PUBLIC FOOD STOCKHOLDING AND THE WTO

WHAT IS THE WIGGLE ROOM FOR GLOBAL SOUTH COUNTRIES?

Analytical note Humundi

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SOS FAIM

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INTRODUCTION

International trade in agricultural commodities is theoretically underpinned by a free-trade logic. This encourages the specialization of agricultural models, as it exploits the comparative advantages of each country or region around the globe. In so doing, the free market puts agricultures of unequal productivity and resources in competition with each other, threatening small-scale farmers in the Global South, while at the same time subjecting the price of agricultural commodities to the fluctuations of an increasingly financialized market[1].

While this model has enabled the massive circulation of agricultural commodities and the specialization of farming, thereby helping to increase food availability (pillar 1 of food security), it has also exacerbated inequalities, particularly between farmers. This agricultural model has therefore failed to meet the challenge of accessibility (pillar 2). (733 million people are still starving in 2024[2]) nor has it supported farmers' incomes. What is more, the sometimes-sudden fluctuations of stock markets subject populations to supply instability (pillar 3), increasing their food insecurity. This can have dramatic consequences, as in the 2007 and2011 food crises and, to a lesser extent, during the Russian invasion of Ukraine in 2022 (23 million additional chronically undernourished people[3]). Free trade is therefore not an appropriate response to agricultural trade, and food commodities should not be considered as just any other commodity.

However, the situation is even worse, since current international trade is a far cry from free and undistorted competition. Take, for instance, the massive backing granted to agriculture in the richest countries; the resulting hurdle faced by Global South countries in developing theirs, and the market power and privileged information on price trends available to the major commodity trading companies. These massive subsidies – primarily from the USA and Europe – completely distort free trade, with dramatic effects on food security in third countries.

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1 Weber, I. et Schulken, M., 2024. « Towards a Post-Neoliberal Stabilization Paradigm for an Age of Overlapping Emergencies: Revisiting International Buffer Stocks Based on the Case of Food », working paper no 602, Political Economy Research Institute (PERI).

2 FAO, 2023. « Résumé de L'État de la sécurité alimentaire et de la nutrition dans le monde 2023 »

3 FAO, 2023. "In Brief to The State of Food Security and Nutrition in the World 2023".

It is therefore time to set up market regulation and stabilization mechanisms to guarantee food security and enable the development of sustainable food systems[4].

Several factors are currently leading us to take an interest in market regulation issues: the recent agricultural protests for decent incomes that have sparked in many countries around the world; speculative phenomena on grain markets following Russia's invasion of Ukraine, which have increased food insecurity and inflation in many countries, against a backdrop reminiscent of the 2007 and 2011 crises. But also, more globally, tensions between countries that sometimes use agriculture as a means of political pressure, and environmental changes that will inevitably make agricultural production more erratic, hence subjecting populations to increased food insecurity. It is therefore necessary to support Global South countries' demands, the most disadvantaged nations in the debates, notably within the World Trade Organization (WTO), in order to provide answers to the challenges facing today's food systems.

4 *Ibidem.*

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1. PUBLIC STOCKS, A HISTORIC TOOL FOR SUPPORTING AGRICULTURAL SYSTEMS

a. Public stocks, food system and market regulation

Among the many tools that can be mobilized to regulate agricultural markets, public stocks for food security reasons (hereafter simply referred to as "public stocks") are of particular interest: these are programs set up to purchase, store, and distribute foodstuffs. The products concerned are food products containing calories or nutrients that make them crucial for food and nutritional security (e.g., coffee or cocoa public stocks are not considered public stocks for food security). Stocks are managed and held by a public entity. Most of the time, this is a national authority, but it can also be local, regional or international[5].

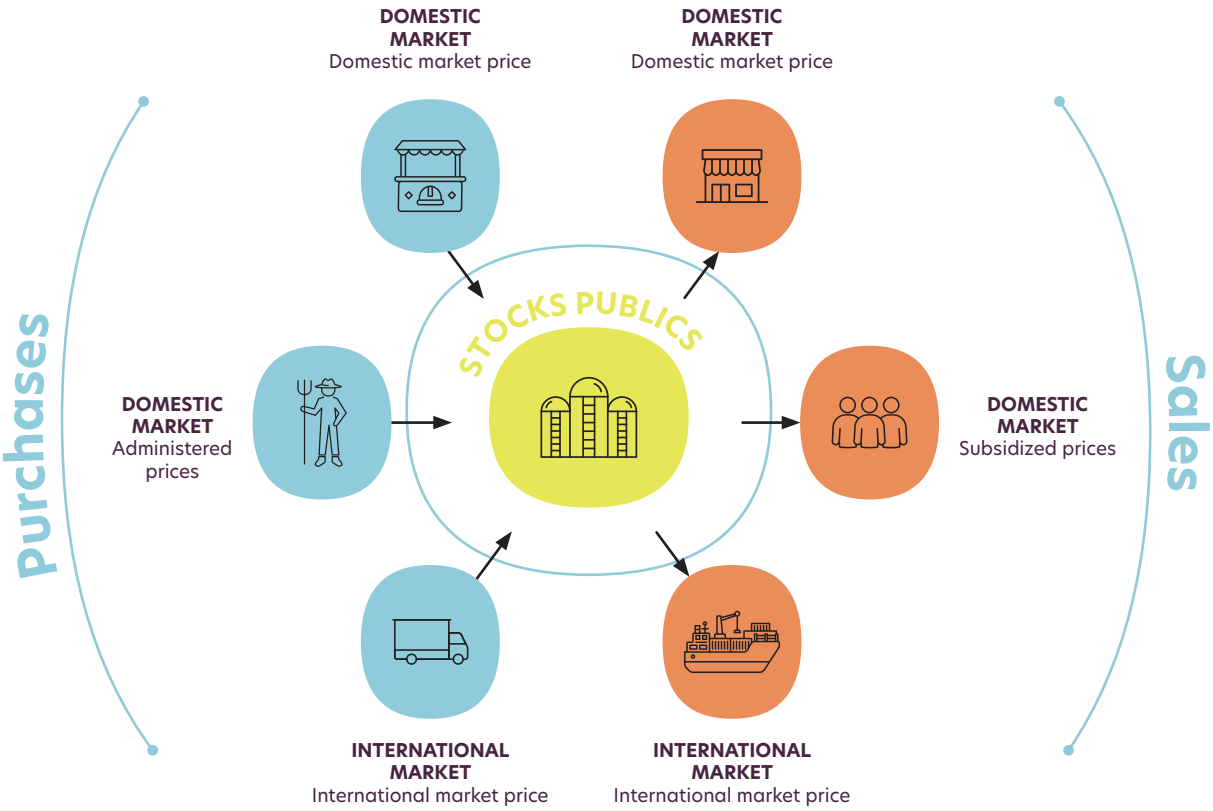
Cereals (rice, maize, wheat and, to a lesser extent, local cereals) are the main commodities covered by public stocks, not only because of their conservation capacity, but also due to their strategic importance for global food security. When prices are at their lowest - at harvest time -, public stocks make it possible to buy grains from farmers at government-set prices (known as administered prices) or at market prices. In most cases, these stocks are then redistributed to the poorest households at subsidized prices or in the form of food aid[6]. Resorting to public stocks therefore makes it possible to simultaneously 1./ provide outlets to farmers and, in the case of administered prices, support regional or national agriculture by setting floor prices to farmers, which mainly benefits small-scale agriculture with little storage capacity and can also, depending on the direction chosen, support local agriculture and the transition to sustainable food systems; 2./ combat food insecurity by offering agricultural commodities to populations in need (accessibility and availability dimension of food security); 3./ limit speculation on agricultural commodities by acting on stock levels

5 European Commission, 2018. "Food reserves. Using food reserves to improve food and nutrition security in developing countries" summary report, Directorate-General for International Cooperation and Development.

6 Nakuja, T., & Kerr, W. A., 2019. "International Trade and Food Security: Can Public Stockholding Be Dismissed?", International Journal of Food and Agricultural Economics (IJFAEC).

in the face of growing price volatility on international markets (stability dimension)[7]. Indian economist Sachin Sharma emphasizes these aspects of public stocks:

> *"To achieve self-sufficiency in foodgrains production and to shield the interest of low-income or low-resource farmers and poor consumers, the government announces prices at farm and consumer levels through price policy and public food distribution policy, respectively."*[8] *(p. 36)*



Functioning of public stocks
Source : OCDE, 2018.

Public stockholding programs (PSH) have historically been a central tool in national or regional agricultural policies, through purchases from farmers at subsidized prices.

At European level, prior to 1992, the European Union's (EU) Common Agricultural Policy (CAP) consisted of a guaranteed minimum purchase price for producers via customs protection and calls for bids by public authorities at that price level. By lowering

7 Mellal A., Derbal A., 2020. "L'OMC et les programmes de stockage publics à des fins de sécurité alimentaire dans les PED : avancées et perspectives" Dirassat review.

8 Sachin Kumar Sharma, 2016. "The WTO and Food Security. Implications for Developing Countries," Springer.

minimum prices, the 1992 reform and subsequent ones greatly diminished the scope of this policy. However, the CAP still guaranteed producers the stability they needed to develop (according to Green Revolution standards) between the 1960s and the 1990s. For over 50 years in the United States, agricultural policies included price support and supply control through public stocks and set-aside. The 1985 *Farm* Bill marked a watershed, with a reduction in support levels and an increasing role of direct payments. These reforms led to the collapse of public stocks:

> *"The United States changed its policy in 1985 and considerably reduced public stocks over the following years. The European Union changed its cereals policy from 1992 and reduced its stocks (including intervention stocks). The combined impact of the policy changes in these countries resulted in a reduction of more than half in their stocks, taking the 1999 peak as a reference. World cereal stocks have also been affected, with stock levels falling from 31% of total usage in 1999 to 18% in 2003, the lowest level since the mid-1970s." (p.65)*[9]

In any case, these agricultural policies demonstrate that market support and regulation programs have been one of the factors explaining why European and American agricultures are now among the most productive in the world: price stabilization has improved access to bank financing and boosted labor productivity.[10]

Fixed-price purchases provide farmers with a sustainable and sufficient source of income. For the Global South countries, such stability is an essential element in the fight against poverty among farmers. PSHs can thus contribute to greater food and nutritional security[11]. However, these government-set prices benefit larger producers more than smaller ones, given their greater sales volumes. The typology of farms in a region covered by PSH is of particular importance to ensure that overproduction is not encouraged, and that large farms are not favored. In West Africa, for example, the predominance of small- and medium-sized farms is conducive to purchases at administered prices (not practiced by Ecowap), while in Southern Africa the cohabitation of very large farms with very small ones will tend to favor the former at the expense of the latter.

Additionally, by stimulating agricultural investments and orienting production and marketing choices, PSHs also lead to more substantial food production, more productive farming systems, and a larger agricultural workforce and employment base upstream and downstream of production[12]. Moreover, combined with other market incentives, PSHs can support the transformation of food systems, whether through production methods – by making public purchases conditional on the adoption of agroecological practices; by stimulating the adoption of varieties more resistant to environmental changes or the use of organic fertilizers and pesticides. But PSHs can just as easily transform food systems through marketing methods, by encouraging farmers to form cooperatives or producer organizations, which offer the advantage of improving their weight and representativeness within the value chain. In this re-

9 European Commission, 2018. *Art. cited.*
10 South Centre, 2015. "WTO's MC10: Agriculture Negotiations - Public Stockholding", Analytical Note SC/TDP/AN/MC10/3.
11 European Commission, 2018. *Art. cited.*
12 Ibidem.

gard, the choices promoted by PSHs may be potential to contribute to the transition towards more diversified and sustainable food systems[13].

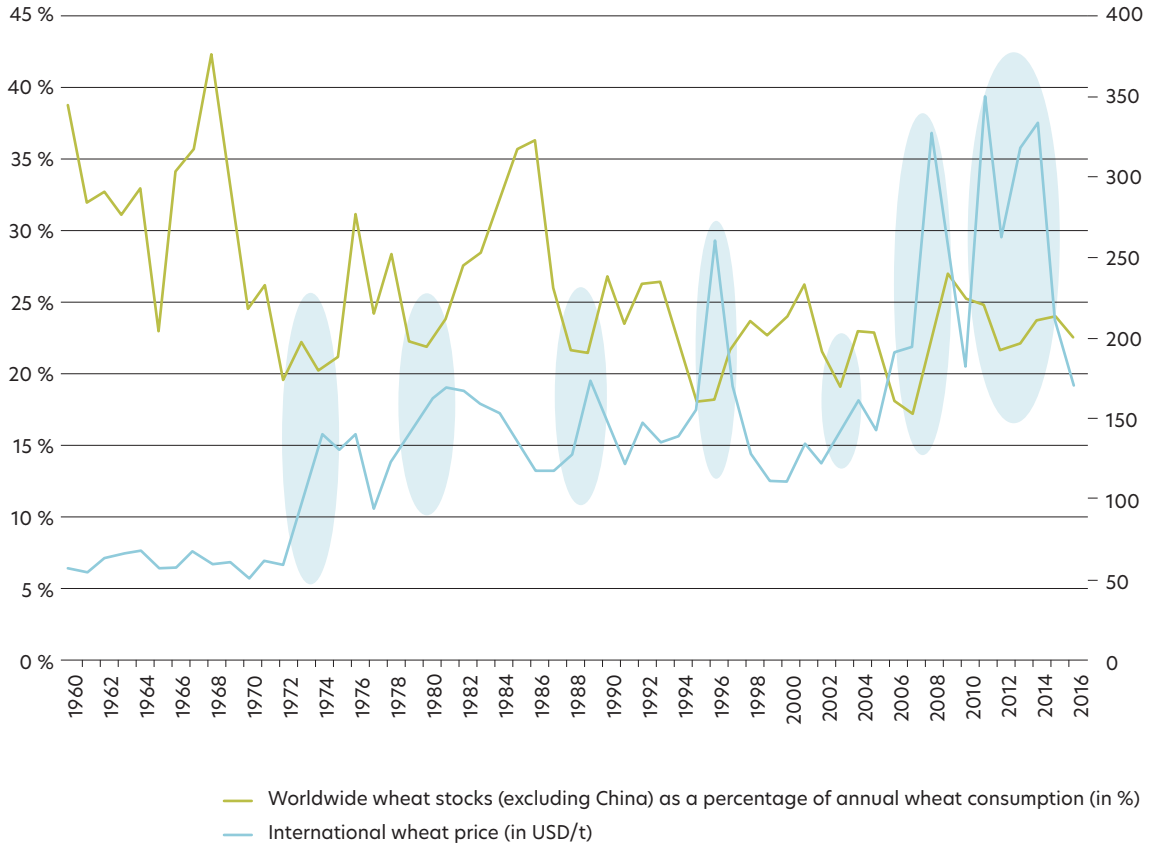
Managing food crises and combating speculation

In addition to supporting farmers by offering outlets and a minimum purchase price, PSHs also benefit the population by ensuring the availability of foodstuffs at subsidized prices. PSHs also have a positive effect on stabilizing agricultural commodity prices by limiting speculation. Both factors contribute to warranting food security.

As economist Franck Galtier's work has shown, main grains prices on agricultural markets are closely linked to total stocks levels (public and private). During the 2007/08 and 2011 crises, we saw very clear correlations, underlining that crises are more likely to occur when stock levels are low. This correlation has led the Food and Agriculture Organization of the United Nations (FAO), through its Agricultural Market Information System (AMIS), to monitor this evolution. This political will therefore supports the idea that minimum stocks levels would be sufficient to limit sharp price hikes and the spread of food crises, which raises the need to finance such programs[14].

13 Weber, I. and Schulken, M., 2024. *Art. cited.*
14 European Commission, 2018. *Art. cited.*

World stocks in relation to annual uses and international wheat prices



Source : Galtier, F., 2018.

These variations in agricultural raw materials prices particularly affect those countries most dependent on imports of basic agricultural commodities (Middle East and North African countries, Mozambique, Zimbabwe, Rwanda, etc.)[15]. Due to their low domestic production, these countries are extremely sensitive to variations in world cereal prices: indeed, it was in Arab world countries that the first food riots took place, initiating the 2007/08 crisis. Countries that are poorly connected to the international market (such as the landlocked countries of West Africa) also present interesting cases for setting up PSHs, since they face longer import lead times, which, in the event of a poor harvest, can trigger a critical food insecurity situation. Finally, for non-tradable grains, i.e., those not found on international markets (such as millet, sorghum...), PSHs are most useful. It is therefore primarily in countries meeting these conditions that it is necessary to support the creation or development of existing PSHs[16].

Public stocks are therefore an appropriate tool for many countries in the Global South to cope with bad weather, poor harvests or any other event that could lead to supply disruptions. Furthermore, if countries with large populations and significant cereal imports, such as Egypt or Maghreb countries, experience shortages and turn to international markets for supplies, there is a real risk of rampant crises. Indeed,

15 Weber, I. and Schulken, M., 2024. Art. cité; Sharma, S.K., 2016. *Art. cited.*
16 European Commission, 2018. *Art. cited.*

this is exactly what happened in 2007: 50% of price rises on the rice market were due to panic reactions to the fear of disruption (the remaining 50% being due to export restrictions by producer countries)[17]. The aim of PSH is to contain food crises and prevent them from spreading to other countries or regions of the world. Frank Galtier emphasizes this positive aspect of PSH:

> *"Holding stocks changes everything. Countries hit by a bad harvest can absorb the shock on their own instead of transmitting instability to international markets by reducing their exports or increasing their imports"* [18]*. (2018, p.64)*

However, as mentioned above, the confidence placed in supplies from international markets, promoted, amongst others, by the WTO, led to phasing out PSH support policies. The 2007 and 2011 food crises reshuffled the deck and breathed new life into PSHs, as many Global South countries saw it as a way of preventing such price booms from having catastrophic consequences for food security (+75 million additional people then became malnourished in the wake of the 2007/08 crisis, according to the FAO[19]).

JAPANESE RICE STOCKS AND THE 2007/08 CRISIS

In this respect, the 2007/08 crisis can teach us many lessons: while the causes of the crisis are multiple and complex, there is a form of consensus linking the historically low level of cereal stocks with the scale and spread of the crisis[20]. Recovering from the crisis will partly depend on the intervention of public stocks. Indeed, it is the ability to release large quantities of grain on strained markets that will be one of the factors enabling commodity prices to stop spiraling out of control, and thus decline.

The text of the WTO Agreement on Agriculture (AoA) (see section 3) stipulates minimum market access for specific agricultural products, which developed countries*[21] are committed to respecting. The latter are obliged to import a minimum of 5% of their annual consumption in the form of low- or zero-tariff quotas, in order to maintain minimum market access for developing countries* in particular. In total, there are over 1,370 tariff quotas of this type, which are binding commitments for Member States[22].

17 *Ibid.*
18 European Commission, 2018. *Art. cited.*
19 OECD-FAO, 2008. "Agricultural Outlook 2008-2017". Organisation for Economic Co-operation and Development (OECD) and the Food and Agriculture Organization (FAO) of the United Nations, Geneva and Rome.
20 Ibidem; Wright, B., 2012. "International Grain Reserves And Other Instruments to Address Volatility in Grain Markets" The World Bank Research Observer.
21 *: we use the terms "developed" and "developing" countries, as these are the official categories used in WTO jargon. However, we remain critical of terms that are based on a Western development-centered ideology. We will therefore place an asterisk every time these terms are used in this publication.
22 WTO, "Market Access", accessed June 27, 2024.

When it joined the WTO, Japan was obliged by Member States to import 5% of its rice consumption each year, in compliance with the aforementioned tariff quotas. In 2007, this amounted to 770,000 tons of rice. As this rice does not match consumer habits, it is not consumed locally. Some of it is distributed as food aid to other countries, sold to processors or used in animal feed. Japan is obviously not authorized to re-export this rice. However, given the severity of the crisis that erupted in 2007, pressure was put on Japan to release part of its stocks in order to bring down the world rice price. After much diplomatic prevarication, the United States made it clear it would not oppose the re-export of Japanese rice stocks (mostly from US exports), and that it would be lax on Japan's purchase commitments for 2007 and 2008[23].

Although these re-exports eventually did not happen, they were enough to unfreeze financial markets: faced with a potential fall in prices, exporting countries lifted their export bans, and importing countries decided to wait in order to obtain them at lower cost[24].

This example of rice clearly shows that using public stocks can control the runaway phenomena and speculative bubbles inherent in current markets, or at the very least mitigate them.

23 Galtier, F., 2022. "Intervenir sur les biocarburants et sur le stock OMC de riz du Japon pour stabiliser les prix alimentaires mondiaux", Pespective, CIRAD.

24 *Ibid.*

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Using public stocks plays a role in regulating agricultural crises by reducing dependence on international markets and mitigating the propagation of food crises. PSHs therefore protects the most vulnerable farmers and consumers from an open, fluctuating market.

Recent events (Covid outbreak, war in Ukraine, farm protests) have highlighted the weaknesses of our food systems, globalized supply chains and the precariousness of both consumers and farmers. These crises are bound to recur, given the exacerbation of extreme climatic phenomena, the growing financialization of the agricultural sector, and geopolitical tensions between antagonistic blocs. This growing instability raises the issue of the place of PSHs as a pivotal tool in managing food crises, controlling inflation, supporting decent incomes for farmers, and transitioning towards sustainable food systems[25].

b. Public stock limits

However, PSHs are not a perfect tool and have many limitations.

Regarding the domestic market, on the production side, they can lead to over-dependence on public programs. This can act as a disincentive, crowding out private investment in processing and trading activities along the value chain. The public authority's omnipresence over particular value chains can, if appropriate measures are not taken, ultimately compromise investments and the adoption of techniques to improve agricultural productivity, for example. On the consumption side, they may steer household consumption too sharply towards subsidized products, to the detriment of a varied diet. Moreover, if certain parts of the country are not served by logistics networks linked to PSHs, their populations will be excluded and may suffer from the side-effects of these programs (administered prices and import limits generally implying higher prices on the domestic market). It will then be necessary to find other ways of supporting these needy populations to combat food insecurity[26], through direct payments for example.

As far as public authorities are concerned, the cost of PSH remains the main obstacle. A 2012 World Bank study of PSHs in India, Indonesia, the Philippines, and Zambia showed that their total cost (including acquisition, storage, marketing, distribution, and possible losses) varied between 0.5% and 1.5% of the country's annual GDP[27]. This is a high cost for many countries in the Global South, which already face structural problems in financing their public services. In addition, if these programs are financed via commercial credits, interest charges can add to the financing burden. Finally, if storage is carried out under poor conditions, losses can sometimes be considerable. For example, the case of Zambia shows that such losses for maize can amount to 15-30% of the grain purchased, due to poor storage[28].

25 Weber, I. and Schulken, M., 2024. *Art. cited.*
26 FAO, 2021. "Public food stockholding - a review of policies and practices".
27 World Bank, 2012. "Using public foodgrain stocks to enhance food security".
28 FAO, 2021. *Art. cited.*

However, the cost of PSHs needs be considered in light of the cost of market instability consequences. Inflation, the creation of rents by dominant players or lack of access to borrowing can prove exceedingly costly, not to mention the social and political instability consequences of a food crisis. PSHs come at a cost, which can also be seen as an investment, but absence of PSHs can be much more costly if we leave aside the assumption that markets offer a free-of-charge equilibrium[29].

From a food security perspective, depending on the situation, the use of PSHs deserves comparing with other approaches. Indeed, taking into account financial constraints, but also operational costs in terms of distribution and coordination with other public entities, the question arises as to the efficiency of PSH in achieving food security goals. Direct payments can achieve excellent results if the aim is limited to supporting farm incomes but are not suitable for a large number of Global South countries for budgetary and logistical reasons (very large number of producers, little follow-up, sometimes in remote areas) and leads to a form of dumping by offering the agri-food industry the opportunity to buy below production costs. Similarly, cash transfers have the capacity to very quickly improve populations' food security, while allowing greater diversity in diets and giving them greater agency[30]. For the public authority, this solution has the advantage of reducing PSH implementation costs, but are no without challenges. For example, cash transfers most of the time fail to target the neediest households and though programs are often undersized. Moreover, cash transfers must be viewed with caution, as they do not reduce the problem of inflation, which can, in the event of price hikes, annihilate their potential to reduce food insecurity. Above all, cash transfers contain biases in terms of gender (men are more often in control of finances) and accessibility (they require nearby markets, making them unsuitable in remote areas).

Finally, PSHs effects on international trade are a controversial issue. On the one hand, support for specific crops can lead to large-scale production reallocations, reducing the quantities of x or y crops exported on the international market. In addition, imports from the country concerned may be reduced for crops covered by PSH, which may also have an impact on supplier countries. While this reduced dependence on the international market may be desirable from a food sovereignty perspective, it must be borne in mind that, in an internationally connected market, sudden and massive changes can have adverse effects[31]. This last point on the interconnection of countries supports, on the other hand, the need for public stocks in populous countries such as India or China: should a bad harvest occur in these countries, their massive demand for grain would literally dry up international markets, causing prices to soar. This argument argues in favor of the need for PSHs to protect the inhabitants of populous countries, as well as those in countries with low domestic production capacity and thus greater dependence on international markets[32].

29 Courleux, F., 2020. "Ces lieux communs des débats agricoles à l'épreuve du Covid-19", *Paysans & société*.

30 Sociological term referring to a being's ability to act on, transform or influence the world, things, and other beings. According to the Committee on World Food Security (CFS), agency is the 5th pillar of food security.

31 FAO, 2021. *Art. cited*.

32 Banga R., Sekhar C.S.C, 2015. "Public stockholding of food in India: Can it distort international trade?", CWS/WP/200/ 23, Centre for WTO Studies (CWS); Headey, D., 2011. "Rethinking the global food crises: The role of trade", Food Policy, International Food Policy Research Institute (IFPRI).

PSHs can also involve geopolitical issues, raised by major agricultural nations. The need for transparency is crucial to the widespread use of PSHs. A 2021 WTO report showed that only a fraction of these programs was notified to the organization: 34% of domestic support notifications remain outstanding, and only 24 members are 100% compliant with their notification requirements[33]. Greater transparency would undeniably facilitate negotiations and ease tensions between countries with antagonistic views.

KEEP THIS IN MIND:

> PSH are an interesting tool for regulating international agricultural trade. They make it possible to:
  - Support farmers' incomes by purchasing foodstuffs at administered minimum prices;
  - Fight food insecurity by supplying food at subsidized prices or through food aid to needy populations;
  - Mitigate commodity price volatility and prevent the spread of food crises.

> Beware, however, that they may imply:
  - Farmers' dependence on public purchases, leading to stagnation in the quest to diversify agricultural models;
  - A lack of diversification in the diets of populations benefiting from such programs;
  - Purchasing and maintaining stocks comes at a substantial cost for many countries in the Global South to be viewed in the light of the increasing cost of absence of stocks in times of crisis.

33 JOB/AG/197 cited in Glauber J. & Sinha, T.,2021. *Art. cited.*

2. PUBLIC STOCKS AND THE WTO

a. The Agreement on Agriculture and the regulation of international agricultural trade

Initiated in 1995 with the creation of the WTO, the Agreement on Agriculture (AoA) serves as a general framework for operating and regulating agricultural markets at international level. The AoA enshrines the liberalization of trade between member countries, encouraging them to rely on the international market for their agricultural supplies and, above all, constraining them from adopting measures at national level that could impede the free movement of goods and merchandise, e.g., to protect their domestic market by limiting imports.

Under current AoA rules, the scope for setting up public stocks is allowed as long as the purchase is made in open market. If purchased at a subsidized administered price, such stocks would constitute a form of domestic support: by fixing a minimum price, PSHs are seen as a means of providing farmers with price support, and thus a form of distortion of agricultural markets[34]. In addition, PSHs are perceived as a tool for geopolitical pressure and market distortion on the part of producing countries, since they enable prices to fluctuate upwards or downwards by storing or releasing large quantities of grain onto the market.

However, in terms of food security, a significant body of literature questions the WTO's current policy, due to the significant risk it poses to many Global South countries[35]. This raises these questions: is WTO's current agricultural policy adequate in terms of food security? And should the AoA be reformed in order to set up programs to support agriculture? Especially since the 2007/08 food crisis, many Global South countries have been calling for this.

The PSH issue is the subject of bitter struggles between groups of countries within the WTO. On the one hand stand the major agri-exporting countries (notably the Cairns Group[36] and the United States). They wish to take advantage of the opportunities offered by the free market to export their agricultural production, and therefore want to avoid any form of regulation that could harm their trade prospects. On the

34 Mellal A., Derbal A., 2020. *Art. cited.*
35 Sharma, S.K., 2016. Art. cited.; Mellal, A., Derbal, A., 2020. *Art. cited.*
36 Comprising the world's largest agri-exporting countries: Canada, Argentina, Australia, Brazil... see www.cairnsgroup.org.

other hand, countries in the Global South with chronic food security problems (G33[37], ACP[38], and the African group[39] according to WTO categories) are looking for regulatory mechanisms to solve the challenges of agricultural poverty and food insecurity.

b. Public stocks functioning and calculation

The AoA categorizes public agricultural support (domestic support) into three categories: green, blue, and amber. Support in the first two categories is not subject to any restrictions: the forms of support in the Green Box are theoretically decoupled from price and production, which theoretically ensures they have little or no distorting effect on agricultural trade[40] ; forms of support in the Blue Box are not restricted, provided the programs actually limit or reduce production (art. 6.5 of the AoA). Support in the Amber Box, on the other hand, is subject to restrictions, as it distorts trade[41].

According to the AoA, major food security policies (purchasing, storage, distribution) are covered by the green category (paragraphs 3 and 4 of appendix 2), making their expenditure theoretically unlimited. However, footnote 5 of Annex 2, which lists exemptions from domestic support reductions, states:

> *"governmental stockholding programmes for food security purposes in developing countries whose operation is transparent and conducted in accordance with officially published objective criteria or guidelines shall be considered to be in conformity with the provisions of this paragraph, including programmes under which stocks of foodstuffs for food security purposes are acquired and released at administered prices, provided that the difference between the acquisition price and the external reference price [ERP] is accounted for in the AMS [Aggregate Measure of Support]*[42]*. »*[43]

In other words, if foodstuffs for public stocks or food aid programs are purchased at market prices, spending on these programs is not restricted. This practice primarily benefits the richest countries, which have the financial means to buy food directly at market prices, such as the US Food Stamp program. However, if these purchases are made at administered prices, the price difference between administered and reference prices is recorded in the Amber Box, as these programs are then considered as a price support policy[44], and therefore trade-distorting. As such, PSH support at

37 Coalition of 47 developing countries* calling for more political space to manage the opening of their agricultural markets. Also known as "Friends of Special Products" in agriculture. Cf: www.wto.org/english/tratop_e/dda_e/negotiating_groups_e.htm

38 Africa, Caribbean, Pacific.

39 WTO members (and observers) from the 47-member African continent.

40 Extensive literature has long demonstrated that green box subsidies have distorting effects on agricultural trade. Cf. UNCTAD, 2007. "Green Box Subsidies: A Theoretical and Empirical Assessment"; Rashmi Banga, 2014. "Impact of Green Box Subsidies on Agricultural Productivity, Production and International Trade", Centre for WTO Studies (CWS); Sharma, S.K., 2016. *Art. cited.*

41 Sharma, S.K., 2016. *Art. cited.*

42 AMS or Aggregate Measure of Support is commonly referred to as the "amber box" of trade-distorting domestic agricultural support..

43 WTO, 1995. "Agreement on Agriculture".

44 As a reminder, the 1992 CAP and the 1985 *Farm Bill* abolished these price supports (amber box) and transformed them into direct payments (green box).

administered prices is accounted for in the Amber Box[45] and therefore subject to a maximum subsidy ceiling (the *de minimis* limit).

However, the *de minimis* rules for the Amber Box specify that support is limited, for each product, to 10% of the total value of production for developing countries* and 5% for developed countries* (art. 6.4 of the AoA). Beyond this percentage, which represents a margin of discretion offered to Member States to finance their agricultural sector, such support is illegal – and therefore subject to potential complaints from other Member States. The political space available to most developing countries* to set up these PSHs is *de facto* restricted to the *de minimis* rule.

For each agricultural production, the amount of subsidy is estimated according to the formula set out in Annex 3 of the AoA:

Market price support = (administered price - FERP) × eligible production

Three components are involved in the calculation:

Fixed External Reference Price (FERP)

This is the price established "on the basis of the years 1986 to 1988[46] and will generally be the average f.o.b.[47] unit value for the basic agricultural product concerned in a net exporting country and the average c.i.f.[48] unit value for the basic agricultural product concerned in a net importing country in the base period."[49].

This reference price is anachronistic compared to current market prices. Firstly, world prices were particularly low in the 1980s, due in particular to the massive subsidized exports by the EU's CAP[50]. Secondly, although agricultural prices remained relatively stable in the 1990s and up to 2005 (thus making this problem invisible), this situation did not last and following the price increases that led to the 2007/08 and 2011 crises, prices never returned to pre-2005 levels – they have remained 50% higher than in 2005[51].

45 Mellal, A., Derbal, A., 2020. *Art. cité*; Galtier, F., 2017. "Looking for a Permanent Solution on Public Stockholding Programmes at the WTO: Getting the Right Metrics on the Support Provided", International Centre for Trade and Sustainable Development (ICTSD) and Word Economic Forum.

46 For member countries of the WTO since its inception.

47 *Free on board* (f.o.b.): value of the good measured at the border of the exporting country.

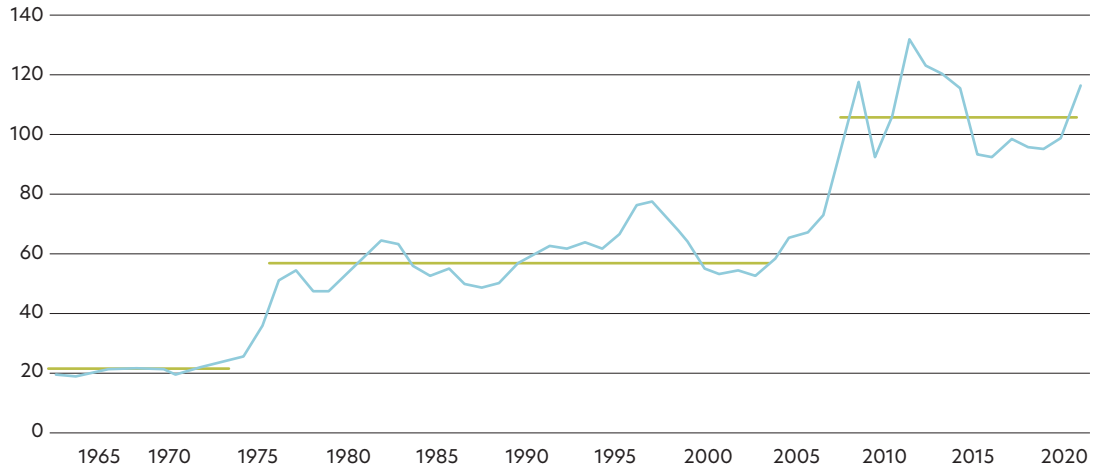
48 *Cost, insurance,* freight (c.i.f.): value of the good measured at the border of the importing country, i.e. f.o.b. price plus transport, insurance, and freight costs.

49 Paragraph 9, AoA Annex 3

50 Galtier, F., 2023. "Take an inch for a mile. About an error of metrics in WTO rules and its impact on the ability of countries to build public stocks for food security", *Food Policy.*

51 Glauber, J. & Sinha, T.,2021. « Procuring Food Stocks Under World Trade Organization Farm Subsidy Rules: Finding a permanent solution », International Institute for Sustainable Development.

Agricultural price index (base 100 in 2014-2016)



Source: I Glauber, J. & Sinha, T., 2021 based on FAO data, 2021.

The reference price would therefore need to be updated to consider inflation, and thus provide greater financing opportunities for PSHs[52]. The FERP would gain relevance if it were aligned with current prices on international markets. This is a major issue for developing countries*.

This inflationary trend can also be amplified by the currency chosen. The AoA does not stipulate which currency should be used to select the FERP: it may therefore be national currencies or, more generally, the dollar. The evolution of currency exchange rates against the dollar between the reference period and today can reinforce this difference. This factor works to the disadvantage of lower-income countries, as the use of a local currency that is losing value against the dollar increases the bias in the choice of reference period[53].

Of the 136 members subject to domestic support limits in 2024, 106 have 1986-88 as their reference period, as they have been members since the start of the WTO. For China, the reference period is 1996-98; Vietnam, 1999-2001; Russia, 2006-08... The FERP can thus work to the advantage of members if the FERP for these years is higher than the current market price; and to their disadvantage if it is below the current price (which is most often the case). In any event, this situation deserves to be equalized among all members by adopting a FERP based on current market prices[54].

52 Sharma, S.K., 2016. *Art. cited*.; ibidem; European Commission, 2018. *Art. cited*.
53 Galtier, F., 2017. *Art. cited*.
54 *Ibidem*.

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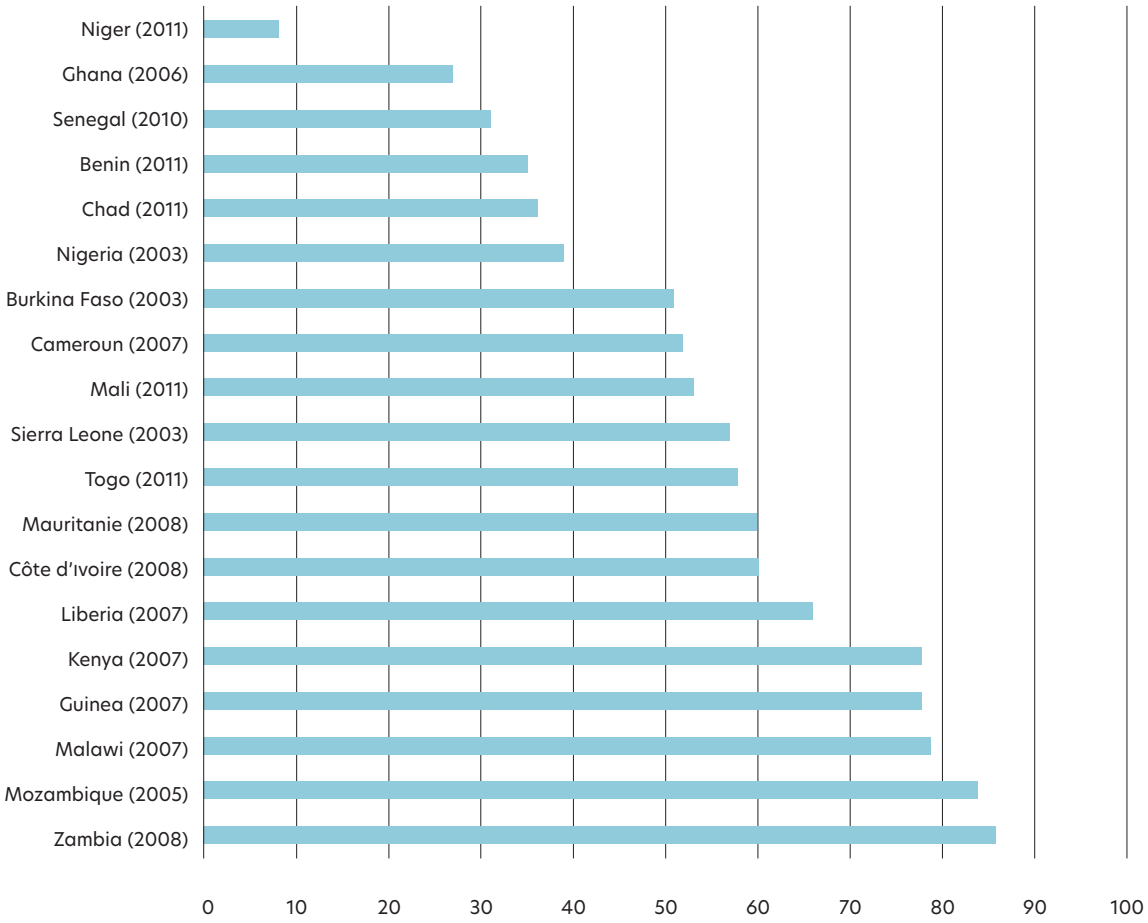
Eligible production

Eligible production is defined as "the quantity of production eligible to receive the applied administered price"[55]. There are multiple interpretations of the perimeter of eligible production, but WTO jurisprudence has already clarified (South Korea-beef case in 2000) that eligible production concerns total national production, unless the quantity concerned by purchases of public stocks is specified upstream[56].

By adopting this indicator (total national quantity), the AoA assumes that farmers sell their entire production. This calculation method therefore does not take into account the quantities actually procured over and above the amount that is used for self-consumption by farmers' households or sold in the open market at market price. However, according to data aggregated by Galtier in 2017, self-consumption is particularly significant in developing countries* where small-scale farming provides an occupation for a great proportion of the population and is their primary means of subsistence[57].

55 Paragraph 8, appendix 3 of the AoA.
56 Galtier, F., 2017. *Art. cited.*
57 Galtier, F., 2017. Art. cited.; I Glauber, J. & Sinha, T., 2021. *Art. cited.*

Percentage of maize self-consumed by farmers in selected African countries



Source: I Glauber, J. & Sinha, T., 2021 based on data from Galtier, 2017

Adapting the calculation of eligible production to consider self-consumption in addition to open-market sales at market prices is, however, hampered by the difficulty of collecting this data. This can prove tricky when it comes to measuring and evaluating the quantities consumed by farmers in countries where institutions suffer from a lack of human and financial resources.

The administered price

A final bias in the calculation method adopted by the WTO arises because the price used to calculate the support apply the administered price to all the production and not only to the procurement component. The current approach ignores the component of open-market sale by farmers at market prices and their self-consumption. The underlying assumption is that the administered price completely determines the domestic price, which would imply that farmers selling on the domestic market benefit from the administered price, which is obviously false. Unless there is a massive purchase on a national scale, or under certain specific conditions[58], purchases by PSHs are usually made on a local and/or regional scale and are therefore often too small on a national scale to have a substantial influence on the domestic market price. Moreover, this hypothesis isolates PSH purchasing policies from other regulatory measures: the quantity of food

58 For example, in developing countries* where farmers' self-consumption is high, it is easier for PSH purchases to have a significant impact on domestic market prices.

released in the form of subsidized sales or free distributions (food aid) will tend to offset, or even cancel out, the effect of PSH purchases on prices. Ultimately, it seems exaggerated and erroneous to confuse administered prices with domestic market prices[59].

***

The biases in the WTO's support price calculation methods – and therefore the opportunities available to PSHs – greatly overestimate the domestic support actually provided by developing countries*, thereby reducing the policy space available to them. These countries are therefore discriminated against by the terms of the debate as laid down in the AoA. All the more ironic, these limitations never actually applied to them between the 1950s and the 1990s, when developed countries* (notably the EU and the USA) massively financed and protected their agricultural sector, which has made them so competitive on the international market today (this support was then converted into Green Box and FBAMS, see chapter 6). On top of the budgetary limitations faced by developing countries*, the restrictions imposed by the AoA undermine their ability/policy space to set up support mechanisms for their agricultural sector to combat their populations' food insecurity. Substantial changes need therefore be made in the AoA, and numerous proposals have been drawn up to this end.

KEEP THIS IN MIND:

> **The WTO controls and limits Member States' domestic support in order to avoid any trade distortion;**
> **By purchasing at administered prices, PSHs provide a form of minimum purchase price, and the subsidies involved in offering such a price are seen as Amber Box subsidies and are therefore limited by the AoA;**
> **However, the WTO calculation greatly overestimates the support offered in the following ways:**
>
> - **A fixed reference period, which does not consider agricultural price inflation;**
> - **No account is taken of farmers' own consumption nor open-market sales at market price, which overestimates the share sold to PSHs;**
> - **The actual subsidy or price support is not based on the actual procurement from farmers which received the administered price, overvaluing open-market sales and farmers' incomes.**

59 Galtier, F., 2023. *Art. cited.*

3. THE GLOBAL SOUTH'S CLAIM FOR PUBLIC STOCKS

a. Bali, the pledge to a permanent solution

Faced with the pitfalls of WTO rules and the Doha Round in deep coma[60] – the round has been officially open for 23 years! –, developing countries* are beginning to organize themselves to obtain the political space they need to develop their agricultural sector and combat their populations' chronic food insecurity. As early on as 2008, India tried to promote, to the US and European authorities, its public stockholding policy and its potential in the face of food crises, but was rebuffed. In the midst of the food crisis, the failure of constructive discussions and mutual accusations of responsibility for the crisis[61] shattered AoA's neoliberal ideology. These events contributed to the stalemate in multilateralism and the dormancy of the Doha Round.

In 2012, the G33 accelerated the negotiation process by tabling a series of amendments to the draft document on agriculture[62], which will serve as the basis for negotiations at the 9th ministerial conference in Bali in 2013. These proposals include a modification of PSH requirements by removing subsidized food purchases from the calculation of domestic support (Amber Box) and therefore be allowed to give such subsidies under the Green Box. This amendment to the AoA would have enabled

60 The Doha Round, launched in 2001, promised to regulate trade-distorting support from developed countries*, substantially improve market access, and reduce and eliminate all forms of export subsidies. The stalled negotiations led to the round being abandoned in 2006, and this remains a stumbling block to this day between developed* and developing* countries.

61 The New York Times, "Indians Find U.S. at Fault in Food Cost", May 14 2008.

62 TN/AG/W/4/Rev.4, paragraph 1-3 of Annex B (p. 39).
See: Bellmann, C., Hepburn J., Krivonos E., Jamie Morrison J., 2013. "G-33 proposal: early agreement on elements of the draft Doha accord to address food security", International Centre for Trade and Sustainable Development.

developing countries* to subsidize their PSHs indefinitely at administered prices[63].

Unfortunately, members were unable to agree on such a text, leading to an impasse in the discussions. However, the states did agree on an interim peace clause in which:

> *Members shall refrain from challenging through the WTO Dispute Settlement Mechanism, compliance of a developing Member with its obligations under Articles 6.3 [AMS] and 7.2 (b) [de minimis] of the Agreement on Agriculture (AoA) in relation to support provided for traditional staple food crops in pursuance of public stockholding programmes for food security purposes existing as of the date of this Decision*[64].

This agreement further stipulates that "Members commit to the work programme mentioned in the previous paragraph [the permanent solution] with the aim of concluding it no later than the 11th Ministerial Conference."[65]. This is a temporary solution found in the absence of political compromise, which must lead to a permanent solution within 4 years. This agreement was further clarified by the General Council Decision dated 28 November 2014[66].

Although it represents a positive step for developing countries*, this clause is subject to conditions that limit its effective scope:

- "Traditional staple food crops": the clause does not apply to all foodstuffs, but only to "primary agricultural products that are predominant staples in the traditional diet of a developing Member"[67];
- "Existing as of the date of this Decision": the peace clause includes only programs existing *prior* to the decision, which means that any new program developed after 2013 will not benefit from the exemptions;

63 The proposed bold addition to footnote 5 of AoA Annex 2 by the G-33 suggested: "governmental stockholding programmes for food security purposes in developing countries whose operation is transparent and conducted in accordance with officially published objective criteria or guidelines shall be considered to be in conformity with the provisions of this paragraph, including programmes under which stocks of foodstuffs for food security purposes are acquired and released at administered prices, provided that the difference between the acquisition price and the external reference price is accounted for in the AMS. **However, acquisition of stocks of foodstuffs by developing country Members with the objective of supporting low-income or resource-poor producers shall not be required to be accounted for in the AMS."**

64 WT/MIN(13)/38.

65 *Ibid.*

66 WT/L/939.

67 Foot note 2 in WT/MIN(13)/38.

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- Notification obligation: the notification obligations required of Member States are costly and sometimes impossible to implement for countries with the lowest incomes (quantity and quality of data collection, cleaning, analysis, interpretation and reporting in the WTO format). Generally speaking, very few developing countries* and least developed* are able to comply with notification follow-up across multiples agreements of the WTO;
- "do not distort trade or adversely affect the food security of other Members". In other words, PSHs will have to ensure they have no adverse effects on other members' food security, but how this impact is to be measured remains unclear.

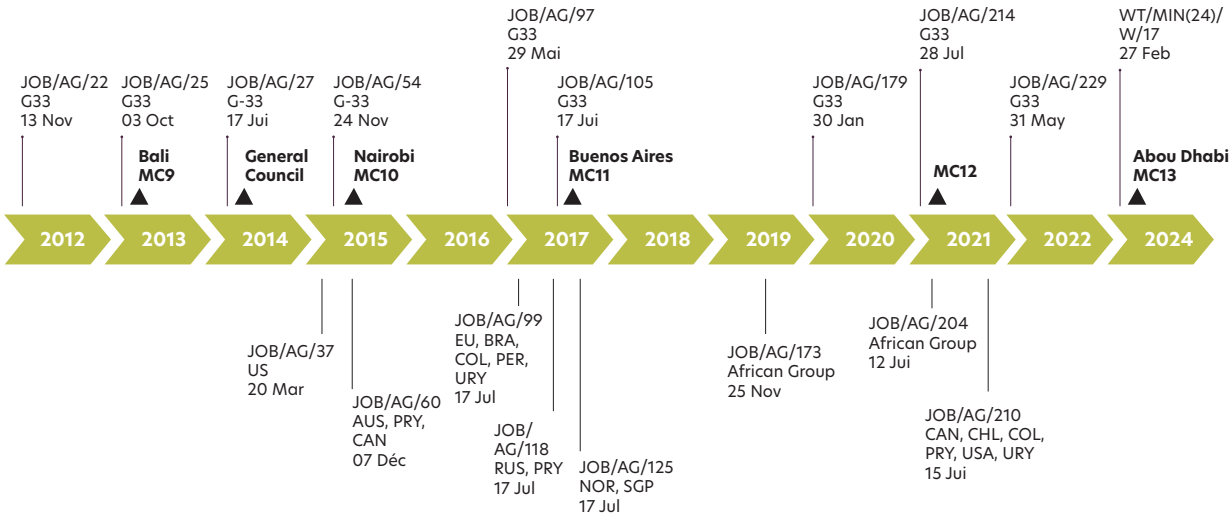
At the 10th ministerial conference in Nairobi in 2015, the members reaffirmed the mandate (WT/MIN(15)/44) for a permanent solution to be found by the 11th ministerial conference in 2017, as committed to in the peace clause. But even at the 13th ministerial in 2024, no agreement had yet been reached, and negotiations ended in deadlock[68]...

68 Défis Sud, "L'OMC, une institution en berne", March 21, 2024.

b. The unwavering search for a permanent solution

The peace clause is therefore still in force, but for developing countries* it remains essential to find a permanent solution, as this clause is precarious and already being called into question by the agri-exporting countries. Numerous proposals from the G33, in particular, have been tabled to move the negotiations forward.

Timeline of PSH proposals (2012-2024)



Source : IISD, 2021 and author's design.

The latest proposals, put forward by more than 80 countries, i.e., half the WTO membership, was submitted in May 2022 (JOB/AG/229: "Public Stockholding for Food Security Purposes. Proposal by the African Group, the ACP, and G33") and in February 2024 (WT/MIN(24)/W/17)[69]. These proposals brought about a new calculation of the reference price based on the last five years[70] and an allowance for excessive inflation in addition to changing "eligible production" to "actual procurement". According to the proposals, such PSH programs shall include: purchase at administered prices, resale at subsidized prices, and a commitment to transparency and conducted in accordance with officially objective criteria... Lastly, these proposals contain specific amendments to the AoA, so that the countries concerned can benefit from the political space required to finance PSHs.

However, in spite of the aforementioned proposals, agri-exporters countries as well as other developed countries have relentlessly refused to negotiate on this issue. Led by Costa Rica, some agri-exporting countries (JOB/AG/243) are now trying to subsume the PSH procurement into the total absolute level of domestic support (subsidies) and halve the total. This will lead to more commitment by developing countries* compared to developed ones* because it will focus on a cut on all subsidies

69 The African Group, the ACP, and G33*, "Public stockholding for food security purposes", WT/MIN(24)/W/17, February 27, 2024.

70 According to the Olympic calculation method, removing the highest and lowest data and averaging the other three years.

together rather than on the most inequitable ones[71]. This strong headwind raises serious doubts about the likelihood of Member States to find an agreement.

At the 13th ministerial conference held in Abu Dhabi in 2024, negotiations on the agricultural dossier that included the permanent solution among other issues failed to reach a conclusion, and the search for a permanent solution was again postponed until 2026. However, the draft text on agriculture did contain a proposal to that effect:

> *"28. [Pursuant to the Bali Ministerial Decision (WT/MIN(13)/38-WT/L/913), the General Council Decision (WT/L/939) and the Nairobi Ministerial Decision (WT/MIN(15)/44-WT/L/979),* ***Members adopt a permanent solution as set out in Annex [...] to this decision].***

OR

> *[Pursuant to the Bali Ministerial Decision (WT/MIN(13)/38-WT/L/913), the General Council Decision (WT/L/939) and the Nairobi Ministerial Decision (WT/MIN(15)/44-WT/L/979),* ***Members undertake to pursue and intensify negotiations on PSH in Dedicated Sessions of the CoA-SS and agree and adopt a permanent solution on the issue of public stockholding for food security purposes by MC14,*** *which shall be available to all developing country Members. Public stockholding programmes shall not distort trade or adversely affect the food security of other Members."*[72]

KEEP THIS IN MIND:

- Developing countries* succeeded in obtaining a temporary solution to maintain existing PSHs via the Bali peace clause in 2013;
- But this clause is precarious and insufficient, as it restricts the implementation of new programs;
- Developing countries* are calling for a permanent solution, as promised since Bali;
- Numerous negotiations have taken place, but agri-exporting countries, including the US and the EU, are blocking their adoption.

71 Sengupta, R., 2024. "Agriculture and Food Security in the 13th Ministerial Conference of the WTO: Going forward or backward?", Third World Network.

72 OMC, « Projet de texte sur l'agriculture », WT/MIN(24)/W/13, 16 février 2024.

4. NATIONAL AND REGIONAL PUBLIC STORAGE INITIATIVES

Many countries have set up public stock programs since 1995: by 2021, 32 countries had notified such programs to the WTO[73]. These schemes were generally set up before 2013 and the adoption of the Bali Peace Clause.

a. National initiatives

India - *The Food Corporation of India* (FCI)

India is a huge agricultural country, and the protests that have marked the country's political life in recent years are a reminder of just how strategic this sector is. And rightly so: the agriculture, fisheries and forestry sectors will account for 16% of gross domestic product (GDP) by 2023[74] and agriculture alone employs 43% of the country's workforce[75]. The FCI is a public body created in 1964, under the authority of the Ministry of Consumption, Food and Public Distribution. Its objectives are: 1. to provide farmers with remunerative prices; 2. to make grain available and affordable; 3. to maintain buffer stocks as a tool for food security; and 4. to intervene in markets to regulate prices.

Studies have shown that the impact of the CFI on price stabilization has been positive: remunerative prices for wheat and rice between 2006 and 2012, reduced price volatility over the same period and, finally, more stable purchase prices with the CFI than without[76]. However, according to the *Agricultural Market Information System* (AMIS) set up by the G20, India's stocks in 2012 accounted for respectively 6% and 7% of the total use of wheat and rice worldwide[77] ! This weight in the world cereals market confers huge geopolitical power on the FCI, which can pose a problem in the event of mismanagement or bad geopolitical intentions: between 2007-2011, faced

73 Glauber, J. & Sinha, T.,2021. *Art. Cite.*
74 World Bank, "Agriculture, forestry, and fishing, value added (% of GDP)", accessed July 5, 2024.
75 World Bank, "Employment in agriculture (% of total employment)", accessed July 5, 2024.
76 Deuss, A., 2015. "Review of the performance and impacts of recent stockholding policies", *Issues in Agricultural Trade Policy: Proceedings of the 2014 OECD Global Forum on Agriculture,* OECD.
77 Saini, S., Kozicka, M., 2014. "Evolution and Critique of Buffer Stocking Policy of India", working paper no 283, *Indian Council for Research on International Economic Relations (ICRIER).*

with rising prices during food crises, India prohibited and then taxed rice and wheat exports in order to insulate and protect its domestic market from price peaks. In so doing, this policy contributed to price hikes in India's partner countries. Secondly, the storage policy does not seem to follow price trends (storage when prices are low, release when prices are high): the FCI seems to continue to accumulate when prices are high, and phases of destocking do not seem to correctly follow storage phases[78].

This policy lacks transparency and fair play. According to some analyses, it may even lead to a national increase in food insecurity, as the storage-at-all-costs policy may reduce the availability of grains on the domestic market and ultimately lead to higher prices[79]. This situation contributes to agri-exporting countries' reluctance towards India's stockholding policy and, more generally, to the demands for a permanent solution to the issue of public stocks. Indeed, this issue is still at the core of agricultural negotiations at the WTO.

China - *China Grain Reserve Corporation (Sinograin)*

Agriculture is a strategic sector in China: combined with fisheries and forestry, it will account for 7.1% of GDP by 2023[80] and 23% of total employment by 2022[81]. To improve the sector's productivity and enhance food security, Sinograin was set up in 2000. Its ambition is to manage a stock of cereals, support the purchase of agricultural products, charter commodities between regions of the country and trade on international markets.

Despite very positive results in terms of reducing food insecurity and chronic famine[82], the same pitfalls can be found in China's PSH as in India's: its stocks consist mainly of wheat, rice, and corn, but their exact size is a state secret (800 million tons of agricultural commodities by some estimates[83]). This lack of transparency not only makes it more complicated to analyze of the impact of the country's PSHs, but also points to the geopolitical ambitions and hegemony that such programs can entail. What is more, Sinograin's storage/withdrawal policy does not seem to adequately follow market fluctuations, which casts doubt on the achievement of its objectives in its fight against food security[84].

78 Deuss, A., 2015. *Art. cited.*
79 *Ibid.*
80 World Bank, "Agriculture, forestry, and fishing, value added (% of GDP)", accessed July 5, 2024.
81 World Bank, "Employment in agriculture (% of total employment)", accessed July 5, 2024.
82 Sharma, S.K., 2016. *Art. cited.*
83 Courleux, F., 2024. "Une politique alimentaire et agricole européenne pour des temps de guerre", *Paysans & Société.*
84 Deuss, A., 2015. *Art. cited.*

***

Even if public stocks in large-population countries such as China and India could be improved, should benefit from greater transparency regarding the state of their stocks, and represent a threat to the commercial opportunities of agri-exporting countries, they remain essential to avoid drying up international markets in the event of a poor harvest. Indeed, in such circumstances, it is not even certain that these countries would be able to find the grains they need on international markets, given the quantities of cereals traded there (± 10% of world grains)[85]. In any case, poor harvests in these countries would be catastrophic for many third countries' food security. Countries like China or India are therefore obliged to hold public stocks which, in turn, contribute to the stabilization of international markets that other countries also benefit from.

85 Headey, D., 2011. *Art cited.*

Indonesia - *Perusahaan Umum Badan Urusan Logistik (Bulog)*

Indonesia has a long tradition of storing rice to ensure food security. In 1967, Bulog, the government's logistics management agency, was founded. Bulog set a minimum purchase price, known in advance at sowing time, including production costs and a margin to encourage investment and innovation. The difference between the minimum and maximum price was deliberately large, to stimulate private investment. Bulog also benefited from an interest-rate credit line subsidized by the central bank, enabling it to invest and gradually expand into other commodities (sweet, wheat, soya, corn, etc.)[86].

Domestic prices remained relatively more stable than world prices, and it was only in 1997/98, during the Asian economic crisis, that it became impossible to maintain control over prices (the macro outweighing the micro). Notwithstanding this event, price stability over 30 years has enabled a drastic reduction in poverty and food insecurity and ensured relative social peace for the dictator Suharto. However, in 1998, Bulog changed its objective from stabilizing domestic prices in relation to international prices (supporting either farmers or consumers) to supporting high prices (above the international market) while supporting consumer prices (Raskin program). Bulog's change of objectives was very damaging to the program, as it led to a dramatic surge in the cost of managing public stocks.

In 1998, the Raskin ("food for the poor") targeted food transfer program was then launched to provide deprived people with rice to compensate for the Bulog's new price support targets. This program gradually became the government's centerpiece in the fight against food insecurity but given its imperfect targeting it produced poor results in terms of combating food insecurity. In-kind transfers ultimately had a limited effect on the population's food consumption and were not cost-effective, but at the very least had a limited negative effect on other countries' food security[87].

Storage in EU Member States

A communication published by the European Commission in 2021[88] attempted to draw lessons from the Covid-19 crisis, its impacts on the food supply and the improvements that could be made to enhance the "resilience" of our agri-food systems. The publication also outlined the *Contingency Plan for Food Security,* part of the Farm to Fork (F2F) strategy. This plan, to be activated in times of crisis in food systems, would help maintain food supply and security in the EU. The plan aims to coordinate preparedness and responses in the event of a crisis, so as to guarantee citizens a sufficient and varied supply of safe, nutritious, affordable, and sustainable food.

The plan was accompanied by a consultation of stakeholders, including EU Member States. The communication reveals that many EU countries have implemented food security monitoring and response programs. Surprisingly, 7 countries have public stock programs underway. Countries like Finland and Switzerland have stockpiling policies, which can be explained by geographical conditions that are not conducive to agriculture, or because the country is landlocked (up to 6 months' reserves

86 European Commission, 2018b. "Food Reserves Using food reserves to enhance food and nutrition security in developing countries. Case Studies", Directorate-General for International Cooperation and Development.

87 *Ibid.*

88 European Commission, 2021. "Contingency plan for ensuring food supply and food security in times of crisis", SWD/2021/317 final.

consumption for Finland; 3-4 months for Switzerland[89]). Other countries with similar geo-climatic conditions, such as Sweden, nevertheless closed their last public stocks in 2022. Germany maintains fairly substantial reserves: 800,000t of cereals (wheat, oats, rye), 100,000t of rice, 4,500t of condensed milk and 40,000t of pulses (peas and lentils). More generally, it seems that low levels of self-sufficiency are prompting governments to maintain public stock programs[90].

As far as the costs of these programs are concerned, although they do not face the same financing difficulties as countries in the Global South, they still amount to substantial financial investments: €21 million in 2021 alone in Germany; €5.5/person/year for human and animal food reserves in Switzerland[91]. In spite of the costs they imply, the maintenance of such PSHs provides an interesting insight into the costs absence of stocks would entail for these countries. For Global South countries, on the other hand, where public policies are chronically under-financed, it is harder to anticipate in such a way.

Finally, at EU level, we must mention the adoption on January 16, 2023, of the Directive on the Resilience of Critical Entities (EU 2022/2557[92]). The Commission had drawn up a list of essential services[93] in the 11 sectors covered by the directive (energy, transportation...). Member States are required by mid-2026 to identify the entities in charge of these essential services in order to enhance their resilience[94]. In the food production, processing and distribution sectors, the Commission requires Member States to take measures in the supply chain, including storage.

89 By comparison, the Sahel countries, which are subject to major shocks, have only 3-4 days' consumption in their reserves.

90 *Ibid.*

91 *Ibid.*

92 Directive (EU) 2022/2557 of the European Parliament and of the Council of 14 December 2022 on the resilience of critical entities.

93 According to art. 2: "service which is crucial for the maintenance of vital societal functions, economic activities, public health and safety, or the environment".

94 According to art. 2: "critical entity's ability to prevent, protect against, respond to, resist, mitigate, absorb, accommodate and recover from an incident

b. Regional initiatives

Regional stock of the Economic Community of West African States (ECOWAS)

The development of storage has been part of ECOWAS regional agricultural policy (ECOWAP) since 2005. Following food crises in the region's three landlocked countries (Burkina Faso, Mali, and Niger), the practice of public stockholding began to develop at national level. After 2008, governments and the international community rallied behind the idea of developing such reserves in the region. The aim was to be able to respond to crises more rapidly than international aid, but also to recreate bonds of solidarity between states. Adopted in 2012, the regional storage strategy rolls out on three levels: I. local stocks managed by producer groups or cooperatives; II. national food security stocks managed by States; and III. the Regional Food Security Reserve (RFSR) set up by ECOWAS and managed by the Regional Agency for Agriculture and Food (RAAF). The strategy is therefore based on the complementarity of these different tools, which can be activated according to needs and geographical scales[95].

The RFSR offers an interesting example of multilateralism, as it is a mutualized tool, made available to Member States. It is based upon regional solidarity between sub-region states, while respecting the subsidiarity principle. It is not designed to impinge upon Member States' national policies, but rather to support them during food crises. While all countries contribute to the reserve, they do not all benefit equally: landlocked countries (Mali, Burkina Faso, Niger) have higher quotas for access to the reserve. The same applies to countries with the lowest incomes, or those experiencing the most severe crises. Countries then commit to repaying what they have borrowed from the RFSR. One of the financing methods originally considered gives food for thought: the Zero Hunger tax on all non-edible imports from outside the ECOWAS zone. The biggest contributors will be the most "advanced" economies on the Atlantic coast (Côte d'Ivoire, Ghana, Nigeria)[96].

Focusing mainly on local cereals (millet, sorghum, white maize, but also rice), the RFSR focuses on foodstuffs that are essential for the local population, and which have little presence on international markets (except for rice). These grains can be stored easily, also making these PSHs highly relevant in the West African context. In 2021, the RFSR stock stood at around 42,000t (27% millet, 27% sorghum, 23% maize, 21% rice), which is still a long way from the 140,000t target of physical reserves and 270,000t of financial reserve equivalent[97]. As for local grains (millet, sorghum), the practice of regional storage makes it possible to support local agriculture while stabilizing production, which is structurally unstable from year to year and to support humanitarian interventions[98].

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95 Salifou O. (coord.), 2020. "Mémento du stockage de proximité en Afrique de l'Ouest", ARAA/Cédéao.
96 European Commission, 2018b. *Art. cited.*
97 ECOWAS Commission, 2021. "Le système ouest-africain de stockage de sécurité alimentaire. Synthèse des enseignements et perspectives".
98 Sangaré, S., 2018. "Entretien avec le Commissaire de la Cédéao: quelles solutions régionales à la crise ?", *Grain de sel,* no 76.

Despite promising objectives, the RFSR is facing several difficulties:

- Financial resources: until recently, RFSR purchases have been financed exclusively from EU funds, so financial equilibrium is still far from being achieved: storage is very costly, and funding from ECOWAS remains too limited, with virtually non-existent sustainable sources of finance. RFSR sustainability is therefore put to the test of its financing. Moreover, the *Zero Hunger* tax has never been implemented;
- Eroding multilateralism: with states such as Niger, Burkina Faso, and Mali set to withdraw, what does the future hold for ECOWAS and the RFSR? Will the RFSR survive the possible collapse of ECOWAS? The need to control food crises may confer a stabilizing role on the RFSR, but will the states of the sub-region be able to overcome their differences in other areas to maintain the regional reserve?[99]

FOOD SECURITY GRANARIES IN NORTHERN BURKINA FASO

Considered by the ECOWAS as the first line of defense against food and nutrition crises, local stocks can be defined as those held by farmers' organizations or civil society organizations (NGOs) in the service of family producers.

There are two main categories of storage systems:

1./ grouped supply systems: operating in deficit contexts, these systems target producers whose self-production of grains is insufficient to cover the family's food needs, and who must therefore supplement this with purchases from outside the farm. At the end of the cropping season, when grain is plentiful and cheap, these "grain banks" or "food security granaries" acquire stocks of grain from surplus areas so that it is available in the village during the lean season, when family granaries are empty and villages are cut off from the market, due to difficult access (rainy season) and their inhabitants' low purchasing power. The aim of these systems is to make it easier for producers to buy the cereals they are unable to produce.

99 The Guardian, "Ecowas warns of 'disintegration' as juntas split from west African bloc", July 8, 2024.

© Roger Job, 2018

2./ group marketing systems: operating in surplus situations, these systems, often run by producer cooperatives, collect the grains they wish to sell from their members and organize group marketing, which enables them to target larger buyers. In addition, cooperatives generally have the skills and equipment to ensure good product quality and packaging, which contributes to more remunerative prices. Finally, cooperatives also provide various services to their members (group purchase of inputs, agricultural advice) with a view to improving their production[100].

Humundi-supported organizations working on storage systems in the Sahel:

> CVB – Coopérative Viim Baoré (Burkina): réseau de greniers de sécurité alimentaire ;
> Fédération de banques de céréales au Mali;
> USCPCD – Union des coopératives de producteurs de céréales de Diédougou (Mali);
> YERENYETON: union de sociétés coopératives de producteurs (Mali);
> USCCPA – Union des sociétés coopératives de commercialisation des produits agricoles (Burkina Faso)

100 Agence Régionale pour l'Agriculture et l'Alimentation, "Stockage de proximité : premier rempart face aux crises alimentaires et nutritionnelles", January 8, 2024; Salifou O., 2020. Art. cited.

ASEAN Plus Three Emergency Rice Reserve (APTERR)

Following the 2007/08 food crisis and the surge in rice prices within a few months, the Association of Southeast Asian Nations plus three (China, Japan, South Korea) (ASEAN+3) approved the creation of an emergency rice reserve (APTERR). The aim of this reserve is to improve food security and reduce poverty in ASEAN countries. Emergency rice stocks are rice voluntarily donated to APTERR in the form of cash and/or physical rice stocks held collectively by member countries and managed by the APTERR secretariat[101].

APTERR follows a series of initiatives in the region. In 1979, the ASEAN Emergency Rice Reserve (AERR) was launched. This was created on the basis of national stocks earmarked for use in emergency situations. However, the AERR never actually released its stocks. A study pointed to the small size of the reserves, shortcomings in the negotiation procedure and a lack of funds for the secretariat, while emphasizing the absolute necessity of continuing to set up crisis response mechanisms[102].

ASEAN+3 picked up the torch with a pilot project from 2003 to 2010 (East Asia Emergency Rice Reserve (EAERR)) which, thanks to contributions from the new "+3" countries (China, Japan, South Korea), boosted from 50,000 tons under the AERR to 787,000 under the EAERR. The creation of three response levels improved the reserve's promptness, enabling it to respond to a number of emergency situations, such as in 2010, when typhoons ravaged harvests in the Philippines and Laos[103].

APTERR was finally created in 2011. Since then, it has proven its ability to respond to food emergencies, notably during the Covid-19 outbreak. Efforts are continuing to improve members' contribution to the reserve, although structurally the contribution of the "+3" remains significantly higher than the aid by countries in the south-east of the region. This cooperation can also be used to exchange information with the "+3" countries and improve agricultural productivity in the South-East countries. According to many experts, the reserve is a successful example of multilateralism. However, a blurred definition of emergency situations and the means of responding to them, as well as consensus-based decision-making, can be obstacles to a rapid response in the event of a crisis[104].

101 See APTERR website: www.apterr.org.

102 Briones, R. M., 2011. "Regional Cooperation for Food Security: The Case of Emergency Rice Reserves in the ASEAN Plus Three", working paper no 18, Asian Development Bank.

103 Napitupulu, S., et al., 2021. "ASEAN Plus Three Emergency Rice Reserve (APTERR): An analysis on its role to the ASEAN food security in the global pandemic", *Journal ASEAN Dynamics and Beyond.*

104 Kunmin, K., 2021. « A study on the ASEAN Plus Three Emergency Rice Reserve as a food security institution in East Asia », *Food policy.*

KEEP THIS IN MIND:

- Countries with very large populations need PSH to protect their populations in the event of crop failure, but also contribute to stabilize international market prices;
- The state of public stocks worldwide needs to be more transparent;
- Some EU Member States hold public stocks even though they do not face chronic food insecurity problems;
- Successful examples of multilateralism such as the ECOWAS Regional Reserve prove it is possible to provide concrete solutions to food insecurity through public stocks.

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5. ARE PUBLIC STOCKS THE ONLY TOOL TO MAKE INTERNATIONAL TRADE MORE EQUITABLE?

Numerous examples demonstrate that PSHs can make a substantial contribution to better payment for farmers, support the transition to sustainable food systems, fight inflation and food insecurity and, last but not least, cushion the severity of food crises, as well as their spread at a global level. At the same time, these programs should go hand in hand with broader measures to regulate agricultural trade. Here are just a few of the areas of regulation demanded by developing countries* at WTO level, which it would be worth exploring in greater depth in order to resolve the main sources of inequality in the AoA.

Final Bound Measurement of Support (AMS) Entitlements

The original aim of the AoA was to control and limit Member States' domestic support so as to avoid distorting international agricultural trade, which was assumed to be stabilizing. Under the Amber Box, subsidies with distorting effects can be limited by two mechanisms: article 6.4 of the AoA, which corresponds to the ***de minimis*** limit and article 6.3, which allows extra Final Bound Measurement of Support (FBAMS) entitlements.

These additional FBAMS entitlements represent a way of providing support to the agricultural sector over and above the *de minimis* limit. Negotiated during the Uruguay Round, total AMS is based on trade-distorting subsidies above members' de minimis over the 1986/88 period[105]. It is therefore only those countries which, back then, already provided substantial funding for their agriculture that are benefiting today. In other words, those countries which had no trade-distorting effects during the reference period found themselves penalized afterwards, while the others were given additional room to finance their agricultural sectors[106].

105 The reference period is different for countries that joined the WTO after 1995.
106 Sharma, S.K., 2016. *Art. cited.*

A communication from the African Group to the WTO shows that only 32 members (with the EU counting just as one) benefit from extra AMS. Of these 32 members, half are developed countries* and account for 88.8% of the extra AMS, while developing countries* use the remaining 11.2%. The remaining 104 developing countries* do not benefit from any FBAMS[107].

The EU is the biggest user of these AMS: $85.5 billion in 2018, or 49% of the FBAMS of all WTO members. In 2019/2020, these extra AMS were used for specific sectors at up to 56.1% for dairy products (butter and milk powder), 36.7% for wheat[108]. These are clearly sectors linked to the agri-industry that benefit most from these supports. These are also sectors that are linked to negative impacts on food security in third countries[109].

Ultimately, this FBAMS is the primary source of inequality between developed* and developing* members within the WTO and is therefore the longest and one of the priority complaints of the G33, the African group and ACP zone countries.

Special Safeguard Mechanisms (SSM)

The Special Safeguard Clause (SSG) under Article 5 is a provision incorporated into the AoA during the Uruguay Round. These safeguards are trade constraints countries can use to protect a specific sector if it is under threat from an import surge: between 2004 and 2013, developing countries*, for example, faced 50-270 annual import surges[110]. The SGS therefore makes it possible to protect a sector in the event of massive imports that would destabilize the sector, leading to an increase in rural poverty, food insecurity, and job losses in small-scale agriculture. The SGS is intended for 39 countries (including 16 developed* ones) and concerns a limited number of products. It has mainly been used by developed countries* as volume- or price-based protection mechanisms to mitigate the negative impact of import surges or price cuts, respectively[111].

However, there are no similar mechanisms for developing countries*. During the Doha development negotiations, developing countries* asked for a similar mechanism to be set up for them: the Special Safeguard Mechanism (SSM). For developing countries*, this mechanism, which allows tariffs to be raised for a specific agricultural product, is the only practical policy instrument available to minimize the adverse effects of import surges or price falls[112].

This promise is anchored in the negotiating mandate of the Doha Round, such as the July 2004 declaration (WT/L/579): "*A Special Safeguard Mechanism (SSM) will be established for use by developing country Members*", but also in the 2008 draft text (TG/AG/W/4/rev.4). However, while these negotiations have made progress on

107 WTO, "Domestic support. Communication from the African Group and Pakistan", JOB/AG/242/Rev.1, Committee on Agriculture Special Session, July 27, 2023 (restricted access).
108 Sengupta, R., 2023. "Extra AMS entitlements under the WTO Agreement on Agriculture continue to confer additional policy space for developed countries", Third World Network.
109 Choplin, G., 2019. "N'exportons pas nos problèmes. Surproduction de lait : ici et ailleurs, les éleveurs boivent la tasse" campaign folder "Mon lait est local", SOS Faim, Vétérinaires sans frontières, Oxfam Solidarité, Mon lait est local.
110 South Centre, 2015. "WTO's MC10: Agricultural Negotiations - Special Safeguard in Agriculture for Developing Countries", Analytical note SC/TDP/AN/MC10/2.
111 *Ibidem*; Das, A., et al., 2020. "Special Safeguard Mechanism for Agriculture: Implications for Developing Members at the WTO", working paper CWS/WP/200/59, Centre for WTO Studies.
112 *Ibid.*

volume-based SSMs (V-SSM), they are in a deadlock on price-based SSMs (P-SSM). Despite numerous proposals submitted to the WTO, such as those made by the G33 in 2021 (JOB/AG/49) or the African Group in 2023 (JOB/AG/205/Rev.2), no progress has been made[113].

Green Box support

Theoretically decoupled from production, Green Box support is unlimited. Studies have shown that states, particularly the USA and the EU, transferred funds from one box to another when the AoA was set up[114], thus avoiding any limitation to domestic support. As a result, support is currently massive in developed countries*, which are not forced to reduce their domestic support because they provide it in the form of subsidies that are conventionally considered non-trade-distorting.

A proposal by the African Group at the WTO gives a clear picture of the different WTO domestic support boxes: in 2018, total Amber Box support from all members amounted to $62.5 billion, Blue Box support to $6.4 billion, and Green Box support to $265.5 billion[115]. In regard of empirical evidences of the distorting effects of Green Box support[116], members are calling for a revision of category allocations for domestic support in developed countries*. Indeed, it is the latter that make most use of these supports, notably *via* direct payments to farmers, which are regularly criticized for their impact on production and trade distortion. China is the biggest user of these direct payments, with $89 million in 2016, followed by the EU with $61 million over the same period. In addition, if Green Box subsidies were to be seen in relation to the size of the agriculture sector as in the case of the de minimis (which is expressed as a share of the value of production), 6 countries use direct payments under the Green Box above 5% of the production volume imposed by *de minimis*. Of these 6, 5 are developed countries*[117].

On top of the *de minimis* and extra AMS (FBAMS), these direct payments provide additional policy space for financing the agricultural sector in the countries concerned, and currently lead to overproduction in a number of sectors (dairy, cereals, etc.). In order to strengthen European policies coherence in favor of development, it would be advisable to carry out a review of subsidy having deleterious effects on food security in third countries[118].

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113 Sengupta, R., 2024. *Art. cited.*

114 Banga, R., 2016. "Impact of Green Box Subsidies on Agricultural Productivity, Production and International Trade", *The Commonwealth*, International Trade Working Paper 2016/13.

115 WTO, "Domestic support. Communication from the African Group and Pakistan", JOB/AG/242/Rev.1, Committee on Agriculture Special Session, July 27, 2023 (restricted access).

116 The publication cites:
Bakhshi and W. Kerr, 2009. "The Green Box? An Acreage Response Approach", CATPRN Working Paper, May; Mary (2012) Mary, S., 2012. "Assessing the Impacts of Pillar 1 and 2 Subsidies on TFP in French Crop Farms", *Journal of Agricultural Economics;* Key and Roberts (2009) Key, N., M. J. Roberts, and E. O'Donoghue, 2006. "Risk and Farm Operator labor Supply". *Applied Economics* 38:573-586; Breustedt and Habermann (2011) Breustedt, G. and Habermann, H., 2011. "The Incidence of EU Per-Hectare Payments on Farmland Rental Rates: A Spatial Econometric Analysis of German Farm-Level Data", *Journal of Agricultural Economics* 62(1):225-243; Ciaian Pavel, Kancs d'Artis , 2012. "The Capitalization of Area Payments into Farmland Rents: Micro Evidence from the New EU member States", *Canadian Journal of Agricultural Economics* 60(4): 517-40.

117 Sengupta, R., 2021. "WTO Green Box subsidies: Recent trends and lessons going forward", Third World Network.

118 *Ibid.*

KEEP THIS IN MIND:

> The WTO Agreement on Agriculture contains numerous sources of inequality between developed* and developing* countries;
  - Final Bound Measurement of Support (FBAMS) entitlements are almost exclusively reserved for developed countries* and serve the development of sectors exporting to third countries (milk, butter, wheat, etc.);
  - A Special safeguard mechanism to protect against import surges is still denied to developing countries*, although developed countries* have a similar tool at their disposal;
  - Green Box subsidies are by far the greatest source of subsidies and certain categories of such subsidies clearly distort international trade. They are, however, unlimited and contribute to developed countries*' comparative advantage, while at the same time undermining food security in Global South countries.

CONCLUSION

Without being the only answer, public stocks are an all-around tool for regulating food systems. Depending on the direction chosen, they can stabilize agricultural prices by offering minimum purchase prices. This nagging question of farm incomes is the common ground that have sparked off the numerous agricultural protests in recent months. Public stocks also help to improve food security by increasing the availability and accessibility of food products at subsidized prices. In terms of regulating agricultural and financial markets, public stocks are a powerful tool for controlling inflation and thus limiting sudden variations in commodity prices at national, regional or international levels. They prevent herd behavior, which leads to financial market runaway, thus helping to stabilize international prices. This price stability benefits both consumers, who have better access to staple foods, and producers, who can benefit from more stable and potentially higher prices. This storage practice is all the more advantageous for small-scale farmers, who have very few infrastructures and are obliged to sell most of their produce immediately after harvest. Finally, at the level of farming practices, public stocks could provide incentives to foster the transition towards sustainable farming systems by promoting the adoption of agroecological practices.

This is becoming a burning issue, as climate change is a tangible, daily reality for almost the entire world population. The increasingly extreme turn of climatic events is greatly affecting harvest stability. This instability is bound to worsen, according to Intergovernmental Panel on Climate Change experts (IPCC). Consequently, there is an urgent need to expand the practice of public storage on a massive scale, in order to limit the vagaries of harvests and prevent the recurrence of food crises as exhibited during the past decades. In this regard, public stocks are a real measure for climate change adaptation.

Many examples bear witness to the success of public storage. Global South countries are fighting for it, but Northern countries know it too, because they too have implemented storage practices, and they still do. To be successful, storage must be implemented by public institutions that embrace values of transparency and cooperation, and that are independently managed. They must also adopt a vision based on food safety principles.

The organization of international trade through the WTO is fundamentally unfair, as it does not treat all countries equally. It is essential to correct these inequalities if we are to provide sustainable solutions to the issue of food insecurity. To that end, it is crucial to adopt a permanent solution to the issue of public stockholding, as called for by Global South countries. It is also essential to review the way these subsidies are calculated, as they do not correspond to current reality. More generally, the Agreement on Agriculture must be reviewed, and the Doha Round must be effectively concluded in order to provide countries with the necessary political space to ensure their populations' food security and the necessary agroecological transformation of their production systems.

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