Agricultural and Food Price Volatility: Impacts and Interventions in Africa

African Economic Research Consortium (AERC)
Outline

• Global Trends in Food Price Volatility

• Causes of Food Price Volatility in SSA

• Impacts of food price Volatility in SSA

• SSA Governments Reactions to food price Volatility

• Possible Prescriptions
1. Global Trends in Food Prices

The Rise in food Prices, particularly Cereals has been increasing by about 20% annually and the trend tends to be steeper every year.

Continuers Rise 2000-2008 (Source IMF, 2007 In Akello Ogutu)
Additional Undernourished between 2003-05 & 2007 due to high food Prices

SSA and Asia bore the greatest Impact (87% of hungry people) due to high food prices (Source: FAO)
Meeting MDG 1

Progress toward MDG 1 target on hunger in the developing world has reduced from 20% in 1990-92 to less than 18% in 1995-97 and just above 16% in 2003-05, 2007, implying that meeting hunger-reduction goals by 2015 is becoming a great challenge with persistent rise in food prices.
2. Causes of Food Price Volatility in SSA

- **Energy Crisis and lagging internal investment in energy:** Increases in fuel oil prices (SSA)
- **Global climate change** that also transmit supply crisis to SSA
- **Shocks due to economic recession**, particularly the Global financial crisis of 2007/2008
- **limited-impact programmes** that depend on donor financing, with limited sustainability
- **Limited investments** in agricultural land and related infras
- **Poor market access** for smallholder farmers
- **Poor support for agriculture** and general attention shift from agriculture as a development driver
- **Global governance in Trade:** challenges within the GATT/WTO regulations creating trade imbalances & constrained returns to GVTs
World Market Price Transmission to Africa

• SRAI project (Strengthening Regional Agriculture Integration) show that 33% of price increases on rice and wheat in West Africa are transmitted from international markets (Regional Conference held in Burkina Faso, on April 4-6, 2011)

• (Minott, 2010) also point at linkages between local and Global food prices, particularly Malawi, Mozambique and Ethiopia
3. Impacts of food price Volatility in SSA

• Production Impacts
  – positive signals for net export farmers in the short run
  – incentive to farmers to increase production

• social impacts (von Grebmer et al 2008)
  – negative impact to net importers such as (Angola, Chad, Burundi, Ethiopia)
  – negative impacts in countries with high rates of hunger who have to depend on buying food
    (Burundi, DRC, Ethiopia, Liberia, Niger, Sierra Leone)
social impacts continues.....

– Poverty: Severe rise in food prices pushes the already poor consumers deeper into poverty

– On the other hand, high food prices could reduce poverty among farmers (as producers) and farm workers in the long term, as they generate additional income
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<td>Burundi, Eritrea, Kenya, Malawi, Zimbabwe</td>
<td>High fiscal costs</td>
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<td>Food for work</td>
<td>Burundi, Egypt, Eritrea, Kenya, Libya</td>
<td>Significant leakages in food</td>
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<td>School Feeding</td>
<td>Burundi, Egypt, Kenya, Libya, Tanzania</td>
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<td>Medium term</td>
<td>Reduction in tariffs &amp; VAT on staple food</td>
<td>Burundi, Djibouti, Kenya, Ethiopia, Madagascar, Sudan, Tanzania, Zambia</td>
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<td>Consumer price subsidies &amp; ration cards</td>
<td>DRC, Eritrea, Mauritius, Rwanda, Zimbabwe</td>
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<td>Bans or taxes on grain exports</td>
<td>Egypt, Ethiopia, Kenya, TZ</td>
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<td>Grain buffer stock</td>
<td>Ethiopia, Ken, Sudan, Tanzania, Zambia</td>
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<td>Long term</td>
<td>Investment in R&amp;D, infrastructure</td>
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Possible Initiatives

• Engaging farmers through the higher levels of the value chains to stimulate production eg. AERC/WFP currently engaged on P4P to stimulate smallholder productivity and links to market

• Investment in Agriculture/Rural infrastructure

• Input Subsidies: This have been successful in Malawi following Zimbabwe’s successes in the 1980s

• Index Insurance against climate change effects: Trials have been successful in Kenya with Syngenta Foundation

• Innovative Micro-credit to farmers: Mobilizing innovative Micro-finance
Possible Social Initiatives

• Governments buying surplus as buffer stock at competitive prices

• International aid directed to agriculture in the form of inputs

• Food for work programme targeted to the poor working in agriculture

• Behavior change towards traditional foods (Sorghum, millet, yams, Cassava, local vegetables)
Merci
Ngiyabonga Kakhulu
Asante Sana
Thank you