

PROTECTING AGAINST THE INSTABILITY OF AGRICULTURAL PRICES

Price volatility poses significant problems to developing countries, penalizing consumers when prices increase and producers when they fall, and creating uncertainty which is **unfavourable** to investment decisions, to increasing production and productivity, and ultimately to agricultural development. Risk management, particularly in these countries, also includes other risks, including drought, flooding and climate change.

Market-based risk management tools, such as physical or financial commodity price hedges, insurance and guarantee instruments, as well as counter-cyclical lending, can play an important role in helping vulnerable countries and populations mitigate and manage these risks. However, each country, each business and each farm faces a specific situation and there is no single instrument capable of meeting every need.

The G20 wants to develop **concrete measures to help the most vulnerable countries and populations:**

- **Integrate risk analysis and management** in agricultural and food security policies. The New Partnership for Africa's Development (NEPAD) has come up with a roadmap for the implementation of a pilot project integrating analysis and risk management strategies in the framework of the Comprehensive Africa Agriculture Development Programme (CAADP). The World Food Programme (WFP) is invited to define a risk hedging strategy.
- **Develop risk management tools:** the Multilateral Development Banks (MDB) have reviewed the existing instruments (hedging strategy of humanitarian agencies, advance purchase, counter-cyclical mechanisms, weather insurance, contract farming and crop insurance, etc.). In this context, the International Finance Corporation (IFC) is developing a risk management instrument pilot project (Agricultural Price Risk Management – APRM) in Latin America, with an extension in Africa, the Middle East and in Eastern Europe.
- **Put in place a risk management advice mechanism** for the clients of developing countries through multilateral and regional banks and bilateral development agencies, in order to network the different actors and their experiences. This platform, made up to begin with of the World Bank, the Inter-American Development Bank, the International Fund for Agricultural Development (IFAD) and the French Development Agency (AFD), should also contribute to building risk management capacities in developing countries.

1) World Bank, African Development Bank (ADB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), Islamic Development Bank (IDB).

