



International
Food & Agricultural Trade
Policy Council



Annual Report
2006



Letter from the Chief Executive

What makes IPC so unique are its very distinguished members from all continents who are committed to solving key challenges facing agricultural production and trade. A colleague recently said to me that attending a one-day IPC seminar is comparable to a full semester of graduate school courses! Even more importantly, thanks to this tremendous membership, IPC's papers and recommendations represent a global voice calling for consensus and practical solutions to agricultural trade and development challenges.

What are the key challenges? In a nutshell, the demands on agriculture are vast. Increased demand for food and feed due to population and income growth is coupled with an increasing use of agricultural feedstocks for energy production, while land availability and water is limited. Cognizant of these challenges, IPC members promote a more open and equitable global food system and pursue pragmatic trade and development policies by convening influential policymakers, agribusiness executives, farm leaders and academics from developed and developing countries to clarify complex issues, build consensus and advocate policies to decision-makers. Strategic work plan deliberations among IPC members early in 2006 led to a focus on three main areas, all of which saw plenty of activity during the year:



I. **Agricultural Trade Negotiations:** IPC examines and recommends multilateral, regional and bilateral policy options, with a focus on developing countries. In 2006, IPC continued to place a tremendous amount of energy into the Doha Development negotiations, convinced that agricultural trade liberalization can best occur through multilateral negotiations. Following the suspension of the Doha Development Agenda talks in July 2006, IPC continuously urged – in seminars, papers, and our outreach to policymakers – a return to the negotiating table, arguing that it would be irresponsible to pass up a narrow window of opportunity to reach a successful deal and particularly damaging to developing countries that stand to gain the most from a concluded round. IPC repeatedly reminded stakeholders that a lack of agreement on the Doha Round would delay duty-free and quota free access for least developed countries; that developing countries' interests would not be well served in bilateral and regional trade agreements; and that an increase in trade litigation would create administrative burdens for developing countries.

II. **Agricultural and Rural Development Policies:** IPC explores the linkages between domestic agricultural and rural development policies with trade liberalization. As a demonstration of the impact national policies can have, IPC zeroed in on US cotton programs and their implications for Africa. At the same time, we stressed the need for sound domestic and regional policies in Africa so as to make its cotton sector more competitive. In 2006, we also carried forward important work on sustainability by examining the sugar sector. As this work demonstrated, the growing demand for biofuels actually has a larger impact on agricultural production and the environment than trade liberalization. This is why 2006 also saw IPC delving into the topic of biofuels.

III. **Food Technology and Standards:** IPC encourages technological development, promotes scientifically and technically valid standards, and examines ways in which consumer preferences can be accommodated without distortions to trade. In 2006, IPC released two publications and sets of recommendations pertaining to the Biosafety Protocol. These studies illustrated the likely costs of implementing the range of documentation options being considered for bulk commodity shipments containing so-called "living modified organisms" for a major exporter of commodities – Brazil – as well as a major importer – China. Through thorough and detailed research, IPC put real figures on likely costs of the options being considered, and continued to be an important resource during international negotiations on this issue.

Charlotte Hebebrand

Substantive Programming Overview

I. Agricultural Trade Negotiations

Throughout 2006, IPC closely followed and analyzed developments in the current agricultural negotiations, releasing timely and substantive material to facilitate forward movement in the Doha “Development” Round.

2006 IPC Spring Seminar

- IPC was pleased to host its spring seminar jointly with COCERAL, the European association representing trade in cereals, rice, feedstuffs, oilseeds, olive oil, and agrosupply trade. The joint Congress, held in Budapest, Hungary, from May 11-12, 2006 brought together experts, decision-makers, private sector representatives, and academia to discuss challenges and opportunities facing agricultural production and trade. The seminar focused on the Doha negotiations, on sustainability issues, and on the implications of EU enlargement. High-level speakers included **Mariann Fischer Boel**, EU Commissioner for Agriculture and Rural Development, **Joszeff Graf**, Hungarian Minister for Agriculture and Rural Development, and **Stuart Harbinson**, Special Advisor to the Office of the WTO Director-General.

2006 Highlights:

The Doha Development Round:

- With the WTO agricultural negotiations at an impasse, IPC published a Discussion Paper in May 2006 titled, “Options for the WTO Modalities for Agriculture,” by **David Blandford** and **Timothy Josling**, which analyzed the key operational issues that remain to be addressed in the agricultural modalities. The paper looks at the technical and operational aspects relating to the three pillars of the Uruguay Round Agreement—domestic support, export competition and market access—and then suggests that other elements such as geographical indications and monitoring and surveillance should be included in a final agreement to achieve a balanced outcome. The authors also explore the Peace Clause, and a Continuation Clause, two issues that are likely to influence the acceptability of a final package of modalities to move the Doha Round forward.
- To further clarify the complexity in the agricultural negotiations and provide suggestions for ways forward, IPC published Issue Brief 21 in November 2006 titled “Unblocking the Doha Round Impasse: Possible Scenarios for the Agricultural Negotiations.” Written by IPC Member **Michael Gifford**, Canada’s former chief agricultural trade negotiator, the Brief outlines the major outstanding issues that have yet to be resolved in the Doha Round, and identifies possible ways forward in the trade talks. Specifically, Gifford identifies main points of contention centering on the tariff reduction formula, sensitive and special products, and trade distorting domestic support. This paper was made possible with support from the William and Flora Hewlett Foundation.



Biofuels:

- The growing demand for biofuels as an alternative energy source has important implications for world trade law and international trade. Realizing this, IPC partnered with Renewable Energy and International Law (REIL) to publish a Discussion Paper titled “WTO Disciplines and Biofuels: Opportunities and Constraints in the Creation of a Global Marketplace,” to analyze how international trade rules apply to the biofuels sector, and to identify constraints to trade in biofuels. IPC and REIL organized a public launch on Capitol Hill on October 27, 2006 to unveil this paper, which featured lead author **Robert Howse**, law professor at the University of Michigan, **Weber Amaral**, CEO of the Brazilian Biofuels Institute, **Carl Hausmann**, CEO of Bunge North America, **Angelos Pangratis**, Deputy Head of Delegation with the European Commission, and **Eric Sievers**, senior associate with Baker & McKenzie, Biofuels Group. These speakers discussed the main findings and questions raised in the paper, particularly about how WTO rules might apply to subsidies, tariffs, and standards in the biofuels sector. Work on this paper was supported by the United Nations Foundation and the German Marshall Fund.

II. Agriculture and Rural Development Policies

2006 Highlights

Cotton:

- IPC partnered with the Woodrow Wilson International Center for Scholars and the IDEAS Centre for its fall seminar, held in Washington, DC on October 26, 2006, titled “Cotton: The Next Steps for Africa.” This international seminar brought together an impressive array of government officials, private sector representatives, trade and agriculture experts to discuss the international trade, competitiveness and development assistance issues at play in the African cotton sector. Speakers at the seminar issued a call for a rapid resumption and conclusion of the Doha Round negotiations, reform of cotton subsidies, for actions by African governments and the private sector to address competitiveness challenges, and for improved donor coordination and a better donor-recipient dialogue on cotton. High-level speakers included **Crawford Falconer**, chair of the WTO agricultural negotiations, **Gobind Nankani**, formerly the vice-president of the World Bank’s Africa Region, and **trade and agriculture ministers from the “C-4” countries** of Mali, Burkina Faso, Chad, and Benin. IPC Members **David Blackwell**, **Robert Thompson**, and **Pedro de Camargo-Neto** also spoke of the need for strengthening the farming and entrepreneurial competitiveness of African cotton producers, improving soil quality and growing practices on the continent, and the need for the international community to adopt domestic agricultural policies that are in line with international trade rules.



(left to right) Minister of Agriculture Bonoudaba Dabire of Burkina Faso, Sara Rogge of DATA, Gobind Nankani, formerly of the World Bank, Francois Traore of Aproca, and David Blackwell of Wal-Mart discuss competitiveness issues at IPC’s 38th seminar, “Cotton: The Next Steps for Africa.”

- Recognizing the importance of cotton production and the implications of changes in policy to the livelihoods of developing country farmers, IPC published Issue Brief 22, “US Farm Programs and African Cotton,” by **Daniel A. Sumner**, director of the University of California Agricultural Issues Center. “US Farm Programs” describes the domestic and international factors influencing US cotton policy: the US Farm Bill, the US-Brazil WTO cotton case, and the WTO’s sectoral initiative on cotton. Sumner discusses how each of these factors might impact future US cotton production, and in turn, developing country producers. Although estimates about how subsidies affect prices vary, there is a consensus that they do suppress international prices of cotton. According to Sumner’s calculations, the elimination of all US subsidies would reduce US production by 25 to 30 percent, decrease US exports by 40 percent, and increase revenue to the “C-4” countries of Benin, Mali, Burkina Faso, and Chad by \$75 million per year. The report also suggests that cotton subsidy reform in the US would translate into positive benefits for rural communities in African countries, given that fifteen million African cotton farmers derive their livelihoods from cotton production. The report includes concrete recommendations for what developing countries can do to advocate for reform. Work on this paper was supported by the William and Flora Hewlett Foundation.
- As a follow-up to its fall 2006 conference, IPC published a conference report, titled “Cotton: The Next Steps for Africa: A Report of an International Conference on Cotton,” which detailed the main arguments and perspectives presented at the seminar, including the international trade, competitiveness and development assistance issues at play in the African cotton sector. Given the important role played by cotton in the Doha Round negotiations and the US Farm Bill, IPC ensured proper dissemination of its work within the US Congress and WTO membership.

Sustainability:

· With trade liberalization having the potential to impact the environment through increases in agricultural production, IPC undertook a study to examine how changes in trade policy would affect sugar production, and in turn, what environmental implications that may hold. IPC published its findings in Issue Brief 20, titled “Specific Environmental Effects of Trade Liberalization: Sugar,” written by **Jane and Thomas Earley** in October 2006. It identifies a number of environmental considerations that need to be taken into account when thinking about the impact of increased sugarcane production resulting from liberalized trade. These include: the role of resource endowments in assessing environmental impact, enforcement of existing environmental laws, the role of technology in mitigating adverse environmental impacts, and the social benefits of increased employment from sugarcane farming. The paper also includes suggestions as to how countries can adopt policies to enable them to adapt to an increase of sugarcane production. Both this brief, and IPC’s Issue Brief 16 exploring the effect of trade liberalization on the oilseed sector, both importantly find that the long-term demand for biofuels and biofuel policies will have more of an impact on sugar and oilseed production, and by extension are likely to have greater environmental or social impacts, than the Doha Development Round. By identifying what possible adverse environmental effects may come about as a result of changes in trade and energy policy, this Brief provides useful information to policymakers to help them address these issues and make appropriate policy choices. The Brief examines sugar production in Brazil, Indonesia, China, and Turkey, and identifies several environmental considerations for policymakers. Work on this project was supported by the Dutch Ministry of Foreign Affairs.

Biofuels:

· In seeking to address concerns about energy supply, national security, climate change, and economic development, numerous policymakers—and those who seek to influence them—are turning to biofuels as a solution to these cross-cutting issues. However, while biofuels do have the potential to provide an alternative to fossil energy, their beneficial aspects are countered by their own issues related to food security and economic and environmental sustainability. Therefore, the promises of biofuels must be weighed against their costs. To detail this issue, IPC published a Discussion Paper, titled “Biofuels: Promises and Constraints” by IPC Policy Associate **Kara Laney**, which puts forth the potential benefits of biofuels, as well as their plausible drawbacks, to present a thorough overview of the policy issues. It explores such questions as: Will biofuels generate rural economic development? What are the possible effects of government support to biofuels production? What impacts will biofuels have on the food and animal feed markets? The purpose of this Discussion Paper is to raise questions in order to illustrate the complexity of the biofuels issue for policymakers.

Technology and Standards

2006 Highlights:

The Biosafety Protocol

· The Biosafety Protocol (BSP) entered into force in 2003 as part of the Convention on Biological Diversity (CBD), with the main objective to contribute to the safe trade of living modified organisms (LMOs) that could affect the conservation and sustainability of biological diversity. According to the Protocol, countries exporting LMOs need to receive approval from importing countries before LMO imports can be traded. China, as a large importer of commodity products, will have an interesting experience regarding implementation of the BSP. Given this, IPC published Issue Brief 17, titled “The Costs of Implementing the Biosafety Protocol—A Look at China” in March 2006, detailing what economic impact implementation of the BSP might have on China. The Brief found that the country’s biosafety regime already exceeds the “may contain” provisions currently called for by the BSP, and that it incurs additional costs in participating in the Biosafety Clearinghouse. Additional testing throughout the supply chain would increase costs significantly. The Chinese case study also proves illustrative of the greater costs that smaller and poorer developing countries with less expertise would incur to set up biosafety regimes.

· IPC also published Issue Brief 18 in March 2006 titled “The Costs of Implementing the Biosafety Protocol—A Look at Brazil,” which sought to document the implementation costs of the Biosafety Protocol (BSP) on Brazilian agricultural producers. As a developing country and major agricultural exporter, the stakes of implementing this protocol were very high for Brazil. The Brief found that implementing stringent BSP documentation requirements entailed costs of testing at the point of export, and that if the requirements mandate testing throughout the supply chain, the costs to Brazilian producers of bulk commodities, especially grains, would be even greater. While the Biosafety Protocol should be implemented to comply with international rules, the Brief recommends that requirements be implemented in such a way as to not place the onus of biodiversity preservation on exporters and importers. Overly-complicated regulations and a strict interpretation of the Biosafety Protocol will prevent countries from taking advantage of new technologies, and are considered unnecessary barriers to trade. According to the Brief, “may contain” labels identifying the existence of living modified organisms (LMOs), and the registration of authorized LMOs in the Biosafety Clearinghouse, is sufficient in meeting the Protocol’s objectives.

IPC’s Work on Advocacy and Outreach: New Tools

In October 2006, IPC launched a new website and blog which benefit from a more user-friendly design and organizational structure that allow readers to easily keep up to date with recent Council activities and research, as well as find historical information and reports. The new website serves to enhance IPC’s online presence as well as its ability to communicate effectively with its members, funders, the media, and other interested organizations or individuals. Interactive features include an RSS feed, online subscription sign-up for IPC’s e-newsletter, the Agritrade Forum, and ability to share comments on IPC analysis and opinions on the Trading Ideas blog. Trading Ideas features comments, expert Q&As, analysis, and opinions contributed by IPC members and staff on relevant and timely agricultural trade and development issues. For a complete tour of the new Agritrade website, visit www.agritrade.org.

IPC Membership and Financial Overview

2006 New Members

M. Ann Tutwiler, Managing Director for Trade and Development,
William and Flora Hewlett Foundation

David Blackwell, Vice-President of Global Procurement, Wal-Mart Stores, Inc.

2006 Structural Support

ABSA Bank (South Africa), Agricultural Engineers Association (United Kingdom), Altria Corporate Services (United States), Archer Daniels Midland Company (United States), Australian Food and Grocery Council (Australia), Bunge North America (United States), Cargill, Inc. (United States), Croplife International (United States), Elanco Animal Health (United States), Fonterra Cooperative Group, Ltd. (New Zealand), Grain and Feed Trade Association (United Kingdom), International Fertilizer Association, Monsanto Company (United States), Nederlandse Zuivel Organisatie (NZO) (The Netherlands), Nestlé (Switzerland), New Zealand Meat Producers (New Zealand), Provimi (The Netherlands), Rabobank International (The Netherlands), Syngenta International AG (Switzerland), Unilever N.V. (The Netherlands), Universal Corporation (United States).

2006 In Kind/Project Support

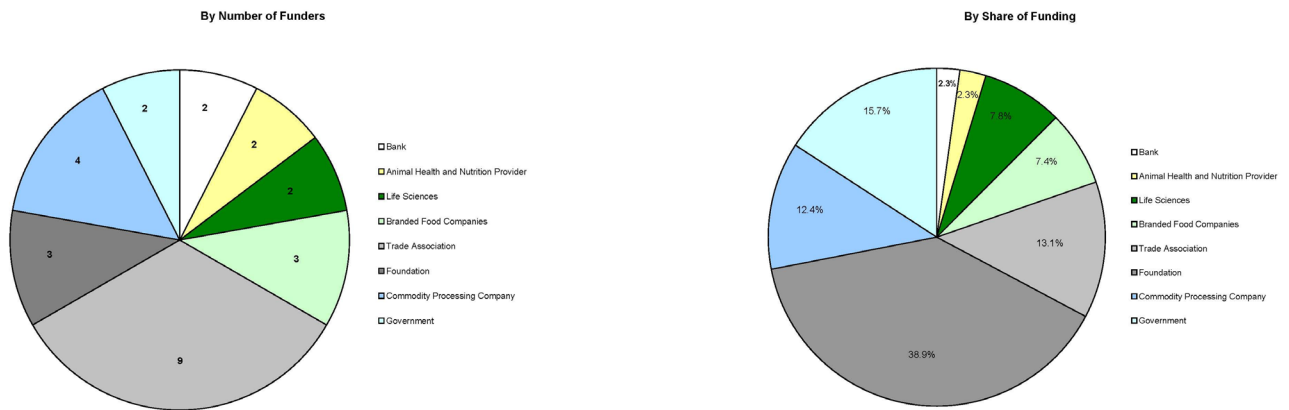
Archer Daniels Midland Company, Bunge North America, Cargill, the Dutch Ministry of Foreign Affairs, Fonterra Cooperative Group, Ltd, German Marshall Fund, Hogan & Hartson LLP, Illinois Farm Bureau, International Dairy Foods Association, Monstanto, Nestlé, North American Export Grain Association, Syngenta, United Nations Foundation, United States Department of Agriculture, U.S. Grains Council, the William and Flora Hewlett Foundation.

Financial Information and Support

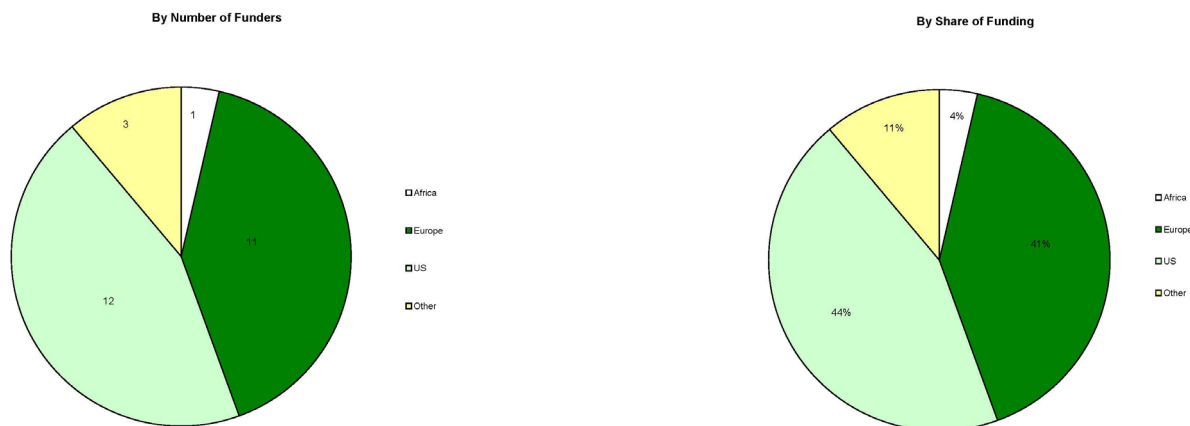
	2004	2005	2006
Corporate grants	\$401,959.68	\$324,294.00	\$277,513.50
Conference revenue	\$67,365.84	\$79,218.25	\$56,728.83
Foundation/government grants	\$166,630.30	\$452,338.41	\$318,451.66
Other income	\$2,179.26	\$ 8,349.71	\$1,030.14
<i>Total revenue</i>	\$638,135.08	\$864,200.37	\$653,724.13
Expenses			
Salaries and benefits	\$270,153.03	\$272,082.57	\$232,957.96
Professional fees	\$58,416.54	\$129,179.08	\$181,869.77
Conference costs	\$69,741.31	\$63,708.54	\$15,028.28
Travel and lodging	\$89,363.72	\$141,617.88	\$74,382.52
Publications	\$28,471.31	\$48,786.46	\$19,219.06
Telecommunications	\$7,054.36	\$11,400.03	\$9,840.23
Rent and supplies	\$28,326.07	\$35,088.12	\$37,982.54
Insurance	\$7,621.35	\$307.76*	\$5,627.02
Miscellaneous	\$10,752.18	\$9,776.72	\$1,881.24
<i>Total expenses</i>	\$569,899.87	\$711,947.16	\$578,838.62
<i>Change in net assets</i>	\$68,235.21	\$ 152,253.21	\$74,885.51

*Figure differs from previous years due to timing of invoicing

Funding by Sector



Funding by Geographical Origin



2006 Membership - International Food & Agricultural Trade Policy Council

Piet Bukman (Chairman), The Netherlands

Former Dutch Minister of Agriculture, Minister of Trade,
Minister of Development Cooperation

Marcelo Regúnaga (Vice-Chairman), Argentina

Professor, Universidad de Buenos Aires and Universidad de San Andres and
Former Secretary of Agriculture

Bernard Auxenfans, France

Managing Director, Kincannon & Reed

Malcolm Bailey, New Zealand

Dairy Farmer and Member of the Board,
Fonterra Cooperative Group, Ltd.

David Blackwell, United States

Vice President and CFO,
Wal-Mart Global Procurement,
Wal-Mart Stores, Inc.

Joachim von Braun

Director General, International Food
Policy Research Institute

Leonard Condon, United States

Vice President of International Business Relations,
Altria Corporate

Csába Csáki, Hungary

Member, Monetary Board,
Hungarian National Bank

Pedro de Camargo Neto, Brazil

Former Secretary of
Agricultural Production and Trade

Luis de la Calle, Mexico

Former Undersecretary for
International Trade Agreements

H.S. Dillon, Indonesia

Chair, Center for Agriculture Policy Studies and Former
Assistant to the Minister of Agriculture

Cal Dooley, United States

President and CEO, Food Processors Association
(FPA); Former Member, United States House of Representatives

Franz Fischler, Austria

Former Commissioner for Agriculture,
European Union

Michael Gifford, Canada

Former Chief Agricultural Trade Negotiator,
Agriculture and Agri-Food Canada

Tim Groser, New Zealand

Former Ambassador of New Zealand to the World
Trade Organization and former Chair of WTO Agricultural
Negotiations

Carl Hausmann, United States

President and CEO, Bunge North America

Shannon Herzfeld, United States

Vice President- Government Relations,
Archer Daniels Midland Company

Jikun Huang, China

Director, Center for Chinese Agricultural
Policy,
Chinese Academy of Sciences

Robbin Johnson, United States

Senior Vice President and Director,
Corporate Affairs, Cargill, Inc.

Hans Jöhr, Switzerland

Corporate Head of Agriculture and Assistant
Vice President, Nestlé

Timothy Josling, United Kingdom

Senior Fellow and Professor Emeritus,
Institute for International Studies, Stanford
University

Rolf Moehler, Belgium

Former Deputy Director General,
European Commission

Raul Montemayor, Philippines

President, Federation of
Free Farmers Cooperatives, Inc.

C. Joe O'Mara, United States

President, O'Mara & Associates and
Former Special Agricultural
Trade Negotiator

Néstor Osorio, Colombia

Executive Director,
International Coffee Organization

Carlos Perez del Castillo, Uruguay

Former Permanent Representative of
Uruguay to the
World Trade Organization

Michel Petit, France

Institut Agronomique Méditerranéen,
Montpellier

Per Pinstrup-Andersen, Denmark

Former Director General, International Food
Research Policy Institute and 2001 Recipient
of the World Food Prize

Lord Henry Plumb, United Kingdom

Former President, European Parliament and
Former President, National Farmers Union

Caspar Ridley, Switzerland

Head of Global Public Affairs and
Government Relations, Syngenta Seeds

Eugenia Serova, Russia

President,
Analytical Centre of Agri-Food Economics

Hiroshi Shiraiwa, Japan

Former Counselor, Japan International Agri-
culture Council, Former Director, Mitsui & Co.

Jiro Shiwaku, Japan

President, Japan Meat Technology
Institute (JAMTI) and
Former Vice-Minister for International Affairs,
Ministry of Agriculture, Forestry, and
Fisheries

James Starkey, United States

Former Vice President, Universal
Corporation and
Former Deputy Undersecretary for International
Affairs and Commodity Programs, US
Department of Agriculture

Jerry Steiner, United States

Executive Vice President,
Monsanto Company

Robert L. Thompson, United States

Agricultural Policy Chair, University of Illinois
and
Former Director, Rural Development,
World Bank

M. Ann Tutwiler, United States

Managing Director for Trade and Development,
William and Flora Hewlett Foundation

Ajay Vashee, Zambia

President, Southern African Confederation
of Agricultural Unions