France’s Food Price Plan Questioned

By MICHAEL HADDON

LONDON—A French-led campaign to tame volatile food prices through the creation of strategic stockpiles is facing a mixed response from major exporters and industry experts, who worry the ramifications and practical challenges could outweigh any humanitarian benefits.

Severe summer droughts in the bread baskets of the U.S., Russia and Ukraine have led to sharp spikes in the prices of staples like corn, soybeans and wheat, raising fears of a third world food crisis in four years and to proposals for emergency grains reserves to be set up to prevent further price spikes.

Not for the first time, France is at the forefront of these efforts. Former President Nicolas Sarkozy made food security a priority of his G-20 leadership and now his successor, François Hollande, has called an emergency meeting of the Group of 20 agriculture ministers for next month.

The meeting will be held in Rome on Oct. 16, designated by the United Nations as World Food Day, with ministers set to discuss grain supply problems and ways to temper volatile prices. The move came after Mr. Hollande met with Jose Graziano da Silva, chief of the U.N. Food and Agriculture Organization, who believes maintaining food reserves is a good strategy that would help stabilize prices.

Mr. Hollande, in a speech to farmers in Rennes, northwestern France, last week, revealed he was already pushing heads of state and governments to implement emergency food stockpiles to protect against volatility.

But it remains unclear if the U.S. or European Union could be persuaded to rebuild public grain stocks they abandoned years ago, or if China would consider using their existing domestic resources to address global issues.

The U.N.’s top food analyst has also cautioned that the timing of such a move isn’t ideal.

"Building food reserves now, as the markets are nervous and as some grain-producing regions have experienced poor harvests, is bad timing," said Olivier de Schutter, the Special Rapporteur on the right to food. "These policies should be designed in advance, and not be dictated by short-term considerations."

He argues that food reserves should be based in risk-prone regions—so that where local purchases aren’t possible humanitarian agencies have access to food stocks below the market rate—and that food stocks could be used as a tool for stabilizing markets.

"If we buy from small-scale farmers when supply is plentiful, and release these stocks when markets are tight, we can prevent the volatile price swings and supply shocks which create humanitarian crises in the first place," Mr. de Schutter added.

But major grains exporter Australia is cautious about the benefits of food reserves, and said stockpiling could have a negative impact on prices and production levels. As such it only supports limited, strategically-managed mechanisms that are strictly for emergency humanitarian purposes.

Industry experts are also skeptical about the benefit of any move by the G-20’s "rapid response forum," which is designed to improve the international community’s capacity to coordinate policies and develop common responses in time of market crises.

"It’s a question of whether it makes sense to be stockpiling at a point when the market is already so tight that any extra demand to build up stocks could exacerbate the price spike, precipitating a downward spiral of panic buying and hoarding," said Rob Bailey, senior research fellow for energy, environment and resources at Chatham House.

"It seems the rapid response forum is some way behind the curve," he said, adding that while he supported the idea of building up stocks in the long-term, the strategy of stockpiling could exacerbate the situation in the short-term.

"It’s going to be a difficult conversation to have, as even raising the issue could spur vulnerable countries to take action," Mr. Bailey said.

There are also questions about the logistics of the French plan.

"The actual logistics of storing food items, let alone bringing in multiple governments, is another whole layer of complexity," said Erin Fitzgerald, a commodities analyst at Rabobank. "The considerations of providing investment for infrastructure, monitoring the quality over time—where’s the financing going to come from and who will absorb the carry costs? How do you pick which commodities are stored over others and who gets first access in times of crisis?"