



# How to manage food price instability?

## *Synthesis of the results*

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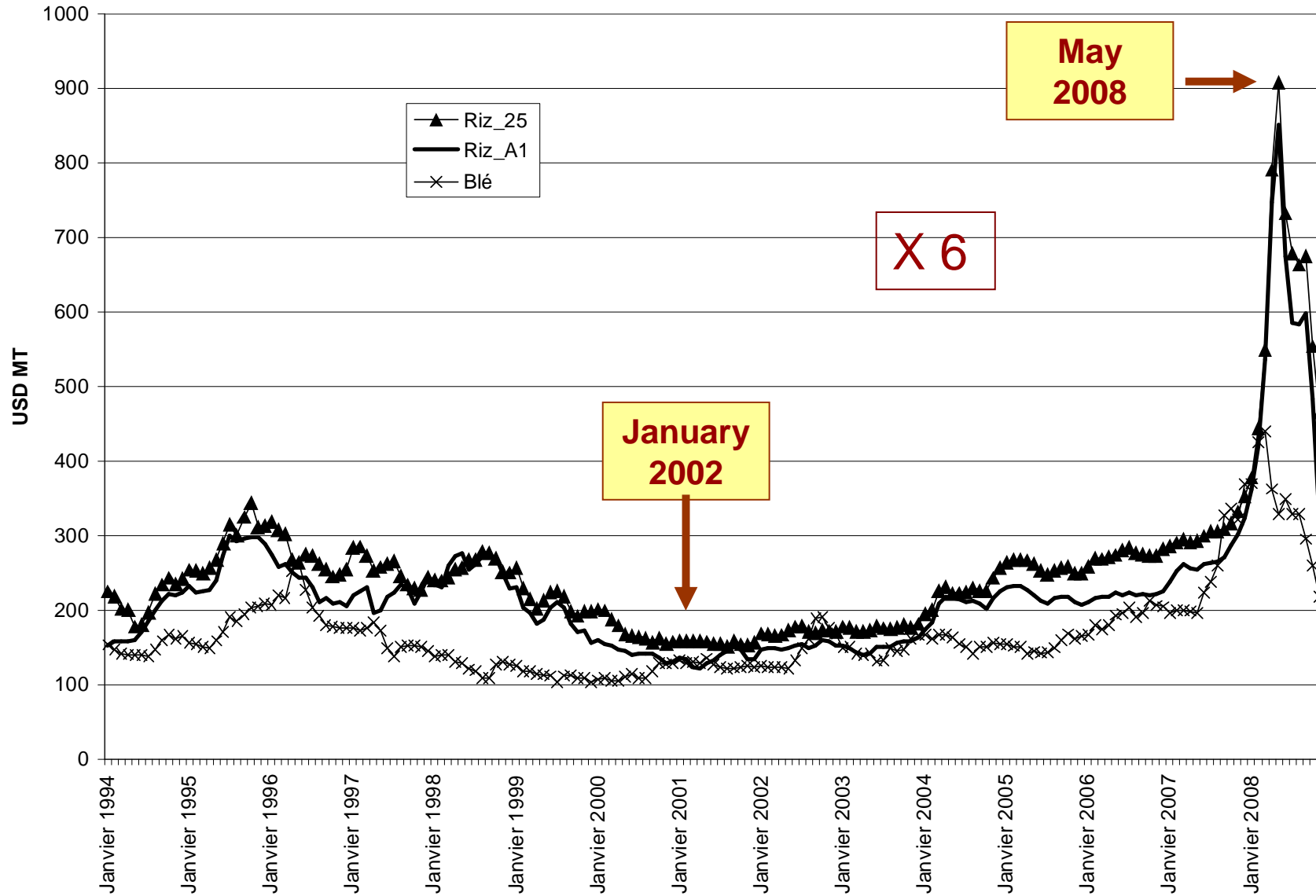
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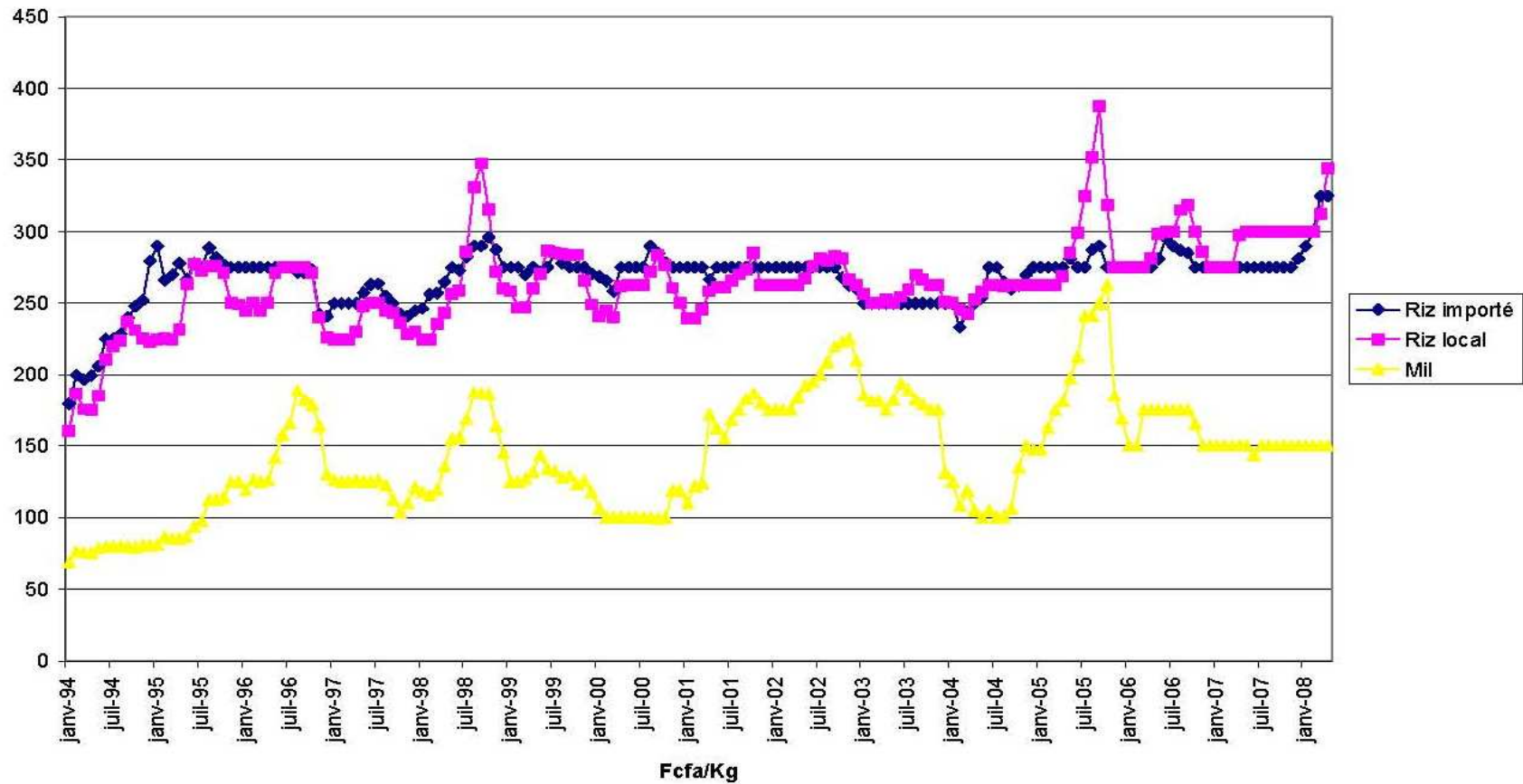
# The problem

# New context: strong instability of international food prices



# Food price instability is also a local problem:

*Evolution of the price of millet in Bamako compared to rice (1994-2008)*



# Stakes

- ❑ Instability of food prices can affect:
  - affect the food security of poor households
  - impede the modernisation of agricultures (green revolutions)
  - reduce the scope of globalization (export bans, purchase of lands, self-consumption...)
  
- ❑ Vicious cycle: under-productive farms and narrow markets can increase price instability

**What are the potential solutions?**

## The quest for a miracle instrument

- The quest for a « New International Economic Order » through commodity agreements from the 1930s' to the 1970s'.
- The quest for a liberal solution through risk management tools (futures, options etc.) since the 1980s'.

## Toward to a comprehensive approach: the 4 categories of tools

Goal	Stabilise Price	Reduce the effects of price instability
Governance		
Market-based	<b>A-instruments</b>	<b>B-instruments</b>
Public	<b>C-instruments</b>	<b>D-instruments</b>

# A-instruments

- ❑ **Objective:** to stabilise prices by improving the performance of farms and markets
- ❑ **Rationale:**
  - modernising farms allows production to be less sensitive to natural hazards (irrigation systems, pest management...) and to be more responsive to price incentives
  - modernising markets allows deficits and surpluses to be offset between zones (by means of trade) and between years (by means of storage).
- ❑ **Examples:**
  - Irrigation systems
  - storage infrastructures
  - quality standards
  - warehouse receipt systems
  - exchanges

# B-instruments

- ❑ **Objective:** to manage risks by market-based tools
- ❑ **Rationale:** enabling economic actors to cover themselves against the risks linked to variability of prices and harvests
- ❑ **Examples:**
  - forward contracts
  - futures contracts
  - call or put options
  - crop insurances
  - weather index insurances
  - ...

# C-instruments

- ❑ **Objective:** to stabilise prices by public interventions on the market
- ❑ **Rationale:** influencing supply or demand allows to orient the price
- ❑ **Examples:**
  - Interventions on production
  - Regulation of imports and exports (variable taxes and subsidies, quotas, bans)
  - Public stocks

# D-instruments

- ❑ **Objective:** to support vulnerable household incomes during periods of crisis
- ❑ **Rationale:** transferring a good (*money, vouchers, food or even inputs*) to targeted poor households during periods
- ❑ **Examples:**
  - Food aid
  - Food for work
  - Cash for work
  - Subsidies on consumption
  - Vouchers for inputs
  - ...