SCAN

Supply Chain Analysis for Nutrition

ST–04

PRICE MARK-UP MAP

Background and Instructions

A price mark-up map helps to assess the affordability of a food within a supply chain by displaying the cost of goods at different stages in a supply chain. It shows how each supply chain step is contributing to the final price of the good in question. This can help identify stages in the supply chain that are driving the price of goods. Potential operational inefficiencies might be identified at these supply chain stages and mitigated to lower the price of goods.

To create a price mark-up map, first identify all stages and sub-stages in the supply chain that the good passes through. Include stages starting from the very first raw materials through any taxes imposed on the consumer when purchasing.

Next, collect price information for a single unit or common group of units. Prices should reflect what the goods were purchased for upon arrival in each stage, not what prices the goods are being sold for to the next business or entity in the supply chain.

It may be helpful to create more than one price mark-up maps if there are significant price variations based on seasonal availability, because of supply chain actors of different sizes moving through each stage, or because of varying packaging sizes. An example price mark-up map for milk-based yogurt products in Ethiopia is shown in Figure 1.
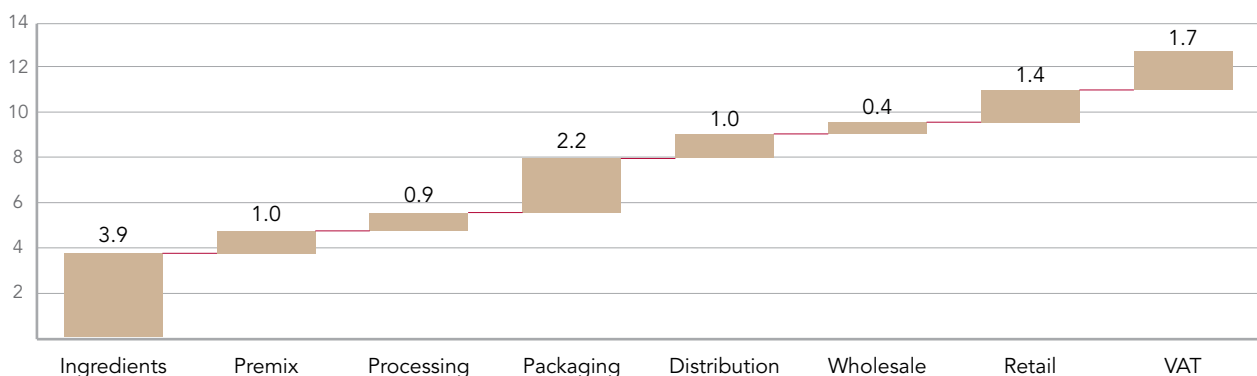

Figure 1: Example Price Mark-Up Map: Milk-Based Yogurt Products in Ethiopia

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Interpretation of a Price Mark-Up Map

There are many ways to interpret a price mark-up map and these should be validated with key stakeholders to determine the reasons for the mark-up at each supply chain stage. Price mark-ups may be due to the actual costs of operations; or due to market forces, competition, or policies that are artificially inflating or deflating prices. An operational example might be food safe packaging, which is an expensive input is passed along to consumers, but which adds a worthwhile cost increase. A market forces example might be where there is limited market competition and the suppliers have the power to increase or set prices for all buyers.

Note that many businesses in developing countries may not keep detailed records of these prices or may want to keep information around profit margins private. This may make it difficult to create a price mark-up map based on concrete figures. If this is the case, it may be more important to discuss with multiple stakeholders where their largest costs come from and what the drivers of this might be and triangulate approximate mark-up values or proportions. For example, many food processors may note they face challenges with the high cost of packaging. This might be due to high import costs or because there are few packaging suppliers who are inflating their prices because of limited competition.

The template below can be used to create a price mark-up map. Simply fill each supply chain stage and the total price of the goods arriving at each stage. Calculate the mark-up at each stage and the proportion of the total price attributable to each stage.

SUPPLY CHAIN STAGE	PRICE OF GOOD	MARK-UP	MARK-UP PROPORTION
Total		0	0%

Price Mark-Up Map for [Food] in [Geography]