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Report of the Thirty-Fifth Session of the

COMMITTEE ON COMMODITY PROBLEMS

(including the Report of the Joint Session of the
United Nations Commission on International Commodity Trade
and the FAO Committee on Commodity Problems)

to the Thirty-Ninth Session of the Council of FAO

Rome, April-May 1962



FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

REPORT OF THE THIRTY-FIFTH SESSION OF THE

COMMITTEE ON COMMODITY PROBLEMS

TO THE THIRTY-NINTH SESSION OF THE COUNCIL OF FAO

Rome, April/May 1962

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

22 May 1962

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

Dear Sir,

I have the honour to transmit to you herewith the Report of the Thirty-Fifth Session of the Committee on Commodity Problems, which was held in Rome from 25 April to 15 May 1962. Also included is the Report of the Joint Session of the United Nations Commission on International Commodity Trade and the Committee on Commodity Problems, held from 7 to 14 May 1962.

Yours faithfully,

Viggo Andersen
Chairman, Committee on
Commodity Problems

COMMITTEE ON COMMODITY PROBLEMS

REPORT OF THE THIRTY-FIFTH SESSION

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INTRODUCTION

1. The Committee on Commodity Problems (CCP) held its Thirty-Fifth Session from 25 April to 15 May 1962, with an adjournment between 7 and 14 May for its Joint Session with the United Nations Commission on International Commodity Trade (CICT). The Thirty-Fifth Session of CCP was attended by the representatives of 23 member countries of the Committee, 22 observer countries and 10 international organizations.

2. Mr. V. Andersen (Denmark) was re-elected Chairman. Mr. O.A. Dias Carneiro (Brazil) and Mr. C. Anet Bilé (Ivory Coast) were elected First and Second Vice-Chairman respectively. The Committee's work during its session was aided by a General Drafting Group under the Chairmanship of Mr. C.F. Pennison (United Kingdom), by a Working Group on Documentation under the Chairmanship of Mr. G.H. Janton (France), and by a Rapporteur on the world agricultural commodity situation (Mr. A.C.B. Maiden, Australia). The Report of the Consultative Sub-Committee on Surplus Disposal was presented to the Committee by Mr. A.W. Broadbent (New Zealand) on behalf of Mr. A.R. Callaghan (Australia), the Chairman of the Sub-Committee. The Report of the Consultative Sub-Committee on the Economic Aspects of Rice was presented by Mr. A. Pierre-Duplaix (France), one of the Vice-Chairmen of the Sub-Committee. The Committee also heard statements by the Executive Director of the International Sugar Council (Mr. R.E. Stedman) and by Mr. G.H. Janton (France) reporting on a personal basis on the activities of the International Olive Oil Council.

Agenda and Organization of Work

3. The Committee adopted the Provisional Agenda for its Thirty-Fifth Session (document CCP 62/1). The orientation of the Committee's work is reflected in the arrangement of this report.

Annual FAO Commodity Review and Special Supplement

4. The Committee had before it the second issue of the annual FAO Commodity Review (CCP 62/4) and its Special Supplement (CCP 62/5) - Agricultural Commodities - Projections for 1970. As in the previous year, the Review provided an up-to-date and detailed survey of the world agricultural commodity situation and outlook. The Special Supplement was a document covering the longer-term outlook for agricultural commodity markets and food supplies, and was prepared primarily for the Joint Session of the CICT and the CCP. It was, however, put before the Committee because of its intrinsic importance and its close relationship to the annual Review.

5. The Committee took note of Conference Resolution No. 5/61 on Agricultural Trade Policies and Commodity Trade Problems, which states, inter alia, that the Conference

"Welcomes the publication of the FAO Commodity Review and the intention to make it a basic annual document for use by other UN bodies and other UN agencies;"

In this connection, the Committee noted that both the Review and its Supplement would also form part of the basic documentation for the FAO Regional Conferences (since the ground they covered and the problems they raised were generally of interest to all regions) and that they would also be made full use of by the appropriate United Nations organs. The two documents were also being issued as sales publications.

Joint Session of CICT and CCP

6. The Joint Session of the UN Commission on International Commodity Trade and the Committee on Commodity Problems was held at Rome between 7 and 14 May. Its Report is included in the present document.

PART ONE

GENERAL COMMODITY QUESTIONS

I. WORLD AGRICULTURAL COMMODITY SITUATION AND OUTLOOK

7. The Committee reviewed the major developments in the world agricultural commodity situation and outlook on the basis of information supplied in the FAO Commodity Review 1962 (CCP 62/4) and in a series of introductory keynote statements by delegates.

1. Recent Developments and Short-Term Outlook

8. In 1961, world output of a number of major agricultural commodities rose above that of the previous year and several new records were established. However, there were reductions in some important food and feed crops, including wheat, rice, coarse grains, sugar and coffee.

9. Trade in most commodities rose above that of the previous year under the influence of a high level of economic activity in the main importing countries, increased demand from the Sino-Soviet area and continued large sales on special terms. Prices, however, were generally lower than in the previous year, with those of food products showing the largest declines. At the end of 1961, quotations for some commodities, including sugar and fats and oils, were at the lowest level since the war, and cocoa and coffee prices had been cut to one-third and one-half, respectively, of their 1954 peaks. Many other prices, including those of butter, rubber, cotton and wool, while not at their lowest ebb, were nevertheless below those of most other recent years.

10. These price declines for agricultural products again contrasted with the upward tendency in prices of manufactured products entering international trade. Thus, not only did the primary producing countries have to export more to maintain the same level of foreign exchange earnings, but they had to dispose of larger quantities again in order to maintain the same volume of imports of manufactures.

11. The Committee agreed that there were no developments in prospect likely to change this situation significantly in the immediate future. Under favorable seasonal conditions, production of most agricultural commodities was likely to expand further in 1962. Tropical tree crops, such as rubber, coffee and cocoa, would continue to show the influence of replanting schemes, the coming into bearing of extensive new areas planted during the 'fifties, and improved cultural practices. In the majority of temperate countries, animal numbers were at record or near-record levels, and this was expected to be reflected in higher production of meat, dairy products and wool. However, further reductions in United States grain production appeared certain, and world production of vegetable fibers (cotton, jute and hard fibers) might show little change.

12. Most agricultural commodities were likely to experience a continuing strong demand in the immediate future, but the supply position and, for some commodities, competition from synthetics seemed to rule out any significant general advance in prices. The trade in wheat in 1962/63 might decline slightly from the record level of the current season, and supplies of rice for export in 1962 were much the same as in 1961. Exporters of meat and dairy products were likely to encounter continuing marketing difficulties, world trade in both cases being restrained by the high level of domestic production in the main consuming areas and the inability to develop any important new outlets.

2. The Longer-Term Outlook

13. The longer-term outlook was considered in more detail by the Joint Session of CICT and CCP in its review of the study on projections for agricultural commodities to 1970 prepared by the Secretariat. The main features are summarized in the following four paragraphs.

14. In the longer-term, the market situation for most agricultural commodities appeared likely to be characterized by a general tendency towards surpluses, unless measures were taken either on the demand or the supply side to alter current trends.

15. Consumption of most staple foodstuffs was unlikely to grow as rapidly as production in high-income countries, while on the other hand food production in most low-income countries might not grow sufficiently fast to meet domestic needs. Apart from other measures to increase consumption, there would continue to be scope for food-aid programs, particularly for some of the temperate-zone commodities, notably grains, of which export availabilities in high-income areas were likely to continue to exceed commercial requirements.

16. For tropical export commodities, the chief problem was that of maintaining or raising export exchange earnings, particularly for those developing countries whose economies were largely dependent on such exports, and especially as prospects for the rate of increase in consumption of these products in the high-income countries were rather conjectural. For agricultural raw materials, the existence and further development of synthetic substitutes, as well as other technical factors, implied that strong competition would be met with in most areas of utilization.

17. In general, on optimistic assumptions about the rates of growth of national income in the economically developed countries, which constitute the principal markets for agricultural exports, demand might expand sufficiently to absorb the likely supply (with the exception of those commodities such as grains, milk and coffee already in surplus). At the same time, the absorption of larger quantities by the world market would not necessarily imply a commensurate increase in export earnings in real terms, because of the possible adverse movements of relative prices. On less optimistic assumptions about income growth, considerable additional surplus problems could arise, while, in the low-income countries, food supplies would continue to lag seriously behind requirements.

3. Salient Features

18. The Committee found that the salient features and problems of the world agricultural commodity situation remained largely unchanged from previous years, although it noted some change in its emphasis on particular points. It agreed that these salient features were:

- (a) the continuing upward trend in agricultural commodity production, and the persistent disequilibria of supply and demand for many commodities resulting in large or emergent surpluses of food alongside low levels of nutrition in many parts of the world;
- (b) the persistent downward trend in prices of agricultural commodities, an upward movement in prices of manufactures and the consequent continuing deterioration in the terms of trade of agricultural exporting countries;
- (c) the increasing competition from synthetics;

- (d) the continuing trend towards regional arrangements for economic integration and the need for closer coordination of national agricultural policies.

These features are covered in more detail in the following paragraphs.

(a) The Continuing Upward Trend in Production and the Persistent Disequilibria in Supply and Demand for Certain Commodities

19. World agricultural production in 1961/62, or calendar year 1961, was characterized by a high level of output of most important commodities. In the majority of cases, production rose above that of the previous year, and in a few instances (meat, rubber, wool and probably cocoa) new records were established. However, production of some important food and feed crops (wheat, rice, coarse grains, sugar and coffee) was lower than in 1960/61.

20. Some of the more important changes in agricultural production in 1961/62 reflected the influence of seasonal conditions. However, in most cases more basic factors were also operative and some movements may be explained almost entirely in terms of changes in government policies or other developments of longer-term significance. Government policies in some important exporting countries are directed towards the reduction of surpluses, while technological factors generally operate to raise production further. The reduction in world coarse grain production, for example, reflected the influence of the United States Emergency Feedgrain Program and the lower sugar output was caused mainly by reductions in Western European beet acreages following the record harvests of the previous year and a sharp fall in Cuban production.

21. Stocks of a number of major commodities at the beginning of 1961/62 were higher than those of the previous year. Wheat stocks in the four main exporting countries taken together were virtually unchanged for the second successive year. Significant increases occurred in opening stocks of coarse grains, coffee, sugar, butter and soybean oil. However, stocks of soybeans, jute, wool and some other commodities were lower.

22. The volume of trade in most commodities in 1961 advanced compared with the previous year. World wheat exports in 1961/62 are expected to exceed the record established in 1960/61, following reduced harvests in Western Europe, still higher shipments to China, and continued large concessional sales. Trade in most commodities increased as a result of lower prices, higher purchases by the Sino-Soviet area and other factors.

23. The Committee noted that the stock position for some commodities is likely to show some improvement in the immediate future. Wheat stocks, in particular, will be reduced at the opening of the 1962/63 season, and further declines are possible in 1963. Coarse grain stocks in the United States will be reduced for the first time since 1952. On the other hand, stocks of coffee will remain much the same as twelve months previously, despite the action taken by the Brazilian authorities in destroying low-grade holdings, and stocks of soybeans will increase substantially.

24. The Committee felt that it was now possible for the first time in many years to visualize wheat supplies achieving a closer relationship with demand. In this connection, much will depend upon the outcome of the 1962 Canadian harvest, the success of the new United States wheat production policy and future sales to China. However, it was noted that this year's United States carryover will still be equivalent to about two years' exports at the high rate achieved in 1960/61.

(b) Downward Trend in Prices of Agricultural Commodities, Upward Movement in Prices of Manufactures and Continuing Deterioration in the Terms of Trade of Agricultural Exporting Countries

25. Throughout 1961, prices of agricultural commodities generally continued to drift downwards, although the reduction was smaller than in 1960. Food prices, which fell less rapidly than those of other items in 1960, showed the largest decline. Prices of the non-food group tended to strengthen in the middle of the year, but there was a sharp relapse in the final quarter, when prices for both groups combined were about 5 percent lower than in the final quarter of 1960. On the other hand, prices of manufactured goods entering international trade rose slightly. Thus the terms of trade of agricultural exporting countries showed a further deterioration. Some countries were able to maintain, or even increase, their exchange earnings by expanding the volume of their exports, but others suffered a reduction in export income. At the same time, it was noted that, for some commodities, prices for the higher grades and qualities showed less fluctuation.

26. The Committee noted that there appears to be a growing recognition that the exchange earnings of the underdeveloped countries are not growing at a rate commensurate with their requirements and that relatively small price declines on international commodity markets can more than counterbalance the favorable effects of aid programs. In this connection, the Committee reiterated its concern at the obstacles to the expansion and stability of international trade caused by the disharmony of national policies both in the production and trade fields.

27. Some delegations stressed particularly their concern at the continued disparity between world market prices and support prices in most industrialized countries. They urged that attempts should be made to find world-wide solutions to this problem on a commodity-by-commodity basis. It was noted that some steps have been taken in this direction within the framework of GATT, where a special meeting has been held to examine the problems of cereals.

(c) Increasing Competition from Synthetics

28. The Committee expressed its concern at the increasing competition which certain agricultural products, namely rubber and animal and vegetable fibers, were experiencing from synthetic materials. It noted in this connection that consumption of natural rubber increased by less than 2 percent in 1961, while that of synthetic rose by nearly 6 percent; and that consumption of synthetic in 1962 is expected to exceed natural rubber consumption for the first time.

(d) Regional Arrangements for Economic Integration

29. The Committee was informed about recent developments in the European Economic Community, including the provisions of the common agricultural policy, announced early in 1962. Its fuller discussion of this subject and the possible effects of the accession of other countries to the Community is set out in paras. 47 to 56 below.

II. FOOD AID AND SURPLUS UTILIZATION

1. World Food Program

30. The Committee noted with satisfaction that the FAO Council and the Economic and Social Council had approved the recommendations of the UN/FAO Intergovernmental Committee on the World Food Program for arrangements and procedures for the operations of the World Food Program, the establishment of which had been approved at the Eleventh Session of the FAO Conference and the Sixteenth Session of the General Assembly. The Committee expressed the hope that the successful completion of the

Pledging Conference, at which contributions to the Program, in cash, commodities, and services, would be announced, would open the way for the implementation of the Program with a fund of approximately \$100 million, as set by the FAO Conference and the UN General Assembly, and that a large number of countries would find it possible to participate in this new venture.

31. The Committee noted that the Intergovernmental Committee in its report had agreed that, in the administration of the World Food Program, the CCP Consultative Sub-Committee on Surplus Disposal should be kept informed of projects and policies to ensure that the activities of the Program, insofar as they involved the utilization of surpluses as food aid, were carried out in compliance with the Principles of Surplus Disposal recommended by FAO. The Committee considered that the various aspects of the Sub-Committee's work on food aid and surplus utilization under its established terms of reference would blend in well with, and complement, the more specific and operative functions of the multilateral World Food Program.

32. In general, the CCP, in its world-wide review and interpretation of questions of food aid and surplus utilization, whether carried out under bilateral or multilateral auspices, would take account of the activities of the World Food Program. Special attention would also be given to the requirements of the World Food Program in the continuation of the Committee's wider studies of experiences to date in the field of surplus utilization (see paragraphs 40 to 42 below), and related matters falling within the Committee's responsibilities.

33. In taking note of document CCP 62/12 - An Information Note on Food Aid and Surplus Utilization - the Committee asked to be supplied regularly, for its future sessions, with similar statements summarizing relevant activities in these fields.

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

34. The Committee received the Twelfth Report of the CCP Consultative Sub-Committee on Surplus Disposal (CCP 62/7) and expressed appreciation for the work of the Sub-Committee. Its consultative machinery continued to work well, and the lack of contentious issues in its Twelfth Report was evidence of the degree of the Sub-Committee's success.

35. The Committee recognized that the surplus problem, far from being solved, had assumed new aspects, clearly necessitating the continuance of the Sub-Committee, which indeed might have a greater role to play in the broadening field of surplus disposal and food aid.

36. The Committee did not believe that the Sub-Committee, in facing the new challenge which lay before it, including its consultative role in the World Food Program, needed to have its present terms of reference altered. These were, in any case, intended to be interpreted in a flexible way and on this basis the Sub-Committee should continue to keep under review developments in the disposal of agricultural surpluses with reference also, where applicable, to the causes of surplus accumulations; to assist FAO Member Nations in developing suitable means of surplus disposal; and 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 FAO Principles and Guiding Lines.

3. Other Periodic Reports and Related Matters

(a) National Food Reserves

37. At its previous session, the Committee had reviewed the first of the factual periodic reviews which had been undertaken by the Director-General at the Committee's request, as confirmed by the Conference, based on information received from government:

concerning the plans and arrangements fo decided at that time to keep the subject General to pursue his enquiries with gov paper presented by him (CCP 61/23). The the lines requested would be presented t

38. In line with further decisions ta was presented at the current session with prepared by the Wheat Utilization Commit was informed that the Wheat Utilization some aspects of the relationships between programs. For the time being, the Wheat specific task outstanding, but stood reas appear appropriate.

(b) OECD Report on Surplus Utilization

39. Under this heading, the Committee OECD on the possible role of food in dev established between the OECD and the FAO

(c) Special FAO Studies on Food Aid a

40. Based on the consideration of ques the Committee had formulated at its Thir and questions requiring more detailed stu

41. The FAO Conference, on having tak observations presented on these subjects Fourth Session of the CCP and reproduced Thirty-Fifth Session of the Council, had review, with special reference also to th of surplus utilization. 1/

42. In considering the follow-up actio instructions, the Committee also took car the UN/FAO Intergovernmental Committee fo special studies of use to the World Food on these matters, the Committee decided t own response to the request addressed to a consolidated version of earlier records include some up-to-date summary comment a the re-issue of the FAO Principles of Sur Committee requested the Secretariat to pr reports which, on broad lines, should cov matter as originally presented in the Chr Policy Study No. 10, together with the te food reserves and related material. Muo

1/ Report of the Eleventh Session of the which reads as follows: "59. A detai concerning the proposed multilateral f In taking note of the observations pre the Report of the Thirty-Fourth Sessio number of these observations also appl of food utilization and might require CCP to continue to keep these matters

the three official languages (though not in published form) and it was hoped, therefore, that the preparation of a consolidated version of these papers would not meet with any special technical problems and that they would prove of considerable practical value, not merely to the World Food Program but also to governments generally and to a wider public. The text of paragraph 33 of the Report of the Thirty-Fourth Session of the CCP (to which special reference was made, as noted above, in paragraph 59 of the Eleventh Session of the Conference) is reproduced in Appendix A to this report, for further reference.

III. NATIONAL AND INTERNATIONAL COMMODITY POLICIES

1. National Agricultural Price Stabilization and Support Policies

(a) Guiding Principles

43. The Committee was informed that the draft of the Guiding Principles for Agricultural Price Stabilization and Support Policies, as approved at its last session, had been formally adopted without change by the Eleventh Session of the Conference in Resolution 3/61. In accordance with this resolution, the Director-General had now transmitted a printed copy of the Guiding Principles to Member Governments with a note verbale inviting them to inform him by 15 July 1962 whether they were prepared to accept the Guiding Principles. A note will then be prepared for the Thirty-Ninth Session of the Council, to meet later this year, summarizing the response of Member Governments. Several members of the Committee recalled that these Guiding Principles were the culmination of many years of work, and represented a practicable compromise to which it was hoped all member countries would subscribe; this would mark an important step forward in reducing any adverse effects of domestic policies on international trade. The Committee asked to be informed at its next session as to the number of acceptances of the Guiding Principles received from Member Governments.

(b) Review of Recent Developments

44. The Committee considered the third of the annual reviews on recent developments in national agricultural price stabilization and support policies, prepared in accordance with Resolution 9/59 of the Tenth Session of the Conference (document CCP 62/20). The report had been prepared on the basis of the forty-eight replies received from Member Governments in answer to the note verbale of the Director-General, and of published information available to the Secretariat.

45. As requested by the last session of the Committee, this year's review included tables showing the price levels at which certain commodities were supported or stabilized in various countries during 1960 and 1961. The Committee asked the Secretariat to take account of the comments made by various delegates with respect to these tables in the preparation of further issues of the review. Revisions of the data submitted by a few delegations will be circulated in a corrigendum sheet.

46. The Committee generally approved the report and requested that such reviews should remain a regular feature of its agenda. For future issues it was suggested that more information might be included on "non-price" measures of support, and also on measures of "supply management". It was explained that problems of timing had this year precluded the advance circulation of the report, and the working party on documentation was asked to consider ways by which, in future years, the review could be circulated well ahead of the meeting.

2. Regional Policies for Economic Integration

(a) The European Economic Community

47. The Committee considered FAO Commodity Policy Study No. 13, Agricultural Commodities and the European Common Market (document CCP 62/8), which was an edited version of a paper originally submitted to the Eleventh Session of the Conference. The Committee noted the action taken by the Conference with respect to this document and in particular Resolution 4/61, in which the Conference had invited "Member Nations of FAO and especially those who are also members of the European Economic Community, when dealing with regional integration, to formulate their policies covering agriculture and trade in agricultural commodities in such a manner as not to jeopardize the exports of third countries."

48. The Committee also took note of the text of an aide-memoire by the Government of Brazil, drawing the attention of the European Economic Community to some difficulties which, in the view of the Brazilian Government, might arise with respect to exports to the European Common Market. The aide-memoire had originally been submitted to the EEC and copies had been circulated to the CCP at the request of the Brazilian Government under CCP 62/9.

49. The Committee noted that there had been two important developments since its last session. One was the application of the United Kingdom and some other European countries to join the Community; another was the formulation of the Community's common agricultural policy for a number of major agricultural commodities.

50. It was noted that, as now constituted, the EEC is the world's largest importer of grains, cocoa, cotton, wool and citrus fruit. With the addition of the United Kingdom, its share of the world grain trade would increase from 24 percent to 42 percent and of the wool trade from less than 40 percent to 60 percent. The range of commodities in which the Community is of key importance would be increased by the addition of some, such as butter, meat and tea, now imported in relatively small quantities by the Community but in large quantities by the United Kingdom.

51. Delegates of most countries neither members of nor associated with the Community referred to the adverse influence which the implementation of the common agricultural and trade policies of the European Economic Community might have on their economies and their economic development. According to these delegates, for temperate-zone commodities, the exports of countries outside the Community appeared to be particularly threatened by the proposals for a common policy now under consideration by the Community, and more so should the United Kingdom join the Community. For some of these commodities, a further obstacle to trade might arise, according to these delegates, from the adoption of a common external tariff more protective in its total incidence than those of the six countries of the Community prior to their integration. For tropical products, in addition to the proposed level of tariffs, a further possible adverse effect might arise, in particular for less developed countries, from the proposed new preferences in favor of the exports of countries associated with the Community.

52. Delegates of most countries not members of the Community recognized the benefits which the economic integration of the European countries might be creating for the Community's members, and welcomed the possibilities for an expansion of trade, particularly in industrial products, which the creation of the Community had already brought. However, they were concerned about the possible stimulation of agricultural production in the Community, and the diversion of trade away from third countries, unless particular care were taken by the policy-making bodies of the Community in their final determination of the Community's policies to recognize the interests and fears of countries outside the EEC.

53. Some delegates stated that, although the creation of the EEC might have beneficial effects on the total volume of aid to less developed countries, nevertheless, the possible aggravation of the trading problems created for less developed countries by European integration, unless adequate access to European markets was provided, threatened to nullify the benefits of increased aid.

54. A spokesman for the Community stated that, in implementing its common agricultural policy, the Community was conscious of the need for maintaining and developing trade with third countries. Moreover, the common agricultural policy was not a substitute for nothing, but would replace existing agricultural policies, compared with which it would be a more flexible mechanism. It should also be noted that the common external tariff would be, as a whole, at a lower level than the average of the national tariffs which existed previously. The indications so far showed that the trade of the Community with third countries had been increasing. There had been an increase in agricultural production in the countries of the Community, which might be expected to continue, but such an increase was to be considered simply as a continuation of trends resulting from scientific and technical progress already in evidence before the integration process had started. The level of prices established by the Community was not intended to stimulate production. It would be the intention of the Community, in determining its target prices, to take account of the weighted average of the prices prevailing in the various countries of the Community before the common agricultural policy was put into effect. The creation of a vast consuming market would also contribute to an expansion of trade with third countries. Moreover, the EEC had already made certain tariff concessions within the framework of recent multilateral negotiations, and was ready to participate in tariff negotiations which might take place in the future. Regional integration represented, in some respects, a step toward improved market organization, and it was possible that the tendency toward the creation of larger economic units at present manifesting itself in different parts of the world would permit more marked progress to be made toward world-wide arrangements for the stabilization of commodity markets.

55. With reference to this statement, some delegates pointed out that the increase in imports into the Community from third countries referred to by the spokesman for the EEC had taken place before all the agricultural and trade policies of the Community had come fully into force. They pointed out that expressions of concern made earlier in the Committee had related to the possible effects of the agricultural policies in respect to particular commodities, and they regretted that there had been no indication of any prospective improvement in access to the markets of the Community.

56. The Committee complimented the Secretariat on the preparation of document CCP 62/8 - Agricultural Commodities and the European Common Market - and requested the Director-General to continue to keep under review developments regarding regional economic integration and to submit to the Committee reports on such developments. One delegation requested that such reviews should also include consideration of the EEC policies on eggs and poultry, as well as examples of the incidence of levies on imports into the Community coming into force after July 1962. The desirability of an analysis of the common agricultural policies in the light of the FAO Principles for Agricultural Stabilization and Price Support Policies was also pointed out by one delegation.

(b) Regional Economic Integration Arrangements in Other Regions

57. The Committee also requested the Director-General to keep under review developments in regional economic integration arrangements in all regions and to keep the Committee informed, having special regard to the effects of such arrangements on commodity trade.

3. International Commodity Stabilization Techniques and Arrangements

58. In accordance with its standing practice, the Committee reviewed major new developments in the fields of intergovernmental commodity consultations and arrangements. The resulting observations by the Committee, insofar as they relate to individual commodities or groups of commodities, are presented in Part Two: Commodity-by-Commodity Review.

59. In general, the Committee concluded that action taken nationally and internationally to deal with commodity problems had been moving in the right direction and had met with some success. Because of the close link between national and international commodity stabilization measures, attention was drawn to the need for their joint consideration in intergovernmental studies and proposals for action. Larger groupings resulting from regional integration arrangements had posed new problems, but also opened up new possibilities for intergovernmental commodity action. At the same time, the Committee's review of major commodity developments had also borne out again the limitations of stabilization measures in dealing with basic longer-term trends, particularly for certain products faced with serious competition from synthetics.

60. Some suggestions for further studies to be undertaken by the Committee are contained in Section IV: Proposals for a Concerted Attack on Commodity Problems.

61. The Committee noted that the documentation presented by FAO to the Joint CICT/CCP Session, to be held during the week following the Committee's own deliberations, included the following three papers on topics which, in the absence of the Joint Session, would normally have been dealt with by the Committee as part of its own agenda:

- E/CN.13/50 : CCP 62/21 The Role of Marketing Boards for Export Crops in Developing Countries
- E/CN.13/51 : CCP 62/22 Commodity Stabilization Funds in the French Franc Area
- E/CN.13/53 : CCP 62/24 Compensatory Financial Measures for Commodity Export Earnings - Notes on Recent Studies and on Some Practical Experiments.

IV. PROPOSALS FOR A CONCERTED ATTACK ON COMMODITY PROBLEMS

62. The Committee had before it document CCP 62/16 - Suggestions for a Concerted Attack on Commodity Problems - containing a statement made at the Eleventh Session of the FAO Conference by the Director of the Commodities Division and circulated to the Committee for further consideration at the request of the Conference. The Committee agreed that the ten-point program outlined in that statement represented a useful summary review of possible ways and means to strengthen intergovernmental commodity consultations and action and that the points raised in the statement might warrant more detailed consideration.

63. The Committee asked the Secretariat to undertake the following two studies and to publish the results of such studies, if possible, in time for consideration by the Twelfth Session of the Conference and by the Thirty-Seventh (or Thirty-Sixth) Session of the Committee:

- (i) an analytical review of experience to date in the field of commodity policies, stabilization techniques, international commodity arrangements and consultations; and

- (ii) a survey of work being done or planned by FAO and other agencies under the ten points listed in the above quoted statement, together with any relevant background comment.

64. The Secretariat was also asked to suggest a possible outline for a more popular Commodity Policy Handbook. The text of such a handbook might be written in the light of the findings and conclusions of the first of the two studies listed in the preceding paragraph.

PART TWO

COMMODITY-BY-COMMODITY REVIEW

V. MATTERS RELATING TO INDIVIDUAL COMMODITIES OR GROUPS OF COMMODITIES

1. Grains and Rice

(a) Grains

Situation and Outlook

65. The Committee noted that the three major developments in the world grain situation since its last Session were: (i) a large increase in trade during the 1960/61 season, affected mainly wheat and flour; (ii) a marked reduction in 1961/62 world grain crops, concentrated mainly in North America and Western Europe; and (iii) a decline in world carryover stocks of grains in 1961/62. The increase in world grain trade in 1960/61 was largely due to an exceptionally sharp expansion of wheat imports into Western Europe. Other significant elements were the heavy purchases by Mainland China, particularly from Canada and Australia, and a continuing upward trend in concessional wheat imports by developing countries of Asia, Latin America and Africa. World shipments of all coarse grains (including rye) in 1960/61 were substantially unchanged. The reduction in the world wheat crop in 1961/62 to well below the previous year's level was due almost entirely to adverse conditions in North America and Western Europe, in the latter region for the second consecutive year. The decline in world production of all major coarse grains was due to a substantial cut in the acreage under maize and sorghum in the United States, in consequence of the 1961 Feed Grain Program, as well as to unfavorable conditions in the Northern Hemisphere generally. As a result of these factors, world grain trade in 1961/62 was likely to exceed the record volume of the preceding year, and a significant decline in carryover stocks of both wheat and coarse grains was expected for the first time in the last four seasons. International prices of both wheat and coarse grains had shown a sustained advance since the second half of 1961. The rise was most pronounced in respect of high protein wheats, prices of which reached the highest levels since the Suez crisis.

66. The outlook for international grain markets in 1962/63 was uncertain. However, official forecasts of U.S. wheat production for 1962, based on average growing conditions and yields, indicated some decline compared with last year. In Canada, the possibility of another below-average crop could not be excluded in view of the depletion of sub-soil moisture reserves in the Prairie Provinces, unless there were abundant rains in the late spring. A reasonably good crop, such as that of 1960, would provide sufficient wheat only for domestic use and normal exports, with no residual for additions to stock. In other major producing areas, growing conditions appeared generally favorable. In Western Europe, a larger winter wheat acreage had been seeded, and even though current indications showed some winter damage to crops, the 1962 output would probably recover to a level above that of 1960 and 1961. Larger grain harvests were also expected in the Near East and North Africa. The steady upward trend in world grain trade of recent years might be halted in 1962/63, as Western European imports might not match those of the two preceding years. However, the rising trend of imports into the countries of Asia, Africa and Latin America would probably continue. Provided that harvest prospects in major producing areas continued to be generally favorable, grain prices were likely to remain steady at higher levels than in 1960/61, though a deterioration in the outlook for the 1962 harvests might lead to a further increase in prices, especially of high quality wheats.

Activities of the FAO Group on Grains

67. The Committee noted that there had been no session of the FAO Group on Grains during the period since the last CCP Session, but that its Seventh Session would be held from 12-21 June 1962 in Rome. The Committee further noted that, in line with its own request at the Thirty-Fourth Session, the Group at the coming session would give special attention to: (1) the feasibility of international action in the field of coarse grains, and (2) the examination of national grain policies and their international implications.

International Wheat Agreement

68. The Committee welcomed the conclusion of the new International Wheat Agreement which will replace the 1959 Agreement expiring on 31 July 1962.

Group on Cereals of the GATT

69. The Committee was informed of the meeting held in February 1962 by a Group on Cereals, set up by the GATT Ministerial Session in November 1961. The Group surveyed prospective marketing conditions for wheat and held a preliminary discussion of certain suggestions relating to the organization of the market for that commodity.

(b) Rice

Situation and Outlook

70. Production and consumption of rice showed upward trends but there was no evidence of growth in international trade, which was likely to fall for the second year running in 1962. Rice crops in a number of countries of Asia and the Near East suffered from unfavorable weather in 1961/62, exporting countries being particularly affected. Since carryover stocks in exporting countries were depleted in the previous year, total available supplies were smaller and the volume of trade in rice would probably decline. There was no indication of any recovery in shipments from Mainland China which, while still exporting limited quantities, had purchased a further substantial amount of rice from Burma to meet its main export contracts. World import demand was generally sustained, even though Japan and the Philippines had reduced requirements. In the current year, Indonesia, the largest importer, had a bigger import demand because its production had been affected by drought, while the Republic of Viet-Nam and the United Arab Republic had both temporarily become importers. In view of the decreased supplies and sustained demand, free market prices rose by about 10 percent in the early months of 1962 to their highest levels since 1958, but the decision of Burma not to raise prices in its major bilateral contracts had so far maintained the stability of a large sector of trade.

71. The outlook for international rice markets in 1962/63 would be mainly determined by the size of next season's production in the Far East, assuming Mainland China did not unexpectedly resume exporting on a large-scale. If growing conditions returned to normal, Asian production should resume its upward trend under the impact of government development programs. Larger supplies could also be expected in the Near East on the same assumption, while in Europe and North America production should increase following the recent abolition of controls on the Italian rice area and the higher acreage allotment established in the United States. There might consequently be some fall in free international prices. Part of any additional supplies, however, would probably be required to rebuild rice stocks in exporting countries and to add further to national reserves in importing countries, which had been growing steadily in recent years.

Activities of the Consultative Sub-Committee on the Economic Aspects of Rice

72. The Committee unanimously commended the report of the Sixth Session of the Consultative Sub-Committee on the Economic Aspects of Rice, which the Committee considered to be one of the most important held since the group was established seven years ago. Apart from its regular activities, the Sub-Committee had completed a thorough examination of trends in rice production, consumption and international trade based on studies which had been initiated at the suggestion of the Committee. The principal conclusions were that world supplies and demand should continue to expand but that the longer-term outlook for trade was uncertain in view of the declared aims of most of the major importing countries to eliminate, or at least to reduce, their dependence on foreign supplies. This was the more serious since many exporting countries, several of which are underdeveloped and heavily dependent on rice as a source of foreign exchange, were planning to expand production for export. The Sub-Committee had agreed on a number of policy recommendations with a view to reducing the risk of conflicting national policies causing disequilibrium in world rice markets and adverse repercussions on the economies of exporting countries. The CCP commended these recommendations to governments for their serious consideration, and approved the Sub-Committee's request that they be transmitted to the Sixth FAO Regional Conference for Asia and the Far East, as well as to the Economic Commission for Asia and the Far East. It was glad to note that the Sub-Committee intended to reassess periodically the longer-term market prospects for rice in the light of the actual progress achieved in national development plans.

73. The Sub-Committee had also carried out at the request of the CCP an appraisal of its past activities, terms of reference, and future plans. There was general acceptance of the practical value of the Sub-Committee's work, and its terms of reference were considered to be fully adequate. The Committee approved the Sub-Committee's proposal to focus its future activities mainly on (1) its annual review of the world market situation; (2) a continued program of study on the longer-term outlook for production, consumption and trade; and (3) the international effects of national policies and of regional schemes for economic integration. The Sub-Committee believed that closer collaboration with the FAO Group on Grains would be useful in examining common problems involving the interrelationships between rice and other cereals, and suggested that a joint meeting of the two study groups should be held at an appropriate time, possibly in 1964. The Committee in principle supported this proposal, which envisaged an overlapping of sessions rather than completely concurrent meetings. It asked the Director-General to obtain the views of the FAO Group on Grains and, if the latter agreed, to draw up a provisional agenda for the joint meeting for the consideration and final decision of the CCP at its next session.

74. The Sub-Committee had further suggested that, as a means of enlarging markets for rice and of creating a wider understanding of the world rice economy, consideration should be given to the possibility of declaring an "International Rice Year" which might be held in conjunction with the World's Fair in New York in 1964/65. Some delegates supported the proposal in principle but others questioned whether it was appropriate to encourage rice consumption while there was still a shortage of supplies in some areas. It was also suggested that the endorsement by FAO of such a scheme for rice might set a precedent which would lead to difficulties if there were similar requests for a number of commodities. The Committee therefore asked the Director-General to examine, in consultation with interested governments, the administrative, constitutional and financial implications of the proposal and report his findings to its session in 1963.

75. The Committee noted with warm appreciation that the Government of Japan had invited the Sub-Committee to hold its Seventh Session in Tokyo in 1963.

2. Livestock Products

(a) Dairy Products

Situation and Outlook

76. The long-term widening disproportion between supply and demand of dairy products worsened further in 1961/62 with particularly severe effects in the international butter market. Continental European countries imported less and exported more, and with United Kingdom home production and exports from Oceania also higher, there was a substantial rise of supplies in the United Kingdom, the only large open market for butter. There were several consultations held under the aegis of GATT and OEEC with a view to finding a solution to the serious problems caused.

77. The failure of these consultations made it necessary for the U.K. Government to take action to reduce the quantities of butter imports in order to stabilize prices. This was achieved largely by voluntary agreement for a period of six months on the part of the countries sending butter to the United Kingdom. A further attempt was made in GATT to achieve a voluntary agreement to succeed the six months period and this also was unsuccessful. The United Kingdom Government, therefore, had to introduce import quotas for the 12 months ending March 1963, in order to prevent a collapse on the British market.

78. There was little evidence of successful restraints on production or a substantial increase of consumption in 1961 and the early part of 1962. Milk production showed a further tendency to outstrip demand owing to price-support incentives, increased productivity, and mechanization of dairy farms. The price situation worsened on the market for skim and whole milk powder, exports of which were heavily subsidized by a number of countries. The market for cheese showed a more favorable position during the first half of 1961, owing to increased demand, but the outlook for 1962/63 was less favorable. The market for condensed milk in developing countries expanded for some exporting countries, but it declined for others.

Review of Dairy Problems

79. In accordance with a program of work outlined at its Thirty-Fourth Session, the Committee undertook a full review of current problems in the dairy sector and of a number of special topics. Its discussions were based on a number of Secretariat documents prepared in accordance with requests made at the previous Session ^{1/} and are summarized in the following paragraphs.

(i) National Dairy Policies

80. The Committee noted that the basic principles and aims of national dairy policies in advanced countries continued in 1961/62 as in earlier years, but that several countries had made slight changes in producer and consumer pricing, had expanded welfare distribution, or had introduced consumer subsidies. Particular interest was shown in the proposals for the common agricultural policy of the European Economic Community relating to dairy products and the hope was expressed that, in the final formulation of its policy, the Community would pay due regard to its possible effects on production and consumption.

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- 1/ CCP 62/17/3 - Third Annual Review of National Dairy Policies
CCP 62/17/4 - Review of the Butter Situation
CCP 62/Working Paper No.1 - Progress of the Indian Dairy Industry during the Second Five-Year Plan
CCP 62/Working Paper No. 3 - Dairy Development and Policy in Yugoslavia
CCP 62/Working Paper No. 2 - Utilization of Milk Powders
CCP 62/Working Paper No. 4 - Economic Aspects of "Filled Milk" in the Philippines
CCP 62/17/2 - Means of Adjustment of Dairy Supply and Demand

(ii) Problems in the Butter Market

81. It was noted that butter production in the advanced countries continued to increase much more rapidly than demand. The resulting over-supply on the world market had threatened a major decline of prices in international trade, but this had been prevented by the introduction of restrictions on imports into the United Kingdom. This measure, however, constituted only a temporary relief and the need for long-term solutions remained. Some members expressed their dissatisfaction with the level of individual quotas.

82. There was general agreement in the Committee that the situation in the butter market would remain serious this year and that there were already signs of repercussions in the markets for cheese and whole milk powders.

(iii) National Dairy Policies and Problems in Developing Countries

83. The Committee agreed that the investigation of dairy problems in developing countries was a valuable contribution to its work and that it should be continued.

84. The Committee was also informed about FAO activities in developing countries, particularly those under the joint FAO/UNICEF programs on milk conservation projects.

(iv) Utilization of Milk Powders

85. In view of the difficulties experienced on the market, the paper prepared by the Secretariat on this subject was thought to be a useful compilation. The fact that only a limited number of countries could supply the Secretariat with information was regretted. The need to find new methods for utilizing whole milk powder was agreed upon as this would relieve, to some extent, the pressure on the butter market. Increased utilization of skim milk powder for human consumption could be a helpful outlet for milk, but would not solve the problem of the over-supply of milk fat. The increasing use of skim milk powder for the preparation of 'toned milk' in developing countries constituted an efficient way of providing the population of these countries with a relatively cheap source of animal protein.

(v) Substitution of Other Fats for Milk Fats in Dairy Products

86. In the short period since the introduction of the product in late 1957, production of "filled milk" had grown to supply over half of the total consumption of milk in the Philippines, which, however, had itself also expanded. There was a dilemma posed by 'filled milk'. On the one hand, there was the acute problem of a world surplus of milk fat, which would be worsened by an expansion of 'filled milk' production in areas where whole milk is now consumed. On the other hand, this product could make a net contribution to the food supplies in some developing countries, as well as foster their milk consciousness. The Committee agreed that the report was useful in showing the growth of 'filled milk' in a developing country and asked that the full version should be made available in the three official languages to all interested circles. The study of the substitution of vegetable oils for milk fats should be continued, it being left to the Secretariat to decide the form of this work.

(vi) Long-Term Study

87. The Committee considered that the preliminary report on means of adjustment of dairy supply and demand which had been prepared by the Secretariat was a useful study of the imbalance between world supply and demand. The projections, which needed refinement, provided a framework which indicated the magnitude of the problem faced by the dairy industry. The survey of the large number of various short and long-term measures, attempted or proposed, for alleviating the disequilibrium on the dairy market was also useful, bearing in mind that it was intended to be strengthened with additional information and a more thorough analysis of the experience that various countries had had with these measures. The Committee recommended that countries which had not supplied sufficient data through national correspondents should do so as soon as possible. The report should be completed and sent to governments for study in good time before the next Session of CCP.

88. The Committee agreed that the Director-General should invite a selected number of governments of countries of particular importance in the world dairy economy, and intergovernmental agencies actively concerned with dairy problems, to nominate members of an ad hoc working group. This group should examine and evaluate various possible means of adjusting dairy supply and demand and should advise the Secretariat in the preparation of the final report. The meeting should be convened at FAO Headquarters in Rome in the latter part of the year.

89. It was also agreed that the Secretariat's balance sheets of production and utilization of dairy products in individual countries should be examined by governments and returned as soon as possible.

Future Arrangements for the Consideration of Dairy Products

90. The Committee agreed that the Secretariat should prepare the following studies for the next Session of the CCP:

(i) Situation and Outlook

The CCP would continue to consider the dairy situation and outlook, as presented in the annual FAO Commodity Review. This review should examine the situation of production, consumption, trade and prices of milk and milk products and pay particular attention to critical problems arising in relation to dairy products during the year.

(ii) The Butter Situation

The review of the butter situation, on the lines of document CCP 62/17/4 should be continued.

(iii) National Dairy Policies

The Annual Review of National Dairy Policies should be continued.

(iv) Dairy Problems in Developing Countries

The investigation of dairy problems in developing countries should be continued within the resources of the Secretariat.

(v) Long-Term Dairy Problems

The study "Means of Adjustment of Dairy Supply and Demand" should be completed in final form.

(b) Meat

Situation and Outlook

91. World meat production (excluding Mainland China) in 1961 was nearly $3\frac{1}{2}$ percent larger than the year before, mainly due to marked increases in beef and poultry meat. Owing to abundant supplies, prices tended to decline. On the United Kingdom market, prices for beef, lamb and mutton were considerably below their 1960 levels. Because of large increases in output, poultry prices were generally down, and pigmeat prices also started to decline in the second half of the year. The volume of world trade in 1961 was about the same as that of 1960. A shortfall in shipments of carcass beef from the Southern Hemisphere was not entirely offset by increased exports from countries in Western Europe; and total beef exports were less than in 1960. On the other hand, trade in poultry meat reached a new record level, and exports of canned meat also

exceeded the previous year. In 1962, world production would continue to expand in all major producing areas, with, in particular, a large increase in Western Europe's pigmeat output. More meat would be available for export, but because of growing production in the major importing countries, prices on world markets were expected to show little change in comparison with 1960.

Study on the Outlook for World Meat Markets

92. The Committee was informed of plans to undertake a study on world market prospects for meat and meat products which had been requested by the UN Economic Commission for Latin America, following a proposal of the Government of Uruguay. A number of comments and suggestions on the draft outline which was submitted to it were made by the Committee, which endorsed the proposal to carry out the study. The study would concentrate not only on prospects of interest to exporting countries in Latin America, but also on those for other countries participating in the world meat trade. The Committee took note that GATT was convening a group on meat and agreed that there should be close collaboration between the two organizations in this matter.

(c) Eggs

Situation and Outlook

93. Egg production in 1961 increased in most areas, with the major exception of North America, and the total was about two percent above that of the previous year. In Western Europe, the main trading area for eggs, the expansion in production was resumed in the second half of the year, but because of the preceding cyclical decline, the total for the year was only a few percent larger than the year before. The Federal Republic of Germany, the world's largest importer, recorded a further substantial increase in home production. The volume of world trade in eggs remained virtually equal to that of 1960. Shipments from exporting countries in Western Europe were less than in 1960, mainly because of a further reduction in Danish exports. This shortfall was almost entirely offset by larger exports from Eastern Europe, and Poland became the world's second largest exporter. Prices in Europe fell sharply in the autumn of 1961 and the decline continued during the first months of the current year when they reached their lowest postwar levels. As the expansion of laying flocks appeared to have been checked in certain countries, prices had since recovered, but exporters would continue to face difficulties in view of the marked growth in production in the Federal Republic of Germany and the United Kingdom.

3. Fats and Oils

Situation and Outlook

94. Following large crops of United States soybeans, Russian sunflowerseed, and West African and Indian groundnuts in the autumn of 1961, world supplies of edible vegetable oils would be abundant in 1962. The upward trend in butter production was likely to continue, especially in Europe. World cattle and pig slaughter was expected to rise rather strongly in 1962, and more tallow and lard could accordingly be expected. Production of coconut, palm kernel and palm oils, however, was not likely to increase significantly, if at all, and olive oil production in the Mediterranean area was down sharply. World supplies of linseed oil in early 1962 were relatively scarce as a result of poor North American crops of linseed in the summer of 1961 and a depletion of Argentine stocks during the year; supplies in the second half of 1962 would depend on the outcome of the North American crop. Altogether, world production of oils and fats in 1962 would show an above average increase, probably one of 3 percent or more over the estimated output of 31.8 million metric tons of the previous year.

95. The heavy supplies would probably be reflected in a recovery in world trade, which declined by about 5 percent in 1961 to approximately 7.8 million tons, including oilseeds in terms of oil. This decline was attributable mainly to a reduced import demand in Western Europe, and to a strong speculative demand in the United States which resulted in a decline in that country's exports and an increase in its stocks. The demand for imports into Western Europe would probably recover, partly because of the smaller olive crop in the southern countries. The general level of fats and oils prices would probably remain relatively low on account of the heavy supplies. The FAO index of international market prices of fats and oils other than butter was likely to average below 90 in 1962 (1952-54 = 100) compared with 91 in 1961 and a 1956-60 average of 97.

96. A special feature of the price situation was the United States price support for soybeans, which had been increased by 24 percent in 1961 to \$2.30 per bushel to farmers. A bumper crop had held prices close to the support, and this situation had been reflected in a stability in the price of soybeans in international markets since late 1961 at around \$100 per metric ton c.i.f. European ports, moderately above the level in most recent years. Oil millers in Western Europe had been able to offer soybean oil at a lower price than usual in relation to the price of soybeans because the prices of soybean cake and meal in Europe had been unusually high, owing to a strong demand for high-protein feeds. Unless prices of oil cakes and meals as a whole rose further, however, the steadiness in soybean prices would be reflected in the price of soybean oil. U.S. Government stocks of soybeans would be substantial at the end of the year as a result of the large crop and the relatively high level of price support.

International Olive Oil Council

97. The Committee heard a brief report on the Sixth Session of the Olive Oil Council, which had been held in Madrid in April, 1962. The Council had now launched an advertising and sales promotion campaign for olive oil in Germany, Austria, and Switzerland. The International Olive Oil Agreement would expire in September 1963 and the Council had agreed on preparatory steps for its renegotiation. A group of government-nominated experts would meet shortly in Madrid to study economic problems of the market for olive oil and to prepare a report which would be sent to Member Governments. The Council hoped that this could be accomplished in time to hold in the early summer, perhaps at FAO Headquarters in Rome, a meeting of a Preparatory Committee which would consider the report of the Group of economic experts and would consider any problems that might be encountered in renegotiating the agreement. A formal renegotiating conference was tentatively planned to be held under UN auspices in Geneva early in 1963. Reference was made to the fact that the CCP had set up a working party in 1954 and that its report had provided a basis for the subsequent intergovernmental consultations.

FAO Group on Coconut and Coconut Products

98. The Committee noted with interest the report of the Fourth Session of the Group on Coconut and Coconut Products, held at Trivandrum, India, in December 1962. The highlights of the report well illustrated some of the general world commodity problems mentioned by delegations in their keynote statements. Production of copra had been increasing and prices of copra and coconut oil were low. The price of coconut oil had been affected, among other things, by strong competition from other commodities; a special feature of the current situation was the unusually low prices of whale and fish oils, which are used (in refined and hardened form) as alternative ingredients of margarine. Producing countries had expressed strong interest and concern about the possible effects on their export markets for copra and coconut oil of the common external tariffs and the common policy to be adopted by the European Economic Community; and had asked to be kept

informed of developments in this field. As exporters depending heavily on the international market for foreign exchange earnings, producing countries had also been concerned about the possible effect of price support programs and special export programs for competing crops in the developed countries, and had asked the Secretariat to continue its analysis of some of these effects.

99. Pursuant to the request of the Committee, the Group had reviewed its activities and future program of work. It had concluded that its activities had been useful and should be continued along the same general lines, and had felt that no changes in the terms of reference were required. Some delegates expressed the view that the urgency of coconut problems had shifted from the economic to the technical aspects, but others felt that it was especially in respect to economic problems that an international approach was required. Since the Committee was planning a review of the work of all its sub-Groups at its next session, it did not debate this question further. It was agreed, however, that member governments of the Group should be ready at the next session of the Committee to indicate the degree of priority that they would assign to the Group's work.

100. The Group noted a resolution on "Development of Copra Trade in the ECAFE Countries", that had been passed by the Eighteenth Session of the Economic Commission for Asia and the Far East. This resolution contained a request that the Executive Secretary of ECAFE, in consultation and cooperation with the Director-General of FAO, should assist in promoting the development and stability of the coconut industry. In this connection, the Committee noted with interest a suggestion made on behalf of the Director-General concerning the possibility of a future meeting of the Coconut Group, either in the next year or in a year thereafter, being held with the active participation of ECAFE.

4. Tropical Beverages

(a) Cocoa

Situation and Outlook

101. Cocoa production had increased steadily over the past four years. At the beginning of the 1961/62 season the prospects seemed less favorable, but later deliveries to the market indicated that world production would be about the same as the previous year's record crop. Consumption had also increased, but more slowly; in 1962, however, the expected rate of increase would be higher than that of production, and the addition to stocks in importing countries would be much smaller than the year before. Prices, which had remained fairly stable for six months, started to rise at the beginning of the crop year, but had since fallen again.

102. The recent upward trend in world cocoa consumption was expected to continue, although at a reduced rate; future expansion would depend largely on population or income growth, but there were also potentialities for increasing consumption in many parts of the world, including the producing countries and other areas not at present traditional users of cocoa. Cocoa production was also expected to rise further, although probably at a slower rate than the average of the past four years. New plantings of the past decade were still coming into bearing, and the yields of others increasing. The effect of pest and disease control had contributed greatly to increased production, particularly in West Africa, but the importance of this factor in the future would depend to a large extent on the prices producers could look forward to. Increased yields from the use of fertilizers and shade reduction could also be obtained, and this again would depend on market conditions.

Activities of the FAO Cocoa Study Group

103. The Committee noted the progress of the activities of the Study Group on the problem of price stabilization and support was expressed for its work. As a result of the changes in the supply situation, interest in an agreement was revived. The Draft Agreement prepared in June 1961 on the lines of recommendations made by the Group's Working Party on Stabilization, which met in February 1961, had been submitted to governments, and was considered in detail and revised by the Executive Committee in October 1961. The revised Draft had since been circulated to governments, and would be discussed at the Fifth Session of the Group in May, at which the future course of action was to be considered. The work of the Group in the past twelve months on the question of stabilization had been marked by an atmosphere of positive co-operation, an appreciation by both producing and consuming countries of problems on either side, and a realization that their interests were closely interrelated.

104. The Committee took note also of the Group's technical work, in particular concerning cocoa grading. A Working Party on Grading had met in September 1961 and had prepared a model ordinance containing standards for two grades of cocoa beans. The Working Party's recommendations had received favorable recognition in both exporting and importing countries and one Government had since enacted a decree based on the model ordinance. Finally, the Committee noted with interest that the Group's Committee on Statistics had met twice and published surveys of the supply/demand situation, and had also worked on the improvement of cocoa statistics in general. Great progress had been made in recent months in one important field: the development of statistics on stocks. Among other activities, the Group had sponsored a pilot study of crop forecasting techniques in West Africa which was giving promising results.

105. Various delegations stressed the importance of increasing consumption of cocoa products. It was noted that the Cocoa Study Group had established at its Fourth Session a Committee on Consumption, and that various studies on proposed activities had been prepared by the Secretariat.

106. The Committee heard with appreciation a statement by the Observer for Switzerland on the arrangements made by the Swiss Government and chocolate industry for the Group's Fifth Session to be held at Montreux at the end of May 1962.

(b) Coffee

Situation and Outlook

107. Due mainly to the upswing in the two-year cycle characteristic of coffee production in many countries, world coffee output in 1961/62 was the second highest on record. Larger crops were harvested in most Latin American countries and especially in Brazil, where the cycle is particularly marked. African production decreased for the first time in 12 years and there was also a decline in the remainder of the world. Very preliminary information regarding mainly Brazil, where the harvest is earliest, seemed to indicate that the 1962/63 crop would be smaller than that of 1961/62.

108. Import demand in 1961 was higher than in 1960, due mainly to the rise in European imports, but there was also a small increase in United States' imports. Imports into Eastern European countries, the USSR and Japan showed considerable percentage rises, though total per caput intake remained low. Coffee consumption in producing countries also continued to develop favorably. Use of soluble coffee continued to expand and this was an important factor in the increase of coffee consumption in many countries, especially in the United Kingdom and in new areas. Plant capacity for soluble production was rapidly increasing in producing countries and other areas. For example, in Brazil three new factories with an annual processing capacity of about 300,000 bags would be working mainly to supply soluble coffee to countries of the Sino-Soviet area.

109. On the whole, coffee prices were more stable than in previous years. Although Arabica coffees still experienced some slight declines during the year, Robusta prices remained generally very stable and even showed some improvement towards the end of the year. While the price decline in 1961 was relatively small, the effect on exchange earnings was still significant. The current level of international coffee prices forced many producers to introduce modifications in the level of prices to farmers and/or in taxation on coffee exports.

110. The imbalance between production and consumption had led to a further accumulation of coffee stocks. However, the rise in stocks had been slowed down by the regrading of stocks in the hands of the Brazilian Coffee Institute and by the destruction of low quality coffees.

111. While the heavy plantings which took place in the 'fifties were likely to result in further increases in production, some producing countries were already aiming at reducing productive capacity. In Brazil, a plan to eliminate two thousand million low-yielding trees was initiated in the fall of 1961. In Mexico, plans to reduce the area under coffee were to be implemented, starting in 1962.

Intergovernmental Consultations

112. The Committee noted that the efforts of the International Coffee Agreement to stabilize coffee prices had generally met with success. In spite of considerable difficulties, quotas for the first semester of the 1961/62 crop year had been fixed in September 1961, and at a meeting in March 1962 in Guatemala City agreement was reached on quotas for the second semester. Apart from those arising out of the new accessions to the agreement, these quotas do not differ significantly from those established for 1960/61.

113. In the meantime, work had continued, under the auspices of the Coffee Study Group, on the preparation of a long-term agreement, involving importing as well as exporting countries. The text of a draft agreement, which had been distributed to governments in December 1961, was discussed at a plenary meeting in Washington in

March 1962, in which representatives of more than 40 governments participated. The Group decided to ask the Secretary-General of the United Nations to call a negotiating conference during the summer of 1962. The Group also appointed a pre-conference committee of 12 members to discuss various policy and technical issues.

FAO Contribution to the Study of Coffee Problems

114. The FAO Study The World Coffee Economy, which originated in a request of the Coffee Study Group for a background paper for the intergovernmental discussions on the coffee problem, was published in 1961. Co-operation with the Coffee Study Group was also continued during 1961.

(c) Tea

Situation and Outlook

115. In 1961, for the fourth year running, there were no major changes in the world tea situation. Production continued its upward trend mainly because crops in North India and Pakistan recovered from the effects of the 1960 drought. Exports were at a record level, the largest increase being registered in India,

116. Tea consumption in importing countries remained steady. Consumption in producing countries, particularly in India, seems to have expanded appreciably, absorbing the increase in supplies.

117. Auction prices were, on average, only slightly below those prevailing in 1960. However, buyers had a wider choice, which enabled them to become increasingly selective as the season advanced. Early in 1962 the tea market showed considerable firmness mainly as a result of increased demand from consumers in producing countries.

118. No sizable changes were expected in the tea situation in 1962. Production was likely to continue its increasing trend and import demand was showing moderate gains. However, the expansion of consumption in producing countries was expected to continue to play a stabilizing role in the international tea market.

5. Sugar, Tobacco and Spices

(a) Sugar

Situation and Outlook

119. Throughout 1961 the world sugar trade had been under the influence of the record 1960/61 output of 56.5 million tons of raw sugar and the changed structure of world trade. In spite of reduced import requirements in Western Europe, the emergence of the USSR and Mainland China as major world importers had raised world trade to a high level. Nevertheless, these developments, as well as measures taken by the International Sugar Council to reduce supplies on the world market, were not successful in preventing, in the second half of the year, a severe decline in world prices which fell to the lowest level reached since before the war, partly as the result of re-exports, especially of refined sugars.

120. Since the end of January 1962, when world market prices for raw sugar had declined below 2 cents per lb., f.a.s., Cuban basis, there had been some improvement in the market situation, largely as the result of reduced output this season. After the record crops and large carryovers of 1960/61, several countries had curtailed their beet areas and, with generally unfavorable weather, total beet sugar production in 1961/62 was reduced by about 12 percent. Estimates of cane sugar production remained tentative, but the severe contraction reported in Cuban output would far outweigh increases in other Latin American countries and in Africa.

121. It seemed likely that world output of centrifugal sugar would be substantially lower than in 1960/61. With the continued growth of world consumption there were prospects of a substantial reduction in world stocks.

Intergovernmental Consultations

122. The United Nations Sugar Conference, which opened in September 1961 to review the operation of the International Sugar Agreement and to determine basic export quotas for 1962 and 1963, was unable to reach agreement on the question of quotas, and the quota provisions of the Agreement lapsed on 31 December 1961.

123. The Committee heard a statement by the Executive Director of the International Sugar Council, in which he drew attention to the close working relations maintained between the Council and FAO in the preparation of studies. In discussing the problem of the stabilization of the sugar market, he pointed out that the success of an international agreement depended on the absence of major political or social instability and that, though there were many devices for improving stabilization mechanisms, basically these involved restraints on imports and exports, but needed to be flexible enough to cope with changes in the world situation. Several delegations emphasized the role of political events with respect to the functioning of the agreement and the negotiation of quotas and expressed the view that the situation should be kept under review until such time as seemed opportune for the reconvening of the International Sugar Conference.

(b) Tobacco

Situation and Outlook

124. Despite further increases in a number of major producing countries the recent steady expansion in world output of tobacco leaf was halted in 1961 mainly because of the losses suffered from blue mold disease in Europe and North Africa. The fungus, bad weather and reduced plantings in some areas caused a particularly heavy fall in output of oriental leaf, which was the smallest since 1954. By contrast, crops in the United States, the Federation of Rhodesia and Nyasaland and India, the principal producers of flue-cured leaf, showed a further increase.

125. As a result of a continuing strong import demand for cigarette leaf, a further growth in world tobacco trade took place in 1961. The reduced level of output in Europe will undoubtedly strengthen import demand in 1962. Producers and exporters of the cheaper types of cigarette tobacco may, in particular, gain from this situation, while prospects for oriental leaf will be mainly determined by the amount of leaf that reaches exportable standards. Shipments of cigar leaf may be expected to receive support from the continuing recovery in the consumption of cigarillos and cigars.

126. The medium and longer term outlook continues to be dominated by tendencies evident in the world tobacco economy for some time. The upward trend in tobacco consumption is being maintained throughout the world in spite of the formidable number of factors adversely affecting demand, such as trade barriers and high internal taxation. On the other hand, advances in consumption have not been matched by proportionate increases in world trade, due to larger domestic production in importing countries and as a result of new leaf-saving techniques in manufacturing. Although tobacco consumption in the form of cigarettes may in the future be affected to a growing extent by health considerations, the market as a whole is expected to continue to grow.

Conference Request for a Study on Tobacco

127. The Committee considered a request made by the Conference at its Tenth Session that the Director-General should undertake a study of the world tobacco situation and outlook. Whilst noting that a substantial amount of information on this commodity was already available, several Delegations expressed their interest in such a study being undertaken, if this could be done from available resources and without interfering with established priorities, including those for studies on meat and apples.

(c) Spices

128. The Committee had before it the revised text of the study Trends in World Market for Spices, which had been published, in accordance with the recommendation of the Thirty-Fourth Session of the Committee, as FAO Commodity Bulletin No. 34, the study having been originally prepared at the request of the FAO Conference and the Committee. The first part of the study dealt with the economic aspects of spices in general. It explained the cyclical behavior which was typical of the spices economy before the Second World War and emphasized its reappearance in recent years. In the second part, recent trends of production, consumption, trade and prices were examined for pepper cloves, ginger, pimento, cardamom, cinnamon, cassia, nutmeg and mace, which together account for about 85 percent of international trade in spices, and the economic problems of these commodities were analysed. One delegation, in commenting on some conclusions presented in the study on the question of the possible establishment of buffer stocks, referred to the need for caution. Such an approach which would require further detailed review prior to any definite recommendation, particularly since it might create a precedent for other commodities.

129. The Committee noted with interest a letter from the Executive Secretary of the UN Economic Commission for Asia and the Far East (ECAFE) to the Director-General of FAO (CCP 62/19) concerning the preliminary discussions on the problem of stabilizing prices of pepper which had taken place in May 1961 in Bangkok.

130. The Executive Secretary of the ECAFE informed the Director-General that in the course of consultations on pepper trade held in May 1961 within the established framework of the ECAFE Intra-Regional Trade Promotion Talks by representatives of the five main Asian pepper-exporting countries (Cambodia, India, Indonesia, Sarawak and Singapore), particular attention had been drawn to the frequent and wide fluctuations in pepper prices which had an unsettling effect on production and export earnings. The Meeting of Asian Representatives, based on a preliminary review undertaken by them, expressed the view that the sharp and frequent price fluctuations in pepper were not justified by the basic factors of supply and demand and desired that this should be brought to the attention of FAO, particularly in connection with the work of the CCP.

131. The Committee asked the Secretariat to include from now on the subject of spices as one of the subjects to be covered periodically in the annual Commodity Review.

132. The Committee also requested interested governments to assist the Secretariat in this work through the appointment of liaison officers who could facilitate the collection of information from national sources.

6. Citrus and Other Fruit

(a) Citrus

Situation and Outlook

133. After a temporary halt in 1960/61, world production and trade resumed their upward trend in the 1961/62 season. Despite the damage caused to the citrus crops of Mexico and Texas by the January freeze and some minor losses owing to locally bad

weather in the Mediterranean, the Northern Hemisphere crops of oranges and tangerines, lemons and grapefruit were substantially larger than in the previous year. The greatest increases were recorded in the United States, Spain and Italy. In contrast to 1960/61, stocks of summer oranges had been cleared before the current seasons' winter oranges began to arrive on the market in volume. Small domestic fruit crops in the major importing countries also had a stimulating effect on the import demand for citrus fruit. During the first months of the current marketing season, trade was reported to have been very lively and prices, though seasonally decreasing as the year advanced, were well above the previous year's low levels. In the short-term, the outlook, therefore, was not unfavorable, and the season might conclude with a total citrus consumption greater than ever. As to the longer-term, the outlook was for a progressive and substantial increase in production as a result of new plantings in recent years and of plans for further extensions, for which additional outlets would have to be found.

Activities of the FAO Group on Citrus Fruit

134. The Committee heard statements from various delegations endorsing the program of work adopted by the FAO Group on Citrus Fruit. Interest was expressed in research on the factors which influence the medium and long-term trends in demand, and in the work on standardization and methods of analysis of citrus products, which could contribute considerably to the future expansion of the markets for citrus fruit.

(b) Apples and Pears

Situation and Outlook

135. The biennial production cycle in European fruit crops continued with another sharp downward movement in output of apples and pears in most European countries. This crop deficit in importing countries substantially strengthened import demand, and export shipments during the latter part of 1961 were much higher than a year earlier. In addition, apple and pear prices in Europe rose appreciably at the beginning of the new crop year and seasonal averages could be expected to be higher than the year before. In the United States, on the other hand, the increased availabilities this season resulted in slightly lower prices. Southern Hemisphere production was slightly higher in 1960/61, and there was no marked change in exports.

Study on Apples

136. In considering the substitution relationships between apples and other fruits in international trade, and the growing problems of the world apple industry, the Committee requested the Director-General to undertake a comprehensive study of recent world developments and the outlook for the production of and demand for apples.

(c) Bananas

Situation and Outlook

137. The world banana trade, after a long period of continuous expansion, probably did not increase further in 1961, but remained at the level of the previous year. Although imports into Europe rose further to new records, this could not fully offset the fall in imports into the United States and Canada. Lower United States imports mainly affected shipments from Ecuador, which, as a consequence, suffered a setback for the first time since 1956. Banana prices, which had already shown a tendency to decline for a number of years, were sharply depressed in all countries in the autumn and winter of 1960, reflecting the stiffening competition from bumper crops of temperate fruit in importing countries. Quotations recovered in February/March 1961, but began to rise more strongly in the autumn. They were expected to remain at these higher levels until the fall of 1962.

(d) Dried Fruit

Situation and Outlook

138. The world dried fruit economy had recovered from the previous year's unusually low output caused by very light crops of raisins and dried prunes. World supplies of raisins in the 1961/62 season, estimated to be in the neighborhood of 530,000 tons, were well above average though not entirely reaching the record level of 1959/60. Output of currants was fractionally above last year's level. With satisfactory crops harvested this year in Yugoslavia and France, following the crop failure in 1960/61, world production of dried prunes returned to average levels while dried fig output showed an increase for the fourth year in succession.

139. World trade in dried fruits which, as a result of the reduction in supplies, contracted considerably in the previous year and fell by as much as 15 percent in the case of raisins, was expected to be higher in the present season. This was likely to be true especially of raisins, of which the volume moving in international trade was likely to be substantially above the average of recent years. Raisin prices, however, fell rapidly in September 1961 when the large Northern Hemisphere crop reached the market and were soon back to the low levels of the summer of 1960. In view of the deteriorating price situation and in expectation of very keen competition on export markets, various measures to stimulate marketing and in some instances support prices were taken in Greece, Turkey, Australia and the United States. However, no substantial improvements were expected in the remainder of the 1961/62 season.

140. Apart from the prospect of some increase in trade in dried prunes in the current year, no major changes were likely to occur in trade in other dried fruits.

7. Fibers and Rubber

(a) Cotton

Situation and Outlook

141. World supplies of cotton in 1961/62 were virtually unchanged. Stocks were fractionally higher, but the downward trend in those of the United States continued. World production was very slightly lower than during the previous season, since Mainland China was reported to have harvested an even smaller crop, and crop failures were reported from Egypt, India and Uganda. These were only partly offset by better crops elsewhere, notably in Brazil, Sudan, Greece and Turkey.

142. Mill consumption continued at roughly the same rate as in 1960/61, with recovery in the United States, despite a sharp rise in man-made fiber usage. In Western Europe, Japan and India, however, expansion somewhat slowed down. The volume of international trade fell slightly short of the previous season's record level, as the impetus to build up stocks in importing countries lessened. The contraction in trade was reflected in greatly reduced exports from the United States, which had acted as the world's residual supplier for some years. Lower export availabilities also reduced shipments from Mexico and Egypt, but exports from other countries rose.

143. Prices of short and medium staples advanced throughout 1961 and the early part of 1962, rising considerably above the level of rayon staple prices. Those of long and extra-long staples, on the other hand, weakened perceptibly despite damage to the Egyptian crop.

144. After showing no change during the previous season, world stocks were believed likely to be lower in August 1962 than a year earlier. On the basis of acreage allotments, the United States crop was likely to fall slightly short of the present season's level, but substantial increases were expected in Egypt and India, and possibly in Africa, the USSR and Mainland China. The basic loan rate for American upland cotton remained unchanged. The export subsidy was expected to continue at 8.50 cents per lb. With cotton again more expensive than rayon staple, competition from man-made fibers was likely to become more intensive.

Intergovernmental Consultations

145. At its 20th Plenary Meeting, held in Tokyo in May 1961, the International Cotton Advisory Committee (ICAC) suggested that governments should give consideration to the avoidance of excessive fluctuations in world cotton prices; to the fixing of support prices at levels which would leave cotton competitive with other fibers; to the maintenance of export taxes at their lowest possible level, and of changes therein to the barest minimum; and to the timely announcement of any changes in their cotton policy generally.

146. At the meeting on Arrangements Regarding International Trade in Cotton Textiles, held in Geneva under the auspices of the General Agreement on Tariffs and Trade (GATT) in July 1961, a Provisional Cotton Textile Committee was set up to supervise the working of the provisional arrangements brought into force for the year beginning 1 October 1961. These provided for increased access by exporting countries to markets at present subject to restrictions, and for restraint by exporting countries to avoid disruption in import markets. Longer-term arrangements, covering a further period of five years, were drawn up in February 1962.

(b) Wool

Situation and Outlook

147. World wool production in 1961/62 set a new record, fractionally above the level of the previous two years. The Australian clip recovered, despite continued drought in parts of New South Wales and Queensland, and some increase also took place in the clips of New Zealand and South Africa. Total supplies in producing countries remained virtually unchanged, since opening stocks were lower, the heavy carryover accumulated in Argentina and Uruguay during 1960 having moved into export trade during the 1960/61 season.

148. World wool consumption in 1961 was probably a fraction higher than the all-time peak reached in 1960, although the dampening effects of recession which persisted well into the year limited United States consumption. In the United Kingdom, mill consumption remained slightly below the already reduced level of 1960, and the rate of expansion slowed down considerably elsewhere in Western Europe. In Japan, on the other hand, mill consumption greatly exceeded the previous year's level, and advances also took place in Argentina and Uruguay with rising exports of tops. The proportion of virgin wool consumed in woollen and worsted mills continued at 60 percent, rising to 61 percent in the last quarter. The volume of international trade expanded in 1961, with heavy South American sales to Western Europe and Japanese purchases from Australia.

149. A modest rise in prices during the early months of 1961 terminated at the end of the 1960/61 season, and a downward tendency became apparent during the first part of the 1961/62 selling season. Slightly firmer prices prevailed during the first quarter of 1962, but any advances were confined to prices of merinos, which in contrast to earlier years, had in 1961 advanced more rapidly and fallen no more steeply than those of crossbreds. In recent years, competition from synthetic fibers appeared to have set a limit to price advances, while support schemes and exchange manipulation had prevented declines below certain minima.

150. With wool textile activity in the principal consuming countries showing signs of revival at the end of 1961, prospects for 1962 appeared favorable. Mill consumption in the United States was expected to rise by some 8-10 percent, although increases in Western Europe and Japan were likely to be more modest. World consumption in 1962 might thus remain at or near its present high level. Commercial stocks in consuming countries on 1 January 1962 were at their highest level in ten years, but some tendency to de-stock had recently become apparent and changes in the volume of world trade would therefore depend on the imports of the United States and the Sino-Soviet area. Although more intensive competition from synthetic fibers made a significant rise in wool prices unlikely, greater stability might be expected with a more regular pattern of wool textile activity.

151. In its report published in March 1962, the Committee of Enquiry appointed to look into wool marketing in Australia rejected suggestions for a reserve price system and recommended the retention of present methods of sale by auction.

(c) Jute

Situation and Outlook

152. The 1961/62 jute season, following upon a period of scarcity, was one of abundant supplies and consequently lower prices. With much larger areas planted to jute in the main producing countries - Pakistan and India - world output was substantially larger than in 1960/61 and reached a new record. However, the quality of the crop was reported to have suffered, especially in India. Outside Pakistan and India, production of jute, kenaf and other substitute fibers continued to expand, notably in Brazil and Thailand. World mill consumption in 1961/62 was expected to be somewhat higher than in the previous year, mainly as a result of a large increase in

Pakistan, where mill consumption in 1960/61 had declined for the first time since the industry was founded. With stocks depleted in consuming countries, world trade in jute in 1961/62 was expected to be larger than in the previous season.

153. As a result of the bumper crop, prices declined sharply and the measures introduced by the Governments of India and Pakistan to deal with the shortage became superfluous. In India minimum prices were reintroduced and the Indian Jute Mills established a buffer stock. In Pakistan the Government enforced minimum export prices under provisions for export price control, although some reductions were made in the minimum levels.

154. Despite the decline, prices in the producing countries during 1961/62 may have been sufficiently high to induce another large crop in 1962/63. In view of the sluggishness of demand at the prevailing prices, however, it was doubtful whether this could be absorbed by the world's jute mills without strong pressure on prices and a corresponding strain on the resources of governments or other bodies responsible for maintaining returns to producers.

Preparations for the ad hoc Meeting on Jute

155. The Committee was informed that, while preparations were in hand for the ad hoc meeting on jute for the consideration of the desirability of establishing a study group on jute, it had not been found possible to convene this meeting prior to the current session of the Committee.

156. The Committee agreed to the proposal of the Director-General and of the Executive Secretary of the Economic Commission for Asia and the Far East (ECAFE) that this ad hoc meeting on jute should be sponsored jointly by the two organizations. The Committee was informed that the ECAFE Secretariat found it difficult to arrange to hold the meeting in Bangkok, the Headquarters of ECAFE, before December. The Committee requested the Director-General to renew his consultations with ECAFE and to make every effort to convene the ad hoc meeting at an earlier date.

(d) Hard Fibers

Situation and Outlook

157. World production of all hard fibers in 1961 remained virtually unchanged for the third year running, expansion in sisal and henequen offsetting a decline in abaca and minor fibers. Abaca production, largely confined to the Philippines, had fallen off sharply since 1959, as a result of contracting cultivation, mosaic disease and typhoon damage. Expansion in sisal production took place mainly in the main producing areas, Tanganyika and Brazil. Expansion in henequen was confined to Mexico.

158. Demand for hard fibers was less buoyant in 1961 than in 1960. The substitution of synthetic fibers for high-grade abaca was accelerated by the shortage of Philippine Davao, whilst other grades lost ground to sisal. Nevertheless, spinners' demand for sisal, especially in Western Europe, was lower than anticipated, mainly on account of their unwillingness to hold stocks of either twine or fiber. During the final quarter of 1961 Brazilian sisal displaced East African in a number of important markets. Demand for spinnable henequen by Mexican mills increased, while exports of padding fiber to the United States almost doubled.

159. Prices of all hard fibers declined throughout the greater part of 1961, the steepest falls occurring for sisal and non-Davao abaca. They reached their lowest levels in three years towards the end of 1961, but some revival in demand was reflected in recovery during the first quarter of 1962.

160. The year 1962 opened with higher producer stocks, especially of henequen and lower-grade sisal, but any expansion in world production was likely to be marginal, only Tanganyika and Brazil showing sizable increments. Total supplies were thus

unlikely to increase substantially over 1961. Given a continuing high level of economic activity in Western Europe and Japan, and normal grain and hay harvests, the improvement in prices apparent during the first quarter of the year might go on. In the longer-term, world demand for hard fibers would depend primarily on the progress of mechanization in agriculture in less developed countries, and on new fiber uses unconnected with the cordage industry. Under both heads, demand would probably expand. A recovery in abaca production in the Far East and further expansion in Brazilian sisal output were planned by the governments concerned.

Preparations for the ad hoc meeting on Hard Fibers

161. The Committee was informed that the Government of Tanganyika had invited the FAO to convene the planned Ad Hoc meeting on Hard Fibers in that country and expressed its appreciation of this generous offer. The Committee was informed that the meeting was likely to be convened in January 1963, in view of difficulties encountered by the Government of Tanganyika in making arrangements for an October date as originally envisaged.

(e) Rubber

Situation and Outlook

162. World demand for elastomers (natural and synthetic) continued to increase in 1961 (despite a further sharp contraction in the United States) but at the slower rate of about 5 percent, compared with 8 percent in 1960. Substitutions of synthetic rubber for the natural product continued. World consumption of natural rubber in 1961 was slightly larger than in 1960, but below the level of 1959. On the other hand, production of natural rubber recovered in 1961 from the previous year's setback to a new record level and a small surplus developed in part as a result of a fall in demand in some industrialized countries. World trade in natural rubber increased in 1961 with shipments to the Sino-Soviet area reaching record levels.

163. The steep fall in natural rubber prices, which had set in during 1960, was arrested early in 1961, but prices remained at low levels during the first nine months of 1961, often below the minimum at which sales from United States and United Kingdom non-commercial stocks were allowed under the sliding scale drawn up in September 1959. The original arrangements were modified in October 1961 to permit some sales at lower prices and this exerted an appreciable downward pressure on market prices during the final quarter of 1961. However, deliveries from non-commercial stocks during the whole of 1961 amounted to only about 30,000 tons, compared with 159,000 tons in the previous year. Early in 1962 it was announced that non-commercial stocks of natural rubber held by the United States Government on 31 December 1961 amounted to 1,110,000 tons, of which 347,000 tons were judged to be surplus.

164. Demand prospects for all elastomers in 1962 appeared quite favorable with recovery in the automobile and furniture industries in the United States and the continued growth of motor manufacture elsewhere. However, the level of consumption of natural rubber would depend on the rate of expansion of synthetic rubber capacity and on relative prices of natural and synthetic rubber. Some rise in the output of synthetic rubber was almost certain and it was expected that in 1962 the consumption of synthetic rubber would, for the first time, exceed that of the natural product. Prices of natural rubber may well remain under pressure but with more high yielding trees coming to maturity, especially in Malaya and Ceylon, and with continuing political stability in Indonesia, world production of natural rubber may again show a slight increase.

Intergovernmental Consultations

165. While no plenary meeting of the International Rubber Study Group was held during 1961, the Management Committee continued to study measures designed to reduce fluctuations of natural rubber prices. The Sixteenth plenary meeting of the Group is to take place in Washington at the end of May.

166. The Committee re-affirmed the request made at its last Session that FAO should maintain closer relations with the International Rubber Study Group and that developments in the field of both natural and synthetic rubber should be followed and reported to the Committee.

8. Fishery Products

Situation and Outlook

167. The world catch of fish continued to increase in 1961, and a new record of over 40 million tons was reached. Substantial gains were reported by all the major fishing countries, Japan, the United States, U.S.S.R., Mainland China and Peru, with the increase in the catch of the last country again being exceptionally important. Production also rose in Canada, Italy, Iceland and Denmark, and the exports of these countries were generally up, although marketing difficulties for Icelandic frozen fish were encountered during the year. Catches by the United Kingdom and the Federal Republic of Germany however, were lower than in 1960.

168. Fish prices in Europe were generally firm, and United States prices were generally above 1960 levels. In the fishmeal industry, more orderly marketing conditions appeared to have been restored, and forecasts for 1962 were generally optimistic.

169. The development of marine fishing by the major producing countries continued to be striking, especially in Peru, Japan and the U.S.S.R., and important progress was also being achieved elsewhere in South America, Africa and Asia. Competition on traditional fishing grounds might tend to strengthen in the future, while the further development of high-seas fishing by the major producing countries might mean that they would be increasingly exploiting the same grounds as the fleets of less developed countries. New intergovernmental machinery might well have to be evolved to meet this situation.

Intergovernmental Consultations

170. The Organization for Economic Cooperation and Development (OECD) is concentrating on examining price and other support measures in its member-countries, and is also reviewing the special problems encountered by Iceland in marketing its fishery products.

171. A Regional Fisheries Commission for Western Africa was established by FAO in 1961. The Eleventh Session of the FAO Conference also authorized the establishment of a Regional Fisheries Advisory Commission for the South-West Atlantic. Both these bodies aim at promoting the welfare and development of fishery industries, and at improving co-ordination of policies on a regional basis.

9. Forest Products

Situation and Outlook

172. In Europe, the U.S.S.R. and North America the recent trends of rising industrial wood removals and falling fuelwood removals were maintained in 1961, and similar movements probably occurred in other regions of the world. Production in tropical forest regions again rose in 1961, in part to satisfy domestic requirements and in part to provide greater exports to the principal markets of Western Europe and Japan.

173. Despite high levels of consumption of sawn softwoods in Europe, export availabilities tended to exceed demand and there were marked price falls in mid-summer 1961; however, the prospects were good for a better balance in 1962. Further increases in consumption of sawn softwoods were also expected in North America. The hardwood trade, particularly of Europe, continued to grow strongly in 1961, and exporting countries in Africa and Asia accordingly benefited. The harvesting of tropical timbers was, however, becoming increasingly costly.

174. Production and consumption of pulp continued to grow in all regions in 1961 with the fastest rate of growth again in Asia. Both European imports and exports fell, but there was some improvement in North American exports. Current over-capacity of woodpulp was not, however, apparently discouraging the planning of further large expansion in Europe, North America and the U.S.S.R. In the less developed countries at present importing pulp and paper, external payments considerations were often an important reason for low consumption, and many countries in this group had projects for mills which, where possible, would use locally available wood materials. The particle board industry continued to grow strongly, although over-capacity in the fiberboard industry in North America and Western Europe was already serious.

Intergovernmental Consultations

175. In October 1961, the Timber Committee of ECE discussed the European and North American markets for sawn softwood, hardwoods, pulpwood and pitprops. As new projects, it decided to consider economic aspects of, and productivity in, the wood-processing industries, and to study selected economic problems in the production and utilization of fiberboard and particle board.

VI. MATTERS RELATED TO THE EXPORT CROPS OF PARTICULAR REGIONS

1. African Export Crops

176. The FAO Conference had included the following paragraphs in the operative part of Resolution No. 6/61 on the Africa Survey.

"THE CONFERENCE

.....

"Requests further that the Director-General, in cooperation with the CCP, study ways and means of encouraging the development of African countries, by helping them to solve the problems of the marketing of export agricultural commodities, with special reference to the terms of trade, and

"Invites the Director-General to publish the results of such a study".

177. The Conference had also requested the Director-General "to give consideration, in the light of work already planned by him in this connection, to the preparation of studies on national and international stabilization measures for African Export Crops, with special reference to the role of marketing boards and national stabilization funds, in pursuance of Resolutions Nos. 25 (III) and 29 (III) of the UN Economic Commission for Africa.

178. In considering follow-up actions under these Conference requests, the Committee was informed that work undertaken by the Secretariat in response to the above-quoted ECA resolutions included the preparation of a series of papers reviewing national and international stabilization measures for selected African export crops, to be presented to an African Commodity Stabilization Meeting which was being convened under ECA auspices in Lagos in June 1962. Reference was also made to papers prepared for the

Joint CICT/CCP Session on marketing boards for export crops in developing countries (document CCP 62/21) and commodity stabilization funds in the French Franc Area (document CCP 62/22). The Committee commended the work done so far and noted that further work might need to be done in these fields, to be specified further in the light of discussions at the forthcoming Joint Session.

179. At the same time, the Committee concluded that, in addition to studies of the kind referred to in the preceding paragraph, the terms of reference formulated for work on African export crops in the above-quoted Conference Resolution No. 6/61 also called for the study of problems of African export commodities in relation to broader problems of the African economies, with special reference also to the terms of trade and prospects for stable foreign exchange earnings at adequate levels. The Committee noted that any more comprehensive studies on these questions, if they were to be ready in time for presentation to the next Conference session, would need to be started prior to the next session of the Committee. In the circumstances, the Committee requested the Director-General to proceed in the matter at his own discretion, once the requirements for additional work had become clear in the light of the results of the related studies now in preparation. The Committee decided to consider these matters further at its next session.

2. Mediterranean Export Crops

180. The FAO Conference had included the following paragraphs in the operative point of Resolution No. 16/61 on the Mediterranean Development Project.

"THE CONFERENCE

.....Recommends, in particular

.....

- (c) that the Committee on Commodity Problems examine the advisability of studies being undertaken on trade in Mediterranean commodities.
- (d) that the Expert Group on Mediterranean Questions consider the advisability of studies being undertaken on the establishment of a "cold chain", such studies to be carried out in close co-operation with ECE and OECD and other interested international organizations."

181. As to operative clause (c), the Committee noted that, of the main export commodities of the Mediterranean region, adequate coverage was being provided for olive oil, through the International Olive Oil Council, for citrus fruit through the FAO Group on Citrus Fruit and, to some extent, for fresh fruit and vegetables through the activities of regional organizations. Reference was also made to the work of the International Wine Office and of the International Cotton Advisory Committee. With respect to one commodity of particular importance to the Mediterranean region, namely tobacco, the Committee felt that problems of this commodity should be considered when resources were available to the Secretariat for carrying out a study of this commodity. The Committee agreed that, when such a study became possible, it should not be limited to the problems of the tobacco-producing countries of the Mediterranean region but should also embrace those of other regions.

182. As to operative clause (d), the Committee drew attention to the interest previously shown in these questions by the FAO Group on Citrus Fruit which, it was requested, should be kept in touch with plans for studies or actions under this heading.

PART THREE

WORK OF THE CCP AND RELATED MATTERS

VII. ARRANGEMENTS FOR SESSIONS OF THE CCP AND OF CCP COMMODITY GROUPS

1. Documentation for the CCP

183. The Committee was impressed with the high quality of the documentation but noted that it had not been possible for delegates to benefit fully from the excellent papers prepared by the Secretariat because most of them had not been distributed sufficiently in advance of the Session. The Committee therefore decided to give some consideration to matters relating to the preparation, translation and distribution of documents. For this purpose it appointed a Working Party and the conclusions reached by this group have been incorporated in the present report.

184. The Committee analyzed in detail the list of the documents prepared by the Secretariat for the Thirty-Fifth Session of the CCP. Whenever possible the Secretariat had already taken the initiative of reducing the amount of documents when it felt that this did not conflict with the efficient carrying out of the Committee's work. The analysis made by the Committee indicated that it would not have been possible for the Secretariat to reduce further the amount of documents prepared. Some members of the CCP felt that on some items governments might have needed even more complete information than the Secretariat had been able to prepare. It was recognized moreover that the work of the Secretariat had been made heavier this year by the preparation of the documentation required for the Joint Session of the CCP and the UN Commission on International Commodity Trade. While, on the one hand, such a need is not likely to occur again in the near future, it was also recognized that for the next session of the CCP an increasing volume of documents might be required for certain items of the Agenda.

185. The Committee pointed out that these documents served as a basis for its deliberations and assisted delegates in their statements and in reaching conclusions. Their value for these purposes would be seriously impaired if delegates did not have sufficient time to obtain the advice of their administrative and technical services and receive instructions from their governments. The Committee concluded that it was thus essential for delegates to receive all documents not less than four weeks in advance of the opening of the CCP session. The Committee stressed that this particularly applied to documents dealing with policy matters and basic documents such as the annual Review, but recognized that the timely distribution of certain topical documents had to be reconciled with the need for them to contain current information.

186. The Committee considered that the solution of the problem of preparing the necessary documentation, having regard to the timeliness of the information supplied and the need of preparing the texts in three languages, necessitated both earlier completion of the documents by the technical divisions concerned and speedier procedures for translation, processing and distribution. In particular, it was essential for the interval between cut-off dates for manuscripts of highly topical documents and dates of their final issue to be reduced by all possible means.

187. It was realized that these matters were not specific to the Committee on Commodity Problems and that they should be considered for the services of translation, processing, and distribution for the Organization as a whole. The need was, therefore, felt to draw the attention of the Council to the desirability of a detailed study of the present system with a view to finding ways and means by which improvements could be obtained in the programming and processing of documents.

2. Thirty-Sixth Session of the CCP

188. The Committee requested the Director-General to make arrangements, if practicable, to convene its Thirty-Sixth Session in May or June 1963, also bearing in mind the desirability of avoiding an overlap with the Eleventh Session of the CICT as well as the advantages to many delegations of holding the CCP and Council session consecutively. A session lasting about ten working days should be envisaged.

189. The Committee decided that its draft agenda for the Thirty-Sixth Session should include the items set out in Appendix B to this Report, together with any matters that might arise subsequently out of Council decisions or other developments.

190. The Committee also agreed that at its Thirty-Sixth Session it would consider how the agenda of its future sessions should be arranged, in order to enable it to concentrate its discussions more effectively on matters of major importance, and to review again the question of documentation required in support of the agenda.

3. Sessions of CCP Commodity Groups and Ad Hoc Meetings

191. The Committee was informed that Sessions of CCP Commodity Group and ad hoc meetings were being scheduled as follows:

	<u>Place</u>	<u>Date</u>
FAO Cocoa Study Group Fifth Session	Montreux	22-28 May 1962
FAO Group on Grains Seventh Session	Rome	12-21 June 1962
FAO Group on Citrus Fruit Third Session	Undetermined	Second Half 1962
<u>Ad hoc</u> Meeting on Jute	Bangkok	Before the next Session of the CCP
<u>Ad hoc</u> Working Group on Dairy Products	Rome	Second Half 1962
<u>Ad hoc</u> Meeting on Hard Fibers	Tanga	January 1963
CCP Consultative Sub-Committee on the Economic Aspects of Rice Seventh Session	Tokyo	February/March 1963
FAO Group on Coconut and Coconut Products Fifth Session	Undetermined	Undetermined

VIII. OTHER MATTERS

1. Definition of the Term "Commodity Study Group"

192 The Committee considered the definition of the term "Commodity Study Group" which had been formulated by the Committee on Constitutional and Legal Matters (CCLM) in its report to the Eleventh Session of the Conference (C 61/28 para. 25). The Committee noted that the Conference had requested the CCP to submit its comments on the proposed definition to the Council. After some discussion, the Committee decided to place this item on the agenda of its next Session.

2. Promotion of Consumption

193. In the discussions under Item VII of the agenda, concerning rice, citrus fruit and apples, the question was raised as to the part which FAO might play in special programs designed to stimulate consumption of these commodities. The Committee requested the Director-General to give consideration to the broad policy issue of what FAO's role and function should be with respect to such special programs related to single commodities or commodity groups, and to inform the Committee of his views at its next session.

APPENDIX A

ASPECTS OF FOOD AID PROGRAMS REQUIRING FURTHER STUDY

(Extract from the Report of the Thirty-Fourth Session of the CCP)

33.,

1. The importance and urgency of the challenge of an expanded international aid program for economic and social development and for humanitarian relief.
2. The scope for an effective food aid program as an important element, on certain conditions, in such an expanded international aid program, with special reference also to the need for further consideration of:
 - (i) the extent to which "food aid" should be regarded as a concept wider than that of surplus utilization; and the possible resulting need for a re-examination of the definition of "surplus disposal";
 - (ii) the complementary character of aid in kind and other forms of aid, and the resulting implication that an expanded program of overall aid was an essential prerequisite of an expanded program of food aid;
 - (iii) the relative merits of food aid and other forms of aid within a given volume of total aid.
3. The importance of planning food aid programs in close connection with national development programs and with reference to periods of sufficient duration to allow for effective planning.
4. The scope for surplus utilization, along lines consistent with the FAO Principles of Surplus Disposal and Guiding Lines, as an important source of food aid.
5. The importance attaching to the safeguards for the avoidance of interference with normal patterns of international trade and to the need for ensuring that the scale and continuity of agricultural development programs in recipient countries should not be adversely affected.
6. The economic and technical implications of encouraging shifts in the commodity-composition of supplies available for food aid, having regard to:
 - (i) the need for an element of continuity in food aid programs;
 - (ii) the safeguarding of normal patterns of international trade, and
 - (iii) the avoidance of the creation of new surpluses or of surplus capacity.
7. The importance of well-devised national food reserve programs, particularly in developing countries, and the need for adequate provision for emergency and humanitarian relief through international channels.

8. The advantages that might result from suitable arrangements being made for some degree of multilateral coordination of bilateral programs, in view of the likelihood of a large, or dominant, share of food aid continuing to move under such programs.
9. The desirability of ensuring the success of a multilateral food aid program by beginning on a relatively modest scale with emergency aid and selected pilot projects, and expanding the program when experience and funds permit, and as wider cooperation is obtained.
10. The organizational aspects of an expanded food aid program, with special reference to the need for further study of:
 - (i) the desirability or otherwise of multilateral coordination of bilateral programs; and
 - (ii) the beginnings of a multilateral program of food aid.

APPENDIX B

DRAFT PROVISIONAL AGENDA OF THE THIRTY-SIXTH

SESSION OF THE CCP

A. List of Main Agenda Items

- I. Adoption of Provisional Agenda
 - II. Reports of the Council and of FAO Regional Conferences
 - III. General Debate on the World Agricultural Commodity Situation, Problems and Policies - Introductory Keynote Statements
 - IV. Agricultural Commodities - Projections for 1970
 - V. Food Aid and Surplus Utilization
 - VI. Matters Relating to Individual Commodities
 - VII. National and International Commodity Policies
 - VIII. Relations with Other Bodies
 - IX. Suggestions for a Concerted Attack on Commodity Problems
 - X. Future Work of the CCP and Related Matters
 - XI. Main Conclusions and Recommendations of the Session
 - XII. Any Other Business
-

B. Detailed List of Agenda Items

- I. Adoption of Provisional Agenda
- II. Reports of the Council and of FAO Regional Conferences
- III. General Debate on the World Agricultural Commodity Situation, Problems and Policies - Introductory Keynote Statements
- IV. Agricultural Commodities - Projections for 1970
- V. Food Aid and Surplus Utilization
 1. Periodic Reports and Related Matters (CSD, WFP and other)
 2. Special Studies
- VI. Matters Relating to Individual Commodities
 1. Review of Individual Commodity Problems
 2. Special Aspects
 3. Matters Relating to the Export Crops of Particular Regions
- VII. National and International Commodity Policies
 1. National Agricultural Price Stabilization and Support Policies
2. Regional Policies for Economic Integration
3. National and International Commodity Stabilization Techniques and Arrangements, including:
 - a) National Marketing Boards and Stabilization Funds
 - b) Summary Review of Recent Studies and Consultations (including Compensatory Financing)
- VIII. Relations with Other Bodies
- IX. Suggestions for a Concerted Attack on Commodity Problems
 1. Review of Lessons to Date
 2. Survey of Intergovernmental Activities in the Commodities Field
- X. Future Work of the CCF and Related Matters
- XI. Main Conclusions and Recommendations of the Session
- XII. Any Other Business

APPENDIX C

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

Chairman: Viggo Andersen (Denmark)
Vice-Chairman: Octavio A. Dias Carneiro (Brazil)
Vice-Chairman: Clément Anet Bilé (Ivory-Coast)

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* * * * *

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* * * * *

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INTERNATIONAL FEDERATION OF
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REPORT OF THE JOINT SESSION OF THE

UNITED NATIONS COMMISSION ON
INTERNATIONAL COMMODITY TRADE

AND THE

FAO COMMITTEE ON COMMODITY PROBLEMS

Rome, May 1962

REPORT OF THE JOINT SESSION OF THE UNITED NATIONS
COMMISSION ON INTERNATIONAL COMMODITY TRADE AND
THE FAO COMMITTEE ON COMMODITY PROBLEMS

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REPORT OF THE JOINT SESSION OF THE UNITED NATIONS COMMISSION ON
INTERNATIONAL COMMODITY TRADE AND THE FAO COMMITTEE ON COMMODITY PROBLEMS

INTRODUCTION

1. In its resolution 726 II (XXVIII), the Economic and Social Council, following consideration of the report of the Seventh Session of the Commission on International Commodity Trade, requested the Secretary-General to obtain the views of FAO on a proposal to hold a joint session of the United Nations Commission on International Commodity Trade (CICT) and the FAO Committee on Commodity Problems (CCP). The CCP, at its Thirty-Second Session, submitted its views on the subject to the Tenth Session of the FAO Conference. The FAO Conference, in resolution 12/59 expressed itself in favor of the holding of a joint session.
2. The Joint Session of the United Nations Commission on International Commodity Trade and the Committee on Commodity Problems of the Food and Agriculture Organization of the United Nations was held at FAO Headquarters, Rome, from 7 to 14 May 1962, inclusive. This report, unanimously adopted at its final meeting, was prepared for submission to the CICT and CCP respectively.
3. Nine meetings were held; the summary records of these meetings are contained in document E/CN.13/JS/SR. 1-9: CCP/62/JS/SR. 1-9.
4. The membership of the Joint Session was composed of the Member Governments of either the CICT or CCP. Other Member Governments of the United Nations and of the FAO were invited to attend as Observers. Representatives of thirty-two Member Governments and twenty-five Observers attended the session. The list of representatives attending the session is contained in the Annex to this report.
5. At its first meeting, Mr. Henri Janton (France) was unanimously elected Chairman. Mr. Hector Bernardo (Argentina) and Mr. Evgeny S. Shershnev (USSR) were unanimously elected First and Second Vice-Chairman respectively. A drafting committee under the chairmanship of Mr. Alfred C. B. Maiden (Australia) assisted in the preparation of the report.
6. The Joint Session was opened with statements by Mr. B. R. Sen, Director-General of the FAO, and Mr. Philippe de Seynes, United Nations Under-Secretary for Economic and Social Affairs, which are contained in the summary records of the session.
7. The agenda for the session, as agreed between the Secretary-General and the Director-General, was considered by the CICT at its Ninth Session. In reformulating some items on the agenda, the CICT took into consideration also the relevant provision of United Nations General Assembly resolution 1496 (XV). The CCP, at its Thirty-Fourth Session, requested the Director-General to proceed on the basis of the agenda accepted by CICT. The Economic and Social Council, at its Thirty-Second Session, and the FAO Conference, at its Eleventh Session, also accepted the agenda as formulated by the CICT which was as follows.
 - I. Study of prospective production of and demand for primary commodities, including the question of "the production of and demand for food in relation to the problem of hunger" in terms of General Assembly resolution 1496 (XV).

- II. National marketing boards and price stabilization funds: examination of methods of operation with a view to determining, on the basis of experience gained, whether such methods might with advantage be employed more widely.
- III. International compensatory financing in relation to fluctuations in the prices of primary commodities: application to individual commodities.

These subjects are considered in chapters I to III of this report.

I. PROSPECTIVE PRODUCTION OF, AND DEMAND FOR, PRIMARY COMMODITIES

8. The Joint Session, when considering this item of the agenda, had before it two studies, one prepared by the Director-General of FAO entitled: Agricultural Commodities - Projections for 1970 ^{1/}, and the other prepared by the Secretary-General of the United Nations entitled: Prospective Demand for Non-Agricultural Commodities: Problems of Definition and Projection Methodology ^{2/}. They were introduced by representatives of the respective organizations.
9. In his introduction, a representative of the Director-General of FAO said that this study was a first attempt towards a comprehensive analysis of prospective demand, production and trade of the major agricultural and forestry products during the decade of the sixties. He stressed that the projections were neither forecasts nor targets, and had therefore to be strictly associated with the assumptions.
10. The growth of demand was projected largely on the basis of assumptions about population and income. In the high-income group of countries ^{3/}, population was assumed to increase by 1.2 percent per year, while in the low-income group of countries ^{4/} it was assumed to grow at double that rate. As regards gross national product (GNP), two alternative assumptions were made, corresponding to increases of about four and five percent per year respectively. For Mainland China, the USSR and Eastern Europe, no attempt was made to project production or demand, although assumptions were made with regard to the likely trade of these countries with the rest of the world.
11. Production, acreage, animal numbers and yields were projected separately by countries, assuming, generally, no changes in agricultural policies and prices.
12. The results of the work could be listed under three headings: projections by commodities, projections for food and projections for trade.
13. Projections by commodities: the conclusions of these were that for wheat, coarse grains, butter, coffee and soft oils the existing surpluses might well increase if current production trends and agricultural policies continue. For other commodities such as sugar, cocoa, rice, citrus fruit, jute and tea marketing difficulties could arise during the sixties, and the study warned that the situation should, therefore, be kept under careful review. As regards agricultural raw materials the main problem

^{1/} E/CN.13/48: CCP 62/5 - Agricultural Commodities - Projections for 1970
FAO Commodity Review 1962, Special Supplement.

^{2/} E/CN.13/49: CCP 62/10- Prospective Demand for Non-Agricultural Commodities: Problems of Definition and Projection Methodology.

^{3/} This group included North America, Western Europe, Australia, New Zealand, Japan, Argentina, Uruguay and South Africa.

^{4/} This group excluded Mainland China, USSR and Eastern Europe and, of course, all countries in the high-income group.

was that of competition with synthetic products - competition which would probably exert a downward pressure on the prices of natural products.

14. Projections for food: in relation to projections for food, attention was called to the existence of food shortage in one part of the world and food surpluses in another. In the low-income countries the demand for food was expected to rise by about 4.2 percent per year on the more optimistic assumption as to income growth. If additional food requirements were to be met entirely by domestic production, the annual rate of growth of food production in these low-income countries would have to increase by almost one-half compared to that recorded during the fifties. Should food supplies in these quantities actually become available, the study noted that significant progress would have been made in the fight against hunger, although hunger would still exist, especially among the poorer groups of population. Moreover, even assuming such an increase in domestic production in low-income countries, malnutrition, and especially shortage of animal protein, would still remain a major problem by 1970. On the less optimistic assumption about the growth of national incomes in these countries, the nutritional level would improve only very slightly, and not only malnutrition but also hunger would remain a major world problem by 1970.

15. In the high-income countries the increase in demand for food projected by the study (about two percent a year) was somewhat lower than the rate of growth in food production recorded during the fifties. The study stressed that an extension of food aid could help in narrowing the gap between the food surpluses in high-income countries and the food shortages in low-income countries, and consideration was given in the study to the possibilities and limitations of food aid in the form of grains, dairy products and soft oils. However, it emphasized that in the long-term the essential solution to the world's nutritional problems lay in an acceleration of the growth of both agricultural production and national incomes in developing countries.

16. Projections for trade: the report analyzed the prospects for trade in the major agricultural commodities and gave particular attention to the problems of exchange earnings of developing countries from exports of tropical and semi-tropical commodities. On the assumptions made, the growth in the volume of these exports appeared unlikely to exceed the growth of population in these countries, even supposing a large increase in the imports of Eastern Europe and the USSR. Moreover the prospects for the terms of trade of agricultural exports as against imports of manufactured goods (which had deteriorated steadily since 1954) did not appear very favorable unless action was taken to modify existing production and trade policies. The study also referred to the role of commodity agreements.

17. Finally, the study pointed out that exchange earnings from agricultural exports of non-industrialized countries are not expected to rise substantially during the sixties. A more rapid increase in other sources of foreign exchange would therefore be required if economic growth is to be accelerated. Some low-income countries may be able during this period to promote exports of light manufactured goods or save foreign exchange by developing domestic industries. It is not expected, however, that this process would proceed rapidly. There would remain, therefore, the study stressed, a need for further expansion of the net capital inflow, largely in the form of economic aid.

18. The United Nations study also complied with a request made by the General Assembly in its resolution 1517 (XV) adopted in December 1960, in which the Assembly endorsed the work program of the CIOT and asked that the study of projections be accompanied by a detailed note on the methodology used and the problems encountered. In accordance with this request, the emphasis in the report was placed on problems and methods, rather than upon the establishment of predictive estimates. The commodities singled out for examination were the five major non-ferrous metals - aluminium, copper, lead, tin and zinc - and the two main sources of mechanical commercial energy - coal and petroleum.

19. The projections were based on an extrapolation of simple relationships for the period 1950-59 between mineral absorption on the one hand and such "independent" variables as population, gross national product and manufacturing production. In view of the over-simplified assumptions implicit in such projections, the study examined in detail the realism of the assumptions, first with respect to the relevance of the time period and secondly with respect to the stability of the relationships.

20. The report presented a series of alternative projections of demand for total energy and its major commercial components, as well as of demand for each of the five major non-ferrous metals for the years 1965, 1970 and 1975, on the basis of per capita trends and of linear and logarithmic relationships between mineral absorption and the gross national product. Though the projections were shown for the specific years mentioned above, the report emphasized that they were, in fact, to be regarded as representing the average value of demand over the surrounding period of 3 to 5 years, of which these years are the mid-points. This was due to the fact that the projections represented only the long-term trend values for mineral absorption, since it was not possible to give consideration to the nature and magnitude of short-term deviations from the trend which, in the case of minerals, may be very considerable in particular years.

21. The emphasis on problems and methods of projections of mineral demand was determined not only by the specific request of the General Assembly already mentioned, but also by the fact that more definitive estimates would, in any event, have to await more definitive projections of the rate of economic activity in various parts of the world, as well as of the level of world trade through which its various parts are linked. In this respect, therefore, the study on commodity projections was part of a larger United Nations undertaking on economic projections generally. A detailed study of projections of world economic trends would be presented to a group of experts shortly to be convened in terms of Economic and Social Council resolution 777 (XXX) on general economic projections, and a progress report on the subject will be before the Thirty-Fourth Session of the Council.

Discussion at the Joint Session

22. The Session unanimously expressed its keen interest in the studies put before it by the Secretary-General of the United Nations and the Director-General of FAO, and stressed the need for further work in the field of projections. The Session, however, pointed out that it was necessary to be cautious in the interpretation of the results. These were, in fact, projections established on the basis of certain measurable factors, but other factors which are not susceptible to measurement may influence production, consumption and trade.

Methodology

23. The Session expressed its satisfaction at the clear distinction made by the Director-General between projections and forecasts, and stressed the need for stating very explicitly the assumptions underlying the projections in any such work. Though the limitations attached to the very nature of the assumptions made were fully recognized, the Session considered that the advantages which could be derived from such projections clearly outweighed the possible disadvantages arising from any misinterpretation of the assumptions made.

24. It was stressed that the importance of changing habits, tastes and economic circumstances in determining levels of food requirements, as recognized in the FAO study, should certainly not be overlooked. Further work would be needed on the possible impact of social and institutional changes, especially in the newly independent countries.

25. Some delegates stressed the value of the techniques used in the preparation of the projections, especially as regards demand. It was suggested that further attention could be devoted to developing the methods of projecting production and to study the possible impact of price changes on supplies. It was, however, fully recognized that, in view of the paucity of data, such work would be extremely difficult to carry out, especially for developing countries.

26. Delegates, having noted that the study on projections did not cover production and demand for Mainland China, USSR, and the Eastern European countries, expressed the view that it would be desirable that the report entitled Agricultural Commodities - Projections for 1970 be completed on this point on the basis of the best available information.

Policy Issues

27. Several delegates mentioned that the problems emerging from the projections justified the preoccupation of the relevant UN and FAO bodies with prospects for primary commodities. However, the studies before the Session had the great advantage of clearly placing these prospects in a broad perspective, and of providing warning signals concerning the possible future nature and extent of the problems which could arise on the basis of the given assumptions. The delegates noted that the prospect for the next decade, on the basis of the projections, was one of continuing accumulation of agricultural commodity surpluses on the one hand, and of continuing food shortages and nutritional deficiencies on the other. The accumulation of surpluses was further likely to create many difficulties, particularly in relation to the prospects for commercial trade in these commodities.

28. Food Production in Developing Countries: the Session recognized the necessity of stepping up food production in the developing countries, especially those experiencing shortage of food, for those products they can produce with reasonable efficiency after a transition period; and simultaneously the necessity of increasing their rate of general economic development by an extent sufficient to raise consumers' incomes and consequently to create the necessary effective demand for the increased supply.

29. Food Aid: many delegates stressed that if the contrast between the projected surplus or food in high-income countries and the projected food shortages in the low-income countries (at least on the less optimistic assumptions made in the FAO study) were to persist in the next decade this would call for an extension of the food aid programs. It was feared that food aid could not completely cope with the problem, and it was recognized that it should be administered so as not to disturb markets of the exporting countries nor the internal markets of the receiving countries, by reducing farmers' incentives to increase production, nor lead to any reduction in international commercial trade. Particular attention was devoted to the problem of food aid in the form of protein food, since protein shortages would remain endemic in most developing countries during the sixties. Many delegates welcomed the initiation of the experimental World Food Program launched jointly by FAO and the UN.

30. Export exchange earnings: the Session was particularly concerned about the unfavorable prospects for exchange earnings from the exports of primary commodities. It further emphasized the need for prompt action to find solutions of a long-term nature so as to prevent the possible aggravation of the existing unfavorable situation. It was moreover mentioned by some delegates that the high income assumption used in the FAO study was unlikely to be achieved, unless action were taken to avoid further declines in commodity prices. Some delegates stressed the importance of trying to raise commodity prices. The need for adjusting production policies to demand prospects was stressed: several delegates emphasized the necessity of improving existing patterns of agricultural production in non-industrial countries and of accelerating the rate of diversification and industrialization: some delegates stressed that adjustments were

also needed in national policies in industrialized countries. Many delegates recognized that the inelasticity of demand in high-income countries for several food and beverage products was an obstacle to increased international trade, but that also under present policies the prospects of increasing the demand in high-income countries for primary commodities, especially those from the tropical zone, were limited, and that reduction of tariffs and internal taxes could be very important in this respect in some regions.

Recommendations

31. In view of the short time available to it for study of these reports, the Joint Session considered that its discussions were of a preliminary nature. It recommended that they should be placed on the agenda for the next sessions of the CICF and CCP for fuller consideration. In order to make such future discussions more meaningful it considered it desirable that several steps be taken in the meantime:

(a) governments should be requested to continue their study of the reports and to communicate their comments to the Secretary-General and to the Director-General;

(b) the reports should also be transmitted for study to the regional economic commissions and to the specialized commodity groups;

(c) because of the extremely technical nature of the methodological questions involved the United Nations Statistical Commission should be requested to examine the reports from the point of view of the adequacy of the methods employed.

32. It was stressed that work on projections was of a continuing nature, that the Secretary-General and the Director-General should arrange for the continuing study of trends and should report thereon periodically, particularly since such studies could be of considerable help in the formulation of development programs for many countries. The Session believed that in future work in this field the underlying assumptions should be continuously revised in light of existing and foreseeable circumstances and that the periodicity of future reports should be established with due consideration both to the technical nature of the problems involved and to the requirements of the various interested United Nations and FAO bodies.

II. NATIONAL MARKETING BOARDS AND STABILIZATION FUNDS

33. The Session, in considering this item, had before it two documents prepared by the Director-General of FAO and entitled The Role of Marketing Boards for Export Crops in Developing Countries (E/CN.13/50: CCP 62/21) and Commodity Stabilization Funds of the French Franc Area (E/CN.13/51: CCP 62/22). In an introduction to both papers presented on behalf of the Director-General of FAO, reference was made to a number of aspects, economic, financial and technical, which characterized the operations of national marketing boards and stabilization funds (Caisses de Stabilisation) and their relation, on the one hand, to other national and international commodity stabilization measures and, on the other, to the economic development programs and domestic price, monetary and fiscal policies of the exporting countries.

34. The two different types of organization analyzed in the FAO papers were concerned with protecting producers against market fluctuations by establishing seasonally fixed prices payable on delivery of the produce. The papers referred particularly to those organizations dealing with export crops of key importance in the economies of underdeveloped countries, such as cocoa, coffee, vegetable oils and oilseeds, and cotton. In the case of marketing boards, the organization itself was responsible for all purchasing and physical handling of the produce and its sale on world markets. Any profits made on the transaction accrued to the boards' reserves, from which any losses were also met. In most underdeveloped countries, these reserves had also been drawn upon

by governments for development purposes, so that the average price received by producers over a period of years had been below the average of market realizations for these years.

35. The commodity stabilization funds of the French Franc Area did not normally engage in the physical handling of the produce, but relied primarily on the control of private sales, and on systems of levies and premia on exports to achieve similar objectives. In some cases, ancillary storage operations and other measures were undertaken with a view to maintaining producer prices at the levels fixed at the beginning of the crop year. Like the boards, they built up financial reserves in favorable years, to be drawn upon when the market situation deteriorated. The stabilization funds had also had the advantage of loans or grants from funds operated by the French Government. These loans were not contingent on a price recovery in international markets and the debt was not extinguished if prices failed to recover in a stated period. For a certain number of commodities, the Stabilization Funds were supported by price guarantees and by guarantees of disposals up to specified quantities in the French market.

36. In the last few years, the fall in market prices had led to a reduction in the prices paid to producers of many of the products dealt with by marketing boards and stabilization funds. If market prices continued to fall, the financial reserves of these bodies would not be sufficient to maintain the existing purchase prices.

Discussion at the Joint Session

37. In the discussions in the Joint Session, there was a general consensus of opinion on the salient aspects concerning the operations of such boards, as outlined in the FAO documents. It was recognized that boards and similar organizations could play a wide economic and social role in many developing countries. In particular, it was recognized that the system of purchasing produce through licensed buying agents at stated prices could provide a powerful instrument for protecting producers against unreasonably high margins and exorbitant interest rates being charged by middlemen and money-lenders. At the same time, full care had to be taken to ensure that the monopoly powers of buying held by the boards were being wisely used.

38. It was agreed that the boards and similar organizations perform a number of ancillary functions which have been found to be of considerable practical importance. The Session noted in particular that these organizations may influence quality by establishing price differentials at levels likely to promote certain qualities over others. They may also influence the level of production of competing crops through similar price measures and even out the selling period, thus avoiding market gluts. In addition, the boards and similar organizations had come to provide a wide range of other forms of assistance that could be grouped together under the general heading of technical extension services.

39. Within the control of the boards were the domestic price policies and technical arrangements for all domestic buying; the timing and strategy of sales abroad; and the allocation of proceeds as between prices paid to producers, reserves, and general revenue. Proportions of such allocations have varied, with some of the boards playing a larger role than others as instruments of fiscal policy for the economy as a whole. In the circumstances, the Session agreed that a clear distinction could not always be made between the effects on producers in some developing countries of the price stabilizing operations of the boards, that is, the direct benefit of the smoothing out of variations whilst leaving the long-run average returns unchanged, and the indirect benefit of extra latitude in general economic development programs made possible through the provision of more ample reserves for the economy as a whole.

40. In their capacity for carrying out the re-allocation of proceeds, the functions of national marketing boards or stabilization funds were similar in some respects to those of other national measures which might have the effect of divorcing the levels of returns received by producers from levels of world market prices. Of these alternative measures, the most important were export taxes or, in some cases, export taxes combined with subsidies. Some countries had at times used differential exchange rates for similar purposes.
41. Some delegates referred to the danger of shielding an industry entirely from market influences and the possible inflationary effects on the economy generally of the pricing policies of the boards.
42. The Session noted that most of the boards established in the former British territories had the advantage of initial finance derived from trading under special wartime circumstances or, alternatively, had begun operating during periods of high world market prices. The Caisses de Stabilisation had come into existence at a time when market prices were declining but they had had the advantage of loans and grants extended by the French Government, and of preferences in the markets of the French Franc Area.
43. It was noted that the Caisse system sometimes operated in conjunction with preferential and guaranteed markets for the commodities subject to such control. While recognizing that this was not an essential feature of the system, nor exclusive to this form of arrangements, some delegates expressed concern that the existence of such guaranteed markets could create difficulties for other countries exporting the same commodities. One delegation pointed out that on the one hand there are at present several preferential markets in the world, and that on the other hand regional measures were a palliative to relieve difficulties resulting from the absence or inadequacy of international commodity agreements on a wider scale.
44. Some delegations pointed out that stabilization measures containing elements of support at levels above market trends might also stimulate an excess of production over consumption.
45. It was noted that for the predominant number of export marketing boards now in existence, the exports of the crops regulated by board operations were not likely to be large enough, taking each board on its own, to influence world market prices. Normally, therefore, the boards could not influence the unit values of the country's export receipts. In general, the exports for which marketing boards were responsible, were considerably more important to the economy of the exporting country concerned than they were in world trade.
46. It was further noted that, as a result of declines in world market prices, and other factors, including transfers from reserves to meet budgetary requirements, many stabilization funds were now seriously depleted if not exhausted, and that a number of marketing schemes were being reappraised. Many delegates pointed out in this connection that stabilization funds could not be used for protecting producers, or the economies of exporting countries, against persistent declines in world market prices.
47. It was agreed that the activities of the boards directed towards the strengthening of technical assistance and the improvement of internal purchasing methods were of much practical value, particularly for less developed countries and for agricultural commodities largely produced by smallholders in these countries. It was in this direction that an extension of such systems might be considered advisable in some cases. However, the view was expressed that lack of initial finance hindered the establishment of boards or stabilization funds under present circumstances. In this connection, some delegates pointed out that, unless the situation were remedied, the fall in market prices made it difficult for new and existing marketing boards or stabilization funds to function effectively.

48. The Joint Session was informed that further work on National Marketing Boards and Stabilization Funds was being contemplated by FAO, in pursuance of a request of the Eleventh Session of the FAO Conference, which had asked the Director-General of FAO, in the preparation of selected studies on national and international stabilization measures for export crops, to give special attention to the role of marketing boards and stabilization funds. Work on these subjects was also proceeding in FAO in co-operation with the Economic Commission for Africa and at the request of the Executive Secretary of that Commission 1/. Matters relating to the functions of National Marketing Boards and Stabilization Funds also formed part of the standing agenda of the CCP, as part of the regular periodic reviews undertaken by that Committee on national and international stabilization measures and techniques for agricultural products.

49. The Session was also informed that the Secretary-General of the United Nations was currently undertaking study of the subject and that a document was being circulated for consideration at the forthcoming meetings to be held under the auspices of the Economic Commission for Africa 2/. The subject was also on the current work program of the Commission on International Commodity Trade for which information continues to be received from governments in response to a questionnaire circulated by the Secretary-General.

50. These programs of current studies were noted with approval by the Joint Session, which requested these studies to be carried out in collaboration between the UN and the FAO in such a way as to avoid duplication, and recommended that the CICT and the CCP, at subsequent sessions, consider what further work might be undertaken on the subject.

51. The Joint Session took note with interest of the fact that FAO furnishes to governments on request technical assistance with the establishment or management of marketing boards and similar bodies and drew the attention of governments to the fact that they can obtain such assistance under the United Nations technical assistance programs.

1/ FAO documents circulated as E/CN.14/STC/CS/2 - 8
2/ UN document E/CN.14/STC/CS/1.

III. INTERNATIONAL COMPENSATORY FINANCING IN RELATION TO FLUCTUATIONS IN THE PRICES OF PRIMARY COMMODITIES, APPLICATION TO INDIVIDUAL COMMODITIES

52. At its Ninth Session in May 1961, the CICT, when discussing the report of a Group of Experts on the subject of International Compensation for Fluctuations in Commodity Trade,^{1/} raised several questions concerning the applicability of the compensatory mechanism proposed by the Experts to international trade in particular commodities and requested the Secretary-General of the United Nations to prepare a study on these matters.^{2/}

53. In connection with the consideration of this subject the Joint Session had before it a report by the Secretary-General, A Development Insurance Fund for Single Commodities (E/CN.13/45: CCP 62/11), prepared in response to the above-mentioned request and a report by the Director-General of the FAO entitled Compensatory Financial Measures for Commodity Export Earnings - Some Notes on Recent Studies and on Some Practical Experiments (E/CN.13/53: CCP 62/24).

54. The report by the Secretary-General explored various aspects of the application of the "development insurance fund" (DIF) mechanism proposed by the Experts to the question of stabilizing the receipts derived from the exports of a single commodity. It thus complemented the report by the Secretary-General on Stabilization of Export Proceeds through a Development Insurance Fund, prepared for the Tenth Session of the CICT.^{3/}

55. The proposal of the Experts involved a mechanism for insuring against shortfalls in total export earnings of all participating countries, the cost of which would be distributed among participating countries with due regard to their ability to pay. The study on a DIF for single commodities examined ways in which various commodity stabilization schemes incorporating the social insurance principles recommended by the Experts but restricted to a single commodity in contrast to total exports might have operated in the nineteen-fifties.

56. The study noted that for the commodities that are exported for the most part by the less-developed countries, the magnitude and concentration of fluctuations in proceeds would make the cost of insurance disproportionately high. Since these are the countries least able to afford high premiums, the feasibility of an insurance scheme for single commodities depends upon the extent to which the Experts' proposals can be modified in order to allow for a wider sharing of costs. The wider sharing of costs might be accomplished by broadening participation to include countries that import the commodity; such countries would, in effect, be invited to join the scheme as contributors only.

57. This would presumably tend to generate a strong pressure for holding down the cost of the scheme and would point to a system of loans rather than final settlement insurance. The net cost of such a system would depend on the proportion of the shortfall to be compensated, the rate at which repayment of the compensatory loan was required and the period that had to elapse before any unpaid balance was written off. The report contained illustrative calculations of the net cost of the scheme during the nineteen-fifties in the case of several commodities namely rubber, cocoa and copper, on the basis of a number of alternative formulae for loans and repayments.

^{1/} United Nations publication, Sales No. 61.II.D.3.

^{2/} See Official Records of the Economic and Social Council, Thirty-Second Session, Supplement No. 6. (F/3497), paragraph 119 (v).

^{3/} United Nations document E/CN.13/43.

58. Alternative methods of determining annual premiums were put forward. In the first, the determination of premiums would be based upon income per capita and the net value and the degree of instability of each participating country's trade in the commodity. Another method of allocating costs would be to limit premium obligations to importing countries with the size of premiums reflecting the degree of instability in imports of the commodity.

59. Given the nature of the transfers involved, the participation of an importing country in a single commodity DIF would resemble the importing country's participation in a foreign aid program. The net transfer of funds channelled through a commodity DIF would be distributed among exporting countries in accordance with the relatively fortuitous circumstances determining the coverage and operations of the particular DIFs that might be established rather than in accordance with the needs of countries for foreign aid.

60. If adequate participation were forthcoming and a DIF for a particular commodity were created, the problem of defining the eligibility for compensation and of scrutinizing claims might prove to be considerably more difficult than in the case of a general compensatory scheme. Trade in a specific commodity is much more susceptible of control and more likely to be influenced by domestic policies than is trade in general. Whereas, a general export compensatory scheme could afford to overlook all sorts of export-influencing factors that might affect a particular commodity but might be expected to be offset or submerged in the flow of trade as a whole, a single commodity scheme would not have that latitude.

61. The more complete the compensation and the easier the terms, the more difficult it would probably be to obtain adequate membership of importing countries on the one hand and to prevent possible abuse by exporting countries on the other. Probably the most satisfactory way of reducing the cost of a commodity DIF while retaining its stabilizing function would be by increasing the proportion of compensation paid in the form of a loan rather than as a final settlement and by lengthening the period elapsing before any unpaid balance of a loan was cancelled.

62. The report pointed out that in order for a single commodity scheme to be attractive to importing as well as exporting countries there would appear to be some advantage in organizing the compensatory transfers on the basis of deviations of an international market price around a reference or notional price, which might vary on the basis of a calculation of trend, rather than on the basis of fluctuations in export proceeds. However, a price-based DIF scheme also would present a number of difficulties, particularly in regard to the identification of a standard price quotation and the determination of the reference price.

63. To preserve the element of social insurance the effect of price declines might, for example, be compensated to a greater extent than the effect of price increases. In this, or some other way - such as a contingent loan system - the cost of insuring a stable reference price would be borne to a greater extent by the importing, generally higher income, countries than by the exporting, generally less developed countries.

64. The report noted that the closer a price-based scheme came to be a vehicle for development aid, the more difficult it would be to provide it with a membership that accounted for the bulk of world trade in the commodity in question and the more likely it would be to impinge on the market for the commodity in a way that might not be in the long run interest of exporting countries. However, the view was expressed in the report that insofar as such a compensatory scheme did succeed in increasing the stability of the foreign exchange earnings of countries exporting the commodity on the one hand and of the unit cost of the commodity to users on the other, it would have made a valuable contribution both to the development effort of the exporting countries and to the competitive position of the commodity on the world market, especially in relation to synthetic substitutes.

65. The document prepared by the Director-General of FAO examined three arrangements in operation of which two, the Commodity Stabilization Funds of the French Franc Area and the British Commonwealth Sugar Agreement, were regional in character and one - the United Kingdom-Australian Meat Agreement - bilateral. Each of these arrangements embodied certain features of international compensation or income transfers for purposes of stabilization and support. The FAO report noted that none of these working arrangements met in full the criteria of compensatory arrangements on the lines proposed by the United Nations Experts' report. Moreover, each arrangement was only partial in its world coverage and embodied preferential features. The analysis of these actual experiences was, nevertheless, relevant in the context of this item on the agenda.

Discussion and Recommendations

66. The Joint Session confined itself to considering the question of the application of mechanisms of compensatory financing to individual commodities, bearing in mind that the question of the application of such measures to offset fluctuations in aggregate export proceeds of primary producing countries was on the agenda of the Tenth Session of the Commission on International Commodity Trade.

67. There was general recognition of the fact that fluctuations in the prices and proceeds of primary commodities were a major cause of instability in the foreign exchange earnings of primary exporting countries, and agreement on the desirability of offsetting this instability and hence of lessening its disruptive effects on the course of economic development. It was also recognized that primary commodity trade was affected by two main types of fluctuations, short-term fluctuations and also those long-term fluctuations that arise from factors frequently beyond the control or the responsibility of exporting countries. The compensatory systems under discussion were designed to deal with short-term fluctuations. It was felt that in general the approach to specific measures to deal with the problem of instability in export earnings should be based on the recognition that both industrial and primary exporting countries have a common interest in joint action to restrain serious short-term fluctuations through the adoption of international measures. It was also held that remedies for problems of short-term instability should be accompanied by measures aimed at counteracting long-term downward trends in the prices of certain primary commodities.

68. Without prejudice to the merits of any particular system of compensation based on total export proceeds or on any other basis, a number of delegations expressed the desirability of considering a general system of compensatory financing on a world scale as against one related to particular commodities. The fundamental problem confronting exporting countries was the fluctuation of total export income rather than of particular commodity proceeds. A single commodity system, being unrelated to the movement of total export proceeds would not take account, if it were to remain isolated, of any offsetting movements in the proceeds of different commodities exported by a particular country. If such a system involved net transfers of funds from importing to exporting countries, the country distribution of such transfers would not necessarily conform to a desirable pattern of international aid.

69. In considering the compensatory mechanisms that might be applied to deal with instability affecting individual commodities, the attention of the Joint Session was directed particularly to two alternative systems, namely (a) a development insurance fund (DIF) designed to provide compensation for fluctuations in the export proceeds of particular commodities and based on an adaptation of the insurance principle enunciated in the report of the Experts with reference to total export proceeds, and (b) a mechanism related to the price as distinct from the export proceeds of particular commodities.

70. There was general agreement that a DIF system applied to the export proceeds of individual commodities was subject to serious limitations and that this mechanism could not be regarded as a practical or desirable solution to the problem.

71. In addition to the above-mentioned shortcomings attached to any system of single-commodity compensation, the difficulties of administering this scheme, as outlined in the report by the Secretary-General, were serious. There was a possibility, furthermore, that the scheme might induce changes in output tending to aggravate rather than alleviate problems of imbalance between supply and demand. Since, for practical reasons, a single-commodity DIF scheme was unlikely to be instituted for all commodities, this would create an undesirable discrimination between commodities and between countries.

72. The Joint Session also considered the alternative possibility of a compensatory mechanism for particular commodities based on export prices alone. Attention was given to the particular form of this arrangement in which compensation is based on the deviation of market prices from a reference trend price as well as to certain other types of price-based arrangements.

73. Certain delegations expressed reservations concerning the practicability of achieving a satisfactory definition of and determining a level for a reference or contractual price. According to these delegations the possibility of implementing a scheme fixing a reference trend price precisely at the long run average of world market prices was considered remote. A price below this level would be to the disadvantage of exporting countries, while if the price were set too high, long-term problems of imbalance between supply and demand would be created or aggravated. However, some delegations felt that experience with commodity agreements shows that the difficulties in this field are not insurmountable and that reference prices could be adjusted periodically.

74. Some delegations held that the setting of prices in certain examples of international contractual arrangements reflected special circumstances that may not be applicable to a comprehensive arrangement relating to world trade in a particular commodity. It was held by these delegations that international commodity agreements relating to particular commodities should be based on a detailed examination of the particular circumstances and not on a general price formula. A view was expressed however, that the problem of fixing an appropriate reference price, while difficult, was not necessarily impossible, and that certain aspects of a compensatory mechanism based on such a system might with advantage be explored further. Another view was expressed that if such a system were to be explored further, it should be only on the assumption that compensatory transfers should take the form of loans, not grants.

75. The view was also expressed that a price-based system involving the possibility of reciprocal transfers between exporting and importing countries was unacceptable because it was difficult to envisage the possibility of transfers from less-developed to developed countries for various reasons, including the effect that this would have on their capacity to meet their needs for economic development.

76. Certain delegations held that a broad construction should be placed on the concept of compensatory financing, so that countries facing adverse long-term trends could benefit from compensatory systems that would be implemented particularly when the factors determining such trends are beyond the control and responsibility of exporting countries.

77. Other delegations stressed the importance of confining any system of compensatory financing as far as practicable to losses related strictly to short-term fluctuations in prices around their trend level. Some delegations emphasized that in order to deal with long-term problems affecting export proceeds, other appropriate types of international action would have to be taken, such as special consideration in the allocation and use of foreign aid and the adjustment of measures in importing countries that restrict exports from primary producing countries.

78. The view was expressed that in constituting buffer stocks under an international commodity agreement, recognition should be given to the principle that importing and exporting countries alike should contribute.

Annex

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The Secretary-General of the United Nations was represented by Mr. Philippe de Seynes, Under-Secretary for Economic and Social Affairs; Mr. Jacob L. Mosak, Director of the Division of General Economic Research and Policies; Mr. Perce R. Judd, Assistant Director in charge of the International Trade Relations Section of the Division of General Economic Research and Policies; Mr. Walter A. Chudson (Adviser) and Mr. Gordon L. Unsworth of that Section.

The Director-General of the Food and Agriculture Organization of the United Nations was represented by Mr. Mordecai Ezekiel, Special Assistant to the Director-General (Economic Matters); Miss Gerda Blau, Director, Commodities Division; Mr. Stefano d'Amico, Chief, Commodity Policy Section; Mr. L.M. Goreux, Chief, Trend Studies Section, Mr. John M. Clark, Chief, Current Reports Section; and other members of the staff of the FAO Commodities Division.

The Secretariat of the meetings of the Joint Session was provided by Messrs. Judd and d'Amico.