Grains Trade & Food Security Cooperation

International Grains Council Food Aid Committee
The International Grains Agreement, 1995 comprises two conventions, one on grains trade and the other on food aid, with the Food Aid Convention being tied to the existence of the Grains Trade Convention. Both conventions are administered by the International Grains Council (IGC), set up under the Grains Trade Convention.

The current Grains Trade Convention (GTC, 1995) and Food Aid Convention (FAC, 1999) are the latest in a long series of multilateral cooperation instruments, in operation since 1949 for grains trade and since 1967 for food aid matters.

The Grains Trade Convention (GTC) applies to trade in wheat, maize (corn), barley, sorghum and other grains, and their products. It seeks to further international cooperation in grains trade; to promote expansion, openness and fairness in the grains sector; to contribute to grain market stability and to enhance world food security. These objectives are sought by improving market transparency through information-sharing, analysis and consultation on grain market and policy developments. The Convention also establishes the IGC as an intergovernmental forum for cooperation in grains trade matters.

Under the Food Aid Convention (FAC), donors pledge to provide annually specified minimum amounts or values of food aid to developing countries in the form of grains and other eligible products. The objective of the Convention is to contribute to world food security and to improve the ability of the international community to respond to emergency food situations and other food needs of developing countries. FAC members make quality food aid available to developing countries with the greatest needs on a predictable basis, irrespective of fluctuations in world food prices and supplies.
As a framework of cooperation between food aid donors, the FAC aims to achieve greater efficiency in food aid operations. It also puts emphasis on the monitoring and evaluation of the impact and effectiveness of food aid operations, in support of food security in developing countries.

INTERNATIONAL GRAINS COUNCIL (IGC)

The IGC includes all parties to the Grains Trade Convention. It holds two regular sessions each year, usually in June and December. Its functions are to oversee the implementation of the GTC; to discuss current and prospective world grain market developments; and to monitor changes in national grain policies and their market implications. In recent years, members have encouraged the Secretariat to widen its information system to also include rice and oilseeds. The Council may develop and sponsor grains-related projects in member countries for financing by the UN Common Fund for Commodities.

The Council normally reaches its decisions by consensus, although voting procedures are provided. Each member is designated as an importer or an exporter on the basis of its average trade in grains. Its Chair and Vice-Chair are elected annually, the posts alternating between exporting and importing members. The operations of the Council are financed by annual contributions from its members, which are proportionate to their votes and thus relate to their shares of world grains trade. The budget in fiscal 2007/08 was set at £1.5 million.

The IGC’s Executive Committee consists of a maximum of 14 members - 6 exporters and 8 importers. It meets twice a year between the regular Council sessions in order to take necessary decisions, particularly on administrative and financial matters.

The Market Conditions Committee (MCC) keeps the global grain market situation and outlook under close review. It is open to all members of the Council and normally meets twice a year, between the regular Council Sessions. On the basis of independent information and analysis prepared by
the Secretariat, in particular the monthly Grain Market Reports, members of the MCC discuss and consult on market and policy developments, consider the short-term grains outlook, and review progress with the Secretariat’s work programme. The MCC also examines developments in ocean freight rates on the basis of regular consultations with freight experts.

The IGC Grains Conference, held annually in conjunction with the June Council session, is a high-level public forum where senior private sector representatives and government policy-makers discuss topical issues affecting the global grains industry. Grains and trade experts can obtain and exchange first-hand information and assessments, and establish contacts with major players in the world food and feedgrains markets.

**FOOD AID COMMITTEE**

The Food Aid Committee consists of all parties to the Food Aid Convention. Donor members oversee the implementation of the Convention and exchange information on food aid needs and operations. The Committee holds two regular meetings a year, usually at the same time as the IGC.

The Food Aid Committee’s sessions may also be attended by invited observers from international organisations concerned with food aid. These include the UN Food and Agriculture Organisation (FAO), the World Food Programme (WFP), the World Trade Organisation (WTO), the Organisation for Economic Cooperation and Development (OECD) and the UN Conference on Trade and Development (UNCTAD).

The Food Aid Committee monitors the performance of members’ undertakings under the Convention, on the basis of records maintained by the IGC Secretariat. It shares information on policy developments affecting food aid and discusses the world food situation and prospects in developing countries. It also considers ways in which donors’ aid efforts may best achieve their objectives, with emphasis on the evaluation of needs and on the effectiveness and impact of food aid operations.
MEMBERSHIP (as of June 2009)

International Grains Council

Exporters: Argentina, Australia, Canada, European Union, India, Kazakhstan, Turkey, Ukraine, United States.

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

Food Aid Committee

Argentina, Australia, Canada, European Union and its member States, Japan, Norway, Switzerland, United States.

SECRETARIAT

The IGC Secretariat provides administrative services for both the International Grains Council and the Food Aid Committee. It provides an independent source of authoritative information and analyses of world grain market developments and monitors shipments under the Food Aid Convention.

The Secretariat, with a staff of 17, is headed by an Executive Director, appointed by the Council.
HISTORICAL BACKGROUND

THE FIRST WHEAT AGREEMENTS

Institutionalised multilateral grains cooperation goes back at least to 1934, when a comprehensive International Wheat Agreement was negotiated between a number of exporting and importing countries in response to persistent problems of oversupply and low prices, and spreading agricultural protectionism. Its ambitious “economic provisions” could not be made to operate effectively, but the Wheat Advisory Committee (which became the International Wheat Council in 1942) remained in being as a focus for discussions and negotiations and a clearing house for information.

After several attempts, a new International Wheat Agreement was brought into effect in 1949. Price stability and assurance of supplies to importing countries were its major objectives, reflecting the post-war background of shortages and high prices in world wheat markets. This Agreement took the form of a multilateral contract between wheat exporting and importing countries, involving mandatory price ranges and supply and purchase commitments. However, unlike the 1934 agreement, it placed no limits on members’ exports or production. The seat of the International Wheat Council (IWC) was established in London.

Similar Wheat Agreements were successively implemented in 1953, 1956, 1959 and 1962. When surpluses reappeared in the mid-1950s, major exporting countries insulated their mounting stocks from the market to keep prices within the limits specified under the Agreement. They also sought to expand sales on special terms to countries not yet able to finance large commercial imports. But in the mid-1960s, when repeated monsoon failures in the Indian sub-continent led to a sudden increase in trade and an unexpected drop in exporting countries’ stocks, the threat of shortage awakened international concerns about world food security.
1967 - THE FIRST FOOD AID CONVENTION

The International Grains Agreement, 1967, negotiated in the context of the GATT Kennedy Round, reflected the tightening grain markets and the wish of existing food aid donors to share their efforts with other countries. It consisted of two legally separate but linked instruments: a Wheat Trade Convention (WTC) with substantive economic provisions and the first Food Aid Convention (FAC).

Shortly after the entry into force of the Agreement, surpluses reappeared on wheat markets and export prices fell below the specified minima. The mechanisms provided in the WTC to deal with such a situation could not be made to work effectively. The major exporting countries then agreed between themselves on steps, including planting reductions, to bring supplies into better balance with demand. The economic provisions under the WTC were suspended in 1969, and the successor Wheat Trade Convention of 1971 included none.

The FAC, 1967 involved a pledge by its members to provide annual food aid totalling 4.5 m. tons of grain to developing countries. Commitments were expressed in tonnages, guaranteeing minimum food aid levels even if scarcity forced up world grain prices. Donors were free to decide how to distribute their aid, but the FAC encouraged them to channel some multilaterally. From the outset, FAC food aid has been an important resource for the World Food Programme in support of its various projects. The FAC was renewed with little change in 1971.

THE 1970s

Massive, unexpected purchases by the Soviet Union in the mid-1970s caused world grain stocks to fall to exceptionally low levels and prices to soar. Many developing countries became concerned about the security of their future supplies, and a UN World Food Conference was convened in 1974, in response to what became known as the “world food crisis”.

The Conference resolved that at least 10 m. tons of grains should be provided annually as food aid, and urged governments to discuss establishing grain reserves, located at strategic points. Wheat stocks were the focus of an unsuccessful conference in 1978-79 which attempted to negotiate a new Wheat Trade Convention (WTC). Differences over the appropriate price levels to trigger stock actions, and other technical points, could not be overcome. The WTC, 1971 was extended unchanged to 1986.

**THE 1980s AND EARLY 1990s**

During the 1980s and 1990s, the international trading environment moved away from regulatory-type commodity agreements, with increasing privatisation, deregulation and decentralisation of grain production and trade activities. The IWC’s information, analysis and consultation functions were strengthened and more attention was given to maize (corn) and other coarse grains, which, in 1986, were formally incorporated under a new WTC. Inauguration of annual IGC Grains Conferences in 1992 provided enhanced opportunities for contacts between governments and world grain industry leaders.

Under the FAC, 1980, minimum obligations of donor members were raised to a total of 7.6 m. tons, as part of a joint effort of the international community to meet the World Food Conference target. Rice was brought within the coverage of the Convention. Members began to make greater use of the Food Aid Committee as a forum to discuss their food aid policies and to review experience with food aid deliveries.

The FAC was renewed in 1986. Global aid shipments exceeded 10 m. tons in most years under these two Conventions. The basic objective of previous Conventions was maintained in the Food Aid Convention of 1995, although it incorporated a few changes, notably adding pulses to the list of products which could be supplied.
THE PRESENT CONVENTIONS

In the changing trading environment ushered in by the WTO Agreement, a new International Grains Agreement came into force on 1 July 1995, with two linked Conventions concerning grains trade and food aid matters.

GRAINS TRADE CONVENTION, 1995

Under the Grains Trade Convention, 1995 (GTC), the International Wheat Council (IWC) became the International Grains Council (IGC), giving recognition to the full coverage of coarse grains and their products in its activities.

The IGC’s Market Conditions Committee was given a firmer institutional basis to monitor all matters affecting the world grain economy and analyse supply and demand developments and policies. In 2004, its meetings became full-day dialogue forums, including expert presentations on specific topics such as the impact on grain of meat trade and the increasing use of biofuels. In recent years, the IGC Secretariat has expanded its information services to include rice and oilseeds.

FOOD AID CONVENTION, 1999

The Food Aid Convention, 1995 was opened for renegotiation in December 1997. This followed the Recommendations in respect of Least-Developed and Net Food-Importing Developing Countries adopted by WTO Ministers at their Singapore Conference in December 1996 and the Declaration on World Food Security and the Plan of Action adopted by the Rome World Food Summit in the same year. There had also been significant changes in the food aid policies of several donor countries. The renegotiation was completed in April 1999 and the new Convention brought into force with effect from 1 July 1999.
The main features:

Objective: “To contribute to world food security and to improve the ability of the international community to respond to emergency food situations and other food needs of developing countries”. FAC members make quality food aid available to developing countries with the greatest needs on a predictable basis, irrespective of fluctuations in world food prices and supplies. Particular importance is attached to ensuring that food aid is directed to the alleviation of poverty and hunger of the most vulnerable groups.

Impact and effectiveness: As a framework of international cooperation between food aid donors, the new FAC aims to achieve greater efficiency in all aspects of food aid operations. FAC members put greater emphasis on the monitoring and evaluation of the impact and effectiveness of their food aid operations. They are also committed to support the efforts of recipient countries to develop and implement their own food security strategies.

Needs: Food aid, only to be provided when it is the most effective and appropriate means of assistance, should be based on the evaluation of needs by the recipient and the members. In responding to those needs, members shall pay attention to meeting the particular nutritional needs of women and children.

Recipients: When allocating their food aid, FAC members give priority to Least-Developed Countries and Low-Income Countries — most of which are on the WTO list of Net Food-Importing Developing Countries (NFIDCs). Other eligible food aid recipients include Lower Middle-Income Countries and all others on the WTO list of NFIDCs, when they are experiencing food emergencies or when food aid operations are targeted at vulnerable groups.

Eligible products: Cereals continue to represent the bulk of aid but the list of products that may be supplied has been broadened to include edible oil, skimmed milk powder, sugar, seeds and products that are a component of the traditional diet of vulnerable groups in developing countries or of supplementary feeding programmes (e.g. micro-nutrients).
Specific commitments: The specific food aid commitments of FAC members are now expressed either in tonnage, in value, or in combination of both. Members’ total minimum annual commitments as at July 2007 are 4,795,000 tons (wheat equivalent) plus €130 m. The cost of transporting and delivering food aid is, to the extent possible, borne by the donors, particularly in the case of emergency food aid or when food aid is directed to Least-Developed Countries.

Agricultural development in recipient countries: In order to promote local agricultural development, strengthen regional and local markets and enhance the longer-term food security of recipient countries, donors are urged to use their cash contributions for “triangular transactions” (i.e. purchasing food from developing countries for supply to a recipient country) or for “local purchases” (i.e. purchasing food in one part of a developing country for supply to a deficit area in the same country).

In June 2004, FAC members undertook a renegotiation of the 1999 Convention “to strengthen its capacity to meet identified needs when food aid is the appropriate response”. However, the Committee decided this would need to await the outcome of the trade-related food aid issues being addressed in the WTO Doha agriculture negotiations. In the meantime, members agreed to extend the existing Convention, most recently with effect from 1 July 2007.

FURTHERING TRADE AND FOOD SECURITY COOPERATION

Grains trade cooperation has always been underpinned by a fundamental supply/demand reality: some parts of the world are able to produce quality grains efficiently in amounts exceeding their needs, while others rely on, and need to access, supplies from abroad.

Producers’ ability to respond in a timely and positive manner to market signals, and importers’ purchasing plans, are improved by the availability of the kind of independent and accurate information and analyses provided by the IGC.

Open and fair international grain markets make a vital contribution to the ability of countries to meet their growing requirements.
The well-being of people the world over, their food security and the stability of world markets will continue to depend on international cooperation and the effective operation of intergovernmental institutions like the IGC and the Food Aid Committee.

**INFORMATION SERVICES**

Several IGC information and analytical services, provided without charge to member governments, are available on subscription to other users. IGC’s information services include:

*Grain Market Report* (*monthly*): comprehensive information and analysis of global market and policy developments: trade, prices, production, consumption, stocks and ocean freight rates. It includes the latest detailed estimates and forecasts, and special notes on major topical issues. Subscribers have electronic access.

*GMRPlus* (*weekly*): additional electronic service for Grain Market Report subscribers, consisting of Grain Market Indicators (see below) and weekly GMR statistics updates.

*Grain Market Indicators* (*weekly*): the latest market information for the major grains, rice and oilseeds (available to IGC members and GMRPlus subscribers).

*Ocean Freight Rates* (*weekly*)

*IGC Monitor* (*daily*): a one-page summary of world grain market developments (available to IGC members).

*Rice and Oilseeds News* (*daily*): a summary of recent market news items (available to IGC members)

*World Grain Statistics* (*annual*): a compendium of time series for wheat and coarse grains.
Grains Shipments (annual): details of commercial and non-commercial trade.

Food Aid Shipments (annual): based on reports submitted by members of the Food Aid Committee.

Fiscal Year Reports: IGC and FAC activities (1 July to 30 June).

Special Studies

An extensive web-based member information system