

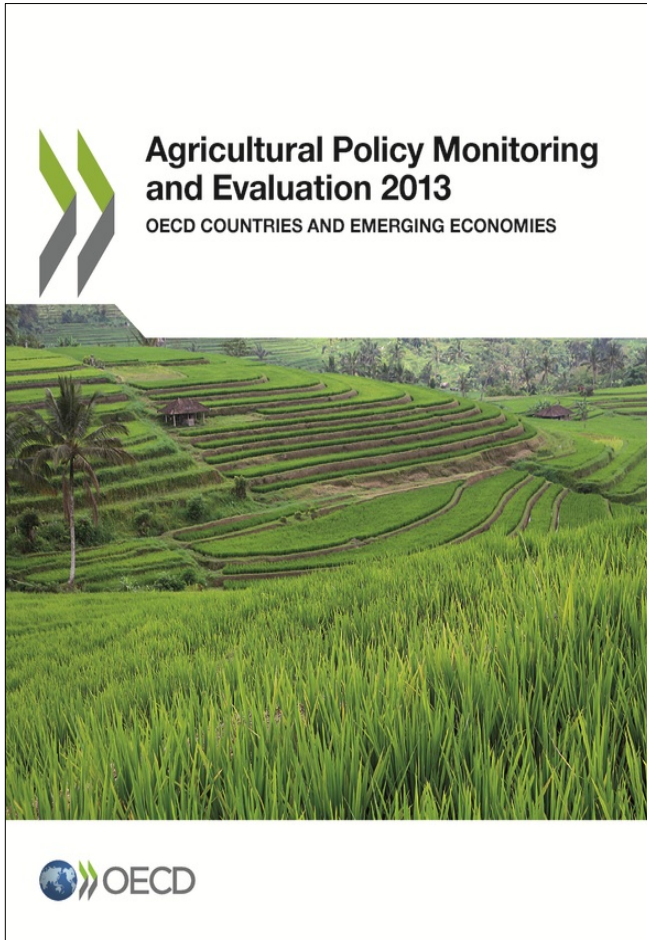


POLICY OPTIONS TO REDUCE PRICE VOLATILITY

Wayne Jones, Trade and Agriculture Directorate
PFP Forum 2013 - 14 November 2013



OECD Monitoring and Evaluation of Agricultural Policies



- 47 countries; 80% of global agricultural value added
- Measures and classifies support to agriculture
- Consistent over time and across countries



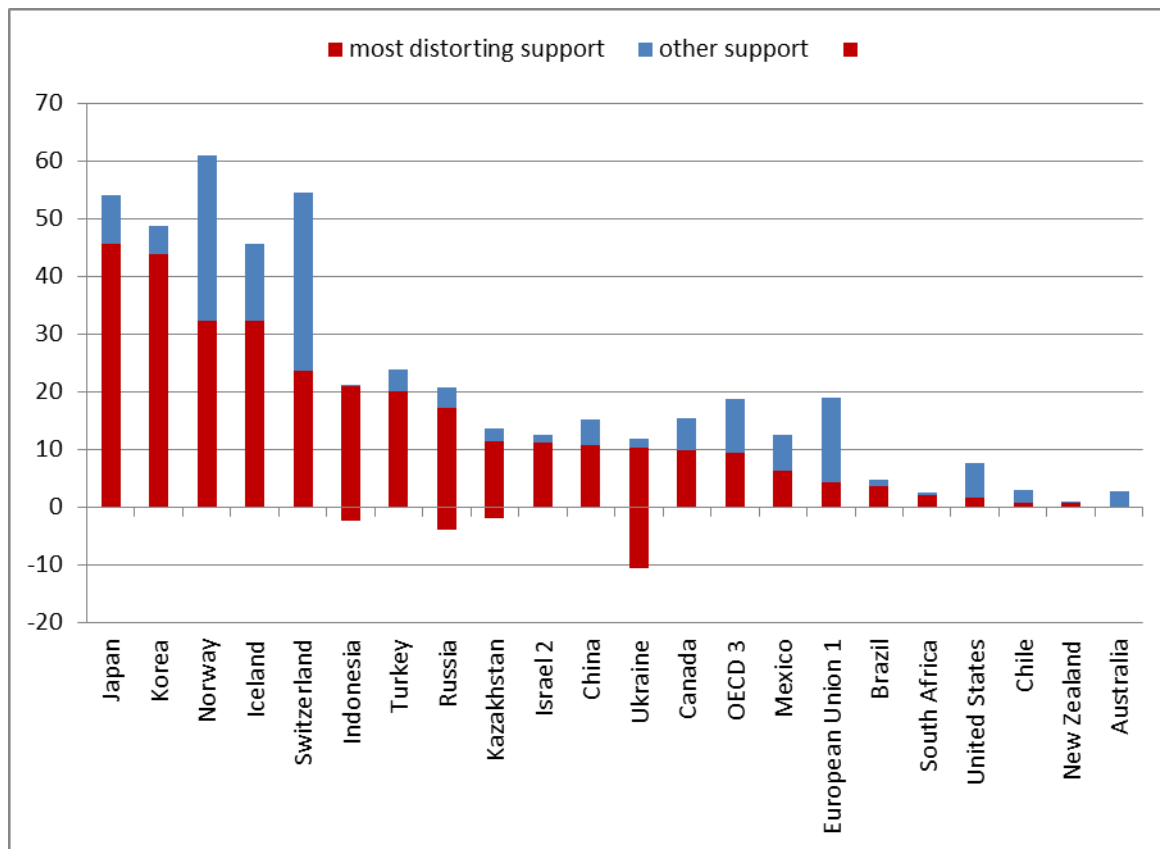
Policy developments

- No significant new policy developments
- Heavy market intervention (still) dominates in some countries
- ... often motivated by self-sufficiency targets
- But links between self-sufficiency and food security are weak
- ... and the related policies have high costs (border protection, market price support)



Most distorting forms of support still important in some countries

Producer support estimate 2010-12 as % of farm receipts



Most distorting: price- and output linked support and payments based on variable input use without input constraints



Monitoring messages

- **Reduce** price and output linked policies
- **Remove** border policies that contribute to international price volatility
- **Improve** investments in public goods with long-term benefits: innovation, sustainability
- **Develop** risk management tools for farmers that do not interfere with normal business risk and marketable risk tools
- **Improve** policy coherence: agriculture, trade, (rural) development, macro-policies

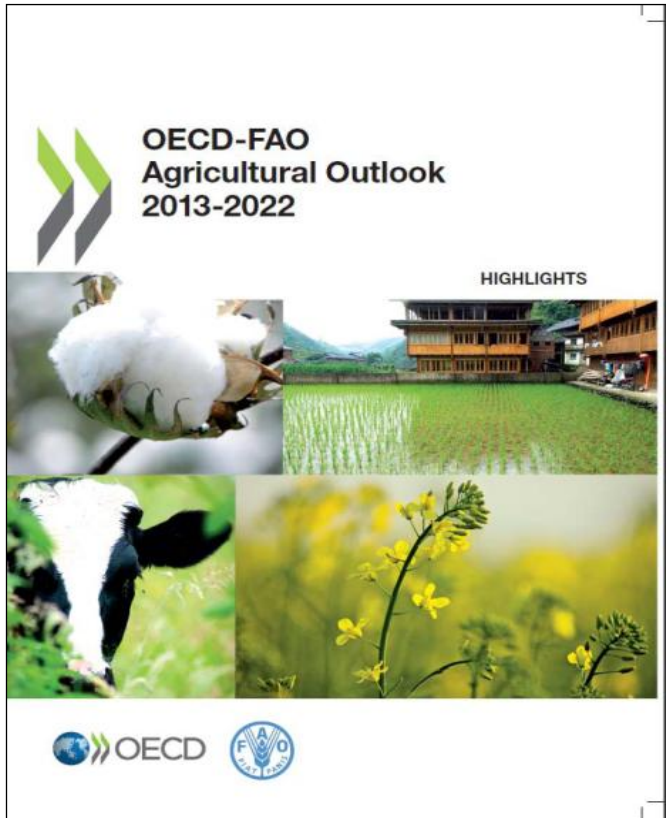


Is trade the problem or the solution?

- **More volatility** – thin markets, export restrictions, variable import tariffs
- **Less volatility** – reliable supplies, most responsive, least costly, buffers shocks
- **What's needed** – restore confidence, strengthen disciplines, collaborative action



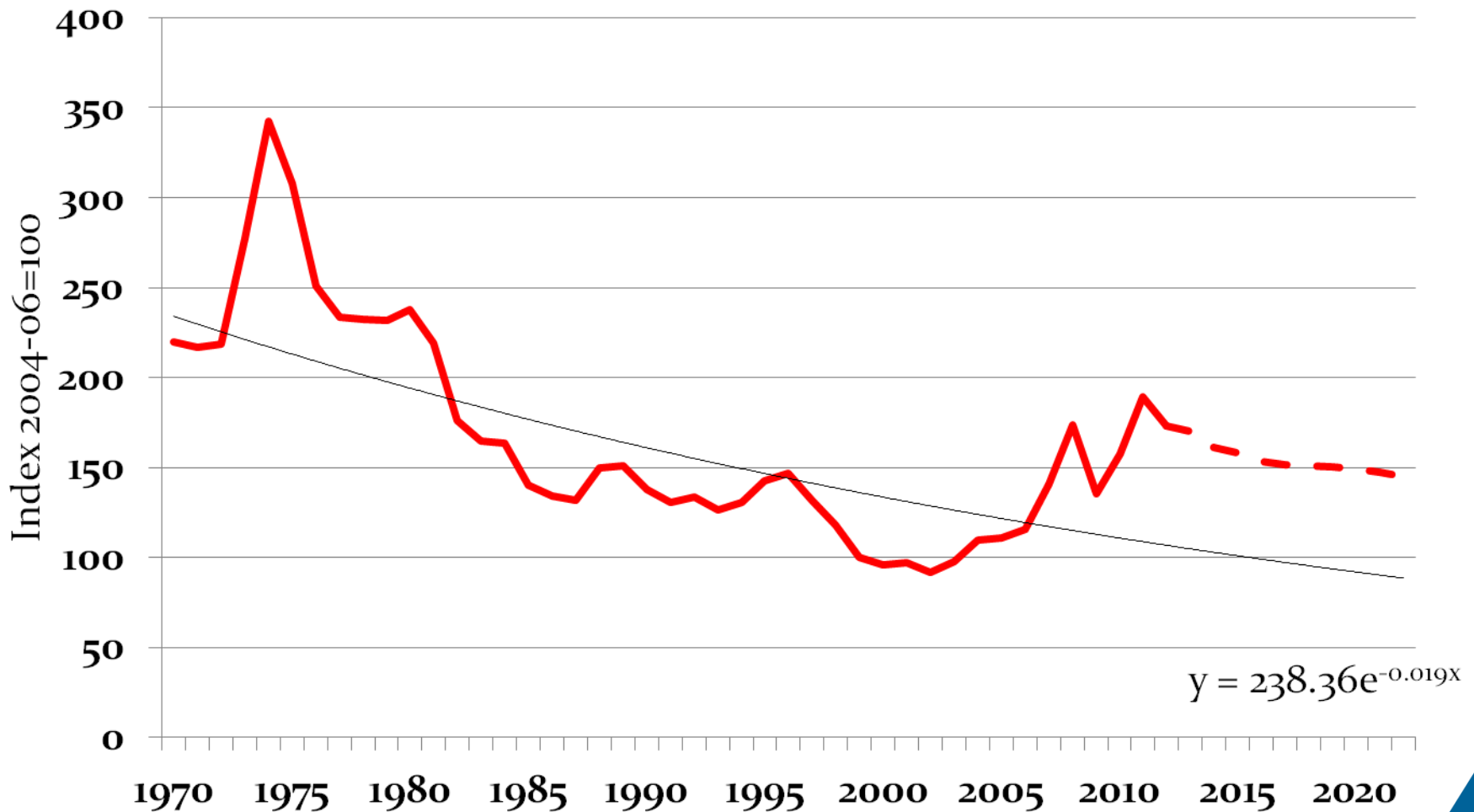
OECD-FAO Agricultural Outlook



- **Past**: surpluses, low returns, subsidies, stagnant growth in LDCs
- **Future** : market driven, strong prices, new investment, trade growth



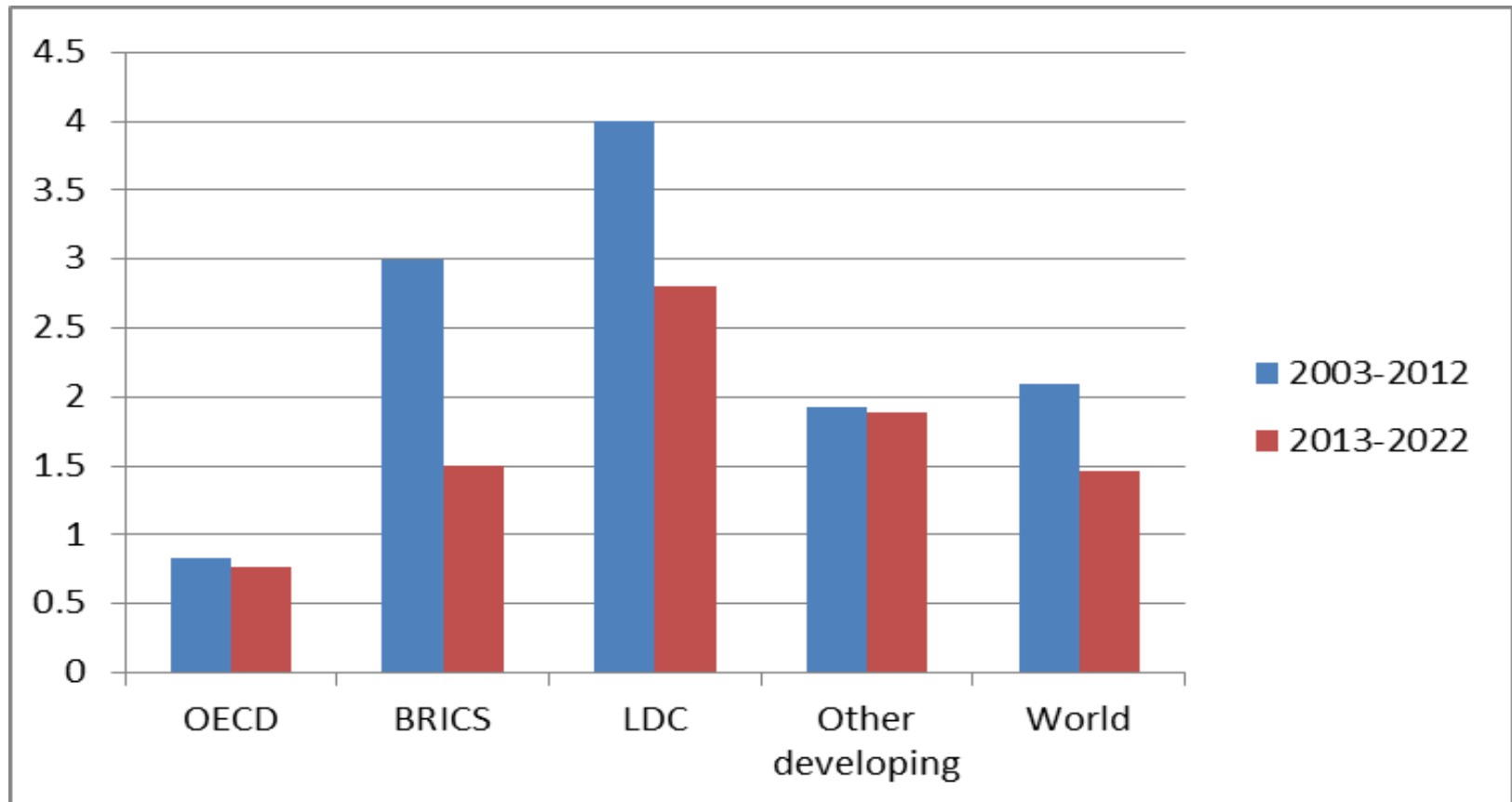
Real prices projected well above trend (FAO Food Price Index)





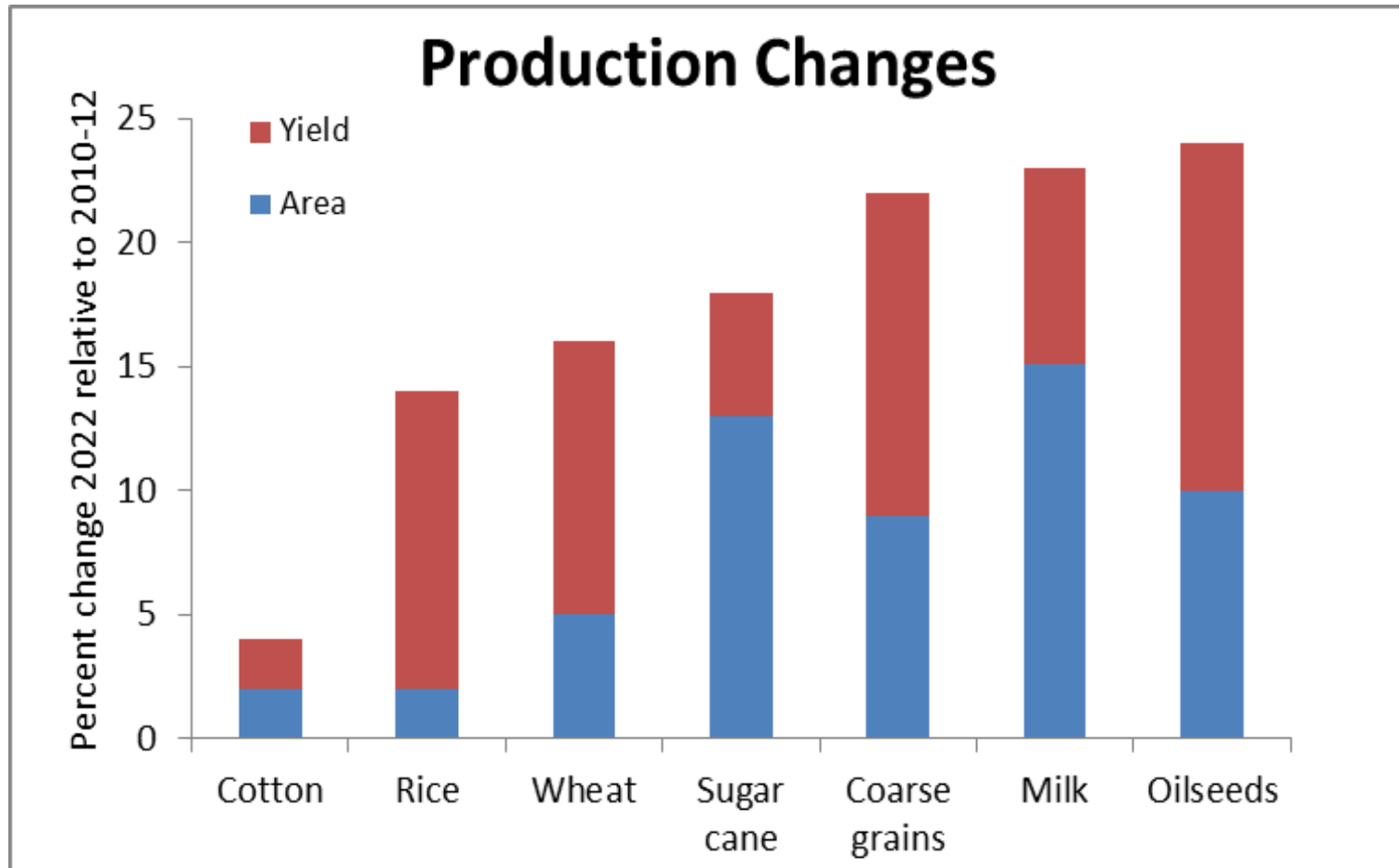
Slowing production growth

Average annual growth in net agriculture and fish production





Yield gains important for production growth





Yield gap reduction scenario

20% cereal yield gap reduction in developing countries



- World cereal prod'n increases 5%
- World cereal prices fall 5-20%
- 33% of additional grains goes to biofuel

Source: OECD FAO Agricultural Outlook, 2012



Outlook messages

- Industry prospects dependent on the global economy
- Integration in global value chains critical
- Create enabling environment, improve AIS, reduce prod'y gap of small farms
- Improve market monitoring/global dialogue for quick reaction to market developments



Agricultural Market Information System (AMIS)

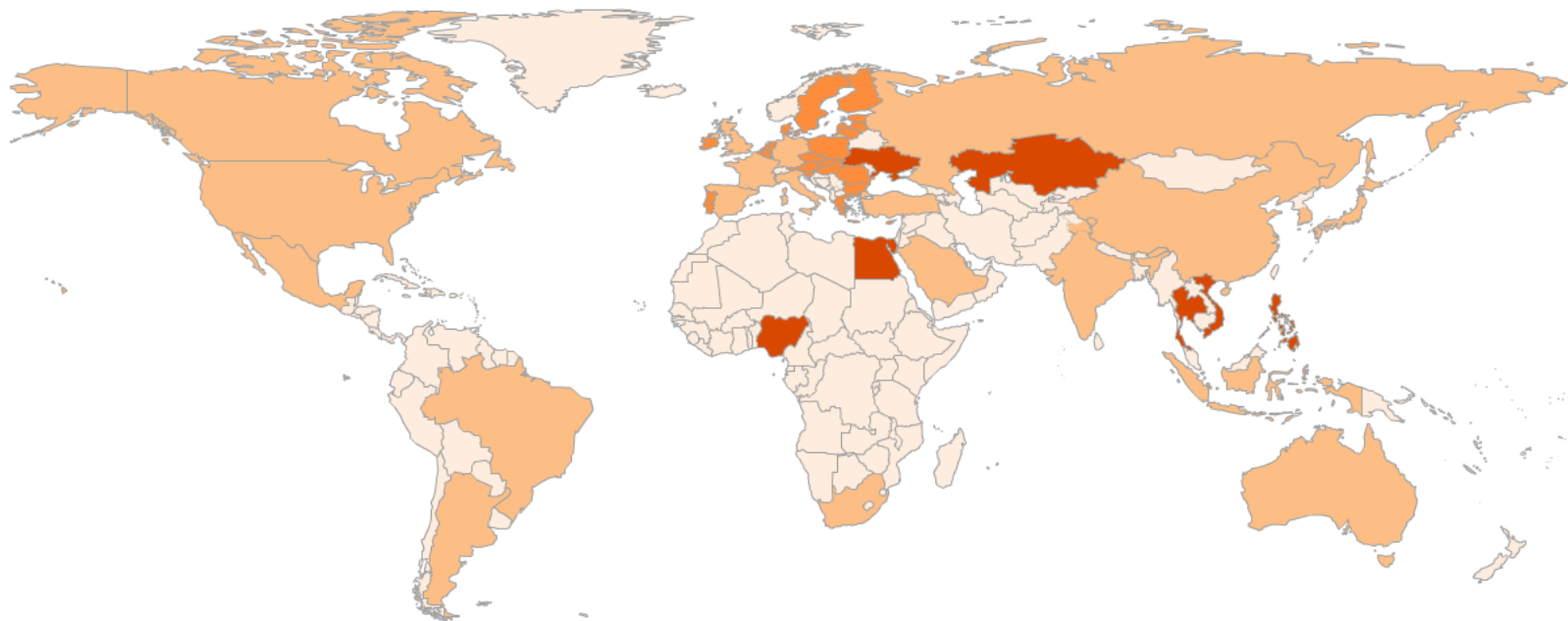
Objectives




- **Improve** short-term agricultural market information, analyses and forecasts
- **Collect and analyse** policy information affecting international AMIS crops markets
- **Report** on critical conditions and strengthen global early warning capacity
- **Promote** international policy dialogue and coordination
- **Build** the relevant data collection capacity in participating countries



The AMIS member countries

G20 member countries plus Spain and Egypt, Kazakhstan, Nigeria, The Philippines, Thailand, Ukraine and Viet Nam form the Global Food Market Information Group



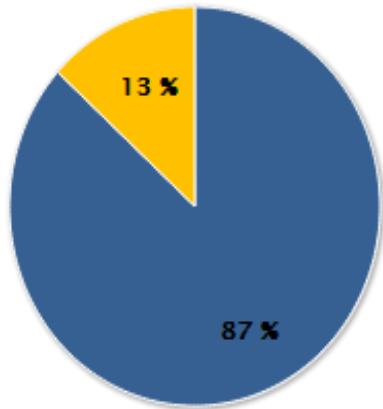
 G20 Members & Spain  Other EU Members*  Invited Countries

* Not participating in AMIS as individual countries, but collectively represented by the European Union



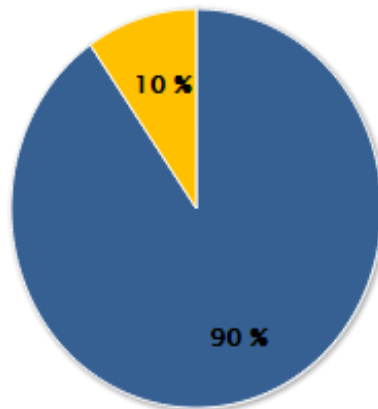
The AMIS commodity coverage

Wheat Production
2010 - 2012 average



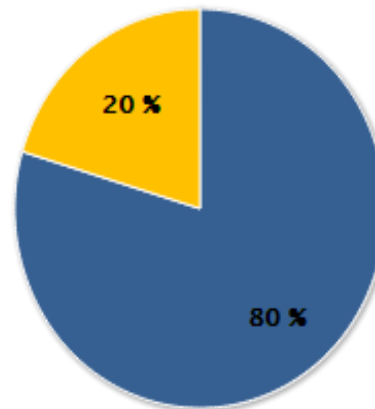
■ AMIS ■ Non-AMIS

Maize Production
2010 - 2012 average



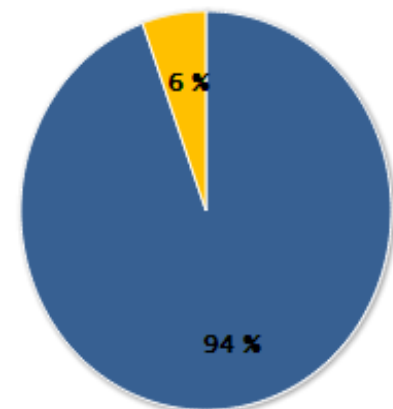
■ AMIS ■ Non-AMIS

Rice Production
2010 - 2012 average



■ AMIS ■ Non-AMIS

Soybeans Production
2009 - 2011 average



■ AMIS ■ Non-AMIS

- Initially major food crops, to be expanded gradually
- AMIS member countries account for 80-90% of global production of AMIS crops.



The AMIS Secretariat

Housed at the FAO, includes 10 IOs and entities:



Food and Agriculture Organization
of the United Nations



International Food Policy
Research Institute



International Fund for
Agricultural Development



Organisation for Economic Co-
operation and Development



United Nations Conference on
Trade and Development



UN High-level Task Force on
the Food Security Crisis



World Bank



International Grains Council



World Food Programme



World Trade Organization



Main outputs of the AMIS

- **AMIS statistics portal:** commodity balances and prices (FAO, USDA, IGC)
- **Monthly market monitor:** market situation and outlook
- **Capacity building:** Bangladesh, India, Nigeria; Thailand, Philippines
- **Research:** price transmission; feed utilisation; stocks
- **Policy indicators database:** centralise and harmonise
- **Outreach and policy dialogue:** international community



Policy indicators database



- Policy levers can help to stabilize or exacerbate uncertainties/volatility
- Six domains: biofuels, export restrictions, export subsidies, import tariffs, import quotas, in-quota tariffs
- Still under development: prototype for AMIS members April 2014



AMIS and policy dialogue

- **The Global Food Market Information Group** – meets bi-annually bringing together agriculture and food market experts from both participating governments and the private sector
- **The Rapid Response Forum** – meets on a needs basis but at least once a year. Made up of senior capital-based officials, with access to policy/decision makers.
 - early discussion about critical market conditions to encourage the coordination of policies and the development of common strategies



For more information

www.oecd.org/agriculture

www.amis-outlook.org

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- Follow us on Twitter:
[@OECDagriculture](https://twitter.com/OECDagriculture)

