

EMBARGOED
until 20.06.2024

Policy Paper

BUFFER STOCKS AGAINST INFLATION

**Public Food Stocks for Price Stabilisation
and their Contribution to the
Transformation of Food Systems**

**Authors: Isabella Weber (1st Lead Author), Merle Schulken (2nd Lead Author),
Lena Bassermann, Lena Luig, Jan Urhahn (all Co-Authors¹)**

¹in alphabetical order

Publishers' information

Heinrich-Böll-Stiftung

Schumannstraße 8
10117 Berlin, Germany
Phone: +49 (0)30 28 53 40
Email: info@boell.de
Website: www.boell.de

Rosa Luxemburg Foundation

Straße der Pariser Kommune 8A
10243 Berlin, Germany
Phone: +49 (0)30 44 31 00
Email: info@rosalux.org
Website: www.rosalux.de

TMG Research gGmbH (TMG)

EUREF Campus 6–9
10829 Berlin, Germany
Phone: +49 (0)30 92 10 74 07 00
Email: info@tmg-thinktank.com
Website: www.tmg-thinktank.com

Authors: Isabella Weber, Merle Schulken
(both: University of Massachusetts Amherst),
Lena Bassermann (TMG Research),
Lena Luig (Heinrich Böll Foundation) and
Jan Urhahn (Rosa Luxemburg Foundation)

The authors would like to thank Nelly
Grotefendt, Anke Kähler, Francisco Marí,
Susanne Uhl and Marita Wiggerthale for their
constructive criticism and helpful inputs.

This publication is largely based on the
study “Towards a Post-neoliberal Stabilisation
Paradigm for an Age of Overlapping
Emergencies: Revisiting International Buffer
Stocks Based on the Case of Food” by
Isabella Weber and Merle Schulken, which
was commissioned by the editors. The study
is available online at: [https://peri.umass.edu/
publication/towardsa-post-neoliberal-stabili-
zation-paradigm](https://peri.umass.edu/publication/towardsa-post-neoliberal-stabilization-paradigm)

Layout: Marischka Lutz Grafikdesign,
www.marischkalutz.de

English translation: Conny Gritzner and
Lyam Bittar for *lingua*trans*fair*,
www.linguatransfair.de

Editorial deadline: May 2024

Legally responsible for content:
Jan Urhahn, Rosa Luxemburg Foundation

Berlin, June 2024

This publication was financially supported by the
German Federal Ministry for Economic Cooperation
and Development (BMZ). The content of this
publication is the sole responsibility of the publishers.
The opinions presented here do not reflect the
opinions of the funding agencies. The publication
is distributed free of charge and may not be used
for election campaign purposes.



Bundesministerium für
wirtschaftliche Zusammenarbeit
und Entwicklung

BUFFER STOCKS AGAINST INFLATION

**Public Food Stocks for Price Stabilisation
and their Contribution to the
Transformation of Food Systems**

Policy Paper

The global food crisis in a period of polycrisis

In 2022, close to 800 million people – almost one tenth of the world’s population and 122 million more compared to 2019 – suffered from chronic hunger.¹ The COVID-19 outbreak in 2020 exposed the fragility of the global food system. Measures to combat the COVID-19 pandemic and border shutdowns that interrupted transport routes restricted trade in food. As a result, food supplies became scarce, particularly in food import-dependent countries. Over the course of the pandemic, the global amount spent on the import of food increased by USD 268 billion, with nearly two thirds of the increase concentrated in developing countries.²

Geopolitical crises and wars are key contributors to hunger. Russia’s invasion of Ukraine, launched in 2022, has had massive repercussions, for instance, as both Russia and Ukraine are important exporters of maize, oilseeds and wheat. The war caused massive hedging and speculation on global markets, pushing up prices further that had already been soaring during the pandemic. Some countries in Africa and the Middle East that are dependent on grain from Russia and Ukraine were forced to find alternative sources to secure their imports. With inflation, interest rates rose as well, further increasing the already massive debts accumulated throughout the Global South. Low and middle-income countries’ foreign debt amounted to over USD 3 trillion in 2023 – twice as much as in 2010.³ Approximately 20 countries, including Afghanistan, Cameroon, Ethiopia, Haiti, Lebanon, Somalia, Sri Lanka and Sudan, could soon find themselves in a similar situation where a shortage of food is coupled with crippling debt.⁴ To make matters worse, fear of grain shortages fuelled speculative financial investments on grain futures markets, causing prices to surge to levels entirely disconnected from supply and demand dynamics.

The war caused massive hedging and speculation on global markets, pushing up prices further that had already been soaring during the pandemic.

The global food crisis is part of a broader polycrisis in which the impacts of climate change and the COVID-19 pandemic have become entangled with the economic and debt crises and the repercussions of geopolitical conflicts and wars. To prevent and

mitigate food crises in the long term, we need to ensure that our food systems are socially more just, environmentally more sustainable, and more resilient. National, regional and global public buffer stocks for grain and other staple foods are one instrument to cushion shocks. If buffer stocks are explicitly created to increase food security, they can help to balance out short-term fluctuations in price and volume and limit price peaks. As high food prices drive inflation, food stocks are not only a price regulation tool for producers and consumers, they can also help to limit inflation on a broader scale. In addition, if coupled with the right incentives, public buffer stocks for food can help to transform food systems in the medium and long term.

National, regional and global public buffer stocks for grain and other staple foods are one instrument to cushion shocks.



Much of the analysis and policy recommendations in this paper are based on the study **“Towards a Post-neoliberal Stabilization Paradigm for an Age of Overlapping Emergencies: Revisiting International Buffer Stocks Based on the Case of Food”** by Isabella Weber and Merle Schulken, which was commissioned by the Heinrich Böll Foundation, the Rosa Luxemburg Foundation, and TMG Research.⁵

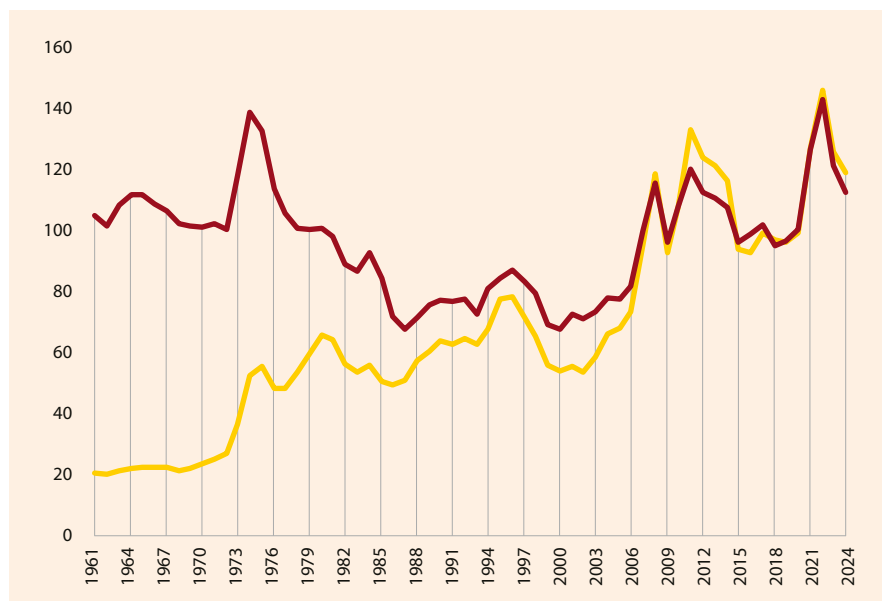
Food price volatility between 2020 and 2023 and its drivers

Price increases are hardly a new phenomenon. Following low and relatively stable food prices in the 1980s and 1990s, food prices and volatility have increased since the beginning of the 21st century,⁶ culminating in the 2007–2008, 2011–2013 and 2020–2023 food price crises. The FAO Food Price Index stood at 98.1 points in 2019 and rose to 144.7 points in 2022.⁷ According to the UN, 10 million people are pushed into extreme poverty for every percentage point increase in food prices.⁸

Figure 1:
FAO Food Price Index,⁹
1961–2024
Price Index 2014–2016 = 100



Real
Nominal



Source: FAO Food Price Index 2024

Unlike during the 2008 food crisis, there was practically no global shortage of food or food stocks between 2020 and 2023, even without the products from Russia and Ukraine. Nevertheless, food prices skyrocketed as a result of the war in Ukraine.¹⁰ In the days following Russia's invasion, maize and wheat prices doubled.¹¹

Fossil fuel and food prices are coupled

Since the turn of the millennium, the prices of crude oil and food have evolved almost in sync. This can be put down to the high energy input required for the production of agricultural commodities such as synthetic fertilisers and chemical pesticides. In addition, a huge amount of fossil fuel energy is needed to manufacture and operate farm machinery and to process, package, distribute

and prepare food. Food systems consume 15% of the fossil fuel energy used globally, according to estimates.¹² The production of synthetic nitrogen fertilisers is particularly energy-intensive, requiring around 4% of global gas consumption.¹³

In April 2022, fertiliser prices had risen by 200% compared to the previous year, partly because of bans on gas imports from Russia and Belarus in the wake of the war in Ukraine.¹⁴ Between 2020 and 2022, net importers of food, many of them in Africa, had to pay double the price for agricultural inputs. This increase is mainly due to higher energy and fertiliser prices. In sub-Saharan Africa, the percentage increase in the cost of inputs was even higher, reaching over 60%. This situation creates a double burden for import-dependent countries, as they are forced to spend more money on both food and agricultural inputs.¹⁵

Food systems consume 15% of the fossil fuel energy used globally, according to estimates. The production of synthetic nitrogen fertilisers is particularly energy-intensive.

Agricultural commodity speculation

Speculation on commodity futures markets¹⁶ can further increase food price volatility. Since the early 1990s, financial markets have been liberalised, capital controls have been abolished, regulations and restrictions for banks have been suspended or watered down and financial market supervision has been reduced to a minimum.¹⁷ The adoption of the US Commodity Futures Modernisation Act in 2000, for example, was an important step that promoted trading in agricultural commodity derivatives between financial institutions¹⁸ and fuelled agricultural commodity speculation. Here, financial players deliberately take risks by betting on rising or falling prices in order to secure quick and generous profits.¹⁹ Increased price volatility on the markets therefore benefits speculators.²⁰

The amounts they invested during the recent food price crises (2007–2008, 2011–2013 and 2020–2023) were striking, particularly following Russia's attack on Ukraine. According to market studies, the sum invested in global funds associated with agricultural commodity speculation was

USD 4.5 billion in the first week of March 2022 alone – usually an entire month's worth of investments. In the first four months of 2022, investors poured EUR 1.2 billion into the two largest agricultural funds, the Teucrium Wheat Fund and the Invesco DB Agriculture Fund.²¹ In the previous year, that figure was USD 197 million, spread across twelve months. The two funds together held futures contracts for wheat that would cover more than half of the UK's annual flour consumption.²²

Financial players deliberately take risks by betting on rising or falling prices in order to secure quick and generous profits.

Market power through grain market concentration

Price developments are also affected by concentration on the grain markets. The five agricultural companies Archer Daniels, Bunge, COFCO, Cargill and Louis Dreyfuss, also referred to as the ABCCDs, control 70 % to 90 % of the global grain trade. In 2022, their profits tripled compared to the period from 2016–2020; together they generated a net profit of more than USD 17 billion in 2022.²³ They are gigantic conglomerates with hundreds of subsidiaries that cover the entire supply chain from farm to fork, providing farmers with loans, seeds, fertilisers, and pesticides while also storing, processing and transporting the grain. By virtue of being involved in almost every step of the production process, the ABCCDs have unique access to valuable market data, which provides them with an enormous advantage over other players in the supply chain. Their market power translates into influence on pricing. In addition, markets involving a limited number of suppliers are susceptible to cartelisation. Large grain traders such as the ABCCDs have huge storage capacities and can hold back their stocks until prices peak. And once they decide to sell their stocks and thus greatly increase the supply, this can exacerbate price fluctuations.²⁴ This is compounded by a lack of transparency: There are no published records on how much grain the ABCCDs store in their warehouses, which further increases their market and speculative power. Due to a lack of data on actual stocks and financial positions, it is difficult to trace in detail their influence on price development.²⁵

Since the 1940s, countries in the Global North have been pushing to liberalise world trade in their favour. Their efforts resulted in the creation of the General Agreement on Tariffs and Trade (GATT) in 1947 and later the founding of the World Trade Organisation (WTO) in 1995. One of the aims is to protect their own trade privileges, for example by imposing import tariffs on processed products or protectionist measures to shield their agricultural markets. As a result of the extensive trade liberalisation since the 1970s, which occurred primarily in countries of the Global South, grain markets are today much more globally integrated, and national grain prices are more closely linked to international prices.²⁶ Take as an example Germany, where grain prices soared in 2022 and 2023 in tandem with price increases at the Paris grain exchange even though Germany never experienced a shortage of grain. In fact, it is a net exporter. In large parts of the Global South, domestic grain prices mirror global price fluctuations. In sub-Saharan African countries, international price fluctuations are often passed on 100%.²⁷

Highly import-dependent countries are particularly affected by food price volatility

Most people in developing and emerging economies cover up to a third of their minimum calorie intake from just three staple foods: maize, rice, and wheat. Most low-income countries cover 10% of their demand of such food staples through imports, resulting in an import share that is three times higher than in advanced economies.²⁸ The need to cover demand by imports varies greatly depending on

Higher prices mean that people are forced to spend a highly disproportionate share of their real income on food.

the staple food. For wheat, Angola, Mozambique, Rwanda and other countries plagued by food insecurity are almost 100% import-dependent. This means that price increases for imported staple foods jeopardise the food security of millions of people in low-income countries in the Global South. Higher prices mean that people are forced to spend

a highly disproportionate share of their real income on food. In non-crisis periods, this share often amounts to more than half of their income.²⁹ In Kenya, Myanmar, and Nigeria, for example, people spend as much as 60% of their income on food.³⁰ Even short-term price spikes can make food unaffordable, pushing people into hunger and potentially destabilising entire societies and economies.³¹

While only a few countries produce the key crops for global export, most countries have to import grain to cover their demand.³² Between 2020 and 2021, expenditure on food imports in the countries of the Global South rose by around 20%.³³ In the following year, the cost of food imports remained stable, but import volumes fell by 10%. This suggests that countries were forced to reduce imports of staple foods because their purchasing capacity on international food markets had declined.³⁴

At the same time, most countries in the Global South are also agricultural exporters. But the structural adjustment policies of institutions such as the International Monetary Fund (IMF) and the World Bank have forced them to focus on their comparative advantages in return for loans and, above all, to cultivate cash crops for export, such as cocoa, coffee, and sugar – which have since become an important source of income for them. To generate foreign currency and repay debts, many countries in Africa and Latin America still need to export a

limited number of agricultural commodities, which account for 40% to 80% of their exports.³⁵ At the same time, they lack sufficient financial resources to promote the production of basic foodstuffs in their own country. In effect, the “global diversification hierarchy” of the colonial era remains largely intact.³⁶ The fact that poor countries are simultaneously import- and export-dependent is at

odds with the food sovereignty concept launched by the international peasants’ movement La Via Campesina, according to which all states and communities should have the right to organise their own food production. One of its tenets is that local food production should be prioritised over production for export.³⁷



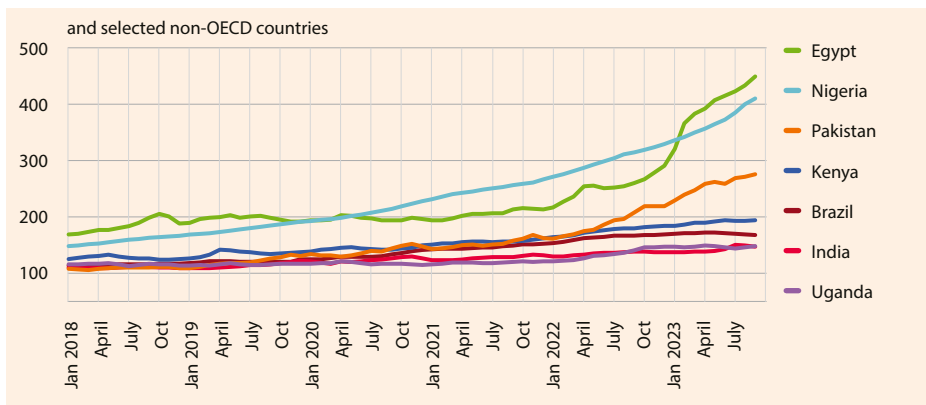
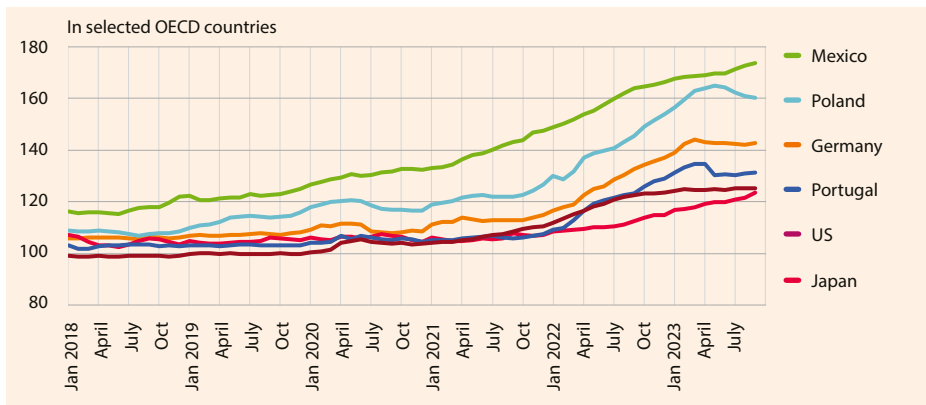
Between 2020 and 2021, expenditure on food imports in the countries of the Global South rose by around 20%.

Global price surges directly affect national food prices

IMF experts assume that, on a global average, a 1% increase in international food prices boosts national prices by approximately 0.3%. The figure is based on an analysis of monthly data from 100 countries for the period 1991–2020, which concludes that price increases have a much stronger and immediate impact in emerging economies and low-income countries that are highly import-dependent. This applies in particular to countries in North Africa and sub-Saharan Africa. The surge in food prices in Egypt, Kenya, Nigeria, and Uganda, for example, accounted for more than half of total price inflation in 2023.³⁸ But even in rich countries such as Germany, the rise in food prices seen in January 2023 was responsible for almost a quarter of annual inflation.

Figure 2:
Food price inflation based on the food price index 2018–2023

Price Index 2015 = 100



Source: FAO Food Price Index 2023

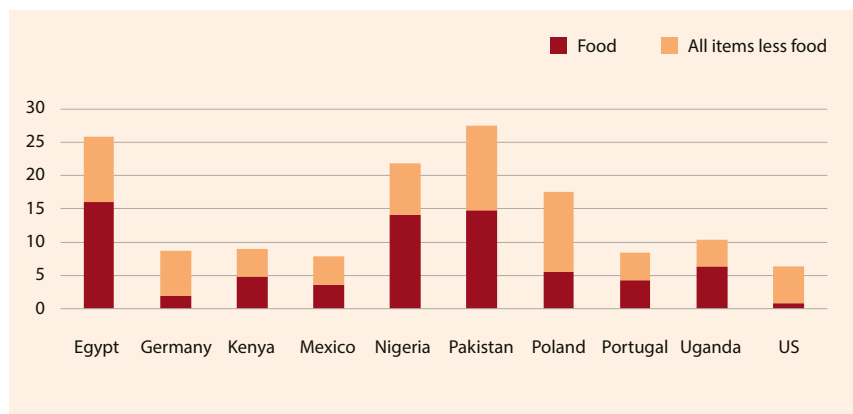
Food price inflation also affects German consumers

Prices for processed food usually follow the rule: “Rise like a rocket, fall like a feather,”³⁹ meaning that while prices for processed food go up in parallel with increasing raw material prices, they do not fall to the same extent (although this tenet is challenged by isolated products with volatile prices that experts have trouble explaining).⁴⁰ In Germany, for example, food prices skyrocketed and became the main driver of inflation in March 2023. Although the inflation rate has now fallen, food prices in Germany remain high.

Figure 3:

Contribution of food price inflation to total year-on-year inflation rate (January 2023) for selected countries

In %



Source: FAO Food Price Index 2023; IMF CPI weights 2019; Weber und Schulken 2024



The North Rhine-Westphalian Consumer Association argues that the official inflation rate only insufficiently reflects the economic reality as it is based on the average price increases of a defined basket of goods that are essentially calculated by comparing their current prices to their prices in same month of the previous year. However, some supermarket products come at a considerably higher price than the average inflation rate would suggest. In addition, the method fails to take into account previous price increases. If the reference period for food prices in Germany is extended to include the period from June 2021 to January 2024, food price inflation rises to almost 30%. As companies are free to set their own prices – a process that usually lacks transparency – it is often hard to understand how prices come about.⁴¹ Economists, including those from institutions such as the European Central Bank, the European Commission and Allianz Trade, point out that companies have been cashing in on the current wave of (food) price inflation.⁴²

Seller's inflation exacerbates inequality

Economist Isabella Weber describes corporate profits in times of inflation as a sign of what she calls seller's inflation.⁴³ To maintain or even increase their profit margins, companies pass commodity price shocks on to consumers or, in some cases, increase prices to an extent that exceeds the increase in purchase prices. This means that corporate profits contribute to inflation. According to the European Central Bank, rising corporate profits accounted for almost 50% of inflation in the EU in 2022–2023. While food price inflation has allowed many producers to increase their short-term profits, it reduces the population's real income, thus aggravating social inequality. Households with low incomes are disproportionately exposed to high inflation, not only in the Global South, but also in Germany. In 2022 and 2023, the burden of inflation they experienced was twice to three times heavier than for high-income households.⁴⁴ The impacts are dramatic: Low-income households that are unable to absorb price shocks are often forced to cut back on consumption, access their meagre savings or move into debt.⁴⁵ This trend is being felt in other wealthy countries, too. In the US, for example, the poorest 20% of the population spent 31.2% of their income on food in 2022, while the top 20% spent only 8%.⁴⁶ In other words, sharply rising food prices can be considered a direct driver of social injustice. It is estimated that in the US, food price inflation exacerbated inequality almost as much as energy inflation in 2021 and 2022.⁴⁷

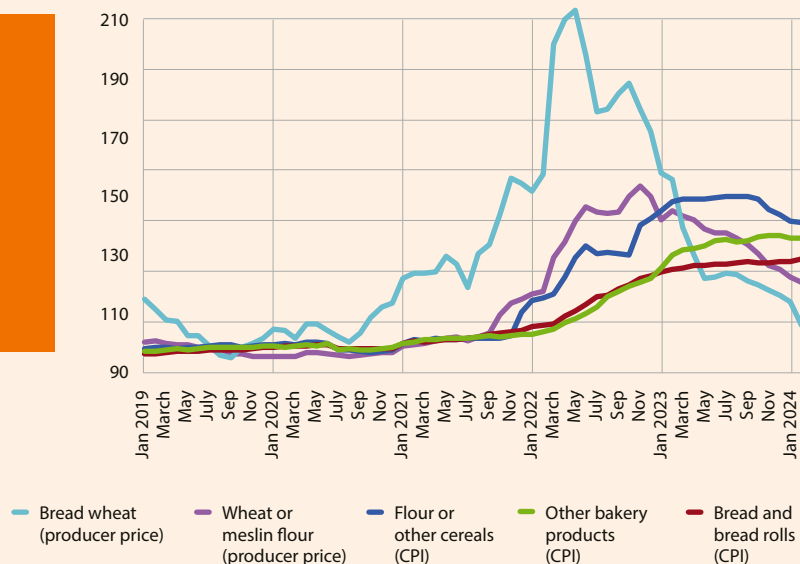
The bread supply chain in Germany⁴⁸

The bread supply chain in Germany, i. e. from grain to flour to bread at the bakery, is illustrative of how fluctuating global food prices determine local prices. Between 2019 and 2023, sales prices for bread and bread rolls rose by 34.5%.⁴⁹ As with other foodstuffs, this inflation was above average; consumer prices as a whole rose by 7.3%.

The price spikes triggered by the war in Ukraine had varying effects on mill operators and bakeries, depending on whether they were large industrial companies or small businesses. Large milling companies passed on the increased grain and energy prices to bakeries. Some mill operators also increased their mark-ups, pushing up prices for the processing companies. Once the commodity markets had calmed down again, wholesale prices for flour along with bread wheat prices dropped again, albeit more slowly and with a lag.

Figure 4:
Price development
in the bread supply
chain in Germany,
2019–2024

Price Index 2015 = 100



Source: Destatis 2024

For artisan bakeries in particular, the price of raw materials is less crucial than the costs associated with upstream production stages, for which labour and energy costs are decisive factors. In principle, widespread inflation, as in the case of grain, was a good opportunity for the baking industry to raise prices and benefit from windfall profits. However, the main beneficiaries were large companies holding market power, while smaller businesses often struggled financially due to rising costs. Some even had to close down.⁵⁰

The consumer prices for baked goods rose in parallel with wheat prices but did not fall when energy and raw material prices dropped again in 2023. This trend continued in early 2024, probably resulting in windfall profits for large bakeries. End consumer prices for packaged flour also plateaued despite a drop in wholesale prices for flour.

Public buffer stocks for food as an instrument for price regulation

Effectively designed public buffer stocks for essential goods such as staple foods can cushion price and quantity fluctuations at the international, regional and national level and help to stabilise global markets. By essential goods, we mean not only staple foods, but any products an economy needs in order to generate export revenues to secure the livelihood of its population. Many countries in the Global South are dependent on export revenues. Reducing price fluctuations for essential goods helps to contain inflation and the risk of recession in the importing countries of the Global North while promoting economic development in the Global South. At the same time, public buffer stocks for food also secure the physical availability of key foods, minimising the risk of shortages and promoting food security. They can

At the same time, public buffer stocks for food secure the physical availability of key foods, minimising the risk of shortages and promoting food security.

be used for storable goods, enabling countercyclical purchase and sale. Stable prices benefit both consumers, who have better access to staple foods such as grain, and producers, who are able to secure their livelihoods since they do not

face the risk that production costs exceed their earnings. Price stability would first and foremost benefit small-scale food producers who, unlike large farms, usually derive their income from immediate post-harvest sales and lack sufficient storage capacities.

The task of setting up public food storage facilities should be handled by (newly established) public institutions. The goal should be for states, multinational and regional organisations to build trading, transport and storage infrastructure that can be accessed as soon as prices surge. The role of these institutions should be to intervene in the event of speculation-driven price spikes and counteract herd behaviour, i. e. prevent market participants from making the same (investment) decisions. Releasing public stocks would create incentives for private actors to place their stocks on the market because falling prices would make storage economically unviable.

For such a system to succeed, it is crucial to ensure that stocks
(a) are earmarked for a specific purpose, in this case food security, and there are no loopholes incentivising export of national and regional food stocks; and
(b) are managed transparently and monitored by an independent UN body.

In addition to curbing price volatility, public procurement of agricultural commodities for buffer stocks can be used as a lever to promote diversified and agroecological production, for instance by tying procurement to criteria such as environmentally sustainable cultivation, i. e. a reduction of the use of chemical pesticides and synthetic fertilisers or the use of open pollinated seed varieties that are adapted to local conditions. Purchasing a wide range of storable agricultural commodities would secure incomes for regional producers and diversify cultivation, on the one hand, and reduce the need to import staple foods on the other, making economies less dependent on volatile markets.

The long history of public buffer stocks for food

The crisis of the post-war order in the 1970s provided an opportunity to build up global public food stocks. The collapse of the Bretton Woods agreement and its regime of fixed international exchange rates was seen as a chance to push for global monetary reform. Declining agricultural productivity and droughts had depleted surplus food stocks in the US and the then European Economic Community (EEC).⁵¹ Price shocks caused by soaring grain and oil prices drove inflation in the Global North and contributed to famine and undermined balance of payments in many countries across the Global South while oil exporters made excessive profits.

In this context, the UN General Assembly adopted the Declaration on the Creation of a New International Economic Order (NIEO) in 1974.⁵² One of its central projects was to create international storage facilities for raw materials. In a similar move at the 1974 World Food Conference in Rome, the participating countries agreed to negotiate a reserve system of nationally held but internationally coordinated stocks of staple foods.⁵³ Throughout the 1970s, a US proposal for an international grain reserve system covering wheat and rice was negotiated.⁵⁴ There were plans to develop an International Programme for Commodities (IPC) to stabilise the prices of the most important export goods. A joint fund was envisioned to finance the IPC, as well as international commodity agreements as a framework to access support.⁵⁵ In the end, though, the initiatives launched by NIEO were short-lived. In the late 1970s, the grain reserve was actually within reach, but parties ultimately failed to agree on a target price for stabilisation.

Chasing an illusion? Examples of existing public food stocks

Public buffer stocks for food are not a utopian daydream. The world's two most populous countries, China and India, have both been operating public storage facilities for years in order to stabilise the market for staple foods.⁵⁶ European producers and agricultural economists may not like being reminded of the "milk lakes" and "butter mountains" of the 1980s, the truth is that for a long time the Global North considered public food stocks to be an efficient economic policy instrument. The EU continues to promote public stocks for a number of agricultural commodities with particularly volatile prices, including butter, cereals (barley, durum wheat, maize, rice and wheat), veal and beef as well as skimmed milk powder,⁵⁷ in order to prevent prices from collapsing to unsustainably low levels in times of oversupply. However, there are currently no policies in place to manage such a setting in practice.⁵⁸ Once prices are no longer at risk of erosion, products should be gradually returned to the EU market instead of maintaining stocks to counterbalance volatile prices. Public stocks that have been established to maintain a floor price could in principle also be used to curb speculative price increases or even enforce a price ceiling.

In the US, the Department of Agriculture (USDA) purchases agricultural commodities in order to secure domestic food supply for low-income households and to provide international food aid in crisis regions. According to the USDA, "these purchases help to stabilise prices in agricultural commodity markets by balancing supply and demand."⁵⁹ In the same way that the Strategic Petroleum Reserve, long defined as an emergency reserve to offset supply shortages, was used to stabilise oil prices, the USDA could build public buffer stocks for food to stabilise prices in its sector. In fact, some voices in Washington are calling on the government to set up strategic reserves of vital commodities such as critical minerals that can be used to stabilise prices and markets.⁶⁰

Brazil's national supply company (Companhia Nacional de Abastecimento, CONAB) buys maize, rice and wheat in order to stabilise prices, as well as a range of produce from small-scale food producers (including beans, onions, and tomatoes) which it distributes to public institutions.⁶¹ CONAB plays a crucial role in the implementation of the country's Food Acquisition Programme (PAA) and the National School Feeding Programme (PNAE). In Brazil, children attending state schools receive a free warm meal per day. In the past, school canteens were supplied with products from agri-business. Today, schools and state institutions such as hospitals are legally required to source at least 30% of their food directly from small-scale food producers.⁶² CONAB's public procurement policy directly benefits small-scale food producers and secures their incomes.

Recommendations for building public buffer stocks for food

An internationally coordinated and locally managed public buffer stock system for food staples could be used to store stocks of key staple foods such as maize, rice, wheat, vegetable oils and other products at strategically important locations. The system could be managed by the United Nations Food and Agriculture Organization (FAO) or a UN agency set up specifically for this purpose, or by national governments. The coordinating bodies could be tasked with monitoring the markets for selected agricultural commodities, estimating the required volume of food stocks, and developing intervention strategies. For such a system to succeed, **coordination** of all participating institutions is key in order to create the necessary stocks and absorb the effects of price shocks by releasing stocks when prices rise. A **feasibility study** should identify potential avenues to funding the creation of these food stocks. Options might include an FAO-managed fund which private grain traders would contribute to, for example through an excess profits tax (see p. 21).

International institutions should support countries in the Global South in setting up public buffer stocks for food. Ecuador and Kenya are among the countries that have launched pioneering initiatives in recent years. But the creation of such food stock systems is undermined by the system of structural adjustment programmes introduced by institutions such as the IMF and WTO. As experts from the Global South in particular have been pointing out, this system needs to be dismantled. Similarly, we need to prevent clauses in bilateral **free trade agreements** from being used to impede the establishment of such food reserves.

The WTO should generally allow countries to launch **public food stocks programmes** for as many agricultural products as possible. The “permanent solution” for the national public stockholding programme promoted by India, under which the government purchases rice and wheat from farmers at a minimum price set by the state, stores the goods and, if needed, subsidises their sale to targeted communities to ensure food security, could serve as a global model.

Regional initiatives for the creation of public buffer stocks for food are currently being discussed in East Africa and have been launched in West Africa and Southeast Asia. They can complement national and globally coordinated buffer stocks. They must have sufficient capacities and should be coordinated by the UN in order to build synergies. Successful management of food stocks requires both sufficient **funding** and **capacity building** to disseminate essential technical expertise.

Further proposals for socially just, environmentally sustainable, and resilient food systems

Alongside coordinating efforts to develop publicly managed buffer stocks for food, governments should implement regulatory measures to ensure that food systems become socially just, environmentally sustainable, and more resilient.

Well-staffed and well-funded national and regional **price monitoring agencies** could play a vital role. They could provide breakdowns of net margins by brand and producer and cooperate closely with public food stocks institutions in order to stabilise prices. Among other things, they could enforce a legal **ban on purchasing below production costs**, as Spain did in 2021, for example. In this way, price dumping by food retailers could be penalised.⁶³ Non-compliance with the legal requirements must be properly sanctioned for such a ban to have an effect. While this would ensure that farmers can sell their products at higher prices, it would also protect consumers from extreme price spikes.⁶⁴

States should limit or put an end to the **excessive financialisation** in the food sector, especially with regard to essential staple foods, i.e. the use of arable land and agricultural commodities as capital investments, as well as **speculation** in this sector.⁶⁵ This step should include setting stricter position limits on the commodity futures markets. We need stricter **transparency** for food trading companies with a view to limiting the informational leverage held by the five largest agricultural trading companies, the ABCCDs, and thus their power in financial transactions.⁶⁶ In addition, the ABCCD's financial transactions should be subject to **financial regulation**, as recommended by UNCTAD.⁶⁷ Market dominance exerted by large players in certain markets must be challenged through stricter **antitrust legislation** and broader political support for its application. Existing legal frameworks should be used to dissolve corporate trusts and monopolies, irrespective of whether there was an abuse. Barriers preventing such steps should be removed.

Modelled on similar excess profits taxes for energy companies in the EU, for instance, an **excess profits tax** for the largest agricultural trading companies could dissolve power asymmetries, combat growing inequality and generate public revenue that could be used to create buffer stocks and promote agroecological farming practices. According to calculations by SOMO, an excess profits tax of 33% imposed on the five largest food trading companies would have generated over USD 2 billion in 2022.⁶⁸ Raising **corporate taxes** and consistently curbing **transfer pricing** by international corporations could boost revenue further.

State subsidies and public procurement are also useful instruments to promote the transformation of food systems. Potential measures include mandatory requirements to diversify crops and minimise use of synthetic fertilisers and chemical pesticides, as well as promoting local markets for small-scale food producers, participatory approaches and collective bargaining. At the same time, a significant proportion of agroecologically produced goods could be distributed to public institutions such as schools or hospitals, as in Brazil, in order to supply broad segments of the population with healthy food.

Endnotes

- 1 FAO et al. (2023): The State of Food Security and Nutrition in the World. Executive Summary. Available online at: <https://openknowledge.fao.org/bitstreams/a69f5540-6ee7-43f4-a8ef-9eb7b3e7b677/download> (last accessed on 4 June 2024).
- 2 SOMO (2024): Hungry for profits. How monopoly power tripled the profits of global agricultural commodity traders in the last three years. Available online at: <https://www.somo.nl/hungry-for-profits/> (last accessed on 6 May 2024).
- 3 CEPR (2023): The Growing Debt Burdens of Global South Countries: Standing in the Way of Climate and Development Goals. Available online at: <https://www.cepr.net/report/the-growing-debt-burdens-of-global-south-countries-standing-in-the-way-of-climate-and-development-goals/> (last accessed on 6 May 2024).
- 4 IPES-Food (2023): Breaking the Cycle of Unsustainable Food Systems, Hunger, and Debt. Available online at: <https://ipes-food.org/wp-content/uploads/2024/03/DebtFoodCrisis.pdf> (last accessed on 6 May 2024).
- 5 The study is available online at: peri.umass.edu/publication/towards-a-post-neoliberal-stabilization-paradigm. In their analysis, the two authors conclude that the overlapping crises require a new post-neoliberal stabilisation paradigm that benefits both the countries of the Global South and those of the Global North. Their paper highlights the need for measures that stabilise key sectors, agriculture and food in particular, to cushion shocks such as price fluctuations. Based on 25 interviews with company and trade union representatives from the food sector, agricultural experts, food bank representatives and academics from the Global South and the Global North, they call for an internationally coordinated system of public buffer stocks for food.
- 6 Ahmed et al. (2014): Tackling Food Price Volatility: The Challenge of the Days to come. Available online at: <https://www.sciencedirect.com/science/article/pii/S2214011514000149> (last accessed on 6 May 2024).
- 7 FAO (2024): FAO Food Price Index. Available online at: <https://www.fao.org/worldfoodsituation/foodpricesindex/en/> (last accessed on 6 May 2024).
- 8 UN Global Crisis Response Group on Food, Energy and Finance (2022): Global impact of the war in Ukraine: Billions of people face the greatest cost-of-living crisis in a generation. Available online at: https://unctad.org/system/files/official-document/un-gcr-ukraine-brief-no-2_en.pdf (last accessed on 6 May 2024).
- 9 The FAO Food Price Index measures monthly changes in global prices for a total of five categories of unprocessed food commodities such as cereals, vegetable oils, milk, and meat. Further information is available at: <https://www.fao.org/worldfoodsituation/foodpricesindex/en/> (last accessed on 6 May 2024).
- 10 Ghosh (2023): The Myth of Global Grain Shortages. Available online at: <https://www.project-syndicate.org/commentary/there-is-no-global-grain-shortage-by-jayati-ghosh-2023-08> (last accessed on 6 May 2024).
- 11 Kornher and von Braun (2023): The Global Food Crisis Will Not Be Over When International Prices Are Back to Normal. Available online at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4337413 (last accessed on 6 May 2024).
- 12 Global Alliance for the Future of Food (2023): Power Shift. Why We Need to Wean Industrial Food Systems Off Fossil Fuels. Available online at: https://futureoffood.org/wp-content/uploads/2023/10/ga_food-energy-nexus_report.pdf (last accessed on 6 May 2024).
- 13 Levi and Molnar (2022): How the energy crisis is exacerbating the food crisis. Available online at: <https://www.iewa.org/commentaries/how-the-energy-crisis-is-exacerbating-the-food-crisis> (last accessed on 6 May 2024).
- 14 Van Huellen and Ferrando (2023): Who is profiting from the food crisis? Available online at: https://left.eu/app/uploads/2023/12/Food-Crisis-Web-RGB-1_compressed-1-1.pdf (last accessed on 6 May 2024); YCharts (2024): Fertilizers Price Index. Available online at: https://ycharts.com/indicators/fertilizers_index_world_bank (last accessed on 6 May 2024).
- 15 FAO (2022): Food Outlook. Biannual Report on Global Food Markets. Available online at: <https://www.fao.org/3/cb9427en/cb9427en.pdf> (last accessed on 6 May 2024).
- 16 Organised exchange to conclude and trade contracts. The contracts oblige the seller of a futures contract to deliver goods of a certain quality at a certain price at a future date and the buyer to take delivery of these goods under the same conditions and at the same price. In addition to agricultural commodities, there are futures markets for numerous other commodities, as well as for financial assets, particularly foreign exchange. See Agrarzeitung (n.d.): Warenterminmarkt. Available online at: <https://www.agrarzeitung.de/agrar-lexikon/agrarlexikon-warenterminmarkt/> (last accessed on 6 May 2024).
- 17 Oxfam Deutschland (2013): Mit Essen spielt man nicht. Die deutsche Finanzbranche und das Geschäft mit dem Hunger. Available online at: https://www.oxfam.de/system/files/oxnms_2013_mb_web.pdf (last accessed on 6 May 2024).
- 18 Investopedia (2022): Commodity Futures Modernization Act (CFMA). Overview. Available online at: <https://www.investopedia.com/terms/c/cfma.asp> (last accessed on 6 May 2024).
- 19 Tröster (2018): Commodity price stabilization: The need for a policy mix that breaks the vicious cycle of commodity dependence and price volatility. Available online at: https://www.oefse.at/fileadmin/content/Downloads/Publikationen/Policynote/PN20_Commodity-Price-Stabilization.pdf (last accessed on 6 May 2024).
- 20 UNCTAD (2023): Trade and Development Report 2023. Growth, Debt, and Climate: Realigning the Global Financial Architecture. Available online at: https://unctad.org/system/files/official-document/tdr2023overview_en.pdf (last accessed on 6 May 2024).
- 21 The two funds trade cotton, cocoa, coffee, maize, soya beans, wheat and sugar. Available online at: <https://www.invesco.com/us/financial-products/etfs/product-detail?audience-Type=investor&ticker=DBA> (last accessed on 6 May 2024).
- 22 Lighthouse (2022): The Hunger Profiteers. Financial speculators make a killing on food prices in regulatory failure. Available online at: <https://www.lighthousereports.com/investigation/the-hunger-profiteers/> (last accessed on 6 May 2024).
- 23 SOMO (2024): Hungry for profits. How monopoly power tripled the profits of global agricultural commodity traders in the last three years. Available online at: <https://www.somo.nl/hungry-for-profits/> (last accessed on 6 May 2024).
- 24 Ibid.
- 25 UNCTAD (2023): Trade and Development Report 2023. Growth, Debt, and Climate: Realigning the Global Financial Architecture. Available online at: https://unctad.org/system/files/official-document/tdr2023overview_en.pdf (last accessed on 6 May 2024).
- 26 Ahmed et al. (2014): Tackling Food Price Volatility: The Challenge of the Days to come. Available online at: <https://www.sciencedirect.com/science/article/pii/S2214011514000149> (last accessed on 6 May 2024). While price transmissions on commodity futures markets are uncontested, price transmissions on physical markets can vary at national and regional level depending, for example, on a country's or region's export-orientedness and trade and transport structures.
- 27 IMF (2022): Staple Food Prices in Sub-Saharan Africa. An Empirical Assessment. Available online at: <https://www.imf.org/en/Publications/WP/Issues/2022/07/08/Staple-Food-Prices-in-Sub-Saharan-Africa-An-Empirical-Assessment-520567> (last accessed on 6 May 2024).
- 28 IMF (2023): G-20 Background Note on the Macroeconomic Impact of Food and Energy Insecurity. Available online at: <https://www.imf.org/external/np/g20/pdf/2023/032823.pdf> (last accessed on 6 May 2024).

- 29 Rother et al. (2023): Global Food Crisis Update: Recent Developments, Outlook, and IMF Engagement. Available online at: <https://www.imf.org/en/Publications/IMF-Notes/Issues/2023/04/12/Global-Food-Crisis-Update-Recent-Developments-Outlook-and-IMF-Engagement-531948> (last accessed on 6 May 2024).
- 30 USDA (2023): Lower income countries spend much higher share of expenditures on food than higher income countries. Available online at: <http://www.ers.usda.gov/data-products/chart-gallery/gallery/chart-detail/?chartId=107494> (last accessed on 6 May 2024).
- 31 Fischer (1999): The Great Wave: Price Revolutions and the Rhythm of History. Oxford University Press.
- 32 Varghese and Suppan (2023): As global hunger remains intractable, food price volatility accelerates. Available online at: <https://www.iatp.org/global-hunger-remains-intractable-food-price-volatility-accelerates> (last accessed on 6 May 2024).
- 33 FAO (2021): Food Outlook – Biannual Report on Global Food Markets. Available online at: <https://www.fao.org/documents/card/en?details=cc3020en> (last accessed on 6 May 2024).
- 34 Ibid.
- 35 UNCTAD (2023): State of Commodity Dependence 2023. Available online at: https://unctad.org/system/files/official-document/ditccom2023d3_en.pdf (last accessed on 6 May 2024).
- 36 Weber et al. (2022): Inflation in Times of Overlapping Emergencies: Systemically Significant Prices from an Input-output Perspective. Available online at: <https://doi.org/10.7275/0c5b-6a92> (last accessed on 6 May 2024).
- 37 La Via Campesina (2003): Food Sovereignty Explained. Available online at: <https://viacampesina.org/en/food-sovereignty/> (last accessed on 6 May 2024).
- 38 Rother et al. (2023): Global Food Crisis Update: Recent Developments, Outlook, and IMF Engagement. Available online at: <https://www.imf.org/en/Publications/IMF-Notes/Issues/2023/04/12/Global-Food-Crisis-Update-Recent-Developments-Outlook-and-IMF-Engagement-531948> (last accessed on 6 May 2024).
- 39 Bacon (1991): Rockets and feathers: The asymmetric speed of adjustment of UK retail gasoline prices to cost changes. Available online at: <https://www.sciencedirect.com/science/article/abs/pii/014098839190022R> (last accessed on 6 May 2024).
- 40 Weber and Schulken (2024): Towards a Post-neoliberal Stabilization Paradigm for an Age of Overlapping Emergencies: Revisiting International Buffer Stocks Based on the Case of Food. Available online at: <https://peri.umass.edu/publication/towards-a-post-neoliberal-stabilization-paradigm> (last accessed on 6 May 2024).
- 41 Monetti et al. (2024): Lebensmittelpreise und Ernährungsarmut – nicht nur in der Krise. Inflation, Mitnahmeeffekte im Lebensmittelsektor und Folgen für die Verbraucher*innen: Positionen und Forderungen der Verbraucherzentrale NRW. Available online at: https://www.verbraucherzentrale.nrw/sites/default/files/2024-03/pospap-lm-preise_vznrw.pdf (last accessed on 6 May 2024).
- 42 See, among others, European Commission (2023): Spring 2023 Economic Forecast. An improved outlook amid persistent challenges. Available online at: https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/spring-2023-economic-forecast-improved-outlook-amid-persistent-challenges_en?prefLang=de (last accessed on 6 May 2024); Arce et al. (2023): How tit-for-tat inflation can make everyone poorer. The ECB Blog. Available online at: <https://www.ecb.europa.eu/press/blog/date/2023/html/ecb.blog.230330-00e522ecb5.en.html> (last accessed on 6 May 2024); Hahn (2023): How have unit profits contributed to the recent strengthening of euro area domestic price pressures? ECB Economic Bulletin, Issue 4/2023. Available online at: https://www.ecb.europa.eu/pub/economic-bulletin/focus/2023/html/ecb.ebbbox202304_03-705befadac.en.html (last accessed on 6 May 2024).
- 43 Der Spiegel (2023): Bei welchen Produkten zocken uns die Unternehmen ab, Frau Weber? Available online at: <https://www.spiegel.de/wirtschaft/service/gierflation-debatte-bei-welchen-produkten-zocken-uns-die-unternehmen-ab-a-4dea2922-185c-4633-b058-45da6cffa50e> (last accessed on 6 May 2024).
- 44 Fratzscher (2023): Hohe Inflation. Krise ist noch lange nicht bewältigt. DIW Wochenbericht. Available online at: https://www.diw.de/diw_01.c.870949.de/publikationen/wochenberichte/2023_17_3/hohe_inflation_krise_ist_noch_lange_nicht_bewaeltigt_kommentar.html (last accessed on 6 May 2024).
- 45 North Rine-Westphalian Ministry for Labor, Health and Social Affairs (2023): Wer ist von den Preissteigerungen in Nordrhein-Westfalen besonders betroffen? Sozialberichterstattung NRW. Kurzanalyse 01/2023. Available online at: http://www.sozialberichte.nrw.de/sozialberichterstattung_nrw/kurzanalysen/Kurzanalyse-1-2023.pdf (last accessed on 6 May 2024).
- 46 USDA (2023): Lower income countries spend much higher share of expenditures on food than higher income countries. Available online at: <http://www.ers.usda.gov/data-products/chart-gallery/gallery/chart-detail/?chartId=107494> (last accessed on 6 May 2024).
- 47 Jauregui et al. (2024): Inequality Implications of Price Shocks to Essentials (forthcoming).
- 48 The analysis is based on interviews Isabella Weber and Merle Schulken conducted with German grain supply chain actors between August 2023 and February 2024. For further information, see Weber and Schulken (2024): Towards a Post-neoliberal Stabilization Paradigm for an Age of Overlapping Emergencies: Revisiting International Buffer Stocks Based on the Case of Food. Available online at: peri.umass.edu/publication/towards-a-post-neoliberal-stabilization-paradigm (last accessed on 6 May 2024).
- 49 German Federal Statistical Office (2024): Number of the week no. 18, 30 April 2024. Available online at: https://www.destatis.de/DE/Presse/Pressemitteilungen/Zahl-der-Woche/2024/PD24_18_p002.html (last accessed on 6 May 2024).
- 50 Zeit Online (2023): Zahl der Bäckereien geht weiter zurück. Available online at: <https://www.zeit.de/wirtschaft/2023-04/baekerei-unternehmen-handwerk-brot> (last accessed on 6 May 2024).
- 51 Shaw (2007): World food security: A history since 1945. Available online at: <https://link.springer.com/book/10.1057/9780230589780> (last accessed on 6 May 2024).
- 52 UN General Assembly (1974): Declaration on the Establishment of a New International Economic Order. Available online at: <https://digitallibrary.un.org/record/218450?ln=en&v=pdf> (last accessed on 6 May 2024).
- 53 UN World Food Conference (1974): Proposals for national and international action. Available online at: <https://digitallibrary.un.org/record/3835521?ln=en&v=pdf> (last accessed on 6 May 2024).
- 54 Cline (1979): A Quantitative Assessment of the Policy Alternatives in the NIEO Negotiations. In: Cline (ed.): Policy Alternatives for a New International Economic Order. An Economic Analysis.
- 55 Ibid.
- 56 FAO (2021): Public food stockholding. A review of policies and practices. Available online at: <https://www.fao.org/policy-support/tools-and-publications/resources-details/en/c/1449713/> (last accessed on 6 May 2024).
- 57 European Commission (2024): Market measures explained. Available online at: https://agriculture.ec.europa.eu/common-agricultural-policy/market-measures/market-measures-explained_en (last accessed on 6 May 2024).
- 58 European Commission (2018): Using food reserves to enhance food and nutrition security in developing countries? Available online at: https://capacity4dev.europa.eu/library/using-food-reserves-enhance-food-and-nutrition-security-developing-countries_en (last accessed on 6 May 2024).
- 59 USDA (2024): Food Distribution. Available online at: <https://www.usda.gov/topics/food-and-nutrition/food-distribution> (last accessed on 6 May 2024).
- 60 Singh and Datta (2024): Reimagining the SPR. Available online at: <https://on.ft.com/4bj75hD> (last accessed on 6 May 2024).
- 61 Bateman, Brochardt, Porto (2013): Brazil's Lessons in Rural Development. Family Agriculture, Access to Water, and Civic Engagement. Available online at: https://www.wola.org/sites/default/files/downloadable/WOLA_RPT_Open-Doors_FNL_med.pdf (last accessed on 6 May 2024).
- 62 Da Silva et al. (2023): The PNAE (National School Feeding Program) activity system and its mediators. Available online at: <https://www.frontiersin.org/articles/10.3389/fenvs.2022.981932/full> (last accessed on 6 May 2024).
- 63 Oxfam Deutschland (2021): Verbot des Einkaufs unterhalb der Produktionskosten in Spanien. Available online at: https://www.oxfam.de/system/files/documents/oxfam_spanien_verbot_einkauf_unterhalb_von_produnktionskosten.pdf (last accessed on 6 May 2024).
- 64 This is one of the price-related demands published by the German "Initiative Faire Preise in Agrarlieferketten" (Initiative for Fair Prices in Agricultural Supply Chains). Available online at: <https://initiativefairepreise.de/wp-content/uploads/2024/04/IniFair-Forderungspapier-09042024.pdf> (last accessed on 6 May 2024).
- 65 See for example Clapp, Desmarais, Margulis (2015): Financialization in the food system. Available online at: https://www.researchgate.net/publication/283198307_Financialization_in_the_food_system (last accessed on 6 May 2024).
- 66 IPES-Food (2022): Another perfect storm? How the failure to reform food systems has allowed the war in Ukraine to spark a third global food price crisis in 15 years, and what can be done to prevent the next one. Available online at: https://ipes-food.org/_img/upload/files/AnotherPerfectStorm.pdf (last accessed on 6 May 2024).
- 67 UNCTAD (2023): Trade and Development Report 2023: Growth, Debt, and Climate: Realigning the Global Financial Architecture. Available online at: https://unctad.org/system/files/official-document/trd2023_en.pdf (last accessed on 6 May 2024).
- 68 SOMO (2024): Hungry for profits. How monopoly power tripled the profits of global agricultural commodity traders in the last three years. Available online at: <https://www.somo.nl/hungry-for-profits/> (last accessed on 6 May 2024).

