

Rapid Response Forum (RRF) Protocol for Abnormal Market Conditions

This paper establishes a protocol for dealing with abnormal market conditions. It was agreed following the London Rapid Response Forum meeting in 2015.

Aims of the protocol

- Embed ways of working that allow early identification and prompt action in the event of abnormal international market conditions.
- Clarify roles and responsibilities.
- Set out guidance for dealing with abnormal international market conditions.

Success Principles

The relevant elements of the AMIS Terms of Reference state RRF is designed to:

Promote early discussion among decision-level officials about abnormal international market conditions to encourage the coordination of policies and the development of common strategies. In particular, it:

- i. promotes early information exchange and discussion on crisis prevention and responses among policy-makers;
- ii. assists in mobilizing wide and rapid political support for appropriate policy response and actions on issues affecting agricultural production and markets in times of crisis, without seeking to influence humanitarian responses; and
- iii. briefs and maintains a two-way dialogue with the Secretariat and the Bureau of the Committee on World Food Security on the deliberations of the Forum.

In order to deliver against these priorities, the RRF needs to adopt the following 'success principles':

- **Information sharing** – Frequent dialogue within the RRF to enable early identification of, and response to, abnormal market conditions.
- **Communication and leadership** – clear public communication and leadership to enhance understanding and inform public and private responses, especially during abnormal market conditions.
- **Preparation** – AMIS should help private and public actors prepare through sharing of information.

- **Influence and joint responsibility** – RRF participants play an active role in averting or mitigating market instability especially through collective responsibility. Any RRF participant can request an extraordinary meeting.

Roles and responsibilities

AMIS Chair – communicates with and leads the RRF countries

- Considers calling for RRF dialogue, or an extraordinary RRF meeting;
- Initiates dialogue on market conditions;
- Encourages countries to share information;
- Influences countries to take helpful policy responses;
- Coordinates any potential common communication or policy strategies.

RRF participants – share information, participate in dialogue and ideally coordination

- Engage in dialogue regarding market conditions;
- Consult and communicate within their governments to inform and feedback RRF deliberations;
- Discuss the measures that should be taken or not at national, regional and global levels and exchange information on the measures that they plan to take nationally or regionally;
- Discuss the impact of implemented policy measures;
- Be ready to agree or use public communications from RRF or the Chair;
- Provide information to the Chair and Secretary where an RRF participant believes market conditions warrant RRF dialogue or an extraordinary RRF meeting.

Previous AMIS Chair

- Act as a source of experience and advice to current Chair.
- Consider calling RRF dialogue or extraordinary RRF meeting if the Chair is unable to do so.

AMIS Secretary with support from AMIS Secretariat

Provide tools, information and expertise to assess market risk and appropriate policy responses. Source of expertise and impartial advice in particular when calling for an extraordinary meeting and in instances when the Chair is unable to do so, in which

case the Secretary may suggest to AMIS participants to consider calling an extraordinary meeting. In addition to the responsibilities set out in the Terms of Reference the following specific roles will apply to extraordinary RRF meetings:

- In addition to its regular market monitoring activities, prepares ad-hoc information when market risk has been identified.
- Supports the Chair in calling for and convening an extraordinary RRF
- Coordinates gathering of relevant information, drawing on work already completed under the auspices of the international organizations making up the AMIS Secretariat, the G20, the UN agencies based in Rome, the OECD and other organizations and groups
- Regularly reviews all relevant indicators of market conditions (e.g. IFPRI Excessive Food Price Variability Warning System, World Bank Food Price Crisis Observatory, FAO Global Information and Early Warning System) and make available to Chair and RRF to assess the market situation and provide context to acknowledge the need for enhanced monitoring of abnormal market conditions¹.
- Obtains reliable information on policy developments using networks.

¹ Technical work to put together indicators and tools is underway to input to RRF decision making.

Chart: Graphical overview of a hypothetical price perturbation.

Guidance for AMIS Chair

This section provides guidance for the AMIS Chair under different market conditions. In particular, as per the above protocol, this provides the Chair with guidance on

- deciding when to move to a situation of enhanced monitoring
- potential communications with RRF participants, and the public

Calm

Summary - use Market Monitor publication to assess need to initiate enhanced monitoring / RRF Dialogue, and plan to communicate in writing on market conditions

Without any particular market disturbances, the AMIS Secretariat will publish Market Monitors ten times a year providing an overview of major developments in international commodity markets. The report is intended to improve market transparency and detect emerging problems that might warrant the attention of policy makers.

Following the publication of each Market Monitor the Chair of AMIS, in consultation with the AMIS Secretariat, should make a decision on whether there is any need to initiate dialogue between RRF participants to discuss market conditions. This decision should be based on the information in the Market Monitor and other available tools developed for / by AMIS together with broader context indicators such as oil prices and exchange rates.

Dialogue between RRF participants could occur regularly in writing even when conditions are stable with a comment on the market assessment to provide an opportunity for dialogue, information sharing, or potential counter-views.

Enhanced Monitoring and Dialogue

Summary – if market or other disturbances² occur, move to enhanced monitoring and dialogue, and prepare for possible continued instability

Reaching a judgement by AMIS participants on whether market conditions justify an enhanced level of monitoring and dialogue is a key role for the Chair. All relevant indicators of market conditions and others should be available to the Chair to reach that judgement. AMIS Secretary will provide guidance and advice on interpretation of indicators to help the Chair reach that judgement.

² Market disturbances can refer to both high and low prices

Chart: Graphical overview of a hypothetical price perturbation.

Accordingly, the Chair should initiate an RRF dialogue amongst focal points. Given time differences between countries and the potential need for haste it is likely that an email around participants would be the best approach in the first instance. Should the situation demand a rapid response, a teleconference could be organised. During this period it may be prudent to consider possible policy responses that could be adopted or should be avoided by AMIS countries should the situation deteriorate.

Abnormal / Unstable Markets

Summary – In a situation of instability the RRF should coordinate views as soon as possible, identify the need or otherwise for policy responses and provide timely information to calm markets.

A period of instability or abnormal market conditions would typically be characterized by significant price movements in several commodity markets leading to serious negative impacts. The 2007/8 price spike would be an example but instances of abnormally low prices could also be considered.

Making a judgement on whether to move from enhanced monitoring to acknowledging abnormal market conditions is a role for the AMIS Chair, although any RRF participant can request an extraordinary meeting if he / she considers that the market conditions warrant it. The AMIS Chair should accept the request when at least one third of RRF participants have jointly requested an extraordinary meeting.

In the event of abnormal conditions the RRF should liaise as soon as feasibly possible to coordinate action and discuss implementation of any necessary policy responses. The priority is for prompt action and so the Chair and the Secretariat will need to consider the best way to communicate to all AMIS participants whether that should be via a physical meeting or a teleconference. Such communications should be held at a senior official level. The RRF should also consider whether a Ministerial meeting should be held.

It is important to undertake regular reviews of the situation. The RRF should agree whether it is necessary to schedule further meetings, for example to review the effectiveness of policy responses.

Once AMIS participants have agreed on a response to a crisis, the RRF should analyze the convenience of releasing public and press lines providing an assessment of the market situation and how the crisis is being managed, including information on any policy responses being implemented.