UNITED NATIONS

TD

United Nations Conference on Trade and Development

Distr.
GENERAL

TD/B/COM.1/EM.32/3
19 January 2007

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Commission on Trade in Goods and Services, and Commodities
Expert Meeting on Enabling Small Commodity Producers
and Processors in Developing Countries to Reach
Global Markets
Geneva, 11–13 December 2006

REPORT OF THE EXPERT MEETING ON ENABLING SMALL COMMODITY PRODUCERS AND PROCESSORS IN DEVELOPING COUNTRIES TO REACH GLOBAL MARKETS

Held at the Palais des Nations, Geneva,
from 11 to 13 December 2006

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Chapter I

CHAIRPERSON'S SUMMARY

Introduction

1. The Commission on Trade in Goods and Services, and Commodities, at its tenth annual session (February 2006), decided to convene an Expert Meeting on Enabling Small Commodity Producers and Processors in Developing Countries to Reach Global Markets. Paragraph 100 of the São Paulo Consensus states that "UNCTAD should continue to monitor developments in commodity markets and assist developing countries, in particular those most dependent on commodities, in formulating strategies and policies to respond to the challenges of commodity markets, including […] addressing links between international commodity trade and national development, particularly poverty reduction. It should analyse and promote […] more effective participation in the supply chain."

2. Accordingly, the Expert Meeting on Enabling Small Commodity Producers and Processors in Developing Countries to Reach Global Markets was held in Geneva from 11 to 13 December 2006. It considered solutions and challenges relating to the integration into supply chains of those commodity sector participants in developing countries most susceptible to being caught in the poverty trap, namely small commodity producers and processors.

3. The Meeting had the following main tasks:

- To identify the services and support that small commodity producers need in order to effectively market their produce (market information, finance, logistics, meeting standards);
- To evaluate the development impact on small commodity producers of the new, private-sector-driven models;
- To examine the role of Governments in supporting producers in this new environment, including through public–private partnerships.

4. The discussions in the context of those topics served to inform UNCTAD member States about the key elements that small producers and processors require from an integrated supply chain. The discussions also provided a forum for appraising the utility of organized supply chain models that had emerged as Governments had withdrawn from the sector, including out- grower schemes and initiatives facilitated by off-takers, trading entities, financial institutions, commodity exchanges and non-profit organizations.

5. The Deputy Secretary-General of UNCTAD made an opening statement in which he emphasized the importance of commodity issues for reducing poverty and achieving the Millennium Development Goals (MDGs). Poverty was linked to the inability of small producers in developing countries to effectively integrate into a more global economy. The withdrawal of Governments from markets as a result of adjustment and market liberalization had confronted small producers with new challenges. To sell their products, small producers needed, inter alia, to get goods to market, find buyers, obtain market information, secure finance and meet standards. He drew attention to UNCTAD's activities in those domains, such as the information, the commodity-exchange, the commodity-structured-finance and the

risk-management programmes. Also, he emphasized the Aid for Trade initiative, which could provide an umbrella for many of the initiatives to be discussed during the Meeting.

6. The Chairperson added that while Aid for Trade should be a component in promoting the integration of small commodity producers into global markets, it should not be tied to World Trade Organization negotiations.

7. The Director of the Division on International Trade in Goods and Services, and Commodities, made a statement on the commodity problematique, in which she highlighted the recurrent problem of developing countries' commodity dependence. She emphasized the need for commodity-dependent countries to derive remunerative returns from the commodity sector. She acknowledged that while integration into supply chains was imperative, it had a number of constraining factors. Attention was drawn to the following critical elements: infrastructure and logistics, market information, guidance on meeting market requirements, finance and other support services. Commodity sector liberalization opened the door to private-sector-driven supply chain approaches. Those new approaches, such as outgrower schemes and initiatives facilitated by off-takers, trading entities, financial institutions, commodity exchanges and non-profit organizations, were reviewed. In assessing the role of Governments in support of producers in the new liberalized environment, the view was expressed that new creative instruments should be devised, whereby the State could play an enabling role without being an obstruction.

8. **Session 1 reviewed the global framework of small producers and poverty, how changing market conditions can give rise to threats or opportunities, and what policies should be developed in order to reach Millennium Development Goals.**

9. Experts pointed out that 75 per cent of poor people were living in rural areas, and that poverty had increased in absolute terms in sub-Saharan Africa unlike in all other regions. They also noted that the poor did not represent an undifferentiated group of people, but a highly diversified one. For example, three major groups of individuals and households were affected by global economic processes, namely small commodity producers and traders, workers and migrants, and marginal producers for domestic markets. It was stressed that this categorization should have important practical consequences for the appropriate type of development intervention.

10. It was indicated that there were three strategies that could be pursued in rural policy: (i) import substitution (countries should be able to produce at least a significant part of their staple foods); (ii) the identification of sectors of comparative advantage in cross-border trade with neighbours (three quarters of developing countries' obstacles still originate in other developing countries); and (iii) the opening up of procurement for technical cooperation and humanitarian assistance — mainly in staple foods — to developing countries (it was highlighted that the United Nations alone had spent about $8.4 billion on procurement for technical cooperation in 2005).

11. The view was widely held that national policies should be integrated into a regional context in order to emulate the successes of emerging economies such as China and India. For example, African countries in the same subregion should be able to trade commodities among themselves. One way of achieving this would be to scale up African agriculture to respond to the food security needs of food-deficit areas through increased production and trade of food products within borders and among neighbouring countries. Furthermore, Governments need to organize regional cooperation around commodity sectors in such a way

as to encourage complementary production structures among neighbouring countries. Such cooperation should start by removing barriers to intraregional trade.

12. The importance of developing national markets was stressed by several participants. However, doubts were raised about the feasibility of this approach, and it was asked whether small countries (attention was drawn to the case of Nicaragua) could effectively pursue an inward-looking strategy. It was acknowledged that this would ultimately depend on the commodity and the country concerned (and its size).

13. It was felt that policy measures had been inadequate to foster small producers' participation in the commodity chain. Having well-organized structures was one of the keys to farmers gaining power in the marketplace, and cooperatives should have a major part to play in that framework. Governments could undertake various actions to prepare for globalization — for example, they could put in place traceability systems, reduce the impact of tariffs on agricultural inputs and increase budget allocations for research. Donors were called upon to devote more resources to agriculture and small farmers' organizations.

14. **Session 2 discussed the various elements of an integrated supply chain, namely information, logistics, standards and financing.**

Asymmetry of information and market transparency

15. It was acknowledged that market failures such as a lack of market transparency had had an important negative impact on small producers' ability to reach the global market. The example of cocoa and coffee producers in Cameroon showed that the quality, quantity and prices of cocoa and coffee had declined. This had had a global negative impact on cocoa and coffee of Cameroonian origin, prices for which had fallen on international markets. Moreover, cocoa or coffee trees have been replaced by crops, and new cocoa or coffee plantations are decreasing in number. More than 95 per cent of cocoa exports are in the hands of four transnational companies. Farmers have no access to information and thus limited capacity to bargain and get better prices for their products. The National Cocoa and Coffee Board (NCCB), the national market-regulating body, is currently implementing the UNCTAD-supported INFOSHARE programme, which is designed to reduce asymmetries of information and enhance market transparency. Long-term objectives are to increase the sector's competitiveness and boost production of cocoa and coffee, which will have significant spillovers onto the economy.

16. Business information services (BIS) is a project for South-East Asian small producers. BIS is designed as networks of information centres that sell information. Unlike INFOSHARE, which provides market-based information, it is oriented towards selling business information, such as business contacts, potential trends, sector statistics and business mapping.

17. The two examples are financially viable either through a global tax paid by cocoa or coffee exporters to the NCCB or through the sale of information. In both cases, there is a growing demand for information: farmers are ready to walk several kilometres in order to get the current prices for cocoa, for instance. It was confirmed that both schemes were designed to be replicable for other sectors and in other countries.

Meeting market requirements and the development of private standards

18. The development of more stringent market requirements originated in OECD countries, where regulatory measures are supplemented by a wide spectrum of standards, including those relating to labour, environment, corporate social responsibility and control of the production process. Retailers such as supermarkets have launched voluntary standards initiatives or adhere to existing standards. Non-compliance with private standards, although they are voluntary, excludes producers from retailers' markets. Private standards such as EurepGAP can enable small farmers to have access to worldwide export trade or to private corporate trading partnerships. International regulations are the same for the product regardless of its country of origin, and private standards can provide only a process framework methodology to meet those regulatory frameworks. Experts stressed that standards are always changing and almost always upwards. Small farmers must nevertheless adhere to a private standard with full knowledge of its requirements and risks, and awareness of the financial business case. Adherence to a standard has to become embedded in working practice if the best results are to be achieved. Although standards are applied in a global market and are requirements for operating in a chosen market, they are no guarantee of trade or success.

19. Studies carried out in Latin America and Africa on fruit and vegetable production identified a number of fundamental constraints for small producers regarding integration into global supply chains. They include low levels of literacy and numeracy, limited agronomic knowledge, poor hygiene, limited capital and lack of a market-oriented mindset, combined with weak physical infrastructure and services and scanty resources to finance research and development for varieties techniques. It was emphasized that rising private standards were likely to restrict the number of potential suppliers by increasing the entry cost of standards compliance as the window of quality continued to expand. Experts considered that market access would be available to those producers who could meet standards and supply logistics. Strategic solutions for developing countries lay in resolving the problems identified and also in fostering greater associative initiatives, selecting product strategies and identifying potential successful markets.

Logistic integration: An example

20. Logistics are a key factor for accessing global markets. Quality inspection companies are on the frontier between buyers and sellers, and can thus be part of the supply chain providing additional services such as logistics. A successful partnership between SGS, an input supplier to wheat farmers in Argentina and millers in Brazil, was showcased. SGS has integrated the following services along the supply chain:

(a) *Traceability*, which means segregating goods at inland silo intake, following them all along the supply chain through an Internet-enabled platform and checking them at silo out-take and port of loading;

(b) *Logistics*, namely investing in soft-silo capabilities, equipment for operating the soft silos and inland warehousing;

(c) *Credit enhancement*, through the issuing of warrants;

(d) *Market access*, by organizing marketing trips to Argentina for members of Abitrigo (the Brazilian wheat industry association) once a year and publishing lot particulars in the Abitrigo newsletter in Brazil.

21. Thanks to this structure, the supply chain was shortened because farmers had access to the market through input suppliers. Moreover, as a result of monitoring and segregation, it was possible to export the best-quality crop and Brazilian millers were able to order what they wanted directly from input suppliers and get it from Argentine wheat farmers.

Finance

22. It was recognized that access to credit is one of the main bottlenecks for farming activities, especially in developing countries, where traditional credits are almost non-existent. In a risky environment, structured finance provides tools for improving access to credit along the supply chain. FIRA (the Mexican trust fund for agribusiness and fisheries) is an example of innovative ways to integrate small producers into the supply chain and cope with market failures/imperfections and traditional problems in credit markets, such as asymmetric information, transaction costs, insufficient collateral and weak enforcement of property rights.

23. The challenges faced by FIRA were various, and involved finding solutions to the following:

1. Reducing the transaction costs for the banking sector to finance shrimp suppliers;
2. Mitigating risk through diversification and adequate collateral that would reduce moral hazard problems;
3. Hedging price volatility and commercial risks in a way that could be easily understood and managed by a financial institution;
4. Limiting credit exposure for the traditional lender (i.e. trading company);
5. Designing transactions in a way that could be easily understood, priced and managed by a financial institution with no analytical capabilities or expertise regarding fisheries.

24. FIRA acts as a second-tier bank that provides funding and credit guarantees to the banking system. It designed a facility that allowed trading companies to maintain the current relationship with suppliers while reducing the leverage of its balance sheet and its credit exposure. Commodity suppliers were to receive loans in a timely manner and in a sufficient amount that allowed them to reduce their financial expenses and the financial system to expand its investment opportunities by creating debt instruments that could be easily assessed and priced by banks, with reduced risk and transaction costs.

25. With this structured finance solution, FIRA is able to coordinate stakeholders and spread risks along the system. This has a positive impact on participants, which results in increased access to loans for producers. Structured-finance solutions can help overcome credit rationing. The key is to design efficient ways of leveraging participants' strengths, while creating the right incentives for them to mitigate risks and transaction costs.

26. **Session 3 showcased several examples of an integrated supply chain through off-taker- or buyer-driven approaches, outgrower schemes or non-profit facilitation schemes.**

Role of voluntary social and environmental certification

27. Several empirical studies have shown that stakeholder-based certification schemes have a positive economic impact on factor productivity and the welfare of workers. In China and India, such schemes have contributed to poverty reduction as a result of a combination of the improvement of production processes and high price premiums that certified products obtain on the market. The issue of certification costs, which are often prohibitive for smallholders, was discussed. Some participants felt that the costs of compliance in some cases exceeded the price premiums. Experts noted the usefulness of new models, such as group certification or participatory guarantee systems. Membership of globally established voluntary schemes has a positive impact on the credibility of local organizations. Access to extension services is facilitated for smallholders and small and medium-sized enterprises. They can participate in the local interpretation of international standards.

28. Experts highlighted the important role that developing countries' Governments can play in supporting farmers' participation in certification schemes. They can facilitate capacity-building initiatives, including promotion and extension services, and set up a legal framework offering participants in those schemes rewards for environmental benefits. For instance, given the increasing demand for organic products, organic certification schemes can be used as a tool for market entry. Experts stressed the potential of national support initiatives (Bolivia and Tunisia) and regional standard development initiatives (East Africa) to contribute to improving the participation of producers in emerging niche markets.

Off-taker approach

29. Experts considered vertically integrated corporations which globally source production and operate from the farm to the shelf. Partnership between a smallholder and a logistics partner with a steady market is crucial. Agro-food transnational corporations have the capacity to experiment with for-profit outgrower schemes with smallholders over a long period and replicate them to a number of countries according to global market demand. They have the capacity to provide quality inputs in bulk, technical support and quality assurance services to outgrowers, and support for accessing group certification and financial services. A number of shortcomings were noted, including the stability of business demand, which is not guaranteed, the uncertainty regarding suppliers and the absence of long-term mutual plans. Experts recognized that there is no communication between producers and consumers. However, smallholders can improve market stability by adding value (processing). They can compete on an equal footing with plantations if the relationship with the exporter ensures that they grow the right product. Thus, smallholders are genuine players in the market chain, and their products deserve to be marketed by supermarkets.

Traditional commodity outgrower scheme

30. The development impact of outgrower schemes featured prominently in the presentation made by the corporate responsibility manager of a leading company producing vegetables and flowers for supermarkets in the United Kingdom. Developing smallholder horticulture without a sustainable, stable marketplace or logistics partner served no purpose. In response to that concern, outgrower schemes could reduce farmers' exposure to risk (by ensuring a buyer), provide a logistical route to markets (UK supermarkets) and enable small farmers to meet standards (national standards, EU Directives, and international and private label codes). Particular attention was drawn to four sets of support services delivered through the company outgrower scheme: (i) supply of seeds; (ii) advice on rotational crops;

(iii) services to train legal producer marketing groups to access micro credit and group certification; and (iv) health and educational services.

31. It was acknowledged that a further dimension that could run in parallel with an outgrower scheme was the development of outgrower cooperatives or associations, sometimes on the initiative of the outgrower community itself. With reference to small-scale sugar production in the United Republic of Tanzania, it was noted that the development of outgrower cooperatives or associations had contributed significantly to building sustainable livelihoods and thereby alleviating poverty (reportedly, the share of outgrower association members with revenues below the government minimum wage had declined by 40 per cent since the establishment of the association). In that context, relevant achievements were the establishment of a legal entity (a savings and credit cooperative society) that should facilitate access to credit, the establishment of a transport association, and limited investment in machinery and equipment.

32. Despite the achievements of outgrowers' associations, Governments' cessation of control over national economies has created a vacuum which those associations cannot currently fill. Smallholders are still not covered by financial arrangements enshrined in law for lack of tangible collaterals and legal protection. Poor infrastructure increases production costs and causes huge losses. For smallholders to be sustainable, new policy approaches to reach markets are needed in order to improve infrastructure and finance, pricing, market protection and capacity-building.

Non-profit approach

33. Experts considered schemes whereby non-governmental organizations initiate a social enterprise to serve as a transitory interface between small producers and exporters. The enterprise bears the initial risk of bulking consumption backwards to production and providing technical support to farmers. To ensure sustainability, farmers' groups are organized to set up a commercial company in which farmers, the social enterprise and the buyers hold shares. The company offers extension and marketing services for a fee.

34. The view was expressed that the rush to horticultural export supply chains should not undermine food security. Experts suggested that development actors and Governments find the right balance in support services.

35. It was acknowledged that all the new supply chain models could effectively contribute to integrating small producers into global markets. There were, however, a number of challenges and constraints, which were discussed. The issue of how to scale up initiatives was considered to be important for the purpose of enabling the new models to have a real development impact (beyond the positive impact on those directly involved in the scheme). In this regard, it was noted that, at least with reference to organic and fair-trade products, demand had been growing rapidly and consistently. Accordingly, constraints on the scaling-up did not originate from the demand side, but lay with the supply side (i.e. getting enough certified products). Others felt that scaling should be a matter for government policy and for the business sector, not for the non-profit sector (the latter being concerned with the conceptualization of new innovative tools). Another view expressed was that it was important to produce farmers that could generate employment, and that too much emphasis had been placed on small farmers.

36. **Session 4 showcased integrated supply chains that are monitored by traders, financial institutions or commodity exchanges.**

37. The examples provided were all based on third parties providing services to the supply chain at the level of production and eventually export. The third parties were closely related to the commodity chain.

38. The first example was an association of producers and exporters in Nicaragua (APEN), which is supporting small producers in three areas: quality, logistics and adding value to products. The latter is done through certification of the products with private recognized companies or through studies to develop future export sectors. Another set of services is provided to exporters: assessment of producers' capacity, support for the improvement of the products, providing a business plan for the products, assistance in writing contracts and information on prices in other countries. Finally, a financial institution provides services to producers and exporters which improve the functioning of the supply chain.

39. The second example was a corporate entity (e-Choupal) that provides real-time information and customized knowledge to individual farmers in India. As a result, farmers are able to take decisions according to market needs. This information service also makes it possible to aggregate demand from farmers in inputs, thus allowing better price bargains and access to high-quality inputs. In addition, it contains a direct marketing channel where producers can directly offer their products, thus reducing transaction costs and the number of intermediaries. The whole system is based on the Internet. Owing to the low level of literacy in rural areas, a specially assigned person interacts with the website when farmers so request.

40. The third example was a rural banking group in India (ICICI Bank) that had decided to enter into partnerships with different stakeholders along the supply chain. The bank is providing not only financial but also advisory services, and has brought together the various actors in the chain — input suppliers, farmers, processors, logistic companies, and the like. It has developed links to provide farmers with customized information.

41. The financing is provided along the supply chain, and not at one particular point only. For instance, the group has financed production, cleaning, packaging, cold storage and export of fruit such as grapes. The goods can be used as collateral for the loans as they move along the chain. In this way, financing can be structured along the whole supply chain by shifting the risk from a credit risk perspective to a performance risk and by securing repayment of the loans with the payments from off-takers, traders or importing companies. In order to reduce transaction costs for the bank, farmers are able to withdraw money from an automated teller machine with a pre-loaded electronic card. The maximum amount available corresponds to the farmers' needs for inputs. Repayment of this loan is made on the sale of farmers' products, and excess funds are thus paid into the farmers' accounts.

42. The fourth example was an automated trading system provided by a company (COMDAQ, United Kingdom) for farmers and buyers. The system mimicks a commodity exchange where a buyer or a seller can put in a trade offer. Interested traders can thus propose a soft quote to the originator of the offer. The originator chooses the best proposal, enters into negotiations and finalizes contract terms. Tools have also been developed and offer a wide range of services, such as a quotes system, an online trading exchange, auctions and tenders, and trading chat. Third parties such as not-for-profit organizations may verify contracts and endow the system with transparency.

43. **Session 5 presented the potential role of Governments and the international community in supporting advantageous integration of small producers and processors into supply chains.**

44. Participants reiterated the importance of the agricultural sector for developing countries, with coffee being used as an example. In 50 coffee-producing countries, more than 25 million people depend on coffee revenues to sustain their livelihoods. Of that number, 20 million (or 80 per cent) are categorized as small-scale producers cultivating coffee crops on plots of land of less than 5 hectares. Under the liberalized trading system, with farmers now receiving less than 3 per cent — for example, 2.5 per cent in Uganda — of the final retail price of coffee, it is not surprising to find that poverty is prevalent among coffee producers (for example, national poverty in Uganda is 31.1 per cent in 2006).

45. Despite all their inadequacies, marketing boards influenced production, internal distribution, pricing of food and productive inputs, and export marketing of agricultural produce, but also ensured that farmers received stable prices and maintained quality control and standards. Those boards were public entities, which were abolished (in some countries) through structural adjustment plans and trade liberalization.

46. Important services, previously offered by marketing boards, no longer exist in the supply chain — namely, quality control and input management, access to market information and access to finance facilities. Old and poor physical infrastructure to produce, process and export, declining and badly oriented agricultural research, and increasingly stringent market entry conditions also restrict the capacity of producers to benefit from international trade.

47. Accordingly, the role of Governments and of the international community should be to address those issues.

Quality issue

48. Experts agreed that conditions for improving the quality of commodities would depend on the availability of inputs to producers: fertilizers, seeds, chemicals and competencies. Training and strengthening the role of cooperatives are considered to be a solution in this matter. The Government’s role could be regulatory in order to encourage producers to come together, so as to improve their efficiency and competitiveness and reduce intermediary costs.

Infrastructure issue

49. Uganda was used as an example of collaboration between the national Government, the European Union and the Common Fund for Commodities, which had allowed the building of warehouses. Even if limited for the moment, impacts seem to be significant. In coffee areas, for instance, prices paid to producers increased by 20 cents/kg under the combined influence of the possibility of choosing the selling period and improvement of the quality of the product stored.

Market information

50. Needs for market information vary according to the stage of development of the market information system (MIS) in developing countries. In Uganda, information provided seems to have significantly improved market transparency and reduced transaction costs. The price received by producers appears to have improved and as producers become more and

more conscious of the close relationship between quality supplied and price received, the quality of their products also seems to gradually improve. However, it was recognized that the MIS in Uganda needs to be rationalized since information provided is not always up to date and often not the most useful for producers.

51. It was also mentioned that accessing information is very important but not essential for producers, who need to be trained in how to get the best of the information provided. In that connection, UNCTAD's INFOSHARE programme was recognized as a useful tool.

Finance issue

52. This issue was considered to be crucial, because financing improves quality through access to inputs and storage, for instance. Governments implement policies that provide incentives for investments, either foreign direct investment or local investment such as micro-finance. Structured finance schemes may help at the medium-size level for infrastructure and at the micro level to help farmers individually or through farmers' associations.

Market entry

53. Most of the developing countries are signatories to preferential trade agreements. However, this does not automatically mean that they can offer their output on developed countries' markets. As already mentioned, the retailing sector is applying increasingly stringent quality requirements and/or private standards schemes. The international community may play an active role in helping countries to be trained to new standards and to comply with them.

54. South–South trade was presented as a real opportunity to develop new markets, and developed countries were encouraged to reduce tariffs for developing countries' products. Also, it was indicated that South–South interaction could extend beyond trade to transfer of technology, finance and sharing of know-how and experience.

55. **Session 6 detailed possibilities for public–private partnerships (PPPs) as a means of building capacity and institutions for the sustainable participation of small commodity producers in markets.**

56. Governments' actions could be enhanced if included in PPPs. Three levels of partnerships were identified — local, national and international — and examples of the three were presented.

Local level

57. The example presented involves a transnational company, farmers, civil society and the Governments of Ghana, the United Republic of Tanzania and Nigeria. The aim of this PPP is to develop a sustainable supply chain for an edible oil, allanblackia. The chain has been organized with the strengths and competences of each of the partners. Commercial companies ensure a lean supply chain and guarantee a profitable market, as well as investing resources and developing a long-term vision. Development organizations organize the grower communities, ensuring that they receive benefits from those activities. Environmental groups ensure the environmental sustainability of the project. Governments align the project with the overall national development framework, create the enabling environment and provide funding where it is needed. Donor organizations enable scaling of the work and compensate investments. The main challenges in such a PPP include training, the recurring start-up costs,

infrastructure deficiencies (including banking systems) and building a free market pricing system.

National level

58. After studying 20 agro-food chains for more than a year, the Government of Honduras decided to establish framework agreements to combat weaknesses identified. For instance, a partnership for the bovine chain was formed to bring together producers, industrial processors, packers, input suppliers, distributors, commercial enterprises, importers and the Government of Honduras. Its aim is to build a competitive productive sector, integrated into the global market, that has high levels of efficiency, uses modern methods of cattle farming that meet expectations regarding profitability and sustainability, and is based on the development of a chain with a positive agricultural vision. Core areas of focus include resource sustainability, infrastructure development, appropriate legislation, working to promote the productivity of actors in the chain, sanitation and meeting market requirements, marketing and commercial negotiations, education, training and technical assistance, and financing.

International level

59. The example presented was a multi-stakeholder platform created to support sustainability in the coffee sector. The partnership was developed in recognition of the global, complex nature of the coffee sector — for example, there are over 50 producing countries — and the many actors involved, each of which has an impact on the sustainability of the supply chain. It has four objectives, namely to promote the exchange of information among existing initiatives and projects; to promote cooperation among stakeholders for greater sustainability; to promote greater transparency about the costs, benefits and impacts of various sustainability approaches; and to develop a supportive infrastructure for sustainable production and trading practices. This initiative has reviewed studies and identified three elements: exchange of information on existing sustainability programmes, practices and markets; improvement of efficiency in the implementation of sustainable practices; and finance for sustainable practices. Several projects have emerged from this process: a forum for better exchange of information; an entity for standard-setting and certification in the sector; and an alliance to finance sustainable trade.

60. In all the examples the role of the various entities involved is different. Governments can support PPPs by providing a neutral platform to bring together private and public actors as well as civil society, and be very strict in identifying their role. Governments must act as regulator and facilitator — they must ensure the accountability and social purpose of the private sector; provide seed money for research and studies; create an enabling environment for efficient private sector operation (especially the legal framework); ensure access to information; and enhance access to finance at the micro and meso levels. The private sector has greater expertise for performing the implementation tasks. Civil society is better suited to advising on, and monitoring, sustainability issues and social benefits.

61. Experts referred to the two main challenges that PPPs must address: the removal of local support systems since liberalization and the increasing control of retail chains. PPPs have the potential to source information at the micro and macro levels, jointly identify needs and create strategies, create financing mechanisms that address farmers' needs, and develop internationally accepted and locally applicable standards and processes.

62. The benefits of PPPs were finally highlighted: better-informed policy on the part of Governments, a better overall business, the development and transfer of technical expertise, and greater collaboration and coordination among, and buy-in from, stakeholders.

Role of UNCTAD

63. The Expert Meeting recommended that the Commission on Trade in Goods and Services, and Commodities consider at its eleventh session the following proposals made by participants with regard to UNCTAD's future work on enabling small commodity producers and processors in developing countries to reach global markets:

- UNCTAD should remain one of the international organizations that remind the world about the poverty in rural areas and the increasing difficulties that small commodity producers have in reaching global markets, especially since the liberalization of most of the commodity sectors.

- Lack of adequate information has been identified as a key element preventing farmers from improving their income. UNCTAD has been encouraged to expand its programme on economic intelligence, particularly the INFOSHARE database, to other sectors and other countries.

- Development of new private standards makes access to developed markets more difficult and costly. UNCTAD should continue its work on analysing cost compliance and assessing certification issues so that additional barriers to trade can be avoided.

- Difficulties in accessing finance are another key issue that prevents farmers from benefiting from market opportunities. UNCTAD's work in that area was greatly appreciated and recognized as a key actor in structured finance analyses. UNCTAD was encouraged to develop its programme further in order to meet country-specific needs in capacity-building and technical cooperation in finance and risk management.

- Integrating farmers into the supply chain has been described as a means of enabling farmers to break the vicious cycle of poverty. There is, however, a need to structure that integration. The importance of an adequate regulatory framework and of public–private partnerships was clear from the many examples presented. UNCTAD is already committed to an existing international scheme on sustainable coffee and also to its work on commodity exchange, and should provide more national and regional policy advice on the roles that Governments should play.

- It was pointed out that potential markets were not located only in developed countries, and that South–South trade afforded opportunities. UNCTAD should therefore continue its analysis of South–South trade and provide more political advice regarding the reduction of tariffs among developing countries.

- Because of the close relationship between the Millennium Development Goals relating to poverty reduction and the development of rural productivity and trade, participants stressed the importance of establishing an international task force on commodities and reiterated their support for it.

64. Lastly, it was stressed that the international community also has roles to play in:

- Addressing trade policies in order to create a fair and level playing field (removal of tariff and non-tariff barriers; subsidies); and

- Enhancing development cooperation: aid for infrastructure, for development and for trade.

Chapter II

ORGANIZATIONAL MATTERS

A. Convening of the Expert Meeting

65. The Expert Meeting on Enabling Small Commodity Producers and Processors in Developing Countries to Reach Global Markets was held at the Palais des Nations, Geneva, from 11 to 13 December 2006.

B. Election of officers
(Agenda item 1)

66. At its opening meeting, the Expert Meeting elected the following officers to serve on its bureau:

Chairperson:	H.E. Mr. Matern Y.C. Lumbanga (United Republic of Tanzania)
Vice-Chairperson-cum-Rapporteur:	Mr. David King (United Kingdom)

C. Adoption of the agenda and organization of work
(Agenda item 2)

67. At the same meeting, the Expert Meeting adopted the provisional agenda circulated in document TD/B/COM.1/EM.32/1. The agenda for the Meeting was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Enabling small commodity producers and processors in developing countries to reach global markets
4. Adoption of the report of the Meeting

D. Documentation

68. For its consideration of the substantive agenda item, the Expert Meeting had before it a background note by the UNCTAD secretariat entitled “Enabling small commodity producers and processors in developing countries to reach global markets” (TD/B/COM.1/EM.32/2).

E. Adoption of the report of the Meeting
(Agenda item 4)

69. At its closing meeting, the Expert Meeting authorized the Rapporteur to prepare the final report of the Meeting under the authority of the Chairperson.

Annex

ATTENDANCE[1]

1. Experts from the following States members of UNCTAD attended the Meeting:

Antigua and Barbuda
Argentina
Bangladesh
Belgium
Bolivia
Brazil
Burundi
Cambodia
China
Colombia
Congo
Finland
France
Gabon
Germany
Ghana
Haiti
Holy See
Honduras
Indonesia
Iraq
Italy
Kenya
Malaysia
Mexico
Nicaragua
Nigeria
Peru
Philippines
Russian Federation
Saudi Arabia
Sri Lanka
Syrian Arab Republic
Thailand
Trinidad and Tobago
Uganda
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Yemen

2. The following intergovernmental organizations were represented at the Meeting:

African Union
Common Fund for Commodities

3. The following United Nations agency was represented at the Meeting:

Economic Commission for Africa

4. The following specialized agencies and related organization were represented at the Meeting:

International Monetary Fund
United Nations Food and Agriculture Organization
United Nations Industrial Development Organization
World Trade Organization

[1] For the list of participants, see TD/B/COM.1/EM.32/INF.1.

5. The following non-governmental organization attended the Meeting:

General Category

International Federation of Agricultural Producers

6. The following panellists attended the Meeting:

Mr. Frank N. Isoh, Minister-Counsellor, Permanent Mission of the Federal Republic of Nigeria
Ms. Eva Ludi, Overseas Development Institute
Mr. Steve Homer, Board of Directors, EurepGAP
Ms. Linda Fulponi, Senior Economist, OECD
Mr. Bogdan Rascanu, Global Business Development Manager Supply Chain Solutions, Société Générale de Surveillance (SGS), Switzerland
Mr. Brahmanand Hegde, Head of Products & Credit, Rural Banking Group, ICICI Bank, India
Mr. Pierre Etoa Abena, Director of Studies and Programming, National Cocoa and Coffee Board, Cameroon
Mr. Panos Konandreas, FAO, Geneva
Mr. Eberhard Hauser, Principal Adviser, SAARC & Trade Promotion Project, GTZ
Mr. Reuben Matango. Chairman, Mtibwa Outgrowers Association, United Republic of Tanzania
Mr. Steve Homer, Group Corporate Responsibility Manager, Flamingo Holdings
Mr. George Odo Okoth, Sector Manager, Commercialisation of Smallholder Agriculture, CARE Kenya
Mr. Jorge Brenes, General Manager, Association of Producers and Exporters of Nicaragua (APEN)
Mr. Sasha Courville, Executive Director, ISeal Alliance
Mr. Rohit Bhatla, e-Choupal Project, International Business Division, ITC Limited, India
Mr. Alberto Lara-Lopez, Chief Financial Officer, FIRA, Mexico
Mr. Lamon Rutten, Joint Managing Director, Multi Commodity Exchange of India
Mr. Colin Howard, Chairman, COMDAQ, United Kingdom
Mr. Frederick Mwesigye, Commissioner for Co-operative Development and Registrar for Co-operative Societies, Ministry of Tourism, Trade and Industry, Uganda
Mr. James Sumberg, International Programme Director, New Economics Foundation, United Kingdom
Mr. Philippe Regnier, Professor, Director of Modern Asia Research Centre, Graduate Institute of Development Studies, Switzerland
Mr. Samuel Asfaha, Programme Officer on Commodities and Economic Diversification of the Trade for Development Programme, South Centre
Mr. Juan Carlos Ordóñez, Technical Manager, Programa Nacional Agroalimentario (PRONAGRO), Honduras
Mr. Daniel Birchmeier, Manager, Allanblackia Project, State Secretariat for Economic Affairs, Switzerland
Mr. Harrie Hendrickx, Research Manager, Unilever

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