

Mr. Post

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COMMITTEE ON COMMODITY PROBLEMS

to the forty-eighth session of the Council of FAO

Rome, March 1967



FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

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	ORGANISATION DES NATIONS UNIES POUR L'ALIMENTATION ET L'AGRICULTURE	
	ORGANIZACION DE LAS NACIONES UNIDAS PARA LA AGRICULTURA Y LA ALIMENTACION	

COMMITTEE ON COMMODITY PROBLEMS
REPORT OF THE FORTY-FIRST SESSION

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INTRODUCTION

1. The Committee on Commodity Problems (CCP) held its Forty-First Session from 1 to 15 March 1967 at FAO Headquarters, Rome. The session was attended by the representatives of 28 Member Governments of the Committee, observers from 26 other Member Governments of FAO, and from 18 international organizations 1/.
2. The Committee adopted the Provisional Agenda for its Forty-First Session (CCP 67/1). It was pointed out that the distribution of the French and Spanish versions of some of the documents had been delayed.
3. The Committee was assisted during its session by a general drafting group and by a special drafting group on projections, both under the chairmanship of Mr. Ram Saran (India).
4. The Committee heard statements by the representatives of the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD), of the Director-General of the General Agreement on Tariffs and Trade (GATT), and of the Executive Director of the UN/FAO World Food Program (WFP), and by the observer from the Organization for Economic Co-operation and Development (OECD).
5. The Reports of the CCP subsidiary bodies were presented to the Committee as indicated below:
 - a) The Consultative Sub-Committee on Surplus Disposal - Mr. W.F. Doering (United States)
 - b) The Study Group on Hard Fibers - Mr. J.A. Seixas Corrêa (Brazil), Vice-Chairman
 - c) The Study Group on Oilseeds, Oils and Fats - Mr. Ram Saran (India)
 - d) The Study Group on Rice - Mr. Vicharn Nivatvongs (Thailand), Chairman

The Report of the Second Ad Hoc Consultation on Tea was presented by Mr. Yogendra Duraiswamy (Ceylon).

1/ A list of participants is given in the Appendix to this Report.

I. COMMODITY PROJECTIONS AND THE INDICATIVE WORLD PLAN FOR AGRICULTURAL DEVELOPMENT

6. In accordance with its earlier decision, the Committee undertook, as a main feature of the agenda for the present session, a review of the Secretariat's preliminary study of commodity projections (CCP 67/3). This study had been requested by the Twelfth and Thirteenth Sessions of the Conference. Its two purposes were to bring up-to-date the projections to 1970 prepared by FAO in 1962 and to provide an initial commodity framework for the FAO Indicative World Plan for Agricultural Development.

7. The Committee was assisted in this review by the comments submitted by FAO Member Governments and international bodies and, in particular, by the careful study given to the report by delegates and observers in advance of the session, and the advice of the expert members of delegations. The Committee was thus in a position to conduct a thorough and comprehensive examination of the study and of the relation of the projections to the Indicative World Plan for Agricultural Development. The Committee expressed satisfaction at the report having been distributed well in advance of the session.

1. Methodological aspects of the projections

(a) Methodology

8. The Committee took note of the methodology used in the commodity projections study. The general objectives had been to provide a comprehensive analysis of prospective trends of demand, production and trade for the main agricultural and forestry products for the next two decades. The aim was to permit a better assessment and an integrated view of future prospects for world agricultural commodity markets and the scale of future world food needs, as well as to provide guidance for governments in drawing up their national plans and policies. The projections were also intended to establish a preliminary global commodity frame for the regional and subregional studies of the Indicative World Plan.

9. The methodology was essentially similar to that applied in the preparation of the 1970 commodity projections, with some extension of the commodity coverage. Projections had been made for 99 individual countries which together accounted for about 98 percent of world population. More attention had been given to centrally planned economies, about which more data had become available. Demand and production had been projected separately. Projections of demand had been made for 1975 and 1985 but projections of production had been carried out so far only up to 1975. Thus, trade prospects had been examined only up to 1975.

10. The major assumptions underlying the projections related to rates of growth of population and Gross Domestic Product (GDP), and the relation between income growth and per caput consumption. Constant prices and the continuation of existing policies had also been assumed for the projection of demand.

11. The basic assumptions on population growth had been derived from the UN demographic projections of 1963 with some necessary adjustments to take account of more recent estimates. For each country a single rate of increase in population was selected for the decade 1965-1975, generally corresponding to the UN medium projection. For the second decade 1975-1985, two rates of population growth had been adopted, the lower one allowing for a greater reduction in fertility rates due to the more rapid adoption of family planning policies.

12. For GDP two alternative rates of growth were studied - a low one, somewhat below the 1950-63 trends, and a high one, implying an acceleration in economic growth generally reflecting national plans. Thus, the study was able to examine a range of possible population and income growth situations.

13. The demand for food had been projected for individual food commodities and for food as a whole on the basis of food balance sheets drawn up for 99 individual countries for a base period around 1962. Since food consumption was also aggregated in terms of nutritional content, this approach provided a means of checking the basic commodity statistics of a country for internal consistency, and also for consistency with nutritional surveys. The quantities of food consumed per caput were projected to 1965, 1975 and 1985, by applying selected coefficients of income elasticity and appropriate demand functions for each commodity in each country. These elasticities and demand functions had been selected after a systematic analysis of a large number of family budget surveys, historical consumption data, and cross-country comparisons. The test of nutritional consistency had also been applied to the projected demand within each country.

14. The projections of demand for commodities other than food had been made by various methods depending on the commodity, the emphasis being placed on analysis of the factors affecting demand in different end uses.

15. The projections of production had posed more difficult problems than those of demand. For the developing countries the production projections were linked to the selected growth rates of GDP, in view of the large contribution of agriculture to the economy of these countries: thus, two production projections were made, associated with low and high general economic growth rates.

16. As a rule, the low production projection was based on an extrapolation of past trends, the results of the mechanical extrapolation being adjusted to take into account special conditions which might have prevailed in the past and known changes in policies. The high production projection, which was only compatible with an acceleration of economic growth, presupposed important feasible changes in policies which were not specifically detailed in this report. The consistency of the detailed production projections by commodities with the GDP assumption originally selected had been checked by computing the implied growth in the value of total agricultural production. For developed countries, a single production projection was generally selected, taking into account recent trends and known policies. For centrally planned countries, two production projections were also generally selected. However, for Asian centrally planned countries, in view of lack of information, projection often led to no more than educated guesses as to the possible size of net trade of these countries vis-à-vis the rest of the world.

17. Commodity balances for 1975 were obtained by setting the production projections for that year against the corresponding demand projections. These balances when aggregated were an indication of the potential gap in 1975 between projected world supply and demand. Such gaps were thus warning signals of possible changes in prices or the need for changes in policies. The projected imbalances would, however, not materialize since at the world level supply and demand would necessarily be in equilibrium (apart from changes in stocks). Some of the price and policy implications of the projections had then been examined in the report.

(b) Basic assumptions

18. There was general agreement in the Committee that the population assumptions derived from recent United Nations studies were reasonable. It was noted that for a few countries more recent national figures were available. The Committee also noted that the figures used related to total national population and it was suggested that eventually in future work it would be desirable to take account as far as possible of changes in the ratios of rural to urban population and of changes in age structures, since these had an effect on the demand for food.

19. With respect to the assumptions chosen for income growth, some delegates suggested that more weight could have been given to recent trends in the selection of the low GDP assumption. At the same time it was pointed out that even the low assumption might

prove too high if the trends in agricultural production observed since 1962 did not improve significantly during the remaining years of the period 1962-75. Some delegates felt that the high GDP assumption in developing countries was unrealistic in view of the slackening in the rate of economic growth in recent years. The high GDP assumption was regarded by some delegates as somewhat arbitrary and more in the nature of a target than a projection though it should not be taken as a maximum. A suggestion was made that the actual income targets of national plans should have been accepted as the high assumption; however, it was recognized that such national targets were not all set on a comparable basis and were seldom available for the whole of the projected period. It was pointed out that economic growth would be strongly influenced by the developments of the non-agricultural sectors of the economy, and for this reason the rates of growth had been selected by the Secretariat in close collaboration with other international and regional bodies, so as to draw on their competence in the non-agricultural sectors. It was noted that the GDP assumptions would be further scrutinized in the course of the regional studies of the Indicative World Plan.

20. Most delegates maintained that in future projection work, in addition to the initial assumption of constant prices, an attempt should be made, as a further stage, to introduce explicitly the effects of price changes on both production and demand, rather than maintain the assumption of constant prices. It was nevertheless recognized that, since the subject of production functions was a highly complex one on which reliable data were scarce, in developed as well as developing countries, it would probably be necessary to proceed selectively in the refinement of the methodology in this respect.

(c) Sources of data

21. Serious concern was expressed by most delegates as to the adequacy of the basic statistical data used in the projections. There were serious deficiencies in the statistical material of many developing countries, and of some developed and centrally planned countries, and such deficiencies could strongly influence the results. The data were not of equal reliability and, although such general deficiencies were noted in the study, it was difficult for the reader to make his own judgment as to reliability in particular instances. It was generally felt that more explanation should be included as to the reliability of the statistical data employed.

22. A number of delegates from developing countries stressed the value of the projections in providing an international model for the assembly and analysis of projection data and a stimulus for improvements in their statistics. A suggestion was made that an appendix could usefully be added to the report to indicate to countries the range of data needed for satisfactory commodity projections.

23. Several delegates requested that the Secretariat should make available basic background material used in the projections, such as conversion factors and the analyses of household survey data underlying the selection of income elasticities and demand functions. The Committee was informed that this information would be supplied to those member nations which requested it.

(d) Demand projections

24. The Committee acknowledged that the projections of food demand deserved full appreciation as a first step in the long process of statistical operations to be accomplished. The presentation in detail and on a country basis of consumption levels and patterns, and the income elasticities and demand functions chosen, allowed the stages in the demand projections to be followed and also provided a valuable source of reference material.

25. However, the Committee pointed out that analysis of demand solely as a function of income did not take account of the effects of changes in consumption arising for other reasons, e.g. changes in food habits, changes in income distribution, and in the

rural/urban ratios in population and shifts from a subsistence to a market economy. Field surveys in a number of countries had shown the relevance of such factors. It was also felt that the effect of substitution of foods related to relative price changes was a factor which affected the validity of projections for individual commodities. These other factors affecting demand should be taken into consideration as far as practicable in future work. It was noted that the income elasticities used had been mainly derived from household surveys. Some delegates queried whether such elasticities were fully suitable for long period projections. The Committee stressed the importance of countries carrying out consumption surveys to provide essential data for planning purposes and the systematic analysis of time series, wherever available.

(e) Production projections

26. The Committee recognized the special difficulties inherent in production projections and felt that the evaluation of the procedures adopted for particular commodities would have been greatly assisted if fuller explanations had been given in the report. The Committee stressed that extrapolation of past trends could only provide a starting point for projecting production in the case of the low assumption in developing countries. The Committee recognized that a subjective judgment had to be included in the production projections, especially in the case of the high assumption in developing countries, since judgments had to be made as to feasible technical, institutional and policy changes within the projection period. Some concern was expressed as to the impact of such subjective judgments on the results but it was recognized that at this stage there was little alternative to this procedure. The Committee recognized, however, that there had been close contact with technical units in FAO and with a number of national and international authorities in an attempt to minimize the inevitable element of subjective interpretation on the part of the Secretariat. It was noted also that the production projections would be refined in the course of the regional studies of the IWP, and that the balance between the related growth of the agricultural and non-agricultural sectors would be reviewed in this connection.

27. In response to specific questions by various delegations, the Secretariat gave supplementary information on the methods applied to certain commodities in general or in particular countries. Delegates presented a number of revisions to data relating to production in their own countries. As regards future revision of production projections, the desirability of carrying out such revision in close contact and in repeated consultation with the competent experts of the governments concerned was stressed. It was generally felt that when revisions based on full consideration of information provided by governments had been completed, the production projections would provide a reasonable picture of current trends and feasible targets.

(f) Confrontation of world production and demand projections

28. Bearing in mind that trade was for many commodities a relatively small part of production, the Committee stressed the possible margin of error that could result in trade projections derived from confrontation of world production and demand projections. The Committee's concern was based on the inadequacy of much of the basic statistical material and the degree of subjectivity inevitably involved at the present stage in production analysis. The alternatives proposed for balancing the world trade picture implied changes in the demand and production assumptions which were not fully spelt out in the study.

2. Regional studies and the Indicative World Plan for Agricultural Development

29. The Secretariat, in introducing this part of the agenda, stressed that, although the IWP impinged on commodity problems, it also covered many other problems such as resource utilization, institutional structures and investment needs. In addition to the provisional regional study for the Near East, which was one of the papers before the Committee, work on the western South American and East African subregions was at

an advanced stage. In phasing the program of work for the IWP, there were two important dates: the Second World Food Congress likely to be held in the autumn of 1968 (and for which the cut-off date for finishing documents was April 1968) and the 1969 session of the FAO Conference. By April 1968 it was planned that provisional regional plans would be ready for Africa South of the Sahara, for South America, for the Near East, and for nine selected countries of Asia and the Far East; there would also be the preliminary version of an Indicative World Plan. Although, for working purposes, subregional country groupings were still being used, it was not now intended to produce subregional documents. Very preliminary drafts (containing the basic data, analysis of the main problems and tentative conclusions) would be circulated to the governments concerned and, after two or three months, IWP staff would visit the countries concerned for discussion. The regional studies would be given full distribution to governments.

30. It was explained that from April 1968 until the 1969 FAO Conference, the main emphasis would be put on the completion of the regional studies and the improvement and revision of the provisional documents, including the report at the world level. In the course of this work, the South American study would be broadened to cover the whole of Latin America, and additional studies would be made for the Maghreb countries, for southern Europe and for other Asian countries. The Conference at its Fifteenth Session would therefore have before it an Indicative World Plan and a complete set of regional studies.

31. The work was being done by involving people from all subject matter divisions and also field staff; a more effective organization was being steadily built up. The preparation of a consistent statistical base had proved to be more difficult than originally thought likely and this aspect had received much attention. The detailed methodology of the work was still being developed and had already undergone considerable change since the completion of the provisional Near East study. The regional studies would be built up into the world study, which itself would show the need for revision at the regional level; only this process of inter-action and correction could lead to improved versions of the IWP. Under these circumstances, there was a strong case for setting deadlines in relation to the various stages of the task.

32. Several delegates expressed regret that the study on the Near East was not available in all three working languages, as set out in the General Rules of the Organization ^{1/}. The Committee further felt that such a study was of interest not only to those countries included in it but also to others. The Committee considered that the participation of governments in the preparation of the IWP should not be limited to the data concerning their own countries but should extend to the development of the Plan as a whole. Therefore, all subsequent reports which were given wide circulation should be made available in all three languages.

33. The Committee expressed concern at the extreme tightness of the timetable and asked for reassurance that the preparation of a preliminary version of an Indicative World Plan by April 1968 would not entail a sacrifice of quality. The view was also expressed that the preparation of the provisional IWP should not be delayed; the limitations as to what could be accomplished in the time should be recognized but there was considerable value in a first approach at the world level being available as soon as possible. Some delegates thought that the completion of such a difficult and complex task should not be dictated by the dates of certain meetings, but it was pointed out that the Conference, at its Thirteenth Session, had agreed that a preliminary version of an Indicative World Plan should be available to the Second World Food Congress in 1968.

^{1/} The Director-General informed the Committee that lack of time had made it impossible to translate the subregional study for the Near East but that future regional studies would be distributed in all three working languages.

34. The Committee emphasized that the IWP was to be considered as a long-term undertaking which would require revision and improvement for many years. Several delegates stressed the importance of the Plan being a practical one, and one which would be sound enough to be accepted as a useful basis for making policy decisions. The Committee noted that the Secretariat realized that the first attempts would be far from perfect; but weaknesses should be clearly stated, possible alternatives suggested and the tentative nature of conclusions should be stressed.

35. A number of delegates expressed views on the degree of detail to be attempted in the regional studies. Some delegates suggested that progress might be accelerated if the regional studies were less detailed in the first stage. These delegates stressed the rather arbitrary nature of some of the assumptions which had been adopted at the outset, such as the assumption of constant prices. They pointed out that under these conditions it would be difficult to formulate for 1985 targets for production, consumption and trade in considerable commodity detail, the possibilities of substitution between similar commodities being very great over a twenty-year period. A number of other delegates suggested that details would have to be sufficient and that the underlying assumptions would have to be made sufficiently explicit, so that constructive criticisms could be made. The Committee noted that, since the individual studies were later to be built up into the world document, all of them should be in approximately equal detail, always bearing in mind that the IWP was to be submitted to the Fifteenth Session of the Conference.

36. The Committee noted with approval that price variations were being considered in the making of production proposals. In many cases it would be necessary to show what price changes would be necessary to call forth a certain output and also to study what effect such prices would have on demand. It was, however, recognized that there were limitations on the extent to which price changes could be introduced into the first provisional Indicative World Plan and that the approach would have to remain somewhat pragmatic.

3. Guidelines for consideration of projections and regional studies by commodity study groups

37. The Committee re-emphasized the role of the CCP commodity study groups in this work, and considered that the groups should give substantial and specific advice on the commodity projections, the regional studies and the IWP. It was important that full use be made of the groups' commodity expertise and specialized knowledge of particular commodity problems and market outlook. The Committee, therefore, requested its study groups to make a careful examination of the projections for the commodity concerned and of the conclusions reached. The groups should also review the commodity aspects of the regional studies and of the IWP as documents became available. These subjects should be retained as regular items on the agenda of each study group, including those which had already given preliminary consideration to the projections.

38. In their examination of the projections, the regional studies and the IWP the groups should be guided by the following considerations.

39. General. Each group should, to the extent possible, assess the accuracy and representativeness of the basic statistics; assess the reasonableness of the projections and expectations concerning trade, in the light of its views on the world commodity outlook; and give its opinion on the principal conclusions reached in the FAO studies, particularly on the means of achieving a balance between supplies and demand.

40. The Committee emphasized the importance of ensuring that particular projections and targets, which had been based on certain assumptions, were consistent with the particular group's judgment of the world commodity market outlook.

41. Specific subjects for study groups' comments. The Committee requested its study groups to include specific comments on the following aspects of the projections in their reports to CCP:

- (i) base period data used on consumption, broken down as far as possible by end uses; and production (area and yield, where applicable);
- (ii) the projections of demand by main end uses, including non-food utilization of food products (e.g. oilcake or grains as animal feed, industrial uses of vegetable oils, etc.); and of projections of production;
- (iii) information on national policies and investment plans (e.g. new plantings of tree crops; new processing industries; introduction of new varieties; land reclamation projects, etc.), and advice on how to take these plans into account in the projections;
- (iv) new factors bearing on long-term prospects for the commodity (e.g. new by-products, new uses or new competing products, including synthetics and substitutes) and assistance in trying to quantify their likely future impact on the market;
- (v) prospects for increasing trade in the commodity concerned in both existing and new markets, and among developing countries;
- (vi) influence of prices on production and demand.

42. Other subjects on which advice is invited. The Committee also invited the study groups to:

- (i) comment, to the extent of their competence, on the methods used to project demand and production; and
- (ii) provide information, where feasible, relating to the assumptions made for non-member countries of FAO important in trade.

43. The Director-General was requested to invite independent commodity councils and groups to provide information along the lines outlined in the above paragraphs, where feasible.

4. Policy implications of the projections

44. The main tentative findings and policy implications of the study were presented by the Secretariat and are summarized in paragraphs 45 to 58.

(a) Main tentative findings of the study

45. World food situation. The projected levels of demand for food in 1975 and 1985 were expressed in quantities per caput and converted into calorie and protein content. From the calorie data the Secretariat concluded that there would be little change in calorie intake in the developed countries apart from important improvements in southern European countries and Japan. By 1985 most developed countries would be around the level of the United States.

46. In the developing regions, if gross domestic product were to grow at 5.5 - 6.0 percent per year, and provided matching supplies were available, demand would be high enough to permit the problem of undernutrition in terms of calories to be broadly solved by 1985. However, the problem would still be serious in 1975. At a slower rate of growth (3.6 - 3.9 percent per year in GDP) effective demand per caput would not reach an adequate level until well after 1985.

47. As regards the quality of the food consumption pattern, it was estimated that in 1961-63 one third of the population in the developing regions lived in countries where the calorie/protein balance of the diet was inadequate. In this respect, the study

did not envisage basic improvements even by 1985, since any increase in the share of animal protein in the pattern of demand for food was likely to be offset by a fall in the share of vegetable protein.

48. With regard to food supplies, the projected food production in the developing regions in 1975 would not match the growth in demand projected at constant prices. This could be the case even on the assumption of high GDP growth, with demand increasing at 3.7 percent per year and food production rising at 3.6 percent a year, which would be a substantial gain over the rate of 2.9 percent per year achieved during 1958-63. The gap would be a good deal wider on the lower growth assumptions. Thus, the study concluded that, in the developing regions, the levels of demand projected at constant prices could be satisfied in 1975 only by a considerably expanded flow of imports, particularly of cereals (excluding rice), dairy products, meats and fats and oils.

49. For developed countries the study projected a continuation of the present tendency for food production as a whole to run ahead of the growth of their domestic demand. These countries had the capacity to increase output beyond their own needs, even to the point of supplying the projected deficits of the developing countries, at least for cereals.

50. Commodities and trade. The prospects for individual commodities were initially assessed in the study by comparing the projections of demand (both food and non-food products) with projections of production. Assumptions of constant prices and the continuation of national policies were retained in the first instance. For 1975 the projections showed a rough balance at the world level between production and demand for coarse grains, wool and fats and oils. The world balance in fats and oils assumed the achievement of substantially larger imports by centrally planned and developing deficit countries. Tendencies to world shortage were shown for meat, dairy products and eggs. The commercial import demand for the latter two products would, however, probably fall short of export availabilities. For other main agricultural commodities - wheat, rice, sugar, citrus fruits, tobacco, coffee, tea, raw cotton, jute, hard fibers and rubber - the statistical trends on the assumptions noted above, pointed to world surpluses. The study noted, however, that such potential surpluses would not, in practice, materialize in most cases because of the effects of price changes on supply and demand, or because for a few commodities, such as wheat or coffee in some countries, production would probably be managed so as to fit supply more closely to demand.

51. The extent to which the developing importing countries would be able to cover their projected deficits of wheat and fats and oils through imports would, according to the study, depend partly upon the level of food aid in these commodities. The same was partly true for dairy products. Import deficits of meat were unlikely to be met because of a projected general world shortage, as well as the continuing balance-of-payments problem of the developing countries. Thus, unless their deficits in livestock products could instead be met by wheat provided on an aid basis, the developing countries would be unable, according to the projections, to attain even the levels of calorie consumption derived from the demand projections.

52. The individual commodity analysis had been interpreted to show the prospects for agricultural exports from both developed and developing countries. Developed country exporters, who sell mainly to other high income countries, would face problems of supply management and food aid arrangements for wheat and dairy products, whereas a strong demand for meat, especially beef, and a balanced market for wool, was projected. There might be problems of access to markets in the case of wheat, meat and dairy products, their extent depending on the degree of success in negotiating international agreements.

53. The agricultural trade prospects facing the developing countries were more fully analyzed in the report. On the basis of constant prices and current trends and policies, the projections pointed to an increase of only 1.9 percent per year in the net import demand of high income countries (including the U.S.S.R. and eastern European countries) up to 1975, even if demand grew at the high rate. At lower rates of GDP increase -

3.5 percent annually in developed countries and 4.5 percent in centrally planned high income countries - the rate of increase in their net import demand would be halved. For sugar and fats and oils, net import demand of the high income countries as a group was projected to be considerably less in 1975 than in 1961-63. The only dynamic import prospects in high income countries were those shown for meat, coarse grains and roundwood. Modest rates of increase in imports shown for coffee, cocoa and bananas could in certain conditions become dynamic, particularly if the eastern European countries and the U.S.S.R. were to permit a greater flow of imports.

(b) Policy considerations raised by the projections

54. The Secretariat outlined the following main areas of policy concern to which the projections had drawn attention.

55. Food. The tentative conclusion of the study that the effective demand for food projected for the developing regions in 1975 would not be met from their projected domestic production raised a number of issues. These included the priority which should be given in developing countries to efforts to raise agricultural productivity generally and particularly as regards protein foods; the orientation of aid from high income countries to assist these efforts; the desirability and feasibility of mobilizing the agricultural production capacity of high income countries, as an interim policy, to supplement domestic food production in the developing countries with food aid so that their projected levels of effective demand could be attained.

56. Trade. The slow rate of increase in net import demand of the high income countries implied by the projections raised the question of the feasibility of adjustments in their production and import policies.

57. The projected statistical world balances for a number of commodities, indicating a downward pressure on prices, focused attention on the future role and nature of food aid policies as regards wheat, dairy products and fats and oils; on the role of international commodity agreements especially for tropical products such as coffee, cocoa and tea, and on the need for diversification of production in some developing exporting countries.

58. In examining the implications of the commodity projections for net earnings of the developing zone for agricultural exports to the high income countries, account had been taken of the possible effect on prices of tendencies to imbalance at the world level for many commodities and also a number of policy changes favorable to developing countries, some of which were under international consideration. Even so the calculated rate was only 2.1 - 2.5 percent per year up to 1975. The inadequacy of this rate in comparison with the estimated future development needs of the developing countries, emphasized, inter alia, the importance of a more rapid expansion in trade among the developing countries themselves, in their quest for a dynamic agricultural export sector.

(c) The Committee's examination of the study

59. The Committee welcomed the Secretariat's study on projections as an important continuation and development of FAO's program. Such analysis would be of great assistance to governments in identifying commodity policy issues and would play an increasing role in the relationships between countries. It agreed, however, that it would be premature at the present session to enter into a substantive discussion of the policy issues raised in this provisional report. Delegates expressed a number of criticisms and suggested a number of amendments which they asked the Secretariat to take into account to the fullest extent possible in its preparation of a revised report. The following were among the specific comments made by delegates:

- (a) At this stage the projections should be directed primarily to identifying trends and assessing the impact of carefully specified assumptions; they should not anticipate conclusions as regards policies. No attempt should be made at this stage to select particular trade adjustments as desirable, or to suggest an allocation of trade between exporting regions.

- (b) Where trade amounted to a small percentage of total production and consumption, margins of error in the projections of the latter might be greatly magnified in projections of trade. Great caution was therefore needed in the treatment of trade as a residual item, that is the difference between projections of production and demand. A more realistic assessment of production possibilities which was currently under way in the regional studies was essential for the analysis of trade prospects.
- (c) Much fuller explanations of methodology, particularly of the assumptions and adjustments having policy implications, would be necessary before final conclusions on policy aspects could be presented.
- (d) More attention should be given to the possible impact of price changes.
- (e) The preliminary and tentative nature of the projections could easily be overlooked outside FAO and there was a consequent danger that policy assumptions or conclusions in the study might be presumed to have government agreement.
- (f) In the revision, the study should have a section on summary and conclusions.

60. On the other hand, a number of delegates stressed the seriousness of the commodity policy issues and expressed their general agreement with the discussion of them contained in the provisional study. In their view it was important that the substantive consideration by the Committee should take place as soon as possible: it was not desirable to postpone the discussion of issues which clearly emerged from the analysis until such time as the basic data could be perfected. In any case, they felt that the revisions which had been requested would be unlikely to modify substantially the major findings. Some delegates referred in particular to the harmful effects of the agricultural and trade policies of some high income countries on the agricultural exports of the developing countries.

(d) The Committee's conclusions

61. The Committee requested that the Secretariat should endeavor to complete the revision, which would not, however, amount to a major re-working of the study, for publication as a Secretariat document in September 1967. Accounts should be taken in this revision, as far as possible, of the Committee's comments and of the amendments arising from work in hand and those received from governments, commodity study groups and international bodies. Governments which wished to present further comments and amendments should communicate them to the Secretariat not later than 20 April 1967. Pending revision of the projections along the lines proposed above, the Committee deferred judgment on the magnitudes of world demand and production projected in the study. The revised report should be studied by governments and a substantive discussion of the policy issues as identified and analyzed in the report should be a major item on the agenda of the Committee's next session with a view to further use in the formulation of the IWP. The need for subsequent revisions and updatings of the study in order to keep governments fully informed of commodity trends was stressed by the Committee.

5. Integration of commodity projections and regional studies

62. The Committee recalled that the basic concept of the IWP involved a synthesis between two approaches, namely by commodities and by geographical regions. The immediate role of the projections was to provide the initial global framework of demand, consumption and trade prospects: the preliminary findings of the present projections were being taken into account in setting indicative production and trade targets in the regional studies. Similarly, the conclusions drawn in the regional studies on the basis of the initial projections would need to be taken into account in subsequent revisions of the projections.

6. General approach

63. For the World Food Congress in 1968, only a preliminary version of an IWP could be available which would take into account the revision of the commodity projections with broad suggestions of some possible policy implications and issues for discussion. This edition would necessarily lack many details of a complete IWP. It would not have, at that stage, quantitative adjustments of trade which would find a place in the document to be submitted to the 1969 Conference.

64. The Committee agreed that the first reasonably complete version of the IWP, resulting from the integration of the commodity and regional studies, would probably not be available before the Fifteenth Session of the Conference in 1969. Beyond this it was suggested that stages in the revision of the IWP should if possible be geared to the Conference cycle.

65. In concluding its discussion of the projections and the IWP, the Committee agreed that the large proportion of its time which had been devoted to these topics at this session reflected the high degree of importance which the Committee attached to the subject. Within its terms of reference, there was need for the Committee to give active and positive guidance on commodity and trade aspects of the IWP. These matters could, therefore, be expected to receive priority at future sessions, and the Committee's members would, no doubt, between sessions follow the developments of the work. This significant enterprise of the Organization was strongly commended to member governments for their full attention.

II. FOOD AID AND SURPLUS UTILIZATION

1. Seventeenth Report of the Consultative Sub-Committee on Surplus Disposal

66. The Committee received the Seventeenth Report of the Consultative Sub-Committee on Surplus Disposal (CCP 67/18/1), covering the work of the Sub-Committee since May 1966. During the period, the Sub-Committee had devoted much time to a review of the new United States food aid legislation (Food for Peace Act of 1966, effective from 1 January 1967) which reflected the new situation arising from the dwindling stocks of agricultural products, and the need to meet pressing world food needs. Three of the Sub-Committee's working groups had also been very active, dealing respectively with the problem of tied sales, the WFP Jamaica Mission Report, and the P.L. 480 Title IV Government-to-Private Trade Agreements.

67. The Committee expressed its satisfaction with the work of the Sub-Committee and delegates reaffirmed the importance their governments attached to its activities. The importance of the new United States food aid legislation was generally recognized, but some delegates expressed their apprehension about its potential disrupting effects on commercial markets. The Committee stressed the importance of the Sub-Committee continuing its review of the United States food aid activities under the new law, even though the term "surplus" no longer appeared in it, and welcomed the assurances of the United States Government that it would continue to co-operate fully in the consultation procedures developed under the auspices of the Sub-Committee.

68. Some delegates felt that the experience with Government-to-Private Trade Agreements under Title IV of Public Law 480 was not yet sufficient to permit a definite assessment of their effects on normal commercial transactions, but stressed that continued close scrutiny of these transactions, and further study of their effects, were important because of their possible effects on commercial trade.

69. Concern was expressed also about the possible impact of tied sales provisions in the United States food aid activities and the hope was expressed that the studies of the Sub-Committee's working party on this subject would lead to useful results. Some delegations thought that the "Grey Area" had become too wide to be the subject of one study, and should be broken down into smaller segments.

70. The Committee strongly supported the continuance of the CSD. It felt that the time was not ripe to form conclusions on the future work of the Sub-Committee, its approach, and its terms of reference. Such a review would have to take account of future developments, including the next pledging conference of the WFP and negotiations for commodity arrangements now under way. In the meantime the terms of reference of the Sub-Committee appeared to be sufficiently flexible to accommodate future work requirements as they arose.

2. UN/FAO World Food Program

(a) World Food Program activities

71. The Committee heard with interest a statement by a representative of the Executive Director of the World Food Program on recent activities of the Program. Following the second Pledging Conference of the WFP in January 1966, resources amounting nominally to \$210 million had been made available to the Program. Because of the matching provisions attached to the United States contribution, however, the resources actually available to the Program amounted only to \$166 million. During 1966 commitments for projects totaled almost \$104 million. The demand for emergency uses had also tended to rise, and of the \$10 million available for 1967, \$6.7 million had already been expended. At the moment the total of uncommitted resources available for distribution before the end of 1968 amounted to about \$50 million.

72. Since the inception of the Program, a total of 171 projects had been signed and were either completed or at various stages of implementation. Another 34 projects had been approved by the Executive Director of the Program or the Intergovernmental Committee and a further 71 project proposals were currently being scrutinized.

73. The Committee was informed of new administrative measures in the Program's operations which would result in savings in cash or commodities. These included a systematic negotiation for concessional freight rates with shipping conferences; changes in the choice of insurance cover; the adoption of a shipping policy better geared to the likely rate of use of commodities supplied under projects; improved packaging methods; and a training course for project officers in packaging and storage.

74. In commenting on the activities under the Program, delegations recognized its usefulness, not only because it provided food aid, but as an experiment in a new field. At the same time it was suggested by some delegations that further examination of some approaches, including the financing of price stabilization schemes and the program approach in food aid, were still required. Concern was expressed by some delegations that the resources available to the Program still fell short of the total amount pledged, and that on present trends demand for financing of projects by the Program was outstripping its resources. Others stressed the importance of maintaining a balance between different types of assistance, and of even greater selectivity than in the past in the selection of cases for emergency assistance.

(b) Criteria for WFP price stabilization projects

75. The Intergovernmental Committee of the World Food Program at its Ninth Session (April 1966) had requested the CCP to review the criteria for the establishment of price stabilization schemes which had been proposed in a report of the Executive Director (document WFP/IGC 9/13). The IGC had also referred to the CCP for comment a proposed additional criterion regarding the need for guaranteed minimum farm prices in recipient countries.

76. Although the WFP projects of this type had so far been concerned only with national stabilization schemes aimed at reducing seasonal price fluctuations in the domestic markets of developing countries, the CCP considered that these questions should be examined within the wider context of national food reserves and price policies.

77. The main conclusions of its previous work in this field were summarized in document CCP 67/11, covering the results of the FAO Secretariat studies of National Food Reserve Policies, the report of the CSD Working Party on National Reserves, and the FAO Guiding Principles for National Agricultural Price Stabilization and Support Policies.

78. These reports had analyzed the considerations affecting the purposes, size and composition of such reserves, and proposed a number of principles to govern their use. As regards the purposes, it had been considered that, once established, national stocks would for various reasons tend to be used for several objectives according to changing local requirements. In view of this multipurpose character, the CSD Working Party on National Reserves (1957) had drawn up certain principles to govern the replenishment of reserves, so as to ensure that they operated in conformity with the FAO Principles of Surplus Disposal. These had been endorsed by the Eleventh Session of the FAO Conference.

79. The Committee noted that the FAO Guiding Principles for Agricultural Price Stabilization and Support Policies, which were considered by the CCP in 1961 and subsequently endorsed by the FAO Conference at its Eleventh Session, provided criteria for use by governments in formulating or modifying their marketing policies. The Principles refer inter alia to the setting of farm price levels and their relation to

international trade, production and consumption; to the levels at which price supports are established; and the use of buffer stocks as a means of implementing price policies.

80. In the light of the conclusions of the previous reports, the Committee considered that the criteria put forward in the WFP report were acceptable but stressed the need to relate them to broad economic, as well as administrative, considerations. They should not unduly restrict the use of WFP aid in the establishment of price stabilization stocks, or national reserves in developing countries, provided these were set up and operated in conformity with the FAO Principles of Surplus Disposal. Full use of the CSD should be made in evaluating such projects.

81. The CCP suggested that the principles on replenishment, drawn up by the CSD Working Party on National Reserves, be used as a basis for WFP projects of this type. Attention was drawn to the exceptions permitted when recipient countries were suffering from balance-of-payment difficulties.

82. It might also be desirable to recommend that the recipient country should use the FAO Guiding Principles for Agricultural Price Stabilization and Support Policies as a general basis for the formulation of the price policies which the WFP project is designed to support.

83. Experience had also shown the difficulties of working out general rules to apply to all such projects. This indicated the need for a thorough preliminary enquiry into the merits of any particular scheme proposed, including the technical, financial and administrative problems of storage.

84. As regards the proposed criterion on the need for a guaranteed minimum price to farmers so as not to depress local production, the Committee agreed on the fundamental importance of avoiding any disincentive effect on domestic agriculture. However, it did not believe a minimum price scheme would always ensure this, particularly as minimum price schemes often had other objectives and, to be effective, required complex institutional and financial arrangements. Of greater importance, in the Committee's view, was the need to ensure that WFP aid in food commodities for price stabilization projects was matched by counterpart capital secured from domestic sources within the recipient country. It is the strength of the buying power of the stock agency which provides the basic assurance against seasonal price depression in local markets. The Committee also felt that such schemes should be designed to become, in principle, self-supporting rather than requiring indefinite outside assistance.

85. The CCP agreed that the findings of the previous FAO Reports contained in document CCP 67/11, together with its own comments, should be transmitted to the IGC of the WFP, whose attention should be drawn in particular to the conclusions contained in paragraphs 6 to 8 of the document.

(c) Report of the WFP Jamaica Mission

86. In accordance with the request of the Intergovernmental Committee of the World Food Program at its Ninth Session, the Committee on Surplus Disposal had examined the WFP Jamaica Mission Report. The Committee took note of the comments of the Sub-Committee given in document CCP 67/12. These comments were limited to the issues of interest to the CSD in accordance with its terms of reference, viz. to the concept of "additionality" of consumption; the question of the effects of food aid on growth of future commercial markets; and the effect of food aid on import substitution.

87. In the course of the discussion of the report, attention was drawn to the importance of food aid being given in a way which would contribute to the future growth of commercial markets and not hinder their functioning. Where food aid might involve import substitution, the extent of such substitution and the expected long-run benefits should be clearly indicated. Some delegations expressed the view that further studies along the lines of the Jamaica Report should be carried out, in order to gain more

experience of the program approach in multilateral food aid. Other delegations, however, thought this premature, both because of the limited resources available to WFP, and because the question of expanded multilateral food aid was under study by international agencies.

3. Inter-Agency Study of Multilateral Food Aid

(a) The Director-General's progress report

88. The Committee received the Director-General's progress report on the Inter-Agency Study of Multilateral Food Aid (CCP 67/13), prepared in response to the request of the Committee at its Fortieth Session. At that session, the Committee had examined an outline for the comprehensive program of studies called for by the United Nations General Assembly in Resolution No. 2096 (XX) of December 1965, to examine "the means and policies which would be required for large-scale international action of a multi-lateral character.....for combating hunger effectively." The Committee's views on the basic outline, prepared by the Director-General in consultation with the Secretary-General, had been conveyed to the ECOSOC at its Forty-First Session.

89. The report before the Committee had a twofold purpose. It was the Director-General's progress report to the Committee. At the same time, it constituted the material which FAO was contributing, along with the comments by the Committee, to a joint Progress Report which the Secretary-General and the Director-General had been requested by ECOSOC to submit to the Forty-Third Session of that body in the summer of 1967.

90. In introducing his progress report, the Director-General stressed the continued precariousness of the food situation in many developing countries. It was a tragic fact that after two decades of economic development efforts and of concern about "poverty in the midst of plenty" hunger remained a world problem. The basic solution lay in achieving a faster rate of food production in the developing countries. Measures to that end were increasingly being taken, but until they became effective, food aid and emergency reserves would be required on a much larger scale than in the past. Fortunately world opinion at last appeared to be more fully informed, and there were now greater hopes for a real advance in international measures.

91. The Committee was informed that the Director-General's report was both preliminary and limited in scope, in accordance with the ECOSOC decision regarding the coverage of the first joint Progress Report and the agreed division of work between the United Nations and FAO with regard to its preparation. In the document before the Committee, the Director-General had reported on the essential features of the food situation in the developing countries, presented a preliminary quantitative analysis of the possible requirements for food aid in 1975 on specific assumptions, and broadly examined some alternative institutional and administrative arrangements for an expanded multilateral food aid program. The United Nations Secretariat also was currently examining the question of possible institutional arrangements, and in addition preparing material on the relationship between food aid and total aid. All these elements would be combined to constitute the joint UN/FAO Progress Report. Other questions included in the basic outline considered by the Committee at its previous session would be taken up for study later, in the light of the discussions on the progress reports in the CCP and in ECOSOC.

92. The nature of the preliminary quantitative estimates of food aid requirements presented by the Secretariat was explained to the Committee. The overall estimate for 1975 had three components. The "effective demand" gap was the value at 1961-63 prices of the import deficits of the developing importing countries in cereals, dairy products, fats and oils, sugar and meat derived from the provisional FAO projections of demand and domestic production for 1975, reduced by an estimate of commercial imports. The second and additional component was an estimate of the further food supplies which would be needed in order to raise food consumption in the developing

countries, as regards both quantity and quality, to the level of minimum nutritional requirements. This "nutritional gap" had been estimated at two levels. The lower one corresponded to a food intake which on average, for all consumers of each country, equalled the minimum per caput requirements. The higher one allowed for unequal distribution of food consumption within the country, by the addition of a margin of 15 percent to the overall requirements. Experience in developed countries had shown that, if such a margin over the minimum level was available, people in lower income groups could be reasonably sure of reaching the minimum required level of food intake. Finally, estimates were prepared of the possible size of food needs to meet emergency situations. These were based mainly on past incidence of short-falls in cereal production in developing countries due to adverse conditions.

93. The Secretariat stressed, after the discussion (see paragraph 98), that the quantitative estimate should not be regarded as FAO's view of what the size of an expanded multilateral food aid program should be. The three components of the estimate corresponded to different possible objectives for food aid. The aggregate represented an initial assessment of how much food aid might be needed in 1975, under bilateral or multilateral arrangements, if the objective of the United Nations Resolution, which aimed at "combating hunger effectively," were interpreted in nutritional terms as an adequate diet for all people living in low-income countries. The differing concepts of food aid employed and the methods and assumptions used in deriving estimates from the FAO projections had been explicitly stated in the document. It was for governments to decide what objectives for food aid were an acceptable basis for policy as regards an expanded multilateral food aid program. The Committee was invited to give any reactions to the approach adopted.

94. The report examined briefly the four basic alternative types of institutional arrangements that had been specified in the basic outline. They included, first, an agency whose resources would consist entirely of cash funds, for the purchase and distribution of food aid supplies; second, an agency for the receipt and distribution of contributions in kind only; third, an agency whose resources would include both cash and commodities, so that commodity contributions could be supplemented by purchases from commercial markets; and, fourth, an agency whose resources would include both cash and commodities but which would operate, particularly for procurement of supplies, through individual commodity councils. It also discussed how the various functions of a food aid program, such as the procurement and financing of supplies, their distribution to the recipient countries, the promotion of agricultural development, the provision of emergency relief, the supervision of the program by governments, and co-ordination with other multilateral and bilateral programs, might be carried out within any of the above basic types of institutional arrangements.

(b) The Committee's general views

95. The Committee welcomed the progress report as a useful contribution to consideration of current international issues. Its presentation was particularly timely because of the general rethinking of the basic approaches to food aid that had been necessitated by the disappearance of surpluses on which food aid had been hitherto mainly based. Although differing views could be held as to the likely size of the future food gap of developing countries, the Committee recognized that food aid would be essential for some years ahead, both to meet emergency situations and to assist developing countries in implementing their economic development programs. A number of delegates expressed the view that meeting the world food problem was the joint responsibility of all higher income countries, whether exporters or importers, and that an equitable basis should be found for sharing the burden. It was, however, noted that, since the progress report attempted to cover only part of a large and complex subject, and since the question as a whole still remained under study by the United Nations and FAO, the Committee was not expected to make decisions of a policy nature. In a number of cases also, governments had not yet had sufficient time to study the report thoroughly. Discussion did, however, provide the opportunity for an expression of preliminary views for the guidance of FAO in its further work on the subject.

96. The Committee emphasized that the basic solution to hunger lay in accelerating production in the developing countries. It therefore welcomed the high priority given to this approach by the Director-General in his report. The structural and other changes necessary to achieve a faster rate of growth in food production relative to population could, however, be achieved only gradually and increased food aid would be needed during the transitional period.

97. Some delegates drew attention to the possibility of overstating the significance of the recent fall in per caput food production in developing countries, which may have been only a temporary setback. Other delegates, however, considered that the trends underlying the food situation of developing countries indicated the existence of a grave problem.

(c) Food aid requirements and institutional arrangements

98. Recognizing that the quantitative assessment by the Secretariat had been largely derived from the commodity projections, which were about to be revised, the Committee felt that it was premature to attempt a precise evaluation of the figures. Some delegates thought that the food gap estimates were likely to be too large, basically because the growth rates of food production in the developing countries adopted in the commodity projections might have been understated.

99. The danger existed that there might be public misunderstanding of figures subject to revision. It would be desirable in any presentation to indicate clearly the qualifications stated by the Secretariat as inherent in the approach adopted. Other delegates, however, considered that the estimates seemed, on the whole, to be of the right order of magnitude in relation to the objectives stated, and that food aid requirements could be expected to grow for at least some years. They thought that the underlying food production trends presented in the provisional commodity projections were sufficiently soundly based for the results to be used for the preliminary estimation of food aid needs. These estimates should be checked, but even if the revised figures were lower than those in the progress report, there would still be a substantial food gap and need for expanded multilateral operations.

100. The Committee recognized that in producing even a first estimate of the nutritional gap, the Secretariat had done a useful service. Some delegates, however, doubted the validity in the context of food aid policy of the assumption that total supplies of foodstuffs in a country needed to be approximately 15 percent above the level of calculated minimum requirements in order to offset the effects of uneven distribution within the country. These delegates questioned whether it should be a function of large scale food aid to compensate for general maldistribution of food supplies within a country. Furthermore, there were some doubts both as to whether yield variations should be taken as one of the bases for the estimation of emergency needs and whether it should be assumed, as done in the report, that countries might meet only half of such emergency needs from their own stocks. Another comment was that projections linked with the attainment of certain income levels in the future might not be the appropriate basis for a policy paper of this kind.

101. Regarding the alternative institutional arrangements for an expanded multilateral food aid program, the Committee recognized that the Director-General's progress report was helpful to the understanding of this relatively new subject. The Committee considered, however, that the present session was too early an occasion on which to discuss institutional and administrative aspects since these would depend on the size and nature of the program which might be agreed upon.

102. The outcome of negotiations still under way under the Kennedy Round for several products, especially cereals, had to be regarded as relevant in the context of this paper. In that connection, a number of governments had submitted proposals for the inclusion of food aid provisions on a multilateral basis in commodity arrangements. The delegate for Australia summarized proposals made by his country in

respect to wheat, which he considered might be applied to other products. The principles involved, which embraced several of the elements of alternative suggestions made in the progress report, were: that until developing countries could meet their own food requirements, there would be a need for food aid over and above the normally expected level of bilateral food aid; the burden of this additional food aid must be shared on some equitable basis among all affluent countries, whether food importers or food exporters; the arrangements for concessional supplies should be co-ordinated and complementary to arrangements to govern commercial trade and incorporated in a comprehensive and viable international wheat agreement; and wheat made available on concessional terms should be additional to the maximum commercial purchases which individual developing countries might reasonably be expected to make before becoming eligible for concessional wheat.

103. Some delegates emphasized that since, regardless of any revision of the quantitative estimates, there was certain to be a substantial food gap that needed to be filled by food aid, the institutional arrangements should receive priority consideration. It was likewise pointed out that the essential validity of the case for food aid was largely independent of the exact size of the estimates of requirements.

104. A number of delegates from exporting countries expressed concern at the possible future implications of planned production of foodstuffs for food aid. While such an extension of production would be necessary to provide food aid supplies, careful planning was essential as otherwise agricultural protectionism might be further increased in some industrialized countries or an uneconomic allocation of resources might be encouraged. There would also be a need to provide for a braking mechanism to ensure the orderly phasing out of the planned additional production when it was no longer required.

105. There was general agreement that the question of food aid must be viewed in relation to other kinds of aid. The Committee noted that this aspect would be reported on by the UN as a contribution to the joint UN/FAO Progress Report. In this connection, it would be useful for governments to have, not only a review of the amounts and kinds of aid that had been given in the past, but also an assessment of future requirements for aid in various forms.

106. The Committee recognized that, whatever institutional and administrative arrangements were adopted, they would need to include, inter alia, safeguards for international commercial trade in foodstuffs.

107. Some delegates maintained that under an expanded multilateral program the distribution of food aid should be related to the requirements of particular countries. In the event that total resources should fall short of total requirements, the sacrifice should be distributed equitably among all the affected countries.

(d) Further work

108. A number of delegations made suggestions regarding the aspects of the overall problem which should be examined in the next stages of the inter-agency program of studies. The Committee noted that one of the factors which would in practice exert considerable influence over the size of food aid programs was the absorptive capacity of recipient countries. In addition to structural limitations with respect to storage and transport facilities and the administrative machinery for distribution, absorptive capacity could also be limited by the depressive effect that large scale food aid, especially on a program basis, might have on domestic agricultural development. These effects and ways of mitigating them constituted an important subject for further studies.

109. Some delegates pointed out that before any action could be contemplated for expanding the scope of food aid, it was necessary to have an appraisal of the effects of food aid made available in the past. It was also suggested that an examination

should be made of the possible contribution that international financing agencies might make to the financing of supplies for a food aid program. The possibilities of food aid being supplied on long-term /low interest credit basis should also be studied. Other delegates, however, thought that food aid should be given exclusively as grants, since loans would greatly complicate the operations of the agency.

110. Another matter which had to be studied was the question of overall availability of sufficient supplies for an expanded food aid program, and the possible sources for such supplies. Attention would have to be paid to the measures needed to enable developing exporting countries to contribute supplies for the program. It was also suggested that it might be possible to examine what other commodities, aside from those shown in the report, such as cocoa, might be used directly or indirectly as food aid.

111. The Committee noted that the next step in the inter-agency study would be the preparation of the joint UN/FAO Progress Report for the 1967 summer session of ECOSOC. This Report would be finalized following an inter-agency meeting to be held shortly, to which this section of the Committee's report, together with the verbatim records of its discussions, would be made available, along with any comments made by other agencies and programs to which the Director-General's progress report had been sent.

112. The Committee welcomed the progress which had been made on the program of studies on multilateral food aid. In view of FAO's responsibility for estimating overall world food requirements, and since FAO will undoubtedly have a leading voice in the formulation of international policies for food aid, the Committee decided that food aid should remain a major agenda item for future sessions.

III. DEVELOPMENTS IN INTERNATIONAL ACTION ON COMMODITY MATTERS

113. The Committee noted with satisfaction the wide range of activities the FAO Secretariat had been able to carry out in support of consultations on commodity problems in other bodies.

114. The Representative of the Secretary-General of UNCTAD informed the Committee of the preparations under way for the Second Session of the UN Conference on Trade and Development in February/March 1968, particularly with respect to the items on the preliminary draft agenda for the Conference relating specifically to commodity matters. These included, first, the analysis of long-term trends to which the FAO study on projections would constitute a valuable contribution; second, a group of related commodity policy aspects including stabilization techniques, buffer stocks and the role of diversification in commodity arrangements and the possibilities of international financing, and, third, policies of liberalization of import markets and trade promotion. Papers on some of these subjects would be prepared by the FAO Secretariat. The Committee on Commodities of UNCTAD, scheduled to meet in May 1967, would in addition to its normal work discuss preliminary studies with a view to directing its Secretariat on their further elaboration for presentation to the Second Session of the UNCTAD Conference.

115. The Representative of the Director-General of the GATT informed the Committee on some of the activities of the Contracting Parties, particularly with respect to the implementation of the new Chapter IV of the General Agreement.

116. The Committee welcomed the close and effective working relationships which had been developed between FAO and other organizations in the commodity field. It noted that, in so far as UNCTAD was concerned, co-operation by FAO had been extended also to the Committees on Manufactures and on Invisibles and Financing Related to Trade. It was agreed that FAO should continue to make available to UNCTAD its expertise and services in the preparation of the documentation needed by the UNCTAD bodies on all matters within the responsibility of FAO. It was felt by the Committee that the FAO contribution could be particularly valuable in the preparation of the documentation for the Second Session of the UNCTAD Conference.

117. It was noted that in the current year it had not been possible to prepare the FAO Commodity Review in time for the Forty-First Session of the CCP and the May meeting of the UNCTAD Committee on Commodities. The Committee was informed that the FAO Commodity Review would, however, form part of the basic documentation for the UNCTAD Conference.

IV. SUMMARY REVIEW OF THE WORLD AGRICULTURAL COMMODITY SITUATION, PROBLEMS AND POLICIES

1. General situation and outlook

118. Because of the timing of the session, and in accordance with the decision taken at the Fortieth Session, the Committee made only a summary review of the world agricultural commodity situation, concentrating mainly on individual commodity developments, as reported in Secretariat document CCP 67/8. The Committee was informed that the FAO Commodity Review 1967 was scheduled for publication in July 1967: it would be distributed to governments and used as documentation for a number of other international meetings, in particular those of the UNCTAD.

119. The Committee noted that world agricultural production, which in 1965/66 had risen only slightly, promised in 1966/67 to show a more substantial increase, particularly for food crops, with many commodities reaching new record levels of output. The food situation in many developing countries remained, however, difficult. The data

on trade in agricultural products in 1966 were incomplete, but the available evidence suggested that its total value, which in 1965 had declined slightly, probably increased somewhat in 1966. It was noted, however, that most of the increase was probably due to an increase in volume. The average unit value of agricultural exports was only slightly higher and this increase reflected mainly the movements in prices of a small number of commodities. Price levels had, moreover, tended to weaken again in the second half of the year, and no upturn was evident in the early months of 1967.

120. In discussing the developments in agricultural production, the Committee, while expressing satisfaction at the expected improvement in the total world output in 1966/67, stressed its concern about the continued difficult state of the food situation in many developing countries. The increase in output in 1966/67 had taken place from a very low level in the previous year. Although adverse weather had been an important factor in the disappointing food production trends of recent years, it was also clear that in many countries higher priority needed to be given to agriculture in the general economic development effort. This was being increasingly realized by governments. Various ways of providing incentives for faster growth of agricultural production were mentioned by delegations, including the greater availability of inputs and technical and advisory services, and structural and institutional improvements in the agricultural sector.

121. In reviewing the developments in agricultural trade in 1966, many delegations emphasized once more the importance of international measures to stabilize the prices of primary products at levels equitable to consumers and remunerative to producers, so as to give the export earnings of primary producing countries some degree of predictability. Disappointment was expressed at the limited progress that had been made in the past year in negotiation of commodity arrangements. Such arrangements had been criticized as being difficult to negotiate and cumbersome to administer; yet no satisfactory alternatives for them had been so far brought forward. Stress was again laid on the need to press toward a solution along such lines, including arrangements for supplementary financing.

122. In the view of some delegations, a factor that had contributed to the slow growth of trade in certain commodities in 1966 had been the existence of various barriers to imports of primary products into industrialized countries, including national agricultural policies that encouraged the growth of domestic output. The question of access to markets was, it was pointed out, closely related to that of prices in international trade, which had tended to decline in recent years. A number of delegates stressed the importance of agricultural products in the GATT Kennedy Round negotiations, and expressed the hope that included in the overall result would be better access for the exports of primary producing countries to industrialized countries, and assurance of a share for them in the future growth of such markets.

123. Several delegates also drew attention to the need for measures to meet falling prices and the competition by synthetic products through policies aiming at diversification of exports and lower costs of production. One delegation described the success of his country's efforts to reduce the costs of production of rubber, but pointed out that the very low prices now prevailing threatened even the most efficient producers. Diversification of exports was being attempted by many governments, but the problems were complex. Economic and technical assistance was required in order to evaluate properly the world market prospects for various commodities. The Indicative World Plan would be of great assistance in this regard.

2. Developments in agricultural price stabilization and support policies

124. The Committee made its usual review of developments in national agricultural price stabilization and support policies on the basis of a Secretariat document (CCP 67/9). The information assembled in the report, which was based mainly on a relatively limited number of replies from governments to the annual questionnaire, showed a tendency for developing countries to adopt price stabilization and support policies more widely as one method of encouraging increased agricultural production. Such policies were already in almost universal use in economically advanced countries, though not normally for the main purpose of expanding overall farm output. Regarding levels of support, it appeared that, while most stabilized or supported prices had risen in current values, in general these increases were more than counterbalanced by rises in the cost of living. In real terms, therefore, the degree of support had in most instances been reduced.

125. Information on non-price measures of agricultural support was scanty. The report noted, however, a clear tendency for governments in economically advanced countries to devote larger funds to measures encouraging the structural modernization of agriculture and the participation of farmers in co-operatives and similar groups for production, processing and/or marketing of their output.

126. A number of delegates gave supplementary information on the agricultural price stabilization and support policies operating in their countries. The measures referred to in the preceding paragraph were recognized as making an essential contribution to improving the situation of farmers and consequently as deserving encouragement. The importance to the farmers of long-term assurances of a stable and reasonably remunerative outlet for their production was several times underlined, and examples were also given of non-price support measures such as loans on concessional terms and subsidies to lower the cost of fertilizers, seeds, pesticides, etc.

127. Some delegates, however, expressed their concern at the adverse effects exercised by support policies having a protectionist effect on prices and access to markets, and at the slow progress toward a solution of these problems.

128. Several delegates pointed to the need for a desirable balance, in the reviews prepared by the Secretariat, between a straightforward recital of facts and figures relating to stabilization and support policies and the consideration of their wider implications. It was agreed that the Committee's work was facilitated by the formulation of conclusions by the Secretariat, for further discussion in the Committee; such conclusions might best be presented separately from the factual part of the document. At the same time, a better response by governments to the annual questionnaire, both as regards the number of governments replying and the extent and precision of the information furnished, would provide a firmer basis for such conclusions.

129. In view of the fact that the economic situation of the farmer was determined not only by the prices he received for his products but also, inter alia, by the prices he paid for his inputs, interest was expressed in having a study made of price trends of the more important production requisites, including farm machinery. The Committee did not consider that such a study should necessarily be made as an integral part of the paper on agricultural price stabilization and support policies, particularly as comprehensive work on this subject would be a major undertaking. The Secretariat should, however, see what steps could be taken toward making available, in future papers presented to the CCP, some of the elements that would permit an appraisal of the evolution of prices paid by farmers in relation to prices they received through price stabilization and support policies.

130. Regarding future work on agricultural price stabilization and support policies, there was a wide measure of agreement on its utility and the need to continue it. There was also wide support for the suggestion that particular attention be given to the possible uses of such policies as an incentive to farmers in the developing countries to increase their output.

V. REVIEW OF ACTIVITIES OF COMMODITY GROUPS AND OTHER SPECIAL COMMODITY MATTERS

1. Citrus fruit

131. The Committee reviewed the Report of the Second Session of the Steering Committee of the Study Group on Citrus Fruit (CCP 66/19), held in Rome from 30 June to 2 July 1966, and endorsed all its findings and conclusions. It was agreed that the Study Group on Citrus Fruit should continue its work program, concentrating on the short- and long-term outlook for production and consumption with special attention focused on seasonal differences in sources of supply. It was emphasized that an important aspect of the work of the Secretariat and the Study Group should be the periodic review of developments in national and regional policies with regard to citrus fruit and their possible repercussions on international trade. It was also agreed that the Citrus Study Group should continue to develop its statistical reporting activities.

2. Jute, kenaf and allied fibers

132. The Committee received the Report of the Third Session of the Study Group on Jute, Kenaf and Allied Fibers, held in Rome in September 1966. It noted with regret that the Third Session of the Group's Consultative Committee had been unable to reach unanimity on the question of an indicative price level for jute, and that the Fourth Session, which should have been held in early 1967, had been cancelled owing to lack of assurances from certain producing countries on the level of their representation. It agreed with the Study Group that a high level of representation at the Consultative Committee's sessions was essential if this Committee was to achieve its purpose of improving stability on the world jute and kenaf market. In general, the CCP re-affirmed its belief in the usefulness of the Consultative Committee as a regular forum for producer/consumer consultations on the problems of the world jute and kenaf market, and hoped that the difficulty of reaching an agreed view on indicative price levels and of ensuring an adequate level of representation would prove to be only temporary.

133. With regard to the next session of the Consultative Committee, which would normally be held in early September 1967, the Committee requested the Director-General to consult the principal producing and consuming countries prior to this date on their attitude toward a session at that time, and to take a final decision, in consultation with the Chairman of the Study Group, whether or not to convene the session in the light of the guidelines on representation drawn up by the Third Session of the Study Group.

134. It was suggested that there might be merit in limiting the frequency of the sessions of the Consultative Committee to one per year, and the CCP, noting that the next session of the Study Group was provisionally scheduled for early 1968, requested that this matter be considered at that session.

3. Hard fibers

135. The Committee had before it the Report of the First Session of the Study Group on Hard Fibers, held in Rome in September 1966. It noted that the session had been of an organizational nature, mainly concerned with drawing up a program of work for

the Group's future activities, and generally approved the lines of work envisaged by the Group. These included study of the impact of synthetics, possibilities for short- and long-term market stabilization, analysis of the 1975 commodity projections for hard fibers, examination of the current status of research activities and of grading practices, and improvement of statistics.

136. The Committee also noted statements by the representatives of the two major sisal producing and exporting countries, which indicated great concern at the adverse effects of the current United States stockpile disposals of sisal on the hard fiber market and on the economies of producing countries. A considerable quantity of sisal had already been released in 1966/67 and there was a possibility of further significant disposals in 1967/68. The Representative of the United States stressed that the stockpile disposal authorization for sisal, as for other commodities, contained specific provisions for the avoidance of disturbance to markets, and reiterated his Government's intention not to cause hardship to producing countries through stockpile releases. The Committee expressed the hope that countries holding stocks would exercise caution in their disposal until the current depressed situation of the hard fibers market had improved.

137. The Committee approved the rules of procedure adopted by the Group.

4. Oilseeds, oils and fats

138. The Committee considered the Report of the First Session of the Study Group on Oilseeds, Oils and Fats held in Rome from 26 September to 1 October 1966, which had been very fully attended. The attendance underlined the economic importance of this complex group of commodities for a large number both of developing and developed countries. The Committee noted that the issues to which the Group gave particular attention included the current situation and long-term outlook for individual oilseeds, oils and fats, national and regional policies in western Europe, developing countries, and elsewhere, the development of processing industries and possible international arrangements for fats and oils.

139. The Committee recognized that the active co-operation of member governments would be necessary in the preparation of the documentation for the Second Session of the Group, scheduled for the first quarter of 1968 and that, in view of the limited resources available, the Secretariat would need to exercise some discretion in considering how best to deal with the heavy program of future work on fats and oils which had emerged from the Group's First Session.

140. The Committee approved the rules of procedure adopted by the Group.

5. Rice

141. The Committee considered the report of the Tenth Session of the Study Group on Rice which had been held in November 1966 in Bangkok with the co-operation of the United Nations Economic Commission for Asia and the Far East. The Group had drawn attention to the current instability in the world rice situation. Strong world demand, coupled with lagging production and low stocks, had raised prices in international markets to record levels. The Committee agreed that, in view of these uncertainties in the rice situation, it was necessary to keep the position under continuing review and endorsed the decision of the Group to meet again in July 1967.

142. Other work undertaken included a preliminary exchange of views between members of the Group on the feasibility studies carried out by the Secretariat on possible types of world arrangements to expand international trade in rice. At the Group's request, the Director-General had transmitted these studies to all member governments and had invited their views for consideration at its next session. The Committee also noted the Group's review of the wide range of national activities carried out by rice

producing countries as a contribution to the International Rice Year (IRY) in 1966 and that, as suggested by the Group, the Director-General intended to prepare a report on the IRY for submission to the next session of the Conference.

6. Cocoa

143. The Committee heard a brief review on developments in international consultations on cocoa. The negotiations within UNCTAD on an international cocoa agreement had encountered serious obstacles on problems such as the mechanism, operation and pre-financing of buffer stocks, the price range, and access to markets.

144. The Committee noted that the Committee on Statistics of the Study Group on Cocoa continued to hold useful meetings and that its estimates and forecasts of production and consumption were widely reported and had attained worldwide trade importance. The Committee, which would hold its Twentieth Session at the end of March 1967, was also devoting attention to crop forecasting techniques and problems of conversion factors for cocoa products, and would review the FAO long-term projections for cocoa. There had also been a revival of interest among both producing and consuming countries in the subject of cocoa grading, and plans were being made for the Group to finalize its proposed Cocoa Standards for incorporation in the Codex Alimentarius. It was likely that a further meeting of the Working Party on Cocoa Grading would be held for this purpose early in 1968.

7. Tea

145. The Committee endorsed the report on the Second Ad Hoc Consultation on Tea held in London in February 1967. The Committee noted with satisfaction the wide representation of countries at the Consultation and the high level of the delegations attending which were evidence of the importance attached to the problems of the industry. In accordance with the recommendation of the meeting, the Committee requested the Director-General to convene a Third Ad Hoc Consultation on Tea in twelve months' time.

146. The Committee felt that the high level of the discussions at the Consultation had carried forward substantially the work begun at the First Consultation. It noted that the program of work recommended included the continuation of studies on the current situation and long-term outlook for production and consumption, as well as special studies on the effects on consumption of price and income changes and of efforts for promotion of consumption, on developments in centrally planned countries and on the structure of primary markets. The Committee expressed the hope that it would be possible to implement this program, in view of the great importance of tea to the economies of so many developing countries in Asia and Africa, and welcomed the establishment of an ad hoc consultative committee to give advice to the Secretariat with regard to studies and other-preparations for the Third Consultation.

VI. ORGANIZATIONAL MATTERS

1. Membership of CCP

147. The Committee noted that the question of membership of the CCP had been raised at the Forty-Seventh Session of the Council with particular reference to the views of some delegations that the elections to some Council Committees for the current biennium had not resulted in equitable geographical distribution. The Council had requested the Director-General to prepare a document for its Forty-Eighth Session on this matter taking into account the views expressed by the CCP.

148. The Committee felt that it should continue to be a technical organ of the Council and that its size should be kept within limits ensuring an efficient discharge of its functions with reasonable economy. Thus, to abandon the concept of limited membership of the Committee appeared undesirable. Some delegates considered that there had been too short an experience, actually less than one biennium, since the Conference had increased membership from 24 to 30 seats, to judge whether a further increase in membership was advisable. Other delegates felt that membership should be increased further to 32. Such an increase in membership, they considered, would permit a better balance in representation to be obtained between different regions, without impairing the Committee's efficiency, and give satisfaction to the aspirations of the countries of the African region.

149. The Committee agreed that an allocation of seats on a rigid regional basis was not desirable, if the Committee was to remain a technical body. It was generally agreed that, within the present size of the Committee, it was open to the Council, while adhering to the existing criteria of CCP membership i.e. balanced representation between exporting and importing countries and continuity of experience in the matters dealt with by the Committee, to bear in mind, while electing the Committee, the desirability of having a fairly balanced geographical pattern of representation as well. The Committee noted that it had always welcomed the full participation of observer countries in its deliberations.

2. Membership of non-member nations of FAO in the subsidiary bodies of CCP

150. The Committee reviewed the rules on membership in its subsidiary bodies of non-member nations of the Organization that were members of the United Nations. The Committee felt that, at this stage, it would be desirable for a provision analogous to the one allowing membership of such non-member nations in commodity study groups to be incorporated in Rule XXIX in order to enable non-member nations of the Organization that were members of the United Nations to attend consultations on individual commodities and to participate fully at the discussions in such consultations with the right to vote and to hold office.

151. Accordingly the Committee invited the Council to consider recommending to the Conference the amendment of Paragraph 9 of Rule XXIX of the General Rules of the Organization by adding words underlined as set out below:
"..... The Council may admit to membership of Commodity Study Groups established by the Committee, nations which, while not Member Nations or Associate Members of the Organization, are members of the United Nations. Such non-member nations of the Organization may with the approval of the Council, be invited to attend consultations on individual commodities, and participate in the discussions, with the right to vote and to hold office. Former Member Nations of the Organization that have withdrawn leaving arrears of contributions shall not be admitted to membership in Commodity Study Groups or attend consultations on individual commodities until such time as they have paid up all such arrears or the Conference has approved an arrangement for the settlement thereof, or unless the Council, in special circumstances decides otherwise with respect to such admission".

3. Arrangements for the Forty-Second Session

152. The Committee envisaged that its Forty-Second Session would be held, in accordance with its established practice, in the first half of 1968, preferably in June, and avoiding overlap with other important international meetings concerned with commodity questions. However, it felt that there might be a need to hold a short session in advance of the Fourteenth Session of the Conference for the purpose of assisting the Conference in its consideration of commodity questions and of discussing FAO's contribution to the preparations for the Second United Nations Conference on Trade and Development which would be held in February-March 1968. The

Committee therefore agreed that it was prepared to hold a session not exceeding four or five days in October 1967 if the Director-General, in consultation with the Chairman and taking into account the state of preparation of the main documents, should decide that such a session should be convened. Among the topics for possible inclusion in the agenda of this short session were the revised study on projections, the FAO Commodity Review 1967, the State of Food and Agriculture 1967, preparations for the Second UNCTAD Conference and the joint UN/FAO Progress Report on the Inter-Agency Study on Multilateral Food Aid, along with the decisions of ECOSOC concerning further work on this study. The Committee, however, felt that the agenda should be limited to topics of particular urgency.

VII. MATTERS REQUIRING THE ATTENTION OF THE COUNCIL

153. The Committee wished to bring the following matters to the attention of the Council:

- (a) its discussion of the Secretariat's study on projections to 1975 and 1985 and the Indicative World Plan (paragraphs 6 - 65)
- (b) its discussion of the Director-General's progress report on the Inter-Agency Study on Multilateral Food Aid (paragraphs 88 - 112)
- (c) its views on the membership of CCP (paragraphs 147 - 149)
- (d) its recommendation for an amendment of the General Rules concerning the membership in some subsidiary bodies of the Committee of non-member nations of FAO (paragraphs 150 - 151).

APPENDIX

LIST OF MEMBER NATIONS AND INTERNATIONAL ORGANIZATION
REPRESENTED AT THE FORTY-FIRST SESSION

Chairman:
First Vice-Chairman:
Second Vice-Chairman:

Yogendra Duraismamy (Ceylon)
Miss I. Haas (Germany, Fed. Rep. of)
Luiz A.P. Souto-Maior (Brazil)

MEMBERS OF THE CCP

ARGENTINA

A.A.R. Signanini
Consejero Económico
Embajada de Argentina
Roma

V. Brunini
Consejero Agrícola
Embajada de Argentina
Roma

R.J. Turazzini
Primer Secretario
Representante Permanente
Suplente ante la FAO
Embajada de Argentina
Roma

AUSTRALIA

M.W. Oakley
First Assistant Secretary
Marketing Division
Department of Primary Industry
Canberra

D.G. Wilson
First Secretary
Embassy of Australia
Rome

J.C.G. Lloyd
Financial Counsellor
Australia House
London

A.J. Bennett
Chief Marketing Officer
Department of Primary Industry
Canberra

R. Bolduan
Agricultural Attaché
Embassy of Australia
Rome

MEMBERS OF THE CCP (cont'd)

BRAZIL

J.A. Seixas Corrêa
Resident Representative of Brazil to FAO
Embassy of Brazil
Rome

R. Mota Sardemberg
Secretary
Ministry of External Relations
Rio de Janeiro

CANADA

P. Freyseng
Canadian Liaison Officer
Embassy of Canada
Rome

G.A. Hiscocks
Chief
Commodity Analysis, Economics Branch
Department of Agriculture
Ottawa

Z. Yankowsky
Economics Branch
Department of Agriculture
Ottawa

CEYLON

Yogendra Duraismamy
Resident Representative to FAO
Embassy of Ceylon
Rome

COSTA RICA

C. di Mottola
Embajador
Representante Permanente ante la FAO
Embajada de Costa Rica
Roma

G. di Suni
Consejero
Representante Permanente Alterno
ante la FAO
Embajada de Costa Rica
Roma

MEMBERS OF THE CCP (cont'd)

FRANCE

H.G. Janton
Contrôleur d'Etat au
Ministère de l'Economie
et des Finances
Paris

M. Huriet
Représentant Permanent de
la France auprès de la FAO
Ambassade de France
Rome

G. Van Greveninghe
Administrateur
Institut National de la
Statistique et des Etudes
Economiques
Paris

A. Paveo
Secrétaire des Affaires
Etrangères, Direction des
Nations Unies, Ministère
des Affaires Etrangères
Paris

GERMANY, Fed. Rep.

G. Schütz
Regierungsdirektor
Federal Ministry of Food,
Agriculture and Forestry
Bonn

Miss I. Haas
Regierungsdirektorin
Federal Ministry of Food,
Agriculture and Forestry
Bonn

H. Scholz
Regierungsrat
Federal Ministry of Food,
Agriculture and Forestry
Bonn

S. Büttcher
Regierungsrat
Federal Ministry of Economics
Bonn

GHANA

F.N. Ghartey
Principal Agricultural Officer
Ministry of Agriculture
Accra

MEMBERS OF THE CCP (cont'd)

INDIA

Ram Saran
Economic and Statistical Adviser,
Directorate of Economics and Statistics
Ministry of Food and Agriculture
New Delhi

J.S. Mongia
Resident Representative to FAO
Embassy of India
Rome

IRELAND

P. Griffin
Principal Officer
Department of Agriculture
Dublin

M. Flynn
Counsellor
Embassy of Ireland
Rome

ITALY

G.U. Papi
Secrétaire général
Comité Italien de la FAO
Ministero dell'Agricoltura
Roma

V. de Asarta
Secrétaire
Comité Italien de la FAO
Ministero dell'Agricoltura
Roma

Miss A.M. Rimoldi
Sperimentatore Superiore
Ministero dell'Agricoltura
Roma

A. Ferone
Comité Italien de la FAO
Ministero dell'Agricoltura
Roma

Mrs. E. Lener-Mammone
Comité Italien de la FAO
Ministero dell'Agricoltura
Roma

JAPAN

Y. Yano
Minister
Embassy of Japan
Rome

MEMBERS OF THE CCP (cont'd)

JAPAN (cont'd)

K. Mishima
First Secretary
Embassy of Japan
Rome

Y. Morita
Research Secretary
Ministry of Agriculture and Forestry
Tokyo

M. Ohta
Second Secretary
Delegation of Japan
Geneva

Y. Kito
Secretary
Specialized Agency Section
Ministry of Foreign Affairs
Tokyo

MADAGASCAR

X. Delmotte
Secrétaire d'Etat au Ministère
de l'Agriculture, de l'Expansion
Rurale et du Ravitaillement
Tananarive

G. Ramanantsoavina
Directeur de la Production
Ministère de l'Agriculture,
de l'Expansion Rurale et du
Ravitaillement
Tananarive

O. Aniel
Chef, Bureau de Liaison avec les
Organismes Internationaux,
Ministère de l'Agriculture,
de l'Expansion Rurale et
du Ravitaillement
Tananarive

MALAYSIA

S. Selvadurai
Agricultural Economist
Ministry of Agriculture and
Co-operatives
Kuala Lumpur

B.H. Din Zaimuddin
Assistant Controller
Ministry of Commerce and Industry
Kuala Lumpur

MEMBERS OF THE CCP (cont'd)

NETHERLANDS

H. Riem
Division for Agricultural Commerce
and Industry
Ministry of Agriculture and Fisheries
The Hague

H. Spekking
Senior Official
Raw Materials Branch
Division for Foreign Economic Affairs
Ministry of Economic Affairs
The Hague

A.S. Tuinman
Permanent Representative to FAO
Embassy of the Netherlands
Rome

NEW ZEALAND

J.C. McArthur
Counsellor
Embassy of New Zealand
Rome

N.R. Woods
Agricultural Adviser
New Zealand High Commission
London

W.J. Falconer
Second Secretary (Commercial)
Embassy of New Zealand
Rome

NIGERIA

A. Oshunniyi
Economic Officer
Embassy of Nigeria
Rome

PAKISTAN

Barkat Ahmed
Agricultural Attaché
Embassy of Pakistan
Rome

ROMANIA

O. Fenesan
Secrétaire
Comité National Roumain de la FAO
Bucarest

N. Petrescu
Conseiller Scientifique
Institut Central de Recherches Agricoles
Bucarest

MEMBERS OF THE CCP (cont'd)

SPAIN

F.J. Garcia-Ramos
Agregado Agrónomo
Embajada de Espana
Roma

A. Ruiz Diaz
Ingeniero Agrónomo y Economista
Ministerio de Agricultura
Madrid

M. Vidal Hospital
Ingeniero Agrónomo
Ministerio de Agricultura
Madrid

SUDAN

Tawfig Hashim Ahmed
Senior Agricultural Economist
Agricultural Economics Division
Department of Agriculture
Khartoum

Ali El Khalifa
Senior Marketing Officer
Ministry of Commerce and Supply
Khartoum

SWEDEN

U. Hänninger
First Secretary
Ministry of Agriculture
Stockholm

H. Lebert
Head, Statistical Section
State Agricultural Marketing Board
Stockholm

O. Gulbrandsen
Professor
Agricultural College
Upsala

S. Robach
Head of Division
Board of Trade
Stockholm

S. Allard
Embassy of Sweden
Rome

MEMBERS OF THE CCP (cont'd)

SWITZERLAND

P. Borgeaud
Directeur
Afico S.A.
La Tour-de-Peilz

K. Imhof
Ursina S.A.
Berne

A. Jaquemot
Union suisse des paysans
Brougg

G. Zogg
Chargé des Affaires Economiques
Ambassade de Suisse
Rome

THAILAND

Vicharn Nivatvongs
Deputy Director-General
Department of Commercial Intelligence
Ministry of Economic Affairs
Bangkok

Kamol Janlekha
Advisor
Division of Agricultural Economics
Ministry of Agriculture
Bangkok

TRINIDAD AND TOBAGO

F.D. Abdulah
Counsellor
Trinidad and Tobago High Commission
London

UNITED KINGDOM

A.A.W. Landymore
Permanent U.K. Delegate to FAO
Embassy of the United Kingdom
Rome

J.E. Dixon
Assistant Secretary
Ministry of Agriculture,
Fisheries and Food
London

J.H. Holroyd
Principal
Ministry of Agriculture,
Fisheries and Food
London

MEMBERS OF THE CCP (cont'd)

UNITED KINGDOM (cont'd)

G.A.C.D. Houston
Economist
Ministry of Overseas Development
London

UNITED STATES

W.F. Doering
Deputy Assistant
Administrator for International Trade
Foreign Agricultural Service
Department of Agriculture
Washington D.C.

G.H. Alexander
Assistant Chief
Temperate Products Division
Department of State
Washington D.C.

MEMBERS OF THE CCP (cont'd)

UNITED STATES (cont'd)

Q.M. West
Director
Foreign Regional Analysis Division
Economic Research Service
Department of Agriculture
Washington D.C.

M.M. Blevins
First Secretary for FAO Affairs
Embassy of the United States
Rome

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PERMANENT OBSERVER

HOLY SEE

Mgr. Luigi G. Ligutti
Observateur Permanent auprès de la FAO
Vatican City

* * * * *

OBSERVER COUNTRIES

ALGERIA

K. Nouredine
Ingénieur Agricole
Chef section céréales
Ministère de l'Agriculture et de
la Reforme Agraire
Alger

AUSTRIA

K. Haas
Permanent Representative to FAO
Via Flaminia 158
Rome

BELGIUM

P. Chaineux
Directeur
Ministère des Affaires Etrangères
Bruxelles

V.R. Bollens
Ingénieur Agronome
Comité de la FAO
Ministère de l'Agriculture
Bruxelles

A. Van Lancker
Attaché
Ambassade de Belgique
Rome

OBSERVER COUNTRIES (cont'd)

BOLIVIA

Senora S. Díez de Medina
Adjunta
Embajada de Bolivia
Roma

BULGARIA

I.P. Garbouchev
Director
Institute of Soil Science
Sofia

S. Velev
Diplomatico
Embassy of Bulgaria
Rome

CONGO, Dem. Rep.

A. Musangu
Directeur - Chef de Service
Ministère de l'Agriculture
Kinshasa

C. Ngirabatware
Conseiller de Cabinet
Ministère de l'Agriculture
Kinshasa

OBSERVER COUNTRIES (cont'd)

CUBA

Lr. Hernández Ojeda
Primer Secretario
Delegado Alterno ante la FAO
Embajada de Cuba
Roma

DENMARK

H. Normann
Chief
Agricultural Statistics Office
Copenhagen

DOMINICAN REPUBLIC

P. Padilla Tonos
Ministro Plenipotenciario
Delegado Permanente ante la FAO
Embajada Dominicana
Roma

ECUADOR

E. Cadena Torres
Consejero Comercial
Embajada del Ecuador
Roma

FINLAND

A.S. Nikkola
Agricultural Economist
Agricultural Economics
Research Institute, Rukkila
Helsinki

GREECE

T. Anagnostopoulos
Conseiller Commercial
Ambassade de Grèce
Roma

INDONESIA

A. Abubakar
Counsellor
Embassy of Indonesia
Roma

S. Danusutedjo
Second Secretary (Economic)
Embassy of Indonesia
Roma

IVORY COAST

H.F. Dioulo
Attaché
Ambassade de la Côte d'Ivoire
Roma

OBSERVER COUNTRIES (cont'd)

MALTA

W.C. Spiteri
Second Secretary
Embassy of Malta
Roma

MOROCCO

Nor El Ghorfi
Représentant auprès de la FAO
Ambassade du Maroc
Roma

NORWAY

P. Naevdal
Counsellor
Embassy of Norway
Roma

PARAGUAY

A. Fernandez
Primer Secretario
Embajada del Paraguay
Roma

PERU

A.A. Aramburú
Representante Permanente
ante la FAO
Embajada del Perú
Roma

POLAND

J. Serwatowski
Vice-Directeur
Ministère du Commerce Extérieur
Varsovie

W. Krasicki

Chef de la section dans la
Commission de Planification
Varsovie

TANZANIA

P.J. Myers
Assistant Commissioner for Marketing
Ministry of Commerce and Co-operatives
Dar-es-Salaam

TURKEY

S. Cesmebaşı
Conseiller Commercial
Ambassade de Turquie
Roma

VENEZUELA

R. Winckelmann
Consejero
Embajada de Venezuela
Roma

OBSERVER COUNTRIES (cont'd)

VIET-NAM, Rep. of
Nguyen-Thanh-Huy
Conseiller
Ambassade du Viet-Nam
Rome

OBSERVER COUNTRIES (cont'd)

YUGOSLAVIA
V. Tricković
Acting Director
The Yugoslav Institute of
Economic Research
Belgrade

* * * * *

INTERNATIONAL ORGANIZATIONS

(i) Intergovernmental

COUNCIL OF EUROPE

A. Bethge
Principal Administrator
Economic Division
Strasbourg

EUROPEAN ECONOMIC COMMUNITY

G.V. Dal Pero Bertini
Chef de la Division
"Organisations Internationales
Gouvernementales de l'Agriculture"
Direction Générale de l'Agriculture
Bruxelles

H. de Grood
Chef de la Division
"Politique Commerciale dans le
Secteur des Produits de Base"
Direction Générale des
Relations Extérieures
Bruxelles

F. de Benedictis
Chef de la Division
"Expansion Economique"
Direction Générale du
Développement de l'Outre-Mer
Bruxelles

A. Pierre-Duplax
Direction Générale des
Relations Extérieures
Bruxelles

P. Taliani de Marchio
Chef de Division
Secrétariat Conseil des Ministres
Bruxelles

P. Baudin
Administrateur Principal
Direction Générale de l'Agriculture
Bruxelles

INTERNATIONAL ORGANIZATIONS (cont'd)

(i) Intergovernmental (cont'd)

GENERAL AGREEMENT ON TARIFFS AND TRADE

M.M.A. Monsalve
Counsellor
Department of External Relations
Geneva

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

D. Elz
Economist
Economics Department
Washington D.C.

INTERNATIONAL LABOUR ORGANIZATION

M.me V. Semprini
Assistant du Directeur du
Bureau de Rome

INTERNATIONAL SUGAR COUNCIL

N.G. Osman
Economist/Statistician
London

INTERNATIONAL WHEAT COUNCIL

J.H. Parotte
Assistant Secretary (Administration)
London

ORGANIZATION OF AMERICAN STATES

L.O. Delwart
Deputy Director
European Office of the OAS
Geneva

ORGANIZATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

M.A. Tracy
Head, Agricultural Policies Division
Agriculture Directorate
Paris

INTERNATIONAL ORGANIZATIONS (cont'd)

(i) Intergovernmental (cont'd)

ORGANIZATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT (cont'd)

C.S. Mouton
Consultant
Agricultural Policies Division
Agriculture Directorate
Paris

UNITED NATIONS

P. Judd
Director
Commodities Division
UNCTAD
Geneva

R. Dayal
Projections Economist
Commodities Division
UNCTAD
Geneva

N. Njao
Economist
ECA/FAO Joint Agriculture Division
Economic Commission for Africa
Addis Ababa

(ii) Non-Governmental

FEDERATION SYNDICALE MONDIALE

G. Casadei
Représentant Permanent
auprès de la FAO
Rome

INTERNATIONAL CHAMBER OF COMMERCE

L. Carreri
Confédération Générale
de l'Agriculture Italienne
Rome

INTERNATIONAL DAIRY COMMITTEE

E. Strauss
Secretary
Thames Ditton, Surrey

INTERNATIONAL ORGANIZATIONS (cont'd)

(i) Intergovernmental (cont'd)

UNCTAD

P. Judd
Director
Commodities Division
UNCTAD
Geneva

R. Dayal
Projections Economist
Commodities Division
UNCTAD
Geneva

WORLD FOOD PROGRAM

T.C.M. Robinson
Director
Program Operations Division
World Food Program (FAO)
Rome

(ii) Non-Governmental (cont'd)

INTERNATIONAL FEDERATION
OF AGRICULTURAL PRODUCERS

E. Ericsson
Coop. Secretary
Rome

INTERNATIONAL FEDERATION
OF MARGARINE ASSOCIATIONS

J. Sevenster
Agricultural Adviser
Rotterdam

INTERNATIONAL WOOL
TEXTILE ORGANIZATION

E. Dodi
Rome