

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



Food and Agriculture  
Organization of the  
United Nations

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

Valentina Pernechele  
25 May 2022



# 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.



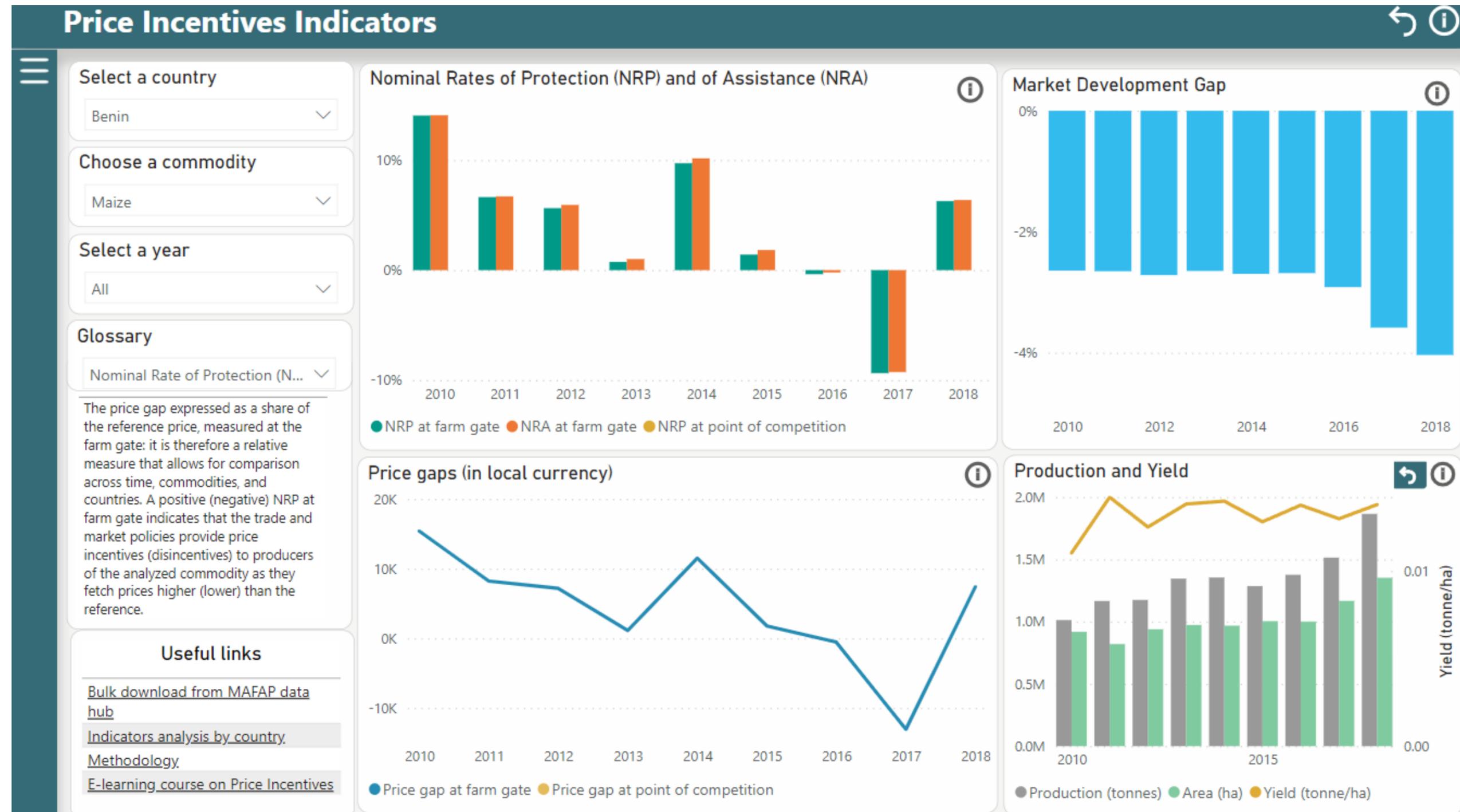
# Why do we need price incentives indicators?

- **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?



# 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

Lesson 1

Lesson 2

Lesson 3

Lesson 4

Lesson 5

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

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

Lesson 6

Lesson 7

Lesson 8

Lesson 9

**How** to calculate PI indicators of different type and scope?

**How** to analyse PI indicators levels and trends?

CERTIFIED COURSE



# How to produce PI indicators: setting the stage

1

**Select commodities to analyse**

Identify products based on production value



Add exports and imports



Add major staples



Add commodities of interest



Review the list



Delete minor products

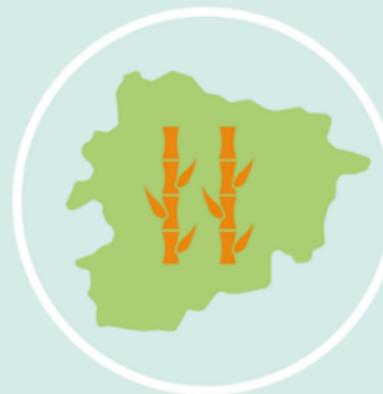


2

**Determine the commodity trade status**

3

**Review the value chain structure and market pathway**



**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

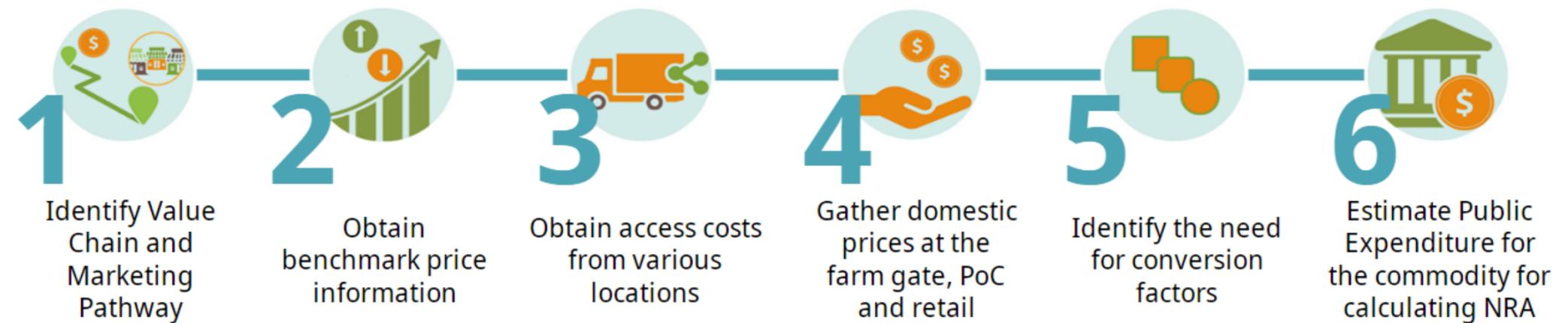


**Step 4:** Quantify physical flows of commodity

# 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

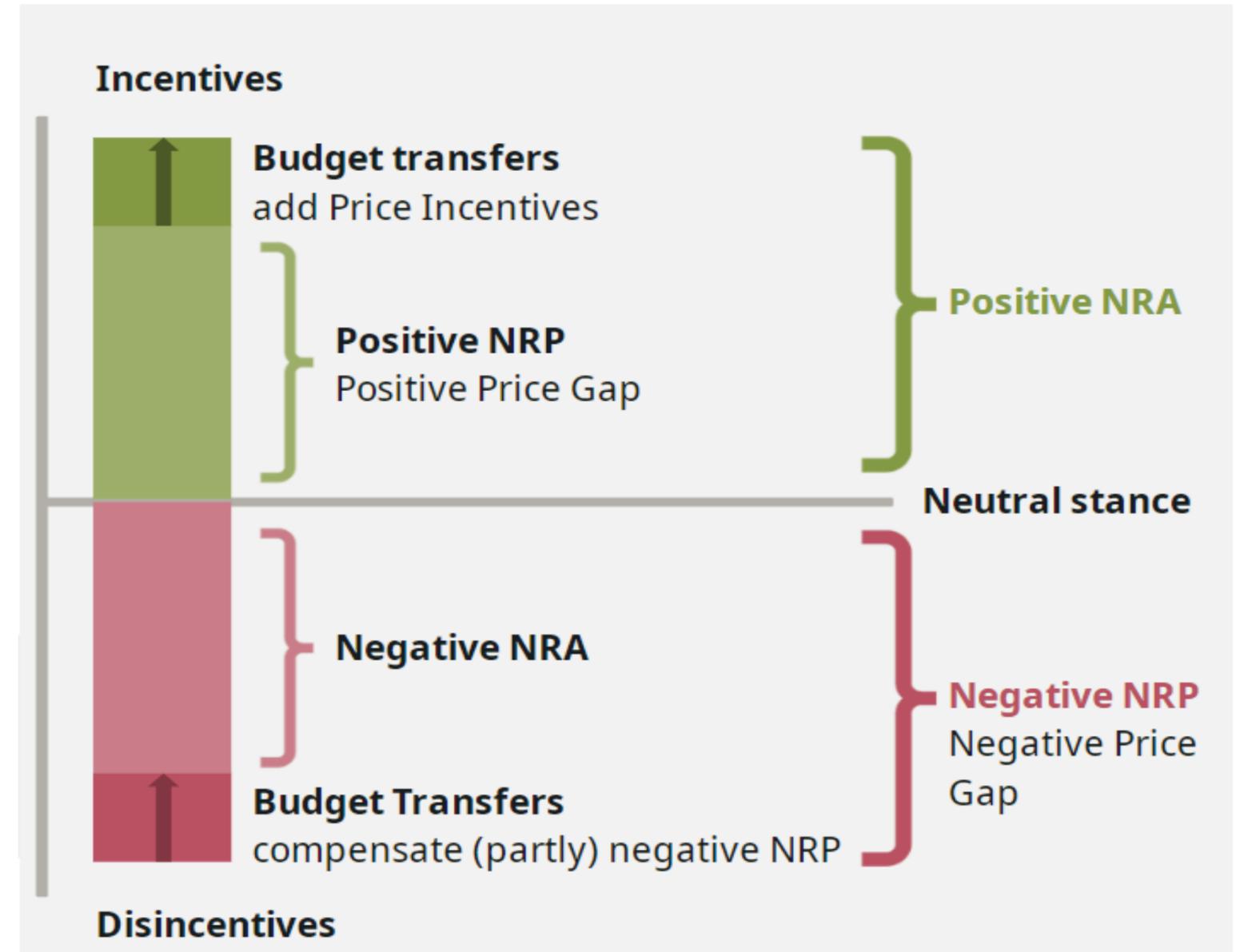
## Nominal Rate of Assistance (NRA)

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 pro therefore conducive for the secto

- **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

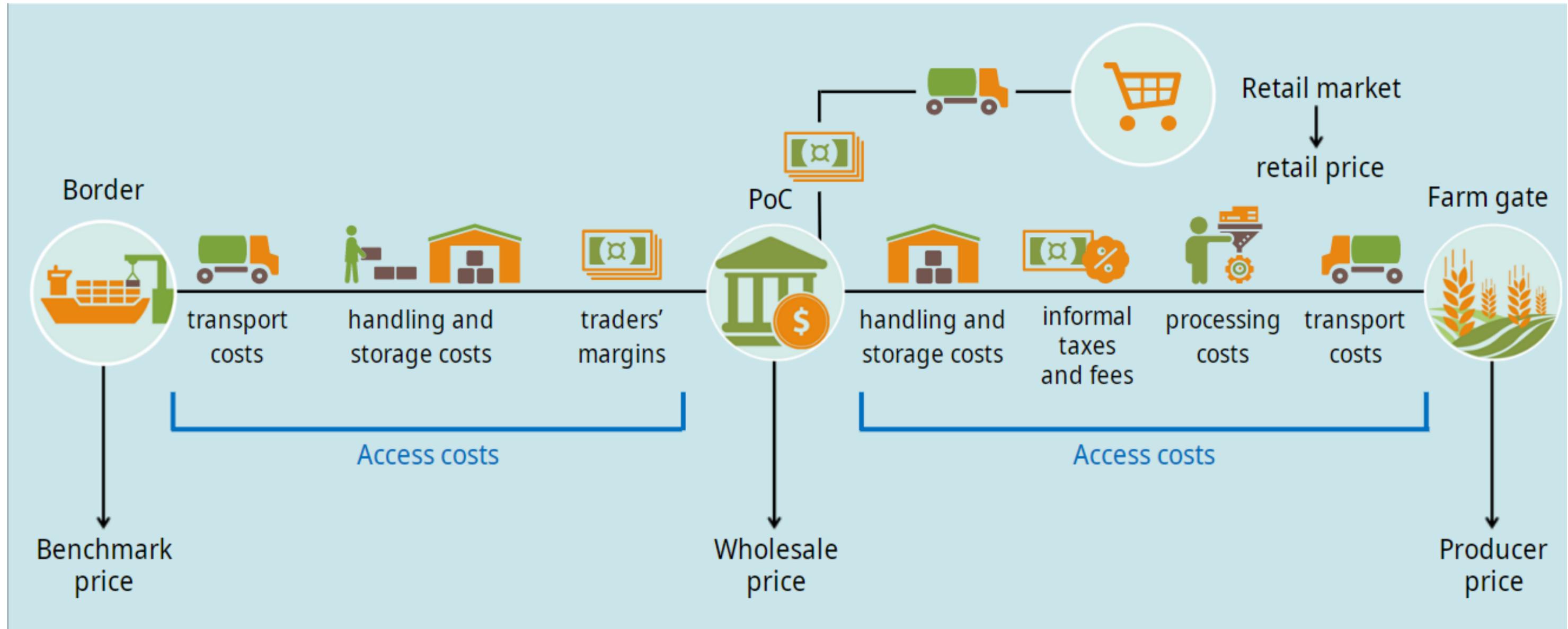
# Thank you

<http://www.fao.org/in-action/mafap/home/en/>

[Course: Monitoring price incentives for food and agriculture: the MAFAP method \(fao.org\)](#)



# Estimating market access costs



# What's behind the indicators' trends?

