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Продовольственная и
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Объединенных Наций

Organización de las
Naciones Unidas para la
Alimentación y la Agricultura

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COMMITTEE ON COMMODITY PROBLEMS

Seventy-fifth Session

Rome, 13-15 July 2022

FAO's PROGRAMME OF WORK IN COMMODITY MARKETS AND TRADE UNDER THE FAO STRATEGIC FRAMEWORK 2022–31

Executive Summary

This document provides an overview of FAO's achievements in the areas of commodity markets and trade in the 2020-21 biennium, reviews major trends and developments that are expected to influence FAO's work and activities, and identifies the priority areas of work in these domains under the FAO Strategic Framework 2022-31 and the Medium Term Plan (MTP) 2022-25.

Suggested action by the Committee

The Committee is invited to note the information contained in the document and provide guidance as deemed appropriate. More specifically, the Committee may wish to:

- take note of the achievements in FAO's work in commodity markets and trade in 2020-21.
- review and comment on the global trends and developments identified to influence FAO's work in commodity markets and trade in the context of the Strategic Framework 2022-31 and the Medium Term Plan 2022-25.
- provide guidance on the priorities for FAO's work in commodity markets and trade to guide future work under the Strategic Framework 2022-31 and the Medium Term Plan 2022-25.

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

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I. INTRODUCTION

1. The 42nd Session of the FAO Conference endorsed the Strategic Framework 2022-31¹, which guides all of FAO's work as called for in the Basic Texts – and approved the budgetary appropriations for the 2022-23 biennium². The strategic narrative guiding the FAO Strategic Framework 2022-31 supports Agenda 2030 through the transformation to MORE efficient, inclusive, resilient and sustainable agrifood systems for *better production, better nutrition, a better environment and a better life*, leaving no one behind.

2. FAO is implementing the Strategic Framework through 20 Programme Priority Areas (PPAs), which articulate FAO's thematic, technical comparative advantage and competency to deliver. The *four betters* and 20 PPAs are anchored in the SDGs. The Organization uses a systems approach, considering social, economic and environmental development dimensions and addressing the relevant trade-offs. Action at the country level is at the core of the transformative nature of Agenda 2030, and the PPAs act as a pathway toward achieving the SDGs in alignment with national priorities.

3. The four cross-cutting accelerators – technology, innovation, data and complements (governance, human capital and institutions) – focus efforts in all of FAO's programmatic interventions to fast-track progress and maximize prospects for contributing to the SDGs while minimizing trade-offs. The cross-cutting themes of gender, youth and inclusion are embedded across all of FAO's work to operationalize the principle of leaving no one behind.

4. Since Director-General QU Dongyu took office on 1 August 2019, FAO has undergone deep and transformative changes to ensure that it is prepared to face the challenges that lie ahead. FAO has introduced a modular and flexible structure that allows for optimal cross-sectoral collaboration and aims for a stronger and coordinated focus on the SDGs. Among the changes introduced: the new Office of Innovation to consolidate and strengthen FAO's innovative spirit; the new Office of SIDS, LDCs and LLDCs,³ to ensure that the special needs of these vulnerable populations and countries are met; the new Office of SDGs which coordinates the corporate engagement in the 2030 Agenda follow-up and review; and FAO's new position of Chief Scientist which ensures the robustness, breadth and independence of scientific approaches in FAO's work.

5. During 2020-21, FAO fully aligned its country-level planning with the UNSDCF process, thus building on UN Development System repositioning efforts to collectively support country ownership and address national SDG priorities and gaps. FAO's country-level process also contributes to shaping the formulation of the UNSDCF, thus ensuring that agrifood system transformation concerns and related SDGs are well integrated and prioritized in the UN common planning documents.

6. In the 2022-23 biennium, FAO will continue to maximize impact at the country level through a number of strategies, key corporate initiatives and actions. Two new corporate strategies on science and innovation, and climate change were endorsed by the FAO Council in June 2022, with the objective to support the implementation of the FAO Strategic Framework 2022-31. FAO will continue to maximize impact at the country-level through the Hand-in-Hand Initiative, FAO's evidence-based, country-led and country-owned initiative and will continue to facilitate the World Food Forum (WFF), an independent, youth-led global network of partners.

7. FAO will continue to mitigate the immediate impacts of COVID-19 while strengthening the longer-term resilience of livelihoods, moving towards a green recovery, and transforming agrifood systems through the COVID-19 Response and Recovery Programme supported by the Food Coalition. In follow up to the UN Food Systems Summit (UNFSS) held during the UN General Assembly in 2021, which set the stage for global agri-food systems transformation, the UN Secretary-General

¹ FAO Strategic Framework 2022-31, C 2021/7 available at <https://www.fao.org/3/ne577en/ne577en.pdf>

² Report of the Conference of FAO, C 2021/REP available at <https://www.fao.org/3/ng170en/ng170en.pdf>

³ Small Island Developing States (SIDS); least developed countries (LDCs); land-locked developing countries (LLDCs).

tasked the Rome-based Agencies to coordinate the UN Food Systems Summit follow-up activities designating FAO as a leading host for the Coordination Hub, on behalf of the UN system.

8. This document first provides an overview of achievements in the area of commodity markets and trade in the 2020-21 biennium. It then outlines key global and sector-specific developments and trends, through the *four betters* and highlights related SDG targets, which will influence FAO's future work in commodity markets and trade. The last section lays out the priority areas of FAO's work in commodity markets and trade during 2022-23 and beyond, in the context of the 20 PPAs, related SDG targets and areas of emphasis.

II. ACHIEVEMENTS IN FAO'S WORK IN COMMODITY MARKETS AND TRADE IN 2020-21

A. FAO's new ways of working, modalities and programmes

9. In the previous biennium, FAO witnessed a number of important work achievements in the area of commodity markets and trade. For instance, the Organization strengthened its core monitoring, analysis and capacity development activities to respond to the significant challenges caused by the COVID-19 pandemic, various conflicts, and the soaring food and fertilizer prices.

10. While not exhaustive, the following sections present key results in the work on markets and trade and briefly present the main corporate activities relevant to this work.

FAO COVID-19 Response and Recovery Programme

11. The COVID-19 Response and Recovery Programme (RRP) was launched in July 2020, aiming to enhance the coordination of FAO's response to the pandemic and its related resource mobilization. Under Priority Area 4 on Trade and Food Safety Standards, FAO published numerous reports and policy briefs providing information on food prices and commodity markets to inform relevant policy decisions, provided capacity development support at regional and country level and implemented numerous technical cooperation projects across the globe.

12. These efforts were praised by the Real-time Evaluation of FAO's COVID-19 RRP. As the report of the first phase of the evaluation highlights,⁴ the market monitoring work and early warning systems of FAO proved to be an effective way to provide relevant information on the global crisis situation and played an important role in passing the message that markets need to be kept open and trade flowing during the pandemic.

13. Moreover, various official statements and declarations that were made during the pandemic acknowledged and welcomed the important contributions that this work had in enhancing food market transparency and supporting coordinated policy responses for food security and nutrition.⁵

Hand-in-Hand Initiative

14. FAO's Hand-in-Hand Initiative strives to facilitate agrifood systems transformation and sustainable rural development accelerated through targeting the poorest and the hungry, differentiating territories and strategies and bringing together all relevant dimensions through analysis and partnerships. The Hand-in-Hand Geospatial Platform (HiH GP), launched in July 2020, is a digital public good aiming to provide advanced geospatial modelling and analytics and identify real-time gaps and opportunities to raise the incomes and reduce the vulnerabilities of rural populations.

⁴ <https://www.fao.org/evaluation/highlights/highlights-detail/en/c/1445582/>

⁵ See, for instance, the 2020 and 2021 communiqués of the G20 Agriculture Ministers.

15. The Agricultural Stress Index System (ASIS), a satellite-based agriculture monitoring tool for early identification of cropland areas across the globe with a high likelihood of water stress or drought, has been developed and used by the Global Information and Early Warning System (GIEWS) of FAO's Markets and Trade Division (EST) since 2014. The integration of 13 global ASIS datasets in the FAO HiH GP marked a successful milestone for greater efficiency and results. It constitutes a win-win solution as the HiH GP extends the function of ASIS and provides an excellent window to expand its usage in broader contexts.

B. Key achievements in 2020-21

Commodity market monitoring, assessment and outlook

16. With more than one hundred reports per year, covering major food and agricultural commodities, FAO has continued to provide governments and international and national actors with timely and objective data, information and short-term outlook in support of informed decision-making processes and the design of appropriate policies and strategies. In light of the COVID-19 pandemic, FAO further intensified its monitoring and analysis work, complementing its regular production and dissemination of reports in the form of global public goods with ad hoc briefs and other knowledge products, including on input prices and availability.

17. As the host of the Agricultural Market Information System (AMIS), FAO, jointly with other international organizations, advanced and expanded its contribution to enhancing the transparency in global commodity markets by providing regular and timely updates on crop conditions, global supply and demand situations, price movements and policy developments. During the reporting period, AMIS continued to closely monitor developments in global food markets and engage with main producing and consuming countries to ensure food market transparency and promote coordination of responses.

18. FAO continued its partnership with the Organisation for Economic Co-operation and Development (OECD) in providing an annual medium-term outlook for major agricultural commodity markets. The 2020 edition of the OECD-FAO Agricultural Outlook provided comprehensive baseline projections up to 2029 and established a new practice, replacing its special chapter with six regional briefs presenting, in detail, the medium-term trends and their implications for the six FAO regions. The 2021 edition, providing baseline projections up to 2030, continued the same practice. Responding to the CCP request to broaden commodity coverage, starting with the 2020 edition, the Outlook also contains a chapter highlighting the projections on roots and tubers, pulses, bananas and major tropical fruits. In addition, and in light of the importance of the production and export of raw materials and beverages for many low-income countries, FAO developed medium-term outlooks for these commodity groups.

19. Regional analysis and scenarios were prepared in collaboration with FAO's regional offices, on issues of interest to the specific regions. In Eastern Europe and Central Asia, the scenarios focused on healthy diets and options for productivity improvements, while in the Middle East and North Africa, the analysis focused on climate change and the COVID-19 pandemic. Global scenarios were also conducted on the impact of the COVID-19 pandemic on food and agricultural markets.

20. Finally, research and development under the Aglink-Cosimo modelling system and its add-on tools continued in an effort to maintain up-to-date modelling capabilities.

Food security monitoring and assessment

21. FAO continued to report on the food security situation of developing countries, in particular for Low-Income Food-Deficit Countries (LIFDCs). The Global Information and Early Warning System (GIEWS) published updates and special alerts on countries with food supply difficulties, as well as the quarterly Crop Prospects and Food Situation report that provides regional overviews and includes an updated list of countries requiring external assistance for food. Remote technical

assistance has been successfully provided to Crop and Food Security Assessment Missions (CFSAMs) in several countries.

22. During the reporting period, ASIS has been enriched with new indicators on drought intensity, historic frequency, and probability forecast, also covering pastureland. A country-specific version of ASIS has been deployed in several countries aiming to strengthen national early warning systems.

23. The coverage of the FAO Food Price Monitoring and Analysis (FPMA) Tool has been broadened in terms of countries, markets and commodities, including prices of products of significance for healthy diets. National versions of the FPMA Tool are now operational in Guatemala, Kyrgyzstan and Tajikistan, while in 2021 a cloud-based web service was established in Angola, Costa Rica, North Macedonia and Zimbabwe.

24. FAO has strengthened its leadership and technical collaboration with the Global Network (GN) against Food Crises and the Food Security Information Network (FSIN). These groups of humanitarian and development actors aim to provide evidence-based responses through shared analyses and coordination. Released under their auspices, the latest issues of the Global Report on Food Crises (GRFC) highlighted that the food security situation has significantly worsened between 2019 and 2021 due to severe weather shocks, intensified conflicts, economic crises and the COVID-19 pandemic. The 2022 edition of the GRFC revealed that, in 2021, nearly 193 million people were severely food insecure in 53 countries, the highest number on record and about 25 percent above the level of the previous year.

25. Since July 2020, FAO has coordinated the publication of the Hunger Hotspots report with the World Food Programme (WFP). The report is issued three times a year and provides a forward-looking analysis of acute food insecurity, identifying countries and regions where it is likely to deteriorate over the coming months.

Food and agricultural trade

26. During 2020 and 2021, FAO continued to develop evidence-based analyses and facilitate policy dialogue on trade, agriculture and food security at the global and regional levels. This includes publishing a set of twelve Trade Policy Briefs on pressing issues and emerging topics within agricultural and fisheries trade in preparation for the 12th World Trade Organization (WTO) Ministerial Conference.

27. FAO also produced three major reports that fostered trade policy discussions in Geneva. Two of these reports – one with analysis of agricultural trade and policy responses during the first wave of the COVID-19 pandemic and one on agricultural trade in the Global South with an overview of trends in performance, vulnerabilities, and policy frameworks – were presented and discussed during the Geneva Agricultural Trade Talks. The third publication, on public food stockholding, included a review of relevant policies and practices, their possible market impacts and the main elements of the relevant WTO negotiations. It was presented during a FAO side event to the WTO Committee on Agriculture on 24 September 2021.

28. FAO continued to conduct capacity development activities and facilitate knowledge sharing to boost the trade-related capacities of countries. Based on two courses that are readily available through the FAO elearning Academy – “Agriculture in International Trade Agreements” and “Trade, Food Security and Nutrition” – FAO conducted multiple facilitated elearning courses targeting policy makers within agriculture and trade in several regions and in different languages.

29. Capacity development activities also included practical training on specific technical topics at country level. For example, training was conducted in Kyrgyzstan for the Ministry of Agriculture staff on the preparation of the agriculture domestic support notifications to the WTO and in Ukraine for agricultural attachés (export advisers) to enable export growth.

30. Technical dialogues on agrifood trade were also facilitated through FAO support to expert networks. The Agricultural Trade Expert Network (ATEN) in Europe and Central Asia is part of FAO's Regional Initiative on Transforming Food Systems and Facilitating Market Access and Integration. The ATEN organized different events at the country and regional levels besides its annual regional meetings to facilitate the generation and exchange of knowledge. A similar network was launched in the Near East and North Africa region, bringing together experts who conduct research, carry out training programs and advise governments and the private sector on issues related to agricultural and trade policies. Technical consultations and dialogues were also held with key officials in Latin America and the Caribbean, where a regional project on the development of resilient food systems by promoting and strengthening intra-regional and global trade was launched and a study on agrifood trade opportunities for Central America was published.

Responsible global value chains

31. FAO supported the development of responsible agricultural value chains through various activities, including promoting the uptake of the OECD-FAO Guidance for Responsible Agricultural Supply Chains. It produced various materials on responsible business conduct and risk-based due diligence and launched a new project to combat deforestation and forest degradation aiming to produce a practical handbook on due diligence for producer organizations and companies. FAO also supported the development of the European Union code of conduct for responsible food business and marketing practices and participated actively in the multi-stakeholder Cocoa Talks facilitated by the European Commission and in the high-level dialogue with the European Union on Sustainable agrifood value chain investments and policies.

32. As part of a project on responsible value chains for tropical fruits, FAO conducted analyses of value chains, mapping of main stakeholder groups and a baseline survey, and organized several workshops, international meetings and webinars with farmer organizations and companies. Various briefs and reports on tropical fruit value chains were produced, including a document for the Global Forum for Food and Agriculture. A technical guide has been prepared to help producers and traders involved in the avocados and pineapples value chains assess the alignment of private sustainability standards used with international guidance for responsible business conduct and due diligence.

33. FAO continued to support the livelihood of workers in banana value chains by promoting public policy and capacity building on Occupational Health and Safety (OHS). In this context, the Organization produced training materials and organized country-specific and global webinars to support the protection of workers against COVID-19 and other work-related risks, and to promote gender equity and a safe employment of women in the banana industry.

34. FAO developed an online tool and held training sessions in four countries to help banana producers to measure carbon and water footprints. The Organization also facilitated the adoption of a declaration on living wages by the members of the World Banana Forum and undertook several activities to combat the Fusarium wilt Tropical Race 4 (TR4) disease, including the development of the Global Network on TR4, the publication of 17 awareness-raising documents and the organization of webinars that attracted hundreds of participants.

35. In 2021, FAO launched new activities to analyse and increase the resilience of agricultural supply chains. It conducted a literature review of the impacts of COVID-19 and natural disasters on agricultural supply chains, as well as field surveys and simulation scenarios for specific commodity value chains (cotton, milk, bananas, tropical fruits and cocoa) in developing countries. It also started the preparation of guidelines to help developing countries increase the resilience of their agricultural supply chains. FAO supported the implementation of the International Year of Fruits and Vegetables in 2021, producing various materials covering a broad range of issues, including markets, trade, value chains, sustainable production, nutrition and health.

Commodity Intergovernmental Groups (IGGs)

36. The Joint Meeting of the 40th Session of the Intergovernmental Group (IGG) on Hard Fibres and the 42nd Session of the Intergovernmental Group on Jute, Kenaf and Allied Fibres held a virtual intersession on 22 September 2021 and endorsed an Action Plan that will guide the work of the two IGGs in the future.

37. With the support of FAO, two resolutions were adopted by the Second Committee of the United Nations General Assembly (UNGA) at its 74th Session. The first resolution (A/RES/74/241) established the observance of the International Tea Day on 21 May of each year, and the second resolution (A/RES/74/240) on "Natural plant fibres and sustainable development" encouraged the sustainable production and use of natural plant fibres.

38. The first and second observances of the International Tea Day were celebrated on 21 May 2020 and 2021, respectively, through high-level virtual events that brought together the world's top tea producing and trading countries and other stakeholders. The Director-General of FAO provided keynote addresses for the events.

39. Implementing the second resolution, the secretariat of the IGG on Hard fibres and the IGG on Jute, Kenaf and Allied fibres made a virtual presentation to the Members of the UNGA Second Committee in October 2021 focusing on the market trends and policy developments affecting natural fibres, particularly jute, abaca, coir, kenaf and cotton.

40. At the request of the FAO Director-General, a Dialogue on Tea and Coffee was organized on 15 October 2021, in conjunction with the World Food Day celebration. The event underlined the significance of coffee and tea for the transformation of agrifood systems and raised awareness of their cultural importance globally. It also discussed solutions to overcome the sustainability issues associated with the production of both beverages and avail of new market opportunities as well as investment needs and priorities.

Supporting international governance processes G20/G7

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

42. In 2021, under the G20 Presidency of Italy, FAO participated in the G20 Agriculture Deputies' meetings and provided technical inputs, including a Summary Note on the G20 Survey on Resilience and Risk Management prepared jointly with the OECD, and supported Members' deliberations leading to the G20 Agriculture Ministers' Meeting (17-18 September 2021). FAO also assisted the G20 Presidency in the preparation of the Meeting of the G20 Agricultural Chief Scientists (MACS). The Organization supported two MACS Workshops on Agriculture and Climate Change and on Antimicrobial Resistance, preparing concept notes and delivering technical presentations.

43. Technical support was provided to the G20 Health Working Group in the form of technical inputs, particularly on the implementation of the One Health approach and in the context of antimicrobial resistance, and drawing attention to the role of FAO, the World Health Organization (WHO), the World Organisation for Animal Health (OIE) and the United Nations Environment

Programme (UNEP). FAO Director-General attended the Global Health Summit in May 2021, where he stressed the significance of the Global Action Plan on One Health and its High-Level Expert Panel.

44. FAO contributed to the G20 Development Working Group, and the FAO Director-General attended the first ever Joint Foreign Affairs and Development Ministerial Session in Matera on 29 June 2021, calling upon the G20 and its partners to renew their collective commitment and joint actions to eradicate hunger and poverty, particularly in light of the COVID-19 pandemic.

45. FAO also supported the deliberations of the G20 Environment Deputies, leading to the Meeting of G20 Environment Ministers, which the Director-General attended in July 2021; participated in the Energy Transition and Climate Sustainability Working Group; and the Director-General attended the G20 Digital Economy and Research Joint Ministerial Session in August 2021.

The State of Agricultural Commodity Markets (SOCO)

46. The 2020 edition of the flagship report, *The State of Agricultural Commodity Markets (SOCO 2020)* was launched on 23 September 2020. Addressing the theme "Agricultural Markets and Sustainable Development: Global value chains, smallholder farmers and digital innovations", the report focused on how markets can bring us closer to achieving the 2030 Agenda for Sustainable Development. SOCO 2020 offers a detailed analysis of the major global trends in agrifood markets and trade as well as the evolution of global value chains with the aim to identify how to reap economic, environmental and social gains and spur overall economic development. The report makes an important contribution to the debate on how well functioning markets can contribute to inclusive economic growth and sustainable development. It discusses policies, innovative mechanisms and digital innovations that can promote the participation of developing countries and smallholder farmers in markets and global value chains. The report also looks at policy responses to address the impacts of the COVID-19 pandemic on food value chains, both nationally and globally.

47. The 2022 edition of *The State of Agricultural Commodity Markets (SOCO 2022)*, prepared during the 2020-21 biennium, discusses how trade policies, based on both multilateral and regional approaches, can address today's challenges for sustainable development. Trade policies in food and agriculture should aim to safeguard global food security, contribute towards tackling the trade-offs between economic and environmental objectives, and strengthen the resilience of the global agrifood system to shocks, such as conflicts, pandemics and extreme weather events. The report discusses the geography of trade, analysing food and agricultural trade and its patterns across countries and regions, its drivers and the trade policy environment. Comparative advantage, trade policies and trade costs shape the patterns of trade in food and agriculture. When comparative advantage plays out in the global market, trade benefits all countries. Lowering tariff barriers and reducing trade costs can promote trade and economic growth. Both multilateral and regional trade agreements can facilitate this process of making trade an avenue for growth, but the gains of trade are distributed unevenly and inequalities may increase. When global environmental impacts, such as climate change, are considered, a multilateral approach to trade can help expand the reach of mitigation measures.

C. Gaps and lessons learned

48. The new normal, brought by the COVID-19 pandemic, intensified the need for the use of Information and Communication Technologies (ICTs) and the adoption of innovative tools, and highlighted the significance of market intelligence and reliable up-to-date information. Comprehensive and complete databases to avoid fragmentation that limit access to data is essential to facilitate informed policy decisions and strategic investments aiming at inclusive and coherent agricultural and trade policies.

49. Knowledge generated by FAO is a significant public good that should be better systematized, streamlined and communicated so that it can be widely accessible to external users. In this regard, FAO has already launched an improved Markets and Trade website and is working towards the

development of a visualization tool, which will bring together existing data and information on markets and trade allowing external users to have immediate access to them in a user-friendly and timely way.

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

A. Trends and developments for better production

50. The COVID-19 pandemic, the war in Ukraine, and increasing climate change-induced events are changing international agricultural markets, global supply chains, trade levels and flows, and are reshaping the short- and medium-term outlook in agricultural markets. The FAO Food Price Index (FFPI) reached its highest levels ever in March 2022, rallying since mid-2020, while soaring energy prices have also pushed fertilizers' prices to record heights.

51. Ukraine and the Russian Federation are key players in global agrifood trade. In wheat, for instance, nearly 50 countries depend on the Russian Federation and Ukraine for at least 30 percent of their wheat import needs. Of these, 26 countries source over 50 percent of their wheat imports from these two countries. In this context, this war will have multiple implications for global markets and food supplies. At the same time, the Russian Federation is also a key exporter of fertilizers. In 2021, it ranked as the top exporter of nitrogen fertilizers, the second leading supplier of potassium, and the third largest exporter of phosphorous fertilizer in the world. Therefore, concerns have been raised that the war will limit availability of fertilizers in the coming season affecting producing capacities globally, reducing agricultural production and further increasing food prices as higher prices of inputs could lead to lower input use levels, depressing yields and harvests in the seasons to come.

52. The COVID-19 pandemic revealed the importance of digital technologies for the resilience and sustainability of our food systems. Advancements in ICT can play a pivotal role in the necessary transformation of agrifood systems as they can increase transparency and traceability in markets and value chains, improve agricultural productivity and crop yields and reduce the use of inputs. Better and more timely access to information through digital technologies can also improve the incomes of small-scale food producers, create better job opportunities, reduce food loss, and increase resilience and more efficient allocation of products. At the farm level, digital technology applications help address market failures and facilitate the integration of farmers in value chains by driving down information and transaction costs.

53. Improvements in ICT have also underpinned the development of global value chains, effectively linking farmers to traders, retailers and consumers across regions and countries. However, digital technologies can be disruptive, modifying or displacing value chain activities and products. Therefore, their long-term transformative impacts and the related risks require continuous research and analysis to better anticipate disruptive effects and promote positive outcomes.

B. Trends and developments for better nutrition

54. SDG 2 recognizes the importance of ending all forms of malnutrition (target 2.2), including child wasting, child stunting, child underweight, and child overweight to achieve social, economic and environmental objectives. The SDG Summit, organized by the UN Secretary General in September 2019 called for a Decade of Action and delivery for sustainable development, pledging to mobilize financing, enhance national implementation, and strengthen institutions to achieve the SDGs leaving no one behind.

55. In 2014, the Second International Conference on Nutrition (ICN2) adopted the Rome Declaration on Nutrition and its Framework for Action, acknowledging the challenge faced by current food systems in providing healthy diets. Moreover, in April 2016, the UNGA adopted the United Nations Decade of Action on Nutrition (2016-2025), a commitment by United Nations Member States

to undertake 10 years of sustained and coherent implementation of policies, programmes and increased investments to eliminate malnutrition in all its forms, everywhere, leaving no one behind.

56. In addition, the 2021 Food Systems Summit brought together governments, civil society, farmers, youth, indigenous peoples, and many other stakeholders in an effort to inter alia tackle global hunger and malnutrition as part of true agrifood systems transformation.

57. Despite the political will, the world is not on track to achieve the global nutrition targets. Roughly 769 million people suffered from hunger in 2020 while three billion people or more cannot afford a healthy diet. Moreover, 150 million children under the age of five are stunted, 46 million are wasted and 39 million are overweight. Post COVID-19 recovery efforts have been affected by the war in Ukraine, which is having various repercussions across the world. Estimates show that the number of undernourished people in the world can increase by up to 22 million people in the immediate future, due to the war in Ukraine.⁶

58. Trade is recognized as a key enabler for the achievements of the SDGs, including SDG 2 on zero hunger, while ICN2 acknowledged that trade is a key element in achieving better nutrition and that trade policies are to be conducive to fostering food security and nutrition for all. However, while the relationship between food trade and nutrition is attracting increased attention globally, establishing causal links between trade, food consumption patterns and nutritional outcomes remains a challenge and necessitates further research.

C. Trends and developments for a better environment

59. Two pledges made during the 26th session of the Conference of the Parties (COP 26) to the United Nations Framework Convention on Climate Change (UNFCCC) are of major relevance to agriculture – the Glasgow Leaders’ Declaration on Forests and Land Use aiming to halt and reverse forest loss and land degradation by 2030, and the Global Methane Pledge aiming to curb methane emissions by 30 percent by 2030. COP26 also marked a turning point for the Koronivia Joint Work on Agriculture (KJWA), which focuses on agriculture and food security under the UNFCCC, as countries found significant agreement on key topics like soil management. Efforts are expected to be intensified for a COP decision on agriculture and climate action. In this regard, integrated policies and approaches to sustainably use and safeguard natural resources are imperative. It is therefore essential that all countries have adequate capacities and effective surveillance and early warning systems to be able to cope with growing risks and recurring shocks. Similarly, increasing multi-stakeholder collaboration on measuring and reducing greenhouse gas emissions in agricultural value chains is essential, as agrifood systems account for approximately one-third of global anthropogenic emissions.

60. Natural disasters and climate change-induced crises can also reinforce the trend towards more and deeper regional trading patterns, a development that has already been underway for some time. In fact, the number of Regional Trade Agreements (RTAs) in force has rapidly increased from less than 25 in 1990 to more than 350 in 2022. RTAs not only have rapidly increased in terms of numbers, but have also evolved in terms of directly referencing sustainable development and environmental issues and including environment-related provisions. Evidence shows that RTAs are increasingly used to foster practices related to environmental sustainability, for example by including specific provisions to address environmental protection.⁷

⁶ <https://www.fao.org/3/cb9236en/cb9236en.pdf>

⁷ Mattoo, Aaditya, Nadia Rocha, and Michele Ruta (2020). Handbook of Deep Trade Agreements. World Bank, Washington, DC. Available at: <https://openknowledge.worldbank.org/handle/10986/34055>

D. Trends and developments for a better life

61. The multiple threats to food security and nutrition, their negative and cumulative impacts, and the links between shocks, poverty and hunger reveal the fragility of our agrifood systems and their exposure and vulnerability to crises. Worldwide, an estimated 75 percent of the poor and hungry people rely on agriculture and natural resources for their livelihoods. They are usually the hardest hit by shocks.

62. Increasing crises and shocks are likely worsening inequalities both within and between countries. The COVID-19 pandemic demonstrated that high- and middle-income countries, that have greater financial resources, while impacted by COVID-19, better managed to address the impacts, compared to low-income countries, with dramatically fewer financial resources and weaker social protection, particularly in rural areas.

63. Public policy responses to combat the adverse economic and social impacts of disasters and shocks are complicated by the high levels of heterogeneity in impacts. International trade plays an important role in increasing the resilience of agrifood systems as it can be a crucial enabler of food systems transformation and contribute to better livelihoods. Nevertheless, there is no doubt that trade also brings risks and can increase inequalities both within and among countries. As such, a better understanding of both the complex linkages between trade and sustainability outcomes and the simultaneous impacts of policy approaches on all parts of the agrifood system is necessary.

64. Through its National Dialogues, the 2021 UN Food Systems Summit, resulted in National Pathways for Food Systems Transformation that are clear visions of what governments, together with different stakeholders, expect of food systems by 2030. At the same time, at the global level, the Summit process has given rise to several inclusive multi-stakeholder initiatives, in order to support Members in delivering on national pathways and achieving the objectives of Agenda 2030. A follow-up mechanism has been designed to advance the national and global transformative actions announced at the summit, and the United Nations Secretary-General will convene a global stock-taking meeting every two years to measure progress.

IV. PRIORITY AREAS OF WORK IN COMMODITY MARKETS AND TRADE IN 2022-23 AND BEYOND

65. FAO will continue to review global agricultural trade issues and provide analytical and policy relevant information, while maintaining its comprehensive market intelligence service of the main agricultural commodities. As requested by previous sessions of the Committee, FAO will further enhance its analytical capacity and streamline its products and services to better address emerging issues and respond to increasing demand.

In order to accelerate progress and realize the *four betters* under the Strategic Framework 2022-31, FAO will apply the four accelerators in all programmatic interventions, including in the area of commodity markets and trade:

- **Technology:** FAO's work will promote a wide uptake of tools through leveraging traditional and new technology and innovation. Digital public tools will be deployed at the global and country levels to promote informed and timely policy decision-making in the area of commodity markets and trade.
- **Innovation:** innovative technical and policy solutions to support digitalization in agrifood trade will be promoted harnessing ICTs. This includes innovative technologies, such as Distributed Ledger (DL) technologies, innovative policies and regulatory frameworks, such as market-oriented services and partnerships, and innovative processes that strengthen multi-stakeholder mechanisms and networks.
- **Data:** FAO's work on commodity markets and trade includes the well-established global market intelligence and early warning systems and databases and reports. Beyond these, FAO

will build up nutrition-related datasets as well as agricultural incentives indicators in pilot countries.

- Complements: FAO will continue supporting the development of human capital and institutional capacities on issues relevant to markets and trade so that the opportunities created by the use of technology, innovation and data can be properly utilized. In this context, FAO will continue providing mechanisms and neutral forums for dialogue, sensitize key actors participating in global value chains, and further develop tools and e-training platforms.

66. The cross-cutting themes of gender, youth and inclusion are critical areas to be considered across all of FAO's areas of work in order to achieve the objectives of the FAO Strategic Framework 2022-31.

67. In this regard, knowledge products produced by FAO in the area of commodity markets and trade will assess differentiated outcomes of trade and related policies, identify the nature and sources of structural inequalities and provide appropriate policy recommendations. Capacity development activities will aim to ensure the participation of women, youth and disadvantaged groups in markets ensuring that these groups are included in reaping the benefits of expanding global agricultural markets and trade.

A. Commodity market monitoring, assessment and outlook

68. FAO will continue the collection, analysis and dissemination of data, information, and short-term forecasts on markets of basic commodities, tropical products and raw materials, together with medium-term projections and simulation studies exploring the impact of alternative scenarios regarding future trends and developments.

Table 1: Relationship between priority area A and selected PPAs, SDG targets and technical areas of emphasis

Programme Priority Areas (PPAs)	SDG Targets	Technical Areas of Emphasis
BP2: Blue transformation	2.1, 2.2, 14.6	Analysis and medium-term outlook of fisheries markets and trade
BN1: Healthy diets for all	2.1, 2.2	Estimates and short-term forecasts of primary elements of national commodity balances
BN5: Transparent Markets and Trade	2.b, 2.c, 17.11	Market intelligence, analysis, short- and medium-term outlook of commodity markets
BE1: Climate change mitigating and adapted agrifood systems	2.4, 13.1, 13.2	Analysis on the impact of climate change and mitigation strategies for specific commodities

69. Comprehensive reports will continue to be produced on a regular basis. The high-profile Food Outlook report will continue to be published biannually, together with commodity specific reports, while the FAO Food Price Index and related price sub-indices will continue to represent a priority activity. A new data platform and data dissemination tool will be created allowing access to reliable up-to-date information through a user-friendly environment. This work will be complemented by analytical products on topical issues, an effort that will be further strengthened.

70. Regarding the medium-term outlook, FAO will maintain and further develop the OECD-FAO Agricultural Outlook annual report as the global reference publication for medium-term projections and market analysis. At the same time, the capacity of the Aglink-COSIMO modelling framework will be increased, to better analyse future trends on supply and demand, including with regard to fertilizer utilization, food loss and waste and livestock productivity.

B. Food security monitoring and assessment and early warning

71. GIEWS will continue providing comprehensive market intelligence on key staple agricultural commodities alerting national and international decision makers on impending food crises with the objective to guide interventions and reinforce resilience.

Table 2: Relationship between priority area B and selected PPAs, SDG targets and technical areas of emphasis

Programme Priority Areas (PPAs)	SDG Targets	Technical Areas of Emphasis
BP5: Digital agriculture	1.4, 5.b, 9.c, 17.8	Digital public goods will be deployed at the global and country level and technical assistance will be provided
BN5: Transparent Markets and Trade	2.b, 2.c	Food security monitoring and early warning
BE1: Climate change mitigating and adapted agrifood systems	2.4	Use of innovative risk management tools such as satellite imaging
BL4: Resilient agrifood systems	1.5, 2.4	Evidence building to promote and facilitate informed and timely policy decisions

72. Digital public goods, such as ASIS and the Food Price Monitoring and Analysis (FPMA) tool, will continue being deployed at the global and country levels. ASIS and FPMA are also the focus of technical assistance provided by GIEWS to various countries, where stand-alone versions are installed and training is conducted to strengthen national capacities in market monitoring and early warning analysis.

73. Data and timely early warning information will be provided to improve multi-risk understanding of local agrifood systems and livelihoods. This will include regular updates of all major variables affecting food supply and demand, food security analyses of poor and vulnerable people, and field assessments.

74. In this regard, GIEWS will reinforce its capacities to provide timely analysis on impending food crises, expand the use of innovative technologies and tools, and continue the collaboration with relevant stakeholders, in order to strengthen the monitoring of the food security situation and early warning with regard to supply chain disruptions and the functioning of safety nets.

75. Where direct support is still required to perform first-hand assessments in countries, GIEWS plans to strengthen the methodologies used during the joint FAO/WFP Crop and Food Security Assessment Missions, in particular through increased use of high-resolution Earth Observation images for yields estimates.

C. Food and agricultural trade

76. Given the importance of trade and trade policies for food security, FAO will continue supporting its Members in the area of trade and trade agreements through evidence building, fostering capacity development, and facilitating neutral and impartial dialogue.

Table 3: Relationship between priority area C and selected PPAs, SDG targets and technical areas of emphasis

Programme Priority Areas (PPAs)	SDG Targets	Technical Areas of Emphasis
BP2: Blue transformation	2.1, 2.2, 14.6	Capacity building and analytical products on issues relevant to fisheries trade
BP5: Digital agriculture	1.4, 17.8	Evidence building to promote adoption of digital solutions for trade and agriculture
BN1: Healthy diets for all	2.1, 2.2	Evidence building on the links between trade and healthy diets
BN5: Transparent markets and trade	2.b, 10.a, 17,11	Evidence building and dialogue facilitation on issues relevant to international and regional trade. Capacity building on issues related to markets, trade and Global Value Chains
BE1: Climate change mitigation and adapted agrifood systems	2.4	Evidence building on the linkages between trade policies and climate-related policy objectives
BL1: Gender equality and rural women's empowerment	2.3	Evidence building and dialogue facilitation promoting participation of women in agrifood trade

77. In close collaboration with FAO's Fisheries and Aquaculture Division (NFI), EST will update existing elearning courses with the incorporation of trade rules relevant to fisheries products, and prepare analytical products on tariff escalation for fish products and on trade facilitation in fisheries trade.

78. Moreover, the engagement in the implementation of agricultural policy monitoring based on quantitative and qualitative data gathering and analysis will continue, and activities may be expanded to the Near East and North Africa region, in collaboration with the FAO Regional Office for the Near East and North Africa (RNE). Moreover, a new pilot programme aimed at supporting value chain prioritization based on indicators of import and export competitiveness will be launched by EST in close collaboration with the Agrifood Economics Division (ESA) and the Monitoring and Analysing Food and Agricultural Policies (MAFAP) Programme.

79. In view of the increased attention placed on the linkages between trade and sustainability and trade and healthy diets, FAO, in close cooperation with relevant stakeholders, will deepen its analytical work and support policy dialogues in these areas.

80. FAO will continue to build evidence on innovation and technology for agrifood trade by providing assessments, recommendations and a roadmap for facilitating trade through adoption of digital trade tools.

81. Moreover, EST will contribute to the Organization's work on trade in the following FAO regions: Africa, the Near East and North Africa, Latin America and the Caribbean, and in Eastern Europe and Central Asia, by scaling up capacity development on trade (including a new e-learning course on export promotion), providing technical support to countries acceding to the WTO, developing vulnerability indicators, and continuing support to the functioning or the establishment of agricultural trade experts networks in at least three regions.

D. Responsible global value chains

82. FAO will continue supporting sustainable production and trade and responsible business conduct and due diligence in global agricultural value chains.

Table 4: Relationship between priority area D and selected PPAs, SDG targets and technical areas of emphasis

Programme Priority Areas (PPAs)	SDG Targets	Technical Areas of Emphasis
BP5: Digital Agriculture	17.8	Test the use of blockchain technology to promote more transparent and responsible value chains.
BN5: Transparent markets and trade	2.b, 2.c, 10.a	Facilitation of multi-stakeholder dialogue and development of innovative tools for sustainable trade and responsible business conduct
BE1: Climate change mitigating and adapted agrifood systems	13.b	Pilot innovative approaches to facilitate greenhouse gas (GHG) emissions measuring and reduction in agrifood value chains
BL1: Gender equality and rural women's empowerment	5.a	Capacity building activities to support addressing key gender-related issues in global fruit value chains and promote the adoption of gender-related international standards in agricultural supply chains
BL4: Resilient agrifood systems	1.5, 2.4	Capacity building activities and multi-stakeholder collaboration to strengthen resilience along agricultural supply chains
BL6: Scaling up investment	2.a	Dialogue facilitation and other advocacy activities to promote the use of risk-based due diligence and responsible investment and business practices by value chain operators

83. FAO will continue its advocacy and knowledge sharing activities to promote the use of the Principles for Responsible Investment in Agriculture and Food Systems of the Committee on World Food Security (CFS) and the OECD-FAO Guidance for Responsible Agricultural Supply Chains. In this regard, FAO will prepare briefs and training materials on responsible investment and business conduct, risk-based due diligence, and Environmental and Social Governance (ESG) risk management in agricultural supply chains.

84. Moreover, FAO will encourage company-led environmental due diligence aimed at measuring and reducing GHG in agricultural supply chains in low and middle income country contexts, with a focus on key globally traded commodities. To this end, it will facilitate multi-stakeholder collaboration on GHG along global value chains

85. In order to increase the resilience of agricultural supply chains to external shocks such as diseases and natural disasters, FAO, through multi-stakeholder approaches, will develop guidelines to assist developing country governments in the formulation of adequate policies for commodities.

86. FAO will continue facilitating and supporting the World Banana Forum. Activities will focus on piloting the use of blockchain in the banana sector to promote sustainable production and trade, combating the spread of the Fusarium wilt Tropical Race 4 disease, promoting OHS through the development and promotion of training materials and e-learning platforms, and strengthening gender equity in the banana industry. FAO will also support efforts to measure and reduce GHG emissions in banana supply chains and adapt the relevant tool to the avocado and pineapple supply chains.

87. In addition, and in order to promote OHS of female workers, narrow the gender pay gap and increase employment opportunities for women along specific value chains (bananas, avocados and

pineapples), FAO will undertake capacity development activities including the preparation of training material and the organization of workshops.

E. Commodity Intergovernmental Groups (IGGs)

88. One of the Secretariat's priorities is to sustain and strengthen action in support of non-food commodities, particularly those not covered by other international institutions.

Table 5: Relationship between priority area E and selected PPAs, SDG targets and technical areas of emphasis

Programme Priority Areas (PPAs)	SDG Targets	Technical Areas of Emphasis
BN5: Transparent Markets and Trade	2.b, 2.c, 10.a, 17.11	Implement the UN resolutions mentioned in paragraph 37 on tea, cotton and natural plant fibres and service the IGGs

89. FAO's support to the work of the IGGs will be as follows:

- 1) Servicing the IGG on Tea, with the next session scheduled to be held early in 2023. Support will include inter-sessional activities.
- 2) Servicing the IGG on Hard Fibres and the IGG on Jute, Kenaf and Allied Fibres, with the next Joint Meeting to be held in the last quarter of 2023. Support will also include inter-sessional activities.
- 3) Servicing other IGGs, as required. At its 70th Session in 2014, the CCP decided that IGGs other than those mentioned above "should only meet on a 'when required' basis".
- 4) Organize the celebration of World Cotton Day in October 2022 and October 2023 and of International Tea Day in May 2022 and May 2023. Deliver a presentation on the State of Natural Fibres at the UNGA in October 2023.

F. Other core activities

90. FAO will continue its engagement in the G20 and the G7 processes, through the provision of technical support and participation in meetings, and the production of the biennial flagship publication The State of Agricultural Commodity Markets (SOCO).

Table 6: Relationship between priority area F and selected PPAs, SDG targets and technical areas of emphasis

Programme Priority Areas (PPAs)	SDG Targets	Technical Areas of Emphasis
BN5: Transparent Markets and Trade	2.b, 10.a, 17.11	Support policy coordination under intergovernmental processes and build evidence on global drivers of sustainable development in relation to markets and trade

91. In 2022, FAO will provide support to the G20 under the Presidency of the Republic of Indonesia and in 2023 under the Presidency of the Republic of India. Consultations with the Indonesian G20 Secretariat and other international organizations have already started.

92. Preparation has started for the 2024 edition of SOCO, which will be launched before the 76th Session of the CCP.

V. TOWARDS A REINVIGORATED BUSINESS MODEL

93. FAO's work aims at ensuring that commodity markets and trade can contribute to food security and healthy diets for all, while fostering sustainable economic, social and environmental outcomes.

94. Great emphasis will be placed on the use of information and communication technologies across all activities, maintaining and strengthening FAO's leadership in innovation in food and agriculture. For example, more dynamic platforms for sharing information will be created, while the benefits of global value chain participation and artificial intelligence applications targeted towards food security monitoring will be promoted in order to achieve greater impacts and contribute to the needed agrifood systems transformation. To achieve this, FAO will reinvigorate existing collaborations on specific technical priorities within the commodity markets and trade field and emphasize partnering, including with the private sector, in an effort to facilitate the adoption of technology and innovative business models and promote sustainable trade and global value chains.

95. Globalization and growing volumes of traded agricultural commodities have increased the chances that agricultural production in one place affects the human, animal, and plant health in other regions. Internationally recognized standards developed by standard-setting bodies such as the Codex Alimentarius Commission or the International Plant Protection Convention (IPPC), both housed at FAO, ensure that transboundary threats to food security are limited. The FAO Strategic Framework 2022-31 will constitute the basis for stronger engagement of all relevant units within the Organization, with the objective to strengthen capacities and consideration of matters in line with comprehensive approaches, such as the One Health approach. Collaboration with other United Nations and international development agencies in the framework of FAO's normative and technical work will continue and be further strengthened.