

Dhaka Roundtable on  
**Reviving the Multilateral Trading System:  
*Post-Bali Issues***

*23 – 24 November 2014, Bangladesh*

Session 3

**The Issue of Public Stockholding in the WTO**

by

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CENTRE FOR POLICY DIALOGUE (CPD)  
**B A N G L A D E S H**  
a civil society think tank



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# Discussion session 3

Viroj NaRanong

- Explore the issue from broader economic perspectives
  - Food Security (FS)
  - Public Stock (PS)

# Food Security (FS) and Trade

- Food availability—in terms of worldwide production—has become problem of the past (citation: FAO, IRRI ....)
  - An indirect indication: Definition of FS has been expanded in recent years to cover several non-Q aspects

- However, it is understandable that/if historically food-deficit countries might feel uncomfortable in relying mainly on trade
- (Domestic) Price can still be a concern, even in a food surplus country
- 6-10 yrs ago, production & price can still be influenced by HICs' subsidized biofuel policy, although further expansion of corn in the US has made it less likely that the crisis like in 2008 would happen again

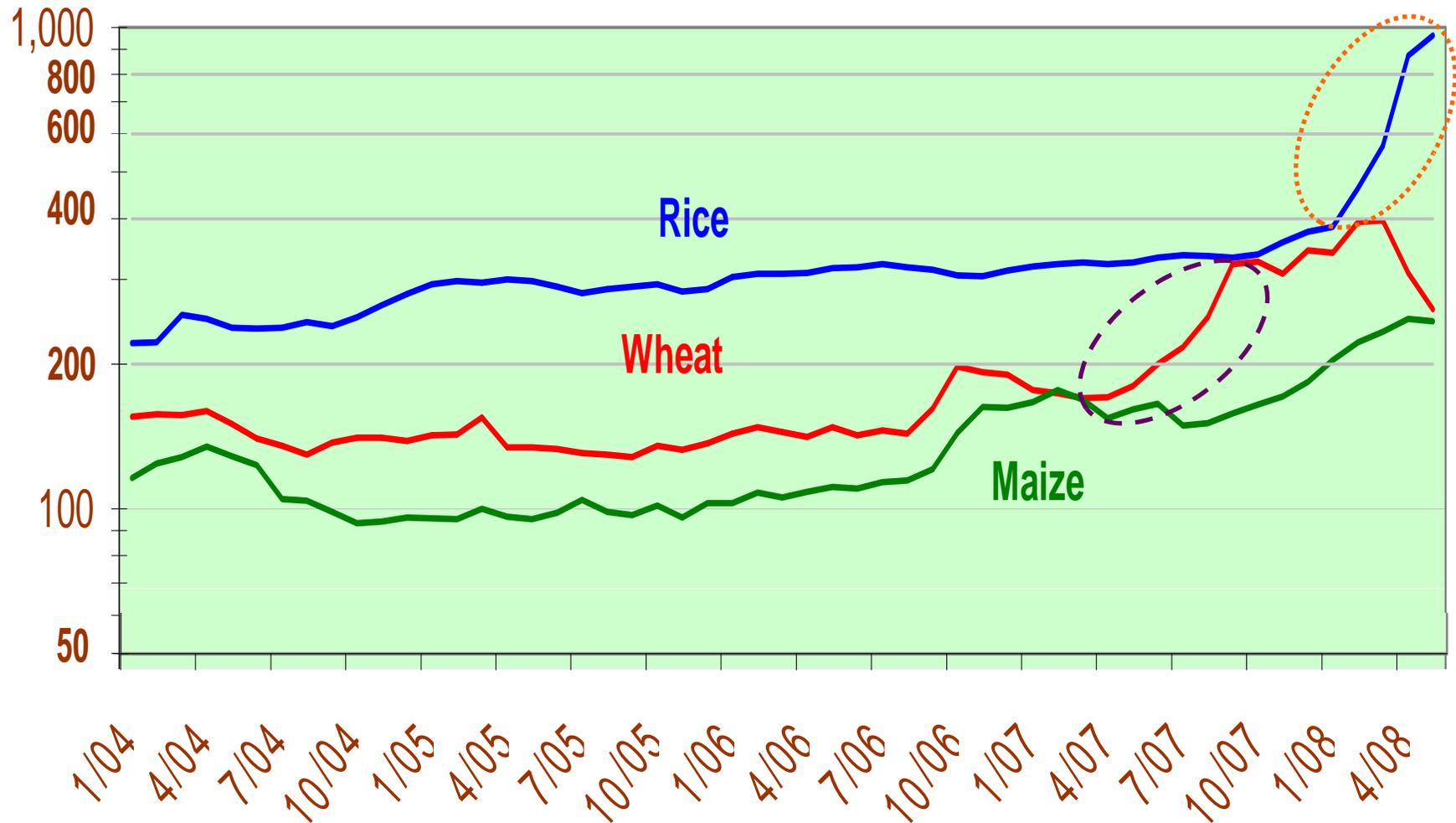
# The Food Crisis in 2008?

- For some Asian countries, the so-called food crisis was associated with a sharply increase in rice price → panic
  - confidence crisis (Phil & INA)
  - Lack of cooperation (Thailand—The Minister of Commerce held on to its stock, expected price to skyrocket)
- The likely cause was biofuel subsidies
  - As more feed and food crops had been diverted to biofuel production, we saw the spillover to wheat and finally rice.

# World Cereal Prices (logarithmic scale)

## Jan 04 - May 08

US\$/Ton



# The Food Crisis in 2008?

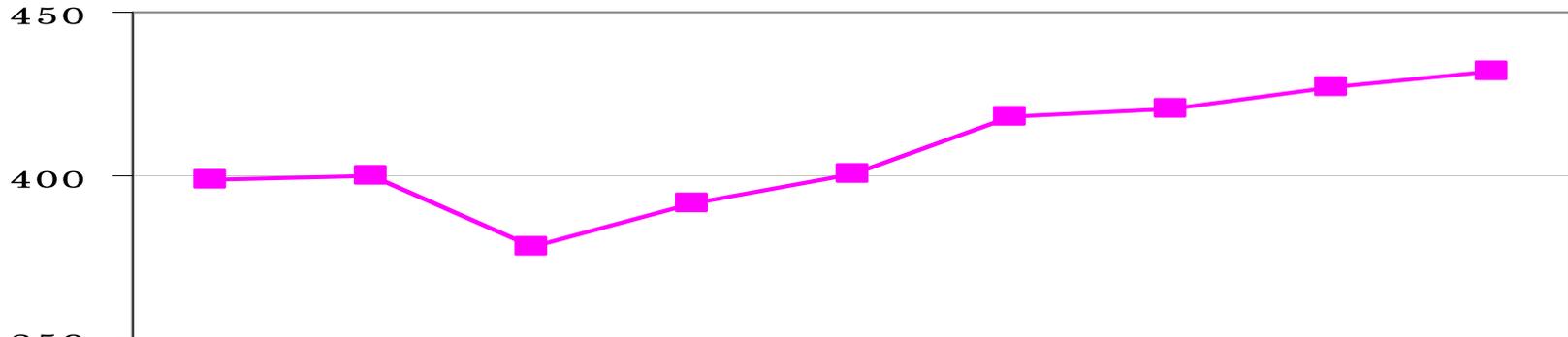
- Besides oil crops (some of which are blended to make biodiesel), more food crops are affected by the fuel price surge as alcohol (especially ethanol) production has increased worldwide in order to produce more gasohol.
  - In Thailand, cassava and sugarcane, has been used as the major inputs for ethanol productions.
  - In Brazil--sugarcane
  - But in many countries esp. the US., cereals like maize were the mostly used crops to produce ethanol.

# Rice Supply shock not the cause

- Worldwide stocks appear to be steady for rice, but wheat stocks have been declining following the Australian droughts
- In October 2007, wheat prices surged, nearly touching rice prices.
- supply shock from wheat seems to have a knock-on effect on rice markets.

### Global Milled Production

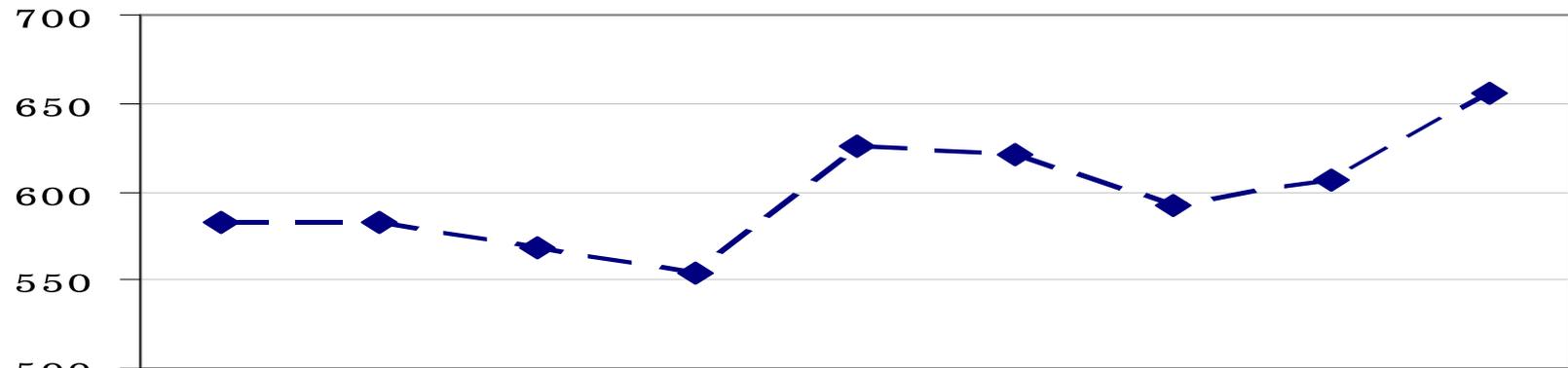
Million Tons



	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09
—■— Milled	399	400	378	392	401	418	421	427	432

### Global Wheat Production

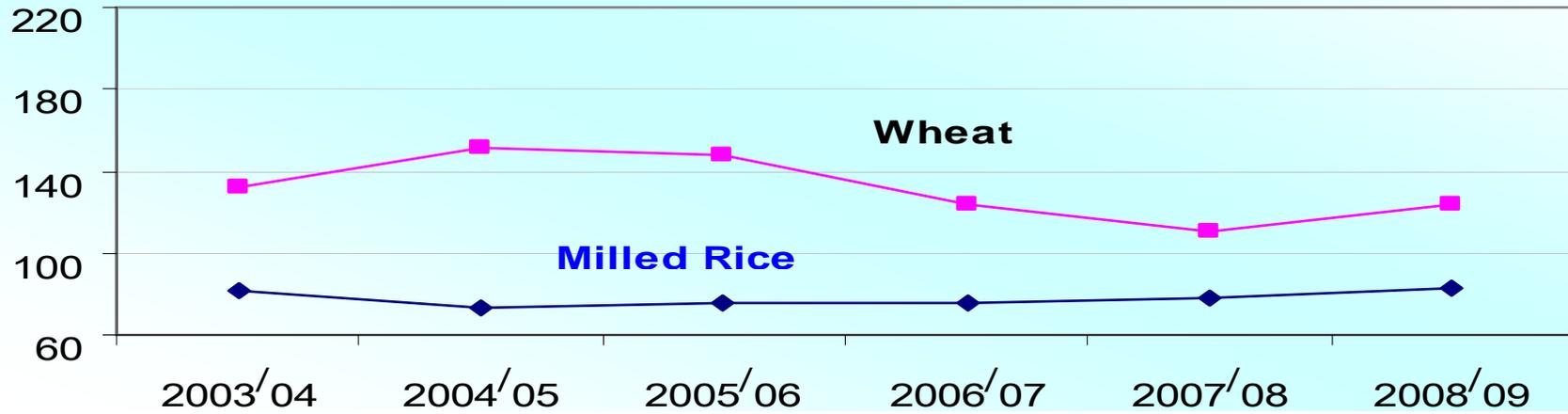
Million Tons



	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09
—◆— Wheat	583	583	569	554	626	621	592	606	656

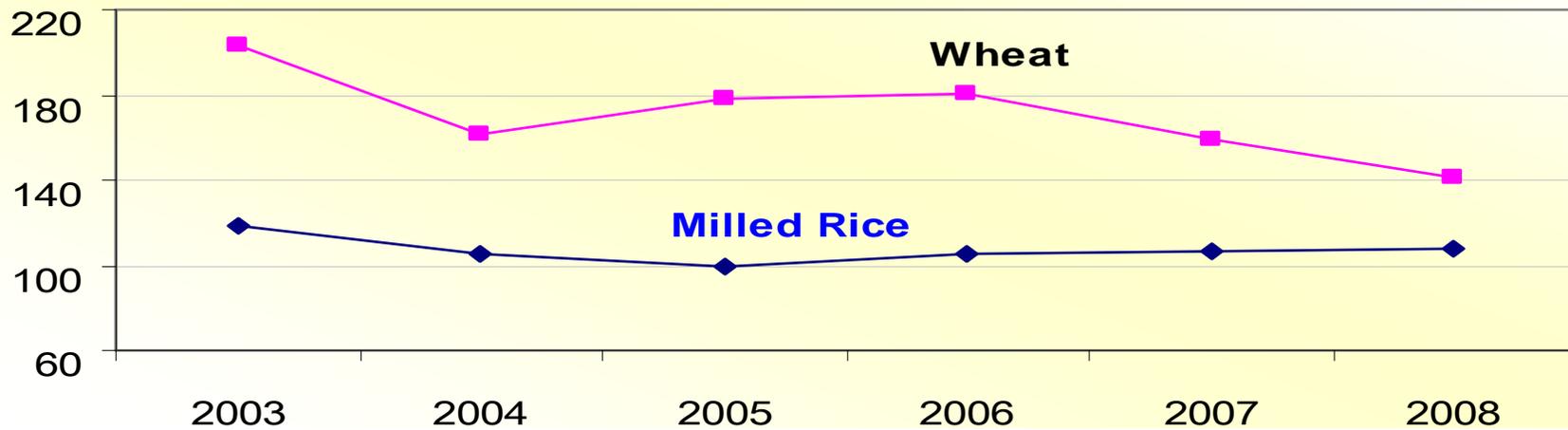
## Milled Rice & Wheat Stocks from US DA

Million Tons



## Milled Rice & Wheat Stocks from FAO

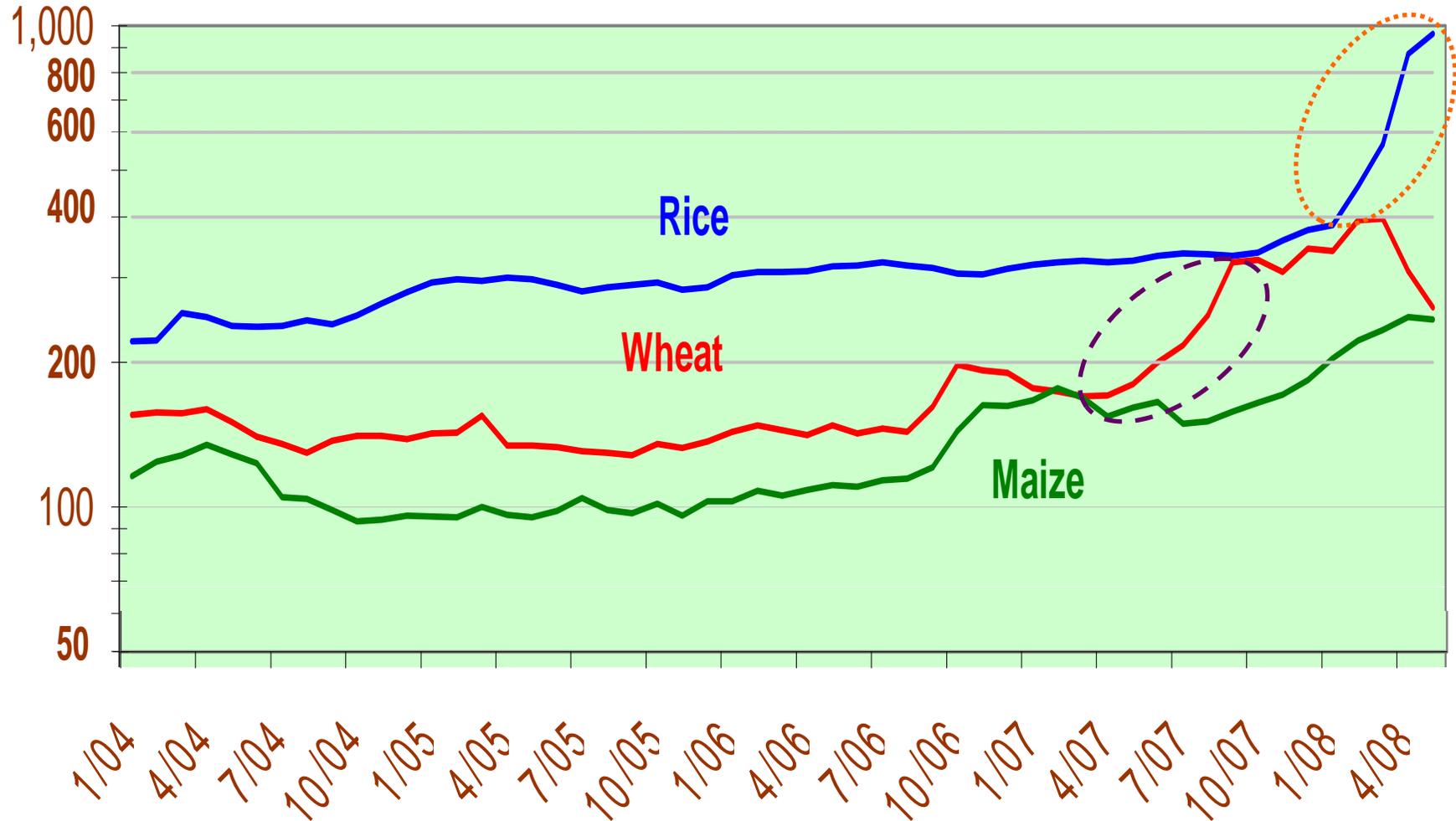
Million Tons



# World Cereal Prices (logarithmic scale)

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# Public Stocking (PS)

- Aside from WTO negotiation, if the main concern of PS is on FS, then a two-country or multi-country international cooperation PS—possibly in a food surplus country--can be a better solution than building stockpile in each/every food deficit country
- Recent rice pledging scheme in Thailand is an illustrative example on how easy to build a stockpile in such a surplus country

- It also showed impact of a large country dumping PS to the market
  - Even when Thailand withhold most of its rice in 2012, India's export—esp from her public stock--brought the rice price down and made India the largest rice exporter

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- There was/is a possibility that certain countries in Asia might be able to ask a HIC like Japan—that has expressed its interest in having a similar PS scheme in Asia—to share/shoulder some of the cost
- .. although the idea was not receptive or considered seriously by the then Thai government (who tried to push the scheme in a hurry rather than willing to explore more alternative funding option
- This measure might affect countries of which the main target of having PS is to provide farmers an incentive to induce more farm production to achieve self-sufficiency

- In terms of WTO negotiation, one can propose this as a Green-box measure, since the main purpose of the scheme is FS not food subsidy
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