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Sixty-Fourth Session

Rome, 18 - 29 November 1974

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

(Rome, 14 - 25 October 1974)

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MATTERS REQUIRING ATTENTION BY THE COUNCIL

The Committee's discussion on the agricultural commodity situation and outlook (paragraphs 9-35).

Its discussion on the revised draft text of the Undertaking on World Food Security and on other aspects of the proposal for a system of world food security (paragraphs 41-67).

Its evaluation of the world cereal stock position (paragraph 105).

Its discussion on the work on international agricultural adjustment (paragraphs 70-80)

Its review of the intensive intergovernmental commodity consultations held under UNCTAD Resolution 83(III) (paragraphs 89-102).

Its consideration of the possible role of the Sub-Committee on Surplus Disposal in the machinery of food security in the light of the discussion in paragraph 60 of the CCP Report and in the context of the outcome of the World Food Conference on the subject of such machinery (paragraphs 154-156).

Its proposals concerning its forthcoming sessions and agenda (paragraphs 169-173).

## INTRODUCTION

1. The Committee on Commodity Problems held its Forty-Ninth Session from 14 to 25 October 1974 at FAO Headquarters, Rome. The session was attended by 54 Members of the Committee, by observers from 11 other FAO Member Nations, and by representatives of the EEC, the United Nations and its Specialized Agencies and 14 international organizations. The list of participants is given in Appendix B.
2. The session was opened by the Director-General of FAO, Mr. A.H. Boerma. Referring to the shortages of supplies, high prices and depletion of carryover stocks for most agricultural commodities during 1973, and the factors which had given rise to these, he pointed out that the prospects for 1974 had been further aggravated by the energy crisis, related shortages of agricultural inputs, especially fertilizers, continuing high rates of inflation, instability of money markets and the threat of a world recession. These difficulties were further compounded by unfavourable crop results in 1974. In particular, the outlook for cereal production in 1974/75 had deteriorated quite suddenly because of the incidence of adverse climatic factors in North America and the Far East. As a result, the world cereal supply situation had reached a point of crisis.
3. The Director-General stressed that this crisis had made it urgently necessary for the main exporting countries to consult with one another and with the major consuming nations, both developed and developing, and to agree on decisive steps toward orderly management of available supplies - namely the earmarking of sufficient supplies to meet these needs which are not yet covered but which must be covered if famine and deaths by starvation are to be avoided. For the financing of needed shipments, he added, special arrangements would have to be made to provide countries lacking essential resources with large-scale financial help in the form of deferred payments, expanded credit or other concessions. The Director-General further emphasized that the urgent need for national and international action to overcome the world food crisis gave immense significance to the World Food Conference which would be held in Rome from 5 to 16 November 1974.
4. Concluding his statement, the Director-General referred to the effective role which the FAO Committee on Commodity Problems could play in preparing the ground for cooperative international action expected from the World Food Conference through its assessment of the present commodity situation and outlook, and through its discussions on world food security and problems of trade, stability and adjustment.
5. Mr. G.H. Janton (France) was elected Chairman and Mr. Salahuddin Ahmed (Bangladesh) and Mr. B. Diallo (Senegal) were elected First and Second Vice Chairmen, respectively, to serve for the 1974/75 biennium. The Committee expressed its warm appreciation to Mr. Juan Carlos Vignaud (Argentina), who served as Chairman during the 1972/73 biennium.
6. The Committee paid tribute to the memory of the late Mr. M.A. Oakley who had represented Australia at many FAO meetings and who had served as Chairman of the Committee on Commodity Problems during the 1968/69 biennium.
7. The Committee adopted the agenda as reproduced in Appendix A.
8. The Committee was assisted during the session by a drafting committee composed of the delegations of Argentina, Australia, Egypt (Arab Rep.), France, Hungary, India, Indonesia, Colombia, United Kingdom, United States of America, Yugoslavia and Zambia, under the chairmanship of Mr. Salahuddin Ahmed (Bangladesh).

## REVIEW OF WORLD AGRICULTURAL COMMODITY SITUATION AND OUTLOOK

### Current situation and short-term outlook

9. The Committee reviewed the current world commodity situation and the short-term outlook on the basis of information contained in the FAO Commodity Review and Outlook, 1973-74, in a supplementary updating document, in a Secretariat statement and in statements made by members.

#### — Current situation

10. The Committee noted that in 1973 world agricultural commodity markets had witnessed a sharp accentuation of the price rise which had begun in 1972. The United Nations Export Prices Index for all primary agricultural commodities had risen 48 percent from 1972 to 1973. Both food and non-food agricultural commodities had shown increases, the former about 47 percent and the latter about 51 percent. Among the former, prices of temperate zone food products were 50 percent higher while those of tropical products rose by 32 percent. The steepest price increases in 1973 were in cereals, oilcakes and meals, fats and oils and agricultural raw materials except for jute. Prices of rice, wheat, oilcakes and meals and sisal more than doubled while increases of about 70-80 percent were registered for coarse grains (maize and barley), fats and oils, cocoa, cotton and rubber. In contrast to recent years, increases in the prices of meat were less than the rise in the overall index of agricultural export prices. The few commodities which did not share in the price boom included tea, bananas, citrus fruit and jute.
11. A striking feature of price movements in 1973 was the relatively greater rise in those products which are used as inputs for further production. For instance, the prices of feed-grains and oilcakes and meals rose much more than the prices of meat and dairy products. As a result, the cost/price ratios for livestock products moved against producers. Agricultural raw materials, except for jute, had also shown above average price rises.
12. Another important characteristic of the price movements over the last two years was the continuous acceleration in price increases from the first quarter of 1972 to the third quarter of 1973 when on average prices were above 61 percent higher than in the corresponding quarter of 1972. The rate of increase subsequently eased to 58 percent in the fourth quarter of 1973, to 47 percent in the first quarter of 1974 and to 31 percent in the second quarter. However, increases in agricultural prices were far above the general rate of inflation.
13. Prices of some commodities, especially coffee, tea, wine, meat (particularly beef), oilcakes, cotton, rubber and wool had been steadily moving down since the early months of 1974, leading in some cases to market intervention in producing countries and accumulation of surplus stocks. Stocks of beef, skim milk powder, butter, wine and cotton have grown. This was due either to a decline in demand or to increases in supply. But for some major food and feed commodities, especially coarse grains and sugar, prices either remained close to their peak levels or increased further during 1974.
14. The value of world trade in principal agricultural commodities (excluding forestry and fishery products) rose by a record estimated 46 percent from approximately U.S.\$41,000 million in 1972 to about U.S.\$60,000 million in 1973. The increase was over three times that of 1972, which had been the highest year-to-year increase in the last two decades. Food and feed commodities together contributed more than 80 percent of the total increase. Agricultural raw materials, and beverages and tobacco each accounted for another 10 percent of the increase. The value of world fishery exports rose 24 percent to reach a record of nearly U.S.\$4,800 million and those of forestry products also expanded very strongly by about U.S.\$6,000 million, or 39 percent over the level achieved in 1972.

15. The gains in trade were widely shared although, as in past years, the major share of the total increase in exports, about U.S.\$12,600 million or approximately two thirds of the total increase, accrued to the developed countries. As a result, the value of their agricultural exports rose by 56 percent and their share in world agricultural trade rose to an estimated 64 percent compared with 61 percent in 1972. The developing countries raised the value of their exports by about 36 percent, but their share in world agricultural exports fell from 31.5 percent in 1972 to 29 percent in 1973. The centrally planned countries also raised the value of their agricultural exports by 36 percent and their share fell from 7.5 percent to 7 percent. The benefits derived by individual countries from the "boom" in commodity trade and prices varied widely, depending on the pattern of their commodity exports and the quantities of exportable supplies available in the country concerned. However, on the whole, developing countries in particular could not take full benefit of the price increases due to the increase in the costs of manufactures and agricultural inputs and the high transport costs for their export products.

16. Nearly all of the increase in trade values in 1973 was accounted for by the rise in prices. The volume of principal agricultural exports went up by an estimated 6 percent. This was approximately the same rate of increase as in 1972, but greater than the trend rate of growth during the sixties (4.6 percent).

17. The increase in the real value of agricultural export earnings in 1973 was 26 percent as the prices of other products, particularly manufactures, rose sharply. The United Nations index of export values of manufactures rose by 16 percent over the 1972 levels, compared with an average annual increase of 2.5 percent during the period 1961 to 1972.

18. Concessional exports fell in 1973. These of cereals in 1973/74 were approximately 6.9 million tons, 2.1 million tons less than in 1972/73. In particular, exports of rice on concessional terms in 1973 were reduced by 0.7 million tons. Shipments of milk and milk products were at their lowest level for many years and supplies of fats and oils on concessional terms were also reduced.

19. In 1972, with rapidly increasing demand and lower production, carryover stocks were drawn down substantially and price increases were thereby moderated. In 1973, while agricultural production showed some recovery, demand was very buoyant due to exceptionally high rates of economic growth in most industrialized countries, to speculation arising out of monetary uncertainties and to the acceleration of inflation during 1973. The demand-supply gap, therefore, actually widened in 1973 compared with the previous year and could only be effectively closed by a steep rise in prices since the scope for further depletion of stocks was very limited.

#### — Short-term outlook

20. The Committee was of the view that the short-term outlook was characterized by a more than usual degree of uncertainty and unpredictability. As carryover stocks, especially of cereals, were at very low levels, exportable supplies in the immediate future had become more than ever dependent on current harvests which were subject to vagaries of weather. Certain new factors had also emerged, such as the shortages and high prices of agricultural inputs, especially fertilizers, pesticides, agricultural machinery, and fuel, which were likely to affect output adversely. The Committee stressed that the degree of uncertainty in agricultural commodity markets was aggravated by certain developments in the world economy, including very low rates of economic growth, continuing high rates of inflation and balance of payment disequilibria. These factors could force unpredictable adjustments on the agricultural sector.

21. The Committee recognized that 1974 would be a year of very low rates of growth in most industrialized countries and that, according to the latest forecasts, 1975 might be worse. Members drew attention to warnings made by such bodies as the IMF that current economic difficulties could trigger off a world economic recession unless the world community tackled, through international cooperation, the grave economic problems it faces. Even though the income elasticity of demand for agricultural commodities was, in general,

relatively low, the impact of decelerating or stagnating incomes was likely to be felt by such products as fruit, vegetables, spices, cocoa, meat and cheese, with the fall in demand for the last two also leading to a decline in the derived demand for feedingstuffs. Agricultural raw materials were also likely to be affected by weak industrial demand. As a result, there was a danger that the demand for exports, particularly of the developing countries would decline with serious implications for export earnings.

22. Balance of payments disequilibria, together with the sharp rise in prices of fuels, food and industrial goods, in particular grains and fertilizers, were being felt by many countries. Particular concern was expressed in this respect for the problems faced by the developing countries, although the impact varied from country to country according to the composition of each country's exports and imports. The Committee stressed that the growing interdependence of countries meant that solutions to the problems raised by balance of payments disequilibria could only be solved through international cooperation and consultation, and with full regard to the interests of the developing countries. Failing this, there was a danger that unilateral action taken in an attempt to restore equilibrium through depressing domestic demand, through competitive devaluations and through the imposition of barriers to trade, would bring the possibility of a world wide depression nearer, with serious repercussions on import demand. Deep concern was expressed over the exceptional measures already taken by countries or groups of countries to restrict or prohibit trade in certain agricultural products. The Committee underlined the importance of expanding trading opportunities for those countries which depended heavily on exports of agricultural products, particularly for developing countries, and reiterated the importance it attached to international consultation and negotiation.

23. The steep rise in costs of production, the large unpredictable variations in demand and the adoption of trade restricting measures would bring greater instability to agricultural commodity markets. These factors were likely to have a considerable impact on farmers' investment decisions.

24. The Committee concluded that, due to the incidence of widespread drought, erratic rainfall, floods or early frosts in several major producing and consuming areas, the immediate outlook for grains, beet sugar and soybeans in 1974/75 was for an overall decline in output compared with 1973. As a result, the available supplies of basic foodstuffs this year will be deficient in relation to demand. As there would be little chance of replenishing stocks in the remaining part of this year and the supply situation would depend crucially on 1975 harvests, international markets would remain tight in the short term. Consequently, developing countries would suffer particularly and there was urgent need for international measures for ensuring adequate food supplies to these countries at reasonable prices. In contrast, for some other commodities such as coffee, tea, wine, meat, oilcakes, cotton, rubber and wool, the short-term outlook pointed to relatively low prices due either to a slackening of demand or to the prospect of substantial increases in supplies in the current season. To the extent that these commodities concern the developing countries, they would suffer a decline in their export earnings which would compound their food problem even further. Moreover, the prospect for tight supplies and high prices of feedingstuffs and depressed prices of meat pointed to a cost/price squeeze in the livestock industry which, by encouraging early slaughterings and reduction in size of herds, could further aggravate the cyclical instability of the livestock industry.

25. On the competitiveness of agricultural raw materials, the Committee noted the special study in the Review which showed that between the end of 1972 and the beginning of 1974, agricultural raw materials had derived only very limited benefits from the steep rise in costs of synthetic substitutes. The competitive price position of jute and sisal had worsened, while rubber and wool prices had become more competitive. Further increases in the longer run in costs and prices of synthetic raw materials were expected to be more moderate, as the planned additional capacity combined with advances in technology would lead to a more efficient use of feedstocks and energy. Production of agricultural raw materials has been affected by higher costs of transport, fuel and power, agricultural inputs such as fertilizers, pesticides and chemical yield-stimulants, and industrial materials required for the processing of natural fibres and rubber.



26. As a consequence, in the future, cotton growers whose cultivation techniques require substantial application of chemical inputs are likely to reap only limited benefits from the rising costs of synthetics. Producers of jute and sisal might also profit only slightly. The gains in competitiveness of natural rubber and wool vis-à-vis synthetic substitutes might be more due to their relatively favourable cost structures.

#### Longer-term problems and policy issues

27. The Committee's deliberations on longer-term problems and policy issues focussed on the factors influencing agricultural production and international commodity trade and on the national and international actions necessary to ensure stability and growth. Its discussion of production problems was based on statements of members, and on information provided by the Secretariat, particularly concerning the progress of the "Green Revolution" and the obstacles to an acceleration of the growth of food production in developing countries. Concerning the longer-term aspects of commodity trade problems and possible solutions, the Committee also took into account statements presented by the Secretariats of FAO and UNCTAD.

28. The Committee recognized that many of the factors responsible for the uncertainties as to short-term prospects would also condition the longer-term outlook both for agricultural production and for trade. In the view of the Committee, the ability of the international community in overcoming the present difficulties, especially those major economic problems which lie outside the agricultural sector, through concerted action, would strongly influence its success in tackling the problems of agriculture.

29. Concern was expressed by the Committee over the gravity of the present world food situation. The widening gap between food demand and domestic production in the developing countries, their growing dependence on food imports, and the serious longer-term implications of these trends demanded the acceleration of their food production. In this context, the Committee assessed the progress of the "Green Revolution" and noted the physical, biological, technical and socio-economic constraints which impeded more rapid expansion of food production in the developing countries. In particular, the Committee recognized that the extension of "Green Revolution" technologies applied to food production depended heavily on the availability of improved seeds adapted to local conditions, on development of water resources, on expanded supplies of chemical inputs, especially fertilizers, and on the creation of an appropriate institutional framework.

30. The Committee stressed that the success of the developing countries' efforts to accelerate food and agricultural production very much depended on the provision of greater input supplies at reasonable prices, technical assistance, and of financial resources through international cooperative action. In view of the urgency of the situation, the Committee concluded that the World Food Conference would provide the best forum for initiating concrete measures to promote such action.

31. Another longer-term issue on which the Committee focussed attention was the possibility of continuing uncertainty and instability in commodity markets which would have damaging consequences for the orderly development of agricultural production and trade. Members emphasized the harmful effects of these factors on longer-term investments in agriculture and on foreign exchange earnings, especially in those countries which depend heavily on exports of agricultural commodities, in particular the developing countries.

32. With most countries facing the prospects of low economic growth, high rates of inflation and serious balance of payments disequilibria, there was a convergence of interests in overcoming their common problems. The Committee was particularly concerned with the serious effects of these trends on the developing countries. The period and degree of instability in world markets would depend on the extent of effective cooperation on policies to overcome these problems. In this context, the Committee stressed the increasing interdependence of countries and the need to avoid the pursuit of unilateral policies which would exacerbate present commodity difficulties. The Committee concluded that international consultations and multilateral approaches provided the best means for ensuring future stability in commodity markets.

33. The Committee noted that in the past two years, several new initiatives have been launched in various international fora to tackle agricultural commodity problems. These included the FAO/UNCTAD intensive intergovernmental consultations on selected commodities, the inclusion of agricultural products in the GATT multilateral trade negotiations, and FAO's work on international agricultural adjustment and principles of world food security. The decision of the United Nations General Assembly last December to convene a World Food Conference in November 1974 could have far-reaching implications for food commodities. The Sixth Special Session of the United Nations General Assembly on raw materials and development adopted a programme of action on the establishment of a new international economic order including certain principles and recommendations in respect of commodities. The UN Trade and Development Board, at its Fourteenth Session in August 1974, requested the Secretary-General of UNCTAD to elaborate further, in consultation with interested organizations, his proposals for "an overall integrated programme for commodities".

34. The Committee noted with interest the statement of the representative of UNCTAD which contained a valuable assessment of the present unfavourable position of the developing countries in international trade and their future outlook, and which explained the essence of the UNCTAD Secretary-General's proposals. The integrated programme would embrace a multi-commodity approach to cover arrangements for a comprehensive range of commodities, both "strong" ones - where the market factors and bargaining power of producing countries make the outlook for them favourable - and "weak" commodities. It would also be multi-dimensional, including the objectives of indexation, the improvement of the marketing system, vertical diversification and expanded access to markets, as well as those of stable and remunerative prices. The third main element of the programme would be the incorporation in commodity arrangements of new principles and techniques, including the wider use of buffer stocks. Some members suggested that the multi-dimensional approach should also embrace processing and marketing of primary commodities, adequacy of supplies to consumers, compensatory payments, investment and resource allocation.

35. In view of the gravity of the two main commodity problems, namely growing uncertainty about future supplies and continuing instability of trade prices and export earnings, the Committee stressed the need for early and effective action on these problems. The recent international initiatives provided the opportunity to reinforce past efforts by developing more comprehensive approaches to the solution of commodity problems. Many members urged that effective implementation of the decisions of the UN General Assembly Sixth Special Session on raw materials and development and its adopted Programme of Action on the Establishment of a New International Economic Order should form the basis of its future work.

#### Contents of the FAO Commodity Review and Outlook and related documents

36. The Committee appreciated the comprehensive coverage of the documents, especially the FAO Commodity Review and Outlook, 1973-74, prepared for its review of the world commodity situation and outlook. In view of the unpredictable and unforeseeable effects of several factors, especially variations in weather, the short-term outlook contained in the Review, which is prepared more than three months in advance of the Committee's session, has to be updated in a separate document. Some members suggested that the Secretariat should explore the possibility of omitting the short-term outlook from the Review in years of great uncertainty. The need for analyzing at greater length the short-term outlook in the updating document that is prepared subsequently was stressed by the Committee.

37. Some exporting members pointed out that their expectations on prospects for exports of certain commodities such as meat, based inter alia on FAO projections, had not been met. This was due not only to unforeseeable factors but also to increased trade barriers and especially to the temporary restrictive measures taken by certain countries and a certain group of countries which had serious negative consequences on the vital interests of these countries.

38. Some members suggested that the analysis of trade in the Review should also provide, as far as possible, more information on: (a) agricultural imports, especially those of the developing countries from the developed countries; (b) the effect of increased transport and related distribution costs on international trade in agricultural commodities; (c) more analysis, if possible of the trade performance of smaller groups of countries; (d) further special studies along the lines of those contained in Chapter II of the Commodity Review and Outlook, for example, on input structures in agriculture.

39. It was also suggested that the document on developments in agricultural price stabilization and support prices should not only include up-to-date official support prices but also prices actually received by farmers.

40. The Committee, in emphasizing the need for a shift in its deliberations on commodity problems from review and analysis to concrete action for resolving the problems, suggested that the FAO Commodity Review and Outlook should include proposals for action by the Committee and should expand its section on longer-term issues and policy alternatives to that effect.

#### INTERNATIONAL ACTION RELATING TO AGRICULTURAL COMMODITIES

##### World Food Security

41. The Committee considered the report of the Ad Hoc Working Party on World Food Security (CCP 74/14) which, in accordance with Conference Resolution 3/73, had been convened in May 1974 to review the draft International Undertaking on World Food Security and to prepare a revised text for consideration by the CCP and Council, and for adoption by governments at the earliest possible date.

42. Introductory statements were made by Mr. Bula Hoyos, Independent Chairman of the Council and by Mr. Frank Shefrin, Chairman of the Ad Hoc Working Party on World Food Security. The Committee commended the work of the Working Party. It noted that the text of the Undertaking as revised by the Working Party, had been endorsed in principle by the Council at its special session in July 1974, subject to its further consideration by the CCP. The Director-General had been authorized to make the text available to the World Food Conference, together with the views of the CCP.

##### — General aspects

43. The Committee first considered the general aspects of the report. It agreed that there should be a universal participation of all countries if the world food security system was to be fully effective. In this connection, the Committee welcomed the participation in its discussions of some interested FAO member nations which are not members of the CCP, no distinction in practice being made between member or observer nations for this purpose. However, it noted that some non-member countries with a substantial interest in world cereals production, consumption and trade, and in particular the U.S.S.R., had not accepted the invitation to participate in the CCP's examination of the revised text. The Committee expressed the hope that these non-member nations would participate actively in the discussions on world food security when it was considered at the World Food Conference.

44. The Committee noted that the Preparatory Committee of the World Food Conference at its third session (23 September 1974 - 4 October 1974, Rome) had welcomed the progress made in FAO in developing a common approach to achieve the objectives of world food security, and had fully supported the concept of maintaining adequate reserve stocks of basic foods which could provide the world with a margin of safety against production shortfalls. The Committee also noted that the subject of world food security would be one of the major items to be considered by the World Food Conference in November 1974. Consequently, the Committee felt that it would be premature for it to take a definitive view now of certain aspects, particularly those relating to the follow-up machinery.

45. The Committee agreed on the need to find ways and means to end the present insecure and uncertain food supply situation as soon as possible, but it also recognized the magnitude and complexities of achieving the objectives of world food security at the present juncture. World cereals stocks were extremely low and the current harvests were unlikely to permit any replenishment in the coming season. In this connection, the Committee stressed that while adequate stock policies were an essential element of world food security, for building up the stocks and providing continuing food security, it was equally if not more urgent to accelerate food production, particularly in developing countries.
46. The Committee emphasized the difficulties currently faced by the developing countries in building up stocks, namely the lack of adequate domestic supplies in excess of current consumption needs, the present high prices of food grains in world markets, and the constraints imposed by balance of payments difficulties. The world shortage and high prices of fertilizers had further clouded the medium-term prospect of their being able to build up adequate stocks from their own production. The Committee stressed that the concerned international, financial and technical organizations, and the developed and other potential contributor countries should urgently take the necessary measures to enable the developing countries to obtain the required financial, technical and material assistance, and in particular fertilizers and other inputs needed to increase their agricultural production. There was also the urgent need for a viable mechanism to help the developing countries build and replenish their stocks through food aid, concessional sales and financial assistance. Emphasis was also placed on the need to increase aid to developing countries for building up adequate storage facilities.
47. Attention was drawn to the relationship between stocks held for the purpose of world food security, and those held for price stabilization purposes. Some members pointed out that the latter aspect should be considered in appropriate fora within the framework of multilateral trade negotiations, and the observer from IFAP supported the need for an international commodity agreement with stockholding provisions to stabilize prices. The observer for the International Wheat Council informed the Committee of the progress of the programme of studies which his organization had initiated on possible elements of a new international wheat agreement, including stockholding provisions compatible with the International Undertaking on World Food Security.
48. Several members referred to the various practical and technical questions that would need to be resolved in order that countries could implement effectively the Undertaking on World Food Security. In this connection, the Committee endorsed the Working Party's proposal for an expert consultation to examine technical questions so as to facilitate their further consideration by governments.
49. As regards the commodity coverage of the Undertaking, the Committee agreed that this should be concerned primarily with cereals. Some members suggested that in the longer run it might be desirable to widen its scope to cover other basic foodstuffs such as animal fats and oils, vegetable oils, legumes, milk powders, sugar, meats and fish which play an important role in consumption.
50. The Committee stressed that the world food security system must be based on a sound information system. This should have the widest possible country coverage, with emphasis on the speedy assembly and transmission of information rather than the accumulation of detailed statistics. All efforts should be made by FAO to strengthen its early warning and food information system. The Committee also stressed the confidential nature of certain items of information that may be supplied by governments and urged that they should be used with discretion and caution to avoid unfavourable political and economic repercussions.
51. The Committee noted with interest a statement by the United States delegate describing the new system of export management recently adopted by his country for grains, and the reasons why this had been instituted. According to the statement, the intention was to ensure that the requirements of the domestic market and regular commercial importers could be met, as well as the needs for concessional sales to developing countries. The criteria for approving future large export sales would be based primarily on need, and it was hoped to

control hoarding or undue speculation. While the new system was in effect, it would enable the United States government to regulate the size of availabilities and, ultimately, the level of reserve stocks which would enable it to participate effectively in a world food security policy. He further stated that the U.S. export system was flexible, and could be adapted to changing requirements in the future.

52. At the Chairman's request, the FAO Legal Counsel made a statement on the legal nature of the International Undertaking. In his view, the FAO Conference had not envisaged the Undertaking to be a Convention concluded under Article XIV of the Constitution, which would require Conference approval by a two thirds majority, and the inclusion in the text of certain formal and final clauses, such as provision for entry into force, amendments, settlement of disputes, etc. Instead, the Undertaking would be adopted by the Council and the text did not contain any such clauses. Moreover, the procedure prescribed for the preparation of an Article XIV Convention had not been followed in this case. The Legal Counsel further considered that the Undertaking should not be regarded as an international convention or agreement having legally binding force, not only because of the absence of any of the provisions traditionally to be found in the text of legally binding instruments, but also because there was no indication of an intent of the FAO Conference that the Undertaking should be regarded as obligatory under international law.

53. As to the nature of the Undertaking, the Legal Counsel said that it may be considered a pledge based on mutual trust and good faith, embodying the desire of governments to achieve certain agreed objectives by concerted national and international action. He referred to a number of international instruments which, without having full legal force, had been adopted by governments in the pursuit of common objectives, such as declarations (e.g. the Declaration of Human Rights), pledges (e.g. those made at the Pledging Conferences of UNDP) and principles. The Legal Counsel mentioned in particular the relevance of the procedure by which the FAO Principles of Surplus Disposal and related Consultative Obligations were formulated and accepted. In this connection, the Committee was informed that the FAO Principles of Surplus Disposal, which had been formulated by the CCP and adopted by the FAO Council in 1954, were widely respected and applied by governments as an international code of behaviour.

— Text of the International Undertaking

54. The Committee fully supported in principle the objectives, policies, guidelines and other considerations as set out in the text of the revised Undertaking <sup>1/</sup>. It was stressed that the text of the revised Undertaking, as adopted by the Working Party, represented a positive outcome of a compromise of many different viewpoints. Several members indicated that their governments would be ready to adhere to it in its present form, while others indicated their wish to improve on the revised text.

55. Many members suggested that the Undertaking should provide for internationally managed stocks to meet emergency needs in developing countries. These international emergency stocks would be located at strategic points so as to facilitate the quick movement of food to countries or areas facing emergencies. They stressed the need for inclusion of appropriate provisions for international food reserves in the revised Undertaking. Several other members pointed out the complexities of maintaining and administering international stocks. The Committee noted that a proposal for creating an international food reserve for dealing with emergencies was to be considered by the World Food Conference in November 1974, and agreed that the Council should take into account the decision of the World Food Conference on this matter when it considers the Undertaking for final adoption.

56. Many members pointed out that the proposed intergovernmental consultations under the Undertaking should also review the international assistance to developing countries for the acquisition of foodgrains for national stocks and for construction of storage facilities, which is envisaged in paragraph 11 of the Undertaking. In this connection, the Committee

1/ For text of the revised Draft International Undertaking see Appendix D.

agreed that the terms of reference of the proposed intergovernmental consultations in Section VI of the Undertaking should be interpreted broadly and the examination of the necessary short-term and long-term policy action to remedy any difficulties as envisaged under paragraph 16(c) of the Undertaking should also include the progress made in providing aid and financial assistance to developing countries on soft-terms or in grant form for meeting the minimum requirements of cereals, the maintenance of stocks and development of storage facilities.

57. The Committee agreed that the revised text of the Undertaking should be transmitted to the Council in the form adopted by the Working Party, on the understanding that the Council, when considering the Undertaking for final adoption, would take fully into account the comments and recommendations of the Committee contained in its Report.

— Follow-up action

58. The Committee had before it Document CCP 74/31 which set out suggestions by the Secretariat regarding further action on questions raised by the Working Party on the form of intergovernmental machinery required for world food security, the proposed meeting of experts on national stock policies, and the draft text of a Council Resolution setting out procedures for adoption of the International Undertaking.

59. As regards intergovernmental machinery, the Secretariat had suggested that the FAO Council should be responsible for general policy matters affecting world food security as related to the Undertaking, and that a new Committee on World Food Security should be set up to deal with operational matters. Several members favoured the greatest possible use of existing machinery and hoped that the FAO Council would subsequently assume primary responsibility for reviewing broad policy matters relating to world food security.

60. The Committee agreed, however, that it would be premature to take decisions on the question of intergovernmental machinery at the present time, since governments would wish to take account of the results of the World Food Conference which would be considering a number of institutional proposals. Moreover, as the U.S.S.R. had not accepted the invitation to participate in the CCP's discussions, its position on world food security would not be known until the World Food Conference was held. In this connection, the Committee was informed of the outcome of the IWC's consideration of the FAO Secretariat's suggestion that the proposed committee on food security be established on a joint FAO/IWC basis. The representative of the U.S.S.R. had stated in the IWC that his Government favoured the continued close co-operation between the IWC and FAO Secretariats but that, at present, it opposed the establishment of joint machinery for which there was no provision in the International Wheat Agreement; the U.S.S.R. preferred the alternative FAO Secretariat suggestion of a special cooperative arrangement along the lines of that provided for in the terms of reference of the Intergovernmental Group on Grains.

61. The Committee agreed that the form of intergovernmental machinery required would also depend on the extent and pattern of adherence by countries to the Undertaking. A number of members felt that further consideration should be given to a suggestion of the Working Party that the form of the intergovernmental machinery should be determined by a meeting of the governments which eventually adhered to the Undertaking.

62. The Committee also considered the Working Party's proposal that a group of experts be convened to examine a number of practical problems relating to world food security, which needed to be resolved quickly so that governments would be in a better position to implement the Undertaking. As suggested by the Working Party, the terms of reference would be to exchange views on these problems and to provide practical guidance which could be taken into account by countries in formulating their national stock policies for the purposes of world food security. The Committee noted that the Director-General intended to convene this expert consultation as soon as possible (i.e. 24-28 February 1975).

63. The Committee took note of the terms of reference which the Director-General had drawn up for the expert consultation, and which included, subject to any further views of the Council in the light of the results of the World Food Conference, the following topics for discussion:

- (1) Methods of assessing the desirable size of aggregate world stocks for food security and ways of sharing the cost burden between countries.
- (2) Ways of balancing the costs of national or regional stocks against the benefits of full or partial insurance in the event of domestic crop failure or other contingencies.
- (3) Ways of regulating the effects on prices of national stock policies formulated in the context of world food security.
- (4) Criteria for the size and release of separate national emergency stocks for local and/or international relief, including the possibilities of segregating such stocks from commercial markets.
- (5) Alternative means by which governments not holding their own stocks can encourage private stockholders to meet the official objectives of national stock policies.
- (6) Desirable main elements to be contained or considered in a "model" national stock policy for cereals for the purposes of world food security, under various alternative economic and trading conditions.

64. As regards sub-paragraph 6 above, several members pointed out that they did not consider it possible to establish a "model" stocking policy that would apply to all countries and that these countries should continue to be free in their policy in this respect. They suggested that the expert consultation should not go into problems that would be the subject of multilateral trade negotiations. The Secretariat indicated that the model in question should be considered as practical advice to countries wishing to formulate national stock policies compatible with the objectives of the Undertaking, taking into account the different types of situations existing in different economic regions.

65. In view of the link between stock policies and price stabilization, the Committee stressed that the experts should restrict their discussions to the technical or practical aspects of these problems, and should ensure that their work facilitated, but did not duplicate, discussions within the multilateral trade negotiations on this subject. As regards the problem of mobilizing international financial and technical assistance to meet the costs of stocks and storage facilities in developing countries, the Committee was informed that this had not been included in the agenda of the expert consultation, as FAO had initiated for this purpose a separate programme of food security missions to interested developing countries, with the collaboration of other agencies including WFP, the World Bank and the Regional Banks.

66. The Committee agreed that copies of the report of the experts could be transmitted, as soon as it was ready, for information of all member countries of FAO and/or the United Nations.

67. As regards the draft Council resolution on World Food Security prepared by the Secretariat, the Committee agreed that it was not in a position to take a definitive position on this prior to the World Food Conference. It would be for the Council, in the light of the results of the World Food Conference, to determine the basis on which the Undertaking would be submitted to governments for their adherence.



### World Food Conference

68. Mr. Aziz, in his capacity as Deputy Secretary-General of the World Food Conference, gave the Committee a brief progress report on the World Food Conference, which was scheduled to meet from 5 to 16 November 1974. The third and final session of the Preparatory Committee of the Conference had concluded its work on 4 October 1974 and had reached a fair degree of consensus on the need and strategy for increasing food production, particularly in developing countries, as well as on the objectives and policies for strengthening world food security. It had also welcomed the progress made in FAO in developing a common approach to achieve the objectives of world food security. As regards trade, stability and adjustment, the Preparatory Committee had agreed that the governments should take into account the outcome of the deliberations of the Conference in this field when dealing with trade questions in the appropriate fora. It had also considered, in a preliminary way, a number of other proposals submitted by governments, including those on fertilizers, agricultural development fund, food bank, world wide food information system, institutional arrangements for follow-up, etc. All these matters would be considered further by the World Food Conference in November, when decisions on policies, mechanism and resources would need to be taken for effective follow-up to translate the resolutions and recommendations of the Conference into programmes and policies to tackle the world food problem.

69. The Committee expressed its appreciation of the report provided to it on the outcome of the Third Session of the Preparatory Committee and the work to be accomplished at the World Food Conference. In this connection, several members pointed out that the decisions and recommendations of the World Food Conference would have important implications on the future work of the CCP in several fields, and particularly in regard to trade in basic food-stuffs, food aid, market stabilization and international adjustment. They suggested that the CCP should consider the follow-up action that it should take in the light of the outcome of the World Food Conference, and suggested that a special session of the Committee should be convened for this purpose as soon as possible. Some other members felt that the implications of the recommendations of the World Food Conference should first be considered in their totality by the Council as they might call for some institutional changes and also cover fields other than those of direct concern to the CCP.

### International Agricultural Adjustment

70. Item VIII, International Agricultural Adjustment, was discussed with reference to three papers: CCP 74/27/1, 2 and 3.

71. These papers noted that since the last session of the Committee the decision of the UN General Assembly to convene a World Food Conference and the request by the FAO Conference for a proposed strategy of IAA to be prepared by the Director-General for submission to the 1975 Conference had together taken the issue a stage further. CCP 74/27/2 outlined the possible scope of a strategy of IAA. This might consist of an overall frame, including approaches to the solutions of selected, major issues of adjustment; arrangements for periodically monitoring progress in adjustment against the benchmark of policy guidelines and perhaps some quantified, indicative targets; and suggested arrangements for follow-up through intergovernmental consultations and actions to coordinate better certain aspects of national policies. The paper then went on to suggest draft policy guidelines at both national and international levels.

72. The paper CCP 74/27/3 was a case study of agricultural protection. Because of the influence of protection policies on the patterns, location and volume of production and hence of international trade in agricultural products, the subject was one of direct relevance to adjustment. The paper sought to develop an improved methodology for a systematic quantification and assessment of selected protection measures on production, consumption and trade.



73. The Committee was informed that because of the need to make staff available for preparation of the FAO contribution to the documentation of the World Food Conference, work on IAA had necessarily to be delayed although, as shown by the papers presented to the Committee, some progress had been made. Arrangements were now in hand to push ahead with the project immediately after the conclusion of the World Food Conference whose debates and conclusions were expected to contribute significantly to the delineation of the international strategy. In addition to the preparation of the Director-General's proposed strategy of IAA, the Secretariat was also continuing with further case studies. These included two country studies of agricultural adjustment, one in a developing country and one in a centrally planned country; a study of the measurement and interpretation of self-sufficiency and the possible use of this concept as a national and international policy instrument; and some further development of the paper on agricultural protection. The Committee was also informed that in line with the tentative work plans as reported to Conference, a consultation with experts would be held toward the end of October and again next spring and their advice obtained on the strategy of IAA for consideration by the Director-General. Although these experts were expected to be aware of the views held by their governments on the subject, they would attend in their individual capacities.

74. The Committee agreed that the Secretariat should continue its studies on international agricultural adjustment and prepare the strategy asked for by the Conference. Although the subject was one of great complexity, and the difficulties of formulating an acceptable and useful strategy might prove greater than was originally anticipated, international adjustment was concerned with issues of great importance to all countries. Many members stressed that it would not be enough to propose desirable objectives in adjustment; there must be a strategy which would lead to action. In this context, the attention of the Committee was drawn to the UN General Assembly Declaration on the Establishment of a New International Economic Order and to the Programme of Action for Establishing the New International Economic Order. There was a large measure of support that adjustments in world agriculture must be consistent with the objectives and features outlined in these documents. The Committee agreed that while the global strategy should, in its coordination and direction of adjustment, take into account the optimum use of the world's resources, a primary concern must be to improve the situation of developing countries and increase their share in international trade. Attention was also drawn to the long-term nature of the adjustment process and the need to be flexible and pragmatic. Certain members stressed that agricultural adjustment should aim mainly at organizing the growth of production in a harmonious and adequate manner at world level. In the short term, the objective continues to be to increase agricultural production to meet the situation of scarcity.

75. The Committee undertook a discussion of the draft policy guidelines suggested in CCP 74/27/2. It was agreed that guidelines were needed as a part of the strategy of IAA and that they should translate into more concrete terms the general objectives indicated in the Conference Resolution. The Committee considered that, in general, the draft guidelines provided a starting point but they would need to be developed further, particularly in the light of the deliberations of the World Food Conference. The need for guidelines to cover international aspects of adjustment was emphasized.

76. Observations concerning the guidelines included: the close interrelationship between those for developing and for developed countries which should be made clear, e.g. the use of modern technology in developing countries depended in part on the assured availability of supplies of inputs (fertilizers, pesticides, etc.) at reasonable prices from developed countries; in the present situation, increasing food production should be a central policy objective of both developing and developed countries; any quantification of guidelines which may not necessarily be global, would need to be attempted cautiously and selectively; adjustments which required the shifting out of production of some resources also required alternative use to be available for them; there was some question as to the practicability of the management from a central point of a change in shares of trade; guidelines should cover the very important question of the transfer of technology; guidelines should take account of the different characteristics and requirements of individual commodities and for food grains the objective in most cases should be self-sufficiency; and the suggested guidelines should give more emphasis to ecological and nutritional aspects of adjustment. Other observations included: the commitment on world food security should be regarded as part and parcel of agricultural adjustment efforts; the maintenance of food aid will imply the existence of a production margin sufficient to meet it; the importance of finding ways and means of market stabilization.

77. Some reservations were expressed, however, concerning the use of self-sufficiency ratios as a way to assess situations and progress because any indicative change in levels of self-sufficiency in agricultural products could only with difficulty be linked to the evolution of supplies from other countries. Self-sufficiency ratios should not be considered in the abstract but must take account of the socio-economic needs of the various countries and supply security problems. It was also noted that quantified guidelines (indicative targets) will be subject to caution as to their degree of accuracy given the criticisms against forecasts but that this should not be allowed to delay their preparations.

78. In considering suitable procedures for associating governments with the task of evolving policy guidelines, the Committee noted the possibility of setting up at a later stage an ad hoc working party to advise the Director-General, in case the Committee were not to hold a spring session. The Committee was informed that at the request of the Committee on Agriculture a paper giving provisional guidelines on production aspects of adjustment had been sent to governments with a request for their comments. Since CCP 74/27/2 included those guidelines as well as additional ones relating to aspects other than production, the Director-General would now request countries to include in their replies comments on the additional guidelines in CCP 74/27/2. This would also enable the Secretariat to appreciate more fully the views of governments.

79. The Committee could give only initial reactions to the paper on agricultural protection (CCP 74/27/3) since it had been distributed only recently. It would need to be thoroughly appraised by experts in the various governments. The examination was only preliminary, and some members voiced reservations as to the way in which agricultural protection could be evaluated in their countries given that the nature of instruments of their trade policies was not correctly analyzed in document CCP 74/27/3. They questioned the idea that these instruments could be taken as customs duties and that it was possible to calculate their ad valorem equivalents. They also indicated that it was not logical to isolate in the study certain countries of the EEC but rather that this organization should be considered as a single unit since the Common Agricultural Policy applies to all the nine member states of the Community. Finally, they expressed doubts as to the usefulness of this study for the forthcoming Multi-lateral Trade Negotiations. Attention was drawn to the advisability of updating the analysis because of recent and large changes in policies and prices. It was suggested that the methodology should take note of other instruments such as exchange rates which affect the degree of protection and also place more emphasis on political and other non-quantifiable aspects. Noting that the study would be examined by the forthcoming meeting of experts as well as by their own governments, the Committee felt that it should take up the study again at a later session when more technical appraisals were available.

80. The Committee was of the opinion that in spite of both the complexity of the work being undertaken on IAA, the limited international experience available in the field and the pressure of other work, including that which might devolve upon FAO from the World Food Conference, every endeavour should be made to keep to the original timetable. Conference Resolution 2/73 requested the Council to review the draft strategy at its 1975 summer session in the light of the comments of the CCP. It was appreciated that the paper for Council which would need to be ready in May 1975, although it would still be an initial draft, could also be made available to the Committee.

#### Other international action

81. The Committee was informed on activities in other international agencies of relevance to its own work. In this respect, it noted in particular the text of a resolution adopted at the Fourteenth Session of the Trade and Development Board on "New Approaches to International Commodity Problems and Policies" (Resolution 124 (XIV)).

82. The representative of the Secretary-General of UNCTAD informed the Committee on the priority programme in UNCTAD in the field of commodities. He stated that the main thrust of Unctad's current efforts was toward the formulation of an overall integrated programme for commodities in the context of the Programme of Action on the Establishment of a New International Economic Order adopted by the General Assembly at its Special Session held in the spring of 1974 and in pursuance of Resolution 124 (XIV) of the Trade and Development Board. The resolution of the Board called, inter alia, for the elaboration of techniques which might be applicable to deal with the problems of specific commodities or groups of commodities and an appraisal of their feasibility and financial implications. In this connection, studies on four aspects were under way, namely on a multi-commodity buffer stock fund, multilateral commodity contracts, multi-commodity stock operations and international compensatory arrangements.

83. The UNCTAD representative added that work was also in progress in UNCTAD on connected issues, in particular on international marketing and distribution systems for some major commodities of export interest to developing countries and on certain aspects of the concept of indexation of prices for primary commodities. As to the former, he noted that a revised study on marketing and distribution of cocoa would be submitted to the Eighth Session of the UNCTAD Committee on Commodities in February 1975, together with studies on bananas and hides, skins and leather. With respect to indexation, he recalled that a technical study had already been submitted to the Fourteenth Session of the Trade and Development Board in the summer of 1974. A further study was in preparation examining the feasibility and the practicability of various means of indexation and of its economic effects on developing countries, and appropriate indices of import and export prices were being developed for the purposes of indexation. UNCTAD was also preparing proposals on the improvement and expansion of the collection, analysis and dissemination of information on commodity developments as requested by a resolution of the Trade and Development Board on the implementation of the Programme of Action on the Establishment of a New International Economic Order (Resolution 123 (XIV)).

84. The representative of GATT recalled that the Tokyo Declaration, which opened the Multilateral Trade Negotiations had established a Trade Negotiation Committee. The Committee had adopted its programme of work based on six main lines of action. They included the preparation of technical approaches to the negotiation on customs duties; on non-tariff measures; on the specific problems of agriculture; on tropical products; on the so-called sectorial approach of the lowering of obstacles to trade; and on the question of a possible revision of the safeguard clauses of the General Agreement. For each of these major lines of action, a group had been established, open to all the members of the Trade Negotiation Committee which included ninety countries, twenty-two of which were not parties to the General Agreement.

85. The representative of the GATT added that, as to the specific problems of agriculture, the relevant group had undertaken the updating and the completion of a catalogue of measures concerning imports, exports and production to make it reflect the current situation. The group had also undertaken an analysis of the recent changes in world production, consumption, supply and demand for agricultural products with the objective of identifying the problems that arise in the world agricultural markets and their implication for the negotiations in the agricultural sector. The group also decided to update the catalogue of sanitary regulations and other measures which had been notified as having the effect of limiting or altering the flow of trade, and was considering whether the draft code of standards which had been elaborated within GATT would be applicable to the agricultural sector. The representative of GATT expressed appreciation for the collaboration at the technical level existing between the GATT and FAO Secretariats.

86. The representative of the Organization on Economic Cooperation and Development drew attention to a special study which was being undertaken by his Organization on the factors determining demand for major food products such as cereals, meat, etc., by 1985-90. This study did not extend to making quantitative estimates of future demand. It was not limited to OECD member countries but was worldwide in nature.

87. The representative of the International Wheat Council drew attention to the continuing consideration being given by the relevant bodies of the Council to the possibilities of a re-negotiation of the International Grain Conventions.

88. The Committee noted with interest the information received and in particular the statement by the representative of UNCTAD according to which the Secretary-General was in the process of consulting the United Nations and other intergovernmental agencies, including FAO, on how best to coordinate activities for improving and expanding the collection, analysis and information on commodity developments, as requested by Resolution 124 (XIV). Several delegates stressed the importance of assuring effective cooperation between the two Secretariats particularly to ensure that FAO resources and expertise in the field of agricultural commodities should be fully utilized.

ACTION ON SPECIFIC COMMODITIES

Intensive Intergovernmental consultations under UNCTAD Resolution 83 (III)

89. Under this item of the Agenda the Committee considered paper CCP 74/30 on Intensive Intergovernmental Consultations on Agricultural Commodities prepared by the FAO Secretariat with a view to facilitating discussion on this item. The Committee also noted the reports of the Special Sessions held in 1974 by the Intergovernmental Groups on Rice; Citrus Fruit; Jute, Kenaf and Allied Fibres; Oilseeds, Oils and Fats; Hard Fibres; Bananas; Tea; and Grains; and the Report of an intensive consultation on Tobacco convened by FAO. These consultations had been held under FAO auspices in pursuance of decisions taken at the Third Session of the UN Conference on Trade and Development (Resolution 83 (III) and the Seventh Session of the Committee on Commodities of UNCTAD (Resolution 7 (VII)). The Committee also took note of the Report of the FAO/UNCTAD Consultation on Hides and Skins which had been convened by the Director-General of FAO and by the Secretary-General of UNCTAD in pursuance of Resolution 7 (VII). The Committee considered the detailed aspects of these reports under Item X of its Agenda concerning "Matters arising from Reports of Subsidiary Bodies of CCP", while under Item IX it reviewed the general aspects of the consultations and possible follow-up action arising from them.

90. The FAO Secretariat stated that the commodities included in the consultations covered a very large part of world agricultural trade and showed a very wide range of commodity situations. The consultations constituted a new experiment in intergovernmental activity on commodity problems. An assessment of their value would vary with the relative expectations with which different governments participated in the consultations. However, according to the FAO Secretariat, there was a wide consensus on the question of the elimination and/or lowering of barriers to imports either on a most-favoured-nation basis within the Multilateral Trade Negotiations in GATT or on a preferential basis in favour of developing countries with the Generalized System of Preferences. The recommendations with respect to pricing policies, however, were less clearly defined. In some cases the discussion had revealed some measure of agreement on the objectives to be pursued but there remained differences on the techniques or specific measures to be adopted. It was important now to appraise the outcome of the consultations, to identify their results and to analyse the reasons why the results were not more substantial as a basis for further action.

91. The representative of the Secretary-General of UNCTAD informed the Committee that a preliminary review of the consultations had been undertaken at the Fourteenth Session of the Trade and Development Board and that a full assessment was being prepared by the UNCTAD Secretariat, as requested by the Board, for consideration by the UNCTAD Committee on Commodities at its Eighth Session. In his report to the Board, the Secretary-General expressed the view that the results of the consultations were less than satisfactory, little having emerged which could be interpreted as action-oriented and stated that this was the predominant sentiment expressed by developing countries during the Board's discussion of the matter. He noted that, for various reasons, there appeared to be a lack of political will on the part of governments to make concrete proposals for action. In outlining the background to the adoption of Resolutions 83 (III) and 7 (VII) he noted that, during the Third Session of UNCTAD, while governments had re-affirmed their commitment to the need for action on market access and pricing policies, they had failed to give substance to that commitment. He noted that future action in the context of the consultations would depend on decisions taken at the Eighth Session of the UNCTAD Committee on Commodities. He drew attention, however, to the discussions in the Trade and Development Board, and particularly to Resolution 124 (XIV), in connection with an overall integrated programme for commodities, and felt that the Committee on Commodities might wish to consider the matter in the context of that programme.

92. The representative of GATT pointed out that possible solutions to the problems that arose in the field of commodity trade were being examined in GATT in the context of the Multilateral Trade Negotiations. In the recent discussion on the subject, some members had referred to the intensive intergovernmental consultations and had brought to the attention of the participating countries concerned some of the recommendations formulated in the reports of the consultations.
93. The Committee expressed appreciation for the evaluation made by members of the Secretariats in their introductory remarks and for the analysis presented in the paper prepared by the FAO Secretariat.
94. There was a measure of consensus among members that the assessment of the outcome of the consultations mainly depended on the expectations placed by different countries on the possibility of achieving specific and concrete results and of arriving at commitments by governments on specific measures in the international field leading to an expansion of export earnings of the developing countries.
95. The representatives of the developing countries recalled that they had accepted Resolution 83 (III) as a compromise but on a clear understanding as to its objectives. Indeed, the terms of reference laid down read, inter alia, as follows: "the consultations ..... should aim to present concrete proposals to governments designed to expand trade in products of export interest to the developing countries .....". The consultations, moreover, should have aimed at "reaching concrete and significant results in the matter of trade liberalization and pricing policy early in the seventies". The reports did not contain specific recommendations for immediate action. The recommendations made were stated in general terms and referred to action to be considered in other fora while the evolution of the international trade situation required the adoption of positive policies to improve the position of the developing countries. The representatives of the developing countries emphasized their disappointment at the continuous attempt to shift the mechanism of decision making from one forum to another, thus leading to an endless waste of time. Thus, in the view of the representatives of the developing countries, the consultations had failed to achieve the objectives for which they had been called. These representatives added that the value of the consultations was to be seen only as a clarification of international commodity issues. However, they felt that most international commodity problems had already been sufficiently studied in intergovernmental bodies and clearly identified. The measures required to deal with them were adequately known. Thus, the adoption of concrete measures only required the resolute will of governments of the developed countries to take definite action; only if this will asserted itself, they maintained, could the technical difficulties be overcome.
96. Representatives of developed countries maintained that, in evaluating the outcome of the consultations, several factors had to be reckoned with which tended to limit the attainment of wider agreement. These factors included: the technical difficulties in tackling problems of a very wide range of products with different end-uses and situations; the current situation with its uncertainties which tended to weaken the capability of governments to enter into specific commitments; that, by adopting Resolution 83 (III), governments had agreed to participate in consultations and not in negotiations; they were already committed to negotiate in the Multilateral Trade Negotiations; and the existence of some bilateral and contractual preferential arrangements in favour of some developing countries and the problems posed by a liberalization on an MFN basis when a GSP treatment was already applied. Moreover, some of these members also pointed out that the evaluation of the outcome of the consultations had to be tackled within the context of relations between importers and exporters rather than only those between developed and developing countries. Some stated that, particularly in the light of developments in the last two years, it could not be claimed that the international community had fully mastered all aspects of the problems of individual commodities. Equally, it could not be claimed that the implications of the remedial measures were fully appreciated. The consultations had revealed, for instance, that some measures which were considered to favour developing countries could in effect result in advantages for other countries.

97. There was general agreement in the Committee that the problems reviewed in the consultations should continue to be examined in the competent international bodies. The representatives of developed countries indicated that they were willing to collaborate in the search for adequate measures and that their governments were ready to contribute their share toward actions directed to increase the trade of the developing countries. Some members of developing countries pointed out that in any future follow-up action in other bodies instead of widening the coverage of commodities for intergovernmental action, attempts should be made to deepen the action already identified with a view to attaining concrete results.

98. Members of developing countries pointed out that the consultations did not mark any progress in terms of measures recommended for implementation within a defined period of time. These members suggested that a timetable for the removal of tariff and non-tariff measures which had been listed in many international documents, and in particular in those of GATT, should be adopted. Members of developed countries, however, held that action on trade liberalization should be considered within the multilateral trade negotiations in GATT.

99. It was generally agreed that recommendations on pricing policy for primary commodities in international markets were less specific than those emerging for access to markets. There was general agreement also that the CCP and its subsidiary bodies provided competent fora for the further consideration of international price policy measures. In this regard, most members who spoke urged that the proposal for an integrated approach as outlined in the Declaration and the Programme of Action adopted at the Sixth Special Session of the UN General Assembly should be kept in view.

100. There was general agreement that the consultations had served the useful purpose of assisting governments in preparing their position in the forthcoming Multilateral Trade Negotiations in GATT. Representatives of developing countries, however, pointed out that the implementation of measures in their favour should not await the outcome of those negotiations. There was general agreement in the Committee that improved access to markets on a preferential basis for the exports of the developing countries should be considered in the UNCTAD Special Committee on Preferences. However, it was understood that the implementation of these preferences took place within the national preferential arrangements made within the Generalized System of Preferences. Some members of developing countries pointed out that the Generalized System of Preferences as presently implemented did not give sufficient assurance of continuity to encourage adequate investment in developing countries aimed at export diversification.

101. The Committee agreed that Member Nations should continue their efforts toward achieving substantial and concrete results in the fields of access to markets and pricing policy and should give serious consideration to the measures suggested during the consultations. The Committee agreed that its subsidiary bodies should examine the proposals and suggestions contained in the reports of the consultations with a view to initiating or intensifying action toward the adoption of definite measures.

102. The Committee was informed that, in accordance with Resolution 7 (VII) of the UNCTAD Committee on Commodities, the results of the Intensive Consultations would be communicated through the appropriate channels to the Committee on Commodities of UNCTAD. In this respect, the Committee requested the Secretariat to communicate to the UNCTAD Committee relevant extracts from its report on this subject together with a summary of the conclusions of the individual reports on the intensive intergovernmental ad hoc consultations on agricultural commodities held in commodity bodies serviced by FAO.



Matters arising from reports of subsidiary bodies

- Grains

103. The Committee considered the reports of the Seventeenth and Eighteenth Sessions of the Intergovernmental Group on Grains (CCP 74/10 and CCP 74/19), the Report of the Special Session of the Group convened for the holding of intensive consultations on grains (excluding wheat) in pursuance of UNCTAD Resolutions 83 (III) and 7 (VII) (CCP 74/30), and the draft evaluation of the world cereals stock situation prepared for consideration by the FAO Council in November (CCP 74/26 and CCP 74/26 Add.1).

104. The Committee expressed concern over the recent deterioration in the world supply/demand position for grains, and at the continuing high levels of world market prices. The Executive Secretary of the International Wheat Council reported on recent developments in wheat production and trade. In this context, the Committee took note of the Group's request for a "mid-season review" of the situation and outlook, to be prepared by the Secretariat for circulation to governments in the spring of 1975. While recognizing that more factual information was required to increase countries' knowledge of the present world grain situation, some delegates stressed the need for caution in the interpretation of these facts, since conclusions based on insufficient information could have negative repercussions on world markets.

105. The Committee took note of the draft evaluation of world cereals stocks, which had been prepared by the Secretariat as a basis for the FAO Council's discussions, and which had already been examined by the Group at its Eighteenth Session. It agreed with the Group's conclusion that world cereals stocks were now at unacceptably low levels, which was also apparent from the prevailing high prices. Several members hoped that some replenishment of depleted stocks would eventually result from the encouragement to grain production in many countries as a result of the steep rise in world grain prices. Some members reserved their position regarding the methods employed by the Secretariat in assessing the minimum level of world cereals stocks required for world food security, and it was noted that this question would be considered by the expert consultation scheduled for February 1975. In this connection the Committee was informed by the observer of the OECD that his Organization had recently undertaken a fact-finding review of stock policies and practices of its member countries. He drew the attention of members to the emerging trend toward medium-term trade contracts between grain importing and exporting countries which could have effects also on their national stock policies and on the future availability of market supplies, and thus on world food security generally.

106. As regards the intensive consultations on grains (excluding wheat), the Committee noted the conclusions of the Special Session of the Intergovernmental Group on Grains that governments should make a more detailed examination of certain proposals in order to determine what action could be taken in connection with access to markets and pricing policy. These included (1) the elimination of tariff and non-tariff barriers; (2) arrangements to limit the effect of national coarse grain policies on imports; (3) preferential access for, and the refund of levies and import duties to, developing countries; and (4) international coordination of national stocks, and international commodity agreements with price and stock provisions. The question of market access was particularly stressed by members from developing countries. In their view, protectionist policies by high income countries through price supports, export subsidies and the accumulation of surplus stocks had in past years prevented world market prices from reflecting the true situation in the world coarse grain economy. The low prices and other factors had discouraged developing countries from expanding their output of coarse grains more rapidly and had thus contributed to the present world grain supply problems. A number of members, from developed countries, considered that if the governments of developed countries had reacted to the suggestions to further reduce the area planted to grain some years ago, this would have severely aggravated the present general supply shortage.



107. The Committee expressed concern about the steep rise in grain prices which had occurred since 1972. Several members felt that further inquiries were needed into the origin and causes of this development and the possible means to reduce prices to more acceptable levels. Others stressed the need to prevent prices from falling to levels which would discourage the necessary growth in production. Some members from developing exporting countries stated that, with a view to allowing them to make long-term plans, they should obtain guarantees of access to the markets of developed countries, and that reserves would not be used as tools to affect their trade and that financial aid be granted to developing importing countries to purchase grains from developing exporting countries. The Committee agreed that trends and problems in world prices should be reviewed by the Committee at its future sessions and also continue to be kept under review by the Intergovernmental Group on Grains. A number of members favoured international arrangements which would contribute to market stability and advocated the negotiation in appropriate fora of an international agreement with price and stock provisions.

— Rice

108. The Committee took note of the Report of the Special Session of the Intergovernmental Group on Rice for intensive ad hoc intergovernmental consultations on rice held in Rome in January 1974.

109. Referring to the current difficult supply situation and high prices of rice, several members stressed that the main problem of rice was still the production problem. It was pointed out that one of the proposals considered by the Special Session envisaged the elimination or reduction of production constraints in low-income exporting countries and the strengthening of their production capacity through appropriate developmental measures and changes in policies. In this connection, the Committee noted that inadequate supplies of fertilizers, pesticides and other inputs acted as an important obstacle in implementing the rice production programmes in developing countries, and stressed the important role of financial and technical aid in overcoming these difficulties.

110. Several members supported certain specific proposals for action considered by the Special Session, e.g. reduction of tariff and non-tariff barriers in high income countries and inclusion of rice in the Generalized System of Preferences. Continuing review by the Intergovernmental Group on Rice of action by governments in accordance with the recommended FAO Guidelines on National Production, Trade and Food Aid Policies was also favoured. Comments were made by some members on certain other proposals contained in the Report. Referring to the proposal for harmonization of national production policies, some members stressed that achieving self-sufficiency in rice, a major food crop, was an important objective of development plans of many developing countries, and, therefore, this proposal would need to be considered in the broader context of general economic development. As regards international price stabilization arrangement or agreement, it was suggested that if this was to be effective, it should be advantageous to both exporting and importing countries, should be linked with appropriate stockholding policies, and should provide for periodical reviews and revisions in prices. The technical feasibility of some other proposals, such as compensation arrangements and setting ceilings for subsidies on rice exports, would need to be examined in depth.

111. The Committee agreed that, as a follow-up to the intensive ad hoc intergovernmental consultations, the Intergovernmental Group on Rice should further examine at its regular sessions the relevant proposals included in Section V of the Report of the Special Session and make appropriate recommendations aimed at solving rice trade problems, keeping in view the overall objectives of trade expansion and market stability.

— Meat

112. The Committee took note of the Report of the Fourth Session of the Intergovernmental Group on Meat (CCP 74/21) held in Rome in October 1974. It appreciated the interest and importance attached to the work of the Group by its member countries, especially in dealing with the problems of unprecedented complexity which were currently affecting the world meat economy.

113. The Committee noted with great concern the sudden change in the world meat market situation. Members of exporting countries considered this was a result of the imposition of trade barriers and especially the exceptional import embargoes introduced without prior consultations in major importing countries in western Europe, the European Economic Community and Japan, which caused a sharp reduction in the volume and value of world meat trade, particularly in beef and veal. They pointed to the importance of livestock and meat production and trade in their economies and stressed the seriousness of the economic and social problems caused by the imposition of these restrictions, particularly in developing countries which relied heavily on meat exports as a source of foreign exchange to finance development programmes. The members of some importing countries and the observer of the EEC stated that, in addition to substantial internal measures, they were forced to undertake these exceptional restrictive measures, on a temporary basis, because of the serious difficulties in meat production and trade within the Community, caused by a sudden sharp fall in meat consumption and demand, as well as by the increased supply from domestic production and imports.

114. Taking into account the difficulties faced by the importing countries on their internal markets, members of the exporting countries requested that importing countries reconsider urgently their trade policies with a view to finding a mutually acceptable solution to the present situation and to facilitate solutions for ensuring long-term stability in world production and world trade in livestock and meat. Members from major importing countries expressed understanding of the seriousness of the situation facing exporting countries. The representative of the EEC reiterated the assurances given to the Group of the willingness of the Community to cooperate fully in order to find solutions to these difficulties.

115. The Committee agreed that the Report of the Group presented a balanced assessment of the problems of market access and endorsed the constructive proposals put forward for international cooperative action in the Report (see paras. 56-62). It noted the Group's request to the Secretariat to prepare documentation for the Fifth Session as a basis for its continuing review of problems of market access, taking account of these proposals.

116. In regard to the Group's request for the preparation of a unified international code of standard principles governing animal health and meat hygiene regulations applying to international trade, the Committee stressed the importance of this question and the necessity to make rapid progress in the matter. Some members advised caution and drew attention to the difficulties of devising a uniform code which could apply to countries with different animal health situations. One member reserved the position of his government on this proposal, considering that the FAO/WHO Codex Alimentarius Commission was the most appropriate body to formulate such a code. In the preparation of the Code account will be taken of the Code of Practice for Meat Hygiene and the Code of Practice for Ante-Mortem and Post-Mortem Inspection, both of which will be finalized by the FAO/WHO Committee on Meat Hygiene next month, as well as the OIE Zoosanitary Code and the regulations of major importing countries.

117. It was stressed that the Code of Standard Principles to be prepared by FAO should take into consideration the need for coordination with other international organizations concerned. The observer of the GATT informed the Committee that the question of sanitary and phyto-sanitary regulations affecting trade was also under examination in the GATT.

This work consisted, on the one hand, of completing and updating the inventory of regulations in this field notified to the GATT as constituting an obstacle to trade and, on the other hand, of considering, among approaches to negotiations, whether a draft code on standards which has been elaborated in the GATT could be applicable to these regulations.

118. A number of members stressed the importance of basic information and stated that in their view it was the implicit obligation of all member countries to furnish the data which the Group considered essential for a sound evaluation of the market situation and outlook.

119. As regards the place of the next session, some members stated that their governments considered that meetings of groups dealing with important products of a global interest, such as meat, should be held at FAO Headquarters in Rome, since otherwise participation might be affected. Other members pointed to the advantages of holding meetings of the Group in regions having a major interest in the product and noted that on a previous occasion all governments regularly participating in the work of the Group had attended a consultation on meat in Argentina. The Committee took note of the Group's decision that the date and place of the next session should be determined by the Director-General in consultation with the Chairman.

— Oilseeds, oils and fats

120. The Committee took note of the Report of the Seventh Session of the Intergovernmental Group on Oilseeds, Oils and Fats (CCP 74/8) and also that of the Special Session for intensive ad hoc intergovernmental consultations (CCP 74/9). These two sessions had been held consecutively in February 1974.

121. The Group's Eighth Session had undertaken its regular evaluation of the short-term market outlook, on the basis of a report prepared by its Statistical Sub-Group. In view of the particular uncertainties affecting the situation this year, the Group had asked the Secretariat to make a further market appraisal later in the season. The Committee was informed that this appraisal had recently been completed and was being mailed to governments as a document of the Intergovernmental Group; copies of it were made available to the Committee.

122. The Committee noted that the main policy discussion at the regular session of the Group had concerned trade liberalization. At the request of the Group, the Secretariat had prepared a paper quantifying the effects of certain tariff changes and other trade liberalization measures. While the Group had considered that the results should be used with caution, it was felt that the document represented a starting point in formulating a valid methodology for this type of work. The Committee was informed that other matters discussed included the programmes and plans of developing countries to expand output and raise productivity of oilseeds and oils, food aid transactions, future areas of research and development work for tropical oils, problems of intra-trade between developing countries and a report on sampling and analysis of aflatoxins. Most of these matters would be further examined at future sessions of the Group.

123. The Special Session of the Group for intensive ad hoc intergovernmental consultations had discussed both access to markets and pricing policy in pursuance of the relevant UNCTAD resolutions. The Committee noted that the report of the Special Session, in paragraph 40, considered that there had been a frank and useful exchange of views and listed five concrete proposals to which governments should give a more detailed examination as early as possible in order to determine what action should be taken.

124. During the Committee's discussion of these reports, some members expressed the view that the problems of oil meals warranted greater attention and drew the attention of the Committee to the particular problems of de-oiled rice bran which was subject to certain import duties in some countries and which, because of its low value and bulkiness, should in their view, be granted special freight rates.

125. Delegates of developing countries, noting that some eight months had already passed since the Special Session, stressed that they were keen to know what action developed countries had taken or were planning to take in the areas covered by the five proposals selected by the Consultations. They planned to follow up on these matters, both in the Intergovernmental Group on Oilseeds, Oils and Fats and in other appropriate fora.

126. Other members pointed out that some steps had already been taken and that certain other initiatives were proceeding. They noted that oils and fats would be discussed in the multilateral trade negotiations of the GATT, although the timing of this remained unsure. The delegates of the member countries of the EEC indicated that concessions had been given on certain tropical oils in 1974 under the Generalized System of Preferences and new proposals were currently under discussion regarding arrangements for 1975.

127. The Committee paid particular attention to that part of the proposal on trade liberalization which suggested that consideration should be given to drawing up an agreed timetable with priority being given to certain specified oils of export interest to developing countries. Some members proposed that, as part of the Group's follow-up work to the Special Session, the Secretariat should be asked to prepare such a possible timetable, after consultations with governments, and perhaps giving several alternatives. Other members pointed out that, in practice, such a timetable would need to vary, both with the countries concerned and with the type of liberalization considered. Thus, in the case of liberalization measures which would be negotiated under the multilateral trade negotiations of the GATT, the timetable for the implementation of such measures was itself subject to negotiation; but in the case of concessions under the Generalized System of Preferences (which are not negotiated), the timetable would not be useful since the decisions to grant preferences and the time when these preferences would be given depended upon the decision of the donor governments. Nevertheless, the Committee took note of the importance attached by some members to the establishment of timetables for trade liberalization in oils of major export interest to developing countries and several members asked the Director-General to bring this matter to the attention of the Secretary-General of UNCTAD and to the Director-General of the GATT.

— Bananas

128. The Committee took note of the Reports of the Special Session of the Intergovernmental Group on Bananas and the Second Session of the Sub-Group of Exporters both of which were held in May 1974. It noted the Special Session's recommendations that priority should be given to the removal or reduction of high tariffs and taxes on banana imports and that action should be undertaken within the framework of the GATT Multilateral Trade Negotiations. It was also recommended during the same session that importing countries imposing customs duties on bananas should consider the possibility of including bananas under the Generalized System of Preferences. On questions of pricing policy the Special Session emphasized the need in the longer term to attain balanced growth of world trade in bananas, at prices remunerative to producers and also fair to consumers. It noted with satisfaction that the Intergovernmental Group would continue to seek ways of dealing with fundamental problems of price and cost confronting banana producing countries.

129. Delegates from exporting countries referred to the deterioration in their terms of trade due to the decline in real prices which they had received for bananas. This decline had continued for more than ten years and the situation had been greatly aggravated by the sharp increase in cost of production of inputs which had occurred in the past year. For this reason, the Sub-Group of Exporters had requested the Director-General of FAO to convene a Working Party representative of major exporting countries and regions to explore ways to improve export prices.

130. The Committee was informed that the Working Party would meet in Bogotá, Colombia, in December 1974 and that documentation containing a number of alternative proposals to attain stability in the world banana market was now being finalized. It was hoped that the Working Party would be in a position to put forward to the Sub-Group of Exporters firm proposals for a permanent solution. It was emphasized that the Working Party, as a subsidiary of the Sub-Group of Exporters, would report to that Sub-Group and through it to the full Intergovernmental Group. The cooperation of importing countries was essential and any recommendations of the Working Party would be fully discussed at the next session of the Intergovernmental Group scheduled to be held in the Ivory Coast in 1975.

131. Some members from Latin American exporting countries stated that because of the situation in relation to cost, prices and marketing, they had formed a union of exporting countries comprised of Colombia, Costa Rica, Guatemala, Honduras and Panama to coordinate the policies of member countries. They emphasized their full support of the Intergovernmental Group and its sub-Groups. For this reason one of the first acts of the UPEB member countries had been to request the Director-General of FAO to convene as soon as possible the Working Party of the Sub-Group of Exporters.

#### Citrus Fruit

132. The Committee took note of the report of the Special Session (Intensive Consultations) of the Intergovernmental Group on Citrus Fruit which had been held in January 1974 on problems of trade liberalization and pricing policy. A number of proposals to improve market access and to ensure stable and remunerative prices had been examined and recommendations had been made on reduction or elimination of customs duties, quantitative restrictions and other import controls.

133. The Committee also received the report of the Sixth Session of the Intergovernmental Group which was held in May/June in Athens, Greece. It was informed that there had been a consensus of exporting and importing countries that the problems confronting the citrus industry were real and would probably become more difficult. During the same session, it was agreed that the international market was already in a state of over-supply and that the supply/demand outlook pointed to a further deterioration in the near and medium-term future. The price outlook was gloomy. Prices had remained unchanged for many years while costs of production, transport and distribution had continued to rise, especially during the last year. In view of the supply/demand outlook, the cost-price gap was likely to widen further. Moreover, the surplus problems affected not only fresh citrus but citrus products as well.

134. The Committee noted that the Group had considered various ways of how to deal with the increasingly grave economic difficulties. It had agreed that there was scope for cooperation between importing and producing countries, especially in the field of exchange of information as a basis for orienting production and marketing policies, and that there was also scope for increased consumption through improved conditions of market access and rationalization of marketing. Measures commended to producing countries were the need to explore new market outlets including markets in producing countries themselves, and the restructuring of production including restrictions of new plantings. In order to consider proposals for action, the Group had agreed that its Steering Sub-Group should be reactivated and that it should meet around the end of 1974 in Rome and its recommendations communicated to governments for urgent consideration and comment. To allow sufficient time for preparation of concrete action proposals, a meeting of the Steering Sub-Group early in 1975 was contemplated.

135. The Committee generally endorsed the findings and recommendations of the Intergovernmental Group on Citrus Fruit. It expressed its appreciation to the Government of Greece for the arrangements for the session and the hospitality extended to the Group. Some members underlined their concern about the growing gap between costs and prices and the increasing imbalance between supplies and demand. They considered the Intergovernmental Group as the proper centre for the search for common solutions to these problems. They supported the views expressed by the Group that more frequent reviews of the market outlook would be of help to governments and producers in formulating their production and marketing policies and hoped that the FAO Secretariat could provide such reviews. They also requested that, in the transmittal of the recommendations of the Group to governments regarding the protection of natural citrus juices, some documentation and proposals should be included.

— Cocoa

136. The Committee noted that the Intergovernmental Group on Cocoa had not met since 1963 following the elaboration of a draft cocoa agreement which was the basis for subsequent negotiation in other fora leading eventually to the International Cocoa Agreement. However, certain subsidiary bodies had continued in active existence. The Sub-Group on Grading had last met in 1969, when a Model Ordinance and Code of Practice for Cocoa Grading was recommended to governments for adoption, and a further session was recommended before the end of 1974 to review developments in cocoa grading and possible difficulties arising from their implementation.

137. The Statistics Sub-Group had also continued to meet, twice annually, to issue its forecasts of world production and grindings of cocoa. Because the full Group had not met since 1963, the Sub-Group had also been used as a forum for discussions of more general economic problems and prospects for cocoa. With the establishment of the International Cocoa Organization, the Director-General of FAO hoped that some of the statistical work performed by FAO, and in particular the publication of the Cocoa Statistics Bulletin, could be taken over by ICO. The Sub-Group at its Thirty-Fourth Session considered its future role and agreed in principle that the statistical work of the Sub-Group, namely the issuing of forecasts and estimates, and the publication of the Bulletin, should be passed over to the ICO, which had a mandate under the International Agreement to collect and publish statistical data. While it was agreed that the handing over of responsibilities should take place as soon as possible, it was felt that this should not occur before the ICO was providing statistical services equal to those provided by the Group. The Sub-Group therefore deferred making a decision on the matter until its Thirty-Fifth Session in the spring of 1974, when it was decided that the FAO Quarterly Bulletin should be issued in July and October in order to ensure that there would be no break in the statistical information being provided to the world cocoa community.

138. The Committee noted that the Sub-Group had held its Thirty-Sixth Session at FAO Headquarters on 21 October 1974 and that forecasts had been issued which showed a slight increase in 1974/75 production and a considerable reduction in grindings pointing to a slight easing in prices during the season. The Committee noted that extensive discussion had also taken place concerning the longer-term outlook for the commodity.

139. With respect to the future activities of the Sub-Group, the Committee noted that arrangements would be made, as requested by the Statistics Sub-Group, to publish further issues of the Statistics Bulletin in order to ensure that there was no break in statistical information available on cocoa until such time as the ICO would be in a position to supply similar information. The Committee noted that the Sub-Group had proposed to hold a session in the spring of 1975, when it would discuss its future activities, and had requested that the Director-General of FAO consider holding it either in Rome or preferably in London to coincide with the meeting of the Statistics Committee of the ICO. The Committee agreed that the Sub-Group should be authorized to decide when it should go into recess in the light of the experience acquired by the ICO. Some delegations expressed the hope that the ICO would be able to undertake the statistical activities required of it as soon as possible and urged that the cooperation between FAO and that Organization continue. The Committee noted that for the time being FAO work on cocoa grading would be continued taking into account developments in that field, and that normal commodity intelligence and economic research on cocoa should be continued in view of the importance of the commodity to developing countries and in the light of the problems affecting production and demand.

— Tea

140. The Committee took note of the reports of the Seventh Session of the Sub-Group of Exporters and the Special Session of the Intergovernmental Group on Tea which were held at FAO in June this year and which reviewed the current and long-term problems facing the tea economy, in particular prices received by producers and the steep rise in production costs. It noted that the Director-General of FAO was requested by both sessions to convene a Working Party to examine in depth the technical feasibility, and the economic advantages and disadvantages for tea exporting countries, of a multidimensional international agreement containing the following elements: minimum price arrangements; coordination and regulation of marketing; global promotion; rationalization of marketing with a view to strengthening auctions in producing countries; and an independent marketing intelligence service for tea exporting countries.

141. The Committee was informed that preparation of the documents for the Working Party by the FAO and UNCTAD Secretariats, as well as market developments, had delayed the convening of the Working Party. The documentation required much research into unexplored fields. FAO and UNCTAD had agreed on a division of work, but the resources of both organizations had been severely strained. The programme called for completion of all studies by the end of December and a meeting early in March 1975.

142. Information was sought regarding the progress of work for the International Symposium on Tea Marketing Expansion jointly organized by the Commonwealth Secretariat, the UNCTAD/GATT International Trade Centre and FAO, as well as on the studies on promotion being undertaken by the ITC and the Commonwealth Secretariat at the invitation of the Intergovernmental Group on Tea. An observation was made that insufficient progress had been achieved by the cooperating organizations and that more attention should be paid to suggestions of members of the Exporters' Sub-Group in the selection of countries, and on the contents of the studies and the choice of consultants. While noting from the information provided by the FAO Secretariat that both the ITC and the Commonwealth Secretariat had done their best to remain active and resourceful in arranging financial support for the Symposium and the studies, the Committee decided that there should be greater coordination of inter-agency efforts, with the governments concerned regularly being kept informed of progress in both the arrangements for the Symposium and the cost-benefit studies; the latter particularly with the purpose of ascertaining the views of the governments concerned so that the monies already available will be utilized effectively for the preparation of action-oriented studies. One member suggested the inclusion of Nigeria, Japan, and countries of South-East Asia in the cost-benefit study.

143. As to the future work programme of FAO in respect of tea, a question was asked whether sufficient resources were being devoted to the work on this commodity. It was stated that after much effort by the producing countries and the Secretariat, there now appeared to be a real possibility of a consensus among all exporting countries on a multidimensional agreement on tea, which would constitute a long-term solution to the problems confronting the world tea economy. It was further stressed that it was imperative to maintain the momentum which had been achieved, and to this end it was absolutely essential that the Secretariat's activities should be intensified, if necessary, through reallocation of resources.

— Wine and Vine Products

144. The Committee noted that the Intergovernmental Group on Wine and Vine Products was scheduled to hold its Third Session in Tarragona at the kind invitation of the Government of Spain, from 28 October to 2 November, and it received a brief report on recent developments and the longer-term problems affecting the commodity. It was noted that, following the record output in 1973, difficult price situations developed in a number of areas and trade might decrease by 10 percent or more in 1974. In both Spain and the EEC the drop in prices had led to assistance to producers for voluntary storage of wine and also to the distillation of sizeable amounts of common table wine. The prospects for wine producers in



1975 were particularly dependent on the outcome of the current crops in view also of the difficult world economic conditions which could result in some drop in wine demand, particularly in non-traditional consuming countries. Over the longer term, the commodity continued to be affected by a number of problems including supply-induced price instability and barriers to trade, and there was a need for improvement and rationalization of production and marketing to adapt output to changing market requirements. The Committee noted that these problems, along with the current situation and longer-term outlook, were among the matters which would be considered by the Group at its Third Session.

145. The Committee emphasized that collaboration and cooperation between FAO and the International Wine Office should be continued and strengthened, and that duplication of work should be avoided.

- Jute, kenaf and allied fibres

146. The Committee took note of the Reports of the Eighth and Ninth Sessions of the Intergovernmental Group on Jute, Kenaf and Allied Fibres, and of the Special Session for Intensive ad hoc consultations. It noted in particular that at its Ninth Session the Group had, for the first time in several years, been unable to recommend indicative prices for jute and kenaf. It expressed grave concern over the situation that had brought this about; on the one hand, high prices of rice in the producing countries required a substantial raise in prices of jute if production was not to fall well below world requirements; on the other, the need to limit increases in export prices in order to maintain markets against synthetic competition in consuming countries. The Committee noted that jute had thus become the first raw material for which there was no one price which could at the same time be competitive with synthetics and remunerative to growers, and expressed its fear that this posed a threat to the future of jute as an internationally traded commodity. In this connection, the Committee noted that the recent energy crisis had done little to improve the long-run competitive position of jute goods vis-à-vis its synthetic substitutes.

147. The Committee expressed its particular concern over the critical situation created for Bangladesh, where jute was vital to the economy, providing 90 percent of the total foreign exchange earnings. While appreciating the fact that Bangladesh had kept export prices of jute largely within the indicative range recommended by the Group for many years up to 1974/75, even despite the recent rapid rise in prices of most other agricultural commodities, it recognized that this policy could for the present no longer be sustained in the face of increasing competition from rice, though it hoped that the next Session of the Group might be able to renew its indicative price recommendations. The Committee noted that the area under jute had fallen drastically in 1974/75, largely because of a shift to the more remunerative production of rice, and recognized that as a result producing countries now found it necessary to raise prices to producers substantially if production was not to fall well below world requirements. The Committee was informed that the Secretariat of the Group had been requested to examine in detail the level of domestic prices in Bangladesh required to maintain jute cultivation in the face of intense competition from rice and other foodstuffs. The Committee noted that the launching of Jute International the proposed international body for research, product development and market promotion, could contribute much to the longer-term solution of many of the problems of the jute economy. It welcomed, therefore, the Group's recommendation that a meeting be held no later than early in 1975 formally to set up Jute International.

148. In considering the Report of the Intensive ad hoc Consultation on Jute, Kenaf and Allied Fibres, the Committee noted that the agreement on the need for a phased liberalization of the world trade in jute goods, implemented, however, in such a way as to avoid grave injury to the manufacturing industries of importing countries, which might also not be in the interests of the jute producing countries, placed this Consultation among the more successful of the series. Delegates of producing countries pointed out that in spite of the bilateral agreements recently concluded with the EEC, the problems in the field of liberalization of trade were still numerous. For this reason, they urged that the concept



of trade liberalization be re-affirmed through the four basic measures proposed at the Ninth Session of the Intergovernmental Group. First, the EEC's tariffs on jute goods should be eliminated by mid-1977. Second, the temporary arrangements for suspending the imposition of the common external tariff on jute goods imports into the United Kingdom and Denmark should be made permanent. Third, the existing quotas should be reviewed and established on a more realistic basis. Fourth, the quotas should be globalized for the EEC as a whole rather than maintained for each individual member country. They added that in the case of newly developed and decorative jute products, free access should be given expeditiously by the countries of western Europe, particularly the United Kingdom, to enable jute producing countries to improve and diversify the product range of jute goods, and also that efforts could be made to eliminate tariffs on jute goods even earlier than mid-1977. It was, however, pointed out by some member countries of the EEC that these proposals could only be considered on a bilateral basis.

— Hard fibres

149. The Committee took note of the Reports of the Seventh Session of the Intergovernmental Group on Hard Fibres and of the Intensive ad hoc Consultation on Hard Fibres, which had been held consecutively in May 1974. The continuing high prices of sisal had rendered the informal arrangements inoperative in 1974, though the Committee noted that the Intergovernmental Group had again agreed in principle on the need to retain the existing arrangements.

150. The Committee also noted that the Group had again substantially raised its recommended indicative target price range for African sisal, though this was still well below actual market prices. Concern was expressed that these were dangerously uncompetitive with synthetics in the longer run, and the Committee requested the Secretariat to continue its studies of the various factors affecting the price level of the main competing synthetics. The current high prices were also stimulating replantings of sisal, and the Group had agreed that there was need to begin examination of means for stabilizing the market in the medium term when production could be expected to recover and prices to move to lower levels. It intended to begin an examination at its next session of the means by which a number of significant medium-term objectives could be achieved, and the Committee emphasized the importance and urgency of such work.

151. With regard to coir, the Committee noted that the next Session of the Group would be discussing a number of proposals prepared by the UNCTAD/GATT International Trade Centre with regard to the possible transfer of coir industry technology from developed to developing countries. Some members expressed the hope that a clear-cut programme for the reduction of tariff and non-tariff barriers to imports of coir goods into the main developed country markets would be evolved in the near future. These members emphasized the need for transferring the production capacity for coir products from the developed to the developing countries producing the fibre.

— Hides and skins

152. The Committee took note of the Report of the Intensive ad hoc Consultation on Hides and Skins, which had been convened by the Secretary-General of UNCTAD and the Director-General of FAO and held in Geneva in April 1974. It noted with concern that the consultation had not been able to arrive at a meaningful set of agreed conclusions, but had simply registered the positions on various questions of some of the main economic and geographical grouping of countries concerned. Following the consultation, the FAO Secretariat had resumed its analytical work in the field of hides and skins.

Consultative Sub-Committee on Surplus Disposal (CSD)

153. The Committee considered two reports of the Consultative Sub-Committee on Surplus Disposal (CCP 74/23 and 74/23/1). The first of these was the Sub-Committee's regular report to the CCP indicating that during the past year some 209 notifications of transactions had been reviewed. Those transactions had been reported by ten donor countries, the EEC and the WFP. No problems concerning the consultation procedures were encountered during the past year. The report was considered by the Committee to be concise, complete and positive.

154. The Committee paid particular attention to the special report entitled "CSD: Adaptation to Changing Conditions". This was prepared by the CSD at the request of the Forty-Eighth Session, which had suggested that in view of the great changes in conditions which had occurred since the CSD was established nearly twenty years ago, it would be opportune for the CSD to evaluate its overall activities and also consider whether any change in name would be appropriate. There was considerable discussion of this report. The Committee commended the CSD for its twenty years of operations under the mandate of the 1953 Conference. That Conference had been concerned with surplus disposal and its potential for harmful interference in the normal patterns of production and commercial trade. During those twenty years, the Committee noted that procedures had been refined and practical guidelines developed that had greatly simplified countries' operations under the Principles of Surplus Disposal. In addition to the Sub-Committee's operations in monitoring countries' concessional transactions, the Sub-Committee had also been useful to governments as a forum for exploring new ideas and undertaking special studies and reviews such as those on food reserves and multilateral food aid programmes.

155. The Committee noted that the Ad Hoc Working Party on World Food Security had "recommended that the CCP, with a view to protecting the interests of producers and in line with Section III of the Undertaking, should arrange for the existing procedures for notification and consultation under the FAO Principles of Surplus Disposal and administered by the Consultative Sub-Committee on Surplus Disposal (CSD) to be adapted to take into account the holding and disposal of stocks held as a result of the Undertaking". However, the Committee concluded that, pending the outcome of the World Food Conference and any necessary follow-up by the Council, it would be premature to make any decisions on the machinery of food security, or the place in that machinery which the CSD might fill, or other matters such as its functions and responsibilities, as well as a possible change of name and location of CSD.

156. While many members thought that the special report would be useful to the World Food Conference in its present form, others did not share their view. The Committee decided not to forward the report to the World Food Conference. Most members suggested that the attention of the Council should be drawn to this report for its consideration as it approached the problem of food security machinery. In considering the future activities of CSD, the Committee stressed for the present the importance of continued efforts to monitor concessional transactions. In this regard, it was noted that the original mandate included consideration of normal patterns for both trade and production and that the latter was becoming of increasing importance, particularly to developing countries.

Other commodity matters

— Tobacco

157. The Committee received the reports of the Ad Hoc Government Consultation on Tobacco, which had been held in Izmir, Turkey from 5 to 10 November 1973, and of the Intensive Ad Hoc Intergovernmental Consultations on Tobacco, held in Rome from 20 to 22 June 1974.

158. It took note of the recommendations on access and on various quality issues which affect the price and marketability of tobacco, particularly of exports from developing countries. It noted the importance of the question of plant protective residues and of the need to harmonize legislation in this field. It was informed of the Secretariat's preparations for an expert meeting to consider these problems. It also noted the proposals with

regard to technical improvements in production and trading of tobacco and the need to improve quality. These were considered valuable lines of action which would assist developing countries in dealing with market access and pricing problems. The Committee was also informed that the EEC had included certain types of tobacco in its GSP and that in future the import quota at reduced tariff rates granted to developing countries would in principle be expressed in quantitative rather than in value terms, as had been suggested at the Consultations.

159. The Committee was informed that world market developments in 1974/75 were relatively favourable. International demand for tobacco was strong and prices had risen, in many cases to record levels. However, some delegates suggested that a positive strategy needed to be developed for improving the export earnings of developing countries from the export of cheaper varieties of tobacco, which generally face higher tariffs than the expensive tobacco and also face non-tariff barriers. The Committee noted the recommendations of the Consultation that there was no need for the establishment of a permanent Intergovernmental Group. It noted the suggestion of developing countries at the Intensive Consultation that more frequent ad hoc consultations on tobacco should be held in the future and the suggestions made at the Izmir session that the Director-General should be authorized to convene a consultation on the advice of CCP or at the request of a number of governments which had a substantial interest in this commodity. It was agreed that tobacco should be kept on the agenda of the CCP and that the Secretariat should prepare a report on market developments and on its action to implement the recommendations of the Consultation.

160. The Committee expressed appreciation to the Government of Turkey for the arrangements made for the Ad Hoc Government Consultation.

— Milk and milk products

161. The Committee took note of the Secretariat's annual review of national dairy policies which analyzed recent adjustments and their implications for the international dairy market (document CCP 74/28). The paper showed that increased rates of inflation, particularly sharp rises in feedstuff prices, and a further shift in consumers' preference from butterfat to protein-rich milk products, were the main factors giving rise to changes of national dairy policies in 1973/74. The seemingly balanced current market situation did not reflect the true supply/demand position, as additional subsidies on milk and milk products in human and animal consumption had stimulated total consumption in high-income countries considerably above the level of likely demand at actual cost price. The document concluded that, if and when governments eventually decided to reduce some of the subsidies, the resulting decrease in consumption could coincide with an increase in output caused by recent improvements of producer prices. Unless high feed prices became a lasting phenomenon, the growth of milk production in high-income countries was likely to accelerate again; since demand prospects were not favourable, the surplus problems could accentuate in the course of 1975.

162. Delegates of some member countries provided additional information on the latest developments in their dairy policies, including attempts to rationalize and restructure dairy industries. Referring to efforts of European dairy surplus producing countries to encourage milk producers to switch to beef production, delegates of some developing countries heavily dependent on the export of meat pointed out that such policies could adversely affect their trade in meat. Such efforts to resolve the dairy surplus problem could aggravate difficulties in another sector of international agricultural trade. Other delegates, however, felt that meat production in the importing countries concerned would have to be maintained in regions which had advantageous conditions for cattle production, and where there were limited alternative occupations.

— Sugar

163. The Committee discussed the problems of sugar which had been included on the Agenda of the Session at the request of some delegations. It was pointed out by the Secretariat that the present severe international shortage of sugar and the extremely high world market prices created supply problems for many countries, but especially for developing countries dependent on imported sugar. Although the shortage had been greatly aggravated by unfavourable weather conditions this year, it had not been due to an unforeseen catastrophe but rather to the decreased profitability of sugar which for several years had prevented the necessary expansion of production. The rapid and continuing increase in world consumption had been caused not only by the rising populations and incomes but also by the long-term downward trend in the real price of sugar to consumers in almost all countries. Despite increased productivity, returns had not kept pace with the rise in the cost of inputs, including the costs of establishing new factories and industries. The Secretariat considered that it was important that developing countries, especially those in Africa and Asia should adopt realistic policies to develop their own production to meet the expansion of their demand through the eighties and nineties. For most developed countries, the expansion of production involved a greater risk in view of their generally higher costs of production and their slower growth of demand, but such steps had to be undertaken, even if it were thought that the present extremely high prices would not last. The Secretariat believed that the CCP should urge its members to cooperate in the negotiation of a new international agreement which could be equally useful to exporting and importing countries. The Secretariat also believed that an assurance on prices for at least five years was necessary to attract investment in sugar production, especially in view of the great rise in cost of mills, and that an Agreement should provide for realistic prices, realistic quotas and contain assurances for importers that production would be expanded to meet quotas. FAO could also serve the world community by continuing its fundamental research on demand, production prospects, production costs, etc.

164. The Executive Director of the International Sugar Organization said that a Committee of the Sugar Council was at present studying the possible bases and framework of a new agreement with economic provisions although there was danger that a feeling might emerge that action should be delayed for the time being. He considered that some preparations should be made against a possible future decline in prices. Starting with an objective to stabilize export earnings at reasonable levels, members could establish a system of reserve stocks linked to production limitations in the form of quotas. This would require agreement on a fund for the financing of stocks, on a price and on the volume of stocks. Such a simple approach might be negotiable even while prices remained high. It could give exporters the confidence to expand production in the short term. He thought it could be supported by the EEC and other developed countries, as well as by developing countries.

165. The representatives of several developing exporting countries stressed that the recent trends in sugar prices were not due only to conjunctural factors but derive mainly from a structural imbalance between supply and demand which is one of the consequences of the low prices which prevailed for a long period of time. They indicated that they were willing to negotiate a new sugar agreement as soon as there were adequate conditions to do so and that the new agreement would have to be realistic both in regard to prices as well as to other requirements. They emphasized the great increase in the prices of inputs as well as capital costs of establishing new production and the existing difficulties of obtaining sufficient investment capital without being assured of a reasonable return. It was also pointed out that many developing countries experienced problems with respect to their internal pricing policies for sugar and other foods in view of inflation and their inability to influence import prices. Domestic sugar prices were low in many developing countries.

166. The delegate of one producing country indicated that the system of controls on sugar production in his country was flexible, took account of changes in world market conditions and responded to assured outlets given by bilateral trade arrangements and that some expansion in production was taking place. He suggested that, in view of the large capital investment involved in increasing output, it would be useful if information could be obtained on developments in producing countries, especially on projects likely to bring about large increases in supplies.

167. The observers of the International Confederation of European Beet Growers and the European Committee of Sugar Manufacturers emphasized the importance of internal pricing policies in view of the predominant proportion of world production not entering world trade. In the EEC there had been little increase in beet areas as beet and sugar prices had risen only 10 percent since 1968. The increase in sugar quotas just agreed by the Agricultural Ministers of the Nine would have little impact unless prices were adjusted to cover cost increases. This would be in the long-term interests of consumers.

168. The CCP noted that the Secretariat planned to continue its analysis of trends and prospects in world sugar supply and demand, and emphasized that the work of the FAO and ISO Secretariats should be fully coordinated so as to avoid overlapping or conflicts.

#### OTHER BUSINESS

##### Arrangements for forthcoming sessions

169. The Committee, in considering the arrangements for its Fiftieth Session, focussed attention on the main factors which might necessitate a more flexible approach than had been usual in recent years. In particular, these factors included (i) the possibility that the Committee might be called upon, as a matter of urgency, to examine and make recommendations or to initiate action on matters arising from the decisions and conclusions of the World Food Conference; and (ii) the need to effectively fulfil the responsibilities entrusted to it by Rule XXIX, paragraph 6, of the General Rules of the Organization, especially in view of the deterioration in the world food situation. These factors raised the question whether there was the need for the Committee to convene two sessions during 1975, that is three sessions during the biennium 1974-75.

170. The Committee agreed in principle to hold two sessions in 1975, one in the spring 1975 and the other in the autumn 1975. Provisionally it was proposed to convene the Fiftieth Session in spring 1975, subject to the approval of the Council at its Sixty-Fourth Session in November 1974, with the agenda and exact timing to be decided by the Council. If the Council agreed to this proposed session, the agenda should include: (i) the latest developments in the world food and commodity situation; (ii) matters arising from the World Food Conference; (iii) international agricultural adjustment; and any other matters requiring urgent attention.

171. Some members requested that the Council, in deciding whether to convene the Fiftieth Session of the Committee in spring 1975, take into account the decision of the Committee to hold a further regular session in autumn 1975 prior to the Sixty-Fifth Session of the Council and the Eighteenth Session of the FAO Conference. These members stated that at present they lacked authority to agree to the proposed spring session.

172. The Committee considered a proposal that an extension of the Forty-Ninth Session be held during the first week of the Sixty-Fourth Session of the FAO Council on 21 and 22 November 1974, but was unable to reach a consensus.

##### Future role and work of CCP

173. The Committee considered briefly its own future role and work; a number of useful suggestions were made but it was decided to continue the consideration of this question at a later session. The Committee decided to inform the Council of this initiative.

AGENDA

- I. Opening of session
- II. Election of Chairman and Vice-Chairmen
- III. Adoption of provisional agenda

Review of World Commodity Situation and Problems

- IV. World commodity situation and outlook
  - 1. Current situation and short-term outlook
  - 2. Longer-term issues

International Action Relating to Agricultural Commodities

- V. World Food Security
  - 1. Report of Working Party on World Food Security
  - 2. Evaluation of world cereal stock position
- VI. International agricultural adjustment
- VII. World Food Conference
- VIII. Other international action

Action on Specific Commodities

- IX. Intensive Intergovernmental Consultations under UNCTAD Resolution 83(III)
- X. Other matters arising from reports of subsidiary bodies of CCP
  - 1. Intergovernmental commodity groups
  - 2. Consultative Sub-Committee on Surplus Disposal
- XI. Other commodity matters
  - 1. Tobacco
  - 2. Milk and milk products
  - 3. Sugar

Other Business

- XII. Arrangements for the Fiftieth Session
- XIII. Other business

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TEXT OF

REVISED DRAFT INTERNATIONAL UNDERTAKING ON WORLD FOOD SECURITY

I. Common purpose and responsibility

1. Governments adhering to this Undertaking, taking account of Resolution 3/73 adopted by the Seventeenth Session of the FAO Conference, recognize that the assurance of world food security is a common responsibility of the entire international community. They, therefore, undertake to cooperate in doing their utmost to ensure the availability at all times of adequate world supplies of basic foodstuffs, primarily cereals, so as to avoid acute food shortages in the event of widespread crop failures or natural disasters, sustain a steady expansion of production and reduce fluctuations in production and prices.

2. Recognizing that food security needs to be tackled from several sides, especially through strengthening the food production base of developing countries, appropriate national stock policies, food aid programmes, and other measures including long-term trade agreements, governments undertake to adopt national and international measures to ensure an accelerated growth of food production, as appropriate, and in particular to assist the developing countries which are highly vulnerable to crop fluctuations and where there are increasing consumption requirements.

3. As regards stock-holding policies, all governments, in conformity with their institutional and constitutional requirements should:

(a) adopt policies concerning cereal stocks 1/ which take into account the policies of other countries and would result in maintaining a minimum safe level of basic cereal stocks for the world as a whole.

(b) review or establish, or take measures aimed at establishing, stock targets or objectives which have the purpose of maintaining stocks of cereals in the country or in the interested groups of countries concerned at least at the levels regarded as necessary for ensuring continuity of supplies including provision for emergency situations in case of crop failure or natural disaster 2/.

(c) take measures aimed at ensuring stocks are replenished as soon as feasible whenever they have been drawn down below such minimum levels to meet food shortages.

4. In periods of acute food shortages, nations holding stocks in excess of minimum safe levels for meeting domestic needs and emergencies undertake to make such supplies available for export at reasonable terms.

1/ The term "stocks" means the supply of cereals carried over in stock at the end of the marketing year of the country concerned.

2/ It is recognized that some of the major exporting countries of grains and especially rice are developing countries which lack the capital resources required to maintain stocks beyond current requirements.

## II. Guidelines for establishing and holding stocks

5. In establishing, reviewing and/or adjusting national stock policies and desirable minimum stock levels, governments should give consideration to the following guidelines, which are understood as a framework within which each country would develop its own stock policies according to its circumstances:

- (a) Vulnerability to crop failure owing to drought, floods or other natural hazards, and extent of resulting shortfalls in national cereals output.
- (b) The size of normal annual requirements for domestic consumption and, where applicable, for export.
- (c) The degree of dependence in normal conditions on imports of cereals and the scale of possible emergency import requirements in relation to the average level of world trade of the product concerned.
- (d) The period of time required for imports to be arranged and delivered to the country in periods of emergency or sudden domestic shortage, and for internal transportation to centres of consumption.
- (e) The period of time likely to be required to expand cereal production sufficiently to replenish stocks if these are drawn down to meet food shortages.
- (f) The proportion of national supplies entering commercial market channels.
- (g) The requirements of any government distribution programme of foodgrains to vulnerable sections of the population.
- (h) The desirability of locating stocks in a manner and place which ensure that the cereals are available for delivery when and where they are most likely to be required; and which, with the available storage and transport facilities, minimise the financial costs involved and also, where appropriate, facilitate urgent shipments to recipient countries in the shortest possible time.
- (i) Pledges to WFP and other international food aid programmes and allocations for bilateral food aid programmes, including specific pledges for national and regional stock-building.
- (j) Maintaining a regular flow of supplies at reasonable prices to meet foreseeable variations in demand from importing countries.
- (k) The possibility of an interruption in the flow of imported supplies by events outside the government's control (dock strike in exporting country, shipping difficulties, etc.).
- (l) The special position of developing countries, as set out in Part IV below.

6. The special difficulties of a number of developing countries in maintaining national stocks at desirable minimum levels place an added responsibility on the rest of the international community for ensuring world food security. Governments should take this into account in fixing their stock targets or objectives, and should where possible earmark stocks or funds for meeting international emergency requirements.

III. Necessary safeguards

7. Bearing in mind the accumulation and disposal given by governments which might arise from continue in this respect within the FAO and the and extended as necessary

8. To this end:

(a) All countries should which avoid adverse effects particular attention to exports.

(b) Governments should resources and consider effects on world prices this Undertaking.

IV. Special assistance

9. To promote the effective order to achieve the adequate availability their agricultural production countries of their over courses they may follow development programmes development priorities the developed and other measures to enable the material assistance, agricultural production

10. Continued reliance the World Food Program commercial trade, as well

11. International assistance on soft-terms and the maintenance of

for research on the development of storage facilities suited to conditions in these countries, and in furnishing advice on stock and related policies within the context of national development programmes. Developed countries and other potential contributors as well as the international and regional development agencies concerned should give additional assistance in identifying and mobilizing the resources required by developing countries for these purposes.

12. As regards the WFP in particular, the degree to which it can assist developing countries by providing food aid for national reserves is severely restricted by its resource position and its priorities. Governments should, therefore, consider making additional resources available to the WFP, to enable the Programme to play its role to the fullest possible extent in assisting developing countries to achieve food security as well as in emergency operations.

#### V. Information system

13. The effective functioning of the world food security system will depend greatly on the availability of timely and adequate information. Government members of FAO should furnish to the Director-General on a regular basis all the available information on national stock levels, government stockholding programmes and policies, current and prospective export availabilities and import requirements for cereals, and relevant aspects of the supply and demand situation, as well as on assistance provided to the food production programmes in developing countries. Other governments should be invited to provide similar information. In order to avoid unfavourable market repercussions in particular, the Director-General of FAO should ensure, where so requested by a government, that the data supplied by that government to the Information System are made available on a restricted basis only to the governments adhering to the Undertaking.

14. To keep all governments directly informed of current developments in the international cereals position during periods when world supplies are scarce the Director-General of FAO should prepare, on a quarterly basis or more frequently, concise factual appraisals of the situation and outlook which should be circulated promptly to governments.

15. In the assembly and analysis of information and statistics, the Director-General of FAO should seek the assistance of the International Wheat Council and other intergovernmental organizations concerned.

#### VI. Intergovernmental consultations

16. The adequacy of world cereal production and stocks should be kept under continuing review, so that timely action can be taken to maintain world food security. For this purpose, the governments adhering to this Undertaking should, with the assistance of FAO

and other concerned intergovernmental organizations, consult together to:

- (a) Review the progress in accelerating cereals production in developing countries and the assistance provided to them for this purpose, particularly in regard to the supply of essential agricultural inputs.
- (b) Make periodic evaluations of the adequacy of current and prospective stock levels, in aggregate in exporting and importing countries, for assuring a regular flow of supplies of cereals to meet requirements in domestic and world markets, including food aid requirements, in times of short crops and serious crop failure; account should be taken of the considerations set out in the guidelines; and
- (c) examine such short-term and longer-term policy action as considered necessary to remedy any difficulty foreseen in assuring adequate cereal supplies for minimum world food security.

VII. Provision for review of the Undertaking

17. This Undertaking, including arrangements and guidelines, may have to be revised, particularly if future international negotiations lead to the assumption by governments of specific commitments substantially affecting the Undertaking.







