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The concept of emergency food reserves

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International Food Reserves

Dr Boerma's recommendations at the last FAO-conference on the creation of reserves of farm products have been approved. Professor Schmitt offers a critical appraisal of these proposals and doubts that the will to fulfil the necessary prerequisites, i. e. international solidarity, financial burden sharing and surrender of national sovereignty is already existing.

The Concept of Emergency Food Reserves

by Dr Addeke H. Boerma, Rome *

My current anxieties about the world cereals situation began when it became clear, late in 1972, that the U.S.S.R. had suffered a major crop failure and had purchased an unprecedented amount of grains, over half of it wheat. This eliminated the world surplus stocks almost overnight, leaving the world very vulnerable if other natural disasters occurred. And, in the following months, there was a failure of the monsoon throughout the Far East, and rice production fell sharply. West Africa also was badly hit by drought.

In December 1972, I consequently got in touch with the ministers of several grain exporting countries. I found that my concern was shared, and that there was a full appreciation by exporters of the responsibilities they have in such a

difficult supply situation. I was also encouraged by assurances that food aid programmes in 1972/73 would be maintained, so as to protect the position of developing importing countries. By drawing down stocks, disaster was narrowly averted, and many countries took action to expand their 1973 output in order to replenish supplies for this season.

World Food Security Policy

Nonetheless, with stocks coming down to their lowest level for 20 years — 20 years in which the world's population has grown by 50 p. c. — the world was left with very little reserve against further crop failures. I therefore drew up a proposal for a minimum world food security policy, the main features of which I will delineate here. The reception my proposal has

received thusfar has been most encouraging.

It should be understood, however, that this proposal is a medium term remedy. It entails all countries building up minimum security stocks, which will only be feasible after the world supply shortage has been eased. Of course, the fundamental remedy for food shortages, both chronic and temporary, is to raise production and productivity in developing countries. This goal continues to have high priority in FAO's programme.

At its session last June, the FAO Council, after considering a preliminary paper I had presented, agreed that it is "a common responsibility of the entire international community" to assure an adequate availability of basic foodstuffs, not only on humanitarian grounds but also for the economic and social stability of the world.

* Director General of the FAO.

As elaborated in the light of comments by that Council, my proposal embraces four main elements:

☐ Countries would undertake to adopt national stockholding policies which, in combination, maintain at least a minimum safe level of basic food stocks for the world as a whole. The term "stocks" means the supply of cereals carried over in stock at the end of the marketing year.

☐ To achieve this common objective, countries would undertake to review or establish national stock policies for cereals, the principal basic foodstuffs, and to set targets for national stocks. The aim would be to maintain them at least at levels regarded as necessary to meet domestic requirements and, where appropriate, export use, in case of crop failures or natural disaster in neighbouring countries. They would agree to replenish stocks as soon as possible if they are drawn down to meet crop shortfalls. Voluntary guidelines, which take into account the special problems of developing countries, would be recommended by the Conference for the consideration of governments in reviewing or establishing their stock policies.

☐ There would be regular consultations among governments, through the FAO Council — FAO's central food policy body — on the adequacy of stock levels and on short-term action required to remedy any difficulty arising in safeguarding world food security.

☐ Finally, an international programme also is advocated to expand and coordinate assistance to developing countries so that they can participate more effectively in the scheme.

Countries would be expected to take steps, according to their circumstances, to follow stock

policies in line with the agreed Undertaking. It would also imply readiness to report on available national stock levels and to consult together on the adequacy of world stocks. The key decisions would remain in the hands of individual governments. Each country would be able to decide on its own desirable minimum stock level, in the light of its acceptance of a common responsibility for ensuring world food security. Each country would determine the form and manner in which such stocks should be held.

Countries which do not carry publicly-owned stocks can participate in the system provided their governments take steps to ensure that private stockholdings perform the functions required by the community.

My proposal clearly is not envisaged as a detailed operational plan but rather as a framework for national action and international consultations in order to evolve — by governments themselves — a new food security system for the world.

While it would not be practicable for the FAO secretariat to quantify in advance a target of global stocks required for world security, certain yardsticks could be developed, such as the relation between stocks and world production. It may be recalled that in 1965/66 the International Wheat Council estimated "normal" carryover stocks in the five main exporting countries (Argentina, Australia, Canada, France and the United States) at 30 mn tons. "Normal" stocks were defined as "those quantities that might be regarded as necessary for maintaining continuity of supplies, and for protection against short crops and national emergencies." Since then, world consumption of wheat (and all cereals) has gone up by about 30 p.c., and

aggregate annual requirements of the main exporting countries for domestic use and exports have also risen substantially.

Reliable Food Information System

A reliable evaluation of the adequacy of basic food stocks would require a reliable and comprehensive food information system, both to assemble and analyze the relevant data. The FAO Council agreed that an adequate information system would be an essential element, and the cooperation of all nations would be necessary if a comprehensive scheme were to be developed. A regular flow of data would be required on the following:

☐ National stock levels, stockholding programmes, stock policies and objectives;

☐ Current crop conditions and prospects for coming harvests;

☐ Current and prospective export availabilities and import requirements for cereals, including food aid.

Part of this information is already obtained through existing reporting arrangements, questionnaires to governments, and cooperation with other international organizations and national market intelligence services, but these arrangements would need to be strengthened and supplemented.

The information and security system would cover all the cereals (wheat, rice, maize, millet, sorghum and other grains). Cereals are the staple foodstuffs of people in developing countries and they are the main source of carbohydrates in high-income countries as well as a major input in animal production. Other foods, such as manioc and beans, are important in certain regions, but cereals are a generally acceptable substituent.

te for other foods. They are by far the biggest item available under bilateral and multilateral food aid programmes in times of food shortage. And virtually all countries participate in international trade in cereals, which in terms of volume — about 140 mn tons in 1972/73 — is the largest of all food products.

Specific Guidelines for National Policies

The draft International Undertaking contains a list of 12 specific guidelines for national food stock policies which FAO envisages would be voluntary. To attain the common objective of ensuring a minimum level of world food security adjustments would be required in current national food stock policies, few of which were designed to cope with the present type of situation. It is generally recognized that there is not sufficient incentive for stocks to be privately held on the scale required to offset unforeseen crop failures or successive poor crops. The assurance of adequate food stocks for these purposes therefore is accepted in many countries as a responsibility of governments and a number have reserve stock programmes.

For the last two decades, however, the need to carry special reserves was lessened by the existence of surplus grain stocks, mainly in North America. These were usually large enough to meet any foreseeable crop failure, and they were accessible to developing countries under bilateral food aid programmes. Thus, most importing countries have, until now, been able to rely confidently on ample availabilities in exporting countries to fill the gap if local crops fail.

National food stock policies vary from country to country and there also is a wide variation in the size of national stocks, both in absolute and relative terms.

Yet, despite their apparent diversity there are a number of common interests implicit in national stock policies. In general, the aim of national stock policies should be to encourage, directly or indirectly, a total level of stocks in the country that is neither too large nor too small. It should not be too large in the sense that it represents unsaleable surpluses, an inordinate burden of storage expenses, and a mis-allocation of productive resources. It should not be too small to service expected domestic and, where appropriate, export demand, and also to provide an adequate reserve for human and livestock emergencies. Governments may also wish to maintain central stocks of sufficient size to counteract speculative holdings or private hoarding in times of shortage.

Developing Countries' Stock Policies

Developing countries, being especially vulnerable to crop fluctuations and food scarcities, are well aware of the need for minimum stock policies and several have reserve programmes in line with the broad objectives I have set forth. More than 25 developing countries have reported to FAO intentions to establish some type of central reserves or contingency stock, and others are seriously reconsidering their stock policies. However, for well known reasons, the poor countries face serious difficulties in maintaining stocks of the desirable size. An important element in my proposal, therefore, would be to draw up an international programme to coordinate and if possible expand assistance to developing countries wishing to establish national security stocks.

Most developing countries have to build up their stocks from domestic production as far as feasible. In view of this and

the long-run rising trend in consumption, priority in the allocation of their scarce resources should be given to building up the food production base. We recognize, of course, the need to ensure that stock programmes are kept within the financial and management capacity of the poor countries. There can be no question of delaying these countries' overall development by needlessly diverting resources to excessive stockbuilding.

Bilateral and Multilateral Programmes

The FAO Council considered that, in the short run, continued reliance would have to be placed on bilateral and multilateral food aid programmes for meeting acute shortages and emergency situations in developing countries. This does not mean, however, that these countries should allocate no resources to grain storage. It means, rather, that the benefits to be derived from any particular level and type of storage must be weighed against the alternative use of resources. This would have to be done on a case-by-case basis, taking into account the size and nature of available funds, the comparative urgency of competing claims, and the level of development.

Direct agricultural investment will eventually increase the capacity of the farm sector to withstand weather fluctuations without causing disastrous swings in harvests. It will enable food consumption to rise to levels where moderate variations in the flow of supplies do not cause critical food shortages. But it will not eliminate altogether the effect on crops and pastures of prolonged droughts or other erratic climatic changes in tropical and semi-tropical regions. There is a need, therefore, for a certain essential mini-

imum level of national food stocks today in developing countries, and this need is likely to continue to exist even when a much higher level of production is achieved.

The question was raised in the FAO Council as to whether long-term bilateral trade agreements for the delivery of basic foodgrains would provide a means of assuring a regular flow of supplies. Such long-term contracts were widespread in early postwar years as a technique for the bulk purchases of foodstuffs in a period of uncertain supplies. While many contracts were terminated, they remain common in cereals. Such contracts have a number of advantages and limitations which I cannot go into here. In summary, the bilateral contract may offer advantages for both importing and exporting countries and under certain conditions it can make an important contribution to a world food security policy. It can provide additional assurance of supplies to the importer and could be a precondition for the required output in exporting countries. To give an effective guarantee of food security in periods of crop failure, however, bilateral contracts need to be supplemented with a minimum stockholding policy in the exporting country.

Members of the Council also requested clarification on the relationship between the proposal for a world food security policy and the forthcoming GATT multilateral trade negotiations. It should be understood that nothing adopted in the Undertaking that I have proposed to the FAO Conference would prejudice action in other bodies such as GATT which effectively helps in this problem area.

Agricultural Adjustments

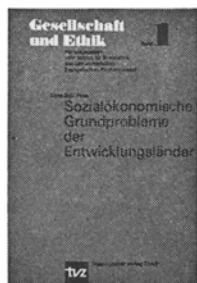
My suggestions for national food reserves are directly linked with my major proposal for international agricultural adjustment which the FAO Conference also was considering this November. International agricultural adjustment is also a continuing process of adaptation to the changing situation, whether shortages or surpluses. While the current severe shortage situation is temporary, the crop fluctuations which caused it are likely to recur in the future. The world may be facing further fluctuations in agricultural supplies, made still more serious by growth of population. It would be the function of food security stocks to protect the world against such fluctuations.

In the short run, production in excess of current requirements — so that part of the

supplies can be set aside to strengthen national food stocks — would be a necessary agricultural adjustment to meet the present situation. Equally, it will be necessary to ensure that this does not lead to overexpansion of supplies — especially in developed countries at high cost — and unduly high stocks which depress markets, which would be of particular disadvantage to developing countries heavily dependent on agricultural exports. This is where the adoption of agreed guidelines on national stock objectives and some degree of coordination of national stock policies within a wider concertation of policies bearing on adjustment would be important.

Over the longer run, indeed, the fundamental adjustment problem in grains may well remain the tendency for productive capacity in developed countries to outrun commercial requirements. The solution to this separate problem lies in national supply management measures and coordinated production policies, although international agreements on stock levels could also play a part. At the same time, a world food security policy could contribute indirectly to the solution. Assurance to deficit countries of the availability of at least a minimum level of food supplies at

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all times should help to discourage autarchic policies and uneconomic investment in grain production which could seriously limit the growth of world trade.

The FAO Council also emphasized the need to consider the possible repercussions on the structure of world trade and production which might arise from the implementation of the world food security policy. As I have just pointed out, the international system of consultations and cooperation envisaged in my proposal should lessen rather than increase the dangers of an over-accumulation of stocks arising from a

basic excessive productive capacity.

It is, nonetheless, true that in order to replenish stocks to adequate but minimum levels, production will have to be temporarily increased to levels where it exceeds current consumption. If special action is required to raise production to replenish stocks, then once stocks reach the national objective, it will be necessary to adjust production downwards. This should be less of a problem where consumption is rising, as it is for foodgrains in most developing countries and for feedgrains in developed countries. In such cases, the adjust-

ment should involve only a slowing down in the rate of growth of output, and not necessarily an actual decrease. For all countries, however, the process will necessitate careful supply management measures or timely action to regulate the economic incentives given to production.

It will therefore be important to ensure that the implementation of the world food security policy does not indirectly lead to harmful effects on international trade. To this end, the proposal envisages that safeguarding provisions are included in the Undertaking adopted by the Conference.

A Critical Appraisal of Boerma's Proposals

by Professor Günther Schmidt, Göttingen *

The recent changes in the world supply position for agricultural raw materials and products have been a striking and painful reminder of an essential and characteristic fact concerning the supply of foodstuffs: "the finest of lines", as Cochrane puts it succinctly, "separates the conditions of too much and too little in agriculture." The interest of agronomists and international organizations has until recently been concentrated chiefly on the problems of the *long-term* balance between food production and consumption at a time of rapid population growth in the world; as regards the short term, attention has been focused on the efforts to even out the wide *regional* fluctuations in the supply and demand for agricul-

tural products which dominate the world trade, and to do this in such a way as to avoid heavy price falls which hit the exporting countries most.

Differences of Interest among Partners

The USA has for many years borne the burden of these efforts by its stock-piling policy because the attempts to reach international agreements in the major agricultural markets of the world had either failed or yielded indifferent results. It has now been shown once more that a heavy downturn of production against the background of a sharp upsurge of global demand, especially for fodder grains, can cause grave disruptions in supply, which are bound to hit especially severely the poor countries which have

no adequate stocks. In view of this it is not surprising that proposals to set up emergency reserves sufficiently large to remove acute supply bottlenecks on a global scale have become topical again and are almost universally accepted in principle. Of course, suggestions of this kind are not new: that they have to this day proved impracticable shows that grave obstacles are standing in their way.

The experience which has been gained with world commodity agreements designed to avoid short and medium-term surpluses and counter their effects on the price levels of agricultural products and the trade and payments balances of the exporting countries has not been such as to allay the doubts felt about such proposals. For although such schemes have

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