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Food  
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Organisation  
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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

#### REPORT OF THE JOINT MEETING OF THE INTERGOVERNMENTAL GROUP ON OILSEEDS, OILS AND FATS, (30<sup>TH</sup> SESSION) INTERGOVERNMENTAL GROUP ON GRAINS (32<sup>ND</sup> SESSION) AND INTERGOVERNMENTAL GROUP ON RICE (43<sup>RD</sup> SESSION)

Santiago, Chile, 4 – 5 November 2009

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## I. INTRODUCTION

1. The Joint Session of the Intergovernmental Groups on Grains (32<sup>nd</sup> Session), Rice (43<sup>rd</sup> Session), Oilseeds, Oils and Fats (30<sup>th</sup> Session) was held from 4 to 5 November 2009 in Santiago, Chile. Discussions commenced on Wednesday, 4 November, at 9:30 hours and concluded on Thursday 5 November at 21:40. The meeting was attended by 20 delegates from 13 Member Nations and one Member Organization. In addition, the following international organizations participated as Observers: the Asian and Pacific Coconut Community, the Common Fund for Commodities, the International Grains Council and the Organization for Economic Co-operation and Development. The list of participants will be circulated as document CCP: OF-GR-RI 09/Inf. 4.
2. Mr José Graziano da Silva, Regional Representative for Latin America and the Caribbean, welcomed delegates on behalf of the Director-General and expressed appreciation to the Government of Chile for hosting the Meeting. Mr da Silva also thanked the Economic Commission for Latin America and the Caribbean (CEPAL) for their support in organizing the meeting.
3. The Session was opened by Mr Rudiger Ohst (Germany), on behalf of the outgoing First Vice Chair, who called for nominations for the Chairperson of the Joint Session. Mr Carlos Fernandez (Chile) was elected Chairperson. Mr Rudiger Ohst (Germany) and Mr Gabriel Taboada (Argentina) were elected First and Second Vice-Chairpersons respectively.
4. Delegates expressed their appreciation to the Government of Chile for the facilities provided and for their hospitality.
5. As a side event to the Joint Session, a half day informal Panel Discussion was organized to examine some market uncertainties, in particular the role of financial and energy sectors and developments related to climate change. Invited experts contributed to the discussions. In addition, the Government of Chile organized a Symposium on Friday 6 November on “Value Chains for Oilseeds, Oils and Fats, Grains and Rice: Status and Outlook”, which was welcomed by the Groups.

## II. MARKET DEVELOPMENTS AND SHORT-TERM OUTLOOK

6. The Meeting reviewed recent developments in the world markets for major cereals, oilseeds, oils and meals based on presentations by the Secretariat (CCP: OF-GR-RI 09/CRS 1) and a statistical compendium distributed at the meeting (CCP: OF-GR-RI 09/CRS 2). It discussed the world situations for production, utilization, international trade, stocks and prices in 2007/08 and 2008/09 and examined the likely supply and demand prospects for 2009/10. The discussions extended to the medium-term outlook, based on the results from the latest OECD-FAO Agricultural Outlook (2009-2018).
7. Delegates noted the following developments in the **global grains markets**:
  - The global grain supply and demand looked set to be more balanced in 2009/10 than in the previous two seasons. In part this would be on account of a slowing growth in grain utilization, driven by a weaker expansion in feed and industrial usage in the developed countries. The outlook for international trade in grains pointed to a sharp decline in 2009/10, reflecting a steep fall in import demand for wheat. Trades in barley and sorghum were also foreseen to decline, while shipments of maize could increase slightly. Regarding world inventories, wheat stocks by the close of crop seasons in 2010 were forecast to rise further and to remain ample, while for coarse grains stocks were to register a small contraction, though remaining adequate. Overall, the grain stock-to-use ratios in 2009/10 were forecast to end slightly below 2008/09 but well above the critically low levels in 2007/08. International prices of

grains had fallen sharply since 2008 in response to improvements in world supply situation. However, weather developments and planting decisions in the coming months would be critical in shaping prices. External market factors would also influence grain markets, in particular changes in exchange rates, the volatile energy sector, developments in equity markets and general macro economic conditions.

8. The main features dominating the **global rice market** were:
  - After growing vigorously in 2008, global rice production was forecast to contract in 2009 for the first time since 2002, as an erratic monsoon affected crops in several major Asian producing countries. The increase of world rice utilization in 2010 was expected to be sufficient to maintain a steady per caput food level globally, confirming the low response of rice consumers to price or income changes. Despite a likely fall in 2010, global rice inventories were expected to remain at comfortable level. As for world rice trade, little change was expected in 2009 and again in 2010. Although rice international prices had undergone a steady fall since the mid-2008, they remained high compared with 2007 and relative to other major cereals, in particular wheat.
9. Likewise, the **world markets for oilseeds and oilseed products** were characterized by:
  - Following tight markets in 2007/08 and 2008/09, during 2009/10, a gradual easing of the global supply and demand situation was likely, in particular with regard to meals. In the global meal market, a weakening in prices was expected owing to record world supplies and a significant improvement in the stocks-to-use ratio. Interestingly, during the first months of the 2009/10 season, low carry-in stocks could continue to sustain prices, which would only soften towards the second half of the season, with the harvest of the South American crop. By contrast, in the oils/fats market, a relatively tighter supply and demand situation was expected to sustain and possibly strengthen prices. Overall, the markets for oilseeds and oilseed products were likely to remain vulnerable as supplies were expected to remain less ample than in past years. Prices could remain volatile, as the anticipated surplus in production would come from a few countries only and because trade was dominated by a limited number of countries. Finally, the market was facing some major uncertainties, in particular regarding possible weather-related problems in South America and Southeast Asia, but also with respect to the global economic crisis, developments in mineral oil prices and exchange rates, and possible changes in biofuel and trade policies.
10. The Groups generally concurred with the Secretariat's market analyses but held contrasting views regarding the reasons underlying the 2007/08 price surges. Reference was made to the continued distortions caused to the market by developed countries' support policies, notably producer subsidies and mandates on biofuels. With regard to biofuel policies, some delegates considered that the Secretariat had attributed the expansion in the demand of grain-based ethanol a too large weight in the 2008 price surge and that other factors had played a more important role. It was pointed out that the expansion in maize production in the United States in 2007 had been such as to enable it to cover an expanded usage for both, feed and ethanol in 2007/08 and also to export more in that season. In addition, attention was drawn to the increased availability of Distillers Dried Grains (DDGs), a by-product of maize conversion into ethanol, which had become an important ingredient replacing grains and meals in feed rations.
11. On the importance of export restrictions in fuelling the price increases, the delegate from Argentina explained that his country's application of grain export restraints had not underpinned world prices over the period under review, due to other more relevant exporting countries. The Delegation also challenged "(i) that the Argentine measures may indeed affect prices; (ii) that export duties might cause prices to increase; and (iii) the tremendous manner in which the situation is brought about, for reasons already exposed by another delegation, which is to say, the incitement of price hikes due to exaggerated announcements". The Delegate also reminded that

export taxation was a major source of income for some countries and often used as a means to compensate for tariff escalation in importing countries, where higher tariffs are imposed on processed, valued-added, products. Moreover, because Argentina had not modified its export policies on oilseed products over the period considered, the delegate found it incorrect to pinpoint them as a source of uncertainty for the global market.

12. Concern was also expressed about the extensive coverage by the press of forecast declines of world cereal stocks, which had been fuelling hoarding and market speculation.

### **III. MEDIUM-TERM MARKET PROJECTIONS (2009-2018)**

13. In the context of medium-term commodity outlook, which has become a joint FAO and OECD output, a presentation of the 2009-2018 projection results was made by the representative from OECD.

14. The Group was informed that each round of commodity projections relied on an extensive set of plausible assumptions, from population growth, macroeconomic factors, to petroleum prices and others, which, more often than not, eventually proved being different than were foreseen. As a result, the Group was cautioned on the nature of the medium term projections, which differed widely from short term market forecasts.

15. Under the core assumptions of slowing population, a recovering of the global economy by 2010, a stronger dollar, low inflation and stable policy regimes, average production over the next decade was foreseen to increase by 10-40 percent above the 1997-2006 average, largely on the back of productivity gains. Developing countries were expected to drive world demand, sustained by rising per caput income, especially in China and India, but also exports. Crop prices in real terms were projected to fall below the peaks of 2008, while still exceeding by some 10-20 percent those prevailing in 1997-2006. However, it was stressed that episodes of extreme price volatility could not be ruled out, particularly because commodity prices had become increasingly linked to oil and energy costs and more erratic weather conditions were likely to prevail. The expansion of biofuels was expected to continue, fostered by government mandates.

16. The Group noted that national policies in particular would be critical in influencing the adoption of new technologies and the transmission of world prices to local markets. Among the longer term concerns, the availability of resources, including land for agriculture, competition for water, technological progress and climate change were also identified as critical.

## **IV. POLICY DEVELOPMENTS**

### **A. FOLLOW-UP TO THE GUIDELINES FOR NATIONAL AND INTERNATIONAL ACTION ON RICE**

17. The Group on Rice reviewed the general tendencies in rice policies prevailing from late 2006 to early 2009 on the basis of documents CCP: OF-GR-RI 09/2 and its Supplement. It noted that:

- Against the backdrop of rising international prices, the pursuance of rice self-sufficiency had regained popularity, with several countries launching ambitious medium term development programmes for the sector. Short term measures were also used to foster rapid increases in production. They mainly involved input subsidies and credits and the dissemination of improved rice varieties, in particular Nerica in Africa and hybrid rice in Asia. Although no transgenic rice was yet grown on a commercial basis in any country, it was noted that several such varieties were at an advanced stage of approvals and that numerous governments were considering

releasing them for commercial production soon. Where still in place, rice support prices were raised strongly, not always matching the high levels prevailing in the market. Often, such moves were associated with increased government rice purchases, which, in the case of Thailand, had led to the accumulation of large public inventories. In general developed countries kept reducing their specific support to the rice sector, providing instead more production decoupled assistance to farmers.

- As for trade measures, the stalling of the WTO Doha Round Negotiations had renewed the importance of regional or bilateral trade arrangements, including under ASEAN, ECOWAS, and the Everything but Arms initiative of the EU. As for import access, many countries attempted to limit the transmission of the world price increases on their domestic markets by reducing import tariffs, although the low levels of such tariffs limited that scope. While there was virtually no use of export subsidies over the period under review, many countries resorted to export restrictions as a means to guarantee sufficient rice availabilities domestically as well as to fight inflation. To that end, controls over retail prices were reinstated and more people made eligible to subsidized rice sales. There was also a tendency for holding more rice in food security stocks, as was the case of ASEAN countries, which had reinforced their commitments towards the maintenance of the East Asian Emergency Rice Reserve.
- The Meeting actively discussed the conclusions of the paper, with some delegates also providing updates and corrections to the tables or statements referring to their own countries. The Group agreed to endorse the analysis and conclusions of the Secretariats, but requested some revisions to the recommendations, which now read as<sup>1</sup>:
  - “1) Welcome recent initiatives by governments and the international community to enhance longer term development policies to ensure that production grows at a sufficient pace to meet rising demand; in particular, express support for assistance programmes by international and bilateral donors to assist developing countries in their efforts to raise rice productivity
  - 2) Welcome the flexible, short term incentives granted to farmers *in least developed countries and in net food importing developing countries*, particularly through the provision of subsidies on fertilizers, improved planting materials, technologies and infrastructure, to help them respond to rising rice prices
  - 3) Stress that governments should weigh the short and longer term implications of consumption-oriented price policies in terms of, *inter alia*, impacts on producers and public finances
  - 4) In light of the “thinness” of the international rice market, underscore the need for exporting and importing countries to carefully evaluate the possible impacts of their trade policy measures on world market stability and prices. Invite governments to open consultations under the auspices of the Group when special difficulties arise with a view to identifying solutions for consideration in appropriate international fora, in particular WTO
  - 5) Recommend that countries should, to the extent possible, refrain from implementing export bans *and non-tariff restrictions* unless warranted by national food security concerns, and should consult with trading partners as called for under WTO provisions governing the imposition of such bans *and restrictions*

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<sup>1</sup> new text indicated in italics

- 6) Recommend that public agencies, responsible for importation and management of domestic staple food supplies in large rice importing countries, should carefully consider the timeliness and modalities of their purchases in order to avoid destabilizing effects on world markets.
- 7) Encourage the provision of rice in multilateral food aid schemes, when deemed necessary, and the strengthening of contributions by donor countries to the WFP International Emergency Reserve;
- 8) Suggest that countries consider undertaking consultations over the possibility to share the burden of building and holding appropriate food security reserves and, for the purpose of stabilizing prices, examine the feasibility of alternative measures, including long term trade agreements, futures market operations and crop insurance
- 9) Recommend that the Group continue to review developments in policies affecting the rice sector, with the assistance of information provided by member countries.
- 10) *Recommend countries to apply policies in the spirit of the Doha Round mandate for Agriculture, so as to promote production in the least developed countries and in net food importing developing countries. “*

## **B. FOLLOW-UP TO THE GUIDELINES FOR INTERNATIONAL COOPERATION IN THE OILSEEDS, OILS AND OILMEALS SECTOR**

18. The Meeting reviewed the general tendencies in oilseed, oil and meal policies implemented during 2006-2009 on the basis of documents CCP: OF-GR-RI 09/3 and its Supplement. It noted that:

- The extraordinary surge (and subsequent fall) in prices during 2007/08 strongly affected consumers and producers and led to policy changes in several countries, in particular in relation to trade and consumption. While numerous importing countries temporarily reduced tariff and non-tariff restrictions to encourage import flows, these measures also tended to discourage local production and to intensify competition for limited global supplies. Regarding exports, various countries temporarily imposed or increased export taxes (but not quantitative restrictions or bans) in an effort to protect domestic consumers. Regarding consumption policies, widespread efforts to shield consumers against price hikes were noted.
- As to production policies, it appeared that programmes in place were ill equipped to smoothen the negative effects of supply shortages and high prices.
- The largely policy driven rise in demand for biofuels had led to increased competition between food, feed and fuel uses of oilcrops. Concern that measures in support of biofuel production/consumption could drive oilcrop prices upward and contribute to reduced access to food supplies of low-income groups in developing countries was prompting some countries to review their biofuel incentives. Regarding environmental policies, growing apprehension regarding the sustainability of oilcrop production in specific regions was inducing some countries to formulate measures in support of sustainable production methods. With regard to regulations on the production, trade and use of GMOs, significant differences between countries persisted.

Regarding the analysis and recommendations provided by the Secretariat, some delegates felt that too much emphasis was placed on the impact of rising biofuel demand on crop prices and that biofuel demand was one of a number of factors that contributed to higher crop prices.

Furthermore, the Representative of Argentina was of the view that the review by the Secretariat (i) had underestimated the distortions arising from developed countries' producer subsidies on global markets (ii) had not adequately analyzed the negative consequences of tariff escalation and non-tariff barriers on exporting countries, and (iii) had exaggerated the role played by export restrictions in the form of higher taxes in pushing up world prices. Accordingly, the Argentinian delegation raised objections on several of the policy recommendations proposed by the Secretariat.

Despite extensive discussion, the Meeting could not reach consensus on the analysis and recommendations provided, in particular that proposed in Para 48 (b)<sup>2</sup> and, while most delegates expressed satisfaction with the review of policies and the conclusions and recommendations as presented, Argentina's representative requested, that his written statement be attached to this Report (Annexed).

### **C. THE RECENT SURGE IN CEREAL PRICES – IMPLICATIONS FOR POLICIES**

19. Delegates reviewed the Agenda item on the basis of Document CCP: OF-GR-RI 09/4, which examined the main underlying causes of the 2007-2008 cereal price surge and suggested some possible responses for government's consideration. The cereal price rises were attributed to four major factors: (i) critically low levels of cereal reserves in major exporting countries; (ii) soaring petroleum prices and the expansion of biofuels; (iii) massive inflows of financial investment funds in agricultural commodity futures; and (iv) government policy reactions, which exacerbated market imbalances. While most delegates agreed with the thrust of the document, some felt a number of points needed to be better highlighted. For instance, it was noted that some other factors besides those identified in the paper also contributed to the increase in prices, including a fast global economic growth and the weakness of the US currency. On the effect of the diversion of cereals into biofuels, the point was raised that large availability of DDGs compensated, to some extent, for the biofuel-related shortfalls of grains in the feed market. Regarding the possible distortions caused by the large non-commercial investments flowing into cereal futures markets in the United States, the Groups were informed that steps were being taken by the Commodity Futures Trading Commission (CFTC) to enhance supervision and transparency. Concern was expressed on the absence, in the list of factors underlying the price hikes, of the continued protection and subsidies granted in developed countries to producers and exporters, which acted as a strong disincentive for developing countries to increase agricultural production. Following some objections to the discussion on export restrictions and subsidies in the document, the Group reached an agreement on a revised set of recommendations, as listed hereforth<sup>3</sup>:

“... In particular countries may consider:

- a) to examine stock policies with a view to comparing and contrasting their effectiveness for price stabilization purposes with alternative instruments such as the international import financing facilities and market based risk-management schemes;
- b) to enhance the quality of data on national stock levels with a view to having readily available and up-to-date information about inventories of cereals (rice, in particular) in the main exporting and importing countries;

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<sup>2</sup> “Governments should provide long term incentives for investment in economically viable oilseeds production, particularly in developing countries, to meet future demand at equitable prices”

<sup>3</sup> new text indicated in italics; deletions are struck through



- c) to analyse the effects of financial flows (speculative activities) on food commodity markets and price volatility, in order to assess whether there is a need for strengthening institutional arrangements and regulations of commodity futures markets;
- d) to review the biofuels/energy interactions and their impact on food markets;  
~~to examine how export restrictions contributed to the increase in world prices of cereals and to apply the lessons learned to evaluate the merit of disciplining such policies under the multilateral trade negotiations;~~
- e) *to the extent possible, refrain from implementing export bans and non-tariff restrictions unless warranted by national food security concerns and to consult with trading partners as called for under WTO provisions governing the imposition of such bans and restrictions*
- f) to boost government funding to their national food sector to help support production growth, ~~in particular~~ by increasing agricultural research and development transfers;
- g) at the international level, to increase Official Development Assistance (ODA) to poor developing countries to help them raise food output and to consider whether food price surges may be a justification for granting emergency food aid.
- h) *to apply policies in the spirit of the Doha Round mandate for Agriculture, so as to promote production in least developed and net food importing developing countries.”*

## V. DEVELOPMENTS REGARDING THE COMMON FUND FOR COMMODITIES (CFC)

20. The Groups were informed of progress made in the formulation and implementation of projects sponsored by the three Groups for financing by the Common Fund for Commodities (CFC) on the basis of Document CCP: OF-GR-RI 09/5 and Document CCP: OF-GR-RI 09/CRS.4; noting that, out of 29 approved projects falling under the authority of the three IGGs, 13 had been completed, ten were under implementation and six had been approved by the CFC, but had yet to begin.

21. In addition, three new project proposals, submitted for possible funding by the CFC, were endorsed by the Groups: two projects under the auspices of the IGG on Rice and one under that of the IGG on Oilseeds, Oils and Fats. Regarding rice, one proposal, outlined in Document CCP: OF-GR-RI 09/CRS 6, aimed to improve rice quality in two Western African countries. The other, presented in document CCP: OF-GR-RI 09/CRS 7, looked at boosting production, through market-driven intensification and mechanization of production in nine countries in Africa. The project proposals related to the oilseeds, oils and meals sector, outlined in Document CCP: OF-GR-RI 09/CRS 5, expected to promote the integration of small-scale farmers in Eastern and Southern Africa into the market economy by improving their participation in the soybean value chains.

22. The Representative of the Common Fund for Commodities informed the Group about the CFC's role and operational modalities for commodity development activities. As an example of the CFC's approaches to development, the "West African Sorghum Supply Chain Development" project, under implementation in Africa, was presented.

## **VI. OTHER MATTERS**

### **A. ACTIVITIES OF OTHER INTERNATIONAL ORGANIZATIONS OF INTEREST TO THE GROUPS**

23. The Observer from the International Grains Council (IGC) briefed the Group on the Council's latest market outlook for grains and announced the creation of a new grains freight index by the Council (to be published in its monthly Grain Market Reports). The Observer also informed the Group about the ongoing work activities at the Council, including more detailed coverage of prices and trade in rice and oilseeds markets in its monthly reports, and provided some details on a number of events, organized by the Council, which were relevant to the Groups' activities.

### **B. OUTCOME OF THE 67<sup>TH</sup> SESSION OF THE COMMITTEE ON COMMODITY PROBLEMS (CCP) RELATED TO THE ROLE OF THE INTERGOVERNMENTAL GROUPS**

24. The Secretariat informed the Group of several decisions taken by the CCP at its 67<sup>th</sup> Session, which could have implications for the Groups. In particular, the CCP had agreed to establish a working group to review the present and future role of International Commodity Bodies, which include FAO IGGs. Delegates were therefore requested to give their views as to what issues needed to be covered by such Working Groups, with several agreeing to report them to the Secretariat after consultation with their government.

### **C. DATE AND PLACE OF THE NEXT SESSION OF THE GROUPS**

25. The Groups requested the Director-General to determine the date and place of their next sessions, after consultation with the Chairperson, taking into account the availability of resources and, especially, the schedule of other meetings. In the meantime, Viet Nam's delegation expressed interest to the Secretariat to have Vietnam hosting the next Session of the Joint Meeting.

### **D. ADOPTION OF THE REPORT**

26. The Chairperson reminded the Groups of the procedures to be followed in adopting the Final Report of the meeting. The Secretariat would prepare a draft Report and send it to the Chairperson for clearance. The revised draft would then be transmitted to delegates for corrections of errors and/or omissions. Once finalized, the Report would be sent to Members.

## ANNEX:

### ARGENTINA'S STATEMENT ON THE FAO SECRETARIAT'S DOCUMENT "FOLLOW-UP TO THE GUIDELINES FOR INTERNATIONAL COOPERATION IN THE OILSEEDS, OILS AND OILMEALS SECTOR IN 2006-2009"

(CCP: OF-GR-RI 09/03 & Supp.1)

This document is being submitted both as a correction to the arguments in the above mentioned document of the Secretariat of FAO, as well as a request to introduce necessary changes.

1. As regards the sentence in paragraph 3 on the limited use of subsidies<sup>4</sup>: it is misleading , because it underestimates the effect of subsidies on producer's expectations even if its use would be "limited"(which is not demonstrated): in most developed countries a farmer would expect that he is covered from the risk of a price fall. This contributes to keep him in business. This is recognized in the last sentence in paragraph 4<sup>5</sup> and in paragraph 41<sup>6</sup>. Generally, this is not the case in developing countries<sup>7</sup> and shows the unlevelled playing field in agricultural trade.

2. Paragraph 35, about measures in Argentina omits to mention the tariff escalation and subsidization prevailing in many export destinations of Argentina, which is one of the central justifications for the use of differential export duties.

3. We disagree with the way new non-tariff barriers are presented in paragraph 44<sup>8</sup>, as if they were unavoidable or even suggesting their necessity. The document should clarify that this is more protectionism with particular serious effect on exports of developing countries, being this even more damaging in the current international financial crisis and inconsistent with progressive reduction of non-tariff barriers, one of the aim included in the Guidelines <sup>9</sup>. The FAO Secretariat should avoid such statements that go in the wrong direction.

4. It is difficult to agree that barriers have been reduced, as stated in paragraph 45<sup>10</sup>. This might have been the case of tariffs in developing countries, but it certainly does not apply to non tariff barriers referred to GMO products, that continue to exist in some developed countries. In the same line, the recommendation in paragraph 48 (j)<sup>11</sup> , should be clarified by adding that no new non tariff restrictions should be introduced by importing countries and that existing ones should be dismantled.

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<sup>4</sup> : "Direct support to oilseeds producers in terms of price guarantees and public stock operations continued to be relatively limited in absolute and historic terms and relative to other basic food crops perceived to be of greater strategic importance".

<sup>5</sup> : Paragraph 4: "[...] As such it provides protection against sudden shortfalls in revenue, whatever the cause (e.g. sudden price, yield or cost variations) [...]"

<sup>6</sup> : Paragraph 41: "[...] Producers in countries that operate income support programmes were partly shielded from the depressed prices, while benefiting from the high prices of 2007-09 [...]"

<sup>7</sup> : The Spanish version has a translation mistake in the 3<sup>rd</sup> . sentence of paragraph 3 (instead of "países en desarrollo" is should say "países desarrollados").

<sup>8</sup> : Paragraph 44 "[...] It is likely that policy responses will increasingly involve production restrictions in environmentally sensitive areas, certification requirements and preferential treatment of sustainably produced products [...]"

<sup>9</sup> : See D(ii) and (iii) in CCP: OF-GR-RI 09/3 Supp.1.

<sup>10</sup> : Paragraph 45 : "[...] was a pronounced reduction in tariff and non-tariff barriers, albeit mostly of a temporary nature to encourage the inflow of imports during the period of global shortages.[...].

<sup>11</sup> : Paragraph 48 (j): "Producing countries should consider promoting production and trading systems that take account of growing market attention to environmental sustainability in oilcrop production;"

5. Recommendation in paragraph 48 (a)<sup>12</sup> could be misinterpreted as if it welcomes the isolation of farmers from price signals in developed countries. It can not be endorsed in FAO, because it is precisely what de Doha Mandate in WTO seeks to correct.

“RECOMMENDS DEVELOPED COUNTRIES NOT TO USE EXPORT SUBSIDIES IN ANY OF ITS FORMS AND TO REDUCE SUBSTANTIALLY THEIR OTHER SUBSIDIES, AS STATED BY THE DOHA DECLARATION IN WTO, SO AS TO PROMOTE PRODUCTION IN DEVELOPING COUNTRIES, ESPECIALLY IN LEAST DEVELOPED COUNTRIES AND NET FOOD IMPORTING DEVELOPING COUNTRIES”

6. Similarly the recommendation in paragraph 48 (b)<sup>13</sup> should refer *only* to developing countries, in particular LDCs and Net Food Developing Importing Countries, as developed countries do not need to received more subsidies.

7. Furthermore, export restrictions have not been the cause of price increases. Also, the difference between non tariff export restrictions and tariff export restrictions is being disregarded; they have a different treatment in WTO rules. The 2<sup>nd</sup> .sentence in paragraph 45 is incorrect and has no justification<sup>14</sup> . In this regard the adverse impact in the last decades of protection in most developed countries, including their subsidies, on production in developing countries is being ignored. It further ignores that, in particular, export duties are necessary for fiscal income purposes, for food security and for added value reasons in agricultural production, in particular to face tariff escalation in most developed countries; summing up, they are a central development policy tool. Thus, the recommendations in paragraph 48 (g)<sup>15</sup> on export restrictions and 48 (h)<sup>16</sup> are unacceptable from the development perspective.

8. The recommendation in paragraph 48 (i)<sup>17</sup> is overlapping with work in WTO. Therefore while discussion in FAO is desirable, in particular when prices fall due to increases in subsidies, FAO can not make recommendations about providing “guidance regarding appropriate policy instruments to be pursued in WTO”.

In general, we see in the proposed recommendations a bias in favour of subsidies in developed members, focus on export restrictions and ignorance of non tariff market access barriers, including possible environmental ones. It is necessary to correct this by eliminating paragraphs 48 (a) and (h) and amending paragraph 48 (b), (g: eliminate reference to export restrictions), (i) and (j). We also note lack of coherence with WTO and the general approach on preventing protectionism, including subsidies, taken in the G-20 to address the current international financial

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<sup>12</sup> :Paragraph 48 (a): “Governments should review their policies affecting the production of oilseeds and related products with a view to obtaining reasonable incomes for farmers and protecting them against excessive fluctuations in world market prices (through *inter alia* long term contracts, insurance and risk management measures);”

<sup>13</sup> : Paragraph 48 (b): “Governments should provide long term incentives for investment in economically viable oilseeds production, particularly in developing countries, to meet future demand at equitable prices;”

<sup>14</sup> : Paragraph 45: “[...] However, exports from many countries were constrained by the temporary imposition/increase of export taxes which in some instances fueled further increases in international prices [...]”.

<sup>15</sup> : Paragraph 48 (g): “Trade policy measures should continue to facilitate the expansion of trade, including by keeping tariff and non-tariff barriers low; in addition, when recurring to fiscal and other restrictions on exports, governments are reminded to give due consideration to the effects of such measures on global trade and to possible implications for importing countries’ food security.”

<sup>16</sup> : Paragraph 48 (h): “Temporary trade policy measures should be implemented with caution: provisional export restrictions to protect domestic supplies carry the risk of further aggravating price hikes in international and national markets, while the suspension of tariffs to facilitate imports may erode domestic production incentives; furthermore, such *ad hoc* measures may have severely disruptive effects on traders;”

<sup>17</sup> : Paragraph 48 (i): “In the case of exceptional price developments, Governments of exporting and importing countries should undertake consultations under the auspices of the Group and its parent body, CCP, to identify the factors responsible and to provide guidance regarding appropriate policy instruments to be pursued in WTO and other relevant fora;”

crisis. A specific recommendation in line with the WTO Doha Mandate should be included to signal which direction the trade policy measures should take.

### Amendments to the recommendations in document CCP:OG-GR-RI 09/3

a) RECOMMENDS DEVELOPED COUNTRIES NOT TO PROTECT THEIR MARKETS, INCLUDING BY USING SUBSIDIES. IT RECOMMEND NOT TO USE EXPORT SUBSIDIES IN ANY OF ITS FORMS AND TO REDUCE SUBSTANTIALLY THEIR OTHER SUBSIDIES, AS STATED BY THE DOHA DECLARATION IN WTO, SO AS TO PROMOTE PRODUCTION IN DEVELOPING COUNTRIES, ESPECIALLY IN LEAST DEVELOPED COUNTRIES AND NET FOOD IMPORTING DEVELOPING COUNTRIES".

~~“Governments should review their policies affecting the production of oilseeds and related products with a view to obtaining reasonable incomes for farmers and protecting them against excessive fluctuations in world market prices (through inter alia long term contracts; insurance schemes and risk management measures);~~

b) Governments OF DEVELOPING COUNTRIES should provide long term incentives for investment in economically viable oilseeds production, particularly in NET FOOD IMPORTING developing countries AND LEAST DEVELOPED COUNTRIES, to meet future demand at equitable prices;

[...]

~~g) Trade policy measures should continue to facilitate the expansion of trade, including by keeping tariff and non-tariff barriers low; in addition, when recurring to fiscal and other restrictions on exports, governments are reminded to give due consideration to the efforts of such measures on global trade and to possible implications for importing countries' food security.~~

~~h) Temporary trade policy measures should be implemented with caution: provisional export restrictions to protect domestic supplies carry the risk of further aggravating price hikes in international and national markets, while the suspension of tariffs to facilitate imports may erode domestic production incentives; furthermore, such *ad hoc* measures may have severely disruptive effects on traders; 12 CCP: OF GR RI 09/3~~

~~i) In the case of exceptional price developments, Governments of exporting and importing countries should undertake consultations under the auspices of the Group and its parent body, CCP, to identify the factors responsible and to provide guidance regarding appropriate policy instruments to be pursued in WTO and other relevant fora;~~

j) Producing countries should consider promoting production and trading systems that take account of growing market attention to environmental sustainability in oilcrop production, IN A CONSISTENT MANNER WITH WTO RULES;