



منظمة الأغذية  
والزراعة  
للأمم المتحدة

联合国  
粮食及  
农业组织

Food  
and  
Agriculture  
Organization  
of  
the  
United  
Nations

Organisation  
des  
Nations  
Unies  
pour  
l'alimentation  
et  
l'agriculture

Продовольственная и  
сельскохозяйственная  
организация  
Объединенных  
Наций

Organización  
de las  
Naciones  
Unidas  
para la  
Agricultura  
y la  
Alimentación

## COMMITTEE ON COMMODITY PROBLEMS

### Sixty-eighth Session

Rome, 14-16 June 2010

### KEY ISSUES AND WORK PRIORITIES IN INTERNATIONAL COMMODITY MARKETS

#### I. Introduction

1. At the 36<sup>th</sup> session of the FAO Conference in November 2009, “*Some Members requested that priorities should be identified for work falling under the terms of reference of the Committee on Commodity Problems, and should set out in a document for deliberation at the next session of the Committee*” (C 2009/REP paragraph 80).

2. General Rule XXIX of the FAO Basic Texts prescribes that the basic technical responsibilities of the CCP are the following:

- a. *keep under review commodity problems of an international character affecting production, trade, distribution, consumption and related economic matters;*
- b. *prepare a factual and interpretative survey of the world commodity situation, which may be made available directly to Member Nations”.*

This document is in response to the Conference request, in light of the CCP Mandate.

3. Under the new FAO Strategic Framework, the bulk of the relevant work of the Secretariat under the above issues is included under Strategic Objective (SO) G (Enabling environment for markets to improve livelihoods and rural development) and Organizational Results (OR) G01 (Appropriate analysis, policies and services enable small producers to improve competitiveness, diversify into new enterprises, increase value addition and meet market requirements); G03 (National and regional policies, regulations and institutions enhance the developmental and poverty reduction impacts of agribusiness and agro-industries); and especially G04 (Countries have increased awareness of and capacity to analyse developments in international agricultural markets, trade policies and trade rules to identify trade opportunities and to formulate appropriate and effective pro-poor trade policies and strategies). Some relevant parts of these issues are also covered under SO H (Improved food security and better nutrition) within OR H04 (Strengthened capacity of member countries and other stakeholders to generate, manage, analyse and access data and statistics for improved food security and better nutrition) and OR H05 (Member countries and

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other stakeholders have better access to FAO analysis and information products and services on food security, agriculture and nutrition, and strengthened own capacity to exchange knowledge); and SO I (Improved preparedness for, and effective response to, food and agricultural threats and emergencies) within OR I01 (Countries vulnerability to crisis, threats and emergencies is reduced through better preparedness and integration of risk prevention and mitigation into policies, programmes and interventions).

4. The past 30–35 years, namely the period between the mid 1970s and the last food crisis, have seen the emergence of a more globalized food system, and the policy concerns shifted to issues of growth in non-agriculture, and more open trade. The WTO and the debates surrounding agricultural trade have tended to neglect food security concerns. Nevertheless, the recent global food market events have refocused world leaders and policy makers' views back towards food security. Apart, however, from this there have been a series of developments that are likely to impinge considerably on global agricultural and food markets and trade. These include the following: the trend towards more open markets, and the implications of this for market volatility and transmission of global market shocks; concentration in global value chains and the implications for the integration of smaller producers and developing countries into global markets; fast growth of developing countries, and hence demand for income elastic food products; continued reform in developed countries towards more decoupled farm support, and policies towards better farm risk management; the transition of developing countries towards more urbanised economies, and the implications of this for the internal terms of trade between agriculture and non-agriculture; the growing concern about climate change and implications for global markets and agricultural trade; the proliferation of bilateral and regional trade agreements; growing frequency of climatic shocks and attendant food emergencies.

## II. Work priorities for the current biennium

5. In light of the above global developments, the following work priorities have been identified in the area of trade and commodity markets.

- 5.a. **Analysis of market volatility and its impact on food security.** The objective is to explore the occurrence and causes of market price spikes, and policies to support those at both national and international levels, with emphasis of how poorer and more vulnerable countries can cope with increased global food market risks. While a variety of policy responses has been adopted by various countries, the priority is to explore through country based analyses, best practices, lessons learned, and policy guidance for managing external and internal price spikes. At the international level, the priority is to explore workable and market based systems to manage global price shocks.
- 5.b. **Strategies and policies to support manage smallholder market integration via value chains.** Increasingly the opportunities available to smallholders to participate in, and benefit from, market activities are influenced by processes of value chain development. Constraints to smallholder participation in markets are multifaceted and while there are some commonalities, the relative importance of these constraints differs across both product and smallholder categories. Smallholders are highly heterogeneous both within and across locations, and policy interventions will need to reflect this fact. One of the objectives is to understand the dynamics between farm size and agricultural development and develop policy approaches to facilitate the integration of smallholders in modern organizational structures. The approach is to explore, by analysis of specific value chains in various countries, the institutional structures as well as the policies that are most conducive to integrating smallholders into markets and expanding their production potential.
- 5.c. **Foreign investment in developing country agriculture.** The recent increase in foreign investment in developing country agriculture, especially in land, can raise

complex and controversial economic, political, institutional, legal and ethical issues in relation to food security, poverty reduction, rural development, technology and access to land and water. Foreign direct investment could contribute to meeting investment needs but its impact needs to be optimised to maximise the benefits and to minimise the inherent risks for all involved. FAO work in this area has two related strands: research into the nature and impacts of foreign direct investment in developing country agriculture, mainly through country case-studies; and development of principles, founded on the research, to promote responsible international agricultural investment. FAO's work in this area has been supported by active and constructive collaboration with UNCTAD, the World Bank and IFAD.

- 5.d. **Africa trade policy and food dependence.** The objective of this area of work is to analyse the process and reasons of how Africa as a whole has turned from a net agricultural exporting region in the past decades, to a net agricultural importer currently, and examine options for managing or reversing this trend. Recent analyses suggest that Africa has considerable untapped agricultural productive potential, which however, seems slow to be realized, with the consequence that growth is hampered, and food security is imperilled. The work will involve new analysis of the available information to explore the agricultural market and trade trends, but will also explore market and trade policies that may have contributed to this state of affairs, with a view to develop policy guidelines for improving food security through trade and domestic market development.
  - 5.e. **Regional and global agricultural trade policy analysis.** The objective of the global trade policy component is to provide analyses of negotiating issues and technical assistance on the WTO Doha Round negotiations, and assistance on implementation issues following the eventual conclusion of the Round. For the regional trade component, the objective is to provide analyses and assistance on regional trade issues that impact on agriculture and food security. The focus of such analyses will be on learning from best practices and on national policies supportive of regional trade integration and on the impact of the agreements.
  - 5.f. **Trade mainstreaming and appropriate trade policies.** The objective of this work is to assist countries in the design of agricultural trade policy consistent with broader development and poverty reduction processes and to identify appropriate support measures in the context of the global Aid for Trade initiative. Recognising that the role and impact of trade and related policies will differ widely depending upon the level of development and contribution of a country's agriculture sector, it will produce guidelines on articulating appropriate trade policy, guidelines for the identification of support measures and investment needs, and guidelines for mainstreaming trade policies and support measures in national development frameworks. The activity will examine processes of trade policy formulation in developing countries to better understand how their agricultural trade policies are incorporated into their development plans and priorities, and to draw lessons related to potential problems or policy conflicts.
  - 5.g. **Trade implications of climate change (CC).** Given the many issues and uncertainties surrounding CC, the objective of this area of work is to take stock of the issues surrounding the CC implications for trade patterns and relevant international arrangements, and propose further analyses.
6. The above areas of work have been identified as key priority work areas of the Secretariat for the current biennium, considering the available resources. The emphasis will vary depending on the effective level of resources, which are currently heavily constrained but could be enlarged with the availability of extrabudgetary resources. Work under world food market monitoring and analysis, early warnings of impending food crises and the publication of reports (Food Outlook,

Crop Prospects and Food Situation, etc.) will continue to represent a core activity of the Trade and Markets Division.

7. The Committee is called upon to provide guidance and recommendations on the above identified priority areas with a view to helping the Division focus its work during the current biennium.