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# COMMITTEE ON COMMODITY PROBLEMS

## Seventy-second Session

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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 2016–17 biennium, analyses major trends and emerging issues that will influence FAO's work and activities in commodity markets and trade, and lays out the priority areas of FAO's work in these domains in the 2018–19 biennium and the Medium Term Plan (MTP) 2018–21.

#### Suggested action by the Committee

The Committee is invited to:

- Take note and provide guidance on the achievements, developments and trends identified in the areas of commodity markets and trade.
- Provide guidance on the main priorities for FAO's work in commodity markets and trade to be taken into account in the review of the Strategic Framework and preparation of the Medium term Plan 2018–2021 (Section IV).

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## I. Introduction

1. FAO's reviewed Strategic Framework<sup>1</sup>, Medium Term Plan (MTP) 2018–21 and Programme of Work and Budget (PWB) 2018–19 (MTP-PWB)<sup>2</sup> were approved by the FAO Conference in its 40th Session in July 2017 in Rome. The Conference appreciated the close alignment of FAO's Strategic Objectives (SOs) with the 2030 Agenda for Sustainable Development and the Sustainable Development Goals (SDGs).
2. The reviewed Strategic Framework was developed through a consultative strategic thinking process during 2016, taking into account the strong and consistent support expressed by the FAO governing bodies for progress in the strategic direction of the Organization. This process involved identification of global trends expected to frame agricultural development over the medium term and sectoral and regional trends arising from regional strategic reviews and deliberations of the FAO regional conferences and technical committees; derivation of main challenges expected to be faced by countries and development actors in food and agriculture in the coming years; analysis of main global developments setting the overall context in which FAO operates; and the implications of these challenges and developments for FAO's SOs in the context of FAO's basic attributes and core functions.<sup>3</sup> The review took into account major global developments that occurred in 2015–16, most importantly, the adoption of the 2030 Agenda for Sustainable Development, and entry into force of the Paris Agreement on Climate Change.
3. The reviewed Strategic Framework provided the basis for fine-tuning the conceptual framework and theory of change of FAO's five SOs within the context of the Organization's vision, attributes and core functions. The MTP-PWB set out the programmatic framework and resources for planning, implementing and monitoring results through indicators and targets, including the contribution of FAO's work toward 40 SDG targets. Web-Annex 1: Results Framework 2018–19 - Strategic and Functional Objectives<sup>4</sup> provides an overview of FAO's Strategic Programmes including alignment with the SDGs.
4. In this context, the present document first provides a brief overview of FAO's achievements in the area of commodity markets and trade, facilitated through the Strategic Programmes (SPs) in the 2016–17 biennium. It then outlines key global developments and trends, which will influence FAO's future work in these domains. The last section lays out the priority areas of FAO's work in commodity markets and trade during the 2018–19 biennium and beyond.

## II. Achievements in FAO's work in commodity markets and trade in 2016–17

### A. Commodity Market and Food Security Monitoring

5. FAO continued to provide governments and national and international stakeholders with up-to-date information in support of the design and implementation of efficient and inclusive market and trade strategies. As the host of the Agricultural Market Information System (AMIS)<sup>5</sup>, FAO advanced and expanded its contribution to greater transparency in international commodity markets by providing regular and timely updates of crop conditions, global supply and demand situations, price movements and policy developments. Together with the other nine organizations forming the AMIS Secretariat, FAO also facilitated the exchange of knowledge and policy dialogues between the main producing and consuming countries of basic food commodities (wheat, maize, rice and soybeans) and organized a

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<sup>1</sup> C 2017/7 Rev. 1

<sup>2</sup> C 2017/3

<sup>3</sup> C 2013/7

<sup>4</sup> PC 124/2-WA1

<sup>5</sup> The Agricultural Market Information System (AMIS) is an inter-agency platform to enhance food market transparency and the coordination of policy response. It was launched in 2011 by the G20 Agriculture Ministers, under the G20 French Presidency, following the global food price hikes of 2007-08 and 2010.

series of intergovernmental/inter-agency meetings, aimed at strengthening this process. In tandem, monitoring capacities in AMIS participating countries continued through training activities targeted at national focal points, the AMIS Exchange Programme and by developing projects at the national level.

6. FAO continued to report on developments affecting the food situation of developing countries, in particular for Low-Income Food-Deficit Countries (LIFDCs) through the quarterly Crop Prospects and Food Situation report. The Organization's 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 2016–17 biennium. In tandem, FAO's global Agriculture Stress Index System (ASIS) and Earth Observation studies have provided up-to-date remote sensing data for crop monitoring, including improved detection of cropping areas suffering from drought. Relevant data and analysis have been made available at both global and country levels.

7. The Food Price Monitoring and Analysis Tool (FPMA) has been improved and price coverage has been broadened for both national and international markets. Activities under the FPMA tool continue to promote and strengthen capacity building on food price monitoring for decision-making.

8. Through its outreach activities, FAO has also advanced collaboration with INFORM, a global, open-source risk assessment system for humanitarian crises and disasters, which supports decisions on prevention, preparedness and response to humanitarian crises. 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).

## **B. Global Reports on Food Crises**

9. In March 2018, the new Global Report on Food Crises was launched. The Report draws attention to rising levels of food insecurity and malnutrition, particularly associated with conflicts and the impact of extreme climate events. It estimated that around 124 million people in 51 countries faced crisis food insecurity or worse (equivalent of IPC<sup>6</sup> Phase 3 or above), requiring urgent humanitarian action to save lives, protect livelihoods, and reduce hunger and malnutrition. The worst food crises in 2017 were registered in north-eastern Nigeria, Somalia, Yemen and South Sudan, where nearly 32 million people were food-insecure and in need of urgent assistance. Famine (IPC Phase 5) was declared in two counties of South Sudan in February 2017. Although humanitarian assistance has thus far contributed towards preventing large-scale famines, humanitarian needs remain exceptionally high across the four countries.

10. The Global Report on Food Crises also underlined that conflict and insecurity continued to be the primary drivers of food insecurity in 18 countries, where almost 74 million food-insecure people remained in need of urgent assistance. Half of these people were in countries affected by conflict or insecurity in Africa, and more than a third were in the Middle East. Climate disasters – mainly drought – were also major triggers of food crises in 23 countries, with over 39 million food-insecure people in need of urgent assistance. Two thirds of these countries were in Africa, where almost 32 million people faced acute food insecurity.

## **C. Intergovernmental Groups**

11. A Joint Meeting of the 39th Session of the Intergovernmental Group (IGG) on Hard Fibres and the 41st Session of the IGG on Jute, Kenaf and Allied Fibres was held in Tanga, Tanzania, in November 2017, preceded by the 20th Session of the Sub-Group of Sisal and Henequen Producing Countries. The main topics of discussion included: (i) the current market situation and medium-term outlook; (ii) price trends for sisal, abaca, jute and kenaf; and (iii) a participatory foresight approach for

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<sup>6</sup> Integrated Phase Classification

jute, abaca, coir, kenaf and sisal (JACKS). The Joint Meeting was preceded by a multi-stakeholder forum on opportunities arising from the global sisal market for Tanzania's socioeconomic development. The discussions emphasized the need to stimulate domestic consumption of sisal and encouraged the industry to promote a higher use of by-products. The industry was urged to strengthen productivity and quality to ensure higher competitiveness, both on domestic and international markets. The dialogue further recommended identifying opportunities for farmers to capture higher shares in the value chain, *inter alia*, through the creation and promotion of brands.

12. The 23rd Session of the Intergovernmental Group on Tea (IGG/Tea) was held from 17 to 20 May 2018 in Hangzhou, China. Delegates reviewed the current situation and the medium-term outlook for the tea economy, with a special focus on new trends in tea consumption and links to generic promotion processes. They also discussed more specific issues, such as (i) futures and swap markets for tea, their opportunities, risks and conditions for success; (ii) certification schemes for tea and their impacts on farm incomes, inclusive rural development and market access; and (iii) a strategy towards strengthening smallholder farmers' access to markets in major producing countries. A side event was organised prior to the IGG focusing on options for low-carbon tea production, identifying the needs for a transition from conventional tea to more resource-saving forms of production.

#### **D. Supporting International Governance Processes**

13. FAO continued its support to international governance processes, notably those under the auspices of the G7 and the G20. In 2016, under the presidency of the People's Republic of China, FAO delivered a report on Information and Communication Technologies (ICTs) in Agriculture to the G20 Agriculture Ministers. The report discussed the potential of ICT applications in agriculture and included specific proposals to improve the exchange of and cooperation on ICTs. At the request of the G7 Presidency of Japan, FAO supported the deliberations of the G7 Food Security Working Group and the G7 Agriculture Senior Officers Meetings and provided technical inputs to the discussions leading to the Ise-Shima Vision for Action on Food Security and Nutrition and the G7 Agriculture Ministers Declaration.

14. In 2017, at the request of the G7 Presidency of Italy, FAO engaged in the discussions of the Food Security Working Group (under the Foreign Affairs sous-Sherpa), focusing on the linkages between food security and migration. It also provided technical notes and up-to-date information in collaboration with the International Fund for Agricultural Development (IFAD), the World Food Programme (WFP) and the International Organization for Migration (IOM). FAO, together with IFAD, WFP and the Organisation for Economic Co-operation and Development (OECD), supported the discussions of the G7 Agriculture Senior Officers Meeting through the preparation of a report on "Food Security, Agriculture, Rural Development and Migration" as well as a report on "Agricultural Risk management".

15. During the same year, and at the request of the 2017 G20 Presidency of the Federal Republic of Germany, FAO submitted a report entitled "Water for Sustainable Food and Agriculture" to support discussions on actions on sustainable water management within the agricultural domain. At the end of 2017, and at the request of the 2018 G20 Presidency of the Republic of Argentina, FAO and OECD produced, with inputs from IFAD, IFPRI, the World Bank and WTO, a report on "Food security and nutrition: Challenges for agriculture and the hidden potential of soils" to inform policy discussions among the G20 members.

16. The Third Global Conference of the World Banana Forum was held on 8 and 9 November 2017 in Geneva, Switzerland. Some 250 delegates reviewed the major instruments produced by the Forum (including a web portal of good practices for sustainable production, a guide on reducing water and carbon footprints and a manual on occupational health and safety) and agreed on further collaborative activities for developing more inclusive and sustainable value chains.

## **E. Trade and Trade Policies**

17. In the area of trade, FAO delivered numerous inputs to the 11th Ministerial Conference of the World Trade Organization (MC11). In preparing countries for MC11, nine policy briefs on selected topics in agricultural and fisheries trade were produced and made publicly available. These included, *inter alia*, trends in agricultural markets, trade in fish and fish products, as well as specific trade policy issues such as non-tariff measures and export restrictions.

18. Together with the United Nations Conference on Trade and Development (UNCTAD), FAO further examined the interlinkages of commodity-dependence and development outcomes and jointly produced the 2017 edition of the Commodities and Development Report on the theme "Commodity Markets, Economic Growth and Development". The report provides insights on how commodity-dependent developing countries can overcome their specific challenges, promote inclusive growth and ultimately succeed in implementing the SDGs. It was launched in December 2017, on the margins of the 11th WTO Ministerial Conference in Buenos Aires, Argentina.

19. In collaboration with the WTO, a joint publication entitled Trade and Food Standards was launched in Geneva in July 2017, providing governments with the means to establish a framework to facilitate trade on the basis of internationally-agreed food standards.

20. In parallel to these global efforts, FAO engaged in numerous country-level activities, supporting member countries in preparing for trade negotiations and implementing trade agreements. Under the overall umbrella of FAO's Multipartner Programme Support Mechanism (FMM), FAO focused on greater coherence between trade and agricultural policies. In this regard, FAO engaged in an assessment of trade and agricultural policies in Mozambique, Tanzania, Zambia and Rwanda. National dialogues, with participation of stakeholders from governments, the private sector, academia and donors, were held to validate the findings of these reports. They complemented other activities undertaken by FAO to disseminate information and guidance on responsible investment at global level. FAO also delivered trade-related capacity development in Europe and Central Asia region through the Regional Initiative on Agri-food Trade and Market Integration.

## **F. Trade and Investment**

21. Following a request by the 71st Session of the CCP, FAO embarked on an initial analysis of the linkages between investment flows, trade and commodity prices. The document CCP 18/INF/9, entitled Investment, trade, output and commodity prices, provides a summary of the first findings.

22. Furthermore, FAO organized national workshops with the governments of Ghana, Malawi and Senegal to promote informed multi-stakeholder dialogue on responsible agricultural investment. These workshops took place under the aegis of a programme managed by the ad hoc Inter-Agency Working Group on responsible agricultural investment and were funded by Japan.

## **G. Medium-term Outlook**

23. FAO continued its partnership with the OECD in providing a medium-term outlook for world agricultural markets. The 2017 edition of the OECD-FAO Agricultural Outlook featured a special chapter on East Asia. In parallel, the geographic and commodity coverage has been expanded so that the new modelling system can now produce specific medium-term projections for almost all member countries. The 2018 edition of the report was launched on 3 July 2018 at the OECD headquarters in Paris through a joint press conference by FAO Director-General and OECD Secretary-General. The report contained a special feature on the Middle East and North Africa region.

24. In collaboration with the FAO Regional Office for Near East and North Africa (RNE) and the United Nations Economic and Social Commission for Western Asia (ESCWA), a forward-looking assessment of agriculture and food security in the Arab region was prepared, entitled "Arab Horizon

2030: Prospects for Enhancing Food Security in the Arab Region". Using the Aglink-Cosimo model, the report not only provides a regional baseline to 2030, but also offers various scenarios gauging the impacts of alternative policy decisions, such as additional efforts to promote productivity growth, a possible shift to healthier consumption patterns, or the options and impacts of strategic food stocks.

## **H. The State of Agricultural Commodity Markets (SOCO)**

25. In September 2018, the new edition of The State of Agricultural Commodity Markets (SOCO) report was launched. The report whose theme is "Agricultural Trade, Climate Change and Food Security", focuses on the role of trade in adapting to and mitigating climate change. It presents a broad spectrum of policy tools available to policymakers in implementing the Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCCC), and, *inter alia*, discusses how different forms of support relate to climate change adaptation and mitigation and whether the WTO disciplines present constraints in adapting to, or mitigating climate change. Such policies include support to research and development, extension of climate-smart agriculture (CSA) practices, as well as policies that reduce emissions and increase sequestration through land use change.

## **III. Global developments and trends and their implications for commodity markets and trade**

### **A. The 2030 Agenda for Sustainable Development**

26. In September 2015, Heads of State and Governments adopted the 2030 Agenda for Sustainable Development. The 2030 Agenda is a historic commitment to tackle poverty and hunger, promote sustainable use of natural resources and address climate change through an interconnected set of 17 SDGs, recognizing that food security, sustainable livelihoods, and the management of natural resources cannot be addressed separately. To ensure mutual accountability among all stakeholders, the 2030 Agenda calls for a major expansion of the reporting and monitoring framework, with 169 targets and more than 230 global indicators that all countries will report on. FAO has been designated as the custodian agency for 21 indicators, relating to SDGs 2, 5, 6, 12, 14 and 15. In addition, FAO is the contributing agency for another four SDG targets, which, overall, accounts for over one tenth of all SDG indicators.

27. The UN High-level Political Forum on Sustainable Development (HLPF) has been tasked to "follow up on the implementation of sustainable development to avoid overlap with existing structures, bodies and entities in a cost-effective manner". The HLPF met in July 2017 under the auspices of the Economic and Social Council (ECOSOC) to discuss progress under the theme of "Eradicating poverty and promoting prosperity in a changing world", i.e. focusing on SDGs 1, 2, 3, 5, 9 and 14. International governing bodies, including the CCP, have been asked to provide input. FAO prepared a report summarising contributions towards the various SDGs and submitted it to the HLPF.

### **B. New approaches to SDG financing**

28. Several estimates have been put forward to gauge the financial needs to realize the SDGs. While the estimates vary by source and measurement approach, they centre on a total of about USD 4 trillion, an amount that dwarfs traditional sources of development finance such as Overseas Development Assistance (ODA). The vast financing needs to reach the SDGs have given rise to a number of initiatives to identify new sources of development finance and, importantly, to seek synergies with the private sector in contributing to the SDG process. New options of SDG financing are currently being reviewed at FAO. This review includes options to harness the OECD/FAO Guidance for Responsible Agricultural Supply Chains to assess SDG compliance.

### **C. A market outlook for well-supplied global markets and lower real prices...**

29. After the pronounced price swings between 2008 and 2012, the markets for major food commodities have entered a much calmer period. Cereal stocks are at all-time highs in absolute terms and at near record levels relative to utilization. High stocks should provide a buffer against exogenous shocks and help avert large price swings. The OECD/FAO medium-term outlook suggests that prices for all major commodities will slightly move above their base year levels in nominal terms but, when adjusted for inflation, decline in real terms over the next ten years. Factors that support the outlook for lower real prices include: (i) moderate overall economic growth; (ii) high levels of income inequality notably in developing countries; (iii) saturation, over-consumption and growing health concerns in many developed countries; (iv) high stocks for basic foodstuffs, notably cereals; (v) increasingly saturated biofuel mandates; and (vi) only moderate increases in energy prices, leaving little potential for market demand of feedstocks.

### **D. ... but also of persistent local shortages**

30. While global food markets are well-supplied, a growing number of countries and areas within countries are afflicted by severe food shortages. A total of 37 countries, including 28 in Africa, are estimated to be in need of external assistance for food, mainly as a result of conflicts, protracted crises and weather-related shocks. By March 2017, four countries were affected by, or at risk of, famine: Nigeria (north-eastern region), Somalia, South Sudan and Yemen. Famine was officially declared in South Sudan in February 2017. Early warning systems and regular reports on food security situation and food crises are critical for ensuring that no one is left behind; however, for early warning signals to be impactful, they need to be followed by early action to reduce disaster losses and the costs of emergency response. This calls for even closer coordination between early warning and early action systems.

### **E. An evolving global trade structure: WTO and Regional Trade Agreements (RTAs)**

31. Despite the lack of progress in agricultural trade negotiations at the MC11, many WTO members expressed strong support to the multilateral trading system, recalling the important role of the WTO in ensuring transparent, efficient and equitable trade. Implementation of the existing multilateral trade agreements remains an important area for continued multilateral collaboration. Of particular relevance for agricultural markets was the entry into force of the WTO Trade Facilitation Agreement (TFA) in February 2017, following its ratification by two-thirds of the WTO membership.

32. At the same time, several RTAs entered into force during 2016 and 2017, such as the European Union-Canada Comprehensive Economic and Trade Agreement (CETA) and the Canada-Ukraine Free Trade Agreement (CUFTA). Other negotiated agreements faced difficulties at the ratification stage, most notably the Trans-Pacific Partnership (TPP) as the United States of America withdrew from the Agreement in 2017. The remaining eleven countries proceeded to form the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which concluded negotiations in January 2018.

### **F. Global Value Chains (GVCs)**

33. Global Value Chains (GVCs) have changed the nature of production and specialisation for manufactures over decades, but they are a relatively new phenomenon in food and agriculture. GVCs in food and agriculture represent all activities involved in transforming raw materials into the final consumer product, including production, marketing and delivery to the final consumer.

34. Trade in GVCs is typically based on contractual relationships between or within multinational enterprises (MNEs). Exploiting the large specialisation gains offered, companies engaging in GVCs are often more innovative, have higher returns on capital and are generally more profitable. At the

same time, GVCs pose new risks. For instance, a high degree of specialisation in different components of a final product exposes GVCs to abrupt changes in trade policy regimes. Similarly, extending and segmenting a business across borders requires specialised know-how, often limited to large enterprises. Also, specialised know-how to deal with food standards, particularly for food safety, can be onerous for companies in developing countries. Their challenge is to master these standards while competing with multinational companies from developed countries who have better access to finance, know-how and technologies. As GVCs become increasingly important for food and agricultural markets, the work priorities section of this document proposes to further analyse their pros and cons and the practical policy options to harness their benefits.

## **G. Climate Change**

35. In December 2015, the Conference of the Parties (COP21) of the UNFCCC adopted the landmark Paris Agreement for post-2020 climate action. Over 90 percent of all countries, which submitted Intended Nationally Determined Contributions (INDCs) towards the COP21 negotiations included agriculture as a sector to be considered for mitigation and/or adaptation. With the follow-up Conference (COP23) in Bonn in November 2017, agriculture has become a more integral and a more formal part of the climate change negotiation process.

36. COP23 encouraged the Subsidiary Body for Scientific and Technological Advice (SUBSTA) and the Subsidiary Body for Implementation (SBI) to address issues related to agriculture more fully, including the socioeconomic and food security dimensions of climate change in the agricultural sector. The Trade and Markets Division (EST) has anticipated the requests in focusing the 2018 edition of SOCO on the role of trade in helping mitigate and adapt to climate change. FAO more generally has started to engage in a multi-stakeholder, interagency process known as Koronivia joint work on agriculture. Koronivia includes many work areas presented in the 2018 edition of SOCO at the global level and offers opportunities to translate them into country-level initiatives.

## **IV. Priority areas of FAO's work in commodity markets and trade in 2018–19 and beyond**

37. While the majority of FAO's work activities on trade and markets contributes directly to the achievement of inclusive and efficient agriculture and food systems (SP4) and to a lesser extent resilience (SP5), important contributions are also made to food security (SP1), productive and sustainable agriculture (SP2) and poverty reduction (SP3). The envisaged priority areas of work under the various SPs are presented below.

### **A. Commodity market monitoring and AMIS**

38. FAO will continue to provide information on agricultural commodity markets, through the collection of data and constant monitoring and assessment of supply, demand, trade, stocks and prices, and the regular preparation of reports, namely Food Outlook and Crop Prospects and Food Situation produced under GIEWS. This also includes the hosting of the inter-agency secretariat of AMIS and related activities.

39. The scope of the work will continue to adjust to emerging trends and issues. Additions could include work on chokepoints or junctures in global food trade, machine learning and artificial intelligence approaches to gauge the market sentiment or reviews of the significance of stocks and stock-to-use ratios in gauging the susceptibility of international markets to exogenous shocks. These efforts may be expanded in the future, with the objective of broadening the arsenal of monitoring tools and improving the underlying data.

## **B. Global Information and Early Warning System (GIEWS)**

40. To reinforce and strengthen global capacities to provide timely analysis on impending food crises, GIEWS will continue to focus future work on the institutionalization of critical methodologies and tools as well as on the application of innovative technologies. In this regard, GIEWS is continuing collaboration with CBC Division to further develop the ASIS for better detection of water stress on crops, and improved forecasting of production. Coming enhancements to the system also include widening its coverage to monitor pastures, thus strengthening the analysis of the food security situation of livestock-dependent populations.

41. GIEWS will also continue its capacity development work. The ASIS, along with the FPMA tool, are the focus of GIEWS close collaboration with several countries, where stand-alone versions are being installed and training provided 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 is seeking to strengthen the joint FAO/WFP CFSAMs. Possibilities are being explored to further integrate new technologies into the CFSAMs, including the application of remote-sensing analysis and other technologies for on-ground field assessments. Moreover, to broaden the pool of experts available to mount CFSAMs as requested by countries, even at short notice, GIEWS is planning the training of agronomists in the CFSAM methodology.

## **C. Medium-term Outlook**

42. FAO will maintain and further develop the OECD-FAO Agricultural Outlook as the global reference publication for medium-term projections and market analysis for the agricultural sector. FAO will provide support to member countries to enhance their strategic planning and policy analysis capabilities through the use of global, regional and national market projections. The geographical and commodity coverage of the medium-term projections system will be expanded to provide comprehensive market projections and scenario analyses regarding evolving market developments and the formulation of trade agreements. Capacity building efforts will enable countries to become more active collaborators and users of the modelling framework. By engaging FAO's decentralized offices and regional conferences, it is expected that a dynamic feedback and review system will be set up.

## **D. Trade and trade-related activities**

43. Given the importance of trade and trade policies for food security, FAO will continue to support member countries and regional economic communities in capacity development for international agreements and the adoption of voluntary guidelines that promote market transparency, enhanced export opportunities, and more efficient agricultural and food systems (SP4). Analysis and the provision of evidence, knowledge sharing, and the strengthening of national capacities on key issues affecting food and agricultural trade, including regional and multilateral trade negotiations, will remain the main instruments of support.

44. Assistance at country and regional level will focus on promoting greater alignment between trade measures and agricultural policies and programmes. FAO will also continue to assist developing countries and their national and regional institutions in reaping export opportunities in international markets through trade facilitation, appropriate application of sanitary and phytosanitary (SPS) measures and a more active participation in GVCs. It will provide capacity development for an effective implementation of the existing trade agreements, such as the WTO Trade Facilitation Agreement. In collaboration with other development partners, including the International Trade Centre (ITC), FAO will help member countries in pursuing successful export strategies and programmes and in promoting inclusive export-oriented value chains. Analysis of rural employment aspects of value chain development is particularly relevant in this context.

45. In order to equip the countries with tools to monitor and analyse the impacts of trade, food, and agriculture policies on national food systems (SP4), FAO will contribute to developing

agricultural policy indicators based on quantitative and qualitative information. The pilot project for six countries in Europe and Central Asia will be concluded in 2018. The project will be expanded to include additional countries, complementing information that exists in the Ag-Incentives project, implemented jointly by FAO, the International Food Policy Research Institute (IFPRI), OECD and other international organizations.

### **E. Trade and nutrition**

46. In close cooperation with FAO's Nutrition and Food Systems Division (ESN) and other relevant stakeholders, EST will deepen its work on the linkages between trade and nutrition. Particularly the growing burden of overweight and obesity has created the need to examine the potential to harness trade policy measures for better nutrition. The scope and the limits of different trade policy measures have already been discussed in a separate expert meeting on trade and nutrition organised by EST in November 2016. The topic has also surfaced in the various nutrition symposia organised by FAO in the course of 2017. Of particular concern is the situation in many Small Island Developing States (SIDS), where obesity and overweight have reached high prevalence levels. FAO, with the United Nations Department of Economic and Social Affairs (UNDESA) and the United Nations Office of the High Representative for the Least Developed Countries (OHRLLS), has led the development of the Global Action Programme on Food Security and Nutrition in SIDS. Planned work in this context, covers the analysis of the current trends in trade and different forms of malnutrition in individual SIDS, including recommendations on how trade and trade policies can help to address the nutritional challenges of SIDS (SP4).

### **F. Global Value Chains (GVCs)**

47. In close cooperation with, and building on the work of, other international organisations, EST plans a new work stream on GVCs in food and agriculture. The work will focus on identifying concrete measures that will help developing countries reap the benefits of GVCs and overcome the challenges they pose. To this end, the importance of GVCs for various agricultural value chains will first be examined, focusing on understanding the economic potential and associated risks. GVCs could also be evaluated in the context of a dedicated future edition of SOCO, presenting the importance of, and the policy support needed for, agricultural GVCs.

### **G. Responsible Agricultural Supply Chains**

48. Future work plans foresee the continuation of work on existing guidance instruments for responsible business conduct (RBC) through awareness raising, advocacy and capacity building. Activities at a general level (sectoral scale and across entire value chains) will focus on providing technical support to FAO's Umbrella Programme on RAI at global, regional and country level.

49. Activities on specific value chains will extend the work underway for banana value chains. This work stream will include new guidance instruments and best practices for improving social and environmental impacts (e.g. improving occupational health standards, promoting living wages, combating pests and diseases, reducing agrochemical use, reducing water footprints) through collaboration of all actors of the value chain. The World Banana Forum, the only global multi-stakeholder platform of the sector, will serve as the main platform for this activity.

### **H. Standards, investment and innovative SDG financing**

50. There is a growing recognition of the need to seek new sources of financing to reach the goals enshrined in the 2030 Agenda for Sustainable Development. With the OECD-FAO Guidance for Responsible Agricultural Supply Chains, there is a first practical guide to direct the private sector towards more sustainable business practices and, as a result, towards SDG compliance. The Guidance includes, *inter alia*, a detailed model enterprise policy, i.e. a concrete set of enterprise-based policies

to move to more sustainable forms of food production. A pilot project to field-test the Guidance<sup>7</sup> that is currently underway is scheduled to be completed by the last quarter of 2019. The pilot project provides an opportunity to understand the implications and benefits of applying the guidance to strengthen responsible sourcing and supply chain management practices. Participants will help define good practices, share experiences, and learn from others in a collaborative and mutually supportive forum.

### **I. Emerging new technologies and their importance for market monitoring**

51. The advent of several new technologies is offering new options for market monitoring as well as Early Warning/Early Action. To mention just a few, such new technologies include improved satellite imagery, big data applications, artificial intelligence (AI) and machine learning (ML), or various applications of blockchain technology. These technologies have the potential to radically change the accuracy, scope and speed of providing market intelligence and early warning products. EST has made initial efforts to assess the scope of these technologies and first attempts to harness their benefits. For instance, an AI/ML system was used to rationalise commodity market information for monitoring purposes. A sentiment index was developed based on machine-read and machine-compiled information. CCP 18/INF/14 illustrates the potential of blockchain applications for agriculture in general and for commodity markets in particular.

### **J. Other core activities**

52. In addition to the above priority areas of work, EST will continue with its other core activities related to commodity markets, agricultural trade and global governance, namely the servicing of the CCP and the intergovernmental commodity groups (IGGs), the provision of technical support to the G20 and G7 processes, and the production of the flagship publication *The State of Agricultural Commodity Markets (SOCO)*.

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<sup>7</sup><http://www.fao.org/economic/est/issues/investment/guidance/en/>

## Annex 1

### Main components of FAO's Strategic Framework

#### FAO's vision

A world free from hunger and malnutrition where food and agriculture contributes to improving the living standards of all, especially the poorest, in an economically, socially and environmentally sustainable manner.

#### The three Global Goals of Members:

- Eradication of hunger, food insecurity and malnutrition, progressively ensuring a world in which people at all times have sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life;
- Elimination of poverty and the driving forward of economic and social progress for all, with increased food production, enhanced rural development and sustainable livelihoods; and
- Sustainable management and utilization of natural resources, including land, water, air, climate and genetic resources for the benefit of present and future generations.

#### Strategic Objectives

- 1) Contribute to the eradication of hunger, food insecurity and malnutrition
- 2) Make agriculture, forestry and fisheries more productive and sustainable
- 3) Reduce rural poverty
- 4) Enable more inclusive and efficient agricultural and food systems
- 5) Increase the resilience of livelihoods to threats and crises

#### Additional objective

- 6) Technical quality, statistics and cross-cutting themes (climate change, gender, governance, nutrition)

#### Core Functions

- 7) Facilitate and support countries in the development and implementation of normative and standard-setting instruments, such as international agreements, codes of conduct, technical standards and others
- 8) Assemble, analyse, monitor and improve access to data and information, in areas related to FAO's mandate
- 9) Facilitate, promote and support policy dialogue at global, regional and country levels
- 10) Advise and support capacity development at country and regional level to prepare, implement, monitor and evaluate evidence-based policies, investments and programmes
- 11) Advise and support activities that assemble, disseminate and improve the uptake of knowledge, technologies and good practices in the areas of FAO's mandate
- 12) Facilitate partnerships for food security and nutrition, agriculture and rural development, between governments, development partners, civil society and the private sector
- 13) Advocate and communicate at national, regional and global levels, in areas of FAO's mandate

#### Functional Objectives

- Outreach
- Information Technology
- FAO governance, oversight and direction
- Efficient and effective administration