



# Public Stockholding, LDCs, and Food Security

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Source: Reuters



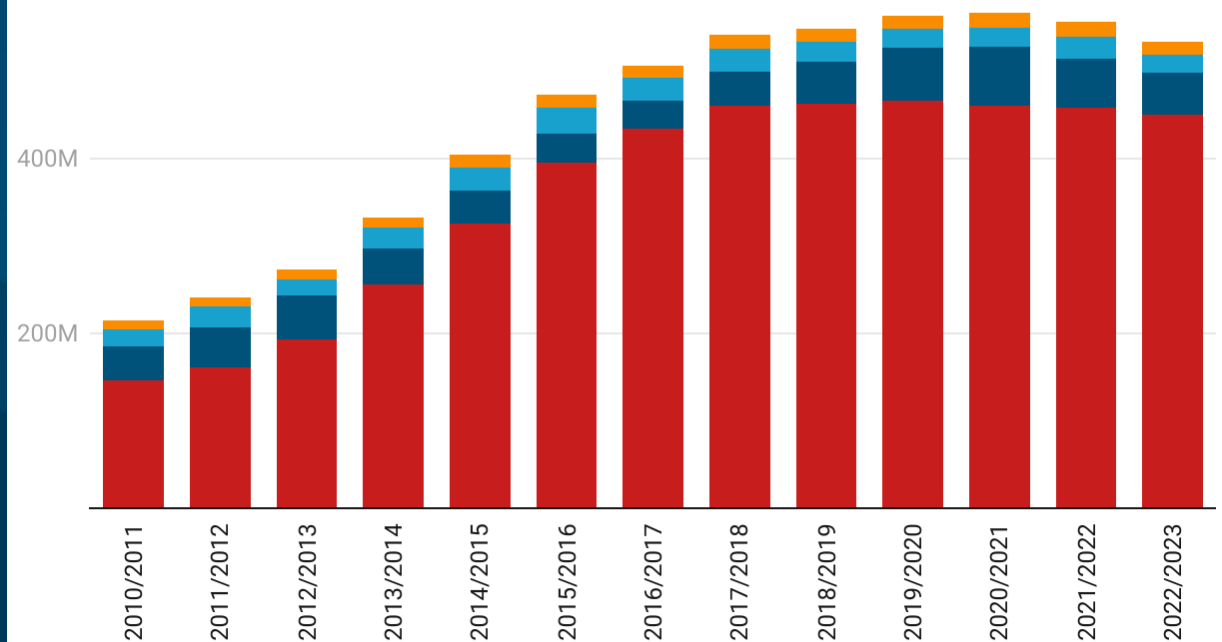
# Who hold public stocks?

- A 2018 report by the FAO points out that while several countries had reduced or eliminated public stockholding programs following structural adjustment measures and market liberalization in the 1980s and 1990s, PSH programs regained momentum following the food price spikes of 2007/08.
- More recently, stocks have again been an issue during the market uncertainty caused by the COVID-19 pandemic and the war in Ukraine

## Grain stocks held by NFIDCs and LDCs, in comparison to stocks held by China and India

Metric tons

China India NFIDCs LDCs



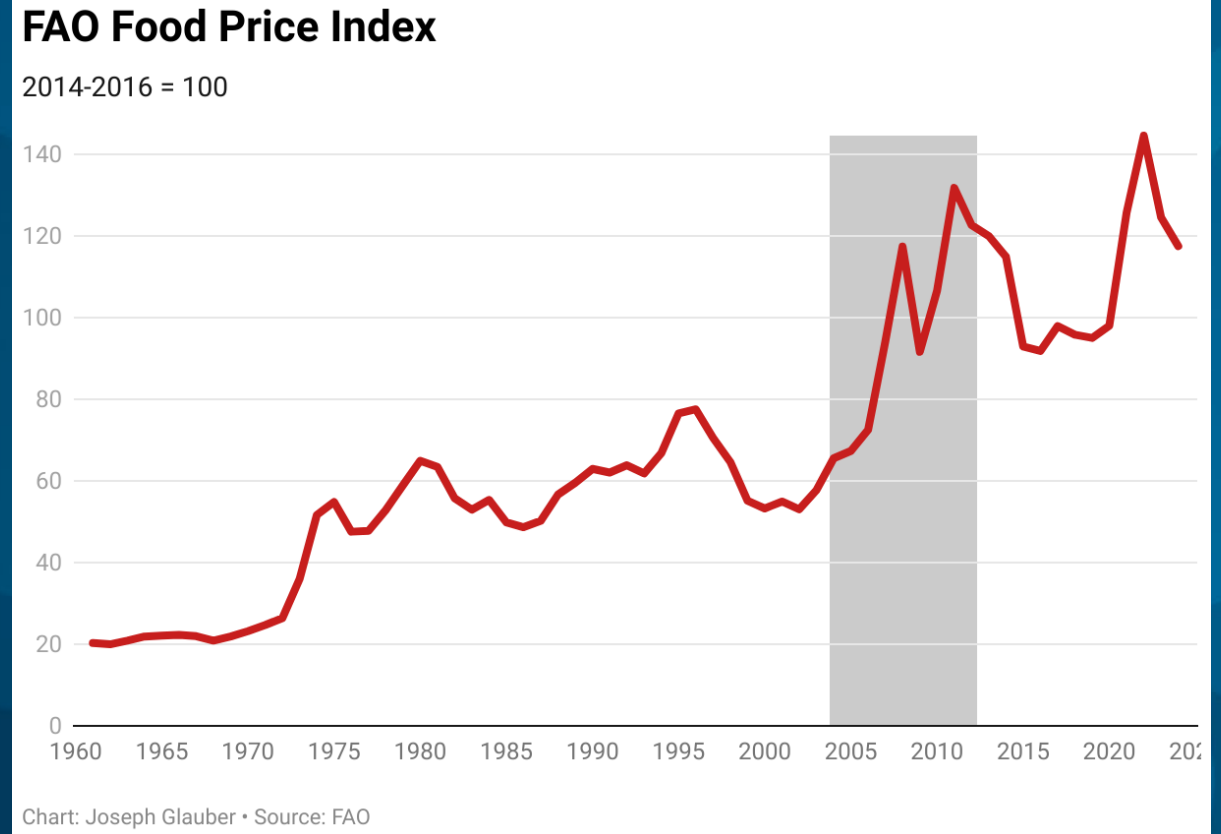
Maize, rice and wheat.

Chart: Joseph Glauber • Source: US Department of Agriculture, Foreign Agricultural Service, PSD database, 12 July 2023.



# Public stockholding as a trade issue

- PSH has been a point of contention since 2012
- Not controversial during DDA talks in mid-2000s (at least compared to SSM, market access, domestic support, etc.)
- With rising prices in late 2000s, price support calculations pushed some countries towards *de minimis* limits
- Bali Decision (2013): “interim” solution for PSH





## Price support component of PSH

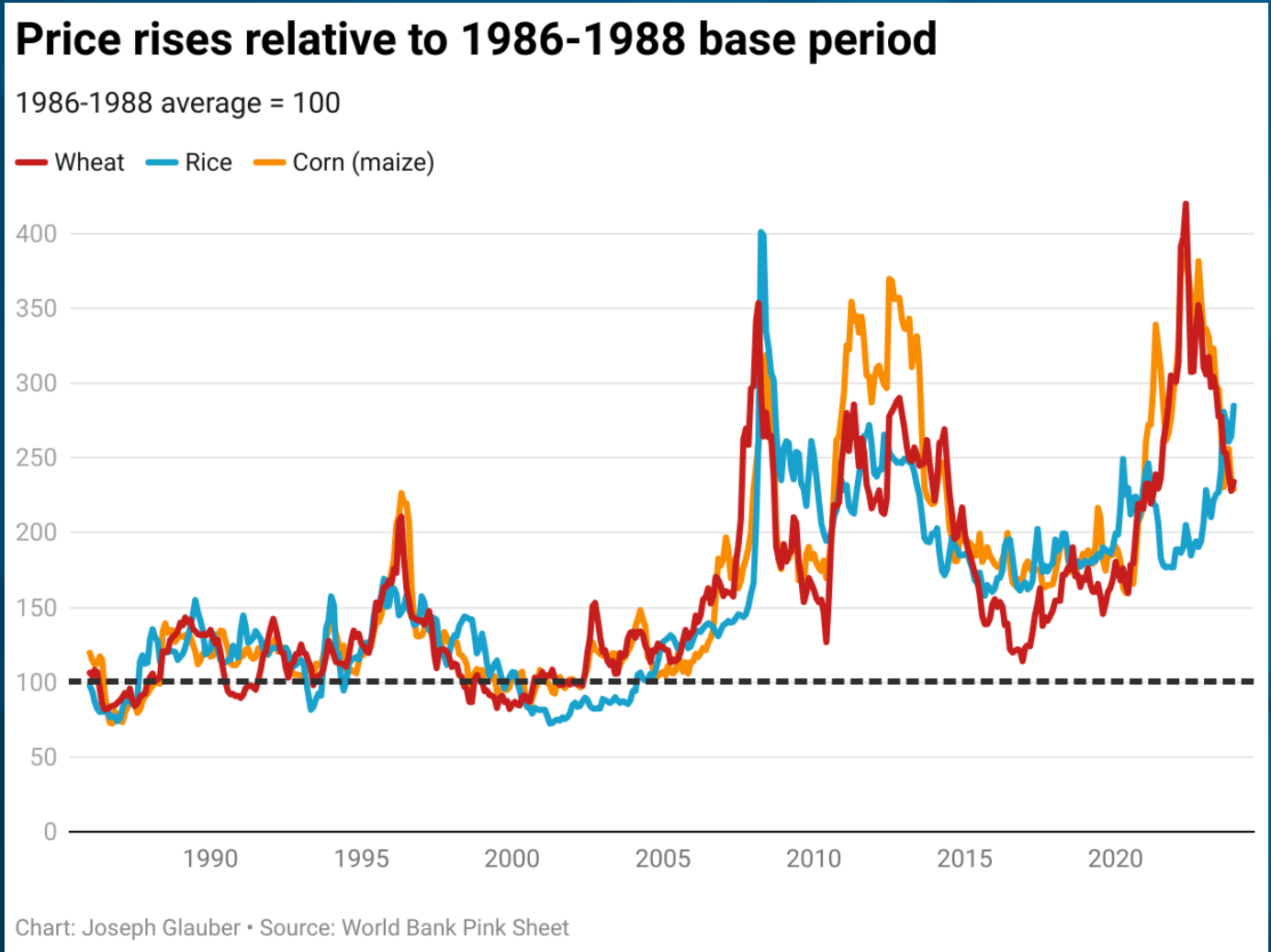
- During the Uruguay Round negotiations, members agreed that PSH programs could be considered as non-trade distorting (and hence exempt from discipline), provided that stock purchases were at current market prices (as opposed to administered prices).
- Under the provisions of Annex 3 of the Agreement on Agriculture, market price support is calculated as the gap between a fixed external reference price and the administered price, multiplied by the quantity of eligible production.

$$\text{Market Price Support} = (\text{Administered Price} - \text{Fixed External Reference Price}) \times \text{Eligible Production}$$

- For most countries, the fixed external reference price (FERP) is based on a 3-year average price between the years 1986-1988.



- After remaining mostly flat over the period 1985-2005, prices began to rise following the biofuel boom and food price crises 2007/08 and 2010/11
- Average monthly price levels for wheat, rice and corn (maize) since January 2005 have been over twice the average level during the 1986-88 base period.

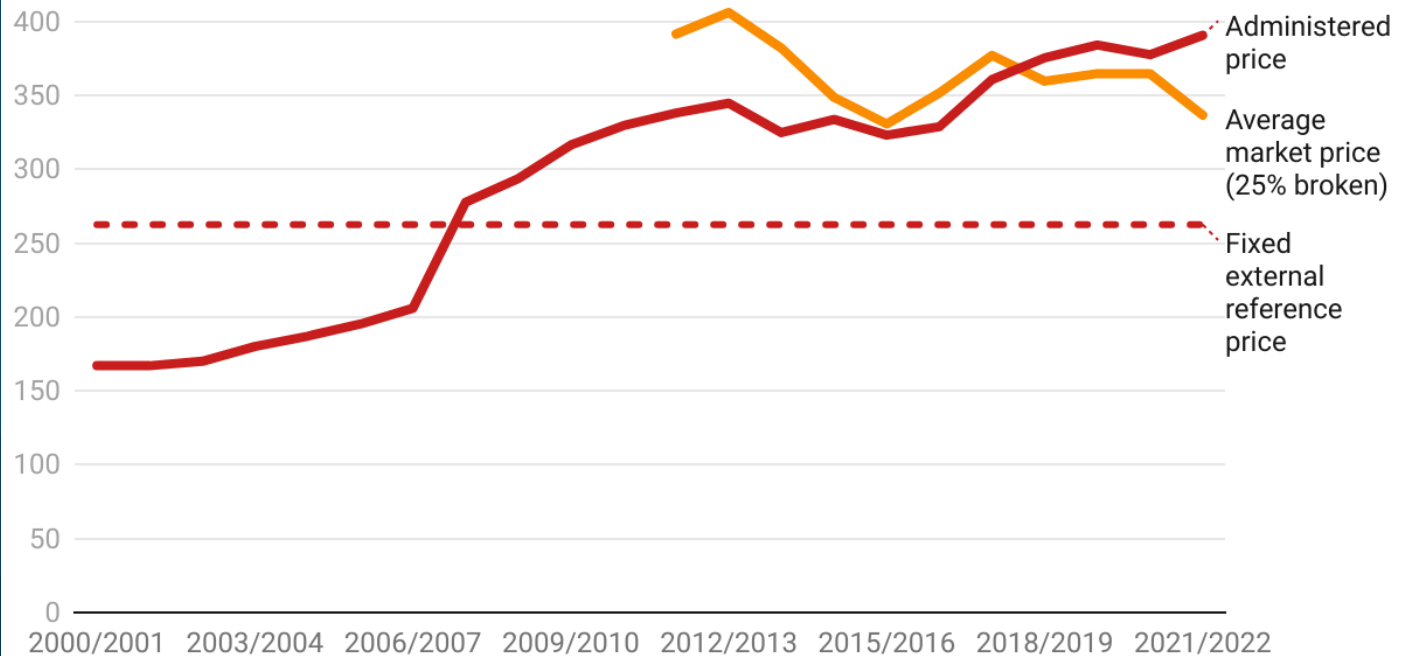






## India's administered price for rice

USD/mt



PSH price data taken from India's DS 1 notifications to WTO. India market price data from FAO Rice Price Update report (simple average of monthly prices over October to September marketing year).

Chart: Joseph Glauber • Source: WTO Agriculture Information Management System

- With rising prices, some countries raised administered prices to “keep up” with market prices.
- Price gap between administered price and FERP (eg, 1986-88 average for India) grew larger
- CTAMS for specific commodities approached (and exceeded in some cases) *de minimis* levels.
- Only 33 countries have bound AMS (NFIC: Jordan, Morocco, Tunisia, Venezuela; no LDCs)

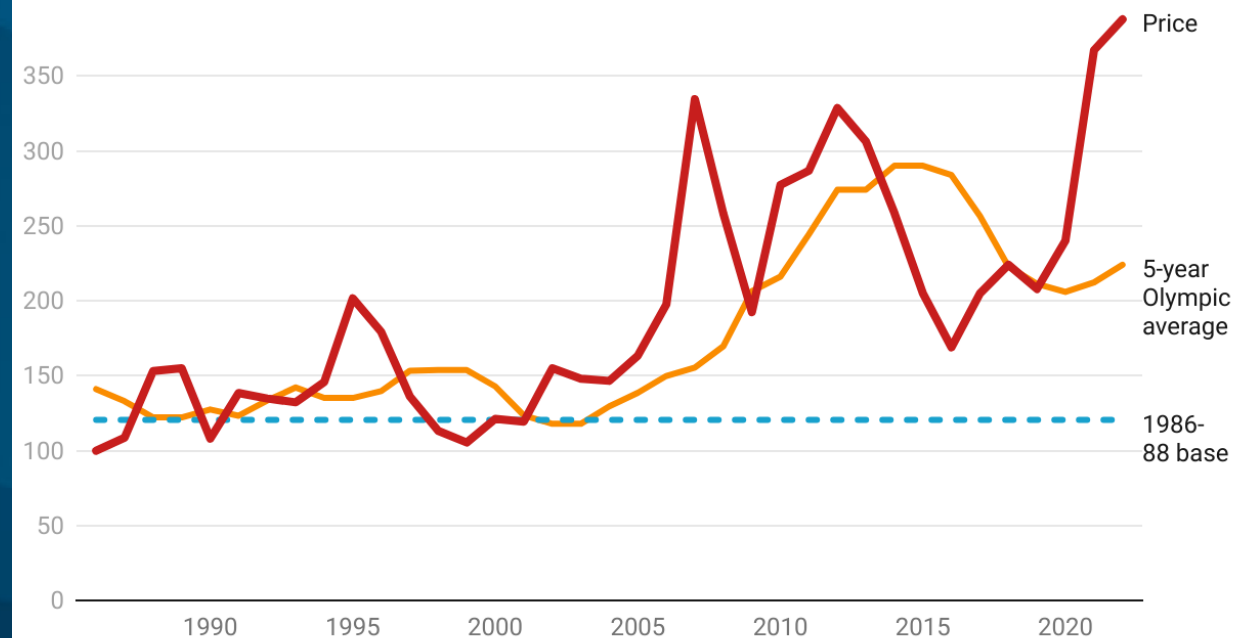


## Technical fix

- Nothing in negotiating history suggests that the base period for establishing FERP cannot be changed.
- Technical fix: update to a more recent period or base on a moving average of prices.
- Should fix be applied for all MPS or just for PSH?

### Wheat price

USD/MT



US Gulf HRW. Olympic average = five-year average of preceding years, excluding the highest and lowest values.

Chart: Joseph Glauber • Source: USDA/ERS



# Should PSH support be exempted from AMS disciplines and shielded from DSB challenges?

- Concerns for programmes where PSH support distorts production and trade
- Need for recourse against potential adverse trade effects of PSH programmes
- Exempt PSH support only in cases where exports and stock levels are minimal?
- Exemption only for LDCs and NFICs?

## Characteristics of selected PSH programmes

Percentage

Country/commodity	Exports as share of global exports	Exports as share of domestic production	Stocks as share of global stocks	Stocks as share of domestic production
China corn	0.0	0.0	68.7	76.6
China rice	3.7	1.4	61.5	75.8
China wheat	0.4	0.6	50.0	101.4
India rice	38.4	16.0	19.4	27.2
India wheat	2.5	5.0	6.8	17.7
Indonesia rice	0.0	0.0	1.9	13.7
Philippines rice	0.0	0.0	1.6	23.8

Shares based on 3-year average over 2020/21-2022/23 marketing years

Table: Joseph Glauber • Source: USDA PSD database, 12 January 2024





## Concluding comments/recommendations

- PSH remains contentious, much of the controversy caught up in a broader debate over what constitutes trade distorting support.
- Technical solutions regarding issues like defining the base period for establishing a fixed external reference price are relatively “simple”
  - The FERP should be updated and tied to moving average of past prices
  - The update should be applied more broadly to the AMS calculations for price support (but this will be more contentious).
- Price support under the PSH should remain subject to discipline, particularly for Members where PSH programmes are large relative to domestic production or where a country is a net exporter (eg, India rice).