

INTERNATIONAL GRAINS COUNCIL

REPORT FOR FISCAL YEAR 2008/09



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FOREWORD

The International Grains Council (IGC) is an intergovernmental organization concerned with grains trade. It administers the Grains Trade Convention, 1995. The IGC Secretariat, based in London, also services the Food Aid Committee, established under the Food Aid Convention, 1999.

This report covers the activities of the International Grains Council and its Committees during the fiscal year ending June 2009. The Council approved the text of the report for publication at its 30th Session in December 2009. The account of the activities of the Food Aid Committee in 2008/09 on pages 16 to 19 was approved at that Committee's 101st Session in December 2009.

Further information about the activities of the International Grains Council and the Food Aid Committee, and the history and scope of the two Conventions, is available on the IGC and Food Aid Convention websites (www.igc.org.uk and www.foodaidconvention.org) or may be obtained from the Secretariat.

Contents

	page
HIGHLIGHTS OF IGC AND FAC ACTIVITIES IN 2008/09	6
INTERNATIONAL GRAINS COUNCIL	7
Meetings and conferences	7
Review of grain market developments and work programme	8
Market review and discussions	8
Prospects for 2009/10	10
Analytical work and special studies.....	10
Website developments.....	12
Work programme for 2009/10	12
Administrative and other matters	13
Membership	13
Grains Trade Convention, 1995	13
Efforts to expand GTC membership	13
Audited accounts.....	14
Budget for fiscal 2009/10	14
Payment of contributions	15
Elections for 2009/10	15
FOOD AID COMMITTEE	16
Membership and meetings	16
Developments in 2008/09	16
Food situation in developing countries.....	16
Fulfilment of obligations	17
Food aid policy developments and long-term food security concerns	17
Food Aid Convention	17
Future action	17
Extension of the Food Aid Convention.....	18
Administrative and other matters	18
FAC, 1999: Member actions.....	18
Chairman and Vice-Chairman for 2009/10.....	19
New website.....	19
APPENDICES	
1. IGC Council and Committee membership	20
2. IGC members' votes in 2008/09.....	21
3. IGC Secretariat's participation in meetings and visits	23
4. Summary of IGC information services in 2008/09.....	24
5. Audited accounts for 2008/09 - Summary.....	25
6. Food Aid Convention: Annual shipments:2003/04 – 2008/09	27

Notes

- All figures in tons refer to metric tons.
- "m." stands for "million".

HIGHLIGHTS OF IGC AND FAC ACTIVITIES IN 2008/09

International Grains Council

- Council notes second successive record world grain crop in 2008, lifting stocks and sustaining decline in export prices; global trade in 2008/09 climbs to 248m. tons, a new high.
- Record attendance at IGC Grains Conference in June 2009 on theme “The global economic crisis: what impact on grains and oilseeds?”
- Round Table examines recent developments in futures markets for grains and oilseeds.
- Council marks 60th anniversary of establishment of the International Wheat Council under the International Wheat Agreement, 1949.
- Intensification of economic work on rice in advance of its full incorporation in the Grains Trade Convention on 1 July 2009, including launch of new Rice Market Bulletin.
- Increased information provided on oilseeds.
- Further two-year extension of Grains Trade Convention to 30 June 2011
- Council approves 2009/10 budget, adjusting contribution formula to incorporate members’ trade in rice.
- Executive Director meets representatives of non-member countries in Near East and Far East Asia.

Food Aid Committee

- Committee notes that food prices in many developing countries remained high in 2008/09, exacerbating food insecurity for many millions and requiring more food assistance.
- Members inform Committee of their responses to the latest food emergencies, notably in the Horn of Africa, Sudan, the Democratic Republic of Congo and Zimbabwe.
- Members again exceed their combined minimum obligations under the Convention, supplying around 7.9m. tons (compared with 7.1m. in 2007/08).
- Committee discusses long-term food security concerns including recent initiatives such as the Global Partnership for Agriculture, Food Security and Nutrition (GPAFSN).
- At informal meetings, members continue intensive discussions on how to improve the effectiveness of the current Food Aid Convention and the possible aims of a new one.
- Committee extends the FAC until June 2010. Although it is not yet possible to start the renegotiation of the Convention, members consider that there is no need to await the completion of the WTO discussions before beginning intensive work on the possible elements of a new FAC.
- Members amend the Rules of Procedure to facilitate the supply of micronutrients.
- Secretariat launches new FAC website (www.foodaidconvention.org).

INTERNATIONAL GRAINS COUNCIL

Meetings and conferences

The **International Grains Council** (IGC), whose membership is listed in Appendix 1, held two sessions during the 2008/09 fiscal year, both in London. The 28th session took place on 10 December 2008 and the 29th on 8 June 2009. Mr Itumeleng Winston Makabanyane (South Africa), Council Chairman for 2008/09, presided over the meetings.

The Council considered market developments and short-term prospects on the basis of detailed Secretariat presentations. Members provided information on production and trade in their own countries and on the latest developments in their grains policies. The Council reviewed progress with the Secretariat's 2008/09 work programme, and considered and approved the programme for 2009/10. Among various administrative and financial matters, it adopted its budget for fiscal 2009/10, and oversaw arrangements for the IGC Conference in London in June 2009.

An informal **Round Table**, held in conjunction with the December 2008 Council session, examined recent developments in world grains futures markets. The panel of commodity exchange experts shared views on the increased volatility of futures prices and the impact of speculative flows. They also discussed proposals by the US authorities to increase the transparency of its futures markets, and considered whether rising costs were affecting the participation of commercial operators.

The **2009 IGC Grains Conference**, held on 9 June at London's Queen Elizabeth II Conference Centre, was attended by a record number of participants. Speakers representing industry and government from Argentina, Australia, Brazil, Egypt, the EU, Indonesia, Nigeria, Switzerland, the UK and the US addressed the Conference theme "The global economic crisis: what impact on grains and oilseeds?" Subjects covered included food security concerns, the flour milling industry, the oilseeds sector, rice, futures markets, ocean freight rates and national policy developments. Marking the 60th anniversary of the International Grains Council¹, Mr Morton Sosland, Chairman of Sosland Publishing Inc. and Editor-in-Chief of "World Grain", recalled the Council's first meeting in 1949 and commented on the considerable changes in the organisation's role.

The **Executive Committee**, whose membership is listed in Appendix 1, met on 21 October 2008 and 6 May 2009. The meetings were chaired by Mr Makabanyane. The Executive Director informed the Committee about his contacts with potential new member countries. The Committee agreed the agendas for the forthcoming Council sessions, reviewed the Secretariat's progress with various studies, and dealt with financial matters, especially relating to the budget for 2009/10 and the non-payment of contributions by certain Council members. It also considered staff questions and other matters delegated by the Council.

The **Budget Committee** (membership: Argentina, Australia, Canada, Cuba, Egypt, European Community, Japan, Russian Federation and the United States) met on 2 April 2009 under the chairmanship of the Council Chairman. The Committee reviewed the Executive Director's proposals for the 2009/10 budget, prior to their consideration by the Executive Committee and adoption by the Council.

The **Market Conditions Committee** (MCC) met on 30 September 2008 and 10 March 2009. Chaired by the Executive Director and open to all Council members, the Committee keeps grain market conditions and short-term prospects under review in the period between Council

¹As established under the International Wheat Agreement, 1949

sessions. At the September 2008 meeting the Managing Director of the European Starch Industry Association (AAF) made a presentation on the production and use of starch, and challenges facing the industry. In March 2009, a representative of Tilda Rice UK made a presentation on the structure of the global rice market.

Starting in 2007, Council members are asked, in turn, to explain recent developments in their countries' grain economies, including their authorities' policy measures, to the Committee. Representatives of Egypt and Canada made their presentations in 2008/09. The MCC was also informed of progress with relevant items of the Secretariat's work programme, including the five-year projections of grain supply and demand, the forecasts of trade in oilseeds and oilmeals, its analysis of the feed use of grains and other ingredients, and information on wheat flour production. The Committee was given updates of the Secretariat's estimates of sowings of GM crops and of the use of grain for ethanol and other industrial purposes.

A panel of **freight experts**, which members of the Council are free to attend, holds regular meetings to review developments in ocean freight rates for grain and related matters. The panel's discussions were reported to each MCC and Council meeting in 2008/09.

Observers from the Organisation for Economic Cooperation and Development (OECD) and the World Trade Organisation (WTO) made statements to the Council about their recent activities. Observers from five non-member countries and territories (Brazil, China, Chinese Taipei Separate Customs Territory, Indonesia and Saudi Arabia) attended Council sessions in 2008/09.

The Executive Director and members of the Secretariat attended a number of international meetings and grain-related events in 2008/09. The meetings, and the subjects of the Secretariat's presentations, are listed in Appendix 3.

Review of grain market developments and work programme

Market review and discussions

The following paragraphs briefly summarise global wheat and coarse grains developments during 2008/09, which formed the background to members' discussions on market conditions and prospects. The statistics have been updated to take account of the latest available data.

Record grain harvests in 2008 restored world stocks to comparatively safe levels and removed the fears of imminent grain supply shortages which had contributed to the extraordinary market turmoil of 2007/08. However, external factors continued to cause considerable volatility in grains prices, especially on futures exchanges. Among these were global financial upheavals, surges and dips in the prices of other commodities and of energy, and the varying value of the US dollar.

World grain **production**, already at a record level in 2007, soared by a further 95m. tons to 1,792m. in 2008. Total wheat production increased by 78m. tons to 687m., easily surpassing the 2004 record of 628m. tons. Stimulated by the previous season's strong prices, wheat areas increased by over 3% to 223m. ha., the highest since 1997, with significant rises in all the main exporters except Argentina, which suffered drought. Global wheat yields, which had been below trend in 2007, set a new high of 3.1 tons/ha., 9% up, with records in many major producers, including Russia, Ukraine, Canada, the US and China. However, wet harvesting conditions in some countries limited supplies of top-quality millable wheat. The world *maize* crop of 790m. tons was only 5m. less than the 2008 record. The area in

the US was 3.2m. ha. (9%) lower than in the previous year after plantings were seriously delayed by wet conditions, some farmers turning to soyabeans. However, generally good summer weather boosted yields and the crop was the second-largest on record at 307m. tons. Maize crops in Europe and China were particularly large, but harvests in Latin America were reduced by drought. World *barley* production, at 154m. tons, was the highest since 1994, with big crops in the EU, Russia, Ukraine and Canada. *Sorghum* production was less than in 2007, chiefly because of a smaller US harvest, but *oats* and *rye* output increased.

Growth in world grains **consumption** was faster than in recent seasons, the total reaching 1,727m. tons, 40m. above the previous year's record. Over half of the increase was due to gains in industrial use, which reached 239m. tons, almost 10% up from 2007/08. More than 125m. tons (principally maize in the US) were used to make ethanol, an increase of 25% over the previous season. Starch manufacture accounted for 84m. tons, while 35m. were used for brewing. Global food consumption, at 606m. tons, was only 0.7% higher than in 2007/08: most of this increase was due to greater maize consumption in developing countries. Animal feed use of grains was 754m. tons, 10m. more than the previous year. This relatively modest response to the fall in grain prices was due to the global economic downturn, which affected meat consumption in some countries, and competition from alternative feeds, including by-products of industrial grain processing.

The big harvests resulted in a further large rise of 65m. tons in world grain **stocks** to a seven-year high of 354m. tons at the end of 2008/09 (respective crop years). Less than half of the increase was attributable to the five main exporting countries, whose combined carryovers of 118m. tons were only just above the average of the previous five years and well below the 2005 peak of 152m. tons. Stocks in Russia and Ukraine became unusually large, and China's rose sharply.

Global grain **trade** totalled 248m. tons, 9m. more than the previous season's record. Wheat trade soared to exceptional levels and barley imports were unusually large, but maize sales were substantially lower than in 2007/08. World *wheat* trade reached 136m. tons, 26m. more than in 2007/08 and far above the previous high in 1992/93 of 111m. tons. The increase was mainly due to a very heavy demand from North Africa and Near East Asia after poor local harvests. Egypt imported almost 10m. tons, and Iran, which had bought very little wheat in the previous year, imported nearly 9m. EU purchases of low- and medium-quality wheat from Russia and Ukraine were large, and demand (including for feed wheat) from major importers in Latin America and Far East Asia was sustained at a high level. *Maize* trade totalled 83m. tons, 18m. less than the previous year's record. Most of the decline was in EU imports, which had been exceptionally big in 2007/08 when feed grains were locally in short supply. Maize purchases by some regular importers, including Mexico and South Korea, were below average, but Egypt and some countries in sub-Saharan Africa bought more maize than usual to supplement their food supplies. World barley trade increased by 4m. tons, to nearly 20m. Feed barley imports by drought-affected North Africa and Near East Asia were particularly large, but total malting barley trade was unchanged at 3.7m. tons. Although Mexico imported more *sorghum* than in 2007/08, world trade in the grain fell sharply from 9.2m. tons, to 6.3m., because of greatly reduced purchases by the EU.

There were major changes in the shares of the exporters² in world grain trade in 2008/09, with Black Sea exporters taking a prominent part. While the US remained by far the biggest grain exporter, its sales fell from 105m. tons (44% of world trade), to 77m. (31%). Exports by the EU doubled to 30m. tons after its improved crops and Australia, recovering from drought, sold considerably more than in the previous season. Following bumper harvests, Ukraine, which sold only 4m. tons of grain in 2007/08, exported a record 25m., while Russia's

² Export data refer to the marketing year for each type of grain in the exporting country concerned.

exports were up 10m. tons, at 23m., also a new high. Argentina, Brazil, China, India and Kazakhstan all exported significantly less than in the previous season.

Export prices of all grains fell rapidly during the first half of 2008/09, returning, in many cases, to levels last seen in the summer of 2007. Between December 2008 and May 2009 prices firmed to some extent as late planting and unfavourable spring weather put the outcome of major producers' harvests in doubt, but a renewed decline set in during June as the likely sizes of northern hemisphere crops became clearer. US Hard Red Winter wheat (fob Gulf ports), which was quoted at \$365/ton at the beginning of July 2008 (already \$142 below the all-time peak reached in the previous March), fell to \$216 at the beginning of December, recovered to \$284 at the end of May 2009 retreating to \$248 a month later. Prices of other types of wheat followed a broadly similar pattern although a feature of the season, compared with recent years, was the widening of wheat quality differentials. Comparatively tight supplies of high-protein spring wheats were reflected in an export price premium for US Dark Northern Spring wheat over Hard Red Winter which mostly ranged from \$50 to \$80/ton. On the other hand, abundant supplies of lower-quality wheat, especially from the Black Sea exporters, kept feed wheat prices low. Black Sea feed wheat was, on average, about \$100/ton cheaper than Hard Red Winter, and was consistently well below the export price quotations for US maize. *Ocean freight rates*, which impact the prices paid by grain importing countries, fell steeply from their exceptional 2007 levels, posting long-term lows by early 2009. They rallied to some extent later in the season, as China resumed substantial mineral and soyabeans imports.

Prospects for 2009/10

At its June 2009 session, the Council reviewed prospects for world markets in grains, oilseeds and rice in 2009/10, in the light of the latest crop information. Compared with the record levels of 2008, some reduction in **total grains** output was likely in 2009, assuming that yields reverted closer to their trend levels. The Council noted the significantly stronger tone in world grain markets in mid-2009, partly attributable to crop concerns but also linked to other factors, including rises in the prices of other commodities and crude oil, the recovery in equities markets and the weakening dollar. World **wheat** production was forecast to fall, with the biggest declines in key exporters such as the EU, Russia, Ukraine and the US: the total was, however, still expected to exceed consumption, allowing some further rise in carry-overs in 2009/10. Global trade in wheat was likely to be below the 2008/09 record, as crops improved in North Africa and Near East Asia and purchases of wheat for feed fell due to stronger competition from other grains. The next global **maize** (corn) crop was expected to be slightly smaller than in 2008/09, and a further rise in consumption, mostly driven by the ethanol sector, could lead to a decline in maize stocks, particularly in the US. Improved supplies of **rice** in Asia, especially in Bangladesh and the Philippines, were expected to reduce total rice trade to 29m. tons in 2009, the second successive fall. Export quotations for most grades of rice remained weak, reflecting ample supplies in the main exporters. Initial indications for 2009/10 were that total trade in **oilseeds** and oilseed meal would expand, with rises in soyabeans and meal partly offset by a fall in rapeseed/canola.

Analytical work and special studies

The surge in world grain prices in 2007/08 prompted a great deal of media interest in the role of the International Grains Council. At its May 2008 meeting the Executive Committee discussed the situation and considered what contribution the Council could make towards a better understanding of the many factors at work. Following on from this, the Council agreed in June 2008 that the Secretariat should undertake an analysis of the impact of

border measures in 2007 and 2008 on global markets and trade. This required the collation of information on border measures taken by exporting and importing countries which may have affected grains and oilseeds. Lists of such measures since 2007 were put before the Market Conditions Committee (MCC) at each of its meetings in 2008/09 and also at both Council sessions. In the light of this information Council members further discussed the proposed analysis at the June 2009 session. They decided that it should take the form of a general **review of global grain market developments in 2007 and 2008**, examining all the factors which may have influenced prices and trade. It should not, however, duplicate work being done on this topic by other international organisations such as the WTO and the OECD and not detract from its other work programme priorities.

The Secretariat's core responsibilities, as confirmed by the Council at its June 2008 session, are to maintain comprehensive statistics on all aspects of the grains economy, to regularly compile estimates and forecasts of grains supply, demand and trade, and provide members with the fullest possible market information on grains, rice and oilseeds. The decisions at the same session to add rice and its products to the definition of "grains" in the Grains Trade Convention and to bring oilseeds and oilseed products fully within the scope of the regular information activities substantially increased the Secretariat's workload in 2008/09, with continuing budgetary constraints preventing any expansion in staff numbers. Nevertheless, to the extent that time and resources allowed, work progressed on other aspects of the work programme. In some instances, the completion of studies was held up because of difficulties in obtaining necessary information, both from the private sector, and from government departments and official bodies. Member governments were requested to cooperate with the Secretariat in resolving these difficulties.

Collection of information on industrial **wheat flour production** continued with the aim of improving the quality of the data and assembling a global production estimate. Preliminary work on trends in **grain starch production** was set out in a paper presented by the Secretariat at the March 2009 meeting of the MCC. It included analyses of trends in the three main producers - China, the US and EU - and estimates of grain used for starch production in fourteen other countries. The paper noted that, globally, an estimated 88m. tons of grains were used for starch manufacture. The amount had been growing by around 6% annually but the rate would probably slow to 2% in 2009 because of the economic downturn.

In September 2008 the MCC considered an initial analysis of **oats** consumption and trade trends, including information on major producers and consumers. World oats production and use had been declining for many years, due to the mechanisation of agriculture and reduced needs for draft animals, but there was some recent growth in human food use. The work suggested that total exports of oats had previously been underestimated. After being broadly stable for several years, world oats trade had soared to a record 2.7m. tons in 2007/08 due to the scarcity of maize. Trade in oats products also appeared to be rising.

The Secretariat continued to compile statistics on trends in animal **feed use** of grains and other ingredients. Tables showing estimates of the global use of animal feed ingredients (about 1bn. tons in 2008/09) and a detailed breakdown of EU and US feed demand were included in the Market Report for August 2008 and discussed at the following month's MCC meeting. The estimates were updated in a document put before the MCC in March 2009, which included, for the first time, a detailed breakdown of estimated consumption of distillers dried grains (DDG). The Committee noted continuing strong growth in feed demand, especially for poultry, in parts of the CIS, Far East Asia and South America. High feed costs had contributed to some reduction in output of bovine meat and pig meat in 2008, with the global economic slowdown likely to further affect demand for meat during 2009.

Regular updates were provided to the MCC on the use of grains for **ethanol, biodiesel** and other industrial uses of grains and vegetable oils, the production of **genetically modified (GM)** crops, and on developments in **Highly Pathogenic Avian Influenza (HPAI)** and its effects on the demand for feed products.

The second annual set of **medium-term projections**, covering the period up to 2013/14, was presented at the December 2008 Council Session. They included a comprehensive analysis of prospects, including detailed supply and demand projections for each of the major grains. The Council noted that the analysis suggested a continuing very tight outlook for maize in particular. Maize production would be restricted by high fertiliser costs and strong competition from soyabeans, while projections of its industrial use had been raised to take account of the new US renewable fuels mandate. The reduced availability of maize in feed markets had implications for the prospects for other grains, with projected wheat feed use, for example, being significantly higher than in the previous analysis. As a result wheat stocks, fairly ample at present, were forecast to become relatively tight by the end of 2013/14.

Preparatory to the full incorporation of **rice** within the Grains Trade Convention on 1 July 2009, the Secretariat continued to build its data base on that cereal during 2008/09. Work progressed on a comprehensive *global supply and demand balance*, due to be completed later in 2009. A new rice web page was created on the members' area of the IGC website, enabling members to access detailed market information and statistics, including relevant news articles since 2000, world market prices and extensive trade data. In April 2009 the Secretariat launched the *Rice Market Bulletin*, a weekly update of global rice market developments.

The Secretariat also gave increasing attention to the economies of **oilseeds & products**. In November 2008 it issued its first set of projections for world *trade in vegetable oils*, with particular emphasis on soyabean oil and palm oil: these will be updated every six months. Work on world trade matrices and exporter shipment files for leading exporters of oilseeds was completed and made available on the members' area of the IGC website.

Website developments

During the year, the queryable database and 10-year datasets were expanded to include trade data for rice, soyabeans, soyabean meal and rapeseed/canola. New trade and supply & demand data for individual grains and countries were added to the queryable database in May 2009. Expanded on-line versions of the annual "World Grain Statistics" and "Shipments of Grain" tables were prepared: these documents will no longer be supplied in printed form.

Work programme for 2009/10

The Council adopted the work programme for 2009/10 at its June 2009 session. Recognising that the substantial expansion in the IGC's commodity coverage had greatly increased the Secretariat's regular economic and statistical workload, the Council agreed that the main focus for the year ahead should be on estimating and forecasting supply, demand and trade, together with the daily, weekly and monthly reporting on global grain and freight market developments. The five-year base line projections for grains would be rolled forward to 2014/15 for discussion at the December 2009 session. Coverage of market price developments and trade in rice and oilseeds would be further intensified. In addition, there would be preparations for the meetings of the Market Conditions Committee and Council, work connected with the annual Conference and round table and presentations at various

international meetings. It was expected that the Secretariat's activities on behalf of the Food Aid Committee would increase further, in view of Committee's review of the current Food Aid Convention and to prepare for its possible renegotiation.

More work would be done on the following topics:

- *Starch*, including collecting additional data and preparing five-year projections.
- Improved information on *wheat flour* production, compiling world totals and analysing trends.
- Estimating global use of *animal feed* ingredients, with particular emphasis on the role of DDG, corn gluten feed and gluten meal. Monitoring of the impact of outbreaks of HPAI on the feed sector.
- Completion of estimates of global *rice* supply and demand and improvement of industry contacts.
- Preliminary work on *oilseed* supply and demand, with data for soyabeans and rapeseed/canola.
- New weekly Oilseeds Market Bulletin.
- Review of *factors influencing global grain market developments in 2007 and 2008* (as time and resources permit).
- *Ocean freight rates*: To review and revise the vessel sizes and loading and discharging terms used in the compilation of the weekly freight rate tables.

The Council agreed that the entire range of IGC information services available on subscription and relevant charges should be reviewed. The web-based information system for members will be further developed to expand the data coverage and simplify the retrieval process. A special page will be created for oilseeds (similar to rice) with parallel, commodity-based, pages devoted to individual grains.

Administrative and other matters

Membership

The Council's members are listed in Appendix 1. There were no changes during 2008/09. By the end of the fiscal year 24 members had deposited their instruments of ratification or accession to the Grains Trade Convention. In June 2009 the Council granted the other two governments (Panama and Ukraine) further extensions of time to 30 June 2010 in which to complete their procedures. Until they do so they are regarded as provisional members for the purposes of the GTC.

Grains Trade Convention, 1995

The Grains Trade Convention, 1995 (GTC), as extended in 2007, was due to expire on 30 June 2009. At its December 2008 session the Council agreed in principle to extend the GTC for a two further years, to 30 June 2011. The Council confirmed this extension at its June 2009 meeting. As had been decided previously (in June 2008), rice and its products would be added to the definition of "grain or grains" under Article 2(1)(e) of the GTC with effect from 1 July 2009.

Efforts to expand GTC membership

In September 2008 the Executive Director visited six non-member countries in Asia - Indonesia, Thailand, Vietnam, Malaysia, the Philippines and China – to explain the latest

Council developments including, in particular, its decision to add rice to the definition of grains under the Grains Trade Convention. The officials he met included the Minister of Trade of Indonesia, the Ministers of Agriculture of Thailand and Malaysia and the Vice-Minister of Agriculture of Vietnam. In April 2009 the Executive Director visited Riyadh and met the Minister of Agriculture of the Kingdom of Saudi Arabia and senior officials from GSFMO – a government agency playing a major role in the country's grain trade.

Audited accounts

The audited accounts of the Council for fiscal 2007/08 were considered by the Executive Committee at its meeting in October 2008 and approved for publication at the following December's Council session. The accounts were annexed to the Report for the Fiscal Year 2007/08, published in March 2009.

Under the Rules of Procedure, the Council's auditors are appointed for a maximum of three years, with a possible single renewal of that appointment for one or two years. The Executive Committee agreed in October 2008 that Barnes Rolfe LLP should be appointed the Council's auditors for the fiscal year 2008/09.

Budget for fiscal 2009/10

At its June 2009 Session the Council reviewed the **financial situation in 2008/09**³. Council **expenditure** was expected to total £1.51m., which was 6.7% more than in the previous fiscal year, although 2% less than the budget approved by the Council in June 2008. All spending categories other than those relating to the staff were expected to be within the budgeted totals. Staff expenditure was 3.3% above budget following a review in March 2009 by the International Civil Service Commission (ICSC) of the "post adjustments" for professional and higher (PH) staff working in the United Kingdom. The IGC, like other London-based international organisations, adopts the UN salary system for its staff. The cost of the staff's end-of-service benefit scheme (the Staff Provident Fund) had also increased more than expected, because of currency changes. The contributions to the Fund on behalf of PH staff, being expressed in US dollars, had in previous years declined in pound sterling terms. Council **income in 2008/09** was likely to be significantly lower than in 2007/08, because of the sharp fall in bank interest rates resulting from the global financial and economic crisis. Interest on the Council's bank deposits (including the accommodation reserve) was forecast to go down to only £70,000 compared with £129,000 in 2007/08. However, income from the sale of IGC information services had held up well despite the difficult economic climate and, based on registrations, the 2009 IGC Grains Conference was expected again to yield a useful surplus.

The Council went on to consider its budget for fiscal **2009/10**. The Executive Director pointed out that the recent increase in UN staff pay scales and the continued low income from interest on bank deposits made for a difficult financial situation. To help limit personnel costs, there would be a freeze on PH staff promotions in 2009/10. As regards Staff Provident Fund contributions, a new formula, agreed by the Executive Committee and adopted with effect from 1 July 2009, would ameliorate the impact of exchange rate changes on the Council's budget. Total staff expenses were budgeted at £1.23m., 4.6% up on the estimate for 2008/09. Accommodation expenses would decrease slightly from the 2008/09 budget. There were also reductions in the provisions for office expenditure, Council and Committee costs, and in fees for professional services. The Council approved total expenditure of £1.59m. 3.2% more than in the 2008/09 budget.

³Based on estimates as at end-May 2009. These were subsequently updated and the comments in this paragraph reflect the final accounts for the year, as audited.

On the basis of the proposed level of expenditure, and taking into account forecast income from interest on bank deposits and the sale of information services, members' total **contributions** prior to any adjustment would have amounted to £1.46m., or £730 per vote, compared with £671 per vote in 2008/09. To mitigate such a sharp increase in contributions, the Council agreed that £60,000 should be transferred from its reserves, bringing them slightly below the level (£1.4m.) agreed by the Council in June 2007. As a result of this "credit" of £30 per vote, the agreed level of members' net contributions in 2009/10 would be £700 per vote, 11.8% more than in 2008/09.

Payment of contributions

Members' annual financial contributions to the Council, which are in proportion to the number of votes they hold, are payable immediately upon assessment, which is done at the start of each July – June fiscal year. A long-standing concern of the Executive Committee, which supervises budgetary matters, and of the Council itself, has been the delay by some members in making their contributions. Such non-payments are directly reflected in the level of the reserves, and therefore affect the amounts which have to be contributed by all members, including the majority who do pay on time. Several members formerly in arrears with their contributions made payments during 2008/09, and by the time of the 29th Session in June 2009 only two – Côte d'Ivoire and Ukraine – had outstanding amounts for 2007/08 and previous years. The Executive Director informed the Council of his contacts with officials from those countries. The representative of Ukraine apologised to the Council on behalf of his authorities for the situation regarding Ukraine's arrears and promised that they would be settled in the near future⁴.

At its 29th Session in June 2009 members considered what measures might be taken to deal with the substantial accumulated arrears, including a proposal to suspend information services to the countries concerned.

Elections for 2009/10

The following elections and appointments for fiscal 2009/10 were made at the 29th Council Session in June 2009.

Chairman of the Council and the Executive Committee

Mr Matthew Koval, Minister Counsellor (Agriculture), Embassy of Australia and Australian Mission to the EU, Brussels

Vice-Chairman of the Council and the Executive Committee

Mr Kilian Greter (Advisor, Federal Office of Agriculture, Bern, Switzerland)

Executive Committee members

Argentina, Australia, Canada, Cuba, Egypt (Arab Rep.), European Community, India, Japan, Kenya, Morocco, Russian Federation, South Africa, Switzerland, United States of America

⁴All Ukraine's outstanding contributions were subsequently paid in August 2009.

FOOD AID COMMITTEE

Membership and meetings

Chairman

Mr Hiroshi Oka (Minister (Economic Affairs) Embassy of Japan, London)⁵

Membership

Argentina	Japan
Australia	Norway
Canada	Switzerland
European Community and its twenty-seven member States	United States of America

The Food Aid Committee administers the Food Aid Convention, 1999 (FAC), the latest in a continuous and evolving series of legal instruments which, since 1968, has provided for intergovernmental cooperation in food aid matters. The Convention's basic objective is to contribute to world food security and improve the ability of the international community to respond to emergency food situations and other food needs of developing countries, in particular by making appropriate levels of food aid available on a predictable basis. Members each pledge to provide specified minimum annual amounts of grains and other eligible products to developing countries needing food aid. The current FAC emphasises the importance of monitoring and evaluating the effectiveness of food aid operations in alleviating poverty and hunger among the most vulnerable groups.

As constituent parts of the International Grains Agreement, 1995, the Food Aid Convention, 1999 and the Grains Trade Convention, 1995 (administered by the International Grains Council - IGC) are institutionally linked. The IGC Secretariat provides administrative services for the Food Aid Committee.

The Food Aid Committee held two **sessions** in 2008/09, both in London. The 99th Session was on 9 December 2008 and the 100th Session on 5 June 2009. The meetings were attended by donor members and observers from international organisations, while the governments of South Africa and the Russian Federation were represented as observers. **Informal meetings** on questions concerned with improving the effectiveness of the current FAC and the eventual negotiation of a new one (see the section on "Food Aid Convention - future action" later in this Report) were arranged in conjunction with each session and, in addition, video conferences, linking members' capitals, took place in November 2008 and March 2009. Results of these informal discussions and conferences were reported at each session of the Committee.

Developments in 2008/09

Food situation in developing countries

The Committee reviewed the food situation in developing countries, also in the light of reports by the IGC Secretariat on grain and oilseed market developments. Record global grain harvests in 2008 were expected to restore world stocks to comparatively ample levels

⁵ Mr Masato Takaoka, the then Minister (Economic Affairs) at the Japanese Embassy, who had been appointed Food Aid Committee Chairman for 2008/09 in June 2008, was subsequently appointed to another post by his government. The appointment of Mr Oka as Chairman was confirmed by Committee members with effect from 7 October 2008.

and removed the fears of imminent grain supply shortfalls which had contributed to the extraordinary market turmoil of 2007/08. However, the underlying supply/demand balance remained tight and the influence of external factors could keep markets potentially volatile. Although export prices had fallen sharply from the second quarter of 2008, they remained, particularly for rice, above the levels of the mid-2000s. The Committee noted that in many developing countries local food prices were still unusually high in 2008/09, pushing many millions of people into food insecurity, and requiring more food assistance.

Members informed the Committee of their responses to current food emergencies, including increases in humanitarian food aid budgets and accelerated provision of food assistance. The observer from the World Food Programme reported a record level of donor support in 2008, with a doubling of food aid funding compared with the year before, but stated that further resources needed to be mobilized urgently to deal with various complex food emergencies, notably in the Horn of Africa, Sudan, the Democratic Republic of Congo and Zimbabwe.

At the 99th Session the United States delegate referred to USAID's continuous monitoring of urban food markets in twenty-five highly food-insecure countries, most of them in Sub-Saharan Africa. Up-to-date information on staple food prices in those markets, and other relevant developments, was posted on the Famine Early Warning Systems Network (www.fews.net). At the 100th Session, the World Food Programme observer made a presentation on new indicators being developed by WFP to measure the nutritional value of food aid.

Fulfilment of obligations

At each session members reviewed progress with the fulfilment of their obligations under the Convention. Preliminary estimates provided at the June 2009 meeting suggested that they had supplied at least 6.6m. tons⁶ of food aid under the FAC in 2008/09 (Appendix 6) compared with 7.1m. tons in 2007/08. Although food aid operations remained below the levels seen earlier in the decade, members continued to meet or exceed their combined minimum obligations under the Convention.

Food aid policy developments and long-term food security concerns

Representatives of a number of members informed the Committee of important recent developments in their governments' policies which could affect the provision of food assistance. The dramatic cereals market events of 2007-08 had brought the precarious state of world food security into sharper focus. Long-term food security concerns were discussed by the Committee at its June 2009 session, which recognised that agricultural development was crucial to tackling this issue. Members were updated on the Global Partnership for Agriculture, Food Security and Nutrition (GPAFSN)⁷, whose parties commit to coordinating their allocation of resources for agricultural development in order to maximize their effective and efficient use. It was recommended that the Food Aid Committee should carefully monitor the progress of the GPAFSN.

Food Aid Convention

Future action

At their June 2008 session, members had agreed to set up a preparatory structure within the Committee for the possible renegotiation of the Food Aid Convention, 1999. It was recognised

⁶ Subsequently revised to 7.9m. tons.

⁷ Established by the leaders of the G8 group of industrialised countries at their summit meeting in June 2008.

that until the outcome of the World Trade Organisation's Doha Development Round (DDR) was known there could be no start to formal negotiations, but members considered that discussions could usefully take place on changes to the operation of the current FAC and its Rules of Procedure that would improve the Convention's effectiveness, as well as on the aims of a possible new Convention.

Provision had already been made for informal meetings to be held in conjunction with the Committee's December 2008 session, but there was a consensus that exploratory discussions should start sooner than that. A video conference, linking members' capitals, accordingly took place on 12 November 2008. The points discussed were reflected in the agendas of the two informal meetings on 5 December (when members considered the objectives and related key provisions of a new Food Aid Convention) and on 8 December (when the main theme was improving the effectiveness of the current FAC).

Reporting to the Committee's 99th Session, the Chairman said that members had held frank and constructive exchanges of views on the FAC and its role in the context of recent developments. They had agreed that, pending a decision to renegotiate the FAC, the Committee should continue to exchange views on the objectives of a new Convention and that they intensify efforts to improve the effectiveness of the current Convention, especially as regards information-sharing and donor coordination. Several Rules of Procedure might potentially be improved, especially those on new eligible products, micro-nutrients and simplified reporting procedures. The Committee agreed that the next series of informal discussions should, *inter alia*, identify which matters could be addressed through changes in the Rules of Procedure and which required a change to the Convention itself. They should also consider the possibilities of expanding the list of eligible products under the FAC and review the Rules covering donations of fortified products and micronutrients.

A second informal video conference was held on 6 March 2009 and further informal meetings took place on 3rd and 4th June in conjunction with the Committee's 100th Session. At that session the Chairman reported that there had been good progress in the discussions. The Committee agreed that, although it was not yet possible to start the renegotiation of the Convention, which awaited the completion of the Doha process, members could begin intensive work on examining possible elements of a new FAC. Other questions were identified by the Committee for further examination, with the aim of also engaging other stakeholders. A questionnaire had been prepared to ascertain members' views on a range of issues. It was also agreed to amend Rule 6 of the Rules of Procedure to further facilitate the supply of micronutrients (including iodised salt) in emergency or other situations where food aid was being provided and there were known micronutrient deficiencies or documented malnutrition.

Extension of the Food Aid Convention

The Committee agreed, at its June 2009 session, that the Food Aid Convention, 1999, which had been due to expire on 30 June 2009, should be extended for a further year, to 30 June 2010.

Administrative and other matters

FAC, 1999: member actions

By 30 June 2009 twenty-five of the thirty-five members of the Food Aid Committee had completed their formal procedures of ratification or accession to the FAC, 1999: the situation

was unchanged from a year earlier. At its June 2009 session the Committee granted the other ten members extensions of time to 30 June 2010 in which to deposit their instruments.

Chairman and Vice-Chairman for 2009/10

At its June 2009 session the Committee appointed Ms Sharon Murphy (Deputy Head of the Economic and Planning Division, Department of Agriculture, Fisheries and Food, Ireland) Chair of the Committee for 2009/10. It appointed Ms Leslie Norton (Director General, International Humanitarian Assistance Directorate, CIDA, Canada) Vice-Chair for 2009/10.

New website

Coinciding with the Committee's 100th Session in June 2009, the Secretariat launched a new FAC website (www.foodaidconvention.org) developed to improve understanding of the work of the Food Aid Committee and the role of the Food Aid Convention. Included on the site were the text of the Food Aid Convention, 1999, detailed reports on donors' shipments over the last ten years, and much other information.

APPENDIX 1

IGC Council and Committee membership in fiscal 2008/09* (1 July 2008 – 30 June 2009)

Chairman

Mr. I. W. Makabanyane (South Africa)

Vice-Chairman

Mr. M. Koval (Australia)

Council membership

Exporting members:

Argentina	European Community	Turkey
Australia	India	Ukraine
Canada	Kazakhstan	United States of America

Importing members:

Algeria	Kenya	Russian Federation
Côte d'Ivoire	Korea (Rep. of)	South Africa
Cuba	Morocco	Switzerland
Egypt (Arab Rep. of)	Norway	Tunisia
Iran (Islamic Rep. of)	Pakistan	Vatican City
Japan	Panama	

Executive Committee

Argentina	European Community	Russian Federation
Australia	India	South Africa
Canada	Japan	Switzerland
Cuba	Kenya	United States of America
Egypt (Arab Rep. of)	Morocco	

Market Conditions Committee

Chairman

Mr E. Kitahara (Executive Director)

Members

In accordance with Article 16 of the Grains Trade Convention, 1995, the Market Conditions Committee is a Committee of the whole, and all members of the Council may attend its meetings.

* Including provisional members which had not yet deposited their instruments of ratification or accession to the GTC, 1995

APPENDIX 2

Members' votes in 2008/09
(As at 30 June 2009)

UNDER ARTICLE 11* (Votes for entry into force and budget)		UNDER ARTICLE 12* (For use if votes are held)	
		Exporting members	
			Vote
	Vote	Argentina	79
Algeria	28	Australia	95
Argentina	115	Canada	167
Australia	139	European Community	272
Canada	244	India	18
Côte d'Ivoire	5	Kazakhstan	16
Cuba	5	Turkey	11
Egypt (Arab Rep.of)	69	Ukraine	18
European Community	399	United States of America	324
India	26	TOTAL	1,000
Iran (Islamic Rep.of)	20		
Japan	199	Importing members	
Kazakhstan	24		Vote
Kenya	6	Algeria	55
Korea, (Rep.of)	51	Côte d'Ivoire	10
Morocco	17	Cuba	10
Norway	10	Egypt (Arab Rep.of)	136
Pakistan	16	Iran (Islamic Rep.of)	39
Panama	5	Japan	333
Russian Federation	64	Kenya	12
South Africa	15	Korea (Rep.of)	101
Switzerland	12	Morocco	34
Tunisia	9	Norway	20
Turkey	16	Pakistan	32
Ukraine	26	Panama	10
United States of America	475	Russian Federation	126
Vatican City	5	South Africa	30
TOTAL	2,000	Switzerland	24
		Tunisia	18
		Vatican City	10
		TOTAL	1,000

* See notes on next page for explanations

APPENDIX 2 - continued

Members' votes in 2008/09 – Explanatory notes

Votes under Article 11 of the Grains Trade Convention, 1995 (GTC) are used to determine members' annual financial contributions to the Council. The basic schedule of votes is set out in the Annex to the GTC. Part A of that Annex lists countries which were members of the preceding Wheat Trade Convention (WTC) on 30 June 1995, when it was replaced by the GTC. Their votes, as shown in Part A, are based on a formula which took account of their respective shares of international grains trade over a long historic period, as well as the votes they held under the WTC. Part B of the Annex lists other countries and territories considered potential members: the votes to be allocated to them in the event of joining the Council are based on the amount of their grains trade in comparison with the total trade of all members. This also applies to any countries or territories not listed in the Annex which the Council approves as members.

The total of members' votes under Article 11 must equal 2,000. The minimum number of votes for individual members is 5, and the maximum is 475. All votes are expressed in whole numbers. Although the custom of the Council is to take its decisions by consensus, voting procedures are provided in the GTC. If a vote is taken, the votes exercised by members will be as determined under Article 12.

Members of the GTC are divided into exporting and importing groups, according to trading patterns and their own wishes. Under Article 12, the votes of each group total 1,000. For individual members, the maximum vote is 333 and the minimum is 1. Votes under Article 12 are derived from those currently in force under Article 11.

The GTC, and its Rules of Procedure, detail how votes under Articles 11 and 12 are to be adjusted whenever the Council's membership changes. They also provide for periodic reviews and adjustments of votes, with the aim of bringing them progressively more closely into line with current grain trading patterns. Such reviews and adjustments take place each time the life of the GTC is extended by the Council. The GTC had an initial life of three years, to 30 June 1998. It was extended for one year in 1998, and for two years each in 1999, 2001, 2003 2005 and 2007. Members' votes as at 30 June 2009, listed on the previous page of this Report, reflect the adjustments made when the Convention was extended as from 1 July 2007.

APPENDIX 3

IGC Secretariat's participation in meetings and visits

<i>Date</i>	<i>Organization</i>	<i>Venue</i>	<i>Subject</i>
2008			
July	British-Argentine Chamber of Commerce	London	Agricultural policies in Argentina: perspectives on grain and meat
August	Romulus (US management consultants)	IGC	Discuss the FAC
September	Minister of Trade, Ministry of Agriculture, Coordinating Ministry for Economic Affairs and BULOG	Jakarta	Explain latest developments at IGC
	Minister of Agriculture and Thai Rice Exporters Association	Bangkok	Explain latest developments at IGC
	Ministry of Agriculture and Rural Development	Hanoi	Explain latest developments at IGC
	Minister of Agriculture	Kuala Lumpur	Explain latest developments at IGC
	Department of Agriculture and National Food Authority	Manila	Explain latest developments at IGC
	State Administration of Grain, National Grain & Oils information Centre & COFCO	Beijing	Explain latest developments at IGC
	Ambassador of Paraguay	Tokyo	Explain the role of IGC
October	MCA International Consultancy	IGC	Explain the role of IGC (Ghana Membership)
	British-Argentine Chamber of Commerce	London	Annual General meeting
	Munich Commodity Exchange *	Munich	48th European Commodities Exchange
	HGCA	London	Market Outlook Conference
	European Commission	Brussels	IGC presentation
November	UN Special Rapporteur on the right to food	Conference call	Discuss the FAC
	US Wheat Associates	London	Crop Quality Seminar
2009			
March	Agro Informa	London	Outlook 2009 Conference
April	OECD	Paris	1st Session on Group on Commodity Markets
	FAO	Rome	67th Session of the Committee on Commodity Problems and meeting with the Director-General
	Minister of Agriculture, Saudi Arabia	Riyadh	Explain the role of IGC
	Dubai Multi Commodities Centre, UAE	Dubai	Explain the role of IGC
May	Malawi High Commissioner	London	Explain the role of IGC
	Syrian Embassy	London	Explain the role of IGC
	High Commission of Tanzania	London	Explain the role of IGC
June	World Grain Forum, Russia	St.Petersburg	Presentation on 09/10 grain prospects**

* Prepared and circulated promotional material on IGC Conference

** Transmitted by email as background document, as dates of event conflicted with FAC and IGC sessions

APPENDIX 4

Summary of IGC information services in 2008/09

Publications:

- **Market information and forecasts**
 - 250 Daily Monitors (*restricted to members*)
 - 52 (weekly) Grain Market Indicators (GMI)
 - 11 (monthly) Grain Market Reports (GMR)
 - NEW: (weekly) Rice Market Bulletin (*restricted to members*)
 - 51 (weekly) Ocean freight rate reports
- **Statistical (annual)**
 - World Grain Statistics 2008 (NEW: on-line only version)
 - Grains Shipments 2007/08 (NEW: on-line only version)
 - Food Aid Operations 2007/08 (data now available free on IGC & FAC homepages)
- **Other**
 - Report for Fiscal 2007/08 (available free on IGC homepage)

Member web updates: (*other than publications listed above and IGC & FAC documents*)

- **Statistics:**
 - Trade (monthly/annual), including rice and major oilseeds
 - Production
 - Supply & demand
 - Prices, including rice and major oilseeds
- **Market updates (daily):**
 - Rice: daily market news
 - Oilseeds: daily market news
 - Prices: daily forward price quotations
- **Market updates (weekly):**
 - Diary of market news
 - Reported sales
 - Exporter sales & shipment progress
 - Export & import prices (GMR table)
 - Exchange rates
 - Ocean freight rates
 - Biofuels news
- **Other updates:**
 - National trade and policy developments
 - GM crop areas
- **MCC meetings:** Secretariat & guest speaker presentations
- **IGC Secretariat presentations at international meetings**
- **IGC Grains Conference 2009 presentations**

APPENDIX 5

Audited accounts for 2008/09 – Summary

A summary of the statement of receipts and payments and the balance sheet for the year 2008/09 is set out in the following pages. The IGC accounts were audited by the independent auditors BARNES ROFFE LLP.

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2008/09	2007/08
	£	£
RECEIPTS		
Transfer from reserve	90,000	120,000
Contributions, current year	1,201,605	1,190,335
Contributions, past years	18,930	21,649
Contributions in advance	18,367	1,596
Interest on deposit	71,755	128,969
Information services	100,863	88,118
Other Income	400	
TOTAL RECEIPTS	1,501,920	1,550,667
PAYMENTS		
Staff	1,170,671	1,087,970
Accommodation	259,542	250,502
Office	84,157	88,754
Council and Committee	50,129	48,342
Conference	(64,850)	(70,007)
Professional Services	18,130	15,385
TOTAL EXPENSES	1,517,779	1,420,946
Non-operating items	(2,525)	(9,807)
TOTAL PAYMENTS	1,515,254	1,411,139
EXCESS OF RECEIPTS OVER PAYMENTS	(13,334)	139,528
BALANCE BROUGHT FORWARD 1 JULY 2008	1,489,683	1,470,155
LESS: TRANSFER FROM RESERVE	(90,000)	(120,000)
BALANCE CARRIED FORWARD 30 JUNE 2009	1,386,349	1,489,683

APPENDIX 5 - continued

Balance Sheet
As at 30 June 2009

	2008/09 £	2007/08 £
Bank balances -		
Current accounts	1,385,742	1,489,420
Cash	607	263
	1,386,349	1,489,683
Bank balances		
Deposit accounts - Accommodation reserve	605,500	692,000
	1,991,849	2,181,683
Reserves		
Operating reserve	700,000	700,000
Capital and contingency reserve	700,000	700,000
Surplus/deficit	(13,651)	89,683
	1,386,349	1,489,683
Accommodation reserve	605,500	692,000
	1,991,849	2,181,683

APPENDIX 6

Food Aid Convention

Annual operations: 2003/04-2008/09*
(July/June years)

metric tons: wheat equivalent

DONOR	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
ARGENTINA	-	-	-	-	-	-
AUSTRALIA	177,984	168,083	180,667	114,530	216,726	163,857
CANADA a)	351,168	437,341	448,534	474,438	520,903	551,475
EC c)	2,218,065	2,151,958	2,853,063	2,488,053	2,178,310	2,263,593
JAPAN a)	580,953	578,261	354,289	318,964	428,301	556,078
NORWAY a)	165,510	145,586	196,034	179,408	102,955	89,382
SWITZERLAND	69,689	71,854	61,608	71,051	69,872	59,368
USA	5,801,724	5,363,186	4,830,710	3,869,162	3,630,343	4,256,834
TOTAL b)	9,365,093	8,916,269	8,924,904	7,515,606	7,147,410	7,940,587

* These figures refer to the wheat equivalent of actual operations completed during the years shown, including EC value commitments (as estimated by the IGC Secretariat). They are not adjusted for product limits under Article IV of the Food Aid Convention 1999 and do not necessarily represent the performance of members in relation to their annual commitments, which are as follows (in tons):

Argentina: 35,000

Australia: 150,000

Canada: 420,000

EC: 1,320,000 tons (tonnage commitment) and €130,000,000 (value commitment)

Japan: 300,000

Norway: 30,000

Switzerland: 40,000

USA: 2,500,000

- a) Wheat equivalent of cash contributions as calculated on the basis of the "prevailing international market price". These figures therefore do not correspond to quantities actually shipped.
- b) Includes contributions under IEF - Immediate Response Account (IRA), as reported by WFP.
- c) EC and its member States. Includes FAC "value" contributions.

