

R E P O R T
of the
COMMITTEE ON COMMODITY PROBLEMS
to the
SIXTEENTH SESSION OF THE COUNCIL OF FAO

20th session

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REPORT OF THE COMMITTEE ON COMMODITY PROBLEMS
TO THE SIXTEENTH SESSION OF THE COUNCIL

The Twentieth Session of the Committee on Commodity Problems was held in Rome from 5-14 November, under the chairmanship of Dr. S. Krasovec (Yugoslavia).

In addition to representatives of the fourteen members of the Committee, observers were present for twenty-nine other FAO member governments and for four international organizations.

I. GENERAL COMMENT

The Committee noted with much satisfaction the constantly increasing attendance at its Sessions which indicated growing interest in the Committee's work.

The Committee felt that this growing interest in its work was largely based on the high quality and comprehensive nature of the documentation prepared by the Secretariat for its recent Sessions, and that such full documentation was quite essential for the Committee's work. The Committee values the participation of observers in its discussions and urged that they be given all possible facilities and encouragement for active cooperation.

In accordance with the views expressed at the Fifteenth Session of the Council, the Committee directed its discussions and findings primarily to specific problems. At the same time, the Committee felt that in order to discharge its mandate fully, it had to include in its regular agenda a selective but not too strictly confined review of the world agricultural commodity situation and outlook so as to make sure that possible problem spheres had been fully investigated.

The Committee was also glad to note the Council's recommendation that special attention be given to the centralized study of those more general problems which arise in intergovernmental consultations for more than one commodity. This is a field to which the Committee is devoting increasing attention and where an informed exchange of governmental views, while not necessarily leading to unanimous conclusions and recommendations, appears most useful to the Committee.

II. REVIEW OF THE WORLD AGRICULTURAL COMMODITY SITUATION

1. Outlook for Grains

The rice problem continues to be the most serious aspect of the world grain position and no important change has taken place since the Committee's previous reviews. Since this problem is shortly to be examined at a special meeting in Bangkok of the countries concerned (See Section III below), the Committee made no findings or recommendations on rice at this Session.

In its review of the situation of grains other than rice, as outlined in the Secretariat's document CCP 52/63, the Committee noted that in the current year world wheat production and the supplies available for export had increased substantially. Large harvests were obtained in the United States and Canada, the Argentine crop promised to be considerably better than the previous one, and better crops also had been obtained in some of the smaller wheat exporting countries. On the other hand, importing countries had somewhat smaller import requirements, owing to better harvests. The Committee regarded the improvement in the prospective supplies of non-dollar wheat as an encouraging development, though it noted that North America would continue to be the source of the bulk of the world wheat requirements.

In the case of coarse grains, the Committee noted that a satisfactory output had been obtained in the two North American countries and that there were reports of increased sowings in Argentina, though it was not certain that supplies available for export from non-dollar sources would differ significantly from those of the preceding year. It considered, therefore, that its earlier findings on the coarse grains situations, as expressed in its Report to the Fifteenth Session of the Council, were still generally valid. The heavy dependence of importers on North American supplies and uncertainty in the supply of coarse grains for importing countries must continue so long as the export capacity of Argentina and other non-dollar sources is limited.

The Committee gave preliminary consideration to CCP 52/66: Note on the Decrease in the Number of Farm Horses. It noted the effect of the reduction in the number of horses in certain countries in increasing the carrying capacity of other livestock, particularly cattle, and considered that this trend would continue to be a factor in the feed situation in many countries.

2. Relationships Between Prices of Wheat and Coarse Grains.

The Committee considered the Secretariat's paper CCP 52/58: Relationships Between Prices of Wheat and Coarse Grains, prepared in response to the request of the Committee for an examination of the relative movements in grain prices. In the last few years coarse grains, especially maize, have become more expensive in terms of wheat than they were before the war. The disparity becomes striking when a comparison is made between the prices of coarse grains and those of wheat sold within the International Wheat Agreement. Moreover, the reduced availability of coarse grains from non-dollar sources, coupled with importing countries' preference for non-dollar supplies, has created a "premium" of non-dollar coarse grain prices. Because of this and because the bulk of exported wheat has been sold under the International Wheat Agreement at prices considerably lower than prices of wheat sold outside the Agreement, coarse grains are now more expensive than before the war, in terms of wheat, from the importers' viewpoint.

3. Trends in World Food Trade.

At its Eighteenth Session, the Committee initiated a review of world food trends, with a consideration of the document CCP 52/6 which dealt with trends in Australia and Argentina. The Committee had before it at its present Session a supplementary document, CCP 52/61, which dealt with the development of the output and trade of the principal products in New Zealand. The volume of agricultural production and exports of that country in 1950/51 had increased to about 26% above prewar.

In the past few years there has been a tendency for supplies available for export from Argentina and Australia to diminish, but there are signs that this tendency is being reversed. There seems little doubt that the potentialities for increases in farm production and trade in all three countries are large.

The Committee noted that the main problems still presented by the trend in world food supplies in general were; a) the possibility of increased dependence on dollar supplies, particularly of grains; b) the continuation of some unsatisfied demand for food imports, particularly noticeable in countries where per caput consumption of a number of important foodstuffs is still below prewar; c) the continuing increase of population in relation to food production; and, finally, d) the need for an increase in the standard of diet in countries where this standard is relatively low. The last three features of the situation all suggest that, until such time as a sufficient increase in indigenous supplies can be obtained, larger food imports may be needed. Thus it seems that there is an important need for some increase of supplies of food entering world food trade and, given a sufficiently high level of economic activity, it is reasonable to assume that this might well continue to make itself felt increasingly as an effective demand.

The problem remains of giving to producers sufficient incentives, including that of confidence in the future, and is one of the main problems with which governments are concerned. To the extent that this problem is not solved, the present dependence of the rest of the world on dollar supplies will be accentuated.

4. Problems of Milk Utilization

The Committee considered an interim report on milk utilization which had been prepared by the Secretariat (CCP 52/60). This showed that in sixteen leading dairying countries milk production had increased slowly and in nearly every country was greater than before the war. But in all but five the increase in production had not kept pace with the increase in population so that supplies per head were lower than before. For the sixteen countries as a whole, milk production increased from 136 million tons before the war to 149 million tons in 1950, or 10 per cent against a population increase of 14 per cent. It has not yet been possible to examine the data for other countries, but it is highly probable that there too production has lagged behind the growth of population.

The lower per caput supply does not mean that there has been a fall in the consumption of liquid milk. On the contrary, consumption per head has remained constant in the countries which were the largest milk drinkers before the war, and has risen considerably in most other countries, though latterly the rate of increase has tended to slow down. The increase in liquid consumption has, in fact, absorbed the whole of the small increase in total production. Less milk, however, is used for butter. Thus in the sixteen countries studied, 52 million tons (35 per cent of the output) was used for butter in 1950 compared with 61 million tons (44 per cent) before the war. At the same time there has been an increase in the consumption of margarine which is cheaper than butter and has been improved in quality.

The total quantity of milk used for manufacture in 1950 (79 million tons) was, however, almost the same as before the war because the fall in the quantity used for butter was equalled by an increase in the quantities used for cheese, condensed and dried milk. But in view of the increase in population, there was a fall on a per caput basis in the quantity used for the manufacture of all milk products combined.

The Committee agreed on the importance of developing further the production and consumption of milk, both because of its very high nutritional value and because the cow is the most efficient converter of plant products into animal protein. At present, the development of production in many countries is slowing down or even going back, partly because of labour and other difficulties in production, and partly because of the greater profitability of meat production. It is falling far behind the rate of development recommended by FAO in 1946. Moreover, although nutritionists now place an increasing value on the non-fat constituents of milk, much of the quantity now produced is not used for human food but is fed to livestock as skim milk or is wasted.

Nevertheless, milk, particularly the non-fat solids, is recognized as one of the more important basic foods which has never been consumed in sufficient quantity. The appreciation of its need, particularly for children, is extending to wider and wider areas so that the demand may be expected to rise steadily in the future.

The Committee recognizes, therefore, that the main problems which now arise are:

- (1) How far can more of the milk now produced be utilized for human consumption?
- (2) How can milk production be increased and its further consumption stimulated?

Need for Better Utilization of Milk Solids

If more of the milk now fed to animals could be used for human food, it would not only be of value nutritionally, but would also raise the return to milk producers, especially for milk used for butter. In connection with this problem of milk solids, a preliminary need is a more detailed study, in terms of milk solids, of the quantities of skim milk available and of the proportions used for direct human consumption (dried milk, cheese, etc.) or used for animal feed, and of the quantity which is wasted. An important aspect of the problem is to widen the knowledge of the nutritional value of skim milk, and in some countries to break down the prejudices against its use. A further aspect is to examine the best means of utilizing skim milk, dried skim milk powder, etc., as well as the possibilities of further developing the market for skim milk products, especially in the less developed countries which are deficient in animal protein.

Need for Increased Milk Production

With respect to increasing the supply of milk, the Committee stressed particularly the problem of labour. In some countries where production has been declining, a major problem is that milk production, which involves a seven-day week, is no longer attractive and in consequence many producers are turning over to grazing. The Committee, therefore, felt that the reasons for the check in the development of milk production should be considered and that particular attention should be given to the labour factor.

Methods of Stimulating Milk Consumption

The best use of milk nutritionally is as liquid milk, but there are large differences in milk consumption levels in different countries. The Committee suggested that it might be useful for FAO to make a comparative study of the methods by which some countries had already raised their level of milk consumption. Emphasis was laid, first on the importance of distribution and marketing methods which would provide a readily available supply of good quality milk to all consumers at the lowest possible cost; second, on the value of education among consumers stressing in particular the health value of milk; and third, on the price factor. In the latter connection it was pointed out that milk consumption had been greatly stimulated in the United Kingdom and some other countries by subsidies which reduced the price to all or to certain classes of consumers, and by special schemes to provide low-cost or free milk to school children.

Before making formal recommendations to the Council, the Committee felt that it would be of value to have further information bearing on these problems and asked the Secretariat to undertake further studies on the above lines.

The Committee appreciated that the gaining of this new knowledge involves further work for the Secretariat and also appreciated that the available resources for carrying out additional work are extremely limited. Nonetheless, because of the importance of the subject, the Committee hopes that it will be possible to make some headway with the problems outlined above, as far as possible in cooperation with other bodies at present studying this question.

5. Fats and Oils

There is no longer a scarcity of supplies in fats and oils; the main problem continues to be that of the dollar shortage which limits purchases, especially from the United States. The competition of synthetic detergents is almost as important as the increases in supplies of hard oils in explaining the severe decline in prices of hard oils in 1951/52. It was noted that importing countries were affected by policies of exporting countries to encourage exports of vegetable oils at the expense of

oils seeds, and that the low price of lard in some countries might eventually increase the production of meat by inducing farmers to produce leaner pigs.

6. Cocoa

The Committee had requested at its Nineteenth Session that before considering whether international action might be appropriate to deal with the world cocoa situation, the Secretariat should undertake a long-term survey of world cocoa production and trade. At the current Session, the Committee heard a progress report on work being done and replies received from governments in connection with that survey which will be presented for review to the next Session of the Committee.

7. Fruit and Vegetables

The Committee agreed that in Europe there had been a steady development of production and trade during the last five years. Some concern was, however, felt regarding the future prospects of marketing of the greatly increased supplies of fruit which are expected to be produced from trees planted in recent years. It was felt that consideration should be given to further improvement in the quality of fruit and the possibilities of better marketing techniques, as a means of reducing marketing costs and of increasing consumption.

As the Committee only had a survey of the European situation before it, the desire was expressed to have a review of the world situation with regard to some major fruits including processed and dried fruit. It was stressed that fruit is a food of high nutritive value and that the diet of low income groups could frequently be improved by higher consumption.

The Committee especially wanted to draw the attention of the Council to the following points:

- (1) The advisability of taking special measures in Europe to increase consumption of fruit the total production of which may not be fully consumed otherwise. Such measures might include improvement of distribution methods in order to reduce distribution cost, improvement in quality, educational schemes and distribution, e.g. under special School Lunch programs.
- (2) The consideration of ways and means of increasing consumption of fruit and vegetables in countries where food supplies are insufficient and where the diet is deficient in vitamins.

In conclusion the Committee felt that the work to be done in this field by the FAO should be concentrated on analyses of trends in production and trade of fruit and

vegetables moving in international trade with special reference to surplus or deficit situations and affecting also regions outside Europe, whereas detailed studies of specific European trade problems could be dealt with by regional free European organizations such as ECE and OEEC.

8. Fertilizers

The Committee had before it CCP 52/52: Fertilizers - A World Report on Production and Consumption. World production and consumption of fertilizers continued to rise in 1951/52. The production and consumption of nitrogenous and potash fertilizers showed considerable advances, but supplies of phosphates showed only a small increase. While in some regions an adequate supply, particularly of superphosphate, continues to be the main problem, demand for phosphates in Europe, for instance, has recently lagged behind supplies, despite the decline in freight rates which form a significant part of the cost of phosphates. The shortage of sulphur has not proved to be as serious as was forecast. Reference was also made to the analysis of the ratio of fertilizer prices to those of agricultural products, as published in the ECE/FAO study "Prices of Agricultural Products and Fertilizers in 1951/52", and the hope was expressed that FAO would continue such studies. The Committee drew attention to the importance of a favourable ratio of prices for the increased use of fertilizers and to the importance of securing fairly stable fertilizer prices within a single crop season, since fluctuating prices are a serious deterrent to farmers' purchases, and to credit arrangements.

9. Silk

The Committee considered the memorandum prepared by the Japanese Government requesting that FAO undertake a comprehensive survey of World Silk Production and Trade (CCP 52/50). The difficulties of obtaining information on some of the areas specifically mentioned in the memorandum were recognized. It was agreed however, that the Secretariat would try to collect more information, as far as possible, and continue to give such information periodically in the Commodity Notes of the Monthly Bulletin. The Secretariat also informed the Committee that it was intended to prepare a special memorandum on silk in the Commodity Report Series next year.

III. PREPARATIONS FOR RICE MEETING

The Committee, at its Eighteenth and Nineteenth Sessions, had been impressed with the problems of rice supply and distribution, and asked the Director-General to ascertain whether FAO member governments favoured the holding of a special meeting and wished to participate in it. The Committee's proposal was endorsed by the Fifteenth Session of the Council.

After reviewing the replies received from governments (reproduced in CCP 52/62 and addendum), the Committee welcomed the decision taken by the Director-General to hold a meeting in Bangkok, starting on 5 January 1953.

The Committee took note of the revised Provisional Agenda for that meeting. The question was raised whether the Provisional Agenda in its revised form would offer sufficient scope for the discussion of immediate short-term problems of rice, such as that of distribution. It was felt that Item 4 and possibly Item 8 of the Provisional Revised Agenda would provide an opportunity for the discussion of such questions if the Bangkok meeting so desired. The Committee agreed that the revised Provisional Agenda should be placed before the Bangkok Meeting in its present form.

The Committee felt that in view of the many important points to be discussed under the Provisional Agenda, it might be found desirable to extend the duration of the Meeting.

The Committee noted the tribute paid by the Observer of the Government of Ceylon to the unfailing generous aid in rice received by his country from the Government and people of Burma.

IV. EMERGENCY FAMINE RESERVE

As suggested by the Fifteenth Session of the Council, the Committee undertook a preliminary review of the Report of the Working Party on an Emergency Famine Reserve (CL 16/14 -CCP 52/55).

The Committee expressed its appreciation of the work done by the experts, while noting at the same time that in the view of some Delegates a number of technical points required further clarification. Comments on these points and such statements as were made on the more basic aspects of the plan are recorded for the convenience of the Council, in Appendix B to this Report.

V. REVIEW OF NATIONAL AND INTERNATIONAL POLICIES AND ARRANGEMENTS FOR AGRICULTURAL PRODUCTS

1. General Review

The Committee considered document CCP 52/67: "Intergovernmental Policies and Arrangements for Agricultural Products and Requisites".

The Committee noted the opinions expressed and conclusions reached in the discussion on international commodity problems under Agenda Item 4 of the Fourteenth Session of the Economic and Social Council of the United Nations. The Committee expressed its appreciation of the statement made in this discussion by the Representative of the FAO which, in the Committee's view, gave a clear and balanced presentation of some of the main difficulties arising in current intergovernmental discussions on international commodity agreements.

Mr. Robert Schwenger, in his capacity as Alternate Member nominated by FAO to the Interim Coordinating Committee on International Commodity Arrangements (ICCICA), reported on the main conclusions reached at the annual ICCICA Meeting which had been held in Geneva in early October. The Committee was much interested in Mr. Schwenger's statement (the text of which is reproduced in Appendix C) and expressed its particular satisfaction that it had been possible to establish close working relations with the ICCICA representative nominated by FAO. The Committee expressed the hope that this close contact would be continued.

The Committee noted that following discussion at the Eighth Session of the International Wheat Council in April/May 1952 and the presentation to that Session of the FAO study on the Economics

of an International Wheat Agreement, further study had been given by a Sub-Committee of the Wheat Council to the technical problems involved in finding a workable formula for the periodic adjustment of price ranges established under an Agreement. The Committee was glad to note that arrangements were being made for the co-operation of the Wheat Council Sub-Committee with the Secretariat of the FAO.

In considering a brief report of recent and prespective discussions on the Simplified Draft for an International Sugar Agreement, the Committee noted with satisfaction that the FAO Secretariat was in close touch with these developments and hoped to be able to assist, as part of its regular work program, in the clarification and analysis of various problems concerning the negotiation of an International Sugar Agreement.

2. Prospects for International Commodity Agreements

The Committee gave some attention to the marked contrast between the general endorsement in principle of the value of international commodity agreements on the one hand and the lack of concrete action on the other. The Committee noted that some of the main reasons for this state of affairs had been well presented in the above-mentioned statements made by the FAO Representative to the Fourteenth Session of the Economic and Special Council (See Appendix to CCP 52/67) and by the ICCICA Alternate Member to this Session (See Appendix C to this Report). While realizing the potential value of multilateral intergovernmental arrangements as stabilizing aids not only for trade in agricultural products but also for world trade generally, the Committee felt that account had to be taken of the practical difficulties encountered in the negotiation of such arrangements. Thus, while strong efforts should continue to be directed toward their conclusion in appropriate cases, the uncertainty of success of such negotiations made it seem particularly important that other possible avenues of international collaboration toward price stabilization should also be studied and actively explored, both at the secretarial and at the inter-governmental level.

3. Survey of National Price Policies for Agricultural Products

As part of its program of studying national price stabilization techniques and other national agricultural policies, the Committee considered a study presented by the Secretariat in CCP 52/56: "Survey of National Measures for Controlling Farm Prices in Western European Countries". The Committee regarded this study as a valuable contribution to the understanding of national commodity policies and of the problems of international co-operation in this field.

The Committee expressed the hope that the Secretariat would extend such studies to the national policies of other countries.

4. Long-Term Contracts

The Committee had before it a study prepared by the Secretariat on long-term contracts (CCP 52/57). The Committee expressed its appreciation of this stimulating and valuable study.

The Committee appreciated the opportunity of discussing in a multilateral forum this type of essentially bilateral agreement. They felt that other countries, not members of the Committee, and not parties to such contracts, would be interested in the comprehensive and authoritative review presented in the report.

Some delegates noted various aspects of the problems on which further study might be of interest, especially with a view to an

even closer analysis of the relative merits and demerits of long-term contracts, and the compatibility of these contracts with the further development of international private trade.

It was agreed that the subject should be regarded as part of the Committee's continuing investigation of international commodity stabilization techniques.

5. Obstacles to World Trade in Agricultural Products.

The Secretariat reported to the Committee on working relations established with the Secretariat of the General Agreement on Tariffs and Trade (GATT) and on the collection of information which had been initiated with respect to the documentation, work and findings of GATT, insofar as these were of interest to FAO generally and to the work of the Committee in particular.

It was agreed that the Committee should regard it as one of its regular functions to keep itself informed, aided by documentation prepared by the Secretariat, based on information to be provided by GATT and by the International Monetary Fund, of major developments covering trade restrictions, particularly those relating to specific agricultural products, which would be treated under the respective commodity headings.

VI. TIME AND PLACE OF NEXT SESSION

It was agreed that the Twenty-first Session of the Committee should convene in Rome shortly before the Seventeenth Session of the Council, allowing for a suitable interval between the adoption of the Committee's Report and the opening of the Council Session.

The Committee expressed the preliminary view that in general a timetable of two rather than three meetings each year should be envisaged.

APPENDIX ALIST OF GOVERNMENTS AND ORGANIZATIONS PARTICIPATING IN THE
TWENTIETH SESSION OF THE FAO COMMITTEE ON COMMODITY PROBLEMSMEMBERS

Argentina
Australia
Burma
Canada
Cuba
Egypt
France
Germany
Netherlands
Pakistan
Sweden
United Kingdom
United States
Yugoslavia

OBSERVERS
Governments:

Austria
Belgium
Brazil
Ceylon
Chile
Colombia
Costa Rica
Ecuador
El Salvador
Finland
Greece
Holy See
India

OBSERVERS - Continued

Indonesia
Iraq
Ireland
Israel
Italy
Japan
Jordan
Nicaragua
Philippines
Portugal
South Africa
Spain
Switzerland
Syria
Uruguay
Vietnam

OBSERVERS
Organizations:

International
Bank for
Reconstruction
and Development

International
Wheat Council

International
Federation of
Agricultural
Producers

International
Wool Textile
Organization

APPENDIX B

Summary Record of Discussions held
at the Twentieth Session of the CCP on the
REPORT OF THE WORKING PARTY ON AN EMERGENCY FAMINE RESERVE

The CHAIRMAN called upon Miss BLAU (Secretary) who, in the absence of any member of the Working Party on an Emergency Famine Reserve, introduced the Report.

The CHAIRMAN, speaking as Representative of Yugoslavia, said the experts in his country were in general agreement with the Working Party's Report. The Yugoslav representatives had proposed alternative C at the last session of the Committee and of the Council, but the reasons advanced by the Working Party for preferring alternative B were very convincing, and his Delegation was prepared to accept it on the condition that, in extreme cases, a country that would have great difficulty in paying its contribution in cash could do so in kind.

His Government would welcome an international convention on an Emergency Famine Reserve, but, if that was likely to be difficult of realization, it would be prepared to agree to a Resolution of the United Nations General Assembly. UNICEF had been satisfactorily established on the basis of such a Resolution but it had no guarantee of permanency. A convention would be advantageous if a more permanent arrangement were desired in the present case.

Speaking as Chairman, he declared the discussion open and particularly invited Members and Observers not represented on the Council to take the opportunity of explaining the attitude of their governments.

Professor SVARDSTROM (Sweden) asked for information why the Working Party, in paragraph 61 on page 19 of its Report, had described ~~scheme B as the only practicable solution~~ and excluded the compromise between schemes B and C which he understood to be in the mind of the representative of Yugoslavia.

Miss BLAU (Secretary) referred to the words "some form of Scheme B" in paragraph 61. The Working Party had wished to exclude schemes A and C proper. It had devoted a great deal of attention to the possibility of a combination because several representatives both at the CCP and the Council Sessions had at first expressed a preference for C, and one member of the Working Party had felt strongly that if it were not possible to adopt C, a way should be found to combine it with B. The Working Party had finally come to the conclusion that such a combination would not obviate substantial administrative and technical difficulties, especially as regards flexibility of operation and the compatibility of contributions paid in kind with a scale of monetary contributions based on agreed criteria, should such a scale be decided upon. At the same time, it had been felt that, while the basis should remain a financial valuation of contributions, it might be possible under scheme B to enable those governments that wished to contribute in kind to do so by setting a book value on such contributions.

Mr. WEBER (Germany) said that after studying the first Report on the question, the experts of his country, as he had stated at the June session, favoured scheme C because there were in Germany agencies holding important stocks of goods that could be drawn upon in an emergency. He had not had time to discuss scheme B with the experts before the present session, and could only give his personal opinion on the Report. He could understand that the Working Party recommended scheme B as being easier to implement. Yet, certain countries would have great difficulty in paying their contributions because, in the present state of the world's markets, they would have to be paid mainly in hard currencies. A very important point that would have to be considered

before governments could take a decision was whether contributions should be voluntary or fixed. He hoped to be able to give the views of his Government at the next Session, after the experts had been consulted.

Mr. HOLLINS (United Kingdom) paid a tribute to the work of the Working Party. Many parts of the Report called for particular commendation and especially section III dealing with the definition of famine conditions.

While his Government agreed that scheme B was the only practicable one of the three studied, it questioned whether it was desirable at a time when governments were short of foreign exchange to earmark funds against an emergency of an unknown character which might take place at some unknown time in some unknown part of the world. It felt that such funds, which might be considerable, could be better used for increasing food production in the world. The Report made it clear that the building up of a physical reserve earmarked for the future would not increase the available supplies of food. The reasons that had led the Working Party to reject the idea of nationally or internationally owned stocks of foodstuffs could apply also to monetary reserves. The United Kingdom Government believed that recent experience during the famines in Yugoslavia and India had shown that international action could be taken rapidly without any formal machinery of the kind suggested. To illustrate his point he gave figures of the aid in kind and in money supplied by various countries.

The value of the Working Party's Report lay, therefore, mainly in the proposed definitions and procedures for detecting and making known the fact that a famine was imminent in some part of the world, since this would facilitate national cooperation in bringing speedy relief when needed.

Mr. JANTON (France) said the Report had been carefully studied in his country and many points of detail could be raised but he would confine himself for the present to certain general remarks on the points of particular concern to his Delegation.

Two different kinds of problems were involved; they had been treated separately up to the present by FAO, ECOSOC and the United Nations General Assembly, but were closely linked in the Working Party's Report. The first was the general problem of bringing relief to a stricken country through international action. That problem had first been raised in ECOSOC, and a certain amount of work had been done by both the United Nations and FAO. He referred to the resolution adopted by ECOSOC on 9 July 1952, which looked for a definition of famine - and he agreed with previous speakers that the definition of the Working Party was a most valuable part of its Report - but recommended preparatory measures that might be taken by governments of countries which were subject to famine. That question required further detailed study, independently of the attitude that might be taken by the international organizations and governments in connection with a special Emergency Food Reserve.

The Conference in the preceding year had discussed only the general aspects of the question. Resolutions had been submitted by the Delegation of India and the United States of America, and after careful consideration, the Conference had adopted a resolution calling for an examination of the possibility of international aid which might take the form of an Emergency Food Reserve. It was the second question - the Emergency Food Reserve - which the Committee was qualified to deal with under its terms of reference, and on which ECOSOC had asked for its views. It was important to separate the two matters because, even if, as the representative of the United Kingdom had seemed to imply, the Committee should decide it was unnecessary to take specific measures in connection with an Emergency Reserve, the general problem that famines did happen, and that national and international measures had to be taken, still remained and had to be considered fully.

It might seem surprising that, while no one in the Committee, or the

Council, had expressed a preference for scheme B, the Working Party had recommended that scheme. Since the Council had set up the Working Party of experts, it would seem reasonable to accept their opinion, but he had still doubts on the matter.

While in agreement with the representative of the United Kingdom that effective help had been given to Yugoslavia and India in an emergency, he suggested that progress could be made by working out an international relief system in advance.

He felt the Working Party might have been too hasty in rejecting schemes A and C, and in deciding to recommend scheme B. He agreed with the experts' view that the building up of food reserves would not increase the world's food supplies and would involve heavy costs for maintenance, replacement, warehousing, etc. In his opinion, it should not be necessary to make special stores, because there was a sufficient surplus in the world of most of the foodstuffs that would be needed. In the case of the famines in Yugoslavia and India, for instance, the United States and Canada had been able to send cereals at the current market price, without it being necessary to add extra charges for special storage. Cuba and France had stocks of sugar that could be drawn upon, and other goods would certainly be available in other countries.

The experts appeared to have drawn attention to the advantages of scheme B without dealing adequately with its difficulties. He agreed with the representatives of the United Kingdom that a special fund would present no less difficulties than a physical reserve of goods. Furthermore, any kind of fund would present many problems: transfer difficulties, scarcity of hard currencies, and so on. Before a decision could be taken it would be necessary to study the national procedures for making funds available in case of need - procedures which often involved delays and difficulties.

It would be difficult for his Delegation, at this stage, to take a position with regard to the Working Party's Report or to make constructive proposals.

The problem which had in most cases been very clearly indicated by the experts should be given further study, especially the possibility of help in kind (which would not be in the nature of a specially earmarked and stored reserve) and the difficulties that might be entailed by the constitution of a monetary fund, whether the procedure adopted were a blocked account in an international bank, or some more flexible arrangement that would not tie up large sums of money which could better be used for increasing the world production of food.

Mr. HUDSON (Canada) considered that the Report produced by the Working Party provided a very good basis for discussion. The Committee, he thought, should confine itself to technical aspects of the scheme, and leave questions of principle for decision by the Council. If he personally might appear to be critical of some parts of the Report, it was not for lack of appreciation of the useful work done by the Working Party.

He disagreed with some of the assumptions - as, for instance, that on page 4, paragraph 6, which suggested that world economic and financial conditions would remain as they had been in 1952; again the assumption that, because the acute food shortages of 1946/47 had been replaced by easier supply conditions in 1952, especially in regard to

bread grains, financial factors were now the most important, was somewhat misleading. It was hardly realistic to think and plan on the supposition that matters would remain, economically and financially as they were in 1952.

On page 14, the tables intended to show trends dealt with too short a period. A study of crop history and stocks over twenty or thirty years would be necessary before trustworthy conclusions could be reached. He felt the Committee should suggest to the Director-General that, in laying down, during the next few months the 1954/55 program of work, a study should be made, with a view to providing basic information relating to countries which had actually suffered famine, including crop history by regions, the yield by area, facilities for moving food from areas which had a surplus to the others, and the available storage facilities on a regional basis. A study on those lines - possibly under the Technical Assistance Program - would reveal some of the fundamental causes of famine, and might suggest development projects which might merit consideration of financial aid under the Truman "Point 4" program and the Colombo plan.

It seemed inconsistent to imply that success of the scheme would depend upon building up stocks held nationally and to emphasize at the same time how costly it would prove to have an international agency hold the stocks. In view of the limited time the Working Party had to study these matters, the Committee should underline the desirability of further investigation being made.

The CHAIRMAN agreed that the Committee should concentrate its attention on the technical aspects of the study.

Dr. LOUWES (Netherlands), proposed to speak only on technical matters, some of which were not brought out clearly enough in the Report.

Nearly all products required for the EFRU were in sufficient supply, and there would be no difficulty in obtaining them at a given moment. This was not the case, however, for dried milk, the only item containing animal protein. Reference was made in the Report to the importance of relief work done by UNICEF in distributing four hundred million pounds of dried milk over a period of five years. In the event of a widespread famine there would be no surplus of dried milk on the market. He failed to understand the reasoning of the Working Party's Report that supply would be sufficient in an emergency, provided that firm advance contracts were made.

As Mr. Janton had said, it would be difficult to reach general agreement on alternative B, because of the difficulties in obtaining commodities which had to be purchased in hard currencies. Alternative C might be more promising, allowing countries to contribute from their own stocks and avoiding the necessity of buying abroad.

Mr. MALIK (Pakistan) expressed his appreciation of the Working Party's Report but agreed with the Representative of Canada that further investigation would be needed.

U THET SU (Burma) had not had time to obtain instructions from his government. His personal view was that the Emergency Famine Authority should not hold reserve stocks of its own. If the contributing governments agreed to make specified quantities available on call, the necessary stocks could be earmarked or acquired and held nationally by the governments themselves. He considered this as the main prop of the plan. In regard to wheat, that should be fairly simple, since there were considerable carry-over reserves. Rice, however, was in short supply, and as the Working Party had pointed out, governments undertaking to supply it would have to draw on stocks used for current consumption.

The quantities of rice mentioned by the Working Party, i.e. 56,000 tons and 220,000 tons, were too large under present conditions, and he suggested they be reduced.

It was not clear whether the size of the stock reserve would depend on the total contributions, or vice versa. In any case, it would be preferable to begin with relatively small stocks, and learn by experience. Governments would wish to know what contribution was expected from them before agreeing to participate. Moreover, sacrifice might be entailed in undertaking to make certain stocks available at government to government prices instead of at regular commercial prices, and that factor should be taken into account in deciding the scale of contribution.

He did not share the view of the United Kingdom Representative that it was funds only which had to be frozen over a more or less indefinite period. Certain undertakings would have to be given by governments, and both funds and stocks would, for some time at least, have to be immobilized.

Professor SVARDSTROM (Sweden) agreed with the Representative of Canada that the Committee should concentrate on the technical aspects of the Emergency Food Reserve, but felt the matter could not be dealt with without going to some extent, into questions of principle.

The Reserve was planned as an insurance against emergency. No matter what precautions, national or international, were taken, there would always be the possibility of an emergency which a given country could not overcome by rationing food at home or purchasing abroad, normally or under special trade agreements once the emergency had arisen. In such a situation the Reserve could be utilized. But it was essential that the country in question would have first done its utmost to solve the crisis by its own means.

The Swedish Government appreciated the work done by the experts and felt that their report was sound. There was the question, however, whether the three basic alternatives, which had provided an excellent basis of discussion in the Secretariat's first theoretical Report, had not become less useful concepts at this more advanced stage when the discussion was largely centered on practical problems.

Mr. SCHWENGER (United States of America) said the position of his government in relation to the report and the principles involved would be ready for presentation and discussion in the Council.

Mr. PEREZ (Cuba) observed that as the border line between famine and a state of chronic hunger was very narrow in some countries, action could not justifiably be limited to conditions of emergency. In recent years, distress resulting from natural causes had been mitigated by the generosity of the United States and other countries. The Committee should aim at relieving hunger as well as famine. Rather than having special food or currency reserves, it should aim at securing and establishing international cooperation with countries which were particularly liable to famine. In that way, it might be possible to free the world of hunger, by increasing food supplies where they were critically needed and strengthen the ties which were the basis of civilization.

Mr. GUNewardENE (Observer for Ceylon) expressed his government's appreciation of the proposal to set up an Emergency Famine Reserve.

It hardly seemed necessary to stress that nations today were more conscious than ever before of their common responsibilities. Practical machinery was necessary, however, to ensure timely relief in distress: it often took long before a nation could be brought assistance, and that lapse of time was sometimes fatal. In recent years, India, Yugoslavia and Ceylon had received assistance from other nations. Yet, the Committee's aim should be to minimize the period before help came.

He congratulated the Working Party on its excellent report, which made provision for such timely assistance. Ceylon would welcome the adoption of Alternative B of the report, which would substitute contributions in specified currencies for physical stocks. He felt conditions in regard to reimbursement should not be included. Some countries would be unable to pay for supplies they would receive and, on humanitarian grounds, assistance should not be dependent on an examination of the currency situation in the country appealing for help. He also felt that all underdeveloped countries should qualify to receive help, regardless of political circumstances. He concluded that there should be no opposition in the civilized world to a fund on the lines suggested. A practical scheme had been put forward and the machinery could, in time, be perfected.

Mr. WEBER (Germany) observed that, as the scheme would be finally discussed at the Council, and the FAO Conference in the following year, it would be necessary to know the financial implications. He asked if the Secretariat could supply financial estimates for Alternative B in case it should be adopted by the Council. The individual financial contributions were an all-important question since they would have to be included in national budgets.

Mr. HUDSON (Canada) referring to what the representative of Burma had said about rice pointed out that the immediate delivery of wheat in an emergency also presented difficulties. It was not reasonable to expect producing countries to be able to pledge deliveries of unspecified quantities of wheat available in an emergency. These countries had firm commercial commitments. Some buyers might, in an emergency, be willing to wait. But in any case, storage facilities and transportation to sea-board would have to be considered. In some exporting countries wheat had to be taken very long distances, and if the emergency occurred during the winter months, there could easily be a hold-up in the transport.

Mr. JANTON (France) believed, as he had said the previous day, that additional study was necessary. An alternative plan might be envisaged which would combine the advantages of alternatives B and C, and allow the governments themselves to decide how best they could meet the commitments they would enter into.

The additional investigation could be carried out mainly by the Secretariat, and no extra demands would be made on the experts, except in regard to certain specific points and particularly the financial implications of the scheme. He was sure the Financial Attaché at the French Embassy in Rome would willingly help in that respect, if necessary, and other governments would no doubt make similar facilities available.

Miss BLAU (Secretary) replying to questions in regard to the financial obligations of governments, said that in regard to the total cost of an Emergency Famine Fund, the Working Party had given some tentative estimates on page 10 of the Report, ranging from \$33 million to \$132 million according to the size of the Reserve envisaged.

The scale of contributions, on the other hand, had been regarded by the Working Party as a political question outside its competence, though some attention had been given in its discussions to the examination of possible systems of repartition such as, for instance, the scale of regular FAO contributions, or the entirely different system adopted under the Technical Assistance Program.

The United Kingdom Representative had pointed out that the absence of a major threat of physical shortage which had led the Working Party to reject alternatives A and C, also weakened the case for B, since governments would offer assistance in an emergency, whether the Emergency Relief Fund were established or not. It was true that the record of ad hoc assistance by governments in the event of an emergency was impressive. But it was just because of all this store of goodwill and generosity that it would be better to have some machinery available for taking full and speedy advantage of such offers in an emergency. Experience had shown the difficulties and delays which resulted from inadequate preparation.

The Representative of Cuba had expressed the view that the problem before the Committee was not so much a question of providing relief in food emergencies as of dealing with the larger and ever-present problem of famine and hunger. That larger problem, however, was being dealt with in practically all aspects of FAO's work, both under the Regular Program and Technical Assistance. The Working Party had recognized the importance of more far-reaching problems in the last section of its Report which dealt with the possibility of an international convention. At the same time, the Working Party had felt that its own specific terms of reference were to look into ways and means of providing a reserve against those emergencies which were unfortunately still likely to arise, in spite of the work being carried out on the wider aspects of the world food situation.

The Representative of France had questioned the Working Party's preference for Alternative B rather than A or C, and had suggested that, on closer inspection, the relative disadvantages of A and C and the advantages of Plan B might prove less than they appeared to be. In this connection, he had referred specially to technical considerations. The Working Party, on the other hand, had considered the question first from the point of view of the need for physical stocks, and concluded that in the absence of a threat of world shortage, Alternative B was adequate. The Working Party's comments on the special technical problems arising, in their view, under Alternatives A and C were, therefore, merely supporting rather than decisive arguments in making their case in favour of Alternative B. At the same time, they had been impressed with the high degree of executive responsibility required under Alternative A, and with the complications of international management in fields such as rotation, or buying decisions involving the risk of losses on stock values. They also felt that under A, a central staff would inevitably be required. Alternative C, on the other hand, involved, in their view, legal difficulties in some countries in connection with the public ownership of nationally held stocks. They also concluded that Alternative C was difficult to combine with an agreed scale of contributions, and that it allowed less latitude for the authority in making its purchasing decisions.

Attention had been drawn in the discussion to the difficulties of prompt delivery for commodities such as rice and also wheat. In her view, the Working Party had intended to allow a certain degree of flexibility in the sense that in case of such difficulties the delivery pledges should be regarded as promises to facilitate priority arrangements by all possible means rather than as definite legal guarantees of delivery on call.

It had been suggested that further study on the technical points raised in the discussions might be undertaken by the Secretariat, possibly with the help of representatives of Governments resident in Rome. It was not for her to decide on the Secretariat's work program, but she merely wished to remind the Committee that the Working Party had been composed of experts with very high technical qualifications and experience in problems of supply, storage, and emergency distribution. She doubted that the Secretariat, even with the aid of local representatives, could reach more expert technical conclusions than those presented by the Working Party. Further investigations on some of these points might require the help of very highly specialized technical experts.

Mr. JANTON (France) pointed out that the Committee had been discussing famine relief for a long time, and no conclusion had yet been reached. He agreed with the Canadian Representative that it was for the Council to take political decisions and for the Committee to advise the Council on technical matters, but, so far, the necessary technical advice did not seem to be forthcoming. He suggested that the Committee should note the Report and inform the Council of the comments made in its debate.

The Committee agreed to append the record of its discussions on the Report of the Working Party to its Report to the Sixteenth Session of the Council.

APPENDIX C.

STATEMENT BY THE ALTERNATE MEMBER NOMINATED BY FAO TO ICCICA

Mr. SCHWENGER said that ICCICA had three members, and had been set up by the Economic and Social Council to keep informed of developments in intergovernmental collaboration on commodity problems and to facilitate such collaboration. One member was nominated by the Contracting Parties to the General Agreement on Tariffs and Trade (GATT) to be concerned particularly with the rules and principles set out in Chapter VI of the Havana Charter; the second was nominated by the Director-General of FAO to be concerned principally with agricultural primary products; the third was nominated by the Secretary-General of the United Nations to be concerned principally with non-agricultural primary products. The ICCICA did its work mainly by preparing a review which gave a short commentary on developments and a factual appendix. The review had appeared annually since the first issue in 1947.

At the recent meeting, the members had agreed that the discussion in the Economic and Social Council and other evidence revealed a change in the climate of opinion among governments as to the fundamental objective of commodity agreements. At the time the Havana Charter was adopted, the main objective had been to deal with the surpluses of primary commodities which were expected to appear from time to time. Stability - in the sense of the moderation of extreme fluctuations in commodity prices - was now looked on as the principal object.

The members of ICCICA, in their review, (which was still in preliminary draft) discussed the reasons for this shift in emphasis. They noted the many interests for which instability in price might have unfortunate effects. They judged that instability would continue to be a great problem and that it would continue to come from shortage and surplus situations, whatever might be the long-run trend.

Particular note was taken of the United Nations experts' report on "Measures for International Economic Stability" and of the ECOSOC discussion on it. The following points had been particularly emphasized by the experts:

- (a) The recommendation that governments should reconsider the case for initiating a series of commodity arrangements as a means of moderating primary-product price instability.
- (b) The conclusion that it was not necessary or practicable to establish a new international agency for a range of commodity arrangements and that sufficient international co-ordinating machinery in this field already exists.
- (c) The suggestion that the necessity for considering the problem of shortages and of a mechanism for dealing with it - as through the committee of the International Materials Conference - gave an opportunity for using the shortage mechanisms to negotiate permanent stabilization arrangements.

The discussion at the Economic and Social Council had shown there was general agreement with these conclusions of the experts' report. Some concern had however been expressed by the representatives of the under-developed countries lest the conclusion of agreements for primary products might lead to a situation in which they would find their export prices stabilized but their import prices rising. Mr. Schwenger was not certain how far recent developments might have altered that point of view, but the ICCICA had commented in a general way on the role of commodity agreements in relation to the problems characteristic of under-developed countries. They pointed out that the avoidance of price extremes could be of some limited value to these countries. They considered, however, that commodity agreements could not prevent price relationships from following the long-term trend dictated by the underlying forces of supply and demand.

The ICCICA then drew attention to the fact that, although commodity agreements were very generally approved by governments as a means of

achieving stability, only one such agreement had been concluded in recent years.

They discussed some of the difficulties which might explain this situation. Technical difficulties were discussed of both a general economic and financial nature and of a type arising out of the circumstances of individual commodities. Certain other difficulties were also mentioned. It was significant, for example, that the value of a particular agreement was frequently considered on behalf of governments by those officials concerned with the particular product, and not by those concerned with the general problem of stability.

The conclusion reached by ICCICA was that a series of agreements on the lines suggested by the United Nations experts could probably not be expected. It was judged, however, that formal commodity agreements were not the only method of intergovernmental collaboration to moderate extreme price variations. It had been shown in the past that governments could collaborate to some extent without formal commodity agreements. Where officials of different governments concerned with a commodity met, even informally, their recommendations, and even their exchanges of view, probably had an influence in the direction of stability on the policies of their governments. In this connection the ICCICA made special mention of the Committee on Commodity Problems, the International Materials Conference, and the various study groups and commodity councils. The ICCICA felt that these commodity bodies, plus the widening appreciation of the problem of stability, might lead to generally better co-ordination of government policies.