



SUMMARY

Report of the Multi-year Expert Meeting on Commodities and Development, 15-16 April 2015

For delivery at the seventh session of the Trade and Development Commission, 19 May 2015

The seventh session of the Multi-year Expert Meeting on Commodities and Development, mandated at the twelfth session of the United Nations Conference on Trade and Development (UNCTAD XII) in April 2008, was held at the Palais des Nations in Geneva, Switzerland, on 15 and 16 April 2015.

The agenda was divided into the two broad topics. On 15 April, agenda item 3 proposed four panels of experts on "*Recent developments and new challenges in commodity markets, and policy options for commodity-based inclusive growth and sustainable development.*" On 16 April, agenda item 4 comprised three panels of experts on "*Policy actions for mitigating the impact of price volatility in commodity markets on global food security and increasing access to market intelligence, financial resources and markets for commodity-dependent developing countries.*" The report itself provides a comprehensive description of the meeting's proceedings. By contrast, this summary focusses on the policy recommendations that arose during the discussion of the meeting's agenda items.

Agenda item 3: "Recent developments and new challenges"

The meeting began with an overview of the current context of the dramatic fall in oil prices since mid-2014, as well as a more moderate fall in average prices across all commodity groups. For most commodities, the fall in prices were generally attributed to oversupply, slowing economic growth and the strong United States dollar. For oil prices in particular, the supply situation points to a prolonged period of low prices to come.

Nevertheless, oversupply is not universal: assessments suggest a shortfall of 2 million barrels of oil from offshore wells and 1 million barrels onshore by 2020. Panelists emphasized that investment was needed now as greenfield conventional projects take years to develop.

On the demand side, panelists also attributed weakness in oil demand to policy changes to reduce carbon dioxide emissions and develop more efficient energy systems.

In terms of policy implications, panelists pointed out that lower prices represent an advantage for consuming countries, yielding a rise in household disposable income and/or improved government finances, terms of trade and current account balances.

One panelist cited the example of the Côte d'Ivoire's cocoa sector, which has succeeded in increasing its share of processing activities in the value chain. But multinational companies are the main investors in growing processing sector, raising the need for policies to create incentives to increase the participation by local companies.

The presentation on the cocoa sector also highlighted the problem of structural deficit, resulting from insufficient production. The same panelist said that there was a need for governments in producing countries to redress structural shortcomings. He also argued that farmers should be encouraged to increase quality, promote diversity and brand cocoa origins for better prices. To implement these



different policies, the panelist encouraged governments in both producing and consuming countries to form public-private partnerships to share resources and risk.

For agricultural commodities in general, panelists and delegates also highlighted the need to support producers to cope with falling prices, namely through compensatory policies for vulnerable farmers.

With respect to mineral and energy commodities, one discussion highlighted that renewable energy remains an expensive form of energy and that, if developing countries were to adopt a low-carbon strategy, the international development community must address the issue of technology transfer.

Overall, the panelists generally agreed that economic diversification and intensification of value added processing remained essential for developing countries, whether they produce agricultural, mineral or energy commodities.

Agenda item 4 (a): "Designing and improving appropriate policies against commodities price volatility and ensuring food security"

Panelists noted that ensuring access to affordable, nutritious food was a perennial challenge for many net food importing countries and that food price volatility could aggravate this challenge. The discussion focused on specific tools for addressing commodity-price volatility and for ensuring food security.

One panelist underlined that endowments and access to functioning markets determined a family's access to nutritious food, more so than the availability and price of the food itself. Citing the example of millet in Niger, the panelist argued that stockpiling food would be ineffective in affecting price movements or access to food. Rather, the panelist underlined the importance of improving the functioning of markets by, for example, removing trade barriers and disseminating market information.

Another panelist explained that countries considering food stockpiles face a dilemma in choosing between a free market solution, which is efficient at arbitrating prices, and a public solution, which is better at ensuring non-commercial stockpiles for food security. The panelist recommended a compromise involving paying a constant subsidy to private providers, in return for them maintaining a certain level of stockpiles alongside their commercial activities. Combined with countercyclical trade policies, this subsidized private storage model could help attenuate the effects of price volatility on the domestic availability and price of staple foods.

Two panelists stressed the importance of ensuring the dissemination of actionable market and climatic information to farmers. Improved access to market information could contribute to reducing incidences of different forms of commercial speculation, such as hoarding by intermediaries or herd behaviour by consumers. Meanwhile, access to climatic information could also help to reduce volatility by contributing to more predictable production, to more accurate production forecasts and to more responsive food security and weather insurance programmes. Several panelists and participants noted that more investment in meteorological infrastructure is necessary in developing countries to make such information available on a widespread basis.

Agenda item 4 (b): "Implementing policies against commodities price volatility and ensuring food security: The role of financial resources"



During the discussion, the panelists noted that traditional agriculture banks had challenges in lending to smallholder farmers in several developing countries, due to a number of risks. As a result of those challenges, on average, only 3 per cent of commercial loans were dedicated to agriculture.

In response, the panelists agreed that it was important to pursue a variety of non-traditional financing instruments, to account for the heterogeneity of the farmers' circumstances and expectations. For example, the concurrent use of warehouse receipts systems (WRSs), commodity exchanges and outgrower contracts could better cater to farmers' needs than a focus on only one of these instruments.

Agenda item 4 (c): "Issues related to market access"

The panelists examined two complementary topics, namely (a) food security issues in the post-Bali negotiations and (b) the role of the Regional Agency for Agriculture and Food of the Economic Community of West African States as a tool in ensuring food security and combatting price volatility.

With respect to the post-Bali negotiations, panelists identified that problem of developing countries having policy space to support their agricultural sectors, but limited space for market price support. This problem is compounded by the outdated market price support indicator, which requires a comprehensive revision. Furthermore, trade rules needed to accommodate country-by-country differences, as well as the fact that agriculture was not a commercial operation in many countries.

After discussing the World Trade Organization issues mentioned above, one panelist and several participants examined the ongoing food reserve initiative in West Africa, i.e. the Regional Agency for Agriculture and Food. The food reserve initiative was funded by the European Union and regional contributors and it was expected to be operational by late 2015. The role of the food reserve was to help meet emergency needs in food crises and regulate markets. Some delegates underlined that the regional-level reserves must be well managed, to avoid adverse effects on national prices. One delegate also noted that Governments should harmonize food reserve and safety net policies, to better insulate vulnerable population from swings in food prices.

Conclusion

As I have described, the seventh session of the Multi-year Expert Meeting on Commodities and Development hosted rich discussions on topical issues related to the production and trade of commodities. These discussions generated a number of research-based policy recommendations for commodity-dependent developing countries. As always, the UNCTAD secretariat stands ready to assist member states in pursuing the issues and recommendations raised during the meeting.