

CONCEPT NOTE

MARKET STUDY - THE KENYA FOOD SECURITY STEERING GROUP (KFSSG)

Background

Markets are centers where buyers and sellers exchange goods and services. The centers are organized in various formations: as physical market places where products are exchanged, complex institutions such as stock exchanges, informal agreement between two individuals or virtual trade platforms such as electronic markets in the internet. Markets comprise, a legal environment including standards, rights and taxes; relationships such as formal and informal contracts; infrastructure like storage facilities and road networks; information such as prices and supply sources; services such as processing and transportation; actors including traders, producers, transporters and consumers; decisions and strategies like purchasing and information sharing among others, which interact to determine trade, and exchange of goods and services (FAO, 2008). Thus, markets represent a complex interaction of economic and non-economic activities that provide structures and procedures necessary for determining the production and consumption of goods and services. Ferrand et al (2004) underscores the importance of markets in providing the mechanisms through which individuals can participate in economic activities either as producers, employees or consumers.

Markets contribute to the four pillars of food security namely food availability, food access, food stability and food utilization. Markets enhance food availability by enabling producers purchase inputs used for food production, and also facilitate trade between surplus and deficit areas. Also, they determine the price of food, and the incomes households receive from the sale of own products and labor. These, coupled with physical markets factors such as storage facilities, influence access to adequate quantities and quality of food. Markets promote the stability of food supply and prices by ensuring food distribution from surplus to deficit areas, effective demand that promotes production and determine food utilization by influencing the quality of food consumed. Consequently, markets play a vital role in the provision of goods and services critical to survival, promotion and protection of livelihoods.

Globally, markets and trade are important in promoting food availability, access, stability and calorific consumption in most regions of the world. Indeed, there is four times more cereal importing than net exporting countries. Worryingly, nearly all African countries are net importers of cereal (Braun, 2007). Consequently, the recent heightened derived demand for cereals to produce bio-fuel and livestock based products, caused a global constriction in cereal supply, and resulted in a precipitous increase in global food prices. The high prices curtailed access to food for various households in different livelihoods, and KFSSG (2008) notes, lead to reduced food consumption or increased consumption of undesirable alternatives, sometimes of lower nutritive value.

In Kenya, markets and trade are critical in bridging the consumption gap caused by structural deficiency in the production of major cereals and pulses by enabling food distribution from surplus to deficit areas. In particular, regional cross-border trade is crucial in meeting the consumption gap for cereal, pulses and livestock in the country. The importance of markets is more pronounced at the livelihoods' level, where households purchase a large proportion of their food including, 91 percent in the urban; 65 percent in

the pastoral and high potential (cereal and dairy); 60 percent in agro-pastoral; 59 percent in the marginal agriculture; and 56 percent in the high potential mixed farming livelihoods. Only 33 percent of food is obtained from other sources including, own production, gifts, and hunting and gathering, except in the urban livelihood where other sources account for only nine percent of food (KFSSG, 2008).

In general, markets offer diverse opportunities which allow households in different wealth groups within a livelihood to access incomes and food, in an attempt to meet food and non-food needs. For example, the overwhelming participation of rich pastoralists with large herds would be in livestock markets which contribute 78 percent of pastoral incomes, compared to poor pastoralists who are likely to participate in waged labor, firewood or charcoal markets amongst others, which contribute only 17 percent to pastoral incomes. Nonetheless, both the rich and poor households rely on the local markets to provide the food and non-food items they require. Therefore, optimal functioning of both the production and consumption markets is critical in determining food security outcomes of households within a livelihood depending on individual household capabilities, livelihood interactions, and the national policy environment and so on.

From the foregoing, it is evident that an in-depth understanding of the entire market system including, the characteristics of market participants, state of infrastructure, available services and relationships among others, is crucial in evaluating and consistent monitoring of the food security status of the general population, particularly the highly food insecure. Albu (2009) notes that an understanding of how markets function or are disrupted is crucial for the analysis of hunger, vulnerability to food and livelihood insecurity or poverty. Since markets affect different wealth groups differently, analysis must be based on livelihoods so that, as Doward et al (2000) asserts, livelihood opportunities and constraints deriving from crucial market processes and institutional issues important for pro-poor market development can be identified. Inclusion of a limited commodity chain analysis is critical for identifying linkages and constraints along the market chain so as to clarify appropriate response in terms of type, magnitude and timing.

The markets sub-group of the Kenya Food Security Steering Group (KFSSG) composed of ALRMP; MoA; WFP/VAM; FAO and FEWS NET is charged with the responsibility of developing a national markets' analysis framework that forms the basis for evaluating the role of markets and trade in alleviating food insecurity in Kenya. In addition, there is need for enhanced market analysis capacity of all the members of KFSSG, district officials and other stakeholders involved in food security monitoring, reporting and early warning, initially, within highly food insecure districts. Such training will improve the capacity of various stakeholders to formulate district-level food and non-food interventions, and at the same time, enhance the quality of input to national analysis. This need is consistent with FEWS NET support to the KFSSG market strategy which, is predicated upon: the building of a core and consistent understanding of basic markets and trade concepts; increasing the national knowledge base; developing specific markets and trade tools, models and methodologies in collaboration with partners; enhancing technical capacities of partners; and cultivating new, and expanding or deepening existing partnerships, all of which are encapsulated in the activity.

In conclusion, it is worth noting that markets are important in determining food distribution from surplus to deficit regions, commodity prices and incomes from sale of productive resources. However, participation by households within a livelihood in market activities is influenced by both endo and exogenous factors within which households operate. In summary, markets are important in ensuring food availability, access, stability and utilization. A clear understanding of how markets function and how they are constituted is critical for providing input in formulation of responses that may be required

to enhance efficiency and effectiveness of markets in mitigating food insecurity while strengthening productivity of livelihoods.

Objectives

The overall objective of the markets' activity is to attain a clear understanding of the characteristics of markets and trade in highly food insecure pastoral and marginal agricultural livelihoods, evaluate the role of markets in food security early warning monitoring and reporting and improve articulation of market-oriented response options through the development of an appropriate market assessment methodology that feeds into KFSSG's national assessment framework.

The specific objectives of the activity include:

1. To conduct a field analysis of representative markets in key food insecure livelihood groups within the pastoral and marginal agriculture zones of Wajir, Samburu, Makueni and Tharaka. The analysis will include an evaluation of market structures for important food security commodities, their influence on the conduct of market actors, and how these determines the final performance of the markets. Additionally, the value chains of key food security commodities will be analyzed to identify constraints and the potential opportunities for improvement.
2. To strengthen market analysis capacities of members of KFSSG, district-based Government of Kenya officers and other food security analysts.
3. To provide methodological input necessary for updating the overall national food security assessment framework developed by the KFSSG.
4. To develop guidelines that will be used as vital input during future market assessments.

Methodology

The market assessment will be carried out in some of the most food insecure pastoral and marginal agricultural livelihoods in Samburu, Makueni, Tharaka and Wajir districts. The markets group of the KFSSG together with officers from the districts will carry out the detailed field assessments in markets selected through a combination of random and purposeful sampling. The markets' assessment will use as input practices gleaned from the food security assessments and monitoring methodology developed by the KFSSG including extensive use of partner knowledge and experience; inclusiveness and collaboration; and linkages with major players. The market assessment will contribute to the process of refining food security monitoring, and reporting methodology in Kenya.

Pre-field activities

- A desk study that allows identification of important food security commodities, probably three, for each livelihood, including food items and productive or income generating commodities. The aim is to clarify the type of prices being collected in terms of market levels, periodicity, units and quality. It will also develop detailed district maps indicating the key market centers and infrastructure network for use in the field.

- Collection of secondary data pertaining to the general market environment such as, government involvement in trade, legal procedures, taxes, levies and licensing requirements among others.
- All teams will participate in an assessment training to clarify the objectives and process of assessing the markets including the testing and review of the questionnaire and required method for reporting of findings.

Field activities

- Together with the technical District Steering Groups, the assessment teams will identify and list the markets that are important to food security early warning monitoring and reporting in each livelihood within the district. Markets will include consumption, production and income markets; and the other markets that greatly influence them. It is from this list that the markets to be surveyed will be selected.
- Using provided district maps, teams will identify and plot the relevant market system variables including, market locations, commodity flows, seasonality of supply, infrastructure, among others.
- Collection of relevant time series price data, trade and market information collated by agencies operating in the districts including government and Non Governmental Organizations.
- Using a semi-structured questionnaire, teams will collect data detailing the characteristics of trade in food security commodities from a cross-section of respondents including transporters, processors and store owners. Other respondents will include representatives of trader associations; opinion leaders; managers of grain and livestock marketing boards; and other governmental and non-governmental officials operating in the market areas.
- Each team will then use the market structure-conduct-performance framework to assess market structure in terms of the number and size distribution of the market actors, barriers to entry or exit, degree of product differentiation, and level of market coordination or integration. In addition, assess market conduct in terms of the traders pricing behavior, commodity price determination, price discovery methods, information sharing, and trader buying and selling behavior; and market performance in terms of market efficiency, stability of supply and prices, level of commodity wastage, spoilage and losses, to analyze the data collected.
- A limited value chain analysis for the most important food and income commodities will be carried out. The analysis will involve identification of critical product flows, value additions at different stages along the market chain, key actors and their relationship along the chain, enterprises contributing to production, the services and required institutional support. It will also evaluate the constraints and strategies needed to help local enterprises improve competitiveness.

Reporting

- Each team will need to submit data collected and importantly a draft report upon finalizing the assessment for each market before proceeding to the next one. The procedure will enable identification and correction of constraints and opportunities and help refine the data collection and reporting process in subsequent markets.
- A two-day report writing workshop will be held in a central location intended to provide teams with an opportunity to share experiences, articulate appropriate market-based interventions and compile final district specific reports. The experiences and lessons learnt will be useful inputs into an evolving assessment methodology.
- The market group of KFSSG will compile the final report on the importance of markets in highly food insecure pastoral and marginal agriculture livelihoods. The team will then finalize the market assessment methodological framework and draft the guidelines for circulation and comments.

Outputs

The main outputs of the activity will be;

1. A report detailing the characteristics of representative marketing systems of commodities important to early warning and food security monitoring and reporting in highly food insecure pastoral and marginal agriculture livelihoods of Kenya. The report will include; structure, conduct and performance of the markets; commodity value chains; market network maps indicating commodity flows and seasonality; and information on the potential for markets, to help alleviate food insecurity.
2. Itemization of the most appropriate market-based response options in each district within highly food insecure pastoral and marginal agriculture livelihoods, based on the market analysis.
3. Update to the KFSSG food security early warning monitoring and reporting including appropriate approaches and tools needed to design and execute market assessments in the Kenyan context, at the livelihood level.
4. Comprehensive food security assessment guidelines to be employed in national bi-annual food security assessments, including;
 - Marketing fundamentals in the context of food security early warning monitoring and reporting.
 - Data collection components, for example, types of markets, commodity prices, qualities and units.
 - Market assessment questionnaires.
 - Methods of data analysis and interpretation intended to identify and give meaning to thresholds, for example, market-specific price thresholds that would inform a trader's decision to provision the markets with staple foods.
 - Types of market response options.

Expected outcomes

Overall, the market assessment aims at enhancing food security early warning monitoring and reporting, vulnerability analysis and food security decision making. The objectives will be realized through the following;

1. Enhanced understanding of the market system in the highly food insecure pastoral and marginal agriculture livelihoods. The analysis will elaborate the influence of market operations and performance on food security outcomes, and the potential pathways through which markets can help inform options for alleviating food insecurity.
2. Enhanced market and response analysis capacities of an estimated 25 network partners including, members of KFSSG and officials from district and national offices, participating in food security assessments. However, secondary trainings will be conducted to a larger number of participants, prior to the overall national assessments.
3. Improved food security analysis incorporating key response analysis as a result of more robust, well articulated market-based interventions. The analysis will be part of the overall national food security assessments methodology which will now include a concise market assessment framework.
4. Enhanced food security assessment methodology and response planning, based on quality, transparent, replicable and comparable early warning and food security reporting at the local and national levels.

References

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Work plan

	KFSSG Regular Market Monitoring Activity - 2009									
	April				May				June	
Activity	Wk-1	Wk-2	Wk-3	Wk-4	Wk-1	Wk-2	Wk-3	Wk-4	Wk-1	Wk-2
Desk study - secondary data sourcing										
Preparation of concept note										
Meeting with DISK of KFSSG										
Consultations and constitution of teams										
Communications to districts & invitations										
Develop training guidelines/tools/maps , workshop preparation										
Final briefing to KFSSG										
Reporting methodology development										
Finalizing the report and writing the guidelines										

Market survey field activity itinerary

Activity	May 2009																	June 2009					
	13 th	14-15 th	16 th	17 th	18 th	19 th	20 th	21 st	22 nd	23 rd	24 th	25 th	26 th	27 th	28 th	29 th	30 th	31 st	1 st	2 nd	3 rd	4 th	
Teams travel to Nairobi for training																							
Market assessment training																							
Team traveling to Wajir & Samburu																							
Team traveling to Makueni																							
Briefing DSG, FGD for Mapping and market identification,																							

