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Twentieth Session

(27 September 1954)

REPORT OF THE TWENTY-THIRD SESSION

OF THE COMMITTEE ON COMMODITY PROBLEMS

The Report of the Twenty-Third Session of the Committee on Commodity Problems is attached hereto. Delegates will recall that in view of the Conference's decision not to hold a Session of the Council until September 1954, the Council decided that Director-General should transmit the findings and recommendations of the Twenty-Third Session of the CCP direct to Governments immediately after the closing of that Session, notwithstanding their consideration by the Council later in the year. The Report was, therefore, first transmitted with the Director-General's letter No. G/E-X/26 and is now circulated also as a Council document.

COMMITTEE ON COMMODITY PROBLEMS

REPORT OF XXIIIrd SESSION

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COMMITTEE ON COMMODITY PROBLEMS

REPORT OF XXIIIrd SESSION

1. The XXIIIrd Session of the FAO Committee on Commodity Problems was held in Rome from 3 - 11 June 1954. A list of Delegates and Observers represented at that Session is given in Appendix I to this Report.

I. ELECTION OF CHAIRMAN AND VICE-CHAIRMAN

2. Mr. ANWAR NIAZI (Egypt) was elected Chairman, and Mr. C.J. MORALES (Argentina) Vice-Chairman.

II. ADOPTION OF PROVISIONAL AGENDA

3. The Provisional Agenda for the XXIIIrd Session, which had been circulated previously under CCP 54/3, was adopted.

III. SUMMARY RECORD OF XXIInd SESSION

4. The Summary Record of the XXIInd Session (CCP 53/36 and Addendum) was approved.

IV. REPORT OF THE NINETEENTH SESSION OF THE COUNCIL OF FAO

5. The Committee took note of the comments made on its activities by the Nineteenth Session (12 December 1953) of the Council of FAO. In particular, the Committee noted that in view of the Conference's decision not to hold a Session of the Council until September 1954, the Council had agreed that the findings and recommendations of the XXIIIrd Session of the CCP should be transmitted direct to Governments, notwithstanding their consideration by the Council later in the year.

V. THE AGRICULTURAL COMMODITY SITUATION IN THE SETTING OF WORLD ECONOMIC CONDITIONS

6. The Committee's review of the world agricultural commodity situation was based on document CCP 54/7 prepared by the Secretariat. The document, as amended by the Secretariat in the light of the Committee's discussions, is attached as Appendix II to this Report. The Committee also had before it the text of the Commodity Notes for the next issue of the Monthly Bulletin of Economics and Statistics.

7. The Committee noted that in spite of the downward adjustment that occurred in the United States during the past year, world economic activity in general continues high, and, with some exceptions, there was a notable improvement during the past year in the foreign exchange reserves of many countries.

8. In North America, and particularly in the United States, most major economic indicators have been declining (though less markedly in recent months) since mid-1953, including industrial production, farm income and imports. Food consumption levels, however, have not declined. Recovery from the effects of the war has reached a point where the rest of the world does not need to import food from North America on the same scale as in the earlier postwar years. In Western Europe, recent trends have been favourable. The record inflow of United States dollars including those for defence purposes, a

continuing high rate of construction and an expansion of purchasing power through improved terms of trade and progress in industrial production, are among the principal causes. Conditions in Latin America show a more uneven character. While for some countries the terms of trade have improved (e.g. those exporting coffee and cocoa), they have deteriorated for others (e.g. exporters of grain and linseed oil). In Asia and the Far East, food production increased and the prices of most agricultural exports from the area have shown no major change, except that the import demand for rice fell off and export prices had to be reduced. While this has been a cause of concern for rice exporting countries, the importing countries in the area have benefited from the reduction in the prices of imported rice and other cereals. Several countries in the Near East and Africa continued to benefit from the high demand for mineral oil, from financial aid from abroad or from better export prices (cocoa), but the increased exports from some countries were partly offset by lower prices. In Oceania, agricultural production and exports were generally well maintained or showed some improvement; export prices were, on the whole, a little better except for grain.

9. The relative immunity hitherto enjoyed by the rest of the world from the decline in business activity in the United States cannot be expected to continue if the latter should become more severe. Consequently a great deal depends on the future of business activity in the United States. Although the future is uncertain, present trends do not point to any sharp changes. In the rest of the world continued economic improvement is expected, though the prospects for many countries are very dependent on future exports and prices of their raw materials. In the agricultural sector, the outlook depends to some extent on the readjustment of North American agricultural capacity to reduced export demand and on a gradual working down of surpluses without market displacements or undue pressure on world price levels.

10. The agricultural commodity situation in general continues to be characterized by a high level of production and some improvement in consumption levels, though this was still not enough to absorb all the expanded production because of the lack of effective demand. There has been some decline in farm incomes and a large accumulation in stocks of some commodities, particularly wheat but also of rice, sugar, vegetable oils, dairy products, cotton and rubber. In the case of dried skim milk, large quantities of which are being disposed of in the United States for feed use, there has been a substantial reduction in government holdings. Stocks of rice have also recently begun to move more freely due to price adjustments. Acreage reductions in wheat, sugar and cotton may slow down or prevent further accumulation of these commodities, though it is possible that some of the resulting increases in supplies of some other commodities may lead to new problems. If high supports are maintained, the tendency towards surpluses is likely to continue. The growth in supplies has led to a growing pressure on governments to increase trade barriers against agricultural imports and to a greater use of two-price systems.

11. Despite the generally large supplies, over the period as a whole, there has been no major disturbance in the level of agricultural prices though there have been some moderate movements upwards and downwards for different commodities. The reasons for this stability vary with the commodities and include government price support operations and generally high overall demand. As the bulk of stocks are under government control, there is less danger of the unorganized disposals experienced in earlier periods. On the other hand, government control in itself provides no guarantee against the disposal of surpluses by special arrangements which, in certain circumstances, could cause undue pressure on world market prices and

do serious harm to competing exporters.

VI. DISPOSAL OF AGRICULTURAL SURPLUSES

12. The Committee considered carefully the Report of the Working Party on Surplus Disposal (document CCP 54/2) and expressed its high appreciation of it. The Committee was particularly glad to note that the Working Party, notwithstanding the different interests of its members in regard to surpluses, was motivated by the over-riding importance of common aims and found it possible to agree on a series of unanimous conclusions and recommendations in regard to suitable methods of surplus disposal, including the setting up of consultative machinery, and in regard to the principles to be observed by governments in special disposal transactions, so as to avoid harmful interference with normal patterns of production and international trade. In the Committee's view, the Working Party's Report constitutes not only an important contribution to the clarification of thought on these difficult problems but also a valuable guide for practical action by Governments and a new step forward in the inter-governmental coordination of national programs, policies, and transactions relating to agricultural surpluses.

13. The Committee agreed unanimously that the Working Party's Report represented a carefully balanced whole and that this balance should not be upset by any amendments to its text. Indeed, such suggestions as were made in the course of the Committee's debate for slight changes in emphasis in one or the other direction merely supported the Committee's conclusion that the Report, as it stood, represented the best obtainable compromise between the views held by the members of the Committee. The Committee therefore passed the following general Resolution:

RESOLUTION NO. 1(23)

THE FAO COMMITTEE ON COMMODITY PROBLEMS,

HAVING NOTED with appreciation the Report of the Washington Working Party on Surplus Disposal (document CP 54/2),

COMMENDS the findings and recommendations of the Working Party on Surplus Disposal to the serious attention of the governments of FAO Member Nations,

REQUESTS the Director-General to transmit to the governments of FAO Member Nations the Report of the Working Party on Surplus Disposal, together with the Committee's own views and recommendations as set out in its Report.

14. Within the framework of its general agreement with the findings and recommendations of the Working Party's Report, the Committee wishes to refer specifically to the following aspects:

A. GENERAL COMMENT

15. Measures to dispose of surpluses already in existence will not solve the surplus problem unless parallel measures are taken to avoid the accumulation of new surpluses.

16. In general, the adjustment of supply and demand should be sought in the expansion of consumption, especially through increased incomes, rather than in the reduction of production.

17. Such output reductions as may appear unavoidable, in the light of existing supply levels and market prospects, should be brought about,

as far as practicable, through economic disincentives rather than through physical restrictions.

18. Steps for improving the international coordination of national policies must form an integral part of any sound program of surplus prevention.

19. The adoption of special measures to dispose of surpluses must not be allowed to overshadow the importance of price adjustments, of policies of full employment and of economic development, of less restrictive trade policies and of the discouragement of uneconomic production, as basic means of dealing with the problem of surpluses.

20. Special consideration must be given to the economies of less developed countries which depend largely on export receipts for a limited number of primary products.

21. Consideration must also be given to balance-of-payments problems.

B. SPECIAL DISPOSAL MEASURES

Sales on Concessional Terms, or Grants, in Aid of Development

22. In its review of possible methods of surplus disposal on concessional terms¹ the Committee attached particular importance to the determination of suitable means for special disposal in aid of development and therefore resolved as follows:

RESOLUTION NO. 2(23)

THE FAO COMMITTEE ON COMMODITY PROBLEMS

BELIEVING that carefully planned sales on concessional terms, or grants, in aid of development hold better prospects than any other form of special export disposal measures, for moving substantial amounts of surplus agricultural commodities into truly additional consumption,

RECOMMENDS that Governments and appropriate international agencies should give special attention to the possibilities of taking advantage of surplus supplies which may be available on special terms, for the expansion or acceleration of development programs,

FURTHER RECOMMENDS that consideration should be given to the possibilities of using, where necessary, technical assistance facilities for helping countries in the solution of the difficult and important problems of internal organization involved in the utilization of commodities supplied on special terms for development purposes.

23. The Committee attached particular importance to the benefits which in its view could be derived from close cooperation on these questions with the International Bank for Reconstruction and Development. It therefore resolved as follows:

RESOLUTION NO. 3(23)

THE FAO COMMITTEE ON COMMODITY PROBLEMS

HAVING NOTED the findings and recommendations made in paragraphs 71 - 79, and particularly in paragraph 74, of the Report of its Washington Working Party on Surplus Disposal (document CCP 54/2)

1/ Concessions in terms may relate to prices or to other conditions

on "Sales on Concessional Terms, or Grants, in Aid of Development",

REQUESTS the Director-General to invite the President of the International Bank for Reconstruction and Development to further elaborate the views expressed by the Bank's observer to the Washington Working Party on Surplus Disposal on the ways in which disposals of surplus commodities could assist new development programs, and accelerate existing programs, taking into account the additional need for the imports of capital goods and local expenses and also recognizing the usefulness of additional imports of agricultural products in avoiding the inflationary tendencies that may be caused by development projects,

REQUESTS the Director-General to invite the President of the International Bank to indicate to him, whenever possible, for the information of FAO member governments, such possibilities as there may exist, in the opinion of the International Bank, for utilizing agricultural surplus commodities in aid of development programs in under-developed areas.

24. The committee suggested that FAO Member Governments should indicate to the CCP Consultative Sub-Committee on Surplus Disposal (see para. 33 below) their additional requirements, if any, for supplies of surplus commodities on special terms in aid of the expansion or acceleration of development programs in their own countries, setting out the relationship between the proposed receipts of surplus commodities and the projected development plans.

25. The Committee noted that the term "new development expenditure" as used in the Working Party's Report should be interpreted as relating to both the financing of new development projects and to the acceleration of existing projects.

Other Special Disposal Measures

26. On the whole the Committee concluded that any disposal of surpluses in very large volume against importers' currencies would in most cases have to be where there is large scope for additional consumption and on terms which would link the use of local currency receipts to development programs, primarily in less developed areas.

27. Based on the Working Party's findings in regard to special welfare distribution programs, the Committee resolved as follows:

RESOLUTION NO. 4(23)

THE FAO COMMITTEE ON COMMODITY PROBLEMS

BELIEVING that there is scope for additional consumption of foodstuffs and fibers in raw or manufactured form distributed under special welfare programs to low-income and other specified consumer groups,

RECOMMENDS that governments as well as appropriate international agencies, in developing special welfare distribution programs, especially in areas where consumption standards are generally low, should fully explore the possibilities of taking advantage of surplus supplies of food and other agricultural products which may be made available on a concessional, or grant, basis.

28. There may also be scope, though it will be unpredictable, for the use of surplus commodities for emergency relief.

29. While consideration should first be given to means of expanding consumption, firm holdings, or segregation, of excess stocks over an extended period may be essential to avoid the disruption of international markets.

C. PRINCIPLES

30. Based on the Working Party's formulation of principles, the Committee resolved as follows:

RESOLUTION NO. 5(23)

THE FAO COMMITTEE ON COMMODITY PROBLEMS

HAVING NOTED the following principles which the Seventh Session of the FAO Conference, in Resolution 14/53, recommended for the attention of FAO Member Nations, to be taken into consideration in the disposal of agricultural surpluses, with full regard to the need for active steps to raise consumption levels:

(i) That Member Governments which have excess stocks of agricultural products should dispose of such products in an orderly manner so as to avoid any undue pressure resulting in sharp falls of prices on world markets, particularly when prices of agricultural products are generally low;

(ii) That where surpluses are disposed of under special terms, there should be an undertaking from both importing and exporting countries that such arrangements will be made without harmful interference with normal patterns of production and international trade.

HAVING BEEN INSTRUCTED to give more detailed consideration to the principles formulated by the Seventh Session of the FAO Conference and to make recommendations in regard to the observance of these principles by FAO Member Nations in special surplus disposal measures;

RECOMMENDS that in determining whether or not sales on concessional terms or grants to a given region^{1/} cause any harmful interference with normal patterns of production and international trade, and prices, account must be taken of special factors affecting trade in the commodity concerned, with particular regard to the following aspects:

(1) the extent to which commodities supplied on concessional terms are likely to be absorbed by additional consumption (i.e., consumption which would not have taken place in the absence of the transaction on special terms);

(2) to the extent that sales of the commodities supplied on special terms may constitute some danger of displacement of commercial sales of identical or related commodities, that danger will have to be assessed in the light of relevant factors, particularly the following:

(a) the exporter's share in the region's imports of the commodity concerned during a representative base period, due allowance being made for factors

^{1/} The "given region" may be either "all foreign markets" or a particular area.

which lessen the significance of such historical comparisons;

(b) whether the exports on special terms are likely to form so small (or large) a share of the region's imports of the commodity^{1/} that the effect of special terms on such trade is likely to be of minor (or major) significance;

(c) the degree of importance of trade in the commodity to the economy of the exporter concerned, to the economies of competing exporters of the commodity concerned and of closely related commodities and to the importing region's economy;

(d) the character and extent of the concessions offered and their probable effect on (i) the region's usual total imports of the commodity concerned and related commodities, (ii) the exporters' share in the region's imports of the commodity concerned and (iii) the interference with implementation of treaties or agreements which deal with world trade in these commodities;

(e) the degree to which commercial market prices are, or are likely to be, affected in the importing region and in world trade;

(f) the degree, if any, to which effects of the kind mentioned under (d) and (e) above are likely to affect the stability, or desirable expansion, of production and trade of the commodity concerned and of closely related commodities in both exporting and importing countries.

FURTHER RECOMMENDS that in weighing the advantages to countries benefiting from special disposal measures against the possible harm done to other countries, account must be taken of the relationship of possible sacrifices to the economic capacity of the countries concerned, and in particular to the effects of such sacrifices on their rates of development,

DRAWS THE ATTENTION of FAO Member Governments to a number of special aspects which are set out in paragraph 123-128 of the Report of the Working Party on Surplus Disposal, and which should be taken into account in applying the general principles stated in this Resolution to the review of some of the most important types of transactions on concessional terms.

31. The Committee noted, in line with the Working Party's conclusions, that harmful interference with normal patterns of production and international trade can be caused not only by sales on concessional terms but also by the quantity of the commodity sold, and the rate at which it is moved, seen in relation to other market characteristics. It endorses the Working Party's recommendation that governments undertaking, or proposing to undertake, such large-scale releases, should, whenever practicable, consult with other countries interested in the possible effects of such transactions.

^{1/} If the "region" is "a particular area", the significance of the exports on special terms on world trade generally may have to be considered as an additional criterion.

32. The Committee noted that the term "related commodities", as used in the formulation of principles by the Working Party and adopted in this Report, will need to be interpreted on the merits of each case, with special reference to established trade patterns of the countries concerned.

D. ESTABLISHMENT OF CCP CONSULTATIVE SUB-COMMITTEE ON SURPLUS DISPOSAL

33. The Committee agreed with the Working Party's conclusion that the establishment of a CCP Consultative Sub-Committee on Surplus Disposal could be of material assistance in carrying out the Committee's responsibilities in the field of surplus disposal. The Committee, therefore, decided to establish such a Consultative Sub-Committee, to convene in Washington not later than the end of July.

34. The Committee agreed that the membership of the Sub-Committee should be open to all FAO Member Nations who wished to contribute actively, and on a regular basis, to the carrying out of the Sub-Committee's mandate. Other FAO Member Nations could attend the meetings of the Sub-Committee as observers, and should have the right to participate fully in the Sub-Committee's discussions on any subject in which they are particularly interested. Any FAO Member Nation should also have the right to bring to the attention of the Sub-Committee any subject under the Sub-Committee's terms of reference.

35. The Committee requests the Director-General to ask FAO Member Nations to inform him within four weeks from the date of his letter whether or not they wish to serve as members of the Sub-Committee. In undertaking this enquiry, the Director-General should also explain the rights open to all FAO Member Nations as observers, with a view to limiting the Sub-Committee's membership to those FAO Member Nations specially interested in participating actively in its continuing deliberations. Those countries shall become members which within four weeks of the dispatch of this enquiry notify the Director-General of their desire to do so.

36. The terms of reference of the Sub-Committee were defined as follows, on the understanding that the Sub-Committee could make recommendations to the CCP but not to Governments:

(1) To keep under review developments in the disposal of agricultural surpluses, and to assist FAO Member Nations in developing suitable means of surplus disposal;

(2) To provide a forum for the discussion of proposals, programs, policies or transactions of Member Governments for the disposal of agricultural surpluses in the light of the principles recommended by the Seventh Conference and elaborated in this Report and in the Report of the Washington Working Party on Surplus Disposals, and to promote the observance of these principles;

(3) To report periodically to the CCP, it being understood that copies of its reports and summary records of its proceedings, including any conclusions, should be circulated to FAO Member Nations as soon as possible.

37. Any recommendations of the Sub-Committee shall be submitted to the CCP.

38. The Committee agreed that the Sub-Committee should establish its own rules of procedure, in conformity with the principles set out in Part V of the Report of the Washington Working Party on Surplus Disposal.

39. International organizations who are entitled to send observers to the CCP should also be entitled to send observers to the Sub-Committee. On matters of primary concern to other inter-governmental bodies, the Sub-Committee should invite the assistance of these bodies, and should cooperate with them in avoiding the over-lapping of functions.

40. In interpreting its mandate, the Sub-Committee should view surpluses in perspective and bear in mind the continuing need for steps to raise consumption levels, particularly in areas in need of development and among vulnerable and low-income groups, and in line with policies of selective expansion of agricultural production and trade. In general, the Sub-Committee should interpret its terms of reference in a flexible way.

41. The Committee recognizes that governments would remain free as to whether or not they accept any conclusions reached by the Sub-Committee in its reviews of proposed or adopted measures. Therefore, the main value of the work of the Sub-Committee should be seen in the opportunity offered for the exchange of information and for consultations. The value and effectiveness of this consultative machinery will depend primarily on the cooperation given to it by FAO Member Nations, in respect to both the communication of information and the consideration of the Sub-Committee's conclusions.

42. To enable the Sub-Committee to conduct its work efficiently and speedily, the Committee recommends that, as far as practicable, all Member Nations should communicate to the Sub-Committee at the earliest possible moment all plans and programs for special disposal of surplus agricultural commodities through exports.

43. Meetings of the Sub-Committee should be held in Washington. Meetings should be called by the Secretariat at periodic intervals of generally a month's duration, with additional meetings being called on an ad hoc basis, as required.

44. The Committee was informed by the Director-General that he could make arrangements for servicing the Sub-Committee, provided that secretarial and technical service facilities could be held to a minimum. No budgetary provision could be made, however, for interpretation and for the translation of documents other than the Reports of the Sub-Committee. FAO Member Governments wishing to receive notices of meetings and documentation should inform the Secretary of the Sub-Committee^{1/} of the names of their Washington representatives to whom such communications should be addressed. The Washington representatives would have to make their own arrangements for the dispatch of documents to their respective countries and bear the cost of such arrangements.

45. The Committee wishes to state that no aspect of the procedures and principles proposed in this Report should be considered as being in conflict with, or in substitution of, the rights and obligations of FAO Member Nations under any existing inter-governmental arrangements.

VII. INTER-GOVERNMENTAL POLICIES AND ARRANGEMENTS - DEVELOPMENTS SINCE THE LAST CCP SESSION

A. ECOSOC Decision to Establish a Permanent Advisory Commission on International Commodity Trade

46. The Committee reviewed major new developments in inter-governmental policies and arrangements since its last Session, as outlined in document CCP 54/5. Special attention was given in the Committee's review to the debate held by the Economic and Social Council, at its Seventeenth Session, on the establishment of a Permanent Advisory Commission on International Commodity Trade.

^{1/} c/o North American Regional Office, 1325 C St S.W.
Washington D.C.. U.S.A.

47. The Committee noted the Economic and Social Council's decision in favor of establishing the Commission, the preliminary formulation of the Commission's functions, and the further decisions to postpone the organization and establishment of the Commission to its next Session, and to invite member governments of the United Nations to transmit to ECOSOC before the next Session any relevant comments on the Commission and their view concerning their participation in the Commission. The Committee decided not to debate the pro's and con's of establishing such a Commission. It was, however, concerned with the relationship of the functions and activities of such a Commission to those of FAO in general and to the FAO Committee on Commodity Problems in particular. The Committee noted that the terms of reference intended for the new Commission in the field of international commodity trade are wider than those of FAO, both in regard to the range of products to be covered and to certain general commercial and monetary aspects. The Committee also noted, however, that the functions and activities envisaged for the Commission are very closely related to those carried out by FAO under its constitutional mandate in regard to all agricultural products, which represent a very large share of world trade in all primary commodities.

48. Based on the information and considerations referred to in the previous two paragraphs, the Committee passed the following Resolution:

RESOLUTION NO. 6(23)

THE FAO COMMITTEE ON COMMODITY PROBLEMS

HAVING NOTED the Resolution on International Price Relations passed by the Economic and Social Council of the United Nations at its Seventeenth Session, and the provisions made in that Resolution for the establishment of a Permanent Advisory Commission on International Commodity Trade,

REQUESTS the Director-General to transmit to the Secretary-General of the United Nations, for consideration by the Economic and Social Council at its Eighteenth Session, full information on the functions and activities of the FAO Committee on Commodity Problems in regard to international commodity problems and trade, together with the following expression of the Committee's views on the relationship of FAO's functions and activities to those of the proposed Commission:

- (1) In the interest of efficiency and economy of inter-governmental activities, every effort should be made to avoid duplication of effort;
- (2) The Committee trusts that the establishment of the proposed Permanent Advisory Commission on International Commodity Trade will not detract from the established functions and activities of FAO in general and of its Committee on Commodity Problems in particular, not only with respect to individual commodities but also in regard to all those more general aspects and problems of national and international commodity trade situations, policies and arrangements which must be regarded as an essential part of the effective discharge of FAO's mandate.
- (3) Assuming that the points stated under (1) and (2) above are fully kept in mind, the Committee believes that both its own work and that to be

carried out by the proposed Commission might benefit from close cooperation, both at the inter-governmental and the secretarial level, between the two bodies, and that the prospects of the formulation of inter-governmental policies for action in this difficult field might thus be improved.

B. Other Inter-governmental Consultations

49. The Committee also took note of recent, or proposed, consultations on commodity policies and arrangements under the following auspices:

I. General Consultations:

Annual ICCICA Review

GATT: Impending Revision of the Agreement and Proposals for the Reduction of Customs Tariffs

ECE Committee on Agricultural Problems

OEEC - Discussions on Agriculture and Commodity Trade

Consultations Concerning the Integration of Agricultural Markets in Europe ("Green Pool")

United States/Canadian Committee on Trade and Economic Affairs - Statement on Surplus Disposal

Tenth Inter-American Conference, Caracas: Resolution on Surpluses

II. Consultations and Arrangements for Individual Commodities:

International Wheat Council

International Sugar Council

International Cotton Advisory Committee

OEEC Working Party on Livestock Products

Inter-governmental Consultations on Olive Oil, (referred to more specifically in Section X of this report)

International Rubber Study Group.

50. The Committee expressed its satisfaction with the steps taken by the Director-General for maintaining and developing FAO's close cooperation with other agencies concerned with national and international commodity situations, policies, and arrangements. Tribute was paid to the valuable aid given by other agencies to FAO's work.

VIII. MEETING ON THE ECONOMIC ASPECTS OF THE RICE INDUSTRY

51. The Committee discussed the method of implementing the request made by the Seventh Session of the Conference to arrange for a periodic review of the world rice situation and other economic aspects of rice. The Committee noted the letter which the Director-General had sent to member governments to ascertain their views on

this question and the replies which had so far been received. The Committee decided that the first step to be taken should be to hold a meeting on rice between 10th and 20th November 1954 in the Far East. The Committee requested the Director-General to arrange with member governments of Asia and the Far East for the most suitable location for this meeting. The Committee agreed with the provisional agenda as set forth in document CCP 54/8 including the consideration of current problems of international trade in rice. The findings of this meeting will be reviewed by the CCP.

IX. SURPLUS SUPPLIES OF DRIED SKIM MILK AND THEIR EFFECTIVE USE

52. The Committee considered CCP 54/9 "Surplus Supplies of Dried Skim Milk and their Effective Use". It commended the Secretariat on the preparation of this paper which represents a realistic approach to the problem and, in general, agreed on the principles outlined in it. It welcomed the cooperation of WHO and UNICEF in the preparation of the paper. The Committee endorsed the view put forward in the document concerning the value of using surpluses to improve nutrition, particularly in countries in which malnutrition is common.

53. It was agreed that if the disposal of surpluses is to facilitate the long-term growth of milk consumption and international trade and at the same time is not to hinder local milk production, such disposal must be encouraged and carefully planned. Alongside the disposal measures there must, therefore, be development programs to ensure that milk consumption levels can be maintained when surplus supplies cease. The Committee recognized the need for integrated plans to be formulated for countries which are potential recipients of surplus supplies of dried skim milk but also recognized that the formulation of such plans in the normal way would take much time. It noted with satisfaction, therefore, the intention of the Organization to investigate the possibility of carrying out a pilot field survey and requested that further information be provided to the Committee at its next Session.

X. ESTABLISHMENT OF WORKING PARTY ON OLIVE OIL

54. As had been agreed at its previous Session, the Committee considered the economic aspects of the olive oil industry. The Committee was informed by the Secretariat of the outstanding features of the olive oil economy and of the results of an inter-governmental meeting on olive oil which had been held in Madrid in March 1954 (document CCP 54/4). As a result of discussion the CCP agreed to set up a working party to make a preliminary study of possible inter-governmental measures; both in the technical and economic fields, to promote the stabilization of the world olive oil economy; and adopted the following resolution:

RESOLUTION NO. 7(23)

THE FAO COMMITTEE ON COMMODITY PROBLEMS,

HAVING CONSIDERED the proposal made by interested Governments for the convocation of a Working Party to study the technical and economic problems of olive oil and possible inter-governmental measures for promoting the stabilization of the world olive oil economy;

BELIEVING that more detailed consideration of these questions by a group of representatives of interested governments would be desirable;

DECIDES to establish a Working Party to which representatives of the following governments should be invited: Brazil, France, Greece, Italy, Spain, United Kingdom, on the understanding that in the case of one or more of these countries not being able to accept this invitation, the Director-General should invite other countries, with a view to maintaining, if possible, the composition of a group of six countries, including two importing countries;

DECIDES that the terms of reference for the Working Party should be as follows:

- (1) To consider possible inter-governmental measures of a technical or economic nature, which could contribute towards stabilizing the world olive oil economy, taking into account the reports and resolutions of the inter-governmental meeting on olive oil held in Madrid, in March 1954, as well as work previously carried out by the International Olive Oil Federation (Fédération Internationale de l'Oléiculture) in this field;
- (2) To draw up its recommendations in a form suitable as a basis for reaching inter-governmental agreement on such measures;
- (3) To report its conclusions and recommendations to the next session of the Committee on Commodity Problems;

DECIDES that the most convenient time and place of meeting would be in the latter half of July 1954, at FAO Headquarters in Rome.

The CCP requests the Director-General to set the date accordingly and to prepare a provisional agenda for the meeting; to invite the governments mentioned above to attend; to inform the United Nations, the International Bank for Reconstruction and Development, the International Monetary Fund, and the International Olive Oil Federation of the meeting and invite them to send observers. The Committee draws the attention of the Director-General to the desirability of asking governments to be represented not only by technical experts but also by experts in the economic and financial fields.

XI. OTHER MATTERS RELATING TO INDIVIDUAL COMMODITIES

A. Wine

55. The Committee agreed to include on the agenda of its next Session a review of the international wine situation, based on a study by the Secretariat to be undertaken in cooperation with the International Wine Office.

B. Dates

56. The Committee was informed by the Observer for the Government of Iraq that there was in his country at present a surplus of dates, and that his Government intended to inform the Washington Sub-Committee of this fact.

XII. AGENDA, TIME, AND PLACE OF XXIVth SESSION

57. The Committee decided that its XXIVth Session should open in Rome on 20 September 1954, and that the provisional agenda should be as follows:

- I. Major developments in the World Agricultural Commodity Situation

- II. Major developments in regard to Inter-governmental Policies and Arrangements for Agricultural Commodities since June 1954.
- III. Report of the Consultative Sub-Committee on Surplus Disposal
- IV. Preliminary Review of the International Effects of National Policies for Grains and Livestock Products
- V. Report of the Working Party on Olive Oil
- VI. Surplus Supplies of Dried Skim Milk and their Effective Use
- VII. The International Wine Situation

58. As to the proposed agenda item IV, the Committee recalled that, in response to Resolution No. 12/53 of the Seventh Session of the Conference on Implications of National Policies, it had decided to review this subject at its XXIVth Session, with special reference to grains and livestock products. While time was likely to be too short for the preparation of full documentation on the subject and for its thorough analysis at the next Session, the Committee should undertake a preliminary review with a view to continuing its study of the subject in 1955.

APPENDIX ILIST OF DELEGATES AND OBSERVERS PARTICIPATING
IN THE XXIIIrd SESSIONMEMBER COUNTRIES

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Economic Counsellor
Argentine Embassy

C. J. MORALES
Economic Counsellor

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L. G. LION
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Etrangères et du Commerce
Extérieur

J. HENRARD
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W. COLLEYE
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Economiques

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First Secretary,
Brazilian Embassy

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Secretary, Ministry of Commerce

U KO KO GYI
Executive Officer,
State Agricultural
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R. E. B. de MEDINA
Secretary, Portuguese Legation

SOUTH AFRICA

G. DOUTHWAITE
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C. de KONIG
First Secretary
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SWITZERLAND

H. CRAMER
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THAILAND

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INTERNATIONAL FEDERATION
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APPENDIX II

WORLD AGRICULTURAL COMMODITY SITUATION^{1/}

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ANNEX TABLE I - Indices of World Production of Agricultural Commodities

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ANNEX TABLE II - Selected Commodity Prices.

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^{1/} This document was originally prepared by the Secretariat and circulated to the Committee as CCP 54/7. It has now been amended in the light of the Committee's discussion at its XXIIIrd Session.

WORLD AGRICULTURAL COMMODITY SITUATION

I. GENERAL ECONOMIC REVIEW

1. In spite of the downward adjustment that has been in evidence in the United States since mid-1953, economic activity in general continues high. The International Monetary Fund reported that 1953 was a year in which the world economy was in a more satisfactory state than at any time since the end of the war. "World trade recovered from its temporary decline during 1952..... The balance of payments position of a great many countries in 1953 was strengthened and during the year there was a notable improvement in the reserves of many countries.... Most areas shared in this improvement although there were many individual exceptions... The generally improved reserve position in 1953 did not result from new or tightened restrictions. On the contrary, it reflected an international financial position more nearly in equilibrium than that of any other postwar year." ^{1/}

2. During the last nine or ten months, most major economic indicators in the United States have been declining, although the pace of the decline slackened in 1954. Industrial production was 10 percent lower in April 1954 than in July 1953; there has been a slight fall in early 1954 in business investment in plant and machinery and a rise in unemployment.

Imports have been declining.

Government and consumers' expenditures continue at reduced but still very high levels, personal income is down slightly owing to the rise in unemployment and short-time work, and to the drop in farm incomes. On the other hand, some signs are more favourable. Outlays for new construction are increasing, prices of several primary products have been rising since the beginning of 1954 (in part the result of government purchases for stockpiling) and state and local government outlays are expected to continue their steady upward trend.

3. In Canada also some economic trends have shown a downward movement and, in particular, the balance of trade has deteriorated from surplus in 1952 to deficit in 1953 and 1954 owing to reduced exports. However, this deterioration has been offset in the balance of payments by the continuing inflow

^{1/} Report of the International Monetary Fund to the Sixteenth Session of ECOSOC.

of U.S. investment funds. The country continues to be generally prosperous.

4. No marked ill effects of the decline in North American business activity are visible thus far in other regions which, in general, show continuing, though slower, progress. Recovery from the effects of the war has now reached a point where the rest of the world does not need to import food from North America on the same scale as in earlier years. At the same time, construction of dwellings and increased consumers' demand provide a stimulus for high and expanding economic activity.

5. In Western Europe recent economic trends have been favourable. The record inflow of United States aid (mostly military) and offshore purchases, a continuing high rate of construction and a revival of consumer demand are among the principal causes. Industrial production has been expanding, employment has increased, and purchasing power has increased through improved terms of trade and higher productivity. Several countries show sizeable increases in their exports. Conditions in Latin America show a more uneven character. While the terms of trade have improved for some countries following better prices for some agricultural exports, notably coffee, for some other countries they have deteriorated, e.g., exporters of grain and linseed oil. Several countries continue to suffer inflationary pressures and exchange rates have been unstable. In Asia and the Far East, terms of trade although recently more stable, are less favourable than in the period of the Korean boom and for many of the countries in the area, the outlook greatly depends on future exports and prices of their raw materials. Favourable developments have included increased food production and better returns for cotton and jute. Several countries in the Near East and Africa have continued to benefit from the high demand for mineral oil, from financial help from abroad, or from better export prices (cocoa). In Oceania, there was continued improvement in 1953 and 1954 with increases in industrial and agricultural output, and better export prices except for grain.

6. The relative immunity hitherto enjoyed by the rest of the world from the decline in business activity in the United States will probably not continue if the latter should become more severe. The outlook for the United States must remain uncertain but there has been some increasing confidence in recent weeks. In Western Europe, while some countries are still faced with difficulties of a structural nature, economic conditions in general are expected to continue favorable with the dollar inflow maintained at its present rate, if not increased. In Latin America, modest improvement is likely to continue on the whole with prospects of improved earnings for some export commodities, but with continuing difficulties for others. In the Near and Far East, no major changes are expected although sharper competition in some markets, e.g. grains, may accentuate the problems of some countries. For Oceania, while outlets for wool, meat and dairy products are to some extent assured, some export prices may show a decline. Thus, in general, there should be a continuation of moderate world economic progress in the near future. In the agricultural sector, the outlook depends on the readjustment of North American agricultural capacity to the reduced export demand and on a gradual working down of surpluses without market displacements or undue pressure on world price levels.

II. GENERAL COMMODITY SITUATION

7. The overall demand situation having become fairly stable, the supply and demand position of particular commodities and the influence of government policies are the essential features of world commodity markets. Except for coffee, cocoa, and jute, supplies are ample or excessive. Surpluses are heaviest in wheat, sugar and cotton, and their size in the short term will depend mainly on the scope and effectiveness of production restrictions. Owing to high incomes and strong overall demand, commodity price indices have nevertheless shown an upward trend since last autumn, the most important exception being export prices for grains and rubber. The reasons for the strength of prices vary with the commodities, but they include: U. S. price support operations, limited supplies of coffee and cocoa, high overall demand and confidence that governments will take measures to counter recessions, replenishment of stocks in some importing countries and the resumption of strategic stockpiling in the United States. Future price developments will be influenced by policies of the principal exporting and importing countries. One uncertain factor is the growing use of two-price systems, which aim at combining domestic protection and increased competitiveness on world markets. Another factor of importance is the pending decisions on domestic agricultural price policies in the United States.

Production

8. The figures now available for 1953/54 confirm that world production ^{1/}increased further, the index of total production having risen to 127 compared with 125 in the preceding year (1934-38= 100). Per caput production remained at the level of 101 reached in 1952/53. Production in North America receded slightly owing to weather conditions, but in the rest of the world there was an increase from 118 to 121 in total, and from 95 to 96 per caput. In these areas, total production was 12 percent higher than in 1948-50 and per caput production was 6 percent higher. Per caput production in North America, however, which rose rapidly during and after the war has levelled off since 1948-50 (see Appendix Table I).

9. Production of rice, sugar, meat, milk, citrus fruit and man-made fibers showed considerable gains in 1953.

Total grain production was maintained approximately at the high level of 1952/53, and thus again exceeded current consumption, particularly in the case of wheat. As grain crops outside North America were larger, the demand for North American grain diminished and, in consequence, there was a further increase in North American stocks, especially of wheat. Fats and oils production declined outside North America, while sugar production increased in spite of Cuban restrictions and growing stocks. In the fiber sector, jute production contracted sharply because of acreage restrictions and low yields, with the result that the stocks accumulated from earlier harvests are now being worked down. The U.S. cotton crop again exceeded exports and domestic consumption, but world wool production and demand are well balanced. Rubber production was again at a high, if slightly reduced, level and was again in excess of consumption.

10. Coffee and cacao continued scarce. Supplies per caput in 1953/54 of both these commodities were about one-fifth smaller than prewar, while real buying power per caput is substantially higher than prewar. Tea production showed no increase, owing to temporary plucking restrictions and bad weather. Total tea production, however, was 126 percent of prewar, or 101 percent on a per caput basis.

1/ World figures exclude the USSR, Continental China and Eastern Europe.

Table 1 - Estimated Stocks of Selected Commodities

Commodity	Month	Total of stocks in countries for which figures available of which United States							
		1951	1952	1953	1954	1951	1952	1953	1954
		million metric tons							
Wheat ^{1/}	July	22.4	17.8	34.4	46.4	10.8	7.0	15.3	22.6
Rice ^{2/}	Dec.	.10	.66	1.25					
Coarse Grains ^{3/}	mainly Oct.	28.8	22.5	30.3	33.0	25.0	18.1	24.3	27.0
Butter ^{4/}	Jan.	.1	.12	.12	.23	.05	.01	.03	.13
Cheese ^{5/}	Jan.	.19	.18	.20	.29	.10	.10	.11	.20
Dried Skim Milk ^{6/}	Jan.	.14	.05	.08	.26	.14	.04	.07	.24
Linseed Oil ^{7/}	July or Dec.	.63	.62	.60	.30	.41	.41	.37	.25
Liquid Edible Veg. Oil ^{8/}	Oct.					.19	.28	.55	.48
Sugar ^{9/}	Jan.	4.3	4.7	7.4	8.6				
Tobacco ^{10/}	July					1.5	1.6	1.7	1.7
Cotton ^{11/}	Aug.	2.3	2.9	3.4	3.9	.49	.61	1.22	1.75
Wool ^{12/}	Jan.	.57	.62	.65	.60	.08	.08	.09	
Rubber Natural ^{13/}	Jan.	.78	.83	.83	.88	.09	.08	.10	.11
Rubber Synthetic ^{14/}	Jan.	.06	.15	.14	.20				

- 1/ United States, Canada, Argentina, Australia.
 2/ Cambodia and Viet Nam, Burma and Thailand.
 3/ United States, Canada, Argentina; maize, barley and oats only.
 4/ United States, Canada, Australia, New Zealand, W. Germany, Netherlands, Sweden, Argentina.
 5/ United States, Canada, Australia, New Zealand, Denmark, Netherlands, Norway, Switzerland, Argentina.
 6/ United States, Canada, Netherlands.
 7/ United States (July), Argentina (1 Dec.); including seeds in terms of oil.
 8/ United States, including seeds in terms of oil.
 9/ Cuba, Brazil, Mauritius, Union of South Africa, Australia, Dominican Republic, Peru, Taiwan, Indonesia, Fiji, Belgium, France, W. Germany, Netherlands, Spain, United Kingdom.
 10/ United States.
 11/ World total, including stocks afloat, but excluding USSR, China and Eastern Europe.
 12/ World total, including wool afloat.
 13/ World total, excluding government stocks, including rubber afloat.
 14/ World total, excluding government stocks.

Table 2 - Investments^{1/} of the United States Commodity Credit Corporation

Commodity	Quantity			Value		
	Thousand	Metric Tons		Million Dollars		
	1952	1953	1954	1952	1953	1954
	End of February					
Wheat	6,672	13,550	24,895	564	1,143	2,195
Maize	10,658	12,232	19,374	659	763	1,224
Cottonseed Oil	7	206	464	3	83	185
Linseed Oil	96	86	49	60	55	26
Flaxseed	40	97	412	5	14	58
Butter	-	29	139	-	43	207
Cheese	-	6	131	-	5	117
Milk, dried	16	36	235	5	14	87
Tobacco	186	266	294	203	271	284
Cotton Upland	91	448	1,813	66	311	1,370
Cotton Linters	7	152	254	1	31	54
Wool	-	41	50	-	55	82
All Others	-	-	-	264	204	363
TOTAL	-	-	-	1,830	2,992	6,252

1/ Pledged for loans and inventories.

Source: Commodity Credit Corporation, Reports of Financial Condition and Operations, as of 28 February 1953 and 1954.

Stocks

11. The accumulation of unsold stocks, especially for wheat, sugar, vegetable oils, cotton and rubber, is still the outstanding feature of the commodity situation. Though the problem is fairly widespread, the surpluses have accumulated mainly in the United States under price support programmes. Tables 1 and 2 give stock figures for selected commodities but it must be emphasised that, as they include normal carryovers, they do not indicate the size of the surplus element.

12. There are a number of factors which may slow down or prevent further growth of stocks, namely, acreage restrictions and marketing quotas for wheat in the United States and cotton in both the United States and Egypt, the Cuban restrictions on sugar production and the export quotas prescribed in the Sugar Agreement in so far as they will serve to deter production, the decrease in natural rubber production and the curtailment of U.S. synthetic rubber production. Jute stocks are decreasing. Stocks of linseed oil have fallen sharply recently and those of edible oils have decreased moderately, though if the coming crops are good, stocks may again increase. United States stocks of dried skim milk have recently been substantially reduced by diversion for feed use. The termination of rationing in the United Kingdom holds out some hope of increased absorption of meat though higher prices may limit the increase. Purchases by the USSR if continued may remove marginal quantities of livestock products and vegetable oils. Increasing pigmeat production in the United States and some other countries may bring about a larger consumption of coarse grains, though later on may increase competition in meats.

13. However, as long as rigid support policies stimulate production, restrict imports and deter increases in consumption, a tendency towards surpluses will continue. Production restrictions are not always successful. In the current year, one effect of the U.S. acreage restrictions on wheat and cotton is increased sowings of feed grains and another may be increased yields of the restricted crops.

14. As the bulk of stocks are under government control, there is no danger of the unorganised disposals experienced in earlier periods. On the other hand, there is a growing tendency to seek outlets by means of two-price schemes and similar arrangements which, in certain circumstances, can depress, perhaps unintentionally, world market prices and harm competing exporters.

Prices

15. Since the autumn of 1953, commodity markets have shown some strength, in spite of the slight recession in the United States. A variety of factors have combined to bring about this result. In the case of grains and sugar, extensive government segregation of stocks and acreage restrictions have prevented a greater fall. Nevertheless, current prices of grain, including rice, are below last year's and supported U.S. domestic prices no longer tend to provide a floor under international markets. Under the influence of Cuba's marketing policy and the International Sugar Agreement, sugar prices have been temporarily stabilized. In the case of cotton, the U.S. price and production policies have been so effective that prices for American cotton have been moving upwards, reinforcing price advances in Pakistani and Egyptian cottons, the production of which had been restricted earlier (see Appendix Table II).

16. In the case of rubber, prices in the spring of 1954 were considerably lower than a year earlier. Recently, however, they have strengthened, owing to curtailment of synthetic rubber production in the United States, to the expectation that supplies and consumption will come into balance in the near future, and to fears of possible supply difficulties arising out of the Indo-Chinese war.

17. North American surpluses of dairy products arose mainly because of the U.S. price support, but these supports were reduced in April. Some surpluses exist also in other countries, e.g. dried and tinned milk in the United Kingdom. In May, American butter stocks were offered at prices below the domestic level. Russian purchases of butter have helped to keep butter prices in world market fairly stable.
18. Movements in fats and oils have been divergent, but on the whole prices have been relatively stable, partly owing to U.S. storage operations. Since 1953 cottonseed and linseed oil from government stocks have been sold for export at prices below the support domestic level. Linseed oil prices have declined heavily.
19. No general downward trend in prices of livestock and meat has occurred in the past year. This generally firm tendency is due to high consumer incomes on the one hand and to the fact that the more plentiful supply of feedgrains has not yet been fully reflected in pigmeat production. European egg prices, in contrast, have fallen sharply because of increased production -one consequence of the ample grain supplies.
20. The wool market is also relatively firm. Prices for crossbred wool have been fairly steady and the short-term trend of Merino wool prices has turned downwards, apparently only temporarily.
21. The most striking instance of price advances is in beverages -coffee, cocoa and, to a smaller extent, tea. This price jump is the result of the continuing high demand and reduced or inadequate supplies.

III. INDIVIDUAL COMMODITIES

22. The contraction in world wheat trade which set in in 1952/53 is continuing in the current year owing to good domestic crops in a number of importing countries. World exports in 1953/54 are provisionally expected to fall approximately to 22 million tons, a decline of 15 percent from the preceding year. Sharp declines are shown in the exports of the United States, Canada and Australia while those of Argentina, though considerably larger than in the two previous years, are still below the pre-war level. The remaining exporters may have increased their exports slightly. Consequently, July stocks in the four major suppliers, which had increased very substantially last year, will probably rise to 46 million tons in 1954 (against 34 million tons a year earlier) of which 80 percent will be held in North America. The acreage restrictions applied to the current United States wheat crop have resulted in a reduction of about one fifth in the seeded area and represent an important step towards adjustment of production, although the coming harvest may yet prove larger than the quantity needed to meet domestic requirements and exports at the current rate. In Canada, also, farmers intend to plant this year 4 percent less wheat, though even a relatively sharp reduction in production would still allow the 1953/54 rate of disappearance to be met. It is doubtful, therefore, whether stocks can be reduced in 1954/55, unless there are very marked increases or shifts in trade. Preliminary indications on crops in importing countries do not suggest that wide changes from last year are likely. Prices of wheat exports have, on the whole, declined in 1953/54. Domestic markets in the United States, however, have shown little net change as compared with a year ago, owing to the large quantities delivered to the Government under the support program.

23. Exports of coarse grains in 1953/54 will probably be slightly larger than in the previous year, and supplies remaining at the end of the year will be only a little larger than they were at the opening. The increase in shipments has been directed primarily to European importing countries, though their domestic production was larger than that of the previous harvest. Prices, except for U.S. maize, moved appreciably downwards again during the year, though the fall in 1953/54 was not as steep as that of 1952/53. The carryover of coarse grains in the United States at the end of the year will be larger owing to some fall in domestic consumption. Yields per acre may be less favourable this year but, owing to some increase in the acreage of feed grains resulting from diversion of land from crops subject to restriction, supplies available in 1954/55 may not undergo much change. Not much change is anticipated in the Canadian carryover. In Canada, also, the reduction in the wheat area has resulted in some increase in the area intended for feed grains. Exportable supplies in Argentina will be significantly larger in the case of maize, the present prospects pointing to an increase in the crop of about 2 million tons. Supplies in general, while ample to meet likely import requirements and tending to increase, do not appear excessive.

24. World rice production has again increased, the exceptionally poor yield in Japan being considerably outweighed by good crops elsewhere, notably in India. International trade has been recovering from the low level of 1953, and total shipments in 1954 may equal those of 1952. The growth of stocks in exporting countries will thus be checked for the time being, but exportable supplies are probably still larger than prospective imports. There has been no marked change in prices since November 1953, though some countries have only recently adjusted their export prices to the levels then established. There is a strong possibility of import demand shrinking again in 1955, unless price-relationships change to make rice a more attractive purchase.

25. Outstanding features of world fats and oils markets since mid-1953 have been a substantial reduction in exports of edible oils from China to Western Europe; a gradual recovery in world exports of copra and coconut oil from the relatively low level of mid-1953; heavy export sales of linseed and cottonseed oils from U.S. government stocks, as well as large U.S. commercial exports of tallow, greases and soybeans; large export sales of linseed oil from Argentine government stocks; a sustained import demand from Western Europe; the first large-scale imports of linseed oil into the USSR on record,

except for quantities received during World War II under "lend-lease"; and the transformation of India from a net exporter to a net importer of fats, oils, and oilseeds. One particularly noteworthy event was the releasing in early May 1954 of 135,000 metric tons of linseed oil from U.S. "emergency reserves" for sale to exporters. This was in addition to about 95,000 tons already sold from Government stocks since summer 1953. Argentine export sales since last summer apparently have totaled well over 200,000 tons. Total world exports of linseed and linseed oil in 1954 probably will reach at least 500,000 tons, in terms of oil, compared with less than 300,000 tons last year. Prices of most fats and oils rose from mid-1953 to the end of the year but declined slightly in early 1954. Prices of lard rose in 1953 owing to reduced production in the United States, and have remained high. Prices of soft oils from non-dollar areas have shown a tendency to rise since mid-1953 but this tendency has been restrained by an abundance of U.S. supplies in world markets. Prices of copra and coconut oil declined abruptly in March 1954 after attaining an exceptionally high level in preceding months. The decline was due not only to the increasing production of copra but also to unusually large exports of African palm kernels, which compete closely with copra in world markets. Strong demand for inedible tallow in Western Europe, Japan and other parts of the world resulted in a vigorous recovery in the price of tallow in late 1953 from the post-war level reached in mid-year, despite the fact that export supplies in 1953 from the United States, the principal exporter, were the largest on record. Palm oil prices also recovered in late 1953 from a post-war level, reflecting the rises in prices of coconut oil and tallow, the principal competitors of palm oil. Prices of linseed and linseed oil declined almost continuously during 1953 and early 1954, reflecting the heavy exports from the United States and Argentina. Assuming a continuation of recent U.S. and Argentine export sales policies for fats and oils, and given favorable growing weather for Northern Hemisphere crops, world export supplies of fats, oils and oilseeds will remain abundant in coming months. Last fall's crops of West African groundnuts and Mediterranean olives, which are providing supplies in world markets in 1954, were materially larger than a year earlier. Copra production is rising, especially in the Philippines. Early spring prospects indicated large crops of linseed and soybeans in the United States this year, and U.S. production of lard is expected to show a rise beginning in the autumn. Despite the large exports of early 1954, there were still heavy government stocks of linseed and cottonseed oils in the United States in late spring. Argentine stocks of linseed oil were also substantial but a large part was awaiting shipment against sales already made.

26. Sugar prices have been remarkably stable since August 1953, in the face of a large increase in world supplies. Furthermore, in contrast to previous years, and especially in 1951/52, the increase in 1953/54 production of almost 3 million tons was largely in importing countries. European production reached almost 10 million tons, a rise of 1.9 million tons over the previous year. In Western Europe alone, owing to very favourable weather, the output of 7 million tons was 1.5 million tons higher than in the previous year and almost 400,000 more than Europe's total prewar production. Domestic production will thus suffice for about 90 percent of the continent's consumption, as compared with about 75 percent in prewar. Production rose also in the United States and in the importing countries of South America, Asia and Africa. In addition, in preparation for derationing, the United Kingdom accumulated large stocks which at the end of 1953 were estimated at about 1.7 million tons. In 1953, the frost in Brazil and rising consumption, particularly in Europe, again brought coffee supplies under heavy pressure, and prices rose from around 55 cents a lb. at the end of November to 90 cents in April 1954. Production in 1953 is estimated at 2.35 million tons, as compared with 2.33 million tons in the previous year; the outlook for 1954 is for a decline. An important factor is that at present stocks are very small. Cocoa prices in April 1954 were more than ten times the prewar average. In London, sales were made at 60-63 cents a lb. as compared with around 40 cents in the beginning of the season in October 1953. As for coffee, the sharp price rise was brought about by a decline in production and, no less important, a marked increase in European consumption - or at least imports - in 1953. Production declined from about 750,000 metric tons in 1952/53 to about 715,000 in the current year. Owing to restricted plucking in India and unfavourable weather conditions, world tea production was slightly lower in 1953 than in the previous year. While this reduction helped to strengthen prices, a more important factor was the rise in consumption in the United Kingdom, the United States, and a few other countries.

27. In 1953, world production of tobacco slightly exceeded that of 1952. But, due to area restrictions and lower yield, U.S. output was nearly 10 percent lower than in 1952. World exports increased and reached the high level of 1951. Total U.S. stocks rose slightly during 1953 whereas Canadian stocks declined slightly and acreage of flue-cured tobacco planted in Canada in 1954 has been allowed to increase to the full base acreage against only 75 percent in 1953. The area planted with flue-cured tobacco in the United States is practically unchanged. The United States, Cuba, India and Italy have still surplus problems in marketing; and stocks of Oriental tobacco are likely to increase during 1954. Prices in 1953 were generally higher than a year ago. In 1954, consumption is expected to continue to rise except in the United States where in 1953 cigarette sales for civil consumption fell slightly.

28. International trade in meat in 1954 may not show any substantial change against last year, when total world exports were somewhat above the prewar level. Two factors make for uncertainty; the effect of the derationing of meat in the United Kingdom together with the restoration of private trade in meat; and the extent to which the USSR continues to import meat. Current meat production is generally well upheld. Prices of meat animals, which in many Northern Hemisphere countries declined in 1953, are expected to be more steady this year. While there may be some changes of the prices of the different types of meat from the Southern Hemisphere during the present year, it is expected that the average price level will be fairly stable.

29. As regards dairy produce, an important factor is the accumulation of stocks, particularly in the United States. During the first quarter of the current year, in many countries more milk was produced than a year before and, barring unfavourable weather, further increases in milk production are likely in 1954. Butter production reached a post-war peak in 1953, but was still 5 percent below prewar. Butter imports into the United Kingdom rose by 9 percent in 1953. The USSR imported in the second half of 1953 about 40,000 tons of butter and these purchases may continue in 1954. Owing to ample supplies, prices of dairy produce have tended to decline. For the year beginning 1 April 1954, the price support for dairy produce in the United States has been reduced. Production is expected to continue at a high level and heavy stocks may exert pressure on prices of dairy produce in the course of 1954. From the United States is reported that about two-thirds of the total stocks of dried skim milk held by the Government were disposed of during the first three weeks of May 1954 for use in mixed poultry and animal feeds.

30. The egg supply situation has generally been satisfactory in Europe during the winter of 1953/54 and relatively low grain prices may result in a continued high level of production. In 1953, exports of eggs from European countries were greater than a year before, but those from both the United States and Canada declined. Imports into Western Germany and the United Kingdom increased. While in Europe egg prices in 1953 were generally lower than in the previous year, they were considerably higher in the United States and Canada.

31. World stocks of wool at the beginning of 1954 amounted to 600,000 metric tons, clean basis, i.e. equivalent to seven months' consumption. Consumption in 1953 was only 3 percent below the record level reached in 1950. In the last few months, however, the recovery in European wool consumption has been checked. World wool consumption in 1954 will probably be lower than last year. Supplies also are less ample. Production (on a clean basis) is on much the same scale as last season's record clip, but the clearance of sizeable stocks of old clip wool in South America, which took place in 1953, cannot be repeated. On the other hand, commercial stocks of wool are probably lower than at any time since 1946, and as a major decline in consumption is not envisaged, the market prospects for wool for the coming months do not appear unfavourable. A little over 10 percent of current stocks of wool are held by governments. The major items are the U.K. strategic stockpile, equivalent to $2\frac{1}{2}$ percent of domestic consumption of wool; and U.S. government stocks of domestic wool acquired in the course of price support operations.

32. The estimated world stock of cotton as of the end of the season at 17.8 million bales will be about 2.3 million bales larger than at the beginning. The total production estimate is 29.5 million bales, with the United States accounting for 16.3 million bales. Textile activity in North America has slowed

down perceptibly but in Western Europe and Japan advances have been greater than anticipated. The increase in stocks as of the end of the season will be mainly in the United States. However, with prices advancing generally and relatively sharply in non-U.S. growths, redemption of cotton pledged with CCC is proceeding in large volume. It is conceivable that stocks in the United States will be somewhat smaller than earlier envisaged (9.7 million bales) and stocks in importing countries correspondingly larger. Based on the acreage allotment and trend yields, a forthcoming U.S. crop of 11.5 million bales is expected. If consumption and exports are maintained at current levels, some reduction in stocks will take place in 1954/55.

33. To facilitate disposal of stocks of jute acquired in the course of price support operations, the Pakistani government drastically cut the acreage licensed for jute in the 1953/54 season and the total supply of jute in 1953/54 - excluding stocks in importing countries - may be estimated at 9 million bales as against 13 million bales last season. Exports of Pakistani jute to India and overseas totalled 5.3 million bales in 1952/53 and have been well maintained so far this season. The outlook for the coming season is rather uncertain. The Pakistani government has announced a decision to limit the acreage licensed for jute to an area which would produce 4.2 million bales. In spite of the less ample supply this season, prices in the international market have advanced only moderately.

34. The long decline in natural rubber prices now appears to have ended at a level somewhat below prices of the synthetic product. Production estimated for 1953 have not altered but consumption has been on a larger scale, and the excess of production is smaller than envisaged earlier - 110,000 tons, being equivalent to about 6 percent of production, as against nearly 20 percent in 1952. The natural and synthetic rubber consumption is expected to decline, but natural rubber will account for a larger share; consumption of natural rubber is expected to increase by about 70,000 tons - 4 percent. Output of natural rubber is expected to continue to decline but still less steeply in 1954. The excess of production at some 24,000 tons is the smallest in the postwar era.

35. World citrus fruit production increased further in 1953/54 but that of deciduous fruit was lower than in 1952/53. During 1953 there was a substantial increase in international trade for all fresh fruit. The European market increased its imports of the principal fruit by 20 percent over 1952 with the largest increases being in oranges and bananas. Decontrol of banana imports into the United Kingdom probably contributed to the increase in imports of 95,000 tons over 1952. Imports of fresh fruit, mainly citrus fruit, into Eastern Europe have been increasing. The United States has continued the export payment programme for oranges, grapefruit and winter pears. Citrus fruit and some other fruits are included in the export programme for surplus commodities against payment in soft currencies. There is a clear upward trend in fresh fruit consumption in nearly all countries, though in the United Kingdom per caput consumption is still below prewar. In 1954/55 trade may increase.

36. For dried fruit, the total raisin pack in 1953 was about the same as in 1952 in spite of a decrease in the U.S. pack from 263,000 to 202,000 tons. There were substantial increases in production in Australia, Turkey and Iran. Production of currants increased slightly. Exports of dried vine fruit increased though the United States and Turkey exported less. The United Kingdom bulk purchasing programme was discontinued on 1 December 1953, but shortly before this date the United Kingdom bought 22,000 tons of surplus pool raisins in California for shipment in the late spring of 1954. The United States continued its export subsidies and Turkey adopted a similar policy. The United Kingdom-Australian agreement was extended to cover also 1954. In May 1954 a further cut in U.S. export prices was made by low-price sales of the surplus pool to packers. Total output in 1954 is likely to exceed that of last year and the sharp competition may result in further price cut in the export market.

ANNEX TABLE I - INDICES OF WORLD PRODUCTION OF AGRICULTURAL COMMODITIES (1934-38 = 100)

COMMODITY	WORLD 1/		NORTH AMERICA 2/		WORLD 1/ WITHOUT NORTH AMERICA 2/		1953 % of 48-50	1948 -50	1952 (1952/53)	1953 3/ (1953/54)	1952 (1952/53)	1953 3/ (1953/54)	1953 % of 48-50
	1952 (1952/53)	1953 3/ (1953/54)	1948 -50	1952 (1952/53)	1948 -50	1952 (1952/53)							
Rice (Paddy)	104	111	116	186	228	249	134	104	110	114	110	114	110
Bread Grains 4/5/	106	127	125	122	157	139	114	98	113	118	113	118	120
Coarse Grains 5/6/	111	116	118	129	126	122	95	95	108	115	108	115	121
Tot. Grains ex Rice 5/	109	120	121	127	134	127	100	97	110	116	110	116	121
Sugar 7/	126	142	153	108	111	119	110	129	147	159	129	159	122
Vegetable Oils 8/	120	128	119	192	198	204	106	104	115	102	104	102	98
All Fats and Oils 9/	116	127	121	159	172	174	109	102	113	103	102	103	101
Meat 10/	110	121	127	134	142	152	113	96	109	114	96	109	118
Milk 11/	103	111	117	112	112	118	105	99	110	116	99	110	118
Butter 11/	84	85	95	77	69	78	101	88	96	106	88	96	120
Cheese 11/	122	135	147	167	164	185	110	109	127	137	109	127	126
Eggs 11/	129	144	147	160	171	174	109	101	118	121	101	118	120
Citrus Fruit	132	149	154	172	183	197	114	122	131	132	122	131	118
Bananas	122	134	138	-	-	-	-	122	134	138	122	134	113
Coffee	91	96	97	-	-	-	-	91	96	97	91	96	107
Cacao	107	103	100	-	-	-	-	107	103	100	107	103	93
Tea	113	127	126	-	-	-	-	113	127	126	113	127	112
Tobacco	119	129	130	-	-	-	-	119	129	126	119	129	113
Wool (Clean Basis)	108	121	121	155	175	160	103	103	107	116	103	107	113
Cotton (Lint)	103	123	124	60	61	62	103	115	129	128	115	129	112
Raw Silk	29	39	38	108	119	129	120	98	128	117	98	128	120
Man-made Fibers	202	249	292	-	-	-	-	29	39	38	29	39	130
Total App. Fibers 12/	112	134	138	438	505	542	124	138	179	223	138	179	162
Jute	95	142	76	121	134	145	120	106	134	132	106	134	125
Hard Fibers	98	113	110	-	-	-	-	95	142	76	95	142	80
Natural Rubber	166	183	176	-	-	-	-	98	113	110	98	113	112
All Rubber 13/	216	271	270	-	-	-	-	166	183	176	166	183	106
				14/	14/	14/	186	165	182	175	165	182	106
POPULATION	118	123	125	118	124	126	107	118	123	125	118	123	106
Agricult. Production													
Total	114	125	127	135	148	147	109	108	118	121	108	118	112
Per Caput	97	101	101	115	120	117	101	91	95	96	91	95	106

Footnotes to Appendix Table I - Indices of World Production of
Agricultural Commodities.

- 1/ Excluding USSR, Eastern Europe and Continental China.
- 2/ Canada, United States and Hawaii.
- 3/ Preliminary
- 4/ Wheat and Rye.
- 5/ The prewar average relates to mainly 1934-38, but for North America the basis of 1937-41 has been taken to eliminate the effects of the droughts of 1934 and 1936.
- 6/ Barley, oats, mixed grain, maize, millets and sorghums.
- 7/ Raw value, centrifugal only.
- 8/ Including oil seeds in oil equivalent.
- 9/ Excluding butter. Prewar basis mainly 1934-38 average, but 1937-41 has been used for the United States.
- 10/ Western Europe, North and South America, Oceania and Union of S.Africa only.
- 11/ Western Europe, North America, Argentina, Oceania and Union of S.Africa only.
- 12/ Wool, cotton, raw silk and man-made fibers.
- 13/ Natural and synthetic. World production of synthetic rubber has grown as follows (ooo m.tons): 1934-38, 5; 1948-50, 510; 1952, 892; 1953, 951.
- 14/ There was no prewar production of synthetic rubber.

ANNEX TABLE II - Selected Commodity Prices

(The following prices are in general of international significance even though they include some prices which are mainly of domestic importance)

COMMODITIES	UNIT	Jan-June		December		March		June		September		December		Price		Latest Price P)	
		1950	1951	1952	1953	1953	1953	1953	1953	1953	1953	1953	1953	1953	1953		Date
1. Rice (a) U.S.A.	U.S.\$-100 lb.	8.10	9.80	10.75	12.20	12.40	8.65	9.40	9.25	114	76	107	107	107	107	Mid-May	9.00
(b) Japan	U.S.\$-m.t.	129	130	161	216	197	194	193	184	94	82	91	91	91	91	Mid-May	185
2. Wheat (a) Canada	U.S.c.-Bush.	195	186	228	244	207	203	194	242	108	101	109	109	109	109	April	244
(b) U.S.A. (domestic)	U.S.c.-Bush.	225	235	254	240	204	222	238	242	108	101	109	109	109	109	April	244
(c) c.i.f. Europe	U.S.\$-m.t.	80.5	80.5	90.2	78.2	73.7	75.9	70.7	74.9	74	60	99	99	99	99	Mid-May	70.5
3. Rye (Canada)	U.S.c.-Bush.	131	155	209	162	130	105	108	97	112	100	94	94	94	94	April	92
4. Maize (U.S.A.) (domestic)	U.S.c.-Bush.	139	169	193	156	155	166	156	156	112	100	94	94	94	94	April	157
5. Barley (c.i.f. Europe)	U.S.\$-m.t.	58.5	78.4	119.2	80.9	60.0	55.1	51.3	56.0	96	80	102	102	102	102	April	51.6
6. Sugar (Cuba)	U.S.c.-lb	4.39	5.36	4.84	3.27	3.62	3.29	3.27	3.28	96	80	102	102	102	102	April	51.6
7. Vegetable Oils & Fats (World)	1936=100	209	261	246	242	231	230	234	226	103	103	100	100	100	100	April	3.35
8. Meat (World)	1936=100	164	189	195	203	219	216	216	226	103	103	105	105	105	105	April	230
9. Butter (a) U.S.A. (domestic)	U.S.c.-kg.	135	146	174	149	145	148	147	144	107	98	97	97	97	97	April	230
(b) Denmark	U.S.c.-kg.	118	108	105	120	104	103	106	105	107	98	97	97	97	97	Mid-May	128
10. Eggs (Netherlands)	U.S.c.-lb.	81.7	88.2	78.9	66.1	65.5	84.9	71.1	52.2	89	88	102	102	102	102	Mid-May	128
11. Coffee (U.S.A.)	U.S.c.-lb.	47.8	54.0	54.1	53.8	61.8	61.5	61.3	86.4	181	140	140	140	140	140	Mid-May	84.8
12. Cocoa (U.S.A.)	U.S.c.-lb.	26.4	34.5	30.8	32.8	34.6	40.3	46.8	57.9	219	177	144	144	144	144	Mid-May	84.8
13. Tea (Indian)	d.-lb.	34.3	35.3	29.8	18.5	28.9	33.4	37.6	41.8	122	145	125	125	125	125	Mid-May	84.8
14. Wool (U.K.)	d.-lb.	133	224	137	146	153	147	139	130	98	89	88	88	88	88	April	135
15. Cotton (a) U.S.A.	U.S.c.-lb.	32.4	42.6	42.2	33.1	33.2	32.8	32.6	34.2	106	103	104	104	104	104	April	135
(b) Pakistan	U.S.c.-lb.	33.5	61.7	62.2	33.3	34.4	32.4	35.8	40.2	120	117	124	124	124	124	April	135
16. Jute (U.K.)	U.S.c.-lb.	116	120	158	73	81	82	90	88	76	121	107	107	107	107	April	34.2
17. Sisal (c.i.f. Europe)	U.S.c.-lb.	127	180	213	105	93	93	90	90	88	75	86	86	86	86	April	39.8
18. Rubber (Singapore)	U.S.c.-lb.	21.0	56.0	45.8	29.7	24.0	20.9	19.1	17.9	85	75	86	86	86	86	April	19.8
19. Hides (U.S.A.)	U.S.c.-lb.	21.9	35.8	18.8	16.5	12.8	17.0	12.3	10.3	47	80	61	61	61	61	April	19.8
20. Index No. of World Market Prices	1936=100	239	329	282	253	256	252	251	256	107	100	102	102	102	102	April	259

Note:

- 1a. New Orleans, Zenith, No. 2 milled
- 1b. Import Unit Values; quarterly, 4th quarter for December, 1st quarter for March, etc.
- 2a. No. 1. Northern Manitoba, outside IWA; from August 1953, same prices outside and inside IWA
- 2b. Kansas City, Hardwinter 2, cash, weighted average
- 2c. U.S. Redwinter 2, inside IWA
3. No. 2 Winnipeg Grain Exchange
4. Chicago, No. 3, Yellow, cash
5. From Iraq (or Northern Africa)
6. f.o.b. Export Price (No. 4. Contract)
7. Index Number of World Market Prices (Schulze): computed on a dollar basis
8. Index Number of World Market Prices (Schulze): computed on a dollar basis
- 9a. New York, 92, Score, wholesale
- 9b. Export price for shipments to countries other than U.K.
10. Barneveld, wholesale
11. New York, Brazilian Santos No. 4, ex dock
12. New York, Abora, spot
13. Calcutta for export, auction price, excluding export duty and excise
14. 64's Dominion Clean, cost delivered in the U.K.
- 15a. Middling 15/16", average of 10 principal markets
- 15b. Karachi, 289 F Punjab S.G.F., including tax
16. L.J.A., Daises 213, Dundae
17. British East Africa No. 1
18. No. 1. RSS, f.o.b., in bales
19. Chicago, f.o.b. Greed salted packers, steer heavy native
20. Computed by Richard Schulze, Frankfurt/Main, W. Germany; computed on a dollar basis

P = Preliminary