
Committee on Agriculture

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**ANNUAL MONITORING EXERCISE IN RESPECT OF THE FOLLOW-UP TO
THE MINISTERIAL DECISION ON MEASURES CONCERNING THE POSSIBLE
NEGATIVE EFFECTS OF THE REFORM PROGRAMME ON LEAST-DEVELOPED
AND NET FOOD-IMPORTING DEVELOPING COUNTRIES**

Attached are copies of statements* made by the representatives of the Food and Agriculture Organization (FAO), the International Grains Council (IGC), the International Monetary Fund (IMF), the OECD, the UN Conference on Trade and Development (UNCTAD), and the World Bank at the meeting of the Committee on Agriculture on 14 November 2000 (agenda Item Part II.A refers).

Comité de l'agriculture

**EXERCICE ANNUEL DE SURVEILLANCE DE LA SUITE DONNÉE À LA DÉCISION
MINISTÉRIELLE SUR LES MESURES CONCERNANT LES EFFETS NÉGATIFS
POSSIBLES DU PROGRAMME DE RÉFORME SUR LES PAYS LES MOINS
AVANCÉS ET LES PAYS EN DÉVELOPPEMENT IMPORTATEURS
NETS DE PRODUITS ALIMENTAIRES**

On trouvera ci-joint la copie des déclarations* faites par les représentants de l'Organisation des Nations Unies pour l'alimentation et l'agriculture (FAO), du Conseil international des céréales (CIC), du Fonds monétaire international (FMI), de l'OCDE, de la Conférence des Nations Unies sur le commerce et le développement (CNUCED), et de la Banque mondiale à la réunion du Comité de l'agriculture du 14 novembre 2000 (point A de la deuxième partie de l'ordre du jour).

Comité de Agricultura

**EJERCICIO ANUAL DE VIGILANCIA DEL SEGUIMIENTO DE LA DECISIÓN
MINISTERIAL SOBRE MEDIDAS RELATIVAS A LOS POSIBLES
EFECTOS NEGATIVOS DEL PROGRAMA DE REFORMA EN
LOS PAÍSES MENOS ADELANTADOS Y EN LOS PAÍSES
EN DESARROLLO IMPORTADORES NETOS
DE PRODUCTOS ALIMENTICIOS**

A continuación se adjuntan copias de las declaraciones* formuladas por los representantes de la Organización de las Naciones Unidas para la Agricultura y la Alimentación (FAO), el Consejo Internacional de los Cereales, el Fondo Monetario Internacional (FMI), la OCDE, la Conferencia de las Naciones Unidas sobre Comercio y Desarrollo (UNCTAD), y el Banco Mundial en la reunión del Comité de Agricultura celebrada el día 14 de noviembre de 2000 (véase el punto A de la Parte II del orden del día).

* English only/En anglais seulement/En inglés solamente.

STATEMENT BY THE REPRESENTATIVE OF THE FOOD AND AGRICULTURE ORGANIZATION (FAO)

FAO has been reporting annually to the Committee about developments in the global cereal supply and demand balance and, in particular, on trends in cereal import bills of the LDCs and the NFIDCs. I would like to give you an update on this situation today based on the latest information available to FAO.

World cereal supply/demand situation

FAO's latest forecast of world **cereal production** in 2000 is 1848 million tons (milled rice equivalent), down by about 2 percent from the 1999 level. Sharp reductions in output are expected in Asia for all cereals, some 40 million tons in total, with China accounting for virtually all of the decline. Adverse weather and falling area are among main causes for the reduction in this year's cereal production in China. World wheat production in 2000 is forecast to fall by about 8 million tons from 1999 to 582 million tons. Output has increased this year only in Europe and Central America and these gains were more than offset by significant declines in all other regions. The forecast for global output of **coarse grains** in 2000 points to a decline of about 13 million tons from the previous year. Persisting drought in China, southern and central parts of the United States, and throughout most of eastern Europe has been particularly hard on maize crops. World paddy output in 2000 is forecast to decline by 15 million tons from 1999. Harvesting of the 2000 paddy crop is proceeding in the northern hemisphere countries but it is generally concluded in the southern hemisphere. While paddy production has been affected by weather and flood problems, especially in parts of Asia, government policies and low prices have played important role in encouraging farmers to diversify towards other crops.

Overall, cereal output in 2000 is anticipated to be well below utilization in 2000/01. As a result, **world cereal stocks**, by the close of the seasons ending in 2001, are now forecast at 288 million tons, 15 percent lower than their opening level and the lowest in five years. The biggest declines in cereal stocks are expected in countries where production is likely to contract most, i.e. mostly in China and several countries in eastern Europe.

Cereal trade and prices

The current FAO forecast of world **cereal trade** in 2000/01 is 238 million tons, slightly above the previous season level, reflecting higher import demand in several countries. Global wheat imports in 2000/01 (July/June) are forecast to remain close to the previous season's record volume of 109 million tons; imports of coarse grains could rise by 1.5 million tons to 104.5 million tons; for rice, the tentative outlook for calendar year 2001 is for trade to rise above the current year's level to 24 million tons.

After remaining under downward pressure during the previous season due to weak demand and abundant supplies, international **cereal prices** have started making small gains in light of stronger import demand and indications of lower production and prospects for a large draw down of stocks. For **wheat**, the increase in higher quality categories has been most pronounced, rising from an average price of US\$115 per metric ton at the start of the season to \$US131 in October. **Maize** prices (FOB Gulf) have also strengthened between July and October, gaining about US\$10 per ton. The FAO Export Price Index for **rice** (1982-84=100), which has been falling since the beginning of the year, increased by one point in October to an average of 95 points, still one of the lowest level in ten years. This slight recovery reflects some limited strengthening of prices for high quality rice, while lower quality grades remain under downward pressure.

With reduced carryover stocks and a relative tightening of global cereal markets, the size of forthcoming plantings play an even more important role in determining the direction and extent of price movements during the next season.

Food aid

According to the latest information supplied by the World Food Programme (WFP), total cereal **food aid** shipments in 1999/2000 (July/June) under programme, project and emergency operations amounted to 10.2 million tons, down by 800 thousand tons from the previous year. Among individual cereals, shipments of coarse grains (mostly maize) increased by over 200 thousand tons; rice fell by 600 thousand tons and wheat also fell by nearly 400 thousand tons.

Preliminary indications suggest that cereal food aid shipments in 2000/01 could reach 10 million tons, close to last year's estimated volume. Shipments to the Russian Federation are forecast to decrease sharply, following this year's improved harvests in that country. However, food aid needs are expected to be larger in Africa, but also in the People's Democratic Republic of Korea and the southern republics of the former Soviet Union.

As of late October, the number of developing countries facing serious food shortages and emergency situations stands at 32. Between October 1999 and October 2000, the number of people facing serious food shortages increased from 52 to 62 million, the largest increase (45%) being in sub-Saharan Africa, mainly in the Horn of Africa.

Cereal import bills

The combined cereal import bill of the **LDCs** and the **NFIDCs** during the 1999/2000 season came to some US \$5.8 billion, down 10 percent from the previous year and about the same level as the average of the 1993/94 to 1994/95 period. Out of this 10 percent decline in the cereal import bill, 3 percent is due to a reduction in the volume of imports and the remaining 7 percent due to a decline in the average price paid for imports. The per unit import cost in 1999/00 for these countries, was about US\$122 per ton compared to US\$131 in 1998/99. Cereal food aid to these countries was relatively unchanged from the previous season and, thus, had little impact on the import bill.

For the 2000/01 season cereal imports by LDCs and NFIDCs are forecast to increase by some 750 thousand tons from last season's level. Based on this forecast, and taking into account the current prospects for slightly higher cereal prices and freight rates during the course of the 2000/01 season, the cereal import bill of these countries is forecast to increase by some US\$ 800 million. More details as regards the composition of the cereal import bills of LDCs and NFIDCs can be found in the Table accompanying this statement.

Overall, while the situation in the LDCs and NFIDCs, as reflected by recent levels of cereal import bills, has improved somewhat compared to 3-4 years ago, the food security situation in many of these countries remains precarious. Of the 32 developing countries mentioned above currently facing serious food shortages and emergency situations, the majority are in the LDC and NFIDC category.

Technical assistance activities

Finally, I would like to draw the attention of the Committee to the work that FAO has been doing to assist LDCs and NFIDCs in adjusting to the new trading environment and, in accordance with the mandate of the World Food Summit, "to be well informed and equal partners in the current negotiations on agriculture".

FAO is providing assistance at the Regional and Sub-Regional levels and through country specific activities. These trade-related assistance activities in Agriculture, Fisheries and Forestry aim

at raising food and agriculture production and productivity and hence increasing competitiveness in these sectors.

Increasingly, assistance is shifting towards providing analytical support to countries to be better prepared to engage in the on-going negotiations on agriculture. In this context I like to draw your attention to the FAO umbrella programme of training workshops, information on which can be obtained from the FAO website www.fao.org. An FAO report which has recently been circulated entitled “*WTO Negotiations on Agriculture, Post-Seattle major issues, analytical needs and technical assistance requirements*” highlights some of the major analytical issues of interest to developing countries. FAO is currently investigating some of these issues in collaboration with relevant organizations and institutions.

Cereal imports of LDCs and NFIDCs (1993/94 to 2000/01) - Information as of November 2000

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999/00 estimate	2000/01 fcast
Import Bill (US \$ million)								
LDCs	1417	2124	2281	1865	2327	1977	1755	1893
NFIDCs	3688	4417	6020	5573	5161	4439	4026	4677
LDCs & NFIDCs	5105	6541	8302	7438	7488	6416	5782	6570
% change over 1993/94-1994/95	-12.3	12.3	42.6	27.7	28.6	10.2	-0.7	12.8
Total volume imported (000 tons)								
LDCs	11167	13356	12484	11093	14757	15659	15682	15139
NFIDCs	27172	27487	27407	29543	32961	33419	31815	33103
LDCs & NFIDCs	38339	40843	39892	40636	47718	49078	47497	48242
% change over 1993/94-1994/95	-3.2	3.2	0.8	2.6	20.5	24.0	20.0	21.9
Food aid (000 tons)								
LDCs	3932	4326	3305	2693	2853	4001	3831	3961
% of total imports	35.2	32.4	26.5	24.3	19.3	25.6	24.4	26.2
NFIDCs	1868	1327	644	509	640	794	756	638
% of total imports	6.9	4.8	2.4	1.7	1.9	2.4	2.4	1.9
LDCs & NFIDCs	5800	5654	3949	3202	3493	4795	4587	4600
% of total imports	15.1	13.8	9.9	7.9	7.3	9.8	9.7	9.5
Commercial imports (000 tons)								
LDCs	7236	9029	9180	8399	11904	11658	11851	11178
NFIDCs	25304	26160	26763	29035	32321	32625	31060	32464
LDCs & NFIDCs	32539	35189	35943	37434	44225	44283	42910	43642
% change over 1993/94-1994/95	-3.9	3.9	6.1	10.5	30.6	30.8	26.7	28.9
Per unit import cost (US \$/ton) ^{1/}								
LDCs	126.9	159.0	182.7	168.1	157.7	126.3	111.9	125.1
NFIDCs	135.7	160.7	219.7	188.6	156.6	132.8	126.6	141.3
LDCs & NFIDCs	133.2	160.1	208.1	183.0	156.9	130.7	121.7	136.2
% change over 1993/94-1994/95	-9.2	9.2	41.9	24.8	7.0	-10.9	-17.0	-7.1

^{1/} Based on per unit cost of total imports

Source: FAO

**STATEMENT BY THE REPRESENTATIVE OF THE INTERNATIONAL
GRAINS COUNCIL (IGC)**

Under the Grains Trade Convention of the International Grains Agreement, 1995, the International Grains Council continues its regular monitoring of world grains markets. As described in the monthly Grain Market Reports, the general market situation during 2000 for both wheat and coarse grains remains one of surplus supplies. Grain export prices and availabilities have been, and continue to be, favourable to net food-importing developing countries.

Details of the new Food Aid Convention, 1999, which entered into force on 1 July 1999, were previously reported to WTO. At its half-yearly Sessions, the Food Aid Committee, which administers the Convention, reviews the food situation in developing countries as well as donor Governments' responses to current food emergencies. Preliminary data on members' food aid shipments in 1999/2000 suggest that members with tonnage commitments collectively supplied at least 8.3m. tons of food aid (wheat equivalent) to eligible recipients, with a further €150m. supplied against commitments expressed in value terms.

**STATEMENT BY THE REPRESENTATIVE OF THE
INTERNATIONAL MONETARY FUND (IMF)**

Thank you, Mr. Chairman, for this opportunity to speak to the Committee. In previous years we have made substantial statements and I certainly do not wish to cover ground with which the Committee is already familiar. I would, however, like to mention the recent trends in world food prices since last year. I would also wish to return to the matter of Fund resources available to meet the needs of members.

1. Overview

It will be recalled that commodity prices fell in 1997-98 on account of weak global demand in the wake of the Asian financial and economic crises, coupled with continued growth in the production of commodities. Now, two years later, the Fund's overall index of US dollar prices of primary commodities, including petroleum, is nearly 50 per cent higher. However, the sharp rise in the price of petroleum – from an average of about \$13 per barrel in 1998 to over \$30 per barrel in recent months – alone is sufficient to account for this increase. By contrast, there has been little upward movement in the level of prices for most non-fuel commodities. Stocks of these commodities accumulated in 1997-98 and production has tended to increase in pace with the subsequent recovery of demand. The Fund's index of prices of non-oil commodities in September 2000 was about 5 per cent *below* its level in the second half of 1998.

With generally favorable weather conditions in the major producing regions for cereals and soybeans for a number of consecutive years, supplies have been more than ample to meet the growth in food consumption and some recovery in demand for livestock feed. Estimates of the world cereal crops in 2000/01 show a decline from 1999/00 and have been reduced in recent weeks, with adverse weather reported in both China and the United States, but world soybean production is expected to be on record, up 5 per cent from 1999/00. The prices of cereals and foodstuffs (in US dollars) have remained at or near their lowest levels for many years. The price of wheat in September-October 2000 has increased, but only marginally from its lowest level in 25 years. The price of maize in September-October also edged up – from its lowest level since the mid-1980s – but it remains well below the level of a year ago. The price of rice continues to fall. The record crop and the expectation of some increase in stocks have kept prices of soybeans near their 1999 trough, although the price of soybean meal has increased somewhat on account of strong growth in consumption.

Ample supplies have also characterized the markets for vegetable oils; the prices of soybean oil and palm oil are at their lowest levels in about a decade. The price of sugar (outside the controlled markets of the EU and the United States) also remains at a low level on account of generally favorably supply conditions, notwithstanding a rise in the past two months on fears of lower-than-expected harvests this year. While beef prices remain above 1998 levels, the increases in 1999 have not been sustained.

Given these price movements, the import bill from food items incurred by net food-importing countries is likely to remain comparatively low in the near future. However, the burden of this bill for those net food importers that are also substantial net oil importers has been increasing because of the need to provide resources to finance more expensive oil imports. This burden will be much higher this year than last year because of the further increase in oil prices. In addition, the prices of many of the non-fuel primary commodities exported by these countries either have decreased further or have increased by only small amounts. Particularly vulnerable are those countries which are net importers of food and oil that are also heavily dependent on exports of coffee and/or cocoa. Demand growth for those two commodities has been sluggish, supplies abundant, and prices have continued to slide.

2. Fund Resources

The document (G/AG/W/42/Rev.3, 31 October 2000) prepared for this meeting reports on previous statements made by the Fund staff to the Committee. Specifically, it notes the "general conclusion of the IMF ... that, under existing facilities and anticipated resources, the IMF was in a position to meet any additional balance-of-payments-related needs that may arise from higher world food prices". Recently, Fund financial support for the poorer countries is provided through the Poverty Reduction and Growth Facility and the Compensatory Financing Facility (with the latter having a component to help eligible countries deal with temporary high cereal import costs). Since the Fund's staff statement to the Committee last year, the Fund's ability to help its members had been improved. The Poverty Reduction and Growth Facility (PRGF), established in September 1999 to replace the Enhanced Structural Adjustment Facility (ESAF), is open for 80 low-income countries – many of them the least developed and net food importers. At this juncture, the IMF has begun to receive bilateral contributions to the PRGF – HIPC Trust Fund, thus strengthening the PRGF as an effective instrument of support. Thus, the view cited above continues to be correct.

STATEMENT BY THE REPRESENTATIVE OF THE OECD

The trade related programme of work of the Food, Agriculture and Fisheries Directorate

Among the shared goals adopted by OECD Agriculture Ministers in March 1998 is the further integration of the agro-food sector into the multilateral trading system. In pursuit of this goal, Ministers mandated the OECD to address ongoing and emerging agricultural trade policy issues and to provide analytical support to the process of agricultural trade liberalisation. The agricultural trade policy work programme consists of three core elements. The first element deals with the evaluation and strengthening of trade liberalisation, the second considers issues arising at the interface of trade and domestic policy, and the third element focuses specifically on the interests of non-member economies.

The first element aims to assist policy makers and negotiators by:

- assessing the effects of the URAA on trade and protection levels. An in-depth analysis of the implementation of the three pillars of the URAA --market access, domestic support and export subsidies is being completed. The study addresses the following general questions: How effective have the three disciplines been in bringing about a reduction in the level of trade protection? What policy lessons can be drawn from the experience so far? What might be inferred about opportunities and challenges for further trade liberalisation? The analysis is primarily based on country notifications to WTO and URAA country Schedules and the OECD PSE/CSE database. Indicators such as nominal protection coefficients, dispersion indicators and *ad valorem* equivalents are calculated to estimate changes in the level of support and protection across countries and commodities. Further, some empirical evidence on agricultural trade openness is provided by comparing indicators for periods prior to and following the start of the implementation of the URAA. The empirical results of the study lead to the conclusion that although the URAA marked an historic point in the reform of the agricultural trade system, the immediate quantitative effects on trade and protection levels are moderate. The challenge now facing WTO members is to build upon the foundation of the URAA to further reduce trade distortions. This would require strengthening the disciplines already established under the URAA and addressing those weaknesses of the current agreement which have been identified, as well as to reach an agreement on emerging trade issues. At the same time, it would require maintaining an appropriate role for governments to address domestic policy goals in ways that are targeted, transparent, cost effective and avoid distortion of production and trade.
- The OECD's commodity projection model, Aglink, is being modified and used to evaluate in a forward looking manner various options for further trade liberalisation regarding the market access and export subsidy pillars of the URAA. The work on export subsidies has been finalised. The starting point of the analysis is a medium term outlook for rising prices in most agricultural commodity markets, which results in only limited use of export subsidies¹. In this context, the market impacts of a complete elimination of such subsidies is limited. But market conditions can differ from those projected, and the importance of a multilateral agreement on reduction or elimination of export subsidies is therefore that their future use will become disassociated from market conditions and unilateral policy changes. The work on market access is in progress and further analytical results will become available in 2001. The development of a database supporting the work on market access has been finalised, and the database is available for public use on a dedicated web site (www/amad/org).

¹ OECD Agricultural Outlook 2000-2005, Paris, April 2000.

- Analysis of officially supported export credits aims at evaluating the effects of export credits on agricultural commodity markets by using survey responses and interest rate data to compute the effects of export credits on the present value importers pay. The analysis indicates that the use of export credits has increased over the implementation period of the URAA and in 1998 exceeded that of export subsidies. While these credits are trade distorting, their subsidy equivalent is relatively small; around 3% of the total amount of export credits extended. However, this result is sensitive to variables such as the duration of the credit and the spread between the risk-bearing and risk-free interest rates. The report also indicates that the bulk of export credits is used in trade between OECD countries. This, and the relatively low subsidy equivalent, leads to the conclusion that these credits are unlikely to be of great importance in generating additional trade.

Analysis of issues at the interface of domestic and trade policies include the following:

- Work is underway on the impacts of further trade liberalisation on the food security situation in developing countries. A series of food security indicators have been identified that are relevant in an assessment of the food security status of developing countries following trade liberalisation. Future work will analyse changes in these indicators in the case of further reform in a number of OECD trade and trade-related policies. The results of the analysis will be presented to a meeting of the OECD Joint Working Party of the Agriculture and Trade Committees in September 2001.
- On agricultural trade liberalisation and environment, a study on "*Domestic and International Environmental Impacts of Agricultural Trade Liberalisation*" is planned for publication by the end of 2000, and a companion study on "*Reconciling Trade and Environmental Objectives*" is expected to be published early in 2001. Work planned in 2001-2 will look in more detail at the environmental effects of agricultural trade liberalisation in the intensive livestock sector, and the trade implications of meeting environmental targets with alternative policy measures.
- Work on multifunctionality is exploring relationships between policies to ensure an adequate supply of agriculture's non-food outputs and international trade commitments. In particular this work proposes an analytical framework capable of exploring the extent to which the various non-commodity outputs that are mentioned in the context of multifunctionality are joint products of agriculture, to what extent they are externalities and to what extent they exhibit characteristics of public goods that would justify government intervention and the nature of that intervention. This work is highly relevant to green box issues and non-trade concerns as is a related project on decoupling which is investigating the mechanisms whereby different policy instruments, even seemingly decoupled ones, may impact on production and trade of agricultural products.
- Trade repercussions of domestic policies in the area of food safety and quality (biotechnology and animal welfare) and competition policy (geographical labels and state trading) are also being explored. On geographical labels a preliminary study has reviewed relevant legal and economic aspects, and examined implications for competition policy and trade. A planned study will look at economic and trade aspects of labelling more broadly. On state trading a conceptual framework has been developed within which to examine the impacts of state trading under different competitive conditions. A further phase of the work about to be undertaken will attempt to apply the framework empirically. In all the work on interface issues the particular focus is on clarifying the characteristics of policies that are minimally or non-trade distorting as required under the URAA. Reports on multifunctionality, state trading, biotechnology and geographical labels are being revised with a view to declassification and publication.

The third element of the work programme encompasses a range of agricultural trade policy issues of importance to Emerging and Transition Economies, and has been initiated by the OECD Forum on Agricultural Policies in Non-Member Countries:

- The first phase of this activity examined the policy lessons to be learned from implementation of the URAA and identified the key interests of Non-Member Countries. The results of this examination were published in the report "Agricultural Policies in Emerging and Transition Economies 2000".
- The Secretariat's current analytical work and policy dialogue is focused on technical barriers to trade, and considers ways in which the concerns of Non-Member Countries might be addressed in the context of a multilateral agreement. The results of this work will be published in the first half of 2001.

In each case, the Secretariat's analytical work has been informed by responses to questionnaires which have been sent to a group of about a dozen emerging and transition economies with a heterogeneous trade profile.

Completed work

Information on work underway or completed is provided on an on-going basis to the WTO Secretariat as well as to other interested international organisations, and is posted on relevant websites. A significant amount of this work, expected to be of interest to a wide audience, is now nearing completion. Reports will encompass assessment of the URAA impacts, forward looking analyses of possible trade policy reforms and a range of non-trade concerns of relevance to many countries, including both agri-environmental measures and the broader concept of multifunctionality. This information will be made generally available through both electronic and print media.

In addition to ensuring that interested publics are aware of the availability of these completed reports, it might also be useful to ensure that the relevant conclusions and implications are widely understood by governments and by interested members of civil society more generally. Towards this end, and within the limit of available resources, the OECD Secretariat will be exploring alternative ways to more broadly disseminate and effectively communicate its key findings to interested participants in the on-going process of agricultural policy reform and trade liberalisation. Queries and suggestions in this respect would be welcome.

STATEMENT BY THE REPRESENTATIVE OF UNCTAD

On 24-26 July this year, UNCTAD held an Expert Meeting on "Impact of the reform process in agriculture on LDCs and NFIDCs, and ways to address their concerns in multilateral trade negotiations". I would like to make a very brief report of the outcome of the expert meeting to this Annual Monitoring Exercise.¹

Based on their country-specific experience, over 50 national experts put together their suggestions in the following three broad areas.

- a. First, with regard to Actions under the Marrakesh Ministerial Decision on LDCs and NFIDCs, it was suggested that the Marrakesh Decision should be made more operational and aim at solving the long-term food security problems, rather than at short-term needs. Experts also suggested that the areas where technical assistance from donors is desired include not only those to increase agricultural productivity, but also to enhance market information dissemination and export performance, as those would provide necessary incentives to domestic agricultural producers.
- b. Second, on negotiations on the continuation of the reform process in agriculture, it was argued, amongst other things, that a possible "Development Box" may include development policy of LDCs, NFIDCs and other developing countries, which target; the viability of small scale subsistence farmers; rural poverty alleviation; product diversification; as well as improvement of export competitiveness.
- c. Third, on horizontal issues concerning the interests of LDCs and NFIDCs in multilateral trade negotiations, there was a view among various experts that LDCs and NFIDCs should not be required by programmes of Bretton-Woods institutions to accept market liberalization or subsidy reduction exceeding the commitment levels accepted at the WTO, nor at a *pace* exceeding that in the WTO agreements, nor which exceed the capacity of adjustment of those countries.

Finally, UNCTAD continues to provide technical and analytical support to LDCs and NFIDCs in the areas of trade in goods, services and commodities with the mandate as agreed in the UNCTAD X Bangkok Plan of Actions, as the special coordinator of the United Nations programmes for LDCs, and under special programmes for land-locked and small island developing countries.

¹ Copies of the outcome of the expert meeting in English, French and Spanish are available from the Agriculture and Commodities Division, Office 1035.

**STATEMENT BY THE REPRESENTATIVE
OF THE WORLD BANK**

World Bank Support for the Least Developed
and Net Food Importing Countries

There are 1.2 billion people in the world who live on less than US\$1 per day. Around 800 million go to bed hungry every night, one third of all preschool children are clinically malnourished, and 2 billion people are deficient in one or more micronutrients such as iron, vitamin A and zinc. The bottom line of these abject statistics is that more than 6 million children a year die of causes related to malnutrition.

Yet between 1960 and 1990, world cereal production more than doubled, per capita food production increased 37 per cent, daily caloric intake increased 35 per cent, and real food prices fell by almost 50 per cent. Today world food prices are at historic lows; so how do these two sets of apparently paradoxical statistics exist side by side?

Food security is achieved when everyone has sufficient food to sustain a healthy and active life. At the national level this is the result of sufficient domestic production and/or food imports, at the household level sufficient production and/or income for food purchases, and at the individual level the outcome of intra-household food distribution. Except in time of war, natural disaster or politically imposed famine, today food security is a poverty problem. The rich do not go to bed hungry at night.

Poverty is largely a rural problem, although urban poverty is growing, and farmers represent a dominant share of the poor. Its solution, therefore, requires broad-based agricultural and economic development, to empower several hundreds of millions of low-income people with sufficient purchasing power to improve the quality of their diet and the quality of life in general.

Experience in recent decades has shown that a market driven, open economy development path has been the most effective at reducing poverty; much more effective than a protectionist, import substitution approach to economic development. In many developing countries agriculture is the engine of growth. It is a sector in which many of these countries have a comparative advantage and would be able to compete in a fair global trading system.

To prime the pump of economic development in agriculture we must start by sustainably increasing productivity, increasing the value per hectare of what is grown through improved crop yields and management practices. Too often developing countries have put neither enough resources or a sustained commitment into either agricultural or non-farm rural development to solve the problem of rural poverty.

The end result is that in many cases developing countries' agriculture sectors are still underperforming relative to their potential. While there has been progress on market liberalization in developing countries in the last decade or so, many are still artificially depressing the incentives to their farmers and agricultural sectors through policy distortions, – such as price ceilings, use of food aid, and under-investment in rural infrastructure - resulting in lower overall food production and depressing farmers' incomes. The net effect of the entire constellation of public policies in these countries is to effectively tax the agricultural sector, reducing performance relative to the sector's potential.

Many net food import developing countries are rightly concerned regarding the volatility of international commodity prices, a situation pre-dating the Uruguay round of trade negotiations. Many analysts prior to the Uruguay round argued that the prevalence of non-tariff barriers, such as export and import quotas, that cut the link between domestic and international prices were the problem. The

outcome of the Uruguay round did little to re-establish that link. Changes in agricultural policies in the US and EU have resulted in smaller stocks of grain in government hands, which previously buffered international commodity price volatility. Thus international commodity price volatility has actually increased post Uruguay round agreement. Annex 1 provides an overview of recent developments and prospects for commodities in world trade.

National food security concerns, in the light of such price volatility, can lead countries to pursue a policy of domestic food self sufficiency to abrogate the need to rely on global grain markets. This can be costly in terms of both economic waste and environmental. The World Bank proposed a crop price insurance scheme to assist low income food importing countries deal with the risk inherent in volatility of global grain prices, particularly longer term risk which cannot be handled by present futures markets.

While today we have more than enough food in the global marketplace, we cannot afford to be complacent with almost half as many people again forecast to be added to the world's population by 2050. The challenge is to increase crop production without damaging the environment. However, given the unequal distribution of arable land, population, and increases in purchasing power that would be generated through successful poverty reduction, a larger fraction of the world's agricultural production will need to move through international markets. To that end the global market place must represent a fair playing field for developing countries.

Although each developing country needs to invest in its own agricultural development, removing policy biases against domestic agricultural production, partners in the development process need to assist countries them in securing liberalized domestic markets. More importantly, there is a need to ensure that the policies advocated for developing countries are reciprocated in the developed countries to ensure a fair global trading system. It is unreasonable to expect market liberalization in the developing world while the United States of America and the European Union maintain highly protectionist policies for their own agricultural sectors.

World Bank Activities

The World Bank has an active programme of assistance to help the least developed and net food importing countries in a number of ways that are relevant to the deliberations of the Committee. The first is through improvements in agricultural production technology. A second is through its lending in support of agricultural supply response and policy reform in developing countries. A third is through analytical support for developing country participation in WTO negotiations on agriculture.

Agricultural production technology and supply response

The World Bank is a key supporter of the Consultative Group on International Agricultural Research (CGIAR), which works through a network of 16 international agricultural research centers to mobilize the best agricultural science on behalf of the world's poor and hungry. Fifty-eight developing and developed countries, private foundations, and regional and international organizations, including the Bank, collectively support the CGIAR. In 1998 CGIAR contributions totaled \$340 million, up from the previous year's \$320 million. The CGIAR leverages the Bank's support - \$50.1 million in 1998 - almost eightfold. The CGIAR's research is critical to the Bank's commitment to environmentally and socially sustainable development and its renewed focus on rural development. Some 300 CGIAR research projects are increasing agricultural productivity, strengthening national agricultural research systems, protecting the environment, improving policies, and preserving biodiversity. The third independent System Review, completed in 1998, concluded that investment in the CGIAR has been the most effective use of official development assistance.

The World Bank also assists least developed and net food importing countries to improve their agricultural technology through its projects and technical assistance work. This work is typically

a component of a broader project designed to help the country improve its agricultural supply response.

The emphasis placed on rural sector lending has increased in recent years, in large part because of recognition that approximately 75 per cent of poor people in developing countries live in rural areas. Therefore, the Bank's objective of poverty reduction cannot be met unless widely shared growth, food security, and sustainable natural resources management are achieved in these areas. The Bank's rural sector work is undertaken within a broad framework to ensure consistency with overall development goals, but includes projects in a wide range of areas, ranging from sustainable land and crop management, livestock, agricultural research and extension, irrigation, river basin management, natural resources management, and rural finance to cross-cutting areas of food security, gender in development, and community-based rural development. In addition, some projects provide important infrastructure support, such as upgrading of rural roads.

Analytical Support for the WTO Negotiations

Because of their capacity constraints, the least developed and net food importing countries have a particularly acute need for support to help them determine the effects of agricultural policies and negotiating options and proposals. A major project to support developing countries in these negotiations was launched under the title "Agriculture and the WTO 2000 Negotiations: Economic Analyses of Issues and Options for Developing Countries". A number of conferences and workshops have been held under auspices of the project (see Annex). The World Bank also presented a paper synthesizing many of the results of recent research to the UNCTAD X meeting in Bangkok.

Strengthening the capacity of developing countries to participate in and benefit from more open markets is critical for poverty reduction. A global trading system that enhances market access, creates opportunities for poor countries to boost exports, and adopt sound rural sector policies and institutions can provide significant gains for the poor, particularly the rural poor. Food security in poor countries requires access on an assured basis to world market supplies, as well as agricultural raw materials for encouraging light manufacturing in rural areas. Hence, developing countries have a great stake in building an efficient global food system and maintaining global market stability. However, they often lack the capacity to participate effectively and negotiate with partner countries in the developed world. The project, financed in part by generous grants from the UK Department for International Development (DFID) and the Government of the Netherlands, supports efforts by developing countries to evaluate their policy options, to identify their interests, and to formulate negotiating objectives and strategies. The programme also aims to identify approaches for Bank lending and non-lending assistance to achieve an enabling policy and institutional framework to strengthen the capacity of our clients to benefit from more open markets. Knowledge dissemination is pursued through workshops and training activities that target policy makers in developing countries. A handbook on agricultural trade issues is being prepared for policy makers and negotiators that provides information in an accessible and operationally-relevant form on the key issues on the agricultural negotiating agenda. Country specific technical assistance is also available.

Annex 2 to this note describes recent activities under the capacity-building project, as well as World Bank lending activities in agriculture during 1999-2000.

Ongoing and Planned Activities on Capacity-Building and Research

Regional and Country case analyses on Agriculture and the WTO Negotiations: The key issues, interests and options significantly vary by country and sectors within countries. The second part of the analytical work in 2000-2001 involves a set of country case analyses for selected focus countries. Much of the sector analyses and analytical work will be carried out by developing country scholars, policy analysts, and international experts. A select group of international experts will provide analytical and advisory assistance (AAA) and policy advice to agricultural trade policy

makers in selected countries. Background studies have been commissioned for specific countries and regions including the following:

- Sri Lanka, Pakistan
- India, Bangladesh
- Southern Africa Development Community
- UEMOA
- Uganda
- Tanzania
- Ghana
- Nigeria
- Cameroon

Technical Diagnoses of Impact of Selected WTO Proposals on Least-Developed and Net-Food Importing Countries. Technical analyses of proposals will be prepared to analyze the impact of on developing countries, analyze their interests and options, and evaluate approaches and modalities for the negotiations in trade policy and agricultural policy reform. Most of the work will be carried out by experts in developing countries in cooperation with international experts as advisers.

Handbook on Trade and Agricultural Negotiations; Volume on Database of Trade and Agricultural Policy Indicators: The third component of the project is the preparation of a Handbook and Policy Indicators for trade negotiators, agricultural policy analysts and agricultural policy practitioners. Experienced negotiators and international experts will prepare short summaries of all the key issues, providing negotiators with a useful reference. The handbook will also include brief guidelines for preparing negotiating objectives and evaluating interests and options. Examples based on the country case studies will be summarized. A second volume will include a quantitative measures of policy indicators (e.g. Market access) for selected focus countries. The database will be used to monitor changes in trade policies, and to evaluate market access conditions in trade in food and agriculture products during the implementation. These policy indicators would also be useful for the Bank's monitoring of Rural Sector Policies in developing countries. The Handbook can be used as reference by trade policy and agricultural trade analysts, policy makers, practitioners, and agribusiness.

Regional Outreach and Knowledge Dissemination during the negotiations. This will involve a series of dissemination meetings and regional workshops in 2000-2001 targeting policy advisors, trade negotiators, agricultural and trade policy makers, and senior policy makers from Chambers of Commerce, Ministries of Agriculture and Trade, complemented by outreach activities for the press, private sector and relevant NGOs. These events will be implemented in cooperation with regional partners, FAO, the UNDP, WTO, DSE, Regional Hub for Southern Africa, AERC, WBI. A discussion forum in the project web-site will aim facilitate exchange of views during the negotiations. This component will involve regional workshops and organizing country consultations meetings in selected countries in both regions to discuss and publicize results.

Regional workshops

- **East and Central Africa:** October 2-6, Dakar, Senegal, in cooperation with BMZ,DSE,CTA,CMA-OC. (completed)
- **South Asia:**, Katmandu Nepal, in cooperation with UNDP and SAARC,
- **Latin America and Caribbean,** proposed dates by SELA on Feb 8-10, 2001, Venezuela

- **Southern Africa** (SADC countries): tentative dates: January/Feb 2001; follow-up meetings in 2001 for the Bank's Regional Hub in Southern Africa, Harare.
- **Middle East and North Africa:** proposed dates by ESCWA April/May 2000, Jordan, in cooperation with ESCWA and WBI

On-Line Interactive Discussion Forum, December 2000- March 2001

Global Conference, Summer/Fall 2001

Country specific technical assistance. Finally, the project will continue supporting capacity-building in selected least-developed and low-income net-food importing countries, with emphasis on Africa, in collaboration with local institutions, regional agencies, and Bank country programmes. Information and expertise relevant to the implementation of international agreements, developing complementary policies and institutional framework to enhance competitiveness remains weak in these regions. A much more concerted capacity-building effort in policy and institutional development to facilitate ability of countries to successfully benefit from the global reform process is needed. Pilot countries will be selected in partnership with or in the context of preparation of Bank assistance programmes.

ANNEX 1

Global Commodity Price Prospects¹

Global commodity prices have followed many different paths since the lows after the Asian crisis, with crude oil prices rising sharply, agricultural prices remaining low, and metals and minerals prices staging a modest recovery. The recovery of non-oil commodity prices lagged behind that of oil prices because supplies of non-oil commodities were slow to adjust to low prices while oil production was significantly reduced by OPEC producers. Producers of non-oil commodities have been left with large inventories that still need to be absorbed before prices can rise significantly. Metals and minerals prices have begun to recover, rising 27 per cent since their lows. However, agricultural prices remain near their cyclical lows (after a brief rally that was not sustained), because of continued production increases and large stocks. Rapid global economic growth, which contributed to the sharp increase in crude oil prices in 1999 and 2000, is expected to fuel a recovery in non-oil commodity prices during the next several years.

The near-term outlook is for the divergence in commodity prices to be reduced with declines in energy prices, further increases in metals and minerals prices, and a recovery in agricultural prices (see Tables A1 and A3 for nominal price forecasts for individual commodities and indexes). In nominal terms, crude oil prices are expected to decline 11 per cent in 2001, relative to 2000, and an additional 16 per cent in 2002 as OPEC and non-OPEC supplies increase in response to the surge in prices in 1999 and 2000. Metals and minerals prices are projected to rise 2.1 and 2.3 per cent, respectively, in 2001 and 2002 after rising 13.7 per cent in 2000. Agricultural prices continued to fall in 2000, with a decline of 4.7 per cent, but are expected to increase 4.2 per cent in 2001 and an additional 6.3 per cent in 2002 as global stocks begin to fall and demand increases in response to current low prices and rapid economic growth.

Over the balance of the decade, real commodity prices² are expected to reverse recent moves as energy and metals prices fall and agricultural prices rise (see Tables A2 and A3 for real price forecasts for individual commodities and indexes). Real energy prices are projected to fall sharply from current levels, with real petroleum prices down 47 per cent by 2010 compared to 2000 levels as OPEC and non-OPEC supplies increase. Agricultural prices are low by historical comparison, and real prices are expected to rise modestly over the balance of the decade. By 2010, real agricultural prices are projected to rise 8 per cent relative to 2000. Metals and minerals prices have already made a significant recovery from the lows of 1999, and by 2010 they are projected to fall 8.4 per cent from the 2000 levels. This would still leave metals and minerals prices above the 1999 levels. The long-term decline in real commodity prices, which has been observed for many decades, is expected to continue. However, these trends will largely be dominated during the decade by the reaction of prices to recent extremes, which have seen energy prices rise and agricultural prices fall.

Agriculture

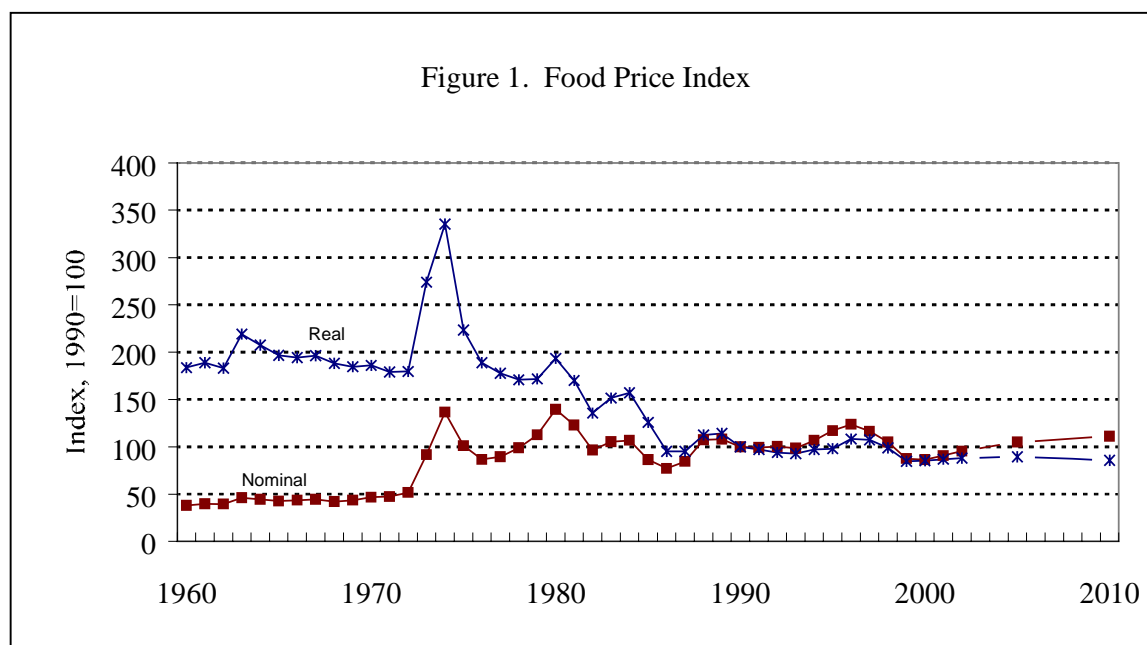
Food

The World Bank's index of nominal food prices has declined by one-third since the recent high in 1997. In real terms, food prices are down by more than half since 1980 (see Figure 1). The decline in real food prices reflects the combined impact of countries' agricultural policies, improved technology, and changes in demand, which, on balance, have caused food supplies to increase faster

¹ Prepared by the World Bank's Commodities Team of the Development Prospects Group as Annex 2 to *Global Economic Prospects 2001*. Questions can be addressed to Donald Mitchell at 202-473-3854.

² Real prices are obtained by deflating nominal prices by the unit value index in U.S. dollar terms of manufactures (MUV) exported from the G-5 countries (France, Germany, Japan, the United Kingdom, and the United States) weighted proportionally to the countries' exports to the developing countries.

than food demand and prices to decline relative to manufactures prices (MUV). Despite the price declines, the FAO's index of world food production increased by 20 per cent from 1990 to 1999, and per capita production increased by about 5.5 per cent. Our forecast is for real food prices to stabilize over the decade following recent declines.



Grain prices are severely depressed, with nominal prices near the lows of the past decade and real prices at all-time lows.³ Several factors account for current low prices. Consumption growth has slowed over the last few decades, from 2.7 per cent per year during the 1970s to 1.7 per cent growth during the 1980s and 0.8 per cent growth during the 1990s⁴, and this has led to nearly stagnant world trade since the late 1970s. While consumption and trade have seen slow growth, world grain yields have been increasing at 1.4 per cent per year over the last decade, and an even more rapid 1.7 per cent when the countries of the former Soviet Union (FSU) and Eastern Europe are excluded. The yield increases have been rapid enough to meet global demand at declining real prices and still allow total world cropland devoted to grains to fall by 8 per cent since the peak in 1981. Among major grain-exporting countries⁵, cropland planted to grain has declined 21 per cent since the peak. Much of this idled cropland will not likely return to grain production, but it represents substantial capacity that could return if prices rise enough to justify its use. Grain prices are not expected to rise in real terms for any sustained period because of continued yield increases, the surplus production capacity in major exporting countries, and continued moderate demand growth. However, prices are projected to increase over the next several years, as prices recover from current severely depressed levels. This

³ Grains account for 55 per cent of the world's food supplies (calories) and occupy nearly one-half of the world's cultivated cropland (FAO). Grains prices are important as an indicator of overall food prices because of the close substitutability of grains with other food crops in production and consumption. Sugar and vegetable oils account for about 10 per cent each of the world's total calorie supplies while animal products and fish account for about 16 per cent. The remaining roughly 10 per cent of world food supplies come from fruits, nuts, pulses, roots, tubers, and vegetables.

⁴ However, the growth during the 1990s was reduced by a 40 per cent decline in grain consumption in the FSU countries and smaller declines in Eastern Europe. When these countries are excluded, world grain consumption grew by 2.0 per cent per year during the 1990s. Growth rates in China and India, with 46 per cent of developing country populations, has been 1.9 and 1.5 per cent, respectively, during the 1990s.

⁵ The five largest grain exporters are Argentina, Australia, Canada, EU and United States. Together, these countries account for about 85 per cent of world exports.

will likely be followed by further price declines beginning about mid-decade as production increases exceed demand growth.

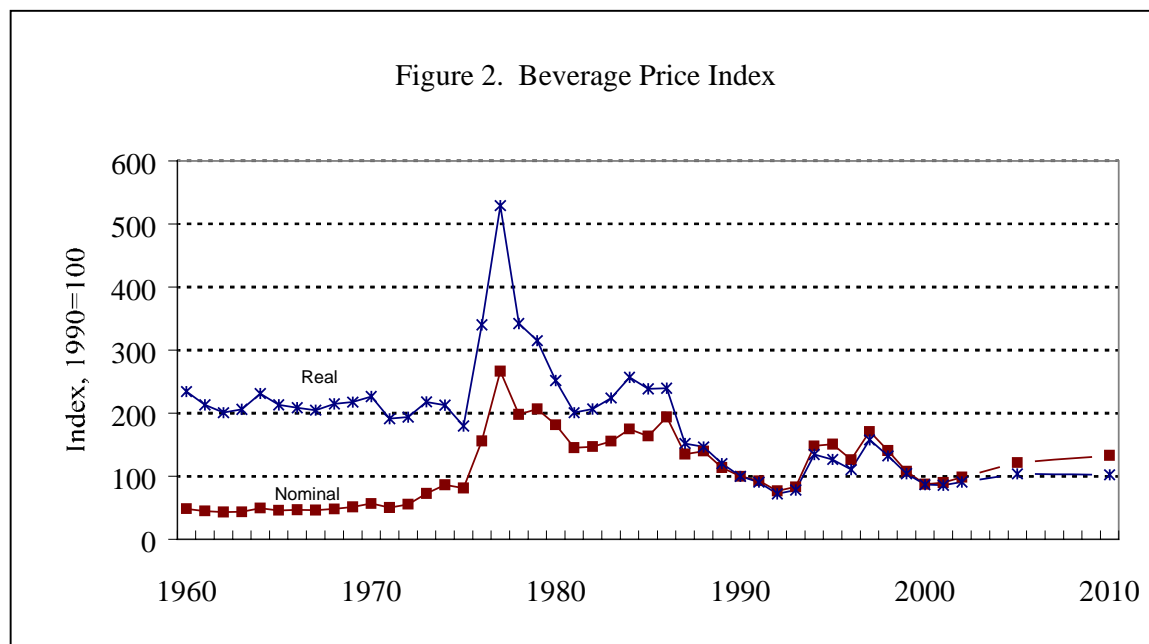
Vegetable oil prices remain depressed following the declines in 1999. Prices of major vegetable oils, such as soy and palm, have declined by nearly one-half since their 1998 highs, while prices of other oils, such as coconut and groundnut, have fallen by about one-quarter since their 1999 highs. Unlike most other agricultural commodities, vegetable oil prices increased during the Asian crisis, as Indonesia (a major exporter) imposed export taxes on palm oil in an effort to stabilize domestic prices. These taxes were gradually removed starting in 1999, as the crisis eased, and this caused exports to increase and all vegetable oil prices to fall. Global supplies of vegetable oils are expected to increase 5.0 per cent in 2000, compared to the long-term average of 3.5 per cent, and this could keep prices depressed for at least another year. Palm oil production has grown by 7.5 per cent per year over the past decade, compared to 5.5 per cent for soy oil, and this growth is expected to continue as more Southeast Asian and Latin American producers expand palm oil production. Palm oil could displace soy oil as the dominant oil produced within five years, and this would contribute to long-term weakness in the entire vegetable oils complex as palm oil use displaces soy and other oils. Palm oil is already the largest traded oil, with a 40 per cent market share while soy oil is second with a 20 per cent share. The index of nominal vegetable oil prices fell 8.6 per cent in calendar year 2000, and is projected to rise 6.0 per cent in 2001. By 2005, nominal prices are projected to increase 21.7 per cent from 2000 levels. Real prices are projected to rise less than 2 per cent between 2000 and 2010.

Other food prices have been mixed, with beef and shrimp prices strong because of the rapid global economic growth, while banana and citrus prices have remained weak because of large supplies. Sugar prices have recovered from 1999 lows despite large stocks resulting from five consecutive seasons when global production has exceeded consumption. Raw sugar prices averaged 17.6 cents per kilogram in the world market in 2000 compared to an average of 24.3 cents per kilogram during the decade ending in 1998. World production and stocks are expected to fall in 2001, and prices should continue to recover. However, the price recovery is expected to take several years with prices rising to about 20 cents per kilogram by 2005. Real prices are projected to remain about unchanged from 2000 by 2010.

Beverages

After falling sharply in 1998 and 1999, the index of nominal beverage prices is expected to increase modestly in 2001 and more rapidly in 2002 (Figure 2). The decline in prices began as the Asian crisis weakened demand and followed several years of high prices in the mid-1990s, which had stimulated global production. The sharp drop in prices has not yet been reversed despite falling beverage stocks and rising imports. Currency devaluations in the major exporters: Brazil (for coffee), Côte d'Ivoire (for cocoa), and Kenya (for tea) contributed to lower U.S. dollar export prices.⁶ Weak currencies in major importers, such as the European Union and the Russian Federation, also weakened import demand. Beverage prices have historically been among the most volatile commodity prices, and a supply disruption in a major producer could quickly reverse the recent price declines. However, barring such an event, prices are expected to be slow to recover because of new capacity added by major exporters. The index of nominal beverage prices is expected to rise 2.9 per cent in 2001, and 9.7 per cent in 2002. Real prices are expected to increase about 20 per cent from 2000 to 2005 and then decline as productivity increases allow supplies to meet demand with falling real prices.

⁶ For example, the Brazilian Real depreciated 68 per cent from 1997 to 1999, the CFA Franc depreciated 9 per cent and the Kenyan Shilling depreciated 16 per cent. (IFS, August 2000)



Cocoa prices reached a three-decade low in February 2000, as production increased 6 per cent in the 1999 season compared to a decade-long growth rate of 1.4 per cent. Cocoa consumption rose in response to lower prices and increased global economic growth, but not enough to keep stocks from rising 12 per cent. Prices are expected to begin to recover in 2001 as demand increases in major markets accompanying projected strong economic growth. By 2002, nominal cocoa prices are projected to rise 22 per cent from 2000 levels. The longer term outlook is for real prices to rebound from current severely depressed lows. By 2005, real prices are projected to rise 43 per cent from the lows of 2000 and then remain about unchanged at that level, but this would still leave real prices at one-third of the 1980 level. One of the factors that should keep prices from returning to previous highs is the 20 per cent increase in world cocoa planted areas during the 1990s as low-cost producers such as Côte d'Ivoire, Ghana, and Indonesia expanded production capacity.

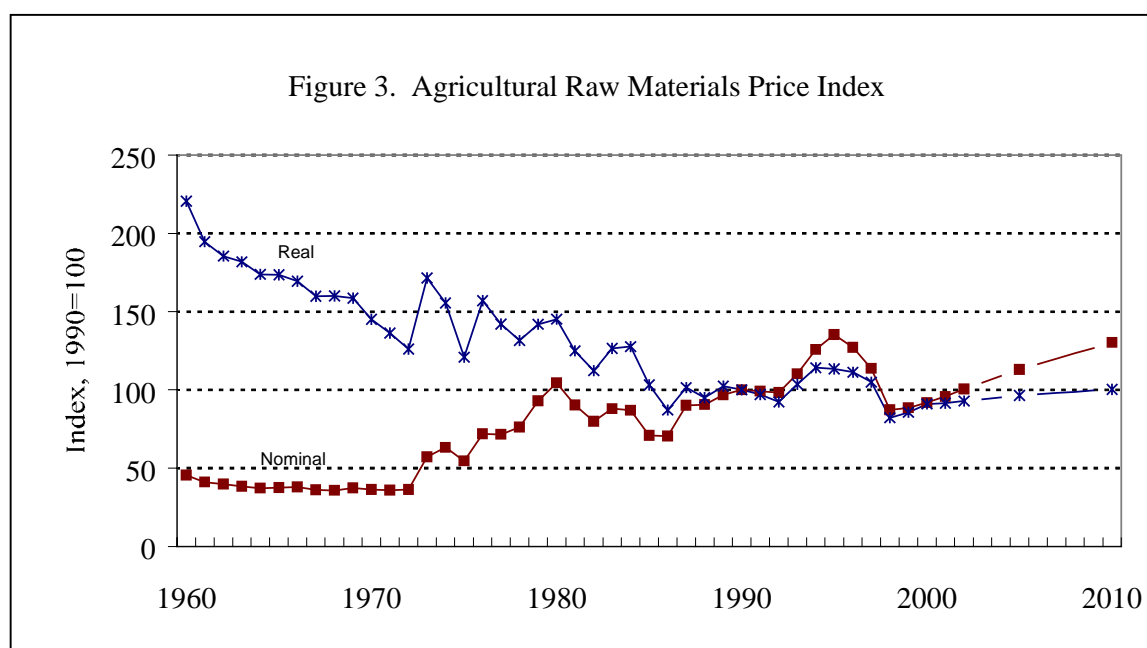
Coffee prices declined sharply during 1999 and 2000, with arabica prices down 37 per cent and robusta prices down 48 per cent. Overproduction, the Brazilian currency devaluation in January 1999, and weak demand in Europe and the United States all contributed to the price declines. Vietnam emerged as the largest robusta producer and exporter, and became the second-largest overall coffee exporter, following Brazil. This contributed to the greater decline in robusta prices compared to arabica prices but also contributed to overall weakness in all coffee prices. In response to low prices, Brazil and Colombia, the two largest arabica producers and dominant members of the Association of Coffee Producing Countries (ACPC), agreed to an export retention scheme to withhold 4.5 million bags of production from export during 2000 and 2001. This could support arabica prices and would be more effective if other ACPC countries joined the scheme. However, this will not change the longer-term issues of weak demand growth, excess production capacity, and large stocks, which has been with the industry for many years. Barring a weather-related supply disruption, prices are expected to be slow to recover, with arabica prices increasing only 11.7 per cent by 2002 and robusta prices increasing 16.2 per cent. Real prices are projected to rise over the next 10 years (from current extremely depressed levels), with arabica prices up 10 per cent by 2010 compared to 2000, and robusta prices up 54 per cent.

Tea prices have remained the strongest of the three major beverages, with a 10 per cent decline in 1999 compared to 1998 and a 2.8 per cent increase in 2000. The strength was largely due to poor weather-related growing conditions in India and Kenya, which reduced exports, and the recovery of demand in countries that benefited from increased crude oil prices. Many of the major oil exporters of the Middle East as well as the Russian Federation are also major tea buyers. The return

of Iraq as a tea importer, following the lifting of U.N. sanctions on food imports, contributed to the overall price strength. However, supplies are now increasing in major exporters, and nominal prices are not projected to increase significantly over the next several years. Tea yields in Sri Lanka, a major exporter, increased 48 per cent from 1990–92 to 1996–98 in response to tea estate privatization in the early 1990s, which led to increased investment and improved management of the tea estates. Nominal prices are expected to rise about 11 per cent by 2010 relative to 2000, while real tea prices are expected to fall about 14 per cent. There is some prospect that rapid consumption growth in major producing countries, such as India and China, could offset weak demand in industrial countries and provide a firmer price outlook.

Agricultural Raw Materials

The index of nominal agricultural raw materials prices rose by 35 per cent during the first half of the 1990s as the global economy boomed and then fell sharply by 35 per cent in response to the Asian crisis. Prices are now set to recover from the lows of 1998 and have increased about 5 per cent during 1999 and 2000 (Figure 3). We project a further increase of 4.2 per cent in 2001 and 5 per cent in 2002. By 2010, real prices are projected to increase 22 per cent relative to the 1998 lows, which would still leave the index well below the cyclical highs of the mid-1990s. However, raw materials prices are responsive to global economic conditions and would likely rise further if the global recovery exceeds current forecasts.



Cotton prices have remained around 150 cents per kilogram (nominal) for the past two decades, and there is no reason to think this will change soon. Prices rose 66 per cent from 1993 to 1995, from 128 to 213 cents per kilogram, and then fell back to 117 cents per kilogram in 1999. Global consumption rose sharply during the 1980s as clothing fashions favored cotton. However those trends have changed and global consumption stagnated during the 1990s. Global production has been very erratic in response to wide swings in prices and policy changes in major producers such as China and the United States. Consequently, cotton prices have been volatile, but without a clear trend, since about 1980. Prices have begun to recover from the recent lows, with nominal prices up about 9.2 per cent in 2000 and projected to rise about 6.9 per cent in 2001. By 2005, nominal prices are projected to rise to 159 cents per kilogram, and by 2010, prices are expected to reach 181 cents per kilogram. In real terms, prices are forecast to rise 22.8 per cent relative to the 1999 lows by 2010.

Rubber prices were severely depressed in 1999 because Indonesia, Malaysia, and Thailand (which account for 70 per cent of rubber exports) devalued their currencies as a result of the Asian crisis. The price of rubber in U.S. dollars tumbled to a 24-year low in 1999—down 60 per cent from the 1995 high. Prices have stopped falling, but the recovery has been modest as record production, weak demand, and high stocks have kept prices near the low reached in 1999. The International Natural Rubber Organization, which was the last U.N.-backed commodity price stabilization body, was formally dissolved in October 1999 after the withdrawal of key members in the wake of the rubber price collapse and currency devaluations. Buffer stocks held by the organization (amounting to 2.5 per cent of annual trade) are yet to be liquidated, but they will eventually find their way into the market. Prices are expected to recover slowly and are unlikely to reach the highs seen in the mid-1990s. Our near-term forecast is for nominal prices to rise about 6 per cent per year in both 2001 and 2002, following the 12 per cent increase in 2000. Real prices are projected to rise 9.4 per cent from 2000 by 2010.

Asian tropical timber has been one of the few commodities that has seen rising real prices over the past two decades. However, prices fell following the Asian crisis as demand weakened dramatically. Prices of Malaysian logs have since risen 24 per cent from the 1998 lows, and the recovery in Asian economies will likely support further price increases. Malaysian log prices are expected to increase 17.5 per cent, in real terms, from 2000 to 2010. African tropical timber is mostly imported into Europe, and prices did not decline as sharply as Asian timber following the Asian crisis. The improving growth prospects in Europe suggest prices of African timber could rise over the next several years as tropical timber becomes scarcer, environmental regulations become tighter, and demand continues to increase. However, real price increases will also be moderated by improved production techniques that allow better use of timber. Real prices of Cameroon log are projected to increase 8.9 per cent from 2000 to 2010.

Fertilizer

Fertilizer prices, like the prices of many other commodities, have followed very divergent paths over the past several years. Nitrogen fertilizer prices declined from more than \$200 a ton to near \$60 a ton (for bulk urea), while phosphate fertilizer prices declined only 20 per cent (for triple super phosphate (TSP)), and potash fertilizer (MOP) prices continued to rise. The differences in price behavior was due to the different impact that the economic collapse of the former Soviet Union (FSU) had on fertilizer markets, the different industry market structures, and different export firm behavior. The FSU was both a major producer and a major consumer of fertilizer prior to 1990. When these countries faced severe economic crisis in the 1990s, domestic fertilizer consumption declined along with grain demand, and firms directed their fertilizer production to the export market. This led to aggressive price-cutting and competition for market share in the nitrogen fertilizer market, especially by the Russian Federation and Ukraine. The competition was less intense in the phosphate and potash markets because the FSU countries had smaller market shares and because other major phosphate and potash producers responded to increased exports from the FSU by cutting production rather than by lowering prices and competing for market share. Other factors also contributed to the different price behavior, including the decision by China (the major nitrogen fertilizer importer) to ban nitrogen imports in 1997.

Nitrogen fertilizer prices have increased nearly 45 per cent in 2000 compared to 1999 as major producers in Europe and the U.S. cut production. However, the price recovery is expected to slow as the industry faces large excess capacity and continued aggressive export competition. Weak grain prices contribute to weak demand and further delay a significant price recovery, since more than 50 per cent of nitrogen fertilizer is used for grain production. Real urea prices are projected to rise 54 per cent by 2010 compared to 1999 lows, but still remain 30 per cent below the highs of 1996.

Phosphate prices fell less, and will likely reach new highs sooner, than nitrogen fertilizer prices. The industry is faced with surplus capacity, but demand has been strong, as many developing

countries have increased imports of phosphate in order to improve the balance of fertilizer applications. After falling 19 per cent from 1998 to 2000, TSP prices are projected to increase 7 per cent in 2001. Nominal prices are expected to increase an additional 7 per cent by 2005 as improvements in world grain prices boost fertilizer demand. By 2010, real prices are expected to decrease as new capacity comes onstream, causing real prices to fall 5 per cent from 2000 levels.

Potash prices have increased about 5 per cent since 1998, while most other commodity prices fell. This was possible because of strong import demand from developing countries and the willingness of major producers to close production capacity rather than see prices fall. These industry trends are expected to continue and should lead to gradually increasing muriate of potash (MOP) prices. At some point, enough new capacity may be developed to threaten this price stability, but this probably will not occur for several more years. Nominal MOP prices are projected to increase about 1 per cent per year until 2005 and then remain about unchanged for the balance of the decade. In real terms, prices will decline, as nominal price increases will not be large enough to offset overall inflation. By 2010, real MOP prices are projected to fall about 19 per cent from the 2000 level.

Table A1: Commodity Prices and Price Projections in Current Dollars

Table A1: Commodity Prices and Price Projections in Current Dollars											
Commodity	Unit	Actual					Projections				
		1970	1980	1990	1998	1999	2000	2001	2002	2005	2010
Energy											
Coal, US	\$/mt	n.a.	43.10	41.6/	34.38	33.1/	33.00	33.00	33.50	35.00	37.50
Crude oil, avg. spot	\$/bbl	1.21	36.8/	22.88	13.0/	18.0/	28.00	25.00	21.00	18.00	19.00
Natural gas, Europe	\$/mmbtu	n.a.	3.40	2.55	2.42	2.13	3.80	3.75	3.20	2.75	2.75
Natural gas, US	\$/mmbtu	0.1/	1.55	1.70	2.09	2.2/	4.00	4.00	3.50	2.75	3.00
Non-Energy Commodities											
Agriculture											
Beverages											
Cocoa	c/kg	67.5	260.4	126.7	167.6	113.5	90.0	95.0	110.0	150.0	170.0
Coffee, other milds	c/kg	114.7	346.6	197.2	298.1	229.1	187.4	191.8	209.4	253.5	265.0
Coffee, robusta	c/kg	91.4	324.3	118.2	182.3	148.9	94.8	97.0	110.2	149.9	187.4
Tea, auctions (3) average	c/kg	83.5	165.9	205.8	204.6	183.9	189.0	192.0	192.0	195.0	210.0
Food											
Fats and oils											
Coconut oil	\$/mt	397.2	673.8	336.5	657.9	737.1	444.0	500.0	540.0	620.0	650.0
Copra	\$/mt	224.8	452.7	230.7	411.1	461.5	310.0	425.0	435.0	460.0	483.0
Groundnut oil	\$/mt	378.6	858.8	963.7	909.4	787.7	700.0	740.0	775.0	820.0	850.0
Palm oil	\$/mt	260.1	583.7	289.8	671.1	436.0	322.0	340.0	360.0	400.0	450.0
Soybean meal	\$/mt	102.6	262.4	200.2	170.3	152.2	185.0	195.0	200.0	215.0	226.0
Soybean oil	\$/mt	286.3	597.6	447.3	625.9	427.3	340.0	360.0	380.0	430.0	460.0
Soybeans	\$/mt	116.9	296.2	246.8	243.3	201.67	210.0	220.0	230.0	250.0	270.0
Grains											
Maize	\$/mt	58.4	125.3	109.3	102.0	90.2	86.0	95.0	110.0	125.0	130.0
Rice, Thai, 5%	\$/mt	126.3	410.7	270.9	304.2	248.4	202.0	215.0	235.0	275.0	300.0
Sorghum	\$/mt	51.8	128.9	103.9	98.0	84.4	85.0	88.0	100.0	120.0	125.0
Wheat, US, HRW	\$/mt	54.9	172.7	135.5	126.1	112.0	112.0	120.0	130.0	160.0	170.0
Other food											
Bananas, US, new series	\$/mt	166.1	377.3	540.9	489.5	373.8	430.5	465.2	490.5	529.1	567.7
Beef, US	c/kg	130.4	276.0	256.3	172.6	184.3	194.0	198.4	202.8	209.4	225.0
Oranges	\$/mt	168.0	400.2	531.1	442.4	438.2	365.0	400.0	500.0	565.0	600.0
Shrimp, Mexican	c/kg	n.a.	1,152	1,069	1,579	1,461	1,503	1,515	1,530	1,550	1,590
Sugar, world	c/kg	8.2	63.16	27.67	19.67	13.81	17.60	18.10	18.10	20.00	24.00
Agricultural raw materials											
Timber											
Logs, Cameroon	\$/cum	43.0	251.7	343.5	286.4	269.3	275.0	285.0	300.0	330.0	385.0
Logs, Malaysia	\$/cum	43.1	195.5	177.2	162.4	187.1	192.0	198.0	210.0	245.0	290.0
Sawnwood, Malaysia	\$/cum	175.0	396.0	533.0	484.2	600.8	600.0	620.0	655.0	750.0	900.0
Other raw materials											
Cotton	c/kg	67.6	206.2	181.9	144.5	117.1	127.9	136.7	141.1	158.7	180.8
Rubber, RSS1, Malaysia	c/kg	40.7	142.5	86.5	72.2	62.9	70.6	75.0	79.4	88.2	99.2
Tobacco	\$/mt	1,076	2,276	3,392	3,336	3,041	2,985	3,000	3,100	3,250	3,300
Fertilizers											
DAP	\$/mt	54.0	222.2	171.4	203.4	177.8	155.0	165.0	175.0	195.0	205.0
Phosphate rock	\$/mt	11.00	46.71	40.50	43.00	44.00	44.00	44.00	44.00	44.00	46.00
Potassium chloride	\$/mt	32.0	115.7	98.1	116.9	121.6	122.5	124.0	124.0	125.0	127.0
TSP	\$/mt	43.0	180.3	131.8	173.1	154.5	140.0	150.0	155.0	160.0	170.0
Urea, E. Europe, bagged	\$/mt	48.0	222.1	130.7	103.1	77.8	112.0	120.0	130.0	140.0	150.0
Metals and minerals											
Aluminum	\$/mt	556	1,456	1,639	1,357	1,361	1,575	1,600	1,650	1,800	1,900
Copper	\$/mt	1,416	2,182	2,661	1,654	1,573	1,825	1,975	2,050	2,200	2,400
Gold	\$/toz	36.0	607.9	383.5	294.2	278.8	280.0	280.0	275.0	275.0	300.0
Iron ore, Carajas	c/dmtu	9.84	28.09	32.50	31.00	27.59	29.00	29.50	30.25	32.00	33.00
Lead	c/kg	30.3	90.6	81.1	52.9	50.3	46.0	50.0	55.0	60.0	64.0
Nickel	\$/mt	2,846	6,519	8,864	4,630	6,011	8,600	7,500	7,000	6,000	6,800
Silver	c/toz	177.0	2,064	482.0	553.4	525.0	505.0	500.0	510.0	525.0	550.0
Tin	c/kg	367.3	1,677	608.5	554.0	540.4	545.0	550.0	560.0	590.0	610.0
Zinc	c/kg	29.6	76.1	151.4	102.5	107.6	114.0	116.0	117.0	120.0	125.0

n.a. = Not available.

Note: Projections as of October 24, 2000

Source: World Bank, Development Economics, Development Prospects Group.

Table A2: Commodity Prices and Price Projections in Constant 1990 Dollars

Table A2: Commodity Prices and Price Projections in Constant 1990 Dollars											
Commodity	Unit	Actual					Projections				
		1970	1980	1990	1998	1999	2000	2001	2002	2005	2010
Energy											
Coal, US	\$/mt	n.a.	59.86	41.67	32.40	32.10	32.70	31.57	30.94	29.86	28.90
Crude oil, avg. spot	\$/bbl	4.82	51.21	22.88	12.31	17.49	27.74	23.91	19.40	15.36	14.64
Natural gas, Europe	\$/mmbtu	n.a.	4.72	2.55	2.28	2.06	3.76	3.59	2.96	2.35	2.12
Natural gas, US	\$/mmbtu	0.68	2.15	1.70	1.97	2.19	3.96	3.83	3.23	2.35	2.31
Non-Energy Commodities											
Agriculture											
Beverages											
Cocoa	c/kg	268.9	361.6	126.7	157.9	109.9	89.2	90.9	101.6	128.0	131.0
Coffee, other milds	c/kg	456.8	481.4	197.2	280.9	221.7	185.7	183.5	193.4	216.3	204.2
Coffee, robusta	c/kg	364.0	450.5	118.2	171.7	144.1	93.9	92.8	101.8	127.9	144.4
Tea, auctions (3) average	c/kg	332.7	230.5	205.8	192.8	178.0	187.3	183.7	177.3	166.4	161.8
Food											
Fats and oils											
Coconut oil	\$/mt	1582.4	935.9	336.5	619.9	713.5	439.9	478.3	498.8	529.0	500.9
Copra	\$/mt	895.8	628.8	230.7	387.3	446.7	307.1	406.5	401.8	392.5	372.2
Groundnut oil	\$/mt	1508.2	1192.7	963.7	856.8	762.4	693.6	707.9	715.8	699.7	655.0
Palm oil	\$/mt	1036.0	810.7	289.8	632.3	422.0	319.0	325.2	332.5	341.3	346.8
Soybean meal	\$/mt	408.7	364.5	200.2	160.5	147.3	183.3	186.5	184.7	183.5	174.2
Soybean oil	\$/mt	1140.8	830.0	447.3	589.7	413.6	336.9	344.4	351.0	366.9	354.5
Soybeans	\$/mt	465.8	411.4	246.8	229.2	195.2	208.1	210.5	212.4	213.3	208.1
Grains											
Maize	\$/mt	232.7	174.0	109.3	96.1	87.3	85.2	90.9	101.6	106.7	100.2
Rice, Thai, 5%	\$/mt	503.2	570.5	270.9	286.6	240.5	200.1	205.7	217.1	234.6	231.2
Sorghum	\$/mt	206.4	179.0	103.9	92.4	81.7	84.2	84.2	92.4	102.4	96.3
Wheat, US, HRW	\$/mt	218.7	239.9	135.5	118.8	108.5	111.0	114.8	120.1	136.5	131.0
Other food											
Bananas	\$/mt	661.7	524.0	540.9	461.2	361.9	426.5	445.0	453.1	451.5	437.5
Beef, US	c/kg	519.6	383.3	256.3	162.6	178.4	192.2	189.8	187.3	178.7	173.4
Oranges	\$/mt	669.5	555.8	531.1	416.8	424.2	361.6	382.6	461.8	482.1	462.4
Shrimp, Mexican	c/kg	..	1,600	1,069	1,488	1,414	1,489	1,449	1,413	1,323	1,225
Sugar, world	c/kg	32.8	87.7	27.7	18.5	13.4	17.4	17.3	16.7	17.1	18.5
Agricultural raw materials											
Timber											
Logs, Cameroon	\$/cum	171.3	349.6	343.5	269.8	260.7	272.5	272.6	277.1	281.6	296.7
Logs, Malaysia	\$/cum	171.8	271.6	177.2	153.0	181.1	190.2	189.4	194.0	209.0	223.5
Sawnwood, Malaysia	\$/cum	697.2	550.0	533.0	456.1	581.6	594.5	593.1	605.0	639.9	693.5
Other raw materials											
Cotton	c/kg	269.4	286.4	181.9	136.1	113.4	126.7	130.8	130.3	135.4	139.3
Rubber, RSS1, Malaysia	c/kg	162.2	197.9	86.5	68.0	60.8	69.9	71.7	73.3	75.2	76.5
Tobacco	\$/mt	4,287	3,161	3,392	3,143	2,944	2,958	2,870	2,863	2,773	2,543
Fertilizers											
DAP	\$/mt	215.1	308.6	171.4	191.7	172.1	153.6	157.8	161.6	166.4	158.0
Phosphate rock	\$/mt	43.8	64.9	40.5	40.5	42.6	43.6	42.1	40.6	37.5	35.5
Potassium chloride	\$/mt	127.5	160.7	98.1	110.1	117.8	121.4	118.6	114.5	106.7	97.9
TSP	\$/mt	171.3	250.4	131.8	163.0	149.5	138.7	143.5	143.2	136.5	131.0
Urea, E. Europe, bagged	\$/mt	191.2	308.5	130.7	97.1	75.3	111.0	114.8	120.1	119.5	115.6
Metals and minerals											
Aluminum	\$/mt	2,215	2,022	1,639	1,279	1,317	1,560	1,531	1,524	1,536	1,464
Copper	\$/mt	5,640	3,031	2,661	1,558	1,522	1,808	1,889	1,893	1,877	1,849
Gold	\$/toz	143.2	844.3	383.5	277.1	269.8	277.4	267.8	254.0	234.6	231.2
Iron ore	c/dmtu	39.2	39.0	32.5	29.2	26.7	28.7	28.2	27.9	27.3	25.4
Lead	c/kg	120.7	125.8	81.1	49.8	48.7	45.6	47.8	50.8	51.2	49.3
Nickel	\$/mt	11,339	9,054	8,864	4,362	5,819	8,521	7,174	6,465	5,119	5,240
Silver	c/toz	705.2	2866.1	482.0	521.4	508.1	500.4	478.3	471.0	448.0	423.8
Tin	c/kg	1463.5	2329.8	608.5	522.0	523.1	540.0	526.1	517.2	503.4	470.1
Zinc	c/kg	117.9	105.7	151.4	96.5	104.2	113.0	111.0	108.1	102.4	96.3

n.a. = Not available.

Note: Projections as of October 24, 2000

Source: World Bank, Development Economics, Development Prospects Group.

Table A3. Weighted Indices of Commodity Prices and Inflation

Index	Actual					Projections a/				
	1970	1980	1990	1998	1999	2000	2001	2002	2005	2010
Current dollars										
Petroleum	5.3	161.2	100.0	57.1	79.0	122.4	109.3	91.8	78.7	83.0
Non-energy commodities b/	43.8	125.5	100.0	99.1	88.0	87.6	90.8	95.4	106.5	116.0
Agriculture	45.8	138.1	100.0	107.8	92.8	88.4	92.1	97.9	111.7	122.7
Beverages	56.9	181.4	100.0	140.6	107.7	87.4	89.9	98.6	121.7	132.9
Food	46.7	139.3	100.0	104.9	87.6	86.3	90.7	95.4	104.9	111.1
Fats and oils	64.4	148.7	100.0	132.8	105.0	96.0	101.8	106.4	116.8	125.7
Grains	46.7	134.3	100.0	101.3	86.4	78.3	84.1	93.2	110.1	117.4
Other food	32.2	134.3	100.0	84.1	74.0	82.8	85.2	87.6	92.3	95.6
Raw materials	36.4	104.6	100.0	87.3	88.5	91.8	95.7	100.5	113.0	130.3
Timber	31.8	79.0	100.0	90.9	111.8	112.0	115.7	122.3	140.4	168.2
Other Raw Materials	39.6	122.0	100.0	84.8	72.7	78.1	82.1	85.6	94.3	104.4
Fertilizers	30.4	128.9	100.0	122.1	114.1	107.1	111.9	114.3	116.7	123.3
Metals and minerals	40.4	94.2	100.0	75.5	73.7	83.8	85.6	87.6	92.7	98.6
Constant 1990 dollars c/										
Petroleum	21.1	223.8	100.0	53.8	76.5	121.3	104.5	84.8	67.1	64.0
Non-energy commodities	174.7	174.3	100.0	93.4	85.2	86.8	86.9	88.1	90.8	89.4
Agriculture	182.4	191.8	100.0	101.6	89.8	87.6	88.1	90.4	95.3	94.6
Beverages	226.6	252.0	100.0	132.4	104.2	86.6	86.0	91.1	103.9	102.4
Food	186.0	193.4	100.0	98.9	84.8	85.5	86.7	88.1	89.5	85.6
Fats and oils	256.4	206.5	100.0	125.2	101.7	95.1	97.4	98.3	99.6	96.9
Grains	186.1	186.5	100.0	95.4	83.6	77.5	80.4	86.1	93.9	90.5
Other food	128.4	186.6	100.0	79.3	71.6	82.0	81.5	80.9	78.7	73.6
Raw materials	145.1	145.2	100.0	82.3	85.7	91.0	91.6	92.8	96.4	100.4
Timber	126.6	109.7	100.0	85.7	108.2	111.0	110.7	113.0	119.8	129.6
Other Raw Materials	157.7	169.4	100.0	79.9	70.3	77.3	78.5	79.0	80.5	80.5
Fertilizers	121.1	179.0	100.0	115.0	110.4	106.1	107.0	105.6	99.6	95.0
Metals and minerals	160.8	130.8	100.0	71.1	71.3	83.0	81.9	80.9	79.1	76.0
Inflation indices, 1990=100 d/										
MUV index e/	25.10	72.00	100.00	106.14	103.31	100.93	104.54	108.27	117.20	129.77
% change per annum		11.11	3.34	0.75	-2.67	-2.30	3.58	3.57	2.68	2.06
US GDP deflator	33.59	65.93	100.00	119.32	121.11	123.89	126.87	129.91	138.54	152.96
% change per annum		6.98	4.25	2.23	1.50	2.30	2.40	2.40	2.17	2.00

a/ Commodity price projections as of October 24, 2000

b/ The World Bank primary commodity price indices are computed based on 1987-89 export values in US dollars for low- and middle-income economies, rebased to 1990. Weights for the sub-group indices expressed as ratios to the non-energy index are as follows in percent: agriculture 69.1, fertilizers 2.7, metals and minerals 28.2; beverages 16.9, food 29.4, raw materials 22.8; fats and oils 10.1, grains 6.9, other food 12.4; timber 9.3 and other raw materials 13.6.

c/ Computed from unrounded data and deflated by the MUV index

d/ Inflation indices for 2000-2010 are projections as of October 20, 2000. MUV for 1999 is an estimate. Growth rates for years 1980, 1990, 1998, 2005 and 2010 refer to compound annual rate of change between adjacent end-point years; all others are annual growth rates from the previous year.

e/ Unit value index in US dollar terms of manufactures exported from the G-5 countries (France, Germany, Japan, UK, and US) weighted proportionally to the countries' exports to the developing countries

Source: World Bank, Development Prospects Group. Historical US GDP deflator: US Department of Commerce.

October 24, 2000

Table A6. Weighted Indices of Commodity Prices and Inflation

Index	Actual					Projections a/				
	1970	1980	1990	1998	1999	2000	2001	2002	2005	2010
Current dollars										
Petroleum	5.3	161.2	100.0	57.1	79.0	113.6	100.5	91.8	78.7	83.0
Non-energy commodities b/	43.8	125.5	100.0	99.1	88.0	89.9	92.9	97.2	107.2	116.4
Agriculture	45.8	138.1	100.0	107.8	92.8	91.7	95.3	100.6	112.7	123.3
Beverages	56.9	181.4	100.0	140.6	107.7	98.2	99.6	108.4	123.1	132.9
Food	46.7	139.3	100.0	104.9	87.6	86.2	90.7	95.4	106.0	112.5
Fats and oils	64.4	148.7	100.0	132.8	105.0	96.6	102.1	107.7	118.7	126.5
Grains	46.7	134.3	100.0	101.3	86.4	81.2	89.2	96.4	114.0	122.1
Other food	32.2	134.3	100.0	84.1	74.0	80.6	82.3	84.7	91.1	95.6
Raw materials	36.4	104.6	100.0	87.3	88.5	94.0	98.0	101.6	113.6	130.3
Timber	31.8	79.0	100.0	90.9	111.8	117.9	122.7	126.7	141.9	168.2
Other Raw Materials	39.6	122.0	100.0	84.8	72.7	77.7	81.1	84.5	94.3	104.4
Fertilizers	30.4	128.9	100.0	122.1	114.1	107.1	111.9	114.3	116.7	123.3
Metals and minerals	40.4	94.2	100.0	75.5	73.7	83.9	85.2	87.1	92.7	98.6
Constant 1990 dollars c/										
Petroleum	21.1	223.8	100.0	54.8	76.3	107.1	92.4	82.2	65.8	61.5
Non-energy commodities	174.7	174.3	100.0	95.1	85.0	84.7	85.4	87.0	89.7	86.1
Agriculture	182.4	191.8	100.0	103.5	89.6	86.4	87.6	90.1	94.3	91.3
Beverages	226.7	252.0	100.0	134.9	104.0	92.6	91.5	97.1	103.0	98.4
Food	186.0	193.4	100.0	100.7	84.6	81.3	83.4	85.4	88.7	83.2
Fats and oils	256.4	206.5	100.0	127.5	101.4	91.0	93.8	96.4	99.3	93.6
Grains	186.1	186.5	100.0	97.2	83.4	76.5	82.0	86.3	95.4	90.4
Other food	128.4	186.6	100.0	80.8	71.4	75.9	75.7	75.9	76.2	70.7
Raw materials	145.1	145.2	100.0	83.8	85.5	88.6	90.1	91.0	95.1	96.4
Timber	126.6	109.7	100.0	87.3	107.9	111.1	112.7	113.5	118.8	124.5
Other Raw Materials	157.7	169.5	100.0	81.4	70.2	73.2	74.6	75.7	78.9	77.3
Fertilizers	121.1	179.0	100.0	117.2	110.1	100.9	102.9	102.4	97.7	91.3
Metals and minerals	160.8	130.8	100.0	72.4	71.2	79.0	78.3	78.0	77.5	73.0
Inflation indices, 1990=100 d/										
MUV index e/	25.08	71.98	100.00	104.19	103.56	106.15	108.80	111.63	119.51	135.09
% change per annum		11.12	3.34	0.51	-0.60	2.50	2.50	2.60	2.30	2.48
US GDP deflator	33.59	65.93	100.00	119.19	120.92	122.74	124.95	127.44	135.78	150.50
% change per annum		6.98	4.25	2.22	1.45	1.50	1.80	2.00	2.13	2.08

a/ Commodity price projections as of July 20, 2000

b/ The World Bank primary commodity price indices are computed based on 1987-89 export values in US dollars for low- and middle-income economies, rebased to 1990. Weights for the sub-group indices expressed as ratios to the non-energy index are as follows in percent: agriculture 69.1, fertilizers 2.7, metals and minerals 28.2; beverages 16.9, food 29.4, raw materials 22.8; fats and oils 10.1, grains 6.9, other food 12.4; timber 9.3 and other raw materials 13.6.

c/ Computed from unrounded data and deflated by the MUV index

d/ Inflation indices for 2000-2010 are projections as of March 3, 2000. MUV for 1998 is a preliminary estimate and 1999 a projection. Growth rates for years 1980, 1990, 1998, 2005 and 2010 refer to compound annual rate of change between adjacent end-point years; all others are annual growth rates from the previous year.

e/ Unit value index in US dollar terms of manufactures exported from the G-5 countries (France, Germany, Japan, UK, and US) weighted proportionally to the countries' exports to the developing countries

Source: World Bank, Development Prospects Group. Historical US GDP deflator: US Department of Commerce.

July 20, 2000

ANNEX 2

Agriculture and the New Trade Agenda in the WTO Negotiations: *A Capacity Building Project on Agricultural Trade Strategy and Policy*⁷

Progress Report for the period October 1999 – September 2000

Project Objectives

The project was launched in May 1999. It has the following objectives: **First**, This project aims to advance the process and implementation of international trade and agricultural policy reforms affecting agriculture in developing countries and strengthen the capacity of these countries to participate in the next WTO round of multilateral trade negotiations. It seeks to achieve these objectives through an integrated programme of research, policy analyses/advice, and capacity building in developing countries; **Second**, to support developing countries in evaluating their interests and policy options in the WTO negotiations in agriculture; **Third**, to evaluate approaches, strategies, and multilateral rules to achieve an enabling policy and institutional framework for trade and development; **Fourth**, to provide country specific technical assistance, on trade and international agricultural policy in the context of WTO rules and development objectives.

Completed Outputs of the Project (May 1999 – to date)

Phase 1: (May 99-Oct 99) Completed Identification of Issues and Preparatory Background analyses: Several thematic issues papers under the built-in agenda in the URAA were completed in phase 1 of the project (May 99-October 99). An overview and synthesis of major recommendations was prepared in November and disseminated to key clients in 120 countries during preparations to Seattle and Post-Seattle activities to launch the negotiations. The key clients included country trade negotiators in Geneva, policy makers from Ministries of Agriculture, Ministries of Trade in capitals, international organizations, and NGOs. The initial findings of background research explored the economics of the major policy issues of interests to developing countries on the agenda taken up in the negotiations.

- **August, 1999: Launched the Project Web-Site** linked to Bank and WTO web-sites for dissemination and discussion forums. Address is as follows:
<http://wbln0018.worldbank.org/trade/decagridoc.nsf>
- **October 1, 1999: Completed initial preparatory background research and analyses** on thematic issues taken up in Seattle. The initial findings were distributed to over 120 countries.
- **October 1, 1999: First drafts of initial preparatory regional studies:** stocktaking of current Policies; evaluation of implementation of Uruguay Round Commitments and initial identification of issues, interests and options. Initial data gathering on domestic and trade policies in agriculture, which are not available in the WTO country notifications. The research were carried out by experts from respective developing country regions/countries as follows:

⁷ For questions regarding the objectives and structure of the project, please contact the Principal Project Manager, Dr. Merlinda D. Ingco mingco@worldbank.org;

Preparatory background region-specific issues papers by region. Issues papers were completed as follows:

1. Developed countries—by Stefan Tangermann (University of Gottingen)
2. South Asia- by Prema Chandra Athukorala (Sri Lankan, Australian National University)
3. Latin America and Caribbean—by Alberto Valdes (World Bank) and Julio Paz Cafferata (FAO)
4. Eastern and Central Europe—by Natalija Kazluzkeine and William Meyers (FAO)
5. East Asia—by Malcolm Bale (World Bank)
6. Africa – by Ademola Oyejide (African Economics Research Consortium)

Phase 2: Dissemination: Global Conference and Regional Workshops in Africa: The initial findings from phase 1 were widely disseminated to over 120 countries through the Geneva delegations. The papers were also presented in a high-profile Global Policy Conference in Geneva in October 1999 leading up to the WTO Seattle ministerial meeting. A number of the initial region specific analyses were also presented in a series of regional workshops, dissemination activities in South Asia and Africa. A series of recommendations derived from the first phase were publicized through a press release and press conference. An overview paper was prepared in November distributed to developing countries before and during the Seattle Ministerial.

Specific outputs during the second phase of the programme include:

- High-level Global Policy Conference, in the lead up to Seattle, October 1-2, 1999, Geneva.
- Regional workshop in Africa and South Asia, in cooperation with WBI/DEC, IPC, (October-Dec. 1999)
- Preparation of an overview research report and synthesis of main research findings and specific recommendations on the interests of developing countries on various issues;
- Dissemination of initial findings in preparation for Seattle and during Seattle Ministerial
- Initial Reviews of papers from phase 1 and Geneva conference papers
- Knowledge dissemination through a High-Profile Global conference, regional workshop in South Asia, and Africa, and training for Bank operational staff and Policy makers in developing countries
- **October 1-2, 1999, The 1999 Global Conference on "Agriculture and New Trade Agenda from A Development Perspective: Interests and Options in a New Millenium Round"**, held at WTO, October 1-2, 1999. Thirty papers with initial analyses of key issues were presented. Attended by over 300 participants including senior policy makers, trade negotiators, from developed and developing countries; Very positive feedback received from WTO Directors and Secretariat, WTO Committee on Agriculture and WTO delegations and policy makers from capitals (Ministries of Agriculture) from developed and developing countries. (See Annex 1 for conference programme)
- **October 1, 1999: Joint World Bank-WTO Press Conference** (Alex McCalla World Bank, and Richard Eglin, WTO Director on Trade and Finance; held at the WTO)
- **October 14-15, 1999: Conference "Africa's Future Role in World Agricultural Trade"** *Elephant Hills, Victoria Falls, Zimbabwe*, African analysts sponsored by the project carried out initial country case analyses and presented their initial findings; the meeting brought together over 75 African policy makers and international experts.
- **December 20-21, 1999: South Asia Regional Workshop on "South Asia and the WTO"**, *Delhi, India*. South Asian developing country analysts presented their

initial findings on country specific analyses at the workshop to South Asian policy makers and policy practitioners, Country Specific Papers Financed by the Agriculture Project and Contributed to the Dissemination Activities of the WTO 2000 Projects in South Asia, December 20-21, 1999, India (see Annex 2).

- **January 00-May, 00:** Several Presentations in WTO Meetings of the Committee on Agriculture; Consultation Meetings in FAO, UNCTAD; Completed Reviews, updates and revisions of phase 1 papers for a series of publications in 2000-2001.
- **Bangladesh, May 16, 2000.** Dissemination of Bangladesh country paper on "*Agriculture and WTO 2000 Negotiations: Economic Analysis of Interests and Options for Bangladesh*", In cooperation with the Bangladesh International Institute of Strategic Studies.
- **July 25-27, 2000: Presentation at the Cameroon national workshop on the WTO 2000 negotiations.** It involved the Ministry of Industrial and Commercial Development (MINDIC), especially the inter-ministerial committee on WTO, and the United Nations Economic Commission for Africa's (UNECA) Central Africa Sub-regional Development Center. The AERC, the UNECA and the World Bank jointly funded the workshop. Discussions were based on research completed in these three institutions. Focussing on the main purpose of the workshop, this was the first opportunity to bring such a variety of stakeholders to discuss the WTO issues and their likely implications for the country. It would be difficult to claim that the workshop allowed the emergence of a country position for the negotiations, since we started from a low level of knowledge. The most important aspect of the workshop is probably the fact that it created a momentum for the preparation of the country position. It was also clear that such a position should have a heavy involvement of a wide range of stakeholders. The Minister of Higher education, who presided over the opening ceremony, explicitly requested for a workshop report that would be given to the Prime Minister's office and discussed at a forthcoming meeting of the cabinet. He also indicated that earlier cabinet discussions led to a request to MINDIC to organize a workshop on the negotiations. The government was therefore very appreciative for the initiative.
- **October 2-6, 2000, Regional Workshop on Capacity Building on Agricultural Trade for Central and West Africa, Dakar, Senegal.** *Background analyses on impact of implementation of the Uruguay Round* for three African countries (Niger, Cameroon and RCA) were completed. The workshop was organized in partnerships with the following:
 - Le Ministre Fédéral Allemand de la Coopération économique et du Développement (BMZ);
 - La Fondation Allemande pour le Développement International et le Centre de Développement pour l'Alimentation et l'Agriculture (DSE/ZEL) ;
 - Le Centre Technique de Coopération Agricole et Rurale (CTA) ;
 - La Conférence des Ministres de l'Agriculture de l'Afrique de l'Ouest et du Centre (CMA/AOC).

ANNEX 3

World Bank agricultural projects least-developed and net-food importing developing countries, 1999-2000

Agricultural Sector, 1999-2000

Project Name	Country	Sector Name	Fiscal year	IBRD Amt. (\$m)	IDA Amt. (\$m)	Loan Amt. (\$m)	Description
AGRIC SECTOR PEP	Mozambique	Agricultural Credit	1999	0	30	30	The Agricultural Sector Expenditure Program (PROAGRI) aims at improving public expenditure, securing a sustainable and equitable growth in the rural sector, reducing poverty and improving food security, while protecting the environment. The program's components are grouped into three subprograms: 1) the institutional development will focus on an analysis of the structure of the Ministry of Agriculture and Fisheries (MAP), its decision-making, and restructuring. Included is an assessment of its human resources, in accordance with the civil service reform. Strengthening MPA, at both the central and provincial levels, will improve its management, monitoring and evaluation, among other areas. The development of an agriculture information system is included, as well as the potentiality for MAP to formulate policy analysis and 2) the agricultural support services will include agricultural research in farming systems' technologies, increasing farmers participation, as well as developing partnerships in extension services.
AGR.SRCV ES&PROD. ORGS	Senegal	Research	1999	0	27	27	
ICB-PAMSU	Uganda	Forestry	1999	0	12	12	
TN-WATER SECTOR INVESTMENT PROJECT	Tunisia	Irrigation & Drainag	2000	103	0	103	The Water Sector Investment Project for Tunisia aims to promote effective integrated water resource management; and to promote water resources conservation and environmental protection. Project components include assistance in creating small, tubewell-based, irrigation perimeters; modernizing and rehabilitating existing perimeters; draining installations on irrigated perimeters; electrifying water sources and tubewells for potable water and/or irrigation in order to reduce energy and maintenance costs; creating water points in the southern arid zone; and working towards flood water management. The project helps drill exploratory wells and piezometers, protects and rehabilitates existing ones; develops infrastructure for artificial groundwater recharge from available surface water; and pilots participatory management approaches. In addition, the project monitors the quality and quantity of water resources; and protects the water resource base and soils.
AGRIC. SVCS. II	Cote d'Ivoire	Agriculture Adj.	1999	0	50	50	
SOHAG RURAL DEV.	Egypt, Arab Rep	Agriculture Adj.	1999	0	25	25	
P. S. REHAB. III	Egypt, Arab Rep	Irrigation & Drainag	1999	120	0	120	
RURAL INFRASTRUCTURE	Mali	Irrigation & Drainag	2000	0	115	115	

Agricultural Sector, 1999-2000

Project Name	Country	Sector Name	Fiscal year	IBRD Amt. (\$m)	IDA Amt. (\$m)	Loan Amt. (\$m)	Description
INTEG DEV PROG FOR I	Mauritania	Irrigation & Drainag	2000	0	38	38	The objective of the Integrated Development Project for Irrigated Agriculture (first phase) in Mauritania, is to lay the foundation for a sustainable development of irrigated agriculture in technical, financial, environmental, and socioeconomic terms. The project conforms to the Country Assistance Strategy (CAS) objectives, in support of the government's long-term strategy for the rehabilitation, and sustainable development of irrigated agriculture, and, in the construction of basic rural infrastructures in the Senegal River Valley. To accomplish these objectives, the main components will: 1) create the policy, legal, and, institutional frameworks to ease the development of irrigated agriculture; 2) develop basic public and private infrastructures. Research and development will be supported under this component; 3) improve management and organizational skills within farmers, as well as farmer associations and 4) strengthen the traditional irrigated agriculture sub-sector, supporting traditional crop production.
AG.EXT.& RES. SUPPORT	Cameroon	Research	1999	0	15	15	
EG-NATIONAL DRAINAGE II	Egypt, Arab Rep	Irrigation & Drainag	2000	50	0	50	The Second National Drainage Project will increase agricultural productivity through drainage improvement, thus raising rural incomes based on the diversified, and sustainable production resulting from appropriate uses of land, and water resources. The components will: 1) provide surface drainage in the old cultivated lands, as well as in reclaimed lands, including trench-less drain land; 2) renew, and/or rehabilitate existing surface drainage systems; 3) remodel open surface drains in most of the project areas, and provide operation, and maintenance equipment for open and sub-surface drains, materials during the transition period, and pumping stations for emergency centers and 4) support management, and institutional building through technical assistance, and training provision, to establish pilot schemes for integrating irrigation, and drainage user's associations in two Governorates, and in support of the Environmental Management Plan. Farmers outreach, and participatory activities will be supported.
RES. & EXTENSION	Peru	Research	2000	10	0	10	Within the strategic context, the Agricultural Research and Extension Project will strongly support the government's efforts for poverty reduction, by improving agricultural technology systems, thus increasing agricultural productivity, and farmer incomes, and further expanding agricultural marketing, and processing industries. The project components call for: a) the development of program and policy coordination to manage technology systems, and coordinating public sector support for agricultural research, and extension, in addition to facilitating institutional reforms; b) the establishment of an agricultural technology fund, to co-finance adaptive research, and extension projects, based on competitive bases to be selected regionally. Farmers and research/extension institutions, - private sector participants, government technical institutions, or non-governmental organizations - will co-finance projects to be implemented at regional, and community levels.

Agricultural Sector, 1999-2000

Project Name	Country	Sector Name	Fiscal year	IBRD Amt. (\$m)	IDA Amt. (\$m)	Loan Amt. (\$m)	Description
PILOT FISHERIES DEV.	Morocco	Fisheries & Aquacult	1999	5	0	5	The Pilot Fisheries Development Project will support the objectives of the Country Assistance Strategy (CAS), encouraging private sector development, through the promotion and competitiveness increase of the fisheries sector. Further objectives call for public sector reform, which the project will address through decentralization and private sector initiatives. Social and rural development strengthening will be reinforced through expansion of small-scale and coastal fisheries development. The project components will include strengthening the institutional capacity of the Ministry of Marine Fisheries (MOMF) to manage and develop the fisheries sector. This component includes institutional reforms, supporting decentralization and organizational restructuring, in addition to an administrative reorganization. The decentralization process will improve with the inclusion of an integrated management information systems, providing computer equipment and technical assistance.
PRVT SECT.& AG. DEV.	Egypt, Arab Rep	Agricultural Credit	1999	225	75	300	The Private Sector and Agriculture Development Project seeks to support the Government of Egypt's continuing policies of encouraging broad-based private-sector-led growth in order to meet the need for increased employment opportunities and income. Specifically, the PSADP aims to promote rural economic development, and strengthen financial and institutional viability of the Principal Bank for Development and Agricultural Credit (PBDAC), the main institution providing financial services in rural Egypt. The project components include financing a line of credit covering all categories of agricultural and rural investment, including investment in such activities as transportation, storage, and trading of agricultural inputs or products, irrigation investments, small industry and commerce. Permanent working capital is eligible for funding when included as part of the costs of implementing the investment sub-project. Institution building, improves the accounting and auditing function.
LAKHDAR WATERSH ED MG	Morocco	Research	1999	4	0	4	
AGRICULTURAL AND RURAL MARKET DEVELOPMENT.	Rwanda	Agriculture Adj.	2000	0	5	5	The Agricultural and Rural Market Development Project's main objective is to contribute to the revitalization of Rwanda's agricultural and rural economy by successfully identifying policies and institutional mechanisms to promote efficient, private-sector based, local agricultural input distribution and output marketing systems in order to raise modern farm input use among farmers; and so thereby, the productivity of labor; and hence, the level of incomes in the rural sector. The project components are promotion of input use and distribution systems, including farmer access to seasonal credit for modern farm inputs; advisory services for the adoption of modern farm inputs; and access to credit, multiplication, and distribution of improved seeds. In addition, support to local agricultural marketing systems will be provided, comprising of crop conservation, processing, and marketing technologies; strengthening of rural agricultural marketing poles; and support to private trader investment in marketing services.

Agricultural Sector, 1999-2000

Project Name	Country	Sector Name	Fiscal year	IBRD Amt. (\$m)	IDA Amt. (\$m)	Loan Amt. (\$m)	Description
North-East Irrigated Agriculture Project	Sri Lanka	Irrigation & Drainag	2000	0	27	27	The North-East Irrigated Agriculture Project aims to help conflict-affected communities to re-establish at least a subsistence level of production and basic community services, through assistance with "jump-starting" agricultural and small-scale reconstruction activities, and to build their capacity for sustainable social and economic reintegration. The project components include the rehabilitation of irrigation schemes such as refilling breached sections of embankments, raising low spots on embankments, repairing or replacing sluices, fixing leaking and improving inadequate spillways; repairing scheme access roads, and cleaning and desalting main canals. It will also finance community capacity building, provide support for social mobilization by nongovernmental organizations, repaire rural roads and drinking water facilities, fund small-scale micro-enterprise credit schemes, and provide technical assistance. Financing will also be provided for feasibility studies.
Agricultural Serv. Innovation & Reform	Bangladesh	Agricultural Extens.	2000	0	5	5	The Agricultural Services Innovation and Reform Project will support the Government of Bangladesh in accelerating agricultural growth and rural development, and, improve people's livelihood in poor rural areas. Specifically, dissemination of agricultural technology will be improved, and the diversification for higher value commodities will be promoted, with good external market prospects, including the use of Non Governmental Organizations (NGOs), and contract models. The components will include: 1) Strengthening institutional capacity, providing support to the Horticultural Export Development Foundation (HORTEX) to pioneer horticultural production and export activities. The component will provide support to farmers, and private sector development will further increase HORTEX clients in this field and 2) The implementation capacity of the New Agricultural Extension Policy (NAEP) will be strengthened, through partnership agreements, and grants, with the Department of Agricultural Extension (DAE), and from NGOs.
Agro-pastoral Export Promotion Project	Niger	Agro-Indus.&Market.	2000	0	10	10	The Agro-Pastoral Export Promotion Project for Niger aims to make producers and exporters efficient in supplying the agro-pastoral export market, reacting to market changes, and seizing opportunities. The project components include support of a cluster of activities that promote trade and information services including product and market identification and development, trade information services, specialized support services on procedures, product quality and packaging, applied research, promotional activities abroad, and a project website. In addition it will provide institutional support to producer and exporter organizations which will include legal advice, and assistance for internal organization and financial and administrative management. Support will be provided through project specialists, consultants, seminars, and other training fora. It will also encourage the formation of savings and credit services.
AGRIC.RE S & TRNG. II	Uganda	Other Agriculture	1999	0	26	26	The Second Agricultural Research and Training Project (ARTP II) seeks to a) increase the efficiency and productivity of the dominant crop, livestock, fisheries, and forestry farming systems of Uganda; b) increase farm household income and improve family welfare; and c) enhance the management of natural resources for the protection of the environment. The main project components include: 1) Technology development and adaptation to finance: adaptive research and development activities to address specific production constraints and opportunities; new priorities to respond to serious emerging problems identified in subsequent annual assessment; and establishment of an Agricultural Research and Development Fund to support a competitive research grants scheme. 2) Outreach, extension, and technology dissemination, which will give priority to the development and transfer of technology that address actual constraints of the dominant production systems of Uganda.

Agricultural Sector, 1999-2000

Project Name	Country	Sector Name	Fiscal year	IBRD Amt. (\$m)	IDA Amt. (\$m)	Loan Amt. (\$m)	Description
Forest Concession Mgt and Control Pilot	Cambodia	Forestry	2000	0	5	5	The Forest Concession Management and Control Pilot Project, will improve forest management, through effective operational guidelines, and control procedures in forest concession areas, and will establish forest crime monitoring and prevention capabilities. The components will: 1) support the Department of Forestry and Wildlife (DFW), providing guidance, and quality control over concessionaire preparations in forest management plans. Field surveys, and inventories will be conducted, including assessment of management constraints, bio-diversity, and social issues, and risks of timber theft. Financing will be available to acquire satellite imagery, aerial photography, training, and technical assistance; and 2) strengthen the capacity of the Forest Management Office of the DFW, to oversee operations, and ensure compliance with conditions established under the first component. Civil works, equipment, training, and technical assistance will be financed under this component.
RIVER BANK PROT SUP	Bangladesh	Agricultural Extens.	1999	0	45	45	
COASTAL EMBANKMENT S	Bangladesh	Agricultural Extens.	1999	0	17	17	
Fourth Fisheries	Bangladesh	Fisheries & Aquacult	2000	0	28	28	