

COMMITTEE ON COMMODITY PROBLEMS

Fifth Meeting

23 March 1950
2:30 p.m.

Room 903 Longfellow Building
1201 Connecticut Avenue, N.W.

PRESENT: (In the Chair) Mr. N. G. Achyankar (INDIA)

AUSTRALIA	- Mr. J. U. Garside Mr. P. F. Magee	UNITED STATES	- Mr. V. M. Rhodes Mr. F.A. Linville Mr. R.B. Schwenger
CANADA	- Dr. W. C. Hopper		
CUBA	- Dr. Ricardo Sarabasa	FOCI AID AGRICULTURE ORGANIZATION	- Sir Herbert Broadley Mr. G. Boals Mr. J. Evans Mr. E. Mortensen Mrs. S. Pierson Mr. A. Viton
EGYPT	- Mr. Anwar Niazi		
FRANCE	- Mr. E. Demont Mr. R. Forestier		
INDONESIA	- Mr. R. L. Muir	SECRETARY	- Mr. F. B. Northrup
PAKISTAN	- Mr. Mahmud Ahmad	RECORDING SECRETARY	- Miss H. J. Evans
UNITED KINGDOM	- Mr. Robert Burns Mr. N. L. Stedman Mr. John W. Taylor		

Representatives of other Member Governments of FAO:

Austria	- Mr. S. Gorog
Burma	- U. Khin Maung Gale
Chile	- Mr. E. Espinosa
Denmark	- Mr. A. F. Knudsen
Italy	- Dr. P. N. Rogers
Israel	- Mr. A. Liverhant
Lebanon	- Mr. Emile Mattar
Sweden	- Mr. G. Bendz
Union of South Africa	- Mr. A. Davis

The Chairman welcomed Mr. John Taylor as the new member for the United Kingdom, and expressed apologies for absence on behalf of Mr. Ritzema (Netherlands) and Mr. Yriart (Uruguay).

I. Adoption of Agenda

The agenda was adopted as circulated (CCP50/20).

II. Report of Subcommittee

The Secretary read the report of the Subcommittee on the development of nutritional distribution programs as a means of assisting in the disposal of surpluses (CCP50/23) which had just been laid on the table. The Chairman called for comments on this report.

Mr. Rhodes (U.S.) remarked that the Subcommittee appeared to be interested only (1) in the basic cereal crops rather than in supplementary foods, and (2) in the disposal of commodities on a nominal price or "give away" basis rather than at special prices. The United States, however, did not necessarily agree with either of these assumptions.

He agreed that paragraph 2 of CCP50/29 accurately reflected his Government's position, namely that the U. S. did not believe itself presently faced or likely in the near future to be faced with such burdensome surpluses of basic commodities that his Government would be able to offer them on a "give-away" or nominal price basis. However, as indicated in the two communications already submitted to the Committee the U. S. was in possession of surplus supplementary food and it was his personal view that the present report went further than was probably justified in ruling out the possibility of making some arrangements in respect of these supplementary foods.

The Chairman did not believe that it was a correct assumption that the Subcommittee could concern itself only with supplementary foods. The Subcommittee's discussions had revealed that importing countries would probably be more interested in basic rather than in supplementary food commodities, but the Committee's function was to study both types. The report stated that the prospects of the emergence of burdensome supplies of basic commodities were not considered serious by exporting countries but he felt that in studying the report the Committee should take into account Mr. Rhodes' statement that there might be possibilities for developing a scheme with regard to supplementary foods either on a special or nominal price basis.

Dr. Hopper (Canada) stated his Government's disappointment that the Subcommittee had not found it possible to make further progress in developing procedures for handling surplus foods as such irrespective of their nature. He felt confident that if the Committee could work out some such procedure, primarily with respect to supplementary foods at the present time, surplus-producing countries would give a serious and maybe even favorable consideration. He felt it could certainly be agreed that there were presently in existence surpluses of supplementary foods; communications to this effect had been received from at least two governments, and he felt the present report did not indicate that the Committee's functions had been adequately discharged. The Subcommittee terms of reference did not confine its study to any particular type of commodity or even to existing surpluses, but referred to emerging surpluses as well.

He pointed out that the donation of food was not a new experience either in the U. S. or Canada, and he felt that exporting countries were looking for a lead from the Committee, as also were importing countries who were anxious to know if surplus foodstuffs were likely to be available. He felt the Subcommittee had failed to explore the possibilities of distributing food through existing international agencies such as ICEF and CARE, and he suggested that either the Subcommittee or the full Committee might continue to work on the development of procedure for dealing with, if not existing, then emerging, surpluses. Although he had been a member of the Subcommittee he felt that the negative report which had been prepared was not one which his Government would wish to see submitted to the FAO Council.

Mr. Stedman (U.K.) felt that the report could with justification be described as negative. From all the meetings which have so far taken place it seemed generally agreed that basic foods were not considered by their owners to be in such a condition of burdensome surplus as to require any dramatic action and hence in this field the Committee could perform no useful function. He pointed out, however, that the results of the one experiment being conducted as regards supplementary foods, namely, the special meeting held on 27 February in connection with the U. S. offer, had not been encouraging. Since only two of the commodities offered by the U. S., namely, dried eggs and Mexican canned meat had been at less than market prices, the U.S. representative had been careful to explain that it would be misleading on the Committee's part to indicate to potential importers that special bargains were likely to materialize under this offer. The Subcommittee's deliberations had not revealed any sign that sales at nominal prices were likely to occur, and the Subcommittee, therefore, decided to adopt a realistic approach in the report. It seemed to him, however, that the statements just made by Mr. Rhodes and Dr. Hopper presents a new situation

by indicating possibilities that supplementary foods held by the two principal producers might be made available at prices which would prove attractive to dollar-hungry countries and also that governments holding surpluses might be willing to utilize the services of existing organizations for their disposal. Thus it seemed to him that the Subcommittee was now faced with a task different from that existing at the time of preparing CCP50/23. The Subcommittee, having considered all positive means of action, including the possible despatch of letters to potential exporters and importers inquiring as to their likely surpluses and needs, respectively, and then endeavoring to match the two, had found itself in an impasse in that no offers of surpluses were on hand to make such an operation possible, as had, therefore, arrived at the present negative report. In the circumstances he thought it hardly advisable to proceed with the study of CCP50/23 and suggested that, in view of the new situation, another statement might be prepared, although he felt that the onus might be placed upon the holders of the present surpluses since it would be the latter's desires which would dictate what line of action should be adopted.

Mr. Rhodes (U.S.) begged to differ with Mr. Stedman (U.K.), stating that in his view no new situation had arisen. He pointed out that the previous statements to the effect that there were no present or prospective surpluses in the United States had always been directed to the basic cereal crops, as accurately reported in CCP50/23. Even in respect of supplementary foods he felt that the Committee would need to present some scheme for the distribution utilization before exporting countries could possibly offer them at nominal prices. He pointed out that the United States, for instance, had to comply with many legal provisions before it could consider giving away any of its supplies and hence it would be necessary for the Committee to present his Government with proposals before the United States could make any offer.

Dr. Hopper (Canada) agreed with Mr. Rhodes, pointing out that he had not intended to indicate that Canada had any food for distribution but merely that if plans were developed with appropriate safeguards Canada would give them serious consideration. He repeated that the Subcommittee's terms of reference did not limit its study to existing surpluses or to any particular type of commodity, and pointed out that if procedures were developed in respect of supplementary foods it might be possible to apply similar procedures to basic commodities as, if and when, the latter became available.

The Chairman reported that at its first session the Subcommittee had felt that attention should be drawn to the recommendations of the Preparatory Commission in 1947, and that in the view of the Subcommittee the time now seemed opportune to develop nutritional distribution programs for surplus supplies sold at special prices, the latter being anything from zero to 100 percent of the price for the commodity concerned. It was felt that needy countries would be more interested in obtaining supplies of basic foodstuffs rather than of supplementary foods, but when it had been made clear that no surpluses of the former were likely to arise nor was there any assurance of supplementary foods being made available at concessional prices, the Subcommittee had narrowed down its report to the present draft.

Mr. Miaz (Egypt) expressed his surprise that no mention had been made in the report that major exporting countries were taking measures to curtail the production of basic food commodities.

Mr. Demont (France) supported the statements made by Mr. Rhodes and Dr. Hopper. The report implied that the situation, with regard to basic foodstuffs at least, was not such as to give rise to any anxiety at the present time but he felt that this was contrary to many statements which had been made on this subject in the last two years, to the effect that the situation with regard to certain commodities was if not alarming at least dangerous, which belief had given rise to various recommendations, in particular from the November 1949 Conference to the effect that existing or emerging surpluses were creating international financial disequilibrium. Therefore, before coming up with a report contradicting these previous statements he thought the Committee should examine the position in more detail rather than waiting until the position really became serious before studying means to solve the problem. He pointed out that the role of the Committee was two-fold. In the first place it had to formulate

general principles to guide countries holding surpluses and those suffering from shortages in which connection he considered the Chairman's first draft acceptable and regretted its replacement by the present draft. In the second place, he believed the Committee should make inquiries at a governmental level from those countries in either a surplus or deficit situation in an endeavor to channel supplies where they were most needed.

Mr. Muir (Indonesia) suggested that the text of the present report might have been different if prepared a few days later and suggested that the Subcommittee might reconvene to draw up a new draft.

The Secretary stated that he had been requested by Mr. Yriart (Uruguay) to report the latter's feeling that the Subcommittee's report was of too negative a nature. Mr. Yriart thought it inappropriate for the Committee to report to the Council as to the precise status of surpluses or deficits, as suggested in the present draft.

Mr. Stedman (U.S.) supported Mr. Muir's suggestion that the Subcommittee should reconvene. Deliberations to date had been complicated by the ambiguity of the term "surplus". Although certain commodities were undoubtedly in excess supply, producing countries in several instances were legally precluded from declaring the existence of surpluses. In any reconsideration of the matter the Committee would need to study the legal inhibitions which would confront any suggested procedures. The Committee could either recapitulate hypothetical principles or it could address governments directly as already suggested. But in his opinion there was little more which it could do and, in any event, it hardly seemed advisable to request governmental statements as to the needs of deficit countries as this might give rise to false hopes on the latter's part. In supporting Mr. Muir's suggestion, he wished to express his personal feeling that the prospects were not too sanguine.

Mr. Garside (Australia) agreed with Mr. Stedman that it would not be advisable to make a special approach to governments of importing countries which would be useless if there were no prospects of supplying the latter's needs. In his view it would be essential first to discover what availabilities existed in exporting countries.

Dr. Hopper (Canada) supported Mr. Garside's remarks but stated that there was definite evidence of the existence of surpluses, although he agreed that the legal means by which they could be made available to needy countries might present difficulties. However, he suggested that if proposals were put to both the exporting and importing countries both groups might find them of interest, even if importing countries were only asked what they would do with any supplies they might so obtain.

The Chairman reminded the Committee that the present problem was a joint and collective one to be faced by both exporters and importers. It had been decided that in discussing proposals such as deferred credits and increased production of exportable goods by would-be purchasers of food commodities, certain facts had to be taken into consideration, e.g., the dollar shortage, balance of payments difficulties, general disinclination to buy consumer goods, etc., and it had been concluded that although the proposals might work in two or three instances they would certainly not provide any general solution. The Committee had then turned to the possibility of developing nutritional programs and had established a Subcommittee to study the matter. He had presented a draft to the Subcommittee which assumed that there would be some hope of supplies being made available at relatively low prices for the promotion of distribution programs, and which contained a suggestion that exporting and needy countries should be asked how far they wished to participate. He shared the view that it would be inadvisable to ask importing countries to submit statements of their needs if there were no hope of their receiving supplies. Although the Subcommittee had formed the impression that it was only in respect of supplementary foods that producing countries were likely to consider any action, he did not believe that any distinction should be drawn between basic and supplementary foods, rather that a general procedure should be drawn up to cover surpluses as a whole. He asked the Committee's guidance as to whether exporting countries should be asked whether they would be prepared in principle to participate in a general

scheme of nutritional programs, or whether a joint approach should be made to both exporters and importers.

Mr. Rhodes (U.S.) desired to clarify the U. S. position. He felt there was no change in the situation and he had no intention of indicating that the U.S. would have food supplies for free donation but as already stated the U.S. would be willing to consider any proposition which looked reasonable with respect to supplementary foods. At the present time, the U. S. was giving away several kinds of supplementary foods under conditions laid down by the U. S. Congress, but the fact that legal restrictions presently operated did not mean that if an appropriate proposition were put forward such restrictions could not be changed. He hoped that if the matter were referred back to the Subcommittee it would not be assumed that the U. S. had made definite indications that they would make available specific quantities of certain commodities.

Dr. Hopper (Canada) believed the Committee might with advantage analyze previous procedures which had been followed in various countries in regard to the nutritional distribution programs and see if such procedures would be applicable to the present situation.

Sir Herbert Bradley, referring to Mr. Rhodes' statement, wondered whether it could with accuracy be stated that a new situation had arisen, and, if so, what were the facts of that situation. The Subcommittee had been very willing to consider nutritional distribution programs, but their deliberations had broken down when it had been emphasized that, owing to the dollar shortage, importing countries could only consider taking advantage of such schemes when supplies were made available at really nominal prices or, in fact, on a "give-away" basis. If a letter were addressed to both exporting and importing countries asking whether under the principles laid down by the Preparatory Commission they would be prepared respectively to dispose of and accept surplus supplies the answer would undoubtedly be in the affirmative, but exporting countries would naturally inquire on what terms and importing countries would ask at what price. If the Subcommittee took up the matter again, he thought it should not spend too much time working out procedures but rather should examine previous schemes which had been operated and study the recommendations of the Preparatory Commission. It would be most helpful to importing countries if schemes were suggested which applied the Preparatory Commission's recommendations to particular cases in the light of experience with regard to nutritional distribution programs in various countries during and since the war. Such a task would be well worthwhile if it were felt there were some chance of a financial deal being worked out either at a nominal price or on a "give-away" basis. On the other hand if surpluses were only likely to be made available for payment in dollars, he felt that in view of the present world situation and the acute dollar shortage the Subcommittee would have to examine the position very closely to avoid raising false hopes on the part of importing countries. Further he thought it essential to avoid indicating to the Council at its May meeting that there were prospects of some action if the reverse were in fact the case.

The Chairman thought the basic point for decision was whether a new situation had arisen and whether there were not a possibility of surpluses being made available for the development of nutritional distribution programs at really concessional prices. If this were the case then it was quite possible that nutritional distribution schemes could be worked out, but he personally was not yet convinced that a new situation had arisen.

Mr. Rhodes (U.S.) thought it advisable that any letters which might eventually be despatched should make it quite clear that it was only in respect of specialized foods such as dried milk and dried eggs that there was any chance of their being made available on a "give-away" basis. In response to the Chairman's inquiry as to whether the U.S. would be willing to consider sales of supplementary foods at special prices if suitable schemes were put forward, Mr. Rhodes stated that it was difficult at this stage to answer such a question with certainty, but the fact remained that the U. S. Government was presently giving away such commodities, for both domestic consumption and export, to certain special classes of consumers who met the specifications laid down by its legislation.

Mr. Muir (Indonesia) was of the opinion that a new situation had arisen and again suggested that the Subcommittee should be reconvened.

Mr. Stedman (U.K.) thought the very fact that it was the exporting countries which had expressed misgivings at the negative nature of the Subcommittee's report indicated the existence of a new situation which might advantageously be considered by the Subcommittee. However, he did not believe there was prospect of such progress being made since, as soon as deliberations turned from general procedures to the actual question of whether the governments would be willing to give away surplus supplies, there was not much evidence to indicate the latter possibility but he professed himself willing to reconsider the situation.

Mr. Garside (Australia) remarked that the actuality of the new situation was that Members of the Subcommittee were presently expressing themselves more strongly than hitherto, and were now inclined to generalise rather than to speak specifically.

The Chairman again enquired whether it was the Committee's wish that the Subcommittee should reconvene.

Mr. Rhodes (U.S.) felt that the Committee found itself in its present difficulty because it had endeavoured to operate too rapidly in order to have a report ready in time for the Council Meeting in May. He personally felt it might be preferable to draft a short interim report for the May Meeting of the Council, stating that the Committee was working on the problem and that it would continue to study the matter and make a complete report at the Council's next session. He pointed out that CCP50/23 had been circulated only at the present meeting, and he felt that all members required more time to consider such a document.

Dr. Hopper (Canada) agreed with Mr. Rhodes that the present problem was of worldwide concern and should not be dealt with hastily.

Mr. Demont (France) referred to previous comments that it would not be opportune to communicate with governments as to their needs for fear of raising false hopes, but he pointed out that this was a matter of drafting, and that the communication might be framed in such a way as to avoid calling for any commitments. As regards the suggested letter to exporting governments asking whether they would be prepared to consider the possibility of selling certain supplementary foods under certain conditions, he felt that to pose such a question at the present time would be asking those governments to commit themselves too much. A possible alternative approach might be to communicate with one or two importing countries which were known to have certain needs and suggest that they enter into discussion with countries at present holding surpluses in order to develop procedures with a view to reaching agreement on the commodities concerned. Although such an approach would not be a complete solution, it might serve as a guide for future negotiations as regards more important cases which might arise.

The Chairman felt that the subject had now been sufficiently discussed, and assumed that it was the wish of the Committee to refer the matter back to the Subcommittee.

It was agreed that the Subcommittee should reconvene at 3 p.m. on Monday, 27 March in the Secretary's office.

III. Report to the Council

The Chairman suggested that this item be postponed until the Subcommittee had redrafted its report.

Sir Herbert Broadley hoped that at its next meeting the Committee might find it possible to consider reporting to the Council in more concrete terms rather than merely stating the Committee was still studying the matter. He felt that the earlier paragraphs regarding the establishment of the Committee, its functions, and its operations to date, including the 27 February Meeting,

were all useful and could advantageously be retained. Further, he tentatively suggested that a distinction might be drawn between basic and supplementary foods, and that, if the Committee agreed, the report might state that the situation in regard to basic foods was such that for the time being, there was little possibility of action, since it was not felt that a serious surplus position was likely to emerge in the near future in this respect. The report might continue that the Committee was giving further consideration to the possibility of utilizing certain supplementary foods for the promotion of special schemes, particularly for nutritional distribution, and that it was conceivable that plans developed in this regard might later be applicable to basic foods if at some future date the latter became surplus.

Mr. Mazi (Egypt) suggested that the Committee should look at the present draft report to the Council, and that any comments expressed might be incorporated into the next draft.

Mr. Stedman (U.K.) and Mr. Muir (Indonesia) however, felt that as the Subcommittee's report would form an important part of the report to the Council, it would be advisable to postpone discussion of the latter until the former had been redrafted.

Mr. Carside (Australia) enquired whether it was expected that the report to the Council would include any final findings on the part of the Subcommittee.

Mr. Rhodes (U.S.) did not see any possibility of including such findings in the report to the Council.

In response to an enquiry from Sir Herbert Broadley, Mrs. Pierson stated that the report to the Council had to be ready for dispatch not later than 10th April, and that it would require a week for prior processing.

The Chairman suggested that members might study the present draft report to the Council, since a major part of it would stand as a framework. If the Subcommittee were able to reach any conclusions, these could be incorporated in the report to the Council. He pointed out that the Committee had been set up on an annual basis, and therefore could make further reports to future Council sessions. If governments felt that the overall agricultural commodity position was not too serious, such a belief should be brought to the notice of the Council, together with an indication that the situation might be subject to change.

It was agreed to postpone discussion on the draft report to the Council until the Committee's next session.

IV. Date of Next Meeting

It was agreed that the Sixth Meeting of the Committee should be held at 2.30 p.m. on Thursday, 30 March.