



Item 6 of the Provisional Agenda
COMMITTEE ON FISHERIES
Sub-Committee on Fish Trade
Sixth Session
Bremen, 3-6 June 1998
FISHERIES COMMODITIES DEVELOPMENT STRATEGY

INTRODUCTION

1. It will be recalled that the Sub-Committee had been informed at its Fifth Session that it was required, in its capacity as designated International Commodity Body (ICB) for fishery products, to adopt a commodity development strategy as a basis for lending or granting resources from the Common Fund for Commodities (CFC) ¹. The Sub-Committee noted that the Strategy for the Development of Fishery Commodities which it had used so far in its cooperation with CFC was based on relevant chapters of the Strategy for Fisheries Management and Development adopted by the FAO World Conference on Fisheries Management and Development in 1984. It agreed that an update of the strategy appeared to be appropriate. Therefore, the Sub-Committee requested the secretariat to draft a document "...which would address the technical aspects of a Strategy for the Development of Fishery Commodities..." ²

2. With the intention to guide its ICBs in this effort CFC has elaborated an outline for the formulation of the strategy, which is reproduced in Appendix 1. Appendix 2 contains

technical elements which may be considered for inclusion in a draft strategy. It will be noted that no attempt has been made yet to include a statistical annex in Appendix 2 as it was felt to be premature to do so before the principal components of the Strategy have been defined and agreed.

MAJOR EVENTS RELEVANT FOR INTERNATIONAL FISH TRADE

3. Since the adoption in 1984 of the Strategy for Fisheries Management and Development and the Programmes of Action, particularly Programme of Action IV International Trade in Fish and Fishery Products, the impact of major events which directly or indirectly influenced international trade in fishery products needs to be taken into account in a new formulation of the Strategy for the Development of Fishery Commodities. These events include developments both within and outside FAO. Events which were mirrored in COFI and the Sub-Committee deliberations and which form part of the reality of international trade in fishery products include:

- a. The realization of the main elements in Programme of Action IV with the establishment of additional independent Regional Fish Marketing Information and Technical Advisory Services, the GLOBEFISH data base and analyses, as well as the establishment of the Sub-Committee and its functioning as a global forum and as ICB for fishery products;
- b. The introduction of HACCP into the international fish trade discussion (1986);
- c. The debate about trade measures concerning fishery products, which contributed to the development of relevant provisions of the Code of Conduct for Responsible Fisheries;
- d. The formulation of a technical assistance programme for fishery commodity development by the Sub-Committee, followed by project financing and co-operation with CFC (1988 to date);
- e. The debate on CITES criteria for listing of species and the convening of the Kyoto Conference on the Sustainable Contribution of Fisheries to Food Security;
- f. Environmental concerns over fish trade, flowing from such fora as the United Nations Conference on Environment and Development (UNCED), and CITES, and contributing to the results of the World Food Summit (1996);

4. Major events outside FAO include notably the establishment of the World Trade Organization (WTO) and the adoption of the various agreements and decisions connected with it. These were considered by the Sub-Committee at its Fifth Session and more recent information is contained in document COFI:FT/VI/98/2. In the current context it should be sufficient to mention that the FAO Secretariat has elaborated a programme for technical assistance as a follow-up to the Uruguay Round, which follows two lines of action:

- a. Assisting countries to build capacity for implementing the agreements so far adopted, and
- b. Preparing them for possible future negotiations.³

SUGGESTED ACTION BY THE SUB-COMMITTEE

5. The Sub-Committee is invited to comment on the elements for a draft Strategy for the Development of Fishery Commodities and to add or delete items or to refine them as appropriate. Possible amendments should be formulated not only keeping in mind the role of the instrument as a basis of co-operation with CFC but also in the light of developments elsewhere which the Sub-Committee may consider as pertinent for its own function and future role. Its advice is requested with regard to the further elaboration of the Strategy and its eventual submission to CFC. Also, views are sought with regard to CFC suggestion that the strategy paper should be reviewed every four years and updated if required by changing circumstances.

APPENDIX 1

COMMON FUND FOR COMMODITIES REPORT 1996, PAGES 64 AND 65 "MAIN ELEMENTS OF A COMMODITY STRATEGY"

Introduction

The Common Fund for Commodities agreed on a standard format for a Commodity Strategy to be formulated by all recognised International Commodity Bodies (ICBs). Commodities play a vital role in the economies of many Developing Countries, particularly the Least Developed and Low Income Countries; the Common Fund, therefore, pays special attention to this group of countries. The rationale for a commodity strategy is to identify suitable measures (action plan) to enhance the structural conditions in markets and the long term competitiveness and prospects of commodities.

The commodity strategy by an ICB should address the issues of the commodity from an overall point of view. The strategy should be reasonably brief (not more than five pages in total including annexes). There should be an indication which problems and/or measures would be given priority. The strategy paper should be reviewed every four years and updated if required by changing circumstances.

Elements of a Commodity Strategy

A commodity strategy paper shall encompass the following elements:

(i) Brief Profile of the Commodity

A brief description, not exceeding one page, shall be given of the main structural aspects of the supply and demand situation of the commodity, covering structure of production (large or small producers, geographical distribution, seasonal factors, etc.), structure of consumption (industrial use or end consumer, principal uses, geographical distribution, etc.) trade flows, stocks and prices. Reference should be made to other intergovernmental organizations active in the same commodity or commodities.

(ii) Identification of Prospects and Potential of the Commodity

The ICB should evaluate where it sees the greatest strength of the commodity taking into account advances in production technology and the main characteristics and properties of the commodity, and elaborate which markets, applications and uses would have the highest growth potential.

(iii) Identification of Problems Encountered by the Commodity

The commodity may face difficulties in maintaining its present position or with regard to its future prospects, for instance, as a consequence of structural adjustment affecting conditions of supply and demand and the efficiency of the marketing process. Such difficulties could comprise adjustment to major policy regime changes (e.g., liberalisation of marketing regimes, privatisation, trade policy regime changes, etc.), supply or demand shifts, substitution, rising input costs, appropriate technology, lack of skills, environmental concerns, import or export impediments, etc.

(iv) Identification of Suitable Measures (Action Programme with Priorities) to Develop the Potential of the Commodity and/or Address any Problems

The measures shall contribute to improving the structural conditions in markets and enhancing the long-term competitiveness and prospects of a particular commodity. Examples of possible measures are:

1. Research on and development of new end-uses, development of new plant varieties for higher yield and resistance to disease and climatic adversities, increase in mineral recovery, etc.;
2. Improvement of the international competitiveness of the commodity through higher productivity or reduction of post-harvest losses; improved processing methods; improvements in the quality and technical composition of products; development, adaptation and transfer of technology etc.;
3. Promoting consumption of commodities, their products, by-products and derivatives through stimulation of demand as well as the development and commercialization of new products and opening of new markets;
4. Horizontal and vertical diversification;
5. Improvement of marketing, quality assurance, trading and transport;
6. Sustainability of production and use, environmental concerns.

(v) Identification of Beneficiaries

The measures shall clearly identify the target groups and beneficiaries.

(vi) Statistical Annex

To provide in one or two tables the key statistical indicators of production, consumption, trade, stocks and prices and their development over time, as well as of the importance of

the commodity/commodities covered by the ICB for the economies of producing countries.

APPENDIX 2

ELEMENTS FOR A DRAFT STRATEGY FOR THE DEVELOPMENT OF FISHERY COMMODITIES

1. Profile of Fishery Commodities

Fishery commodities entering international markets are numerous and distinct by species, geographical origin, type of production systems and of quality characteristics and above all covering a wide range of unit prices from the standard fishmeal raw material price of US\$ 50 per MT to US\$ 50 000 per MT of sashimi grade tuna.

World fish production has increased from about 20 million MT in 1950 to approximately 120 million MT in 1996. The principal end uses of this production are human food (70%) and animal feed (30%). However of the amount destined for human food some 15% are wasted, reducing the final amount to 60 million MT. In addition some 20 million MT of fish are caught but subsequently discarded and so do not feature in catch statistics. The share of fisheries production which enters international trade channels has continually increased and can now be assumed to be above 50% in quantity and a global value of US\$ 53 059 million for exports and US\$ 56 685 million for imports in 1996.

Major commodity groups are shrimp, tuna, groundfish, cephalopods, canned small pelagics and fishmeal and oil. Global demand for fishery products is strong in general and likely to grow further due to population and income growth; however, supply reaction may be somewhat inelastic which could result in rising real prices. It should be noted that shrimp, tuna and most groundfish species have above average unit values, i.e. they are the more expensive products which developing country producers can export as fish for funds. Fish for food in developing countries are generally lower priced species including some of the canning and fishmeal raw material.

The Sub-Committee on Fish Trade of the FAO Committee on Fisheries is the only body dealing with technical aspects of fish trade policies and regulations. The affiliated Regional Fish Marketing Information and Technical Advisory Services, i.e. INFOFISH, INFOPECHE, INFOPECA and INFOSAMAK are independent organizations providing marketing information and technical advice. EASTFISH may join this group in a few years time. Other international organizations cover only part of the area or are commodity specific (e.g. the International Fishmeal and Oil Manufacturers Association (IFOMA): fishmeal and oil) or had only sporadic and unsustained efforts (United Nations Industrial Development Organization (UNIDO), International Trade Centre (ITC)). The Sub-Committee on Fish Trade keeps relevant activities of international organizations in the area of international fish trade under regular review.

2. Prospects and Potential of Fishery Commodities

Promising prospects and good potential for development of fishery commodities reside in increasing:

- exports of value added products and benefits from quality products
- aquaculture production for international trade
- participation of developing countries in trade related services

Fishery commodities are usually highly perishable and premiums are paid for product quality. This is at the same time a risk if the requirements of the import markets cannot be met. For successful export production and trade the requirements are a mixture of suitable resources, efficient production handling, preservation, processing and marketing technology and skilled manpower as well as effective support systems e.g. for quality assurance.

3. Problems Encountered by Fishery Commodities

Due to the generally perishable nature of fishery commodities the safeguarding of quality during the entire post-harvest chain of activities is of utmost importance. This requires suitable equipment, appropriate production processes and skilled labour, all of which are scarce in developing exporting countries. In addition, the import regulations of developed importing countries have become increasingly stringent and can cause significant losses in export revenues if there is not the sufficient time to adjust processes in exporting countries to changes in import regulations. This problem has been identified as being very serious and it is therefore addressed specifically in Article 11.3 of the Code of Conduct for Responsible Fisheries. The production of fishery commodities faces a number of environmental concerns which are different in nature and which may include problems of bycatch (shrimps and turtles, tuna and dolphins or sharks), problems of environmental degradation (as alleged in shrimp aquaculture) or excessive fishing pressure and overfishing of marine resources.

Difficulties in producing value added fishery products in developing exporting countries and minimal participation in trade related services are reasons for these countries not realizing the full benefits from international fish trade to date.

Recently, environmental concerns of consumers in developed countries have resulted in a mobilization of public opinion and of proposals which attempt to link the decision to buy a fishery product to a certification that it has been produced from sustainably managed resources. No consensus has emerged in COFI on such proposals, but it may be pointed out that certification requirements may create an additional obstacle for the export of products from artisanal fisheries in developing countries, where the information needed for certification is often not available.

4. Measures to Develop and Maintain the Potential of Fishery Commodities

Elements of the 1984 Strategy for Fisheries Management and Development related to

international trade in fish and fishery products which are still valid are the following:

- Ensure that product quality meets the demands of the import market;
- Diversify export operations with regard to markets and products and increase exports of final products rather than raw material;
- support regional services and organizations promoting exports of fishery products from developing countries.

Other provisions have been implemented or have become obsolete.

The Code of Conduct for Responsible Fisheries stipulates in Article 6.14 : "International trade in fish and fishery products should be conducted in accordance with the principles, rights and obligations established in the World Trade Organization (WTO) Agreement and other relevant international agreements. States should ensure that their policies, programmes and practices related to trade in fish and fishery products do not result in obstacles to this trade, environmental degradation or negative social, including nutritional, impacts."

Article 11 elaborates further on the theme of Responsible Fish Utilization and Trade including laws and regulations affecting international trade in fishery products. These are largely addressed to the international community and intended to promote responsible practices.

For the development and maintenance of the potential of fishery commodities at the level of - essentially private - companies in developing countries a mixture of measures has to be applied which reflects the specificity of a given situation in a country or region. In a nutshell, such measures may be described as improved handling, processing and marketing methods and quality assurance combined with diversification of products and markets. Sustainability of production and use of fishery commodities and environmental concerns need to be recognized specifically.

5. Identification of Beneficiaries

The beneficiaries will be generally the smaller scale operators in developing countries, as large companies are already equipped with adequate machinery and have sufficient skills. However, also for these companies, there may be requirements for modernization and updating. Depending on the situation, interventions for improvement may address some or all of the levels from production of raw material to exportation of final product; only exceptionally will it be necessary to promote consumption.

¹ Document COFI:FT/V/96/7, paragraph 9.

² Paragraph 25 of the Report of the Fifth Session of the COFI Sub-Committee of Fish Trade.

³ For additional details see COFI:FT/VI/98/3.