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CL 88/6  
November 1985

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS ROME

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Eighty-eighth Session

Rome, 4-7 November 1985

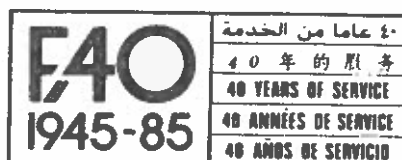
REPORT OF THE 55TH SESSION OF THE COMMITTEE

ON COMMODITY PROBLEMS

(Rome, 21-25 October 1985)

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MATTERS REQUIRING ATTENTION BY THE COUNCIL

The Committee wishes to draw the attention of the Council to the following matters in particular:

1. Its review of the main issues in the world commodity situation and outlook (paras. 7 to 18).
2. Its discussion of the linkages between international trade and world food security (paras. 19 to 28).
3. Its review of recent developments in protectionism in agricultural trade as follow-up to the Conference Resolution 2/79 (paras. 37 to 50).
4. Its review to the international action relating to agricultural commodities in UNCTAD, GATT, Common Fund and other organizations (paras. 80 to 89).
5. Its comments for 1986-87 (paras. 90 to 96).

7-13 October 1987

CL 88/6

I. INTRODUCTION

- Sua*
1. The Committee on Commodity Problems held its Fifty-Fifth Session from ~~21-25 October 1985~~ at FAO Headquarters, Rome. Of the ~~91~~ member countries of the Committee for the biennium 1984-85, ~~74~~ were represented at the Session. One Member Nation of the Organization, the Holy See and ~~8~~ international organizations participated as observers. The list of participants is given in Appendix A.
  2. The Session was opened by Mr H. Carandang (Philippines), the outgoing Chairman. The Committee thanked Mr Carandang for his services to the Committee and expressed its appreciation of the useful contribution which he made to its work.
  3. The Session was addressed by the Director-General of FAO, Mr Edouard Saouma. His statement is reproduced in Appendix B.
  4. The Committee elected Mr Javed Musharraf (Pakistan) as Chairman, Mr Bryan E. Samuel (United States of America) as First Vice-Chairman and Mr P. Khojane (Lesotho) as Second Vice-Chairman.
  5. The Committee adopted the agenda reproduced in Appendix C.
  6. The Committee was assisted during the Session by a drafting committee composed of the delegations of Argentina, Australia, Belgium, Cameroon, France, Japan, Morocco, Nigeria, Panama, Philippines, United States of America and Yugoslavia, under the Chairmanship of Mr Bryan E. Samuel (United States of America).

## II. REVIEW OF WORLD COMMODITY SITUATION AND OUTLOOK

7. The Committee reviewed the world commodity situation and outlook on the basis of documents CCP 85/14 and CCP 85/20, which supplemented the detailed review of the commodity and trade situation contained in the FAO Commodity Review and Outlook 1984-85, and document CCP 85/19 which assessed the medium-term outlook for commodity trade arising from new FAO commodity projections to the year 1990. The Committee expressed general agreement with the assessment put forward in these documents.

8. The Committee noted that, after three years of decline, world merchandise trade had recovered in 1984, with the volume increasing by about 9 percent and its value up by 5 percent in current dollar terms. The major force behind the expansion had been the rapid growth in import demand in North America and, to a lesser extent, in Japan. The merchandise trade surplus of the developing countries as a whole increased in 1984, although it barely reached one half of the level of 1979-81. This was the consequence of the continuing effect of economic recession, austerity programmes and falling export revenues on imports. Moreover regional performance had varied greatly; in particular the export revenues of sub-Saharan African countries showed very little increase.

9. In the agricultural, fishery and forestry trade sector, there had also been some recovery, in part reflecting commodity price increases in late 1983 and the first half of 1984. However, the increase in the volume of agricultural trade was small in 1984, about 2.9 percent compared with the average annual growth of 4.1 percent obtained in the seventies.

10. The Committee deeply regretted, however, that the export prices of many agricultural commodities had declined again since mid-1984. Prices of foodstuffs, such as cereals and meat, on international markets had continued to slide in US dollar terms, the open-market price of raw sugar had dropped to the lowest level in real terms in this century; and, among raw materials, the price declines in the past twelve months had also been substantial for natural rubber and cotton. The Committee also noted that prices of tea, jute, hides and skins and some vegetable oils, which had reached very high levels in 1984, declined sharply in 1985 and that declines in coffee, cocoa and banana prices, ranging from 4 to 7 percent, had also occurred.

11. Although the terms of trade of agricultural exporters remained below its average of 1979-81, the index had improved in 1983 and 1984, partly due to the decline in dollar prices of manufactured products. However, the Committee was concerned that, according to current forecasts, these gains seemed likely to be eliminated, at least in part, in 1985 as a whole. Moreover, the index of the terms of trade in 1983 remained 9 percent below that of 1980. In the case of developing countries, the improvement of four percent in the terms of trade of their agricultural exports in 1983 compared with a fall of twenty percent between 1980 and 1982.

12. The Committee expressed deep disappointment that the commodity trade situation currently and for the short-term future appeared generally unfavourable. Against a background of widespread deterioration in economic growth, the overall volume of world trade appeared likely to show little growth in 1985. Moreover, world trade in agricultural products was likely to contract in 1985 and in the short-term future. This reflected, in part, the ample supply situation for most basic foodstuffs and agricultural raw materials, combined with constraints on import demand in many developing

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prices.

countries owing to slow growth of their exports and heavy claims on financial resources for the servicing of external debts. In general, fluctuating rates of exchange, low US dollar prices for most commodities currently coincided with unfavourable prospects for growth in the total volume of agricultural trade. Marked declines in export earnings were anticipated in several major commodities, including sugar, coffee, tea and natural rubber and possibly oilseeds and grains, and, overall, the current US dollar earnings from agricultural exports appeared likely to decline significantly in 1985 and into early 1986, with adverse consequences for both developed and developing exporting countries.

13. Overall, many delegates of both developed and developing exporting countries stressed that their agricultural trade and farm sectors were grievously affected by the poor performance of world agricultural trade. In their view, this situation largely reflected the distortions of international markets caused by the protectionist policies, export subsidies and other similar practices of certain developed countries in a wide range of commodities, such as beef, sugar and grains. Many delegates emphasized that, in this situation, their economic difficulties had been compounded by their heavy foreign indebtedness, high interest rates, monetary instability, and credit shortages. Moreover, they pointed out that the decline in commodity export prices had seriously compromised their ability to service debt payments.

14. As regards the medium-term commodity prospects, the Committee noted that the FAO Secretariat projections for the 1990 pointed, with only few exceptions among commodities, to a considerable slowdown in the growth of global demand, including import demand, compared with the 1970s. Accordingly, opportunities for export growth would be more constrained. The general tendency was for supplies to international markets to be ample and for prices in real terms of many commodities to be subject to downward pressure. Among the main factors underlying these prospects were the particularly slow growth in demand for most agricultural commodities in high-income countries; the continuing tendency for some main producing countries to raise their production faster than their domestic consumption, in some cases with the aid of high support and incentive programmes; and the need for many developing countries to continue to have to conserve their limited foreign exchange resources in order to meet their debt servicing needs.

15. In these circumstances the projection results pointed to only small overall growth of the real export earnings from agricultural commodities, with the likely consequence that the agricultural sectors of many traditional exporting countries would remain under considerable stress. In particular, the repayment difficulties of developing countries with large debt servicing burdens, and which rely heavily on agricultural export earnings for their foreign exchange receipts, would be exacerbated.

16. In the light of the generally unfavourable commodity trade situation and outlook, the Committee discussed desirable remedial measures. It agreed that all efforts should be made by the international community to persuade countries to halt and eliminate export subsidies and other similar practices as well as protectionist measures which curbed access to international markets. In this connection, special attention was drawn to the harmful effects of export subsidies and similar measures on the export earnings of all primary exporting countries, particularly developing countries. It was stressed that agricultural trade liberalization and improvements in market access for export are essential for a more efficient allocation of resources

in all countries. The long-term solution to the widespread heavy debt repayment problems of many developing countries were closely linked with the expansion of their exports which trade liberalization measures would greatly facilitate.

17. Many delegates considered that while trade liberalization was essential for redressing chronic structural imbalances in world commodity markets, cyclical factors and shocks which affected supplies of many agricultural commodities meant that trade liberalization alone would not be sufficient to bring order and stability to world commodity markets. In their view, therefore, formal agreements on international market stabilization were essential in order to achieve the objectives of a new international economic order. In this connection, they expressed their dissatisfaction with the negative attitude of some major industrialized countries as regards the re-negotiation and implementation of existing agreements on commodities such as cocoa; the lack of success of efforts to negotiate new stabilization agreements for others, such as bananas and jute; and the decision of one important country not to ratify the Agreement on the Common Fund for Commodities. Referring to the coffee situation, some delegations regretted that the largest importer was the only one that disassociated from the agreement reached recently in the International Coffee Council. This attitude could have very negative effects on the economy of a large number of developing countries highly dependent on coffee exports. Some other delegates considered that commodity markets should be allowed to function freely and that emphasis should be placed on trade liberalization efforts with a view to minimizing distortions of markets. A number of delegates suggested that, as an interim solution, greater consideration should be given to the role of informal commodity arrangements as a means of improving the stability of commodity markets. The delegate of the United States explained that at the September 1985 meeting of the International Coffee Organization Council, the United States was concerned that members of that organization were unwilling to resolve the issues of undershipments and of sales to non-members and that without resolution of these issues the United States questioned the effectiveness of and rationale for an international coffee export quota.

18. The Committee underlined the need to strengthen economic cooperation among developing countries in agricultural commodity trade as a matter of priority and looked forward to the forthcoming FAO study on this subject. A number of delegates emphasized, however, that the expansion of such trade should not be regarded as a substitute for the general expansion of their trade. They also stressed that developed countries should not regard the expansion of trade among developing countries as an excuse for continuing the restrictions on access to their markets for exports from developing countries.

### III. SELECTED COMMODITY AND TRADE ISSUES

#### (a) International Trade and World Food Security

19. The Committee considered the linkages between international trade and world food security on the basis of document CCP 85/15. This document was prepared in line with the recommendation of the FAO Council at its Eighty-fourth Session in November 1983, which requested the CCP to pay special attention to the interrelationships between trade and food security in its future assessments of the agricultural commodity situation, taking into account the broader concept of world food security. The Committee on World Food Security (CFS) at its Ninth Session in April 1984, also recognized that a free and growing trade was of fundamental importance for the establishment and maintenance of food security.

20. The Committee welcomed the Secretariat document as a useful initial effort to deal with this important subject, while recognizing that it was not possible in a brief document to treat fully all the complex issues involved. The Committee requested that this topic be followed up in future sessions.

21. The Committee recognized that efforts by governments to improve national food security were increasingly dependent on the international trade environment and financial system. It considered that international trade could play a useful role in the food security strategies of developing countries, offering the opportunity of expanding markets for their export products and cheaper sources of food supplies. It noted, however, that increased risks and new uncertainties had been introduced over the past decade in the global trading environment and international financial system which reduced the attractiveness of the trade option for improving food security, especially for the low-income food-deficit countries. Factors which had tended to erode the usefulness of trade in food security strategies of many countries included, inter alia, low growth of many international commodity markets; high volatility of prices; widespread tightening of protectionist restrictions on both agricultural and manufactured goods; monetary instability and exchange rate movements, as well as high debt burdens.

22. The Committee recognized that increased reliance on trade for strengthening food security depended heavily on an improvement in the international economic and trading environment. Particular attention was drawn to the adverse impact of protectionist measures on exports, especially of developing countries. The need was underlined for greater trade liberalization and improved access to markets as well as the reduction and/or the elimination of export subsidies and other similar practices on agricultural products. The Committee also stressed the need for an improved functioning of the international monetary system to facilitate trade growth. Many delegates considered that some other international measures to dampen or counteract the adverse effects of fluctuations in commodity prices - such as effective international commodity agreements and improvements in the IMF's export financing facility - could also serve as important means to enable food deficit countries to take greater advantage of trade for improving their food security.

23. The Committee agreed that in determining the optimum mix between food self-sufficiency and trade-oriented self-reliance governments often needed to take into consideration many factors. Food security strategies would vary from case to case, not only because of differences in the external risks faced by countries but also because of differences between countries concerning such factors as productivity and cropping opportunities.

24. The Committee considered that the possible external factors that could help in overcoming the food security problem of developing countries, included direct food aid, development assistance and trade. The trade option would be the most important factor if existing distortions in the international trade environment were removed. However, it recognized that in view of these distortions, countries had to adopt food security strategies that often prevented them from benefitting fully from comparative advantage and consequently led to inefficiencies in resource allocation. Inefficiencies in resource allocation and accumulation of some surplus stocks, although imposing a heavy burden on limited resources, were considered by many countries as the price that they had to pay for food security within an uncertain and risky trading environment.

25. The Committee considered that food aid, although not a long-term solution, had an important role to play as a source of food supplies, particularly for countries with low growth in domestic food production, low GDP growth rates, and limited opportunities in export markets. It noted that although donors, in general, had given priority in the implementation of their food aid programmes to low-income food-deficit countries, and sub-Saharan Africa in particular, for a variety of reasons the role of food aid in improving food security in the recipient countries had been limited. It stressed that the impact of food aid in strengthening food security would be more permanent if used for development purposes. A number of delegates pointed out that despite recent increases in the flows of food aid, the level of food aid provided still fell considerably short of requirements. In this connection, they referred to the FAO/WFP Secretariats' estimate of 20 million tons of food aid requirements by 1985. Other delegates, although recognizing the important role of food aid, pointed out that there was a need to safeguard against possible disincentives to domestic production, distortion of local consumption patterns and disruption of trade patterns.

26. While recognizing the potential benefits of relying on trade to achieve food security objectives, the Committee noted with concern the potentially harmful effects of the dependence on imported food supplies, whether purchased commercially or obtained as food aid. These included changes in food habits away from traditional food crops, risks associated with permanent dependence on commodities which cannot be produced domestically, uncertainties arising out of instability of prices and supplies, the shifting of production resources away from traditional crops and toward production of foreign-origin foods which were sometimes less suited to the natural resource base, and the dependence on imported inputs and technology for the production of such foods. In this connection, the Committee stressed the important role that traditional food crops played in the food security of many developing countries and underlined the need to safeguard against possible risks and distortions that might be caused by imported foods and production processes.

27. Many delegates stressed the potential contribution of greater intra-developing country trade to food security. In this connection, they emphasized the important role of regional and sub-regional cooperation within the context of ECDC. The Committee underlined the need for encouraging triangular transactions, particularly in view of the current availability of food surpluses in several developing countries, and urged that such transactions be supported by practical measures at the international level, including financial help and improved exchange of information.

28. A number of suggestions were made for consideration in future studies of the linkages between international trade and food security. These included, *inter alia*, a clearer definition of food security and relevant indicators to measure it, identification of factors underlying the correlations included in the Secretariat document (CCP 85/15), analysis of the impact of the operations of transnational corporations in international trade on food security, examination of the impact of developed country policies on agricultural trade, analysis of the linkages between price policies and trade, assessment of the potential for expanding trade among developing countries, and the role of non-cereal food crops as an alternative to cereal trade for improving food security. The Committee was informed of a number of studies and activities already underway, such as the



analysis of the operations of the transnational corporations and agricultural trade amongst developing countries, which would consider several of these factors, and would be useful in further work by the Secretariat in this area. It was urged that with respect to these studies the Secretariat should complete and present them as soon as possible. The Secretariat reported that for the study on transnational corporations account was taken to the extent possible of what was being done in other bodies and that this study would be ready next year.

(b) International Trade in Dairy Products - Review, Prospects and Issues

29. The Committee took note of document CCP 85/16 in which the Secretariat had analyzed recent developments in and assessed the medium-term outlook for the international trade in dairy products. According to the Secretariat's study, supplies in the world dairy economy had increasingly exceeded effective demand. This had led to accumulation of large stocks of dairy products, high government expenditure on milk price support and generally depressed prices in international dairy trade. Low-cost exporting countries, both developed and developing, had lost market shares, while the largest part of world exports of milk products now came from relatively high-cost producing countries in western Europe and North America which had to rely on subsidies in order to compete in international markets. While surpluses of dairy products had benefitted consumers in developing countries, at least in the short-term, they had also tended to discourage development efforts in countries which had a potential of dairying. The global outlook was for effective demand in international trade to continue to lag behind potential export availabilities in the developed market economies.

30. Many delegates expressed their general agreement with the analysis and conclusions of the Secretariat. However, the Member States of the European Communities, speaking through their intermediary of the observer of the EEC Commission, considered the paper lacked balance and information on some recent developments.

31. Several delegates provided additional information on recent dairy policies in their countries. The delegate for the United States mentioned that his government had already cut the milk support price, though further cuts might be necessary to bring milk output in line with demand. The observer of the EEC indicated that the imposition of quotas on milk marketing in the Community had been a courageous decision intended to reduce over-supply, and the new policy was beginning to produce the desired effects.

32. Many delegates stressed that recent adjustment measures taken by surplus producing countries, while being a step in the right direction, were not sufficient to tackle the fundamental problems of overproduction and urged that further action be taken to restore equilibrium between supply and effective demand. They considered that adjustment policies to deal with the dairy problem needed to be designed to tackle simultaneously the problems of oversupply for a range of agricultural products; this would avoid the shifting of excess production from one sector to another. They also pointed out that subsidized exports had not only disrupted international trade flows, causing resource misallocation on a global scale, but also hampered dairy development in developing countries. Some delegates recognized that food aid could also in some cases hamper dairy development in recipient countries.

33. The Committee agreed that dairying could play a useful role in rural development programmes of developing countries. In this connection, reference was made to India's dairy development project "Operation Flood" which used dairy products provided as food aid, especially by the EEC, as a means to expand the local dairy sector and to generate funds for the improvement of milk production.

34. Some delegates, while recognizing the importance of dairy development in developing countries where feasible, regretted that the existence of surpluses and the low level of international prices had led to the adoption of policies in some developing countries to protect their dairy industries. They urged that instead, the root cause of the current surplus situation should be attacked.

35. The observer of GATT informed the meeting about recent activities of the International Dairy Products Council which was overseeing the International Dairy Arrangement (IDA), established some 5 years ago. Under the IDA, minimum export prices for certain dairy products agreed by participants had been lowered in June 1985, and adjustments to currency fluctuations of minimum prices, which were determined in US dollars, were being examined.

36. Regarding future work on trade in dairy products, the Committee emphasized the importance of cooperation between FAO and GATT. Some delegates suggested that the CCP should resume its regular reviews of dairy policies, taking due account of the work of other bodies.

#### IV. PROTECTIONISM IN AGRICULTURAL TRADE: REVIEW OF ACTION TAKEN ON CONFERENCE RESOLUTION 2/79

37. The Committee undertook its regular review of developments in protectionism which might affect the trade prospects of agricultural commodities (document CCP 85/13). In line with the request of the Committee made at its 54th Session, the review covered follow-up action to Conference Resolution 2/79, and recent developments in GATT, UNCTAD and other international organizations, and gave special attention to the interests and needs of developing countries. The Committee heard with interest statements by the representatives of GATT and OECD who reported on recent developments in their organizations.

38. The Committee agreed that protectionism, including the use of export subsidies and other similar practices in agricultural trade had remained persistent, widespread and strong. A great majority of delegations condemned these practices, the effects of which, *inter alia*, had been disastrous for incomes and rural employment and for social and economic development, and had affected the balance of payments position of exporters of agricultural commodities, particularly the developing countries and low-cost producing countries. In this context, regret was expressed that resolution 2/79 had not been implemented by the countries which apply these negative policies, as these had contributed in part to the deterioration of the situation. It was also stressed that this situation had worsened in recent years, even to the extent of possibly precipitating an agricultural trade war in which the major losers would be the traditional low-cost exporting countries, especially developing countries. Some delegates believed that the essential issue was to offer producers stable and

incentive prices which would make it possible, better than today, to ensure food security and this required market organization. The Committee expressed the need to consider the negative effects of inward-looking agricultural policies on other countries.

39. Many delegates emphasized that increased import restrictions in certain developed country markets and their use of export subsidies and similar other practices had displaced exports of traditional exporters and had been a major cause of the erosion of commodity export prices. As a consequence, the ability of highly indebted developing countries to service their foreign debts, as well as to finance imports crucially needed for their economic development, had been seriously impaired.

40. A number of recent studies were cited which indicated the high costs of agricultural protection to the economies of both the countries which applied high support and protectionist measures and, especially, the countries which suffered the consequences of the resultant limitations of market access and distortions on world markets. It was stressed that such measures had crippled their major agricultural and agro-based export industries including sugar, beef, grains, dairy products, processed products, textiles and clothing.

41. A number of delegates emphasized the import liberalization policies which their governments had initiated on a unilateral basis with a view to opening up their markets, reducing the costs of protection to their domestic economies, and integrating more closely their markets with the world economy. Some of these delegates expressed their dissatisfaction that, in contrast, certain developed countries had raised their protective barriers.

42. Some delegates observed that the secretariat document had not examined the reasons for protecting agriculture and had not referred to the specific characteristics and problems of agriculture which, in their view, should be fully taken into account in any discussions on liberalizing trade in agricultural products. Among these specific aspects, which in their view made agriculture a special case not comparable with other industries, were the role of domestic agriculture in providing an acceptable degree of food security; the dependency of agriculture upon natural conditions and resources; its environmental role; its importance to regional economies in each country; and the need to preserve rural life especially in remote areas.

43. Many delegates, while recognizing the need for ensuring food security, stressed that industrialized countries should not pursue national food self-sufficiency and food security goals by raising barriers to imports from developing countries. In their view, such restrictions on market access curtailed the export earnings and consequently the capacity of developing countries to finance imports, including food imports. Thus, national food self-sufficiency policies for achieving food security in the industrialized countries had the effect of adversely affecting the food security in developing countries.

44. The Committee heard with interest a statement by the representative of GATT highlighting the work of the Committee on Trade in Agriculture which had been set up in accordance with the decision of GATT Ministerial meeting of November 1982, to carry out a major two-year programme and to make recommendations with the aim of achieving greater liberalization of agricultural trade. The first stage of the Committee's work, which involved the detailed examination of the policies and practices of 41 countries and

the European Communities, had been completed in the early part of 1984. Subsequently, on the basis of extensive discussions and consultations, recommendations, which called for the elaboration of a number of approaches as a basis for possible future negotiations, were drawn up by the Committee and adopted by the Contracting Parties in November 1984. The Committee on Trade in Agriculture was asked at the same time to examine in depth different approaches and to report to the Contracting Parties on the progress achieved by November 1985. The representative of GATT appraised the CCP of the salient features of this process, which involved on-going discussion of ideas and suggestions on how the recommended approaches might be elaborated, covering market access, state trading, tariffs as the principal form of protection, voluntary restraint agreements, variable levies, minimum import prices, export subsidies, and sanitary and phyto-sanitary regulations.

45. The Committee appreciated the efforts of the GATT Committee on Trade in Agriculture. Most delegates expressed their great disappointment at the slow progress towards agricultural trade liberalization and the lack of concrete action in the fora charged with responsibility for trade negotiations. It also stressed the urgency of completing the 1982 GATT programme of work, adopted at Ministerial level, thus fulfilling all the commitments therein, before entering into a new round of multilateral trade negotiations.

46. Some other delegates suggested that increased commitment to the principles of GATT, and greater participation by Contracting Parties, would help to speed up the trade liberalization process. There was also a basic need, in their view, to convince decision makers of the costs of protectionism and the benefits which would accrue from dismantling such measures.

47. The Committee agreed that FAO's analytical and information activities on commodity trade issues, under the aegis of the CCP and its Intergovernmental Groups, were central to its mandate. These activities could make a useful contribution to the understanding of the issues involved and to the process of trade liberalization. In this connection, the Committee requested the Secretariat to include in its next regular review of developments in protectionism and follow-up to Resolution 2/79, an assessment of the effects of protectionist policies applied to commodities which are essential to the economies of low-cost producing and exporting countries and of countries producing and using substitutes.

48. The Committee noted that during the past ten years, the FAO secretariat had regularly quantified, for selected countries and commodities, the producer and consumer subsidy equivalents of national support measures. Some delegates considered that such indicators, and the approach on which they were based, could provide useful support to agricultural trade negotiations. One delegate felt that producer subsidy equivalents did not adequately differentiate between domestic policies which impacted on international trade and those which did not. Some other delegates considered that it would not be possible to reach agreement on appropriate indicators for use in such negotiations as they cannot adequately reflect the wide differences in social, economic and political conditions among countries and in view of the technical problems involved. The member states of the EEC, through the spokesman for the Community, said that they did not accept the table on price support in the document.

49. A large majority of delegates while recognizing that FAO is not a body in which negotiations can be conducted, agreed on the necessity of sending a clear signal to the international community that the liberalization of agricultural trade should receive priority attention in the forthcoming trade negotiations in GATT, with particular emphasis on the improvement of access to markets for developing countries' exports. To facilitate this process, the Committee expressed its hope that GATT Committee on Trade in Agriculture would conclude its work programme with definite and widely accepted recommendations which would clear the way for successful negotiations on liberalizing agricultural trade. The Committee also urged that all countries, particularly developed countries, refrain from increasing barriers to agricultural trade and from expanding the use of export subsidies and other similar practices. 1/

50. The Committee expressed its deep concern at the serious agricultural trade problems faced by developing countries and stressed the need for improving access for their agricultural exports to developed countries' markets. The Committee, therefore, called on developed countries to make all efforts to reduce and where feasible eliminate barriers against the exports of developing countries and to avoid the use of export subsidies and other similar practices which displaced developing countries' exports from their traditional markets. The Committee also stressed the need to accelerate progress towards the conclusion of negotiations on tropical products in GATT and urged developed countries to give due consideration to improving their General System of Preferences schemes with regard to agricultural products. 1/

#### V. REVIEW OF ACTIVITIES OF THE INTERGOVERNMENTAL COMMODITY GROUPS

51. On the basis of the reports of Groups which had met since its last session, the Committee reviewed the Groups' activities, progress made and difficulties encountered. The Committee endorsed the work of the Intergovernmental Groups, stressing that they were a valuable and effective part of the work of FAO. They provided important fora for exchange of information on current situation and outlook as well as on policies. It was stressed that they were also useful for consultations and exploratory work on trade issues of the commodities concerned with a view to assisting governments in their efforts to find solutions to commodity problems.

52. The Committee agreed that the Groups offered flexibility in their approach to commodity issues and stressed that this approach should be further pursued. Some delegates felt that the work of the Groups over the next biennium should be responsive to the issues and major problem areas identified during the current session of the Committee.

53. The Committee approved the following Intergovernmental Group reports:

- 22nd Session of the Group on Grains (CCP: 85/7)
- 27th and 28th Sessions of the Group on Rice (CCP: 85/5 and 85/10)
- 18th Session of the Group on Oilseeds, Oils and Fats (CCP: 85/4)
- 11th Session of the Group on Meat (CCP:85/9)

1/ The delegate of Belgium entered the reservation on the use of the expression "The Committee" in paragraphs 49 and 50 since several delegations did not speak in that way. The delegate of Belgium also felt that there was no consensus on both paragraphs 49 and 50.

- 19th and 20th Sessions of the Group on Jute, Kenaf and Allied Fibres (CCP: 85/3 and 85/6)
- 18th, 19th and 20th Sessions of the Group on Hard Fibres (CCP: 85/2, 85/8 and 85/21)
- 6th Session of the Group on Tea (CCP: 85/18).

54. The Committee also took note of the reports of the 4th Session of the Working Party on Elements of an International Banana Agreement (CCP: BAS/WP 84/5) and the 8th Session of the Sub-Group of Exporters of the Intergovernmental Group on Bananas (CCP: BA/EXPO 84/4).

55. Regarding the Intergovernmental Group on Grains, it was suggested that the time spent by the Group on the refinement of statistics on the current situation and short-term outlook might be reduced enabling greater opportunity for discussion of the issues affecting the short- and medium-term outlook. It was also suggested that the method of presentation of the statistical material should be reviewed. It was suggested that more attention should be paid to the role of maize and other grains, now called coarse grains such as millets and sorghum, as basic staple foods in many developing countries. In this connection, the Committee noted that the last session of the Group had considered a paper on white maize and welcomed that, in line with the suggestion of that session, more work was being done on traditional staples including roots, tubers, pulses, maize, millet and sorghum.

56. Regarding the Intergovernmental Group on Rice, the Committee endorsed the Group's support for the expanded use of triangular transactions for food aid in rice, (and other appropriate commodities), although attention was drawn to a number of possible problems involved in their use, including additional administration, extra delays in arranging such transactions and other problems such as quality considerations.

57. Regarding the Intergovernmental Group on Oilseeds, Oils and Fats, the Committee, with the exception of the EEC member countries, reiterated its dismay and continuing concern that the tax proposal had not been dropped as evidenced by the answer to the question posed by a member of the European Assembly to the Commission (C610/1985), despite the repeated appeals from third countries and even the opposition of some EEC member countries, and reiterated its appeal to the Council of Ministers and the EEC member countries not to impose the tax on oils and fats other than butter. The observer of the EEC informed the Committee that although the proposal had not been withdrawn, no decision on it is envisaged. The observer of the EEC underlined that a discriminatory tax was not envisaged and if it had been introduced it would have been applied equally to products from the Community and to imported products. The Committee, with the exception of the EEC member countries, had rejected the EEC's claim that the tax would be non-discriminatory. In their opinion the tax would be discriminatory in terms of commodities because butter would be excluded and, being specific and not ad valorem, the tax would penalize more the lower-priced fats and oils; the tax would be discriminatory in terms of countries because the EEC's degree of self-sufficiency was low so that most of the burden of the tax would be transferred to exporters. The Committee, with the exception of the member countries of the EEC, also expressed concern at the option put

forward by a recent communication of the EEC Commission to the Council and Parliament "Perspectives for the common agricultural policy" <sup>1/</sup> of a new protectionist policy for introduction in the EEC, oilseed, oils and fats and oilmeals sector in connection with possible diversification from surplus production of cereals.

58. Regarding the Intergovernmental Group on Meat, some delegates expressed concern about the very limited progress made towards achieving the objectives of the Guidelines for International Cooperation in the Livestock and Meat Sector.

59. The Committee noted that following its own request, the Intergovernmental Group on Meat had reviewed the possibilities for and implications of covering hides and skins in the Group's mandate. The Group had generally agreed that the incorporation of hides and skins in the terms of reference of the Intergovernmental Group on Meat would provide for the first time an intergovernmental consultative mechanism to deal with hides and skins problems on a continuing basis. Accordingly, the Group had generally decided to recommend to the CCP to approve the amendment of its terms of reference to include coverage of hides and skins. It had further agreed to recommend to the CCP that a Sub-Group on Hides and Skins should be established under the Intergovernmental Group on Meat on the understanding that the activities of the Sub-Group would be financed by a re-allocation of resources available to the Commodities and Trade Division and bearing in mind the desire to contain overall costs. Finally, the Group had generally agreed that, if established by the CCP, sessions of the Sub-Group on Hides and Skins should be held in conjunction with the full Intergovernmental Group on Meat in order to enable the Sub-Group to report to its parent body.

60. The Committee unanimously endorsed the recommendation by the Group to establish a Sub-Group on Hides and Skins and it amended the Group's terms of reference accordingly as set out in Appendix F. It was suggested that as the Sub-Group on Hides and Skins would have to identify major issues and determine its work programme at its first meeting, it might be opportune to convene a mid-week to mid-week session accommodating both the meetings.

61. Regarding the Intergovernmental Group on Bananas, the Committee was informed of the outcome of the Fourth Session of the Working Party on Elements of an International Banana Agreement and of its inability to make further progress. The producing and exporting countries with the support of the Committee believed that this was the result of the negative attitude towards stabilization measures of a main importing country. The delegates of exporting countries regretted that years of work had been wasted, especially after significant progress had been achieved, and a broad degree of consensus among exporting countries had been reached. Failing the participation of consumers, producing countries would have no option but to try and search for a producers' agreement. However, the hope was expressed that the main importing country could reconsider the stand it had taken at the Working Party. Exporting countries urged the convening of an early meeting of the Intergovernmental Group on Bananas, possibly in the first half of 1986, in order to reassess the situation and propose new strategies to deal with market imbalances and to strengthen the world banana economy. They pointed out that an agreement, even if imperfect, could help to safeguard the interests of both producing and consuming countries.

<sup>1/</sup> EEC doc. COM(85)333 final, 15 July 1985.

62. The main banana importing country stated that, while still having genuine doubts on the feasibility of an international agreement for bananas, it would give serious consideration to the views expressed by exporting countries, and reiterated its view that international cooperation in such areas as research and development and market promotion will better serve the interests of producing and consuming countries.

63. Exporting countries stressed the importance of continued FAO assistance to individual countries and regional groupings in the various aspects of the world banana economy including studies on market promotion, trade liberalization, new end-uses for bananas, diversification and the monitoring of developments in the marketing and distribution of bananas.

64. The Committee agreed that efforts to achieve stabilization of the world banana market should continue and that the Intergovernmental Group should meet as soon as possible to consider practical new approaches.

65. Regarding the Intergovernmental Group on Jute, Kenaf and Allied Fibres, the Committee noted the jute market had experienced a critical shortage in 1984/85 and that it had not been possible for the group to establish indicative prices for jute and kenaf fibres for the season. The Committee agreed that the Group should again consider the establishment of indicative prices for the 1985/86 season at its Twenty-first Session which would take place from 2-5 December 1985.

66. The Committee noted that the jute market continued to be faced by problems caused by year-to-year instability of supply, and prices, and that since the beginning of the year prices had fallen sharply. The delegations of some producing countries indicated that instability was also a factor which contributed to the loss of markets to synthetics and resulted in reduced earnings. Therefore the Committee noted with satisfaction that a study of the factors causing jute market instability and possible policy options to combat them would be considered by the Group at its next session. One delegate expressed concern that the consideration of any studies done within FAO for the Intergovernmental Group on Jute, such as studies of instability which might have the real potential to result in proposals for market arrangement and which have principal consequences for producers and consumers, should not lead to any decision which might in some way tie the hands of the members of the International Jute Organization (IJO).

67. The Committee noted that FAO continued to provide technical support to the IJO in the preparation of project proposals in the fields of research and development and cost reduction. The delegations of some producing countries stressed the importance for the IJO to achieve its objectives through the implementation of projects, and expressed serious concern about possible lack of resources for this purpose. They also recorded their regret at the untimely demise of the Executive Director of the IJO, Mr A.K. Dutt, who had contributed vastly to the establishment of the Organization.

68. With respect to the future activities of the Intergovernmental Group, the Committee noted that the Group would review its activities at its next session in the light of the work being undertaken by the IJO which had been operating since early 1984. It was suggested that in view of the fact that IJO was still at an early stage of operations, the activities of the Intergovernmental Group on Jute on economic and trade issues would need to be continued in the near future.



69. Regarding the Intergovernmental Group on Hard Fibres, the Committee expressed its concern at the increasingly severe problems with which sisal and henequen, abaca and coir were facing. Delegates from producing countries emphasized that export markets for these fibres had been seriously eroded by synthetics, that changes in baling techniques had further reduced requirements for sisal and led to idle processing capacities in producing countries and that export earnings from hard fibres had been further reduced by the fall in real prices and unfavourable terms of trade.

70. The Committee took note of the need for productivity increases to help sisal, abaca and coir to increase their ability to compete with synthetics. In this connection, delegates from producing countries appealed to consuming countries to contribute to trust funds for the financing of R & D projects for abaca and coir which were still under review in the Intergovernmental Group. They also encouraged the Secretariat to continue its search for resources for the implementation of such projects. In the case of sisal and henequen, the Committee endorsed the Group's decision to establish a Sub-Group of Sisal and Henequen Producing Countries which would provide a regular forum for intensifying cooperation among producing countries in the context of ECDC and for developing joint recommendations on action to be taken. In relation to hard fibres, one delegate cautioned against the fragmentation of the discussions in a number of informal meetings or consultations of experts within sessions of the Group as this would not necessarily contribute to achieving attainment of the Group's objectives.

71. The Committee endorsed the Group's programme of work and noted with appreciation the invitation extended by the Government of the Philippines to hold the next session in Manila.

72. Regarding the Intergovernmental Group on Tea, the Committee noted that the Group had not met for almost eight years as a consequence of the negotiations in UNCTAD within the framework of the Integrated Programme on Commodities towards an international tea agreement. It regretted that the negotiations in UNCTAD had not succeeded in establishing approaches to stabilize the world tea market, within the framework of a formal international tea agreement.

73. The Committee therefore welcomed the resumption of the Group's activities which provided a forum for a continuing exchange of information and for policy discussions. It noted that in the interim since the Fifth Session of the Group, the tea market had undergone many changes. Prices had been highly volatile, rising to unprecedented heights in 1983/84 and falling rapidly during the first half of 1985 to extremely low levels.

74. The Committee endorsed the proposal that the Group should continue to undertake in-depth analyses of the world tea economy and regular assessments of the medium and longer-term outlook. It agreed that one of the factors behind the present depressed price situation was the surplus of low quality tea in the market.

75. The Committee endorsed the Group's recommendation that the Sub-Group of Exporters should be re-activated to enable exporting countries to develop emergency short-term measures to arrest the decline in prices and to stabilise the market. It noted that these efforts in the short term were likely to concentrate on action to remove low quality teas from the market supplemented by attempts to develop other appropriate price stabilization techniques.

VI. REVIEW OF THE WORK OF THE CONSULTATIVE SUB-COMMITTEE ON SURPLUS DISPOSAL (CSD)

76. The Committee approved the Thirtieth Report of the CSD and commended the Chairman Mr. E. Kojo Acquah who had come to Rome to present the report.

77. The Committee supported the effective work of the CSD in its basic role of monitoring a growing number of food aid and other transactions within the FAO Principles of Surplus Disposal. The Committee endorsed the principle of additionality and noted the usefulness of preliminary discussions underway in an Informal Study Group. Some delegates urged that the CSD approach its consideration of additionality in a flexible manner. In this respect, the problems of drought in Africa and the debt service problems in many regions of the world were noted as were the trade issues under discussion by the Committee.

78. The Committee commended the work of the Secretariat in developing trade statistics for rice and maize for use in establishing usual marketing requirements (UMRs). The delegate of Canada, in supporting the work of the CSD, suggested that the CSD give greater attention to developmental aspects of concessional transactions and strengthen its monitoring function to more adequately cover the so-called "grey area" transactions, i.e., transactions which tend to fall between entirely commercial and entirely concessional transactions. The delegate of Australia expressed concern over certain aspects of the operations of the United States' section 416 donation programme and also concern over what appeared to be a growing number of reduced and nil UMRs.

79. In regard to the absence of a CSD delegate from Africa on the Informal Study Group, Mr. Acquah indicated that African delegates, who are not able to attend all meetings because of the pressure of work, were not present at the times members volunteered to participate in the Group. In this regard, Mr. Acquah advised the Committee that he was an ex officio member of the Group and he urged FAO members, especially those of recipient countries, to join the CSD.

VII. INTERNATIONAL ACTION RELATING TO AGRICULTURAL COMMODITIES

(a) Developments in UNCTAD, GATT, Common Fund and other organizations

80. the committee reviewed the international action taken since its fifty-fourth session on agricultural commodities especially in unctad and gatt as well as the contribution of fao to this action. it based its discussions on document ccp 85/12 and further information provided by the representatives of unctad and gatt. the committee was also informed of the recent activities of the itc and ifap in the area of agricultural commodities.

81. the representative of the gatt informed the committee that a special session of the contracting parties in september 1985 had decided to set up a group of senior officials to further the preparatory process for a new proposed round of multilateral trade negotiations which, the special session agreed, had been initiated. the group would report on its work to the annual session of contracting parties in november. it was also agreed that a decision would be taken by the contracting parties at their november 1985 session on the establishment of a preparatory committee to prepare the basis for the launching of a new round.

82. Many delegates drew attention to the fact that new barriers had been erected by developed countries against the imports of developing countries despite commitments to resist protectionism made at the highest political level. Moreover, the 1982 GATT programme of work remained unfulfilled. In their view, developed countries should fulfil their commitments before pressing for a new round of negotiations. Some other delegates, emphasizing that all efforts must be made to increase the imports of developed countries from developing countries, pointed out the measures which they had already taken in this direction.

83. The Committee thought that during the next round of negotiations in GATT the effective participation of developing countries should be ensured. It was suggested that the interests of these countries should be given priority treatment.

84. Many delegates stressed that multilateral cooperation was in a state of crisis and that a number of developed countries had shown a persistently negative attitude against multilateralism. The breakdown of the North-South dialogue; the lack of progress towards a new international economic order; harsh lending terms, which had caused serious retrogression in the development process of the developing countries; the virtual standstill of negotiations in UNCTAD; the lack of concrete action to liberalize trade in GATT; mounting protectionism; and the decline of financial assistance to developing countries were the main manifestations of this disastrous tendency. They emphasized that the debt burden of developing countries was still rising and that its servicing would use up on average by end-1985, about twenty-three percent of their export earnings as a group, and in Latin America it would average around forty-seven percent. In contrast, total Official Development Assistance had declined even in nominal terms; the concessional assistance to developing countries had declined further; and a net transfer of resources out of the developing countries had occurred for the first time in 1984.

85. The Committee expressed disappointment that no replenishment of the International Fund for Agricultural Development (IFAD) had so far been made, even at the reduced level favoured by some contributors. It called upon all donor countries to take urgent steps to replenish the Fund which is of such crucial concern to the world's poorest and smallest farmers.

86. Many delegates also emphasized that there was negligible progress in the implementation of the Substantial New Programme of Action (SNPA), through increased financial assistance to least developed countries (LDC's). It was pointed out by some donor countries that progress had been made in the implementation of the SNPA decision by granting duty free access to the products of LDC's and by the establishment by the EEC of an export earnings stabilization scheme similar to STABEX in favour of LDC's not covered by the Lomé convention.

87. The Committee noted the statement of the representative of UNCTAD concerning the current state of ratification of the Agreement on the Common Fund for Commodities. So far 87 countries, accounting for 57.22 percent of the directly contributed capital had ratified it. However, he stated that the Fund could not become operational until the biggest developed market economy country or the largest socialist country had ratified it. Many delegates expressed serious concern at the failure of these major countries to ratify the Common Fund so far, and particularly at the official decision of United States not to ratify the Agreement, which had been negotiated as long ago as 1980. They appealed to the United States to reconsider its

position and thereby demonstrate its concern for stabilizing the prices of commodities which are of major importance to the export performance of many developing countries. The delegate of the United States stated that his government's decision not to ratify the Common Fund Agreement was firm. He explained that while the United States was sensitive to the problems of commodity exporting countries, it was skeptical of the benefits provided by price affecting international commodity agreements. It believed that international trade would be most beneficial if it was conducted through free markets. He noted that only four price-affecting commodity agreements had been negotiated and continued to operate. Only three of these provided for internationally controlled buffer stocks but all would require considerable modification to meet the requirements for association with the Common Fund. Under these circumstances, the United States did not believe that the Common Fund would be able to fulfill the role envisaged for it in international commodity trade and had decided not to undertake the processes associated with its ratification.

88. Many delegates stressed that the existing commodity agreements with price stabilization provisions on rubber, cocoa and coffee were under strain and great difficulty was being experienced in the re-negotiation of some of them. They called for urgent steps to revive negotiations on international commodity agreements. They regretted that consensus had not yet been reached on the resumption of negotiations for an international arrangement with economic provisions to replace the International Wheat Agreement. In this connection, the Committee noted that the International Wheat Council (IWC) at its session in late June had been unable to complete discussion on the report of the Working Group on this matter, that the Group was continuing work and that it was expected to prepare a draft of a new International Wheat Agreement for presentation to the IWC in December 1985. Some delegates referred to the difficulties facing the sugar industry and the need for the conclusion of a new international sugar agreement with economic provisions.

89. The Committee stressed the importance of expanding economic cooperation among developing countries (ECDC) in the area of trade and the need to take practical steps to exploit the opportunities for increased trade among them in agricultural commodities. In this connection, many delegates emphasized the contribution which the proposed Global System of Trade Preferences among developing countries (GSTP) would make to the expansion of their mutual trade and expressed the hope that these negotiations would have positive results for developing countries.

(b) FAO Commodities Programme of Work 1986-87

90. The Committee reviewed the Secretariat's proposals for commodity work and related meetings in 1986-87 on the basis of detailed information provided in document CCP 85/17 concerning intergovernmental consultations on commodity problems; commodity activities at regional, sub-regional and country level; and the Organization's work on commodity intelligence, situation and outlook analysis.

91. The Committee stressed that the network of FAO Intergovernmental Groups continued to provide a valuable mechanism where producing and consuming countries could consult together in order to review the commodity situation and prospects to assess global problems of international trade facing agricultural commodities, and to consider desirable policy measures

to improve conditions of trade. Most delegates stressed the need to strengthen the role of the CCP and its Intergovernmental Groups, particularly with regard to analysis of agricultural protectionism. In particular, they suggested that further efforts should be made to compile and analyse information on protectionism which is available from other organizations and bodies and to prepare studies on the extent and effects of protectionism for individual commodities, paying special attention to the effects on the most vulnerable countries and to the scope for and feasibility of remedial action. They also stressed the need for the conclusions of the Committee and the Groups on agricultural protectionism to be drawn to the attention of the fora responsible for negotiations on agricultural trade.

92. The Committee supported the provision made to continue the Secretariat's collaboration with other organizations. It noted with approval that technical support was being provided to the GATT Secretariat in preparing for consultations between individual least-developed countries and their main trading partners, and to the International Jute Organization. The Committee also supported the continuation of activities to assist individual developing countries to devise and implement other national commodity policies.

93. The Committee stressed the need to promote agricultural commodity trade among developing countries. In this connection, it noted with approval that a special study on this subject was planned for completion in 1986. It also approved the proposal to enlarge the programme of workshops held at regional and sub-regional level, to examine the scope for expanding trade among developing countries in selected commodities. Several suggestions were made regarding the coverage of these activities. In particular, the Secretariat was requested to consider making a study of the scope for expanding trade among developing countries in wheat and coarse grains, taking into account the feasibility of using bilateral trading techniques, such as long-term contracts and counter trade. It was also suggested that studies of trade among developing countries should include analysis of external effects and constraints.

94. The Committee placed high priority on FAO's global commodity intelligence activities, together with the associated analytical work. Special reference was made to the high quality of the World Apparel Fibre Consumption Survey and the usefulness of the other periodical and special studies issued on commodities and trade, including the regular statistical reports and market reviews. It was suggested that problems associated with competition between certain food commodities, such as sugar and alternative sweeteners, beef, and milk and their substitutes, should be studied. Support was expressed for FAO's ongoing work on animal feeds and it was suggested that more in-depth work should be carried out. It was pointed out that the FAO'S work on feed, particularly regarding developing countries, would complement and support OECD's current work on improving the feed data base for its member countries. Cooperation between the Secretariats would avoid duplication of work and allow a global data base to be established. In this connection, the representative of the the OECD informed the Committee of its work to develop a feed data base in cooperation with FAO and other organizations.

95. The Committee endorsed the proposed schedule of meetings of its subsidiary bodies in 1986-87 on the understanding that the schedule was flexible and would be adapted to meet changing circumstances. Many delegates requested that consideration be given to convening the CCP twice

in each biennium and that sessions of the Committee should be held several months before the FAO Conference. Some other delegates favoured the present practice of convening one meeting in a biennium.

96. Some delegates regretted that, given the vital importance of coarse grains as staple foods in many developing countries, the Group on Grains met only once in each biennium. They suggested that more meetings on grains should be held, possibly as regional workshops or seminars to consider policy aspects of foodgrain production and trade. As regards the Twelfth Session of the Group on Meat and the First Session of the Sub-Group on Hides and Skins, some delegates suggested consideration be given to keep the duration of both these meetings within the normal span of the session of the Intergovernmental Group on Meat. Several suggestions were also made to adjust the timing of certain proposed meetings. The Secretariat informed the Committee that it had taken note of all of the suggestions made and would take them fully into account with a view to maximizing the effectiveness of meetings.

#### VIII. ARRANGEMENTS FOR THE FIFTY-SIXTH SESSION

97. The Committee expressed a preference for holding the Fifty-sixth Session of the Committee in Rome, well ahead of the Twenty-fourth Session of the Conference in 1987, and left it to the Director-General of FAO to fix a precise date of the Session in consultation with the Chairman, taking into consideration the schedule of other meetings, as well as the views expressed in the Committee.

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LISTE DES DELEGUES ET OBSERVATEURS  
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- COREA, REPUBLICA DE

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Permanent Representative to FAO			Principal Administrative Officer	
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			Resources and Rural Development	
<u><b>MEXICO - MEXIQUE</b></u>				
Delegado				
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Suplente			Alternate Permanent Representative	
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Segundo Secretario				
<u><b>MOROCCO - MAROC - MARRUECOS</b></u>				
Délégué			<u><b>PAKISTAN</b></u>	
Mohamed Bennis	Rome		Delegate	
Ministre Plénipotentiaire			M. Afzal Qadir	Rome
Ambassade du Maroc			Permanent Representative to FAO	
Suppléant			Alternate	
Noreddine Radhi	Rome		J. Musharraf	Rome
Chargé d'Affaires Economiques			Alternate Permanent Representative to FAO	
et Commerciales				
<u><b>NETHERLANDS - PAYS-BAS - PAISES BAJOS</b></u>				
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Ministry of Agriculture				
			Suplente	
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Commodities Division			Representante Permanente Alterno ante la FAO	
Ministry of Economic Affairs				
Advisor			<u><b>PERU - PEROU</b></u>	
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Delegate			Delegate	
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Permanent Representative to FAO			Ambassador to FAO	
Embassy of New Zealand				
			Horacio M. Carandang	Rome
Alternate			Agricultural Attaché	
P.N. Baigent	London		Embassy of the Philippines	
Counsellor (Agriculture)				
New Zealand High Commission			<u><b>PORTUGAL</b></u>	
			Delegate	
<u><b>NICARAGUA</b></u>			A. de Almeida Ribeiro	Rome
Delegado			Permanent Representative a.i. to FAO	
H. Carrión	Roma			
Embajador ante la FAO			<u><b>SPAIN - ESPAGNE - ESPANA</b></u>	
			Delegado	
			I. Díaz	Rome
			Representante Permanente ante la FAO	
			Suplente	
			F. de Ana Magán	Rome
			Representante Permanente Adjunto	
			ante la FAO	
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## Delegate

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## Suplente

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Consejero  
 Representación Permanente ante la FAO

A. Murillo Roma

Representante Permanente Alterno  
 Representación Permanente ante la FAO

E.X. Badillo Roma

Segundo Secretario  
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Sra. M. Briceño Zehl Roma

Representante Permanente Alterno  
 Representación Permanente ante la FAO

YUGOSLAVIA - YUGOSLAVIE

## Delegate

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 Minister Plenipotentiary  
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ZAMBIA - ZAMBIE

## Delegate

T.F.F. Maluza Rome  
 Alternate Permanent Representative to FAO





STATEMENT OF THE DIRECTOR-GENERAL

Mr Chairman,  
Distinguished Delegates and Observers,  
Ladies and Gentlemen,

I take pleasure in welcoming to FAO the participants in this Fifty-fifth Session of the Committee on Commodity Problems.

It may not be generally realized that the Committee is of much older origins than the Committees set up after the World Food Conference, and was established in the earliest days of FAO; in fact, 36 years ago.

In this year of our 40th Anniversary, we can thus look back on almost four decades of work by the CCP.

Commodity problems have almost always been difficult and controversial. Indeed, my decision to address you personally reflects my concern about the serious dimensions of today's problems, characterized by severe declines in prices of many commodities on the one hand and mounting protectionism on the other, bringing the world to the brink of a trade war. I can hardly overemphasize the urgency of taking measures to improve this critical situation.

In the complex of international consideration of commodity problems, the CCP has established its own special place, which has generally been much appreciated by governments. Its work has been central to many of FAO's initiatives and accomplishments in international cooperation over the years.

It is therefore a propitious occasion to take stock of the Committee's achievements. As a consultative forum on international policy issues, the CCP has done much in the past to increase understanding on such matters as food reserves and national food and commodity policies and on international agricultural adjustment. Its achievements include, inter alia, the development of principles of surplus disposal and the elaboration of the International Undertaking on World Food Security. The technical and policy work of intergovernmental groups on individual commodities also deserves full recognition.

World trade in agricultural, fishery and forestry products improved in 1984 for the first time in three years. But its dollar value still fell short of the level reached before the commodity price collapse of the early 1980s. Moreover, a significant decline in total agricultural export earnings is likely in 1985, which will be widely shared by both developed and developing countries.

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For a number of important traded commodities, such as grains and sugar, the volume of exports is expected to decline. But what is most disconcerting is the renewed sharp downturn in export prices of most agricultural products in the past twelve months. Palm oil, rubber, soybeans, maize, to name but some, have registered price declines of 20 to 30 percent over this period. And the prices of tea and jute, which reached exceptionally high levels in 1984, have dropped markedly since then.

The sugar price on the free market had fallen to under 3 US cents a pound, the lowest level in real terms this century. The price today is still under one half of the minimum target negotiated in the International Sugar Agreement as long ago as 1977. In fact, many of the world's most efficient sugar producers are being forced out of business while high-cost producers remain unaffected. For some agricultural products, the actual export price received is even less than the available statistics show because exporters, in competition with each other for markets, discount their prices below quoted levels.

The severe hardships facing developing exporting countries are of special concern. The export earnings of sub-Saharan African countries show very little increase and still fall far below the level obtained at the beginning of the eighties, despite their desperate need for developmental imports, food imports, and finance to service debts. In Latin America, too, the improvement in the trade position falls far short of their requirements for meeting debt service burdens and for ensuring adequate growth. And, not least, the unsatisfactory trade growth, combined with a severe cost-price squeeze, has magnified the debt burdens of farmers particularly in major food exporting countries.

The medium-term prospects for commodity export trade also appear generally unfavourable. New FAO projections to the year 1990 suggest a marked slowdown in the growth of this trade in the present decade as a whole compared with the 1970s. Practically all agricultural commodities would be adversely affected. Indeed, for sugar, jute and some hard fibres, the size of international markets is projected to contract further.

The Committee is also called upon to examine two important broader issues. One of these concerns the linkages between international trade and food security. The other one concerns protectionism in agriculture.

There should hardly be need to stress the close relationship between export earnings and food security. Indeed, the record shows that developing countries which have been successful in increasing their trade earnings have also been generally the more successful ones in enhancing their national food security. The relationships which exist between trade and food security raise two fundamental questions. Firstly, how can countries best help themselves, and how can they best be helped, to raise their export performance without setting back vital food production programmes? Secondly, how can international trade be made a more reliable component of food security strategies?



Much of world agricultural commodity trade, including trade in processed primary products so vitally important to developing countries, is hampered by widespread protectionism. And the situation is getting worse instead of better: the use of export aids by developed countries to dispose of their surpluses in products of export interest to developing countries; stricter limitations on imports of beef and sugar into certain developed country markets; high volatility of international markets for their exports; and further restraints imposed on imports of textiles and clothing from developing countries, all illustrate this. It is therefore not surprising that some developing countries have raised doubts about trade as a reliable basis for their food security and economic progress. Clearly much remains to be done to restore confidence in the international trading system.

All of us, I am sure, had hoped that the GATT Ministerial programme of work, launched nearly three years ago, would contribute to the liberalization of trade, including trade in agriculture. Indeed, it is more essential than ever that the useful work done in the GATT Committee on Trade in Agriculture and the consultations on tropical products should move forward to real negotiations on trade liberalization. Hopefully, the new round of multilateral trade negotiations, as and when launched, would expedite this process.

The alternative course is a slide toward further unilateral curbs on trade and wasteful competition for markets. There can be no doubt that the ultimate consequences of such a course, which unfortunately seems to be becoming more popular in some major trading nations, would be grim for all, and particularly for the developing countries. In fact, the only feasible solution to the severe external constraints faced by developing countries rests on the willingness of the industrialized world to provide expanding export market opportunities to them.

In certain other respects, too, international action to bring order to world commodity markets has been most disappointing. Despite 86 ratifications of the Agreement on the Common Fund, by both developed and developing countries, the decision of a major producing and exporting country not to ratify it has cast serious doubts on the Fund becoming operational.

The breakdown last year of the negotiations on a new international sugar agreement is also a cause for particular concern. The other international commodity agreements face enormous strains either in their operations, as with coffee, or as regards their re-negotiation, as in the case of the cocoa agreement. And efforts to negotiate new commodity agreements, such as on tea and bananas, have not been successful.

In contrast with the situation in developing countries, the industrialized countries, have accumulated large surpluses of commodities like grains, livestock products and wine. The sheer size of their surpluses constitutes a threat to orderly international trade: for instance, current stocks of butter, exceeding one million tons in the EEC and the United States alone, amount to about twice the usual volume of world butter trade.

In this connection, the Committee will be paying special attention to serious problems which face the world milk and dairy sector. Most exports of dairy products now come from high-cost producing countries which have to rely on export subsidies to remain competitive. Total government expenditure on dairy market support in the industrialized countries is at a record level, a staggering 9 thousand million dollars, in 1985. Importing developing countries no doubt gain, at least in the short run, from the availability of low-priced and subsidized supplies on the world market. But it is also essential to give constructive thought to ways of harnessing surpluses to the developmental potential of dairying in the developing countries.

Mr Chairman,

Your agenda, consistently with the Committee's terms of reference, is wide-ranging. This illustrates the deep extent to which the state of agriculture and agricultural trade are entwined with the broader economic and social issues of our times. The world's commodity problems are not simple; nor are the solutions. But I trust that the spirit of cooperation, which has characterized your achievements in the past, will continue to inspire your endeavours at this Session and in the future.

I look forward to the results of your deliberations and wish you all success in your work.

APPENDIX CAGENDA

1. Opening of the Session
  - (a) Election of Chairman and Vice-Chairmen
  - (b) Adoption of Agenda and Timetable
2. Review of World Commodity Situation and Outlook
3. Selected Commodity and Trade Issues
  - (a) International Trade and World Food Security
  - (b) International Trade in Dairy Products - Review, Prospects and Issues
4. Recent Developments in Protectionism in Agriculture. Follow-up to Conference Resolution 2/79
5. Review of Activities of the Intergovernmental Commodity Groups
  - (a) Grains
  - (b) Rice
  - (c) Oilseeds, Oils and Fats
  - (d) Meat
  - (e) Bananas
  - (f) Jute, Kenaf and Allied Fibres
  - (g) Hard Fibres
  - (h) Tea
6. Review of the Work of the Consultative Sub-Committee on Surplus Disposal (CSD)
7. International Action Relating to Agricultural Commodities
  - (a) Developments in UNCTAD, GATT, Common Fund and Other Organizations
  - (b) FAO Commodities Programme of Work 1986-87
8. Arrangements for the Fifty-sixth Session
9. Any Other Business
10. Adoption of Report



LIST OF DOCUMENTS

CCP 85/1	Provisional Agenda and Agenda Notes	1
CCP 85/2	Report of the Eighteenth Session of the Intergovernmental Group on Hard Fibres	5(g)
CCP 85/3	Report of the Nineteenth Session of the Intergovernmental Group on Jute, Kenaf and Allied Fibres	5(f)
CCP 85/4	Report of the Eighteenth Session of the Intergovernmental Group on Oilseeds, Oils and Fats	5(c)
CCP 85/5	Report of the Twenty-Seventh Session of the Intergovernmental Group on Rice	5(b)
CCP 85/6	Report of the Twentieth Session of the Intergovernmental Group on Jute, Kenaf and Allied Fibres	5(f)
CCP 85/7	Report of the Twenty-Second Session of the Intergovernmental Group on Grains	5(a)
CCP 85/8	Report of the Nineteenth Session of the Intergovernmental Group on Hard Fibres	5(g)
CCP 85/9	Report of the Eleventh Session of the Intergovernmental Group on Meat	5(d)
CCP 85/10	Report of the Twenty-Eighth Session of the Intergovernmental Group on Rice	5(b)
CCP 85/11	Consultative Sub-Committee on Surplus Disposal: Thirtieth Report to CCP	6
CCP 85/12	International Action Relating to Agricultural Commodities: Developments in UNCTAD, GATT, Common Fund and Other Organizations	7(a)
CCP 85/13	Protectionism in Agricultural Trade: Review of Action Taken on Conference Resolution 2/79	7(a)
CCP 85/14	Review of the World Commodity Situation and Outlook	2
CCP 85/15	International Trade and World Food Security	3(a)
CCP 85/16	International Trade in Dairy Products - Review, Prospects and Issues	3(b)
CCP 85/17	Commodities Programme of Work and Meetings Schedule for 1986-87	7(b)
CCP 85/18	Report of the Sixth Session of the Intergovernmental Group on Tea	5(h)
CCP 85/19	FAO Agricultural Commodity Projections to 1990: Overview of Main Findings and Issues	2
CCP 85/20	Review of the Commodity Situation and Outlook - Updating Statement	2
CCP 85/21	Report of the Twentieth Session of the Intergovernmental Group on Hard Fibres	5(g)



APPENDIX EMEMBERSHIP OF THE COMMITTEE ON COMMODITY PROBLEMS (BIENNIUM 1984-85)  
(as at 25 October 1985)

ALGERIA	GERMANY, FEDERAL REPUBLIC	PANAMA
ANGOLA	GHANA	PERU
ARGENTINA	GREECE	PHILIPPINES
AUSTRALIA	GUATEMALA	PORTUGAL
AUSTRIA	HONDURAS	ROMANIA
BANGLADESH	HUNGARY	SAO TOME AND PRINCIPE
BELGIUM	INDIA	SENEGAL
BOLIVIA	INDONESIA	SIERRA LEONE
BRAZIL	IRAN	SPAIN
BULGARIA	IRAQ	SRI LANKA
CAMEROON	IRELAND	SUDAN
CANADA	ISRAEL	SURINAME
CAPE VERDE	ITALY	SWEDEN
CHILE	JAPAN	SWITZERLAND
COLOMBIA	JORDAN	TANZANIA
CONGO	KENYA	THAILAND
COSTA RICA	KOREA, REPUBLIC OF	TRINIDAD AND TOBAGO
CUBA	LESOTHO	TUNISIA
CYPRUS	LIBERIA	TURKEY
CZECHOSLOVAKIA	LIBYA	UGANDA
DENMARK	MADAGASCAR	UNITED KINGDOM
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA	MALAWI	UNITED STATES OF AMERICA
DOMINICAN REPUBLIC	MALAYSIA	URUGUAY
ECUADOR	MEXICO	VENEZUELA
EGYPT	MOROCCO	YEMEN ARAB REPUBLIC
EL SALVADOR	NETHERLANDS	YEMEN, PEOPLE'S DEMOCRATIC REPUBLIC OF
EQUATORIAL GUINEA	NEW ZEALAND	YUGOSLAVIA
ETHIOPIA	NICARAGUA	ZAIRE
FINLAND	NIGER	ZAMBIA
FRANCE	NIGERIA	
	NORWAY	
	PAKISTAN	





REVISED TERMS OF REFERENCE OF THE INTERGOVERNMENTAL GROUP ON MEAT 1/

1. The Group shall provide a forum for consultations on and studies of international trade, production and consumption of meat, including poultry meat, and hides and skins, and problems connected with these products, with particular emphasis on the problems involved in the creating or development of livestock, [and] meat and hides and skins sectors and on the problems of meat marketing and of hides and skins marketing and processing.

2. To this effect, the field of competence of the Group shall include:

- (a) assembly and analysis of comprehensive and regular data on the current situation and short, medium and long-term market prospects for these products; improvement of basic statistics and of economic information, and the establishment of an international economic intelligence system for the purpose of improving market knowledge;
- (b) analysis of programmes related to the expansion of production of meat, including poultry meat, and their influence on levels of imports and exports;
- (b) bis analysis of programmes related to increasing the recovery of hides and skins, improvement of the quality of hides and skins, their handling, processing and preparation for industrial utilization and export;
- (c) exchange of information on up-to-date techniques aimed at improving productivity of the livestock and hides and skins sectors in developing countries with a potential for further development;
- (d) exchange of information on and the study of national meat and hides and skins policies to the extent that such information and studies are not available to the Group through other international organizations, it being understood that this function would be interpreted in relation to paragraph 8 below;
- (e) deepen knowledge of seasonal and cyclical variations and long-term trends in the market in order to mitigate fluctuations in the volume of supplies, prices, and earnings in the short, medium and long run;
- (f) facilitate cooperation between interested governments, at their request, on the preparation of surveys of internal marketing problems affecting meat [and] including poultry and hides and skins;
- (g) bearing in mind measures and standards adopted by governments and formulated by international bodies in the field of meat hygiene and veterinary and sanitary regulations, to identify problems arising therefrom and affecting world trade and to draw these to the attention of the competent bodies as a contribution to the reconciliation, where possible, of national standards.

3. To study, within the foregoing terms of reference, the best way of resolving special difficulties which might arise or which are anticipated; and to submit reports and, if appropriate, recommendations on such problems, subject to the provisions of paragraph 8 below;

1/ Additions have been underlined, and suggested deletions put in square brackets. In the final version, paragraph numbers will be adjusted as required.

3.bis The Group shall take into account matters concerning leather and leather manufactures derived from hides and skins insofar as this is necessary for carrying out its mandate.

4. Membership in the Group shall be open to all Member Nations and Associate Members of the Organization that are substantially interested in the production or consumption of, and trade in, these commodities. So far as participation of dependent territories is concerned, the provision of Article 69 of the Havana Charter shall apply. In order to be considered as a member, eligible Member Nations or Associate Members shall communicate to the Director-General a formal expression of intention. Interested non-Member States of the Organization that are members of the United Nations, any of its Specialized Agencies or the International Atomic Energy Agency may be admitted by the Council of the Organization to membership.
5. Attendance by non-Member States of the Organization at sessions shall be governed by the principles relating to the granting of observer status to Nations, adopted by the Conference.
6. In order to ensure the effective discharge of the functions of the Group, governments shall, as far as practicable, furnish all the information required for its work.
7. The Group shall report to the Committee on Commodity Problems, it being understood that copies of its reports, including any conclusions, will be circulated to interested governments and international organizations for their information as soon as they become available.
8. The Group shall make arrangements for liaison in its activities with other organizations especially interested in meat products and in hides and skins products and in particular shall not duplicate the relevant activities of the GATT, IOE, OECD, and Codex Alimentarius Commission and other organizations.
9. The Director-General shall keep the United Nations Conference on Trade and Development and the Economic and Social Council informed of the activities of the Group.
10. The Group, bearing in mind Resolution 21/67 of the FAO Conference shall, in consultation with the Director-General, determine the dates and places of its sessions, keeping in mind the character and importance of the subjects under review, the number of governments interested in meat products, and the need for economy in the cost of meetings and travel.
11. The Group may adopt and amend its own rules of procedure, which shall be approved by the Committee on Commodity Problems and shall be consistent with the rules of the Committee.



