Food Security Information for Action

Markets Assessment and Analysis

Lesson 2
Assessing Markets
Learners’ Notes

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Table of contents

Learning objectives ................................................................. 2
Introduction ............................................................................. 3
Components of a market assessment ........................................ 4
Analysis of demand ............................................................... 5
Selecting market indicators .................................................... 6
Analysis of demand ............................................................... 7
Selecting market indicators .................................................... 8
Analysis of demand ............................................................... 9
Supply and market systems .................................................... 10
Types of market assessment ................................................... 14
Markets and response design ................................................ 17
Summary ................................................................................ 18
If you want to know more ...................................................... 19
Annex 1: Listing Important Key Consumption Markets ............. 20
Annex 2: Key Production/Income Commodities ....................... 21
Annex 3: Listing Important Consumption Markets ................... 22
Annex 4: Listing Important Production or Income-Generating Markets ................................................ 23
Annex 5: Using market calendars and market chain diagrams .......... 24
Annex 6: Gathering market information .................................... 28
Annex 7: Market Questions – Market Baseline or Profile ............ 30
Annex 8: Typical Market Monitoring and Early Warning Questions ................................................ 32
Annex 9: Standard Market Questions for Disasters .................... 33
Annex 10: Sample Trader Survey Outline for Disasters ............... 35
Annex 11: Typical Market Recovery - Development for Food Security Questions.. 37
Annex 12: Typical Markets Questions for Cash vs Food Response Choices ................................................ 39
Annex 13: Choosing between cash and food programming .......... 40
Learning objectives

At the end of this lesson you will be able to:

• identify the components of a typical market assessment for food security; and
• understand what are the different market assessment tools and their applications.
Introduction

Information on markets can help you understand worsening or improving food security conditions as well as enhance your food security analysis and identify appropriate responses.

It is important to have an understanding of how markets operate and, particularly, how they relate to and affect food security and vulnerable households.

This lesson will introduce some methods used to assess markets for improving food security analysis.
Components of a market assessment

Market assessments tend to follow a similar format, using some standard methods, and produce some standard outputs. They can be national, sub-national or regional in scope.

A good market assessment should be designed to answer a specific set of questions and objectives.

Demand and supply and the market system should be assessed. The assessment should be focused on markets and market performance as they relate to food security. It should consider constraints, opportunities and both demand and supply impacts and capacities to respond.

The contents of an assessment typically include:

- Definition of the objectives
- Analysis of demand
- Analysis of Supply and the market system
- Analysis of constraints, opportunities and response
- Concrete recommendations for interventions
Analysis of demand

To describe the demand, you first have to identify which commodities are relevant to which population groups (livelihood groups) and how/where households access these commodities.

Different commodities can be important to different food insecure populations. For example, some groups eat mostly rice; others eat a combination of different cereals such as millet, maize and sorghum, etc.

Livelihoods of food insecure people may also depend on commodities that they do not consume but that are important to production and income generation. Food security relevant commodities might include:

Food security relevant commodities might include: food crops, cash crops, livestock and livestock products, fish, non-food items such as fuel wood, carpets, labour.

<table>
<thead>
<tr>
<th>Important food security commodities</th>
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<tbody>
<tr>
<td>An important food security commodity can be:</td>
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<tr>
<td>• a staple (maize, rice, wheat, cassava, etc);</td>
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<tr>
<td>• one that only the poorest consume even if it is not widely consumed by the rest of the population;</td>
</tr>
<tr>
<td>• a poorer quality or lower grade of the country’s basic staple; or</td>
</tr>
<tr>
<td>• a commodity that is consumed only or mainly when households are under stress and substitute this inferior food for a more preferred one (substitute commodity).</td>
</tr>
</tbody>
</table>
Selecting market indicators

To select commodities, you need to identify:

- **Consumption Commodities**, which are the most important commodities from a consumption point of view.
- **Production/income Commodities**, which are the most important commodities from an income earning point of view.

**Consumption Commodities**
These “food security” commodities may not be the same as those which make up the bulk of what you find in the market.

While the majority of the population may consume rice, the poorest may consume cassava. There are those who can afford to eat and purchase a certain desirable quality of wheat, while the poor and food insecure consume and buy an inferior quality of wheat.

Also, you want to make sure to include the commodities that food insecure households tend to consume as substitutes for their more preferred foods when these preferred foods are scarce and expensive. Some commodities can play an important role in the diet when there are stresses: poor harvests, price spikes, border closings, etc can inhibit preferred patterns of consumption and it’s useful to note the alternative foods at such times.

**Earning Commodities**
You also need to identify which commodities are important to **production and income generation** and thus food access.

Households may or may not consume what they grow or raise predominately for income. Most rural small-scale producers grow and sell basic grains. Pastoralists depend on livestock – cattle, camels, sheep and goats. Women often earn income from small livestock and poultry. Households with secure land tenure may earn income from perennial crops such as cashews, coffee, palm oil and tea. Coastal populations may depend on fish and fish processing.

Some households will work for others as casual labour and their employment opportunities are dependent on the markets for a certain commodity, e.g. coffee. For many households that are vulnerable to food insecurity, there are foods that they consume more of when they experience some kind of shock or stress. In Uganda, cassava is often called a “food security” crop because a household can store it in the ground and harvest whenever there is scarcity of other foods such as “matoke” (plantains), a preferred food.

Food security crops are important to consider too even if they aren’t eaten as frequently.
Analysis of demand

You will also need to know some basic characteristics of demand:

- Are these commodities necessities?
- Are there substitutes for these commodities?
- Are these commodities consumed in greater or lesser quantities as incomes rise?
- How elastic or inelastic do you think the demand is?

**Substitute Commodity**

A substitute (commodity) is a commodity that can replace another in consumption or production, such as millet for sorghum.

When the price of one commodity rises, consumers or agro-processors will decrease their consumption of it and increase consumption of the substitute commodity. Wild and gathered products can be substitutes for preferred staples of food insecure households, especially in times of stress or increasing food insecurity.

The term “substitute” can also be applied to crops where farmers choose to plant more or less of substitute crops, e.g., sorghum or millet, depending on the prices they expect to receive once they harvest and sell their crop.

Whether a substitute in consumption or production, the more easily one commodity (crop) can replace the other, the more important it is to consider the price and price behavior of both commodities in your market analysis.

Another important aspect of demand is which markets are important to food security.

While the bulk of a country’s marketable cereals may flow through a few key markets or end up being sold to urban consumers in certain towns and cities, the most food insecure populations may depend on or have access to just one or two minor markets to sell their produce, livestock and labour or to buy their food and other basic goods. These minor markets will be important ones to include in your analysis.

The few markets that food insecure populations depend upon may be supplied by commodities that were assembled in other major markets. These markets should also be considered.

Food insecure groups may also rely on labour markets. E.g., an analysis of the labour market for sugar cane cutters may be helpful, especially if households rely on this sector to buy food rather than grow it.
Selecting market indicators

To select commodities, you need to identify:

**1. Consumption Markets,** which are the most important markets from a consumption point of view.

<table>
<thead>
<tr>
<th>Key questions</th>
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<tbody>
<tr>
<td>To select consumption markets, you need to decide:</td>
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<tr>
<td>• At which markets do food insecure and vulnerable populations buy their basic food commodities?</td>
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<tr>
<td>• Which markets have important links to these consumption markets?</td>
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</tbody>
</table>

See Annex 3: Listing Important Consumption Markets

**2. Production/Income Markets,** which are the most important markets from an income earning point of view.

<table>
<thead>
<tr>
<th>Key questions</th>
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</thead>
<tbody>
<tr>
<td>To select production or income-generating markets, you need to decide:</td>
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<tr>
<td>• At which markets do food insecure and vulnerable populations sell their produce?</td>
</tr>
<tr>
<td>• Which markets have important links to these production markets?</td>
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</tbody>
</table>

See Annex 4: Listing Important Production or Income-Generating Markets
Analysis of demand

When you conduct a market assessment it’s important to consider total demand – vulnerable and food secure households, other consumers, derived demand (breweries, bakeries), government and non-governmental buyers, etc.

You should make sure you take into account other consumers in the market who, together with the food insecure population, make up the total demand.

They can be:

- relatively wealthy consumers with significant purchasing power and similar food or consumption preferences living in large urban areas within the country or across the border;

- bakeries, breweries, feed processors and poultry producers buying cereals as inputs; and

- government and/or non-governmental organizations making local purchases to support their strategic grain reserves or humanitarian programmes.
Supply and market systems

Different tools can be used to assess demand, supply and the market systems:

1. Market calendars and market chain diagrams;
2. Market network maps;
3. Basic seasonal and historical price trends; and
4. The Structure-Conduct-Performance framework.

1. Market calendars and market chain diagrams
A market calendar is a simple tool that illustrates the availability of a commodity or a group of commodities in the market throughout the calendar year. Market chains illustrate the points within the market system where production, transformation, distribution and consumption of a commodity take place.

See Annex 5: Using market calendars and market chain diagrams

2. Market network maps
One of the best ways to identify which markets should be included and who to interview within the market system is to sketch out market maps for the key food security commodities: one for each commodity.
Just take a map and draw the network for the commodity and populations you are most interested in.
Market network maps help highlight which areas of a country are linked to one another through markets, and which areas of a country are linked to neighbouring countries through cross border trade and markets.
Maps can be constructed for sub-national, national and regional market networks.

Building market network maps
Commodity market maps can be constructed in a number of ways. In general they can be based on data, experience or both. They can use mapping or graphics software, photos and/or sketches.
The choice of methods will depend on what you have at hand:
the type of data and information and how reliable or representative you think it is;
the type of technology that is available such as computers, software, cameras, etc; and
what you want to do with the map such as perform spatial analysis, plan an assessment, describe the market system for a report or use at a workshop, etc.

Market network maps: example 1
This map was constructed using a review of literature, the collective experience of the analyst and key informants from different countries who the analyst interviewed. He used mapping software to construct the base maps and graphics software to edit and adjust the final product. Because this map is digital, it can be easily shared and adapted using additional information or data.
Market network maps: example 2
These two maps were created at workshops. The attributes such as the classification of areas as surplus or deficit, commodity flow lines, etc were all derived from the experience of the workshop participants, which included staff from local ministries and food security working groups.

These maps were photographed, downloaded and recreated using GIS software.

The Somali sorghum network map was constructed on a base map built using software.

The Haitian maize network map was drawn on an ordinary road map that had been laminated for easy sketching and editing.

3. Basic seasonal and historical price trends
Commodity prices tend to follow a seasonal pattern. Looking at seasonal price movements helps us to understand:
- **seasonal patterns of food insecurity** (changes in price behaviour make the access to food more difficult in some periods of the year).

- **price expectations** (if prices are high and we are nearing the harvest, we can expect them to begin to fall; if they are high and we are just moving into the rainy season and period where crops are growing in the fields, we can expect it to be quite a while before prices come back down).

- **market performance** (seasonal price patterns also indicate relative scarcity and abundance of food and wide variations may suggest that markets are not adjusting well – commodities are not efficiently moving from areas with low prices to those with high prices).

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### Seasonal pattern of prices

**Typical Seasonal Price Movement**

<table>
<thead>
<tr>
<th>Harvest</th>
<th>Hungry Season</th>
<th>Next Harvest</th>
</tr>
</thead>
<tbody>
<tr>
<td>$/kg</td>
<td>$/kg</td>
<td>$/kg</td>
</tr>
</tbody>
</table>

Prices are low at harvest time and tend to grow throughout the marketing or consumption season, reaching their peak during the hungry season and fall at the next harvest.

The variation over the season tends to be more dramatic or accentuated where there are few alternative sources of supply and the market is dependent on local production.

The pattern is more pronounced for unimodal (one harvest per year) production system. Bimodal (two harvests per year) production systems can have two price peaks and troughs, but these are frequently less pronounced.
4. The Structure-Conduct-Performance framework

The Structure-Conduct-Performance (S-C-P) approach is based on the idea that the structure of a market influences the conduct of its participants (buyers and sellers) which, in turn, influences its performance.

Table 1: Definitions of Structure-Conduct-Performance for Food Security Analysis

<table>
<thead>
<tr>
<th>Element</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structure</td>
<td>Relatively stable features of the market environment (e.g. number of sellers in the market).</td>
</tr>
<tr>
<td>Conduct</td>
<td>Behaviour and strategies of market actors or participants (e.g. differentiating products).</td>
</tr>
<tr>
<td>Performance</td>
<td>Outcomes of market interactions (e.g. prices).</td>
</tr>
</tbody>
</table>

Central to assessing current and future food security conditions as well as designing responses or interventions, is being able to estimate how food insecure households and food suppliers will react to market changes.

What type of demand and supply response will there be? Will traders who have stocks of commodities available in one location or market move them to another market that is experiencing scarcity and rising prices?

Wherever there are significant formal or informal cross border flows of commodities, it is important to account for the possibility that commodities could move into and out of border areas and the broader market networks as the market conditions change.

It is important to collect all possible information about the market system and how it operates in normal conditions as well as under typical stress conditions (e.g., production shortfalls, post hurricane or cyclone).

Collecting information on markets can take time and may be impractical within the tight time frame of an emergency. Much of this information can be gathered and organized once and periodically updated.

Often some of this basic market information is already available and just needs to be gathered and incorporated in the food security assessment.

See Annex 6: Gathering market information
Types of market assessment

The types of tools used for data collection and analysis are basically the same for all types of assessments. What changes are the objectives, the questions asked and breadth of the assessment.

The following typical applications of assessment are presented on the next screens together with standard questions and tools:

1. Market Food Security Monitoring and Early Warning
2. Markets and Food Security Disaster Assessment
3. Market Assessment of Recovery Programs

1. Market Food Security Monitoring and Early Warning
The following process describes how markets fit into food security monitoring:

- **Initial baseline market assessment**
  At the beginning of the season, a baseline assessment of the market context, structure, conduct and performance is required if this information does not already exist. The assessment for the coming season is sometimes called an outlook.

  The following are the sources of information for initial assessments:
  - available data and information,
  - output from a food security or vulnerability assessment that was undertaken, and
  - interviews with key informants at the local ministries, agencies and associations that deal with the commodities that were deemed food security relevant.

  Some interviews, or even quick phone calls, can be made to traders and other well-informed and cooperative market participants (e.g., millers, transporters). This type of assessment or outlook only needs be updated infrequently. It does not have to be constantly adjusted by the monitoring system. However, it should be updated at least once during the season.

  Updates allow you to reassess your previous assumptions and expectations as well as capture the dynamics of markets and their potential impact on food security.

  **See Annex 7: Standard Questions to develop a Market Baseline or Profile**

- **Regular monitoring**
  In the process of regular monitoring, current data and information are compared to historical trends, five-year averages or a similar situation in the past looking for anomalies that could suggest significant changes in market and food security conditions. The initial market assessment or market profile is also used as a reference and it allows us to gauge the significance of the anomalies we see and their implications on food security.

  For food security monitoring and early warning purposes, market assessments focus on:
• Signs of **deterioration or improvement** in food security that are related to food availability and access. Some examples of signs of deterioration are:
  – production shortfalls;
  – non-seasonal increases in the prices of food;
  – distress sales of livestock (e.g. sales of breeding stock or draft animals); and
  – larger numbers of people migrating in search of casual employment.

• Signs of **the way the markets are functioning** that could have implications on food security, e.g. declines in world market prices for important crops. 

  Signs of the way the markets are functioning that could have implications on food security, e.g. declines in world market prices for important crops. 

  Important cash crops are, for example, tobacco or crops for which there is usually a high demand for casual labour like cotton or coffee picking.

  Traders might be buying in areas where they don’t typically buy or where they may have started purchasing commodities earlier in the season.

  The government might have changed commodity price policies or purchase and sales programs.

See Annex 8: Typical Market Monitoring and Early Warning Questions

As aspects of the market are changing every day and participants are constantly adjusting to these changes, market information and market analysis add a dynamic element to food security analysis.

Assessing markets for food security monitoring and early warning works the same way as food security monitoring and early warning work in general.

The assessment focuses on the following:

• Look for anomalies (what is different)
• Look for trends
• Historic (over a number of years)
• Seasonal (over one year)
• Compare information to reference points/periods (the profile, another drought year)
• Project future trends
• Estimate demand and supply response
• Form expectations, make plausible assumptions and develop outlooks

Food security monitoring and early warning are normally focused on **slow onset disasters**, that evolve over a period of time (e.g. droughts), and may allow markets, households and decision makers to adjust and either prevent or mitigate impacts.

However, monitoring and early warning also help to understand how a **rapid onset disaster** (e.g. cyclones, earthquakes, policy changes that evoke a massive response from the economy) may have affected the population and what the recovery process might look like.
2. Market and Food Security Disaster Assessment
In the best case scenario, a disaster assessment will take place where market baseline or profile already exists and a food security monitoring system is in place. In this case, the response to a rapid onset disaster could initially focus on verification of the early warning systems, situation analysis and assumptions, impact and forecasting the recovery rather than having to piece together and build the basic knowledge about the market system. In the case of a slow onset disaster, a market assessment looks very much like the early warning situation. The following tools can be helpful for emergency assessments:


3. Market Assessment of Recovery Programs
Markets are an integral part of many recovery programs. Road reconstruction activities following rapid onset or complex emergencies serve as a primary source of employment and the improvement in roads facilitates the inflow of productive inputs, food and other basic goods as well as the output of commodities.

See Annex 11: Typical Market Recovery - Development for Food Security Questions

The following checklist provides guidance on how to select market-based activities that are appropriate for poor and food insecure households that are either chronically food insecure or in the process of recovering from an emergency.

<table>
<thead>
<tr>
<th>Checklist</th>
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<tbody>
<tr>
<td>• Is there a longer term potential for growth?</td>
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<tr>
<td>• Does this include some element of risk management?</td>
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<tr>
<td>• Is the allocation of labour flexible?</td>
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<tr>
<td>• Are start-up costs very low?</td>
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<tr>
<td>• Are the poor facing many buyers and sellers in undertaking this activity?</td>
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<tr>
<td>• Is the activity sustainable without external support?</td>
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<tr>
<td>• Does the policy and regulatory environment support participation of the poor?</td>
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<tr>
<td>• Do critical services (e.g., credit) reach the poor?</td>
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<td>• What is the distribution of benefits?</td>
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</table>
Markets and response design

Markets are an important aspect of the response options to food insecurity.

Markets:
- fine tune the determination of unsatisfied needs in terms of magnitude, location and time frame;
- condition the type and extent of humanitarian response;
- provide opportunity for earlier response through market related policies;
- reduce the need for humanitarian response;
- reduce dependence on donors when the private sector is engaged in the response; and
- help to rebuild shattered/destroyed economies in post emergencies.


documents.wfp.org/stellent/groups/public/documents/ena/wfp095655.pdf

In the last several years, many humanitarian agencies have begun to use cash-based responses to address emergency needs following a rapid onset disaster. Such an approach has also been used in regions of chronic food insecurity (e.g. Turkana, Kenya).

An important consideration in the choice between a cash or food response is what will be the affect on local markets and ultimately food security.

In general, to avoid negative impacts resulting from cash or food aid interventions, a proper market assessment prior to project implementation is needed.

See Annex 12: Typical Markets Questions for Cash vs Food Response Choices

See Annex 13: Choosing between cash and food programming
Summary

A market assessment should be designed to answer a specific set of questions and objectives.

Demand and supply and the market system should be assessed.

The assessment should be focused on markets and market performance as they relate to food security.

Typical types of market assessments include:
- Market food security monitoring and early warning
- Markets and food security disaster assessment
- Market assessment of recovery programs

Markets are also an important aspect of the response options to food insecurity.
If you want to know more

Online resources


Additional reading


Nyberg, Jennifer (2005) “Pakistan: Market Assessment in Earthquake Affected Areas.” Rome, WFP


CARE (2007) “A Market Analysis and Decision Tree Tool for Response Analysis: Cash, Local Purchase and/or Imported Food Aid? The Decision Tree Tool.” Atlanta, CARE


Annex 1: Listing Important Key Consumption Markets

Key Consumption Commodities

You can list the important consumption commodities for different groups and different areas of the country. This will help you recall some of the variation among populations and across geographic areas.

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Rank</th>
<th>Areas(^1)</th>
<th>Population Groups(^2)</th>
<th>Source(^4)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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\(^1\)Importance: 1=most important, 2=important, 3=significant, 4=key coping food
\(^2\)Areas can be defined any way that makes sense in your context: everywhere, provinces, districts, vulnerable zones, urban or rural areas, costal areas, etc
\(^3\)Population group can be defined any way that makes sense in your context: everyone, poor, most vulnerable, ethnic group, etc
\(^4\)Source can be own production, market, in-kind payment, etc.

Making tables of key consumption and production or income commodities can also be used as a reference for selecting markets to include in your analysis, building market network maps and analyzing the distribution of possible impacts across space and population groups.
Annex 2: Key Production/Income Commodities

You can list the important production or income-generating commodities for different groups and different areas of the country. This will help you recall some of the variation among populations and across geographic areas.

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Rank¹</th>
<th>Areas²</th>
<th>Population Groups³</th>
<th>Use⁴</th>
</tr>
</thead>
<tbody>
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¹Importance: 1=most important, 2=important, 3=significant, 4=key coping food
²Areas can be defined any way that makes sense in your context: everywhere, provinces, districts, vulnerable zones, urban or rural areas, costal areas, etc
³Population group can be defined any way that makes sense in your context: everyone, poor, most vulnerable, ethnic group, etc
⁴Use can be food, market/cash crop, etc.

Making tables of key consumption and production or income commodities can also be used as a reference for selecting markets to include in your analysis, building market network maps and analyzing the distribution of possible impacts across space and population groups.
Annex 3: Listing Important Consumption Markets

You can list the important consumption markets for different groups and different areas of the country.

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Rank1</th>
<th>Areas/Populations2</th>
<th>Retail or consumption markets</th>
<th>Wholesale markets</th>
<th>Assembly markets</th>
</tr>
</thead>
<tbody>
<tr>
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1Importance: 1=most important, 2=important, 3=significant, 4=key coping food
2Areas/populations can be defined any way that it makes sense in your context: everywhere, provinces, districts, vulnerable zones or populations, urban or rural areas, coastal areas, etc
Annex 4: Listing Important Production or Income-Generating Markets

You can list the important consumption markets for different groups and different areas of the country.

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Rank</th>
<th>Areas/Populations$^2$</th>
<th>Where commodity is first sold</th>
<th>Assembly markets</th>
<th>Wholesale markets</th>
<th>Retail or consumption markets</th>
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$^2$Areas can be defined any way that makes sense in your context: everywhere, provinces, districts, vulnerable zones, urban or rural areas, coastal areas, etc
Annex 5: Using market calendars and market chain diagrams

Market calendars
A market calendar is a simple tool that illustrates the availability of a commodity or a group of commodities in the market throughout the calendar year. It can also be used to describe when employment opportunities are plentiful or scarce. Information used to fill out the calendar can be gathered from a variety of sources such as farmers, households, traders or even discussions with staff from the Ministry of Agriculture. The information can be collected through structured or informal interviews.

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Month</th>
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<tbody>
<tr>
<td></td>
<td>J</td>
</tr>
<tr>
<td>Maize</td>
<td></td>
</tr>
<tr>
<td>Beans</td>
<td></td>
</tr>
<tr>
<td>Cattle</td>
<td></td>
</tr>
<tr>
<td>Labour</td>
<td></td>
</tr>
</tbody>
</table>

**Availability Key**
- Available
- Abundant
- Scarce
- Not available

Market Chains

**Generic Market Chain**

Market chains illustrate the points within the market system where production, transformation, distribution and consumption of a commodity take place. Market chains explain the way in which different components of the market are linked (farm gate to assembly, wholesale to retail).

A market chain is generally drawn for one commodity and is usually vertical, starting with the primary producer and moving up market system to the final consumer. It includes all levels of the market (assembly, wholesale and retail) and actors that have a role in the distribution and transformation of a commodity.

Market chains can be very simple (e.g., a farmer who sells directly to a consumer) or complex: it depends on the number of ways in which the commodity is utilized (and thus transformed), whether it is stored and used at a later date, how widely it is distributed (locally consumed or destined for exportation) and how many different market participants are involved.
Typically, *value is added* at each point or level along the market chain.

The process of adding value is relatively obvious when a commodity is **transformed or processed**: wheat flour is clearly different from wheat grain.

Less obvious, is the value that is added when **moving a commodity**, without any transformation at all, from one location to another (wheat grain at a wholesale market as opposed to at the farm), or in storing a commodity from one season to another (wheat flour just after harvest and wheat flour late in the hungry season).

But each of these stages or services represents added value.

The following is the **Darfur Grain Market Chain from** WFP (2005) “Emergency Food Security Assessment Handbook.”

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**PLOTTING MARKETING CHANNELS**

![Marketing Channels Diagram](chart.png)

*Adaptation from CARE’s Darfur Market Analysis*
Market chains can **cross international borders**.

For example, livestock marketing chains in **East Africa** tend to be oriented toward the large Nairobi market or Djibouti where animals are processed and shipped on to the lucrative Gulf States.

Livestock market chains drawn for different countries within the **Greater Horn of Africa** would include markets across borders as well those centres of final consumption (large capital cities like Nairobi and in the Gulf States) because demand for livestock products in these centres exert considerable influence over the profitability and hence vitality of trade through all the different market centres and back to pastoralists and farmers raising animals.

To understand the economic opportunities for pastoralists, one would need to understand these important market linkages.

### Example: A Market Chain That Extends Across Borders

A livestock market chain for Ethiopia would include geographic points across its borders.

Moyale market in Ethiopia and Mandera market in Kenya are the two largest cross-border terminal markets for livestock trade and distribution between Ethiopia and Kenya.

Seventy to eighty percent of live animals sold in these two markets originate in Ethiopia.

The Ethiopia/Kenya livestock trade is very important because it links prime cattle production areas of southern Ethiopia to the region’s largest market in Nairobi, Kenya.


Labour market chains for any **Central American** country would likely include linkages to several countries within the region.

Similarly, the food security of households living in some areas of **Afghanistan** is highly dependent on labour market opportunities. Households purchase much of their wheat flour (the basic staple) from markets and rely on employment to generate the necessary income to cover the food requirements as well as other basic needs.

### Example: Labor Markets and Food Security in Afghanistan

For wheat producing provinces in the north, the performance of the wheat harvest correlates with the food security situation of the local population during the following marketing year.

In contrast, local production has less of an impact on household food security for populations of the south, southeast, southwest, central and western subregions.

In these areas, households have responded to eight years of drought by diversifying
their livelihoods strategies, particularly by expanding reliance on wage employment (e.g. in construction and poppy production).

To effectively analyze and monitor the food security of these populations in particular, it is important to consider factors other than, or in addition to, local wheat production such as food prices, trade restrictions, wage rates and employment opportunities.
Annex 6: Gathering market information

Much of the market information can be gathered and organized once and periodically updated, say every five years or when a significant change takes place.

All of the more stable market products that do not have to be reproduced every year can be drafted and updated as new information is collected and the knowledge of the market system deepens.

Creation of market maps, market chains, market calendars and characterizing typical trader behavior can be done before a food security or vulnerability assessment process gets underway. Often this information is already available and only needs to be gathered and incorporated in the food security assessment.

Many government market information systems have monthly prices of key commodities for key markets. For data and information about neighboring countries, some prices can be found on websites of commodity specific trade associations, RATIN regularly reports on East Africa (www.ratin.net) and FEWS NET (www.fews.net) covers countries for which it has a presence.

Staff from the Ministry of Agriculture can usually provide up to date information on policies that affect food supplies and food security.

Literature and research documents often contain some very useful information about markets, such as the behavior of participants.

Key informants

Key informants are important too. Structured interviews and rapid informal surveys are typical methods used to gather information about market conduct (e.g. trader behavior).

Key informants can describe how the market typically performs over the year as well as in normal and bad years. Market participants can be asked to reflect on how their behaviors and strategies change over the season and in response to different market events and stresses.

Small-scale and large-scale traders may exhibit very different conduct and use very different coping strategies so a range of traders should be interviewed.

Village groups can describe market performance issues and highlight what are the important performance criteria from their perspective.

Because opinions on performance will likely vary among different people within a village – women and men may be most focused on different commodities and women may be concerned with food prices.

Information on trader strategies and reactions to particular markets may help to project what you think their responses will likely be.
Quick interviews with traders can yield important insights on market responses. Traders will often have reliable impressions of what is happening in local, national and even regional markets. It is, however, also important to note that traders can manipulate their responses to the interviewer’s questions to suit their own interests. Therefore, it is necessary to utilize tactful interviewing methods and be cautious about the interpretation of information collected from traders.

Frequently, market maps and market chains are put together using the collective experience of the members of the national food security or vulnerability working group. Staff of the National Market Information System and Ministry of Agriculture can also provide a wealth of information about market networks.
Annex 7: Market Questions – Market Baseline or Profile

Depending on the characteristics of the commodity and market, the kind of information that is helpful to have in order to establish a market profile or baseline will vary a little.

However, there are numerous standard questions that are relevant to almost any situation.

To create an accurate baseline, it will be necessary to conduct some interviews with traders, other market participants and key technical informants (e.g., staff at the Ministry of Agriculture or trade associations).

It is important to pose these questions and collect the information for each commodity and for each market. Available market services, market participants, behaviour and strategies may differ across commodities and markets. It’s important to identify and account for these differences when you are assessing markets because these characteristics will determine the outcomes in markets and thus the food security outcomes.

<table>
<thead>
<tr>
<th>Market Questions – Market Baseline or Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Context or Environment</strong></td>
</tr>
<tr>
<td>What do commodity market networks look like within the country and region (create network maps)?</td>
</tr>
<tr>
<td>Are there government commodity purchase or sales prices?</td>
</tr>
<tr>
<td>Are there import or export restrictions – taxes, bans, quotas, licensing requirements?</td>
</tr>
<tr>
<td>Are there licensing requirements or fees for engaging in trade?</td>
</tr>
<tr>
<td>Are there import or export restrictions in neighboring countries?</td>
</tr>
<tr>
<td>Is there food distribution?</td>
</tr>
<tr>
<td>What is the rate of inflation?</td>
</tr>
<tr>
<td>What is the exchange rate policy?</td>
</tr>
<tr>
<td><strong>Structure</strong></td>
</tr>
<tr>
<td>What are the different types of sellers in the market?</td>
</tr>
<tr>
<td>How many sellers (of each type) are there in the market?</td>
</tr>
<tr>
<td>How many buyers are there in the market?</td>
</tr>
<tr>
<td>Is there transport available to producers?</td>
</tr>
<tr>
<td>Is the market vertically integrated (create market chains)?</td>
</tr>
<tr>
<td>Are commodities differentiated (e.g. different qualities of grain, meal or flour)?</td>
</tr>
<tr>
<td><strong>Conduct</strong></td>
</tr>
<tr>
<td>Which commodities do you normally buy?</td>
</tr>
<tr>
<td>When (which months) do you mostly buy? (create a market calendar for purchases)</td>
</tr>
<tr>
<td>What is the typical volume of purchases over the season?</td>
</tr>
<tr>
<td>From where do you normally acquire the commodities?</td>
</tr>
<tr>
<td>From whom do you normally acquire commodities?</td>
</tr>
<tr>
<td>Do your buying practices change in bad years and, if so, how?</td>
</tr>
<tr>
<td>When (which months) do you mostly sell? (create a market calendar for sales)</td>
</tr>
<tr>
<td>What is the typical volume of sales over the season?</td>
</tr>
<tr>
<td>Which commodities do you normally sell?</td>
</tr>
<tr>
<td>Where do you normally sell commodities?</td>
</tr>
<tr>
<td>To whom do you normally sell?</td>
</tr>
<tr>
<td>Do your selling practices change in bad years and, if so, how?</td>
</tr>
<tr>
<td><strong>Do you store commodities, for how long and why?</strong></td>
</tr>
<tr>
<td><strong>Do your storage practices change in bad years and, if so, how?</strong></td>
</tr>
<tr>
<td><strong>Do you have your own transport and, if not, how do you transport goods?</strong></td>
</tr>
<tr>
<td><strong>Do you have access to credit?</strong></td>
</tr>
<tr>
<td><strong>Do you belong to any market groups or associations?</strong></td>
</tr>
<tr>
<td><strong>Where do you get your market information?</strong></td>
</tr>
<tr>
<td><strong>Do you engage in contracting and how?</strong></td>
</tr>
<tr>
<td><strong>What are the difficulties you face in either buying or selling commodities?</strong></td>
</tr>
</tbody>
</table>

**Performance**

| **Are food prices affordable to food insecure and vulnerable groups?** |
| **Are commodity prices affordable to food insecure and vulnerable groups in bad years?** |
| **What are the market margins at different levels of the market?** |
| **Are there large swings in the supply of commodities over the year?** |
| **What does the seasonal pattern of supply look like in a bad year?** |
| **Are there large swings in the prices of commodities over the year?** |
| **What does the seasonal price pattern look like during a bad year?** |
| **Are there clear and consistent quality and measurement standards?** |
| **How well are markets integrated?** |
| **What is the extent of losses, waste and spoilage throughout the market chain?** |

**NOTE:** Questions should be asked for each commodity and market.

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While the list is extensive, nearly all of the questions can be answered through a rapid market survey of representative market participants. A range of traders should be interviewed, particularly small-scale traders in relevant target markets and large-scale traders who supply these traders. Large-scale traders are generally more familiar with the bigger picture of market environment, conduct, structure and performance. Nonetheless, small-scale traders possess critical insight at the ground level and can reveal information about market bottlenecks from which large-scale traders may be insulated since they have access to more financial resources and contacts. Other players in the market chain can also provide critical information such as government officials (especially in Customs and Ministry of Agriculture), transporters/freight forwarders, warehouse owners, millers and business support service agencies and cooperatives, if they exist.

At a minimum, you want to be able to describe what the market system looks like and how market participants behave over the seasons and during times of stress. Having just a snapshot of one point in time (just the current situation) will not provide enough information for you to anticipate and project how the market is likely to behave and influence food security. You need to take the opportunity while you are in the field conducting the survey to acquire information about market dynamics.
Annex 8: Typical Market Monitoring and Early Warning Questions

<table>
<thead>
<tr>
<th>Typical Market Monitoring and Early Warning Questions Include:</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ What does the supply situation look like within the market catchments – locally, regionally or globally?</td>
</tr>
<tr>
<td>➢ Is there enough food in markets?</td>
</tr>
<tr>
<td>➢ What is happening to food stocks?</td>
</tr>
<tr>
<td>➢ Are livestock prices low and declining (high and rising), is this abnormal and will this trend continue? Have they surpassed a threshold value?</td>
</tr>
<tr>
<td>➢ Are cereal prices high and rising (low and falling?), is this abnormal and will this trend continue? Have they surpassed a threshold value?</td>
</tr>
<tr>
<td>➢ How will demand respond to increasing (decreasing) food prices?</td>
</tr>
<tr>
<td>➢ How will supply respond to the increasing (decreasing) food prices?</td>
</tr>
<tr>
<td>➢ What are prices likely to be next month, later in the season, etc?</td>
</tr>
<tr>
<td>➢ Are wage rates and employment opportunities declining (rising), and is this abnormal and will this trend continue?</td>
</tr>
<tr>
<td>➢ What do we expect the employment situation to look like in a month, later in season, etc?</td>
</tr>
<tr>
<td>➢ Have there been any important events or changes locally or within the region that could affect the market like:</td>
</tr>
<tr>
<td>o Price or exchange rate policies,</td>
</tr>
<tr>
<td>o Fuel and transport costs,</td>
</tr>
<tr>
<td>o Civil unrest or insecurity,</td>
</tr>
<tr>
<td>o New businesses that may compete for food (e.g. poultry for grain as feed)?</td>
</tr>
<tr>
<td>o Institutional purchases that compete for food (e.g. strategic grain reserves, WFP)?</td>
</tr>
<tr>
<td>➢ How will these events affect food security and who’s food security?</td>
</tr>
<tr>
<td>➢ What will be the food gap given market response?</td>
</tr>
<tr>
<td>➢ What are appropriate responses?</td>
</tr>
</tbody>
</table>
Typical Emergency Impact Questions Include:

- What is the current situation analysis? Note: not a question?
- Is the emergency progressing or abating?
- What is the projected timeline of the emergency?
- What are the major constraints facing different market participants (traders, transporters)?
- Have the costs of transport risen?
- How have market margins changed?
- Have purchasing and selling behaviours and strategies altered and how?
- Have market networks changed or been obstructed and how?
- What has happened to food stocks?
- What has happened to the supply of food security relevant commodities?
- What has happened to the prices of food security relevant commodities?
- Has the number and type of sellers in the market changed and how?
- How are market participants responding to the emergency?
- Are there behaviours that are exacerbating or alleviating the emergency situation?
- Are there policies that are exacerbating or alleviating the emergency situation?
- Is there a change in the number and type of people coming to the market?
- How are buyers responding to the emergency?
- What has happened to wage rates and employment opportunities?
- What do we expect to happen to supplies of food security relevant commodities in the next month/several months?
- When is the next harvest?
- What do we expect the employment situation to look like in a month/several months?
- What are the needs?
- What are appropriate market and non-market responses?
- Have there been any responses to the emergency yet? Are any planned?
- How will these responses affect markets, food security and who's food security?
- **What is the damage to roads, telecommunications and other market related infrastructure?**
- **Are there losses to food stocks, livestock and other food security commodities?**
- **Can market participants move around – if restrained, is the restriction physical or due to civil insecurity?**

**NOTE:** Questions in **bold** tend to be more relevant to rapid onset emergencies such as cyclones, civil unrest.

To conduct an accurate and complete assessment of markets and food security, it's important to assess the situation from a number of people's perspectives – households, traders, transporters, etc. Because informants will definitely have different impressions of the emergency, its impact and its recovery. For example, traders may be concerned with access to principal roads whereas households will likely be more concerned about feeder roads that link their villages to minor market centers. While traders may feel that it is reasonable to increase prices because of the increased costs associated with bringing supplies in from more distant locations, households may feel that the higher prices are exploitive and price them out of the market.
All of these questions can be addressed with a formal or informal survey instrument administered to a representative group of market participants, the actual number would be determined by the amount of resources and qualified staff available and timeframe for when the information is needed – this last factor is typically the greatest constraint.
## MARKET TRADER - Survey for Emergency Needs Assessment

### Basic characteristics:
- How long have you been engaged in the trade that you are doing now?
- Do you have your own transport facilities? If yes, what?
- Do you have your own storage facilities? If yes, how large?
- Do you belong to a trader or farmer group or association?
- What communication technology is most important for your trading?
- Do you have sources of income other than trading?

### Discuss what they are doing now:
- Which commodities are you currently trading?
- Which commodities did you trade last month?
- Who are currently your main customers?
- How are you currently transporting your goods to market?

### Discuss what their operations are like in a normal year:
- Which commodities did you trade one year ago?
- For each commodity, what is the month of highest sales in a “normal year”?
- For each commodity, what is the month of lowest sales in a “normal year”?
- How do you get the goods to sell in a normal year?
- What volume do you handle per week at this time of year in a normal year?
- Do you borrow money to buy goods to sell at this time of year in a normal year?
- Do you extend credit to your customers in a normal year?
- Who are your main customers at this time of year in a normal year?
- Does the demand for your produce fluctuate over time?
- Which commodities do you think will have a good future demand?
- Which are the most lucrative markets (type, location) for the different commodities?
- How do you transport your goods to the market in a normal year at this time?
- How much competition do you face from other traders during the buying process?
- How do you get market information?
- What information do you get?

### Comparison between this year and a “normal year”
- How does your volume of sales this week compare to the same period one year ago?
- What are the main constraints you are facing as a trader?
- How are you currently getting the goods to sell?
<table>
<thead>
<tr>
<th>MARKET TRADER - Survey for Emergency Needs Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>➢ Where do you purchase the goods? What volume do you get when you purchase?</td>
</tr>
<tr>
<td>➢ Marketing margins:</td>
</tr>
<tr>
<td>➢ How much does it cost to transport the goods to this market?</td>
</tr>
<tr>
<td>➢ Do you have to pay taxes on the purchase? Road taxes or other charges along the way?</td>
</tr>
<tr>
<td>➢ If you have to cross a border, are there formalities there?</td>
</tr>
<tr>
<td>➢ What do you consider to be the most risky part of your business?</td>
</tr>
</tbody>
</table>

**How is this year different from a normal year:**

- Transport access
- Transport costs
- Border or product transport costs or taxes
- Storage access
- Storage
- Costs
- Goods to sell
- Customers to buy
- Cost of goods for sales
- Availability of goods for sales
- Sales prices
- Credit availability

If current sales are less than “normal sales” for this time of year, why?
If current sales are more than “normal sales” for this time of year, why?

Questions

- If civil insecurity has been an issue, is it improving or deteriorating and how?
- Have market networks changed or evolved, and how?
- What is the state of transport, have there been improvements and is there likely to be improvement in the near future?
- Are the number of trucks and other vehicles increasing?
- What is happening to the costs of transportation?
- What has happened to the supply of food security relevant commodities, including inputs?
- What are the types, volumes and seasonality of commodities available in the market and are they increasing?
- Are supplies becoming more regular over the year?
- What are the prices and price trends of food security relevant commodities?
- What is happening with food stocks?
- Who is involved in buying and selling in the markets?
- Has the number and type of sellers in the market changed and how?
- How do the poor, food insecure or vulnerable households participate in this market as both buyers and sellers?
- Have purchasing and selling behaviours and strategies been changing and how?
- How have market margins changed over time and is there a change in the distribution of the market margin shares (e.g., do farmers now capture a larger share of the final product price)?
- What are the major constraints facing different market participants (traders, transporters)?
- Are markets contributing to the recovery and how?
- What is the behaviour of wage rates and employment opportunities?
- What do we expect to happen to supplies of food security relevant commodities in the next month/several months?
- What do we expect the employment situation to look like in a month/several months?
- What are the needs?
- What are appropriate responses?
- How will these responses affect markets, food security and who’s food security?
- For how long will the suggested responses need to be in place and what will be the indication that a change in the response is appropriate?

Some additional points concerning assessments in the recovery situation:
The changing environment as well as the changing market and food security conditions:
- warrant frequent assessment and updates
- suggest more emphasis on change and evolution of market conditions and performance rather than monitoring absolute performance
- require flexible programming that can be adjusted in accordance with these changes
### Annex 12: Typical Markets Questions for Cash vs Food Response Choices

<table>
<thead>
<tr>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Is food or are particular commodities necessary for therapeutic purposes?</td>
</tr>
<tr>
<td>• What does the supply situation look like within the market catchments – locally, regionally or globally?</td>
</tr>
<tr>
<td>• Is there enough food in markets?</td>
</tr>
<tr>
<td>• Are stocks available?</td>
</tr>
<tr>
<td>• Are livestock prices abnormally low and declining (high and rising), is this abnormal and will this trend continue?</td>
</tr>
<tr>
<td>• Are cereal prices abnormally high and rising (low and falling), is this abnormal and will this trend continue?</td>
</tr>
<tr>
<td>• How will demand respond to increasing food prices (elasticities, integration, networks, price differentials)?</td>
</tr>
<tr>
<td>• How will supply respond to the increasing food prices (elasticities, market power, and traders’ conduct)?</td>
</tr>
<tr>
<td>• What are prices likely to be next month, later in the season, etc?</td>
</tr>
<tr>
<td>• When is the next harvest expected?</td>
</tr>
<tr>
<td>• Do households have access to and regularly resort to markets for food?</td>
</tr>
<tr>
<td>• Are there aspects of the market environment that could make supply less responsive?</td>
</tr>
<tr>
<td>o Consumer preferences differentiated by population (livelihood and wealth groups)</td>
</tr>
<tr>
<td>o Price controls (purchase or sales prices)</td>
</tr>
<tr>
<td>o Licensing, tendering and other regulations on transactions</td>
</tr>
<tr>
<td>o Trade restrictions within the market catchment areas</td>
</tr>
<tr>
<td>o Fuel price controls or quotas</td>
</tr>
<tr>
<td>o Corruption</td>
</tr>
<tr>
<td>• What will be the food gap given market response?</td>
</tr>
<tr>
<td>• Are there currently food or cash transfer programmes?</td>
</tr>
<tr>
<td>• Is there capacity to design and implement food or cash transfer programmes?</td>
</tr>
<tr>
<td>• What are appropriate responses?</td>
</tr>
</tbody>
</table>
Annex 13: Choosing between cash and food programming

**Food distribution and cash transfer**
The development of cash programs must be accompanied with a thorough market analysis to forecast the potential impact of cash payments on the economy in the short to medium term. How the decision between a cash or food response relates to the market can be presented using two simplified illustrations.

1. First, if you bring a lot of food for direct distribution into an area, you can upset the balance of supply and demand. Households that receive food won’t need to buy as much food and the overall market demand will go down, especially if many of those households had effective demand and were buying food. The decrease in demand will cause prices to fall and that will hurt sellers’ incomes and reduce the incentive to supply the market. This can lead to further supply problems down the road and the typical circular problem associated with when to reduce or terminate direct distribution programs.

2. Second, if you give people cash transfers it’s like increasing their incomes. With the additional income, they have additional purchasing power. They may not spend all the extra income on food, but if they are food insecure to begin with they will likely spend a good deal of that extra income on food. But if supply is pretty rigid (inelastic), all the extra spending power will simply push the prices of food up and that has the affect of reducing food access.

**Choosing between cash vs food programming**
Having an idea of the elasticity of supply provides you with some insights. If supply is elastic, it means that it responds to price signals and sellers will bring more supplies into the market if the price begins to rise, so cash transfers are a good option because the additional demand and increased upward pressure on price will signal to sellers to increase the supply. If supply is inelastic, it means that sellers will not be very responsive and additional demand, causing an upward pressure on prices, will not result in sellers bringing more supplies onto the market. That means a cash transfer will just heat up the market. Here food would be more appropriate.

There are some general rules of thumb as to when cash or food transfers are appropriate.

<table>
<thead>
<tr>
<th>Food Transfers generally recommended when:</th>
<th>Cash Transfers generally recommended when:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Food consumption/nutrition (including micronutrient) objectives are prioritized</td>
<td>• Overall humanitarian need, as well as choice and flexibility are prioritized</td>
</tr>
<tr>
<td>• Markets do not function well</td>
<td>• Markets function well</td>
</tr>
<tr>
<td>• Markets are distant, or during the lean season</td>
<td>• Markets are nearby, or during the peak, post-harvest season</td>
</tr>
<tr>
<td>• Inflationary risks are a significant concern</td>
<td>• Production disincentives due to food aid delivery are a significant concern</td>
</tr>
<tr>
<td>• Security risks permit (i.e. highly visible operations and transfers)</td>
<td>• Security risk permit (i.e. less visibility but greater incentive for theft)</td>
</tr>
<tr>
<td></td>
<td>• Cash transfer system exist</td>
</tr>
</tbody>
</table>
• Cash transfer systems do not exist
• Cost saving is sought through individual/household targeting.

• Cost saving is sought through lower logistical and management overhead.


The Oxfam Decision Tree
A simple decision tree helps navigate a path through a series of questions relevant to the choice of whether to use cash or food transfers. Each question requires some analysis like whether markets are integrated or competitive.
Negative impacts resulting from cash or food aid interventions have largely been a result of a failure to properly assess the market prior to project implementation.

To avoid failure, it is critical to **examine both demand and supply situation** in the affected areas and markets.
In trying to determine the likelihood that the market will respond to an increase in demand following the emergency, traders are a valuable source of information and can help you form expectations or predictions about potential market reactions.

Given that emergencies are time sensitive, a rapid market analysis should follow some of the fundamental aspects outlined herein, coupled with queries of traders and other key market participants about market beh