

Sizing a food reserve should include the food needs of those who cannot pay market prices

In our previous column (<https://tinyurl.com/26p29n2d>) we raised the issue of agricultural stockholding programs and the important role that they could play in a year like 2022 when the invasion of one country by another has the potential to reduce both the production and the exports of a critical crop like wheat. Our discussion included the concept of an international grain reserve—a coordinated system of national and regional crop reserves that could be used to stabilize food crop supplies in the event of reduced crop availability due to war, weather, or any of number of other factors, both those we have thought about and those that haven't even crossed our minds.

Any discussion of a crop reserve, whether it is national, regional, or international, must answer the question, “how much is enough?” The simple answer is that it should be large enough to meet the world's demand for the crop under discussion until normal production/distribution resumes. In the case of the Russian invasion of Ukraine, we are primarily talking about wheat, but the same principles apply to most, if not all, food crops.

In identifying “how much” we are talking about what economists call “effective demand,” roughly the amount that will be purchased at a given price. There is also “ineffective demand”—the amount needed by those who are unable to afford to make a purchase at the market price.

With food, we are talking about the roughly 800 million people who go to bed hungry every night of the year. They are unable to grow or purchase sufficient food to meet their needs and the needs of their dependents. In addition, there are another 1.5 billion people who “[lack] year-round access to adequate food” (<https://tinyurl.com/mr452rz7>).

From our perspective, it would be ethically unacceptable to hold reserve stocks of storable grains and oilseeds while over 800 million people go to bed hungry every night including children who suffer the lifelong effects of undernutrition.

We cannot ethically address the issue of international grain reserves without addressing the issue of hunger and undernutrition in the world. It would be wrong to spend the money needed to ensure that those who can afford it have access to a stable supply of food, while refusing to spend the money required to ensure that no child, woman, or man suffers the effects of malnutrition because they cannot afford to purchase an adequate supply of food. Our pets in the US eat better than many human children, women, and men in the world.

In the US and other first world countries, the ineffective demand within their borders is covered by governments in terms of nutrition programs supplemented by charitable activities. In these countries ineffective demand is converted into effective demand. Without these programs the 800 million number would be much larger.

In calculating the total amount of food needed (thus the potential size of the reserve), we should look at the amount currently needed to meet effective demand plus the amount that it would take to eliminate ineffective demand.

We haven't made the calculation, but it seems likely that if we include ineffective demand in setting the size of a food reserve, even when we have surpluses, we may not be producing enough to provide an adequate diet for every child, woman, and man on the face of the earth.

To be able to solve the twin problems of making sure we produce enough food to meet the full culturally appropriate nutritional needs of every person in the world and ensuring that every person has access to this food—as we said when we were kids—we need to learn how to “walk and chew gum at the same time.”

We are not dealing with an either/or situation.

During the COVID crisis in the US, we found ways to come up with the resources needed to avoid an economic crisis like we saw in 2008. In response to the Russian invasion of Ukraine, the nations of the North Atlantic have found the resources to make weapon systems available to Ukrainian fighters.

If we can do that, as a world we certainly can find the necessary resources needed to eliminate hunger and malnutrition in the world.

As we do that, we can also do the easy work of figuring out what size reserves we might need and what rules are required to ensure that the system operates in a fair and transparent manner.

Policy Pennings Column 1122

Originally published in MidAmerica Farmer Grower, Vol. 37, No. 368, April 22, 2022

Dr. Harwood D. Schaffer: Adjunct Research Assistant Professor, Sociology Department, University of Tennessee and Director, Agricultural Policy Analysis Center. Dr. Daryll E. Ray: Emeritus Professor, Institute of Agriculture, University of Tennessee and Retired Director, Agricultural Policy Analysis Center.

Email: hdschaffer@utk.edu and dray@utk.edu; <http://www.agpolicy.org>.

Reproduction Permission Granted with:

- 1) Full attribution to Harwood D. Schaffer and Daryll E. Ray, Agricultural Policy Analysis Center, Knoxville, TN;
- 2) An email sent to hdschaffer@utk.edu indicating how often you intend on running the column and your total circulation. Also, please send one copy of the first issue with the column in it to Harwood Schaffer, Agricultural Policy Analysis Center, 1708 Capistrano Dr. Knoxville, TN 37922.