

R E P O R T

of the  
TWENTY-SECOND SESSION (SECTION I) OF THE COMMITTEE ON COMMODITY PROBLEMS  
to the  
EIGHTEENTH SESSION OF THE COUNCIL OF FAO

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REPORT OF THE TWENTY-SECOND SESSION (SECTION 4)  
OF THE COMMITTEE ON COMMODITY PROBLEMS TO THE  
EIGHTEENTH SESSION OF THE COUNCIL OF FAO

1. The First Section of the Twenty-second Session of the FAO Committee on Commodity Problems was held in Rome from 13-17 November 1953 under the Chairmanship of Mr. G. H. Janton (France).

I. MAJOR DEVELOPMENTS IN THE WORLD AGRICULTURAL COMMODITY  
SITUATION SINCE JUNE 1953

I.1. GENERAL REVIEW

2. The review included in the Report of the Committee's Twenty-First Session noted the following aspects of the commodity situation: more ample supplies of agricultural commodities in general; accumulation of stocks, mainly in the dollar area; continuing strong demand for food and agricultural raw materials for consumption and processing but a diminishing demand for strategic stockpiling and commercial stocks; and falling prices for some agricultural commodities. Developments in the subsequent months have generally confirmed these tendencies.
3. According to reports available up to the end of October 1953, agricultural production has almost reached the high level of last year. Even the lower production of, for instance, grains, was offset by larger stocks. The supply of meat and dairy products has been favoured by good grazing seasons in most areas and more ample and cheaper supplies of coarse grains. Coffee and cocoa are in short supply.
4. Stocks of some principal foodstuffs and agricultural raw materials have continued to increase, the main accumulations being in the dollar area. These accumulations resulted mainly from high production coinciding with contracting exports from the United States, reflecting growing agricultural production elsewhere and lower prices for non-dollar supplies. Even in non-dollar exporting countries stocks of, for example, rice and other grains and rubber have also been increasing. Measures have been taken in some countries to provide for production restrictions and for special surplus disposals (see paras. 29-34). Even so, in many areas diets are still far below the nutritionally desirable levels and the existence of surpluses of a few agricultural commodities merely indicates a lack of effective demand at present prices.
5. Since May, although overall demand has continued to be strong, there have been some declines in prices, e.g., of food and feed grains, sugar, non-edible fats and natural rubber. In the Northern Hemisphere farm prices of cattle and dairy products have weakened. Some of the declines are mainly the result of more ample supplies, but, to some extent, for example rubber, also of a contracting demand for strategic and commercial stockpiling. As a result of the price declines and the improvement in the dollar situation of non-dollar countries, the difference between the prices for non-dollar and dollar supplies has been reduced. Even so, movement of dollar supplies to non-dollar countries has been restricted by a shortage of dollars. One result of the easier supply situation has been a movement in some countries, particularly in the United Kingdom, towards greater trading freedom. Up to the present, the level of disposable consumer income, as seen in the middle of 1953, has been generally maintained, especially in the industrialised countries, where it has been high. Consequently, the demand for food including beverages and for agricultural raw materials has remained high.

6. In Europe, the efforts to lessen dependence on overseas supplies through cooperation in OEEC has continued and is especially important for supplies of animal feedingstuffs.

TABLE 1 WHOLESALE PRICES OF MAJOR WORLD TRADE  
COMMODITIES IN SELECTED MARKETS

Commodity	Jan-Jun	Peak Price	Low Price after		May	October
	1950	1951	Peak Price	Peak Price	1953	1953
		Month Price	Month	Price		
U.S. Dollars per 100 lb., unless otherwise indicated						
Wheat Chicago No.2 Red Winter US \$ bushel	2.24	Dec. 2.61	Aug.53	1.88	2.11	1.94
Wheat Canada Class II.No.I.N. US \$ bushel	1.94	Dec. 2.37	Oct.53	1.98	2.13	1.98
Barley Iraq cif Europe US \$/m.ton	58.50	Dec. 119.00	Oct.53	51.50 <sup>1/</sup>	60.30	51.50 <sup>1/</sup>
Rice (US, milled)	8.08	Mar. 10.55	Sep.51	8.30	12.38	9.50
Sugar, raw (Cuba)	4.39	Jun. 7.41	Oct.53	3.13	3.65	3.13
Coconut Oil (Philippines)	14.70	Feb. 20.64	Apr.52	8.38	16.09	15.33
Copra (U.S.)	9.52	Feb. 13.79	Apr.52	6.00	11.09	10.25
Coffee (U.S.)	47.75	Feb. 55.52	Jun.52	53.00	55.30	59.30
Cocoa (U.S.)	26.40	Mar. 38.40	Nov.51	29.50	33.40	40.64
Tea (Ceylon)	51.00	Mar. 60.40	Sep.51	36.98	..	42.93
Wool (U.K.) <sup>3/</sup>	155.00	Mar. 366.00	Mar.52	128.00	190.00	171.00
Cotton (U.S.)	32.34	May 45.23	Jan.53	32.49	33.41	32.57
Cotton (Karnak Egypt)	45.17	Mar. 102.87	Feb.53 (Sep.52/)	34.85	35.77	35.06 <sup>2/</sup>
Jute (U.K.) <sup>4/</sup>	14.52	May 28.75	(Apr.53)	9.13	9.50	9.75
Rubber (Malaya)	21.00	Feb. 73.50	Oct.53	19.11	23.38	19.11

<sup>1/</sup> Preliminary October figures

<sup>2/</sup> September 1953

<sup>3/</sup> 64's Dominion and U.K. auctions, U.K. cost, clean basis.

<sup>4/</sup> LJA Daissee 2/3 c.i.f. Dundee

I.2 INDIVIDUAL COMMODITIES IN REVIEW

7. Supplies of wheat for export and carryover in 1953/54 in exporting countries are much higher than in the previous year, following the large increase in old crop stocks. At 1 July 1953, stocks in the four major exporting countries totalled 34 million tons as compared with 18 million tons a year earlier. While the increase in supplies is general, North American supplies again amount to 80 percent of the total. Import requirements are further reduced owing to satisfactory harvests and larger stocks in importing countries, in 1953/54 they may total only about one-third of the exportable supplies, leaving a further significant addition to year-end carryovers. Acreage restrictions and marketing quotas will be in effect in the United States for the 1954 crop, but the existence of large carryovers there and elsewhere are likely to maintain easy supply conditions in 1954/55. International trade has become more competitive and has been accompanied by some weakening of prices. Sales under the International Wheat Agreement are being made below the maximum of the new price range.

8. The rice position has eased further. International trade, however, is at a lower level than in 1952 and stocks are accumulating in the two leading exporting countries. Free prices declined in some markets sharply, and there has also been a fall in the prices of prospective sales under government-to-government contracts in Burma in cases where buyers guarantee purchases of minimum quantities over a number of years. In October prices recovered somewhat. The future course of rice prices will be considerably affected by the decisions of the Japanese authorities regarding the kinds of grain they will buy for the additional imports thus required, as a consequence of increasingly poor reports concerning the Japanese rice harvest which threatens to be the worst for nearly 20 years. Exportable supplies in 1954 will probably be larger than a year ago, but it may still be necessary for certain countries dependent on rice to continue to import other types of grains.

9. Coarse grain supplies are also ample owing to some increase in mid-year stocks and good harvests both in importing and in exporting countries. Exportable supplies are more than enough to provide exports on last year's level and a larger proportion is available in non-dollar exporting countries. Trade, however, has so far shown little change, despite price declines. Importing countries have achieved greater self-sufficiency by developing domestic feed resources and, unless there are wide changes in price relationships between feed and livestock produce, they may take little or no additional imports.

10. For meat, production of beef and veal in 1953 will be higher than in the previous year; and that of mutton and lamb little changed. Less pigmeat, however, will be produced mainly because of a substantial decline in North America. During 1953, Australia, Uruguay and Ireland have shipped more beef than a year ago, while more mutton and lamb was exported by Australia and more bacon from Denmark and Poland. The downward movement of livestock prices in the Northern Hemisphere which started in 1952 continued in 1953, pig prices in North America being the major exception. In the United States at the middle of September 1953 the hog/com. ratio, based on prices for barrows and gilts in Chicago, was 14.9 against 11.3 a year earlier. In the Southern Hemisphere, prices have been moving upwards - but recently there has been a noticeable slowing down of this movement.

11. There has been a marked increase in world supplies of dairy produce during 1953. Butter production has shown a substantial rise over 1952. A further increase in cheese production is also expected. Prices have declined in both Canada and the United States and both Governments have made support purchases of butter, cheese and skimmed milk powder. In some European countries also prices have tended to decline. Substantial butter and cheese purchases have been made by the USSR which may be the second largest importer of butter this year. In view of satisfactory harvests in 1953 and the improvement in feed supplies in exporting countries, the outlook, given no significant further price decline, is favourable for higher production of dairy produce.

12. For fish an especially large increase in Japan has to a certain extent counter-balanced a slight drop in output in most of the other major producing countries. World production (excluding USSR and China) in 1953 is expected to be about the same as in 1952. Increased production, however, is expected in some regions as a result of advances in pond fish culture, e.g., in the Belgian Congo and other development projects.

13. As to fats and oils, prices of liquid edible vegetable oils advanced moderately to mid-1953, partly because production outside the United States declined and partly because a larger quantity of cotton-seed oil was acquired by the U.S. Government. The price of lard has increased materially since the end of 1952 as a result of decreased production in the United States. Prices of inedible tallow and palm oil declined slightly as a result of increasing world export supplies. Prices of linseed oil declined materially, reflecting a weak European import demand and large export supplies. There was an upswing in world import demand for fats and oils during the first half of 1953 and this apparently has continued. A moderate increase in non-dollar world export supplies is likely in the 1953/54 season. For non-dollar oils and fats there was a general rise in prices from late August to mid-November, but a downward movement may occur when oils from the autumn crops in India, Africa and the Mediterranean area begin to reach the market early in December and January.

14. Demand for dollar sugar has been adversely affected by the production prospects in importing and in non-dollar exporting countries. Early in October world market prices fell below the minimum stipulated in the new International Sugar Agreement. Preliminary indications for production in 1953/54 are that it will be about a million tons higher than in 1952/53. Production will be substantially higher in Europe, notwithstanding the fall in area under beet, and in non-dollar countries generally. In the United States, the 1953/54 beet crop will be higher than during the past two years.

15. Owing to frosts, prospects for substantially increased coffee supplies from Brazil appear to be delayed, whereas in the other producing countries the rising trend in output continues. As to cocoa, slightly lower new crop estimates for Africa seem to be balanced by larger production in Brazil. World production of both commodities in 1953/54 is likely to be the same as in 1952/53. Sustained demand for both coffee and cocoa was reflected in higher imports and improving prices during the first eight months of 1953. No surplus has emerged in tea, due to adverse weather and voluntary crop curtailment in Northern India. Prices for Indian tea recovered considerably and the price spread between high and low quality teas has narrowed. Although the crop restrictions were practically lifted in October, world supplies are unlikely to exceed those of 1952.

16. With the stricter acreage restrictions for the 1953 crop the total U.S. tobacco production will be about 10 percent less than the high production in 1952. Among other major suppliers of cigarette tobacco for the export market, Southern Rhodesia harvested a larger crop this year, but supplies of flue-cured Virginia tobacco for export from India are expected to be lower than last year though India's total production has increased. Output of oriental leaf in Greece as well as in Turkey is higher than last year and quantities available for export may increase. Prices at the recent U.S. auctions of flue-cured tobacco have shown a notable increase in spite of the larger stocks (resulting from the high 1952 crop and lower exports in 1952/53) and the less favourable outlook for exports. This price increase may be explained by the lower output, and a continuing strong demand from manufacturers.

17. No substantial reduction in the world cotton crop seems likely in 1953/54. While in Mexico, Pakistan and Egypt, crops were lower, those in the United States and India were larger. In the United States, acreage restrictions have been announced for 1954. Market prices of cotton have shown little change over the past six months. In Brazil, where exports had dwindled and stocks accumulated, price adjustment now appears to be in progress. Despite the prospect of further stock accumulation in 1953/54, prices may be strengthened by rising consumption, stock replenishment in consuming countries and the prospective reduction of supply resulting from acreage restrictions.

18. World production of wool may be 1.16 million tons in 1953/54 as against 1.14 millions last season. There have been no substantial changes in commercial stocks of consuming countries but governmental stocks have increased. Prices in general had shown a slight upward trend during most of last season and, with rising consumption and stocks in consuming countries relatively light, prices may continue firm.

19. Mainly because of acreage restrictions in Pakistan the total jute crop of the Indian sub-continent, which accounts for nearly all of world production, is likely to fall to about 6 million bales in the current season as compared with 11.5 million bales in the preceding season. Although stocks of raw jute were heavy at the beginning of the current season, the supply situation is tightening. Prices of raw jute, both to growers and for export, have advanced over the past six months. Prices are tending to regain stability and to revert to the normal level. This upward trend may continue unless re-expansion of production takes place next season.

20. Over the past few months production of natural rubber, under the influence of declining prices, has been on the down grade: after rising to a peak in mid-1953, production of synthetic rubber is also on the decline. Consumption of both natural and synthetic rubber has been expanding steadily and the excess of production over consumption, which has been largely absorbed by strategic stockpiles in recent years, is diminishing. Commercial stocks of natural rubber declined during the first half of 1953, while those of synthetic rubber increased. At mid-1953, however, stocks of natural rubber were still significantly higher than a year earlier, whereas those of synthetic rubber were somewhat lower. Prices of natural rubber have declined almost continuously over the past six months. In July they reached parity with the U.S. Government price for GR-S synthetic rubber and have since declined further.

21. For forest products post-Korean downward adjustments in the prices for sawntimber, paper and raw materials were followed during the current year by a stabilization of prices at a somewhat higher level than had prevailed at the beginning of 1950. For 1954, European supplies and demand for sawntimber seem about balanced, including a somewhat larger amount of Soviet timber than had been shipped in recent years which is likely to be available for export to Western Europe. World demand for pulp and paper can be expected to absorb current production; good progress in expanding mill capacity is being made in several countries.



## II. MAJOR DEVELOPMENTS IN INTERGOVERNMENTAL POLICIES AND GOVERNMENTAL MEASURES SINCE JUNE 1953

### II. III. I INTERGOVERNMENTAL POLICIES AND ARRANGEMENTS

#### International Wheat Agreement

22. The revised and renewed International Wheat Agreement came into operation on 1 August 1953. Agreement between the exporting countries on the reductions in their guaranteed sales necessitated by the non-participation in the new Agreement of the United Kingdom was reached in October at the Madrid Session of the International Wheat Council. Importing member countries now number 45 and the number of exporting members remains at four. Some ratifications are still outstanding. Guaranteed quantities under the new agreement total 11,462,000 tons as compared with 15,810,000 tons in the final year of the preceding agreement (i.e. 1952/53).

#### International Sugar Agreement

23. The United Nations Sugar Conference which met in London from 13 July to 24 August, drew up the text of an International Sugar Agreement which by 31 October had been signed by 24 countries, (17 of the 22 exporting countries and 7 of the 16 importing countries), accounting for 85.5 and 72.5 percent respectively of the weighted exporters' and importers' votes. Provided that the required participation is obtained by 15 December, the Agreement will come into operation on 1 January 1954. It provides a basic price range from 3.25 - 4.35 U.S. cents per pound and basic export tonnages totalling 5,390,000 tons. The Agreement is to extend over five years, with the proviso that a general review of its functioning is to be undertaken in the third year of its operation.

24. In general, the new Agreement retains the structure of the basic draft. Some important changes, however, were made in the direction of less control over internal measures in importing countries. Foremost among such changes was the withdrawal of the proposal to limit output increases in importing countries to portions of their estimated consumption increases over specified base periods. An important new provision envisages the adjustment of quotas by the Council not only when the price has actually fallen below the minimum or risen above the maximum, but also when the "Council decides that market conditions make it advisable" to reduce or raise the quotas in order to prevent price movements outside the agreed range. The maximum permissible reductions in effective quotas in any year are limited to 20 percent of the basic quotas. The new text of the chapter dealing with stocks goes quite some way to meet the FAO recommendation that stock provisions should be linked more closely to the objective of price stabilization. This is done in particular by explicitly earmarking minimum stocks for the purpose of facilitating any increases in quotas that might be ordered by the Council.

#### Plans for Cotton Agreement

25. The Twelfth Plenary Meeting of the International Cotton Advisory Committee (ICAC) which was resumed in Washington 2 November considered a report of its Standing Committee which continued the study of the following three basic types of agreements that might be suitable for cotton: (i) a multilateral contract, (ii) a buffer stock agreement, and (iii) a combination of a contract with a buffer stock (or stocks). While official

news has not yet been received, the Committee understands that, while the Meeting considered that cooperation to achieve price stability was desirable, the time was not appropriate to open negotiations for an International Cotton Agreement.

#### International Rubber Study Group

26. As the meeting of the International Rubber Study Group held in Copenhagen last May could not agree on the necessity for international stabilization measures for rubber at that stage, its Management Committee held a special meeting in October. The delegations did not reach agreement on the necessity of having a rubber agreement in the near future. It noted that excess production of natural rubber in 1953 was likely to be smaller than earlier envisaged and that additions to governmental and consumer stocks would reduce it considerably. Nevertheless, in view of recent price developments, it was suggested that alleviation might be achieved by (1) acceleration of replanting; (2) creation of new stocks of natural rubber or additions to existing ones; (3) action by the United States Government to raise the price of GR-S synthetic rubber; to re-examine stockpile rotation practices; and to revoke the directive regarding the level at which mandatory consumption of synthetic rubber might be imposed.

#### VIIIth GATT Conference

27. The VIIIth GATT Conference, held in Geneva in September/October, authorized the United Kingdom to increase, under certain conditions, unbound duties on some products, mainly horticultural, while maintaining its preferential tariff rates on these products. It also agreed to prolong the binding force of mutual tariff concessions for another eighteen months after the end of 1953. Japan, while not having been accepted as a full member, may attend future meetings.

### II.2. GOVERNMENTAL MEASURES

28. During the past six months some notable progress has been made towards trade liberalization under the auspices of the Organization for European Economic Cooperation. Import controls, however, continue to hamper trade. Another important development has been the lessening of internal controls and the movement towards greater trading freedom. For instance, in the United Kingdom, it has been decided to abolish control of the prices and distribution of meat, oils and fats, and milk products in 1954, and to restore overseas buying to private traders for all these commodities except bacon.

29. To check expanding stocks and falling prices, production restrictions have already been applied or are envisaged for the following principal commodities: peanuts, tobacco, wheat and corn (U.S.), cotton (U.S. and Egypt), jute (Pakistan), tea (India) and sugar (Cuba). For jute and tea, however, the restrictions have recently been eased or removed entirely. If the recently negotiated International Sugar Agreement comes into operation, sugar restrictions will be extended.

30. Disposal of agricultural commodities by the United States in foreign markets, previously assisted by economic aid programs and provisions for

export payments to overcome dollar shortages<sup>1/</sup>, was the subject of additional legislative assistance during the past session of the U.S. Congress. Section 550 of the Mutual Security Act<sup>2/</sup> provides that not less than \$100 million and not more than \$250 million of funds authorized under the Act, shall be used, directly or indirectly, to finance disposals of U.S. surplus agricultural commodities. It authorized the President to enter into agreements with friendly countries for the sale of such surplus agricultural commodities under conditions negotiated by him with these countries and against payment in their currencies. In negotiating such agreements, special precautions are to be taken "to safeguard against the substitution or displacement of usual marketings of the United States or friendly countries" and "to assure to the maximum extent practicable that sales prices of such commodities are consistent with maximum world market prices of like commodities of similar quality." Assurances must also be obtained that the purchasing countries will not resell or ~~trans-ship~~ to other countries or use for other than domestic consumption commodities purchased under the program without special approval by the President. "Appropriate emphasis" is to be given under the program to "underdeveloped and new market areas." Private trade channels are to be used to the maximum extent practicable.

31. The proceeds of such sales are to be used with particular regard to the following six purposes:

- (1) for providing military assistance to countries or mutual defence organizations eligible to receive assistance under the Mutual Security Act;
- (2) for purchase of goods and services in friendly countries;
- (3) for loans, to increase production of goods and services, including strategic materials, needed in any country with which an agreement was negotiated, or in other friendly countries;
- (4) for developing new markets on a mutually beneficial basis;
- (5) for grants-in-aid to increase production for domestic needs in friendly countries; and
- (6) for purchasing materials for U.S. stockpiles.

In carrying out these provisions, special precautions are to be taken to safeguard against the displacement of foreign exchange earnings which would otherwise accrue to the United States or any friendly nations.

32. Another bill (S.2475) providing for the sale of stocks held by Commodity Credit Corporation against importers' local currencies up to a ceiling of a further \$500 million, was passed by the U.S. Senate in July this year and will come before the House of Representatives when Congress resumes. These funds were intended to be additional to those provided by other legislation.

<sup>1/</sup> In the present year, funds for purchase of agricultural commodities are available under Sec.541 of the MSA Act of 1953 and under certain overseas defence programs. Export payments continue to be possible under authority of Sec.32 of the Agricultural Adjustment Act. Other provisions exist for the disposal abroad, under certain conditions, of agricultural commodities acquired under price support programs.

<sup>2/</sup> The Mutual Security Act of 1951, as amended by Public Law 118, 83rd Congress, 1st Session.

33. Under Public Law No. 216, general authority has been given to use government-held stocks of farm products to furnish emergency assistance to friendly peoples in meeting famine or other urgent relief requirements. The ceiling placed on expenditure for all such transfers is \$100 million and the authority of the Act expires after 15 March 1954. The Act gives the U.S. President limited authority to deal with foreign relief needs by supplying surplus American farm products without obtaining specific authorization from Congress in each case.

TABLE 2: INVESTMENTS<sup>1/</sup> OF THE UNITED STATES COMMODITY CREDIT CORPORATION

<u>Commodity</u>	<u>Value</u>		<u>Quantity</u>	
	End of July		End of July	
	1952	1953	1952	1953
	Million	Dollars	Thousand Metric Tons	
Wheat	515	1,340	5,854	14,611
Maize	544	836	8,754	13,339
Cottonseed Oil	16	149	41	367
Linseed Oil	57	55	90	86
Butter	-	166	-	113
Cheese	-	74	-	83
Milk, Dried	6	60	15	161
Tobacco	193	220	173	226
Cotton upland	38	313	62	442
Cotton Linters	6	47	28	223
Wool (greasy)	6	80	6	59
All others	136	209	-	-
<b>TOTAL</b>	<b>1,517</b>	<b>3,549</b>	<b>-</b>	<b>-</b>

<sup>1/</sup> Pledged for loans and inventories.

Source: Commodity Credit Corporation, Report of Financial Condition and Operations, as of 31 July 1953.

II.3. VIEWS EXPRESSED BY THE COMMITTEE ON SURPLUS DISPOSAL

34. During the Committee's discussion of these new measures by the U.S. Government, the following points were emphasized:

- (a) It was appreciated that the United States, after greatly increasing its agricultural production to meet the large demands of the war and postwar years, was now facing difficult problems of adjustment which it was trying to resolve without undue harm to producers.
- (b) The Committee welcomed the provisions of Section 550 which were intended to safeguard the interests of other exporting countries.
- (c) Some delegates questioned whether the safeguards against market disruption were adequate even for the present limited program.

- (d) The view was also expressed that European markets in particular would be unable to absorb large quantities without affecting other exporters.
- (e) Uncertainty regarding the scope and operation of these and other surplus disposal measures might have harmful effects on the markets and agricultural economies of some countries and might lead to a reduction in output.
- (f) Certain delegates also indicated that they felt some concern over future U.S. action in the field of agricultural commodities.

35. FAO's main concern must always be to maintain agricultural production and efficiency at such a level as to meet in the most practical manner the world's nutritional requirements. Consequently, in view of the uneasiness about the adequacy of the safeguards, and the limited absorptive capacity of some markets, the Committee draws the attention of the Conference both to the general question of surplus disposal and the role which FAO would play in seeking and recommending solutions.

### III. THE WORK OF THE COMMITTEE SINCE THE SIXTH SESSION OF THE CONFERENCE

36. The committee considered that at this pre-Conference Session it should review its activities during the past two years. Having agreed that the secretarial statement prepared at its request and presented in Appendix II gave a correct factual account of the main aspects of the Committee's work since the Sixth Conference Session, the Committee went on to attempt, in the light of its past experiences and current outlook, a re-appraisal of its functions and methods of work. In doing so, the Committee was aware that it could be for the Conference to decide on its new lease of life, structure, organization, and major tasks, and that the Committee's future agenda and working methods would also have to depend in large measure on the conclusions reached by the Conference in its review of the world agricultural commodity situation and related matters. Meanwhile, however, the Committee felt that the Council and Conference might wish to have the Committee's own preliminary review, undertaken with a sense of responsibility for the important questions that lie ahead.

#### III.1. TERMS OF REFERENCE

37. The Committee re-examined its terms of reference (summarized in paras 5-7 of Appendix II) and found that they were generally adequate for the tasks which the Committee had been, or might be, called upon to perform. It noted that events had confirmed the wisdom of the decision taken by the Special Session of the FAO Conference in November 1950 in widening the Committee's original terms of reference by resolving that it should be regarded "as the instrument of FAO to analyse and interpret the international commodity situation and advise the Council on suitable action", and that it

should "address its attention to commodity problems falling within the competence of FAO to consider, whether arising from balance-of-payments difficulties or from other causes." These widened terms of reference, in the Committee's view, give adequate recognition to the fact that the framework of intergovernmental machinery for commodity consultations and action must provide sufficient latitude for dealing with both surplus and shortage situations; and, more generally, that it must be sufficiently flexible to cover the wide and complex range of agricultural commodity problems which may result from the swiftly and constantly changing pattern of national and international situations.

38. At the same time, the Committee stressed the current practical significance, in the light of certain commodity indications and policies, of its original terms of reference which still form the nucleus of the present version; namely its assignment as an intergovernmental body for the consideration of problems of surpluses of agricultural products, and of methods for dealing with them. In this connection, the Committee felt that a brief record of its early experiences in this field of work, while not forming part of its present review of more recent activities, might be of considerable practical interest to the Council and Conference. Such a summary account is given in Appendix I.

### III.2. COMMODITY APPRAISALS

39. A good share of the Committee's time during the past two years was devoted to the appraisal of agricultural commodity situations. The examination in retrospect of these activities (which are briefly noted in Section V(a) of Appendix II) brings out some aspects of this kind of work and also some lessons for increasing its future effectiveness.

40. Some of the main points of the Committee's view are that:

- (a) The Committee endorses the views expressed by the Director General in his opening statement to the Twentieth Session when he reminded his audience that commodity problems rank among the most urgent questions to be considered; that at the Conference and at the Council time is too short for dealing with these matters fully; and that the CCP is the one intergovernmental forum where all agricultural commodity problems can be discussed freely and fully by all FAO members.
- (b) Periodic commodity reviews, while not always leading to specific recommendations for action, must form an essential part of the mandate entrusted to the Committee by the Conference. They are a fundamental basis for the correct stating of a problem which is in itself an important contribution towards its solution. Moreover a number of representatives particularly stressed the value of the information and guidance obtained from the Committee's reviews and from the documentation prepared for these reviews. The influence of the Committee's analyses, while it could not easily be measured in precise terms, has nonetheless been of some real significance in the formulation of governmental policies.
- (c) In referring to the assistance rendered by the Committee in the appraisal of the world rice situation and preparation for a Special Rice Meeting held in Bangkok in January 1952 (see

Appendix II, paras 15-19), the general view was expressed that this was an instance where the Director-General had been helped by the Committee in ascertaining governments' views and preferences in the handling of difficult and delicate commodity situations.

- (d) There is some practical purpose also in reviews which bring out more clearly that no specific international action is required at a given stage (cf. Appendix II, para 22 on Cocoa). For these reasons the net must not be cast too narrowly if the Committee's watching brief of probing into possible problems is to be effectively discharged.
- (e) Team work between the Committee and its Secretariat helps the latter in determining the direction of its work within the general framework of the Program of Work laid down by the Conference.
- (f) The Committee has been of help in promoting inter-agency cooperation and coordination; such as, for instance, in regard to milk utilization and fruit and vegetables (see Appendix II, paras 20 and 23 respectively).

41. The Committee was aware that the Conference, at its last Session, had specifically reminded it of its competence to establish Working Parties to which countries, not members of the Committee, could be invited and which could be attended by representatives with more expert knowledge of the specific subjects under review. It noted that its reluctance to respond more fully to this advice during the period under review had been prompted largely by the non-emergency character of the problems arising for commodities other than rice; and that it had also been influenced to some extent by the need to build up its working methods gradually and to gather the experience required for the development of more full-fledged machinery with specialized and expert ramifications. In looking towards its possible future activities, however, the Committee feels that both the more acute character of certain current and prospective commodity problems and the specialized nature of some of these questions might make it desirable to make more use, on conditions carefully determined in each case, of special Working Parties. Such Working Parties could deal not only with specific commodity situations but also with problems of a more functional character. In this way the Committee's work could be made more effective, not only in appraising commodity situations and problems, but also in advising the Council on suitable action.

42. One of the aspects kept in mind by the Committee in its reviews of specific commodity situations and problems has been the importance, reaffirmed by the Sixth Session of the Conference, of the Committee's close cooperation with other more specialized international commodity bodies. The Committee found no difficulty in following the general principle set out by the Conference "that commodities which were already the subject of study or action by other intergovernmental bodies should be left to those bodies (e.g. cotton, rubber, sugar) but that FAO should keep itself fully informed of their programs and policies." Such contacts were also facilitated by representatives of FAO attending the meetings

of specialized commodity bodies and vice versa. The significance of such cooperation in regard to consultations on intergovernmental commodity arrangements is considered in para. 44 below. In the present context which relates primarily to the Committee's commodity appraisals, mention should be made of the fact that the existence of a more specialized commodity organ may not automatically obviate the need for a full FAO review of the commodity concerned. While some specialized commodity organs perform a good deal of such review work as part of their regular functions, others such as the International Wheat Council do not. Indeed, the consideration of supply and demand prospects for wheat and other grains should be regarded as ranking among the most important topics on the Committee's agenda.

III.3. REVIEW OF OBSTACLES TO TRADE

43. As has been explained in some detail in the Committee's Report of its Twentyfirst Session, the Committee is aware of the limitations of any attempt to diagnose and cure obstacles to agricultural trade just by looking at the agricultural trade sector. Here is a field of work therefore which calls for specially close cooperation with other agencies. The Committee wishes to express its gratitude of the generous response given by the International Monetary Fund and by the GATT Secretariat to its requests for such cooperation (see Appendix II, paras 30-32). It hopes that such cooperation can be continued and developed further and that these joint attempts will help to promote practical solutions for the difficult problems at issue.

III.4. REVIEW OF NATIONAL AND INTERNATIONAL POLICIES

44. The Committee's discussions on national and international commodity policies have been guided by its belief in the value of international commodity arrangements as stabilizing aids not only for trade in agricultural products but also for world trade generally. At the same time, the Committee also attempted to appraise realistically the substantial difficulties encountered in the negotiation of such agreements. Thus, while in its view strong efforts had to be directed toward the conclusion of appropriate multilateral arrangements, it was of great practical importance that other possible avenues of national and international action towards stabilization should also be actively explored. In the circumstances the Committee decided to base its work on a tripartite approach, attempting to attack the evils of sharp and erratic market fluctuations by simultaneous enquiries into measures on the three fronts of national, bilateral, and multilateral action (see Appendix II Section V(d)). In each of these fields, a beginning has been made. The Committee feels, for instance, that its consideration of a secretarial enquiry of national production and price policies in a number of countries contributed to the understanding of these national policies and of the problems of their coordination. In examining a study prepared by the Secretariat on Long-Term Contracts, the Committee appreciated the opportunity of discussing freely in a multilateral forum this type of bilateral agreement, including its effects on countries not parties to it. The Committee's periodic reviews of reports prepared by the Secretariat on major developments in intergovernmental policies and arrangements helped in the appraisal of these plans and actions, particularly with reference to their relation to FAO objectives:



45. Yet, in attempting to appraise realistically the guidance rendered by it to the Council and member-Governments in the important field of national and international commodity policies, the Committee concluded that the need here was particularly great for strengthening the effectiveness of its work. No doubt, the growth of an international conscience and of the desire for genuine intergovernmental cooperation in the shaping of policies is bound to be a gradual and difficult process. In the circumstances, it would be wrong to minimize the results achieved so far. But it would also be wrong to ignore the fact that the Committee encountered some considerable hesitations in its formulation of practical conclusions and recommendations.

### III.5. FREQUENCY OF SESSIONS

46. The character of the Committee's work is bound to be influenced by the changing types of problems arising from world agricultural commodity developments. In the circumstances, the Committee regards it as essential that the periodicity of its Sessions be left as flexible as possible, to fit in with the needs of the changing situation. The Committee recommends that the Conference, in the case of continuing the Committee's lease of life, should make adequate provisions, within the Organization's budgetary limitations, for the flexibility required in the effective discharge of the Committee's functions.

### III.6. DOCUMENTATION

47. The Committee wishes to express its appreciation of the documentation prepared for it by the Secretariat. While recognizing the need to avoid overburdening the Secretariat with too many requests for new documents, the Committee must also stress the fact that full documentation is an essential prerequisite for the success of its work.

### III.7. RECOMMENDATIONS

48. After an active debate, also joined by some observers, the unanimous view was expressed that there was a need for the existence of the Committee and that every effort should be made by its members to increase its usefulness, particularly with a view to developing, with due regard to the activities of other competent international bodies, its function as an intergovernmental forum for the review of commodity policies and arrangements of international significance and in an endeavour to stimulate national and international action toward the solution of agricultural commodity problems.

49. The Committee submits the following draft Resolution for the consideration of the Council:

DRAFT RESOLUTION

THE COUNCIL

Having regard to the scope and functions of the Committee on Commodity Problems, as laid down in its terms of reference;

Keeping in mind particularly the functions performed by the Committee in the past in regard to surplus disposals;

Recommends that the work of the Committee should be continued with its present terms of reference;

Recommends in particular that the Committee should continue to function as an intergovernmental forum for considering not only problems of surplus disposals, but also actions proposed or adopted for their solution and the effects of such actions.

IV. OTHER MATTERS

IV.1 PROPOSAL FOR A MEETING ON OLIVE OIL

50. The Committee had before it a communication (CCP 53/30) from the Italian Government, asking it to consider the possibility of convening in the near future a meeting between Governments of Mediterranean countries on olive oil. The Committee agreed to consider the matter further during the Second Section of its Session (see Section V below).

IV.2 SHIPMENTS AND PROCESSING OF OLIVESEEDS

51. The Committee took note of a communication from the International Association of Seed Crushers, transmitting three Resolutions passed at their Congress in Scheveningen, Holland, in July 1953, and found that no action on its part was needed.

V. ARRANGEMENTS FOR SECTION II OF THE TWENTY-SECOND SESSION

52. The Committee agreed to adjourn the Session and reconvene for a brief Meeting (Section II of Twenty-Second Session) toward the end of the Conference. It was agreed that that Meeting should consider the following topics:

- (1) Consideration of matters arising out of the Conference, with special reference to the organization of the future work of the Committee;
- (2) Proposal for a Meeting on Olive Oil;
- (3) Agenda, Date and Place of Twenty-Third Session.

## APPENDIX I

### SUMMARY REVIEW OF THE COMMITTEE'S WORK ON SURPLUS DISPOSAL

The CCP was created by the Fifth Session of the Conference in 1949. By the middle of that year the work of the International Emergency Food Committee <sup>1/</sup> had virtually come to an end and the emergency of some surpluses, particularly in North America, prompted the Council to ask the Director-General in June 1949 to call together a group of experts with a view to solving problems of trade in agricultural products. The experts proposed the establishment of an International Commodity Clearing House, but their proposal was not found acceptable by Governments. Instead, it was decided to establish the CCP as a Committee of the Conference, to "address its attention primarily to the food and agricultural surplus commodity situation arising from balance-of-payments difficulties". As outlined by the Conference, the functions of the Committee were to consider the needs of countries experiencing difficulties in securing supplies, to examine the proposals of countries holding surplus for the disposal of their supplies on special terms, having regard to the effect of such disposal on the interests of other countries, and to initiate international action where desirable.

2. In its first report to the Council Session of May 1950 (CL 9/7), the Committee indicated that, as one line of approach, it had addressed direct enquiries to member-Governments as to their needs or surplus disposal proposals. Lists were received from the United States of surplus commodities, mainly in the category of supplementary foodstuffs, which were offered for sale at specific prices. The committee, after satisfying itself that such surpluses, on the terms offered, were not likely to prejudice the interests of other exporting countries, attempted to facilitate their disposal by informing importing countries and by promoting direct negotiations between importing countries and the United States. This approach, however, did not prove very fruitful. Owing to the acute dollar shortage, few importing countries were interested in the offers, although the prices proposed were in some cases below ruling market prices.

3. As a second approach, the Committee had initiated discussion with a view to promoting international action. Though there were no surpluses of basic commodities at that period, some surpluses of supplementary foods had arisen or were likely to arise. The Committee, however, concluded that price reductions would not offer a general solution because of the shortage of dollars facing most countries. The granting of credits by the supplying countries to be repaid later in goods appeared to offer possibilities, but it was felt that negotiations should be on a bilateral, rather than an international, basis. It was also felt that the development of special nutritional programs at nominal prices might offer a possible means of disposing of surpluses.

4. The Council recommended that the work of the Committee be actively pursued and requested it to seek export possibilities at concessional prices, to determine areas where additional food supplies might be required at special prices or for specific purposes and generally to seek methods of achieving price stability and the disposal of surpluses through international machinery.

5. During the period up to the Tenth (October 1950) Session of the Council, the Committee studied various forms of nutritional distribution schemes and drew the attention of all member-Governments to the possibilities of utilizing in such schemes certain of the surplus foods offered

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1/ The International Emergency Food Committee was the descendant of the International Emergency Food Council which had been set up in 1946 to provide machinery for voluntary allocations of commodities in short supply. It was a body serviced by FAO but autonomous in its membership. Following the creation of the Council of FAO in 1947, the work of the International Emergency Food Council was merged with that of the FAO Council. The International Emergency Food Committee (again

at special prices. The Committee also continued to notify all member-Governments, FAO Regional and Nutritional Officers, and interested organizations, of the surpluses available, emphasising the condition that such surpluses should not displace normal commercial transactions or be re-exported. The Committee had to report, however, that only a few of these offers which, for the most part, were made by the United States, had been taken up. This result was apparently due to doubts whether purchases of such surpluses even at very low prices were the best use of scarce dollars, to the possibility that the conditions recommended by the Committee might prove burdensome, to the uncertainty of a continuous supply of commodities at such prices, and to the inevitable delay in establishing administrative machinery for carrying out large-scale feeding programmes. It should also be noted, however, that the period during which these surpluses were available was rather brief, the United States withdrawing its offers after the outbreak of hostilities in Korea. The Committee reiterated in its Report to the Council that current surpluses were arising mainly in North America and that hard currency shortages, which had their roots in the general lack of balance in world trade and payments, prevented importing countries from taking up the available surpluses.

APPENDIX II

FOOD AND AGRICULTURE ORGANIZATION  
OF THE UNITED NATIONS

CCP 53/24  
11 September 1953  
(Revised)

Item VI of the Provisional Agenda                      COMMITTEE ON COMMODITY PROBLEMS  
Twenty-second Session

THE WORK OF THE CCP SINCE THE SIXTH SESSION  
OR THE CONFERENCE

(Note prepared by the Secretariat)

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Annex - List of CCP Documents Issued Since the Sixth Conference Session

THE WORK OF THE COMMITTEE ON COMMODITY PROBLEMS, DECEMBER 1951 - NOVEMBER 1953I. SESSIONS

1. Since the Sixth Session of the FAO Conference in November/December 1951 the CCP has held five Sessions; three in 1952 and two in 1953 <sup>1/</sup>:

II. MEMBERS AND OBSERVERS

2. The fourteen member-governments of the CCP are elected annually by the Council. Membership during the period under review was as follows:

1952 and 1953: Argentina, Australia, Burma, Canada, Cuba, Egypt, France, Sweden, United Kingdom, United States, Yugoslavia.

1952: Germany, Netherlands, Pakistan.

1953: Belgium, India, Japan.

3. In addition to CCP members, a large number of other FAO member-governments were represented by observers, raising the total of FAO member-governments attending some recent CCP Sessions to well over forty. Several international organizations also were represented by observers.

III. CHAIRMEN AND VICE-CHAIRMEN

4. At the Eighteenth Session Mr. John Wall (United Kingdom) was elected Chairman and Dr. S. Krasovec (Yugoslavia) was elected Vice-Chairman. In Mr. Wall's absence, Dr. Krasovec presided over the Nineteenth and Twentieth Sessions. At the Twenty-first Session Mr. G.H. Janton (France) was elected Chairman and Mr. S.C. Hudson (Canada) Vice-Chairman.

IV. TERMS OF REFERENCE

5. The Committee's original terms of reference were set out by the Fifth Session of the FAO Conference in 1949 when it was decided to establish the CCP as a Committee of the Conference, to work under the supervision of and be responsible to the Council of FAO. It was agreed at that time that the Committee would be advisory and would "address its attention primarily to the food and agricultural surplus commodity situation arising from balance-of-payments difficulties." <sup>2/</sup>

<u>1/</u>	<u>Date</u>	<u>Summary Record</u>	<u>Report</u>
Eighteenth Session	16-22 Feb. 1952	CCP 52/20	-
Nineteenth Session	3-7 June 1952	CCP 52/49	CCP52/47 - CL15/7
Twentieth Session	5-14 Nov. 1952	CCP 52/70	CCP52/69 - CL16/13
Twenty-first Session	3-9 June 1953	CCP 53/22	CCP53/21 - CL17/20 - C 53/7
Twenty-second Session	13-17 Nov. 1953	CCP 53/34	CCP53/33 - C 53/8

<sup>2/</sup> cf. Report of Fifth Session of the FAO Conference, November/December 1949 Chapter II "World Review and Outlook - International Commodity Problems."

6. The original terms of reference were considerably widened by the Special Session of the FAO Conference in November 1950 which resolved that the CCP should be regarded "as the instrument of FAO to analyse and interpret the international commodity situation and advise the Council on suitable action"; and that it should "address its attention to commodity problems falling within the competence of FAO to consider whether arising from balance-of-payments difficulties or from other causes." <sup>1/</sup>

7. The Sixth Session of the FAO Conference, after reviewing the Committee's activities, endorsed its terms of reference and drew the attention of member-governments to its work. <sup>2/</sup> The Conference also reminded the Committee of its competence to set up special working groups in which governments, not members of the Committee, could participate as full members. <sup>2/</sup>

8. Based on its review of the situation for major agricultural products, the Sixth Session of the Conference requested that special attention be given by the Committee to the serious problems of rice supply and distribution, and that it should also undertake a rapid survey of feedingstuffs, animal products, and fats and oils, with a view to deciding whether more detailed studies and proposals for international action would be profitable and, if so, which procedure would produce the best results.

9. Considerable attention was given by the Sixth Session of the Conference, both generally and in connection with the work of the CCP, to means of promoting national and international commodity stabilization measures. A review of the Sixth Session's statement on these subjects, seen in light of subsequent developments, has been presented in another paper before the Seventh Session of the Conference (C 53/9 - previously circulated under CCP 53/16).

10. The Sixth Session of the Conference also stressed the importance of the CCP's close cooperation with other international commodity bodies. It was agreed that commodities which were already the subject of study or action by other intergovernmental bodies should be left to these bodies (e.g. cotton, rubber, sugar) but that FAO should keep itself fully informed of their programs and policies.

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<sup>1/</sup> cf. Report of Special Session of the Conference, Nov. 1950, Section on "Commodity Problems".

At its Eighteenth Session held in Rome in February 1952, the Committee gave considerable attention to the interpretation of its functions and responsibilities. Members of the Committee generally were in agreement with the approach outlined in a statement presented by the French Delegation. (Circulated under CCP 52/20 Supp.)

<sup>2/</sup> The Sixth Session of the Conference adopted the following Resolution (No.12):

"The Conference,

"Conscious of the importance to the Council that adequate studies in regard to international commodities should continue to be made and that advice on suitable action should continue to be given,

"Taking note of the work which is being done by the Committee on Commodity Problems in this field,

"Considering that discussions in the Committee should take place between government representatives who are fully informed of the problems which arise or are likely to arise,

"Draws the attention of Member Nations to the importance of this work;

"Requests the Council to instruct the Committee to continue and extend its work in this field in the light of the views expressed by the Conference and to remind the Committee of its competence to set up working groups and to invite countries not represented on the Committee to participate in its deliberations, with full powers when subjects on which they are specially informed are under discussion;

"Requests Member Nations participating in the Committee to ensure that their representatives are suitably qualified "



V. CCP ACTIVITIES SINCE THE SIXTH SESSION OF THE CONFERENCE

(a) Commodity Outlook Appraisals and Recommendations for Action

11. Appraisals of the world agricultural commodity situation and outlook form a regular feature of the Committee's Sessions. These periodic reviews, while not always leading to recommendations for action, are an essential part of the mandate entrusted to the Committee by the Conference. Illustrations of the Committee's work in this field over the past two years can be given as follows:

Coarse Grains:

12. During its Eighteenth and Nineteenth Sessions (February and June 1952), the Committee gave special attention to the difficulties and uncertainties in the coarse grains situation, particularly in regard to supplies from non-dollar areas, and to related livestock problems. A special sub-committee set up during the Nineteenth Session under the chairmanship of Dr. G.S.H. Barton (Canada) made a number of recommendations for alleviating the situation by means of improved agricultural techniques, adequate price policies, and greater human consumption of those animal protein foods which are relatively inexpensive in terms of grain feedingstuffs (notably milk products and fish).

13. At the Twentieth Session (November 1952) the Committee concluded that, despite some improvement, its earlier findings on the coarse grains situation were still generally valid; and that the heavy dependence of importers on North American supplies and uncertainty of import availabilities were likely to continue as long as the export capacity of non-dollar sources was limited. At the same time, the Committee could point out, based on a more general review of world food trends initiated at its Eighteenth Session, that while there had been a tendency in the past few years for supplies available for export from Argentina and Australia to diminish, there were signs of this tendency being reversed. In June 1953 the Committee reported that while the general trend toward easier supply conditions had been especially marked in the case of grains, the increase in stocks of coarse grains - in contrast to those of wheat - had only been moderate so far. Good crops in 1953, however, have brought a further increase in supplies.

14. In reviewing relative movements of grain prices (based on a study presented in CCP 52/58 - November 1952), the Committee drew attention to the fact that for various reasons coarse grains had become more expensive than before the war, in terms of wheat, from the importers' viewpoint. The Committee's periodic reviews also related to changes in the premia for non-dollar supplies which had been marked in 1952 but had almost disappeared by 1953.

Rice:

15. The Conference Resolution calling for an enquiry into the causes for the lack of equilibrium between the supply and demand of rice was followed up at the Committee's first post-Conference Session in February 1952 by a detailed consideration of possible methods of implementation. It was clear that the Committee, because of the inadequate representation of rice countries on its membership, could not handle the matter as part of its regular agenda; and that its function could best be performed by assisting the Director-General in ascertaining Governments' wishes in regard to the holding of a special meeting in the Far East. The situation was a delicate one, requiring slow, careful, and patient preparation. In June 1952 the Chairman of the Singapore Consultative Committee, the Burmese delegation and the representative for Ceylon were among those participating actively in preparatory discussions which paved the way for the Special Rice Meeting held in Bangkok in January 1953. At its next Session in November 1952, the Committee carefully reviewed the stage of preparations for the Bangkok meeting, and gave its views on the revised agenda.

16. Such preparatory activities, while certainly far from spectacular, should be regarded as one of the Committee's important functions by means of which it can assist the Director-General in ascertaining governments' views and preferences in the handling of difficult and delicate commodity situations.

17. The Bangkok Meeting discussed the outlook for future rice production and trade against the background of postwar developments. While the Meeting did not feel it was in a position to suggest any international measures for the rice trade, it put forward a number of recommendations concerning long-term production plans, price policies, subsidies, agricultural credit, land tenure, marketing arrangements, storage, handling and milling. These recommendations, if adopted and implemented by Member-Governments, should result in a material increase in rice production and the achievement of substantial economies in processing, storage and distribution.

18. In June 1953 the Committee reviewed the Report of the Bangkok Meeting and suggested steps to be taken toward ensuring the follow-up on the recommendations made at that Meeting. Attention was also given at that Session to rice developments in countries outside the Far East.

19. At its Twenty-second Session (November 1953) the Committee noted a Resolution passed by the Far East Regional Meeting referring to work done previously by the CCP and the Bangkok Rice Meeting and recommending that

"FAO should continue to keep the rice situation under review, and that if any disequilibrium between supplies and effective demand seems likely to arise, that FAO in co-operation with ECAFE should approach the Governments of the Region with a view to initiating informal consultations in time to avoid any marketing difficulties." 1/

#### Problems of Milk Utilization:

20. In February 1952, the Committee considered a memorandum submitted by the Netherlands Government on the Stimulation of the Consumption of Milk and Dairy Products. Discussions on this and related subjects were continued at the Twentieth Session, based on an interim report prepared by the Secretariat on problems of milk utilization. In its Report to the Council the Committee drew attention to the following three sets of problems which in its view required special attention: (i) need for better utilization of milk solids, (ii) need for increased milk production, and (iii) methods of stimulating milk consumption. Work on these subjects covers a wide field and must be regarded as a continuing process which cannot be dealt with at any one Session. In June 1953, the Committee concentrated its discussions primarily on point (iii) on which regional expert consultations were recommended. The need for such consultations was endorsed by both the Near East and Far East Pre-Conference Regional Meetings. Bearing in mind the need for close coordination of the work of various international agencies working in this field, the Committee received a report of an FAO-sponsored secretarial interagency meeting held earlier in the year, and recommended the continuance of this type of consultations at the secretarial level. Arrangements are now in progress for developing such inter-agency consultations on a more permanent basis.

#### Fats and Oils:

21. In line with the special Conference request, the Committee undertook at its Eighteenth Session a careful review of the position for fats and oils. It concluded that the situation did not call for any international action to be considered at that time, but determined a number of aspects on which in its view more detailed study would be particularly useful to governments; notably in regard to end-uses, to the scope for inter-changeability and to factors influencing price relationships between different types of fats and oils. Since then, investigations on these subjects have been carried out consistently by the Committee, based on documentation prepared by the Secretariat.

1/ For full text of this Resolution, cf. CCP53/25; "Pre-Conference Regional Meetings - Resolution on Commodity Problems".

21/a. At its twenty-second Session the Committee had before it a proposal by the Italian Government for a meeting on Olive Oil, and decided to consider the matter further before the close of the Session.

Cocoa:

22. Following a brief review of the world cocoa situation in June 1952, the Committee decided that a full survey of factors influencing the production and consumption of cocoa would serve a useful purpose and might form the basis for considering the possibility of intergovernmental consultations. Such a survey was before the Committee at its Twenty-first Session when it could be concluded, on the basis of the more detailed evidence presented, that no special international action for cocoa was called for at that stage.

Fruit and Vegetables:

23. The Committee undertook periodic reviews of developments in the fruit and vegetable situation and also gave attention to means of "coordinating" the work done in this field by various international agencies. Attention was given to trade restrictions and other forms of government intervention, including subsidies, and to the changes caused by these measures in the course of fruit trade compared with prewar. Emphasis was placed by the Committee on ways and means of increasing the consumption of fruit and vegetables in countries where food supplies are insufficient and where the diet is deficient in vitamins. Because of their partly regional character, the Committee also commended these problems to the attention of the pre-Conference regional meetings.

Fertilizers:

24. Based on a review of the world fertilizer situation at its Eighteenth Session, the Committee recommended that the Council draw to the attention of member-governments the harmful influences of trade barriers on the use of fertilizers, and the resulting impediments to FAO's aim of increasing agricultural production. After further reviews the Committee also drew attention, at its Twentieth Session, to the importance of a favorable 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. The Committee also was concerned with the effects on agriculture of the sulphur shortage which, however, was being gradually relieved. Sulphur is now in full supply, but the position is being kept under review.

Other Reviews

25. The Committee's activities also include reviews for the following products:

Wheat - Meat - Sugar - Coffee - Tea - Cotton - Wool -  
Jute - Hard Fibers - Rubber - Fisheries Commodities.

26. At the request of the Government of Japan, a special review was made of the world silk situation.

27. In general, the Committee's outlook reviews related primarily to specific commodities, leaving the task of wider agricultural economic reviews to the Council Sessions. At the same time, the Committee was guided in its work by the conviction that some sound knowledge of the more general aspects of the world agricultural economic situation and related factors constitutes an essential background for the effective appraisal of individual commodity situations. In June 1953, FAO's regular mid-year agricultural economic review was prepared by the Committee, to relieve the workload of the crowded agenda of the subsequent Council Session which was primarily concerned with overall preparations for the next Conference Session.

(b) Emergency Food Reserve

28. At the Council's request, the Committee undertook, at its Nineteenth and Twentieth Sessions, preliminary reviews of the papers prepared for the Council's consideration under Resolution No. 16 of the Sixth Conference Session. Summary records of the Committee's observations were presented to the Council as part of the Committee's Reports.

29. With a view to streamlining the division of labour between the Council's agenda and its own, the Committee felt that consideration of the Second Working Party's Report on an Emergency Food Reserve be best left for the Council's consideration and subsequent Conference decision.

(c) Examination of Obstacles to World Trade in Agricultural Products

Intelligence on Specific Trade Restrictions:

30. The Committee, being aware of the seriousness of the effects of many severe trade restrictions on agricultural trade, felt that efforts should be made to promote central intelligence on this range of questions. At the same time, the Committee noted that any attempt to undertake an exhaustive review of trade restrictions for all agricultural products would be both beyond its working power and competence. In the circumstances, particular attention was given by the Committee to ways of promoting close cooperation with other agencies more specialized in this particular kind of work. The Committee was glad to receive at its Twentyfirst Session a report on the Work and Findings of GATT, prepared at its request in close cooperation between the GATT and FAO Secretariat, and supplemented by valuable additional information presented at that Session by the Deputy Executive Secretary of GATT.

31. Reviews of trade restrictions for some specific products were made as part of the Committee's work of commodity appraisals over the period under review (cf. (a) above).

Review of Effects on Agricultural Trade of Balance-of-Payments Difficulties:

32. The Committee's agenda also was based on the consideration that, in addition to specific trade restrictions for individual products, special attention must be given to balance-of-payments difficulties and other general economic factors which tend to stifle and dislocate world commodity trade. At its Twentyfirst Session the Committee reviewed a report prepared by the Secretariat on "Dollar Trade in Agricultural Products" which endeavoured to describe and, wherever possible, to show quantitatively the major postwar changes in the pattern of agricultural trade between the dollar and non-dollar areas. The Committee's conclusions and proposals for further work in this field, mainly with a view to aiding the Conference in its agricultural policy discussions, were set out in the Report of the Twentyfirst Session. The Committee also recommended that the International Monetary Fund be requested to assist the deliberations of the Seventh Conference Session by providing a more general statement on the world trade and payments situation; and that the Director-General keep the review of dollar trade in agricultural products presented in CCP 53/13 up-to-date and present it to the Conference as well as to the Economic and Social Council for consideration at their next review of the world economic situation. This paper and the document by the International Monetary Fund have since been circulated as C 53/11 and Supplement.

(d) National and International Commodity Policies

Guiding Principles:

33. The Committee's deliberation on national and international commodity policies have been guided by its faith in the value of multilateral intergovernmental commodity agreements as stabilizing aids not only for trade in agricultural products but also for world trade generally. At the same time, the Committee also attempted to appraise realistically the substantial difficulties encountered in the negotiation of such agreements. Thus, while in its view strong efforts had to be directed toward the conclusion of appropriate multilateral arrangements, the uncertainty of success of such negotiations made it seem particularly important that other possible avenues of national and international action toward price stabilization should also be studied and actively explored. In line with these principles the Committee based its work on a tripartite approach, attempting to attack the evils of sharp and erratic market fluctuations by simultaneous enquires into measures on the three fronts of national, bilateral and multilateral action.

National Policies:

34. As part of its program of studying national price stabilization techniques and other national agricultural policies, the Committee examined a Survey prepared by the Secretariat on National Measures for Controlling Farm Prices in Western European Countries. The Committee felt that this enquiry was important by helping to promote the understanding of national commodity policies and of the problems of international coordination in this field. At its Twenty-Second Session the Committee discussed the new U.S. legislation providing for limited exports of U.S. surplus agricultural commodities against payment in importers' currencies.

Intergovernmental Policies and Arrangements:

35. At each of its Sessions the Committee reviewed periodic reports prepared by the Secretariat on recent major developments in intergovernmental policies and arrangements for agricultural products. These general reviews helped in keeping the Committee fully informed of intergovernmental plans and actions and thus provided an essential background for more specialized investigations.

36. At its Twentieth Session the Committee examined a study prepared by the Secretariat on bilateral long-term contracts. The Committee appreciated the opportunity of discussing in a multilateral form this type of essentially bilateral agreement. The discussion, while not leading to any specific recommendations, was marked by a frank exchange of views on both the direct and indirect effects of such trading agreements, including effects on countries not parties to the agreements.

37. Note was taken at the Committee's Sessions of intergovernmental negotiations proceeding at various stages in regard to agreements for wheat, sugar, cotton, and rubber. The Secretariat kept the Committee informed of its participation in these discussions and of the commodity policy studies and proposals presented by FAO to some of these specialized commodity meetings.

38. The Committee expressed its satisfaction that it had been possible to establish close working relations with the ICGICA representative nominated by FAO, who attended CCP Sessions regularly and participated actively in the Committee's work.

39. Following a request by the Council the Committee placed on the agenda of its Twenty-first Session a review of the merits of the commodity-by-commodity approach as against those of a more general multi-commodity approach, with special reference to discussions held on this subject by the Economic and Social Council. The Committee's observations on these and related questions are contained in the Report of its Twenty-first Session.

40. The enquiry referred to in the previous paragraph formed part of the Committee's program of devoting attention to international policy problems arising from more than one commodity of FAO concern. Other topics of this nature considered by the Committee were the problem of flexible pricing arrangements in international agreements and some partial reviews of the relative advantages of different types of international commodity stabilization techniques.

#### VI. COST OF SECRETARIAL SERVICES RENDERED

41. The cost of secretarial services rendered falls under two main headings: (i) Cost of Sessions, and (ii) Documentation.

42. The cost of a CCP Session of one week's duration is approximately \$5,000. Of this total, about 40% represents the cost of simultaneous translation, 40% that of verbatim recording and 20% of clerical services and operating costs. Arrangements are now being considered whereby the reporting work could be performed by regular professional staff attending the Sessions for other reasons as well. Such a system would impose an extra burden on the regular staff but if it could be made to work, it would reduce the cost of CCP Sessions from \$700 to about \$400 per day. It should also be noted here that the cost of Sessions is proportionate to their length (except for the cost of delegates' travel which is borne by governments). It follows that little would be saved the Organization if a changeover from more to less Sessions per year were to result in proportionately longer Sessions - which might well be the case, seeing that the Committee has a large agenda to deal with.

43. The Committee's work during the period under review has called for a large volume of documentation. A list of working papers issued as CCP documents is shown in the Annex to this report. The preparation, processing, translation and mailing of these documents constitute a heavy workload and cost for the Secretariat. It should be noted, however, that a large share of the documents presented to the Committee consists of studies which form part of the Secretariat's regular work program and which would thus have been prepared, translated, and circulated in any case, irrespective of the Committee's requirements (though the circulation of these documents as Committee papers often calls for some extra expense for special mailing arrangements and may also raise some problems of timing). The list shown in the Annex differentiates between (1) documents specifically prepared for the CCP, and (2) documents presented to the CCP but not specifically prepared for the Committee. In some cases, preliminary versions of Regular Program studies (e.g. the Commodity Policy Studies on National Price Policies in Western Europe and on the Long-Term Contract) were presented to the Committee for discussion and comment before being issued in final form for publication. Such advance circulation involved some extra expense in processing and mailing but the system was found to be of considerable benefit to the Secretariat in its work. The principle followed was that the Secretariat was not in any way bound by the Committee's comment on these studies which were published exclusively on the Secretariat's responsibility. Nevertheless, the discussion in Committee helped the Secretariat a good deal in keeping in touch with governmental thinking on the problems at issue. Such advance circulation would therefore seem to serve a useful purpose which justifies the relatively minor extra expense involved.

VII. THE WORK OF THE CCP - GENERAL COMMENT

44. The retrospective review of the Committee's terms of reference suggests the following comment:

- (1) The constantly changing world agricultural commodity situation calls for wide and flexible terms of reference. The original terms of reference which related solely to surplus problems arising from balance-of-payments disequilibria, did not make sufficient allowance for these changing needs. On the other hand, the present terms of reference, as re-formulated by the Special Session of the Conference in 1950, would seem to be adequate for covering all kinds of advisory functions which the Committee may be called upon to perform.
- (2) At the same time, it is worth noting that the Committee's early activities did relate to problems which must be regarded as one of the Committee's basic concerns. With the re-emergence of surplus disposal problems attention may have to be given again to the role which an intergovernmental committee such as the CCP can play in dealing with them. In the circumstances, it may be of interest to review briefly the Committee's past experiences in this field of work. Such a summary review is presented in Appendix I.
- (3) The Sixth Session of the Conference reminded the Committee of its competence to set up Special Working Parties. Since then, with the exception of the organization of a Special Meeting on Rice Problems, the questions before the Committee did not in its view call for special meetings or working parties. The Committee will, no doubt, wish to bear in mind, however, that such instruments for strengthening the effectiveness of its future work on specific commodity problems are at its disposal.
- (4) It is worth noting that the CCP represents the only intergovernmental committee established within the framework of United Nations machinery for the primary purpose of considering problems arising for a range of primary products. This is one of the factors which must be kept in mind by the Committee in interpreting its functions. In particular, the Committee may find it profitable to continue and expand its centralized studies of problems relating to more than one commodity of FAO concern. Among these, the exploration of international commodity price stabilization techniques will undoubtedly call for primary attention.

LIST OF CCP DOCUMENTS ISSUED SINCE THE SIXTH CONFERENCE SESSION

CCP - indicates documents which were prepared specifically for the Committee alone.

RP - indicates documents which, though in some cases they were prepared on the Committee's request, also formed part of the Secretariat's regular work programme and in some cases were published, either previously or subsequently to presentation to the Committee, as part of the regular publications programme. (Commodity Reports, Commodity Bulletins, Commodity Policy Reports, Articles in the Monthly Bulletin etc.)

C - indicates documents which, while being presented to the Committee, were also documentation for the Council, Conference or other Meetings.

a) Commodity Outlook Appraisals and Recommendations for Action

Grains and Livestock Products

CCP 52/6 - Some Aspects of Trends in World Food Trade	RP
CCP 52/61 - New Zealand Trends and Prospects of Food Production and Exports	RP
CCP 52/8 rev. Coarse Grains	CCP
CCP 53/5 - Note on Grains	CCP
CCP 52/23 - Relationships between Prices of Wheat and Coarse Grains	CCP
CCP 52/53 - Wheat Situation and Outlook	CCP
CCP 52/66 - Note on Decrease in Numbers of Farm Horses	CCP
CCP 52/9 - Livestock Products	CCP

Rice

CCP 52/7 - A Survey of the Present Rice Problem	RP
CCP 52/26 - The Rice Situation and Outlook	CCP
CCP 52/48 - Rice Situation and Supply Problems	C
CCP 53/3 - Report of Special Rice Meeting held at Bangkok	C

Milk Utilization

CCP 52/30 - Current OEEC Work on Milk and Dairy Products	CCP
CCP 52/60 - Interim Report on Milk Utilization	1/
CCP 53/8 - Methods for Stimulating Milk Consumption	1/
CCP 53/18 - The Work of International Organizations on Milk	CCP

1/ Originally prepared for the CCP but now also required as documentation for the Inter-agency Committee on Milk questions.



Fats and Oils

CCP 52/10 and Fats and Oils suppl.	CCP
CCP 52/59 - Fats and Oils - Report No.4	RP
CCP 53/10 - Trends in Utilization and Interchangeability of Fats and Oils	RP

Cocoa

CCP 52/25 - The Cocoa Situation and Outlook	CCP
CCP 53/7 - Cocoa	CCP

Fruit and Vegetables

CCP 52/29 - Government Policies on Fruit and Vegetables	CCP
CCP 52/29 suppl. Summary of Recent Developments in Vegetable Production and Trade in Europe	CCP
CCP 52/54 - Fruit and Vegetables in Europe	RP
CCP 53/9 - International Trade in Fruit	CCP

Fertilisers

CCP 52/52 - Fertilisers - A World Report on Production and Consumption	RP
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General Reviews

CCP 53/15 - World Agricultural Commodity Situation and outlook	RP
CCP 53/28 - Major changes as in World Agricultural Situation since June 1953	CCP

Miscellaneous Commodity Reviews

CCP 52/27 - Fisheries Commodities	CCP
CCP 53/11 - Silk	RP

b) Emergency Food Reserve

CCP 52/22 - Emergency Food Reserve - Paper by the Secretariat	C
CCP 52/55 - Report of Working Party on an Emergency Food Reserve	C

c) Examination of Obstacles to World Trade in Agricultural ProductsIntelligence on Specific Trade Restrictions

CCP 53/6 - Report on the Work and Findings of GATT	CCP
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Review of Effects on Agricultural Trade of Balance of  
Payments Difficulties

CCP 53/13 - Dollar Trade in Agricultural Products	RP and C
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d) National and International Commodity Policies

National Policies

CCP 52/56 - Survey of National Measures for Controlling Farm Prices in Western European Countries RP

CCP 52/57 - The Long-Term Contract RP

Intergovernmental Policies and Arrangements

CCP 52/19 - A Reconsideration of the Economics of the International Wheat Agreement RP

CCP 53/14 - Observations on the Proposed International Sugar Agreement RP

CCP 52/12, 44, 67, CCP 53/16-Intergovernmental Policies and Arrangements for Agricultural Products CCP and C

Work of the CCP

CCP 53/24 - The Work of the CCP Since the Sixth Conference Session CCP and C

Agendas 18th - 21st Sessions

CCP 52/2, 22, 51, CCP 53/1 CCP

Reports: 19th - 21st Sessions

CCP 52/47, 69, CCP 53/21, CCP 53/33 CCP

Summary Records: 18th - 21st Sessions

CCP 52/20, 49, 70, CCP 53/22, CCP 53/34 CCP

APPENDIX III

LIST OF GOVERNMENTS AND ORGANIZATION PARTICIPATING IN THE  
TENTH SECOND SESSION (SECTION I) OF THE FAO COMMITTEE ON COMMODITY PROBLEMS

<u>MEMBERS</u>	<u>OBSERVERS - Continued</u>
Argentina	Iraq
Australia	Ireland
Belgium	Italy
Burma	Mexico
Canada	Netherlands
Cuba	Nicaragua
Egypt	Pakistan
France	Spain
India	<u>OBSERVERS</u>
Japan	<u>Organizations:</u>
Sweden	International Dairy Federation
United Kingdom	International Federation of Agricultural Producers
United States	United Nations
Yugoslavia	
<u>OBSERVERS</u>	
<u>Governments:</u>	
Austria	
Brazil	
Ceylon	
Chile	
Denmark	
Dominican Republic	
Ethiopia	
Finland	
Germany	
Greece	
Haiti	
Honduras	
Indonesia	

ADDENDUM I

THE COUNCIL'S COMMENT ON C 53/8

Extracts from the Report of the Eighteenth  
Session of the Council

In addition to the subject dealt with in this particular Report the importance of poultry and eggs in the Committee's work was underlined and it was recognized that points relating to any commodity could be raised during the consideration of the Committee's appraisal of recent commodity developments by the Conference.

Reference was made to the importance in the Committee's work of regional aspects, national price policies and the close relationship between agricultural commodity problems and general economic questions. The Council noted that the Committee had developed close co-operation with other inter-governmental meetings and organizations for the study of questions which could not be solved by the Committee alone.

The Delegate for Spain, referring to the Committee's forthcoming consideration of a proposal made by the Italian Government for an inter-governmental meeting on olive oil, informed the Council that the Spanish Government had already invited the olive-oil producing governments in the Mediterranean area to participate in such a meeting.

In line with its general decision not to enter upon a full debate of the Report, the Council decided not to act itself on the draft Resolution presented on page 16 of the Committee's Report but instead to forward this draft Resolution for the attention of the Conference. In the course of the Council's preliminary consideration of the draft Resolution, several Delegates pointed out the desirability of expanding the first paragraph of the preamble in such a way as to bring out clearly that it referred to the terms of reference, as widened by the Special Session of the Conference in 1950. The point was also made that the text of the draft Resolution, while it should make clear the desirability of not restricting the Committee's present terms of reference, should not preclude their possible expansion. The question was also raised of the possibility of enlarging the membership of the Committee. In general, it was agreed that it was for the Conference to consider the Committee's future mandate, particularly in view of the fact that the Committee on Commodity Problems was a Committee of the Conference and not a Committee of the Council.