Risk Management in African Agriculture:
Workshop objectives and organization

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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**

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