



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

Продовольственная и  
сельскохозяйственная  
организация  
Объединенных  
Наций

Organización  
de las  
Naciones  
Unidas  
para la  
Agricultura  
y la  
Alimentación

## COMMITTEE ON COMMODITY PROBLEMS

### INTERGOVERNMENTAL GROUP ON MEAT AND DAIRY PRODUCTS

#### Twenty-second Session

Asunción, Paraguay, 6-8 May 2009

### REPORT OF THE INTERGOVERNMENTAL GROUP ON MEAT AND DAIRY PRODUCTS

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## I. INTRODUCTION

1. The 22<sup>nd</sup> Session of the Intergovernmental Group on Meat and Dairy Products was held in Asunción, Paraguay, from 6 to 8 May 2009. The meeting was attended by 27 delegates from 17 Member Nations, 4 Observers from United Nation Member States, and Representatives of United Nations and Specialized Agencies. In addition, the following international organizations participated in the Session: The Common Fund for Commodities (CFC), the International Dairy Federation (IDF), the International Meat Secretariat and the Organization for Economic Cooperation and Development. The list of participants will be circulated as document CCP: ME 09/INF.7.
2. Dr Valdir Welte, FAO Representative in Paraguay, welcomed participants on behalf of Mr Jacques Douf, the Director-General.
3. The Session was opened by Dr. Darío Baumgarten, the Chairperson of the 21<sup>st</sup> Session. He turned the floor over to the newly elected Chairperson, Dr. Amin Hamann (Paraguay). Mr. Mr. Hayden Montgomery (New Zealand) and Ms. Anunciata Njombe (Tanzania) were elected First and Second Vice-Chairpersons, respectively.
4. It was agreed that the Secretariat draft the report after the meeting and distribute it to the delegates for their review before being finalized in collaboration with the Chairperson.
5. A symposium on “Mitigating green house gas emissions from animal production, A Policy Agenda” was held in conjunction with the meeting. Over one hundred and fifty participants were present, including representatives of Member Nations, international organizations, academics, the private sector and industry associations. After the conclusion of the Symposium, a draft document entitled *Statement on Mitigation of Greenhouse Gas Emissions from Animal Production* was submitted as CCP:ME 09/CRS.3 for endorsement by the Group.

## II. MAJOR POLICY AND ECONOMIC ISSUES RELATING TO MARKETS FOR LIVESTOCK, MEAT AND DAIRY PRODUCTS

### A. MEAT AND DAIRY MARKETS: OUTLOOK AND COMMODITY ISSUES

6. The Secretariat provided updated information and market prospects for meat and dairy products, on the basis of the input to be published in the June 2009 issue of Food Outlook (CCP:ME 09/CRS1), the OECD-FAO Agriculture Outlook: 2009-2018. The group was informed that a weakening demand stemming from the global financial crisis and economic recession that started in late 2008 was affect world commodity prices. For dairy products, falling demand in major importing countries had pushed international markets into unexpected depth, with prices at 5 year lows. For meats, high prices of 2008 were once again falling and rapidly eroding the profitability producers had gained in recent months.
7. The Group noted that the strong incentives provided by the high prices of previous years changed the supply systems in many countries, encouraging local as opposed to imported products. However, significantly lower international product prices are expected to filter into these markets, stimulating demand but also testing the sustainability of the newly created local supply.
8. The Group was informed that meat trade was expected to contract by 4 to 5 per cent in 2009, with exports set to hover around 23.4 million tonnes. The drop was anticipated to result mainly from reduced shipments of pig and poultry meat, while little change was foreseen for beef

and sheep meat. Traditional bovine meat exporting countries were facing drought, and traders are expected to suffer from difficult access to credit.

9. The Chairman invited the delegates to comment on their views of the current meat and dairy situation, and to send updated information to the Secretariat from their respective countries. Delegates expressed support for FAO's work on market intelligence and congratulated the Secretariat on the quality of the information provided. They also expressed disappointment that FAO resources on market intelligence for meat and dairy products had eroded in recent years.

## **B. IMPLICATIONS OF RISING ENERGY COSTS AND BIO-FUEL PRODUCTION ON LIVESTOCK MARKETS**

10. The Group reviewed document CCP: ME/09/2 prepared by the Secretariat. This document reviewed two studies on the implications of rising energy costs and of bio-fuel production on livestock product markets. Delegates noted that the use of resources, including grassland for biofuel production, would negatively affect the availability of feed, and compromise the capacity to increase meat and dairy production. It would hamper the development of value chains for these commodities in developing countries. Some Delegates advocated assistance to countries to develop appropriate policies and national development plans in order to mitigate the impact of rising energy costs and biofuel production on livestock production. Others expressed concern on the use of food crops for biofuels, and their effect on feed costs and food security, and requested more research should be carried out on the use of alternative crops for biofuel production.

11. Some Delegates noted that while bio-fuel was one of the contributors to the increase in food prices of 2007 and 2008, increases in meat and dairy product prices were due mainly to trade barriers and an increase in the purchasing power of consumers. Further research on biofuel production would be useful, and efforts should be made to ensure the spread of information stemming from this research and particularly on experiences gained, and the potential for biofuel production in developing countries where bio-fuel production enjoys a comparative advantage.

12. The Secretariat noted to delegates that it has undertake significant modeling work on biofuels, and indicated that despite the recent fall in petroleum prices, biofuel production remains a critical issue for the future. Markets are influenced heavily by policies, such as consumption mandates, subsidies and tariffs which affect the allocation of food, feed and fuel crops, despite lower petroleum prices. Should oil prices increase above 60 to 70 USD/barrel, then higher profitability of biofuel production may create economic incentives for expansion.

## **C. GROWING LIVESTOCK PRODUCTION, ENVIRONMENTAL ISSUES AND THEIR IMPLICATIONS FOR AGRICULTURAL TRADE**

13. Document CCP: ME09/3 was presented for discussion, outlining the changing shape of comparative advantages in livestock production on a global scale, and the environmental and policy factors that may affect trade. Livestock production is expected to continue its rapid growth over the medium to long term, often creating pressures on local populations and the environment and facing constraints on growth that vary by region and country.

## **D. THE WTO NEGOTIATIONS: AN UPDATE**

14. The Secretariat informed the Group that no progress had been made on the resolution of the Doha Round since the last update to Member Countries, given on the 67<sup>th</sup> Session of the Committee on Commodity Problems in April 2009 (CCP: ME 09/CRS.2). Some Delegates expressed regret that the round had not been finalized, especially as citizens and governments were concerned about financial stability and as a Doha agreement appears increasingly to be part of the solution. A rules-based global trading system would have a decisive positive impact on an expansion of agricultural production and the stability of international commodity trade. While Partnership Agreements may be considered complements to this agreement, they cannot replace it.

### III. INTERNATIONAL POLICY ACTIONS

#### A. FOLLOW-UP TO THE GUIDELINES FOR INTERNATIONAL COOPERATION IN THE LIVESTOCK, MEAT AND DAIRY SECTOR

15. As part of its work to assess the impact of policies on trade, the Secretariat presented the principal meat and dairy policy measures introduced since the last IGG meeting in 2004, through document CCP: ME 09/4. The Secretariat called on nations to abide by international obligations and refrain from unjustified trade bans, due to animal diseases, which disrupt markets with no scientific justification. Considering the current economic crisis, and in particular the rapid fall of commodity prices, nations were also called upon to refrain from production-specific subsidies as well as export subsidies that drive prices down further and skew competition.

16. The Secretariat informed of the difficulties in trying to achieve a thorough and authoritative assessment of policies for all FAO member countries, and an assessment of these against the Guidelines, with limited human resources. The Group noted that the WTO does not carry out this type of analysis, and that the analysis of livestock policies and the degree of expertise on livestock markets has declined in non OECD countries over the years. The Group urged the FAO not to give a low priority to this important function.

#### B. REVIEW OF SYMPOSIUM DISCUSSIONS: PROPOSED FAO AND IGGMD ACTION

17. Document CCP:ME 09/CRS.3, *Statement on Mitigation of Greenhouse Gas Emissions from Animal Production*, was introduced for the consideration of the Group. The statement consists of recommendation for member governments to promote internationally coordinated actions that support the mitigation of anthropogenic greenhouse gases related to livestock production. Individual member nations are also requested to take steps to reduce greenhouse gas emissions from livestock production and to increase carbon sequestration through appropriate policies and measures, including research, development and adoption of new technologies and practices, and enhancement of capacities to monitor, report and verify GHG emissions and carbon sequestration in animal production systems. The document was endorsed by the Group.

#### C. DEVELOPMENTS REGARDING THE COMMON FUND FOR COMMODITIES (CFC)

18. A status report on commodity projects within the area of competence of the IGG (covering livestock, meat and dairy) was presented to the Group for information and comments (CCP ME 09/5). Following from a request by the Group on its 21<sup>st</sup> Session, the Secretariat also provided more information about the CFC and its activities. Delegates were informed of progress made in implementing Project *Strengthening the productivity and competitiveness of the smallholder dairy sector in Lesotho and Zambia (CFC/FIGMDP/14)*. Information was also provided on three projects that were completed in the last three years, namely *Meat Commodity Diversification and Upgrading of Meat Processing Technologies in Asia-Pacific (CFC/FIGMDP/08)*; *Enhancing Beef Productivity, Quality, Safety and Trade in Central America (CFC/FIGMDP/10)*; and *Improved Market Access and Smallholder Participation for Sustainable Dairy Development (CFC/FIGMDP/16FT)*.

19. Three project proposals were presented by the CFC and endorsed by the Group: *Smallholder Dairy Development in Bangladesh, Myanmar and Thailand*; *Smallholder cattle Productivity and Market Access in Zambia and Mozambique*; and *Diversification of the Caribbean Livestock Sector through the Production of Small Ruminants*. Details of these can be found in CCP ME 09/5.

20. The Secretariat suggested that there was a need for a development strategy for dairy products in South America and in Africa, similar to what has been developed for the Asia region.

Some Delegates supported the development of such strategies and the Secretariat indicated that it would follow-up on this issue with CFC officials.

21. The Secretariat suggested the creation of a task force to review project proposals and guide in the preparation of projects, and to widen the involvement of the Group on CFC project approval. The proposal was not addressed by delegates.

#### **IV. OTHER MATTERS**

##### **A. REPORT OF THE SUB-GROUP ON HIDES AND SKINS**

22. There was no meeting of the Sub-group on Hides and Skins since the 21<sup>st</sup> Session, and hence no report was provided. Plans were being initiated for a meeting of the Sub-group within the next year.

##### **B. ACTIVITIES OF OTHER INTERNATIONAL ORGANIZATIONS OF INTEREST TO THE GROUP**

23. The Secretariat drew attention to FAO's work with OECD on projections and policy analysis. This collaborative work has proved effective, both from a perspective of sharing resources and analysis on international markets, as well as on developing consensus concerning emerging issues and their importance for international action. It was noted that the next OECD\_FAO Agriculture Outlook: 2009-2018 would be published in July 2009, and include further detail on the medium term outlook for the meat and dairy industries.

##### **C. DATE AND PLACE OF THE NEXT SESSION OF THE GROUP**

24. The date and place of the next Session will be determined by the Director-General in consultation with the chairperson taking into account the availability of resources and the schedule of other meetings.

##### **D. ADOPTION OF THE REPORT**

25. The Group agreed that the Secretariat would draft the Report of the Session and would then distribute the draft to participants for their comments. The Secretariat would then adjust the draft and submit it to the Chair and Vice Chairs for their approval.