



International Sugar Organization

1 Canada Square
Canary Wharf
London E14 5AA

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ISO's New Strategic Direction

Following the Members' Decisions in ISC-Decisions-36 of 27th November 2009, item 8 (i); the Executive Director circulates the attached final version of the ISO's New Strategic Direction.



The ISO's New Strategic Direction

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Preface

The last time the ISO published a Strategic Direction, as guided by the Administrative Committee and the International Sugar Council, was in 2001. Since then, ISO membership has grown tremendously, from 58 to 84 member countries. The strategic direction as set out in that document has been instrumental in ensuring members' expectations and needs are being met. Key achievements and changes that have ensured full implementation of the strategy's key "action points" are provided in table 1.

Changes To Our Operating Environment

Although the achievements in ISO work over the past years are robust, there have been some significant changes to our operating environment since 2001. This means that the strategy and its implementation framework would need to be updated. The ISO's vision, mission and goals, in keeping with its excellence in delivering world class services to the world sugar community, should fully embrace the changing environment. In this context, at the November 2008 session of the International Sugar Council, the ISO Secretariat proposed to develop a new and more proactive strategic direction, even more attuned to the needs of members as the world economy faces an unprecedented period of significant change and adjustment.

(a) Changing global sugar economy

- The world sugar economy has changed profoundly since the 2001 strategic direction was framed. Dramatic changes have taken place in markets, trading structures and patterns, together with changes in the commercial, financial, policy and regulatory framework of many industries.
 - The increasing share of Brazil in world sugar and ethanol trade;
 - The rise of the EU as a major sugar importer following sugar policy reform.
 - EU preferential trade: end of ACP sugar protocol and commencement of EPA and EBA sugar.
 - Rise of destination refining and the end of EU white sugar exports.
 - High rates of growth in sugar consumption in developing countries as a result of economic development.
 - The increasing role of large-scale producers in world sugar trading, throughout the whole supply chain.
 - Cross-border investments and mergers and acquisitions changing corporate ownership.
 - Increasing competitive pressures on sugar exporting developing countries, including our ACP members and LDCs.
 - Calls for sustainable production in economic, social and environmental terms.

This list is not exhaustive, but illustrates the nature of the challenges that ISO members, and therefore the ISO secretariat, face. All these challenges have their roots in the fact that sugar crops are still a highly political commodity.

(b) Emergence of links with related markets

- The emergence of a world fuel ethanol market. Volatility in crude oil prices impacting production costs and supporting cogeneration and a wave of fuel ethanol programmes in a growing number of countries.
- Flex fuel vehicle technology - provides a nexus between sugar and ethanol markets. Fuel ethanol consumption is now greater than gasoline in Brazil and over 50% of Brazil's cane is going to ethanol production.
- Huge growth in the US corn ethanol industry complicating price relationships between sugar, sweeteners and ethanol.
- Increasing role of funds arising from the surge in interest in commodities by the investment community, and facilitated by the move to electronic futures market trading.
- Stronger links with other agricultural commodity markets.

(c) Special Interests of Developing Country Members

The ISO Secretariat acknowledges that its developing country members, in particular least developed countries, need special attention and differential treatment, taking into account their specificities and vulnerable economies. For this reason the ISO will continue to ensure the program of ISO studies reflects the special needs of these countries. Also for this reason, the ISO proposes to continue promoting the sustainable development of the sugar industry in developing countries, through effective use of the financing facilities of the Common Fund for Commodities, and other financial sources.

(d) Refreshing and consolidating optimal performance

Both existing and prospective members expect the ISO to meet their needs whilst providing the greatest value for each budgetary vote. The Secretariat is dedicated to providing good value for money to members and in providing optimal services to attract new members.

(e) Increasing reliance on communication strategies

Rapid developments, particularly in information technology, mean that organisations are increasingly reassessing how to collect and process information, how to present results of research, and how to communicate with key stakeholders and civil society. Web based access to databases for

on-line, real time, updating and querying offer particular opportunities for the advancement of ISO strategic objectives.

Key Stakeholders

The ISO is an inter-governmental organization, but increasingly governments are inviting the private sector to participate in coordination with their government. This development reflects the continuing trend of privatisation and globalisation. Consequently, the influence and the impact of the private sector on the work of the ISO is growing stronger. This is a positive development from which both members and the organization benefit. It adds value and substance to our work.

Table 1: Changes implemented to meet objectives and outcomes specified under the 2001 Strategic Direction

Objective/Outcome	Measure
Revamp ISO Publications Portfolio	Complete revamp of the look across the whole range of ISO documents to achieve corporate identity and improve readability.
Re-orientate and strengthen ISO MECAS work programme Improve and extend analysis of key factors impacting the sugar, sweeteners, fuel ethanol, and related markets	Improved and extended analysis on the world fuel ethanol market, now a major driver of the world sugar economy. This has been addressed by the full range of our MECAS publications, including the monthly and quarterly publication, the studies and in workshop/conference programmes.
	Improved and extended analysis and coverage to embrace currency movements, domestic prices, related markets and other commodities in the QMO and Monthly Market Report.
	Introduced a new quarterly Special Focus section in the QMO to provide regular analysis of pivotal and fast moving issues of the market.
	Significant improvement in coverage and content of MECAS Studies, now encompassing a full table of contents, abstract, extensive number of tables and diagrams and wider referencing and data sourcing
Further enhance content and data presentation of Sugar Yearbook	Strengthened our statistical foundations by expanding to include ethanol data, now forming a separate stand-alone supplement to the Sugar Year Book.
Further develop and enhance 4-pronged approach regarding seminars, conferences and workshops.	Maintained and expanded high profile joint conferences, such as the Assiut University/ISO, Datagro/ISO Conferences, and ISO/Moscow conferences. Established a long-term programme for student internships.

Enhance Website	Provided improved services to members via the website including the ability to download relevant meeting documents and ISO documents, as well as full conference proceedings.
Further develop close links with the private sector and cooperation with international organisations	Twice yearly informal consultations with market analysts and annual consultations with the World Association of Beet and Cane Growers; strengthened consultations with OECD and other international bodies.
Optimal use of financing facilities of the Common Fund for Commodities	<p>ISO Secretariat actively supported member country project proposals to the CFC.</p> <p>Since 2001 financing was successfully gained for 3 major full-scale projects with a total CFC grant financing of USD 5.3 mln, as well as for 2 fast track projects, directly benefiting almost 20 ISO member countries across Asia, Africa, Latin America and the Caribbean. A considerable greater number of ISO member countries have benefited indirectly through active participation at project dissemination workshops at the successful conclusion of each project.</p> <p>Country coverage significantly extended and fast track projects aimed specifically at diversification opportunities.</p>

A: Strategic Direction

VISION, MISSION, GOALS

OUR VISION

The ISO is an intergovernmental organization whose vision is to be a centre of excellence as the 'first-best' provider of comprehensive information to the global sugar, sweeteners and sugar-crop based renewable energy community.

OUR MISSION

The ISO's mission flows directly from this vision. The mission is to provide, in a balanced and objective way, first-class economic research, market analysis and statistics centred on sugar, sweeteners and renewable energy from sugar crops (fuel ethanol and cogeneration).

OUR GOALS

We will achieve our mission by fulfilling these goals:

- to provide Members with high quality market analysis, economic research and statistics that satisfy their needs; and
- to provide fora for furthering debate and deliberation of all matters impacting global markets for sugar, sweeteners, fuel ethanol and bagasse based cogeneration.

The direct benefit of these goals arises in helping member governments, the private sector and other interested parties to understand the economic and policy related key drivers of the world sugar, sweeteners, fuel ethanol and bagasse-based cogeneration markets, but just as importantly to help them prepare their national sugar industries for the climate of continuing change that shapes the world sugar, sweeteners and fuel ethanol economy.

The ISO has already made a significant contribution to an improved understanding of emerging issues in the sugar, sweeteners and ethanol markets - through its MECAS work program, ISO Seminars and workshops - and will continue to do so.

OUTCOMES

Following from the ISO mission and goals, the ISO has four key outcomes:

- Members benefit from improved transparency in world sugar, sweeteners and ethanol trade;
- Members are fully informed about key drivers and emerging issues impacting the world markets for sugar, sweeteners, ethanol and bagasse based cogeneration;
- Members are provided with effective fora for debate and dialogue regarding global sugar, sweetener and sugar crop based renewable energy issues; and
- Developing countries, in particular least developed, have access to CFC financing for projects to support their strategic objective and to improve the competitiveness and sustainability of their sugar industries.

Our Core Business

The ISO intends to continue with all the activities that have proved useful, meaningful and beneficial to members in the past. These include: consolidating our role as a statistical centre, firm in our awareness that the value of data is directly related to its timeliness; continuing to execute a program of economic research and market analysis for the Market Evaluation, Consumption and Statistics Committee (MECAS); monitoring new developments in the sugar, sugar by-products, sweeteners, ethanol, cogeneration and related markets; as well as to continue to organise international conferences, seminars and workshops on highly topical issues.

MECAS WORK PROGRAM

An ability to anticipate emerging market issues and the direction of the international sugar policy debate is critical to maintaining a relevant work program. The ISO Secretariat therefore adopts a proactive approach to consultations with member governments and the private sector in order to initiate, anticipate and prepare responsive studies on economic and policy issues and factors impacting the world sugar, sweetener and ethanol economies. The MECAS work program identifies the specific projects that will be taken up each calendar year.

Indeed the ISO work program aims to provide economic information which allows member governments and the private sector to understand the key economic and policy related drivers of the world sugar and sweetener market, but just as importantly to help them make sound decisions in preparing their national sugar industries for the emerging issues that are likely to shape the world sugar, sweeteners and fuel ethanol economies. This information can be obtained also by other interested parties.

The ISO's work program also allows us to give guidance and advice to members in areas like cogeneration, environment, sustainability, genetically modified organism, health, sugar fortification, niche markets, bioenergy, ethanol, related commodities, diversification opportunities, new and alternative uses of sugar, sugar by-products, and sugar promotion.

CONFERENCE/WORKSHOP PROGRAM

The value of the ISO's research and analysis effort is strongly complemented by actively providing fora for dissemination of research results, information exchange and debate. Not only does the ISO itself convene a workshop (May) and a seminar (November) each year, but it also collaborates with member countries, other organizations and private firms to sponsor or jointly convene and organize sugar, sweeteners and ethanol related conferences. The ISO's 4-pronged approach (annual seminar, annual workshop, joint conferences and workshops, and ISO sponsorship/support of other conferences) to ensuring a fluid international dialogue on sugar market issues will continue. By adopting a suite of activities rather than just one annual conference ensures that the ISO can maintain its high profile, increase its visibility and accrue benefits to members well in excess of the budget line allocated for these activities each year.

ISO DATABASE

The ISO's long-established specialised statistical database on global sugar production, consumption and trade will be further enhanced whilst the more recently introduced Ethanol Supplement will be further developed.

CFC/ISO SUGAR DEVELOPMENT PROJECTS

The ISO will continue promoting the economic development of the sugar industry in developing countries, through effective use of the financing facilities of the Common Fund for Commodities according to the "programme approach" adopted by the CFC Executive Board.

RESEARCH QUALITY STATEMENT

The ISO's research is forward looking. It expects to provide benefits to members in the form of "first- best" responses to changing circumstances by ensuring the emerging issues facing the world sugar, sweeteners and ethanol economies are anticipated and evaluated.

The following standards are applied to ISO research:

- Research responding to members' needs;

- Research focussed on emerging economic and policy issues;
- Research is professionally conducted and managed;
- High quality independent analysis; and
- Timely and effective dissemination.

ISO's COMPETITIVE EDGE

The ISO's competitive edge in providing high quality and independent economic research and market analysis is dependent upon members fulfilling their responsibilities under the ISA'92 with respect to the provision of accurate statistical information on a timely basis. Importantly, members can directly contribute to the ISO's mission by ensuring full intellectual participation in all ISO activities, particularly at meetings and forums, and in facilitating communication between the ISO and key grower, industry, trade and government officials.

MEMBERSHIP

The International Sugar Organization presently consists of 84 member countries (including the EU with its 27 member states). This is by far the largest membership in the history of International Sugar Agreements and it is likely to increase with the pending membership of several other interested countries.

Membership represents (based on data for 2008) 81% of world sugar production, 65% of world consumption, 95% of world exports and 39% of world imports.

To enlarge membership will remain important because it strengthens the Organization and it helps to reduce the financial burden for members.

RESOURCES

Members need to recognize that implementation of this strategic approach depends on adequate resources being made available.

B: Implementation Framework

Success and continued support is contingent to the ISO meeting Members' expectations (for details see table 2). Consequently the ISO will implement a number of action plans to address perceived issues and to ensure that the appropriate systems/processes/capabilities are in place to support the new strategic direction as described above.

We will continue with activities and "core business" that have been foundation stones to our strategic direction and ongoing success in attracting new members.

- Statistical centre/database for sugar and ethanol
- Execute a programme of economic research and market analysis
- Workshops/conferences/seminars
- CFC sugar development projects

Implementation of this new strategic direction will have implications for:

- the focus of the MECAS work program;
- the content and presentation of some of our regular publications;
- to our level of human resources; as well as
- to our information technology system.

Each of these areas are discussed in turn.

(1) MECAS Work program

The effective execution of our key goal requires as in the past a clearly defined ISO/MECAS Work program to ensure objective and timely studies focused on identifying, and evaluating the key economic and policy factors driving the world markets for sugar, sweeteners, fuel ethanol and bagasse based cogeneration, and in anticipating and evaluating new issues impacting these markets.

The nature of studies undertaken in each annual MECAS work program will depend on the members' priority listing of key drivers and emerging issues and on the complexity of studies. ISO studies will also maintain a clear objective and will have a sharp focus. Furthermore, ISO studies will be conducted to the highest and most consistent standard. Studies will also identify where further economic research is needed.

Although the MECAS work program is agreed annually amongst members, there remains some flexibility in the sense that changing priorities during the course of the year may see new studies incorporated and others put in reserve.

(2) ISO Output

(i) ISO Publications portfolio

Feed back and subscriptions development provide ample evidence that the majority of members and subscribers appreciate the complete revamp in the content and format of our regular publications. This is corroborated by an almost trebling in publications revenue from GBP26.9 thousand to GBP71.1 thousand since 2001. Even so, to fully achieve our new strategic section, the Secretariat proposes to develop an action plan to refresh the marketing of ISO publications and databases and the following additional changes are to be implemented.

Existing Publications

Statistical Publications

(a) Sugar Yearbook

Steps already undertaken

- Strengthened our statistical foundations by expanding to include ethanol data– ethanol supplement.

Next Steps

- Expand the coverage of cane and cogeneration statistics; and
- Continue to expand the coverage of the ISO Ethanol Supplement of the Sugar Yearbook.

(b) Monthly Statistical Bulletin

Next steps

- Liaise with Members to improve speediness of monthly statistical updates.

(c) Quarterly Market Outlook

Steps already undertaken

- Introduced a separate section on fuel ethanol.
- Improved the discussion of key factors impacting the sugar, sweeteners and ethanol markets since the previous assessment together with their possible impact on world trade and prices over coming months.
- Revamped the section on key policy developments to provide a more robust review and commentary.
- Introduced a regular section providing an update of the WTO negotiations on agriculture and on regional trade agreements.
- Introduced a regular section on currency movements and world prices, as well as domestic prices.
- Introduced a new regular section monitoring commodity prices.

- Introduced a quarterly Special Focus section to provide regular analysis of pivotal and fast moving issues of the market

Next steps

- Improve sugar coverage by expanding analysis on the world trade.
- Expand world fuel ethanol balance coverage.
- Expand the analysis of other commodities and related markets.
- Introduce coverage of sugarcane bagasse cogeneration projects.

(d) ISO Monthly Report

Steps already undertaken

- Significantly strengthened the document by developing sections on other sweeteners, fuel ethanol and molasses.
- Improved the discussion of key factors impacting the sugar market during the month under review together with anticipating their possible impact on world trade and prices over coming months.
- Introduced a more focussed discussion on those countries pivotal to the world market outlook.

Next steps

- Increase coverage of other commodities and related markets.
- Streamline the presentation of the press summary.

New Publications

Steps already undertaken

We introduced 2 new documents to our suite of publications:

- Special Studies which provide updates to existing MECAS Studies of particular relevance [English Only].
- World Sugar Balances which separately provide the Statistical Balance Sheets presented in the *Quarterly Market Outlook*.

(ii) Enhance Web site

Steps already undertaken

- Improved the visual structure of presentation of ISO work, publications and events.
- Facilitated Member access to online copies of conference proceedings and ISO meeting documents.
- Commercial agreement with SugarOnline to market online sales of ISO publications.

Next Steps

The ISO website needs to provide easy access to information about the ISO, as well as to ensure fast and efficient dissemination of ISO documents and publications to members.

- Integrate part of the ISO published database on to the website so as to allow *real-time, query-based, access*.
- Make available the option of real-time online purchase of ISO publications.
- Develop a framework of execution to achieve these goals.

(iii) Seminars/Conferences/Workshops

The ISO's present 4-pronged approach (annual seminar, annual workshop, joint conferences and workshops, and ISO sponsorship/support of other conferences) will be further reinforced.

A clear indication of success in moving towards our goals are regular invitations to actively participate, chair and/or present at both public and private sector sugar related conferences around the world, and also by the calibre of the speakers and delegations that are attracted to our annual ISO seminar and other ISO events. Furthermore the ISO is often invited to endorse relevant regional sugar and ethanol events.

Over the past three years the seminar has generated a net profit of GBP 468,000, thereby contributing considerably to the ISO budget.

Next Steps

- Consolidate and further enhance our flagship ISO Seminar, joint conferences and workshops, by expanding the coverage of sugar/ethanol/cogeneration/diversification issues, thereby attracting new members and clients.

(3) Private Sector Consultations/Cooperation with Other Organizations.

Further develop increased co-operation with relevant inter-governmental organisations, the private sector and non-government organisations (NGOs), where necessary and appropriate. This will be carried out through informal consultations such as the one with the World Association of Beet and Cane Growers, the World Sugar Research Organization, private sector analysts' meetings and the exchange of views with relevant NGOs.

Monitor endeavours towards standardisation and certification in sugar crops and sugar and ethanol markets, without involvement in the implementation and control process.

(4) Human Resources

The Executive Director will deploy such human resources as are required to optimally achieve the goals of the strategic direction – in particular the research quality goals.

(5) Information Technology

The Executive Director will marshal optimal information technology resources and skills to reach our strategic goals, and will advise members of the associated financial implications.

(6) ISO Financial Management and Legal Probity

The Executive Director will ensure good corporate governance within the annual budget constraint.

Table 2: Performance Indicators

The ISO declares the following performance indicators against which we will measure progress towards our new strategic direction:

<u>Objective/Outcome</u>	<u>Measure</u>	<u>Performance Indicator</u>
A supportive and growing Membership of the ISO	Needs of existing members are met. Promotion of the benefits of ISO membership to prospective member countries.	Good participating membership. Effectiveness measured through retention of existing members and the extent to which membership increases.
Members fully informed about key drivers and emerging issues impacting the world markets for sugar, sweeteners, fuel ethanol and bagasse based cogeneration.	High quality and timely market analysis.	ISO analysis is accurate, concise, focussed on member needs, as measured through feedback from ISO Members; extent of dissemination of ISO analyses and reports in relevant professional publications, and industry journals; number of invitations for ISO senior staff to participate and contribute to International Conferences.
	Efficient, practical and effective MECAS work program delivery.	Programs are designed and delivered in accordance with member needs within agreed timeframes.
Effective international dialogue and debate regarding global sugar, sweetener and sugar crop based renewable energy issues.	High quality fora provided to members.	ISO commits to convene each calendar year, a seminar, an annual Workshop and if appropriate joint conferences. Effectiveness measured through level of attendance and feedback from delegates attending the events, and ongoing ability to generate own-profit from the annual seminar.
Developing countries have access to CFC financing for sugar development projects	CFC approval of ISO sponsored sugar development projects.	As many eligible projects as manageable submitted to the CFC for approval and execution.
Member countries face predictable budgetary contributions.	Robust financial management and operational systems in place.	For each calendar year, the ability to maintain expenditure within the annual budget constraint. Ongoing ability to keep nominal budget increases within the annual rate of UK inflation, apart from additional costs arising from implementation of this strategy as a whole or in part.