MAFAP eLearning series launch: Monitoring price incentives for food and agriculture

Monitoring and Analysing Food & Agricultural Policies (MAFAP) Programme at FAO

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Why do we need to monitor agrifood policies?

- Tracing and analysing the *effects of policies along specific value chains.*
- Mapping the *level, quality and gaps of expenditure* in the agriculture and food sector.
- Assessing the *appropriateness of policies in achieving their intended objectives* and the country’s broader development targets.
- Identifying *critical factors, side-effects and bottlenecks that require policy adjustment* and reforms.
- Setting the *basis for policy dialogue* and further analysis on specific policy problems.
Why do we need price incentives indicators?

- **Some public policies affect prices** thus private decisions on production and marketing of agrifood products
- Policies aim to correct market failures but can also generate **distortions** that may slow down sector development
- Policies may produce **unintended effects** that play against original objectives
- **Policy making is complex** and comes with trade-offs that require close attention

But price incentives indicators help us to:

- Quantify effects of trade and market policies on prices, i.e. on private incentives
- Identify driving factors behind price differences (domestic vs international)
- Analyse whether farmers/traders are supported or penalized and consider possible corrective actions
- Measure market inefficiencies and their detrimental effects on farmers
What do PI indicators look like?

**Price Incentives Indicators**

- **Select a country**: Benin
- **Choose a commodity**: Maize
- **Select a year**: All

**Glossary**

**Nominal Rate of Protection (NRP)**

The price gap expressed as a share of the reference price, measured at the farm gate: it is therefore a relative measure that allows for comparison across time, commodities, and countries. A positive (negative) NRP at farm gate indicates that the trade and market policies provide price incentives (discouragements) to producers of the analyzed commodity as they fetch prices higher (lower) than the reference.

**Useful links**

- Bulk download from MAFAP data hub
- Indicators analysis by country
- Methodology
- E-learning course on Price Incentives

**Market Development Gap**

- **Nominal Rates of Protection (NRP) and of Assistance (NRA)**

**Price gaps (in local currency)**

**Production and Yield**

- **Production (tonnes)**
- **Area (ha)**
- **Yield (tonne/ha)**

Monitoring and Analysing Food and Agricultural Policies (MAFAP) programme
Course 1 ~ Monitoring price incentives for food and agriculture: the MAFAP method

Target audience
- Government officials and advisors
- Academia and university
- Farmers unions
- Non-governmental organizations
- FAO staff

Goal
Learn how to measure and analyse the effects of trade and market policies as well as market inefficiencies on prices, thus on the incentives to produce and commercialize agricultural commodities

Structure
9 lessons from the theory to practice, including “real” examples, video tutorial, additional learning resources and tests
Key learning questions

Why monitor food and agricultural policies?
Why use PI indicators to monitor policies?

How to start a PI analysis?
How to source the data?

How to calculate PI indicators of different type and scope?

How to analyse PI indicators levels and trends?
How to produce PI indicators: setting the stage

1. Select commodities to analyse
2. Determine the commodity trade status
3. Review the value chain structure and market pathway

- Identify products based on production value
- Add exports and imports
- Add major staples
- Add commodities of interest
- Review the list
- Delete minor products

Step 1: Set the boundaries and stages of the value chain
Step 2: Identify activities at each stage
Step 3: Identify agents at each stage
Step 4: Quantify physical flows of commodity
How to produce PI indicators: data needs

**Step-by-step guide**

- understand key data and info needed to compute the Reference Price
- identify potential data sources for each element
- choose assumptions when data are not available
How to produce PI indicators: computation

1. Reference prices
   at farm gate, wholesale and retail

2. Price gaps
   at farm gate, wholesale and retail

3. Nominal Rate of Protection (NRP)
   by commodity and aggregate

4. Nominal Rate of Assistance (NRA)
   by commodity and aggregate

5. Market Development Gap
   with access costs adjustments
Making sense of numbers: How to analyse PI indicators

Identify what are the policy and non-policy factors driving PI indicators’ levels and trends, and their nature

- Draw basic conclusions on whether the policies in place are bringing the expected effects in terms of production and market incentives and are therefore conducive for the sector
- Assess if these effects are aligned with the strategic policy objectives set by the government for a specific commodity or for the overall agricultural sector
Key advantages of the MAFAP PI method

**Essential evidence**
to identify policy gaps or issues that may require closer attention for reform (e.g. trade intervention, price setting policies, etc.)

**Quantitative diagnostic tool**
power of data and indicators based on a rigorous but relatively simple method

**Internationally-recognized method**
applied in many countries and by different international organizations (e.g. OECD, World Bank, IDB)

**Accessible**
to anyone with basic knowledge of economics and policy analysis
Thank you


Course: Monitoring price incentives for food and agriculture: the MAFAP method (fao.org)
Estimating market access costs

- Transport costs
- Handling and storage costs
- Traders' margins
- Handling and storage costs
- Informal taxes and fees
- Processing costs
- Transport costs

Benchmark price → Access costs

Wholesale price → Access costs

Producer price → Farm gate

Retail market → Retail price
What’s behind the indicators’ trends?

1. Trade policies
2. Domestic market policies
3. International prices and exchange rate fluctuations
4. Domestic market fundamentals (demand/supply)
5. Value chain features