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de las  
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para la  
Alimentación y la  
Agricultura

# COMMITTEE ON COMMODITY PROBLEMS

## Sixty-ninth Session

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## REVIEW OF THE CCP INTERGOVERNMENTAL COMMODITY GROUPS

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## I. Introduction

1. The Committee on Commodity Problems (CCP) at its Sixty-eighth Session (14–16 June 2010) considered its role and working arrangements and those of its Intergovernmental Commodity Groups in the light of the IEE recommendations and the ongoing discussions in the Open-Ended Working Group on Measures Designed to Increase the Efficiency of Governing Bodies, including Representation. To facilitate a detailed consideration of the roles and working arrangements of the CCP and its Intergovernmental Groups (IGGs), the Committee decided to establish an open-ended working group with a core membership of two members per region and under the chairmanship of the Chairperson of the CCP.
2. The first meeting of the Open-Ended Working Group on Reform of the Committee on Commodity Problems (OEWG-CCP) was convened on 13 December 2010. The meeting reiterated the need for the review of the roles and working arrangements of the CCP and its subsidiary bodies to ensure their continuing relevance in the light of developments in commodity markets and especially the growing concerns about price volatility. In undertaking this task, the importance of taking into consideration the roles and functions of other commodity-related organizations such as the Common Fund for Commodities (CFC) and the specialized commodity organizations was stressed.
3. The OEWG-CCP agreed *inter alia* that the Secretariat should undertake a detailed review of the IGGs. This review should consider, among other matters, the usefulness of individual IGGs, the scope for private sector participation, attendance and representativeness and scope for mergers between IGGs or their abolition.
4. The present document provides an analysis of the current role and functioning of the IGGs in relation to member country expectations, as summarized in Section II. To better understand the current functions of the IGGs, it is helpful to have a perspective of the changes that have taken place over time and of the factors responsible (Section III).<sup>1</sup> The analysis of the current substantive relevance of the IGGs in relation to member country expectations is undertaken in Section IV, while the prevailing working arrangements of the IGGs are described in Section V which also addresses commodity coverage and attendance. Finally Section VI provides some general discussion of the issues identified by the OEWG-CCP as well as others that may be of interest to the Working Group.

## II. Member country expectations

5. In order to ensure the continuing relevance of the IGGs, which appears to be the over-riding objective of member countries during the current review exercise, it is necessary to understand their prevailing expectations regarding the role of the groups taking into account developments in commodity markets and to examine how, or whether, the groups are able respond to such needs.
6. In general the needs of member countries as reflected in the conclusions, recommendations and agreed work priorities of various intergovernmental bodies, including the CCP, the IGGs and the first meeting of the OEWG-CCP, can be broadly categorized (not necessarily in order of precedence) as follows:
  - i. Maintaining or improving short and longer term market transparency;
  - ii. Analyzing market volatility with a view to exploring workable and market-based systems to manage global price shocks and mitigate their adverse effects on producers and consumers, particularly in poorer and more vulnerable countries;
  - iii. Encouraging trade liberalization and improving market access;
  - iv. Fostering market expansion and export diversification, and improving smallholder participation in the value chain;
  - v. Increasing investment in developing country agriculture;

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<sup>1</sup> The relationship between the CFC and the IGGs is discussed in Sections III and IV. However, the role and functioning of the non-FAO specialized commodity organizations is considered to be beyond the scope of this study.

- vi. Encouraging the adoption of new technologies to reduce costs, improve quality, mitigate adverse environmental impacts and combat pests and diseases.
7. There is a fair amount of consensus among member countries about the priority issues to be addressed, but it is not always clear how these might best be tackled. Often the discussion of modalities to improve the effectiveness of the IGGs has been subordinated to overriding efforts to curtail budgetary outlays.
8. While a balance is needed between available resources and program needs, there has been a tendency for budgetary considerations to prevail. In several cases, the curtailing of activities of the groups has fueled further uncertainties regarding their usefulness and relevance, with a winding-down effect on their programs. At current resource levels and with existing working arrangements, it is legitimate to question whether the end results are justifiable both from budgetary and substantive program delivery points of view. The following review will attempt to address these issues bearing in mind above all the substantive needs and operational requirements of member countries.

### III. Evolution of the Groups

9. In order to better understand the adaptability of intergovernmental commodity groups to changing market conditions and the priorities of member countries, the following section provides an account of their evolution. This account underscores the fact that member countries have usually been able to adapt their groups to the over-riding concerns in agricultural commodity markets.
10. The Intergovernmental Groups of the CCP have a long history and tradition – extending over more than half a century – in facilitating international cooperation and consensus-building regarding commodity market issues. More significantly, however, is the fact that their functions have adjusted over time to major changes in international commodity markets and to evolving perceptions in the international community regarding appropriate commodity policy responses for tackling prevailing market and trade problems.
11. There are indications that the IGGs may be entering into a new phase, the fourth in their long history, to rise to the challenges posed by the current environment in international cooperation on agricultural trade matters. Rather than being mainly time-related, the phases described below are a reflection of changing emphasis in the focus of the Groups, influencing their roles and working arrangements.
12. The *first phase*, coinciding with a more interventionist involvement in markets by governments, was mainly concerned with regulating supplies and stabilizing prices. From the early fifties for about three decades, the emphasis in international agricultural policy was on commodity agreements with economic provisions. The emphasis on commodity agreements, which is evident in the FAO Constitution<sup>2</sup> was reflected in the establishment of eleven intergovernmental commodity groups in FAO in the period 1955–85.
13. The IGGs set up during this period were the following: Rice (1955), Cocoa (1956), Grains (1957), Citrus Fruit (1959), Jute, Kenaf and Allied Fibres (1963), Oilseeds, Oils and Fats (1965), Bananas (1965), Hard Fibres (1966), Wine and Vine Products (1968), Tea (1969), Meat (1970) and the Sub-Group on Hides and Skins of the IGG on Meat (1985).<sup>3</sup>

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<sup>2</sup> Article I, paragraph 2f) of the FAO Constitution provides that among the actions to be promoted by the Organization is the recommendation of national, and international action for “the adoption of international policies with respect to agricultural commodity arrangements”.

<sup>3</sup> During this period, interest in commodity agreements was also reflected in the establishment of the following international commodity organizations: International Wheat Council (1949), International Sugar Council (1953), International Olive Oil Organization (1959), International Coffee Organization (1963), International Cocoa Organization (1972), International Natural Rubber Organization (1980), International Tea Promotion Association (1980), International Jute Organization (1984) and International Tropical Timber Organization (1985).

14. During these early years, *all* of the Groups addressed market stabilization issues. Work in some of the FAO commodity groups was instrumental to the founding of certain international commodity bodies, in particular the International Cocoa Organization and the International Jute Organization, while in others such as Bananas and Tea, sub-groups fulfilled a useful role in defining the parameters for possible negotiations. Two IGGs (Jute and Hard Fibres) actively operated informal price schemes to stabilize markets which were deemed successful owing to the commitment of member governments.

15. From the late fifties, the growing perception that stabilization measures operating on their own through stockholding, export restraint and import quotas could not be successful, let alone sustainable, led to increased focus on the impacts of underlying government policies affecting production and demand. In this work, a high degree of interplay developed between the CCP and its commodity groups, in particular that on Grains<sup>4</sup> which began examining national grain policies with reference to the FAO Guiding Principles on National Agricultural Price Stabilization and Support Policies. The Guiding Principles developed by the CCP in the early sixties were adopted by the Conference in Resolution 3/61.

16. The review of policy developments gradually became an integral part of the work of the commodity groups. The Groups on Rice; Oilseeds, Oils and Fats; and Meat and Dairy were particularly successful in carrying forward work in this field to arrive at internationally agreed, voluntary guidelines for policy actions to reduce market distortions and ensure a better balance between supplies and demand. The guidelines were initially adopted by these Groups in 1971, 1980 and 1976, respectively, and have been revised at periodic intervals.<sup>5</sup> To date, their reviews of government policies provide opportunities for policy dialogue. It should be noted that the IGG on Meat and Dairy Products at its last session in 2009 underlined the unique importance of the analysis of policy developments undertaken under the auspices of the Group.<sup>6</sup>

17. Thus, the seeds of the *second phase* of the FAO commodity groups although planted in the early sixties matured only during the following decade. The Groups had been initially regarded primarily as preparatory bodies with the task of drafting international commodity agreements. However, because of the difficulties encountered in the working out of new agreements, of the strain in the implementation of existing agreements and of the perceived need for fuller information to address commodity problems, the Groups continued in existence as standing organizations for intergovernmental discussion, not only of market conditions and problems (including price fluctuations) but above all of the underlying policy factors responsible for the difficulties encountered.<sup>7</sup> They continued to provide what was considered authoritative and objective assessments

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<sup>4</sup> The CCP at its 34<sup>th</sup> session instructed the Grains Group to examine national grain policies and their international implications, with special reference to “(a) to what extent its previous recommendations had been carried out by governments; (b) the reason why certain recommendations had not been carried out by governments; (c) the possibility of achieving the objectives of its original recommendations by alternative means.” Report of the 34<sup>th</sup> session, paragraph 68.

<sup>5</sup> The latest revisions of the Guidelines were undertaken by the IGG on Rice in 1996. For Oilseeds, Oils and Fats, the Group decided in the mid-1990s to initiate a provision of revision to take account of the new trading regime and agricultural policies associated with the conclusion of the GATT Uruguay Round, but to date it has not succeeded in agreeing on a revised set of Guidelines. For Meat, the Guidelines were revised by the Group in 1998, and while dairy products are not covered by the Guidelines, beginning with the 20<sup>th</sup> session of the IGG in 2004, an assessment of dairy policy trends was included in the assessment of policy development for the first time.

<sup>6</sup> In noting that the WTO did not carry out this type of analysis, and that the analysis of livestock policies and the degree of expertise on livestock markets had declined in non OECD countries over the years, the Group “urged that FAO not give a low priority to this important function.” ( Report of the 22<sup>nd</sup> Session, CCP: ME 09/6, paragraph. 16)

<sup>7</sup> This enlarged role was reflected in the renaming in 1981 of all existing intergovernmental commodity bodies which henceforth were designated as intergovernmental “groups” of member countries rather than “study groups” (meat and bananas) or “consultative committees or sub-committees” (rice and tea). The renaming of CCP’s subsidiary commodity bodies was in line with Conference resolution 19/71 dealing with nomenclature of FAO bodies.

of the global agricultural situation and outlook (including projections), of national stabilization measures and price support policies and of food aid and surplus utilization.

18. During the seventies, disappointment with efforts to negotiate international commodity agreements, including under the UNCTAD Integrated Program for Commodities (IPC), coinciding with a gradual withdrawal of governments from direct market intervention, led to increased reliance on the efficiency of markets to resolve supply and price problems. Thus, the second phase was characterized by greater impetus to improving market transparency, strengthening information systems, and undertaking analysis of longer term market prospects to facilitate adjustment to possible imbalances and improve the functioning of markets.

19. From the late seventies, however, there was growing recognition that under the existing policy framework, market forces alone could not resolve the problems of commodity markets, particularly those of interest to developing countries. In FAO a Plan of Action on World Food Security was developed and the link between agricultural trade, hampered by widespread protectionism, and food security was recognized. Concern about the disruptive impacts that agricultural protectionism could have on market stability and food security culminated in Conference Resolution 2/79 addressing Commodity Trade, Protectionism and Agricultural Adjustment.

20. This Resolution provided a framework for regular discussions in the CCP regarding developments in policies affecting international commodity trade. Again, a strong interaction was established between the CCP and its commodity groups that undertook regular reviews of the policy conditions affecting their commodities as follow-up to Resolution 2/79. While it was recognized that the IGGs were not negotiating bodies, they were increasingly used to provide clear signals to the international community regarding commodity trade problems, particularly those of developing countries. The discussions in the late eighties and early nineties regarding EU oilseeds and banana policies were illustrative of the use made of the CCP and its IGGs in airing government positions.

21. Following this complex period, the *third phase* of the IGGs was dominated by two new factors that represented logical outcomes of the preceding phase. On the one hand, in the late eighties a break-through in efforts to improve the conditions under which commodities moved in international trade led to agriculture being included for the first time in GATT multilateral trade negotiations. On the other, approaches to resolving commodity market problems through measures other than stabilization agreements gained force. The international commodity agreements that were negotiated (or renegotiated) no longer included economic provisions. The Common Fund for Commodities (CFC) negotiated in UNCTAD under the IPC aimed through its Second Account at improving commodity markets and strengthening the capacity of developing countries and small farmers to participate in trade through research and development projects.

22. These two developments had profound effects on the work of the IGGs. The focus of international attention on the policy issues affecting trade in the various commodities shifted from the Groups to the GATT negotiating fora under the Uruguay Round. The airing of government positions in the Groups became less prominent, and in cases where controversy existed, opposition developed to discussions in the Groups. For example, discussion of the EEC banana regime at the Fourteenth Session of the IGG on Bananas in 1994 led to an impasse that precluded, for the first time in IGG history, the adoption of an agreed report.

23. Eventually, it was recognized that analysis of options undertaken under the auspices of the Groups could be of assistance to all negotiating parties by ensuring that developing countries were well-informed and equal partners. Following the successful conclusion of Uruguay Round in 1994 and the coming into operation of the World Trade Organization (WTO) in 1995, the CCP and its IGGs were called upon to analyze the current and potential impacts of the Agreement on Agriculture (AoA). Concerns about possible heightened price instability, price transmission to producers and consumers in importing and importing countries and stocks and food security were among the issues addressed.

24. However, technical assistance to developing countries on the analysis and the implementation of the AoA and the other relevant agreements of the Final Act of the Uruguay Round was undertaken under the "Umbrella Programme" outside of the Group framework, although progress of the program

was monitored and supported by CCP. Such technical assistance was issues-oriented, rather than product-oriented, and was geared to experts in Ministries of Trade rather than Agriculture, the main constituency of the Groups.<sup>8</sup>

25. With the launching of the Doha Round of multilateral trade negotiations in 2000, the CCP intensified its consideration of protectionism in agricultural trade and of other policy issues having implications for the agricultural exports and imports of developing countries. A new Trade-Related Capacity Building Programme for Agriculture, Fisheries and Forestry (the Umbrella II Programme) was launched to support member governments in relation to the WTO negotiations.

26. The coming into operation of the Second Account of the Common Fund for Commodities in 1990 resulted in a significant adjustment in the role of the roles of the IGGs that were designated by the CFC as International Commodity Bodies (ICBs), or partners in the development and prioritization of commodity development projects. These Groups acquired a significant role in implementing “other measures” approaches to dealing with the commodity market problems of developing countries.

27. In the early nineties, eight FAO intergovernmental commodity groups were designated as ICBs: IGG on Bananas (and subsequently the Sub-Group on Tropical Fruits); Citrus Fruit; Hard Fibres; Meat; Oilseeds, Oils and Fats; Rice; Tea; and the Sub-Group on Hides and Skins. To meet CFC concerns regarding other commodities of importance to developing countries, the mandate of the IGG on Meat was extended to include Dairy Products, while the Grains Group accepted Pulses, Roots and Tubers for CFC project purposes. The IGG on Bananas and Tropical Fruits also adopted a number of “orphan” commodities such as nuts, spices and essential oils. The Groups that did not obtain ICB status were those on Wine and Vine Products; Jute, Kenaf and Allied Fibres; Cocoa and Grains, for which other international commodity bodies were in existence.

28. The Groups that were designated as ICBs were charged with elaborating commodity-specific global strategies, identifying those areas of special significance to developing countries. In addition, they were given responsibility for the review, prioritization and submission of development projects to the CFC for funding; and for the supervision of project execution in cases where FAO was not the implementing agency.

29. These new Group functions during the third phase were assumed over and above their other core responsibilities, in particular the analysis of medium term prospects and review of policy developments. In addition, numerous commodity-specific initiatives<sup>9</sup> also continued in the various Groups in response to member country requests.

30. To date the IGGs in their capacity as ICBs have mobilized significant resources, mainly from the CFC, but also from counterpart and other donors, for commodity focused research and development projects. Clearly, this new area of activity had a pronounced impact on the work of the Groups and on the participation of developing countries.

31. As a result of financial constraints affecting many sectors of public life in the wake of earlier economic recession, and of efforts to enhance program delivery in FAO generally, the functions of the groups came under scrutiny in the mid-nineties.<sup>10</sup> A number of decisions were taken with respect to the functioning of the Groups with the primary objective of cost reduction.

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<sup>8</sup> One significant commodities-oriented output that drew on Group expertise was the report “Agricultural Commodities: Profiles and Relevant WTO Negotiating Issues” FAO 2003

<sup>9</sup> Examples are the work on consumption promotion in the IGG on Tea; the possible effects of trade liberalization on cereal stocks in the IGG on Grains; consideration of the CAP “rebalancing” proposal of the EC in the Uruguay Round in the IGG on Oilseeds, Oils and Fats; studies of the cost of production in the IGG on Rice; monitoring of the competitive situation *vis-à-vis* synthetics in the IGG on Jute, Kenaf and Allied Fibres; preparation of a Banana Improvement Programme in the IGG on Bananas; and support to the establishment of an Inter-American Citrus Network in the IGG on Citrus Fruit.

<sup>10</sup> The role and functioning of the IGGs remained under scrutiny at the 60<sup>th</sup>, 61<sup>st</sup>, 62<sup>nd</sup> and 63<sup>rd</sup> Sessions of the CCP. During this period, two Intergovernmental Groups were abolished: The IGG on Cocoa which had been dormant since 1975 following the establishment of the International Cocoa Organization; and the Intergovernmental Group on Wine and Vine Products which had not met in several years. In addition various

32. Possible actions to improve the effectiveness and relevance of the Groups were simply not addressed, other than perhaps through the recommendation of back to back sessions of related groups on a trial basis.<sup>11</sup>

33. Some eighteen years have passed since the last review of the role and working arrangements of the IGGs. The impetus given to the current assessment as a result of the ongoing FAO reform and implementation of the Immediate Plan of Action (IPA) suggest that the Groups may be entering into a fourth phase which in many cases could profoundly affect their functions and the manner in which they conduct their activities. Perhaps never more clearly than now has the message emerged that the utility of the Groups depends on the extent to which they respond to the needs and expectations of their members and that ways and means must be found to fully involve member countries in the planning and implementation of the activities of the various Groups.

#### **IV. Substantive relevance of the IGGs in relation to member country expectations**

34. The terms of reference of the various IGGs are characterized by common elements (though individual differences exist) of providing fora for intergovernmental consultations and exchange of information on all aspects of the commodities concerned, including production, consumption, trade, stocks and prices. The Groups may also consider changes in national and international policies and examine their impacts on current and prospective market situations. In general, the TORs of the IGGs have been sufficiently flexible to allow the work of the Groups to evolve in response to market and policy developments and to undertake the activities of interest to developing countries, as outlined in Section III.

35. The following sections address the extent that the various IGGs meet current member government expectations and whether other bodies provide equivalent services.

##### *Market transparency*

36. Part of the work of the Groups continues to be geared towards improving market transparency and assessing short and longer-term market prospects. The information function provides underlying support to many actions aimed at strengthening international trade, if not to the efficiency of markets themselves. In recent years, significant improvements have been made in the coverage, accuracy and above all the timeliness of information dissemination through the use of electronic means.

37. Intergovernmental groups are not essential to the information function. The extent to which a Group promotes useful value-added information varies according to Group and depends on i) whether other sources of similar information are available, ii) the extent to which membership includes countries that are not covered in other information-gathering services, and iii) the extent to which sessions of the Group offer opportunities for useful interaction among participants who might not otherwise be in contact. The information function of individual Groups is discussed below taking into account the above aspects.

38. The information collected and generated under the auspices of the following Groups is unique: Tea; Bananas and Tropical Fruits; Hides and Skins; Hard Fibres; and Jute, Kenaf and Allied Fibres. Membership in most of the above Groups is heavily composed of developing producing/exporting countries that are not involved in other commodity information systems. While not essential for achieving the information function, sessions of many of the Groups provide these countries with an opportunity that would otherwise not be available to meet with representatives of importing countries and of other exporting countries. The share of trade accounted for by members of the above Groups is shown below. (Table 1)

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*inactive statutory Sub-Groups of existing IGGs were abolished:* The Sub-Group on Rice Grading and Standardization; Sub-Group on Statistics of the IGG on Oilseeds, Oils and Fats; Sub-Group on Cocoa Grading of the IGG on Cocoa; Sub-Group on Statistics and Sub-Group of Exporters of the IGG on Bananas; and Sub-Group of Exporters and Sub-Group on Promotion of the IGG on Tea.

<sup>11</sup> Report of 60<sup>th</sup> Session of the CCP, 3-7 April 1995, CL 108/6, paragraph 21.

Table 1 – IGGs providing unique information systems: share of world commodity trade accounted for by IGG member countries <sup>1/</sup>

<u>Commodity Group</u>	<u>Imports</u>	<u>Exports</u>
		percent
Intergovernmental Group on Tea	50	78
Intergovernmental Group on Bananas and Tropical Fruits		
Sub-Group on Bananas	67	98
Sub-Group on Tropical Fruits	81	67
Sub-Group on Hides and Skins	24	38
Intergovernmental Group on Hard Fibres		
Abaca	20	99
Sisal	47	88
Coir	5	59
Intergovernmental Group on Jute, Kenaf and Allied Fibres	26	97

<sup>1/</sup> Membership established on the basis of participation in the last three sessions of the IGG, and shares based on average trade values 2006-08.

39. Sessions of the Sub-Group on Hides and Skins would not appear to offer opportunities for interaction among sufficiently representative numbers of exporting and importing countries. The IGGs on Jute and on Hard Fibres, with the exception of Sisal, would seem to lack representation on the importing side. However, in some cases trade representatives participate on only a few delegations, but have interests in the commerce world-wide.

40. The usefulness of interaction among member countries is heightened if the private sector is present. All of the above Groups have a strong private sector component in their sessions, either as officially designated representatives of member countries, as advisors on government delegations or as observers from private trade associations.

41. The only specialized commodity organization for this group of products is the International Jute Study Group (IJSJG). This body relies on the FAO IGG for its economic analysis and market intelligence (i.e. the Statistical Compendium on Jute) in accordance with the decisions regarding cost effectiveness taken by member countries in defining the respective roles of the Group and the IJO at time of the establishment of the IJSJG predecessor organization. In line with this division of responsibilities, the main activity of the IJSJG continued to be the development, submission and supervision of CFC jute projects in its capacity as the designated ICB for this purpose.

42. In other cases, the information function of the Groups is not unique, particularly for those commodities that are of significance to countries, mostly developed, having the resources needed to maintain information systems, either unilaterally or through designated organizations or institutions. In these cases, the positive aspects that may be attributed to IGG-generated information are i) the compilation of global market information, covering also countries that may not be significant players in the market, but for which the commodity may be of import or export significance; ii) the assurance of an objective market assessment, taking into account also the concerns of smaller market players, including many developing countries not otherwise represented; and iii) IGG market intelligence products and services are made available free-of-charge, an advantage not always shared by other information systems.

43. The Commodity Groups for which other sources of information exist, at least partially, are the IGGs on *Citrus Fruit*; *Grains*; *Rice*; *Oilseeds*, *Oils and Fats*, and *Meat and Dairy*. The share of world commodity trade accounted for by members of the individual IGGs is shown below. (Table 2)



Table 2 – IGGs contributing to market transparency along with other bodies: Share of world commodity trade accounted for by IGG member countries <sup>1/</sup>

<u>Commodity Group</u>	<u>Imports</u>	<u>Exports</u>
		percent
Intergovernmental Group on Citrus Fruit	65	89
Intergovernmental Group on Grains	53	79
Intergovernmental Group on Rice	65	83
Intergovernmental Group on Oilseeds, Oils and Fats	88	88
Intergovernmental Group on Meat and Dairy		
Meat	79	79
Dairy	76	91

<sup>1/</sup> Membership established on the basis of participation in the last three sessions of the IGG, and shares based on average trade value 2006-08.

44. For fresh and processed *Citrus Fruit*, comprehensive market information is generated by the USDA for all major producing and consuming countries. The Liaison Committee for Mediterranean Citrus (CLAM) deals primarily with fresh fruit and provides very timely information on seasonal export availabilities. CLAM meetings also provide a useful forum for exchange among parastatal and private sector representatives from countries of Mediterranean region plus South Africa. IGG membership is broader, accounting for nearly 90 percent of world exports and 65 percent of world imports of fresh and processed citrus.

45. In the case of *Grains*, apart from the extensive coverage provided by the USDA, the International Grain Council (IGC) covers not only grains, but more recently also rice and oilseeds. The IGC has some 26 members, including the main grain exporting countries. IGC deals mostly with short term monitoring of markets and prices, but has recently widened its coverage to keep track of relevant policy measures for both grains and rice. Information products are made available at a fee. *Rice*, as mentioned above, is now being covered also by IGC. Despite these alternative sources of information, member countries meeting in an Extraordinary Joint Intersessional Meeting of the Grains and Rice Groups in September 2010 proposed to enhance market information and transparency in order to address the growing complexity of factors influencing agricultural commodity markets. It should be noted that a Market News Report on Grains is issued electronically every month to members of the IGG drawing together the most up-to-date and relevant information on world markets.

46. While the IGGs on Grains and on Rice have met jointly since the late nineties, for reasons of economy and also to facilitate discussion of cross-cutting issues, there appears to be a resurging need for a forum for the consideration of rice issues specifically, as reflected in the numerous conferences being organized by CGIAR institutions as well as private organizations. The latter are open to all individuals, although often subject to high participation fees, thus lessening the attendance of developing country representatives and institutions. In the IGGs on Grains and on Rice, members account for 66 and 53 percent of world imports and 72 and 88 percent of world exports, respectively. The share of participants from importing countries has tended to increase over the past decades.

47. With respect to *Oilseeds, Oils and Fats*, aside from the recent extension of IGC market intelligence, some other intergovernmental organizations have interest in oils and oilseeds, such as the International Olive Council (IOC). There is no overlap in intelligence work, or any other area of activity, between the Group and the Council. Similarly, there are strong complementarities with the market information and analysis work undertaken by the Asia and Pacific Coconut Community (APCC), as the IGG draws on APCC sectoral expertise and APCC draws on the IGG's cross-sectoral expertise. Both the African Groundnut Council (AGC) and the African Oil Palm Development Association (AFOPDA) have been constrained by lack of resources in undertaking knowledge exchange and coordination of policies and research programs. The Group has the largest share of importing countries and a very high proportion of exporting countries.

48. For *Meat and Dairy*, no specialized intergovernmental commodity organization exists. Only private sector organizations, combining producer and processor interests, are in place: the International Meat Secretariat and the International Dairy Federation. As such, neither government or consumer interests are directly involved. Both generate market information available as priced publications to non-members. Members of the Meat and Dairy Group account for a high proportion of both world exports and imports.

#### *Market volatility*

49. Commodity price volatility and its disruptive effects on markets have long been matters of concern to member countries. Throughout the history of the CCP and its IGGs, there have been very few periods when these issues were not among those receiving priority attention. They were the basis initially for IGG focus on the establishment of stabilization agreements. Subsequently, they underpinned efforts to improve the functioning of markets through inter alia enhanced market transparency, removal of distorting production and trade policies and extended use of various market-based techniques such as risk management. Over the years, the impacts of price volatility on development and food security gained greater attention, giving impetus to the search for possible remedial policy instruments such as international schemes for the stabilization of export receipts.

50. More recently, concerns have been expressed that market volatility may be intensifying as a possible consequence of commodity prices being increasingly linked to oil and energy costs and of the likelihood of more erratic weather conditions. The sharp rises in international prices during the 2007/08 food crisis, and again since mid-2010, particularly for wheat, gave added urgency to addressing the problems of price volatility in the IGGs on *Grains* and on *Rice*.

51. In examining the relevance of the IGGs on Grains and on Rice, it is difficult to imagine that such fora would not be in existence in FAO for member countries to address market and trade issues, including price volatility, for sensitive food crops. For example, the recent Extraordinary Joint Intersessional Meeting was instrumental in providing an authoritative assessment of the market situation not otherwise available to such a large group of countries, nor in such a comprehensive form. The absence of the relevant IGGs could be compensated through the direct involvement of the CCP, but this would require some adjustment in the time and expertise available in the Committee to address these issues.

52. Aside from such generic considerations, there may be scope to enhance the relevance of these Groups beyond their already significant traditional roles of considering key issues and analyzing possible remedial measures. From a substantive point of view, opportunities might be explored with member countries regarding possible action-oriented work plans through *inter alia* i) establishing ad hoc working groups of member countries to deal with particular issues (for example, matters where the recognized expertise of the Groups can contribute to advancing WTO negotiations; policy approaches to mitigate disruptive market impacts of rising energy costs and biofuel production; levels and impacts of stock policies; market effects of financial flows etc.); and ii) capacity building to strengthen the analytical capabilities of member countries concerning market monitoring and analysis of the factors impacting on volatility. The organizational and resource implications of such actions would need to be evaluated, taking into account member country support and the availability of adequate resources, including from extra-budgetary sources.

#### *Trade liberalization and market access*

53. In considering policy developments affecting trade in the various commodities, the role of the Groups has generally moved from being that of an active participant in the international dialogue to that of analyzing impacts and issues associated with actions taken elsewhere. While the latter role is undoubtedly of importance, particularly for the many countries that would not otherwise have access to such analysis, this tendency has led to a somewhat superficial downgrading of the importance of the policy review work of the Groups.

54. All of the Groups continue to offer opportunities to consider the trade, development and food security implications of policies (not only agricultural and trade policies, but also those associated

with food safety and environmental protection). The actual use made of such opportunities varies greatly in the various Groups. The relevance of this work also varies greatly depending on how representative the Group is in terms of coverage and participation. For example, it is difficult to imagine that meaningful policy conclusions could be reached in the Sub-Group on Hides and Skins owing to its limited coverage, although members could promote useful analytical work to be carried out under its auspices.

55. In the IGGs on *Rice; Oilseeds, Oils and Fats*; and on *Meat and Dairy* national policies are evaluated against agreed Guidelines for National and International Action, which though voluntary, provide indications of codes of conduct to achieve balanced and equitable market growth. In periods of difficult market conditions, it has not always been possible to achieve consensus in the Groups regarding actions to be recommended to member countries for follow-up unilaterally or in the appropriate international forum. Nevertheless, such policy reviews help to clarify positions and allow countries having limited analytical and information resources to be better informed participants in international dialogue and negotiations. The latter information function is, however, highly dependent on adequate participation of the countries concerned. On average, these Groups are highly representative.

56. Additionally, the IGG on *Oilseeds, Oils and Fats* when meeting on its own (until 1997) had occasionally undertaken reviews of the commodity-specific impacts of policies such as those relating to environmental protection; to production and trade of genetically modified crops; and to SPS measures. The IGG on *Meat and Dairy* has at times issued statements having significant policy implications: in 2006 it endorsed a set of recommendations for limiting the marketing and trade costs of Avian Influenza, while in 2009 it issued a statement aimed at mitigating green house gas emissions from animal production through internationally coordinated actions as well as national measures.

57. In contrast to the regular review of policy developments for sensitive food crops, ad hoc assessments are undertaken in other IGGs depending on prevailing conditions. In all of these Groups the level of representation is sufficient to lend credibility to any resulting conclusions. Thus, the IGG on *Bananas and Tropical Fruits* and that on *Citrus Fruit* have on various occasions focused considerable attention on regional trading arrangements particularly the EU, GSP provisions and sanitary and phytosanitary measures having implications for trade. No specific outcomes resulted from these reviews other than clarification of the issues involved.

58. A somewhat different approach has been used in the IGG on Tea where consideration of policy issues has been translated into specific action-oriented activities through the establishment of working groups composed of interested exporting and importing member countries. Thus, working groups addressed maximum residue limits and residues on tea brew with a view to submitting relevant proposals with regard to international standards under the Codex Alimentarius for eventual reference under the WTO Sanitary and Phytosanitary (SPS) Agreement. Another working group addressed tea trade and quality with a view to encouraging implementation of ISO 3720 minimum quality standard for tea trade, while the working group on geographical indications (GIs) undertook activities in relation to various WIPO treaties protecting GIs.

59. Among the raw materials, the Sub-Group on Hides and Skins has undertaken very limited work on policy impacts on trade, although for example, environmental issues could be of considerable significance for exports from developing countries. In any case, current levels of representation in this body would be insufficient to provide a complete intergovernmental policy assessment. Emphasis in this body has been mainly on quality issues, and has concentrated on the promotion of CFC improvement measures for low-income countries of Africa. While the focus on priority issues concerning development and export difficulties of the sector in Africa has led to concrete and positive measures for those countries, this has been at the cost of the global perspective of the Group. The hides, skins and leather sectors are of considerable economic significance world-wide, and the value of trade is in the higher part of the range of the commodities covered by the IGGs.

60. As regards the IGGs on *Hard Fibres* and on *Jute, Kenaf and Allied Fibres*, these have continued to meet jointly since 1998 partly because of cost cutting measure but also to exploit commonalities, for example in the consideration of competition with synthetics.<sup>12</sup> Given the relatively limited range of policies impacting on these fibers, little attention is devoted to problems of market access. Despite this, the Groups have expressly defended their potential role in discussing trade issues while recognizing that the negotiation of policy clearly rests with WTO.<sup>13</sup>

61. Both Groups continue to operate informal price arrangements for sisal, abaca and jute. Based on assessments of global supply and demand conditions, the Groups set indicative prices to provide a reference point for farmers and to assist governments in making policy decisions. The high share of exporting countries represented in these Groups lend authority to the price recommendations, and also provide a basis for some discussion with the trade interests that are also present.

62. The special expertise available in most of the Groups could provide additional benefits if translated into capacity-building with regard to commodity-specific policy developments. While ongoing trade policy training activities are mainly-issues oriented, and undertaken outside of the Groups, as described above in paragraphs 24–25, there could be some merit to developing programs under Group auspices for developing countries concerned with exports or imports of certain major commodities. Such programs should be developed in consultation with member countries, and additional resources should be sought, both within and outside FAO, for their implementation.

#### *Market expansion and smallholder participation*

63. The Intergovernmental Commodity Group framework lends itself to adaptation to promote activities that can lead to concrete market growth. The extent to which this potential is realized varies greatly among Groups depending *inter alia* on the engagement of member countries, the commitment of private sector interests and obviously the market problems encountered by individual commodities.

64. Efforts to strengthen demand have been reflected in IGGs activities to document health advantages (*Tea* and *Citrus*), environmental advantages (*Jute* and *Hard Fibres*), technical requirements of specific markets where potential for expansion exists (*Tea, Bananas, Citrus Fruit*). In particular, research work on the health benefits of black tea consumption and market promotion commanded a high degree of support from major producing and consuming countries and the CFC, all of which devoted resources in cash and kind to the successful implementation of a program that helped to develop an authoritative message in the mind of the general public regarding the beneficial effects of the beverage. This approach was subsequently adapted and replicated by other international commodity organizations.

65. Export diversification into more remunerative crops has not been expressly addressed by most Groups. However, IGG analysis of market conditions, including longer term prospects, provides a framework for member countries and development agencies engaged in agricultural investment decisions. For example, analysis undertaken by the IGG on *Bananas and Tropical Fruits* regarding market opportunities for organic produce, tropical fruits and their products and local banana varieties has stimulated interest in these products.

66. As regards improving smallholder participation in the value chain, a priority area identified by the CCP at its 68th Session, most IGGs are currently addressing this relatively new focus, though not in a particularly structured manner. Two general approaches have been adopted: 1) A number of Groups (*Bananas and Tropical Fruits; Tea; Hides and Skins; Hard Fibres; Oilseeds, Oils and Fats; and Meat and Dairy*) have endorsed commodity development projects specifically addressing improvement of economic returns to smallholders; and 2) Some Groups (*Bananas and Tropical Fruits and Tea*) have promoted commodity value chain analysis so as to define possible approaches to improving smallholder participation. In the light of the CCP's attention to this issue, it would appear

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<sup>12</sup> When the International Jute Organization was established in 1984, it was given responsibility for promoting R&D and promotion, while continuing the consideration of possible stabilization measures. The IGG was charged with market information and analysis and was designated as the focal point for analysis and monitoring the impact of environmental legislation on jute trade.

<sup>13</sup> Report CCP 07/6 paragraph 30.

that a more systematic approach might be taken by the Groups drawing on the lessons learnt, which would also contribute to closer interaction between them and their parent body.

#### *Development activities*

67. These items are considered together because they are all the object of the work of the IGGs in their capacity as ICBs for Common Fund projects aimed at enhancing the competitive market condition of commodities, particularly those of least developed countries. As mentioned above eight FAO intergovernmental commodity groups were designated by the CFC as ICBs. The only IGGs that were not designated as ICBs were those for which other international commodity bodies existed, in particular Jute, Kenaf and Allied Fibres. The IGG on Grains fulfills ICB functions only for Pulses and Roots and Tubers for which no other international body exists.

68. This area of activity has heavily influenced the work of the IGGs concerned and a significant portion of meeting time is usually allocated to reviewing and endorsing project proposals and subsequently to supervising the progress of implementation. Prioritization of proposals is normally undertaken in relation to the commodity development strategies agreed by the Groups, thereby providing an important means of assessing the relevance of proposals and channeling resources to the most appropriate uses. As regards supervision, the Groups have adapted in various ways to meeting this function, making use of specialized expertise.

### **V. Current working arrangements**

#### *Expenditure on IGG sessions*

69. The last in-depth review of the role and functioning of the IGGs took place some eighteen years ago. Cost-cutting measures resulted in a reduction in expenditures for IGG sessions by about two thirds. Thus, eleven IGG sessions cost USD266 000 in 1998-99 compared to USD836 000 for ten in 1992-93.

70. The actions that were implemented then continue to date. In 2008-09 the cost of eight IGG sessions was USD189 000. The latter included joint sessions of the IGGs on Hard Fibres and on Jute, Kenaf and Allied Fibres; and of the IGGs on Grains, Rice and Oilseeds, Oils and Fats.

#### *General operating arrangements*

71. The actions that were implemented may be summarized as follows:

- i) *Reduced frequency of sessions* – Only one per biennium compared to annual sessions (prior to the review) of the IGGs on Hard Fibres; Jute, Kenaf and Allied Fibres; Rice and Oilseeds, Oils and Fats; More recently, IGG sessions are actually taking place on an “as required” basis. Thus, an emergency joint meeting of the IGGs on Grains and Rice took place in late 2010, the IGGs on Oilseeds, Oils and Fats and on Meat and Dairy have not met since 2009, the IGG on Citrus Fruit has not met since 2007, there was a lapse in sessions of the IGG on Bananas and Tropical Fruits between 2004 and 2009 while the last session of the Sub-Group on Hides and Skins took place in 2006.
- ii) *Intersessional working arrangements* – Some IGGs compensated for the reduced frequency of sessions by the holding of informal intersessional meetings among interested delegations, for which costly interpretation services are not required. Alternatively, the Bureau was charged with certain ongoing responsibilities. In both forms, these intersessional arrangements normally address activities relating to CFC projects, such as in the IGGs on Hard Fibres, and on Meat and Dairy. On the contrary, the IGG on Tea carries out work on substantive issues through informal working groups of interested exporting and importing member countries, and efforts are being made to extend this approach to forthcoming sessions of the IGG on Hard Fibres and the Sub-Group on Hides and Skins.
- iii) *Shorter duration of sessions* – Sessions currently last from one to three days, even in the case of joint sessions of several IGGs, compared to the previous duration for

individual Groups of four–five days. The tendency for shorter sessions has been accompanied by increased use of specialized technical meetings held usually prior to Group sessions and open to a wider audience (see item below). Sometimes, sessions may be slightly longer if hosted by a member government away from headquarters to allow time for technical activities.

- iv) Concise documentation – Significant reductions were implemented in the length of documentation for sessions and in the final report.
- v) Adoption of report after the session – Normally, reports are no longer drafted and approved during the session, but instead prepared by the secretariat later, thereby freeing time during the shortened sessions for substantive discussions.
- vi) Joint sessions – Experience with joint sessions of IGGs dealing with related commodities, as in the case of Grains and Rice and of Hard Fibres and Jute have proved useful in addressing cross-cutting issues, such developments in food markets or competition between natural and synthetic fibres. On the contrary, a joint meeting of four IGGs held in 2001 (Grains, Rice, Meat and Dairy and Oilseeds, Oils and Fats) was found to be too dispersive and did not provide sufficient time for adequate consideration of the various agenda items.
- vii) Government sponsorship of IGG sessions – Many of the Groups have increasingly met away from headquarters, normally in producing countries where part of the costs are borne by the host government. Costs of secretariat to service the sessions probably offset some of the savings. During 2008-09 all but one IGG were hosted by member countries, evidence of the perceived usefulness of Group work.
- viii) Technical conferences/consultations – Shorter Group sessions have been accompanied by conferences or consultations open to a wider audience, in particular the private sector, leading to a rather dynamic interaction between these events and work in the formal IGG sessions.

72. In view of the important implications that the technical conferences/consultations have for the participation and impact of IGG work, it may be of interest to provide a list of such events in recent years. (Table 3)

Table 3 – Conferences/consultations and other events during recent IGG sessions

<b>IGG on Meat and Dairy</b>
19th Session 2002 – Symposia on Organic Markets for Meat and Dairy Products: Trade Opportunities for Developing Countries and Dairy Outlook 2010
20th Session 2004 – Symposia on Meeting International Standards affecting the Livestock Sector – the Challenges for Developing Countries and Workshop on School Milk, back to back with the 15th World Meat Congress
21st Session 2007 – Symposia on Markets and Trade Dimensions of Avian Influenza Disease and Dairy Value Chains and Comparative Marketing Systems
22nd Session 2009 - Symposium on Mitigating Greenhouse Gas Emissions from Animal Production
<b>IGGs on Grains, Rice, and Oilseeds, Oils and Fats</b>
28th Session Oilseeds, Oils and Fats 1997 – Informal symposium on Impact of Environmental Regulations on Cultivation, Processing and Trade of Annual and Perennial Crops
Joint Session (Grains, Rice, Oilseeds together with Meat) 2001 – Informal Symposium on Biotechnology and Basic Foodstuffs
Joint Session (Grains and Rice) 2004 – FAO International Rice Conference
Joint Session (Grains and Rice) 2007 – International Conference on Commodity Exchanges and their Role in Market Development and Transparency
Joint Session (Grains, Rice, Oilseeds) 2009 – Symposium on Value Chains for Oilseeds, Oils and Fats, Grains and Rice: Status and Outlooks

<b>IGG on Tea</b>
18th Session 2008 – Forum of Tea Production and Consumption in China
<b>Sub-Group on Hides and Skins</b>
9th Session 2006 – Consultation on current situation and medium term outlook
<b>IGGs on Hard Fibres and on Jute, Kenaf and Allied Fibres</b>
Joint Session 2004 – Consultation on Natural Fibres
Joint Session 2009 – Consultation on the Global Challenges Facing Hard Fibres, Jute and Other Natural Fibres
67th Session CCP 2010 – Display of natural fibres and fashion show for International year of Natural Fibers 2009
<b>IGG on Bananas and Tropical Fruits</b>
4th Session 2009 – World Banana Forum

*Coverage of the IGGs*

73. The criteria for establishment of an IGG include the requirement that the commodity (ies) covered should be either important in world trade or particularly important to a group of countries. All of the commodities covered by the IGGs satisfy one or other of these criteria, most of them both. Following the last review in the late nineties, two IGGs were abolished (Cocoa and Wine and Vine Products) while the intergovernmental group mechanism was extended to two other commodity groups (Tropical Fruits and Dairy Products).

74. The share of world agricultural trade, excluding forestry and fishery, covered by the Groups has remained steady since the mid-eighties at slightly more than 50 percent. (Table 4) If calculated on the basis of the value of trade of agricultural commodities excluding forestry and fishery, alcoholic beverages, tobacco and those commodities covered by other international organizations, the coverage is higher, more than 60 percent.

Table 4 - Export value of agricultural products- Million US\$

	1986	1996	2006	2007	2008	2006-08 Avg
Grains	23 725	41 798	41 380	65 557	88 587	65 175
Rice	3 297	7 681	10 533	13 727	19 955	14 738
Oilseed, Oils and Fats <sup>1</sup>	26 684	55 328	91 749	121 773	182 316	131 946
Meat	20 934	45 816	74 890	87 561	107 136	89 862
Dairy Products <sup>2</sup>	13 888	29 990	45 434	59 216	67 926	57 525
Citrus <sup>3</sup>	4 297	8 887	11 860	14 930	16 590	14 460
Bananas	1 674	4 844	5 722	7 246	8 504	7 157
Tropical Fruits <sup>4</sup>	801	1 900	4 602	5 409	6 106	5 372
Tea	2 053	2 464	3 751	4 043	5 521	4 438
Hard Fibres	228	400	531	505	437	491
Jute+Bast Fibres	739	663	555	670	663	629
Hides and Skins <sup>5</sup>	20 796	46 575	64 580	66 563	70 687	67 277
<b>TOTAL VALUE of IGG</b>	<b>119 116</b>	<b>246 344</b>	<b>355 587</b>	<b>447 199</b>	<b>574 427</b>	<b>459 071</b>

TOTAL Agriculture (Excl. Fishery & Forestry)	228 983	465 522	721 951	873 286	1 059 857	885 031
TOTAL Agriculture (Excl. Fishery & Forestry and tobacco, alcohol. bev., sugar, coffee, cocoa, cotton, olives&olive oil nat. rubber, grapes, wine&vine prod.)	168 875	362 386	570 390	707 090	876 415	717 965
<b>Tot. Val. IGG as a % of Tot. Agric. Excl. Fishery&amp;Forestry</b>	52	52.9	49.3	51.2	54.2	51.6
<b>Tot. Val. IGG as a % of Tot. Agric.Excl. Fishery&amp;Forestry and ....</b>	70.5	68	62.3	63.2	65.5	63.7

<sup>1</sup> Includes cake meal and processed oil

<sup>2</sup> Includes eggs

<sup>3</sup> Includes citrus processed

<sup>4</sup> Includes avocados, mangoes, papayas and pineapples fresh & processed

<sup>5</sup> Includes footwear

75. Clearly, coverage could be expanded with the extension of Group mandates to include related products, but such action would of necessity require additional resources which have not been forthcoming. For example, the IGG on Grains has not been able to extend coverage to Pulses and Roots and Tubers as requested by the CCP because of staff and resource constraints, and the Group deals with these products only to the extent needed for CFC project work.

#### *Attendance at IGG sessions*

76. Attendance at IGG sessions provides a key indicator of where efforts are needed to improve the relevance of individual groups. As may be seen from Tables 1 and 2, attendance among exporting countries is generally quite satisfactory, in most cases in excess of 80 percent. The share of importing countries is lower, with participation in most Groups ranging between 50 and 60 percent. The highest levels of participation among importing countries, nearly 90 percent, is reached in the Oilseeds, Oils and Fats Group, followed by Meat and Dairy and Tropical Fruits, both around 80 percent.

77. On the contrary, representation among fiber importing countries is low, other than for sisal, and has fallen over the past several decades. To some extent, this reflects the growth of trade with many smaller importing countries, increased trade in products having a fiber component that is not identifiable in trade statistics, and the actual discontinuing of reporting of trade for certain items. The most disappointing results are obtained for the Sub-Group on Hides and Skins, both on the exporting and importing sides. The significant lapse between sessions of the Sub-Group may have affected the continuity of its work program and the associated interest of member countries.

78. Average numbers of member countries and participants attending the last three sessions of the IGGs are shown in Table 5. This table also provides, for sessions held at headquarters, the share of participants from capitals, an indication of the country impacts and levels of expertise involved. Sessions held in the field are generally attended by fewer countries, but the level of engagement and commodity-specific experience of participants tends to be higher. Moreover, participation though numerically less in the field still accounts for a significant share of trade in many IGGs.



Table 5 - IGG attendance, last three sessions

Group	Number of Sessions	Average number of countries	Average number of participants	Average percent from capitals	Average number of observers	
					UN/Intergov.	NGO
<b>Bananas and Tropical Fruits</b>	<sup>1</sup> HQ 2009 <sup>2</sup> Field 2001 Field 2004	35 24	79 108	34 100	2 2	2 6
<b>Citrus Fruit</b>	<sup>1</sup> HQ 2007 <sup>2</sup> Field 1998 Field 2003	25 21	69 93	33 100	1 2	4 5
<b>Tea</b>	<sup>3</sup> Field 2006 Field 2008 Field 2010	18	108	100	2	3
<b>Jute and Hard Fibres</b>	<sup>2</sup> HQ 2007 HQ 2004 <sup>1</sup> Field 2009	17 6	35 21	66 100	3 2	1 1
<b>Hides and Skins</b>	<sup>2</sup> HQ 2001 HQ 2003 <sup>1</sup> Field 2006	22 11	36 88	58 100	4 3	3 4
<b>Meat and Dairy</b>	<sup>1</sup> HQ 2006 <sup>2</sup> Field 2004 Field 2009	48 23	93 38	60 100	4 2	5 2
<b>Oilseeds and Oil and Fats</b>	<sup>2</sup> HQ 2001 HQ 1997 <sup>1</sup> Field 2009	46 13	76 24	36 100	3 4	1 -
<b>Grains and Rice</b>	<sup>1</sup> HQ 2004 <sup>2</sup> Field 2007 Field 2009	61 19	114 36	40 100	2 3	2 -
<b>Extraordinary session</b>	<sup>1</sup> HQ 2010	77	158	22	6	3

<sup>1</sup> Jointly with IGGs on Grains, Rice and Meat and Dairy Products

<sup>2</sup> Jointly with IGGs on Grains and on Rice

<sup>3</sup> Jointly with IGGs on Oilseeds, Oils and Fats

79. Member country participation in individual IGG sessions tends to be higher for meetings held at headquarters as would be expected owing to the presence of country representations. Among the individual groups meeting in Rome, participation is numerically greatest for basic food commodities, in particular *Grains and Rice*, *Meat and Dairy and Oilseeds*, *Oils and Fats*. Indeed peak participation was achieved at the Extraordinary Intersessional Meeting of the IGGs on Grains and Rice in September 2010 in response to the surge in global cereal prices. On average, about 40 percent of participants were from capitals in the case of the Groups on Grains and Rice and on Oilseeds, Oils and Fats. In the case of Meat and Dairy the share soared to 60 percent. Slightly more than 20 percent of participants in the Extraordinary Meeting were from capitals.

80. Also the IGGs on *Bananas and Tropical Fruits* and that on *Citrus* have had more countries participating at sessions at headquarters. However, numbers of participants are lower than when sessions are held in the field. Also the level of commodity-specific expertise at headquarters meetings is lower, as indicated by the share of participants from capitals. Admittedly, however, numbers of participants from host countries are often quite large. The IGG on *Tea* has held recent sessions exclusively in producing countries of Asia and Africa. Country attendance has been relatively stable, as have numbers of participants. The average number of participants is among the highest of the various groups.

81. Joint sessions of the IGGs on *Hard Fibres and Jute*, *Kenaf and Allied Fibres* have had the lowest country participation. The last joint session held in the field had exceptionally low participation, even making allowance for the fact that the producing countries that are highly concerned with these fibers are few. The only offsetting consideration is that the level of commodity-specific expertise at sessions in the field approached that at headquarters meetings.

82. The Sub-Group on *Hides and Skins* accounts for a small share of the value of trade of the commodities concerned, as reflected in low average country attendance at sessions both at headquarters and in the field. Although country representation fell by half in the field, participation of delegates was greater owing to larger attendance from the host country and from neighboring countries of Africa.

## VI. Approaches to enhancing the relevance of the IGGs

83. The Groups have demonstrated flexibility over more than half a century in adapting to changing international economic and policy environments. In general, they appear to meeting member country expectations in most areas of responsibility as regards market transparency and outlook analysis, policy review, and consideration of special commodity-specific issues. Despite limited resources, many of the Groups have also taken on additional responsibilities in relation to CFC activities that are both time consuming and requiring special expertise.

84. The questions currently raised regarding the relevance of the Groups may stem from a perception that they have become bodies oriented more towards promoting studies and analysis and less action-oriented. There are also concerns about how representative they are of commodity market stakeholders, including the private sector.

85. In the most recent period of their history the Groups have been operating under rather stringent resource and time constraints. In these circumstances, and considering the scarce likelihood of increased resources being made available for group activities, there is an impelling need to examine whether there are new approaches that can be adopted by the Groups to enhance their contributions to achieving member country expectations. Some groups have already adopted innovative approaches to their work which have greatly enhanced their effectiveness, while others are considering working arrangements to strengthen the participation of member countries.

86. The following sections provide some suggestions for consideration by the OEWG-CCP. Contrary to the sequence in the body of this paper, working arrangements will be discussed first since it is believed that changes in the way work is conducted can enhance the role of the IGGs.

### *Working arrangements*

87. The IGGs may be poised for entering into a fourth phase of their long history, entailing a closer interaction with member governments in the development and delivery of programs. The general framework for consideration of possible changes in the working arrangements of the IGGs is provided in the Immediate Plan of Action (IPA) for FAO Renewal. The IPA gives new emphasis on member country involvement in program planning and execution. In addition, FAO technical committees including the CCP, the parent body of the IGGs, are expected to meet more flexibly as to duration and frequency, according to needs and to address priority emerging issues.

88. The current working arrangements of the IGGs, as outlined in paragraph 70, appear to be generally appropriate, also considering resource availabilities. While provision exists for one meeting per biennium, in fact sessions *are already taking place on an "as required" basis*. In light of this flexibility, all IGGs should put in place arrangements for consultations with the Bureau (or with key member countries in the case of considerable lapse between sessions) regarding the convening of sessions, the most appropriate timing and the venue for the meeting.

89. With regard to the latter, consideration should be given to convening sessions at locations most suited to encouraging the *participation* of the largest numbers of countries bearing in mind the need to ensure high levels of technical commodity-specific expertise and the involvement of key producing and consuming member countries. Consideration should also be given to accommodating the interests of developing countries in hosting sessions so as to allow wider exposure of their commodity sectors as long as adequate levels of representation are expected.

90. Particular attention is needed in the case of those commodity groups having low levels of representation, in particular the Sub-Group on Hides and Skins. Despite the very great significance of this commodity grouping in international trade and its important implications for developing country earnings, current levels of participation are insufficient for the Group to fully address its responsibilities. Therefore, any forthcoming session of the Sub-Group should be requested to consider how (and whether) it should continue to function bearing in mind the need to enhance participation and allow a global focus of the hides and skins market. In this regard, the provisional agenda for such a forthcoming session should clearly indicate the issues for consideration and decision by of member countries. The results of a renewed commitment by the Group should be evaluated before deciding on its future.

91. In strengthening participation and dynamic interaction with member countries, the Secretariat of all IGGs should *consult to the extent possible with the Bureau and key member countries regarding the main issues* to be considered, and members should be reminded of the fact that they may request that specific items be included in the Group's agenda. In electing their Bureaus, Groups should give consideration to the commodity expertise of candidates.

92. All IGGs should be requested to consider *modalities for establishing stronger interaction among members to implement priority activities* for which they possess special commodity-specific expertise. In particular the model of ad hoc Working Groups carried forward by the IGG on Tea is illustrative of cost-effective and dynamic cooperation between producing and consuming countries aimed at developing specialized and authoritative inputs into what would pass from being mainly analytical to having an important action component, with the added advantage of being rooted in member country interests.

93. Most IGGs have *private sector participation*, either as part of accredited country delegations (Tea, Jute, Hard Fibre, Bananas and Tropical Fruits) or as observers from trade associations having status with FAO (Tea, Citrus, Hard Fibres, Bananas and Tropical Fruits, Meat and Dairy, Hides and Skins). In some Groups (Citrus, Hides and Skins), the private sector is included in country delegations only when the IGG meets in the field, particularly in the case of developing countries.

94. Interaction with the private sector varies according to Group, ranging from active participation in ad hoc Working Groups (Tea) and direct involvement in the establishment of indicative prices (Jute and Hard Fibres) to provision of advisory services to national delegations and acting as an observer on

behalf of trade association members. There is very limited formal private sector participation in the IGGs on Grains and Rice reflecting the heavy public interest in these commodities.

95. In addition to interaction through formal IGG sessions, contacts with the private sector have been expanded by the organization of *side-events to sessions of the Groups* (Table 3). These have attracted significant private sector participation because of specific interest in the topics selected. Special mention should be made of the World Banana Forum that included wide representation from all parts of the industry, including producers, workers, marketing firms, traders etc) and which stimulated continuing activities by stakeholders beyond those considered at the event itself; the Symposium on *Mitigating Greenhouse Emissions*; and the Conference on *Commodity Exchanges*.

96. Increased private sector participation can be obtained only gradually, and will depend on the extent to which future IGG activities may arouse interest. Approaches to encouraging such participation should be specifically addressed by the various Groups and might include i) drawing to the attention of member countries in the provisional agenda those topics that may be of special interest; ii) organizing special private sector presentations to IGG sessions on topical issues; iii) intensifying the organization of side-events that are of specific interest to the private sector. The Groups should be encouraged to continue to organize such side events, while ensuring that they retain sufficient resources for the satisfactory conduct of their regular business.

97. With regard to the convening of *joint meetings*, experience suggests that there is value to maintaining the current practice of holding sessions of related commodities together in order to achieve a fuller understanding of cross-commodity issues. However, while joint meetings of two IGGs allow for an adequate consideration of both individual and common issues, meetings involving a larger number of IGGs encounter difficulties unless convened to address very specific cross-commodity issues. In the case of four IGGs meeting jointly (2001), the experience was considered negative by member countries as it did not allow for adequate consideration even of the most specific cross-commodity issues.

98. While joint meetings have various advantages, both cost and substantive, account should be taken of possible commodity-specific requirements. For example, there seem to be indications that a forum for consideration of issues affecting the rice market is needed. Therefore, the flexibility in the convening of sessions should also extend to the possibility of holding sessions specifically for the commodity concerned, or alternatively back-to-back sessions of the Grains and Rice Groups, providing some additional meeting time, say three instead of two days.

99. Interaction between the IGGs and the CCP would appear to require some strengthening from the point of view of working arrangements. In general, the IGGs have included in their activities elements of the work program of the CCP. However, while pursuing commodity-specific priorities, it may be useful at the outset of each session for the Chairman to remind participants of the main thrusts of their parent body, and this has become more feasible with the specific consideration of priorities undertaken by the CCP at its 68th Session.

100. At the same time, provision should be made for the CCP to act on specific issues raised by its IGGs. As a result of adjustments made in the working arrangements of the CCP in 2005, the reports of the IGGs are made available to the CCP for information purposes although the Committee can comment if it wishes. As a result, a significant policy statement prepared by the IGG on Meat and Dairy in 2009 on *Mitigating Greenhouse Gas Emissions from Animal Production* was not addressed in the Committee, nor was it drawn to the attention of any other competent body. The Groups would seem to need to develop procedures for calling the attention of the CCP to specific matters requiring action or comment.

#### *Substantive role of the IGGS*

101. Aside from increased member country involvement, the Immediate Plan of Action focuses on some areas for strengthening the substantive role of FAO statutory bodies, and these have implications for the IGGs. The CCP is specifically called upon to strengthen interaction with UNCTAD, WTO and the CFC. In addition, the Strategic Framework 2010-2019 points to the continuing challenges associated with international trade, such as for example barriers to market access and trade distorting

domestic subsidies, which affect both the opportunities and terms of trade for developed and developing countries. In pointing to the way forward with regard to the trade dimension, specific mention is made of inter alia the need for trade-related capacity building to assist countries to define appropriate policies and strategies and to exploit new trade opportunities which might arise.

102. Changes in the working arrangements of the IGGs, in particular the intensification of interaction with member countries in planning and implementing Group activities, could have a significant impact on substantive areas of work. In addition to priority areas identified by member countries (and for which their engagement should be sought), there are two action-oriented functions that might be assumed with the support of member countries and if additional resources were forthcoming (both from within and outside FAO).

103. The first area would relate to intensified use of the authoritative expertise of the IGGs to establish technical parameters for international action in other fora charged with regulatory and negotiating responsibilities. Such activities would directly support efforts by the CCP to strengthen interaction with UNCTAD and particularly WTO.

104. The second would involve capacity building on commodity-specific trade and development issues to assist developing countries to define appropriate policies and strategies and to exploit new trade opportunities; it could also embrace other priority areas such as the monitoring of price volatility and analysis of appropriate response mechanisms. Contrary to on-going capacity building in the field of trade policy, which is mainly issues-oriented, the proposed action would take place under auspices of the Groups so as to integrate commodity-specific knowledge and concerns into policy discussions at the international level.