



International
Food & Agricultural Trade
Policy Council

Annual Report

2004

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Policy Council



From IPC Chief Executive, M. Ann Tutwiler

During the course of 2004, three projects demonstrated the International Policy Council's emerging role in agricultural trade policymaking.

Trade Negotiations: In January 2004, WTO members were still unable to agree on a draft framework for restarting the agricultural negotiations after the breakdown in Cancun. In February, the IPC issued "25 Ways to Improve the Derbez Draft" with a series of briefings in Geneva and other capitols. Roughly three-quarters of the IPC's recommendations were reflected in the Framework Agreement that eventually emerged at the end of July. The fact that the July Framework Agreement mirrored the IPC's recommendations so closely reflects two realities. First, the IPC's membership is a microcosm of the interests in the WTO, so IPC recommendations can signal to negotiators what is achievable. And, second, the IPC can generate creative solutions to thorny problems, which have currency and legitimacy in the negotiations.

Sustainability: During the course of 2004, the IPC worked closely with World Wildlife Federation and the International Centre for Trade and Sustainable Development alongside the Dutch Government and the World Bank to develop a joint project to help countries prepare for the opportunities and challenges presented by trade reforms and globalization. Working together, these organizations with differing views on trade, investment, environment and poverty are finding common ground in the need to develop pragmatic approaches that go beyond rhetoric toward finding workable solutions. This project is the first to allow the IPC's members to operate "on the ground" with specific countries to promote public and private sector policy reform.

Technology: In the latter half of 2004, the IPC analyzed the potential costs of various options to implement the Biosafety Protocol governing trade in agricultural commodities. The IPC's paper injected concrete economic analysis into a debate that had been driven primarily by environmental considerations. By demonstrating the considerable cost differences among the various options being debated by the signatories to the Protocol, the IPC was able to concrete, professional economic analysis to bear on pending policy decisions and to encourage countries to rethink their positions on the Biosafety Protocol.

Going forward into 2005, the IPC will continue to build on these themes:

- Demonstrating the way forward with balanced and timely recommendations;
- Collaborating with other institutions to find practical solutions;
- Working "on the ground" to promote policy reform; and
- Contributing concrete economic analysis to public policy debates.

In closing, I want to commend two IPC staff who will be leaving for graduate school in 2005. Kari Heerman, who will be pursuing a PhD in agricultural economics, joined the IPC in 2002. In her role first as Program Manager, and then as Communications Director, Kari has put the IPC on the map by developing professional publications (including this Annual Report), press releases and by completely overhauling the IPC's website. Christin Cogley, who joined the IPC in 2003, will study law with a focus on developing countries, has organized a growing number of meetings and seminars, often involving complex negotiations and relations with collaborators, while at the same timing bringing about a transformation in the International Policy Council's financial management. The IPC wishes them both well in their scholastic endeavors.



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Substantive Programming at a Glance

Trade Negotiations: IPC Members debated and approved major publications offering concrete and specific recommendations for trade negotiators and policymakers in 2004. February's *25 Ways to Improve the Derbez Draft on Agriculture* offered pragmatic advice on how WTO Members could build upon the draft text on agriculture issued at the WTO Ministerial Meeting in Cancun. In September's *A New Approach to Special and Differential Treatment*, IPC Members tackled the controversial issue of special and differential treatment and developing country classification in the WTO. The IPC will develop the third set of Recommendations for the Doha Round agricultural negotiations in 2005 with support from the Hewlett Foundation and the German Marshall Fund.

International Development: Capacity Building seminars were successfully brought outside of Geneva to the agricultural community in Southern Africa. The IPC will explore bringing the program to other developing country regions in 2005 with support from the Rockefeller Foundation.

Sustainability: Phase One of the Sustainability Program was completed with the online publication of the Sustainability Task Force's Framework Paper, *Trade, Agriculture and the Environment: The impact of explicit and implicit subsidies on sustainability*. Papers by Task Force Members Rob Johnson and Donald Buckingham were published in conjunction with the Framework Paper. The United Nations Foundation committed funds to begin Phase Two with a case study on the oilseeds sector in 2005.

At the Spring and Fall Plenary Meetings, IPC Members began a dialogue on issues in animal agriculture, which will be used as a basis for publications and events in 2005. The Dutch Directorate General for Development Cooperation has agreed to provide support for collaboration between the IPC, the World Wildlife Foundation, the International Centre for Trade and Sustainable Development and the World Bank in 2005 to study environmental and social adjustments that national governments must facilitate in response to agricultural trade liberalization.

Technology: A paper on GM technology and developing countries, which was discussed at the Fall 2003 and Spring 2004 Plenary Meeting was published in July. In the Fall, the IPC commissioned and published a study on the potential impacts of Biosafety Protocol implementation on agricultural commodity trade. The study will be presented throughout the world at key international gatherings. Additional studies on the Biosafety Protocol are planned for 2005.

The International Food & Agricultural Trade Policy Council is dedicated to developing and advocating policies that support an efficient and open global food system and promote the economically and environmentally sustainable production and distribution of safe, accessible food supplies to the world's growing population.



2004 Highlights

- February** Second set of **Recommendations for the Doha Round Agricultural Negotiations** released ... Page 2
- February** **Capacity Building Seminar for Southern Africa** held in Johannesburg ... Page 7
- May** **European Office launched** in conjunction with 33rd IPC Plenary Meeting in Brussels ... Page 19
- July** Issue Brief on **GM Technology and Developing Countries** published ... Page 14
- July** Issue Brief on **Trade Litigation in Agriculture** published ... Page 4
- September** Position Paper #13 published – **A New Approach to Special and Differential Treatment** ... Page 4
- October** 34th IPC Plenary Meeting and Seminar – **Issues in South American Agriculture** – held in Buenos Aires... Page 19
- October** **Sustainability Task Force Framework** and accompanying papers published online ... Page 9
- December** Study on the **Economic Implications of the Biosafety Protocol** issued ... Page 14

2004 New Support

Structural Support

Animal Health Company

Elanco Animal Health

Banking

ABSA Bank

In-Kind Support

ABSA Bank

International Grain Trade Coalition

Public Strategies, Inc.

2004 New Members

North America

Cal Dooley – President, The Food Products Association and former Member of the United States House of Representatives – United States

Europe

Franz Fischler – former European Commissioner for Agriculture – Austria

Guy Legras – former Director General for Agriculture and for External Relations, European Commission – France

Eugenia Serova – Head of Agrarian Division, Institute for Economy in Transition and former Economic Advisor to the Minister of Agriculture – Russia

Africa

Ajay Vashee – President, Southern African Confederation of Agricultural Unions and Zambian National Farmers Union – Zambia

Substantive Programming

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Sustainability Page 9

Technology Page 14

Trade Negotiations

The IPC continued to provide input into the WTO agricultural negotiations debate throughout 2004. IPC Members and Staff traveled to Geneva regularly to meet with WTO delegations from developed, developing, and least developed countries and to continue to develop relationships with Geneva-based organizations and institutions. The IPC uses these regular meetings to determine which issues in the negotiations are most useful for the IPC to tackle, and to keep IPC Members current on the status of negotiations.

Recommendations for the Doha Round Negotiations

Twenty Five Ways to Improve the Derbez Draft on Agriculture

In January 2004, the IPC released its second set of recommendations for the Doha Round Agricultural Negotiations. Members developed the recommendations as a response to the draft negotiating text issued by Mexican Foreign Minister, Luis

// The rules established under the Doha Round Agreement on Agriculture must ensure that trade distortions are reduced in every commodity sector, and that trade reforms are real and meaningful. To do less risks continuing cynicism about the value of global trade agreements, raising doubts about the gains from multilateral trade reform, and undermining those gains for both developed and developing countries. //

Ernesto Derbez, at the WTO Ministerial Meeting in Cancun, Mexico at the end of 2003. Although the Derbez draft did not result in a final set of negotiating modalities, the text was used as the basis for negotiations in late 2003 and early 2004.

IPC Members reviewed the Derbez draft against the dual goals of furthering agricultural trade reform and achieving the development objectives of the Doha Declaration. Members based their analysis on the IPC's *Recommendations for the Doha Round Agricultural Negotiations* issued in January 2003. The IPC's assessment of the draft in, *Twenty Five Ways to Improve the Derbez Draft on Agriculture* was welcomed by negotiators in Geneva and national governments. The IPC's analysis of the negotiations has garnered notable recognition as an independent evaluation

of the most contentious issues in the negotiations. Delivery of the recommendations by IPC Members – who include the lead Uruguay Round agricultural negotiators from the United States, Canada, Japan and the European Union as well as former agricultural negotiators from New Zealand, Argentina, Brazil, Mexico, and Colombia – ensures a thoughtful reception from governments around the world. www.agritrade.org/doha/Derbez/Derbez.htm

The July Framework

As the negotiations moved forward after Cancun, WTO negotiators returned to Geneva and committed to establish a framework for official negotiating modalities by the end of July. In response to this progress, IPC Chairman, Robert L. Thompson and Vice-Chairman, Piet Bukman issued a statement commending WTO Members' commitment to establish an agreement that would send a clear signal that the negotiations were going forward. Thompson and Bukman's statement

applauded the concrete steps that WTO Members had taken to date, and called for a framework that could serve as the basis for a solid and specific agricultural agreement.

In the early hours of August 1, WTO Members agreed on a set of principles on which further negotiations would be based, known as the July Framework. The Framework included nearly three-fourths of the concepts that were part of the IPC's 2003 recommendations.

WTO negotiators can create a solid and specific agricultural agreement

By: Robert L. Thompson and Piet Bukman

June 14, 2004

After the collapse of trade talks in Cancun, conventional wisdom said that negotiations would be stalled until 2005, well after US elections and the change in the European Commission. Defying conventional wisdom, political leaders have breathed new life into trade talks, most notably in agriculture. The WTO Secretariat has put a new draft framework for agriculture before negotiators. Without a significant agreement in agriculture, there will be no progress on services, manufactures, intellectual property, or any of the other topics under discussion. As negotiators consider the framework and take the next steps in the negotiation, they must take care not to forget the fundamental building blocks – market access, domestic support and export competition.

Market Access: Most importantly, the final agriculture agreement must require that higher tariffs are cut more than lower tariffs. Both developed and developing countries have sensitive products that require some flexibility, but these products should not escape market access commitments entirely. Instruments that provide flexibility for sensitive products must be clearly defined and subject to strong disciplines. Developed and developing countries also have very different tariff structures, making it difficult for a single approach to produce similar results. Clearly, developing countries should not be required to make tariff cuts as deep as developed countries. However, tariffs are essentially food taxes, and developing country consumers who often spend half their income on food, stand to gain from lower food prices. Negotiating texts and the final agreement should clearly indicate that lower tariffs are positive for both developed and developing countries on balance, and that all countries (with the exception of least developed countries) must reduce tariffs and expand market access.

Domestic Support: The commitments made by United States Trade Representative, Robert Zoellick to substantially reduce trade-distorting support and cap the Blue Box, along with the commitment made by European Commissioners Pascal Lamy and Franz Fischler to completely eliminate product specific and non-product specific de minimis support offer historic opportunities for progress in this pillar, but negotiators must ensure that the final agreement results in real reductions and incentives for countries to shift support into less trade-distorting measures. Countries must reduce their trade-distorting subsidies to an agreed percentage of the total value of their agricultural production. If this commitment could be made on a product-by-product basis, or if the current levels of support afforded to individual commodities could be capped, as proposed in Cancun, so much the better.

Export Competition: In an historic gesture, EU Commissioners Pascal Lamy and Franz Fischler committed the European Union to setting a date certain for eliminating export subsidies, assuming an acceptable outcome on market access and domestic support. In return, the European Commissioners called for “full parallelism” on all forms of export competition. In his earlier letter, Ambassador Zoellick agreed to discipline the “subsidy element” of these policies. If the European Union truly eliminates export subsidies – reduces them to zero – then full parallelism must ultimately mean phasing out the subsidies embodied in other export competition programs as well. www.agritrade.org/Doha/Framework.html

Trade litigation

One of the most significant developments in multilateral trade relations in 2004 was Brazil and its co-plaintiffs' successful use of the WTO's disputes resolution process to achieve landmark rulings against major US and EU domestic support programs. Brazil's cases against the US cotton program and the EU sugar regime had major implications – both for domestic agricultural policy and the WTO negotiations. The Cotton and Sugar decisions set momentous precedents that will change the interpretation of what is legal under the Uruguay Round Agreement on Agriculture.

The IPC has been able to make a unique contribution to the discussion on these cases, since IPC Members were instrumental in launching the case from the Brazilian side and in negotiating the disciplines in the Uruguay Round Agreement on Agriculture that these cases interpreted.

The IPC took a critical look at the implications of the cases at seminars (see pages 18 and 24), in publications (see page 24), and in discussions within the IPC. In October the IPC published an Issue Brief authored by IPC Members Mike Gifford and Timothy Josling entitled *Trade Litigation in Agriculture: Limiting the*

Abuse of Trade Remedies. The paper explores how countries can reduce the potential for such litigation to become a backdoor for uncompetitive sectors to perpetuate protection at the expense of the trade system. It suggests revisions of existing rules and procedures to reduce the potential for abuse and to maximize the benefits that countries get from transparent and acceptable trade remedies. www.agritrade.org/Publications/IBs/tl.pdf

// Trade remedies are an essential part of the process that prevents abuse and maintains the political balance struck in trade negotiations. However, trade remedy litigation can also be pursued in ways that do not necessarily serve the multilateral trading system. //

Special and Differential Treatment

One of the centerpieces of the Doha Development Round, as stated in the Doha Declaration, is including “more precise, effective and operational special and differential treatment.” However, there is much disagreement among WTO Members as to what special and differential treatment (S&D) should look like in the Doha Round Agricultural Agreement.

The original purpose of S&D was to level the playing field and give developing countries more time to adapt to international competition. S&D in the Uruguay Round Agreement on Agriculture essentially consisted of longer implementation periods and shallower commitments on reducing import barriers and domestic support programs, as well as full or partial exemptions to some rules for developing and least developed countries.

There is a clear definition that establishes which countries are considered “Least Developed Countries.” However, there are no criteria for determining which countries are considered “Developing Countries.” WTO Members are allowed to self-designate as developed or developing countries. This is a problem in the case of S&D because developed countries are reluctant to offer higher income developing countries such as Korea – an Upper-Middle Income Developing Country that is a member of the OECD – the same special treatment as Guatemala – a Lower Middle Income Developing Country.

Given the importance of this issue to progress in the WTO agricultural negotiations, IPC Members debated a Position Paper on S&D, which was published in October. The paper, *A New Approach to Special and Differential Treatment*, advocates differentiating developing countries into three categories for international trade: Least Developed, Lower-Middle Income Developing and Upper-Middle Income Developing Countries. IPC Members called for each group of countries to undertake commitments in market access, domestic support, and export competition according to their capability. www.agritrade.org/Publications?position%20Papers/13%20SND.htm

“One-size-fits-all rules for developing countries must be altered”

Under current WTO rules, developing countries are granted Special and Differential Treatment (S&D) that gives them longer time periods to comply with trade rules, often with reduced commitments. Currently, there are no criteria for determining which countries are eligible for special treatment in the WTO; countries that designate themselves as developing are automatically entitled to special treatment. Moreover, under current rules there are no distinctions among developing countries at very different levels of development.

Under the current system, countries with per capita incomes of more than \$9,000 receive the same treatment as countries with per capita incomes of less than \$1,000. Developed countries are reluctant to negotiate the concessions needed by the poorest countries if those concessions are also available to more advanced developing countries. Instead, all developing countries are offered less meaningful concessions: S&D has become too broad and too shallow.

The IPC recommends that the WTO establish objective criteria to determine which countries qualify as developing. Objective criteria should also be used to distinguish among Least Developed countries, Lower-Middle Income Developing countries and Upper-Middle Income Developing countries.

Each group of developing countries would have graduated commitments – with Upper-Middle Income Developing countries having longer implementation periods and shallower commitments than developed countries, but shorter implementation periods and deeper reduction commitments than Lower-Middle Income Developing countries. Each category would make different commitments in market access, domestic support and export competition, tailored to their circumstances. These commitments would allow countries to provide support to vulnerable farmers, but would enable them to gradually open their markets and participate in the global market.

Developing countries have an important stake in world agricultural trade, and they are playing a central role in shaping the trade negotiations. As several recent trade cases illustrate, developing countries also have a stake in a strong, rules-based international trade system. Adapting S&D to the needs of a very diverse group of developing countries, without creating a separate set of rules or country-specific exemptions is challenging and controversial, but it must be done if S&D is to become “more precise, effective, and operational” as called for in the Doha Declaration.

A more tailored approach to S&D can help developing countries make the investments needed to make their agricultural sectors more competitive and to integrate their agricultural economies into the global trade system. But S&D cannot substitute for domestic policies that support the agricultural sector. Without an appropriate policy environment, no amount of S&D will be sufficient. However, developed countries must also keep their end of the bargain. They must substantially reduce trade-distorting support, expand market access, and increase their foreign aid to agriculture and rural development.



IPC Member Profile - Timothy Josling

Dr. Josling is a Senior Fellow at the Institute for International Studies at Stanford University and a Professor at Stanford’s Food Research Institute. Professor Josling’s work focuses on agricultural trade and food policy issues, as well as economic integration, with a special emphasis on the World Trade Organization, the EU Common Agricultural Policy, and U.S.-EU trade relations. Before taking his current positions at Stanford University, he held positions at the London School of Economics and the Universities of Reading (United Kingdom) and Guelph (Canada).

2005 Trade Negotiations Programming

The IPC will continue to monitor developments in the Doha Round Agricultural Negotiations both in Geneva and in national capitals. Publications, events and commentary on the negotiations will be drawn from the issues under discussion in the negotiations.

Recommendations for the Doha Round Agricultural Negotiations

The IPC has received funding from the Hewlett Foundation and the German Marshall Fund to convene working groups to analyze the options and develop pragmatic recommendations for the WTO agricultural negotiations based on the July Framework Agreement. Working groups will include IPC Members, members of the International Agricultural Trade Research Consortium (IATRC) and other experts, including influential representatives of the NGO community.

The options and recommendations will be presented to negotiators at the WTO, senior officials in national governments, as well as to other stakeholders in business, farming, academia, government and civil society in Summer 2005.

Hong Kong Ministerial Meeting

A delegation from the IPC will travel to Hong Kong in December 2005 for the 6th WTO Ministerial Meeting. WTO Member Countries hope to make real progress in the Doha Round negotiations in Hong Kong – including the establishment of specific negotiating modalities for agriculture. As with previous Ministerial Meetings, the IPC will put together a short seminar or press conference on the sidelines of the meeting.

South-South Trade

The IPC is developing an Issue Brief on South-South trade in agriculture. The paper looks at trends in South-South agricultural trade, and the elements of multilateral and regional trade agreements, national government policies and non-policy factors that encourage or impede South-South trade in food and agricultural products.

IPC Member Profile - Vice Chairman Piet Bukman

Piet Bukman has served as minister for development cooperation, minister of foreign trade, and minister of agriculture, nature-management and fisheries in the Netherlands. He was president of the Christian Democratic Party from 1980 to 1986, and has served as spokesman in both the Upper and Lower houses of Parliament and as speaker of the Lower House. He continues to be the chairman of the Foreign Affairs Committee of the Christian Democratic Party and is President of EuronAid.



IPC Member Profile - Uruguay Round Negotiator, Mike Gifford

For 35 years Mike Gifford was directly involved with all aspects of Canada's bilateral, regional and multilateral agricultural trade policy. For the last fifteen of those years he served as Canada's chief agricultural trade negotiator and principal agricultural trade policy advisor to the ministers of agriculture and trade. During the course of his public service career, he was involved in virtually every major Canadian trade negotiation including the Tokyo and Uruguay Rounds of multilateral trade negotiations and the North American Free Trade Agreement (NAFTA).



International Development

The IPC's international development programming includes conducting Capacity Building seminars in developing country regions, and producing analysis of agriculture and trade policy issues of special interest to the needs of developing countries. In 2004, the IPC implemented a Capacity Building program in Southern Africa and explored options to bring the program to other regions.

In Spring 2004 the IPC published a paper looking at the challenges that developing countries face in decision-making related to commercializing genetically-modified crops (see page 14), and much of the trade negotiations programming – both publications and events – addressed issues of special interest to developing countries. IPC Members also debated a position paper on the links between trade and poverty alleviation, which will be published in 2005.

Capacity Building

The Capacity Building Program brings experts from the IPC to developing country capitals to discuss agricultural trade negotiations on the multilateral, bilateral and regional levels and the accompanying adjustment to a more open agricultural trading system.

The Program is modeled on a series of seminars carried out in 2002 and 2003 for developing country negotiators in Geneva. Participants in the Geneva seminars cited a need for similar 'real world' advice and information to flow to officials in capitals as well as the broader community of agricultural stakeholders. In response, the IPC developed the Capacity Building Program.

// The Doha Development Round is perhaps one of the best opportunities for developing countries to level the playing field and should be used to the fullest extent possible. //

--Dirk du Toit, Deputy Minister of Agriculture and Land Affairs, South Africa

Achieving Agricultural Development through Agricultural Trade

In February 2004, the IPC presented the first Capacity Building seminar in Johannesburg South Africa. The seminar brought together government officials, farmers and other agricultural stakeholders in the region to discuss the role that agricultural trade can play in economic development and to relate that role to trade negotiations at the multilateral, regional and bilateral levels. The



IPC Member Profile - Chairman Robert L. Thompson

Bob Thompson is currently the Gardner Chair in Agricultural Policy at the University of Illinois-Urbana Champaign. He previously served as Director of Rural Development at the World Bank. Prior to his position at the World Bank he was President and CEO of the Winrock International Institute for Agricultural Development, Dean of Agriculture at Purdue University, Assistant Secretary for Economics at the US Department of Agriculture, and Senior Staff Economist for Food and Agriculture on the Council of Economic Advisors. Dr. Thompson is a founding member of the IPC and is Past President of the International Association of Agricultural Economists.

program addressed the expectations and responsibilities of national governments, international organizations, and the farming and business communities to help African agriculture grasp the development opportunities offered by more open agricultural trade. www.agritrade.org/Capacity%20Building/South%20Africa/SA%20Agenda.htm

Trade and Poverty Alleviation

Reforming Agricultural Trade: Not Just for the Wealthy Countries

In November, IPC Chief Executive, M. Ann Tutwiler presented a paper entitled *Reforming Agricultural Trade: Not Just for the Wealthy Countries* at an H.E. Babcock Workshop at Cornell University. The paper establishes open trade as a key determinant of economic growth, and asserts that economic growth is the only path to poverty alleviation. It acknowledges that the impacts of trade are not uniform and markets cannot solve every problem, but that this should not postpone trade reform. Governments can play an important role in ensuring that trade reforms are accompanied by ethical policies that address distributional aspects of the gains from trade, so that trade-led growth can benefit the poor. The key to pursuing pro-poor trade reform is to advance a WTO agenda that is strong and effective in disciplining subsidies and reducing barriers to trade by all countries. The paper is being submitted for publication as part of a collection of the papers from the Workshop.

2005 Programming

Capacity Building

The IPC will continue to carry out capacity building seminars in developing country regions in 2005 and beyond. The Rockefeller Foundation provided support for IPC staff to explore the possibility of organizing a capacity building seminar in Southeast Asia focusing on Vietnam, Thailand, Cambodia and Laos in 2005. The IPC is also looking for funding to organize a seminar in the Andean region at the request of a number of trade negotiators and policy-makers in from the region.

Trade and Poverty Alleviation

With "development" as the theme of current WTO negotiations, agricultural talks have become an area of particular importance and concern. The plight of the rural poor in developing countries has often been attributed to persistent and distorting agricultural trade policies. Therefore, when it comes to the effects of trade on development, the stakes could not be higher. For this reason the IPC is undertaking an assessment of the impacts of trade on poverty, with specific reference to the current Doha Round negotiations. The paper will highlight the need to address agricultural growth and rural development in poverty alleviation, as well as the channels that link them with trade. It

Sustainability

The Sustainability Task Force completed its initial mandate in October, approving the Framework Paper authored by John Dixon, former Lead Environmental Economist at the World Bank, for initial publication. Work on the second phase of the Sustainability Program – developing commodity case studies based on the Framework paper – will begin in 2005.

The IPC also took steps to expand its work on sustainable agriculture issues in 2004. In conjunction with the World Wildlife Foundation, the World Bank, the International Centre for Trade and Sustainable Development and the Dutch Government, the IPC is participating in a set of studies and activities looking at adjustment policies that developing countries could implement in conjunction with agricultural trade liberalization. Additionally, IPC Members began a dialogue on sustainable animal agriculture and will pursue activities on this subject in 2005.

Sustainability Task Force

Recognizing the increasing emphasis placed on sustainable agriculture by governments, and the lack of studies on the association between sustainable agriculture and trade policies, the IPC convened a Task Force of experts in environment, economics, farming and science as well as former government officials and corporate executives beginning in November 2002. Task Force Members worked together to develop a framework to illustrate the linkages between government policies and the promotion of sustainable agriculture. Dr. John Dixon, former Chief Environmental Economist at the World Bank, authored the Framework paper, which was finalized and published on the IPC's website in October, laying the groundwork for an upcoming series of commodity studies.

Complementary papers – by Task Force Members Donald Buckingham and Robbin Johnson – were published online in conjunction with the Framework paper. Dr. Buckingham's paper looks national food labeling requirements and their potential impacts on sustainability. Dr. Johnson's paper examined the role of agricultural trade liberalization in a sustainable food system. *All of these papers are available at www.agritrade.org/Sustainability.htm*

// Agricultural trade reform can make several contributions to building a more sustainable global food system...Its ability to reduce the environmental stresses from needed food production, growth and trade expansion also are considerable, especially given the likelihood that population growth will increase most in areas already seriously stressed. //

-- Robbin S. Johnson in "The Role of Agricultural Trade Liberalization in a Sustainable Global Food System"

In Phase Two, the IPC will produce commodity studies to test the framework and provide concrete evidence of linkages between trade policy and sustainability. The framework paper established a policy matrix that will serve to measure how policies for these commodities affect environmental, economic and, where relevant, social sustainability. Analysis will examine the major commodity policies, as well as relevant technology and resource policies, and will assess their contribution to

sustainable agriculture. The studies will examine the overall farming systems in the regions concerned, as these farming systems are essential to understanding the relationship of individual commodities to the overall environment. The United Nations Foundation has committed funding for the first commodity study – on oilseeds. The oilseeds study will include an analysis of the issues surrounding bio-diesel.

In Phase Three the IPC will develop and issue concrete recommendations for policy-makers at the national and international level, particularly at the WTO, on how agricultural policies can promote economic and environmental sustainability, and make recommendations on an assessment tool that could be used by policy makers to understand these linkages. The recommendations will take into consideration that an appropriate policy framework varies among countries with different levels of available environmental and financial resources as well as differing levels of infrastructure development.

Trade, Agriculture and the Environment: The impact of explicit and implicit subsidies on sustainability

by John A. Dixon and Ann Tutwiler

The current agricultural trade and environment debate is centered on two linked, yet separable, issues: first, the potential welfare gains from “freer and more open markets” and second, the environmental and sustainability implications of changes in the scale and location of agricultural production. Expanding globalization means that policies undertaken by one country can, and often do, have wider environmental impacts. Trade liberalization in agriculture and associated policy reforms can affect the country undertaking the reforms, its trading partners and other countries that compete in agriculture.

Agricultural policy measures that distort production (or trade) are pervasive. The cumulative impact of expanded agricultural trade could have both positive and negative effects on the environment, and must consider both explicit and implicit distortions caused by trade policies.

Most of the WTO negotiations are aimed at correcting explicit distortions (often subsidies and taxes) and their impact on trade. As difficult as it is to change explicit distortions, at least they are visible and can be identified as an issue. More recently, the link between removing trade distortions and removing environmental distortions is being considered. This process, however, does not address an equally important variable: how countries manage their national environment, and how they address environmental externalities. These *implicit* distortions may be very large and may have major implications for sustainability.

Implicit distortions are much more difficult to address, but may in fact cause many of the observed environmental problems normally associated with trade liberalization. These may be quite important in terms of their size and their impacts on both the welfare-enhancing dimension of trade and the environmental impacts of expanding trade. Just as with explicit distortions, these implicit distortions normally result in the cost of production of a commodity being underestimated. As a result, the production system itself may not be sustainable over time since the environmental externality is not being addressed. The existence of implicit environmental subsidies via externalities is a key challenge in considering the links between trade, agriculture and the environment.

Any effective policy response is likely to require actions on two levels. First, on the international, “rules-of-the-trade-game” level, which include explicit policy measures. Second, at the national level where implicit distortions must be addressed. The IPC has developed a matrix to help analyze the impact of increased agricultural production and trade on agricultural sustainability. This information can then be used to consider potential policies that address negative environmental externalities. The Matrix can also guide the discussion on links between policies, expanded production and trade and indicate the types of environmental problems that are likely to arise and the underlying cause of each.

Can Food Labeling Enhance Agricultural Sustainability? A preliminary assessment

by Donald E. Buckingham

Food labels are about communication. In national economies where a large portion of food is pre-packaged, labels are the principal means of communication between those who consume food and those who produce, process and market it. They permit the flow of information from seller to purchaser when the two cannot be physically present at the same time. As the food system becomes more complex, the need for food labels becomes more critical. Generally, food labels provide information about the product covered by the label – its name, its weight, its composition and its maker or retailer – but they may also influence the choices that consumers make in the marketplace. Food labelling rules can have notable effects on consumption patterns which in turn will influence production, processing and trade trends nationally and internationally. The food label has the potential, therefore, to be used as a means to disseminate information on the “sustainability” of the product being sold.

The more recent focus on eco-labeling – product identifiers based on production methods – raises important questions on the implications of labels on trade. Labeling initiatives could affect sustainability, particularly those initiatives that deal with labeling for human health, for production and processing methods and for products that internalize environmental effects. Nevertheless, the lack of consensus on which production and processing methods are sustainable raises suspicions over how different countries impose labeling requirements on their trading partners. Generally speaking, because they focus on production and processing, rather than on product characteristics, eco-labelling regimes might not meet current requirements under the WTO Agreement. If the information conveyed on labels is misleading or when compliance with labeling requirements becomes unduly onerous or costly, there is a danger that food labelling could become a barrier to market transactions. Both situations could increase the cost of products sold in the marketplace and decrease consumer trust and satisfaction with products purchased.

At a national level, eco-labelling regimes are usually voluntary mechanisms that may bring market share to certain producers that abide by certain conditions of production and processing. Mandatory labels and the application of international standards for labeling are much more complex. It is possible to envisage certain options that might yield more optimal solutions that presently exist. First, it is imperative agricultural practices that enhance sustainability be identified. It is also necessary to examine the other end of the product lifecycle to determine if some methods are more sustainable than others.



IPC Member Profile - Sustainability Task Force Chairman Michel Petit

Michel Petit is currently a Professor at the Institut National Agronomique in Paris. He served as the World Bank Director for the Agriculture Research & Extension Group and a Program Adviser at the Ford Foundation in New Delhi, India. Dr. Petit co-founded the European Review of Agricultural Economics where he was co-editor. He has also served as President of the International Association of Agricultural Economics and is a Member of the Académie d'Agriculture in France.

Emerging Issues in Animal Agriculture

Rising incomes and population, particularly in developing countries in the coming years are expected to lead to a significant increase in demand for animal protein. At the same time, there is increasing concern about animal health, animal welfare and environmental impacts of livestock production. At the Brussels Plenary Meeting in May the IPC agreed to launch a study to the implications of these emerging concerns for the animal agriculture supply chain, for global trade, and for domestic and international trade policies. The IPC's studies on animal agriculture will revolve around animal health, animal welfare, genomics and genetic engineering, the environment and human health. Discussion on animal agriculture at the Brussels Meeting was led by Jean-Louis Delforge of the International Federation for Animal Health (IFAH); Roelof Raterink of Provimi; and Kristina Kaul, of Kaul & Associates and a former DG-Agriculture official.

At the Plenary Meeting in Buenos Aires in October, IPC Members discussed Terms of Reference for further study on animal agriculture, authored by David Wilkins of the World Society for the Protection of Animals. Further study of animal agriculture issues will draw from these Terms of Reference.

The IPC's work on animal agriculture aims to facilitate a dialogue between parties interested in animal health, animal welfare, public health, the environment and parties with a direct economic interest in livestock production –retailers, food processors and livestock producers as well as veterinary and feed suppliers. IPC Members' experience in policy making, technology, food and agribusiness enhanced by contributions from outside experts in animal health, animal welfare and environmental protection will ensure a balanced, practical and realistic analysis of the issues facing animal agriculture.

// **The movement of people from plant protein to animal protein in the coming decades will mean increasing trade flows in animal products because of increasing production. The important question is, what is necessary to sustain these trade flows? //**

--Hans Jöhr, Buenos Aires Plenary Meeting

2005 Programming

Sustainability Task Force Phase Two - Commodity Studies

The commodity studies being undertaken in the second phase of the IPC's Sustainability Program will look at selected crops for which: 1) production decisions and prices are especially distorted by domestic trade policies; 2) there is significant production in both developed and developing countries; and 3) production has significant environmental impacts. With support from the United Nations Foundation, the analytical framework developed in Phase One is being applied to an initial study on oilseeds. The oilseeds study will determine how policies affecting oilseed production, processing, and trade impacts environmental, economic and, where relevant, social sustainability. The IPC has commissioned Thomas and Jane Earley to author this study. Both are consultants in international trade and experts in oilseeds and environmental policy.

The IPC is currently seeking financial support for studies on dairy, maize, and sugar. The ultimate goal of these studies is to evaluate the environmental and social impacts of domestic and international policies affecting these commodities. The findings will be distributed to trade and agricultural policy makers, trade negotiators, environmental and social organizations, development agencies and other groups whose mission includes working to mitigate negative social and environmental effects of government policies on developed and developing countries alike.

From Trade Negotiations to Global Adjustment

From Trade Negotiations to Global Adjustment is a collaborative effort between the IPC and the World Wildlife Foundation's Macroeconomics for Sustainable Development Program Office (WWF-MPO) and the International Centre for Trade and Sustainable Development (ICTSD) in partnership with the Dutch Directorate General for Development Cooperation (DGIS) and the World Bank. The project seeks to generate analysis, dialogue, and action on the environmental and social adjustments that country-based stakeholders might want to make in response to ongoing transformations in the international agricultural trade regime, along with relevant changes in commodity markets, countries' comparative advantage, and agricultural value chains.

The project will utilize a participatory process of analysis and intervention to assist country-based stakeholders in identifying, considering, and implementing policy, institutional, and practice options that minimize the impacts and maximize the opportunities (with regard to environmental sustainability, poverty reduction, and income distribution) associated with likely changes in agriculture and trade. Initially, it will be carried out in three countries - Brazil, Kenya, and Vietnam – through direct collaboration with WWF offices and other local partners. The IPC and its partners are seeking opportunities to expand the project to other countries based on their relevance, importance, and interest to the project.

Animal Agriculture

The IPC will assemble a Task Force of experts to assess the impact of public and private sector policies on the sustainable production, demand and trade in live animals and livestock products. The Task Force will focus on animal health and welfare, public health, food safety, environmental, and technology policies at the national and international level

The Task Force will be comprised of individuals with an economic interest in livestock production – farmers, food companies, retailers, and other users of animal products – and those that serve the livestock industry – veterinary product and feed suppliers. Task Force Members will also include representatives from non-governmental and intra-governmental organizations in the areas of animal health, animal welfare, and the environment.

The Task Force will commission papers from experts, which will be presented at a workshop in September 2005. The papers will analyze the effects of policies aimed at addressing animal agriculture issues on production, consumption and trade in livestock products. The initial focus will be on beef, pork and poultry production. Papers addressing related topics outside the scope of the core Task Force program may also be developed to complement the study. The Task Force will present its initial report to the IPC, then develop policy recommendations for the public and private sectors based on the IPC discussion.



IPC Member Profile - Cargill Executive, Robbin S. Johnson

Robbin Johnson is currently Senior Vice President, Corporate Affairs at Cargill. In that role he works with the senior leadership team on public policy and communications strategies. He joined Cargill in 1971, was named an assistant vice president in 1976, vice president, Administrative Division, in 1982 and elected Corporate Vice President, Public Affairs, in 1993. He graduated from Yale University in 1968 with a bachelor's degree, did graduate study as a Rhodes Scholar at Oxford University in England from 1968 to 1970 and attended Yale Law School from 1970 to 1971. He is a past chair of the U.S. Feed Grains Council and belongs to the Council on Foreign Relations.

Technology

In 2004 the IPC's technology programming continued to look at trade policy issues associated with research on and commercialization of GM technology. Members also began to look at the impacts that the Cartagena Protocol on Biosafety – which entered into force in late 2003 – might have on world agricultural trade.

GM Technology: Assessing the issues confronting developing countries

In July the IPC released a discussion paper exploring the issues that developing countries face in the development, use and trade in GM crops and the role that the private sector, on its own and through public-private partnerships could play in increasing opportunities and reducing risks.

// Reducing the risks from climate, weather, pests and disease provides a proportionately larger benefit for very poor consumers and farmers for whom a single bad harvest could mean starvation and economic ruin. //

While GM technology raises some unique issues for developing countries, most of the issues are no more or less challenging than those raised by conventional crop production methods. As with any crop, products of GM technology must be evaluated for their safety and utility. The IPC's paper offers some specific recommendations that could enhance the opportunity for development of products that address

the needs of developing countries and the regulatory and institutional hurdles they face. www.agritrade.org/Publications/IBs/gmt&dc.pdf

Potential Impacts of the Biosafety Protocol on Agricultural Commodity Trade

In collaboration with the International Grain Trade Coalition (IGTC), the IPC published a study that looked at the potential economic impacts of the Biosafety Protocol's requirements for transboundary shipment of living modified organisms (LMOs) and non-living modified organisms on international grain trade. Dr. Nicholas Kalaitzandonakes of the University of Missouri – Columbia, was commissioned to author the study.

Signatories of the Biosafety Protocol (BSP) are currently in the process of developing the guidelines for its implementation. At the November Plenary Meeting in Buenos Aires, IPC Members discussed the issues surrounding the BSP's implementation. During that discussion, Members expressed grave concerns that the potential implications for the agricultural trade system, in particular for importing and developing countries, were not well documented or understood by those



IPC Member Profile - Jikun Huang

Jikun Huang is founder and director of the Center for Chinese Agricultural Policy, Chinese Academy of Sciences. Dr. Huang's research and publications cover a wide range of issues relating to China's agricultural and rural economy. He has received a number of awards and prizes from China's government including: Top Ten Outstanding Youths of the Chinese Academy of Agricultural Sciences and the Distinguished Scientist Award from the Ministry of Agriculture. He has received Outstanding Scientific Progress Awards from the Ministry of Agriculture on four occasions.

making the decisions on the BSP. IPC Members were also concerned that policy makers do not know who will bear the costs of implementation, what the unintended consequences might be, or whether the implementation options being considered were necessary to achieve the objectives of the BSP. www.agritrade.org/Technology/BSP.htm

Upcoming Decisions on Biosafety Protocol Could Sharply Increase Food and Feed Costs

In 2005, signatories to the Biosafety Protocol will make critical decisions about how to regulate trade in Living Modified Organisms (LMOs) destined for food, feed and processing. Depending on the decisions governments make – about labeling, testing, thresholds and unapproved events – in the coming months, the additional cost of shipping maize, soybeans, canola and cottonseed could significantly increase the cost of food and feed to the world’s consumers.

While most of these additional costs would be borne by a handful of large countries that import the largest volume of food and feed grains, a disproportionate share of the costs would fall on consumers in smaller developing and least developed countries, who are least able to afford higher food and feed bills. Based on a study authored by Professor Nicholas Kalaitzandonakes, the IPC finds that:

- If all 3,575 export cargoes of maize from the United States and Argentina were sampled and tested only once at loading, the total cost to indicate a cargo “may contain” LMOs would be \$1 million (US). If exporters are required to identify and quantify individual varieties, as some countries have proposed, the labeling and testing costs for maize alone, from only these two countries of origin, could quadruple to \$4.4 million (US) annually.
- If laboratory tests at the export origin must be confirmed at the import destination, testing costs alone would double and there would be additional costs to cover delays. Laboratory tests for LMOs generally require a five to seven day turnaround. Each day a ship waits to unload in port costs approximately \$30,000. These delays would be longer for developing countries and would add millions of dollars in demurrage costs paid by developing countries.
- Because testing is a statistical procedure, it is practically certain that tests performed at the point of export will not be confirmed by tests at the point of import, even if the same sampling procedures are used. If cargoes have to be redirected because tests results differ, there would be additional costs in terms of port delays, travel and insurance costs.

These cost estimates are based on case studies of two commodities (maize and soybeans), from two major exporters with fairly sophisticated marketing systems (the US and Argentina). The BSP will directly affect trade in four of the eight crops that dominate world commodity trade (canola, cottonseed, maize and soybeans). To date only nineteen countries have established regulatory systems and have approved LMOs for import. Depending upon the decisions the parties to the Protocol make in the coming months, its implementation could require vast and costly changes in the way commodities are produced, harvested, transported and shipped.

It is premature for governments to make such far-reaching decisions without evaluating the costs of different options, understanding the magnitude of these costs, and knowing who will bear those costs. It is equally important, before such costs and disruptions are imposed on the world’s consumers, farmers and traders, to determine whether these additional costs are necessary to achieve the objectives of the BSP.

2005 Programming

Biosafety Protocol

The IPC's study on the Biosafety Protocol was presented to international audiences throughout early 2005: at the IPC's European Office in Brussels; to WTO delegates in Geneva; at the World Food Program (WFP) and the Food and Agriculture Organizations of the United Nations (FAO) in Rome; to delegates to the Meeting of Technical Experts to the Biosafety Protocol in Montreal; at the Canadian Grains Council meeting in Ottawa; to the Inter-American Institute for Cooperation in Agriculture (IICA) in Buenos Aires; to the Private Sector Forum at the APEC meeting in Seoul; and the Interagency Biotechnology Working Group and AgBiotech Forum in Washington, DC.

The IPC and IGTC will continue to present the findings of Dr. Kalaitzandonakes's study at international events. Representatives from IPC and IGTC will also regularly attend meetings of the parties and technical experts of the BSP as implementation decisions are made. An analysis of the potential costs of BSP implementation for twelve importing developing countries will be presented to the Meeting of the Parties in summer 2005. The IPC is also exploring the preparation of additional case studies looking at potential implementation costs for China, India and Brazil.

Core Program

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Plenary Meetings and Seminars

33rd Plenary Meeting – Brussels, Belgium

The 33rd IPC Plenary Meeting was held May 15-17 in Brussels, Belgium. Members and invited guests shared news on the WTO negotiations from the perspectives of their respective countries and industries. IPC Member Emeritus Stefan Tangermann, who currently serves as the Director of Agriculture for the OECD, gave an inside perspective on the recently completed spring meetings, of the OECD, which witnessed a revitalization of the Doha Round negotiations. IPC Members from Bunge, Monsanto and Syngenta gave an update on the important issues in biotechnology. Jerzy Plewa, then Poland's Deputy Minister of Agriculture and IPC Member, Csaba Csaki of Hungary, shared their expectations of what the European Union's enlargement would mean for European agricultural and trade policy.

The IPC also launched its project on animal agriculture at the meeting, with a discussion on the emerging issues in animal agriculture. The discussion covered animal health issues, animal welfare issues, and issues affecting animal feed. The discussion formed the basis for ongoing work on animal agriculture.

Members also discussed draft position papers and issue briefs on Special and Differential Treatment (published in September, see page 4), trade remedies in agriculture (published in July, see page 4), commodity market instability, and agricultural trade liberalization and poverty alleviation (to be published in 2005).

IPC Spring Seminar

Agricultural Trade Negotiations: Politics and Prospects

The agricultural negotiations remained one of the most contentious aspects of the Doha Round negotiations throughout 2004. After the collapse of the Ministerial Meeting in Cancun in September 2003, negotiators in Geneva and officials in capitals pushed to get the Round back on track, aiming to establish a framework for the agricultural negotiations by the end of summer. The IPC's Spring Seminar, *Agricultural Trade Negotiations: Politics and Prospects*, looked at how the political environment in national capitals was influencing negotiating frameworks and negotiators' mandate for further reform.

Also in Spring 2004, disputes resolution panels at the WTO were considering the cotton, sugar and Canadian Wheat Board cases. The IPC's Spring seminar took place just as the official opinions of these panels were about to be issued.

// Not only does each country have to find a balance within its own political situation, but all other countries are seeking that same balance, and negotiators have to find a balance among all of those. //

**-- Joe O'Mara, former US
Agricultural Trade Negotiator**

// Results in agriculture will be a catalyst to the work that remains. //
**--Carlos Perez del
Castillo, former WTO
General Council Chair**

Speakers analyzed the impact that the cases' outcomes could have on the political environment, the policy environment and the negotiating objectives of the instigating and target countries.

[www.agritrade.org/Brrussels/
BruSeminar.htm](http://www.agritrade.org/Brrussels/BruSeminar.htm)

European Office Launch

In conjunction with the Plenary Meeting and Seminar, the IPC formally launched its European Office in Brussels. IPC Vice-Chairman, Piet Bukman, former Minister of Agriculture, of Trade and of Development Cooperation in the Netherlands will represent the IPC in Europe.

The IPC established the European Office to maintain regular interaction with European government officials, agribusiness representatives, and food producer and processing groups. The IPC plans to hold regular seminars and briefings in Brussels featuring IPC Members' analysis of contentious issues including agricultural trade negotiations, trade and development, the environment and agricultural technology.

34th Plenary Meeting – Buenos Aires, Argentina

In October, IPC Members Jorge Zorreguieta and Marcelo Regunaga hosted fellow Members at the 34th IPC Plenary meeting in Buenos Aires. At the Plenary Meeting, IPC Members and invited guests discussed the ongoing WTO agricultural negotiations, including an analysis of the WTO's July Framework Agreement for agriculture, and other agricultural policy developments in their respective countries.

IPC Members also heard from Professor Nicholas Kalaitzandonakes of the University of Missouri-Columbia about the potential implications of the Biosafety Protocol on international commodity trade. Draft publications on South-South Trade and the relationship between trade and poverty alleviation were discussed, and Members debated the terms of reference authored by David Wilkins of the World Society for the Protection of Animals, for the IPC's study of issues in animal agriculture.

IPC Fall Seminar – Issues in South American Agriculture

The IPC's Fall Seminar, *Issues in South American Agriculture* covered a variety of issues of particular importance to South American agriculture, but which have lessons for the agricultural system in other countries as well as for the world trading system. Speakers from South American and international food agribusiness firms discussed the impact of regional integration on trade and investment in the agricultural sector and experienced trade negotiators and policy makers discussed the status of the Doha Round agricultural negotiations. The evolution of global biotechnology was presented by representatives from the public and private sector, and emerging issues in animal agriculture were discussed by leaders in animal health and animal welfare. www.agritrade.org/Plenary/BA/BA_Seminar.htm

// While trade has played an important role in developing country development, it is not playing the role that economic theory would ascribe to it. This is partly a consequence of the unbalanced result of the Uruguay Round. Trade is a wonderful instrument for growth when complemented by other policies for economic development, reduction of inequality and promotion of global stability. In order to achieve the gains held out by Adam Smith and David Ricardo, the appropriate rules must be in place. // --Roberto Lavagna, Argentine Minister of Economy and Production



IPC Member Profile - Marcelo Regunaga

Mr. Regunaga is a former Secretary of Agriculture, Livestock, Fisheries and Food for Argentina. He also served as Secretary of Industry, Commerce and Mining and was a negotiator for Argentina in the Uruguay Round. He is currently the Coordinator of the Unit of Agribusiness and Alimentary Industry of the Center of Management Education at the University of San Andres.

European Office Activities

In May the IPC opened a European Office in Brussels. A formal dinner officially launching the Office was held in conjunction with the Brussels Plenary Meeting (See page X). IPC Vice-Chairman, Piet Bukman will serve as IPC's representative in Europe. IPC Members decided to open a European Office in order to more efficiently maintain communication between the IPC and European Officials as well as with international institutions headquartered in Europe.

In 2005 and beyond, the staff at the European Office will periodically organize seminars in Brussels, manage the distribution of the IPC's analysis to government officials and media throughout Europe, organize meetings between European Parliament and Commission Officials and IPC Members and staff, serve as a liason for European Members and Supporters, and keep IPC Members apprised of European agricultural and trade policy news.

European Office Seminar

In November, just after the United States Presidential elections, the IPC's European Office organized a seminar featuring IPC Vice Chairman, Piet Bukman, IPC Chairman, Robert L. Thompson, Charles Hanrahan, Senior Agricultural Specialist at the United States Library of Congress and Rolf Moehler, IPC Member and former Deputy Director General for Agriculture at the European Commission. The speakers presented their opinions of what the recent election would mean for the Doha Round agricultural negotiations and domestic agricultural policies more generally.

Event Summary

Presidential elections in the US: Implications for Agricultural Trade

IPC Chairman, Robert L. Thompson highlighted several factors that will influence the President Bush's position on agricultural trade:

1. The farm lobby is strong and will be active as debate on the 2007 Farm Bill begins.
2. Agricultural spending must be reduced by \$2 billion over the next two years.
3. Bush must now consider his legacy rather than re-election, which might encourage him to promote freer trade and multilateralism.

Thompson stressed that Congressional elections are just as important as the presidential election. Next year the United States Congress will have to decide whether to extend Trade Promotion Authority for another two years, and will discuss whether the US will remain in the WTO at all. Influential supporters of special agricultural interests from both parties have been elected, which could result in reluctance to support a progressive trade agenda in Congress.

Hanrahan contended that agriculture would not be a priority for the Bush administration before 2006 when a new Farm Bill must be written. In the meantime, the administration will continue to focus on security issues.

Moehler asserted that today, success in all trade negotiations largely depends on a balanced agreement in agriculture. The European Union and the United States are closer than ever on many aspects of agricultural policy, but some areas of disagreement remain (e.g., GMOs), which have the potential to trigger a "culture clash" between the two giants.

Membership

New Members

The IPC welcomed five new members in 2004. Guy Legras of France, Eugenia Serova of Russia and Ajay Vashee of Zambia became IPC Members after the spring Plenary Meeting in Brussels. In December, Franz Fischler of Austria joined the IPC after completing his term as European Commissioner for Agriculture and Cal Dooley joined after his retirement from the United States Congress.

Cal Dooley, United States

Cal Dooley is President and Chief Executive Officer of the Food Products Association (FPA), formerly the National Food Processors Association. The Food Products Association is the largest trade association serving the food and beverage industry in the United States and worldwide. FPA's laboratory centers, scientists and professional staff provide technical and regulatory assistance to member companies and represent the food industry on scientific and public policy issues involving food safety, food security, nutrition, consumer affairs and international trade.



Prior to being named FPA's President and CEO, Dooley served as a Member of the U.S. House of Representatives from 1991 to 2004, representing the 20th District of California. He served on the House Agriculture Committee, as well as the House Resources Committee. Dooley was a founder of the New Democrat Coalition, an organization of centrist, pro-growth Members of Congress dedicated to finding bipartisan solutions. The Coalition has grown into the largest group of Members in the Democrat Caucus, and played a major role in building support for policies advancing trade, technology and education reform. As a Member of Congress, Dooley was a leader in promoting a pro-trade agenda, and he was instrumental in securing passage of Trade Promotion Authority. He was honored by the Washington International Trade Foundation with its prestigious Distinguished Service Award, and was twice recognized by Consumers for Free Trade for his strong support for international trade.

Congressional Quarterly named Dooley one of the House's most influential "Power Players," in recognition of the breadth and effectiveness of his leadership in Congress. He is a fourth-generation farmer and partner in Dooley Farms, growing cotton, alfalfa and walnuts at his farm in California's San Joaquin Valley.

Franz Fischler, Austria

Franz Fischler's career as a representative of the agriculture sector began in 1979 when he joined the Tyrol Chamber of Agriculture. He dealt with environmental issues, education and training, culture and land-use planning until 1984, when he became Director of the Chamber. In 1989 he was appointed Federal Minister of Agriculture and Forestry. In that capacity he played an important part in the negotiations for Austria's accession to the European Union. In 1990 and again in 1994, he was elected to the Austrian Parliament but did not exercise his mandate as an MP because of his ministerial post.



From 1995 to 1999 he was European Commissioner for agriculture and rural development. After his second appointment to the Commission in September 1999, he became responsible for Community fisheries policy as well. His greatest achievement as Commissioner was to durably change the face of European Agriculture. He successfully convinced European Agriculture Ministers to make deep reforms to the Common Agricultural Policy (CAP) with Agenda 2000 and the 2003 CAP Reform, by reinforcing farmers' reliance on the market and respect of environmental, quality and

animal welfare standards. These changes made the CAP more acceptable for the EU's trading partners and will facilitate negotiations in the Doha Round. Fischler completed his mandate as European Commissioner for agriculture and rural development in November 2004.

Guy Legras, France

After several positions in the French civil service, notably as Counsellor in the country's Permanent Representation to the EU, Guy Legras became Director General of the European Commission's Directorate General for Agriculture in 1985. As such he had responsibility for administrating the various commodity markets as well as the EU's agriculture budget of nearly EUR 42 billion. He played an essential role in participating in the Uruguay Round's agricultural negotiations for the European Commission.

In 1999, he became Director General for of the European Commission's External Relations DG, a position which he held for four years (until September 2003) and which led him to represent the European Commission across the world.

Eugenia Serova, Russia

Eugenia V. Serova is currently head of the Agrarian Policy Division of the Institute for Economy in Transition in Moscow, Russia. She also serves as President of the Analytical Centre of Agri-Food Economics and a Professor and Chair at the Higher School of Economics. From 1991 to 1994, Ms. Serova was Economic Advisor to the Russian Minister of Agriculture. Prior to 1991, Ms. Serova served as an Agricultural Sciences Senior Researcher and Learned Secretary at the All-Union Academy of Agricultural Sciences.



Currently, Ms. Serova is a Member of the Scientific Committee of the Institute of Agricultural Development in Central and Eastern Europe (IAMO), a Member of the Editorial Advisory Board of the Quarterly Journal of International Agriculture, a Member of the Executive Committee of European Association of Ag. Economists (EAAE) and the Liaison Officer of the EAAE in Russia, the Representative of the International Association of Agricultural Economists (IAAE) in Russia and a member of the Steering Committee of the World Bank's "International Assessment on the Future Role of Agricultural Science and Technology in Reducing Hunger and Improving Rural Livelihoods."

Ajay Vashee, Zambia

In addition to operating his dairy farm and dairy processing plant in Ndola, Zambia, Ajay Vashee is a leading African farmer leader. He currently serves as President of the Zambian National Farmers Union (ZNFU). Vashee was instrumental in the foundation in 1992 of the Southern African Confederation of Agricultural Unions (SACAU), a loose federation of farmers' organizations in Zambia, Zimbabwe, South Africa and Namibia and serves as President of that organization as well.

Vashee regularly speaks on African agricultural and trade policy issues at major international conferences. He provides input on agricultural and trade policies to the Zambian government. He was a member of Zambia's delegation to the WTO Ministerial Meetings in Seattle and Cancun and works closely with the International Trade Department on regional, bilateral and multilateral trade negotiations, in particular the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Conference (SADC), the Economic Partnership Agreement (EPA) with the European Union, as well as WTO negotiations. He represents ZNFU and SACAU in several international organizations, including as a Member of the Executive Committee of the International Federation of Agricultural Producers (IFAP).

Emeritus Members

Three IPC Members moved to Emeritus status in 2004.

Devi Dayal, former Trustee, National Institute of Agriculture, India

Dean Kleckner, Chairman, Truth About Trade & Technology and former President, American Farm Bureau Federation, United States

Liberty Mhlanga, Farmer and former General Manager and Director, Agricultural and Rural Development Authority, Zimbabwe

IPC Roundtable Discussions: Topics in Trade

Throughout 2004, Members of the Council presented their perspectives on topical agriculture and trade policy issues at the IPC's headquarters in Washington, DC. Audiences included leaders from trade associations, the Washington, DC offices of major food and agribusinesses, and representatives from foreign embassies and US government offices.

The Americas

In February, the IPC hosted former Argentine Secretary of Agriculture, Marcelo Regunaga. Regunaga briefed members of the Washington agricultural community on issues affecting agriculture and trade in the Americas and on biotechnology issues.

Topics in Trade: The Americas – Event Summary

IPC Member and former Argentine Secretary of Agriculture, Marcelo Regunaga explained that Argentina and other developing countries expected to see a lot of benefit from the Uruguay Round negotiations, but were disappointed. At the launch of the Doha Development Round, Argentina's stance was, 'no agreement is better than another bad agreement.' In the run up to Cancun, most parties in Argentina with a stake in the negotiations supported this position.

Regunaga explained that changes in the Cairns Group have led Argentina and others to focus more on the G20, but he noted that Argentina's real positions are closer to those advocated by the Cairns Group. In particular, Regunaga criticized the G20's position on market access, but he emphasized the importance of the Group as a strong voice for developing countries.

Regunaga also discussed Argentina's position on biotechnology. In his opinion, Argentina must focus on implementing domestic policies to improve competitiveness. He explained that Argentina is able to accept new technologies easily because of the domestic policies that were established in the early 1990s, but also because Argentina's climate is similar to the United States where many of the products are developed.

He noted that almost 100% of Argentina's soy crop is genetically modified, as is about 50% of the corn. With the use of biotech soya, Argentine farmers are using better land-management practices, have reduced costs of production and increased income. *The full report is available at www.agritrade.org/Brown%20Bag%20Series/Regunaga%20Summary.pdf*

The European Union

Rolf Moehler, Former Deputy Director General of the European Commission Directorate General for Agriculture also spoke at IPC headquarters in February. Mr. Moehler discussed CAP reform, European Union enlargement and how Europe sees the Doha Round negotiations.

Topics in Agricultural Trade: The European Union – Event Summary

IPC Member and former EU agricultural trade negotiator and European Commission official, Rolf Moehler, gave background on the EU's Common Agricultural Policy (CAP) and its past reforms. He explained EU Agriculture Commissioner, Franz Fischler's commitment to moving away from product support toward single, direct payments under the Agenda 2000 and Mid-Term Review reforms. Moehler emphasized the difficulty Fischler faced in carrying out such a reform. He suggested that the fact that this accomplishment is not always appreciated discourages further reform.

Moehler noted that on May 1st, the European Union will become larger by ten members. In most of the new member states the contribution of agriculture to GDP and the percentage of total employment in the agricultural sector is greater than the current EU average. The number of farmers in the EU will increase dramatically and the average size of a farm in Europe will fall. This will put a great deal of budgetary pressure on the Union.

Moehler outlined the EU's position in the Doha Round. He indicated that enlargement will not change the European Union's position in the WTO negotiations immediately. However, the new members may decide in the future that the Union's position would require too much reform too quickly. *The full report is available at www.agritrade.org/Brown%20Bag%20Series/Moehler.pdf*

The Cotton, Sugar and Wheat Board Cases: What do they mean for agricultural negotiations?

In June, Timothy Josling, one of the most highly respected experts on agricultural and trade policy, shared his opinions of what the rulings on the cases submitted to the WTO disputes resolution process against the EU sugar regime, the US cotton program and the Canadian Wheat Board would mean for the Doha Round agricultural negotiations and for national agricultural policies more generally.

// The blurring of distinctions between boxes and pillars in panel decisions could create a two-track system where the boxes are irrelevant for the purposes of litigation, but the box system continues to play a central role in the negotiations. //

--Timothy Josling

After the WTO Panel's initial decision on the cotton case was formally released on June 18th, the IPC released a special brief entitled, *The Cotton Panel: Implications for US agricultural policy and the WTO negotiations*, which was based on Josling's June presentation as well as his presentation at the Spring seminar in Brussels (see page 18) and those of Mark Lange, President of the National Cotton Council of America and Pedro de Camargo, former Brazilian Secretary of Production and Trade. *The full report is available online at www.agritrade.org/Doha/Cotton/Cotton.html.*

IPC Member Profile - Board Member Pedro de Camargo

Pedro de Camargo is formerly Secretary of Production and Trade for the Brazilian Ministry of Agriculture where he was responsible for agriculture negotiations in the WTO, FTAA, MERCOSUR and other bilateral agreements. He is Past Vice President and Past President, Sociedade Rural Brasileira, private sector representative in the National Council for Agricultural Policy of the Ministry of Agriculture and is active in Mercosul, IFAP, and the Assembleia das Entidades Silvoagropecuarias do Cone Sul.



Membership of the International Food & Agricultural Trade Policy Council 2004

Robert L. Thompson, Chairman. Gardner Chair in Agricultural Policy, University of Illinois-Urbana Champaign; and former Director, Rural Development, World Bank; President, Winrock International; Dean of Agriculture, Purdue University; and Assistant Secretary of Economics, USDA. (United States)

Piet Bukman, Vice Chairman. Former Dutch Minister of Agriculture, Minister of Trade, Minister of Development Cooperation, and former President, Dutch Farmers Union. (The Netherlands)

Africa/North Africa

Ahmed Goueli. Director General, Council of Arab Economic Unity. Egypt.

Liberty Mhlanga. Farmer and former General Manager and Director, Agricultural and Rural Development Authority. Zimbabwe.

Ajay Vashee. President, Southern African Confederation of Agricultural Unions. Zambia.

Asia

Devi Dayal. Trustee, National Institute of Agriculture. India.

Hiroshi Shiraiwa. Former Counselor, Japan International Agricultural Council and former Director, Mitsui & Co. Japan.

Huang Jikun, Director, Center For Chinese Agricultural Policy, Chinese Academy of Sciences. China.

Jiro Shiwaku. President, Agriculture and Fisheries Co-op Savings Insurance Corporation and former Vice-Minister for International Affairs, Ministry of Agriculture, Forests and Fisheries. Japan.

Raul Q. Montemayor, National Business Manager, Federation of Free Farmers Cooperatives. Philippines.

Oceania

Brian Chamberlin. Former President, Federated Farmers of New Zealand and former Agricultural Trade Envoy. New Zealand.

Europe

Per Pinstrup-Andersen. Professor, Cornell University, former Director General, International Food Research Policy Institute and World Food Prize Laureate. Denmark.

Bernard Auxenfans. Managing Director, Kincannon and Reed and former Chairman, Monsanto Europe-Africa. France.

Csába Csáki. Member, Monetary Board, Hungarian National Bank. Hungary.

Franz Fischler. Former Commissioner for Agriculture, European Commission. Austria.

Heinz Imhof. Chairman, Syngenta Agricultural Company. Switzerland.

Hans Jöhr. Corporate Head of Agriculture, Assistant Vice President, Nestlé Company. Switzerland.

Timothy Josling. Senior Fellow and Professor Emeritus, Institute for International Studies, Stanford University. United Kingdom.

Guy Legras. Former Director General for Agriculture and for External Relations, European Commission. France.

Rolf Moehler. Former Deputy Director General for Agriculture. European Commission. Germany.

Michel Petit. Professor, National Agricultural Economics Institute. Former Director, Rural Development, World Bank. France.

Henry Plumb. Former President, European Parliament. Former President, National Farmers Union. United Kingdom.

Eugenia Serova. President, Analytical Center of Agri-Food Economics. Russia.

North America

Allen Andreas. Chairman, Archer Daniels Midland Company. United States.

Andrew Burke. Managing Director, Soy Ingredients and New Business Development, Bunge Ltd. United States.

Luis de la Calle. Former Undersecretary for International Trade Agreements. Mexico.

Cal Dooley. President and CEO, National Food Processors Association (NFPA) and former Member, United States House of Representatives. United States.

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

Dale Hathaway. Former Undersecretary for International Affairs and Commodity Programs. United States.

Robbin Johnson. Senior Vice President and Director, Corporate Affairs, Cargill. United States.

Dean Kleckner. Chairman, Truth About Trade & Technology and former President, American Farm Bureau Federation. United States.

C. Joe O'Mara. Former Special Agricultural Trade Negotiator. United States.

James Starkey. Vice President, Universal Corporation and former Deputy Undersecretary for International Affairs & Commodity Programs. United States.

Jerry Steiner. Executive Vice President, Monsanto Company. United States.

Donald Nelson. Vice President of International Business Relations, Altria Corporate Services. United States.

Central and South America

Pedro de Camargo. Former Secretary of Production and Trade, Ministry of Agriculture. Brazil.

Néstor Osorio. Executive Director, International Coffee Organization. Colombia.

Marcelo Regunaga. Former Minister of Agriculture. Argentina.

Anthony Wylie. Executive Director, Qualitec. Former Director-General, Fundación Chile. Chile.

Jorge Zorreguieta. President, Argentine Sugar Growers Association. Former Secretary of Agriculture. Argentina.

IPC Officers

Tamara White. IPC Secretary and Treasurer. Director of Commodities, Illinois Farm Bureau.

Marcia Wiss. IPC Counsel and Assistant Secretary. Partner, Hogan & Hartson, LLP.

IPC Secretariat

M. Ann Tutwiler. Chief Executive.

Kari Heerman. Communications Director.

Christin Cogley. Program Manager.

Todd McClay. European Office Director.

Michel Baumgartner. Program Officer, Europe.

Matthew Straub. Policy Associate.

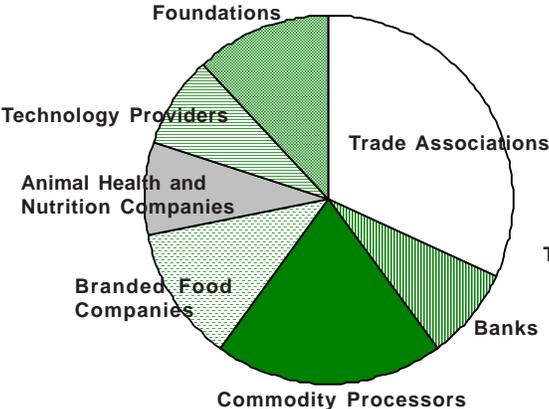
Steve Shin. Intern.

Financial Support

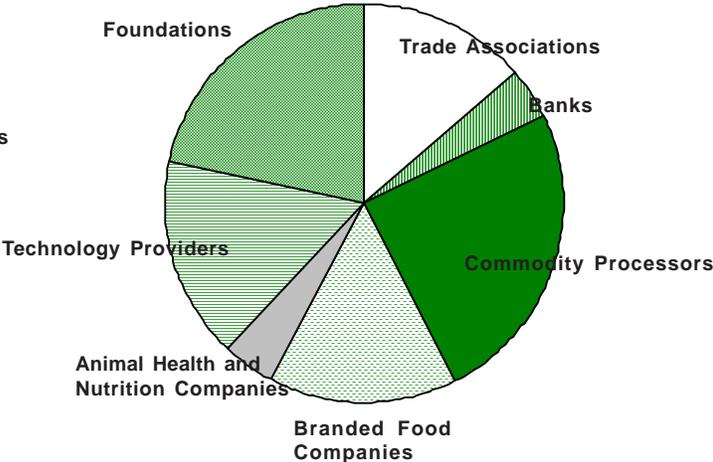
Funding for the IPC's operations and activities comes from a diversity of funding sources - from food and agribusinesses, trade associations, governments, foundations and other sources. No one funder's annual contribution exceeds \$35,000 - or 4.7% of total 2004 revenue. This diversity of funding allows the IPC to maintain its independence in issuing recommendations, publishing analysis and choosing topics for its substantive programming.

Funding by Sector

By Number of Funders

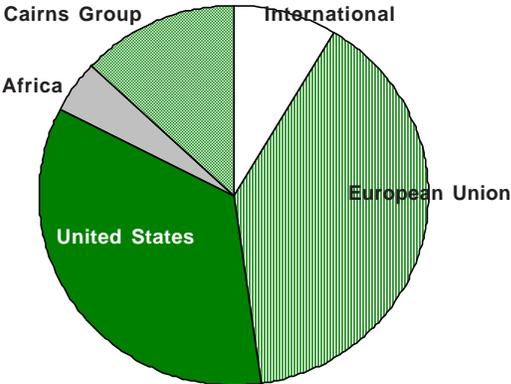


By Share of Funding

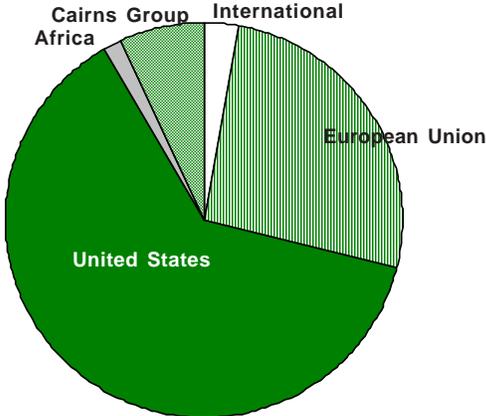


Funding by Geographical Origin

By Number of Funders



By Share of Funding



Structural Support

The IPC increased its structural funding by \$15,000 in 2004.

New Support

Elanco Animal Health, United States - Affiliate Member

ABSA Bank, South Africa - Associate Member

Programming Support

33rd IPC Plenary Meeting and Seminar - Brussels, Belgium

Provimi, The Netherlands

Rabobank, The Netherlands

Monsanto, United States

34th IPC Plenary Meeting and Seminar - Buenos Aires, Argentina

AEA

ACREA

Bolsa de Cereales de Buenos Aires

Bolsa de Comercio de Rosario

Bunge Argentina S.A.

Cargill S.A.C.I.

CARI

CASAFE-Crop Life

Centro Azucarero Argentino

CIARA-CEC

COPAL

CRA

Dow AgroSciences

Fundación Agronegocios y Alimentos

INAI

Molinos Río de la Plata S.A.

Monsanto Argentina S.A.I.C.

Nestle Argentina S.A.

SRA

Sustainability

Nestle, Switzerland

Unilever, The Netherlands

International Development

United States Department of Agriculture

Technology

International Grain Trade Coalition

IPC Structural Funders 2004

Sustaining Members

Altria Corporate Services

Archer Daniels Midland

Bunge, Ltd.

Cargill

Monsanto

Syngenta

Universal Corporation

Affiliate Members

Elanco Animal Health

GrainCorp

Nestle

Rabobank

Unilever

Associate Members

ABSA Bank

Meat New Zealand

Agricultural Engineers Association

Nederlandse Zuivel Organisatie (NZO)

Australian Food and Grocery Council

Netherlands Marketing Board
(Hoofdproductschap Akkerbouw)

CropLife International

Grain and Feed Trade Association (GAFTA)

Provimi

International Fertilizer Industry Association

In Kind Support

The IPC would like to thank those individuals who provide their time and their resources of participate in IPC activities, and to make other in-kind contributions. These contributions effectively increased the IPC's budget by approximately \$75,500 in 2004.

In particular, the IPC would like to thank the Illinois Farm Bureau, Hogan and Hartson, LLP and Monsanto Company for donating the time of IPC Treasurer, Tamara White; IPC Counsel Marcia Wiss, and Behnaz Kibria and Helaine Perlman; and Rapporteur, Tara Smith. The Canadian Federation of Agriculture and The Washington Internship Program supported the IPC's 2004 interns, Matthew Straub and Steve Shin. The IPC Staff would also like to thank Members Marcelo Regunaga and Jorge Zorreguieta for their work finding support for the 34th IPC Plenary Meeting and Seminar in Buenos Aires.

33rd IPC Plenary Meeting and Seminar, Brussels – approximately \$39,000

Agricultural Engineers Association	Archers Daniel Midland Company
Bernard Auxenfans	Piet Bukman
Bunge	Cargill, Inc.
Charles J. O'Mara and Associates	CropLife
Elanco Animal Health	Euroa Farms
Fonterra	Hogan and Hartson, LLP
Illinois Farm Bureau	Institute Agronomique Méditerranéan
International Coffee Organization	Japan Meat Technology Institute
Rolf Moehler	Nederlandse Zuivel Organisatie
Nestle	OECD
Public Strategies, Inc.	Rabobank
Hiroshi Shiraiwa	Unilever
Universal	The World Bank

34th IPC Plenary Meeting and Seminar, Buenos Aires – approximately \$34,500

ABSA Bank	Australian Food and Grocery Council
Bernard Auxenfans	Piet Bukman
Bunge, Limited	Euroa Farms
Fonterra	GAFTA
Hogan and Hartson, LLP	Institute Agronomique Méditerranéan
Inter-American Institute for Cooperation on Agriculture	Japan Meat Technology Institute
Rolf Moehler	Monsanto
Nestle	Hiroshi Shiraiwa
Syngenta International AG	Truth About Trade and Technology
Unilever	The World Bank
Anthony Wylie	

Technology – approximately \$3,000

International Grain Trade Coalition

Financial Information

The IPC's expenses for FY2004 totaled \$599,834 and the IPC's income totaled \$743,344. Expenses for FY2003 were \$481,007 and income was \$485,378. This increased level of funding is due to the significant efforts of many IPC members to introduce the organization to prospective members and the initiation of several short- and long-term projects.

The FY2004 income includes \$40,000 to initiate a Reserve Fund to balance the IPC's operation cash flow and to leverage investment in new projects. A line of credit was established based on this fund.

Statement of Support, Revenue and Expenses

Revenues	2002	2003	2004
Corporate Grants	\$307,500.00	\$342,392.00	\$507,168.50
Conference Revenue	\$49,862.12	\$75,670.61	\$67,365.84
Foundation/Government Grants	\$28,500.00	\$62,770.00	\$166,630.30
Other Income	\$7,156.31	\$4,545.69	\$2,179.36
Total Revenues	\$393,018.43	\$485,378.30	\$743,343.96
Expenses			
Salaries and Benefits	\$161,369.89	\$230,799.86	\$258,866.79
Professional Fees	\$10,359.36	\$24,955.40	\$58,416.54
Conference Costs	\$61,191.01	\$58,702.32	\$83,257.36
Travel & Lodging	\$63,814.39	\$99,623.97	\$94,046.52
Publications	\$24,254.57	\$15,752.04	\$29,208.52
Communications	\$8,807.89	\$19,366.59	\$9,208.00
Rent & Supplies	\$13,853.49	\$21,391.31	\$47,926.57
Insurance	\$8,456.53	\$6,131.23	\$7,686.35
Miscellaneous	\$5,827.18	\$4,284.05	\$11,216.80
Total Expenses	\$357,934.31	\$481,006.77	\$599,833.45
Change in Net Assets	\$35,084.12	\$4,371.53	\$143,510.45

Financial statements are available upon request.

“Promoting an Efficient World Food System”

The International Food & Agricultural Trade Policy Council (IPC) is dedicated to developing and advocating policies that support an efficient and open global food and agricultural system—a system that promotes the production and distribution of food supplies adequate to meet the needs of the world’s growing population, while supporting sound environmental standards.

An independent group of leaders in food and agriculture from developed, developing and least developed countries, the IPC’s members are chosen to ensure the Council’s credible and impartial approach. Members are influential leaders with extensive experience in farming, agribusiness, government and academia.

The IPC develops policy recommendations addressing the critical issues facing the world’s agricultural system. It conveys these recommendations directly to policy-makers and decision-makers around the world through policy papers, seminars, conferences and personal contacts. The IPC’s influence and credibility are derived from its membership, all of whom serve on the Council as individuals, and not on behalf of their institutions. With its broad and diverse membership, the IPC is a microcosm of the interests at stake in global agricultural policy debates.