



# Food Reserves

## Potential in enhancing Food Security?

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## Structure of the presentation

- EC Communication on Food Security
- Potential of Food Reserves
- Experiences & Questions
- Issues for exploration



## EC Food Security Communication

- Consultation process - diverse views:
  - Generally negative on international/regional reserves; positive on local/national reserves to mitigate the effects of price crises
  
- One reference to food reserves (section 2.4), in context of crisis prevention and management, in particular in relation to price volatility:
  - « The EU and its Member States should contribute to improved food market functioning at global, regional and national levels. This will include responding through market transparency (information on production, reserves, prices etc.), promoting storage, and local/national food reserves where appropriate and feasible »



# Potential of Food Reserves

## ➤ Food availability crisis:

- First line of defense - allows timely and speedy release of food, close to beneficiaries
- Can be part of structural social safety net
- Use of locally produced and acceptable food

## ➤ Food price crisis:

- Can (temporarily) stabilise food prices on the market (in combination with other policies, e.g. fiscal)

## ➤ Food production:

- Additional market outlet (particularly after harvest), linked (over time) to poor consumers



## Experiences & Questions

- Reserves work best to address food availability crises; and when close to crisis areas
- Costly to maintain and operate (buying and storing food, timely rotation of stocks, avoidance of waste)
  - Reserve authorities to be guaranteed of adequate funding
  - Physical food reserves to be kept to a minimum, based on the country's proximity to international markets.
- Governance problems/political interference:
  - need for strict adherence to technical procedures; full transparency, accountability



## Experiences & Questions (2)

- For price stabilisation, reserves are often inefficient, sometimes even counterproductive, and other measures are usually better in achieving price stability:
  - Promoting local storage, milling, processing
  - Enhancing market information
  - Improving transport infrastructure
  - Regional integration
- May disturb normal market operations
- May compete with local & regional purchase operations



# Issues for Exploration

## (1) Regional Food Reserves

- Could lead to important cost reductions, enhanced cost-effectiveness
- Potential is higher in regions with:
  - Regular protracted food crises
  - Low correlations of crises happening simultaneously
  - High degree of regional integration
  - Regional food and agricultural policies



## Issues for Exploration (2)

### Regional Reserves (cont'd):

- More complicated management and governance questions
  - Location questions
  - National quota? National access/replenishment rules
  - need for internationally agreed rules/convention? Role for continental/regional organisations?

### (2) Public-private cooperation

- Linking public reserves/purchase with private storage (e.g. warehouse receipt systems; support to local/decentralised storage)
- Food distribution questions: to beneficiaries or through the market?



## Issues for Exploration (3)

### (3) Novel financing schemes:

- Use of call options (WB – Malawi)
- Food security risk pooling (WFP)
  - Weather-related (drought, flood); triggered by indices
  - Sharing risks of food insecure countries (insurance-like system)
  - Largely donor financed; payments to Governments with crisis action plans in place
- Broader Compensatory Finance Schemes (EC Study)
  - Coverage of various external shocks (including natural disasters; terms-of-trade shocks)
  - Based on indices -> 'real-time' financing
  - Link with insurance market