



**USAID**  
FROM THE AMERICAN PEOPLE



## SPECIAL BRIEF: Market functioning in southern Somalia

July 28, 2011

***Disclaimer:** This paper addresses some of the issues related to the market feasibility of cash transfers. It does not consider issues related to the mechanism by which such transfers could be provided nor does it explore other aspects of the local context, including security and conflict, which would affect the overall feasibility of a cash-based response program. As with all information on southern Somalia, the situation is changing constantly and available information may not fully reflect current conditions.*

### Key Messages

- Markets continue to function despite the many challenges market participants face and the reduction in effective demand caused by collapsing livelihoods and weak purchasing power across southern Somalia.
- Prices for locally produced grains, white maize and red sorghum, will most likely continue to increase between now and December. As long as these cereals remain available, when they reach price parity with imported red rice, their prices will not increase significantly more as substitution of imported red rice will contain further inflationary pressure.
- Our analysis suggests that markets may be able to increase the supply of imported rice in response to cash in the regions of Banadir, Bakool, Hiran, Bay, Lower Shabelle, Lower Juba, and some small parts of Middle Shabelle and Gedo.
- Our analysis suggests that markets in Middle Juba are poorly integrated with other regions making a cash response a likely driver of excessive food price inflation. Some markets in northern Gedo and Middle Shabelle also show signs of poor integration and a more limited ability to increase the supply of imported rice.
- In areas where neither cash transfers nor distributed food aid are possible or practical, creative interventions to increase staple food supply, complemented by a coordinated response in other sectors, may be necessary to save lives.
- **Food price inflation risk exists for any response programming in southern Somalia. Food price inflation remains likely even in the case of no further humanitarian response. However, the ability to substitute imported red rice for other cereals serves as a check on overall staple food price inflation. As long as this important commercial import market continues to function, prices can only rise to a certain degree. Responses will have to balance the need to contain further food price inflation with the need to save lives through adequate response.**

### National Overview

#### Current food security context

Very high local cereal prices in southern Somalia have contributed to substantially reduced purchasing power among rural and urban households. In combination with poor crop and livestock production, asset losses, and limited aid flows, these high prices have resulted in significant household food deficits. Levels of acute malnutrition and child mortality are above emergency thresholds. Humanitarian response is urgently needed to save lives, and famine has already been declared in two regions. In the most likely scenario, famine will affect all regions of southern Somalia in the near future.

#### Current Market Context<sup>1</sup>

##### Supply

- Somalia is not self-sufficient in cereals. For example, in 2010, when the Gu harvest was very good, the local cereals only

<sup>1</sup> An extensive price data collection system has existed in Somalia since 1995. Currently, it covers 80 markets and is jointly operated by FEWS NET and the Food Security and Nutrition Analysis Unit (FSNAU). This is one of the strongest market monitoring systems in the region. Price signals provide a strong basis for market analysis, and while determining specific reactions to cash distributions is difficult, this reflects an inherent analytical complexity rather than any doubts regarding the quality of the price data available.

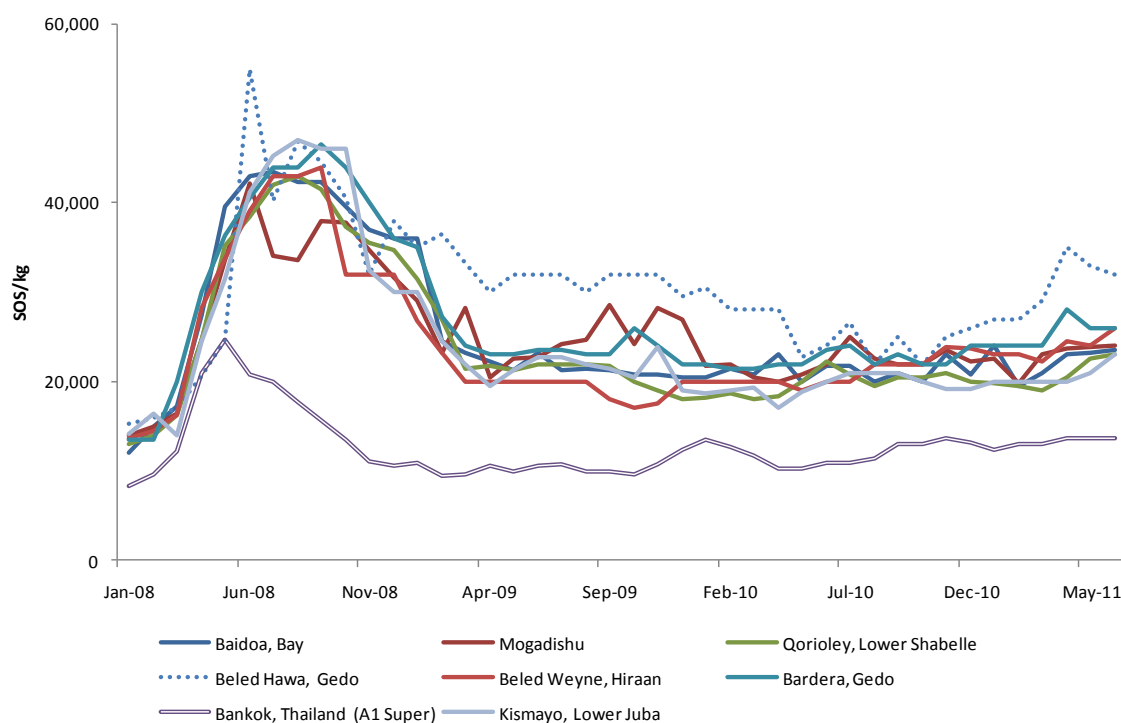
supplied around 40 percent of national consumption needs. The gap was filled by commercial imports, cross-border trade, and food assistance.

- The *Deyr* harvest for 2010/2011 was estimated to be 20 percent of the post-war average (1995-2010), and the *Gu* harvest forecast for August currently stands at 50 percent or less of the PWA. In the current year, with a reduced local cereal supply, it is estimated that local production will only meet between 15 and 20 percent of the domestic requirement.
- Increased commercial imports and recent cross-border inflows have somewhat offset the production shortfall. Statistics from three of the major ports of Somalia—Bossaso, Berbera and Mogadishu (El Ma'an)—indicate a 93 percent increase in January to May imports compared to the same period last year. In May, imports of rice into El Ma'an, one of Mogadishu's ports, were at their fourth highest level since record-keeping began in 2001. With some notice, traders are probably capable of increasing rice, wheat flour, pasta, and sugar supplies to meet demand since their supply sources, primarily wholesalers in Dubai, are fairly elastic and competitive.
- The import markets have some level of competition. In 2008, 16 importers were estimated to operate in Mogadishu. However, these markets also have some degree of concentration as the top 5 importers are estimated to control over 45 percent of the market. Due to concentration, the largest importers may still have some market power and influence price.
- As of June, imported red rice was available in every reference market. Local cereals other than red sorghum, while in unusually low supply, are still available in markets in southern Somalia.
- The ports of Mogadishu in southern Somalia and Barbera in northern Somalia are operating for larger ships. Port activity in Kismayo in southern Somalia and Bossaso in northern Somalia is highly reduced activity during through the end of the monsoon winds in September, at which point they will again become available to importers.

### Market Performance

- The vast majority of rice markets in southern Somalia are, as of June, still integrated with Mogadishu. Rice prices

**Figure 1: Rice prices in Southern Somalia, 2008-11**

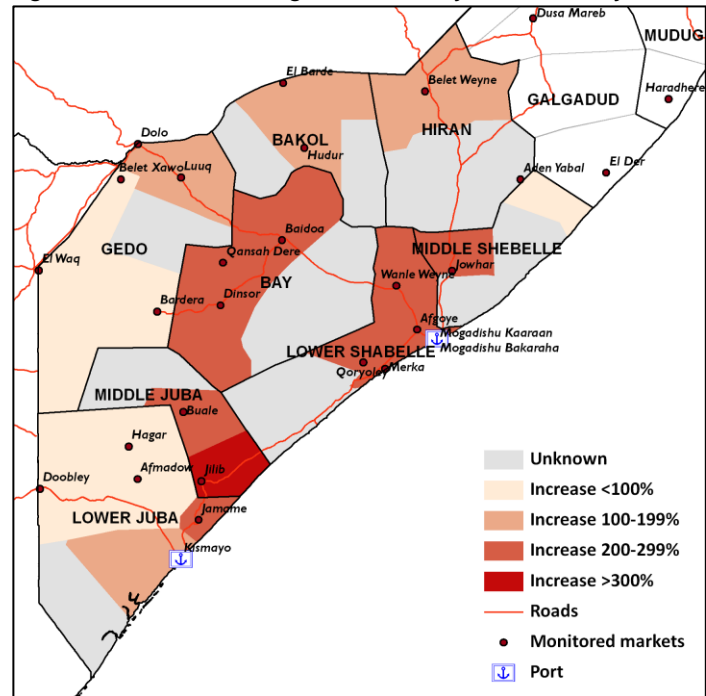


Source: FSNAU and FEWS NET

remain relatively stable and have risen only slightly since March. There are no reports of markets lacking imported red rice for sale. However, there is some concern that parts of Gedo, Hiran, Middle and Lower Juba, and Lower Shabelle may have some difficulties in securing their rice supply. The local differences are highlighted in the regional sections.

- Most of the monitored markets in the Sorghum Belt trade catchment along with some markets in Mogadishu and Middle Juba appear to still be well integrated for locally produced grain as they exhibited a similar, very slight decline in price in May followed by increasing prices again in June.
- Trade restrictions exist in Gedo, Bakool, Hiran, and Middle and Lower Juba in areas controlled by Al Shabaab, but price and cross-border trade information suggest that these restrictions may not be very effective. Traders may know how to operate within the restricted environment. While cross-border flows may be able to provide some grain for some border areas, they are currently too small, informal, and erratic to supply more densely populated areas further from the borders. High prices in Kenya and Ethiopia limit the volume of flows and the variety of commodities traded. However, regions that have an international border, in general, have had lower increases in price over the past year than areas further from the border.

**Figure 2:** Scale of annual price increases in local cereals (red sorghum and white maize) in Southern Somalia, based on the highest increase of either grain, between June 2010 and June 2011



Source: FEWS NET

- Prices have increased substantially over the past year. In many areas, prices of local grains are well above their previous peaks from 2008. In some areas they are as high as 350 percent above last year. However, the highest rises in prices have been concentrated in the most productive areas of the grain belt in Bay, Lower Shabelle, parts of Middle Shabelle, and Middle Juba.
- Cross-border trade only occurs in small volumes, so it may not be the driving factor behind the less severe price rises in border regions. However, the ability to conduct cross-border trade may constrain the behavior of market participants in other ways.

### Stocks

- Stock levels of rice are believed to have risen as imports have risen and demand probably remains constrained. Stock levels of red sorghum are probably very low as red sorghum has, at times, been unavailable in several major markets. Unlike red sorghum, there are no reports of major markets in southern Somalia which lack white maize, though enumerators working in those markets have estimated that stocks are very low.

### Most Likely Scenario until December 2011

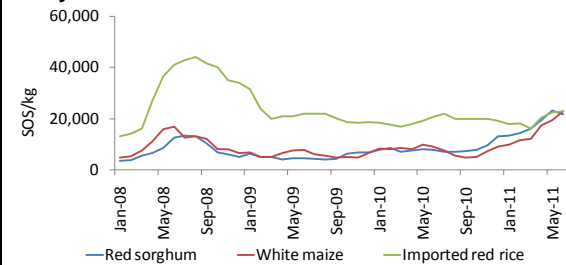
- White maize and red sorghum supplies will remain stressed, so prices will continue to rise. The prices of these preferred cereals will rise between now and December whether or not cash transfers occur. Prices are not expected to fall significantly following the Gu harvest in August as the volume of new supplies entering the market is very limited. While they are still available, local cereals will be purchased until they rise to a price nearing rice, at which point non-riverine households are expected to switch to rice as their primary staple. This price pattern has already been observed in parts of Lower Shabelle.

- Somalia does not traditionally import white maize by sea, so Somali traders probably are not connected to these markets as they typically import rice, wheat flour, pasta, and sugar from wholesalers in Dubai. As there is no existing trade in these commodities other than the small cross-border flows, markets currently have no ability to substantially increase the supply of local cereals until December. As supply will not increase, local grains will rise in price through December.
- The rise in rice prices are expected to be constrained both by competition between traders and by international prices. However, as more households switch to rice due to the unavailability of local cereals and the high prices of these cereals, the rise price may moderately rise.

### Implications for Response

- In a Food Security and Nutritional Analysis Unit (FSNAU) retrospective analysis from February 2011, the majority of cash transfer programs implemented in Somalia did not lead to noticeable inflation of food prices. In instances where cash transfers led to an abnormal increase in the local cereal prices, the effects were seen at the beginning of the intervention and were short-lived. The study acknowledged that the scale of previous cash transfer programs was limited, with the largest program only transferring a total of USD 800,000 per month in a single region.

**Figure 3: Relative price movements in Merka, Lower Shabelle, Southern Somalia between January 2008 and June 2011**



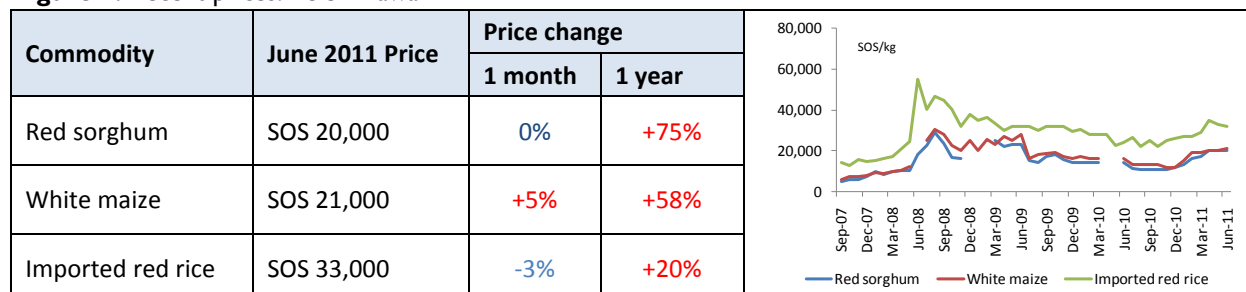
- As long as imported red rice remains available, it will serve as a ceiling price for local cereals. At some price at or near that of imported red rice, household will switch from local cereals to rice. The substitution price will be highest in riverine areas where rice is considered less palatable and is not a usual component of the diet.
- While cereal grains may be available, cowpea prices are very high, reflecting the likelihood that stocks are very low. Cowpea is a primary protein source. Since cowpea is not imported, it is likely to suffer further even further inflation from cash transfers as demand increases. The availability of protein in the diet through December will be highly limited as the upcoming Gu cowpea harvest has been decimated by both pests and drought throughout the cowpea belt. While there are very elastic supplies of rice and wheat flour available for commercial import, there is not an equivalent source of protein available for import.
- As some moderate inflation may occur in response to increased demand for rice, households that do not receive cash transfers would be adversely affected by rising prices. However, these prices are likely to rise even in the absence of any responses in southern Somalia.

**Food price inflation risk exists for any response programming in southern Somalia. Food price inflation remains likely even in the case of no further humanitarian response. However, the ability to substitute imported red rice for other cereals serves as a check on overall staple food price inflation. As long as this important commercial import market continues to function, prices can only rise to a certain degree. Responses will have to balance the need to contain further food price inflation with the need to save lives through adequate response.**

## Gedo Region, Sorghum Belt Market Catchment

**Summary:** Northern areas of Gedo may have been cut off from imports of rice and stocks of red sorghum are very low. Areas that are still connected to other Sorghum Belt markets may be able to handle cash infusions, but it is unlikely that traders operating in northern Gedo can increase supply enough to accommodate rising demand.

**Figure 4:** Recent prices: Beled Hawa



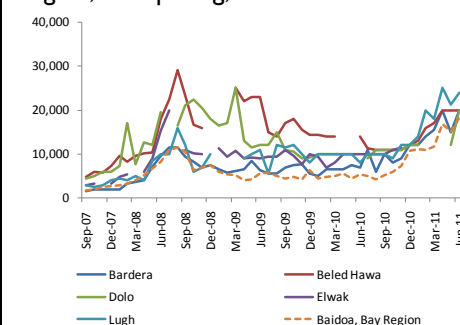
## Factors Suggesting Markets Continue Functioning

- Trade restrictions may be ineffective.
- Lugh and Bardera both appear to still be integrated within the Sorghum Belt trade catchment as they experienced a slight dip in at least one local cereal price in May, a pattern seen across the Sorghum Belt and in Mogadishu.
- Cross-border trade through Beled Hawa may officially be restricted, but small volumes through Kenya are imported. An average of 638 MT per month of maize was entering Beled Hawa from Kenya from April to June.
- Prices of white maize in Lugh are unusually low compared to the rest of the region. Lugh may be benefitting from cross-border trade of white maize from Ethiopia, but these supplies may not reach other markets in the region.
- Prices in this region for imported red rice and for white maize remain below, in nominal terms, their peaks from the 2007/2008 food price crisis. These lower prices imply that even if volumes are low, cross-border trade helps limit food price inflation in the region.
- In previous periods of high prices like in 2009, local cereal prices have approached, but not exceeded the imported rice price.

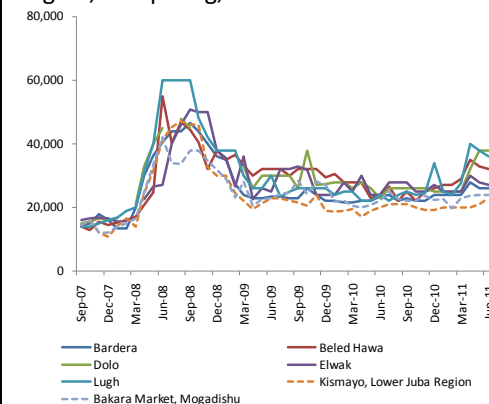
## Challenges to Market Functioning

- The region is far from major ports in the region; trade restrictions restrict goods from other parts of Somalia from entering some areas, but these restrictions may be ineffective; some cross-border flows with Ethiopia and Kenya are coming into this region though volumes are small.
- The availability of red sorghum in the region is highly limited and several markets have been without sorghum at various points since January.

**Figure 5:** Red Sorghum price in Gedo Region, SOS per kg, 2007-2011



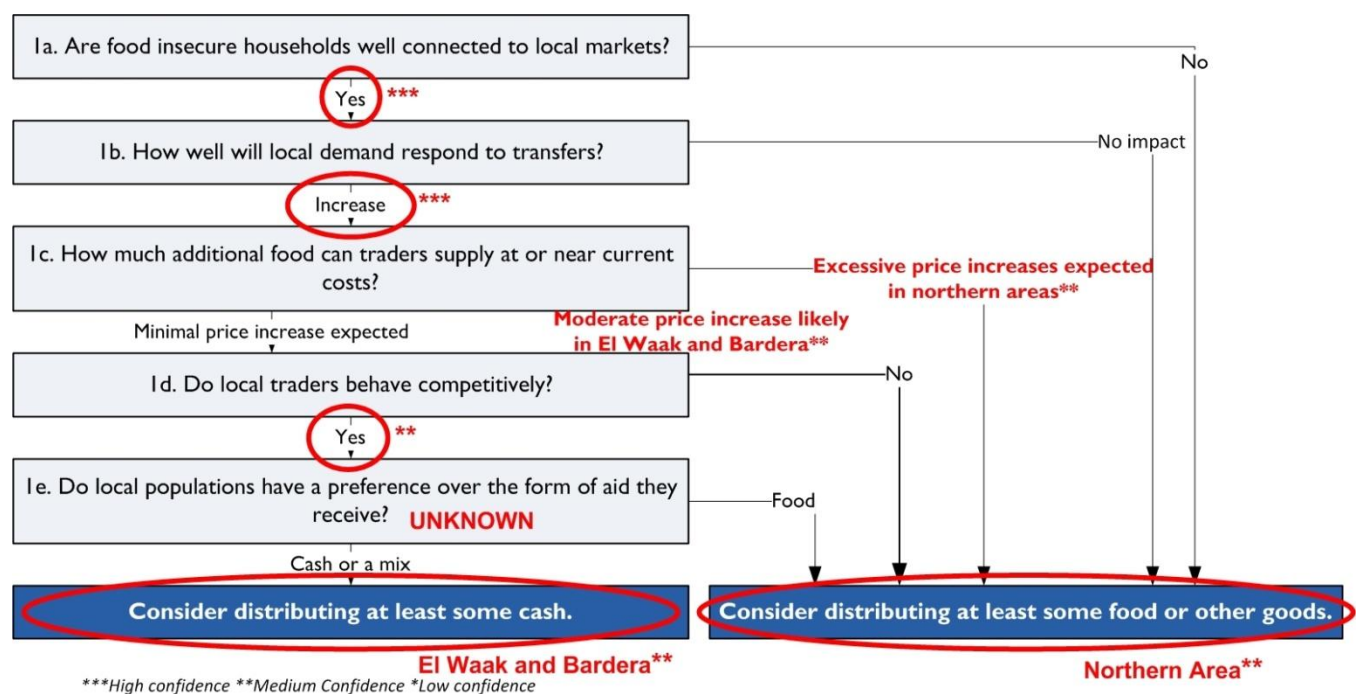
**Figure 6:** Imported red rice price in Gedo Region, SOS per kg, 2007-2011



- Beled Hawa, Dolo, and Elwak appear less able to access supplies from other parts of the Sorghum Belt since they had continued price rises in May, a pattern not observed in many areas. All three may now be dependent on cross-border trade for new supplies.
- Gedo, in a good year, is a surplus-producing region for local cereals, but it is a low productivity area that includes much rainfed agriculture. Following the August *gu* harvest, only very limited new supplies may enter the market. Any harvest that does become available may be consumed primarily at the household level. According to a WFP survey conducted in 2008, as recently as 2006, as few as 25 percent of farmers sold any of their maize crop into the market and only 30 percent sold any of their sorghum crop into the market, implying a high propensity to consume crops instead of sell them.
- While Beled Hawa, Dolo, and Lugh have some humanitarian access and have recently come under control of the TFG, Al Shabaab may still control road access from the interior of Somalia, and thus, markets in these areas are likely not to be fully integrated into the rest of southern Somalia. These areas have high rice prices probably due to fighting between the TFG and Al Shabaab cutting off supplies. While these prices are falling, these areas may no longer be fully integrated with other markets for imported red rice.

**Information Gaps:** Local market structure, local stock levels, and preferences of the population for cash, food, or a mix

**Figure 7:** MIFIRA decision tree (Part I)<sup>2</sup> for Gedo Region

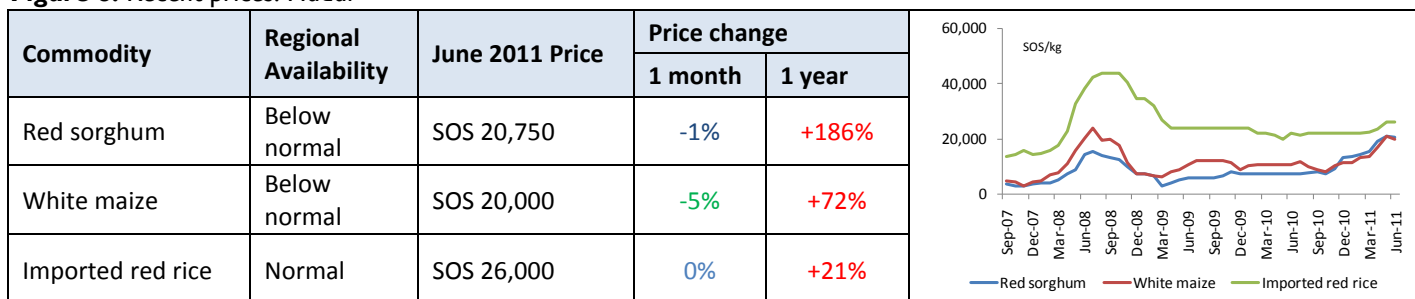


<sup>2</sup> Barrett, Bell, Lentz, and Maxwell.. "Market Information and Food Security Response Analysis." *Food Security* vol. 1, 2009, pg. 151-168. (This decision tree is adapted from Barrett et al. 2009, a widely used tool for using looking into whether food aid in kind, cash transfers, or a mix of food aid, cash, and other goods is the most appropriate response to a food security emergency by incorporating known information about market structure and behavior to minimize the impact of aid on functional markets and on market-dependent livelihoods.



**Bakool Region, Sorghum Belt Market Catchment**

**Summary:** Bakool region has not had price increases as high as in neighboring Bay region. Rice prices suggest continued trade though weak effective demand, so cash distribution may be appropriate.

**Figure 8: Recent prices: Hudur**

Note: Regional availability is based on opinions of market enumerators.

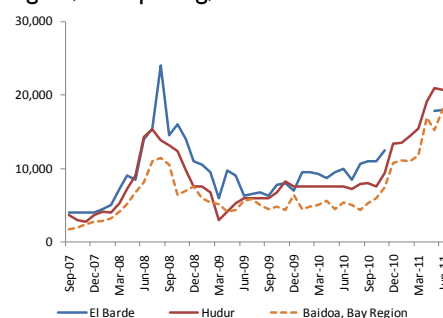
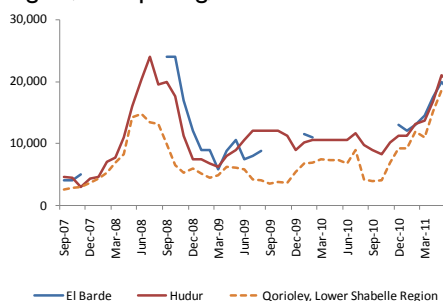
**Factors Suggesting Markets Continue Functioning**

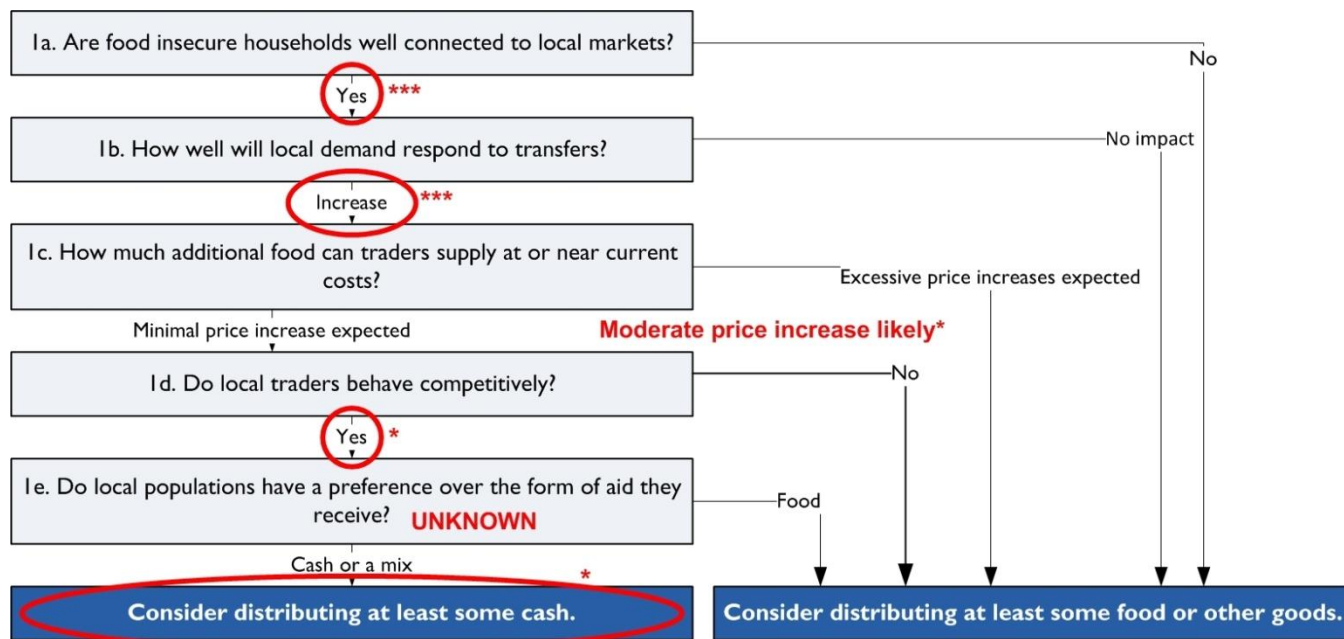
- In the livelihoods baseline for Bakool Pastoral, 58 percent of household income was spent on food reflecting a heavy reliance on markets.
- Prices in El Barde for local grains have not exceeded their 2007/08 peak, so cross-border trade from Ethiopia may be bringing in some small amounts of grain or the possibility of imports may constrain the behavior of market actors.
- Rice remains available in both monitored markets, suggesting imports continue to supply the region without interruption.
- Prices in Bakool are not as high as in neighboring Bay. While low effective demand may play a role, cross-border trade could either be increasing supply in the region or helping constrain the behavior of traders.

**Challenges to Market Functioning**

- The region is far from major ports in the region and has limited road access; trade restrictions restrict goods from other parts of Somalia from entering some areas, but it is unclear how effective these restrictions are.
- Neither of the two monitored markets in the region experienced the brief May dip in local grain prices, so these markets may currently be poorly integrated with the rest of the Sorghum Belt trade catchment. Instead, these markets had declining maize prices in June, possibly indicating falling effective demand or incoming supplies from Ethiopia.
- Prices of rice in the region are difficult to interpret. They are not, nominally, as high as some other locations this far from port. Rice remains available, but the weak demand for rice in the region may be a factor holding prices of rice lower than they would be if demand were to increase.

**Information gaps:** Volume of cross-border trade in the region's food supply, local market structure, and preferences of the population for cash, food, or a mix.

**Figure 9: Red Sorghum price in Bakool Region, SOS per kg, 2007-2011****Figure 10: White maize price in Bakool Region, SOS per kg, 2007-2011**

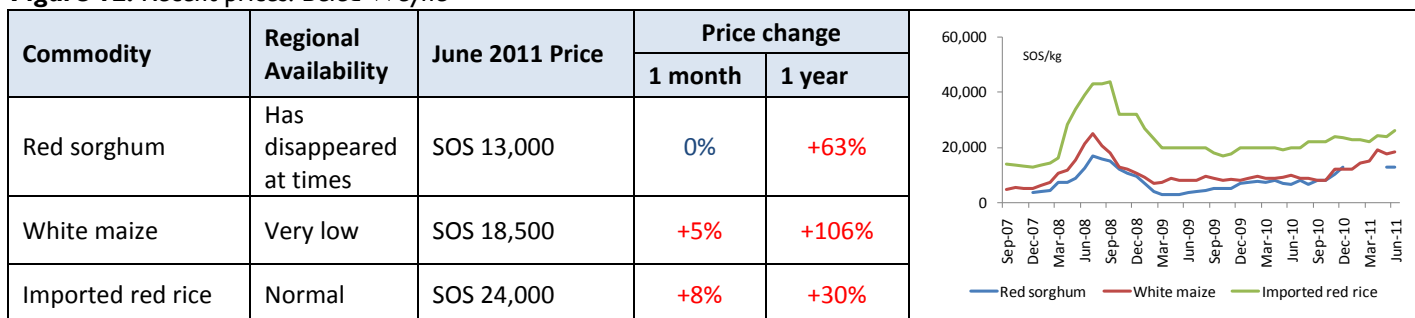
**Figure 11: MIFIRA decision tree (Part 1) for Bakool Region**



### Hiran Region, Sorghum Belt Market Catchment

**Summary:** Cross-border trade with Ethiopia, trade with the Central trade basin, and a location on a major road provide resilient market access to the Hiran region making cash programming less likely to adversely affect market functioning.

**Figure 12: Recent prices: Beled Weyne**

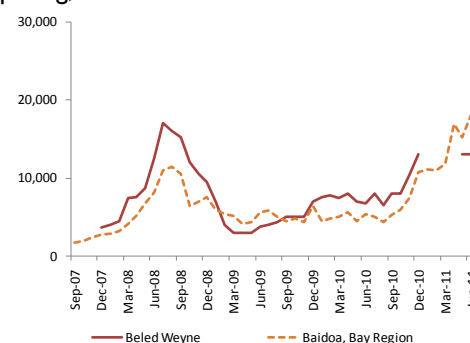


Note: Regional availability is based on opinions of market enumerators.

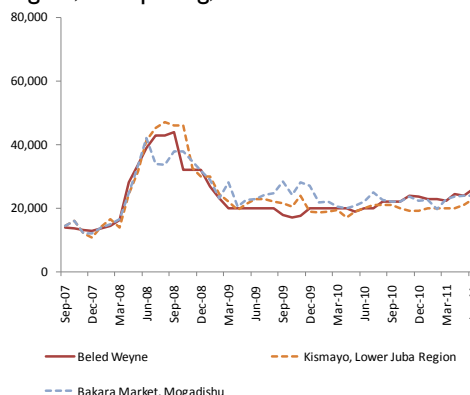
### Factors Suggesting Markets Continue Functioning

- In the livelihoods baseline for Hiraan Riverine, 70 percent of household income was spent on food reflecting a high reliance on markets.
- The region has good road access and is a major route for cross-border trade with Ethiopia.
- While volumes imported from Ethiopia remain small, prices in this region have gone up less in the last year than those further from borders, suggesting cross-border trade or the option of cross-border trade helps mitigate price rises. Small volumes of maize and beans are entering from Ethiopia.
- Hiran is the only region of southern Somalia outside of Banadir (Mogadishu) currently receiving any food aid. The volumes are, so far, very small.
- While data is limited, the proximity of Hiran to Central Somalia likely means that availability of imports through Bossasso is higher than in other regions studied. As the main road passes through Beled Weyne between Mogadishu and Bossasso, the region has relatively good access to two major ports.
- As this market likely draws in supplies from the Central trade catchment and from Ethiopia, the market has a more diverse set of trading partners in addition to decent access to the import markets in Mogadishu.

**Figure 13: Red sorghum prices in Hiran, SOS per kg, 2007-2011**



**Figure 14: Imported red rice price in Hiran Region, SOS per kg, 2007-2011**



- Rice price is close to general trends and margins with other nearby areas are very small. This implies good access to imported rice from Mogadishu or other ports.

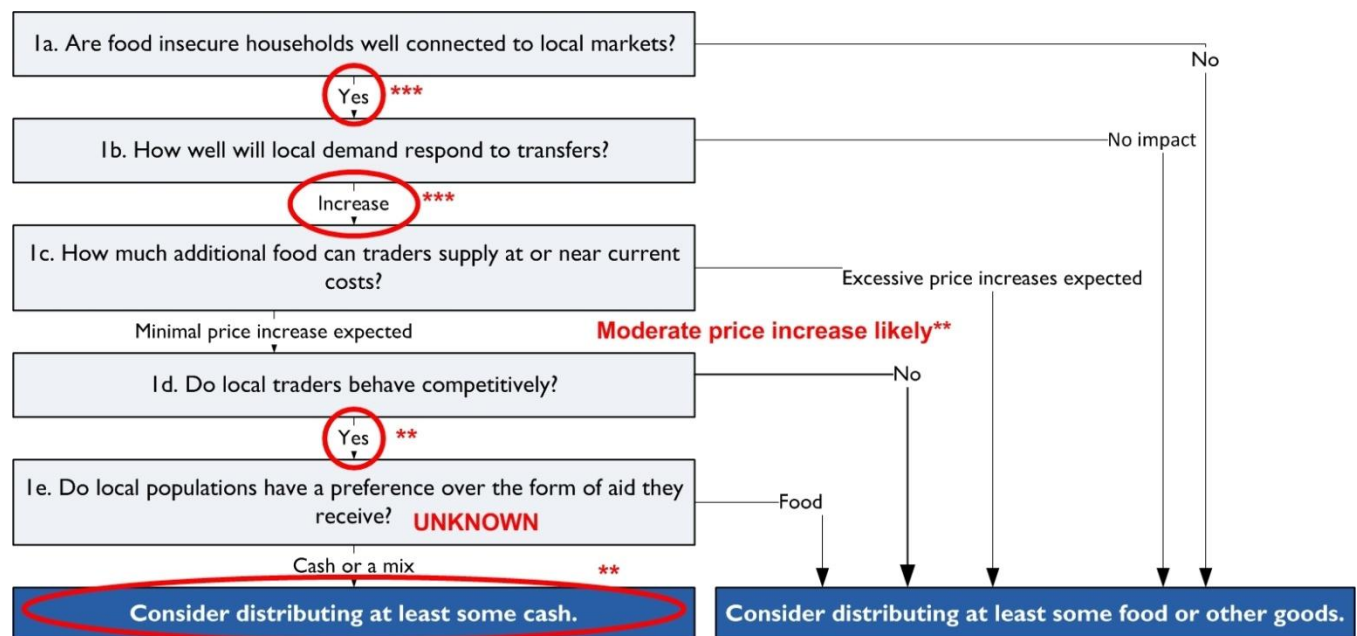
### Challenges to Market Functioning

- Internal trade with other parts of Somalia is restricted by Al Shabaab.

- Red sorghum disappeared on the market in Beled Weyne for several months. The recent reappearance demonstrates the resiliency of markets in finding new supplies, but this event indicates that red sorghum supplies in the region are likely to be exhausted.
- In a typical year, farmers in this region have a high propensity to sell maize and sorghum into the market. As the *Gu* harvest in August is likely to be very small, the amount of local grain entering the market is likely to be very small. In areas where there has been complete failure of the crops, there may be no local source of supply for red sorghum and white maize.
- Cross-border trade with Ethiopia is restricted by the Ethiopian grain export ban, but informal trade continues. Small volumes of maize and beans have been recorded since monitoring began in April.

**Information Gaps:** Volume of inflows from Central Somalia, exact nature of trade restrictions in place, local market structure, preferences for form of aid, distribution of *Gu* harvest within the region

**Figure 15:** MIFIRA decision tree (Part I) for Hiran Region

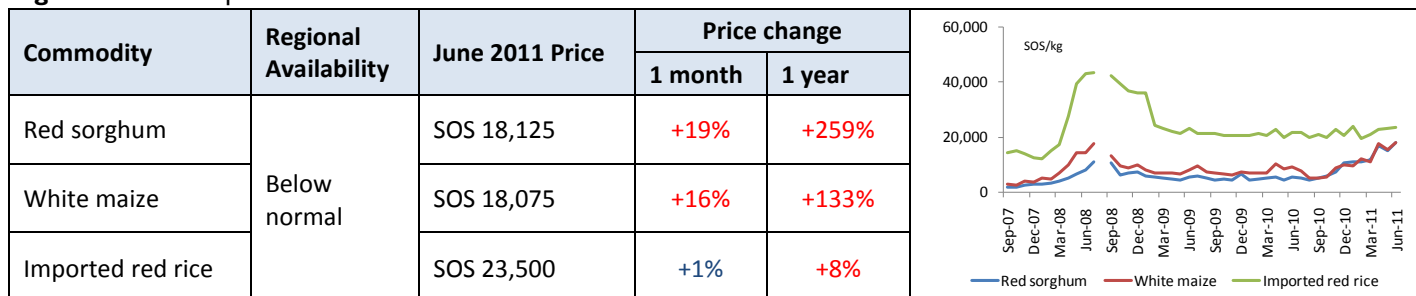


\*\*\*High confidence \*\*Medium Confidence \*Low confidence

### Bay Region, Sorghum Belt Market Catchment

**Summary:** Bay region has good road access to Mogadishu and competitive rice markets. Markets for local cereals may not be as competitive and the price rises for these over the past year are among the highest in Somalia. Cash may be possible as local grain prices are approaching the price of rice.

**Figure 16:** Recent prices: Baidoa



Note: Regional availability is based on opinions of market enumerators.

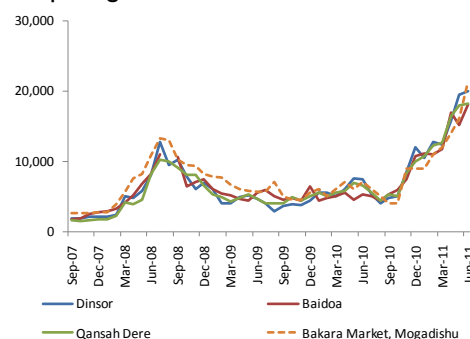
### Factors Suggesting Markets Continue Functioning

- In the livelihoods baseline for Bay Agropastoral, 60 percent of household income was spent on food reflecting a high reliance on markets.
- Internal trade with other parts of Somalia is unrestricted.
- The region has good road access to the port of Mogadishu.
- The region is well connected to other parts of the sorghum belt and to Mogadishu. All monitored markets in this region had a slight dip in at least one local grain price in May, a pattern seen in other areas in and near the Sorghum Belt and at Bakara Market in Mogadishu.
- Rice prices are within regional norms and access to imports from Mogadishu remain good. In Baidoa, prices for rice remain very close to those in Mogadishu indicating good integration and low margins for traders.
- No market in the region has reported complete exhaustion of the red sorghum supply unlike in neighboring regions.

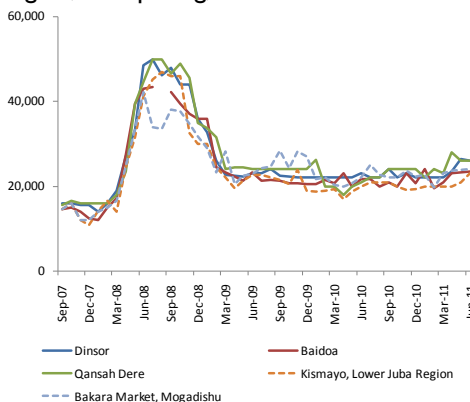
### Challenges to Market Functioning

- At least one local cereal in each monitored market in the region has more than tripled in price over the past year.
- The huge price increases of local cereals may be a sign of non-competitive behavior among those who hold stock or of a high degree of trader consolidation in the region's local cereal markets.
- The region is far from cross-border trading points.
- While farmers typically do sell both sorghum and maize into the market, since the harvest will be very small, very few new supplies of red sorghum or white maize will become available in August.

**Figure 17:** Red sorghum prices in Bay Region, SOS per kg, 2007-2011

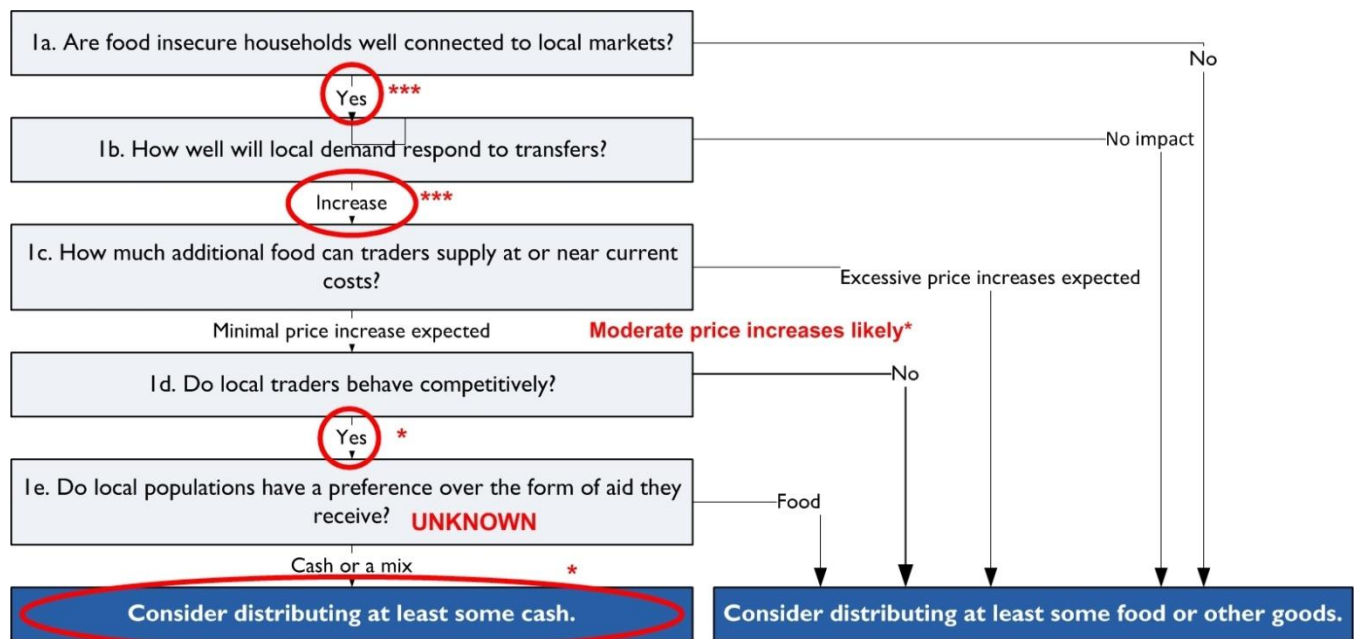


**Figure 18:** Imported red rice price in Bay Region, SOS per kg, 2007-2011



**Information Gaps:** local market structure, stock levels of traders, sources of local cereals that are from outside the region, impact of trade restrictions in other regions on normal trade routes, distribution of the upcoming *Gu* harvest

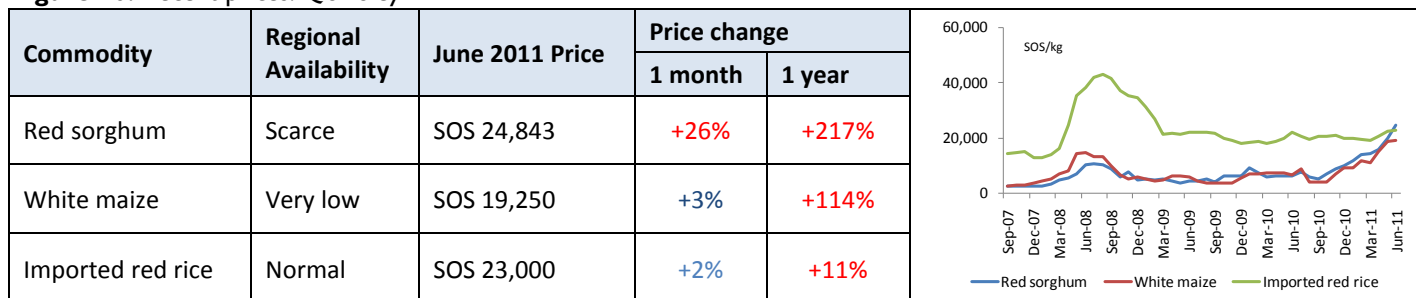
**Figure 19:** MIFIRA decision tree (Part 1) for Bay Region



### Lower Shabelle, Shabelle Valley Trade Catchment

**Summary:** Lower Shabelle region has competitive rice markets, but markets for local cereals may not be as competitive. The price rises for local grains over the past year are among the highest in Somalia. In some areas, local grain prices are so close to that of rice, substitution is probably already occurring. As further dramatic increases of staple food price are unlikely, cash programming may be an option as long as imported substitutes remain available.

**Figure 20: Recent prices: Qorioley**

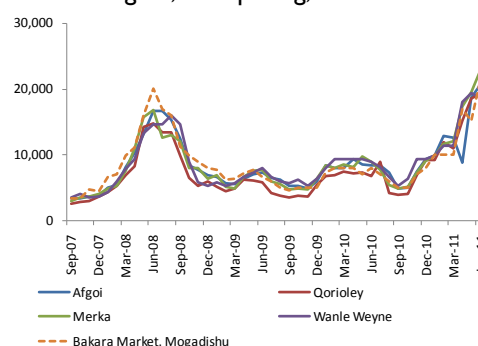


Note: Regional availability is based on opinions of market enumerators.

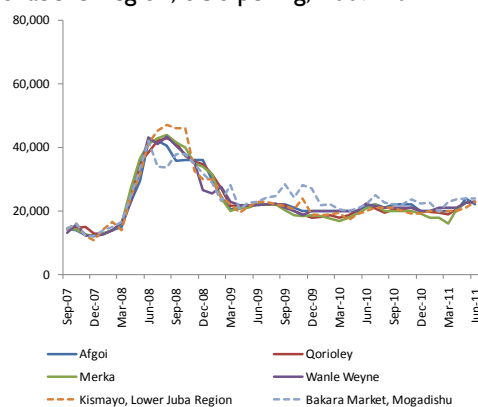
### Factors Suggesting Markets Continue Functioning

- The region has good port and road access for imported goods, The port of Mogadishu is controlled by the Transitional Federal Government (TFG) and is accessible from the region.
- In the livelihoods baseline for Shabelle Riverine, 45 percent of household income was spent on food reflecting a significant reliance on markets for food.
- The upcoming *gu* harvest in August may benefit this region more than others as farmers are more likely to market at least some of their meager harvest. There may be a slight relaxation in prices in August and September, especially for red sorghum. In 2006, 2007, and 2008, according to a survey conducted by WFP in 2008, at least 90 percent of surveyed famers sold some maize into the market. For sorghum, at least 57 percent sold some into the market. Stocks are low, and the harvest will be less than half the PWA, but larger farmers who manage some harvest are still likely to sell some small volume of local cereals into the market.
- Cash interventions are unlikely to lead to further food price inflation thanks to the good availability of imported goods and the fact that prices for local cereals and rice are already so close in price. There will be a slight rise in rice prices as populations shift increase their purchases of rice on each market. This phenomenon has already occurred in Merka where rice, red sorghum, and white maize are, for all practical purposes, sold at the same price per kilogram.

**Figure 21: White maize price in Lower Shabelle Region, SOS per kg, 2007-2011**



**Figure 22: Imported red rice price in Lower Shabelle Region, SOS per kg, 2007-2011**



- Despite incredibly low stocks, no market has reported that no maize or sorghum is available for sale on that market.

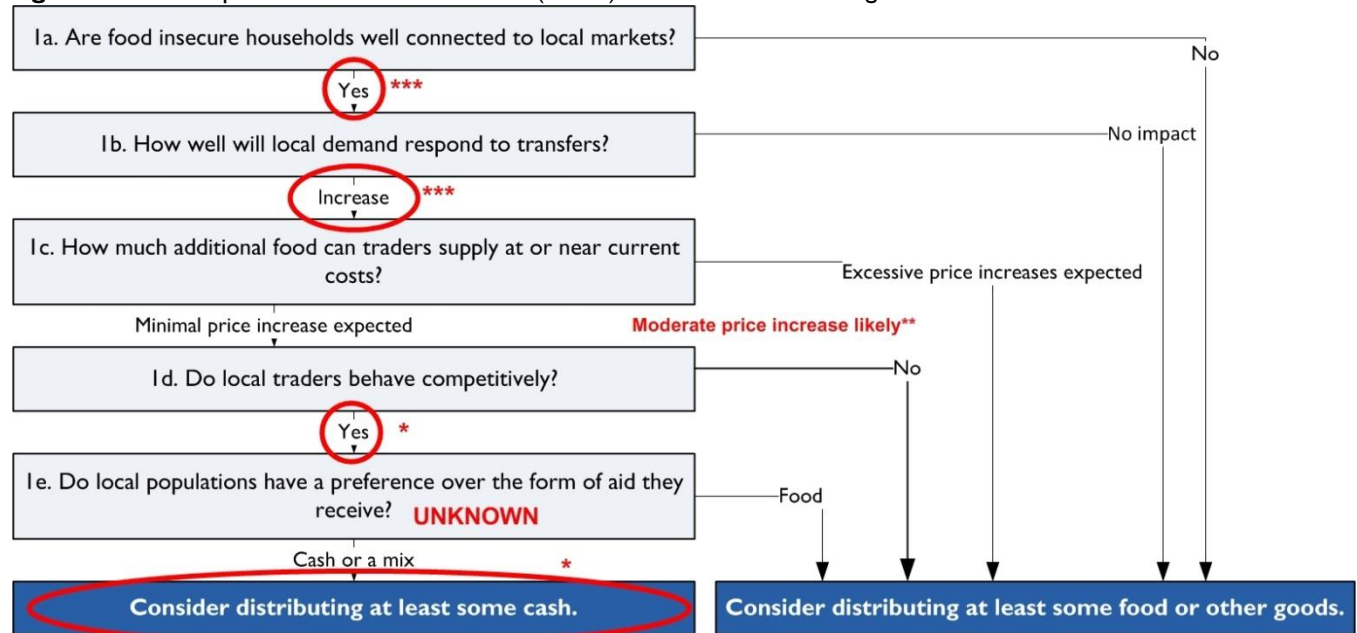
### Challenges to Market Functioning

- The region is far from cross-border trade points.

- In some riverine communities where rice is not a preferred grain, the propensity to substitute imported rice for local grain might not be very high. These consumers may bid up the price of local grains to a price point further above rice than consumers in other areas.
- Qorioley is one of two markets in southern Somalia where a local grain price exceeds that of imported red rice. This reflects the incredibly low supply of red sorghum in Qorioley and that some populations have a lower propensity to substitute rice for local grains. This price is not expected to rise significantly between now and September both due to the small harvest in August and due to the fact that at some price near rice, households will switch to a different main staple cereal.
- Prices in Lower Shabelle are among the highest in Somalia. Prices for at least one local cereal in all four reference markets in the region have tripled or more since last year. Prices for local cereals in all reference markets are above their previous peak from 2007/08. However, due to good access to the port in Mogadishu, despite continued security problems along the Afgoi corridor, prices of rice are among the lowest in southern Somalia so the potential for substitution is less expensive.
- The large increases in prices of locally produced cereals indicate that traders and others who hold cereal stocks may not behave competitively.
- Areas that grow cowpea along the coasts have faced both drought and a pest infestation, so livelihoods associated with cowpea will suffer. Cowpea supply will hardly increase at all in August meaning there may not be any viable source of protein available in many markets.
- The large number of internally displaced people (IDPs) coming to the region may be putting additional stresses on host communities.

**Information gaps:** Existing stock levels, actual propensity of farmers to sell into the market this season, the impact of internally displaced people (IDP) who have moved into the region, and preferences of the population for cash, food, or a mix

**Figure 23: Recent prices: MIFIRA decision tree (Part I) for Lower Shabelle Region**

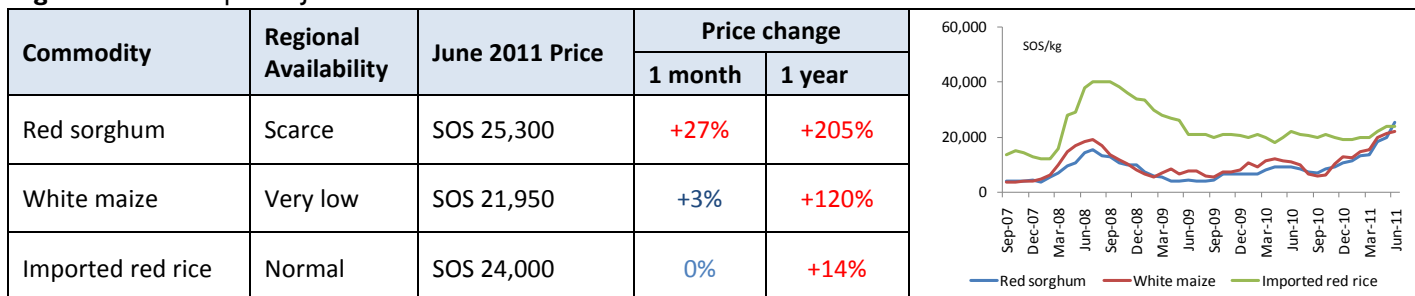


\*\*\*High confidence \*\*Medium Confidence \*Low confidence

### Middle Shabelle, Shabelle Valley Trade Catchment

**Summary:** Middle Shabelle region may have competitive markets and prices of local grains and rice have nearly converged in Jowhar, so cash programming may be appropriate. Despite having better access to supplies from the Central trade basin, Adanyabal demonstrated uncompetitive price patterns, so cash might lead to further inflation there.

**Figure 24:** Recent prices: Jowhar

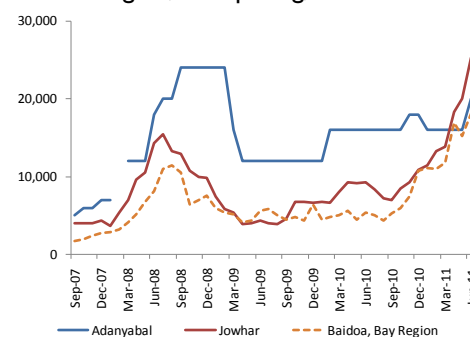


Note: Regional availability is based on opinions of market enumerators.

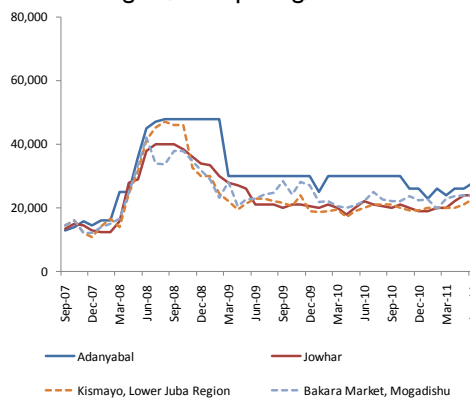
### Factors Suggesting Markets Continue Functioning

- The region has good access to the port of Mogadishu.
- In the livelihoods baseline for Shabelle Riverine, 45 percent of household income was spent on food reflecting a significant reliance on markets for food.
- Historically, Jowhar has been well integrated with other markets in Somalia for rice and for local grains. There are especially good correlations with other markets in the Shabelle Valley trade catchment.
- Adanyabal may be better connected to the Central trade catchment for some goods.
- This region will have some, limited, harvest for the *gu* in August, and while supplies are likely not to increase dramatically, some portion of this harvest is likely to enter the market.
- Since prices for local cereals and rice are already so close, outside of riverine areas, the substitution of rice for local grain can help contain rises in rice.
- Prices in Adanyabal are not following similar patterns to others in southern Somalia possibly reflecting good access and stronger connections through trade with the central and northern trade catchments.

**Figure 25:** Red Sorghum price in Middle Shabelle Region, SOS per kg, 2007-2011



**Figure 26:** Imported red rice price in Middle Shabelle Region, SOS per kg, 2007-2011



### Challenges to Market Functioning

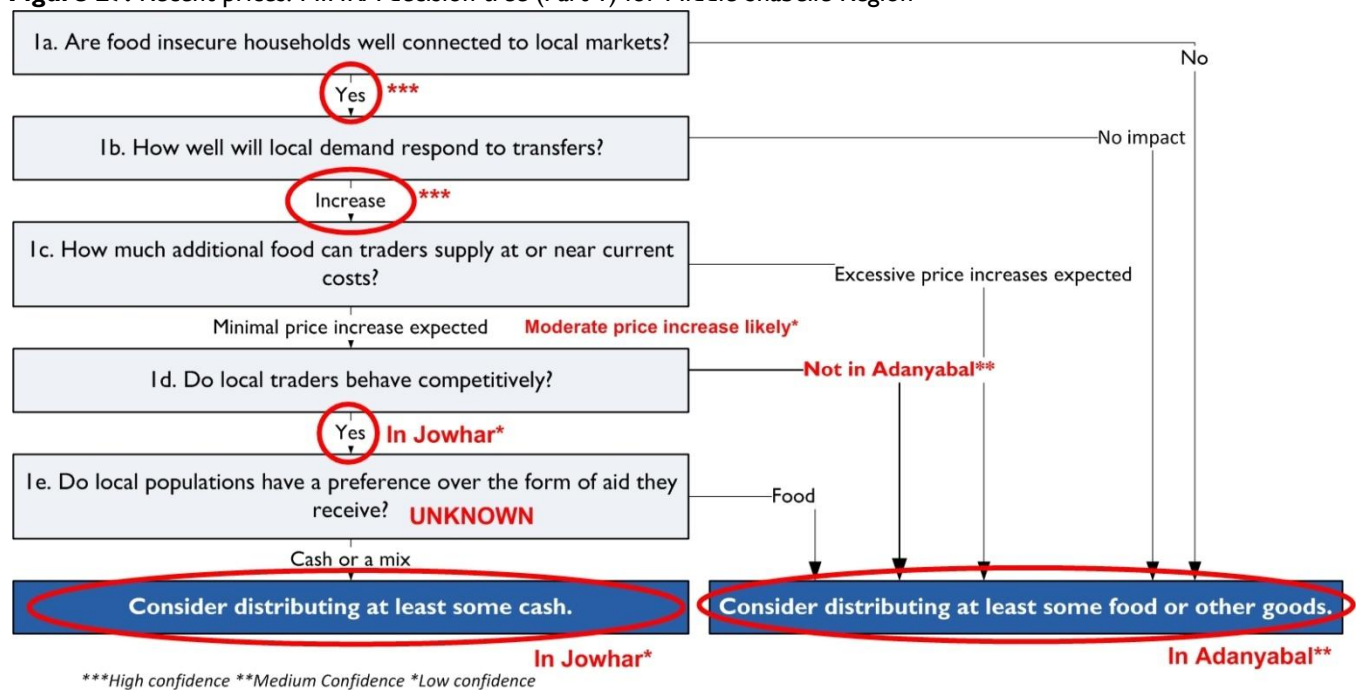
- The region is far from cross-border trade points.
- Riverine populations may not switch to rice as early as other populations in southern Somalia.



- While Jowhar is well correlated within the region, Adanyabal has the lowest correlation coefficients for other sorghum markets in the trade basin and in the rest of southern Somalia. However, it remains well integrated with rice prices throughout southern Somalia.
- Jowhar is one of two markets in southern Somalia where a local grain price exceeds that of imported red rice. This reflects the incredibly low supply of red sorghum in Jowhar and that some populations have a lower propensity to substitute rice for local grains. This price is not expected to rise significantly between now and September both due to the small harvest in August and due to the fact that at some price relative to rice, the majority of households will switch to a different main staple cereal.
- Prices for local cereals in Jowhar have exceeded their previous peak from 2007/08 and have more than tripled in since last year. However, in Adanyabal, while starting at a higher point, prices of red sorghum have not yet even doubled, and they remain below their peak from 2007/08. Prices in Adanyabal seem to stay at the same level for longer than other markets in southern Somalia which, in other contexts, might be a sign of government price or agricultural support policies. Sticky prices, in this context, may be a sign of price fixing by a small number of colluding traders or of interference in prices by armed groups.

**Information Gaps:** Stock level estimates, how proximity to the central trade catchment affects prices and availability in Adanyabal, likelihood of farmers selling to markets this season, and preferences of the population for cash, food, or a mix

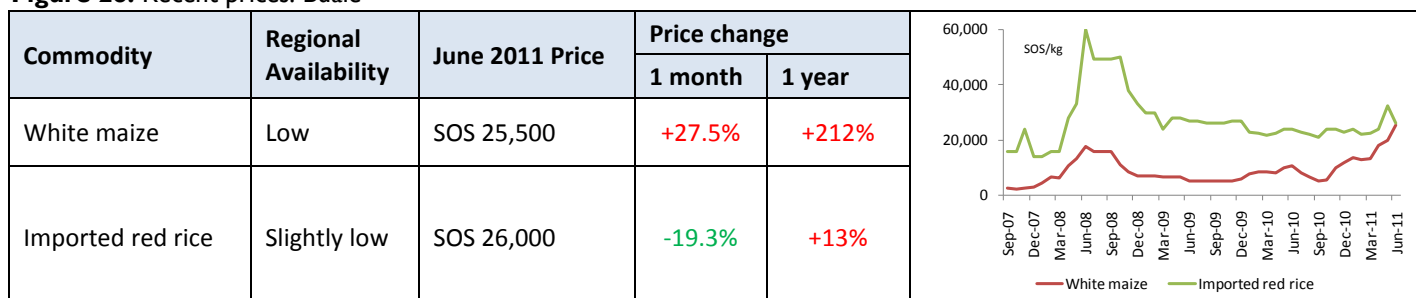
**Figure 27: Recent prices: MIFIRA decision tree (Part 1) for Middle Shabelle Region**



### Middle Juba, Juba Valley Trade Catchment

**Summary:** Middle Juba had the highest price increases for local grain in Somalia in Jilib where white maize in June is 350 percent above the price from last year. Prices in Buale have also risen by tremendous amounts. The heterogeneity of prices between the two reference markets and large price increases in 2008 indicate poor integration with other regions. Cash transfers may not be an appropriate intervention as supplies of rice may not be dependable in this region.

**Figure 28: Recent prices: Buale**



Note: Regional availability is based on opinions of market enumerators.

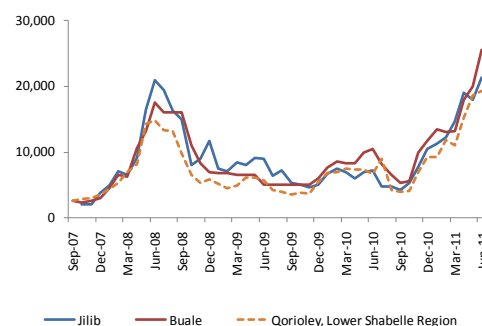
### Factors Suggesting Markets Continue Functioning

- The region has some access to both the ports of Mogadishu and Kismayo. Rice prices since 2007 are highly correlated with those at both ports.
- The port of Kismayu is controlled by Al Shabaab and is expected to be functional again following the end of the monsoon winds in late September.
- In the livelihoods baseline for Lower Juba Riverine, 64 percent of household income was spent on food reflecting a heavy reliance on markets.
- Jilib appears to be connected to markets in the Sorghum Belt since it experienced the slight decline in white maize prices in May like many areas of the Sorghum Belt and Mogadishu.
- White maize has not disappeared completely from either reference market in the region.

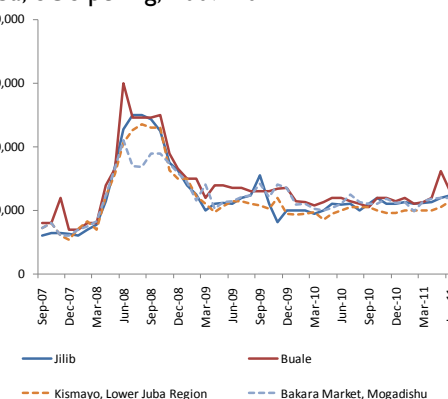
### Challenges to Market Functioning

- Price rises in this region over the past year are among the highest in southern Somalia. Prices for white maize in Jilib have more than quadrupled. Prices in this region also rose very high in 2008 during the “food price crisis,” so these dramatic price rises indicates a larger range probably resulting from poorer connections to other markets.
- Buale had a strange rise of the rice price in May, possibly indicating that there were problems supplying imported rice to this market for that month. Further disruptions of supply could mean that rice prices do not constrain the rise of white maize prices.
- As the harvest in August will be very small, few new supplies of white maize will be coming to markets.

**Figure 29: White maize price in Middle Juba Region, SOS per kg, 2007-2011**



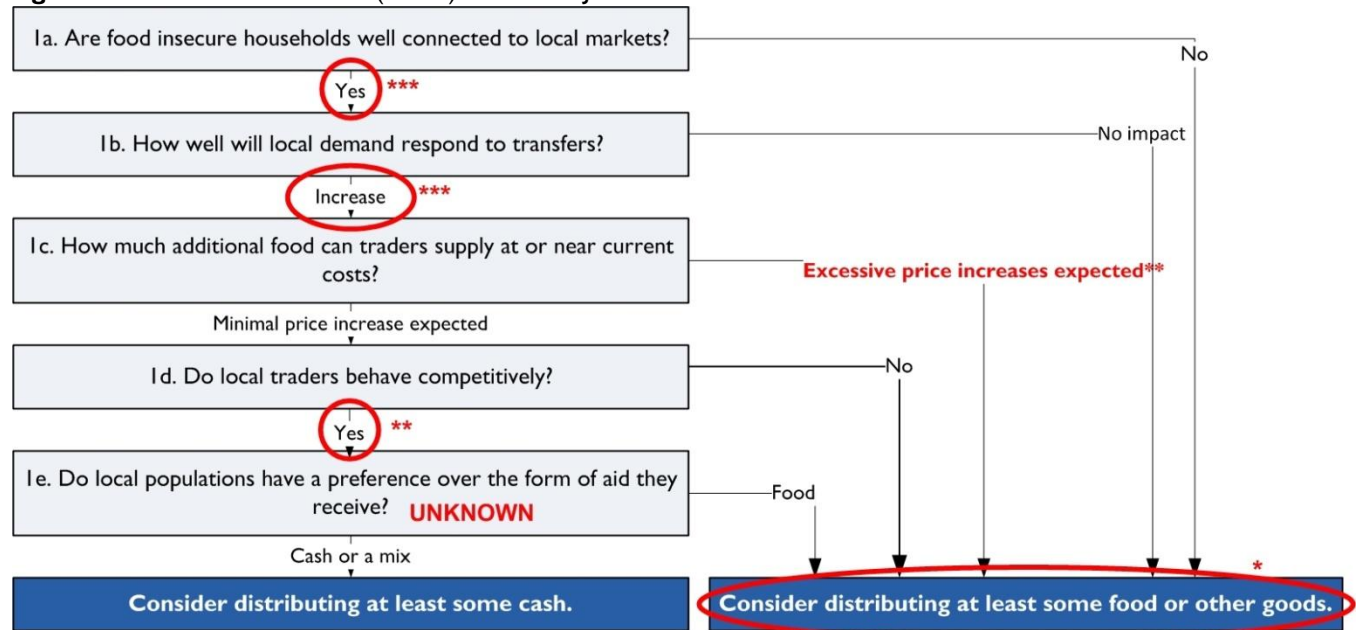
**Figure 30: Imported red rice price in Middle Juba, SOS per kg, 2007-2011**



- While in other regions both white maize and red sorghum are popular, populations in this region rely most heavily on maize so there are even more limited checks on further inflation of prices in the region.

**Information gaps:** Impact of the large number of refugees passing through the region on the way to Kenya, local stock levels, amount of local harvest in August that may become available to the market, local market structure, preferences for form of aid

**Figure 31: MIFIRA decision tree (Part 1) for Middle Juba**

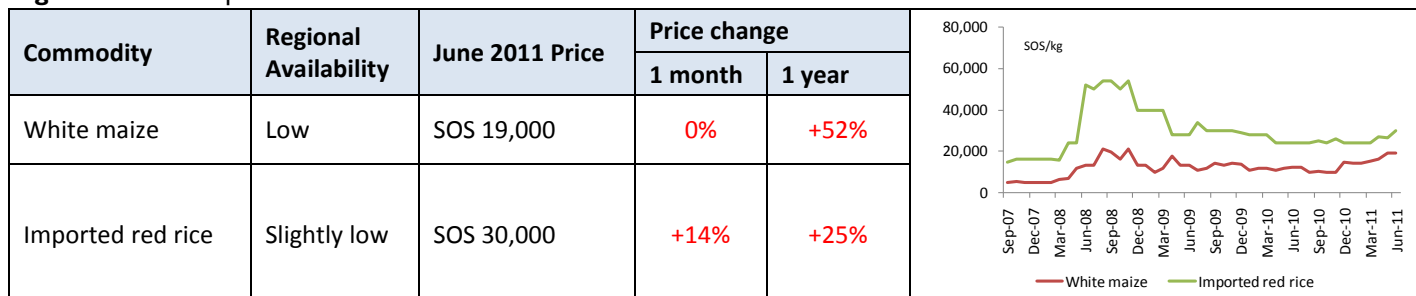


\*\*\*High confidence \*\*Medium Confidence \*Low confidence

### Lower Juba, Juba Valley Trade Catchment

**Summary:** Lower Juba has good access to the port in Kismayo and some cross-border trade. The region has some of the lowest prices in southern Somalia, and markets appear to be well integrated. As markets appear to be both integrated and competitive, cash programming may be an option as long as imports continue.

**Figure 32: Recent prices: Doblei**



Note: Regional availability is based on opinions of market enumerators.

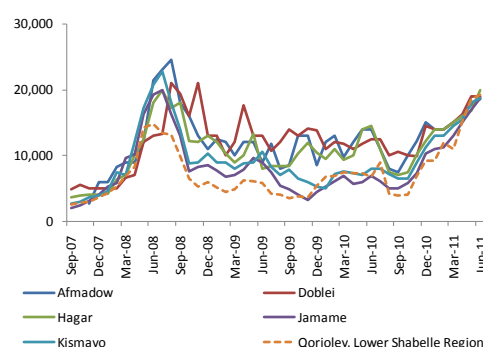
### Factors Suggesting Markets Continue Functioning

- The region has good port and road access and is close to cross-border markets.
- The port of Kismayu is controlled by Al Shabaab and is expected to be functional again following the end of the monsoon winds in late September.
- In the livelihoods baseline for Lower Juba Riverine, 64 percent of household income was spent on food reflecting a heavy reliance on markets.
- Cross-border outflows of sugar to Kenya through Doblei suggest that cross-border markets continue to function. Rice exports have ceased in June, but that may be the result of shrinking margins between prices in Lower Juba and Kenya.
- Price rises in this region have been more constrained than in other areas. In three of the five reference markets, the price of white maize has not yet doubled over the past year. No white maize price has yet exceeded its former peak from 2008.
- Rice markets in the region are relatively stable probably due to the port at Kismayo. The slight increases in price probably reflect the substitution of rice for white maize by some households.
- No market in the region has reported not having white maize available reflecting the existence of at least some stocks.

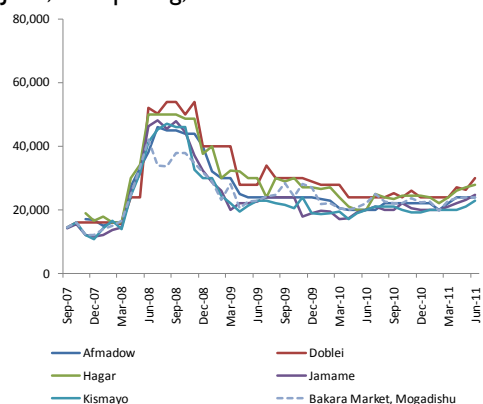
### Challenges to Market Functioning

- Cross-border trade, specifically through Doblei, is highly restricted. This includes both inflows of grain from Kenya and outflows of livestock. Doblei serves primarily as an export point for livestock, sugar, and when profitable rice. Imports from Kenya through Doblei are relatively rare though very small volumes of maize from Kenya have entered over the past few months. Generally, prices in Kenya are even higher than those in Lower Juba, so imports are usually not profitable.

**Figure 33: White maize price in Lower Juba, SOS per kg, 2007-2011**



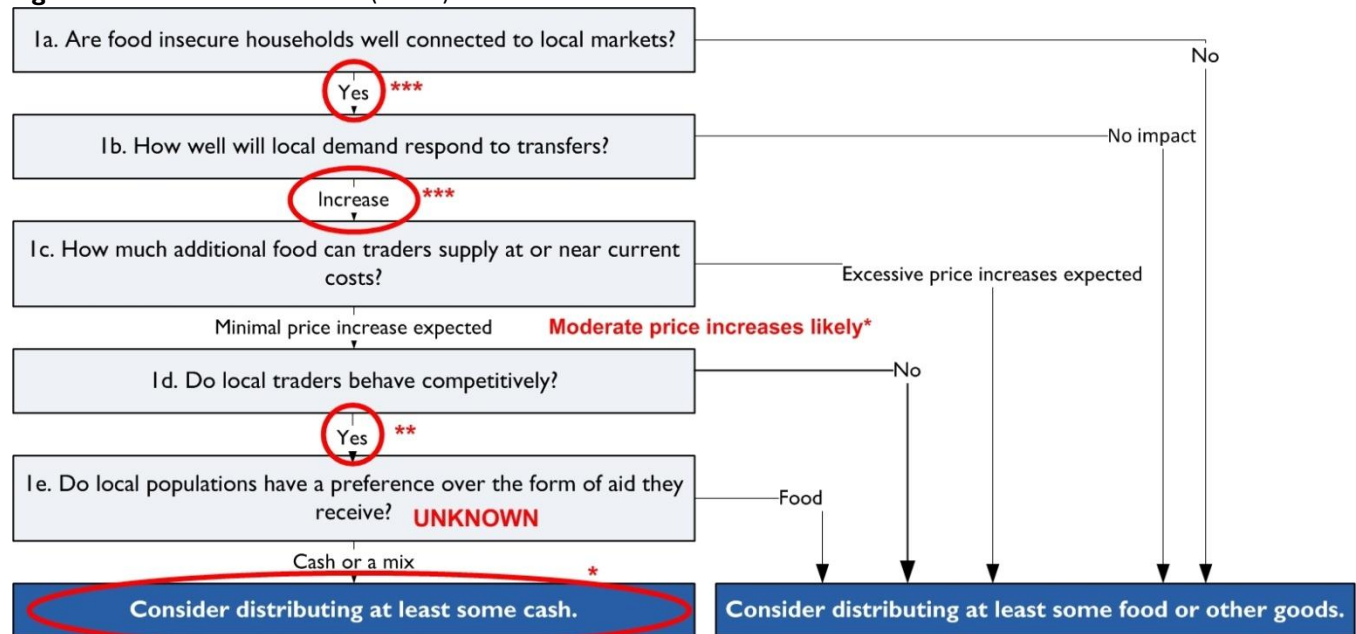
**Figure 34: Imported red rice price in Lower Juba, SOS per kg, 2007-2011**



- Rice prices have increased moderately across the region over the last three months. This may reflect supply or distribution problems, but the prices are not particularly high compared to other areas of southern Somalia or nearby areas of Kenya.
- Trade restrictions may limit the ability of traders to bring in supplies from other areas of southern Somalia.

**Information gaps:** Exact nature of trade restrictions in place, ability of cross-border trade to bring white maize into the region, impact of large number of refugees passing through the region, local market structure, preferences for form of aid, local market structure, distribution of the upcoming *Gu* harvest, propensity of farmers to sell the new harvest into the market

**Figure 35:** MIFIRA decision tree (Part 1) for Lower Juba

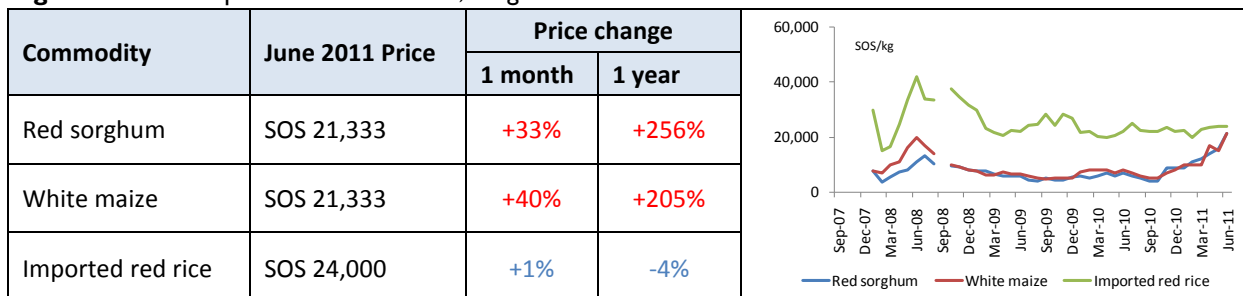


\*\*\*High confidence \*\*Medium Confidence \*Low confidence

### Banadir Region, Banadir Trade Catchment

**Summary:** Banadir trade catchment has connections with every other region of Somalia and still manages to draw in cereals from agricultural regions. As importation of rice is at least somewhat competitive, cash programming could be explored for Mogadishu and surrounding areas.

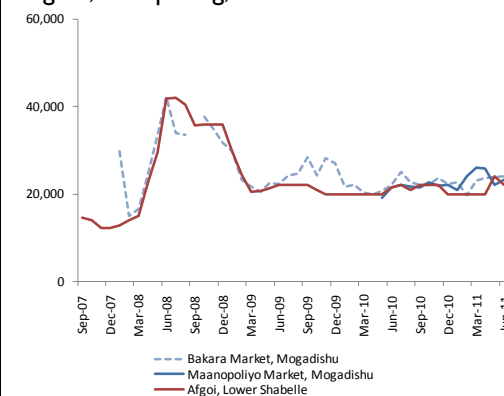
**Figure 36:** Recent prices: Bakara market, Mogadishu



### Factors Suggesting Markets Continue Functioning

- The region has good port access and is connected to almost every other market in Somalia.
- Imports of rice and pasta have increased significantly between January and May.
- Local grains remain available in limited quantities and have not disappeared from the market.
- Rice markets in the region are relatively stable probably due to the port.
- Food aid is being distributed in parts of Mogadishu.

**Figure 37:** Imported red rice price in Banadir Region, SOS per kg, 2007-2011

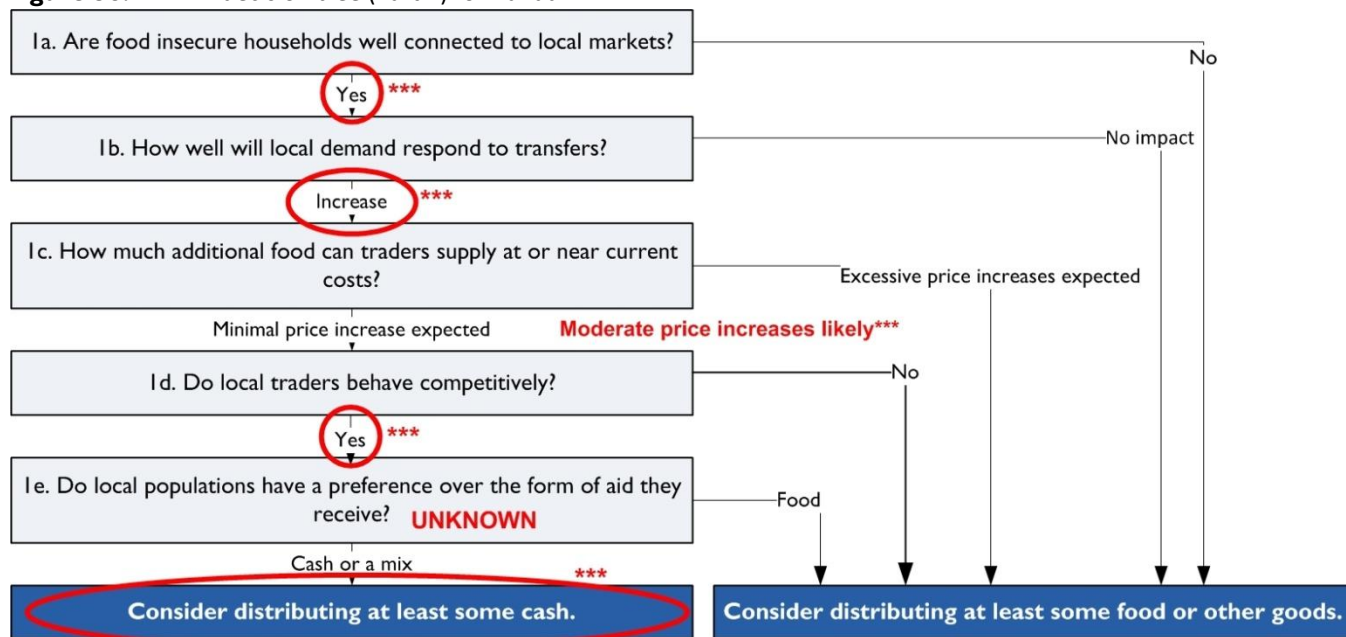


- Despite fighting, insecurity, and a large number of new arrivals coming into the Afgoi corridor, there appears to be no major disruptions of staple food trade along the corridor.

### Challenges to Market Functioning

- Prices have increased significantly in the region for local grains. Price differences between white maize and red sorghum have disappeared. Local grain prices are well above their previous 2008 peak.
- Cross-border trade points are far from Mogadishu and quantities are too limited to serve the large markets in Mogadishu.
- Insecurity remains high in Mogadishu.
- The upcoming *Gu* harvest may not increase availability for the city with only very limited new volumes coming onto the market from Middle Shabelle.

**Information gaps:** Exact nature of trade restrictions in place, ability of cross-border trade to bring white maize into the region, impact of large number of refugees passing through the region, local market structure, preferences for form of aid, local market structure, distribution of the upcoming *Gu* harvest, propensity of farmers to sell the new harvest into the market

**Figure 38: MIFIRA decision tree (Part 1) for Banadir**

\*\*\*High confidence \*\*Medium Confidence \*Low confidence



## Annexes

**Figure 39:** Summary of MIFIRA decision tree information by regions of southern Somalia

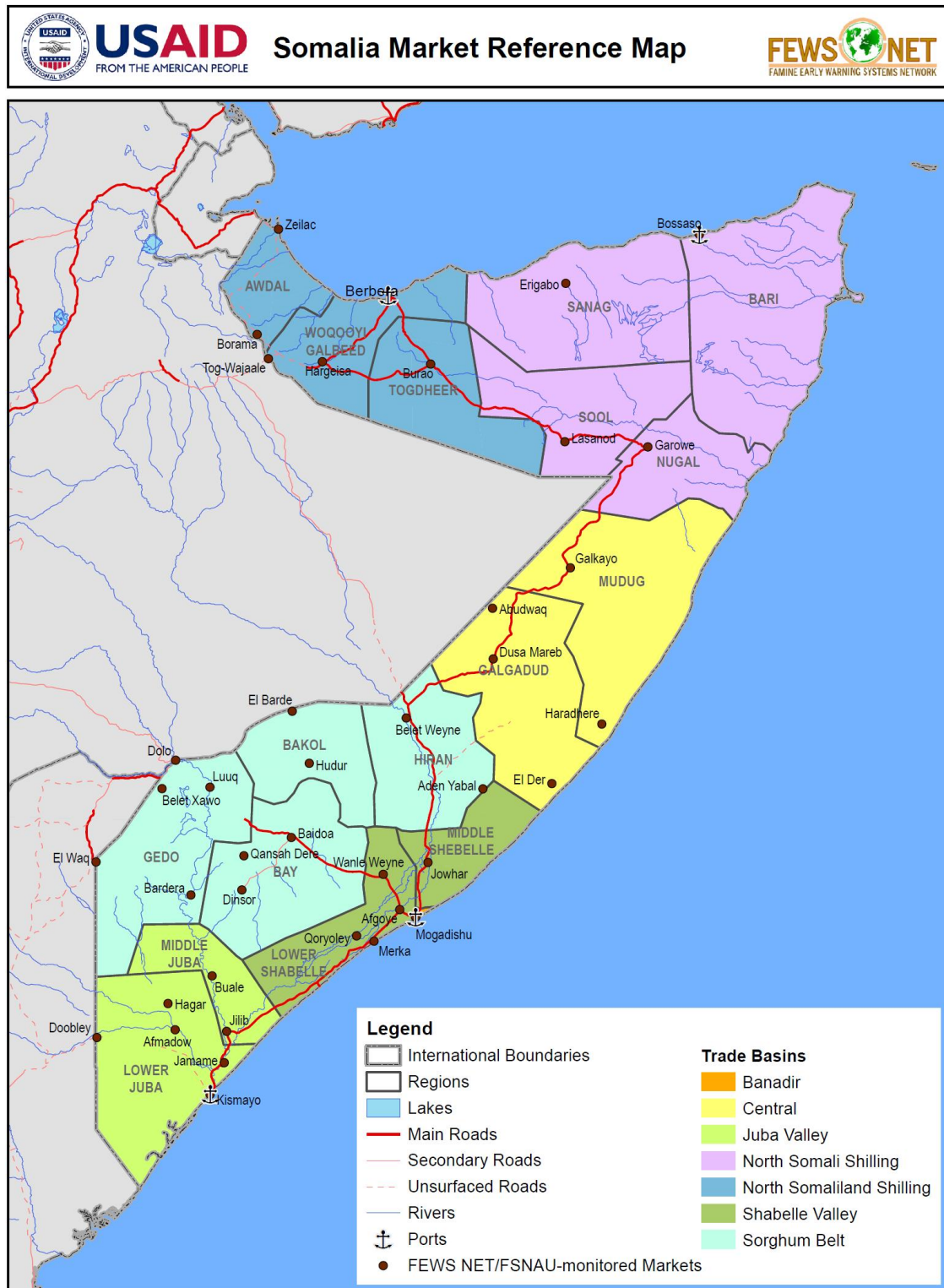
Region	Ia. Are food insecure households well connected to local markets?	Confidence level	Ib. How well will local demand respond to transfers?	Confidence level	Ic. How much additional food can traders supply at or near current costs?	Confidence level	Id. Do local traders behave competitively?	Confidence level	Ie. Do local populations have a preference over the form of aid they receive?	Cash or a mix?	At least some food or other goods?	Confidence level
<b>Gedo</b>	Yes	***	Increase	***	Very little	*	Unknown		Unknown		Some food	**
<b>Bakool</b>	Yes	***	Increase	***	Some	*	Possibly	*	Unknown	Some cash		*
<b>Hiran</b>	Yes	***	Increase	***	Some	**	Yes	**	Unknown	Some cash		**
<b>Bay</b>	Yes	***	Increase	***	Some	*	Possibly	*	Unknown	Some cash		*
<b>Lower Shabelle</b>	Yes	***	Increase	***	Some	**	Possibly	*	Unknown	Some cash		*
<b>Middle Shabelle</b>	Yes	***	Increase	***	Some	*	Probably not	**	Unknown		Some food	**
<b>Middle Juba</b>	Yes	***	Increase	***	Some	*	Possibly	**	Unknown		Some food	**
<b>Lower Juba</b>	Yes	***	Increase	***	Some	*	Possibly	**	Unknown	Some cash		*
<b>Banadir</b>	Yes	***	Increase	***	Plenty	***	Yes	***	Unknown	Some cash		***

**Figure 40:** Summary of important market facts and trends by region

Region	Gedo	Bakool	Hiran	Bay	Lower Shabelle	Middle Shabelle	Middle Juba	Lower Juba
Trade catchment	Sorghum belt	Sorghum belt	Sorghum belt	Sorghum belt	Shabelle valley	Shabelle valley	Juba valley	Juba valley
Preferred local cereal	red sorghum	red sorghum	red sorghum	red sorghum	white maize	red sorghum	white maize	white maize
Are there trade restrictions?	in some areas	in some areas	in some areas	none	none	none	none	in some areas
Is there humanitarian access?	limited and improving	limited and improving	limited and improving	highly limited	highly limited	limited and improving	highly limited	limited and improving
Are there markets where there may be problems with rice supply?	Beled Hawa, Dolo, Lugh						Buale	Doblei
Markets where there has been no red sorghum?	Lugh, Elwak		Beled Weyne					Doblei
Markets where one local grain is less than 2008 peak?	Beled Hawa, Dolo	El Barde	Beled Weyne			Adanyabal		Afmadow, Jamame, Kismayo
Markets displaying a similar May and June pattern for local grain?	Lugh, Bardera		Beled Weyne	Baidoa, Dinsor			Jilib	
Highest level of annual rise in local grain?	>100%	>100%	>100%	>200%	>200%	>200%	>300%	>200%

Source: FEWS NET

- Regions differ from each other and have different situations regarding preferred local cereal, humanitarian access, and other factors.
- The highest rises in prices of local cereals are concentrated in Bay, Lower and Middle Shabelle, Middle Juba, and one market in Lower Juba.
- Some sorghum belt markets still appear well integrated with each other displaying a similar price pattern in May and June.

**Figure 43:** Trade basins in Somalia

*Note: The price data is from the FSNAU and FEWS NET price data system. All cross-border data is from the WFP/FAO/FEWS NET East Africa Cross-Border Trade Monitoring System. Without these excellent data sets, especially the long-term series of prices available in 80 markets in Somalia collected jointly by FSNAU and FEWS NET, this type of analysis would not have been possible.*