

CCP 70/23

Report of the ~~forty-fifth~~ session of the

COMMITTEE ON COMMODITY PROBLEMS

to the fifty-fifth session of the Council of FAO

Rome, October 1970



FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS



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OF THE UNITED NATIONS

ORGANISATION DES NATIONS UNIES POUR
L'ALIMENTATION ET L'AGRICULTURE

ORGANIZACION DE LAS NACIONES UNIDAS
PARA LA AGRICULTURA Y LA ALIMENTACION

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COMMITTEE ON COMMODITY PROBLEMS

REPORT OF THE FORTY-FIFTH SESSION

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INTRODUCTION

1. The Committee on Commodity Problems (CCP) held its Forty-Fifth Session from 19 to 30 October 1970 at FAO Headquarters, Rome. The Session was attended by representatives of 32 of the 34 Member Governments of the Committee, observers from 30 other Member Governments of FAO, and from 16 international organizations. ^{1/}

2. Mr. Soegeng-Amat (Indonesia) was elected Chairman and Mr. G.H. Janton (France) and Mr. J.A. Eweka (Nigeria) were elected First and Second Vice-Chairmen, respectively, to serve for the 1970-71 biennium.

3. At its opening meeting, the Committee was addressed by Mr. O.V. Wells, Deputy Director-General, on behalf of the Director-General of FAO.

4. The Committee adopted the Agenda prepared by the secretariat for its Forty-Fifth Session (CCP 70/1).

5. The Committee was assisted during the Session by a Drafting Group under the Chairmanship of Mr. G.H. Janton (France) and by the Working Party on Usual Marketing Requirements under the Chairmanship of Mr. A.A.W. Landymore (United Kingdom).

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

Consultative Sub-Committee on Surplus
Disposal

Mr. G.W. Pieters (Netherlands),
Acting Chairman of CSD

Study Group on Rice

Mr. S.H.O.T. Macauley (Sierra Leone),
Chairman

Study Group on Grains

Mr. M.I.K. Khalil (Pakistan),
Vice-Chairman

7. The Committee heard a statement by Mr. B.T.G. Chidzero, Director, Commodities Division, on behalf of the Secretary-General of UNCTAD. The Representatives of the International Bank for Reconstruction and Development (IBRD), of the General Agreement on Tariffs and Trade (GATT), of the UN/FAO World Food Programme (WFP) and of the International Wheat Council made statements on the activities of their Organizations of interest to the Committee.

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

I. REVIEW OF WORLD AGRICULTURAL COMMODITY SITUATION, PROBLEMS AND POLICIES

1. General situation and outlook

8. The Committee reviewed the world agricultural commodity situation and outlook on the basis of information provided in the FAO Commodity Review and Outlook, 1969-1970, in a document summarizing more recent developments and in the statements made by the delegates.

9. The Committee noted that during 1969 the value of trade in the principal agricultural commodities reviewed, (representing more than two-thirds of the total world trade in agricultural commodities) increased for the first time in three years although prices for some products were still below the levels of 1966. Higher earnings had accrued from exports of several agricultural raw materials, principally rubber and hides and skins, and from those of several food and feed commodities, including beef and veal, sugar, wheat, fats and oils, and oilcakes and meals. Among the tropical beverages, export earnings from cocoa and cocoa products had increased substantially despite a fall in the volume of exports.

10. The major factors contributing to this improvement in the value of world agricultural trade appeared to have been mainly the following: (i) increased prices due generally to unexpected reductions in output and shortages of supplies in several producing countries, owing to unfavourable weather and other factors; the commodities affected included wheat, fats and oils, meat and poultry, coffee, cotton, tobacco, oilcakes and meals, and fishery products, especially fishmeal; (ii) brisk demand for several raw materials, especially rubber and hides and skins, for some basic foods, especially soybeans and soybean meal substituting fish meal, the output of which had fallen substantially; and (iii) the general inflationary conditions in many countries of the world. On account of these factors, changes in the value of exports and prices were somewhat sudden and sharp.

11. The Committee noted that the major beneficiaries of this increase in the value of agricultural trade appeared to have been the developed exporting countries, the value of whose principal agricultural exports, including, however, concessional shipments, rose by about 6 percent over that of 1968. The developing countries improved their export earnings by about 3 percent, but there was a further decline in their share of world agricultural trade, particularly in exports of some commodities of which they had been substantial exporters traditionally, such as rice, fats and oils, and oilcakes and meals. The exports of these same commodities from the developed countries had shown a considerable rise during the year. The Committee also noted the progress in the exports of processed agricultural products from the developing countries, which had increased further.

12. Despite these improvements, some resulting from some temporary and special factors, the Committee noted that there had not necessarily been basic changes in the longer-term underlying factors influencing world agricultural markets, which included the trend toward self-sufficiency in food supplies in many importing countries, excess production of several commodities in relation to effective demand, especially in the developed countries, slow growth of aggregate demand for agricultural products, intense competition from synthetic substitutes for agricultural raw materials, and agricultural protectionist policies pursued in many countries. Consequently, despite some relatively favourable aspects of the year 1969, several products continued to be subject to some long-term structural problems. Prominent amongst these commodities were wheat, rice, milk and milk products, tea, apples and cotton.

13. The Committee further noted that during the first half of 1970 trade and prices of most agricultural commodities had remained either steady or had tended to show further improvement. But during the third quarter, prices of several commodities had tended to decline from the peak levels reached earlier, particularly for rubber, cocoa, pepper, oilseeds and oils and fats, although still averaging somewhat higher than in the corresponding period of 1969. Prices of some agricultural raw materials, especially wool, jute, kenaf and allied fibres, and hard fibres had remained generally weak. Consequently, while it was anticipated that the aggregate volume of agricultural exports in 1970 would show some increase over 1969, the increment in value might not be as much as it had been in 1969. The improvement in the world commodity situation witnessed during 1969 and in the early months of 1970 could prove to be short-lived.

14. The Committee took note of the special chapter included in the FAO Commodity Review and Outlook, 1969-1970, analyzing the agricultural export performance of developing countries over the period 1955 to 1967/68. Over this period, the agricultural exports of the developing countries as a group had grown at a much slower rate than those of the developed countries. The evidence suggested that a major reason for this slow growth could be that the developing countries had tended to concentrate on products which in general exhibited slow rates of export growth at the world level. However, when the analysis was extended to the individual country level, wide variations were found to exist in the rates of growth of agricultural exports of individual countries and products. Some developing countries had expanded their agricultural exports even in stagnant world markets whereas others had experienced declining exports even in commodities with buoyant world markets.

15. The Committee agreed that the results of analyses of the agricultural exports of large groups of countries did not necessarily hold true for any one individual country and, as shown in the special chapter, actually masked the great importance of influences other than the commodity composition of exports. Consideration should be given to further study of the factors determining export performance. The Committee noted with interest the main policy conclusions of the special chapter that countries seeking to accelerate the rates of growth of their agricultural exports should consider promoting not only the commodities likely to be in strong world demand, but the full range of products in the production of which they appeared to be competitive. Furthermore, it was noted that the external demand for an individual country's commodities might, depending on the conditions of access enjoyed by the exporting country in various markets, be either stronger or weaker than that indicated by the growth of the value of world imports of the commodity which it produced. At the same time, efficiency of the export sector and the vigour of the marketing effort were of the utmost importance in this connection.

16. The Committee heard a statement from the representative of the UNCTAD, who emphasized the importance of trade liberalization and access to markets for the expansion of exports of primary products from the developing countries. While bringing out the need for much more rapid expansion of agricultural exports from the developing countries in the Second United Nations Development Decade than that achieved in the First, he drew attention to the effects of protectionist measures in the developed countries in the form of tariff and non-tariff barriers, and of domestic agricultural support policies to which, according to UNCTAD estimates, taxpayers and consumers in certain leading developed countries contributed about 10 thousand million dollars annually. The delegation pointed out that the resolution recently adopted by the UNCTAD Board concerning price policy and trade liberalization presented a carefully worked out balance between the various action mechanisms possible within this framework. The representative of UNCTAD, having agreed that this comment was correct, decided to distribute the text of this resolution to the Committee (CCP 70/C.R.S. 5).

17. The 1969-70 edition of the FAO Commodity Review and Outlook showed a further improvement on past editions in regard to comprehensiveness of information and the quality of analysis of the world agricultural commodity situation and outlook. A number of delegates expressed the hope that further improvements would be made in the commodity coverage of the Review in future and suggested that it should contain an analysis of agricultural protectionist policies and barriers to agricultural trade in the developed countries and their impact on the markets and agricultural exports of the developing countries.
18. Many delegates, especially from amongst the developing countries, drew attention to the conclusion in the special chapter of the Review that the value of the agricultural exports of the developed countries had grown during the period 1955 to 1967 nearly three times faster than that of the developing countries and expressed serious concern over this imbalance in the rates of growth in agricultural exports from the two groups of countries. They also stressed that this disparity in agricultural export growth rates was attributable to agricultural protectionist policies, the tariff and non-tariff barriers on agricultural imports from the developing countries, the practice of subsidizing exports and sales of agricultural commodities on concessional terms. Some delegates referred in this connection to the decline in rice exports of the developing countries and to the high level of protection for this commodity in certain important developed countries. A number of delegates pointed out that in this way the developed countries had expanded their agricultural trade and earnings partly at the expense of the developing countries.
19. Some delegates questioned the validity of comparisons of rates of growth in the exports of developing and developed countries, based on provisional data, particularly since the trade figures given in the Review included shipments on concessional terms. Other delegates pointed out, however, that even after allowing for variations in concessional transactions, the difference between the increases in export earnings of the developing countries and those of the developed countries was too wide to be ignored. In fact, this difference seemed to have widened, since concessional trade in food had declined in 1969.
20. Some delegates pointed out that on account of limitations on access to the markets of developed countries, developing countries were unable to import capital goods and thus to exploit fully improvements in science and technology. The problem was aggravated by competition from synthetic substitutes in the markets for agricultural raw materials.
21. A number of other delegates, while welcoming the increase in the value of agricultural trade and export earnings during 1969, emphasized that this improvement might only be temporary and that no basic change had occurred in the underlying imbalance between supply and demand of many agricultural products. The cause lay partly in the serious structural imbalances in the agricultural systems of many countries, including the small scale of farming and weaknesses in marketing and transportation in developing countries and the trends towards higher self-sufficiency in many countries. There was a persistent underlying tendency for production of many commodities to outstrip the growth of effective demand with consequent accumulation of stocks. For the richer countries, these stocks entailed heavy expenditures in the form of price support, storage costs and export subsidies; while for the poorer countries, they entailed intense competition in export markets resulting in losses of vitally needed export income and consequent inability to import essential development goods and to repay external debts.
22. A number of delegates suggested that the solutions to these problems would appear to lie in structural reforms of national agricultural production systems, policies of adjustment of supply to effective demand, increased trade amongst the developing countries themselves, and promotion of effective demand by means of appropriate pricing and marketing policies. In this context, they also underlined the conclusion of the special chapter in the Review that the efficiency and quality of production and marketing were of the utmost importance in the expansion of agricultural exports.

23. Several delegates, while acknowledging the importance of expanding trade in agricultural commodities amongst developing countries, particularly those between whose economies there was some degree of complementarity, outlined the progress already achieved in this direction and the further measures which were underway. However, they stressed the limits on this form of trade expansion resulting from traditional trade patterns which had grown up between developing and developed countries. The real solutions, in their view, lay in the re-orientation in favour of developing countries of the protectionist production and trade policies of the developed countries and the removal of impediments to trade in primary and processed products of export interest to the developing countries.

24. The problems reviewed were of long standing and the efforts of governments, the Committee itself and its subsidiary bodies should now be concentrated on possible remedial action, particularly to promote the expansion of the export earnings of developing countries and the stability of international markets in general.

2. National agricultural price stabilization and support policies

(a) Annual review of recent changes

25. In presenting the document, CCP 70/13/1, the Secretariat pointed out that, beginning in the current year, the annual review of price stabilization and support measures became a series of statistical tables on price stabilization and support levels and total expenditures on stabilization and support, with a bare minimum of commentary. Changes in the basic policies of price stabilization and support and analysis of trends in price and support levels would be dealt with only in the five-year reviews to be presented in alternate years. In the years when the review covered only one year, an additional paper would be prepared analyzing in some depth an important aspect of price stabilization and support policy selected by the Committee (see I.2 (b) below).

26. The Committee noted the review presented to them at the current session. It was generally felt that the statistics on price stabilization and support were of considerable value to member countries. Attention was drawn, however, to the difficulty of making valid international comparisons since the prices were of varying kinds (minimum, target, procurement, etc.) and for varying qualities of commodities, while the data on total support expenditures were not adequately defined or classified. In particular, it was felt that the data did not make it possible to find out the prices actually received by farmers, and the share of these prices, if any, represented by government support. The Committee appreciated the difficulty of presenting more accurate and complete data but agreed that possibilities for improving the presentation should be examined, e.g. by grouping the information in each table in a way that made comparisons between countries more meaningful, and by further clarifying the definitions used, especially in the table on total government expenditure on price stabilization and support.

(b) Economic Problems and Price Policies for High Yielding Varieties of Cereals

27. The Committee reviewed a study (document CCP 70/13/2) prepared on the above topic, the first in a planned series of studies on specific aspects of price support and stabilization policies chosen by the Committee.
28. The discussion in the Committee pointed out that experience with high yielding cereal varieties was still too recent, and information on their adoption, costs, response to changes in product and input prices, etc., still too fragmentary, to permit a full assessment of their economic implications. Further, the conditions as regards ecology, farm structures, levels of technology and social customs varied so widely from country to country as to make conclusions on policies of only limited validity.
29. Despite these limitations, the Committee considered that the study enabled a better understanding of the policies necessary for both the initial adoption of the high yielding varieties of cereals, and the subsequent adjustment of production levels. The paper also brought out some of the various "second generation" problems that would arise from the wider use of the new varieties.
30. A number of delegations from countries where high yielding cereal varieties had been successfully adopted informed the Committee of the progress they had made and of the problems they had encountered. While it was agreed that in the initial stages it had probably been more frequently the larger farmers who had adopted, and benefited from, the new technology, experience had shown that, with suitable governmental support, smaller farmers in these and other countries had also been able to adopt them. One country had also taken up special programmes for the benefit of small and marginal farms.
31. Delegates from some other countries, where less progress had so far been made with high yielding cereal varieties, drew attention to the limitations of the presently available varieties in the conditions of their countries, characterized by extremely small farms, a mixed pattern of cropping, sometimes shifting cultivation, and, as a rule, inadequate extension and distribution facilities, which made it difficult to implement price stabilization or support policies.
32. Delegates from both developing and developed countries stressed the complex adjustment problems which would confront exporting countries when production in importing countries approached self-sufficiency.
33. Regarding the role which the CCP could play in furthering the Organization's work in this field, the Committee recognized that some useful work was already under way in the Organization, both as regards the technical and the economic aspects. The latter included case studies on the economic and social impact of the new varieties in individual countries. Also, the Organization's planning experts in the field were giving attention to the need for introducing high yielding variety programmes of a suitable kind where the situation warranted it. The reviews of the medium term food outlook could play a useful role in view of the need to watch for the emerging trade impact of the new varieties, as could also the Organization's other activities on international agricultural adjustment.
34. Nevertheless, several delegates felt that greater emphasis should be placed on work in this field, which had been designated an "area of concentration", than appeared to have been done hitherto by the FAO. In this connexion, the Committee welcomed the regular studies on high yielding varieties carried out for several years by the Study Group on Rice, and the intention of the Study Group on Grains to give high priority to the review of selected economic problems in this field. The Committee also agreed that the current study would help towards the formulation of guidelines for the Organization's work in this field, and it proposed that copies of the paper, together with the relevant part of the Committee's report, should be submitted to the FAO Secretariat's inter-divisional group which coordinated work on high yielding varieties, possibly as a basis for further action. It also agreed that the paper should be submitted to all Study Groups concerned with the topic, particularly the Study Groups on Grains and Rice.

II. REPORTS OF COMMODITY STUDY GROUPS AND STANDING CONSULTATIVE BODIES AND REVIEW OF ACTIVITIES OF THEIR SUBSIDIARY BODIES

1. Oilseeds, Oils and Fats

35. The Committee took note of the Report of the Special Session of the Study Group on Oilseeds, Oils and Fats (CCP: 70/5) held in London and expressed its warm appreciation to the Government of the United Kingdom for hosting the Session. The Special Session had made three specific recommendations to the Committee:

- first, a recommendation that the terms of reference of the Study Group be modified to mention specifically the increasing emphasis which it intended to put on its consultative functions and on the making of policy proposals for intergovernmental actions concerning the short-term market situation for this group of commodities; in this context, a statistical Sub-Committee had been established to collect and analyze data on the current and prospective market situation.

- second, a recommendation that the title of the Group be changed to take account of the new functions, the name suggested being that of "Intergovernmental Consultative Committee";

- third, a recommendation that the CCP and the UNCTAD Committee on Commodities should consider changing the legal status of the present body into a joint FAO/UNCTAD Intergovernmental Consultative Committee.

36. The Committee was informed that the Statistical Sub-Committee had, at its first session in July, drawn up a detailed frame for its future work and that questionnaires had already been despatched to Governments. The Sub-Committee was to meet again in early December to undertake its first comprehensive market evaluation. The Committee welcomed the speed with which the Statistical Sub-Committee had initiated its work and stressed that the success of its market evaluations would clearly depend on the active participation of governments, particularly in sending delegates with appropriate technical expertise and in supplying the necessary information by the dates requested.

37. The Committee was also informed of the discussions on the recommendation concerning the status of the Study Group that had already taken place in UNCTAD, both at the Committee on Commodities in July and at the Trade and Development Board in August/September. The relevant parts of the reports of these bodies were given in full in CCP: 70/15/2 and in Addendum 1 to that document. The Committee noted that document CCP: 70/15/2 also gave the Director-General's preliminary assessment of the legal, organizational and financial implications of setting-up a joint FAO/UNCTAD body.

38. Regarding the three specific recommendations made by the Special Session, the Committee discussed them at considerable length and arrived at a consensus along the following lines:-

- (1) to modify the terms of reference of the Study Group, with immediate effect, by:
 - a) expanding the product coverage to include oilcakes and meals,
 - b) adding the paragraph on short-term action as recommended,
 - c) adding a further paragraph covering medium and long-term problems and measures.

- (2) bearing in mind that both the UNCTAD in Resolution 16(II) and the Special Session of the Study Group had suggested the name of "Intergovernmental Consultative Committee", to take a decision on the change in name of the Study Group as soon as the general question of the nomenclature of the CCP subsidiary bodies was finally decided 1/.
- (3) to emphasize the importance of full and active participation in the work of the intergovernmental body on oilseeds, oils and fats by all Member Nations of FAO and Members of the United Nations with a substantial interest in these commodities and to request the Director-General to take all necessary action to facilitate such participation.
- (4) to invite continued and active participation of all the international organizations concerned, notably the UNCTAD, in view of its responsibilities under UNCTAD Resolution 16(II).

While the Committee recognized that the consensus was a compromise solution and, as such, did not fully meet the wishes of all delegates, it was a generally acceptable decision which could be put into immediate effect and avoided any possible legal problems. It allowed the competence of other international organizations concerned to be joined to that of FAO, while taking account of UNCTAD's special obligations under Resolution 16(II). It made clear the wish of Governments for an action-oriented programme of work and, given goodwill on the part of all interested governments, provided a frame for the further work which was still necessary if solutions were to be found for the difficult problems besetting this group of commodities.

39. Speaking on behalf of the Director-General of FAO, Dr. Ojala, Assistant Director-General, Economic and Social Department, welcomed the 'new look' of the international commodity body on oilseeds, oils and fats which had resulted from the consultations between the Director-General of FAO, the Secretary General of UNCTAD and member governments, as requested by UNCTAD Resolution 16(II). The decision was in line with the respective roles of FAO and the UNCTAD in agricultural commodity matters, as seen by the Director-General. He welcomed the reference to the continued and active participation of all international organizations, notably the UNCTAD, and recalled the active and growing cooperation between FAO and UNCTAD. The practice of regular inter-secretariat consultations had led to the participation of FAO staff in activities for which the main responsibility rested with the Secretary-General of UNCTAD, particularly in the negotiation of formal international commodity agreements. This has been the case for both sugar and cocoa. Also, FAO had increasingly associated UNCTAD with the work of the Study Groups and similar bodies, for which the main responsibility rested with FAO. For example, UNCTAD had submitted working papers in its own name to the Consultative Committee on Tea. In the case of oilseeds, oils and fats, the UNCTAD contribution had been in the form of joint preparation of some papers, as well as certain special studies and, in the future, he looked forward to a continuation of the important contribution from UNCTAD - suggestions for the programme of work, the submission of material and documents and the presentation of their ideas and knowledge, both in consultations with the FAO Secretariat and at sessions of the oilseeds body. He pointed out that it was - and would remain - the practice of FAO, when consensus had reached a certain stage in a commodity body operated by FAO, and the time appeared propitious to negotiate a formal international commodity agreement, to pass the responsibility for the negotiations to UNCTAD. Referring to that part of the decision, requesting the Director-General to take all necessary actions to facilitate the active participation of all UN members with a substantial interest in these commodities, he recalled that, by special decision, the FAO Council had already

1/ See paragraphs 186-188.

entitled the U.S.S.R., an important producer and trader of oilseeds and oils, but not a member of FAO, to full membership of the oilseeds, oils and fats body. He assured the Committee that the Director-General would do his utmost to implement this part of the Committee's decision. Finally, he hoped that the governmental support given up to now to the international commodity body on oilseeds, oils and fats would continue and that its future work would enable it to meet the objectives it has already defined: the FAO Secretariat would do all it could to assist governments to carry forward the work of analysis and action, along the lines of the decisions taken by the Committee.

40. Mr. Chidzero, Director of the Commodities Division of UNCTAD, recalled that, as stated in CCP: 70/15/2 Add. 1, the question of machinery relating to oilseeds, oils and fats would be reconsidered by the Committee on Commodities at its next session. This would be done in the light of the decisions reached in the CCP and the UNCTAD Secretariat would be guided by the decisions taken by the UNCTAD Committee on Commodities or the Trade and Development Board. He drew the attention of the Committee to the fact that under UNCTAD Resolution 16(II) the envisaged intergovernmental committee was to be action-oriented, it was to be specifically concerned with the submission, as soon as possible, of practical proposals on long-term measures for intergovernmental arrangements and the Resolution stressed the importance of the active participation of all members of UNCTAD or FAO which had an interest in the production and trade of oilseeds, oils and fats. These were important points and he noted that the consensus reached took them into account. He confirmed the account of FAO/UNCTAD cooperation which had been given by Dr. Ojala. While FAO had been closely associated in the UNCTAD negotiations on sugar and cocoa, UNCTAD had been cooperating actively with the FAO work on tea, submitting papers and, jointly with FAO, appointing "honest brokers" to help resolve the question of export quotas. For the Study Group on Oilseeds, Oils and Fats, UNCTAD's work had been particularly concerned with the construction of an econometric model for lauric oils and the use of it to study the feasibility of a buffer stock for these oils. The extent of UNCTAD cooperation was according to the resources available and to the decisions of the Committee on Commodities and of the Trade and Development Board. He pointed out that the forms of cooperation evolved over the last two years were flexible and that, in view of the inevitable overlapping in the work of FAO and UNCTAD (in consequence of the latter's obligations and duties under Resolution 16(II)), this flexibility was necessary since no neat line of separation of responsibilities could be drawn. Thus, there might be commodities on which FAO was working but on which specific aspects were of particular or immediate interest to UNCTAD, and on which UNCTAD might have to do some work. The system of twice-annual inter-Secretariat discussions was designed to resolve such difficulties, to coordinate activities, to avoid duplication and to maximise cooperation. Lastly, he stressed that, while the final decisions lay with the policy making organs of FAO and UNCTAD, the UNCTAD Secretariat would carry out instructions in the best way possible and to the extent its resources permitted.

41. Within the general discussion on oilseeds, oils and fats, some delegates expressed concern at the possible long-term implications for world markets of the prospective expansion in palm oil production that would result from the emphasis now being placed on this commodity in the diversification plans of a number of non-traditional producing countries. In this connection, the Committee suggested that the IBRD and other financing agencies concerned should be invited to provide information on their investment projects in this sector to a future session of the body on oilseeds, oils and fats.

42. As the result of its deliberations on oilseeds, oils and fats, the Committee adopted the following resolution:-

RESOLUTION 1/45

INTERNATIONAL ACTION IN THE FIELD OF OILSEEDS, OILS AND FATS, OILCAKES AND MEALS

THE COMMITTEE ON COMMODITY PROBLEMS

BEARING IN MIND Resolution 1/38 passed at its Thirty-Eighth Session establishing the Study Group on Oilseeds, Oils and Fats and stating its terms of reference;

NOTING that the economic problems of oils and fats cannot meaningfully be separated from those of oilcakes and meals, that the Study Group has already undertaken work on oilcakes and meals and that its programme of work includes further studies on these products;

RECOGNIZING the general uncertainty and complexity in the international market for oilseeds, oils, fats, oilcakes and meals and the possibility of deterioration in the terms of trade and export earnings of those developing countries whose economies largely depend on the production and export of these commodities;

CONSIDERING the urgent need for a concrete and timely international action to prevent such deterioration and to consolidate and improve the foundations of orderly trade in these commodities;

NOTING the systematic and valuable actions which the Study Group had taken at its various Sessions, particularly at the Special Session held in London early in 1970;

TAKING INTO ACCOUNT UNCTAD Resolution 16(II) which recommended that consideration be given to the necessity to set up an Intergovernmental Consultative Committee on a continuing basis, with a view to pursuing further consultations and discussions with the aim of solving the outstanding problems already identified;

DECIDES

- (a) To broaden and strengthen the terms of reference of the Study Group on Oilseeds, Oils and Fats to deal with the short, medium and long-term problems already identified, the new terms of reference being as follows:
- (1) The Group shall provide a forum for studies and consultations on the economic aspects of production, processing, consumption, trade and marketing of oilseeds, oils, fats, oilcakes and meals.
 - (2) The Group shall cover all oilseeds, oils, fats, oilcakes and meals but shall pay particular attention to the problems and products of importance to developing countries.
 - (3) The Group, as part of its work on short-term problems, and on the basis of the reviews of the current situation and short-term market outlook and of other relevant information,
 - (i) shall identify specific problems calling for short-term action;
 - (ii) after examining all national, regional or international measures already being taken or envisaged for dealing with these problems, shall make recommendations, if necessary, for the coordination of such measures and for additional informal short-term measures which might be taken.
 - (4) The Group shall consider all measures which could contribute to the solution of medium and long-term problems identified by the Group and submit practical proposals for intergovernmental arrangements in this field.

- (5) The Group shall make arrangements for close liaison in its activities with other bodies especially interested in oilseeds, oils, fats, oilcakes and meals, and shall avoid duplication of work already being undertaken by such other bodies.
- (6) Membership of 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, oilseeds, oils and fats, oilcakes and meals or their products. 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 of the Group, 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 in the Group.
- (7) Attendance by non-Member Nations of the Organization at sessions of the Group shall be governed by the principles relating to the granting of observer status to Nations adopted by the Conference.
- (8) In order to ensure the effective discharge of the functions of the Group Governments shall, so far as practicable, furnish all the information required for the work of the Group.
- (9) 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.
- (10) 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.
- (11) The Group, in consultation with the Director-General, shall 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 oilseeds, oils, fats, oilcakes and meals, and the need for economy in the cost of meetings and travel.
- (12) 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 rules of that Committee.

FURTHER DECIDES that, pending a final decision by appropriate organs of FAO on the general question of the nomenclature of the CCP subsidiary bodies, the body on oilseeds, oils and fats, oilcakes and meals should continue temporarily to be known as the "Study Group on Oilseeds, Oils and Fats".

AND REQUESTS the Director-General

- (a) to take all necessary actions to facilitate the active participation at the sessions of the Group of all those members of the United Nations with substantial interest in these commodities;
- (b) to take all necessary actions to ensure the full cooperation of all international organizations concerned; particularly the UNCTAD in view of its special responsibilities under UNCTAD Resolution 16(II).

2. Grains

43. The Committee took note with appreciation of the report of the Thirteenth Session of the Study Group on Grains (Rome, October 1970). The Group had considerably strengthened its short-term outlook work through the collection of official forecasts of export availabilities and import requirements for coarse grains, which were supplied by member governments in accordance with the Group's decision at its Twelfth Session. On this basis, it had been possible for the Group to arrive at a more widely based trade forecast for the 1970/71 July/June season. The Group had also considered the Review of the Medium-Term Food Outlook for 1973, the first of the new series of reviews to be submitted to it; it also conducted its traditional review of national grain policies, continued its work on grain utilization, and reviewed a secretariat survey of export markets for sorghum which had been prepared at a request of the Group.
44. The CCP stressed that the recent improvement in the international grain market situation should not conceal the fact that the basic problems of imbalance in the world grain economy still remained serious. In view of this, and considering the recent unexpected tightening in world market supplies of coarse grains, the Committee emphasized the need, expressed in the report of the Study Group, to keep developments in the situation under careful review so that timely measures and adjustments in production policies could be taken in line with the changing circumstances of demand and supplies.
45. The Committee commended the Group for its trade forecast for 1970/71 since comprehensive information of this kind was not otherwise available to governments or the private trade. Delegates made some suggestions for improvements of future forecasts; in particular, the questionnaire to importing countries should set out explicitly the assumptions on which the forecasts should be based, and suggested that the findings of the Statistical Subcommittee of the Study Group on Oilseeds, Oils and Fats, which had examined this question in detail, could be helpful in revising the questionnaire.
46. Several delegates emphasized the value they attached to the Secretariat's Review of the Medium-Term Food Outlook. Its potential uses were considered numerous. It was stressed that the usefulness of the review would be greatly increased if the regional coverage could be expanded to include a larger number of countries, in line with the decision of the FAO Conference in 1969 that a phased programme of expansion should be followed to cover different countries of the world over a 2 or 3 year period.
47. The Committee noted from the Group's report that the Secretariat intended to extend the coverage to a number of additional countries in various regions in 1971 and 1972. Some delegates requested that some developed countries, which were not presently covered, be included in the next issue of the Review particularly because the problem of availability of data for these countries was much less serious than for the developing countries. Other delegates drew attention to the reference in the Group's report to the formidable technical problems of extending the forecasts to developed countries, and that the Group's advice and cooperation should be sought on ways of solving these difficulties. The Committee noted that the Secretariat proposed to include a developed country on an experimental basis in the next medium term review. Following a suggestion made by delegates, this review would also compare the revised results with previous forecasts and explain the main differences.
48. Regarding the Group's review of national grain policies, some delegates expressed the view that the stage had come to go beyond the mere classification and dissemination of factual information, useful though this may have been in the past. In their view, the work should be developed by analysing the effects which the national policies of developed countries had on the agricultural exports of developing countries. The Committee noted that this proposal was related to its discussion on international agricultural adjustment.

49. The Committee fully supported the Group's decision to give priority in its future work to the selected economic problems arising from the introduction of the high yielding varieties in the developing countries, with particular reference to the "second generation" problems, such as the difficulties arising when a former importing country becomes more than self-sufficient in grains, and their repercussions on other countries. Delegates stated their satisfaction that the Group had given high priority also to a study of appropriate national price policies for cereals in developing countries, with particular reference to the question of maintaining a due balance in the relationship between support prices, productivity, and the costs of inputs. The Committee hoped that the experience of developed countries in regard to national support policies would be made available for such a study.

3. Rice

50. The Committee noted with appreciation the Report of the Fourteenth Session of the Study Group on Rice in which was incorporated the Report of the Sixth Session of its Working Party on Rice Grading and Standardization. Delegates commended the Group's work in identifying the major economic problems confronting the world rice trade, on the basis of a thorough survey of the world rice situation and likely future trends and patterns of trade. It endorsed the Group's decision to set up a small intergovernmental Working Party to seek and recommend concrete alternative lines of action, national and international, which would help to solve or mitigate these problems. It also noted that since its 1968 session, the Study Group had kept under continuing review the progress, and economic and trade problems of the high yielding varieties of rice as a part of its regular survey of longer term trends. The Committee also welcomed the practical work accomplished at the Sixth Session of the Working Party on Rice Grading and Standardization and hoped that the revision of the Model System of Grading Rice would be completed as soon as possible.

51. The Committee endorsed the Group's decision to undertake a series of special studies on rice trade policies of selected countries and their impact on international trade. The representative of the European Economic Community (EEC) felt that, in view of the insignificant rice production in the EEC in comparison to the total world production, the Study Group's interest in the EEC rice policies was hardly warranted. However, other delegates felt that the Study Group should continue to keep the developments in the EEC rice policies under regular review.

52. Several developing rice exporting countries stressed the difficult problems that they were facing mainly as a result of increased competition from developed exporting countries which offered rice on concessional terms, including attractive long-term credits, and/or heavily subsidized their exports. Moreover, while low-priced rice exports from China (Mainland) had been increasing substantially, many importing countries had reduced their purchases from traditional suppliers as a result of higher domestic production and tariff barriers restricted the access to markets. All these factors had contributed to a sharp decline in world prices and in export earnings of the developing countries which depended heavily on rice. These countries urged international cooperation, particularly from developed countries, for stabilizing the world rice trade. In this connection, the delegate of a major developing rice exporting country suggested that: (i) developed countries should implement measures to reduce uneconomic production of rice leading to surpluses; (ii) the main aim of food aid in rice should be to alleviate the suffering caused by natural catastrophes; but where it was necessary for a country to supply its surplus rice for other reasons, that country should first consult and receive the approval of the rice exporting countries whose interests might be adversely affected by such aid; and (iii) when exporting rice in the course of normal commercial trade, developed countries should refrain from granting export subsidies particularly as they put developing exporting countries at a disadvantage.

53. The delegates of some developed rice exporting countries pointed out that concrete measures were being taken in their countries to curtail the area under rice cultivation so as to reduce rice production, and that their intention was to dispose of the surplus stocks in their domestic markets as much as possible. Further, rice in response to requests from developing importing countries was provided in accordance with the FAO Principles of Surplus Disposal and the necessary consultations were carried out with the third parties concerned. Also, some developed countries financed "triangular transactions" for the purchase of rice in food aid from developing exporting countries to be delivered to developing importing countries.

54. Delegates of some importing countries emphasized the need for adopting the policy of self-sufficiency in rice which often was the staple food. They favoured the greater use of rice in international food aid schemes and urged that such food aid should preferably be channelled through the WFP. Also, it was felt that if the lower rice prices prevailing in the world market were reflected in lower consumer prices, it could lead to greater consumption and an increase in the nutritional levels in many developing countries.

55. The Committee agreed that its discussion on the Report of the Fourteenth Session of the Study Group on Rice should be made available to its Working Party on International Action on Rice. It further decided that the document CCP: 70/13/2 (Economic Problems and Price Policies for High Yielding Varieties of Cereals) and the CCP's deliberations on that document as well as on the agenda item relating to "International Agricultural Adjustments - FAO Role" should also be provided to the Working Party as background material.

4. Bananas

56. The Committee was informed of the results of the third session of the Committee on Statistics of the Study Group on Bananas which was held in Rome in April 1970. It noted that the forecast for international trade in bananas in 1970 indicated that export availabilities and import demand would be roughly in balance. However, it was stressed that the present approximate balance was largely fortuitous due to natural disasters in a number of major producing areas in 1969 and 1970. In the medium term, production for export was expected to resume its strong upward trend, which could lead to marketing difficulties, unless the rate of growth of consumption in importing countries could be markedly increased.

57. Many delegates from exporting countries emphasized the importance of earnings from banana exports for their economic wellbeing and development needs. They referred to the Resolution of UNCTAD I concerning elimination or reduction of duties on primary products of interest to developing countries before the end of the First Development Decade, and to the Resolution of the Trade and Development Board of September 1970 on this subject. In particular, they mentioned paragraph 22 of the report of the second session of the Study Group on Bananas held in the Canary Islands and expressed disappointment that the spirit of this recommendation had not always been observed. Indeed, in some instances the status quo had not even been maintained. They referred to one country which had recently increased the consumption tax on bananas and widened the preferential margin afforded one exporting country. In reply a representative of the country concerned stated that the recent changes in taxation were of a temporary nature due to major internal economic difficulties. As to the widening of the preference, the representative of GATT stated that this unilateral action was not in conformity with the rules of the Contracting Parties. Subsequently the representative of the country concerned informed the Committee that the situation had changed. The decree in question had been allowed to expire and a new decree (of 26 October) imposed the same consumption tax on all bananas without regard to origin, and at a lower level than had been established by the August decree, although above the level which had prevailed before.

58. Several delegates from importing countries expressed sympathy with the problems faced by exporting countries and declared their intention of maintaining liberal market access. It was also noted that a number of countries had partially relaxed barriers on banana imports since the second session of the Study Group and had in fact followed the spirit of the recommendation of that meeting.

59. A number of delegates referred to the demand potential of the centrally planned economy countries and the possibility of developing this potential. Delegates from the centrally planned economy countries stated that imports of bananas into their countries had increased significantly in recent years and that they anticipated this trend would continue. However, because of their own economic needs, possibilities to import bananas were to a considerable extent linked to reciprocal export opportunities with the countries concerned. In the short term there were also technical restraints caused by lack of the necessary trade infrastructure.

60. The Committee noted that the fourth session of the Study Group on Bananas and its Committee on Statistics would be held at the invitation of the Government of France in one of the French overseas departments, in the first half of 1971. It endorsed the recommended areas of work priorities, in particular the request for a cost oriented study of the organization of production and distribution of bananas, including an analysis of price spreads between production and consumption. Some delegates also considered that in view of the concern about the longer-term balance between supply and demand, diversification possibilities for banana producing countries should be studied.

5. Tea

61. The Committee had before it the report of the First Session of the Consultative Committee on Tea (CCP 70/3), and heard a report on the work of the two subsidiary bodies set up by it, the Working Party on Long Term Measures and the Standing Exporters' Group. The meeting adopted the report of the Consultative Committee and endorsed its approval of the exporters' informal arrangement for 1970; it also endorsed the establishment of the two subsidiary bodies by the Consultative Committee and noted the progress that had been made by them.

62. The meeting noted that prices of tea on the London auctions during the first half of 1970 had shown a substantial increase and agreed that while there were other factors of an exceptional or temporary nature, the exporters' informal arrangement appeared to have contributed to this recovery. More recently, however, prices had shown some weakening. The meeting considered that the adjustments to the quotas made by the exporters in their mid-term review of the 1970 arrangement was an indication of the flexibility of such an informal arrangement and of the spirit of understanding in which the exporters were operating the agreement.

63. The Committee recorded its appreciation of the invitation from the Government of India to host the Second Session of the Consultative Committee and the meeting of the exporters' group that would precede it. These discussions would cover the desirability of a further exporters' arrangement for 1971 and the programme of work for a longer-term agreement. The meeting hoped that the progress toward a long-term agreement could be expedited and expressed its appreciation of the contribution being made by the secretariat and the two conciliators appointed by the Director-General in consultation with the Secretary General of UNCTAD.

6. Cocoa

64. The Committee heard a report of recent activities of the Committee on Statistics of the Study Group on Cocoa which had continued to meet and issue forecasts of world cocoa production and grindings. It was noted that the Statistics Committee's forecasts of world supply and demand balances reflected a high degree of accuracy and compared very favourably with figures issued by other agencies and organizations.

The Committee noted in particular the valuable work being done in reviewing the longer-term outlook for production and demand and in considering various technical questions pertaining to cocoa statistics.

65. The Committee also took note of the fact that the International Cocoa Standards elaborated by the Working Party on Grading of the Study Group on Cocoa had been transmitted by the Director-General to governments, and that five producing countries accounting for some 70 percent of world production and twelve importing countries had indicated support for the standards. In view of the interest expressed by countries of the African region in a proposal of Nigeria for the organization of regional training seminars on grading practices, steps were being taken for governments to approach UNDP to finance a bilingual training seminar in the region.

66. The Committee heard a report by the Secretariat on developments in the negotiation of an international cocoa agreement under UNCTAD auspices. It was noted that at the June 1970 meeting of the Consultative Committee general agreement was reached on broad objectives, but it had not been possible to attain a consensus on price or on a number of other issues of critical importance. The Representative of UNCTAD reported that among the outstanding issues were certain important basic operational problems, in particular those relating to the quota mechanism of the draft agreement, which had to be considered first before attention could be given to some of the other larger questions. A study was being prepared on various aspects of the functioning of sales quota and export quota systems which would be transmitted to governments, along with other studies, and it was hoped that a decision could be taken about convening another meeting in 1971.

7. Jute, Kenaf and Allied Fibres

67. The Committee endorsed the activities of the Consultative Committee on Jute, Kenaf and Allied Fibres, which had held two sessions in the past year, and welcomed in particular its continued price recommendations for Pakistan jute. It also welcomed the fact that the Consultative Committee had now reached agreement on an indicative price range for Thai kenaf. The Committee further noted that discussions had continued on a Pakistan proposal for a possible international buffer stock for raw jute within the Consultative Committee's Advisory Working Party on Stabilization Reserves.

68. The CCP noted with concern the growing threat to jute from synthetics and asked the Secretariat to continue to keep this crucial matter under the closest review. In this connection, it welcomed the action taken by the UNDP, following initial recommendations in the Consultative Committee, to finance a fact-finding mission on the possibility of setting up an International Centre for Jute and Kenaf to carry out research and promotion work for these fibres. The Committee also endorsed the Consultative Committee's decision to assist the UNCTAD in its overall review of the present state of research on natural products threatened by synthetics and substitutes.

8. Hard Fibres

(a) Sisal and Henequen

69. The Committee much regretted that it had not proved possible to reach agreement on reactivation of the informal international quota and price arrangements for this group of fibres at any of the three sessions of the Consultative Sub-Committee on Hard Fibres held in 1970. It noted that, as a consequence, a free market had ruled in sisal for virtually the entire year, with prices at extremely low levels. It observed that this situation was in marked contrast to that of 1968 and 1969, when the arrangements had operated with a fair degree of success, and prices had been held some 20-25 percent above the free market levels of both 1967 and 1970.

70. The Committee particularly regretted that no delegation from Tanzania, the world's principal sisal producer and exporter, had attended the most recent session of the Consultative Sub-Committee on Hard Fibres, and urged the Tanzanian Government to reconsider its position prior to the next session of the Consultative Sub-Committee. It expressed the hope that, at the next session, the informal arrangements could be reactivated, with the full cooperation of all the producing and consuming countries concerned.

71. Despite these disappointing developments, the Committee welcomed the renewed efforts being made, through discussion of possible action on the existing international grading system for sisal, to reduce the difficult problem of differentials as between African and Brazilian sisal in the informal arrangement. It noted the further progress made in the development of a substantial research programme by the Consultative Sub-Committee's Advisory Working Party on Hard Fibre Research, and stressed the longer-run importance of this action. The Committee also endorsed the Consultative Sub-Committee's decision to assist the UNCTAD in its overall review of the present state of research on natural products threatened by synthetics and substitutes.

72. The Committee also heard statements by several delegates concerning the inter-relationship between stability in the sisal and henequen market and stability in markets for the finished goods of these fibres. It noted that discussion of this subject would be continued at the next session of the Consultative Sub-Committee.

(b) Abaca

73. The Committee noted that abaca prices, although still above the indicative levels recommended by the Consultative Sub-Committee on Hard Fibres, were now tending downwards. In the light of this situation, it endorsed the Consultative Sub-Committee's view of the need for closer consultations on this fibre, and its decision to make a full examination of abaca problems at its next session.

(c) Coir

74. The Committee welcomed the fact that discussions on this fibre and its products had been initiated in the Consultative Sub-Committee on Hard Fibres and endorsed the Sub-Committee's decision also to make a full examination of the problems of this market at its next session. As regards research, the CCP noted with approval that it was intended to give equivalent weight in the Sub-Committee's research programme to coir and coir products as to the other hard fibres, since the need for improved research facilities and programmes was equally great.

III. REVIEW OF AD HOC CONSULTATIONS

1. Meat and poultry

(a) Establishment of a Study Group on Meat

75. The Committee examined the report of the Second Ad Hoc Consultation on Meat and Poultry (CCP 70/10) which was held in Buenos Aires in August 1970 at the invitation of the Government of Argentina, and whose main recommendation was the establishment of a Study Group on Meat and Poultry.
76. The Second Ad Hoc Consultation was convened at the request of the Forty-Fourth Session of the Committee to continue the study of selected problems affecting the world meat economy, including the market situation and short term outlook, cyclical and seasonal movements in meat supplies and their effects on market stability, national expansion programmes for meat production, long term trends in production and demand, national policies and measures affecting market access, and international action taken on world meat problems in other bodies. The Committee appreciated the useful contribution which the Consultation made to a better understanding of the complex problems associated with the development of the meat sector, marketing of and international trade in meat and meat products.
77. The Committee noted that the majority of the delegates at the Consultation had agreed that the CCP criteria for the establishment of study groups were met and that those delegates who had reservations on this question stated that their governments would not oppose the creation of a study group.
78. The Committee was in agreement that, although world demand was strong and international trade in meat was expanding, there were problems in the world meat economy. Several delegates noted the specific economic and technical difficulties associated with the early stages of development of the livestock sector in many countries. These were likely to become more pronounced as national and international investments in livestock production were increased in countries with good production potential and where the introduction of high-yielding varieties of cereals would lead to growing availabilities of animal feeding stuffs. Emphasis on the development of the livestock frequently reflected efforts to close the protein gap, increase foreign exchange earnings, or to reduce expenditures on imports. The Committee was aware that such activities fell within the areas of concentration in FAO's work programme.
79. A substantial number of delegates expressed support for the immediate setting up of a study group with terms of reference as proposed by the Second Ad Hoc Consultation. In their view, the two Consultations had demonstrated the need for a permanent forum for specialized studies and intergovernmental consultations on problems affecting international trade, production and consumption of meat. Because of its wide competence in the field of agriculture, they considered that FAO was the most appropriate body to carry out such activities.
80. A considerable number of other members of the Committee, including a number with a substantial interest in the commodities under consideration, doubted whether all the criteria for the establishment of a study group had been fully met, particularly in view of the activities already being carried out by other organizations. However, in the light of the recommendation of the Second Ad Hoc Consultation, and in view of the strong conviction of many member countries of FAO that a study group on meat would make a substantial contribution to the solution of the problems of the world meat economy, they did not oppose its creation and expressed their readiness to actively participate in the work of the group.

81. The Committee agreed that the Group should put the main emphasis in its initial work programme on problems arising in regard to bovine meat, although other meats, including poultry meat, could be dealt with as the need arose. In view of this, it was agreed that the new body should be known as the Study Group on Meat. It also agreed that particular attention should be given to avoid duplicating the work of other international bodies concerned with particular aspects of meat problems. The Committee therefore stressed that close collaboration should be maintained by the Group with other international organizations active in the field, in particular the GATT, OIE, OECD and the Codex Alimentarius Commission.

82. The Committee was informed that the study group could be serviced from within the existing staff resources. It noted that the cost of holding a session of the study group would be the same as that involved in holding an Ad Hoc Consultation.

83. Bearing these considerations in mind, the Committee accepted the recommendation of the Second Ad Hoc Consultation and adopted the following resolution:

RESOLUTION 2/45

ESTABLISHMENT OF A STUDY GROUP ON MEAT

THE COMMITTEE ON COMMODITY PROBLEMS

HAVING TAKEN NOTE of the request of a number of countries substantially interested in the production and consumption of and trade in meat for the establishment of a study group to consider problems of production, consumption and international trade in this commodity, with special reference to the problems of livestock development and meat marketing;

RECOGNIZING the great importance of this commodity in international trade and its weight in the export earnings of a number of developed and developing countries as well as its significance for developing countries in the diversification of agricultural exports and in narrowing the protein gap;

HAVING EXAMINED at two Ad Hoc Consultations the problems involved in reducing short term instability and in achieving a better long term equilibrium in supplies and demand;

HAVING CONSIDERED Resolution 46/57 of the Ninth Session of the FAO Conference laying down principles to govern the constituent rules of the FAO bodies;

HAVING CONSIDERED the CCP criteria for the establishment of study groups;

DECIDES to establish a body to be known as the Study Group on Meat with the following terms of reference:

- 1) The Study Group on Meat shall provide a forum for consultations on and studies of international trade, production and consumption of meat, including poultry meat, and problems connected with these products, with particular emphasis on the problems involved in the creating or development of livestock and meat sectors and on the problems of meat marketing.
- 2) To this effect, the field of competence of the Study Group shall include:
 - a) assembly and analysis of comprehensive and regular data on the current situation and short, medium and long term market prospects for these products; improvement of basic statistics and of economic information, and the establishment of an international economic intelligence system for the purpose of improving market knowledge;

- b) analysis of programmes related to the expansion of production of meat, including poultry meat, and their influence on levels of imports and exports;
 - c) exchange of information on up-to-date techniques aimed at improving productivity of the livestock sector in developing countries with a potential for further development;
 - d) exchange of information on and the study of national meat policies to the extent that such information and studies are not available to the Group through other international organizations, it being understood that this function would be interpreted in relation to paragraph 8 below;
 - e) deepen knowledge of seasonal and cyclical variations and long term trends in the market in order to mitigate fluctuations in the volume of supplies, prices, and earnings in the short, medium and long run;
 - f) facilitate cooperation between interested governments, at their request, on the preparation of surveys of internal marketing problems affecting meat and poultry;
 - g) bearing in mind measures and standards adopted by governments and formulated by international bodies in the field of meat hygiene and veterinary and sanitary regulations, to identify problems arising therefrom and affecting world trade and to draw these to the attention of the competent bodies as a contribution to the reconciliation, where possible, of national standards.
- 3) To study, within the foregoing terms of reference, the best way of resolving special difficulties which might arise or which are anticipated; and to submit reports and, if appropriate, recommendations on such problems, subject to the provisions of paragraph 8 below;
 - 4) 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 provision 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.
 - 5) 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.
 - 6) 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.
 - 7) 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.
 - 8) The Group shall make arrangements for close liaison in its activities with other organizations especially interested in meat products and in particular shall not duplicate the relevant activities of the CATT, IOE, OECD, and Codex Alimentarius Commission and other organizations.
 - 9) 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.

- 10) 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 number of governments interested in meat products, and the need for economy in the cost of meetings and travel.
- 11) 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.
- 12) The Group shall report to CCP after a period of 3 years on the activities of the Group, the results achieved, and the practical support given by governments, together with the views of the Group on the adequacy of its terms of reference.

(b) Location of Secretariat of Study Group on Meat

84. The Committee considered a formal proposal of the Government of Argentina that the Secretariat of the Study Group on Meat be located permanently in Buenos Aires. In a communication to the Director-General, the Government of Argentina had offered to bear the additional costs involved (document CCP 70/C.R.S.1).

85. The Delegate of Argentina noted that the proposal had been favourably received by the Second Ad Hoc Consultation, and that it had also been unanimously supported by the FAO Regional Conference for Latin America. He pointed out that locating the permanent seat of the Study Group at Buenos Aires would be in line with the general concern of governments and the FAO Conference to avoid undue centralization of the Organization's activities in Rome, and that it would enable delegates to examine at first hand practical solutions to meat problems of developing countries, on which the Group's terms of reference placed special emphasis. Argentina, as one of the main producers and exporters of meat, could make available its experience for the benefit of all countries.

86. A number of delegates supported the proposal. They maintained that a precedent existed in another subsidiary body of the Committee, the Consultative Sub-Committee on Surplus Disposal, which was located in Washington. Many of the commodity study groups held sessions away from Headquarters without detracting from the efficiency of the Secretariat or the participation of governments. These delegates believed it would add to the vitality of the Group to establish its Secretariat in the capital of a major meat exporting country and in one of the developing regions.

87. The majority of speakers, while appreciating the generous offer of the Argentine Government, decided in favour of retaining the location of the Secretariat in Rome. They noted that all of the commodity study groups were centred in Rome Headquarters for reasons of efficiency and economy, and it would be undesirable to set a precedent which might lead to a multiplicity of locations of study groups which governments would find increasingly difficult to service. The CSD was originally established in Washington at a time when virtually all the surplus disposals were made by the United States Government; the region continued to account for 90 percent of food aid transactions. Also, an outposted Secretariat of a study group would be isolated from the rest of the Commodities and Trade Division, as well as from the technical Divisions at Headquarters which, in view of the terms of reference, would have to help service the Study Group. A number of other interested organizations, including the GATT, Codex Alimentarius, and UNCTAD were also located in Europe.

88. In reply, the Delegate for Argentina reiterated that his Government was fully prepared to pay all the additional costs involved in ensuring that an FAO Secretariat located in Buenos Aires was as fully effective as one at Headquarters. The expenditure for travel of delegates would, in most cases, be no higher than for sessions held at Rome. The coordination of an outposted Secretariat with Rome Headquarters was a question which could be solved through efficient administrative practices. He stressed that, in

his view, the CSD represented a precedent and he strongly urged the Committee to accept the proposal.

89. Since a majority of delegates were not in favour of the outposting of the Secretariat of the Study Group, the Committee was unable to recommend acceptance of the proposal. The Committee, nonetheless, expressed its great appreciation to the Government of Argentina for its generous offer.

2. International Scheme for Coordination of Dairy Development

90. The Committee considered the Report of the Ad Hoc Consultation on the Proposed International Dairy Development Scheme (CCP: IDS 70/8). The Consultation was held in Rome in June 1970, after preliminary discussions at the Committee's previous session and the Fifteenth Session of the Conference, so that interested governments could examine the matter further and get a clearer picture as to the manner in which the Scheme might operate. The Committee considered the Consultation had been very helpful in defining the nature of the Scheme and in formulating practical guidelines for its operation.

91. The Consultation had concluded that the proposed Scheme was constructive and feasible, and that it could help to mitigate the problem of "filling the protein gap", one of FAO areas of concentration. The Consultation had defined the objective as an informal framework for systematic efforts, both multilateral and bilateral, to raise levels of consumption of milk and milk products primarily by means of an accelerated development of milk production and related industries in developing countries, where such production was economically viable. It would assist in using as efficiently as possible the milk products available as food aid in combination with other resources required. The Consultation had considered the technical requirements as regards the various types of resources needed for dairy development in relation to the Scheme, and there was wide agreement on the concept of promoting "integrated" assistance to the dairy sector in developing countries, where conditions were suitable, within the priorities of national development plans.

92. The Consultation had drawn up specific guidelines as to the way in which the Scheme should operate. It agreed that an improvement of the existing machinery could provide an adequate framework to meet the needs of both recipient and donor countries and that any new mechanisms could duplicate the work of the organizations concerned. It had recommended, inter alia, that the Scheme should be organized along informal and practical lines, under the auspices of FAO, in collaboration with the WFP which could play a major role in the handling of multilateral food aid resources. The interested international organizations would jointly assist developing countries, on request, to draw up a detailed dairy development plan which identified all the various types of external aid required, including technical assistance, equipment, finance or commodity aid. The requirements of countries where local conditions were unsuited to economic milk production would also be considered. Following this, and at the request of the developing country concerned, a summary of the agreed dairy plan would be circulated by FAO to each of the developed countries and international organizations which expressed a willingness to cooperate in the Scheme. The object would be to ascertain whether they were interested in contributing part of the particular resources required by the developing country concerned, either on a bilateral or multilateral basis. The FAO Secretariat would then consult with the various interested parties with the aim of developing a "package" of aid as close as possible to the requirements of the recipient country.

93. In accordance with the recommendations of the Consultation, the Director-General had transmitted its Report to Member Governments and international organizations, and invited them to let him know whether or not they wished to cooperate in the Scheme. Up to the time of the Committee's discussion, 29 replies had been received from governments and 13 from international organizations (document CCP: IDS 70/8, Add. 1). Twenty developing countries had indicated their interest in participating in or in benefiting

from the Scheme. Seven developed countries had expressed their interest in cooperating or participating in the Scheme. One developing country had stated that it did not intend to apply for assistance for the time being, and one developed country had stated that it would not participate in the Scheme. Several international organizations expressed their willingness to cooperate. The UNICEF did not envisage any specific involvement in the Scheme, but it indicated it would continue its regular cooperative activities with FAO. The FAO/Industry Cooperative Programme had expressed readiness to provide practical assistance, where appropriate.

94. In the Committee's discussion, delegates from some other countries whose governments had not previously replied to the Director-General's enquiry, indicated their respective governments' willingness to participate or to cooperate in, or benefit from, the Scheme in the form set out in the Report of the Consultation.

95. A number of delegations representing developed countries stressed that their governments' interest in receiving information on dairy development requirements under the Scheme did not imply a specific commitment to make contributions, as a decision on this would be taken on a case-by-case basis. The Committee, however, noted that the Scheme was strictly on a voluntary basis on the part of all countries.

96. Many delegations stressed the useful role of the Scheme as a clearing-house for information on aid activities in the dairy field. In particular, one delegation suggested the Secretariat prepare an inventory of all work in this field so far carried out by FAO including projects prepared but not yet operational. The Committee generally agreed that in initiating the Scheme, it would be useful to draw on the previous experience, especially that gained from the large WFP dairy project in India (618). It was, however, recognized that this project, which was still in the very early stages, was only one example of possible approaches and that the basic conditions for dairy development were different in many other countries. It was pointed out that dairy surpluses were decreasing; in this connection, for projects depending on supplies of dairy products, priority should be given to those already under way.

97. The Committee stressed the need for an assured continuity of aid resources so as to provide the basis for a consistent dairy development. In this respect, several delegates pointed out that although food aid might play an important role to the extent that supplies were available, it was essential for the Scheme to maintain a broad approach in covering all types of possible external aid resources required for dairy development. The Scheme should avoid laying undue stress on commodity aid, particularly in milk products, since this would make it vulnerable to fluctuations in supply.

98. The Committee was informed that FAO expenditures on the Scheme in the current biennium would be financed from existing resources or through interagency arrangements for offsetting costs. The additional financial requirements for 1972-73 would depend on the eventual scale of the Scheme although some additional resources would be requested for the next biennium. Several delegates expressed the view that the additional staff proposed for the Animal Production and Health Division, which would bear a central responsibility for organizing the Scheme, should be recruited on a fixed term basis, or as consultants, so as to retain flexibility and to avoid institutionalization of the Scheme. The Committee was informed that this general principle would be followed. Some delegates pointed out that there were specialized economic problems relating to the Scheme which should preferably be dealt with by the Commodities and Trade Division. The Committee noted that the two Divisions intended to collaborate closely in a central steering group set up for the Scheme, in which the WFP was also represented, and would be responsible for assessing the economic aspects. The Commodities and Trade Division intended to meet the additional work-load from its current resources and, if necessary, by the use of consultants or through regular interagency arrangements for offsetting costs.

99. Several delegates reiterated the view indicated in the Consultation's Report that the Scheme basically consisted of a flexible system for coordinating the available sources of external assistance for dairy development in the developing countries. In order to avoid misunderstanding, therefore, the Committee recommended that the Scheme be known as the International Scheme for Coordination of Dairy Development.

100. The Committee felt that the Scheme, as outlined by the ad hoc Consultation and taking into account the above observations, provided a framework and outline of practical and operational arrangements, non-institutional in character, that might be useful. It was generally recognized that the Scheme could be put into operation in accordance with the directives given in the report of the Consultation bearing in mind, however, the resources available. The Committee therefore decided that, in this initial experimental phase, a restricted number of dairy development plans should be put in hand and a second ad hoc consultation be convened by the Director-General if possible within approximately one year to:

- analyze and evaluate the plans drawn up or implemented,
- determine whether it would be advisable to introduce any changes in the organization of the Scheme or the procedures followed.

101. Considering the wide range of activities included in the Scheme, the Committee recommended that it should operate under the institutional framework of FAO and the general policy guidance of the FAO Council. The Committee also proposed that the Council consider delegating to the CCP responsibility for keeping under review the operational, procedural and economic aspects of the Scheme.

IV. ADDITIONAL COMMODITY MATTERS

1. Milk and Milk Products
Review of national policies, 1969/70

102. The Committee took note of the Secretariat's review of national dairy policies in 1969/70, with special reference to developed countries (CCP 70/17). According to the review, following the accumulation of heavy butter and skim milk powder stocks and the deterioration of the international dairy situation in the previous years, policy action to cope with the surplus problem was intensified during 1969/70. The measures aimed at both curtailing milk production and raising consumption (including animal feeding). Also, more milk products from Western Europe, Oceania and Canada were provided as food aid to developing countries. These measures helped substantially to reduce stocks and allowed for a recovery of prices on the international market. The review stressed that the improvement of the situation was the combined result not only of policy action, including the initiation of the GATT Arrangement on Certain Dairy Products which provided for a minimum price for skim milk powder, but also of more general social, economic and meteorological factors affecting the milk situation. The Secretariat review concluded that the measures to curb milk production were likely to have longer term effects. If pursued, in the context of the continuous drift of farmers off the land, labour shortages and the relatively low profitability of dairy farming, they should speed up the decline in dairy herds of Western Europe that started in 1969/70. However, on balance, it appeared that the problem of the West European dairy surpluses would continue.

103. The CCP agreed that the report served a useful purpose in enabling member countries to be aware of developments in the dairy situation, and the effects of action being taken to bring about an adjustment between supply and demand. The measures which had been taken were welcomed as steps in the right direction. The Committee requested that the review be continued, and it suggested that the next issue should, if possible, give more information on changes in policies in developing countries and also for developed countries that were still building up their production in order to meet domestic needs.

2. Pepper

104. The meeting heard a report from the Secretariat of the action taken by it, in pursuance of the recommendation of the Forty-Fourth Session of the Committee, to assist producing countries in studying the factors affecting the world pepper economy and in working out proposals for stabilizing the market and increasing trade in the commodity. The Committee was informed of the report of the informal talks on pepper among the three main pepper exporting countries convened in Djakarta in July 1970. At the request of the governments, representatives of the Secretariat had assisted in the talks and the report of the informal talks which had been forwarded to the Director-General by the Chairman of the meeting had therefore been circulated as a document for discussion (CCP 70/19).

105. The informal meeting of exporters had agreed to establish a Pepper Community open to all producing countries and had expressed the hope that the Director-General of FAO, in cooperation with the Executive Secretary of ECAFE, would provide the Secretariat for starting this Community. Secondly, the meeting agreed to request the Committee on Commodity Problems to establish a Study Group to provide an international forum for the discussion of pepper problems, open to both importing and exporting countries.

106. The delegations of the three major Asian exporters pointed out that, although pepper did not represent a large item in world trade, income from the sale and export of this commodity was of critical importance to the areas in which production was concentrated. The livelihood of tens of thousands of small farmers depended on the price which their cash crop fetched in the world market - and pepper had shown greater fluctuations than any other primary commodity. The producing countries were all developing

countries whose resources did not permit them to give the farmers the assistance they needed when prices were very depressed. These countries therefore felt justified in applying to the Committee on Commodity Problems for assistance in setting up machinery to stabilize the world pepper market. It was true that producing countries in cooperation with each other could help to stabilize the pepper trade but the exporting countries preferred to seek the cooperation of the importing countries within the framework of an international forum. In their opinion, importing countries would benefit equally from such cooperation.

107. During the discussion on the proposals the delegates of the three exporting countries explained that the Pepper Community was intended to include all producing countries. It was hoped that the Community would, inter alia, ensure closer cooperation on agronomic research, the promotion of consumption research on new uses and quality control; it would also aim at improving statistical information including techniques of forecasting production. The terms of reference of the Community were set out in paragraph 4 of the Report of the Djakarta meeting and the delegations of the countries which participated in the informal talks expressed the hope that Brazil, Malagasy and other exporters would avail themselves of the invitation, extended through the CCP, to become associated in the work. Finally, the delegations of the participating countries wanted to place on record their appreciation of the assistance given by FAO in connection with the informal talks in Djakarta.

108. The Committee agreed that further work should be done by the Secretariat as a matter of urgency on the world pepper economy, and in particular on the underlying causes of price fluctuations including organization of production and marketing in exporting countries. The studies should be action-oriented and should indicate the possible ways to reduce excessive fluctuations, and the implications of various arrangements to individual exporting countries. Importing and exporting countries undertook to give all possible assistance to the Secretariat in carrying out these studies, and in developing up-to-date information on production, trade and prices. It was agreed that the Secretariat should complete these studies as soon as possible.

109. It was further agreed that the problems of the world pepper economy should be considered by the next session of the CCP, creating a sessional Working Party for this purpose if necessary. Should developments in world production, trade and prices make necessary urgent action, the Director-General should consult with exporting and importing countries, on the basis of the situation and the documentation available, to determine the need to convene an Ad Hoc Consultation prior to the next session of the CCP.

110. The CCP noted the intention of the exporting countries to establish a Pepper Community and requested the Director-General to maintain close contact with it.

3. Tobacco

111. The Committee received a report from the Secretariat on developments in the tobacco economy. It was recalled that at the request of member governments the CCP had discussed on a number of occasions the problems of the world tobacco economy, and that studies on production, trade, price and consumption developments had been regularly covered in the work of the Secretariat. The Committee noted that the underlying factors and problems which were discussed in 1968 and 1969 had not changed fundamentally, and that international markets for tobacco had remained relatively stable. Nevertheless, producers of certain traditional types of leaf were experiencing greater marketing difficulties and there was a degree of uncertainty about international trade prospects for other types of tobacco. This was due to the continuation of the discussion of the health issue, changes in smoking taste and customs, the effects on production, trade and consumption of protectionist government policies and trade barriers in various parts of the world.

112. The Committee agreed that the Secretariat should continue to keep under close review the developments in the world tobacco economy. In particular, the representatives of a number of developing countries requested that a more extended analysis in depth should be prepared of the medium and longer term outlook for production and consumption of the various types of tobacco, covering also the existence of tariff and non-tariff barriers in the main importing countries, in order to assist their countries with their development and production planning. It was agreed that a comprehensive document on the outlook should be presented to the next session of the Committee. Furthermore, while there did not seem to be, at this point, a need for establishing specialized consultative machinery for tobacco, sufficient time should be allowed at future sessions of the Committee for adequate discussion of tobacco problems.

4. Hides and Skins

113. The Committee welcomed the further work which had been carried out on this important and complex group of commodities since its last session, and noted that the results of this had recently been brought together in a new FAO Commodity Bulletin on the World Hides, Skins, Leather and Footwear Economy, the first comprehensive, world-wide study of the subject at the intergovernmental level.

114. The Committee noted that a number of issues in the hides and skins sector were of much interest to both producing and consuming countries. In particular, emphasis was placed on the possible future impact of synthetic substitutes, the advantages accruing to developing countries from exports of processed rather than raw hides and skins, and on existing tariff structures, which tended to favour international trade in raw hides and skins at the expense of trade in leather and leather manufactures. The representative of UNCTAD noted that the Fourth Session of the UNCTAD Permanent Group on Synthetics and Substitutes had authorized the preparation of a paper on problems confronting developing country exporters of hides and skins as a result of competition with synthetics. He further noted that this paper might be prepared entirely, or in part, by the FAO Secretariat. The Committee recommended that work on the hides skins and leather market be intensified and put on a continuing basis, insofar as possible in cooperation with other interested international agencies, and requested the Secretariat to put before it at its next session a paper outlining the main problems facing the world hides, skins and leather economy, with particular reference to the impact of synthetic substitutes. It was also suggested that FAO and other international organizations concerned should expand their technical assistance to developing countries in the training of leather technologists.

5. Cotton, Wool, Flax, Silk and Man-made Apparel Fibres

115. The Committee welcomed the new issue of per caput fibre consumption statistics for the years 1964 to 1967, which had been published in early 1970. It noted that the coverage of the data had been expanded and the methodology revised, following an inter-agency consultation on fibre statistics held in 1968. The statistics now took in flax, silk and the world trade in clothing, and included estimates for processing losses at all stages of manufacture. Recognizing the considerable usefulness of these statistics to Member Governments, to producers of natural fibres and other sectors of the textile industry, the Committee recommended that such compilations be continued on a regular annual basis, with special emphasis on the competition between natural and man-made fibres.

6. Wine

116. Some delegates expressed regret that the Second Session of the Wine Study Group had not been held in the autumn of 1970, as requested by the First Session, and that wine and vine products had not even been included in the Agenda of this Session of CCP. They stressed the importance of the wine sector for the economy of their countries and the necessity for a continued examination of wine problems. They referred in particular to the existence of major structural problems as well as to the recent adoption of a

common policy on wine in the EEC which could have repercussions on international wine trade.

117. The Committee was informed that lack of financial and personnel resources had made it impossible to implement the action programme outlined by the First Session of the Study Group. However, the Director-General was fully conscious of the importance of wine to the economies of many countries and of the necessity to give higher priority to wine. Concentrated work was now going on to put into effect a number of the measures recommended by the First Session of the Study Group, e.g. the organization of training seminars to help improve the quality of wine and vine products and surveys of potential markets. Although it had not been possible to prepare a special paper for this Session of the CCP, recent developments have been covered in the Commodity Review and Outlook, including changes in the policies of EEC and other major economic groupings. It was the intention of the Director-General to convene the Second Session of the Study Group as soon as financial resources and the progress of work permitted.

7. Rubber

118. The Committee was informed of the establishment of the Association of Natural Rubber Producing Countries whose objectives were to bring about coordination in the production and marketing of natural rubber, to promote technical cooperation amongst members, and to bring about fair and stable prices for natural rubber. Membership of the Association was open to governments of countries producing natural rubber.

V. FAO'S ROLE IN INTERNATIONAL AGRICULTURAL ADJUSTMENT

119. The Committee based its discussion on this item on the Secretariat document CCP 70/14 "Agricultural Adjustment and the Role of FAO". The document was a preliminary paper designed to help to bring out the views of the Committee in the discussion which the Conference had asked it to undertake.

120. The Conference had thought that there was an urgent need for adjustment and, "as regards more general approaches recognized that FAO had a responsibility in this field and considered that further discussion of the FAO role should be taken up at the next session of the Committee on Commodity Problems, bearing in mind the activities of other competent bodies".

Main Contents of Secretariat Paper CCP 70/14

121. The Secretariat paper noted the several meanings which could be given to the term agricultural adjustment. The most general meaning was the continuous process by which supply and demand of agricultural products adjusted to each other but the setting of this process ranged from an individual domestic market to no less than the long-term evolution of the agricultural sector of the world economy. The paper noted the need for national adjustment policies, particularly because of supply characteristics in agriculture and the strong tendency for farm incomes to remain below nonfarm incomes. Since such policies in any country affected both production and demand, they also influenced its exports and imports of agricultural products. Thus, mainly through commodity trade, national adjustment measures had an international impact. The burden of adjustment tended to be thrust on exporting rather than importing countries as well as on the agricultural sectors of smaller or poorer countries.

122. A number of alternative approaches which might be considered if the world community opted for a more international approach to adjustment policies were listed.

123. The first would be to conclude more separate international agreements or arrangements for individual commodities. The main weakness was the fragmented and partial coverage. The second would be to bring individual commodity agreements together into an integrated scheme for international commodity control. It would, however, probably be impossible in practice to operate such a scheme because of its sheer complexity. The third approach would be through principles and guidelines covering price stabilization and support and extending to agreed maximum support to agriculture. The main substantive problem raised would be to secure agreement as to this level of protection. The fourth would be a combination of the first and third approach so as to retain the advantages of any ICA's which could be concluded but to have them operate within a wider policy framework. The fifth approach would be gradually to place trade in agricultural products on the same footing as was coming about for trade in industrial products, i.e. subject to only moderate tariffs and to a progressive reduction of nontariff obstacles. The main problem of this approach would be its potential impact on farm incomes and import expenditures. None of these or any other approaches to international agricultural adjustment would be successful if political will were lacking.

124. As to the role of FAO, the Secretariat paper noted various relevant activities which the Organization was already engaged on, such as: commodity projections; the further development of the IWP in the form of policy studies, particularly one on developed countries; assistance to regional schemes; the CSD; and the very substantial body of work on individual commodities or groups of commodities. The study on the European milk/meat economy was directed primarily to adjustments in the livestock sector.

125. After summarizing the Secretariat's understanding of the activities and interests of other international organizations (GATT, UNCTAD, IBRD, IMF and OECD) in agricultural adjustment, the paper listed the various services which FAO could provide in relation to world agricultural adjustment. These were: information and in-depth studies; ideas and suggestions; fora for country discussions; and assistance in carrying out agreements or other adjustment measures.

Committee Discussion

126. The Committee considered that the preliminary Secretariat paper opened up the subject usefully, although a number of delegates expressed reservations regarding various points. Many delegates agreed with the view of the Deputy Director-General in his opening speech that the question of the adjustment of agricultural policies was one of the most important items on the agenda. It was also a very complex problem which was likely to persist.
127. Before discussing the substance of the item, the Committee heard statements from representatives of a number of international bodies outlining their activities relevant to adjustment.
128. The UNCTAD programme in agricultural commodities was intimately concerned with adjustment policies. The representative drew attention to the resolution adopted by the Tenth Session of the Trade and Development Board on Pricing Policy and Liberalization of Trade and to a forthcoming meeting on diversification. In all activities dealing with agricultural matters, close cooperation was maintained with FAO.
129. The Report of the GATT outlined the activities of the four Working Groups of the Committee on Agriculture which had now completed that part of its work which was concerned with identifying problems. The Steering Group of the Committee on Agriculture had examined the conclusions of the working groups on exports and on imports, and these had been submitted to the Committee on Agriculture. Later in the year it would take up the conclusions of the working groups on production and on other miscellaneous factors. In the course of this and related work, the GATT had gathered a great deal of factual information pertaining to various forms of tariff and nontariff barriers to trade in agricultural products.
130. The observer of OECD stressed the great current interest in his Organization in agricultural adjustment policies. Although confrontations on the harmonization of agricultural policies had not been held since 1966, there was a kind of permanent confrontation being undertaken through the activities of the Committee on Agriculture, e.g. frontier protection, aids to exports, improvements in structures and attempts to match production and outlets. In 1971 there would be an examination of measures and policies to control production so as to strike a balance between supply and demand. The OECD was also proceeding with arrangements for member countries to discuss the implications for them of the FAO Indicative World Plan, and the outcome would be reported to the next FAO Conference. Because of the bearing of these exercises on agricultural adjustment policies it might be wise to await its results before undertaking further work.
131. The observer of IBRD explained that his Organization viewed agricultural adjustment in the context of overall economic development. Adjustment was facilitated by their selection of projects in which the likely future world balance between supply and demand was taken into account. The Bank wished to broaden its consultations with FAO on agricultural commodities so that IBRD policies would be consistent with the views and ideas of FAO and the policy of UNCTAD.
132. The observer of IFAP referred to the Federation's long history on efforts to bring about a greater awareness of international agricultural adjustment problems and their possible solutions. He believed however that it was unrealistic to think that more than marginal adjustments could be secured, and he thought that it was unrealistic of the Secretariat paper to speak of any possibility of substantial changes in the structure and operation of the world agricultural economy.
133. The Committee agreed that all countries faced problems of agricultural adjustment in which national and international aspects were interwoven.

134. Some delegations said that, in general, adjustment to maintain equilibrium in world markets at reasonable prices were made only by exporting countries and not by importing countries. The recent experience with wheat was cited as an instance. In the opinion of some delegates, the Secretariat paper gave insufficient weight to non-economic causes of protection. Social factors, problems of backward regions within countries or certain types of farming needed to preserve adequate land-use conditions were examples.

135. Some other delegates felt strongly that adjustments tended to bear unduly hard on developing exporting countries where, at the present economic stage, agricultural systems were more inflexible than in industrialized countries and where the importance of agricultural export earnings was crucial. In these developing countries it is necessary on the other hand to develop production to help to provide employment, raise the standards of living and to increase exports to bring their balance of payments into equilibrium; at the same time, however, adjustment problems were made more acute because a number of developed countries maintained a high level of agricultural self-sufficiency through protectionist policies.

136. One delegate pointed out that this reference to protectionist policies and to the trend towards an increase in the level of self-sufficiency of some developed countries was linked with the idea of efficient production. In fact, according to this delegate, such an idea could not be evaluated in the abstract but only in conjunction with the economic and social conditions of the country in question and the level of productivity should be considered in conjunction with all these factors. The Committee was of the opinion that all countries should try to resolve their national economic problems without affecting the development process in developing countries.

137. Some delegates also expressed concern that the discussion of the item suggested that the political will which would be needed to achieve a reduction of protective barriers in developed countries sufficient to be of material help to the trade of developing countries did not exist. They appealed to developed countries for more understanding and goodwill in this matter, expressing the hope that a start could be made toward agricultural adjustments which would allow them to expand their exports. One delegation recalled that the Pearson Commission recommended that a rising proportion of domestic demand of developed countries should be supplied by imports from developing countries and that, in line with the aims of the Second UN Development Decade, no new trade barriers should be erected and existing ones should be phased out. Both developed and developing countries recognized that protection policies were due in many cases to structural factors and thus the solution of the problems to which they gave rise must necessarily be of a gradual nature.

138. The Committee considered the several alternatives suggested in the Secretariat paper as possible approaches to the solution of international adjustment problems of agriculture. These appeared to cover most of the possibilities although, as was recognized in the Secretariat paper itself, several of these approaches were unlikely to be feasible, at least for the present. There was, however, wide support for the individual commodity approach. Delegates generally felt that it would be premature to make final choices as to the most suitable approach or approaches. Some felt that this part of the paper should be expanded. Furthermore, a number of delegates thought it better to await the results of such studies as the FAO study on developed countries' agricultural policies and the examination by OECD member countries of the implications for them of the IWP. At the same time it was recognized that the individual commodity approach did need supplementing but it was too early to define the most appropriate way in which this could be done. Some delegates suggested that individual commodity agreements should provide machinery to take account of desirable changes in production and supply patterns. A number of delegates also noted that a combination of approaches would be better than reliance on any single approach.

139. In its discussion of the role of FAO, several points were stressed. It was stated that the present session was too early to define this role adequately although

it was recognized that FAO must certainly play a significant part. Other delegates considered that FAO should have primary responsibility in this field. At the same time, attention was drawn to the need for avoiding duplication of the work of other international bodies which had a bearing on agricultural adjustment. Reference was made especially to the voluminous collection of data by the GATT and the work going forward under its auspices. Some delegates were of the opinion that FAO should not be a forum for policy negotiations but should limit the scope of its meetings to the objective of improving information and improving the understanding of countries as to problems and future prospects. Other delegates, on the other hand, supported the recommendation of the Eleventh FAO Regional Conference for Latin America in which it was pointed out that in FAO it might be possible to have intergovernmental discussions to seek solutions to trade problems arising from protectionist measures for agriculture (CCP 70/C.R.S.4.) European-wide meetings on the medium-term outlook for specified products, as envisaged at the recent European Regional Conference, might be a suitable model.

140. A number of suggestions were made by individual delegations as to additional studies which FAO might make or to data which it might collect and analyze. These included: improvement of information on government expenditure on agricultural support costs; factors determining the success or failure of international commodity agreements; collation of studies on adjustment made in various universities and research institutes; comparative advantages as between countries; agricultural input/output data; agricultural protection, including problems of compensation for farmers adversely affected by the reduction or withdrawal of protection; inventory of work in general fields of agricultural adjustment being undertaken by other international bodies; information on national policies for those commodities for which FAO was not already collecting it, including objectives of national policies.

141. The Committee agreed to retain the item of agricultural adjustment on the agenda for its next session. The Committee noted paragraph 57 of CCP 70/14 which set out, in general terms, possible FAO contributions to ongoing work toward solutions to problems of agricultural adjustment. (These are summarized in paragraphs 124 and 125 above). The Committee hoped that the results of the ongoing FAO studies (on developed countries' agricultural policies and on the European meat/milk economy) would be made available either in full or in summary. It hoped that the results of the examination by OECD member countries of the implications to them of the IWP would also be made available.

142. In preparation for the next session, the Secretariat should revise its preliminary paper CCP 70/14. The revision should take into account the comments and suggestions made at the present session and should include an account of studies and activities of FAO and other international bodies relating to international aspects of agricultural adjustment.

143. On this basis, the Committee would be able at its next session to formulate its views for submission to Conference both as to recommended international approaches to agricultural adjustment and as to the role of FAO in terms of objectives, scope and procedures.

VI. LONG-TERM OUTLOOK WORK

1. Commodity projections

144. The Committee based its discussion on documents CCP 70/18 (Agricultural Commodity Projections: A Progress Report on the Projections for 1970-80) and CCP 70/4 (Report of the Inter-Secretariat Expert Consultation on Projections).

145. The Secretariat reported to the Committee that the Meeting of Experts, which had been held in December 1969 for the purpose of advising on possible improvements in the new study of commodity projections, had proved extremely useful. It was hoped that periodic meetings could be continued since this was the most efficient way of ensuring that FAO projection work took full account of methodological improvements in this field. The Committee agreed with the conclusions and recommendations of the group of experts and noted that the new projections reflected these views.

146. The Committee was informed of the progress of the work on the new projections study which covered the period of the UN Second Development Decade, i.e. 1970-1980. The study comprised constant-price trend-oriented projections of demand for and production of approximately 30 agricultural commodities or groups, which constituted the great bulk of agricultural products, for some 130 countries. The first run of the food demand model had just been completed and was being checked and where necessary revised. The preliminary results indicated an increase in total world food demand of about 30 percent and an increase of about 45 percent in developing countries over the period 1970-80. Work was now commencing on production projections. The statistical data base had been completed and assumptions of population and income growth had been selected.

147. As far as population was concerned, only one assumption had been thought necessary for the period 1970-80. This would imply a growth rate of world population of about 2.1 percent per year, for developing countries 2.7 percent and 1.0 percent for developed countries. One set of GDP assumptions, linked with the basic trend-oriented production and demand projections had been selected. This would imply a growth rate in total GDP of about 5.1 percent per year for the developed market economies and 5.3 percent per year for the developing countries, roughly in line with recent trends. For the requirements of the FAO contribution to DD2, an alternative or "high" GDP assumption had been selected, which would imply an acceleration of economic growth of developing countries to approximately 6.5 percent per year over the coming decade.

148. In the course of selecting the assumptions, the Secretariat had also examined how assumptions in the previous study compared with actual developments. For population, the assumptions had been very close with recorded demographic trends and for income there had been a conservative bias, i.e. actual income growth had been somewhat higher than assumed in the previous study.

149. In line with the need emphasized by the meeting of experts for certain research to be undertaken as part of the ongoing work in support of projections, the Secretariat, with the help of consultants, had made progress on a number of research studies, some results of which would feed directly into the projections. Other parts of these research studies were still experimental at this stage, and would, it was hoped, lead to methodological improvements in future projection studies.

150. The Committee was informed that the Secretariat hoped to complete the first round of projections of production for all commodities, the first demand projections for agricultural raw materials, and the second round of the food demand model by approximately the end of this year. These results, which would initially be by commodities, would be rearranged by countries and would form the basis for discussions with as many countries and interested organizations as time and resources would permit. The revisions arising from these consultations could thus be taken into account before the finalization of the projections which should take place in approximately March 1971. Between then and June, the conclusions of the whole exercise, including

nutritional and trade implications, would be written up. It was intended that the last parts of the exercise would be sent for processing in June 1971. The research studies would form the subject of monographs which would be published when ready.

151. The Committee expressed its keen interest in the projections and noted their usefulness for planning and analysis of longer term developments and perspectives. Individual countries often could not undertake work of this magnitude or complexity.

152. Delegates made suggestions concerning a number of points and also asked for information on various aspects. As regards the price assumption, it was accepted that the main projections would continue to be made on an assumption of constant prices but it was also understood that attempts would be made to relax this assumption in some alternative projections. The importance of retaining also the assumption of constant prices for those commodities where other price assumptions were being used was strongly emphasized. This was particularly so for raw materials in view of the strong competition they faced from synthetics. A price much lower than the present one would imply a projected level of production much lower than one associated with current prices.

153. It was pointed out that, in the case of the trend-oriented assumption, the GDP indicated for the developing countries as a whole was slightly lower than that relative to the period 1965-70. The Secretariat explained that these assumptions were agreed upon with the United Nations Centre for Development, Planning, Projections and Policies and with the UN Regional Economic Commissions and that the growth rates selected were higher than those experienced by developing countries in the previous decade. Furthermore the period 1965-1970 was still partly forecast and therefore the currently indicated growth rates for these years were subject to revision.

154. Concern was expressed that the existence of only one production projection as against two demand alternatives might lead to inconsistencies in the results or to misinterpretations. The Secretariat explained why only one production projection was being made. At the time when the projections were planned, the Policy Advisory Bureau of FAO intended to select country/commodity production objectives or targets associated with the high GDP alternative. It would thus have been confusing for FAO to have published two sets of production data both related to the same or similar GDP assumptions and both covering the period 1970-1980 but one being labelled "projections" and the other "objectives" or "targets". The second and more fundamental reason was that, whilst trend based projections were conceptually clear, it was more difficult to see the logic of making production projections for individual commodities associated with an acceleration of economic growth, which especially in agriculturally-based economies, implied major changes in the structures of the agricultural sector. To make satisfactory commodity projections in such cases, a model of the sector as a whole was necessary and it was not possible at present to construct such models or even for most countries to draw on models made elsewhere. At a future time when such models were available for most countries, it would be possible to introduce production alternatives associated with GDP accelerations but in the meantime it was thought preferable to confine the projections to those based on trends.

155. Several delegates referred to the need to keep an appropriate balance between work on methodology and associated research studies and on projections themselves, including the improvement of basic data. It was suggested that it might be feasible to rely more on universities and research institutes for experimental research work. A particular instance might be the multi-commodity world equilibrium price model. It was explained that FAO's work on projections drew heavily on work in such organizations and, in fact, the multi-commodity model had originally been developed in a university research institute. The FAO contribution consisted mainly of supplying data required to bring the theoretical model closer to reality. The Meeting of Experts was one way in which FAO had been able to tap work done in research institutes in many countries.

156. There was a general feeling that more attention would need to be placed on improving supply projections which should also take into account as far as possible

structural and technological changes. The Committee noted that, whilst the main thrust to improving this round of projections had been on the side of demand, it was the intention of the Secretariat to concentrate next on improvements to supply projections. The steady improvement in the quality as well as quantity of basic statistics was a feature which would add significantly to the quality of the present projections. Another way in which projections could be improved would be through periodic comparisons with actual developments followed by updating and revision. The attention of the Committee was drawn to the desirability of studying what changes in methodology might be required to ensure that the specific conditions of socialist economies were reflected in the projections and it was suggested that this might be one of the subjects to be taken up at a future experts' meeting on projections.

2. Perspective Study of World Agricultural Development

157. The CCP was informed that, although FAO's resources would not allow the complete implementation of all the work requested by the Fifteenth FAO Conference in Resolution 1/69 by the end of the 1970-71 biennium, substantial progress toward these objectives had been made in the first nine months of 1970. This included:

- (i) Updating the 1961-63 base period used by the Indicative World Plan to 1964-66, with a coverage of well over 100 countries. This included supply utilization accounts, food balance sheets, data on GDP, and population statistics. 1970 benchmarks for developing the quantitative DD2 framework for the decade 1970-80 had also been fixed.
- (ii) Agreement with United Nations Centre for Development Planning, Projections and Policies and the Regional Economic Commissions on postulates for the growth rates of GDP and PCE for DD2. For developing countries as a whole the low variant was 5.3 and 5.4 percent per annum for 1970-75 and 1975-80 respectively, and the high variant 6.3 and 6.7 percent.
- (iii) The first run of the demand projections had been undertaken by the Commodities and Trade Division.
- (iv) A joint study had been established by FAO and the Economic Commission for Europe on agricultural developments in high income market economies, scheduled to be completed around mid-1971. It was hoped that this would go some way to filling the gap in the Indicative World Plan on the analysis of production and trade policies of developed countries as requested by the Conference. In addition, the OECD and COMECON had both agreed, at the request of the Director-General, to review the IWP and to analyze the main policy issues arising from it which might apply to their member nations.
- (v) Gaps in country coverage, in particular Indonesia and Central America, were now being remedied.
- (vi) Work was being undertaken with the joint ECLA/FAO Division in Santiago on an analysis of agricultural policies and potential in Latin America, taking into account implications of possible changes in income distribution.
- (vii) Studies in greater depth were being made on requirements for inputs, particularly fertilizers in Asia.
- (viii) Preparations were being made, in collaboration with ILO, for a pilot study on un- and under-employed in a major developing country and means to combat it. The country concerned had accepted in principle.

- (ix) Guidelines were being worked out for studies to determine costs of production and economic opportunity costs with the aim of assisting in the optimum allocation of resources both at the national and international levels, and in the identification of natural trading partners.

158. Consideration was being given to approaching this latter subject (ix above) somewhat along the lines adopted for the study on employment: i.e. an agreement would be reached on the division of responsibilities with other major agencies involved, the FAO then acting within its own sphere, in a catalytic and coordinating role to develop a work programme with bilateral agencies, universities, research institutes and other suitable bodies.

159. The CCP was informed that, notwithstanding this progress, there were serious staff constraints which made it impossible to do a series of in-depth supply analyses on a country basis, and that any re-examination of the IWP production objectives to meet DD2 targets and new demand projections would therefore have to remain at a fairly high level of aggregation.

160. The Chairman considered that it would have been valuable if the statement could have been submitted as a CCP document, since, although the verbatim report would present the information to the delegates, they would have preferred to have had the text in advance as a basis for discussion.

161. The difficulty of preparing adequate and pertinent comments on a comprehensive statement which had important implications for the work of FAO and the CCP, in the absence of a CCP document, was also raised by delegates, and the Committee agreed that the matter could be more appropriately referred to the next session of the CCP for more detailed consideration on the basis of an updated paper.

VII. MATTERS RELATING TO FOOD AID

1. Report of the CCP Working Party on Usual Marketing Requirements

162. The Report of the session of the Working Party on Usual Marketing Requirements (CCP 70/16/1) held in April 1970, was introduced by the Chairman of the Working Party. The Working Party had been appointed at the Resumed Forty-Fourth Session of the CCP with a view to adopting an agreed procedure on the establishment of the usual marketing requirements. It had approached its work on the basis of the text included in the report of the Committee of the Forty-Fourth Session, para. 134(7) to 134(12). It discussed the issues on which agreement was not reached at the Resumed Forty-Fourth Session of the Committee on Commodity Problems as follows:

- Use of the term "or related commodities";
- Objectives of usual marketing requirement;
- Previously negotiated usual marketing requirement; and
- Negotiating parties in establishing UMR's, as well as some other issues.

The Working Party had succeeded in reaching agreement on most of these issues but there still remained unsettled the part of the text dealing with negotiating parties, as well as other relatively minor points. During the present session of the Committee, the Working Party was re-convened and succeeded in reconciling views on the outstanding points. The final Report by the Chairman of the Working Party (CCP 70/16/3) contained a draft on procedures for the establishment of usual marketing requirements as agreed in the Working Party.

163. In the discussion in the CCP of the text in CCP 70/16/3, the following amendments were proposed:

- a) Addition of the underlined words in para. 6(b)(vi) to read "Any other special considerations, including those which the government of the recipient country may raise in its request or otherwise."
- b) Insertion of the underlined words in para. 6(e) to read: "The final step in establishing the UMR will be the conclusion of the negotiation between the supplying country and the recipient country".
- c) The substitution of the word "established" for "negotiated" in para.8; and
- d) The insertion of the words "or crop" in para.8 to read: "For any given recipient country and commodity, the UMR should be established for a given period of time (e.g. the calendar, fiscal or crop year, or any other period of 12 months, according to procedures to be agreed between the supplying country and the recipient) it being understood that during this period of time there can be only one such UMR".

Of these amendments, a), c) and d) were accepted.

164. The Committee agreed to adopt the text as amended, it being understood that it would be subject to the same procedure as adopted for the Consultative Obligations of Member Nations under FAO Principles of Surplus Disposal, i.e. by means of a resolution along the lines of operative paragraph (a) of Council Resolution 1/53.

165. In addition to the two reservations made to the text during the Working Party and referred to in footnote to the text reproduced below, the following reservations were made during the discussion in the Committee:

The delegate of Argentina stated: "With respect to this text and with particular reference to paragraph 8, my government understands that since for each product and each period of time there will be only one UMR, both the receiving country and the supplying countries carrying out transactions for those same products during the same period, will be subject to that particular UMR. With this interpretation, my delegation agrees to accept the text as proposed by the Working Party and formulates reservations as to the amendments introduced to that text";

The delegate of France declared: "The French delegation reserves its position with respect to paragraph 6(e) because its drafting implies an abnormal schedule of the consultations and negotiations on the UMR. After having considered the Report of the Committee, the French Government will make its final position known";

The delegate of the Democratic Republic of the Sudan reserved the position of his Government with respect to paragraph 6(e) because it did not include the words "the conclusion of ...".

166. The text on procedures for establishing usual marketing requirements adopted by the Committee is as follows:

PROCEDURES FOR THE ESTABLISHMENT OF
USUAL MARKETING REQUIREMENTS (UMRS)

1. The Committee reaffirmed the need for safeguarding usual commercial trade and for this purpose, the need to establish safeguards with the objective that the recipient country maintained at least the usual global commercial imports of the commodity concerned a/ in addition to the imports under the concessional transaction.
2. The Committee agreed that the establishment of UMR was a useful and necessary technique in order to ensure observance of the FAO Principle of additionality. The Committee therefore recommended that any transaction undertaken by governments in categories subject to prior consultation under (2) of Annex to Council Resolution 1/53 shall be subject to the establishment of a UMR, as appropriate to the specific situation in order to ensure that the transaction resulted in additional consumption and did not harmfully affect normal patterns of production and trade. The UMR should be defined as the specific agreement by the recipient country to maintain at least a specified level of commercial imports in addition to any imports of the same a/ commodities under the concessional transaction.
3. The Committee noted that the FAO Principles of Surplus Disposal contain provisions aimed at avoiding the danger of displacement of commercial sales of closely related commodities b/, and it reaffirmed that any interested country should have the opportunity to be consulted in this connection. The Committee therefore agreed that the supplying country should consider whether commercial trade in closely related commodities was likely to be harmfully affected and, if so, it should undertake consultations under the procedures set out in Annex to Council Resolution 1/53, and take appropriate measures to safeguard such trade. A third party may request consultations with a supplying country on its own initiative.

4. In principle, the UMR should reflect the traditional commercial imports of the recipient country. The determination of a UMR should also take into account the economic and balance of payments position of the recipient countries and their development needs, and should not constitute an undue burden on them.

5. If the application of the principles in paragraph 4 leads to a change in UMR levels, wherever they exist, then such changes should take account of the balance of payments position of the recipient country and should avoid disruptive effects on its economic development.

6. The following steps will be taken to arrive at a UMR for a particular recipient country for a specified period.

(a) As a point of departure, the supplying country approached will attempt to calculate the statistical figure representing the total commercial imports of the commodity concerned by the requesting country in a representative period of years, which should normally be the preceding five years. To help arrive at an as accurate a statistical basis as possible, the FAO will be prepared to furnish Member Nations with basic trade statistics including a breakdown according to types of transactions o/ relating to the commodity and country concerned. To this end, Member Nations are requested to extend full cooperation in supplying the data required to facilitate the task of the secretariat.

(b) The Committee recognized that the statistical figure of the total commercial imports of the recipient country in a representative period might need to be modified by special factors such as the following:

(i) A substantial change in production in relation to consumption of the commodity concerned in the recipient country;

(ii) A substantial change in the balance of payments position or general economic situation of the recipient country;

(iii) Evidence of a significant trend in the reference period in the commercial imports of the commodity concerned of the recipient country;

(iv) The level of the relevant UMR negotiated according to the procedures laid down in the present paragraph by the interested countries in the nearest previous period. However, when a UMR is negotiated for the first time under these procedures, note will be taken of the provisions of para.5 above.

(v) Any exceptional features affecting the representativeness of the reference period for the recipient country;

(vi) Any other special considerations, including those which the government of the recipient country may raise in its request or otherwise d/.

(c) The proposed figure, with appropriate explanation in cases where it differs from the basic statistical figure (which shall also be notified), will be the subject of bilateral consultation with those Member Nations whose normal commercial exports may be affected by the transaction; if there is a suggestion for changing the negotiated UMR, then this should be discussed between the supplying and the recipient country.

(d) The proposed UMR, as determined by the supplying country in the light of the bilateral consultations will be included in the prior notification to CSD of the main features of the transaction, as provided in para.(2)(b) of Annex to Council Resolution 1/53.

(e) The final step in establishing the UMR will be the negotiation between the supplying country and the recipient country e/.

7. In determining a UMR for a given period, a supplying country would ensure at the stage of bilateral consultations that all the interests concerned were taken fully into account, and use its best endeavours to arrive at a UMR that would be generally acceptable to all the parties concerned.

8. For any given recipient country and commodity the UMR should be established d/ for a given period of time (e.g. the calendar, fiscal or crop year d/ or any other period of 12 months, according to procedures to be agreed between the supplying country and the recipient) it being understood that during this period of time there can be only one such UMR.

9. In the event of an unforeseen and substantial deterioration in the balance of payments and general economic situation of the recipient country during the life of a particular UMR, such UMR may be re-negotiated with respect to the same commodity and the same period of time.

10. The Committee agreed that, if the need to improve procedures for establishing the UMR arises, the CSD should study the problems concerned in order to assist any further consideration by the CCP.

a/ The delegates of the Netherlands and the Democratic Republic of the Sudan reserved the positions of their Governments on the deletion from the original draft of the words "or related commodities".

b/ Especially the Principles in para.4(2) and that in para.6(1)(b) (Disposal of Agricultural Surpluses, Principles Recommended by FAO, Rome 1967)

c/ Transactions included in the Annex of the terms of reference of the Consultative Sub-Committee on Surplus Disposal, on the one hand, and all other transactions on the other.

d/ The delegate of Argentina stated: "With respect to this text and with particular reference to paragraph 8, my government understands that since for each product and each period of time there will be only one UMR, both the receiving country and the supplying countries carrying out transactions for those same products during the same period, will be subject to that particular UMR. With this interpretation my delegation agrees to accept the text as proposed by the Working Party and formulates reservations as to the amendments introduced to that text".

e/ The delegate of France declared: "The French delegation reserves its position with respect to paragraph 6(e) because its drafting implies an abnormal schedule of the consultations and negotiations on the UMR. After having considered the Report of the Committee, the French Government will make its final position known". The delegate of the Democratic Republic of the Sudan also reserved the position of his Government with respect to paragraph 6(e) because it did not include the words "the conclusion of...".

167. The Committee expressed its warm appreciation of the contribution by the Chairman of the Working Party on UMR, Mr. A.A.W. Landymore (United Kingdom), to the elaboration of the procedures on the establishment of Usual Marketing Requirement.

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

(i) Twentieth Report of the Consultative Sub-Committee on Surplus Disposal

168. The Acting Chairman of the CSD, Mr. G.W.J. Pieters, introduced the Twentieth Report of the Consultative Sub-Committee on Surplus Disposal, CCP 70/16/2, and the report on CSD Consultation and Reporting Procedures, CCP 70/16/2 Add. 1. Mr. Pieters noted that CSD membership, at the time of the report, was 44 and that two observers had since become members. Total participation in CSD had now passed 70, including the participation of the European Economic Community.

169. The Committee noted with pleasure that the CSD was continuing to maintain an effective watch over an increasingly complex area of concessional transactions. In doing so, it stressed again the importance of these activities to the maintenance of a normal and healthy world trade in agricultural commodities. One delegation, referring to the CSD report, expressed appreciation for the CSD activity with regard to "tied sales" and indicated it continued its opposition to this practice. The Committee welcomed the attention given by CSD to various aspects of credit sales and grants under the Food Aid Convention and the World Food Programme. Several delegates stressed the importance of continued vigilance to prevent harmful interference with commercial transactions.

170. While expressing unanimous support for the activities of the CSD, the Committee shared with the Acting Chairman the concern for all member nations to recognize that the changing problems of the CSD were enhancing the importance of the Sub-Committee's work, thus again stressing the need to maintain adequate and expert representation of governments in CSD.

171. The report on consultation and reporting procedures had examined with great care certain parts of the Council Resolution 1/53. The resulting new procedures were presented to the Committee for its approval. The Committee approved the proposed procedures and commended the CSD and its Working Party for the care taken in providing greater precision to this aspect of the consultative procedures. In commending these new procedures to member governments, the Committee also called attention to the annexes of this report, providing certain proforma to assist in uniform reporting.

172. The Committee considered one unresolved aspect of the procedures referred to by the CSD, namely, whether the period of multilateral consultation through the CSD be "at least five days" or "at least three working days". Recognizing that countries would find certain practical difficulties in the mechanics of providing an adequate period for consultation, the Committee acknowledged the possibility of different points of view and suggested that the CSD procedure be "at least three working days". In making this recommendation, the Committee suggested that the CSD continue to deal with the problems such as these pragmatically, with due regard to changing circumstances. With these, as with other procedures, the Committee believed that the experience itself would probably dictate any future changes which the CSD might refer to it.

(ii) The passing of Charles W. McLean

173. The Committee noted that the CSD had convened its 160th meeting in tribute to the late Charles W. McLean, Secretary of the Sub-Committee, who died unexpectedly on 28 February 1970. It expressed its appreciation for Mr. McLean's effective service and, wishing to add its condolences to those of the Sub-Committee, requested that the Chairman convey its deepest sympathy to Mrs. McLean.

3. World Food Programme activities

174. The Committee took note of information provided by the representative of the World Food Programme on the current operational status and recent activities of the WFP. The most important of the latter had been the unanimous adoption by the Intergovernmental Committee of a report on "Food aid and related issues during the Second Development Decade" and its submission to the Economic and Social Council and the General Assembly. In regard to the recommendations of this report concerning the need of WFP for more resources to meet the many formal requests for development aid which it was receiving, the Committee was informed that the Programme would be unable to meet a number of these requests unless it were provided with additional resources.

175. Total commitments to WFP had now reached about one thousand million dollars; resources received are \$ 770 million and the annual rate of disbursements is now \$150 million and is continuing to rise. Development projects supported number 459 in 83 countries, of which 71 have been completed. Emergency aid allocations now total \$90 million.

4. General Assembly Resolution No.2462 (XXIII) on Multilateral Food Aid

176. The FAO Conference (Fifteenth Session) had requested the Committee to express its views on two issues arising from the request addressed to the Director-General in General Assembly Resolution 2462 (XXIII) on Multilateral Food Aid. These concerned the suggestion in the interagency study on food aid that there might be an earmarking of part of the stocks held by developed countries for use in food emergencies requiring international relief, as a means of ensuring that sufficient supplies were available to meet unforeseen urgent situations; and the Director-General's suggestion that use be made of an existing intergovernmental forum to assist in the assessment of food aid needs.

177. As regards the suggested arrangement for mobilizing emergency supplies, the Committee considered that the scope and nature of such a scheme would have to be further clarified and thoroughly studied before any firm views could be given as to its feasibility or acceptability. Generally, it was the responsibility of the government of each country concerned to maintain adequate food supplies for their population, including an allowance for crop fluctuations, and the Committee noted that many developed and developing countries already held reserve stocks for this purpose. However, it was noted that some countries did not hold official government stockpiles or did not exercise any control over normal commercial stockholdings. Some delegates suggested that it would be useful to assemble precise information on the current stockholding policies and the extent to which earmarkings for emergencies were already made by governments, but other delegates considered that there would be practical difficulties in distinguishing between stocks held for operating and commercial purposes, and stocks held for emergencies.

178. Some delegates pointed out that the problem of mobilizing supplies to meet crop failures, which could often be foreseen, had been mitigated by the introduction of FAO's Early Warning System for Food Shortages. As regards unforeseeable emergencies, the Committee was informed that the Government of the Netherlands intended to present a specific proposal to the forthcoming session of the Intergovernmental Committee of the World Food Programme concerning the establishment of an emergency world food bank whereby interested countries could share responsibility for meeting this problem within an agreed framework.

179. Delegates emphasized that the issues arising under General Assembly Resolution 2462 should be considered in the context of the more general question of the future role of the United Nations and the international organizations concerned in emergencies requiring international assistance, on which the Secretary General of the United Nations had been requested to prepare a report to the ECOSOC. Furthermore, governments were now in the process of considering the possible re-negotiation of the Food Aid Convention of the International Grains Arrangement.

180. The Committee therefore agreed that a decision on any preparatory studies which may be required on this question should await the outcome of these international discussions.

181. As regards the suggestion that an existing intergovernmental forum should be assigned responsibility for assessing food aid requirements, some delegates believed that this could be regarded as part of the regular activities of the Intergovernmental Committee of the World Food Programme. Moreover, the regular submission of the reviews of the medium-term food outlook to the Study Group on Grains would in future give an opportunity for governments to appraise prospective food needs, and delegates reiterated the view expressed at the last session that the medium-term reviews could be made more relevant to the assessment of food aid needs if special attention were paid to countries subject to the greatest risk of crop failure. The Committee considered that in its view it was not necessary for use to be made of an intergovernmental body to assess food aid requirements over and above the action which was already being carried out by the competent bodies in this field.

VIII. ORGANIZATIONAL MATTERS

1. Membership of CCP

182. The Committee noted that, in pursuance of a request made by the Conference, the Council had asked the Programme Committee to consider the desirability of converting the standing committees of the Council, including the CCP, composed of a limited number of Member Nations, into bodies open to all interested nations.

183. The Committee also noted that the Programme Committee, after consideration of this matter, had felt unable to recommend any change in the membership of CCP.

184. Although some delegates expressed an opinion in favour of open membership, and a larger number were in favour of retaining the present membership of 34, there was a general consensus that the importance of the subject merited further careful study.

185. It was suggested by one representative that if membership of the CCP continued to be limited, provision should be made for due representation of the principal economic regions. Some delegates expressed sympathy for this view.

2. Nomenclature of subsidiary bodies in the light of their changing nature

186. The Committee noted the recommendations by the Consultative Committee on Jute, Kenaf and Allied Fibres, by the Consultative Sub-Committee on Hard Fibres and by the Special Session of the Study Group on Oilseeds, Oils and Fats, as contained in their reports. The Committee also considered document CCP 70/9 containing a summary of the present situation concerning nomenclature of its own subsidiary bodies and explaining the implications that these recommendations would have both with respect to the nomenclature used in naming other CCP subsidiary bodies and with respect to the provisions of Rule XXIX.9 of the General Rules of the Organization.

187. Some delegates pointed out that it was desirable to change the present nomenclature, taking account of the changing functions of the CCP commodity subsidiary bodies. Several others proposed the adoption for all the standing bodies of the CCP dealing with single commodities or groups of closely related commodities of the term "Intergovernmental Group on....." to replace the term "Study Group on.....".

188. The Committee requested the Council to invite the Committee on Constitutional and Legal Matters to consider the question of the nomenclature to be used in line with the preceding proposal and whether an amendment to Rule XXIX.9 of the General Rules of the Organization was desirable. It also recommended to the Council to invite the Committee on Constitutional and Legal Matters to communicate its report on the subject to the CCP so as to assist it in its further deliberations at the next session. In the meantime, the Committee noted that the status quo would be maintained.

IX. ARRANGEMENTS FOR THE FORTY-SIXTH SESSION OF THE COMMITTEE

189. The Committee decided that the date of its Forty-Sixth Session should be determined by the Director-General in consultation with the Chairman, taking into consideration the opinion expressed by a number of delegations that the session should preferably be convened in June 1971. The session would be held in Rome.

190. The Committee drew up the following draft agenda for its Forty-Sixth Session:

- a) Review of the world agricultural commodity situation, problems and policies
 - (i) General situation and outlook
 - (ii) National agricultural price stabilization and support policies
- b) Review of the activities of Commodity Study Groups, Consultations and other special commodity matters
- c) Commodity projections
- d) Perspective study of world agricultural commodity development
- e) International agricultural adjustment - FAO role
- f) Matters relating to food aid
- g) Organizational matters, including the nomenclature of subsidiary bodies.

It was understood that any matters referred to the Committee by the Council would also be included and also any other matters which the Director-General considered of particular concern to the Committee.

X. AWARD OF THE NOBEL PRIZE TO DR. N. BORLAUG

191. The Committee welcomed the news, brought to its notice by the Argentine delegation, of the award of the Nobel Prize for 1970 to Dr. Norman Borlaug, the United States Agronomist, who had been working since 1944 on plant genetics, mostly in Mexico, to increase food production in the developing countries. Currently Dr. Borlaug was the Director of the International Maize and Wheat Centre of Mexico, a research institute sponsored by the Rockefeller Foundation.

192. The Committee paid warm tribute to the scientific work of Dr. Borlaug and his great contribution to raising the levels of food production in the developing countries, especially in Mexico, India and Pakistan. It recognized that Dr. Borlaug, through his improvement of wheat and rice, had achieved a breakthrough which had contributed substantially to raising the levels of food production in developing countries and had given these countries a means of successfully meeting the challenge of hunger and malnutrition.

XI. MATTERS REQUIRING THE ATTENTION OF THE COUNCIL

193. The Committee wishes to bring the following matters in particular to the attention of the Council.

- (a) Its decision to modify and extend the terms of reference of the Study Group on Oilseeds, Oils and Fats (paragraph 42);
- (b) Its decision to establish a Study Group on Meat (paragraph 83);
- (c) Its review of the report of the consultation on the Director-General's proposal for a Dairy Development Scheme and its suggestion that the Council should place on CCP the responsibility for the review of activities under the Scheme, to be known as International Scheme for Coordination of Dairy Development (paragraphs 90-101);
- (d) Its decision concerning the determination of Usual Marketing Requirements within the consultative procedures applying under the FAO Principles of Surplus Disposal (see Council Resolution 1/53) (paragraphs 162-166);
- (e) Its request that the question of the nomenclature of its subsidiary bodies should be examined by the Committee on Constitutional and Legal Matters (paragraph 188).

APPENDIX
ANNEXE
ANEXO

LIST OF PARTICIPANTS
LISTE DES PARTICIPANTS
LISTA DE PARTICIPANTES

Chairman/Président/Presidente:	Mr. Soengeng-Amat (Indoensia)
First Vice-Chairman/Premier Vice-Président/ Primero Vicepresidente:	Mr. G.H. Janton (France)
Second Vice-Chairman/Deuxième Vice-Président/ Segundo Vicepresidente:	Mr. J.A. Eweka (Nigeria)

MEMBERS OF THE CCP
MEMBRES DU CP
MIEMBROS DEL CPPB

ALGERIA/ALGERIE/ARGELIA

A. Fasla
Secrétaire
Ambassade d'Algérie
Rome

ARGENTINA/ARGENTINE/ARGENTINA

P. Perez Quesada
Ministro Consejero
Encargado Negocios a.I.
Embajada de Argentina
Roma

A. Signanini
Ministro Consejero Económico
Embajada de Argentina
Roma

J. Vallega
Consejero Agrícola
Embajada de Argentina
Roma

L.J. Genta
Secretario Comercial
Embajada de Argentina
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Assistant Director
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MEMBRES DU CP (suite)
MIEMBROS DEL CPPB (cont.)

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J.A. Stafford
Agricultural Attaché
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Rome

BRAZIL/BRESIL/BRASIL

Miss M. de Barros e Vasconcellos
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MIEMBROS DEL CPPB (cont'd)

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* * * * *

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