



World Food
Programme

Market Assessment in Warrap State

Vulnerability Analysis and Mapping Unit

December 2018

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WFP South Sudan

Photo credit: Oscar Caccavalle, WFP



RATIONALE

WFP and PARTNERS: C/FFA programme from April to September (lean season) to encourage SEASONAL AGRICULTURAL PRODUCTION (mainly land clearance and production of staple food).

- **OBSERVATIONS:**

Last Post Distribution Monitoring (PDM): **79% of beneficiaries preferred in-kind assistance;**

- ✓ **57%** indicated that **FOOD had BETTER VALUE for HOUSEHOLD CONSUMPTION;**
- ✓ **29%** mentioned **LOCAL MARKETS DON'T SUPPLY FOOD;**
- ✓ Distance from market another reason behind preference for in-kind (food) assistance

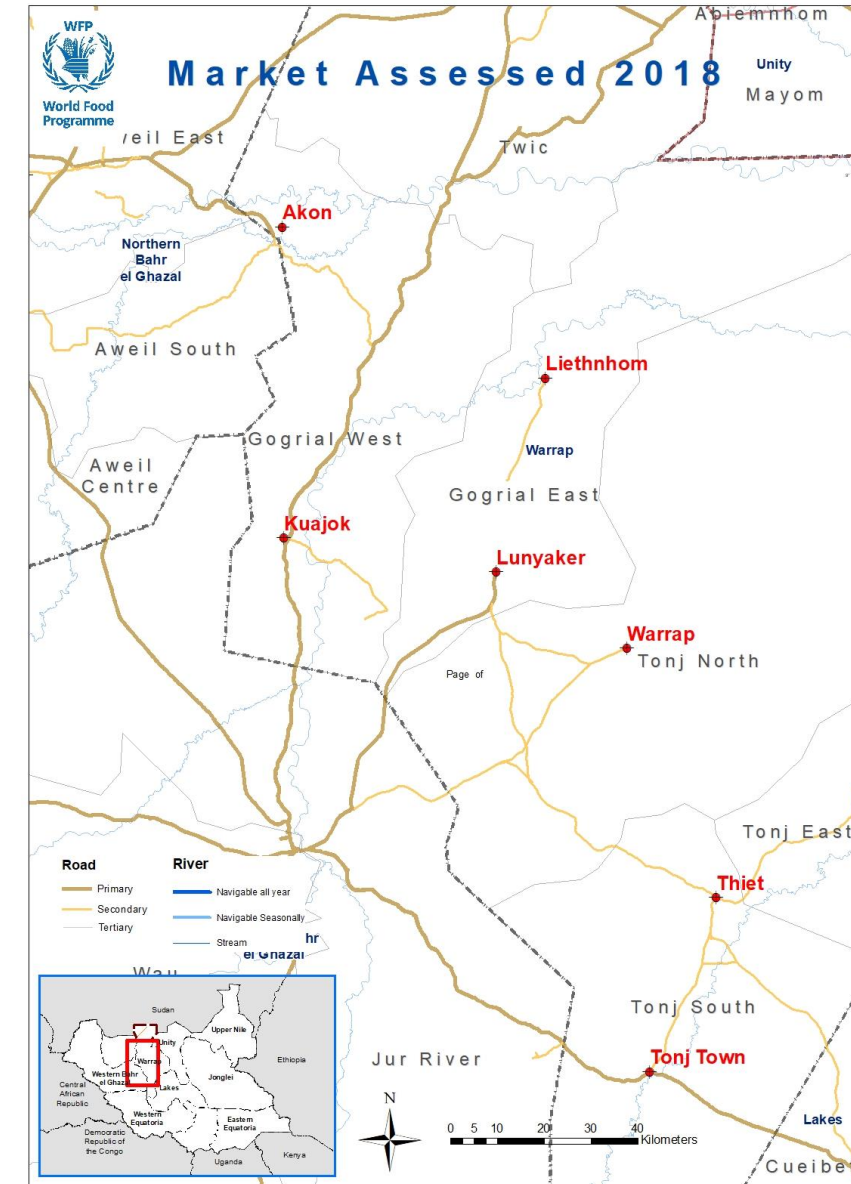
Households preferring CASH as a transfer modality indicated **BARGAINING POWER** and possibility to **DIVERSIFY their DIET** as main reasons for cash preference.



OBJECTIVE

- **LOCATIONS:** Kuajok, Tonj town, Akon, Thiet, Lunyaker, Liethnhom and Warrap markets
- **OBJECTIVE: understanding**
 - ✓ MARKET STRUCTURE and CONDUCT;
 - ✓ KEY SOURCES of commodities supply by MARKET and by SEASON;
 - ✓ AVAILABILITY of STAPLE FOOD COMMODITIES in local markets;
 - ✓ TRADE VOLUME of staple food transacted on the markets;
 - ✓ PRICE SETTING BEHAVIORS including competition and transparency of transactions;
 - ✓ MARKETS POTENTIAL for responding to a possible induced increased demand;

in order to propose the appropriate response options.



MARKET STRUCTURE and CONDUCT

Market	Wholesaler	Retailer	Mixed wholesaler & retailer	Total
Kwajok	19	133	18	170
Tonj town	12	84	11	107
Akon		20	12	32
Lunyaker		19	3	22
Liethnhom		17		17
Thiet **		15		15
Warrap		25		25

** Estimate of the assessment team

Kwajok and Tonj town markets:

- ✓ Some wholesalers (19% in Kwajok and 15% in Tonj town) have more than one shop in the same market, which magnifies their capacity to increase trade volume;
- ✓ Foreign traders constitute a vast % of traders (44% in Kwajok and 42% in Tonj town);
- ✓ Around 60% of traders have been in the business \geq 4 yrs, considered as perseverance given the economic crisis environment.

Akon, Lunyaker, Liethnhom, Thiet and Warrap market:

- ✓ Small retail markets;
- ✓ Dominated by low capacity local traders

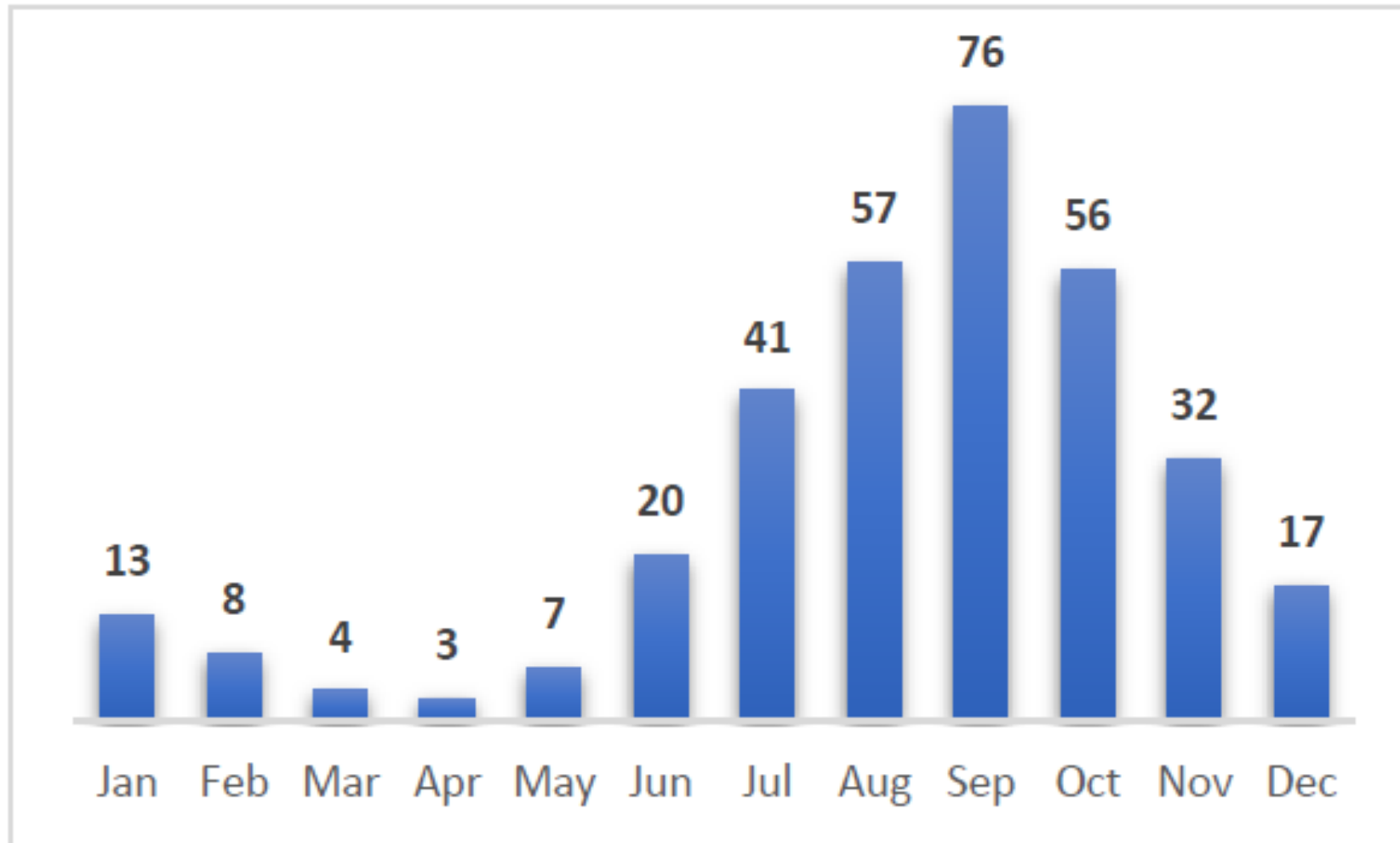
AVAILABILITY of COMMODITIES and SUPPLY MARKETS



- **COMMONLY TRADED COMMODITIES:** sorghum, maize flour, wheat flour, maize grain, rice, sugar, cooking oil and groundnuts;
- **LOCALLY PRODUCED staple food** (i.e. sorghum, maize grain) are traded on a **SEASONAL basis**, when demand is HIGHER (LEAN SEASON); during the Sept./Oct – April/May period, demand for sorghum is VERY LOW, due to LOCALIZED HARVEST by farming households;
- **Main SUPPLY MARKETS:**
 - **Sudan through Amiet market** (white sorghum, wheat flour, cooking oil, salt, sugar and fava) – preferred supply market for Kwajok market;
 - **Uganda through Juba market** (maize flour, maize grain, wheat flour, field beans, vegetable oil, sugar and rice); – preferred supply market for Tonj town market;
- Traders prefer specific SUPPLY MARKETS depending on road conditions, transport costs, security, availability of commodities, prices, business partnerships with traders at source markets, etc.
- Wau is the nearest wholesale market for all the markets covered by this assessment.

SEASONALITY

FOOD SCARCITY per MONTH (% , household perception, FSNMS data)



RESTOCKING FREQUENCY

- RESTOCKING FREQUENCY varies according to the season:
 - During the **DRY SEASON**, on average it takes **6 days** to travel to source markets (Amiet, Juba), procure commodities and return to Kwajok and Tonj town;
 - This time increases to around **3 weeks during the rainy season** due to poor road conditions;
- As the rainy season approaches, some wholesalers keep large stocks to minimize bad road conditions, long supply time and high transaction costs.

However, capital constraints, price variability and uncertainty about security situation affect restocking.



PRICE DETERMINATION



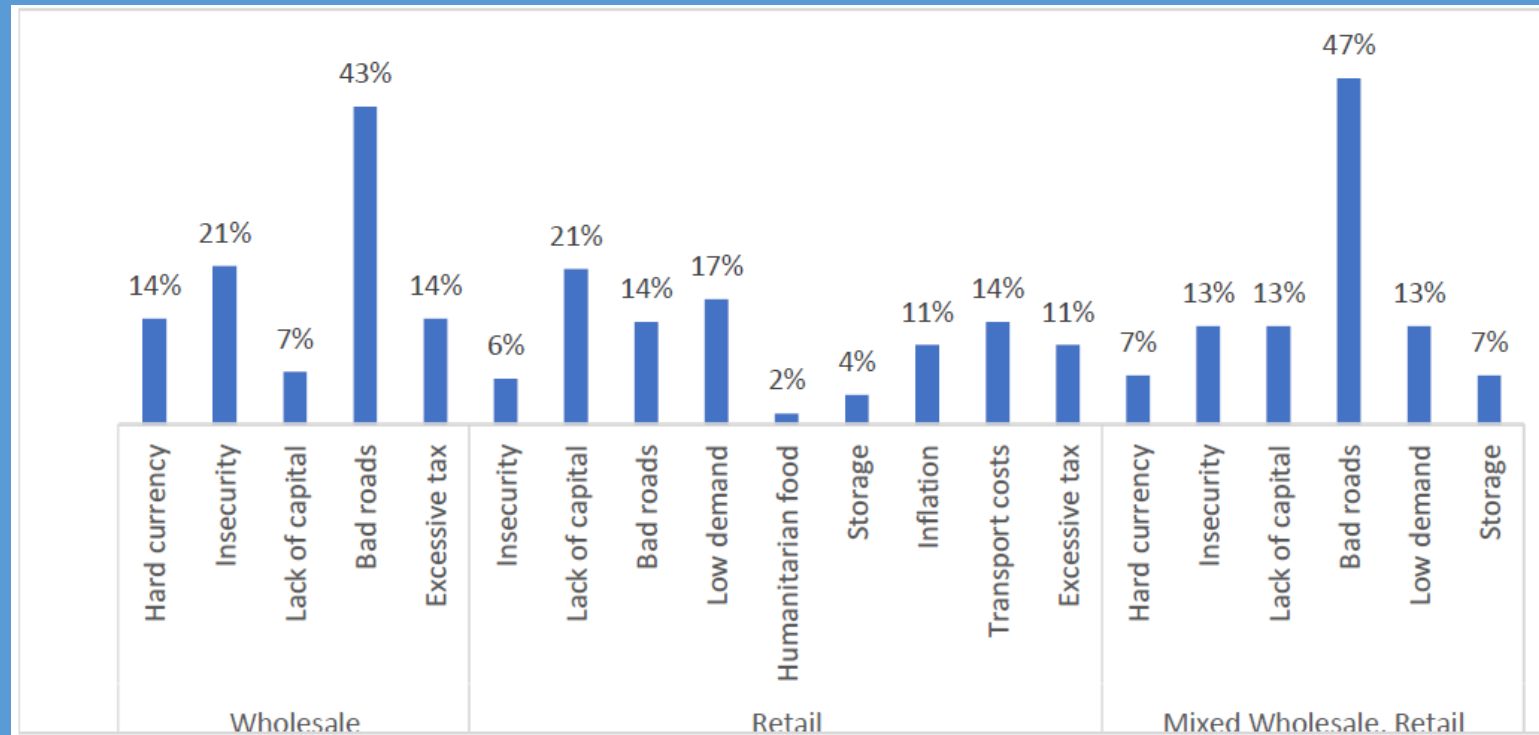
- MOST traders reported that each trader determines her/his own selling prices in the market;
- On the other hand, traders make calls to Juba to enquire about the prevailing exchange rate SSP/USD. Then, based on available information and discussions with wholesalers in supply markets, they adjust their selling prices;
- However, **when local currency appreciates, traders take weeks to adjust prices downwards** (making sure the exchange rate is stable).
- Generally, traders in bigger markets (Kwajok and Tonj town) are less likely to in price fixing, while the other smaller markets are likely to be conducive for such behavior.

MARKET POTENTIAL to RESPOND to INDUCED INCREASED DEMAND



- **Markets capacity to respond to induced increased demand varies according to:**
 - ✓ **Different commodities;**
 - ✓ **Volume of the demand increase** (number of CBT beneficiaries; CBT value, etc.);
 - ✓ **Monthly trade volume in the market/ size of the market, frequency of restocking;**
 - ✓ **Seasonality of the intervention:** rainy season is associated with the scarcity of items in the markets. This provides a conducive environment for traders to manipulate the market and fix prices at will. However, consultation with the traders and chamber of commerce ahead of any CBT intervention is likely to minimize the chance of collusion among traders.
 - ✓ **Preferences of CBT beneficiaries** is one of most important factor to consider. Hence, **continuous consultation with beneficiary households is highly encouraged.**
 - ✓ The determination of the monthly transfer value should be sufficient to guarantee the purchase of the same quantities of commodities over time.

CONSTRAINTS to INCREASE TRADE VOLUME



- After the creation of 32 states: increased number of checkpoints along trade route, leading to multiple payments and high transaction costs.
- All transaction costs are transferred to the consumers, leading to high commodity prices.

- Economic crisis: increased criminal activities; sense of insecurity among traders, especially foreign ones;
- Closure of bank services: traders obliged to carry large amount of cash while traveling to restock commodities, which makes them vulnerable.

RECOMMENDATIONS



- In areas where the transition process from in-kind to CBT programme is feasible, the preference of in-kind assistance by majority of programme participants should be carefully taken into consideration;
- Need for **continuous dialogue with the participating households**;
- Seasonality and market prices should determine the transfer modality. Seasonality may require **FLEXIBILITY to switch between different transfer modalities**;
- **FEASIBILITY and CONTINUOUS MONITORING**: Full scale cash in the next programme cycle can be considered if markets can support it;
- Determination of monthly transfer value allow households to buy the same quantities of commodities distributed as in-kind.

RECOMMENDATIONS

- **CBT FEASIBILITY:**
 - Kuajok, Tonj town and *Warrap* markets have the capacity to absorb full CBT programme;
 - Akon, Liethnhom, Lunyaker and Thiet can absorb up to 50 percent of the induced demand;
- **NB:** these recommendations are based on the number of participants with physical access to the assessed markets. FFA participants in the same county with market access challenges, should continue with the in-kind assistance.

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