

2006

The State of
Agricultural Commodity Markets



Part 2

Review of agricultural commodity markets



Current conditions and recent developments

The recovery of agricultural commodity markets that started in 2002 consolidated in 2004 and 2005, with most prices either firm or showing upward trends in dollar terms throughout the period. In most cases the recovery was due not so much to a decrease in supply, but rather to a growth in the demand for agricultural products compounded by a weak US dollar, which kept commodity prices higher throughout 2004, 2005 and early 2006.

Though higher food import prices represent a threat to the food security of low-income food-deficit countries, at the same time they provide some breathing space to developing countries whose economies depend on their export performance. Concern is rising among the latter about the short-term sustainability of the current market situation, for market analysts anticipate that the price bonanza may not continue. Particular attention needs to be given to those products that face a stagnating demand, or for which producers have failed to offset the increasing production costs with productivity gains.

Production of agricultural commodities has stagnated in recent years owing to rising fuel and chemical input costs. In some cases, a shortage of supply was observed, caused by weather-related phenomena (as in the banana, coffee and citrus sectors), by stockpiling for oilseeds or by reduced export subsidies for dairy products in the European Union (EU). On the demand side, high crude oil prices increased the demand for agricultural commodities used for the production of ethanol and biodiesel, and gave natural fibres and rubber a competitive edge *vis-à-vis* synthetics. They also stimulated import demand by oil-rich countries. The growing demand from large and dynamic

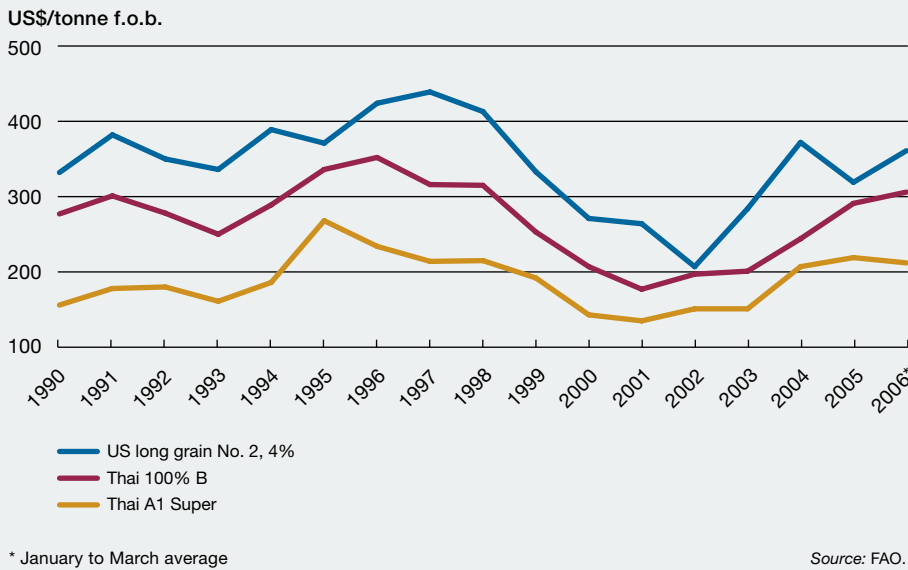
economies such as Brazil, China (now in its fifth year as a WTO member), India and the Russian Federation is also affecting the markets for raw materials. Policy changes in major importing countries contributed to the price rise for some commodities such as bananas, cotton, dairy products and sugar.

Increasing sea freight rates have also put pressure on the import prices of some commodities such as fresh fruits. Sea transport costs have risen since 2004 owing not only to higher oil prices but also to a reduction in fleet capacity. Low freight rates in the early 2000s led to the decommissioning of old vessels and a fall in orders for new ships. It is suspected that much of the increase in freight costs was absorbed by producers and importers and not passed on to the retail level as a result of the increasing size and bargaining power of large-scale retailers in developed countries.

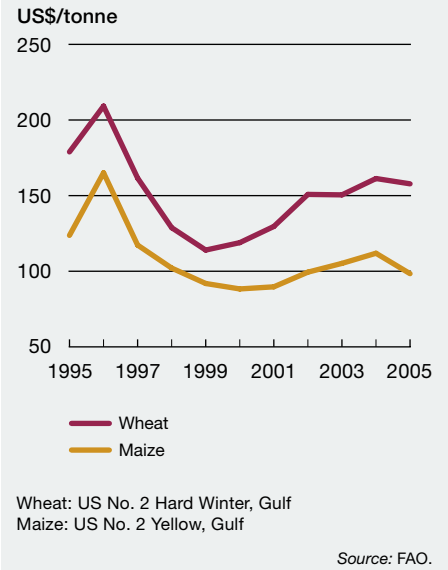
The impact of high fuel prices has also been felt on the prices of processed commodities, as processing requires energy. The actual effect on prices depends on the bargaining power of the manufacturers. For those commodities that are short in supply, such as orange juice, manufacturers have been able to pass on the cost increase by raising their prices. Conversely, for those commodities that are in plentiful supply, manufacturers may have been forced to reduce their margins or pay lower prices for the raw materials, as in the case of tanneries.

Although manufacturing costs have increased, there is growing evidence that the processing of primary commodities in developing countries is rising. The share of these countries in the processing of cocoa, cotton, oranges, sugar and tea is on an upward trend. This reflects

Selected rice export prices



World grain prices



a combination of increasing trade liberalization for processed products, an attempt by developing countries to add value to commodities and the strategy of transnational companies to move processing activities into countries with low labour costs.

Cereals

The prices of major cereals registered considerable gains in 2005/06 and edged upwards during the first quarter of 2006. This was partly a result of lower production caused by unfavourable weather, as in the case of wheat and coarse grains. In spite of a larger crop, paddy rice prices rose as a result of sustained purchases by countries in Africa and Asia. Prices for coarse grains remained strong due to lower output and sustained demand for bio-ethanol and feed in the United States of America. After a robust growth in 2004/05, cereal utilization is forecast to expand at a slower pace in 2005/06. While industrial use of cereals is expected to expand markedly to meet the demand for ethanol, the increase in food usage should be more moderate. Cereal utilization for feed was expected to decline in the wake of avian influenza and lower coarse grain supply. Cereal trade is forecast to contract, as a

larger wheat harvest in China will reduce its imports.

Cassava

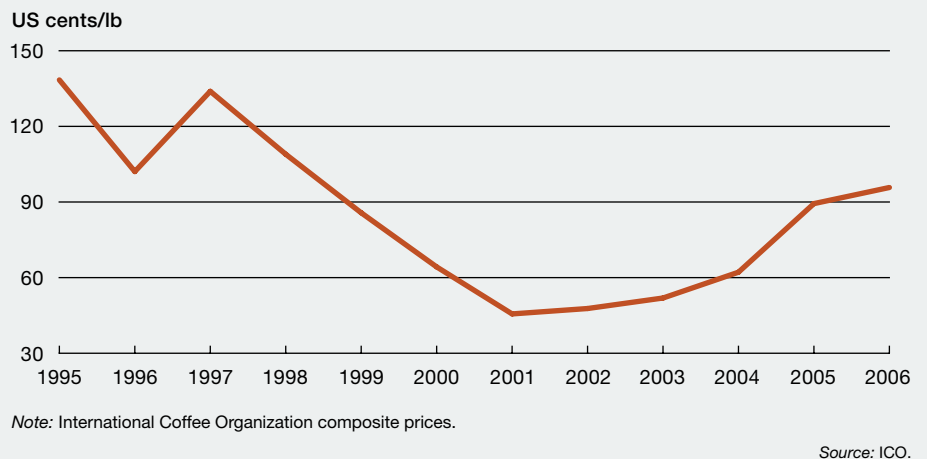
2005 was an exceptional year for cassava prices, as quotations of both flour and chips reached historic highs. Lower production in Thailand – the dominant cassava-exporting country – coupled with steadfast demand for cassava products in the Far East, particularly in China and Japan, contributed to higher prices in that year. International prices have

since retreated following a recovery in exportable supplies in Thailand, but still remain firm.

Coffee

Coffee prices continued their upward trend and are expected to remain firm mainly due to a shortage of supply caused by weather-induced damage to crops in Colombia, Mexico, Peru and Viet Nam. Supply is also down in Brazil owing to the natural biennial production cycle for Arabica trees and the strength of the real, which

Coffee prices





is lowering competitiveness and leading farmers to turn to other crops. A 20 percent reduction of stock levels is expected for 2005/06, and consumption is forecast to increase by 2 percent.

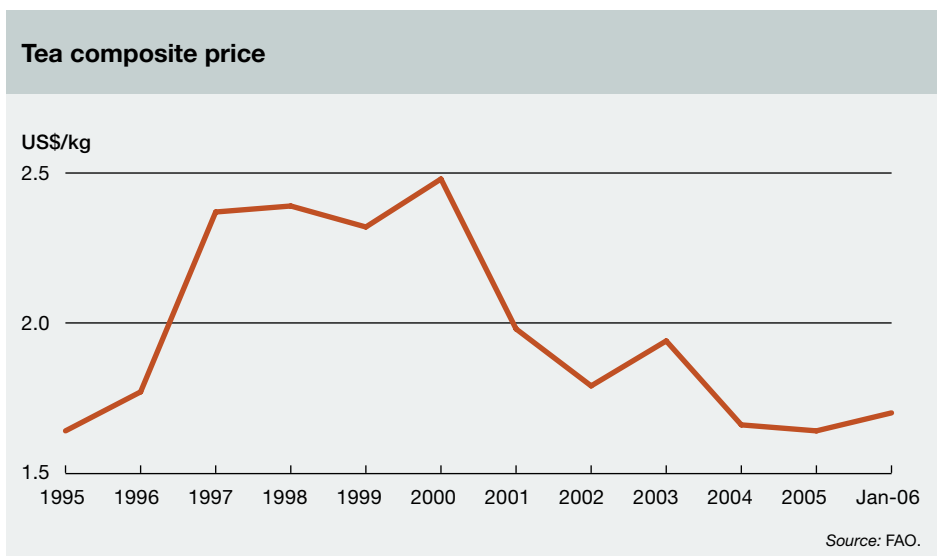
Cocoa

Cocoa bean prices are expected to remain firm, sustained by dynamic global demand relative to supply. Cocoa bean production is expected to remain stable, as an increase in Côte d'Ivoire will likely offset smaller crops in Cameroon and Ghana. Cocoa grinding is set to expand as Brazil, Ghana and Indonesia have invested in processing facilities with a view

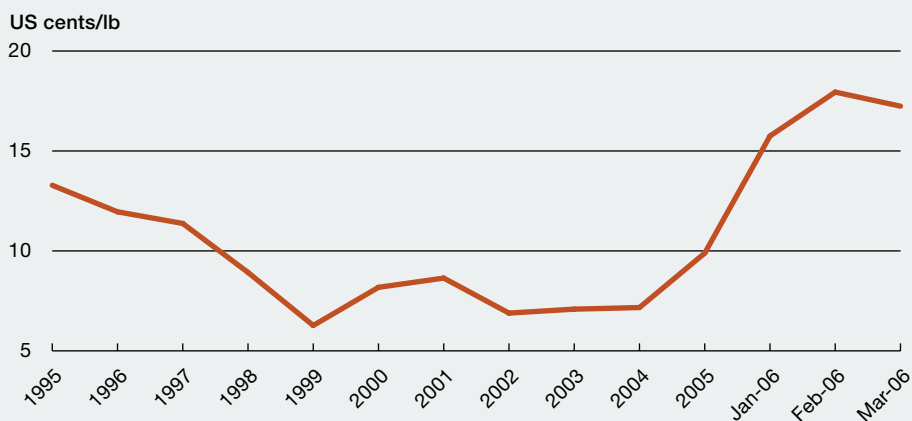
to adding value to their exports. World demand for cocoa products, in particular cocoa butter, is on the increase.

Tea

Tea prices declined in 2005 and are well below their high level of the late 1990s, stimulating sustained demand by all major buyers except the United Kingdom, which has moved some processing plants to the South and has decreased its re-exports. Most producing countries have invested in promotional programmes to stimulate demand. Some have also chosen product differentiation and value-adding strategies such as the



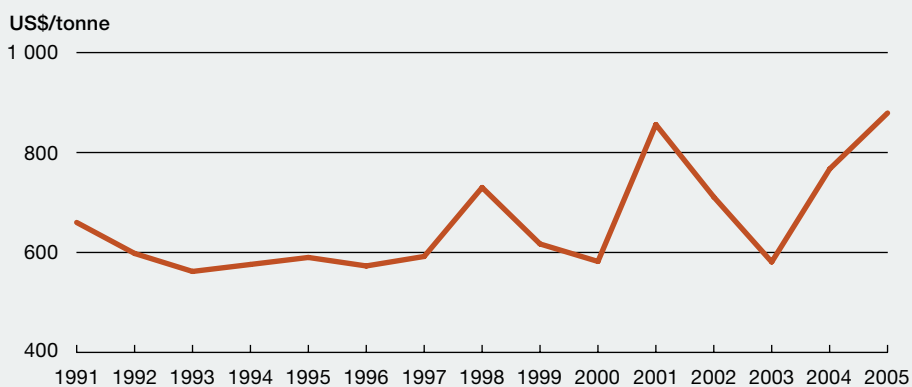
Sugar daily price average



Note: International Sugar Agreement (ISA) price, raw equivalent.

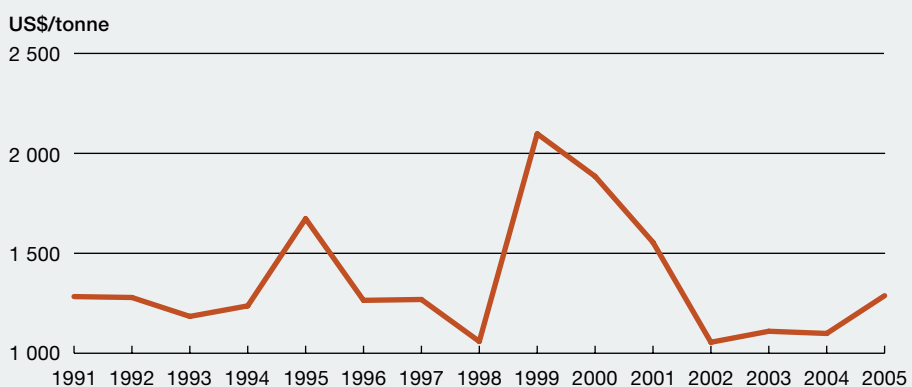
Source: FAO.

World banana price



Source: FAO.

World fresh citrus price



Source: FAO.

marketing of packed tea products and specialty teas.

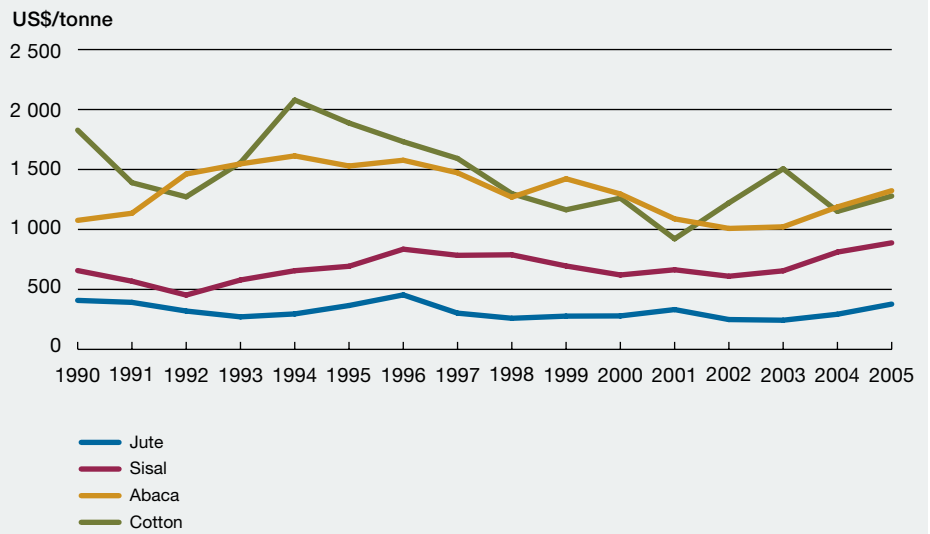
Sugar

Sugar prices enjoyed a strong and sustained upward trend starting in May 2005, in the wake of a three-year consecutive shortfall in world production, high oil and energy prices, steady growth in sugar consumption, and increased diversion of cane sugar for ethanol production in Brazil, the world's largest sugar exporter. The modification of the European Union sugar regime, agreed upon by the Council of Agricultural Ministers of the EU in November 2005, is expected to put upward pressure on world prices. The reform package includes a 36 percent cut in the sugar support price over four years beginning in July 2006, and the abolition of the intervention price, which is to be replaced by a reference price. Looking ahead, world sugar prices should remain firm and stable around their current levels as the supply-and-demand fundamentals in the world sugar market do not point to prices strengthening further, barring extreme weather events or a continuing rise in crude oil prices.

Bananas and citrus

Prices for bananas and citrus increased in 2005 and early 2006 mainly due to weather-induced reductions in supplies. Hurricanes caused extensive damage to banana plantations in Central America and the Caribbean and to citrus groves in Florida, United States and Cuba. Reduced juice inventories and higher energy prices have also driven prices for citrus juices up. The import price of frozen concentrated orange juice doubled between May 2005 and April 2006. Prices of fresh citrus have recovered from the low level of the season 2004/05 as a result of reduced supply, notably in Spain and the United States. Banana prices recorded high levels in Europe and the United States in 2005 owing to lower supply and firm demand. A major policy issue has been the reform of the EU

World fibres prices



Source: FAO.

banana import regime, the impact of which is being closely monitored by all stakeholders.

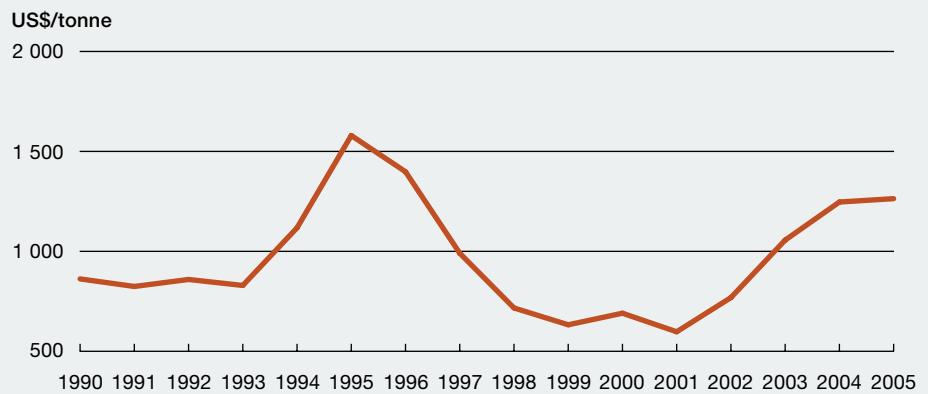
Fibres

Cotton prices have remained relatively stable as supply has been following the growth in demand. Developed countries have raised their imports of textiles since the end of the quota system within the Agreement on Textiles and Clothing of January 2005, while several large developing

countries, such as China and India, have become major importers of cotton. Higher oil prices have encouraged the shift of consumption away from synthetic fibres towards cotton. The declaration of the WTO Sixth Ministerial Conference (WTO, 2005) called for the elimination of export subsidies for cotton in developed countries and a substantial reduction in their cotton production subsidies.

Strong demand for raw jute by composite jute mills and increased

Natural rubber price



Note: Kuala Lumpur RSS1 price.

Source: International Rubber Study Group.

production capacity in spinning mills in Bangladesh, combined with firm demand for manufactured goods in China, India and Pakistan, have contributed to strengthening prices. Prices of hard fibres (sisal and abaca) rose by between 30 and 50 percent in the three years to 2005. Demand was strong, as increasing oil prices raised the cost of producing synthetic substitutes, and increases in supply were limited. Prices for sisal have remained strong owing to China's growing import demand and the use of African sisal for various non-traditional applications. Prices for abaca have continued to climb since the slump of 2002, aided by the recovery of demand.

Rubber

Rubber prices were on the increase in spite of rising supplies, which reached a record level in 2005. The 2005 average price of natural rubber in London was nearly 200 percent higher than its record low in 2001. This price increase largely reflects higher global consumption, especially in China, India and Southeast Asia. It is expected that global demand for natural rubber will continue to increase steadily as global economic growth continues to stimulate demand and as high oil prices continue to make natural rubber more attractive than synthetic rubber.

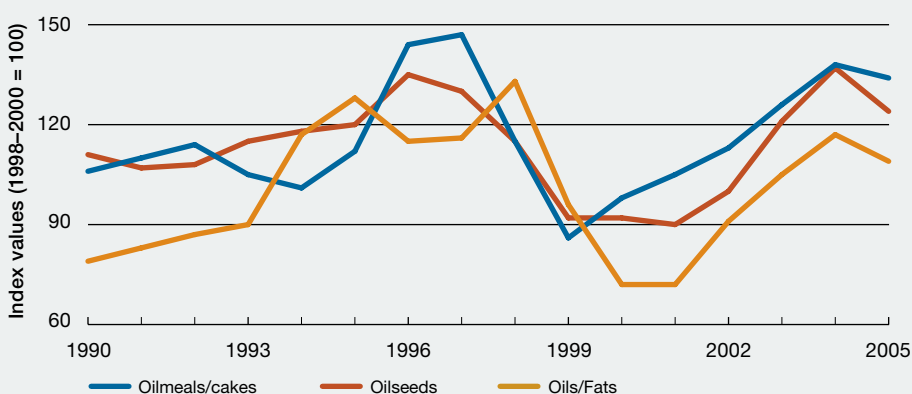
Oilseeds

Oilseeds stocks are high and are expected to increase further. There are conflicting signals on the demand side as higher oilseed utilization for the production of biodiesel may be offset by lower consumption for the production of feed as a result of the avian influenza epidemic. In the EU, oilseed imports are forecast to reach unprecedented levels as the domestic crop is increasingly used to satisfy rising demand for biofuels.

Meats

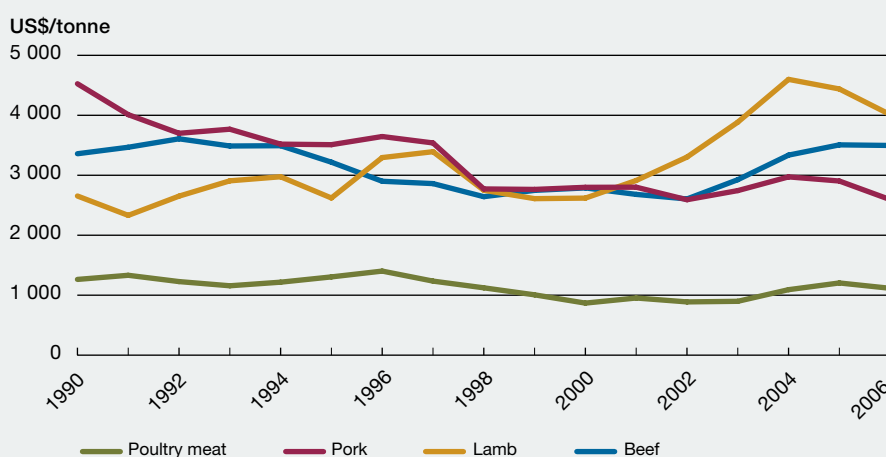
Demand for meat gained in strength as consumer confidence in beef products was restored and previously

Annual price indices for oils/fats, oilmeals/cakes and oilseeds



Source: FAO.

Annual average meat prices



Note: Prices are trade-weighted.
* Through May.

Source: FAO.

closed markets opened. The FAO meat price index reached a 15-year high in early 2005, propelled by rising poultry and beef prices. However, consumer response to the escalating outbreaks of avian influenza in major consuming and importing countries led to an oversupply of poultry meat in global markets, trade bans, rapid stock build-ups and a price decrease. While beef prices remain at high levels owing to the continued BSE-related constraints to North American exports and trade bans on South

American exports linked to foot-and-mouth disease, all meat prices remained under pressure in 2006 as a result of poultry oversupply.

Hides and skins

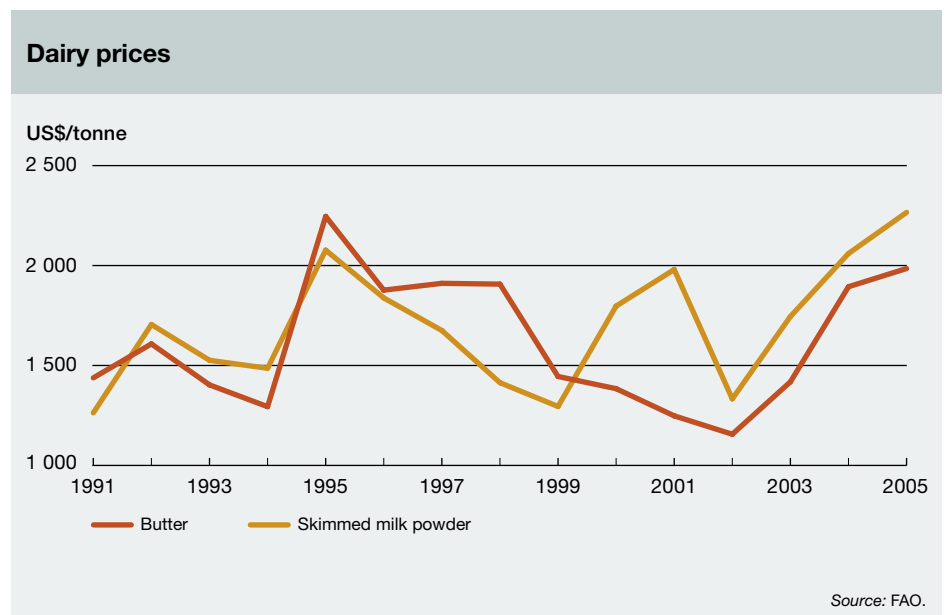
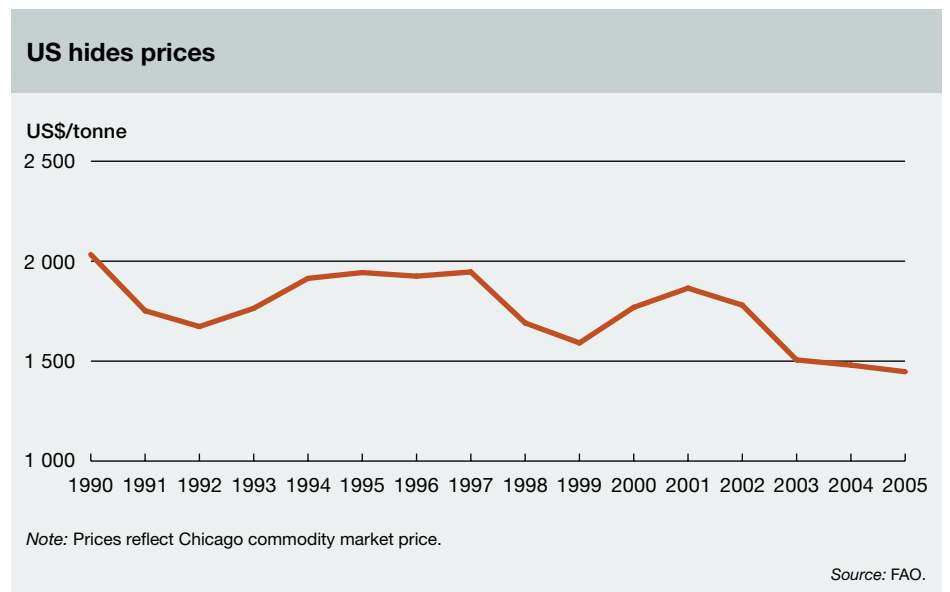
Hides and skins were among the few commodities that saw a price drop, mainly owing to a decline in demand. Production rose slightly in 2005 with the expansion in developing countries more than offsetting the contraction in developed countries. Manufacturers, who are price-takers from the major

international retail outlets, could not raise their prices to compensate for the increase in the prices for energy, chemicals and freight. They passed on the increase to producers by offering lower prices for the raw materials.

Dairy

After reaching a 15-year high in September 2005, international dairy product prices have declined under modestly higher export supplies

by Australia, the United States and several South American exporters in spite of firm demand in Southeast Asia and North Africa. Prices are expected to decline further in 2006 as New Zealand's output returns to trend levels. For the first time in many years, EU public stocks of skimmed milk powder were exhausted in early 2006, and in the United States world prices exceeded domestic prices for the first time in recent history.





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Table 1
Trends in real commodity prices

Commodity	1970s	1980s	1990s	Average 2000–05	2003	2004	2005
Bananas	775	682	553	472	351	478	509
Beef	88	84	118	89	n.a.	n.a.	n.a.
Butter	164	131	99	68	64	80	83
Cocoa	252	154	70	61	75	64	62
Coffee	322	215	109	56	49	57	79
Cotton	187	125	85	52	59	57	49
Hides	104	98	96	70	64	61	58
Jute	1 087	599	380	269	226	256	256
Maize	311	191	130	93	98	102	87
Rice	932	504	329	203	187	224	254
Rubber	99	78	52	41	46	54	60
Sisal	1 578	997	802	693	654	786	780
Sorghum	292	182	124	94	100	100	85
Sugar	37.27	18.91	12.13	7.51	6.63	6.53	8.72
Tea	n.a.	3.14	1.96	1.52	1.41	1.51	1.44
Wheat	371	237	153	123	143	128	n.a.

Note:

Base year is 2000.

Basis for prices for individual commodities:

- banana, Ecuador (US\$/tonne);
- beef, Argentina (US cents/lb);
- butter, New Zealand (US cents/lb);
- cocoa, ICCO indicator price (US cents/lb);
- coffee, ICO indicator price (US cents/lb);
- cotton and hides, United States of America (US cents/lb);
- jute, Bangladesh (US\$/tonne);
- maize, United States (US\$/tonne);
- rice, Thailand (US\$/tonne);
- rubber, Malaysia (US cents/lb);
- sisal, East Africa (US\$/tonne);
- sorghum, United States (US\$/tonne);
- sugar, ISA indicator price (US cents/lb);
- tea, FAO indicator price (US\$/kg);
- wheat, Argentina (US\$/tonne).

n.a. = not available.

Source: FAO.

Table 2

Exports of selected commodities
by ten largest exporters

	2002	2003	2004	Average 2002-04	Share of world total
	<i>(thousand tonnes)</i>				<i>(percentage)</i>
Cereals					
United States of America	82 204	78 825	88 726	83 252	35
Argentina	19 584	19 016	21 375	19 992	8
Australia	19 343	12 251	25 917	19 171	8
European Union	18 354	21 272	13 737	17 788	7
Canada	14 666	14 409	18 984	16 020	7
China, Mainland	14 916	22 029	4 827	13 924	6
Russian Federation	13 532	11 532	5 850	10 305	4
Thailand	7 538	8 658	10 986	9 061	4
India	9 570	8 986	8 150	8 902	4
Ukraine	12 175	3 866	7 643	7 895	3
World	245 283	237 432	235 227	239 314	100
Oilseeds					
United States of America	29 005	32 326	27 545	29 625	42
Brazil	15 978	19 909	19 393	18 427	26
Argentina	6 634	9 057	6 656	7 449	11
Canada	3 864	5 042	5 323	4 743	7
Paraguay	1 990	1 775	2 625	2 130	3
Australia	1 860	803	1 418	1 360	2
China, Mainland	1 020	1 035	931	996	1
European Union	1 059	375	407	614	1
Ukraine	101	983	557	547	1
India	270	701	393	455	1
World	65 603	76 423	68 722	70 249	100
Meat					
United States of America	4 437	4 610	3 725	4 257	22
Brazil	3 015	3 675	4 681	3 790	20
European Union	2 575	2 295	2 535	2 469	13
Australia	1 641	1 497	1 628	1 589	8
Canada	1 480	1 377	1 556	1 471	8
China, Mainland	924	957	945	942	5
New Zealand	802	887	923	871	5
Thailand	572	615	331	506	3
China, Hong Kong SAR	662	616	208	496	3
Argentina	367	415	653	478	3
World	18 516	19 448	18 908	18 957	100

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Table 2 (continued)
Exports of selected commodities by ten largest exporters

	2002	2003	2004	Average 2002-04	Share of world total
	<i>(thousand tonnes)</i>				<i>(percentage)</i>
Sugar					
Brazil	13 852	13 311	16 303	14 489	35
Thailand	4 205	5 350	4 806	4 787	11
European Union	4 723	5 066	4 259	4 683	11
Australia	3 436	3 293	3 053	3 261	8
Cuba	2 919	1 480	1 939	2 113	5
Colombia	1 183	1 305	1 222	1 237	3
Guatemala	1 360	1 169	1 155	1 228	3
India	1 790	1 275	113	1 059	3
South Africa	1 165	1 004	988	1 052	3
Mauritius	571	492	551	538	1
World	42 759	41 305	41 812	41 959	100
Tropical beverages					
Brazil	1 559	1 375	1 416	1 450	16
Côte d'Ivoire	1 149	1 066	1 090	1 102	12
Viet Nam	796	808	1 074	893	10
Indonesia	789	675	714	726	8
Colombia	581	579	575	578	6
Ghana	312	352	477	381	4
India	346	342	315	334	4
Sri Lanka	291	297	299	296	3
China, Mainland	264	275	295	278	3
European Union	143	158	159	153	2
World	8 892	8 734	9 427	9 018	100
Fibres					
United States of America	2 481	3 003	3 270	2 918	35
Australia	1 118	616	616	783	9
Uzbekistan	740	775	440	652	8
European Union	421	391	461	424	5
Brazil	162	239	499	300	4
Bangladesh	302	325	242	290	3
Mali	201	279	219	233	3
Burkina Faso	144	237	202	194	2
Egypt	168	207	193	189	2
Côte d'Ivoire	148	218	178	182	2
World	8 058	8 596	8 643	8 432	100

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Table 2 (continued)
Exports of selected commodities by ten largest exporters

	2002	2003	2004	Average 2002-04	Share of world total
	(thousand tonnes)				(percentage)
Fresh citrus					
United States of America	1 103	1 188	1 104	1 132	16
South Africa	977	1 084	1 128	1 063	15
Turkey	656	624	684	654	9
European Union	1 211	1 209	568	996	14
Argentina	421	487	549	486	7
Morocco	418	463	379	420	6
Mexico	351	350	403	368	5
China, Mainland	217	292	361	290	4
Egypt	149	186	301	212	3
Australia	169	131	134	145	2
World	6 884	7 345	6 885	7 038	100
Bananas					
Ecuador	4 199	4 665	4 699	4 521	33
Costa Rica	1 873	2 042	2 017	1 977	14
Philippines	1 685	1 829	1 797	1 771	13
Colombia	1 460	1 425	1 471	1 452	11
Guatemala	981	936	1 058	992	7
Honduras	441	453	583	493	4
Panama	404	385	398	396	3
Cameroon	238	314	295	282	2
Côte d'Ivoire	256	242	227	242	2
Brazil	241	220	188	216	2
World	12 941	13 948	14 225	13 705	100
Milk					
European Union	11 106	12 374	14 635	12 705	28
New Zealand	11 035	11 352	10 796	11 061	25
Australia	6 118	4 540	4 926	5 195	12
United States of America	2 616	2 826	4 143	3 195	7
Argentina	1 426	1 025	1 764	1 405	3
Ukraine	655	866	1 372	964	2
Belarus	722	892	1 338	984	2
Canada	844	789	479	704	2
Switzerland	643	628	680	650	1
Uruguay	558	511	569	546	1
World	43 822	44 273	45 927	44 674	100

Note: Data exclude intra-EU trade; EU data for 2004 are for 25 members.

Source: FAO.

Table 3
Imports of selected commodities by ten largest importers

	2002	2003	2004	Average 2002–04	Share of world total (percentage)
	<i>(thousand tonnes)</i>				
Cereals					
Japan	26 605	26 537	25 943	26 362	11
European Union	19 738	13 654	13 604	15 665	7
Mexico	14 092	13 352	12 977	13 474	6
Korea, Republic of	13 389	12 925	12 103	12 806	5
Egypt	10 322	8 119	6 815	8 419	4
Brazil	7 809	8 820	6 317	7 649	3
Algeria	8 611	6 901	7 014	7 508	3
Indonesia	7 754	6 971	6 464	7 063	3
China, Taiwan Province of	6 576	6 599	6 361	6 512	3
Iran, Islamic Republic of	6 551	5 199	3 985	5 245	2
World	245 196	232 846	232 193	236 745	100
Oilseeds					
European Union	21 653	20 893	16 706	19 751	28
China, Mainland	11 954	20 993	20 784	17 910	25
Japan	7 550	7 652	7 105	7 436	10
Mexico	5 708	5 488	5 295	5 497	8
China, Taiwan Province of	2 586	2 501	2 085	2 391	3
Korea, Republic of	1 717	1 754	1 527	1 666	2
Thailand	1 574	1 733	1 496	1 601	2
Indonesia	1 507	1 337	1 236	1 360	2
Canada	1 172	1 058	865	1 032	1
United States of America	845	657	950	818	1
World	67 276	76 028	69 348	70 884	100
Meat					
Japan	2 593	2 650	2 517	2 587	14
Russian Federation	2 669	2 422	2 260	2 450	13
United States of America	1 963	1 912	2 186	2 021	11
European Union	1 459	1 632	1 409	1 500	8
Mexico	1 233	1 217	1 193	1 214	7
China, Hong Kong SAR	1 177	1 159	972	1 103	6
China, Mainland	800	870	309	659	4
Korea, Republic of	639	644	462	582	3
Saudi Arabia	447	522	568	512	3
Canada	570	521	391	494	3
World	18 222	18 668	17 686	18 192	100

Continued

Table 3 (continued)
Imports of selected commodities by ten largest importers

	2002	2003	2004	Average 2002-04	Share of world total (percentage)
	(thousand tonnes)				
Sugar					
Russian Federation	4 619	4 277	2 801	3 899	10
European Union	2 146	2 037	2 452	2 212	6
Korea, Republic of	1 527	1 561	1 601	1 563	4
United States of America	1 419	1 529	1 530	1 493	4
Japan	1 478	1 479	1 407	1 454	4
United Arab Emirates	1 356	1 191	1 731	1 426	4
Indonesia	1 029	1 540	1 178	1 249	3
Malaysia	1 337	1 371	1 463	1 391	4
Nigeria	1 489	1 108	1 322	1 306	3
Canada	1 189	1 446	1 118	1 251	3
World	37 681	37 988	36 815	37 495	100
Tropical beverages					
European Union	3 679	3 829	4 193	3 900	43
United States of America	1 580	1 698	1 793	1 690	19
Japan	502	489	514	501	6
Malaysia	165	368	892	475	5
Russian Federation	258	256	261	258	3
Canada	184	186	246	205	2
Algeria	121	120	142	128	1
Pakistan	99	108	116	108	1
Switzerland	98	105	98	100	1
Korea, Republic of	83	79	86	83	1
World	8 565	8 914	9 765	9 082	100
Fibres					
China, Mainland	357	1 103	2 211	1 223	15
European Union	934	792	855	861	11
Mexico	750	678	693	707	9
Turkey	599	561	672	611	8
Indonesia	630	527	453	537	7
Korea, Republic of	472	420	394	429	5
Thailand	433	445	376	418	5
Japan	398	375	342	372	5
Pakistan	295	279	461	345	4
India	377	357	196	310	4
World	7 412	7 706	8 819	7 979	100

Continued

Table 3 (continued)
Imports of selected commodities by ten largest importers

	2002	2003	2004	Average 2002-04	Share of world total (percentage)
	<i>(thousand tonnes)</i>				
Fresh citrus					
European Union	1 607	1 724	1 718	1 683	24
Russian Federation	701	780	856	779	11
Japan	489	491	498	493	7
United States of America	419	449	478	449	6
Canada	411	425	420	419	6
Saudi Arabia	355	427	222	335	5
China, Hong Kong SAR	278	274	228	260	4
Korea, Republic of	109	151	160	140	2
Ukraine	124	136	141	134	2
Malaysia	130	133	133	132	2
World	7 024	7 404	6 449	6 959	100
Bananas					
United States of America	3 907	3 871	3 881	3 886	30
European Union	3 338	3 368	3 865	3 523	27
Japan	936	987	1 026	983	8
Russian Federation	650	802	858	770	6
Canada	417	423	442	428	3
China, Mainland	348	421	381	383	3
Argentina	230	286	303	273	2
Iran, Islamic Republic of	151	272	271	231	2
Algeria	231	223	205	220	2
Korea, Republic of	187	221	210	206	2
World	12 467	13 264	13 109	12 946	100
Milk					
Mexico	2 582	2 652	2 854	2 696	7
European Union	2 713	2 794	2 069	2 525	6
China, Mainland	1 956	2 346	2 574	2 292	6
United States of America	2 033	2 120	2 256	2 136	5
Algeria	1 977	1 828	2 138	1 981	5
Russian Federation	1 454	2 044	2 156	1 885	5
Philippines	1 582	1 756	1 953	1 764	4
Japan	1 636	1 635	1 661	1 644	4
Saudi Arabia	1 122	1 296	1 769	1 396	3
Malaysia	1 241	1 251	1 450	1 314	3
World	39 326	41 335	42 139	40 933	100

Note: Data exclude intra-EU trade;
EU data for 2004 are for 25 members.

Source: FAO.

Table 4

Export dependency in least-developed countries

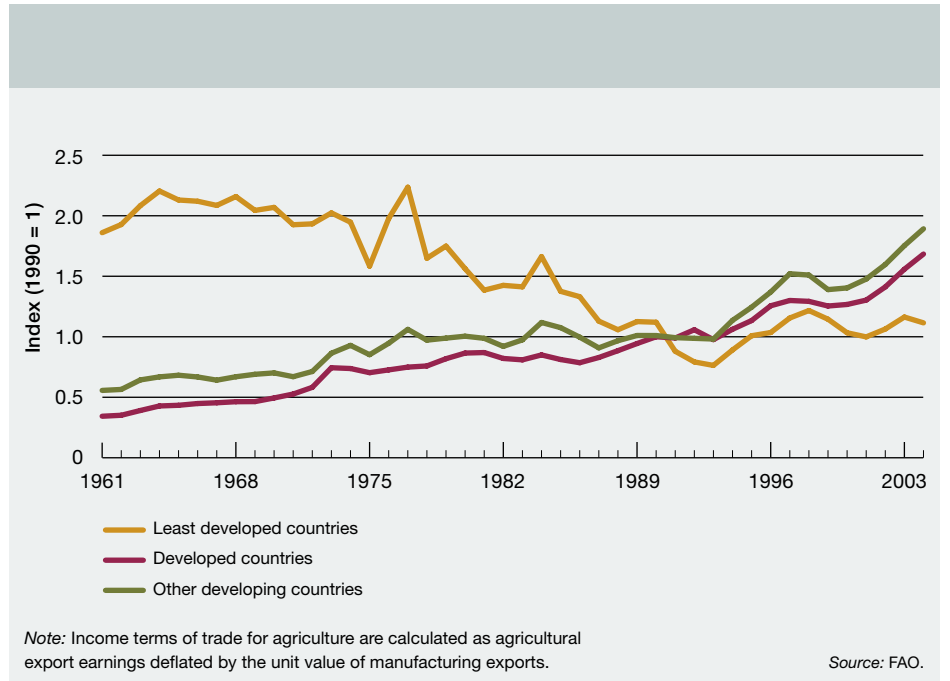
	Share of agriculture in total exports			Share of four most important commodities in agricultural exports			Share of four most important commodities in merchandise exports			Share of four most important commodities in total merchandise and services exports		
	1982/84	1992/94	2002/04	1982/84	1992/94	2002/04	1982/84	1992/94	2002/04	1982/84	1992/94	2002/04
	<i>(percentage)</i>											
Afghanistan	n.a.	n.a.	2.7	53.8	63.3	40.0	22.7	25.4	19.8	n.a.	n.a.	1.1
Angola	n.a.	0.1	0.0	91.4	100.0	53.8	4.6	0.1	0.0	n.a.	0.1	0.0
Bangladesh	22.6	4.4	1.5	88.4	94.9	87.4	20.2	4.8	1.4	20.1	4.2	1.3
Benin	22.5	37.3	49.7	39.9	93.4	85.6	21.3	25.9	37.4	10	34.8	42.6
Bhutan	15.5	14.9	9.6	0.0	0.4	1.5	0.0	0.1	0.2	0.0	0.1	0.1
Burkina Faso	40.0	39.3	75.3	66.9	84.4	84.6	59.8	98.7	72.6	27	33.2	63.9
Burundi	82.7	83.3	59.3	94.8	88.5	93.7	91.5	78.4	67.1	78.4	74.6	55.5
Cambodia	n.a.	3.9	1.7	95.1	86.2	81.5	55.9	4.4	2.2	n.a.	3.3	1.4
Cape Verde	n.a.	1.7	0.1	0.0	2.2	85.5	0.0	0.2	2.0	n.a.	0.0	0.1
Central African Republic	32.4	17.3	10.9	81.8	94.8	92.8	46.7	25.1	12.0	26.5	16.4	10.8
Chad	n.a.	55.0	37.3	98.6	93.5	95.5	n.a.	66.2	46.6	n.a.	51.6	35.5
Comoros	77.7	29.7	45.7	97.7	99.5	99.9	81.7	75.4	n.a.	76.1	29.5	45.6
Congo, Democratic Rep. of the	10.4	6.4	2.7	84.4	89.9	79.1	9.3	6.1	2.5	8.8	5.7	2.1
Djibouti	n.a.	n.a.	n.a.	64.3	65.7	86.5	29.7	13.3	16.0	n.a.	n.a.	n.a.
Equatorial Guinea	65.6	94.0	n.a.	100.0	100.0	100.0	97.0	6.4	0.2	65.6	94.0	n.a.
Eritrea	n.a.	2.6	1.3	0.0	43.2	83.0	n.a.	4.1	2.2	n.a.	1.9	1.1
Ethiopia	66.2	43.8	36.1	80.8	78.7	73.9	73.6	72.8	56.1	53.4	35.1	26.7
Gambia	29.5	10.0	11.8	99.5	77.8	88.9	60.2	29.5	n.a.	29.3	7.9	10.4
Guinea	n.a.	5.8	5.1	80.2	83.0	54.3	4.6	6.2	2.7	n.a.	4.8	2.8
Guinea-Bissau	61.6	62.5	78.0	50.7	97.6	99.5	34.3	70.9	82.3	31.5	61.4	77.7
Haiti	20.8	12.4	4.3	82.0	92.4	84.2	29.4	21.2	5.1	17.1	11.5	3.6
Lao People's Democratic Rep.	n.a.	13.7	3.3	99.6	94.0	89.6	18.7	16.9	4.3	n.a.	12.9	2.9
Lesotho	34.8	7.5	1.4	55.7	79.5	87.5	32.9	7.9	1.2	19.9	6.0	1.2
Liberia	22.0	n.a.	68.3	97.3	97.4	99.2	23.4	4.5	37.1	21.4	n.a.	67.8
Madagascar	65.7	30.3	17.6	83.6	69.5	83.7	70.5	31.7	24.3	54.9	21.2	15.1
Malawi	86.9	85.5	84.4	87.5	92.0	87.8	83.8	81.9	78.4	75.9	78.7	73.9
Mali	91.4	59.5	27.8	91.7	95.2	92.7	n.a.	63.9	31.5	83.9	56.7	25.8
Mozambique	32.6	17.2	10.7	62.0	75.5	62.6	30.9	25.0	7.7	20.2	13.0	6.7
Myanmar	n.a.	n.a.	n.a.	92.4	85.5	84.4	51.0	39.0	13.1	n.a.	n.a.	n.a.
Nepal	23.0	6.8	11.1	7.2	46.4	47.9	4.1	5.6	8.2	1.6	3.3	5.2
Niger	18.6	11.4	15.1	50.2	52.8	48.3	11.7	7.7	10.6	9.2	7.7	8.6
Rwanda	39.5	46.0	22.2	95.1	90.8	92.3	58.7	64.7	48.0	37.6	42.3	20.5
Sao Tome and Principe	78.8	39.2	23.8	98.3	99.9	97.7	n.a.	72.2	80.7	77.4	39.2	23.3
Senegal	20.6	9.0	9.3	84.0	78.4	54.2	23.9	12.5	7.0	17.3	7.1	5.0
Sierra Leone	24.3	6.9	6.7	84.5	66.2	84.8	22.9	6.7	12.6	20.4	4.5	5.7
Solomon Islands	29.4	15.9	46.1	91.9	92.0	89.6	32.4	19.7	45.8	27.2	14.7	41.6
Sudan	60.4	n.a.	15.1	70.9	65.8	73.0	65.0	70.0	13.2	43.6	n.a.	11.0
Tanzania, United Republic of	65.8	42.6	21.7	70.4	74.9	47.7	60.8	51.3	17.0	46.5	31.9	10.3
Togo	16.4	26.2	20.5	91.0	79.0	61.7	31.3	32.5	16.6	15.0	20.7	12.7
Uganda	n.a.	69.7	32.4	n.a.	74.6	67.3	n.a.	64.6	32.7	n.a.	51.5	22.3
Vanuatu	31.0	16.0	11.9	94.2	81.8	82.0	55.8	49.8	46.3	29.4	13.0	10.0
Yemen	n.a.	4.2	2.9	18.7	65.1	23.8	0.7	5.1	0.7	n.a.	2.7	0.7
Zambia	0.7	2.6	15.9	80.4	44.6	67.9	0.8	1.8	10.2	0.6	1.3	10.8

Note: n.a. = not available.

Source: FAO.

Figure 1

Income terms of trade





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The State of Agricultural Commodity Markets 2006

The removal of trade barriers through multilateral agricultural trade policy reform has been widely seen as a potential stimulus for trade and growth. Some developing countries, assisted by supportive economic structures, natural resource endowments and a commercial orientation, are already highly competitive and successful in exporting agricultural products. These more advanced and competitive exporting countries are well placed to reap the benefits of a freer global trading system.

However, many lower-income countries, especially in sub-Saharan Africa, are less well placed to gain from increased trade liberalization. Supply-side constraints make their agriculture sectors uncompetitive and they are unable to capitalize on new trade opportunities. Some developing countries may even be adversely affected by trade liberalization. Reducing tariffs means increased competition from imported foods for the locally produced products. These countries' agriculture sectors, which are the mainstay of employment, income generation, food security and development, may be unable to withstand increased import competition and, as a result, domestic agricultural production, rural incomes and food security could be vulnerable and development efforts may be compromised. At the same time, even for those agricultural products in which countries are more competitive, domestic production may become more vulnerable to competition from short-run import surges.

Developing countries will need to be allowed some flexibility in the implementation of new trade rules, and should also be given assistance (at least in the short run) while they adjust to the new market conditions arising from liberalization. In the language of the World Trade Organization negotiations, they need significant *special and differential treatment*. Various mechanisms have been proposed to mitigate the risks associated with further opening of markets to international trade. These include the designation of certain *special products* that will be shielded from the full extent of agreed tariff reductions, or the possibility of imposing an additional tariff in the face of sudden increases in imports – a *special safeguard mechanism*.

The State of Agricultural Commodity Markets 2006 focuses on the question of why the development and food security needs of developing countries need to be better reflected in the design and implementation of new agreements on further liberalization of international agricultural markets, and describes mechanisms under discussion to achieve this goal. In the WTO Doha Development Round, how to safeguard the interests of developing countries, especially the lower-income countries, has proved to be highly topical but is also problematic: the issues and arguments are complex and sometimes controversial. The stalling of the Doha Round in July 2006 provided an opportunity to revisit the issues of how future reductions in import tariffs on agricultural products will affect different developing countries, whether there might be any negative repercussions of further liberalization and, if so, how these might be addressed in the formulation of new trade rules.

ISBN 978-92-5-105652-3



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TC/M/A0950E/1/02.07/2500

