Buffer stock essay sample

[Science](), [Agriculture]()

A buffer stock scheme (commonly implemented as intervention storage, the " ever-normal granary") is an attempt to use commodity storage for the purposes of stabilising prices in an entire economy or, more commonly, an individual (commodity) market.[1] Specifically, commodities are bought when there is a surplus in the economy, stored, and are then sold from these stores when there are economic shortages in the economy.[1] Their usefulnHistory

Many agricultural schemes have been implemented over the years although many have collapsed. Rubber and timber schemes have also been created in order to guarantee prices for the producers.

Ever-normal granaries

The " ever-normal granary" form of buffer stock has been instituted in the Western world since at least biblical times, because there is reference to such granaries in the Old Testament. In Genesis, the Egyptians used an ever-normal granary to stabilize their food market during the seven years of high yields and subsequent seven years of famine. Another well-known example of ever-normal granaries is during the Sui dynasty in China ess is debated by economists EU intervention storage

The creation of the EU's Common Agricultural Policy was the trigger for the creation of modern Europe's large-scale intervention storage. In an attempt to stabilize markets, and set prices across the EU member states, the Common Agricultural Policy allowed the states to place huge reserves of produce into intervention storage in an attempt to iron flat the natural supply and demand curves.

During the 1980s, especially in Britain, the farming community received large monetary incentives to reduce production of certain crops. The establishment of milk quotas was one mechanism employed to enforce production limits on farmers. A particularly good run of summers during the period 1985–86 saw a large surfeit of produce coming onto the market and the first intervention stores. Side effects

The primary action of buffer stocks – creating price stability – is often combined with other mechanisms in order to meet other goals, for example, the promotion of domestic industry. This is achieved by setting a minimum price for a certain product above the equilibrium price (the point at which the supply and demand curves cross), which guarantees a minimum price to producers, encouraging them to produce more, thus creating a surplus ready to be used as a buffer stock. The price stability itself may also tempt firms into the market, further boosting supply. The upside of this is security of supply (e. g. food security), the downside huge stockpiles, or, in other cases, destruction of commodities. The scheme also makes domestic food more expensive for other countries to purchase and operation of such a scheme can be costly to the operator.[citation needed]Their main advantage, when compared to other forms of government intervention in markets, is that they are a mechanism that achieves its objectives “ quickly and directly”.