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## A critical appraisal of boerma's proposals

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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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primarily the aim of stabilising world market prices in the face of short and medium-term fluctuations on the supply side — and are not concerned with the problem of making sure of a minimum of supplies — the inherent difficulties are closely related in both these cases: it is the aim in either case to strike a balance between the different interests of the partners while at the same time avoiding a prolonged disruption of the necessary processes of adjustment in production and consumption as a consequence of such agreements because this would sooner or later result in their break-down.

#### Boerma's Modest Approach

Against this background the recent proposals by the Director General of the FAO, Dr Addeke Boerma, for the creation of emergency reserves of agricultural products designed to avoid critical supply disruptions in individual countries such as have occurred of late seem to be rather modest in scope. This probably reflects the past experience with efforts to create such emergency reserves, which can be traced back to 1946; until now they have all remained unsuccessful. It also needs pointing out that Boerma's proposals relate to possible principles for a suitable global agreement, the details of which still remain to be drawn up — and experience shows that the details of such agreements are extremely difficult to settle. It may certainly be assumed that proposals of this kind will meet with wide-spread approval in principle as has indeed been demonstrated in the recent discussion of the underlying ideas, but the experience gathered with commodity agreements and with attempts to serve similar purposes by creating global emergency reserves should be viewed as a serious warning

against excessively optimistic expectations.

Allowing for this experience up to a certain point, the measures which Boerma has outlined seem at a first glance to be quite realistic:

They are confined to the setting-up of *national* emergency reserves to make sure of globally adequate supplies in case acute supply bottlenecks are encountered in specific parts of the world. The idea that possible supply crises can be countered by an internationally financed and controlled stock-pile has thus been abandoned.

They are only concerned with appropriate precautionary measures for grains (incl. rice), these being the most important foodstuffs.

The desirable size of the national emergency reserves is to be ascertained, and continually checked and corrected in the light of the current supply position and short-term supply and demand movements, by consultation, exchange of information and cooperation between the states. This presupposes a precise knowledge and intensive exchanges of information concerning stocks and changes in stocks as well as short-term supply and demand movements in the various regions and countries and, above all, a consensus of opinion on the question by whom, where, at what time and under what conditions corrections are to be made to the emergency reserves.

According to the Director General of the FAO, this is to be achieved through set mechanisms — presumably still to be specified — which ensure minimum national stock levels to make up for short-term deficiencies due to crop shortfalls: "Each country *could* arrange its own minimum stock policy in

accordance with its particular needs and responsibilities."

Lastly, the proposal allows for the fact that this problem is of special concern to the developing countries which are, on the one hand, affected most by widely varying harvests and, on the other, usually unable to support the financial burden of a sufficiently large emergency reserve.

Boerma's proposals must arouse misgivings on technical as well as financial, economic and political grounds:

#### Technical and Financial Problems

The "technical" difficulties arise first of all from the quantitative definition and adaptation of a national *and* global minimum reserve of foodstuffs (grain stocks). If, as is suggested by Boerma in the quoted remark, each national government is free to pursue "its own minimum stock policy in accordance with its particular needs and responsibilities" (to which would have to be added: "and financial possibilities"), a world-wide coordination of the minimum stocks must be feared to be unattainable because the costs involved could cause individual countries to rely on other countries taking precautions. There is thus a danger that national obligations will not be taken very seriously unless the national governments can be made to adhere to stocks levels fixed by mandatory international agreements.

This however can only be achieved by means of an international burden-sharing scheme, which provides that part of the costs of national stock-piling in the poorer countries is borne by the richer countries and that their contributions to the financial costs are only granted on condition that the poorer coun-

tries bear the remaining costs of their national stock-piles and actually maintain the emergency stocks. Enforcement of this condition would however involve political difficulties, not only because the rich countries will be reluctant to incur such financial commitments, but because the scheme would soon awaken suspicions about their "neocolonialist" aspirations. Apart from these more or less "political" considerations there remains the baffling problem of evolving acceptable criteria for the degree of cost participation in individual countries and gaining political support for them.

#### **Danger of Abuse**

□ These difficulties will become accentuated, especially if it should prove impossible to operate the emergency reserves in such a way as to exclude coincidental direct or indirect repercussions on the price trend for the agricultural products for which such international arrangements may be made: it will be very difficult to avoid the reserve policy being abused to influence internal prices, especially if the whole or part of the cost of keeping additional stocks can be passed on to other countries. To rule out such manipulations precise regulations concerning the conditions under which reserves may be built up or drawn upon would have to be laid down. In case the reserve operations have repercussions on the foreign trade in the relevant commodities of the countries, these would also have to be prevented. And no matter how the emergency reserves are organised and financed in detail, the private stockholders would probably in any case react to reserve operations on a substantial scale.

Integration of these reserve stocks with a more comprehensive international commodity

agreement which performs explicit stabilisation functions (buffer stocks) suggests itself as a possible solution. This would however add to the danger of further disruption of the balance between supply and demand as past experience with commodity agreements has shown time and again. And, finally, it must also be pointed out that although the crop prospects are relatively favourable, the world's grain stocks will remain at a low level such as has not been known for decades of years. More favourable crop results will be needed to build up "normal inventories", and it is at least open to doubt whether the world will even then over the longer term return to the traditional surplus pattern. What view is taken of the longer-term supply position in the grain markets by the various parties will however be decisive for their willingness to take part in the world-wide emergency reserve scheme, which Boerma has suggested in outline though its operational details are far from settled: the more optimistic the expectations, the less inclination will there be to stock-pile emergency reserves, the greater will be the desire to redefine their object and give them price stabilisation functions, and the more prolonged will be the consequential distortions of the international production and consumption pattern. Any internationally coordinated minimum stock-keeping scheme entails the basic problem of avoiding undesirable repercussions on production and consumption. Boerma's proposals do not offer a convincing solution for this problem, at least not at present.

#### **Cautious Appraisal of the International Assent**

That Boerma's scheme has under the impact of the current supply crisis met with world-

wide assent should not be regarded as more than indicating consent to the principles which Boerma has enounced. Whether this consent is also an expression of willingness to fulfil the necessary prerequisites—namely, international solidarity, financial burden sharing and, especially, surrender of national sovereignty—cannot be judged until these preconditions have been stated in concrete terms by clear and precise regulations: these must lay down unequivocally under what conditions recourse may be taken to the emergency reserves, at what times they have to be replenished, at what times and in what circumstances the reserves of other countries may be drawn upon, and how the negative influence of the existence of emergency reserves on private stock-keeping and more particularly on the structural adjustment of supply and demand can be minimised. Until these points have been settled it is impossible to say much more about the specific advantages and drawbacks of an internationally coordinated emergency reserve than has been done here.

So far Boerma's proposal and the willingness in principle of most countries to follow it up at first sight merely bears out an empirical fact which has been confirmed by recent developments: the supply position for agricultural products is fundamentally unstable. A long-term change in the direction of a return to global surpluses would probably damp the enthusiasm and impair the willingness to practise international solidarity, make financial sacrifices and surrender national sovereignties. Unaffected by these views, the main task for the future remains—without qualification—the intensification and stabilisation of the agricultural production in the developing countries.