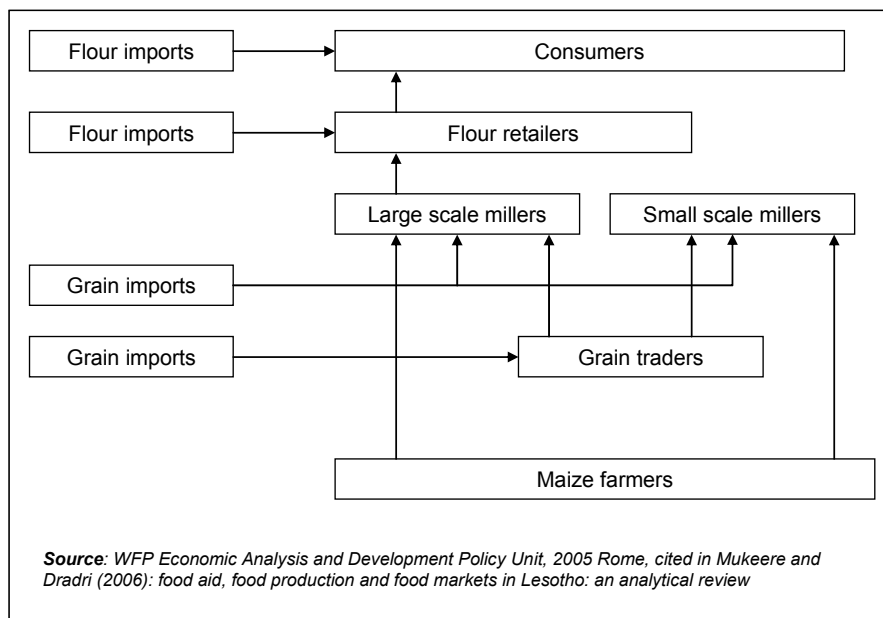


## Guide 5: Market Structure Diagrams

A *market structure diagram* shows the supply route for a given commodity from producer (local or external) through each link in the chain to the consumer. An example is given below, which comes from a WFP report on food aid, production and markets in Lesotho<sup>1</sup>.

**Figure 1: Market structure diagram**



It might be advantageous also to try to get an idea of the relative proportion of the total supply that comes from each source, and the relative proportion which goes to each destination.

The diagram is useful in highlighting the multiple sources of flour and grain that reach the market, and the links in the chain between the producer and the consumer.

### *How is this information collected?*

A market structure diagram is the outcome of a series of interviews with different key informants at different links in the supply or value chain. WFP's EFSA handbook (WFP 2005, page 96-97) suggests collecting this information from key informants at national, provincial and district levels as well as FAO, WFP and food aid donors at national level. Traders are likely to be able to provide this information, and they should be consulted in addition to the key informants mentioned above as they are more likely to be in tune with local realities and recent changes.

Basically for each link in the chain you need to find out the source and the destination of the commodity you are interested in. You also want to find out about competitiveness so get an idea of the number of traders who operate at each link in the chain, and government policies which control the market.

<sup>1</sup> Mukeere B., Dradri S. "Food aid, food production and food markets in Lesotho: An Analytical Review" WFP Rome/Lusaka, January 2006

This tool can be used in conjunction with mapping to get an idea about the direction of food flows.

- where are the surplus areas?
- where are the deficit areas?
- where are the main points of exchange (hub markets) where traders sell to suppliers serving deficit areas?
- which surplus area supplies which deficit area?

The main flows can usefully be shown on a map of the country. Include flows across the border to and from neighbouring countries, when relevant.