Somalia Market Analysis
System & Decision Making

November 18 2011
• A total of 44 main markets monitored by FSNAU & FEWSNET
• Prices of over 40 commodities collected every week
• Commodities include;
  • Local Cereals
  • Imported food and fuel
  • Livestock (local and export)
  • Labour
  • Other essential livelihood commodities e.g. firewood, water, kerosene, salt, grinding cost etc
• Construction materials
• Other secondary data is also collected including imports and exports of cereals and livestock through the main Ports of Mogadishu, Berbera and Bosasso; and cross-border flows to Kenya, Ethiopia and Djibouti
Key Markets Indicators

- Nominal Monthly, year on year, quarterly and seasonal price changes, trends and indices
- Terms of Trade/ Purchasing power: prices trends of different commodities in the same market relative to each other
- Market integration and international price transmission: price differentials between markets, regions and international markets
- Price forecasting/ projection: likely price trends in future month(s)
- Volume and flows of domestic cross-border markets
- Monthly labour rates and seasonal labour availability
- Macro-economic and aggregate price formation- CPI, CMB, Exchange Rates, Inflation Rates, and policy developments that affect imports and exports (restrictions, tariffs or subsidies).
- Fuel and transport costs
- Livestock export dynamics
Products

- FSNAU and FEWSNET both issue monthly price data products.
- Contains both international and national highlights of common commodities – trends, possible drivers of price changes, price transmission & substitution effects, consumer price index and purchasing power.
- Also contains real and nominal prices of all commodities for different market zones.
- These products do not provide directive response analysis, however are key in the decision making process for independent market analysis and therefore are used by many actors.
Online Analysis and Dissemination

- The Field Integrated Database System (FIDS), an application developed by FSNAU, is used for data processing both in the field and in Nairobi.
- Data is entered and remotely sent to the central server at the same time, generating reports, trends, and graphs for analysis.
- The Integrated Database System (IDS) is used by the public via the web (www.fsnau.org/ids); it contains all commodity data since 2004 (data from 1995 available), produces graphs, and allows direct export of raw data for further analysis.
- Market products are sent to distribution consisting of Clusters, partners, donors, and NGOs.
- Also disseminated via the FSNAU website, which has an average of 9,000 hits in 2011.
Interaction between market analysis and decision making
Initiatives in 2011 Somalia Crisis

Despite early warning messages in late 2010, a large scale food access crisis was reported by FSNAU/FEWS NET in January 2011 following the failure of the Deyr season and the subsequent sky rocketing of local cereal. This was coupled with limited food assistance in southern Somalia due to the suspension of food aid activities.

Subsequently though normally neither FEW NET nor FSNAU become involved in response analysis both agencies took on additional analysis on market functions to see if alternative food access interventions e.g. cash transfers could be used to meet the immediate food access needs.

FSNAU MARKET Study: Jan-Feb 2011 Somali market functioning study by FSNAU which suggested that cash transfers were an alternative in the absence of food aid in southern regions - reviewed 10 years of cash transfers info against market behaviors.

Based on the results in Feb 2011 a round table with partners( NGO & donors) to discuss the role of cash as an option to meet immediate food access needs –still fears around inflation and security – unfortunately crisis deepened.
In July 2011 a further detailed study on market functioning in southern Somalia was initiated by FEWSNET Washington again due to insufficient food aid and famine level outcomes and suggested:

- Markets are able to accommodate cash interventions by increasing the supply of imported cereals
- Less integrated markets are likely to experience food price inflation following cash injection
- Food price inflation risk exists for any response programming in southern Somalia—cash or food

This paper became a key reference document for many agencies designing cash programmes in southern Somalia as it provided regional level analysis in terms of where cash programming could be more effective and where it would be less effective

FEWSNET is currently updating the paper to reflect the current situation
July 2011, FSNAU reanalyzed the Cost of Minimum Basket (CMB) after request from partners to support designing cash transfer programmes and presented;

- 3 different options (essential basket, food-only basket and full basket)
- Separate analysis for rice and sorghum as an important cereal given its larger availability on the markets
- More frequent analysis made available on the website

Oct 2011 an informal working group of agencies working on cash transfers and FSNAU and FEWS NET was established to meet monthly and share analysis on market functioning and the effects of response to markets – useful forum to discuss trends of market behaviour versus programming
Other initiatives in 2011

- Closer monitoring of cross-boarder trade and the effects of this to food access and market functioning
- Exchange rate monitoring
- Global food and non-food price monitoring and the effects on Somali commodity prices
- Review of methodology for market monitoring and analysis—plan to move to more econometric models
- Review of the minimum expenditure basket (MEB) and making it more representative
- Capacity for market enumerators in Somalia on market data collection to enhance their effectiveness in data collection in October and November
Despite the many challenges populations face, markets in Somalia are very important and continue to function in the presence of reduced effective demand caused by collapsing livelihoods and weak purchasing power.

Latest analysis suggest that even in regions receiving limited direct food assistance cereal prices continue to follow same patterns as areas receiving large amounts i.e. reducing cereal prices indicating that markets continue to function and trade is working between regions.

Therefore implementations of cash programming at scale in the absence of sufficient food aid could have started much earlier - before deterioration.

Joint efforts in market analysis are an added advantage in the interpretation and confidence and should be a key part of any large scale emergency.

Emergency interventions on the supply and demand side need to be discussed together in a complementary not competitive manner as both are clearly needed in such an emergency – donor community need to be open to both at scale.

Lessons learnt