



منظمة الأغذية
والزراعة
للأمم المتحدة

联合国
粮食及
农业组织

Food
and
Agriculture
Organization
of
the
United
Nations

Organisation
des
Nations
Unies
pour
l'alimentation
et
l'agriculture

Organización
de las
Naciones
Unidas
para la
Agricultura
y la
Alimentación



CONFERENCE

Twenty-eighth Session

Rome, 20 October - 2 November 1995

INTERNATIONAL AGRICULTURAL ADJUSTMENT

Eighth Progress Report

CONTENTS

	Paragraphs
INTRODUCTION	1-4
Guideline 1	5-18
Guidelines 2 and 12	19-27
Guidelines 3 and 4	28-35
Guidelines 5 and 6	36-48
Guideline 7	49-54
Guideline 8	55-63
Guideline 9	64-74
Guideline 10	75-82
Guideline 11	83-90
DRAFT DECISION	91

INTRODUCTION

1. This Eighth Progress Report on International Agricultural Adjustment (IAA) is somewhat different from those of earlier years for two main reasons:
 - a) it is considerably shorter in keeping with the general objective of reducing the length of documents and minimizing duplication with other documents available to this Conference or presented to Committees of the Council, and
 - b) the evaluation of progress and analysis of issues reflects the instructions of the Twenty-sixth FAO Conference about the modalities of monitoring and reporting progress in International Agricultural Adjustment (Box 1).

BOX 1

Extract from the Report of the Twenty-sixth Session of the Conference¹

58. Several Member Nations considered that the Guidelines for IAA did not fully reflect developments in the world food and agriculture situation since their adoption in 1975 and revision in 1983; nor did they fully reflect the changing perceptions concerning food and agriculture problems and the lessons of more recent experiences as to the effectiveness of different policy approaches. In this connection, particular reference was made to Guidelines 8 and 10 and some suggestions were made for possible revisions.

59. The Conference noted that there had been major new developments and changes which had a bearing on the issues addressed by the IAA Guidelines. These factors included, *inter alia*, the radical changes currently under way in economies in transition; changes that might follow, for example, the conclusion of the Uruguay Round, the United Nations Conference on Environment and Development (UNCED) and the International Conference on Nutrition (ICN); the increasing relative weight in food security of factors determining access to food by the poor; the increasing importance of macro-economic factors and market orientation in the formulation of agricultural policies in both developed and developing countries; and the growing recognition of environmental and sustainability issues.

60. The Conference agreed that the Secretariat should continue to undertake periodic four-year reviews of policies affecting world food and agriculture using the IAA Guidelines as a broad framework. It further agreed that the next report in 1995 should contain an analysis of the relevance and usefulness of existing guidelines in the light of major developments in world food and agriculture and in policy thinking. It also agreed that monitoring and reporting should be carried out with flexibility and selectivity in order to take into account changes affecting the food and agriculture sector, the evolution in thinking about development approaches and priorities and the emerging experience as to the effectiveness of different policies. In this connection, the Conference agreed that the Secretariat, in preparing reports on progress in IAA, should give particular attention to the consensus reached in a number of existing documents such as the International Development Strategy for the Fourth UN Development Decade, the Long-term Strategy for the Food and Agriculture Sector and FAO's Medium-term Plan, as well as the results of the forthcoming conferences mentioned in the preceding paragraph, and the objectives and outcome of the Uruguay Round.

¹ C 91/REP, paragraphs 58-60.

2. In this spirit, the text under each Guideline is organized as follows: there is a brief report of main developments concerning the objectives of the Guideline. Where appropriate, reference is made to other documents submitted to the Conference, or to Committees of the Council, dealing with the same topic and the relevant discussion is not repeated in this document in the interests of brevity and avoidance of duplication. This is followed by a section on the continued relevance, or otherwise, of the main objectives of the Guideline. The text under each Guideline concludes with a paragraph addressing the issue whether there are other documents to the Conference or to

Committees of the Council which regularly report on the same topic. This is in the interest of informing the debate on the extent to which regular progress reports on IAA add much to what these other documents have to say.

3. Concerning the continued relevance of the objectives of the Guidelines, the overall conclusion is that all of them continue to be relevant. It could not be otherwise, because the world is so diverse that there are always specific categories of countries to be found to which a subset or all of the objectives continue to be of immediate relevance in the pursuit of development in food and agriculture. What can be said with confidence is that if the Guidelines were being rewritten today one would want to redefine the wording so as to rebalance the relative emphases in line with the changed real world circumstances and the perceptions concerning priorities as embodied in current development thinking. For example, increased recognition is given today compared with the past on the proper definition of the role of the State in economic life and on aspects of the environment and sustainability. There would also be a need to revise or reconsider the relevance of some or all of the numerical targets occasionally given in the Guidelines, if the current circumstances so dictated.

4. Concerning the extent to which monitoring and reporting on progress on the themes of the IAA Guidelines is covered by other documents submitted to the Conference or Committees of the Council, the overall conclusion is that there is indeed a considerable degree of duplication. The concluding paragraphs under each Guideline in the main body of this report enumerate the documents most relevant to the issue at hand. By and large, these documents are the ones regularly submitted to the Conference itself, the Committee on World Food Security and the Committee on Commodity Problems, directly or through its subsidiary Intergovernmental Commodity Groups. Naturally, the fact that the Conference and other bodies of FAO review regularly progress on selected themes of the IAA under their different agenda items does not by itself obviate the need to have all aspects of the IAA reviewed in one single document. However, this considerable duplication is an important factor to take into account in the quest for economies in the use of resources.

GUIDELINE 1

"Food and agricultural production in developing countries, particularly in the least-developed countries and developing countries in the other special categories where the development needs and problems are greatest, should expand during the Third UN Development Decade at an average annual rate of at least 4 percent. This rate of growth is needed to meet the nutritional needs and increasing demand of their population, to create a basis for more rapid industrialization and diversification of their economic structures, to redress growing imbalances in world production and enable developing countries to become more self-reliant in the production of basic foodstuffs. To this end, developing countries should continue to strengthen the formulation and implementation of food and agricultural development plans and food sector strategies within the framework of their national development priorities and programmes. Developed countries, while aiming in their agricultural policies at the most rational use of resources, should endeavour to take into account the special needs and interests of developing countries and the need to ensure world food security. Developed countries will make their best efforts to adjust those sectors of their agricultural and manufacturing economies which require protection against exports from developing countries, thus facilitating access to the markets of food and agricultural products. The developed countries should exert their best efforts to avoid adverse effects on the economies of the developing countries while formulating and implementing their domestic agricultural policies. All countries should aim to achieve a rational production pattern in the light of their needs and production possibilities."

The growth rate of agriculture in the developing countries

5. The relevant data are shown in Table 1. By and large, for the developing countries as a whole the growth rate of production has been maintained at over 3.0 percent p.a. The two poorest regions (sub-Saharan Africa and South Asia) as well as the group of the least-developed countries did better in the last ten years than in the preceding decades, and East Asia kept up its high growth rate, though at a lower level than in the preceding decades. In practice only the Latin America/Caribbean region experienced a significant slowdown. However, the improved growth rate of sub-Saharan Africa masks the fact that, when combined with its high population growth rate, it translates into a negative growth rate in production per caput, -0.2 percent p.a. from 1984 to 94. Things are even worse for the least-developed countries which continued to experience deep declines in per caput production (-0.8 percent p.a. in 84-94). Thus, contrary to the postulates of the Guideline, the situation is getting worse, not better, for this group of countries. Increasingly, the problem is becoming one not so much of keeping a high growth rate for the developing countries as a whole, but of persistent failures in many of the poorest countries.

6. Recently, concern has been expressed that world agricultural growth has slowed down after the mid-1980s. This is true (Table 1), but this slowdown reflected mainly events in the formerly centrally planned economies following the systemic reforms (and where the declines did create food security problems in some of them), but also in the other developed countries, mainly the cereal exporting ones (because export demand growth was sluggish after the mid-1980s). By contrast, the slowdown in the developing countries, where it would threaten their food security, has been slight.¹

¹ This topic is discussed fully in the revised and expanded version of *Agriculture: Towards 2010* (document C93/24) published as *World Agriculture: Towards 2010, an FAO Study* (N. Alexandratos, ed.), John Wiley and Sons, Chichester, U K and FAO, Rome, 1995. Published also in French by Polytechnica, Paris and in Spanish by Mundi-Prensa Libros, Madrid. Hereafter this revised and expanded edition is referred to as *AT 2010Rev*.

TABLE 1
Growth rates of agricultural production

	Growth rates of agricultural production % p.a.						Per caput food supplies (calories-day)	
	Highest and lowest 10-year growth rates in 1970-94		1964- 74	1974- 94	1984- 94	Projected 1988/90- 2010 ¹	1990/92	201 ¹⁰
	Highest	Lowest						
World	2.4 (75-85)	1.5 (84-94)	2.4	2.3	1.5	1.8	2 710	2 860
Developing countries	3.5 (76-86)	2.9 (70-80)	2.9	3.4	3.2	2.6	2 520	2 730
Africa, sub-Saharan	3.0 (83-93)	1.0 (70-80)	2.4	0.9	2.9	3.0	2 040	2 170
Near East/North Africa	3.5 (78-88)	2.8 (84-94)	2.6	2.8	2.8	2.7	2 960	3 120
East Asia	4.7 (76-86)	3.5 (70-80)	3.5	4.6	3.7	2.7	2 670	3 040
South Asia	3.7 (82-92)	2.5 (70-80)	2.4	3.2	3.4	2.6	2 300	2 450
Latin America + Caribbean	3.4 (71-81)	2.0 (81-91)	2.6	2.7	2.1	2.3	2 740	2 950
Least-developed countries	2.0 (72-82)	1.6 (70-80)	1.8	1.8	1.9	2.8	2 040	2 140
Developed countries	1.8 (70-80)	-0.3 (84-94)	2.2	1.4	-0.3	0.7	3 330	3 470
E. Europe + ex-USSR	1.7 (80-90)	-2.8 (84-94)	2.9	0.6	-2.8	0.4	3 160	3 380
Others	2.1 (72-82)	0.6 (84-94)	1.9	1.8	0.6	0.8	3 410	3 510

¹ AT 2010Rev., Tables 3.2, 3.3.

Agricultural policies of the developing countries

7. The need for improved policies to promote agricultural growth in the developing countries and achieve related objectives is cited in several Guidelines, viz. Guideline 1 (second and last sentences), Guideline 3 (last phrase) and Guideline 6 (last sentence). Guideline 1 refers also to the policies of the developed countries mainly as regards their impact on the developing countries through trade. This latter aspect of Guideline 1 is reviewed under Guideline 7 which deals with the same topic.

8. Reporting on current developments in policies is the subject *par excellence* of the annual State of Food and Agriculture (SOFA).² Therefore, the discussion is not repeated here. Instead, and in the context of assessing the continued relevance of the "policies" objective, a brief review is provided below of the broad thrust of ideas and lessons of experience underlying efforts at policy reforms in recent years.

Continued relevance of the objectives

*The "policies" objective*³

9. Contrary to the earlier thinking, it is now well accepted that in the developing countries with a high weight of agriculture in the total economy and employment, overall development is impeded if agriculture is neglected, starved of resources or discriminated against by the use of policies which affect adversely producer incentives; and that such neglect is not only socially unacceptable, seeing that the majority of the poor, and often of the total population, depend on agriculture, but also economically inefficient.

² The State of Food and Agriculture 1995 and C95/2.

³ This discussion is taken largely from AT2010 Rev., Chapter 1.7.

10. Farmers and agriculture do respond to incentives, and many of the successes and failures in getting agriculture moving can be explained by policies which permitted such incentives to manifest themselves or, on the contrary, affected them adversely, directly or indirectly. Incentives comprise not only better prices for outputs and lower ones for inputs but also the provision to agriculture of public goods such as infrastructure, education, research, etc.

11. Agriculture's performance is affected not only by policies specifically designed for it (e.g. price supports, taxes, subsidies) but also, and often more deeply, by policies affecting the overall macroeconomic environment (e.g. public sector deficits, inflation, interest rate, exchange rate) as well as policies for the other sectors (e.g. the rate of protection accorded to manufacturing if it makes more expensive the manufactured inputs and consumer goods purchased by agriculture). The lesson is that agriculture cannot prosper in an environment of high inflation, overvalued exchange rates and generally in conditions which turn incentives against it. The importance of the macroeconomic factors came in stark evidence in the aftermath of the 1970s, a period of external shocks, easy borrowing and build-up of foreign debt, which was followed by the emergence of strong macroeconomic disequilibria and ushered in the crisis decade of the 1980s. Policy responses to correct such imbalances (going under the generic name of structural adjustment) while restoring incentives to the sector may have also affected the sector negatively due to public spending cuts, less growth of the demand for agricultural produce and fewer opportunities for agricultural labour to move to other sectors. These reforms may not by themselves engineer resumption of growth but they are considered necessary as a step towards setting the economy on an even keel, in the absence of which strategies for long-term growth have a low probability of succeeding.

12. Guideline 1 speaks of food and agricultural development plans and food sector strategies. Therefore, a brief reference to current thinking about the role of the state in the pursuit of development objectives is warranted. The analysis of experiences concerning the role of the public sector in economic life draws heavily on examples from agriculture, as government involvement, particularly in marketing of agricultural produce, was very diffuse in some countries. The issues related to the proper role of the public sector have still to be settled (and certainly they cannot be settled on dogmatic grounds) as the expected benefits from reforms to correct these perceived structural shortcomings and the often associated macroeconomic imbalances are in many cases slow in coming and of uncertain magnitude and duration. But some degree of consensus can be gleaned. It reaffirms and strengthens the case for an enhanced role of the public sector in agriculture in such areas as provision of infrastructure, education (including technical education for agriculture), research and technology development and transfer, etc.; with the proviso, of course, that success or failure depend greatly on the organizational and managerial capabilities of governments. The case for this sort of public sector role is further strengthened by increasing evidence about the high rates of return to agricultural research and that what matters for development, together with, and perhaps more than, investment in physical assets, is investment in human capital and knowledge. In parallel, the consensus seems to lend support to the proposition that, in a general sense, governments should backstop rather than supplant the private sector in production and marketing by, mainly, creating the institutional framework and enforcing the rules for markets to work efficiently and for prices to play their vital role as incentives and disincentives for guiding such private sector activities.

13. In conclusion, it can be stated with some confidence that the early post-war ideas of squeezing agriculture for the benefit of other sectors are dead and hopefully buried for good. This does not mean that agriculture's role as supplier of resources to the rest of the economy will cease. But it does mean that in many situations priority must be given to increasing agricultural productivity and the incomes of the rural people if markets for the domestic industry are to be expanded and if a surplus is to be created in agriculture and transferred, rather than extracted, to other sectors. Such transfers are seen primarily as spontaneous responses to the normal course of events whereby agriculture grows less rapidly than other sectors. In these conditions, other sectors offer generally higher rates of return and it is natural that resources are directed to them. Here again, the importance of public sector interventions to promote investment benefiting agriculture is

emphasized, e.g. in research, education, infrastructure, etc., because the social rate of return on these investments can exceed by far the private rate of return. In the process of development and structural transformation, the initial conditions prevailing in some countries dictate that there is a strong case for priority to agriculture in development strategies to enable the sector to play its vital role in poverty alleviation and in backstopping overall economic growth.

The agricultural growth objective

14. This objective remains generally valid since the great majority of countries with inadequate nutrition and food security levels have a high dependence on local agriculture for food supplies, employment and incomes as evidenced by the high proportion of rural population in total population and the generally modest levels of food imports per caput. The relevant data are shown in Table 2. If anything, current thinking tends to emphasize even more than in the past the key role of agriculture in development (see *AT 2010 Rev.*, Chapter 7). FAO's programme priorities which emphasize increased food production in the Low-Income Food-Deficit Countries (LIFDCs) are an explicit recognition of this crucial role of agriculture.

15. Setting a numerical target of 4.0 percent p.a. growth rate may or may not be relevant to the issue at hand. The facts are that a) few countries, and among the regions only East Asia, have achieved this rate of growth for any ten-year period in the past (Table 1), and b) in many cases there are significant constraints to achieving this kind of growth not only on the production side but also on that of the demand, e.g. in countries beset by overall economic growth problems and with large shares of agriculture in sectors with slow growing domestic or export demand (tropical beverages and other agricultural commodities for export, roots and tubers). Therefore, the usefulness of having a relatively high numerical target should be judged against the criterion whether its non-achievement would prompt people to action to close the gap or, on the contrary, foster a sense of despair and undermine the credibility of the whole exercise.

16. It is also noted that the 4 percent p.a. target of the Guidelines referred to the 1980s when a) the per caput food supplies of the developing countries were lower than at present (2 320 calories/caput/day in 1979-1981 compared with 2 520 in 1990-92) and the scope for increases in per caput consumption was higher, at least for some countries, and b) their population growth was higher (2.1 percent p.a.) than foreseen for the next two decades (1.7 percent for 1990-2010, according to the medium variant projection of the latest UN assessment).

17. The whole issue of future agricultural growth may be put in context by noting that FAO's assessment (*AT 2010 Rev.*) of likely outcomes for the twenty years 1990-2010 indicate that the growth rate of agricultural production of the developing countries may be lower than in the past. This would still be compatible with further improvements in their per caput food supplies, but, in the normal course of events and unless drastic measures are taken, both sub-Saharan Africa and the least-developed countries are projected to make totally inadequate progress and South Asia would still have medium to low levels of per caput food supplies in 2010.

Monitoring and reporting progress on agricultural growth and policies

18. As noted, SOFA is the vehicle par excellence which monitors and reports regularly to the FAO Governing Bodies current developments in agricultural growth and policies. Its treatment could perhaps be enlarged to cover in particular years (e.g. every four years) the broader currents of thinking concerning the principles and perceptions underpinning policy formulation and policy-making for food and agriculture in a wider developmental context.

TABLE 2
Cross-classification of 93 developing countries by rural population share and per caput food supplies

Rural popul. % of total population 1990	Per caput food supplies (calories/day), 1990-92					
	Under 2 100	2 100- 2 300	2 300-2 500	2 500-2 700	2 700-3 000	over 3 000
Over 75%	Burundi,(-0.8; 5) Rwanda,(-0.6; 4) Malawi,(-3.1; 21) Ethiopia,(-1.0; 16) Afghanistan,(-1.3; 14) Bangladesh,(-0.1; 17) Somalia,(-1.8; 31) Kenya,(-0.7; 9)	Uganda,(-2.5; 0) Nepal,(0.5; 2) Cambodia,(2.3; 6) Burkina Faso,(1.7; 18) Lesotho,(-2.2; 122) Laos,(2.0; 10) Niger,(-1.5; 16) Viet Nam (2.0; -14) Tanzania,(-0.1; 4) Sri Lanka,(0.3; 57) Sudan,(-1.6; 25) Mali,(0.2; 14) Madagascar,(-1.5; 8)	Botswana,(-2.9; 108) Myanmar,(0.9; -4) Gambia,(-4.4; 114) Thailand,(1.4; -104)			
60-74%	Ghana,(-1.6; 22) Cameroon,(-1.9; 36) Liberia,(-2.2; 52) Sierra Leone,(-0.9; 39) Chad,(-0.3; 10) Haiti,(-1.3; 45) Zimbabwe,(-2.9; -6) Angola,(-2.3; 35) Zaire,(-0.4; 10) Mozambique,(-2.6; 44)	Guatemala,(-0.4; 33) Nigeria,(0.1; 7) Yemen,(-0.4; 130) Togo,(-1.3; 32) Namibia,(-3.4; 75)	Côte d'Ivoire,(0.6; 50) Guyana,(-0.7; -12) India, (1.3; 1) Pakistan,(0.5; 4) Senegal,(-1.8; 83) Guinea,(-0.3; 46)	Indonesia,(2.5; 12) Swaziland,(-0.5; 146) Benin,(0.8; 33)	China,(2.7; 6)	
45-59%	Bolivia,(0.7; 34) Centr.Afr.Rep.,(-0.7; 14) Zambia,(-2.2; 28)	Panama,(-0.6; 67) Philippines,(-0.1; 32) Congo,(-1.0; 54)	Gabon,(-1.4; 74) Honduras,(-1.0; 34)	Jamaica,(-0.2; 162) El Salvador,(0.1; 42) Paraguay,(2.2; -27) Suriname,(2.3; -30) Mauritania,(-0.6; 123)	Algeria,(0.5; 220) Costa Rica,(-1.0; 116) Malaysia,(4.6; 159) Mauritius,(-0.5; 188)	Syria,(0.6; 109) Egypt,(0.6; 150) Morocco,(1.4; 75)
25-44%	Peru,(-0.9; 74)	Iraq,(-0.9; 167) Nicaragua,(-3.9; 45) Dom. Rep.,(-0.6; 103)		Colombia,(0.8; 31) Trinidad & Tobago,(-2.4; 201) Ecuador,(0.0; 43)	Brazil,(1.3; 29) Korea DPR,(1.3; 38) Jordan,(1.4; 387) Iran, (1.0; 88)	Cuba,(1.0; 204) Mexico,(0.3; 80) Korea Rep.,(2.4; 229) Tunisia,(0.4; 175) Turkey,(0.6; -21)
0-24%				Chile,(1.5; 30) Venezuela,(0.4; 117) Uruguay,(0.6; -138)	Argentina,(0.1; -330) S. Arabia,(5.7; 279)	Lebanon,(4.4; 217) Libya,(-0.3; 427)

Note: 1) Rural population data from UN, *Urban and Rural Areas by Sex and Age, the 1992 Revision*, New York, 1993. 2) Numbers in parentheses are: first number the growth rate of per caput food production 1972-92 in % p.a.; second number the net imports of cereals, five-year average 1988-92 in kg per caput (a minus sign denotes net exports).

GUIDELINES 2 AND 12

Note: These two Guidelines are reviewed together because they both deal with resource flows to agriculture (Guideline 2 all resource flows; Guideline 12 resources from external assistance).

GUIDELINE 2

"The total flow of financial and other resources to the agriculture and food sector in developing countries should be greatly increased, especially for expansion and diversification of production.¹ Substantial increases in agricultural research, national, regional and international should be paralleled by special efforts to increase efficiency in the use of resources and to improve existing technologies. The international community should support measures to provide agricultural inputs, especially fertilizer, improved seeds and supplies of pesticides, and efforts to prevent postharvest losses. Special attention should be given to development of agricultural extension at the level of the people concerned. The required action lies both with developed and with developing countries."

¹ The need for such increased flows is illustrated by estimates in the FAO study *Agriculture: Toward 2000* of the required growth per annum in major inputs in 90 developing countries excluding China for 1980 to 2000: total investment 4.4 percent; current inputs (including fertilizer) 5.8 percent; fertilizer 8.5 percent; irrigation 2.1 million hectares.

GUIDELINE 12

"In support of measures in the developing countries to increase substantially investment in agriculture, external assistance from both bilateral and multilateral sources of financing must be substantially increased so as to make possible early realization of the estimated annual requirements (in 1975 prices) of US\$8.3 billion with US\$6.5 billion on concessional terms, keeping in mind FAO's Secretariat estimates that external assistance requirements will increase to between US\$11-12.5 billion (in 1975 prices) by 1990. More concessional assistance, both bilateral and multilateral, should be concentrated on low-income countries, and donors should commit adequate funds for local costs and should meet requests wherever possible for financial participation in recurrent costs of the implementation of development projects in the agricultural sector."

Developments in resource flows: all resources, in physical units

19. The only comprehensive, though far from perfect, data refer to resources used by agriculture in physical units. These comprise the resources which are commonly classified as capital goods, such as land, irrigation, machinery, etc. (and, therefore, they measure capital formation or investment)⁴ as well as those which correspond to current inputs such as fertilizer, etc. The relevant data are shown in Table 3. The growth rates of most items in Table 3 have been on the decline in the last ten years compared with earlier decades.

⁴ If these data in physical units were properly valued in the national accounts their aggregate value would correspond to a good part of net fixed capital formation in primary agriculture. Other resources which need to be included in the same category but for which there are no data are structures and equipment. Addition of expenditures to replace or rehabilitate these physical resources consumed in the process of production would generate estimates of gross fixed capital formation in agriculture (GFCFA). The National Accounts contain estimates for only very few developing countries and, therefore, they do not provide a sufficient basis for evaluating developments in GFCFA of the developing countries. Broader issues of agricultural investment are discussed in the technical background document for the World Food Summit "Investment in Agriculture: Evolution and Prospects" (WFS96/TECH/3, Advance unedited version, June 1995).

TABLE 3
Resource and input use in the agriculture of the developing countries

	unit	1961-63	1969-71	1979-81	1991-93	1963-73	1973-83	1983-93
						average annual growth rate (%)		
Arable land	<i>m. ha</i>	621	648	682	706	0.6	0.5	0.3
Land in perm. crops	<i>m. ha</i>	58	63	71	78	1.3	1.0	1.0
Total land	<i>m. ha</i>	679	711	753	783	0.5	0.4	0.3
of which, irrigated	<i>m. ha</i>	104	124	151	183	2.3	1.8	1.7
Tractors	<i>thous.</i>	742	1 347	3 379	5449	7.8	9.2	3.5
Harvesters/threshers	<i>thous.</i>	124	154	232	386	3.0	4.8	4.2
Livestock	<i>mill.</i>							
Cattle	<i>mill.</i>	693	801	914	1044	1.7	1.4	1.0
Pigs	<i>mill.</i>	177	298	444	540	5.8	1.8	3.3
Sheep/goats	<i>mill.</i>	781	864	1 007	1 173	0.9	2.2	1.5
Poultry	<i>mill.</i>	1 906	2 545	3 895	7 880	3.6	5.1	6.4
Fertilizer consumption ¹	<i>m. tons</i>	4.3	13.6	37.2	66.9	14.0	9.8	4.8
Fertilizer imports ¹	<i>m. tons</i>	2.7	6.7	14.0	24.6	12.2	5.3	5.5
Fertilizer use per ha ¹	<i>kg/ha</i>	6.3	19.2	49.4	85.4			

¹ In nutrient content.

20. To a large extent, these declines in the growth rates reflect a natural evolution as natural resources become scarcer (land, water) and the levels of the other capital assets of agriculture (e.g. machinery) as well as the intensity in the use of current inputs (e.g. fertilizer per ha) rise. Increasingly, investment in the assets of agriculture must be directed at enhancing the quality and productivity of the land and water resources and at their conservation. The unavailability of monetary data on investment for a sufficient number of developing countries precludes an evaluation of this dimension of resource flows.

21. It is noted that the rates of expansion have been much higher for the capital assets of agriculture which are not subject to the same resource constraints as land and water, e.g. livestock numbers (particularly pigs and poultry) and machinery. With the increasing resource scarcities, but even without them, the growth of agriculture depends more and more on enhancing productivity of the resources and the role of investment in such things as primary and technical education, research and extension becomes increasingly important. On this count, the trends have not been favourable, at least not for the part of external assistance earmarked to support research and extension in the developing countries' agriculture (see below).

Developments in external resource flows

22. Data on commitments of Official Development Finance (ODF)⁵ are the only available data which provide a sufficient, though far from perfect, basis for monitoring developments in foreign assistance to the agriculture of the developing countries. These data are shown in Table 4. The first thing to note is that ODF to agriculture, far from increasing as the Guideline 12 postulates, has been falling in recent years, both as a share of total ODF (indicating changing priorities of donor countries away from agriculture) and in absolute terms, when the latter is measured at constant prices. This happened while total ODF commitments were being maintained at a level close to

⁵ ODF comprises all resources committed from or through the official sector (both bilateral and multilateral, both concessional and non-concessional) with as main objective the promotion of development and welfare. The concessional part of the ODF (grant element 25 percent or more) is termed Official Development Assistance (ODA).

US\$70 billion.⁶ When it comes to judging these developments against the Guideline target of US\$8.3 billion at 1975 prices (a figure commonly interpreted to refer to the "narrow" definition of agriculture used by the OECD DAC and meant to be achieved at an early date when it was adopted in 1975 and reaffirmed in 1983). We note that 53 percent of the target had been fulfilled in 1981-83 but this proportion fell to only 50 percent ten years later.

23. Guideline 2 puts emphasis on resource allocations to agricultural research, extension and the supply of inputs. The relevant data on external assistance commitments to these areas are shown in Table 5. The drastic decline in commitments is evident also here.

24. This manifested downgrading of assistance to agriculture in donor behaviour is at odds with a) the totally inadequate progress made towards improved food security in many developing countries, b) the expression of serious concerns that, in the normal course of events, the prospects are that problems will persist in the foreseeable future and fears are expressed that even in the long term the situation may actually become worse for significant parts of the developing world, and c) the increasing realization that agricultural development can be a key element in efforts to create conditions for stimulating the overall development prospects, poverty reduction and improved food security in the low-income, agriculture-dependent countries.

25. Commonly cited reasons are a) the causes underlying the near stagnant levels of overall ODF and the increasing role of the private sector in total resource flows, particularly direct investment. Yet one would have expected that this very upgrading of the role of the private sector as a source of foreign resources would have prompted official resources to be diverted to sectors like agriculture traditionally shunned by private capital; b) disenchantment of the donors with the low efficiency of use of ODF received in many developing countries (but are inefficiencies in the use of agriculture - earmarked ODF more serious than in other sectors?). Related to this is the increasing emphasis on the role on policy reforms, and less on capital investment, as the key to upgrading the performance of agriculture. This perception, correct on the whole, may be missing the essence of the problem in the many countries suffering from serious infrastructural, technological and human capital shortages. In such cases the gains from policy reforms, particularly those aimed at re-establishing producer incentives, tend to peter out quickly when they hit serious constraints of this type which can only be relaxed through investment (see earlier discussion under Guideline 1 on the role of the public sector in this area); c) the generally slack conditions and weak prices in world food markets which keep low the profitability of investing in agricultural production and also may create the impression that, so long as the world food problem does not make its presence felt in the form of tensions in the demand-supply balance as recognized by world markets, the problem cannot be that serious. Yet, such perceptions must be tempered by the realization that in the low-income countries with inadequate nutrition and high dependence on agriculture the rate of return of investments in agriculture may appear lower than it actually is, unless the indirect effects of overall stimulation of the economy and the gains in terms of better nutrition and reduced poverty are also factored-in. There is certainly great scope for fundamental analytical work to establish empirically the validity of these propositions and contribute to reverse perceptions of low profitability and complacency about the food problem.

⁶ OECD (1995), *Development Cooperation: DAC 1994 Report*, Paris.

TABLE 4
External assistance to agriculture of developing countries ¹

	1981-83	1986-88	1991-93	1991	1992 ²	1993 ²
... US\$ million ...						
Agriculture broadly defined ³						
Total commitments	10 743	12 884	11 191	12 223	11 864	9 487
as percent of total ODF	24.5	23.0	16.0	17.6	16.8	13.9
idem at 1990 prices	15 881	15 342	11 208	12 223	11 518	9 882
percent concessional	60	64	67	65	71	65
bilateral	3 393	4 926	4 183	4 234	4 689	3 625
multilateral	7 349	7 958	7 009	7 989	7 175	5 862
Agriculture narrowly defined ³						
Total commitments	6 445	9 061	9 102	8 365	10 417	8 526
idem at 1975 prices	4 399	5 032	4 184	3 909	4 714	3 929

¹ Excluding food aid and excluding bilateral flows from the EC and in the form of DAC Technical Cooperation for which no data are available after 1989.

² Data for 1992 and 1993 are provisional.

³ The OECD defines agriculture in a narrow sense as all activities directly related to the sector including appraisal of natural resources, development and management of natural resources, research, supply of production inputs, fertilizers, agricultural services, training and extension, crop production, livestock development, fisheries and agriculture (not allocated by subsector). Agriculture broadly defined includes in addition activities indirectly related to the sector, namely forestry, manufacturing of inputs, other agro-industries, rural infrastructure, rural development, regional development and river development.

TABLE 5
Commitments of external assistance to research, training, extension and inputs ¹

	1983-85	1986-88	1989-91	1983-85	1986-88	1989-91
	US\$ m at current prices			US\$ m at 1985 prices		
Training and extension	302	319	237	299	244	154
Research (excl. CGIAR)	288	283	316	285	214	207
CGIAR	169	202	212	168	152	139
Total research, training and extension	759	804	766	752	610	501
Supply of fertilizer	334	296	157	329	221	104
Supply of pesticides and seeds	55	85	15	55	60	10
Manufacturing of fertilizer and pesticides	291	565	464	290	423	309
Total input supply and manufacturing	680	945	635	673	705	423

¹ Excluding bilateral flows from the EC and in the form of DAC Technical Cooperation for which no data are available after 1989.

Continued relevance of the resource flows (domestic and external) objective

26. There is no doubt that the need to allocate resources in priority to agriculture will continue to be a valid objective for those countries which combine characteristics of low-income, significant food insecurity and high dependence on agriculture. This objective would also encompass resource allocations to the international system (mostly through the CGIAR) which contributes to make resource use at the national level more efficient. Although the need for improved policies will continue to be paramount, their success will be greatly conditioned by the extent to which resources for investment in agriculture and the agro-allied sectors relax basic constraints in infrastructure, research and human capital.

Monitoring and reporting on progress

27. The annual State of Food and Agriculture (SOFA) is an entirely adequate vehicle for this task. It could address the issues of Guidelines 2 and 12 every four years in more depth than commonly done in the routine annual issues. Indeed, it may be much more appropriate than a progress report on IAA to the FAO Governing Bodies because the SOFA has a much wider readership and it can reach the target audience (decision-makers, opinion leaders and the man in the street), if the objective is to upgrade the role of agriculture in perceptions about the food and development *problematique* and reverse trends towards complacency vis-à-vis the food problem.

GUIDELINES 3 AND 4

Note: These two guidelines are reviewed together since they both refer to issues in the realm of the Programme of Action of the 1979 World Conference on Agrarian Reform and Rural Development (WCARRD).

GUIDELINE 3

"Developing countries should give priority in accordance with their national plans to the adaptation of institutional frameworks and farming structures which would allow wider and more equitable access by the vast majority of rural masses, including the landless peasants and small farmers, to:

- . land, water and other natural resources;
- . inputs, markets and services;
- . new and improved technology;
- . education, extension, research and training;

and to provide appropriate price policy and other incentives for expanded production and optimum use of inputs of available and suitable technology."

GUIDELINE 4

"National policies for agricultural and rural development should encourage full and effective participation of rural people in decision-making, implementation and evaluation of the process of agrarian reform and rural development through promotion of rural organizations, including rural workers' associations and cooperatives, and through strengthening of local government. Especially in those countries where female status is not recognized as equal to that of men, full integration of women in rural development on an equal basis should be encouraged by:

- . ensuring equality of legal status and greater access to rural services;
- . promoting women's organizations as a first step for the integration of women in overall rural organizations;
- . promoting educational, training and employment opportunities.

Governments should consider priority action to mobilize the energies of youth for a variety of developmental activities".

28. Issues related to these two Guidelines are addressed in two other documents to this Conference viz. the Fourth Progress Report on the WCARRD Programme of Action⁷ and the Fourth Progress Report on the Implementation of the Plan of Action for Women in Development.⁸ In addition, the FAO global study, *Agriculture Towards 2010*, devoted two chapters (Chapters 9 and 10) to the issues of rural poverty, access to productive assets, inputs and credit, as well as the development of human resources in agriculture.

29. Therefore, the relevant discussion is not repeated here. Suffice to say that on the issue of access the Report on the WCARRD Programme of Action concludes that policies to improve access have tended to reflect the recent changes in policy thinking concerning the redefinition of the role of the public sector in economic life and the enhanced reliance on market forces. As a consequence, the emphasis has been more than in the past on pursuing the objective of improving access to land by facilitating the functioning and markets for land and credit.

⁷ C 95/INF/22.

⁸ C 95/14.

30. The main instrument used for this purpose is the provision of land/cadastral registration services on the basis of technologies that are becoming increasingly cost-effective, such as LIS (Land Information Systems) and GPS (Geographical Positioning Systems) aided by computer data storage and retrieval. This reform has resulted in land cadastre/registration systems that have the flexibility to record a continuum of land tenure arrangements from private and individual land rights through to communal land rights, as well as having the ability to accommodate traditional or customary land rights. These developments have been accompanied by improved understanding of the land tenure arrangements associated with common property resource management (CPRM) and with pooled and shared resources. Conventional wisdom had argued that only through private allocation of rights would people make rational investments in land. The recent research into the management of impacted forests, grassland and fishing grounds has demonstrated that it is not only possible to get more sustainable results from CPRM approaches, but also better economic returns.

31. Naturally, improvement of the functioning of land markets does not by itself guarantee improved opportunities for the poor and the landless to gain access to land. In certain cases land titling can actually make it more difficult for the poor to obtain or to continue to enjoy access. This can happen when land titling gives the opportunity for the wealthier persons to obtain greater rights to land than they had before, and when titling leads to erosion of rights of the poor to common property resources. Finally, the active support of the government to the persons or groups gaining improved access to land through market-assisted land reforms remains a basic precondition for success.

32. On the issues of Guideline 4 (people's participation, integration of women in rural development) the trend is for emphasis to be placed less on the "mobilization" of people to take part in activities often determined by outsiders and more on "empowering" the poor and disadvantaged sections of the population to organize themselves and take independent collective action to further their interests. Group efforts are particularly useful in empowering women, through promoting discussion by communities, raising collective awareness, building confidence and increasing their ability, to negotiate and reconcile differences, resolve conflicts and take leadership roles.

33. There is renewed interest in decentralization in the wider context of the debate on the role of the state vis-à-vis the private sector (including non-governmental and voluntary organizations). The underlying idea is that a) many of the public services can be more efficiently provided through the market, and b) that involvement of the private sector and transfer of certain government functions to the private sector (including local communities and rural organizations) can be more efficient and offer better guarantees that public services match the needs of the intended beneficiaries. The more traditional form of decentralization in the form of transfer of central government functions to sub-national and local public authorities enjoys new interest due to the emergence of the subsidiarity principle which implies assigning functions to the lowest and most effective actor in the public hierarchy. Although it appears that there is considerable potential for decentralizing service-delivery in rural areas as a means for rural development, many questions related to decentralization remain to be answered, such as the proper balance between government and non-government institutions, what determines the capacity of decentralized local government and non-government institutions to deliver rural services, and so on.

Continued relevance of objectives

34. The recommendations and objectives of Guidelines 3 and 4 remain as valid today as at the time of their adoption (1983) and the World Conference on Agrarian Reform and Rural Development (1979). Their continued relevance was re-affirmed (wholly or in part) in a number of FAO documents such as the 1989 Plan of Action for the Integration of Women in Agricultural Development (and the 1995 revision of this plan), the 1990 Long-Term Strategy for the Food and Agriculture Sector and the 1991 Plan of Action for People's Participation in Rural Development.

Recent UN Conferences (1992 UNCED, 1994 ICPD, 1995 World Summit for Social Development) stressed the importance for sustainable rural and agricultural development of equitable access by all concerned (smallholders, women, etc.) to productive assets and other production factors. Finally, the forthcoming Fourth World Conference on Women (Beijing, September 1995) is expected to provide renewed impetus to action for the achievement of progress along the lines of Guideline 4.

Monitoring and reporting on progress

35. As noted above, the quadrennial progress report to the Conference on the WCARRD Programme of Action reports on most of the topics of Guidelines 3 and 4. Additional reporting to the Conference is provided by the Progress Report on the Implementation of the Plan of Action for Women in Development. This latter report is now proposed to also become quadrennial. Both these progress reports will be submitted to the Conference in the same years when the quadrennial progress reports on International Agricultural Adjustment fall due.

GUIDELINES 5 AND 6

Note: These two guidelines are reviewed together because they address similar issues, i.e. the objective of improving nutrition and reducing poverty and the policies to achieve them.

GUIDELINE 5

"All countries should establish integrated food production and nutrition policies. Within the framework of national development strategies, countries should set operational goals for the improvement of food consumption patterns for all socio-economic groups and for the gradual elimination of malnutrition. Where feasible and appropriate, nutritional considerations should be incorporated into the design, planning, implementation and evaluation of development projects."

GUIDELINE 6

"Developing countries should endeavour to implement special economic and social measures to achieve a fair and equitable distribution of income. Where appropriate, such measures may include food subsidies or income supplementation so as to expand food consumption of low-income consumers and to improve nutritional levels of undernourished segments of the population, especially vulnerable groups. Better utilization of food will require greater efforts to reduce food losses at all levels and to improve storage, processing, transport, marketing and quality of food. Developing countries should promote greater national and collective self-reliance in food through increasing production and consumption of locally and regionally available foods"

Developments

36. The objective of a fair and more equitable distribution of income is advocated, among other reasons, as a main means for the reduction of poverty. While data are inadequate for a comprehensive monitoring of developments in income distribution, attempts have been made to estimate the incidence of poverty and undernutrition. The World Bank estimates that poverty⁹ in the developing countries continues to affect about 1.1 billion persons, or about 30 percent of their total population. Apparently the incidence of poverty declined in the two decades to the mid-1980s, but no significant progress has been made since then and the absolute numbers of the poor increased. The highest incidence of poverty is encountered in South Asia and sub-Saharan Africa, where nearly 50 percent of the population is estimated to be below the poverty line, with the former accounting for the bulk of the world's poor because of its large population. The more limited data on incomes and other indicators for the rural and urban populations indicate that the incidence of poverty is more severe in the rural areas.

37. The rather more comprehensive estimates of the incidence of chronic undernutrition, produced for the ICN in 1992 and recently updated, indicate that some 800 million persons are affected in the developing countries, or 20 percent of their population. With the rise in per caput food supplies in many developing countries, this percentage is today lower than the 35 percent of the early seventies and the 27 percent of the early eighties. But there have been only small declines in the absolute numbers affected as the aggregate population increased (Table 6). Most progress in reducing the incidence of chronic undernutrition occurred in East Asia. At the other extreme, the

⁹ This discussion is taken from *AT2010 Rev.*, Chapter 9.

situation has deteriorated in sub-Saharan Africa where the share of undernourished people is high and increasing and the absolute numbers affected have risen significantly. Projections to 2010 show that in the normal course of events the incidence of undernutrition would continue to be high, with the absolute numbers affected falling only marginally and those in sub-Saharan Africa continuing to increase. By 2010, this region would take over from South Asia as the region with the highest numbers of undernourished people, no matter that its population would be then only half as large as that of South Asia.

TABLE 6
Estimates and projections of chronic undernutrition in developing countries

Region	Percent of population				Persons (million)			
	1969-71	1979-81	1990-92	2010	1969-71	1979-81	1990-92	2010
Sub-Saharan Africa	36	39	41	35	96	140	204	302
Near East/ North Africa	25	10	10	7	44	24	32	35
East Asia	41	27	16	5	468	371	262	105
South Asia	33	33	22	15	233	297	250	239
Latin America/ Caribbean	18	13	14	8	51	46	61	49
Total developing countries	35	27	20	13	893	878	809	730

Source: Data for historical years are provisional estimates for the FAO Sixth World Food Survey to be published in late 1995. Projections for 2010 are from *AT2010 Rev.* (with minor changes).

38. If the estimates of the incidence of seasonal and transitory undernutrition were included, the number of undernourished would be considerably higher. Globally, almost 250 million children under five years of age suffer from acute or chronic protein-energy malnutrition. While the percentage of underweight children under the age of five has been declining steadily over the last 20 years in all regions, the absolute numbers of underweight children have remained fairly stable as a result of population increases. In Africa the number of children affected has actually increased from 20 to 27 million. Approximately 2 000 million people are affected from various micronutrient deficiencies, primarily vitamin A, iron and iodine. Hundreds of millions of people also suffer from diseases caused by contaminated food and water.

39. Concerning development in food self-sufficiency, it is noted that for the developing countries as a whole the rapid declines in the self-sufficiency rate of cereals of the 1970s was halted in the following decade, mainly because of successes in major countries of Asia in raising production to keep pace with the growth of demand (Table 7). But there have been further declines in self-sufficiency in both sub-Saharan Africa and Latin America and the Caribbean. These are the two regions in which the increased dependence on cereal imports was the result of failures to increase per caput production and not of increases in per caput consumption. Developments have been particularly adverse in sub-Saharan Africa where the increased dependence on imports went hand-in-hand with the persistence of very low levels of per caput food supplies. Finally, the projections of AT2010 indicate that the dependence of the developing countries on the further growth of their net imports of cereals is likely to continue and there might be further, though modest, declines in self-sufficiency.

TABLE 7
Cereals self-sufficiency ratios by region ¹
percent

	1961-63	1969-71	1979-81	1990-92	2010 ²
All developing countries	97	97	92	92	90
Sub-Saharan Africa	99	95	85	82	85
Near East/North Africa	95	87	73	72	63
East Asia	98	98	95	96	97
idem, excl. China	105	98	93	88	91
South Asia	94	96	98	99	96
idem, excl. India	93	91	98	93	88
Latin America/Caribbean	104	105	93	88	86
Least-developed countries	103	97	93	86	85

¹ Self-sufficiency ratio: production as percentage of total domestic demand (all uses), net of stock changes.

² Projections for 2010 are from *AT2010 Rev.*

Policies

40. Developments in policies aimed at alleviation of rural poverty through a more equitable access to land and other production factors are discussed briefly in this document under Guidelines 3 and 4 and also in the Fourth Progress Report on the WCARRD Programme of Action submitted to this Conference.¹⁰ Concerning the more specific interventions to alleviate problems of undernutrition, most countries have some type of food and/or income supplementation scheme. The most common types of interventions include: labour-intensive public works programmes; food distribution and feeding schemes; and general and targeted food subsidies, including price subsidies on specific commodities, food stamps, ration schemes and fair-price shops. Food aid is frequently utilized in many intervention programmes.

41. These interventions have been under constant review as to their cost and efficiency in achieving their objective, particularly in those countries undergoing policy reforms which impose enhanced fiscal discipline and reductions in the budget deficits. The high costs of generalized food subsidies have led to efforts to ration or target the food distributed usually through geographic targeting or socio-economic screening (means testing). Use of quotas, food stamps or other voucher systems theoretically can be used effectively to target subsidies. Quotas and direct distribution systems however are logistically difficult to implement. While food stamps and voucher programmes have the advantage of using existing marketing systems, they can still be difficult to administer and this can reduce their effectiveness in achieving the objective of improving the food consumption of the undernourished.

42. Concerning policies for better utilization of food through improved post-harvest management at all points in the food chain (storage, processing, transport and marketing), recently emphasis has shifted from Prevention of Food Losses (PFL) programmes to efforts to fully integrate the entire post-harvest system into food and agriculture development programmes. Experience with the introduction of improved post-harvest technologies has shown that low-risk limited improvements with clear benefits have a greater chance to succeed than more sophisticated technologies that may be technically superior but carry greater risks. Access to timely and reliable market information and to means of communication in general prove to be of increasing importance. Following the

¹⁰ C95/INF/22.

International Conference on Nutrition and also the conclusion of the GATT Uruguay Round, the importance of achieving internationally recognized standards of quality and safety in domestic food supplies and in trade is increasingly recognized.

43. The need for policies to improve nutrition received new impetus following the FAO/WHO International Conference on Nutrition (ICN) in December 1992, which unanimously adopted the World Declaration and Plan of Action for Nutrition. Efforts to implement the latter reinforce existing food and nutrition programmes in many countries by raising their level of importance among policy-makers.¹¹ To date, over 60 countries have held national workshops to discuss and develop priority actions to improve nutrition and to monitor progress; 80 countries have elaborated draft or final National Plans of Action for Nutrition (NPANs); and over 100 countries have participated in regional or sub-regional meetings focusing on developing and implementing such plans. Many of these activities have been carried out with support from FAO and WHO, with the participation of other UN agencies, NGOs, academic institutions and the private sector.

44. In many countries, NPANs are expanding upon existing national and sectoral development plans, such as comprehensive food security plans and national poverty alleviation programmes. A number of countries are directly integrating ICN goals into their overall development plans. While most countries are modelling their strategies and national plans along the lines of the World Declaration and Plan of Action for Nutrition, many are going beyond the nine ICN themes to include additional strategies to address particular country needs. Most countries are using intersectoral mechanisms to accomplish this.

45. Most national plans (particularly in Africa) focus on improving household food security as a priority issue. Strategies to reduce micronutrient deficiencies, primarily to increase availability and access to food rich in vitamin A, iodine and iron, are being identified in nearly all plans. A number of countries have placed the strengthening of mechanisms to monitor and assess food and nutrition situations at the national and community level as a high priority, including the establishment of surveillance systems.

46. FAO has given high priority to assisting countries in the ICN follow-up activities, as well as to strengthening its programmes for nutritional improvement, and will continue to do so. To date, FAO has received over 90 requests for technical and financial assistance from member countries for ICN follow-up. Assistance has been provided to over 80 countries through support to national consultants, national workshops, and technical assistance from FAO headquarters and regional offices; financial support has been provided through Letters of Agreement, TCPs and UNDP TSS-1 arrangements. In the near future the focus will gradually shift from formulating to implementing NPANs.

Continued relevance of objectives

47. The problems of poverty, chronic undernutrition and micronutrient deficiencies are set to persist in the future. The need for action, both national and international, to keep the situation under constant review and cope with such problems will remain a valid concern. Therefore the objectives of Guidelines 5 and 6 remain relevant.

¹¹ More details on the topics in this and following paragraphs are given in the related document to this Conference "Progress Report on the Implementation of the ICN Declaration and Plan of Action for Nutrition" (C95/INF/18).

Monitoring and reporting on progress

48. The ICN World Declaration and Plan of Action for Nutrition provides for FAO and WHO to prepare jointly a consolidated progress report for review by their Governing Bodies by 1995. "The Governing Bodies can then make decisions on the timing of future reports". In principle, therefore, the monitoring and reporting on progress on issues of nutrition and related policies will be covered by such progress reports. In addition, the regular SOFA reports address, or can be made to address in the detail needed, developments in key indicators of relevance to these two Guidelines, such as per caput food supplies, food imports and self-sufficiency, as well as the related policies. Further, the quadrennial progress report on the WCARRD Programme of Action routinely covers developments in overall as well as rural poverty, factors that affect the latter and the related policies.

GUIDELINE 7

"All countries, particularly developed countries, should display the necessary political will by refraining to the maximum extent possible from imposing any new tariff or non-tariff barriers to the imports of agricultural and agro-based products, particularly those from developing countries, and they should progressively improve access to international markets in order to underpin a dynamic upward trend in trade volumes in these products as well as greater product diversification. Importing countries should avoid arbitrary disruption of emerging trade opportunities and of existing trade. Exporting countries should restrain to the maximum extent possible the use of export subsidies and similar measures which might hamper trade, particularly of developing countries."

**Recent developments in the policies of the developed countries (mainly
as regards their effects on world food security and trade)**

49. In recent years, considerable efforts have been undertaken towards reform of agricultural policies in the developed countries, particularly as regards those which have distorting effects on trade. In the OECD area, particularly in the EC, the main thrust of these reforms has been towards changing the structure of support and protection, generally away from market support measures towards policies which provide support to farm incomes while allowing a larger role for market forces to determine production, consumption and trade levels. The entrance of three European countries into the EC will also contribute to reduce and change the structure of their agricultural protection.

50. In parallel, there have been systemic reforms in the former Centrally Planned Economies (ex-CPEs) of Europe with radical impacts on their agricultures. Reforms in these latter countries, both those affecting agriculture and the total economy, have potentially profound implications for trade and, through it, on the agricultural economies and the food security of the developing countries. Such effects may originate, in the first place, in the prospect that the region of the ex-CPEs will tend to become a smaller net importer of food and, in the longer term, may become fully self-sufficient and, some think, a net exporter. Such developments have the potential of contributing to maintain slack conditions in the world food markets and make it easier for the food importing developing countries to meet their import needs. At the same time, the upheaval of reforms have created food security problems in some of the reforming countries themselves.

51. In parallel, the structural changes in consumption and eventual economic recovery in the ex-CPEs have the potential of increasing their consumption and imports of the main agricultural exportables of the developing countries, particularly those whose consumption was at very low levels in the pre-reform period, e.g. tropical beverages or bananas.

52. The reforms of the developed countries, particularly those of the OECD, were in part prompted, and strengthened by, and eventually legally enshrined in, the agricultural provisions of the Uruguay Round (UR). These provisions and their potential impact are discussed fully in other FAO documents available to the Conference or reviewed by the CCP in April 1995¹² and, therefore, are not repeated here. Suffice to say that the UR outcome is important for a number of reasons, e.g.: a) it represents for member countries of the World Trade Organization a legally binding agreement and, as such, is an obstacle to reversal of reforms; b) it improves market transparency through the conversion of non-tariff barriers to tariffs and the binding of the latter at given maximum levels; c) it disciplines and reduces the most important trade-distorting measures, export subsidies, and d) it accords special and differential treatment to the developing countries and

¹² SOFA 1995 (Special Chapter); CCP 95/10, 13; see also the revised Chapter 8 of AT 2010Rev.

exempts completely the least-developed countries from reduction commitments. In addition, it includes a Ministerial Declaration on the needs of the net food importing developing and least-developed countries (discussed under Guidelines 8, 10 and 11).

Continued relevance of the objectives

53. The reforms presented above and those to come from the complete application of the provisions of the UR, represent a major step in the direction of meeting the postulates of Guidelines 1 and 7 as regards the policies of the developed countries. However, such changes represent on the whole modest movement towards trade liberalization and it is fair to say that high levels of protection will continue to prevail. Therefore, the postulates of the Guidelines are being fulfilled only partly and, for this reason, continuing monitoring with a view to prompting further progress is warranted. This is fully recognized in Article 20 of the Agreement on Agriculture of the UR, which states that "the long-term objective of substantial progressive reduction in support and protection resulting in fundamental reform is an ongoing process".

Monitoring and reporting on progress

54. The issues pertinent to this Guideline are monitored and progress is reported regularly to the biennial CCP and, to a smaller extent, in the annual SOFAs. In particular, the CCP reviews fully the situation every two years on the basis of the regular report on "Protectionism in Agricultural Trade: Review of Action taken on Conference Resolution 2/79" (latest document: CCP 95/10).

GUIDELINE 8

"All countries should make the fullest possible efforts and adopt appropriate measures to ensure greater stability of world markets for agricultural products at prices remunerative to producers and fair to consumers, where appropriate through the use of international commodity agreements. In this respect, the international community should take measures to ensure importing countries, particularly low-income countries, access to supplies of food on reasonable terms, particularly in times of world food shortages."

Developments

55. World market prices of agricultural commodities continue to exhibit considerable instability. After having fallen in real terms from an index of 100 in 1979-81 to 60 in 1993, agricultural commodity prices rose to an index value of 77 in 1994. Within the period since 1980 with generally depressed prices, most commodities experienced short periods of high prices. Many agricultural commodities exhibit monthly average deviations from trend prices of over 20 percent, e.g. sugar, pepper, rice, many oilseeds and oils, and jute. Over the years a number of approaches for dealing with market price instability have been advanced, among which International Commodity Agreements (ICAs), trade liberalization, risk reducing market instruments and compensation schemes.

56. Reliance on ICAs to stabilize prices and market conditions continued to diminish. Nevertheless some progress towards the conclusion of agricultural commodity agreements has been made in recent years.¹³ Developments are briefly reviewed below.

57. **The New International Coffee Agreement:** As of April 1995, 25 exporting and 14 importing countries had fulfilled the required procedures for membership to the new Agreement which had been adopted in October 1994. The 1993 **International Cocoa Agreement:** it is based on production management and consumption promotion rather than buffer stock operations. It came into force in February 1994, with Malaysia signing for the first time. A voluntary output reduction scheme has been discussed by member countries of the International Cocoa Organization in which they agreed to reduce global output by 375 000 tons over the following five years. **International Sugar Agreement:** 30 countries and the EC had given ratification, acceptance, approval or notice of provisional application as of October 1994. In order to further increase its effectiveness, the International Sugar Organization launched a campaign for new membership in 1994. **The 1989 International Jute Agreement:** it is due to expire in April 1996. The Council of the International Jute Organization (IJO) was to consider its extension or renegotiation at its Spring 1995 Session. The IJO continued to implement research and development projects in the fields of agriculture, industry and market promotion. Of the 32 projects approved by the IJO Council so far, 11 have been implemented. The third **International Natural Rubber Agreement (INRA III):** it is expected to take effect provisionally in 1996, and to be ratified by 1 January 1997 for a four-year period, with the possibility of extension for a further two years. An important innovation of the new Agreement was the introduction of an environmental objective. The new **International Grains Agreement, 1995:** it consists of the Grains Trade Convention and the Food Aid Convention. It is to come into force (subject to ratification by governments) in July 1995 with an initial life of three years. There are no fundamental changes in the new agreement, which continues to have no economic provisions. The minimum annual contribution under the new Food Aid Convention was reduced from 7.5 million to 7.3 and then further to 5.35 million tons (see Guideline 11).

¹³ See CCP: 95/10.

58. With few exceptions, the stabilizing role of ICAs is largely in abeyance, but this does not mean that this option has lost all of its interest to countries. ICAs continue to be helpful in promoting market transparency. To have a realistic chance of success, however, the agreements do need to be flexible, well supported and subject to continuous review. Alternative ways of stabilizing markets may not offer much better prospects and resort to other instruments such as future markets, use of options or compensatory schemes may help to offset the effects of instability but cannot change market fundamentals and thus can hardly reduce instability, especially in a medium- to longer-term context.

59. The alternative route to market stabilization lies in trade liberalization, particularly in making countries more responsive to price signals. Tariffication is the favoured approach to improving responsiveness and this has been recognized in the Uruguay Round Agreement on Agriculture. Trade liberalization should help to stabilize markets insofar as variations in world production or demand are absorbed by more countries than before liberalization. Yet although this idea is sound it does assume that the distribution of unexpected quantity changes is "normal" and that trade liberalization does not change the way stocks are managed. While it may be conceded that the distribution of production and consumption shocks is normal (e.g. that there is little or no correlation between unexpected changes in production in importing and exporting countries), stock management is in practice affected by trade liberalization. Under a move towards less government intervention in markets public stocks will decline and private stocks will probably not replace them fully. This, therefore, tends to reduce the stabilizing impact of global stocks. Whether the positive effects of countries becoming more responsive to international price signals is offset by the decline in stocks is uncertain. Some tentative analysis undertaken on cereal price stability showed almost no difference to the variability of international prices.¹⁴ However, it must be said that this subject has not been fully researched.

60. Instability of world agricultural markets may therefore be expected to continue and to justify the search for alternative ways of offsetting the effects of market instability. Of growing prominence in recent years has been the use of futures or forward contracts, options and swaps. All these instruments offer market participants, under certain conditions and at some cost, the possibility to reduce the risk of unfavourable price developments. The matter is complex and appropriate markets are not available in all countries. This implies that a country without such a market has to rely on trading in instruments linked to markets in another country, denominated in another currency, with, as a consequence, an increase in complications and costs. Also, given the technical complexity and size requirements, it is rare that individual farmers will be able to offset fluctuations in commodity prices through such instruments. This usually has to be done through agents or through collective action by farmers.¹⁵ Another means to mitigating the transmission of temporary price fluctuations in world markets to domestic producers and consumers are "price bands" for import prices adopted by a number of developing countries.¹⁶ Such price bands are meant to allow longer-term price trends to enter the domestic economy while dampening temporary instability.

61. Other ways to offset the risks of commodity market instability include using compensation mechanisms such as the IMF's compensatory financing facilities or the EC's STABEX scheme to compensate developing countries for decreases in their export earnings of commodities. These schemes are an important means by which fluctuations in prices and/or earnings can be attenuated but they require considerable resources. In this connection, the Uruguay Round Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Developing Countries, although rather weak on proposed concrete action, marks a significant new initiative at the international level to offset the effects of high food prices by way of grant food aid, export credits or financial assistance with food import bills. In another

¹⁴ See CCP: 95/13.

¹⁵ CCP: GR95/4, *Using Risk Management in Grain Trade: Implications for Developing Countries*.

¹⁶ See for a discussion of price bands: FAO, *Cereal Policies Review, 1993-94*.

development, the Common Fund for Commodities, in recognition of the diminishing role of buffer stock operations for market stabilization, has initiated a process of utilizing returns on investment from capital resources deposited in the First Account of the Fund for purposes of assistance in the management of market reform, including the promotion of the use of simple market risk management instruments.¹⁷

Continued relevance of objectives

62. As the instability of markets is likely to continue to be a source of concern over the medium to long term, Guideline 8 remains relevant. Its monitoring could be extended to cover the use of alternative risk reducing instruments. The issues of access of food importing countries to food supplies also remains relevant.

Monitoring and reporting on progress

63. The intergovernmental commodity groups of the CCP review regularly developments in the issues covered by this Guideline and, in their reports, bring their assessments to the attention of the CCP. Documents for the latter could in the future include a more focused assessment of world markets stability issues. In addition, the CFS reviews regularly the issue of access of the food-importing countries to food supplies. In principle, therefore, the monitoring and reporting on progress on Guideline 8 are covered, or could be covered in the required detail, in the deliberations of the CCP and the CFS.

¹⁷ CCP: 95/16, *Developments Regarding the Common Fund for Commodities Relevant to the Role as International Commodity Bodies of the Intergovernmental Groups*.

GUIDELINE 9

"Developing countries should promote and expand trade in food and agricultural commodities as well as economic and technical cooperation amongst themselves in accordance with the relevant decisions taken by those countries in the Arusha Programme for Collective Self-Reliance and Framework for Negotiations, adopted by the Fourth Ministerial Meeting of the Group of 77 of February 1979, and at other international fora. The international community will provide appropriate support and assistance to the efforts of the developing countries."

64. Growth in agricultural trade among developing countries after having slowed down in the 1980s became more vigorous in the early 1990s. By 1993 the value of agricultural trade among the developing countries was estimated at around US\$46 billion or over 10 percent of world agricultural trade. This represents an improvement over the shares registered in the past (Table 8). The main source of the more buoyant market in recent years has been agricultural trade among Asian countries and among countries in the Latin America and Caribbean Region. However, the increase in trade is probably due more to the relatively rapid economic growth in these two regions than to the intensification of trading arrangements among groups of countries in these regions.

Table 8
Trade Flows in Agricultural Commodities ¹
US\$ billions

	1970	1980	1990	1993 estimated
(1) World Trade	63.8	295.0	419.9	438
(2) Trade among developing countries	4.3	27.6	36.9	46
(2) as share of (1) in percent	6.7	9.4	8.8	10.5

¹ SITC 0,1,2 (excluding 27,28), 4.

Sources: UNCTAD Handbook of International Trade and Development Statistics 1993, Tables A2 and A3. GATT International Trade: Trends and Statistics 1994, Annex Table A7.

65. Over the past few years there has been a spate of activity on regional trading arrangements among developing countries.¹⁸ Thus, Mexico, Venezuela and Colombia signed a free trade treaty, also known as the Treaty of the Group of Three, which was scheduled to enter into force in January 1995. Under the Treaty, Colombia and Venezuela, which had already liberalized all their trade within the Andean Group (Bolivia, Colombia, Ecuador, Peru and Venezuela), would begin a process of linear tariff reduction with Mexico over ten years. The Andean Group itself established a common external tariff in 1994. Also a free-trade agreement between Mexico and Costa Rica and another one between Mexico and Bolivia entered into force in January 1995. Elsewhere in Latin America and the Caribbean, various existing integration arrangements made progress towards attainment of their objectives. For instance, MERCOSUR (Argentina, Brazil, Paraguay and Uruguay) established a common external tariff of 20 percent on imports from outside the union for a large part of products. The countries of the Central American Common Market have signed an agreement for free trade with Mexico by 1996. Some developments are under way in the Caribbean Community and Common Market (CARICOM) for a common external tariff to enter into force in 1995. Another development in this region was the formation of the Association of Caribbean States

¹⁸ For a survey of Regional Trade Arrangements see the Special Chapter on "Agricultural Trade - Entering a New Era" in *The State of Food and Agriculture 1995*.

in July 1994 with the aim to create new economic, cultural and political blocs among its 37 member countries. In December 1994 the Summit of the Americas called for a Western Hemisphere Free Trade Agreement to be completed by 2005 and which would replace most current agreements.

66. In Asia, the countries of the Association of Southeast Asian Nations (ASEAN) had made further progress towards a free trade area to be attained by 2008. Also, at the Jakarta Summit in November 1994, member countries of the Asia Pacific Economic Cooperation Council (APEC) discussed a range of far-reaching proposals for trade and investment liberalization among the member states, and set a target for free trade between its member countries by 2020 (by 2010 between the developed member countries).

67. In Africa there are a great number of trade agreements. From January 1995, the Preferential Trade Area (PTA) was to be transformed into the Common Market for Eastern and Southern Africa (COMESA). As of August 1994, South Africa has formally joined the Southern African Development Community (SADC). The Southern African Customs Union (SACU) remains in existence. Important are also the Economic Communities of West African States (ECOWAS) and of Central African States (CEEAC). The countries of the OAU have agreed on working towards an African Economic Community based on the existing sub-regional groupings.

68. Experience has shown that for a number of reasons intra-trade within regional trading arrangements often did not expand to its full potential. Sometimes there is little complementarity and only a narrow agricultural product base in member countries. Often countries are reluctant to increase their dependence on external sources of food supply unless there are significant economic gains. There are also infrastructural constraints in transport and communication and financial clearing arrangements are missing. Nevertheless, regional trade arrangements can satisfy some political and economic needs for which multilateral trade arrangements are less suited. Such partial free trade arrangements seem to be economically justified where they lead to trade creation exceeding trade diversion. The chances for this to happen are greater where regional trade arrangements would at the same time reduce trade barriers with third countries ("open regionalism").

69. Looking to the future, prospects are for a further expansion of regional trading arrangements among the developing countries. Partly this reflects the moves towards greater regionalism among the developed countries, particularly the further expansion of the European Union to include 15 members from 1 January 1995 and the continuing discussions with other European countries concerning their possible entry to the EU. The other major development which offers an interesting model for developing countries is the coming into force of the North American Free Trade Area (NAFTA) comprising Canada, Mexico and the United States. The interest in these two regional arrangements is not only related to the increasing volume of trade that takes place between member countries, but also to their two different approaches to fostering trade. In Europe there is a common external tariff and harmonized policies in many sectors. By contrast, NAFTA being a free trade agreement does not have a common external tariff and domestic policies remain essentially independent although there are a number of special arrangements to harmonize policies.

70. Fully-fledged customs unions with integrated policies may not always be a practical option for groups of developing countries at different stages of economic development. Free trade areas may prove easier to negotiate, especially among countries that belong to the World Trade Organization (WTO) and subscribe to the disciplines of the Uruguay Round. In the past free trade arrangements among developing countries ran into the difficulty that while tariff reductions on trade among members were relatively easy to negotiate, trade was often impeded by the existence of non-tariff barriers. Now under the Uruguay Round countries are supposed to eliminate non-tariff barriers to trade while potential sources of impediment to trade in the sanitary and phytosanitary area are disciplined under the Agreement on the Application of Sanitary and Phytosanitary Measures. As a consequence of the improved transparency of markets, it should be easier in the

future to utilize tariff reductions among members to stimulate intra-regional trade. However, the fact that quite a large number of developing countries are not yet members of the WTO might still constrain further progress in this area.

71. Other areas where Economic and Technical Cooperation among Developing Countries (ECDC/TCDC) hold promise are the management of common physical resources (for example fishing grounds, lakes and rivers) and the response to common threats of transboundary animal and plant pests and diseases. Such considerations are also important in the context of environmental protection and resource conservation which may be fertile areas for cooperation in the context of ECDC/TCDC.

72. More generally, most areas relevant to ECDC in food and agriculture are those covered by the FAO activities in support of ECDC. The latter focus on production complementarities, trade possibilities and programmes and policies designed to overcome resource and institutional constraints and promote collective and regional self-reliance. On TCDC, FAO's support concentrates on key areas in practically all fields of its competence - crop production and protection, animal production, land and water development, food security, fisheries, forestry, nutrition and rural development. Among the major FAO initiatives is the scheme launched in 1994 by the Director-General on the use of experts in the framework of TCDC. The scheme is based on the principle of shared costs and responsibilities. As of mid-June more than 60 developing countries had signed the Agreement. A similar agreement was proposed by the Director-General on the use of experts in technical cooperation among countries in transition (TCCT). The terms and conditions of the TCCT Agreement are similar to those of the TCDC Agreement. By mid-June 1995, five countries in transition had signed the Agreement and others were completing their internal procedures towards signing it.

Continued relevance of the objective

73. The continued relevance of ECDC/TCDC for the food and agriculture development of the developing countries has been reaffirmed on a number of occasions after the adoption of the Arusha Programme in 1979. Relevant declarations have originated in several fora of the developing countries (e.g. the Caracas Programme of Action, the Resolutions of the Ministerial Conferences of the Group of 77 and the Summit Meetings of the Non-Aligned Movement) as well in the UN Development System. FAO's Medium-term Plan approved by the 27th Session of the Conference provides a general framework for continued FAO support to ECDC/TCDC. The continued quest for cost-effective approaches to technical assistance enhances the potential role of ECDC/TCDC in the future. On the substantive side, the prospect that much of the increase in world demand for agricultural products will take place in the developing countries and the growing experience of the latter in technology, policy reforms and cooperation in trade suggest an enhanced scope for ECDC/TCDC in promoting development. The need for keeping under review and reporting on progress in ECDC/TCDC is therefore well established.

Monitoring and reporting on progress

74. The CCP regularly reviews developments in regional trade agreements which may form part of broader ECDC/TCDC agreements. Other aspects of ECDC/TCDC are regularly reported in the biannual FAO *TCDC/ECDC Newsletter*.

GUIDELINE 10

"Urgent measures should be taken to establish effective world food security. All countries should participate in the achievement of world food security and to the extent of their abilities share in maintaining adequate world cereal stocks which on a global basis have been estimated at approximately 17 to 18 percent of annual world consumption.¹ Concerted efforts should be made to conclude a new international grains agreement aimed at contributing to the stabilization of markets and improved food security and at evolving an internationally coordinated system of nationally-held food reserves. As an interim measure, early steps should be taken by countries to implement on a voluntary basis the Plan of Action on World Food Security of FAO. The International Monetary Fund should continue to provide, within the context of its compensatory financing facility, additional balance of payments support for meeting rises in cereal import bills of member countries. The target of 500 000 tons of cereals for the International Emergency Food Reserve should be realized immediately. All countries, particularly those which are not yet contributing to it, should make or increase their contribution to the Reserve. The Reserve should be maintained at 500 000 tons. Early consideration should be given to proposals for strengthening the Reserve so as to meet future emergency needs. Countries should avoid measures which could affect the capacity of developing countries to cover their essential needs for grains and lead to deterioration of human consumption in times of production shortfalls. General agreement to avoid such action in times of food crisis would be a powerful reinforcement of world food security. At times of acute and large-scale food shortages, countries should consider measures as outlined in the FAO Agenda for Consultation and Possible Action to deal with Acute and Large-scale Food Shortages".

¹ See the report on world food security of the Intergovernmental Group of Grains (FAO) (CCP: GR 75/9), issued in August 1975, and the report of the FAO Committee on World Food Security on its Fifth Session (C 78/10).

Developments

75. Guidelines 1, 5 and 6 reviewed the evolution of the food security situation in terms of two key indicators, the per caput food supplies and the incidence of chronic undernutrition. In what follows, a brief review is provided of the current situation as regards the world demand-supply balance and stocks of cereals.

76. In recent years, the world demand-supply balance of cereals has become tighter following production declines in the crop year 1993/94 (—3.6 percent) which was only partly reversed in 1994/95 (+3.0 percent), while a further decline of 1 percent is forecast for 1995/96. As a result, global cereal stocks have declined, both in absolute terms and as a percent of total utilization, from a record level of 27 percent in 1987 to between 18 and 21 percent in 1990-94. Preliminary estimates for 1994/95 indicate a level of 17 percent and forecasts for 1995/96 are for a further decline to 15 percent (Table 9), a level substantially below the 17-18 percent which the FAO Secretariat considers the minimum to safeguard world food security.¹⁹ While this does not mean physical shortages in the 1995/96 season, it implies that the margin of safety against any possible major crop failure in 1996 is sharply reduced. Thus, meeting world cereal consumption in 1996/97 would depend more than ever in the recent past on a good crop in the next year.

¹⁹ The 17-18 percent of world cereal consumption stock level defined by the FAO Secretariat as the minimum to safeguard world food security consists of two elements, about 12 percent of "pipeline" or "working" stocks to operate the cereal supply system and a 5 to 6 percent reserve element. At this level the reserve would be sufficient to maintain world consumption levels for one year in 95 percent of the cases, thus leaving a 5 percent risk of a production shortfall being larger than the reserve. With the aggregate world cereal stocks at the end of 1995/96 seasons now forecast to approach 15 percent of trend utilization in 1996/97, the reserve element would shrink to 3 percent.

TABLE 9
World Stocks: Estimated total carryovers of cereals ¹
Million tons

	1980	1985	1987	1990	1991	1992	1993	1994	1995 prelim.	1996 forecast
TOTAL CEREALS	276	338	456	307	349	333	377	328	305	273
main exporters	152	177	278	121	146	129	165	118	116	...
others	124	161	178	186	203	203	212	210	189	...
BY GRAINS										
Wheat	105	153	166	119	142	137	150	139	111	102
Coarse Grains	126	129	234	130	143	133	163	131	138	116
Rice (milled basis)	45	56	56	58	65	63	63	58	56	55
BY REGIONS										
Developed countries	173	199	320	166	196	174	214	164	152	128
United States	90	99	204	61	72	48	79	44	61	...
CIS ²	18	29	38	39	46	35	45	39	22	...
EC ³	20	29	32	29	35	46	46	38	28	...
Developing Countries	103	139	136	141	154	159	163	164	153	145
Asia	90	120	108	114	131	134	132	131	122	...
China ⁴	54	62	46	42	56	59	53	50	42	...
India	11	18	15	11	13	10	12	15	16	...
Africa	5	8	15	15	13	17	17	17	17	...
Latin America	9	10	13	12	10	9	14	15	15	...
WORLD STOCKS										
as % of consumption	19	21	27	18	20	19	21	18	17	15

¹ Stock data are based on an aggregate of carryovers at the end of national crop years and should not be construed as representing world stock levels at a fixed point in time.

² FAO estimates; up to 1991, former USSR; thereafter, Commonwealth of Independent States.

³ Twelve member countries; from 1991 onwards including New Länder of Germany.

⁴ FAO estimates and including Taiwan Province.

77. The supply situation is particularly tight for wheat with extremely low stocks forecast to be held by major exporters. Wheat and coarse grains carryovers are expected to fall to 102 and 116 million tons respectively, the lowest levels since 1980. Most of this reduction was expected to be in the major exporting countries, as well as in the CIS. Export and future prices for wheat and maize, the leading coarse grain, have already started to rise. Any deterioration in crop conditions in major regions currently not anticipated would further increase prices and raise import bills of cereal-importing countries. Also lower stock holdings in the major developed country exporters may have a negative impact on (non-emergency) food aid (see Guideline 11). In the near future the implementation of the Uruguay Round Agreement on Agriculture (AOA) may lead to a fall in government stockholdings (Guideline 7). Recognizing this, the AOA exempts support for building food security stocks (if undertaken in a prescribed fashion) from its targets for reduction of support. Other related significant developments comprise the Uruguay Round Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food-Importing Developing Countries (discussed in Guideline 8) and the new Food Aid Convention included in the 1995 International Grains Agreement (discussed in Guideline 11).

78. In conclusion, a number of indicators of global food security — namely the delicate world grain supply/demand balance and the prospects for reduced carryovers, limited export availabilities, and higher prices, especially for wheat — together point to a cause for concern. At the same time, the food supply situation in many sub-regions and countries continues to be precarious. Although the international mechanisms for detecting emerging food security crises and mobilizing the necessary resources to cope with their short-term consequences are operating in a way to lessen the human suffering caused by the underlying crises, the longer-term measures to address the root causes of the problem, i.e. persistence of poverty and failures in overall and agricultural development, are not being implemented with sufficient speed to reduce chronic food insecurity in any significant way.

79. Low levels of global carryover stocks of cereals and likely reductions in the overall availability of food aid, increase the need for accurate information on the staple food supply and demand situation also at regional, national and sub-national levels. FAO has continued its efforts in building capacity for the operation of early warning and food information systems at regional and national levels, primarily in Africa, but also in Asia and Latin America. As of March 1995, 29 countries and three sub-regions had benefited from FAO technical assistance in the establishment of early warning and food information systems. An additional 15 countries and two sub-regions are currently receiving technical assistance from FAO and further assistance is being planned in approximately as many countries for implementation in 1996. Further to its work on information systems, FAO is assisting Member States in the formulation and implementation of drought and disaster preparedness plans and strategies which, combined with the information systems, are designed to help mitigate the impact of potential disasters on the overall food security situation of various population groups. There still remains a need for improved assessment of the food security situation of vulnerable population groups at the decentralized level, in particular in terms of the degree of access to basic food stuffs.

80. The International Emergency Food Reserve (IEFR) was established in 1976, intended to provide a multilateral response to emergency situations. It has a minimum annual target of 500 000 tons of cereals which has been exceeded in recent years, reaching a peak of cereal contributions of over 1 million tons in the years 1992 and 1993. Together with the cereal contributions, donors have been providing an ever increasing amount of non-cereal commodities. As increasing amounts of the IEFRs resources have been devoted to meeting the needs of refugees and displaced persons, the Committee on Food Aid Policies and Programmes (CFA) of the World Food Programme established in 1989 a subset of regular resources to provide a more secure food supply to longer-term (over one year in duration) refugees and displaced persons (PROs). Contributions are made in the form of commodities in-kind and cash for purchase of commodities and transport. Since most resources to the IEFR were mobilized as needs arose, and only a minor amount of the resources contributed was made available in advance, the CFA decided in 1991 to establish a cash fund within the IEFR, the Immediate Response Account (IRA) with an annual target of 30 million dollars. The purpose of the IRA is to allow the WFP to respond rapidly in crisis situations where speed is essential to save lives. These funds are to be untied and untargeted, giving total flexibility to the WFP to purchase food, usually close to where the emergency occurs. In 1994, IRA contributions reached US\$21.3 million or 71 percent of the target.

Continued relevance of the objective

81. The objectives of Guideline 10 remain valid because developments in the world demand-supply balance of cereals, the stock situation and the preparedness of the international community to respond to unfavourable developments continue to be important determinants of the food security status of the individual countries and population groups, particularly those characterized by food insecurity and high incidence of undernutrition. The Committee on World Food Security at its 20th Session (1995) requested the Secretariat to undertake a reconsideration of the minimum safe level of stocks in the light of significantly changed national global food policy regimes and improved transport and logistic structures.

Monitoring and reporting on progress

82. This is one of the fundamental tasks of FAO and monitoring and reporting is a continuing activity, mainly under GIEWS and its mechanisms for reporting, including the publication of the *Food Outlook* (every two months). In addition, developments are regularly reviewed in the documents for the annual sessions of the Committee on World Food Security and those on the current world food situation for the Council and the Conference.

GUIDELINE 11

"Food aid is a transitional development tool. Current targets for food aid should be fully met by the entire international community. Every effort should be made both to enlist new contributors and to increase the commitments of existing ones, given that the estimated future aid requirements in grain may substantially exceed the current 10 million-ton target. Consideration should be given to its upward revision, taking into account the estimated requirements of 17 to 18.5 million tons of cereals, which provide a useful indicator of the overall requirements of food aid by 1985. This estimate should be reviewed periodically. While considering annual requirements of food aid by 1985, estimates of 300 000 tons of dairy products and 350 000 tons of vegetable oil, which also provide useful indicators of annual requirements, should be taken into account. Countries supplying these products as aid should keep up their efforts and other countries in a position to do so should contribute or consider contributing towards meeting requirements. Food aid should be provided essentially on a grant basis to assist recipient countries in their effort to develop their agriculture and also in cases of emergencies and thus to help meet food needs of poor and vulnerable groups. Donor countries should consider channelling a higher proportion of food aid through the World Food Programme and other multilateral institutions. Forward planning should be improved and there should be better integration with financial aid and other forms of development assistance, and more triangular transactions.

¹ The FAO study, *Agriculture: Toward 2000*, estimates food aid requirements for 90 developing countries, excluding China, to increase to between 15 and 26 million tons by 1990."

Developments

83. Food aid represents a substantial but declining component of total Official Development Assistance (ODA) of the members of the OECD Development Assistance Committee (DAC), which account for the bulk of food aid. Its share in the net disbursements of ODA fell to 5.5 percent in 1991-93 (4.6 percent in 1993) down from over 9 percent in the early 1980s and around 15 percent in the early 1970s (Table 10). For some of the major donors however, food aid continues to form a much higher share in their total ODA. Although the importance of food aid in total ODA has been declining, the terms on which it is provided have improved. The share of food aid provided multilaterally has been well above 20 percent in most years since the early 1980s compared to about 15 percent during the 1970s. Moreover, all food aid channelled multilaterally is on a grant basis, and including bilateral food aid, the share of grants in total food aid has gone up sharply to over 85 percent in 1991-93 (Table 10). By far the most important multilateral channel for food aid is the World Food Programme.

TABLE 10
Net disbursements of food aid by DAC members
(three-year averages)

	1982-84	1986-88	1991-93		1982-84	1986-88	1991-93
	... million US\$...			As percent of:	... percent ...		
Food aid ¹	2 540	3 298	3 204	Official Development Assistance	9.3	8.0	5.5
idem in \$ 1990	3 859	3 907	3 207				
of which:							
multilateral ²	557	702	779	total food aid	21.9	21.3	24.3
grants	1 807	2 632	2 727	total food aid	71.1	79.8	85.1

¹ Includes contributions by DAC members to multilateral agencies, but not actual amounts disbursed by these agencies.

² Includes contributions by the EC channelled through multilateral agencies, but excludes contributions channelled by member countries through the EC to recipient countries.

84. The bulk of food aid consists of cereals. Total food aid shipments in cereals in the current marketing year (1994/95) are estimated at 9.8 million tons or nearly 25 percent less than in the previous year (1993/94) and 35 percent less than the maximum achieved in 1992/93 (Table 11). Of the 9.8 million tons in 1994/95, 7.0 million tons are estimated to be destined for developing countries down from the 7.9 million tons in 1993/94 and the about 11 million tons in the three preceding years. If no additional shipments will be made, food aid to developing countries in 1994/95 will be below the 1974 World Food Conference annual minimum target of 10 million tons of cereals for developing countries for the second consecutive year and be at the lowest level in almost two decades. Although it is too early to determine whether these recent changes represent a permanent reversal of the increasing trend observed since the mid-1970s, there are signs that point to a possible tightening of food aid availability in the future.

TABLE 11
Shipments of food aid in cereals
(Marketing years, July/June)

	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95 ¹
(... thousand tons grain equivalent ...)						
Major donors						
Australia	305	349	328	232	219	300
Canada	961	1 149	996	702	712	700
EC and member countries	3 316	2 609	3 707	4 114	2 812	3 000
Japan	430	512	387	358	378	300
United States	6 018	7 260	7 052	8 466	8 258	5 100
Total shipments (all donors)	11 315	12 356	13 086	15 184	12 633	9 800
of which:						
Wheat	7 809	8 038	8 135	8 361	6 892	...
Rice	705	833	1 007	1 111	967	...
Coarse grains	2 803	3 485	3 944	5 712	4 774	...
of which to:						
Africa	4 595	5 746	5 801	6 709	3 678	...
Asia	3 213	3 465	3 446	2 522	2 662	...
Latin America	1 781	1 716	1 880	1 565	1 584	...
Countries in transition ²	1 582	1 342	1 927	4 390	4 709	...

Source: Compiled from data provided by donors, the World Food Programme (INTERFAIS), the International Wheat Council, and other international organizations.

¹ Estimated partly on the basis of minimum commitments under the Food Aid Convention of 1986, budgetary allocations and other sources.

² Countries of Eastern Europe and the former USSR.

85. One of the signs is the substantial reduction in the minimum annual contributions of donor countries under the 1995 Food Aid Convention (which forms part of the 1995 International Grains Agreement; see Guideline 8) to 5.35 million tons (in wheat equivalents), down from 7.52 million tons under the 1986 Convention, reflecting the fiscal constraints in donor countries. The reduction in commitments in the 1995 Convention comes mainly on account of the reduction of nearly 2 million tons in the USA commitments. However, a comparison of the actual shipments during the 1971 to 1986 period with the floor levels of 4.23 million tons (in grain equivalents) of the 1971 Convention, and of 7.61 million tons (in wheat equivalents) of the 1980 Convention, indicates that the minimum commitments had been consistently surpassed, at times by substantial margins.

86. Other signs are the recent changes in the use and distribution of cereal food aid. As Table 12 indicates, recently there has been a substantial increase of food aid for emergencies, i.e. food aid given in response to man-made or natural disasters. In the late-1970s and early-1980s, the amount of cereal food aid used for emergencies averaged 1.2 million tons annually (13 percent of the total). It increased to 2.7 million tons in the late-1980s (23 percent). Since 1990 it has averaged 3.5 million tons (nearly 30 percent). These increases have essentially taken place at the expense of project food aid provided on a grant basis for specific development objectives, such as human resource and infrastructure development, and to a lesser extent at the expense of programme food aid, provided as balance of payments support mostly on concessional terms. In recent years there have been substantial increases of food aid flows to the countries in transition, mainly for balance of payments support (Table 11).

TABLE 12
Cereal food aid deliveries by category of use
(Three-year averages)

	1975-77	1978-80	1985-87	1991-93	1975-77	1978-80	1985-87	1991-93
	... million tons grain equivalent share in percent ...			
Programme	5.9	6.1	6.8	7.4	71	68	54	55
Project	1.6	1.9	2.9	2.3	19	21	23	17
Emergency	0.8	1.0	2.8	3.8	10	11	23	28
Total	8.3	9.0	12.5	13.5	100	100	100	100

87. Another factor that could influence the future availability of food aid is its opportunity cost to donors (as, for example, measured by world market prices of cereals). There is some empirical evidence that on average the magnitude of non-emergency (i.e. programme and project) food aid tends to decrease when its opportunity cost increases (and vice versa). There are several factors that may provide an explanation for this observed relationship. The more important ones are: First, when international cereal prices are relatively high and cereal stocks in the donor countries are relatively low, the competition among the different purposes for which these stocks are used intensifies and causes food aid to decrease. Second, donors usually fix their food aid budgets in fiscal rather than quantitative terms, so that when international prices are relatively high, the quantity of food aid corresponding to the given budget allocation tends to decline. The implementation of the Uruguay Round Agreement on Agriculture is likely to reduce the structural food surpluses in major donor countries. This may cause tightening of the international markets of the commodities involved, increasing the opportunity cost of food aid to donors and eventually the extent to which resources earmarked for food aid compete with those available for non-food aid ODA.

88. If the substitutability between food and non-food aid resources in the ODA budgets of the donors were to become more important in the future, the criterion of comparative resource transfer efficiency of the two forms of aid will assume increasing relevance. Under certain conditions, transfers of financial resources can be more efficient than transfers of food aid in kind. The commodity nature of food aid also means that apart from considerations of its relative resource transfer efficiency, its specific effects on domestic food markets have to be taken into account in any assessment of its effectiveness. Regardless of the manner in which food aid reaches the final consumer in the recipient countries, it competes with local production and may create disincentives for producers. Even small projects may disrupt local food systems, even if the amount of food delivered is small on a national scale. Food aid can also modify consumption habits in the recipient countries, creating dependency on imported food items, since the commodities provided as food aid may not necessarily be those that are included in the traditional diets of the people. However, these

detrimental effects of food aid can be minimized by careful targeting so that it reaches those most vulnerable who tend to spend most of their additional income on food and by promoting the purchases of food aid commodities either locally or from neighbouring countries (e.g. through triangular transactions) rather than providing it from donors' own supplies. Emergency food aid to alleviate temporary or transitory food insecurity remains the least controversial form of food aid.

Continued relevance of the objective

89. The objectives of Guideline 11 remain by and large valid, no matter that the perceptions regarding the role and effectiveness of food aid have evolved since the last revision of the Guidelines. Given the likely tightening of future food aid availabilities and of other forms of resource transfers, and given the observed changes in the use of food aid, the debate on the effectiveness of food aid and on the assessment of food aid requirements can be expected to continue. An analysis of all issues involved is given in a relevant document to the Sixteenth Session of Committee on World Food Security²⁰.

Monitoring and reporting on progress

90. The documents for the annual sessions of the Committee on World Food Security report regularly on the various aspects of food aid. In addition the annual SOFA contains a section on food aid flows and the bimonthly periodical *Food Outlook* reports regularly on developments in food aid.

DRAFT DECISION

91. The following draft decision may be considered by the Conference: "The Conference recommended that future reporting on progress on the International Agricultural Adjustment Guidelines be incorporated into the documents for the Committees of the Council, the Council or Conference as indicated in the concluding paragraphs under each Guideline in this report."

²⁰ CFS:91/3, *Prospects for Food Aid and its Role in the 1990s*.