

MICHIGAN STATE
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Mercados, Meios de Vida e Vulnerabilidade

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Apresentação no Workshop Analítico do Estudo de
Base do GAV/SETSAN, 2006

November 14, 2006
Maputo

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Markets, Livelihoods and Vulnerability Assessment

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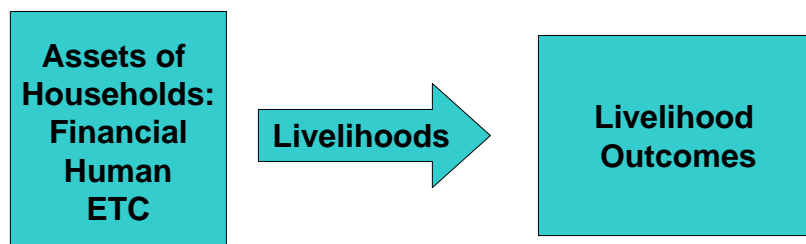
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Livelihoods

- Combination of the resources used & activities undertaken in order to live
 - Individual skills and abilities (human capital)
 - land, savings and equipment (natural, financial and physical capital)
 - formal support groups or informal networks (social capital).

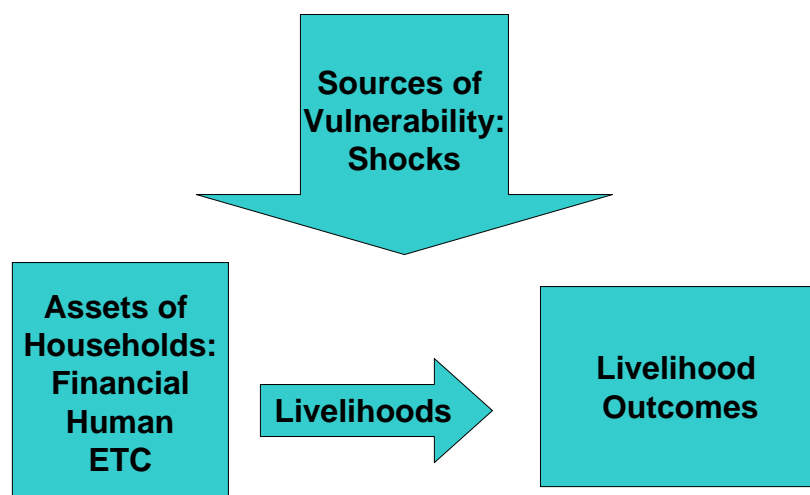
Sustainable Livelihoods Framework



Livelihood Strategies

- how people combine their income generating activities
- the way in which they use their assets;
- which assets they chose to invest in;
- how they manage to preserve existing assets and income.
- Strategies may reflect underlying priorities, such as to diversify risk

Sustainable Livelihoods Framework



Source: Adapted from : Making Markets Work Better for the Poor. ADB M4P Discussion Paper
N.8: Participatory Markets and Livelihood Assessment in Da Nang City

Objectives of the Vulnerability Analysis

- Determine who is in need of assistance
 - Characteristics of population with identified need
 - Identify sources of vulnerability
- Help to identify what is needed
 - Assistance with food? Cash? Inputs? Flexible vouchers? Medicines? Etc.
 - For how long?
 - Until next harvest? For a full year? Until employment obtained? Until indicators look good? Until markets function?

Markets

- **buyers and sellers trading or exchanging goods & services!**
 - Physical location maybe
 - Markets coordinate commodities from original producer through to the final consumer
 - Costs at each stage
 - Structure, conduct and performance:
Result: efficiency of movement, price determination



Markets as the bad guys

- Evil traders
- Nasty prices
- Exploitative marketing tactics
- Farmers, poor price takers
- Markets are part of the problem of poverty, not part of the solution

- Reality: Poor depend on markets for their livelihoods, especially in the worst times



Markets as a Mitigator

- Markets and efficient movement of commodities
 - Price increases stimulate trade, dampen increases
 - Surplus food to deficit areas

- Key factor: Demand
 - Low income means low demand
 - Lack of supply in market as a reflection of Lack of income

Markets and the Poor: Context for Livelihood Strategies

- Income opportunities
 - Labor markets
 - Commodity markets
 - Credit Markets
- Source of consumption goods
- Source of services
- Frames choices/opportunities/options for households
- Value of assets
- Private sector and livelihoods
- Market exclusion vs. inclusion

Market Participation

- Indicators based on market participation:
 - ↑ participation a good sign?
- Depends:
 - High participation in low wage, low skilled jobs may indicate stress on other income sources, “pushed” into those jobs
 - Increased market purchases of food staples may indicate poor productivity of own farms or increased income

TIA 2005: Income from Different Sources as a % of total income, by income quintiles

Income quintiles	Crop income		Livestock income		Wage income		Self employment		Remittances	
	2002	2005	2002	2005	2002	2005	2002	2005	2002	2005
1	81%	72%	4%	4%	2%	7%	9%	10%	3%	6%
2	82%	71%	2%	3%	4%	7%	8%	13%	4%	5%
3	79%	66%	3%	3%	6%	10%	10%	17%	3%	5%
4	73%	62%	2%	2%	10%	13%	11%	18%	3%	5%
5	54%	51%	2%	2%	17%	20%	22%	23%	5%	5%
Total	74%	64%	3%	3%	8%	12%	12%	16%	4%	5%

Source: TIA 2002 and TIA 2005.

Quintiles: 1=lowest income; 5=highest incomes, based on hh income per Adult Equivalent

Percent of Total Food Expenditure Allocated to Food Item Categories, by Tertile of Total Expenditure and Rural and Urban Region (2002)

Food Items Categories	Rural					
	North		Center		South	
	Total Expenditure Tertiles					
	1 (Lowest)	3 (Highest)	1 (Lowest)	3 (Highest)	1 (Lowest)	3 (Highest)
Maize and Derivatives	16.5	33.1	30.1	32.3	8.4	16.1
Rice	4.4	5.6	1.2	4.3	8.5	10.8
Wheat and Derivatives	0.3	1.2	0.3	1.6	0.9	6.4
Cassava	28.8	15.8	1.5	0.7	12.1	4.1
Leaves	6.7	2.8	11.9	3.0	29.2	11.6
Other	43.3	41.5	55	38.1	40.9	51

Data Source: IAF 2002

Table 7 Food Expenditure Allocated to Food Item Categories, by Tercile of Total Expenditures for Rural households by Region (2002)

Food Items Categories	North		Center		South	
	Total Expenditure Terciles					
	1 (Lowest)	3 (Highest)	1 (Lowest)	3 (Highest)	1 (Lowest)	3 (Highest)
	% of total expenditure					
Maize & prods	16.5	33.1	30.1	52.3	8.4	16.1
Rice	4.4	5.6	1.2	4.3	8.5	10.8
Wheat & prods	0.3	1.2	0.3	1.6	0.9	6.4
Cassava	28.8	15.8	1.5	0.7	12.1	4.1
Leaves	6.7	2.8	11.9	3.0	29.2	11.6
Other	43.3	41.5	55	38.1	40.9	51

Data Source: IAF 2002

Markets as Vulnerable

- **Natural Disaster: Infrastructure damage**
 - No roads, bridges, communication, market structures, buildings, financial system
- **Drought: New opportunities but also new risks**
 - Labor markets have greater supply
 - Assets in debts
 - Clients unable to pay back
 - Unable to re-stock
 - Need to have turnover to continue operating
- **Conflict/insecurity**
 - Assets under fire, destroyed
- **No markets**  **No new food supplies**

Analysing market response: Effect of shock on availability

Supply	Demand	Market prices	Market system
<ul style="list-style-type: none"> • Changes in expected harvest quantities • Changes in commodity flows and stock levels • Changes in imports and exports • Release of government reserves 	<ul style="list-style-type: none"> • Observable shifts in consumption levels & market basket • Wage changes, distress sales volumes, consumption loans • National or external changes affecting incomes: trade restrictions (e.g. livestock export ban) or changes in international prices for cash crops (e.g. coffee price collapse) 	<ul style="list-style-type: none"> • Change in price levels, particularly retail prices in affected areas • Changes in relative prices among markets (e.g. wages, cash crops, food crops, livestock) 	<ul style="list-style-type: none"> • Change in market operation; outlets in crisis area • State of market infrastructure • Traders' plans in response to changes in the market

Source: Regional VAC: "Markets Module: RVAC Training Workshop: Jo'burg March 2006"

Scenarios of Change in Access

Scenario 1: Markets working well + prices high: Poor do not have money to buy

Scenario 2: Markets not working well + prices are high: Many households unable to rely on markets for food

Scenario 3: Markets are working well + low, steady prices: Chronically poor do not have access to food

Scenario 4: Markets are not working well + prices low: income shock or chronic poverty with low demand, so trade limited.

Adapted from Regional VAC "Markets Module: RVAC Training Workshop: Jo'burg March 2006"

Market Scenarios: How can you tell?

Commodity Market Functioning

		Well	Poorly
<u>Food Prices</u>	High	<ul style="list-style-type: none"> ■ HH purchasing power ■ Price levels ■ Traders in m'kt 	<ul style="list-style-type: none"> ■ Market movement ■ HH purchasing power ■ High transport cost
	Low	<ul style="list-style-type: none"> ■ Active markets ■ Price levels ■ Chronic poor still have problems 	<ul style="list-style-type: none"> ■ Market movement ■ Reliance on market ■ HH purchasing power

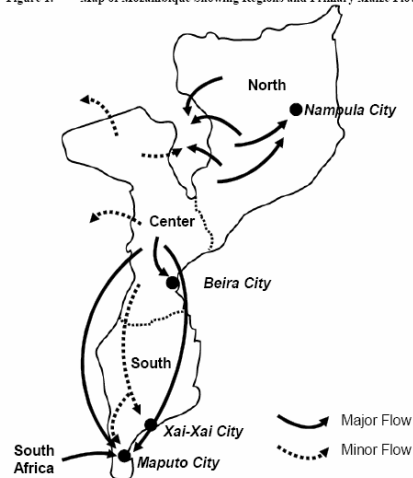
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Functioning markets: Market integration

- Flows as important
- Response between markets
- Seasonality in flows

- Key components:
 - Infrastructure
 - Legal structures
 - Facilitating Policy
 - Security

Figure 1. Map of Mozambique Showing Regions and Primary Maize Flows



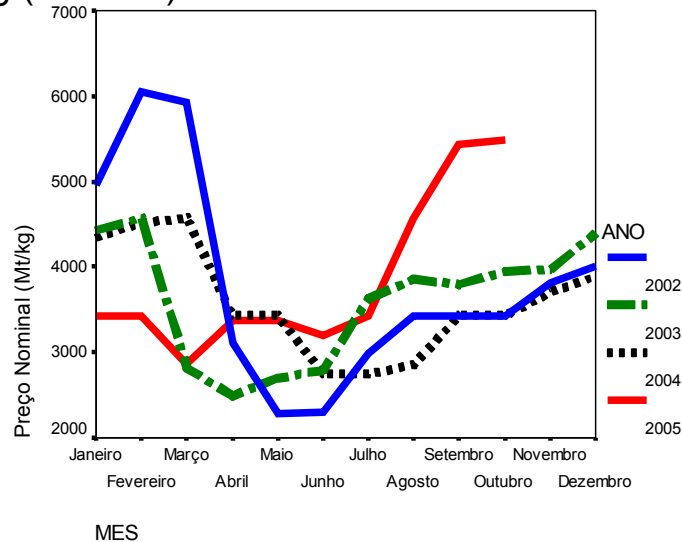
Market measurements: The Usual Suspects

- Market access and participation of hhs
 - % of food from own prod vs markets
- Sources of Income
 - Changing income sources under stress
- Terms of trade
 - consumption good/income good (or wages)
- Prices
- Production (= availability?)

Prices

- Think of them as signals
- Need to understand markets to understand what they are saying
 - High prices
 - Low prices
 - Price variability
 - Who is affected by price changes
- In an Agricultural Economy, one year is not enough data to understand, much less one month or a single set of observations

Grão de Milho Branco, Chimoio, Nivel Retalishta Mt/kg (nominal)



Source: SIMA/MINAG database.

Objectives of the Vulnerability Analysis

- Determine who is in need of assistance
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 - Factors contributing to vulnerability
- Responses: Help to identify what is needed
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Key aspects

Markets are key in all the following:

- Income
 - Labor
 - Products
- Food Source
- Assets
- Markets are dynamic
 - Will change with shocks
 - Will change with responses to shocks

Mozambique Data Sources

- IAF
- TIA
- SIMA
- FEWS NET
- AVISO PREVIO
- Research documents from IFPRI, MSU, UEM, etc.

Obrigada

MSU Food Security Group
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