



SOUTH SUDAN BRIEFING February 2013

Emergency Market Mapping and Analysis

A study of market functionality in Upper Nile, Warrap and Western Bahr el Ghazal



A woman in Warrap state collects a sack of sorghum as part of a “food vouchers for work” programme. Photo: Adriane Ohenesian/Oxfam

South Sudan faces chronic food insecurity. This study of markets in three states looks at the appropriateness of cash transfer programming in food security responses, and assesses whether markets could respond adequately to increased demand without causing inflation. It makes recommendations for the food security response over the next five years.

Introduction

South Sudan faces chronic food insecurity in which the structural ‘hunger season’ faced by communities in vulnerable States pushes malnutrition rates over emergency thresholds on an almost yearly basis. Against this back-drop, South Sudan is also subject to periodic shocks which create heightened spikes of food insecurity. One such spike was witnessed in August 2011- August 2012 when the following occurred: a) closure of the border between South Sudan and Sudan resulting in increased purchase prices for basic commodities; b) erratic weather

conditions leading to reduced food production, food for own consumption, and sale; c) increased conflict along border areas resulting in an influx of refugees which added further strain to local markets and infrastructure. In particular, these shocks affected poor and very poor households within the States bordering Sudan.

In response to the above situation, Oxfam GB on behalf of UNFAO undertook an Emergency Market Mapping and Analysis (EMMA¹) study within the agro-pastoral and agricultural border States of Western Bahr el Ghazal (WGBS), Warrap and Upper Nile. The study was conducted to ascertain whether cash transfer programming (CTP) would be an appropriate tool to utilise for food security response, by assessing whether markets could respond adequately to increased demand without causing inflation. The methodology of the study combined the use of primary and secondary data, with primary data collected during October 2012. During this time a series of focus group discussions and key informant interviews were held with key groups operating within: a) the value chain (producers, wholesalers, retailers etc); b) service provision (transporters, banks etc), and; c) the market environment (government etc).

During the initial discussions and assessment, it was determined that the focus of the EMMA study would be the sorghum market. This was due to: a) Sorghum is the main staple consumed by target communities and a key source of their income; b) The sorghum market was affected by both border closure and low production levels; c) As staple purchase constitutes the main expenditure for target consumers, the functioning of the sorghum market provides the best indication as to whether CTP is applicable in this context.

In order to assess the likely functioning of this market under future stresses, a comparison was made between the market system in a 'baseline' year (Aug 2010-Aug 2011) as compared to an 'emergency' year (Aug 2011–Aug 2012).

Market background

The three States included in this study are sorghum producing areas, meaning that the majority of the target population are producers as well as consumers. Production at the household level is, however, low due to erratic weather conditions, poor access to quality services/inputs, and lack of modern techniques. Although local markets in target states do purchase surplus local sorghum production, it was found that the sorghum market relies on four main areas of production. In order of importance these are: a) Southeast/Central Sudan; b) Renk area of Upper Nile; c) Northern Uganda; d) Green Belt of South Sudan. Due to poor infrastructure, market integration across the northern States of South Sudan is weak, meaning goods cannot move easily across markets according to demand/supply trends.

In general, it was found that households utilise the sorghum that they have produced for their own consumption during and after harvest period. When their own production runs out, households move to market purchase of sorghum. The length of time households depend on the market is in line with the amount of sorghum they were able to produce. However, as income levels for vulnerable households are insufficient to cover the amount of food required, there is a yearly structural hunger gap, particularly in Upper Nile, which occurs directly prior to harvest time in all three states. This period coincides with the rainy season, when there is a decrease in demand for labour and when access to markets and trade flows is low, meaning prices for sorghum and other basic food commodities are at their highest.

¹ EMMA is a set of tools linked to a 10 step guide which enable a quick understanding of key markets in order to aid timely decision making. The methodology is qualitative and follows a 'good enough' principle.

Baseline year

During the baseline year it was found that due to the structural hunger gap noted above, overall vulnerable households across the three target States faced a small deficit in their ability to access the required amount of sorghum (7,210MT). This figure, however, hides strong regional disparities, as while communities in Warrap were able to produce a surplus and those in WBGS could largely meet their needs, communities in Upper Nile were found to face a high deficit of 17,350MT. This highlights severe chronic food security issues in Upper Nile which need to be addressed through longer term programming.

When looking at market functionality, it was seen that the market was able to meet the sorghum demand. There were no reported issues regarding availability of sorghum, although inefficiencies were identified resulting in increased prices for consumers and a seasonal price spike coinciding with the hunger season. The main inefficiencies noted were: a) high costs associated with movement of goods, e.g. import policies, taxes, infrastructure; b) low ability of wholesalers to change supply routes due to the importance of ethnic ties; c) poor availability of market services, e.g. access to credit, storage etc; d) existence of market power which distorts the market; and, e) low consumer purchasing power.

The above points to structural issues which were existent in the sorghum market prior to the shocks of the 'emergency' year. Again, longer term programming is advised to improve the functioning of the market system and to ensure that the market works in favour of the poor.

Emergency year

While in the baseline year, Upper Nile clearly was affected by high levels of chronic food insecurity, during the emergency year it was found that vulnerable households in all three States faced a strongly increased deficit in their ability to purchase basic foods. This deficit, which reached 86,232MT in total, was mainly due to large reduced crop production and income levels found in Warrap and Upper Nile.

Regarding market functioning, as a result of the shocks which occurred in 2011-2012, it was found that: a) the cost of sorghum increased dramatically due to the closure of the border with Sudan, which resulted in the reduction of traders as Sudanese traders were unable to change supply routes due to the importance of ethnic ties; and increased costs associated with import of goods from Uganda; b) consumer demand fell due to the combined pressure of high inflation, which reduced purchasing power and reduced incomes as a result of poor crop production in Upper Nile and Warrap States; c) local markets became distorted due to high availability of food aid which lowered prices and reduced demand.

The functioning of the market was therefore affected by issues regarding demand and supply. This means that in the emergency year, even if vulnerable households were provided with sufficient income to prop up demand, it is likely that access to sorghum would still have been constrained, which may have led to increased general inflation.

Projecting forwards

When projecting forwards to 2013, the overall gap in access to sorghum for poor and very poor households is expected to be reduced to 48,370MT. While this signifies an improvement, there is still clearly a large deficit. This deficit is mainly as a result of low production in Warrap State due

to localised flooding which will lead to unusual levels of food insecurity in that State. It should also be noted that while Upper Nile and WBGs are expected to return to baseline levels, due to chronic food insecurity vulnerable households – in particular in Upper Nile – will still face a large food security deficit.

When assessing the functioning of the market, it is likely that cross-border trade between South Sudan and Sudan will improve, but uncertainty over reliability may mean that trade levels do not reach baseline levels. Harvests are likely to be slightly higher than in the baseline year, apart from in Warrap, where they will be significantly lower. The conflict situation is unlikely to change significantly to that seen in the emergency year. Overall, the functioning of the market is likely to improve in 2013, but it will be constrained by chronic issues, uncertain trade relations with Sudan, and low production in Warrap State. Market distortion may remain an issue depending on the plans of international actors.

Recommendations

From the above it can be ascertained that the market in 2013 will remain constrained by issues regarding both supply and demand. This suggests that supporting purchasing power alone will not be sufficient to meet people's needs without the possibility of creating inflation. In order to mitigate this, it is recommended to include activities designed to improve the functioning of the market in addition to providing consumers with the means to improve their purchasing power. Flexible funding, i.e. a contingency fund or the ability to alter modalities, is also recommended to limit risks associated with this volatile environment. Further to this, short term programmes should aim to seek coherence with longer term programming focused on addressing the chronic issues which inhibit resilience building. Bearing the above in mind, the following response options are recommended:

Short-term (1-2 years):

- Provide Unconditional/Conditional vouchers/cash for vulnerable populations to increase purchasing power
- Provide grants to selected retailers to improve storage and enable increased purchase of stock, leading to increased availability
- Facilitate linkages between importers/wholesalers and alternative production areas to ensure availability of affordable goods for purchase by retailers
- Improve import policies and their implementation through dialogue and support to the Government of South Sudan (GoSS)
- Partner with food aid providers to ensure that market distortion is minimised as far as possible

Long Term (2-5 years):

- Create products enabling access to affordable credit in partnership with financial institutions, to enable bulk purchase of goods
- Form partnerships to improve small scale agricultural production through access to inputs, services and technologies
- Conduct further research to understand power relations within commodity markets to enhance the efficiency of these markets
- Identify alternative livelihood options and support the most viable to increase community income and resilience
- Lobby GoSS to consistently meet spending commitments on agriculture and infrastructure
- Work with GoSS to tackle issues related to high formal/informal taxation.

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