FOOD MARKET, SUPPLY SITUATION AND MARKET FUNCTIONALITY IN SOUTHERN SOMALIA

Technical Note- September 2022

SAVING LIVES
CHANGING LIVES

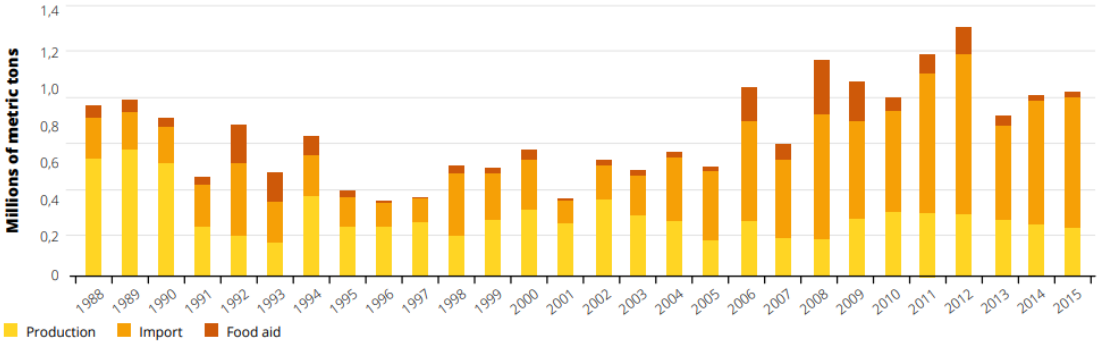
Key Highlights

- WFP intends to scale up humanitarian assistance in response to the growing food needs. However, there are growing fears that injection of additional cash transfers in the drought response could lead to markets collapsing in Somalia given already high prices in the context of reduced cereal output this year.
- The analysis showed that despite constrained functioning of food markets in localized areas in Southern Somalia, there is limited risk of markets collapsing should WFP continue to scale up CBTs through December 2022.
- The current potential volume of commercial cereal imports (133,000 MT) is adequate to fill cereal shortfall from Gu production through December 2022.
- An estimated 105,000 MT of rice, wheat flour and maize would have to be imported by traders between July and December 2022 to meet the food needs of crisis-affected households in southern Somalia. This is feasible as this only constitute half (50%) of commercial cereal imports through Mogadishu alone.
- CBTs would therefore be an appropriate response given high food import capacity of traders.
- The CO should a adopt a balanced mix of value-based vouchers and cash dependant on local market dynamics in the specific areas of interventions. In the process also consider gradual/ incremental scale-up of CBTs as market functioning is regularly monitored.
- Supply chain to advocate with major food importers in Mogadishu and downstream retailers and adopt market development activities where markets are weak.

a. Background

- Somalia is a structurally food deficit, with local food production accounting for a small percentage of the domestic demand.
- High dependence on markets for food purchase - 70% of the of the districts of the regions of Somalia that are dependent on markets; only the small parts in agro-agro-pastoral northwest and the southern regions that rely on seasonal the crop production.
- Local cereal production in 2021 was only 22 percent of domestic needs. The rest of the domestic requirement is covered through food imports and food aid (Figure 1).
- There is reduced availability of locally produced cereals because of poor harvests after four consecutive poor seasonal rains.
- High local and imported food prices from mid last year because of cumulative effects of poor harvests aggravated by Ukraine crisis.
- WFP intends to scale up humanitarian assistance in response to the growing food needs. However, there are growing fears that injection of additional cash transfers in the drought response could lead to markets collapsing in Somalia given the stressed markets.
- WFP logistics team are expected to explore scaling up in kind assistance should the risk of market collapse be eminent.
- What is the evidence that markets may collapse due to injection of additional cash? This technical note attempts to explore the answer to this question using trend analysis, MFI; ground truthing and expert opinion and a series of key questions.

Figure 1. Domestic cereal production, cereal imports & food aid in Somalia: 1988–2015

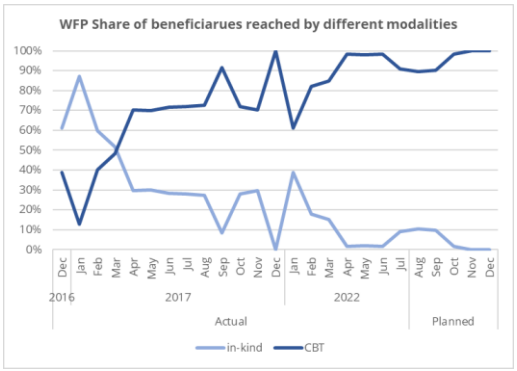


Source: World Bank & FAO. 2018. *Rebuilding resilient and sustainable agriculture in Somalia*. Country Economic Memorandum, Volume I. Washington DC, USA. World Bank & FAO. Cited 20 March 2022. https://documents1.worldbank.org/curated/en/781281522164647812/pdf/124651-REVISEDSomalia-CEM-Agriculture-Report-Main-Report-Revised-July-2018.pdf

b. What does the 2022 drought response CBT scale up mean and how does it compare with 2017 drought response?

	2017	2022 change	
Somalia Population (milions)	12.3	15.7	3.4
CBT Beneficiaries (Max) in millions	1.2	4.6	3.4
CBT Beneficiaries (Max) as % of population	10%	29%	19%
WFP in-kind cereal needs (annual) thousand MT	156	596	441
Monthly cereal import needs (thosand MT) to replace the WFP IK		**50**	

- According to the WFP Country brief, 2,7056 MT of in -kind food assistance was distributed in June 2022, which is mainly cereals. This represents about 2% of the beneficiaries assisted while the bulk of the beneficiaries (98%) were through CBTs.
- Looking at the entire Somalia portfolio, from August through October, WFP plans to scale up CBTs by increasing the number of beneficiaries by 500,000 monthly from 3.8 million to 4.6 million people.
- This would require an equivalent of **50 thousand metric tonnes** of cereal imports to replace the equivalent WFP in-kind assistance.
- The CBT component of the total assistance is already high, and markets are still functioning.



- Even during the 2017 drought response, we did not see any issue of markets collapsing when CBT was scaled up progressively to reach 100% of the WFP response portfolio.

c. How many months will the 2022 Gu local cereal availability cover and what is the monthly domestic production gap in Southern Somalia?

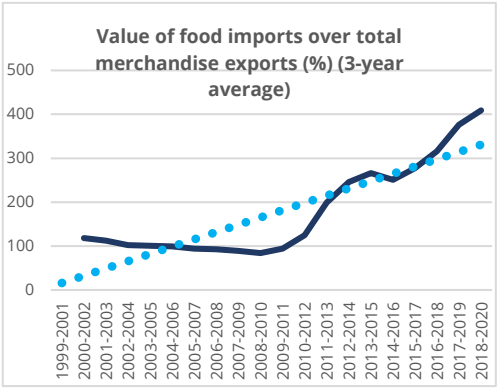
- The 2022 Gu production of total cereals (maize, sorghum, and rice) in Southern Somalia had been projected to be 40-60 percent below average.
- Gu accounts for 2/3 of the annual production implying the 2022 GU production, currently at **70,100 MT.**
- The available total cereals for consumption use after accounting for about 7 percent post-harvest losses/ seed use is about 65,000 MT.

- With an annual cereal consumption per capita consumption of 135kgs and estimated population of 9.8 million in South Central, the monthly cereal needs is 111,400 MT.
- The domestic cereal supply gap necessary to meet monthly cereal consumption needs through December is about 106,00 MT. This is about 5 months gaps to the end of the year to be met through commercial imports.

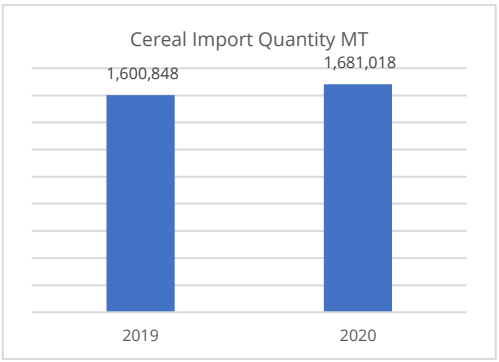
	Cereals in MT
2011-2021 total cereal (avg.)	175,381
2022 total cereal (avg.)	145,567
Etimated 2022 Gu production (66.7%)	70,100
Post harvest losses/ seed use (7%)	4,907
Net Cereal available for Food use/ consumption	65,193
Monthly per capita cereal consumption (135 kg/year)	0.01125
South Central Population 2022	9,896,746
Monthly cereal consumption needs in South Central Somalia	111,338
Annual cereal consumption in South Central Somalia	1,336,061
Monthly gap through December 2022	105,906
Average days of cereal consumption	**18 days**

d. Can commercial cereal imports fill the monthly cereal gap of 106,000 MT?

- Food importation by Somalia has been increasing steadily since 2011 by a factor of 18, currently standing at more than 400% of total merchandise exports.
- Increased domestic demand for food, changing dietary habits and the collapse of domestic staple crop production are key factors behind this massive increase.
- Food imports reached a peak in 2012 due to a declared famine in 2011 and accounted for almost 75 percent of the food consumed in Somalia that year.



- Latest estimates show that about 1.6 million MT of cereals was imported by Somalia in 2020/2021, which is an average of 133,000 MT.
- We have no reason to believe that this quantity will decrease in 2022.
- Port cereal import data[1] from January – July 2022 indicate that 503,000 MT of cereal (rice, wheat flour and pasta) have been imported through **Mogadishu and Bossaso ports**, which is about a monthly average of 64,000 MT.



- Considering only Mogadishu, the Jan-June total cereal imports 43,400 MT. Assuming this is sustained monthly, is enough to cover the monthly cereal gap from production in Sothern Somalia. Considering the contribution of Kismayo and Berbera ports, for which data is not available, the cereal imports could potentially exceed 100,000 MT.

Total Cereal Imports (MT) 2022			
Bossaso	**Mogadishu**	**Kismayo**	**Berbera**
143,007[1]	260,372[2]	no data	no data

- According to the Joint Markets and Supply Chain Update ending 7th August, Bossaso port food imports increased in July by (67%) compared to the previous month.

[1] Market-Update-May-2022.pdf (fsnau.org)

- There is usually a substantial seasonal increase of cereal (rice and wheat flour) import volumes during the Gu rains (April-June) and following the end of the monsoon winds [2]between end-September and early October[3].
- The cross-border cereal (maize, sorghum. Millet, wheat and rice) exports from Ethiopia to Somalia is estimated at about 8,3009 MT in the second Quarter of 2022, representing a monthly average of 2,800 MT monthly.
- This implies that the current volume of cereal imports (Mogadishu + cross-border + Kismayo + Berbera) is adequate to fill cereal shortfall from Gu production.
- Somalia traders have been known to be responsive and dynamic to increased demand and have the capacity to import food to match the demand.
- Food import trade for Mogadishu is monopolized by a few importers that are very dynamic and have the financial capacity to increase import volumes given increase in demand.

e. Trade flows: Are commercial import of rice/ wheat ongoing and normal? Cross-border trade flows from Kenya/ Ethiopia? Are roads open, are trucks moving? How is the humanitarian access situation?

Trade flows

According to the latest Joint Markets and Supply Chain Update

- In the capital, most roads are accessible and transport services are normal.
- Operations are ongoing normally and smoothly at the Mogadishu and Bossaso ports despite monsoon winds.
- Increased supplies through Bossaso port have led to improved availability of imported food commodities and price reductions.
- Goods are moving smoothly from Mogadishu central/supply markets and other regional supply markets to both downstream and upstream markets including to Galmudug, Jubaland etc.
- The latter is attributable to road accessible, and availability of transport services are ongoing smoothly, movement of goods from upstream to downstream markets is ongoing normally
- Scarcity of food items continues in markets such as Waajid, Diinsoor and Qansaxdhere due to a combination of limited accessibility because of road blockades by insurgents limiting movement.
- Cross-border trade for goods and services between Ethiopia and Somaliland; Somalia and Ethiopia at Feerfeer border point, Ethiopia and Puntland and Kenya and Somalia at Belethawo, Elwaq and Dhobley is ongoing smoothly.
- There is decrease in volume of food items flowing from Kenya while the Somalia and Ethiopia at Feerfeer border point was halted briefly but has resumed normalcy.

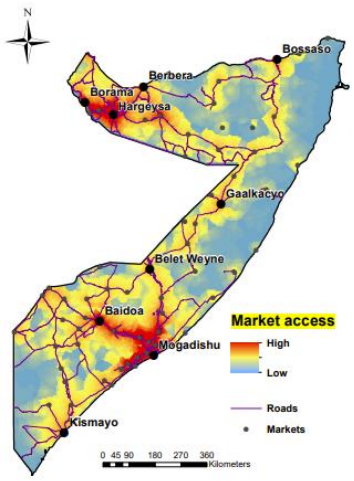
[2] Monsoon season is characterized by moderate to heavy thunderstorms, strong winds and choppy seas can increase the risks at sea especially for small vessels/ ships

[3] USAID and FEWSNET (2011): Executive Brief, Commercial Imports in Somalia, September

Market access

- According to the World Bank Somalia Urbanization report, regions and cities with highest domestic market access are concentrated in the South around Mogadishu and North-West around Hargeisa.
- This report was done in May 2021, and we believe that in the absence of substantial insecurity and geo-political changes, physical market access in South-Central Somalia remains the same.
- Mogadishu continues to be Somalia's main economic hub with strong connections to markets in Galmudug, Hirshabelle, and the South-West State
- We are confident that food will continue to move from Mogadishu to the interior markets.

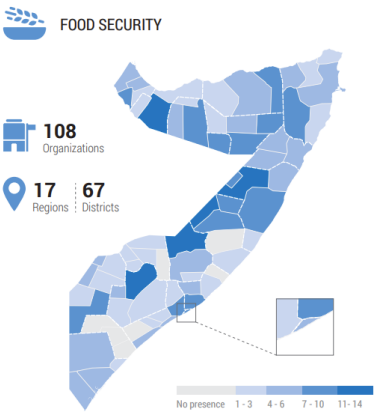
Fig. domestic market access



Source: OSM, Papachristodoulou et. al (2019)

Humanitarian access

Food Security operation presence - June 2022



- According to the latest UNOCHA Somalia Operational Presence, most of the districts in the South of the country have food security partners presence except in pockets in Middle Juba, parts of Lower Shabelle and Bakool regions
- This implies good humanitarian access suitable for expanded WFP operations

f. How integrated is Mogadishu/ Bakara markets with markets in the south?

- Relationships between markets, as indicated by the correlation coefficients between prices, indicate that domestic staple food commodity markets in Mogadishu are relatively well integrated with those in southern Somalia
- Exceptions to the above include maize prices in Marka because of insecurity and rice prices in Galkayo and Hudur because the latter get their supplies mainly through Bossaso port.
- This implies that CBT would be appropriate as a modality since food

Coefficients of Correlation of Maize Prices

	Mogadishu	Belet Weyne	Baidoa	Buale	Galkayo	Hudur	Kismayo	Marka	Qorioley
Mogadishu	1								
Belet Weyne	.778**	1							
Baidoa	.812**	.806**	1						
Buale	.812**	.790**	.862**	1					
Galkayo	.602**	.419**	.462**	.503**	1				
Hudur	.638**	.719**	.658**	.599**	.365**	1			
Kismayo	.778**	.749**	.778**	.834**	.422**	.697**	1		
Marka	.396**	.409**	.414**	.408**	.367**	.344**	.372**	1	
Qorioley	.861**	.801**	.853**	.840**	.554**	.616**	.783**	.454**	1

**. Correlation is significant at the 0.01 level (2-tailed).

Coefficients of Correlation of Sorghum Prices

	BeletWeyne	Dinsoor	Galkayo	Hudur	Marka	Mogadishu
BeletWeyne	1					
Dinsoor	.724**	1				
Galkayo	.696**	.763**	1			
Hudur	.790**	.869**	.883**	1		
Marka	.751**	.771**	.750**	.866**	1	
Mogadishu	.674**	.821**	.777**	.868**	.867**	1

**. Correlation is significant at the 0.01 level (2-tailed).

commodities from Mogadishu would move hinterland in response to increased demand through CBT

- In a context of the ongoing drought and reduced crop production in southern Somalia and in the absence of limited humanitarian access, food assistance could be envisioned in the pockets where maize and sorghum markets are weakly integrated

Coefficients of Correlation of Rice Prices

	Mogadishu	Baidoa	Belet	Buale	Galkayo	Hudur	Kismayo	Marka
Mogadishu	1							
Baidoa	.865**	1						
Belet	.726**	.837**	1					
Buale	.883**	.875**	.756**	1				
Galkayo	.493**	.688**	.771**	.632**	1			
Hudur	.327**	.470**	.490**	.449**	.603**	1		
Kismayo	.879**	.890**	.798**	.886**	.635**	.444**	1	
Marka	.851**	.934**	.809**	.875**	.640**	.436**	.872**	1

**. Correlation is significant at the 0.01 level (2-tailed).

g. What has been the level of annual price rise for staple grains?

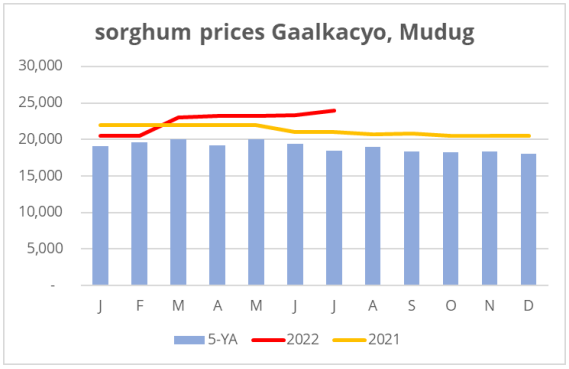
Staple cereal price variation from June last year

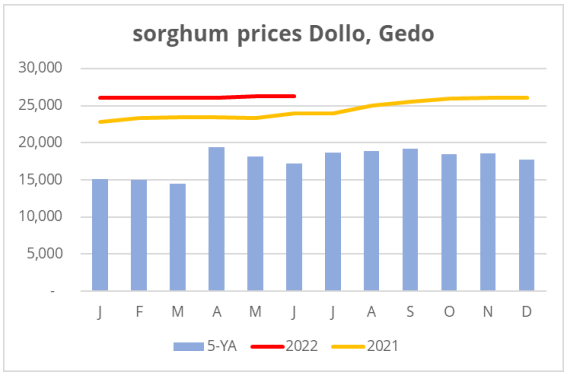
Year	Baidoa	Kismayo	Mogadishu	Qorioley	Marka	Balcad	Beletweyne	Dinssor	Buale	Buloburto	Doolow	Dhuusamarreeb	Gaalkacyo	Hudur	Karaan/ Mogadishu	Wadajir
rice	12%	29%	29%		26%		6%		6%			10%	7%			
maize	53%	73%	76%	58%	59%	115%	16%		10%	1%	13%	19%	-2%	12%	47%	56%
sorghum	94%		97%		98%	25%	50%	198%		43%	9%	22%	14%	79%	11%	59%

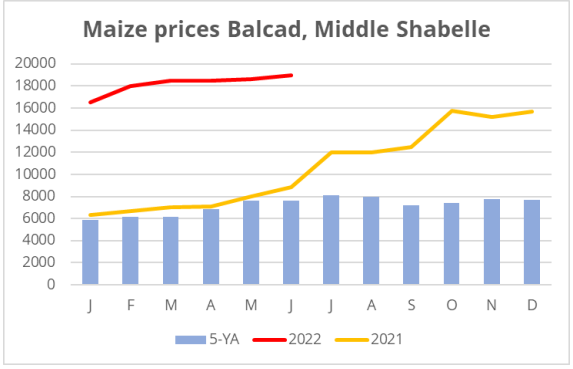
- Imported rice prices have increased moderately y/o/y
- Maize and sorghum prices increased significantly in most markets including in traditional cereal producing areas. Cereal prices are already at record-high levels in some markets

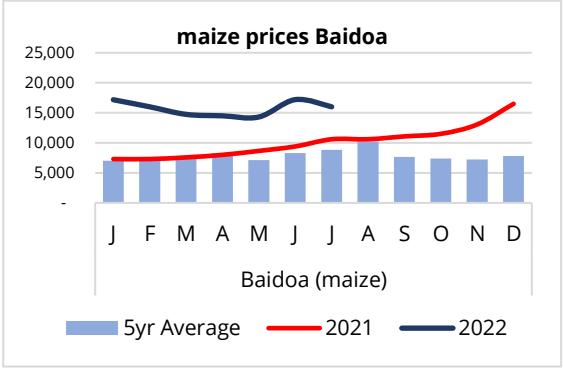
h. Has the current GU harvest reached markets? Have prices started to decrease seasonally?

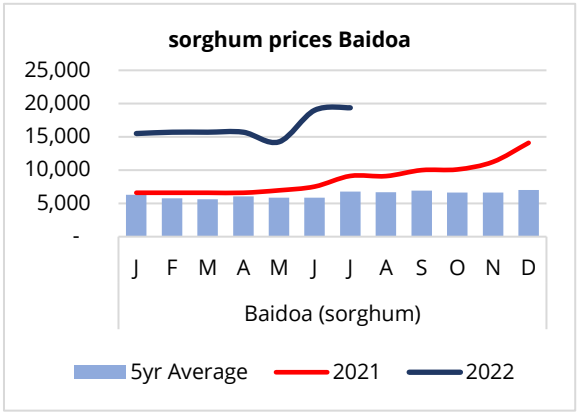
- July/ August coincides with the Gu seasonal harvests, there is likelihood that the poor harvests have started to trickle into markets, resulting in localized seasonal price easing or general price stability as reflected in the July/August staple cereal prices.
- However, this will be short-lived given below normal production. As of June 2022, maize and sorghum prices were seasonally high in most markets.

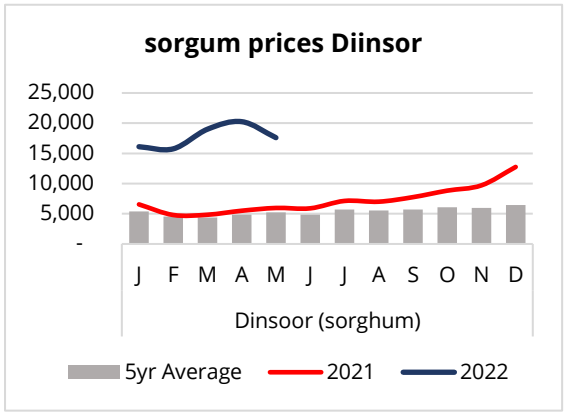








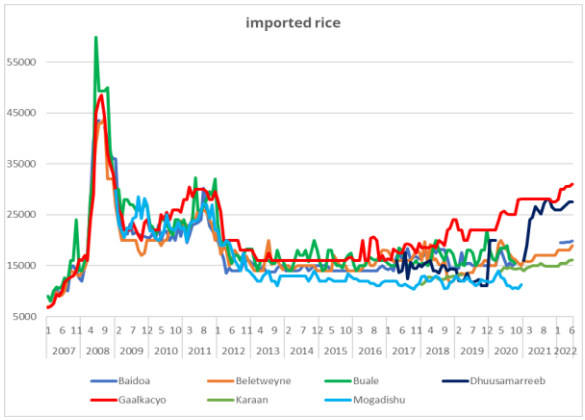


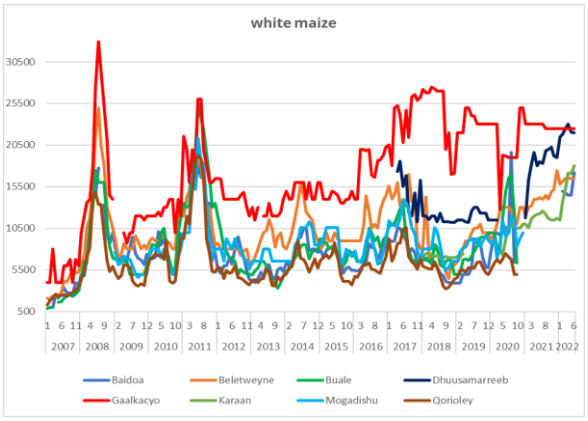


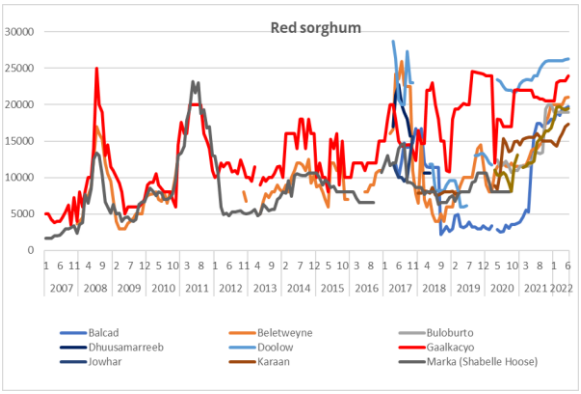
i. Has staple grain prices reached/ surpassed 2008/2011 peaks?

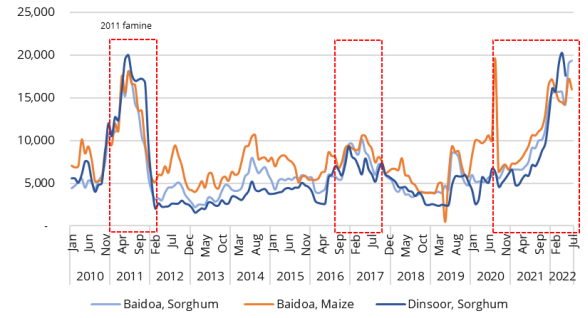
- Imported rice and maize have not reached 2008 peaks but are near or approaching 2011 peaks in Baidoa, Dinsor, Dusamareb, Beletweyn and Galkcayo (central markets) and in Dollo (Gedo).
- Red sorghum prices are higher or comparable to 2008/2011 crisis in most markets in south-central Somalia except in Bay region where they have breached the 2011 famine levels.
- High risk of staple price inflation exists in the next months as the GU stocks are exhausted.

Fig. Cereal prices trends in selected markets in Southern Somalia









j. Are locally produced prices higher than imported rice wheat flour?

	sorgum vs. rice	maize vs. rice	maize vs. wheat flour	sorghum vs. wheat flour
Baidoa	-4%	-13%	-14%	-5%
Balcad	13%	9%	-14%	-10%
Beletweyne	11%	-13%	-13%	11%
Buloburto	-30%	-41%	-11%	6%
Dhuusamarreeb		-20%	-19%	
Doolow	7%	6%	10%	12%
Eyl	21%			21%
Gaalkacyo	-23%	-27%	-33%	-28%
Karaan	7%	11%	13%	8%
Wadajir	15%	21%	19%	13%

- Traditionally, locally produced cereal prices in the south/central Somalia have been generally cheaper than their imported substitutes.
- However, given high prices of local staples, they are now higher than imported cereals- sorghum is more expensive than rice and wheat flour in most markets while maize is dearer than rice and wheat flour in isolated markets particularly in Doolow and Mogadishu.
- This is likely to trigger consumption shift to imported commodities.

k. Are markets lacking imported rice, wheat flour, pasta? If yes which markets and what is the main reasons? Are markets lacking locally produced maize and sorghum? If yes which markets?

- Latest Somalia Weekly Markets and Prices Update 21-27 August indicate that in general terms, food commodities were available in most markets during the week throughout the country

l. Information gaps for which the CO needs to provide inputs through key informants or MFI

- The market stock levels for rice, sorghum, and maize in the main markets in the south
- If traders can increase the supply of imported rice in response to CBT
- The main challenges facing traders

m. Conclusion

- The purpose of this analysis was to provide insights into markets and supply conditions in responding to food demand of the crisis affected-affected people in southern Somalia.
- The analysis showed that constrained[4] functioning of food markets in localized areas in Southern Somalia, there is limited risk of market collapse should WFP scale up CBTs through December 2022
- The current volume of commercial cereal imports (100,000 MT) is adequate to fill cereal shortfall from Gu production through December 2022.
- An estimated 50,000 Mt of rice, wheat flour and maize would have to be imported by traders between July and December 2022 to meet the food needs of crisis-affected households in southern Somalia. This is feasible as this only constitute half (50%) of commercial cereal imports
- CBTs would be an appropriate response given high food import capacity of traders.

[4] Localized insecurity, high price volatility, reduced crop output etc

n. Recommendations

- The CO should a adopt a balanced mix of value-based vouchers and cash dependant on local market dynamics in the specific areas of interventions
- Gradual/ incremental scale-up of CBTs as market functioning is regularly monitored
- Supply chain to advocate with major food importers in Mogadishu and downstream retailers and adopt market development activities where markets are weak
- SC/VAM should conduct regular market monitoring including assessments/ market functionality index (MFI) and food prices in the areas WFP will scale up CBTs, with a special focus on the Bay Region where famine likely conditions have been noted.
- VAM to enhanced market monitoring at micro and macro levels. Triggers recommended for monitoring could include domestic and global food prices, fuel prices, import volumes, % of population reached through CBTs (FSL Cluster), CPI/Inflation, seasonality effects etc

For more info contact:

WFP Regional Bureau Nairobi
kennedy.nanga@wfp.org
siddharth.krishnaswamy@wfp.org

WFP Somalia County Office VAM
job.aminga@wfp.org; khadar.abdi@wfp.org
joshua.mesa@wfp.org