

Report of the Thirty-Sixth Session of the

COMMITTEE ON COMMODITY PROBLEMS

to the Fortieth Session of the Council of FAO

Rome, May 1963



FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

COUNCIL

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POUR L'ALIMENTATION ET L'AGRICULTURE

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ORGANIZACION DE LAS NACIONES UNIDAS
PARA LA AGRICULTURA Y LA ALIMENTACION

CL 40/3
4 June 1963

Item 4 of the
Provisional Agenda

Fortieth Session

Rome, 24 June 1963

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Letter of Transmittal from the Chairman of the Committee on Commodity
Problems to the Chairman of the Council of the FAO

31 May 1963

Mr. Louis Maire
Chairman of the Council of FAO
Food and Agriculture Organization
Rome, Italy

Dear Sir,

I have the honour to transmit to you herewith the Report of the
Thirty-Sixth Session of the Committee on Commodity Problems, which
was held in Rome from 20 to 30 May 1963.

Yours faithfully,

D.W. Woodward
Chairman, Committee on
Commodity Problems

COMMITTEE ON COMMODITY PROBLEMS
REPORT OF THE THIRTY-SIXTH SESSION

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INTRODUCTION

1. The Committee on Commodity Problems (CCP) held its Thirty-Sixth Session from 20 to 30 May 1963. The Session was attended by the representatives of 21 Member Countries of the Committee, 27 Observer Countries and 14 International Organizations.^{1/}
2. Mr. D. W. Woodward (New Zealand) was elected Chairman, and Mr. P. K. Mukherjee (India) and Mr. H. J. Kristensen (Denmark) First and Second Vice-Chairmen respectively. The Committee was assisted during its Session by a Drafting Group under the Chairmanship of Mr. P. K. Mukherjee (India), by a working group on surplus questions under the Chairmanship of Mr. F. Pronk (Netherlands), by a working group on the future agenda of the Committee under the Chairmanship of Mr. H. J. Kristensen (Denmark), and by a Rapporteur on the world agricultural commodity situation, Mr. F. Shefrin (Canada). The Report of the Consultative Sub-Committee on Surplus Disposal was presented to the Committee by Mr. A. S. Tuinman (Netherlands), and that of the ad hoc Working Group on the Economic Problems of Dairy Products by Mr. B. Van Dam (Netherlands).
3. The Committee adopted the Provisional Agenda for its Thirty-Sixth Session (document CCP 63/1 and Add. 1).

^{1/} A list of participants is to be found in Appendix C of this Report.

PART ONE

GENERAL COMMODITY QUESTIONS

I. WORLD AGRICULTURAL COMMODITY SITUATION AND OUTLOOK

1. Recent Developments and Short-Term Outlook

4. The Committee reviewed the major developments in the world agricultural commodity situation and outlook on the basis of information supplied in the FAO Commodity Review 1963 (CCP 63/6) and in a series of introductory keynote statements by delegates.

5. There were few major changes in world agricultural production in 1962, but the year was marked by continued steady growth in most sectors. Trade in practically all major commodities expanded further, stocks of some commodities declined, and in most cases prices strengthened.

6. The largest production gain was recorded in the case of wheat, which more than recovered the losses of the previous year to establish a new record. Rice crops harvested in the Far East at the beginning of 1962 were slightly lower than in 1961, but a resumption of the upward trend was expected in 1963. Production of all the major livestock products continued to increase at about the same rate as in recent years, reflecting larger world animal numbers and generally favorable pasture conditions. Dairy surpluses continued in a number of countries and became particularly prominent in North America. However, world sugar production was not appreciably larger than in 1961/62, and the world coffee harvest was reduced by about 8 percent, due mainly to the downturn of the production cycle in Brazil. Among the agricultural raw materials cotton production increased, but the jute harvest contracted from the record level of the previous year and the world wool clip also showed a small reduction.

7. Trade in most products also increased further in the 1961/62 season or in calendar 1962. Exports of wheat and coarse grains, in particular, rose substantially to establish new records, mainly as a result of the small harvests in Western Europe in 1961, the demand for grain by China (Mainland), and large concessional sales to India. Trade in jute showed gains due to the improved supply position and lower prices. Trade in sugar fell well short of the record level of 1961 reflecting lower supplies; cotton exports also declined.

8. For many commodities, the increased volume of trade occurred at relatively low prices. In the last quarter of 1962, however, price indices showed a tendency to rise over the lowest figures of the year, and the improvement continued in the early months of 1963. These gains affected principally sugar, sisal, olive oil, robusta coffee and wool. The improvement in export prices in the final quarter temporarily halted the decline in the terms of trade of primary producers, which had continued in the first three quarters of 1962.

9. During 1962 reductions occurred in stocks of most agricultural commodities in surplus supply. Following smaller 1961 harvests and a heavy export movement, both North American grain exporting countries had lower carry-overs into the 1962/63 season. United States wheat stocks were reduced significantly for the first time since the beginning of surplus accumulation in the 1950's and Canadian stocks fell to the lowest level since 1953. World cotton stocks were reduced also, and the increase in coffee stocks was the smallest in many years. Stocks of dairy products and soybeans increased significantly.

10. After reviewing the short-term outlook for agricultural products, the Committee concluded that, on the basis of the preliminary information available to it, further increases in output of most agricultural products were in prospect, due to larger acreages and animal numbers, replanting schemes, and other factors. Wheat production

in North America was likely to increase during the current season, thereby offsetting the reduced output expected in Western Europe as a result of the severe winter. Output of all the main animal-derived food products was also expected to increase again in 1963, with the main expansion concentrated in Western Europe and North America. The increase in production of fats and oils appeared likely to be smaller than the average of recent years, with a reduced output of olive oil, palm oil and sunflower seed oil being compensated by larger outputs of soybean, groundnut and cottonseed oils. Present indications were that sugar production was not likely to be higher than in 1962, while that of coffee would be substantially lower due to frost damage in Brazil, the effects of which were likely to be felt for some years. Coffee would remain in surplus supply, but there was an acute shortage of sugar on world markets.

2. Salient Features

11. The Committee found that the salient features of the world agricultural situation were:

- (a) continued barriers to trade in agricultural products;
- (b) continued emphasis on regional economic groupings;
- (c) the halt to the price decline;
- (d) concern over synthetic substitutes for natural products;
- (e) the increase in exports on concessional terms;
- (f) the extension of commodity agreements and consultations.

(a) Barriers to Trade

12. Some members of the Committee considered that one of the most pressing problems facing exporters of agricultural products was the gaining of access to markets by the reduction of barriers to trade. Although considerable changes in thinking on agricultural policies had occurred since the last session of CCP, these changes had not yet had any effect in liberalizing trade in agricultural products. In many cases prices in international trade remained substantially below the levels which many governments have found necessary to maintain domestically. Import restrictions and production and export subsidies continued to impair the efficient use of world agricultural resources.

13. The Committee was informed that the system of agricultural price support in the United Kingdom was under review with a view to avoiding unpredictable variations in market prices and reducing support costs. The Committee also noted that in the United States, the passage of the Food and Agriculture Act 1962, as it applies to wheat, with its provisions for marketing quotas, discretionary powers of the Secretary of Agriculture to determine annual acreage allotments and a two-price system for the 1964 and subsequent harvests, represented a major development in United States agricultural policy. However, as regards the 1964 wheat crop, wheat growers had voted against the proposed program. This was likely to result in substantially lower prices to producers and increased acreages. The United States Delegate assured the Committee that his country would take whatever steps were necessary to fulfil its obligations under the International Wheat Agreement despite the price and production uncertainty caused by the outcome of the referendum.

(b) Regional Economic Groupings

14. Delegates of a number of countries indicated that, despite earlier assurances by the European Economic Community that the common agricultural policy would be implemented in a liberal manner so as to permit reasonable access to the Community, the uncertainty regarding this policy had not been mitigated. The Committee noted also

the continuing emphasis on regional economic groupings in other parts of the world.

(c) The Halt to the Price Decline

15. The Committee noted that with few exceptions, the recent improvement had been very moderate and had occurred from very depressed levels, so that current quotations remained far from adequate. Moreover, price improvements seemed generally to reflect the operation of short-term factors, aggravated in some cases by speculative activity, rather than any basic change in the situation. This remained a source of considerable concern to many countries, as did the still unfavorable terms of trade of exporters of agricultural commodities.

(d) Synthetic Substitutes

16. Concern was expressed by some delegates that their key export products were subject to close competition from synthetics. This was limiting the ability of developing countries to expand the volume of and receipts from their trade.

(e) Exports on Concessional Terms

17. The Committee found that the continuing economic expansion of industrial countries was one of the main underlying factors in the recent strengthening of world trade and prices. However, several delegates drew attention to the fact that the higher level of trade achieved in recent years was dependent to a certain extent on bilateral sales terms that were absolutely or marginally concessional. The proportion of the trade in certain products, including oils and fats and milk products, moving under such terms was increasing. On the other hand, the Committee considered that one of the more encouraging developments in the area of food aid was the initiation of the multilateral World Food Program.

(f) Commodity Agreements and Consultations

18. There had recently been a further extension of the scope of commodity agreements and consultations. In particular, new coffee and olive oil agreements had been negotiated, a draft international cocoa agreement had been drawn up for submission to a United Nations negotiating conference, and steps were being taken to retain the International Sugar Council in existence. Some delegates considered that commodity agreements were being unduly weakened by the inclusion of clauses giving participating countries freedom to withdraw at will. They expressed the view that it would be desirable for countries entering such agreements to be prepared to accept the risks as well as the advantages of so doing, taking into account the benefits conferred on the markets of the commodities in question.

19. The Committee noted the increased activity on the part of governments in the wider fields of commercial policy and the special attention being given to agricultural trade problems. Attention was drawn particularly to the GATT Ministerial meeting, which was held concurrently with that of the CCP, and to the preparations for the UN Conference on Trade and Development, in pursuance of Resolution 1785 (17) adopted by the UN General Assembly at its Seventeenth Session. The Committee noted that these developments were highly relevant to its work.

II. AGRICULTURAL COMMODITIES - PROJECTIONS FOR 1970

20. Following the discussions on agricultural commodity projections at the Joint Session of the Commission on International Commodity Trade (CICT) and the CCP in May 1962, the Committee had decided to examine this matter at its Thirty-Sixth Session. In response to recommendations of the Joint Session it therefore had before it three papers under this item of its agenda:

- Agricultural Commodities - The Outlook for 1970 in Eastern Europe, CCP 63/7/1
- Comments Received from Governments, International Organizations and Commodity Study Groups, CCP 63/7/3 and Add. 1
- Problems Emerging from the FAO Projections for 1970, CCP 63/7/2

1. The Outlook for 1970 in Eastern Europe

21. Document CCP 63/7/1 analyzed the possible implications of the Eastern European production and utilization plans for trade in nine important agricultural commodity groups. While its details had to be treated with some caution because of the relative lack of data on the foreign trade plans of the Eastern European countries, the report noted that it appeared possible to draw general conclusions as to the intentions which the plans apparently implied. The conclusions of the report are briefly summarized in paragraphs 22 to 25 below.

(a) Agricultural Raw Materials (rubber, cotton, wool)

22. For these three commodities there appeared little doubt that the current plans of the Eastern European countries tended towards self-sufficiency. For rubber, the most important single agricultural commodity imported by the region, the current level of imports appeared likely to fall once the planned expansion of Eastern Europe's synthetic rubber industries was fully under way.

23. For cotton and wool, a market for certain qualities might well still remain by 1970, but the plans for domestic Soviet production of those two fibers and for a large expansion in man-made fiber output throughout the region were likely to mean a fall in the region's net imports, especially of cotton.

(b) Tropical Products (tea, coffee, cocoa, citrus)

24. With the exception of tea, for which the U.S.S.R. was planning a marked increase in domestic production, imports of this group of commodities could expand substantially during the 1960's but it was difficult to estimate the extent to which this might occur.

(c) Grains

25. Production of wheat in the U.S.S.R. was largely sufficient to meet current needs, and further substantial increases were not at present planned. However, should domestic Soviet consumption per caput fall faster than at present, and should other Eastern European countries become more self-sufficient in bread grains, increased quantities of Soviet wheat could become available for world markets. Production of coarse grains was planned to rise very substantially in Eastern Europe, so as to provide the basis for a rapid growth in livestock output.

26. The report recognized that the validity of its conclusions depended on the success of the plans. It was noted that, while in the past improvements in the agricultural sector of Eastern European countries had fallen short of the targets set, this was not generally true of those in the industrial sectors. Some members of the Committee felt particular concern about the poor prospects for increases in imports of agricultural raw materials into Eastern Europe.

2. Comments on the FAO Projections for 1970 and Problems emerging from these Projections

27. From document CCP 63/7/3 reproducing the comments of 20 countries and 8 international bodies on document CCP 62/5, Agricultural Commodities - Projections for 1970 it appeared that the assumptions made for population and income growth were generally reasonable. The Committee was informed that the newly-created United Nations projection and programming centers, working in close collaboration with FAO, could in future provide more reliable and comparable information on the general framework of economic growth by regions.

28. As regards projections of the demand for food, there was general agreement on the appropriateness of the methods followed in the FAO document. A number of changes of detail were suggested in income elasticities, but it was recognized that such corrections would generally not greatly affect the results of the projections. Some comments, however, indicated that projections for developing countries should be made with greater caution and that they should take into account - wherever possible - the influence of changes in habits and institutions. As regards the demand for agricultural raw materials, it was noted that improvements in the projections depended on the collection of basic data on consumption by end-uses; this was especially desirable in view of the increasing competition from synthetic materials.

29. It was widely recognized that the problems involved in the projection of production were more complex than those relating to demand and that basic improvements were most needed in this field. It was pointed out that a mere extrapolation of past trends in yields and areas (or animal numbers) was insufficient and that greater attention should be given to the effects of agricultural inputs and to the influence of agricultural policies on production.

30. It was emphasized that the broad trends indicated for world trade in the major agricultural commodities were of assistance to a number of countries, especially the smaller ones, in framing their export and production policies. The Committee also noted with interest that FAO was receiving an increasing number of requests for more detailed information from experts engaged in the formulation of export targets as part of national planning.

31. Taking account of the comments received by November 1962, the Secretariat had prepared a summary of the problems emerging from the projections for 1970 (document CCP 63/7/2). This paper confirmed the gravity of the problems facing world agriculture during the sixties, which had already emerged from the 1962 study mentioned above. It pointed out that the achievement of the 5 percent growth target set for the UN Development Decade would necessitate an annual increase in agricultural production of at least 4 percent a year in the developing countries and that this in turn would require increases in crop yields during the sixties of almost twice those achieved in the fifties. Only on these conditions could substantial progress in the fight against hunger be made within the next decade. In view of the expected continuation of technological progress, the agricultural problem of the developed countries during the sixties would, on the contrary, be one of production tending to outrun demand. The problem of farm income parity was therefore likely to be particularly acute, and its long-term solution in many industrialized countries would probably require a further substantial reduction in the farm labor force during the next decade. An extension of food aid programs designed to help developing countries could lead to a better use of food surpluses, but such programs were likely to play only a marginal part in meeting the needs of the developing countries taken as a whole.

32. In reviewing trade prospects, the paper emphasized the critical shortage of foreign exchange earnings with which many primary producing countries would be faced during the sixties. In particular, it indicated that the volume of exports of all primary commodities from low-income countries (excluding those exporting fuels) could not be expected to increase by much more than 2½% per year without closer coordination of long-term national economic policies, while the need of these countries for imports

from industrialized countries might increase by as much as 5 percent a year if the accelerated economic growth implied by the UN Development Decade was to be achieved. Reference was made to the favorable effects which commodity agreements might have on the stabilization of certain commodity prices.

33. The Committee considered that the document presented by the Secretariat had placed the major problems likely to prevail on world agricultural commodity markets over the next decade in a correct perspective. It expressed its concern about the outlook for agricultural exporting countries and stressed the need for closer coordination of national policies with a view to achieving a more efficient allocation of economic resources.

3. Future Work in the Field of Projections

34. In view of the results obtained from this work on projections, unanimous support was given to its continuation. The Secretariat was requested to lay emphasis on the problems of the developing countries and to collaborate more closely with national experts and institutions working in this field. The Committee noted with interest the steps taken by the Secretariat for extending such collaboration in two ways: by reviewing projections for specific commodities within the framework of the existing commodity study groups, and by analyzing problems of methodology and resource allocation within small regional expert groups. In this connection, the Committee took note of the report of the expert meeting held in Geneva in February 1963 for European and North American countries and expressed its particular interest in the meeting of Asian experts on projections to be held in October 1963 in New Delhi. The Committee stressed that efforts should be made to improve the projections of production. It was felt that, by providing a fuller picture of world trade prospects, FAO could make a most valuable contribution to economic planning in the developing countries. The Committee expressed the hope that projections could become really world-wide and that, whenever resources and other considerations permitted, studies of the long-term outlook for trade in agricultural commodities would be extended to include China (Mainland).

35. The Committee agreed that the Secretariat could concentrate for some time on improvements in methodology and in the assembling of data with a view to publishing by 1965 a projection study extending to 1975. Several delegates mentioned the need for periodic revisions of the projections. It was agreed that, for this purpose, brief statements summarizing the principal modifications could be presented, for example, as a regular feature of the FAO Commodity Review.

III. FOOD AID AND SURPLUS UTILIZATION

1. UN/FAO World Food Program

36. The Committee heard statements by representatives of the Executive Director of the UN/FAO World Food Program on the activities of this body. Fifty countries had pledged a total of about US\$ 90 million in commodities, services and cash to the Program. The Program had now entered its operative stage. Since its establishment in January 1963, it had provided emergency assistance to seven countries amounting to \$3.8 million in commodities, and \$600,000 in cash and services. It had also worked out procedures for the preparation and approval of economic development projects, including provisions for consultations on the conformity of such projects with the FAO Principles of Surplus Disposal. Six projects for economic development aid had already been approved and were about to be implemented.

37. The Committee expressed its satisfaction that the World Food Program had begun its operations and asked to be kept informed of its progress.

2. Thirteenth Report of the Consultative Sub-Committee on Surplus Disposal

38. The Committee received the Thirteenth Report of the Consultative Sub-Committee on Surplus Disposal (CCP 63/12), which covered the work of the CSD since March 1962. In this period the Sub-Committee had held nine meetings. Its activities had been increasing. In accordance with the established procedures, the Sub-Committee had been informed in each case in advance of impending agreements under the US Public Law 480. The Sub-Committee had also considered in particular United States surplus disposal policies, legislation and programs, including amendments to Title IV of P.L.480, US sugar procurement from nations importing agricultural commodities, and the US barter program. A procedure had been adopted for consultations on projects of the World Food Program. The Sub-Committee had also considered the report of an ad hoc Group on changing attitudes toward agricultural surpluses (see below, paragraphs 41 - 48).

39. The Committee expressed satisfaction with the work accomplished by the Sub-Committee and several delegates indicated that their governments continued to attach great importance to its activities. These delegates stressed the considerable benefits which surplus disposal programs had conferred on the economies of many developing countries. Other delegates expressed concern about certain developments in surplus utilization policies, particularly with reference to the question of consultations on transactions which might be made following amendments to Title IV of P.L.480.

40. The CCP invited the Sub-Committee to study the practicability of the latter carrying out, with the cooperation of FAO Member Nations, some representative factual case studies to establish whether, and if so to what extent, international commercial trade had been appreciably affected by concessional transactions undertaken by various countries. Such studies would not exclude, where relevant, consideration of marginal cases between commercial and aid transactions, and efforts would be made to take into account the benefits conferred on recipient countries. Should the CSD find such studies practicable, it was invited to proceed with them.

3. Special Studies

41. The CCP received document CCP 63/20 on Changing Attitudes toward Agricultural Surpluses prepared by an ad hoc group set up by the Consultative Sub-Committee on Surplus Disposal (CSD) and submitted by the CSD to the CCP. The discussion on the document was of a preliminary nature because it had not been made available in time for some delegates to obtain their governments' instructions.

42. The report of the ad hoc Group noted that recent developments and statements made in intergovernmental fora indicated that attitudes toward surpluses and surplus disposal were undergoing substantial changes. When the FAO Principles of Surplus Disposal had been drafted, in 1954, agricultural surpluses were considered as the unintentional result of several causes. The report noted that there were now signs of an emerging philosophy that a fuller utilization of food and agricultural producing capacity was to be deliberately sought to meet world non-commercial needs both on humanitarian grounds and to assist the economic development of developing nations. In some cases these changing attitudes had led to suggestions for a planned approach to both the production and the disposal of surpluses. The report considered the implications of such changing attitudes on agricultural production, on the use and the techniques of surplus disposal and on intergovernmental consultation on surplus disposal transactions as to their conformity with the FAO Principles. In certain cases, it had become increasingly difficult to make a distinction between commercial and concessional transactions in international trade, and within these to identify these constituting surplus disposal.

43. The CCP expressed appreciation for the study presented by the CSD and decided to annex it to its present Report to the Council.^{1/} The Committee considered that the implications in the Report of the ad hoc Group raised some general and far-reaching issues in the field of agricultural policies, world trade and international aid to development to which it could give only preliminary attention at its Thirty-Sixth Session. The Committee felt that the Report of the ad hoc Group and the views expressed by delegates in the discussion in the CCP required further consideration by governments particularly if this subject was to be considered by the forthcoming Conference.

44. The Committee invited the CSD to follow further the evolution of changing ideas on the practices of surplus production, utilization and disposal, and decided to maintain this item on the agenda for further consideration at the Thirty-Seventh Session in the light of developments and of the consideration which might be given to this subject by FAO Council and Conference.

45. Particular attention was given to the conclusions and recommendations made in the report of the ad hoc Group. In paragraph 8 it had recommended "that the CCP should consider the implications of a concept of planned surplus production and examine the question of how the need for international consultations at the production stage can be met". Some members felt that detailed studies were required on the implications of such a concept as planned surplus production and on the best way in which any necessary international consultations on these matters could be organized. The Committee agreed that further consideration by governments on the whole subject was required before undertaking further action which might involve, for example, the appointment of an ad hoc panel at expert level. The Committee, however, had not yet proceeded in its consideration of the subject so far as to appoint such a panel at the Thirty-Sixth Session.

46. In paragraph 9 of its report, the ad hoc Group had recommended that, in order to arrive at a fuller understanding of the problems involved in the changing scene of surplus production and disposal, more basic knowledge should be obtained and further analysis made, particularly concerning the following:

"the additional quantities of particular agricultural products that can be absorbed;

the potential productive capacity and the probable effect on production patterns;

the adequacy of market organization and structure and distribution systems; and

the benefits likely to be conferred on the recipients in relation to the comparative costs of surplus production and disposal and the effect on commercial trade of all countries concerned".

In this respect the Committee noted that the proposed program of studies developed by the Executive Director of the UN/FAO World Food Program covered some areas included in the studies indicated by the ad hoc Group. The CCP also noted that the WFP program of studies had not yet been finally decided upon by the UN/FAO Intergovernmental Committee on WFP. The CCP invited the Director-General to draw the attention of the Executive Director of WFP to the studies recommended by the ad hoc Group and to request him to take them into account when preparing the outlines of studies which were to be submitted to the Intergovernmental Committee.

^{1/} See Appendix A, Changing Attitudes toward Agricultural Surpluses, document CCP 63/20.

47. The report of the ad hoc Group had also revealed, in paragraph 10, that there were at present in international trade two contrasting developments, namely that

- "(i) There is a tendency for adjustments to be made in some surplus disposal programs which have the effect of limiting the nature of concessions and of moving away from purely concessional toward transactions which are more nearly commercial.
- (ii) World surplus accumulations are bringing about a liberalization of credit terms in some countries which results in the introduction of concessional features into transactions which are otherwise commercial".

The Committee felt that the CSD should continue to review developments in this area and provide more information on the above-mentioned transactions together with any comment it might wish to make.

48. The Committee noted that in paragraph 10 of its report, the ad hoc Group had also identified two further possibilities with respect to surplus disposal, namely;

- "(iii) An increase of food contributions under an expanding multilateral program could have the effect of stimulating in some countries the production of commodities over and above world demands.
- (iv) A significant increase in cash contributions to a multilateral program, such as World Food Program, may lead to the expansion of commercial trade in food".

The CCP considered that these points might be of interest to the Intergovernmental Committee on the World Food Program and invited the Director-General to draw the attention of the Executive Director of WFP to this part of the ad hoc Group's report.

IV. NATIONAL AND INTERNATIONAL COMMODITY POLICIES

1. National Agricultural Price Stabilization and Support Policies

(a) Guiding Principles

49. The Committee noted that to date fifty governments, listed in Appendix B, had accepted the Guiding Principles for Agricultural Price Stabilization and Support Policies, adopted by the Eleventh Session of the Conference. Some of these governments, while recognizing the value of the Principles, made some comments, and indicated in their replies that, insofar as possible, they would make every effort to take them into account in the formulation of their policies.

(b) Review of Recent Developments

50. The Committee considered the fourth of the annual reviews (CCP 63/18/1) on recent developments in national agricultural price stabilization and support policies, prepared in accordance with Resolution 9/59 of the Tenth Session of the Conference. The report had been prepared on the basis of 46 replies received from Member Governments (six further replies were received too late for inclusion), and of published information available to the Secretariat. Revisions of the data and additional information supplied by delegates would be circulated in a corrigendum sheet.

51. The Committee requested that the scope of next year's report should be broadened to take the form of a five-year review and assessment of such policies in the light of the Guiding Principles, with particular reference to their impact on international trade and production patterns. It was suggested that such a five-year review might perhaps also serve as a special chapter in the State of Food and Agriculture. The Committee stressed the importance of Member Governments of FAO giving comprehensive and timely replies to the questionnaires on agricultural price and income support policies, so as to enhance the usefulness of these reviews. Government measures designed to improve the situation of agricultural producers by "non-price measures" (e.g. the improvement of agricultural structures) and social legislation, as well as by price and income support measures, should be included in future issues to the extent that these were reported by governments to the Committee.

2. Regional Policies for Economic Integration

52. The Committee noted the further development of arrangements for regional integration and cooperation throughout the world. It agreed on the continuing importance of keeping these developments under review, and requested the Director-General to submit further reports on the progress of regional integration schemes to future sessions of the Committee, particularly where such arrangements concerned trade in agricultural commodities.

3. Consultations and Studies on World Trade and Commodity Problems - The United Nations Conference on Trade and Development and the GATT

53. In view of the special interest currently attaching to work in the field of international trade, the Committee's review of FAO's relations with other bodies was mainly concerned with activities in this field, notably with the preparatory work now proceeding for the United Nations Conference on Trade and Development and with the activities of the GATT and of CICT. Reference was also made to the report of the Interim Coordinating Committee for International Commodity Arrangements and to the forthcoming report of a United Nations Group of Experts which had been established by the Social and Economic Council to deal with questions of intergovernmental machinery for commodity and trade matters.

54. The Committee appreciated hearing a report by a Representative of the GATT on the main topics and conclusions of the recent GATT Ministerial Meeting concerning matters relating to trade in agricultural products. The Committee noted the decisions arrived at at that Meeting for the re-convening of Groups on Cereals and Meat and for the establishment of a Group on Dairy Products.

55. The preparatory work now proceeding for the United Nations Conference on Trade and Development was considered by the Committee to be of major importance. The Committee welcomed the actions already initiated by the Director-General and his intentions for FAO's further close cooperation with these preparatory activities, as outlined at the Session. The Committee was of the opinion that FAO, by virtue of its special expertise and outlook, could make a valuable contribution to the work of the United Nations Conference and that the importance attaching to these preparations would also warrant the attention of the Conference at its forthcoming Session. The Committee concurred with the Director-General's intention to present to the FAO Conference a further statement on these matters, which would take account of discussions expected to take place in the coming months. Such a statement, in the Committee's view, might also usefully be combined with a brief general review that could highlight major current issues of world commodity trade. In addition, such a paper might also contain some related outline notes on possible further studies to be undertaken by FAO on the lessons to be learnt from experiences with national and international commodity policies and arrangements, including reference to the influence of any arrangements, policies, or machinery on the patterns and terms of trade and, where applicable, on problems of access and of non-tariff barriers to trade.

4. Concerted Attack on Commodity Problems

56. Having considered at its Thirty-Fifth Session a ten-point program of Suggestions for a Concerted Attack on Commodity Problems (CCP 62/16) which had been presented on behalf of the Director-General to the Eleventh Session of the Conference, the Committee had requested the Director-General to undertake the following two studies on matters arising out of the ten-point program:

- (i) an analytical review of experience to date in the field of commodity policies, stabilization techniques, international commodity arrangements, and consultations; and
- (ii) a survey of work being done or planned by FAO and other agencies under the ten points listed in the above-quoted statement, together with any relevant background comment.

57. As to the first request, calling for an analytical review of experience in the field of commodity policies, arrangements and consultations, the Committee was informed that the Director-General was giving active consideration to suitable ways of dealing with this matter, but that he had decided to consider plans for follow-up action mainly in terms of work that might be undertaken in the course of the next biennium, also taking account of any further directives which might result from the deliberations of the next FAO Conference and of related programs of other agencies which called for cooperation from FAO.

58. As to the second of these two requests, the Council of FAO, having taken note of the decision reached in the interim by the Economic and Social Council for the establishment of a United Nations Group of Experts with largely similar terms of reference, had recommended that the request for an FAO study should be held in abeyance until after the UN experts' report had become available. In line with the Council's decision, the Committee decided to defer action on the matter further until after receipt of the UN experts' report which, it was understood, would be available shortly.

PART TWO

MATTERS RELATING TO INDIVIDUAL COMMODITIES OR GROUPS OF COMMODITIES

V. REVIEW OF FAO COMMODITY STUDY GROUPS AND PROPOSED CONSULTATIONS FOR OTHER COMMODITIES

59. The Committee agreed that, in taking its decisions on the future of the existing FAO Commodity Study Groups and in examining the consultations proposed for other commodities, it was necessary to make an overall review of the different groups and proposed consultations, as well as to examine each one in turn. The Committee therefore wished to record that, while the decisions reported below in paragraphs 61 to 79 were taken separately for each commodity or group of commodities, they were reached on the basis of a general discussion covering all the existing groups and proposed consultations. The Committee reaffirmed the importance of study groups in general as a basis for international consultations, and the rôle of FAO and CCP in these matters (see also paragraph 89 below). The continuation of existing groups and the arrangements for future consultations were studied in the light of the criteria established in 1960. It was also understood that the extent to which the decisions set out in the following sections should be implemented would be interpreted in the light of the decisions of the Conference with regard to the Organization's program of work and budget for the biennium 1964/65.

60. In reaching the decisions recorded in paragraphs 61 to 82 below, the Committee had before it the following documents:

Report of the Mandates, Activities and Future Plans of Commodity Study Groups; CCP 63/5

Report of the Seventh Session of the FAO Group on Grains; CCP 63/4

Report of the Seventh Session of the CCP Consultative Sub-Committee on the Economic Aspects of Rice; CCP 63/14

Joint Session of the Consultative Sub-Committee on the Economic Aspects of Rice and the FAO Group on Grains; CCP 63/19

Report of the Fifth Session of the FAO Cocoa Study Group; CCP 63/3.
Report of the Sixth Session of the FAO Cocoa Study Group; CCP 63/15

Report of the Ad Hoc Meeting on Jute; CCP 63/9

Review of World Banana Situation; CCP 63/11

Tea; CCP 63/23

Report of the Ad Hoc Meeting on Hard Fibers; CCP 63/13

1. Decisions of the Committee concerning Existing Groups

(a) Grains and Rice

61. Both the CCP Consultative Sub-Committee on the Economic Aspects of Rice (established in 1956), and the FAO Group on Grains (established in 1957) had so far held seven sessions. The two Groups had reported that the regular annual consultations between the principal importing and exporting countries had contributed significantly to a better understanding of the problems confronting governments and of the kind of action that needed to be taken. They had also acted as valuable clearing houses for the sharing of specialized economic information. Sessions of both Groups had been well attended, and had received a great deal of practical support from governments, including the preparation of special studies by government experts and financial assistance in the arrangements of meetings held away from Headquarters.

62. The Committee, therefore, unanimously agreed on the value of the Grains and Rice Groups, and on their continuing operation along the lines of the programs which they had drawn up. In view of the Committee's general interest in the need for economy in the cost of meetings, it requested the Groups to consider, in consultation with the Director-General, whether it would be possible to shorten the duration of their sessions without reducing their effectiveness. The Committee accepted the views of the two Groups that their respective terms of reference were adequate.

Joint Session of the Consultative Sub-Committee on the Economic Aspects of Rice and the FAO Group on Grains

63. The Committee approved the initiative taken by its Grains Group and by the Consultative Sub-Committee on the Economic Aspects of Rice in proposing the holding of a joint session in Rome, provisionally scheduled for April/May 1964. It also approved the provisional agenda for the joint session, as proposed by the Grains Group and amended by the Sub-Committee at their respective Seventh Sessions. The joint session would last three days, being preceded by the Eighth Session of the Consultative Sub-Committee and immediately followed by the Ninth Session of the Grains Group.

(b) Cocoa

64. The Committee had before it the Reports of the Fifth and Sixth Sessions of the FAO Cocoa Study Group, held respectively in Montreux in May 1962 and in Port-of-Spain in March 1963 (CCP 63/3 and CCP 63/15). It expressed its appreciation of the work of the Group, particularly the preparation of a draft International Cocoa Agreement, and welcomed its decision to request the convening of a Negotiating Conference later in 1963. The Committee looked forward to the successful conclusion of an agreement based on the Group's draft, and it was felt that pending the outcome of the Negotiating Conference there would be no need for meetings of the Study Group. In the light of the Negotiating Conference the Committee would review the future of the FAO Cocoa Study Group at its Thirty-Seventh Session.

(c) Citrus Fruit

65. The FAO Group on Citrus Fruit had not met since the Thirty-Fifth Session of the CCP. The Committee agreed that the mandate of this Group should be extended for a further period of two years. It asked the Group to review its activities in line with the request which had been made to it in paragraph 165 of the Report of the Thirty-Fourth Session of the CCP. It also invited the Group to concentrate its activities on a number of essential problems confronting the citrus industry and in its report to the Thirty-Seventh Session of the Committee to incorporate a plan of action that could contribute to their solution.

(d) Coconut and Coconut Products

66. The Committee noted that preparations were in hand for the Fifth Session of the FAO Group on Coconut and Coconut Products to be held in September 1963. It decided to examine the future of the Group at its Thirty-Seventh Session in the light of the report of the Group's Fifth Session and of the extent to which governments had shown their support for that session. No subsequent meetings of the Group were to be called pending the CCP's further examination of its future; the exchange of current information relating to production, trade, prices and utilization of coconut and coconut products carried out under the auspices of the Group was, however, to continue.

2. Decisions of the Committee concerning proposed consultations

(a) Jute, Kenaf and Allied Fibers

67. The Committee examined the report (document CCP 63/9) of the ad hoc Meeting on Jute held in Bangkok in December 1962 to consider the desirability of the formation of an FAO Study Group on Jute and Allied Fibers.

After reviewing both the short- and long-term problems of jute and allied fibers, the Meeting had concluded that the CCP criteria for the establishment of study groups were fully met in this case and had recommended that an FAO Study Group on Jute, Kenaf and Allied Fibers be set up.

68. The Meeting had also proposed terms of reference for such a Study Group and had recommended that, subject to the approval of CCP, and in view of the urgency of the problems facing the economy of these fibers, the first session of the Study Group to be held before the spring of 1964.

69. The Committee took note of these recommendations. Although a few delegations expressed doubts about the need for a Study Group at the present stage, they recognized the importance attached to these commodities by member countries largely dependent on exports of jute, kenaf and allied fibers. The Committee decided to proceed to the establishment of an FAO Study Group on Jute, Kenaf and Allied Fibers as in paragraph 70 below.

70. CCP Resolution No. 1/36

FAO STUDY GROUP ON JUTE, KENAF AND ALLIED FIBERS

THE COMMITTEE ON COMMODITY PROBLEMS:

HAVING CONSIDERED the world situation of jute, kenaf and allied fibers at this and previous sessions,

MINDFUL of the mandate given by the FAO Conference which had at various times invited the Committee to establish, within its terms of reference, such groups as it found desirable,

RECOGNIZING that there exist fundamental problems in the production, trade and consumption of jute, kenaf and allied fibers in both the short- and the long-terms and that international cooperation and consultations could contribute to their solution,

CONSIDERING Resolution 46/57 of the Ninth Session of the FAO Conference laying down principles to govern the constituent rules of FAO bodies,

DECIDES, in the light of Rule XXIX of the general rules of the Organization and of the principles referred to above, to establish a group to be known as the FAO Study Group on Jute, Kenaf and Allied Fibers with the following terms of reference:

- (1) The Group shall provide a forum for consultations on and studies of the economic aspects of production, marketing, trade and consumption of jute, kenaf and allied fibers.
- (2) The field of competence of the Study Group shall include:
 - (a) the promotion of improvements in statistical services and the provision of information regarding the supply and demand position and its probable development in the short-term;
 - (b) the study of costs of production and ways of reducing them, including the study of existing research facilities and other relevant technical matters;
 - (c) the study of marketing practices and of ways of improving such practices (including the promotion of standardization in grading and the improvement of quality) and of reducing marketing costs;
 - (d) the collection of information on and the analysis of national policies relating to the production, marketing, trade and consumption of jute, kenaf and allied fibers, and their international effects and examination of the possibilities of facilitating the adjustment of those policies;
 - (e) the study of problems affecting the long-term equilibrium between production and consumption of jute, kenaf and allied fibers;
 - (f) the study of the conditions for, and measures designed to promote expansion in the consumption of jute, kenaf and allied fibers, and the development of new uses including relevant technical matters;
 - (g) the study of the causes and effects of short-term fluctuations affecting jute, kenaf and allied fibers and of ways of reducing them;
 - (h) the study of measures designed to deal with any special difficulties which may exist or may be expected to arise and the submission of reports and/or recommendations on the subject.
- (3) The Study Group shall take into account matters concerning manufactures of jute, kenaf and allied fibers insofar as this is necessary for carrying out its mandate.
- (4) Membership in the Group shall be open to all Member Nations and Associate Members of the Organization that are substantially interested in the production or consumption of, and trade in, jute, kenaf and allied fibers. So far as participation of dependent territories is concerned, the provisions of Article 69 of the Havana Charter shall apply. In order to be considered as a member of the Group, eligible Member Nations or Associate Members shall

communicate to the Director-General a formal expression of intention. Interested non-Member Nations of the Organization that are members of the United Nations may be invited by the Council of the Organization to become members of the Group.

- (5) Attendance by non-Member Nations of the Organization at sessions of the Group shall be governed by the principles relating to the granting of observer status to nations adopted by the Conference.
- (6) In order to ensure the effective discharge of the functions of the Group, governments shall, as far as practicable, furnish all the information required for the work of the Group.
- (7) The Group shall report to the Committee on Commodity Problems, it being understood that copies of its reports, including any conclusions, will be circulated to interested governments and international organizations for their information as soon as they become available.
- (8) The Study Group shall make arrangements for close liaison in its activities with regional and other organizations interested in jute, kenaf and allied fibers. In particular, it shall establish arrangements for close collaboration with the United Nations Economic Commission for Asia and the Far East and the International Bank for Reconstruction and Development.
- (9) The Director-General, in accordance with normal practice, shall keep the Economic and Social Council, the Interim Coordinating Committee for International Commodity Arrangements, and the United Nations Commission on International Commodity Trade informed of the activities of the Group.
- (10) The Group, in consultation with the Director-General, shall determine the dates and places of its sessions, keeping in mind the character and importance of the subjects under review, the number of governments interested in jute, kenaf and allied fibers, and the need for economy in the cost of meetings and travel.
- (11) The Group may adopt and amend its own rules of procedure, which shall be approved by the Committee on Commodity Problems and shall be consistent with the Rules of that Committee.

71. The Committee endorsed the recommendation of the ad hoc Meeting on Jute regarding the provisional agenda of the first session of the FAO Study Group on Jute, Kenaf and Allied Fibers, given in paragraph 24 of the report of the ad hoc Meeting.

(b) Bananas

72. The Inter-American Economic and Social Council of the Organization of American States, at its First Annual Meeting at ministerial level, held at Mexico City in October 1962, had adopted a resolution aiming at the establishment by FAO of an international study group on bananas. The question was subsequently taken up by the Seventh FAO Regional Conference for Latin America, held at Rio de Janeiro in November 1962. The relevant part of that Conference's report read as follows:

"In particular, the Conference reiterated and endorsed the recommendation of the Inter-American Economic and Social Council of the Organization of American States, that a study group on bananas should be set up in FAO and requested the Director-General to bring the Resolution of the OAS (Resolution C-8 of 27 October, 1962) to the attention of the CCP at its next session."

73. The Committee recognized that FAO's documentation on bananas was not yet complete and was informed that studies on bananas which were being carried out by the Secretariat of the GATT were also still proceeding. The Committee therefore asked the FAO to pursue its work on bananas in close cooperation with the GATT, and requested the Director-General to convene an ad hoc meeting on bananas, at such a time when the work had reached a stage at which an ad hoc meeting would appear useful. The Committee proposed that the GATT Secretariat should be invited to participate in the preparations of the meeting and in the meeting itself. Such an ad hoc meeting should review what further steps appeared necessary in the light of the work done and other relevant considerations, and in particular to consider the desirability of setting up an FAO Study Group on Bananas.

(c) Tea

74. The Committee had before it a review of the current situation and prospects of the world tea economy (CCP 63/23), which concluded that there was a need for intergovernmental consultations between producing and consuming countries on the problems of tea.

75. The Committee concluded that there did not at present appear to be an urgent need for a study group on tea, but requested the Director-General to undertake, with the cooperation of the major producing and consuming countries, the preparation of a comprehensive study of the current situation and trends in the world tea economy. This study should, if possible, be submitted to the Thirty-Seventh Session of the CCP, which would then, in the light of the conclusions reached in the study and any other relevant considerations, examine the need for further action.

(d) Hard Fibers (abaca, henequen and sisal)

76. The Committee had before it the report (document CCP 63/13) of the ad hoc Meeting on Hard Fibers, held in Rome in March 1963 to consider the desirability of the formation of an FAO Study Group on Hard Fibers. In view of the serious competition from synthetic materials already being met by abaca, and the fact that a similar threat might arise for other hard fibers in the future, and so as to provide a basis for the formulation of national policies, the Meeting had requested that a study of the long-term prospects for hard fibers be carried out by the Director-General of FAO. The Meeting had urged all member countries of importance in the hard fiber market to cooperate fully both in the provision of statistics for this study and in the improvement of the statistical information available on hard fibers in general.

77. The Meeting had also expressed great concern about the short-term instability of prices, and had recommended the organization of an exchange of market intelligence as a step towards reducing this instability, with FAO serving as a clearing house for the collection and dissemination of the data for governments cooperating in the exchange.

78. Apart from these recommendations, the meeting had not felt that a study group on hard fibers was at present warranted, but had recommended the calling of a further ad hoc Meeting on Hard Fibers before, say, March 1965 to review the situation and make any further recommendations, including, possibly, the formation of a study group.

79. The Committee endorsed the recommendations of the ad hoc meeting, and urged all countries of importance in the hard fiber market to cooperate fully in the collection and exchange of statistical and other information, so that the CCP at its Thirty-Seventh Session might re-examine the question and decide whether or not to convene an ad hoc meeting.

3. Other Matters Relating to Individual Commodities

80. The section comprising paragraphs 81 to 88 below covers the discussions of the Committee relating to individual commodities and commodity groups.

(a) Grains

81. The Committee reviewed the report of the Seventh Session of the FAO Group on Grains, held in Rome in June 1962 (document CCP 63/4). It noted that at that session, in addition to its customary review of the world grain situation and of recent developments in national grain policies and in intergovernmental arrangements and consultations, the Group had carried out an analytical survey of trends in national grain policies in the light of the Group's earlier recommendations, as a basis for its assessment of the main problems facing the world grain economy. The Committee endorsed the general conclusions of the Group on the nature of those problems. It noted in particular that the Group had initiated an examination of the feasibility of international action on coarse grains and that a major study of the economic issues arising in this connection would be presented to the Eighth Session of the Group in July 1963. The Committee expressed strong support for the work of the Group, which had been of direct benefit to governments.

(b) Rice

82. The Committee also reviewed the report of the Seventh Session of the Consultative Sub-Committee on the Economic Aspects of Rice, held in Tokyo in February 1963 (document CCP 63/14). Apart from its customary appraisals of the current rice position and the immediate outlook for world trade, the Sub-Committee had for several years maintained a continuing program of studies on the longer-term trends in rice production and consumption, based on governments' reports of actual progress achieved in development plans. It was paying special attention to the harmonization of national policies and the international effects of regional rice policies. It had also discussed various methods of stabilizing trade and prices, and the issue of the Exchange of Economic Information on rice was continuing. The CCP commended the Sub-Committee for its valuable and constructive work. One of the principal recommendations of the Seventh Session of the Sub-Committee was the proposed declaration of 1965 as an "International Rice Year"; the Committee's conclusions on this point are reported in paragraphs 106 to 108 below.

(c) Dairy Products

83. The Committee considered the Report of the ad hoc Working Group on the Economic Problems of Dairy Products ^{1/} which had been convened, in accordance with a decision of the Committee at its Thirty-Fifth Session, for the purpose of examining possible means of adjusting dairy supply and demand. The Committee generally endorsed the report of the ad hoc group, and urged that governments should take into account the conclusions and recommendations of the report in framing their dairy policies. It also requested the Director-General to publish the report of the ad hoc Working Group. Some delegates pointed out that it was extremely difficult for some countries to follow the recommendations that dairy farmers should be encouraged, through lower prices or otherwise, to turn to alternative pursuits or activities, as milk constitutes for many small producers an important proportion of their income. Some also felt that more attention should have been given in the report to the effects on the dairy industry of competition from products containing oils and fats from non-dairy sources. Some other delegates thought, however, that promotion of butter consumption had been emphasized in the report without due regard to other fats and oils.

^{1/} See Report of the FAO ad hoc Working Group on the Economic Problems of Dairy Products, (CCP 63/8/1), and Comments of the Swiss Delegation (CCP 63/8/4).

84. The Committee commended the study Means of Adjustment of Dairy Supply and Demand (CCP 63/8/2) and expressed its satisfaction that this study would soon be issued in published form. It further suggested that both this study and the report of the ad hoc working group should be forwarded to GATT, to be included as basic materials for the discussions of the Group on Dairy Products to be established there.

85. The Committee noted the Fourth Annual Review of National Dairy Policies (CCP 63/8/3), and the dairy situation and outlook as presented in the FAO Commodity Review 1963, supplemented by a paper on the current butter situation (CCP 63/8/5). Some delegates reported on recent developments and discussions in their countries.

Future Arrangements for the Consideration of Dairy Problems

86. The Committee suggested that the Secretariat should prepare the following studies for its Thirty-Seventh Session in addition to the usual reviews of the dairy situation and outlook and of national dairy policies.

- (i) A survey of the world cheese economy covering international trade in cheese, together with production, consumption, and price aspects in advanced and developing countries. It was suggested that the Director-General might invite a group of government experts on this subject to discuss the study immediately before or during the next session of the Committee.
- (ii) A study of the substitution of vegetable fats for milk fats in dairy products. The earlier work of the Secretariat in this field (CCP 62/Working Paper No. 4) should be continued, with particular reference to recent developments in the production of imitation milk products in advanced and developing countries.
- (iii) A study of the economic effects of dairy development in developing countries. The Secretariat should evaluate the impact of dairy development projects (e.g. FAO/UNICEF milk conservation projects or other multilateral or bilateral projects) upon production, consumption, prices and international trade. This might include basic surveys of production and consumption potentials and consumer habits.

(d) Sugar

87. The Observer for the International Sugar Council drew the attention of the Committee to the dangers for both consumers and producers of the recent unprecedented increase in the prices of sugar, and emphasized the possibility that a disorderly expansion in production might be provoked, to the eventual detriment in particular of the sugar economies of the less developed exporting countries. As the five-fold increase in raw sugar prices since January 1962 had been partially caused by a relatively small deficit in the supply of sugar available on the world market, one delegation wondered whether it would not be appropriate to reconsider the feasibility of buffer stock mechanisms. The Observer for the International Sugar Council also reported on arrangements that were being made for the extension of the International Sugar Agreement in its present non-regulatory form and for the continuance of the Sugar Council as a consultative and preparatory body.

(e) Vegetable Horsehair

88. The attention of the Committee was drawn by the Delegate of Morocco to the special problems facing producers of vegetable horsehair obtained in Morocco and certain other countries from the dwarf palm, the main use of which was as a stuffing material in upholstery. The Committee expressed its sympathy with the producers of this material who were now facing difficulties as a result of competition from other stuffing materials and from foam rubber. It believed that it might be helpful if studies were made of the possibilities of new uses for vegetable horsehair and of improving its quality and competitiveness in existing uses. It therefore wished to give every support to any request for technical assistance for such a study which the governments concerned might wish to make.

PART THREE

WORK OF THE CCP AND RELATED MATTERS

VI. ARRANGEMENTS FOR FUTURE SESSIONS OF THE CCP AND OF CCP COMMODITY STUDY GROUPS

1. Future Work of the CCP

(a) Consideration of Agenda for Future Sessions

89. At its Thirty-Fifth Session, the Committee had agreed that it would consider at the present Session how its agenda for future sessions should be arranged in order to enable it to concentrate its discussions more effectively on matters of major importance. In its consideration, the Committee was mindful of the comments made by the Council on this point (paragraph 24 of the report of the Thirty-Ninth Session of the FAO Council, October 1962).

90. It was pointed out in the discussion that the CCP had a primary responsibility among intergovernmental bodies to deal with agricultural commodity problems, this obligation deriving from its terms of reference. With respect to national agricultural price support and stabilization policies, the Committee had the responsibility of reviewing developments and promoting adherence by Member Nations to the FAO Guiding Principles. The Committee also had a rôle with respect to the development and evaluation of programs for the utilization of agricultural surpluses. Detailed consideration of the problems of individual commodities in cases where appreciable difficulties existed, or were expected to arise, was normally carried out by the Committee through its commodity study groups. The CCP acted as the co-ordinator of the activities of these groups and regularly reviewed them. Directly or indirectly, these activities were related to international stabilization policies. Thus, it was necessary for the Committee to undertake studies and to keep itself informed also of broader developments in this field. The FAO work on projections for agricultural commodities also had to be kept under review by the CCP, since this work was of great importance not only for the Organization as a whole and its Member Nations, but also for other bodies which depended in their work on FAO findings in this field.

91. The Committee agreed that it would undertake a more complete review of its work at its Thirty-Seventh Session, in the light of suggestions by the Council and recommendations which might be made by the FAO Conference at its Twelfth Session and of the outcome of the UN Conference on Trade and Development.

92. The Committee agreed, however, that it was desirable, in the agenda for its next session, to consolidate in a smaller number of items the various matters with which it had to deal. It also agreed that at the next session its discussion should concentrate on points requiring decision or recommendation. With respect to the consideration of the world agricultural commodity situation, problems and policies, it was felt that the discussion should be concentrated on the salient features of the situation, and that this discussion should be of guidance for the Committee's consideration of other items on the agenda.

93. The Committee felt that the efficiency of its work would be increased and the length of its sessions possibly shortened if: (i) the Secretariat could succeed, as it had done at this Session, in distributing the documentation well in advance of the opening of the Session, so as to enable governments to instruct their delegations fully; (ii) a more selective procedure were adopted in reporting on matters which did not require immediate action by the CCP; and (iii) the attention of the Committee and the statements by delegates were concentrated on those items which required decision and action by the Committee itself.

(b) Proposed Agenda and Length of the Thirty-Seventh Session

94. The Committee decided on the following Draft Agenda for its Thirty-Seventh Session:

Draft Agenda

- I. Election of Chairman and Vice-Chairmen
- II. Adoption of Provisional Agenda
- III. Action required arising out of the recommendations of the FAO Council, Conference, Regional Conferences and other United Nations Agencies 1/
- IV. General Debate on the World Agricultural Commodity Situation, Problems and Policies 2/
 - 1. The General Situation and Outlook
 - 2. Five-Year. Evaluation of National Agricultural Policies
 - 3. Food Aid and Surplus Utilization
 - 4.
 - 5.
- V. Special Commodity Matters
- VI. Future Work of the Committee 3/
- VII. Organizational Matters
- VIII. Any Other Business
- IX. Adoption of Report

95. The Committee felt that the workload envisaged under the Agenda above would require a session of eight working days. It was realized, however, that before the Thirty-Seventh Session matters might arise which would require adjustment in these plans for the Agenda. The Committee therefore requested the Director-General, in consultation with the Chairman, to determine the duration of the session in the light of future developments.

2. Date of the Thirty-Seventh Session

96. The Committee requested the Director-General to make arrangements, if practicable, to convene the Thirty-Seventh Session of the CCP immediately before the Forty-Third Session of the FAO Council, bearing in mind also the desirability of avoiding an overlap with the Twelfth Session of the Commission on International Commodity Trade.

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- 1/ This item would comprise the subjects covered by items III and IX of the Agenda of the Thirty-Sixth Session.
 - 2/ This item would cover items IV, V, VI, VII, and VIII of the Agenda of the Thirty-Sixth Session.
 - 3/ This item would cover items X and XI of the Agenda of the Thirty-Sixth Session.

3. Sessions of CCP Commodity Study Groups

97. The Committee was informed that Sessions of CCP Commodity Study Groups were scheduled to be held at FAO Headquarters, Rome, as follows:-

	<u>Date</u>
Group on Citrus Fruit Third Session	17 - 22 June 1963
Group on Grains Eighth Session	4 - 12 July 1963
Group on Coconut and Coconut Products Fifth Session	9 - 18 September 1963
Consultative Sub-Committee on the Economic Aspects of Rice Eighth Session	April/May 1964
Joint Session of Consultative Sub-Committee on the Economic Aspects of Rice and Group on Grains	April/May 1964
Group on Grains Ninth Session	April/May 1964

VII. OTHER MATTERS

1. Definition of the term "Commodity Study Group"

98. The Committee considered, as requested by the Conference and Council, the definition of the term "Commodity Study Group" formulated by the Committee on Constitutional and Legal Matters.

99. The Committee on Constitutional and Legal Matters, in paragraph 25 of its report (C 61/28), considered that the term "Commodity Study Group" should apply to groups having the following characteristics:

- " (i) groups which deal with economic problems in the fields of production, consumption and international trade of a given agricultural commodity - or closely related commodities - as opposed to the technological problems of such commodity or commodities;
- (ii) groups that are open to all Member Nations and Associate Members of the Organization, or non-Member Nations that are Members of the United Nations that consider themselves substantially interested in the production or consumption of, or trade in, the commodity considered, and in which dependent territories may have joint or separate representation as provided for in Article 69 of the Havana Charter;
- (iii) groups whose functions are to deal with special difficulties which exist or may be expected to arise for a given commodity and which groups can be either of a temporary or standing nature;
- (iv) groups which in dealing with such special difficulties may consider, where appropriate, the feasibility and desirability of an international commodity agreement."

100. The Committee agreed that this definition would meet the requirements which it had in mind when it decided to undertake a study of this matter. The Committee felt that the first paragraph of the definition should be redrafted to read as follows:

- " (i) groups which deal with international economic problems in the fields of production, consumption and trade of a given agricultural commodity - or closely related commodities - as distinct from the technological problems of such commodity or commodities."

101. As to the first change, the Committee felt that commodity study groups normally dealt with problems of production and consumption when they assumed an international significance. As to the second suggested amendment, the Committee considered that commodity study groups, though they did not normally deal with technological questions, needed in some cases to take such problems into account to the extent that was necessary for the effective carrying out of economic studies.

2. The Rôle of FAO in the Promotion of Consumption of Individual Commodities

102. Following questions raised at the Thirty-Fifth Session of the Committee as to the part that FAO might play in programs to stimulate consumption of individual commodities, the Director-General had been requested to consider the broad policy issues of the rôle and function of the Organization with respect to such promotional programs (document CCP 63/17).

103. The Director-General had informed the Committee that the purpose of all current FAO programs to raise the consumption of individual commodities was to improve nutrition, productivity or efficiency in marketing and not the promotion of consumption for commercial ends. Promotion schemes for individual commodities on a commercial basis have, so far, all been organized outside FAO auspices. It was further noted that the independent commodity bodies outside FAO, generally, with some exceptions, preferred to leave promotional or market development schemes to separate organizations, often financed and operated by the industries or producer-governments themselves.

104. As far as assistance from FAO is concerned, there was three main problems. Firstly, commodities often compete with one another, and it would be inappropriate for FAO to be associated with a promotional campaign which would increase the demand for one product at the expense of a contraction in the market for another. Secondly, there might be objections on nutritional grounds to encouraging consumption of certain foods in countries where diets are unbalanced. Thirdly, governments of importing countries which were experiencing balance of payments difficulties might not want the consumption of a particular commodity to be encouraged if it could lead to additional import requirements.

105. The Committee accepted the conclusions of the Director-General. It agreed that, while the Organization had a duty to promote action which would contribute to the economic development of its Member Nations, foster trade between them and assist under-privileged groups in meeting dietary deficiencies, it was not usually desirable that FAO should participate directly in the operation of promotional schemes, some of which might be competitive, or be associated with advertising campaigns or promotional arrangements which were controversial from a nutritional or other point of view. The Committee concluded that, apart from its programs for the improvement of nutrition, productivity and efficiency of marketing, the Organization's rôle should continue to be limited to providing a forum for the exchange of ideas and experience gained in national schemes for the promotion of consumption either in domestic or foreign markets.

3. International Rice Year

106. The Committee had before it a Resolution adopted by the Seventh Session of the Consultative Sub-Committee on the Economic Aspects of Rice, recommending that the Director-General declare 1965 as an "International Rice Year". The stated objectives

of this proposal, which had received widespread and strong support from the members of the Consultative Sub-Committee, were to encourage governments and the rice industries to make a concerted effort to promote, where appropriate, production, consumption, marketing and trade, as well as economic and technical research on rice; to focus world attention on the rôle that rice could play in furthering the aims of the Freedom-from-Hunger Campaign; and to improve international understanding of the rice economy. The Consultative Sub-Committee believed: "that the proposal need not add to the financial burdens of FAO.....It would be the responsibility of individual governments and the rice industries in interested countries to arrange and finance their own programs according to their needs". ^{1/}

107. The Committee generally supported the proposal, noting the important rôle of rice as a staple food and a principal source of foreign exchange earnings in many developing countries. It further noted that the proposal embraced broader concepts than a campaign for the promotion of consumption as such. It was recognized, however, that implementation under FAO auspices of such a proposal would need to be in line with the CCP's conclusions relating to promotional campaigns.

108. The Committee therefore gave general endorsement to the proposal, subject to the agreement of the Council and Conference that it was not in conflict with the principles and policies of the Organization, and that any expenditures involved for FAO would be within the resources and budget of the Organization. Should the proposal for an "International Rice Year" be found to be in line with the general principles and policies of the Organization, the Committee suggested that the Director-General, in consultation with the Council and the Conference, should explore the best means of implementing the proposal and of focussing world attention on the urgent need to improve the efficiency of production and distribution, and the nutritional use of rice.

4. Fertilizers

109. The Committee requested the Director-General to undertake a study on the economics of fertilizer use within the framework of present programs in this field. Such a study should cover marketing, distribution and pricing policies in some advanced and developing countries with particular emphasis on governmental action in this field.

^{1/} Report of the Seventh Session of the Consultative Sub-Committee on the Economic Aspects of Rice, CCP 63/14 paragraph 95, page 18.

APPENDIX A

CONSULTATIVE SUB-COMMITTEE ON SURPLUS DISPOSAL

CHANGING ATTITUDES TOWARD AGRICULTURAL SURPLUSES 1/

Letter of Transmittal from the Chairman of the Consultative Sub-Committee
on Surplus Disposal to the Chairman of the Committee on Commodity Problems

11 April 1963

The Chairman
Committee on Commodity Problems
Food and Agriculture Organization
of the United Nations
Rome, Italy

Dear Sir,

In accordance with the decision taken by the Consultative Sub-Committee at the Ninetieth Meeting today, I have pleasure in submitting to you herewith a report on Changing Attitudes Toward Agricultural Surpluses.

At its Eighty-Fourth Meeting (October 1962) the Sub-Committee set up an ad hoc Group to examine and report on the implications referred to in a statement submitted by the Delegate for the Netherlands drawing attention to the changing ideas which had evolved in the philosophy and practices of surplus production, utilization and disposal.

In accepting this report for transmission to the CCP the Sub-Committee does so, subject to the understanding that governments represented on the Sub-Committee are not committed to the text of the Report but that their views would be expressed when the Report comes up for discussion in your Committee.

Yours sincerely

R. de Wilde
Chairman
Consultative Sub-Committee on Surplus Disposal
Committee on Commodity Problems

1/ Originally issued as CCP/CSD/63/27 and CCP 63/20.

CHANGING ATTITUDES TOWARD AGRICULTURAL SURPLUSES

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INTRODUCTION

1. The FAO Consultative Sub-Committee on Surplus Disposal (hereinafter called the Sub-Committee) has been in operation for nearly nine years, during which time there have occurred developments of outstanding importance. The purpose of this paper is threefold: first, to trace these and other significant developments concerning agricultural surpluses and their disposal ^{1/}; second, to assess the implications of these developments; and third, to submit conclusions and recommendations to the FAO Committee on Commodity Problems.

SUMMARY OF PARTS I AND II

2. The present agricultural surplus problem had its genesis during the 1920's and 1930's, when governments intervened to bolster declining agricultural incomes. The wartime production incentives, continued after World War II in the United States and in Canada and policies developed elsewhere have, together with the great technological advances in agriculture, led to the present situation.

3. Some major developments in recent years have a special bearing on the present and prospective surplus problem. These include the passage of Public Law 480 under which the United States carries out its agricultural surplus programs; the extension of the supply management concept in the United States; and the decision by the European Economic Community to implement a Common Agricultural Policy. Hardly less important has been the growing realization of the possibility of using surpluses to meet nutritional needs and to assist in the economic development of emerging nations.

4. Also significant have been various international actions, especially through the FAO, concerning the disposal and utilization of existing surpluses. These include the establishing of an international code of behavior on surplus disposals, the development of consultative machinery and procedures to oversee these disposals, and the establishment of a multilateral surplus utilization program. Supporting and related actions include those taken by the United Nations, GATT and by other international bodies. A further important development has been the movement toward a broader approach to world commodity problems which has been stimulated by the increasing production potential, not only in the United States but also in some European countries and elsewhere.

5. The changing attitudes toward agricultural surpluses may be separated into four closely related aspects, namely production, use, techniques of disposal and consultation. When the FAO Principles of Surplus Disposal and Guiding Lines were drawn up, surpluses were regarded as a temporary problem and the possibility of deliberate overproduction to meet noncommercial food needs was not considered. Domestic support policies were then - as now - recognized as the major factor in the accumulation of surpluses. Many underdeveloped countries embarking on development programs find that the resources available to them to plan their development are limited and in many instances they can - and in the past have been able to - undertake development plans only on the basis of assured assistance. Food aid has frequently been an important form of such assistance.

^{1/} For its purposes the Sub-Committee in 1958 defined surplus disposal as follows: "Surplus disposal of an agricultural commodity in international trade is an export operation (other than a sale covered by an international commodity agreement) arising from the existence or expectation of abnormal stocks, and made possible by the grant of special or concessional terms through government intervention."

6. In some quarters these considerations have led to a growing expectation that surplus production may become a long-term phenomenon on the assumption that surpluses could be disposed of in noncommercial markets. A reflection of this is the supply management concept under which production would be geared not only to the meeting of effective commercial demand, but also to special needs either as donations or concessional sales. Another indication is the establishment of the World Food Program, which, even though it is on an experimental basis, seems to provide a further justification for using surpluses as calculated instruments of longer-term assistance provided on a multilateral basis. These changing attitudes may have significant implications, some of which specifically relate to the consultative functions of the Sub-Committee.

Part III

CONCLUSIONS AND RECOMMENDATIONS

General Conclusions

7. The study has revealed that significant changes in attitudes toward surpluses and their disposal are continuing to develop in some countries and in some international forums. Changing attitudes toward production, use and disposal techniques are of universal concern and will present increasing difficulties for the Sub-Committee in meeting its obligations. In order that the Sub-Committee may continue to play a useful and practical role, it recommends that the CCP should consider the changing situation in the light of developments revealed in this report.

Conclusions and Recommendations

8. It is recognized that surpluses are produced mainly as a result of national policies and of increased technological efficiency. In some national and international forums, there are signs of an emerging philosophy that fuller utilization of world agricultural producing capacity can be justified to meet world needs, both on humanitarian grounds and to assist economic development. In some cases this has led to suggestions for a planned approach to both the production and the disposal of surpluses (supply management proposal, the EEC/Mansholt suggestion, Pisani-Baumgartner concept, and the World Food Program). As a possible solution to surplus problems the development of some broad international understandings and, in particular, the negotiation of international commodity arrangements, have been suggested, but are still only in the early formative stages. The Sub-Committee is thus faced with the prospect of having to deal not only with consultations covering (a) unintentional surpluses but also (b) surpluses which are being produced and justified on the basis of domestic economic and social considerations, as well as (c) surpluses which are the result of planned production to meet bilateral or multilateral aid to developing regions. The question arises as to the need for consultative arrangements at an earlier stage, including consideration of production capacity, trade among countries and consumption levels.

The Sub-Committee accordingly recommends that the CCP should consider the implications of a concept of planned surplus production and examine the question of how the need for international consultations at the production stage can be met.

9. Great importance continues to be attached to the effective role agricultural surpluses may play in economic aid programs and the possibility that they may make an increasingly significant contribution to the extension of the total volume of economic aid available (World Food Program, OECD and P.L. 480 programs). Both benefits and limitations of the effective use of food in aid programs have been disclosed. The possible effects of changing attitudes toward surpluses have been reviewed in the study. However there remain many deficiencies in the understanding

of the problems. The need arises for some basic knowledge of production potentials and practical capacities to absorb additional food and for a critical appraisal of aid programs.

The Sub-Committee accordingly recommends to the CCP that, in order to arrive at a fuller understanding of the problems involved in the changing scene of surplus production and disposal, more basic knowledge should be obtained and further analysis made, particularly concerning:

the additional quantities of particular agricultural products that can be absorbed;

the potential productive capacity and the probable effect on production patterns;

the adequacy of market organization and structure and distribution systems; and

the benefits likely to be conferred on the recipients in relation to the comparative costs of surplus production and disposal and the effect on commercial trade of all countries concerned.

Some Other Observations

10. The study has also disclosed two contrasting developments:

- (i) There is a tendency for adjustments to be made in some surplus disposal programs which have the effect of limiting the nature of concessions and of moving away from purely concessional toward transactions which are more nearly commercial.
- (ii) World surplus accumulations are bringing about a liberalization of credit terms in some countries which results in the introduction of concessional features into transactions which are otherwise commercial.

The above developments create difficulties for the Sub-Committee in applying its standards of concessionality and additionality. In addition to these developments there are two further possibilities to be considered:

- (iii) An increase of food contributions under an expanding multi-lateral program could have the effect of stimulating in some countries the production of commodities over and above world demands.
- (iv) A significant increase in cash contributions to a multi-lateral program, such as the World Food Program, may lead to the expansion of commercial trade in food.

Although the Sub-Committee is watching the four above-mentioned developments, it is considered desirable to bring them to the attention of the CCP at this time.

Part I

NATIONAL AND INTERNATIONAL ACTIVITIES AND PROPOSALS

Historical Background of Surplus Problems

11. Even before World War I there were a number of instances when surpluses of agricultural products arose and governments intervened to protect the income of their farmers. Examples of such cases are beet sugar in Europe in the last century; cane sugar in Cuba; coffee in Brazil; and long staple cotton in Egypt. But the agricultural surplus problem of recent years had its genesis during the 1920's and 1930's. In this period the income from agriculture fell drastically, in absolute terms as well as in relation to that of other sectors of the national economies, and governments everywhere intervened to bolster farm income. In exporting countries this intervention usually took the form of government or quasi-government marketing boards with monopoly powers. In the importing countries it mainly took the form of new devices for the control and redirection of imports such as quotas, mixing regulations, preferential and bilateral trade arrangements.

12. Government intervention in the importing countries had the effect of stimulating domestic production and of reducing the demand for imports of some agricultural products. But intervention in the exporting countries did not, in general, lead to a reduction in exportable supplies. Thus in the late 1920's, excess stocks started to accumulate and world prices fell to very low levels.

13. In the United States, the most important exporter of farm products, the establishment of the Federal Farm Board in 1929 marked the first time that the U.S. Government had intervened directly to influence the prices of export crops. This legislation, aimed at raising farm prices through government loans to agricultural cooperatives, failed in its objectives largely because of worldwide depression, associated with declining prices, and because there was no provision for control of production. The philosophy of production control was accepted for the first time in the United States in the passage of the Agricultural Adjustment Act of 1933. Control was based on acreage rather than supply limitation and, as time went on, the increases in production efficiency were partly or fully offsetting the effect of reduced acreage.

14. During World War II government attempts to control farm output were reversed in favor of production expansion, especially in North America; and every effort was made to increase the production of food. In the United States price supports were increased on the basic food crops and introduced for the first time on animal products. The continuation after the war of wartime incentives in the United States, and of price supports in Canada, together with advancing technology led to the accumulation of large surpluses - especially of wheat and dairy products - during the 1950's.

15. With the exception of the World War II period, price supports were not introduced in North America for the purpose of increasing production, although this was indeed their effect. The objective was to ensure a reasonable income to the farming community in relation to other sectors of the national economies.

Postwar Agricultural Policies

16. After World War II the United States continued essentially the same price support policies which had been developed during the war. But from time to time the support levels were lowered, and acreage allotments were reintroduced for the principal crops. However some of these measures were not effective in reducing output, and indeed production of some commodities continued to increase.

The supply management concept which involves the adjustment of supply to domestic and foreign needs has to some extent been in operation for a number of years for some commodities, notably tobacco, cotton, peanuts and rice. Some phases of this concept were extended in part to wheat and feed grains with the passage of legislation in 1962. The program includes strict control over supplies of wheat marketed for food, and an acreage retirement program for feed grains involving direct payments to producers who comply with the program. No production control has been introduced on dairy products which at present constitute one of the most serious surplus problems in the United States.

17. In Canada agricultural price support legislation was introduced in 1944 for the protection of farmers against a postwar price decline, such as occurred after World War I. In 1959 the Canadian Government found that the supports on hogs and eggs were contributing to increased production of these products, and new programs were introduced involving deficiency payments to farmers on limited quantities. Since the wheat produced in Canada's main producing provinces is marketed through a government agency, it does not qualify for support under the legislation. In the case of dairy products there is no limitation on production in the price support program.

18. Postwar policies for food and agriculture, developed in other areas, have varied from country to country. In the early years the main emphasis was on expanding agricultural production to avoid hunger or inflation. Later emphasis was placed on such factors as the need to reduce imports because of the dollar gap (in Western Europe), or to maximize foreign exchange availabilities for the purchase of capital goods (in Latin America, Near East and Far East). As supplies became more plentiful greater attention was given especially in Western Europe and Japan to improving and safeguarding the economic position of farmers. This involved income protection and various measures of price and income supports, and led to subsidized exports. In recent years, especially in some countries of Western Europe, increasing attention has been given to problems of surplus production of some commodities.

Developments in Surplus Disposals during the Postwar Years

19. During the first few years after World War II world attention was focused on shortages rather than on surpluses. The International Emergency Food Council, which grew out of the operations of the wartime Combined Food Board, was established to ensure a fair distribution of scarce supplies, especially of basic food, to the areas of greatest need. At this stage the requirements of Western European countries, where agricultural production had been badly disrupted by the war, were given priority consideration. The Marshall Plan was introduced by the United States under which large quantities of food, among other products, were supplied to European countries. It was only during the early 1950's that attention was shifted to the problem of surpluses.

20. There were several major developments during the postwar period which have a special bearing on the agricultural surplus problem - present and prospective. In the United States in 1954, legislation was passed which has become widely known as P.L. 480. This coincided with the formulation of the FAO Principles of Surplus Disposal and Guiding Lines, providing a framework within which the disposal of surpluses would be assessed. This led to the setting up of the Sub-Committee and to the later evolution of consultative machinery and procedures. The effect of surplus disposals on international markets was the major preoccupation in these early years, but more recently the possibility of international action in utilizing surpluses has been considered. One result of this has been to focus attention on the use of food in economic development. Another outcome has been the World Food Program. There is also emerging the supply management concept in the United States, and finally the implementation of a Common Agricultural Policy by the European Economic Community.

(a) Evolution of the Public Law 480 Program in the United States

21. Under Section 550 of the Mutual Security Act of the United States (1951) and later under Section 402 of that Act, the idea was introduced of stimulating the disposal of American agricultural surpluses by offering to sell them to interested countries for local currency. The purpose was to facilitate the export of United States products, while at the same time to help ease the balance of payments difficulties of the developing countries.

22. The passage of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) marked the beginning of a systematic attempt to utilize United States agricultural surpluses along lines tentatively laid down by Section 550. At the beginning it contained three major Titles, and Title IV was added in 1959. Title I provides authority for the sale of surplus commodities to other countries in exchange for local (inconvertible) currency; Title II authorizes grants of commodities for emergency needs and to assist economic development; Title III provides for barter agreements and for donations through voluntary agencies. Title IV authorizes the sale of surplus commodities under long-term dollar credits to foreign governments. In 1962 Title IV was amended to extend these credits to private commercial trade.

23. The following table shows the value of P.L. 480 exports under the several Titles of the Act and under the Mutual Security Act authority for fiscal years from 1954/55 to 1961/62 inclusive.

United States Exports of Agricultural Products
under P.L. 480 and Section 402 of MSA

Authority	1954-55 to 1958-59 av.	1959-1960	1960-1961	1961-1962
	(Fiscal Year ending 30 June)			
	(.....millions of U.S. dollars.....)			
P.L. 480				
Title I	561	825	934	1015
Title II	82	65	146	176
Title III	369	253	291	361
Title IV	-	-	-	20
MSA 402	327	167	186	74
TOTAL	1339	1310	1557	1646

Source: President's Semiannual Reports on Public Law 480.

24. The following table shows the breakdown of exports under P.L. 480 and Section 402 for the same years on a commodity basis.

United States Exports of Principal Products
under P.L. 480 and Section 402 of MSA

Commodity	Unit	1954-55 to 1958-59 av.	1959-60	1960-61	1961-62
			(Fiscal Year ending 30 June)		
Wheat	million bu.	250	317	388	415
Corn	million bu.	52	55	46	82
Cotton	1000 bales	1872	1251	1782	1221
Butter	million lbs.	48	16	-	-
Cheese	"	125	12	-	1
Dried Milk	"	493	394	545	607
Soybean/ cottonseed oil	"	605	813	674	788

Source: Reports of Trade Statistics Branch, Trade Policy Division, FAS.

25. The main purpose of the United States Government, in initiating the P.L. 480 program, was to move into foreign outlets part of its growing stockpile of agricultural products which had accumulated under its price support program. During the first few years a considerable part of the total was moved into the more economically developed countries such as Italy and Japan. But as time went on the main emphasis was placed on local currency sales and grants to meet food needs and assist in economic development in the less developed countries such as India, Pakistan and Brazil. At the same time more emphasis was put on the use of surpluses for the alleviation of hunger in the less well-nourished nations of the world. This found expression in a Food for Peace Conference which was convened by the United States in 1959, representing the five major wheat exporting nations with the FAO participating as adviser-observer. The conference established the Wheat Utilization Committee to consider ways of increasing and making more effective the utilization of wheat surpluses for the promotion of economic development, the improvement of nutritional standards, and the expansion of commercial trade. Further status was given to the Food for Peace concept by the establishment of a Food for Peace Office in the Executive Office of the President of the United States.

26. P.L. 480 operations are conducted through the mechanism of bilateral agreements between the United States and the recipient countries. In the earlier years all of the agreements were for the duration of one year. But in 1956 an agreement for a three-year period was concluded with Brazil. Subsequently four-year agreements were concluded with India (1960) and with Pakistan (1961). These longer-term agreements involved the introduction of an element of planning on the part of both the exporting and the importing countries. The long-term agreements contain a clause limiting the supply of products by the United States to commodities in surplus at the time of shipment. To the extent that the commodities continue to be available as surpluses, they enable the importing countries to plan on the basis of assured supplies.

(b) International Approaches to the Utilization of Agricultural Surpluses

27. At the end of the Second World War consideration was given to the possibility of international action in utilizing surplus agricultural products, the FAO's World Food Board scheme including such proposals. This was followed by others such as the International Commodity Clearing House in 1949 which were also rejected, though some of the ideas from these persisted. Meanwhile the FAO established the Committee on Commodity Problems with advisory functions including those of dealing with problems of surpluses. The FAO also took up the challenge of special food needs in various parts of the world and developed international machinery for helping to meet emergency situations (in Yugoslavia in 1952, Chile in 1960 and the Congo in 1960-61). In the same context, proposals were developed by FAO for the establishment of an international Emergency Food Reserve but these were never enacted. Subsequently recommendations for the establishment of national food reserves received some international backing and have been acted on by a few countries.

28. Commenting on such earlier efforts in his report, "Development Through Food - a Strategy for Surplus Utilization," the Director-General of FAO said that the main reason for lack of progress appeared to have been the reluctance of governments to undertake measures which might weaken their national initiative and national powers of control. He added that the climate was against multilateral action in operation fields as distinct from advisory or informational roles.

(i) FAO Principles and the Sub-Committee

29. Meanwhile international cooperation was developed through the FAO machinery in the course of safeguarding normal commercial trade against the effects of disposing of surpluses which had accumulated, mainly in the United States. From this there emerged the FAO Principles of Surplus Disposal which provide a code of international behavior now accepted by 48 countries. The Sub-Committee is the chief expression of

this development, and the consultative machinery and procedures, developed and strengthened over the years, have proved generally effective both in providing an international forum for the discussion of surplus problems and in promoting the observance of the Principles themselves. The Principles have been recognized in a number of other international organizations concerned with world trade in agricultural commodities.

30. While the Sub-Committee's attention was chiefly focused on the possible adverse effects of surplus disposals on normal commercial trade, there was a growth of interest by many countries in further international cooperation to find the most effective method of utilizing surpluses. In this category should be mentioned the action to stimulate milk consumption in India and Pakistan using available surplus stocks of skim milk powder as a basis. The Sub-Committee also set up guiding lines concerning the creation and maintenance of national food reserves through the use of surplus commodities.

(ii) Economic Development Needs

31. The emergence of many new nations in Asia and Africa and the desire to help them achieve economic viability led to much international effort in mobilizing financial and other capital resources. The correction of a situation in which food deficiency existed in many countries appeared to be a prerequisite to any substantial economic growth, quite apart from the humanitarian aspects. The possibility of using surplus foodstuffs to meet both the humanitarian needs and to assist in economic development received increasing attention in many forums, and the FAO took a leading part in producing pilot studies on such uses of surpluses. Surplus food provided on a bilateral basis was used in economic development. The possibilities of international action however began to be more frequently suggested as a means of solving the inherent problems.

(iii) Advantages of International Action

32. Although by far the greatest amount of surplus food accumulated in the United States, there was evidence of surpluses in other countries, and it was obvious that there was surplus productive capacity in many other food producing areas.

33. It became clear that if food were to be made available to help developing countries in overall economic development programs, there would need to be some assurance of continuity of supply, as intermittent assistance would be difficult to integrate into long-term development plans. An international organization by obtaining pledged commitments could give some assurance of continuity, whereas supplies from one country might fade out as a result of policy changes or natural hazards such as drought. In addition the advantages of divorcing the political aims of particular countries from assistance programs were pointed out. Some recipient countries were reticent about accepting bilateral aid. On the other hand donor countries drew attention to the possible difficulties in their obtaining legislative authority for granting aid where the control of resources was not strictly in their hands.

34. However the advantages of international supervision and the opportunity for making a fair division of available resources according to needs impartially determined by an international body may in some situations be more satisfactory than bilateral action. This also has the advantage of keeping openly under review the effects of surplus utilization on both recipient countries and on other commercial suppliers.

(iv) World Food Program

35. It was with these considerations in mind that the General Assembly of the United Nations unanimously adopted in 1960 a Resolution on the Provision of Food Surpluses to Food Deficient Peoples through the United Nations System. Arising from this

action and further intensive study in the UN and FAO, a World Food Program was eventually drawn up on an experimental basis for a three-year period.

36. The development of the World Food Program in the earlier stages revealed some interesting changes in thinking on this subject. There has been much debate, and the concept embodied in the original Resolution has to some extent been altered. The objectives of the World Food Program included the handling of emergency situations, school and other child feeding programs and pilot schemes for the use of surpluses directly to assist economic development. Recently more emphasis has been placed on the economic development aspects.

Other Related International Activities and Proposals

37. Some other activities and proposals for international action which are relevant to the Sub-Committee's enquiry are briefly covered in this section of the report. In addition to providing the basis for the World Food Program, the United Nations resolution of October 1960 made recommendations on other aspects of surplus food utilization. The General Agreement on Tariffs and Trade (GATT) and the Organization for Economic Cooperation and Development (OECD) were both organized to deal with the much broader field of international trade and international economic relations. There are also some references to international commodity arrangements, and to the role of the International Federation of Agricultural Producers (IFAP), the principal nongovernmental body which has been actively concerned with international commodity problems, including the utilization of agricultural surpluses. Finally mention is made of the Common Agricultural Policy of the European Economic Community (EEC) and the Pisani-Baumgartner concept.

(a) United Nations and ECOSOC

38. The resolutions adopted by the UN General Assembly in 1960 and 1961, and related ECOSOC resolutions, were directed toward the mobilization of available surplus foodstuffs and their distribution in the areas of greatest need, particularly in the economically less developed countries. The General Assembly recorded its recognition of the FAO Principles of Surplus Disposal and Guiding Lines as a valuable instrument for the guidance of governments in the disposal and utilization of agricultural surpluses and drew attention to the existing opportunities for consultation and exchange of information provided by the Sub-Committee.

(b) General Agreement on Tariffs and Trade (GATT)

39. When member countries of the GATT dispose of surplus commodities through commercial channels they are under obligation to follow the rules of the GATT which apply to the conduct of international trade. Members of the GATT are committed to the principles set down in the GATT Resolution of 4 March 1955. It was thus agreed that countries following the FAO Principles of Surplus Disposal in disposing of surplus commodities would be fulfilling their obligations under the GATT. Each year those member countries who are engaged in the disposal of surpluses are requested to report to the GATT on such disposals and on the procedures used in connection with them.

40. To provide a forum for the discussion of problems of international trade, the Trade Ministers to the 1958 session of GATT set up a number of committees. One of these, Committee No.2 on agricultural commodity policies, was given terms of reference, some of which are directly relevant to the inherent problems of agricultural surpluses. This Committee carried out a series of consultations with individual members of the GATT on their agricultural protection policies and the impact of these on international trade.

(c) International Commodity Agreements

41. The problem of agricultural surpluses and their depressing effect on international commodity prices has also been taken into account through the negotiation of international commodity agreements. Such agreements attempt to deal both with the problem of cyclical price fluctuations and the problem of the long-term decline in world commodity prices. Since the war international agreements, patterned along the lines set out in the Havana Charter and involving agricultural products, have been concluded for wheat, sugar, coffee and olive oil. An agreement for cocoa is under consideration by interested governments. In all these agreements the attainment of a reasonably stable price is given particularly, if not predominant, importance. The Olive Oil Agreement attaches considerable importance to the provision by members of exports of a standard quality. The Coffee Agreement allows the Council to make recommendations regarding production controls.

42. So far provision for the disposal of surpluses under international commodity agreements has not been made, although some thoughts to that effect have been expressed. The International Wheat Agreement does however refer to the disposal of excess wheat supplies in article 23: "To assist it in its review of disposals of excess wheat supplies, exporting and importing countries shall inform the Council of the measures taken by them to secure compliance with the principles that the solution to the problems involved in such disposals should be sought, wherever possible, through efforts to increase consumption; that such disposals should take place in an orderly manner; and that where excess wheat supplies are made available on special terms, such arrangements should be made without harmful interference with normal patterns of production and international commercial trade."

(d) OEEC/OECD

43. The Organization of European Economic Cooperation (OEEC), which was established in 1947 to distribute U. S. economic aid to 17 European member countries, expanded its activities to all major economic fields in later years, including the annual examination of different aspects of the agricultural policies of the member countries. In December 1960 a new Convention was signed for the reorganization of OEEC into the Organization for Economic Cooperation and Development (OECD), a body comprising a greater number of members (20, including the United States and Canada) and directed toward a wider area of activities.

44. Under the OEEC a number of commodity groups had met frequently to discuss market conditions and developments, in particular for butter and whole and skim milk powder, and in some cases recommendations were adopted to remedy threatening or existing market disturbances. The Agriculture Committee of the OECD not only continued this work but also extended its activities to the search for both short and longer-term solutions to disturbances on the international commodity markets, and to the study of international commodity arrangements. Particular stress is also placed on the agricultural problems of developing countries and regions, and the role that food aid may play in economic development.

45. During their annual meeting in November 1962, the Ministers of Agriculture of the OECD countries approved a report on the role of food in economic development and adopted a statement which mentioned the desirability of adjustments in agricultural production; the taking into account of international trade responsibilities; the avoidance of stimulating uneconomic production; and the stabilization of international markets. Emphasis was placed on the contribution which food aid might provide to developing countries; the risks involved with regard to the level of domestic production and to third countries; and finally the apparent necessity to coordinate food programs with other aid programs. Special attention was given to the danger that food aid may reduce the incentive for donor countries to make adjustments in their own agriculture.

(e) Common Agricultural Policy of the European Economic Community

46. The adoption by the European Economic Community (EEC) of a Common Agricultural Policy (CAP) constitutes a major postwar development in agriculture. The Rome Treaty which was signed in 1957 and which instituted a Common Market for six countries, Belgium, France, Italy, Luxemburg, The Netherlands and West Germany, states (Article 40): "The member States will gradually develop, during the transitional period, and establish at the end of this period a C.A.P."

47. The principles of the CAP are outlined in Article 39 of the Rome Treaty which states that the aim of the CAP is "to increase agricultural productivity by the development of technical progress while bringing about a balanced development of agricultural production as well as an optimum use of production resources and of man-power in particular." The principles were further emphasized in July 1958 at the Stresa Conference, but the methods selected to implement them were not agreed upon until the round of negotiations ended in the early hours of January 14, 1962.

48. The Rome Treaty, the Stresa Conference and the January 1962 decisions are primarily aimed at the establishment of a single policy for the six member countries. They cover rural development and production policies, marketing arrangements and import procedures. They do not lay down a policy concerning surplus production or utilization, although the resolution adopted at the Stresa Conference states that the CAP should adopt "a price policy through which surplus production could be prevented."

49. Nevertheless some aspects of the CAP may have a bearing on the future surplus situation. One is the decision to ensure parity to farmers on well managed farms which are considered socio-economically viable. This is in line with the policies which were already in existence among the Six and will not be conducive in the short-term to any massive transfer of production resources out of agriculture which could have counterbalanced the effect of technological advance on production. The decision to establish a uniform pricing system likewise makes unlikely any overall lowering of agricultural prices in the main producing areas. Even if this common price level is not set at a level such as to encourage substantial production increases, there is little doubt that, as Dr. Mansholt, Vice President of the EEC Commission, stated at the 1962 FAO European Regional Conference, even a prudent price policy might sometimes lead to surpluses. It is worth noting that one of the conclusions drawn by Dr. Mansholt was that if surplus production did take place, it should be directed toward those products which may be more effectively used to combat hunger. The third is that the setting up of a "Fund for Orientation and Guarantee", established principally to finance common activities under CAP, could in certain cases also provide the machinery to facilitate the disposal of surpluses.

50. Although the Rome Treaty contains no provision for surpluses, the EEC has had several reasons for looking into this problem. For instance the studies made on medium and long-term production and consumption patterns show that certain commodities could become in surplus inside the Six while remaining in deficit in large parts of the world. International discussions concerning food aid have led to increased interest in commodity and surplus problems within the EEC. The EEC Commission also stressed the need for a new approach to international trade arrangements, including a code of behavior concerning production and price policies and for raising standards of living and nutritional levels in developing countries.

(f) Pisani-Baumgartner Concept

51. The possibility of European surpluses adding to an already overburdened supply situation for some commodities in some areas, coupled with food deficiencies in many countries, led the French Ministers of Agriculture and Finance, Mr. Pisani and Mr. Baumgartner, to propose a fundamental reconsideration of the structure of agricultural trade in the present world. Their central idea consists of substituting

for the "free" world market price a managed minimum price which would reflect the production price in the main importing area. The countries participating in the scheme would see that all international commercial trade took place at or above the agreed price. Such an arrangement would eliminate export subsidies. In the case of wheat for instance the arrangement would be carried out through a progressive increase in the prices fixed by the International Wheat Agreement.

52. This arrangement would be supplemented by an understanding on the amount of products to be sold on the commercial markets by the exporting countries, with a view to reaching an agreed balance between commercial demand and sales. Such an arrangement of commercial markets, according to the proponents, would in turn determine the amount of a given commodity which would be available for concessional transactions. The more remunerative commercial markets would help the exporting nations to increase their participation in special sales or donations. Their share of these (concessional) markets could, as in the case of commercial markets, be agreed upon in some way so as to avoid any conflict in such concessional markets. Thus under the concept the twin reorganization of commercial and concessional markets is closely linked.

53. As the concept has not been formulated in detail, international attitudes toward the surplus disposal aspects have not been developed.

(g) International Federation of Agricultural Producers (IFAP)

54. The International Federation of Agricultural Producers (IFAP) is a nongovernmental organization of 46 members from 32 countries with Category A consultative status in the United Nations and in FAO. It is an active observer-participant on the Sub-Committee. The purpose of IFAP is "to promote the well-being of all who obtain their livelihood from the land and to assure to them the maintenance of adequate and stable remuneration." It considers that to achieve this objective the assistance and support of national governments will be required. It realizes however that such national government programs may have serious international repercussions and has constantly urged international cooperative programs. It has in particular supported the negotiation of international commodity agreements, and it has recommended international cooperative action to solve the problem arising out of the anomaly of hunger in the midst of plenty.

55. At its Eleventh General Conference in New Delhi in November 1959, IFAP unanimously adopted a Resolution calling for an International Food and Farm Policy. The Resolution recommends that agricultural production, especially of food, in both the developed and developing countries, should be geared to the satisfaction of human needs and not merely to the effective demand of the commercial market. This would involve the production of large supplies of surplus food in the developed countries and their movement on special terms to underdeveloped countries where population growth has been outrunning the present production capacity. At the same time it stresses the urgent need for a great expansion of food production in the developing countries. The Resolution also emphasizes the need for greater stability of prices at "remunerative" levels for agricultural products, especially in relation to the exports of the developing countries. IFAP has endorsed the World Food Program as partly meeting the objectives of its New Delhi Resolution, and its member organizations on numerous occasions have urged their individual governments to participate in this program as fully as possible.

Part II

CHANGING ATTITUDES TOWARD AGRICULTURAL SURPLUSES AND THEIR IMPLICATIONS

Introduction: Changes Revealed in Historical Survey

56. The foregoing historical review reveals that there have been significant changes in attitudes toward the production and use of surpluses, as well as toward disposal techniques. The situation is still developing but undoubtedly the most significant change is that instead of contending with unintentional surpluses, the thinking is now directed more toward the planned use of existing and future surpluses for meeting new demands arising in many developing countries. As a corollary, thinking in some quarters is now also directed toward the deliberate overproduction (as related to current effective demand) of these agricultural commodities, either as a consequence of internal agricultural policies or to make supplies available for noncommercial uses. At the same time, there are developments in some countries which indicate that a conscious effort is being made to avoid production of excessive surpluses.

57. A close interrelation exists between the changes in the methods of surplus disposal and changes of attitude toward the continued accumulation of stocks in excess of normal commercial demands. On the one hand, the pressure and cost of mounting supplies has resulted in the advocacy of stricter production controls and in the hastening of the search for larger outlets, both commercial and concessional. On the other hand, the increasing realization of the possibility of using surpluses as an adjunct to bilateral or multilateral aid programs has modified thoughts about the need for rigid reduction in output in some countries.

58. In analyzing the developments to date, the Sub-Committee has separated the four aspects of the question which concern it. First, the production of surpluses; the causes and motives and the change from unintentional overproduction to supply management involving some production in excess of commercial demand and - by some - the acceptance of oversupply. Second, the use of surpluses. It is clear that there has been a shift from the situation in which there were spasmodic programs to relieve distress to a situation in which there are highly organized and sophisticated long-term programs for nutritional improvement and economic development. Third, the techniques of surplus disposal. Most surplus disposal programs will perhaps continue to be on a bilateral basis, though increased multilateral action has been introduced. Additional features have also been developed, some with the aim of gradually changing disposal transactions from highly concessional to more commercial types of sales, while others would appear to be converting commercial type operations into concessional sales. Fourth, there has been the growth of machinery for consultation between the interested parties and of bilateral and multilateral efforts to minimize the possible adverse effects of the disruption of normal production and trade patterns.

59. These changes in attitudes toward agricultural surpluses are discussed separately, and an attempt is made to assess the implications of the changing attitudes toward surpluses:

- (a) their production
- (b) their uses
- (c) techniques of disposal
- (d) consultation on disposal

(a) Changing Attitudes toward Production of Surpluses

60. When the FAO Principles of Surplus Disposal and Guiding Lines were drawn up, surpluses were regarded as a temporary problem and the possibility of deliberate overproduction to meet noncommercial food needs was not considered. Domestic support policies were then - as now - recognized as the major factor in the accumulation of surpluses. To meet the problem, emphasis was placed on the desirability of increasing world consumption. It was thought that increased world distribution and consumption, together with adjusted national policies, would gradually result in a move toward the elimination of surpluses.

61. Since then there have been changes in the approach to the problem. With the emergence of substantial stocks in North America, despite the imposition of acreage controls on several major crops, attention was turned to the utilization of surplus foods to the best advantage. This tended to take some of the pressure off the efforts to deal with the causes of surpluses. However the high cost of acquiring, storing and handling surpluses led to further consideration of the means of adjusting production to world needs. Emphasis on supply management concepts included ideas of direct control of production by restricting quotas for specific commodities to those quantities required to meet commercial demands and food aid needs. The use of surplus food for aid is also included in the Pisani-Baumgartner concept. In their proposal it is recognized that, as a consequence of relatively high support prices, surpluses may accumulate but it is assumed that these surpluses would find an outlet in developing countries. Views have been expressed in some international bodies concerning the possibility of accepting and justifying surplus production on the assumption that surpluses could be disposed of in noncommercial markets, primarily through international operations.

62. Surplus accumulations in the future may therefore be the result of either:

- (i) unintentional or unplanned overproduction, or
- (ii) production efforts justified by domestic economic and social considerations, or
- (iii) production to include commitments for bilateral or multilateral aid to developing regions.

It is possible that any or all of these types of surplus accumulation could be found in combination, and it would not be easy to distinguish the role which each one plays.

(b) Changing Attitudes toward Uses of Surpluses

63. The undoubted beneficial economic effects on developing countries and also the justification on humanitarian grounds of many of the programs carried out have brought about a considerable change in emphasis in the consideration of the whole problem of surpluses. In most underdeveloped nations food consumption and nutritional levels are too low, despite the fact that most of them are primarily agricultural economies. Many of these countries have, or would like to embark on, programs of economic development, including agricultural development. However any program of economic development, with its resulting increase in the purchasing power of the people, leads immediately to a spurt in the demand for food, which these countries are unable to meet from their own internal production and which they are not in a position to finance through commercial imports.

64. The result is that the ability of most underdeveloped countries to plan for their development is limited and conditioned by the amounts and types of assistance available to them. From the point of view of recipient countries, the best form of aid to underdeveloped economies would be "untied" assistance in the form of ready cash and foreign exchange resources. However the ability of donor countries to provide such assistance may be limited, for balance of payments reasons. Many of the economically advanced countries may wish to provide development assistance from their domestic resources but they may not be in a position to absorb corresponding deficits in their balance of payments. Several nations have a potential for the production of surplus food, the supply of which on concessional terms as aid to developing nations constitutes mainly a problem in domestic financing. There are, of course, several implications especially those concerned with subsidies that may be necessary for the expansion of production and the reallocation of resources for this purpose.

65. The extent to which underdeveloped economies can undertake programs of development frequently depends on how far they can count on continuity of the supply of surplus food to meet their growing requirements. Thus, concerted programs of economic development have been undertaken, and successfully carried out in several countries on the basis of assured supplies of surplus food to meet increasing demands.

66. From the beginning attempts were made to weigh the advantages of using food for aid against the disadvantages and the adverse effects of surpluses. In international forums consideration of the use of food aid has in recent years tended to take a more dominating position and one result has been the establishment of the World Food Program on an experimental basis. The program will provide further opportunities for governments to study and assess the advantages and disadvantages of surplus production and use. Thus surplus disposals, having once been ad hoc grants-in-aid, have now developed to a stage of being calculated instruments of longer-term assistance to developing countries both in bilateral programs and on an international basis.

(c) Changing Attitudes toward Techniques of Disposal

67. The foregoing developments have been accompanied by the use of additional methods of surplus disposal. Concessional sales and aid programs are being advanced a stage further under the new Title IV long-term dollar credit program. These Title IV provisions, taken together with the United States barter program and recent provisions in the United States Sugar Act to encourage the exports of agricultural commodities - and thus by implication agricultural surpluses - provide evidence of changes of a principal character. To the extent that such new programs limit the number and scope of concessions as compared with earlier and existing disposal methods, they are moving toward restoration of commercial transactions and away from concessional operations. On the other hand, the surplus accumulations in certain commodities in some countries are resulting in the substitution of longer-term credit sales in place of normal commercial sales, to an extent that such credit sales may be considered to fall into the category of concessional operations.

(d) Changing Attitudes toward Consultation on Disposal

68. The FAO Principles of Surplus Disposal laid down certain criteria by which disposal operations were to be judged. On the basis of these Principles the Sub-Committee has over a period of years developed and strengthened consultative procedures. These procedures have worked satisfactorily and have eliminated many of the difficulties and misunderstandings concerning surplus disposal operations. The effectiveness of the Sub-Committee's work in this field has been acknowledged by member countries and international bodies. Its work has also been recognised by the decision to entrust to it the consultative aspects of the World Food Program as they relate to surplus disposals.

Implications of the Changing Attitudes

69. The Sub-Committee has been specifically charged with responsibility for keeping under review surplus disposal operations and their effects. The report of the Thirty-Fifth Session of the CCP stated that the Sub-Committee should take into consideration "where applicable the causes of surplus accumulations". The Sub-Committee has attempted this study because attitudes toward agricultural surpluses are changing. The wide implications involved in undertaking this study were fully recognized and no attempt was made to produce an exhaustive review of the subject, for only in a broader international context could all the issues be resolved. The Sub-Committee believes that it would be appropriate to comment on a number of aspects which merit further analysis, and then to assess the implications for its own work.

(a) Implications of the Changing Attitudes toward Production of Surpluses

70. Under the pressure of the economic and social problems that are involved in the production of surpluses and of anxiety to raise world nutritional levels, there is a growing tendency to justify a continuance of many of the underlying causes of this production. Such tendencies are likely to have different appeals to different countries according to their economic circumstances. The changes in the attitudes which favor production of surpluses may receive a stronger supporting response from those industrially developed countries which are also large producers of agricultural commodities than from countries which are more specifically dependent on the export of similar agricultural commodities for their continued growth. If policies of surplus production were widely adopted, one effect could be the likelihood of reducing the efficiency of world production and of the possibility of misallocating resources in producer countries. There are however large surpluses already in being and a realistic view of current social and political situations leads to the expectation that surpluses will continue to accumulate.

71. Hitherto most of the surplus production has accumulated in North America but there are indications that surpluses may accumulate elsewhere in the years that lie immediately ahead. With continued surplus production in North America and increasing supply in Europe, the opportunities for the sales of the produce of other countries will be limited and they in turn may find surpluses arising. If there is to be some international scheme for the production and utilization of surpluses, then a survey of all the available resources should be made. If an international scheme were developed, there is little doubt that production could be increased by countries which have a comparative advantage in the production of specific commodities.

72. There appears to be a growing interest in collaboration among countries on the adjustment or coordination of national policies. This development should provide the basis for arriving at a better international understanding of the desirable use of potential agricultural capacity throughout the world. Such collaboration would help to avoid the planned production of surpluses by several different countries to meet the same need. (Some aspects of this question were considered in the drawing up of the Principles for National Agricultural Price Stabilization and Support Policies, which have so far been accepted by 37 FAO member countries). Consultation between countries at earlier stages of production and distribution could, however, raise questions regarding the appropriateness of international planning of the use of an individual country's excess agricultural producing capacity.

(b) Implications of the Changing Attitudes toward Uses of Surpluses

73. While the supply of surplus food on a long-term basis materially assists in the economic development of some underdeveloped economies it also raises problems. It may encourage reliance on concessional food supplies to the detriment of domestic agricultural development. Food aid could in fact have an unfavorable effect in developing countries on efforts and initiatives directed toward agricultural development and on the attention given to the need for technical assistance, credit facilities and necessary supplies for this purpose. The commercial trade of third countries can be harmfully affected where food aid tends to replace instead of add to commercially exchanged foods. An important criterion in the use of long-term food aid to promote economic development is that such assistance should meet additional food demands and contribute to a properly coordinated and integrated program of development, with particular reference to the agricultural sector.

74. The most effective use of food aid will be achieved if the following requirements can be met:

- (a) Economic development programs should be available, and they should make provision for:
 - (i) integrated domestic agricultural production and marketing programs;
 - (ii) an assessment of the quantities and types of food needed;
 - (iii) a determination of the needs and availability of both facilities and trained technical workers.
- (b) Commercial trade should be stimulated and protected.

75. A more comprehensive approach is needed to the appraisal of the total opportunities which exist for the utilization of surpluses. It is by no means certain that the availability of certain agricultural commodities in a number of surplus producing countries is the only answer to the needs. Indeed in the efforts to dispose of existing surpluses to date, there have been some serious difficulties in matching the surpluses with sufficient readily available and acceptable outlets. In fact at the present stage of the economic planning in many of the less developed countries, and in the light of the available administrative and distribution facilities, it is considered in some quarters that the present needs can be fully met from existing sources of surplus availabilities. It would appear therefore to be desirable to study the extent of the actual requirements before setting out to create more surpluses. There is already much experience available in assessing needs and gauging the practicability of particular programs but further study should be undertaken of the opportunities and the various types of commodities that are required.

(c) Implications of the Changing Attitudes toward Techniques of Disposal

76. While the new diversified techniques as revealed in this study disclose an acceleration in the rate of disposal of surpluses, at the same time they create difficulties for the work of the Sub-Committee in that they pose questions concerning the present standards of concessionality and additionality applied by the Sub-Committee. As recent discussions in the Sub-Committee have indicated, certain related techniques, such as some of the U.S. sugar arrangements, also seem to preclude effective prior consultation. In order to carry out its mandate the Sub-Committee has given and is giving special attention to these problems. However discussion of these important new developments in a broader international framework would be appropriate.

(d) Some General Implications

77. Most attention in this report has so far been focused on the immediate and direct consequences of the production and the use of surpluses, particularly as an aid to economic development. There is, of course, an important related aspect, namely the broader effects on international trade, whether beneficial or harmful and the resulting long-term balance of payments problems.

78. If surpluses find satisfactory disposal in food aid, substantial benefit to world trade should ultimately follow from the increased purchasing power generated in developing countries. On the other hand, many of the problems in international commodity trade that have been raised by surplus disposal operations may well be increased unless production and distribution of food are given more serious consideration in national and international planning. The increased use of surplus food could lead to dislocations of international commercial trade if it were not additional to normal purchases. Otherwise assistance to some countries could only be achieved to the detriment of others. These implications need to be kept under continuous review to ensure that international trade is not adversely affected.

79. Although the Sub-Committee has been able to carry out its tasks satisfactorily, the changing attitudes described in this study demonstrate the need for more extensive and basic knowledge in order to facilitate the assessment of future developments. It is recognized that there is a need for critical appraisal of aid programs, and the Sub-Committee is aware of the work of OECD's Development Assistance Committee, and such exploratory studies as the ones assigned to the World Food Program. The need for information on the production potentials and the absorptive capacities of nations has already been pointed out in this report. Such information will only be useful when set against the background of studies concerning the relationships of costs of surplus production, storage and distribution, the benefits likely to accrue from surplus use in recipient countries and the comparative costs of alternative forms of aid, taking into account the effects on commercial trade.

80. If more extensive multilateral developments should follow the experimental World Food Program, cash contributions may play a more important role and possibly be used to a greater extent for the purchase of food. Cash contributions of significant proportions used to buy food could provide an increase in commercial trade and thus offer a means of alleviating the adverse effects of surplus disposals. On the other hand, food contributions to meet any expanded world arrangements, especially by countries not at present faced with surplus production, may stimulate production of commodities over and above commercial demand.

81. Bearing in mind the importance of the constructive use of agricultural commodities in total available aid, it should not be overlooked that donor countries, when presenting their aid figures, frequently include food aid as part of their total contribution. It might be to the advantage of developing countries to establish whether the food aid is over and above other economic aid, or whether in fact the food aid reduces aid in other forms.

(c) Implications for the Future Work of the Sub-Committee

82. The Sub-Committee may in the future be faced with the prospect of consultations on the disposal of surpluses accumulated as the result of either:

- (i) unintentional or unplanned overproduction, or
- (ii) production efforts justified by domestic economic and social considerations, or
- (iii) production to include commitments for bilateral or multilateral aid to developing regions.

It is possible that any or all of these types of surplus accumulation could be found in combination, and it would not be easy to distinguish the role each one plays.

83. This study is concerned mainly with the production of surpluses and their use and the different disposal techniques adopted. There appears to be some tendency to favor consideration of international commodity arrangements, which might include discussions of the production of surpluses, combined with commercial and concessional distribution. Although the practicability or possibility of negotiating commodity agreements are not the concern of the Sub-Committee, its consultative role in respect of concessional operations could be called upon.

84. The basic Principles of Surplus Disposal and Guiding Lines have so far proved satisfactory and adequate to the needs. The developments outlined in this report, as far as can be judged at present, do not indicate that existing programs are incompatible with the Principles of Surplus Disposal. They do indicate however the need for careful examination and study and accordingly the Sub-Committee is submitting this report as a basis for further discussion by the CCP. The further guidance that the CCP may provide will enable the Sub-Committee to be in a better position to meet its responsibilities in the changing circumstances.

APPENDIX B

LIST OF GOVERNMENTS

which have accepted the Guiding Principles for
Agricultural Price Stabilization and Support
Policies with special reference to the need to
minimize adverse effects on international trade

Up to the end of March 1963 a total of 50 acceptances of the Guiding Principles
had been received. The Governments who indicated acceptance were:

<u>NORTH AMERICA</u>	<u>EUROPE</u>	<u>AFRICA</u>	<u>ASIA</u>
Canada	Austria	Central African Rep.	Burma
United States	Denmark	Congo-Brazzaville	Cambodia
	Finland	Dahomey	Ceylon
<u>OCEANIA</u>	France	Ivory Coast	India
Australia	Germany, Fed. Rep.	Madagascar	Indonesia
New Zealand	Ireland	Mauritius	Iraq
	Italy	Niger	Israel
	Luxembourg	Nigeria	Japan
<u>LATIN AMERICA</u>	Netherlands	Rhodesia and Nyasaland	Jordan
Brazil	Spain	South Africa	Korea
British Guiana	Sweden	Tanganyika	Kuwait
Honduras	Switzerland	Tunisia	Lebanon
Paraguay	United Kingdom	Upper Volta	Pakistan
			Thailand
			Turkey
			Viet-Nam

APPENDIX C

LIST OF MEMBER NATIONS AND INTERNATIONAL ORGANIZATIONS
REPRESENTED AT THE THIRTY-SIXTH SESSION

Chairman:
Vice-Chairman:
Vice-Chairman:

D.W. Woodward (New Zealand)
P.K. Mukherjee (India)
H.J. Kristensen (Denmark)

MEMBERS OF THE CCP

ARGENTINA

Juan B. Martese
Consejero Económico
Embajada de Argentina
Roma

V.C. Brunini
Consejero Agrícola
Embajada de Argentina
Roma

J.B. García Jimenez
Secretario
Embajada de Argentina
Roma

AUSTRALIA

A.L. Senger
First Assistant Secretary of the
Commonwealth Department of
Primary Industry
Canberra

F.P. Donovan
Australian Government Trade Commissioner
Embassy of Australia
Rome

P. Lindsay Duthie
First Secretary (Commercial)
Embassy of Australia
Brussels

C. Hogue
Third Secretary
Embassy of Australia
Rome

BRAZIL

M. Franchini-Netto
Minister for Economic Affairs
Embassy of Brazil
Rome

MEMBERS OF THE CCP (Cont'd)

BRAZIL (Cont'd)

A. Corrêa de Sá e Benevides
Third Secretary
Embassy of Brazil
Rome

CANADA

F. Shefrin
Chief
Policies and Prices
Economics Division
Department of Agriculture
Ottawa

W.H.J. Jenkins
First Secretary (Commercial)
Embassy of Canada
Rome

COLOMBIA

P. Vanegas
Ministro Consejero
Embajada de Colombia
Roma

M. Uribe Uribe
Ministro Consejero
Embajada de Colombia
Roma

DENMARK

H.J. Kristensen
FAO Counsellor to the Ministry
of Agriculture
Copenhagen

E. Høgsbro Holm
Secretary
The Federation of
Danish Smallholder Societies
Copenhagen

C. Valentin Hansen
Agricultural Attaché
Embassy of Denmark
Rome

MEMBERS OF THE CCP (Cont'd)

FRANCE

G.H. Janton
Contrôleur d'Etat au Ministère des
Finances et des Affaires Economiques
Paris

L. Escard
Sous-Directeur, Ministère de
l'Agriculture
Paris

Béal-Rainaldy
Administrateur
Ministère des Finances et des
Affaires Economiques
Paris

GERMANY

J. Rohrbach
Senior Counsellor
Federal Ministry of Food, Agriculture
and Forestry
Bonn

Miss Irene Haas
Counsellor, Federal Ministry of Food,
Agriculture and Forestry
Bonn

INDIA

P.K. Mukherjee
Deputy Economic and Statistical Adviser
Ministry of Food and Agriculture
New Delhi

Maharaj Krishan
Agricultural Attaché
Embassy of India
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INDONESIA

A.S. Gondowarsito
Agricultural Attaché
Embassy of Indonesia
Rome

B. Kusumonegoro
First Secretary
Embassy of Indonesia
Rome

ISRAEL

L. Samuel
Counsellor of Agrarian Affairs
Embassy of Israel
Rome

MEMBERS OF THE CCP (Cont'd)

IVORY COAST

A.K. Koffi Aoussou
Ambassadeur
Ambassade de la Côte d'Ivoire
Rome

Y. Attoungbre
Conseiller
Ambassade de la Côte d'Ivoire
Rome

JAPAN

Shunzo Ito
First Secretary
Embassy of Japan
Rome

Jun Shimura
Deputy Chief
General Affairs Section
Agricultural Economics Bureau
Ministry of Agriculture and Forestry
Tokyo

MOROCCO

Mekouar Abderrazzak
Chef de la Division d'extension
commerciale et économique à
l'Office Chérifien des exportations
Casablanca

L. Ben Salem
Delegué Suppléant de l'Office
Chérifien des exportations
Milano

NETHERLANDS

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* * * * *

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