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MARKET RISKS MANAGEMENT INSTRUMENTS FOR AGRICULTURAL MARKETS AND EU POLICY

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Abstract: *Most economists congregate on the idea that commodity price instability should be reduced. Since at least one century a variety of instruments have been designed to that end, without much success, especially for agricultural commodities. The failure might be a consequence of the fact that most policies have neglected the reason for price fluctuations. The latter's are endogenous, caused by the market equilibrium local dynamic instability, which means that any measure relying on the "law of large numbers" is likely to be inoperative. In addition, because, in agriculture, the production function is homogenous and of degree one, any effective stabilisation leads to over production. Only production quotas can cope with these difficulties. They may be designed in such a "way as to maintain the essential feature of market equilibrium, i.e. marginal cost equating price.*

Keywords: equilibrium point, exogenous/endogenous fluctuations, insurance (price) storage /retriveral, limited quantities, marginal cost, market operators,. market volatility, production techniques, risk of producers, volatility/fluctuations in agricultural prices

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