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FINAL REPORT  
OF THE  
“STUDY ON THE FUTURE OF INTERNATIONAL COMMODITY BODIES”  
VOLUME II : BACKGROUND REPORTS

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## **Foreword**

This is Volume II of the study on the Future of the International Commodity Bodies, made at the request of the European Commission, and with a contribution of the French Ministry of Foreign Affairs. The Terms of Reference are included as Annex 1 in the Main Report (Volume I of the Study).

This Volume II contains two parts: the first part presents a theoretical approach to some issues that are relevant for ICBs, such as the value of collecting statistics, the need for government involvement, the issue of price forecasting; and the likely interest that various countries will have in the work of the ICB, given their positioning the market.

The second part of Volume II deals with a descriptive review of the markets that the various ICBs are in, combined with a listing of their activities and structure. This functioned as an inventory of the ICB world. In describing the market we focussed on the general trends, the extent to which government interference (active market participation, or trade policy) is important for the market, and the degree of competition in the world market for the commodity. We also looked at other statistics providers, and the role of other organisations. This information was considered relevant for assessing the context in which the ICBs function.



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# Part 1. International Commodity Bodies – some theoretical considerations

## 1. Introduction

### *From international price stabilization to sustainable development*

International price stabilization has been, for a long time, the main objective of International Commodity Agreements (see Box N° 1 for a sample of agreements). It was, for the first time, clearly stated in the Chapter VI of the Havana Charter. According to the article 5 the principal objective of ICA is “to prevent or to moderate pronounced fluctuations in the prices of primary commodities with a view to achieving a reasonable degree of stability on a basis of such prices as are fair to consumer and provide a reasonable return to producers, having regard to the desirability of securing long-term equilibrium between the forces of supply and demand...” This objective will be one more time reaffirmed with the first UNCTAD conference in 1964.

“Price stabilization” objective was very consensual because it was a common objective for :

- developed countries confronted to the agricultural surpluses. International agreement was seen as a way to manage in an ordered and collective way the elimination of stocks accumulated by government as a consequence of agricultural prices domestic stabilization policies. It was a potential instrument to avoid a dumping war ;
- and developing countries aiming to increase and stabilize their income exports and the government revenue generated by export taxes, both aims very related to the import substitution policies implemented from the 1950’s until the 1970’s.

However, from the 1980s, price stabilization became less and less supported. This change can be interpreted on one hand as reflecting the changes in domestic policies, both in developed and in developing countries, and on the other hand as a consequence of the numerous failures and even bankruptcy of international commodity agreement aiming at price stabilization (Gilbert 1996; Daviron and Voituriez 2003). In addition, theoretical arguments against the feasibility of price stabilization per se had become stronger.

Then, the price stabilization objective was progressively moved out of the agreement texts during the 1980s and 1990. The EU position has followed the same evolution with the adoption in 1999 by the Council Group on Commodities of the so called “Helsinki principles” stating that direct market intervention must avoided.

But the giving up of price stabilization has created a strange situation. Today most of the ICAs and ICBs created from the 1940 to the 1980s are still existing but they have quite unclear objectives and their formulation illustrate a strong confusion between means and ends.

Thus, if ICBs must exist and are to continue, they need a clarification of their general objective.

To do so we can based our thinking on the EU action plan that states that “*With respect to objectives and functions, the Commission considers that ICBs should become more oriented towards sustainable development, incorporating a clear focus on environmental and socio-economic sustainability into their current focus on market functioning.*”

## Box N°1 : Place of the price stabilization objective in some past agreements

### **International Sugar Agreement 1953**

The objectives of this Agreement are to assure supplies of sugar to importing countries and markets for sugar exporting countries at equitable and stable prices; to increase the consumption of sugar throughout the world; and to maintain the purchasing power in world markets of countries or areas whose economies are largely dependent on the production or export of sugar by providing adequate returns to producers and making it possible to maintain standards of labour conditions and wages.

### **International Coffee Agreement 1962**

(1) to achieve a reasonable balance between supply and demand on a basis which will assure adequate supplies of coffee to consumers and markets for coffee to producers at equitable prices, and which will bring about long-term equilibrium between production and consumption;

(2) to alleviate the serious hardship caused by burdensome surpluses and excessive fluctuations in the prices of coffee to the detriment of the interests of both producers and consumers;

(3) to contribute to the development of productive resources and to the promotion and maintenance of employment and income in the Member countries, thereby helping to bring about fair wages, higher living standards, and better working conditions;

(4) to assist in increasing the purchasing power of coffee-exporting countries by keeping prices at equitable levels by increasing consumption;

(5) to encourage the consumption of coffee by every possible means; and

(6) in general, in recognition of the relationship of the trade in coffee to the economic stability of markets for industrial products, to further international cooperation in connexion with world coffee problems.

### **International Grain Arrangement 1967**

(a) To assure supplies of wheat and wheat flour to importing countries and markets for wheat and wheat flour exporting countries at equitable and stable prices

(b) To promote the expansion of the international trade in wheat and wheat flour and to secure the freest possible of this trade in the interests of both exporting and importing countries, and thus contribute to the development of the economies of which depend on commercial sales of wheat; and

(c) In general to further international cooperation in connection with world wheat problems, recognizing the relationship of the trade in wheat to the economic stability of markets for other agricultural products.

### **International Cocoa Agreement 1972**

The objectives of this Agreement take into account the recommendations as contained in the Final Act of the session of the United Nations Conference on Trade and Development and are:

(a) to alleviate serious economic difficulties which would persist if adjustment between the production and consumption of cocoa cannot be effected by normal market forces alone as rapidly as circumstances require;

(b) to prevent excessive fluctuations in the price of cocoa which affect adversely the long-term interests of producers and consumers;

(c) to make arrangements which will help stabilize and increase the export earnings from cocoa of producing countries thereby helping to provide such countries with resources for accelerated economic growth and social development, while at the same time taking into account the interests of consumers in importing countries;

(d) to assure adequate supplies at reasonable prices, equitable to producers and consumers; and

(e) to facilitate expansion of consumption and, if necessary, and insofar as possible, an adjustment of production as to secure an equilibrium in the long term between supply and demand”.

This orientation toward sustainable development can be specified by referring the “ambitious and comprehensive renewed” Sustainable Development Strategy (EU SDS DOC 10917/06) adopted by The European Council in June 2006. The EU SDS identifies 7 key challenges and corresponding targets, operational objectives and actions. Two challenges are specifically relevant for ICB :

- The first one is “The promotion of sustainable consumption and production patterns”. Regarding this challenge the strategy states that : “the Commission and Member States will explore specific actions to bring about more sustainable consumption patterns at EU and global level” but also that “The Commission and the Member States should engage in a dialogue with

business and relevant stakeholders aiming at setting environmental and social performance targets for products and processes”

- The second one is “to actively promote sustainable development worldwide and ensure that the European Union’s internal and external policies are consistent with global sustainable development and its international commitments”. In term of action the strategy states that “The Commission and Member States will increase efforts to make globalisation work for sustainable development by stepping up efforts to see that international trade and investment are used as a tool to achieve genuine global sustainable development. In this context, the EU should be working together with its trading partners to improve environmental and social standards and should use the full potential of trade or cooperation agreements at regional or bilateral level to this end”.

Beside the need for a clarification of the objectives, ICBs would need to be more visible as a potential instrument to build a positive link between trade and development. This is far from being the current situation. In the various EU papers dealing with the relation between trade and development<sup>1</sup> ICBs are not at all mentioned. WTO is viewed as the only multilateral organization dealing with this issue. In the same way, within the “10-years framework of programs for Sustainable Consumption and Production” organized by UNEP after the WSSD, ICBs were not considered a possible instrument for international cooperation. Last, ICBs are absent of most of the various schemes and initiatives launched during the last year on sustainable commodities.

### **Making value chains working for sustainable development**

To be included in the EU SDS and more generally in the debate and negotiation about trade and sustainable development, ICBs need an enlargement of the object of international cooperation they are dealing with. Their aim was to guarantee coordination between national trade policies. The sovereignty principle was strictly respected. What was happening within the countries was not part of the ICB mandate. Farmer could receive 10% of the export price, tropical forest could be destroyed to cultivate rubber, water could be polluted to prepare green coffee, these “problems” were not contemplated nor even monitored by ICBs. ICBs were just dealing with export prices, import and export volume. Today if the objectives of sustainable development are seriously taken into account, EU cannot participate in ICB with such a limited mandate. Our proposal is to enlarge the object of international cooperation organized by ICB from trade to value chain, i.e. from the farmer to the consumer. Thus, making value chains working for sustainable development would be the general common objective of ICBs.

The UNCTAD Resolution 93(IV) of 1976 that contained the plan for an Integrated Plan for Commodities, mentions ‘market structures in international trade in commodities’. These were indeed the main focus of the arrangements and agreements. Since then, life has changed. With the inclusion of new issues in the Uruguay Round, like trade in services and intellectual property rights, says Sylvia Ostry (2000), came requirements on trade that not just referred to border regulation (like tariffs, taxes) but also to domestic regulation. The new Technical Barriers to Trade (TBTs) refer to domestic procedures and laws, that used to be in the domestic, national sphere only. This change coincides with two other redirections of economic policy throughout the world: the deregulation of the economy in many countries, combined with increasing regulation of social standards, relating to labour, environment, health etc. And secondly the rise in dispute settlements by the WTO, that led to more concrete interpretation of the WTO rules with consequences for

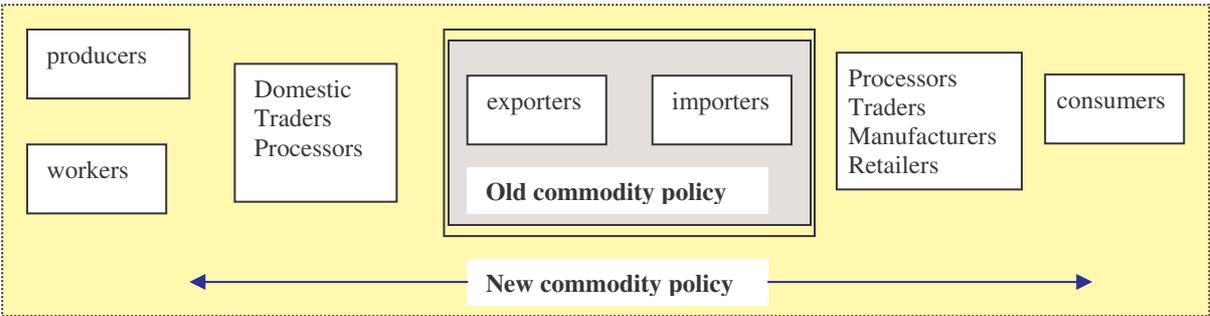
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<sup>1</sup> DOC 10917/06 ; COM (2005) 658 final ; [http://ec.europa.eu/trade/issues/global/development/index\\_en.htm](http://ec.europa.eu/trade/issues/global/development/index_en.htm)

domestic regulations. These changes infringed on what used to be sovereign domains of individual countries (Ostry, 2000:11).

The increased attention for social standards of commodities also led to the emergence of private standard setting, some by specialized trading organisations (e.g. Fair Trade), some by large groups of retailers (e.g. Eurepgap). These standards oblige producers and other actors in the supply to adhere to certain practices in order for their products to qualify for sale to the (rich country) consumer. But the imposition of labour and other standards was not limited to labelled products only, there is a tendency to impose these standards on all products.

Traditionally, the international commodity policy focussed on the part of the supply chain from export to import. The inclusion of ‘new issues’ in the international economic relations implies that the relevant part of the supply chain now extends from producers (and their employees) to consumers. Figure 1 sketches this change. Commodity policy can no longer deal only with what happens between export harbour and import harbour, it needs to deal with production conditions, transport and processing conditions, international trade (as before), requirements of retailers and processors on the consuming end, and the consumers themselves (their health for example).



**Figure 1. Increasing domain of commodity policy.**

The authorities involved with the old commodity policy were the states, that set the export taxes and import tariffs, and other restrictions on trade. Private sector was involved only to the extent it actually traded the commodities. The new commodity policies are not just determined by the governments. In many markets, the traditional trade instruments are no longer used, but so much the more are standards introduced pertaining to product quality and to production, processing and handling conditions.

This reorientation of the commodity supply chains has important consequences for the way international collaboration can be promoted.

First of all, more links of the chain are party to this collaboration. They should not just include the traditional stakeholders exporters and importers and international traders, but also those further upstream and downstream. Domestic traders and processors must be included, in both producing and consuming countries. Producers and their organizations, and, where applicable their workers (unions) and input suppliers should participate. Downstream, an increasingly important role is reserved for the retailers. The large retail chains in USA and Europe now can structure their supply chains to their own liking, rather than relying on the market to do this for them. The introduction of own standards, or joint standards such as Eurepgap is testimony to the power of this group. Consumers are voicing their preferences as to social standards more and more loudly. In this respect they act more in their capacity as civil society member than as ‘consumer’.

In addition to the private sector and civil society stakeholders, governments must participate. They must come in not only in their capacity as trade-law makers and enforcers, but also as those responsible for the institutional environment that should facilitate trade in the new conditions. This requires not just input from Trade Departments, but also from Justice, Health, Industry, Agriculture.

Not all links of the chain can be included in the discussion as easily as, say, the multinational enterprises. Producers in developing countries often lack representational organisations strong enough to voice their views in international forums. The same holds for the other end of the chain: consumers are not particularly strongly organised. While traders and processors on the consuming side have now well established internationally operating representational organisations, this applies less to their counterparts in the producing countries. Governments, as representatives of their countries' inhabitants should recognize this and in particular heed the interests of those that are not by themselves adequately represented in the international arena.

The new issues of social standards include attention to working conditions, environmental consequences, and fair trading practices, as might be visible from the value distribution over the links in the supply chain. They also include standards relating to food safety or security, that require process control, traceability and facilitating institutions. Information is key in these issues. The present set of statistics typically collected by commodity organizations falls short of these new requirements. No systematic collection of information on environmental and social conditions of production and processing is done, and the same can be said of information on trading practices.

Commodity organisations have a role to play in these longer supply chains. In the next sections we shall see to what extent they need to 'reach out' to the upstream and downstream ends of the chain. As institutions and international cooperation devices, ICBs can play an active role in making value chain working for sustainable development in four distinct ways:

1. ICBs can help to promote sustainable development by **reducing transaction costs** including the new transaction costs generated by the pursuit of sustainable development.

Long distance trade can exist only if a certain number of transaction costs are reduced. These transaction costs are more specifically related to:

1. enforcement of the market transaction
2. definition of the commodity and its different qualities
3. information on the price of the product at the moment of the transaction
4. information for projecting the future

As we discuss below, ICBs are already providing different outputs (market information, statistics, studies, meeting...) contributing to a substantial reduction in transaction cost. But, the pursuit of sustainable development in value chain by using market mechanism needs new institutions. As stated by the Commission 2005 review of the Sustainable Development Strategy "Perhaps the most powerful method to promote change is to ensure that markets send the right signals ("getting price rights") thus providing a powerful incentive for people to change their behaviour and shape the market accordingly". Regarding commodities, new quality standards and labels are an essential instrument to promote sustainable production and "get the price right" for farmers adopting such technologies and get the quality right for consumers aiming to by "sustainable goods". ICBs can play a decisive role here by supporting negotiation and debate about sustainable standards.

2. Second ICBs can help by **governing competition** to facilitate the adoption of national environmental and social legislation coherent with the EU SDS and development policy.

In a strictly competitive market, as promoted by WTO rules, no country can adopt legislations endogenizing externalities. Such legislation would penalize the national producer competitiveness. To improve national legislation in the perspective of sustainable production, international cooperation is necessary. ICB could be the right place to negotiate a common improvement of environment and social legislation. In doing so, ICBs can be complementary to WTO and avoid, or limit, the transformation of environmental and social concerns in trade conflicts.

To play such a role ICBs must be organized around the relevant “competition space”. The inclusion of natural and synthetic rubber in IRSG is clearly a good example of an ICB built on the right “competition space”. Conversely, the International Jute Study Group is dealing with a too limited commodity to be able to govern competition.

### 3. ICB can help in *guaranteeing a fair value distribution* within the value chains

“Guaranteeing a fair value distribution” is certainly a too high objective. “Monitoring value distribution” could be more workable. Anyway, what is at stake is a more open discussion on value distribution along the commodity chain. The main reason, beside the search for equity, is that it is very difficult to organize any discussion on sustainable standards or environmental legislation without a discussion on value distribution. The problem is clearly exemplified by the opposition of developing countries like Brazil or Malaysia to discuss sustainability issues within the ICO or the IRSG. According to these countries, the adoption of any sustainable standards would generate supplementary costs without any new gain. In this view, a discussion on value distribution is a precondition to promote the adoption of sustainability norms in developing countries and even more in emerging countries.

### 4. ICB can support sustainable production by *facilitating technology transfers*

Sharing experiences from one country to another may improve productivity and thereby decrease the costs. The technology transfers should not go just to producers but also to other agents in the supply chain, and to governments. Technology could also be understood to include suggestions for lawmaking, and law enforcements, contracts that are easy to enforce and other devices that can be useful.

*A conservative argument: the difficulty to create new international organizations (and to discontinue them...)*

We would like to conclude this discussion about the needs for international cooperation by mentioning an argument against any decision aiming at abolishing the existing ICBs too quickly. The best way to formulate this conservative argument is to quote Robert O. Keohane one of the leading academic in the field of international political economy :

“Building institutions in world politics is a frustrating and difficult business. Common interests are often hard to discover or to maintain. Furthermore, collective action invites myopic behavior (...). Yet institutions are often worth constructing, because their presence or absence may determine whether governments can cooperate effectively for common ends. It even more important to seek to maintain the valuable institutions that continue to exist, since the effort required to maintain them is less than would be needed to construct new ones, and if they did not exist, many of them would have to be invented. Information-rich institutions that reduce uncertainty may make agreement possible in a future crisis. Since they may facilitate cooperation on issues that were not thought about at the time of their creation, international regimes have potential value beyond their concrete purposes. Such institutions cannot, there fore, be evaluated merely on the basis of how well they serve the perceived national interest at a given time; on the contrary,

and adequate judgment of their worth depends on a estimate of the contribution they are likely to make, in the future, to the solution of problems that cannot yet be precisely defined” (Keohane 1984)

This conservative argument must help us to remember that even if theory, or a comparative analysis, tells us that a given output, today produced by an existing ICB, could be provided more effectively or at a lower cost by another intergovernmental organization or a private entity, precaution must be taken before any definitive decision.

## **2. Benefits of ICB work**

Accepting that the interests of any organisation dealing commodity markets should pertain to the whole supply chain, rather than just the part between export and import, we now address the question as what an ICB can do in this field.

### **Vertical benefits**

In considering the various activities of the ICBs, we see the ICBs as institutions that contribute to reducing the transaction cost of getting the commodities from the producer to the consumer. Here, transactions costs are taken to include all kinds of barriers or hindrances that people experience when doing their share in the commodity chain. These obviously include transport costs and taxes and tariffs. They also contain the costs of processing. But they include as well the uncertainty about the quality that is delivered or expected, or the difficulty of finding a trader, a shipper, a customer. Any contribution to reducing these costs, to smoothing the flow of trade, leads to smaller margins between the producer price and the consumer price [if this is not the case, this a clearly a sign of transaction costs being unduly high]. Such smaller margins imply lower consumer prices or higher producer prices, or – more common – both. This then benefits both producers and consumers. If we think of a commodity supply chain as running from producer to consumer, we can see any easing of trade in this chain as beneficial to the vertical links between all the agents. This can be coined a vertical benefit of the activities of the ICB.

### **Horizontal benefits**

If we move a bit outside this commodity chain model between ‘producer’ and ‘consumer’, we see that there are enormous differences between one producer and another, between one trader and another etc. Some are much more efficient than others. Some farmers are located far away from the main road, some are well connected. Some processing firms apply efficient techniques, some can not. For the transaction costs of moving the commodity from the average producer to the average consumer over all of these heterogeneous links in the chain, it certainly matters how unequal the distribution of efficiencies in any link of the chain is. Reducing the overall transaction costs can be achieved by facilitating the contacts between any link in the chain and its neighbouring link. This is the vertical dimension we noted above. But it can also be achieved by improving the average efficiency of the links themselves. A uniform definition of qualities of the commodity will facilitate trade between, for example, exporters and importers (vertical). Improvement of the efficiency of exporters as such, by reducing official paper work, or facilitating storage, or bringing backward exporters to the standard of efficient exporters will also contribute.

The work of ICBs can be understood in these two directions. What contribution do their activities make to removing all kinds of hindrances on the way from producer to consumer, and how much is the contribution to bringing backward agents (be they producers, traders, government officials or processors) to higher levels of efficiency?

We discuss two main fields, the vertical benefits from providing market information and the more horizontal benefits from effecting projects.

## 2.1 Should ICBs provide statistics and other market information?

### 2.1.1 The value of statistics

To assess the value of information, consider this version of the Ellsberg paradox.

Let there be an urn with 50 white balls and 50 red balls. You are given one euro for every white ball and nothing for a red ball. How much would you be willing to pay for 10 draws from this urn?

Generally, your answer is that you would be willing to pay a bit less than the expected value of 5 euro.

Now consider the case where you are presented with an urn with 100 balls; there are red and white balls, but the proportion is unknown. If again you would receive 1 euro for a white ball only, how much will you be prepared to pay now for 10 draws?

Generally, your answer is that you would be willing to pay less than you had offered for the first experiment.

This result shows that extra information on the contents of the urn in the second experiment has a value. If more were known about the proportions of red and white balls, even if this only leads you to think that the probability of equal distribution of the balls is more likely, your offer for the second experiment would be higher.

This principle can be applied to market information. Producing for a market, shipping goods from one place to another, stocking it for later sales, all such activities bring uncertain returns, and the better one knows the risks, the more easily the enterprise can be undertaken. In fact, if the risks were not known, but information could be obtained to quantify the risk, many entrepreneur would be willing to pay for such information.

Statistics in general do not immediately refer to such future situation. They describe the past. Their value lies in the predictive power they have for the future. Even current prices, as in well-monitored financial markets, cannot reveal all information that the trader at that point of time wants to have. If it did, and it would reflect all the information that the market had, there would be no incentive left for traders, and therefore no price settlement (Grossman & Stiglitz, 1980). Markets, seen as the institution where price discovery takes place, exist *because* information is costly. If information were not costly, all participants would know everything, and there would be no point in coming together in a commodity exchange to see what price will equilibrate demand and supply. The better informed traders are, as is shown in this article, the clearer will their signals be. And the clearer their signals are (“for this price I am prepared to buy this much”), the better will the price reflect the correct equilibrium of supply and demand. Providing more easy access to relevant information will, therefore, make the prices in the market also more meaningful. This will also make it more easy for new, as yet uninformed, traders to participate in the market. Good markets in the sense of yielding prices that adequately reflect supply and demand conditions have positive externalities.

Thus, theory has it, that in a market where information is very costly (i.e. where no good statistics are published) traders who do participate either run great risks, or participate only after much

efforts were made to get the costly information. Yet, the prices that would come about in such a market are not very meaningful to the uninformed, and this will deter them from entering into the business.

Publishing good statistics and market information and providing this at fair prices helps prospective traders to enter the market, and helps the market to display prices that also give a better reflection of the situation.

### **2.1.2 Should government engage in providing this valuable information?**

Some governments and private companies are taking up the challenge and provide information. Some for free like USDA, some for money, like LMC International or Oil World. Should a Commodity Organization enter into this field, nevertheless?

Five arguments can be given to justify public action:

- Information is a club good

Information is almost a pure club good. There is no rivalry in its consumption but access to it can be denied. No rivalry means that even if somebody gets it and uses it for his business, the information is still there and potentially available to be used by somebody else. At the same time, it is possible to exclude people from information access or, in other words, to restrict access to a certain number of “members”. When information was disseminated by hard copy, this characteristic was obvious but even now, internet access can still be restricted by passwords.

Because information is a club good, it can be sold and its supply can be a profitable business. At this stage of the reasoning, governmental involvement is not justified. But, because information is almost a perfect club good, a copy can be sold at a very low marginal cost. It means that the information industry benefits from very large, almost infinite, economies of scale and this is a strong force pushing the industry toward concentration and monopolization.

Actually, we see this trend every day with the creation of larger and larger enterprises in the information industry. This trend can be observed also in the supply of market information on commodities. For many commodities, just one or two major private sources of information exist. Moreover, during the last years, a process of “trans-commodity” concentration occurred. The formation of Agra Informa Ltd is a good illustration of this process. Built around the group Agra-Europe, it now includes the Public Ledger, a two centuries old journal dedicated to commodity markets, and F.O.Licht, a major source of information for coffee and sugar markets.

Concentration and monopolization is of course a concern for public authorities. It gives the opportunity to extract monopolistic rent from the selling of information. Moreover, it creates a risk of market manipulation and illegitimate speculative practices. Hence, the maintenance of an adequate level of competition in the supply of statistics and market information is a very good argument to justify the involvement of governmental and intergovernmental agencies.

- Ability to collect data

A private organization may not be in a good position to collect the information. The interviewees may not trust a private company as much as the government, or the access that the government has to information is simply cheaper (think of customs data).

- Neutrality

Once the information is collected, the dissemination of this information in a reliable manner may be more troublesome for the private company. This can be so either because the government can access better communication channels, or because the user of the information trusts the government better than the private company. The latter reason is basically a matter of reputation regarding independency in relation to the 'big players' (non strategic manipulation of the information)

- Reputation

It can be justified to have a public agency involved in information collection and dissemination only because... it is already doing it, and enjoying a good reputation in relation to accuracy and reliability. Because it takes time and money to build reputation, it can be socially justified to maintain a public agency in information supply even if a static reasoning would suggest the contrary.

- Need for specific information

There is a specific need for information, namely by those that implement policy measures. Here it is not so much trade relevant data that could be collected, but data relevant for making a good decision. Such information may relate to distributional outcomes of any policy measure (will the rich or the poor benefit? The producer or the consumer?). This type of data can have tremendous value, as the negative consequences of incorrect decisions may be harmful to many poor (Sumner, 2000). As the government is likely to be the sole "buyer" of such information, there is however not a strong incentive for the private sector to collect such data, unlike the case for market relevant information.

### **2.1.3 Should ICBs publish price forecasts?**

One stakeholder whom we interviewed on the usefulness of the data published by an ICB responded that a disadvantage of these data was that they referred to the past only, whereas his business was dealing with the present and the future. This underscores that a great part of the usefulness of data is in helping to predict the future. If past data would not have any relevance for the future, there would not be much use in collecting them.

Most ICBs have in their objectives or list of activities some form of forward looking activity. The clearest example is the ICCO which is asked to come with forecasts of production and consumption for the next 5 years. See the Table in the Annex. All ICBs publish short or longer term outlook studies. Even those that do not have this explicitly in their terms of reference, such as the Grains Council or the Sugar Organization, do publish forward looking studies. Also the International Lead and Zinc Studygroup published forecasts for the short and medium term.

The FAO regularly publishes outlook studies for all commodities. Food commodities are included in the OECD-FAO Food Outlook, that provides forecasts of quantities and prices.

The World Bank presents forecasts of commodity prices for 2007, 2008, 2010 and 2015 on its website ([www.worldbank.org/globaloutlook](http://www.worldbank.org/globaloutlook)).

There is hardly any doubt that such efforts are appreciated by the members, including the private sector participants in committees where these exist.

The issue is actually if the ICBs should publish *price* forecasts. There is some reluctance, especially in the Lead and Zinc Group and the IRSG to have the organisations publish price forecasts. In preparing the outlook studies, it is unavoidable that the ICBs make projections of prices too, at least for their global outlooks. Consumption and production do not develop independently from each other and the prices provide the link between the two.

Should these underlying price forecasts be withheld from the publication?

The proponents come with two reasons for doing so. One is that publishing such forecasts may lead market participants to take positions in the market and thereby affect the prices. In the extreme case, this may lead to a process whereby the published price forecasts is self-fulfilling, and then even wrong forecasts would turn out to be right. Yet, they would of course not be in line with the underlying fundamentals.

This is a very extreme situation as it requires the participants to have 100% confidence in the published forecast. If the forecasts normally turned out to be wrong, there would be no mechanism to generate such overconfidence. If however, the publishing organisation has gained tremendous trust and reputation, the market may respond in this manner. Cornand and Heinemann (2004) study this situation. In their case they look at Central Bank statements. Earlier work that attracted some attention was by Morris and Shin (2000) who concluded that, given the fact that there are always forecast errors, the market would be better served by not publishing the information, or publishing less precise information. The contribution of Cornand and Heinemann is to make clear that the important element is not so much the precision of the forecast, but rather the adoption of the forecast by the market. If the (precise) forecast would be made available to a small group of market participants only, the adverse effects on the market may not arise, as the beneficial effects of acting on a good forecasts outweigh the detrimental effects of multiplying the small error that may still be part of the forecast.

In the case of the commodity markets, there is little reason for concern. Most of the forecasts refer to longer term projections and are known to be based on a wide range of assumptions on the contextual variables such as overall economic growth, exchange rates and inflation. As these assumptions may turn out to be quite wrong, so will the forecast be. Reviews of their own forecasts made by the IRSG and ICAC show that the errors in the forecasts are considerable (but not thereby avoidable).

It is not by coincidence that the ICBs that do not publish their forecasts, IRSG and ILZSG, enjoy a strong private sector participation, and that this participation comes from large industries. The fact that there are a few industries only involved with the ICB, could potentially lead them to all embracing the same (possibly erroneous) forecast, which consequences that are felt in the market place. If the associate-member industries were small and numerous, such effect is less likely. Yet, the stakeholders in the ICBs for cotton, cocoa and coffee see no danger in their organisation producing price forecasts, even though they are not 'small'.

The other reason is again linked to the scale of the associate-member enterprises. They feel that their involvement in the work programme of the ICB makes them also in one way or the other involved with the forecast itself. And what matters here is not so much that this might actually be the case, but that competition authorities might be led to think they are. If, for example, the forecasts are based on stock data provided by these few industries, their own reporting of the stocks could influence the price forecast made by the Secretariat. This, some people fear, could be interpreted by Anti-Trust Authorities as a conspiracy of fixing prices.

The International Institute of Synthetic Rubber Producers IIRSP, has on its website asset of guidelines reminding their staff and members of the potential sensitivity of discussions held in the framework of the organization. See [www.iisrp.com](http://www.iisrp.com).

There are clear disadvantages of not publishing price forecasts, when these are in fact made. In the first place, the ICBs do publish forecasts of variables that are closely related to prices, such as supply and demand, or stocks. Any experienced user of the forecast may use the quantities forecasted (and past data) to derive the implied price that underlied the projections. This is to say that implicitly, these prices are forecasted, but tacitly.

In the second place, there are users, perhaps not involved with the ICB, who would like to benefit from the expertise of the Secretariat and looks for guidance as to the future price. In the case of the IRSG, there are planters considering setting up a new plantation, for example. They stand to gain from knowing the price forecasts that the Secretariat believes are good (even though conditional on future economic context).

These users and the first group may also satisfy their need for information about future prices by resorting to other forecasters. These forecast may be of worse quality, as would be the case if the ICB is the best. These price forecasts are surely not consistent with the forecast made by the ICB of the outlook for volumes. Thus by not publishing price forecasts, while maintaining other forward looking studies, some stakeholders are condemned to inferior sources of information.

It seems to us that presenting price forecasts meets the demand from quite a large group of stakeholders in the ICBs. Not presenting them would reduce the value of the ICB's work.

Could the ICBs publish such forecasts and not expose their private sector associate members to the risk of being challenged by competition Authorities? There are some suggestions that this should be possible. And there is, of course, the example of other organisations that do publish forecasts without the private sector's opposition (ICCO, ICAC), and the presence of other providers of forecasts for the same commodity, privately or publicly (World Bank).

The competition laws of the USA and the EU both condemn the formation of combination that have the *purpose* of effecting a certain price. In that case the *per se* rule in the USA would apply and no further investigation would be needed. Otherwise, the *rule of reason* applies, which provides more scope for permitting the assistance in reaching price forecasts, the more so if it can be made clear enough that the consumers will eventually benefit.

Additional measures that might help to avoid any appearance of conspiracy are to

- Make abundantly clear how the forecasts are arrived at.
- Establish an outside (scientific) board to oversee this procedure
- Define a mandate for the secretariat to make the forecast
- Avoid discussing the forecast in council and committee meetings prior to publication
- Publish the forecasts on fixed dates of the year.
- Publish the basic forecast widely, beyond the current membership

## **2.2 Beneficiaries of ICB projects**

Traditionally, the activities of international commodity organisations were related to the section of the supply chain between export and import. Issues were market access, trade policy, and the grading of the products in international trade. The supply chain has been expanded by the modern successors of the commodity organisations. It now reaches from the producers to the consumers. Projects, undertaken by the ICBs can (with some margin of error) be grouped into projects that address the producer (typically improving her future productivity and sustainability); that address the stage between producer and consumer, typically reducing the costs of bringing the good from producer to consumer, including reductions of processing costs, trading costs (risks) etcetera; and finally goods that aim at expanding the market directly by finding new consumers, e.g. through developing new products.

Looking at the CFC funded projects with this point of view, we can classify the 145 projects into 52 projects aiming at farmers; 60 projects targeting trade and processing; and 33 projects focussing on promoting consumption. The numbers of projects per ICB are too small to draw firm conclusions about any specific orientation. The FAO is generally more focussed on the producer, with the exception of the IGG on Fish Trade that targets the consumer. Most ICO and IOOC projects also target the producer.

From a theoretical point of view, improving the production or yield of the farmers helps the farmers who apply the outcome of the project. Their increased production will in general depress prices, thus affecting the other producers negatively, but benefiting the consumers.

Increasing demand (e.g. by developing a new product) increases prices and benefits all producers who supply the raw material. Consumers of the new product and producers will benefit, while consumers of the old product will have to pay more.

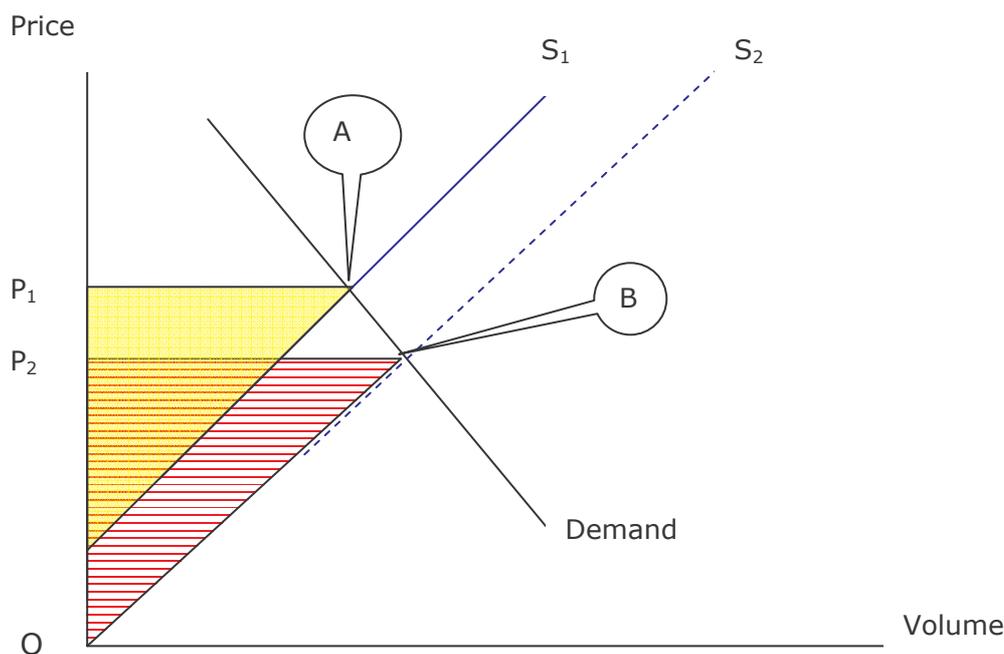
Decreasing the costs of processing and trade will normally be beneficial for both producers and consumers, with producer prices rising and consumer prices falling.

In all cases, the sum of the theoretical welfare effects will be positive. Increasing demand, and decreasing the costs of getting the farm products to the consumer are undoubtedly beneficial to producers, whereas increasing yield of some producers may harm others. These results may differ from product to product as they depend crucially on supply and demand responses to price changes and the pricing of competitive goods. If, for example, an increase in yields and the resulting decrease of prices is the only way in which competition with synthetic substitutes can be maintained, then the yield increasing innovation still helps the producers, even though their number may shrink.

### **Improving production**

In a setting of a single commodity market, improving production depresses prices, while reducing transaction costs (trading costs, processing costs, tariffs,...) and expanding demand improves prices. Thus the common target population of many ICBs, the producers, are to gain from the latter types of intervention more (or more uniformly) than from the former type. In this respect, CFC, ICBs and sponsors should consider focussing more on trade, processing and consumption, rather than on improving yields or increasing production otherwise. If the consumer welfare is given as much weight as the producer, no such preference can be given, however.

This is elaborated in the graph below.



**Figure 2. Supply shift and producer surpluses.**

We picture the commodity market by its demand and supply curves. Suppose that the intervention by the ICB leads to a situation where, at any consumer price, more can be supplied. Such intervention might be the result of a productivity enhancing project. The benefit for the producers is given by the difference between the triangle  $OP_1A$  and  $OP_2B$ . As can easily be seen, these triangles have the same shape, and would have the area if A would be precisely above B. This would be the case if the demand function were vertical, and demand would be non-responsive to prices. The higher the price response by consumers, the larger will be the benefit for the producers. For many commodities, the demand elasticity is rather low. The short-run supply elasticities are also low, but longer-run elasticities are typically higher.

The distribution of the benefits of such intervention, in the case of low demand elasticity are clearly on the consumer end: the area  $P_1P_2BA$  indicates the benefits to the consumer. If demand is more elastic and the demand curve therefore more horizontal, the benefits from the same shift in supply would be much less, while the benefits for the supplier would increase.

Consider two extreme cases. One for natural rubber, where the price elasticity of demand is close to zero, and supply elasticity is in the order of 0.2; one for jute with a high demand elasticity due to the presence of a ready alternative in the form of synthetic alternatives. In the former case an increase in production would almost only benefit consumers as the price would go down so much that in the end producers (as a whole) do not benefit. In the jute case, the price is more or less dictated by the price of the alternative (synthetics). Any shift in supply means that more jute can be sold at the same price. The benefits all go to the producers. Even though the consumer would buy more jute, this is just replacing the expenditures on synthetics.

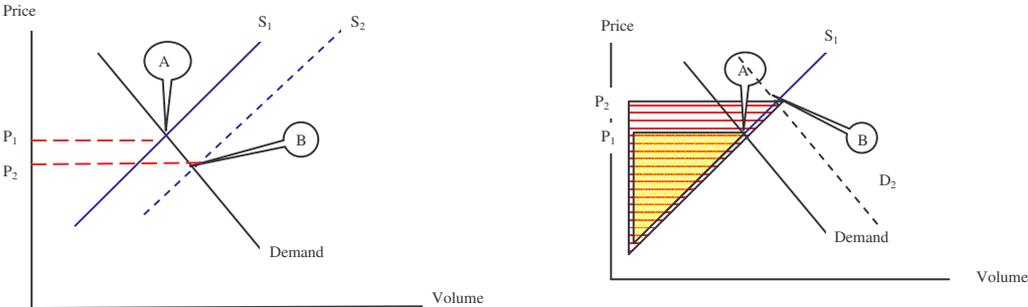
Who should therefore be most prepared to pay for the project? It would be the consumers in the case of rubber, but the producers in the case of jute.

In case just a few producers would be affected by the project, the reasoning still applies for the aggregate of the two groups. The affected producers would still be willing to contribute in the first

case, however, because from their perspective demand elasticity is not zero, but consists of the price response of other producers, which is positive. The affected producers would sell more, and the other producers would sell less. They would be hurt by the project. So, if some rubber producing countries are member of an ICB, and others are not, then the member producing countries may be willing to contribute to projects, even if demand elasticity is zero, provided that the effects of the project is kept for them and not given out to the non-member producers.

**Decreasing transaction costs**

The case of projects that affect the transaction costs between producers and consumers is somewhat different, but has the same outcome. The transaction costs (assuming them to be a fixed amount per unit of the commodity) affects the difference between the producer and the consumer price. A change in this difference will work out on the price for the producer, and on the price for the consumer. The welfare effects must be measured at the respective prices.



Suppose that P<sub>1</sub> is the consumer price in the left drawing. At a given margin, the corresponding producer price is P<sub>1</sub> in the right diagram. Now, if the margin would disappear, due to some intervention, from the consumer point of view, the same consumer price would buy more producer goods, and the diagram Left applies. If P<sub>2</sub> would be the new equilibrium price, consumer benefits would again be indicated by the area the area P<sub>1</sub>P<sub>2</sub>BA. On the producer side, things should now be drawn differently. The reduction of the margin tells the producers that at the same producer price, more should now be demand by consumers. This shifted demand curve is drawn as D<sub>2</sub>. Producer benefits are P<sub>1</sub>P<sub>2</sub>BA, but measured at producer prices.

It is now easy to see that a case of zero demand elasticity, and vertical demand curves, will mean that only consumers will benefit. The lack of demand shift will preclude any benefits to go to producers. They will not lose however. In the case of perfectly elastic demand, the prices at the consumer end will remain the same, but producer prices will go up. All the benefits will go to the producers. In the intermediate case, some of the benefits go to the consumers and some to the producers. It can be seen, that producer surplus have, in this case, much more tendency to go up than if only a shift in the supply curve is considered.

The consequence is that projects that reduce transaction costs are more likely to benefit producers than projects that merely improve productivity. But a requirement is that demand is elastic.

Suppose that an ICB produces goods and services that help to facilitate trade and that therefore contributes to reducing the transaction costs, and the margin between producer and consumer

prices. Then both consuming and producing countries would normally have an incentive to become members. The less elastic the demand is the more the consuming country has an incentive; the more fixed supply is, the more the incentive lies with the producing countries.

There is no theoretical reason, in the extreme case of inelastic demand, to go for transaction costs reduction, or yield increase. Both would lead to lower prices. Such difference in preference might exist, however, if yield increase can be held locally, and margin decreases are felt by all producers. In that case, the locally effective project would be preferred by the group affected.

### **Diversification**

Both the CFC and many of the ICBs have among their objectives to promote diversification, both vertical diversification (more domestic processing) and horizontal diversification (more products grown by the farmers). From a theoretical point of view, more domestic processing keeps more value added in the country. The trade-off is between this type of processing industry and other forms of employment. The commodity-based type of processing may benefit from the presence of the raw material. When the raw material is normally exported, domestic processing does not have an immediate competitive advantage over foreign processing. Processing of products such as cotton and cocoa often involves making blends of various types, sourced from different countries. The producing country may not have an advantage here.

Horizontal diversification can refer to promoting the farmers to grow more than one crop, in particular, diverting some of the resources now used for the commodity to alternative uses. At the macro level, diversification refers to production of more commodities than the traditional export crops. There are strong theoretical arguments to pursue these types of diversification. More micro diversification (at the producers' level) would namely imply that farmers have an alternative use for their resources. If (world market) prices would fall, they can reduce production more easily by switching to other activities. In doing so this enhances the responsiveness to price changes. Stronger responses to price changes imply that prices can no longer fall as much as they would if response is limited. Thus, enhancing the price responsiveness leads to more stable prices.

At the macro level, many countries have strong incentives to diversify. Especially the countries that hold important market shares are in such position. If such a country would reduce its production of the commodity in favour of the non-traditional product, the gain for the country can be substantial. This is because the very fall in production of such important producer implies that the world market price rises. This already compensates the major exporter for some of the reduced volume, and to this is added what ever revenues are generated by the non-traditional commodity.

Major producers and major consumers should therefore favour diversification projects that induce farmers to switch to other crops, or consumers to switch to other goods, respectively. A major consumer would not, however, be in favour of producer diversification, as this – if successful – would raise prices quickly.

### **3. Conclusion**

The work done by ICBs may deserve support from governments. The ICB should help facilitate the trade between producer and consumer. The market information provided, for example, helps trade and reduces (if no other distortions are there) the margin between producer and consumer prices. This is normally beneficial to both parties. The other reason to do so lies in the external effects that good market information has on the prices that come about. Even non-participants in the price negotiations benefit from this.

The market may appreciate that the ICBs make price forecasts rather than just a publication of old price and other data on the market. Assuming the ICB does a good job, and has the reputation to do so, no harm is done by making forecasts even if these would influence the prices.

The stakeholders in the work of an ICB are consuming and producing countries. Their stakes depend on the demand and supply elasticities prevailing in the market. Large producing countries, that have significant shares of the market, should be less interested in projects that increase their supply, as price declines will annihilate the benefits. They should be more interested in reductions of transaction costs, as the resulting increase in price will benefit them in proportion to their share of world production. They should also be highly interested in horizontal diversification projects.

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## Annex 1

ICCO	Article 34	2. At its first session after the start of a new cocoa year, the Market Committee shall examine annual forecasts of world production and consumption for <b>the next five cocoa years</b> . The Executive Director shall provide the data necessary for the preparation of these forecasts. The forecasts provided shall be reviewed and revised, if necessary, every year.
ITTO	article 27	1. The Council shall authorize the Executive Director to establish and maintain close relationships with relevant intergovernmental, governmental and non-governmental organizations in order to help ensure the availability of recent and reliable data and information, including on production and trade in tropical timber, <b>trends</b> and data discrepancies, as well as relevant information on non-tropical timber and on the management of timber producing forests.
ICO	article 29	(2) The Council may require Members to furnish such information as it considers necessary for its operations, including regular statistical reports on coffee production, <b>production trends</b> , exports, imports and re-exports, distribution, consumption, stocks, prices and taxation, but no information shall be published which might serve to identify the operations of persons or companies producing, processing or marketing coffee.
IRSG	website	The Study Group is the authoritative source of statistical data supplied by Member Governments and other countries and organisations on production, consumption and trade in rubber and rubber products. It prepares current estimates <b>and forecasts of future trends</b> , and undertakes and publishes statistical, economic and techno-economic studies on specific aspects of the industry.
IJSG	article 19	(a) The Group shall undertake an annual assessment of the world jute situation and related matters in the light of information supplied by members and supplemented by information from all other relevant sources, including periodic evaluation reports by donors. The annual assessment shall include a review of <b>expected jute production capacity for future years and an outlook</b> for jute production, consumption and trade for the following calendar year, for the purpose of assisting members in their individual assessments of the evolution of the international jute economy;
ICAC	website	The Secretariat <b>forecasts</b> cotton supply, use and prices, estimates cotton supply by type, and tracks exports by destination and imports by origin. The Secretariat measures and <b>forecasts</b> cotton consumption and cotton's share of fiber demand in the world and by region and is the primary source in the world for statistics on fiber demand

## **PART 2**

### **Background documentation on the International Commodity Bodies and their markets**

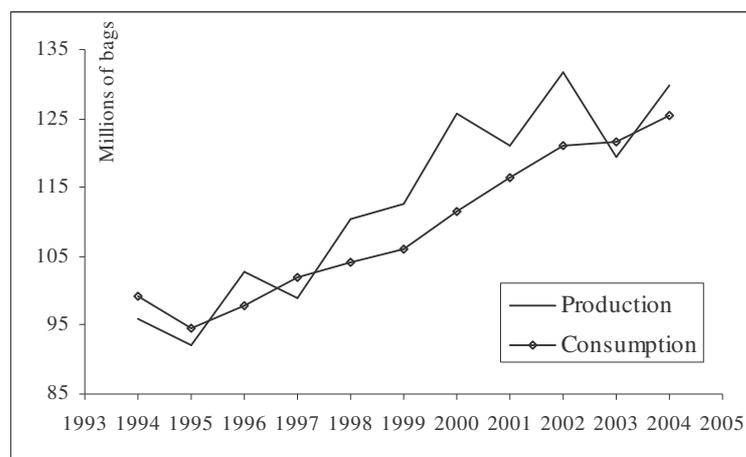


## International Coffee Organization

### 1A. The market for coffee

The global value chain for coffee is currently characterized by a “coffee paradox”: a “coffee boom” in consuming countries and a “coffee crisis” in producing countries (Daviron and Ponte, 2005). Presently, coffee is considered a buyer’s market because of oversupply and market concentration specially in roasting industry.

The oversupply problem has been compounded by the sluggish growth of demand for coffee, which has contributed to downward pressure on coffee prices in the world market. Figure 1 shows the persistent disequilibrium between production and consumption in last ten years. World coffee consumption slightly increased by 2% between 1994 and 2004 while production increased more rapidly until 2002.

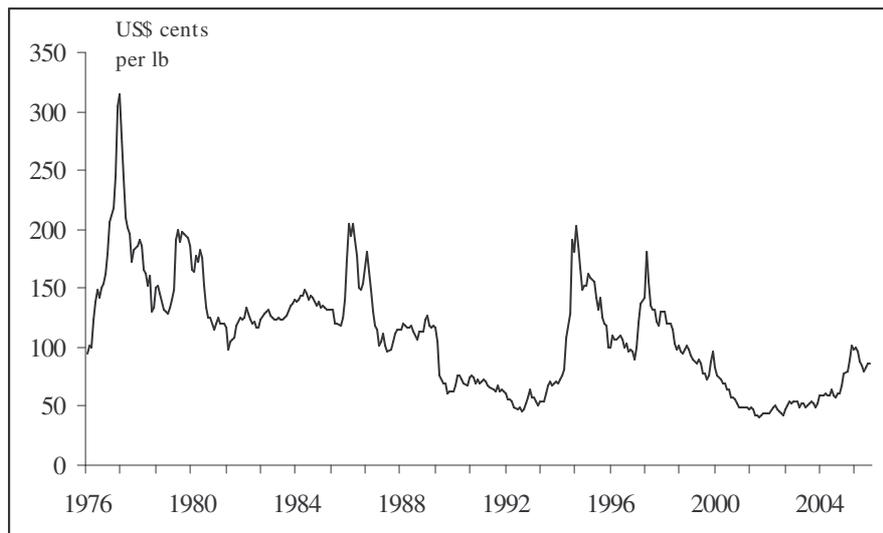


**Figure 1: World Coffee Production and Consumption** Source: Faostat

### Prices of coffee

With the collapse of the market regulatory powers of the International Coffee Agreement in 1989, producing country coffee agencies lost almost all influence on the international market. The transfer of stock control from public agencies to private trading companies was one of the major consequences of the breakdown of the agreement. In the months following the suspension of quota regulation, a large part of producer stocks moved from producing countries to consuming countries. A brutal drop in international prices resulted from this movement, which later led to a general crisis in the stabilization systems of producing countries (Daviron and Ponte, 2005).

Since 1989, world coffee prices had increased only twice due to frost and drought in 1994/95 in Brazil, and a speculative hike in 1997. The average ICO composite indicator price for 1989–2005 amounted to 0.82 US\$ per pound, reaching its lowest level in 2001/02 (0.41 US\$ per pound in September 2001). Current (13 Feb 2007) level is \$1.04.



**Figure 2: World coffee prices** Source: ICO

In the 1990s, lower coffee prices were also accompanied by a higher level of price volatility. Price volatility is not a new phenomenon in the coffee market. A major traditional factor in volatility is that coffee yields are vulnerable to changes in climate parameters. The delay between new planting and production can also contribute to magnifying the price movements in the coffee cycle. However, something qualitatively different took place in the 1990s. Higher price volatility in the coffee market is linked to increased activity in the coffee futures market. In 1980, the amount of coffee traded in the futures market was only around four times the coffee traded in the physical market. By the early 1990s, the ratio had risen to eleven times (Dijk et al. 1998: 45). The volatility of futures prices is normally triggered by market ‘fundamentals’ (demand–supply–stock relationships), but is magnified by speculative activity (Daviron and Ponte, 2001).

### **Extent of state interference**

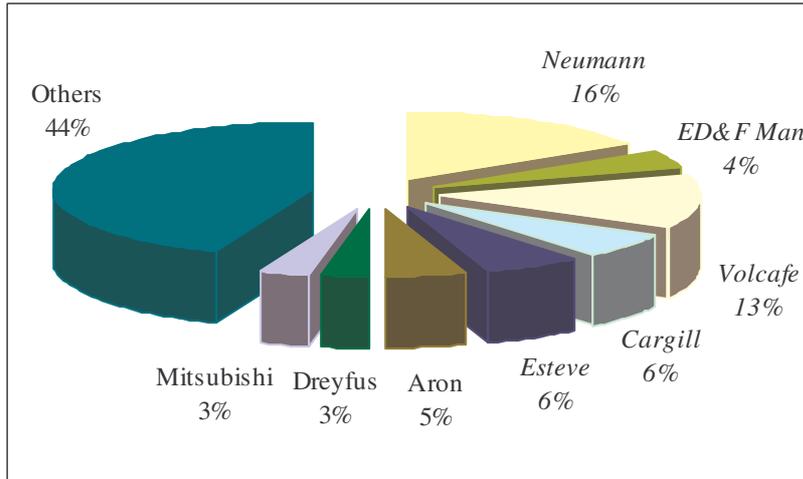
With the re-negotiation of the International Coffee Agreement (ICA) in 1992/93, the new agreement definitely dropped any reference to regulatory price mechanisms. Similarly, the agreement of 2001 does not speak about market intervention (EC, 2003).

Furthermore, major coffee exporting countries have deregulated their national marketing boards and prices are now determined by market forces. The state has taken the role of a regulatory power, setting rules and regulations. For example, the government of in Côte d'Ivoire established in 2000 the ARCC (Coffee and Cocoa Regulatory Authority) to regulate the activities of the coffee sector (FAO, 2003).

### **Traders, processors**

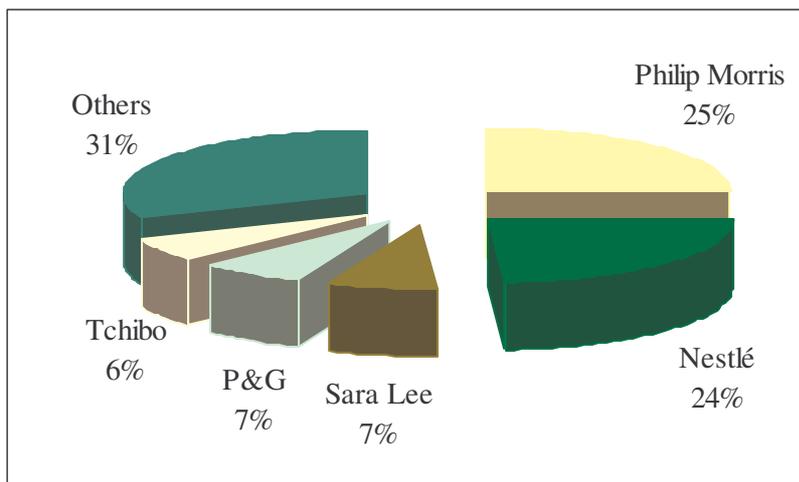
With the end of the regulatory powers of the International Coffee Agreement (ICA), increased concentration in the roasting and international trading segments of the global coffee value chain, and market liberalization in the South, producing country governments lost much of their market power (Daviron and Ponte, 2005). The market is thus dominated by a small number of firms with differentiated products (monopolistic competition).

Figure 3 shows the share of green coffee market by international trade company. The two largest coffee traders (Neumann and Volcafe) controlled 29% of total market share, and the top six companies 50%. In the early 2000s, with the mergers of Volcafe and ED & F Man, on the one hand, and Esteve and Cargill into Ecom on the other, the three top groups accounted for 45% of the market (Daviron and Ponte, 2005).



**Figure 3: Green coffee market share by international trade company**  
 Source: Ponte, 2001

The level of concentration in the roaster market has reached a level even higher than for international traders. Figure 4 shows that the top two groups combined (Nestlé and Philip Morris, now member of the Altria Group) control 49% of the world market share for roasted and instant coffees. The top five groups control 69% of the market. Nestlé dominates the soluble market with a market share of 56%. International traders argue that roasters have gained increasing control of the marketing chain in recent years. Coffee roasters in consuming countries used their brand power to limit price competition and, during the last 15 years, have adopted new technologies enabling them to use substitutes for coffee origins and qualities more easily. Talbot shows that after about 1986, there was a major shift of surplus from the coffee-producing countries to multinational corporations at the core of the world system, who used their market power to hold the price of green coffee while inflating the price of coffee processed for final consumption (Daviron and Ponte, 2005).



**Figure 4: Market share of roasting and instant manufacturing companies**  
 Source: Ponte, 2001

Globally, the food industry is consolidating at every level. While this trend increases efficiencies at some levels, it also reduces the opportunities for producers, reduces their leverage, and make it increasingly difficult for smallholders and small and medium enterprises to participate equitably in the markets (World Bank, 2004).

## Associations

France - Union Nationale du Café (UNACAF)  
 Belgium - Belgian Coffee Federation  
 Austria - Food Industries Association of Austria (FIAA)  
 Belgium - Belgian Coffee Federation  
 Canada - Coffee Association of Canada  
 Denmark - Association of Danish Coffee and Tea Importers  
 France - Syndicat National de l'Industrie et du Commerce du Café (SNICC)  
 Australia - The Australian Tea & Coffee Traders Association  
 Germany - Deutscher Kaffee-Verband e.V. [Website]  
 Ireland - Coffee Industry Association of Ireland  
 Italy - Comitato Italiano Caffé  
 Switzerland - Schweizerische Kaffeehandler Vereinigung (Swiss Coffee Trade Association)  
 Netherlands - Royal Netherlands Coffee Trade Association  
 Netherlands - Netherlands Association of Coffee Roasters and Tea Packers [Website]  
 Norway - Norwegian Coffee Association [Website]  
 Portugal - Associação Industrial e Comercial do Café  
 Russia - Russian Association of Tea and Coffee Producers  
 Spain - Agrupación Española del Café (ANCAFE)  
 Sweden - Svensk Kaffe Information  
 Japan - All Japan Coffee Association (AJCA)  
 Finland -Finnish Coffee Roasters Association  
 United Kingdom - Coffee Trade Federation Ltd.  
 United States – National Coffee Association

United States – Speciality Coffee Association of America

## Other statistics providers

### Main sources of statistics (others than ICO statistics)

Statistics/Source	FAOSTAT database	US Foreign Agricultural Service (FAS) database	UNCTAD Handbook of Statistics	<i>F.O. Licht</i>
Production	1990-2005	1960/61-2005/06		X
Exports/Imports	1990-2003	1960/61-2005/06		X
Consumption/Use	1990-2003	1960/61-2005/06		X
Stocks		1960/61-2005/06		X
Prices			Average of ICO composite indicator price	ICO prices, New York and London prices, price premiums and discounts
Availability	Available on the website for all public	Available on the website for all public	Available on the website for all public	Paid subscription required

## International Coffee Organization (ICO)

### 1. The role of ICO:

The International Coffee Organization (ICO) is the main intergovernmental organization for coffee, bringing together producing and consuming countries to tackle the challenges facing the world coffee sector through international cooperation. It makes a practical contribution to the world coffee economy and to improving standards of living in developing countries by:

Enabling government representatives to exchange views and coordinate coffee policies and priorities at regular high-level meetings.

Improving coffee quality through the Coffee Quality Improvement Programme.

Increasing world coffee consumption through innovative market development activities.

Initiating coffee development projects to improve quality and marketing.

Encouraging a sustainable coffee economy and environmental standards.

Working closely with the private sector through a 16 strong Private Sector Consultative Board which tackles issues such as food safety.

Providing objective and comprehensive information on the world coffee market.

Ensuring transparency in the coffee market statistics.

### 2. Objectives of ICA (2001):

The objectives of the Agreement are:

To promote international cooperation on coffee matters.

To provide a forum for intergovernmental consultations, and negotiations when appropriate, on coffee matters and on ways to achieve a reasonable balance between world supply and demand on a basis which will assure adequate supplies of coffee at fair prices to consumers and markets for coffee at remunerative prices to producers, and which will be conducive to long-term equilibrium between production and consumption.

To provide a forum for consultations on coffee matters with the private sector.

To facilitate the expansion and transparency of international trade in coffee.

To act as a centre for and promote the collection, dissemination and publication of economic and technical information, statistics and studies, as well as research and development, in coffee matters.

To encourage Members to develop a sustainable coffee economy.

To promote, encourage and increase the consumption of coffee.

To analyse and advise on the preparation of projects for the benefit of the world coffee economy, for their subsequent submission to donor or financing organizations, as appropriate.

To promote quality.

To promote training and information programmes designed to assist the transfer to Members of technology relevant to coffee

### 3. Members of the International Coffee Agreement 2001

(as at 18 January 2006)

#### *Exporting Members (44)*

Angola	Ecuador	Mexico
Benin	El Salvador	Nicaragua
Bolivia	Ethiopia	Nigeria
Brazil	Gabon	Papua New Guinea
Burundi	Ghana	Paraguay
Cameroon	Guatemala	Philippines
Central African Republic	Guinea	Rwanda
Colombia	Haiti	Tanzania
Congo, Democratic Republic of	Honduras	Thailand
Congo, Republic of	India	Togo
Costa Rica	Indonesia	Uganda
Côte d'Ivoire	Jamaica	Venezuela
Cuba	Kenya	Vietnam
Dominican Republic	Madagascar	Zambia
	Malawi	Zimbabwe

#### *Importing Members (30)*

Austria	Hungary*	Poland*
Belgium	Ireland	Portugal
Cyprus	Italy	Slovak Republic
Czech Republic	Japan	Slovenia*
Denmark	Latvia	Spain
Estonia*	Lithuania*	Sweden
Finland*	Luxembourg	Switzerland
France	Malta*	United Kingdom
Germany	Netherlands*	United States of America
Greece	Norway	European Community

### 4. Governance:

#### *International Coffee Council*

The Council is the highest authority of the Organization and is composed of representatives of each Member country. It undertakes the following activities among others:

Approval of the annual programme of activities and budget.

Admission or suspension of Members.

Settlement of disputes.

Matters concerning the extension or termination of the Agreement.

The Council generally meets twice a year, in May and September, and is attended by representatives of all the producing and consuming countries. Council sessions enable delegates to have high-level contacts and meetings with other governments and with major players in the global coffee industry. For the most part, representatives come from government Ministries, Embassies in London, and Coffee Boards and Federations, supported by alternates from industry and other advisers as required.

Countries that are not members of the Agreement are invited to participate in Council sessions as observers, and a number of intergovernmental and non-governmental organizations with a significant interest in coffee, such as the FAO, are also officially accredited as observers and participate in ICO work. The ICO most recent statistics are presented and the latest report on the market situation is discussed and agreed by all participants. Information on coffee policy is delivered by experts or top government or industry representatives, and substantive matters such as the environment and the coffee market may be considered.

Decisions are usually reached on the basis of consensus in both the Council and the Executive Board. This is important so that the measures which are adopted by the Organization which can have a major impact on coffee, such as projects, avoid confrontation on sensitive issues and achieve as much support and acceptance of the decisions ultimately made. When consensus is not possible, the Council can turn to a voting system that safeguards the interests of both consuming and producing countries.

In addition to the range of matters dealt with as provided under the Agreement or the programmes of activities, consultations have taken place in particular on the following subjects:

Rules of origin on coffee in the World Trade Organization;

European coffee contracts; and

Issues related to contamination arising from mould formation.

Raising these matters has increased awareness of the issues involved and in some cases led to action to resolve problems such as the approval by the Common Fund for Commodities of the project to prevent mould formation, and an informal group established to provide a liaison mechanism between representatives of the European Coffee Federation and producing countries.

### ***Voting system:***

The voting system requires a simple distributed majority vote or a distributed two thirds majority vote (requiring a two thirds majority of each category of Members) in the case of matters such as amendments to the Agreement.

Exporting Members hold 1,000 votes, and importing Members hold 1,000 votes. Each Member holds five basic votes, and the remaining votes are distributed among each category of Members in proportion to the average volume of their exports or imports of coffee in the preceding four calendar years. For example, for 2005/06, Brazil has 5 basic votes, and a further initial 235 votes based on its average exports of 25,859,722 60-kilo bags from 2001 to 2004.

The Council determines the distribution of votes at the start of each coffee year (October), and whenever there is a change in membership, or voting rights of a Member are suspended, the votes are redistributed.

### ***Executive Board***

Under the Council is the Executive Board. This consists of 16 Members (eight exporting and eight importing countries) and their alternates, who oversee the current operations, particularly the approval of projects. Members are elected annually and may be re-elected. The Board is responsible to, and works under the general direction of, the Council which has delegated to it all its powers other than those reserved to the Council by the Agreement itself. The powers delegated to the Board include those necessary to regulate the day-to-day operation of the Agreement. As a general rule, all matters referred to the Council are first examined by the Board in order to expedite the work of the Organization and to facilitate that of the Council.

Other specialist committees such as the Promotion Committee, the Finance Committee and the Statistics Committee meet on a regular basis to look at key areas of work, and their Chairpersons report to the Board or Council.

### ***Private Sector Consultative Board***

Sixteen leading industry representatives from producing and consuming countries are members of the ICO Private Sector Consultative Board (PSCB), along with their alternates and advisers. The PSCB acts in a consultative and advisory capacity to the Executive Board and Council on matters of concern to the world coffee industry. It was established in 1999, meets at the time of the International Coffee Council, and its Chairperson reports to the Council on the outcome of its meeting. Priority areas for its long-term Agenda include: positive communication on coffee, sustainable development and food safety.

The PSCB has agreed that its main mission and objective should be to increase the world coffee market in value and volume. One of the constraints for increasing coffee consumption was the misconception that

coffee is bad for your health held by part of the population. On the contrary, there is significant scientific information available on various positive health benefits associated with coffee drinking.

The PSCB oversees the Positively Coffee Programme and supports the Health Care Professions – Coffee Education Programme. The purpose of these programmes is to disseminate factual information about coffee, with a focus on its health-enhancing properties.

#### *Statistics Committee*

The Statistics Committee was established in 1999. Its purpose is to evaluate and make recommendations to the Executive Board on statistical matters including: certificates of origin; trade statistics; information on new segments of the market and on countries producing more than one type/growth of coffee; indicator prices; verification of stocks; compliance by Members in providing statistical information; evaluation of technical definitions; publications; electronic dissemination; and liaison with other organizations.

The Committee is open to all Members of the Organization, to representatives of the private sector, and to experts in the area of coffee statistics. Participants from non-member countries may participate in an advisory and consultative capacity.

#### *Secretariat*

Directly under the Executive Director are the Head of Operations and the Head of Finance and Administration, who are responsible for ICO areas of work such as Statistics, Information, Projects, and Finance. Within each of these areas, an international professional staff comprising economists, statisticians, editors, and support personnel are responsible for overseeing the day-to-day management of the ICO programme of activities.

<b>Meeting</b>	<b>Open to:</b>
International Coffee Council	Members and observers invited from non-member countries, international organizations and private sector associations
Executive Board	Members
Private Sector Consultative Board	PSCB representatives and observers from private sector associations
Quality Committee	Quality Committee members and observers
Promotion Committee	Members and observers
Steering Group on Promotion	Steering Group Members and observers
Statistics Committee	Statistics Committee members, Members, private sector representatives, experts in coffee statistics. Non-members may participate in an advisory capacity
Finance Committee	Restricted to Members of the Finance Committee and ICO Member countries

#### *5. Projects*

**Areas:** combat pests and diseases, emergency assistance, diversification, marketing structure improvement, quality enhancement and sustainable coffee economy.

#### **Concluded projects (9):**

Development of gourmet coffee potential

Integrated management of Coffee Berry Borer

Study on coffee marketing systems and policies

Study on developing washing stations in the context of private sector investment in Rwanda

Study of the potential for commodity exchanges and other forms of market places in the coffee sectors of COMESA countries

Workshop to reduce effects of the coffee crisis in Central America

Enhancement of quality in coffee by prevention of mould formation

Strengthening the commercial, management, financial and business capacity of small coffee growers/exporters in Mexico and Nicaragua

Sustainable coffee development in Eastern Africa

#### **On-going projects (10):**

Coffee market development and trade promotion in Eastern and Southern Africa

Improvement of coffee production in Africa by the control of coffee wilt disease – tracheomyces

Integrated management of the coffee white stem borer in India, Malawi and Zimbabwe

Coffee price risk management in Eastern and Southern Africa

Study of worldwide comparative analysis of coffee growing areas

Short and medium term finance for small-scale coffee farmers in D.R. Congo, Uganda, Tanzania, Kenya and Nigeria

Improving coffee quality in East and Central Africa through enhanced primary processing practices

Robusta quality and marketing improvement by optimal use of coffee terroirs

Production diversification of marginal coffee areas in the state of Veracruz, Mexico

Rehabilitation of coffee production in countries under reconstruction after periods of major disruption in Honduras and Nicaragua

#### **Projects to be started:**

Rehabilitation of coffee production in countries under reconstruction after periods of major disruption in Angola

Reconversion of small coffee farms into self-sustainable agricultural family units in Ecuador

### *6. Finances*

#### **Expenses**

The expenses of delegations to the Council, representatives on the Executive Board and representatives on any of the committees of the Council or the Executive Board shall be met by their respective Governments.

The other expenses necessary for the administration of this Agreement shall be met by annual contributions from the Members, together with revenues from sales of specific services to Members and the sale of information and studies.

#### **Budget**

During the second half of each financial year, the Council shall approve the administrative budget of the Organization for the following financial year and shall assess the contribution of each Member to that budget. A draft Administrative Budget shall be prepared by the Executive Director under the supervision of the Executive Board.

The contribution of each Member to the Administrative Budget for each financial year shall be in the proportion which the number of its votes at the time the Administrative Budget for that financial year is approved bears to the total votes of all the Members.

Budget of ICO is €4.3 million, of which €3.54 is contributed by the present members. The rest comes from interest earned on the reserves, and from the reserves themselves. Salary expenses are €2.55 million, rent for the accommodation is €1.2 million, of which €0.15 is financed by renting out the conference facilities. Translation costs are €97 thousand; travel costs €87 thousand.

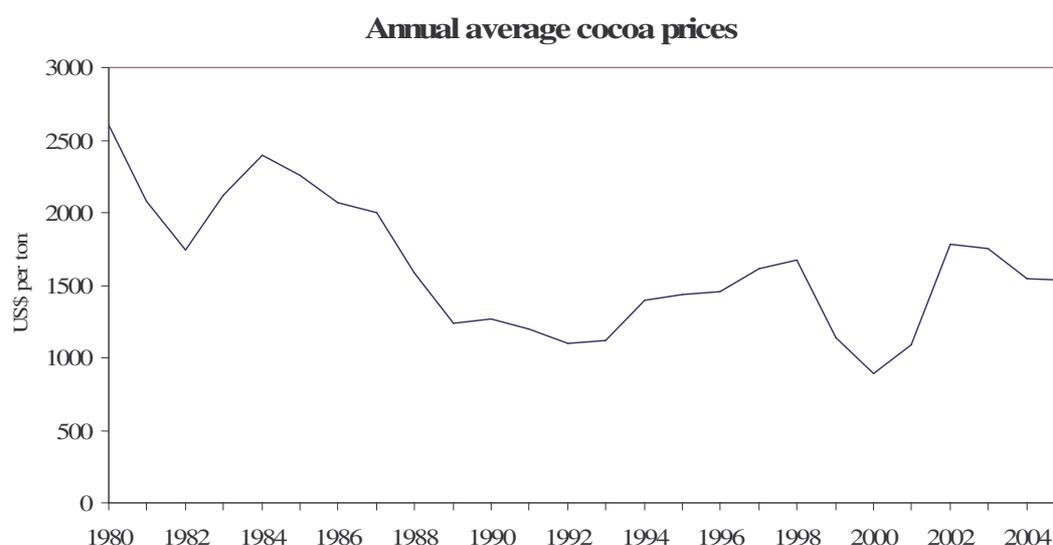
## 2A. International Cocoa Market

### The market for cocoa

World cocoa supply in 2004/05 stood at 3.2 million tons. Ten years earlier, in 1994/95, production had just made a jump from 2.3 to 2.9 million tons, while production in 1984/85 was less than 2 million tons. Major producing country is Côte d'Ivoire with 1.2 million tons (37%), followed by Ghana (0.6 million, 18%) and Indonesia (0.4 million, 13%). Most cocoa is exported for processing into cocoa liquor, or further into cocoa butter and cocoa powder. The major grinders are the Netherlands (450,000 tons), USA (420,000) and Côte d'Ivoire. The EU as a whole grinds 1.26 million tons.

### Prices of cocoa

Prices of cocoa have recently recovered from a deep trough around the year 2000.



Apart from the three years 1999-2001, world market prices have been relatively stable at a (nominal) level of close to \$1500/ton. The fall in prices at that time was largely due to a combination of monetary changes (the Asian currency crisis also affected the cocoa market) and exceptional circumstances in the market for cocoa butter and powder.

### Extent of state interference

Being a perennial crop, cocoa producers have a strong motive to seek protection of the investment made in the tree capital. Producing country governments have in the past responded by establishing marketing organisations that regulated producer prices. Over time most of the marketing organisations have been abolished. Ghana maintains a central export organisation. Cameroon and Côte d'Ivoire have liberalised the market, but Côte d'Ivoire maintains high levels of levies and taxes, that drive a wedge between farm prices and world market prices. In the international trade there are no tariffs on imports of cocoa beans, and mild (or no) tariffs on semi-processed goods. There have been recent developments in the EU policy as to admissible levels of ochratoxine in the product. In the USA a protocol was signed between major chocolate manufacturers – on the insistence of US politicians – aiming at higher levels of securing social standards in cocoa production.

### Traders, processors

The international market is characterized by a high degree on concentration. Major firms are Barry-Callebaut, Cargill and ADM. They combine cocoa beans buying and trading activities with grinding of beans and trade in intermediary products.

There are two active futures markets, LIFFE and NYBOT.

## Associations

Major producing countries have organisations of cocoa growers, such as ANAPROCI in Côte d'Ivoire. Producing countries combine their forces in the Cocoa Producers' Alliance COPAL. Trader organisations are the European Cocoa Association (ECA) and the FCC. On the manufacturers side, an important European association is CAOBISCO. In the USA, the Cocoa Merchants Association (CMAA) and the Chocolate Manufacturers Association play similar roles. Research on cocoa is done by the American Cocoa Research Institute (ACRI); CIRAD, France and dedicated research institutes in producing countries. They organize cocoa research conferences.

## Other statistics providers

Many of the above associations provide data on the cocoa market. Important providers of statistics, who are also represented at the ICCO statistical committee are LMC-international, an Oxford based consultancy firm, and E.D.&F. Man, a London based trading company.

## 2B. The International Cocoa Organization ICCO

### 1. Role

The International Cocoa Organization (ICCO) was established in 1973 to administer the first **International Cocoa Agreement**, that of 1972 and its successor Agreements of 1975, 1980, 1986, 1993 and 2001. The Agreements were concluded among the governments of cocoa-producing and cocoa-consuming countries, under the auspices of the United Nations. The **2001 Agreement** was negotiated at the UN Cocoa Conference in February 2001. This new 2001 Agreement has been open for signature and ratification since 1 May 2001 and entered into force on 1 October 2003.

The 2001 International Cocoa Agreement excludes economic clauses and places greater emphasis on a sustainable cocoa economy. Through the creation of a Private Sector Board, the Agreement seeks the active involvement of the private sector in the achievement of its goals. It will also promote transparency in the world cocoa market through the collection, analysis and dissemination of relevant statistics and the undertaking of appropriate studies. Finally, the 2001 Agreement will strengthen the national cocoa economies of member countries through the implementation of a range of projects.

### 2. Objectives

As spelled out in the 2001 agreement, the **objectives** of the Sixth International Cocoa Agreement are:

To promote international cooperation in the world cocoa economy;

To provide an appropriate framework for the discussion of all matters relating to all sectors thereof;

To contribute to the strengthening of the national cocoa economies of Member countries, in particular through the preparation of appropriate projects to be submitted to the relevant institutions for financing and implementation;

To contribute to a balanced development of the world cocoa economy in the interest of all Members through appropriate measures, including:

(i) Promoting a sustainable cocoa economy;

(ii) Promoting research and the implementation of its findings;

(iii) Promoting transparency in the world cocoa economy through the collection, analysis and dissemination of relevant statistics and undertaking of appropriate studies; and

(iv) Promoting and encouraging consumption of chocolate and cocoa-based products in order to increase demand for cocoa in close cooperation with the private sector.

### **3. Members**

#### ***Exporting member country (voting rights as per 1 June 2006)***

Brazil (-)  
Cameroon (95)  
Côte d'Ivoire (400)  
Dominican Republic (33)  
Ecuador (-)  
Gabon (5)  
Ghana (301)  
Malaysia (5)  
Nigeria (115)  
Papua New Guinea (30)  
Togo (11)  
Trinidad and Tobago (5)  
Venezuela (-)

#### ***Importing member country***

All 25 Countries of EU (921)  
Switzerland (25)  
Russian Federation (54)

### **4. Governance structure**

The Council is the decision making body of ICCO. Votes are distributed on the basis of the shares of the countries in either exports or imports. For the EU countries, individual counts are made of the imports (comprising net imports of beans and gross imports of cocoa and chocolate products, converted into bean equivalents).

The Council meets twice a year.

Under the Council are three committees, credentials committee, market committee and Promotion Committee. In addition there are expert working groups on stocks and quality.

The committees normally also meet twice per year.

Private sector participation is made possible through the establishment of a Consultative Board on the Cocoa Economy. The Board consists of 7 members from exporting countries and 7 members from importing countries, while members of the organization may participate as observers. The Board meets twice a year. Its Chairman reports to the Council.

### **5. Finance**

The budget of the organization for 2004/05 amounted to GBP 1.7 million, or about M€ 2.5.

The budget for 2006/07 had a total of GBP 1.943 million. Out of this, 1,373 thousand is for personnel costs, 233 for accommodation, 58 for translations.

The secretariat counts around 20 persons.

### **6. Projects**

Completed projects (4)

- (i) Generic promotion of cocoa in Japan (total kSDR 353, CFC 203); 1993-1998
- (ii) Pilot plants for processing cocoa by-products Ghana M\$ 1.0, of which k\$ 595 by CFC; 1993-2003
- (iii) Feasibility study on generic promotion in Russia (k\$ 30); 2001-2002
- (iv) Cocoa Germplasm conservation (M\$ 10; CFC: M\$ 2.9); 1998-2004

Under implementation

- (i) Organoleptic and other parameters to establish fine from bulk cocoa (M\$1.6; CFC k\$839); 2001-2005
- (ii) Developing varieties resistant to Witches' broom disease (M\$ 3.6; CFC M\$0.8); 2000-2005
- (iii) Improving cocoa marketing under trade liberalization (M\$6.5; CFC: M\$3.6); 1999-2006
- (iv) Cocoa participatory productivity improvement (M\$10.6; CFC: M\$4.0); 2004-2009
- (v) Pilot on price risk management (k\$385; CFC k\$272); 2006-2007

Under preparation: 8 projects

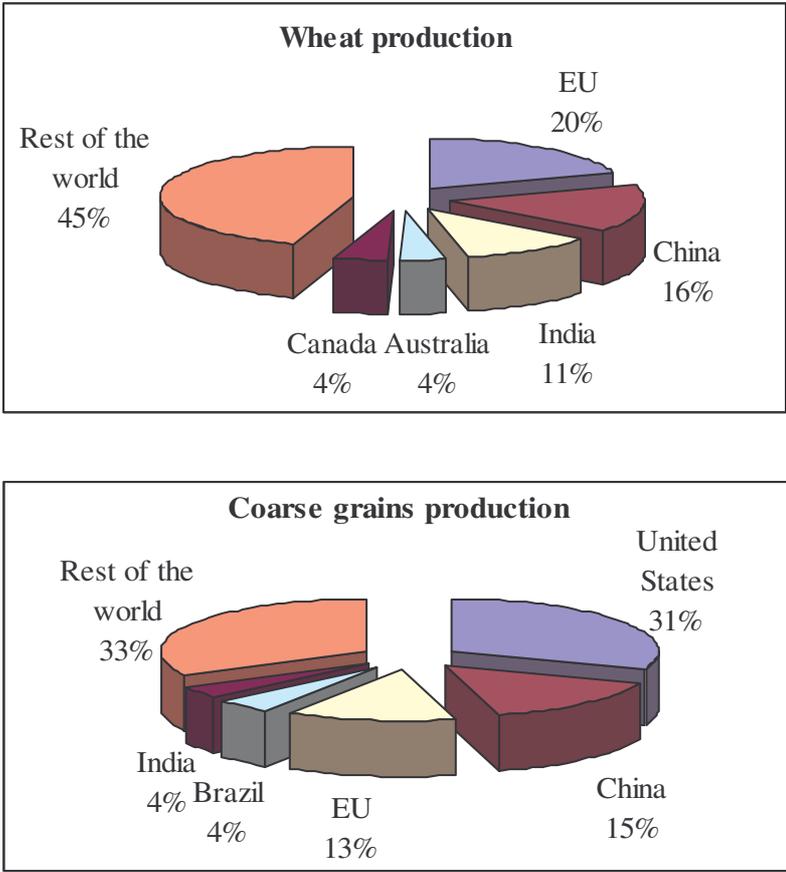
## 7. Publications

- Quarterly Bulletin of Cocoa Statistics (4 times a year)  
Includes data on **stocks**
- World Cocoa Directory
- 2003/04 Annual Report
- reports for the various Committee meetings
  - Quarterly cocoa market review (12p)
  - Determinants of cocoa prices (9p)
  - World cocoa directory (annual update)
  - Review of Market price information for cocoa producers (8p)
  - Assessment of the movement of global demand and supply (38p)
  - Annual forecasts of production and consumption and estimates of production levels to achieve equilibrium in the world cocoa market (10p)
  - Customs tariffs on cocoa beans, cocoa semi-products and chocolate (28p)
  - Indirect taxes on chocolate products (8p)
  - Overview of best practices in cocoa production

### 3A. International Grain Market

#### The market for grains

World grain production (excluding rice) is estimated at 1600 million tons in 2005/06, 3% less than the last year. World production is almost at the same level over the last five years (1450-1600 million tons). Coarse grain production represents almost two-third of total production, of which 71% is maize, 14% is barley and the rest is sorghum. Wheat production represents 39% of total production. The EU is the largest wheat producer (20%), followed by China (16%), India (11%), Australia (4%) and Canada (4%). They account for 55% of total wheat production. Coarse grains production is concentrated in a small number of countries. The five leading producers (United States, China, European Union, India and Brazil) account for more than two-third of total. Brazil is emerging as a potential grain export competitor due to its low costs of production, especially for maize, and its unused land resources, despite facing high transportation costs from its grain production zones to its export ports (FAO, 2002).



**Figure 1: Wheat and coarse grains production by country** Source: FAS

According to the FAO, human consumption of grains represents 41% of total consumption and animal feed represents 45%. Other uses, including industrial consumption (brewing, alcohol for fuels, starches and sweeteners), account for 14% of total production. Maize, wheat, barley, sorghum and oats are the main grains used in animal feeding, with maize accounting for about 60% of the world total.

Wheat is the most important cereal traded on international markets. Wheat exports represent 51% of world exports. They have been estimated at 113 million tons in 2005/06. The United States is the main exporter of wheat, followed by Australia, Canada and the European Union. These four countries account for 64% of total exports. Wheat exports have been growing over the last years, in particular in Argentina (32% since 2002/03), Australia (39%) and Canada (67%). Among coarse grains, maize exports represent more

than one third of total. The United States is by large the main exporter of this cereal, accounting for 68% of total.

Wheat imports are less concentrated. The ten leading importers account for 50% of total imports. Brazil (7%), European Union (7%), Japan (5%), Algeria (5%), Indonesia (4%) and Iraq (4%) are the main importers of wheat. Coarse grains imports have been estimated at 109 million tons in 2005/06. Japan, Mexico, Korea, Saudi Arabia and Egypt are the five leading importers of coarse grains, accounting for 47% of imports. According to the FAO, the fastest growth in grain consumption was recorded in the developing countries during the past two decades (2,8% annually). This is mainly due to the tendencies of low-income families to spend more of their additional income on food and rural-to-urban migration resulting in changes in diets towards higher-protein grains and livestock products (FAO, 2002).

### Prices of grains

Since the end of the last year, an upward trend has been observed in international grain prices. Wheat prices have increased considerably since October 2005, in particular for the US origin wheat. This results from a decline in domestic production and exports due to the Katrina hurricane affecting US Gulf ports. Export prices of soft wheat have risen by 43% in the last year, reaching a peak of 193 US\$/ton in October 2006. The increase of hard wheat was lower than soft wheat, about 25% for the same period.

Coarse grain prices remained relatively low in 2005 (compared to wheat prices, reflecting slow demand for the animal feed sector and a stable supply. According to the FAO, stronger maize prices reflect the growing demand for feed and industrial use and prospects for a smaller harvest in the United States, the world's leading maize producer and exporter. Maize prices reached a peak of 143 US\$ in October 2006 compared to 102 US\$ at the same month last year.

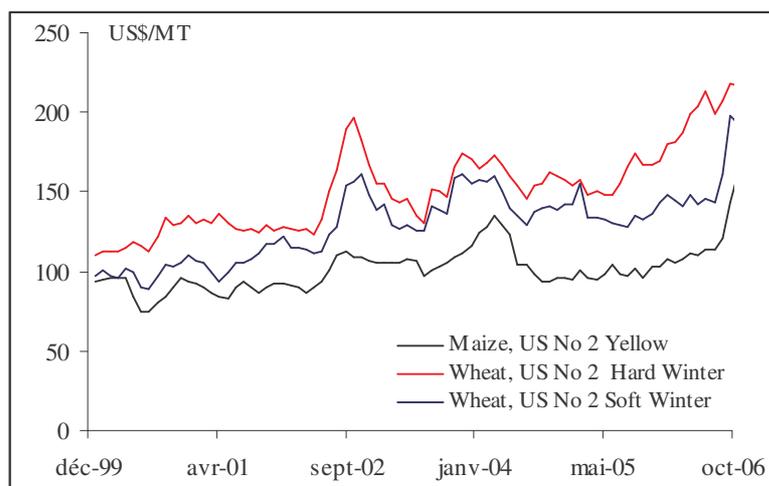
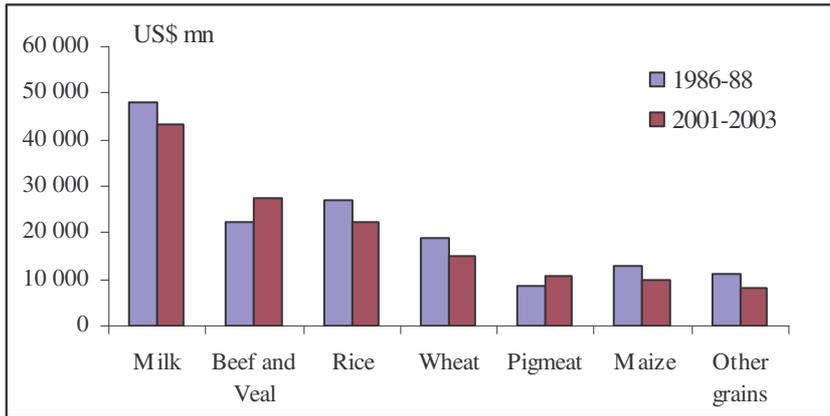


Figure 2: Cereal export prices Source: IGC and USDA

### Extent of state interference

Cereal producer support has been reduced over the last decade, in line with the trend towards domestic market liberalization and less price-distorting policies (FAO, 2005). Nevertheless, wheat and maize remain among the commodities with the highest levels of domestic support (after milk, beef and rice). In developed countries, governments rely mainly on income support measures. In a number of countries, direct assistance to grain farmers was provided in the form of input subsidies and credit at preferential terms.

According to the OECD, the European Union is the largest provider of domestic support on wheat, accounting for 61% of total producer support estimate (PSE). There has been a slightly reduction in EU domestic support (6% since 1986). In regard to maize, the US domestic support accounts for 56% of the OCDE Producer Support Estimate.



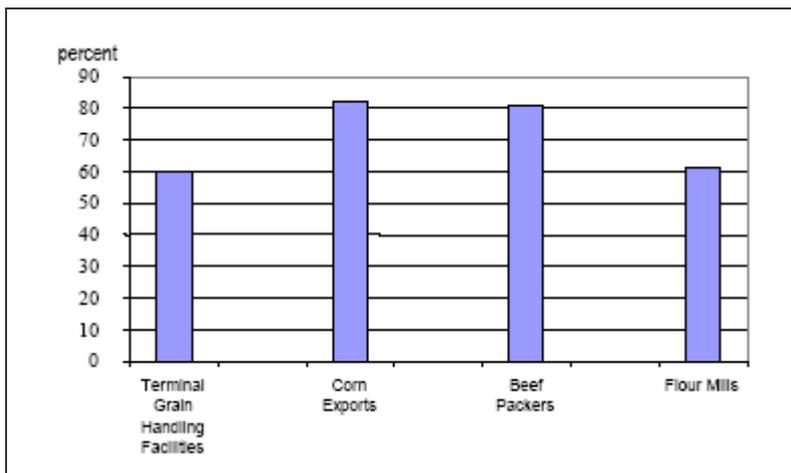
**Figure 3: Producer Support Estimate by Commodity Source : OECD**

In addition, over one-third of world imports of wheat (and about 40% of exports) are conducted by State trading enterprises (STEs), especially in Australia, Canada and New Zealand. Their role are relatively insignificant for coarse grains, except in countries with food security concerns. Some progress have made by some countries by allowing increased private sector participation in grain trade (FAO, 2002).

**Traders, processors**

According to the FAO, the dominant agribusiness firms are characterized not only by horizontal integration, but also by their simultaneous dominance of multiple sectors of agricultural production, shipping and processing. Cargill, for example, is the largest grain exporter in the United States. It is dominant in wheat, soybeans, corn and cotton. It is also ranked seventh in the world as a food and beverage company. Cargill is also a major player in beef packing, ethanol, steel, fertilizer production and financial services (FAO, 2003).

The figure 4 illustrates the level of concentration for several agricultural markets in the Unites States. This reflects an important degree of horizontal integration: 60% of terminal grain handling facilities are owned by four companies: Cargill, Cenex Harvest States, ADM and General Mills; 82% of corn exporting is concentrated in three companies: Cargill, ADM and Zen Noh; and 61% of flour milling capacity is owned by four companies: ADM, ConAgra, Cargill and General Mills.



**Figure 4: Concentration in agricultural markets in the United States**

Source: Heffernan, W., Hendrickson, M. & Gronski, R. 2002, *Consolidation in the Food and Agriculture System*, Report to the National Farmers’ Union, United States.

**Other statistics providers**

### Main sources of statistics (others than IGC statistics)

Statistics/Source	FAOSTAT database	US Foreign Agricultural Service (FAS) database	UNCTAD Commodity Price Statistics	Chicago Board of Trade (CBOT)
Production	1990-2005	1960/61-2005/06		
Exports/Imports	1990-2003	1960/61-2005/06		
Consumption/Use	1990-2003	1960/61-2005/06		
Stocks		1960/61-2005/06		
Prices	Maize and wheat export prices (Argentina and US)		Maize and wheat export prices	Futures prices for maize and wheat
Availability	Available on the website for all public	Available on the website for all public	Paid subscription required	Paid data

## 3B. INTERNATIONAL GRAINS COUNCIL (IGC)

### The role of IGC:

The International Grains Council (IGC), set up under the Grains Trade Convention, administers the two conventions of the International Grains Agreement (1995).

The text of the Grains Trade Convention (1995) was established at a Conference of Governments arranged by the International Wheat Council on 7 December 1994. The text of the Food Aid Convention (1995) was established by the Food Aid Committee on 5 December 1994, and amended on 13 March 1995. A Conference of Governments, held in London on 6 July 1995 brought into force both Conventions, with effect from 1 July 1995.

Following the recommendations that World Trade Organization Ministers adopted in December 1996 at their Singapore Conference in respect of Least-Developed and Net Food-Importing Developing Countries, members of the Food Aid Committee decided to open the Food Aid Convention, 1995 for renegotiation. The text of the new Food Aid Convention, 1999 was finalized on 13 April 1999 and brought into force on 1 July 1999, replacing the 1995 Convention. The Food Aid Convention, 1999 remains a constituent instrument of the International Grains Agreement, 1995.

Both conventions were extended to 30 June 2007 at the 21<sup>st</sup> Session of the IGC (June 2005) and the 92<sup>nd</sup> Session of the FAC (June 2005).

The Grains Trade Convention (GTC) applies to trade in wheat, maize, barley, sorghum and other grains, and their products. It seeks to further international cooperation in grains trade; to promote expansion, openness and fairness in the grains sector; to contribute to grain market stability and to enhance world food security. These objectives are sought by improving market transparency through information-sharing, analysis and consultation on grain market and policy developments. The Convention also establishes the International Grains Council as an intergovernmental forum for cooperation in grains trade matters.

Under the Food Aid Convention (FAC), donors pledge to provide annually specified minimum amounts or values of food aid to developing countries in the form of grains and other eligible products. The objective of the Convention is to contribute to world food security and to improve the ability of the international community to respond to emergency food situations and other food needs of developing countries. FAC members make quality food aid available to developing countries with the greatest needs on a predictable basis, irrespective of fluctuations in world food prices and supplies.

As a framework of cooperation between food aid donors, the FAC aims to achieve greater efficiency in food aid operations. It also puts emphasis on the monitoring and evaluation of the impact and effectiveness of food aid operations, in support of food security in developing countries.

**1. Objectives:**

The objectives of the Grains Trade Convention are:

- To further international co-operation in all aspects of trade in grains, especially insofar as these affect the food grain situation.
- To promote the expansion of international trade in grains, and to secure the freest possible flow of this trade, including the elimination of trade barriers and unfair and discriminatory practices, in the interest of all members, in particular developing members.
- To contribute to the fullest extent possible to the stability of international grain markets in the interests of all members, to enhance world food security, and to contribute to the development of countries whose economies are heavily dependent on commercial sales of grain.
- To provide a forum for exchange of information and discussion of members’ concerns regarding trade in grains.

The objectives of the Food Aid Convention are to contribute to world food security and to improve the ability of the international community to respond to emergency food situations and other food needs of developing countries by:

- Making appropriate levels of food aid available on a predictable basis, as determined by the provisions of the Convention.
- Encouraging members to ensure that the food aid provided is aimed particularly at the alleviation of poverty and hunger of the most vulnerable groups, and is consistent with agricultural development in those countries.
- Including principles for maximizing the impact, the effectiveness and quality of the food aid provided as a tool in support of food security.
- Providing a framework for co-operation, co-ordination and information-sharing among members on food aid related matters to achieve greater efficiency in all aspects of food aid operations and better coherence between food aid and other policy instruments.

**2. Members:**

(as of June 2005)

China is not Member

<i>International Grains Council</i>		<i>Food Aid Committee</i>
<i>Exporters (90% of exports):</i>	<i>Importers (60-70% of imports):</i>	Argentina
Argentina	Algeria	Australia
Australia	Côte d’Ivoire	Canada
Canada	Cuba	European Community and its mem
European Community	Egypt	States
India	Iran	Japan
Kazakhstan	Japan	Norway
Turkey	Kenya	Switzerland
Ukraine	Korea	United States
United States	Morocco	
	Norway	
	Pakistan	
	Panama	
	Russian Federation	
	South Africa	
	Switzerland	
	Tunisia	
	Vatican City	

### **3. Governance:**

#### *International Grains Council (IGC)*

The IGC includes all parties to the Grains Trade Convention. It holds two regular sessions each year, usually in June and December. Its functions are to oversee the implementation of the GTC; to discuss current and prospective world grain market developments; and to monitor changes in national grain policies and their market implications. The Council may develop and sponsor grains related projects in member countries for financing by the UN Common Fund for Commodities.

The Council normally reaches its decisions by consensus, although voting procedures are provided. Each member is designated as an importer or an exporter on the basis of its average trade in grains. Its Chair and Vice-Chair are elected annually, the posts alternating between exporting and importing members.

The IGC's Executive Committee consists of a maximum of 14 members - 6 exporters and 8 importers. It meets between the regular Council sessions in order to take necessary decisions, particularly on administrative and financial matters.

Budget Committee carries out a preliminary review of the Secretariat's budget proposals and advises the Council on financial matters.

The Market Conditions Committee (MCC) keeps the global grain market situation and outlook under close review. It is open to all members of the Council and normally meets twice a year, between the regular Council Sessions. On the basis of independent information and analysis prepared by the Secretariat, in particular the monthly Grain Market Reports, members of the MCC discuss and consult on market and policy developments, consider the short-term grains outlook, and review progress with any special Secretariat studies. The MCC also examines developments in ocean freight rates on the basis of a report by a sub-committee of freight experts. The IGC Grains Conference, held annually in conjunction with the June Council session, is a high-level public forum where senior private sector representatives and government policy-makers discuss topical issues affecting the global grains industry. Grains and trade experts can obtain and exchange first-hand information and assessments, and establish contacts with major players in the world food and feed grains markets.

#### **Food Aid Committee**

The Food Aid Committee consists of all parties to the Food Aid Convention. Donor members oversee the implementation of the Convention and exchange information on their food aid operations. The Committee holds two regular meetings a year, usually at the same time as the IGC. The Food Aid Committee's sessions may also be attended by invited observers from international organizations concerned with food aid. These include the UN Food and Agriculture Organization (FAO), the World Food Programme (WFP), the World Trade Organization (WTO), the Organization for Economic Cooperation and Development (OECD) and the UN Conference on Trade and Development (UNCTAD).

The Food Aid Committee monitors the performance of members' undertakings under the Convention, on the basis of records maintained by the IGC Secretariat. It shares information on policy developments affecting food aid and discusses the world food situation and prospects in developing countries. It also considers ways in which donors' aid efforts may best achieve their objectives, with emphasis on the monitoring and evaluation of the impact and effectiveness of food aid operations.

#### **Secretariat**

The IGC Secretariat provides administrative services for both the International Grains Council and the Food Aid Committee. It provides an independent source of authoritative information and analyses of world grain market developments and monitors shipments under the Food Aid Convention.

The Secretariat, with a staff of 17, is headed by an Executive Director, appointed by the Council.

#### **4. Finances**

The expenses of delegations to the Council and of representatives on its Committees and working groups shall be met by their respective Governments. The other expenses necessary for the administration shall be met by annual contributions from all members.

The operations of the International Grains Council are financed by annual contributions from members, which are proportionate to their votes and thus relate to their shares of world grains trade. The budget in fiscal 2004/2005 was set at £1.4 million.

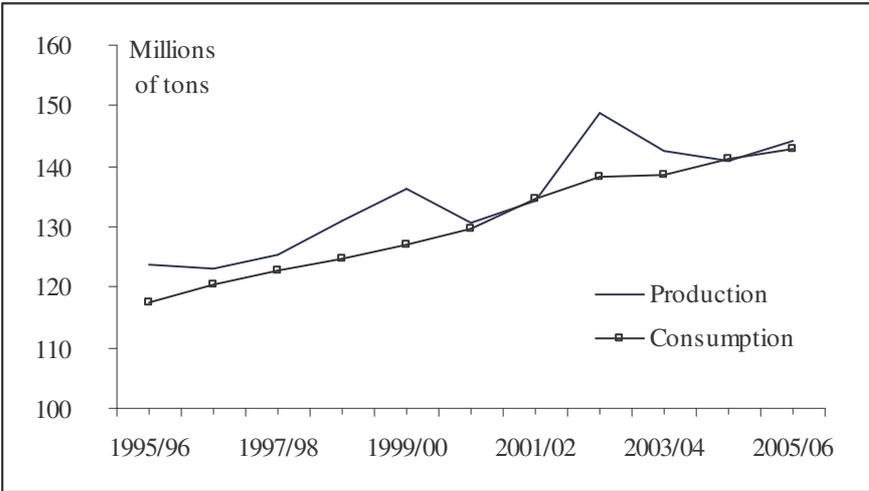
The Budget Committee is composed of 10 Council members representing at least half of the financial contributions. The Budget Committee shall carry out a preliminary review of the Secretariat's budget proposal for the following fiscal year and may advise the Council or the Executive Committee, as required, on other budgetary and financial matters. After its review by the Budget Committee, the Executive Director shall submit the budget proposal to the Executive Committee for its consideration and for approval of its submission to the Council. The budget shall only be definitive after its adoption by the Council. The Council's adoption shall constitute an authorization to the Executive Director to incur budgetary obligations and to make expenditure for the purposes for which they have been approved.

# 4A. International Sugar Organization

## 1. The market for sugar

In several years during the last decade, world sugar production has exceeded consumption, resulting in low prices and higher stocks. Production has increased at an average annual rate of 2.1% since 2000/01 while demand has risen by 1.9%. Much of the increase in world production has come from Brazil, where production has expanded rapidly in last years.

About 30% of the sugar production is traded in the world market<sup>2</sup>. More than two-third of sugar produced are therefore consumed domestically. Eventhough most of the main producing countries are also among the main consumers, other leading countries like Brazil, Thailand and Australia export a large share of their production.

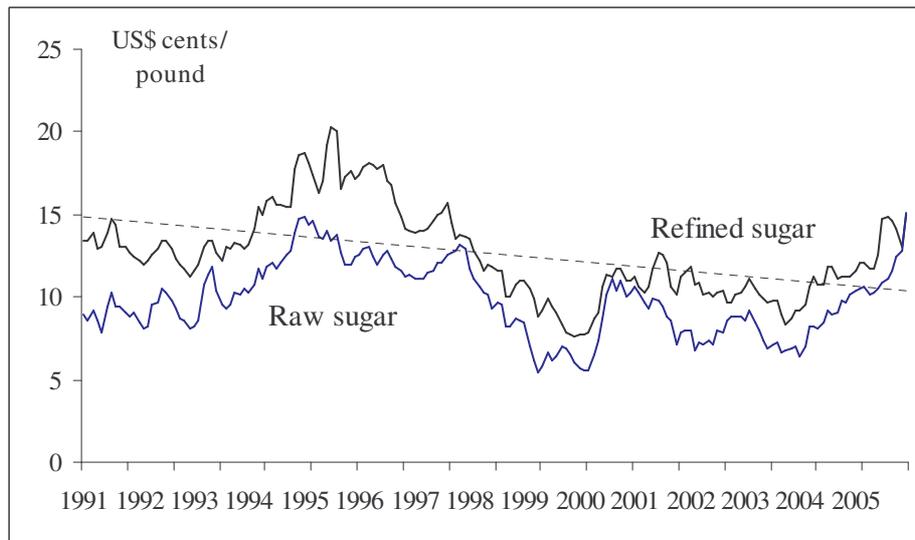


**Figure 1: World Sugar Production and Consumption**  
Source: Economic Research Service/Foreign Agricultural Service

### Prices of sugar

World sugar prices have been highly volatile. Since 1995, prices have followed a downward trend mainly attributed to the imbalance of supply and demand. Periods of deficit production have resulted in periods of market volatility in which prices rose sharply, followed by equally sharp declines (FAO, 2003). Furthermore, according to the ACP Sugar Group, the influence of speculative funds on world market sugar futures prices has increased considerably. Even if the presence of these funds benefits the sugar futures markets by adding liquidity, they increase volatility and the extremes of price movement. It is also important to note that non-sugar factors are exerting an influence on world market sugar prices. According to a private group (COPW), world sugar prices may become as volatile as those of petroleum products because of growing global demand for ethanol.

<sup>2</sup> This share is high when compared to cereals (international trade represents 15% of cereal production). (European Commission, June 2005).

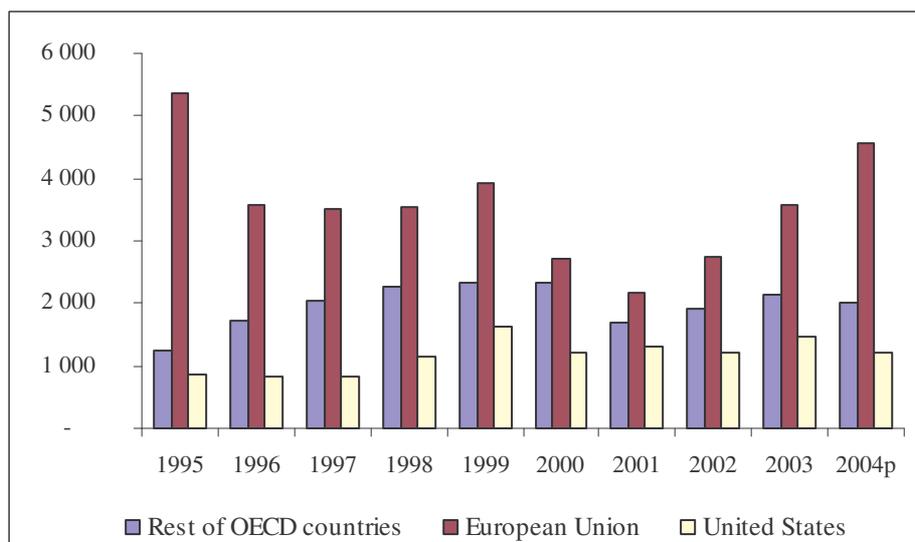


**Figure 2: World sugar prices**  
Source: International Sugar Organization

World sugar prices reached their highest level in 25 years in early 2006, when raw sugar prices exceeded 19 cents per pound. The major factors underpinning these price levels were unprecedented rises in crude oil prices, as well as the continued supply deficit in the world sugar market for the third consecutive year (FAO, 2006).

### Extent of state interference

There is a significant government interference, both domestically and internationally, in the world sugar economy (FAO, 2003). Sugar markets in the European Union and the United States are highly distorted. They both account for two-third of total producer support to sugar (for OECD member countries).



**Figure 3: Producer Support Estimate by country** Source: OECD

The EU sugar policy is part of the Common Agricultural Policy. The four main elements of this policy are:

- Price support: Guaranteed prices are applied to A and B quotas of sugar<sup>3</sup> and world market price is applied to production in excess of quotas.
- Restrictions on imports through high import tariffs.
- Tariff Rate Quotas: Imports from ACP countries benefit from zero duties within a quota for raw sugar.
- Export refunds intended to cover the gap between the EU price and the international sugar price.

In July 2004, the European Commission presented a first proposal to reform the EU sugar regime (COM 2004 499). Furthermore, in April 2005, the WTO dispute panel has found that the EU subsidizes sugar export beyond the level formally notified to the WTO and that was in violation of the WTO Agreement on Agriculture (ICTSD, 2005). In this context, the Commission published a legislative proposal to reform the sugar regime. The EC's main proposals are: a reduction of EU institutional price (by 39%) and a extension of the sugar quota regime until the end of the 2014/15 marketing year. Finally, the European Union agriculture ministers formally adopted the reform of the EU sugar sector in February 2006.

The ACP countries oppose the proposed reforms for a number of reasons including: the reforms will have a significant negative socio-economic impact on all ACP countries; the reform proposals do not provide for sufficient compensation for this loss (competitiveness fund, price reductions compensations, etc.); the reform process is stipulated to start too soon; and the proposed implementation period is not sufficiently gradual<sup>4</sup>.

### Traders, processors

According to an Oxfam report, the sugar processing industry is one of the most monopolistic sectors in Europe and over the past decade, this sector has become more concentrated (cf. table 2). The number of sugar and refinery companies has decreased from 82 in 1992/93 to 43 2003/04. At the present time, sugar beet factories belong to about 40 commercial entities. Some of them are owned by the same parent company, therefore it is estimated that sugar production is in the hands of 30 companies in the EU (European Commission, June 2005).

*Table 1: Number of sugar and refinery companies in the European Union*

Country	1992/93	2003/04
Austria	1	1
Belgium	9	2
Denmark	1	1
Finland	1	2
France	30	16
Germany	14	7
Greece	1	1
Ireland	1	1
Italy	12	5
Netherlands	2	2
Portugal	2	1
Spain	5	3
Sweden	1	1
United Kingdom	2	2
<b>EU-15</b>	<b>82</b>	<b>45</b>

Source: European Commission, June 2005

<sup>3</sup> The quotas are distributed to member countries according to historical production. They are determined every year by the EU Commission.

<sup>4</sup> <http://www.acpsugar.org>

Vertical integration is another characteristics of sugar sector. According to an Oxfam report, in Germany, the controlling stake in Nordzucker and Sudzucker is held by co-operatives of sugar-beet growers. Beet producers have also purchased a controlling stake in Beghin Say (Oxfam, 2004).

### Other statistics providers

#### Main sources of statistics (others than ISO statistics)

Statistics/Source	FAOSTAT database	US Foreign Agricultural Service (FAS) database	UNCTAD Handbook of Statistics	Sugaronline.com (Milecourt Ltd.)
Production	1990-2005	1960/61-2005/06		x
Exports/Imports	1990-2003	1960/61-2005/06		x
Consumption/Use	1990-2003	1960/61-2005/06		x
Stocks		1960/61-2005/06		x
Prices			Average of daily prices of raw sugar	x
Availability	Available on the website for all public	Available on the website for all public	Available on the website for all public	Paid subscription required

## 4B. THE INTERNATIONAL SUGAR ORGANIZATION

### The role of ISO:

The International Sugar Organization (ISO) is the unique intergovernmental body dedicated to improving conditions on the world sugar market through debate, analysis, special studies and transparent statistics. The ISO exists to administer the internationally negotiated 1992 International Sugar Agreement (ISA).

### 2. Objectives of ISA (1992):

The objectives of the Agreement are:

- To ensure enhanced international cooperation in connection with world sugar matters and related issues.
- To provide a forum for intergovernmental consultations on sugar and on ways to improve the world sugar economy.
- To facilitate trade by collecting and providing information on the world sugar market and other sweeteners.
- To encourage increased demand for sugar, particularly for non-traditional uses.

### Members:

Argentina	Latvia (EU)	Mauritius
Australia	Lithuania (EU)	Mexico
Belarus	Luxembourg (EU)	Moldova
Belize	Malta (EU)	Mozambique
Brazil	Netherlands (EU)	Nigeria
Cameroon	Poland (EU)	Pakistan
Colombia	Portugal (EU)	Panama
Costa Rica	Slovakia (EU)	Paraguay
Côte d'Ivoire	Slovenia (EU)	Philippines
Cuba	Spain (EU)	Romania

Dominican Republic	Sweden (EU)	Russian Federation
Ecuador	United Kingdom (EU)	Serbia & Montenegro
Austria (EU)	Egypt	South Africa
Belgium (EU)	El Salvador	Sudan
Cyprus (EU)	Ethiopia	Swaziland
Czech Republic (EU)	Fiji	Switzerland
Denmark (EU)	Guatemala	Tanzania
Estonia (EU)	Guyana	Thailand
Finland (EU)	Honduras	Trinidad & Tobago
France (EU)	India	Turkey
Germany (EU)	Iran	Ukraine
Greece (EU)	Jamaica	Viet Nam
Hungary (EU)	Kenya	Zambia
Ireland (EU)	Korea	Zimbabwe
Italy (EU)	Malawi	

The 74 member states of ISO represent (based on data for 2004):  
82% of world sugar production; 65% of world sugar consumption;  
90% of world exports; 32% of world imports

## **Governance:**

### **International Sugar Council**

The highest authority of the Organization is the International Sugar Council, which shall consist of all the Members of the Organization. Each Member have one representative in the Council, and if it so desires, one or more alternates. Furthermore, a Member may appoint one or more advisers to its representatives or alternates. The International Sugar Council functions are the following:

- The Council shall exercise all such powers and perform or arrange for the performance of all such functions as are necessary to carry out the provisions of this Agreement and to pursue the liquidation of the Stock Financing Fund established under article 49 of the International Sugar Agreement, 1977, as delegated by the council under that Agreement to the Council under the International Sugar Agreement, 1984, and the International Sugar Agreement, 1987, pursuant to article 8, paragraph 1, of the latter.
- The council shall adopt, by special vote, such rules and regulations as are necessary to carry out the provisions of this Agreement and are consistent therewith, including rules of procedure for the Council and its committees, and the financial and staff regulations of the Organization. The Council may, in its rules of procedure, provide a procedure whereby it may, without meeting, decide specific questions.
- The Council shall publish an annual report and such other information as it considers appropriate.

As a general rule, the Council shall hold one regular session in each year. In addition, the Council shall meet in special session whenever it so decides or at the request of: (a) any five Members; (b) two or more Members holding collectively 250 votes or more under article 11 as determined under article 25; or (c) the Administrative Committee.

### **Administrative Committee**

The Administrative Committee consists of 18 members. Ten shall, in principle, be the 10 largest financial contributing Members in each year, and 8 members shall be elected from the remaining Membership of the Council.

Each member of the Administrative Committee shall appoint one representative and may appoint in addition one or more alternates and advisers. In addition, all Members of the Council shall be eligible to attend this Committee as observers and may be invited to speak.

The Administrative Committee shall normally meet three times a year.

## **Executive Director and staff**

The Council shall appoint the Executive Director by special vote. The terms of appointment of the Executive Director shall be fixed by the Council. Neither the Executive Director nor any member of the staff shall have any financial interest in the sugar industry or sugar trade.

### **Main activities:**

- The ISO is the only worldwide forum for the exchange of views by major producing, consuming and trading countries at an intergovernmental level. Council sessions, held twice a year in May and November, afford the opportunity for policy issues to be debated at a multi-lateral level.
- The ISO contributes significantly to improved market transparency through its long established and widely recognized statistical and analytical activities. The Market Evaluation, Consumption & Statistics Committee (MECAS), also meeting twice a year, allows a serious and in depth debate of the short term market perspective based on the ISO Secretariat's independent view, longer term perspectives and studies carried out by the Secretariat and others of issues and problems of common interest to members.
- The ISO holds annual seminars with the objective of increasing knowledge and understanding of the sugar market and related problems. ISO seminars provide a wealth of information and give the opportunity for decision makers representing growers, processors, trade, governments, banks and press to gather together.
- The ISO holds workshops on subjects of special interest and importance to the sugar world. Topics covered include: the implications of the GATT Uruguay/WTO round for sugar, alcohol & the environment; alternative uses of sugar and by-products; opportunities in sugar technology (beet/cane) and diversification; world market situation and impact of Latin America on sugar markets; consumption patterns.
- As the designated International Commodity Body (ICB) for sugar for the Amsterdam based Common Fund for Commodities (CFC), the ISO is uniquely able to formulate and sponsor projects from developing countries and countries in transition seeking finance from the first and second accounts of the CFC. Since the CFC is a commodity-wide lending agency, projects to improve productivity, widen product-base and diversify vertically the sugar industry benefit all ISO members, not just the country where the project is sited. Benefits derived from CFC projects enable members to repay their ISO contribution many times over.
- Expanding from its traditional areas of sugar statistics, short and long term forecasting and market analysis, the ISO is tackling issues like sugar and health; sugar and the environment; fortification of sugar with vitamin A; organic sugar and the promotion of sugar. Product coverage has been expanded to deal with related or associated products like alcohol, molasses and alternative sweeteners, both calorific and non-calorific, biofuels, carbon credit trading.

### **Active Projects**

There are three sugar development projects under implementation:

1. CFC/ISO/20: Sugar Cane Variety Improvement in South East Asia and the Pacific;
2. CFC/ISO/24: Enhancing the Viability and Competitiveness of Caribbean Sugar Industries; and
3. CFC/ISO/25FT: Assessing the potential for small scale sweetener and energy production systems by smallholders in Southern Africa.

### **Approved Project, awaiting implementation**

One project approved by the CFC is yet to begin implementation: CFC/ISO/27/FT: International Seminar on Production and Uses of Ethanol.

## 5A. International Rubber Market

### a) The market for natural and synthetic rubber

Global consumption (2005) of synthetic rubber (SR) and natural rubber (NR) stands at about 21 million tons. Major end-use is in tyre manufacturing for which over 60% is used.

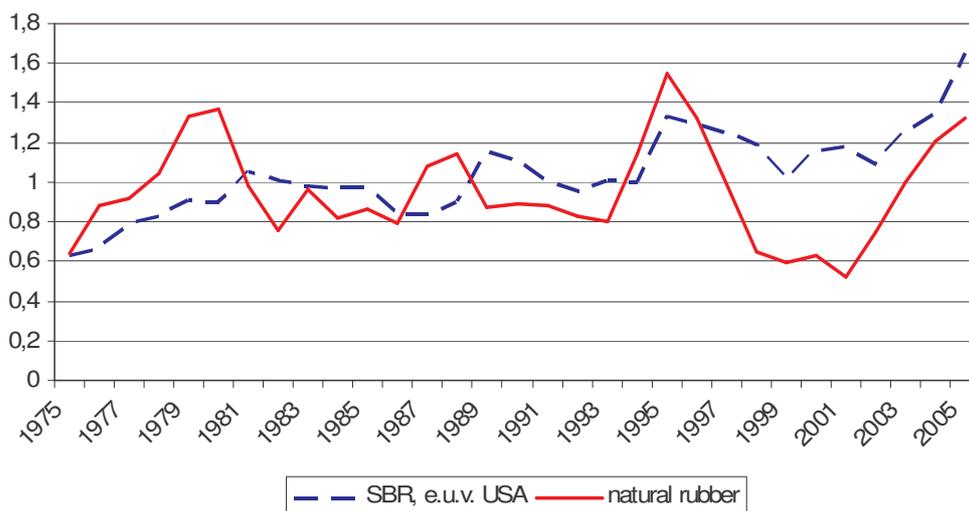
About 43% of all rubber (9 million tons) consist of natural rubber. This share was as low as 30% in the late 1970s.

Major producers of natural rubber are Thailand (33% of world production), Indonesia (26%), and Malaysia (13%). Major consumers are China (23%), EU(15%), USA (13%), and Japan (10%).

Major producers of synthetic rubber are EU(22%), USA (20%), China (14%) and Japan (14%) while major consumers are China (22%), EU (21%), USA (16%) and Japan (10%). World exports of NR amount to 72% of world consumption and a fairly large share of production is consumed domestically. For SR, this is even more the case.

### b) Prices of rubber

The NR prices have been rather volatile over the past three decades, as the graph shows (US\$/kg).



Fluctuations in the prices are due to business cycles of economic growth, which contributed to the high prices in 1995 and 2005, but also a consequence of changes in the exchange rate of the US dollar vis-a-vis other relevant currencies. The Asian currency crisis of 1997 and 1998 in particular, has had a dramatic effect on the prices of NR, but not on those of SR.

### c) Extent of state interference

While the international market for natural and synthetic rubber is relatively free, with low or zero import tariffs on most trade flows, the nature of the industry is such that involvement of the State in production of NR and SR is considerable. The highly capital intensive nature of SR production provides a reason for investors to seek security of their investment from the government. Such security can be a result of stable general economic conditions and policy, or can result from active state involvement in the industry itself.

As to natural rubber, being a perennial crop that starts yielding only after some 6-7 years, makes farmers shy away from such long-term investments unless governments provide extra incentives in the form of planting programs. Typically, major producing countries governments in Thailand, Malaysia and Indonesia have implemented such large scale programs over the past decades. Occasionally, such programs have been combined with price support programs.

#### **d) Traders, processors**

Trade in rubber is dominated by a handful of major tyre manufacturers. Michelin (France), Bridgestone (Japan) and Goodyear (USA) together hold nearly 60% of the world tyre market. Smaller companies are Continental (Germany) and Pirelli (Italy). The production of synthetic rubber is also highly concentrated, also involving major tyre companies. Production of NR is largely done by smallholder farm households. For natural rubber commodity exchanges are in operation in Singapore, Tokyo, Bangkok, Shanghai and Mumbai. The market of Singapore is considered the place of price discovery. Yet, liquidity in the market is not very large and only a small portion of the trade NR passes through these markets.

#### **e) Associations**

Synthetic rubber companies are brought together in meetings of the IISRP, the international institute of synthetic rubber producers. At the country/regional level, major associations are the Rubber Manufacturers Association (RMA) in the USA, the European Tyre and Rubber Manufacturers Association, the Japan Automobile Tyre Manufacturers Association and the China Rubber Industry Association. Traders have a Rubber Trade Association of Europe and a Rubber Trade Association of Japan. They all participate in an International Rubber Association (IRA), which sees the formulation of contracts and discussion on technical standards as within its domain. NR producing countries collaborate in the ANRPC, the Association of NR Producing countries. The three major producing countries have also signed a tripartite agreement to limit exports when prices would fall to very low levels. International research coordination is done through the IRRDB, the International Rubber Research and Development Board.

#### **f) Other statistics providers**

While the IRSG is a major source of information on production and consumption of the major types of rubber, there also are many specialized agencies providing market information. In addition to the statistics of the IIRSP, many private firms collect and disseminate (at some price) statistics and market reports on the chemical industry, including SR production and trade; and on the car and tyre sectors. LMC-International in Oxford is an important private provider of statistics and commissioned studies on the rubber and tyre market. The FAO publishes statistics on area, yields and production of NR by country, and on exports and imports of NR. The World Bank has natural rubber included in its market forecasts. Their projection is for NR prices to remain on the high side at 165 Singapore cents/kg in 2010, compared with 200 c/kg in 2006 (and 150 c/kg in 2005).

## **5B. THE INTERNATIONAL RUBBER STUDY GROUP**

### **1. Role of the IRSG**

The International Rubber Study Group (IRSG) was founded in 1944. It is an intergovernmental organization recognised as an international body located in London, formally established by a Headquarters Agreement with the Government of the United Kingdom and Northern Ireland.

### **2. Objectives**

The IRSG provides a forum for the discussion of matters affecting the supply and demand of both synthetic and natural rubber. It covers all aspects of the world rubber industry, including marketing, shipping, distribution and trade in raw materials and the manufacture and sale of rubber products. The Study Group is the authoritative source of statistical data supplied by Member Governments and other countries and organisations on production, consumption and trade in rubber and rubber products. It prepares current estimates and forecasts of future trends, and undertakes and publishes statistical, economic and techno-economic studies on specific aspects of the industry.

### 3. Members

Currently 18 countries and the European Commission are contributing members: *Belgium*, Republic of Cameroon, Côte d'Ivoire, *France*, *Germany*, India, Indonesia, *Italy*, Japan, Malaysia, Nigeria, Russian Federation, Singapore, *Spain*, Sri Lanka, Thailand, *United Kingdom* and United States of America. They cover nearly 85% of Natural Rubber production, and also 85% of synthetic rubber production.

### 4. Governance structure

The Assembly of Nations is the decision making body of IRSG. Members contribute GBP 20,000 plus their part in the remaining costs of the budget according to their production and consumption levels of NR and SR. While decisions are normally based on consensus, provisions for voting give one vote to each member. Special provisions are that 3 NR producing countries, and 3 consuming countries (including 2 SR producers) should support any decision of the Group when it comes to voting. The Group has established an Executive Committee.

The IRSG has two standing committees, the Economic Committee and the Statistical Committee. Private sector participation is made possible through the establishment of an Industry Advisory Panel (IAP) which is the official advisory body of the Economic Committee. Members of the IAP are selected from the Panel of Associates. All interested companies or associations can become member of this Panel of Associates at GBP 1000 per year (2000 when located in non-member countries) in exchange for access to IRSG data and studies. At present 33 persons are member of the IAP, while the membership of the Panel of Associates is close to 100.

### 5. Resources

The budget of the organization for 2005/06 amounted to GBP 618,000, or about € 930,000. Personnel costs are € 627,000 Accommodation costs are € 86,000. The secretariat counts 7 persons.

### 6. Projects

- (v) Enhancing incomes of smallholder farmers in West and Central Africa through productivity improvements and diversification (recently approved by CFC)
- (vi) Improving productivity of smallholdings through rubber agro-forestry (not yet implemented) US\$ 2.8 million, CFC contribution US\$ 1.4 million.
- (vii) Improvement of management strategies in combating *Corynespora* Rubber Leaf Fall Disease (under implementation) US\$ 942,000 CFC contribution US\$ 567,000.

### 7. Publications

Rubber Statistical Bulletin (bi-monthly).

- Rubber Industry Report (bi-monthly)

Outlook for Elastomers (annually)

- World Rubber Statistics Handbook (every 5 years approx)
- Secretariat's Project Reports and Conference Papers
  - The World Rubber Industry (2006)
  - The Rubber Industry of India (2006)
  - Similar reports for other producing countries in the region (Japan, Korea, Taiwan, Malaysia, Sri Lanka, Indonesia, Philippines, Vietnam, Thailand), all in 2005
  - The Future of the Tyre and Rubber Sector of China (2004)

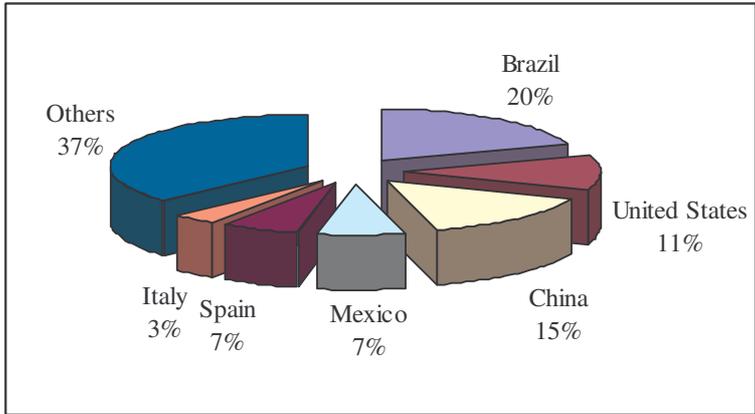
# 6. FAO INTERGOVERNMENTAL GROUPS

## Intergovernmental Group on Citrus Fruit

### 6.1A Citrus market analysis

#### *Citrus production and trade*

World production of the main fresh citrus fruits (oranges, tangerines, lemons, limes and grapefruits) has been estimated at 92.8 million tons in 2004/05. The main producing countries are Brazil (20% of total production), United States (11%), China (15%), Spain (7%) and Mexico (7%). These countries account for 60% of global production. Citrus fruit production has increased considerably in China. It has risen from about 1,7 million tons during the 1980-1989 period to an average of more than 12 million tons in last years.



**Figure 1: Production of main fresh citrus fruits by country** Source : FAO

During the year 2004/05, fresh citrus fruits exports were about 11 million tons which represents 12% of world production. About 40% of the world production is consumed domestically and about one-third is used to obtain processed products (frozen concentrates and juices). The main exporters of citrus fruits are Spain (32% of total exports), USA (10%), South Africa (10%) and Turkey (6%). These four countries account for 58% of world exports.

World imports are less concentrated. Seven countries account for about 60% of the world imports, most of them are located in European Union: Germany (12%), Russia (11%), France (11%), United Kingdom (8%), Netherlands (7%), Japan (5%) and USA (5%).

#### *Prices of citrus fruit*

According to the UNCTAD, citrus fruits crops are highly vulnerable to weather conditions. The availability of citrus fruits may vary significantly between the different seasons. Prices of citrus fruits are highly volatile while they are relatively sensitive to changes in quantity supplied.

In regard to retail prices, they have been relatively stable in German and French markets. Prices have increased by 20% in last five years. In contrast, retail prices in Japanese market have fluctuated considerably in the same period. They have risen by 50%.

#### *State interference*

European Union is the major importing area for citrus fruits. This sector is regulated by the Common Market Organization for fruits and vegetables, which was reformed as a part of the global reform of the

CAP in 1996. This reform partially shifted the policy from market intervention measures to supporting producers through producer organizations.

Apart from the process of liberalization of international trade, some producing countries have also assisted to a process of internal de-regulation of the citrus fruits sector. This has been the case for countries such as Israel and South Africa. Before these reforms, the system was characterized by strong State intervention (Infocomm, UNCTAD).

In general, government intervention in fruits and vegetables tends to be lower than in other agricultural sectors. Industrialized countries do not subsidize horticultural producers directly, and there are no price support mechanisms. There are indirect supports through processing subsidies (e.g. for citrus in the EU), provision of phytosanitary services and support to generic advertisement and export promotion programmes (in the USA and the EU). The main trade interference of governments is through market access regulation (FAO Fact Sheets, 2003).

### ***Market concentration***

International trade in the fresh citrus fruits sector is characterized by the reduced degree of concentration of supply. Nevertheless, there is a certain trend towards concentration of producer groups as a response to buyers consolidation. There is also an important presence of cooperatives in this sector that obtain better prices and market conditions for growers.

On the contrary, processed fruit trade is highly concentrated. For instance, a small number of companies operating in Brazil and in the United States dominate the orange juice market. These companies are highly vertically integrated, since size and scale are an important competitive advantage, particularly in bulk transportation of the juice (Infocomm, UNCTAD).

### ***Other statistics providers***

Apart from the FAO information, the main statistics providers are the Foreign Agricultural Service (FAS) of the USDA and the Liaison Committee for Mediterranean Citrus Fruit Culture (CLAM). This latter organization provides statistical information about production, imports, exports and consumption of citrus in the European Community, as well as in the countries of Central and Eastern Europe.

## **6.1B IGG on Citrus Fruit**

### ***Objectives***

The terms of reference of the IGG on Citrus Fruit include the three main following objectives:

- To study problems affecting the long-term equilibrium of production and consumption of citrus fruit and citrus products.
- To study the economic aspects of problems arising from the perishable nature of the citrus fruit.
- To consider the best way to deal with any special difficulties which may exist and may be expected to arise.

The current terms of reference were revised by the Committee on Commodity Problems at its 53rd session in September 1981 and adopted by the Group at its 7th session in November 1986. They will be revised on the next session (14<sup>th</sup> session in November 2005).

### ***Members***

Membership is open to all Members and Associate Members of the FAO that are interested in the production or consumption of, and trade in, citrus fruit and citrus products.

Interested non member countries of the FAO that are members of the United Nations, any of its specialized agencies or the International Atomic Energy Agency, may be admitted to membership by the FAO Council.

Attendance by non-member countries of the FAO at sessions of the Committee shall be governed by the principles relating to the granting of observer status of the FAO.

77 delegates attended the last session of the IGG on Citrus Fruit (13<sup>th</sup> session) from the following member countries:

Argentina	Dominican Republic	Guatemala	Iran	Netherlands
Belize	Ecuador	Guinea	Italy	Senegal
Brazil	Egypt	India	Jamaica	Spain
Cuba	Germany	Indonesia	Mexico	Trinidad and Tobago

Among the main producing countries, there is no active participation of the United States.

In addition, observers from the following organizations attended:

Intergovernmental organizations: the Common Fund for Commodities (CFC)

Non-governmental organizations: Freshfel Europe, the Interamerican Citrus Network (IACNET), the International Society of Citriculture (ISC) and the Liaison Committee for Mediterranean Citrus Fruit Culture (CLAM).

There is no official private sector or civil society participation. There have been important efforts to increase their involvement.

### ***Governance structure***

The Group reports to the Committee on Commodity Problems (CCP). The Group adopts and amends its own rules of procedures which are approved by the CCP. The group may decide, by a two-thirds majority of the votes, to amend its rules of procedures. Such amendments must be approved by the CCP.

For each session, the Group elects a Chairman and two Vice-Chairpersons among the eligible members. Each member of the Group has a representative. Each member has one vote. Associate Members do not have the right to vote. In practice, decisions are taken by consensus.

The IGG on Citrus Fruit holds its sessions annually and only in each biennium. The Director-General may, if requested by the Group or by its Chairman, call special sessions.

### ***Resources***

2.5 FAO staff persons are in charge of the IGG work (statistical work, CFC project supervision, preparation of the IGG sessions and other matters).

### ***Meetings***

The 13<sup>th</sup> session of the IGG was held in Cuba on May 2003. The 14<sup>th</sup> session will be held in Israel from 27 to 30 November 2006.

The agenda for the Session began with a review of the current market situation and short-term outlook, plus medium-term projections to 2010. The Group also reviewed the world market for organic citrus and citrus juices and the current multilateral negotiations and their potential impacts on international citrus trade. The Session continued with a review of current citrus phytosanitary problems and policies in the main exporting and importing countries and in particular in Cuba. The Group also reviewed CFC current projects and new projects submitted by members.

### ***Projects***

The IGG on Citrus Fruit is the recognized International Commodity Body (ICB) for citrus fruits. The CFC has requested that IGG on Citrus Fruit adopts some “orphan commodities”, including some vegetables and some fruits for the purpose of Common Fund project evaluation, endorsement, submission and supervision. In the 13<sup>th</sup> session, the Group accepted this proposal.

#### ***Recently Completed Projects (1):***

The project “New Approach for Diagnosis and Prevention of Tristeza Outbreaks” has been twice extended and completed in January 2005. This project has been executed by the Centro de Citricultura in Faro, Portugal. Training sessions for technicians in Latin America were conducted in Cuba and in Morocco for technicians from Middle East and North Africa.

<i>CFC Projects</i>	<i>Project cost</i>	<i>CFC grant</i>
New Approach for Diagnosis and Prevention of Triste Outbreaks	0.8 million US\$	0.6 million US\$

*On-going projects (2):*

<i>CFC Projects</i>	<i>Project cost</i>	<i>CFC grant</i>	<i>CFC loan</i>
Improving Production of Citrus Planting Material in the Caribbean Basin (Cuba, Guatemala, Mexico, Trinidad and Tobago)	6.5 million US\$	1.5 million US\$	1.7 million US\$
In-Depth Development of Citrus Production in Kaixian County (China, Indonesia, Nepal)*	2.8 million US\$	0.7 million US\$	0.5 million US\$

\*This project is currently suspended.

### ***Publications***

A statistical compendium is published by the FAO every two years. It contains information available at the Organization (mainly at the Commodities and Trade Division), supplemented by data supplied by USDA and CLAM. The following information is provided:

- World production, exports and imports for fresh citrus fruits (oranges, tangerines, lemons, limes and grapefruit).
- Data on processing and trade.
- Grower and wholesale prices in selected countries.

The IGG on Citrus Fruits does not publish market analysis reports. The staff prepares some documents on current market situation and medium-term projections for the IGG sessions.

The IGG on Citrus does not work on international firms' concentration. There is no official sources.

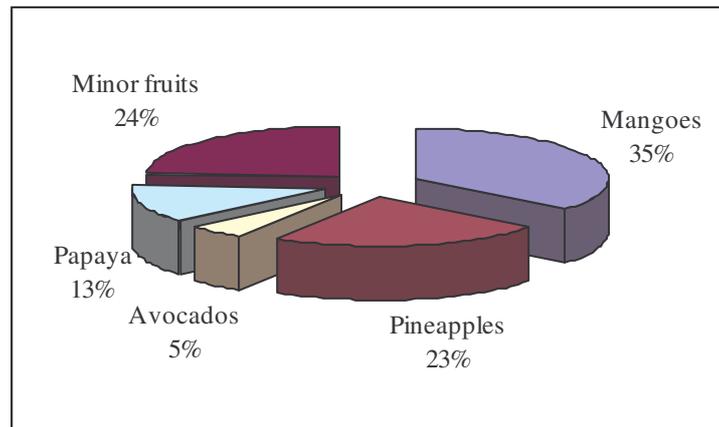
## **6.2 Intergovernmental Group on Bananas and Tropical Fruits**

### **Sub-group on Tropical Fruits**

#### **6.2.1A Tropical Fruits market analysis**

##### ***Tropical Fruits production and trade***

World production was estimated at 67.7 million tons of tropical fruits in 2004. Mango and pineapple are the dominant varieties. Both account for 58% of total production. Asian countries are among the main producers of tropical fruits (pineapple, mango, avocado and papaya). India, Thailand and Mexico are the main producers of mangoes. Philippines, Thailand and China produce one-third of pineapple production. According to the FAO, data on minor tropical fruits (lychees, durian, rambutan, guavas and passion fruit) remains scarce because most countries do not record or collect them. Production of minor tropical fruits was estimated at 16.1 million tons in 2004.



**Figure 2: World production of tropical fruits** Source: FAO

Only a small part of world production of fresh tropical fruits is exported. In 2004, world exports were estimated at 3.1 million tons which represented about 5% of total production. Pineapple exports have reached 1.3 million tons at the same period. They account for more than 40% of total exports. Costa Rica, Philippines and Côte d'Ivoire are the largest pineapple exporters. Minor fruits are mainly exported by Asian countries (Hong Kong, Thailand and Malaysia). The United States, the European Union and Japan remain the largest import markets. The United States are the first importer of mangoes, avocados and papaya.

It is important to note that statistics provided by FAO do not include intra-EC trade.

### ***Prices of tropical fruits***

According to the FAO, price patterns in general show seasonality, more pronounced for certain products, such as mango, which is driven by non-regular supply and peaks in demand during particular periods. In the United Kingdom, average annual wholesale prices of all the major fruits (pineapples, mangoes, avocados and papayas) declined in 2004 in euros but increased significantly in US dollars, almost exclusively due to the Euro/Dollar exchange rate. Similarly in France, prices fell for all except papaya. The weaker euro prices reflected the larger quantities of fruit which are imported from Africa by both the United Kingdom and France. By contrast, tropical fruits imported into Germany come from Latin America. They are imported with the banana shipments from that region. In Germany, the annual average wholesale price of pineapples and mangoes increased between 2003 and 2004. The increase in the price of pineapples reflected the strength in demand for pineapples originating from Costa Rica (FAO).

### ***State interference***

State interference on tropical fruits markets is relatively low. Tariff reduction in main importing/consuming markets has been important in both developed and developing countries. For instance, in the EU market, tropical fruits are not subjected to the entry price mechanism or import licensing. In terms of domestic support, the only significant assistance is provided to the Community's manufacturers of "tinned pineapples" to assist them in competing with imports from non-EC producing countries (FAO, 2003).

Nevertheless, the implementation of SPS measures continues to be the most significant policy issue for international trade in tropical fruits. SPS measures are a major potential obstacle to fresh tropical fruit trade. According to the FAO, the reduced availability and acceptance of pesticides will have strong implications for trade in tropical fruits. The implementation of phytosanitary measures could be costly and problematic for many developing countries.

### *Market concentration*

Increased market concentration in favor of supermarkets has been contributing to a shift of market power in a supply chain that was producer driven, to one that is driven by consumer and their retailers (FFTC, 2004). According to the FAO, 20 supermarket chains dominate the retail sectors in tropical fruits in Japan, the United States and Europe. These same chains are rapidly expanding elsewhere. Their preferences for dealing with few large suppliers, imposing their own certification and food safety criteria have affected some smaller farmers and developing country suppliers, since they do not have the capital to invest in the equipment or pay the certifications needed by the supermarkets (FAO, 2003).

### *Other statistics providers*

Apart from the FAO information, the main statistics provider is the Agricultural Market Service (AMS) of the USDA. Reports include information on prices, volume, quality, condition, and other market data in specific markets and marketing areas. Reports cover both US and international markets

## **6.2.1B Subgroup on Tropical Fruits**

The Group on Bananas and Tropical Fruits was established by the Committee on Commodity Problems in January 1999. It replaced the former IGG on Bananas.

### *Role*

The Subgroup is meant to provide a forum for consultations and studies on production, marketing, trade and consumption of tropical fruits.

### *Objectives*

The objectives of the Subgroup are:

- To strengthen data collection, standardize presentation and improve dissemination of information on production, utilization, exports and imports of tropical fruits, both in the short and long-term.
- To undertake studies on the economic aspects of consumption, with special references to the relations between consumption and prices, income, trade barriers and distribution systems, and studies on the possibilities of increasing world consumption, analyzing and improving the understanding of the markets to enable effective planning and programming.
- To conduct studies of the efficiency and social aspects of the tropical fruit industry with particular reference to the improvement of nutrition and living standards of those engaged in the tropical fruit industry.
- To conduct studies of economic problems of production, transportation, marketing and distribution of tropical fruits, including those of improvement of quality, with a view to developing recommendations for promoting the marketing of high quality tropical fruits at prices that are faire to both producers and consumers.
- To consider the best way to deal with any special difficulties which may exist or may be expected to arise and shall submit reports and/or recommendations on the subject to the IGG on Bananas.

### *Members*

Membership in the Group is open to all member countries and associate members of FAO that are substantially interested in the production or consumption of, and trade in, bananas and/or tropical fruits. Interested non-member of FAO that are Members of the United Nations or its specialized agencies may be admitted to membership in the Group.

The last session of the IGG on Bananas and Tropical Fruits (3<sup>rd</sup> session in 2004) was attended by the following members:

Belgium	Egypt	Guatemala	Malaysia	Spain
Cameroon	European Union	Indonesia	Netherlands	Sudan
Costa Rica	France	Ireland	Nigeria	United States
Côte d'Ivoire	Germany	Italy	Panama	
Ecuador	Greece	Kenya	Portugal	

In addition, observers from the following organizations attended:

Intergovernmental organizations: the Common Fund for Commodities (CFC)

Non-governmental organizations: European Community Banana Trade Association (ECBTA), Freshfel Europe, International Banana Association (IBA), International Network for the Improvement of Bananas and Plantains (INIBAP), International Society for Horticultural Science (ISHS) and International Tropical Fruits Network (TFNet).

### ***Governance structure***

The Sub-Group on Tropical Fruits operates under the same rules of procedures as the Group of Bananas. The Group elects at each of its sessions a Chairperson and two Vice-Chairpersons from among the eligible members.

Any member country or associate member of the FAO which is not member of the Group, or any non-member state invited to attend a session in an observer capacity, must submit a memoranda on any item on the agenda and participate without vote in any discussion at a public or private meeting. Each member of the Group has one vote.

### ***Meetings***

The Group normally meets every two years. The Director-General may call an extraordinary session when necessary to fulfil the Programme of Work as approved by the Conference.

The 3<sup>rd</sup> session of the IGG on Bananas and Tropical Fruits was held in Spain on March 2004. The next session was originally scheduled on September 2005 but it has been postponed. Sessions of the subgroups were held separately with a separate agenda.

The Subgroup on Tropical Fruits began with a review of market situation, short-term outlook and medium-term projections for world supply and demand to 2010. Two documents were discussed on market prospects for the world pineapple market and the Chinese market for tropical fruits. The Subgroup reviewed recent development in international trade policies of tropical fruits. A report on CFC activities were also presented, as well as new projects proposals.

### ***Projects***

The Subgroup on Tropical Fruits is the recognized International Commodity Body (ICB) for Common Fund for Commodities projects on tropical fruits and spices, cashews, herbs and essential oils. At the 62<sup>nd</sup> session in January 1999, the CCP requested its IGG to adopt "orphan commodities", including spices, cashews, herbs and essential oils.

*On going regular projects (7):*

<b><i>CFC Projects</i></b>	<b><i>Project cost</i></b>	<b><i>CFC grant</i></b>
Regional Cashew Improvement Network for Eastern & Southern Africa	3.2 million US\$	2.8 million US\$
Quality assurance and enhancing export competitiveness tropical fruits from Asia/Pacific	3.2 million US\$	1.7 million US\$
Diversification of agriculture in Guatemala and Mex (Chiapas) through the production of export fruits	5.4 million US\$	1.7 million US\$
African Fruit Fly Initiative	5.9 million US\$	1.7 million US\$
Quality Assurance and Enhancing Export Competitiveness	1.5 million US\$	1.3 million US\$

Tropical Fruits in African LDCs		
Vegetable Export Development (Sudan and Ethiopia)	2 million US\$	1.8 million US\$
Development of Medicinal Plant and Herbs	2.3 million US\$	1.7 million US\$

*Fast track projects (5):*

Workshop on Medicinal Herbs/Plants: Scope for Diversification and Sustainable Extraction (approved in 2004)	61160 US\$	61160 US\$
Strengthening the Commercial Production in Tropical Fruits in Ethiopia and the Sudan: Assessment of Needs and Feasibility (approved in 2004)	40000 US\$	40000 US\$
Flowering and Harvesting of Mangoes (approved in 2005)	213520 US\$	116200 US\$
Ginger production in West Africa (approved in 2005)	50000 US\$	50000 US\$
Production of Cut Flowers and Ornamental Plants (approved in 2005)	120000 US\$	120000 US\$

### ***Publications***

A statistical compendium is published by the FAO every two years. It provides information on world production, exports and imports for main tropical fruits (mango, pineapple, papaya and avocado) and world production for minor tropical fruits (durian, rambutan, guava, passion fruit; lychee and longan). The compendium also provides tariff rates for tropical fruits in selected markets.

At the last IGG session, the difficulty in obtaining statistics for tropical fruits was raised. The Sub-group encouraged delegates to respond to the questionnaire sent every year. It was also recommended that FAO Secretariat improves data collection and provides more detailed data, including data on organic products.

The Subgroup does not publish market analysis reports. The staff prepares some documents mainly on current market situation and medium-term projections for the IGG sessions. It provides an analysis of price trends in major import markets and forecasts of global production and import demand.

### ***Collaboration with other organizations***

The International Tropical Fruits Network (TFNet) is an independent and self-financing global network set up under the auspices of the Food and Agriculture Organization of the United Nations (FAO). It is both intergovernmental and interinstitutional and reports its activities to the Sub-group on the Tropical Fruits of the FAO Intergovernmental Groups of Bananas and on Tropical Fruits.

## **Subgroup on Bananas**

### **6.2.2A Banana market analysis**

#### ***Production and trade***

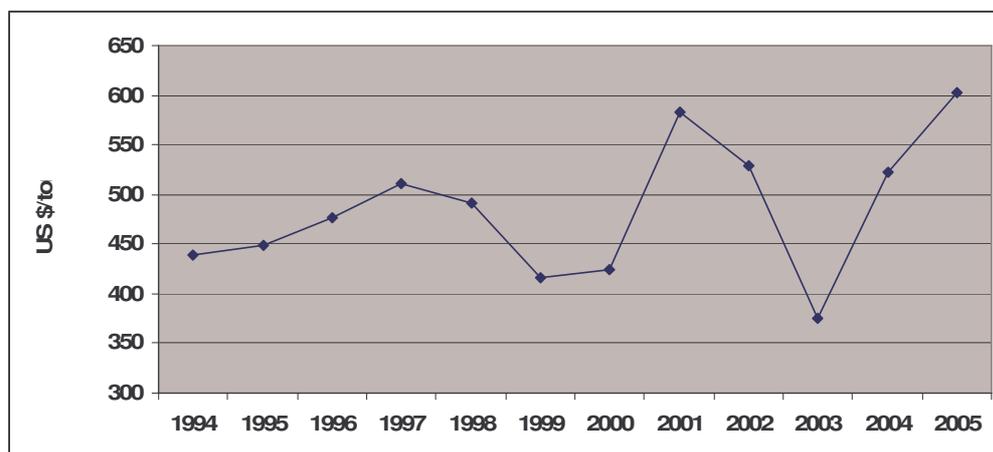
FAO's World Banana Economy, published in 2003, show that world production bananas can be divided into plantain or cooking bananas and dessert bananas. The latter type, which is the more exported type, takes about 60% of total production. It was believed that total banana production was around 100 million tonnes in 2001, so that dessert banana production is some 60 million tonnes. (but FAOStat reports 70 million tonnes in 2002). Using figures of CIRAD-FLHOR, the FAO estimated that Latin America produced 22 million tonnes, Africa 12 million, Asia 20 million. Major producers of the Cavendish variety (that accounts for almost all trade) are India (19%), Ecuador (12%), China (10%), followed by Colombia, Costa Rica and Brazil with around 5%.

Total gross exports of bananas in 2004 were 12.8 million tonnes. Latin America takes 80% of these exports, mainly from Ecuador (4.5 M); Costa Rica (1.8 M), Colombia (1.4 M) and Colombia (1.0 M). The Philippines exported 1.8 M tonnes.

Major importers are the EU25 with 3.6 M tonnes, USA with 3.4 M tonnes and Japan with 1 million tonnes.

### *Prices*

Import prices into the USA are mostly taken as a good measure of the world price. The graph below shows the development of these prices over the past twelve years (source FAO Banana Statistics 2005 (adjusted for 2004)).



### *State interference*

Being the largest importer, the EU banana policy has a considerable influence on the world market. The (relatively small) EU production falls under the common agricultural policy, as do other crops. EU producers receive deficiency payments above the world market price. The major factor in the world banana trade was the tariff-quota arrangement that the EU installed in 1992 with the aim of harmonising the regulations for the then member states, while maintaining the protection that France and the UK in particular had granted to producers in Africa and the Caribbean. Under considerable pressure from Ecuador and the USA, and governed by WTO rules, the arrangement was changed per 1 January 2006 into a tariff-only regime for non-ACP countries and a tariff-free quota for ACP imports. The original proposal by the EU was challenged at the WTO, after which an Arbitrator Commission ruled that the high tariff (€230 per ton) was not sufficiently justified. After another proposal and a new ruling, parties settled for a tariff of € 176/ton. An interesting element in the Arbitrage was that the FAO collected prices for the wholesale level within the EU (used by the EU in her notification) were not considered representative enough. In a later version, the EU used a private source, Sopisco News.

### *Market concentration*

The banana market is notable for its high degree of concentration. Major international companies are Chiquita, Dole and Del Monte who are believed to jointly hold a share of some 65% of the market. The major companies have a high degree of vertical integration; they have an important stake in plantations, as well as in export, shipping and import companies.

### *Other statistics providers*

Next to the publications by the FAO group, other organisations provide market information. CIRAD is among these with its publication Fruitrop, and so is Sopisco News. UNCTAD's Infocomm site on bananas is set up with CIRAD. USDA provides recent data on the US banana market, from port to retail. Research on bananas is coordinated through INIBAP, the International Network for the Improvement of Banana and Plantain.

## 6.2.2B IGG on Bananas

### *Objectives*

The subgroup on Bananas shares the objectives of the Group on Tropical Fruits and Bananas. These are listed above, under the heading of Tropical Fruits.

The Strategy document that the subgroup prepared for the CFC gives three main fields:

- A. Fostering market expansion and export diversification
- B. Improved market transparency
- C. Development dissemination and implementation of new technology (source: CCP:BA/TF03/CRS.2)

*Members, Governance Structure* and *Meetings* are all shared with the subgroup on tropical fruits and are presented above. Last meeting was in 2003. In the Members delegations, a considerable presence of the major banana companies was noted. Next meeting yet to be determined, after the meeting of 2005 was postponed at the request of the EU.

### *Projects*

Projects undertaken by the Group with support of CFC and executed by INIBAP include

- Farmer-participatory evaluation and dissemination of improved Musa germplasm (total costs \$6.1 million, CFC 1.9 M grant, 1.7 M loan)
- Reviving banana cultivation in the Republic of Guinea (total costs \$2.9 million; CFC \$0.8 M grant; \$0.7 M loan)
- Organic Banana Promotion - Sudan, Ethiopia (total costs \$3.6 million; CFC grant \$2.1 M)

### *Publications*

A major publication by the FAO for the group was the World Banana Economy 1990-2003, which came timely for the discussion on changes in the EU policy. In relation to this policy change, the FAO also produced a useful note on the economic issues involved with a change from tariff-quota to tariff-only. The Group also publishes biennially the Banana Statistics (latest is 2005) with information on trade flows and prices in the supply chain. For the biennial meetings various notes are published on trade policy, consumer attitudes vis-à-vis GMOs, specific markets, etc. Longer term projections are also published.

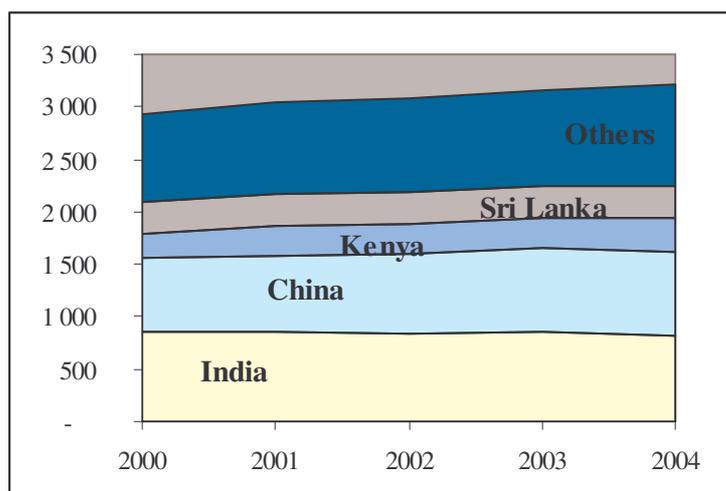
The group maintains a *banana forum* for discussion of economic trade issues.

## 6.3 Intergovernmental Group on Tea

### 6.3A Tea market analysis

#### *Tea production and trade*

World tea production reached 3.2 million tons in 2004. It has risen by 10% during the last five years. India and China are the major producing countries. They both account for a half of the world production. Kenya and Sri Lanka are also among the leading countries. Each country's share of total production is 10%. Tea production has slightly decreased in India and Sri Lanka. In contrast, production in Kenya and in China has considerably increased since 2000. Kenyan production has risen by about 40%.



**Figure 3: World Production of Tea by Major Countries**

Source: Sugar and Beverages Group, FAO

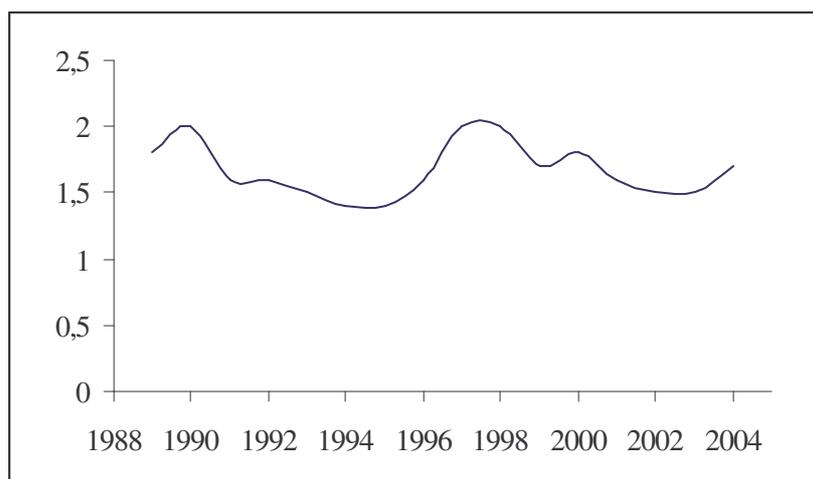
World tea exports represent almost half of the world production. It was estimated at 1.5 million tons in 2004. Main producers are also among the top leading exporters of tea. Exports from Kenya (20% of total exports), Sri Lanka (20%), China (19%) and India (12%) account for 70% of world exports. In the last five years, tea exports has increased by 10%.

The largest importers of tea are the European Union (mainly United Kingdom), Russia, Pakistan and United States. They account for 43% of total imports. In the last five years, imports have increased in Pakistan and in the United States. According to the FAO Tea Commodity Note, a memorandum of understanding was signed in June 2004 between the governments of India and Pakistan agreeing on a base volume of tea exports from India to Pakistan of 25000 tonnes over the period 2004/2005 (July/June) to 2006/2007.

#### *International tea prices*

The London tea auction constituted for many years the reference for tea prices at the international level. However, its importance declined, resulting in its closure in June 1998. At present, a considerable percentage of tea is traded at auctions organized in each country. The main auction centres are located in India (Kolkata), Kenya (Mombassa) and Sri Lanka (Colombo). The FAO Tea Composite Price Index is an indicator of the overall tendency of the tea market, encompassing all major auction prices.

Prices vary among auctions as well as within auctions because of the differences in origin and quality. During the 1985-1995 period, prices experienced a declining trend with annual fluctuations caused by supply disruptions. Since 1995 prices have shown a brief recovery as shown in figure 4. Prices have averaged 1.62 US\$/kg during the last five years.



**Figure 4: Tea Composite Price** Source: FAO

According to the FAO (2002), the relative rigidity of short-term supply coupled with low price elasticity of demand in consuming countries, and the long gestation period of the crop (between 4-6 years), cause alternating short periods of booms and long periods of abundant supply with depressed market prices.

### *State interference*

Current tariff levels for value-added teas are high while those for bulk teas are very low or at zero (FAO, 2002). In addition, non-tariff obstacles such as standards of labelling and pesticide regulations affect tea trade. It is often the case that requirements for maximum residue levels (MRLs) for certain pesticides are more stringent in importing markets. Some banned or severely restricted pesticides in the EU and the US are still in use in the agricultural sector in developing countries.

### *Market concentration*

Market concentration is high in tea market. According to the FAO, three multinational companies account for nearly 80% of tea traded. The large companies are integrated horizontally and vertically. They own plantations and processing factories and they control the transport companies and shipping agencies. They strongly influence both price movements and the demand for certain qualities of tea. For instance, Tata Tea Ltd., part of the Tata Group controls 54 plantations in India and more than 20 plantations in Sri Lanka. It also owns 10 blending and packaging factories in India alone, including the world's largest tea factory in Munnar. Tata also has 21% share of the Indian branded teas market. Having acquired Tetley, Tata now has the second biggest tea big brand worldwide (Oxfam).

### *Other statistics providers*

Apart from the FAO information, the main statistic provider is the International Tea Committee. The ITC provides statistics on acreage, production, exports by country of destination, imports by country of origin, FOB value of exports, CIF values of imports and weekly auction average prices for all auction centres. The ITC publishes an annual bulletin of statistics and a monthly statistical summary.

Full membership is open to those organisations that represent the interests of tea in their country: such as Tea Boards, tea associations or governmental departments. The ITC Board of Management agrees annual contributions.

Associate members enjoy complimentary publications and access to the ITC Web Summary and membership is open to organisations that represent the interests of tea in their country. Associate membership per calendar year is £475.

Corporate membership is open to private sector companies involved in the tea trade. Membership includes complimentary publications and the contribution payable per calendar year is £475.

### 6.3B IGG on Tea

The IGG on Tea was established by the CCP at its 44th session in 1969 as the Consultative Committee on Tea. The title of this Body was changed in 1971.

#### *Role*

The Group is aimed to provide a forum for consultations on, and studies of, all problems connected to tea.

#### *Objectives*

The main objectives of the Subgroup are defined as follows:

- To review short-term and long-term developments in world production and consumption of tea; trends in trade and prices; and, consumer preference with regard to quality.
- To conduct studies on market structures.
- To promote tea consumption.
- To improve tea statistics.
- To draft or approve texts of proposals for further international action, subsequently to be submitted to governments concerned.

#### *Members*

FAO rules on membership in Intergovernmental Groups apply to the IGG on Tea. Membership is open to all members and associate members of the FAO. Attendance by non-member countries of the FAO shall be governed by the principles relating to the granting of observer status of FAO.

The last session of the IGG on Tea (16<sup>th</sup> session in July 2005) was attended by 95 delegates from the following member countries:

Bangladesh	India	Japan	Philippines	United Kingdom
Canada	Indonesia	Kenya	Sri Lanka	United States
China	Iran	Libya	Tanzania	Vietnam
Germany	Italy	Malawi	Uganda	

In addition, observers from the Common Fund for Commodities (CFC) and the International Tea Committee attended.

Even though there is no formal participation of private sector, stakeholders are very implicated in IGG sessions. In general, they are part of the official delegations. There is no request from NGOs to participate to IGG sessions.

#### *Governance structure*

The Group reports to the Committee on Commodity Problems.

The Group elects at each of its sessions a Chairperson and two Vice-Chairpersons from among eligible members. Each member has one vote. Associate Members do not have the right to vote.

The IGG on Tea holds normally its sessions annually and only in each biennium. The Director-General may call for special sessions if requested.

#### *Resources*

2.5 FAO staff persons are in charge of the IGG work : one person for statistics, and one secretary (mid-time) and one professional staff in charge of the IGG.

## **Meetings**

The 16<sup>th</sup> session of the IGG on Tea was held in Indonesia on July 2005. The next session will be held in Kenya from 29 November to 1 December 2006.

In the last session, the Group reviewed the market situation and medium term outlook to 2014. The Group also discussed studies of tea markets in Pakistan, Egypt, Iran and Turkey that were prepared by the Secretariat. In addition, the session discussed studies (in progress) on value chain analysis of selected tea markets (Sri Lanka and Kenya) and on price transmission on selected tea markets (India and Sri Lanka). These two studies were requested by the IGG at the previous session (2003). The promotion activities were also examined at the session, mainly regarding the future of the Tea Mark<sup>5</sup>. Furthermore, the participants were informed about the actions undertaken by the working group on maximum residue levels (MRLs) in tea. The Group also reviewed CFC current projects and new projects submitted for evaluation.

## **Projects**

The Group is the recognized International Commodity Body (ICB) for tea. The Group has only two on-going projects and three projects under consideration. The project concerning generic promotion (“Increased Demand for Tea”) was completed in 2000.

### *Completed Projects (1):*

<b>CFC Projects</b>	<b>Project cost</b>	<b>CFC grant</b>
Increased Demand for tea (completed in 2000)	4.7 million US\$	2 million US\$

### *On-going projects (2):*

<b>CFC Projects</b>	<b>Project cost</b>	<b>CFC grant</b>	<b>CFC loan</b>
Development, Production and Trade of Orga Tea – Phase I	150000 US\$	150000 US\$	
Development, Production and Trade of Orga Tea – Phase II	7.1 million US\$	1.8 million US\$	1.7 million US\$

## **Publications**

A questionnaire is sent once a year to the member countries in order to compile statistical information. A cross check is done with data from Comtrade and the ITC (International Tea Committee). The Secretariat publishes a tea commodity note that is updated periodically. It contains information on world production, exports and imports of tea; tea composite prices and annual quantities of tea sold at auctions.

A compendium on trade tariffs and maximum residue levels is also published by the Secretariat. It contains actual and bound rates on imports of tea and other tariffs and maximum residue levels of pesticides for tea in selected markets.

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<sup>5</sup> The Group was requested to decide on the future of the Mark and three options were considered: 1) to terminate all work on the Mark immediately; 2) to discontinue renewal of the Mark as registrations expired and 3) to sell the Mark. The Group is abandoning this work because only few countries subscribed to the Mark. The IGG did not have enough resources to accomplish this work.

## 6.4 Intergovernmental Group on Oilseeds, Oils and Fats

### 6.4A Market analysis

#### *Production and trade*

World production of oilseeds was estimated at 400 million tons in 2005/06. According to the FAO's Food Outlook (December 2006), total production is forecast to rise by 1%. Soybean production is expected to increase by 2-3% in 2006/07. In contrast, production of rape, groundnut and sunflower seed is expected to decrease more rapidly. Soybean production represents more than 55% of global oilseeds production.

The largest producers of oilseeds are the United States, China, Brazil and Argentina, accounting for about 65% of world production. Production in the US has decreased over the past five years (-8%) while production in Latin American countries has increased considerably (more than 50% in Brazil and 40% in Argentina). Soybean production in these three countries represents more than 90% of total production.

World exports were estimated at 76 million tons in 2005/06. The United States and Brazil are the main exporter of oilseeds, accounting for about 70% of total exports. The major importers are China, the European Union, Japan and Mexico. Imports in China have considerably increased over the past five year (64%).

According to the OECD/FAO Agricultural Outlook, growth in demand for non-food use may impact oilseed markets. The two subsectors of particular relevance are the oleochemical industry and, more recently, vegetable oil-based biodiesel production. Several major oilcrop producing countries are exploring possibilities for a partial shift into alternatives uses. If such shifts occurred, changes in prices and repercussions on the overall pattern of oilcrop production, consumption and trade could be significant (OECD/FAO, 2005)

World production of oils and fats was estimated at 148 million tons in 2005/06. Vegetable oil production represents about 80% of world production. The main world producers are Asian countries as Indonesia (15% of total production), Malaysia (14%) and China (12%), the European Union (10%) and the United States (9%). Palm oil is the second most consumed oil after soybean oil. According to the OECD/FAO Agricultural Outlook, this order could be reversed by the year 2014.

World exports of oils and fats represents about 40% of total production. Asian countries (Malaysia and Indonesia) are the main exporters, followed by the European Union, Latin American countries (Argentina and Brazil) and the United States.

Consumption in oils and fats tends to rise, sustained by income and population growth in China and other countries in Southeast Asia. The European Union is the world largest importer of oils and fats. Imports in China have considerably increased over the last five years. They have almost tripled since 2000. Global demand is expected to increase in next years, specially because of the fast growing use of oils and fats as fuels and for biodiesel production (FAO, 2006).

World production of oilmeals and cakes was estimated at 101 million tons in 2005/06<sup>6</sup> and is expected to increase slightly in 2006/07. Among the main producers, production has been increasing in Argentina, China and United States while it has remained stagnant in Brazil. World exports have risen about 25% in the last five years, reaching 58 million tons in 2005/06. The expansion of global trade is expected to continue with increasing exports from US and Argentina, especially of soybean meal (FAO, 2006).

According to the FAO's Food Outlook, world consumption of oilmeals and cakes is expected to rise by 3-4%. Three quarters of the demand increase will be concentrated in developing countries, mainly in Asia with the highest growth expected in China.

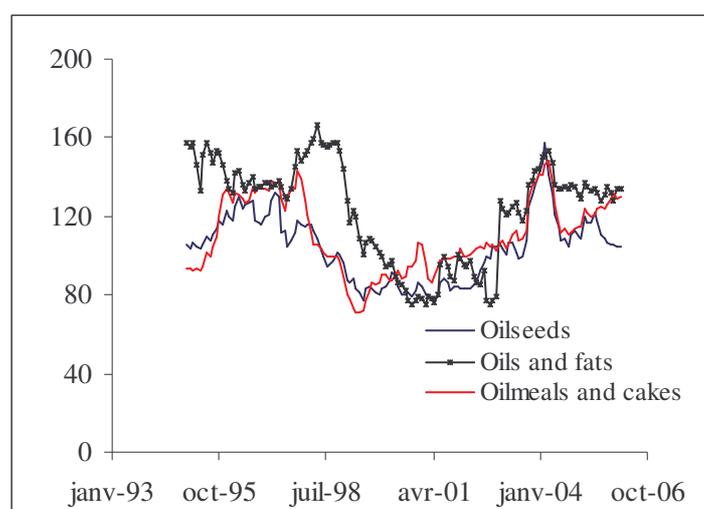
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<sup>6</sup> The figures are expressed in protein equivalent (FAO).

### *International prices*

Until the end of 2001, the international market for oilseeds and derived products were oversupplied relative to demand. It resulted in downward pressures on prices. In 2002, by contrast, production growth declined leading to a recovery in international prices (FAO, 2002). They reached record levels in April 2004 (between 150 and 160 US\$/ton). Even if prices turned to a decline at the end of that year, they have been following an upward trend, in particular those of oilseed derived products. According to the FAO, price indices for oils/fats and meals/cakes in the last quarter of 2005/06 were 10% and 30% above the levels of the previous season. The rise was more pronounced for meal/cake price due to the rising world prices of wheat and feed grains (FAO, December 2006).

**Figure 5: Price indices for oilseeds and derived products  
(1990-92=0)**



Source: FAO

### *State intervention*

In general, direct government intervention in oilseed markets has been reduced over the last decade. Many governments implemented market liberalization and deregulation reforms. Nevertheless, this trend has been changing in the last few years. According to the FAO (2001 and 2005), some important producing countries continued or augmented state intervention to support their domestic production. Major importing countries have also modified their policies to stimulate domestic oilseed production in order to decrease their import dependency.

### ***Market concentration***

Oilseed exports are concentrated in the hands of a limited number of players. The main reasons for this development include: (i) some countries are pursuing aggressive export promotion campaigns backed by specific government policies and (ii) high levels of vertical integration, with a limited number of international private firms operating throughout the chain (from oilseeds production through trade to the manufacturing and marketing of consumer products), concentrating on a limited number of countries (FAO, 2003).

According to Donald and Hayenga (USDA, 2002), the top four firms (ADM, Cargill, Bunge and AGP) handle more than 83% of shipments in soybean processing, with some sharp increases in recent years.

### ***Statistics providers***

Apart from FAO statistics (detailed information in section 6.4B), there is a large number of providers of oilseed and derived products information

The Foreign Agricultural Service (FAS) of the USDA provides information on production, exports, imports and stocks for the major oilseeds and vegetable oils. The Economic Research Service also publishes a monthly oil crops outlook.

Oil World provides world supply and demand analysis and forecasts (annual, quarterly and monthly) for major oilseeds as well as for vegetable and animal oils & fats and for oilmeals. A subscription for six months is required.

The UNCTAD publishes the Commodity Price Bulletin which contains monthly average of prices Indonesia/Malaysia, 5%, C.I.F. N.W. European ports. A subscription is required. The commercial rate is 150 US\$ and governments. Governments and international organisations have free access.

There are also various national sources as the Malaysian Palm Oil Promotion Council, the Malaysian Palm Oil Board and the Bursa Malaysia.

## **6.4B IGG on Oilseeds, Oils and Fats**

The Group was established by the CCP at its 38th Session in 1965. It was formerly the Group on Coconut and Coconut Products, whose terms of reference were widened to cover oilseeds, oils and fats.

### ***Role***

The Group is aimed to provide a forum for studies and consultations on the economic aspects of production, processing, consumption, trade and marketing of oilseeds, oils, fats, oilcakes and meals. The Group covers all oilseeds, oils, fats, oilcakes and meals but pays particular attention to the problems and products of importance to developing countries.

### ***Objectives***

The main objectives of the Group are:

To identify specific problems calling for short-term action.

To make recommendations for the coordination of national, regional and international measures (already being taken or envisaged) and for additional informal short-term measures which might be taken.

To consider all measures which could contribute to the solution of medium and long-term problems and to submit practical proposals for intergovernmental arrangements.

To make arrangements for close liaison in its activities with other bodies especially interested in oilseeds, oils, fats, oilcakes and meals, and avoid duplication of work already being undertaken by such other bodies.

## **Members**

Membership of the Group is open to all member countries and associate members of the FAO. Attendance by non-member countries of the FAO at sessions of the Group is governed by the principles relating to the granting of observer status.

The last session (29<sup>th</sup> session in 2001) was attended by delegates from the following countries:

Angola	Cyprus	Hungary	Libya	Spain
Argentina	Denmark	Indonesia	Malaysia	Sudan
Brazil	European Union	Iran	Mali	Sweden
Bulgaria	Germany	Ireland	Mexico	Thailand
Canada	Greece	Japan	Namibia	Turkey
Congo	Guatemala	Kenya	Romania	United States
Costa Rica	Guinea	Korea	Slovakia	

More active members are: Japan, Malaysia, United States, Germany, EU, Congo, Argentina and Canada.

## **Governance structure**

The Group reports to the CCP. The Director-General keeps the UN Conference on Trade and Development and the Economic and Social Council informed of the activities of the Group.

The Group elects at each of its sessions a Chairman and two Vice-persons from among the representatives of the eligible members. Each member has one vote. Associate members do not have the right to vote. If it is not possible to reach a decision by general consent, the Chairman resorts, upon the request of one or more representatives of Members of the Group, to a vote.

The IGG on Oilseeds, Oils and Fats holds its sessions annually but shall only hold such sessions in each biennium as are listed in the FAO's overall Programme of Work. The last meeting was held in July 2001.

## **Meetings**

The 29<sup>th</sup> session of the IGG on Oilseeds, Oils and Fats was held jointly with the 40<sup>th</sup> session of the IGG on Rice, the 18<sup>th</sup> session of the IGG on Meat and the 29<sup>th</sup> session of the IGG on Grains. A symposium on biotechnology and international trade of basic foodstuffs was also held during the meeting.

The session began with a review of recent developments in the global markets for basic foodstuffs and medium-term projections to 2010. The Group also discussed policy changes in the area of production, processing, trade, concessional sales and consumption. The session continued with a discussion on proposals to revise the Guidelines for International Cooperation in the Oilseeds, Oils and Oilmeals Sector. The Group discussed matters related to the CFC.

The next meeting is scheduled for May 2007 in South America. A symposium will be held during the meeting. Attendance at the forum will be open to the public.

## **Projects**

The IGG is the recognized ICB for oilseeds, oils and fats. Completed and on-going projects include projects on arachis, groundnuts, coconut, shea butter, coconut oil and palm oil.

*Completed Projects (5):*

<b>CFC Projects</b>	<b>Project cost</b>	<b>CFC grant</b>
Small-Scale Palm Oil Mills (completed in 1996)	192001US\$	187000 US\$
Improvement of Small-Scale Extraction of Coconut Oil (completed in 1998)	2.9 million US\$	1.5 million US\$
Preservation of Wild Species of Arachis in South America (completed in 2002)	5.2 million US\$	1.2 million US\$
Groundnut Germplasm Conservation (completed in 2002)	4.8 million US\$	2.9 million US\$

Coconut Germplasm Utilisation and Conservation to Promote Sustainable Coconut Production (completed in 2004)	3.7 million US\$	1.2 million US\$
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*On-going projects (4):*

<b><i>CFC Projects</i></b>	<b><i>Project cost</i></b>	<b><i>CFC grant</i></b>
Sustainable Coconut Production through Control of the Lethal Yellowing Disease	4.8 million US\$	2.5 million US\$
Coconut Integrated Pest Management	1.5 million US\$	0.8 million US\$
Development of Sustainable Groundnut Seed System in West Africa	3 million US\$	2.1 million US\$
Improving Product Quality and Market Access for Shea Butter Originating from Sub-Saharan Africa	3.2 million US\$	1.7 million US\$

*Fast track projects (2):*

<b><i>CFC projects</i></b>	<b><i>Project cost</i></b>	<b><i>CFC grant</i></b>
Sustainable Coconut Production through Control of Lethal Yellowing Disease (approved in 2001)	67405 US\$	55000 US\$
Sheanut Processing and Trade in Africa (approved in 2001)	68000 US\$	55000 US\$

### ***Publications***

The Secretariat contributes to several joint publications. A Review of basic food policies is published by the FAO every two years. It reports the main policy developments in production, consumption, marketing and trade of cereals, oilseeds and livestock products. The information is obtained through policy questionnaires, official and unofficial sources. Five sectors are examined, that is, rice, grains (including wheat and coarse grains), oilseeds (also covering oils and meals), dairy products and meat. All the IGGs concerned by these sectors contribute to the publication. The last report was published in 2005. It reviewed policies implemented in 2003 and 2004.

The FAO Commodities and Trade Division published a Food Outlook four times a year as part of the Global Information and Early Warning System. There is a new version of the outlook significantly modified and improved; in structure, as well as content and coverage. It becomes a biannual publication focused on developments affecting world markets for food and feed commodities (cereals, oilseeds and derived products, sugar, meat and dairy products). It also provides short-term market assessment and forecasts. The first Food outlook (in its new version) was published in June 2006.

The Secretariat also contributes to the Agricultural Outlook 2005-2014 which is a new annual publication jointly prepared by the OECD and the FAO. This outlook analyses world commodity market trends and long-run prospects for the main agricultural products (cereals, oilseeds and derived products, sugar, meat and dairy products).

The Secretariat also conducts work in regular analysis of information on the current market situation for oilseeds, oils and fats and oilcakes and meals and dissemination of market information and reports through the web and other electronic means (cf. Oilcrops Market Network). The Secretariat maintains a comprehensive statistical database for internal use and for specific requests. The main sources are the trade, governments and the media (apart from official FAO statistics)

Periodically, the Secretariat publishes analytical articles on topics such as "Possible Implication of Sanitary and Phytosanitary Measures for Exporters of Oilseeds-based Products to the European Union", "The Role of Soybeans in Fighting World Hunger" and "Biofuels and Commodity Markets - Palm Oil Focus".

## 6.5 Intergovernmental Group on Meat and Dairy Products. Subgroup on Hides and Skins

### 6.5A Market analysis

#### *Production and trade*

World production of meat has increased by an average of 2% over the last five years. In 2005, meat production was estimated at 265 million tons, of which 40% was pig meat, 30% was poultry meat and 23% was bovine meat. The main world producers of poultry meat are the United States (23% of total production), China (18%), Brazil (11%) and European Union (11%). These countries are also the main producers of bovine meat, accounting for 55% of world production. Poultry meat production has considerably increased in Brazil over the last five years (45%) while bovine meat production has also shown steady growth in China (36%).

Meat and meat preparations exports were estimated at 28 million ton in 2004, which represents a growth rate of 15% since 2000. The European Union, Brazil, the United States and Australia are the main exporters of meat and meat products. They account for 76% of total exports. The European Union is the first exporter of bovine meat and the second one of poultry meat. The United States is the first exporter of poultry meat. Brazil is the second exporter of bovine meat and the third one of poultry meat. Brazilian exports have considerably increased over the last years. Bovine meat exports have grown from 0.4 million tons in 2000 to 1.4 million tons in 2004 (37% ) while poultry meat exports have risen by 24%.

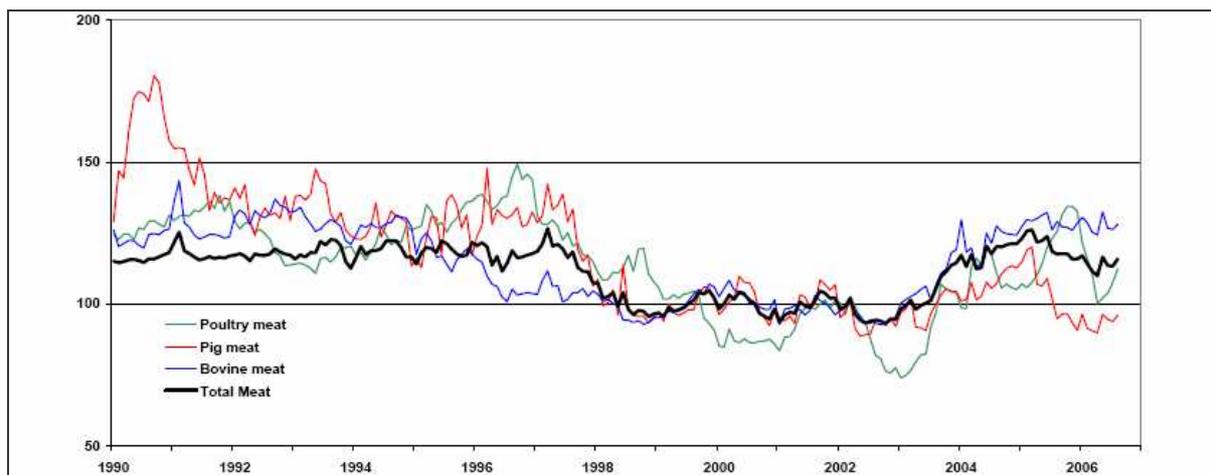
The European Union is the main importer of meat and meat products. It imports one-third of total imports. Russia, Japan and the United States are also among the top four leading importers of bovine and poultry meat.

World production of hides and skins has remained quite constant over the last five years. It was estimated at 11.8 million tons. China and India are the main producers of hides and skins, accounting for one-third of total production. Production in the United States and in the European Union has been decreasing by an average about 1% per year since 2000. Reduction in animal slaughter, and therefore hides production, in the European Union is attributed to increased imports of cheaper meat especially from South America. In addition face with a policy change in the EU, effective in 2005, that replaced several premium payments with a single payment, producers brought slaughter forward to 2004 thereby reducing the availability of slaughter-ready animals in 2005 (FAO, 2006).

The United States and the European Union are the main exporters of hides and skins. Exports represent 80% of total production in the European Union and 56% in the United States. The European Union is also the second importer of hides and skins. China is the first importer with 1 million tons of importers in 2004. Chinese government is considering changing the regulations governing imports of raw hides and skins. The new regulations would require a payment of 22% of the import value of the raw material. Upon re-export, 13% of VAT would be reimbursed. It is reported that one of the objectives is to cut down on tax evasion. If the new import regime were to be implemented, the trade flow of raw hides and skins could be seriously affected with China massively cutting down its imports (FAO, 2006).

#### *International prices*

Since late 2001, several animal diseases such as the Bovine Spongiform Encephalopathy (BSE) and the Avian Influenza (AI), have increasingly affected global meat supplies and prices. Prices began to recover in 2004 and 2005, reaching a 15-year peak of 121 points in 2005 (FAO international price index). From late 2005 to early May 2006, Avian Influenza outbreaks have been reported in many of the major poultry consuming and importing countries. During this period, poultry index plummeted 22 points. Beef prices remained at high levels due to continued disease-related trade bans on North and South American exports, in response to BSE and FMD concerns respectively (FAO, 2006).



**Figure 6: International Meat Price Indices (1998-2000=100)** Source : FAO

### *State interference*

According to the FAO, global beef markets have been characterized by a gradual dismantling of trade barriers since 1990, with countries reducing tariffs and replacing non-tariff barriers by tariff rate quotas (TRQs). However, increasing instances of animal diseases affecting beef, particularly BSE and FMD have led countries over the 1998-2001 period to impose import bans and stricter sanitary requirements, as well as other technical barriers, such as requirements on labeling and animal traceability schemes. Many of these food safety policy measures and regulations persist and escalate in complexity. This raises the cost of exporting, particularly from developing countries (FAO, 2002).

### *Market concentration*

The degree of market concentration in the global meat market is high with five major exporters accounting for nearly three quarters of global exports. Nevertheless, an increasing share of meat trade is being provided by developing countries. In addition to the gains for some of leading developing country exporters, investment in production and processing infrastructure in many of the middle-income developing countries, such as Mexico, Chile, Philippines and Argentina, are supporting export gains (Morgan and Tallard, 2005).

### *Other statistics providers*

The Foreign Agricultural Service (FAS) of the USDA publishes several statistical reports on meat and meat products. They analyses of international markets for livestock, poultry meat, and dairy products. They present production, consumption, and trade data for the selected global markets; and supply official U.S. trade statistics for dairy, livestock, and poultry products. The FAS's Production, Supply and Distribution (PSD) online database contains current and historical official USDA data on production, supply and distribution.

## **6.5B IGG on Meat and Dairy Products. Subgroup on Hides and Skins**

### *Role*

The Group is aimed to provide a forum for consultation on and studies of international trade, production and consumption for meat, including poultry meat, and hides and skins, and problems with these products, with particular emphasis on the problems involved in the creating or development of livestock, meat and hides and skins sectors and on the problems of meat marketing and of hides and skins marketing and processing.

## **Objectives**

The terms of reference include the following objectives:

- To assemble and analyse comprehensive and regular data on the current situation and short, medium and long-term market prospects for these products; to improve basic statistics and economic information, and to establish an international economic intelligence system for the purpose of improving market knowledge.
- To analyse programmes related to the expansion of production of meat and their influence on levels of imports and exports.
- 2 bis) To analyse programmes related to increasing the recovery of hides and skins, improvement of quality of hides and skins, their handling, processing and preparation for industrial utilization and export
- To exchange information on up-to-date techniques of improving productivity of the livestock and hides and skins sectors in developing countries with a potential for further development.
- To exchange information and studies of national meat and hides and skins policies.
- To deepen knowledge of seasonal and cyclical variations and long-term trends in the market in order to mitigate fluctuations in the volume of supplies, prices and earnings in the short, medium and long run.
- To facilitate cooperation between interest governments, at their request, on the preparation of surveys of internal marketing problems affecting meat, including poultry meat, and hides and skins.
- To bear in mind measures and standards adopted by governments and formulated by international bodies in the field of meat hygiene and veterinary and sanitary regulations, to identify problems arising therefrom and affecting world trade and to draw these to the attention of the competent bodies as a contribution to the reconciliation, where possible, of national standards.
- To study the best way of resolving special difficulties which might arise or which are anticipated; and to submit reports and, if appropriate, recommendations on such problems.
- 8 bis) To take into account matters concerning leather and leather manufactures derived from hides and skins.

## **Members**

Membership is open to all Members and Associate Members of the FAO that are substantially interested in the production or consumption of, and trade in, meat and meat products. Interested non-Members that are Members of the United Nations, any of its Specialized Agencies or the International Atomic Energy Agency, may be admitted to Membership by the FAO Council (observer status).

The last session of the IGG on Meat and Dairy Products (20<sup>th</sup> session in 2004) was attended by 39 delegates from the following member countries:

Argentina	European Union	Ireland	New Zealand	Sudan
Bangladesh	Finland	Israel	Niger	Tanzania
Burkina Faso	Germany	Kenya	Philippines	Turkey
Cameroon	Haiti	Malaysia	Poland	
Canada	India	Mali	South Africa	
Colombia	Indonesia	Netherlands	Spain	

In addition, observers from the following organizations attended the meeting:

From the intergovernmental organizations: the Common Fund for Commodities (CFC) and the Organisation for Economic Cooperation and Development (OECD).

From non-governmental organizations: the International Dairy Federation (IDF), the International Livestock Research Institute (ILRI) and the International Meat Secretariat (IMS).

The last session of the Sub-group on Hides and Skins (9<sup>th</sup> session in 2006) was attended by delegates from the following countries:

Angola	Egypt	Mali	Uganda
Botswana	Kenya	Niger	United Kingdom
Burkina Faso	Mali	Senegal	Tanzania

Observers attended from the International Trade Centre UNCTAD/WTO, the United Nations Industrial Development Organization (UNIDO), the Common Fund for Commodities (CFC), the Common Market for Eastern and Southern Africa (COMESA), the African Leather Association (AFLAI), the Confederation of National Associations of Tanners and Dressers of the European Community (COTANCE), the Economic Community of West African States (ECOWAS), the Eastern and Southern Africa Leather Industries Association (ESALIA) and the International Council of Tanners (ICT).

### ***Governance structure***

The Group reports to the Committee on Commodity Problems. The Group elects at each of its sessions a Chairman and two Vice-persons from among the representatives of the eligible members. Each member has one vote. Associate members do not have the right to vote.

The Sub-Group on Hides and Skins is a subsidiary body of the Intergovernmental Group (IGG) on Meat. The Sub-Group was established by the IGG on Meat to assist it on all matters related to the trading, and production of hides and skins. The sub-group reports to the IGG on Meat and Dairy Products.

### ***Meetings***

The 20<sup>th</sup> session of the IGG on Meat and Dairy Products was held in June 2004 in Winnipeg, Canada. Two symposia, a workshop and a field trip were held in conjunction with the meeting: (i) Meeting International Standards Affecting the Livestock Sector—the Challenge for Developing Countries, (ii) International Investment in Dairy Processing and (iii) a workshop on school milk. One hundred experts participated, many from the private sector and industry associations. The Session and its activities followed the 15th World Meat Congress to allow delegates to attend to both events.

The session began with a review of meat and dairy product market situation in 2004 and a short-term outlook. The Group reviewed the results of the FAO study which assessed the impact of import surges on the domestic poultry and dairy industries in Tanzania and Senegal. The Group also reviewed an exploratory study, prepared in response to a request of the 19th Session which proposed a framework for examining the provision of livestock services.

The Group assessed policy changes over the period 2002-2004 with a view to monitoring the progress made in achieving the objectives of the Guidelines for International Cooperation in the Livestock and Meat Sector. An assessment of recent dairy policy trends was included in the assessment for the first time. The Group also reviewed CFC current projects and new projects submitted by members.

The next session of the IGG will be held in November 2006 in Rome. The session will followed by two symposia on 1) the market and trade dimensions of avian influenza prevention and control and 2) dairy value chains and comparative marketing systems. Attendance to the technical meetings will be open to the public.

The 9<sup>th</sup> session of the Sub-group on Hides and Skins was held in February 2006 in Arusha, Tanzania. The session was preceded by one-day of informal consultation open to all public and a field trip to tanneries. The Group discussed on the Development Strategy for Hides and Skins. The existing strategy was found to be still relevant to the issues of the sector and the Group suggested some minor changes. In regard to the statistics, the difficulty in the collection and dissemination of information on the sector was pointed out. It was suggested that the Secretariat reinforces this activity to provide member states with more detailed information (trade data and more disaggregated level). The Group also reviewed CFC current projects and new projects submitted by members.

## Projects

The IGG is the designated International Commodity Body for the meat and dairy products. It is responsible to conceptualize, formulate, submit commodity project proposals to the CFC for funding consideration and to supervise and report on the progress of projects. The Sub-Group is the designated ICB for the hides and skins sector. The following tables contain information on completed (2), on-going (11) and fast-track projects (4) for the ICB on Meat and Dairy Products and the Sub-group on Hides and Skins.

### Completed projects (2):

<b>CFC Projects</b>	<b>Project cost</b>	<b>CFC grant</b>
<i>Group on Meat and Dairy Products (1)</i>		
Development and Promotion of Value-Added Meat Products Sub-Saharan Africa (completed in 1999)	1.3 million US\$	0.6 million US\$
<i>Sub-group on Hides and Skins (1)</i>		
Grading and Pricing Systems in Eastern and Southern Africa (completed in 2002)	3.2 million US\$	1.4 million US\$

### On-going projects (11):

<b>CFC Projects</b>	<b>Project cost</b>	<b>CFC grant</b>	<b>CFC loan</b>
<i>Group on Meat and Dairy Products (7)</i>			
Smallholder Dairy Sector, Lesotho and Zambia	3.3 million US\$	2 million US\$	
Enhancing Beef Productivity, Quality, Safety and Trade in Central America	6.2 million US\$	4.3 million US\$	
Meat Commodity Diversification and Upgrade of Meat Processing Technologies in Asia/Pacific	2.3 million US\$	0.8 million US\$	0.1 million US\$
Improving Livestock Marketing and Regional Trade in West Africa	1.5 million US\$	0.9 million US\$	
Enhancing Beef Productivity, Quality, Safety and Trade in Central America	6.2 million US\$	4.3 million US\$	
Meat Commodity Diversification and Upgrade of Meat Processing Technologies in Asia/Pacific	2.3 million US\$	0.8 million US\$	0.1 million US\$
Improving Livestock Marketing and Regional Trade in West Africa	1.5 million US\$	0.9 million US\$	
<i>Sub-group on Hides and Skins (4)</i>			
Hides and Skins Improvement Scheme in West Africa (Burkina Faso, Mali, Niger and Senegal)	2.2 million US\$	1.1 million US\$	
Commercialisation of Hides and Skins in Tanzania by Improving Collection and Quality	0.5 million US\$	0.3 million US\$	
Adding Value to African Leather through Improvement of Quality of Leather and Leather Products	2.3 million US\$	1.6 million US\$	
Commercialisation of Hides and Skins Improving Collection and Quality in Smallholder Farming Systems in Botswana, Malawi, Zambia and Zimbabwe	2.6 million US\$	1.9 million US\$	

*Fast track projects (4):*

<b>CFC Projects</b>	<b>Project cost</b>	<b>CFC grant</b>
<i>Group on Meat and Dairy Products (2)</i>		
Smallholder Cattle Herds in Southern Africa	111941 US\$	70000 US\$
Workshop Enhancing Beef Trade in Central America (approved 2000)	30000 US\$	30000 US\$
<i>Sub-group on Hides and Skins (2)</i>		
The Hides, Skins and Leather Sector in Africa: Essential Action Meet Quality Requirements of Importers (approved in 2002)	250000 US\$	53000 US\$
Pre-slaughter Defects of Hides and Skins and Intervention Options in East Africa: Harnessing the Leather Industry to Benefit the Poor (Burundi, Ethiopia, Djibouti, Kenya, Rwanda, Sudan and Uganda) (approved in 2004 and completed in 2005)	80227 US\$	73927 US\$

**Publications**

The Secretariat contributes to several joint publications. A Review of basic food policies is published by the FAO every two years. It reports the main policy developments in production, consumption, marketing and trade of cereals, oilseeds and livestock products. The information is obtained through policy questionnaires, official and unofficial sources. Five sectors are examined, that is, rice, grains (including wheat and coarse grains), oilseeds (also covering oils and meals), dairy products and meat. All the IGG concerned by these sectors contributes to the publication. The last report was published in 2005. It reviewed policies implemented in 2003 and 2004.

The FAO Commodities and Trade Division published a Food Outlook four times a year as part of the Global Information and Early Warning System. There is a new version of the outlook significantly modified and improved; in structure, as well as content and coverage. It becomes a biannual publication focused on developments affecting world markets for food and feed commodities (cereals, oilseeds and derived products, sugar, meat and dairy products). It also provides short-term market assessment and forecasts. The first Food outlook (in its new version) was published in June 2006.

The Secretariat also contributes to the Agricultural Outlook 2005-2014 which is a new annual publication jointly prepared by the OECD and the FAO. This outlook analyses world commodity market trends and long-run prospects for the main agricultural products (cereals, oilseeds, sugar, meat and dairy products).

The FAO also publishes statistics on most representative international meat and the FAO trade weighted Meat Price Index. This information is monthly updated. International prices are also provided for selected dairy products (FAO index and export prices).

The Secretariat has a statistical database on meat and meat products for internal use and for specific requests.

The Secretariat also disseminates information and reports through the Meat and Livestock Market Network (MLMN). The main purpose of this electronic service is to provide an informal forum for the discussion, among subscribers, of issues relevant to the national and international markets for livestock and meat products. The network is open, free of charge, to all the persons or firms that want to subscribe. The Dairy Outlook Information Network provides the same service for dairy products.

In regard to publications and statistical reports on hides and skin sector, the FAO publishes a World Statistical Compendium every two years. It contains data on production, utilization and trade of raw hides and skins, leather and leather footwear. A new edition was presented at the 8<sup>th</sup> session of the Sub-Group in 2003.

The Sub-group contributed to the publication of the Blueprint for the African Leather Industry that was prepared by the United Nations Industrial Development Organization (UNIDO) and financed by the Common Fund for Commodities (CFC).

The Secretariat also disseminates information and provides an informal forum to discussion through the Hides and Skins Network (HSN).

## **6.6 Intergovernmental Group on Grains**

### **6.6A Grain market analysis**

For the grain market analysis, see the Annex on the International Grains Council (IGC).

### **6.6B IGG on Grains**

#### ***Role***

The IGG on Grains is aimed to provide a forum for intergovernmental consultation and exchange on trends in production, consumption, trade, stocks and prices of wheat and coarse grains.

#### ***Objectives***

The terms of reference of the IGG include the following objectives:

- To concern with matters relating to all grains; however, it does not concern with rice, except for the interrelationship of rice problems and other grain problems.
- To provide continuous, accurate and timely information regarding the supply and demand position and its probable development, both short-term and long-term.
- To promote the improvement of the quality, coverage, and timeliness of statistical services relating to grains.
- To consider marketing problems keeping in mind the FAO Principles of Surplus Disposal, and the need for avoiding duplication with work being carried out in the CCP Consultative Sub-Committee on Surplus Disposal and other interested bodies.

#### ***Members***

Membership is open to all Members and Associate Members of FAO, including Observers from international organizations and institutions. Interested non-Member Nations of the Organization that are Members of the United Nations, any of its Specialized Agencies or the International Atomic Energy Agency, may be admitted to Membership by the FAO Council. Nearly all grains importing and exporting countries are Members of the IGG on Grains.

The last session (30<sup>th</sup> session in 2004) was attended by 113 delegates from 76 countries. In addition, the following international organizations were present: the World Bank, OECD, Common Fund for Commodities and the International Grains Council.

Exporters Members are very active. India, Egypt and South Africa among the most active ones. Participation of importers is more erratic. Private sector participates as part of official delegations.

#### ***Governance structure***

The Group elects at each of its session a Chairman and two Vice-persons from among the representatives of eligible members. Each Member of the Group has one representative. Such Member appoints an alternate and advisers to its representative on the Group. Observers participates without vote in any discussion at a public or private meeting of the Group.

The Group holds its sessions annually and only in every biennium. Any number of separate meetings may be held during each session of the Group.

In order to deal with CFC projects during periods between sessions, the following provisions are established:

A Sub-group on Intersessional Matters of the Intergovernmental Group on Grains is established with the following membership: the Chairperson and the two Vice-chairpersons.

The Sub-group acts on behalf of the Group in relation to the Group's role as an ICB under the rules of the CFC in all matters, except in supervisory functions.

A majority vote of the members of the Sub-group will be sufficient to approve, on behalf of the IGG, the submission of project proposals to the CFC.

### **Resources**

3.5 FAO staff persons are in charge of the Secretariat work: 3 professional staff (the Secretary of the IGG and two research assistants) and 1 secretary (mid-time).

### **Meetings**

The 30th session of the IGG on Grains and the 41st session of the IGG on Rice were held jointly in February 2004, in Rome<sup>7</sup>. A FAO Rice Conference followed the joint meeting, in celebration of the International Year of Rice. IGG delegates were invited to attend this Conference, which was also opened to the private sector and NGOs.

The session began with a review of world cereal situation for grains, rice, pulses, roots and tubers and a short-term outlook. The Group reviewed the general tendencies in government rice policies between 2001 and 2003. The Group also discussed the general findings of a report on cereal supply and demand situation in China and their implications for the world markets. The study underlined the importance of this country in the global cereal economy and addressed a number of issues relevant for understanding developments in the global cereal markets. The Group discussed another study on the changing consumption patterns of cereals and other starch base staples. The results pointed out that consumption patterns in the different regions appear to be converging, especially towards wheat and rice and away from “minor” coarse grains, plantains, roots and tubers. The analysis confirmed that urbanisation, income and preference shifts have played an important role in determining the structure of dietary intake of starchy staples. The Group also reviewed the status and progress of CFC projects.

The next joint session is scheduled to take place in May 2007 in Istanbul, Turkey. It will be the first time that a session of IGG on Grains take place out of Rome.

### **Projects**

The IGG on Grains is the designated ICB for supervision of CFC projects on grains as well as roots, tubers and pulses. The following tables provide information on completed, on-going and fast-track projects. The commodities covered include sorghum, millet, cassava, maize, fonio and potatoes.

#### *Completed projects (3):*

<b>CFC Projects</b>	<b>Project cost</b>	<b>CFC grant</b>	<b>CFC loan</b>
Development of Commodity Marketing System through Warehousing and Inventory Credit Africa (completed in 2004)	2 million US\$	1.2 million US\$	
Improvement of Fonio Post-Harvest Technology West Africa (completed in 2004)	1.5 million US\$	0.9 million US\$	
Development of a Pilot System of Warehouse Receipts in the Grain Sector in the Russian Federation (completed in 2002)	4 million US\$	0.9 million US\$	1.2 million US\$

<sup>7</sup> The 29<sup>th</sup> session was also held jointly with the IGG on Rice, on Meat and on Oilseeds, Oils and Fats (2001).

*On-going projects (6):*

<b>CFC Projects</b>	<b>Project cost</b>	<b>CFC grant</b>	<b>CFC loan</b>
West Africa Sorghum Development	2.9 million US\$	1.5 million US\$	
Enhanced Utilisation of Sorghum and Pearl Millet Grains in Poultry Feed Industry to Improve Livelihoods of Small-Scale Farmers in Asia	2 million US\$	1.5 million US\$	
Enhanced Use of Cassava in the Animal and Balanced Feed Industries in Latin America and Caribbean Region: A Market Development Approach for Improved Competitiveness – Phase I	0.7 million US\$	0.4 million US\$	
Small-Scale Cassava Processing and Vertical Integration of the Cassava Sub-Sector in South and Eastern Africa, Phase I	4.1 million US\$	1.2 million US\$	0.1 million US\$
Industrial Development of Sorghum Malt and Utilisation in the Food Industries	2.2 million US\$	1.5 million US\$	
Rehabilitation and Development of Potato Production in the Democratic People's Republic of Korea and Bhutan	3.5 million US\$	1.7 million US\$	

*Fast-track projects (7):*

<b>CFC Projects</b>	<b>Project cost</b>	<b>CFC grant</b>
Cassava Processing, West Africa (approved in 2005)	140000 US\$	120000 US\$
Maize Post-Harvest Technology (approved in 2005)	50000 US\$	50000 US\$
Dryland Commodity Atlas for Africa (approved in 2005)	41750 US\$	41750 US\$
Expert Meeting on Alternative Uses of Sorghum and Pearl Millet in Asia (approved in 2003)	81525 US\$	55025 US\$
Expert Meeting on Utilization of Regional Germplasm in Improvement of Sorghum and Pearl Millet and Improved Post-Harvest Technologies in West Africa (approved in 2001)	71000 US\$	53000 US\$
Workshop on the Identification of Constraints to Potato Cultivation and Marketing in Guinea and West Africa (approved in 2001)	59500 US\$	44800 US\$
Workshop on Local Processing and Vertical Diversification of Cassava in Southern and Eastern Africa (approved in 1998)	37 336 US\$	29500 US\$

**Publications**

The Secretariat contributes to several joint publications. A Review of basic food policies is published by the FAO every two years. It reports the main policy developments in production, consumption, marketing and trade of cereals, oilseeds and livestock products. The information is obtained through policy questionnaires, official and unofficial sources. Five sectors are examined, that is, rice, grains (including wheat and coarse grains), oilseeds (also covering oils and meals), dairy products and meat. All the IGG concerned by these sectors contributes to the publication. The last report was published in 2005. It reviewed policies implemented in 2003 and 2004.

The FAO Commodities and Trade Division published a Food Outlook four times a year as part of the Global Information and Early Warning System (GIEWS). There is a new version of the outlook significantly modified and improved; in structure, as well as content and coverage. It becomes a biannual publication focused on developments affecting world markets for food and feed commodities (cereals, oilseeds and derived products, sugar, meat and dairy products). It also provides short-term market assessment and forecasts. The first Food outlook (in its new version) was published in June 2006.

There is also a new GIEWS publication, the Crop Prospects and Food Situation, that is published six times a year. It contains several components of two previous reports (Foodcrops and Shortages and Food Supply Situation and Crop Prospects in Sub-Saharan Africa). This report provides 1) an analysis of global cereal supply and demand and 2) regional cereal balances and overviews of the food security situation (including a list of countries in crisis requiring external assistance).

The Secretariat also contributes to the Agricultural Outlook 2005-2014 which is a new annual publication jointly prepared by the OECD and the FAO. This outlook analyses world commodity market trends and long-run prospects for the main agricultural products (cereals, oilseeds, sugar, meat and dairy products).

A Statistical Compendium for Basic Foods was published for the last session. It includes data obtained from official and non-official sources. The report gives statistics on world production, exports and imports for cereals (wheat, coarse grains and rice), pulses and cassava and export prices of grains, rice, selected pulses and cassava.

The Secretariat also published a Monthly News Report on Grains (MNRs). It is aimed to establish a communication vehicle for closer dialogue between the Secretariat and the Members of the IGG on Grains as well as the general public. The MNRs are sent electronically on the last working day of the month. Each report includes a selected number of articles from the international media and news sources on issues or factors which are considered critical in shaping the regional/global grains economy. The MNRs also include statistical briefs and other information about meetings/events as well as relevant new publications and/or websites.

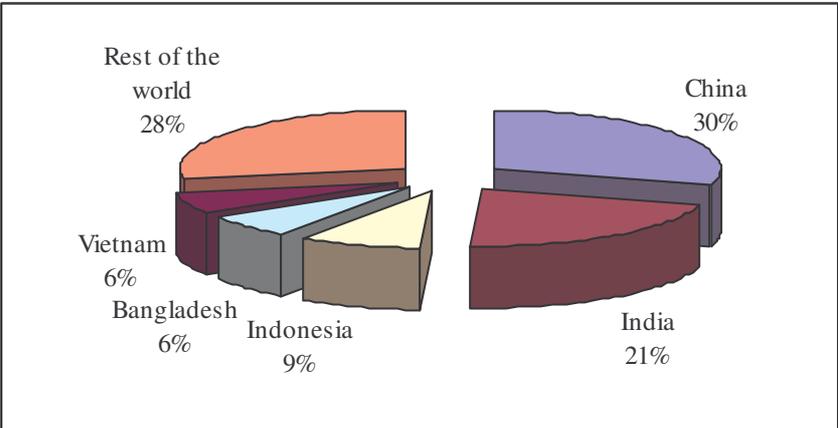
The Secretariat has a statistical database for internal use and for specific requests. The main sources are the traders, the governments and the news medias (apart from official FAO statistics). The Secretariat sends three questionnaires to the Member countries once a year: a trade questionnaire, a forecast questionnaire and a policy questionnaire.

**6.7 Intergovernmental Group on Rice**

**6.7A Rice market analysis**

*Production and trade*

Rice is the second largest produced cereal in the world. World rice production was 606 million tons of paddy in 2004. Production is geographically concentrated mainly in Asia. China and India are the main producing countries. They both account for half of the world production. World production has been stagnant over the last five years mainly due to a decrease in Asian production. Rice areas in China have declined as a consequence of water scarcity and competition from more profitable crops (oleaginous). Despite this trend, rice still plays a vital role in all the countries in the region (FAO, 2006).

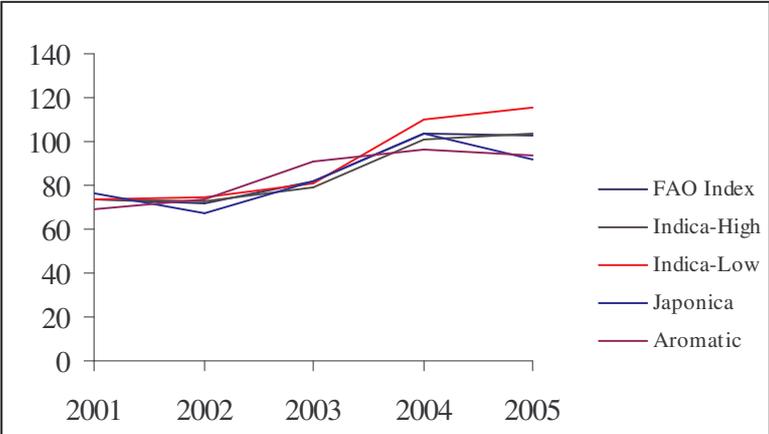


**Figure 7: Main rice producing countries** Source: FAO

The volume of rice traded internationally has traditionally been small. In 2004, world rice exports were around 29 million tons, which represents only 4% of total production. International rice market remains highly concentrated with four leading exporting countries (Thailand, India, Vietnam and the United States). They account for 76% of total exports. World rice imports is highly fragmented, unlike for exports. The major importers are the European Union (9%), Nigeria (5%), Saudi Arabia (4%), Philippines (4%) and Bangladesh (4%). The top ten importers only account for 40% of total imports.

**International rice prices**

Due to the restricted nature of the international rice market (less than 6% of global production) and to the residual character of exchanges (producing countries produce first and foremost for their own consumption), international prices are extremely volatile. There is a weak correlation between the high-quality low-quality rice markets (see figure 8). They often move in the same direction, however low-quality rice prices tend to fall more. The intensity of price fluctuations depends on specific demands for each type of rice (Infocomm, 2006).



**Figure 8 : FAO Rice Price Index (1998-2000=100) Source : FAO**

The international rice market has been also characterised by a long-term tendency for world rice prices to fall in real terms (deflated by the Index of Unit Value of Manufactured Goods) between 1961 and 2003. Nevertheless, rice prices have become more stable over time, to the point of achieving levels of volatility similar to those exhibited by wheat and maize prices. Actually, on an annual frequency basis, prices in the 1990s were more stable for rice than for wheat or maize, in sharp contrast to the pattern prevailing in the 1960s and the 1980s (CFC, 2004, based on information from C. Calpe, FAO ).

**State interference**

Rice remains one of the most protected traded commodities. Market liberalization, however, has caused a reduction in policies that regulate domestic production and international trading (mainly subsidies and price regulations).

Institutional support to the rice sector is common among producing countries. It is provided principally through government research programmes, extension and input subsidies on seeds, fertilizers and irrigation. Some developing countries also grant subsidies on rice processing, storage and transportation. Government market interventions are still conducted in major producing countries, including Bangladesh, China, India, Indonesia, the Philippines, Malaysia, Brazil, Colombia, Korea, the United States, and the European Union. In addition, because of the importance of rice for many countries, tariffs on rice have generally been bound at very high levels. As many governments undertake to safeguard their milling sectors, tariff escalation is a phenomenon of relevance for rice, with higher rates applied on imports of milled products (Infocomm, UNCTAD, taken from FAO Trade Policy Brief No. 12, 2006).

### ***Market concentration***

For a long period of time, rice trading was exclusively a government affair (public contracts) and/or a family business (private Chinese exporters). It was mainly an intra-Asian trade. Beginning in the 1970s, multinational agribusiness firms developed rapidly. At one point they controlled 40% of the international rice trade. Today some of these firms have practically pulled out of the market or simply disappeared. Those who remain, including several companies based in Switzerland (Louis Dreyfus, Rustal and Novel all based in Geneva and Nidera based in Lausanne) and in North America (ADM and Rice Company, both based in the United States) have an increasingly important role in the market (Infocomm, UNCTAD).

In Asia, the importance of private exporters has also grown. In Thailand, for example, private trading exportation has risen over the past ten years from 20% to 80%. In Vietnam private negotiators have also appeared progressively following national economic reforms that took place in the 1990s. As for the main Asiatic public organs which used to be in charge of international trade, they still manage large exportable stocks that they usually sell through private exporters (Infocomm, UNCTAD).

### ***Other statistics providers***

The Foreign Agricultural Service (FAS) of the USDA publishes several statistical reports on world production, consumption, and trade for selected countries. The FAS's Production, Supply and Distribution (PSD) online database contains current and historical data on production, exports, imports and stocks on grains, including rice.

The UNCTAD publishes the Commodity Price Bulletin which contains monthly average of rice prices (white milled, 5% broken, nominal price quotes, FOB Bangkok. A subscription is required. The commercial rate is 150 US\$ and governments. Governments and international organisations have free access.

CIRAD publishes a monthly report of the world market of rice called InterRice. It contains a review of market trends in production and trade and international rice prices (source: Osiriz).

## **6.7B IGG on Rice**

### ***Role***

The Group is to provide a forum for consultations on the economic aspects of rice, paying particular attention to any special difficulties which exist or may arise in the international rice trade.

### ***Members***

Membership is open to all Members and Associate Members that are substantially interested in the production or consumption of, and trade in, rice. Interested non-member nations of FAO that are Members of the United Nations, any of its specialized agencies or the International Atomic Energy Agency, may be admitted to membership by the FAO Council.

The last session (joint meeting with IGG on Grains) was attended by 113 delegates from 76 countries. In addition, the following international organizations were present: the World Bank, OECD, Common Fund for Commodities and the International Grains Council.

### ***Governance structure***

The Group elects at each of its session a Chairman and two Vice-persons from among the representatives of eligible Members. Each member of the Group has one vote. Associate Members participating in the work of the Group as Members of the Group do not have the right to vote. If it is not possible to reach a decision by general consent, the Chairman resorts, upon the request of one or more representatives of Members of the Group to a vote.

In order to deal with CFC projects during periods between sessions:

Sub-group on Intersessional Matters of the Intergovernmental Group on Rice is established with the following membership: the Chairperson and the two Vice-chairpersons.

The Sub-group acts on behalf of the Group in relation to the Group's role as an International Commodity Body under the rules of the Common Fund for Commodities in all matters pertaining to the Common Fund, except in supervisory functions.

A majority vote of the members of the Sub-group will be sufficient to approve, on behalf of the Group, the submission of project proposals to the CFC.

### *Meetings*

The 30th session of the IGG on Grains and the 41st session of the IGG on Rice were held jointly in February 2004, in Rome<sup>8</sup>. A FAO Rice Conference followed the joint meeting, in celebration of the International Year of Rice. The first day of the Conference was dedicated to reviewing developments in the global rice market and general policy environment, while the second day dealt with technical, environmental and social issues of relevance to the rice sector. IGG delegates were invited to attend this Conference, which was also opened to the private sector and NGOs.

For more information about the last meeting, please refer to the Annex of IGG on Grains.

### *Projects*

The IGG on Rice is the designated ICB for supervision of CFC projects for this commodity. The following tables provide information on on-going and fast-track projects. The IGG on Rice has only a few CFC projects that represent about 2 million US\$ (CFC grants).

#### *On-going projects (2):*

<i>CFC Projects</i>	<i>Project cost</i>	<i>CFC grant</i>
Bridging the Yield Gap in Irrigated Rice in Brazil and Venezuela	1.6 million US\$	0.97 million US\$
Sustainable Productivity Improvement for Rice in Inland Valleys in West Africa	1.8 million US\$	1 million US\$

#### *Fast-track projects (1):*

<i>CFC Projects</i>	<i>Project cost</i>	<i>CFC grant</i>
Preparatory Phase for Rice Production in COMESA Member States (approved in 2002)	60000 US\$	60000 US\$

### *Publications*

The Secretariat contributes to several joint publications. A Review of basic food policies is published by the FAO every two years. It reports the main policy developments in production, consumption, marketing and trade of cereals, oilseeds and livestock products. The information is obtained through policy questionnaires, official and unofficial sources. Five sectors are examined, that is, rice, grains (including wheat and coarse grains), oilseeds (also covering oils and meals), dairy products and meat. All the IGG concerned by these sectors contributes to the publication. The last report was published in 2005. It reviewed policies implemented in 2003 and 2004.

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<sup>8</sup> The 29<sup>th</sup> session was also held jointly with the IGG on Rice, on Meat and on Oilseeds, Oils and Fats (2001).

including rice, oilseeds and derived products, sugar, meat and dairy products). It also provides short-term market assessment and forecasts. The first Food outlook (in its new version) was published in June 2006.

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The Secretariat also publishes the Rice Market Monitor which provides an analysis of the most recent developments in the global rice market, including a short-term outlook. It is published four or five times per year. This reports examines the world market situation for production, trade and consumption as well as export prices for rice.

Several articles have been published by the FAO professional staff. The article “Sensitive and Special Products. A Rice Perspective” examines the prospect of rice being designated as a special and sensitive product and looks at the possible implications this could have under liberalisation of the international rice market. The FAO Trade Policy Brief No. 12 draws a technical review of quantitative models assessing the impact of market liberalization in rice and focuses on the policy implications of the findings. The article “International Trade in Rice, Recent Developments and Prospects”, presented at the World Rice Research Conference (2004) reviews the factors of distortion in the rice market and the recent evolutions.

The Secretariat also disseminates information through the FAO Rice Market Network.

## **6.8 Intergovernmental groups on Hard Fibres, and on Jute, Kenaf and Allied Fibres**

### **6.8A Hard Fibre market analysis**

The world market for hard fibres, as documented in FAO’s include sisal and henequen, as well as abaca and coir. World sisal production in 2005 was 239 thousand tonnes, henequen 21 thousand, and 30 thousand tonnes of comparable fibres. Major sisal producers are Brazil (140), China (35) and Kenya and Tanzania. Mexico produces 16 thousand tonnes of henequen.

Gross world exports of these hard fibres (as fibre, cordage or yarns) is around 230 thousand tonnes. Gross export value of sisal (UNCTAD’s TRAINS database) is \$65 million, of which half in Brazil.

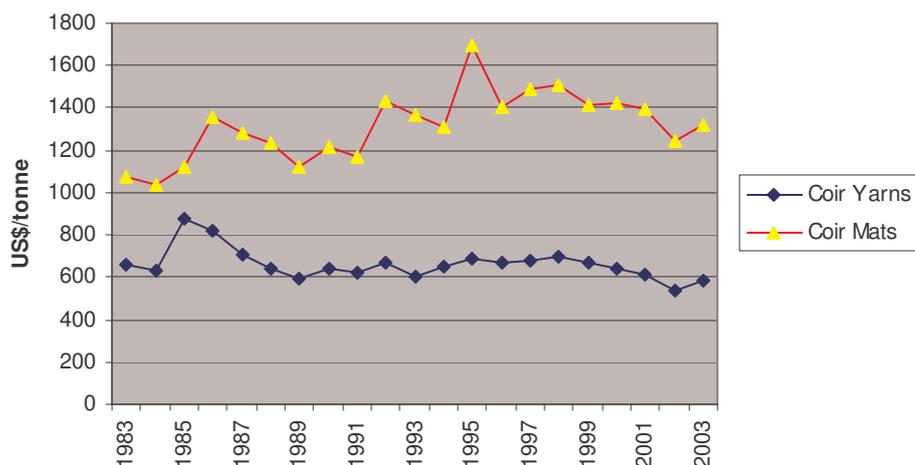
India and Sri Lanka are the major producers and exporters of coir, with India exporting 130 thousand tonnes from its production of 280, and Sri Lanka 60 thousand tonnes from a production of 61. Most export is in the form of fibre, but about 40% in weight is as manufactured good (yarn, matting etc). Thailand is another major fibre exporter with 34 thousand tonnes. Major importers of coir goods are EU (34 thousand tonnes), USA (21). Fibres are imported by China (84 thousand tonnes), EU25 (62), followed by the USA (19) [all 2004 data].

The demand for these fibres is increasing over time.

#### ***Prices***

Prices of sisal have increased over the past 6 years, from \$871 per tonne for the good quality sisal of Easter Africa to \$1035 in June 2006. Prices of abaca did not follow the same course however. Present prices are around \$165 per tonne, compared with \$174 in 1999; they have been as low as \$109 in 2002.

The price series of coir can be seen from the figure below, pertaining to Indian exports (source: FAO).



### *State interference*

There appears to be little state interference in the hard fibres market. While there is some cumulation of import tariffs (higher for manufactured products, almost zero for fibre), the tariffs are not very high.

### **6.8B. The IGG on Hard Fibres**

The Intergovernmental group on hard fibres has adopted the following terms of reference in 2000.

1. The Group shall provide a forum for consultation on and studies of the economic aspects of production, marketing, local processing, trade, research and consumption of abaca, sisal, henequen, coir and other hard fibres, individually, and as a group.
2. The Group shall carry on consultations and promote action with respect to the above hard fibres, including in particular the following functions:
  - a) the recommendation to individual countries of measures designed to bring greater stability to the world sisal, henequen, abaca and coir markets and viability to the sisal, henequen, abaca and coir industries;
  - b) the assembly and examination of information on current and prospective supplies, requirements, foreign trade and prices of sisal, henequen, abaca and coir and their manufactures in both exporting and importing countries on the basis of all available data on areas, including years of planting; production; exports; imports; consumption; stocks and prices of these fibres and their manufactures;
  - c) in the light of the current and prospective situation regarding global demand and supply, the recommendation to exporting countries of levels of exports which would bring global demand and supply more closely into balance, within an indicative price range acceptable to both importing and exporting countries;
  - d) the consideration and, where necessary, recommendation of all other measures which could contribute to the greater effectiveness of its work under (a) above.

The Group's Strategy document for the CFC, includes a) Expand markets and improve returns; b) Improve production and processing efficiencies, reduce costs and c). Social and environmental issues.

**Members** in the group are all members of FAO's Commodity on Commodity Problems. Actual participants in the meetings are mostly from the private sector, rather than from the member governments.

The last inter-sessional **meeting**, held in December 2005, was attended by 35 persons. Topics addressed were the regular topics of market situation, and the CFC projects; a special topic was the preparation for the International year of the Natural Fibre, 2009; minor issues were the EU subsidies on competing crops such as flax, and the Life Cycle Analysis of jute as done in India. Next regular biennial meeting is scheduled for 1 February 2007.

The IGG is served by a secretary and 1 statistical clerk.

### ***Projects***

CFC-projects since the start include 4 projects on coir, 3 on sisal and 1 on abaca.  
Current projects are

Product and Market Development for sisal and henequen (UNIDO) Total costs \$5.5 million, of which CFC 2.7M grant, \$1.3M loan

Coir building and packaging material (ATO) Total costs \$1.7 million, of which CFC \$1.4M grant

Sisal waste for biogas and bio-fertilizers (UNIDO) Total costs \$1.3 million, of which CFC \$0.9M grant

Sisal development: sisal fibre replacing asbestos (SEBRAE) Total costs \$1.4 million, of which CFC \$0.7M grant

Pilot facility for coir processing (ITI) Total costs \$0.7 million, of which CFC \$0.5M grant

### ***Publications***

A biannual statistical publication is produced, including statistics on jute, and hard fibres. Statistics are presented on volumes of production, exports, imports and prices. Prices of competing synthetic products are also given.

Reports to the biennial meeting include review of the market situation (mainly statistical), and once every few years a market outlook is produced.

## **6.9 Intergovernmental Group on Jute, Kenaf and Allied Fibres**

For a market description, see the annex on the International Jute Study Group.

The IGG existed already when the International Jute Organization came into being, in 1984. As it had a good reputation for publishing relevant data on the market, it continued doing so. After the demise of the IJO, and the start of the International Jute Study Group (IJSJG) in 2002, the FAO group continues to publish the jute and kenaf statistics.

The IGG does not have ICB status, as the jute & kenaf focussed projects can be submitted to the CFC via the IJSJG.

The IGG holds its meeting together with the IGG on Hard Fibres and is served by the same secretariat.

## 6.10 Sub-committee of Fish Trade

### *Role*

The Sub-Committee shall provide a forum for consultations on technical and economic aspects of international trade in fish and fishery products including pertinent aspects of production and consumption.

### *Objectives*

The terms of reference of the Sub-Committee as decided by COFI are the following:

- a) To conduct periodic reviews on the situation and outlook of principal fishery commodity markets covering all factors influencing them.
- b) To discuss specific fish trade problems and possible solutions, on the basis of special studies.
- c) To discuss suitable measures to promote international trade in fish and fishery products and to formulate recommendations to improve the participation of developing countries in this trade, including trade-related services.
- d) In conjunction with the FAO/WHO Codex Alimentarius Commission, to formulate recommendations for the promotion of international quality standards and the harmonization of quality control and inspection procedures and regulations.
- e) To consult and formulate recommendations for economically viable fishery commodity development, including processing methods, the upgrading of products and production of final products in developing countries

### **Members**

Open to all Member countries of the FAO. Non-Member countries that are Members of the United Nations, or any of its Specialized Agencies or the International Atomic Energy Agency, may be admitted by the Council of the Organization to Membership in the Sub-Committee.

The 10<sup>th</sup> session of the Subcommittee was attended by 104 delegates from the following countries:

Angola	Egypt	Iran	New Zealand	Sri Lanka
Argentina	European Union	Ireland	Nicaragua	Sudan
Australia	Finland	Italy	Norway	Sweden
Benin	Germany	Japan	Oman	Thailand
Burundi	Ghana	Latvia	Peru	Tunisia
Canada	Greece	Lithuania	Portugal	Turkey
Chile	Guinea	Malaysia	Senegal	Uganda
China	Iceland	Mexico	Slovenia	United States
Denmark	India	Morocco	South Africa	Vietnam
Dominica	Indonesia	Namibia	Spain	

In addition, observers from the following organizations attended:

Intergovernmental organizations: the Centre for Marketing Information and Advisory Services for Fishery Products in Latin America and the Caribbean (INFOPECSA), the Centre for Marketing Information and Advisory Services for Fishery Products in the Arab Region, the Intergovernmental Organization for Marketing Information and Technical Advisory Services for Fishery Products in the Asia and Pacific Region, the International Organization for the Development of Fisheries in Eastern and Central Europe, the Intergovernmental Organization for Marketing Information and Cooperation Services for Fishery Products in Africa, the Organization for Economic Cooperation and Development (OECD), the United Nations Environment Programme (UNEP) and the Common Fund for Commodities (CFC).

Non-governmental organizations: Greenpeace International, the International Coalition of Fisheries Associations, the International Fund for Animal Welfare, the International Foundation for the Conservation of Natural Resources, the International Fish Meal & Fish Oil Organization, the International Federation of Organic Agriculture Movements, the World Conservation Union, the World Conservation Trust, the Marine Stewardship Council, Organizacion Latinoamericana de Desarrollo Pesquero, World Forum of Fish World Harvesters and Fish workers and Wide Fund for Nature.

### **Governance structure**

The Rules of Procedures of the Sub-Committee are those of the parent body, Committee on Fisheries (COFI).

The Committee elects a Chairman and two Vice-persons from among the representatives of its Members. Each Member of the Committee has one vote.

Observers from countries admitted to meetings of the Organization may be permitted:

- (a) to make only formal statements in Conference and Council plenaries and in Commissions, subject to the approval of the General Committee of the Conference, or of the Council;
- (b) to participate in the discussions of the commissions and committees of the Conference and Council and in the discussions of technical meetings, subject to the approval of the Chairman of the particular meeting and without the right to vote;
- (c) to receive the documents other than those of a restricted nature for and the report of the particular meeting;
- (d) to submit written statements on particular items of the agenda;
- (e) to attend a private meeting of the Council or of a commission or committee established by the Conference or Council.

### **Meetings**

The Subcommittee on Fish Trade holds its sessions every two years. The last session was held on June 2006, in Santiago de Compostela, Spain.

The session began with a review of major facts and developments regarding international trade in fish and fishery products. The analysis included a brief review of world fish production, exports and imports and a summary of the current trade situation of major fishery commodities. The Group also discussed on specific issues of international trade and sustainable fisheries development, including:

- The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and the related activities undertaken by the FAO Fisheries Department.
- The technical guidelines on responsible fish trade.
- The recent developments in fish safety and quality requirements in international fish trade.
- The recent developments in traceability systems for fish and fish products.
- The harmonization of catch documentation.
- The relationship between fish trade and food security and the role of small-scale fisheries in developing countries.
- The rehabilitation and reconstruction of fisheries in Tsunami affected countries.

### **Projects**

Fisheries projects financed by the CFC focus on market access for developing countries, market information on selected fisheries' products, training in quality management, value-added product development and cost benefit analysis for participating companies. The projects generally have a pilot project character, and results of the projects are circulated through regional dissemination seminars, articles in the FISH INFONetwork magazines and national workshops on the main findings of the project. Project specific publications on market analysis and product development are available

through the project executing agencies. A typical CFC fisheries project includes the following components: market analysis, product development, safety and quality improvement, and dissemination of results.

*Completed projects (3):*

<i>CFC Projects</i>	<i>Project cost</i>	<i>CFC grant</i>
Rehabilitation and Development of the Seafood Processing Industry in Rio Grande and Mar del Plata (completed in 2002)	0.96 million US\$	0.65 million US\$
Export Promotion of Fishery Products (completed in 2000)	0.6 million US\$	0.4 million US\$
Value-Added Fishery Products (completed in 1999)	0.4 million US\$	0.3 million US\$

*On-going projects (7):*

<i>CFC Projects</i>	<i>Project cost</i>	<i>CFC grant</i>
Small Scale Fisheries, Mozambique and Angola	1.2 million US\$	0.7 million US\$
Valued Added Fishery in Guinea and Mauritania	1.1 million US\$	0.6 million US\$
Improving Marketing Efficiency of Artisanal Fishermen in Central America, Mexico and the Caribbean	1.6 million US\$	1 million US\$
Development of Processing and Marketing of Tilapia Produced in Latin American River Basins – Phase I	1.5 million US\$	0.95 million US\$
Promotion of Processing and Marketing of Value-Added Tuna Products from Island Countries in the Asia-Pacific	1.1 million US\$	0.8 million US\$
Production and Marketing of Value-Added Fishery Products in Eastern and Southern Africa	0.6 million US\$	0.4 million US\$
Technical Information Service for Smallholder Fisheries	1.2 million US\$	0.4 million US\$

*Fast-track projects (2):*

<i>CFC Projects</i>	<i>Project cost</i>	<i>CFC grant</i>
Improving Marketing Efficiency of Artisanal Fishermen in Central America, Mexico and the Caribbean (approved in 2003)	60000 US\$	60000 US\$
Valorisation of Fishery Products in Mauritania and Guinea (approved in 2001)	69500 US\$	60000 US\$

## **Publications**

The FAO publishes several reports and provides statistical information on fish and fish products.

Globefish is the unit in the FAO Fisheries Department responsible for information on international fish trade. Globefish is a part of the network of Fish Marketing Services (INFOFISH, INFOPECHE, INFOSAMAK, INFOPECA, EUROFISH and INFOYU) and it has a coordinating role in the network activities. In terms of publications, different magazines are published such as Infosamak, Eurofish, Infofish and Infopesca. Globefish also publishes prices reports in the European Price Report and the Globefish Seafood Highlights. In regard to market analysis, there are two publications that contain information on prices developments, production, imports, exports and market news (Globefish Seafood Highlights and Commodity Updates Series).

The Fishery Information, Data and Statistics Unit (FIDI) undertakes statistical development, coordinates actions at international and national levels and conducts the FAO statistics programme for fisheries and aquaculture. This Unit maintains several statistical databases such as the FAOSTAT Fisheries Statistical Database, the Global Capture Production database, the Global Aquaculture Production database and the Global Fishery Commodity and Trade Statistics (FishStat). The Unit also publishes the FAO Bulletin of Fishery Statistics, the Fisheries Circulars, the Fisheries Reports, the Fisheries Technical Papers and the Yearbook on Fishery Statistics.

## 7. International Jute Study Group IJSG

### 7A The market for jute and jute goods

Global production (2005) of jute and allied fibres was 2.8 million tons. Major end-use is in sacking and in providing yarns for carpet weaving.

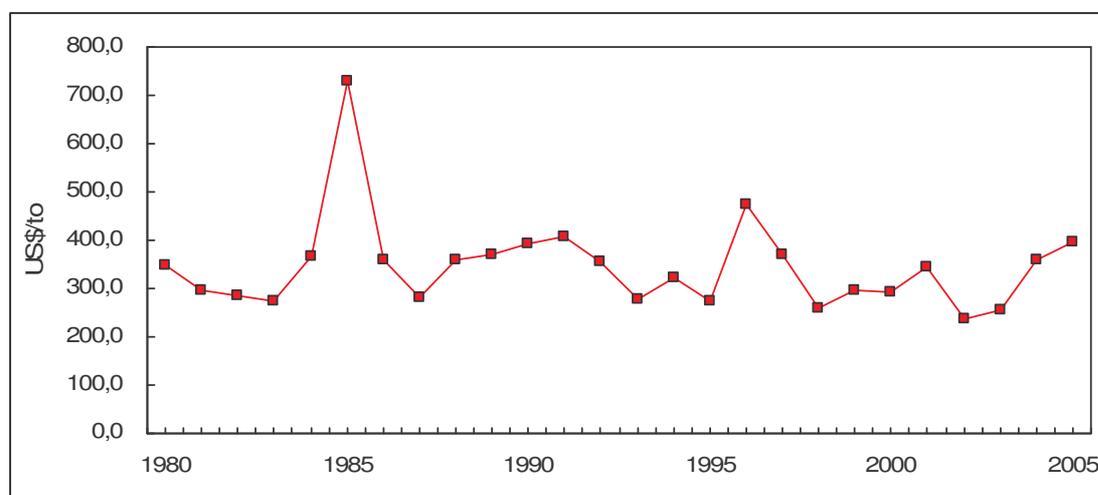
Of jute fibre itself about 2.4 million tons was produced in 2004/05. Major producers of jute are India (56%) and Bangladesh (40%).

World exports of raw fibre amounted to some 350,000 tons, while 740,000 tons of jute goods were exported worldwide in 2004. Hence, most of the jute fibre is used in the consuming countries themselves. This holds in particular for India. Bangladesh is almost the sole exporter of raw jute, and exports some 440,000 tons of jute goods, compared with India's 190,000 tons. Raw jute is mainly imported by India and Pakistan, followed by Thailand and China. Jute goods are for about 50% imported by countries in the Near East; this concerns mostly jute yarns. The EU(25) imports around a quarter of all exported goods and the USA some 10%. These import quantities are but a small fraction of what used to be imported in the past. Domestic use of the products has largely compensated for reduced export demand, and production levels in Bangladesh are still at levels equal to those of the early 1980s, while production in India has almost doubled in that period..

Main competing fibre is polypropylene, both for carpet backing and for sacking. The recent increase in oil prices has also led to a doubling of the PP prices, thus strengthening the competitive position of jute goods.

#### Prices of jute

The jute prices have been rather volatile over the past three decades, as the graph shows (US\$/ton).



Fluctuations in the prices are mostly due to fluctuations in production. Adverse weather conditions lead to low crop output and, if the shortfall is not met from high carry-over stocks, to high prices. Typically, such high prices trigger more production in the next years.

#### Extent of state interference

With many growers and only few processing firms, the sector is prone to interference by the state. Processors seek to safeguard their investments, farmers seek protection against low prices offered by the processors. The history of jute is one of continued state interference in the market, by support prices, minimum prices, export subsidies, and subsidies to processing firms. For periods of time jute mills have been nationalized, and the state still owns some jute mills in Bangladesh and India. In India demand for jute goods is sustained by government regulations on compulsory use of jute as packaging material and

government purchasing of jute goods for this purpose. World Bank programs in the mid 1990s have addressed the issue of overcapacity in the processing sector. In the international trade most imports of raw jute are without duties, while imports of jute goods are subject to tariffs. The EU has no tariff on jute goods from Bangladesh, while the imports from India are at zero tariff within a (large enough) quota.

### **Traders, processors**

International trade in jute is not heavily concentrated. Export supply is heavily state influenced, but international trade and imports are handled by many private firms. Prices are published daily by government authorities in the exporting countries.

### **Associations**

The various types of jute industry and trade in the two producing member countries are well organized. Jute producers do not have similar representative associations. Recently, the Indian government announced plans to create an overarching body, the Jute Board. Some 25 European jute trading firms have organized themselves into Eurojute. Research on jute is organized along national lines in India (CRIJAF) and Bangladesh (BJRI).

### **Other statistics providers**

The FAO and its Intergovernmental Group on jute, kenaf and allied fibres publishes a statistical bulletin. It is combined with statistics on hard fibres, such as sisal, abaca and coir. The bulletin covers production and processing, and contains statistics on jute and jute goods, and on the competitive position vis-à-vis synthetics. The FAO regularly makes long-term outlook studies, including jute. The World Bank does not have jute included in its market forecasts.

## **7B. THE INTERNATIONAL JUTE STUDY GROUP**

### **Role of the IJSG**

The International Jute Study Group (IJSG) was established in 2002 for eight years. It is an intergovernmental organization recognised as an international body located in Dhaka. It is the legal successor to the International Jute Organization (IJO), which was established in 1984 but dissolved in 2000. Its role is to “to administer the provisions and supervise the operation of the Agreement establishing the Terms of Reference”.

### **Objectives**

These terms of reference include as objectives

- a) provide an effective framework for international cooperation
- b) promote the expansion of trade in jute and jute products
- c) provide a forum for active participation of the private sector
- d) address issues of poverty alleviation, employment and development of human resources, particularly women
- e) improvement of productivity and quality
- f) increase awareness of environmental friendly natural fibre
- g) improve market intelligence with a view to greater transparency, in collaboration with other organizations including FAO

### **Members**

India and Bangladesh are producing country members, the European Community and Switzerland are importing members. They account for more than 60% of jute trade. Of the original producing country members of IJO, China, Thailand and Nepal have not yet joined the IJSG.

### **Governance structure**

The Council is the decision making body of IJSG. Members contribute according to their votes. These are based on a) 1000 votes equally distributed and b) for producer countries: 40% of the volume produced, and 60% of quantity of net trade of producing countries; for consuming countries: net trade of consuming countries. EU votes are the sum of the individual member states' votes, adding up to 1059 of the 2000 votes. The IJSG has a Committee on Projects to discuss project proposals. Private sector participation is made possible through the establishment of a Private Sector Consultative Board, consisting of all associate members. At present, 42 entities are registered as associate member, including associations and research institutes. On the European side, there is only 1 Swiss firm among these members. Associate members pay \$100; associations pay \$400 as membership fee.

### **Resources**

Compared to the former IJO, the IJSG has more functions and additional mandates but less staff and other resources.

The budget of the organization for 2005/06 amounted to US\$ 458,000, or about € 366,000. Personnel costs are € 257,000 Accommodation costs are next to nil, as the premises are made available by the Bangladesh government. The secretariat counts 1 (out of 2 foreseen) internationally recruited staff, and 13 locally recruited staff members, of whom 3 are national professionals.

### **Ongoing Projects**

Recently completed

- Biotechnical application of enzymes for making pulp and paper from green jute/kenaf US\$ 1.4 million, of which CFC grant \$ 888,000
- A new road map for the Jute Industry; US\$ 120,000, of which CFC grant \$120,000

On-going projects

- Small-scale entrepreneurship development in diversified jute products; US\$ 3.1 million, of which CFC grant \$1.5 million; CFC loan \$1.1 million
- Jute-reinforced polyolefines for industrial applications; US\$ 398,000, of which CFC grant \$307,000
- Study in the residual silica/silicate in raw jute and the scope for elimination/reduction; US\$ 45,000, of which CFC grant \$34,000

### **Publications**

The IJSG has few publications. For statistics, there is an agreement with the FAO to use their half-yearly statistical bulletin on jute and hard fibres.

**8. International Network for Bamboo and Rattan INBAR:Market**

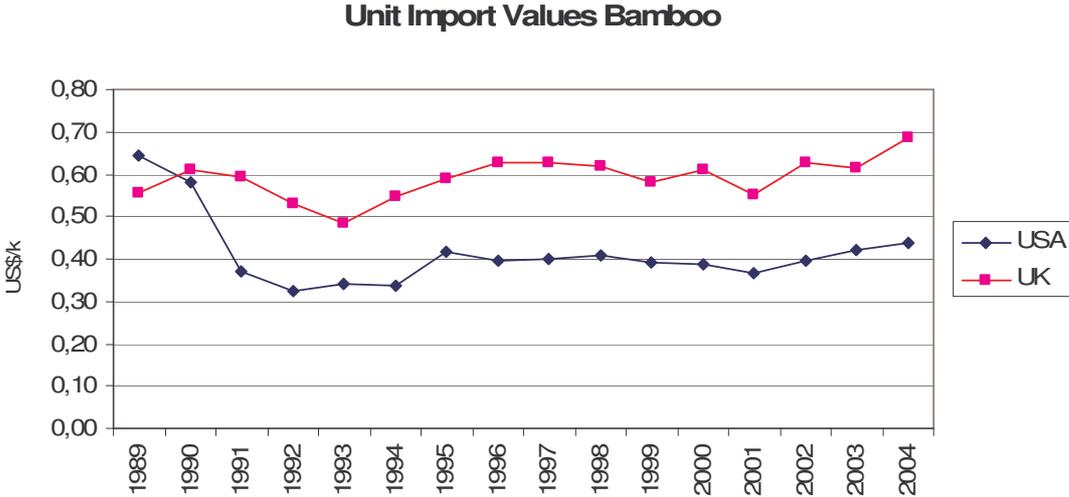
**8A The market for bamboo and rattan**

There are no readily available statistics for the production of bamboo, and even less for rattan. The FAO does not include these crops in its database on agricultural production. Efforts are made by INBAR to make the trade in the raw material and the products more visible in terms of trade statistics. From their database for 2004 it appears that export value of the raw material from China amounts to US\$ 22 million, which makes China by far the major exporter. The EU imports to the value of about 25 million, USA 9 million and Japan 6 million. Rattan is mainly produced in Indonesia which exports 22 million worth of raw material. Trade figures on bamboo or rattan products should be much larger, but are not available in sufficient specificity as yet.

Trade data largely underestimate the production value. Domestic use of bamboo for housing, matting and other uses is widespread. Furthermore, consumption and trade in edible bamboo shoots are important.

**Prices of bamboo**

Prices of the product are also not readily available. The import unit values in the graph below give some idea about the changes over time, showing a slight cyclical pattern reflecting the up and down swings of the Western economies.



**Extent of state interference**

While world trade in bamboo and rattan appears to be unburdened by huge tariffs or other trade barriers, governments have intervened in favour of the local processing industry. Indonesia banned exports of unprocessed rattan at some time, and other countries have taken similar measures, or have put high tariffs on the imports of bamboo products. Bamboo imports into the EU or the USA have a zero tariff, into Japan a 8.5% tariff. Seats of cane, bamboo etc. can be imported at a tariff of 5.6% in the EU, 0% in the USA and 0% in Japan. (source: TRAINS database UNCTAD).

**Traders, processors**

No information on the degree of concentration, or major traders, exports, processors etc. in the market is available. INBAR has set up a “yellow pages” website to facilitate trade contacts.

## **Associations**

There appear to be no specific traders or processors associations. Often bamboo is combined with other products (such as wood) in trade, or furniture in processing. The American Bamboo Society is worth mentioning as an association of people concerned with the commodity. Similarly, the World Bamboo Organization advocates the use of bamboo and organizes a world conference approx. every 4 years.

## **Other statistics providers**

The ITTO has non-timber forest products in its mandate, and publishes documents on bamboo. Bamboo is not included in its market information system, however.

## **8B The International Network for Bamboo and Rattan INBAR**

### **1. Role**

The International Network for Bamboo and Rattan (INBAR) was established in 1997, dedicated to improving the social, economic, and environmental benefits of bamboo and rattan. INBAR connects a global network of partners from the government, private, and not-for-profit sectors in over 50 countries to define and implement a global agenda for sustainable development through bamboo and rattan. INBAR has evolved from an initiative of the Canadian IDRC with a initial focus on research coordination. In 2000, INBAR acquired the ICB status with the CFC.

### **2. Objectives**

INBAR's objectives are

“To improve the well-being of producers and users of bamboo and rattan within the context of a sustainable bamboo and rattan resource base by consolidating, coordinating and supporting strategic and adaptive research and development

The Network shall accord special attention to

- satisfying the livelihood and basic needs of people living in the bamboo & rattan producing areas
- protection of the environment
- conserving biodiversity
- enhancing productivity in processing bamboo & rattan
- developing and promoting policies and technologies aimed at realizing the full potential of bamboo & rattan as substitutes for wood”

### **3. Members**

Member countries are Argentina, Bangladesh, Benin, Bolivia, Cameroon, Canada, Chile, China, Colombia, Cuba, Ecuador, Ethiopia, Ghana, India, Indonesia, Kenya, Madagascar , Malaysia, Mozambique, Myanmar, Nigeria, Nepal, Peru, Rwanda , The Philippines, Sierra Leone, Sri Lanka, Tanzania, Togo, Tonga, Uganda, Venezuela, Vietnam.

### **4. Governance structure**

The structure is quite unlike other commodity organizations. While the council, with representatives of member states, is the supreme body, it meets only once every 2 years. There is one vote per member. The more regular governance is provided by the Board of Trustees, which consists of (at least) 3 persons from producing countries, 1 person appointed by the Host State, (at least) 3 experts and the Director-General. The Board meets at least once per year. New board members are chosen by co-optation.

Membership fees are calculated with reference to the scale used for calculating fees for the UN. For the years 2005 and 2006, a minimum fee is set at US\$ 8,000 (\$5,000 for least developed countries) and a maximum fee of 22% of the budget. In fact, the maximum is paid by Canada and China, and most countries pay the minimum. The membership fee system was only established in 2005.

There are no special committees or formal private sector participation.

### **5. Finance**

Total annual membership fees amount to \$500,000. In 2005 they contributed \$175,000 to the Secretariat's expenses, which in total amounted to \$625,000. Within this budget, \$330,000 is to meet personnel costs. Accommodation is imputed at \$156,000 but provided by the Host country. Travel costs amounted to \$30,000. The secretariat counts 24 persons. 18 more persons are employed in decentralized offices in India, Ghana, Ecuador and Italy.

## **6. Projects**

Around 2 million dollar was received for projects in 2005. This amount was used for some 50 projects (big and small) in the realms of livelihood development (45%), Outreach (25%), Economic Development (25%) and Ecological Security (5%).

CFC projects include

- (viii) Workshop on market-based development with bamboo in East-Africa (\$120,000)
- (ix) Market development of bamboo products with potential, Bangladesh, Nepal, Myanmar (\$2 million)
- (x) Market-based development with bamboo in Eastern Africa (\$2.5 million) started 2006

Under implementation

Transfer of technology in Bamboo shoot production from China to Bangladesh, Sri Lanka (\$1.7 million; CFC approved)

Under preparation

Development and commoditization of bamboo pre-fabricated panel housing

## **7. Publications**

No studies published in 2005. The annual report 2005 gives a good overview of activities and finance. The strategy document “In partnership for a better world - strategy to the year 2015”, published in 2006, provides clear measurable goals set for the years ahead..

## **9 International Tropical Timber Organization ITTO Market**

### **9A The market for tropical timber**

Production of tropical industrial roundwood in the 59 ITTO member countries stood at 131 million m<sup>3</sup> which is 11% of all roundwood production in these countries. A large part of this production is processed and used locally. Exports of logs in 2004 were 12 million m<sup>3</sup>. The value of this export came close to US\$1500 million. Exports of sawnwood, plywood and, veneer amounted to a value \$ 7600 million. Major producers *and consumers* of tropical logs are Brazil, Indonesia and Malaysia. Major importers are China (7.3 million m<sup>3</sup>), India (3.0) and Japan (1.6), while Malaysia is the major exporter. China and Malaysia are also the major importer and exporter in the sawnwood market, while Japan is the dominant importer of plywood (Malaysia again major exporter).

#### **Prices of timber**

Prices of timber show a general upward trend over the past 7 years. The Asian currency crises led to a sharp drop in the dollar-prices between 1996 and 1998, and present prices in US dollar have not yet reached the pre-crisis levels. An exception is rubberwood, of which the prices in 2005 are more than three times the price in 1996.

#### **Extent of state interference**

State policies play an important role in the tropical timber market. There is an abundance of regulations relating to production of timber (restrictions on logging), exports (outright bans, or export taxes), imports (tariffs, or subject to certification) and consumption (certification). It is not so much trade concerns that play a role. Concerns about sustainability and the maintenance of tropical forests are behind much of the regulation.

#### **Traders, processors**

There is considerable concern about the increasing influence of small numbers of firms in local processing and trade of timber, not least in countries where illegal logging takes place. Yet, there appears to be no high degree of concentration in the international trade and processing of tropical timber.

#### **Associations**

There is a multitude of organizations involved with the sustainable management of tropical forests. Some countries have combined forces, such as African Timber Organization. Industry has its associations in Europe, USA and Japan. An important role is played by the UNECE, which discusses guidelines for sustainable timber production. Research is organized through the International Union of Forestry Research Organizations, CIFOR, one of the CGIAR Research institutes..

#### **Other statistics providers**

Next to ITTO, the FAO forestry division publishes many statistics on forestry. the UN/ECE is a very important source of information on the markets in its member countries, comprising Europe, Central Asia and North America. Private providers include Forest Industries Intelligence and Indufor in relation to certification.

## 9B The International Tropical Timber Organization ITTO

### 1. Role

The objectives of the International Tropical Timber Agreement, 2006 are to promote the expansion and diversification of international trade in tropical timber from sustainably managed and legally harvested forests and to promote the sustainable management of tropical timber producing forests.

### 2. Objectives

- (a) Providing an effective framework for consultation, international cooperation and policy development among all members with regard to all relevant aspects of the world timber economy;
- (b) Providing a forum for consultation to promote non-discriminatory timber trade practices;
- (c) Contributing to sustainable development and to poverty alleviation;
- (d) Enhancing the capacity of members to implement strategies for achieving exports of tropical timber and timber products from sustainably managed sources;
- (e) Promoting improved understanding of the structural conditions in international markets, including long-term trends in consumption and production, factors affecting market access, consumer preferences and prices, and conditions leading to prices which reflect the costs of sustainable forest management;
- (f) Promoting and supporting research and development with a view to improving forest management and efficiency of wood utilization and the competitiveness of wood products relative to other materials, as well as increasing the capacity to conserve and enhance other forest values in timber producing tropical forests;
- (g) Developing and contributing towards mechanisms for the provision of new and additional financial resources with a view to promoting the adequacy and predictability of funding and expertise needed to enhance the capacity of producer members to attain the objectives of this Agreement;
- (h) Improving market intelligence and encouraging information sharing on the international timber market with a view to ensuring greater transparency and better information on markets and market trends, including the gathering, compilation and dissemination of trade related data, including data related to species being traded;
- (i) Promoting increased and further processing of tropical timber from sustainable sources in producer member countries, with a view to promoting their industrialization and thereby increasing their employment opportunities and export earnings;
- (j) Encouraging members to support and develop tropical timber reforestation, as well as rehabilitation and restoration of degraded forest land, with due regard for the interests of local communities dependent on forest resources;
- (k) Improving marketing and distribution of tropical timber and timber product exports from sustainably managed and legally harvested sources and which are legally traded, including promoting consumer awareness;
- (l) Strengthening the capacity of members for the collection, processing and dissemination of statistics on their trade in timber and information on the sustainable management of their tropical forests;
- (m) Encouraging members to develop national policies aimed at sustainable utilization and conservation of timber producing forests, and maintaining ecological balance, in the context of the tropical timber trade;
- (n) Strengthening the capacity of members to improve forest law enforcement and governance, and address illegal logging and related trade in tropical timber;
- (o) Encouraging information sharing for a better understanding of voluntary mechanisms such as, *inter alia*, certification, to promote sustainable management of tropical forests, and assisting member s with their efforts in this area;
- (p) Promoting access to, and transfer of, technologies and technical cooperation to implement the bjectives of this Agreement, including on concessional and preferential terms and conditions, as mutually agreed;
- (q) Promoting better understanding of the contribution of non-timber forest products and environmental services to the sustainable management of tropical forests with the aim of enhancing the capacity

- of members to develop strategies to strengthen such contributions in the context of sustainable forest management, and cooperating with relevant institutions and processes to this end;
- (r) Encouraging members to recognize the role of forest -dependent indigenous and local communities in achieving sustainable forest management and develop strategies to enhance the capacity of these communities to sustainably manage tropical timber producing forests; and
- (s) Identifying and addressing relevant new and emerging issues

### 3. Members

#### Producing member of the new agreement (and \*members of the old agreement)

AFRICA	ASIA-PACIFIC	Latin America & Caribbean
Angola	Cambodia*	Barbados
Benin	Fiji*	Bolivia*
Cameroon*	India*	Brazil*
Central African Republic*	Indonesia*	Colombia*
Cote d'Ivoire*	Malaysia*	Costa Rica
Democratic Republic of Congo*	Myanmar*	Dominican Republic
Gabon*	Papua New Guinea*	Ecuador*
Ghana*	Philippines*	Guatemala*
Liberia*	Thailand*	Guyana*
Madagascar	Vanuatu*	Haiti
Nigeria*		Honduras*
Republic of Congo*		Mexico*
Rwanda		Nicaragua
Togo*		Panama*
		Paraguay
		Peru*
		Suriname*
		Trinidad & Tobago*
		Venezuela*

Consuming members of the new (* old) agreement	
Albania	
Algeria	Australia*
Canada*	China*
Egypt*	European Community*
Iran (Islamic Republic of)	Iraq
Japan*	Lesotho
Libyan Arab Jamahiriya	Morocco
Nepal*	New Zealand*
Norway*	Republic of Korea*
Switzerland*	United States of America*

### 4. Governance structure

The Council (meeting at least once a year) is the highest decision making body. Votes in the council are based on a equal shares for producing (i.e.net exporting) and consuming (i.e.net importing) countries. Producer shares are distributed: 400 votes equally over Africa, Latin America & Caribbean and Asia (and equally over the countries in these groups); 300 votes in proportion to the forest area; 300 votes in proportion to net exports; the African votes are shared equally among these members. On the consuming side, each country gets 10 votes; the remaining consuming votes are distributed in proportion to the net imports. The EU votes are the sum of the votes of the member states.

For day-to-day guidance the ITTO uses the Bureau, consisting of Chairs of Council and Committees. Committees include Forestry Industry; Economics, Statistics and Markets; Reforestation and Management; Finance and Administration. There is an Informal Advisory Group (of member state representatives), a Trade Advisory Group and a Civil Society Advisory Group, but they have no formal role in the organisation.

## 5. Finance

Total approved expenditures for the administrative budget amount to US\$5.3 million in 2006, of which \$4.5 million for personnel-related expenditures. Office space is provided by the Host country Japan. Travel costs are \$175,000. The secretariat counts 33 persons, of whom 16 professional staff. Voluntary contributions are made by members for ITTO's project work. In 2005, donors made \$13.8 million available for 26 new projects and another \$10.2 million for the secretariat's work plan 2006-07.

## 6. Projects

Total ongoing projects ("operational" on 31 Dec 2005) number 121 with a value of over \$66 million. In addition there were 25 Pre-projects. More than half of these are in the realm of Reforestation and Management. Forest Industry takes approximately another third, and Economic information and market intelligence the rest.

CFC projects include

- (xi) Sustainable use and reforestation of Amazon forest by indigenous communities (\$940,000; CFC \$940,000)
- (xii) R&D in energy alternative from biomass through briquetting, gasification and direct combustion (\$1,318,000; CFC \$1,284,000)
- (xiii) Community forest product processing in Puerto Dias Extractive reserve (\$462,000; CFC 33,000)
- (xiv) Genetic resistance of *Iroko* To *Phytolyma lata* (\$379,000; CFC \$259,000)
- (xv) Demonstration of rubberwood processing technology (\$350,000; CFC \$120,000)
- (xvi) Interim workshop on Clean Development Mechanism (\$279,000; CFC100,000)
- (xvii) Sustainable management of non-timber forest products (\$76,000; CFC \$76,000)

## 7. Publications

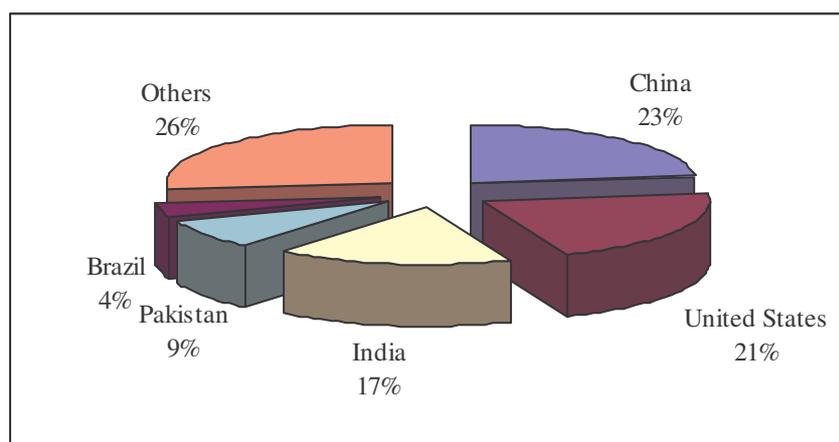
- Annual Review and Assessment of the world timber situation (214p)
- Market information report (two-weekly, 18p)
- Review of the French Timber Market (197p)
- Review of the Italian Timber Market
- Best Practices for improving Law Compliance in the forestry sector (with FAO) (112p)
- Status of tropical forest management 2005 (302p)
- For Services Rendered The current status and future potential of markets for the ecosystem services provided by tropical forests (2004) (72p)
- Revised ITTO criteria and indicators for the sustainable management of tropical forests *including reporting format* (142p)
- Achieving the ITTO Objective 2000 and sustainable forest management in Mexico (13p)
- Achieving the ITTO Objective 2000 and sustainable forest management in Liberia (13p)
- Restoring Forest Landscapes: An introduction to the art and science of forest landscape restoration

## 10 International Cotton Advisory Committee

### 10A Cotton market analysis

#### *Cotton production and trade*

World cotton production was estimated at 24.8 million tons in 2005/06. China, United States and India are the major producing countries, accounting for 60% of world production. Production in China has followed an irregular path in recent years. It increased by 30% in 2004/05 while it decreased by 10% in 2005/06. US production has increased by an average rate of 12% over the last four years.



*World cotton production in main countries*

Source : FAS/USDA

World cotton exports were estimated at 9.7 million tons in 2005/06. United States (40% of total exports), Uzbekistan, India and Australia are the main exporters, accounting for almost two-third of total exports. US exports represent 76% of their cotton production. They have considerably increased over the last years (about 50% since 2002/03). China is the world's largest importer and consumer of cotton. Chinese imports represent 44% of world imports, followed by Turkey (8%), Bangladesh (5%) and Pakistan (4%).

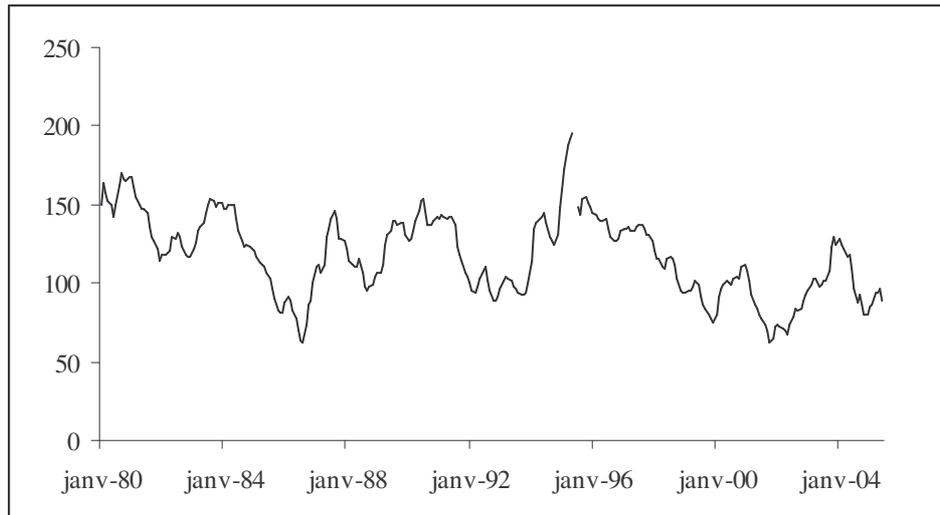
#### **Prices of cotton**

Real cotton prices have followed a declining pattern. Several factors contributed to drive cotton prices down, including: a rise in cotton production, a reduction in the costs of production, slow demand growth and strong competition from synthetics.

During the 1990s, nominal cotton prices, as measured by the Cotlook A Index, fluctuated between 195,6 cents per pound (May 1995) and 62,8 cents per pound (October 2001). The post-1996 decline in cotton prices was a result of a number of factors. First, there was excess production during the 1997/98 season. Second, demand was weak, especially from the East Asian textile producers affected by the financial crisis of 1997. Third, low synthetic fibers prices, which were a result of currency devaluations in several East Asian chemical fiber producers (Baffes, 2003).

Cotton prices fell in 2001/02 to its lowest annual level in thirty years. According to Goreux (2003), the fall resulted from the combination of four factors: 1) long-term inroads of synthetics fibers, 2) slow-down in economy activity, 3) fluctuations in exchanges rates and 4) large subsidies granted by key industrialized countries. World prices recovered until November 2003 and then they have been weakening, particularly at the end of 2004.

It is important to mention that China plays a major role in cotton, affecting the movements in prices. When China became a sizable importer, as in 1980/81 and 1994/95, world prices went up. But when China decided to reduce its stocks, world fell as in 1985/86 and 1999/00 (Goreux, 2003).



**World Cotton Prices (Cotlook A Index)**  
Source: UNCTAD

### *State interference*

According to the World Bank, the cotton market is highly distorted. Several cotton producing countries use domestic subsidies to support their cotton industry. The United States is the largest provider of cotton subsidies. Support in the US takes several forms, including loan deficiency payments, marketing loan gains, production flexibility contracts, marketing loss assistance, insurance and step-2 export subsidies.

Subsidisation regimes in several producing countries have added to the relative fragmentation of price formation for cotton. According to a communication from the Commission of the European Communities to the Council and the European Parliament (COM(2004) 87), due to subsidisation, prices paid to domestic cotton farmers were 90% and 154% above world prices in 2001/02 in the US and EU respectively (Infocomm).

### **Market concentration**

There is evidence that the increasing market concentration along agricultural commodity chains has been associated with a declining share of producing countries in the revenues generated from the sale of these products in global markets. Recent studies show a widening gap between world commodity prices and consumer prices in industrialized countries. Growers' price represents very low shares of the final price of the product, (4-8% percent for raw cotton) (CCP, 2003).

## Other statistics providers

### Main sources of statistics (other than ICAC statistics)

Statistics/Source	FAOSTAT database	US Foreign Agricultural Service (FAS) database	UNCTAD Handbook of Statistics	Cotton Outlook
Production	1990-2005	1960/61-2005/06		x
Exports/Imports	1990-2003	1960/61-2005/06		x
Consumption/ Stocks	1990-2003	1960/61-2005/06		x x
Prices			Average of daily prices of raw cotton	Cotlook A Index of raw cotton values
Availability	Available on the website for all public	Available on the website for all public	Available on the website for all public	Paid subscription required

## 10B International Cotton Advisory Committee (ICAC)

### Role

The role of the ICAC is to raise awareness of emerging issues, provide information relevant to the solving of problems and to foster cooperation in the achievement of common objectives. By serving as an objective statistical observer and by bringing together both producing, consuming and trading countries and all segments of the cotton industry, the ICAC serves a unique role as a catalyst for constructive change.

### Objectives

The functions of the ICAC are:

- To observe and keep in close touch with developments affecting the world cotton situation.
- To collect, disseminate, and keep complete, authentic and timely statistics and other information relating to world production, trade, consumption, stocks and prices of cotton; and other textile fibres, or of textiles, insofar as they affect the cotton economy and do not duplicate assignments that governments have given to other international bodies.
- To suggest to member governments of ICAC, as and when advisable, any measures ICAC considers suitable and practicable for the furtherance of international collaboration directed towards developing and maintaining a sound world cotton economy.
- To be the forum for international discussions on matters related to cotton prices, without, however, prejudicing discussions currently being carried on elsewhere, for example, in the UNCTAD. Such discussions should take place regularly both in the Standing Committee and at annual Plenary Meetings.

### Members

Membership in ICAC is open to all members of the UN or of the FAO, expressing an interest in cotton. Any other government expressing an interest in cotton shall be eligible to apply for membership.

Accession of any government to ICAC are effected by the following procedures:

- A government desiring to accede shall address a communication to the Executive Director stating that:

- (1) It has an interest in cotton;
- (2) It is prepared to fulfil the obligations of membership with respect to: (a) the acceptance of the Rules and Regulations, (b) the submission of information concerning the cotton situation and related matters within its own country, and (c) the payment of its assessments.
- The Standing Committee or the Advisory Committee, as applicable, shall thereupon consider the communication of the government desiring to accede.
  - Normally the accession of a government qualifying for membership shall be confirmed at the next meeting of the Standing Committee. However, should the matter of accession be raised at a Plenary Meeting the Advisory Committee shall confirm the accession.
  - Application for membership from any other government shall be considered by the Advisory Committee.
  - Whenever it confirms or approves the admission of a government to membership in ICAC, the Standing Committee or Advisory Committee shall, at the same time, confirm the amount of the financial contribution assessed to such government in the year of its accession.

Currently 42 countries are members of the ICAC:

Argentina	China (Taiwan)	Greece	Mali	South Africa	Turkey
Australia	Colombia	India	Netherlands	Spain	Uganda
Belgium	Côte d'Ivoire	Iran	Nigeria	Sudan	United Kingdom
Brazil	Egypt	Israel	Pakistan	Switzerland	USA
Burkina Faso	Finland	Italy	Paraguay	Syria	Uzbekistan
Cameroon	France	Kazakhstan	Poland	Tanzania	Zambia
Chad	Germany	Korea	Russia	Togo	Zimbabwe

### **Governance structure**

Between Plenary Meetings, the Advisory Committee is represented at Washington by a Standing Committee. The Advisory Committee may delegate authority on specific matters to the Standing Committee. All actions taken by the Standing Committee may be reviewed by the Advisory Committee.

The Chairman of the Standing Committee reports at each meeting of the Advisory Committee on the activities of the Standing Committee since the last meeting.

All members of ICAC are eligible to serve on the Standing Committee. Invitations to host plenary meetings cannot be accepted from countries that are more than one year in arrears in the payment of assessments to the ICAC.

*The responsibilities of the Standing Committee are to:*

- To constitute a medium for exchange of views in regard to current and prospective developments in the international cotton situation.
- To give practicable effect to all directions, decisions, and recommendations of the Advisory Committee.
- To prepare work programs.
- To see that the work programs are carried out insofar as the finances of the ICAC will permit. This responsibility shall involve, but not necessarily be limited to:
  - (a) Determination of the number, nature and distribution of reports and publications to be issued.
  - (b) Assignments to the Secretariat or to the appropriate subcommittee of those items in the approved work program that it does not wish to reserve for itself.
  - (c) Improvement of statistics.
  - (d) Public relations.
- To prepare an agenda and timetable for the Advisory Committee and to make recommendations for consideration by that Committee.
- To establish practicable cooperation with the UN, the FAO, the International Institute for Cotton, and other international organizations concerned with matters of interest to ICAC.

- To oversee the finances of ICAC. This responsibility shall include, but not necessarily be limited to, adoption of a budget of expenditures and a scale of assessments from member governments for ICAC's next fiscal year.
- To create and maintain a Secretariat, which shall comprise an Executive Director and his staff. To employ such staff as it may deem necessary for the purpose, having in mind the desirability of drawing qualified personnel as broadly as possible from participating countries.
- To appoint a new Executive Director and determine the terms of his employment in the event of a need in the interim period between meetings of the Advisory Committee.
- To define, as it finds necessary for the efficient conduct of business, the duties and responsibilities of any of its officers or of the Secretariat.
- To recommend amendments to the Rules and Regulations.

*The Standing Committee may establish subcommittees or working groups, prescribe their terms of reference, and terminate or discharge them.*

In their decision making the Advisory Committee and the Standing Committee shall strive for unanimity. In the event that a consensus cannot be achieved in the Standing Committee, the matter under consideration may be referred to the Advisory Committee.

The Advisory Committee shall proceed by consensus. In the event of a consensus not being achieved in the Advisory Committee, the matter shall be put to a vote at the request of any delegate, in which case the adoption of any recommendation or proposal shall require the approval of a two-thirds majority of member governments present and voting.

Each member government shall be entitled to one vote.

## **Resources**

The assessment of each member government shall be the sum rounded to the nearest \$100 of:

- (1) A basic contribution: 40% of the total assessments shall be shared equally between member countries, and
- (2) A pro rata contribution: the total of the pro rata contributions shall equal budgetary demands less the sum of the equal contributions. The pro rata contribution shall be assessed on the basis of average trade in raw cotton (exports plus imports) in the four most recent cotton years (August-July) ended prior to the ICAC fiscal year to which contributions are applicable.

*The annual budget is US\$1.7 million, of which about 85% come from government assessments and 15% from the sale of subscriptions and participant fees at meetings and seminars.*

### *Meetings*

Meetings of the Advisory Committees (ICAC meetings in plenary session) are held at least once per calendar year. Additional meetings may be called by the Standing Committee. Meetings of the Advisory Committee shall alternate as much as possible between cotton exporting and cotton importing countries.

*Meetings of the Standing Committee are held at the call of the Chairman or the Executive Director, at the request of any member government or by decision of the Standing Committee. One third of the membership shall constitute a quorum. In the absence of a quorum the meeting shall proceed if at least eight countries are represented.*

According to ICAC, plenary meetings provide a forum for the discussion of international issues of importance to the world cotton industry, and provide opportunities for industry and government leaders from producing, consuming and trading countries to consult on matters of mutual concern.

During the 65th Plenary Meeting in 2006 in Brazil, the Committee called on the WTO and its members to urgently resume the “suspended” Doha round of multilateral trade negotiations. The Committee agreed that a liberalized world trade system for cotton can best be reached through WTO framework. The Committee also instructed the Secretariat to work with the WTO to conduct annual workshops on cotton trade and development aspects. The Committee directed the Secretariat to form an Expert Panel on the Social, Environmental and Economic Performance of the world cotton

industry. The Expert Panel will provide objective, science-based information to the Committee on the negative and positive aspects of global cotton production and will make recommendations for further action as appropriate. As one component of its mandate, the Expert Panel will gather information from around the world on costs of agricultural labor and the factors that affect those costs. The Task Force on Commercial Standardization of Instrument Testing of Cotton (CSITC) reported that it will begin conducting Round Trials among testing centers on a voluntary basis during 2006 so as to provide information about the accuracy and precision of test center performance to test center operators. The Committee received a report from its Private Sector Advisory Panel (PSAP). The PSAP suggested that governments should prohibit destructive systems that add liquid moisture to bales solely for the purpose of increasing weight.

ICAC also organizes a World Cotton Conference every four years. The Cotton South Africa, Agricultural Research Council of South Africa, CIRAD-CA (France), FAO and ICAC in addition to many private sector companies sponsored the last cotton conference (2003). Over 300 researchers from 38 countries attended the Conference. 164 papers were presented orally and 83 papers were presented as posters at the Conference. The next conference will be held in 2007, in United States.

## Projects

*Completed projects (5):*

<b>CFC Projects</b>	<b>Project cost</b>	<b>CFC grant</b>
Genome Characterisation of Whitefly-Transmitted Geminiviruses of Cotton and Development of Virus-Resistant Plants through Genetic Engineering and Conventional Breeding (completed in 2002)	3,8 million US\$	1,5 million US\$
<i>Integrated Pest Management of the Cotton Boll Weevil in Argentina, Brazil and Paraguay (completed in 2001)</i>	8,2 million US\$	1,9 million US\$
<i>Improvement of Marketability of Cotton Produced in Zones Affected by Stickiness (completed in 2001)</i>	2 million US\$	1,1 million US\$
<i>Integrated Pest Management for Cotton (completed in 1999)</i>	5,39 million US\$	3 million US\$
<i>Cotton Prospects for the 1990s (completed in 1995)</i>	1,18 million US\$	0,5 million US\$

*On-going projects (5):*

<b>CFC Projects</b>	<b>Project cost</b>	<b>CFC grant</b>	<b>CFC loan</b>
Instrument testing of Cotton, Africa	7,8 million US\$	2 million US\$	
Utilisation of Cotton Plant By-Product for Value-Added Products	2,3 million US\$	0,97 million US\$	
<i>Pilot Project on Price-Risk Management for Cotton Farmers</i>	1,7 million US\$	1,5 million US\$	
<i>Sustainable Control of the Cotton Bollworm <i>Helicoverpa armigera</i> in Small-Scale Production Systems</i>	4,5 million US\$	2,3 million US\$	
<i>Improvement of Cotton Marketing and Trade System in Eastern and Southern Africa</i>	24,8 million US\$	3,6 million US\$	5,7 million US\$

*Fast track projects (8):*

<b>CFC Projects</b>	<b>Project cost</b>	<b>CFC grant</b>
<i>Production of Uncontaminated Cotton, Mali (approved in 2006)</i>	<i>90000 US\$</i>	<i>50000 US\$</i>
<i>Instrument Testing of Cotton (approved in 2005)</i>	<i>142415 US\$</i>	<i>101138 US\$</i>
<i>Utilisation of Cotton Plant By-Product for Value-Added Products (approved in 2003)</i>	<i>120000 US\$</i>	<i>120000 US\$</i>
<i>Improvement of the Sustainability of Cotton Production in West Africa (approved in 2003)</i>	<i>180000 US\$</i>	<i>75000 US\$</i>
<i>Investigation of the Incidence, Epidemiology and Population Dynamics of Cotton Diseases in the Southern and Eastern African Region (approved in 2002)</i>	<i>57500 US\$</i>	<i>57500 US\$</i>
<i>Publication Cotton Facts (approved in 2002)</i>	<i>40000 US\$</i>	<i>20000 US\$</i>
<i>Implementation of Price Risk Management Cotton (approved in 2001)</i>	<i>60000 US\$</i>	<i>60000 US\$</i>
<i>Resistance Management of Helicoverpa armigera to Pyrethroids in West Africa – Survey (approved in 2000)</i>	<i>30000 US\$</i>	<i>30000 US\$</i>

**Publications**

The Secretariat forecasts cotton supply, use and prices, estimates cotton supply by type, and tracks exports by destination and imports by origin. The Secretariat measures and forecasts cotton consumption and cotton's share of fibre demand in the world and by region and is one source in the world for statistics on fibre demand.

The ICAC Research Associate Program serves as an annual training program for researchers from both producing and consuming countries. The ICAC helped to sponsor the first two world cotton research conferences, and has helped to sponsor regional technical conferences around the world. Issues of The Recorder, special technical publications, as well as research on the cost of cotton production and cotton production practices help to inform all segments of the cotton research community.

## 11. The International Olive Oil Council

Description of the olive oilmarket is not attempted here.

The IOOC has as its objectives

1. With respect to international cooperation and concerted action:
  - a) To foster international cooperation for the integrated development of the world economy for olive products by establishing, in particular, a new partnership for development based on the decisions taken at UNCTAD VIII;
  - b) To maintain fair working conditions throughout the olive-growing and olive-products industry or activities deriving therefrom in order to raise the standard of living of the populations engaged therein;
  - c) To foster the coordination of production, industrialization and marketing policies for olive oil, olive-pomace oils and table olives and the organization of the market for these products;
  - d) To study and facilitate the application of the necessary measures for the other products of the olive tree;
  - e) To continue and extend the work done under the previous International Olive Oil Agreements.
2. With respect to the modernization of olive cultivation, olive-oil extraction and table-olive processing:
  1. To encourage research and development to elaborate techniques that could:
    - (i) modernize olive husbandry and the olive-products industry through technical and scientific planning;
    - (ii) improve the quality of the products obtained therefrom;
      - (ii) reduce the cost of production of the products obtained, particularly that of olive oil, with a view to improving the position of that oil in the overall market for fluid edible vegetable oils;
      - (iii) improve the situation of the olive-products industry as regards the environment, in accordance with the recommendations of the United Nations Conference on the Human Environment, to abate any harmful effects;
    - (iv) To encourage the transfer of technology and training in the olive sector.
- 3 With respect to the expansion of international trade in olive products:
  - a) To facilitate the study and application of measures designed to expand international trade in olive products in order to increase the resources that producer countries, and especially developing producer countries, derive from their exports and to enable their economic growth and social development to be hastened, while taking consumer interests into account;
  - b) To adopt whatever measures are appropriate to develop the consumption of olive oil and table olives;
  - c) To forestall and, where appropriate, combat any practices of unfair competition in international trade in olive oil, olive-pomace oils and table olives and to ensure the delivery of merchandise that complies fully with the international regulations and standards adopted in this field;
  - d) To improve market access and reliability of supply, as well as market structures and marketing, distribution and transport systems;
  - e) To undertake any activities and measures that could highlight the biological value of olive oil and table olives.
4. With respect to the standardization of international trade in olive products:
  - a) To facilitate the study and application of measures for balancing production and consumption;
  - b) To facilitate the study and application of measures for harmonizing national laws relating, in particular, to the marketing of olive oil and table olives;
  - c) To lessen the drawbacks associated with fluctuations in the availability of supplies on the market, in order in particular:
    - i. to prevent excessive fluctuations in prices, which must be at levels that are remunerative and just to producers and equitable to consumers;

- ii. to create conditions that will enable production, consumption and international trade to expand harmoniously, having regard to the ways in which they are interrelated;
- d) To improve procedures for information and consultation in order, inter alia, to enhance the transparency of the market for olive oil, olive-pomace oils and table olives.

**Members** : 13 including EU (only EC is member not the MSs)

List of the other members : Algeria, EU, Egypt, Iran, Israel, Jordan, Lebanon, Libya, Morocco, Serbia, Montenegro, Syria, Tunisia

Turkey left some time ago.

Actually members are all Mediterranean countries. Previously some Latin American countries were members (Argentina, Chile, Costa Rica, Dominican Republic, Panama). They all quitted. Today the IOOC is one of the few EU supported Mediterranean intergovernmental organizations together with the “Plan bleu” and the CIHEAM.

Shares of the votes:

The Members shall together hold 1 000 participation shares.

The participation shares shall be divided among the Members in proportion to the source data of each Member, calculated according to the following formula:

$$q = p1 + e1 + p2 + e2$$

The parameters in this formula are averages expressed in thousands of metric tonnes, any fraction of 1000 tonnes above a whole number being disregarded. There may be no fractions of participation shares.

q: source data used for proportionately calculating the participation shares

p1: average olive oil production of the last six olive crop years

e1: average (customs) olive oil exports of the last six calendar years corresponding to the end years of the olive crop years considered for calculating p1

p2: average table olive production of the last six olive crop years converted into its olive oil equivalent by the application of a conversion coefficient of 16 %

e2: average (customs) table olive exports of the last six calendar years corresponding to the end years of the olive crop years considered for calculating p2, and converted into their olive oil equivalent by the application of a conversion coefficient of 16 %.

### **Participation shares in the budgets of the Organisation established in accordance with Article 8**

(1)

Algeria	11
European Community	801
Croatia	5
Egypt	8
Iran (Islamic Republic of)	5
Israel	5
Libyan Arab Jamahiriya	5
Jordan	7
Lebanon	5
Morocco	25
Syrian Arab Republic	45
Serbia and Montenegro	5
Tunisia	73
Total	1000

Consensus is the rule for decision making within the Assembly. Otherwise, decisions are taken by qualified majority (82% of the participation shares held by 50% of the members)

The IOOC is governed by the Plenary Assembly with two meetings a year.

Since 1991 there exists an “Advisory Committee on Olive Oil and Table Olives” in order to collaborate directly with the professional olive and olive oil organisations of the members. This committee is a forum for consultation and for the exchange of information with representatives from the sector. NGOs or trade unions are not participating in this committee.

### **Secretariat organization**

Four divisions: technical, economic, promotion and financial

### **Resources:**

More or less 45 persons are working in IOOC secretariat! Previously They were 60. Since 1994, the secretariat has been in a restructuring process. The objective is to limit the number of persons to 35-40.

### **Budget :**

- Incomes : 6.5 Millions Euros

EU is providing 80% of the contributions. The sale of products is representing less than 1% of incomes. The rest is coming from member contribution.

Voluntary contribution can finance the technical cooperation and promotion budgets.

Until recently the EU was giving a supplementary voluntary contribution of 5 millions Euros for promotion activities!

- Expenses :

About €6.5 million with €4.5 millions for administrative costs, 1 million for technical cooperation and 1 million for promotion activities.

The Spanish government pays for IOOC accommodation (a new building has been inaugurated in 1991 by the King of Spain).

### **Output**

Every year the economic division publishes a review of the market after being approved by the Plenary Assembly.

IOOC publishes, in four languages, “Olivae” every 6 months (previously five issues a year) . Soon it will be published in five languages. “Olivae” content is a mixture of institutional, economic and technical information. Previously an “information sheet” (24 issues a year) was also existing but not anymore.

IOOC is also publishing (free access) on its website a one or two page monthly “Olive product market report summary”

With its technical division IOOC seems to be quite involved in technology transfer, research and training.( The technical division is also involved in trade standard setting (limited to physico-chemical and aromatic attributes), testing methods and laboratories recognition.

Compare to others ICBs, promotion seems to be an important activity for IOOC : financing market studies, participating in international fairs and publishing informational materials. Until recently the UE was giving a 5 millions Euros fund for promotion activities.

IOOC had four projects sponsored by CFC.

- Genetic Olive Improvement finished in 2001
- Pilot Plants to Improve Olive Oil
- Genetic Resources in Olive
- Recycling of Vegetable Water and Olive Pomace