
Famine Early Warning Systems Network (FEWS NET) Markets and Trade Strategy for 2005-2010

Updated January 2008

FEWS NET Strategy and Vision for Markets and Trade

The Famine Early Warning Systems Network's (FEWS NET's) markets and trade strategy focuses on strengthening FEWS NET representatives and their partners' capacity to examine, understand and monitor characteristics of market systems that are relevant to food security analysis and early warning within a specific country or broader regional context (e.g., West Africa, Central Asia).

All activities implemented as well as all tools and methods developed will be targeted toward guiding FEWS NET field representatives and their partners on how to better understand, monitor and assess aspects of market structure, conduct and performance as they pertain to food security in order to:

- provide early indicators of evolving or future food security conditions, and/or
- inform decisions concerning appropriate market and non-market response options in normal and/or emergency contexts.

In contrast to the traditional FEWS NET approach that is based almost exclusively on household-level analysis and dynamics, new methods will consider the market system (e.g. retailers, wholesalers, transporters, infrastructure and financial services) and policy environment, focusing on their roles in contributing to adequate market availability and access, food security and their utility in providing early warning. Some examples of important market aspects are commodity market networks, market integration, the geographic and economic distribution of food commodities, capacity of storage facilities, seasonal road conditions, national and import/export policies and cross border trade.

An additional, and absolutely critical, component of the strategy will be building the capacity of FEWS NET national and regional representatives (FNRs and FRRs) and their closest partners (e.g., local ministry staff, World Food Program field staff and other food security or vulnerability working group members) to integrate markets and trade analysis with food security analysis and early warning. This will require the development of tailored technical aides (e.g., technical briefs, checklists and simple models), formal training and a significant amount of ad-hoc and real-time technical assistance from the FEWS NET technical team. New knowledge and innovative models and tools will have only a limited impact on the accuracy, relevance and timeliness of early warning information if they can not be readily understood and utilized by FEWS NET field staff and their partners.

While this new thematic activity represents a potentially significant expansion of FEWS NET responsibilities and analytical coverage, work in this area is limited to that which has a clear and direct link to food security analysis and early warning. The core objective is to provide greater insights on markets primarily for early warning purposes; however, it is anticipated that the resultant FEWS NET analysis and reporting will also be of value to programs and initiatives oriented at agricultural development and food security more generally. More complete analyses that incorporate and integrate national and regional hazards, livelihoods and markets are expected to contribute to FEWS NET's core mandate of providing:

- the earliest possible warning and equipping decision makers with greatest opportunity to respond early and effectively to mitigate food insecure and famine, and
- comprehensive analyses and reporting that will furnish decision makers with the kind of information they need in order to make well informed choices among the range of sound market and/or non-market responses.

The markets and trade strategy represents an overall approach to fulfilling the markets and trade objectives of the FEWS NET activity while ensuring close linkages and integration of this thematic area with other FEWS NET objectives and thematic areas (e.g., livelihoods analysis, risk and vulnerability analysis).

The FEWS NET markets and trade strategy is divided into five broad complementary components:

1. **Building a core and consistent understanding of basic markets and trade concepts** among the entire FEWS NET team and their closest partners.
2. **Increasing the knowledge base** on markets and trade as they pertain to food security analysis and early warning through the adaptation of new and/or existing market research to the FEWS NET work context.
3. **Developing specific markets and trade tools, models and methods** for FEWS NET representatives and their partners for use in food security, vulnerability and livelihood assessment, analysis, monitoring and reporting (e.g., market network maps and results of market integration analysis).
4. **Providing technical assistance** – to the FEWS NET team, their closest partners and others working on food security and early warning.
5. **Cultivating new, and expanding or deepening existing, partnerships** to successfully implement items one and two, and leverage FEWS NET resources and technical capacities.

There are numerous individuals, institutions, agencies and private firms engaged in the collection, analysis and dissemination of market information. A small subset of this group deals with markets as they pertain specifically to food security. An even smaller subset works on markets and early warning. However, despite the differences in objectives, a significant body of market research and analysis has direct relevance to early warning. Unfortunately, much of this knowledge does not reach the early warning community nor ultimately become incorporated into methods, procedures and observations of the early

warning community. FEWS NET attempts to capture and disseminate useful results and analytical tools to FNRs, FRRs and their partners, tailoring them to typical FEWS NET applications and capacities.

Based on its comparative advantage, FEWS NET continually consults, interacts and establishes strategic and collaborative relationships with others working in the area of markets and food security. For example, FEWS NET has considerable experience as well as the mandate to assess and monitor food security and provide timely, accurate and actionable information to decision makers. As such, FEWS NET is championing a number of activities to enhance its capacity to analyze and monitor markets for the purposes of assessing food security and potential market response for early warning purposes. On the other hand, FEWS NET contributes to, but generally does not lead its partners, in efforts to design, implement or evaluate innovative market interventions that address food insecurity. Instead, a more relevant role for FEWS NET is to support decisions regarding choices among innovative and traditional interventions with the employment of new monitoring tools, tailored analysis and adjusted reporting content and formats that support decision makers with the kind of information that helps them select the appropriate response options given the conditions on ground. This process is guided by the work and findings of others leading the work on response.

Decisions concerning which of the broad range of potential FEWS NET trade and market activities will be undertaken will be guided by the following principles:

- Activities are directly related to core FEWS NET objectives and activities – meaning that the activity has a clear connection to food security analysis and early warning.
- Activities are demand driven – meaning that there is an expressed need for the activity, e.g., FNRs request technical assistance or governments and agencies working within West or East Africa express interest in a cross border trade monitoring system.
- Engagement in activities is in an opportunistic fashion where FEWS NET's involvement, or the output from the activity, will add value and contribute to core FEWS NET objectives and activities - e.g., FEWS NET may provide guidance on research and/or the development of market models and tools if they can also assist in regular monitoring and analysis of food security and early warning in addition to any other academic or professional aim they fulfill.
- Partnerships are formed with those who have an expressed interest in issues related to food security and early warning and who, themselves, can make a contribution to this effort.
- Applied research activities are only undertaken in collaboration with others who have the appropriate technical expertise and an expressed interest in contributing to FEWS NET goals and objectives.
- Output from applied research activities are tailored for, and easily understood and implemented by, FEWS NET FNRs, FRRs and their closest partners (e.g. analysis of market integration can yield guidance on more efficient and effective price/market monitoring.)

- Activities are undertaken on the basis of the availability of time and adequate funding.

FEWS NET Implementation Plan and Priorities

The implementation plan transforms the strategy into a set of activities that collectively support the fulfillment of FEWS NET objectives. The plan presents a series of concrete steps toward fulfillment of these objectives as well as a number of proposed pilot activities, methods and procedures to be designed, implemented on a small-scale (e.g., within one country or one region) and evaluated. Where results of pilots are found to be practical and useful for food security analysis, early warning and/or decision making regarding response options, FEWS NET has and will continue to adopt the pilots more broadly throughout the project where appropriate and resources are available.

FEWS NET continues to work in close collaboration with a number of partner organizations and agencies, executing many regular and ad hoc tasks jointly. The markets and trade thematic area attempts to plan and coordinate activities with its close partners when possible, engage in joint work planning.

Because FEWS NET is highly collaborative and operates in an ad hoc and opportunistic manner, it is not possible to list up front all of the expected accomplishments over the life of the activity or within a given planning period. Nonetheless, in the short term, FEWS NET does and will continue to do at a minimum:

- Provide concrete technical direction assistance to its field staff and local partners in the area of markets and trade.
- Increase the awareness of FEWS NET offices and partner networks of the importance and utility of accounting for markets and trade in regular monitoring, analysis and reporting.
- Take stock of existing knowledge on markets and trade relevant to food security and early warning and make it assessable to FEWS NET representatives and their partners.
- Encourage and facilitate greater consideration and integration of markets in food security and vulnerability assessments.
- Develop consistent commodity network maps for key commodities all countries and regions.
- Draft technical guidance on key markets and trade topics and develop several short training courses (e.g., understanding margins, spatial analysis and parity pricing).
- Make available within all FEWS NET offices a set of basic data and information (including the implementation of an integrated system for sharing data among field offices)
- Create a markets and trade section of the FEWS NET website.
- Regularly network and foster new partnerships.

The activities listed below provide an illustration of the types of activities to be undertaken within the markets and trade thematic area.

Enhancement of the FEWS NET markets and trade knowledge base

Market Studies – The scopes are varied, but generally studies identify and characterize markets and market linkages that are central to food security and vulnerability; highlight key policies and aspects of market structure, conduct and performance relevant to food security analysis and early warning; identify knowledge gaps and make recommendations on monitoring, analysis and reporting on markets and trade for food security and early purposes. Studies identify market system indicators that can be monitored to give an early indication of potential market failure or shortfalls and early warning of impending food shortages and access issues, whether market induced or not. Key commodity market network maps constructed as part of these studies are also being extracted and posted on the FEWS NET website. Reviews are conducted by an individual with extensive experience of the country and strong market and food security skills. Examples of markets review include:

- *WPF/FEWS NET Review of West African Markets and trade (2006)*
- *West Africa Multi-Country Market Study (on going, completion in 2008)*
- *Greater Horn of Africa Markets Review (2006)*
- *Central Asian Wheat Markets and Afghan Food Security Initiative (2007)*
- *Afghan Labor Markets Review (2006)*

Market Orientation Workshops - FEWS NET's support to capacity building in markets through the integration of markets into regular food security analysis and early warning activities beginning with regional markets orientation workshops: one for each region (Southern Africa, East Africa and Afghanistan completed; West Africa pending). The workshops are attended by national and regional FEWS NET representatives and key local partners. Although there is some variation in topics across the different regions, all workshops will aim to:

- update FEWS NET offices and partners on global FEWS NET markets activities and developments;
- broaden participants appreciations of markets to include aspects beyond price monitoring and reporting (e.g., inclusion of market networks, trader conduct, market response, multiplier effects and the relationship of markets on economic activity and income generation);
- clarify the importance and utility of incorporating markets, trade and policy into standard food security and early warning monitoring, analysis and reporting;
- highlight the importance of taking important regional events and linkages into consideration for national analysis and reporting,
- emphasize the importance of formulating expectations and incorporating these into scenarios, seasonal outlooks, analysis and reporting;
- discuss and prioritize possible market tools and guidance;
- initiate the construction of national and region commodity maps; and
- review and strengthen reporting on markets and food security and build and expand partnerships.

All workshops are designed to maximize participation, group activities and the exchange of ideas among participants. Problem solving scenarios conducted through breakaway sessions provide some practical applications and promote the sharing of ideas shared.

Enhancement of the markets and trade analytical capacity of FEWS NET field staff and their partners

FAO Food Security Distance Learning Curriculum, Markets Lessons - The curriculum is being developed as part of the EC/FAO Food Security Program entitled: "Food Security Information for Action," which aims at improving the availability and quality of food security information for the formulation of improved food security strategies, policies, programs and interventions in countries subject to chronic food insecurity, protracted crises and economic transformation. The distance learning curriculum is meant to:

- Improve the collection, management, analysis and dissemination of food security information.
- Reinforce at national and local levels the capacity to formulate policies, strategies and programs integrating food insecurity and vulnerability information.
- Raise awareness of governments, local actors and international community on the impact of food insecurity on related policies.

The distance learning curriculum addresses a variety of interrelated topics and is designed in such a way that learners from different disciplines and with various levels of experience can create self-directed, tailored courses by designing their own program of study to meet their training needs. The materials included within the curriculum can also be extracted and easily adapted as training materials.

FEWS NET is drafting the sections on markets and food security (available early 2008), which includes basic market concepts and principles, an orientation on why markets are relevant to food security analysis and early warning, basic tools for assessing markets and selecting indicators and guidance on how best to report market information to meet decision maker needs.

Technical Guidance and Basic Training Materials –FNNs and FRRs and their network partners need well tailored, practical, succinct and easy to download technical guidance. FEWS NET has begun drafting a set of technical briefs specifically to meet their needs and capacities. Topics include:

- why markets are important to food security analysis and early warning
- market assessments for food security analysis
- market integration and market response
- price trend analysis
- why and how to adjust prices
- when to use and how to calculate price margins and parity prices
- how to integrate markets into food security and vulnerability assessments.

Reviews of Market and Trade Content of Regular Monthly Updates and Products -

In order to regularly produce more integrated and comprehensive food security analyses and reporting, FEWS NET field staff and their partners need orientation and training on how to blend data and information from the FEWS NET livelihoods and vulnerability products with markets and trade data and information. As part of the technical guidance, reviews of current reporting content and formats are being conducted and recommendations for systematic incorporation of improved practices are expected to enrich the report content related to markets and trade as well as the market aspects of livelihood analysis. A reporting guidance will be developed from the findings of these intensive reviews.

Development of Market Vulnerability and Needs Assessment Tools – In collaboration with network partners, FEWS NET provides technical assistance, conducts workshops and is developing guidance on enhancing markets and trade components of food security and vulnerability assessments as well as follow on monitoring, analysis and reporting.

Cross Border Trade Monitoring – FEWS NET and WFP have been conducting and reporting on cross border trade monitoring in southern Africa for the past three years. In collaboration with CILSS and other West African partners, FEWS NET has been promoting the dialogue and process to establish cross border trade monitoring system for West Africa.

Development of the FEWS NET Website and Integrated System – An important FEWS NET tool or mechanism for sharing information and providing early warning is the website and integrated system. FEWS NET is developing a markets and trade thematic area of the website as well as creating web-based country-specific and regional market products. A list of current and potential products includes:

- **Commodity network maps** – maps of commodity networks illustrate key production and deficit areas, market centers and commodity flows made available on the web as data and in graphic formats. Maps are constructed for “normal” and bad year scenarios. Initial maps will include key grains and livestock and perhaps extending to labor, where relevant.
- **Thematic market maps** – FEWS NET livelihoods and market products integrated and available as data and in graphic formats.
- **Market studies** – Special studies or think pieces on topics closely related to food security analysis and early warning (e.g., food verses non-food responses).
- **Assessment tools** – access to the tools developed for field staff.
- **Technical guidance and tools** – well tailored, practical briefs developed for the field staff, checklists and templates for interview guide and questionnaire development.
- **Market data** - easy access to data on markets and trade (e.g., commodity prices)
- **Price reporting** – standard reporting of key commodity prices and easy access to price data.
- **Glossary** – key trade and market terms as well as any affiliated common formulas
- **Links** – a list of key markets and trade links for FEWS NET related work.

- **Policy roundups** – status of key food security related policies and the relation to different geographic and vulnerable groups.
- **Policy briefs** – covering selected relevant policy issues.

FEWS NET is currently developing an integrated system which will allow all FEWS NET offices to share files and data. This new system will greatly enhance the collaboration among FEWS NET offices as well as the capacity of the technical team to provide timely technical assistance.

Networking Related to Research and Development of Analytical Tools – FEWS NET networks and explores strategic collaborative opportunities among a wide range of partners. In the future, FEWS NET hopes to identify and contact partners based in the field, e.g., local universities, regional policy institutes, USAID funded market centers.