



Brussels Rural Development Briefings
A series of policy meetings on ACP-EU development issues

Brussels Policy Briefing no. 25

Food Price Volatility: Implications for ACP countries

30th November 2011

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Actions being proposed to deal with food price volatility¹

Executive Summary

The focus of this presentation is on some of the practical actions being supported by the NEPAD Agency to address the challenges of **high and volatile food prices** on the African continent. Food insecurity remains the biggest challenge in many African countries. Two-thirds of African people derive their income from agriculture and spend between 50 and 80% of their income on food. Agriculture plays an important role in **rural development** and there is the need to build and harness synergies and linkages with other economic sectors, including industry and services as well as the social and environmental sectors. There is need for a **comprehensive value chain approach** which connects farmers to input and output markets through backward and forward linkages respectively. The ultimate ambition is to develop the continent's agriculture and markets and reduce dependence on imports. NEPAD is working towards this goal through its Comprehensive African Agriculture Development Program (CAADP), Infrastructure and Rural Futures Programs, and risk management strategies plus climate change mitigation.

There is need to support African farmers by facilitating the purchase of **fertilizers** through **smart subsidies** where the market is not running smoothly, for fertilizers to be made available at reasonable prices. The idea of an innovative mechanism to **finance access to farming inputs** in which the **private sector** is involved as a key stakeholder is strongly supported. High food prices in Africa do not necessarily translate into improved incentives for farmers because of **high marketing costs** in particular transaction and transport costs. The cost of transport is very high in sub-Saharan Africa due to a combination of poor roads, high fuel prices, limited competition, and cross-border bottlenecks. Investment in **improved market infrastructure and institutions** is one of the viable options for dealing with volatile prices, together with the proper handling of **humanitarian emergency food reserves**.

NEPAD is taking steps to support countries in strengthening the measures geared at addressing high food prices including support to enhance their capacities in risk assessment to predict and mitigate the impacts of high food prices. Specific projects within the **investment plans** that will guarantee quick wins in terms of accelerating food production, as well as facilitating the processing, marketing and distribution of available food items are being supported together with technical assistance in **policy analysis** and in the development of policy tools for addressing high food prices, periodic reviews, formulation and reforms of agriculture policies with the aim of **strengthening institutional and governance structures and capacities**. The pivotal role of **regional markets and trade** in addressing price volatility is crucial. To this end, the NEPAD Agency, working with and through the respective RECs is helping to provide technical leadership in developing appropriate and proactive regional trade-related measures that align and reinforce the achievement of **regional integration** objectives.

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