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Syria Market Assessment

Part 1: Lattakia, Tartous & Homs

June 2018

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To all a big thank you from WFP.

Section 1: Introduction

Prior to 2011 Syria was seen as one of the most advanced and developed economies in the Middle-East. It was a middle income country with a GDP per capita of USD 2,058 (PPP) in 2007 (World Bank - WB) and an HDI of 0.6 in 2010 (ranked 120th in the world - UNDP). In 2010 the country's GDP growth rate was 4.4% (IMF), inflation was 4.8% (Central Bank of Syria-CBoS) and the unemployment rate was 8.4% (Syrian Central Bureau of Statistics - CBS).

Seven years of conflict have left over 500,000 people dead, an estimated 6 million people as refugees and a further 6 million people are estimated to be internally displaced inside Syria. Entire neighbourhoods have been left in ruin and key infrastructure such as roads, irrigation pipes, water wells, electricity lines, mills, silos and factories have been damaged or destroyed. The conflict has deeply re-shaped the country.

Nevertheless, in the last period especially the last 12 months, Syria seems to be stabilizing economically and politically. Areas of active conflict have drastically reduced. In 2015 the government of Syria had influence over an estimated 20% of the country, now this has increased to over 70%. The number of people living in besiegement has also drastically reduced from 2 million in 2016 to 8,100 people at present (June 2018).

Syria is still far from a secured path to recovery. Inflation rates remain high including high food prices, the Syrian Pound remains seriously devalued and the country is still heavily impacted by international sanctions restricting external trade and limits the country's access to foreign direct investment.

Yet since January 2017 Syria has seen notable improvements suggesting an economic recovery may be starting. After reaching its lowest GDP growth rate, -24.8% in 2013, the Central Bank of Syria estimates that Syria's GDP growth rate was -3.4% in 2016. Inflation reportedly peaked at 89.6% in 2013 however it was last estimated at 27.1% in May 2018 (CBS). WFP's own food price analysis has shown that food prices peaked in December 2016 and have since started to fall. Also the national currency, the Syrian Pound, has strengthened in the last year, recovering from SYP 515 to one USD to now stand at SYP 434 to one USD.

In light of these improving economic trends WFP wanted to better understand the extent of market recovery in Syria. In particular WFP conducted this market assessment with the objective to assess whether the Syrian market environment would support some of WFP's food assistance interventions to be directed through market-based solutions without any of the undesired side-effects such as food price inflation, stock-outs and increases in beneficiary vulnerability, taking place.

Therefore, in April 2018 WFP conducted a market assessment covering Western Syria (Homs, Lattakia and Tartous). The market assessment assessed market functionality and trade flows of four main food commodities: wheat flour, rice, lentils and vegetable oil. These commodities were selected as they form key commodities of WFP's food basket.



This assessment forms part of a wider WFP country strategy to conduct market assessments in every governorate of Syria to sense if markets in the country are functioning adequately for WFP to switch from in-kind to market-based solutions. Other market assessments covering other governorates are planned for end 2018 and much of 2019. This report is therefore a 'living' document that will be changed/updated as findings from new market assessments in other governorates become available.

As the first market assessment WFP is conducting in Syria since the start of the conflict in 2011, it was decided to cover the governorates with the country's sea port areas of Lattakia and Tartous as well as the key central governorate of Homs. These governorates form the backbone to much of Syria's trade. While export has greatly reduced compared to the pre-crisis period, the ports of Lattakia and Tartous remain vital functioning lifelines for the country, importing food items and thereby helping to support the country's food security needs.

Due to its central location and its proximity to the ports and to the capital Damascus, Homs governorate is strategically located to facilitate much of the food transported across Syria be it from west to east, north to south and vice versa. It was therefore a key governorate to assess.

Findings from this report are based on over 270 interviews with traders of various trade size: wholesalers, medium sized traders and retailers. Interviews were also conducted with key informants, including with The Syrian Arab Red Crescent (SARC) and key Government Ministries. This market assessment assessed 39 markets in 13 districts across 3 governorates. The assessments' findings are derived from primary collected quantitative and qualitative data as well as from secondary sources.

The report is structured as follows: after the introduction and the key findings, the report reviews the macro-economic situation in the country as well as providing an overview of the agriculture sector in Syria. A review of the country's supply chain for key WFP commodities is provided followed by a review of the food price situation. The report then delves into presenting the primary data findings divided by governorate and the Market Suitability Index is presented assessing markets' feasibility for possible market-based interventions before the conclusion and recommendation section.

Section 1.1: Key Findings

Syria's 2016-17 wheat harvest, the country's key staple food, was estimated at 1.8 million MT. The country requires 3.3 million MT of wheat annually to be self-sufficient (CFSAM 2017). The 2017-18 harvest is expected to be lower than last year's harvest due to erratic rainfall patterns which destroyed much of the rain-fed crops in Al-Hasakeh, Ar-Raqqa, parts of Aleppo, Hama and Homs.

Farmers, smallholders and livestock owners will be the worst affected by the failed crops due to reduced revenue and higher prices for animal feed. The fall in the 2017-18 wheat harvest however is not expected to affect food availability on Syrian markets. Syria is a large importer of food, importing on average 21% of its annual food needs since the start of the crisis in 2011. Furthermore in 2017, Syria struck a deal with Russia for the supply of 1 million MT of wheat per year over 3 years (2017-19). Due to the below-average expected wheat harvest for 2017-18, Syria has confirmed the importation of an extra 0.5 million MT from Russia in 2018.

Throughout the crisis years, trade across Syria has continued even though at lower levels than pre-crisis. Raw unprocessed food items are by-and-large not affected by import bans (national or international) and are therefore widely available in shops albeit at higher prices. On any given day Syria is importing wheat, rice, vegetable oil and sugar among other commodities. These commodities are transported from the sea ports of Lattakia and Tartous in-land to the cities of Homs, Damascus and Aleppo where they are processed, repackaged and transported to Governorates across the country for sale to consumers.

Food prices even though high (around seven times pre-crisis levels), have been falling for the past year-and-a-half. Further price reductions are expected as stability returns to much of the country. Already inflation rates have been falling and the Syrian Pound's value has shown signs to be strengthening vis-à-vis the US Dollar over the past 12 months.

An annual food security assessment (FSA-FSLA 2017) conducted in July-August 2017 found the estimated total number of food insecure people in Syria to have fallen from 35.8% in 2015 to 33.3% in 2017. The total number of food insecure people is estimated at 6.5 million with a further 4 million at risk of becoming food insecure.

Syria's trade network across Lattakia, Tartous and Homs Governorates was found to be interconnected, active and overall functioning well. Traders widely reported to be able to restock within one to two days from calling their suppliers and confirmed to be restocking one to two times per week. High in-demand commodities such as rice and vegetable oil saw more frequent restocking than bulgur and lentils.

Traders generally reported constant trade volumes throughout the year hereby confirming high consumer dependence on markets to meet their food security needs and limited seasonality effect on markets. Around 80% of Syrians are



reported to depend from the market as their main food source (FSA-FSLA 2017).

Most if not all traders reported to be trading at sub-optimal levels due to lack of consumer demand led primarily by low consumer liquidity. In fact many traders reported to have ample available storage and in some cases even whole warehouses left empty due to low consumer purchase levels.

Fluctuating exchange rates were also seen as a key constraint to trade by traders, especially by traders in Tartous, a key importing governorate.

Other key trader constraints referred to limited trader capital, too much food assistance, high transport costs, market context issues (such as taxes and restrictive import policies) and high levels of competition.

Supply-side constraints such as food availability, lack of storage as well as insecurity issues were not reported by any traders as being a top constraint to trade, hereby confirming the sector's ability to increase trade volumes.

The vast majority of interviewed traders across all trade levels confirmed to be able to double their trade volumes within a week if required and further confirmed that the increased traded volumes would not lead to price hikes.

High levels of credit were reported, confirming liquidity as a top constraint. Over 50% of interviewed wholesalers reported providing credit to consumers/traders, while 70% of medium sized traders and over 80% of retailers confirmed providing credit. The average amount of credit provided was reported to range between 22%-30% of the month's sales.

All assessed districts scored 8 or higher out of 12 on the Market Suitability Index, a measure of market functionality. All assessed districts were found to have adequately functioning markets with a well-established trade network. Market-based interventions if implemented were found to be likely beneficial for local markets as they would generate a much needed injection of cash to the local economy and were very much supported by locals and traders alike.

Section 2: Macro-economic trends, food security and food prices

In 2010 Syria's economy relied primarily on four key sectors: agriculture - contributing to 20% of GDP; industry and construction including mining - contributing to 36% of GDP; and services contributing to the remaining 44% of GDP (World Bank). Syria primarily exported crude oil, refined products, raw cotton, clothing, fruits and cereal grains and herbs while it imported raw materials essential for industry, agriculture, equipment and machinery (ATLAS, 2011).

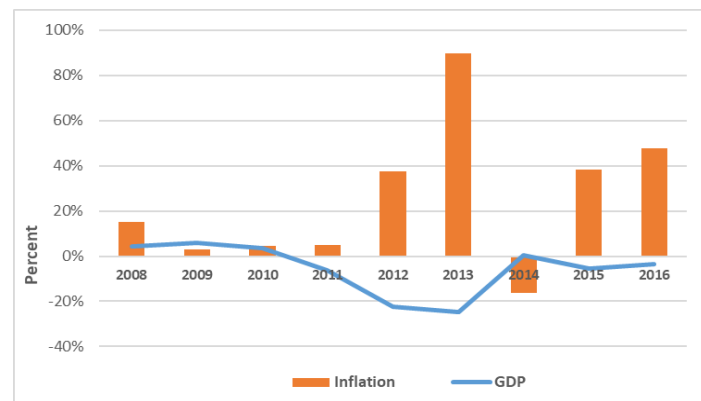
Prior to the crisis, Syria's labour force was primarily employed in services (67%), agriculture (17%), and in the industry and manufacturing sector (16%). Government and public sector employees constituted around 30% of the total labour force.

The crisis has heavily affected all sectors of the economy. UNESCWA estimated total economic loss from the Syrian conflict at USD 237 billion by end 2015, three years on this figure is likely to have increased further. Syria's unemployment rate rose dramatically from 8.4% in 2010 to an estimated 57.7% in 2014 (The Syrian Centre for Policy and Research). GDP growth rates fell from 4.4% in 2010 to -24.8% in 2014 (WB). Inflation rose from 4.8% in 2010 to 89.6% in 2013. The Syrian Pound also weakened from SYP 47 to the USD in 2011 to SYP 515 to the USD in July 2017, a devaluation of nearly 1,100%.

Yet, early signs of economic recovery are visible. Stability has returned to many areas that were previously under active conflict. With greater stability, shops are now starting to re-open and actively trade. People, at least those with the available means, are starting to repair their houses, shops and livelihoods. Syria's GDP growth rate, even though still in negative figures was last recorded at -3.6% in 2016 (Central Bank of Syria), up from -24.8% just two years earlier. Inflation was last recorded at 27.1% in May 2018 (down 67.9% since 2013) and the Syrian Pound strengthened to the USD by end 2017 to now officially exchange at SYP 434 to one USD.

By mid 2017 one third (33.3%, 6.5 million) of Syrian's were

Chart 1: Syria GDP annual growth rate (%)



Source: Central Bank of Syria

found to be acutely food insecure. This has reduced from 35.8% of the population in 2015 (HNO 2018). However only 37% of Syrians reported not using any livelihood coping mechanisms in the past month, while 35.9% reported engaging in crisis¹ and emergency² style coping mechanisms which are recognized to be difficult to reverse (HNO 2018). Furthermore at least 67% reported engaging in one or more consumption-based coping strategy in the last seven days (FSA-FSLA 2017). These are all clear indications of serious household asset depletion and reduced household resilience limiting their ability to face future shocks.

A recent assessment (FSA-FSLA 2017) found that only 6.4% of households across Syria were depending on agriculture for their livelihoods. A fall from 17% in 2010. Dependence on markets for food is high. Around 80% of Syrians reported buying food from markets of which 8.2% stated buying the food on credit and 35.3% of the interviewed households reported having outstanding debt at the time of the survey. In fact 15% of interviewed households reported spending over 66% of their household total income on food over the past 30 days, leaving very little for the purchase of other necessity items, let alone savings. It is clear that financial access is a key constraint for a large proportion of Syrians.

Agriculture and Market Structure

Agriculture

Syria is largely an agrarian society, where for several decades between the 1940s to 1980s agriculture employed around 50% of the workforce and where agriculture contributed to over 30% of GDP. By 2010 agriculture only employed around 17% of the workforce and contributed to around 20% of GDP. The reduction was driven by government-led macro-economic restructuring, in an attempt to diversify the economy away from agriculture and focusing on construction, oil and gas sectors. The government's land redistribution reform in the 1950s introduced ceiling limits to land ownership which limited new private enterprise in agriculture limiting agriculture expansion. In addition repeated droughts which have plagued Syria during the 1960s, late 1970s, late 1990s and 2006-2010 also forced many people to migrate and seek alternative livelihood opportunities in urban areas.

Between the 1930s to 1970s Syria saw heavy agricultural mechanization as well as large scale arable land purchases (1930s to end '50s). As a result agriculture became more industrialized and fewer people owned more of the land. By 1984, it was estimated that 74% of arable land in Syria was

1 Examples of crisis livelihood coping strategies are: selling assets or means of transport, withdrawing children from school, reduced expenditure on health care and education, harvested immature crops, and decreased expenditure on fertilizer, pesticide, fodder, animal feed, veterinary care, etc.

2 Examples of emergency livelihood coping strategies are: selling last female animals, selling land, begging, and whole household migrated.

under private ownership. This remains a key constraint in Syria where many people working in agriculture do not actually own the land they cultivate, instead smallholders often rent the land from the land owner and pay the land owner a premium on the harvested crop.

Agriculture remains a government regulated sector to this day, especially for wheat. The government provides farmers with input subsidies such as seeds and fertilizers and has made it illegal for farmers to sell their wheat privately. Instead wheat is bought by the government through 35 buying centres dotted across the country at a maximum pre-set price in June 2018 of SYP 175/kg for top quality wheat. The collected wheat grain is stored in government silos and sold to designated millers who will mill the wheat. The wheat will then be transported to public bakeries across the country to be used for public bread, sold at a subsidized price of SYP 50 per bundle (1.3kgs).

During the crisis years many people have been displaced hereby, many farmers have been forced off their land. Moreover, the people who could cultivate have seen their agriculture yields fall. More frequent erratic rainfall and international sanctions (such as import and export bans) have further exacerbated the fall in agricultural yields and overall production levels in Syria. Among other issues, international sanctions have limited the availability of quality agriculture inputs such as good quality seeds, fertilizer, pesticides, agriculture tools, animal vaccines as well as lack of spare parts for tractors and agriculture machines, as well as pushing -up their price on local markets.

Irrigation infrastructure has also been badly damaged by the conflict as have silos across the country. Informal figures place the number of damaged cement silos (averaging 100,000 MT capacity each) at 26 out of 32 available silos and 94 metal silos (averaging from 10,000 to 30,000 MT capacity) damaged out of 99 available metal silos. As a result Syria has seen large reductions to its wheat and barley yields and harvests over the past few years.

From a country which pre-crisis used to produce on average 4.1 million MT of wheat per year and export around 1.5 million MT of wheat to neighbouring nations, Syria in 2017 only produced around 1.8 million MT of wheat and imported 1 million MT of wheat to meet its food needs.

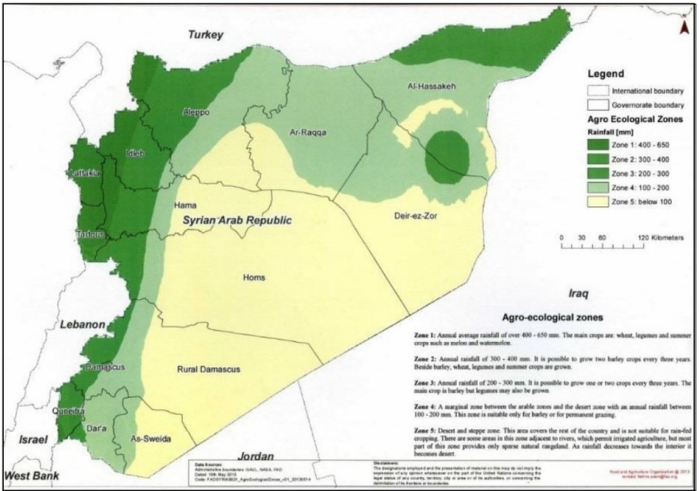
Even before the crisis Syria heavily depended on markets for its food security. However, this has become even more pronounced during the crisis years with a third of the population estimated to be currently displaced. In fact around 80% of Syrians reported to be depending on markets for their main source of food. A further 17% reported depending on food assistance and only 1.2% reported depending on own production as their main food source (FSA-FSLA 2017). It is important to note that Ar-Raqqa and Deir-ez-Zor Governorates, where livelihoods heavily depend on agriculture, were not included in the analysis.

Syria has five agricultural zones (Map 1). Food is largely

cultivated in agricultural zones 3, 4 and 5. While agricultural zones 1, 2 see very little to no agriculture due to the hot and arid climate. Food is transported thousands of kilometers from Al-Hasakeh to Aleppo, Homs and Damascus for sale in the big cities (Map 2). By 2010 over 50% of Syrians were living in urban areas, making markets essential for Syrian food needs. Syria is therefore increasingly depending on imports and on markets to meet its food requirements.

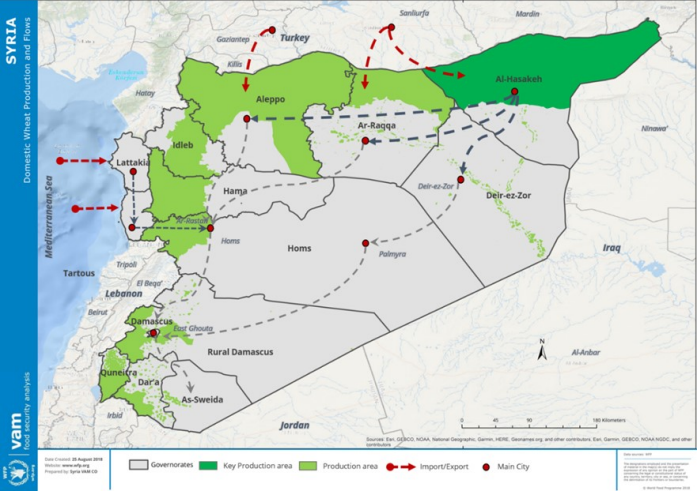
The main imported food commodities in Syria are wheat, rice, sugar and vegetable oil. The 2017 cereal balance sheet (Chart 2), shows that imports made up 27% of the country's cereal requirements. On average in pre-crisis years Syria has managed to import 20% of its cereal requirements. Highlighting the functionality and resilience of the trade sector in the country.

Map 1: Syria Agro—Ecological Zones



Source: FAO

Map 2: Syrian Arab Republic – Main wheat producing areas and flows



Source: WFP

Chart 2: Food Balance sheet 2017 (Ag. Production, exports, imports—by key commodity)

'000s of MT	Wheat	Barley
Total Availability	2,293	777
Production	1,793	777
Opening stock	500	0
Total Utilization	4,109	1,301
Food use	3,247	0
Feed use	100	934
Seed	393	250
Losses, field and post-harvest	269	117
Closing stock	100	0
Import Requirement	1,816	524
Anticipated Government imports	900	0
Anticipated commercial imports	200	0
Food assistance	135	0
Uncovered shortfall	616	524

Source: CFSAM 2017

Market Structure:

Out of four of the commodities (wheat flour, rice, lentils and cooking oil) assessed by this market assessment only wheat and lentils are grown locally, the other two commodities are imported. High-end rice and vegetable oil tend to be imported already packaged/bottled and ready for sale while cheaper, lower-end rice and vegetable oil by-and-large tend to be imported unprocessed and in bulk. Once in Syria, the cheaper/lower grade rice and vegetable oil are processed (fumigated/refined, and packaged/bottled), ready to be sold on the local market under a local Syrian brand name.

Wheat is an essential item in every Syrian's diet while lentils even though a key staple is mostly consumed during winter months. While wheat is grown locally, over the crisis years Syria has not been able to meet its wheat needs and has been forced to import the remaining wheat gap, which in 2017 was estimated at 1 million MT of wheat (CFSAM 2017).

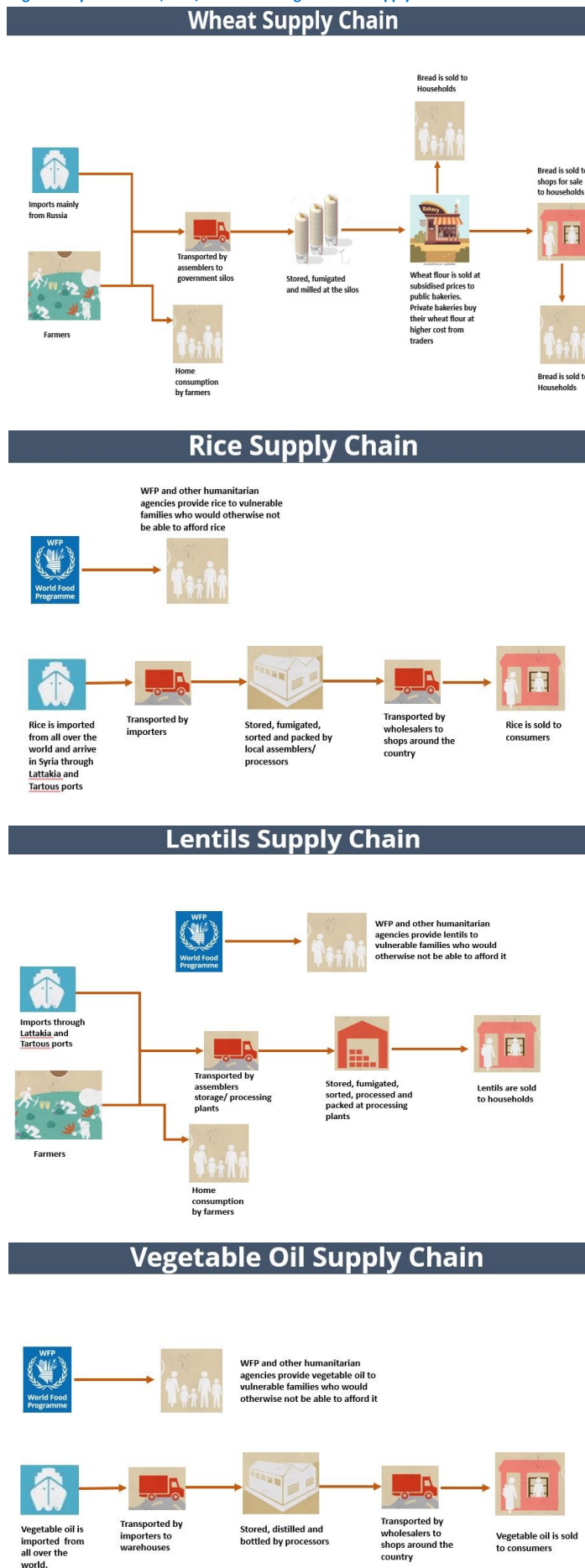
Syria follows a three-level market network system: where primary, secondary and tertiary markets exist. Primary markets represent city markets, secondary markets are main district markets and tertiary markets are smaller rural markets. This system ensures that food such as staples, vegetables and dairy products are moved from food excess areas to deficit areas or where demand for the commodity is greatest.

Even though bread forms an essential component of every Syrian's diet, many villages reported not having a bakery or direct access to a bread shop. Out of 26 rural assessed markets 14 (8 out of 8 in rural Lattakia) reported not having any bakery and were procuring bread from neighbouring markets and selling bread from the local shops.

On the right is the supply chain models of wheat, rice, lentils and vegetable oil for Lattakia, Tartous and Homs (Figure 1). Key informant interviews with local traders in these governorates informed and validated the supply and value chain models. All traders reported that there were no changes to the supply chains of these commodities from pre-crisis to present day as the key actors remained. Instead the conflict did heavily affect the pricing of the commodity at all stages of the supply chain and the volumes traded reduced due to the increase in prices and the limited purchasing

power of consumers and traders alike.

Figure 1: Syria's Wheat, Rice, Lentils and Vegetable Oil Supply Chains



Source: WFP



Food Prices

Food prices have drastically increased in Syria as a result of the conflict. The main causes for the increase have been reduced local production, limited access and the devaluation of the national currency.

The official exchange rate fell from SYP 47 to the USD in 2011 to SYP 515 for much of 2017 and is currently fixed by the Central Bank of Syria at SYP 434 to the USD. The rate on the informal market in June 2018 averaged SYP 440 to USD. The weakening exchange rate has had a direct effect on the price of imported goods such as rice, cooking oil and imported wheat as well as a knock-on effect on the price of local goods such as vegetables and local pulses.

However, since January 2017 food prices across Syria have been falling. Chart 4, clearly illustrates this falling trend. The chart uses WFP's reference food basket¹ for a five member household to monitor food prices over time. The national average covers 41 different markets located in both urban and rural areas of each of Syria's 14 governorates.

Chart 4 clearly shows the initial rapid increase in the national average price of a WFP reference food basket in 2013 followed by a slight decrease in food prices in early 2014 and a much steeper increase in 2015 and 2016, peaking in December 2016 coinciding with the fighting in East Aleppo. Since December 2016 national average prices of WFP's reference food basket have been steadily falling.

Chart 4 also shows the five year (2006–2010) pre-crisis national average price of the WFP reference food basket which averaged SYP 3,700 over the five years. Syria's national average food basket prices peaked in December 2016 at SYP 40,551, when prices were 10.6 times higher than the pre-crisis average for December. However, by June 2018 the national average food basket price had dropped, averaging SYP 24,188 and representing a 40 percent reduction over one and a half years.



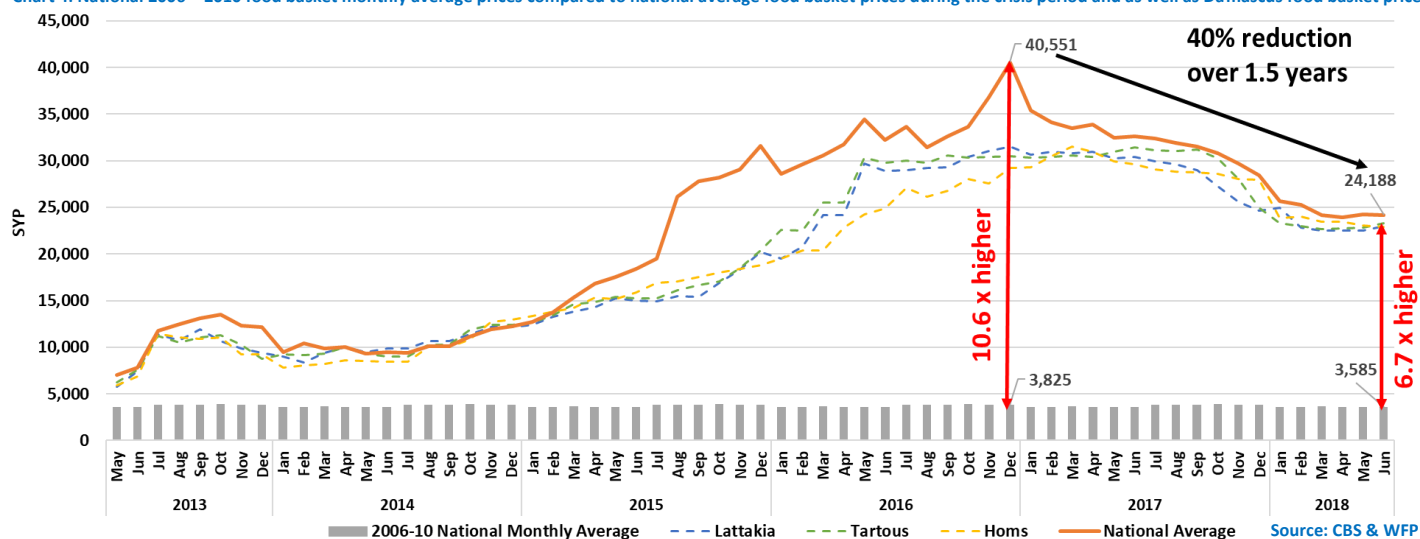
Even though prices seem to have decreased, they nevertheless remain extremely high compared to pre-crisis levels. In June 2018, the national average food basket price was 6.7 times higher than the five year pre-crisis national average for June.

Reasons for the dramatic increase in prices between 2013 and 2016 are widely regarded to be related to disrupted trade routes, reduced number of traders, high rates of inflation and a volatile and heavily devalued national currency which affected the price and volume of imports. While improved security within the country, greater political stability and the re-opening of supply routes has led to the recent recovery of trade flows across the country and to the recent reduction in prices since early 2017.

As a result of the high price volatility many interviewed wholesalers reported to buy only enough food for the next two weeks' sale as they were not sure to be able to sell their commodities quickly enough before exchange rates drastically changed putting their price at risk.

Homs, Lattakia and Tartous average governorate food basket prices are also displayed in Chart 4. All three governorates show similar trends to the national average trend hereby

Chart 4: National 2006 – 2010 food basket monthly average prices compared to national average food basket prices during the crisis period and as well as Damascus food basket prices



1. The cost of a standard basket of dry goods providing 1,930 kcal a day for a family of five during a month. The basket includes 37 kg of bread, 19 kg rice, 19 kg lentils, 5 kg of sugar, and 7 kg of vegetable oil.
ACC = Aleppo (Al-Cha'ar, Moghambo, Nabul), Al-Hasakeh (Al-Hasakeh, Quamishli), Ar-Raqqa (Tal Abyad), Damascus (Sheikh Sa'ad, Shreibshat), Dar'a (Dar'a), Hama (Hama, Mesiaf, Salameyeh), Homs (Al Malaab, Ekrema, Inshaat, Jandar, Qaretien), Lattakia (Jableh, Lattakia), Quneitra (Khan Quneitra), Rural Damascus (Al-Til, Qudsayya), Sweida (Shahba, Sweida), Tartous (Mashta Al Helou, Tartous).

HTR= Aleppo (Afrein), Ar-Raqqa (Ar-Raqqa), Deir-ez-Zor (Almayadin, Deir-ez-Zor), Rural Damascus (Eastern Ghouta).

*XB = Dar'a XB, Quneitra XB, Idleb XB.

showing that these markets are in sync with the national trend. Furthermore, all three governorate prices are below the national average trend highlighting that these markets are likely source markets for the reference food basket commodities and that markets in these governorates operate at more competitive prices than other markets in Syria.

When analyzing food commodities separately the increase in food prices followed by the decreasing price trend as showing in Chart 4 is still evident. For example the national average price for lentils/kg was highest in December 2016, peaking at 9.6 times the five-year (2006-10) average. Since December 2016 the national average price of lentils/kg fell by 48% and in June 2018 stood at 5.8 times higher than the national average.

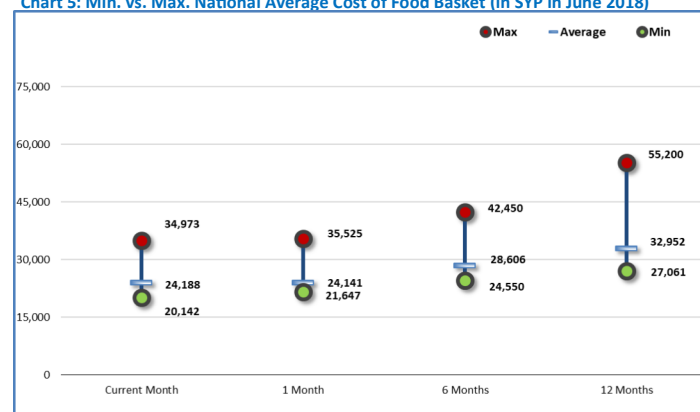
For sugar, the national average price also peaked in December 2016 when the national average price of sugar/kg was 19.8 times higher than the five-year (2006-10) pre-crisis December average. By June 2018 the price of sugar/kg decreased by 64% and currently stands at 8 times higher than the five year pre-crisis average for June. The price of Egyptian rice also peaked in December 2016 at 9.7 times the national five year pre-crisis (2006-10) average for December. The price though decreased by only 21% by June 2018 and currently stands at 7.9 times higher than the pre-crisis five year average for June. Hereby, showing that current decreases in food price visible across the country, vary considerably by commodity.

Food basket prices also vary widely by governorate. Figure 2 shows how the price for WFP's reference food basket is much lower in western governorates of Syria and in Al-Hasakeh than elsewhere. Nevertheless, prices have been consistently falling since early 2017, with some governorates having seen greater decreases than others.

The general trend seems to be that heavy reductions in food prices occur once active fighting ends. For example three months after the siege was lifted in Deir-ez-Zor the governorate saw the average price of the reference food basket fall by 57% compared to the siege period. Moreover, with recent fighting in southern Deir-ez-Zor food prices have risen again by 20% over a couple of months (April—June 2018) showing high price reactivity to the security situation.

Not only are food prices falling across all governorates, the mean average food basket price by governorate are also falling, indicating price convergence over time across the country. Extremes in average food basket price of around SYP 50,000 between the highest and lowest average food basket price by governorate are no longer the norm. In fact extremes in average food basket price have fallen by 27% over the last 12 months (June 2017 vs. June 2018) and the gap between highest and lowest average food basket price by governorate has fallen by 52.7% (Chart 5).

Chart 5: Min. vs. Max. National Average Cost of Food Basket (in SYP in June 2018)

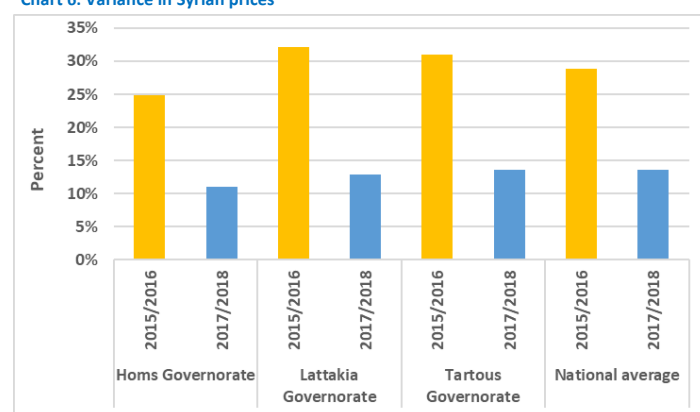


Source: WFP

This downward trend on food prices has taken hold in Syria since January 2017 and has been persisting ever since. With re-opened trade routes such as the one connecting Homs with Damascus through East Ghouta, and the one connecting Homs with Hama through Rukban as well as the future re-opening of the Dar'a border crossing between Syria and Jordan, the downward trend on food prices is likely to continue. At least for the coming months, nevertheless shocks continue to be a high risk in the current context.

In-line with greater convergence, markets in western and central Syria are showing reduced variance (change from the mean) in average food basket prices between 2017-18 compared with the period 2015-16. For example Homs averaged an annual food price variance of 11.1% from the 2017-18 mean compared to 24.8% in 2015-16. The same counts for Lattakia 12.8% variance from the 2017-18 vs. 32.8% in 2015-16 and Tartous 13.5% in 2017-18 compared to 31% in 2015-16. Highlighting greater stability in the markets and more reliability on food prices remaining stable over a longer period of time than during the peak crisis period (Chart 6).

Chart 6: Variance in Syrian prices



Source: WFP

Figure 2: Food Basket Cost and Changes (in SYP) in June 2018

Governorate	Price June 2018	Price 1 month change	Price 6 months changes	Price 12 months changes
Aleppo	SYP 22,543	-3%	-23%	-24%
Damascus	SYP 23,389	-1%	-14%	-21%
Dar'a	SYP 23,036	0%	-17%	-17%
Dar'a XB*	SYP 26,974	3%	12%	0%
Deir-ez-Zor	SYP 34,973	-2%	-18%	-37%
Hama	SYP 22,203	-1%	-20%	-30%
Al-Hasakeh	SYP 20,142	-7%	-18%	-26%
Homs	SYP 22,925	-1%	-18%	-23%
Lattakia	SYP 22,956	2%	-7%	-24%
Ar-Raqqa	SYP 23,913	-2%	-29%	-44%
Rural Damascus	SYP 23,587	-1%	-11%	-20%
As-Sweida	SYP 23,025	2%	-13%	-30%
Tartous	SYP 23,285	2%	-7%	-26%
Quneitra	SYP 23,801	-4%	-16%	-15%
Quneitra XB*	SYP 25,869	8%	-2%	-11%
Idleb XB*	SYP 24,381	0%	-18%	-32%
Average	SYP 24,188	0%	-15%	-27%

Source: WFP

The market assessment reviewed food sources through which it confirmed that traders in Homs, Lattakia and Tartous do trade with each other across governorates. One of the ways to assess market functionality is to better understand the trade flows and the influence these trade flows have on food prices. Correlation coefficients can be used to assess the strength of market trade networks. The correlation coefficient analysis is a way to assess market integration. A correlation coefficient of above 0.8 shows that food prices across the two assessed markets move by the same amount during the same periods hereby highlighting strong trade flows and trade networks between these markets. With a correlation coefficient of above 0.8 market are said to be integrated. A correlation coefficient of 0.6 to 0.79 shows medium strength of market network flows and markets are somewhat integrated. A correlation coefficient below 0.6 shows weak market integration.

Table 1 below is a correlation regression analysis of the price of Egyptian white rice in four key western and central markets of Syria (Lattakia city, Tartous city, Homs city and Damascus city) between January 2016 to June 2018. It shows that markets in central and western Syria are strongly integrated and that the price of Egyptian white rice follows the same trend across these markets. Thus suggesting that markets have a strong and integrated network ensuring that excess supply in one market will be transported to deficit areas in the other governorates. Trader responses from the trader survey confirmed the high frequency and short waiting times for restocking trips. More details available in the Homs, Tartous, and Lattakia section of the report.

Table 1: Correlation Coefficient

Main Governorate Market	Rural Damascus	Homs	Lattakia	Tartous
Rural Damascus	1			
Homs	0.85	1		
Lattakia	0.85	0.74	1	
Tartous	0.80	0.81	0.92	1

Source: WFP

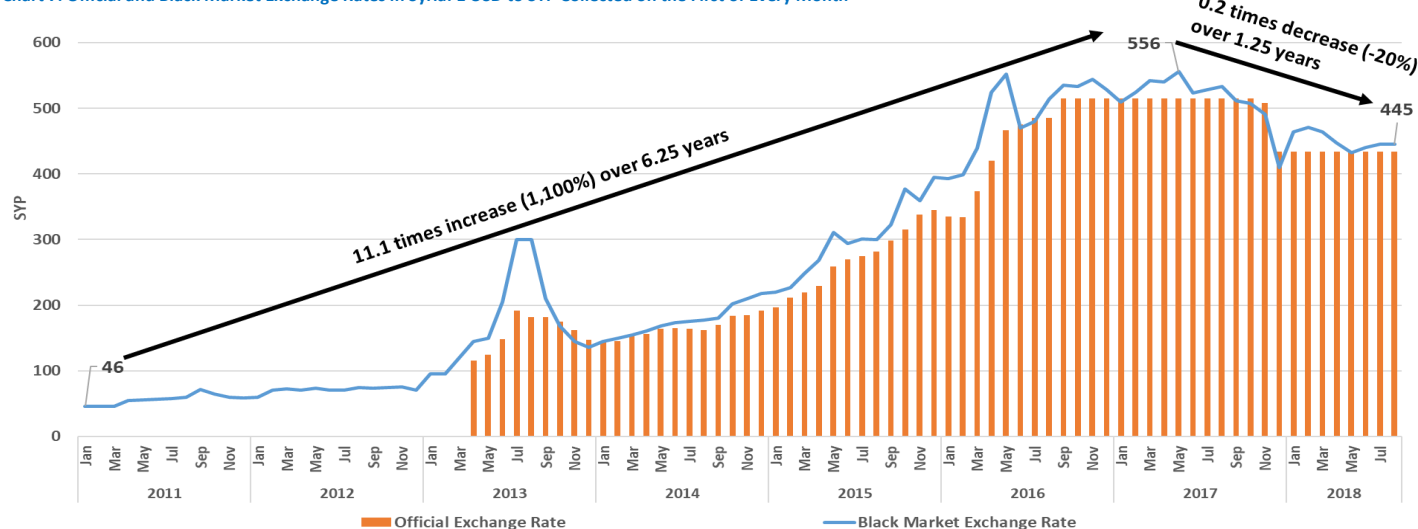
Syria's official and informal exchange rates to the USD follow very similar trends, clearly illustrated in Chart 7. The strong similarity occurs notwithstanding the fact the informal exchange rate appears to be freely-floating while the official exchange rate is fixed. It is unclear if either exchange rate trend is influencing the other or if both rates' trends are influenced by other factors.

Even though the national average informal exchange rate tends to be higher than the official exchange rate, they nevertheless increase and decrease around the same period and by the same amount. When correlating the two exchange rates with each other a correlation of 0.98 out of 1 is derived. Hereby, confirming the very strong similarity between the two exchange rates as a correlation of 1 indicates that the variables change (increase or decrease) by exactly the same proportion at the same time.

The exchange rate trends are also roughly in-line with the food basket price trends shown in Chart 4 on page 9 of the report. In fact the trends are so similar that strong correlations are also derived when regressing the different prices with each other. The first column in Table 2 (on the next page), shows the correlation achieved when regressing WFP's reference food basket price from May 2013 till June 2018 with the informal exchange rate USD to SYP for the same period. Strong correlations from 0.87 till 0.97 are found, with the national average price of the reference food basket correlating at 0.94 while the national average price of individual food items correlated from 0.87 for lentils to a high of 0.95 for vegetable oil. Thus clearly showing the strong link between the exchange rate and Syria's food prices.

Similar regressions for the average food prices in Tartous, Lattakia and Homs with the informal USD to SYP exchange rate showed even stronger correlations than with the national average price (Table 2). For example correlations of 0.94 to 0.97 were found for Lattakia, 0.93 to 0.98 for Tartous and 0.93 to 0.97 for Homs. Thus depicting even stronger correlations than when regressed with the national average price.

Chart 7: Official and Black Market Exchange Rates in Syria: 1 USD to SYP Collected on the First of Every Month



Source: Central Bank of Syria and WFP

Hereby illustrating a more integrated pricing structure with the informal exchange rate than in other cities in Syria, a trend likely related to the cities' proximity to the ports, where most imported food enters Syria.

Table 2: Correlating prices of food items with the informal USD to SYP exchange rate

	National Average	Lattakia City Average	Tartous City Average	Homs City Average
WFP Reference Food Basket Price	0.94	0.97	0.98	0.97
Price Egyptian Rice (1kg)	0.97	0.96	0.97	0.94
Price Lentils (1kg)	0.87	0.95	0.95	0.96
Price Sugar (1kg)	0.89	0.94	0.93	0.95
Price Vegetable Oil (1lt)	0.95	0.95	0.96	0.93

Source: Central Bank of Syria and WFP

The strong correlations between the informal exchange rate and the price of the food basket and its individual items' prices highlight that prices are very likely strongly related with one-another. Further confirming that food prices in Tartous, Lattakia and Homs markets as well as more generally across Syria, are influenced by the exchange rate. This seems to be true not only for imported goods but also for local goods such as lentils as well.

The implications of this strong correlation are two-fold:

- 1) That the prices of these items seem to be more likely influenced by the price of the imported goods rather than of their local equivalents; and
- 2) Any macro-economic policy changes in the country such as USD to SYP exchange rate changes, will very likely have a direct and strong effect on the price of food items.

Purchasing Power Constraints:

Prior to the conflict the public sector and government employed around 30% of the Syrian workforce. No updated figures have been provided to show the current share. Table 3 below shows the monthly salary brackets for government employees in Syria between 2011 and 2018. The data was compiled from available information on the Office of Prime Minister's Official Website www.sana.sy. The table can be used as an example of what official salary brackets in Syria may look like.

From the table it is clear that salaries have increased over time due to inflation. However, even with the increases salaries remain very low. The highest (ceiling) salary of a PhD holder is SYP 53,740 (equivalent to USD 124 using the official exchange rate) per month while the basic salary for the highest tier is SYP 30,992 (equivalent to USD 71 using the official exchange rate). Ceiling salaries are earned after 12 years of work in the same job. In comparison the national average reference WFP food basket covering 1,930 Kcal was at SYP 24,188 (equivalent to USD 56 using the official exchange rate) in June, representing 78% of the basic salary in the highest tier level.

The highest average reference basket was recorded in Deir-ez-Zor at SYP 34,973 (equivalent to USD 81 using the official exchange rate), 45% above national average. The lowest average food basket was recorded in Al-Hasakeh SYP 21,650 (equivalent to USD 50 using the official exchange rate), 10.7% below national average. Hereby, highlighting evident geographical disparities affecting people's financial access to food (Figure 2 - page 10).

Table 3: Syria Government Salaries

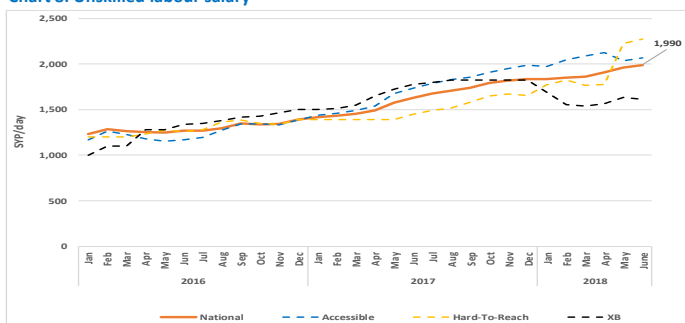
Employment Grades	Salaries in 2011 – 2012 (SYP)		Salaries in 2013 – 2015 (SYP)		Salaries after 2016 (SYP)	
	Basic salaries	Ceiling salaries	Basic salaries	Ceiling salaries	Basic salaries	Ceiling salaries
PhD holders	17,910	38,800	23,492	46,240	30,992	53,740
Master Holders	16,020	38,800	21,224	46,240	28,724	53,740
Diploma Holder	14,760	38,800	19,712	46,240	27,212	53,740
Bsc	14,375	38,800	19,250	46,240	26,750	53,740
2 years after high school	12,955	29,800	17,546	36,780	25,046	44,280
General high school	12,025	29,800	16,430	36,780	23,930	44,280
Commercial and industrial high schools	12,450	29,800	16,940	36,780	24,440	44,280
Employment Grade Three	10,745	26,800	14,894	33,480	22,394	40,980
Employment Grade Four	10,010	26,800	14,012	33,480	21,512	40,980
Employment Grade Five	9,765	22,300	15,347	28,530	22,847	36,030

Source: Syria Office of the Prime Minister

From a 2011 independent survey of Central Bureau of Statistics (CBS) data, 78.4% of the working population in Syria was found to have a high school degree or lower while only 21.6% of the working population had a university graduate degree or higher. If the salary brackets in Table 3 are used as salary earnings, nearly 80% of the employed population (Syria has an estimated 57% unemployment rate) would be earning a salary of SYP 23,930 a month, barely sufficient to meet their food needs. The unemployed would be earning less than this, highlighting the serious purchasing power constraints affecting a large part of the Syrian population.

The unskilled labour wage for activities such as painting, construction work, offloading trucks, seasonal agriculture harvest, etc. has seen an increase over the last two years. On average unskilled daily labour salaries have increased from SYP 1,233 in January 2016 to SYP 1,990 in June 2018, representing an increase of 61% (Chart 8). Yet these are salaries for jobs which are provided solely on a day-to-day basis. On average if someone was to work 22 days per month (excluding weekend days) on an unskilled labour salary they would earn SYP 43,790 (USD 101) per month which represents 1.8 times the average national WFP reference food basket in June 2018. Unskilled jobs though are precarious and not always available. The price of unskilled labour also varies widely by the area's accessibility, with hard-to-reach areas earning 14% above the national average, accessible areas 4% the above the national average and cross-border (XB) areas earning 19% below the national average.

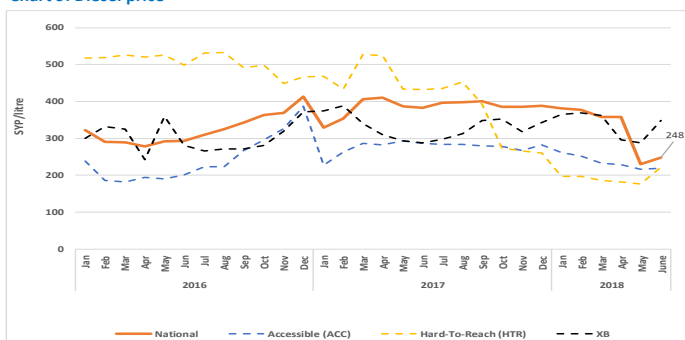
Chart 8: Unskilled labour salary



Source: WFP

The price of gas and petrol are key expenditures for most households due to their key role in transportation and cooking. Over the last couple of years the national price of diesel has remained relatively stable (Chart 9). However, as more hard-to-reach and besieged areas become accessible the price of diesel is falling.

Chart 9: Diesel price



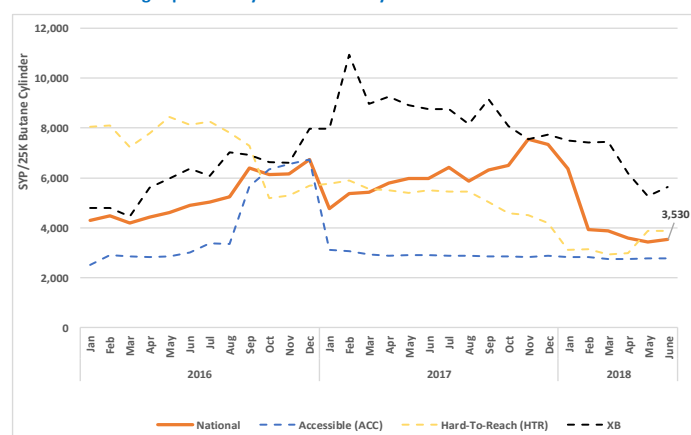
Source: WFP



Since January 2018 the national average price of one litre of diesel fell by 54%. The same trend can be seen for butane gas, the main energy source used by Syrians for cooking.

Chart 10, shows the refill price of a 25,000 litre butane gas cylinder across Syria. After increasing for most of 2016 and 2017, mainly led by high prices in hard-to-reach and cross-border areas, the national average refill price of butane gas fell at the start of 2018. The price fell from SYP 7,559 in November 2017 to SYP 3,530 in June 2018, a drop of 53%. The fall in price was largely led by more areas becoming accessible over time hereby opening-up trade routes. This is especially true for Deir-ez-Zor and Ar-Raqqa which are the key governorates holding most of Syria's oil and gas reserves.

Chart 10: Butane gas prices in Syria since January 2016



Source: WFP

Changes in areas' accessibility across Syria

Accessibility across Syria has changed dramatically, especially over the last 3 years. In 2015 it was estimated that the Syrian government had access to only 20% of the country's territory. By mid-2018 this now stands at around 70%. Only Idlib, north-east Aleppo, Ar-Raqqa, south Deir-ez-Zor and parts of Al-Hasakeh remain in non-government control (Map 3).

The last 12 months have seen a dramatic reshaping of accessibility across the country. By November 2017 the Syrian Arab Army (Syrian government forces) had retaken the northern part of Deir-ez-Zor and the SDF (Kurdish armed forces) had retaken Ar-Raqqa from ISIL. Further gains were also made by the Syrian Arab Army in East Ghouta, Yarmouk, Ar-Rastan, Dar'a and Quneitra in the first six months of 2018.

The retaking of these areas has greatly improved trade across the country. Recapturing Ar-Raqqa and Deir-ez-Zor and the subsequent decision to allow people to return to the cities and surrounding villages has greatly facilitated accessibility to these areas hereby enable access and trade to important urban centres along the Al-Hasakeh to Aleppo, Hama and Homs trade routes.

Furthermore the recapturing of East Ghouta, Yarmouk, Ar-Rastan, Dar'a and Quneitra has consolidated the north to south trade corridor through Syria. With Dar'a fully under government control, trade with Jordan through the Dar'a border crossing is expected to resume shortly.

Even though accessibility is improving, it is important to note that newly accessible areas are still not fully accessible as this will take time. However, these are important developments as with greater accessibility comes increased propensity to trade and prices as a result will start to fall.

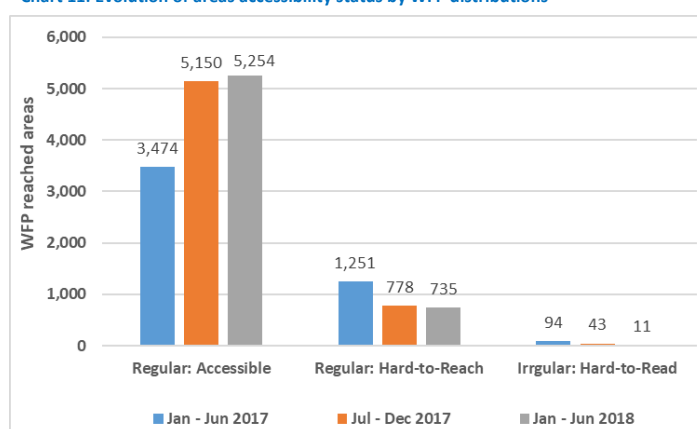
Within 3 months of recapturing Deir-ez-Zor, food prices had fallen by around 57% compared to six months earlier and in Ar-Raqqa food prices had fallen by around 36% compared to

six months earlier.

If the trend seen in 2017-2018 continues, more areas will likely become accessible by the end of 2018 and early 2019, hereby facilitating trade and economic recovery to these areas.

Chart 11 shows the trend of WFP accessible areas for distributions. WFP's coverage across the country has not changed over the past years, however the chart illustrates how WFP's distributions to regular (monthly) and irregular (whenever access is granted) hard-to-reach locations have fallen over time while the number of regular distributions to accessible areas has instead increased. This is further confirmed by Charts 12 and 13 which show the decreasing number of people living in besieged and hard-to areas over the past two years.

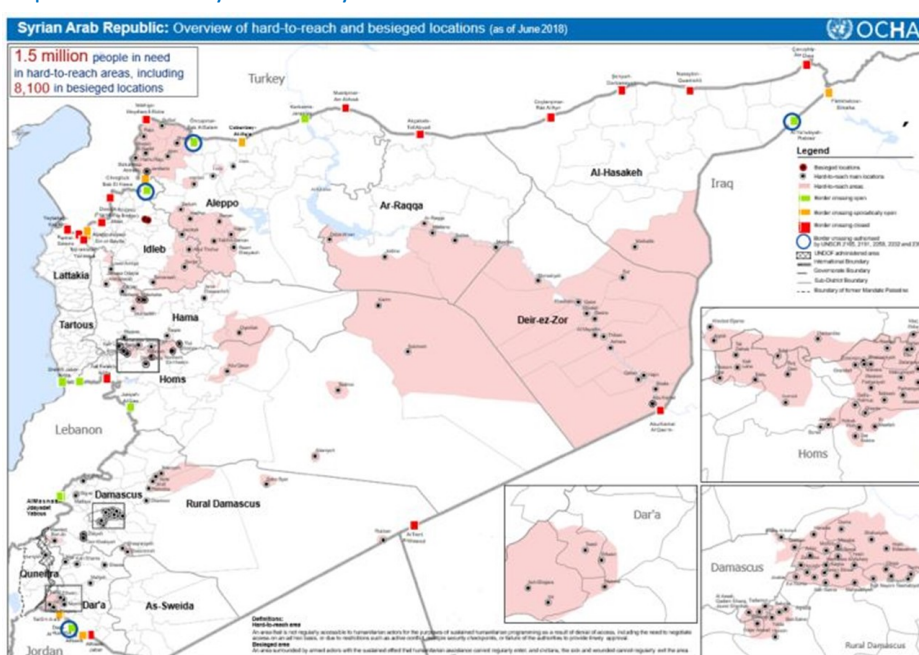
Chart 11: Evolution of areas accessibility status by WFP distributions



Source: Food Security Sector

In January 2017, 4.7 million people were estimated to be living in inaccessible areas (hard-to-reach and besieged). By June 2018 the total number had fallen to 1.5 million people. Representing a fall of 3.2 million people (68%) living in inaccessible areas. The remaining hard-to-reach and inaccessible locations by June 2018 are visible on Map 2.

Map 3: Current accessibility status across Syria—June 2018

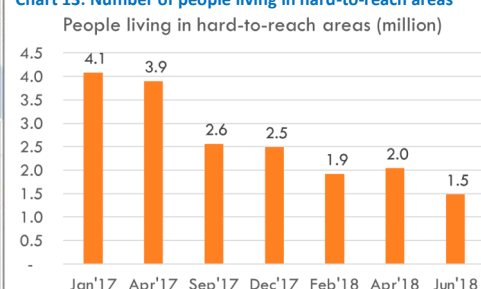


Source: OCHA

Chart 12: Number of people living in besieged areas



Chart 13: Number of people living in hard-to-reach areas



Source: WFP

Section 3: Assessment Methodology and Quick Facts

The assessment covered 13 out of 15 districts in the three governorates, interviewing 217 traders engaged in different levels of trade (retail, medium sized trade and wholesale). The assessment interviewed both female and male traders and covered both urban and rural markets. Map 4 pinpoints the actual markets assessed.

Three markets were selected by district, for a total of 39 markets assessed. This included the main market of the district as well as two other markets which were selected due to their proximity to WFP food distribution points. An element of flexibility was also maintained in case any markets were not accessible for security reasons and replacement markets had to be found instead.



interviewed traders were retailers (52%), followed by medium sized vendors (35%) and by wholesalers (13%).

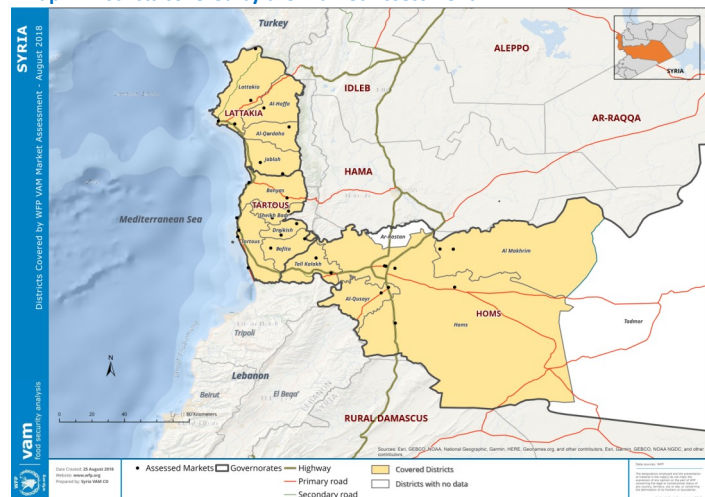
A large majority of traders (over 75%) reported being in the trade business for over 5 years, while around 20% of interviewed traders reported being in the trade business for 1-5 years and just over 5% of traders reported starting their trade business in the last year. When broken down by governorate the trend is similar across the 3 governorates with the majority of traders reporting they have been in the business for over 5 years (Homs 71% of traders, Lattakia 73% and Tartous 82%). Hereby showing that trade continued throughout the conflict, and this was also true for a worse conflict affected governorate such as Homs, highlighting the strength, resilience and importance of the trade sector in Syria.

Traders on average highlighted an increase of 14% between number of traders in 2016 and 2018. Traders acknowledged this increase reporting that they had seen new openings in the past couple of years due to the arrival of a high number of IDPs, but they further noted that with the current trend of IDPs returning to their governorates, they were expecting some shops to shut as demand on food would reduce.

Quick Overall Assessment Facts:

- Number female interviewed traders 24/217 (11%)
- Number of markets covered 39
- Number of urban vs. rural markets (13 urban - 26 rural)
- Number of trader questionnaires by trader type wholesalers (28), medium sized vendors (76), retailers (112)
- Number of key informant questionnaires (36)
- Breakdown years traders in business:
 - * Less than one year: 5.5% of interviewed traders,
 - * Between 1-5 years: 19.4% of interviewed traders, and
 - * Over 5 years: 75.1% of interviewed traders

Map 4: Districts covered by the Market Assessment



Source: WFP

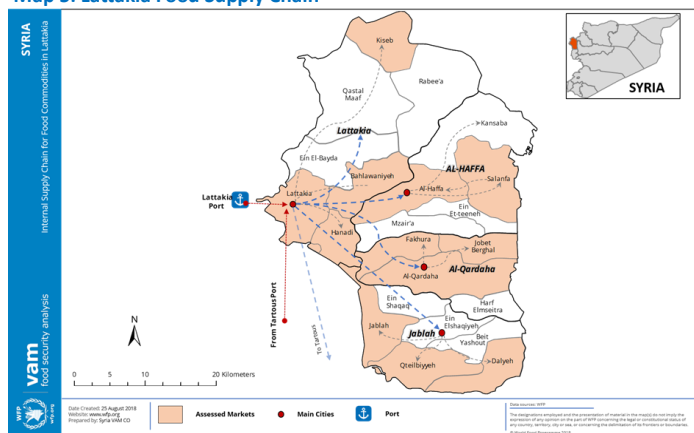
Data collection took place over the space of 10 days (20—29 April 2018). The assessment used two separate questionnaires, a larger trader questionnaire to better understand traders' trade flows, traders' constraints to trade as well as recent changes in trade pattern. As well as a shorter questionnaire for key informant interviews to understand the supply and value chain of the four food items in that market. In total 217 trader questionnaires and 36 key informant questionnaires were conducted.

As the quick facts bullet points (on the right) highlight, the majority of the interviewed traders were male. Commerce and food trading is very much a male dominated sector in Syria. Only 11 percent of the 217 interviewed traders were female. The assessment also made sure to cover both urban and rural markets in order to assess trade capacity and the cost breakdown at various stages of the value chain. In total out of the 39 markets assessed, 13 were located in urban centers such as key district cities (Homs city, Lattakia city, Tartous city and Banyas) while the remaining 26 markets were found in primarily rural areas.

All traders reported operating on a daily basis indicating high reliability for customers to buy products. The majority of the

Section 4: Lattakia Governorate - Key Findings

Map 5: Lattakia Food Supply Chain



Lattakia is located in the north-western most point of Syria bordering Turkey to the north, the Mediterranean Sea to the west and the governorates of Idlib, Hama and Tartous to the north-east, east and south, respectively.

Agriculture production is a key livelihood activity for residents in this governorate. Key areas of agriculture production in the governorate are linked to citrus fruits, apples, vegetable production, olives and tobacco. Nevertheless, due to its strategic location by the sea, food trade in the governorate heavily involves imports and exports.

Lattakia is the second largest port of Syria. It is the main port for importing rice into Syria. The port also imports sugar and it exports leather, wool, cotton and herbs such as anise. Trade to Lattakia port reportedly doubled in 2016–2018 compared to 2013–2015 levels. Nevertheless, trade remains at about half the pre-crisis level mainly due to the international bans/restrictions imposed on trading of construction materials such iron and cement, as well as toys, clothes and electrical accessories which Syria imported during the pre-crisis period.

Traders across Lattakia reported receiving much of their rice, lentils and vegetable oil as imports through the ports of Lattakia and/or Tartous. Bulgur however was mostly of local production. The northern districts of Lattakia also saw Turkish



commodities in the markets. Map 5 shows how food flows from source markets, i.e. the ports of Lattakia and Tartous to Lattakia city, the main city in the governorate and where 35% of wholesalers in governorate reside and where the wholesalers with most trade capacity are located. From Lattakia city, food trade flows further in-land to the main district cities such as Al-Qardaha and Jablah to then disperse further to shops in the smaller towns and villages in the district. Due to the security situation it was not possible to assess the northern sub-districts of Rabia and Kansaba which border Idlib Governorate.

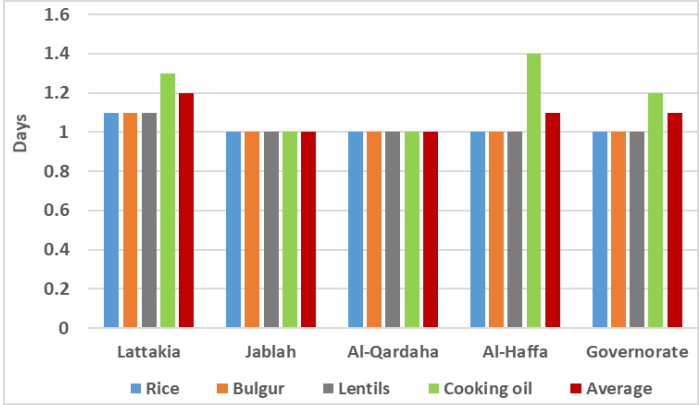
Table 4 below, highlights the average trade capacity of traders in one of the four commodities: rice, bulgur, lentils and vegetable. The table highlights the higher trade volume in Lattakia and Jablah districts compared to Al-Haffa and Al-Qardaha. The table also highlights the stable quantities of trade across different seasons in a year, hereby showing consumer dependence on markets year-round as well as the important role markets play in Syria supporting the country's food security. Trade in rice and vegetable oil is also much higher than bulgur and lentils as the latter can also be homegrown or sold informally.

Table 4: Average MT trade per trader type by commodity across Lattakia Governorate

District	Trader Type	Average rice MT trade per month		Average bulgur MT trade per month		Average lentils MT trade per month		Average vegetable oil MT trade per month	
		April-Sept 2018	Oct 18 - March 2019	April-Sept 2018	Oct 18 - March 2019	April-Sept 2018	Oct 18 - March 2019	April-Sept 2018	Oct 18 - March 2019
Lattakia	Wholesaler	7.20	7.60	3.92	4.72	2.40	3.60	11.44	11.68
	Medium Vendor	1.90	2.40	1.15	1.45	0.55	0.95	1.40	1.50
	Retailer	0.17	0.17	0.12	0.13	0.07	0.09	0.27	0.38
Jablah	Wholesaler	7.20	7.60	7.00	7.13	2.87	4.83	9.27	7.27
	Medium Vendor	1.10	2.40	0.90	1.01	0.40	0.59	1.22	1.47
	Retailer	0.18	0.21	0.14	0.17	0.10	0.10	0.35	0.35
Al-Haffa	Wholesaler	6.40	6.00	6.00	5.60	4.80	5.60	6.00	6.00
	Medium Vendor	1.33	1.61	0.71	0.73	0.31	0.63	1.86	1.75
	Retailer	0.15	0.30	0.11	0.14	0.26	0.34	0.17	0.28
Al-Qardaha	Wholesaler	4.75	4.75	3.90	3.90	1.25	1.25	2.32	2.32
	Medium Vendor	1.67	2.03	1.53	1.80	0.63	0.78	0.69	0.80
	Retailer	0.14	0.19	0.18	0.23	0.05	0.11	0.17	0.24
Lattakia Governorate	Wholesaler	6.53	6.81	5.20	5.48	2.44	3.63	8.01	8.33
	Medium Vendor	1.40	2.13	1.06	1.24	0.46	0.70	1.27	1.38
	Retailer	0.16	0.21	0.13	0.16	0.10	0.15	0.24	0.32

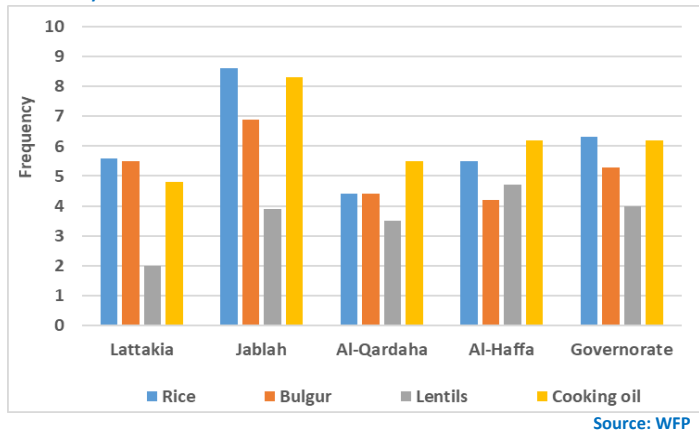
Syria in general can vouch good road infrastructure. Lattakia is no exception. Traders across all trade categories and districts confirmed that they can restock within one day from making the call to their supplier (Figure 3). This is an important component of market-based interventions as it confirms food supply can be quickly and readily brought into the market within a day's notice, hereby limiting possible shortage of stock which may have knock-on effects on the price levels of goods sold on local markets.

Figure 3: Average number of days it takes to restock by district by commodity



The survey also asked traders the number of times they restocked per month, in-order to assess how frequently they are bringing in-new food supplies hereby also assessing the validity of the supply chain. Figure 4 below shows that on average traders restock on a weekly basis, with the exception of Jablah which also sees up to twice a week restocking of food. The graph clearly shows that restocking frequency depends on the type of commodity, with rice, bulgur and cooking oil being the main commodities traders restock on more frequently, highlighting that these commodities are the ones most in demand and consumed. Lentils, were less demanded as traders mentioned this to be a seasonal food which is widely consumed during festivities and during the winter period.

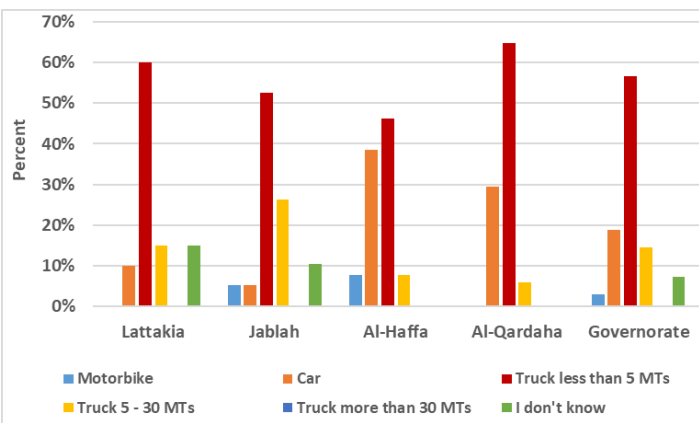
Figure 4: Average number of times traders reported to restock per month by district by commodity



The high restocking frequency is likely related to the relative small transport capacity traders have available for restocking. Most traders reported to be using cars or vehicles with less than 5MT capacity. This is due to the limited availability of large trucks in Syria as well as the narrow roads within cities which require more versatile transport means. However, this

also adds greater transport costs to bringing in goods. Figure 5 below clearly depicts this trend with only the districts of Al-Haffa and Al-Qardaha showing a high percent of traders using cars for restocking, highlighting reduced restocking needs of these districts compared to more urban areas such as Lattakia and Jablah.

Figure 5: Main type of transport means used for restocking by district



Storage capacity is a key requisite for depending on markets for them to provide sufficient amount of quality commodities. A review of the traders' storage structure in Lattakia Governorate highlights that over half (52.2%) of the interviewed traders store their commodities primarily in their shop, 43.5% store their goods in a warehouse of which 8.7% store their commodities in a rented warehouse while just over 4% reported storing their goods at home (Figure 6).

At district level, all districts showed good storage structure frameworks with at least 90% of traders reporting storing goods in warehouses or in their shop in Lattakia district, 94.1% in Al-Qardaha district, and 100% of traders in Jableh and Al-Haffa districts. Within the districts the markets which showed greater storage ability in terms of storage structure and holding capacity were the main markets of the district, with these markets totalling around 80% of total assessed storage availability in the district. Highlighting these district markets will be the main markets where market-based interventions can more easily be set-up and where traders already have the required infrastructure for intervention scale -up.

Figure 6: Average trader storage structure at Lattakia Governorate level

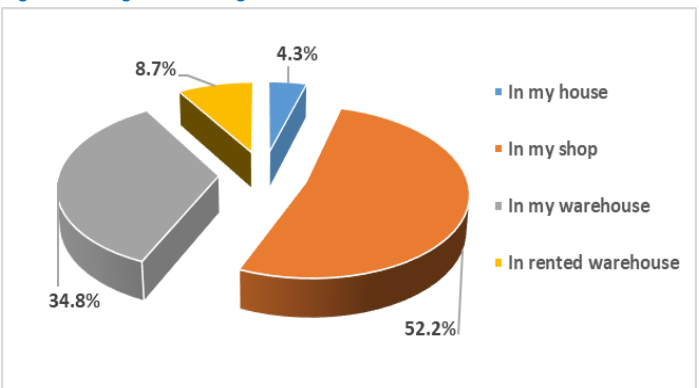


Table 5: Average available and used storage capacity by trader type and district in Lattakia Governorate

District	Trader Type	Average storage capacity (MT) per trader	Average active storage per trader at the moment of the survey (MT)	Average used storage capacity per trader at the moment of the survey (%)
Lattakia	Wholesaler	141.7	16.0	11.3%
	Medium Vendor	26.7	1.4	5.2%
	Retailer	7.9	0.3	3.8%
Jablah	Wholesaler	206.7	12.3	6.0%
	Medium Vendor	17.6	0.9	5.1%
	Retailer	4.3	0.1	2.4%
Al-Haffa	Wholesaler	100.0	2.6	2.6%
	Medium Vendor	18.3	0.5	2.7%
	Retailer	9.3	0.5	5.4%
Al-Qardaha	Wholesaler	88.5	2.8	3.2%
	Medium Vendor	19.0	1.2	6.3%
	Retailer	8.8	0.2	2.3%
Governorate	Wholesaler	536.9	33.7	6.3%
	Medium Vendor	81.5	4.0	4.9%
	Retailer	30.2	1.1	3.6%

Source: WFP

Furthermore, analysis of total storage capacity and used storage capacity at the time of the survey highlights the extent at which many traders are operating well-below capacity. Table 5 shows that across all types of traders, (wholesalers, medium vendors and retailers) and across all districts in Lattakia Governorate, there is ample availability of storage to be used as on average traders reported to be using less than 10% of their total holding capacity. Only in Lattakia did wholesalers report to be on average using 11.3% of their available storage capacity.

This trend highlights two issues; first, it flags the degree to which consumers are being affected by limited purchasing power and how much traders are also being affected by operating at well-below optimal capacity. Second, it shows the huge opportunity for market-based interventions to take advantage of this underused sector to help develop local economic growth.

A study by WFP in Lebanon (WFP 2014), highlighted the added benefits of working with the local market through an e-card system. The study found that in Lebanon the e-card system would generate a multiplier-effect of 1.51. With an international humanitarian response plan to transfer USD 345 million to Syrian refugees in Lebanon in 2014, the multiplier effect would mean that an additional USD 517 million could be indirectly generated by the transfer into the food products sector in terms of imports and also in the agriculture sector through increased agriculture production. Moreover, the

study also found that the programme had created 1,300 jobs across the 300 participating stores and had led to USD 3 million investments in capital expenditure, as larger stores had increased floor space and storage to accommodate for the increased volume of commodities.

The Food Security Assessment in 2017 (FSA-FSLA 2017) found 10.7% (116,353 people) of Lattakia's population to be food insecure. Table 6 shows the breakdown by district. The food insecure numbers are low enough for total food requirements to be given by month. WFP's reference food basket of 1,930 kcal a day was used. The basket per person for a period covering 30 days includes 7.4 kg of bread, 3.8 kg rice, 3.8 kg lentils, 1 kg of sugar, and 1.4 kg of vegetable oil.

For all assessed districts in Lattakia Governorate Table 6 shows that all districts have adequate storage capacity to meet the monthly MT food needs of the food insecure people residing in the respective district.

The monthly food needs of the food insecure people in Lattakia district (91,771) would only take up 29.8% of the district's estimated total available storage capacity with a further 10.7% taken up by normal trade (Table 5). Hereby, leaving around 60% of storage free for further trade. For Jablah, total used storage capacity would be 21.5%, while for Al-Hafa 4.7% of total storage would be used and for Al-Qardaha 10.2% percent of total storage capacity would be used through market based interventions in addition to usual storage capacity.

Table 6: District holding capacity compared to number of food insecure by district

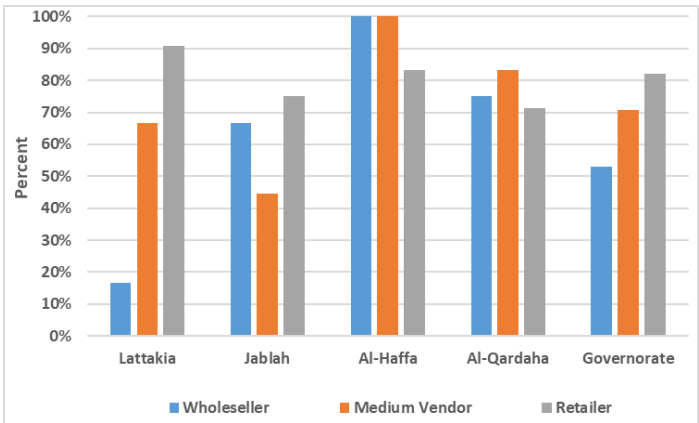
District	Population by District (OCHA 2018)	Number of poor FSA/FSLA 2017 (number of people found to be food insecure in district)	% of total population by district who are food insecure	Total required MT per district per month for all food insecure pop. per district	Total estimated storage capacity by district (MT)	Food insecure population food requirement per month as % of district storage capacity
Lattakia	863,283	91,771	10.6%	1,596.8	5,354.2	29.8%
Jablah	132,525	16,108	12.2%	280.3	1,747.1	16%
Al Hafa	27,159	732	2.7%	12.7	806	1.6%
Al Qardaha	63,814	7,216	11.3%	125.6	1,894.6	6.6%

Source: WFP

Syria's conflict has affected traders and their trade in multiple ways. Limited customer purchasing power is one of these key ways the traders have been affected. Limited purchasing power reduces the amount and variety as well as quality of produce people can buy. It also heavily affects traders as falling consumer demand directly affects investment in the trading sector and the local economy.

With a vast majority of traders across all districts in Latakia reporting to provide credit, Figure 7 shows the degree to which Syria's economic sector is desperately in need of cash injections. Usually retailers are the only traders providing credit as their customers' sales value tends to be small and relatively manageable compared to larger traders. However, in Lattakia Governorate, traders of all types are providing credit. It is not usual to see medium sized traders and especially wholesalers provide credit as their sales values are high and the level of risk they take on through accepting giving credit is high.

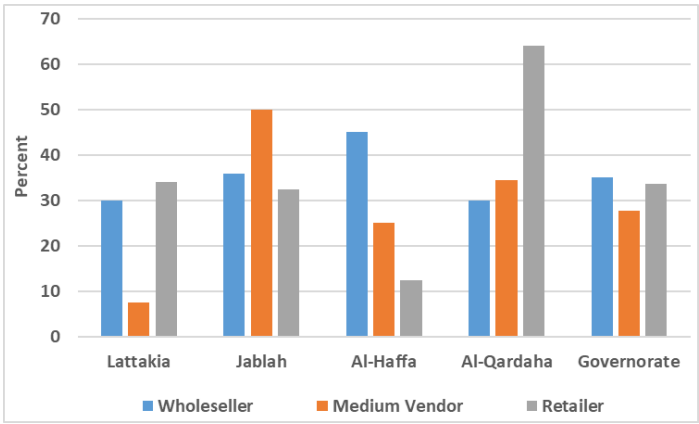
Figure 7: Percent of traders reporting to give credit to customers



On average around 30% of a trader's previous month's (March 2018) sales were reported to be on credit. Figure 8 shows the extent of the impact of the lack of consumer purchasing power on the traders' business model.

In some districts such as Jablah, medium sized traders reported to have provided on average half of their previous month's sales on credit. While in Al-Qardaha retailers on average reported that they provided over 60% of their previous month's total sales on credit. This is clearly unsustainable.

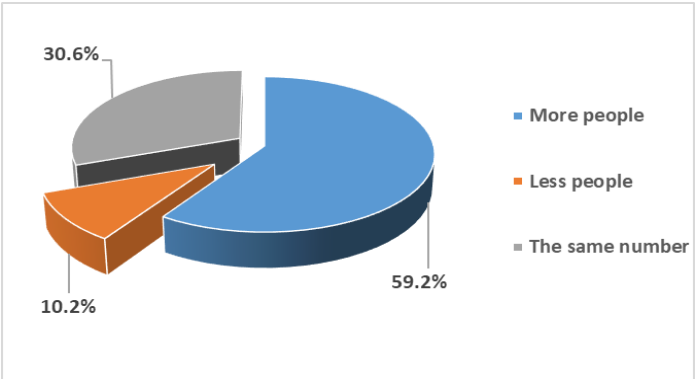
Figure 8: Percent of previous months sales on credit by trader typology and district



Source: WFP

Traders were also asked if more, less or the same number of people were currently requesting credit than on average during the past five years. Surprisingly a vast majority of traders reported that overall more people are currently asking for credit than before. Figure 9 shows the average by governorate however the breakdown by district within Lattakia Governorate is very similar. An increase in people requesting credit is often synonymous with worsening times as it shows that more people are not able to make ends meet in order to address their food needs.

Figure 9: Percent of traders reporting if more, less or the same amount of people are requesting credit compared to the average over the past five years

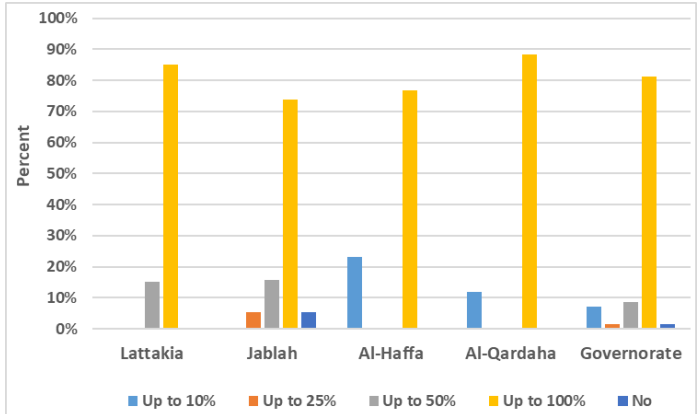


Source: WFP

Overall the pie chart shows that 89.8% of traders mentioned that credit requests by consumers have increased or stayed the same over the past five years. Only 10% of traders mentioned that less people had been asking them for credit than before.

A further confirmation that traders are being heavily affected by consumers' as well as their own low liquidity levels is that an overwhelming number of traders across governorates and trader type reported being able to double their trade for all four commodities (rice, bulger, lentils and vegetable oil) without a problem. Usually when traders are asked this question the response breakdown is spread-out more evenly along all trade capacities. Instead here trader's outright confirmed they could and would be able to double sales if required to. A clear indication that supply (sources and availability) and storage capacity are not a concern for traders in Lattakia Governorate (Figure 10).

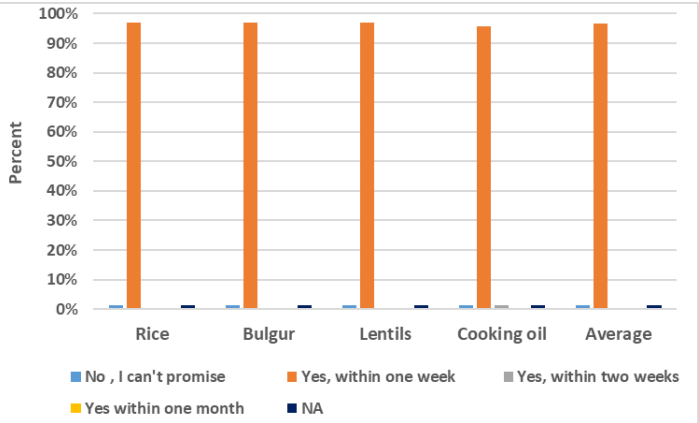
Figure 10: Percent of traders reporting to be able to increase their levels of trade



Source: WFP

The timeframe to meet at least 50% of the demand increase shows that nearly all traders reported that they will be able to meet the required supply increase within one week from the initial request. This is in line with the short number of days for a trader restock (Figure 3) as well as in line with traders being able to double their stock without a problem (Figure 10). The below graph clearly confirms Lattakia traders' ability to respond to the required food needs.

Figure 11: Percent of traders reporting how quickly they could increase their stock for all four commodities by 50%

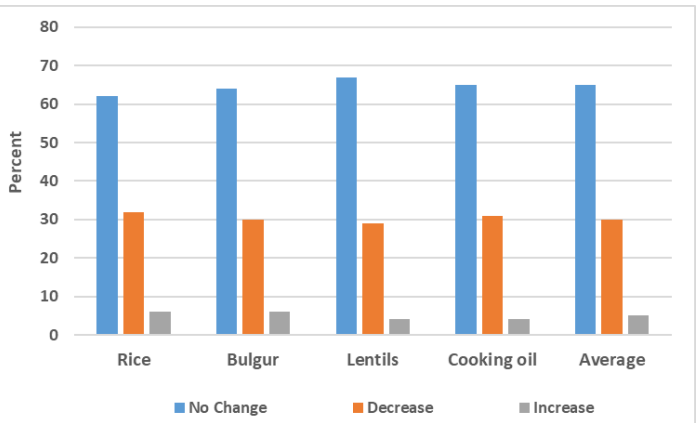


Source: WFP

When checking if traders across Lattakia Governorate would increase prices if they were to increase their supply levels by 25%, again a vast majority (over 60%) of all interviewed traders across all assessed districts in Lattakia Governorate reported they would keep prices the same for all commodities (Figure 12). A further 30% of traders reported that they would even decrease prices if they were to increase their supply levels by 25% due to economies of scale which would be generated where transport and supplier purchasing costs would fall overall when buying in bulk.

In Syria where prices of many goods have on average across the country increased seven-fold due to the crisis, price stability is an important concern to have addressed. Consumer purchasing power is already very weak and further price increases would have a detrimental affect on the poorest and most vulnerable in society.

Figure 12: Percent of traders reporting if they would increase prices if demand the four food commodities would increase by 25%



Source: WFP

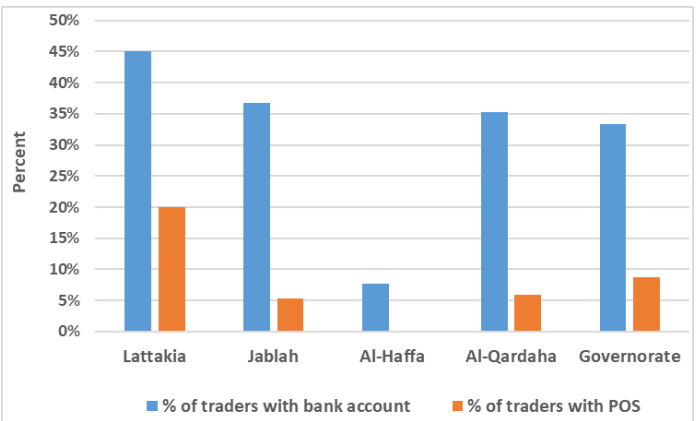


A key pre-requisite for market based interventions is that traders have a Point of Sale (POS) device through which transactions can be recorded in addition for the trader to own a bank account ensuring the trader can be refunded for their electronic card/ electronic voucher sales.

Figure 13 shows that not all traders have access to a bank account. In fact on average only a third of interviewed traders in Lattakia Governorate reported to have a bank account, with a high of 45% in Lattakia district to a low 7.7% in Al-Haffa district. Around 59% of wholesalers in Lattakia Governorate reported having a bank account, compared to 29.2% for medium sized traders and 21.4% of retailers.

For POS devices even fewer traders reported owning one. On average across the governorate only 8.7% of traders reported owning or using a POS with a high of 20% of traders in Lattakia district to a low 5% of traders in Jableh district. Highlighting a key area where investment and support would be required ahead of market based interventions such as e-vouchers or cash to ensure more traders set-up a bank account and are willing to use a POS.

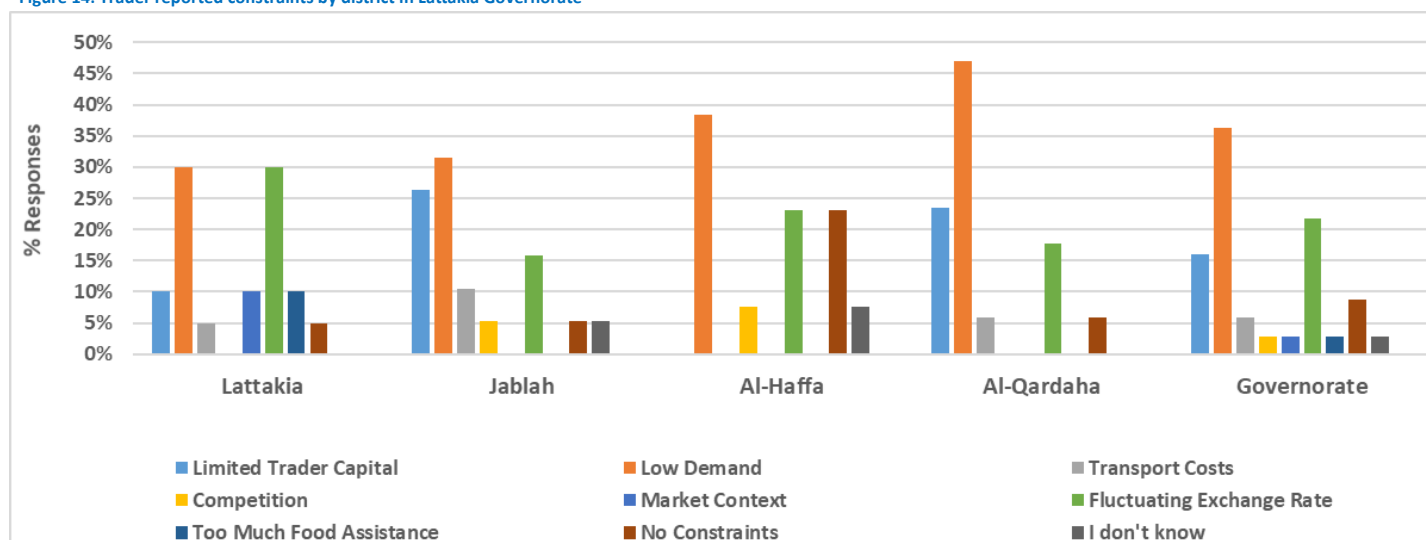
Figure 13: Percent of traders reporting if they have a bank account or POS system



Source: WFP

On average there were 2.5 check points between source and sale market in Lattakia Governorate. From an average 3.3 checkpoints in Jableh district to 0.8 in Lattakia district. The number of check points did lead to extra constraints for the trader, such as through greater taxation. The taxed amounts were marginal and it was generally acknowledged that the number of check points across the Governorate was reducing.

Figure 14: Trader reported constraints by district in Lattakia Governorate



Source: WFP

Traders in Syria are dealing with a number of difficulties. Figure 14 illustrates the top constraints to trade that traders in Lattakia Governorate reported facing. It comes as no surprise that low demand from consumers tops all constraint responses by district with an average of 36.2% at governorate level. Low demand groups together the following constraints: low demand from consumers, seasonal business, higher prices and clients' liquidity availability.

Syria's fluctuating exchange rate also appeared as an important constraint for traders across all districts, averaging 21.7% (over one in five traders) of traders' top constraints to trade.

Limited trader capital (15.9%), high transport costs (5.8%), market context (2.9%) too much competition (2.9%) and too much food aid (2.9%) were also mentioned by traders in their top constraint to trade. Market context issues refer to high tax payment, restricted trade policies, lack of electricity/power, and lack of casual labour.

It is interesting to note that no supply side constraints such as shortage of supply, lack/shortage of storage and poor road infrastructure were reported by the interviewed traders as top constraints to trade. Insecurity and theft constraints were also not mentioned.

When dividing the constraints by demand-side and supply side constraints, the only mentioned supply side constraints were the fluctuating exchange rate (21.7%) as traders import most of their food, and transport costs (5.8%), totaling 27.5% of all reported constraints. Instead by-and-large demand

constraints referred to the remaining 72.5% constraints. Of these limited trader capital, low demand and too much food assistance, totaling 55.1% of top traders' constraints to trade in Lattakia Governorate, are constraints which could be addressed through market based interventions.

Traders were also asked to explain how the conflict affected their trade over the last 5 years compared to pre-crisis levels. In particular traders were asked how the conflict affected their trade volumes, the number of customers and the level of competition from other traders (Table 7).

At Governorate level 50.7% of traders reported that the conflict reduced their trade volumes compared to pre-crisis levels and it also increased the level of competition (50.7%) as more people are engaged in trade due to lack of other employment opportunities. Even though more traders reported to receive fewer customers during the crisis (40.6%) this was very similar to the amount of traders who reported receiving more customers due to the crisis (37.7%).

In terms of districts Lattakia district was the only district to report a high response to more trade in volume compared to the pre-crisis period (55%). A majority of traders in Lattakia district also reported more customers during the conflict period compared to pre-crisis (60%). This trend is likely due to the high number of IDPs in Lattakia district, compared to other districts in the Governorate.

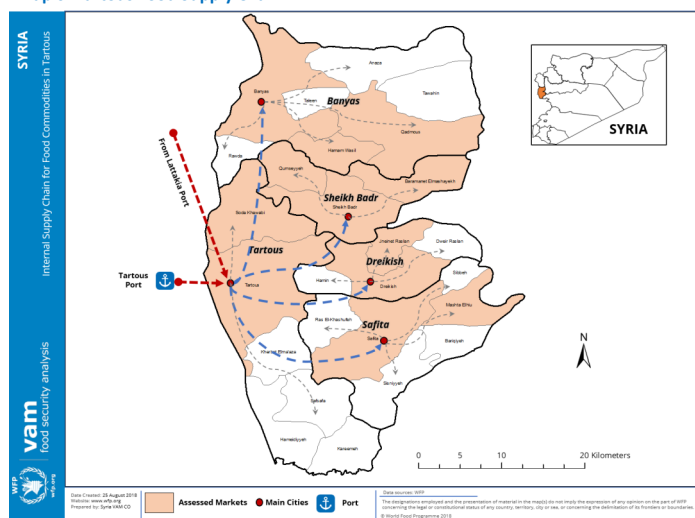
Table 7: Traders report on how the conflict has affected their trade

District	Trade volume			Customers			Competition		
	More trade in volumes	Less trade in volumes	No change	More customers	Less customers	No change	More competition	Less competition	No change
Lattakia	57.9%	36.8%	5.3%	66.7%	22.2%	11.1%	52.9%	17.6%	29.5%
Jablah	22.2%	61.1%	16.7%	31.6%	47.4%	21.1%	66.7%	5.6%	27.8%
Al-Haffa	15.4%	76.9%	7.7%	25%	75%	0%	66.7%	16.7%	16.7%
Al-Qardaha	26.7%	46.7%	26.7%	35.7%	42.9%	21.4%	46.2%	15.4%	38.5%
Governorate	32.3%	53.8%	13.8%	41.3%	44.4%	14.3%	58.3%	13.3%	28.3%

Source: WFP

Section 5: Tartous Key Findings

Map 6: Tartous Food Supply Chain



Tartous is located in Syria's western most point bordering Lebanon to the South, the Mediterranean Sea to the west and the governorates of Lattakia, Hama and Homs to the north, east and south-east, respectively.

Even though agriculture production is a key livelihood activity for the Governorate (citrus fruit production, olive tree cultivation and greenhouses for vegetables), Tartous is also a renowned industrial hub for Syria with petrol refineries, cement and tobacco factories. Also since the start of the conflict many small factories from Aleppo moved to Tartous.

Tartous is Syria's largest port. It is the main port for importing wheat, sugar, barely and salt into Syria. The port also imports rice, corn and soya and it exports phosphate. Like Lattakia, trade to Tartous' port has reportedly doubled in 2016—2018 compared to 2013—2015 levels. Nevertheless, trade remains about half pre-crisis levels mainly due to the international bans/restrictions. Also imposed fees (such as reconstruction fees, war effort fees and scanner fees) are affecting trade into the country.

Table 8: Average MT trade per trader type by commodity across Lattakia Governorate

District		Average rice MT trade per month		Average bulgur MT trade per month		Average lentils MT trade per month		Average vegetable oil MT trade per month	
		April-Sept 2018	Oct 18 - March 2019	April-Sept 2018	Oct 18 - March 2019	April-Sept 2018	Oct 18 - March 2019	April-Sept 2018	Oct 18 - March 2019
Tartous	Wholesaler	25.6	27.2	16.16	17.76	7.76	9.36	28.56	33.36
	Medium Vendor	1.9	2	1.1	1.2	0.9	1	1.05	1.15
	Retailer	0.14	0.14	0.2	0.2	0.15	0.14	0.18	0.27
Banyas	Wholesaler	13.3	10.67	6	6	4.67	4.67	4.67	4.67
	Medium Vendor	1.1	1.1	0.99	1.04	0.79	0.88	0.68	0.71
	Retailer	0.1	0.11	0.08	0.09	0.2	0.21	0.1	6.77
Safita	Wholesaler	4.67	4.67	2.93	2.93	2.6	2.6	6.93	6.93
	Medium Vendor	0.92	0.88	0.68	0.66	0.7	0.65	1.26	1.3
	Retailer	0.09	0.06	0.06	0.06	0.05	0.05	0.07	0.07
Dreikish	Wholesaler	NA	NA	NA	NA	NA	NA	NA	NA
	Medium Vendor	1.33	1.33	1.66	1.78	0.84	0.87	0.92	1.03
	Retailer	0.06	0.08	0.11	0.12	0.34	0.34	0.07	0.07
Sheikh Badr	Wholesaler	8	12	2	4	1.8	2.4	1.6	1.6
	Medium Vendor	1.6	1.6	1.5	1.3	1.18	1.05	1.29	1.03
	Retailer	0.14	0.14	0.08	0.09	0.1	0.11	0.17	0.17
Governorate	Wholesaler	15.83	16.17	9.13	9.97	5.44	6.22	14.93	16.93
	Medium Vendor	1.32	1.33	1.24	1.27	0.88	0.89	1	1
	Retailer	0.11	0.11	0.1	0.11	0.11	0.11	0.11	0.13



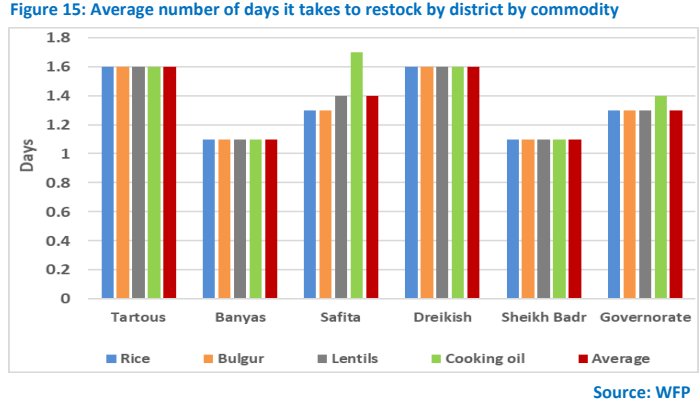
Traders across Tartous reported receiving much of their rice, lentils and vegetable oil as imports through the ports of Tartous and Lattakia. Like Lattakia bulgur was mostly of local production. The southern districts of Tartous also saw Lebanese commodities in the markets. Map 6 shows how food flows from source markets like the ports of Tartous and Lattakia to Tartous city, the main city in the governorate and where 42% of wholesalers in the governorate reside. Like in Lattakia these are also the wholesalers with largest trade capacity. From Tartous city, food trade flows in-land to the main district cities such as Safita and Banyas to then disperse to shops in the smaller towns and villages in the district.

Table 8 below, highlights the average capacity of traders to trade in one of the four commodities: rice, bulgur, lentils and vegetable. The table highlights the higher trader capacity, especially at wholesale level, of Tartous and Banyas districts compared to the others. The table also highlights the relatively stable quantities of trade across different seasons in a year, hence showing consumer dependence on markets all year-round as well as the important role markets play in Syria. Trade in rice and vegetable oil is also much higher than

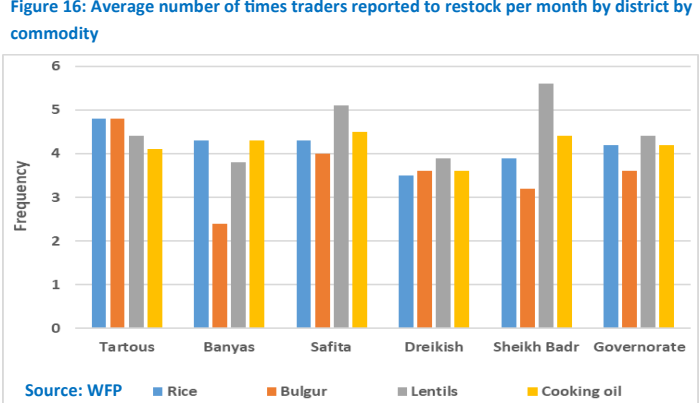
bulgur and lentils which is similar to Lattakia trends, hence showing people's increased demand and preference for rice and vegetable oil than bulgur and lentils.

Tartous has a very good road network. It has one of the best maintained highways in the country which is used to transport heavy traffic bringing goods from the port to in-land governorates and vice-versa. Tartous also has a well-established web of small roads connecting countryside villages with main cities. The governorate was not directly affected by the conflict, hence infrastructure has remained in good condition.

Traders across all trade categories and districts in Tartous confirmed that they can restock the main food items within two days from making the call to their supplier (Figure 15). Hereby confirming commodities can be quickly and readily brought to the market within a couple of days' notice at most and highlighting the strength of their trade and supply networks. Stock shortage and its possible knock-on effect on increasing commodity price levels seems limited.



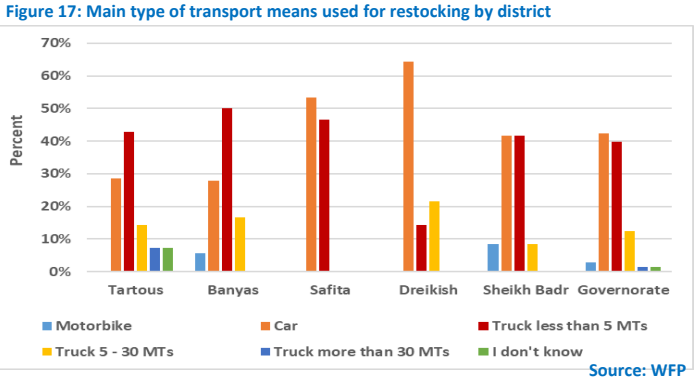
On average traders restock on a weekly basis (Figure 16). The graph shows that restocking frequency depends on the type of commodity, with rice, lentils and cooking oil being the main commodities traders restock more frequently, highlighting that these commodities are the ones most demanded and consumed. Unlike Lattakia Governorate, traders across Tartous Governorate restocked more on lentils and less on bulgur highlighting possible difference in culinary habits.



The high restocking frequency is likely related to the relative small transport capacity traders have for restocking. Traders in Tartous depended a lot more on cars for transporting goods in addition to considerable use of small trucks with less

than 5MT holding capacity (Figure 17). Together these constituted more than 80% of trader transport means in the governorate with trucks over 30MTs covering a further 12.3% and motorbikes 2.7%. Use of cars was more prominent in less urban districts such as Safita, Dreikish and Sheikh Badr districts. Instead more urban districts such as Tartous and Banyas showed greater use of small trucks.

Commodity transport capacity is an important component assessing market functionality. The preference on cars for transporting goods especially in Dreikish district highlights that were market based interventions implemented in this district, extra attention would need to be placed in ensuring traders have access to adequate sized trucks to move the required amount of goods to meet demand.



Moving on to storage structure in Tartous Governorate, Figure 18 below, shows that over 60% of interviewed traders store their commodities in a warehouse, of which 57.5% reported storing their commodities in their own warehouse. While nearly 40% reported storing their goods in their shop. Many more traders in Tartous Governorate reported using a warehouse than in Lattakia highlighting Tartous traders' greater need for and access to storage facilities and also confirming Tartous as an important trade hub for the country.

At district level, all districts showed good storage structure frameworks with all interviewed traders reporting storing goods in warehouses or in their shop. The main district cities such as Tartous city, Banyas city and Safita city held greatest storage capacity in their district. Highlighting that due to better infrastructure traders in these main district cities will be key actors facilitating the set-up and implementation of market based interventions.

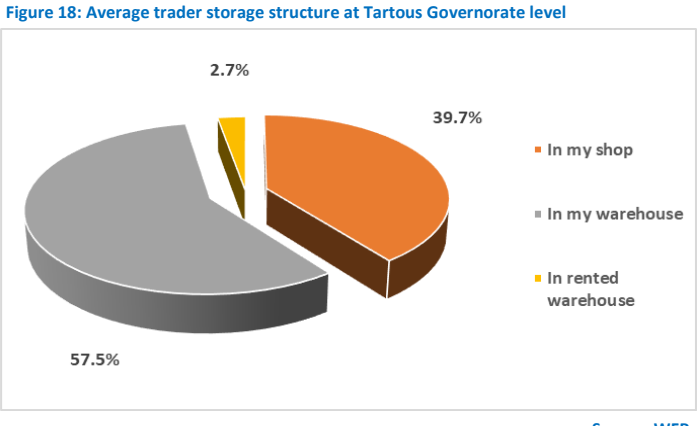


Table 9: Average available and used storage capacity by trader type and district in Tartous Governorate

District	Trader Type	Average storage capacity (MT) per trader	Average active storage at the moment of the survey (MT)	Average used storage capacity at the moment of the survey (%)
Tartous	Wholesaler	314	38.8	12.4%
	Medium Vendor	18.8	5.4	28.8%
	Retailer	3.9	1.0	25.8%
Banyas	Wholesaler	45.0	7.3	16.2%
	Medium Vendor	21.3	4.2	19.7%
	Retailer	10.9	1.8	16.5%
Safita	Wholesaler	86.7	2.8	3.2%
	Medium Vendor	40.3	1.9	4.7%
	Retailer	1.4	0.3	22.2%
Dreikish	Wholesaler	NA	NA	NA
	Medium Vendor	6.7	3.5	52.2%
	Retailer	2.8	0.6	21.8%
Sheikh Badr	Wholesaler	100.0	2.0	2.0%
	Medium Vendor	29.5	1.5	5.1%
	Retailer	3.6	0.3	8.3%
Governorate	Wholesaler	386.3	50.9	9.3%
	Medium Vendor	116.6	16.5	14.2%
	Retailer	22.5	4.0	17.8%

Source: WFP

Similar to Lattakia Governorate, analysis of total storage capacity and used storage capacity at the time of the survey also showed how on average traders across Tartous Governorate are operating well-below capacity. Table 9 shows that across all types of traders and across all districts in the Governorate, there is ample availability of storage. Interviewed traders reported to be on average using less than 20% of their total holding capacity. Only in Dreikish district did medium vendors report to be on average using 52.2% of their available storage capacity. This is likely due to the lack of wholesalers in the district and therefore medium vendors are filling the trade gap.

The fact that Tartous Governorate on average reports double used storage capacity levels than Lattakia Governorate indicates the greater volume of trade which takes place in this southern coastal governorate. Nonetheless, there is ample storage capacity to be made use of in Tartous Governorate which highlights how much consumers are being affected by limited purchasing power and how much traders are also being affected by operating at well-below optimal capacity levels. A market based intervention would be key in addressing the trader and consumer liquidity shortfalls and storage is available.

The FSA-FSLA 2017 found 21.6% (179,257 people) of Tartous' population to be food insecure. Table 10 shows the breakdown by district. Total food requirements for the food insecure are given by week. WFP's reference food basket of

1,930 kcal a day was used to calculate the food requirements. The basket per person for a period covering 7.5 days includes 1.85 kg of bread, 0.95 kg rice, 0.95 kg lentils, 0.25 kg of sugar, and 0.35 kg of vegetable oil.

For all assessed districts in Tartous Governorate Table 10 shows that all districts have adequate storage capacity to meet weekly MT food needs of the food insecure people residing in the respective district.

The weekly food needs of the food insecure people in Tartous district (91,771) would only take up 23.3% of the district's estimated total available storage capacity with a further 13.6% taken up by normal trade. Hereby leaving around 60% of available storage free for further trade. For Banyas total used storage capacity would be 23.4%, while for Safita around 14.6% of total storage would be used and for Sheikh Badr 12.6% of total storage capacity would be used up leaving around 85% capacity free for further trade. Low levels of used-up trade capacity in Banyas, Safita and Sheikh Badr is down to the low numbers of IDPs present in these districts and the district's ample storage capacity.

Only for Dreikish was storage capacity a constraint as 109% of storage capacity would be used up if it was to operate at current levels adding on top also the food need requirements of the food insecure in the district. Clearly new storage would have to be identified were market based interventions to be used to support all food insecure people in this district.

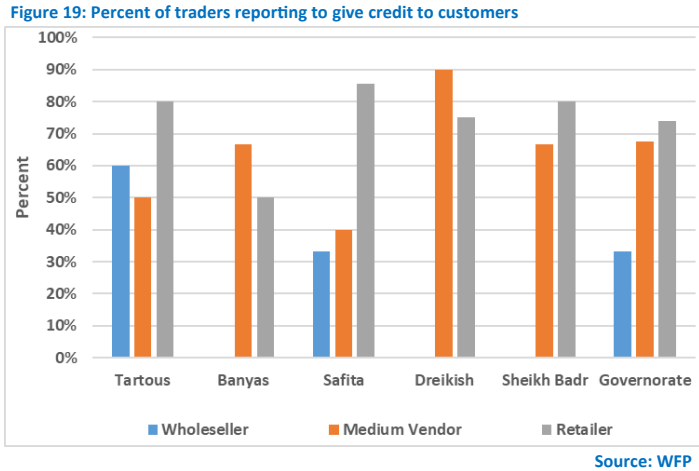
Table 10: District holding capacity compared to number of food insecure by district

District	Population by District (OCHA 2018)	Number of poor FSA/FSLA 2017 (number of people found to be food insecure in district)	% of total population by district who are food insecure	Total required MT per district per week for all food insecure pop. per district	Total estimated storage capacity by district (MT)	Food insecure population food requirement per week as % of district storage capacity
Tartous	403,784	100,350	24.9%	436.5	1,875.7	23.3%
Banyas	162,435	11,921	7.3%	51.9	966.3	5.4%
Safita	129,361	41,673	32.2%	181.3	1,813.3	10.0%
Dreikish	70,938	19,699	27.8%	85.7	129.6	66.1%
Sheikh Badr	65,004	6,236	9.6%	27.1	331.5	8.2%

Source: WFP

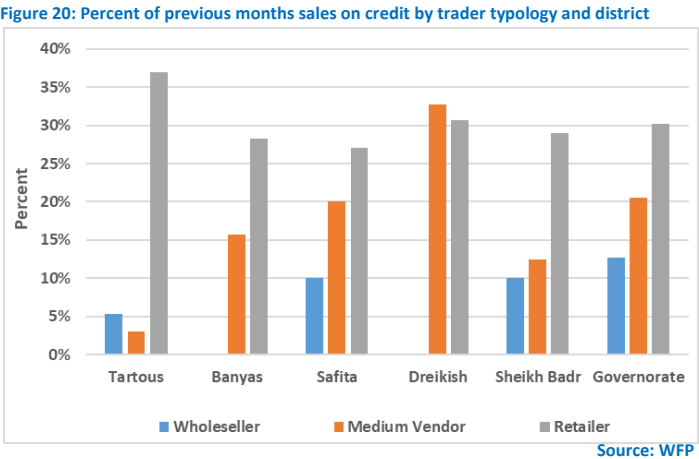
Limited customer purchasing power is a prime way the crisis has affected Syrians. Limited purchasing power reduces the amount and variety as well as quality of produce people can buy. It also heavily affects traders as falling consumer demand directly affects investment in the trading sector and the local economy.

A vast majority of retailers (74.1%) and medium sized traders (67.6%) across all districts in Tartous reported providing credit (Figure 19). Also a third (33.3%) of wholesalers reported the same. On average 12.7% of wholesalers sales (March 2018) were reported to be on credit. This is a similar trend as observed in Lattakia Governorate and clearly shows the degree to which Syria's economic sector is desperately in need of cash injections.

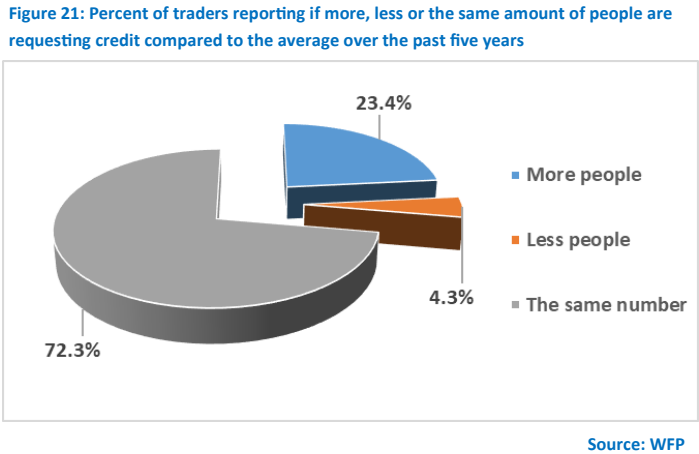


On average the wholesalers provided 12.7% of their previous month's sales on credit. This was 20.5% on average for medium sized traders and a high 30.2% of retailers across Tartous Governorate (Figure 20).

In some districts such as Dreikish medium sized traders reported to have provided on average a third of their previous month's sales on credit. This level was lower in Safita (20%), Banyas (15.7%), and Tartous (3%). Retailers in general provide higher levels of credit due to lower credit values. This was also observed to be true across Tartous Governorate with Tartous (37%), Dreikish (30.7%), Sheikh Badr (29%), Banyas (28.3%) and Safita (27.1%). The number of traders providing credit and the degree of credit provided was observed to be lower in Tartous than observed in Lattakia.

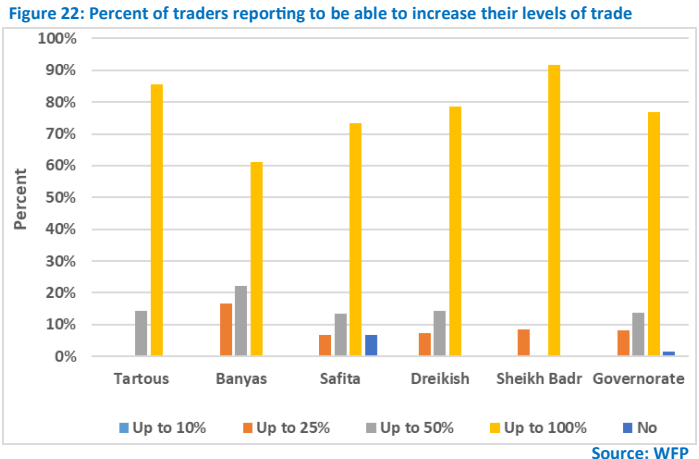


Traders were also asked if more, less or the same number of people were currently requesting credit than on average during the past five years. A vast majority of traders (72.3%) reported that overall the same number of people were asking for credit than before (Figure 21). Highlighting, that the situation has not changed much for many consumers. A further 23.4% of traders reported that they had observed an increase while only 4.3% of traders reported that less people were asking for credit than before. Figure 21 only shows the average by governorate, the breakdown by district within Tartous Governorate is very similar.

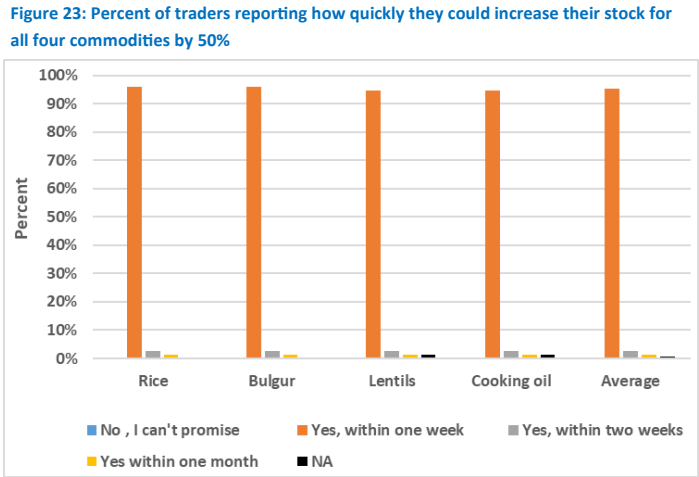


An overwhelming number of traders across Tartous Governorate and trader type reported being able to double their trade for all four commodities (rice, bulger, lentils and vegetable oil) without a problem (Figure 22). This is a similar trend to what was observed in Lattakia Governorate and it is a further confirmation that traders are being heavily affected by consumers' as well as their own low liquidity levels.

On average 76.7% of traders reported being able to double their trade levels. This ranged between a high 91.7% in Sheikh Badr district and a lower 61.1% in Banyas district with an average 13.7% of trades at governorate level responding they could increase their sales by 50%. Around 8% of traders reported that they could increase their trade by 25% and 1.4% of traders could not increase their trade levels (Figure 22).

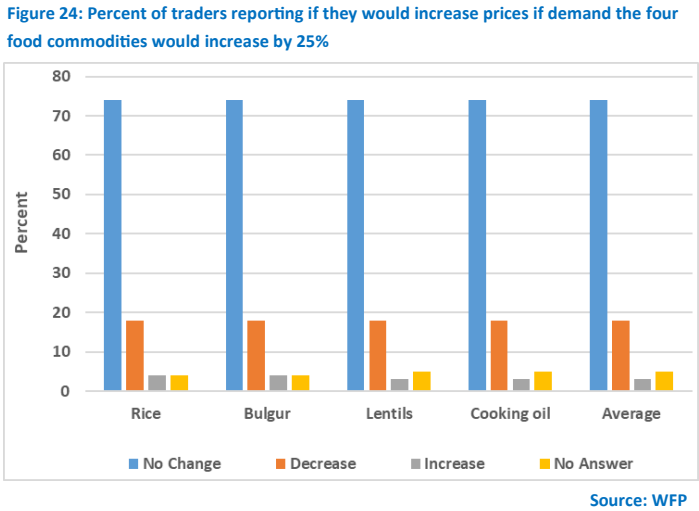


Similar to Lattakia Governorate, traders in Tartous Governorate reported that they could meet a 50% increase in demand within one week (Figure 23). This is in-line with the short number of days for a trader to restock (Figure 15 - page 23) as well as complementing Figure 22 which shows that traders are able to double their stock volumes without a problem. The below graph confirms Tartous Governorate traders' ability to respond to the required food needs.



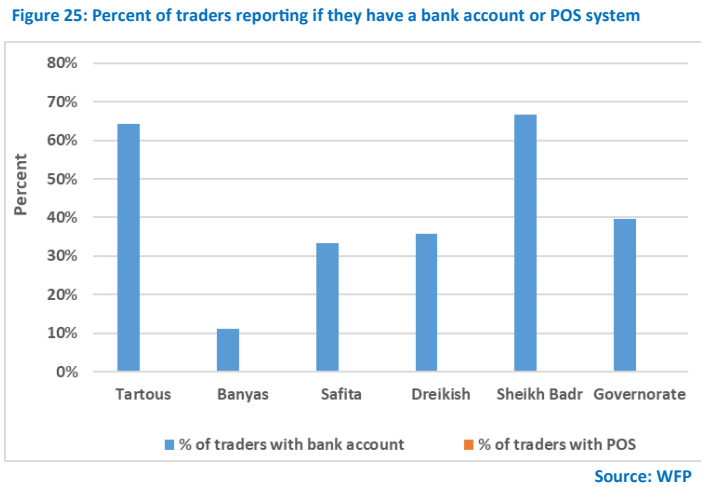
When checking if traders across Tartous Governorate would increase prices if they were to increase their supply levels by 25%, again a vast majority (over 70%) of all interviewed traders across all assessed districts in Tartous Governorate reported that they would keep prices the same for all commodities (Figure 24). A further 18% of traders reported to even decrease prices if they were to increase their supply levels by 25%. This is likely due to economies of scale where transport and supplier purchasing costs fall overall when buying in bulk.

In Syria where prices of many goods have on average increased seven-fold due to the conflict, price stability is an important concern to have addressed. Consumer purchasing power is already very weak and further price increases would have a detrimental affect on the poorest and most vulnerable in society, hence ensuring traders do not inflate prices artificially if a market based intervention would be set-up is important.



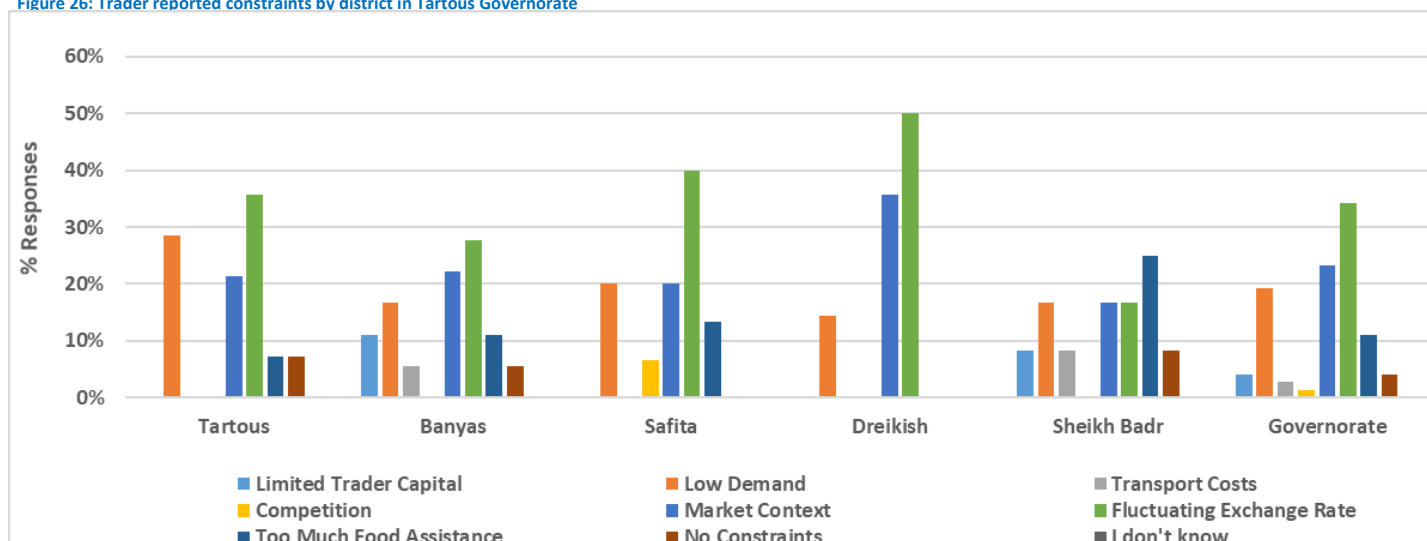
A key pre-requisite for market based interventions is that traders have a POS device through which transactions can be recorded. Figure 25 shows that unlike Lattakia Governorate but similar to Homs Governorate no traders reported having access to a POS device in Tartous Governorate, hereby meaning that this device would need to be purchased and provided ahead of a market based intervention.

Also in terms of bank account access, only 40% of traders reported to have access to a bank account. This is higher than Lattakia's 33% of traders but it still remains low and a possible constraint for a market based intervention. Nevertheless, 66.7% of traders in Sheikh Badr district and 64.3% of traders in Tartous district reported to have a bank account, indicating these districts as possible areas where to set-up a market based intervention. Moreover, around 61.5% of wholesalers in Tartous Governorate reported having a bank account, compared to 50% for medium-sized traders and 18.5% of retailers.



On average there were fewer reported check points between source and sale market in Tartous Governorate (average 1.3) than in Lattakia (average 2.5) and Homs (average 2.6). Across Tartous the breakdown ranged from an average 2 checkpoints in Banyas district to 0.5 in Dreikish district. The existence of check points did appear to lead to extra constraints to trade, such as taxation and time delays. The taxed amounts were marginal. Similar with the other governorates it was generally acknowledged that the number of check points across the Governorate was reducing overtime.

Figure 26: Trader reported constraints by district in Tartous Governorate



Source: WFP

Traders in Syria are dealing with a number of constraints. Figure 26 illustrates the top constraints to trade that traders in Tartous Governorate reported facing. Fluctuating exchange rate tops most constraint responses by district (with an average of 34.7% at governorate level), apart from Sheikh Badr district. The next top constraint across Tartous was reported to be market context at 23.3% of responses. Market context refers to high tax payment, restricted trade policies, lack of electricity/power, and lack of casual labour.

Interestingly a significant higher proportion of traders in Tartous Governorate have reported a fluctuating exchange rate and market context as their top constraint (58%) compared to traders in Lattakia (24.6%) and Homs (14.7%) Governorates. This much higher attention to these constraints likely highlights Tartous' greater engagement with imports and exports than traders in Lattakia and Tartous.

Low demand which groups together the following constraints: low demand from consumers, seasonal business, higher prices and clients' liquidity availability, was mentioned by 19.2% of traders in Tartous as their top constraint.

Too much food aid (11%), limited trader capital (4.1%), high transport costs (2.7%) and too much competition (1.4%) were also mentioned as traders' top constraints to trade. Also a further 4.1% of traders reported to not have any constraints.

Similar to Lattakia and Homs Governorates, no supply side constraints such as shortage of supply, lack/shortage of storage and poor road infrastructure were reported by the

interviewed traders as top constraints to trade. Also insecurity and theft constraints were also not mentioned.

When dividing the constraints by demand-side and supply side constraints, the only supply side constraints mentioned by interviewed traders in Tartous Governorate were fluctuating exchange rate (34.7%) and transport costs (2.7%), totaling 37.4% of all reported constraints. Instead by-and-large demand constraints refer to the remaining 62.6% of constraints. Of these limited trader capital, low demand and too much food assistance, totaling 34.4% of top traders' constraints to trade in Tartous Governorate, are constraints which could be addressed through market based interventions.

In terms of how the conflict affected traders' trade over the last 5 years compared to pre-crisis levels, 54.8% of traders across Tartous Governorate reported that the conflict reduced their trade volumes compared to pre-crisis levels. Even though most traders mentioned that the level of competition had remained unchanged (38.4%) over 56% of traders reported receiving fewer customers during the crisis period (Table 11).

In terms of districts, Tartous traders were evenly split at 36.4% on whether the crisis had led to their trade volumes to change or not. A majority of traders across all districts apart from Tartous, also reported fewer customers during the conflict period compared to pre-crisis (from 57% to 67%). Fewer customers will lead to lower revenues which will in-turn reduce the quantity and quality of produce traded.

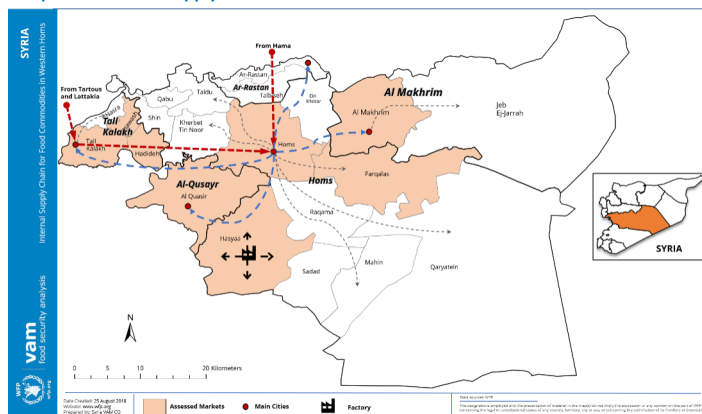
Table 11: Traders report on how the conflict has affected their trade

District	Trade volume			Customers			Competition		
	More trade in volumes	Less trade in volumes	No change	More customers	Less customers	No change	More competition	Less competition	No change
Tartous	27.3%	36.4%	36.4%	33.3%	41.7%	25%	25%	16.7%	58.3%
Banyas	5.6%	66.7%	27.8%	5.6%	66.7%	27.8%	43.8%	12.5%	43.8%
Safita	35.7%	57.1%	7.1%	33.3%	60.0%	6.7%	69.2%	15.4%	15.4%
Dreikish	14.3%	64.3%	21.4%	7.1%	57.1%	35.7%	7.1%	50.0%	42.9%
Sheikh Badr	8.3%	58.3%	33.3%	8.3%	58.3%	33.3%	36.4%	9.1%	54.5%
Governorate	17.4%	58%	24.6%	16.9%	57.7%	25.4%	36.4%	21.2%	42.4%

Source: WFP

Section 6: Homs Key Findings

Map 7: Homs Food Supply Chain



Homs is a governorate located in the centre of Syria. It is the largest governorate of the country by territory stretching from Syria's eastern border with Iraq to the country's western border with Lebanon. The governorate shares borders with five governorates and two countries: Hama to the north, Ar-Raqqa to the north-east, Deir-ez-Zor to the east, Iraq to the south-east, Rural Damascus to the south, Lebanon to the south-west and Tartous to the west. Due to its size and its strategic location, the governorate plays a central role in connecting different parts of the country.

Homs is home to a number of factories: vegetable oil and sugar processing plants, ghee factories, glass and heavy plastics factories. Nevertheless, due to its size and central location the governorate also has a number of agriculture depots and silos and also has important agriculture and livestock production. The eastern half of the governorate lies in the country's arid desert therefore over 90% of the population is located in the western part of the governorate.

Traders across Homs reported receiving much of their rice, and vegetable oil from wholesalers in Tartous and Lattakia. Lentils were of mixed origin as some were from local production while most were imported and bulgur was mostly sourced locally. The south-west districts of Homs also saw Lebanese commodities in the markets. Map 7 shows how food flows from source markets like the ports of Tartous and



Lattakia and from Aleppo and Hama to Homs city, the main city in the governorate where 50% of the governorate's wholesalers reside. These are also the wholesalers with largest trade capacity. From Homs city, food trade flows outward to the main district cities such as Tall-Kalakh and Al-Makhrim to then disperse further to retail shops in smaller towns and villages in the district. Due to the security situation it was not possible to visit districts in the north of Homs bordering Hama (Al-Rastan and Taldou) and the district to the east of Homs bordering Ar-Raqqa and Deir-ez-Zor (Tadmor).

Table 11 below, highlights the average capacity of traders to trade in one of the four assessed commodities: rice, bulgur, lentils and vegetable. The table illustrates the higher trader capacity in Homs and Tall Kalakh districts compared to Al-Makhrim and Al-Qusayr districts. The table also shows noticeable increases in trade in Homs district between seasons, highlighting the governorate's key role in facilitating trade during different periods of the year. Other districts in the governorate tend to have similar trade volumes throughout the year an indication of year-round consumer market dependence on trade.

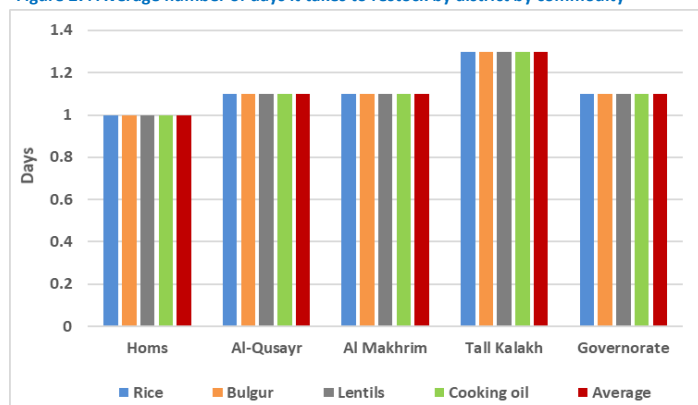
Table 11: Average MT trade per trader type by commodity across Homs Governorate

District		Average rice MT trade per month		Average bulgur MT trade per month		Average lentils MT trade per month		Average vegetable oil MT trade per month	
		April-Sept 2018	Oct 18 - March 2019	April-Sept 2018	Oct 18 - March 2019	April-Sept 2018	Oct 18 - March 2019	April-Sept 2018	Oct 18 - March 2019
Homs	Wholesaler	21.43	30.00	16.37	24.94	5.92	10.20	17.81	17.81
	Medium Vendor	1.21	1.52	1.07	1.27	0.23	0.38	1.18	1.10
	Retailer	0.14	0.14	0.08	0.08	0.24	0.08	0.54	0.54
Al-Qusayr	Wholesaler	NA	NA	NA	NA	NA	NA	NA	NA
	Medium Vendor	0.93	2.53	2.27	2.93	0.43	1.04	1.16	2.01
	Retailer	0.09	0.14	0.04	0.07	0.02	0.03	0.37	0.37
Al Makhrim	Wholesaler	4.67	4.00	4.87	5.53	2.07	3.07	14.67	13.33
	Medium Vendor	1.43	1.43	1.18	1.18	0.28	0.58	1.82	1.82
	Retailer	0.10	0.09	0.07	0.07	0.05	0.05	0.15	0.15
Tall Kalakh	Wholesaler	9.20	10.20	5.80	6.55	16.40	17.30	18.36	19.32
	Medium Vendor	1.48	1.72	0.84	1.05	0.48	0.66	1.98	1.73
	Retailer	0.12	0.12	0.09	0.09	0.03	0.04	0.17	0.17
Governorate	Wholesaler	14.34	18.77	10.89	15.53	8.71	10.70	17.26	17.24
	Medium Vendor	1.32	1.65	1.12	1.32	0.34	0.57	1.58	1.54
	Retailer	0.11	0.12	0.07	0.08	0.08	0.05	0.30	0.30

Being Syria's most central governorate means that Homs has an expansive road network connecting 'all corners' of the country. However, Homs was heavily affected by the conflict and to this day many areas remain difficult to reach and are still subject to fighting. Nevertheless, key road networks in the Governorate are operational especially after the Syrian Government and Kurdish forces retook Ar-Raqqa and Deir-ez-Zor, hereby reconnecting the country's east corridor with Homs. Road networks to Hama and Damascus from Homs have also improved as a result of the Syrian Government re-control of East-Ghouta and Rukban.

Traders across all trade categories and districts in Homs confirmed that they can restock the main food items within one day from making the call to their supplier (Figure 27). Hereby, confirming the speed and functionality of traders' supply networks. Lack of stock is not a concern for traders in Homs.

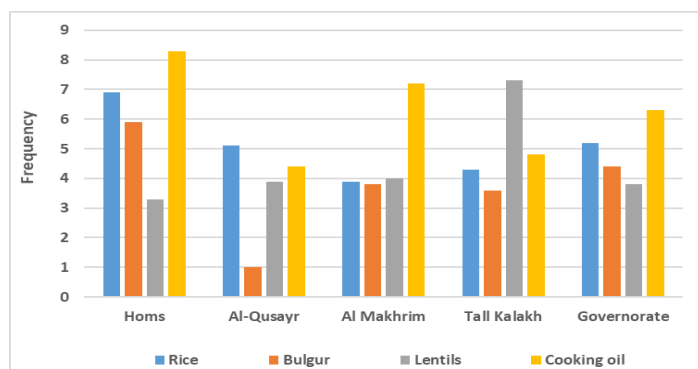
Figure 27: Average number of days it takes to restock by district by commodity



Source: WFP

On average traders across Homs Governorate restock on a weekly basis, with some traders in selected districts restocking twice a week (Figure 28). The below graph clearly shows that restocking frequency depends on the type of commodity, with rice, lentils and cooking oil being the main commodities traders restock more frequently, highlighting that these commodities are the ones most demanded and consumed. Bulgur restocking depends on the district, with high demand in Homs and low in Al-Qusayr.

Figure 28: Average number of times traders reported to restock per month by district by commodity

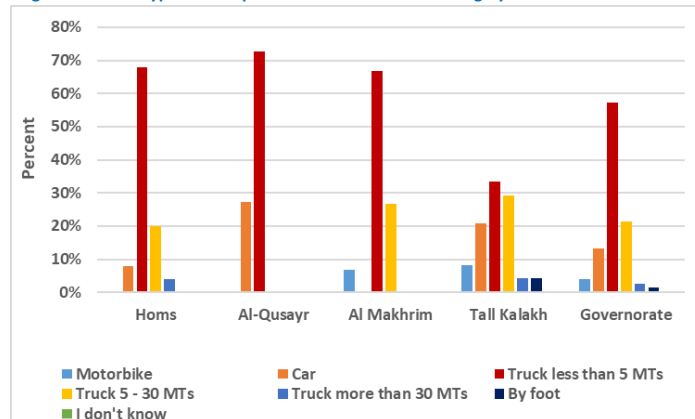


Source: WFP

The high restocking frequency in Homs district is likely related to the city's central location for trade across the country. Also small transport capacity can also be a reason especially for traders outside Homs district. Traders outside Homs district

depended more on cars for transporting goods. Nevertheless, as is visible from Figure 29 below, most traders use small trucks with less than 5MT holding capacity for their trade. Nearly 60% of traders in the governorate used small trucks for restocking followed by 21.3% using 5-30MTs trucks, 13.3% using cars, 4% motorbikes and 2.7% large trucks over 30MTs.

Figure 29: Main type of transport means used for restocking by district



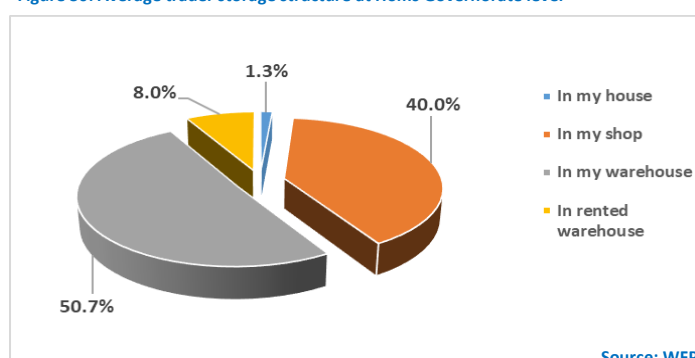
Source: WFP

Larger urban cities of Homs and Tall Kalakh reported a greater use of larger trucks. These are also urban areas with strategic network links as Homs has road networks connecting to all areas of Syria while Tall Kalakh is located on the western most district of Homs Governorate, trading frequently with Tartous and Lebanon. As seen in Table 11 on the previous page, these districts reported the largest trade volumes year-in-year-out.

Moving on to storage structure. Figure 30 illustrates that 58.7% of interviewed traders stored their commodities in a warehouse, of which 50.7% in their own warehouse. A further 40% reported storing their goods in their shop and only 1.3% reported using their house as storage. The same number of traders in Homs and Tartous Governorates reported using a warehouse. This was around 15% more than in Lattakia, highlighting Homs and Tartous traders' greater need for and access to storage facilities and also confirming these two governorates as important trade hubs.

At district level, all districts in Homs showed good storage structure frameworks with all interviewed traders reporting storing goods in warehouses or in their shop. The only exception was Al-Qusayr where only 20% of traders stored goods in warehouses and a vast majority (72.7%) stored goods in their shop.

Figure 30: Average trader storage structure at Homs Governorate level



Source: WFP

Table 12: Average available and used storage capacity by trader type and district in Tartous Governorate

District	Trader Type	Average storage capacity (MT)	Average active storage at the moment of the survey (MT)	Average used storage capacity at the moment of the survey (%)
Homs	Wholesaler	408.6	44.6	10.9%
	Medium Vendor	10.5	1.0	9.5%
	Retailer	5.5	0.9	16.3%
Al-Qusayr	Wholesaler	NA	NA	NA
	Medium Vendor	8.3	1.8	21.7%
	Retailer	1.5	0.2	13.2%
Al Makhrim	Wholesaler	250.0	3.1	1.2%
	Medium Vendor	11.0	1.9	17.3%
	Retailer	1.8	0.3	16.7%
Tall Kalakh	Wholesaler	53.8	25.8	48.0%
	Medium Vendor	12.6	0.9	7.1%
	Retailer	2.1	0.3	14.3%
Governorate	Wholesaler	712.4	73.50	10.3%
	Medium Vendor	42.43	5.60	13.2%
	Retailer	10.95	1.70	15.5%

Source: WFP

Similar to Lattakia and Tartous Governorates, analysis of total storage capacity and used storage capacity at the time of the survey also showed how on average traders across Homs Governorate are operating well-below capacity. Table 12 shows that there is ample availability of storage across all types of traders and across all districts in the Governorate. Interviewed traders reported on average using less than 20% of their total holding capacity. Only wholesalers in Tall Kalakh district reported higher storage capacity being used (48%).

Traders in Homs Governorate on average reported double storage capacity levels than Lattakia and they are at par with trader's in Tartous. There is ample storage capacity to be made use of across Homs Governorate especially in Homs district. The low levels of used storage capacity across Homs Governorate highlight the extent at which consumers are being affected by their limited purchasing power and how much traders are also being affected by operating at well-below optimal capacity levels. Many traders in Homs reported having empty warehouses due to low levels of consumer demand.

The FSA-FSLA 2017 found 18.3% (258,740 people) of Homs Governorate's population to be food insecure. Table 12 shows the breakdown by district. Total food requirements for the food insecure are given by week. WFP's reference food basket of 1,930 kcal a day was used to calculate the food requirements. The basket per person for a period covering 7.5 days includes 1.85 kg of bread, 0.95 kg rice, 0.95 kg lentils, 0.25 kg of sugar, and 0.35 kg of vegetable oil.

For all assessed districts in Homs Governorate Table 13 shows that all districts have adequate storage capacity to meet weekly MT food needs of the food insecure people residing in the respective district.

Due to the relatively high number of IDPs and vulnerable households residing in Homs the district has double the food needs of Lattakia district and just under double the food needs of Tartous district. Nevertheless, due to ample storage availability the weekly food needs of the food insecure people in Homs district (185,736) would only take-up 26.5% of the district's estimated total available storage capacity with a further 11% taken-up by normal trade (Table 12). Hereby, leaving around 60% of available storage free for further trade. For Tall-Kalakh total used storage capacity would be 61.4%, while for Al-Qusayr around 20.8% of total estimated storage would be used and for Al-Makhrim 6.4% of total estimated storage capacity would be used-up, leaving around 90% capacity free for further trade. Low levels of used-up trade capacity in Al-Qusayr and Al-Makhrim is down to the low numbers of IDPs present in these districts and regarding Homs district, the low levels are related to the district's ample storage capacity.

Only for Tall-Kalakh was storage capacity a possible constraint as 61.4% of estimated storage capacity would be used-up if it was to operate at current levels adding on top also the food insecure food need requirements. Nevertheless, as long as restocking is undertaken frequently, which is not a problem for traders in Tall-Kalakh (see Figure 27 on the previous page), increased demand should not be exceeding available supply.

Table 13: District holding capacity compared to number of food insecure by district

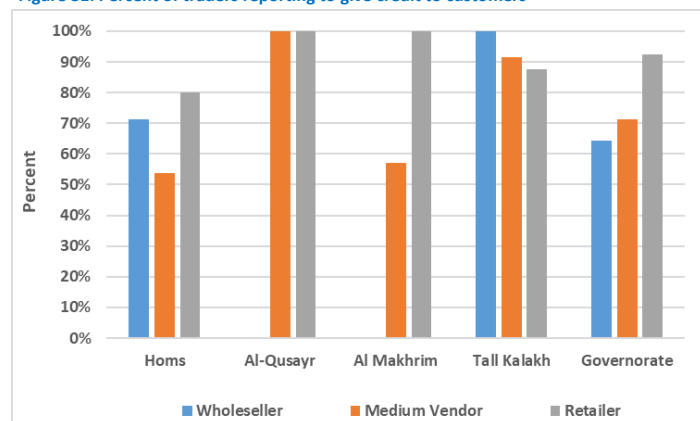
District	Population by District (OCHA 2018)	Number of poor FSA/ FSLA 2017 (number of people found to be food insecure in district)	% of total people by district who are food insecure	Total required MT per district per week for all food insecure pop. per district	Total estimated storage capacity by district (MT)	Food insecure pop. food requirement per week as % of storage capacity by district
Homs	917,479	185,736	20.2%	808.0	3054.1	26.5%
Al-Qusayr	63,983	0	0.0%	0.0	110.7	0.0%
Al Makhrim	66,175	7,907	11.9%	34.4	1,126.7	3.1%
Tall Kalakh	182,009	21,417	11.8%	93.2	308.3	30.2%

Source: WFP

The crisis has heavily impacted Syrian's purchasing power as many Syrians are unemployed and the national currency has been heavily devalued. Food prices increased by over ten-fold at its peak and now still stands at 7 times higher than pre-crisis levels. On average Syrians are buying fewer goods and selecting goods of lower quality than before the crisis. Consumers' lower purchasing power also affects traders as falling consumer demand directly affects investment in the food sector and the local economy.

A vast majority of retailers (92.3%), medium sized traders (67.6%) and wholesalers (64.3%) across all districts in Homs reported providing credit (Figure 31). This is a higher trend than observed in Lattakia and Tartus Governorates and likely shows the added vulnerability of consumers and traders alike as this governorate was more directly impacted by the conflict.

Figure 31: Percent of traders reporting to give credit to customers

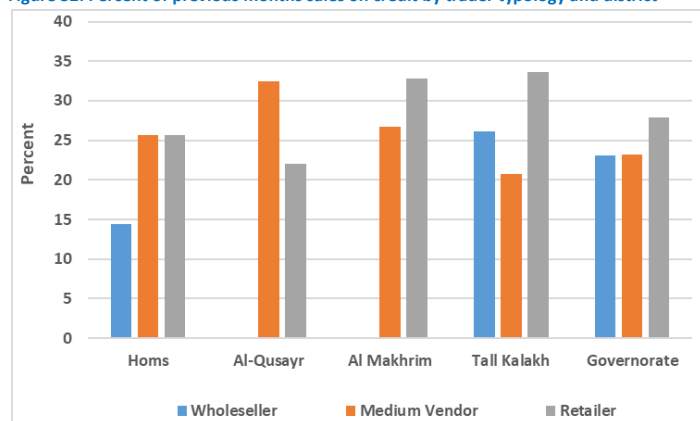


Source: WFP

On average 23.1% of wholesalers' previous month's sales (March 2018) were reported to be on credit, double the levels reported in Tartous and at par with Lattakia wholesalers (Figure 31). This was 23.2% for medium sized traders and 27.8% for retailers across Homs Governorate, at par with levels in Lattakia and Tartous.

In Tall Kalakh wholesalers reported providing 26.1% of their previous month's sales on credit while retailers mentioned to be providing on average 33.6% of their previous month's sales on credit. The level of wholesaler credit in Tartous was lower, 14.4% of their previous month's sales. Therefore, the levels

Figure 32: Percent of previous months sales on credit by trader typology and district

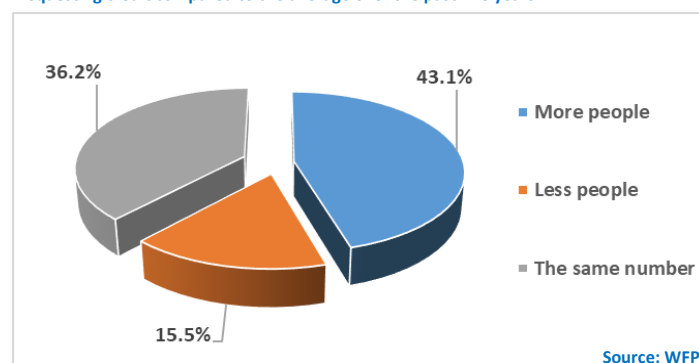


Source: WFP

reported in Tall Kalakh are unusual as wholesalers operate on higher volumes and therefore usually do not provide credit. The fact wholesalers do provide credit bringing increased levels of risk is synonymous with the financial stimulus the private sector in Syria requires. Retailers in general provide higher levels of credit due to lower values. This was also true across Homs Governorate with Tall-Kalakh (33.6%), Al-Makhrim (32.8%), Homs (25.6%) and Al-Qusayr (22%).

A large majority of traders (79.3%) reported that overall the same number or more people were asking for credit than before (Figure 33). Highlighting, that the situation has not changed much for many consumers. Only 15.5% of traders reported that less people were asking for credit than before. The breakdown by district within Homs Governorate is very similar with the only exception being Al-Qusayr district where 36.4% of traders reported fewer people requesting credit.

Figure 33: Percent of traders reporting if more, less or the same amount of people are requesting credit compared to the average over the past five years

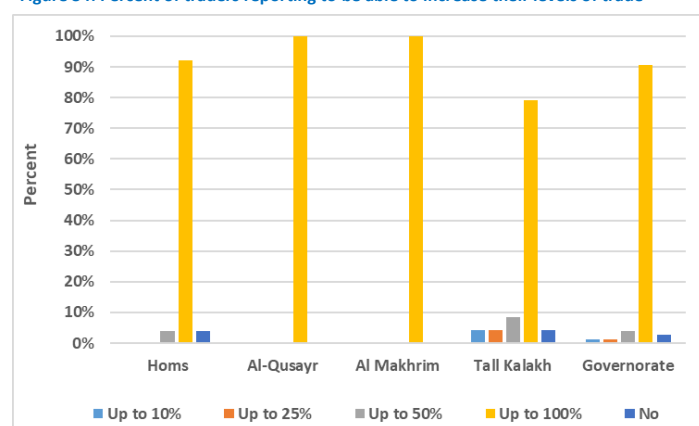


Source: WFP

An overwhelming number of traders across Homs Governorate and trader type reported being able to double their trade for all four assessed commodities (rice, bulger, lentils and vegetable oil) without a problem (Figure 34).

On average 90.7% of traders reported being able to double their trade levels. This was a high 100% in Al-Qusayr and Al-Makhrim districts, and a lower but still high 92% in Homs and 79.2% in Tall Kalakh districts. These are even higher levels than those observed in Lattakia (81.2% of traders) and Tartous (76.7% of traders), highlighting the lower trade volumes traders in Homs are operating at compared to their capacity.

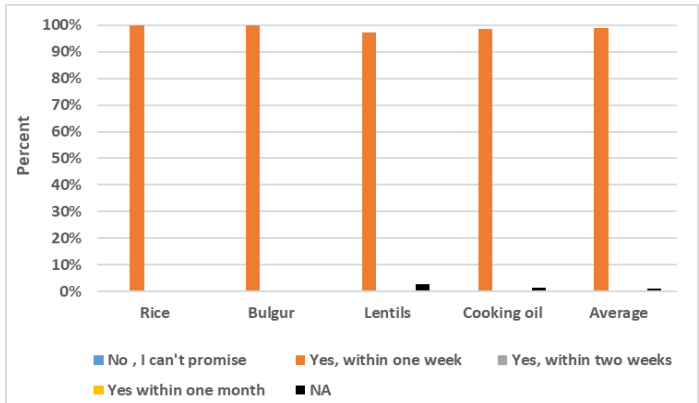
Figure 34: Percent of traders reporting to be able to increase their levels of trade



Source: WFP

In-line with responses from traders in Lattakia and Tartous Governorates, nearly all traders in Homs Governorate (99%) reported that they could meet a 50% increase in demand within one week for all assessed food items (rice, bulgur, lentils and vegetable oil). The below graph confirms Homs Governorate traders' ability to respond to the required increase in demand (Figure 35).

Figure 35: Percent of traders reporting how quickly they could increase their stock for all four commodities by 50%

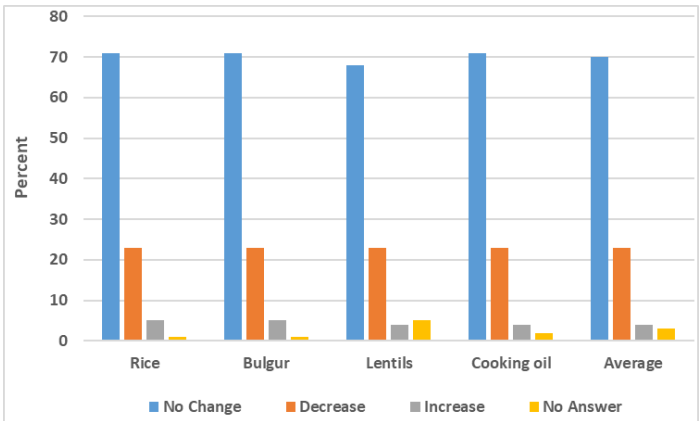


Source: WFP

Prices of many goods in Syria have on average increased seven-fold due to the conflict. Ensuring market based interventions do not fuel further price increases is important. Consumer purchasing power is already very weak and further price increases would have a detrimental affect on the poorest and most vulnerable in society, hence ensuring traders do not inflate prices artificially if a market based intervention would be set-up is essential to ensure our interventions do not cause unwarranted side-effects.

Similar to levels seen across Lattakia and Tartous Governorates, a vast majority (70%) of all interviewed traders across all assessed districts in Homs Governorate reported that they would keep prices the same for all commodities if demand increased by 25% (Figure 36). A further 23% of traders reported to even decrease prices if they were to increase their supply levels by 25%. Confirming that many traders are dealing with low demand and would have no problem increasing their supply levels.

Figure 36: Percent of traders reporting if they would increase prices if demand the four food commodities would increase by 25%

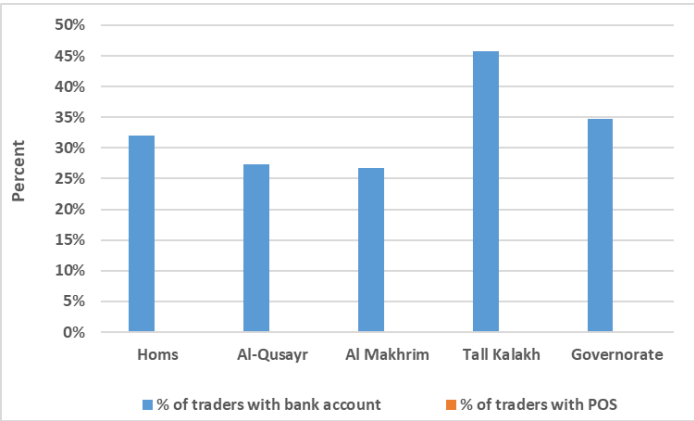


Source: WFP



A key pre-requisite for market based interventions is that traders have a POS device through which transactions can be recorded. Figure 37 shows that unlike Lattakia Governorate but similar to Tartous Governorate no traders have a POS in Homs Governorate, hereby meaning that this device would need to be purchased and provided ahead of a market based intervention.

Figure 37: Percent of traders reporting if they have a bank account or POS system



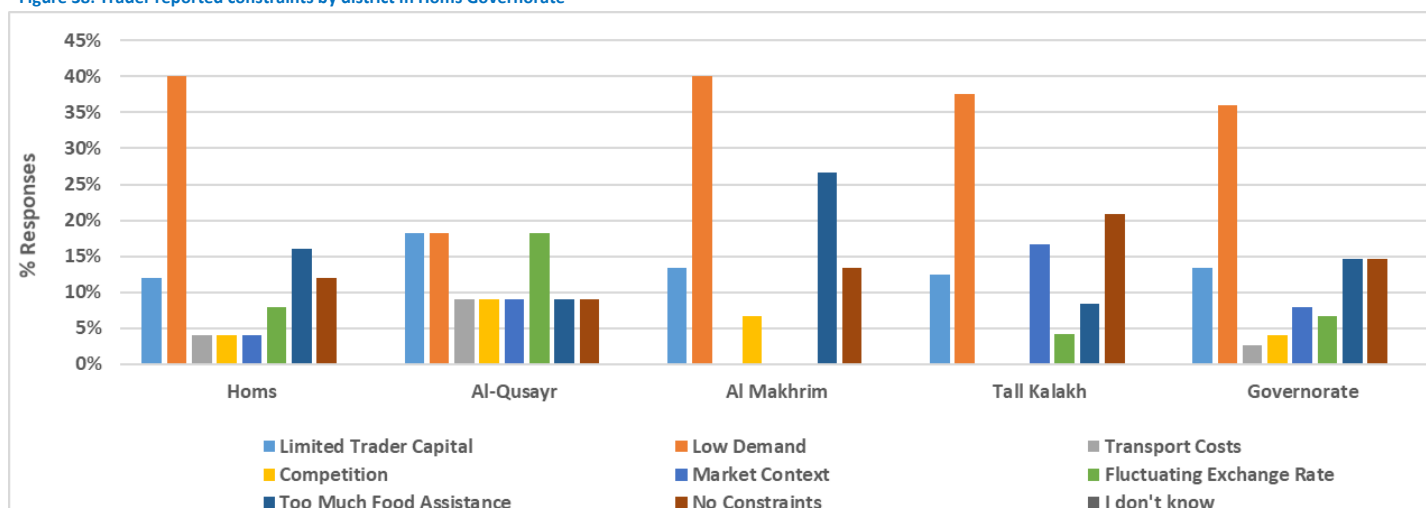
Source: WFP

Only 34.7% of traders in Homs Governorate reported to have access to a bank account. This is low and it highlights a possible constraint for the implementation of market based interventions. Nevertheless, 45.8% of traders in Tall Kalakh district reported to have a bank account, indicating this district as a possible district where to set-up a market based intervention. Moreover, around 64% of wholesalers in Homs Governorate reported having a bank account, compared to 28.6% for medium sized traders and 26.9% of retailers.

On average there were 2.6 checkpoints between source and sale markets across Homs Governorate. This was the highest number of checkpoints out of the 3 governorates assessed (Lattakia 2.5 and Homs 1.3). Across Homs the breakdown ranged from an average 2.1 checkpoints in Al-Qusayr district to 3.7 in Al-Makhrim district.

The existence of check points did appear to lead to extra constraints to trade, such as taxation and time delays. The taxed amounts were marginal and in-line with the other governorates. Furthermore, it was generally acknowledged that the number of check points across the Governorate was also reducing.

Figure 38: Trader reported constraints by district in Homs Governorate



Source: WFP

Traders in Syria are dealing with a number of constraints. Figure 38 illustrates the top constraints to trade that traders in Homs Governorate reported facing. Interestingly much fewer traders reported a fluctuating exchange rate as their top constraint (6.7% of traders) in Homs than in Lattakia (21.7%) and Tartous (34.2%) possibly highlighting that traders in Homs are not directly dealing with importing food items. Instead low demand from consumers tops all constraint responses by district in Homs with an average of 36% at governorate level. Low demand groups together the following mentioned constraints: low demand from consumers, seasonal business, higher prices and clients' liquidity availability.

After low demand, 14.7% of traders reported too much food assistance as a constraint followed by 13.3% of traders reporting limited trader capital, 8% for market context issues, 4% reported too much competition and 2.7% reported high transport costs. Market context refers to high tax payment, restricted trade policies, lack of electricity/power, and lack of casual labour. A further 14.7% of traders also reported to not experience constraints.

Similar to Lattakia and Tartous Governorates, no supply side constraints such as shortage of supply, lack/shortage of storage and poor road infrastructure were reported by the interviewed traders as top constraints to trade. Also insecurity and theft constraints were also not mentioned.

When dividing the constraints by demand-side and supply side constraints, the only supply side constraints reported by traders in Homs Governorate were fluctuating exchange rate (6.7%) and transport costs (2.7%), totaling 9.4% of all reported

constraints. Instead by-and-large demand constraints refer to the remaining 90% of constraints. Of these, limited trader capital, low demand and too much food assistance, totaling 64% of top traders' constraints to trade in Homs Governorate, are constraints which could be addressed through market based interventions.

In terms of how the conflict affected traders' trade over the last 5 years compared to pre-crisis levels, 54.7% of traders across Homs Governorate reported that the conflict reduced their trade volumes compared to pre-crisis levels (Table 14). This was similar to levels reported in Lattakia (50.7%) and Tartous (54.8%) Governorates.

Most traders in Homs (37.3%) mentioned that the level of competition had remained unchanged with 25.3% reporting no change and a further 12% reporting less competition. The majority of traders across Homs reported less customers due to the conflict (50.7%), with 25.3% of traders reporting more customers and 8% reporting no change.

In terms of districts, Homs district was the district where traders reported the highest increase in trade due to the crisis (36%). Homs traders also reported a greater increase in customers than other districts. The majority of traders in the other districts however were very much in-line with the general responses at governorate level.

Table 14: Traders report on how the conflict has affected their trade

District	Trade volume			Customers			Competition		
	More trade in volumes	Less trade in volumes	No change	More customers	Less customers	No change	More competition	Less competition	No change
Homs	37.5%	58.3%	4.2%	41.7%	54.2%	4.2%	50%	25%	25%
Al-Qusayr	12.5%	87.5%	0%	12.5%	87.5%	0%	62.5%	12.5%	25%
Al Makhrim	33.3%	50.0%	16.7%	33.3%	50.0%	16.7%	41.7%	8.3%	50.0%
Tall Kalakh	21.1%	73.7%	5.3%	21.1%	63.2%	15.8%	50%	12.5%	37.5%
Governorate	28.6%	65.1%	6.3%	30.2%	60.3%	9.5%	50%	16.1%	33.9%

Source: WFP

Section 7: Market Performance Index

The Market Performance Index is a simple index that assesses markets' functionality. The index uses a mix of secondary and primary data to assess markets' functionality and markets' ability to provide enough food to meet the needs of the food insecure population residing in the district. The index analyzed and assessed 12 variables covering food availability, price stability, market accessibility, market supply sources, market storage capacity and traders' ability to respond to increased demand. Each variable was allocated a point and the district's unweighted total score reflects the total number variables which were met by the district. Markets were assessed at district level and depending on the total points achieved, districts were organized into corresponding categories A — E. Where A is the highest scoring category and E the lowest scoring category.

Table 15 outlines the scoring each district achieved. As was likely expected the districts with the governorate's main city (i.e. Homs city, Lattakia city and Tartous city) scored top points indicating that markets in these cities are fully able to support market based interventions. Other districts which fared strongly were La Hafa, Al-Qardaha, and Al Makhrim. Only missing available food price data made it so that these districts did not score top marks. Districts which scored 10/12 often highlighted just below required average ability to respond to increased demand and/or total storage capacity. However, their overall scoring on market functionality remained very good. The weakest district according to the scoring criteria was Deikish in Tartous which also reported no wholesalers. Nevertheless, the average trader in this district reported strong trade volumes and even though it is a district to watch, it is seen to be feasible for market based interventions.

Map 8 illustrates scoring by district in table 15. Districts in dark green are category A districts while those in lighter green

are category B districts.

Table 15: Market Performance Index table

Governorate	District	Total score (Out of 12)	Category A-E
Lattakia	Lattakia	12	A
	Jablah	10	B
	Al Hafa	11	A
	Al Qardaha	11	A
Tartous	Tartous	12	A
	Banyas	10	B
	Safita	10	B
	Dreikish	8	B
Homs	Sheikh Badr	10	B
	Homs	12	A
	Al-Qusayr	10	B
	Al Makhrim	11	A
	Tall Kalakh	10	B

Source: WFP

Category Legend:

Category A (11-12pts): Market based interventions highly suitable: Very good functioning markets exist with high trader capacity and no supply constraints.

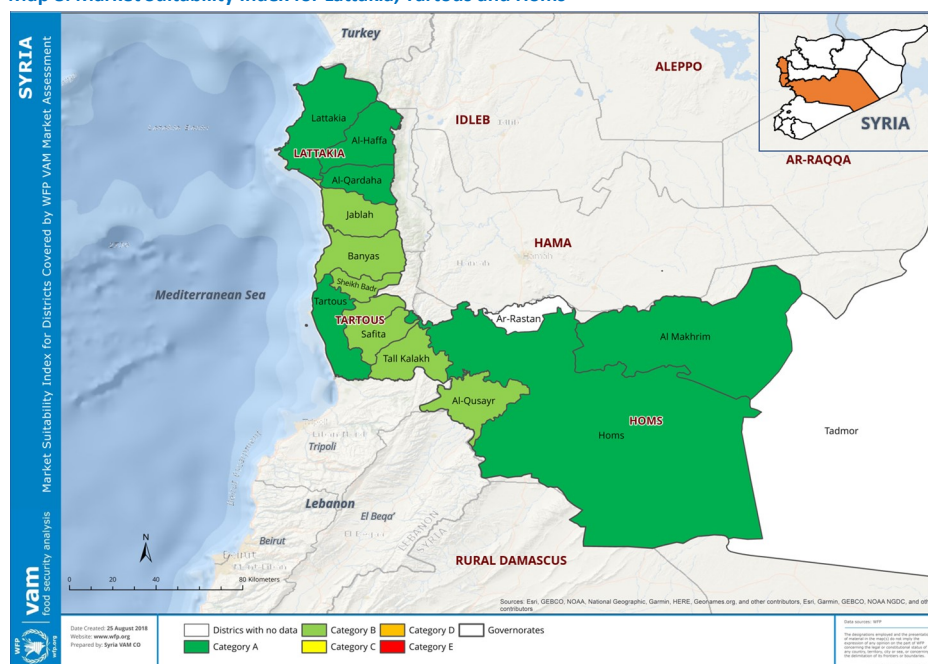
Category B (8-10pts): Market based interventions suitable: Markets are functioning however some trader constraints exist which may require extra market planning prior to commence a market based intervention.

Category C (5-7pts): Market based interventions only a possibility with important Organization-led trader coordination to improve market functionality minimizing likely negative side-effects from CBT interventions in this district.

Category D (3-4pts): Market functionality is limited and/or fragmented. In-kind interventions preferred for the district.

Category E (0-2pts): Markets are not functioning at all. Only in-kind interventions recommended for this district.

Map 8: Market Suitability Index for Lattakia, Tartous and Homs



Source: WFP

Section 8: Conclusion

The market assessment analysed numerous Syrian trade components uncovering a wealth of information. Specifically the assessment looked at food price trends over time comparing pre-conflict average prices with conflict prices. It covered macro-economic trends and food security analysis. It has looked at trade patterns over time, market interconnectedness as well as traders' ability to restock, trade, and expand trade volumes to meet demand as well as assessing traders' storage capacity. The assessment reviewed the impact of the crisis on traders' trade structure as well as reviewing traders' constraints to trade. At this stage the market assessment has focused on 39 markets across Lattakia, Tartous and Homs Governorates. Future market assessments will be conducted in other Syrian governorates adding to the report's findings.

The assessment found that food markets are central to Syrian food security. Even though largely an agrarian economy, the conflict as well as recent erratic weather patterns have increased Syrian's dependence on markets as their main source of food. In a recent national food security survey, up to 80% of Syrian's reported to depend on food markets for their food security needs. A further 17% reported depending on food assistance and only 1.2% reported depending on own production as their main food source.

Food prices are high, limiting access to food for many vulnerable, poor and food insecure families. At the peak of the conflict food prices had increased over ten-fold compared to pre-crisis levels, however in the past one-and-a-half years prices have started falling. Nevertheless, they remain high, currently at 7 times pre-crisis levels. Inflation rates even though falling are still at 27%. The informal exchange rate is also falling and is currently around SYP 440 to USD, which is in-line with the official fixed exchange rate, however the pre-crisis exchange rate was SYP 47 to USD.

In the three governorates where the market assessment took place (Homs, Lattakia and Tartous) markets were found to be functioning and trade networks were well-integrated. The three governorates, especially Lattakia and Tartous have well-established infrastructure; large ports, good roads and ample storage facilities which help drive trade in the country. The ability of all assessed traders to procure food within two days throughout the year demonstrates good market networks and food supply chains in the three governorates.

Supply-side constraints were limited to exchange rate fluctuations which impacted importers' trade volumes and affected food price levels in the market. The key constraints to trade were reported by traders to be related to low demand led by limited consumer liquidity levels. Food assistance as well as too much competition, limited trader capital and high trade taxes and restrictive trade policies also featured on the traders' top constraints to trade.

Most traders reported having adequate storage and in some cases wholesalers were reporting to have entire warehouses

empty due to low consumer demand. High levels of credit were also reported. Over 50% of interviewed wholesalers reported providing credit to consumers/traders, while 70% of medium sized traders and over 80% of retailers confirmed providing credit. The average amount of credit provided was reported to range between 22%-30% of the month's sales.

The assessment used an index called The Market Performance Index to assess the markets. The index uses a mix of secondary and primary data to assess markets' functionality and the market's ability to provide enough food to meet the needs of the food insecure population residing in the district without leading to stock-outs and food price inflation. The index found that all of the 13 assessed districts had adequate functioning markets as well as enabling infrastructure for market based interventions. The only district which proved somewhat weak was Dreikish in Tartous which will need to be closely monitored if market based interventions are selected.

In addition to conducting more market assessments in other governorates in Syria, future market assessments should also cover Syrian household's physical access to markets.

Recommendations:

- Conduct more market assessments especially assessing market functionality and the capacity and ability of traders in other governorates in Syria.
- Conduct a multiplier effect study similar to the one conducted by WFP in Lebanon, to assess and estimate the economic benefit of market based interventions on the Syrian economy.
- Assess Syrian food insecure people's general access to markets through a market sphere of influence analysis (physical and financial access).
- Inform traders (especially wholesalers) at least one month in-advance before implementing market based interventions. This will allow traders enough time to build-up stock and will minimise side-effects such as stock-out scenarios and price inflation.
- Strengthen traders' ability to trade by providing training to traders on food storage best practices/management and encouraging access to bank accounts and POS systems.
- Where market based interventions do take place closely monitor market food prices and the quality and variety of food items to ensure the interventions are not negatively impacting the market.
- Due to the volatile political and economic environment in Syria, retain programme flexibility, in other words being ready to switch from market based interventions to food aid assistance over the space of one month.

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Acronyms

ACC	Accessible area in Syria
BSC	Bachelor of Science Degree
BSG	Besieged area in Syria
CBS	Central Bureau of Statistics
CBoS	Central Bank of Syria
CFSAM	Crop and Food Security Assessment Mission
FAO	United Nations Food and Agriculture Organization
FSLA	Food Security and Livelihoods Assessment
FSA	Food Security Assessment
GDP	Gross Domestic Product
GFA	General Food Assistance
Gr.	Grams
HDI	Human Development Index
HNO	Humanitarian Needs Overview
HTR	Hard-to-Reach area in Syria
IDPs	Internally Displaced People
IMF	International Monetary Fund
Kcal	Kilo Calories
Kg.	Kilograms
Lt.	Litres
MAAR	Syrian Ministry of Agriculture and Agrarian Reform
MoITCP	Syrian Ministry of Internal Trade and Consumer Protection
MT	Metric Tonnes
MSI	Market Suitability Index
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
PhD	Postgraduate Doctoral Degree
POS	Point of Sale
PPP	Purchasing Price Parity
SARC	Syrian Arab Red Crescent
SYP	Syrian Pound
UNDP	United Nations Development Programme
UNESCWA	United Nations Economic and Social Commission for Western Asia
USD	United States Dollar
WB	World Bank
WFP	United Nations World Food Programme
XB	Cross-Borders

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