The Policy Monitor: An Introduction[1]

Motivation

Monitoring food price crises at national, regional, and global levels requires a deep understanding of how policies impact—contribute to or address—the effects of food price crises. Commodity-related policy changes may indeed reinforce, directly or indirectly, food price crises, while food price shocks may prompt drastic policy reforms. Numerous examples of "panic policies" have been held responsible for triggering food price hikes. Likewise, avoidance of panic policies is also believed to have averted food price escalation.

To effectively respond to unfolding food price crises, policy makers at national and international levels need access to reliable and transparent information on relevant commodity-related policy developments. Early warning monitoring systems help reduce uncertainty by providing timely evidence and information, thus enabling better assessment of exposure, hazards, and capacity to react to shocks.

Available reports and frameworks providing information on commodity-related policies are not sufficient to properly monitor food price crises. In effect, only a few organizations (mainly the Food and Agriculture Organization [FAO] and the Agricultural Market Information System [AMIS]) provide regular, systematic information on commodity-related policy. There is, however, room for improvement, specifically when it comes to intervention categorization, sources consulted, and period covered. For example, the FAO Commodity Policy Development stocktaking table starts in 2010, and the policies recorded are, at times, not easily directly attributable to food price crises related factors. This is the case for reported interventions on research financing. The AMIS *Market Monitor* reports several food-related policy developments, but only since December 2012. FAO's biannual *Food Outlook* started earlier, but does not provide an integrated, systematic data visualization tool for rapid assessments. In contrast, the FAO decision-making tool does provide a visual tool, but it does not filter by commodity groups nor does it account for the actual direction of policy changes in its categorization of policies.

In light of these considerations, the proposed policy observatory aims to provide an integrated and comprehensive "one-stop shop" to monitor price- and commodity-related policies that may affect, or that may be affected by, food price crises. The observatory aims to provide:

i) **Comprehensive sources**. A knowledge hub built from different sources of information and leading organizations since the global food price crisis in 2007. The analysis and information so far have been gathered mainly from FAO reports and data, but will include additional sources such as AMIS market report, as well as specialized World Bank Group, World Trade Organization (WTO) and IMF reports, and academic literature, among others.

[1] This note has been drafted by Julie Barbet-Gros (GPVDR).

ii) **Categorization**. A systematic classification of policy changes, reflecting in-house assessment of the nature of the intervention, applied systematically across all sources of available information. The analysis and categorization of policies is based on the description of policy decisions provided by different organizations and sources of information. This feature addresses the basic issues of consistency and quality control.

iii) **User-friendly visual tool**. Users can, for instance, easily make comparisons within a specific timeframe and across commodities. It also enables the user to focus on specific criteria, such as export bans, food subsidies, and other specific policy instruments, to name a few.

iv) **Food price crisis scope**. The tool focuses specifically on those policies that are most likely to affect or be affected by commodity price shocks. It will also indicate the direction of policy changes across commodity groups that are particularly relevant in the context food price crisis monitoring (see below).

Ultimately, the observatory is expected to provide additional value added to existing sources by showing in simple and visual terms the direction, changes, and types of commodity-related policy decisions that have been initiated worldwide since the global food price crisis. It monitors the use of these policy instruments and tracks any new implementations of or changes in existing commodity-related policy measures. The framework is meant to complement other modules of the food price crisis monitoring tool—a framework that includes food prices and food riots—in assessing a country's vulnerability to an external food price shock.

Policy Components and Definitions

The tool is organized systematically according to 17 policy instruments that target specific actors. Table 1 presents and defines the policy instruments captured by the tool. The decision to focus on these specific interventions, rather than other related food interventions, is based on the extent to which those policies are more likely to affect or to be affected by food price shocks and market developments. These specific instruments either implicitly intend to prevent, mitigate or cope with food price crises, or may reinforce food prices crises, as typically supported by analytical evidence.

Table 1: Policy Components and Definitions

Policy target	Policy instrument	Definition
Producer	Export subsidy	"A benefit conferred on a firm by the government that is contingent on exports" (WTO 2014).
	Domestic support	"Any domestic subsidy or other measure which acts to maintain producer prices at levels above those prevailing in international trade; direct payments to producers, including deficiency payments, and input and marketing cost reduction measures available only for agricultural production" (WTO 2014).
Consumer	Food subsidy	"A form of government intervention resulting in a deviation of an actual price facing consumers from a specified benchmark price"

		(IMF 2008).
	Food assistance/safety nets	"Include direct food-based transfers (such as general rations, food-for-work, supplementary feeding or vulnerable group feeding and school feeding), cash transfers and vouchers" (ODI 2010).
	Food procurement	Includes the building up of staple food stocks/inventories by public agencies (or entities working on behalf of public agencies) and more generally: "the procurement of food from one country for use in a developing country (world market transactions); the procurement of food from one developing country for use within another developing country (triangular transactions); a sub-set of triangular transactions occurring between developing countries in the same geographic region or sub-region (regional purchases); the procurement of food from the food aid recipient country for use within that country (local purchases)" (WFP 2006).
	Stock release	Refers to food (mainly grains) release from emergency response reserves or price stabilization reserves.
Producer and/or consumer	Other subsidy	Refers to subsidy on fuel or fertilizers. See definition of "subsidy" above.
	Price control	"A measure intended to control the prices of imported articles for the following reasons: to sustain domestic prices of certain products when the import price is inferior to the sustained price; to establish the domestic price of certain products because of price fluctuation in the domestic market or price instability in the foreign market; and/or to counteract the damage caused by the application of unfair practices of foreign trade" (UNCTAD 2014).
	Value-added tax (VAT) and other consumption taxes	"VAT is a form of indirect tax collected at various stages of production-distribution chains. If properly designed and implemented, the tax, at any stage, is effectively collected on the pure value added generated at that stage" (World Bank 2003).
Trade	Export ban	"Total prohibition on the exportation of a given product, and is in place in general for a specific purpose, sometimes not related to trade considerations" (WTO 2011).
	Export quota	"Quantitative restriction (a ceiling is placed on the amount of exports) imposed by an exporting country on the total volume of the product that is allowed to be exported" (WTO 2011).

	Export tariff	“Has the effect of reducing the volume of exports by increasing the final export price, and creates a ‘dual’ price system benefiting industries in the domestic market using the taxed input over foreign users of the same product” (WTO 2011).
	Tariff quota	“When quantities inside a quota are charged lower import duty rates, than those outside (which can be high)” (WTO 2014).
	Import ban	“Total prohibition on the importation of a given product, and is in place in general for a specific purpose, sometimes not related to trade consideration” (WTO 2011).
	Import quota	“Quantitative restriction imposed by a country that limits the amount of a particular commodity that can be imported over a given period” (UNCTAD 2003).
	Import tariff	“Gives a price advantage to locally produced goods over similar goods which are imported, and raises revenues for governments” (WTO 2014).
Risk management	Hedging instrument	“A commercial contract (e.g. forward contract, futures) which limits the impact of adverse price movements that might take place between buying (or incurring production costs) and selling” (World Bank 2009)

Source: Author’s compilation.

Sources

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