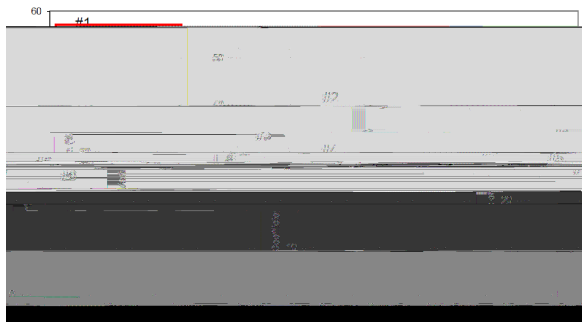


Comments on Jayne and Minot: A Review of Experience in Sub-Saharan Africa

Obie C. Porteous
Agricultural and Resource Economics
University of California-Berkeley

World Bank Conference on Food Price Volatility,
Food Security and Trade Policy
September 18-19, 2014

A Word of Caution on Causality



- Do discretionary policies *cause* higher price volatility? Or are they a response to higher price volatility?
 - Policy-makers may argue for the latter explanation
 - Anecdotal evidence suggests discretionary policies increase volatility
 - Hard to establish causality (models? clever identification?)

A Different Type of Challenge in Africa?

Food prices generally more volatile than on international markets
African markets tend to be too insulated rather than too exposed

- | Trade policy, but also transport and other trade costs

Local prices equalling international prices would be an improvement

Is trade the answer? Yes, but it's complicated...

A Role for Storage

Private storage: lots of intra-annual, limited inter-annual

- | Climate of uncertainty
- | Very high cost of capital (understandable from bankers' perspective)
- | **Expectation of government intervention in case of crisis**
 - F Market distortion leading to sub-optimal storage by private sector
 - F Very hard or impossible to remove (would take a very long time)

Public strategic grain reserves?

- | Last-resort public stocks to be tapped into in times of crisis
- | Rules-based operations (linked to import parity?)

Private storage subsidies?

- | May be difficult from a political economy perspective
- | Should be as inclusive as possible (trader size and location)

Competing Models or Roadmap for a Transition?

What should countries in Model 3 do?

- | 3 does not work, 1 won't work (for now) given existing distortions
- | 3 to 2 (to 1 eventually?)

What should countries in Model 1 do?

- | Avoid the trap of Model 3
- | Learn lessons from others before trying any Model 2 policies

Africa's Role in Collective Action Problem

	Maize	Wheat	Rice
Percent Share of Global Exports (2001-2010)	0.50%	0.06%	0.17%
Percent Share of Global Imports (2001-2010)	1.72%	9.06%	24.28%

41 countries of sub-Saharan Africa excluding South Africa. Source: USDA.

- Export restrictions by individual African countries likely have no effect on food prices outside of Africa but may have destabilizing effects within Africa
- Export restrictions by other countries likely do have an effect on Africa (especially for wheat and rice)
- "Panic imports" and import tariff adjustments by African countries may affect food prices outside of Africa

Africa Can Help With International Price Volatility

150,000 MT of maize from Lusaka to Dar: today 20 months, tomorrow ?