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Report of the forty-third session of the

# COMMITTEE ON COMMODITY PROBLEMS

to the fifty-first session of the Council of FAO

Rome, September-October 1968



FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS



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Item 6 of the  
Provisional Agenda

Fifty-First Session

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REPORT OF THE FORTY-THIRD SESSION OF THE COMMITTEE ON COMMODITY PROBLEMS

Rome, 25 September - 4 October 1968

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COMMITTEE ON COMMODITY PROBLEMS  
REPORT OF THE FORTY-THIRD SESSION

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APPENDIX - LIST OF MEMBER NATIONS AND INTERNATIONAL ORGANIZATIONS  
REPRESENTED AT THE FORTY-THIRD SESSION OF THE COMMITTEE

## INTRODUCTION

1. The Committee on Commodity Problems (CCP) held its Forty-Third Session from 25 September to 4 October 1968 at FAO Headquarters, Rome. The Session was attended by representatives of 29 of the 34 Member Governments of the Committee and by observers from 28 Member Governments of FAO and from 18 international organizations <sup>1/</sup>.

2. Mr. M.W. Oakley (Australia) was elected Chairman and Mr. A. Fatah bin Zakaria (Malaysia) and Professor G.U. Papi (Italy) were elected First and Second Vice Chairmen, respectively, to serve for the 1968-69 biennium. The Committee was assisted during its Session by a Drafting Group under the chairmanship of Mr. A. Fatah bin Zakaria and by a Working Group on the functions of its Consultative Sub-Committee on Surplus Disposal under the Chairmanship of Professor G.U. Papi.

3. The Committee adopted the Provisional Agenda for its Forty-Third Session (CCP 68/1).

4. The reports of the following subsidiary bodies of CCP were presented to the Committee as indicated below:

Consultative Sub-Committee on Surplus Disposal	Mr. J. Eaton (United Kingdom), Chairman
Study Group on Oilseeds, Oils and Fats	Miss M. de Barros e Vasconcellos (Brazil), Chairman
Study Group on Jute, Kenaf and Allied Fibres	Mr. H. Spekking (Netherlands), First Vice-Chairman
Ad Hoc Consultation on Wine and Vine Products	Mr. A. Regnier (Belgium), First Vice-Chairman
Study Group on Rice	Mr. B.P. Dutia Secretary of the Study Group

5. The Session was opened by the Director-General of FAO, Mr. A.H. Boerma, who referred to the recent increase in the membership of the Committee. This was a testimony of the importance attached by Member Governments to its work, which provided a forum for intergovernmental consultation on a large number of individual commodities. Such work served one of FAO's most important functions, namely to identify commodity problems and to assist in the search for solutions, both domestic and international. In addition the Committee would also consider some important general commodity questions, including the inter-agency study on multilateral food aid, and the future of the Committee's Consultative Sub-Committee on Surplus Disposal.

6. In concluding his statement, the Director-General indicated broadly the orientation which he proposed to give to FAO's programme, and described the five areas of special concentration which he had selected for the Organization's priority programme for the immediate future. These five areas were: high-yielding cereal

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

varieties; the protein gap; the war on waste; the mobilization of human resources in rural areas; and the promotion of foreign exchange earning and saving. Although CCP had an interest in following all these five areas, it was the fifth area - the promotion of foreign exchange earning and saving - with which the Committee was most closely concerned. The adoption and execution of an integrated programme of work by FAO in this particular area of concentration would enhance the importance of the deliberations and guidance of the CCP.



## I. WORLD AGRICULTURAL COMMODITY SITUATION

### 1. General situation and outlook

7. The Committee reviewed the world agricultural commodity situation on the basis of information supplied in the FAO Commodity Review 1968, in the supplement on Recent Developments in the World Commodity Situation (CCP 68/14), and in the statements made by delegates.

8. As foreseen by the Committee at its Forty-Second Session (October 1967), the value of agricultural trade had fallen in 1967 for the first time in a decade. There had been a decline both in the quantities exported and in export prices. The agricultural export earnings of both developing and developed countries had declined, though those of the latter by a smaller percentage.

9. Preliminary indications had suggested that the aggregate value of agricultural trade was unlikely to show any substantial recovery in 1968. Export prices of most agricultural commodities had continued to fall and the general level of commodity prices for the year as a whole would probably average lower than last year. The volume of trade in most commodities was not expected to rise, although some moderate increases were likely in the exports of meat, wool, rubber and forestry and fishery products.

10. To some extent, this unsatisfactory situation in the period under review reflected special demand factors, including the slowing-down in the rate of growth of economic activity in a number of industrialized countries which had affected demand for agricultural raw materials and the better crops in the centrally-planned economies and the developing countries which led to a decline in their imports of food, as well as the repercussions of the devaluation of sterling. On the supply side, world trade in some commodities had been restricted in 1967 as a result of declines in production in exporting countries, while for some other products higher production or the pressure of stocks had tended to depress export prices. In great part, however, the levelling out of world commodity trade in recent years had been brought about by the increasing self-sufficiency in importing countries in agricultural products or their synthetic substitutes and the slow growth in demand.

11. The Commodity Review had drawn attention to a number of agricultural products which faced particularly severe problems in 1967. Butter stocks in dairy producing countries at the end of 1967 had been unusually heavy and continued to accumulate during 1968, leading to keen competition for export markets. The large export supplies of most edible/soap fats and oils, with import demand limited because of increased domestic output in some importing countries, had resulted in a further fall in international market prices in the first half of 1968. Continued increases in the supplies of broilers in North America and Western Europe, together with restrictions on imports into certain Western European countries, had led to serious imbalances of supply and demand in world markets with very low levels of prices.

12. Exports of wine by traditional suppliers were severely affected by measures to increase production and improve quality of wine in importing countries, while the scope for expanding trade in non-producing countries remained limited because of high tariffs and taxes. The continued excess of supplies of raw sugar, and growing self-sufficiency in many importing countries, had caused world market prices to fluctuate around a downward trend during 1968. Heavy supplies of apples, due to two large crops in succession in Europe and the consequent reduction of import demand, had caused prices to fall steeply. Extensions of plantings in some countries made it likely that markets for apples would remain highly competitive even in coming years.

13. Amongst agricultural raw materials, heavy stocks and current supplies in excess of demand had made prices of rubber and sisal fall even more sharply in 1967 than before. However, the coincidence of a rapidly increasing demand and lagging output in 1968 had reduced rubber stocks, and prices in recent months had stabilized around

a level slightly higher than the average for 1967. For sisal, the agreement reached under the auspices of the Study Group on Hard Fibres on an informal export quota system and an indicative price range had helped to reverse the downward trend in prices since mid-May 1968.

14. The successful operation of the informal international arrangement for jute within the Consultative Committee on Jute, Ksnaf and Allied Fibres had helped maintain prices in 1967/68 close to the mid-point of the range recommended by the Committee. However, the possible upward pressure on prices in 1968/69 on account of higher world import demand and considerably lower export availabilities because of bad weather and low prices at sowing time, might come at a critical period for jute owing to the growing competition from polyolefin synthetics in developed importing countries.

15. The Committee also noted some positive and potentially favourable aspects of the world commodity situation brought out in the Review. The bumper cereal crops in several developing countries, particularly in Asia, had enabled them to reduce their heavy cereal deficit. Although favourable weather had played a large part, the expansion of output also reflected the recent improvements in farm techniques, including the introduction of high-yielding varieties. If these programmes realized their early promise - and many problems still remained to be solved - they would have a substantial effect on the food deficit of developing countries and on the long-run patterns of trade in food.

16. An analysis included in the Commodity Review of the recent patterns of food imports into industrialized countries had shown that developing countries might find favourable opportunities for trade in several products, such as maize, meat, vegetables and fish products. With rising living standards in the developed countries, demand for these commodities was showing a high rate of growth and the possibilities of expanding domestic production were limited by rising production costs and geographical factors.

17. A study on the world hides, skins and leather economy had brought to light encouraging trends of rising production and export of most types of hides and skins, both in the developing and developed countries. Promotion of tanning and leather products industries in the developing countries was also in progress. These trends were likely to continue and might provide scope for expansion of export earnings.

18. This preliminary survey, the first comprehensive economic analysis of this increasingly important group of commodities, was welcomed by the Committee. It noted a number of issues, particularly on the improvement of statistics, on the demand and processing problems and on means of facilitating the exports of hides, skins and leather from developing countries, which merited further study.

19. The Committee expressed the hope that similar special chapters could be included in future Reviews, and among the topics suggested were: the trends in trade among developing countries; development of marketing techniques which helped to expand commercial supplies; and an economic survey of other commodities which had not received full attention so far.

20. The Committee considered that the comprehensive analysis contained in the FAO Commodity Review 1968 presented an authoritative statement of the world agricultural commodity and trade position, which should be commended to other international organizations and to commodity councils for their information and use.

(a) Recent trade issues

21. The Committee's discussions focussed on a number of key issues affecting trade in agricultural commodities.
22. Representatives of several exporting countries emphasized the importance of enlarging access to markets in importing countries, which continued to be limited by trade barriers and national farm support policies aiming at the increase of domestic production. Some delegates suggested that developed countries should reserve a proportion of the increase of their consumption of agricultural commodities to be met by imports from the developing countries.
23. The spread of export subsidies had been another feature of world markets and affected a widening range of products, including grains, dairy and livestock products, and fruits and vegetables. These were partly due to the competition among exporters seeking to enlarge their share of the market, but more fundamental causes lay in the accumulation of stocks well in excess of foreseeable demand and falling or stagnant world prices.
24. Severe problems were also created by the excessive price fluctuations caused by the sensitivity of some commodity markets to changes in supply and demand. This was sometimes aggravated by disruptive speculation carried on by interests operating from outside the industry which was harmful to producers, consumers or processors. International action was required to limit the impact of these factors on commodity markets.
25. Another impediment to the expansion of exports, particularly from the developing countries, was the inadequate facilities for marketing, storage, and processing. This problem was becoming more acute as rising productivity accelerated the growth of supplies in developing countries which, for this and other reasons, were unable to take full advantage of trade opportunities.

(b) Approaches to solutions

26. The Committee reaffirmed its belief in the efficacy of cooperative action in finding solutions to trade problems through a commodity-by-commodity approach. The International Coffee Agreement demonstrated what could be achieved for one commodity provided the determination existed, in ensuring stability to markets and reasonable returns to producers. Satisfactory solutions had to reconcile the conflicting interests of both exporting and importing countries, the diversity of agricultural structures in different regions, and the different characteristics of each commodity situation. This underlined the need to intensify commodity research studies, in order to explore possible ways of solving international trade problems. Market surveys were required to help find new outlets for exports, new uses for products, and to indicate the adjustments required in products and processing so as to meet the changing conditions of demand in importing countries.
27. In this context, the Committee welcomed the Director-General's intention to give special attention in the orientation of FAO's programme to five areas of concentration, (see Introduction) and particularly to the promotion of foreign exchange earning and saving for developing countries.

28. For some commodities, it might be more feasible, at least initially, to approach trade agreements on a regional basis. In this connection, the Committee was informed of the regional strategy which had now been adopted in Latin America. This provided for a concerted approach to international commodity policy issues and for joint negotiations with other regional groupings. Some delegates suggested there should be additional assistance from FAO and the UNDP programmes to promote the creation of regional economic groupings and common market schemes, particularly in Africa.

29. The role which international commodity agreements could play in promoting crop diversification schemes, so as to attain a better balance between supplies and demand and avoid the problems of monoculture, was also noted. The representative of the International Chamber of Commerce stressed the economic importance of diversification and specialization of agricultural production in the developing countries. The International Chamber of Commerce considered that developed countries should adopt specific measures to support such efforts within the framework of their technical aid programmes. Some delegates proposed that additional technical assistance be provided for crop diversification, including the provision of selected seeds, fertilizers and other farm requisites, and measures to minimize crop and storage losses.

30. The Committee recognized that the solution to some commodity problems would require international finance for such purposes as the holding of buffer stocks and assistance in diversification measures in the developing countries. Some delegates also referred to the need for finance for the promotion of consumption. The Committee expressed the hope that new possibilities of international financial assistance could be worked out in the near future.

## 2. Grains

31. Because of the postponement of the Twelfth Session of the Study Group on Grains, the Committee gave special attention to this group of commodities in its review of the world agricultural commodity situation.

32. The Committee noted that the world grain situation in 1968 had again been characterized by good crops in most exporting and importing countries, although severe drought had affected some areas, in particular parts of Latin America and the Near East. Consequently world grain trade in 1968/69 might be only moderately higher than in the previous year. Wheat exports were likely to show little overall change since the larger requirements in some areas would be offset by smaller imports into India and Pakistan. However, this would remain uncertain until a fair estimate of the autumn food grain crops on the Indian sub-continent was available. A moderate increase was expected in trade in coarse grains, in response to the growing demand for grains as livestock feed in developed countries. Carryover stocks of grains in the major exporting countries were likely to be higher at the end of the 1968/69 season. This, however, did not seem to foreshadow the accumulation of burdensome surplus stocks, bearing in mind the likely recurrence from time to time of large emergency requirements in deficit countries, and of drought conditions in major exporting countries. It might, however, be necessary for adjustments to be made in national grain policies as the situation developed.

33. The Executive Secretary of the International Wheat Council informed the Committee that, according to the IWC Secretariat's latest estimate, the volume of wheat exports in 1967/68 was about 51 million tons and at present there was little to suggest much change would occur in 1968/69. In his view, any further growth

in world wheat exports over the next few years was likely to be slow and limited, saving exceptional developments or adverse climatic conditions in any particular year.

34. It was noted that, according to the Commodity Review, the prospects for the next few years indicated a resumption of the rise in trade in coarse grains and, barring emergencies, a slower growth in world wheat trade. Some delegates stressed the difficulties of appraising the future outlook for trade, particularly the prospects for specific markets. Abnormal factors in recent years had produced large swings in trade, which might obscure the underlying trends. It was recognized that the successful introduction of the new high-yielding varieties had been a definite factor in the improvement in domestic supplies in a number of developing countries. At the same time, the resulting impact on import requirements would not be sudden as the introduction of modern farming techniques might be gradual in many cases and domestic requirements were rising. Until the new varieties spread throughout the developing producing countries, they would still need food aid to meet deficits and emergency situations.

35. The Committee noted that the Study Group on Grains had not been convened in 1968 in order to avoid overlap with several other international grain meetings which were being held in connection with the coming into force of the 1967 International Grains Arrangement. It agreed that the Twelfth Session of the Study Group should be scheduled for May or June 1969, bearing in mind the dates of related meetings.

### 3. National Agricultural Price Stabilization and Support Policies

36. The Committee reviewed developments in price stabilization and support policies on the basis of a Secretariat working paper (CCP 68/6). In line with the established practice, the review was this year concerned with the short term developments in 1967, a longer term review having been conducted by the Committee at its Forty-first Session. Replies to the annual questionnaires, which constituted the main source of information for the Secretariat paper, had been received from 62 countries.

37. The data contained in the report suggested that for most countries and commodities the stabilized or supported prices of agricultural commodities had remained unchanged or been increased only little. In real terms, the level of support may thus have been reduced in many cases. The report cautioned, however, about drawing conclusions from the price data, because of difficulties of comparison caused inter alia by differences in standards or grades as between countries, the possible existence of various deductions from the guaranteed price, limitations in the quantum to which the guarantees applied, and uncertainty as to the extent to which the farmers actually received the guaranteed prices.

38. All delegations that spoke on this item emphasized the value of the paper as providing information, not easily available elsewhere, on which to base an analysis of governmental price policies for agriculture. The Committee therefore wished to see these annual studies continued and made a number of suggestions for extending and improving them. Thus, one delegation proposed the preparation of a separate document containing longer time series of producer prices to facilitate analysis of trends. Another delegation wished to see support prices as well as procurement prices included in the figures given for its country. Other delegations proposed that future questionnaires on price stabilization and support policies should request information concerning the sums spent by governments on different forms of price support, as well as the levels at which prices were supported. It was also suggested that the concept of non-price measures be re-examined and that the Guiding Principles for National<sup>4</sup> Agricultural Price Stabilization and Support, approved by the Committee, and endorsed by the FAO Conference in 1961, be reproduced in future working papers as a regular feature.

## II. COMMODITY PROJECTIONS AND THE INDICATIVE WORLD PLAN FOR AGRICULTURAL DEVELOPMENT

### 1. Progress of work on the next commodity projections study

39. The Secretariat reported the progress made in preparing the next round of Commodity Projections, and placed its preliminary ideas on possible changes in methodology before the Committee. It was emphasized that the methods used in making projections based on existing trends and on the assumption of their continuance in future under stated hypotheses, had to be distinct from those applied in preparing an Indicative World Plan oriented toward achieving certain normative objectives with maximum economic efficiency under certain constraints.
40. The Secretariat had received about 50 new household budget surveys in response to its requests to governments for up-to-date information which would be analyzed early in 1969 when the FAO computer would be installed. A conceptual framework for taking into account the effects of urbanization on demand for agricultural products was being developed which it was intended to apply, using the FAO computer, to the results of a number of field studies. Programs had also been made in developing a model which, it was hoped, would allow for some relaxation of the constant price assumption used in previous projections.
41. The Secretariat also presented some tentative ideas as to other possible methodological changes in the next projections exercise. It stressed the fact that it was difficult to introduce radical changes in a methodology which was to be applied uniformly to all countries, since a uniform methodology had to be suited to the countries most poorly placed as regards availability of data. A possible course would be to adapt methodology for different countries to the availability of data in those countries. This would involve a departure from the uniformity of treatment which has previously been characteristic of the FAO projections.
42. The Secretariat proposed that statistical results should be more systematically assembled, both on a commodity basis and on a country basis, in order to provide a country consistency check, particularly for supply projections. A further suggestion was to carry out a systematic study of the food - livestock economy, in order to improve the projections for that group of products.
43. The Secretariat also considered that the time period for the next projections should be restricted to ten years. This would not preclude the preparation of longer-term projections, if required for the purposes of the Indicative World Plan.
44. The Secretariat reported on the progress being made toward computerization of much of the statistical work of the Commodities and Trade Division. It was expected that this computerization would permit the use of more up-to-date base period data for the next projections study.
45. The Committee requested that the suggestions made by the Secretariat should be circulated as a CCP document and agreed to take up the matter at its next Session.
46. Since the publication of FAO's work on projections, a number of other organizations had commenced and completed similar exercises, though not with the same worldwide coverage. The Secretariat considered that the time was now appropriate to commence making arrangements for a technical meeting of experts in the field of projections to discuss the substantial experience accumulated on such studies throughout the world and advise on the technical aspects of methodology. This might well be done in collaboration with the OECD, as had been suggested at a recent

meeting of the OECD Committee on Agriculture. The Committee recognized the value of a meeting of experts in the field of projections which might be convened jointly by the FAO and the OECD, if this were possible. It was considered that participation in such a meeting should not be confined to the Secretariats of the two Organizations, but should extend also to experts from member countries and other international bodies.

## 2. Progress of work on the Indicative World Plan for Agricultural Development

47. The Secretariat reported that substantial progress had been made in the preparation of the provisional IWP study. The provisional world study would be completed by the end of May 1969, and distributed to Member Governments by August 1969. The full provisional regional studies, not yet to be regarded as FAO documents, would go to the governments concerned in November-December 1968. These documents were not definitive regional studies, but were intended rather as a basis for discussions with governments with a view to subsequent revision. Meanwhile, a series of extended summaries of the regional studies had been prepared, so as to provide an adequate basis for discussion at FAO regional conferences in 1968. These presented the major findings and highlighted the main policy issues of the IWP in each region.

48. The Committee expressed its continuing interest in and support of the IWP which it regarded as a work of major importance. Delegates sought and were supplied with further information on a number of points. Some delegates were concerned that the philosophy guiding the IWP was unduly pessimistic. In their view, it should also present an optimistic picture of what could be achieved by the coordinated efforts of all countries concerned, and thus encourage the adoption of corrective measures. There was concern that, even with the achievement of the IWP objectives, the income gap between low and high income countries would be wider than at present. It was explained that the GDP rates chosen for developing countries as a whole were, in fact, above those achieved by developed countries in recent years. However, account had to be taken also of the effects of population growth rates substantially higher in the developing countries than in the developed. It was also stated that attention had been paid to identifying the main constraints to growth, many of which lay outside the field of agriculture. It was intended to discuss these constraints with governments together with the policy measures required to overcome them, so that it might be possible in subsequent revised versions of the regional studies to incorporate higher growth rates. This raised the question of the extent to which it was necessary and feasible to place the IWP in an overall economic context. While the non-agricultural sectors lay outside the competence of FAO, it had been found necessary for the purpose of the IWP to develop an overall macro-economic frame for testing the validity of the main assumptions used on the growth rates of the general economy.

49. A number of delegates, while recognizing the difference in concept between commodity projections and the IWP, stressed the importance of taking account of the trends identified in projections work in the setting of targets in the IWP.

## 3. Handling of trade in the IWP

50. The Committee had before it a statement on the above topic (CCP 68/11/1). This document outlined the procedures being adopted by the Secretariat in implementing the views of the Conference and the Committee.

51. The Secretariat's approach was in three stages. The first stage was to achieve virtually complete world coverage for major commodities with respect to preliminary export availabilities and import requirements in 1985. Part of this

information was to be obtained from the studies in depth of the IWP regional teams. For countries in Zone C (developing regions) not covered in this way in the course of the IWP, the aim was to arrive at 1985 export and import figures using a degree of planned growth comparable with that accepted as an objective for countries studied more intensively as a preliminary criterion.

52. The approach for assessing possible trade levels in 1985 of developed and centrally planned countries, for which indicative plans were not being attempted, varied somewhat for different groups of commodities. The general principle was that a number of alternative sets of figures would be arrived at, corresponding to alternative assumptions concerning the possible outcome of varying policy measures affecting the production and trade of these countries.

53. The second stage would involve summing up the figures of export availabilities and import requirements obtained in the first stage, to provide aggregates for each of the three zones, namely, developed countries, centrally planned countries, and developing countries, and the world as a whole, for each of the commodities being covered. It was to be expected that imbalances on a global level would become apparent in the process of this aggregation. For these, alternative balancing adjustments would be attempted. At this stage of the work, the implications of the adjustments required to obtain a reasonable balance of imports and exports at the zonal level would not be carried down to individual countries. However, it would be possible to identify countries likely to be affected by changes in policies and prices affecting different commodities under alternative situations of zonal balance of trade in 1985.

54. The logical third stage of the work on trade would require the carrying down of the results of the second stage to individual countries, to obtain a fully consistent IWP at national, regional and world levels. It had always been recognized by the Secretariat that the full achievement of this third stage would raise great difficulties, as the Committee had been informed at its previous session. The Secretariat felt that the difficulties would preclude carrying these adjustments down quantitatively to all individual countries at this time. It was stressed also that time limitation alone would rule out such an approach as far as documents for the Fifteenth Session of the FAO Conference were concerned.

55. The Committee noted the approach outlined by the Secretariat, particularly the fact that it was not proposed to treat trade merely as a residual between production and consumption. Trade was often an important motor of economic growth in the developing countries, and should therefore receive careful attention.

56. Many delegates considered that it would be interesting and useful if the Secretariat could attempt the exercise of working the global totals back to individual countries. Some other delegates questioned the feasibility of doing this because of the difficulties involved. The Secretariat agreed to look further into this aspect, to see if it might be possible to make such an attempt for a few important commodities, to indicate the approaches and policy issues involved.

57. It was generally agreed that it would be difficult to extend work on trade as far ahead as 1985, and some delegates considered that 1975 would be a better target period. However, it was pointed out that 1985 was agreed upon as the time span for the IWP by the Conference, and that this would have to be adhered to. Because of the difficulties and uncertainties associated with a date so far in the future, great care would have to be exercised in interpreting and utilizing the results of the outcome of the trade exercise.



58. The importance of an adequate treatment of the trade amongst developing countries themselves was pointed out. In this connection one delegate suggested that the Secretariat should attempt to obtain the views of regional economic groups among the developing countries. The Committee took note of the fact that the effects of relaxation of trade barriers would be taken into account in working out various alternative levels of world trade for particular commodities.

59. The Committee was informed that commodity aid requirements would be examined in the trade exercise. The important considerations in this regard were the levels of the production objectives in the IWP, because the expansion of output implied by these objectives would certainly alter present needs of developing countries for food aid over so long a period.

60. A number of delegates expressed the view that the Secretariat was attempting an exercise of such difficulty and complexity that it would be desirable to postpone work on trade until the governments concerned had had an opportunity to study the various regional reports. Whilst agreeing with the difficulties and complexities involved, the Secretariat nevertheless emphasized that a postponement of its work on the world trade framework would involve a failure to meet the publication timetable for the Indicative World Plan agreed upon by the last Conference. The Committee generally agreed with this.

61. Many delegates stressed the need for governments and for the Committee in particular to have an opportunity to examine the IWP world study before it was presented to the 1969 meeting of the FAO Conference. It was agreed that this matter should be borne in mind in determining the date of the Committee's next session.

#### 4. FAO work on trade matrices

62. The Committee was informed of the progress of work on the assembly of data on flows of agricultural products by source and destination. Information of this kind was essential for the understanding and analysis of agricultural trade, at both world and regional levels, and particularly of trade among developing countries.

63. Trade data for quantity and value had been assembled for 55 individual commodities or groups of commodities covering some 80 percent of world agricultural trade, and for agricultural trade as a whole for each of the three years 1962, 1963, 1964. The country coverage was very comprehensive. The results would shortly be published by FAO and could be linked to the less detailed trade matrices prepared earlier by FAO, covering 1955-57 and 1959-61.

64. To be fully useful, such information on commodity trade flows should be updated regularly, and the Committee noted that in planning future work, the Secretariat would consult with the U.S. Department of Agriculture, which was also engaged in preparing trade matrices.

### III. REVIEWS OF MEDIUM-TERM FOOD OUTLOOK

65. The Committee recalled that, following a preliminary discussion at its Forty-Second Session of the suggestion made by the UN Economic and Social Council for "a continuing appraisal and reappraisal of the prospects of production, consumption and trade and possible requirements for food aid", the FAO Conference had considered the matter and invited the CCP to consider definite proposals at its Forty-Third Session. The Secretariat had subsequently prepared a pilot review as a basis for considering appropriate methods and procedures, which was first submitted to the Study Group on Rice.

66. The pilot review, which contained provisional forecasts of cereals production utilization and trade in 1971 in selected countries in various regions, was circulated to the Committee in document CCP 68/16. It had brought to light a number of problems, notably the inadequacy of basic statistics for several countries on production and consumption, and the lack of information on development plans and agricultural inputs, as well as the difficulties of estimating the future effects of substitution between foodgrains and feedgrains, and of the impact of weather fluctuations on crops. There were special difficulties in forecasting the production and trade of major cereal exporting countries which account for a large share of the world market.

67. The Secretariat document made the following proposals for initiating medium-term reviews on a continuing basis. These had taken account of the findings of the Study Group on Rice:

(a) Objectives: the medium-term reviews could have three main uses: in evaluating the viability and priority of specific technical assistance projects and other aid to agriculture; in indicating the likely import requirements over the next few years, and the capacity of the exporters to meet this demand; and in giving warning of potential trade problems. The reviews could also help in production planning, in both exporting and importing countries, particularly in the present rapidly changing food situation associated with the wider use of high-yielding varieties of cereals.

(b) Time-schedule: each year the appraisal period would be moved forward by one year and the forecasts would be revised according to changing circumstances and the most up-to-date information available. A comprehensive survey, containing separate notes on all the countries covered, would be prepared periodically e.g. every three years.

(c) Country coverage: in view of lack of information and limited staff, the reviews would be on a selective basis. The order of priority in extending the country coverage would be first, developing countries; second, high-income food exporting countries; and third, high-income food importing countries. Developing countries were given priority because a wide coverage of these countries was the first requirement for evaluating technical assistance projects and possible food aid requirements.

(d) Commodity coverage: initially the reviews would be limited to foodgrains, the principal foodstuffs of most developing countries. The desirability of extending the reviews to other products might be reconsidered at a later stage after more experience had been gained.

(e) Government participation: the reviews would be issued on the responsibility of the Director-General. Government advice would be sought informally, usually through FAO field staff. The basic information would be drawn from the regular FAO statistical questionnaires, as well as those on national policies, and official publications. To provide an opportunity for governments to express comments on the results, they could be presented at intervals to the CCP, and the subject could be a standing item on the agenda of both the Study Groups on Rice and Grains.

(f) Release of information: the Secretariat would make the forecasts available for working purposes to interested intergovernmental organizations. To meet the interests of private industry, non-governmental organizations and the general public, the conclusions could be issued in appropriate FAO publications such as the State of Food and Agriculture or the Commodity Review.

68. The Committee noted that a continuing review of the medium-term prospects for food production, consumption and trade could fill a gap now existing between the short-term outlook already provided annually in the Commodity Review, and the longer-term perspective given by the Commodity Projections and the Indicative World Plan. It would also provide a more comprehensive and deeper analysis which could be used for the surveys of the world food position contained in the annual FAO report on the State of Food and Agriculture. An advantage of a continuing review which was updated each year lay in its ability to take account of changing circumstances both in the local and international situations, and it could be especially valuable in giving advance warning of potential trade problems which might be emerging.

69. It was recognized that it would not be possible to draw up a complete balance sheet of world supplies and demand, or to appraise the world trade prospects, unless the reviews covered all regions of the world. Similarly, full account could not be taken of the likely substitution between different foods if the community coverage were limited to the basic foodgrains. Some delegates felt, therefore, that the coverage should be as wide as possible, both as regards countries and foodstuffs, and advocated that in the experimental stage, work should be undertaken not only on developing countries, but also on some developed exporting and importing countries. Other delegates felt that the work should continue at about the present scale, particularly since the Secretariat resources which could be allocated to this project were limited. Some delegates pointed out that there were particular difficulties in forecasting the food outlook in developed countries. Apart from the complexities introduced by the substitution between foodgrains and feedgrains, in some developed countries (e.g. Japan) food habits were undergoing rapid change, and productions would be affected by radical changes in the agricultural structure.

70. As regards trade, the Committee underlined the methodological difficulties, which the Secretariat proposals acknowledged, in making forecasts of exports of particular countries and for the world as a whole. Strong reservations were expressed as to the feasibility of forecasting the flow of trade between countries in view of the limitations of forecasting techniques, the inadequate statistics, and the possibility of large errors arising from the fact that only a small and often residual proportion of world agricultural production entered international trade.

71. The Committee considered that despite the methodological difficulties which still remained to be solved, a useful beginning had been made in the Pilot Review of the Medium-Term Food Outlook and agreed that work should continue on an experimental basis and within the present staff and budget resources. It was agreed that the reviews should be limited at this stage to foodgrains and should be based on information regularly flowing to the Secretariat. Additional experience would be gained in the course of this further work, progress of which the Committee should review at its next session.

IV. MATTERS RELATING TO FOOD AID

1. Inter-agency study on multilateral food aid

72. The Committee's discussion under this agenda item was based on the second report of the Secretary-General of the United Nations on the inter-agency study on multilateral food aid (UN document E/4538, made available to the Committee as CCP 68/17), which had been prepared in cooperation with the Director-General of FAO and in consultation with the executive heads of other interested agencies for submission to ECOSOC.

73. The Committee took note of the main features of the joint report, which contained definite proposals and suggestions for the consideration of governments as to how the required tasks could be performed in the event that the world community would move toward a much larger multilateral food aid operation. The Committee was informed that in cooperating in the preparation of the report, the Director-General had been concerned to build upon the previous discussions in UN and FAO bodies, including the CCP. The report thus contained a more exhaustive discussion of the relationships between food aid and other forms of aid, and attempted to delineate more specifically the role of the different organs of the UN family, in various aspects of multilateral food aid operations, and in the coordination of food aid, bilateral as well as multilateral.

74. Two of the basic premises of the report were the continued need for food aid for some years to come, despite the progress that was being made toward a permanent solution to the developing countries' food problem through increased production in the deficit countries themselves; and the need for at least a portion of the food aid supplies to be derived from production planned for the purpose, since surplus stocks no longer constituted a predominant and constant source. In this situation, according to the report, it was possible to see food aid as a specialized form of economic assistance, made available in response to the demonstrated needs of the recipient countries.

75. The report noted that the actual level of food aid operations was determined by the production and financing decisions of governments. Efficient use of resources required, however, that these decisions should be made in an international framework, and based on regular systematic forward appraisals of needs for various types of food aid.

76. The institutional arrangements discussed in the report were based on the continued existence and evolution of the WFP and its governing body, the IGC. The report emphasized that, for maximum efficiency, multilateral food aid should be used in conjunction with other forms of aid flowing through the UN system, and proposed for this purpose a continued strengthening of the procedures for cooperation already in operation between the WFP and other UN bodies concerned, and the extension of these procedures to other agencies concerned with overall development including financing, such as the IBRD, IMF and the regional development banks. The report also discussed the various problems associated with increased participation of developing food exporting countries as suppliers of food aid, in particular that of financing.

77. A number of delegates felt that the second joint report carried the study of multilateral food aid as far as was practicable at the moment. The new report was generally recognized as a useful step forward in presenting a balanced and practically oriented consideration of the main issues. With the completion of this further contribution to the study of the question, the view was expressed by a number of delegates that governments now had adequate information on which to make decisions without further general studies.

78. Because of the comprehensive nature of the report, it was not possible for delegates to express views on all of the questions discussed in it, although a number of aspects were considered.

79. Thus, the Committee was in general agreement with the view expressed in the report that the food problem of the developing countries was essentially a transitional one, pending its permanent solution through increased food production in the food deficit countries themselves. It was during this interim period that food aid would still be required for developmental purposes. Even after the countries now in need of food aid had reached self-sufficiency or were able to import their normal needs commercially, there would remain a need for emergency relief in years of severe crop shortfalls, and possibly for food aid to improve the nutrition of the vulnerable groups of the population. A number of delegates stated that food aid should assist the food deficit countries in building up emergency reserves replenishable from time to time. In this connection, there was general agreement on the need for an approach by the international community toward establishing a comprehensive world food policy, as suggested in the report.

80. The Committee agreed with the report that any expansion of multilateral food aid activities should be based, to the maximum extent possible, on present institutions, including the UN/FAO World Food Programme.

81. Several delegates suggested that food aid had to be viewed as a part of total economic aid, and that it was complementary to other forms of aid. The shift away from surplus disposal operations toward purposeful food aid did not, however, mean that advantage could not and should not be taken of surpluses that were still likely to appear from time to time. Some delegations indeed expressed the view that it was by concentrating on such areas of surplus, through the inclusion of food aid provisions in appropriate commodity arrangements, that the greatest hope of expanding food aid resources in the immediate future might lie. However, hope was expressed by a number of delegates that more emphasis could be placed on recipient-orientated food aid policies.

82. In the view of some delegates, multilateral food aid had some advantages over bilateral operations, particularly because, among other reasons, it made unnecessary the setting up of machinery for food aid distribution by all donor countries. Other delegates stressed, however, that multilateral food aid should not be at the expense of bilateral food aid and other development assistance. More generally, it was agreed that there was room for both types of food aid, which were basically complementary rather than competitive.

83. While it was recognized that food aid operations could not in the future be entirely based on surplus stocks, a number of delegates expressed concern about the emphasis given in the report to planned production of food aid supplies. By its very nature agricultural production was not very responsive to efforts to regulate its size, and there was a danger that deliberate production for food aid might result in perpetuation of high-cost production by inefficient producers. Nevertheless, some other delegates agreed that for some countries estimates of future food import requirements, including those for food aid, were a useful adjunct to national agricultural policy planning. These delegates stated that this usefulness should be reflected in a relatively higher priority in FAO's programme of outlook work to short and medium-term than to long-term outlook studies.

84. Divergent views were expressed on the examination in the report of the question of sharing the burden of food aid. Some delegates felt that the report tended to assign too large a portion of the total cost of food aid to food exporting developed countries, including countries whose food aid contributions came from current production and were likely to result in the forgoing of export earnings. Others, however, considered that the sharing of the total aid burden, rather than of food aid alone, was the appropriate area of concern and that the report viewed the position of food exporters and importers in a balanced way. Several delegations, from both potential donor and recipient countries, stated that they favoured aid in the form of production requisites over food aid, either because it was easier to give in the case of countries that were not on balance food exporters, or because it was capable of making a more concrete contribution toward the growth of food production in developing countries.

85. Several delegates stressed the importance of finding ways, as soon as possible, to improve the opportunities for developing food exporting countries to supply food aid commodities, with the help of appropriate financing. This was related also to the efforts of the developing countries to increase trade between themselves.

2. CCP Consultative Sub-Committee on Surplus Disposal

(a) Eighteenth Report to CCP

86. The Eighteenth Report of the Consultative Sub-Committee on Surplus Disposal (CSD) to the CCP (CCP 68/7/1) and the report on the Role of the Sub-Committee in Light of Current and Prospective Developments in Agricultural Surpluses and Food Aid (CCP 69/7/2) were introduced by the Chairman of the CSD, Mr. J. Eaton (United Kingdom). The Committee wished to record its appreciation of the energy and leadership that Mr. Eaton had shown as Chairman of the CSD and of his efforts to ensure that the Sub-Committee continued as a vital and effective part of the FAO structure.

87. In accepting the Eighteenth Report of the CSD, the Committee noted that the membership of the CSD had now risen to 41 countries. As regards the extension and amendment of U.S. Public Law 480, the Committee noted that this matter was still under discussion in the CSD and would be covered in its Nineteenth Report. Many delegates expressed satisfaction with the work of the CSD, including the supporting work of its Secretariat, and indicated that their governments continued to attach great importance to its activities.

88. Since the other topics covered in the Eighteenth Report to CCP were also dealt with in the Report on the Role of CSD, the Committee considered the two reports together.

(b) Reappraisal of the Functions of the CSD

89. In its report on the role of the Sub-Committee, the CSD had raised the following issues for the attention of CCP as requiring inter-governmental decision:

- (i) whether the CSD was to take a central role in the assembly, analysis and distribution of information on food aid operations of all kinds;
- (ii) if so, what commodities and what types of transaction were to be reported; how often and by what means was reporting to take place; to what extent, in particular, did acceptance of a reporting requirement signify acceptance of a consultation requirement also;
- (iii) whether the CSD as a consultative body should be entitled to consider "extra commercial" transactions and under what conditions, bearing in mind the responsibilities of other international institutions.

90. The Committee recalled that the CSD had been acting since 1954 as the custodian of the FAO Principles of Surplus Disposal and Guiding Lines. It had provided a forum for the discussion of problems that arose through the impact on commercial markets arising from concessional disposals. The CSD had over the years developed machinery by which proposed surplus disposal transactions referred to it had been made the subject of prior consultation between the exporting country and the recipient country, and with those other exporting countries which were deemed to have an interest in terms of an historical share of the trade.

91. The Committee recognized that the CSD's terms of reference gave it a wide mandate to deal with problems of surplus disposals, with instructions to be flexible and adaptable in its approach to them. This adaptability, however, was dependent, to a certain extent, on the interpretation given in the contemporary situation to the term "surplus disposal" about which there were some differences of opinion. The problem was made

more complex by changes in the nature, extent and location of surpluses and, in some cases, by new policies, such as planned production for food aid. In fact, the Sub-Committee was already dealing with some aspects of food aid, for example, the multi-lateral food aid projects of the World Food Programme. However, there were now other institutions also which were concerned with food aid, including the Food Aid Committee under the International Grains Arrangement 1967 and the Development Assistance Committee of the OECD.

92. The Committee noted also that there were widely diverging practices in reporting and consulting which tended to reduce the Sub-Committee's usefulness as a consultative body. There was a question, for instance, whether food aid given by way of grant was outside the CSD's terms of reference (as neither "surplus disposal" nor a "sale on concessional terms"). Also, some countries held that they themselves operated only on a commercial basis, that their stocks were commercial stocks, not surpluses and hence their operations were not reportable under CSD requirements. Similarly, there were divergent practices on the reporting of transactions involving special and concessional terms.

93. Indeed, as the Sub-Committee's report emphasized, there had been a general increase in transactions which might be described as "extra-commercial". Some countries had brought before the CSD complaints about the adverse effect on their trade of export transactions of other countries, arguing that the export sales under reference arose from the existence of abnormal stocks and were assisted by special or concessional terms through government intervention. This was held by the complainants to place these transactions within the terms of the accepted definition of "surplus disposal" and therefore within the area of competence of the CSD. Other countries, however, did not accept this approach in the CSD. They did not recognize a need to notify or engage in consultations through the CSD on these export transactions because, in their view, these were not "surplus disposals" as defined, but involved trade practices (export aids) which properly would come under the purview of the GATT. It was because of these uncertainties that the CSD had submitted a report to GCP on the reappraisal of its functions.

94. Moreover, the Director General of FAO had requested the CSD to consider the possibility of the Sub-Committee assuming the task of acting as a central point for assembling, analyzing and distributing information concerning food aid operations both bilateral and multilateral.

95. The Committee welcomed the report by the CSD on the reappraisal of its functions as a valuable contribution to the analysis of the issues that currently arise. The Committee recognized that these issues needed study in depth and to this end it established a Working Group with the following terms of reference:

- (a) To consider the role and terms of reference of the CSD in relation to the issues analyzed generally in its Report and summarized more particularly in paragraph 100 thereof;
- (b) Without prejudice to the generality of the foregoing, to consider:
  - (i) Whether there is a need for machinery for assembling, analysing distributing information on food aid operations and if so, on what organization it should be centred and what commodities and what types of transactions should be reported;
  - (ii) In the light of developments in the nature and extent of extra-commercial transactions having an impact on commercial trade, what action on the part of member countries subscribing to the FAO Principles on Surplus Disposal and Guiding Lines should be regarded as meeting their consultative obligations.

- (c) To report and make recommendations in sufficient time to enable Member Governments to take decisions at the next session of CCP.
- (d) Membership in the Working Group shall be open to members of CCP and the CSD. Interested international bodies shall also be invited to participate.

96. The CCP recognized that the CSD needed guidance pending the outcome of the Working Group's study. Accordingly, without intending to introduce innovations at this time, the CCP expressed the view that:

- (a) Within its present terms of reference, it is a function of the CSD to "keep under review developments in the disposal of agricultural surpluses".
- (b) The FAO Principles on Surplus Disposal and Guiding Lines should not be interpreted as applying only to surplus disposal in the narrow sense, but also to other food aid operations, regardless of whether these are specifically related to surplus situations in the commodity or country concerned. The CCP urges all Member Governments, without prejudice to the outcome of the above study and without prejudice to the interests and functions of other international bodies, such as the GATT, the International Wheat Council and the Food Aid Committee to provide timely information as necessary to assist the CSD in its consultative functions as they are set out in its terms of reference. 1/
- (c) As regards so-called "grey area" transactions which are neither wholly aid nor wholly trade, the CSD's mandate should continue to be interpreted with flexibility and in a practical manner as hitherto, with a view to achieving a greater degree of operative effectiveness in its functions, bearing in mind that the GATT and the FAO Principles have complementary roles to play and that it is in the general interest to avoid duplication of function.

97. The Committee decided that the Working Group should meet in Rome and requested the Director-General to take the necessary steps, in consultation with interested member governments and international organizations, to convene it as soon as possible. The Committee requested the Secretariat to prepare the necessary background material for the Working Group, to enable it to focus attention on the essential issues. Such material might include descriptions of the kinds of transactions and operations with which the Working Group would be concerned, and details of the relevant rules and functions of the various international bodies with related responsibilities.

### 3. World Food Programme activities

98. A representative of the Executive Director of the World Food Programme reported briefly on the present scale of operations of the Programme, on the present resources position, and on some recent developments.

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1/ The Committee recalled that the Council, at its Twenty-Ninth Session (27 October - 7 November 1958), noted that the governments of countries importing surplus goods on concessional terms were not under any obligation to take steps for prior consultations on such contracts with third countries. It was the Committee's understanding that this ruling of the Council would apply to paragraph 96 (b).



99. During the first eight months of 1968, 51 requests had been received for new projects compared with 68 requests received during the entire year 1967. Thirty-six projects with a total cost of \$80 million had been approved during the first eight months of 1968, compared with 74 projects worth \$83 million approved during all of 1967. This year, for the third year in succession, the Intergovernmental Committee had increased the Director-General's emergency authority from \$10 million to \$15 million. Seventeen emergency feeding operations had been approved thus far and about \$2 million remained available for use during the balance of the year.

100. In regard to resources, the Committee was informed that, after allowing for all expenditures to date, all firm commitments to projects, administrative costs to the end of this year, and the remaining authorization for emergencies, some \$28 million worth of resources were still available for commitment to projects before the end of 1968.

101. In response to a question, the Committee was informed that not all of the dairy products pledged to the WFP in April of this year had been committed and disbursed by the Programme. As the opportunities for utilizing of dairy products were developed, it was expected that additional pledges would be forthcoming from a number of countries.

102. The Committee was informed that six countries had indicated that \$10 million worth of the wheat and flour they had pledged under the Food Aid Convention would be channelled through the World Food Programme during the current wheat marketing year and that the first shipment of such grain would take place during the current month. Reference was made to the decision of the Intergovernmental Committee at its Thirteenth Session authorizing the Executive Director to receive for study and processing requests for assistance in the establishment of national food reserves. A number of such requests were now under scrutiny by the World Food Programme and FAO.

V. RESULTS OF THE SECOND UN CONFERENCE ON TRADE AND DEVELOPMENT

103. The Committee noted the resolutions on commodities and the Declaration on the World Food Problem adopted by the UN Conference on Trade and Development (UNCTAD) at its Second Session held in New Delhi in early 1968 (CCP 68/2/2). The representative of the Secretary-General of UNCTAD informed the Committee of the main features of the Resolution 16 (II) concerning International Action on Commodities and on other aspects of the work of the Second UNCTAD.

104. Many representatives of developing countries pointed out that the outcome of the Second UNCTAD had failed to meet their expectations. Some delegates from these countries expressed their disappointment at the meagre results of this Second Session and pointed out that in most cases it had not been possible to obtain the agreement of developed countries on the texts of many important recommendations. The modest results obtained, these representatives urged, should spur the international community to renew its efforts toward the attainment of the expansion of trade and the acceleration of economic development. Some delegates pointed out, however, that the recommendations agreed resulted from a process of mutual concessions. The discussions of the Conference had improved the understanding of trade and development problems and provided a good basis for further international cooperation.

105. The UNCTAD Resolution 16 (II) on International Action on Commodities called for the initiation of studies or the stepping up of consultations and action on a large number of individual commodities, most of them agricultural, including sugar, cocoa, rubber, oilseeds and oils, jute, hard fibres, bananas, citrus fruit, cotton, tea, wine, tobacco, pepper and shellac. The Committee's consideration of and action on some of these commodities are reported in Section VI of this report.

106. The Committee expressed its satisfaction that cooperation between the Secretariats of FAO and UNCTAD had been developing very satisfactorily. It expressed the desire that it be continued and intensified with a view to making the best use of the resources available in the two organisations in the common quest for adequate measures to deal with the outstanding problems of trade and development, particularly of the developing countries.

107. Several delegates commended the Director General's initiative in concentrating work on the promotion of increases in foreign exchange earning and saving. Several delegates pointed out that the CCP was one of the main organs of FAO concerned with this subject, and they hoped that through more intensive activities in this field and in cooperation with UNCTAD, the Organisation would be able to play a more active role in helping to reduce the economic gap between developing and developed countries.

VI. MATTERS RELATING TO INDIVIDUAL COMMODITIES

1. Study groups and consultations

(a) Rice

108. The Committee noted the report of the Twelfth Session of the Study Group on Rice which was held in May 1968 at FAO Headquarters, Rome, and endorsed its recommendations.

109. The Committee welcomed the decision of the Group to review at its next session the progress achieved under the high-yielding rice varieties programmes in different countries, with special reference to the economic problems that may arise in distribution, marketing, and price policies as well as trade. It underlined the importance of a continuing exchange of information on these programmes, and of studying the relative economics of the high-yielding varieties and the traditional varieties. In this context, the Committee fully supported the intention of the Director-General to make the promotion of high-yielding varieties of cereals a priority area in the future work of the Organization. Some delegates stated that the introduction of these programmes in the developing countries was impeded by lack of foreign exchange to purchase essential inputs like fertilizers, and suggested that the FAO had a major responsibility in helping the developing countries to obtain adequate funds to finance these production programmes.

110. The Committee noted the exchange of views at the Twelfth Session on the study of the feasibility of including rice in multilateral food aid schemes. It agreed that as the rice economy was entering a period of rapid change with the possibility that surpluses might emerge in the foreseeable future, the question of means of promoting international trade in rice should be kept as a standing item on the agenda of the Group, and the question of the role of rice in food aid programmes could be further examined as and when the situation warranted. Delegates emphasized the need for studies of the impact on international trade of tariffs and domestic rice production programmes of developed importing countries, as well as of the effect on per caput consumption of the relatively high rice prices prevailing in the past two years.

111. Since the introduction of the high-yielding varieties was the most dynamic feature of the world rice economy, the Committee agreed that the decision of the Group to hold its Thirteenth Session in Manila at the invitation of the Government of the Philippines, where the new rice varieties had been developed, was particularly appropriate.

(b) Oilseeds, oils and fats

112. The Committee noted with satisfaction the report of the Third Session of the Study Group on Oilseeds, Oils and Fats, together with the report of the meeting of the Technical Working Party which had immediately preceded it.

113. Many delegates reiterated the concern of their governments about the seriousness of the situation in the world markets for fats and oils. Despite the great complexity of this group of commodities and of the problems facing different oils and different countries, it had been possible for the Study Group to narrow down the search for feasible measures for achieving its objectives in relation to prices and market access.

114. At its Third Session, the Group had selected for further consideration at the Fourth Session certain specific approaches, including trade liberalization, compensatory financing, and internationally financed food aid. The Fourth Session would also consider the role which an intergovernmental consultative committee might play in the search for solutions to the problems of oilseeds, oils and fats. The selection of these approaches had been endorsed by the Second UNCTAD Conference.

115. The Committee was informed of the arrangements which the Director-General of FAO, in consultation with the Secretary General of UNCTAD, had made for the Fourth Session of

the Group to be held in December 1968. In this connection several delegates expressed the hope that it would be found possible at that time to move toward solutions to the concrete problems of the market for this group of commodities and invited the Director-General of FAO and the Secretary General of UNCTAD to renew their efforts in order to lead the countries concerned toward negotiations on this problem.

116. The Committee noted that, in preparing the invitations to the Fourth Session, the Director-General had drawn attention to the concern expressed by the Group at its Third Session concerning the desirability of participation in its work by a greater number of countries with centrally planned economies, and emphasized that such participation would make the work of the Group more effective.

117. Several delegates drew attention to the importance of oilcake in the economies of a number of countries and as a source of protein; they requested the Group to consider the possibility of extending its studies to include oilcake.

(c) Industrial fibres

118. The CCP commended the constructive efforts being made by its two Study Groups on Jute, Kenaf and Allied Fibres and on Hard Fibres, through their subsidiary Committees, to achieve stabilization of the prices and markets for these fibres by informal international consultative arrangements. It felt that both Groups and their Committees were approaching their tasks with much realism, and welcomed the fact that both had succeeded in developing a community of interest between importing and exporting countries and evolving new techniques for attacking the international problems facing these commodities, the application of which might usefully be extended to other commodities.

119. The CCP noted that, in developing their informal international arrangements, these two Study Groups had taken on specific operational functions within the commodity markets they dealt with, calling for a great deal of supporting analysis and frequent meetings, making unscheduled demands on current budgetary resources. Insofar as the successful development of these international arrangements was likely to require a continuation or intensification of these two Groups' functions, the Committee requested the Director-General to take account of this situation in proposing his programme of work and budget for 1970-71. It was also felt that, in view of their new tasks, both Study Groups should consider whether their terms of reference and their rules of procedure needed revision.

(i) Jute, kenaf and allied fibres

120. The Committee noted with particular satisfaction the report of the Fourth Session of the Study Group on Jute, Kenaf and Allied Fibres. Since the Third Session of this Group, an indicative export price range for raw jute had been negotiated and under this informal arrangement Pakistan had maintained international prices within this range throughout the 1967/68 season and to date in 1968/69. It noted with approval that Pakistan's policy for this crucial foreign exchange earning commodity was now being formulated in line with the recommendations of the Consultative Committee on Jute, Kenaf and Allied Fibres. A significant measure of stabilization of the world jute market had thus been achieved. Despite the difficult circumstances of the 1968/69 season, the Committee expressed the hope that this stability would continue to be maintained.

121. The Committee noted that the Consultative Committee on Jute, Kenaf and Allied Fibres had recently turned its attention to the possibilities of developing an international buffer stock policy for jute and allied fibres, and had set up an Advisory Working Party on Stabilization Reserves to carry forward the work on this question. The CCP commended the establishment of this body, and, while noting the complexity of the tasks with which it was faced, expressed the hope that it would be able to bring its work to a successful outcome.

122. Finally, the Committee noted the request of the delegation of Thailand that the Consultative Committee on Jute, Kenaf and Allied Fibres continue its endeavours to agree on an indicative export price range for Thai kenaf, and requested that the Consultative Committee take up this question again at its next session.

(ii) Sisal and henequen

123. The CCP welcomed the promising beginning made under the informal international arrangements for sisal and henequen. Minimum East African export prices, with agreed differentials for Brazilian sisal and Mexican henequen, had been agreed in June 1968, as a means of moving market prices toward the indicative level negotiated in 1967. These steps, and the fact that the informal export quota system for 1968, introduced in January 1968, had begun to have an impact on the market in the second half of the year, had been widely acknowledged as the main factors in bringing sisal prices up from their critically low levels in 1967/68 close to the indicative price range.

124. The Committee noted that it was largely owing to the willingness of the countries producing these fibres to act in concert, even though this involved certain sacrifices for some countries, that the informal arrangements for sisal and henequen had begun to work effectively. Although informal at the international level, the arrangements were treated very formally at the national level, and gave rise within each of the main exporting countries to legislation or decrees which had the force of law.

(iii) Abaca

125. The Committee noted that the Consultative Sub-Committee on Hard Fibres had reached agreement on an indicative price range for another hard fibre, abaca, in January 1968. Representatives on the Committee of countries producing this fibre expressed concern with respect to United States disposals of its strategic stocks of abaca. These countries felt that such disposals strongly affected abaca exports and prices, and stressed their belief that cooperation between the United States and the Philippines, which is the world's main producer, is essential in this matter if abaca prices are to rise to the viable indicative levels recommended by the Consultative Sub-Committee on Hard Fibres.

(iv) Coir

126. The CCP noted that the Study Group on Hard Fibres would consider at its session in February 1969 the feasibility of action on this fibre, and that a basic Secretariat study was nearly completed.

(d) Apparel fibres

127. The Committee noted the progress made in developing FAO's per caput fibre consumption compilations on cotton, wool, flax, silk and man-made fibres, covering more than a hundred countries, which were of considerable value to governments, industry and international bodies concerned with apparel fibres. Due to the servicing requirements of increased governmental activities on jute and on hard fibres, preparation of these statistics on a world-wide basis had been delayed. The Committee noted, however, that a pilot study for thirteen countries, introducing improvements in the coverage of the data and in the method of their computation, had been completed in early 1968, and that its implications had been examined in detail with representatives of other international agencies interested in apparel fibres at an informal inter-Secretariat consultation held in June 1968.

128. The pilot study had shown that considerable improvements in the usefulness of the tabulations could be achieved, and the consultation had accordingly recommended the inclusion in future tabulations of data on trade in clothing for all developed and for a number of developing countries, on flax for all countries, and on silk for the principal consuming countries. The consultation also recommended the introduction

of further refinements in the calculation of trade balances with a view to arriving at consumption levels expressed in terms of raw fibre equivalent.

129. The Committee noted with satisfaction that work had already begun on the next worldwide tabulations of per caput fibre consumption, and that the methodological part of the work was well advanced, particularly with regard to the development of an inter-agency consensus on average weights of fabrics, clothing items and other manufactures, on processing losses at all stages of manufacture, and on the reprocessed fibre content of textiles traded internationally.

(e) Tea

130. The Committee heard a report on the preparations for the Third ad hoc Consultation on Tea. The documentation for this meeting was being prepared with the cooperation of the UNCTAD Secretariat and with the assistance of a committee set up by the Second Consultation. The Committee was informed that the Third Consultation was now scheduled to be held in January 1969. It expressed its gratitude to the Government of Uganda, the host Government, for agreeing to such a postponement, despite its own heavy programme of meetings. The Committee noted that the Third Consultation would give attention to the problems facing tea on the lines indicated in UNCTAD Resolution 16 (II), in addition to other aspects of its work.

(f) Cocoa

131. The Committee heard a brief report on the recent activities of the Committee on Statistics of the Cocoa Study Group and on the progress of the negotiations of an international cocoa agreement under the auspices of UNCTAD, with which FAO was cooperating. It also noted that arrangements were being made to hold the next meeting of the Committee on Statistics in November 1968.

(g) Bananas

132. The Committee took note of the work of the First Session of the Committee on Statistics of the Study Group on Bananas, which was held in July 1968 at FAO Headquarters. It was recalled that the Committee on Statistics had been established with the task of evaluating statistical data and issuing annual economic outlook statements, since it was considered essential for producing countries to have the latest available market information in order to assess realistically their development and investment programmes.

133. As its main business, therefore, the Committee on Statistics had made a thorough review of current market developments and a country-by-country forecast of trade in 1968. It was noted with appreciation that the Committee had been enabled to achieve this by the active collaboration of participating governments, including the trade representatives in national delegations. The forecast was released and the Committee on Statistics expected that the preparation of such forecasts would be one of the main purposes of its future meetings. The Committee was informed that the next session of the Committee on Statistics would be held immediately prior to the Third Session of the Study Group on Bananas.

134. Concerning the latter, the Committee noted that arrangements were being made to hold this session in March/April 1969 in Panama at the invitation of the Panamanian Government. In addition to the work programme envisaged, the Group would also consider at this session the questions referred to it by the Second UNCTAD Conference in its Resolution 16 (II).

(h) Citrus fruit

135. The Committee was informed that preparations had started for the Fourth Session of the Study Group on Citrus Fruit which the Director-General intended to convene in accordance with requests received from several interested governments and the reference made to the Study Group by the Second UNCTAD Conference. The Study Group would review the situation and outlook and would also consider the problems affecting the commodity on the lines indicated in Resolution 16 (II) of the Second UNCTAD Conference. The session was planned to be held early in 1969.

2. Special commodity matters

(a) Wine and vine products

136. The Committee examined the report (CCP 68/10) of the ad hoc Consultation on Wine and Vine Products, which was held at FAO Headquarters in June 1968, and whose main recommendation was the establishment of a Study Group on Wine and Vine Products.

137. The ad hoc Consultation had been convened by the Director-General in accordance with Resolution No. 3/67 adopted by the FAO Conference at its Fourteenth Session. This resolution had been prompted by the serious and urgent problems facing wine and vine products in a number of countries for which these were important export items.

138. Most members of the Committee agreed with the analysis made by the ad hoc Consultation of the problems confronting the viticultural economy and felt that they were of such a nature as to warrant further international consultation and cooperation. They therefore supported the recommendation of the Consultation to establish a Study Group on Wine and Vine Products and endorsed the proposed programme of work.

139. One delegation, while recognizing that there existed serious problems requiring further study and discussion, did not consider that the criteria for establishing a permanent study group had yet fully been met. This delegation would therefore have preferred another ad hoc Consultation after some time. Another delegation, while accepting the recommendation to set up a Study Group, referred to the requirement under the CCP Criteria for the Establishment, Supervision and Termination of Commodity Study Groups that the CCP should review the terms of reference, activities and future plans of its Study Groups at regular intervals, and considered that this procedure should be applied to the new Group in two years' time. Some delegates felt that this Study Group, like many other CCP Study Groups, would normally need to meet only once every two years, subject to the possibility of additional meetings being held if necessary.

140. Many delegates expressed the opinion that, in view of the additional work required for the servicing of the Study Group, attention should be given to avoiding duplication of effort. The Committee therefore stressed that close collaboration should be maintained by the Group with other international organizations, in particular the International Vine and Wine Office.

141. Bearing these considerations in mind, the Committee accepted the recommendation of the ad hoc Consultation and adopted the following Resolution:

THE COMMITTEE ON COMMODITY PROBLEMS:

Having considered the world situation of wine and vine products,

Mindful of the mandate given by the FAO Conference which had at various times invited the Committee to establish, within its terms of reference, such groups as it found desirable,

Recognizing that there existed short and long term fundamental problems in the production, consumption and trade of wine and vine products and that international cooperation and consultations could contribute to their solution,

Recognizing the changes which have taken place and are taking place in the world economy of wine and vine products,

Recognizing the need to promote consumption, to study the problems of production and if possible of diversification, and also investigate costs of transportation, handling and marketing,

Considering Resolution 46/57 of the Ninth Session of the FAO Conference laying down principles to govern the constituent rules of the FAO bodies,

Decides to establish a Group to be known as the Study Group on Wine and Vine Products with the following terms of reference:

- (1) To provide a forum for consultations on and studies of all problems connected with wine and vine products. In particular the work of the Study Group shall include:
  - (a) Studies on production, consumption, marketing, trade and prices of vine products and on the economic aspects of conversion of vineyards;
  - (b) Improvement of statistical services, in cooperation with the International Vine and Wine Office, and provision of information regarding economic conditions and problems both in the short and long term;
  - (c) Studies on the economic aspects of consumption, with special reference to the relations between consumption and prices, income, trade barriers and distribution systems, and studies on the possibilities of increasing trade and world consumption;
  - (d) Consideration of how best to deal with any special difficulties which may exist or may be expected to arise and submission of reports and recommendations to improve international trade, and to increase the viability of the vine economies in producing countries;
  - (e) Studies and recommendations on improvement of quality, with the view to promoting consumption.
- (2) Membership in the Group shall be open to all Member Nations and Associate Members of the Organization that are substantially interested in the production or consumption of and trade in these commodities. So far as participation of dependent territories is concerned, the provisions of Article 69 of the Havana Charter shall apply. In order to be considered as a member, eligible Member Nations or Associate Members shall communicate to the Director-General a formal expression of intention. Interested non-Member Nations of the Organization that are members of the United Nations may be admitted by the Council of the Organization to membership.
- (3) Attendance by non-Member Nations of the Organization at sessions shall be governed by the principles relating to the granting of observer status to nations, adopted by the Conference.
- (4) In order to ensure the effective discharge of the functions of the Group, governments shall, as far as practicable, furnish all the information required for its work.
- (5) The Group shall report to the Committee on Commodity Problems it being understood that copies of its reports, including any conclusions, will be circulated to interested governments and international organizations for their information as soon as they become available.



- (6) The Group shall make arrangements for close liaison in its activities with other organizations especially interested in vine products, and in particular the International Vine and Wine Office and shall avoid duplication of work being undertaken by such other organizations.
- (7) The Director-General shall keep the United Nations Conference on Trade and Development and the Economic and Social Council informed of the activities of the Group.
- (8) The Group, bearing in mind Resolution 21/67 of the FAO Conference, shall, in consultation with the Director-General, determine the dates and places of its sessions, keeping in mind the character and importance of the subjects under review, the large number of governments interested in vine products, and the need for economy in the cost of meetings and travel.
- (9) The Group may adopt and amend its own rules of procedure, which shall be approved by the Committee on Commodity Problems and shall be consistent with the rules of the Committee.

(b) Meat and poultry

142. The Committee took note that the FAO Conference at its Fourteenth Session had adopted Resolution No. 2/67 in which it invited the Committee to consider the establishment of a Study Group on Meat and Poultry.

143. The Committee's consideration of this subject was assisted by a Secretariat paper on "Trends and Major Problems in the World Meat Economy" (CCP 68/9). The paper reviewed recent trends in meat consumption, production and trade, noting in particular the expansion of world trade in the postwar period. It underlined the fact that this growth in trade was possible because the rising export availabilities in the major exporting countries had been matched by large demand increases in western Europe and the opening of new markets, notably the United States, and the liberal trade policies that obtained in some of the most important markets. Although world meat trade had expanded substantially, one of its main features was that this expansion took place very unevenly and had been accompanied by marked instability of prices, volume, and export earnings. The basically favourable longer-term trade outlook for beef, veal, mutton, and lamb indicated by projections studies had been brought into question by a number of recent developments in the field of national production and trade policies.

144. Delegations from several countries drew attention to the particular importance of livestock and meat in their economies and to the great emphasis given to livestock production in their plans for economic development or for the diversification of their agricultural production and export trade. These delegations felt that assurance of a fair and equitable share in the growth of demand in the developed importing countries was crucial to the success of their development efforts in this sector.

145. The Committee recognized that the world meat economy was faced with serious and complex problems on which additional intergovernmental studies and consultations would be useful. It noted the great importance of veterinary problems and that various international bodies were attempting to cope with them. Many delegations stressed the urgency of the problems of world meat trade and suggested the immediate setting up of a Study Group on Meat and Poultry. Others considered that further analysis of the problems of this group of commodities was needed before a decision could be taken as to whether the establishment of a permanent Study Group was necessary. These delegates proposed as a first step an ad hoc consultation open to all interested governments. Although some delegations expressed the view that holding of such a meeting could delay action in this important sector, the Committee agreed that issues of importance to governments could be discussed in an ad hoc meeting.

146. The Committee therefore requested the Director-General to convene an ad hoc Consultation on Meat and Poultry as early as practicable in 1969. Such an ad hoc meeting should consider problems of the world meat economy in depth, including a review of the long-term outlook on the world meat markets, and decide in the light of its discussions what further action appeared necessary. In particular, it should advise the CCP in regard to the setting up of a Study Group on Meat and Poultry with appropriate terms of reference. Account should be taken in the preparations for the Consultation of the work of other international bodies active in this field.

(c) Milk products

(i) Milk products as food aid and GATT consultations

147. The Committee discussed the question of expanded use of milk products as food aid, and the consultations on dairy products underway in GATT. It had before it a Secretariat document on "Milk Products as Food Aid" (CCP 68/8/1), and heard a statement on the GATT consultations by a representative of that Organization.

148. The Committee took note of the continued unsettled conditions in the world dairy markets and the further growth of stocks in exporting countries, despite various national measures that had been taken to increase the consumption of butter. The GATT Working Party on Dairy Products had held five meetings, and carried out an exhaustive discussion of the commercial and food aid aspects of the problem. The next meeting would be held in November and it was expected that the Working Party would at that time move into the more concrete stage of seeking solutions. Advance copies of the FAO study on "Milk Products as Food Aid" had been made available to the Working Party to facilitate its consultations.

149. Delegates recognized the existence of present and likely future surpluses of dairy products, due in part to structural problems in some countries, and expressed interest in seeing an early outcome of the GATT discussions. It was generally felt that, in view of the clear evidence of urgent need for such products in developing countries, as demonstrated by the Secretariat study, there was a good case for expanding the use of various kinds of dairy products in food aid. Aside from the humanitarian motivations, expanded food aid in this form would provide a stabilizing effect on the market.

150. A number of delegates felt that the provision of food aid in the form of dairy products should be linked with measures for market stabilization. One delegate felt, however, that no new institutional arrangements were needed for the utilization of surplus milk products for food aid, but that this could be undertaken through the World Food Programme. Several delegates pointed out that the Food Aid Convention of the International Grains Arrangement should not necessarily be taken as constituting a precedent for a similar convention on dairy products, as the former had constituted a part of a wider arrangement under the Kennedy Round.

151. Some delegates, while recognizing the potential beneficial effects of food aid in the form of dairy products, stressed the importance of making this aid available in such a manner that it would not hinder the development of livestock and dairy industries in the recipient countries. It was stated that the needs of the developing countries, rather than the desire to get rid of surplus stocks, should determine the pattern of dairy food aid. One way of avoiding adverse effects on the development of livestock and dairying was to combine dairy food aid with measures to develop the domestic dairy industry in ways which the FAO report advocated. It was also stated by some delegates that it was necessary to examine carefully the dietary habits of the people in the recipient countries in planning programmes of dairy food aid. Moreover, account had to be taken also of the demands their implementation made on administrative resources in the recipient countries.

152. Several delegates also drew attention to the danger of disruptive effects arising from the eventual discontinuation of dairy food aid, once the current and prospective surplus stocks had been exhausted, if the recipient countries remained unable to import commercially the level of supplies which they still required. On the other hand, the beneficial effect which increased levels of consumption could have in providing a stimulus to the dairy industry in recipient countries themselves was pointed out.

153. Several delegates stressed the importance of proper safeguards based on the observance of the FAO Principles of Surplus Disposal against harmful effects on commercial trade arising from expanded food aid in dairy products, in particular because of the very large potential quantities involved relative to the volume of commercial trade. One delegate emphasized that this was particularly important for the trade prospects of countries with newly developing dairy industries. In this connection, stress was laid on the desirability of purchasing dairy products for food aid purposes from developing dairy exporting countries.

154. Appreciation was expressed for the Director-General's choice of the protein problem as one of the priority areas for FAO's future work (see paragraph 6). A number of other foods could make a contribution to such an aid.

155. The Committee expressed its satisfaction at the cooperation between FAO and GATT in this field and hoped that this collaboration would be continued also in the later stages of the work and in consultations now underway. It looked forward to hearing a further report at its next session on the progress of the GATT Working Party. The observer of OECD briefly reviewed the informal Agreement on Whole Milk Powder which has been in existence for five years; discussions were proceeding for its renewal.

(ii) National dairy policies

156. The Committee also conducted its regular review of national dairy policies, on the basis of a Secretariat summary (CCP 68/8/2). The most important policy development during the period under review had been the introduction of common regulations for dairy products in the European Economic Community. The longer-term price data showed that, with some significant exceptions, the real price of milk paid to farmers had tended to fall. In response to the developments in international prices, the payments to farmers in New Zealand had fallen substantially in recent years. There was evidence of moves toward restriction of milk production, in response to the increasing surpluses, only in a few countries. Some other countries were, however, taking steps to shift production from one type of dairy product to another or from milk production to other lines of farming or to nonagricultural occupations.

157. The delegate of New Zealand considered that although there might be some few hopeful signs of a change in support policies in some industrialized dairy producing countries, measures so far taken were far from sufficient. Further rationalization of domestic policies in these countries was, in his opinion, still required. He also expressed his disappointment at the limited progress that had been made on dairy products during the Kennedy Round. At the same time the current GATT consultations were an encouraging sign, as were the recent measures taken by the EEC to overcome some of the problems posed by the current surpluses.

158. The Committee agreed that the Secretariat reviews of national dairy policies were useful and should be continued on an annual basis.

(d) Pepper

159. The Committee considered document CCP 68/13 reviewing recent trends in the pepper economy, prepared by the Secretariat with a view to obtaining the Committee's advice on the further steps to be undertaken by FAO in the framework of its cooperation with

UNCTAD and in the implementation of Resolution 16 (II) of the Second UNCTAD Conference. This Resolution requested the Secretary General of UNCTAD to undertake studies on, inter alia, pepper, in cooperation with the competent international bodies, with a view to ascertaining the wishes of governments concerned as to the need for inter-governmental consultations. The Secretary General of UNCTAD had been invited to arrange these consultations after consulting with interested governments.

160. The Committee noted that the commodity continued to be subject to short-term price fluctuations as a result of annual variations in output. The emergence of new exporting countries and the plans for expanding pepper cultivation in traditional producing countries opened up the possibility of the emergence of a period of over-production, which would accentuate price instability. The Committee noted that there were still many deficiencies in the basic information about this commodity and requested the Secretariat to undertake a more complete analysis in collaboration with the governments concerned. The Committee felt that, in view of the special competence of FAO as regards agricultural commodities, the FAO Secretariat should cooperate in the studies and any arrangements for intergovernmental consultations on pepper contemplated in Resolution 16 (II).

### (e) Tobacco

161. The Committee considered document CCGP 68/15, Review of Trends and Problems in the World Tobacco Economy, prepared by the Secretariat, in the light of UNCTAD Resolution 16 (II) and submitted with a view to obtaining the advice of the Committee on the further steps to be undertaken by FAO on this commodity within the framework of its cooperation with UNCTAD.

162. The Committee noted that prices of tobacco had been relatively stable in recent years, while production, trade and consumption had been steadily expanding. There were, however, several sources of uncertainty as to the outlook for the international tobacco economy - among these the possible impact on consumption of concern in some industrialized countries regarding health hazards in smoking, the stocks accumulating in Rhodesia and the extensive use of government controls on production and consumption and their effects on trade.

163. The Committee invited the Secretariat to pursue its work on tobacco and take into account that carried out in GATT. It felt that the FAO Secretariat should cooperate in the studies contemplated in Resolution 16 (II) in view of the special competence of FAO as regards agricultural commodities.

## 3. Other commodities

### (a) Coffee

164. The Committee noted that the objectives of the renewed International Coffee Agreement, which had just come into force, were the same as those of its predecessor: to achieve a reasonable balance between supply and demand; to alleviate the serious hardship caused by burdensome surpluses and excessive price fluctuations; and to assist in increasing the purchasing power of coffee exporting countries by keeping prices at equitable levels and by increasing consumption. New provisions had been added, based on experience in the past, to increase the effectiveness of the Agreement.

165. As in the old Agreement, prices were to be maintained by adjustment of export quotas. Once again, no specific price targets had been set in the Agreement except that the general level of coffee prices should not decline below the general level of prices in 1962. The desirability of establishing some yardstick on prices according to which quotas could be adjusted had led to the institution of a series of indicator prices and, subsequently, the establishment of separate price ranges for four groups of coffee. Specific authorization of the technique of separate adjustment of quotas of groups of coffee - "selectivity" as it has come to be called - was written into the Agreement.

166. Importing Member Countries had cooperated in policing the quota provisions of the old Agreement, through the collection of export stamps, the restriction on imports from non-Member Countries, and the banning of the entry of coffee diverted from "new" markets. Provisions regarding the restriction of imports from non-Member Countries and the banning of entry of coffee diverted from new markets were written into the renewed Agreement.

167. As part of the approach toward balancing supply and demand, the 1962 Agreement had contemplated the fixing of production goals for each producing country and for the world as a whole; in the event, it had not been possible to establish production goals although unilateral action had been taken in a number of countries, notably Brazil, to cut back production. A further attempt was to be made under the renewed Agreement to establish production goals for individual producers by the end of May 1969.

168. Assistance in implementing these goals would be available from the new Diversification Fund established under the new Agreement. Compulsory contributions from producing countries were expected to total \$150 million over a period of five years, and would be supplemented by voluntary contributions from importing countries; the United States and France had already indicated their intention to make contributions. One delegate would have preferred to have contributions on a voluntary, rather than on a compulsory, basis in view of the different needs for diversification in various producing countries. Provision was also made for contributions from other sources, opening up the possibility of cooperation with international and other bodies in working out individual country diversification schemes. The Committee recognized that FAO would be able to make a contribution at various stages in the work of the Fund, including assistance in the development of country diversification plans, their appraisal by the Fund, the execution of individual projects and their final evaluation after implementation.

(b) Sugar

169. The Committee noted that FAO had continued to assist the sugar negotiations, which had just resumed, as part of the joint Secretariat with the International Sugar Council and UNCTAD.

VII. ARRANGEMENTS FOR THE FORTY-FOURTH SESSION OF THE COMMITTEE

170. The Committee decided to hold its Forty-Fourth Session in September 1969 at FAO Headquarters, through ten working days, the exact dates to be determined by the Director-General, in consultation with the Chairman of the Committee. The Committee considered that a session in September would enable it to examine the provisional world study of the Indicative World Plan with a view to assisting the Conference's discussion of this subject

171. The Committee drew up the following draft agenda for its next session:

- I. Review of the world agricultural commodity situation, problems and policies.
- II. Review of activities of commodity study groups and other special commodity matters.
- III. Commodity projections
- IV. Indicative World Plan for Agricultural Development
- V. Progress report on medium-term food outlook
- VI. Matters relating to food aid
  1. Report of the Working Group on the Functions of the Consultative Sub-Committee on Surplus Disposal
  2. Report of the Consultative Sub-Committee on Surplus Disposal
  3. World Food Programme activities
- VII. Arrangements for the Forty-Fifth Session of the Committee.

VIII. MATTERS REQUIRING THE ATTENTION OF THE COUNCIL

172. The Committee wished to bring the following matters in particular to the attention of the Council:

- (a) its decision to establish a working group to consider the role and terms of reference of its Consultative Sub-Committee on Surplus Disposal and whether there is a need for machinery for assembling, analysing and distributing information on food aid operations; and its guidance to the CSD pending the outcome of the Working Group's study (paragraphs 86 - 97).
- (b) its decision to establish a study group on wine and vine products (paragraphs 136 - 141).
- (c) its request to the Director-General to convene an ad hoc consultation on meat and poultry in pursuance of Conference Resolution 2/67 (paragraphs 142 - 146).
- (d) its decision to hold its next session in September 1969 to enable it to examine the Indicative World Plan for Agricultural Development with a view to assisting the Conference's discussion (paragraph 170).





APPENDIX

LIST OF MEMBER NATIONS AND INTERNATIONAL ORGANIZATIONS  
REPRESENTED AT THE FORTY-THIRD SESSION OF THE COMMITTEE

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

M. W. Oakley (Australia)  
A. Fatah bin Zakaria (Malaysia)  
G. U. Papi (Italy)

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Conseiller politique  
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de la recherche agronomique  
Alger

B. Douaouri  
Directeur technique de l'Institut  
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Alger

B. Hakka  
Directeur des Forêts et de la défense  
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Ministère de l'agriculture et  
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Ministère de l'agriculture et  
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Embajada de Argentina  
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