

**Understanding the Mazaar Garment Market:
An Analytical Report to Zardozi**

**Adam Pain
January 2012**

Summary

This analytical report presents an approach to building understanding of the garment market system in Mazaar. Through the application of this approach to three sub-sectors of the garment sector it presents a preliminary analysis and map of the market chain for embellished velvet products, peron tumban and embroidery although further data and detail is needed.

It identifies a number of factors of the market environment and the institutions within it that regulate in various ways how this deeply gendered market operates. These factors are largely informal and relate to issues of building and maintaining trust under risky and uncertain conditions, the need for credit which is informal as well as deep cultural identities. The geography of the market and its seasonal dimensions are stressed.

The study draws attention to the innovations that have taken place in the garment sector in the recent past and the useful lessons that might be drawn from them.

The complexity of garment sector and its differentiated nature is emphasized and draws attention to the need for Zardozi to deepen its understanding and use that understanding strategically not only to identify where opportunities might lie but also how the position of women might be strengthened within the market.

Contents

I	Introduction	1
II	Understanding Markets	2
III	Objectives, questions and methods	4
IV	What have we learnt?	6
	A: The Decorated or Embellished Velvet Cloth Market	8
	B: The Peron Tumban Market	13
	C: The Embroidery Market	23
V	General Implications for Zardozi	25
	Building understanding of markets	
	What more do we need to know?	
	How to use the market information to position Zardozi	
	Figure 1 : A Market Map	28

Understanding the Mazaar Garment Market .

I. Introduction

1. The ultimate goal of Zardozi's 'Market for Afghan Artisans' (MAA) programme is to reduce the poverty of women working in Afghanistan's handcraft industry. It seeks to achieve this by strengthening their position in the handcraft subsector of the garment industry by securing higher and more stable incomes for such women and more reliable employment. There are four components to the programme (Product Development, Business Development, Marketing and Association Development) and the terms of reference to which this report responds is concerned with the third component – marketing.
2. Marketing support is seen to be the crucial element that will allow 'women to become successful independent commercially integrated entrepreneurs'¹ and the programme is focusing on improving opportunities for marketing handwork products particularly at the higher value end of the market and diversifying the range of outputs. A key intervention by which Zardozi hopes to achieve this is through the promotion of intermediaries or buyers (sales agents) who **will** link home producers to the market. Zardozi has recruited a Market Development Manager to build better understanding of the handicraft and garment industry and help identify the opportunities.
3. The terms of reference for this specific study of the Mazaar Garment Market are:
 - To improve Zardozi's understanding of the provincial/regional garment sector market in Mazaar;
 - To help Zardozi to understand how this provincial/regional market relates to the overall Afghanistan garments market sector
 - To help identify opportunities and recommend strategies to improve the integration of ASK² members into the garments market and their position in various garment value chains
 - To mentor Zardozi market development staff to improve their understanding of market development research and analysis and capacity to implement build better understanding of markets
 - To support Zardozi to analyse garment sector trends so as to position ASK members to take advantage of opportunities now and in the future
4. This report, based on a five day field visit to Mazaar, first outlines (in section II) key conceptual issues in terms of an approach to building understanding of markets before explaining the methods used in the study (section III). Section IV sets the context and summarises what was learnt in three specific

¹ Draft Terms of Reference, Market Research Consultancy, 9th August 2011:1

² ASK: Anjuman e Sanayee Disti e Khanumha

market chains – the Decorated/ Embellished Velvet (EV) market, the Peron Tumban (PT) market and the Embroidery Market (EM) before in Section V summarizing the implications of the market analysis for Zardozi and the needs for further research and information.

II Understanding Markets

5. This section briefly outlines the key conceptual issues that are necessary to build understanding about how markets work and the position and interests of key actors or agents within the market. It draws attention in particular to the widespread informality of Afghan markets and the significance of personal relationships and trust in establishing and maintaining trading relations.
6. Markets are at the same time physical places and complicated social institutions. The social institutions exist in order to regulate behaviour, order practices and facilitate market exchange. In many contexts where there is a relatively strong state and a formal rule of law, formal institutions through laws and regulations underpin the operation of markets and define the basis on which contracts are entered into and enforced. Accordingly, so the argument goes, markets and exchange become increasingly impersonalized, volumes of trade grows and transaction costs are lowered.
7. These conditions do not exist in Afghanistan and most market transactions, and as will be seen including those of the garment industry, are governed or regulated informally by social institutions or norms. These include those of gender, ethnicity and even geography and the establishment of personal trust based relationships, often lubricated by credit relations, is fundamental to their operation. These dimensions must be clearly understood. Further in western liberalized markets, the labour market can be regulated in the interests of workers (setting for rights or entitlements to, for example, minimum pay levels, health and safety conditions etc) and the state and the market can provide insurance and welfare in the form of pensions. Such conditions and rights are not available to Afghan women working in the garment sector limiting the extent to which their position can be strengthened.
8. Markets need to be looked at as a system or value chain. A market system can be defined as a network of producers, suppliers, processors, traders, buyers and consumers that are all involved in producing, exchanging and consuming a particular item or service. Such networks or circulation systems are supported by infrastructure and market support services (market places, warehouses, transport, credit etc) and are regulated by institutions, rules and norms. Market systems are dynamic and change is driven both by technical innovation (e.g. the computer based embroidery systems), economic changes (e.g. price) as well as political factors. In order to understand the market system and this understanding is a prerequisite to finding opportunities, a mapping exercise is required that helps define the various components of the

market system, the overall market or commodity value chain, the actors involved in it and the linkages between the actors.

9. Market systems are highly differentiated and specific to a commodity. No one market system is like another although two markets systems might share certain characteristics and the same agents may work in both. This is not just a question of distinguishing between different general commodity markets e.g. between the cloth market, the carpet market or the dried fruit market. But as is clear from the garment market and the evidence provided in this report, the market system is also differentiated within a given commodity. Thus in the handicraft / garment sector the market systems can be differentiated based on the quality of the cloth that is used, who trades it, the gender of the final consumer and the quality of work/ material even within a sub component of the clothing market (e.g. velvet).
10. Figure 1 summarises in schematic form the overall market circulation system for cloth and its various stages of exchange and transformation (through fabrication). The market map has three major component: the market institutional environment which are the factors that regulate the ways in which it works, the market chain identifying the key commodity **flowers**, the agents involved, processes of transformation of value and linkages between the key agents and the market infrastructure (physical facilities, utilities, public goods etc) that support the market chain. The major focus on the analysis is on the first two components. Within the market chain the components of the market or value chain and the interlinkages between them are focused on; the interlinkages are described in terms of volumes of flow, as differentiated by quality, price and source, number of agents and the margins made at each point of exchange: the components include the following:
 - Foreign Imports by importers / wholesalers
 - Imports from other regions / cities of Afghanistan
 - Linkages and flows between wholesalers and urban retailers;
 - Linkages and flows between wholesalers and home workers / processors
 - Linkages and flows between wholesalers and urban processors
 - Linkages and flows between urban processors and home workers
 - Linkages and flows between wholesalers and rural retailers
 - Linkages and flows between urban retailers and urban consumers
 - Linkages and flows between rural retailers, other rural retailers and rural consumers
11. For each stage there is a need to estimate numbers of agents, assess how they are differentiated (in terms of what they trade / exchange) and the margins that they make.
12. This report examines three particular sub-components or products in the garment market system. As will become clear even within a given product market there are major differences between traders based on what they do and particular activity combinations that can be unique to each trader. A

trader can buy, sell, broker, store, transport, process, produce, and finance trade and the production of others but the weight or importance of each may vary.

III Objectives, questions and methods

13. In this brief study four key objectives were identified

- First to build a market system map outlining the market chain, actors and linkages between them
- Second to investigate the market environment and the institutions, rules, norms and trends to which the market system is subject;
- Third to identify the drivers of change in the market including technical, economic and political factors
- Fourth on the basis of the above help define the criteria for market opportunities for Zardozi

14. The enquiry and evidence collection was driven by five core questions as listed below:

- Is and if so how, is the garment market differentiated by product (with respect to the inter-relation between materials used, design, quality of workmanship (in sewing, embroidery etc) and final destination)?
- How are the traders in the market differentiated (numbers, market share, product, entry requirements & barriers; trader assets, other activities) with respect to (a) in terms the nature of their engagement in the market. (The garment market needs to be seen as a market for credit, product acquisition, leasing, labour, processing and transportation; thus garment/cloth traders may buy, sell, broker, store, transport, process, produce, finance the production of others and finance trade). How therefore is the market organised with respect to contractual forms, activity combinations, commodities traded, exchange relation, location & processes, structural configuration and seasonality?
- What have been the changes in (a) and (b) since 2001 and how does this relate to changes in prices, volume and trade structures?
- How have the terms of trade changed for producers³ both with respect to the production process and the selling, remembering the gendered basis of these two activities?; what is the nature of the transaction at the point of primary exchange, the extent of price setting, taking etc and how does this relate to product differentiation? What are the rates of return and

³ Remembering the gendered nature of production and physical access to market, the distinction is made between the producer – often a woman in the garment sector – and the seller – often a man. However it should not be assumed that women have no control over either the selling price or the management of proceeds.

margins on secondary and subsequent transactions up to the point of the final consumer?

- How has the position of the regional market changed versus other Afghan garment markets (Kabul, Jalalabad, Herat) and how does relate to their relative articulation or linkage with regional and global markets?

15. A first step in the exercise was to review with key Zardozi staff in Kabul the key products with which Zardozi is engaged with and its existing knowledge of the garment market systems. Second this was followed up in the Zardozi Mazaar office with a more detailed examination and discussion of each garment type and its market (product differentiation, quality, pricing etc) and a subjective ranking (from high = 1 to low equal to 10) of Zardozi's engagement in relation to the overall importance in terms of volume and value within the garment trade. The details of this are summarized in table 1.

Table 1. Classification of Garments by Gender and estimated ranking (from 1-10) according to volume and value by Zardozi and the garment sector in Mazaar

Garment Product	Gender of final consumer	Ranking of importance to Zardozi by volume	Ranking of importance to Mazaar garment sector by volume	Ranking of importance to Mazaar garment sector by value
Chumdadozi	Male	9	9	8
Peran Tomban	Male	1	1	10
Hejab	Female	7	8	7
Beaded Velvet	Female	2	5	2
Crochet	Female	10	10	3
Shishadozi	Female	8	7	4
Chapan	Male	4	4	5
School Uniform Girls	Female	3	3	6
Embroidery	Both	5	2	1
Negin Shani	Female	6	6	9
Party dresses	Female	?	?	?
Kurte daman	Female	?	?	?

16. While noting that these are subjective assessments and subject to revision, there is a broad correspondence between the relative importance by volume of specific products to Zardozi and their importance in the market. The differences are in the relative rankings of the importance of beaded velvet and embroidery products, the former ranking lower by volume in the Mazaar garment sector and the latter (embroidery) higher. However the ranking of beaded velvet in Zardozi's portfolio should be compared with the estimates of value in the garment market where it is seen to have a higher rank. Embroidery on the other hand, estimated to be the product of highest value in Mazaar is of less importance to Zardozi. Note should be made of the product estimated to be the most important by volume for both Zardozi and the general market – Peron Tumban – but which is estimated to be the lowest

in value. The implications of this for opportunities and improvement of the position of women in this specific product are returned to later.

17. Based on a discussion with Zardozi staff, the importance of the specific products to Zardozi's portfolio and the need to look at contrasting product markets, a decision was made to concentrate on three specific products/ markets: the decorated/ embellished velvet cloth market (high volume, high value); the Peron Tumban market (high volume, low value) and the Embroidery market (middle volume, high value) given their relative importance both to Zardozi and value in the garment sector.
18. The market place for each product was visited and interviews conducted with randomly selected traders in order to collect data to begin to answer the above questions and develop a broad picture of the commodity market system. In addition key informants from Zardozi connection (home producers, trade agents) were also interviewed. Table 2 provides details on the respondents by commodity type.

Table 2: Sample frame of key informants.

	Cloth Traders	Product Traders	Home Workers / Sales Agents
Velvet products	5		3
Peron Tomban	2	3	2
Embroidery		2	1

IV What have we learnt?

19. Summarising both field observations and comments made by key informants, a number of preliminary and general comments are first made about the overall garment sector. First a broad distinction can be made between imported ready-made garments and garments that are fabricated⁴ or made within Afghanistan from imported cloth. The imported ready-made garments made in clothing factories come primarily from China and Pakistan. It is understood that these imports are growing, meeting a demand primarily from the lower income segments of Afghanistan's urban populations in the major regional cities and provincial towns. These include jackets for men (particularly from China) and women's and children's clothes coming from China. However the rural garment sector, both for men and women remains firmly based on the demand for traditional clothing and is likely to remain so.
20. At present that clothing is fabricated or made by independent tailors, both men and women and there is little factory based production of clothing. The long term effects of ready made imports on demand for fabricated garments within Afghanistan are unknown. Nor is it clear who the importers are and if and how they relate to the importers of cloth in the fabricated sub-sector.

⁴ The term 'fabricated' will be used in this report to refer to hand or machine made garment products that are produced at home or in individual shops by independent tailors or producers.

These are issues that need to be thought about but are not discussed further in this report. But the fact that fabrication of garments takes place within country means that the linkage between the importers of cloth (it is understood that no cloth is woven or produced within Afghanistan) and the fabrication of the garments in the market chain needs to be understood.

21. Second within the garment sector there is specialization both in what cloth is traded and where that cloth is imported from. Further the market systems are distinctly gendered with the primary importers, based in Mazaar trading in cloth either for men or women's garments, but usually not both. This gendered cloth market is carried down to the provincial centre traders. However specialization starts to break down at these provincial centres and particularly at the district towns where traders and shop keepers are more likely to trade not only in cloth for men's and women's garments but also in other products as well. By definition the consumer demand for cloth is completed gendered.
22. Third the cloth can be processed or embellished and/or decorated in various ways prior to being fabricated into a garment. The nature of the embellishment is product (and therefore gender) specific and the workers responsible for that embellishment are primarily women but not exclusively so. Note for example, and as discussed below the shift of men into computer based embroidery of PT pieces. The embellishment can take place at various stages in the market chain with primary importers directly contracting labour to do the embellishment but secondary importers (e.g. the PT traders in Tawhid market) doing so as well.
23. Fourth the labour involved in the embellishment of cloth (and the focus of Zarodozi's concern) is primarily based at or linked to the regional urban centres, and is also differentiated (it appears) with respect to what cloth is worked and what processing is involved. Thus there appears on the information to hand to be a distinction between those women who work on velvet, those who are involved in PT production and those who work in embroidery.
24. Fifth the trading network in its simplest form appears to work as follows:
 - Primary importers trade as wholesalers with urban retailers in Mazaar and traders from the provincial centres in northern Afghanistan from Badakhshan to Faryab;
 - Provincial traders selling directly (as retailers) in provincial centres but also acting a wholesale suppliers to district traders;
 - District traders acting as retailers but also supplying cloth to village traders. However district traders can also come direct to Mazaar, particularly if they are relatively close and one district cloth trader was found in Mazaar who was buying directly from the importers / wholesalers.

A: The Decorated or Embellished Velvet Cloth Market

25. The first segment of the garment sector to be explored is that of the velvet cloth market. The velvet cloth is imported primarily from two countries – Korea and China – with quality (primarily defined in terms of softness) reflected by price. There are several grades of quality, based on the raw material (synthetic/ natural) on which they are made with Chinese velvet being at the lower end of the price and quality spectrum. Three specific velvet products, all designed for women, are explored here, based on different types of decoration or embellishment. These are:
- Beaded velvet where the yoke or collar of the dress is hand beaded and the cloth cut into dress lengths;
 - Beaded velvet with flower beading where the beading decorates the flowers that pattern the length of the cloth;
 - Nagin Shani where the velvet cloth has ‘sticky diamonds’ attached to the pattern the length of the cloth;
26. The consumer demand for velvet cloth is exclusively by women and primarily rural women although a small urban demand for the Nagin Shani apparently also exists. It is not clear if Nagin Shani is exclusive to an urban market. The demand is also seasonal and is concentrated during the winter months. While there has been a long term demand for velvet cloth, the decorated or embellishment of the cloth with beads or sticky diamonds is very recent and can be seen as a technical innovation that provides added value to the cloth and presumably enhances profit margins.
27. Drawing from information provided by five importers of velvet cloth interviewed in Kefayat and Bahrudin cloth markets in Mazaar the following general features of the velvet cloth market can be characterized. It was reported that there were about 10 traders in Kefayat market who specialized in velvet, about half of whom were larger traders and about half were middle level traders: there were no small level traders. Although all of the informants stated that they were middle level, it is possible that VT1 and VT5 were in fact large traders given their volumes and focus. The higher value Korean cloth is imported via Dubai and three of the velvet traders (V1, VT2 and VT5, see table 3) travelled to Dubai to arrange the imports. The imports are paid for in cash and come by road through Iran to Herat, Kandahar, Kabul and finally to Mazaar. A fourth trader (VT3) buys his Korean velvet directly from a velvet trader in Kabul as he has insufficient capital to import directly. VT4 does not trade in Korean velvet.
28. In contrast the Chinese velvet is sourced by all five traders from within Afghanistan either from Herat where there appear to be specific importers or bought from other traders within Mazaar.

Table 3: Five Velvet Cloth Importers – estimates of volumes of velvet cloth traded by source and destination

	VT 1	VT2	VT3	VT4	VT5
Market	Kefayat	Kefayat	Kefayat	Bahrudin	Bahrudin
Trading History (years)	10	2	15	5+	10
Import					
Korean Velvet rolls/month	180 - 200	120 +	30-50	0	100-150
Source	Dubai	Dubai	Kabul	na	Dubai
Chinese Velvet rolls / month	120-150	?	30-50	200 - 300	200
Source	Herat	Mazaar	Herat	Herat	Mazaar
Korean as % total volume	66%	95%	50%	0%	60%
Sales					
Proportion sold from shop	10%	?	20	?	5
Proportion sold to provinces	90%	?	80	80+?	95
Provincial Trading network (credit based)	15-20	150	80	100- 150	500 - 600

29. As is clear from the data in table the trading profile of each trader is unique in terms of both the overall volumes of cloth that they reported they traded each month⁵, the balance between Korean and Chinese velvet in that trade and the provincial trading network they are involved in. VT2 for example trades almost exclusively in the higher value Korean cloth while VT4 trades only in Chinese velvet. The other three traders have varying combinations of the Korean and Chinese velvet. Underlying these differences are differences in the capital on which the five traders can draw. Since Korean velvet requires cash payment and purchase of Chinese velvet could, as reported by VT4, be obtained partly on credit, the traders more concentrated in trading Korean cloth are likely to have the higher capital base.

30. The seasonality of demand was noted with higher sales during the winter (a three month period) and around the key festivals. VT1 for example suggested that in a low month he might sell 200 rolls of velvet overall a month while in a high season this might rise to 800 – 1000 rolls per month.

31. Further details from the trading history of each informant bring out the differences between them. VT1 started importing first from Kabul but has slowly built up his capital and so has been able to import directly from Dubai. VT2 has only been in the wholesale market for two years and still had two retail shops in Motahed market; his father was a trader in karakul skins. VT3 has been trading for 15 years but only working in velvet for the last 8 years; he has a brother in the market who runs a separate shop who brings velvet in from Dubai. All the first three also deal in embellished velvet products. In contrast VT4 does not sell beaded velvet products and stated that he does not want to deal with women, in part for reasons of his reputation. He also is the only one of the five traders to also deal in cloth for men (Peron Tumban cloth) and his diversification possibly reflects his lack of capital to purchase cloth from Dubai. His purchases are 50% cash and 50% credit. VT5 in

⁵ Note that these estimates of volume are based on what was reported and are likely to be approximate. There are issues here of both what traders are willing to report and with what degree of accuracy combined with the fact that that most reported considerable variability – the phrase ‘according to market demand’ was repeatedly stated.

contrast has a long term history as a cloth trader but moved into velvet about 10 years ago and can buy from Dubai 4-5 times a year.

32. For the three traders that gave estimates of this measure, it is clear that most of the cloth that they import is sold directly on the roll (e.g. unprocessed) to provincial and sub-provincial traders. The other two traders simply stated that the majority of their cloth is sold on the roll to such traders. Various estimates of the number of traders within the provincial network were given but note that these refer mainly to those provincial traders dealing with the importers on a credit basis. This does not include provincial traders who pay cash.
33. Obtaining details on trading margins for the cloth proved difficult and the figures provides in table are simply indicative. Part of the problem is that the cloth rolls are of variable length as noted below. More data will need to be sought on this, possibly by working back from what retailers have to pay when they buy the cloth.

Table 4 Five Cloth Importers : estimates margins on the cloth trade

	VT 1	V2	V3	VT4	VT5
Import costs					
Korean (\$/roll, + transport)	350-375	300 - 350	400		250 - 280
Chinese (\$/roll + transport)	250		275		150 - 180
Sale price \$/m					
Korean/m	9.5 - 10		10		
Chinese/ m	6-8		8		
Margins \$/m					
Korean/m	1?		1?		
Chinese/ m	<1?		<1?		
Dealing in:					
Nagin Shani	Yes	Yes	Yes	No	Yes
Beaded velvet	Yes	No	No	No	Yes

34. More information was forthcoming on the decorated velvet trade than on the velvet cloth trade As noted in table 4 only two of the traders dealt in both Nagin Shani and Beaded Velvet, 2 just dealt in Nagin Shani and one did not deal in either. For all traders trading in these products, the trade was reported to be relatively recent and the market is already changing. VT2 suggested that new Chinese cloth that had entered the market was now displacing the Mazaar produced Nagin Shani. The market for Nagin Shani was seen to be primarily in Mazaar city i.e urban (according to VT1) while the beaded velvet was exclusive to the rural market. Both VT1 and VT5 reported that they imported the yoke beaded velvet from Kabul while they contracted for the production of the Nagin Shani within Mazaar. The volume of trade in these processed products is only a relatively small proportion of the volume of sales sold from the shop.

35. VT5 who provided the most details on the margins stated that he had between 20-30 women working for him who processed about 30 rolls a

month; he reported that he sold each Nagin shani length (3m) for between \$9-10 with a margin of \$1 per item. He stated that he also had the same number of women (same women?) working on the Beaded Velvet again processing about 30 rolls per month and sold lengths (3 m) of beaded velvet for about \$28 per length with again a margin of \$1 per item.

36. Two of Zardozi's sale agents were interviewed who provide greater information on the production of beaded velvet products. The first, who had been working for in her neighborhood market 20 years as a tailor and in crochet, embroidery and bead work made the following observations:
- The culture of velvet and bead velvet was old and had been imported from Tashkent; production of beaded velvet in Mazaar had only started in the last 5-6 months but already had declined in volume;
 - At the time of the interview she was handling over 5 pieces of beaded velvet per week; a few months ago it had been 30-40 pieces per week;
 - She had trained about 60 home producers (HP) to work on the beaded velvet and also had family members working on it;
 - She commented that there were major problems of not being trusted by the wholesale traders with whom they worked; part of the issue was that they were not known by the traders (had no-one to vouch for them) but there were also issues of uncertainty over cloth length in a roll. The length of cloth on a rolls varied between 38- 45 metres and traders therefore often insisted on cutting up the rolls themselves and having the finished products returned within a week; the standard length of a dress length of Beaded Velvet was 3 m but she noted that some traders cut it short to 2.5 m when the length of the cloth roll was also short;
 - 15 lengths of beaded velvet work per roll (of 45 m) was ideal but it appears given the relatively small margins on each beaded velvet length the difference between 12 and 15 dress lengths per cloth were significant for the traders profit margin;
 - She though was now in a position of trust and was given a roll of velvet which she cut up, distributed the cloth between the HPs and returned the finished product to the trader;
 - For the Beaded Velvet it was possible to do 2 pieces per week; she got paid Afs 300 per piece and had a margin of Afs 90 on each piece with the HP receiving Afs 210 per piece;
 - She was also handling the Flower beaded velvet but this was done per roll and not as lengths
37. The second sales agent (Fatima) who was talked to had previously worked as a sales agent for 8 years in Iran and started tailoring there; she had worked independently as a sales agent in Mazaar before working for Zardozi working primarily on chapans. She had take order from traders in Kefayet and Sahudin market and on the basis of recommendations from traders she had worked with, was able to move into the Beaded velvet work. She made various comments:

- In her view it was about a year since the Beaded Velvet had come into the market;
- For the Yoke beaded work (Gandal) she was paid Afs 150 per length with 100 going to the HP who had to provide the beads which cost 75 Afs per length; however yoke beaded work was seen to be too expensive to be done in Mazaar and now the complete pieces were being supplied from Kabul;
- She had shifted to flower beading with a different shopkeeper which provide more profit to her (50 Afs per piece)

38. The limited number of interviews with traders at provincial and district level found no trader who was dealing in these processed velvet products; they were concentrated solely in the velvet cloth and confirmed that price was a key determinant. Accordingly they concentrated on the lower quality Chinese velvet.

39. A number of concluding remarks can be made about the velvet trade, the wider implications of which are discussed in the final section of this report:

- The velvet cloth market is driven by demand from women; that demand is primarily rural and is highly seasonal, being concentrated in the winter period;
- All velvet cloth is imported and distributed unfabricated with cloth being bought for tailoring at the locality of purchase; there is a limited market for ready made velvet clothes;
- Each importer / wholesaler of velvet is unique in terms of the volumes and proportions of different qualities of velvet cloth that he deals in; most of these traders appear to be specialized in velvet cloth and the bulk of their trade is in cloth rolls to a provincial and district network of cloth traders; while much of the cloth imports, particularly of the Korean velvet, are on a cash basis and so trader capital is a determining factor in which he trades in, there is more credit in the retail trade networks; the margins on the cloth trade appear to be relatively small and trading volume appears to be critical to profit levels;
- The production of processed velvet cloth was reported to be relatively recent and represents an opportunity to provide added value to the cloth; the production and trade in processed velvet products is organized by the cloth importers / wholesalers but it is a relatively small proportion of their turnover;
- The development of these processed and higher value products indicate that there is a consumer/ market segment even in rural areas that is prepared to pay for a slightly higher value product
- The three key processed velvet products differ in their added value and market; one was reported to have an urban market (Nagin Shani) while the other two had a rural market. Two of the products were processed by the roll (Nagin Shani and Flower Velvet) while the Yoked velvet was decorated and sold by the length; the market in these products appears to be dynamic and shifting and may be relatively transient;

- The processing of the velvet products was done predominantly by skilled female home workers although unskilled and male labour could work on the Nagin Shani cloth;
- Links between the cloth traders and home workers has been provided by female sales agents taking commissions from traders; the ways in which these sale agents build relations with traders is unclear but appears to be difficult, reflecting gender divisions and linked to the issue of establishing trust;

B: The Peron Tumban Market

40. The second segment of the garment sector investigated was the Peron Tumban (PT) market in Mazaar. PT is a garment worn by men in both urban and rural areas. It is a market that is not subject to the degree of seasonality with respect to climate as the embellished velvet market, although there is seasonal variation in demand. However purchasing and market demand may be subject to the seasonality of incomes particularly in rural areas (and affected by the health of the rural economy), as well as peaks of demand for new clothes associated with the key religious festivals.
41. The market is complex and is differentiated by quality and design and its scale and volume is likely to be considerably greater than the embellished velvet market (see table 1). Quality is largely determined by cloth type, the quality of embellishment (embroidery) and the tailoring. Embroidery is discussed separately below as it overlaps with other garment sectors in Afghanistan. The discussion here focuses on the production and sale of low quality PT in Tawhid market in Mazaar.
42. The PT market system can be subdivided into the following components, each of which is discussed below:
- The import of cloth by wholesalers / importers;
 - The retail network of PT cloth to the provinces and districts;
 - The retail network of cloth to the Tawhid market traders;
 - The production system for PT within the Tawhid market
 - The sale of PT to the regional rural market
43. It should be noted that the discussion or investigation does not address the second hand market in PT that has been reported⁶ to exist elsewhere in Afghanistan based both on the sale of second hand PT imported from Pakistan as well as a second hand market from Afghanistan sourced PTs. It is a market sector that needs to be investigated with respect to Northern Afghanistan.
44. The discussion here draws on interviews with two importers of cloth, three PT traders in Tawhid market, two home producers and traders at provincial

⁶ Zardozi 5th December 2011. Markets for low value peron tumban (PT). Notes from internal discussion.

and district level. It also draws on other interview material with Tawhid market traders⁷.

45. Cloth for PT is sourced almost exclusively from Pakistan. Two importers/wholesalers located in Sadudin market were interviewed. Sadudin market, one of the older cloth markets of Mazaar, has about 200 shops trading in a wide range of cloth including velvet and other fabrics. Of the number of traders (actual number unknown) focusing on PT cloth (as with Velvet cloth traders, PT cloth traders are specialists) a small number (2%) were described as being large and travelling out to bring cloth from a wide range of sources including China. The majority of traders were seen to be middle level (estimate range 50 – 70%) with the smaller traders being estimated to be about 30 – 50% of the number of traders. The first importer described himself as a small trader while the second saw himself as a middle level trader. Observation on their relative cloth stocks would support this distinction.
46. PT cloth importer 1 has been working in the cloth market for 25 years and his father had been a cloth trader before him. He moved into Sadudin market 5 years ago. He made the following comments on his trade:
- He brings about 50% of his fabric from Pakistan and the balance from Kabul (particularly cotton from China) and Herat (poorer quality cloth or Arash from China);
 - His brother travels to Faisalabad in Pakistan every 2-3 months according to market demand bringing 600 – 800 rolls of cloth at a time paying mainly in cash with about 10% on credit;
 - He sells about 20% of his cloth to Tawhid market PT traders and the remaining 80% goes to regional retail cloth traders at provincial and district level;
 - He reported that his regional network primarily operated on the basis of cash rather than credit;
 - On the other hand he deals with 5-10 traders in the Tawhid market to whom he gives credit⁸ in a system that he said was set up about 3 years ago; according to him Tawhid market and its PT production system is relatively recent having been set up about 5 years ago;
 - He also noted that there was a group of women (5-10) who came to him directly every 4-5 days, buying 1-2 rolls of cloth at a time with cash and they were independently stitching PTs and selling them directly on the streets in Mazaar; this observation is interesting and more information is needed on this group of women and investigation is needed to see if there are others like them;

⁷ Zardozi 2011. Tawhid Market Research Report March, 2011; Adam Pain, 2011 Opium Report

⁸ This importer was first met in the Tawhid market when he was making a weekly collection of payment from one of the PT traders to whom he gives credit

47. PT Cloth importer 2 was a relatively young man who had taken over the cloth import business from his father and focused primarily on Pakistan cloth including some of the better quality cloth. He noted that this was more risky but the potential for profits was greater and commented that PT Cloth Importer 1 was primarily based on the lower end of the market. He commented that:

- He imported directly from Lahore, a source of better cloth than Faisalabad, importing 500 – 1000 rolls at a time between 4-5 times a year; he paid almost entirely in cash;
- In his view most of the market demand was in the middle quality range of cloth (70 Afs per metre) and that this had increased from a few years ago when it was the cheaper cloth that was in demand; now there is about a 50% balance between the middle and cheaper quality of cloth;
- About 10% of his turnover of cloth goes to traders of PT in the Tawhid Market with 90% to the regional trade; he has close relations with 4-5 traders operating on a mixture of cash and credit; he agreed with the first cloth importer that the Tawhid market has established itself in the last five years;
- He noted that the development of the Tawhid market was based primarily on the home working of Hazara women working with Hazara traders;

48. Putting together the specific information on turnover and margins provided by the two importers (table 5) an estimate of monthly margins that have been made for each importer with respect to the PT cloth. It would appear that the volume of turnover is the key to the margin made by the trader. This in turn is related to the working capital that the trader has at his disposal.

Table 5: Estimate of Margins for two qualities (Q1, Q2) of Peron Tumban Cloth reported by two importers.

	Price /m	Margin	Profit / 26m roll	No rolls /month	Margin (Afs)	Gross Margin (\$)
Importer 1						
Q1	40	2	52	150-200	7800 - 10400	
Q2	80	5	130	150-200	19500 – 26000	
					27300-42900	546 – 858
Importer 2						
Q1	40	3	78	225-450	17550-35100	
Q2	80	5	130	225-450	29250-58500	
					46800-93600	936 - 1872

49. As noted above both of the importers of cloth sold cloth to PT traders in Tawhid market although this accounted for only 10-20% of their turnover. They both also commented that Tawhid market is relatively new in comparison with the other cloth markets of Mazaar, both in terms of its physical presence and in terms of the trade in fabricated PTs. Further its focus on the lower end of the garment trade, a relatively low margin market, is reflected in the physical condition of the market which is housed in

temporary structures, poorly protected from the weather and small individual cubicles. There are currently 80 traders reported to have shops in the market (the number appears to fluctuate), and according to the three PT trader informants about 5-10 of these are big traders (capital \$50,000), about 50 are in the middle with capital of about \$30,000 and the remainder (25) are small with capital of about \$10,000.

50. Three of the PT traders were interviewed and summary characteristics of each are summarized in Table 6. A first point to note is that although these are PT traders they are also to varying degrees engaged in Computer Embroidery (discussed in section C) and one sells school uniforms. PT trader 1 has at least one computer embroidery machine while the other 2 reported that they had 5. While for PT traders 1 and 2, trading in PT is their primary activity, for PT trader 3 it is not and he only trades in PT on a seasonal basis at times of peak demand. For PT 3 computer embroidery and school uniform fabrication are his primary activities. School Uniform production it should be noted is mainly a seasonal activity related to the start of the school year, although he started trading first with the fabrication of school uniforms.

Table 6: Characteristics of Three Peron Tambon Market Traders in Tawhid Market

	PT Trader 1	PT Trader 2	PT Trader 3
Computer Embroidery	Yes	Yes	Yes
School Uniforms	No	No	Yes
No of Home Tailors	130	20	10
No Home Embroiderers	124	0	0
Regional Traders (credit)	25-30	20-30	15-20
Starting Capital (yrs ago)	\$10,000 (5 yrs)	\$500 (4 yrs)	\$5000 (6-7 yrs)
Current Capital	\$30,000	\$30,000	\$15000
Number of Computer Embroidery Machines	1	5	5

51. The relative importance of PT production is indicated by the number of home tailors and embroiders that each trader has working for them. PT trader 1 has the largest number of home workers and the other two traders both have a relatively limited number of home tailors but no home embroiderers. Indeed PT trader 2 reported that before he started with the computer embroidery he had 40-50 embroiderers working for him but he now has none. The effects of technical change on reducing employment opportunities are discussed later.

52. Two of the PT traders (1 and 3) reported that they were tailors before they became traders although PT 1 had also worked as a taxi driver. PT Trader 3 considered that a tailoring background was a distinct advantage in working in the fabrication of PT and the managing of the fabrication process. PT trader 2, the youngest of the three traders had no specific tailoring background but his brother also had a shop in Tawhid market. It was noted and this observation is supported by comments made by one of the cloth traders and Zardozi staff (the earlier Zardozi report on Tawhid market notes

the close family ties within the market) that the majority of traders in the Tawhid market are ethnically Hazara, as indeed are most of the home producers. This is apparently also true for the velvet bead workers in Kabul. The prevalence of Hazara people amongst the home workers engaged in the wider garment industry (beyond the neighbourhood markets) and of Hazara men in the PT traders suggests a role for ethnic identity in the social regulation of markets, a point which is returned to in the final discussion.

53. All three PT traders stated that their business had grown over the last five years although the means by which it had grown appears to be different. In the case of PT1 it appears to have been primarily through the growth of his PT trade. In the case of PT trader 2 and 3 it appears to have been more through early entrance into the use of Computer Embroidery machines rather than through PT fabrication. PT Trader 3 reported how he had bought his first machine and being one of the first into the market had made high profits (Afs 500 – 700 per piece) which allowed him to buy a second machine within 2-3 months. Profit on computer embroidery pieces had now fallen to Afs 50 indicated a saturation of the market but the effect of innovation in the market is noted here (paralleling that in the beaded velvet market) and is returned to in the final discussion. Although the Tawhid market in its focus on the cheaper end of the PT market is essentially responding to a rural rather than an urban market, it should be noted that the Computer Embroidery and School Uniform market was reported to be mainly urban.
54. All the PT traders obtain their cloth from traders in the Saduddin cloth market, mostly dealing with 2-3 cloth sellers who will give them credit and with whom they have established relations. Table 7 summarises what each trader reported with respect to the volume of trade in each garment sub-sector.

Table 7: Reported turnover of cloth and school uniform according to season by three PT traders

	PT Trader 1	PT Trader 2	PT Trader 3
Turnover per week			
PT rolls cloth high season	80 – 100	100 - 200	50 – 80
PT rolls cloth low season	20 - 25	20	20
CE	?		200 - 300
School Uniform –high (no.)	N/A	N/A	4-5000
School Uniform – low (no.)	N/A	N/A	350

55. The turnover with respect to cloth for PT is given in terms of cloth rolls for reasons which will be explained in a minute. The point to note here is that there is a seasonality to turnover with high points related to the festivals, the summer months and presumably rural income which peaks at the time of crop harvest and sales although there is no data to support this.
56. Cloth rolls are usually a standard length of 28 m (note the difference between PT cloth rolls and velvet cloth rolls which are longer). The number of PTs that

can be made from each roll depends on the specific market. If the cloth is being cut for adult males, 7- 9 lengths for a PT can be cut and for a child 12 – 18 lengths can be cut. There is also variation in the quality of the cloth with three basic qualities being reported, as reflected in price and raw material of the cloth, ranging from 40 Afs per metre to 60 Afs per metre. Once made up into complete PT these are then sold at prices ranging from 60 – 200 per PT depending on the size (adult or child) and the material. The margin on each PT was reported to range from 8 Afs to Afs 40 per piece.

57. As noted in table 6 each PT trader has a group of home based tailors and embroiders working for them, and these are assumed to be women. Note should be made that there are male tailors, as indeed two of the PT traders were in their previous life, but these are not reported to be engaged in PT fabrication. The roles of the tailors and embroiderers are different, the former cutting and stitching the PTs and the embroiderers embellishing the upper part of the PT with hand or electric machine stitching. A home tailor can produce between 16 – 30 PTs per week depending on the size and production rates of upto 50 PTs per week are possible.
58. The PT traders reported that they paid each home tailor between 10 – 20 Afs per PT which would give the home tailor an income of ranging from Afs 100 – 600 per week (\$2 - \$12 per week) for what could be a seven day week for the higher volumes of production implying a maximum daily rate of \$1.7 a day. Even if this work is spread over 5 days (giving \$2.4 per day) this is a gross margin for labour and does not include any costs (associated with the sewing machine, power etc). What we do not know is how reliable the work is e.g. how many days per month home tailors work and how this varies.
59. From an analytical viewpoint, and given the focus of the Zardozi programme on improving the position of women, there are two routes for improving returns to these home tailors. The first is improving the wage rate per item, the second is improving the reliability of work and in a perfect world the third is a combination of the two – both increasing piece rates and the reliability of work. These are measures to which there is a need to pay attention to and monitor, but as will be discussed later the room for improving returns on low value products may be very limited given the saturation of the market and the pressure to keep final retail prices down. We should remember that the market for cheap PTs depends on the purchasing power of rural households and given the health of the rural economy has been in decline in recent years.
60. According to the PT traders machine embroiderers are paid a rate of between 10 to 40-50 Afs according to the size of the PT and the quality of the embroidery and they can work at a rate of 30 small pieces of embroidery per week and 20 larger ones. This will give them a rate of Afs 300 – 1000 per week (\$6 - \$20 per week) which gives a maximum daily rate for a 7 day week of \$2.9 per day. The same issues of improving returns to labour apply to the embroiders as to the home tailors but with the added factor of computer based embroidery creating unemployment (see PT Trader 2 above) for the

machine embroiders. The scale of this displacement is not clear, not least given the fact that the Computer Embroidery primarily has an urban demand (and therefore is differentiated from the cheap rural PT market). But it is possible, but unknown, that the Computer Embroidery is affecting more Home Embroiderers working in the Neighbourhood Markets rather than their employment with the Tawhid market traders.

61. Information from two home based tailors complements the above picture. The two are related and as orphans had worked as servants but started tailoring about five years ago. The woman who trained them to be tailors introduced them to her husband who was a shopkeeper but they are now working for a different tailor. They each get a roll of fabric at a time and do the cutting, and from one roll they are making 7-9 PTs. They normally process 3 rolls of cloth per week (thus making 21 – 27 PTs per week) with the shopkeeper providing the collars but they have to provide the thread. They are paid 20 Afs per PT giving a gross income of Afs 420 – Afs 540 (\$8.4 - \$10.8 per week) enough to survive on but hardly to thrive. In addition they also get higher paid work in the neighbourhood market – earning Afs 150 – 200 per PT but this work is irregular and seasonal, and available mostly around the festival periods.
62. A third home tailor who is working mainly on school uniforms also had worked at a tailor in the neighbourhood market but was then introduced to a trader who gave her 3 pieces to work with as a test. He however stopped dealing in School Uniforms but after a month of no work, he called her and introduced her with a recommendation to another trader who now gives her work. She works at home with her four daughters but gets fairly regular work, earning about 35- 40 Afs per school uniform and producing 20-30 school uniforms per week given a gross margin of about Afs 700 – Afs 1200 (\$14 - \$24 per week). The shop keeper provides the thread but she has to cope with the variable supply of electricity, working on the one sewing machine given by Zardozi.
63. As noted above the PTs sold by the Tawhid market traders are destined primarily for the rural market. They reach this market through a network of provincial and districts traders for whom Tawhid market place is their point of supply. An interview of one such rural trader from Balkh⁹ illustrates the relations that exist between him and the Tawhid market traders. The Balkh trader had been trading for three years; he had previously been a farmer but was now too old. He takes about 40 pairs of PT from this one Tawhid Market trader who is the only wholesaler he deals with as there is trust and he is provided the goods partly on credit for which there was a Afs 5 charge per pair. He estimated that he could make about Afs 250 per day from his street stall in Balkh which compared well with the daily rural wage of Afs 150.
64. Interviews with cloth and garment traders in Samangan provincial centre and Khulm district centre in Balkh provided further information. In

⁹ Interviewed by Adam Pain on a separate study of Mazaar's urban economy on March 30th 2011

Samangan the shop keepers act both as retailers but also as small scale wholesales to district and village traders who are supplied by them. By the time cloth and garments reach even the provincial centre the degree of specialization seen in the Mazaar cloth and garment markets has weakened. Most traders in the 40-50 shops in Samangan that sold fabric, dealt in a combination of cloth and ready made garments for both men and women. The shops contained ready made velvet clothes from Pakistan and Kabul as well. The diversification reflects the greater susceptibility of the provincial markets to the seasonality of demand given the lower volumes of any specific product or cloth that they are dealing with. One trader commented with respect to the purchase of PT from Tawhid market that he buys 100 to 300 at a time through a combination of cash and credit, dealing with a few specific traders. However he had little stock and was not buying at present because of low demand. His mark up on PTs bought for Afs 160 in Tawhid Market was about Afs 40, and the other traders reported a similar gross margin from 25 – 30%.

65. One of the provincial traders reported how he dealt with about 60 traders from the districts within Samangan province but this was mainly done in cash. The district traders would be given about a Afs20 discount on the price and he understood that they sold PTs bought for Afs180 for about Afs250 in the village, a gross margin of about 40%.
66. Two summary points can be made here. First if Afs 250 is taken as the final sale price at the village level of a PT, and Afs 200 at the provincial level, then given piece rates of 10 – 20 Afs per pair of PT for the tailoring of the PT and Afs 30 – 40 for the machine embroidery the home workers receive from 4% to 10% of the final retail value. Embroiders receive about 12% to 20% of the final retail value. This suggests that that costs of fabrication (tailoring and embroidery) account for about 16 to 30% of the final retail value. These are only indicative values but they give an order of magnitude; much more detailed information on costs and returns at each level of the commodity chain are needed but these details are essential if Zardozi is going to assess opportunities for improving returns to home workers and embroiderers.
67. The second point that arises is that the figures suggest that as one along the market chain two processes are at play: volume of PT traded falls and margins for each PT sold rises. For the importers of cloth gross margins of about 5-10% are gained and overall profit depends on the level of turnover that can be achieved. The traders working in the Tawhid Market appear to gain margins of about 10-15% on what they sell; the margins of the provincial trader are about 25- 30% on the PTs that they deal with but they trade these on a seasonal basis and in relatively low volumes; by the time the village level trader is reached the volume is even lower but the margin on each item has risen to about 40%.
68. The implications for Zardozi of this analysis are as follows. There is the possibility of setting up competing or parallel sales networks in PTs that reduce the profit margins taken at each point of the commodity chain,

allowing competition on price at the final point of sale, giving improvements on margins to the tailors and embroiderers. This is not seen to be realistic in the short term but might work at a smaller scale, not least given the costs of setting and maintaining a marketing structure. A second point of focus would be on the production process seeking means to gain quality improvement which might add value and or improvements in efficiencies of production. The constraints of working within a low value market such as the rural PT market are self evident, given its dependence on rural purchasing power. A third option is to be more selective in its focus and look for a consumer market segment where added value or quality has a demand, a possibility as indicated by the computer embroidery innovation.

69. A number of concluding remarks can be made about the PT market, the implications of which are discussed in the final section:

- The development five years ago of the fabricated PT market should be seen as an innovation, albeit at the lower end of the market in terms in value; the innovation is not with respect to the actual product but more in the process of production; the fabrication process has moved from one done on an individual basis with possibly one tailor working with a group of employees/ piece rate workers to one where there is a market centre and groups of women are working on a piece rate with a specific trader; this could be seen as the first step in a process that may lead to the organized manufacture of PTs in a garment industry, a move that might undercut on the basis of price and possibly quality Tawhid market;
- Based on the information provided by PT cloth importers and the PT traders, even at the lower end of the market, the products are differentiated by quality and price but we have limited information on the nature of that differentiation and the specific segments of the market which demand these different qualities;
- The market is driven by rural demand which in turn is linked to the health of the rural economy and appears to be highly price sensitive; however within this rural market there are clearly those who are willing to buy slightly better quality PTs either on a regular basis or on a seasonal basis but we have limited information on who they are or their relative importance or numbers;
- The market chain is complex and diverse; traders in PT cloth and in finished PTs have a diverse portfolio of trading activities and the role of PT in their income portfolios varies. Linkages between the main actors in market chain are largely informal and based on personal networks, linked to trust and informal credit which lubricates the exchange processes;
- The production and sale of PTs appears to be concentrated amongst the Hazara and the extent to which this ethnic group has penetrated the wholesale market in cloth it is not clear; the relative mobility of Hazara women as home producers in contrast to other ethnic groups may

facilitate their engagement, particularly with the Hazara PT traders; as noted in Zardozi's earlier study on the market, traders in the PT market have close family links;

- In addition to the ethnic dimensions there are clear gender dimensions with to the market structure with the traders being male and the home workers (tailors and embroiderers) are female; however as will be seen below the innovation of computer embroidery has shifted the domain of embroidery from female to male work. But tailors are not necessarily female as evidenced by the fact that a number of the male PT traders were previously tailors; nevertheless the concentration of PT fabrication amongst women puts them essentially at the bottom of the market chain;
- As with the processed velvet market, being a woman makes it difficult to establish production relations with a male trader although shared ethnic identity helps; women in the PT production work with traders on an individual basis rather than through a sales agent as with processed velvet, in part reflecting the tight margins on the market chain;
- However there is a reported example of a group of women working outside the Tawhid market who have established direct relations with a cloth wholesales and fabricating and selling PTs directly to the market; more information is needed on this group, how they came to be established, why they are working outside Tawhid Market, where they sell and whether there are other groups like them;
- The sale of PTs to the rural market works through an individualized network based on trust and informal credit and women are highly unlikely to be able to penetrate this particular linkage; as one moves from Mazaar to the provincial, district and village markets volumes decline, trade becomes more distinctly seasonal and trader activities much more diversified; gross margins per item at each point of transaction rise;
- On the basis of preliminary evidence, and more data is needed on the details of the value chain in terms of margins and returns, the value of the final sale price that accrues to the women producers ranges between 4 and 20% depending on the particular production input (tailoring or embroidery). Daily wage rates range from \$2 - \$20 per week which allow survival but are not a route to prosperity; however while Zardozi talks of these women as individual workers, the comments from the various women interviewed refer more to these as collective family enterprises and interviewers reported income from other sources (e.g neighbourhood markets). More information is needed on the overall household income portfolio to make an assessment of the contribution and impact of income sources from PT production. The point remains though that income levels from this employment do not provide a living wage.
- The PT market appears to be highly regional with Mazaar city as the hub of this regional trade; how far the region to which Mazaar trades with

extends is not clear but anecdotal evidence indicates that centres of production and trade vary across the country; in other words there are distinct regional markets. There may be one in Farrah for example and in southern and eastern Afghanistan closer market linkages with Pakistan may be an important influence; it is an interesting but unanswered question as to whether the conditions that have favoured Mazaar as establishing itself as a regional hub – a long history as a regional economic centre, a sizeable urban population and a significant Hazara presence, are reproduced elsewhere.

70. From a market opportunity perspective there are a number of implications for Zardozi that could be thought about, linked to the fact that the fabricated PT market is a high volume, low margin business that is highly competitive:

- Are there opportunities at the bottom end of the cheap PT market to improve production efficiency/ and or quality that will increase turnover and so raise incomes for producers and should Zardozi be focusing on these?
- Are there opportunities to focus more on the top end of the cheap PT market where there are consumers who might be willing to pay a little more for a better quality PT? This would increase the margin per item;
- Is there scope to work more with the neighbourhood markets for PT allowing women to develop a top of the cheap end of the PT market which might find more local support?
- Is there scope to think of leapfrogging production of PT from its current outworker structure to one that is more fully mechanized?

C: The Embroidery Market

71. The final segment of the garment sector that is very briefly discussed here is that of the embroidery segment. This is the least developed of the three studies in terms of understanding given the time limitations. As is evident from the previous section, this overlaps with the PT market as embroidery constitutes a key part of the identity of the PT and the quality of the embroidery is a key feature of the quality differentiation of the PT. But embroidery is also a product in its own right with a strong demand for decorative embroidered products within the household and for tee shirts, scarves and similar items. As noted in table 1 Zardozi staff assessed the embroidery market as the garment sector of greatest value in Mazaar and the volume of production second only to that of Peron Tambon. There was insufficient time to investigate this market in more detail and the comments here simply address the embroidery component of the PT market.

72. Three types or qualities of embroidery for the PT are understood to exist. At the top end of the market is what is known as the Kandahari embroidery which can command a premium price. The scale of production of this in Mazaar is unknown but it is presumed that it would respond to a moneyed elite who can afford it. At the bottom end and most common is the machine

embroidered PT which is done by women and was discussed in the section on the PT.

73. Very new to the market and discussed in the section on PT is computerised embroidery. Computer chip driven machines where design can be inputted produce the embroidered cloth. Such machines can embroider from 6 upto 20 pieces at a time according to the machine specification. This technology allows not only a quick production time but it also widens the repertoire of design, allows a rapid shift between designs and generates a product quality (both in terms of fineness and regularity of embroidery) that places it closer to the Kandahar rather than the machine made product. Retailing at Afs 500 upwards (but clearly cheaper than the Kandahari embroidery) it has found a market niche amongst more affluent urban consumers both in Mazaar and the provincial centres.
74. The discussion focuses here on what one might learn from this innovation although the effects of this on employment for those working with machine embroidery discussed earlier should be remembered. Two points stand out. The first is the speed with which this innovation came into the market and the way in which those who moved into it first captured the greatest benefits. As the profits from the innovation became clear to others, then others moved in very quickly and profit margins fell. This points to the importance of being an early adopter. However the ability to move into production depended on access to capital given the costs of the machines – reported to range from \$12,000 to \$16,000 – and therefore the entry barriers are high.
75. Second and linked to the success of the innovation, was the identification of a market for the product situated somewhere in between the bottom and the top end of consumption and where better margins could be made. The existence of a wide quality range of PTs from machine made to hand tailored with a variety of levels of embroidery quality indicates that the PT market is highly differentiated and the nature of this differentiation needs to be better understood.
76. The one home embroidery worker that was talked to also acted as a sales agent for Zardozi and was working with 10 home producers. Her comments on the trading arrangements with the traders or shopkeepers confirm the observations made in the other garment sectors discussed earlier. Establishing relations with traders depend on personal introductions by someone who can vouch for your trustworthiness and make you known. Work is given and paid for on a piece rate and requiring a rapid turnover, usually within a week. Her margins as a sales agent are higher than for the home workers but with a turnover of 4-5 pieces per week, she has gross margins from this source of only Afs 200 – 250 per week. Accordingly she works with a number of shopkeepers to get sufficient volume of work

V: General Implications for Zardozi

77. Three broad implications for Zardozi are discussed here – related to how to deepen understanding of the garment market sector and the need for that understanding; what the next steps in the market study, data collection and analysis might be and third how to build on the analysis in this report to make strategic decisions as to where Zardozi can best position itself and how.

Deepening understanding of garment markets

78. The research that is reported here has aimed to build an overall understanding of the garment market sector in one location through specific studies on particular sub-sectors of the garment market. Detailed understanding of the market system, including the differentiated nature of consumer demand, is a prerequisite to finding new opportunities. The research has tried to describe in outline the overall market chain and the flow of material or cloth from the point of import to the point of sale to the final consumer. This flow or process of circulation has agents at each point of exchange: at the import level to wholesaler; from wholesaler to retailer; between fabricators and wholesalers or retailers; within urban markets and between urban and rural markets. The aim has been to build a broad map of circulation to capture the flow and exchange of goods and services for each sub-sector. As is clear the circulation map for each specific commodity is unique even though actors (traders, tailors and embroiders) may be involved in more than one system of circulation.
79. We have learnt that we need to pay detailed attention to the ways in which this circulation is informally regulated or controlled; one key aspect of regulation is the extent to which personalized relationships of trust that can be established and the need for personal reputation to be maintained. This is closely linked with the need for informal credit to lubricate transactions at the point of exchange. The circulation is highly gendered with the primary points of exchange being controlled by men and women confined to dependent fabrication and piece rate workers with a significantly lower role as independent agents. There is little evidence (although we are largely ignorant of this) of informal credit relations existing between women for market engagement purposes but it probably exists. The point is that women are dependent on building relations of reputation and trust with male traders and this is extremely difficult to do and hinders their choices and room for manoeuvre. But there are examples where this does happen. Another aspect of regulation is that of ethnic identity; Hazara women possibly have greater ability to work in the labour market but the PT market appears to be largely confined to Hazara people. A further aspect of patterning and control is geography given the specific location of the market in Mazaar, a large regional urban centre with a substantial hinterland that is linked into the cities economy.
80. A key task has been try to put estimates of volumes, numbers or values to the size of circulation at each stage and follow through in detail costs and prices

at each point of the exchange to gain estimates of margins and returns. This has been done in order to build a broad and approximate picture of what is happening and the levels of return at each point of the circulation or chain. If Zardozi is to find profitable opportunities it has to have a very clear idea of costs of production and returns to identify where the opportunities (and margins) might lie. What is also clear, and we have less information on this, is that these estimates of volumes, numbers and value has to be differentiated by each specific subtype of a product as in the different grade of cheap PT. These grades respond to different segments of the consumer market.

81. Note should be made that in attempting to put numbers and quantify, the focus has been on getting ranges of values and not precise figures. Constant investigation and collection of empirical data, and the monitoring of prices will be essential to building and keeping an understanding of what is happening in the garment sector. Zardozi has to build relationships with key actors in the market through its regional offices and sales agents to keep a track of what is going on.
82. What the study has also attempted to do is to identify the key drivers of change – asking the question of what is changing, why and what are the implications of this. Markets are dynamic and although there is much in the Afghan garment sector that is traditional (e.g. the demand for particular types of clothing) even within this, innovations are taking place linked either to the production process or the design of new garments. The Tawhid market, computer based embroidery and beaded velvet are all innovations and it is in the identification of innovations, and learning what these innovations tell you about consumer demand and market structures, that market opportunities are likely to be found. They also provide insights into the differentiated nature of demand and different consumer segments.

What more do we need to know?

83. Based on the above comments and the details provided in the report a number of areas of further enquiry as suggested:
 - For the Mazaar market system further information is needed on:
 - The differentiation of quality within the cheap PT market
 - Identification of consumer demand for each quality level possibly based on village and district level interviews;
 - The group (s) of women working as independent fabricators and traders of PTs;
 - Further data and details on volumes and margins at each point of the market chain
 - Investigation of innovations in both the PT, beaded velvet and embroidery and what they tell us about consumer segmentation and market demand;
 - Mapping of home producer and sale agents relations with traders and finding ways to support the establishment of relations of trust;
 - Regular and detailed monitoring of market trends

- Other regional level studies to examine the ways in which other regional garment markets are similar or different from those of Mazaar and the nature of connections and linkages between these regional markets;

Strategic Implications for Zardozi

84. A number of issues arise from this study which may help Zardozi think through and identify where it may find opportunities:

- Identify and recognize the innovations that are taking place within the garment sector and learn from them; as with the computer embroidery this has identified a higher value segment in demand where other products may fit; use the market intelligence that comes from the most active sales agents to help do this;
- In general focus more on learning about the differentiated nature of demand particularly on the higher value end;
- Build up deeper understanding of costs of production and margins on existing garment products and look for innovations that might reduce costs / increase margins / add value;
- Deepen understanding of the regional nature of markets and how regional markets are inter-related and how that is changing;
- Support more the ways in which women workers can build relations and trust with traders in the existing market system;
- Consider ways and circumstances under which women might work outside existing market structures and therefore reduce the length/ complexity of the market chain and increase volume and returns; might this mean for example helping support neighbourhood markets or independent production by women?
- Monitor and use information on market trends more systematically and strategically;

FIGURE 1: A MARKET MAP

