Inter-réseaux Développement rural

FOOD SOVEREIGNTY BRIEF

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Food Price Volatility: The Clash of the Analysts

Agricultural product prices have always fluctuated over time and from one region of the world to the next, and these fluctuations have sometimes been excessive, penalizing farming activity and food consumption and leading policy-makers to test numerous regulatory instruments. Between the 1930s and 1980s, more than forty international commodity agreements were negotiated, including a series of agreements on wheat, to regulate quantities and prices between the world's major exporters and importers. In many developing countries, price control and domestic market protection were also key elements in self-sufficiency strategies set up on their independence. However, in the mid-1980s, economic prescriptions underwent a radical shift toward liberalization and market deregulation, which have continued to predominate ever since. Despite low world prices for agricultural commodities—below production cost for nearly all farmers—prices were relatively stable on international markets until recent events.

The sudden agricultural and food price hikes in 2007/08 and 2010/11 generated enormous costs for populations and developing countries, and revived debates on market regulation needs to ensure world food security. A large number of research papers and advocacy documents have been produced on the subject, notably to fuel or influence the summits of the G20 and the UN Committee on World Food Security (CFS, a United Nations platform that brings together governments, agricultural research institutes, international institutions and civil society organizations to examine and monitor policies relating to world food security), whose agendas for 2011 focus on the sensitive subject of price volatility.

Faced with this multitude of texts, positions and negotiations, this brief examines the debates that marked the news this year in order to initiate reflection on the impact of the price hike in Africa, in particular for farmers.

1. A Worldwide Price Crisis: From Analyzing Causes to Defining Instruments

The analysis of the causes of the sudden hike in food prices in 2007/08 was widely documented and advanced a multitude of concomitant factors: rising global demand (linked to population growth and competition from agrofuels), supply-side shocks (natural disasters and dwindling grain stores), rising oil prices, the depreciation of the dollar, and an increase in financial transactions on the derivatives markets for agricultural products. **R1** All amplified by reactions of panic among market actors such as the "race" for imports by some countries and export bans in others.

However, there is no consensus on the weight of these different factors in the sharp rise in food product prices, and some factors—such as the impact of agrofuels and speculation on financial markets—are the subject of major controversy.

Accordingly, the types of remedies recommended reflect underlying ideologies, which emerge in function of whether emphasis is placed on exceptional and exogenous causes (such as weather disasters) or endogenous causes, that is to say causes linked to actors' market behaviors. The analyses that emphasize exogenous causes generally recommend greater market integration to allow the private sector to play its role fully, combined with insurance and risk management mechanisms. In this outlook, the 2007/08 events can be interpreted as a transition crisis, reflecting the fact that the liberalization and integration process is still incomplete. Those who point the finger at endogenous causes (such as farmers' obligation to decide how much to produce without knowing what the market will be like when it is time to sell) envisage, on the contrary, public interventions aiming to manage supply, segment the market, or ensure better trade regulation. In this outlook, the crisis is interpreted as evidence that the liberalization process is not viable, and as revealing that the decisions of a certain number of countries (such as China and India) to disconnect their domestic prices from international prices were relevant. **R6**

2. Limit Price Shocks or Manage their Impacts: Update on the Discussions on which Instruments to Mobilize

A. Improve Market Operations

A Consensus on the Need to Improve Transparency... It is widely accepted that the low level of world grain reserves[1] contributed to the skyrocketing prices on international markets. However, estimating stock levels precisely is a difficult task because stocks are scattered among agricultural commodity chain actors and information on reserves is particularly sensitive for trade or policy.

There is currently a wide consensus on the need to have better information on the real level of global stocks. This consensus is reflected in the *Action Plan on Food Price Volatility and Agriculture* adopted by the G20 Ministers of Agriculture in June 2011, which emphasizes "the need to improve the quality, reliability, accuracy, timeliness and comparability of data on agricultural markets (production, consumption and stocks)." In launching the Agricultural Market Information System (AMIS), which brings together the members of the G20, Spain and 7 key countries for the international markets for wheat, corn, soy and rice, the G20 countries would like to encourage the main actors in these agrifood markets to improve and share their data to avoid new panics in the markets. Backed by a new information system, a Rapid Response Forum has been entrusted with discussing national policies that affect international agricultural markets. R2

However, a number of questions are controversial, in particular the voluntary nature of private sector cooperation within this initiative. Since public storage and marketing systems were abandoned in many countries, information on the availability and location of the main crops worldwide has been concentrated in the hands of a small number of private sector actors, who keep this information secret. Considering food security to be a priority, the report by the High Level Panel of Experts (HLPE) proposes to set up "some form of mandatory reporting regarding stocks, something equivalent to the reporting system created in the banking sector after the financial crises." However, neither the CFS nor the G20 negotiations have led to greater supervision of the private sector. R4

... But Vehement Disagreement on Maintaining Minimum Stock Levels Many actors, including the HLPE, believe that improving information is only a first step toward the practical organization of a minimum global stock level in order to avoid sudden price hikes. This point is, however, the subject of strong oppositions between experts.

On the one side, international institutions, in their report to the G20, consider that "the various international commodity agreements which provided for stockholding or supply controls to stabilize prices [...] have had limited success in reducing the volatility of prices." They emphasize the fact that buffer stock policies are costly and vulnerable to speculative attacks. This opinion is widely shared by the G20 leaders, who excluded this option from the action plan. R1

The HLPE experts, for their part, believe that a certain form of cooperation is the only solution to share the burden of global stocks. In opposition to the former commodity agreements, which were conceived above all as price support instruments for exporting countries, the HLPE now believes that "international cooperation [...] should be conceived, in terms of rights and obligations, from the consumer's point of view [...] to avoid price spikes." R4 Lin (2008) also proposed the signature of an agreement under the auspices of the United Nations in which each country would commit to maintaining a certain level of public grain stocks. Finally, for many civil society organizations (CSOs), the G20 countries account for more than 80% of grain production and exports and therefore must live up to their responsibilities in terms of buffer stocks so as not to force the poorest countries and peoples to carry the burden of price volatility.

In the absence of a coordinated worldwide system such as this, many developing countries are currently building up buffer stocks with the aim of regulating supply and mitigating price fluctuations on domestic markets. On this point too, the divisions are extremely sharp. In the United Nations inter-agency report (hereinafter called the IO report), buffer stocks are associated with public monopolies or strict trade controls. The low predictability of public market intervention is judged to be harmful to private storage and trade activities. CSOs for their part recognize that many experiments have failed but recommend testing new intervention tools such as warrantage or the use of futures markets to improve the operation of food reserves, and setting clear and shared rules with the private sector to limit negative externalities. The G20 negotiations ultimately avoided the subject; and the final report by the CFS called for greater research into buffer stock effectiveness and constraints, but did not recommend their use. R8

[1] In 2007, world grain reserves fell to 16.5% of world consumption—their lowest level since 1973.

B. Influence Market Fundamentals

Increase Supply: A New Green Revolution or Agroecology? According to the FAO, agricultural production should at least be doubled to feed the entire population, which according to the most probable projections will reach 9 billion people in 2050. This trend alone is enough to exercise strong pressure on commodities prices, but this pressure is exacerbated by other factors such as growing consumption of agrofuels and greater demand for animal proteins. These same factors exercise growing pressure on natural resources such as land and water, already weakened by the climate change underway.

Faced with this observation, no one contests the need to invest in agriculture to limit tension between supply and demand, but positions remain divided as to the nature of the investments to make. On the international stage, the proponents of a new "green revolution" for Africa and agricultural intensification based on the industrial farming model, often associated with the use of biotechnologies, contrast with those who promote agroecology. For the later, the food crisis must be seized as an opportunity to begin a true transition toward sustainable agricultural models at the service of smallholder farming that is more resistant to climate change (*Food Sovereignty Brief* No. 2, "Highlights on Agroecology").

These oppositions can be seen in support for research programs as well. While the G20 decision makers launched an "International Research Initiative for Wheat Improvement," some members of civil society decry the grip that agrifood industries have on agronomic research. In reaction to the conclusions of the agricultural G20, the organization ATTAC (Association pour la taxation des transactions financières et pour l'action citoyenne [Association for the Taxation of Financial Transactions and for Citizens' Action]) deems that concentrating research on the wheat genome amounts to favoring the interests of agroindustry and GMO multinationals to the detriment of farmers' autonomy. For its part, the Réseau des Organisations Paysannes et des Producteurs Agricoles d'Afrique de l'Ouest (ROPPA, the West Africa network of farmers' and producers' organizations) calls for greater sovereignty in research through the development of "participatory research centers" integrated in national systems. R9

Or Inverse Demand: Limit Agrofuel Consumption On the demand side, the issue of agrofuels is central to the debates even though (virtually) no experts currently contest the role of ethanol and biodiesel production in the food crisis since their production increased respectively fourfold and tenfold between 2000 and 2009. In addition, civil society denounces the role of agrofuel production in speeding up land grabbing in developing countries.

Consequently, experts from the United Nations, the HLPE and civil society call nearly unanimously for production support policies and agrofuel consumption mandates to be abandoned (or made flexible in response to food needs) so as to lower competition between fuel and food. The HLPE has even called to set up a taxation system to contain the rise in agrofuel production if the rising price of oil makes agrofuel production cost effective in the medium term.

But despite this relative consensus among experts, the decisions made by G20 decision makers and the CFS insist on the need to continue to study the relationship between agrofuel and food security rather than on the need to eliminate tax incentives and subsidies for the sector. In reaction to the agricultural G20's action plan, Olivier de Schutter, United Nations Special Rapporteur on the right to food, expressed his distress at this decision, which to him shows the extent to which "commercial interests can trump the concern for food security." R2 R3

C. Change the Rules of International Trade

A Consensus on the Harmful Effect of Export Restrictions... The events of 2007/08 made many countries wary of the international trade system. Some saw their import bills rise considerably, or were unable to buy on the world market because they did not have enough currency. The rice export restrictions set up by several countries with the aim of protecting their domestic markets greatly amplified the international price spike, thereby penalizing importing countries.

Most experts agree that export restrictions must be limited or strictly supervised. The IO report and the HLPE experts propose limiting their use to objective emergencies and obliging countries to provide advance notice of their use. However, policy makers estimate that WTO negotiations on this subject would have little chance of coming to a successful conclusion or even of being applied in the case of a food crisis.

An agreement was reached in the agricultural G20 that only "food purchased for non-commercial humanitarian purposes by the World Food Program" would not be subject to export restrictions, and this was repeated in the CFS's final report. R2

... But Profound Divergences on the Issue of Free Trade This issue aside, actors remain deeply divided on the future of international trade negotiations and the direction that they should take to ensure food security. Opposing each other are the proponents of regulating agricultural markets at the national (or regional) level and those who call for greater openness to the international market.

The IO report, quoted by the leaders of the G20, calls for the conclusion of the Doha Round and for liberalization and market integration to be continued. In this optic, international trade is seen as the most effective and least costly method to smooth inter-annual domestic production variations and thereby stabilize prices. R1 R2 On the other side, the HLPE experts call for a radical re-examination of the direction of international negotiations, designed and implemented until now in the framework of structural overproduction. According to them, the rise of international food prices and the breaking off of the Doha negotiations open the "possibility of a new project in which confidence in international markets would not be based on unrestricted free trade." R4

Along the same lines, the CSOs represented at the CFS call to renew the multilateral negotiations with the aim of realizing the Right to Food. They advance particularly strongly the principle of food sovereignty and food importing countries' right to protect their agricultural systems. On this subject, civil society estimates that recourse to border control instruments, notably the use of variable export and import taxes or setting up safeguard measures, is an effective and inexpensive way to protect domestic markets from excessive international price fluctuations. R6 The CFS's decision to repeat the G20's position, without further debate, caused the negotiations to break off.

At the CFS, Civil Society Walks Away from the Negotiating Table over Price Volatility

Although many CSOs question the G20's legitimacy or motivation to address agricultural price volatility issues effectively, they placed greater hope in the negotiations within the United Nations Committee on World Food Security (CFS).

Yet, CSO representatives eventually left the final round table negotiations organized on this subject to protest against the systematic marginalization of their participation even though they had complied with the consultation procedures. According to the CSO representatives, their proposals on central international trade issues, agrofuels and food reserves (evoked above) were neither presented nor discussed satisfactorily during the round table. They regret that the final declaration was unable to take into account the recommendations of the HLPE although it had been mandated by the CFS to shed light on price volatility for the negotiations, and feel that "the CFS has been co-opted by the G20 agenda," the final decisions serving only to "reinforce the G20 Action Plan, which fails to address the root causes of food price volatility." (*CSOs Disagree on Process of Negotiation on Food Price Volatility*: http://cso4cfs.org)

D. Regulate Financial Markets

A Consensus on the Role of Futures Markets... All experts recognize the crucial role of a degree of speculation to ensure the proper operation of futures markets, in which purchasers promise to buy at a future date a product whose price is set in advance (and sellers promise to do the inverse). The arguments are based on speculators' capacity to: (i) offer farmers protection against price drops at harvest and allow processors to protect themselves against sudden spikes by buying and selling crops in advance; (ii) participate in price discovery as speculators buy, like stock managers, when prices are low and sell when they are high; and (iii) supply liquidity to markets by making purchase and sale operations every day.

However, the amount of speculation necessary for proper market operation and, beyond that, the risk of destabilization that could be provoked by excessive speculation divide actors sharply. With the rise of index funds on commodity futures (that is to say, capital managed by financial actors who use it to buy futures contracts composed of a bundle of futures values)[2] and hedge funds, the number of futures contracts signed without any direct connection to the real market has, in effect, very sharply increased over the past ten years. The equivalent of the world wheat harvest for an entire year can in this way change hands in the space of a day, day after day.

... But a Disagreement on the Amount of Regulation to Adopt Beyond this observation, economists remain divided on the question of the connection between this influx of transactions on financial markets and the increase in real price levels and, therefore on which measures to implement.

The IO report recommends, at the very least, improving transparency in agricultural derivatives markets, notably over the counter markets. Also recognizing the lack of consensus, the HLPE experts call for precautionary measures to be taken to supervise these markets and limit the intervention of non-trade actors. But these recommendations are far from satisfying for Olivier de Schutter, author of a report on the subject. Convinced that speculation has greatly amplified price movements, he calls for a deep-reaching reform of the derivatives trade by imposing clear transaction recording rules, strengthening supervisory authorities, and limiting access to commodity futures markets to operators "who are genuinely concerned about the underlying agricultural commodities." R7 In this, he is supported by the majority of CSOs, such as the international farmers' movement, Via Campesina, that before the agricultural G20 called for "[s]trong measures to ban speculation on food, such as a ban on speculative futures markets."

[2] The money invested in index funds increased fivefold between 2005 and 2008 (from 46 to 250 billion dollars).

E. Support Poor Populations in the Face of High Price Variations: A Consensus on the Need for More Effective Safety Nets and Emergency Measures

Sudden spikes in the price of foodstuffs drastically lower the poorest consumers' purchasing power. Simultaneously, rising input prices lower the incomes of small farmers, some of whom are obliged to sell their productive assets or endanger their nutritional status. In order to save lives in the short term and limit the negative impacts over the long term, interventions that provide a safety net (whether social or productive) for vulnerable populations (food distribution, cash transfers and food coupons for consumers or distribution of fertilizer to farmers) are not questioned by any actors.

This consensus is reflected in the agricultural G20's plan of action, which supports "initiatives to maximize efficient delivery of food assistance and strengthen supply chains against price and supply shocks." R2 However, certain issues remain unresolved today such as the long-term financing of these safety nets, the respective places of States and United Nations bodies (notably the WFP) in the case of humanitarian crisis, or even the sustainability of measures supporting farmers' access to inputs (such as coupon systems to purchase fertilizer at subsidized prices). On this last point, the IO report pinpoints the "unsustainable fiscal burden" that these measures can generate over the long term, as well as the potential environmental harm they may cause, while farmers' organizations for their part call for long-term support to facilitate access to inputs.

Within the debates on safety nets, the issue of emergency stocks in countries subject to recurrent food crises was a large preoccupation in the recent negotiations. This is, however, less controversial than the question of buffer stocks because the aim is above all to improve the effectiveness of humanitarian responses by pre-positioning food aid in these countries. Thus, the G20's proposal to create a regional-level "emergency humanitarian reserve" pilot project within ECOWAS did not encounter any major opposition, although a certain number of actors call for coordination with other types of reserves, notably to regulate prices. R2

F. Manage Price Risk: An Open Debate on New Instruments and Doubts as to their Feasibility

One of the striking things about the current price volatility negotiations is the emphasis placed on developing price risk management tools. The aim is for governments, traders and farmers to protect themselves against potential risks tied to price volatility rather than to attempt to diminish said volatility. The main instruments under discussion are insurance (financial market coverage, weather or harvest insurance) and inter-branch regulation (smoothing international prices at production or consumption) tools, and the inclusion of risk management tools in traditional cooperation instruments. In addition to doubts as to their technical feasibility and limited impact on small farmers, the main criticisms of risk management instruments (notably by civil society) are based on the fact that they do not address the causes of price volatility.

The insurance tools most discussed at the moment deal with the use of purchase options on derivatives markets or the use of differed delivery contracts, which are promises to deliver or accept delivery of merchandise at a future date at a set price. These latter are not insurance tools in the strict sense, but they allow operators to smooth prices by making a series of future purchases and improve cost visibility. Purchase options, for their part, reserve the right to make a purchase or not but are more expensive. R5 Although countries such as Malawi, Mexico and Ghana have already used such instruments, the main criticisms focus on the difficulty accessing financial tools and the information necessary for their proper use. In addition, the cost of coverage is sometimes seen as prohibitive or politically difficult to justify in relation to other measures to fight volatility. Finally, according to Olivier de Schutter, "[i]n order to rely on these instruments [...] *small farmers and cooperatives in developing countries shall need considerable capacity-building,* and it is not clear whether they shall be able to benefit." R3

Based on the price-smoothing fund developed for the cotton commodity chain in Burkina Faso, Baris *et al.* (2011) propose adapting the instrument to certain imported food products. Managed by the cotton inter-branch organization, the price-smoothing fund for cotton makes it possible to support producer prices when world prices drop below a floor price and is funded by cotton companies when the price rises above a ceiling price. In the case of a food product such as rice, a locally produced and imported product, a smoothing fund would make it possible to lower the risks weighing on the various actors involved (farmers, hullers, traders, importers) who, while they have diverging interests, have a shared interest in limiting erratic price fluctuations. R5

Finally, the G20 action plan opens doors to develop contra-cyclic mechanisms for vulnerable countries in the case of external shocks. Among these instruments, Baris *et al.* (2011) mentions "contra-cyclic" loans. Tested by the AFD, they allow borrowing countries to push back loan repayment deadlines in the case of crisis so as to devote the State's budgetary resources to emergency measures to respond to the hike in import costs. The trigger could be the FAO food product price index, changes in a country's export revenue or import bill, or even a composite indicator. However, to actually liberate additional resources in case of a crisis, a large share of a country's loans would have to have been taken out in contra-cyclic form, and therefore a large number of development banks would have to adopt this tool. R5

G. A Consensus on the Need to Combine Tools to Respond Differently in Different Geographic Zones

Beyond oppositions and debates on the types of tools to favor, the vast majority of actors recognize that there is no miraculous solution to prevent, cure or diminish price volatility. On the contrary, it seems necessary to adapt and combine instruments according to national or regional characteristics and the products targeted. In his article "Stabiliser les marchés: Différencier la réponse selon les marchés" in *Perspectives,* Galtier encourages international and domestic interventions that provide different responses based on geographic zone and that can evolve over time.

Moving beyond ideological divisions, price stabilization policies should be judged above all on their capacity to "promote structural change", or in other words modernize production with the aim of having spillover effects on the rest of the economy. This also implies that the systems set up at any given moment can be streamlined then eliminated as the desired structural transformation is achieved, which is the challenge for all policy intervention.

3. High and Volatile International Prices: How Is this New Deal Affecting Developing Countries? Focus on West Africa

The question of the transmission of world prices to domestic markets is crucial to ensuring adequate responses in developing countries. To what extent have price hikes been transmitted to West African markets? How rapidly? The answers to these questions are not easy given the extent to which the observed disparities are linked to regional and local factors.

A. The Transmission of International Prices to West African Markets and African Countries' Responses

Theory posits that volatility "imported from international markets" only shows up to the extent that a country is closely connected to world markets and that, on the contrary, an isolated country facing high transport and marketing costs and whose basic foodstuffs consumed are not sold internationally should face mainly domestic sources of volatility and not be subject to those on international markets.

By studying the phenomenon in isolated West African countries (Mali, Burkina Faso, Niger) and other countries very open to international markets (Senegal, Mauritania), the field analysis by Blein *et al.* (2008) brings several nuances to the theory. The disparities observed in the countries are, according to Blein *et al.*, caused by the specific context, such as food systems' dependency on imports, domestic production levels, or speculation by traders at a given time.

It appears that, in 2008, the price of imported grains was largely transmitted to the local prices for these same grains (wheat, rice) in all countries whereas international prices were transmitted to different degrees to traditional grains. The countries most strongly affected, because of their strong dependency on imports, were coastal countries (Senegal and Mauritania import between two-thirds and three quarters of their grain needs from the international market) whereas Mali and Burkina Faso had a degree of "natural protection" even if this isolation increased imported grain prices. Niger, whose markets are widely influenced by the markets in neighboring Nigeria, found itself in an intermediary situation. R10

In response to this situation, many West African countries have put plans in place to revive food production through input access programs. Like the Mali rice initiative or the GOANA in Senegal, these programs aim to ensure sufficient grain availability in the medium term and lower countries' dependency on food imports with the goal of food self-sufficiency. Until now, they have largely been supported by the community of donors, eager to find a short-term solution to the crisis. However, many donors' programs are reaching their end today, as is notably the case with the "Food Facility" set up by the European Union in 2009, and some may not be extended, threatening agricultural recovery in the medium term.

B. Price Hike Opportunities and Risks for Local Commodity Chains: An Ongoing Debate

Rising prices on domestic markets in sub-Saharan Africa, if lasting, radically change the context for agricultural and food producers. In recent decades, the particularly low prices of imported foodstuffs have exercised unfair competition and discouraged African farmers who grow competing crops. The long-term consequences of these policy decisions favoring supplying cities inexpensively to ensure social peace have been to disconnect agricultural production from food demand as city dwellers turn in part to the world market. The sudden food price hike could therefore reverse this trend and create large incentives for farmers if these changes are supported by government policies.

The opportunity for farmers afforded by rising prices must be put into perspective with other elements. First, most small farmers depend on the markets for their own food and find themselves "trapped" by the sudden food price spike, this time as consumers. In addition, only farmers who have significant means of production (land, farm equipment, access to inputs and credit, good market insertion, etc.) have been able to take advantage of the opportunity afforded by rising prices in the short term to invest in production. The inappropriate responses by farmers to recent food crises have sometimes worsened this situation, obliging some to de-capitalize their means of production, reducing by as much their ability to increase production. Finally, some West African countries have favored a form of agribusiness to meet the challenge of rapidly increasing supply rather than processing and support for smallholder farming. One of the most worrying manifestations for farmers is the acceleration of large-scale land purchases, which dispossess farmers of their productive resources. **R10**

On the consumption side, the imported product price hike could also be an opportunity to (re)value traditional products and locally processed products, making it possible to trigger a virtuous spiral in employment, in particular among young people and women. Nevertheless, little effort has been made until now to take charge of downstream segments of production such as product conservation, processing and the elaboration of new products suited to the constraints and habits of urban households. As a result, the development of local food product commodity chains now requires considerable support to meet this "new" demand from urban consumers.

FOs' and Volatility

For roughly twenty years, while world prices were relatively stable, domestic markets in West Africa faced structural volatility between seasons and from one year to the next, which discourages productive investments and threatens household food security. Faced with this situation, farmers' organizations (FOs) have developed strategies that combine instruments such as proximity storage, developing financing tools for their members, group sales operations, participation in grain exchanges, etc. that facilitate the sale of their products.[3] However, these strategies have stayed on the local scale and are often not enough to regulate national markets properly without additional action by the government authorities.

While farmers' organizations were little heard in the technical discussions on the issue of volatility on international markets—often due to a lack of means, capacity building and arenas for representation—they are conducting considerable advocacy actions targeting their States and donors. To prevent sharp price spikes and create the conditions that would allow farmers to benefit from rising prices, ROPPA's proposals are structured around three lines: **R9**

- Support for smallholder, agricultural and pastoral farmers and small-scale fishermen so that they can invest and modernize from a lasting perspective through their access to means of production (including securing land tenure), technologies, training and financing.
- Market regulation through better commodity chain organization, the promotion of grain exchanges (that facilitate trade and strengthen farmers' negotiating capacities), support promoting local products and creating agrifood industries benefitting local agriculture, etc. The creation of food stores must also give priority to local supply and target market regulation, in addition to trade measures to protect and strengthen the regional market.
- Promote farmers' social security by setting up disaster funds and harvest/agricultural insurance models that can provide motivation and incentive for better production.

As ROPPA emphasizes, while the context of rising international prices is more conducive to the development of local food production, it is not enough on its own to stimulate production. The major challenge for public policy today is therefore to create conditions that allow smallholder farming systems to grasp these new opportunities and do so in a sustainable manner. One challenge is undoubtedly to develop downstream segments of the commodity chains making it possible to connect production in the countrysides more strongly to urban consumption as West African cities are facing extremely rapid growth. Upstream, land tenure security, the development of credit (for investments, inputs and marketing) and storage remain the priorities of a public and private investment framework conducive to smallholder farming.

[3] Inter-Réseaux (2010*): The impact of agricultural price volatility on supply chain stakeholders in Burkina Faso.* http://www.inter-reseaux.org/IMG/pdf/PartB_CR_chapitre3_regard_Burkina.pdf

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R1 ***Price Volatility in Food and Agricultural Markets: Policy Responses.*** **FAO, IFAD, IMF, OECD, UNCTAD, WFP, World Bank, WTO, IFPRI, UN HLTF, June 2011, 68 p.**
Commissioned by the G20, this report proposes possible actions to develop regulation by the market through: (i) increased productivity; (ii) improved information on (physical and financial) markets; (iii) trade openness; (iv) the end of agrofuel subsidies; (v) the development of risk management tools; (vi) the development of safety nets and emergency humanitarian food reserves.
www.oecd.org/dataoecd/40/34/48152638.pdf

R2 ***Action Plan on Food Price Volatility and Agriculture.*** **G20 Ministers of Agriculture Meeting, June 22-23, 2011, 26 p.**
Produced by the agricultural G20 negotiations, this action plan contains the elements of the inter-agency report's (cited below) proposals on which there was a consensus. It is the roadmap for the G20 countries in the coming years.
http://agriculture.gouv.fr/IMG/pdf/2011-06-23_-_Action_Plan_-_VFinale.pdf

R3 ***G20 Action Plan addresses the symptoms, not the causes of the problem.*** **O. de Schutter, June 23, 2011, 2 p.**
Olivier de Schutter's reaction to the agricultural G20's action plan criticizes the lack of implication on the issues of agrofuels, financial speculation and food reserves, and questions the interest for small farmers of the risk management tools promoted by the G20.
www.srfood.org/index.php/en/component/content/article/1424-g20-action-plan-addresses-the-symptoms-not-the-causes-of-the-problem

R4 ***Price volatility and food security.*** **HLPE, July 2011, 81 p.**
Commissioned in 2010 to inform the CFS negotiations on an objective basis, the recommendations in this report differ from those of the UN agencies on: (i) the overhaul of the international trade system; (ii) the creation of a consolidated global mechanisms for stocks; (iii) the emphasis on agroecology; and (iv) the promotion of national market regulation measures.
www.fao.org/fileadmin/user_upload/hlpe/hlpe_documents/HLPE-price-volatility-and-food-security-report-July-2011.pdf

R5 ***Le risque prix pour les produits alimentaires importés. Outils de couverture pour l'Afrique.*** **P. Baris, J. Cordier, N. Gergely, À Savoir Collection No. 13, AFD, 2011**
This report analyzes in particular price risk insurance instruments, smoothing mechanisms, and contra-cyclic budget instruments, comparing their strengths and weaknesses and opportunities and risks. It concludes that there is a need to case-by-case treatment and that combining various tools is relevant.
Forthcoming on the website: http://www.afd.fr/lang/fr/home/publications/travaux-de-recherche/publications-scientifiques/a-savoir

R6 ***Synthesis Public Intervention on Markets: From Theory to Reality,*** **Groupe de recherche et d'échange sur la régulation des marchés agricoles (CIRAD, GRET, IRAM), March 2011, 67 p.**
GREMA's report uses a dual theoretical and empirical (14 case studies) approach to analyze the main arguments in favor of and defending public intervention and the conditions for successful price stabilization policies.
http://www.inter-reseaux.org/IMG/pdf/PartA_synthese.pdf

R7 ***Food Commodities Speculation and Food Price Crises: Regulation to reduce the risks of price volatility.*** **O. de Schutter, September 2010, 16 p.**
This paper denounces the impact of speculation in commodity markets on the hike in agricultural product prices. The author formulates proposals for an in-depth reform of the trade in derivatives and to reserve derivatives for operators authentically interested in agricultural commodities.
http://www.srfood.org/images/stories/pdf/otherdocuments/20102309_briefing_note_02_en_ok.pdf

R8 ***Preparing for Thin Cows: Why the G20 should keep buffer stocks on the agenda***, **J-D. Crola, Oxfam, June 2011, 19 p.**
This paper pleads in favor of reconstituting buffer stocks based on clear rules, and testing new tools to improve their operation in the framework of a global strategy to develop smallholder farming and market institutions.
www.oxfam.org/sites/www.oxfam.org/files/bn-preparing-thin-cows-food-reserves-210611-en.pdf

R9 ***Quelles propositions pour prévenir les hausses incontrôlées des prix des produits alimentaires.*** **M. Goïta, V. Ndri, ROPPA, October 2011, 2 p.**
This advocacy paper makes proposals in favor of supporting smallholder farming, market regulation, and social protection adapted to farmers so as to allow farmers from protect themselves against volatility and take advantage of price hikes over the long term.
www.roppa.info/IMG/pdf/Propositions_ROPPA_atelier_Volatilite_des_prix.pdf

R10 ***Impact of price increases on the food situation in Sahelian countries.*** **R. Blein *et al.* Oxfam GB, Save the Children, August 2008, 111 p.**
Based on household surveys and national information systems, this study concludes that international prices are transmitted to domestic markets to different extents based on local and regional characteristics, and calls for suitable measures to support farmers.
www.bureau-issala.com/archives122010.htm
http://www.bureau-issala.com/Fichiers/FINAL%20Eng%20W%20AFrica%20Food%20Price%20Assess.zip

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