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**Groups of countries in special situations: follow-up to the Fifth
United Nations Conference on the Least Developed Countries**

Food insecurity in the least developed countries: modalities, terms of reference, governance and support structures for the Food Stockholding Mechanism for the Least Developed Countries

Report of the Secretary-General*

Summary

The present report is submitted in response to a request by the General Assembly in resolution [78/233](#) on the follow-up to the Fifth United Nations Conference on the Least Developed Countries, in which the Assembly took note of the recommendations of the Secretary-General in the previous report ([A/77/291](#)) and requested him to carry out a study to further assess the proposed recommendations for the least developed countries, outlining their modalities, terms of reference, governance and support structures, and to submit a report to the Assembly at its seventy-ninth session for consideration by the Member States.

* The present report was submitted after the deadline in order to include the most recent information.



I. Introduction

1. In the Doha Programme of Action for the Least Developed Countries for the Decade 2022–2031,¹ which was adopted in March 2022, the General Assembly requested the Secretary-General to explore the feasibility, effectiveness and administrative modalities of a system of stockholding for the least developed countries on a regional and subregional basis, or alternative means, such as cash transfers, taking into account possible economic implications and risks.
2. The present report builds on the previous report of the Secretary-General (A/77/291) in which it was concluded that stockholding is a vital part of the solution to food insecurity in the least developed countries and proposed that a special food reserve system dedicated to the least developed countries could be created within existing relevant multilateral organizations.
3. The General Assembly subsequently requested the Secretary-General to carry out a study to further assess the proposed recommendations for the least developed countries, outlining their modalities, terms of reference, governance and support structures, in consultation with all relevant United Nations entities and taking into consideration and building upon the existing initiatives and programmes on food security, taking into account World Trade Organization (WTO) members' existing obligations.² In addition, in his July 2023 call to action for accelerated food systems transformation, the Secretary-General called on Member States to operationalize the Food Stockholding Mechanism for the Least Developed Countries.³
4. The present report is focused on the concrete modalities and operational aspects of a Food Stockholding Mechanism for the Least Developed Countries. The objective of the Mechanism will be to enhance the food production capacity of the least developed countries while building up food reserves for emergency food crisis response, with the ultimate aim of procuring, storing and distributing food stocks to support the least developed countries during emergencies, utilizing both physical and virtual stocks. Also taken note of in the report is the 2024 WTO discussion of a possible emergency global food security stocks scheme.⁴
5. The proposals in the present report are formulated to be complementary to existing programmes and initiatives to combat food insecurity. The Food and Agriculture Organization of the United Nations (FAO) and the International Fund for Agricultural Development (IFAD) have long been active in promoting greater food security, and the World Food Programme (WFP), together with a number of major non-governmental organizations (NGOs), has been at the forefront of responses to food crises. In 2011, FAO, acting together with other multilateral agencies, established the Agricultural Market Information System to increase the transparency of the major grains markets. The International Monetary Fund (IMF), the World Bank Group and regional banks have various instruments addressing food security.
6. Other, more recent, initiatives include the Global Network against Food Crises, founded in 2016, the Global Alliance for Food Security, launched in 2022, and the Global Alliance Against Hunger and Poverty, due to be formally launched at the Group of 20 (G20) Summit in November 2024. These three initiatives are largely focused on information and coordination. The proposed Food Stockholding Mechanism differs

¹ General Assembly resolution 76/258, annex.

² See General Assembly resolution 78/233.

³ United Nations Food Systems Coordination Hub, "Secretary-General's call to action for accelerated food systems transformation (FST)", 26 July 2023.

⁴ World Trade Organization (WTO), document G/AG/38, para. 2.10.

from these initiatives in its concrete focus on enabling access to food stocks for the least developed countries to address food insecurity.

7. Grain stockpiling has been discussed in a range of documents produced over the past two decades. Many of these discussions were in response to high grains prices during the period 2006–2008, and some included advocacy for an internationally financed public stockpiling facility. The focus of much of the discussion was on countering price spikes and limiting price volatility in global markets, in some cases seen as resulting from speculation. The current report is narrower and focused on emergency stocks for the least developed countries.

II. Food insecurity in the least developed countries

8. The Committee on World Food Security states that “food security exists when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life. The four pillars of food security are availability, access, utilization and stability”.⁵ The incidence of food insecurity is greater in poor developing economies and, in particular, in the least developed countries. The proposed Food Stockholding Mechanism is intended to assist the Governments of the least developed countries to counter endemic food insecurity.

9. The extent of food insecurity in the context of food emergencies is often measured by reference to the Integrated Food Security Phase Classification (IPC). The IPC uses a fivefold classification of food security situations based on the Integrated Food Security Phase Classification/Cadre Harmonisé (IPC/CH) categories. Phase 3 and phase 4 are the “crisis” and “emergency” levels, at which households experience malnutrition or can obtain adequate food only by asset liquidation or employing emergency livelihood strategies. A “catastrophe” (phase 5) is a situation in which there are no means by which households can obtain adequate food.

10. The Food Security Information Network and the Global Network against Food Crisis published the *2024 Global Report on Food Crises*, in which they stated that urgent action is required for countries in acute food insecurity (IPC/CH) phases 3, 4 and 5). According to the report, 282 million people faced high levels of acute food insecurity in 2023 in the 59 countries for which sufficient data is available to reach a consensus judgment. This amounts to 21.5 per cent of the population in those countries. It is likely that there are tens of millions more people living in acute food insecurity who are not counted because of lack of clear information. Looking just at the least developed countries for which Food Security Information Network data is available, 183 million or 24 per cent of people facing acute food security in 2023 live in the least developed countries. Least developed countries accounted for close to 70 per cent of all global food emergencies in the period 2011–2022 (on average, 28 least developed countries per year), with devastating human and economic impacts in the countries covered by the Food Security Information Network. A majority of the food emergencies take place in African least developed countries, and of 59 weather-related food crises from 2016 to 2023, 56 affected African least developed countries.⁶

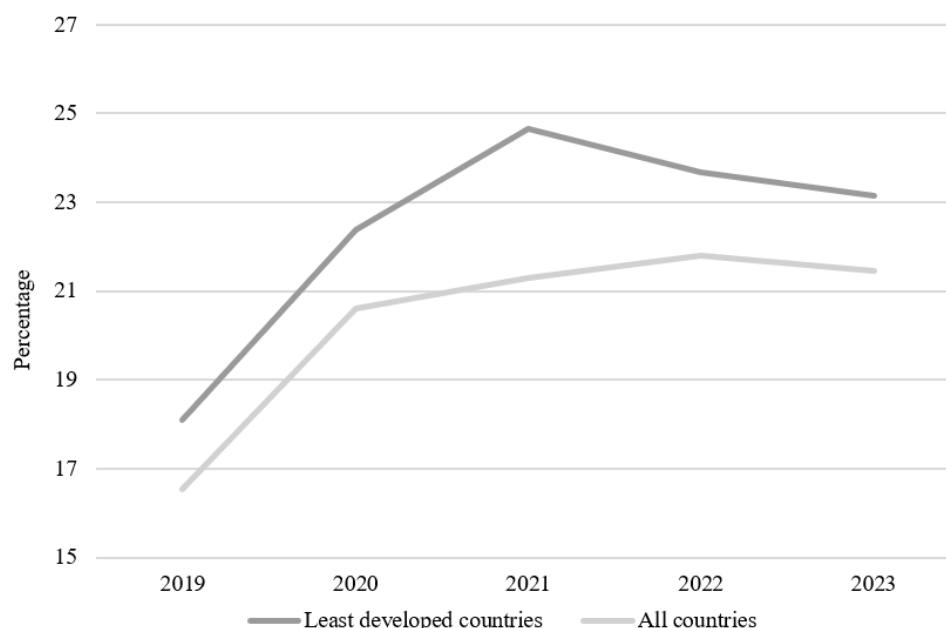
11. Following the coronavirus disease (COVID-19) pandemic, food insecurity increased and remains high. The figure shows the estimated number of people in acute

⁵ Committee on World Food Security, “Global strategic framework for food security and nutrition (GSF)”, 2017, para. 1.3.

⁶ Food Security Information Network, Global Report on Food Crises database, available at www.fsinplatform.org/our-data.

food insecurity prior to the COVID-19 pandemic, at the height of the pandemic and towards the end of 2023. Still today, food insecurity is above pre-pandemic levels.⁷

Food insecurity, 2019–2023



Source: Food Security Information Network. Available at <https://data.humdata.org/dataset/fsin-grfc>.

12. Overall, conflict is the major driver of food insecurity. For most least developed countries that have remained free of major conflict, food insecurity involves agriculture. Agricultural productivity is low, in particular in more arid regions. This can be exacerbated by adverse weather events such as droughts, tornadoes and floods, notably as a result of climate change. The food impact of these shocks is amplified where the countries are reliant on a single or small number of crops. Climate shocks are becoming more frequent and more severe as a result of climate change, increasing desertification and water resource depletion. Conflicts in neighbouring countries generate flows of immigrants who lack the means for self-support. In practice, these factors are interrelated.

13. More generally, the least developed countries suffer from limited resources, which, together with economic fragility and high levels of indebtedness, limit the capacity of their Governments to establish and maintain functioning social safety nets. This applies especially to African least developed countries, which account for 33 out of the 45 least developed countries. Small island least developed countries are often isolated and suffer specific problems largely related to logistical access, as during the COVID-19 pandemic, when they became cut off from their main sources of food supply. Landlocked least developed countries share some of these logistical challenges.

⁷ See the notes and appendices (background document) to the present report, available online at www.un.org/ohrrls/sites/www.un.org.ohrrls/files/notes_and_appendices_to_the_report_on_food_insecurity_in_ldcs.pdf.

A. Differences in crop production and diets across the least developed countries group

14. While countries in the least developed countries group share common characteristics such as low income levels, economic and environmental vulnerabilities and weak human capital, they differ in their access to subsistence crops and dietary patterns, population size and density, arable land and port access, all of which have implications for the design and implementation of the Food Stockholding Mechanism.

15. Net food importing and net exporting countries are differently placed regarding their relation to food security since they can respond to a food crisis by diverting exports to their domestic market. Food imports as a percentage of merchandise imports for the least developed countries were 15 per cent in 2020, almost double the world average of 8 per cent. Only 3 of the 45 least developed countries were significant net exporters of grains over the five-year period 2017–2021. Grains remain the main staple food for most countries, specifically in all the least developed countries. Nutritious diet is also important. Pulses, cassava, other vegetables and meat and fish contribute significantly to diets but these foods are less easily stockpiled and enter cross-border trade less, and therefore the Food Stockholding Mechanism stockpiling proposals relate to grains. The five most important grains in terms of human diets are maize (corn), millet, rice, sorghum and wheat. Maize predominates in the diets of 14 of the 40 least developed countries for which FAO data are available, and rice in 18 countries.⁸ The countries in which maize is most important are in Africa. The countries where rice predominates in the grain consumption basket are spread more widely, in Africa, Asia and Oceania. Wheat, which is the most important grain in three countries, differs from maize in being almost entirely grown in temperate zones. Least developed countries are predominantly located in tropical zones and produce relatively little wheat. Wheat consumed in the least developed countries is therefore largely imported and, in many countries, is consumed largely by urban consumers.

16. The majority of the countries in which maize is the predominant grain in dietary terms have historically been close to self-reliant in terms of domestic grain production, despite large sections of the populations remaining hungry at certain times of the year. Averaging over the maize-reliant countries, almost 90 per cent of maize consumed comes from domestic production. In general terms, therefore, maize-consuming countries have low import dependence in most years.⁹ The same is true of the sorghum- and millet-reliant countries in the Sahel region of Africa. Food crises emerge in these countries in the event of a poor harvest, increasing uncertainty in weather patterns, a natural disaster or a major conflict. The self-sufficiency of maize-reliant countries contrasts with the situation in the six countries that are largely or entirely reliant on imported rice. Between these two extremes, there are five countries which consume a mixture of domestically produced and imported rice.

17. Across the least developed countries group, maize, millet and sorghum harvests are more than twice as variable as rice harvests.¹⁰ Maize-reliant countries are therefore particularly vulnerable to the problems associated with poor harvests, and the same is true of the Sahelian millet- and sorghum-reliant countries. Poor harvests of domestically produced rice are less frequent and less severe. Instead, countries dependent on rice or wheat imports are vulnerable to spikes in world prices. The situation is compounded in the case of rice by the prevalence of opaque Government-

⁸ Ibid.

⁹ Food and Agriculture Organization of the United Nations (FAO), FAOSTAT database, available at www.fao.org/faostat.

¹⁰ See the background document to the present report.

to-Government contracts and the tendency of some rice-exporting countries to impose restrictions on exports in order to protect their own domestic consumers.¹¹

18. As mandated, the present report contains a consideration of a possible food import financing facility and a credit guarantee facility. These facilities are important for those least developed countries that are dependent on imported commodities, in particular rice and wheat. As was evident in the initial months of the war in Ukraine, high import dependence leaves wheat-importing countries vulnerable to the variability of prices on world markets. The same vulnerability is experienced by countries reliant on rice imports. The Food Stockholding Mechanism should differentiate with regard to arrangements for these two groups of countries.

19. The report therefore also contains a consideration of stockholding mechanisms and assistance with import finance. Neither stockholding nor import finance alone can be a remedy for food insecurity in countries afflicted by conflict. It is suggested that maize and rice should be the main commodity focus for the Food Stockholding Mechanism in relation to stocks. So far as import finance is concerned, the focus should be on rice and wheat. In addition, provisions should be made for urgent requirements for nutritional products for infants and pregnant women in a food emergency.

B. Development context

20. Periodic poor harvests are one of the main causes of food insecurity in many least developed countries. These events rapidly translate into a deterioration in food security indicators as supplies from alternative sources take time to arrive and consumers have limited dietary alternatives. The result is a food crisis or emergency situation in the lean months prior to the availability of the new crop. Least developed countries with high dependence on imported rice or wheat are vulnerable to spikes in international grains prices. Food security policy should be set in the context of agricultural development policies which have the objective of increasing resilience and reducing these vulnerabilities.

21. Achieving food security and ending hunger in the least developed countries will require the transformation of food systems in the least developed countries. By reducing the risks arising from poor harvests, post-harvest loss and natural disasters, the Food Stockholding Mechanism should contribute to the overall objective of raising farm incomes, increasing farmer resilience and providing reassurance with regard to the availability and affordability of staple foods for both farm and non-farm households. Although agricultural development policy extends beyond the remit of the present report, it is important that the activities of the Mechanism are coordinated with the national, bilateral and multilateral agencies involved in development, including health, nutrition and employment, and take into consideration both short-term coping strategies and the long-term perspective of strengthening sustainable food systems in the least developed countries.

III. Overview of food stockholding in the least developed countries

A. Emergency stocks

22. Public stockholding schemes can be motivated by a number of objectives. Some schemes may have multiple objectives. Common objectives include ensuring

¹¹ C. Peter Timmer, "Reflections on food crises past", *Food Policy*, vol. 35 (2010).

availability of the grain throughout the crop year, in particular in the “lean” months prior to arrival of the new crop, management of the internal grain supply chain or stabilization of prices through the crop year. Some of these objectives are conflicting: higher prices for farmers are incompatible with lower prices for consumers absent fiscal subsidies; pan-seasonal pricing removes the incentives for private sector agents to hold stocks; and price stabilization may result either in food reserves becoming exhausted prior to a food emergency or in excessive stockpiling. Prices can be stable yet unaffordable, and experience shows that price stability is both difficult to achieve and likely to prove very costly. The present report relates to food security reserves for emergency food crisis response. However, recommendations regarding an emergency provision need to be framed in the context of Governments’ operating stock schemes with other objectives.

23. Supply chain management requires the active presence of government agencies throughout the country. Price stabilization requires these agencies to hold physical stocks. Emergency food provision requires access to physical stocks only in the event of a food emergency. It does not necessarily require government agencies to be directly involved in the purchase and holding of grain stocks. Instead, finance available to purchase physical grain in a food emergency (“virtual stocks”) may suffice provided that the supplies purchased can be made available sufficiently fast.

B. National food reserves

24. Many least developed countries operate food reserve schemes. The objectives of these schemes, which are not always explicit, often include facilitation of storage through the crop year, offering predictable and remunerative prices to farmers and limiting the price exposure of urban consumers. Many food reserve schemes are explicitly aimed at price stabilization. Schemes often involve the provision of social safety nets, and some include explicit recognition of emergency provision.

25. Maize prices in southern and East Africa increase over the course of the crop year and fall back with the new harvest. By purchasing in the immediate post-harvest months and selling later in the crop year, food reserve agencies in these countries might expect to generate a fiscal surplus. Similar considerations relate to food reserve agencies for millet and sorghum in the Sahelian countries. In practice, food reserve schemes in many developing countries have often yielded deficits which have to be covered by subsidies arising from different factors:¹²

- The national reserve agency may purchase at above market prices to sustain producer revenues at a “fair” level.
- The agency may sell stocks at below market prices to assist consumers.
- There are costs associated with grain purchasing, stock management and eventual release.
- Some stock may be made available free of charge for social purposes, for example in schools or hospitals.
- The funds invested in purchasing and holding the stock have an opportunity cost, i.e. they could have been employed for developmental or other purposes.
- Theft, deterioration and losses to pests and diseases can also be important.

26. National food reserves are not always a guarantee that stock will be sufficient in a food emergency, since it is likely that part of the available stock will have been sold before the onset of the real emergency. This makes it important that countries

¹² See the background document to the present report.

either incorporate emergency provision into the objectives of the national food reserve agency or that they establish a separate agency or division for food emergency provision.

C. Public and private stockholding

27. There are multiple reasons why private sector storage is unlikely to be adequate to ensure food security in the context of the least developed countries. Private traders balance the monetary costs and benefits of grain storage. In a food crisis, poor households lack the resources to make their food demand effective. Even though these households desperately need food, private sector traders have limited incentives to store the grain to meet their needs. Storage by the private sector is therefore inadequate from a food security perspective.

28. In addition, public food reserve schemes have tended to disincentivize private sector activities. This occurs if the agency purchases at above market prices, sells at below market prices, or if government imposes a price ceiling on sales. Unanticipated changes in trade policy, often viewed by the private sector as ad hoc, and the threat of future policy changes, make it difficult for private sector traders to store against the possibility that shortages may emerge in the pre-harvest lean months. The consequence is that the reserve agency becomes responsible for carrying the bulk of the grain stock, and the private sector comes to be viewed as too weak to make the required provision.

29. The Governments of the least developed countries are actively involved in food policy, particularly in relation to the import and export of staple grains. The issue becomes how government intervenes, not whether it does so. Lack of an established storage or importation infrastructure makes an adequate emergency response on the part of the private sector difficult. The danger is that the private sector is reduced to a limited role in those countries. The Food Stockholding Mechanism can avoid the disincentives associated with public stockholding if the criteria for emergency release are clear and not subject to manipulation. There is an advantage in stock release decisions being subject to clear rules, for example by stating in advance triggers for release of public stocks or for trade interventions.

D. Virtual versus physical stocks

30. Physical grain stocks are stocks of grain located in warehouses and available for immediate distribution as required. In the present report, the term “virtual stock” refers to a line of credit which can either be converted into physical stocks within a short period of time or used to help finance imports. In some other discussions, virtual stocks are referred to as stocks which will become available under specified circumstances, for example if a world price exceeds a trigger level.

31. Virtual stocks earn interest and neither incur warehousing costs nor suffer physical deterioration. They allow greater flexibility in response in view of the logistical costs of moving materials from one location to another even within the same country, particularly if that country is large. They have one major disadvantage – lack of immediate availability. This may be an important consideration in the event of a natural disaster. This suggests that the Food Stockholding Mechanism should consist of a mix of physical and virtual stocks such that the physical reserves provide sufficient availability until additional supplies, purchased from the virtual reserve, can be made available.

E. Regional experience

32. A number of least developed countries already have specific emergency stock arrangements, either at the regional or the country level. The most prominent regional schemes are the ASEAN-Plus-Three Emergency Rice Reserve, the South Asian Association for Regional Cooperation (SAARC) Food Bank and the Economic Community of West African States (ECOWAS) West African Food Security Storage System. The table provides a summary.

Regional experience in food stockholding

	<i>Objectives and key principles</i>	<i>Key features</i>	<i>Usage</i>
ASEAN-Plus-Three Emergency Rice Reserve	<p>Countries earmark physical rice from national reserves plus cash to be available to other countries in a food emergency. Three conditions must be satisfied to access the Emergency Rice Reserve:</p> <ul style="list-style-type: none"> • The country must be in an emergency condition. • The national food reserve is insufficient. • The country is unable to purchase food through normal trade. 	<p>Rice is made available through three support tiers:</p> <p>Tier 1</p> <p>Special commercial contracts or sales which may be formalized as contingent forward contracts at prevailing market prices.</p> <p>Tier 2</p> <p>Emergency grants and loans. Payment is by loan or grant, by mutual agreement.</p> <p>Tier 3</p> <p>Donated rice in food emergencies. This is fast-tracked under an automatic trigger and can also be used to address poverty concerns.</p>	<p>Experience with the Emergency Rice Reserve has shown that the physical stock has been too small – equivalent in 2018 to just 1.5 days ASEAN consumption. Furthermore, negotiations for release of reserves, which requires consensus, can be complicated and time-consuming.</p>
SAARC Food Bank	<p>Member countries earmark a share of national wheat and rice stocks to the Food Bank. The grain remains the property of the depositing Government.</p>	<p>Grains can be drawn down in the event of a food emergency, and a call can be requested by other member countries.</p>	<p>Despite extended diplomatic discussion, the Food Bank has been utilized on only a single occasion.</p>
ECOWAS West African Food Security Storage System	<p>To guarantee food security in the event of a food crisis, to provide social security nets for vulnerable groups, to improve the functioning of regional markets and to reduce price volatility.</p> <p>The Food Security Storage System has four components:</p> <ul style="list-style-type: none"> • Local stocks managed by producers' associations. 	<p>The regional food security reserve consists of a physical stock together with a financial reserve held at the ECOWAS Bank for Investment and Development. In October 2023, regional food security reserve holdings were one third in physical stocks (divided approximately equally between rice, maize, sorghum</p>	<p>Up to the end of 2023, the regional food security reserve had intervened on 17 occasions in four countries.</p>

<i>Objectives and key principles</i>	<i>Key features</i>	<i>Usage</i>
<ul style="list-style-type: none"> • National stocks. • A regional stock, the regional food security reserve. • Recourse to external assistance. 	and millet) and two thirds in financial reserves.	

33. These schemes suggest a number of lessons. First, under-financing has been a problem. Second, regional schemes can result in complex and slow decision-making compromising the effectiveness of the schemes. The ECOWAS regional food security reserve virtual reserve provides a potential template for a Food Stockholding Mechanism virtual reserve.

IV. Modalities

A. Alternative modes

34. The report contains a consideration of two alternative operation modes for the proposed Food Stockholding Mechanism. The first, which is based on holding grain stocks, will be best suited for those countries which are heavily reliant on domestic production which is vulnerable to poor harvest outcomes. Periodic poor harvests are a serious problem for countries, particularly in southern and East Africa, reliant on maize, millet and sorghum production. It is envisaged that the Mechanism will operate through national food reserve agencies in these countries. These agencies are regularly involved in the purchase and distribution of grain, manage warehouses and share the Mechanism's concern with food security. Furthermore, they are likely to be larger than the emergency facility established through the Mechanism. In these countries, the Mechanism will work in conjunction with national food reserve agencies to create a specific emergency response facility either within or alongside the national agencies. Some least developed countries, such as Zambia, have separate disaster relief institutions. In other countries, this facility might be established in a separate division of the food reserve agency.

35. The Food Stockholding Mechanism, acting through the national agencies, will be able to hold both physical and virtual stocks, in line with the experience of ECOWAS with its regional food security reserve. Physical grain purchases and stock management will be undertaken by the national agency, thereby avoiding additional overhead and management costs. Grain for the Mechanism will be purchased at market prices, and the Mechanism will retain title to the stock purchased in its name but, because grains are relatively homogeneous, it will not be necessary to identify particular packets of grain. The Mechanism will work together with the various national food reserve agencies to obtain the most suitable mix of physical and virtual stocks for each participating country.

36. An important aspect of the proposal is that national food reserve agencies will become important stakeholders in the Food Stockholding Mechanism. This will strengthen the focus of these institutions on food security and emergency provision and increase national ownership of food security arrangements. The commitment of these national agencies will be reinforced by asking them to earmark matching quantities of their food reserves for emergency relief. This is in line with ASEAN-Plus-Three Emergency Rice Reserve and SAARC Food Bank procedures. Earmarked

stocks will remain the property of the national agency but their release must be coordinated with that of Mechanism stocks and follow a joint decision between the Mechanism and the national agency. The availability of matching earmarked stocks will substantially increase the effectiveness of donor contributions to the Mechanism.

37. The alternative mode of operation is for the Food Stockholding Mechanism to operate primarily in terms of virtual stocks. This approach will be well-suited to those countries which rely on imported grains and are vulnerable to spikes in international prices. Spikes in world prices are a particular problem for countries reliant on imports of rice or wheat. The stocks would be held centrally by the Mechanism and would be converted into physical stocks once a food emergency is declared. Conversion would take place at market prices under the constraint of minimizing the overall cost (purchase plus logistics) of making the grain available subject to timely availability. Stockholding costs will be largely avoided.

38. For this structure to function, the Food Stockholding Mechanism must be able to guarantee access to grains in periods of food emergency, access to expeditious logistics and infrastructure for distribution to households. This will be most easily achieved by establishing contingent arrangements with multilateral emergency relief organizations, in particular WFP, the United Nations Children's Fund (UNICEF) and relevant bilateral and non-governmental agencies, in advance of the emergence of any food crises. These contingent arrangements will provide guaranteed access to grain imports in the event of a food crisis. It may be desirable for the Mechanism to negotiate arrangements of this sort with a number of different emergency relief organizations, reflecting their importance in the countries in question.

B. Operating modalities

39. Entitlements under the Food Stockholding Mechanism will be governed by country quotas. The experience of the regional schemes shows that allocation of quotas under a stockholding arrangement can be politically sensitive. To avoid dispute, the report therefore contains a recommendation that quotas (in terms of United States dollars) should reflect best estimates of the number of persons facing high levels of acute food security (at a base date to be established) subject to maximum and minimum shares.¹³ These nominal quotas may be scaled down based on available Mechanism funds to give effective quotas.

40. In any year, food crises will generally be limited to specific countries or regions. Consequently, the Food Stockholding Mechanism is likely to find that some country quotas are fully utilized while the quotas associated with other countries remain available. Physical stocks are necessarily located in specific countries, making it difficult to quickly reallocate these to countries in need. Virtual quotas allow greater flexibility. The Mechanism will be able to temporarily reallocate virtual stocks to allow it to respond effectively to food crises wherever they arise.

41. Stock release, whether physical or virtual, will be triggered by declaration of a food emergency. A food emergency may be national or regional (i.e. subnational), depending on the extent of integration of the different regional markets within the country. The declaration should be a joint decision involving the national Government, the Food Stockholding Mechanism and the United Nations resident coordinator. It must take existing food security monitoring mechanisms into account and be coordinated with actions by WFP and other organizations involved in food security to avoid any

¹³ These numbers are available from the publication, *2024 Global Report on Food Crises*. Advice will be required for least developed countries that were not included in the Integrated Food Security Phase Classification.

duplication. A decision to reallocate virtual stocks across countries, as envisaged above, must involve both quota donor and recipient countries.

42. Following the release decision, the Food Stockholding Mechanism stock would primarily be distributed through the established channels of the national food reserve agency, although other organizations might also be involved. These may include WFP, UNICEF, bilateral aid agencies and NGOs, depending on the country concerned. In the case of virtual stocks, the Mechanism would be able to choose the most active and efficient emergency relief organizations in the distressed areas both for procurement and for distribution. Efficient procurement from virtual stocks should make use of the WFP Global Commodity Management Facility which provides advance financing and pre-positioning of food supplies to permit the rapid distribution of foods in emergency situations.¹⁴

43. The Food Stockholding Mechanism may also consider the release of virtual stocks through cash transfers. WFP makes extensive use of cash transfers but they have not been employed in any of the regional schemes surveyed in the table. They have a number of advantages over the distribution of food supplies in emergency situations, including allowing more flexibility at the household level and easier targeting to vulnerable groups, such as women with young children.¹⁵ However, in the contexts of poor harvests, cash transfers do not increase the quantity of grain available in the lean months and, because the harvest impact will be known some months in advance, may lead to households delaying adjustment in the hope of subsequently receiving a cash transfer.

C. Management of physical stocks

44. Food Stockholding Mechanism stocks held through national food reserve agencies would need to be governed by a set of operational rules relating to stock composition, grain purchase, stock management and release. For maize-reliant countries, the physical component of the stock will inevitably consist of maize itself. For other countries, stock composition should reflect the typical dietary composition in the country in question. Emergency relief need not be confined to maize even in a maize-reliant country. In particular, it may be helpful to make other grains, such as rice, millet and sorghum, available in an emergency, as well as pulses and cassava. In addition, the Mechanism should make arrangements with NGOs to ensure availability for nutritional products for infants and pregnant women.

45. Further operational considerations relate to the purchase of physical stock, quality maintenance, rotation and eventual release. The objectives should be:

- Management of logistical costs.
- Minimization of operational costs.
- Ensuring maximum flexibility and rapid response in the event of a food emergency.
- Full cooperation with national Governments, their food reserve agencies, WFP and non-governmental emergency relief operations.

46. The primary determinant of stock purchase must be the stock-holding relative to the potential emergency requirement. Once the holding is equal to the emergency requirement, there need be no further purchases. If the holding is below the requirement, the speed at which the deficit is made up will be a matter for judgment

¹⁴ World Food Programme (WFP), "SNF procurement update", 2019.

¹⁵ WFP, "Executive brief: cash-based transfers empower people while building resilience", January 2023.

in relation to prevailing availability and the resources available to the Food Stockholding Mechanism.

47. Physical stock must be purchased. Purchases should be at market prices. It is desirable that grain be purchased on local or regional markets where this is feasible. If the stock is being purchased for storage, costs will be minimized by purchasing the grain through the national grain food agency and subsequently storing in the agency's warehouses. That option is less attractive if the grain purchase is for immediate crisis distribution, since there is likely to be little grain available at affordable prices on the domestic markets. In this case, purchases may be undertaken more effectively in conjunction with the WFP Global Commodity Management Facility.

48. Physical stock must also be rotated on a regular basis since emergency stocks will be released only in years of particular shortage. If the Food Stockholding Mechanism operates through national food reserve agencies, stock management, including rotation, becomes the responsibility of the agency. The Mechanism will retain title to a quantity of grain corresponding to the grain purchased with its funds. Because grain is relatively homogeneous, it will not be necessary to track a specific packet of grain purchased, subject to maintaining traceability. The national food reserve agency will be required to report the quantities and location of its grain inventories at specified regular intervals to the Mechanism, indicating the quantities held for distribution in food crises. The Mechanism will retain the right to direct the national agency on the regional allocation of these emergency stocks. Rotation costs can be held at low levels by working in conjunction with other organizations that have regular needs for food. One example is the provision of school meals, provided from the Mechanism stock, which is then replenished to the required level.

49. It is advocated that the Food Stockholding Mechanism hold a mix of physical and virtual stocks. The balance between the two will depend on the grain in question and also on national geographical characteristics. The physical holding needs to be sufficient only to cover the period between declaration of the food emergency and the arrival of supplies funded by realization of the virtual reserve. The length of time will depend on logistical factors, such as port access, the sourcing procedures that the Mechanism has in place and the degree of preparedness of the Mechanism administration. The physical component of the reserve should be larger for landlocked countries than for countries with good port facilities.

D. Regional schemes

50. It is possible to think of a regional version of the Food Stockholding Mechanism model operating through national food reserve agencies. An arrangement of this form may be advantageous so long as countries experience food shocks in different years. However, weather conditions are often largely common across neighbouring countries, limiting this advantage. Furthermore, the logistical costs of moving grain from one regional centre to another can be substantial. The ASEAN experience indicates that decision-making can be complicated when this requires unanimity among all the participating regional Governments. In addition, a regional scheme fits poorly with the Mechanism mandate, which is restricted to the least developed countries, since many least developed countries are members of regional groups which include non-least developed country members.

51. To the extent that the Food Stockholding Mechanism relies on virtual stocks with the possibility of quota reallocation, the regional location of the participating countries becomes irrelevant. If a food emergency involves a number of different least developed countries in the same geographical region, the Mechanism would have the flexibility to mount a regional response.

E. World Trade Organization compliance

52. The WTO Agreement on Agriculture includes specific provisions on public stockholding for food security purposes (Agreement, annex 2) and on market price support (annex 3, paras. 8 and 9). The provisions rely on calculation of the country's aggregate measure of support, and apply if products are purchased at above market prices. The Agreement stipulates (annex 2, para. 3) that domestic support for the accumulation and holding of stocks of products which form an integral part of a food security programme is exempt from inclusion in the aggregate measure of support provided that:

- The volume and accumulation of stocks is in line with predetermined targets related solely to food security.
- The process of stock accumulation and disposal are financially transparent.
- Procurement is at current market prices.
- Releases from food security stocks are at no less than the current domestic market prices.

53. The operations of the Food Stockholding Mechanism must also take into account the food aid provisions of the 2015 WTO ministerial decision on export competition, which stipulates that food aid is needs-driven, is in grant form and is not directly related to commercial exports of agricultural products.¹⁶

54. Governments interpret these provisions in different ways. Following the food price spike in 2007 and 2008, WTO members have sought some relaxation of the provisions outlined above, at least for the least developed countries. It has not proved possible to find a permanent resolution but under the so-called 2013 Bali “peace clause”, an interim agreement was reached whereby countries agreed to withhold from challenging public stockpiling rules through the WTO dispute settlement mechanism. Provided that the Food Stockholding Mechanism operating rules are fully transparent, it is unlikely that the release of emergency stocks would be regarded as problematic in the context of the 2013 Bali “peace clause”. Furthermore, it would be difficult to construe Mechanism purchases as “food aid” provided they are at market prices and are part of its existing regular purchasing programme.

V. Import finance

55. As mandated, the report also contains a consideration and specification of the long-term viability of a possible food import financing and price guarantee facility. An emergency import finance facility is particularly suited to those least developed countries in which the main staple grains, typically rice or wheat, are largely imported. These countries are vulnerable to spikes in grains prices on the international market such as those experienced in the rice market in 2007 and 2008.

56. The import finance facility for the least developed countries group suggested in the terms of reference for the present report replicates a similar proposal made by FAO in 2022 for a global food import financing facility for the 62 countries identified by FAO as most exposed to import price spikes. The proposal was incorporated in the IMF Food Shock Window, which was subsequently extended to March 2024.¹⁷ Food prices have subsequently declined from their 2022 and 2023 peaks, and there does not

¹⁶ WTO, document WT/MIN(15)/45-WT/L/980, para. 23.

¹⁷ International Monetary Fund, “Review of experience with the Food Shock Window under the Rapid Financing Instrument and the Rapid Credit Facility”, IMF Policy Paper No. 2023/030.

appear to be any move to extend the Food Shock Window. Nevertheless, IMF may choose to resurrect the Food Shock Window if food price inflation again becomes a serious problem. This suggests that the Food Stockholding Mechanism should consider a more limited scheme, as set out below, which can be set in the context of the Food Shock Window, if IMF decides to resurrect that window.

57. In the absence of the continuation of the Food Shock Window, the report contains a proposal that virtual stock quotas for countries reliant on rice or wheat imports may be used to finance imports in the event of a spike in international prices resulting in a food emergency in the country in question. The exploratory study discussed by FAO in conjunction with the food import financing facility proposal envisaged compensation ranging from 10 per cent to 100 per cent of the increase in a country's food import budget resulting from a price spike. This report also contains a recommendation that the Food Stockholding Mechanism follow the same procedure of partial (50 per cent) support, but only in the event of a food crisis.¹⁸

58. The international wheat market is very liquid and there are seldom problems in obtaining supplies, although higher logistical costs can sometimes result, as was the case when Ukrainian grain became unavailable in the first half of 2022. The rice market, which tends to be dominated by Government-to-Government transactions, can be more problematic. The Food Stockholding Mechanism would be in a good position to use its good offices to facilitate the negotiation of contracts with major exporting countries if so required.

VI. Support structures and governance

59. The present report is mandated to consider the support structures and governance of the Food Stockholding Mechanism. In line with the previous report of the Secretary-General (A/77/291), it is proposed that the mechanism be established within existing relevant multilateral organizations. It will be important to limit the associated administrative costs to maximize the funds channelled to operational activities. Among other issues to be further explored, the day-to-day operations of the Mechanism could include:

- (a) Coordinating with participating countries and collaborating agencies;
- (b) Allocation of quotas to participating countries;
- (c) Engagement with various stakeholders, including the regional economic commissions and resident coordinator offices, donors and local stakeholders;
- (d) Managing physical and virtual stocks or delegating this management to an implementing agency;
- (e) Monitoring market developments and food security and early warning indicators;
- (f) Authorizing stock releases or realization of virtual stocks during emergencies;
- (g) Monitoring and evaluation of Food Stockholding Mechanism interventions;
- (h) Financial control and reporting;
- (i) Resource mobilization.

¹⁸ FAO, "A Global Food Import Financing Facility (FIFF): responding to soaring food import costs and addressing the needs of the most exposed", 10 June 2022.

60. The Food Stockholding Mechanism could be hosted by an agency, or group of agencies, already involved in support to the least developed countries, food security and emergency provision. The three Rome-based United Nations organizations (FAO, IFAD and WFP) are possible candidates for this role. WFP has the greatest experience in implementing emergency food relief interventions. FAO has the technical and analytical capacity to support the initiative. Other multilateral organizations and international financial institutions could also be considered.

A. Food emergency action

61. Governments of participating countries will be able to request release of (physical and virtual) stock after declaration of a food emergency. In countries in which the Food Stockholding Mechanism operates through a national disaster relief organization or the dedicated division of the food reserve agency, the Mechanism responsibilities could be:

- Authorization of access to emergency physical stocks held in the participating countries.
- Liaison with the collaborating agency, including receiving regular reports on the size and location of emergency stocks.
- Authorization of the use of access to virtual stocks and into what grains (or other products) these are converted.
- Organization of procurement financed by the conversion of virtual stocks.
- Liaison with the collaborating agency over stock distribution in the event of a food emergency.

62. In grain-importing countries in which the Food Stockholding Mechanism stocks are predominantly virtual, the Mechanism responsibilities could be:

- Authorization of the use of access to virtual stocks and into what grains or other goods these are converted.
- Facilitating the procurement financed by the conversion of virtual stocks, or delegation of this responsibility to a collaborating agency or agencies.
- Selection of the collaborative agency or agencies for food distribution and regular liaison with this agency or agencies throughout the course of the food emergency.
- Receipt of regular reports on the food distribution activities.

63. In addition, and whichever operational mode of operation is adopted, the Food Stockholding Mechanism could be required:

- To make itself aware of decisions to call a food emergency.
- To establish mechanisms for feedback from stakeholders.
- To exercise financial controls.
- To review the effectiveness of Food Stockholding Mechanism interventions and define clear metrics for evaluation of the impact on food security in each participating country.
- To implement a system for regular assessment of the Food Stockholding Mechanism's performance, allowing for adjustments based on emerging challenges and successes.

- To issue periodic reports to the relevant administrative body to ensure oversight and accountability.
- To actively seek additional finance for continued operations.

B. Financial considerations and funding

64. Reimbursement of the cost of released stocks is important to ensure that Food Stockholding Mechanism funds continue to be available for fresh emergencies. It is also important that Governments do not come to rely on Mechanism stocks at the expense of making their own emergency decisions. In the case of food emergencies from poor harvests, stocks (physical or virtual) should be made available on a loan basis. In the event of food emergencies which arise from a natural disaster (flood, wildfire, earthquake, volcanic eruption or pandemic), the release will be on a grant basis.

65. The loans require specification of a unit of account, term and interest rate. One choice of unit of account would be the (historic) dollar cost of grain purchase. This cost may, however, be unclear for physical stocks purchased by the Food Stockholding Mechanism prior to the food emergency, while a current cost basis would negate the purpose of the scheme. The purchase cost of grain obtained from release of virtual stocks is less problematic but it remains true that the use of dollar values would substantially reduce the attractiveness of the scheme to participating countries. It is therefore suggested that the unit of account should be the quantity of grain released from physical stocks or procured through the use of virtual stocks.

66. Loans could be subject to a concessionary fixed interest rate set, for example, equal to the World Bank blend interest rate, currently 2.8 per cent. The unit of account for loans will be tons of grain released or procured. The same quantity must be restored, in terms of either grain or cash equivalent.

67. The combination of administrative and stockholding expenses, which must be kept to a minimum, plus expenditures on emergency relief, will make it essential that the Food Stockholding Mechanism should actively engage in resource mobilization efforts. Potential sources of funds could include voluntary contributions from United Nations Member States, contributions from multilateral and bilateral development agencies and the private sector and philanthropic organizations. In addition, international financing institutions, including the World Bank and IMF, the African Development Bank and other multilateral development banks are encouraged to support the initiative through their existing initiatives, including by facilitating access to concessional loans to the mechanism.

VII. Conclusions, preliminary recommendations and next steps

68. With a view to operationalizing the mandate contained in paragraph 42 of the Doha Programme of Action and the Secretary-General's call to action to operationalize the Food Stockholding Mechanism for the Least Developed Countries, the present report sets out what could be the broad modalities, terms of reference, governance and support structures of the Mechanism. The proposed objective of the Mechanism would be to establish food stocks, physical or virtual, which can ensure adequate food availability at affordable prices in food crisis situations in the least developed countries.

69. Food security in the least developed countries declined over the COVID-19 pandemic and has failed to recover in the post-pandemic years. Poor harvests and spikes in world grains prices are important causes of food insecurity in the least

developed countries. Climate change is likely to exacerbate harvest variability and the probability and severity of natural disasters. Although grains prices have declined from recent peaks, the least developed countries remain highly vulnerable to further price spikes, which are exacerbated by global conflicts. The Food Stockholding Mechanism is aimed at creating a structure which will enable the Governments of the least developed countries to meet these acute challenges through a combination of an increased focus of national food reserve agencies on food security and help with import finance.

70. The report contains an analysis of two potential modes of operation for the Food Stockholding Mechanism – the first aimed at countries which are close to self-sufficient but which periodically suffer from poor harvests, and the second for countries which are grain importers and which are vulnerable to spikes in world prices. In the former case, he recommends that the Mechanism could operate through existing national food reserve agencies or dedicated national disaster agencies of the participating least developed countries, and hold a mix of physical and virtual stocks (i.e. lines of credit which can be converted into physical supplies in a food emergency). In the latter case, the Mechanism could operate through both national agencies and multilateral or other organizations focused on emergency relief, and Mechanism stocks will be largely virtual. The balance between physical and virtual stocks would depend on country circumstances and the institutional framework adopted. The Mechanism may also consider the release of virtual stocks through cash transfers, which can allow easier targeting of vulnerable groups and enhance resilience at the household level. It is also envisaged that virtual stocks could be utilized to finance grain imports if a price spike triggers an emergency.

71. Collaboration with the national food reserve agencies and/or multilateral or other relief organizations for stock purchase and emergency distribution to foster complementarity and optimize resources would be central to the potential role of the Food Stockholding Mechanism. No new Mechanism purchasing or stock management structures should be required in the participating countries. Release of Mechanism stocks would be requestable by the relevant national Government after declaration of a food emergency, which decision would be taken by the national Government, the Mechanism working closely with the United Nations resident coordinator, WFP and other organizations involved in food security or relevant dimensions based on national context and needs.

72. Countries participating in the Food Stockholding Mechanism could have nominal stock quotas reflecting the size of their population in poverty at an initial date. Physical stocks could be released, and virtual stocks converted into physical supplies, following declaration of a food emergency. In both cases, this would be on a soft loan basis with repayment, ton-for-ton, over five years following a one-grace period. Repayment would not be sought following a natural disaster. In the event of a price spike, countries reliant on grain imports may choose to use their virtual stock quotas to help finance (on similar terms) their imports.

73. The proposed structure for the Food Stockholding Mechanism should ensure efficiency in terms of administrative overheads, to be complementary to the activities of existing emergency relief organizations, in particular WFP, and to draw upon those organizations in terms of procurement and distribution. In doing this, it would have the supplementary objective of increasing national ownership of relief provision by committing national food reserve agencies to giving greater priority to food security and seeking matching co-financing through the earmarking of national stocks.

74. Given the high degree of need, urgent action should be taken to prepare a detailed feasibility study in consultation with relevant organizations, in order to prepare a road map for the operationalization of the Food Stockholding Mechanism

for the Least Developed Countries, as proposed in the previous report of the Secretary-General ([A/77/291](#)) and called for in the July 2023 call to action for accelerated food systems transformation by the Secretary-General. The road map should include detailed plans for a pilot scheme for a limited group of least developed countries. The findings of the feasibility study, including the road map, would be presented to the General Assembly for its further consideration at its eightieth session.

75. The findings set out in the present report show that underfinancing has been a problem for regional stockholding initiatives. Resource mobilization strategy should therefore be prioritized from the outset. The necessary resource mobilization strategy will include consultations with international financial institutions, donors, the private sector, foundations, regional development banks and multilateral agencies and should be detailed further in the proposed feasibility study.

76. Furthermore, to guide the preparation of the feasibility study, extensive consultations with relevant United Nations entities, Member States, regional and international organizations and other stakeholders should be conducted.
