



Food and Agriculture  
Organization of the  
United Nations

Evaluation of FAO's contributions to  
Sustainable Development Goal 2  
*"End hunger, achieve food security and improved  
nutrition and promote sustainable agriculture"*



# Support to fair and informed commodity markets and international trade in agriculture

## About this document

The 2030 Agenda acknowledges that transparent, undistorted and properly functioning food and agricultural markets are an essential element in the global effort to end hunger, achieve food security and improved nutrition, and promote sustainable agriculture (Sustainable Development Goal 2 [SDG 2]). This review examines how the Food and Agriculture Organization of the United Nations (FAO) supports transparent and inclusive commodity markets and international food and agricultural trade, contributing to the achievement of SDG 2. It was conducted primarily through a review of key documents and interviews with stakeholders.

The study found that FAO contributes to the proper functioning of agricultural markets, in particular, by facilitating timely access to market information (SDG target 2.c), ensuring greater transparency in international commodity markets, and providing regular and timely updates on crop conditions, price movements and global supply and demand. FAO's contribution is aided by comparative advantages arising from its extensive data architecture, involvement in strategic partnerships, reputation as a neutral forum and broad agricultural commodity and country coverage, among other things. The study reveals a need for greater support in the areas of inclusiveness, equality and capacity-building in agricultural trade.

SDGs



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## Contents

<b>1. Introduction</b>	<b>1</b>
1.1 Purpose, scope and methodology	1
1.2 Description of the review	1
1.3 Support for transparent and inclusive commodity markets and international food and agriculture trade in the context of the 2030 Agenda	2
<b>2. FAO support for transparent and inclusive commodity markets and international food and agriculture trade</b>	<b>3</b>
2.1 Evolution of FAO's work on commodities and trade	4
2.2 The Markets and Trade Division (EST)	4
2.3 FAO activities to support transparent and inclusive commodity markets and international food and agriculture trade	4
<b>3. Partners involved in implementation</b>	<b>9</b>
<b>4. FAO's comparative advantage</b>	<b>10</b>
<b>5. Some of the challenges faced by FAO in undertaking this work</b>	<b>11</b>
<b>6. Principles of the 2030 Agenda and FAO's work on commodity markets and trade</b>	<b>11</b>
<b>7. Conclusions and recommendations</b>	<b>12</b>
7.1 Conclusions	12
7.2 Recommendations	12
<b>Bibliography</b>	<b>13</b>
<b>Annex 1. People interviewed</b>	<b>14</b>

## Abbreviations and acronyms

AMIS	<i>Agricultural Market Information System</i>
CCP	<i>Committee on Commodity Problems</i>
EST	<i>Markets and Trade Division</i>
GIEWS	<i>Global Information and Early Warning System</i>
IGG	<i>Intergovernmental Groups on Commodities</i>
SDG	<i>Sustainable Development Goal</i>
WTO	<i>World Trade Organization</i>

# 1. Introduction

## 1.1 Purpose, scope and methodology

The objective of this review is to examine how the Food and Agriculture Organization of the United Nations (FAO) support for transparent and inclusive commodity markets and international food and agricultural trade contributes to the achievement of Sustainable Development Goal 2 (SDG 2). Within the scope of the SDG 2 evaluation, this case study aims to: i) examine the various forms of FAO support for this area of work; ii) assess FAO's comparative advantage in this regard; iii) explore challenges and limitations to advancing FAO's work in this area; and iv) explore opportunities for strengthening FAO's partnerships and collaboration in support of SDG 2 under the market and trade work stream.

The study will serve as an input to the Office of Evaluation's (OED) overall assessment of FAO's contribution to the achievement of SDG 2. The review was conducted primarily through a review of key documents and interviews of key stakeholders.

## 1.2 Description of the review

Support for transparent and inclusive commodity markets and international trade refers to an area of FAO's work that contributes to the achievement of SDG 2 by facilitating the proper functioning of agricultural commodity markets and supporting Members' effective engagement in international agricultural trade.

The 2030 Agenda acknowledges that transparent, undistorted and properly functioning food and agricultural markets are an essential element in the global effort to end hunger, achieve food security and improved nutrition and promote sustainable agriculture (SDG 2). Consequently, trade in food and agricultural commodities is recognized as a key enabler, which contributes to food security and better nutrition.

Indeed, openness to trade in food and agricultural products can improve all four dimensions of food security. It increases the availability of food by enabling products to flow from surplus to deficit areas. Beyond the balancing role of trade, open markets improve access by raising the incomes of farmers (through higher prices than would be received in the absence of trade) and lowering costs to consumers (through lower prices than would otherwise be paid). More broadly, the location of production in areas where resources are used relatively efficiently contributes to higher per capita incomes and faster economic growth. Open trade can also improve food utilization and nutrition by increasing the diversity of national diets. Lastly, open markets generally improve the stability

of food supplies, as imports and exports help deal with shortfalls or surpluses in food production.

Yet, across each dimension, there are positive and negative effects resulting from trade openness and the latter need to be properly managed. In terms of availability, there are concerns about import dependence for countries that do not have a comparative advantage in food production and the possibility of food supplies being disrupted by shocks or changes in policy. Regarding access, there are concerns, for instance, about the impact of greater openness on the incomes of those who are protected. Rising incomes may increase the utilization of food, but can also contribute to unwanted overconsumption, imbalanced diets and a growing burden of non-communicable diseases. And while open markets reduce the risks associated with poor domestic harvests, they make international market instability and sudden price volatility a more relevant issue (Table 1).

**Table 1: Possible short, medium- and long-term effects of trade on the four dimensions of food security**

	Possible positive effects	Possible negative effects
<b>Availability</b>	<p><b>Short term</b></p> <ul style="list-style-type: none"> <li>Trade boosts imports and increases both the quantity and the variety of food available.</li> </ul> <p><b>Medium-to-long term</b></p> <ul style="list-style-type: none"> <li>The resulting specialization can lead to increased production of food through efficiency gains.</li> <li>Greater competition from abroad may trigger improvements in productivity through greater investment, R&amp;D, technology spillover.</li> </ul>	<p><b>Medium-to-long term</b></p> <ul style="list-style-type: none"> <li>For net food-exporting countries, higher prices in international markets divert part of production previously available for domestic consumption to exports, potentially reducing domestic availability of staple foods.</li> <li>For net food-importing countries, domestic producers who are unable to compete with imports are likely to curtail production, reducing domestic supplies and foregoing important multiplier effects of agricultural activities in rural economies.</li> </ul>
<b>Access</b>	<p><b>Short term</b></p> <ul style="list-style-type: none"> <li>For net food-importing countries, food prices typically decrease when border protection is reduced.</li> <li>Imported food and input prices are likely to decrease.</li> </ul> <p><b>Medium-to-long term</b></p> <ul style="list-style-type: none"> <li>In the competitive sectors, incomes are likely to increase as the result of greater market access for exports.</li> <li>The macroeconomic benefits of greater trade, such as export growth and inflow of foreign direct investment, support growth and higher employment, which in turn boost incomes.</li> </ul>	<p><b>Short term</b></p> <ul style="list-style-type: none"> <li>For net food-exporting countries the domestic prices of exportable products may increase.</li> </ul> <p><b>Medium-to-long term</b></p> <ul style="list-style-type: none"> <li>Employment and incomes in sensitive, import-competing, sectors may decline, with some producers transitioning out of agriculture.</li> <li>Unequal distribution of gains may occur through enclave developments in export crops to the detriment of broad-based smallholder food crop production.</li> </ul>
<b>Utilization</b>	<p><b>Short term</b></p> <ul style="list-style-type: none"> <li>Greater variety of available foods through imports may promote a more balanced diet and accommodate different preferences and tastes.</li> </ul> <p><b>Medium-to-long term</b></p> <ul style="list-style-type: none"> <li>Food safety and quality may improve if exporters have more advanced national control systems in place or if international standards are applied more rigorously.</li> </ul>	<p><b>Short term</b></p> <ul style="list-style-type: none"> <li>Greater reliance on imported foods is often associated with an increase in consumption of cheaper and more readily available foods that are high in calories and low in nutritional value.</li> </ul> <p><b>Medium-to-long term</b></p> <ul style="list-style-type: none"> <li>Prioritization of commodity exports diverts land and resources from traditional and indigenous foods, which are often superior from a nutritional perspective.</li> </ul>
<b>Stability</b>	<p><b>Short term</b></p> <ul style="list-style-type: none"> <li>Imports reduce the seasonal effect on food availability and prices to consumers.</li> <li>Imports mitigate likelihood of shortages resulting from local production risks.</li> </ul> <p><b>Medium-to-long term</b></p> <ul style="list-style-type: none"> <li>Shallow versus deep markets: global markets are less prone to policy- or weather-induced shocks.</li> </ul>	<p><b>Short term</b></p> <ul style="list-style-type: none"> <li>Assuming obligations with regard to trade policies may reduce the policy space to deal with short-term market shocks.</li> <li>Vulnerability to changes in trade policy by exporters, such as export bans.</li> </ul> <p><b>Medium-to-long term</b></p> <ul style="list-style-type: none"> <li>Sectors at earlier stages of development may become more susceptible to price shocks and/or import surges.</li> </ul>

Source: FAO.

As patterns of consumption and production continue to evolve over the next decade, global trade in agricultural products should continue to increase, with substantial implications for food and nutrition security (FNS) in all regions of the globe. In addition, because of the expected impacts of climate change on agricultural production and fisheries, trade is likely to become even more significant in the future, with food demand projected to grow in those regions where productivity gains will not be sufficient to meet demand growth. Therefore, appropriate policies that affect trade and markets are crucial if the ambitions of SDG 2 are to become a reality.

Despite an increase in their share of global agricultural trade, developing countries still face persistent difficulties integrating as they endeavour to participate in world trade. For example, they continue to experience suboptimal economic outcomes from the various trade agreements in which they engage. Not only do these constraints deprive governments of revenues they need to fund development priorities, including those set out in the 2030 Agenda, but they can also obstruct and reverse the progress made through other means. Compounding this situation is the fact that many developing countries, which also suffer from widespread hunger and poverty, depend on a small number (three or even fewer) of primary commodities for export. This commodity dependence exposes them to additional risks and shocks that can further threaten food security, including:

- i. the high volatility of commodity prices, which creates macroeconomic uncertainties in the management of the commodity-dependent economies;
- ii. the long-term decline of commodity prices caused, among other things, by an increase in global supply and agricultural subsidies in developed and emerging economies;
- iii. deteriorating terms of food trade – the ratio of prices of exported goods to the price of imported goods – which affects the affordability of food imports; and
- iv. a lack of information on food stocks, which increases uncertainty in global food markets and can lead to unexpected and sudden swings in commodity prices.

The challenge, therefore, is to ensure that the expansion of agricultural trade works for, and not against, the elimination of hunger, food insecurity and malnutrition. To this end, since 1949, FAO has supported activities aimed at monitoring and assessing food commodity markets, providing timely and accurate price information and facilitating the policy processes that guide the development of trade and related policies at the global, regional and national levels.

### 1.3 Support for transparent and inclusive commodity markets and international food and agriculture trade in the context of the 2030 Agenda

The 2030 Agenda for Sustainable Development places significant emphasis on both FNS and international trade. While the specific linkages between international trade and FNS might not be comprehensively articulated in the SDG framework, the fact that there are trade-related targets for a number of goals provides robust rationale for strengthening the role of trade in addressing sustainable development and FNS.

Trade policy is also one of the cross-cutting elements of the SDGs. It is one of the “means of implementation” included in SDG 17, it is referenced in eight targets spread across five SDGs (Table 2) and is relevant to an even greater number of elements of the 2030 Agenda.

**Table 2: SDGs and trade targets relevant to food security**

SDG	Trade-related targets
SDG 2 <b>End hunger, achieve food security and improved nutrition and promote sustainable agriculture</b>	<p><b>2.b</b> Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round.</p> <p><b>2.c</b> Adopt measures to ensure the proper functioning of food commodity markets and their derivatives and facilitate timely access to market information, including on food reserves, in order to help limit extreme food price volatility.</p>
SDG 8 <b>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b>	<p><b>8.a</b> Increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries.</p>
SDG 10 <b>Reduce inequality within and among countries</b>	<p><b>10.a</b> Implement the principle of special and differential treatment for developing countries, in particular least developed countries, in accordance with World Trade Organization agreements.</p>
SDG 14 <b>Conserve and sustainably use the oceans, seas and marine resources for sustainable development</b>	<p><b>14.6</b> By 2020, prohibit certain forms of fisheries subsidies which contribute to overcapacity and overfishing, eliminate subsidies that contribute to illegal, unreported and unregulated fishing and refrain from introducing new such subsidies, recognizing that appropriate and effective special and differential treatment for developing and least developed countries should be an integral part of the World Trade Organization fisheries subsidies negotiation.</p>
SDG 17 <b>Strengthen the means of implementation and revitalize the global partnership for sustainable development</b>	<p><b>17.10</b> Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda.</p> <p><b>17.11</b> Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020.</p> <p><b>17.12</b> Realize timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with World Trade Organization decisions, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple, and contribute to facilitating market access.</p>

Source: FAO, IFAD and WFP (2015).

## 2. FAO support for transparent and inclusive commodity markets and international food and agriculture trade

Pronouncements, acknowledgements, commitments and declarations in various international forums have emphasized the importance of agrifood trade in promoting food security. Notable examples include:

- i. In 2013, Member States of the World Trade Organization (WTO) concluded negotiations at the **Bali Ministerial Conference on the landmark Trade Facilitation Agreement (TFA)**, which entered into force on 22 February 2017 following its ratification by two-thirds of the WTO membership. The TFA contains provisions for expediting the movement, release and clearance of goods, including goods in transit (WTO, 2014).
- ii. The Declaration on Accelerated Agricultural Growth and Transformation adopted at **the African Union Summit in Malabo** in June 2014 highlighted the need to further exploit regional complementarities and cooperation opportunities to boost economic growth and resilience. In the declaration, African leaders specifically committed to triple intra-African trade in agricultural commodities and services by 2025 and to accelerate the establishment of the African Continental Free Trade Area (AfCFTA) (African Union, 2014).
- iii. The November 2014 **Rome Declaration on Nutrition** acknowledged that “trade is a key element in achieving FNS and agreed to pursue food trade policies that are conducive to fostering FNS for all, through a fair and market-oriented world trade system. It reaffirmed the need to refrain from unilateral measures not under international law, including the Charter of the United Nations, and which endanger FNS, as stated in the 1996 Rome Declaration” (FAO and WHO, 2014).
- iv. In 2015, WTO Member States adopted the **“Nairobi Package”**, committing all Members to advancing negotiations on the remaining Doha issues, including work on all three pillars of agriculture, namely, domestic support, market access and export competition. Members also adopted a decision of direct relevance to the achievement of SDG target 2.b on the parallel “elimination of all forms of agricultural export subsidies and disciplines on all export measures with equivalent effect”. According to the decision, developed country members shall eliminate export subsidies immediately as a rule, with delayed implementation under certain conditions for a limited number of products. This agreement was made to protect farmers in developing countries, as export subsidies lower their wages and undermine their livelihood (WTO, 2015).
- v. The **Addis Ababa Action Agenda (AAAA)** of the Third International Conference on Financing for Development (2015) acknowledges that international trade is an engine for inclusive economic growth and poverty reduction. It notes that, with appropriate supporting policies, infrastructure and an educated workforce, trade can also help to realize productive employment, decent work, women’s empowerment and food security, as well as a reduction in inequality, among other objectives. The outcome document of the conference included several commitments on trade, including (United Nations, 2015):
  - “We will continue to promote a universal, rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable multilateral trading system under WTO, as well as meaningful trade liberalization” (paragraph 79);
  - “With appropriate supporting policies, infrastructure, and an educated workforce, trade can also help to promote productive employment and decent work, women’s empowerment and food security, as well as a reduction in inequality, and contribute to achieving the sustainable development goals” (paragraph 79);
  - “We will endeavour to significantly increase world trade in a manner consistent with the sustainable development goals” (paragraph 82);
  - “We call on WTO members to correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and disciplines on all export measures with equivalent effect” (paragraph 83); and
  - “Recognizing the critical role of women as producers and traders, we will address their specific challenges in order to facilitate women’s equal and active participation in domestic, regional and international trade” (paragraph 90).

## 2.1 Evolution of FAO's work on commodities and trade

FAO was established in 1945 and, in 1949, became the first organization in the United Nations System to set up a Commodity Division (later named the Commodities and Trade Division, or ESC, now called the Markets and Trade Division, or EST). The international context at the time was dominated by post-war debates on widespread food shortages, emergency reserves, the use of commodity surpluses and international (particularly commodity) agreements.

In this context, the division initiated global economic analyses on a commodity-by-commodity basis, produced the first set of global commodity projections, forged international agreements such as the Principles of Surplus Disposal and the sisal and tea quota arrangements, and spurred the establishment of several intergovernmental commodity bodies. Following the world food crisis of the early 1970s, ESC took responsibility for operating the Global Information and Early Warning System (GIEWS), established in 1975.

During the restructuring of FAO in the mid-1990s, part of the food security function was transferred from ESC to the Agriculture and Development Economics Division (ESA) and, in a general arrangement, the divisional split of labour was drawn at the national level. Very roughly, studies of the economics of international markets and trade remained the domain of EST, while in-country economic issues relating to commodity production and markets (including basic commodities and food security) were covered by ESA.

FAO also has other units involved in marketing and trade. For fisheries and forestry products, marketing and trade issues are handled by the respective divisions, while FAO's work on food safety, sanitary and phytosanitary standards for trade and technical support for in-country marketing are handled by the Food Systems and Food Safety Division (ESF).

With the move away from government-controlled commodity markets and government commodity trading in the 1980s and 1990s, the purpose and functions of ESC needed to change. Accordingly, it had to review its basic functions and roles and take on more policy analysis and advisory roles. The general process of adopting the functions of the division to the changing needs and realities of international commodity markets has continued ever since, in addition to responding to various work priorities and requests from FAO Members.

## 2.2 The Markets and Trade Division (EST)

Today, EST is the primary FAO division in charge of work on commodity markets and international trade. It maintains a market intelligence service for food and agricultural commodities, monitors and analyses trends in food and agricultural commodity markets, conducts studies and disseminates comprehensive market and policy information on the major traded commodities and those important to food security. It also undertakes medium-term outlook studies.

The division also reviews issues that affect global food and agricultural trade, such as trade measures and agreements, and provides technical support and capacity building to Members in all of these areas. EST also facilitates dialogue on various aspects

of food and agricultural trade. Through GIEWS, the division is also responsible for FAO's early warnings on food shortfalls. EST houses the secretariats of the Committee on Commodity Problems (CCP) and its subsidiary bodies, the Intergovernmental Groups on Commodities (IGGs) and the Agricultural Market Information System (AMIS). Based on its review of the world food situation and of commodity problems and policies at country, regional and international level, EST provides support for FAO's programme of work on world food-security analysis.

## 2.3 FAO activities to support transparent and inclusive commodity markets and international food and agriculture trade

FAO's activities in this workstream can be broadly classified into the following four areas.

A. Facilitating international cooperation and consensus-building on commodity-market issues and trade (convening role)

In this role, FAO and, in particular, EST support the proper functioning of food and agricultural commodity markets (SDG target 2.c) by providing a neutral forum for discussions and creating opportunities for multi-stakeholder representatives to convene, exchange views, debate and reach consensus on key commodity and trade issues. FAO sets the agenda and serves as Secretariat, or as a strategic partner, providing information and expertise. It facilitates deliberations and contributes to the formulation of action plans.

FAO commands a reputation for neutrality that distinguishes it from other global institutions and national aid agencies. This legitimacy enables it to bring parties to the table and facilitate agreement, as well as to ensure a receptive audience for its knowledge management and advocacy work.

EST's role as a convener is conducted primarily through the CCP and its subsidiary bodies, the IGGs and increasingly through other supporting events and consultations, conferences, workshops and seminars.

### A.1 The Committee on Commodity Problems

The CCP was established in 1949 and is FAO's oldest technical committee. It currently consists of 110 FAO Members, plus observers who typically meet once every two years although additional sessions may be held at Members' request. The terms of reference of the CCP are as follows: i) keep under review any international commodity problems affecting production, trade, distribution, consumption and related economic matters; ii) prepare a factual and interpretative survey of the world commodity situation that can be made available directly to Members; and iii) report and submit suggestions to the FAO Council on policy issues arising out of its deliberations. The CCP is also responsible for guiding the main priorities of FAO's work in the area of commodity markets and trade.

Interviewees especially appreciated the role of the CCP in providing a forum for candid and open discussions of politically sensitive topics on agrifood trade and commodities.

A 2012 review of the CCP by members found that although the basic terms of reference defining the scope of the CCP's work were valid, the inflexibility of scheduling arrangements, its biennial

sessions and limited inter-session activity constrained its scope to be current, responsive and proactive in dealing with the latest market developments.

The CCP implemented several decisions in response to the review findings. Key among these was the expansion of the CCP Bureau from three to seven CCP members, who would undertake steering committee functions with a view to improving the continuity of activities between sessions and raising the CCP's profile.

## **A.2. The Intergovernmental Groups on Commodities**

These are subsidiary bodies of the CCP, which provide a forum for consultation on the economic aspects of the production, consumption, marketing and trade of certain commodities and the review of related policies. The IGG secretariats hosted by FAO support this function by collecting and disseminating information and statistics, market outlooks and analyses of market developments and policy issues. Eleven IGGs were set up between 1955 and 1985, nine of which are still in existence.<sup>1</sup>

The IGGs also used to promote commodity development through their role as designated International Commodity Bodies (ICBs) for the submission of commodity development projects for financing by the Common Fund for Commodities (CFC).<sup>2</sup> In this role, the secretariats of the IGGs supported the identification, preparation and supervision of CFC-funded commodity development projects. However, once the method of CFC support changed from grant to loan financing, the IGGs' (and FAO's) involvement was scaled back significantly. Today, FAO is not involved in CFC projects.

Outside FAO, there are independent specialized organizations for some of the major agricultural commodities, which are also recognized as the relevant ICBs for the commodities concerned.<sup>3</sup> These independent organizations fulfil similar or complementary roles to the IGGs and their secretariats in FAO, including the collection and dissemination of statistical information and market and policy analyses. The IGGs and the independent commodity organizations are key elements in international commodity governance, which aim to enhance the transparency and efficiency of international commodity markets, support product and market development and promote effective and coordinated policy action.

Although the work of the IGG secretariats is a continuous process, the frequency of formal meetings and the active involvement of group members between those formal meetings varies from group to group. In addition to being the only IGGs to hold regular inter-session meetings to discuss current market developments, three IGGs (on Tea, Hard Fibres and Jute, Kenaf and Allied Fibres) are the only IGGs to have continued convening formal sessions since 2015. Resource constraints have meant that the other groups now meet less frequently (only as required) and appear to have little active participation between formal meetings.

As the ICBs and the private sector have taken on a significantly larger role in agricultural commodity markets, the need for some IGGs has also declined. In some cases, IGG activities have been curtailed, fuelling further uncertainty as to their usefulness and relevance and leading to the winding-down of their programmes.

With governments now less involved in most commodity markets, the official nature of the CCP and IGG meetings has reduced their relevance. Nonetheless, they are viewed as a unique forum in which agricultural commodity and trade issues can be discussed and where small countries can meet with large countries on an equal footing – a reflection of FAO's important function as a "neutral forum".

A recent demonstration of FAO's convening role was the virtual meeting of African ministers of agriculture, held on 16 April 2020, and organized jointly with the African Union Commission (AUC). The main objective of the high-level meeting was to open a dialogue with African agricultural ministers to identify actions to minimize the effects of COVID-19 on Africa's already problematic food systems. In terms of agricultural commodities and trade, the ministers resolved to: i) ensure that trade and tax policies remained conducive to maintaining food supply value chains and ii) keep borders open to facilitate trade in foods and agricultural inputs, especially for import-dependent countries and, in particular, small island nations.

## **B. Support for commodity-market and food-security monitoring, including the collection, analysis and dissemination of statistical data and modelling related to international trade in agricultural commodities**

Agricultural commodity data at country level are often lacking, despite their importance for a range of stakeholders along the commodity value chains, from producers to final retailers. Such data improve transparency, contribute to well-functioning markets and are essential to ensuring fair agricultural livelihoods and, ultimately, the food security of populations. Agricultural commodity data are also pivotal to ensuring evidence-based policy formulation.

FAO facilitates timely access to market information (SDG target 2.c) and greater transparency in international commodity markets by providing regular and timely updates on crop conditions, global supply and demand, price movements and policy developments. It maintains a comprehensive market intelligence service on the main agricultural commodities, including basic foodstuffs, tropical products and raw materials.

FAO's contribution in this area is arguably its most visible and valued contribution to transparent commodity markets. This role also lies squarely within FAO's mandate as a custodian of a number of SDG indicators and leverages the Organization's vast data architecture.<sup>4</sup> Accordingly, the main instruments of FAO's work in this area include, but are not limited to:

<sup>1</sup> They included: Rice (1955), Cocoa (1956), Grains (1957), Citrus Fruit (1959), Jute, Kenaf and Allied Fibres (1963), Oilseeds, Oils and Fats (1965), Bananas (1965), Hard Fibres (1966), Wine and Vine Products (1968), Tea (1969), Meat (1970) and the Sub-Group on Hides and Skins of the IGG on Meat (1985).

<sup>2</sup> In the early 1990s, eight IGGs were designated International Commodity Bodies (ICBs): Bananas (and subsequently the Sub-Group on Tropical Fruits); Citrus Fruit; Hard Fibres; Meat; Oilseeds, Oils and Fats; Rice; Tea; and the Sub-Group on Hides and Skins. Between 1995 and 2001, two IGGs were abolished: the IGG on Cocoa, which had been dormant since 1975 following the establishment of the International Cocoa Organization, and the IGG on Wine and Vine Products, which had not met in several years.

<sup>3</sup> Examples include: the International Coffee Organization (ICO), International Cocoa Organization (ICCO), International Sugar Organization (ISO) and International Grains Council (IGC).

<sup>4</sup> FAO is the designated custodian agency for 21 indicators including SDG indicator 2.c.1, the indicator of food price anomalies.

### B.1. The Global Information and Early Warning Service

GIEWS was established after the global food crisis of the early 1970s. It has the mandate to continuously monitor the global food supply and demand situation and alert the international community to countries or regions threatened by serious food shortages, or to those that have exceptional localized or exportable surpluses of food available for donor purchases and distribution to deficit areas. The data are intended primarily as a global public good, are part of FAO's core function of global data provision and meet internal and external needs for food-security monitoring, analysis and policymaking.

The GIEWS price dataset includes more than 1 200 price series from 89 countries, including domestic prices for 85 countries. It indicates changes in general price trends for certain cities and countries and provides export prices (43 international food price series) for the main world suppliers of various key commodities. The dataset also includes consumer prices indexes and the official USD

exchange rates for national currencies, so nominal prices can be easily converted to real prices and calculated in USD terms for more meaningful comparisons over time and across countries.

As these datasets are also a valuable resource that support countries in gathering evidence for policy decisions or planning by development partners, GIEWS has developed several web-based tools to facilitate widespread access to and analysis of the data (Box 1).

### B.2. The Agricultural Market Information System

AMIS is an inter-agency platform to enhance food-market transparency and policy response for food security. It was approved by the G20 agriculture ministers in June 2011 as part of the G20 Action Plan on Food Price Volatility and Agriculture and launched in September of the same year. The initiative came in response to sudden and sharp price spikes and swings in the international prices of basic food commodities, which exposed weaknesses in market

#### Box 1

#### GIEWS technical insights

FAO's GIEWS provides information on countries facing food insecurity through various reports and tools, including:

- **Crop Prospects and Food Situation** is published four times a year by EST as part of GIEWS and focuses on developments affecting the food situation of developing countries, particularly the low-income food-deficit countries (FAO, n.d.b.). The report provides a review of the food situation by geographic region, with a section dedicated to the low-income food-deficit countries and a list of countries requiring external food assistance. It also includes a global cereal supply and demand overview to complement the biannual analysis in the Food Outlook publication.
- The **Food Outlook** is a biannual publication (in May/June and November/December) focusing on developments affecting global food and feed markets (FAO, n.d.c). It provides comprehensive assessments and short-term forecasts on a commodity-by-commodity basis and is synergic with the Crop Prospects and Food Situation report.
- **Food Price Monitoring and Analysis (FPMA)**. Following the food-price crisis of 2007–2008, GIEWS developed and customized the FPMA Tool to support the dissemination of price information to all actors along the food value chain. Initially developed for use at a global level, the tool has been adapted for use at the national and regional level, based on countries' (or regional bodies') own data. It can be further customized to meet countries' specific needs. At the same time, FAO initiated systematic reporting on food price developments at the world, regional and country-level through a monthly publication, now known as the **FPMA Bulletin** (FAO, n.d.d). In countries where it has been deployed, the FPMA Tool has improved access to price data, enabling easy visualization and monitoring of both the latest price movements and historical trends since going online in 2009. The database includes more than 1 400 monthly domestic retail and/or wholesale price series of major foods consumed in 94 countries, as well as weekly and monthly prices for 85 internationally traded foods. Feeding into FPMA at country level, SDG indicator 2.c.1 of food price anomalies offers governments regular price information on a basket of goods. Results are disseminated and analysed through the FPMA website and bulletin on a monthly basis, with the aim of providing early warnings to countries where there is a potential impact on economic access to key food products as a result of abnormally high food prices.
- **Special alerts** are short reports that describe an alarming food security situation that is developing in countries or sub-regions. They also alert the international community on measures to be taken.
- **Special reports** outline the food supply and agricultural situation in countries or sub-regions experiencing particular food supply difficulties. They also alert the international community on measures to be taken. They are often the result of Crop and Food Security Assessment Missions or rapid evaluation missions.
- **Country briefs** provide up-to-date information on the food-security situation of monitored countries, including information on the current agricultural season, the harvest prospects for the main staple food crops and the livestock situation. In addition, they provide estimates and forecasts of cereal production and imports, together with food prices and policy developments. Other topical information may be included when relevant. The briefs are updated no less than four times a year.
- **Country cereal balance sheet (CCBS)**. The CCBS system is a unique database created and continuously kept up to date by GIEWS, with data since 1980 (FAO, n.d.e). It contains annual supply and utilization balances for the main cereals produced and consumed in all countries globally.
- **Earth observation for crop monitoring**. To support its analysis and supplement ground-based information, GIEWS uses remote sensing data that can provide valuable insights into water availability and vegetation health during cropping seasons. In addition to rainfall estimates and the Normalized Difference Vegetation Index (NDVI), GIEWS and FAO's Climate and Environment Division have developed the Agricultural Stress Index System (ASIS), a quick-look indicator for early identification of agricultural areas probably affected by dry spells or drought in extreme cases.

information systems and the coordination of actions and policy responses. These included a lack of up-to-date and reliable data on crop production, utilization, stocks and export availability.

Bringing together the principal trading countries of agricultural commodities, AMIS assesses global food supplies (focusing on wheat, maize, rice and soybeans) and provides a platform to coordinate policy action in times of market uncertainty. AMIS is composed of G20 members plus Spain and seven additional major exporting and importing countries of agricultural commodities. Together, AMIS participants represent a large share of global production, consumption and trade volumes of the targeted crops, typically in the range of 80-90 percent.

As one of its main outputs, AMIS provides a database of up-to-date market information on the production, utilization, stockholding and trade of the four main food crops that are widely traded in international markets. The database provides commodity- and country-specific information for each of the 28 participants (with the European Union representing its member states, including those that are G20 members) and the rest of the world provided as an aggregate.

In addition to the market database, AMIS also produces a monitoring report, Market Monitor (AMIS, n.d.) and provides a policy database. The Market Monitor provides a synopsis of major developments in international commodity markets for the four AMIS crops. Published ten times a year, the report aims to improve market transparency and detect emerging problems that might warrant the attention of policymakers. The AMIS policy database gathers information on trade measures and domestic measures related to the four AMIS crops, as well as biofuels.

At the functional level, AMIS consists of the Global Food Market Information Group, the Rapid Response Forum (RRF) and a joint Secretariat. The AMIS Secretariat, housed at FAO headquarters in Rome, comprises ten international organizations and entities and supports all functions of the RRF and the AMIS Information Group. It is facilitated by a steering committee that brings together representatives from each of the ten member organizations. The Secretariat develops methods and indicators to monitor market and policy developments and provides information on the market situation and outlook for the four commodities.

AMIS has contributed to improving market transparency and accessibility to data and information on global food markets. Before it was established, data published by the main providers of global market information – FAO, the International Grains Council (IGC) and the United States Department of Agriculture – were sometimes incoherent and occasionally even contradictory. By strengthening collaboration between these data providers, AMIS has gradually improved the reliability of the information available, as illustrated by the general convergence of key indicators. Moreover, one of the key merits of AMIS has been an increase in consultation among members to openly present differences in data and explain why these different viewpoints each provide a valid assessment of the global market situation.

The initiative has also contributed to strengthening national capacity to monitor food markets. Some AMIS participants have benefited from guidance on their monthly data submissions, as well as targeted training activities. Others with already functioning monitoring systems have broadened the scope of their analysis from national to global level, for instance, to assess their position

in global markets as a food importer or exporter. Specific examples include the Russian Federation and Ukraine, which have seen a great improvement in the preparation of their commodity balances; Indonesia, which has adjusted its maize production forecasts; and South Africa, which has introduced a regular assessment of the country's market situation.

Another important feature of AMIS is that it has built a network of trust among the major food-producing and importing countries. This network was put to test in 2012, when a drought in North America sharply affected maize and soybean yields, while hot and dry conditions in southern Europe raised concerns over wheat yields. Given the importance of both regions for global food markets, many observers sensed another food-price crisis. However, unlike in 2007/08, countries were able to revert to AMIS as a forum to assess the market situation and discuss adequate responses. Despite pressure on the G20 to take action, AMIS participants decided against holding an emergency meeting, which in their view would have further destabilized markets. AMIS also advised against a hasty policy action that had exacerbated crises in the past. The 2012 episode illustrated that AMIS could avert market instability and play an important role in commodity-market governance.

Despite these widely acknowledged contributions to market transparency for the four commodities covered, critics point out the limited scope of commodities covered by AMIS and the less detailed information on situations in developing countries. A 2019 AMIS user consultation conducted by FAO found that: i) about two-thirds of AMIS users were concentrated in Europe and Asia; ii) commercial companies are the largest user group, accounting for about 35 percent of users, followed by students and educators (22 percent); and iii) the most common request was for an expansion of the product and geographical coverage of the database.

### **B.3. The Agriculture Stress Index System**

Monitoring crop growth around the globe is crucial to forecasting production and providing early warnings of situations where crop failures might lead to food shortages. As ground meteorological data for drought monitoring is seldom adequate or timely, FAO, together with the Flemish Institute for Technological Research and the Joint Research Centre of the European Commission, developed ASIS.

ASIS uses satellite-based remote sensing data to detect agricultural areas (cropland or grassland) with a high likelihood of water stress (dry spells and drought). A standalone version (Country-level ASIS) has been developed for use at the country or regional level to develop early actions to mitigate the impact of drought, to guide public investment and to design crop insurance schemes.

Since 2016, Country-level ASIS has been implemented in Bolivia (Plurinational State of), Nicaragua, the Philippines, and Central America (Dry Corridor) and is currently being implemented in Peru (Puno Province), Panama, Paraguay, Pakistan and Viet Nam.

### **C. Support for capacity building to enhance the functioning of agricultural commodity markets and trade**

FAO's engagement in this area helps to prevent trade restrictions and distortions in world agricultural markets (SDG target 2.b) by enabling governments and other stakeholders to gain access to the necessary information, knowledge and expertise to make informed policy decisions. Furthermore, FAO provides capacity development on global trade issues, such as market access, domestic support

## Box 2

### FAO support for trade capacity development in eastern and southern Africa

**Context:** One of the key commitments of the 2014 Malabo Declaration was to boost intra-African trade in agricultural commodities and services by 2025 (through the AfCFTA/Common External Tariff). This is increasingly regarded as a means of promoting agricultural transformation in sub-Saharan Africa, as it could help address key challenges to agricultural development (such as small national markets). It could also incentivize the investment in production and marketing infrastructure crucially needed to scale up production and boost productivity.

However, initiatives to promote this transformation are often constrained by market and trade-related bottlenecks. These can result from misaligned sectoral policies and priorities, for example, between agricultural, trade, commercial, industrial and/or financial policy stakeholders, creating disincentives for target beneficiaries. Strengthening the coherence of policies on trade and agriculture is, therefore, fundamental to creating an enabling environment for agricultural development initiatives and requires action at both the policy and project levels. In this regard, trade-related capacity development is thought to be crucial to FNS.

To underpin better linkages between trade and agricultural structures and programmes in eastern and southern Africa, in 2017, FAO and the Enhanced Integration Framework (EIF) decided to pool their networks and experience. EIF has significant experience working with ministries of trade, while FAO has traditionally worked with ministries of agriculture. The goal of the technical collaboration was to improve understanding of the policymaking processes governing agriculture and trade and to identify opportunities to better link these processes so as to promote greater policy coherence.

The FAO project “Trade-related capacity development in eastern and southern Africa (FMM/RAF/507/MUL)” was implemented in Mozambique, the United Republic of Tanzania and Zambia in 2017. Its overall objectives were i) to increase the capacity of the eastern and southern African regions to effectively design sub-regional and national strategies that provide adequate solutions to trade-related issues and ii) to support Mozambique, the United Republic of Tanzania and Zambia in evidence-based policymaking and to enhance cross-sectoral coordination in the design and implementation of agricultural trade policies, strategies and agreements.

**Partnerships:** The project was implemented in collaboration with the Trade Policy Training Centre in Africa (TRAPCA), based in Arusha, United Republic of Tanzania. TRAPCA and FAO jointly developed one unit for each of the two e-learning courses. The courses were hosted on a United Nations Institute for Training and Research (UNITAR) platform, technically supported by UNITAR and jointly facilitated by FAO and TRAPCA. On the policy advice front, the project was implemented in collaboration with EIF and the European Centre for Development Policy Management.

#### Results

**Output 1:** Improved capacity to generate and use evidence for trade policy analysis, trade policy development and trade negotiations

- i. Two e-learning courses (one on trade, FNS, and another on agriculture in trade agreements) were delivered to participants from 20 countries from eastern and southern Africa.
- ii. Two regional dialogues were organized as a follow-up to the first e-learning course.

**Output 2:** Coherent development of agricultural trade policies and improved design of agriculture and food-security strategies and investment plans, building on synergies between agriculture and trade planning processes and related institutions

- i. Four studies on the coherence of agricultural and trade policies were prepared in Mozambique, the United Republic of Tanzania and Zambia.
- ii. National dialogues were held in Mozambique, the United Republic of Tanzania and Zambia to validate the study reports with stakeholders from government, the private sector and academia, as well as donors from both trade and agriculture. During these dialogues, priority areas were identified for the preparation of project proposals in Mozambique, the United Republic of Tanzania and Zambia.
- iii. In Mozambique, three provincial meetings were held to prepare the project proposal, with stakeholders participating from the northern, central and southern regions.

Overall, the project assisted these countries in improving the implementation of the trade agreements to which they are signatories, including the WTO Agreement on Agriculture, the Common Market for Eastern and Southern Africa, the East African Community and the Southern African Development Community.

measures and technical barriers to trade, trade dispute resolution, trade facilitation and transparency in agricultural trade policies.

Despite their importance, capacity-development activities are the least prominent of FAO's activities in support of transparent and inclusive commodity markets and international trade. Limited resources have constrained FAO's ability to meet Members' demand for capacity-development support in this area.

Support is delivered through targeted capacity-development activities, such as national and regional workshops, institutional support and e-learning and online training courses. FAO's extensive project implementation experience, its network of country, sub-regional and regional Offices, combined with FAO's strong technical expertise at headquarters and the tools it has developed, provide it

with a comparative advantage in delivering market and trade-related capacity-development support to countries that is compatible with national food-security objectives.

Notable ongoing trade capacity-development activities include: i) technical assistance to the AUC, its Member States and regional economic communities (RECs) in the implementation of strategies and programmes aimed at increasing intra-African trade and improving food security; ii) the Regional Initiative on Agrifood Trade and Market Integration to support former Soviet countries in enhancing the agrifood trade policy environment for small- and medium-sized agricultural enterprises in pursuit of more inclusive and efficient agricultural food systems; and iii) trade-related capacity development for FNS in eastern and southern Africa (Box 2).

#### **D. Facilitating the generation and exchange of knowledge through various publications, including technical papers, periodicals, studies, policy papers and global assessments.**

In this role, FAO assembles, analyses and provides access to knowledge and information in the area of food and agricultural commodity markets and trade, including global and regional trends and perspectives and associated responses by governments and other stakeholders. Through its knowledge products on trade and commodity markets, FAO seeks to inform and support evidence-based policy formulation and help guide decision-making processes. These FAO publications are frequently used by government agencies and other stakeholders and cited in academic research and media reports. They are notably interdisciplinary, drawing on the expertise of other FAO divisions.

A strict schedule is followed for the production of regular publications, such as the monthly FAO Food Price Index, the biannual Food Outlook report, the quarterly Crop Prospects and Food Situation report, and the annual OECD–FAO Agricultural Outlook (OECD and FAO, 2020), written together with the Organisation for Economic Co-operation and Development

(OECD). The broad categories of publication include series and major studies, background documents of FAO meetings, trade and WTO negotiations, market analyses and outlook studies, and miscellaneous other documents.

A flagship publication of the Markets and Trade Division is The State of Agricultural Commodity Markets (SOCO) report which aims to present commodity-market issues in an objective, transparent and accessible way to the attention of a wider public, including policymakers, commodity-market observers and all those interested in commodity-market developments and their impact on developing countries (FAO, 2015; 2018a; 2020). The publication brings together FAO's expertise on agricultural production, trade and food security, making FAO the ideal organization to produce such a publication on a regular basis. Key themes covered by the SOCO report include the relationship between agricultural trade, climate change and food security; trade and food security; global value chains, trade policies and regional trade agreements. The 2020 edition of SOCO was devoted to the theme of agricultural markets and sustainable development, covering global value chains, smallholder farmers and digital innovations (FAO, 2020).

### **3. Partners involved in implementation**

Partnerships are an important aspect of FAO's work on commodity markets and trade, especially considering the broad and expanding scope of the work and the constrained resource environment. By partnering with donors, FAO can use their resources to expand its reach and leverage its expertise in and knowledge of agricultural commodities and trade. In addition, partnerships are a suitable mechanism for FAO to involve the private sector and other non-state actors, which now account for a large share of global agricultural trade.

Several other international organizations undertake analysis of commodity markets and international trade in food and agricultural products. FAO works collaboratively and sometimes competitively (such as for donor funding) with a number of them. There are a diversity of research institutions active in the area of trade policy analysis and advice, including OECD, the International Food Policy Research Institute (IFPRI), the Overseas Development Institute and United Nations System organizations, such as the United Nations Conference on Trade and Development (UNCTAD), the United Nations RECs, the World Bank and WTO.

In the area of commodity-market information and prospect analysis, the United States Department of Agriculture and OECD provide such information and analysis, as do several of the ICBs and universities, as well as private-sector companies (for a price).

In the area of technical assistance to develop the production, processing and marketing of export commodities, the International Trade Centre is very active, while several of the ICBs assist in project formulation and the preparation of programmes related to their particular commodities, usually under the umbrella of CFC. FAO also works with regional economic bodies, such as the African Union and the Caribbean Community's Caribbean Regional Negotiating Machinery. Lastly, FAO works with the World Health Organization (WHO) on food quality and standards.

Notable examples of FAO's partnerships on commodities and trade include: i) the preparation of the medium-term Agricultural Outlook with OECD; ii) EIF financing for FAO's support for trade capacity development in eastern and southern Africa; and iii) FAO's engagement in multi-stakeholder mechanisms and partnerships, such as AMIS and the World Banana Forum.

### Box 3.

#### The World Banana Forum: A multi-stakeholder partnership to promote the sustainable production and trade of bananas

The World Banana Forum was established to provide a platform where the main stakeholders of the global banana supply chain could work together to achieve consensus on best practices for the sustainable production and trade of bananas. By bringing together governments, producers, retailers, importers, exporters, consumer associations, research institutions, trade unions and civil-society organizations, the Forum's mission is primarily twofold:

- i) Inspire collaboration between stakeholders that produces pragmatic outcomes for the betterment of the banana industry.
- ii) Achieve consensus on best practices in relation to workplace issues, gender equity, environmental impact, sustainable production and economic issues.

Since its formation, the Forum has acted as an informal network, focusing on results and delivering regular communications to governmental representatives through the IGG on Bananas and Tropical Fruits, the Secretariat of which is also hosted by EST. Unlike the IGGs, however, the World Banana Forum comprises a wider variety of stakeholders and involves the active participation of the private sector, in particular.

Governance: The activities of the Forum are guided by a steering committee and implemented by specialized working groups.

Funding: The Forum's activities are funded by annual contributions from participants and funds from donors.

FAO's role: As an intergovernmental organization, stakeholders trust FAO to play the role of a neutral facilitator. FAO aims to ensure the forum has the objectivity, independence and credibility that are prerequisites to its success. FAO's technical expertise in banana production and trade is widely recognized, as EST has worked on banana trade policy and markets for decades.

Achievements: Among its achievements, the Forum:

- i. created a virtual online library enabling companies and small farmers to share environmentally responsible best practices, including ways of reducing the use of the most toxic pesticides;
- ii. monitored wage levels in eight leading banana-exporting countries to inform a range of initiatives aimed at calculating and working towards payment of a living wage at plantation level;
- iii. undertook the first comprehensive mapping of women's employment in three major banana-exporting regions;
- iv. produced a handbook celebrating labour-relations best practices in the banana industry;
- v. produced a set of best practices for sustainable production, easily accessible through a dedicated web portal;
- vi. produced a manual on occupational health and safety to train workers, company staff and growers;
- vii. produced a practical guide for measuring and reducing the carbon and water footprints of growers; and
- viii. formed a global multi-stakeholder task force to combat Fusarium wilt tropical race 4.

## 4. FAO's comparative advantage

FAO's comparative advantage in this area of work stems from:

- i. **Its reputation as a neutral international forum.** FAO has a reputation for neutrality that distinguishes it from other institutions engaged in similar activities. It acts as an honest broker to which sensitive tasks can be entrusted and which can interact with and bring together various constituencies, both governmental and non-governmental. This legitimacy enables it to bring parties to the table and facilitate agreements, as well as ensure a receptive audience for its knowledge products and advocacy work.
- ii. **Its breadth of agricultural commodity and country coverage.** A key comparative advantage of FAO is that its expertise spans most food and agricultural commodities and all geographic areas, so it has experience in the assessment of most types of commodity problems and policy efforts to address them. This is especially important considering the diminishing capacity of some institutions that were previously dominant in this area of work. Broad commodity coverage also distinguishes FAO from single commodity institutions, such as IGC, and institutions such as WTO, which do not focus exclusively on agricultural commodities. Unlike other sources of commodity-market information, FAO focuses on developing countries and is often the only source of data and information for a particular region, country or 'minor' commodity.
- iii. **Its extensive data architecture.** FAO is a global leader in agricultural data collection, market analysis and the monitoring of physical fundamentals for food and other agricultural commodities. This is done at the global, regional and national levels and involves a direct interface with national authorities to obtain data. As part of its role in collecting data and monitoring food and agricultural markets, FAO houses unique and comprehensive commodity databases and food-security information systems, with continuity in data collection, generation, monitoring and assessment, and the provision of information. FAO is also the custodian UN agency for SDG indicator 2.c.1 on food price anomalies.
- iv. **Its decentralized structure and network of country, sub-regional and regional offices** facilitate access to officials from countries, regional bodies and institutions. This strong presence at country level and its partnerships with international

organizations enables FAO to provide information to and from governmental and intergovernmental authorities, to compile regular situation reports, to effectively deliver trade-related capacity support to countries and to disseminate publications. In addition, FAO hosts the Secretariat of AMIS, where ten international organizations work to improve the collection, analysis and dissemination of information on food markets and the outlook for major producing and trading countries.

v. **The extensive project implementation experience of FAO country, sub-regional and regional offices**, combined with its strong technical expertise at headquarters, provide FAO with a comparative advantage when it comes to systematically delivering market and trade-related support to countries that is compatible with national food-security objectives. The technical assistance offered to countries is also viewed as having no commercial or political bias.

## 5. Some of the challenges faced by FAO in undertaking this work

**Inadequate and diminishing expertise.** FAO faces two challenges related to the adequacy of its expertise in trade and commodities. In its country and regional offices, there seems to be a lack of personnel with trade and commodity-market expertise, which affects its ability to respond to the needs of Members in this area. At headquarters, there appears to be a decline in expertise for certain key food-security commodities, such as cassava, roots and tubers, and pulses. This decline at headquarters is attributable to the abolition of some posts, restructuring and attrition.

**Low visibility at country level and insufficient links with ministries in charge of trade policy.** There is a perceived lack of visibility of FAO's commodities and trade work at country level. In

addition, FAO has not established strong links with the ministries and departments in charge of agricultural trade. This is desirable in order to strengthen the coordination and coherence of trade and agricultural policy, the lack of which may hamper the effectiveness of FAO's influence in this area of work.

**Limited attention to and focus on the fairness aspects of agricultural trade.** The review did not find much evidence of sustained FAO support for the promotion of fair practices in food trade. Although trade rules are negotiated under WTO, in the area of agricultural and food trade, FAO could do more to facilitate the promotion of fair agricultural trade.

## 6. Principles of the 2030 Agenda and FAO's work on commodity markets and trade

**Acting at scale and in partnership.** FAO's activities in agricultural commodities and trade are concerned primarily with the provision of global public goods, many of which are highly visible and widely used by governments, other development actors and the private sector. These activities include FAO's convening role, GIEWS, updates on crop conditions, global supply and demand situations, price movements and publications. FAO has forged partnerships with a wide variety of stakeholders engaged in various aspects of agricultural trade and commodities. It participates in and often leads, hosts or provides the technical Secretariat for major inter-agency and multi-stakeholder alliances, including the World Banana Forum and AMIS. As well as facilitating collaborations between government and stakeholders, FAO partners with the private sector, producer organizations, cooperatives, academia and research institutions with a shared view to developing capacity, exchanging knowledge and promoting best practices.

**Support for social groups and leaving no one behind.** Ensuring that no one is left behind calls for the integration of smallholders and family farmers into markets and value chains on terms favourable or not overly unfair to them. They also need up-to-date and reliable information on commodity markets, especially prices, so they can get the best price for their produce. The review found evidence of activities aimed at supporting the integration of smallholder (usually rural) farmers into regional and international

markets and value chains. However, as FAO's main activities in this work stream involve the provision of global public goods, there is weak or limited targeting of social groups (youth, the disabled, indigenous peoples, ethnic minorities, refugees, the extreme poor, etc.).

**Holistic approaches and interconnection.** There are aspects of FAO's work on agricultural trade and commodities that facilitate coordination and interconnectedness across multiple sectors. Two examples are: i) FAO's support in strengthening the knowledge base on the linkages and impacts of trade on nutrition and ii) its support for strengthening the coordination and coherence of trade and agriculture policy in Africa. By supporting research and facilitating dialogue among stakeholders, FAO helps to build the evidence base on the impact of trade on nutrition, which will in turn enhance greater coherence between the trade and health/nutrition objectives and policies of Members. Relatedly, in Africa, FAO is facilitating a dialogue between representatives of ministries of agriculture and ministries of trade, both nationally and regionally, with a view to improve understanding and promoting coherence and consistency of their policy processes. Despite these activities, FAO's limited in-country presence in terms of trade-policy personnel means there has been no sustained effort nor success in improving interconnectedness, especially between the trade and agriculture sectors at the country level.

## 7. Conclusions and recommendations

### 7.1 Conclusions

**Conclusion 1.** In the area of commodity markets and international trade, FAO's provision of global public goods is its most visible and influential contribution. FAO provides much needed and highly valued commodity-market information and price monitoring, early warnings and alerts on food crises, and information on crop prospects and the food situation.

**Conclusion 2.** Convening on politically sensitive issues where Members may have divergent interests is hard, but potentially rewarding. Success requires a sustained effort over many years and skilful coalition building. FAO's provision of a neutral forum is important, linked to its mandate and one in which the Organization has a comparative advantage over other actors.

**Conclusion 3.** Only a few of the commodity IGGs are currently active and continue to have regular formal meetings. Although there is evidence of Member interest in the re-establishment of some less active IGGs, the dormancy of some IGGs raises questions as to their relevance.

**Conclusion 4.** FAO's provision of technical assistance and support for capacity development to foster more effective participation in international agricultural trade is the least prominent of its activities in this area of work. Despite demand from Members for such support, resource constraints have meant that this work has become less prominent unless funded by partners.

**Conclusion 5.** FAO's traditional partners in Member Nations have been ministries of agriculture. In most cases, these are not the institutions where major decisions on trade policy are taken. For example, many ministries of agriculture have no marketing or trade departments. If FAO is to be a player in commodities and trade analysis and policy, it will have to expand its in-country involvement to include trade and commerce ministries and departments, as well as the private sector.

**Conclusion 6.** There is little evidence of targeted support for social groups in this area of FAO's work. This is partly due to the global focus of its more prominent activities in this area.

### 7.2 Recommendations

**Recommendation 1.** Continue to explore and engage in strategic partnerships. To ensure it maintains its capacity in core areas and increases its effectiveness in a volatile global environment, FAO will have to rely heavily on collaborative relationships with a broad array of stakeholders. There is a need to continuously explore potential strategic partnerships with other institutions and the private sector for work on commodities, bearing in mind the need to maintain FAO's role and reputation as an "honest broker".

**Recommendation 2.** Increase support for inclusiveness and equality in agriculture trade. Efforts to increase the productivity of smallholders and women and young farmers to ensure inclusive, gender-equitable rural and agricultural development will have a limited impact if linkages to markets and value chains are not strengthened at the same time. Therefore, FAO should consider increasing its support for the integration of smallholder, women and young farmers into markets and value chains, thereby promoting inclusiveness and equality.

**Recommendation 3.** Explore ways to increase agricultural trade expertise at the regional and country level. To increase the effectiveness of its activities at the regional and country level, FAO should explore appropriate mechanisms to boost the number of personnel with relevant expertise at the regional and sub-regional levels.

**Recommendation 4.** Expand capacity-development activities. Because of its far-reaching expertise in agricultural commodities and trade and its experience in capacity development, FAO should explore opportunities to expand the scope of its capacity-development activities. This is especially important in light of the growing number of regional trade agreements and the need for support to ensure the effective participation of countries in trade negotiations.

**Recommendation 5.** Periodically review the role and effectiveness of the CCP and IGGs and experiment with different structures for the IGGs. FAO should continue to periodically review and assess the effectiveness of the CCP and the IGG to ensure their continued relevance. Changes in the working arrangements of the IGGs, in particular, the intensification of interaction with Members in planning and implementing group activities could have a significant impact on substantive areas of work.

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## Appendix 1. People interviewed

Surname	Name	Organization/Division	Position
Abbassian	Abdolreza	FAO, EST, Basic Foods Department	Senior Economist
El Mamoun	Amrouk	FAO, EST, Raw Materials, Horticulture and Tropical Products (RAMHOT)	Senior Economist
Gadhok	Ishrat	FAO, EST, Trade policy	Economist
Mermigkas	Georgios	FAO, EST, Trade policy	Economist
Muthikul	Sumet	FAO, EST	Programme Officer
Nkurunziza	Janvier	UNCTAD, Commodity Research and Analysis Section	Chief
Petschen	Majda	WTO	Counsellor
Rapsomanikis	George	FAO, EST, Commodity Market Development (CMD) & SOCO	Senior Economist
Schmidhuber	Josef	FAO, EST	Deputy Director
Senahoun	Jean	FAORAF	Senior Economist

## Evaluation of FAO's contributions to Sustainable Development Goal 2

*"End hunger, achieve food security and improved nutrition and promote sustainable agriculture"*

Signature Product 1: Legal and parliamentary work on food and nutrition security

Signature Product 2: Nutrition education

Signature Product 3: Support to value chain development

Signature Product 4: Support to secure tenure of natural resources through VGGTs and other guidelines

Signature Product 5: Farmer field schools and their derivatives

Signature Product 6: Control of transboundary plant diseases and pests

Signature Product 7: Agroecology

Signature Product 8: Protection and fair share of genetic resources for food and agriculture

Signature Product 9: South-South and triangular cooperation

Signature Product 10: Support to agricultural investment

### **Signature Product 11: Support to fair and informed commodity markets and international trade in agriculture**

Signature Product 12: Rural women's empowerment

Signature Product 13: Food for the cities and urban agriculture

Signature Product 14: Aquaculture promotion and Blue Growth

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