

Agricultural and Food Price Volatility

African views and perspectives

G20 Outreach Session

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SAMEL AND WEST AFRICA Club Secretariat



PRESS RELEASE

In the run-up to this month's G20 summit on agriculture, the SWAC Secretariat invited African representatives and experts to present their viewpoints on the impact of price volatility on African economies in order to search for practical solutions and policy options in the African context.

The following key messages emerged from the debate:

- **Africa is particularly affected by the impact of high food prices and by price volatility.** In 2010, a quarter of the global population suffered from malnutrition, with 30% of those affected coming from Africa. The continent's population is growing so fast that cutting malnutrition rates in half by 2030 would not prevent the number of Africans suffering from hunger and from rising significantly. Nearly 60% of people in Sub-Saharan Africa are dependent on agriculture for their livelihoods, and at least 80% of them are small-holder farmers with less than two hectares of land.
 - ▶ *A clear distinction needs to be made between high prices (which can benefit producers and encourage investment in the long-term) and excessive price volatility, which is a problem as it impedes investment by creating uncertainty.*
- **Faced with soaring prices, African governments have implemented a series of economic measures, social policies as well as production support.** Following the price hikes of 2008, governments and African regional organisations have put in place social measures to assist the most vulnerable populations and initiated structural policies aimed at increasing food production; significant financial efforts and considerable public investments have been made.
 - ▶ *The effectiveness of these policy measures needs to be further analysed;*
 - ▶ *Policy dialogue between African countries need to be strengthened to capitalize on the various experiences.*
 - ▶ *Successful African initiatives, responding to the specific needs of the continent, must be taken into account and supported by its development partners.*
- **A stronger African voice in global debates:** Global problems require global solutions. Agricultural and food price volatility is a common challenge for all members of the international community. While African governments have developed their own policy responses to reduce the extent of the phenomenon and mitigate the impact on the most vulnerable populations, Africa's voice also needs to be heard more strongly and be more systematically represented in global debates and fora such as the G20.
 - ▶ *Solidarity between rich and poor countries is a precondition to address this global problem.*
 - ▶ *More dialogue is needed between OECD countries and poor countries to reduce divisions, share experiences and build this solidarity.*

More particularly, the debate emphasized the following issues:

- **Focus on poverty reduction in order to address root causes of food insecurity.** Volatility is only one aspect of the problem but not the main cause of persistent food and nutrition crises in Africa.
 - ▶ *The focus needs to be placed on poverty reduction in order to improve the overall food situation and to promote development in African countries.*

- **Higher food prices need to benefit African agricultural producers. More investment in agriculture is needed.** Despite enormous agricultural potential, many African countries are significant net food importers. More than 80% of agricultural investment comes from African States. However, investment in agriculture is still insufficient; investments are needed in infrastructure, energy, the business environment as well as in innovation to improve the productivity of African agriculture.
 - ▶ *African farmers, governments and donors need to make investments aimed at increasing agricultural productivity and production.*
 - ▶ *Access to credit for farmers needs to be facilitated;*
 - ▶ *Farmers also need better access to market information (which needs to be made more transparent), safety programmes, insurances, futures price contracts, etc.*
 - ▶ *Existing information-sharing platforms and dialogue activities need to be further developed and supported by development partners.*

- **The need to protect consumers:** In Sub-Saharan Africa, food accounts for up to three-quarters of household expenditures. Rising food prices weigh thus heavily on household budgets. Riots over food prices as reaction to the food price spikes during 2007-08 has drawn international attention to this problem. Access to food remains a major concern for food security.
 - ▶ *African governments need to pursue the setting up of effective alert systems and safety nets in order to protect the most vulnerable populations and respond timely.*

- **The importance of regional approaches and tools:** Well-functioning regional markets need to be developed to open-up intra-regional trade opportunities and better link farmers to markets (removal of trade barriers and restrictions, reducing transaction costs, infrastructure, etc.). Moreover, regional response tools such as regional emergency food reserves to mitigate the impact of price volatility can amplify the impact of domestic policies. Food stocks at village, local and the national level are an important part of food crisis management strategy in Africa. Conceptual frameworks to establish regional reserves were already developed by regional economic communities and NEPAD but currently lack funding to advance the implementation phase.
 - ▶ *Feasibility studies and pilot projects need to be launched in order to collect concrete experiences in the collective management of these regional stocks.*

- **Increased transparency and better access to information on global commodity markets:** Improved transparency on global commodity markets would contribute to reduce the risks of excessive price volatility. Good information will help reduce price volatility.
 - ▶ *Transparency of information needs to be improved at the international level. A network of key players (eg. G20) could help open access to market-relevant information.*
 - ▶ *Capacity for data collection also needs to be further developed in developing countries.*
 - ▶ *Price transmission mechanisms on the African continent would need to be further analysed in order to better understand linkages between global, regional and domestic markets and improve risk management tools.*

Paris, 15 June 2011.