

# PUBLIC STOCKHOLDING FOR FOOD SECURITY

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## INTRODUCTION

- ❖ Global food insecurity is on the rise since 2014, and nearly **813 million** people suffer from **severe food insecurity**, which is a major challenge in achieving the SDGs by 2030.
- ❖ Additionally, the **developing including LDC** members are characterised by pervasive **farm distress** owing to multiple challenges namely:
  - ❖ insufficient institutional support,
  - ❖ small farm size,
  - ❖ price risks,
  - ❖ import surges
- ❖ The PSH programmes have multiple objectives such as ensuring affordable **access to food**, **stabilizing agricultural prices**, and providing **remunerative prices** to enhance the purchasing power of farmers.

## ILLUSTRATIVE LIST OF COUNTRIES IMPLEMENTING PRICE SUPPORT BACKED PSH PROGRAMMES

COUNTRIES	
Bangladesh	Mali
Bolivia	Nepal
China	Pakistan
Ecuador	Philippines
Egypt	Saudi Arabia
India	Tanzania
Indonesia	Tunisia
Jordan	Zambia
Kenya	Zimbabwe

- ❖ **51 percent** of the world population.
- ❖ more than **47 percent** of undernourished people in the world.
- ❖ There may be other members who had in the past or currently implementing the price support backed PSH programmes.
- ❖ Rice, Maize, Wheat, Pulses, Millet, Soybean, Barley, Sugar and Sorghum are some of the covered products under PSH programmes in these countries.

# IMPORTANCE OF PSH

## 1. PREVENTED REOCCURRENCE OF CRISIS LIKE THE BENGAL FAMINE



- ❖ In 1943, India witnessed one of the worst famine in history also called “**The Great Bengal Famine**”
- ❖ It is estimated that more than **3 million people died** due to hunger, starvation, and famine related disease.
- ❖ The price support backed PSH programmes has **successfully prevented** a Bengal famine like situation after independence despite witnessing droughts in some years.

## 2. DEPENDENCE ON IMPORTED FOOD IS CONSTRAINED BY FOREIGN EXCHANGE RESERVE

- ❖ In 1964-65, India was **importing wheat** to meet the domestic consumption needs.
- ❖ Amounted to almost **38 percent** of domestic consumption.
- ❖ Foreign exchange reserves in the same year was only **US \$524 million**. Notably, the value of imported wheat was approximately equal to the total foreign reserves of India.
- ❖ **The US provided assistance under PL 480** wherein importing countries were allowed to purchase US agricultural goods in local currency to save foreign exchange reserves.
- ❖ Without the US assistance, it would have been extremely difficult to ensure food security due to low foreign reserves of India. Such experience prompted India to initiate PSH to ensure food security.
- ❖ What India faced in 1960s, many other countries such as Indonesia, Malaysia, Philippines, Kenya, Zambia, Egypt have grappled with this issue in recent years

### 3. ROLE OF PSH IN ENSURING GLOBAL FOOD SECURITY

- ❖ In 2002-03, the rice production in India declined by **23 percent** or 21 million tonnes due to severe drought.
- ❖ Rice is a **thinly traded commodity** in the international market. The global export was 29 million tons which accounted for 7.6 and 7.1 percent of global production and consumption respectively in year 2002-03.
- ❖ With the availability of PSH stocks, India did not import rice from the international market to meet domestic needs.
- ❖ **If India had imported rice from the international market, India's demand for imported rice would have been more than 80 to 90 percent of global export.**
- ❖ It clearly shows that if a large country like India enters the international market due to sudden shock, it could adversely affect the food security of other members. Therefore, PSH is also important for global food security.

## 4. ROLE OF PSH DURING CRISIS

- ❖ During the food crisis in 2007-08, many countries witnessed massive public protests.
- ❖ PSH programmes played an important role in **ensuring price stability and food security** in India, Indonesia, and China.
- ❖ Amidst the Covid-19 pandemic, the Indian government increased the coverage of welfare schemes. The government initiated **PM-GKAY scheme** under which free food grains are distributed to the vulnerable sections of the society, thus averting a major humanitarian crisis. Overall more than 800 million people are covered under this scheme.

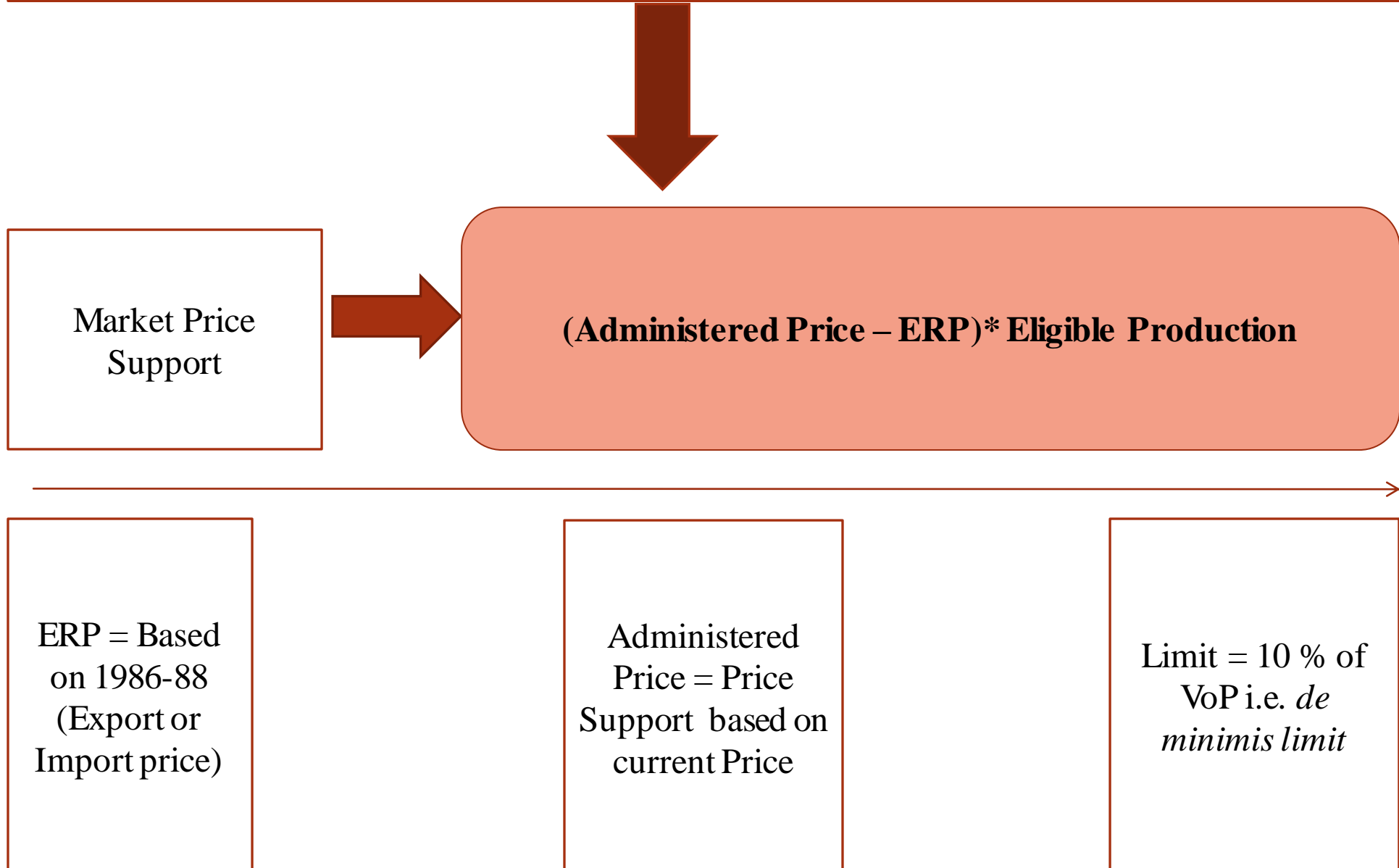


## 5. FOOD SECURITY IS INDISPENSABLE TO NATIONAL SECURITY

“It’s important for our nation to build - to grow foodstuffs, to feed our people. Can you imagine a country that was unable to grow enough food to feed the people? It would be a nation that would be subject to international pressure. It would be a nation at risk”.

**George W. Bush’s comments to the Young Farmers of America in 2001**

# FOOD SECURITY AND THE AoA



## EXAMPLE: SHRINKING POLICY SPACE FOR NEPAL

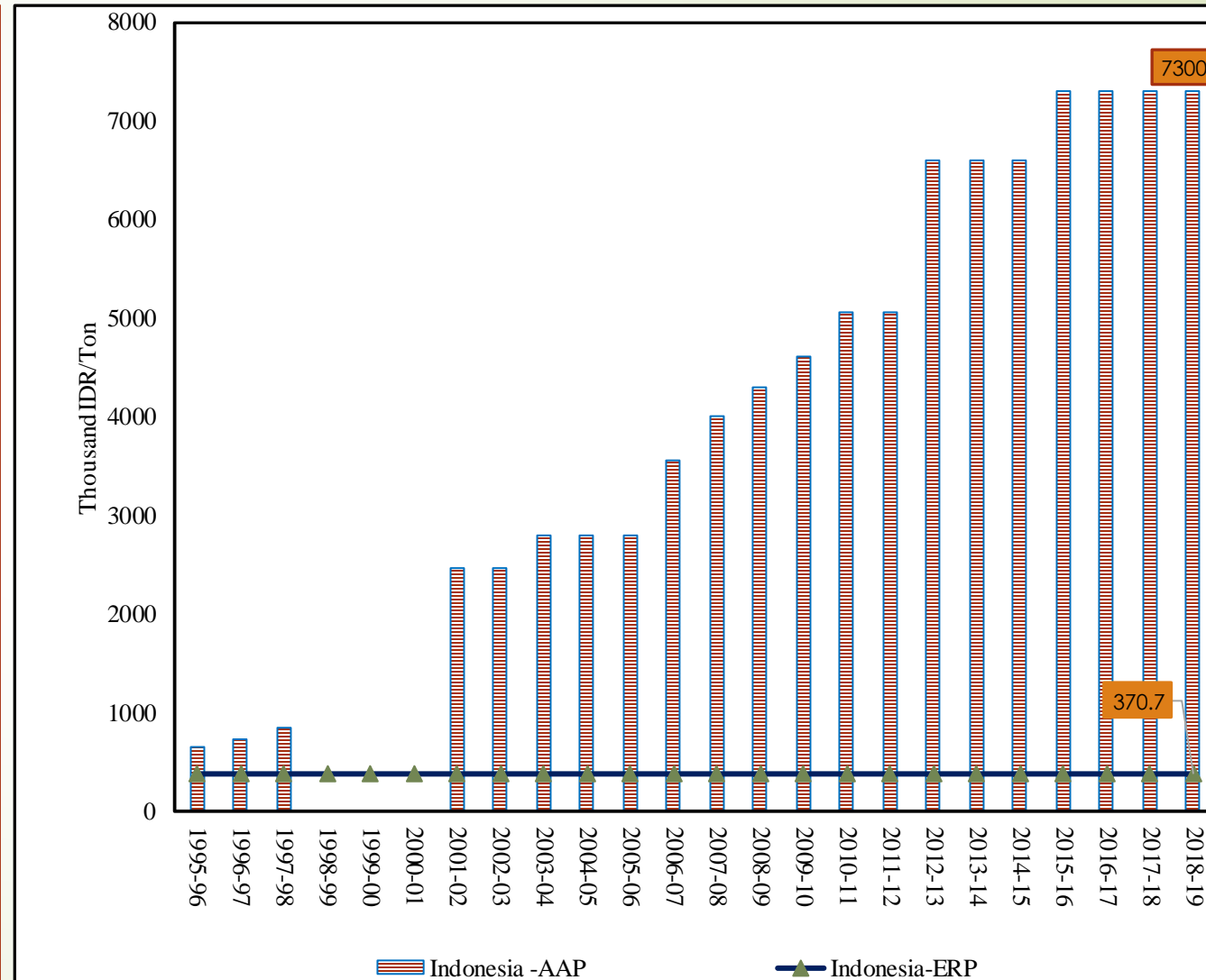
- ❖ The government of Nepal has fixed the minimum support price for paddy at **NPR 2885** per quintal for medium-sized paddy, and NPR 2735 for thick-sized paddy for year 2020-21

(Source: Himalayan News).

- ❖ Equivalent average applied administered price for Rice = **42150 NPR/Ton.**
- ❖ The External Reference Price, as per my calculation (1995-97) = **12200 NPR/Ton**
- ❖ Per ton support as per the AoA = **29950 NPR/Ton.**
- ❖ Maximum level of procurement (2020-21) = **14 percent of domestic production**

## PER TON SUPPORT FOR PSH-RICE IN INDONESIA UNDER THE AoA

- ❖ Per ton support for rice has been increasing.
- ❖ The support was IDR 6930/kg in 2018-19.
- ❖ The applied administered price in 2018-19 was more than 1900 percent of the fixed ERP
- ❖ The comparison would lead to a highly exaggerated and unrealistic market price support.

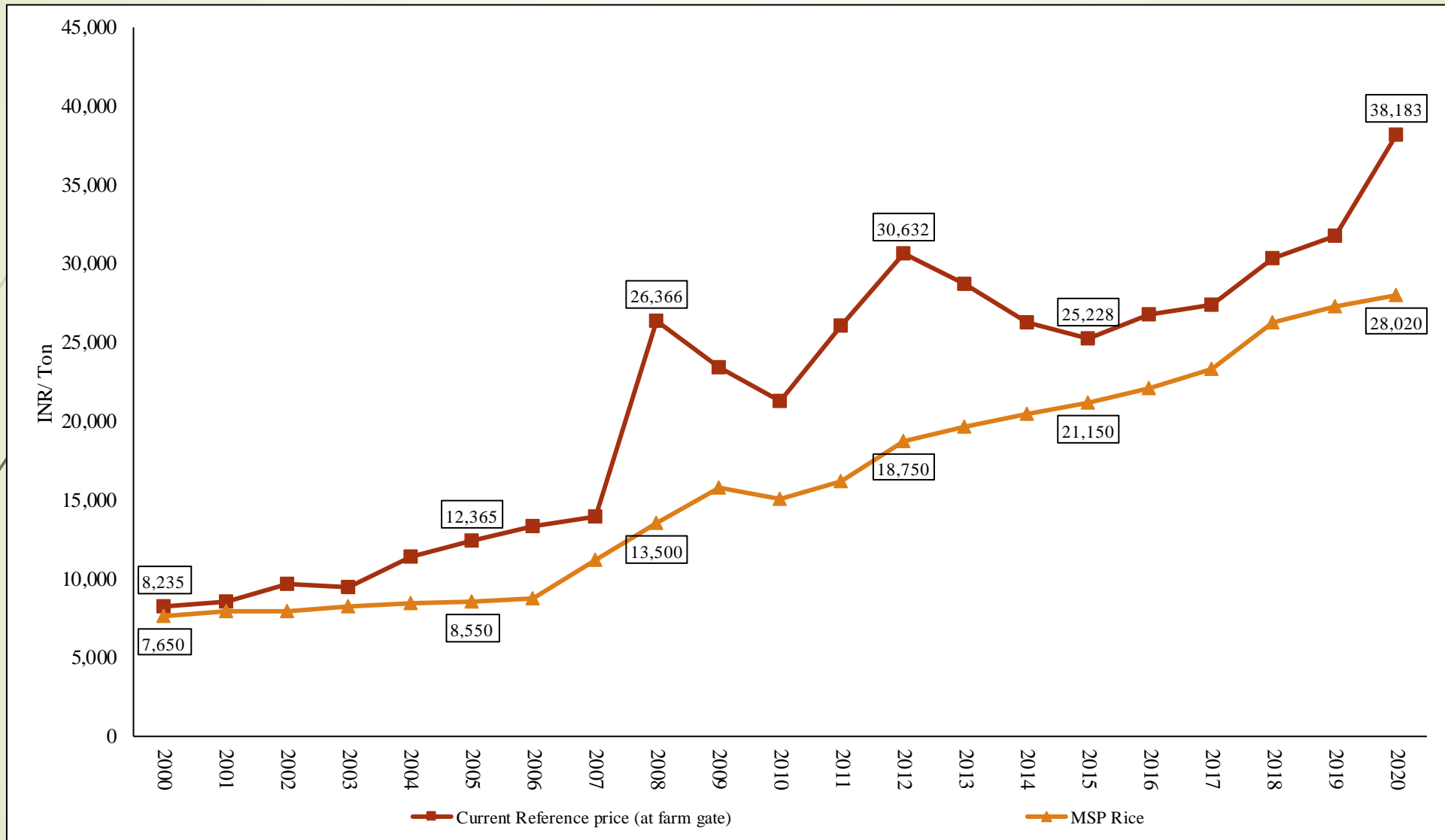


## INFLATION ADJUSTED PER TON SUPPORT

Country	Unit	Product	Inflation adjusted support ( AAP – Inflation adjusted ERP)	Cumulative inflation index since applicable base year
China	Yuan/Ton	Wheat	-230	149
India	INR/Ton	Rice	-6416	928
Indonesia	Thousand IDR/Ton	Rice	1958	1440
Jordan (2014)	JOD/Ton	Wheat	124*	DS notification
Kenya	KES/Ton	Maize	-28069	3089
Pakistan	PKR/Ton	Wheat	-4194	1166

Source: Author's calculation based on (1) Domestic support notifications; (2) Presidential Instructions, Government of Indonesia; (3) GAIN reports, USDA; (4) FPMA, FAO; (5) ERP of Kenya is calculated based on WITS, World Bank

# COMPARISON OF MSP FOR INDIAN RICE WITH THE CURRENT INTERNATIONAL REFERENCE PRICE



Source: Current reference price based on OECD data

## CONCLUSION

- ❖ PSH is playing a significant role in the fight against hunger.
- ❖ **If a country has the capacity in undertaking agriculture**, imports of food grains can't be a substitute for government procurement of domestic food grains for the purpose of ensuring food security.
- ❖ **Updating the ERP or adjusting it for inflation** would reflect the realistic levels of support being provided by the developing including LDC members.