Is Thimphu's meat market competitive?

1. Background

Meat shops in Thimphu used to belong to an association called the Bhutan Meat Vendors Association (BMVA) that set the same selling price for all its member shops. This meant shops did not compete with each other on price. The Competition and Consumer Affairs Authority (CCAA) found that this arrangement broke competition principles and ordered the association to stop the practice. To help vendors comply with the order, the CCAA also provided training to all meat vendors in Thimphu on how to determine their own selling prices. More than nine months have now passed since that order.

2. Methodology

To check whether real price competition exists at present, CCAA collected retail prices for 15 meat products from 65 meat shops across Thimphu Town. Not every shop sells every product, so the number of shops checked varies by item, from 9 shops to 60 shops. This report examines that data to see whether today's prices behave like a competitive market, or whether they still look fixed and uniform, and what is most likely causing the pattern seen.

In a market where shops set their own prices and compete with each other, prices should differ from shop to shop, since shops differ in cost, service, sourcing and location. In a market where prices are still fixed or informally agreed, prices should stay close to one or a few common values, with little difference between shops.

For each product, this study measures two things: how spread out prices are across shops (the "price spread", or coefficient of variation, shown as a percentage of the average price), and what share of shops charge the exact same, most common price (the "modal share"). A low price spread and a high modal share point to uniform, possibly fixed, pricing. A high price spread and a low modal share point to real competition. The study also checks whether individual shops are consistently cheap or consistently expensive across all the products they sell, which would show genuine competitive behaviour rather than random variation.

3. Results & Discussion

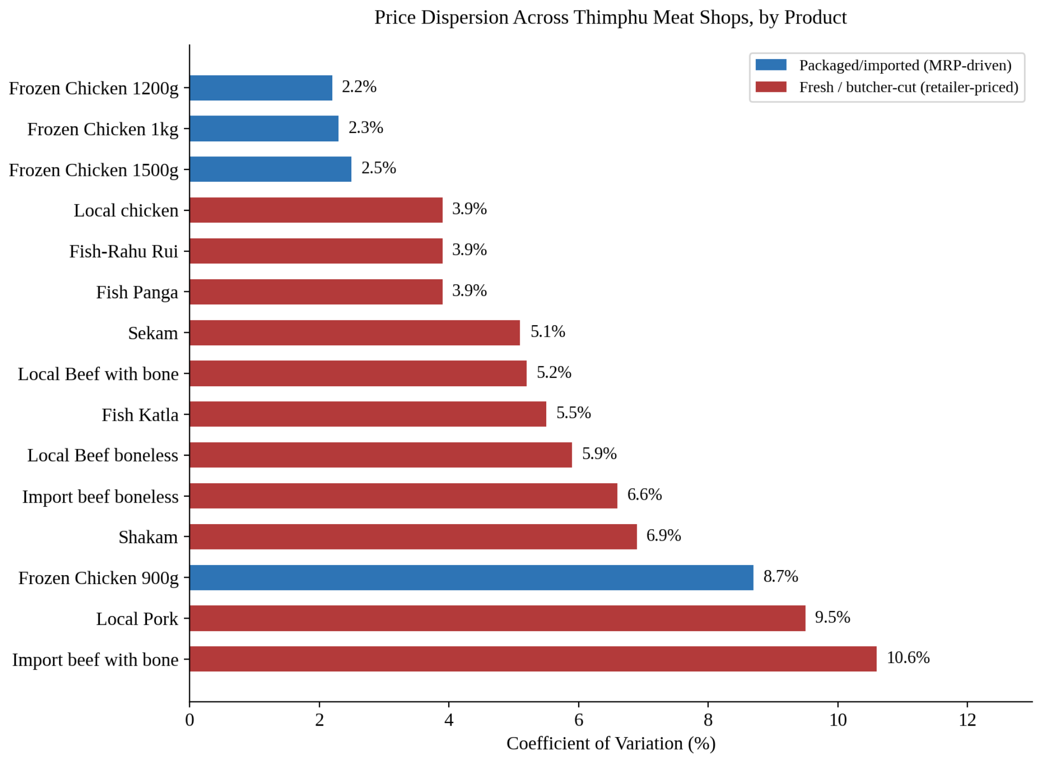
3.1 Three pricing patterns exist side by side

The 15 products fall into two broad groups, with a third, in-between pattern shown by fish. Packaged, factory-weighed frozen chicken (in 900g–1500g packs) and standard fresh local chicken show comparatively tight price clustering: price spreads of 2.2%–3.9% (leaving aside the smaller 900g sample, at 8.7%), with 85%–93% of shops charging the exact same price. On its own, this pattern could look like coordinated pricing. However, it is better explained by the nature of the product than by collusion. Frozen chicken is imported already packed, with a printed weight, and is usually sold at or close to a price set by the supplier. Local chicken is likewise a fairly standardised, everyday item. There is little room, and little reason, for a shop to charge a very different price for an identical, easily compared product like these.

Fresh cut products, where each shop sets its own price, show much wider price differences. These include beef (with bone and boneless, local and imported), local pork, and the dried products Sekam and Shakam. Their price spreads range from 5.1% for Sekam up to 10.6% for imported bone-in beef, and the gap between the cheapest and most expensive shop ranges from 19% to 80%. This is the pattern expected in a genuinely competitive fresh-meat market, where shops differ in sourcing, cut quality, running costs and customer base.

The three fish products — Rahu/Rui, Panga and Katla — sit between these two extremes. Their price spreads (3.9%–5.5%) and modal shares (61%–65%) are tighter than most butcher-cut beef and pork, but looser than frozen and local chicken. A plausible explanation is that fish supply in Thimphu passes through a small number of wholesalers or importers who set a reference price that most retailers follow closely, while still leaving shops some room to differ — unlike the near-uniform pricing seen for pre-packed chicken. As with chicken, this intermediate clustering is not, by itself, evidence of coordination among fish retailers.

Figure 1: How spread out prices are for each product. Fresh cut items show far more variation than packaged, factory-priced items.

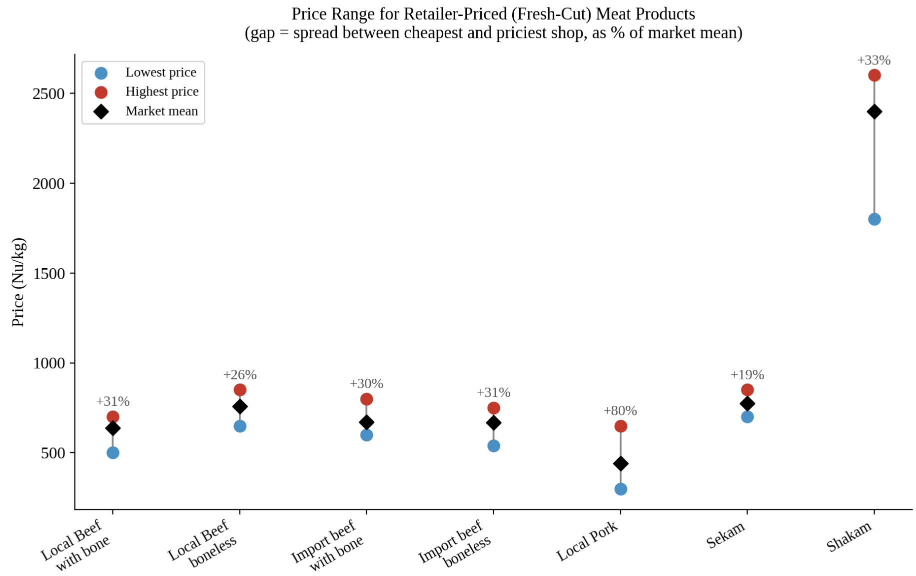


3.2 Fresh-meat price ranges look like real competition, not a shared price list

Figure 2 shows the lowest, average and highest price found for each fresh product priced individually by shops. If the old arrangement to fix prices were still in effect, these ranges would be narrow, with the cheapest and most expensive shops charging almost the same amount. Instead, meaningful gaps are found for every fresh, individually priced product. For local and imported beef, and for Sekam, this gap is Nu 150–220 per kilogram (19%–31% of the average price). Shakam's absolute gap is much larger, at Nu 800 per kilogram, but this reflects its much higher price level — proportionally, at 33% of the average price, it fits the same overall pattern as the other fresh products.

Local pork stands out as the widest range by far: the cheapest shop charges Nu 300 per kilogram while the most expensive charges Nu 650, a gap of 80% around the market average — well beyond what is seen for any other fresh product. Sekam sits at the other end, with the narrowest proportional gap (19%), suggesting shops price it fairly similarly even though they set it independently. These differences in how tightly each product clusters are themselves a normal feature of a competitive market, where the room for shops to differ depends on the product.

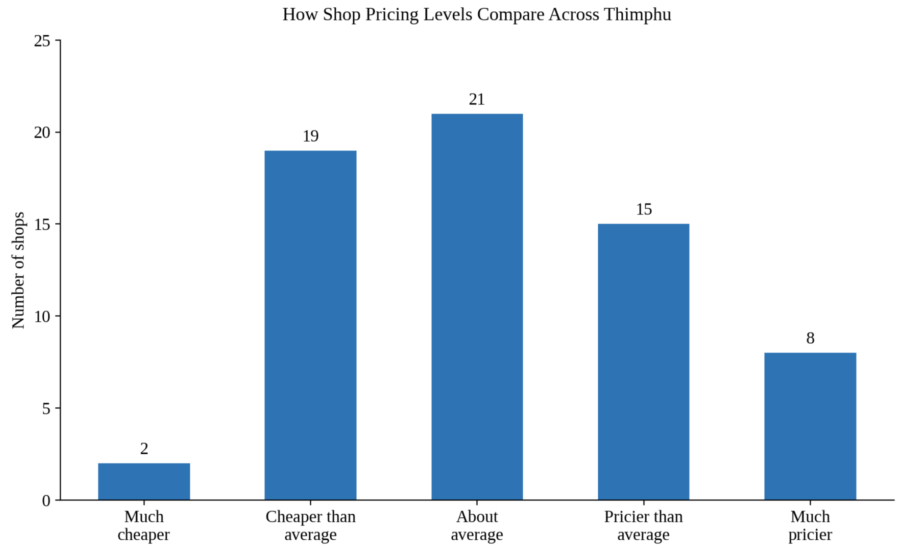
Figure 2: Range between the cheapest and most expensive shop for fresh, individually priced products. Wider ranges point to more independent pricing.



3.3 *Shops price consistently high or low across their whole range — a sign of real competition*

If shops were simply following one shared price list, a shop that happened to be cheap on one product would be no more or less likely to be cheap on another product. To check this, each of the 65 shops was ranked by its overall price level across all the products it sells, and grouped into five simple bands: much cheaper than average, cheaper than average, about average, pricier than average, and much pricier than average.

Figure 3: Number of shops falling into each overall pricing band, based on their average price level across all the products each shop sells.



Twenty-one shops fall in the "about average" band, but the remaining 44 shops lean clearly one way or the other: 19 are cheaper than average and 15 are pricier than average, while a further 10 stand out even more strongly, with 2 shops much cheaper than average and 8 shops much pricier than average. If every shop were still quietly following one common price list, almost all 65 shops would be expected to sit in the "about average" band, with very few anywhere else. Instead, more than two-thirds of all shops fall into the cheaper or pricier bands. This spread, and the fact that it is a consistent trait of each shop rather than scattered at random, suggests that shops are following their own pricing strategies relative to competitors, rather than all anchoring to one association price list.

3.4 Detailed price data by product

The table below sets out the underlying figures for each product, ordered from the tightest to the widest price spread.

Table 1: Summary of prices for each product across the Thimphu meat shops surveyed.

Product	No. of shops	Av. price (Nu.)	Lowest price (Nu.)	Highest price (Nu.)	Price spread (CV%)	Share on most common price
Frozen chicken (1200g)	30	360	330	390	2.2%	93%
Frozen chicken (1kg)	59	301	280	330	2.3%	86%
Frozen chicken (1500g)	37	453	450	500	2.5%	89%
Local chicken	60	350	300	390	3.9%	85%
Fish – Rahu/Rui	57	306	280	330	3.9%	65%
Fish – Panga	55	305	280	330	3.9%	65%
Sekam (dried pork)	57	774	700	850	5.1%	51%
Local beef, with bone	42	637	500	700	5.2%	69%
Fish – Katla	28	350	320	400	5.5%	61%
Local beef, boneless	45	758	650	850	5.9%	44%
Imported beef, boneless	42	669	540	750	6.6%	36%
Shakam (dried beef)	45	2,400	1,800	2,600	6.9%	51%
Frozen chicken (900g)	17	288	270	370	8.7%	53%
Local pork	59	440	300	650	9.5%	75%
Imported beef, with bone	9	672	600	800	10.6%	44%

4. Is the market competitive?

Taken together, the evidence points to a genuinely more competitive market for fresh, individually priced meat products than existed under the former price agreement scheme. The clearest sign of price-fixing — one dominant price charged by nearly every shop — is largely absent from beef, pork, Sekam and Shakam pricing. Instead, there are meaningful differences in price between shops, and these differences are consistent for each shop rather than random, which suggests shops are competing rather than coordinating.

The uniform pricing still seen in frozen and fresh chicken is unlikely to be due to price fixing. It more plausibly reflects two things. First, frozen chicken is a standard, pre-packed, easily compared product that is usually sold close to a price set by the supplier or importer, where undercutting is both harder and less worthwhile than for a differentiated fresh cut. Second, local chicken is a fairly standard, lower-value item, where small price differences are not worth advertising. This pattern — uniform pricing on standard, everyday items alongside varied pricing on differentiated items — is a common and generally normal feature of retail markets, and is not, by itself, evidence of coordination.

That said, the data collected cannot fully rule out softer forms of coordination, such as informal price-matching or shops anchoring their prices around a small number of common points. This can still show up as clustering even without any formal agreement. Several products still show a large share of shops charging one particular price, even outside the packaged-goods category. This is most notable for local pork, where 75% of shops charge exactly Nu 450 per kilogram despite an otherwise wide range of prices. This is consistent either with normal price convergence around a shared wholesale or live-animal cost, or with informal signalling between shops, and the current data cannot tell these two possibilities apart.

5. Limitations of the study

- Prices were collected at a single point in time. The analysis therefore does not show whether the price differences seen are stable over time, or whether shops are gradually moving back toward agreed pricing since the survey was carried out.
- Not all shops sell all products, and the number of shops checked varies considerably by product, from 9 shops for imported bone-in beef to 60 shops for local chicken. Estimates for products with fewer shops checked are less reliable.
- The data does not record differences in quality, cut, freshness or portion weight, which can fairly account for some price differences within a product category.

6. Conclusion

Overall, the evidence indicates that the CCAA's interventions to eliminate the practice of fixing selling prices, and the subsequent training for retailers on how to determine selling prices, are working, with most establishments now setting their own prices. Nonetheless, the following recommends are made:

- Carry out similar price surveys of the same group of shops on a regular basis (for example, every quarter), so that changes in price competition can be tracked over time rather than judged from a single snapshot. This would allow CCAA to detect any drift back toward uniform pricing at an early stage.
- Continue publishing comparative retail prices for consumers, for example through CCAA's Market Price Information (MPI) and Monthly Price Watch (MPW). Price transparency for consumers is itself a driver of continued price competition, and is a low-cost complement to enforcement action.