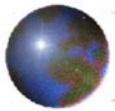


# Risk Management in African Agriculture:

## Overview of production risks

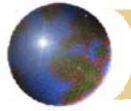
Shahidur Rashid (IFPRI)

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)



## Outline

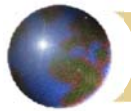
- ✦ The sources of risks
- ✦ The policy options
  - ✦ Long term
  - ✦ Short term
- ✦ Income dimensions of policies
  - ✦ Different policies are needed for different income groups
  - ✦ Different stakeholders play different roles



## Sources of risks

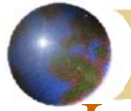
✦ The main sources of production risks

- ✦ Drought
- ✦ Flood
- ✦ Infestation
- ✦ Disruption in supply chain



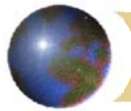
## Sources of risks & long term policies

Sources of production risks	Long term policies
<b>Drought</b>	Investment in R&D for drought tolerant varieties; development of irrigation, if possible
<b>Floods</b>	Investment in flood prevention measures (e.g., building dams)
<b>Disruptions in input supplies</b>	Develop supply chains for all key inputs
<b>Infestations</b>	Investment in R&D; supply chain development for insecticides

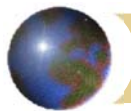


## *Long term solution requires increased public investment*

- ✦ Long term solution requires public investment in agriculture to build the market fundamentals. However:
  - ✦ Public investment has remained low. Only a handful of countries have reached CAADP target of 10 percent
  - ✦ Among AAMP countries, only Ethiopia and Malawi have reached the CAADP target of 10 percent target

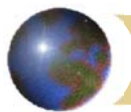


## *On the short term solution*

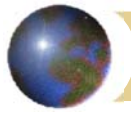


## Weather insurance pilots

Countries	Year launched	Type of risks covered	Total beneficiaries	Total insured (in US\$)	Lead agencies
<i>Ethiopia</i>					
Pilot-1	2009	Drought	139	44,000.00	World Bank, WFP
Pilot-2	2009	Drought +	200	9,000.00	Oxfam
Pilot-3	2006	Disaster	316,000	7,300,000.00	Government, WFP
Pilot-4	2007	Disaster	(small)	~250,000.00	Millennium Village Project, Earth Institute
Pilot-5	2009	Drought	373	7,000.00	IFPRI
<i>Kenya</i>					
Pilot-1	2009	Drought	200	7,000	Syngenta Foundation
Pilot-2	2007	Excess rain and drought	(Small)	~200,000.00	Millennium Village Project, Earth Institute
<i>Malawi</i>					
Pilot-1	2006	Excess rain and drought	1710	150,000.00	World Bank, Opportunity International
Pilot-2	2008	Drought	2587	300,000.00	World Bank, MicroEnsure
Pilot-3	2008	Drought	55000	652,000.00	Government, DfID, & World Bank
<i>Tanzania</i>					
Pilot-1	2009	Typhoon	500	na	MicroEnsure
No publicly available records of pilots in other three AAMP countries					

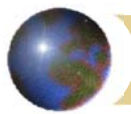


Production risk management is more than prices stabilization and *weather insurance*



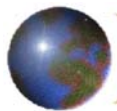
## Different policies for different income groups

Policy options	Income groups		
	Below Poverty Line	Above poverty line, but vulnerable to risks	Large agricultural households or commercial farms
Social Safety Nets	Very Relevant	Not so relevant (they're generally excluded from Social Safety Net programs)	Not directly relevant
Distribution from food reserves	Very Relevant	Not so relevant (they're generally excluded from relief programs)	Not directly relevant
Reliefs / emergency assistance	Very Relevant	Not so relevant (they're generally excluded from relief programs)	Not directly relevant



## Different policies for different income groups

Policy options for	Income groups		
	Below Poverty Line	Above poverty line, but vulnerable to risks	Large agricultural households or commercial farms
Warehouse Receipts System	Not directly relevant	Somewhat relevant, (through coops or farmers' organizations)	Relevant & commercially viable
Weather Insurance / Crop insurance	Not directly relevant	Relevant, but not commercially viable. That is, program needs subsidy	Relevant & commercially viable
Commodity Exchange	Not directly relevant	Somewhat relevant if it improves price discovery	Relevant



## Roles for various actors

<b>Policy options</b>	<b>Key Actors</b>
Social Safety Nets	Government, NGOs, CBOs, & international agencies
Distribution from food reserves	Primarily Government, but NGOs and CBOs can play a role
Reliefs / emergency assistance	Government, NGOs, CBOs, & international agencies
Warehouse Receipts System	Private sector with legal and regulatory supports from the government
Weather Insurance / Crop insurance	Private sector with legal and regulatory supports from the government
Commodity Exchange	Private sector with legal and regulatory supports from the government



## *Summary*

- ✦ No single instrument address the agricultural risks associated with production shocks
- ✦ Different policies / instruments are needed for different income groups.
- ✦ Government has direct or supporting roles in the implementation of all policies instruments.
- ✦ Involvement of other stakeholders—private sector, NGOs, CBOs, and international agencies—depend on the type of policy instrument