



LEARNING ABOUT **2** **c.1** INDICATOR

SDG Indicator 2.c.1 – Food price anomalies

Lesson: Market stability and Indicator

2.c.1: an introduction

Text-only version

© FAO, 2018



Food and Agriculture
Organization of the
United Nations



working for Zero Hunger

In this lesson

Learning objectives 3

Goal 2 and its targets 3

Target 2.c.1 indicators 4

Understanding and interpreting Indicator 2.c.1 4

 Relevance of stable markets in achieving Goal 2..... 5

Indicator 2.c.1 and other targets 5

Understanding and interpreting Indicator 2.c.1 7

Summary 8

 Additional reading..... 8

Market stability and Indicator 2.c.1: an introduction

The scope of this lesson is to provide a general overview of the course on Indicator 2.c.1.

The lesson explains how the indicator is interconnected to Sustainable Development Goal (SDG) 2 and its targets and reviews the importance of monitoring the proper functioning of food commodity markets to ensure the attainment of Goal 2.

Learning objectives

At the end of this lesson, you will be able to:

- define Indicator 2.c.1 within the context of Sustainable Development Goal 2 and its targets;
- describe the rationale of Indicator 2.c.1.

Goal 2 and its targets

Goal 2 aims to end hunger, achieve food security and improved nutrition, and promote sustainable agriculture.

Goal 2 is broken down into **eight different targets**. This course is concerned with...

2.1	By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.
2.2	By 2030, end all forms of malnutrition , including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under 5 years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons.
2.3	By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.
2.4	By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate

	change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.
2.5	By 2020, maintain the genetic diversity of seeds, cultivated plants and farmed and domesticated animals and their related wild species, including through soundly managed and diversified seed and plant banks at the national, regional and international levels, and promote access to and fair and equitable sharing of benefits arising from the utilization of genetic resources and associated traditional knowledge, as internationally agreed.
2.a	Increase investment , including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries.
2.b	Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round.
2.c	Adopt measures to ensure the proper functioning of food commodity markets and their derivatives and facilitate timely access to market information, including on food reserves, in order to help limit extreme food price volatility.

Target 2.c.1 indicators

For each target, **indicators** have been defined. This course focuses on **Indicator 2.c.1 (Indicator of Food Price Anomalies - IFPA)**, which has been assigned to FAO as custodian UN agency.

Indicator of Food Price Anomalies (IFPA)

The Indicator of Food Price Anomalies (IFPA) is an indirect indicator of Target 2.c, as it is a measure of food price volatility, detecting abnormal growth of prices in food markets.

Understanding and interpreting Indicator 2.c.1

“My country is one of the 193 Member States of the United Nations, which in 2015, adopted the 2030 Agenda for Sustainable Development. My staff and I will be directly involved in plans of action to

achieve the SDGs, and in particular the monitoring activities for Indicator 2.c.1. This represents an immense challenge for our country and our offices. I want to get a clearer idea of the rationale of the indicator within the context of Goal 2, and how monitoring the indicator impacts my work...”

Relevance of stable markets in achieving Goal 2



How can an Indicator of Food Price Anomalies help to measure progress toward hunger reduction, which is the aim of Goal 2?

The sharp increases in food prices during 2007-2008 and then again in 2010-2011, both at the global and national level, made the international community aware of the need for more efficient policies that would increase the **timeliness of market information**, including on food reserves, in order to help limit extreme food price volatility. As stated in the [Agricultural Market Information System \(AMIS\) Research Paper \(2017\)](http://www.amis-outlook.org/resources-list/detail/en/c/865876/), www.amis-outlook.org/resources-list/detail/en/c/865876/ **excessive volatility can push people into poverty and hunger.**

Especially in developing countries, many households are vulnerable to extreme price swings as they lack adequate coping mechanisms such as storage, savings or access to credit. Price volatility affects both households and producers.

Households

“Due to a sudden price increase, the purchasing power of my family declined. We had to reduce our basic spending on food.”

When prices surge unexpectedly, vulnerable households may have to lower their food intake, take children out of school, save on healthcare services or sell productive assets, such as land and livestock.

Producers

“I cannot decide on new investments for my crop cultivations. Price instability does not ensure a stable income from my produce.”

High volatility brings with it considerable downside price risks, which affect planting decisions and undermine agricultural investment where it is needed most.

Indicator 2.c.1 and other targets

Monitoring market prices and implementing adequate policies to increase market transparency is key to achieving the stability of food markets, but also to the overall attainment of SDG 2. Other two SDG 2 targets most closely related to Indicator 2.c.1 are: *Preventing trade restrictions in agricultural markets* and *Doubling productivity and incomes of small-scale producers*. Both targets could benefit

more from price stability and market transparency. Progress towards the attainment of an increase in productivity and incomes of small-scale food producers (Target 2.3) and towards the prevention of trade restrictions and distortions in global agricultural markets (Target 2.b) can both be gauged indirectly by measuring price distortions.

Target 2.3

Target 2.3 aims to double the productivity and incomes of small-scale food producers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.

A key prerequisite for accomplishing this target will be improved market access and less uncertainty about the direction of local market prices, through the promotion of more and better market information. As highlighted by [FAO \(2017 \[www.fao.org/3/a-i7151e.pdf\]\(http://www.fao.org/3/a-i7151e.pdf\)\)](http://www.fao.org/3/a-i7151e.pdf) market performance depends on the quality of the circulation of information between the various actors involved in agricultural value chains. Agricultural producers, and in particular, small-scale producers, can benefit from stable and transparent markets:

"Stable markets allow us to better plan our investment decisions and facilitate access to credit."

Target 2.b

Similarly, increased and more transparent information on markets can also contribute to Target 2.b.

Target 2.b aims to prevent and correct for trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies, and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round. Monitoring prices to gauge the performance of markets and the effects of trade policies will be key in achieving Target 2.b.

"Decisions on trade measures and policies need to be based on data and solid information about markets. Monitoring market prices and Food Price Anomalies provides advanced knowledge of excessive distortions which may be impeding producers' market access, and/or cause excessive market volatility."

Both Targets 2.3 and 2.b are also closely related to Target 2.c. The attainment of these targets can all be gauged indirectly by measuring price distortions. The occurrence of episodes of excessively high and volatile prices should diminish over time.

2.b When market information increases.

2.c.1 ⇒ 2.3 As access to better resources and markets improves.

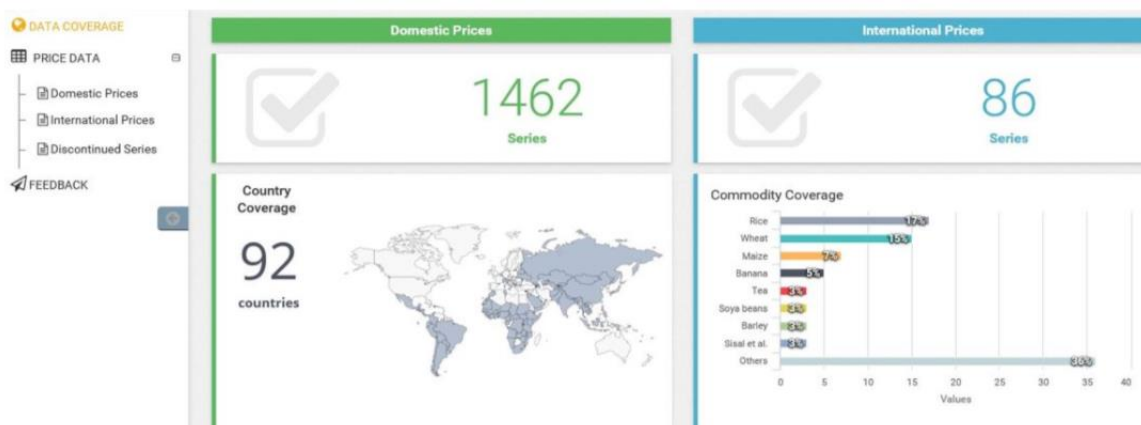
2.c When adequate trade policies are adopted.

Understanding and interpreting Indicator 2.c.1

The **Indicator of Food Price Anomalies (IFPA)** can help countries to evaluate the success of policy responses in reversing or reducing the volatility of market prices. It directly evaluates growth in prices over a particular month over many years, taking into account seasonality in agricultural markets and inflation, offering an answer to the question of whether or not a change in price is abnormal for any particular period.

In the context of this activity and the reporting process for SDG Indicator 2.c.1, countries' responsibility is to collect and report on statistical price information, such as commodity prices at national level and food price indices. This information will be compiled and disseminated through the [Food Price Monitoring and Analysis \(FPMA\) Tool](http://www.fao.org/giews/food-prices/tool/public/#/home) www.fao.org/giews/food-prices/tool/public/#/home and [FAOSTAT](http://www.fao.org/faostat/en/#home) (www.fao.org/faostat/en/#home).

The indicator feeds into FAO's Global Information and Early Warning System ([GIEWS](http://www.fao.org/giews/en/)) www.fao.org/giews/en/ and its activities of [Food Price Monitoring and Analysis](http://www.fao.org/giews/food-prices/home/en/) www.fao.org/giews/food-prices/home/en/ at country level.



Results are disseminated and analysed through the **FPMA website and bulletin** on a monthly basis, with the aim of providing early warning to countries where there is a potential impact on economic access to key food products, as a result of abnormally high food prices. This helps countries to ensure that appropriate measures can be taken to soften the blow when consumer markets fluctuate.

Summary

Sustainable Development Goal 2 aims to end hunger, achieve food security and improved nutrition, and promote sustainable agriculture. It includes eight targets. Among them, Target 2.c aims to increase market information in order to help limit extreme food price volatility.

Both Targets 2.3 and 2.b are closely related to Target 2.c. Consequently, Indicator 2.c.1, the Indicator of Food Price Anomalies (IFPA), can be effectively used to measure progress of these indicators and of Goal 2 in the SDG process.

The Indicator of Food Price Anomalies evaluates growth in prices over a particular month over many years, taking into account seasonality in agricultural markets and inflation. Reporting on this SDG indicator is carried out through the GIEWS FPMA Tool at country level.

Additional reading

FAO Food Price Monitoring and Analysis: www.fao.org/giews/food-prices/en/

Drechsler, D., Greb, F. (2017). [Assessing volatility patterns in food crops: A non-technical summary](#) www.amis-outlook.org/resources-list/detail/en/c/865879/ Research Paper No 6a. AMIS Secretariat (FAO), Rome, Italy.

FAO (2017). *Building Agricultural Market Information Systems: A literature review*. Rome, Italy.