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# COMMITTEE ON COMMODITY PROBLEMS

## Seventieth Session

Rome, 7–9 October 2014

### REVIEW OF THE INTERGOVERNMENTAL COMMODITY GROUPS (IGGs)

#### Executive Summary

This document is prepared to inform the discussion under Agenda item 6.2 - "Review of the CCP Subsidiary Bodies". Following a brief review of the IGGs and their operation, the document puts forward recommendations regarding the future of the different commodity groups.

#### Suggested action by the Committee

The Committee is kindly invited to consider the recommendations presented in paragraphs 27 and 28 regarding the future of the various IGGs.

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## I. INTRODUCTION

1. The FAO Intergovernmental Commodity Groups (IGGs) were established by the CCP between 1955 (rice) and 1970 (meat), according to General Rule XXIX.10 of the Organization and in response to the emergence of severe problems in commodity markets and to specific findings regarding the need and usefulness of such bodies.
2. There are currently nine IGGs: Grains; Rice; Oilseeds, Oils and Fats; Meat and Dairy Products; Bananas and Tropical Fruits; Citrus Fruit; Tea; Hard Fibres; and Jute, Kenaf and Allied Fibres. Furthermore, two sub-groups of existing IGGs were formed – the Sub-Group on Hides and Skins (in 1985) and the Sub-Group on Tropical Fruits (in 1997).
3. The rules of procedure and terms of reference of the different IGGs were set originally by the CCP but may be adopted or amended by the IGGs themselves subject to CCP approval. There appears, therefore, to be flexibility within the rules to tailor the activities of IGGs to the evolving specific needs and priorities of their members. Membership of the IGGs is open to all Member Nations and Associate Members of FAO, including observers from international organizations and institutions.
4. Although individual differences exist, the terms of reference (ToRs) of the various IGGs are characterized by common elements of providing fora for intergovernmental consultations and exchange of information on all aspects of the commodities concerned, including production, consumption, trade, stocks and prices. The Groups may also consider changes in national and international policies and examine their impacts on current and prospective market situations. In general, the ToRs of the IGGs have been sufficiently flexible to allow the work of the Groups to evolve in response to market and policy developments and to undertake the activities of interest to developing countries.
5. The basic purpose of the IGGs today is to provide a forum for consultations on economic aspects of production, consumption, marketing and trade for the commodities concerned and for review of related policies. Their Secretariats, located in the FAO Trade and Markets Division (EST), support this through the regular collection and dissemination of information and statistics and through analyses of market developments and policy issues. In the past, some IGGs were actively involved in market support and stabilization, developing draft international commodity agreements, operating export quotas and setting indicative prices, but these activities were gradually discontinued as the shortcomings of such measures were increasingly recognized.
6. The IGGs now see the increasing importance of market transparency as an aid in facilitating the efficient functioning of markets and, at the same time, have sought to involve the private sector in the exchange of information, ideas, and assessments of market conditions and concerns. They have found innovative ways to pursue these objectives, particularly by adopting appropriate means to facilitate the exchange of market intelligence and dissemination of the results of analyses. These means have generally been less formal than the traditional sessions of the IGGs, thereby permitting the participation of a wider audience, including non-governmental organizations and the private sector.
7. Furthermore, the IGGs promote commodity development through their designation as the relevant International Commodity Bodies (ICBs) responsible for the submission, review and approval of commodity development projects financed by the Common Fund for Commodities (CFC). The Secretariats of the IGGs play a central role in the identification of commodity development priorities and projects, as well as in project preparation and supervision.
8. The IGGs, therefore, represent a key component of the international commodity economy, with activities aimed at enhancing the transparency and efficiency of world commodity markets, supporting product and market development and promoting effective and coordinated policy. The precise balance between these activities in the different IGGs has varied from one group to another according to the perceived priorities for the commodity concerned. The *modus operandi* also varies slightly from one group to another as a result of revisions to their procedures over the years. While the work of the Secretariats in the Trade and Markets Division (EST) is continuous, the active involvement of IGG members between the formal sessions varies across groups.

9. The IGG Secretariats have explored a number of informal arrangements to enhance the effective participation of the private sector, including running open commodity conferences together with IGG meetings, to address it. Most recently, the idea of an inclusive *multi-stakeholder forum* involving all stakeholders in a particular commodity market – private sector, NGOs, government, producers, traders, consumers – has been successfully piloted for bananas.

## II. RECENT EVALUATION OF THE IGGs

10. The Independent External Evaluation (IEE) made specific suggestions regarding the operations of IGGs, which it recommended should only meet “when needed” rather than according to a strict biennial timetable and that regional meetings might be called when appropriate. In fact, these recommendations simply endorsed what had already become current practice for most of the IGGs. The IEE noted the benefits of forging closer links between the IGGs and the CCP and responded positively to the suggestion that IGG meetings might be convened contiguously with sessions of the CCP to encourage participation of commodity specialists in the Committee.

11. The Evaluation of FAO’s Work in Commodities and Trade, presented to the 97<sup>th</sup> Session of the Programme Committee in 2007, agreed with the IEE’s support for holding IGG meetings contiguously with sessions of the CCP to enhance the quality of participation in both. The Evaluation further commented on the need to expand the participation of the private sector in IGG meetings, seeing the IGGs as a vehicle to develop partnerships with the private sector for the benefit of FAO’s commodities work in general. The Secretariats’ initiatives to enhance private sector involvement through back-to-back conferences and workshops were welcomed. However, this was seen as an expensive way to get around the problem and the evaluation team recommended that the IGG Secretariats should explore different structures to facilitate the effective participation of the private sector.

12. More recently, at its 69<sup>th</sup> Session in 2012, the CCP reviewed a number of proposed recommendations regarding the functioning and working arrangements of the IGGs. The Committee had concurred with the following:

- IGG meetings should normally be held outside FAO headquarters and with host government support to contain organizational costs.
- Wherever possible joint meetings of IGGs should be held. It is recommended that meetings on hides and skins should be subsumed by the IGG on Meat, and that the possibility of combining the IGGs on Citrus, Bananas and Tropical Fruits into one IGG on Fruits should be explored.
- New formats, including multi-stakeholder forums, should be explored to promote wider participation.
- The current practice whereby IGGs meet as needed or requested should be continued, while alternative modalities must be found for them to dispense their essential functions between sessions.

## III. OPERATION OF THE VARIOUS IGGs

### A. IGG on Tea

13. The IGG on Tea has perhaps maintained the most active participation, including through the establishment of working groups to address various key issues of concern to the tea sector. The IGG/Tea is representative of consumer as well as producer interests, and nearly all exporting and importing countries of tea are members of the Group. Sessions provide representatives with a unique opportunity to meet that otherwise would not be available, especially in the absence of any other international fora for tea.

14. The IGG/Tea has been meeting regularly, with one session each biennium. The Group also holds inter-sessional meetings to discuss market developments, review the work of the various working groups established under the auspices of the IGG and examine other emerging issues.

15. Increasingly, technical side events are organized in conjunction with the IGG to facilitate dialogue among country delegates, international policy makers and the private sector. The IGG also encourages linkages with other relevant international organizations and commodity bodies.

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

17. The Group has currently six working groups established under its auspices. They cover the following subjects: maximum residue levels (MRLs); MRLs in tea brew; tea trade and quality; organic tea; climate change; and smallholders. Furthermore, the Group has established a taskforce on statistics to review data and validate projections for tea production, consumption, trade and prices for the next 10 years, using FAO World Tea Model.

18. At its 20<sup>th</sup> Session held in Colombo (Sri Lanka) in November 2012, the members stressed that the work of the IGG/Tea should not only continue, but be strengthened through additional resources. Delegates underlined the importance of the continuation of the Group's work.

#### **B. IGGs on Hard Fibres and on Jute, Kenaf and Allied Fibres (IGG/HFJU)**

19. As regards the IGGs on Hard Fibres and on Jute, Kenaf and Allied Fibres (IGG/HFJU), these have continued to be active and hold regular joint meetings since 1998 partly because of cost cutting measures but also to exploit commonalities among these commodities.

20. Similar to tea there are no other international fora that cover these commodities, which are of significant importance to the economy of a number of developing countries. The European Union's proposal to withdraw from membership of the International Jute Study Group (IJSJG) has put the future of that organization in doubt.

21. Both IGGs provide valuable services to the members. The Groups continue to operate price forecasting for sisal, abaca, jute and kenaf fibres. Based on assessments of global supply and demand conditions, the Groups set indicative prices to guide farmers and traders in their production and marketing decisions and also to assist governments in making policy decisions. The high share of exporting countries represented in these IGGs lend authority to the price recommendations and also provide a basis for some discussion with the trade interest groups present in the meetings.

22. Similar to the IGG/Tea, the IGGs on Hard Fibres and on Jute, Kenaf and Allied Fibres have established three working groups under their auspices, as follows: working group on research and development, certification and harmonization; working group on policy, analysis and value chains; and working group on promotion. Each working group has a plan of action and an activity timetable.

23. At the last joint meeting of the IGG/HFJU (7-9 October 2014), the Secretariat presented the recommendations of the CCP regarding the review of the IGGs. The joint meeting indicated that all the criteria listed in the CCP report were met by the two IGGs. The joint meeting also prepared a mission statement (Annex 1) to be conveyed to the CCP, emphasizing the critically important functions of the IGG/HFJU and the need for continuing the work of both IGGs.

### C. Other IGGs

24. In the past, IGG sessions used to be held regularly, with one session per biennium. While it is customary to hold IGG meetings no more than once in a biennium, the Rules of Procedure of the IGGs allow for emergency meetings to be convened when deemed necessary. However, more recently IGG sessions are taking place on a “when required” basis, which is consistent with the IEE recommendation.

25. For instance, an extraordinary joint session of the IGG on Grains and the IGG on Rice was held in September 2010, following sudden spikes in international cereal prices. The primary purpose of the meeting was for members to engage in a constructive discussion and dialogue on appropriate reactions to the market situation and on the future of the cereal world economy, given the importance of cereal markets for global food security.

26. The IGGs on Oilseeds, Oils and Fats and on Meat and Dairy have not met since 2009; the IGG on Citrus Fruit has not met since 2007; there was a lapse in sessions of the IGG on Bananas and Tropical Fruits between 2004 and 2009; while the last session of the Sub-Group on Hides and Skins took place in 2006.

### IV. RECOMMENDATIONS FOR THE FUTURE OF THE IGGs

27. In light of the above review, the Committee is invited to consider for endorsement the following recommendations as regards the future of the IGGs:

- a) The IGG on Tea should continue to meet on a regular basis.
- b) The IGG on Hard Fibres and the IGG on Jute, Kenaf and Allied Fibres should continue to hold regular joint meetings.
- c) The remaining IGGs (Grains; Rice; Oilseeds, Oils and Fats; Meat and Dairy Products; Banana and Tropical Fruits; and Citrus) should only meet on a “when required” basis. This would avoid a chronological pattern of meetings with unnecessary proliferation of routine sessions.
- d) Wherever possible, IGGs should be combined for efficiency savings.

28. With regard to recommendation 27.c) above, this actually represents a continuation of the current practice. However, it leaves open the question as how the need for a meeting should be determined. A procedure needs to be specified. Given that the IGGs are sub-committees of the CCP, it is appropriate that the CCP Bureau should decide if and when an IGG meeting should be called. Proposals to the CCP Bureau in this respect could be made either by a member country or the secretariat. The Committee may wish to mandate the CCP Bureau with this responsibility.

## **Annex 1 – Mission Statement**

### **Joint Meeting of the Thirty-seventh Session of the Intergovernmental Group on Hard Fibres and the Thirty-ninth Session of the Intergovernmental Group on Jute, Kenaf and Allied Fibres Negombo (Sri Lanka), 5-7 November 2013**

#### **Relevance, core activities and cost effectiveness measures of the Intergovernmental Groups on Hard Fibres and on Jute, Kenaf and Allied Fibres**

The forecasted increase in the world population to some 9 billion people in the year 2050 combined with lifestyle changes in the emerging economies and developing countries would increase demand for (agri) materials, food, fuel, feed and fibres in the coming decades. Similar developments could be observed in economically developed nations as well. When these developments are combined with the effects of Climate Change and food in security, a variety of systemic stresses could be anticipated. The utilization of food waste and minimizing food loss are also key issues. These issues are driving developments such as Bio based economies, Sustainable living and Circular economies. As renewable materials the JACKS fibres (Jute, Abaca, Coir, Kenaf & Sisal fibres), united in the FAO IGGs, could play a significant role in benefiting from these global developments whereby millions of fibre producers, often in rural areas, could improve their livelihood. In case the JACKS fibre producers are unable to deal with the challenges of the international debate on Food, Fuel, Feed and Fibber then there is a high risk of these sectors being marginalized, with the potential risk of loss of markets and the related consequences.

Most of the JACKS fibre producing countries faces similar challenges. For decades the FAO IGG on Hard Fibbers and the IGG on Jute, Kenaf and Allied Fibbers provided a platform to discuss and develop strategies to deal with these issues. In recent years there has been discussions within the FAO as to the relevance of the IGG on HF and JKA.

The participants of the FAO IGG meeting in Negombo, Sri Lanka strongly emphasized that the FAO IGG on HF & JKA should be continued for the following reasons:

- The JACKS fibres have tremendous potential to contribute towards the internationally emerging industrialization of Biobased economies.
- In order to align to this development the sectors need to accelerate the transformation and upgrading process in the JACKS fibre producing countries, who are developing and emerging economies.
- This transformation and upgrading process need development in several areas such as technology development and technology acquisition, Sustainability Management Systems (including best practices), Capacity Development & so called “slow capital”.
- Because the JACKS fibre countries lack the various resources, individually, to accelerate the transformation process collective action through a platform such as the FAO IGG is vital.
- In order to implement the programmes identified by the FAO IGG the secretariat could be instrumental in assisting the group in identifying potential (financial) resource pools and supporting the group in mobilizing these resources.
- In the past the FAO was successful in assisting the JACKS fibre producing countries in dealing with challenges and it is anticipated that the FAO could continue to play this successful role in future.
- Regarding cost-effectiveness, the number of documents and the word allocation for the pre-session documents presented to the IGG/HFJU have been reduced by 50 percent.
- The JM recognized that translation was a big cost component of running the IGG and since the recent meetings have been held in one language, it did not appear logical to have all the documents translated. If this could be accepted by the CCP, then the largest cost component of holding the JM would be eliminated.

*Negombo, Sri Lanka, 6 November 2013*