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**Food security - Public stockholding and WTO domestic  
support discipline: issues for post-Bali negotiations**

By

**George Mermigkas  
Trade Economist**

**FAO Liaison Office with the United Nations in Geneva**

The views expressed are those of the author and do not necessarily reflect  
the views of UNCTAD.

*Food security – Public stockholding and WTO  
domestic support discipline: issues for post-  
Bali negotiations*

George Mermigkas

*gmermigkas@unog.ch*

*Trade Economist*

*FAO Liaison Office with the United Nations in Geneva*

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# New global agricultural market context

Up to early 2000s: demand constrained food markets

- **Developed countries: excess supply**
- **Developing countries: production below their needs**

Followed by: supply constrained markets

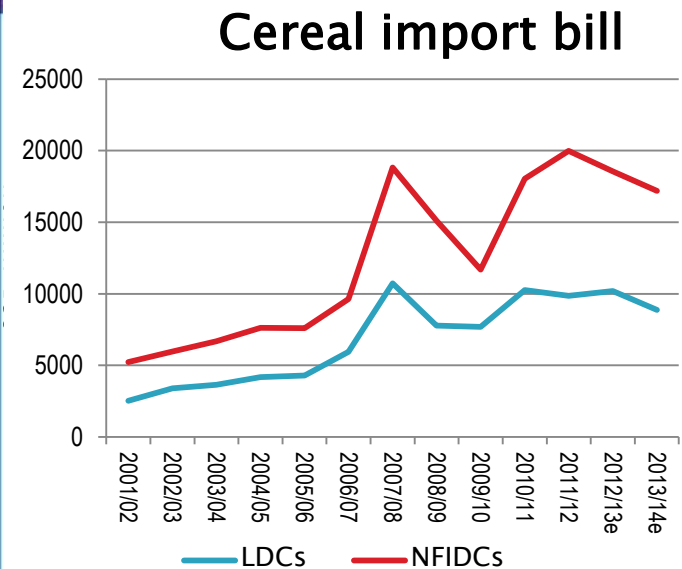
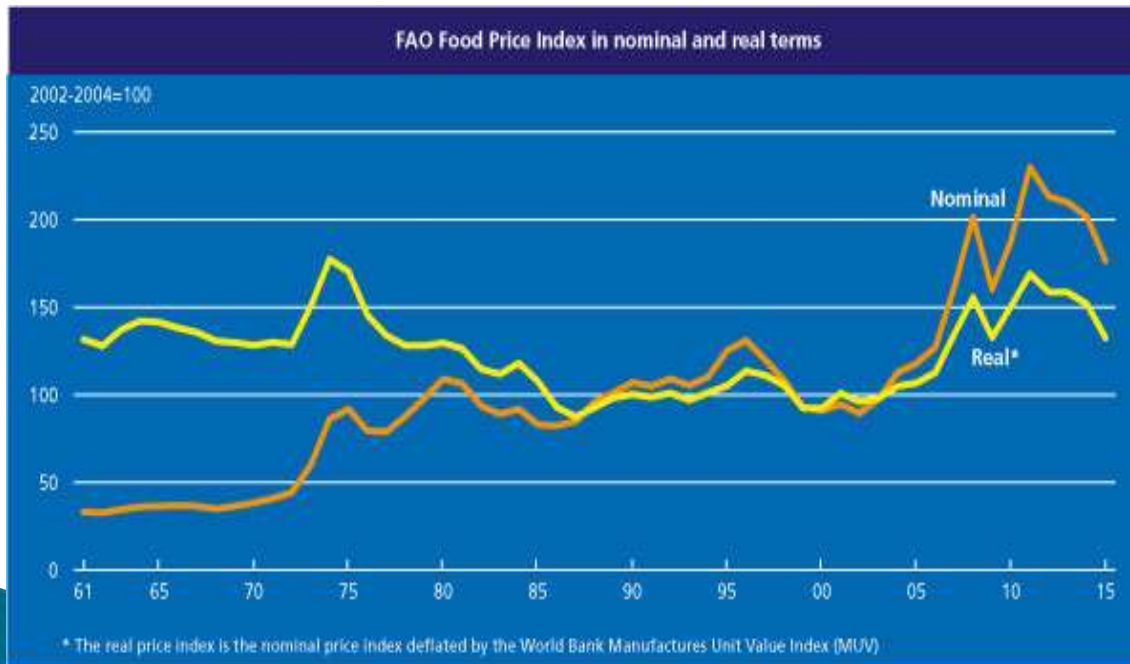
Biofuels, stocks down, climate change, speculative funds, etc

Export restrictions by many countries

Implications

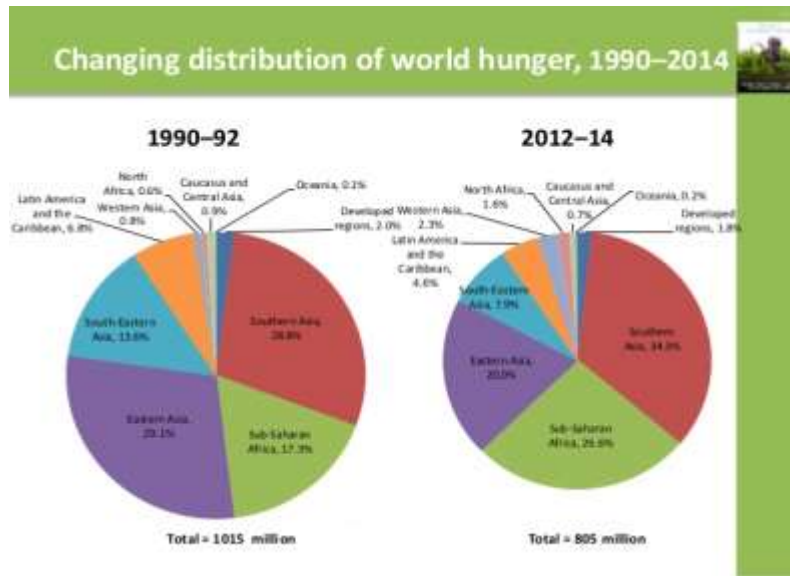
Higher/volatile prices since 2008

Increasing food import bills



# Policy challenges for food insecure countries in a context of high food prices

- Greater focus on domestic markets in pursuit of national Food Security objectives as the trust in the world markets declined.  
*Food is not "cheap" anymore.*
- Increasing productivity key to longer-term food security
  - ❑ Need for global food production to increase 60-70% by 2050 (9 bn people by 2050)
  - ❑ Most of the extra demand is from food insecure countries while global supplies uncertain



## Part One: Key findings

- About 805 million people chronically undernourished in 2012–14. **Decline of 209 million** since 1990-92, and by 100 million in last decade.
- Majority of hungry live in **developing countries**, where over one in eight, or **13.5 percent** of the population, remain chronically undernourished.
- The MDG 1c hunger target is **within reach**, but large differences across developing regions remain.
  - East Asia, South-East Asia, Latin America and the Caribbean have achieved the MDG hunger target. LAC are on track to reach WFS goal.
  - Insufficient progress in sub-Saharan Africa, South and West Asia.

- Trade reforms is an important factor affecting food security especially with regard to the effort to boost productivity.

❑ *Food Security debate broader than MPS*

## Challenging practices on MPS calculation leading to need for a decision in Bali

### 2011: US sponsored DTB study

- ✓ All four countries breach their DS commitments
- ✓ MPS in 24/25 commodities >> 10% de minimis

Country	AMS Limit (\$ billion)	Estimated Total AMS (\$ billion)	Number of commodities examined
India	zero	37.3 to 91.5	7
Brazil	0.912	3.9	4
Turkey	zero	9.2	10
Thailand	0.634	15.3 to 17.1	4

*The study was revisited at the beginning of 2015 with the inclusion of calculations for China, with the same conclusion.*

# Domestic Support: AMS calculation and Market Price Support (MPS) Road to Bali: Main concerns expressed

## Problem of India and other countries

- Near to breaking its *de minimis* limit thus breaching its commitments...
- .. even when interpreting the parameters for the MPS calculation in a favourable way (currency of notifications, eligible production, impact of inflation)
- Methodology uses prices that are outdated (very low) and thus the MPS calculated is over-estimated and does not correspond to the real DS expenditures.

### **G-33 argumentation**

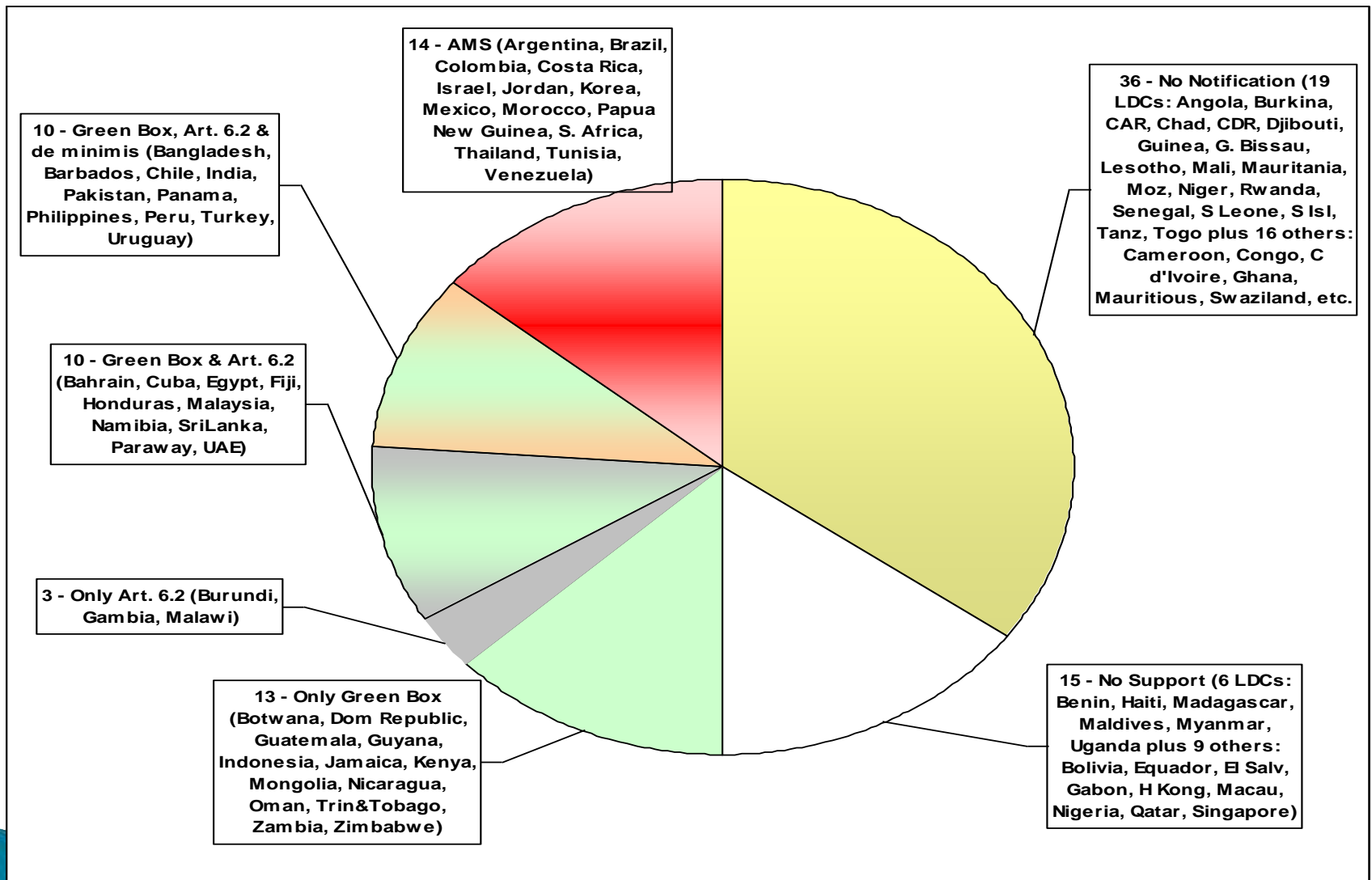
- ❑ *imbalances in agreed rules*
- ❑ *AoA systemic weaknesses if many developing countries face problems*
- ❑ *commercial operation vs small-scale resource poor farmers with no other source of livelihood*

## Main concerns of the non-proponents

- Lack of in-built policy constraints and of adequate targeting to limit the potential distortiveness, notably:
  - ✓ allowing the procurement to continue even when stocks are enough to achieve the stated policy objectives
  - ✓ the procurement does not always benefit only low income and resource-poor farmers
- The systemic impact of loosening the AoA disciplines in general, and the Green Box disciplines in particular.



# Potentially plenty policy space for developing countries, but not in AMS (MPS)



# Implications for MPS

- ▶ When  $AMS=0$ , then MPS bound by *de minimis*
  - $MPS/VoP < 10\%$  for all products (CHN: 8.5%)
  - but, MPS common policy instrument for targeting specific crops either to increase production or stockholding
  - constraining MPS could imply lose of policy space for such measures
- ▶ Calculation of MPS in WTO context
  - $MPS = (\text{admin farmgate price} - \text{fixed ERP}) \times \text{eligible production}$
  - $VoP = \text{farmgate price} \times \text{total production}$
  - actual practices on MPS calculation vary and resolution of these differences necessitated the Bali Decision
  - **Actual practices on MPS calculation vary and resolution of these differences necessitated the Bali Decision**



# Exploring MPS-related constraints

Table 4.1 Choices made by the sample countries in relation to the elements of MPS calculation

Country	Commodity	Notified AMS?	ERPs specified in schedules?	Currency used in the schedules	Currency of subsequent notifications*	Eligible production notified	Market price used in the calculation of value of production
India	Rice	No	Yes	INR	US\$	Procured	Admin.
Turkey	Wheat	No	No	TL	US\$	Procured	Wholesale
Philippines	Rice	No	Yes	Pesos	Pesos	Procured	Wholesale
Pakistan	Wheat	No	Yes	PR	US\$	Total	Admin.
Egypt	Wheat	No	No	No MPS calculated	No MPS calculated	Procured (assumed)	Admin. (assumed)

Table source: *WTO domestic support disciplines: options for alleviating constraints to stockholding in developing countries in the follow-up to Bali*, <http://www.fao.org/3/a-i3819e.pdf>

# MPS-related constraints: India rice

Table 4.2. Market Price Support (MPS) for Rice in India

Administered Price	US\$/MT	10% <i>de minimis</i> threshold (15% in parenthesis)	Based on total production	Based on actually procured production (33%)
		MPS calculation in US\$ (million)		
2012/13 level	318	3,318 (4,977)	5,772	1,880
2012/13 level +20%	381	3,981 (5,972)	12,408	4,041
	INR/MT	MPS calculation in INR (million)		
2012/13 level	18,750	195,750 (293,625)	1,590,012	517,820
2012/13 level +20%	22,500	234,900 (352,350)	1,981,512	645,320

(1) US\$-Rupee exchange rate = 1US\$/59 rupees (2013 Average from the Indian Reserve Bank)

(2) External Reference Price in US\$ from Indian Domestic Support Notifications

(3) External Reference Price in Rupees from Indian Domestic Support Schedule

(4) The administered price is set for paddy rice. To convert it to milled rice price a coefficient of 1.5 was used derived from India's notification.

- **In breach of commitments if the notification is made in INR. This conclusion holds true whether the MPS calculation uses total or procured production or with 15% de minimis**
- **Also in breach of commitments if the notification is made in USD if the MPS calculation uses total production**
- **Not in breach if the notification is made in USD the actually procured quantity is used in the calculation of the MPS.**

# MPS-related constraints: Turkey wheat

Table 4.3. Calculation of the Market Price Support provided by Turkey for Wheat

Administered Price	US\$/MT	10% <i>de minimis</i> threshold (15% in parenthesis)	Based on total production	Based on actually procured production (8%)
		MPS calculation in US\$ (million)		
2012/13 level	369	565 (847)	5,446	443
2012/13 level +20%	443	565 (847)	6,931	564

(1) US\$-TL exchange rate = 1US\$/1.8 TL (2012 Average from World Bank)

(2) External Reference Price in US\$ from Turkish Domestic Support Notifications

- **No calculation can be carried out in Turkish Liras as ERPs were only available in USD.**
- **Similar conclusions to those of India highlighting the key importance of the definition of eligible production in the calculation of MPS.**
- **In clear breach of its commitments if total production is used to calculate MPS (10 times the *de minimis*).**
- **Not in breach if the actually procured quantity is used in the calculation of the MPS, but marginally so.**

# MPS-related constraints: Philippines rice

Table 4.4. Market Price Support (MPS) for Rice in the Philippines

Administered Price	Pesos/Kg	10% <i>de minimis</i> threshold (15% in parenthesis)	Based on total production	Based on actually procured production (2%)
		MPS calculation in Pesos (million)		
2012/13 level	26.2	34,870 (52,305)	253,056	4,963
2012/13 level +20%	31.4	34,870 (52,305)	314,357	6,169

(1) External Reference Price in pesos from the Domestic Support Schedule of the Philippines

(2) Paddy is converted into rice terms based on 65% milling recovery rate, derived from the Domestic Support notification of the Philippines

- ***In breach of commitments if total production used in MPS calculation (8 times de minimis).***
- ***Under actually procured MPS is within its de minimis. Also large policy space to increase procured rice supplies and/or to increase its administered price without breaching its de minimis threshold.***

# MPS-related constraints: Pakistan wheat

Table 4.5. Market Price Support (MPS) for Wheat in Pakistan

Administered Price	US\$/MT	10% <i>de minimis</i> threshold (15% in parenthesis)	Based on total production	Based on actually procured production (34%)
		MPS calculation in US\$ (million)		
2012/13 level	321	777 (1,166)	3,538	1,155
2012/13 level +20%	385	933 (1,399)	5,093	1,662
	PR/MT	MPS calculation in PR (million)		
2012/13 level	30,000	72,600 (108,900)	650,206	212,257
2012/13 level +20%	36,000	87,120 (130,680)	795,406	259,657

(1) US\$-PR exchange rate = 1US\$/93.40 PR (2012 Average from the World Bank)

(2) External Reference Price in US\$ from Domestic Support Notifications

(3) External Reference Price in PR from Domestic Support Schedule of Pakistan.

- **In breach of commitments in all cases examined, regardless of the notification being made in US\$ or in PR; total production or procured used in the MPS calculation.**
- **Not in breach only under an increase of *de minimis* to 15%. But still at the margins of breaching the commitments.**

## MPS-related constraints: Egypt wheat

Table 4.6. Market Price Support (MPS) for Wheat in Egypt

Administered Price	US\$/MT	10% de minimis threshold (15% in parenthesis)	Based on total production	Based on actually procured production (33%)
		MPS calculation in US\$ (million)		
2012/13 level	418	356 (533)	2,718	959
2012/13 level +20%	502	427 (640)	3,074	1,085

(1) Purchase Price, Total Production and Procured Production from USDA

(2) The administered price was used for the calculation of the VoP

(3) US\$-EL exchange rate = 1US\$/6,06 EL (2012 Average from World Bank)

(4) ERP from the notification of Turkey.

- **In clear breach of its commitments. MPS nearly 8 times de minimis (when total production is used), 2.5 times (when procured production is used).**
- **Even with 15% de minimis, Egypt would not comply with each commitments.**

## Overall on MPS compliance

- ▶ **Purpose to illustrate compliance problems**
  - *conclusions sound qualitatively but not necessarily quantitatively*
- ▶ **Significance of the definition of eligible production**
  - *in no case de minimis adequate when total production is used*
  - *when procured used, situation improves considerably but not in all situations*
  - *countries may face compliance problems if they chose to increase their procured quantities*
- ▶ **Significance of inflation**
  - *MPS in national currencies >>de minimis; exceeded multi-fold, especially when total production used*
  - *common practice used to avoid problem was MPS in US\$*



# Towards a permanent solution: possible compromises

- Eligible production
  - ✓ Legal: DSB ruling
  - ✓ Practice: de facto procured quantities
  - ✓ Solution: Exempt MPS from AMS if the actual procurement is less than X% of total production, defined in advance and based on clear food security objectives
- External Reference Price (ERP)
  - ✓ Legal: Annex 3 para 9 fixed ERP ave 1986-88; footnote 5 simply ERP
  - ✓ Practice: many used US\$ instead of national currency
  - ✓ Solution: acceptance of US\$ in notifications and setting mutually agreed ERPs when they do not exist
- Excessive Inflation Rates
  - ✓ Legal: Article 18.4 (---**???**---)
  - ✓ Practice: some countries resorted unilaterally to Art 18.4 (recently UKR, JOR)
  - ✓ Solution: agree on method for inflation-adjusted admin prices

# Concluding remarks

- Food markets have evolved
  - but trade rules have not
- New market and policy realities
  - formerly poor developing advanced – able to look after their citizens and farmers better than before
  - world food markets: higher/volatile prices and lost trust
- G33 position
  - unable to live within the rules: systemic weaknesses of AoA
  - Food security objectives vs external commitments
- Developed countries' & non-G33 position
  - distortion but also possibly result in more volatility in world market
- Constructive approach needed
  - convergence between these is what at stake post-Bali