

Contribution from the Permanent Mission of the Dominican Republic to the Third Ministerial Meeting on commodity market issues at FAO

The delegation of the Dominican Republic congratulates the FAO Director-General José Graziano da Silva's vision for convening Government representatives and other stakeholders to discuss international commodities markets. Such endeavor is timely, because the global financial system currently navigates a stage of uncertain recovery from its most recent crisis, as well as necessary, because the continuous postponement of systemic and structural reforms is becoming a threat in itself.

FAO is a source of science-based technical intelligence, and a neutral forum for political debate and decision-making. As a knowledge organization and center of excellence, FAO is keeping a sharp focus on commodity market issues, which are of crucial significance as we strive to achieve food and nutrition security for all. As an intergovernmental organization, its member States are taking substantial steps in the right direction.

The Committee on Commodity Problems emerges as a key catalyst for advancing these complementary constituents of FAO's nature, both the technical and the political. From a different angle, the Agricultural Market Information System is opening and expediting the flow of information, which in turn improves transparency and facilitates decision-making. Recalling our contribution to the Second Ministerial Meeting, "economies cannot grow, international trade cannot expand, and both sellers and buyers are incapable of prospering in the absence of order and stability. Transparency generates trust, and trust is the market's fundamental column".

Attempting to tackle the multifaceted difficulties that the Third Ministerial Meeting is called upon to help resolve, there is a need for perspective: one must look back to the worldwide financial meltdown of 2007. While there are earlier root causes for the crisis (and keeping in mind that many —if not most— of them are still in place), the economic collapse transformed international markets in deep and lasting ways.

As traditional merchandises (such as real estate) saw their long-established appeal plummet or vanish, potential profitability began exerting an overriding pull on excess liquidity, leading to the invention of unfathomably complex financial products. Extreme turbulence in price volatility soon followed, threatening the foundations of political stability in developing as well as in developed countries the world over.

The metamorphosis generated in 2007 ultimately allowed for a particularly troubling legacy: the commoditization of everything. The infiltration of international markets into every conceivable source of trade advantage pushed all types of foodstuffs gravitating towards the influence of speculative forces. This new reality, which cannot be undone, resides at the core of our present challenge.

FAO illustrates the situation through agricultural products whose standing as commodities has a long and tortuous history, namely coffee and cocoa. For centuries up until the present day, trade in these harvests has centered on shipping them, unprocessed, from the global south to the industrialized world, where the value chain would accelerate exponentially. Farmers end up receiving an infinitesimal amount of the sum consumers disburse for the final product.

Coffee beans that are picked, dried, hulled, and sorted at origin merely need roasting, grinding, and brewing at destination. To be sure, the processes involving cocoa are somewhat more complicated, but the broad picture looks very similar. FAO has duly identified the essential problem: that inputs such as seeds, fertilizers, and pesticides, as well as processing technologies and distribution channels “tend to be highly concentrated, controlled by small numbers of transnational corporations that dominate the global value chains.” (See paragraph 6 of the Concept Note for the meeting). Family farmers and other small-scale producers are left out to dry alongside the fruits of their labor.

We welcome the ongoing efforts from all concerned parties, while much remains to be done. National governments in developing countries, especially those that have limited influence in world affairs (i.e. non-G20 members, Small Island Developing States, Low-Income Food-Deficit Countries, etc.) have critical responsibilities within their jurisdictions: the Dominican Republic learned to diversify when the model of sugar cane monoculture broke down, and has more recently embraced the paradigm of food sovereignty, which strives for self-sufficiency concurrently with openness to markets.

In concluding, there should be at least two priority areas to consider:

1. FAO has a large role to play, especially in research that leads to policy advice and capacity building—with a view to assist developing countries in accomplishing their full potential in all the stages along the value chain.
2. To assert that *without bread, there is no peace* is an understatement; this is why all countries, both developed and developing, must acknowledge that our multipolar realities necessitate bolder steps. Stakeholders, from the largest multinational corporations to the family plots that produce four-fifths of the world’s coffee and nine-tenths of the world’s cocoa, along with international bodies, civil society organizations, research centers, and other relevant institutions, must infuse momentum to the reform process of global governance in financial and commodities markets. This can still be done through strengthening existing institutions (whose effectiveness is seen with varying degrees of skepticism), so that prevailing and emerging challenges can be properly met.

What is deemed politically and economically feasible shifts in such a vast range, that it might be best to point to the obvious. The gaps and flaws in the international architecture, as well as the incomplete or inadequate remedies enacted since, can still inflict enormous damage unless they are fixed.

Governments and all relevant stakeholders should establish without further delay a broad, all-inclusive dialogue to devise a mechanism for providing comprehensive, systemic, and structural solutions. When the next crisis unfolds, the first to suffer, as always, will be women and children in the global south. Then, the rest might follow.

Nevertheless, we still believe that there are good enough reasons for displaying cautious optimism, as long as concrete action is taken soon.

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