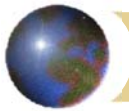


## Risk Management in African Agriculture:

### Workshop objectives and organization

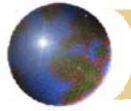
Shahidur Rashid (IFPRI)

Presented at the ACTESA policy seminar  
"Risk Management in African Agriculture: Taking Stock of What Has and Hasn't  
Worked"  
on 06-10 September 2010 in Lilongwe, Malawi  
under the COMESA-MSU-IFPRI African Agricultural Markets Project (AAMP)



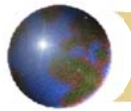
## Talking points

- ✦ The context
  - ▣ Why risk management?
  - ▣ What policy options are there?
- ✦ Workshop objectives
- ✦ The organization



## Why risk management (1)?

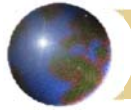
- ✦ Uninsured risks result in asset and income loss, consumption cut-backs, sales of productive assets
  - Immediate and long lasting effects
- ✦ Even the potential of an uninsured shock has welfare costs:
  - Households take action to limit exposure to risk, reduces growth in the long run
  - Poor households incur substantial costs to manage risk



## Why risk management (2)?

- ✦ Cost of not managing risks is **HIGH**

Country	GDP	Agricultural GDP	Cost of no Insurance
	(current Million US\$)		
Ethiopia	26,487	10,540	3,162
Kenya	34,507	6,538	1,961
Malawi	4,269	1,216	365
Tanzania	20,490	8,401	2,520
Zambia	14,314	2,590	777
Uganda	14,529	3,024	907



## The policy options?

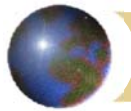
- ✦ During evolution, societies have developed risk management methods that are incredibly effective. But they have drawbacks.

### ✦ Government led:

- ✦ Price stabilization
- ✦ Relief / safety nets
- ✦ Strategic reserves
- ✦ Production forecasts market information
- ✦ Agric credits
- ✦ Input supplies

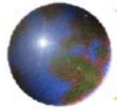
### ✦ Private sector led:

- ✦ Commodity exchanges
- ✦ Weather insurance
- ✦ Warehouse receipts



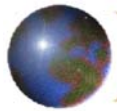
## The workshop objectives

- ✦ Objective-1: Taking stocks: how have all different policies worked?
  - ✦ Government policies
    - More info on price stabilization, credit programs, subsidy programs; but little on other instruments
  - ✦ Modern risk management
    - Most are at pilot stages; and not much is known about their feasibility and sustainability.
- ✦ Objective-2: Providing technical inputs to ACTESA-COMESA in terms of:
  - ✦ Identifying the roles that ACTESA can play in the region's risk management policy / investment agenda



## The workshop organization

- ✦ The policy workshop will focus on two broad types of risks:
  - ▣ Production risks
  - ▣ Price risks
- ✦ Under each risk type, government led and private sector led risk management instruments will be discussed
  - ▣ Government led: price stabilization, grain reserves, production forecasts and market information
  - ▣ Private sector led: Commodity exchange, Warehouse Receipt, and Weather Insurance



## Putting it all together

- ✦ Three sets of activities.
  - ▣ Policy seminar
  - ▣ ACTESA Investment discussion
    - By invitation
  - ▣ Trainings for the policy analysts
    - By invitation
    - Participants include mid-level policy makers, academics, and CBO reps