AAMP Briefing Packet 1.2.c.
Import and Export Parity Prices

(i) Introduction to import and export parity prices

(ii) Mechanics of computing border prices

(iii) Computing border prices: three exercises

(iv) Can domestic prices ever exceed import parity?

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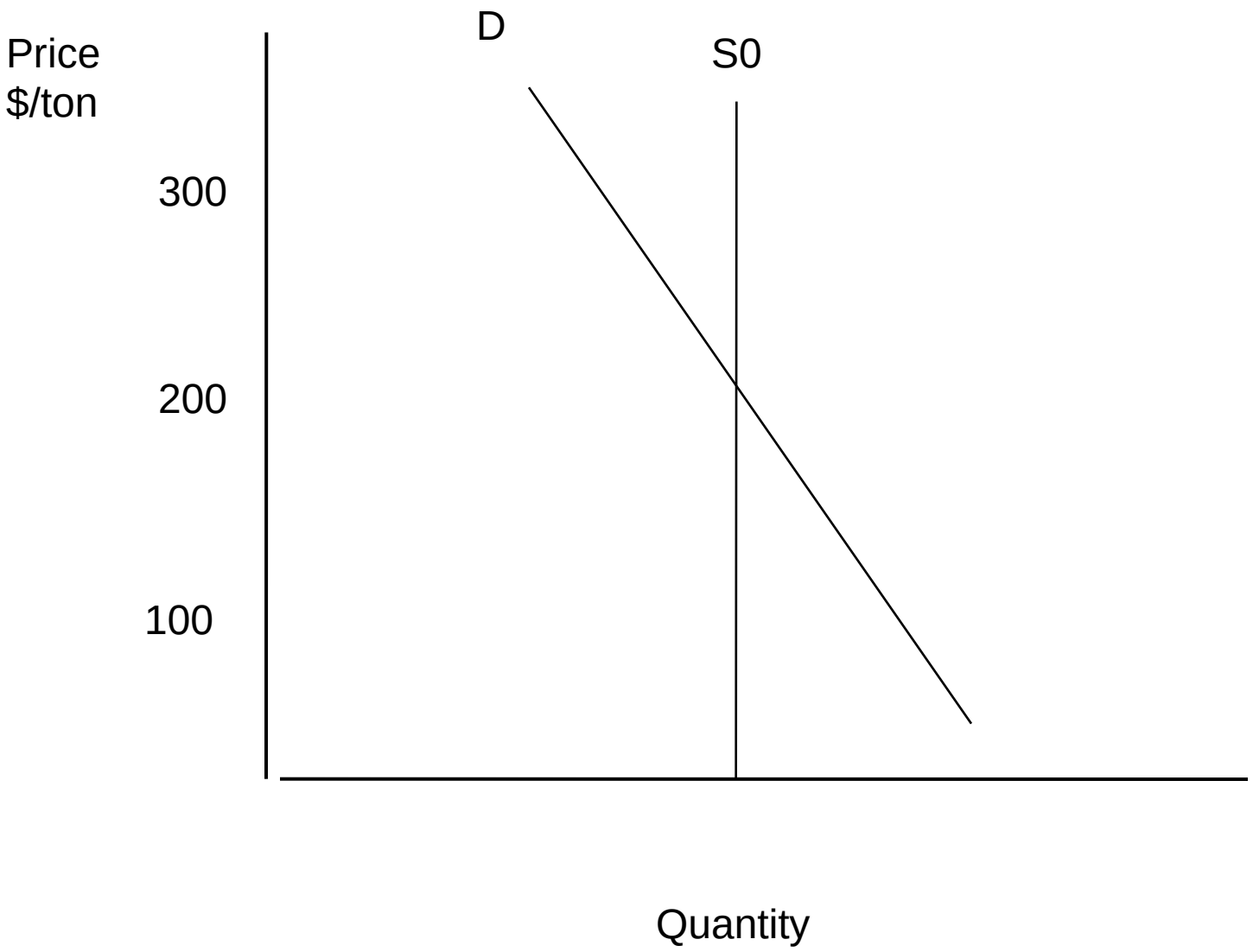
IFPRI

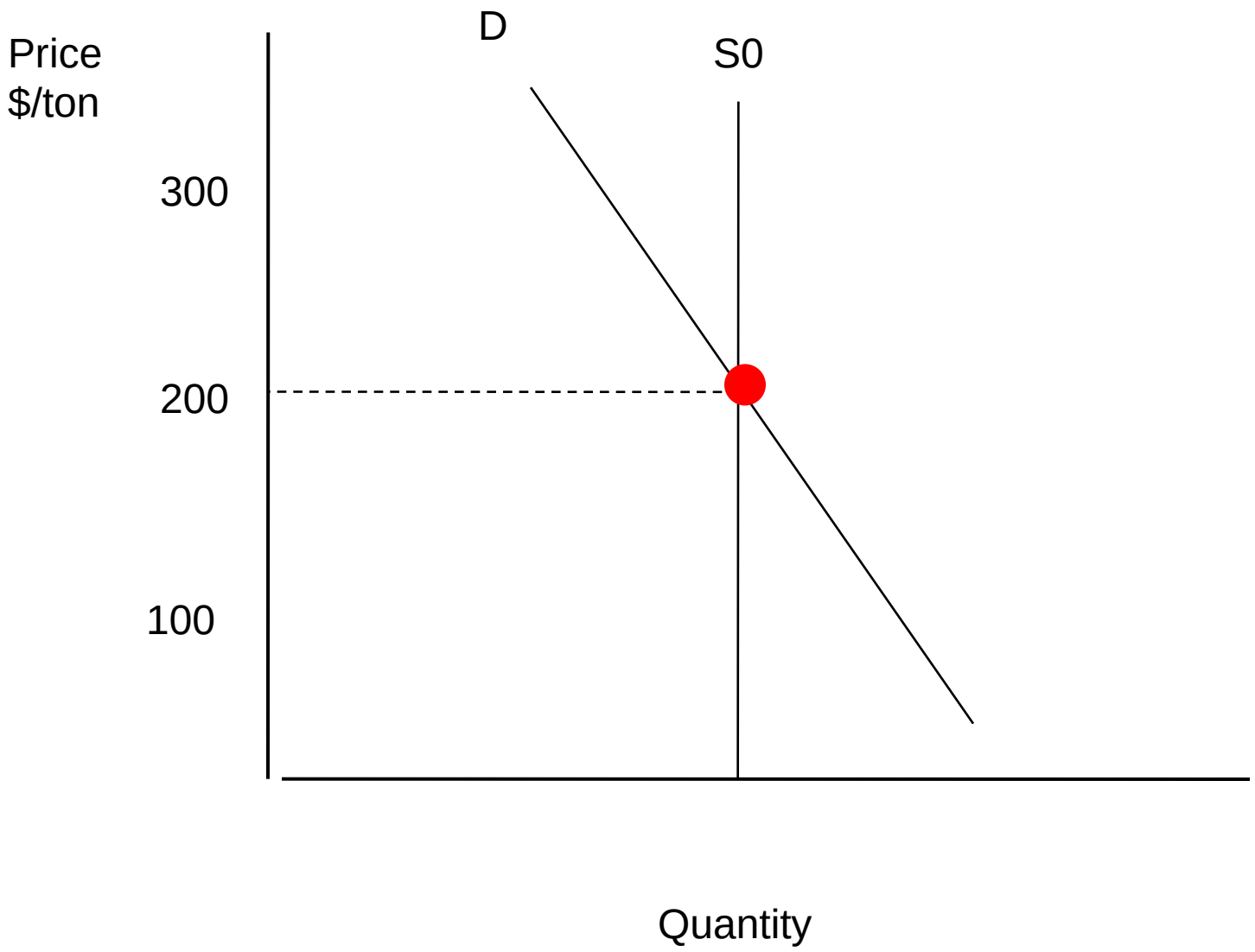
(i) introduction to import and export parity prices

- Domestic price
- Import parity price
- Export parity price

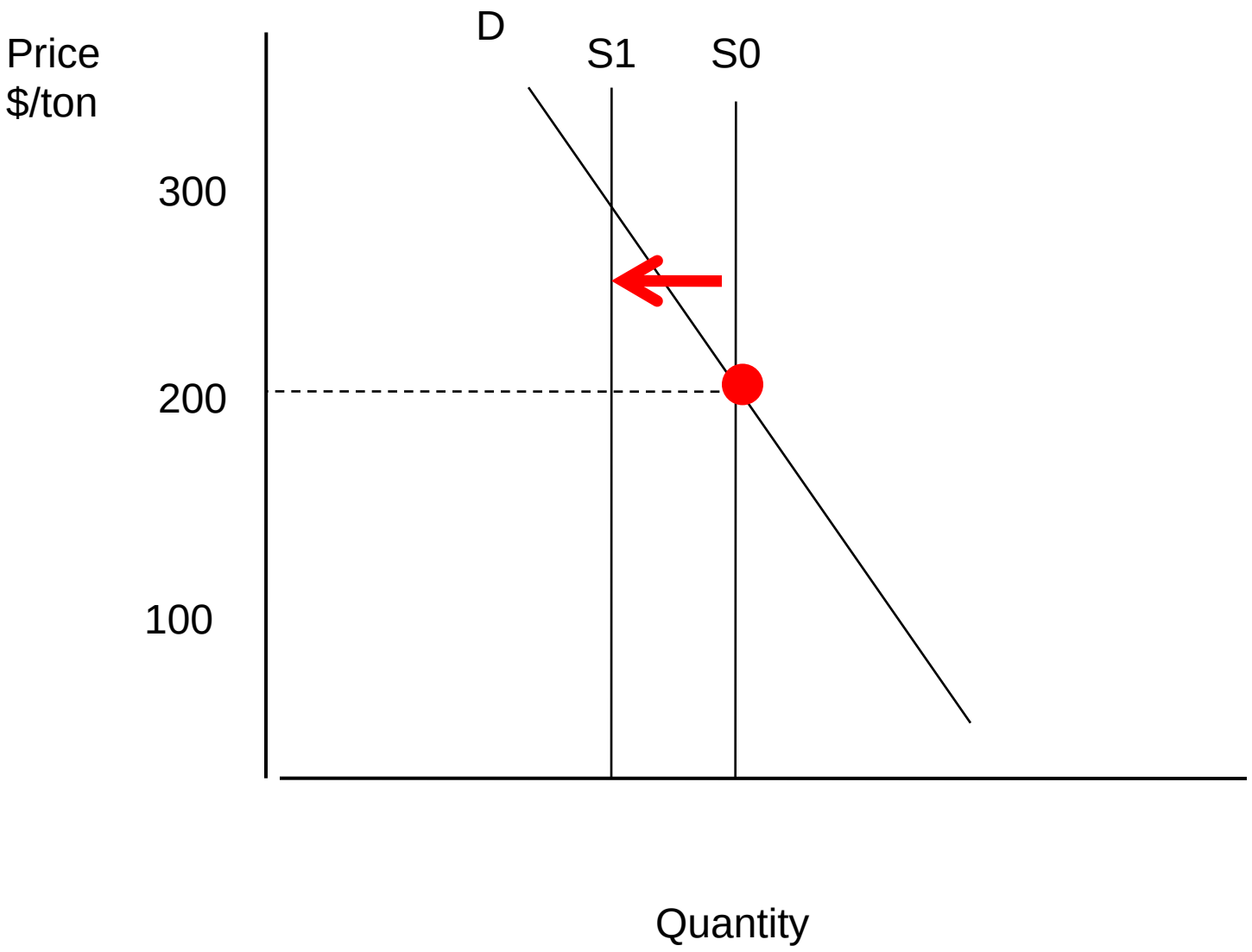
Domestic price



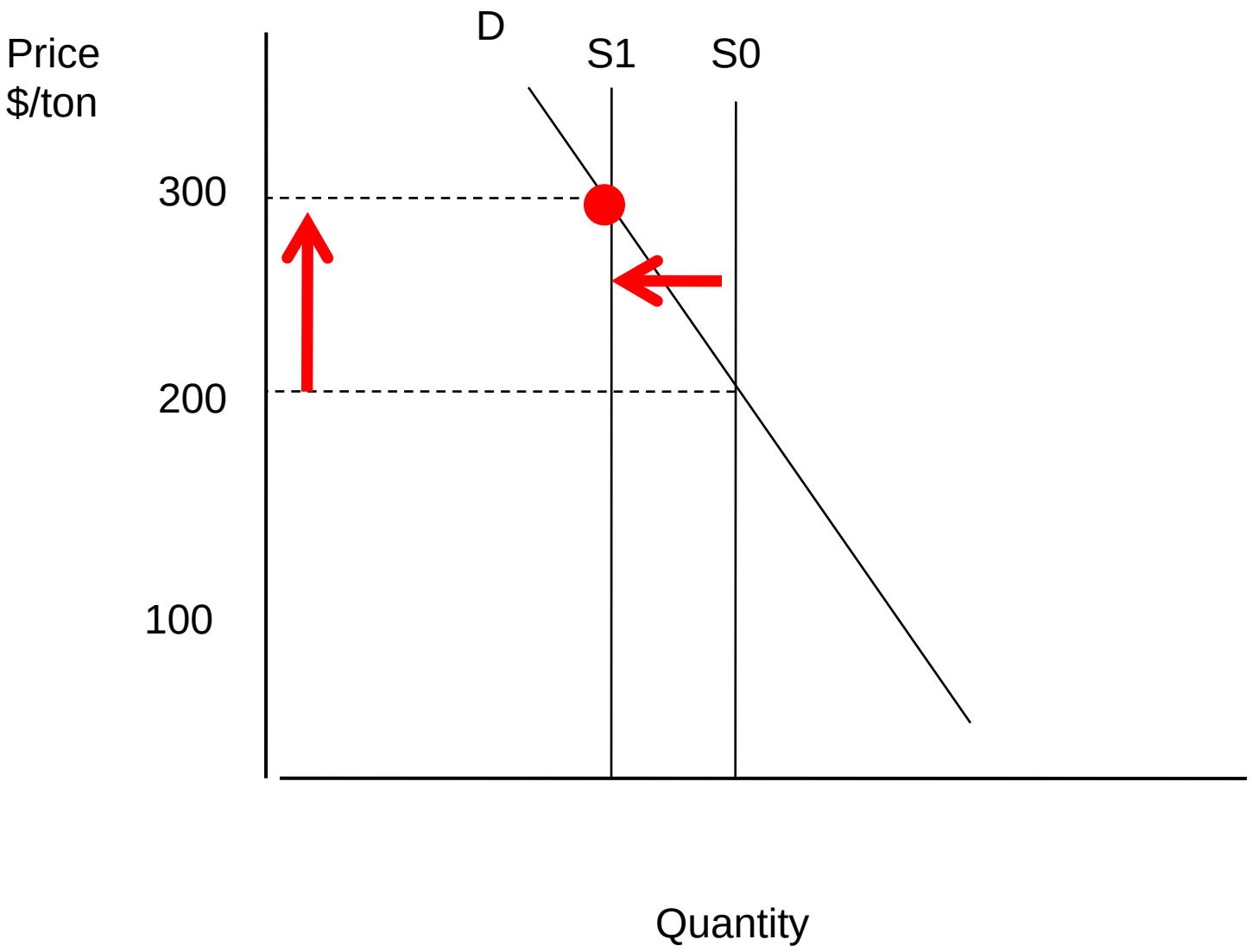
Domestic price



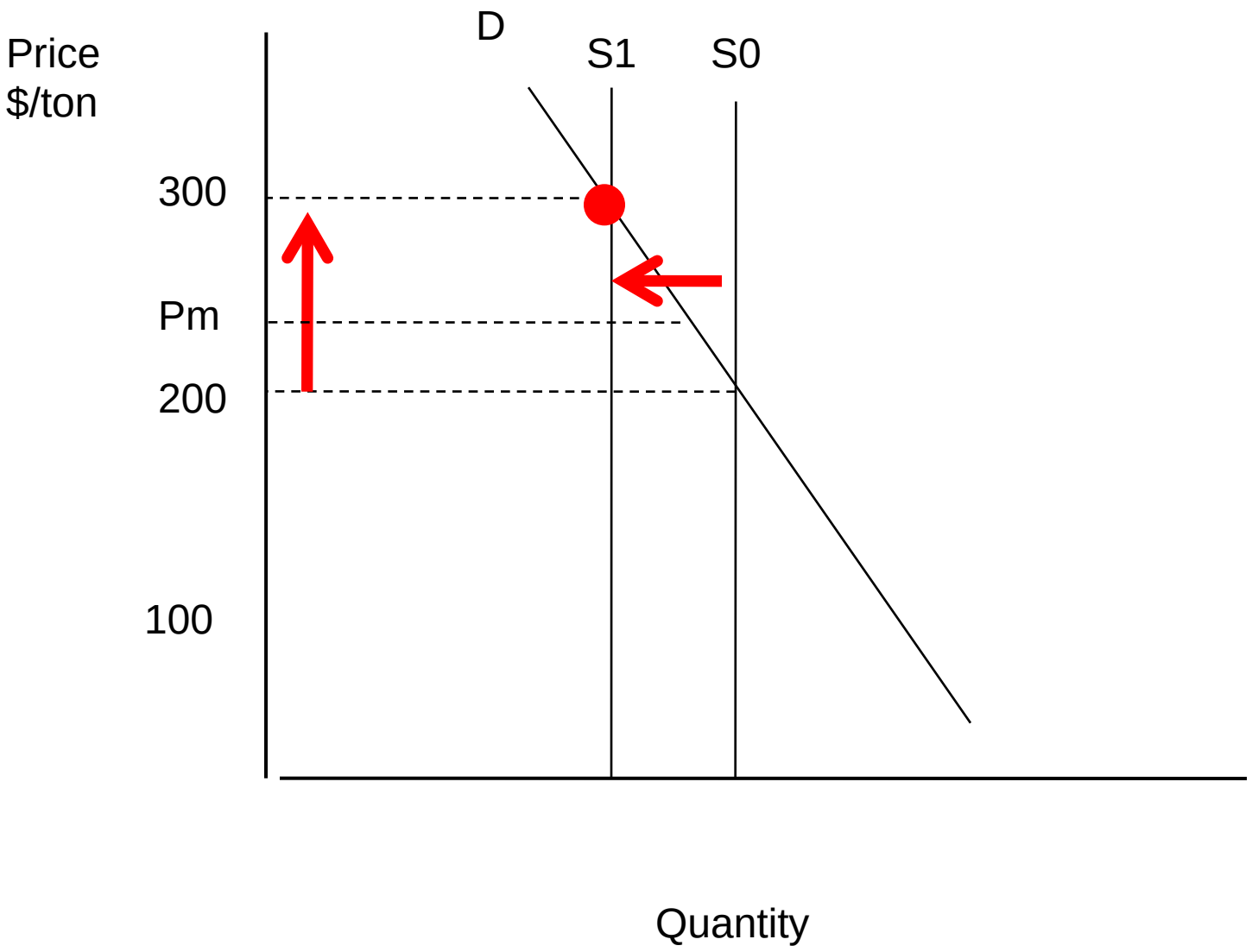
Drought



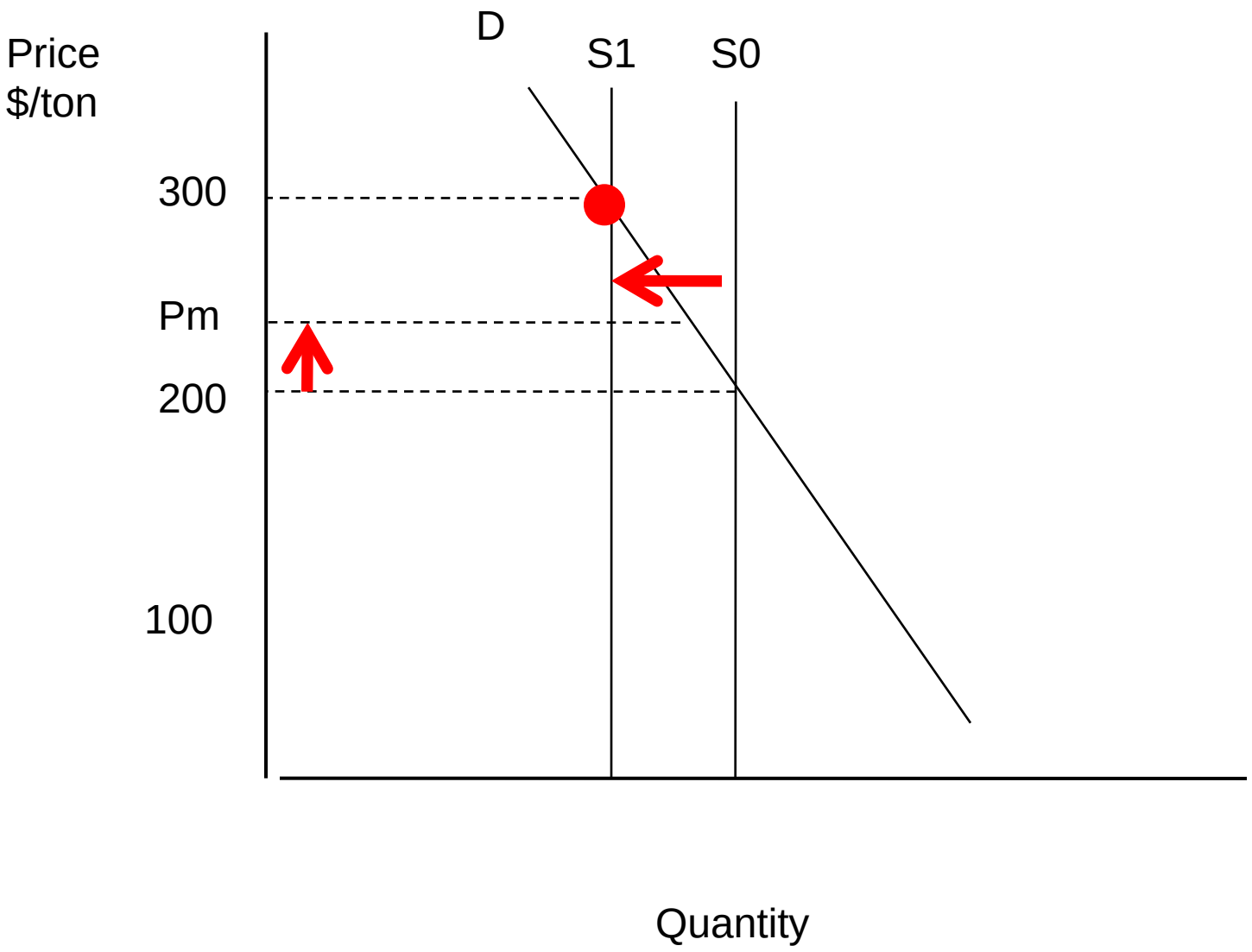
Drought: closed borders



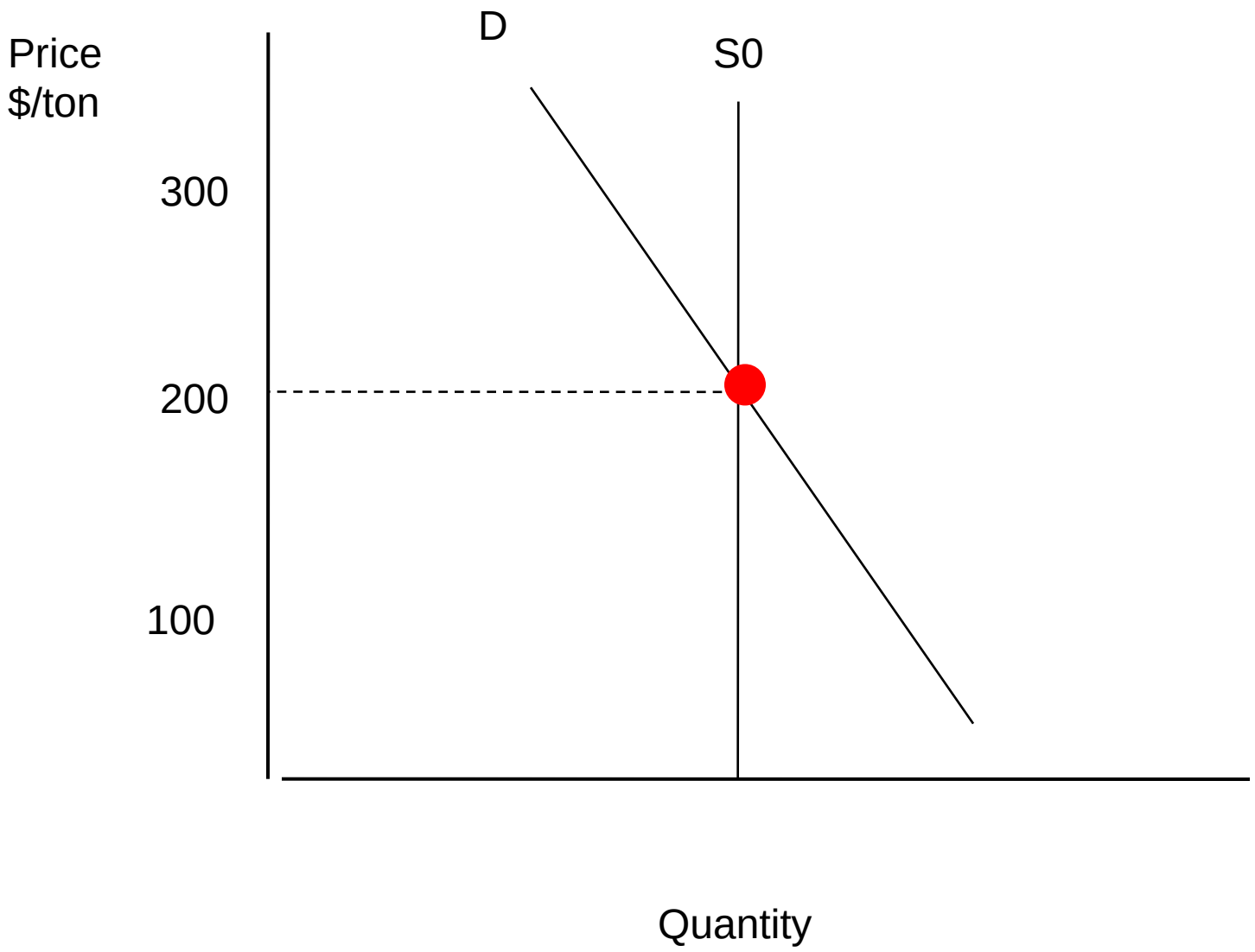
Drought: closed borders



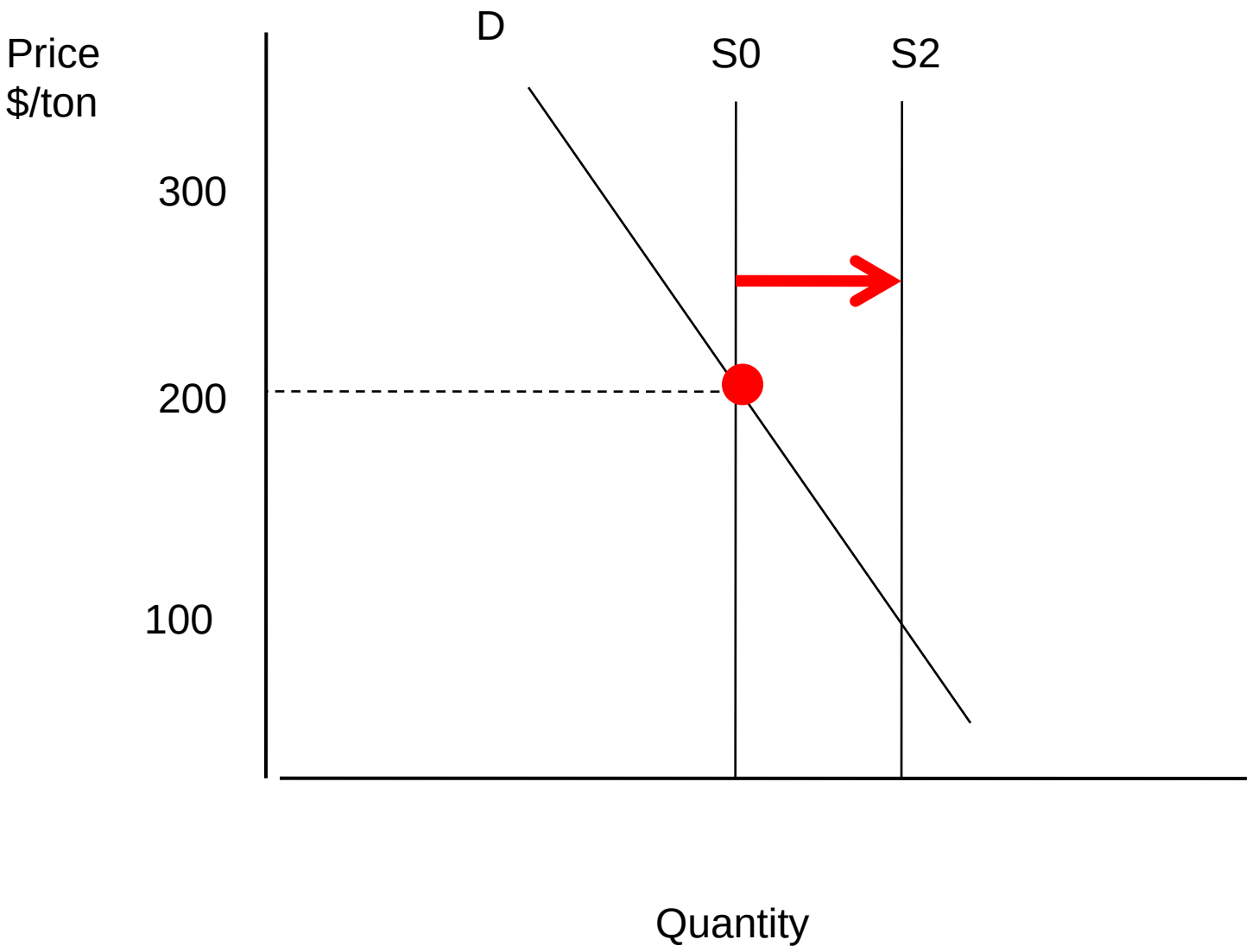
Drought: open borders



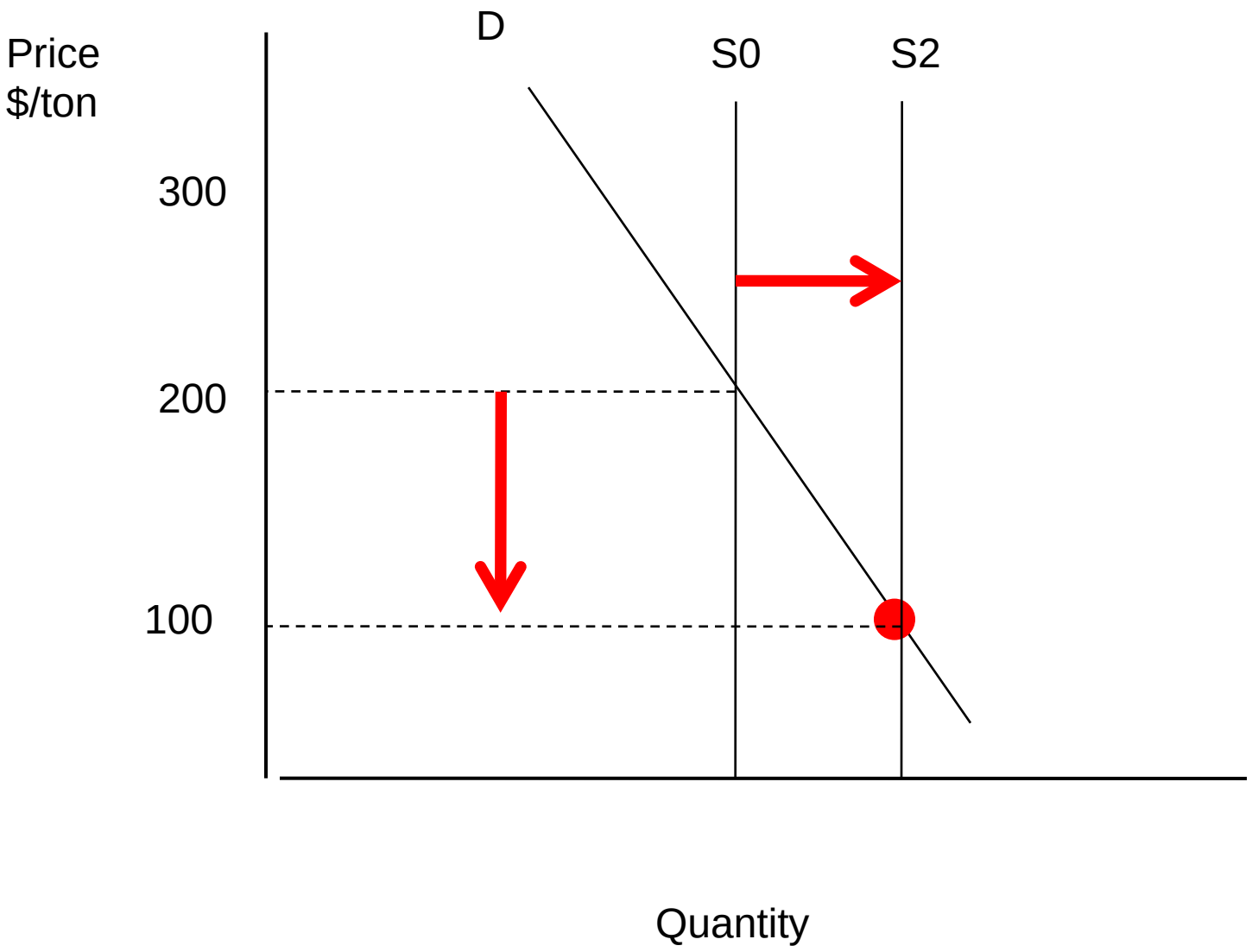
Domestic price



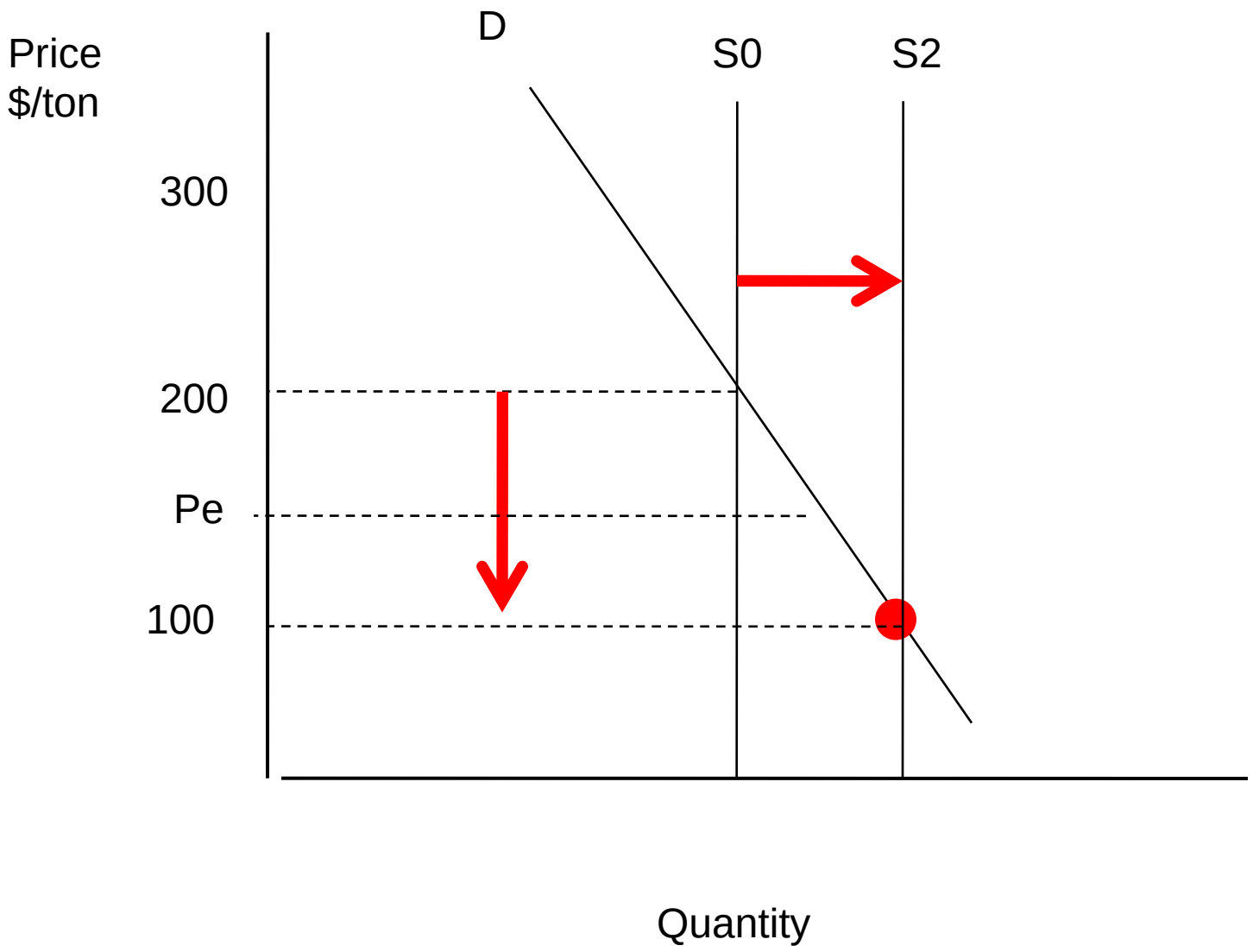
Bumper harvest



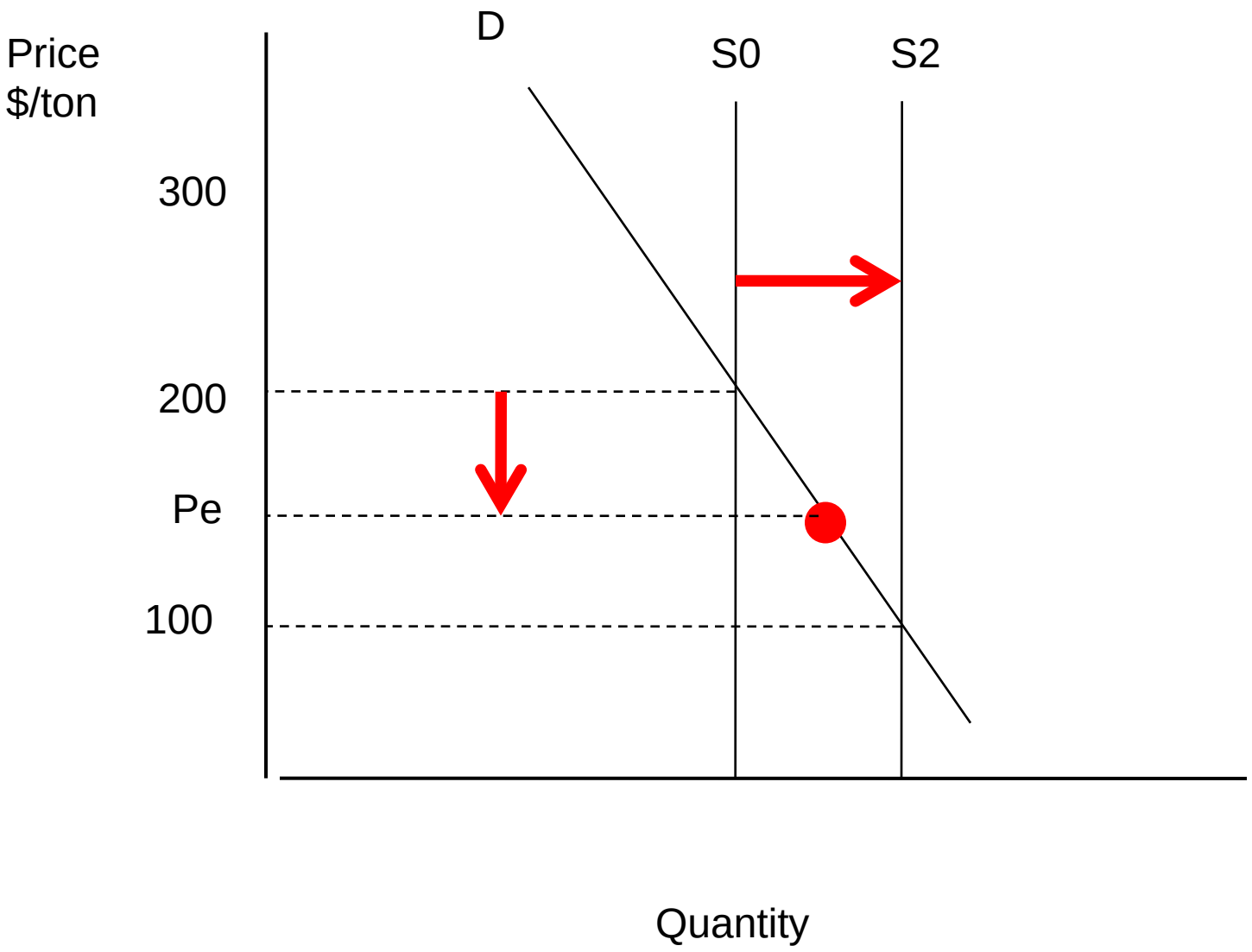
Bumper harvest: closed border



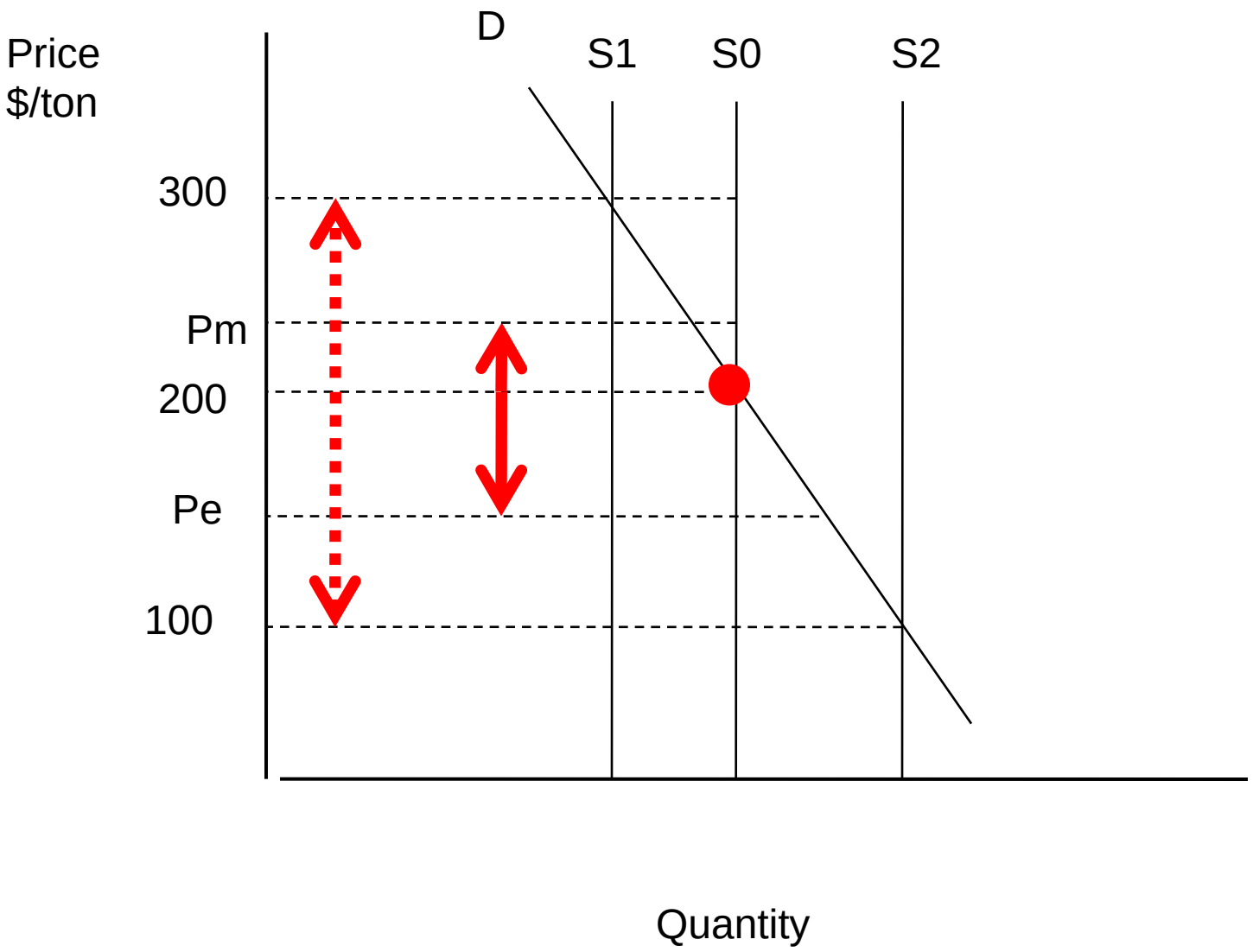
Bumper harvest: closed border



Bumper harvest: open border



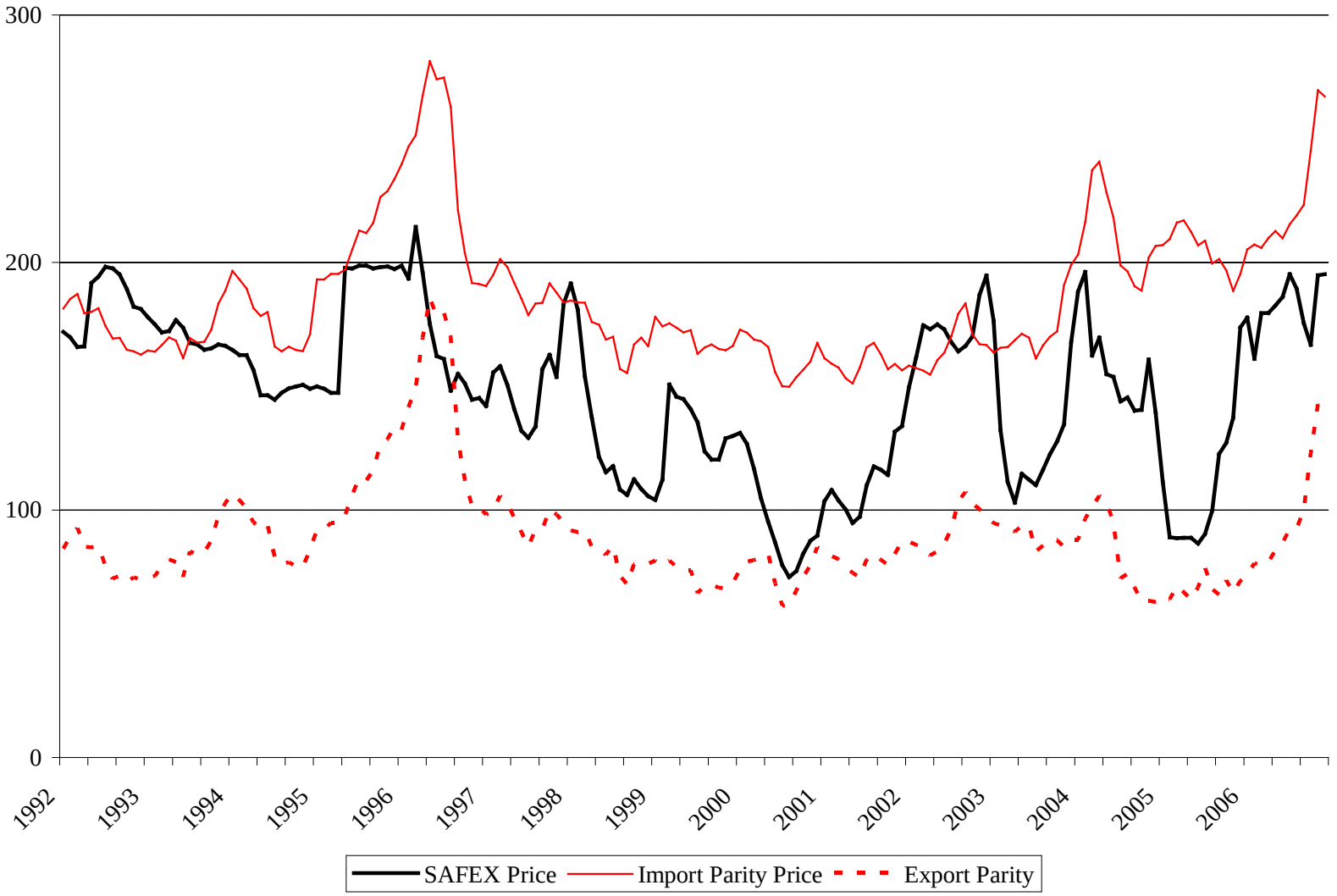
Border prices contain price volatility



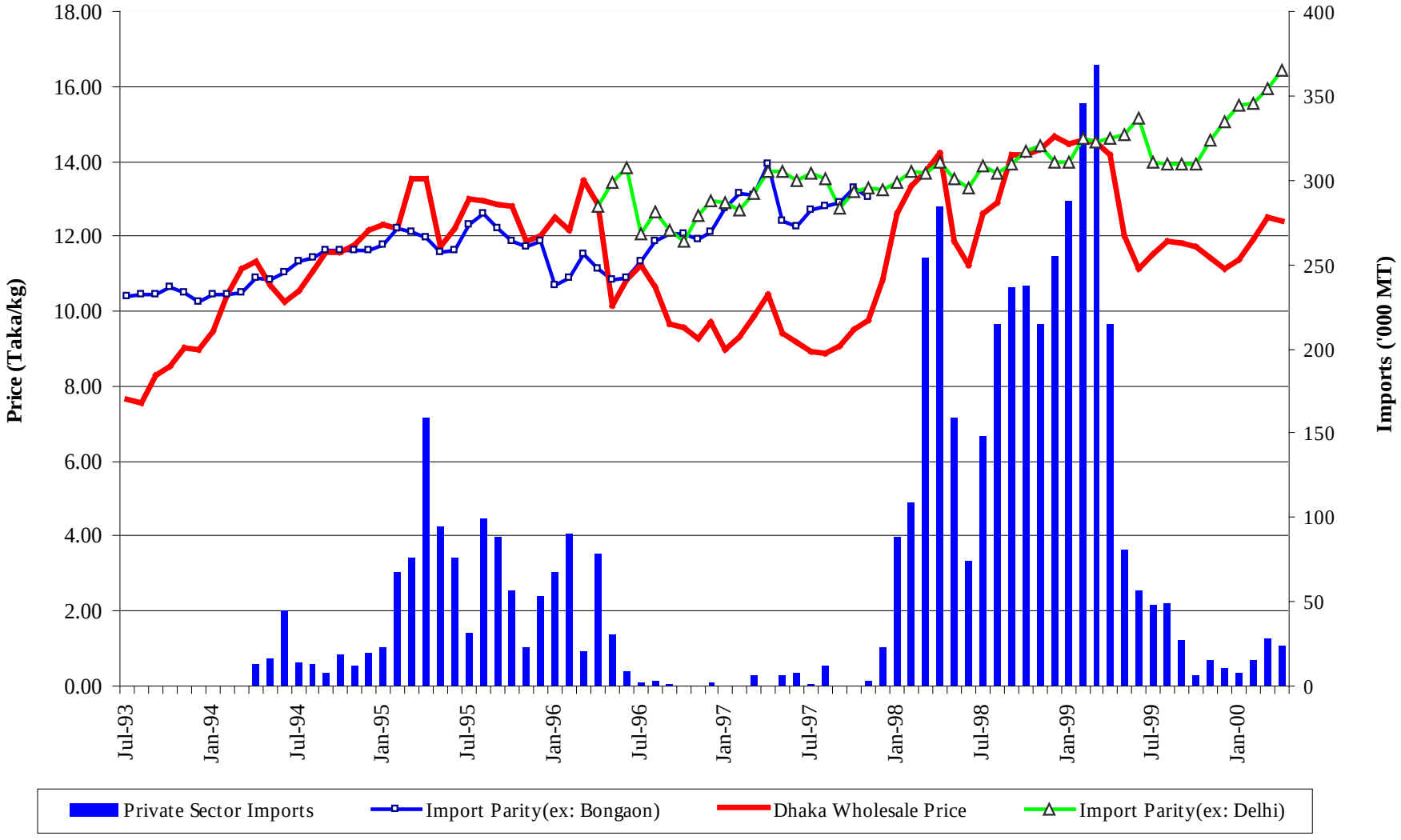
Discussion questions

- When will IPP influence domestic price?
- When will EPP influence domestic price?

South Africa, domestic and border prices for white maize, 1992-2006

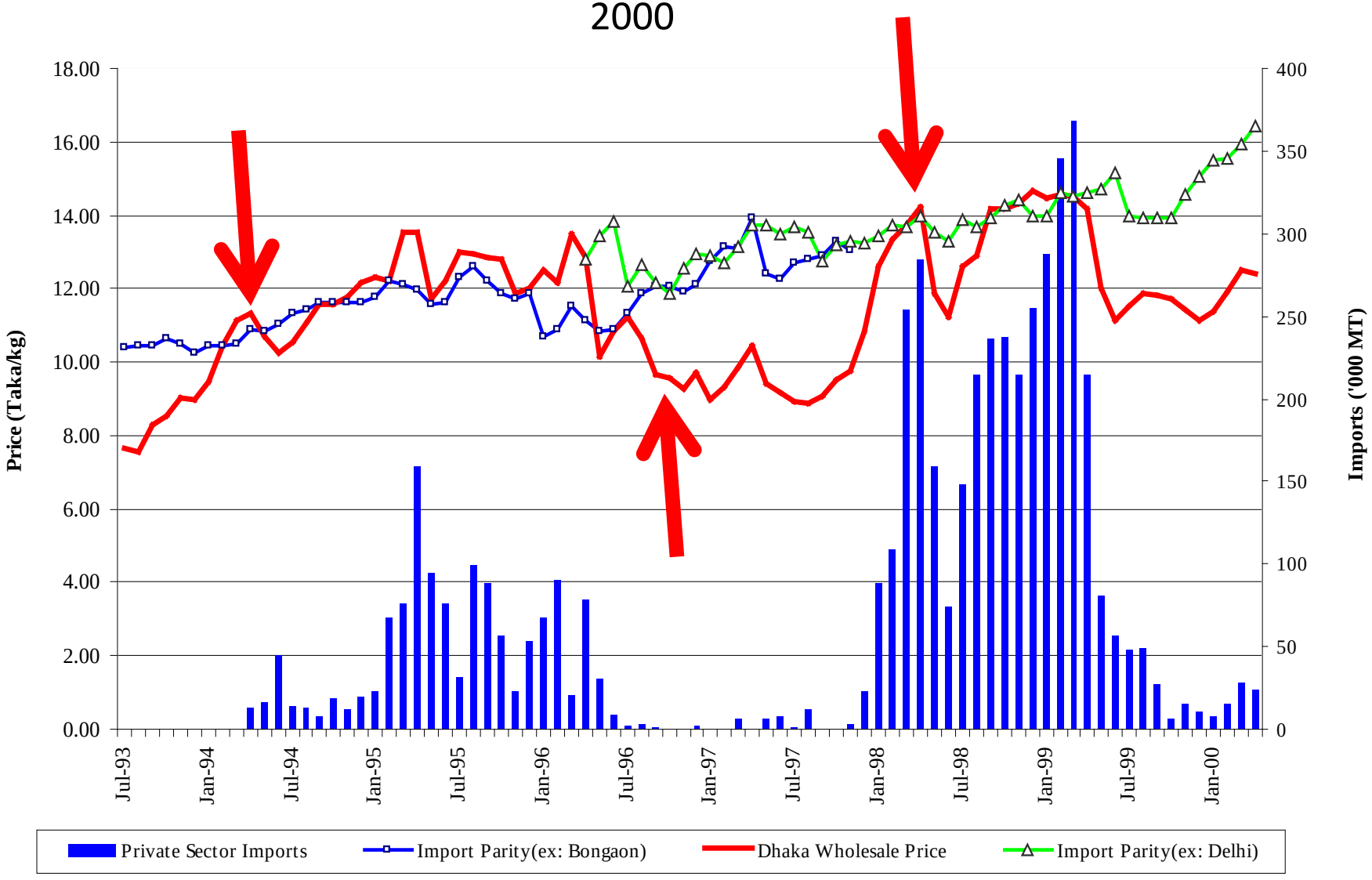


Rice Prices and Quantity of Private Rice Imports in Bangladesh, 1993-2000



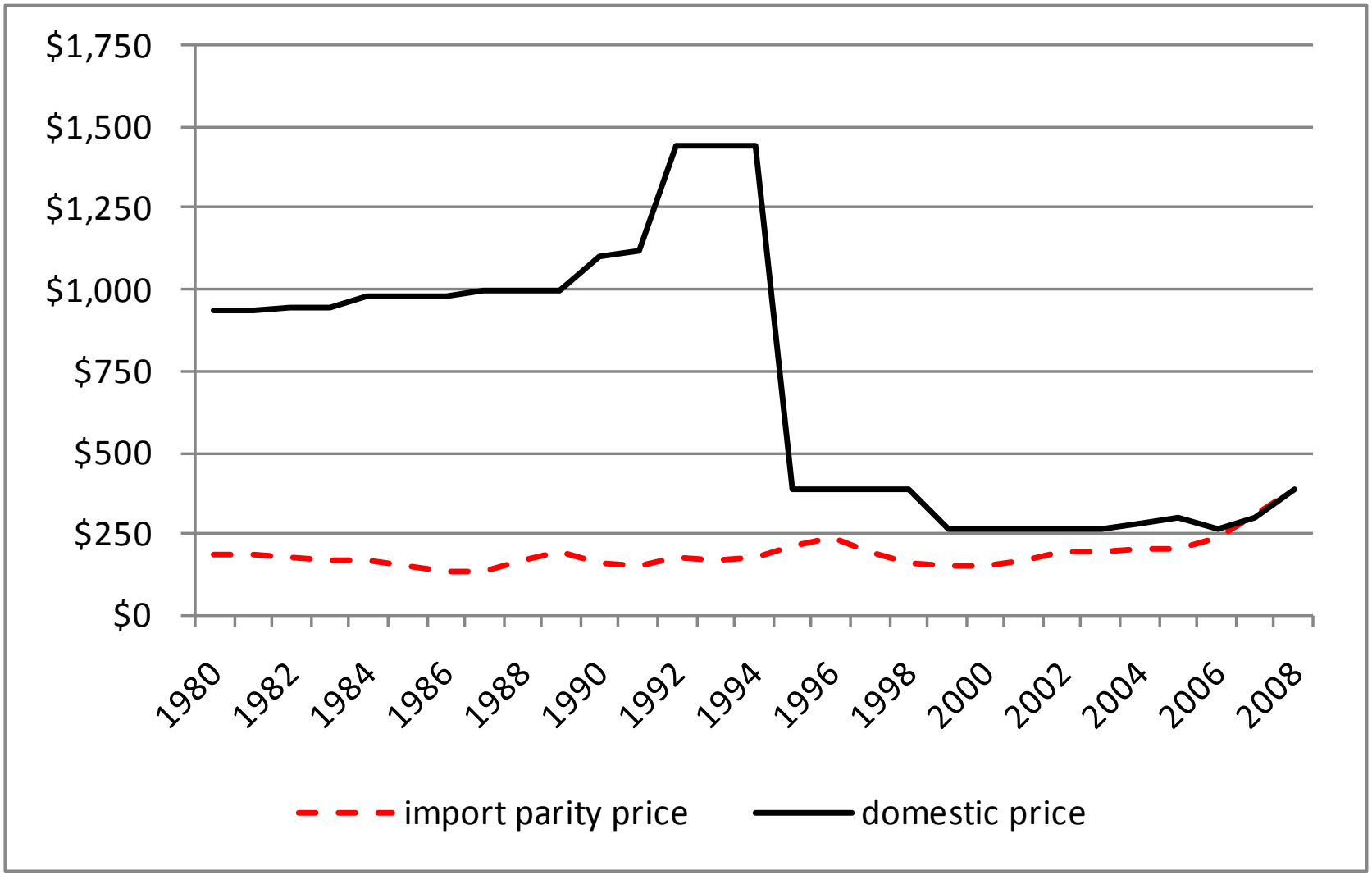
Source : Dorosh (2001).

Rice Prices and Quantity of Private Rice Imports in Bangladesh, 1993-2000



Source : Dorosh (2001).

Saudi Arabia, domestic and border prices for wheat, 1980-2008



(ii) mechanics of computing border prices

- ***Domestic reference price*** = price in Location 1
- ***Import parity price, Location 2***
- ***Export parity price, Location 3***

(ii) mechanics of computing border prices

- ***Domestic reference price*** = price in Location 1
- ***Import parity price***, Location 2= price at which purchases in Location 2 can be delivered to market in Location 1
- ***Export parity price***, Location 3 = price at which commodity would have to be purchased in Location 1 in order to be sold at market price in Location 3

(ii) Mechanics of computing border prices

- IPP, Location 2 = price at which purchases in City 2 can be delivered to market in Location 1

= price in Location 2

\+ transport to Location 1

\+ duties and fees

\+ handling costs

(ii) Mechanics of computing border prices

- IPP, Location 2 = price at which purchases in Location 2 can be delivered to wholesale market in Location 1

=	price in L2	$200
+	transport to L1	$100
+	duties and fees	$ 50
+	handling costs	$ 34
=	IPP from L2 to L1	$

(ii) Mechanics of computing border prices

- IPP, Location 2 = price at which purchases in Location 2 can be delivered to wholesale market in Location 1

=	price in L2	$200
+	transport to L1	$100
+	duties and fees	$ 50
+	handling costs	$ 34
=	IPP from L2 to L1	$384

(ii) Mechanics of computing border prices

- EPP, L3 = price at which purchases would have to be purchased in L1 in order to be sold at market price in L3

	=	price in L3
	-	transport to L1
	-	duties and fees
	-	handling costs
	=	EPP from L3 to L1

(ii) Mechanics of computing border prices

- EPP, L3 = price at which purchases would have to be purchased in L1 in order to be sold at market price in L3

=	price in L3	$275
-	transport to L1	$ 60
-	duties and fees	$ 0
-	handling costs	$ 25
=	EPP from L3 to L1	$

(ii) Mechanics of computing border prices

- EPP, L3 = price at which purchases would have to be purchased in L1 in order to be sold at market price in L3

=	price in L3	$275
-	transport to L1	$ 60
-	duties and fees	$ 0
-	handling costs	$ 25
=	EPP from L3 to L1	$ 190

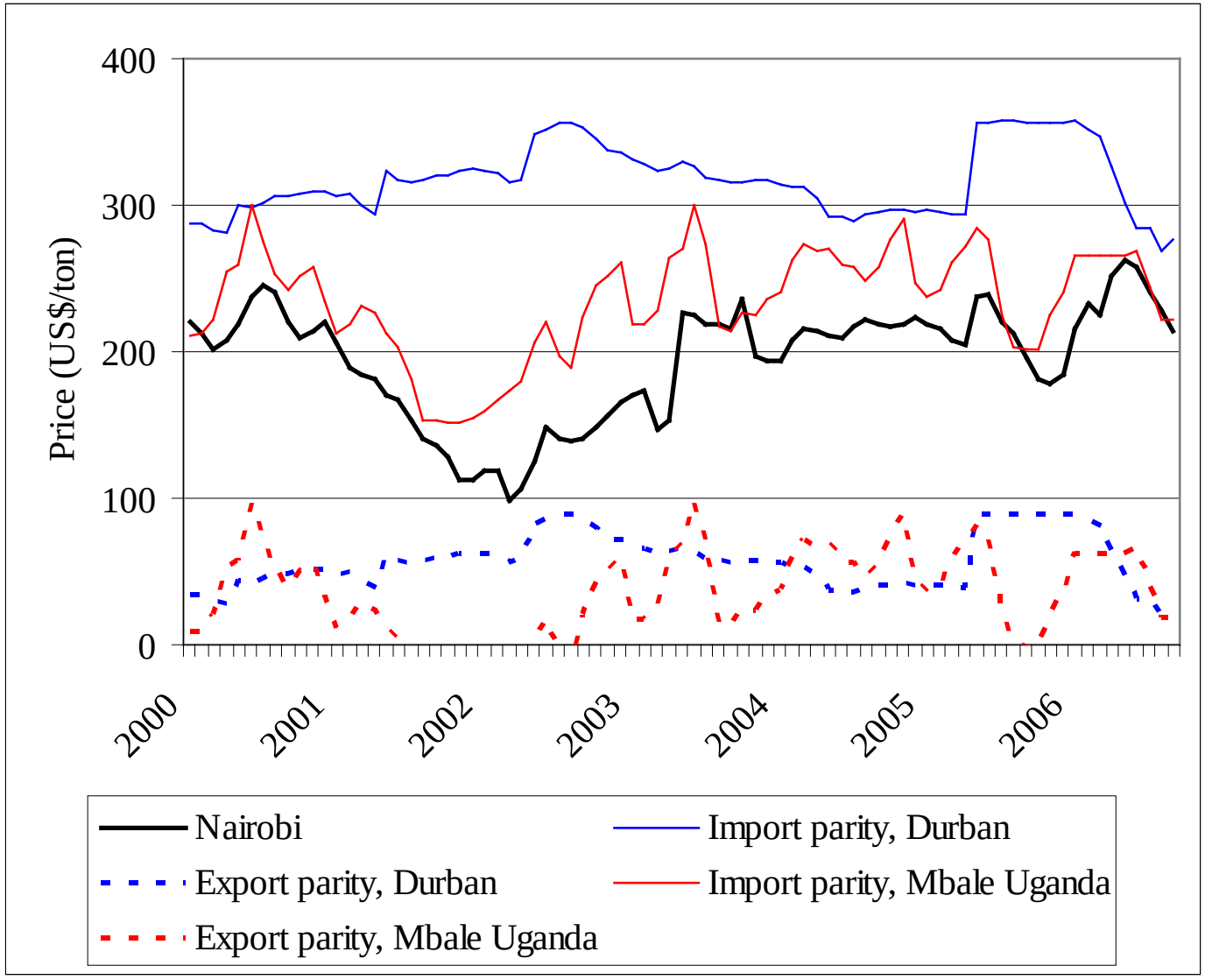
(iii) Computing border prices: three exercises

- ***Nairobi:*** mechanics of computing IPP, EPP: domestic maize price, IPP Durban, EPP Durban *(kenya data.xls)*
- ***Nairobi:*** graph domestic maize price, IPP & EPP Durban, IPP & EPP Uganda *(east africa data.xls)*
- ***Blantyre:*** domestic maize price, IPP Nampula, EPP Nampula *(south east data.xls)*

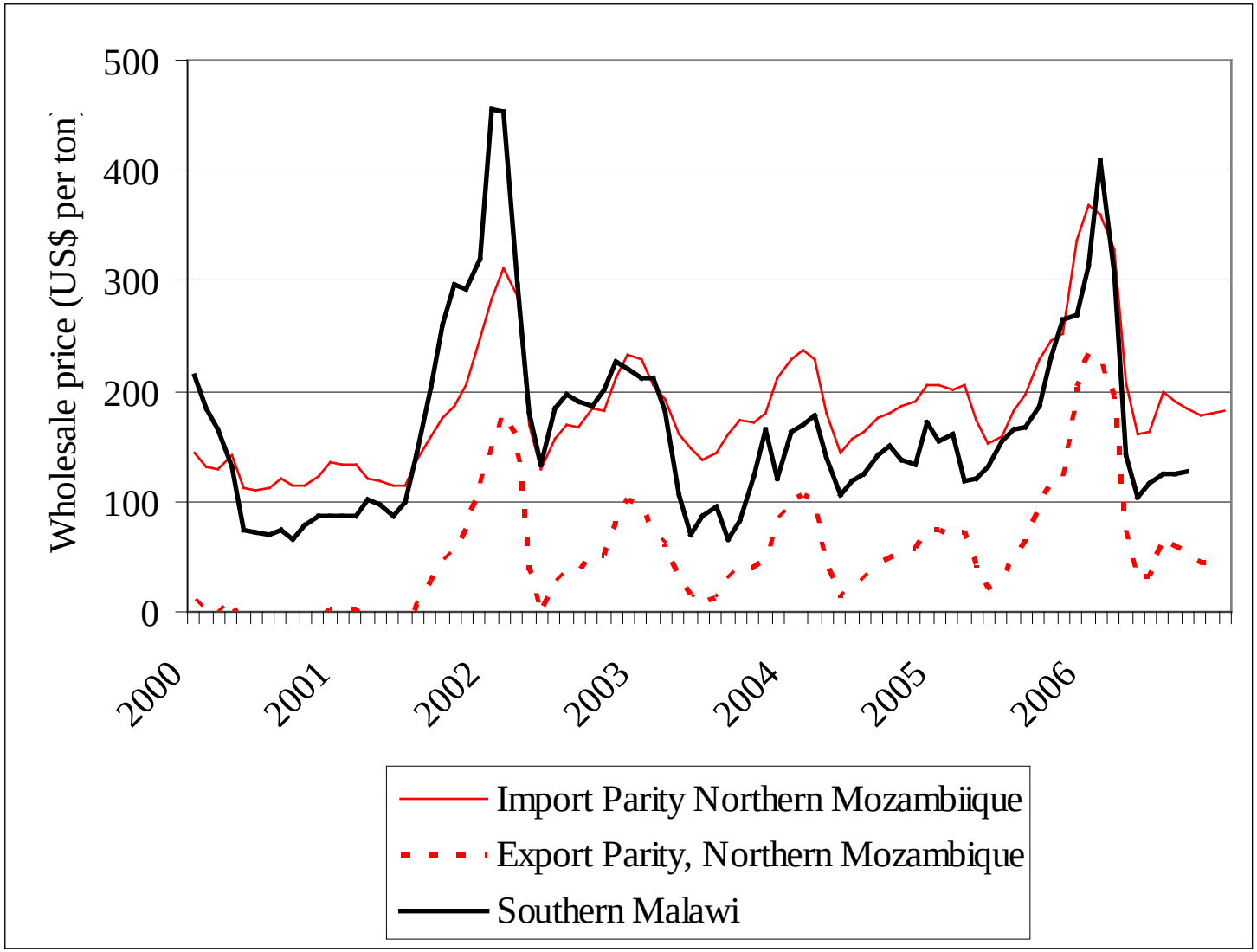
(iv) Discussion Questions

- When, if ever, has import parity capped domestic price increases?
- Can domestic price ever exceed import parity?
- If so, when and why can this happen?
- If not, why?

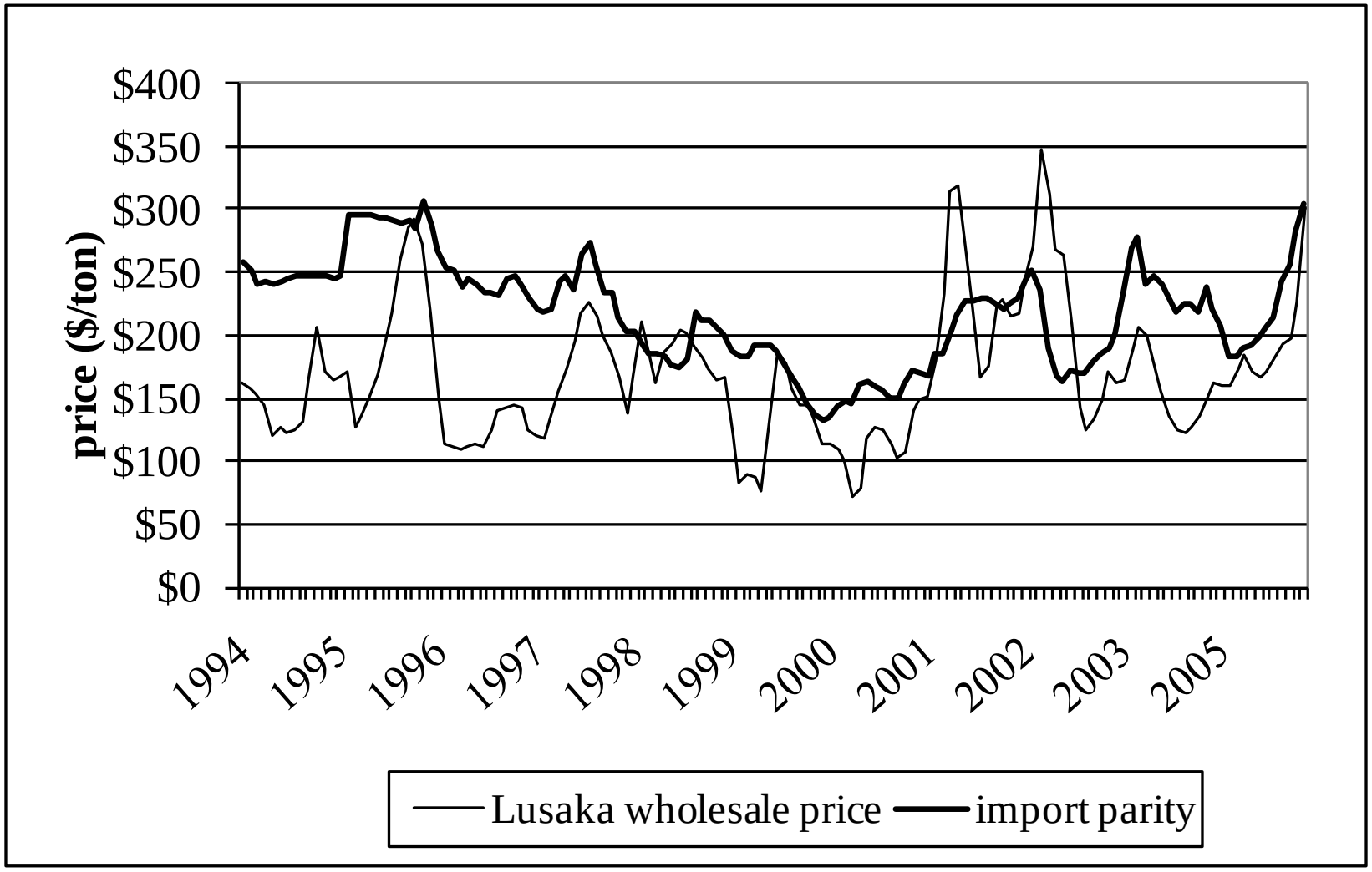
Nairobi, domestic and border prices for white maize, 2000-2006



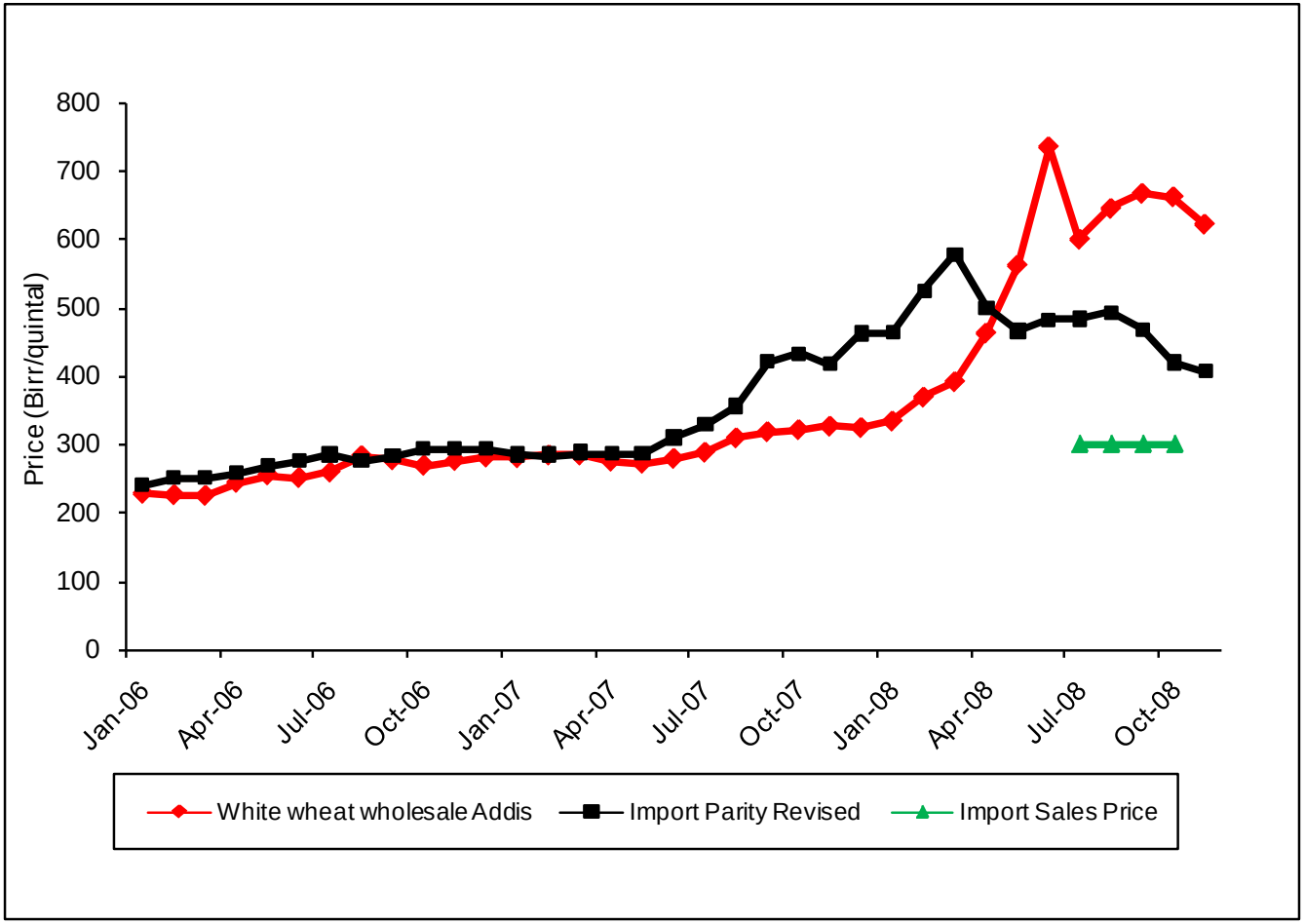
Malawi, domestic and border prices for white maize, 2000-2006



Lusaka, domestic and border prices for white maize, 1994-2006



Ethiopia Wheat



Ethiopia Maize