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UPDATE ON THE AGRICULTURAL MARKET INFORMATION SYSTEM (AMIS)



AMIS FIRST YEAR PROGRESS REPORT:

September 2011 - October 2012

Introduction

1. This September marked the first anniversary of the Agricultural Market Information System (AMIS), a G20 initiative to enhance food market transparency and foster coordination of policy action when responding to international price volatility. AMIS was officially launched on 15-16 September 2011 in Rome at an Inception Meeting comprising the Agricultural Deputies of the G20 and representatives of several international organizations with a mandate involving aspects of agriculture and food security¹. This brief highlights the main progress achieved over the past twelve months.

2. A main challenge of AMIS during the first year has been to deliver the outputs that were discussed at the AMIS Inception Meeting, while building an institutional framework for its day-to-day activities, decision-making processes, and resource allocation. This has been a difficult undertaking, especially in view of continuously volatile global food markets and high expectations as to what AMIS can do to stabilize world prices. Thus, the first year of AMIS was characterised by the need to make simultaneous progress on several fronts.

3. Below we present the main outputs and activities. A more detailed list of outputs and activities carried out by the AMIS Secretariat during the first year is in the annex to this report².

AMIS Outputs

4. The first and most important tangible output for the first year of the AMIS has been creation of the AMIS website and web-based statistical database. This is a core activity of the Secretariat; progress on this is key to implementation of other deliverables.

5. In December 2011, the AMIS website became operational (www.amis-outlook.org). It is the main platform through which AMIS activities and outputs are made available to the public. The site is divided into four domains: Market Monitor, Analyses, Statistics, and Capacity Development.

6. A particular focus was placed on the development of the AMIS statistical database, which provides supply and demand statistics on AMIS-covered commodities (wheat, rice, maize, soybeans) for the participating countries. The development of this statistical tool required creating a sophisticated structure. It provided the means for focal points of the Food Market Information Group to engage with the Secretariat. As of September 2012, bilateral discussions with the participating countries on the basis of detailed analysis of the data supplied by the focal points resulted in the identification of several major discrepancies between national and FAO data. A comparison was made for 16 countries out of a total of the 23 countries that AMIS is committed to compile detailed supply and demand balances for. The evaluation of the historical baseline, starting from the year 2000 constitutes the basis for establishing a harmonized platform upon which the AMIS database will be built.

7. While awaiting the completion of the AMIS data historical baseline, the statistical tool of AMIS has been constructed in a way such as to allow extraction and comparison of the latest data from different sources. In this regard, through agreed arrangements with the United States Department of Agriculture (USDA), an automated data exchange system to extract the latest information (updated monthly) from the USDA PSD (Production-Supply and Distribution) for all AMIS countries has been setup. This system facilitates the process to update the AMIS database and it can be applied to link other exchange data with additional national/international databases.

1 The Participants in AMIS are the G20 countries, Spain, as well as seven invited non-G20 countries. The G20 countries are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, Republic of Korea, Turkey, United Kingdom, United States of America, and the European Union. The seven invited countries were selected on the basis of their significant share in global production and trade for those commodities covered by AMIS and they are Egypt, Kazakhstan, Nigeria, the Philippines, Thailand, Ukraine, and Vietnam.

2 The Secretariat is formed by the following international organizations and entities: FAO, IFPRI, IFAD, OECD, UNCTAD, the UN High Level Task Force (UN-HLTF), the World Bank, WFP, and WTO. Contributions from the International Organizations to the fulfilment of the functions of the Secretariat reflect those organizations' comparative advantage and expertise. The Secretariat, housed in FAO headquarters in Rome, supports all functions of the Forum and the Information Group of AMIS.

8. Notwithstanding the progress made so far, the statistical domain of AMIS remains a work-in-progress. The historical baseline shall be finished for the remaining 7 countries. The next step would be to work with forecasts, focusing on improvements in the area of methodology and harmonization.

9. The second area of activity covered monitoring market and policy indicators which, in this first year, mainly concentrated on identifying priorities, assessing information availability and needs and defining descriptive and analytical indicators most useful for AMIS purposes. The work on indicators will be central to better monitor the global market situation and, more importantly, to enable AMIS to predict any sudden, undesirable developments that could result in major market disturbances. For this reason, a meeting was held in December 2011 in Rome when invited experts from International Organizations and academia discussed and identified several indicators considered to be relevant for AMIS, for more in-depth analysis. As a follow-up, a preliminary report on indicators was presented to the Information Group during its first meeting, in February 2012.

10. Since the February meeting, work has been ongoing to further define and develop a system to monitor the market and policy indicators that are most relevant in providing an early warning of future developments that could impact significantly on global prices and price volatility, and which could point to an emerging crisis and indicate its possible degree of severity. Members of the AMIS Secretariat met in Paris in May and decided on a priority set of indicators for development as well as engaging in technical discussions about how to construct them. The Secretariat has prepared a second and more comprehensive paper describing the proposed system. This document was completed in September 2012 and issued to members of the Information Group for discussions during its second meeting in October 2012. The paper highlights several areas for priority development.

- a. Identification of stock-to-use thresholds that indicate market risk. It became evident that a meaningful analysis would as much depend on accurate statistics on both stocks and utilization as on innovative new methods for the calculation of thresholds given the changing market environment. To shed light into the issue, the Secretariat, with the support from the USDA, commissioned an initial study on the stock-to-use ratio, the first draft of which was completed in September 2012.
- b. Policy measures. A number of key policy drivers have been identified among them biofuels policies, trade (import and export measures) and domestic price support and stockholding. Changes in these policy variables have been demonstrated to have significant impacts on market outcomes during recent crises. Indicators representing policy changes and in some cases their potential impacts are being developed to enable the AMIS-Secretariat to better monitor and evaluate developments.
- c. Energy to food price indicator. In addition, with support from International Fund for Agricultural Development, a member of the AMIS Secretariat, a study was launched to examine the price relationship between energy and food markets with a view to develop new energy-based indicators.
- d. Futures markets. Another area of analysis focused on the assessment of developments in futures markets. This work has attracted particular attention since the mid-2012, when global market conditions started to deteriorate, resulting in futures prices of some commodities surging. Understanding futures markets is often difficult for those not directly involved with those markets. With the support of leading market experts, the AMIS Secretariat identified some of the most relevant benchmark indicators in futures markets that could be used by AMIS, for example in the context of the Market Monitor mentioned below.
- e. Prices and price volatility. In addition to the futures market indicators mentioned above, it is also proposed that AMIS develop a system of monitoring changes in international and domestic prices and detecting heightened volatility. And a number of useful existing price series have been identified for that purpose.

11. The third area of activity concerned capacity development in the framework of AMIS. The activities associated with this area of work focused in particular on the preparation of two capacity development projects that were announced at the Inception Meeting of AMIS – one supported by the Government of Japan and another one supported by the Bill and Melinda Gates Foundation. Both projects have been approved for implementation. At the same time, an overall framework was developed, the so-called “Umbrella” programme, which will facilitate the development and approval process of future capacity development activities. In addition, the “Umbrella” will also provide an effective framework to integrate all projects that are relevant to the work of AMIS in the years to come.

12. A final area of AMIS activities concerns the release of regular reports on market conditions. This work, which is expected to stand out as one of the most visible outputs of AMIS in the future, has been carried out with two important principles in mind: First, reports should not duplicate any other information products currently available; and second, products should reflect the unique data and information collected by AMIS³. This led to the publication of the first Market Monitor in August 2012, which brought together a collection of technical charts with an overall assessment of the main driving factors shaping developments in world markets. It is expected that this monitor will continue to be published on a regular basis and that its coverage will be extended and improved over time.

AMIS Meetings and other support to the Rapid Response Forum

13. Apart from the above products and/or activities, the AMIS Secretariat also organized two meetings of the Global Food Market Information Group and one meeting of the Rapid Response Forum.

14. FAO hosted the first Information Group meeting in February 2012, which all AMIS participating countries attended. The second meeting of the Information Group is taking place in FAO in October 2012 and includes an additional one day event that focuses on dialogue with the private sector. The first meeting of the Rapid Response Forum took place in Mexico City in April 2012 on invitation from the government of Mexico. This was an important gathering as it provided participants the opportunity to initiate discussions on the terms of reference of the Rapid Response Forum. This discussion will be instrumental for the future role that this forum will play in enhancing collaboration among participating countries in times of difficult market conditions.

15. In addition, the Secretariat has facilitated discussions and provided analytical support to the members of the Rapid Response Forum on the world market situation in the mid 2012, by preparing technical background materials on the short-term global food market outlook, driving forces behind the price spikes, and alternative potential options for the Rapid Response Forum.

AMIS Secretariat Steering Committee

16. In carrying out the tasks and delivering the outputs mentioned above, it became increasingly evident that the correct functioning of AMIS required more formal arrangements amongst the international organizations, members of its Secretariat. This called for the establishment of the AMIS Secretariat Steering Committee, a body which will act as the managing or governing body of the Secretariat. Recognizing that contributions of all member organizations are important for the successful continuation of AMIS and for achieving its objectives, the Secretariat facilitated the preparation of the Governance Terms of Reference for the Steering Committee that defines the different tasks and responsibilities of Secretariat Members, depending on each organization's degree of participation in the day-to-day activities of the AMIS Secretariat. The terms of reference, which are expected to be adopted at the Steering Committee's first meeting on 1 October 2012, will increase efficiency in decision making without infringing on the individual organizations' legal positions.

Building AMIS under changing market conditions

17. The progress of AMIS cannot be assessed correctly without mentioning several external factors, many unexpected, which, in one way or another, impacted on the AMIS work programme. The most important was the sudden turmoil in global grain markets starting in May 2012, when deteriorating weather conditions in the United States and several Black Sea Region countries shed doubts over the potential for maize, soybean and wheat crops to meet earlier production expectations. As a result, prices surged, with some crops hitting new

3 As a consequence, the initial plan to publish such monthly reports from March 2012 was postponed until the Secretariat ensured that any AMIS report would comply with these two principles. However, the developments of markets since June 2012, in particular the surge in grain prices, largely due to drought in the United States, gave more importance to the need for AMIS to furnish such information on a regular basis.

records, which once again raised fears of a food crisis. Given the political weight of AMIS as a G20 initiative, the world attention was soon diverted to what AMIS could do, even at this very early stage of its existence, to calm the situation. It also meant that the Secretariat had to accommodate a growing number of requests, at short notice and often in the form of detailed presentations or analysis. The latest and most significant of such requests was the consultation between the Chair of AMIS and some members of the Secretariat in late August and through September to assess the latest market developments and determine whether the situation warranted a meeting of the Rapid Response Forum. The AMIS August issue of Market Monitor (mentioned above), shared with all participating countries and made available to the public on AMIS website, aimed at providing accurate, neutral and informed evaluation of the market situation, to help with appropriate decision making. The growing contributions from AMIS to discussions about the changing market situation perhaps best illustrate to what extent AMIS has emerged as an important platform in public debates in only one year since its launch.

Presentations and documents (studies) prepared by AMIS Secretariat September 2011 - October 2012

Expert Meeting on Market Indicators

19-20 December 2011, Rome

- Stock-to-use indicators
- Futures market indicators
- Implied volatility
- Policy Indicators
- Outside market (macro) indicators
- IFPRI NEXQ model

First meeting of the Global Food Market Information Group

9-10 Feb 2012, Rome

- Progress and plans
- Statistical tool
- Supply and demand methodology
- Global strategy to improve statistics
- Indicators
- Statistics and output
- FAO remote sensing

First meeting of the Rapid Response Forum

11/04/2012, Mexico City

- AMIS State of Play
- Global Market Situation and Outlook for AMIS Commodities (2012/13)

Informal Secretariat meeting on indicators

3-7 May 2012, at OECD headquarters. Paris

First meeting of the AMIS Secretariat Steering Committee

1 Oct 2012, Rome

- AMIS Secretariat Steering Committee Governance Document
- Review of 2011/12 progress
- Work programme for 2012/13

Second meeting of the Global Food Market Information Group

2-3 Oct 2012, Rome

- Statistical tool and Database: progress and lessons learned
- AMIS Crop Calendar: a report produced by Mexico
- Methodology: towards best practices
- Overview: monitoring market and policy drivers to identify vulnerabilities
- Stock-to-use indicators
- AMIS capacity development activities and capacity needs and strategy
- Collective approach to capacity development: Identifying mutual learning areas amongst AMIS participating countries