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Trader Survey

Initial Findings

Trader Survey: design

- Fixed, permanent markets were visited in 20 woredas in the four regions of Amhara, Oromia, SNNP and Tigray
- Markets were chosen to include the main terminal markets in this region and represent both surplus and deficit markets. 11 surplus and 9 deficit markets were selected.
- In each market wholesalers and retailers of grains (teff, wheat, maize, barley, sorghum and finger millet) were sampled proportional to the total number of wholesalers and retailers found in the market.
 - On average 18 traders were sampled in each market
 - 29% of traders sampled called themselves wholesalers, 69% of traders sampled called themselves retailers (we look at these definitions more closely later)
- Things to note when considering the results of this survey:
 - Although retailers are more numerous in both the market and the survey, the small number of wholesalers account for larger traded volumes. We present some results for the average trader, and some results for the average quintal traded to control for this where important
 - Traders without permanent stores in a permanent market are difficult to survey, and this survey was no exception, not including these. As a result the proportion of assembly traders may be under-sampled. Again we control for this where necessary.

Markets sampled

	Number of traders
Amhara	
Bahirdar	17
Deberemarkos	18
Metemma	17
Bure	17
Dessie	21
Deberberihan	17
Oromia	
Ambo	15
Welisso	22
Jimma	33
Yabello	14
Shashemene	17
Nazerate (Adamma)	20
Asella	17
Zeway	17
Asebteferi	18

	Number of traders
SNNP	
Hosena	20
Arbaminch	17
Wolayita Soddo	18
Tigray	
Shire	17
Mekele	16

The nature of traders sampled

Average trader

- The majority of traders sell to consumers, buying predominantly from other traders
- A third of traders are buying from farmers, three-quarters selling to consumers: more sampled traders are located at the end of the marketing chain

	Average trader
Main supplier is (%):	
Farmer	34
Assembler	10
Wholesaler	48
Main buyer is (%):	
Consumer	74
Retailer	7
Wholesaler	14
Flour mill or factory	3
EGTE	1

Average quintal traded

- Assemblers are important: bigger traders are more likely to source grain from assemblers
- Processors are important: bigger traders are more likely to sell to processors as well as wholesalers and retailers
- Each end of the chain is equally reflected

	Average quintal traded
Main supplier is (%):	
Farmer	22
Assembler	24
Wholesaler	48
Main buyer is (%):	
Consumer	26
Retailer	23
Wholesaler	38
Flour mill or factory	11
EGTE	1

Who is moving crops?

Average trader

- 40% of traders reported transporting in the last 12 months
- In the last transaction, 25% report travelling to purchase and 8% report travelling to make the sale
- Type of trader transporting:
 - Only 37% of traders buying from farmers are transporting the crop, suggesting farmers are travelling to market
 - 60% of traders selling to wholesalers and 81% of traders selling to retailers transport
 - 31% of retailers transport
- When transportation is done it tends to be with a transporter (88% of those that transport, transport only with a transporter)

Average quintal traded

- 50% of crop purchased is transported
- At what stage in the chain is it transported:
 - 64% of crop bought from farmers is transported, farmers may be travelling to market, but two-thirds of crop sourced from farmers is transported in the first stage
 - Transportation by traders is larger at the second stage: 84% of the crop sourced from assemblers is transported
 - 90% of crop sold to retailers is transported
 - Only 27% of crop sold by retailers was transported by the retailer

These patterns do not vary much across crops

Changes in market structure:

Trader perceptions of changes from 2004 to 2008

Traders report increases in the number of traders across the board since 2004:

- 74-80% of traders report increases in the number of traders in purchase and sales markets for each crop (teff, wheat, maize, sorghum)
- Seem to come mainly from an increase in the number of retailers (71-3% report increases in the number of retailers)
- The number of wholesalers and brokers is reported to have increased by 46-50% of traders

Although increases reported everywhere, there are regional variations:

- The incidence of reported increases in traders (of all crops) was highest in Tigray (97%), then Oromia (87%), SNNP (78%) and Amhara (71%)
- Although the total number of traders was reported to have increased in Tigray more than average, this is not true across all crops, just for wheat and non-cereals
- Cereal traders have increased much more in SNNP than on average (83-91%, 91% for Teff)
- Oromia had slightly above average reporting of increases in traders across all crops
- The entry of new cereal traders has been lowest in Amhara (65%)

Changes in production and storage:

Trader perceptions of changes from 2004 to 2008

Little increase in production or marketed surplus:

- For teff, wheat, maize more traders reported reduced production than increased production (53-4% compared to 40%)
- Where increases in production reported:
 - 52-61% of traders reported increased volumes traded in the market town
 - About 10% reported no increase in volume traded because farmers retaining larger shares
 - About 10% reported no increase in volume traded because quantities being sold in other market locations – including outside the country
 - About 20-25% reported no increase in volume traded for unknown reason

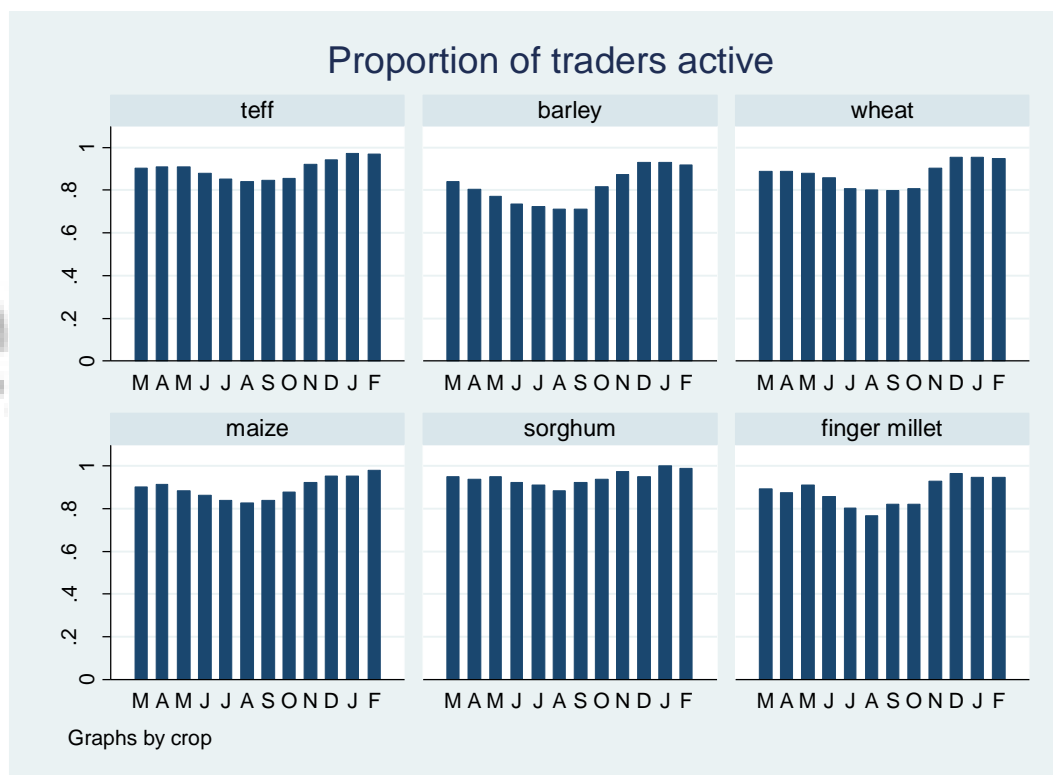
Suppliers (farmers and other traders) are not perceived to be storing and selling later:

- Teff: 76% of traders reporting that pre-harvest supplies to the market decreased (either slightly or a lot) and 57% of traders reporting that post-harvest supplies to the market increased (either slightly or a lot): suggests an increase in seasonality.
- The numbers are very similar for the other cereals this question was asked for: wheat, maize, barley, sorghum and finger millet

Seasonal patterns in trader activity

Average trader

- Trader activity is somewhat seasonal, with more traders actively trading from November to May
- However a high proportion of traders are trading throughout the year: on average above 80% for each crop.



Monthly purchases, sales and stock changes

Mean



Median

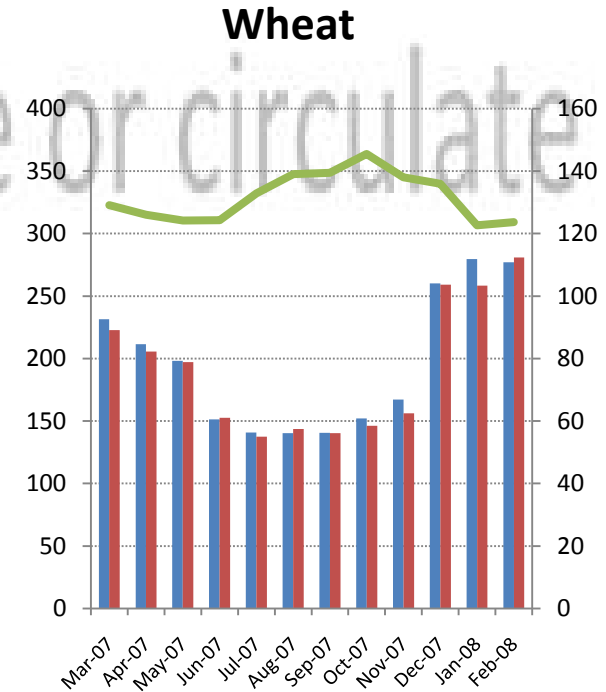
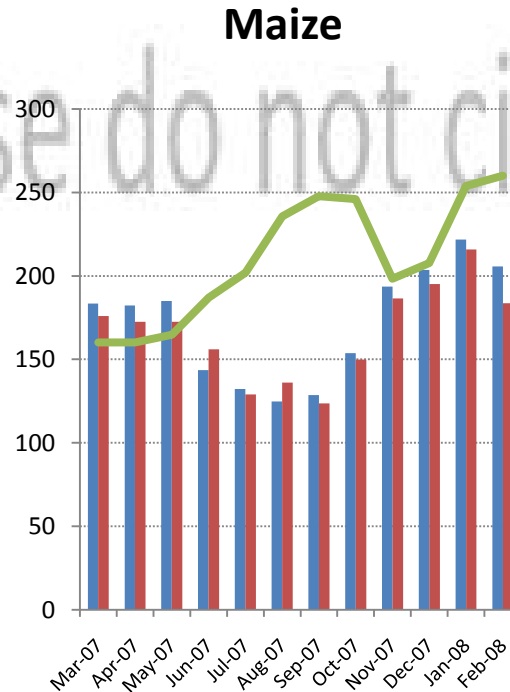
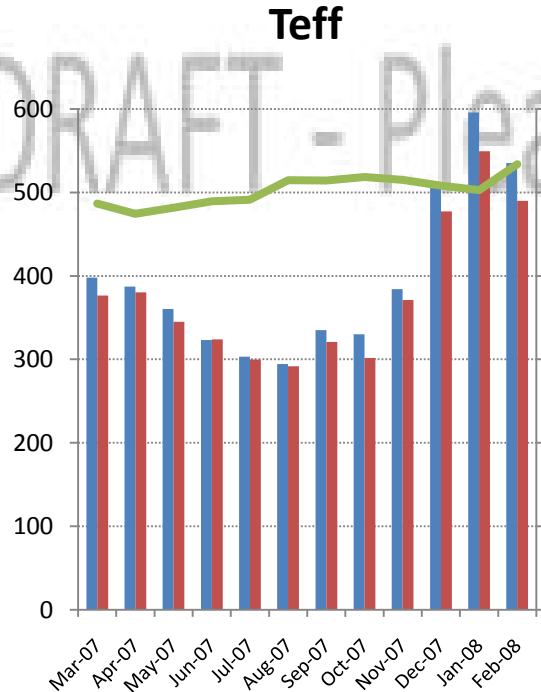


- Seasonality
- Lack of storage: majority of traders do not store, the quantities stored are small compared to quantities traded

Seasonality: prices and quantities traded

- Seasonality in both purchases and sales
- Although increasing trend in prices, there does not seem to be an obvious increase in storage (source: EGT)

■ Mean quantity purchased (quintals)
■ Mean quantity sold (quintals)
— Addis price (\$ per MT)



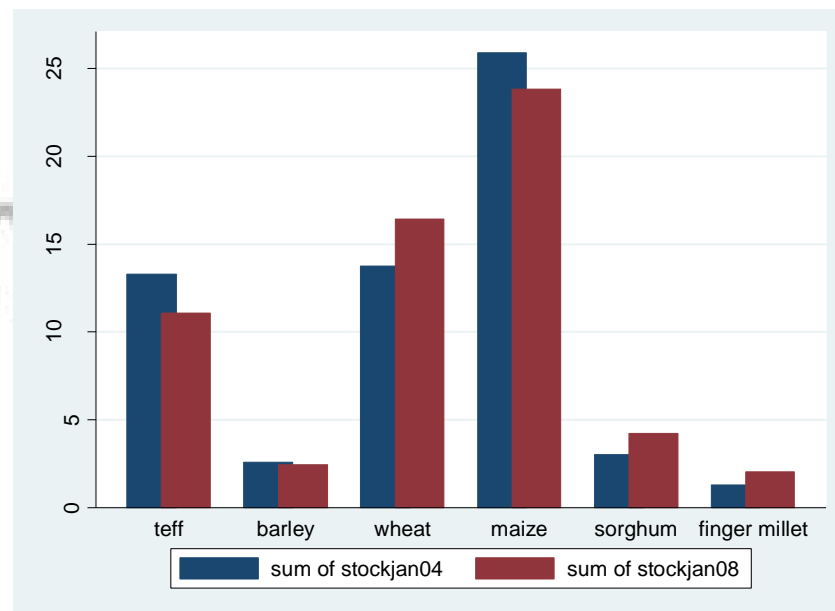
Storage: changes in storage behaviour

What did traders respond when asked?

Is the number of days between purchase and sale more or less than usual?	Proportion (%)
Less	26
Same	48
More	25

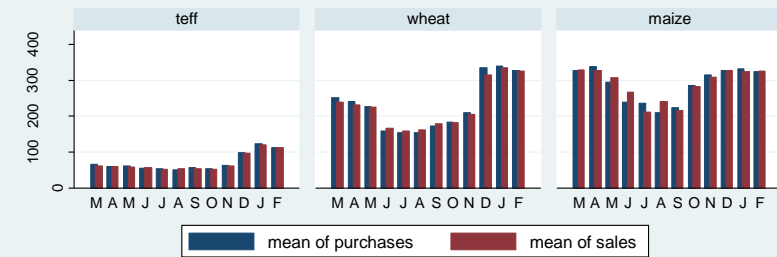
- Traders do not report any trend
- If traders were trying to answer correctly, would not expect such an even split
- This does not vary across crop

Storage does not seem to be higher in 2008 than in 2004

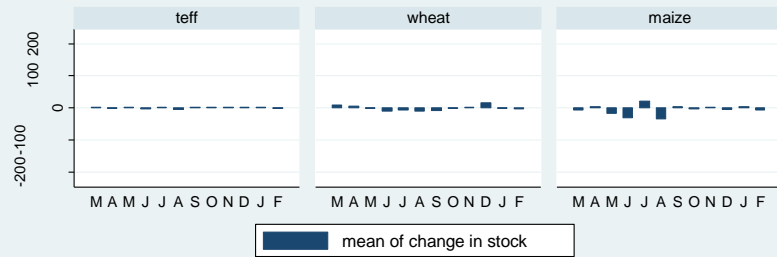


- These patterns do not change when looking at those with and without access to credit
- However, these are averages over traders, small retailers who do not store could be dominating the results.

Traders selling to wholesalers

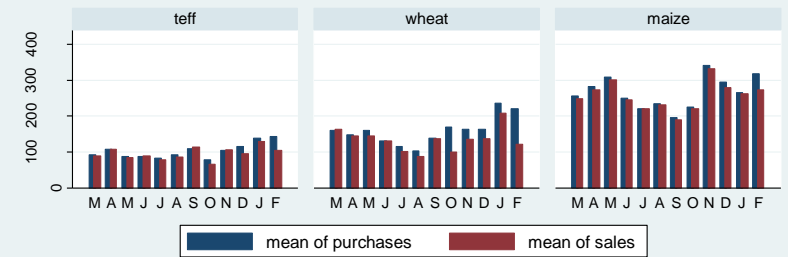


Graphs by crop

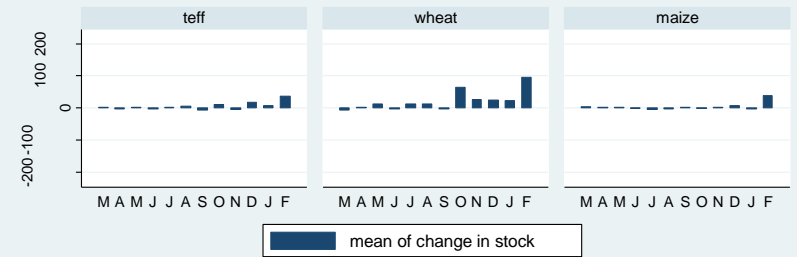


Graphs by crop

Traders selling to retailers

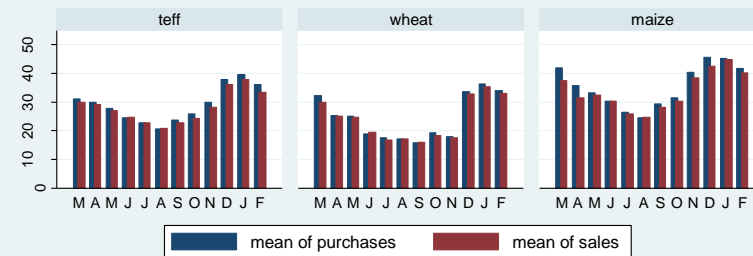


Graphs by crop

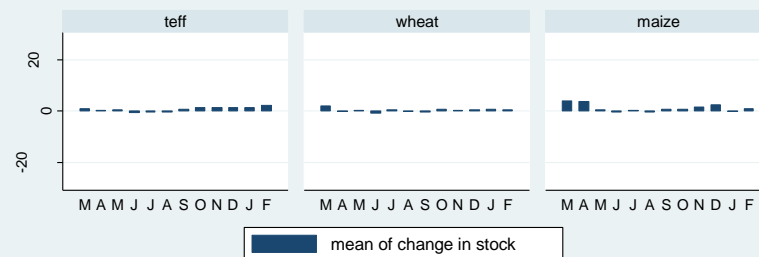


Graphs by crop

Traders selling to consumers



Graphs by crop



Graphs by crop

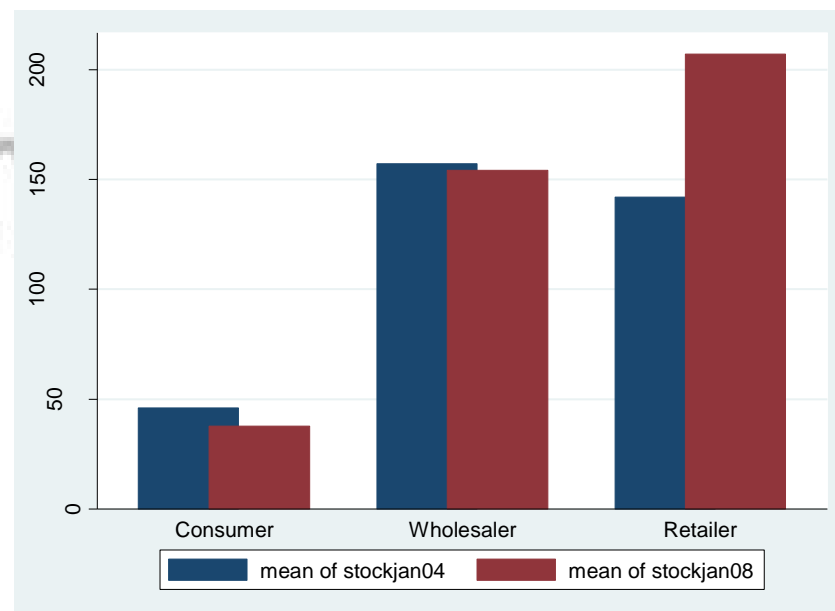
Storage: changes in storage behaviour by type

What did traders respond when asked?

Is the number of days between purchase and sale more or less than usual?	Proportion (%)
Traders who sell to wholesalers (n=52)	
Less	19
Same	56
More	25
Traders who sell to retailers (n=22)	
Less	41
Same	50
More	9
Traders who sell to consumers (n=221)	
Less	24
Same	49
More	27

Comparing storage in 2008 with storage in 2004

(by type of trader sold to)



Transaction costs

In 2002

(Gabre-Madhin and Amha 2004)

	Mean
Gross margin rate (sale price / purch price)	1.12
Proportion of costs from ... (%):	
Bags	32
Handling	31
Intermediaries	9
Transport	21
Road payment	0.4
Storage	0.5
Personal travel	1
Market taxes	3
Telephone	1
Losses during transport	1
Losses during storage	0.1

In 2008

(this study)

	Mean
Gross margin rate (sale price / purch price)	1.12
Proportion of costs from ... (%):	
Bags	26
Handling	27
Intermediaries	3
Transport	20
Road payment	0.4
Storage	0.6
Personal travel	0.4
Market taxes	0.3
Telephone	0.4
Losses during transport	12
Losses during storage	4

Transaction costs by type

Traders that sell to...		wholesalers	retailers	consumers
Size of transaction (quintals, median)		50	65	15
Sale and purchase price differential (Birr per quintal, median)		10	7.5	10
Marketing cost (Birr per quintal, median)		14	15	7
Bags	Proportion spending (%)	70	64	70
	Cost (Birr per quintal, median)	5	4	4
Handling	Proportion spending (%)	80	90	67
	Cost (Birr per quintal, median)	2	2	2
Intermediaries	Proportion spending (%)	24	14	28
	Cost (Birr per quintal, median)	1	1	1
Transport	Proportion spending (%)	35	48	21
	Cost (Birr per quintal, median)	16	9	12
	Distance traveled (km, median)	130	190	105
Road payment	Proportion spending (%)	20	14	6
	Cost (Birr per quintal, median)	1	1	1
Personal travel	Proportion spending (%)	22	32	19
	Cost (Birr per quintal, median)	1	1	1
Market taxes	Proportion spending (%)	19	39	18
	Cost (Birr per quintal, median)	2	4	1
Telephone	Proportion spending (%)	63	91	42
	Cost (Birr per quintal, median)	0.4	0.2	0.6

Transaction costs by surplus/deficit markets

		Surplus Markets	Deficit Markets
Size of transaction (quintals, median)		15	30
Sale and purchase price differential (Birr per quintal, median)		10	10
Marketing cost (Birr per quintal, median)		8	6
Bags	Proportion spending (%)	77	63
	Cost (Birr per quintal, median)	3	2
Handling	Proportion spending (%)	69	74
	Cost (Birr per quintal, median)	2	2
Intermediaries	Proportion spending (%)	17	9
	Cost (Birr per quintal, median)	1	1
Transport	Proportion spending (%)	22	30
	Cost (Birr per quintal, median)	15	12
	Distance traveled (km, median)	111	100
Road payment	Proportion spending (%)	7	13
	Cost (Birr per quintal, median)	1	1
Personal travel	Proportion spending (%)	14	28
	Cost (Birr per quintal, median)	3	3
Market taxes	Proportion spending (%)	11	32
	Cost (Birr per quintal, median)	1	2
Telephone	Proportion spending (%)	47	52
	Cost (Birr per quintal, median)	0.6	0.4

Comparing transport costs in 2004 and 2008

Comparison of traders that transport: 1996, 2002, 2008

- Taking traders that transport grains from traders conducted in 1996, 2002 and 2008

Transport costs (birr /quintal)	1996	2002	2008
Number of traders	150	129	93
Mean	15.4	19.3	16.0
Min	1	2	1
Max	70	90	70

Summary and further research

Summary of findings thus far:

- Patterns of seasonality in buying and selling are still present. No reported reduction in seasonality
- Some evidence that storage may have increased for larger wholesale traders, but proportions stored are still small
- Gross marketing margins may be increasing with the price but not proportionately. The structure of transaction costs does not appear to have changed much. Not very different between deficit and surplus markets

Areas of further research:

- Compare further with 2002 data to examine changes in storage, and transaction costs
- Multivariate analysis of how storage behaviour has changed by variables such as size of working capital, access to credit etc.
- Disaggregate results by region and match up with the farmer data to compare changes in production and selling patterns with trader data
- Comparison of market sites between 2002 and 2008 to assess how investment in road infrastructure and development of mobile phones has changed trading behaviour, collection of information on prices, suppliers and buyers