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# Options for a Permanent Solution on Public Stockholding for Food Security Purposes

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# Procuring Food Stocks Under World Trade Organization Farm Subsidy Rules:

Finding a permanent solution

IISD REPORT



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<https://www.iisd.org/system/files/2021-08/food-stocks-wto-farm-subsidy-rules.pdf>

# BROAD OPTIONS

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1. Updating the base periods used to calculate the AMS
2. Revisiting the definition of eligible production
3. Exempting support when administered prices are set below international prices
4. Exempting LDCs and other small economies
5. Establishing a permanent solution based to some degree on the Bali Decision

## 1. Updating the base periods used to calculate the AMS

- Considers the extent to which price inflation affects the distortion arising from minimum support price policies
- Captures degree to which support is associated with actual distortions on markets
- Basis for updating rules on agriculture domestic support

### *Base Period options:*

Fixed	Floating
<ul style="list-style-type: none"><li>• Greater predictability</li><li>• Doesn't capture market distortions over time</li><li>• Acceptable base period?</li></ul>	<ul style="list-style-type: none"><li>• 3-year price average or a 5-year Olympic average</li><li>• Exclude years where prices are abnormally high or low</li></ul>

## 2. Revisiting the Definition of Eligible Production

- Pre-announcing maximum volume of procurement
- Exemption of procurement that represents less than an agreed threshold of the percentage of the volume of production
- Exempt from the calculation of eligible production that share of output which is self-consumed by subsistence farmers (Galtier, 2017)

South Korea beef case	China – DS for agricultural producers
<p>Volume of production should normally be considered to be the totality of production in the country “fit or entitled” to be purchased unless there are reasons to consider that the production eligible to receive the administered price is a lesser volume</p>	<p>QEP to be determined as the entire volume of production in relevant specified provinces, except production that is determined to be out of grade, but left option open that government announces a maximum quantity to be purchased</p>

- Setting a cap less than total production moves the MPS measurement away from an economic measurement (Orden and Brink, 2022)

### 3. Exempting Support When Administered Prices Are Set Below International Prices

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- Exempting support under public stockholding programs from counting towards the AMS or de minimis limits when pre-announced administered prices are set below the level of international market prices (Diaz-Bonilla, 2014; Glauber et al, 2020)
- Advantageous for exporting countries
- Does not give legal certainty in the event of sudden fall in international market prices

## 4. Exempting LDCs and Other Small Economies

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- Exempting LDCs and smaller economies from the requirement to count purchases at administered prices toward the AMS
- Lack financial capacity and minimal implications for global prices, production, and trade
- *Potential exemption criteria:*
  - average share of world merchandise trade falls below 0.16% or less
  - average share of world trade in non-agricultural products represented 0.1% or less
  - share of world trade in agricultural products amounted to no more than 0.4%
- *Situational approach:* exempt programs that confirm to certain characteristics (size, % of affected total world production or % of total world trade in the commodity)

## 5. Establishing a Permanent Solution Based to Some Degree on the Bali Decision

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- Increase flexibilities in specific areas (such as product coverage)
- More rigorous requirements in other areas (such as safeguards to prevent circumvention of the agreement or transparency requirements)

Three main criteria:

1. Cap on support provided
  2. Inclusion of new programs
  3. Product coverage
- Appropriate notification and transparency requirements in place



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Thank you!

