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# **Market Profiles and Emergency Needs Assessments:**

**A summary of  
methodological  
challenges**

***Michigan State University***

**Strengthening Emergency Needs  
Assessment Capacity (SENAC)**

**May 2006**



## **Market Profiles and Emergency Needs Assessments: A Summary of Methodological Challenges**

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This synthesis was prepared under the umbrella of the “Strengthening Emergency Needs Assessment Capacity” (SENAC) project. The SENAC project aims to reinforce WFP’s capacity to assess humanitarian needs in the food sector during emergencies and the immediate aftermath through accurate and impartial needs assessments.

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## Table of contents

Table of contents	9
I. Executive Summary	11
II. Introduction	13
III. Conclusions and Recommendations from the Desk Review on “Emergency Needs Assessments and the Impact of Food Aid on Markets”	13
IV. Market profiles	16
V. Linkages between the market profiles and emergency needs assessments	19
VI. Conclusion	22
VII. Annex Table 1 - Detailed Priorities for Information in Emergency Needs Assessments (ENA) and in Full Market Profiles (MP)	26
VIII. Annex Table 2 - Detailed Checklist of Market Information in Emergency Needs Assessment (ENA) and Market Profiles	28
IX. Annex Table 3 - Market Trader Survey	33
X. Annex Table 4 - Relationship between Response Alternatives and Markets: Key Examples	35
XI. Annex Table 5 - Example of a Food Balance Sheet: Zambia 2005 with annotations	39



## I. Executive Summary

### For WFP and other humanitarian agencies:

- **Emergency Needs Assessments (ENAs) can and should incorporate basic market components that will help inform on not just the impact of shocks and food aid on markets, but also the potential for markets to respond in an emergency.**
- **Market evaluations during the ENAs should examine more than food needs at a household level and market impacts of food aid arrivals.** Market evaluation should identify how markets are functioning, bottlenecks, limitations in the markets, and the role that markets may be able to play in emergency response alternatives. This includes demand/supply aspects of commodity choice and sourcing for food aid commodities, and the use of non-food responses to meet emergency needs.
- **WFP needs to recognize the importance of ENA in identifying a wide range of options which can meet the objectives of saving lives and ensuring food security or livelihoods.** WFP needs assessments have mainly focused on assessing how much food is needed for delivery. Over time, it has become clear that delivery of food is not the sole or in some cases the most appropriate intervention for WFP to save lives and protect livelihoods.
- **A commonsense approach to markets and how they are functioning can go a long way in avoiding critical mistakes in estimating food aid needs, particularly with regards to private sector and public sector actions.** An intuitive approach coupled with simple data analysis can identify ex ante where the private sector has the potential to help meet needs, when food aid distributions are likely to disrupt existing production and marketing, and where income or market support would be more effective in the long term than direct food distribution. Market models and more extensive economic modeling and analysis will be valuable, but in the short term, may not be feasible.
- **As a high priority, WFP and other agencies should support the development of local capacity for assessment of emergencies and development of response strategies, including market information systems, national early warning units, regional early warning and analysis systems, and local community-level food security assessments.** These activities are often conducted in isolation from each other, yet there is a critical need for collaborative efforts and integrating the results in ENA and elsewhere.
- **Market Profiles completed prior to an emergency can provide the basic information that enables an ENA to assess needs and response options.** When such profiles are lacking or poorly completed, and local capacity for market analysis is not available, the ENA process will need to include market specialists to complete a rapid assessment.
- **There should be a high priority placed on conducting market profile studies in all countries with recurrent or protracted emergencies.** Market assessments during monitoring will also be useful to highlight possible new interventions or changes needed in existing interventions. Repeated market studies will be required for complex emergencies, and components should be included in the Food Security Monitoring Systems.

- **Market profiles and emergency needs assessments should meet the basic information needs of those selecting response options: the programming staff.** Profiles and ENA will not address all considerations, but should provide sufficient market understanding to help identify key options, related to food availability and food access.
- **Market models can be valuable to highlight the relative importance of food aid quantities in total food supplies as well as to anticipate potential price effects of food aid. However, they must be developed and used by trained staff where reasonably reliable data are available.** Combining market model development with the basic market profiles seems the most efficient way to obtain a workable model. With training, local staff can then use the market model in the event of an emergency.
- **WFP field staff and other technical staff need training in basic economic concepts related to food security and markets in order to incorporate markets adequately into emergency responses.**
- **WFP needs to be aware of how public sector policies affect food security and emergency response effectiveness, particularly with respect to markets.** Market profiles should be used to identify these aspects and highlight potential risks and benefits. Market supply predictions are frequently off the mark due to the effects of policies and government actions on private sector incentives and activities.
- **WFP and other humanitarian agencies should be as transparent as possible, obtaining information, but also releasing information to the private sector and local governments on what they are planning, when and how.**

**On a more technical level:**

- **The EFSA Handbook will need revisions beyond Chapter 4 to adequately deal with market considerations and to ensure that each assessment is useful for programming.**
- **New tools for markets can be useful, but should be developed with extensive field input and complemented by increased training on markets.** Draft tools are available in the annex, such as checklists, market survey instruments, and linkages between markets and response options. Simple market price analysis spreadsheets are available as well (McGlinchy 2006). A market model prototype is available in Dorosh and Haggblade (2006).
- **Data on prices and other aspects from the market profiles and ENA must be documented and kept in a useable format, with an assessment of reliability included.** Having an analysis in a document will have limited usefulness if the data and analysis format are not saved and made available for updating over time.
- **Incorporating market aspects into Food Security Monitoring Systems (FSMS) and Comprehensive Food Security and Vulnerability Analyses (CFSVA) is still needed, as this work focused on ENA and market profiles.** Prioritizing information and indicators can start from the information base indicated for ENA and then retain the subset of most appropriate indicators.

## II. Introduction

- 1) This report is designed to highlight the key conclusions from two SENAC activities. The first activity is the Desk Review of Emergency Needs Assessments and the Impact of Food Aid on Local Markets, conducted by researchers at Michigan State University (Donovan et. al. 2005, hereafter cited as “Desk Review”). The second activity consisted of market profile studies conducted in at least 9 countries in Asia, Africa, and Latin America. Rather than a single contractor, the profiles were completed by several different agencies. Researchers at Catholic University of Leuven (hereafter KU Leuven) completed profiles for Madagascar (Goossens and Ralison, 2005), Democratic Republic of Congo (Tollens and Biloso, 2005), and Côte d’Ivoire (Stessens and Dao, 2005). The Food and Agriculture Organization (FAO) completed profiles in Tajikistan (Abassian 2005), Guatemala (Zappacosta 2005a), and Honduras (Zappacosta 2005b). WFP staff members completed a market profile in Niger (Beekhuis 2005). Other market documents are available, such as the market assessment for Pakistan, completed after the earthquake (Nyberg 2005).<sup>1</sup>
- 2) In the next section we will discuss further the results and recommendations of the Desk Study. Then, an overview of the market profiles will be presented. Following that, we will discuss the needed linkages between the two activities. The final section will include more general recommendations for WFP to bring together assessment and operational decisions. Draft guidelines and checklists are in the Annex for use with the workshop.

## III. Conclusions and Recommendations from the Desk Review on “Emergency Needs Assessments and the Impact of Food Aid on Markets”

- 3) While the Desk Review was initially focused on the impact of food aid on markets, it became clear that WFP and other humanitarian agencies would have problems responding to emergencies as long as markets were not an integral part of assessments and selection of response alternatives.
- 4) As members of the Advisory Group have indicated in previous SENAC meetings (see WFP 2005c) and a recent document by Lentz, Barrett and Hoddinott (2005) suggests, the Desk Review finds that the empirical evidence demonstrating the negative impacts of food aid on markets is fairly limited. Where negative impacts were found, large quantities of food aid relative to local supplies were distributed either through markets or directly to households. The food aid displaced local commodities and local traders in the markets. This is particularly true when needs are over-estimated or when the supplies arrive during local harvest of the food aid commodity or a close substitute. The over-estimation of need may stem from inaccurate production estimates. Over-estimation may also be a result of unanticipated government actions releasing stocks or restricting exports. This may combine with difficulty in anticipating private sector responses. In some cases of observed or alleged disincentive effects on markets, the problems were not a result of excessive estimates in the ENA, but rather lack of operational ability to respond quickly and to suspend shipments when they arrived late, entering during the harvest season for local commodities, or when supplies were already adequate.

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<sup>1</sup> Other market profiles are due to be received for Timor Leste, Afghanistan, Zambia and Mali, but were not available for review.

- 5) As stated in the Desk Review (pp.1-2), there are several major questions related to markets that each ENA should address which will later assist in selecting response alternatives for implementation:
- What is the nature of the food insecurity? Are market failures or weaknesses part of the threat to availability and accessibility of food?
  - Will markets respond to needs, if effective demand of households is increased?
  - Which set of response alternatives will be ensure food security in the short run while enhancing the longer term role that markets play in food security?
  - When WFP and partners have only second-best response alternatives available, what are the consequences – through the functioning of markets - for consumers, producers and other actors?
- 6) ENA will need to adequately address the sources of market activity and possible government interventions that will affect the market. The Desk Review suggests critical evaluation of the Food Balance Sheets (FBS). (See Annex Table 5 for an annotated FBS.) Even though an ENA does not explicitly use the FBS to determine needs, WFP and other agencies are pressured to bring in food supplies when the FBS indicate a national deficit. For example, FBS rarely incorporate informal cross-border trade, yet significant quantities may arrive that way, resulting in an over-estimate of national needs from the supply side. In addition, if governments announce or initiate activities to provide food supplies, those supplies will interact with humanitarian agency response and with markets. Government stated policies and actions also will influence the private sector risks and willingness to import, thus affecting total supplies.
- 7) Market work in the ENA should be guided not just by how markets might be affected by a shock and how markets might react to food aid deliveries, but also how responses may be designed using or developing the markets (See Annex Table 4 for potential links between response alternatives and markets). Increasingly, food aid is seen as one of many possible responses to an emergency. Market profiles and the market work in an ENA will need to provide the information to evaluate possible market-related opportunities for response alternatives.
- 8) The current ENA methods focus on individual and household assessments and are designed to determine needs at that level. Other than limited price analysis, those methods are not designed to evaluate the interface between market and policy levels and individual and household level needs. The Desk Review presented some possible tools for working with market agents (Annex Table 3) and for linking markets and response options (see modified version in Annex Table 4). However the authors stressed that this is not just a case of simply modifying the EFSA handbook by adding or modifying a single chapter or improving the Checklist of market-related data (pp.63-64, WFP 2005a). It will require a greater appreciation by staff on markets and their roles, both current and potential.
- 9) When an ENA demonstrates lack of effective demand, i.e. households do not have the resources to obtain food, the response options to be evaluated should be broader than simply providing direct food aid. Decisionmakers will need to look at more than the demand side to determine the best response. Alternative options include cash to households to purchase food, or may entail actions that help make the market more responsive to conditions of low effective demand, such as lowering transaction costs,

increasing supplies of low cost consumption substitutes, or increasing credit availability for the trading system.

- 10) More effort is needed to evaluate substitution between consumption goods, as well as supply response for current commodities. Households shift their production and consumption as their resources change; they also shift as options and relative prices change in markets. Identification of needs and selection of a food aid commodity depend heavily on an understanding of these relationships, so profiles must include information on cross-price elasticities of demand and income elasticities of demand, at a minimum, as found in many studies on poverty and consumption.
- 11) Qualitative market assessments can be extremely valuable. As demonstrated in Mali in 2004/2005 (PROMISAM 2005), well-done qualitative assessments using a commonsense approach can prevent the over-estimation of needs and the under-estimation of private-sector response that lead to excess food aid deliveries, the most common source of negative food aid effects. Very simple price analysis is combined with discussions with traders and households on the existing problems, and solutions are developed that combine responses to address lack of effective demand and potentially low market supplies.
- 12) The commonsense approach recommended in the Desk Review entails working with people who know the markets, both domestic and regional, and are familiar with history in the region, as demonstrated recently in Mali (PROMISAM 2005). Simple graphing of recent prices, at least a year, in key markets indicates possible problems of high prices. Looking at a few markets shows whether the trend is generalized or localized. Talking to traders about possibilities and constraints to responding to a high price gives an indicator of private sector intentions. Also private sector, when asked, will indicate whether they perceive major problems with local production, foreign supplies, government policies, etc. (See Annex Table 3 for guidelines to a trader survey.) Previous government actions and current declarations will help to indicate probable government intentions. There are tools of economic analysis which can be used to assess market integration and other issues, but those demand time and data that are often lacking in an emergency. WFP needs these analyses, but for implementation, simpler tools are needed now.
- 13) In the Desk Review, the authors stressed the importance of local capacity development, with the example of Mali given. While WFP may not be the appropriate agency to fund such developments, there is a clear link between the ability of WFP field staff to do their job effectively and the local capacity for market and policy analysis. Local analysts with experience can provide background on what has happened in the past. This institutional memory is often lacking in humanitarian agencies that change/move staff frequently. Local analysts also have the personal contacts with traders, trader associations, farmer associations, and other interest groups to assess conditions and provide recommendations on actions.
- 14) Market models can be useful as they link prices to market and household responses. However, these models should be developed prior to the emergency and then reliable data used to revise estimates with an emergency. They may be most appropriate in cases of slow-onset crises or in countries with recurrent or predictable shocks. Completing the market model analysis in a timely way is a major challenge for any ENA and thus should not be included as an activity for every ENA. An example of the usefulness of market models will be presented in a separate document based on Zambia (Dorosh and

Haggblade 2006), so that WFP staff and others understand the data needs and human resources involved, as well as the output and usefulness of these models. Combining this work with market profiles may be the most efficient way to ensure that market models are available for an emergency and can help understand the dimensions of the food problem as well as the potential effects of various response options.<sup>2</sup>

#### IV. Market profiles

15) In this section of the document we will address some of the strengths, concerns, and recommendations of the market profiles. Ideally, these are pre-crisis profiles, in which economists and others have assessed the operations, strengths, and weaknesses of markets within the country and in the region. Often, however, a shock occurs in a country for which no pre-crisis profile is available. Even then a market “profile” is needed, to bring together whatever information is available concerning the markets prior to the shock and then assess the impact of the shock, to evaluate vulnerabilities and options. Where a crisis is prolonged or recurrent, it may be hard to establish a “pre-crisis” profile, and the analysts will need to identify current status, previous market performance, and look into the future. These market profiles will not only serve the needs for the ENA but also will contribute to Crop and Food Supply Assessment Missions (CFSAMs) and other types of rapid assessments.

16) Researchers from several different agencies and academic institutions were contracted by WFP under SENAC to write market profiles for selected countries across the world. Their mission was the following:

The objective of [the market profile research] is: (a) to design a template of essential market information on crisis-prone countries for use as part of Emergency Needs Assessments (ENA) by World Food Program (WFP) and its partners, and as part of a market monitoring system; (b) to develop on the basis of this template ... pre-crisis market profiles ..., which provide essential markets-related profile data and pre-crisis information, a checklist of market-related items to monitor on a regular base, and a list of market-related items to track by assessments teams in response to a shock. These tools would also allow anticipating the effects of shocks on local markets and the effects of a possible influx of food aid. (WFP, 2005b)

17) The authors faced challenges in meeting these objectives and the resulting profiles vary in content, but overall, we find the profiles to be very useful.<sup>3</sup> These documents bring together information from a range of sources in an effort that would be difficult to imagine during an emergency. Price analysis and a review of existing literature all contribute to giving readers a base of knowledge that is critical for understanding how a shock might affect markets and livelihoods. The countries selected represent a cross-section of settings and potential emergencies that reflect the heterogeneity that WFP and other humanitarian agency staff must deal with on a constant basis. In each country, information access is conditioned by prior studies, data availability, communications and transport accessibility to regions that are (or may be) hit by shocks, as well as other

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<sup>2</sup> Market profiles will be discussed in more detail below.

<sup>3</sup> This document is based on market profiles commissioned by WFP for the following countries: Tajikistan, Honduras, Guatemala, Niger, Madagascar, Côte d’Ivoire, and Congo. Other market studies were completed for example Pakistan Market Assessment in Earthquake Affected Areas (2006).



factors. In the case of Honduras, the author was able to use a previous hurricane as an example of what can occur after such a shock (Zappacosta 2005b).

- 18) In some cases, for example Côte d'Ivoire (Stessens and Dao, 2005), market assessment was not a pre-crisis profile, since the country is already divided into two regions by civil war; however, it is prior to what could be a major crisis if the civil strife closes all connections between the north and south. In other cases, a slow onset shock was occurring, as in Niger (Beekhuis, 2005), or a shock had occurred in the past but is likely to recur, as in Madagascar (Goossens and Ralison, 2005) with weather crises. Thus, "pre-crisis" profiles may not be possible, but the market assessments by skilled economists are still needed. Additional market studies will be needed during the monitoring stages, as an emergency develops and changes with interventions. Such is the case with the market assessment in Pakistan (Nyberg, 2006). We will cite a few of the studies, both to highlight an example of what was well done and to indicate where a clear weakness exists.
- 19) First, we would like to present a slight reformulation of the objectives of the market profiles that highlights the key market components to be evaluated.

**Specific Objectives of the Market Profiles:**

- 1) Inform decision-makers of the basic market conditions and the key aspects of markets that should be monitored over time and during emergencies
  - 2) Identify likely shocks in the region and potential consequences of those shocks on markets
  - 3) Identify the potential of various markets to meet the needs of consumers, including local markets, markets in other regions of the country, regional markets outside the country, and international markets, both under existing conditions and in the event of a likely shock
  - 4) Evaluate the key consumption goods and their substitutes in the market and in possible food aid deliveries
  - 5) Identify key policy concerns for markets (trade aspects, exchange rates, inflation, etc.) and possible interventions through markets
  - 6) Identify the key factors to be monitored and evaluated when determining the potential impact that food aid or other interventions might have on markets
  - 7) Assess existing linkages between markets and the key physical infrastructure components that enable market linkages which might be affected by a shock
  - 8) Provide insights on the reliability of available information (prices, trade quantities, production forecasts, etc.)
  - 9) Identify sources of information so that updating can be achieved quickly and efficiently by field staff
  - 10) Identify key market players that should be consulted/interviewed in an emergency (not necessarily individuals, but different levels of the supply chain that might be overlooked, etc)
- 20) In general the target audience for the market profiles is WFP field and other technical staff, as well as the staff of other humanitarian agencies and their collaborators. National disaster management and food policy agencies would also be an important audience. Profiles should be written to be understood by non-economists, as well as economists, and should be based on a solid economic framework. With that in mind, all market profiles should have an executive summary which highlights the key market

considerations in the event of an emergency. Long documents may be left unread, and so the executive summary becomes critical.

- 21) If a market profile is well-done, at the time of a crisis field staff can evaluate current markets quickly and compare to the profile. For instance, prices and price trends can be compared to the previous years to see if there are major shifts. Prices for key commodities can be compared across markets to look for markets that are no longer working with other markets (lack of market integration, in economic terms). (See McGlinchy 2006 for a simple spreadsheet price analysis.)
- 22) In general the existing market profiles lack the consumption parameters that link household behavior to markets. To select between food aid, cash transfers, and other non-food interventions, analysts will need to understand how consumers weigh the choices between wheat and maize, for example. The exception is the Madagascar profile, which includes presentation and discussion of the income, own-price and cross-price elasticities for rice and other staples, indicating what happens when incomes go down or rice prices go up (Table 1.6, Goossens and Ralison draft 2005). Differentiating by wealth classification and rural/urban location, these estimates are extremely valuable to understand how increasing purchasing power will affect demand for a commodity or how a decrease in the price of one commodity will affect the prices of other commodities. These are critical components in a market model; when they are not available in existing literature on the country involved, the analyst will need to find proxies in neighboring countries.
- 23) A key issue that is not always well addressed in the existing market profiles is the role and potential responsiveness of the private sector when there is an emergency. Particularly in cases with a production shortfall, what is the potential for private markets, formal or informal, to respond? A profile needs to identify logical sources of supply, based on past history and trade routes. Also needed is an analysis of government policy and the likely actions that might restrict or encourage market activity. Has the government in the affected country ever banned exports/imports in times of crisis? What are the consequences of similar policies in neighboring countries with possible supplies? Procurement staff of WFP are often familiar with how the private sector operates in the region and can contribute to assessing private sector potential to respond.
- 24) Only a few of the existing market profiles presented information on relevant international and regional markets, such as the import parity prices and duties. Even regional markets within a country - which provide critical information concerning both market integration and the potential for local purchase - are not always well-documented within the reports. In some of the reports, there are acknowledged gaps in the analysis that reflect gaps in available information or oversights on the part of the team, as in Côte d'Ivoire. While basic trade flow maps included in some of the profiles are valuable, quantity estimates are lacking. Informal trade flows can in some circumstances represent very high relative volumes and current work by FEWSNET with WFP and its other collaborators is working to fill in this information gap, as in southern Africa (FEWSNET and WFP 2005).
- 25) The market profiles generally discuss markets without highlighting the key components of weakness, strength and risks as related to emergencies and possible food aid responses of government and international donors. These profiles do not adequately assess the capacity of local and regional markets to respond to a crisis and how different shocks and responses will either hinder or enhance the markets. A predictive model such as the

market models would help to understand the relationships involved and the type of questions to be asked, even where the data to conduct a reliable analysis are lacking (Dorosh and Haggblade 2006).

- 26) In the end, a profile should target the key aspects to monitor, as was done with the Niger profile report (Beekhuis 2005). Table 1 presents a simplified draft checklist of key elements of a market profile, while the Annex Table 1 indicates the priorities for information gathering under different situations and Annex Table 2 provides greater detail and expands the information set.

## **V. Linkages between the market profiles and emergency needs assessments**

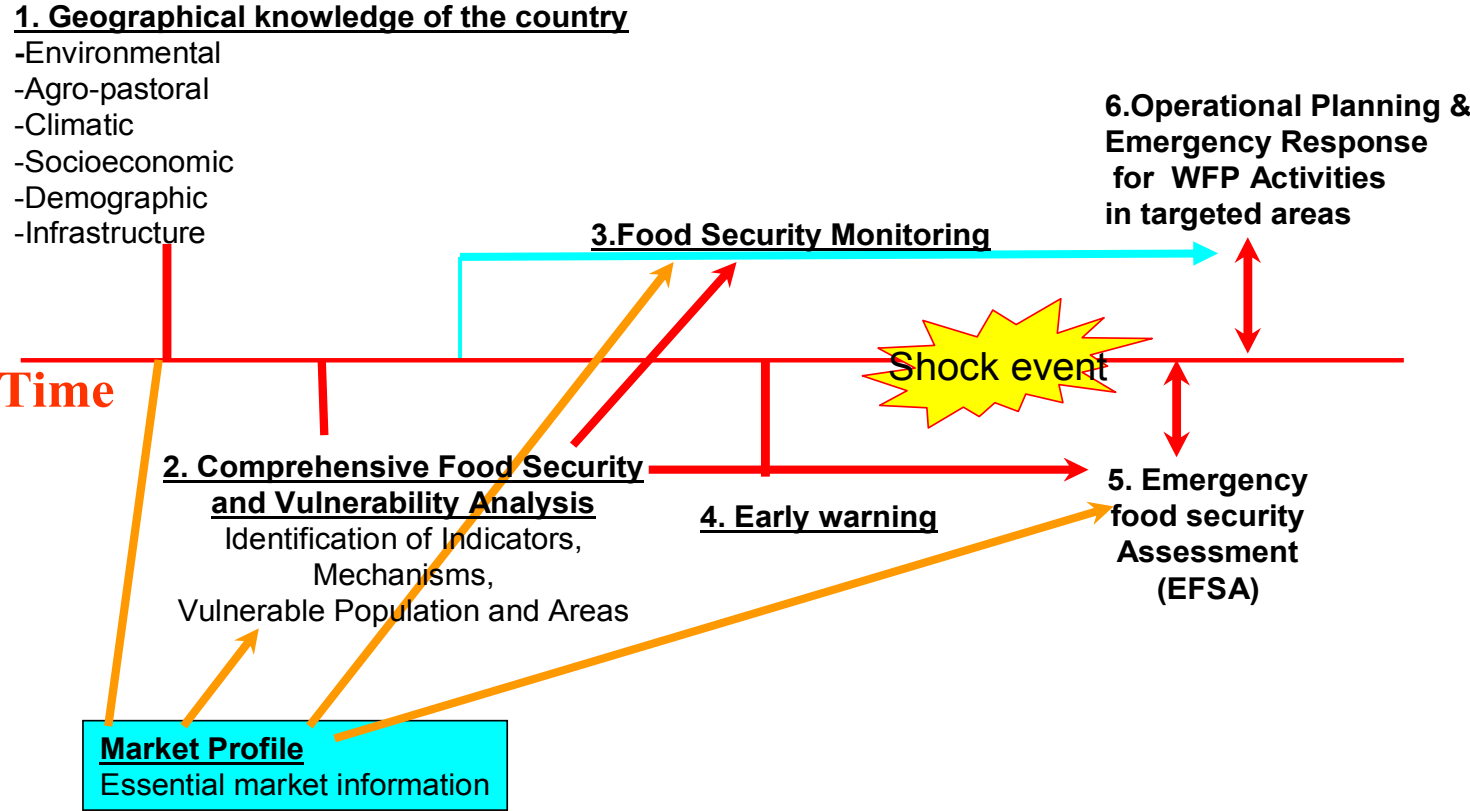
- 27) The current ENA guidelines briefly discuss the link of the ENA with other assessments. However, the market profiles are a recent addition to the toolbox that can add depth to rapid field assessments, by providing the context and identifying ex ante the things to watch for in an emergency.
- 28) Figure 1, the Food Security Time Line (presented by Delbaere at the Cairo workshop) helps to indicate that market profiles may contribute to analysis and decision-making at various times. Rather than a single market baseline prior to the onset of shock, market profiles may contribute to CFSVAs, ENAs, and post-crisis monitoring. A well-founded market profile conducted with more time and skilled human resources can be useful prior to a shock. As such, when a shock occurs, field staff can focus on the key points raised in the profile and just update critical aspects.
- 29) To give an example of where food needs assessments could have benefited from a well-founded market profile, we cite Tiba and Devereaux (2005). They developed methods to identify when an ENA should be conducted, i.e., the “triggers” that should indicate need for an ENA. The triggers are generally based on quantitative indicators, such as price rises and production shortfalls. They ask analysts to not only get the numbers for analysis but also to judge the reliability of the information. In that work, they cited the case of Malawi in 2001/2002, where maize prices rose to crisis levels for the poor and yet the private sector did not respond as anticipated to those rising prices. As Tiba and Devereaux (2006) state, “No studies have been carried out in Malawi of the organization, workings and incentives of the private sector, so it is difficult even today to draw conclusions about what should have driven private-sector maize imports” (p.29).
- 30) Given the short time available for emergency assessments, a market profile with its indicators on key aspects will help to guide the qualitative analysis of the commonsense approach and some simple price analysis. That will go a long way in avoiding excess or extreme underestimates of food aid needs. However, a good assessment at one point in time may need to be updated.
- 31) Market analysis should not be considered an activity that is conducted only once, whether before or during an emergency. Just as markets are dynamic so are household responses to emergencies and to interventions; thus, periodic monitoring is required. The market profiles and ENA should both highlight what needs to be monitored over time.

**Table 1 Checklist for Market Profile (MP) and Emergency Needs Assessment (ENA)**

<b>No.</b>	<b>Information/data</b>	<b>Update or use in ENA</b>	<b>Use in MP</b>
<b>Aggregate Supply Aspects</b>			
1	Production trend and stocks (including government reserves) of basic staples	X	X
2	Identification of regional trade routes and areas of potential surplus, within country and in neighboring countries, including mapping of commodity flows and quantities, and identification of key physical infrastructure components essential to trade flows and subject to shocks	X	X
3	History of exchange rates, import parity prices (IPP) for major import sources of major commodities	X	X
<b>Meso level Aspects (traders)</b>			
4	Identification of trader types, degree of competition, storage and stocking (credit/own capital) capacity	-	X
5	Price analysis, including simple margin analysis between main markets, main commodities; simple market integration evaluation, and estimates of price trends, seasonality for key markets, commodities, consumer price index	X	X
6	Trader reflections on past and impact of shock (or possible shock), current expectations and intentions	-	X
<b>Aggregate Demand Aspects</b>			
7	Total consumption demand for key consumption goods	X	X
8	Own- and cross-price elasticity of demand estimates for key commodities (preferably by poor/non-poor and rural/urban)	X	X
9	Terms of trade for key income/consumption goods	X	X
<b>Policy Aspects</b>			
10	History of policy actions taken in previous emergencies regarding trade (export bans, import limitations, removal of import duties, etc.) or other market aspects (subsidized government food distributions, sales of food reserves, etc.) both in country affected and neighboring countries	X	X
11	Identification of key factors to evaluate in the event of an emergency, given weaknesses/strengths in markets (storage and stocks, credit, transport, etc.)	-	X
12	Identification of key actions which would promote the ability of markets to meet needs in an emergency (e.g., improve supply response through lowering transaction costs or lowering risks)	-	X

Source: Authors. This table is a modified version of Table 4-G found on pages 63-64 in the WFP Emergency Needs Assessment Handbook (2005a).

# Figure 1: Food Security Time Line



Source: Presented by Jan Delbaere at the WFP Cairo markets workshop.

## VI. Conclusion

- 32) As WFP and other humanitarian agencies seek to improve the impact of their interventions and donors allow more flexibility for humanitarian agencies to identify and implement a broader range of interventions, emergency needs assessment methods will need to respond with information to address these changing needs.
- 33) Markets play a major role in ensuring that the resources and efforts of households can be transformed into food security and enhanced livelihoods. Markets are affected by shocks, and the choice of intervention in an emergency may also affect them. Furthermore, when the objective of saving livelihoods or ensuring food security is addressed, markets can be an instrument for longer term benefits.
- 34) Both the Desk Review and the Market Profiles contribute to more extensive incorporation of market consideration in assessments. There is still work to be done to bring together **needs assessments and operational decision-making**. In the past, the main resource available to WFP for emergencies was food aid. Operational considerations were based on evaluations of food delivery mechanisms. Over time, experience has demonstrated that food deliveries are critical in some instances to save lives, but there may be other responses that can not only help save lives, but protect livelihoods over the longer run.

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## **Annexes: Tools for Market Assessments**

These Annexes present several ENA and Market Baseline checklists or tools. They are in draft form for modification and for use by field staff. There is also a simple spreadsheet price analysis tool which is not included here (McGlinchy 2006), but is designed as an interactive MS Excel spreadsheet with MS Word document for instructions and is available. The multi-market model is presented in a separate document by Dorosh and Haggblade (2006).

**VII. Annex Table 1 - Detailed Priorities for Information in Emergency Needs Assessments (ENA) and in Full Market Profiles (MP)**

ID	Item	Level of Importance in ENA and in a full MP			
		ENA Slow onset	ENA Rapid onset	ENA Complex	MP Full
<b>Aggregate Supply Aspects</b>					
1a	Production trends	●●●	●●	●●●	●●●
1b	Production: Impact of shock (actual or potential)	●●●	●●●	●●	●●●
2a	Trade routes	●●	●	●●●	●●●
2b	Infrastructure and Trade Flows	●●	●●●	●●	●●●
2c	Identification of surplus/deficit regions	●●●	●	●●	●●●
3a	Import parity pricing	●●●	●	●●	●●●
3b	Exchange rates	●●	●	●●	●●●
3c	Price trends in potential source markets for imports	●●●	●	●●	●●
<b>Meso (trader) level</b>					
4	Trader types, degree of competition, storage and stocking (credit, own capital)	●●	●●	●●	●●●
5a	Prices for key consumption staples	●●●	●●●	●●	●●●
5b	Margin estimation	●●	●●	●●	●●
5c	Market integration	●●	●●	●●	●●●
6	Trader participation, perceptions, intentions, expectations	●●●	●●	●●	●●●

ID	Item (cont)	<u>Level of Importance in ENA and in a full market profile</u>			
		ENA Slow onset	ENA Rapid onset	ENA Complex	MP Full
<b>Aggregate Demand Aspects</b>					
7	Consumption estimates	●●●	●●	●●	●●●
8a	Consumer price indices	●●	●	●●	●●●
8b	Consumer demand parameters	●●	●●	●●	●●●
9	Local terms of trade for key income and consumption goods	●●	●●	●●	●●●
<b>Policy Aspects</b>					
10	History of Policy Actions in country with emergency and its key trading partners	●●	●	●●●	●●●
11	Identification of key factors, weaknesses in markets	●●●	●●●	●●	●●●
12	Identification of key actions to promote markets	●●●	●	●	●●●
<b>Final Steps in Market Assessments</b>					
13	List of sources, key informants	●●●	●●●	●●●	●●●
14	Database of prices, supply, demand, contacts for information	●●	●●	●●	●●●

Notes: This table is an expansion of Table 1 in the text, with greater detail.

●●● indicates very high priority; ●● indicates high priority; ● indicates medium priority and -- indicates low to no priority.

**VIII. Annex Table 2 - Detailed Checklist of Market Information in Emergency Needs Assessment (ENA) and Market Profiles**

<b>ID</b>	<b>Item</b>	<b>Data</b>	<b>Periodicity</b>	<b>Recall period</b>	<b>What to calculate</b>	<b>What to do when data not available</b>
<b>Aggregate Supply Aspects</b>						
1a	Production trends	Production quantities by region (if possible)	Current year compared to past 5-8 years (longer is better)	Yearly and by season (if more than one ag cropping season per year)	Trend in production of key staples and income goods	FAO sources at least should be available
1b	Production: Impact of shock	Estimate of damage	Current	Compare to previous 3 years	Deviation from average	Expert estimates of damage
2a	Trade routes	Map identifying key routes and direction of trade in main seasons; identification of routes which are/might be affected by emergency	By season, within regions of country and across borders	Previous 5 years basic tendencies	If possible, estimate relative volumes, deviations of historical level	Trader perceptions of main routes/partners and changes
2b	Infrastructure and Trade Flows	Based on map of trade flows, identify the key physical infrastructure facilitating/blocking trade flows and the impact of shocks on that infrastructure	By season	Before, after shock	Identify key weaknesses on a map	Talk to traders/procurement staff

ID	Item	Data	Periodicity	Recall period	What to calculate	What to do when data not available
2c	Identification of surplus/deficit regions	Production and consumption in basic regions of country	By season	Current year, compare to previous 5 years	Estimate surplus/deficit amount based on own production	NA
<b>Meso (trader) Aspects</b>						
3a	Import parity pricing	Prices for key consumption staple(s) in main export market, costs of transfer (including transport, duties, inspections, etc.)	Current	Current (Past 3 years for MP)	IPP for delivery in key affected markets (or at least in key consumption point)	Collect info for current estimate
3b	Exchange rates	Currency exchange rates for key trading partners	Weekly recommended, monthly if not	At least past 3 months (Past 3 years for MP)	Trend in rate	NA
3c	Price trends in potential source markets for imports	Prices and exchange rates	Weekly recommended, monthly if not	At least past 3 months (Past 3 years for MP)	Overall time and seasonal Trend	NA (major exporters data available on web)
4	Trader types, degree of competition, storage and stocking (credit, own capital)	Number and volume traded, by type of trader, storage capacity, own capital for stocks, use of credit (in purchasing, in selling)	Currently, compare to one year ago	Current and one year back	Concentration ratio in volumes traded, total stock capacity, % stock out on credit, % stock obtained using credit	Trader survey / rapid appraisal

<b>ID</b>	<b>Item</b>	<b>Data</b>	<b>Periodicity</b>	<b>Recall period</b>	<b>What to calculate</b>	<b>What to do when data not available</b>
5a	Prices for key consumption staples	Retail and producer prices of key staples and of key income goods; seasonal factors (from baseline or estimate)	Weekly or monthly (weekly preferable)	At least past 3 months (Past 3 years for MP)	Compare actual prices to those that “normally” occur at that time of year using seasonal factors	Design and implement data collection
5b	Margin estimation	Producer, wholesale and retail prices; costs of transactions between market levels	Current and estimate of previous season	Current and 1 year	% of price attributable to different costs, including trader profit margin	Interview a few traders to estimate, although need to note high margin of error
5c	Market integration	Retail prices of key staple in key consumption and production markets	Weekly data recommended,	At least past 3 months (analysis over 3 years minimum for MP)	Graph actual prices and price changes and look at movements. MP should give previous correlation to compare.	
6	Trader participation, perceptions, intentions, expectations	Market survey (see draft instrument)	Seasonal	Current season previous “normal year”	Concentration of traders (number of traders; average quantity traded by each and max traded by any one trader)	Conduct survey

ID	Item	Data	Periodicity	Recall period	What to calculate	What to do when data not available
<b>Aggregate Consumption Aspects</b>						
7	Consumption estimates	Population, consumption estimate per person	Annual	Past 3 years by urban/rural, poor/non-poor group	Total needed to meet minimum requirements	
8a	Consumer price indices	CPI	Monthly	Past year (Past 3 years for MP)	Trend in CPI	NA
8b	Consumer demand parameters	Own and cross price elasticities of demand, income elasticity of demand	By rural/urban, poor/non-poor	Use most recent estimates by researchers	Compare for key commodities, including potential food aid commodities.	Check consumption surveys and poverty analyses for estimates; Use from other countries in region
9	Local terms of trade for key income and consumption goods	Prices for key consumption goods, wages or prices for key production/income goods	Monthly	Current and previous seasons	Terms of price (price ratios)	

ID	Item	Data	Periodicity	Recall period	What to calculate	What to do when data not available
<b>Policy Aspects</b>						
10	History of Policy Actions in country with emergency and its key trading partners	Policy steps in previous emergencies; current policy dialogue, rhetoric	--	At least 10 years, emphasis on recent periods	--	Talk to key informants
11	Identification of key factors, weaknesses in markets	Judgment of analyst and assessment of key informants, using all the above information	Short-term vs med/long term	--	--	Highlight data problems, reliability
12	Identification of key actions to promote markets	Judgment of analyst, using all the above information	Short-term vs med/long term	--	--	Highlight data problems, reliability
<b>Final Steps in Market Assessment</b>						
13	List of sources, key informants	Source of data/information: people, websites, documents, agencies	--	--	--	Highlight data problems, reliability
14	Database	Prices, supply, demand, contacts	According to type of data	According to type of data	Spreadsheet or other database	Highlight data problems, reliability

Source: Authors. This table is a modified version of Table 4-G found on pages 63-64 in the WFP Emergency Needs Assessment Handbook (2005a).

Notes: NA indicates Not Applicable. Some types of data are commonly available on the web or through national offices and so their availability should not be an issue. For each category, the impact of the shock should be detailed where applicable. For some response options, additional work would be needed, such as labor demands and returns to labor, so this table may need modifications to fit specific conditions.



## IX. Annex Table 3 - Market Trader Survey

### **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 other sources of income 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?  
Where do you purchase the goods? What volume do you get when you purchase?  
Marketing margins:  
How much does it cost to transport the goods to this market?  
Do you have to pay taxes on the purchase? Road taxes or other charges along the way?  
If you have to cross a border, are there formalities there?  
What do you consider to be the most risky part of your business?

**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?**

<sup>1</sup> This assumes that there is some crisis or change that makes this year not a “normal” one and for that reason there is an ENA. Reference point can be “one year ago” if it was a year without crisis, or it can be a “normal year”, a vague concept, but potentially valuable. A market baseline study may be able to provide pre-crisis information, such that this survey can be faster, more efficient. Where markets have collapsed, especially due to physical damage to roads and marketplaces, such as after an earthquake, these surveys may only be useful later, as the physical infrastructure begins to be repaired.

Source: This table is adapted from recent work in Mozambique by FEWSNET, WFP, and the local market information system, SIMA. See Bata et al 2005.

This market survey should be part of a rapid appraisal, conducted over at least 2 market levels (open, public markets and wholesale or higher volume retail establishments). For the open, public markets, at least 10% of the traders (a minimum of 10 traders) should be interviewed. For the wholesale market level, at least 5 traders should be interviewed in each market location (town, city).

**X. Annex Table 4 - Relationship between Response Alternatives and Markets: Key Examples**

Response Options	When is this a good idea from a markets perspective? (“When may it be appropriate?”)	When is this a bad idea from a markets perspective?	Repercussions and severity of potential impact on markets if option chosen in spite of “bad idea” conditions	Information required to establish appropriateness of response option
Free (general or targeted) food distribution	(from EFSA Handbook Annex B5, p.p.310-311) “In a situation of acute/transitory food insecurity where: all, or a significant proportion, of households lack access to food; <i>and</i> there is a lack of food available; <i>and</i> alternative ways of assisting people access food would either take too long, when the situation is urgent and/or might not be practical or reliable; <i>and</i> food distributions may be appropriate over a short-term period, rapid intervention of food aid (e.g., one to two weeks) where there is reason to fear possible hunger without knowing whether the above conditions have been met.”	In a situation of acute/transitory food insecurity where: 1) food insecurity is primarily due to household lack of access to resources to obtain food; and 2) markets and transport infrastructure have not been heavily damaged by the crisis; and 3) where markets were integrated and trade flowed before the crisis; and 4) traders would be physically able to supply markets with commodities if the demand side issues are resolved 5) Trade between markets is possible and there is potential profitability in trade 6) When traders are unable to predict how much food aid is to arrive in a market and how distributions will be managed (targeting aspects) and thus cannot supply markets without high risk; 7) when the food aid commodity is a substitute in consumption for a local good and may be sold into	Most severe impacts in short term occur when food aid delivered into markets that already have stocks of the commodity, particularly when the harvest period for local commodity has begun.  Bringing in food aid supplies may have short run, severe price effects in local market if food aid commodity is not well targeted and households sell commodity after receiving.  In cases of recurrent crises, such as the southern Africa droughts, market uncertainty as to food aid actions can lead to high price spikes, lack of trader investment in markets and storage, and undermine long-term development, when food aid is response to each	1) Market integration prior to crisis; 2) HH market participation prior to crisis; 3) Effects of crisis on markets (physical damage, demand for commodities, access to commodities, etc.) 4) Potential profitability of trade between markets (marketing margins, risks) 5) Seasonal calendars and time line for delivery of food aid supplies (avoiding delivery during harvest period)

Response Options	When is this a good idea from a markets perspective? (“When may it be appropriate?”)	When is this a bad idea from a markets perspective?	Repercussions and severity of potential impact on markets if option chosen in spite of “bad idea” conditions	Information required to establish appropriateness of response option
		markets by households receiving the commodity (targeting issues)	crisis, rather than direct income supports and development investments.	
FFW	<p>(EFSA Handbook Annex B5, p.310)</p> <p>“In a situation where: households lack access to food; <i>and</i> food availability in the area is limited in quantity and/or variety, and there is no indication that this will change; <i>and</i> food insecure households include able-bodied persons who are unemployed or under-employed (i.e. there is surplus labour in target households); <i>and</i> public works projects are required; <i>and</i> the necessary non-food inputs (materials, equipment and technical supervision) can be assured; and the assets created will be properly managed and maintained after completion of the project; <i>or</i> Following a sudden disaster when:</p> <ul style="list-style-type: none"> <li>• there is need for debris removal and general clean-up operations, labour-intensive repair of rural roads, small embankments or other public infrastructure;</li> </ul>	<p>If the payments made under FFW are not well designed and draw in populations that otherwise would be engaged in productive labor activities and buying food on the local market</p> <p>If type of commodity distributed is not well chosen, it may be sold by participants to get other goods or to pay cash, depressing the prices of similar (substitute) local commodities</p>	<p>FFW may displace labor efforts in other productive activities, including food production, thus undermining recuperation</p> <p>Commodity sales of FFW goods may depress local prices for good or its substitutes produced locally</p>	<p>Prevailing wage rates, labor availability in targeted households</p> <p>Relationship in consumption between demand for FFW commodity and local commodity. If participants sell the food aid commodity to purchase a locally produced commodity, there may be positive effects on prices for the local commodity, a positive effect</p>

Response Options	When is this a good idea from a markets perspective? (“When may it be appropriate?”)	When is this a bad idea from a markets perspective?	Repercussions and severity of potential impact on markets if option chosen in spite of “bad idea” conditions	Information required to establish appropriateness of response option
	<p><i>and</i></p> <ul style="list-style-type: none"> <li>the population has the capacity to undertake the required work without outside technical supervision.”</li> </ul>			
Cash transfers	<p>(see EFSA Handbook Annex B5, p. 315)</p> <p>“In a situation where:</p> <ul style="list-style-type: none"> <li>food is available in local markets but households lack means to purchase without depleting essential assets;</li> <li><i>or</i> the costs of procuring and transporting food to affected area are high, but traders would respond to market demand;</li> <li><i>or</i> mobilising food aid would take a long time;</li> <li><i>or</i> the aim is to support economic recovery as well as survival;</li> <li><i>and</i> the risk of inflation due to an injection of cash is low;</li> <li><i>and</i> capacity is available to manage the programme;</li> <li><i>and</i> donors are willing to support a cash distribution programme.”</li> </ul>	<p>If food insecurity is due to a production shortfall and market infrastructure has been badly damaged or markets in the location of the crisis have not previously been integrated with other markets, cash transfers may be inflationary</p> <p>Also if the market in a location is controlled by a single or very limited number of traders</p>	<p>Cash transfers given in areas with the specific characteristics mentioned (concentration of market power, lack of integration of markets, damaged market infrastructure) will result in increased demand for a limited supply of food, such that prices increase without new supplies coming in</p>	<p>Same as for Free Distribution, especially market integration (did people buy from the market before crisis and where did those supplies come from)</p>

<b>Response Options</b>	<b>When is this a good idea from a markets perspective? (“When may it be appropriate?”)</b>	<b>When is this a bad idea from a markets perspective?</b>	<b>Repercussions and severity of potential impact on markets if option chosen in spite of “bad idea” conditions</b>	<b>Information required to establish appropriateness of response option</b>
Market-facilitation intervention (e.g., credit line for traders)	When there are food supplies available in some accessible markets, even if not in the directly affected areas and when a shock has seriously affected traders stocks and facilities and they need to begin operations again	When there is no effective demand from consumers	Traders may invest in the unaffected areas where there is effective demand	Useful when combined with programs to improve consumer effective demand, so must check effective demand
Provision of unprocessed consumption good to processors	May help to introduce a new low-cost commodity substitute; Helps to retain local processing activity during crisis	When processors will be able to control market prices; when there is limited processing capacity; when limited numbers of households are in need; when consumers have no effective demand without a cash/voucher scheme	Prices to consumers will be high and consumers will be unable to obtain sufficient quantities	Evaluate food processing in a “normal” year, to determine if capacity is sufficient; evaluate to determine needed controls
See EFSA Handbook Pages 308-328 for other response alternatives and “When is it appropriate?” for each, including Cash for Work, School Feeding programs and Therapeutic Feeding with take-home packages.				

**XI. Annex Table 5 - Example of a Food Balance Sheet: Zambia 2005 with annotations**

	Maize	Paddy rice	Wheat	Sorghum/ millet	Potatoes	Cassava flour	Total (Maize mealie meal equivalent)	Comments
A. Availability:								When was the FBS constructed and when were components estimated? How does that compare to harvest periods?
(i) Opening stocks (May 2003) (sic)	190,702	103	156	2,445	0	380	174,305	How are the stocks determined? How is cassava treated? Household and commercial stocks need to be taken into account.
(ii) Total production (2004/05)	866,187	13,338	136,833	48,297	82,489	1,056,000	1,932,498	How is production estimated? Are both small-scale and commercial farm production included and how are they estimated? Do local experts (e.g., millers, NGO staff, researchers, others) agree with the estimates? In particular, how is cassava production estimated?
Total availability	1,056,889	13,441	136,989	50,742	82,489	1,056,380	2,106,803	How important are the regional differences in production?
B. Requirements:								
(i) Staple food requirements:								Are all the key staple foods included?
Human consumption	1,024,080	24,673	131,658	46,327	78,364	709,926	1,754,712	How are the amounts determined between the commodities? What price relationships existed when those estimates were made? How important are regional differences in consumption? What is the comparison between amounts estimated using average consumption per person and numbers of people vs. methods based on processing throughput and derived demand, especially for urban areas
Food Reserve Stocks (net)	0	100	0	1,000	0	500	1,406	Official government stocks should be reliably known, although quality may be an issue.

## XI. Annex Table 5 - Example of a Food Balance Sheet: Zambia 2005 with annotations

	Maize	Paddy rice	Wheat	Sorghum/ millet	Potatoes	Cassava flour	Total (Maize mealie meal equivalent)	Comments
(ii) Industrial requirements:								
Stockfeed	52,000	0	0	0	0	0	46,800	For this, are only commercial operations included? How much of the feeding is based on imported feeds in a normal year?
Breweries	15,000	0	0	0	0	0	13,500	Does this include use in home brewing?
Seed	7,500	0	1,500	1,000	0	0	8,733	Does this include retained seed at household level or just commercially produced seed?
(iii) Losses	43,309	667	6,842	2,415	4,124	21,120	67,241	How are losses estimated? Adequately accounting for poor quality of storage?
Total requirements	1,141,889	25,440	140,000	50,742	82,488	731,546	1,892,392	
C. Surplus/deficit (A-B)	-85,000	-11,999	-3,011	0	0	324,834	214,411	Do all the numbers add up? What adjustments were made to get grain equivalents? How does the FBS treat commercial imports? Informal and formal imports both included before estimates of food aid made? What about possible exports? An official export ban may be in place but unofficial exports may occur, and so need to be taken into account. What are government policy instruments with regard to trade and are they likely to change?
D. Commercial import requirements								
E. Food aid requirements								What are government's plans for food security interventions? Other donors, NGOs?

Source: MACO/CSO, as found in the Zambia 2005 Vulnerability and Needs Assessment Report, Zambia Vulnerability Assessment Committee (ZVAC), June 2005.

Note: This FBS came along with a note sheet which answers some of the questions posed. See report for details, and for other comments. For example, the report suggests that the total maize import demand was under-estimated, due to lack of consideration of informal exports, underestimate of brewery demand, and possible over estimate of role of cassava in consumption. In this case, the millers and traders had estimated a higher overall import demand need.

Also, in 2004, the methodology of the Food Balance Sheets in Zambia was evaluated and changes were recommended to improve the quality (see FEWSNET, FRA, MACO and ZNFU 2004).