



# ANNUAL REPORT 2007/08

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### Notes

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

## HIGHLIGHTS OF FAC ACTIVITIES IN 2007/08

### Food Aid Committee

- Committee notes impact on developing countries of price surges in cereals and freight markets. Donors announce new budgetary measures to ensure adequate deliveries of food aid and to meet FAC obligations.
- Members detail their responses to current food emergencies, especially in Africa.
- Food aid supplied under the FAC in 2007/08 estimated at 7.1m. tons, down from 7.5m. in 2006/07, but still well above donors' minimum commitments.
- Committee is informed of steps being taken by international organisations to strengthen the capacity to respond to emergency needs, and improvements in early warning systems.
- Committee agrees to initiate exchange of views on objectives and structure of a convention on food aid, but possible formal negotiations have to take into account the outcome of the WTO Doha Round.
- Committee extends FAC until 30 June 2009.

## FOOD AID COMMITTEE

### Membership and meetings

#### Chairman in 2007/08

Ms Hedwig Wögerbauer  
(Head of Division for FAO, OECD, Food Aid and Food Security,  
Federal Ministry of Agriculture, Forestry, Environment and Water  
Management, Vienna)

#### 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 series of legal instruments providing, since 1968, for intergovernmental cooperation in food aid matters. The Convention's objectives are to contribute to world food security and improve the international community's ability to respond to emergency food situations and other food needs of developing countries. Members (listed above) pledge to provide specified minimum annual amounts of grains and other eligible products to developing countries needing food aid. The current FAC particularly emphasises the importance of monitoring and evaluating the effectiveness of food aid operations in alleviating poverty and hunger among the most vulnerable groups.

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

The Food Aid Committee held two sessions in 2007/08. At the invitation of the Government of Japan, the 97th Session took place in Tokyo on 6 December 2007. The 98th Session was held in London on 6 June 2008. The meetings were attended by donor members and observers from international organisations, while the governments of India, Russia and South Africa were represented as observers. As decided by the Committee in June 2007<sup>1</sup> each session was preceded by informal discussions between members on key questions affecting food security (including, this year, climate change and the use of grains for fuels), and on matters which would have to be taken into account in the eventual renegotiation of the Food Aid Convention.

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<sup>1</sup> See Report for the Fiscal Year 2006/07, page 18.

## Developments in 2007/08

### Food situation in developing countries

At each session the Committee reviewed the food situation in developing countries in the light of up-to-date reports by the IGC Secretariat on grain market developments, and statements by the observer from the UN Food and Agriculture Organisation (FAO). As detailed elsewhere in this Report<sup>1</sup> global cereals markets experienced extreme instability in 2007/08, with unprecedented surges in the prices of wheat, maize and rice. Developing importing countries' food bills were driven even higher by escalating ocean transport costs. This had occurred at a time when food insecurity was still rife and the international community was still far from reaching the Millennium Development Goal target of halving the proportion of people who suffer from hunger by 2015. Timely provision of appropriate food aid continued therefore to be vitally important.

During the Committee's discussion it was suggested that, while prices were likely soon to retreat from their extreme levels, the era of cheap food was probably over. While in the middle- and longer-term more land could be made available for cereals production in a number of countries, and new technologies would contribute to growing grain yields, cereals consumption was expected to grow strongly especially among the middle classes of Russia, Eastern Europe and Asia, keeping up the pressure on supplies. A reformed Food Aid Convention would have a vital role to play in pursuit of sustainable development.

Members gave information on their responses to current food emergencies, notably those in the Horn of Africa, Sudan, Zimbabwe and the Sahel, but also to continuing problems in other areas which were in danger of being overlooked by the international community. Donors detailed measures being taken to address the challenge of higher food prices and ensure adequate deliveries of food aid to developing countries in need. Several members outlined their strategies, including increasing staple food production to deal with the underlying causes of food crises. The observer from the World Food Programme (WFP) made statements at each session on global food aid deliveries and donor support for WFP activities, particularly the response to its appeal in March 2008 to address WFP's critical funding gap resulting from the impact of high food and distribution costs.

### Fulfilment of obligations

At each session, members reviewed progress with the fulfilment of their obligations under the Convention. Around 7.1m. tons<sup>2</sup> (Appendix 6) of food aid were supplied under the FAC in 2007/08, compared with 7.5m. tons<sup>3</sup> in 2006/07. While food aid shipments continued to be on a downward trend, the amounts made available collectively and, for most donors, individually, had still exceeded the minimum commitments set out in the Convention.

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<sup>1</sup> "Market Conditions in 2007/08"

<sup>2</sup> Wheat equivalent, as estimated in December 2008 following receipt of all data

<sup>3</sup> Wheat equivalent

## Food aid policy developments

The US representative informed the Committee of the progress through Congress of the new US Farm Bill (the “Food, Conservation and Energy Act of 2008”<sup>4</sup>), which included policies and laws relating to US food aid programmes. Among other new provisions, the legislation introduced a pilot local procurement programme, allowing aid funds to be used to purchase food in local and regional markets. This would increase the flexibility of the US response to emergency and development needs. In June 2008 the Canadian representative informed the Committee that all food aid provided by Canada was now untied. It was hoped that this would reduce aid transport costs and allow more flexibility in the provision of aid.

## Needs assessment

Accurate assessment of food aid needs is central to the effective deployment of food aid, and is specifically referred to in Article VIII of the Food Aid Convention. Members have also stressed the importance of being able to decide when food aid is, and when it is not, the appropriate answer to food security problems. However, timely assessments of need pose practical questions of co-ordination and information-sharing between governments and agencies which are not readily resolved, especially when duplication of effort is to be avoided. When the FAC is renegotiated, consideration should be given to strengthening the provisions relating to needs assessment. Meanwhile, there was scope for the IGC Secretariat to facilitate the exchange of information between donors on food aid needs. At the Committee’s session in December 2007 the observers from FAO and WFP both explained the steps being taken in their organisations to strengthen their emergency needs capacity, and the United States representative circulated a paper prepared by the Famine Early Warning Systems network (FEWS NET)<sup>5</sup> on the prospects for famine-prone countries in Sub-Saharan Africa.

## Food Aid Convention

### Future action

As long ago as 2003 the Committee agreed that a more effective Food Aid Convention was required to provide appropriate food aid to those with identified needs. It agreed to initiate an exchange of views on the objectives and structure of a convention on food aid but possible formal negotiations would have to take into account the outcome of the WTO Doha Round. In June 2008 the WTO Secretariat, in a written report to the Committee, stated that, while the negotiations were not yet completed, there had been further progress towards reaching an agreement on agriculture, including the drafting of possible provisions relating to food aid. The main thrusts of the disciplines in this area were prevention of commercial displacement and minimising adverse effects on local or regional production, while avoiding unintended impediments to dealing with emergency situations. All international food aid should be subject to disciplines to ensure that they were needs-driven, provided in fully grant form, untied, not re-exported unless some clearly defined circumstances warranted it, and should not adversely affect local or regional production. The proposed new disciplines also encouraged members to procure food aid from local or regional markets. All food aid transactions would be subject to notification procedures.

In June 2008 the Committee considered suggestions that discussions should be arranged between members to find common ground on the possible framework of a new Food Aid Convention, with a view to making it an even more effective instrument to combat hunger. While it was again emphasised that it would be premature to go into the substance of

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<sup>4</sup> The Act passed into law on 18 June 2008.

<sup>5</sup> A USAID-funded activity that collaborates with international, regional and national partners to provide timely and rigorous early warning and vulnerability information on emerging and evolving food security issues.

questions that would be the subject of WTO negotiation, it was agreed that there should be an exchange of views on the sort of changes to the objectives and structure of a new Convention that members considered desirable. Members would also review the Rules of Procedure under the current FAC to see what could be done to make it more effective. The Secretariat was requested to make arrangements for such an exchange of views, possibly in the form of a video conference, before the Committee's next Session in December 2008, when members would take stock of the situation.

### **Extension of the Food Aid Convention**

The Committee agreed that the Food Aid Convention, 1999, which had been due to expire on 30 June 2008, should be extended for a further year, to 30 June 2009. This would ensure that members' aid obligations would remain in place at a time of increased need and considerable concern about food supplies.

## **Administrative and other matters**

### **FAC, 1999: member actions**

By 30 June 2008 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. At its session on 6 June 2008 the Committee granted the other ten countries extensions of time to 30 June 2009 in which to deposit their instruments.

### **Chairman for 2008/09**

At its June 2008 session the Committee appointed Mr Masato Takaoka<sup>6</sup> (Minister (Economic Affairs), Embassy of Japan, London) Chairman of the Food Aid Committee for 2008/09.

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<sup>6</sup> As Mr. Takaoka was subsequently appointed by his government to another post in Tokyo, it nominated Mr. Hiroshi Oka, his successor at the Japanese Embassy in London, to be Chairman of the Food Aid Committee for 2008/09. This was agreed by members and the appointment confirmed with effect from 7 October 2008.

**APPENDIX 1**

**Food Aid Convention**

**Annual shipments: 2002/03-2007/08**  
**(July/June years)**

metric tons: wheat equivalent

DONOR	Annual commitment	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08 c)
ARGENTINA	35,000	-	-	-	-	-	-
AUSTRALIA	150,000	203,820	177,984	168,083	180,667	114,530	197,684
CANADA	420,000	499,382	351,168	437,341	448,534	474,438	493,441
EC b)	tonnage: 1,320,000 + value: €130,000,000	1,980,781	2,218,065	2,151,958	2,853,063	2,488,053	2,167,507
JAPAN	300,000	666,910	580,953	578,261	354,289	318,964	426,185
NORWAY	30,000	144,927	165,510	145,586	196,034	179,408	76,824
SWITZERLAND	400,000	67,892	69,689	71,854	61,608	71,051	65,011
USA	2,500,000	6,054,197	5,801,724	5,363,186	4,830,710	3,869,162	3,630,344
<b>TOTAL a)</b>		9,617,909	9,365,093	8,916,269	8,924,904	7,515,606	7,056,996

\* These figures refer to the wheat equivalent of actual shipments completed during the years shown, including EC value commitments (as estimated by the IGC Secretariat).

They are not adjusted for any 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.

- a) Includes contributions under IEFIR Immediate Response Account (IRA), as reported by WFP.  
b) Shipments includes FAC "value" contributions.  
c) Estimated.