



COMMITTEE ON COMMODITY PROBLEMS

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FAO'S PROGRAMME OF WORK IN COMMODITY MARKETS AND TRADE UNDER THE STRATEGIC FRAMEWORK

Executive Summary

This document provides an overview of FAO's achievements in the areas of commodity markets and trade in the 2018-20 reporting period, reviews major trends and developments that will influence FAO's work and activities in markets and trade, and identifies the priority areas for FAO's work in these domains under the new Strategic Framework and the Medium Term Plan (MTP) 2022-25.

Suggested action by the Committee

The Committee is invited to:

- Take note of the achievements in FAO's work in commodity markets and trade, including in the context of the Sustainable Development Goals (SDGs).
- Review and provide advice on the global trends and developments identified to influence FAO's work in commodity markets and trade.
- Provide guidance on the main priorities for FAO's work in commodity markets and trade to guide future work under the new Strategic Framework and the Medium Term Plan 2022-2025.

Queries on the substantive content of the document may be addressed to:

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I. INTRODUCTION

1. FAO's Medium Term Plan (MTP) 2018-21 and Programme of Work and Budget (PWB) 2020-21¹ were approved by the FAO Conference at its 41st Session in June 2019. The MTP sets out the Strategic Objectives and Outcomes for achievement by Members and the international community with support from FAO, in accordance with the Strategic Framework. The Conference appreciated the close alignment of the Strategic Objectives with the 2030 Agenda for Sustainable Development and highlighted the importance of FAO's contributions to its successful implementation and the achievement of the Sustainable Development Goals (SDGs).
2. FAO is currently developing the new Strategic Framework for the period 2022-31 and the MTP for the period 2022-25, in the context of global developments, global and regional trends and major challenges and opportunities in the areas of the Organization's mandate. The elaboration of the new Strategic Framework is guided by FAO's determination to support the achievement of the 2030 Agenda and the three Global Goals of Members by Leaving No One Behind through sustainable, inclusive and resilient agri-food systems, based on FAO's four aspirations of *Better production, Better nutrition, a Better environment, and a Better life*. To achieve this, FAO will apply four cross-cutting/cross-sectoral "accelerators": *technology, innovation, data and complements (governance, human capital and institutions)* in all programmatic interventions.
3. The new Strategic Framework places the 2030 Agenda at its centre and uses key SDGs and their targets and indicators to promote focus, achieve results and track progress. FAO's contributions span all the SDGs, and are guided by SDG 1 (no poverty), SDG 2 (zero hunger), and SDG 10 (reduced inequality).
4. Guidance by FAO Technical Committees represent an important input in the development and finalisation of the new Strategic Framework. In this context, the Committee is kindly invited to provide input and guidance on areas of its technical competence, with the view to guide future work and in the context of developing the new Strategic Framework, which will be presented for adoption by the FAO Conference at its 42nd Session in 2021.
5. The present document first provides an overview of FAO's achievements in commodity markets and trade over the reporting period, also taking into account requests from statutory bodies and individual Members. Next, it outlines key global trends and developments that will influence FAO's future work in commodity markets and trade. The last section lays out the priority areas of FAO's work in these domains under the MTP 2022-25 and beyond.

II. ACHIEVEMENTS IN FAO'S WORK IN COMMODITY MARKETS AND TRADE IN 2018-2020

A. Commodity Market and Food Security Monitoring and Assessment

6. With more than one hundred reports per year, covering major food and agricultural commodities, FAO has continued to provide governments and international and national actors with timely and objective data and information in support of informed decision-making processes and the design of appropriate policies and strategies. FAO has further intensified its monitoring and analysis work, with the regular production and dissemination of reports in the form of global public goods on national policy developments and industry measures affecting the oilcrops complex and on tropical fruits and other non-food commodities.
7. As the host of the Agricultural Market Information System (AMIS), FAO, jointly with other international organizations, advanced and expanded its contribution to enhancing the transparency in global commodity markets by providing regular and timely updates on crop conditions, global supply

¹ C 2019/3

and demand situations, price movements and policy developments. During the reporting period, AMIS continued to closely monitor developments in global food markets and engage with main producing and consuming countries to ensure food market transparency and promote coordination of responses.

8. FAO continued to report on developments affecting the food security situation of developing countries, in particular for Low-Income Food-Deficit Countries (LIFDCs) through the publication of the quarterly Crop Prospects and Food Situation report, which includes the list of countries requiring external assistance for food. The Global Information and Early Warning System (GIEWS) for food and agriculture published regular updates and special alerts on the food security situation in countries with particular supply difficulties. A number of Crop and Food Security Assessment Missions (CFSAMs) were carried out over the reporting period. The FAO Agriculture Stress Index System (ASIS), developed to detect cropping areas suffering from drought, has been improved and now includes two new indicators on drought intensity and frequency. During the biennium, ASIS has been implemented in several countries and has been used to inform early actions to mitigate the impact of drought, guide public investments, and design crop insurance schemes.

9. The FAO Food Price Monitoring and Analysis (FPMA) Tool has been enhanced with broader coverage of domestic prices. Related activities have continued, focussing on technical improvements to facilitate the uptake of a stand-alone version at country level and the accompanying capacity development to strengthen food price monitoring for decision-making, including for the calculation of the SDG indicator of food price anomalies (SDG 2.c.1).

10. Through its outreach activities, FAO has strengthened its technical collaboration with the Group on Earth Observations Global Agricultural Monitoring Initiative (GEOGLAM), a platform producing and disseminating timely information based on Earth observations to monitor crop production at the country level. Further contributions have been provided to the Agriculture and Food Security Working Group of the China Digital Belt and Road Science Program (DBAR-Agri) as well as to the Food Assistance Committee (FAC).

11. In 2018, a new publication entitled *Global Report on Food Crises* (GRFC) was launched. The report is the result of a joint, consensus-based assessment of acute food insecurity situations around the world by 16 partner organizations. The GRFC 2020 reported the highest global number of acutely food-insecure people on record. It revealed that in 2019, some 135 million people in 55 countries and territories were in need of urgent food and livelihood and nutrition assistance because of conflicts, extreme weather events and economic shocks. The report highlighted that simultaneous humanitarian and development actions, coupled with peace-building efforts, are needed to effectively address complex food crises and reduce people's vulnerability. It was updated in September 2020 to include the implications of the COVID-19 pandemic.

B. Medium-term Outlook

12. FAO continued its partnership with the Organisation for Economic Co-operation and Development (OECD) in providing a medium-term outlook for the major agricultural commodity markets. The 2019 edition of the *OECD-FAO Agricultural Outlook* featured a special chapter on "Latin American Agriculture: Prospects and Challenges". Building on the baseline projections in the report, two scenarios were conducted and published. The first on the African swine fever disease, where the study explored the impact of the epidemic on pork production, consumption, prices and trade as well as the markets for feed and alternative sources of protein for human consumption and the potential effects on undernourishment and greenhouse gases. The second scenario was on Food Security and Trade under Climate Change Challenges for Arab States, conducted in collaboration with the FAO Regional Office for the Near East and North Africa (RNE) and the United Nations Economic and Social Commission for Western Asia (ESCWA).

13. The 2020 edition of the *OECD-FAO Agricultural Outlook* was launched in July 2020 and provided comprehensive baseline projections up to 2029. An innovation in the new edition was the

replacement of the special chapter by six regional briefs, detailing medium-term trends and their implications for the FAO regions. An extended version of the regional outlook for Europe and Central Asia was produced in collaboration with the FAO Regional Office for Europe and Central Asia (REU). Follow-up studies on the impact of the COVID-19 pandemic on global food and agricultural markets as well as an update of the 2019 African swine fever scenario analysis were conducted. Research and development on the Aglink-Cosimo model and its add-on tools continued to maintain up-to-date modelling capabilities.

C. Trade Policies and Agreements

14. FAO launched two e-learning courses to enhance country capacity in the area of agricultural trade. The first on “Agriculture in International Trade Agreements” aims to support countries in their effort to develop capacity in making appropriate policy, investment and strategic decisions related to agricultural development under the provisions of WTO agreements and Regional Trade Agreements (RTAs). The second e-learning course is on “Trade, Food Security and Nutrition”, with the aim to strengthen country institutional capacities in formulating and implementing trade policies that are conducive to food security. Both courses are available on the [FAO elearning Academy](#).

15. FAO continued to support the Agricultural Trade Expert Network (ATEN) in Europe and Central Asia through the Regional Initiative on Agri-food Trade and Market Integration. The ATEN organized different events at the country and regional levels, besides its annual regional meetings to facilitate the generation and exchange of knowledge related to agricultural trade and trade policy, including regional and multilateral trade agreements. In 2019, in Africa, an Agricultural Trade Policy Practitioners’ Network was established within the Trade Policy Training Centre in Africa (TRAPCA), with the objective to facilitate cross-sectoral and cross-country collaboration on emerging policy issues. Within Europe and Central Asia, FAO supported six countries (Armenia, Azerbaijan, Belarus, Georgia, Kyrgyzstan, and the Republic of Moldova) in agricultural policy monitoring. A pilot study was conducted to measure policy distortions in the agricultural sector. In 2020, the study was expanded to cover Tajikistan and Uzbekistan.

16. FAO, in collaboration with the World Health Organization (WHO), supported the World Trade Organization (WTO) in organizing the International Forum on Food Safety and Trade, which was held on 23-24 April 2019 in Geneva. The event, attended by 600 participants, discussed the interlinkages between trade and food safety, highlighting the significance of digital technologies, the need for partnerships and international coordination, as well as the important role that Codex Alimentarius can play in the area of trade and food safety. Following the event, FAO, WHO and WTO issued a [Joint Statement](#)², emphasizing the need for food safety regulations to adapt continuously to the changing needs, the crucial role of Codex Alimentarius in protecting the health of consumers and promoting fair trade practices, and the importance of harmonization of national food safety regulations with Codex standards. The three organizations called for increased support for capacity development to enable disadvantaged and vulnerable populations to benefit from technological progress and trade.

17. In 2020, FAO published two reports related to agricultural trade. The first report addressed the issue of harmonization of pesticide Maximum Residue Levels (MRLs) with Codex standards and the impact of differing harmonization levels on trade. The study was presented at a virtual event held on the margins of the meeting of the WTO Committee on Sanitary and Phytosanitary (SPS) Measures in November 2020. The second report, on Trade and SDG 2, discussed the trade-offs between various policy objectives and identified possible ways to address them. The report was launched through a virtual event in early December 2020, with the participation of FAO Director-General and Professor Jeffrey Sachs, Director of the Center for Sustainable Development at Columbia University.

² The Joint Statement can be accessed here: https://www.who.int/docs/default-source/resources/joint-statement.pdf?sfvrsn=61b890c4_16

D. Responsible Global Value Chains

18. FAO supported the development of responsible agricultural value chains through various activities including a pilot project implemented jointly with the OECD. The project concluded successfully with a final multi-stakeholder symposium at the end of 2019. In collaboration with the OECD, FAO prepared a joint programme for the implementation of the *OECD-FAO Guidance for Responsible Agricultural Supply Chains* over the period 2020-22 and a set of related documents, including one on the linkages between the Guidance and the SDGs. The Guidance is now available in 12 languages, including all UN languages. FAO prepared a large project proposal on responsible value chains for tropical fruits and started implementing the project in 2020 despite the disruptions caused by the COVID-19 pandemic. The activities included analysing value chains, mapping stakeholders, producing briefs and web pages and discussing possible collaboration activities with project partners.

19. In 2019 and 2020, FAO organized seminars and webinars on gender equity in global value chains, including on the specific impacts of COVID-19 on female workers. It developed guidelines for the safe employment of women in the banana industry and a training video on this topic. The Organization also supported countries on responsible investment in agriculture (RAI) through the provision of technical advice and the facilitation of dialogue. Examples of activities include the launch of an online forum, the holding of workshops and the production of briefs to support agricultural investment by women and youth in Ghana. In 2019, FAO organized a workshop on RAI for youth in Tunisia. It also supported the launch of the Economic Community of West African States (ECOWAS)'s Network of Parliamentarians on Gender Equality and Investments in Agriculture and Food Security. Furthermore, the Organization disseminated information on foreign direct investment in agriculture worldwide, through reports, e-bulletins, webpages, workshops and seminars. In 2020, FAO produced a policy brief on COVID-19 and responsible investment and business conduct in agricultural value chains.

20. FAO continued to support the livelihood of workers in the banana export industry by promoting public policy and capacity building on Occupational Health and Safety (OHS). Activities included supporting the development of capacity development manuals in several countries in Latin America and Africa and promoting research and multi-stakeholder debates on living wages for farm workers under the World Banana Forum. FAO also produced training videos to promote protection of workers against COVID-19 and other work-related risks. In addition, it developed a website for the Global Network on Fusarium wilt Tropical Race 4 (TR4) disease and produced 17 awareness-raising documents. To combat climate change and preserve natural resources, FAO developed an online tool to help banana producers to measure carbon and water footprints and held training in four Latin American countries.

E. Commodity Intergovernmental Groups (IGGs)

21. The Joint Meeting of the 40th Session of the Intergovernmental Group (IGG) on Hard Fibres and the 42nd Session of the Intergovernmental Group on Jute, Kenaf and Allied Fibres was held in Beijing, the People's Republic of China, in October 2019. The Joint Meeting reviewed the market situation and medium-term outlook and discussed the price trends for sisal, abaca, jute and kenaf. Other examined items included: i) trends and impact of the emerging anti-conventional plastic bags policy and possible opportunities; ii) a report on the Indian jute industry and its linkages with the Global Value Chain (GVC); and iii) future action plan for the IGGs on Hard Fibres and on Jute, Kenaf and Allied Fibres. One of the main decisions of the Joint Meeting was the establishment of a task force to develop an Action Plan that would guide the work of the IGGs.

22. An intersessional Joint Meeting of the IGG on Hard Fibres and the IGG on Jute, Kenaf and Allied Fibres, was held in Rome, in November 2018. The Joint Meeting discussed the progress made by the Working Groups, the future work of the IGGs and issues and challenges related to fostering strategic partnerships and strengthening sustainable financing for the natural fibres industry. Similarly, an intersessional meeting of the IGG on Tea was held in Sochi, the Russian Federation, in June 2019.

The main objective of the meeting was to take stock of the progress made by the Working Groups and seek guidance from the IGG with respect to their workplan. The Secretariat held a workshop on the FAO Tea Model, which provides medium-term projections for global tea supply and demand. Statistical focal points were nominated by the respective countries to provide training on how they can contribute and use the various tools made available by the Secretariat for the generation of a medium-term outlook for tea.

23. With the support of FAO under the work of the IGG on Tea and the IGGs on Jute, Kenaf and Allied Fibres and on Hard Fibres, two resolutions were adopted by the Second Committee of the 74th Session of the United Nations General Assembly (UNGA). The first resolution established the observance of the International Tea Day on 21 May of each year, and the second resolution was on "Natural plant fibres and sustainable development".

24. The first observance of the International Tea Day was celebrated on 21 May 2020 through a virtual high-level event that brought together the world's top tea exporting and importing countries as well as major producing countries and other stakeholders. FAO Director-General provided a keynote address for the event.

F. Supporting International Governance Processes

25. FAO continued its support to international governance processes, notably those under the auspices of The Group of 20 (G20) and The Group of Seven (G7). In 2018, under the G20 Presidency of the Argentine Republic, FAO participated in the G20 Agriculture Ministers' Meeting. FAO supported the work of the G20 Agriculture Deputies and the G20 Development Working Group with a technical report entitled "Food security and Nutrition: Challenges for Agriculture and the Hidden Potential of Soils". The report presented analysis and policy recommendations on actions that promote global food security.

26. In 2019, under the G20 Presidency of Japan, FAO participated in the G20 Agriculture Deputies' meetings, provided technical inputs, and supported Members' deliberations leading to the G20 Agriculture Ministers' Meeting. In collaboration with other international organizations, and at the request of the Japanese G20 Presidency, FAO prepared a technical note on "Sustainable, Productive and Resilient Agri-Food Systems: Value chains, human capital, and the 2030 Agenda" to support the discussions by the G20 Members on policy recommendations and actions that promote food security.

27. In 2020, FAO supported the G20 process under the Presidency of the Kingdom of Saudi Arabia, providing knowledge inputs and evidence-based policy advice to inform G20 Members' deliberations in different tracks of the G20 work, including agriculture, water, environment and climate stewardship. FAO provided significant technical support to the development of G20 initiatives, such as the *G20 Riyadh Statement to Enhance Implementation of Responsible Investment in Agriculture and Food Systems* and the *Global Initiative on Reducing Land Degradation and Enhancing Conservation of Terrestrial Habitats*. FAO participated in the G20 Extraordinary Leaders' Summit on the COVID-19 pandemic (26 March 2020), the G20 Extraordinary Agriculture Ministers Meeting (21 April 2020), the G20 Agriculture and Water Ministers Meeting (12 September 2020), and the G20 Leaders' Summit (21-22 November 2020).

G. The State of Agricultural Commodity Markets (SOCO)

28. The 2020 edition of the flagship report *The State of Agricultural Commodity Markets (SOCO)* was launched on 23 September 2020. Addressing the theme "Agricultural Markets and Sustainable Development: Global value chains, smallholder farmers and digital innovations", the report focused on how markets can bring us closer to achieving the 2030 Agenda for Sustainable Development. SOCO 2020 offers a detailed analysis of the major global trends in agri-food markets and trade as well as the evolution of global value chains with the aim to identify how to reap economic, environmental and social gains and spur overall economic development. The report makes an important contribution to

the debate on how well functioning markets can contribute to inclusive economic growth and sustainable development. It discusses policies, innovative mechanisms and digital innovations that can promote the participation of developing countries and smallholder farmers in markets and global value chains. The report also looks at policy responses to address the impacts of the COVID-19 pandemic on food value chains, both nationally and globally.

III. GLOBAL TRENDS AND DEVELOPMENTS RELEVANT TO COMMODITY MARKETS AND TRADE

A. Decade of Action for Achieving the SDGs

29. In September 2015, Heads of State and Government adopted the 2030 Agenda for Sustainable Development. The 17 Sustainable Development Goals (SDGs) of the 2030 Agenda and the 169 targets supporting them represent a highly ambitious and action-oriented new development framework integrating all aspects of sustainability and recognizing the linkages between them. While some progress is being made in many places, it is not advancing at the speed and scale required to meet the SDGs.

30. With just under ten years to 2030, the SDG Summit in September 2019 called for a [Decade of Action](#) and delivery for sustainable development, and pledged to mobilize financing, enhance national implementation, and strengthen institutions to achieve the Goals, leaving no one behind. The Summit recognized that vulnerabilities are high and deprivations are becoming more entrenched, referring, *inter alia*, to increasing hunger and rising inequalities in wealth, incomes and opportunities within and across countries. In this context, the Decade of Action calls for accelerating sustainable solutions to the world's biggest challenges and for mobilising everyone, everywhere.

31. At the Summit, the [UN Secretary-General](#) called on all sectors of society to mobilize for a decade of action on three levels: **global action** to secure greater leadership, more resources and smarter solutions for the SDGs; **local action** embedding the needed transitions in the policies, budgets, institutions and regulatory frameworks of governments, cities and local authorities; and **people action** by all stakeholders to generate an unstoppable movement pushing for the required transformations.

B. The COVID-19 Pandemic

32. The COVID-19 pandemic, and its unprecedented global reach and effects, induced concerns over ensuring food security and safety worldwide and continues to be one of the most pressing issues undermining efforts to end hunger, food insecurity and malnutrition. The global economic downturn that followed the pandemic resulted in significant reductions in income and consumer spending that also affected the demand for food.

33. COVID-19 and its associated global economic crisis unravelled in a period in which the number of food-insecure people around the globe has grown over the past four years, with almost 690 million people in the world (8.9 percent of global population) estimated to have been undernourished in 2019. Developing countries are impacted heavily by the pandemic, and the income losses could significantly affect access to food, with a real threat of a rapid rise in food insecurity. FAO's analysis shows that the pandemic could add between 83 and 132 million people to the ranks of undernourished, depending on the economic growth scenario.

34. While agricultural markets and trade have proved to be somewhat resilient, COVID-19 has exposed the fragility of our agri-food systems. In addition to the disruptions to the agri-food supply chains, the economic impact of COVID-19 will continue to affect people across the globe, reducing their capacity to afford nutritious and healthy food, in particular in the most vulnerable communities. The scale and impacts will depend on the speed of recovery from the recession. In January 2021, the International Monetary Fund (IMF) projected that, following a 3.5-percent contraction in 2020, the

global economy would grow by 5.5 percent in 2021 and 4.2 percent in 2022. However, it is expected that the pandemic and its impacts would continue to create market uncertainty in the years to come.

C. Increased Vulnerability due to Disasters and Crises

35. The multiple threats to food security and nutrition, their negative and cumulative impacts, and the links between shocks and poverty and hunger reveal the fragility of our agri-food systems and their exposure and vulnerability to disasters and crises. People around the world are increasingly exposed to natural hazards and crises – from natural disasters and epidemics to conflicts, market shocks and price volatility, and protracted crises. Climate change is further exacerbating these threats and challenges. Disasters and crises do not only have short-term impacts, they also undermine livelihoods and development gains that have taken years to build. For instance, agriculture often endures long-lasting and multi-pronged consequences such as loss of livestock and destruction of infrastructure and assets. Worldwide, an estimated 75 percent of poor and hungry people rely on agriculture and natural resources for their lives. They are usually the hardest hit by shocks.

36. The ability of countries and the international community to operate in the face of increasing risks and uncertainties represents a defining feature for achieving resilience and sustainability. Emergency preparedness is vital. Countries need to be better prepared to face crises in order to prevent and reduce the impacts of shocks on the lives and livelihood of their people. A culture of disaster impact monitoring and assessment is an integral part of promoting effective disaster and risk reduction (DRR) policy and action. It is essential that all countries have adequate capacities and effective surveillance and early warning systems to be able to cope with the growing risks and recurring shocks. However, many developing countries lack the capacity and require support.

D. Evolving Trade Patterns and Trade Agreements

37. Global food and agricultural trade has evolved significantly over the last decades. Since 1995, international trade in food and agriculture has more than doubled in real terms, but its growth has been slower since the 2008 financial crisis. While high-income countries account for most of agri-food trade, developing countries and emerging economies are increasingly participating in global markets, with their exports making up more than one-third of total agri-food trade. Furthermore, trade is making the world increasingly interconnected. Estimates show that one third of agri-food exports are traded within global value chains that encompass at least three countries. Many factors drive trade patterns, namely economic growth, population and demographic changes, urbanization, technological advances, and trade policies.

38. These trends will bring forward a number of issues, such as: a) the development of global value chains and the increasing use of digital applications in agri-food trade are generating concerns over market power; b) the increasing participation of large emerging countries in agri-food trade, both on the import and export side, can result in changes in the structure and functioning of global food and agricultural markets; c) the growing concerns over food safety issues will lead to an increased use of standards; and d) environmental issues are becoming more relevant and consequently carbon footprint of products are likely to be translated into trade regulations.

39. Trade agreements are an important determinant of trade patterns. According to the WTO database, between 2000 and 2020, the number of RTAs in force has grown more than three-fold. . One of the main reasons behind the rapid increase in the number of RTAs is that they can be concluded more rapidly and tend to result in deep trade and economic integration. This is of particular relevance considering the situation at the WTO. While many WTO Members have expressed strong support to the multilateral trading system, recalling the important role of the WTO in ensuring transparent and efficient trade, questions over the Organization's ability to drive new trade agreements and resolve ongoing disputes have intensified. This is due to the fact that the Doha Round negotiations are still in a stalemate and that the WTO Appellate Body cannot consider appeals any more as only one of the seven Appellate Body's members is in place (according to the WTO rules, appeals must be heard by

three Appellate Body members). The appointment of a new Director-General for WTO is expected to bring interest, dynamism and momentum to advance the multilateral negotiations.

E. Increased Attention to Nutrition and Healthy Diets

40. Nutrition and healthy diets are gaining high international attention. SDG 2 recognizes the importance of ending all forms of malnutrition (target 2.2), including child wasting, child stunting, child underweight, child overweight, micronutrient deficiencies, overweight, obesity and diet-related non-communicable diseases (NDCs) to achieve social, economic and environmental objectives. In 2014, the Second International Conference on Nutrition (ICN2) adopted the Rome Declaration on Nutrition and its Framework for Action, acknowledging the challenge faced by current food systems in providing healthy diets. In April 2016, the UN General Assembly adopted the United Nations Decade of Action on Nutrition (2016-2025). However, despite all the commitments, the world is not on track to achieve the global nutrition targets, including those on child stunting, wasting and overweight by 2030, and the burden of malnutrition in all its forms remains a huge challenge that requires urgent action.

41. Unhealthy diets are one of the leading causes of NCDs. There is no one single composition of a healthy diet. Healthy diets vary geographically and with age, population needs, gender, underlying health condition and cultural preferences. Nonetheless, all healthy diets are made up of the foods needed for individuals to have a healthy life – food that is adequate, safe, diverse, and balanced in quantity and quality. FAO estimates that the least expensive healthy diet is unaffordable to more than 3 billion people in the world and costs five times more than the diets that meet only dietary energy needs through a starchy staple.

42. The relationship between food trade and nutrition is attracting increased attention on both the trade and the development agendas. Ending all forms of malnutrition is a major target under SDG 2, for which trade is one of the means of implementation. ICN2 acknowledged that trade is a key element in achieving food security and nutrition and that trade policies are to be conducive to fostering food security and nutrition for all. Overall, trade influences nutrition outcomes mainly through its impacts on food availability and access (both physical and economic). In addition to bringing down food prices and costs to consumers, trade allows for sufficient quantities of food to be available all year round and increases the variety of foods available to consumers, thus contributing to the diversity of diets. At the same time, however, trade can increase the availability and reduce the prices of highly processed foods that are high in salt, sugar, fats and saturated fat. Establishing causal links between trade, food consumption patterns and nutritional outcomes remains a challenge and necessitates further research.

F. Digital Technologies

43. Advancements in information and communication technologies (ICT) can fundamentally transform agricultural trade and the competitiveness of different actors within the value chains. Digital technologies create considerable opportunities for gathering, integrating and analysing data and have become prevalent across agricultural value chains. They can make markets more efficient and more inclusive. Digital applications contribute to increased transparency and traceability in markets and value chains, facilitating the interaction between sellers and buyers, spurring innovation and trust, and leading to stronger economies and new trade opportunities. However, their long-term transformative impacts and related risks require continuous research and analysis in order to better anticipate their disruptive effects and promote positive outcomes.

44. During the COVID-19 pandemic, many countries recognized that lockdown measures might hamper the normal operations of government authorities involved in the provision of certificates and other licenses and approvals needed for agri-food imports and exports. In response, several countries adopted digital solutions, such as electronic phytosanitary and veterinary certificates (e-certificates) or other measures to simplify import-licensing procedures. In addition, some regions had established

corridors that allowed for increased automation and more efficient data sharing among customs and related authorities, at selected border crossings and for a selected list of essential products.

45. Platforms for diverse activities such as e-certification or e-commerce can streamline and expedite cross-border flow of foods and agricultural products, but they require digital skills, proper infrastructure and new regulation approaches to ensure and increase efficiency gains. However, a digital gap remains across and within countries. The digital divide requires attention, so that the digital transformation of agri-food systems does not pose additional challenges to developing countries.

IV. PRIORITY AREAS IN MARKETS AND TRADE UNDER THE NEW STRATEGIC FRAMEWORK AND THE MEDIUM-TERM PLAN 2022-25

46. To respond to the new developments and challenges outlined above, FAO will build on the existing programmes and on established and new strategic partnerships with relevant international organizations and institutions. The priority areas identified below are based on FAO's Core Functions and build on the four new aspirations of the Organization: *Better production, Better nutrition, a Better environment, and a Better life*. The work priorities will also integrate, as appropriate, the outcome and decisions of the UN Food Systems Summit, to take place in 2021.

A. Commodity Market Monitoring, Assessment and Outlook

47. FAO will continue and strengthen its core activities related to the collection, analysis and dissemination of data and information on markets of basic foodstuffs, as well as tropical products, beverages and raw materials. Comprehensive market intelligence reports and short-term forecasts of production, utilization, trade, stocks and prices will be produced on a regular basis, alongside analysis of topical issues and information on the latest policy developments. The high-profile biannual *Food Outlook* report will be published biannually, with more frequent specific commodity reports.

48. FAO will also intensify its monitoring activities of trade flows, including exports and imports by source and destination and the calculation and publication of the food import bills. The work will also include surveillance of market intelligence for supply chain disruptions and general logistical hindrances, especially for potentially fragile non-bulk supply chains that could threaten global nutrition (e.g. for livestock products, fruit and vegetables, perishables, and added-value foodstuffs).

49. Regular market monitoring and reporting by AMIS will continue, informing Members and the international community of actions needed to avert adverse policy responses and ensure that markets function properly and trade flows smoothly. Regular consultations with AMIS Members will be important to address market uncertainties associated with COVID-19 and other shocks, with added emphasis on soliciting more timely and complete market data from Members.

50. As part of its regular monitoring of price developments, FAO has overhauled its Food Price Index and related price sub-indices to update the base period and expand both the commodity and price coverage. This will continue to represent a priority activity for FAO to ensure that the price indices represent the developments in global markets and are relevant to inform decisions. In addition, efforts will be made to strengthen FAO's capacity in this important area of work, including by way of developing new data tools.

51. As regards the medium-term outlook, FAO will maintain and further develop the *OECD-FAO Agricultural Outlook* annual report as the global reference publication for medium-term projections and market analysis, including by incorporating the contours of the COVID-19 impacts in the Aglink-Cosimo modelling framework. In addition, by linking this framework to the Hand-in-Hand Initiative, FAO will further provide support to Members to enhance their strategic planning and policy analysis capabilities by using global, regional and national market projections. Simulation studies will be conducted to explore the impact of alternative scenarios regarding future trends and developments. Further capacity development activities will be explored with the objective to support countries to

become more active collaborators and users of the modelling system. In addition, FAO will strengthen its work on medium-term projections for non-food commodities that are of significant importance to many developing countries, and particularly least developed countries.

B. Global Information and Early Warning System (GIEWS)

52. GIEWS will continue to focus future work on the institutionalization of critical methodologies and tools as well as on the application of innovative technologies with the objective to reinforce and strengthen country and regional capacities to provide timely analysis and information on impending food crises, including food shortages owing to COVID-19 and other pandemics, as well as to climate-related events.

53. Against the COVID-19 backdrop, capacities will be strengthened to monitor domestic food availabilities and import requirements in countries that are most at risk, especially with regard to supply chain disruptions and access to food, as well as monitoring the functioning of safety nets and alerting the international community of potential hunger problems to allow timely action.

54. With regard to weather-induced crises, GIEWS will continue its collaboration with the Office of Climate Change, Biodiversity and Environment (OCB) to deploy the country-level ASIS, especially in the priority countries identified by the FAO Hand-in-Hand Initiative, in order to allow national institutions to early detect water stress on crops and guide timely and appropriate mitigation actions. Enhancements of the GIEWS Earth Observation tools will include the development of an algorithm that estimates the probability of drought throughout the cropping season. GIEWS will also continue its capacity development support to countries.

55. The ASIS and the FPMA tools are the focus of the technical assistance provided by GIEWS to several countries, where stand-alone versions are installed and training is conducted to strengthen national capacities in agricultural and market monitoring and early warning analysis. Where direct support is still required to perform first-hand assessments in countries, GIEWS plans to strengthen the methodologies used during the joint FAO/WFP Crop and Food Security Assessment Missions, in particular through increased use of high-resolution Earth Observation images for yields estimates.

56. In its effort to strengthen the monitoring of food security, FAO will continue consultations with relevant organizations, namely WFP, WTO, OECD and the International Grains Council (IGC), with the aim to develop a comprehensive monitoring and reporting system on food aid transactions, including the possible revival of WFP's International Food Aid Information System (INTERFAIS).

C. Food and Agricultural Trade

57. Under the overall umbrella of the Organization's response to COVID-19-related challenges, the Markets and Trade Division (EST) will support regional and country offices in understanding the potential and the constraints of "Trade and Food Safety Standards". Five priority areas for assistance have been identified: (i) agricultural trade analysis and trade policy assessments; (ii) establishment of regional networks; (iii) assistance in the area of trade facilitation; (iv) provision of market intelligence and the creation of early warning systems; and (v) developing and strengthening of technical capacity in national and regional institutions. Global and regional action sheets have been prepared in this regard.

58. In addition to, and in support of the corporate COVID-19 response, FAO and the WTO are preparing a Memorandum of Understanding (MoU) for a capacity development programme that aims to enable countries to benefit from trade opportunities and harness the full benefits of trade, starting with the African Continental Free Trade Area (AfCFTA). This comprehensive programme will result in increased coherence and effectiveness of capacity development activities across the whole range of trade-related areas, thus avoiding fragmented technical assistance activities.

59. FAO will assist Members in strengthening their capacities related to international trade agreements and the promotion of export opportunities. The main activities will include the development of evidence-based analyses, knowledge sharing and national capacity development on key issues related to food and agricultural trade, including regional and multilateral trade negotiations.

60. FAO is committed to equip the Members with policy tools for the analysis and monitoring of trade and agricultural policies and their impacts on national food security and food systems. FAO is engaged in the implementation of agricultural policy monitoring based on quantitative and qualitative data gathering and analysis. The pilot project conducted for six countries in Europe and Central Asia has been scaled-up to include additional countries, to update data and indicators and to expand the commodity coverage. This activity could be expanded to cover other countries and regions.

61. In view of the increased attention placed on malnutrition and healthy diets, and in close cooperation with the FAO Food and Nutrition Division (ESN) and other relevant stakeholders within and outside FAO, EST will deepen its work on the linkages between trade and nutrition. The work will focus on agri-food trade and will seek to complement the discussion on the interlinkages between trade and nutrition from an economic perspective. It will focus on analysing the contribution of trade to diets and nutrition and exploring the linkages between trade policies and nutrition, as well as the effects of consumer preferences and income on international trade.

62. FAO will continue to build evidence on innovation and technology for agri-food trade and to support countries in the creation of an enabling environment that will help them adapt to digital technologies and benefit from it. These assessments should allow policy makers to identify possible bottlenecks, spur public and private investments to overcome these bottlenecks as well as identify opportunities to leapfrog existing approaches.

D. Responsible Global Value Chains

63. FAO will support responsible business conduct and due diligence in global agricultural value chains, respecting environmental, social and governance (ESG) standards, through the development of a global multi-stakeholder programme for responsible agricultural value chains in collaboration with the OECD. The programme will promote the adoption of the *OECD-FAO Guidance for Responsible Agricultural Supply Chains* by private enterprises worldwide.

64. FAO will also facilitate multi-stakeholder discussions in fruit value chains to find sustainable solutions for producers and other actors affected by the COVID-19 crisis, including by promoting risk-based due diligence and plant health, particularly for the commodities that support nutrition and smallholder farmer livelihoods. These activities will support FAO's participation in the International Year of Fruits and Vegetables in 2021 and follow-up activities.

65. In addition, FAO will facilitate multi-stakeholder platforms, including the World Banana Forum, with the objectives to: (i) promote gender equity throughout global agricultural value chains; (ii) promote Occupational Health and Safety, living wages and decent work in industries and value chains; and (iii) support efforts to measure and reduce greenhouse gas emissions in trade. In this respect, FAO will launch a pilot project aiming to promote climate change mitigation in the banana sector and explore the use of distributed ledger technology as a means to differentiate sustainably grown fruits in export markets.

66. Finally, FAO will continue to undertake research on the impacts of COVID-19 on agricultural supply chains and prepare guidelines to assist governments in formulating policies and strategies to strengthen the resilience of their supply chains to epidemics and natural disasters.

E. Commodity Intergovernmental Groups (IGGs)

67. One of the Secretariat's priority is to sustain and strengthen action in support of non-food commodities, particularly those not covered by other international institutions. FAO's support to the work of the IGGs will be as follows:

- a) Servicing the IGG on Tea, with the next session to be hosted by India in New Delhi, during the last quarter of 2021. Support will also include inter-sessional activities.
- b) Servicing the IGG on Hard Fibres and the IGG on Jute, Kenaf and Allied Fibres, with the next Joint Meeting to be hosted by Bangladesh in Dhaka in the fourth quarter of 2022. Support will also include inter-sessional activities.
- c) Servicing other IGGs³, as required. At its 70th Session in 2014, the CCP decided that IGGs other than those mentioned above "*should only meet on a 'when required' basis*".

F. Other Core Activities

68. FAO will continue its core activities related to commodity markets, agricultural trade and global governance, namely engagement in the G20 and the G7 processes, through the provision of technical support and participation in meetings, and the production of the biennial flagship publication *The State of Agricultural Commodity Markets* (SOCO). In 2021, FAO will provide support to the G20 under the Presidency of the Republic of Italy; consultations with the Italian G20 Secretariat and other international organizations have already started. Preparation has also started for the 2022 edition of SOCO, which will be launched before the 75th Session of the CCP.

³ IGG on rice; IGG on Grains; IGG on Oilseeds, Oils and Fats; IGG on Meat and Dairy Products; IGG on Bananas and Tropical Fruits; and IGG on Citrus Fruit.