking, household consumption, sales amount to informal market and so on.
- Identifying the communities who are affected through the current milk market crisis and communities who are currently linked with the informal market.
- Find out the possible informal market opportunity to link the affected producer group.
- Understanding the current informal milk market condition and their marketing mechanism.
- Amount of milk that is going to the informal market either through bulking or individual selling.
- Identifying the informal market collectors who are bridging the business with our producer community and other community.

Methodology:

The assessment was consisting of two parts. First one was the assessment of the producer's community where a community map has been developed considering the surrounded market, its distance and connectivity of the market with the community. In this map the community has been segregated in clusters where each cluster consisted of a number of concentrated groups. The second part was the assessment of supply-demand of markets nearby the selected cluster where a questionnaire has used to assess each shop related with the business of milk. A questionnaire and a mapping format was developed by Rangpur SDVC team and oriented among the field staffs. A sample map and questionnaire format has been attached as annex.

Outcomes:

Team-wise Total calculation						
	Mithapukur	Parbatipur	Kurigram	Palashbari	Sayedpur	Region Total
Total Cluster	10	7	11	8	7	43
Affected Cluster	0	0	4	5	1	10
Cluster linked with Informal Market	5	5	3	3	1	17
Affected cluster with opportunity	0	0	3	0	0	3
Affected cluster without opportunity of IM	0	0	1	5	1	7
Non-affected Cluster with future opportunity	0	5	3	2	0	10
Total Group	32	32	32	24	30	150
Affected group	0	0	11	15	14	40
Non-affected group	0	0	22	9	16	47
Total Production (lit)	2359	589.5	710	949	487	5094.5
Bulking (lit)	1598	47.75	290	341.5	194	2471.25
Bulking Price/lit	22.57	20.5	25.75	23.67	21.08	22.71
Informal (lit)	289	376	145	198	128	1136.00
Informal Price/lit	23.83	21.5	25.6	26.25	23.83	24.20
HH Consump (lit)	475	178	211	224.5	120	1208.5
Market Demand (lit)	2882	5080	3067	4215	1496	16740
Market supply (lit)	2882	4919	2632	3890	1496	15819
Additional Demand (lit)	0	489	435	325	0	1249
Total market surveyed						42
Saleable (lit)	0	0	63	175	40	278

A total of 43 clusters (total 150 groups) have been identified throughout the five districts in Rangpur region. Among those 43 clusters 10 clusters (consisting of 40 groups) is currently affected by the milk market crisis. After 15 days of milk market crisis some of the clusters find their way to link with the informal market so there were more than 10 clusters who were affected but some of them managed to link their business with the informal market. Among the 10 affected clusters there are 3 clusters (9 groups) located in

Kurigram who have the opportunity to link with the informal market. But there are 7 more clusters that don't have the opportunity to connect with the informal market as there is no demand for milk to the nearby market of those affected clusters. There are 10 non-affected clusters that have the opportunity to sell their milk but there is no saleable milk. But those clusters can use the opportunity in future to sell their milk in those markets or they can use that market as an option to bargain with the formal processors.

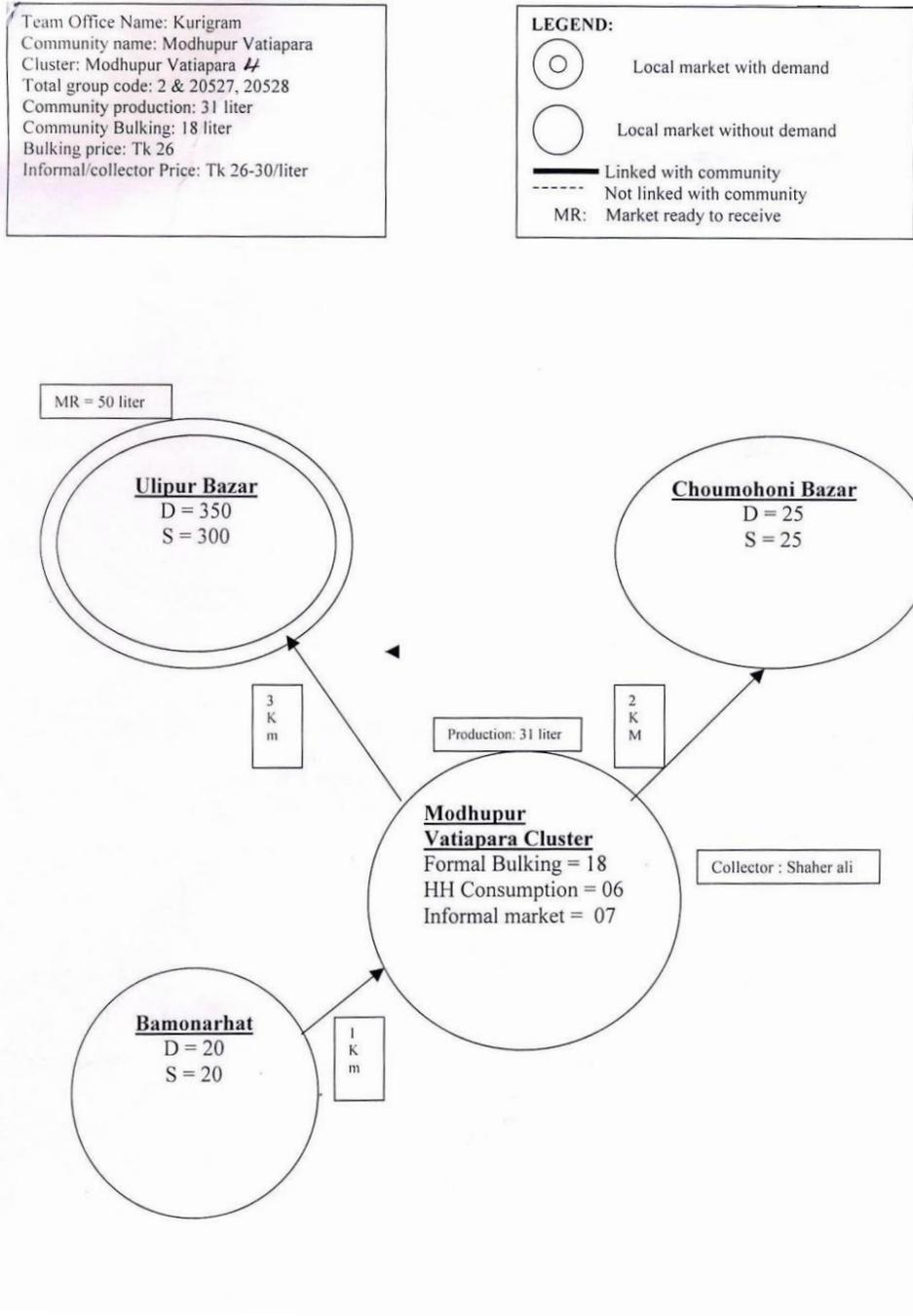
The total production of those 43 clusters (150 groups) and adjacent community is calculated approximately 5094 liters. The total bulking amount is 2471 which is linked to formal market. The average price of each liter of milk in formal market is BDT 22.71 (range from 18-26) which varies processor to processor in different geographical region. Approximately 1136 liters of milk are being channel to informal market through different ways such as local collector (goala), individual selling, bulking to informal market and so on. The average price of milk in informal market is BDT 24/liter (range from 18-28) varies from market to market in different geographical region. Total household consumption of those identified clusters is 1208 liters. In the market survey we have found that the informal market is too much saturated. There is no demand in most of the market. Total 42 markets have been assessed and the total demand of those markets is 16740 liters and supply is 15819 liters. So the unmet demand is 921 liters plus there is 328 liters additional demand of those informal markets. A distinctive percent of the informal collectors are collecting milk from the communities of our working area so there is a chance to contact with them and link our producers group to catch the better market. It has been exposed that though the informal milk market is fully saturated but still there is some opportunities for our affected producer group and the non-affected and the forthcoming group which we are going to form in our next phase of group selection.

Closing and recommendation:

The informal market assessment that we have carried out was a micro level research. In the assessment result we have primarily found that amongst our 10 affected clusters 3 can be linked with the informal market. With the help of the community people we will find a temporary market for the rest 7 clusters. The market can be the local community people, local informal market collector (goala) or there is a possibility develop entrepreneur or use existing collector who can prepare chana to sell it in the nearby market because during the assessment we have found that still there is a market for chana. Moreover as some of the informal market collectors are accumulating milk from the area of our producer community there is a significant chance of linking them with our existing or forthcoming producers group.

ANNEX

A sample of market mapping:



A sample of informal market research questionnaire:

Informal Market Assessment										Supplier's Info		
Name and Address	Business Type	Demand	Supply	Measurement Unit	Unit price	Additional demand	Distance from cluster	Payment Frequency	Supplier	Address	Remarks	
1 Banones hat, Dharonibazaj Ulipur, Kurigram	Market	20	15-20	Sher,	24-26	-	0.5 km	by cash	Prode	Hobirpara Hindu para vatiapara Kisanet mod.		
2 Chaukhoni, Dhamseni Ulipur, Kurigram	Market	20-25	20-25	Sher	20-26	-	2.5	by cash	Prode	Balchar Modpur Kachagan		
3 Lovely Hotel and restu rent	Sweet shop	20	20	litter	20-22	20-30	2.5	by cash	Prode	Kelidanga Mungu Demu		
4 clannely Hotel and resturnd	Sweet shop	6-7	6-7	Sher	20	5-10	2.5	by cash	Prode	"		
5 Dulad Tea stall	Sweet Tea	6-7	6-7	Sher	22-24	5-10	2.5	by cash	Prode	"		
6 Dui bone hotel and resturent.	Sweet maker	80	80	Share litter	24-28	40-60	2.5	by cash	Prode	"		
7 Babna vaggio lokhi Mistanno vandan.	Sweet shop	200	200	litter	24-28	100	2.5	cash	Prode	"		
8 OK Hotel	Sweet shop	80-100	80-100	litter	24-28	40	2.5	cash	Prode	"		
9 Shuvessa hotel and resturent	Sweet shop	80	80	litter	24-28	60-80	2.5	by cash	Prode	"		
10 Moushumi Hotel and resturent	Sweet shop	100	80-100	litter	24-28	40-80	2.5	by cash	Prode	"		

Coding		
Business type	Code	Payment freq
Sweet maker:	1	Daily
Tea stall:	2	Weekly
Chana maker:	3	monthly
Yogurt seller:	4	Others-Specify
Informal Collector:	5	
Restaurant:	6	
Other (Please specify):	7	

Team office: Kurigram
Cluster: Modupur
Group & Code: Modupur vatiapara, Modupur Hindu para, 20527, 20528
Total Production: 18 + 13 = 31
Bulking (Total): 14
Bulking Price/liter: 26
Informal market price/liter: 26-28
Community demand (liter): 8