

WTO Public Forum 2013

A look into the Bali Ministerial Conference

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**The right to food through food security stocks:
a development-oriented outcome at Bali?**

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Outlook

The G-33 proposal on food security stocks

What is the core issue?

Absurdity to put in the AMS the gap between administered prices and 1986-88 border prices

The AoA allows to adjust the AMS from inflation

The National Food Security Bill of 5 July 2013

Comparing the US and Indian domestic food aid

Conclusions and recommendations

The G-33 proposal on food security stocks

On 13 November 2012, the G-33 proposed an early agreement at Bali to modify the footnote 5 of the AoA Annex II as follows : *“Acquisition of stocks of foodstuffs by developing country Members with the objective of supporting low-income or resource-poor producers shall not be required to be accounted for in the AMS”*.

For the AoA the AMS (Aggregate Measurement of Support) covers all domestic subsidies other than those of the Blue box and Green box exempted from reduction commitments.

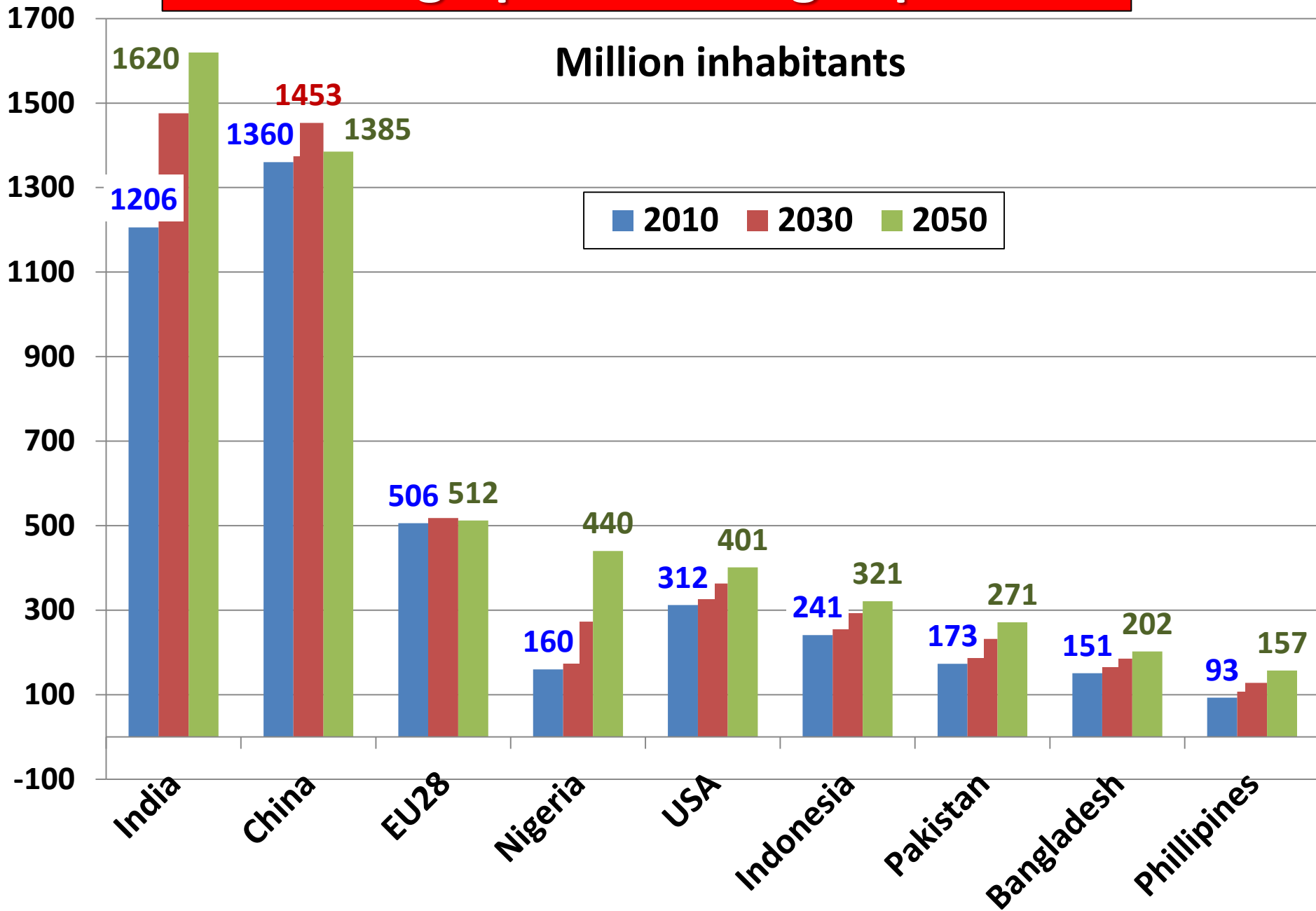
This implies that *“the difference between the acquisition price and the external reference price”* of food security stocks released at subsidized prices to poor consumers would no longer *“be accounted for in the AMS”*.

What is the core issue?

The core issue is to allow WTO Members the policy space to feed their poorest population whilst paying a fair price to their farmers providing that food. This is a particular concern in the largest DCs where the population would rise from 2010 to 2050 by 414 M in India, 281 M in Nigeria, 98 M in Pakistan, 82 M in Indonesia, 64 M in the Phillipines, 51 M in Bangladesh. China's population would rise by 93 M in 2030, then decrease.

Already one-third of India's population, i.e. 400 M, live below the poverty line of US\$1.25/day and 59% of rural children under five are stunted.

The demographic challenge up to 2050



Absurdity to put in the AMS the gap between administered prices and 1986-88 border prices

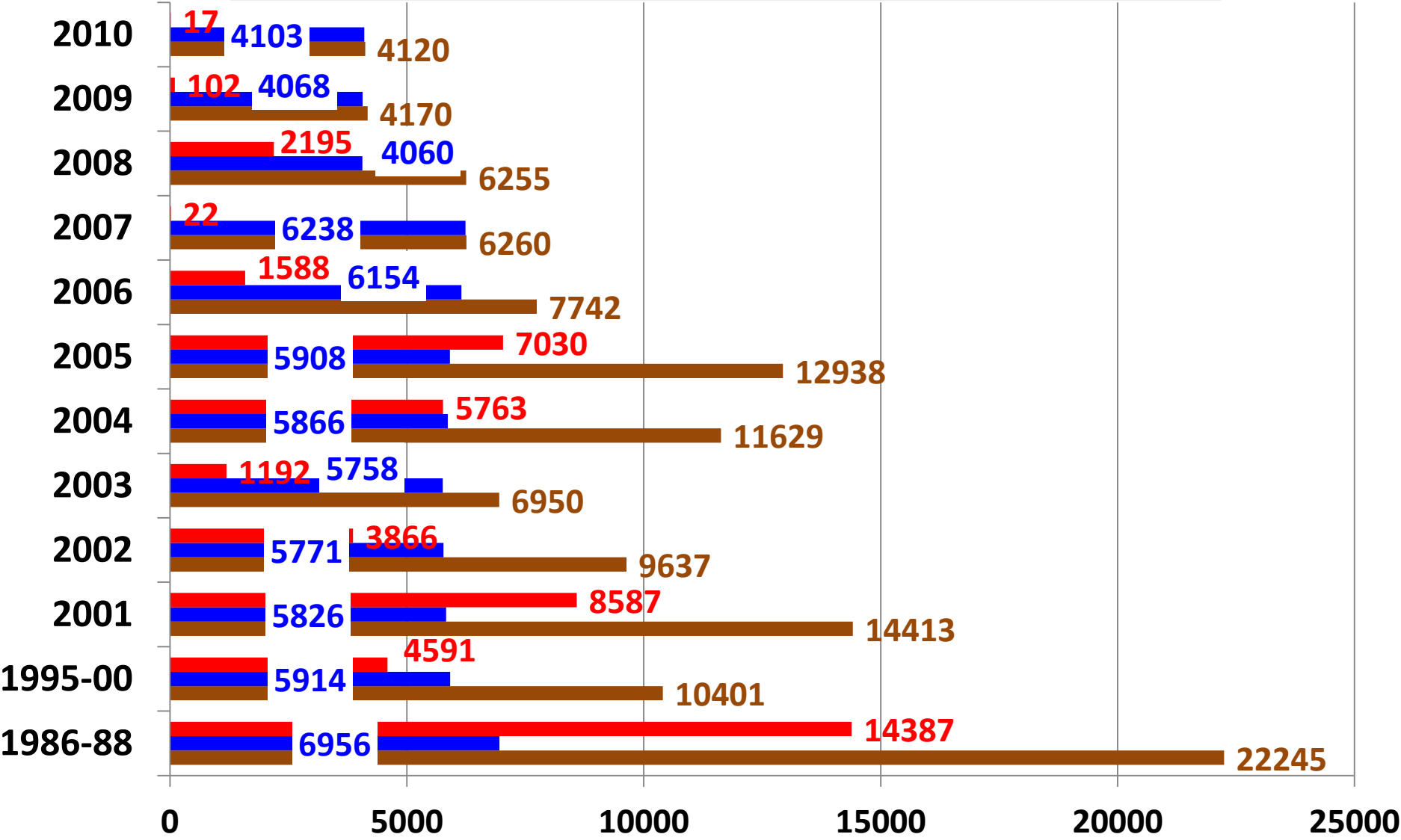
Because an administered price alone cannot support the domestic market price unless other most powerful mechanisms are at play: high import protection, subsidies to exported products, production quotas, land set aside, domestic and foreign food aid.

This fake market price support has allowed the US and EU massive box shifting from the amber box (AMS) to the blue box and the green box without reducing their actual level of agricultural subsidies.

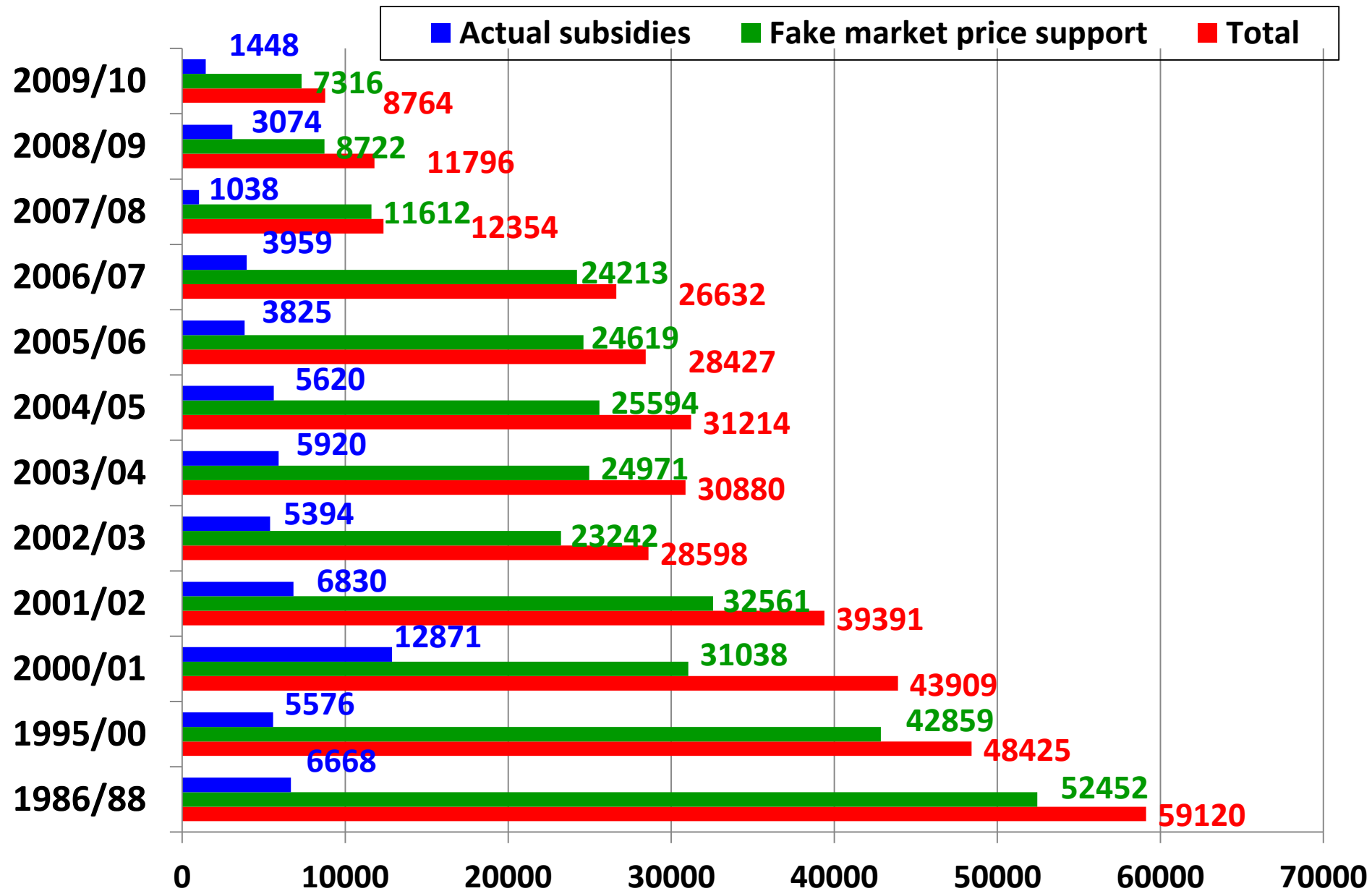
How many WTO Members know that, in the 1995-00 base period for the UR commitments, the EU actual average subsidy represented only 11.5% of notified AMS of €48.4 bn, the proportion being of 44% for the US \$10.4 bn AMS ? And these shares did not change significantly up to now.

The overwhelming weight of the fake market price support since 2006 in the US AMS, \$M

■ Actual subsidies
 ■ Fake market price support
 ■ Total



The overwhelming weight of the fake market price support in the EU AMS, in €M

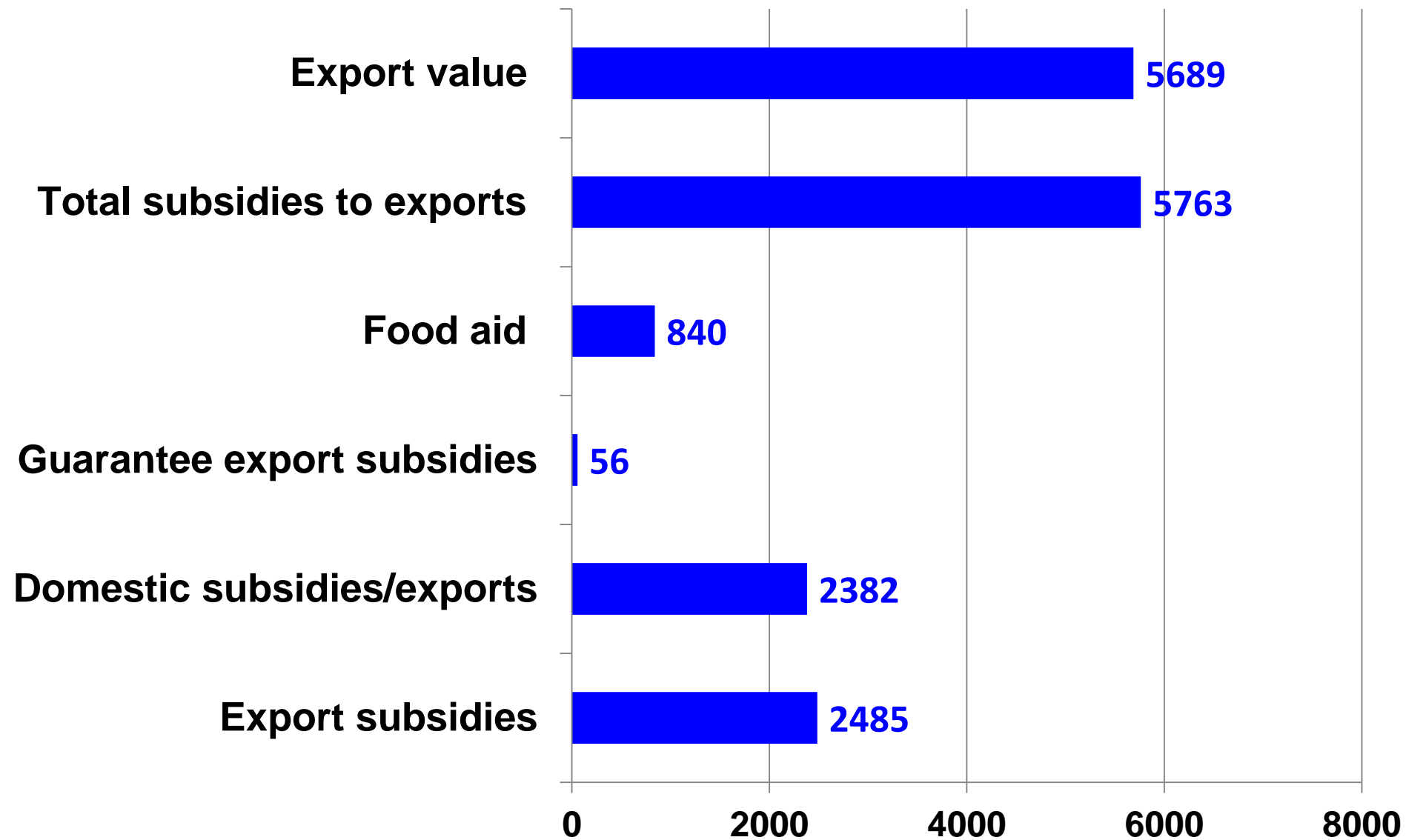


Taking 1986-88 border prices as reference prices is absurd

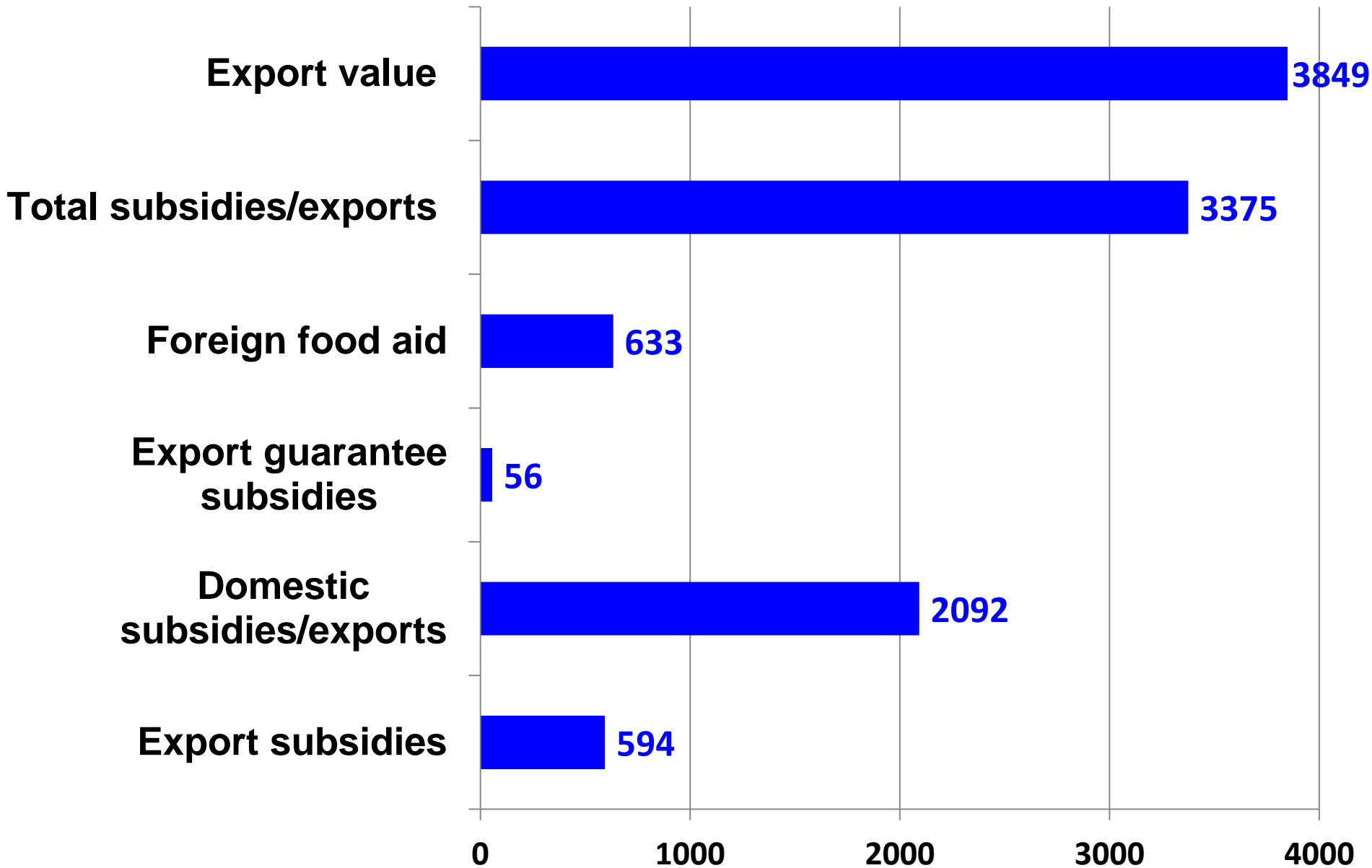
The inconsistency of putting the gap between administered prices and the 1986-88 reference prices in the AMS has been underscored by many trade experts (OECD, World Bank, FAO, W.K. Cline, H. de Gorter, Tim Josling).

The very low level of 1986-88 world prices, e.g. for wheat, is clearly due to the EU+US huge combined dumping rate of 101%, of which 88% for the US and 130% for the EU, both making 53.2% of global exports, knowing that the US is price maker for wheat as for most other grains.

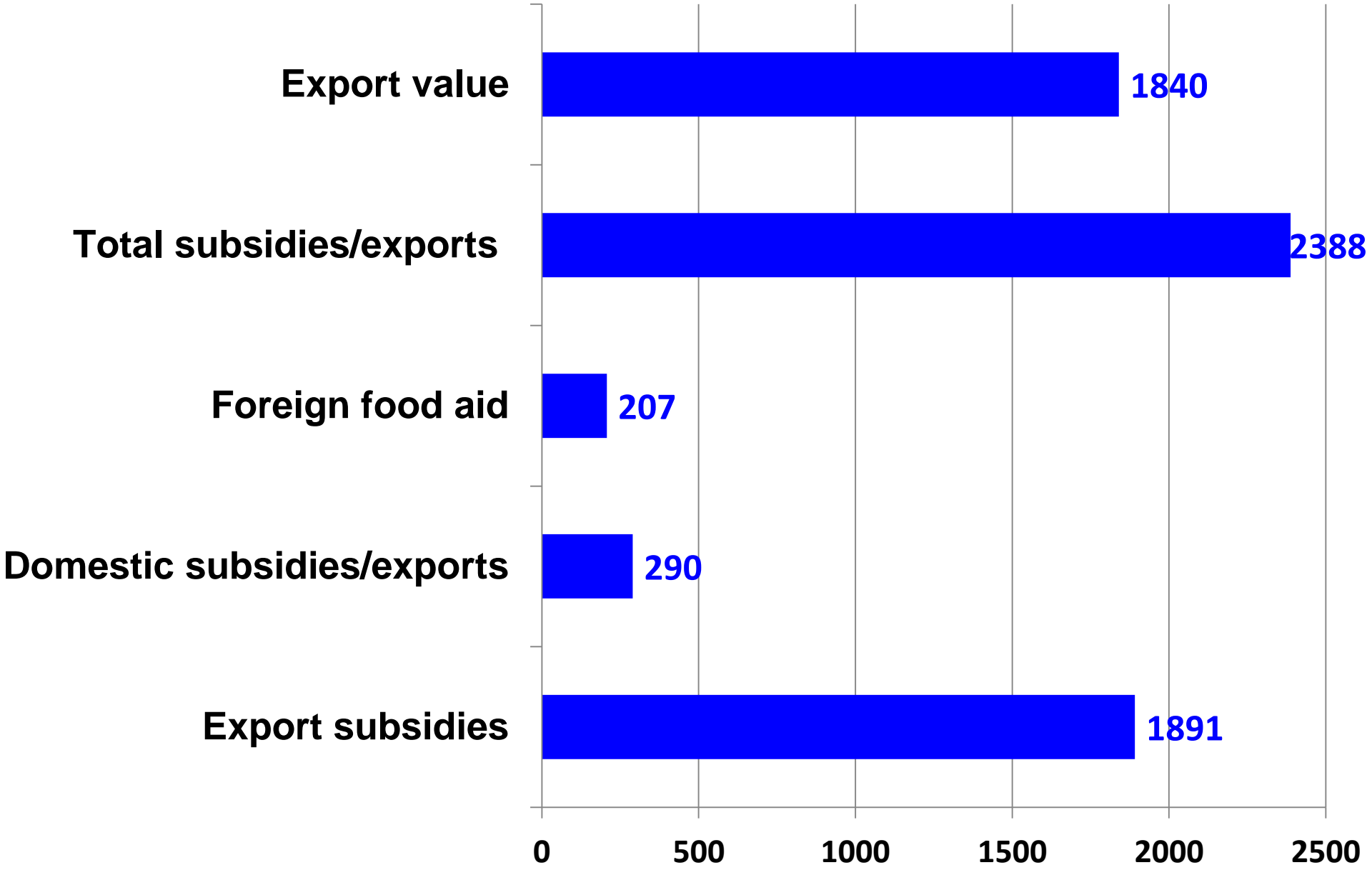
The average dumping rate of 101% of the US+EU exports of wheat and flour in 1986-88, \$M



The average dumping rate of 88% of the US exports of wheat and flour in 1986-88, \$M

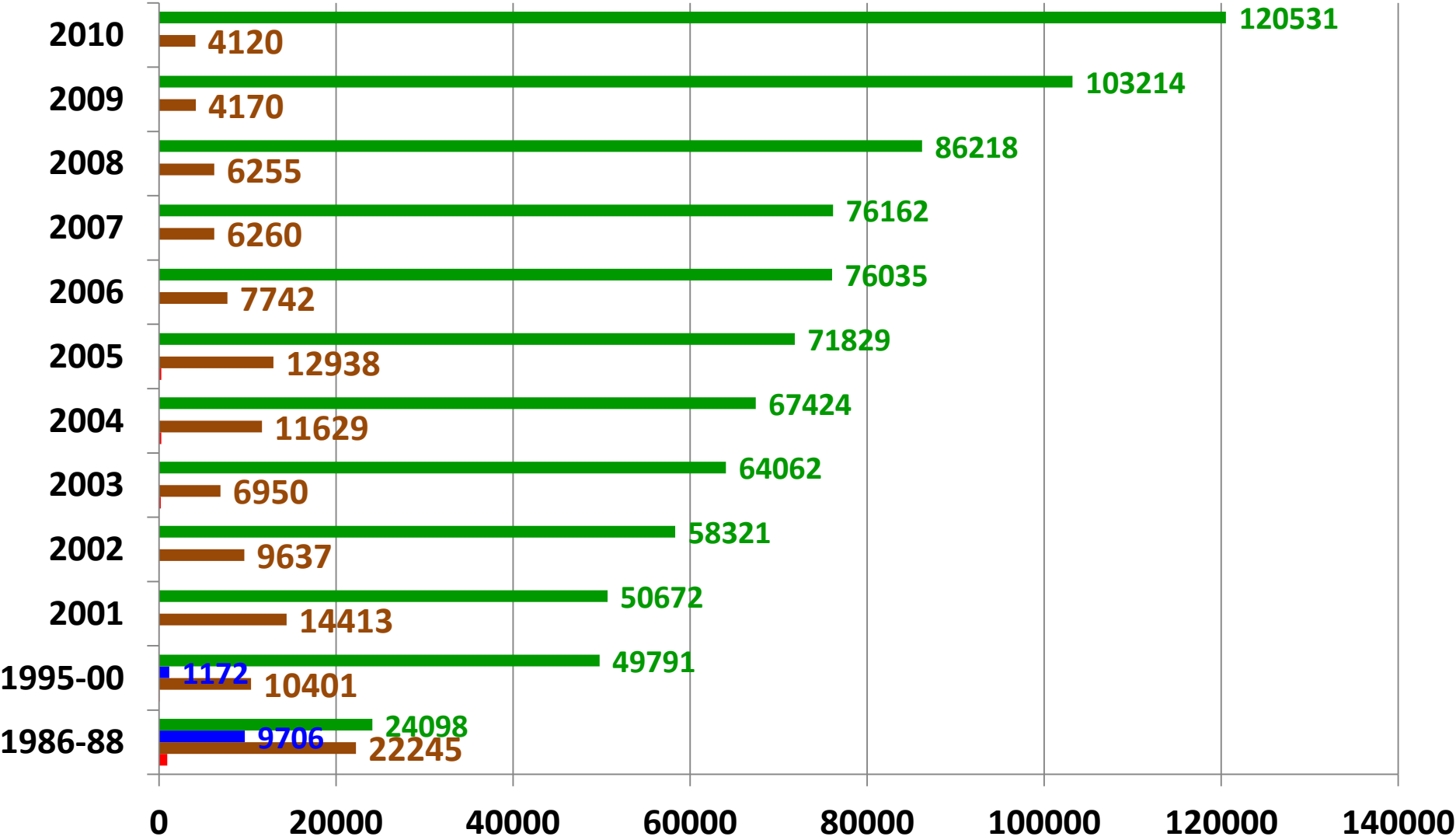


The average dumping rate of 130% of the EU12 exports of wheat and flour in 1986-88, \$M

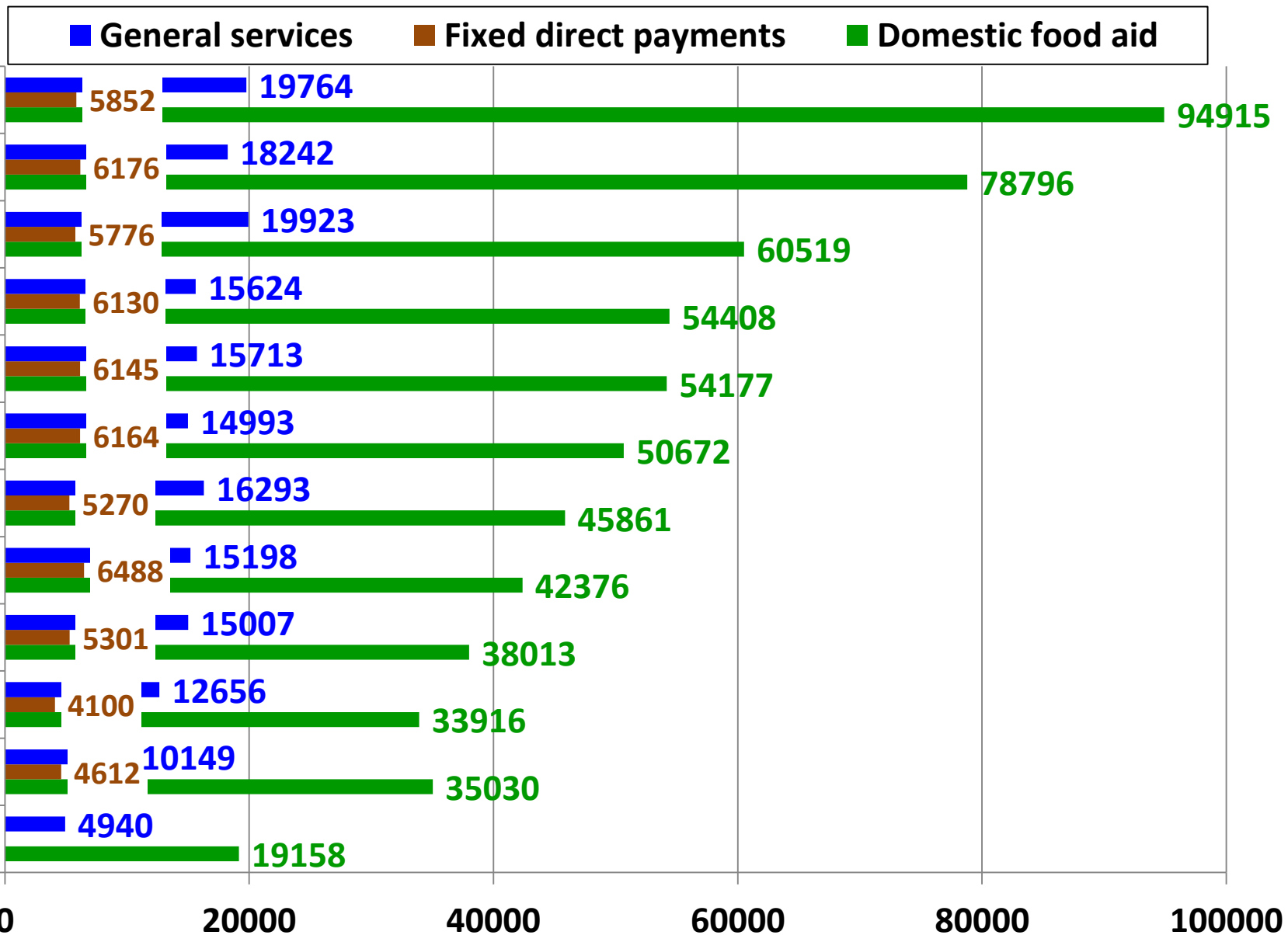


The huge expansion of the US green box linked to its domestic food aid, \$M

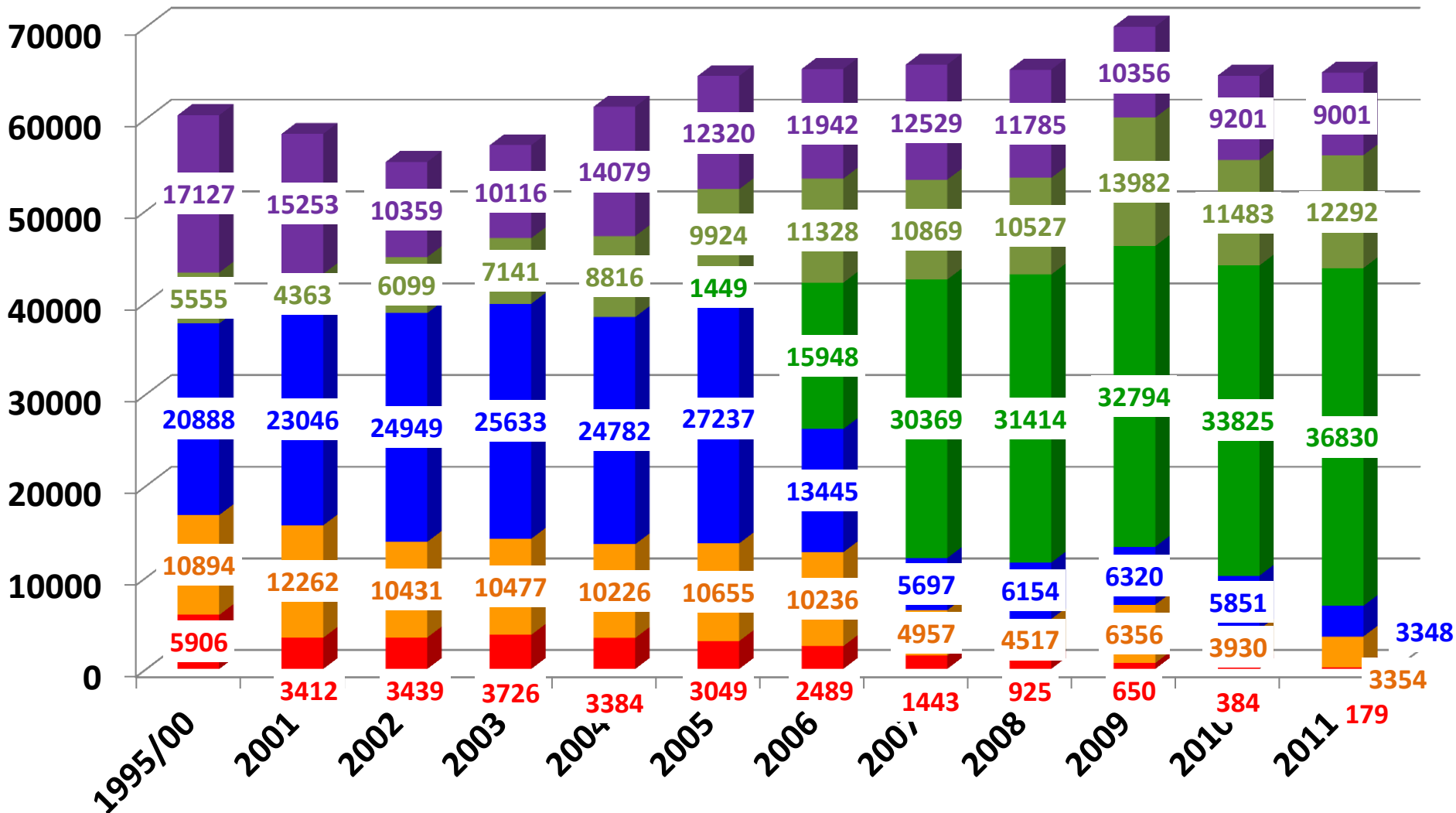
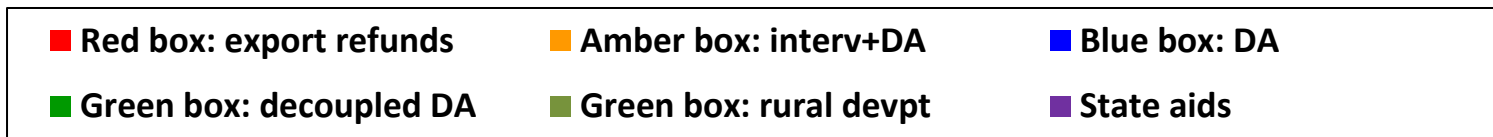
■ Green box
 ■ Blue box
 ■ Amber box (AMS)
 ■ Export refunds



The three components of the US green box: domestic food aid, fixed direct payments, general services



The EU evolution of agricultural budget according to boxes from 1995-00 to 2011, €M



Adjusting the AMS taking inflation into account ?

From 1986-88 to 2012 the inflation rate was of 8.03% in India. As A. Hoda & A. Gulati "*do not see any reason for making less than full adjustment for the rates of inflation*" (ICTSD September 2013), the 1986-88 Indian CIF price of Rs 3,548 (\$264.6) would rise to Rs 22,649 which, converted at the 2012 average exchange rate of Rs. 55.9/\$1, would be of \$405.1, much higher than the minimum support price (MSP) of wheat of Rs. 12,850 (\$230) procured in 2012 so that the AMS was negative.

At most, taking the 2.75% inflation rate of the high income OECD countries as a floor, the Indian excess rate would be of 5.28% and the 1986-89 Indian notified CIF price of Rs 3,548 (\$264.6) would jump at Rs 12,198 or \$218.2 at the 2012 exchange rate of Rs. 55.9/\$1, implying a wheat AMS of \$11.8/t which, multiplied by 17.5 Mt of food aid, was of \$206.5 M.

The National Food Security Bill of 5 July 2013

The welcome National Food Security Bill poses new challenges as the procurement would rise in line with the extension of beneficiaries to 75% of the rural population and 50% of the urban one, i.e. at about 800 M people against around 475 M in 2010, and the total cost for the Public Distribution System (PDS) might reach \$20 bn.

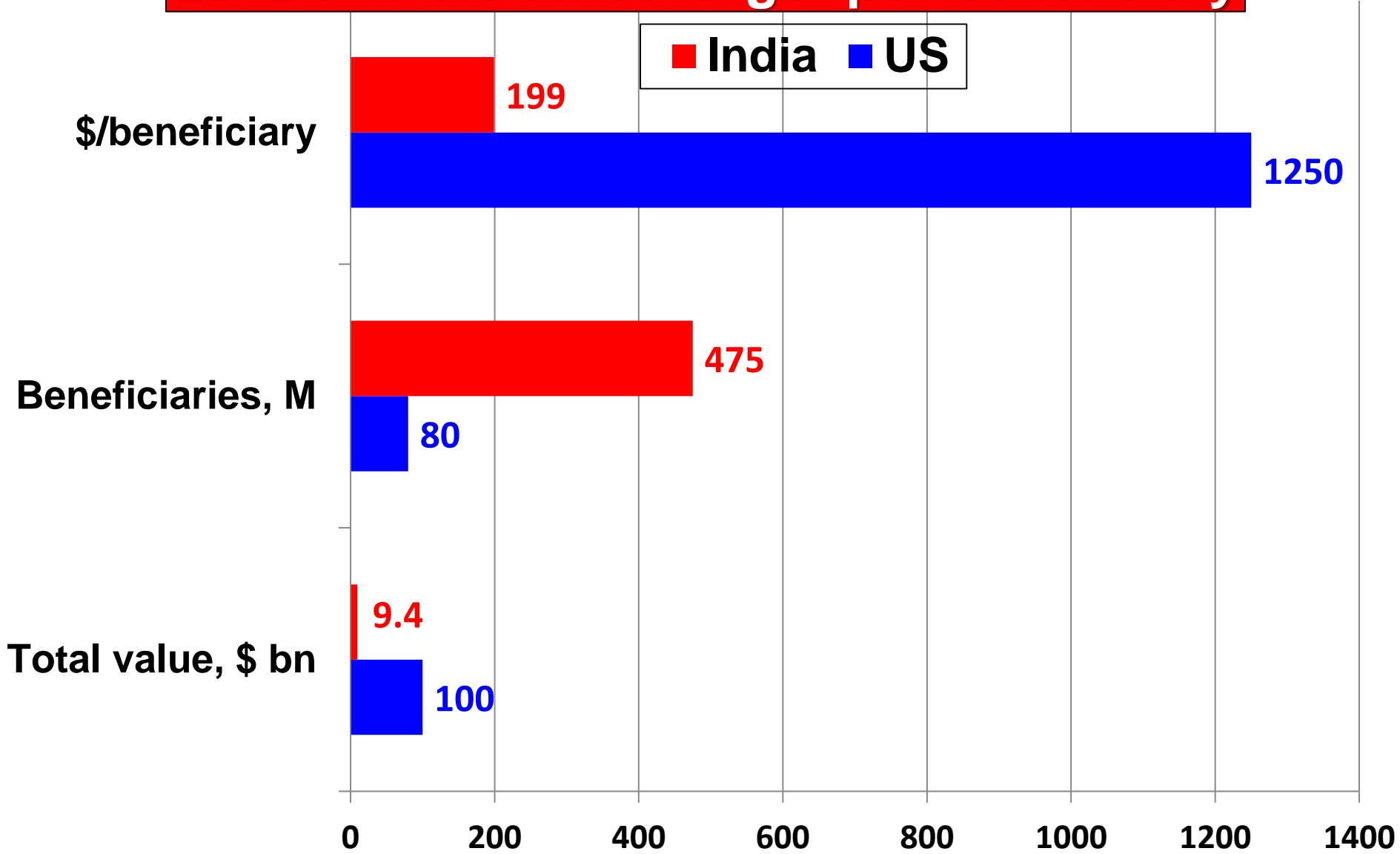
A. Gulati & al. suggest that India should be more flexible in the working of the PDS and enlarge the conditional cash transfers, following the Bolsa Familia of Brazil and the Philippines' '*Pantawid Pamilyang Pilipino Program*', to which we can add the US food stamps.

Comparing the US and Indian domestic food aid

The US is by very far the largest provider of domestic food aid, at \$107 bn in FY 2012 – around \$100 bn net of administration costs – to about 80 M beneficiaries without double count, i.e. \$1,250/head –, of which SNAP (food stamps) at \$74.9 bn net to 46.6 M beneficiaries (\$1,608/head) and child nutrition at \$17.7 bn to 45 M children (overlaps).

The US food aid/head is thus 6.3 times larger than in India (\$199), and even 8.1 times larger for SNAP beneficiaries.

The value of US domestic food aid was 10.6 times larger than the Indian one in 2012 and 6.3 times larger per beneficiary



Comparing the US and Indian domestic food aid

Around \$15.1 bn was devoted to cereals products in 2011-12, \$23.7 bn to meat, fish & eggs and \$11 bn to dairy products. They used 14.6 Mt of cereals, of which 4.6 Mt of wheat in cereals products, 9 Mt in feed cereals for meat, dairy & eggs and 1.1 Mt of corn in HFCS for soft drinks.

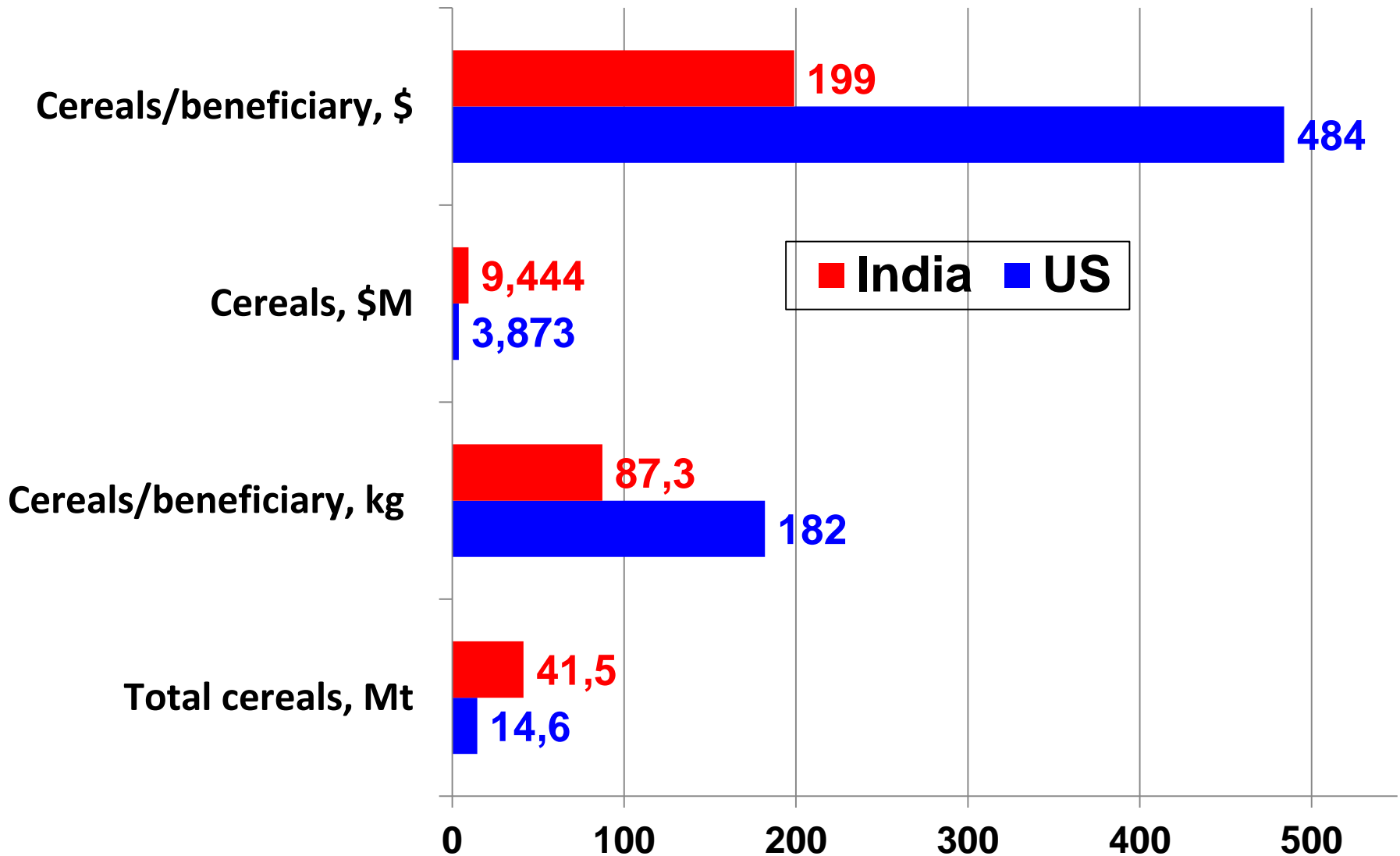
The US farm value of the 14.6 Mt of cereals (rice excluded) was \$3.685 bn, at an average price of \$252.5 \$/t. Each of the 80 M beneficiaries of the US food aid consumed 182 kg for \$461, of which 235 kg for the SNAP or \$594/beneficiary.

Comparing the US and Indian domestic food aid

475 Indian poor, of whom 325 M under the poverty line and 150 M above it, got in 2012 17,5 Mt of wheat for \$4.020 bn (36.8 kg/head) and 24 Mt of rice for \$5.424 bn (50.5 kg/head).

Each Indian beneficiary got 87.3 kg of cereals for \$199, 48% less than the 182 kg of the US 80 M beneficiaries of food aid (rice excluded) and 2.7 times less than the 235 kg (rice excluded) of the 46.6 M beneficiaries of SNAP.

The value of US cereals food aid (US rice excluded) per beneficiary in 2012 was 2.4 times larger than in India and the volume 2.1 times



CONCLUSIONS

Because the bulk of the US food aid (food stamps) is bought in agreed shops without passing through a public procurement channel as in India, what is the logic that the WTO demands to India (and all DCs) and not to the US that "*the difference between the acquisition price*" and "*the external reference price of 1986-88*" be "*accounted for in the AMS*"? If the SNAP beneficiaries can also buy some imported food, the overwhelming part is US made.

CONCLUSIONS

All US food programs other than SNAP, for about \$25 bn in 2012, imply public purchases of food on the market, including procured from farmers for \$1.6 bn in 2012-13, all notified in the green box, which could be challenged as trade-distorting as USDA acknowledges that: “*These purchases also help to stabilize prices in agricultural commodity markets by balancing supply and demand*”.

CONCLUSIONS

Many WTO Members, including among the G-33, lean to solve the issue through a “Peace Clause”, the G-33 demanding it would last until a definitive solution be found in the Doha Round whereas the developed countries would agree it for at most 3 to 5 years, which would be dangerous for the DCs for two reasons:

- 1) The Peace Clause of the AoA article 13 has allowed the EU and US to continue their massive dumping for 9 years;**
- 2) A Peace Clause in our issue will be presented as a huge concession to DCs by the US-EU which will demand in return a Peace Clause in the finalisation of the DR or in other plurilaterals in order to continue their dumping.**

RECOMMENDATIONS

What should be agreed instead in Bali is a WTO decision once and for all that all domestic food aid should be notified in the green box for all Members, independently of:

- 1) the level of prices paid to farmers, either through public procurement or purchases at market prices,
- 2) the means by which the food reaches the poor: either release in kind or purchases by food stamps.

Indeed these are very futile distinctions, provided that other Members should not be harmed through dumping.

DCs are all the more justified to pay higher prices to their farmers that they do not enjoy the large domestic subsidies received by their colleagues of the developed countries and which have a dumping effect on world prices and consequently also on DCs' market prices.

RECOMMANDATIONS

Such a decision would send a strong signal to all world poors, and even to the US poors where the House of Representatives refuses to finalize the Farm Bill unless the Senate follows its Bill to cut the nutrition part by \$4 bn/year.

Instead of being prevented from sustaining the agricultural prices of their poor farmers by the present absurd AoA rules on the AMS, the DCs should to the contrary be praised by the most developed WTO Members to foster in that way their overall development, which would eventually spill over the developed countries themselves.

The detailed data of this presentation can be found in the paper "*Analysis of the G-33's proposal to change the AoA provision on Public stockholding for food security*" and downloaded at <http://www.solidarite.asso.fr/Papers-2013>

Thank you !