Overview of public food stockholding programmes: policies and practices

IISD & IFPRI Webinar, 28 September 2023

Public Stockholding (PSH) Rules to Promote Food Security of All WTO Members

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– Types and objectives
– Key functions and related policy measures
– Examples of public food stockholding programmes in practice
– Possible impacts on domestic and international markets
– Final remarks
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.

**In practice**, the distinctions between different “types of stocks” can be **unclear**, with countries attempting to achieve **several objectives simultaneously**.

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<thead>
<tr>
<th>TYPES OF PSH PROGRAMMES</th>
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<td><strong>EMERGENCY STOCKS</strong>: to reduce the vulnerability of consumers to supply disruptions or food price shocks in emergencies</td>
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<td><strong>BUFFER STOCKS</strong>: to stabilize prices within the domestic market to avoid excessive volatility (the policy focus is on both consumers and producers)</td>
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<td><strong>STOCKS FOR DOMESTIC FOOD DISTRIBUTION / AID</strong>: to promote physical and economic access to adequate quantities of food for certain target population groups</td>
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KEY FUNCTIONS AND TYPICAL POLICY MEASURES

A combination of three functions (stock procurement, storage and release) and policy measures

- Market price support linked to the procurement of stocks
- Consumer support measures for stock release
**Example of measures related to procurement and release**

**Price support linked to procurement**

- Procurement at administered prices above world market prices may provide incentives for farmers to produce larger quantities than what they would otherwise produce and is usually considered a form of trade-distorting subsidy.

**Consumer support measures for release**

- Unbalanced targeting can offset consumer support measures. For those poor consumers not reached by such measures, the combination of high administered prices and import barriers can imply higher consumer prices.

+ Procurement at administered price can help achieve domestic policy objectives of providing income support to farmers (potentially critical for smallholder farmers).

+ Provision of certain quantities of food grains at subsidized prices to target population groups (e.g. in disconnected rural areas or poor urban neighborhoods) make food available at a lower price.
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**PSH PROGRAMMES: EXAMPLES OF STOCK PROCUREMENT**

**EUROPEAN UNION (past)**  
Various  
Income support programs, whereby procurement was triggered by prices falling below minimum price. CAP reform led to direct payments based on historical levels of production, and eventually decoupled payments.

**MALI**  
*Millet, Sorghum, Rice*  
Two types of stocks: SNS for emergencies and SIE for price stabilization; Procurement at administered prices for both.

**BOLIVIA**  
*Rice, Wheat, Maize, Soybean*  
Procurement is done by the Enterprise for Support in Food Production (EMAPA) at “fair prices”.

**JORDAN**  
*Wheat*  
Procurement at administered prices, but stocks also comprised of imports.

**INDONESIA**  
*Rice*  
Procurement at administered prices when market prices fall below the admin prices. Priority is domestic procurement, but stocks can also comprise of imports.
PSH PROGRAMMES: EXAMPLES OF STOCK RELEASE

**MALI**  
*Millet, Sorghum, Rice*  
SNS: free food distribution, intervention sales during emergencies, sales for technical rotation; SIE: intervention sales to individual consumer groups in areas with low cereals supplies or during lean periods.

**EUROPEAN UNION (past)**  
*Various*  
Export subsidies to release stocks on world markets. EU became a net exporter of several commodities such as beef, butter, sugar and wheat.

**BOLIVIA**  
*Maize*  
Commodities are transformed into flour and sold at a capped price to the population (including bakeries) through their selling points or other channels.

**JORDAN**  
*Wheat*  
As of 2018, the government replaced its subsidy programme with a targeted assistance system, removing direct subsidies to bakeries to keep the prices low, and distributing direct cash subsidy (called “bread subsidy”) to beneficiaries.

**INDONESIA**  
*Rice*  
Until 2019, stocks were released through food distribution (RASTRA) programme (10 kg/ HH/ month). Since 2019, food voucher scheme (BPNT) replaced RASTRA. Eligible HH receive purchasing card to buy basic food items. Also introduced ceiling prices (retail) for rice.
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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
IMPLEMENTATION EXPERIENCES AND IMPACTS ON MARKETS (2/2)

PSH programmes can 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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Countries may aim to hold public food stocks for a variety of objectives. Governments can use a combination of both producer- and consumer-oriented measures to implement their PSH programmes. 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: 1) countries tend to fulfil multiple objectives simultaneously and 2) 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.