

# SOL's proposal to solve the Public Stockholding's impasse

Buenos Aires, Wednesday December 13, 2017

Although the 2013 and 2015 ministerials decided that members should aim for a permanent solution on public stockholding for food security purposes (PSH) by the 2017 ministerial, after a 2014 General Council decision had confirmed that time line, the United States (US) has told yesterday 12 December that it could not accept a permanent solution on PSH.

In that circumstances a way out the impasse is for other Members to show that an in-depth interpretation of the Agreement on Agriculture (AoA)'s provisions of Annex 2 paragraphs 3 and 4 and some Annex 3 paragraphs on PSH are also applicable to the developed countries, of which to the US.

## **The necessity to go beyond five false interpretations of the AoA provisions on PSH<sup>1</sup>:**

- **Paragraphs 3 et 4 deal with "food" or "foodstuffs", not with "agricultural products"**, and do not specify that the products are purchased to farmers. Even the Food Corporation of India (FCI) purchases a significant part of rice to rice mills, not to farmers.
- **The concepts of *administered price* and *market price* are not defined in WTO agreements.** To know what a "market price" is the best source are the US and EU provisions on "non-market economies" considered not to use prices in line with their "normal value". Clearly the US and EU cannot claim that there is "*virtually no government involvement in setting prices*" of their agricultural products because of the large subsidies incorporated in these prices so that the provision in paragraph 4 of the AoA Annex 2 that "*Food purchases by the government shall be made at current market prices*" is not verified for the US. These farm prices should therefore be corrected by adding the subsidies to get their actual *administered prices*. Five reports by USDA, the World Bank, OECD, the WTO Appellate Body and FAPRI have underlined the necessity to internalize in domestic market prices the subsidies allocated to agricultural products. The only difference between the US farm prices and the Indian "minimum support prices" (MSP) of rice and wheat is that, in the US the subsidy is not incorporated in the price at the purchasing time but is granted along the year according to various types of coupled payments (the 2014 Farm Bill having deleted decoupled payments).
- **Public stocks are not necessarily managed by a public company:** even in India the storage of food distributed to beneficiaries is largely outsourced to private companies.
- **There is no minimum storage time required to speak of public stocks:** The USDA's instructions to States agencies force them to "*use all food donated by the USDA within six months of receipt*", which applies both to the raw agricultural products and to those transmitted by the States to agro-industries for further processing. Even in India a significant share of rice and wheat is distributed by the Food Corporation of India (FCI) and the States after a short storage life. Thus the US mobilizes public food stocks even if they are broken up into thousands of points and if they are more often stocks of processed food products

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<sup>1</sup> SOL, *Reconciling the views on a permanent solution to the issue of public stockholding for food security purposes*, September 10, 2017: <https://www.sol-asso.fr/analyses-politiques-agricoles-jacques-b-2/>

than of raw agricultural products, but the AoA deals with "foodstuffs" or "food", not with "agricultural products".

- **There is no restrictive definition of what is a food security stock** and actions to fight food insecurity occur in several ways: 22% of the US food aid is delivered in kind (of which to school children, women with infants) and 78% through food stamps (SNAP) which are a direct financial aid to deprived households. These two alternative ways of fighting food insecurity lead to consider that this second way of food assistance through financial aid is a kind of food security stock for the deprived beneficiaries so that there is no logical reason to apply to these alternative ways different treatments concerning the AMS notifications. At the end of the day the deprived beneficiaries get the food they need and the US farmers get the same benefit of selling their products either directly to USDA which delivers them to the States' services managing the School lunches and other programmes or to traders and agro-industries from which the authorized shops sell food products in exchange of food stamps.

### **Applying the absurd AoA methodology to the US domestic food aid**

The USDA detailed available data on food nutrition and a SOL's assessment of the US subsidies per product<sup>2</sup> have allowed SOL to show that, for 8 products only – three cereals (wheat flour, corn flour, rice), three meats (beef, pork, poultry), dairy in milk equivalent and eggs – the US should have notified to the WTO \$12.785 bn in 2012 for the product-specific AMS of its domestic food aid.

### **Changing few words in the AoA Annexes 2 and 3 would solve the issue**

In Annex 2 the words "in developing countries" in footnote 5 of paragraph 3 and footnote 6 of paragraph 4 should be deleted so that these footnotes apply to all WTO Members.

In Annex 3 the words underlined and not put in italics below should be deleted: "fixed" in paragraphs 8 to 11, "for the base period" in paragraph 5, "shall be based on the years 1986 to 1988 and" in paragraphs 9 and 11, and "in the base period" in paragraph 9.

Deleting these words would allow a positive interpretation of the footnote 5 of paragraph 3 of the AoA annexe 2 without having to change the footnote itself as its last line on "*provided that the difference between the acquisition price and the external reference price is accounted for in the AMS*" does not mention that the reference price is a "fixed" one nor that it is the price of "the base period".

These minor changes in the wording of Annexes 2 and 3 would also be in line with the G-33 proposal. Clearly all WTO members should be allowed to notify in the green box the subsidies to their farmers provided they do not harm other countries so that the US stance to deny this right to developing countries' domestic food aid could lead them to show that these absurd provisions would be the most detrimental to the US itself.

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<sup>2</sup> "Time is up for Developing countries to sue the US agricultural domestic subsidies, SOL, 14 January 2016 (<https://www.sol-asso.fr/wp-content/uploads/2016/06/Time-is-up-for-Developing-countries-to-sue-the-US-domestic-subsidies-Solidarit%C3%A9-January-14-2016.pdf>)