



Public stockholding issues

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Source: Reuters



Negotiating history of Paragraph 3

- Public stockholding programs identified as potentially exempt from domestic support disciplines (green box)
- Concern that green box programs “not have the effect of providing price support to producers”
- Early versions tied eligibility to purchase at “current market prices”

3. Public stockholding for food security purposes

Expenditures (or revenue foregone) in relation to the accumulation and holding of stocks of products which form an integral part of a national food-security programme. This may include government aid to private storage of products as part of such a programme.

The volume and accumulation of such stocks shall correspond to predetermined targets related solely to food security and shall not be determined by annual production fluctuations. The process of stock accumulation and disposal shall be financially transparent. Food purchases by the government shall be made at current market prices and sales from food security stocks shall be made at no less than the current market price for the product and quality in question.

Draft text 12 December 1991



Uruguay Round Agreement on Agriculture, Annex 2

3. Public stockholding for food security purposes⁽⁵⁾

Expenditures (or revenue foregone) in relation to the accumulation and holding of stocks of products which form an integral part of a food security programme identified in national legislation. This may include government aid to private storage of products as part of such a programme.

The **volume** and accumulation of such stocks shall correspond to **predetermined targets related solely to food security**. The process of stock accumulation and disposal shall be financially transparent. Food purchases by the government shall be made at **current market prices and sales from food security stocks shall be made at no less than the current domestic market price** for the product and quality in question.



Footnote 5

(5). For the purposes of paragraph 3 of this Annex, 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.**

5 & 6. For the purposes of paragraphs 3 and 4 of this Annex, the **provision of foodstuffs at subsidized prices** with the objective of meeting food requirements of urban and rural poor in developing countries on a regular basis at reasonable prices **shall be considered to be in conformity** with the provisions of this paragraph



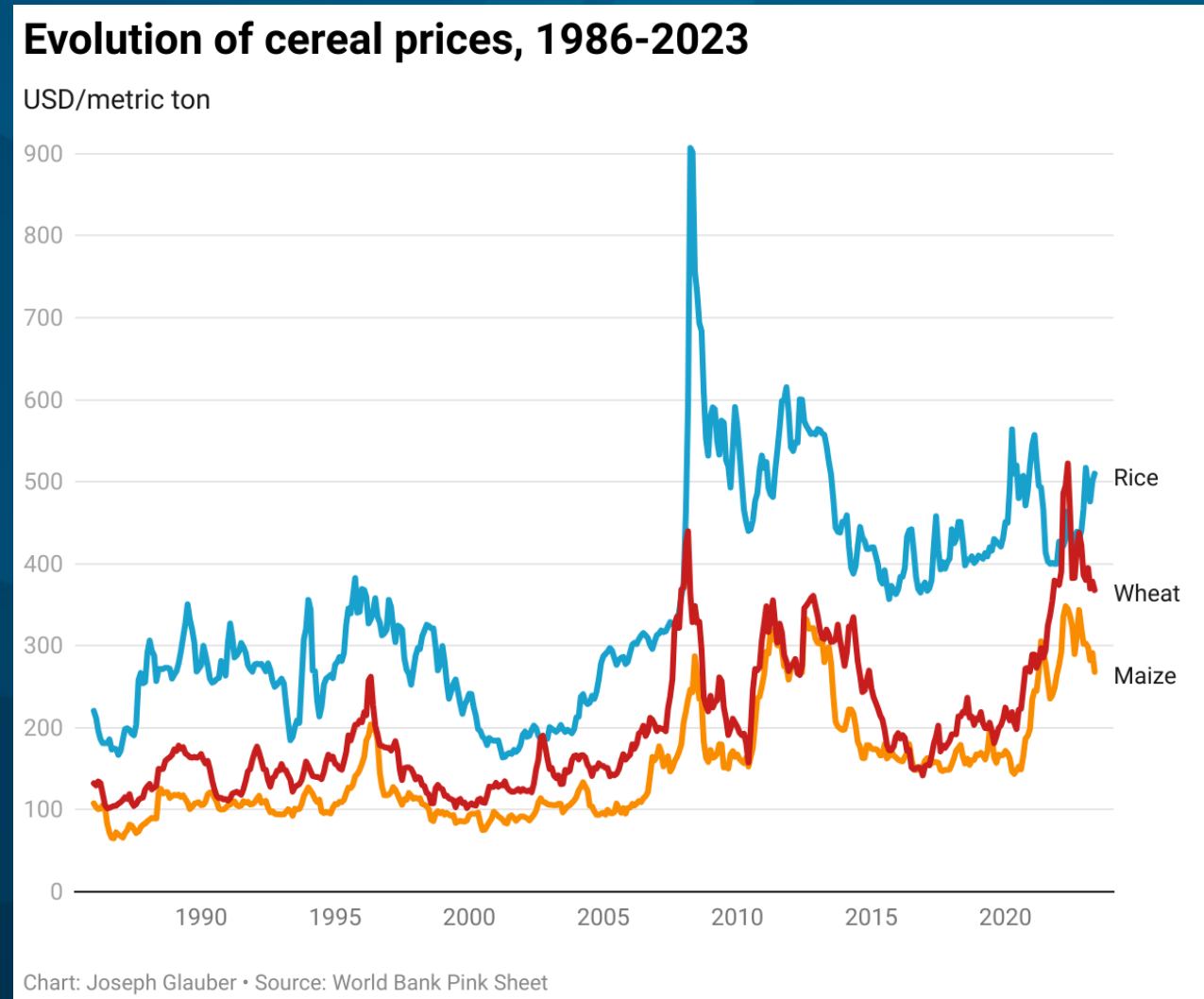
Doha Discussions: proposed **changes** to Annex 2, paragraph 2 in December 2008 text (Rev4)

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In mid-2000s, prices begin to diverge significantly from 1986-1988 base levels

- Prices relatively flat 1995-2005
- Rising prices post-2005 with biofuel boom, high energy prices, etc.
- Decline over 2013-2019, but remain 50-100% above 1986-88 base levels
- Spike in prices again in 2022 with war in Ukraine





Current prices two to three times 1986-88 base period prices

	Maize	Wheat	Rice
	<i>Percent of 1986-88 average</i>		
Jan 2005	107	124	127
Jan 2023	336	306	228

Prices rise relative to 1986-1988 base period

Actual price as percent of 1986 to 1988 average

— Wheat — Rice — Maize

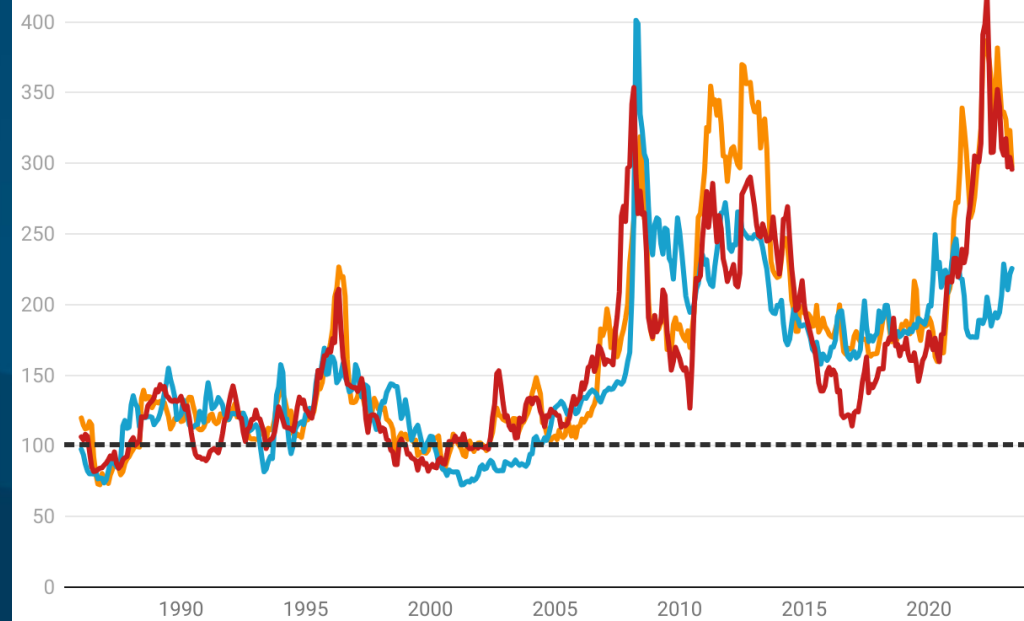


Chart: Joseph Glauber • Source: World Bank Pink Sheet



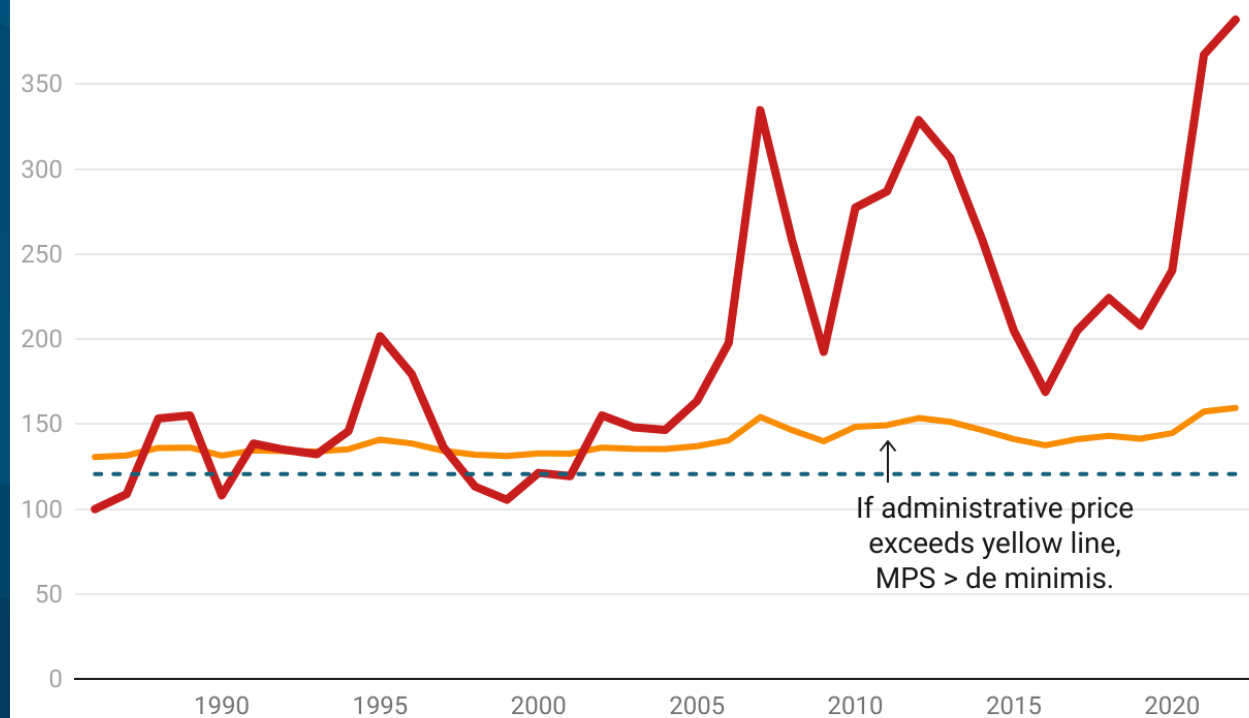
Implications for Market Price Support (MPS)

- Market price support = [Administrative price – fixed external reference price] * eligible production
- As price levels rose post-2005, some countries raised administrative prices, which increased gap between administrative price and fixed external reference price.
- Market price support > *de minimis* levels
- By 2012, PSH had become a large problem for countries facing *de minimis* thresholds for MPS.

De minimis wheat price threshold

USD/MT

Price 1986-88 base De minimis threshold



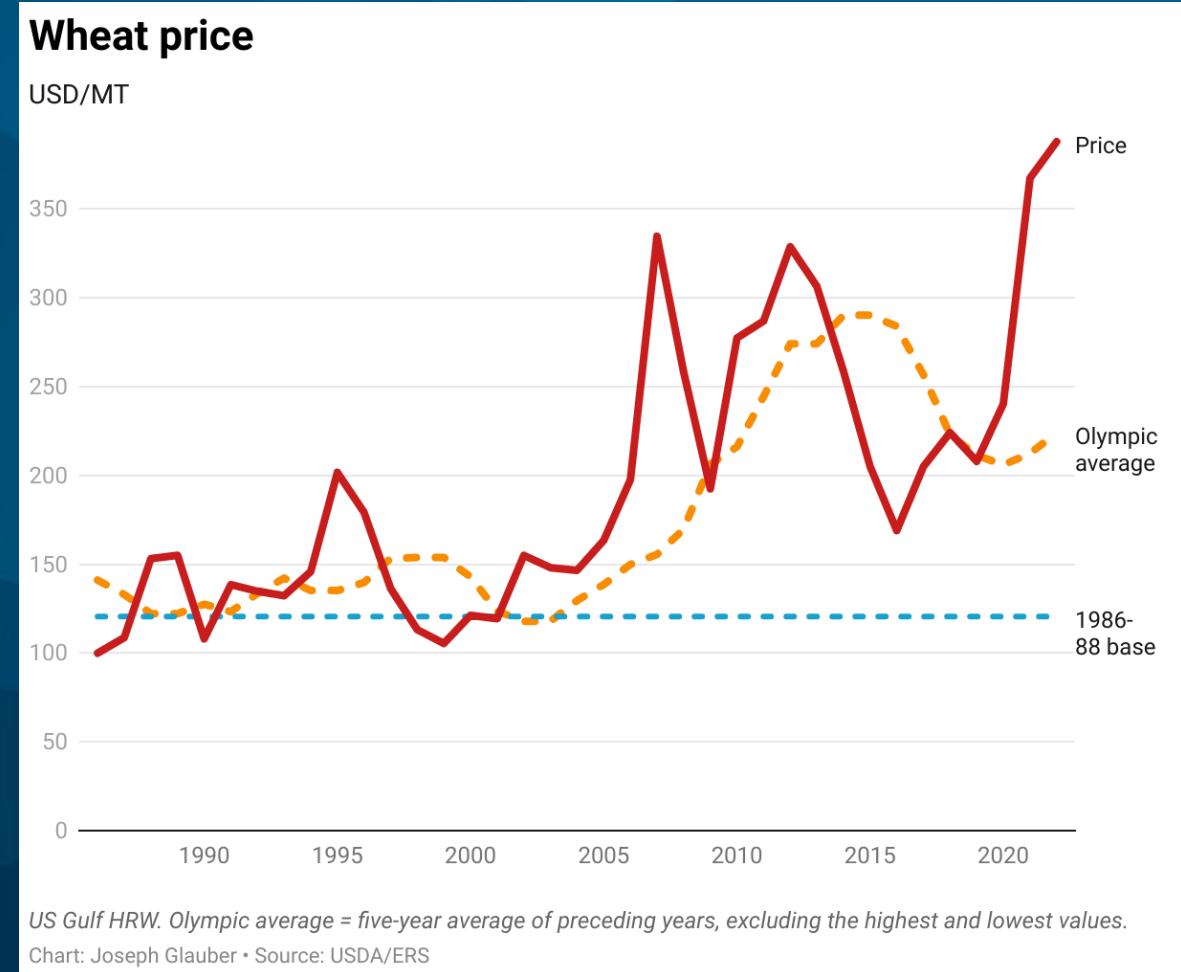
De minimis threshold is the maximum value for the administrative price such that MPS < de minimis. Assumes eligible production equals total production and de minimis = 10%.

Chart: Joseph Glauber • Source: USDA Economic Research Service



Proposal to change fixed external reference price

- G-33 October 2013 proposal to base FERP on 5-year Olympic average
- Criticism that an Olympic average would potentially be far higher than market prices (as it would have been in 2013-2018) and thus provide significant price support.





During Uruguay Round, negotiators were concerned about the potential price-enhancing aspects of PSH programmes through the use of administrative prices.

Annex 2 provisions disciplined PSH programmes by tying use of administrative support prices to market price support.

Market prices generally in line with 1986-88 base period until the mid-2000s when prices began to rise. Raising administrative prices risked pushing market price support above *de minimis* thresholds.

By 2012, PSH had emerged as one of the key agricultural issues for some developing countries. Proposals include adjusting fixed external reference price to be more in line with current prices.

Summary