



# Stabilizing Agriculture Markets

## FOOD RESERVES IN PRACTICE

Growing government interest and support for food reserves has been evident in various international forums of late. At the same time, policymakers have been slow to act, reluctant to move away from twenty or more years of economic orthodoxy that has insisted supply shocks are best resolved through international trade alone. Many governments are exploring new ways to develop stronger and more resilient local, regional and national food systems. Food reserves can be a critical component of those reforms.

### The local level

All over the world, households that grow food will store what they can of their harvest to meet their own food needs, as well as what they can afford to hold to sell later in the year. The practice is particularly common in areas where production is very seasonal. Village or community reserves are constituted by pooling a portion of each family's reserves. The advantage of local reserves is that they are immediately accessible to the population and are made up of local products so that dietary habits are preserved, and dependency on products from outside the community is reduced. They can help reduce income fluctuation and thus make farms more resilient. Women in particular often play the central role in managing household and local food reserves, particularly in food preservation and processing, and vegetable gardening.<sup>1</sup>

In the Philippines, for example, the Asian Partnership for the Development of Human Resources in Rural Asia (AsiaDHRRA) promotes community reserves as an important element of its efforts to strengthen local food systems.<sup>2</sup> AsiaDHRRA works with communities to secure access to land, build rice banks and community nurseries, and raise awareness of traditional food preservation technologies to manage surplus production. They also support the establishment of food reserves, and encourage collective action and crop diversification for income generation and home consumption. This integrated approach has helped local farmers to reduce income variability and improve their farms' production and resilience.

### The national level

In addition to providing emergency protection, national reserves can help stabilize markets and provide incentives for local producers to invest in their farms. In Malawi, agriculture is the primary source of income for 85 percent of the population. With the election of President Bingu wa Mutharika in 2004, national food security has become a central policy objective. There has been considerable media coverage of the government's decision to distribute subsidized fertilizer and improved maize seeds. This has resulted in increased production and maize surpluses. However, rebuilding the strategic grain reserve is also a key component of Malawi's strategy for food security.

At one time, Malawi's Agriculture Development and Marketing Corporation (ADMARC) handled both commercial marketing and strategic grain management, but in 1999 the National Food Reserve Agency (NFRA) was created as an independent trust to oversee strategic grain management. In its early years the NFRA held less than 200,000 metric tons (MT), dropping below 60,000 at the behest of the International Monetary Fund in 2001. The low level of reserves—and insufficient financial resources to buy maize on regional and global markets during a period of high prices—contributed to the famine in 2002.<sup>3</sup> With this experience and the 2008 food price crisis in mind, the Mutharika administration chose to increase national physical reserves rather than rely on imports. New storage silos are being built throughout the country to maintain 400,000 MT in the reserve system.

Decisions on when to release stock from the reserves are made by a stakeholder committee convened by the Ministry of Agriculture and Food Security. A request to draw down a specific amount must be submitted by the government or an organization such as the World Food Program. The full committee must then agree on the decision and the petitioner must commit to replenishing the stocks if the petition is granted. According to Victor Mhoni, National Coordinator of Malawi's Civil Society Agriculture Network, the process can be time consuming and needs to be made more efficient if it is to avoid exacerbating food emergencies.<sup>4</sup>

While the investment in production, coupled with the creation of a reserves system, has increased the volume of food available, more work needs to be done to improve distribution. The greatest challenge now lies in getting maize from surplus regions to deficit regions. ADMARC could be well suited to address this challenge since it has storage facilities in all districts and has transportation vehicles. The Civil Society Agriculture Network and others are pushing the government to improve ADMARC's capacity to meet the distribution challenges. They are also advocating that the government begin buying early in the harvest to stabilize maize prices during both the main harvest and into the lean season.

### The regional level

Food reserves at the regional level allow for interplay between national and regional reserves. Many food systems depend on weather patterns and patterns of natural resource distribution that do not respect political borders, making regional collaboration essential. Public monitoring of national reserves at a supranational level can help prevent governments monopolizing reserves for short-term political gain. Other potential advantages of regionally coordinated reserves include cost savings through economies of scale and enhanced price stabilization due to the wider scope of the supply and distribution system.<sup>5</sup>

Building on a pilot project from 2004-07, the East Asia Emergency Rice Reserve (EAERR) scheme promotes regional cooperation among the 10 Association of Southeast Asian Nations (ASEAN) member states, plus China, Japan and the Republic of Korea to provide food assistance and strengthen food security in emergencies caused by disasters, and for poverty alleviation purposes.<sup>6</sup> There are proposals for the region's major producers such as Thailand and Vietnam to donate about 90,000 MT, while Japan, China and South Korea would contribute a combined 700,000 MT.<sup>7</sup>

Riza Bernabe, from the Asian Farmers Association for Sustainable Rural Development comments, "As they often say, the devil is in the detail. It is important to ensure that there are clear policies not only for earmarking rice pledges or contribution to the reserves, but even more so on how rice should be accessed and distributed to requesting countries. These decisions need to be developed with input from CSOs if we are to ensure that the reserve mechanism will be used mainly as a tool to promote sustainable food security, and not merely to dump rice into the market."

### The global level

A global food reserve system could play an important role in complementing local, national and regional systems. While it is vital to increase local food production in developing countries, there will be times when it will be important to draw from other countries' stocks to confront regional crop failures, a situation that could become more frequent as climate change creates new challenges. Together, Argentina, Australia, Brazil, Canada, China, the European Union, India, Russia, Ukraine and the United States account for 60 percent of the world's arable land. While investments in agriculture can boost production, those countries will likely continue to produce the largest volume of food for the foreseeable future.<sup>8</sup> Holding some level of stocks in the big exporting countries also has cost and efficiency advantages, because the climates tend to be favorable in these centers, and the infrastructure is generally already in place. The establishment of global food reserves, whether through physical stocks or "virtual" commitments to deliver food in times of crisis, will have to answer difficult questions as to the most appropriate form of governance.

These efforts to improve coordination of food supplies and prices must be accompanied by regulation of financial markets to prevent speculators from taking advantage of crises like the recent Russian wheat crop losses to destabilize commodity markets. Taken together though, they have the potential to promote sustainable, resilient and equitable food systems around the world.

### References

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9. For more on this issue, see Steve Suppan's blogs at [iatp.typepad.com](http://iatp.typepad.com), including "Speculation and the new price commodity crisis: separating the wheat from the chaff," September 3, 2010.