Rapid Market Assessment Findings

CRS in Somalia, September to October – Regions: Bay; Banaadir; Gedo

©2021 Catholic Relief Services. All Rights Reserved. 21MK-328766M

EXECUTIVE SUMMARY

CRS and partners carried out a rapid market assessment[1] in nine market centers of the Bay, Banaadir and Gedo regions. Assessment findings confirm markets are functional with a diverse set of traders that have stocks of basic food and household items in appropriate quantity and of good quality. The traders have capacity to restock and adapt quickly to increased demands from customers and have expressed willingness to work with NGOs. Along with being functional, the markets are also accessible by the target population, however, prices are expected to increase significantly in the short-term. Price increases of key commodities seem to be partly driven by crop failures as well as other factors, such as global and regional market factors external to Somalia. Large-scale and long-term provision of assistance to more than 5,000 households would require a more in-depth market assessment to identify long-term market dynamics.

CONTEXT/BACKGROUND

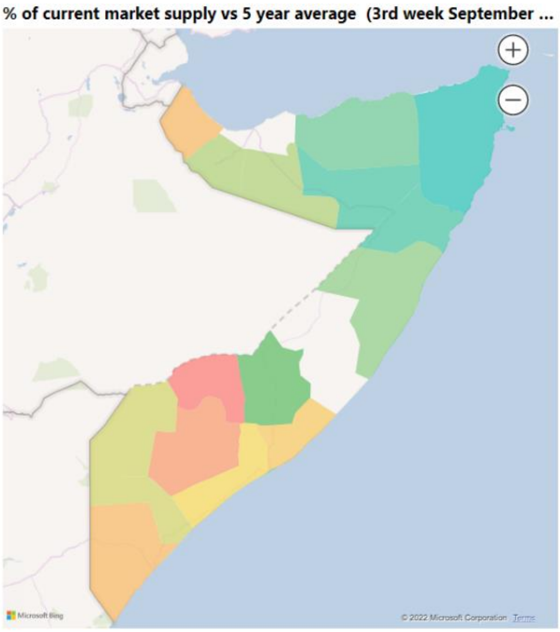
The Horn of Africa region continues to suffer its worst drought in four decades, contributing to a Food Crisis that will result in unprecedented consequences if the tides do not turn immediately. In Somalia, the number of those affected by drought is quickly approaching 8 million and encompasses roughly half of Somalia's total population.[2] As the nation grapples with growing rates of acute malnutrition and hunger-related deaths, it will soon reach the Integrated Food Security Phase Classification (IPC) threshold for official Famine Declaration, which is materialized when there is joint failure in food production, food access, and political response. A confluence of regional challenges is exacerbating the crisis and officials warn that overwhelming tragedy will occur if sufficient humanitarian assistance is not urgently mobilized.

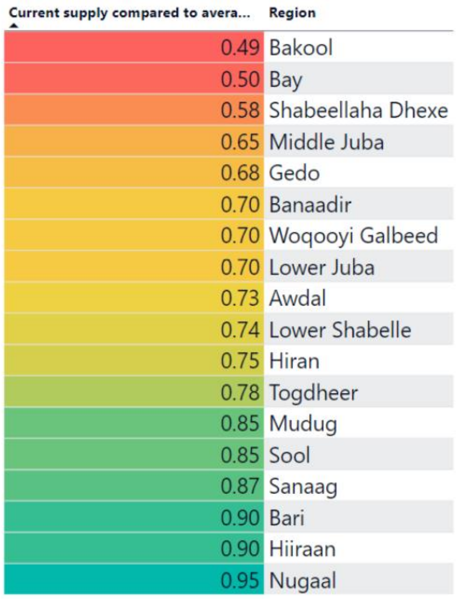
As of September, Famine (IPC phase 5) is projected to emerge in three areas in Bay region in late 2022 if the humanitarian response is not scaled up to keep pace with increases in the magnitude and severity of needs. Further needs are also forecasted to worsen across the country in the next months.

Nationally, the cost of living in Somalia is elevated, with year-on-year inflation estimated at 30 percent (in both USD and local currency terms) (CRS estimates bases the FSNAU CMB data). Similarly, staple food (sorghum and maize) prices are, on average, over 40% above their 2021 levels. In CRS' target districts, staple food prices are up to 75% above their 2021 levels (CRS estimates based on FSNAU FIDS data). The main drivers of recent prices trends are local production shocks (consecutive seasons of below average national production) coupled with high import parity prices due to the ongoing global price crisis emanating from the conflict in Ukraine. Previous research has found import parity prices for rice and wheat serve as upper bounds for sorghum and maize in Somalia (FEWS NET 2017). Somalia's food import gap this year is well above average, and the cost to fill that import gap is high.

[1] Methodology followed based on CRS' Minimum Market Information Guide (MMIG), with findings related solely on target population access, local target market stocking/restocking capacity, and local target market price stability. The MMIG methodology provides a short-term scoping of the target markets and findings in this report should be considered as indicative of the overall market stability in the target regions.

[2] United Nations OCHA—Somalia Situation Report, Updated 18 September 2022





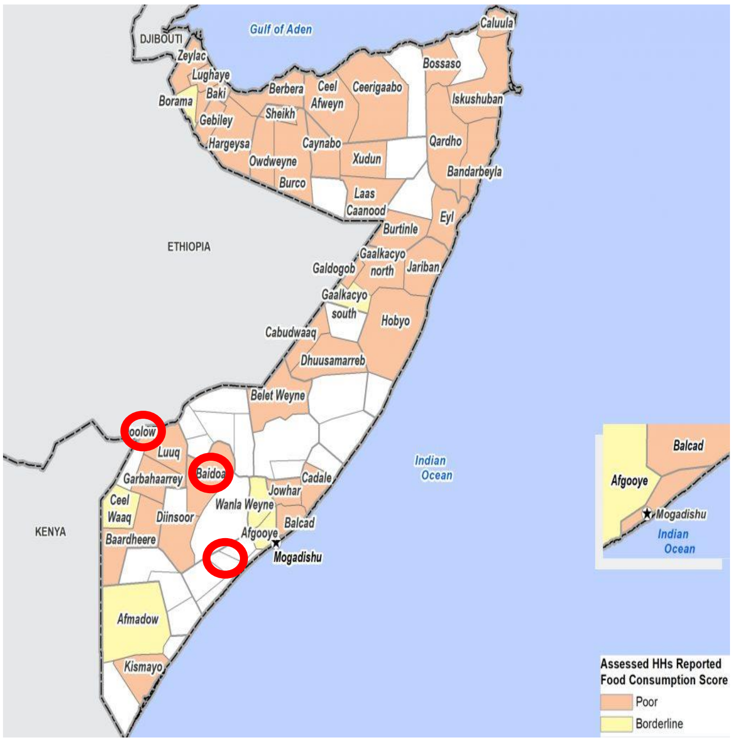
OBJECTIVE

1. To understand to what extent markets in select districts are functioning and accessible by CRS' target population

METHODOLOGY

The rapid market assessment utilized qualitative data collection methods to obtain primary data, as defined by the CRS' Minimum Market Information Guide. Focus Group Discussions (FGD), and Key Informant Interviews (KII) for stakeholders and traders were conducted in the 3 districts. These 3 districts were selected because CRS has current on-going programming and prioritized based on level of need. See summary table below:

Method of data collection	Participants	Districts (Regions)	Markets Surveyed
Key Informant Interviews (KII) - Stakeholders	8 (6 men and 2 women)	Doolow (Gedo); Baidoa (Bay); Daynile (Banaadir)	Baidoa, Kabasa, Soodawenta, Bakaara, Doolow, Albiri, Kalkaal, Elesha, & Tabeelaha
Focus Group Discussions (FGD)	2 groups (6 men's and 6 women's groups)[3]		
Key Informant Interviews (KII) - Traders	12 (10 males and 2 females)		



KEY FINDINGS

1. Basic household items are available in the market in sufficient quantity and good quality.
2. Traders can restock items in good time to meet increased demand.
3. Traders are willing to work with NGOs to provide services to target population.
4. The market is competitive with a variety of traders.
5. No identified ethnic, religious, and social barriers to market access. Target population can access the markets freely without barriers.
6. High prices of items which is impacted by both global inflation and the drought crisis.

RESULTS OF THE MARKET ANALYSIS

1. Market **access for households**

All groups (stakeholders, FGDs and traders) confirmed the nine (9) markets across the three (3) districts are still functioning normally and they all can access the markets safely. When asked about how they safely accessed the markets, some responded that it costs them between $0.5% - $2 using *Bajaj* (tricycle), but about 40% confirmed they do not pay any transportation cost to the markets because they are walkable distance, and they travel by foot to the markets. All vendors confirmed that there are no barriers for all groups to access the markets.

The challenge to safely access the markets is related to poor road infrastructure as mentioned by over 70% of the respondents, while about 40% mentioned the potential risk of theft during late hours. The groups of persons that are likely to be impacted by this poor road infrastructure are older people and people with disabilities. Women, girls, older people, and people with disabilities have been identified to be at risk of theft. Stakeholders considered both barriers to be manageable and resolvable. There were no identified findings related to security or tensions related to violence.

2. Market functionality

Since the drought, survey respondents confirmed markets to be functional, however, FGD respondents confirmed that some small traders have closed their shops due to increase in prices of items and their inability to restock. Secondary data from FEWS NET and FSNAU indicate market supplies in the southern districts of Somalia are below average, however, all the vendors interviewed confirmed they are still in business, and they get their supplies from their usual suppliers.

FGD participants reported all needed items are readily available in the market in enough quantity and quality. However, FGD participants reported being limited in their purchasing power and available resources to buy those basic household items. Majority of traders interviewed (11 of 12) confirmed their capacities to restock and meet increase in demand by the populations. While 50% of the traders confirm they have their own capital to restock, 50% confirmed they can either access financial loans or buy goods on credit from their suppliers. Traders confirmed restocking will take between 3-7 days and goods are transported from suppliers to the traders' shops using either trucks or tricycle. Traders in target markets get all their supplies from wholesalers or larger traders within the country, and the local markets are robust with a good number of selling traders.

3. Prices

Prices of items have increased in the markets, and vendors anticipate the prices to continue to increase especially in the next couple of weeks due to the severity of drought crises that impact agricultural activities, high cost of fuel for transportation, and the global inflation rate. This rapid market assessment focused on availability and price of three key items – wheat flour; rice; and sugar – which were identified and selected based on feedback from market assessment stakeholders and field teams. Traders compared the prices of those items before the shock and now. The market assessment finding show an average price increase of 30-55% for key items. See table below for the price comparison.

Prices (USD)	**Unit**	**Wheat flour**	**Rice**	**Sugar**
Current selling price per unit	Kg	1.3	1.2	1.2
Selling price before drought occurred per unit	Kg	0.6	0.6	0.8

Additionally, price trend analysis from FEWS NET/FSNAU (below) offer market functioning information, that confirms a similar trend of price increase for key items (national yearly inflation rate (average) of 31.17%; and 43.50% yearly inflation rate for select districts – taken from FSNAU CMB data), corroborating the findings from this market assessment.

Back to report | PRICE TRENDS VS. HISTORICAL LEVELS FOR SELECTED MARKET

product	% change 1 month	% change 1 year	% change 2 year average
Casual Labor (unskilled, daily, without food)	11.76	-5.94	14.46
Cowpeas (Red)	21.98	37.88	48.57
Diesel	0.00	73.33	92.59
Gasoline	-1.59	72.22	104.96
Maize Grain (White)	7.69	77.60	83.89
Refined sugar	5.56	31.03	43.40
Refined Vegetable Oil	-6.38	24.29	71.88
Rice (Parboiled)	-5.00	9.62	18.75
Salt	0.00	66.67	53.85
Sorghum (Red)	1.18	70.88	88.31
Tea leaves (Mixed)	4.97	28.38	15.85
Wheat Flour	-2.94	20.00	36.08

Recently the Cash Working Group and Food Security Cluster in Somalia released the new Minimum Expenditure Basket technical note along with a Drought Response CVA Transfer Value recommendation, which is found to be insufficient to cover the items in the MEB.

RECOMMENDATIONS

1. Based on market data, markets in the target districts of Doolow, Baidoa, and Daynile can be safely accessible for the target population. Presently, there do not appear to be any significant social or physical access issues for targeted vulnerable groups to the markets. Therefore, a market-based approach for the provision of assistance is feasible.
2. Markets appear to be functioning as normal, with suppliers with access to capital or credit being able to meet demand should it increase. Traders in local markets do not report any significant challenges with supply chains. A market-based approach is appropriate as local markets appear sufficiently robust to support a medium-scale response.
3. Assistance programming should take into consideration current high prices of items. Prices fluctuations should be closely monitored in markets and coordinated with Cash Working Group. Any market-based response will require the deployment of a robust market monitoring system, aligned with the CWG and FSNAU, to facilitate the revision of transfer values in response to price and market fluctuations.
4. To avert more severe outcomes, an immediate scale-up of assistance is required. Districts in which CRS has ongoing programs demonstrate dire humanitarian needs and should be prioritized for assistance.
5. CRS should continue to coordinate with CWG and FSC on situational updates