



Food and Agriculture
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Public food stockholding: policies and practices

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Seminar on Public stockholding

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PUBLIC FOOD STOCKHOLDING: A REVIEW OF POLICIES AND PRACTICES

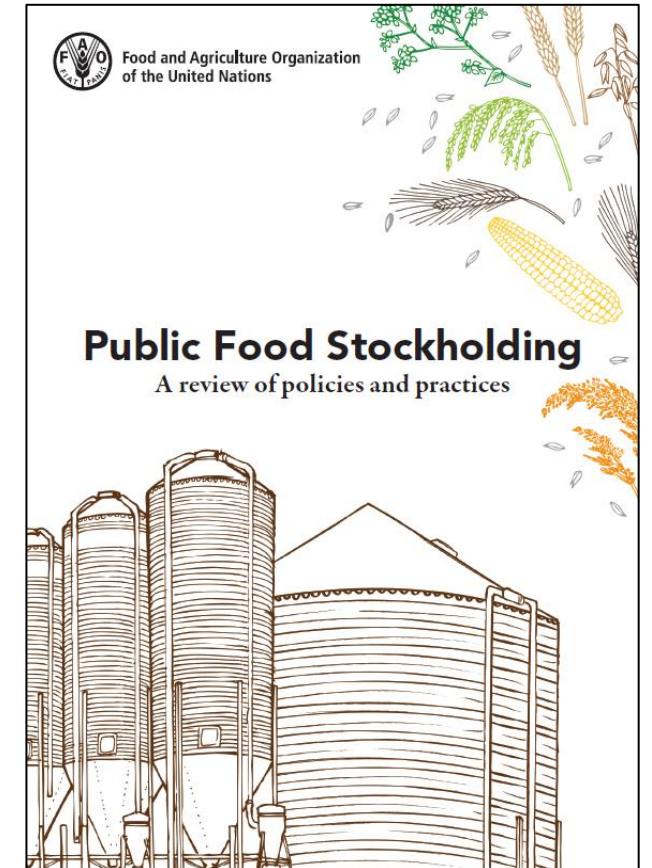
The 2021 publication in brief

To showcase the **diversity** of the instruments used and investigate the **scope** of such programmes

To explore how PSH programmes are actualized through **various policy instruments**

To provide an understanding of the possible implications of PSH programmes for **domestic and international markets**

To present **illustrative examples** of the way in which **PSH programmes** are (or have been) **implemented**





CONTENTS

- **Types of public food stockholding programmes: objectives**
- **Key functions, and related policy measures**
- **Impacts on markets**
- **Examples of public food stockholding programmes in practice**
- **Reflections and key takeaways**

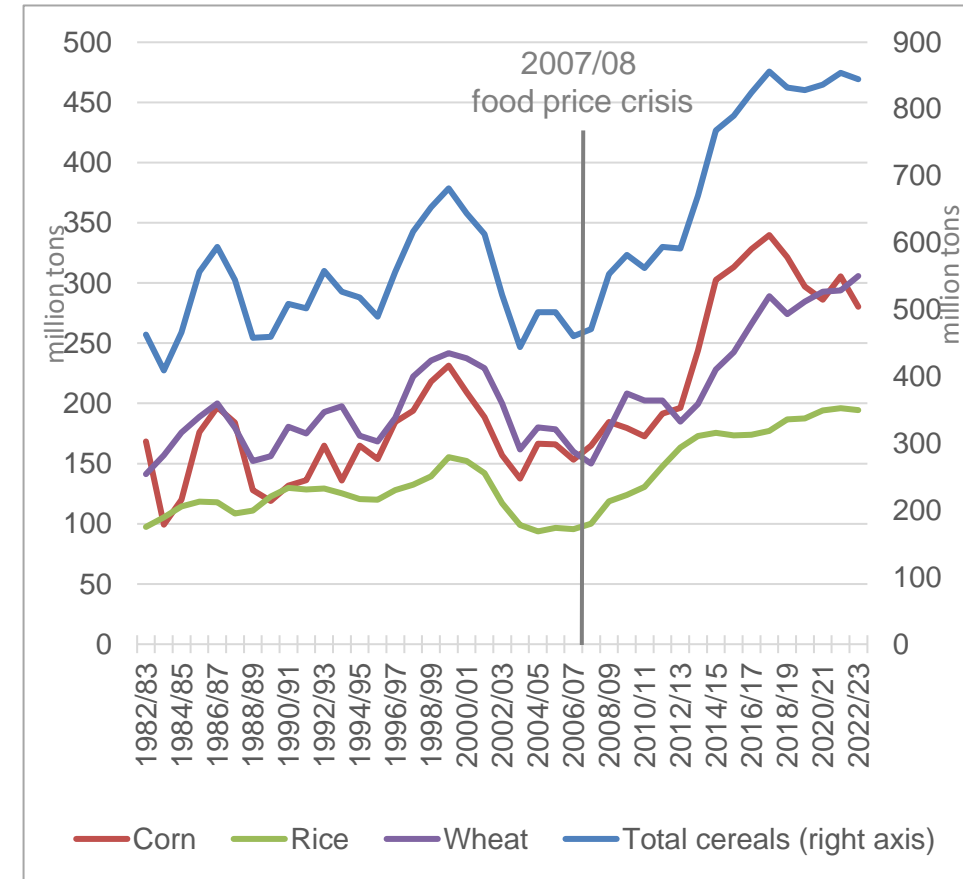
WHY DISCUSS PUBLIC FOOD STOCKHOLDING?

Food stocks historically received attention during food crises

STOCKS, FOOD PRICES AND FOOD SECURITY

- **Very low levels of world food stocks**, primarily cereals, **pose a serious threat to consumption** levels and make the world too dependent on the vagaries of weather (WFC, 1974)
- **Low stocks** are strongly associated with **price spikes** and **volatility**. **Ample stocks** can provide a **cushion against supply and demand shocks** (HLPE, 2011)
- Low stocks are a **necessary but not sufficient condition** for such shocks to produce a spike (FAO, CCP 14/4, 2014)
- Stockholding is a **vital part of the solution to food insecurity in the LDCs**, and would serve as a crucial means to **limit price volatility** (UNGA, A/77/291, 2022)

GLOBAL FOOD CEREAL STOCKS, M. Ton.





PUBLIC FOOD STOCKHOLDING PROGRAMMES: OBJECTIVES

Public food stockholding (PSH) refers to the procurement, storage and release of food stocks by governments through state-owned enterprises or other public agencies

- Stocks can comprise of both **domestically procured** and **imported** food
- Usually **cereals** (less perishable) prevalent in national diets
- Countries frequently exposed to **shocks** are generally **more likely** to keep stocks

Practically: distinctions between different types of programmes **can be unclear**

TYPES OF PSH PROGRAMMES

EMERGENCY STOCKS: to reduce the vulnerability of consumers to supply disruptions or food price shocks in emergencies

BUFFER STOCKS: to stabilize prices within the domestic market to avoid excessive volatility (the policy focus is on both consumers and producers)

STOCKS FOR DOMESTIC FOOD DISTRIBUTION / AID: to promote physical and economic access to adequate quantities of food for certain target population groups



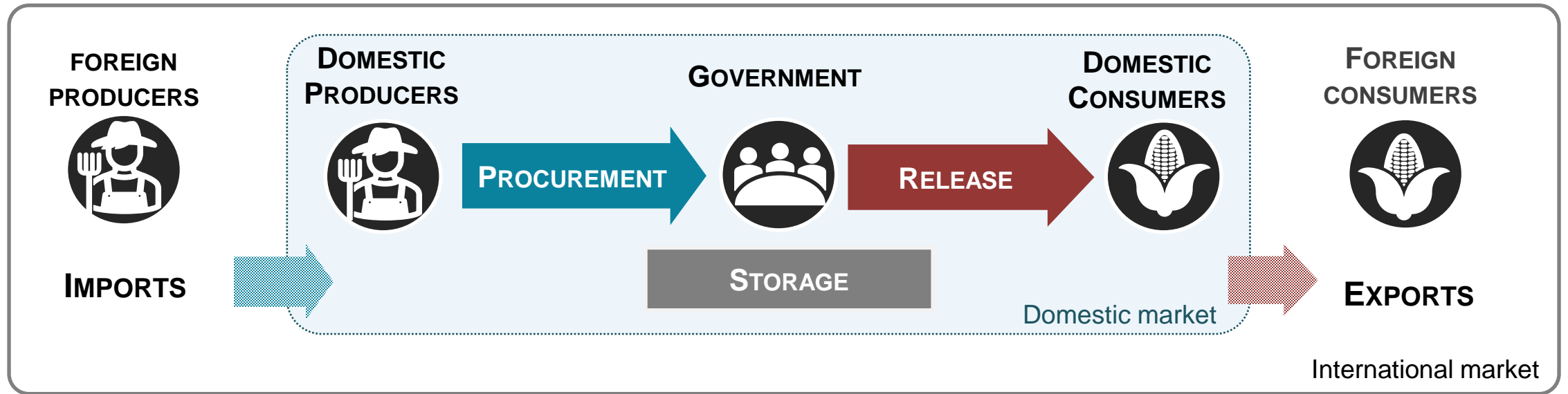
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KEY FUNCTIONS AND TYPICAL POLICY MEASURES

PSH programmes incorporate a combination of three functions (stock procurement, storage and release), and several complementary policy measures

KEY FUNCTIONS
AND ACTORS



TYPICAL POLICY
MEASURES

- **Market price support** linked to the procurement of stocks
- **Import tariffs may provide support to maintain** procurement prices

- **Consumer support measures** for stock release
- **Export subsidies** for stock release and maintaining stable prices



EXAMPLE OF MEASURES RELATED TO PROCUREMENT

Procurement is often done at prices set by government authorities, which can be implemented in different ways e.g., through direct purchases by the government at the set price

PRICE SUPPORT LINKED TO THE PROCUREMENT OF PUBLIC STOCKS

+ Procurement can help achieve domestic policy objectives of **providing income support to farmers**

- By providing a price floor, administered prices may also **provide incentives for farmers to produce larger quantities** than what they would otherwise produce

By providing a guaranteed market outlet and predictable prices, public procurement can support farm incomes by reducing price risks, particularly for smallholder farmers **if they are effectively targeted**

Assuming price transmission, procurement at administered prices, particularly when they are above world market prices, is usually considered a form of **trade-distorting subsidy**



EXAMPLE OF MEASURES RELATED TO **RELEASE**

Public stockholding programmes are often directly linked to social safety net measures.

CONSUMER SUPPORT MEASURES FOR THE RELEASE OF STOCKS

+ Provision of certain quantities of food grains at **subsidized prices to vulnerable population groups** (e.g. in disconnected rural areas or poor urban neighbourhoods)

- Unbalanced targeting **can offset consumer support measures**

Lower the price of food for certain groups of consumers

For those poor **consumers not reached by such measures**, the combination of high administered prices and import barriers can imply **higher consumer prices**, with negative effects on their access to food, in the absence of other concomitant consumer support measures



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IMPLEMENTATION EXPERIENCES AND IMPACTS ON MARKETS (1/2)

POSSIBLE DOMESTIC IMPACTS

PRODUCERS

- + Guaranteed and remunerative outlets can provide a stable market and support farm incomes
- Over-reliance on institutional markets can crowd-out private investment

CONSUMERS

- + Important form of social protection for the most vulnerable
- Production may be skewed towards procured commodities, to the detriment of efforts to promote dietary diversification

GOVERNMENT BUDGETS

- + Practicable way of supporting producers and consumers
- High fiscal costs due to scale of operations, implementation challenges (particularly targeting beneficiaries)

- **Need to ensure proper targeting**, both in procurement and in food distribution, to reach the most vulnerable populations
- **Choice of policy measure should be informed by context-specific analysis vis-à-vis alternatives**; one size does not fit all
 - **E.g. supporting farm incomes:** procurement at minimum prices vs. direct income support
 - **E.g. supporting vulnerable consumers:** providing subsidised food vs. cash transfers
 - **E.g. managing acute food insecurity:** emergency stocks vs. sourcing imports



IMPLEMENTATION EXPERIENCES AND IMPACTS ON MARKETS (2/2)

PSH programmes can also affect traded volumes and prices, depending on the scale of operations and the size and the status of the market of the country that implements them. This ultimately has impacts on producers and consumers in other countries

POSSIBLE INTERNATIONAL IMPACTS

FOREIGN PRODUCERS

- Import demand is reduced in countries holding large stocks, thereby reducing market opportunities for producers in other countries
- If, in countries holding huge stockpiles, stock release decisions are unpredictable, this can influence price levels and volatility

FOREIGN CONSUMERS

- + Ample stocks can provide confidence in the availability of supplies to deal with exogenous shocks
- Uncertainty about availability of stocks held by large consuming countries in the event of exogenous shocks affecting global markets

Given the possible international impacts, PSH therefore remains a **difficult area of agricultural negotiations**



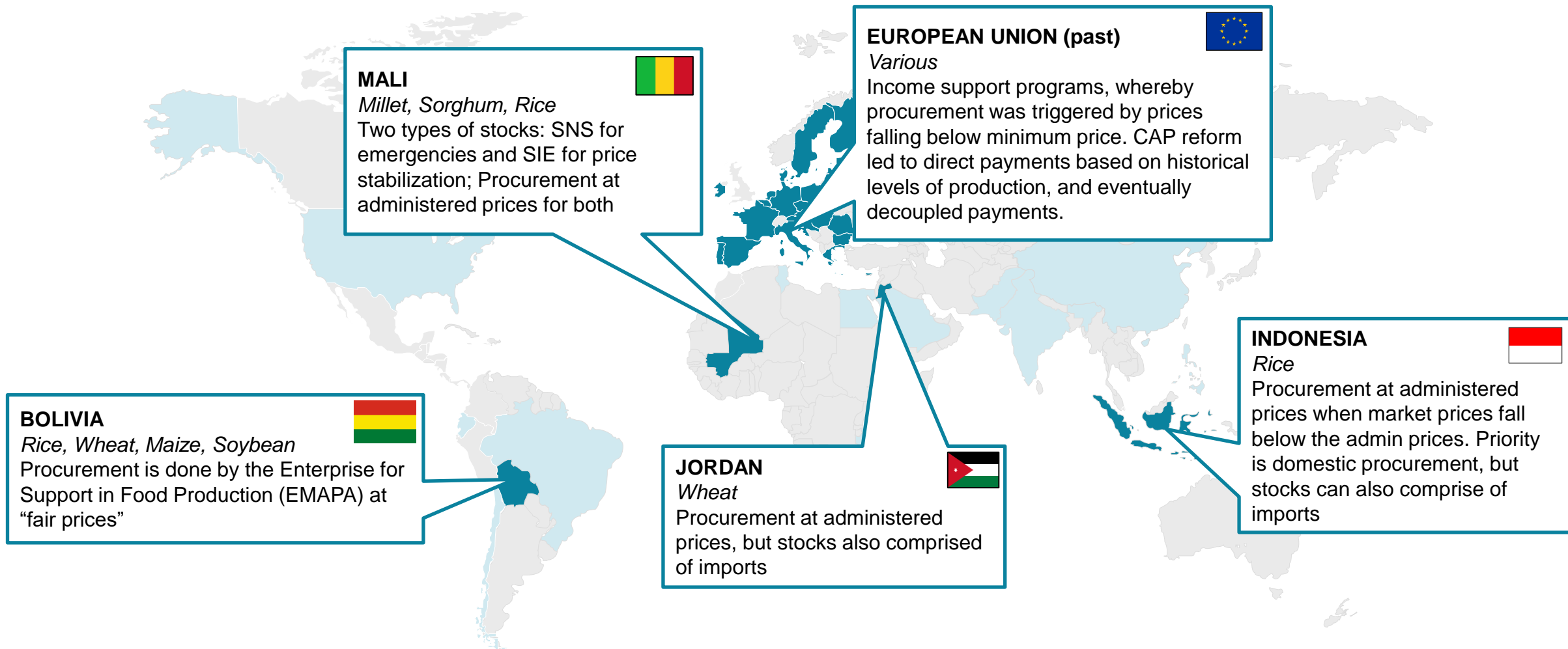
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PSH PROGRAMMES IN PRACTICE: EXAMPLES OF STOCK PROCUREMENT

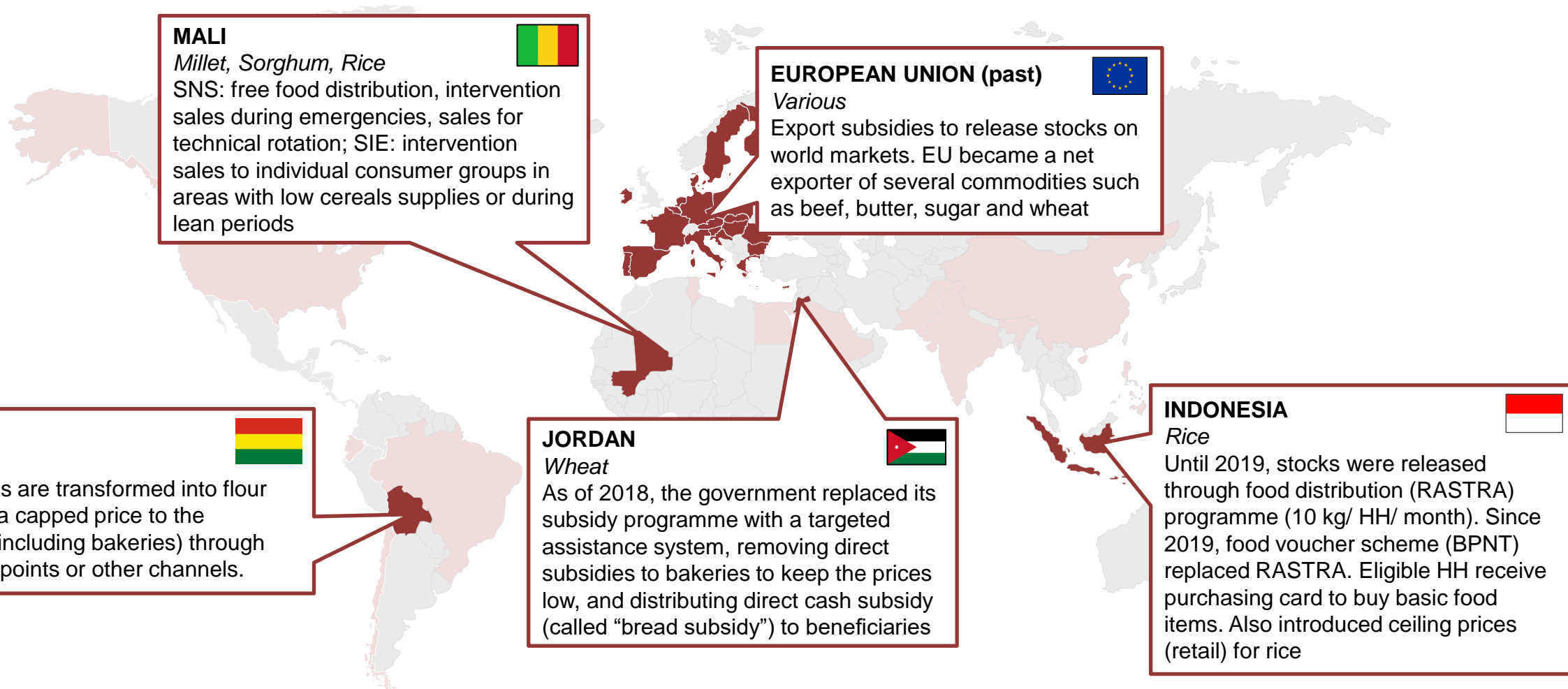
In practice, countries hold multiple types of stocks, and often aim to achieve several policy objectives simultaneously





PSH PROGRAMMES IN PRACTICE: EXAMPLES OF STOCK RELEASE

In practice, countries hold multiple types of stocks, and often aim to achieve several policy objectives simultaneously





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REFLECTIONS AND KEY TAKEAWAYS

PUBLIC FOOD STOCKHOLDING

1

Countries may aim to hold public food stocks for a **variety of objectives**

2

Governments can use a combination of both **producer-** and **consumer-oriented measures** to implement their PSH programmes

3

PSH can play an important **role** both **domestically** and **internationally**, with potentially **significant market impacts and costs**

PSH programmes are **not directly comparable across countries**: the survey shows that **countries tend to fulfil multiple objectives simultaneously** and there is considerable **diversity in implementation** – both on stock procurement and release

Given their market impacts and significant costs, **PSH programmes should be carefully evaluated against other policy alternatives**



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THANK YOU
