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para la
Agricultura
y la
Alimentación

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COMMITTEE ON COMMODITY PROBLEMS

INTERGOVERNMENTAL GROUP ON MEAT AND DAIRY PRODUCTS

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DEVELOPMENTS REGARDING THE COMMON FUND FOR COMMODITIES

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I. INTRODUCTION

1. The Common Fund for Commodities (CFC) has designated the Inter-Governmental Group on Meat and Dairy as the International Commodity Body (ICB) to promote and supervise projects that it funds in the livestock sector, focusing on alleviating constraints to the development of the sector.
2. This document provides project updates and describes progress that has been made since the 20th Session of the IGG, held in Canada in June 2004. Over this period the Secretariat has 1) supervised the implementation of three projects, one of which was a fast track project in southern Africa; 2) obtained the endorsement of two additional projects, one of which is fast track, by the CFC; and 3) reviewed and provided feedback on two other projects. Detailed progress reports of the various projects are available upon request.
3. Delegates may wish to review and discuss the projects presently under implementation and being considered for endorsement within a context of the priorities of the Group.

II. STATUS OF PROJECTS ENDORSED BY THE GROUP

A. PROJECTS COMPLETED

Workshop on Improving Marketing and Productivity of Smallholder Cattle in Southern Africa (project title: The identification and formulation of a succinct and innovative intervention strategy for the smallholder cattle farming sector in Mozambique, Zambia and Zimbabwe)

4. This fast track project, after receiving endorsement by the Bureaux of the IGG, was originally submitted to the CFC as a full project proposal. The CFC's Consultative Committee recommended that the inception phase component of the project should be submitted as a separate fast track proposal, which was subsequently approved by the CFC in mid-2005 and implemented by Practical Action (previously Intermediate Technology Development Group) over the first half of 2006 with the final workshop held in Harare, Zimbabwe. The major objective of the project was to develop a focused and innovative intervention strategy which identifies targeted livestock sector development activities in Mozambique, Zambia and Zimbabwe. These activities should be identified and prioritized, recognising the different livestock production systems, including the various cattle breeds and rearing systems in the region, as well as the diverse institutional structures within the three countries. The activities of the project included stakeholders' meetings and case studies using a value chain approach in the three countries. A final workshop was scheduled to develop an innovative strategy identifying priority areas of intervention.
5. The workshop was held in April 2006, attended by 28 regional participants. The strategy was developed (available for review by delegates upon request). While Practical Action submitted a follow-up project proposal to the Secretariat for review by the CFC, the Secretariat recommended that the strategy should first undergo a peer review by donor organisations, research centres such as ILRI, and other appropriate institutions before it is forwarded to CFC.

B. PROJECTS UNDER IMPLEMENTATION

Meat Commodity Diversification and Upgrading of Meat Processing Technologies in Asia-Pacific

6. This project, which began implementation in October 2003, three years after CFC approval in September 2000, is a 3-year regional meat processing project for Asia and Pacific that focuses on improved utilisation and marketing of meat and processed meat products from various livestock species. The immediate objective of the project is to address regional issues in meat

processing, including severe hygiene and technological problems that lead to significant economic losses and food safety concerns.

7. Being implemented by the UN Office for Project Services (UNOPS), with technical support provided by FAO's Division of Animal Production and Health (AGAP) and CIM/GTZ, the project is based in the Philippines (at the Animal Products Development Centre - APDC) with satellite centres in Bangladesh, Myanmar and Samoa. The regional nature of the project is strengthening the technological, sanitary, commercial and environmental conditions of meat sector development in the more advanced countries and will act as a catalyst to stimulate similar developments in those countries that are least developed.

8. Officially scheduled to end the middle of 2006, delays in fund transfers in 2005 necessitated an extension of the project until December 2006. Activities, however, are currently being implemented in a timely fashion, with training and outreach initiatives in the satellite centres complemented by efforts to ensure the sustainability of the project after the project finishes in December 2006. Special mention should be made of significant contributions by the participating Governments, the total of which exceeds the CFC funding. In general, it is felt that the project, to-date, has exceeded expectations in terms of training undertaken, fabrication of small scale processing equipment which has generated south-south trade, and by the enthusiasm of governments, participating staff and private sector.

Enhancing Beef Productivity, Quality, Safety and Trade in Central America

9. Endorsed in November 1998 by the Group, the project was finally approved by the CFC Consultative Committee (CC) in July 2001, endorsed by the CFC Board in October 2002, and implementation started in September 2003. This four-year project, budgeted for US\$6.2 million and implemented by ILRI as the PEA, has a regional focus covering Costa Rica, Guatemala, Honduras and Nicaragua. It is a collaborative project involving regional institutions such as the Instituto Interamericano de Cooperación para la Agricultura (IICA), Centro Internacional de Agricultura Tropical (CIAT), Servicios Internacionales para el Desarrollo Empresarial (SIDE), and Secretaria de la Integración Económica de Centro América (SIECA). In addition, GTZ has provided the project with a technical expert.

10. The project objective is to improve incomes of poor smallholder cattle producers by: 1) raising cattle productivity of farm operations through activities related to improved feeding and health technologies at the farm level; and 2) enhanced performance of the beef industry with an emphasis on beef quality and safety standards and controls, through training in carcass classification systems. The mid-term evaluation was completed in February 2006, which concluded that the project is well established and has progressed substantially and is managed by a competent team of experienced staff that is well connected to the institutions in the region. While most activities are on schedule, those related to animal health are lagging. It was felt that the project has considerable potential to contribute to poverty reduction in the region. The mid-term evaluation is available to delegates upon request.

C. STATUS OF PROJECTS ENDORSED AND APPROVED BY THE CFC SINCE THE LAST SESSION

11. In its 20th Session, the Group endorsed two new project concepts, one entitled "Strengthening Meat Hygiene and Quality Control in the Sudan and Ethiopia" and the other "Enhancing Livelihoods of Small Scale Dairy Producers in South Asia. The Secretariat requested that a full project document on the first be submitted that, at the request of the CFC, reduced construction costs and included other countries in the region; however, to-date, no revised document has been submitted. In addition, one project was endorsed by the Bureaux of the IGG, submitted to the CFC and accepted for funding.

Improved Market Access and Smallholder Participation for Sustainable Dairy Development in Asia

12. The dairy concept note, endorsed by the Group in 2004, was elaborated into a full project. However, the CFC indicated that it could be better conceived as a fast track project. This project is supported by the Animal Production and Health Commission for Asia and the Pacific (APHCA) which solicited support for the development of a regional dairy development initiative, tailored to regional needs and experiences. Subsequently a fast track project was submitted by FAO's Division of Animal Production and Health (AGA) to the CFC in January 2006. Upon the request of the CFC's CC, the project was reformulated and submitted for funding consideration in July 2006 when it was approved. The project's objectives are to develop a regional blueprint for smallholder dairy development in Asia that focuses on strengthening:

- Production improvement.
- Smallholder market access.
- Higher producer returns.
- Enhanced producer/processor technical capacity.
- Strengthening of regulatory frameworks and product quality and safety.

13. Similar to the southern Africa fast track project (see 4 above), the project will develop a regional strategy addressing the above objectives through a process of stakeholder consultation, country case studies, and a regional workshop, tentatively scheduled for early 2007.

14. The project "*Strengthening the productivity and competitiveness of the smallholder dairy sector in Lesotho and Zambia*" was considered by the CC in July 2005, with a recommendation to be reformulated to better prioritise and target an intervention strategy to achieve its objectives, which include improving livestock feeding, milk quality and shelf-life, as well as piloting simple milk processing technologies.

15. The project was approved for funding by the CFC in January 2006 on the condition that the project executing agency (PEA), the Golden Valley Agricultural Research Trust (GART) revise the financing plan, provide a detailed budget and more detailed activities, within the context of a revised log frame. This request by the CFC and supported by the Secretariat is necessary to ensure that project activities successfully lead to the programme goal which is improving the productivity and marketing position of the milk supplier of selected smallholder dairy cooperatives in Lesotho and Zambia. The project, while approved, has not been implemented, nor the project agreement signed pending the requested project revisions.

D. PROJECTS CURRENTLY UNDER REVIEW BY THE SECRETARIAT

The promotion of production and marketing of bio-products to improve the nutritional value of agricultural residues from grasses, and their use as a supplement in sustainable systems for the production of milk and beef. submitted by Cuban Association for Animal Production (ACPA)

16. This proposal, submitted by the Cuban Association for Animal Production with a budget of \$2.2 million (\$1.355 million solicited from the CFC), proposes activities in Cuba, Colombia and Mexico that focus on "contributing to the increases of milk and beef production through the implementation of economically sustainable and ecologically appropriate production models which use low input technologies and appropriate use of natural resources which preserve the environment".

17. The technical nature of the proposal prompted the Secretariat to solicit a review by an expert who indicated that "the proposed technology has indeed been tested in the region and elsewhere on an experimental scale with variable success. The major problem has been so far, how to expend it to a commercial level while insuring ownership, sustainability and economic

viability". Comments on the suitability of this project for endorsement by the Group are requested.

Improving the Competitiveness of Smallholder Producers in Dairy Value Chains in Central America

18. This project concept note, submitted by ILRI, the PEA of the on-going Central American Beef Project, proposes a four year project which aims to contribute to the modernization of the smallholder dairy value chains in light of the increased competition resulting from recent free trade agreements. Activities undertaken, in the context of a \$5 million budget (60 percent requested from the CFC), would focus on:

- increased farm profitability from milk production through improved cattle nutrition, health and breeding;
- improved milk quality (food safety) and added value along the dairy chain; and,
- improved institutional and regulatory support within the value chain enabling participation in national, regional and international markets.

19. The Secretariat is undertaking dialogue with ILRI as to the relative merits of engaging in dairy development activities in the Central America region. While dairying is an important activity in the countries concerned, it is felt that a broader regional strategy should be examined in light of the Central America Free Trade Agreement which has been signed with the United States, under which market access will be liberalized for most all agricultural products over the next 15-18 years. Pending the results of such an examination, and the comments of the IGG, a more detailed proposal will be sought in early 2007.

III. CONCLUSIONS

20. In view of the above information and based on the descriptions provided in this document on individual projects, the Group is invited to make comments and/or recommendations on issues raised therein. In particular, the Group may wish to:

- review and examine the achievements of the completed projects;
- assess progress of projects under implementation;
- discuss, endorse and prioritize any new project proposals; and
- identify new focus areas for future projects.

Appendix I. Summary of Meat and Dairy projects financed by the Common Fund for Commodities and reviewed by the IGG Secretariat (2004-2006)

Title	Value (US\$)		Location of Project Activities	Starting Date	Completion Date/Comments
	Total Budget	Grant from the CFC			
1. Projects Under Implementation					
a) Meat Commodity Diversification and Upgrading of Meat Processing Technologies in Asia-Pacific	2 200 000	850 000	Philippines, Myanmar, Bangladesh, Samoa	October 2003	December 2006
b) Enhancing Beef Productivity, Quality, Safety and Trade in Central America	6 200 000	3 400 000	Costa Rica, Guatemala, Honduras and Nicaragua	September 2003	December 2007
2) Fast Track Project Reviewed and Implemented				STATUS	
a) Improving Marketing and Productivity of Smallholder Cattle in Southern Africa	\$89,037	70,037	Mozambique, Zambia and Zimbabwe	Project organisers developed a regional strategy based on country case studies and regional workshops.	
3) Project/Fast Track Proposals Approved				STATUS	
a) Improved Market Access and Smallholder Participation for Sustainable Dairy Development	\$157,800	\$110,200	Bangladesh, Bhutan, China, India, Indonesia, Iran, Laos, Malaysia, Myanmar, Nepal, Pakistan, Papua New Guinea, The Philippines, Sri Lanka, Thailand, Mongolia and DPR Korea.	Approved by the CFC's Consultative Committee in July 2006, subject to minor revisions.	
b) Strengthening the productivity and competitiveness of the smallholder dairy sector	\$3,336,000	\$2,000,000	Lesotho and Zambia	Approved by the CFC in January 2006, not yet implemented.	
4) Projects Under Consideration				STATUS	
a) Improving Competitiveness of Smallholder Producers in Dairy Value Chains in Central America	3,000,000	2,000,000	Guatemala, Honduras, Nicaragua and Costa Rica	The PEA was requested to justify the future viability of the project in the context of regional trade agreements and the overall competitiveness of the sector.	
b) The promotion of production and marketing of bioproducts to improved the nutritive value of agricultural residues from grasses and their use as a supplement in sustainable systems for the production of milk and beef.	1,355,000	880,000	Cuba, Colombia and Mexico	Given technical concerns about the viability of the project, the Secretariat solicits comments on this project by the Group.	